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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 Facebook'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

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