

- **Business:**
 - **Facebook.** Facebook enables people to connect, share, discover, and communicate with each other on mobile devices and personal computers. There are a number of different ways to engage with people on Facebook and build community, including Facebook News Feed, Stories, Groups, Shops, Marketplace, News, and Watch.
 - **Instagram.** Instagram brings people closer to the people and things they love. It is a place where people can express themselves through photos, videos, and private messaging, and connect with and shop from their favorite businesses and creators. They can do this through Instagram Feed, Stories, Reels, IGTV, Live, Shops, and messaging.
 - **Messenger.** Messenger is a simple yet powerful messaging application for people to connect with friends, family, groups, and businesses across platforms and devices through chat, video, and Rooms.
 - **WhatsApp.** WhatsApp is a simple, reliable, and secure messaging application that is used by people and businesses around the world to communicate and transact in a private way.
 - **Facebook Reality Labs.** Facebook Reality Labs' augmented and virtual reality products help people feel connected, anytime, anywhere. Oculus Quest lets people defy distance with cutting-edge virtual reality (VR) hardware, software, and content, while Portal helps friends and families stay connected and share the moments that matter in meaningful ways.
 - We generate substantially all of our revenue from selling advertising placements to marketers. Our ads enable marketers to reach people based on a variety of factors including age, gender, location, interests, and behaviors. Marketers purchase ads that can appear in multiple places including on Facebook, Instagram, Messenger, and third-party applications and websites.
- **Competition:**
 - We face significant competition in every aspect of our business, including, but not limited to, companies that facilitate the ability of users to share, communicate, and discover content and information online or enable marketers to reach their existing or prospective audiences, including, for example, Google, Apple, YouTube, Tencent, Snap, Twitter, ByteDance, Microsoft, and Amazon.
- We had a global workforce of 58,604 employees as of December 31, 2020, which represents a 30% year-over-year increase in employee headcount. We expect headcount growth to continue for the foreseeable future, particularly as we continue to focus on recruiting employees in technical functions.
- The vast majority of our personnel are currently working remotely as a result of the COVID-19 pandemic, and in the long term, we expect some personnel to transition to working remotely on a regular basis.
- We have conducted pay equity analyses for many years, and continue to be committed to pay equity. In 2020, we announced that our analyses indicate that we continue to have pay equity across gender globally and race in the United States for people in similar jobs, accounting for factors such as location, role, and level.

RISK FACTORS:

RISKS RELATED TO PRODUCT OFFERING:

- If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed.
 - beginning in the first quarter of 2020, we experienced significant increases in the size and engagement of our active user base across a number of regions as a result of the COVID-19 pandemic. More recently, we have seen user growth and engagement returning to pre-pandemic trends, and in each of the third and fourth quarters of 2020, we experienced slight declines on a quarter-over-quarter basis in the number of daily active users on Facebook in the United States & Canada region.
 - We are unable to predict the impact of the pandemic on user growth and engagement with any certainty, and we expect these trends to continue to be subject to volatility.
- We generate substantially all of our revenue from advertising. The loss of marketers, or reduction in spending by marketers, could seriously harm our business.
 - For example, macroeconomic conditions have affected, and may in the future affect, marketers' ability or willingness to spend with us, as we have seen with the regional and worldwide economic disruption related to the COVID-19 pandemic and associated declines in advertising activity on our products. The effects of the pandemic previously resulted in reduced demand for our ads, a related decline in pricing of our ads, and additional demands on our technical infrastructure as a result of increased usage of our services, and any similar occurrences in the future may impair our ability to maintain or increase the quantity or quality of ads shown to users and adversely affect our revenue and financial results.
- Our advertising revenue is dependent on targeting and measurement tools that incorporate data signals from user activity on websites and services that we do not control, and changes to the regulatory environment, third-party mobile operating systems and browsers, and our own products have impacted, and we expect will continue to impact, the availability of such signals, which will adversely affect our advertising revenue.
 - For example, legislative and regulatory developments, such as the GDPR, ePrivacy Directive, and CCPA, have impacted, and we expect will continue to impact, our ability to use such signals in our ad products.
 - In particular, we have seen an increasing number of users opt out of certain types of ad targeting in Europe following adoption of the GDPR, and we have introduced product changes that limit data signal use for certain users in California following adoption of the CCPA.
 - mobile operating system and browser providers, such as Apple and Google, have announced product changes as well as future plans to limit the ability of application developers to collect and use these signals to target and measure advertising.

- For example, in June 2020, Apple announced that it plans to make certain changes to its products and data use policies in connection with the release of its iOS 14 operating system that will reduce our and other iOS developers' ability to target and measure advertising, which we expect will in turn reduce the budgets marketers are willing to commit to us and other advertising platforms.

RISKS RELATED TO BUSINESS OPERATIONS & FINANCIAL RESULTS

- The COVID-19 pandemic has had, and may in the future have, a significant adverse impact on our advertising revenue and also exposes our business to other risks.
- Our costs are continuing to grow, and some of our investments, particularly our investments in virtual and augmented reality, have the effect of reducing our operating margin and profitability. If our investments are not successful longer-term, our business and financial performance will be harmed.
- Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our service, including as a result of the COVID-19 pandemic, could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.
 - The effects of the COVID-19 pandemic have increased the risk of supply or labor shortages or other disruptions in logistics or the supply chain for our technical infrastructure. As a result, we may not be able to procure sufficient equipment or services from third parties to satisfy our needs, or we may be required to procure such services or equipment on unfavorable terms.
- Compliance with our FTC consent order, the GDPR, the CCPA, the ePrivacy Directive, and other regulatory and legislative privacy requirements require significant operational resources and modifications to our business practices, and any compliance failures may have a material adverse effect on our business, reputation, and financial results.
- Our participation in the Diem Association subjects us to significant regulatory scrutiny and other risks that could adversely affect our business, reputation, or financial results. (first mention of this. Was Libra changed to this?)
 - In June 2019, we announced our participation in the Diem Association, which will oversee a proposed digital payments system powered by blockchain technology, and our plans for Novi, a digital wallet for Diem which we expect to launch as a standalone application and subsequently in Messenger and WhatsApp.

LEGAL PROCEEDINGS:

- Illinois Biometric Information Privacy Act:
 - On July 22, 2020, the parties executed an amended settlement agreement, which, among other terms, provides for a payment of \$650 million by us. On August 19, 2020, the court granted preliminary approval of the settlement. The settlement is subject to final court approval.

OTHER

- Our annual worldwide ARPP in 2020, which represents the sum of quarterly ARPP during such period, was \$27.51, an increase of 8% from 2019.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER
Revenue	+ 22%	<ul style="list-style-type: none"> Advertising +21% Payments +72% The increase was almost entirely due to an increase in advertising revenue as a result of an increase in the number of ads delivered, partially offset by a decrease in the average price per ad. # of ads increase 34% <ul style="list-style-type: none"> The increase in the ads delivered was driven by an increase in the number and frequency of ads displayed across our products, and an increase in users. Avg price of ad -10% <ul style="list-style-type: none"> The decrease in average price per ad during the year ended December 31, 2020 was primarily driven by a decrease in advertising demand globally during the first two quarters of 2020 due to the COVID-19 pandemic and, to a lesser extent, by an increasing proportion of the number of ads delivered as Stories ads and in geographies that monetize at lower rates. In the near-term, we anticipate that future advertising revenue growth will be determined primarily by several factors: the extent to which we continue to see increasing advertising demand in connection with the shift of commerce from offline to online, as well as increased consumer demand for purchasing products as opposed to services, as a result of the COVID-19 pandemic; the status of the economic recovery from the slowdown caused by

		<p>the COVID-19 pandemic and the magnitude of fiscal stimulus; and the extent to which changes to the regulatory environment and third-party mobile operating systems and browsers result in limitations on our ad targeting and measurement tools.</p> <ul style="list-style-type: none"> Strengthening of US dollar had unfavorable impact on revenue.
Cost of Revenue	+31%	he increase was mostly due to an increase in operational expenses related to our data centers and technical infrastructure, higher cost associated with partner arrangements, including traffic acquisition and content costs and, to a lesser extent, an increase in cost of consumer hardware devices sold.
R&D	+36%	Payroll +40% headcount
Marketing & Sales	+17%	The increase was primarily driven by increases in marketing expenses and payroll and benefits expenses, which were partially offset by a decrease in travel-related expenses due to the COVID-19 pandemic. Our payroll and benefits expenses increased as a result of a 16% increase in employee headcount from December 31, 2019 to December 31, 2020 in our marketing and sales functions.
General & Admin	-37%	<ul style="list-style-type: none"> Excluding the \$5.0 billion FTC settlement accrual recorded in 2019, general and administrative expenses in 2020 increased \$1.10 billion, or 20%, compared to 2019. The increase was primarily due to higher professional services costs and an increase in payroll and benefits expenses as a result of a 23% increase in employee headcount from December 31, 2019 to December 31, 2020 in our general and administrative functions.
Taxes	-36%	<ul style="list-style-type: none"> mostly due to the additional tax expense incurred in 2019 from the Altera Ninth Circuit Opinion and the effects of a tax election to capitalize and amortize certain research and development expenses for U.S. income tax purposes. Our effective tax rate in 2020 decreased compared to 2019, primarily due to the 2019 legal accrual related to the FTC settlement that was not tax-deductible, the additional tax expense incurred in 2019 from the Altera Ninth Circuit Opinion, and the effects of a tax election to capitalize and amortize certain research and development expenses for U.S. income tax purposes. Effective tax rate was 12% vs 25% in 2019.

LIQUIDITY & CAPITAL RESOURCES

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 - net operating loss carryforward was \$10.62 billion
 - \$424 million of federal tax credit carryforward
 - We anticipate the utilization of a significant portion of these net operating losses and credits within the next three years.
 - In 2020, we repurchased and subsequently retired 27 million shares of our Class A common stock for \$6.30 billion. As of December 31, 2020, \$8.60 billion remained available and authorized for repurchases. In January 2021, an additional \$25 billion of repurchases was authorized under this program.
 - As of December 31, 2020, \$7.18 billion of the \$61.95 billion in cash and cash equivalents and marketable securities was held by our foreign subsidiaries.

NOTES TO CONSOLIDATED FINANCIALS

- Other revenue:
 - Other revenue consists of revenue from the delivery of Facebook Reality Labs (FRL) consumer hardware devices, net fees we receive from developers using our Payments infrastructure, as well as revenue from various other sources.
- Revenue by geography (P.96)
- Equity Investments (P.98)
- As of December 31, 2020, there were 2,406 million shares of Class A common stock and 443 million shares of Class B common stock issued and outstanding.

*Check list of subsidiaries in order to determine purchases of FB throughout the years.