- Revenues by source & User Geography:

Note 2. Revenue

Revenue disaggregated by revenue source and by segment consists of the following (in millions):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Advertising	$ 28,101	$ 26,998
Other revenue	205	215
Family of Apps	28,306	27,213
Reality Labs	339	695
Total revenue	$ 28,645	$ 27,908

Revenue disaggregated by geography, based on the addresses of our customers, consists of the following (in millions):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
United States and Canada (1)	$ 11,449	$ 11,780
Europe (2)	6,759	6,638
Asia-Pacific	7,292	6,722
Rest of World (2)	3,145	2,768
Total revenue	$ 28,645	$ 27,908

(1) United States revenue was $10.79 billion and $11.10 billion for the three months ended March 31, 2023 and 2022, respectively.
(2) Europe includes Russia and Turkey, and Rest of World includes Africa, Latin America, and the Middle East.

- **2023 RESTRUCTURING:**
    - Announced 3 rounds of planned layoffs to further reduce company's size by approximately 10K employees.
        - Most groups were already notified by March + April. Some will still be notified in May.
        - In some regions, it may take to the end of 2023 or longer to complete layoffs.
        - Expect all restructuring charges to be substantially recognized by the end of 2023.

A summary of our 2023 Restructuring pre-tax charges recorded for severance and related personnel costs in the three months ended March 31, 2023 is as follows (in millions):

	Three Months Ended March 31, 2023
Research and development	$ 324
Marketing and sales	5
General and administrative	194
Total (1)	$ 523

(1) Total severance and related personnel costs include $61 million of share-based compensation expense recognized for the 2023 layoffs.

Total restructuring charges recorded under our FoA segment were $468 million and RL segment were $55 million for the three months ended March 31, 2023.

The following is a summary of changes in the accrued severance and other personnel liabilities related to 2023 layoff activities, included within accrued expenses and other current liabilities on the condensed consolidated balance sheets (in millions):

	Severance Liabilities
Balance as of January 1, 2023	$ —
Severance and other personnel costs	462
Cash payments	(9)
Balance as of March 31, 2023	$ 453

We expect the liabilities as of March 31, 2023 to be substantially paid out in cash by the end of third quarter of 2023.

- As of March 31, have substantially completed the 2022 employee layoff while continuing to assess facilities consolidation and data center restructuring initiatives.

A summary of our 2022 Restructuring pre-tax charges, including subsequent adjustments, is as follows (in millions):

	2022				Three Months Ended March 31, 2023				Plan to Date
	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets	Total	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets (1)	Total	Total
Cost of revenue	$ 154	$ —	$ 1,341	$ 1,495	$ 58	$ —	$ (168)	$ (110)	$ 1,385
Research and development	1,311	408	—	1,719	484	(4)	—	480	2,199
Marketing and sales	404	234	—	638	136	(2)	—	134	772
General and administrative	426	333	—	759	129	(12)	—	117	876
Total	$ 2,295	$ 975	$ 1,341	$ 4,611	$ 807	$ (18)	$ (168)	$ 621	$ 5,232

(1) Relates to a change in estimates in our data center restructuring charges recorded during the three months ended December 31, 2022.

The following is a summary of changes in the severance and other personnel liabilities related to the 2022 layoff activities, included within accrued expenses and other current liabilities on the condensed consolidated balance sheets (in millions):

	Severance Liabilities
Balance as of January 1, 2022	$ —
Severance and other personnel costs	975
Cash payments	(203)
Balance as of December 31, 2022	772
Adjustments and foreign exchange	(27)
Cash payments	(675)
Balance as of March 31, 2023	$ 70

Note 6. Non-marketable Equity Securities

Our non-marketable equity securities are investments in privately-held companies without readily determinable fair values. The following table summarizes our non-marketable equity securities that were measured using measurement alternative and equity method (in millions):

	March 31, 2023	December 31, 2022
Non-marketable equity securities under measurement alternative:		
Initial cost	$ 6,388	$ 6,388
Cumulative upward adjustments	293	293
Cumulative impairment/downward adjustments	(532)	(497)
Carrying value	6,149	6,184
Non-marketable equity securities under equity method	18	17
Total	$ 6,167	$ 6,201

- Issued long-term debt in August 2022, haven't issued more since that date.

- Contractual Commitments: should they be capitalized?

Note 12. Commitments and Contingencies

Contractual Commitments

We have $17.48 billion of non-cancelable contractual commitments as of March 31, 2023, which are primarily related to our investments in network infrastructure, servers, and consumer hardware products in Reality Labs. The following is a schedule, by years, of non-cancelable contractual commitments as of March 31, 2023 (in millions):

The remainder of 2023	$ 10,745
2024	2,222
2025	1,500
2026	264
2027	210
Thereafter	2,536
Total	$ 17,477

Additionally, as part of the normal course of business, we have entered into multi-year agreements to purchase renewable energy that do not specify a fixed or minimum volume commitment or to purchase certain server components that do not specify a fixed or minimum price commitment. We enter into these agreements in order to secure either volume or price. Using the projected market prices or expected volume consumption, the total estimated spend as of March 31, 2023 is approximately $12.22 billion, a majority of which is due beyond five years. The ultimate spend under these agreements may vary and will be based on prevailing market prices or actual volume purchased.

- Share Repurchase Program:
    - Our board of directors has authorized a share repurchase program of our Class A common stock, which commenced in January 2017 and does not have an expiration date. As of December 31, 2022, $10.87 billion remained available and authorized for repurchases under this program. In January 2023, an additional $40 billion of repurchases was authorized under this program. During the three months ended March 31, 2023, we repurchased and subsequently retired 56 million shares of our Class A common stock for an aggregate amount of $9.22 billion, including $77 million related to the 1% excise tax on net share repurchases as a result of the Inflation Reduction Act of 2022. As of March 31, 2023, $41.73 billion remained available and authorized for repurchases.
- Share-based Compensation Plan:
    - Plan was amended effective March 1, 2023 increasing the number of shares reserved for issuance.
- Segment Information:

The following table sets forth our segment information of revenue and income (loss) from operations (in millions):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue:		
Family of Apps	$ 28,306	$ 27,213
Reality Labs	339	695
Total revenue	$ 28,645	$ 27,908
Income (loss) from operations:		
Family of Apps	$ 11,219	$ 11,484
Reality Labs	(3,992)	(2,960)
Total income from operations	$ 7,227	$ 8,524

- EXECUTIVE OVERVIEW OF Q1 RESULTS:
    - Revenues continue to be impacted by a more challenging macroeconomic environment, as well as limitations to ad targeting and measurement tools due to iOS changes and regulatory environment.
    - Costs impacted by restructuring charges of $1.14B + increase in operational expenses related to datacenters and technical infrastructure, and higher payroll and related expenses.

Consolidated and Segment Results

We report our financial results for our two reportable segments: Family of Apps (FoA) and Reality Labs (RL). FoA includes Facebook, Instagram, Messenger, WhatsApp, and other services. RL includes our augmented and virtual reality related consumer hardware, software, and content.

	Family of Apps			Reality Labs			Total		
	Three Months Ended March 31,			Three Months Ended March 31,			Three Months Ended March 31,		
	2023	2022	% change	2023	2022	% change	2023	2022	% change
				(in millions, except percentages)					
Revenue	$ 28,306	$ 27,213	4%	$ 339	$ 695	(51)%	$ 28,645	$ 27,908	3%
Costs and expenses	$ 17,087	$ 15,729	9%	$ 4,331	$ 3,655	18%	$ 21,418	$ 19,384	10%
Income (loss) from operations	$ 11,219	$ 11,484	(2)%	$ (3,992)	$ (2,960)	(35)%	$ 7,227	$ 8,524	(15)%
Operating margin	*40 %*	*42 %*		*(1,178)%*	*(426)%*		*25 %*	*31 %*	

- Headcount was 77,114 as of March 31, 2023, a decrease of 1% year-over-year. Substantially all employees impacted by the 2022 layoff are no longer
reflected in our reported headcount as of March 31, 2023. Further, the employees that would be impacted by the 2023 layoffs are included in our reported headcount as of March 31, 2023.

- Restructuring:
  - Additional costs lowered margins by 4 percentage points during Q1.
- In response to competitive pressures, we are investing in Reels and in AI initiatives across our products, including our AI-powered discovery engine to recommend relevant unconnected content. While Reels is growing in usage, it monetizes at a lower rate than our feed and Stories products and we expect it will continue to monetize at a lower rate for the foreseeable future.
- In the three months ended March 31, 2023, 80% of our total costs and expenses were recognized in FoA and 20% were recognized in RL. Our FoA investments include expenses relating to headcount, data centers, and technical infrastructure as part of our efforts to develop our apps and our advertising services. These efforts include significant investments in AI initiatives, including to recommend relevant unconnected content across our products, enhance our advertising tools, and develop new product features using generative AI.
- Many of our RL investments are directed toward long-term, cutting-edge research and development for products for the metaverse that are not on the market today and may only be fully realized in the next decade. Our RL segment reduced our 2022 overall operating profit by approximately $13.72 billion, and we expect our RL operating losses to increase in 2023 and beyond. We expect this will be a complex, evolving, and long- term initiative, and our ability to support our metaverse efforts is dependent on generating sufficient profits from other areas of our business. We are investing now because we believe this is the next chapter of the internet and will unlock monetization opportunities for businesses, developers, and creators, including around advertising, hardware, and digital goods.

RESULTS OF OPERATIONS

FACTOR	VARIATION YOY	DRIVER

Revenue	+3%	• Family of Apps +4%
		  • The increase was mostly driven by advertising revenue.
		  • Advertising +4%
		    ○ Avg Price per Ad -17%:
		      • The decrease in average price per ad was driven by an increase in the number of ads delivered, especially in geographies and in products such as video and Reels that monetize at lower rates, an unfavorable foreign exchange impact, and lower advertising demand, which we believe continued to be impacted by a more challenging macroeconomic environment, as well as, to a lesser extent, the other factors discussed in the section entitled "–Executive Overview of First Quarter Results."
		    ○ # of ads delivered +26%:
		      • Ad impressions increased in all regions.
		      • driven by increases in the number and frequency of ads displayed across our products and an increase in users.
		    ○ Advertising revenue growth was driven by marketer spending in online commerce, healthcare, and entertainment & Media industries.
		    ○ Expect to be driven by a combination of price and number of ads delivered.
		  • Other revenue -5%
		• Reality Labs -51%
		  • The decrease in RL revenue was driven by a decrease in the volume of Meta Quest sales.
		• The general strengthening of the U.S. dollar relative to certain foreign currencies for the three months ended March 31, 2023

		compared to the same period in 2022 had an unfavorable impact on revenue.
Cost of Revenue	+2%	The increase was driven by an increase in operational expenses related to our data centers and technical infrastructure, partially offset by a decrease in RL inventory cost and a $168 million reduction of data center restructuring charges recorded in 2022.
R&D	+22%	The increase was partly due to restructuring charges related to facilities consolidation and severance and other personnel costs. In addition, higher payroll and related expenses, including an increase in share-based compensation expense in engineering and other technical functions supporting our continued investment in RL and FoA, also contributed to the increase.
Marketing & Sales	-8%	The decrease was mainly due to decreases in marketing and promotional expenses as well as payroll and related expenses. Our payroll and related expenses decreased as a result of a 13% decrease in employee headcount from March 31, 2022 to March 31, 2023 in our marketing and sales functions.
General & Admin	+22%	The increase was primarily due to increases in restructuring charges, related to severance and other personnel costs and facilities consolidation, as well as higher legal-related costs.
Taxes	+11%	• Our effective tax rate increased in the three months ended March 31, 2023 compared to the same period in 2022, primarily due to changes in unrecognized tax benefits, an increase in tax shortfalls recognized from share-based compensation, and a decrease in tax benefit from foreign-derived intangible income in proportion to income before provision for income taxes.

SEGMENT PROFITABILITY

Segment profitability

The following table sets forth income (loss) from operations by segment:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	% change
	(in millions, except percentages)		
Family of Apps	$ 11,219	$ 11,484	(2)%
Reality Labs	(3,992)	(2,960)	(35)%
Total income from operations	$ 7,227	$ 8,524	(15)%

- FAMILY OF APPS:
    - The decrease was driven by higher cost and expenses in FoA, primarily due to increases in restructuring charges and operational expenses related to our data centers and technical infrastructure. These were partially offset by an increase in advertising revenue..

- REALITY LABS:
    - The increase in loss from operations was driven by increases in cost and expenses, mostly due to payroll and related expenses as well as restructuring charges, and by a decrease in RL revenue due to lower volume of Meta Quest sales.

LIQUIDITY & CAPITAL RESOURCES

- PAGE 50
    - Our board of directors has authorized a share repurchase program of our Class A common stock, which commenced in January 2017 and does not have an expiration date. As of December 31, 2022, $10.87 billion remained available and authorized for repurchases under this program. In January 2023, an additional $40 billion of repurchases was authorized under this program. During the three months ended March 31, 2023, we repurchased and subsequently retired 56 million shares of our Class A common stock for an aggregate amount of $9.22 billion, including $77 million related to the 1% excise tax as a result of the Inflation Reduction Act of 2022. As of March 31, 2023, $41.73 billion remained available and authorized for repurchases.

Status of Europe US Data transfers:

On April 13, 2023, the European Data Protection Board (EDPB) issued a decision and we expect the IDPC to issue a final decision in this inquiry in May 2023. It is expected that in addition to the transfer suspension order, the IDPC will make an order requiring Meta Platforms Ireland to bring its relevant processing operations into compliance with the GDPR and imposing a fine. We continue to examine the decision and its potential impact on our operations. We expect that the deadlines to comply with the IDPC decision will be no earlier than the fourth quarter of 2023. Once the final decision is issued, we will have an opportunity to appeal and seek a stay. A transfer suspension order would become effective after a period of time unless a new transatlantic data transfer framework is finalized prior to that time or the IDPC revisits the suspension order due to a material change in U.S. law. On October 7, 2022, President Biden signed the Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities, and on December 13, 2022, the European Commission published its draft adequacy decision on the proposed new European Union-U.S. Data Privacy Framework. We now await implementation of the Executive Order enabling the European Commission to adopt a final adequacy decision in respect of this framework, and we continue to evaluate whether and to what extent the IDPC decision will impact our data processing operations even after a new data privacy framework is in force.

RISKS:

- Regulatory environment:
    - For example, the DMA in the European Union imposes new restrictions and requirements on companies like ours, including in areas such as the combination of data across services, mergers and acquisitions, and product design. The DMA also includes significant penalties for non-compliance, and its key requirements will be enforceable against designated gatekeeper companies in early 2024. We expect the DMA will cause us to incur significant compliance costs and make additional changes to our products or business practices. The requirements under the DMA will likely be subject to further interpretation and regulatory engagement. Pending or future proposals to modify competition laws in the United States and other jurisdictions could have similar effects.
    - Further, the Digital Services Act (DSA) in the European Union, which will apply to our business as early as August 2023, will impose new restrictions and requirements for our products and services and may significantly increase our compliance costs. The DSA also includes significant penalties for non-compliance. In addition, some countries, such as India and Turkey, are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services, cause us to cease the offering of our products and services in certain countries, or result in fines or other penalties. New legislation or regulatory decisions that restrict our ability to collect and use information about minors may also result in limitations on our advertising services or our ability to offer products and services to minors in certain jurisdictions.