

## MARK ZUCKERBERG

- 2.7B MAU & 2.1B DAU overall
- Fast adoption of Stories (0.5 DAU overall).
- Bigger opportunity to build a platform focused on privacy. → focus FB efforts here.
  - ↳ Plan is to build this the way they have developed WhatsApp → focused on messaging, making it as secure as possible with end-to-end encryption & then build more ways for ppl to connect on top of that.
- Principles for privacy-focused platform:
  - ↳ Private interactions, encryption. Reduce permanence, Safety, Interoperability, Safety & Secure Data.
    - ⇒ FB is planning on rebuilding more of their services around these ideas.
- How will this affect their business:
  - ↳ Any impact is going to be long-term & don't really know how this will play out.
  - ↳ Encrypting content hurting business.
    - ⇒ FB doesn't use the content of messaging between people to target ads today.
  - ↳ Reducing the permanence of data:
    - ⇒ May have some impact but have generally found that more recent data is more useful for recommendations anyway.
- Stance on data localization is a risk.
  - ↳ If FB gets blocked by a major country that will hurt the community & the business.
  - ↳ Localization principles aren't new & this is always a risk.
- Private platforms have grown & in some cases have seen cannibalization of more public platforms.
  - ↳ Broader pattern is that people use both.
- Harmful content should be determined by a public process.
- For elections, there are laws defining political advertising but do not reflect today's threats like foreign nations trying to interfere in elections.
- For privacy, positive if other countries adopted GDPR as common framework.
- Data Portability → if you have data in one service, you should be able to move it to another.
- Common understanding needed of nuanced questions like what is your data & what is someone else's.
- *Sees all these issues as something that should be determined by the public since there are fine lines & conflicting concepts.*
  - ⇒ In the short-term could hinder results but better in the long-term since it will make people feel safer while using internet services like those offered by Facebook.

## SHERYL SANDBERG

- Top 100 advertisers represented less than 20% of total ad revenue → advertiser base is more diverse compared to the same period last year.
- Updated "Why am I seeing this ad?" feature to give people more context & control over the ads they see.
- Introduced "Why am I seeing this post?" so ppl can learn more about what shows up in their News Feed & change their preferences to make their FB experiences more personal.
- Working against discrimination in hiring, employment & credit.
  - ↳ Anyone running ads in these categories in the US will no longer be allowed to target by age, gender or ZIP code.
  - ↳ Also creating library where people can search through active housing ads & report them.
  - ↳ Changes will affect some advertisers' ability to run legitimate ads but believe this is the right trade-off to better protect against discrimination.
- 3M advertisers using Stories ads to reach customers across Instagram, Facebook & Messenger.
- Introduced interactive Stories ads globally on Instagram.
- Making it easier for people to shop directly in Apps.
  - ↳ Announced checkout on Instagram → ppl can buy without leaving the app.
    - ⇒ Launched with 23 brands in the US.
- Commerce is a growing area:
  - ↳ Expanded Marketplace ads to more countries.
- Launched collaborative ads
  - ↳ Gives brands that don't have a direct-to-consumer channel a way to run e-commerce campaigns with retailers.

## DAVID WEHNER

- Total expenses up 80%.
  - ↳ Includes \$3B accrual taken in connection with the FTC into platform & user data practices.
    - ⇒ Matter remains unresolved
    - ⇒ Estimate the associated range of loss is between \$3B & \$5B.
  - *Should this be adjusted as being a one-time event or can it be expected to be recurring?*
- Outlook:
  - ↳ Revenue growth rate will decelerate sequentially throughout 2019
    - ⇒ Anticipate ad targeting-related headwinds will be more pronounced in the second half of 2019. *What does this mean? Letters to?*
  - ↳ Expenses will be higher due to accrual

## QUESTIONS

- 1 Time frame for building out a privacy-focused social platform.
  - Central focus for the company for the next 5 years or longer.
  - WhatsApp & Messenger are strong worldwide but in developed markets like US & Japan, they're not the leading private communication service.
  - Make sure they get the basics right & that they are providing without question the best service.
  - Will intentionally take more time in order to make sure they get safety right.
  - In countries where they're already the leading platform, there will be more ability to work on things like payments in the near term & build in additional ways that people want to interact.
  - Not going to be a major driver for contribution to the business in the next couple of years.
- 2 Increased density in Stories is translating into pricing relative to feed + how Stories ads could monetize relative to feed ads?
  - Stories is largest contributor to YoY impression growth.
    - ↳ Lower price than we see in feed.
  - Supply growth keeps prices low & creates opportunity for advertisers.
  - Believe they can increase demand for Stories as they attract more advertisers.
    - ↳ This over time will increase prices → will take years not quarters.
- 3 Main strategies to drive Stories advertiser adoption + lifts in spend per advertiser as they start to spend both on News Feed & Stories.
  - First they need to convince marketers that people are using Stories so they'll be willing to shift (similar to when had to convince about increased use of mobile).
  - Second, make the adoption process easy through tools.
  - Want to also make this as automated as possible.
    - ↳ FB does the placement for you → decide where your ads should be placed + help you target
- 4 Ad targeting headwinds would be more pronounced on the 2nd half of 2019?
  - Supply side impact of stories selling at lower price.
  - Demand side headwinds:
    - ↳ Evolution of regulatory landscape (example → GDPR)
      - ⇒ People opting out on using context → people seeing less relevant ads.
    - ↳ Anticipated changes that mobile platforms will make
      - *Validate when did Apple apply their new privacy & tracking measures.*
    - ↳ Down-product changes.
      - ⇒ Example: restrictions on certain targeting criteria.

⑤ Expenses that might be caused by increasingly focus on privacy. (Incremental expense)

- Priority for messaging is clear, the focus on privacy & interoperability & that means monetization for messaging is a lower, near-term priority.
- No change to long-term outlook → remain with same investment focuses for 2019 & beyond.

⑥ Future monetization path. Media consumption & ads or pivot towards more e-commerce.

- Advertising & commerce is a continuous spectrum, they're not 2 different things.
- Advertising is going to be the way revenue comes in for the foreseeable future.
- Expect as more commerce-related features are built → it will lend itself to private interactions around Payments & Commerce.
- As those products help businesses convert better (more valuable) it will translate into higher bids for advertising.

⑦ Impression growth of 32% vs MAU growth of 8%. Improving engagement or increase in ad load?

- Impression driven primarily by Instagram Stories & then Instagram Feed.
- Seeing increased engagement in stories & there's some opportunity to increase load going forward.
- Instagram Feed has seen increase in ad load YoY but expect less significant growth opportunity.
- Facebook feed impression growth driven by growth outside the US.