

## 2022 Q1

- Advertising revenue adversely impacted by:
  - ↳ Limitations on targeting & measurement tools arising from iOS changes.
  - ⇒ Have to grow first party understanding of people's interest by making it easier for people to engage with businesses through their apps.
  - ↳ Softening of e-commerce pushed by COVID as interaction more offline.
  - ↳ Competition reducing user engagement.
    - ⇒ In response, introduced new features such as Reels which is growing in usage but doesn't monetize at same rate as Feed.
  - ↳ Restricted access to Russia due to war on Ukraine + stopped acceptance ads from Russian advertisers.
- Appreciation of US dollar also negatively impacted.
- Anticipate additional investments in servers, datacenter capacity, network infrastructure & office facilities as well as headcount scaling to support growth including RL initiatives will continue to drive expense growth.
  - ↳ Expect expense growth rate to exceed revenue growth rate.
  - ↳ Goal: generate sufficient revenue growth in FoA to invest in RL will still growing profitability.
  - ↳ Macroeconomics/Business uncertainty could force them to trade-off against shorter-term goals.
- Video continues to grow, especially Reels.
- Seeing shift in Feed → more recommendations from AI, even if content wasn't posted by someone you follow.
  - ↳ More opportunity for ads.
- AI is powering discovery engine - are making major investments.
  - ↳ Expect AI to be a competitive advantage.
- Developing privacy enhancing tech that minimizes amount of personal information they process while allowing to show relevant ads & measure performance.
- Reels is growing rapidly but still lagging behind TikTok (most downloaded app of 2021) + more popular among young users.
- Quest 2 is most popular headset
- EU + UK launched antitrust investigations into Google & Facebook over potential illegal cooperation in digital advertising, specifically regarding 2018 deal known as Jedi Blue.
- IG launches parental control tools. Will also introduce these tools to Quest VR headsets.
- Has struggled to establish foothold in India's mobile payments market (dominated by Google & PhonePe) → WA payments = 0.02% of GM

## 2022 Q2

- Face another quarter with reduction in advertising demand due to many challenges seen in Q1 which continue in Q2 including:
  - ↳ More challenging macroeconomic environment.
  - ↳ Targeting & measurement limitations. (iOS)
  - ↳ Strong competition reducing engagement.
  - ↳ War on Ukraine.
- Are slowing pace of some investments + reducing headcount growth - many teams are going to shrink to shift energy to other areas. Expect to get more done with fewer resources.
  - ★ shows some focus on efficiency but does not match with high cost increase seen (+32% YoY vs +14% increase in Rev. -TTM)
- 2 waves driving business: AI & Metaverse.
  - ↳ AI - REcommendation systems across all types of content
    - ⇒ More interesting content = higher engagement.
    - ⇒ Reels driving +30% of engagement (through discovery).
    - ★ ⇒ New social trend is for people to discover content & share it with their friends through private messaging - creates a flywheel of discovery & social connection.
  - ↳ Metaverse: by developing these platforms will have more freedom to build experiences rather than being limited by constraints that competitors place.
- Sheryl Sandberg is leaving & being replaced by Javier Olivera.
  - ↳ Has raised questions about the future of the company that is trying to transform into a "Metaverse" company through its stepped-up investment in VR & related technologies.
  - ↳ She cited being burned-out & becoming a punching bag for the company's troubles.
- Moving its AI development from central research labs to its product groups in order to accelerate its adoption & growth
- Shelving plans to release commercial AR glasses after RL segment lost nearly \$3B in Q1.
- Head of engineering instructed its managers to identify & report low performers in the company to force them out, following CEO's announcement of weeding out underperforming employees.
- FTC attempting to stop Meta from acquiring Within Unlimited & its VR fitness app, Supernatural, alleging that the deal would violate antitrust laws & reduce competition.
- Meta struggling to revamp its image & reverse declining sales, prompting the company to walk back some new IG features & throttle back the number of posts shown to users from accounts they don't follow.

## 2022 Q3

- Advertising revenue continues to be impacted by same issues as previous quarters.
- Advertising budgets are being pressured by factors such as inflation, rising interest rates, & related market uncertainty.
- Community continues to grow - all apps continue to grow from a large base.
- Company grew on constant currency basis.
- Focus for 2023:
  - ↳ Most teams will stay flat or shrink - overall company same size
  - ↳ AI as a discovery engine to continue to power Reels & other recommendations / Ads & Business Messaging Platforms / Future vision for the Metaverse.
- Surge in CAPEX due to building new AI infrastructure.
- R&D investments expected to increase meaningfully in 2023:
  - ↳ Launch of Quest + full-year impact of 2022 headcount growth.
  - ↳ Expect to pace further expenses to R&D to achieve goal of growing operating income.
- Reels is incremental time spent on platforms. Believe are gaining time spent share on competitors like TikTok.
- What sets Meta's products apart:
  - ↳ Discovery engine recommends all types of content.
  - ↳ Mix content alongside post from family & friends
  - ↳ More social interactions moving to messaging.
- See messaging as major monetization opportunity
  - ↳ Click-to-messages ads growing
  - ↳ Paid messaging continues to grow but from a smaller base.  
→ Partnerships with sales force & JioMart.
- Metaverse: Quest Pro started shipping (VR headset that blends virtual objects with physical environment)
- DoorDash delivery products from Facebook Marketplace.
- Meta settles lawsuit alleging FB allowed 3rd parties to access private user data, including Cambridge Analytica.
- Fined over IS mishandling data about children on the platform.
- Disbanded its Responsible Innovation team but company states it remains committed to team's goal.
- Internal research shows that Reel engagement has been falling & most users have no engagement. TikTok's popularity + daily hours spent per users soared.



## 2022 Q4

- Year of Efficiency  $\Rightarrow$  Layoff of  $\sim 11,000$  employees.
  - $\hookrightarrow$  Will scale back budgets, reduce company perks, shrink real estate footprint & restructure teams to increase efficiency.
  - $\hookrightarrow$  Canceled multiple data center projects.
- Resulted in a one-time USD \$4.6B charge which lowered operating margins by 4%.
- Priorities continue to be AI & the Metaverse.
  - $\hookrightarrow$  FB & IG focused on shifting to AI suggestion especially through short-form video format Reels.
  - $\Rightarrow$  Discovery engine will increase engagement which leads to more ad inventory.
- Working on Reels monetization - shift from News Feed causing them to lose money.
- Excited with business messaging - Click-to-message ads + paid messages.
- Want to become leader in Generative AI.
- Investing in new architecture that is more flexible for both AI & non-AI workloads.
- Expect losses will increase in Reality Labs.
- FB lost market due to its high focus on the Metaverse.
- Tech sectors facing workforce reductions.
- Continued scandals: employees accessing user data, fines from Irish for not safeguarding users' phone # & other info, company giving preferential treatment to VIP users.
- New Zealand plans to introduce laws that force tech to pay news publishers for content, based on similar laws in Australia & Canada.
  - $\hookrightarrow$  Could be a regulatory future constraint if more countries adopt.
- More rules from EU restricting use of user data.
- Reels seen as lack of investment in unique content. Might signal company's reluctance to reignite ad growth  $\rightarrow$  focus shift towards Metaverse.
- Meta paying BuzzFeed millions to generate creator content & train creators to grow presence online.