Meta revenue soars as it pivots to AI and announces dividends for investors

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Meta shares soared 15% in after-hours trading following a strong fourth-quarter earnings report released the day after Mark Zuckerberg was roundly condemned in a contentious congressional hearing. The company also announced it will pay a 50¢-per-share dividend to investors for the first time, and has authorized a $50bn share buyback program. Overall, Meta reported fourth-quarter revenue of $40.1bn, beating the predicted $39.18bn and up 25% year-over-year. The report comes as Meta, like many of its big tech peers, is seeking to integrate artificial intelligence tools into its core products. In a statement accompanying the report, Zuckerberg said Meta has “made a lot of progress on our vision for advancing AI and the metaverse”. “We expect our ambitious long-term AI research and product development efforts will require growing infrastructure investments beyond this year,” the company’s press release read. In the previous quarter’s earnings call, Zuckerberg touted Meta’s plans to invest in AI, stating that it would be the company’s biggest investment area in 2024. Zuckerberg said in a video shared to Instagram earlier in January that the company would be acquiring $9bn worth of Nvidia chips to support its push to scale AI AI will be used to enhance advertising campaigns and fuel advertising revenue as well as support new Meta products, including AI chatbots, Zuckerberg has said. Revenue from advertising, the company’s core business, was $38.7bn, compared with $31.25bn for the same time period the prior year. Meta’s hardware products such as the Quest 3 VR headset have yet to contribute any sizable percentage of the company’s revenue. Zuckerberg said on Thursday’s call he expects Meta to begin rolling out AI services more widely in coming months. Meta laid off more than 20,000 workers in 2023 as part of what Zuckerberg branded a “year of efficiency”, focusing on cost-cutting measures. Those efforts appeared to have paid off, with Meta’s operating margin doubling to 41% from 20% in the same quarter of 2022. Meanwhile, expenses decreased 8% year over year to $23.73bn. Chief financial officer Susan Li stated on the call that Meta had more than 67,300 employees at the end of quarter four, down 22% from the same time a year prior but up 2% from quarter three after “hiring efforts have resumed”. Regulatory headwinds appear to be top of mind for investors following Meta’s public browbeating at a congressional hearing on Wednesday, which was convened to interrogate Zuckerberg and other tech executives over their platforms’ impact on young users. He offered condolences to parents in the crowd whose children had died after online exploitation. Throughout the hearing, Congress members touted legislation that could strip Meta and other platforms of legal immunity for content posted on its platforms and comes months after Meta was hit with a massive lawsuit by attorneys general of 41 states suing the company over its impact on young users. New Mexico’s attorney general has additionally sued the company for allegedly failing to prevent child sexual exploitation and trafficking. As a result of regulatory concerns, Meta has sought to diversify its core business – which has historically relied on advertising by way of collecting huge amounts of user data. Reality Labs, the segment responsible for developing its virtual reality products, faced losses of $4.65bn in the fourth quarter, up from $4.28bn for the same period the previous year and contributing to an overall loss of $16.12bn for the year of 2023. In a press release, Meta said it expected operating losses for Reality Labs to “increase meaningfully year-over-year” as it continues to try to scale the ecosystem. In addition to regulatory concerns, Meta has seen a squeeze on user numbers for its platforms as young users in particular defect to newer platforms like TikTok. The company’s platforms are seeing more rapid growth outside of the US, said Insider Intelligence principal analyst Jasmine Enberg. “On the usage front, Facebook continued to squeeze user growth, but as expected, most new users came from outside of North America,” she said. “In the US, popularity among teens has become a liability in the eyes of lawmakers, which could hamper both Facebook’s and Instagram’s growth efforts there.”