

MARK ZUCKERBERG

- WhatsApp is extremely high quality, engagement + growth
 - ↳ Only widely used app with more engagement + higher percentage of people using it daily than FB itself.
- More than 450 million people use WhatsApp monthly + 1 million ad in every day.
- Focus will remain in connecting more people + increasing engagement.
- WhatsApp currently has a subscription model.
- Sees WhatsApp + Messenger as different use cases. Plan to invest in the growth of both.
 - ↳ WhatsApp replaces SMS as a way to talk in real time with contacts + groups of contacts.
 - ↳ Messenger is used to chat with FB friends + not necessarily in real-time.
- Plan to build + operate WhatsApp independently
- Jan, WhatsApp founder, agreed to join FB board.

Jan Koum WhatsApp Founder

- Mission:
 - ↳ Make real-time mobile communication experience that was simple, powerful, instantaneous + commonplace.
- Goal:
 - ↳ Build a service that could be used by everyone across every platform + every phone that would be a better alternative than SMS.
- WhatsApp will remain as a separate unit.
 - ↳ Important to keep moving as a start-up.

DAVID EBERSMAN

- Details of the transaction:
 - ↳ Total ⇒ \$16 billion
 - \$4 billion → Cash
 - \$12 billion → 184 million shares
 - ↳ Additionally ⇒ \$3 billion worth of RSUs (40 million Stock) to employees, including founders, to be vested in 4 years.
 - ↳ **Represents 7.9% of total stocks of FB as of that date.**
- Deal was unanimously approved by board of Directors of both companies + approved by WhatsApp shareholders.

QUESTIONS

- Monetization model for WhatsApp + feeling of showing ads in this platform.
 - ↳ Explicit strategy is to focus on growth. Once the service has +1 billion people, then they can find different venues for monetization.
 - ⇒ This is why the deal made sense for WhatsApp because they will remain as an independent company without having to focus on monetization just yet.
 - ↳ Mark Zuckerberg does not believe that ads are the correct way of monetizing a communication service.
 - ⇒ Jan Koum agrees.
 - ↳ Monetization is not a priority for WhatsApp ⇒ focus is on growth.
 - ↳ Jan specifies that both WhatsApp + FB have a vision of where mobile will be in 5-10 years + are working towards that long-term vision instead of focusing on today.
- Conversion rate from free to pay for subscription model.
 - ↳ Subscription has been rolled out in some countries but this is not the focus. It is not + will not be a priority to optimize revenue in the short term.
- Overlap of users between FB + WhatsApp.
 - ↳ Due to the penetration, they imagine there is overlap but do not have the analytics to determine exactly how much.
- Why keep the business separate?
 - ↳ It is the operational strategy of the company + does not only apply to acquisitions.
- Understand basis for valuation.
 - ↳ Focused on how healthy the network is + how fast it's growing, as well as high engagement.
 - ↳ Looked at other networks that have achieved this size + scale to see what value they have created / what's their worth ⇒ this gave framework of what
 - ↳ Service is tremendously useful for people ⇒ if you bring great utility for the market, that sets up for a great business over time.
 - ⇒ Messaging is the #1 activity through smart phones.
 - Messages now running through WhatsApp is nearly at the same scale as the entire telecom SMS volume which represents a \$100 billion revenue stream for +
- Competitive landscape
 - ↳ Messaging is a very competitive space but WhatsApp is the clear global leader.
 - ↳ WhatsApp focus is on efficiency: simplicity, speed, reliability.