

IS FACEBOOK REALLY WORTH \$750 BILLION?

Jeff Weniger — Head of Equity Strategy

08/13/2020

“Getting MySpaced.” It’s the existential fear of every social media company.

One day your portal is the coolest game in town. The next it goes the way of MySpace, the precursor to Facebook.

The equation is often brutal, because there is no equation. Something catches on in the psyche of teenagers and they move to it en masse causing them to forget the old platform. The old platform is forgotten. That’s what happened when “The Facebook” supplanted MySpace, which supplanted Friendster, which supplanted LiveJournal.

Yes, there is more to Facebook in 2020—Instagram and WhatsApp are in its portfolio—but are those somehow immune to being MySpaced?

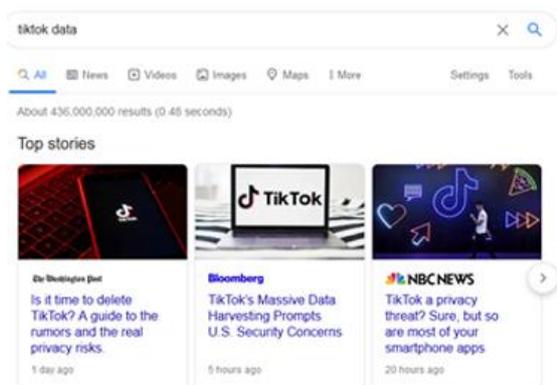
Facebook also dabbles in other businesses, such as Oculus VR, the virtual reality venture. But CEO Mark Zuckerberg plunked out just \$2.3 billion for it in 2014, an amount that hardly makes a dent in a \$744 billion company, the fourth largest in the [S&P 500](#).

Two years ago I thought the #DeleteFacebook trend in the wake of the [Cambridge Analytica scandal](#) would prove its undoing, or at least its defenestration. I thought that the rest of the public had internalized Orwell’s *1984* warnings as I had.

I was wrong.

The U.S. social media giants have—or maybe had—a risk in the form of TikTok, the Chinese platform known for teens and tweens doing silly dance routines. Though the appeal of the concept is lost on my MTV and VH1 sensibilities, TikTok’s two billion global downloads is testament to its reach.

Now TikTok is embroiled in scandal. Amid the West’s rejection of China’s Huawei in the build-out of 5G infrastructure has come greater awareness that the Communist Party’s reach extends across the tech world. Concern about Beijing’s espionage has turned eyes to TikTok’s treasure trove of information on our children. Here is what comes up in a Google search for “TikTok Data.”



Source: Google, 7/14/20.

See that NBC News headline on the right?

With Washington focusing on TikTok’s data gathering, it is hard to see how Facebook, Twitter, Uber or anyone else in Silicon Valley will get off scot-free.

There is a saying that often makes the rounds whenever talk turns to Facebook:

If you're not paying for the product, you are the product.

On Twitter and Facebook, reasoned argument loses to the loudest voice, the most radical. In the early days, we thought the Internet would prove a libertarian bonanza. Yet here we are in 2020, social divisions as deep as ever, cancel culture eating people at random, fed by everyone's knowledge that the easiest way to strike a nerve isn't to move the Overton window but to shatter it.

Anything for the dopamine rush of "likes" and retweets. A viral post is the modern-day slot machine.

Gather up user numbers, sell advertising, spike our dopamine, repeat. That's the business model.

We are 20-some-odd years into this mass communication experiment. Reasoned argument, logic, statistics? They go into a vacuum, typed into a void of zero Facebook likes, zero Twitter retweets.

I have news: the GOP, if it holds any power come November, is not going to simply stop citing Section 230 of the Communication Decency Act. It states that "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider."

That means you can host a social media platform, let everyone yell at each other and do what they do, but the moment you start deciding what can and cannot be said, you lose immunity from lawsuits.

And in a litigious society, where you can trip over a pebble in someone's driveway and have a jury award you a cool million, the general public filing lawsuit after lawsuit against Facebook and its ilk is an existential business risk.

Facebook had revenues of \$70.7 billion in 2019, resulting in \$8.6 billion in profits. Its [market cap](#) is \$714 billion. A lot of money is at stake. As I see it, the company and its peers may have sleepless nights over these four issues:

1. The kids simply get bored and move on to the next app
2. Advertisers tire of the political tug of war and throw in the towel
3. Politicians roll up their sleeves and start regulating
4. The public starts suing

There is more, such as Uncle Sam's coming tax grab, but for now I will stop here.

Here is Facebook's weight in WisdomTree's U.S. Large Cap Funds. For Facebook [bulls](#), maybe the [WisdomTree Growth Leaders Fund \(PLAT\)](#) is the angle. For the [bears](#), several of "the Ds," which have zero exposure to the firm.

Facebook Weight, WisdomTree U.S. Large Cap ETFs		
PLAT	WisdomTree Growth Leaders Fund	7.04%
EPS	WisdomTree U.S. Large Cap Fund	2.07%
USMF	WisdomTree U.S. Multifactor Fund	0.73%
DGRW	WisdomTree U.S. Quality Dividend Growth Fund	0.00%
DTD	WisdomTree U.S. Total Dividend Fund	0.00%
DTN	WisdomTree U.S. Dividend ex-Financials Fund	0.00%
DHS	WisdomTree U.S. High Dividend Fund	0.00%
DLN	WisdomTree U.S. Large Cap Dividend Fund	0.00%
QSY	WisdomTree U.S. Quality Shareholder Yield Fund	0.00%
SPX	S&P 500	2.18%

Source: WisdomTree, as of 8/5/20. Weights subject to change.

Important Risks Related to this Article

For PLAT: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty; these risks may be enhanced in emerging, offshore or frontier markets. Technology platform companies have significant exposure to consumers and businesses and a failure to attract and retain a substantial number of such users to a company's products, services, content or technology could adversely affect operating results. Technological changes could require substantial expenditures by a technology platform company to modify or adapt its products, services, content or infrastructure. Technology platform companies typically face intense competition and the development of new products is a complex and uncertain process. Concerns regarding a company's products or services that may compromise the privacy of users, or other cybersecurity concerns, even if unfounded, could damage a company's reputation and adversely affect operating results. Many technology platform companies currently operate under less regulatory scrutiny but there is significant risk that costs associated with regulatory oversight could increase in the future. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit and the

Fund does not attempt to outperform its Index or take defensive positions in declining markets. The composition of the Index is heavily dependent on quantitative and qualitative information and data from one or more third parties and the Index may not perform as intended.

For all other Funds listed: Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Due to the investment strategies of the Funds, they may make higher capital gain distributions than other ETFs. While the Funds are actively managed, the Funds' investment processes are expected to be heavily dependent on quantitative models and the models may not perform as intended.

Please read each Fund's prospectus for specific details regarding the Fund's risk profile.

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

Prior to August 1, 2020, the WisdomTree Growth Leaders Fund was named the WisdomTree Modern Tech Platforms Fund.

There are risks associated with investing, including the possible loss of principal.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Market capitalization-weighting : Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Bullish : a position that benefits when asset prices rise.

Bear market : A sustained downturn in market prices, increasing the chances of negative portfolio returns.