

Facebook's flotation

Red faces

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MARK ZUCKERBERG, Facebook's chief executive, had something other than his firm's initial public offering (IPO) to celebrate this weekend when he [married](#) Priscilla Chan, his long-standing girlfriend. Unfortunately for Mr Zuckerberg, investors seem less than firmly wedded to his social network's equity. On May 21st Facebook's shares finished trading on the NASDAQ stockmarket at just above \$34 each, some 11% below the company's \$38 listing price, after dropping as low as \$33 earlier in the day. (**Editor's note** (21:00 GMT on May 22nd): On the third day of trading Facebook's share price dropped another 8.9% to \$31.) This is deeply embarrassing for everyone involved in one of the biggest public offerings in corporate history.

Some critics say that NASDAQ itself is primarily to blame for this fiasco and the stockmarket has certainly come out of the listing process with egg all over its face. Trading in Facebook shares was delayed for more than 30 minutes at the start of Facebook's market debut on May 18th because of glitches in NASDAQ's software, which sowed confusion amongst investors. The

[repercussions](#) of this were still being felt as trading began again this week. Robert Greifeld, the market's boss, admitted that NASDAQ is “humbly embarrassed” by the whole episode.

So it should be. But NASDAQ, which is trying to fix its software issues and deal with disgruntled traders, is not the only outfit that deserves the brickbats being thrown at it. The investment banks that oversaw Facebook's public offering, led by Morgan Stanley, clearly misjudged investors' appetite for a company that still has huge question marks hanging over its core advertising business and its prospects in other areas. The banks' mistake has no doubt cost at least some of them dearly as they have tried to prop up Facebook's share price.

The irony is that Facebook's shares are now trading at the upper end of the \$28 to \$35 price range it initially set for them, before agreeing to raise the target to \$38 just ahead of its flotation—presumably on its bankers' advice. Some observers [have argued](#) that the fuss over the social network's disappointing market reception is overblown and that its long-term prospects are bright. Facebook's performance will indeed be judged over months and years, not a mere couple of days. But as with any fledgling relationship, first impressions count and the ones left by the social network's initial public offering are hardly encouraging.