



## CHAOS at Facebook: Are Your Tech Stocks Next?

### Description

Yesterday, we saw some serious chaos emerge at **Facebook** (NASDAQ:FB), as the company's website and apps went down for a period of six hours. Theories swirled on other social media sites trying to explain what had happened. Some speculated that hackers took the site down, while others opined that a rogue Facebook employee may have done the deed.

Eventually, it came out that Facebook.com went down because of changes to [data centre router configurations](#). The company did not reveal whether that was accidental or due to a malicious actor.

Regardless of why it happened, the Facebook outage sparked a debate about tech company security. Much of that revolved around users: *how can user data be safe if big tech companies can't even keep their own servers operational?* To a lesser extent, the debate also focused on investors. In much the same way that users are at risk due to tech company mishaps, investors are also at risk. Facebook probably lost hundreds of millions of dollars to that six-hour outage, and who's to say that an even bigger outage couldn't happen in the future?

### Financial implications of the Facebook outage

Facebook's outage likely had serious implications for the company and its investors. We can't put a price tag on the down time just yet, but we can come up with a rough estimate.

In its most recent quarter, Facebook did \$29 billion in revenue. The third quarter has 92 days. If the third quarter otherwise would have been the same as the second quarter, then FB would have missed \$316 million in revenue from yesterday's outage ... had it lasted the whole day.

Now, that's simplifying a little, because the outage *didn't* last the whole day. But it did last for most of the work day and early evening — peak traffic times for Facebook. So, it's entirely possible that Facebook lost \$200-\$300 million in revenue to yesterday's downtime.

## What about Canadian tech stocks?

As we've seen, Facebook lost substantial sums of money to the recent outage.

As Canadians, it's natural to wonder whether our own companies could suffer a similar fate. Certainly, we're free to invest in Facebook on the U.S. exchanges. But everyone roots for the home team, so we might ask whether [Canadian tech giants](#) like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) could go down like Facebook did.

Indeed, they could.

Shopify, like Facebook, depends heavily on servers and data centres. Among other things, it depends on such infrastructure for

- Keeping its own website online;
- Keeping its backend tools online;
- Hosting customer websites; and
- Processing customer payments.

All of these things ultimately happen in data centres like the one in California that caused Facebook's outage. So, yes, what happened to Facebook could conceivably happen to Shopify.

Will it happen? That's hard to say. Hindsight is always 20/20, and most tech companies will try to learn from what happened to Facebook yesterday. But you never know where the next big outage, hack, or cyber attack will come from. So, it pays to diversify your investments. You never know when one of them will fall to a threat that nobody saw coming.

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