

## Zuckerberg Hosts Conference Call on Cambridge; Data Leak Number Grows Significantly

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Mark Zuckerberg held a conference call this afternoon for media in which he addressed the Cambridge fiasco in more detail. While the number of potential impacted users was previously thought to be 50 million, it now looks the user data leak actually is closer to 87 million users, a significantly higher figure that adds to the heat Zuckerberg & Co. will face next week appearing in Congressional testimony and hearings around the Cambridge leak. While there have been further security enhancements to the platform added/changed over the past few weeks as this intense investigation continues post Cambridge, this could be a “multi-year” process to fully grasp the complexity of issues and algorithms around this data leak and guarding against future issues going forward. Facebook will have roughly 20,000 employees working on security of the platform by year-end as this remains a major area of investment for Facebook to protect user data and make sure the platform recovers from the darkest chapter in its 14-year history around Cambridge. While going in front of Congress will be challenging few days with a tremendous amount of heat on Zuckerberg & Co., it is a necessary smart strategic step for Facebook to head to the Beltway next week as the public fury continues to grow around the Cambridge data leak with the stepped up impacted user number adding gasoline to the fire. This has just created more Street nervousness around the nightmare PR minefield that Facebook and Zuckerberg has encountered post the Cambridge Analytica situation over the past few weeks which has unleashed a 15%+ sell off in shares, regulatory chatter/noise coming from the Beltway and EU, the launch of an expansive FTC investigation, and a #Delete Facebook user campaign. With a data leak of 87 million users potentially exposed in the Cambridge Analytica situation and growing worldwide criticism of Facebook’s handling of this situation, we would characterize this as a “defining period” for Facebook, Zuckerberg, and the Street’s ability to navigate through this hurricane-like storm with the company’s business model still well intact. **We maintain our Highly Attractive rating** despite this white knuckle period ahead for Facebook which could result in a range-bound stock in the near-term.