

MARK ZUCKERBERG

- FB is focused on the long-term.
- Navigated a challenging transition to mobile, but b/c they were a controlled company they were able to focus on improving user + product experience of apps first, & then build a strong mobile business overtime rather than being forced to do something short sighted.
- FB has been built by a series of bold moves & Zuckerberg sees more bold moves ahead than behind them.
- Created the Chan Zuckerberg Initiative & committed to give 99% of their FB shares to advance human potential & promote equality.
 - ↳ When will this happen & how will it affect Class A / Class B proportions? How does this affect voting rights?
 - ⇒ Announced in December that he won't sell more than \$1B worth of stock per year over the next 3 years.
- Today's Board Proposal will allow FB to maintain & improve voting structure + allow Zuckerberg to fund the Chan Zuckerberg Initiative.
- Roadmap has 3 horizons:
 - ↳ Keep investing in most developed ecosystem, FB app & platform.
 - ⇒ Fpl spend on avg +50m in a day using FB, Insta & Messenger.
 - ⇒ Launched Reactions to help ppl express themselves in more ways.
 - ⇒ More than 3M businesses are using their advertising product each month.
 - ⇒ Over the next 5 years, going to build ecosystem around their products that are already being used by a lot of people.
 - Beginning the golden age of online video.
 - ↳ Focusing on more interactive video experiences like Live & 360 video.
 - ⇒ Live was opened to everyone earlier in March.
 - ↳ Messaging through Messenger & WhatsApp
 - ⇒ Bots for Messenger that allow to order something or get news without leaving Messenger thread.
 - ↳ Happy with Instagram growth with +400M active & +200K businesses advertising every month.
 - ⇒ Focused on making user experience more engaging.
- Will keep investing in new tech to help everyone connect.
 - ↳ Building open-source telco infrastructure called TIR.
 - ↳ Free Basics has helped 25M people go online.
- AI is a long-term effort but are already using it in lots of ways.
- Virtual & Augmented Reality:
 - ↳ Gear VR started shipping late previous year.
 - ↳ Started shipping Oculus Rift in Q1.

SHERYL SANDBERG

- Big focus for 2016: helping clients understand true business impact of their ads, especially on digital.

3 PRIORITIES

① CAPITALIZING SHIFT TO MOBILE

- Driver of consumer shift to mobile is video.
 - ↳ People are sharing & creating nearly 3x more video on FB than they were a year ago.
- Best marketers understand people watch video differently in mobile feed than on TV.
 - ↳ Grab attention in first few seconds (sometime w/o sound) → thumb-stopping creative.
- FB wants to help marketers optimize their video ads.

② GROW # OF MARKETERS USING FB AD PRODUCT

- +3M active advertisers on FB & +200K in Instagram.
- Significant # of advertisers are small & medium businesses → affordable way to connect.
- Are making it easier for SMBs to use same targeting tools & ad formats as more sophisticated advertisers.

③ IMPROVING RELEVANCE & EFFECTIVENESS OF ADS

- Last year introduced conversation lift to measure how FB & Insta campaigns drive business objectives like sales.
 - ↳ In Q1 expanded lift capabilities by testing lift API.

DAVID WEHNER

- CAPEX more than doubled vs Q1 2015.
 - ↳ Server purchases & data center construction were largest contributors of YoY growth.
 - ↳ New builds in Texas & Ireland + expansion of existing facilities will nearly double current data center foot print when completed.
- Main drivers of ad revenue growth will continue.
- Payments & other fees will continue to face headwinds.
- Expenses to grow 30-40%.
- Board Proposal: Board of Directors have approved. Pending stockholder approval.
 - ↳ Reclassification of capital stock → creation of new Class of publicly listed nonvoting Class C capital stock.
 - ⇒ 2 Class C will be issued as one-time stock dividend for each outstanding Class A & B stock.
 - ↳ REWH:
 - ⇒ 2 publicly traded classes of FB stock.
 - ⇒ Class C will have same economic rights → share price of Class A would generally reflect a 3-for-1 stock split.
 - ⇒ No effect on voting interests.

QUESTIONS

- Small + Medium-size business opportunity at FB
 - ↳ SMBs are turning to FB pages as mobile solution.
 - ↳ Here they have access to same tools as big advertisers.
 - ↳ 2M SMBs have posted video, more than in TV commercial.
 - ↳ Worked hard to build measurement tools into products.
- Messenger: shift in user behavior to focus more on business vs. personal communications. Make users aware of capabilities. Division bots & humans working together to provide customer service.
 - ↳ One of the ways to shift user behavior is through bots.
 - ↳ Bots can cut waiting time.
 - ↳ Through AI research, FB can look at responses businesses give to common questions & confidently provide the right reply a lot of the time.
 - ⇒ Can build AI that will learn from people.
- Instant Articles. Publisher benefit for joining? Monetization impact?
 - ↳ Links that are not Instant Articles can be one of the slowest part of the app.
 - ⇒ Deliver great native experience.
 - ⇒ Ppl on FB don't know the difference about whether the content is coming from FB or different place.
 - ↳ Hold them accountable for making their experience quick.
 - ↳ People like to engage with that a lot more.
- APAC Growth Drivers
 - ↳ Working with marketers in China to help with export business.
 - ↳ Global nature of business is also driving results.
- Mention a proxy material with regard to new Class C stocks.
 - ↳ would be a good read.
- Acquisition philosophy: when to buy / when to build?
 - ↳ What are the things we think are going to be ubiquitous tools & who are the most talented people in the world to build this?
- DPEX guidance.
 - ↳ Q1 came below annual expense growth guidance, but they expect investments in video & Oculus will impact the remainder of the year more substantially.
- Update on progress with FAN:
 - ↳ Audience Network is important b/c FB is making strategic investment in ad pack, helping advertisers & publishers grow, both on & off Facebook.
 - ⇒ Bring people-based mktg to scale & solve measurement problems.
 - **Validate how this works. Mentions that it was used with FB + Insta to drive better results.**
- Where are you applying machine learning apart from Message bots?
 - ↳ Focused on building computer services that have better perception than people.
 - ↳ Will improve the way they rank the Newsfeed.
 - ⇒ Today using basic signals like friends & likes.
 - ⇒ Today system doesn't understand what the content means.
 - ↳ In the future 5-10 years they see this as possible.
- Longer-term transition of FB into a marketplace.
 - ↳ Ppl are increasingly using FB to discover products & services.
 - ⇒ They are testing some ways like marketplace to make it easier.
 - ↳ FB continues to be an ad product.
- New features in Messenger including ads to promote your business. Roadmap for WhatsApp.
 - ↳ Not rolling any monetization products for WhatsApp.
 - ↳ Q1 was growth for both platforms.
 - ↳ Messenger monetization is following organic activity currently on the platform.

FACEBOOK AUDIENCE NETWORK (FAN):

<https://adespresso.com/blog/facebook-audience-network/>

- Facebook Audience Network is an off-Facebook, in-app advertising network for mobile apps. Advertisers can serve up their ads to customers who are using mobile sites and apps other than Facebook, extending their reach beyond the platform while still getting to use Facebook's exceptionally powerful ad system.
- Facebook's audience network is also a monetization opportunity for those who have apps. Anyone can join Facebook's Audience Network, and when people engage with the ads within your app, you get a chunk of Facebook's resulting ad revenue.
- As a bonus, ad formats are flexible, so mobile apps displaying audience network ads can integrate native ads that still fit their design. This means that the user experience will be better, and these ads will perform better as a result.
- Audience network placements cost a heck of a lot less than other placements, including Facebook and definitely Instagram.