

## MARK ZUCKERBERG

- War on Ukraine
  - ↳ Meta has been blocked in Russia
  - ↳ Decided to stop accepting ads from Russian advertisers globally.
- With current business growth levels, are now planning to slow the pace of some investments.
- Investment Margins:
  - ↳ FoA: confident that can return to better revenue growth rates over time & sustain high operating margins.
  - ↳ Over next several years goal from a financial perspective is to generate sufficient operating income growth from FoA to fund growth of investments in RL, while still growing overall profitability.
  - ⇒ That's not going to happen in 2022 given the revenue headwinds.
  - ⇒ Possible that prolonged macroeconomics or business uncertainty could force them to trade-off against shorter-term financial goals.

## REELS

- Makes up +20% of time spent in IG.
- Video overall +50% of time spent on FB with Reels growing quickly.
- Seeing shift in feed from being almost exclusively curated by social graph to having more feed recommended by AI, even if the content wasn't posted by a friend or someone you follow.
- ↳ Unlocks interesting & useful videos & posts that you might otherwise miss.
- ⇒ Also introduces more opportunities for ads.
- AI = Discovery Engine
- Believe that investments in AI, all different types of content they support & work to build best platforms for creators to make a living will increasingly set services apart from the rest of the industry & drive their success.
- Having ambitious vision around building the world's discovery engine is attracting a lot of the most talented AI folks to work on this program.

## ADS

- Also large AI investment.
- 3 major trends in ad business
  - ↳ Headwinds from shift to short-form video.
    - Focused on growing Reels as major part of discovery engine vision.
    - ⇒ Will eventually turn into a tailwind.
  - ↳ Headwinds from signal loss
    - Have to grow 1st Party understanding of what ppl are interested in by making it easier for ppl to engage with businesses in their apps.
    - Making major AI investments → drives better recommendations, higher returns for advertisers & increase revenue growth.
    - ↳ Long-term: sustainable competitive advantage.

## METAVEER

- Centerpiece → Horizon (social platform)
  - ↳ As they build out the experience, next focus will be growing the community.
- Plans launch web version later this year
- Focus for Horizon is building out Metaverse economy & helping creators make a living, working in the Metaverse.
  - ↳ Expect to be meaningfully better at monetization → sustainable advantage
- Quest 2 continues to be leading VR headset
- Later this year will release higher-end headset → Project Cambria
  - ↳ More focused on work use cases & eventually replacing your laptop/work setup.
  - ⇒ Will have improved ergonomics & full color passthrough mixed reality to blend VR with the physical world.
  - ⇒ Building eye tracking & face tracking → avatar can make eye contact & facial expressions.

## SHERYL SANDBERG

- Meaningful growth in areas like video ads & click-to-messaging ads.
- Already integrating some advertising to promote initiative with Horizon (Metaverse) → example with Wendy's:
  - ↳ Used video format ads to drive consumers to 1st virtual Wendy's restaurant in Horizon Worlds.
  - ↳ Worked with them to promote campaign in Horizon world itself, with virtual welcome screen directing ppl to what they called the Wendyverse.
- To improve ads:
  - ↳ Encouraging partners to integrate with conversions API to create direct, reliable & privacy safe connection b/w their marketing data & Meta.
  - ↳ Recently introduced faster & easier way for SMBs to integrate → Conversions API Gateway.
- Helping advertisers get better insights with less data with conversion modeling.
- Helping business connect directly to consumers & grow more on-site data conversion through products like click-to-message.
  - ↳ Multibillion dollar business with double-digit YoY growth in DI.
- See opportunity to grow other on-site conversion products like lead ads & shop ads.
  - ↳ Medium term
- Long-term: developing privacy-enhancing tech → minimize amount of personal info they process while allowing to show relevant ads & measure performance.
  - ↳ Collaborating across industry on these & other standards.

## DAVID WEHNER

- Prior to war on Ukraine
  - ↳ Headwinds related to slowdown in online commerce vertical
  - ↳ Targeting & measurement headwinds.
- Experienced further deceleration following the start of the war.
  - ↳ Loss revenue in Russia
  - ↳ Reduction in ad demand both within Europe & outside the region.
- Impressions (+15%): APAC + Rest of the World
- Price (-8%): mix shift to regions + services that monetize at lower rates.
- FoA Other Rev (+9%): WhatsApp business API offset decline in payment-related rev earned from Games.
- FoA expenses (+27%): employee related expenses, infrastructure costs & legal costs.
- RL (+30%): Quest 2 sales
  - ↳ Expenses (+55%): employee related costs, R&D operating expenses & COGS
- Due to rev headwinds → adjusted plans for hiring & expense growth this year.
  - ↳ Lowered range of expenses outlook.

## Questions

- Engagement for both Facebook & Instagram remain above the levels they were pre-pandemic both globally & in the US.

### ① Investment cycles vs monetization for hardware/Metaverse?

- With the success of Quest 2 → funding product teams to be building future products 2 or 3 versions into the future.
  - ↳ Hardware requires a multi-year effort.
- At some point, will have product teams fully staffed for a few versions into the future & expense growth rates will come down.
  - ↳ Not going to happen until those products really hit the market & scale in a meaningful way
- Some of the software parts will have near-term opportunities to monetize.
  - ↳ Horizon will roll out across all platforms
  - ↳ Will have shorter cycles.

### ② Biggest changes to user experience & monetization due to AI content curation.

- Universe of content is way bigger.
- As understanding of ppl & content get better will be able to match it more with what ppl are interested in.
- See this content as additional to what friends/family/follow posts.
  - ↳ Content will be more interesting → higher engagement → higher monetization opportunity.

### ③ Reels - timing to turn more ads.

- Takes time for all advertisers to optimize the creative.
- Will show more ads as content gets better → not be a big pain in user experience.
- The more they do for advertisers, the better off they are.
  - ↳ Automate, help target, help them form the creative.

### ④ With expense guidance down. How does this affect prioritization.

- Pacing some investments across each of these areas.
- More importantly, shifting bulk of energy inside the company towards those high-priority areas, away from other areas.

### ⑤ FB advertising competitive advantage overtime.

- If commerce efforts are successful over the long-term, they'll be able to close the loop directly on their end service.
  - ↳ Becomes 1st Party Data → better measurements & targeting
- Highly engaged platform = important first party data which can be used to target.