

## MARK ZUCKERBERG

- People are creating & sharing more videos.
  - ↳ The number of people going live has grown 4x.
  - ↳ Launched Instagram stories in August
  - ↳ Improved the Explore tab in Instagram to include more videos & stories.
- Want to make it easier to capture video.
  - ↳ Already testing main FB app that has a camera directly, just one swipe away from the News Feed & creative effects.
  - ↳ Testing new camera & video features in Messenger.
- Instagram is in phase 3: +500M MAU & +300M DAUs.
- Messenger is early in phase 2: 33,000 bots live
  - Currently testing new camera features and continuing to keep features fast and reliable.
- WhatsApp: even though a lot of businesses are on, FB is starting to work on phase 2.
- Launched Workplace (works like a FB but for companies) with more than 1,000 companies currently using it.
- Launched Marketplace: help people discover, buy and sell things with people in their communities.
- In their connectivity goals:
  - Good progress with Express WiFi Program which empowers entrepreneurs to build businesses by providing connectivity to their communities.
- On Artificial intelligence:
  - Starting to see impact that AI is having on enhancing people's experiences on Facebook and showing them more of what they care about.
  - Using AI to find terrorist propaganda.
  - Believe that AI will help improve the quality of what people see and can share.
- With VR: announced in Oculus Connect that Touch controllers for Rift will ship in December with 35 games and experiences exclusively built for Touch.

## SHERYL SANDBERG

- Over 4M active advertisers on FB & +500M active advertisers on Instagram
- Continue to focus on 3 priorities: capitalizing shift to mobile, growing marketers, & making ads more relevant & effective.
- Introduced Instagram business profiles → used by 1.5M businesses.
- Simplification as driver of advertiser growth.
  - ↳ Launch of promoted post, seeing same behavior on Instagram.
- Continue to make it easier for advertisers to manage campaigns from their phones.
- Introduced tools to help businesses find people around the world who look like their current customers & target the ones most likely to convert
- Invest in measurements:
  - ↳ Announced new 3rd party partnerships with Nielsen, Datalogix, Visual IQ, & MarketShare to help our clients measure how Facebook ads drive business results.

## DAVID WEHNER

- Desktop ad revenue grew 18% aided by efforts to limit the impact of ad blockers on ads served via web browsers.
- Hired 1200 people & remain committed to investing aggressively in hiring.
- YTD Capex up 70%, driven by investments in data centers, servers, office buildings & network infrastructure.
- Guidance for 2017, expect to see ad revenue growth rates to come down meaningfully.
  - ↳ Average over the past 2 years has been 50%.
- Anticipate that 2017 will be a big investment year
  - ↳ Growth in headcount.
  - ↳ Grow Capex to fund ongoing datacenter expansion efforts.
- Are changing their way of paying taxes for stock-based compensation from requiring employee to sell shares to net share settlement (had been initial approach)

## QUESTIONS

- Video is contributing to an increase in time spent.
- Weight of investments in live vs non-live video formats on Facebook?
  - ↳ Video on demand is the vast majority of video that is both shared & consumed
  - ↳ Live is growing quickly.
  - ↳ Will see various forms of video media as time goes on.
    - Instagram stories.
    - Messenger Day **What is this?** similar to Instagram stories.
- What needs to happen to the FB app both from consumer perspective & from ad tools perspective to make sure it's optimized for video.
  - ↳ Broad sets of improvements.
    - ① Capture & sharing tools that they offer.
    - ② Improve infrastructure to deliver the best videos for people & do it quickly.
  - ↳ Video is being enabled by mobile networks getting to the point where a large enough people around the world can have a good experience watching video (loads instantly + quick upload)
  - ↳ Working on new creative tools across all apps.
- Factors contributing to MAU growth ⇒ seen high growth in emerging markets like Asia & LA.
  - ↳ Improving Android experience
  - ↳ Impact of Facebook Lite & have been working on making it easier to use.
  - ↳ Internet.org efforts
  - ↳ Low-price data plans in markets like India & Mexico.
- Do they see video as having a separate app?
  - ↳ Video is larger share of content in News Feed b/c both people & pages are sharing more videos as a mix.
    - Not a question whether it should be an app → that's what ppl want News Feed to be increasingly, so it's what it will become.
  - ↳ Video home: currently testing in some markets.
- FB used to complement TV ads → what would it take to shift dollars in a bigger way?
  - ↳ Believe that overtime dollars will shift towards more viable sources.
    - FB's goal is to be the best dollar & best minute people spend measured across channels.
  - ↳ Using FB as a complement to TV increases reach.
  - ↳ The power of what FB is able to do goes to targeting
    - Big brand advertisers are recognizing they can do big brand buys like they would do on TV but make them much more targeted
    - ↳ Received particularly strong growth this quarter for strong brands.
- Revenue ideas for Messenger? Move to phase 3?
  - ↳ Pretty early in phase 2
  - ↳ Currently driving results for businesses by letting them advertise in News Feed to open up threads in Messenger.
    - leads to execute transactions in Messenger.
- FB potential role in payment ecosystem? How rollout of Instagram shopping might evolve?
  - ↳ See payments as primarily a way to enforce the other activities they want to see in Instagram & FB.
  - ↳ Payments enables advertisers to pay FB.
  - ↳ Ppl are using FB to browse for products → FB wants to make this easier.
  - ↳ Watching what is the organic activity between businesses & consumers and then are building products to enable & enhance that organic activity.
- Have been tweaking News Feed algorithm to prioritize trends & family original content. What kind of impact you're seeing? Is it driving more engagement & more sharing of originals?
  - ↳ Increasing the quality of the content → enables people to share more with their friends.
  - ↳ FB is constantly learning what their community wants & are constantly incorporating new information & signals into the model to help value content as accurately as possible.
    - Greatest job is to show the community what's going to be meaningful & important to them.
- **NOTE WITH A1**
  - ↳ Understand content ppl are sharing & some's out there for them to see as best as possible.
    - Can be used for reasons by both to show what is interesting in the News Feed.
  - ↳ Apart from conversational linguistic understanding, also working on visual understanding
  - ↳ Allowed to do things with accessibility
  - Help make News Feed better
  - Help identify content that might be offensive/violates FB policy
- Trend increasing on searching for content.
  - ↳ People are searching for posts & content, not just people & pages
  - ↳ Link for content trail is on FB & not other places.
- One of the big things they see happening with messaging long term is that it's a channel for people to interact with businesses one on one & either do transactions in a private space or get support or for businesses to reach out with very personally tailored messages & have an ongoing engagement with a person → hope to build this on WhatsApp & Messenger.

## NOTES for Narrative

- Mobile still pushing results
- Video-first approach generating further engagement
  - ↳ Expanding this to all of its apps
- Launch of marketplace creates additional revenue stream.
- AI makes content shown to users more attractive.
- Continue to invest in measurements with 3rd party ★
- Factors that should support growth.
  - Continue to aggressively invest in datacenter & hiring
  - Cost will increase → narrative of high cost reducing margin in the short term continue.
- Instagram (tweaks) gaining publishers' attention → moving from Snapchat?
- **FACTORS THAT CREATE DISTRUST/Leading to negative results.**
  - WhatsApp sharing information with Facebook.
  - Algorithm managing trending topics → spread of gossip & fake news.
  - Miscalculated metrics.
  - Palmer today political views.
  - Slow adoption of VR.
  - FB's posture as a tech company vs. a media company.