- To address this new environment, we took a number of steps to become a more capital efficient company and, in November 2022, made one of the most difficult changes in Meta's history and announced a layoff of approximately 11,000 employees. The cost reduction efforts that we announced, including our plans to scale back budgets, reduce company perks, shrink our real estate footprint, and restructure teams to increase efficiency alone would not bring our expenses in line with our revenue growth and we had to implement the layoff.

- For example, we have been the subject of significant media coverage involving concerns around our handling of political speech and advertising, hate speech, and other content, as well as user well-being issues, and we continue to receive negative publicity related to these topics. Beginning in September 2021, we became the subject of significant media coverage as a result of allegations and the release of internal company documents by a former employee.

- **RESTRUCTURING:**
  - In 2022, we initiated several measures to pursue greater efficiency and to realign our business and strategic priorities. This includes a facilities

consolidation strategy to sublease, early terminate, or abandon several office buildings under operating leases, a layoff of approximately 11,000 of our
employees across the FoA and RL segments, and a pivot towards a next generation data center design, including cancellation of multiple data center projects.

A summary of our restructuring charges for the year ended December 31, 2022 by major activity type is as follows (in millions):

	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets	Total
Cost of revenue	$ 154	$ —	$ 1,341	$ 1,495
Research and development	1,311	408	—	1,719
Marketing and sales	404	234	—	638
General and administrative	426	333	—	759
Total	$ 2,295	$ 975	$ 1,341	$ 4,611

- Total restructuring charges recorded under our FoA segment were $4.10 billion and RL segment were $515 million. These charges lowered our operating

margin by four percentage points and diluted earnings per share (EPS) by $1.34. The impact of severance and other personnel costs recorded in the fourth quarter of 2022 was not material after offsetting with the savings from the decreases in payroll, bonus and other benefits expenses.

- Our annual worldwide ARPU in 2022, which represents the sum of quarterly ARPU during such period, was $39.63, a decrease of 3% from 2021.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER
Revenue	-1%	• Family of Apps -1% • The decrease was mostly driven by advertising revenue. • Advertising -1% ○ Avg Price per Ad -16%: • The decrease in average price per ad was driven by an increase in the number of ads delivered, especially in geographies and in products such as video and Reels that monetize at lower rates, and an unfavorable foreign exchange impact. • In addition, the decrease in average price per ad was impacted by a reduction in advertising demand, which we believe was primarily driven by reduced marketer spending as a result of a more challenging macroeconomic environment and limitations on our ad targeting and measurement tools arising from changes to iOS and the regulatory environment, ○ # of ads delivered +18%: • driven by an increase in ads delivered in Asia-Pacific and Rest of World. • driven by increases in the number and frequency of ads displayed across our products and an increase in users.

		◦ We anticipate that future advertising revenue will be driven by a combination of price and the number of ads delivered. • Other revenue +12% • Reality Labs -5% • The decrease in RL revenue was driven by a decrease in the volume of Meta Quest sales. • Revenue is traditionally seasonally strong in the fourth quarter of each year due in part to seasonal holiday demand. We believe that this seasonality in both advertising revenue and RL consumer hardware sales affects our quarterly results, which generally reflect significant growth in revenue between the third and fourth quarters and a decline between the fourth and subsequent first quarters. • The general strengthening of the U.S. dollar relative to certain foreign currencies in the full year 2022 compared to the same period in 2021 had an unfavorable impact on revenue.
Cost of Revenue	+11%	The increase was mainly due to an increase in operational expenses related to our data centers and technical infrastructure, adjusted for a decrease in the depreciation growth rate due to extensions in the useful lives of servers and network assets. In addition, we recorded $1.34 billion of abandonment charges related to data center assets. These increases were partially offset by a decrease in RL inventory cost including lower losses on purchase commitments.
R&D	+44%	The increase was mainly due to higher payroll and related expenses and $1.31 billion impairment charges to leases and leasehold improvements as part of our restructuring efforts. Our payroll and related expenses increased as a result of a 26% increase in employee headcount
Marketing & Sales	+9%	The increase was mostly due to increases in payroll and related expenses and $404 million impairment charges to leases and leasehold improvements as part of our restructuring efforts.
General & Admin	+20%	The increase was primarily due to increases in payroll and related expenses and $426 million impairment charges to leases and leasehold improvements as part of our restructuring efforts. Our payroll and related expenses increased as a result of a 20% increase in employee headcount
Taxes	-29%	• mostly due to a decrease in income from operations. • Our effective tax rate in 2022 increased compared to 2021, mainly due to an increase in tax shortfalls recognized from share-based compensation and the effect of regulations issued by the U.S. Department of the Treasury in 2022 on foreign tax credits, partially offset by an increase in tax benefits from foreign- derived intangible income. • Effective tax rate was 19.5% vs 16.7% last year. • On August 16, 2022, Congress passed the Inflation Reduction Act of 2022. The key tax provisions applicable to us are a 15% corporate minimum tax on book income and a 1% excise tax on stock repurchases effective January 1, 2023. We do not expect these tax law changes to have a material impact on our consolidated financial position; however, we will continue to evaluate their impact as further information becomes available.

SEGMENT PROFITABILITY

Segment profitability

The following table sets forth income (loss) from operations by segment. For comparative purposes, amounts for the year ended December 31, 2020 have been recast:

	Year Ended December 31, 2022	2021	2020	2022 vs 2021 % change	2021 vs 2020 % change
	(in millions, except percentages)				
Family of Apps	$ 42,661	$ 56,946	$ 39,294	(25)%	45 %
Reality Labs	(13,717)	(10,193)	(6,623)	(35)%	(54)%
Total income from operations	$ 28,944	$ 46,753	$ 32,671	(38)%	43 %

- FAMILY OF APPS:

- The decrease was due to an increase in FoA total costs and an increase in payroll and related expenses as a result of higher employee headcount, additional charges recorded related to our expenses, primarily due to restructuring efforts and an increase in costs related to our data centers and technical infrastructure.

- REALITY LABS:
  - The increase in loss from operations was mainly driven by increases in payroll and related expenses and research and development expenses, partially offset by a decrease in RL inventory cost including lower losses on purchase commitments.

LIQUIDITY & CAPITAL RESOURCES

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  - As of December 31, 2022, our federal net operating loss carryforward was $196 million and our federal tax credit carryforward was $276 million. We anticipate the utilization of most of these net operating losses and credits within the next two years.
  - Our board of directors has authorized a share repurchase program of our Class A common stock, which commenced in January 2017 and does not have an expiration date. In 2022, we repurchased and subsequently retired 161 million shares of our Class A common stock for an aggregate amount of $27.93 billion. As of December 31, 2022, $10.87 billion remained available and authorized for repurchases. In January 2023, an additional $40 billion of repurchases was authorized under this program.

REVENUE (P. 100):

Note 2. Revenue

Revenue disaggregated by revenue source and by segment consists of the following (in millions). For comparative purposes, amounts for the year ended December 31, 2020 have been recast:

	Year Ended December 31,		
	2022	2021	2020
Advertising	$ 113,642	$ 114,934	$ 84,169
Other revenue	808	721	657
Family of Apps	114,450	115,655	84,826
Reality Labs	2,159	2,274	1,139
Total revenue	$ 116,609	$ 117,929	$ 85,965

Revenue disaggregated by geography, based on the addresses of our customers, consists of the following (in millions):

	Year Ended December 31,		
	2022	2021	2020
United States and Canada (1)	$ 50,150	$ 51,541	$ 38,433
Europe (2)	26,681	29,057	20,349
Asia-Pacific	27,760	26,739	19,848
Rest of World (2)	12,018	10,592	7,335
Total revenue	$ 116,609	$ 117,929	$ 85,965

(1) United States revenue was $47.20 billion, $48.38 billion, and $36.25 billion for the years ended December 31, 2022, 2021, and 2020, respectively.
(2) Europe includes Russia and Turkey, and Rest of World includes Africa, Latin America, and the Middle East.

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Contractual Commitments

We have $19.91 billion of non-cancelable contractual commitments as of December 31, 2022, which are primarily related to our investments in network infrastructure, servers, and consumer hardware products in Reality Labs. The following is a schedule, by years, of non-cancelable contractual commitments as of December 31, 2022 (in millions):

2023	$ 13,203
2024	2,295
2025	1,434
2026	265
2027	209
Thereafter	2,504
Total	$ 19,910

Additionally, as part of the normal course of business, we have entered into multi-year agreements to purchase renewable energy that do not specify a fixed or minimum volume commitment or to purchase certain server components that do not specify a fixed or minimum price commitment. We enter into these agreements in order to secure either volume or price. Using the projected market prices or expected volume consumption, the total estimated spend as of December 31, 2022

The following table sets forth our segment information of revenue and income (loss) from operations (in millions). For comparative purposes, amounts for the year ended December 31, 2020 have been recast:

	Year Ended December 31,		
	2022	2021	2020
Revenue:			
Family of Apps	$ 114,450	$ 115,655	$ 84,826
Reality Labs	2,159	2,274	1,139
Total revenue	$ 116,609	$ 117,929	$ 85,965
Income (loss) from operations:			
Family of Apps	$ 42,661	$ 56,946	$ 39,294
Reality Labs	(13,717)	(10,193)	(6,623)
Total income from operations	$ 28,944	$ 46,753	$ 32,671