

MARK ZUCKERBERG

- Video is an important part of the FB experience & will continue to invest.
 - ↳ 100 million hours of video are watched daily on FB.
 - ↳ Testing new experiences like Suggested Videos
- Continue working on improving quality of products. (Events / Groups)
- Optimizing services for people in developing countries.
 - ↳ Improved FB Lite to offer better experience in low-bandwidth environments.
- Continue focus on creating better ads + tools for more than 2.5 million active advertisers.
- Instagram:
 - ↳ Focused on building engaging new experiences, including improving search + introducing trending content.
 - ↳ Launched layout app for combining pictures.
 - ↳ Launched Boomerang for making looping videos
 - ↳ Introduced new video channel for people to watch moments from big events.
- Messenger:
 - ↳ Introduced video calling + new options for customizing conversations (colors, emojis, using apps through Messenger).
 - ↳ Added Payments, new way to connect with businesses.
 - ↳ Testing M, digital assistant powered by AI. *First mention of AI in a FB product.*
 - ↳ Began testing transportation platform, allowing people to request uber ride through Messenger.
 - ⇒ More services expected to come including airlines.
- WhatsApp:
 - ↳ Ended the year with nearly 1 B active users.
 - ↳ Worked to keep it fast, simple + reliable.
 - ↳ Announced that will be FREE to everyone.
 - * Removes WhatsApp only means of monetization ⇒ will impact operating margins as it increases costs without a revenue stream.
- Breakthrough tech to help connect more people to the internet.
 - ↳ First trials of Express Wifi: help entrepreneurs bring communities online.
 - ↳ Launched Free Basics in 33 more countries + connected 19M people.
 - ↳ Expect to hold first test flight of Aquila, first solar-powered aircraft designed to beam Internet into communities from the sky.
 - ↳ Working on new advances in laser that can transfer large amounts of data faster + more efficiently.
- Work in AI:
 - ↳ Making progress towards new generation of computers that can see + understand.
 - ↳ FB is open-sourcing software and a lot of AI hardware platform in order to drive the entire AI community forward.
 - ↳ Built prototype AI system ⇒ combines language & vision comprehension ⇒ you can show it an image it has never seen before & it can answer questions about that image.
- Virtual Reality:
 - ↳ Samsung Gear VR shipped over the holidays with Oculus software.
 - ↳ Opened preorders for Oculus headsets.
 - ↳ More than 100 VR games + experiences are coming to Oculus this year.
 - ↳ Later this year they will be shipping Oculus touch controllers to get hands into VR.

SHERYL SANDBERG

- FB + Insta during business results for partners.
 - ↳ Growing spend from current clients + attracting new marketers.
- Growth in emerging markets including China
 - ↳ Businesses are advertising on FB + Instagram to reach people internationally.

PROGRESS IN 3 PRIORITIES

- 1- Capitalizing Shift to Mobile
 - ↳ Conversations with clients have shifted from if they should market to mobile to how.
 - ↳ According to ComScore, total US consumer spending on mobile in Nov & Dec. was 59% YoY
- 2- Growing the number of marketers using ad products.
 - ↳ Active advertisers continue to grow.
 - ↳ Growth in adoption of Instagram.
 - ⇒ 98/100 of TOP FB advertisers also used Insta in Q4.
- 3- Improving Relevance + Effectiveness of our ads.
 - ↳ Shipped a lot of new ad product this past year.
 - ↳ Measurement also remains a critical area of focus.
 - ⇒ Saw more advertisers shift from proxy metrics like clicks to business results like digital & in-store sales.

DAVID WETTER

- Mobile continues to drive results.
- Strengthening of US dollar has had unfavorable outcome for FB
- Mobile ad revenue was \$4.5B, now representing 80% of ad revenue.
 - ↳ 3 years ago, mobile was only 25%.
- On supply side:
 - ↳ Given # of people using FB on mobile, time spent & ad load.
 - ⇒ Focus on quality & relevance enabled delivery of better overall mobile ad experience while increasing # of ads they see.
- On demand side:
 - ↳ Efforts on targeting & measurement solutions enabled marketers to achieve better business results at better values.
- Increase in price is being driven by shift towards mobile which contains higher-priced News Feed ads.
- YoY expense growth rate slowed in Q4 as they lapped introduction of stock-based compensation changes associated with the WhatsApp transaction.
- 44% operating margin.

GUIDANCE FOR 2016

- Factors that drove growth in ad revenue will continue.
- Expect to continue facing foreign exchange headwinds.
- Will be another significant investment year.
 - ↳ YoY growth rates of 30-40% in expenses.
- Currently building 2 datacenters (Clonmel, Ireland + Fort Worth, Texas).
- Expect taxes to be in the low 30's & decline further over time to resemble global peers.

QUESTIONS

1- Ad load has increased. Room to increase more? Theoretical ceiling?

- ↳ Improving quality & relevance has enabled FB to show more ads without harming the experience.

2- Messenger platform open to developers + how was result informed on what to do with WhatsApp?

- ↳ FB is expanding type of content that people can share (video, photos, stickers)
- ↳ Important piece is how people can interact with businesses.
 - ⇒ Basis of how they can make Messenger into a business.

3- Instagram engagement + advertiser adoption + pricing?

- ↳ When they introduced ads into the feed & as they continue to increase ad load, FB monitors user engagement & quality of ads.
 - ⇒ High quality ads = good consumer experience.
- ↳ They don't break out Instagram revenue

4- Oculus. Happy about initial launch? What industries would be disrupted the most?

- ↳ Reason why FB is interested as a social company ⇒ new way for people to interact.
- ↳ Ultimately going to change the way we communicate + live + work in addition to how we play games.

5- Instagram & FB are both being used by advertisers. Is it incremental or will they transfer / substitute?

- ↳ In the short run, some of it is incremental & some of it isn't.
- ↳ In the medium to long run, they believe they are really well positioned to take share from other platforms.
 - ⇒ Encourage advertisers to measure ROI & compare. This bodes well for their growth.

6- Will FB be launching more stand-alone apps?

- ↳ The ones that have done the best are things that augment core FB functionality for large subsets of the community.
- ↳ There are additional opportunities & they will continue looking for them.

7- Gap between monetization in Asia vs US. Drivers to increase overall Asia & Rest of the world monetization.

- ↳ Approach to increase monetization around the world is the same.
 - ⇒ Build compelling ad products that let marketers be creative & convincing.
- ↳ The way FB needs to drive sales is by understanding markets, making sure products work for markets but also being able to connect ad metrics & business metrics.
- ↳ All market segments are focused on video.
 - ⇒ Video ad spend isn't incremental. Takes place of another ad in the News Feed.
 - ⇒ FB has to convince marketers & agencies & people to experiment with different video formats.
 - * Ability to persuade marketers to experiment is going to be a major driver.
 - ⇒ Video is helping on time spent & engagement

8- Reactions / other action other than the like button.

- ↳ Currently testing but expected to roll-out in every platform.
- ↳ Philosophy behind: with like button, if you share something sad / angry people might not have the tools to react.
 - ⇒ Really important to mission of the company, will increase engagement, sharing, openness.

9. Role of different platforms in Payments?

- ↳ Make business interaction more transactional, take friction out of making transactions.
- ↳ Not a Payment company → will partner with everyone who does payments.
- ↳ Less friction = better user experience.
 - ⇒ Drive up amount of businesses willing to pay to advertise to send people into those interactions bc they perform well.

10. FB as a platform for political campaigns?

- ↳ Politicians are taking advantage of targeting.
 - ⇒ Every member of Congress has FB
 - ⇒ Direct engagement between politicians & constituents is important to FB mission.

11. Messaging has had a massive shift. Monetization / future of 2 messaging apps?

- ↳ see same strategy as in mobile.
 - ⇒ First focus on building a great consumer experience.
 - ⇒ Introduce organic ways for people to interact with businesses.
 - ⇒ when the ecosystem is built out, build businesses around them.

12. Facebook Sport Stadium

- ↳ Early test.
- * Find out what this is

13. Do revenues & cost line-up geographically?

- ↳ Most cost is US based so they do see impact to margins with FX headwinds.