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**From:** Ens, Amanda <[REDACTED]>  
**Sent:** Thursday, July 25, 2013 12:27 PM  
**To:** Ens, Amanda  
**Cc:** Barrett Team  
**Subject:** Facebook Beginning to Show the True Potential of Its Ad Platform; We'd Continue to Be Buyers, Increase PT to \$44.  
**Attachments:** FB.pdf

FB is trading up \$6 at \$3=.65 in the pre-market after closing at \$26.51 yesterday.<=p>

Facebook Beginning to Show the True Potential of Its Ad Platform; We'd Continue to Be Buyers, PT to \$44

- \* Facebook delivered its strongest quarter yet-as a public company—results that we think could be thesis-changing for many
- \* The combination of the large 2Q earnings beat= significant increase in forecasts going forward and the fact that sentiment was quite weak before earnings should help drive further gains in the stock
- \* We would continue to buy Facebook shares even=after the ~17% move up in the after-market yesterday
- \* Upside was completely driven by mobile advertising, which came in almost 50% higher than expected and is now 51% of FB's ad revenue (mobile becoming a tailwind instead of a headwind)
- \* FB likely at an inflection in advertising demand and ad quality, where its targeting and tracking efforts are paying off=with increased ad pricing
- \* User engagement is steady and average time spent per person on FB continues to increase
- \* Our revenue and non-GAAP EPS estimates increase 12% and 38% for 2013, and 22% and 46% for 2014
- \* Our price target moves from \$35 for year-end=2013 to \$44 for year-end 2014, based on the average of our DCF analysis (\$4=), 15x 2015E EBITDA (\$45), and 30x 2015E non-GAAP EPS (\$38)
- \* We reiterate our Overweight rating on the stock
- \* Full research report attached

Thanks,

Amanda

320 Park Ave, 14th Floor, New York, NY 10022

T: [REDACTED] | F: [REDACTED] | M: [REDACTED] <= href="mailto:%7CAmanda.Ens@jpmorgan.com">  
[REDACTED]

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