

Meta Platforms, Inc. (META)
Third Quarter 2025 Results Follow Up Call
October 29th, 2025

Operator: Good afternoon. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to Meta's Third Quarter Results Follow-Up Q&A Call. All lines have been placed on mute to prevent any background noise.

After the speaker's remarks, there will be a question and answer session. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, again press star one. We ask that you limit yourself to one question, and this call will be recorded. Thank you very much. Kenneth Dorell, Meta's Director of Investor Relations, you may begin.

Kenneth Dorell: Thank you. Good afternoon, and welcome to the Follow-Up Q&A call. With me on today's call are Susan Li, CFO, and Chad Heaton, VP of Finance.

Our remarks today will include forward-looking statements, which are based on assumptions as of today. Actual results may differ materially as a result of various factors, including those set forth in today's earnings press release and in our quarterly report on Form 10-Q filed with the SEC. We undertake no obligation to update any forward-looking statement.

During this call, we will present both GAAP and certain non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release. The earnings press release and accompanying investor presentation are available on our website at investor.atmeta.com. And now, I'd like to turn the call back over to Krista for the first question.

Operator: Thank you. We will now open the lines for a question and answer session. To ask a question, please press star one on your touchtone phone. To withdraw your question, again press star one. We ask that you limit yourself to one question. Please pick up your handset before asking your question to ensure clarity. If you are streaming today's call, please mute your computer speakers. And your first question comes from Stephen Ju with UBS. Please go ahead.

Stephen Ju: Great. Thank you. Hi, Susan, Chad, Ken. So, from the outside looking in, I think there's been some reports of some headcount changes, especially within some of your AI headcounts. So, I guess, in this era where that kind of talent continues to be pretty difficult to come by, it seems a little bit at odds with what's kind of going on out there.

So, can you talk about where you're prioritizing, where you're reprioritizing, what you might be deprioritizing, et cetera, in terms of what you might be looking to do?

And for next year around the OpEx commentary, the D&A expenses and the energy expenses, that's all straightforward. But is there anything you can add

from a headcount expense standpoint as we think about the modeling for next year? Thanks.

Susan Li: Hi, Stephen. Thank you for the question. So, a bunch of points to that, and I will try to get to all of them.

So the first, I think you were referencing reading about some of the press reports about the MSL reorg. That was effectively first. Over the course of the last one to two quarters, we've been really focused on building out that team. Mark described it, I think, very eloquently in his remarks as the most talent-dense team in the industry.

Now that that team has been largely built out, we are making changes to optimize the org structure. It has three key areas, research, which is led by Shengjia Zhao, who is our Chief Scientist, and Rob Fergus is leading the longer term research efforts within FAIR. Then, there's product, which is led by Nat Friedman, and Infrastructure, which is led by Aparna Ramani.

And the reorg that we did to optimize the org structure, we did that in conjunction with sort of the headcount reduction. We've really set up our new research lab to be the most talent-dense team, and we're trying to carry that principle over to other areas of MSL as well.

And the team size reduction is really to ensure that each person working within the lab has more scope and autonomy. We find that smaller teams can move more quickly.

Also, to your point about the difficulties in AI recruiting, generally, the majority of the people we believe moving out of MSL will have the opportunity to find new roles elsewhere in the company. And we continue to focus on hiring industry-leading, AI native talent. So that's on the first part of your question.

The second part of your question, just in terms of working through where the 2026 hiring will be, we expect that we'll be growing headcount in 2026 in a very targeted way, again, across the company's priority areas, monetization, infrastructure, AI, and that the talent will generally be concentrated in technical roles, which, again, have the dimension of carrying a higher compensation profile, so that accrues to compensation expenses growing faster than headcount.

But, having said that, we are not done yet. We are very focused on making sure that the company at large, including the priority areas, is operating efficiently and leveraging, frankly, the AI tools that we have available to ensure that people continue to operate with increased productivity as those tools become more effective and performant over time.

Operator: Your next question comes from the line of Benjamin Black with Deutsche Bank. Please go ahead.

Benjamin Black: Great. Thank you for taking my question. So, Susan, can you talk a little bit about what you're seeing across the advertising operating environment? How is the macro backdrop holding up as you sort of enter the holiday shopping season?

And then, I think you touched on this in the public call, but could you talk a bit more about your initiative to leverage LLMs to drive content understanding, which I guess feeds into your recommendation models. How do you think that's going to impact engagement and what hurdles are there to rolling it out more broadly across the Family of Apps? Thank you.

Susan Li: Yes. So on your first question, we continue to see that our revenue growth has been broad-based across all user regions, across most advertiser verticals. We think that the macro landscape as it is today is strong, and obviously that is something that can change and there are many factors outside of our control. But we think that the revenue guidance range that we give helps capture the likely span of possible outcomes there.

We also believe in addition to the macro backdrop, again, being strong as it is, that we're also quite happy with the pipeline of revenue initiatives that we have internally that we believe will help us deliver continued strong revenue growth in 2026. Yes. Chad, do you want to take this other part of the question?

Chad Heaton: Yes. So I think the second part was how we're going to be using LLMs to improve the engagement and our recommendation systems. So, we're continuing to work on utilizing multimodal LLMs more into our recommendation systems across our apps. We expect this is going to be particularly useful for improving content understanding as LLMs can more precisely label the keywords and topics within videos and posts.

This is going to help us classify content with more precision, which then helps our systems develop deeper intuitions about why a piece of content is interesting to someone, and then, also, better identify content that matches those interests.

So, we're expecting to leverage LLMs for content, understanding more broadly across Facebook and Instagram over the coming months.

Operator: Your next question comes from the line of Shweta Khajuria with Wolfe Research. Please go ahead.

Shweta Khajuria: Thanks a lot for taking my question. I have one on Meta AI Vibes. So, that has shown since launch some good traction from the data we see. So how are you thinking about differentiating the product itself?

You certainly benefit from distribution and that's what Mark talked about on the call. But from the product perspective, how do you think it's going to differentiate durably versus competitive products? Thank you.

Susan Li: Yes. I think we're pretty early in understanding how this is going to evolve. Now, as you noted, we have seen strong increases in usage of Meta AI since we launched Vibes. We've also seen that media generation in the app is over 10 times higher in the app than since we launched it and we're seeing DAU growth inflect.

So, it's still early, obviously, but we're seeing some clear signals that there are a lot of people who are interested in using AI tools to create content.

I think that, given the degree to which we are seeing strong growth, even with the limitations of the models today, I think the fact that the models are only going to get better from here is going to enable us to tap into a lot of the strengths of our platform as we introduce the next models.

The fact that we have a massive ecosystem of content already produced by people today should mean that having AI editing tools that reduce the barrier to editing content should enable even more and faster content creation.

We find that it's easy for content on our services to pick up traction and distribution as we add more AI capabilities. Those capabilities can get surfaced quickly and we think that it'll leverage our distribution platform in that way.

We also have strong capabilities in messaging. What you see with a lot of AI generated content is that you may create something that you just want to share with a small audience pretty easily, and then you can message it to them.

And then, finally, we think that as these tools make it easier for people to create content, we should expect content in the ecosystem to grow meaningfully, and that's where having a strong recommendation system that can then help match the right content to the right person can be a big advantage.

So, I think it'll be very interesting to see how this evolves over time. But I think the combination of continually improving models, and then the ecosystem distribution and recommendation advantages that we have, I think will really enable us to tap into kind of a lot of our core strengths.

Operator: Your next question comes from the line of Deepak Mathivanan with Cantor Fitzgerald. Please go ahead.

Deepak Mathivanan: Great. Susan, a couple questions. So, first, the time spent on the platform continues to see very good growth based on the gains that you're seeing with recommendations. But curious if the growth of platforms, like ChatGPT, and also Sora recently as -- it was kind of like a weight on engagement, or maybe specific types of engagement in certain cohorts or geos of users that you're seeing. Broadly, how do you view the competition from AI tools that are scaling to the time spent on your apps?

And then, second one, if I can, can you give us an update on where the penetration of GEM and Andromeda across sort of the various surfaces, be it Feeds, Stories in Facebook and Instagram currently is? Just trying to

understand how additional capacity coming live can take this penetration higher in the next few quarters. Thank you so much.

Susan Li:

Yes. I mean, again, I think we're able to measure our own engagement directly, and what we can measure is, again, that we are seeing very healthy trends broadly that the product improvements and AI recommendations are driving incremental engagement as we would expect.

And we talked about some of those things on the call. The AI recommendation system is driving 5% more time spent on Facebook and 10% on Threads, and generally growth in family DAP was healthy at 8% year-over-year in Q3 and daily usage continues to grow across each of Facebook, Instagram, and WhatsApp.

So, we feel like the engagement trends we see are quite strong. And for us, it isn't sort of any single launch. We see that there are many optimizations that we make to the recommendation systems over the course of the quarter that help us make more accurate predictions about what will be most interesting to each person.

So whether that is adding new engagement signals to our ranking models on Reels, such as seeing how people save content or interact with re-shared content and using that to better personalize the posts we recommend, or on Facebook video, we integrated more engagement signals that we were able to use to better align our content recommendations with people's preferences, and the increased emphasis on ensuring that we are increasing the freshness of recommended content, so people see more recent posts when they begin their sessions.

So, we feel like, again, the core engagement metrics that we look at are generally healthy, and we feel like we've seen the recommendation improvements that we've made pay off, and we also feel like when we look forward, is a good -- we see a lot of headroom to improve recommendations in 2026, whether that is around scaling up our models and increasing the amount of data we use to improve recommendation quality, whether it's around evolving our recommendation systems to help people discover more diverse and niche content.

We've made some of these changes already on Facebook and have seen good results and are evolving Instagram in the same way to consider posts you've already seen when deciding what to recommend to you.

We're also focused on making the recommendations even more adaptive to what a person is engaging with during their session, so that the recommendations we surface are more relevant to what they're interested in at that moment. And then we have longer-term research bets around developing foundation models that will support recommendations across multiple surfaces, and some of what Chad alluded to earlier around incorporating LLMs more deeply into our recommendation system. So, there's, I think, a good pipeline of work to do there.

Chad Heaton: On the second part of your question about the penetration of Andromeda and GEM, so starting with Andromeda, so, in Q3, we focused on improving Andromeda's performance by consolidating retrieval and early-stage ranking runtime models into a single model. So that drove a 14% increase in ads quality on Facebook ad surfaces that we introduced it to, which were Feed, Reels, and Marketplace.

So later this quarter, we're planning to roll out Andromeda to additional surfaces, including Instagram Feed and Reels, and we're also working on further consolidating early-stage ranking models using the Andromeda model architecture to drive additional gains.

In terms of GEM, in Q3, we made improvements to GEM's model architecture that doubled the performance benefit we get from adding a given amount of data and compute. That's on top of the prior 2x efficiency improvements that we made earlier in the year. So now, GEM is actually four times more efficient at driving ad performance gains for a given amount of data and compute than our original recommendation ranking models.

So, going forward, we're planning to extend GEM to the rest of Facebook Reels in Q4. At that point, GEM will cover all major surfaces across Facebook and Instagram. We're also exploring training GEM on even larger cluster in the future, and we're focused on improving how we transfer the learnings from GEM foundation models to our smaller vertical-specific models.

Operator: Your next question comes from the line of Tom Champion with Piper Sandler. Please go ahead.

Tom Champion: Hi. Good afternoon, Susan and Chad. Susan, you're giving us a very clear message about how OpEx growth is going to inflect next year. It looks like 23% growth at the midpoint this year. Just any help, color, thoughts on the magnitude of the acceleration in OpEx growth into next year?

And just one quick one if I can. It looks like ad impression growth decelerated in the U.S. and Canada. That's divergent from the rest of the geography. Just any color on why that would be. Thank you.

Susan Li: Tom, thank you for the question. On the first part, we are still in the middle of our budgeting process for '26, so I just want to be clear that this is all still in flight. But the factors that we really think are driving year-over-year expense growth, the predominant one is infrastructure costs. That will be the single largest contributor to 2026 expense growth.

And that is driven by a significant step up in both the growth of infrastructure operating expenses, which includes not only the traditional OpEx that scales with our data center footprint, things like energy, leases, OpEx, but also a significant step up in cloud costs as we have been trying to accelerate near-term capacity, per Mark's comments on the call.

We do also expect a significant acceleration in depreciation growth driven by us recognizing incremental depreciation from the infrastructure that we've been adding throughout 2025 and will add in 2026. So, that's really the biggest driver. After infrastructure, employee comp is the next largest driver of growth in '26. That's primarily driven by us recognizing a full year of compensation expenses for the talent that we hired this year. Particularly, AI hires, as well as the other investments we've been making in technical talent throughout this year and next.

Chad Heaton: And on your question about North America ad impressions, so they grew 8% year-over-year, which was driven by growth in engagement and users, with engagement benefiting from ranking improvements on feed and video.

The deceleration, you mentioned there was a slight one-point deceleration from Q2. That was driven by lower ad load on Facebook due to a growing proportion of video time on the app, which, as you know, has less ads per unit of time.

Operator: Your next question comes from the line of Rich Greenfield with LightShed Partners. Please go ahead.

Rich Greenfield: Hi, thanks for taking the question. I guess for Susan, just following up on that last question. If you think about the guardrails for how you think about the expense growth relative to the revenue, you're talking about strong revenue growth, but obviously also significant cost growth. And how related are they in terms of how far the expense growth goes relative to what you are seeing as you move into next year, as you budget for next year on the revenue side? I'd be curious how you think about the interplay between those two.

And then just a quick separate question. The advertising or e-comm advertising in video games has started to really explode. AppLovin's been talking a lot about it. And obviously, they've been certainly targeting some of your customers. I'm curious how you think about advertising and attacking advertising inside of video games, and leveraging your advertiser base, and where that is as a priority for Meta.

Susan Li: Thank you for the question. So, on your first question, we have shared in the past that our primary focus from a profitability perspective is driving consolidated operating profit growth over time. We expect that path is not going to be linear. In many of the past periods, we've delivered above-average profit growth. We expect that in periods where we're making big investments, that could impact our near-term profitability.

And right now, we're in a very dynamic planning environment. We think there are these big strategic benefits to adding infrastructure capacity sooner than later, given how R&D are progressing today.

So, right now, the highest priority for the company is investing our resources to position ourselves as a leader in AI. That means that I think for the immediate period of time ahead of us, we could see some financial pressure during which

our operating profit could be lumpy. But over time, we certainly believe that that framework of consolidated operating profit time will not only be true, but I mean obviously it would be disappointing if we didn't do better than that over the long term.

Operator: Your next question comes from the line of Barton Crockett with Rosenblatt. Please go ahead.

Barton Crockett: Okay, thank you for taking it.

Chad Heaton: There was a second part of the question, sorry, that we didn't quite get to. So, you mentioned a question about AppLovin specifically. Obviously, we're not going to speak to any specific competitors with respect to budget allocations between our platforms and others. But we just say generally, it remains a very competitive environment.

And obviously, over time, advertisers are going to allocate their budgets where they're getting strong ROI. So, our focus is just going to be continuing to deliver the most competitive ad products that we can. And we feel really good about the ad performance gains that we continue to deliver for advertisers. And we see opportunities to drive ongoing ad performance gains in the future.

You touched on the gaming vertical specifically. So, year-over-year growth in gaming was strong in Q3. That benefited from spend by the U.S. and Asia-based advertisers. Growth was also accelerated notably in Q3 as we lapped a period of weaker gaming spend from Asia-based advertisers.

Kenneth Dorell: Krista, we can go to Barton now. Thank you.

Operator: Barton, please go ahead.

Barton Crockett: Okay, great. Thanks for taking the question. So, I was wondering about the loss profile in the Reality segment. As you're focusing on investing so much more on AI across the core Meta apps, and as you're going through this transition from Quest to the augmented reality glasses, is there any thing you can tell us about how we should think about those losses in Reality and the investments there? Is there an argument maybe perhaps that they scale back as you go through this transitional period?

Susan Li: Yes, it's a great question. We're not sharing an outlook for Reality Labs operating losses in 2026 in part, again, because we are still working through the budget details. What I can say from the process so far is we're really trying to shift momentum towards AI glasses.

And that's been one of the biggest priorities looking at the Reality Labs' budget and roadmap for 2026. And that's in part because we have seen that there is a lot of demand. I would say we were stocked out multiple times over the course of this year, and we want to get ahead of that.

Both because there is product market fit, and also because it's a great and very natural platform or form factor for AI experiences that can be built on top of those and carried with you into the world. So, that's really what we are looking at as our highest priority when we think about what the 2026 Reality Labs roadmap looks like.

Operator: Your next question comes from the line of Aaron Kessler with Seaport. Please go ahead.

Aaron Kessler: Great. A couple of questions. Maybe just on -- I know you've been asked this before, but on measuring the ROI for non-core investments, I mean, should we think about this over a multi-year period in terms of that measurement? And then just any feedback thus far on AI videos and Reels, just I think consumer engagement with those. Do they like them? Do they not like them? Thank you.

Susan Li: On the first question, certainly, I would say the non-core investments have a multi-year time horizon. I think Mark alluded to this in his script earlier in terms of there's some debate about in exactly what time frame will we get super intelligence. I think he laid it out as two to three years or five or seven. But those are single-digit year time horizons that he has laid out there.

So, I would say that while it's definitely -- I think in 2026, we don't expect that we are going to generate a lot of revenue from the MSL or gen AI efforts. I do think this is not a decades-long time horizon by which we would be evaluating the ROI of the spend.

And I also think, a point that I just want to make sure really is clear from Mark's comments, is he really wants to be prepared for -- to not err on the side of being under-invested when that paradigm shift happens. And so, we think for those reasons, and including looking at the roadmap of our researchers and the progress that is going on in TBD Labs, that it makes sense for us to more aggressively front-load building that capacity. But that does mean that it puts you again on this multi-year time horizon in terms of evaluating what the return profile will look like.

Chad Heaton: In terms of the AI videos and engagement, look, it's very early. So, we're just looking at very early signals here. But I think it's clear to us that AI-assisted and generated media is going to be a big deal based on some of these early signals that we're seeing. So, even with the limitations of the models today, we're seeing some pretty strong growth.

People have created over 20 billion images using our products. And since launching Vibes within Meta AI in September, we've seen media generation in the app more than tenfold. So, again, super early, but the signals seem to suggest that this is going to be a pretty big thing.

Operator: Your last question comes from the line of Dan Salmon with New Street Research. Please go ahead.

Dan Salmon: Good evening, everyone. Susan, can you just clarify the \$60 billion run rate for the Advantage+ suite? Is that for the entire suite of products, or is that for just the three main campaign modules, thinking of sales, app, and lead generation? Thanks.

Kenneth Dorell: Hey, Dan, this is Ken. Yes, so it is specifically the run rate for the end-to-end automated solution that we have in market. So, that includes sales objectives, it includes lead objectives, it includes app objectives.

This is the solution that basically automates and optimizes several aspects of the campaign set-up process at once, including selecting the audience, where to show the ad, how the campaign budget gets distributed across the ad sets to drive the most efficient outcome. So, it is specifically focusing on that end-to-end automated solution.

In addition to that, we have single-step automated solutions like Advantage+ Audiences, but the \$60 billion stat is specifically referring to that full end-to-end automated solution for the objectives that I mentioned.

I think we are at time, so we are going to wrap it here. Thank you guys so much for taking the time. Really appreciate everyone dialing in, and we look forward to speaking with you again soon.

Operator: This concludes today's conference call. Thank you for your participation, and you may now disconnect.