

## MARK ZUCKERBERG

- 7 major investment priorities for 2022:
  - ↳ Reels, community messaging, commerce, ads, privacy, AI, & the metaverse.
- 2 things that are having an impact on the business:
  - ↳ Competition:
    - Ppl have a lot of choices & apps like TikTok are growing quickly.
    - This is why the focus is on Reels → best service for YA.
  - ↳ Transition on own services towards short-term video like Reels.
    - Activity shifting here replaces time in News Feed & other higher monetization services.
    - Will continue to see some pressure on impression growth in the near term.

## REELS

- Fastest growing content format
  - ↳ Biggest contributor to engagement growth on IG & also growing on FB.
- Investing on simplifying video across IG, building more creative & monetization tools for creators & helping more ppl discover & interact with relevant Reels.

## COMMUNITY MESSAGING

- Going to help people on WhatsApp better organize their group chats & make it easier to find information.
- Also building community chats on FB & Messenger for real-time conv. within those groups & communities.
- Business Messaging (+1B users connecting w/ business account every week.)
  - ↳ Partnering with companies like Uber & GroMart to help get services right from a chat.
  - ↳ Building new tools to make buying online better for ppl & easier to manage for business.
  - + Can be an important business in the years to come.

## COMMERCE

- Strategy continues to be to make it as easy as possible for ppl to make a purchase after discovering a brand or product.

## ADS

- With Apple change & new EU regulations → less data available.
  - ↳ Rebuilding a lot of ads infrastructure so they can continue to grow & deliver high-quality personalized ads.

## PRIVACY

- Have made huge investments in strengthening approach
  - ↳ Rebuilt privacy program & privacy review process.
- Focused on building out major privacy infrastructure project that will encode privacy commitments at a deeper level of technical foundation to make them more durable & make product development faster in this evolving environment.

## AI

- Enable to deliver better ads, better content ranking & better security + role in commerce efforts.
- Announced AI Research Supercluster → will be the world's fastest super computer once complete later this year.
  - ↳ Enable AI models that can learn from trillions of examples & understand hundreds of languages
- Focused on further scaling computing power & transforming AI infrastructure through advances in foundational research as well as improvements to datacenter design, networking, storage & software.

## METaverse

- Focused on foundational hardware & software that are required to build the experience.
  - ↳ Hardware → Quest 2
    - ↳ + \$1B spent on Quest store content
  - ↳ Oculus reached top app for 1st time on Christmas Day in the US.
  - ↳ Working towards release of high-end VR headset later this year.
  - ↳ Continue to make progress in project Nazare → 1st fully AR glasses.
  - ↳ Software → Horizon is core
    - ↳ Social VR world-building experience
    - ↳ Plan to launch on mobile → bring early metaverse experiences to more surfaces beyond VR.
- Rolled out metaverse Avatars SDK to all Unity developers on Quest, Rift, & Windows based VR Platforms.
  - ↳ Announced an update that lets you further customize avatar to better express yourself.
  - ↳ Introducing digital clothing starting with an NFL partnership.
  - ↳ Can use avatar across Quest, FB, IG & Messenger

## SHERYL SANDBERG

- Headwinds:
  - ↳ Lapping period of strong demand in 2020 that benefited from very strong growth in online commerce, which as since slowed down.
  - ↳ First holiday season after Apple iOS changes.
  - ↳ Global supply chain disruptions, labor shortages, & inflationary pressures.
- Progress in closing underreporting gap for iOS:
  - ↳ Tools like Aggregated Event Measurement solutions to deliver better insights for advertisers.
  - ↳ Expect overall targeting & measurement headwinds to moderately increase from Apple's changes & from regulatory changes in EU & throughout 2022.
- Reels monetize lower than Feed & Stories but expect to improve over time.
  - ↳ Experience with monetizing stories is directly applicable → not starting from scratch.
- In commerce:
  - ↳ Released new features → ratings, reviews & community replies to product questions & significantly improved checkout stability.
  - ↳ Brought Shops to Groups
  - ↳ Started testing live shopping for creators
    - Early glimpse of immersive shopping experiences that will be possible in the Metaverse.
- Business Messaging
  - ↳ Largest monetization effort is click to messaging ads.
  - ↳ Continuing to invest in tools to make it easier for ppl to help & make purchases right from a chat.
    - +150M users globally now view a business catalog in WhatsApp each month.
    - New features like collections on WhatsApp help businesses organize their products & make it straight forward for ppl to find things to buy.

## DAVID WEHNER

- General info
  - ↳ Cost of rev (+22%) primarily driven by RL hardware cost, infrastructure investments & payment to partners.
  - ↳ R&D (+35%) rising for both + increased RL R&D operating costs.
- Family of Apps
  - ↳ Impressions (13%) driven by APAC & Rest of the World. North America -16%.
    - Global basis benefited from ad load increase & user growth.
    - Offset by engagement-related headwinds → increased competition for ppl's time & shift towards Reels which shows fewer ads.
  - ↳ Pricing (+16%) broad based across regions.
    - Slowed as lapped strong growth year ago + currency headwinds.
    - Negatively impacted by advertisers facing challenges from macroeconomic factors
    - Measurement headwinds.
  - ↳ Other revenue (-8%) decline in payment revenue earned from games.
  - ↳ User growth
    - APAC & Rest of the world (COVID resurgences during prior periods pulled forward user growth).
    - User growth in India limited by increase in data package pricing.
    - Competitive services negatively impacting growth, particularly with younger audiences.
- Reality Labs: +22%
  - ↳ Strong Quest 2 sales during holiday season.
  - ↳ Expenses +46%: employee-related costs, R&D operating expenses & COGS
- Outlook:
  - ↳ Revenue growth rate 3-11%
    - Headwinds on impressions & price.
      - ⇒ Impression: competition & shift to Reels
      - ⇒ Pricing: lapped period where Apple changes were not in effect lapped demand prior year. Macroeconomics affecting ad budget, currency
  - ↳ Capex driven by investments in data centers, servers, network infrastructure & other facilities.
    - Significant increase in AI & ML investments → supports FOA.
    - RL currently does not require substantial capacity → not a significant driver of 2022 capex.

## QUESTIONS

- iOS overall headwind on business in 2022 is in the order of \$10B
  - ↳ Restrictions from Apple are designed in a way that comes out browsers from tracking prompts Apple requires for Apps.
    - ⇒ Search ads could access far more 3rd party data for measurement & optimization purposes than app-based ad platforms like Meta.
    - ↳ Google Search ad business could have benefited (can look this up to confirm)
      - Apple continues to take billions of dollars a year from Google Search ads → incentive exists for policy discrepancy to continue.
- ① Differences between past transition (ex. Stories) with Reels. Why might it take more time?
  - TikTok is so big a competitor already & also continues to grow at quite a fast rate off a very large base.
  - Might take Meta longer to get where they want even though they are compounding very quickly → competitors are also compounding at quick rate.
- Expect Reality Labs operating loss to increase meaningfully in 2022

### 2- How is Reels differentiated from TikTok, YouTube Shorts and other short-format video services?

- Within the context of a different network or community, the same format will take on different characteristics.
  - Will feel differently depending on the context of how it is implemented & the content from your friends.

**\*\* Would be interesting to investigate what is the monetization model for creators for TikTok vs Meta in order to determine which might be more attractive to retain and engage creators for the flywheel of Reels to work.**

### 3- EoA segment margin was down YoY. Downtick comes as a bit of a surprise since assumed ad business had fairly stable margins.

- G&A substantial part of expenses which was affected by legal fees.
- Also commentary suggests they are making big investments in EoA in 2022 in the priorities mentioned like Reels, messaging, commerce and ads as well as Capex focused on AI & ML for this segment.