

- New certificate creating Class C non-voting capital stock was not yet effective as of Sept. 30, 2018.
- Effective tax rates remain lower than US taxes due to income in jurisdictions where taxes are lower.
- Gross unrecognized tax benefit: \$3.20 B P.19
- Growth continues to be driven by use of mobile & PC use continues to decline.
- ARPU \$4.01; 73% YoY
- Greater increase in revenues vs. expenses.

## Financials

### Revenue ↑56%

- Increase in ad revenue offset by decrease in payments.
- Driver for ads was mobile → 81% of ad revenue came from mobile.
  - ↳ Same drivers for ad growth
  - ↳ expect News Feed ad increase in # & frequency will be less significant in the future.
- Avg price per ad ↑6% & # of ads delivered ↑50%
- Decrease in payments:
  - ↳ decreased payment revenue from games played on PC.
  - ⇒ eventually will be offset by sales from VR devices.

### COST OF REVENUE ↑37%

- Increase in operational expenses related to data center & technical infrastructure.

### RESEARCH & DEVELOPMENT ↑21%

- Payroll → ↑32% headcount

### MARKETING & SALES ↑31%

- Payroll → ↑37% headcount

### GENERAL & ADM ↑27%

- Payroll → ↑31% headcount

### Income tax

- Effective tax rate 25%

## LIQUIDITY & CAPITAL RESOURCES

- NOL \$2.4 B
- \$2.9 B held in foreign subsidiaries.
- Beginning Jan 2017, intend to fund withholding taxes due on employee equity awards by net share settlement, rather than the approach requiring employees to sell shares of common stock to cover taxes upon vesting.
  - ↳ Increase cash outflows & reduce the number of shares that will be issued in connection with the vesting of our employee equity awards.