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- FY2022 was a hard year but expect FY2023 to be better.
- Need to focus on efficiency
  - ↳ Layoffs was first step.
- Management theme for the year.
- Also focused on better financial results.
- Priorities haven't changed ⇒ AI + Metaverse.
- FB & IG focused on shifting to AI suggestion especially through short-form → Reels
  - ↳ Has had incredible growth.
  - ↳ Work on monetization.
    - ⇒ News Feed still best in monetization but time spent in Reels makes them loose money.
- Excited w/ business Messaging
  - ↳ Click to Messenger Ad
  - ↳ Paid Messages.
- Become a leader in generative AI.
- Metaverse:
  - ↳ Shipped Oculus new device.
  - ↳ MR Ecosystem
  - ↳ Will launch new headset with MR.
  - ↳ More than 200 apps + make progress w/ Avatars.
    - ⇒ Included Avatars in WhatsApp.

CFO

- Fx negatively affected results.
- Cost of Revenue +30%
- Lay-offs increased costs.
- 20% Op. Margin.
- CAPex Driven by datacenter investments.
- Week advertisement demand due to macroeconomic impact.
- travel + Healthcare were strongest verticals.
- Ad impression +23% | Price -22%
  - ↳ Rest of the world
  - ↳ Lower ad demand, demand in geographies less expensive + great impressions.
- Most of expenses are focused on FOA.
- 34% op. margin for FOA.
- Lower Quest 2 sales than last year.
- Foused on enabling ad supply
- More effectively monetize products, especially Reels + scaling monetization in Messages.
- AI is driving growth. + have more opportunity here.
- Click to Message also more opportunity, especially w/ WhatsApp.
- Efficiency:
  - ↳ Lay off employees.
  - ↳ Deprioritazing certain projects.
  - ↳ Datacenters changed to be more efficient
  - ↳ Consolidated office space.
  - → Had certain costs relacted to this. (Reestructuring charges)

Outlook:

- Expenses will include further Reestructing charges.
- Lower Capex → shift to a more cost-effective architecture.

Questions

1- Generative AI → timeline / color on new DC architecture.

↳ Will use on all products

⇒ Empower creators.

→ How do they scale it? see as problem right now.

↳ DC Architecture: will be able to use for both AI & non-AI workloads. Also more flexible in order to grow when needed.

⇒ Will measure ROI & Demand in order to determine future CAPEX.

2- Reels + Monetization. / Ad conversations on short form video / Gap vs engagement & monetization.

- Focus is first on use to solve one problem at the time.
- Reels has good scale already.
- Work on monetization efficiency.
- Advertisers reaction to Reels → 34% of advertisers use.

3- Efficiency: long-term investment in Reality Labs.

- 3 mayor areas → AR | VR | Metaverse software program.

↳ AR is biggest, still no product.

↳ VR ramping up.

↳ Software is least expensive but still important.

- Are learning in the process. Non of the signals say that overall strategy should change.
- Flattening the org will touch entire company.

↳ Not cutting big things. Being efficient overall.

⇒ Phase change for the company

⇒ Grew very quickly & it is hard to cut costs & be efficient with that kind of growth.

4- Where to they see increased efficiency / Europe issue with 1st party use of data.

- Efficiency:
  - ↳ Slower pace of hiring — have a freeze.
  - ↳ Cost of revenue: extended useful live of DC.
  - ↳ Reduced restructuring charges.
- Are appealing b/c they do believe they are complying w/ GDPR

5- Follow-up on data use issues.

- ATT changes will affect → are mitigating impacts.
- Android too early to know what possible impacts.
- Regulatory issues in EU. Have been preparing to adapt.

6- Investment Mode? Update on digital ad space.

- Lower expence + capex will give better financial results.
- Holiday was w/in range of expectations but still volatile macroeconomic environment.

7- Discovery engine.

- Models more GPU based vs CPU based to get better results.
- If ppl are able to discover more things → will increase engagement which leads to more inventory.
- Recommended content will continue to grow.

8- Reality Labs. / shop ads.

- Expect losses to increase in 2023 for RL.
- Tested shop ads in US. are increasing but its early to know.
  - ↳ 3ple digit growth in adoption.

9- Click to Messaging → growth path going forward. New ad- or canibilization. Why more focus on efficiency?

- Click-to-Messaging → incremental demand.
  - ↳ Scale: demand → getting more businesses to adopt
    - → Drive ROI, help develop businesses, better tools, grow supply by creating more ways to connect.
- ~~Efficiency~~:
  - ↳ Rev. was growing +20-40% compound.
  - ↳ Having -10% growth decrease forced them to step back in order to evaluate how they operate.
  - ↳ Makes Meta better → optomistic they will be better able to get good results.
    - ⇒ Less layers of management will let info travel faster.
    - ⇒ Company feels better to MZ.
- ↳ Focus on making better company.

10- Expectation for Market conditions.

- Reflects uncertainty of macro environment.
- Expect Fx to be lower headwind.