Ahead of the Bell: Facebook Lock-Up Expires

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NEW YORK — Facebook's biggest lock-up period — a time following an IPO that prevents insiders from selling stock — expires on Wednesday.

This means employees, former employees, and investors can now sell shares they own in the social networking company. The expiration dates have been looming over Facebook's stock. If a lot of investors sell at once and flood the market with new shares, the company's stock price could decline. In all, 773 shares become eligible for sale Wednesday, along with 31 million restricted stock units. In addition, about 48 million shares held by former Facebook employees will also be eligible for sale, bringing the total to 852 million.

Lock-ups are common after initial public stock offerings and are designed to prevent a stock from experiencing the kind of volatility that might occur if too many shareholders decide to sell all at once.

The previous lockup expired on Oct. 29, when U.S. stock markets were closed because of Superstorm Sandy. Facebook's stock fell nearly 4 percent two days later, when the stock market reopened.

Cantor Fitzgerald analyst Youssef Squali kept a "Buy" rating on Facebook's stock ahead of the expiration and said he thinks most of those selling Wednesday will be ex-Facebook employees and some institutions that did not participate in the IPO.

Facebook Inc. had a notorious initial public offering in May at $38, mired by technical glitches, and it's been under pressure since because of doubts about its ability to grow revenue at a fast clip.

The shares saw their biggest one-day gain on Oct. 24, the day after the company reported stronger-than-expected third-quarter results and detailed for the first time how much money it made from mobile ads. But shares have declined since then.

Mobile revenue has been a concern since before Facebook's IPO since more and more people are accessing the site on wireless phones and tablets.

Facebook's stock added 19 percent to close at $23.23 on Oct. 24, but has fallen to $19.86 as of Tuesday's closing. The stock rose 27 cents to $20.13 in premarket trading Wednesday.

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