

MARK ZUCKERBERG

- Mentions that Russians used platform to sow mistrust.

↳ Validate what was happening at the time that caused this comment.

Facebook said on Wednesday it had found that an influence operation probably based in Russia spent \$100,000 on ads promoting divisive social and political messages in a two-year-period through May.

The social media network said that many of the ads promoted 470 "inauthentic" accounts and pages Facebook has now suspended. The ads spread polarizing views on topics such as immigration, race and gay rights, instead of backing a particular political candidate, it said.

Facebook announced the findings in a blogpost by its chief security officer, Alex Stamos, and said that it was cooperating with federal inquiries into influence operations during the 2016 presidential election.

<https://www.theguardian.com/technology/2017/sep/06/facebook-political-ads-russia-us-election-trump-clinton>

- FB plans to take security measure to prevent this from happening that include:

↳ Helping the US government get a complete picture of what happened.

↳ Working with Congress on legislation to make advertising more transparent.

↳ Started rolling out a tool that lets you see all the ads a page is running & also an archive of ads political advertisers have run in the past.

↳ Working with other tech companies to help identify & respond to new threats.

↳ Already have about 10,000 people working on safety & security → are planning on doubling to 20,000 in the next year to better enforce community standards & review ads.

⇒ Also building new AI to detect bad content & bad actors → like they have done with terrorist propaganda.

* Has directed FB teams to invest so much in security on top of other investments that it will significantly impact profitability going forward.

* Cambridge Analytica scandal has not yet exploded.

- Continue with focus in video in the short term.

↳ Launched the Watch tab → discover shows, follow creators, connect with people watching an episode & join groups with people with similar interests to build a community.

- Wants the time people spend on FB to encourage meaningful social interactions.

↳ Going to focus products on all the ways to build community around video that people share & watch.

- Mid-term (5 year focus):

↳ More than 20M businesses are communicating with customers through Messenger.

↳ Starting to test business features that make it easier for people to make the same kinds of connections with businesses through WhatsApp.

↳ Rolled out Marketplace to Canada & 17 countries across Europe.

⇒ More than 550M people are using Marketplace.

↳ Good progress with Workplace → more than 30K companies are using it.

- Long-term (10 years):

↳ Now using machine learning in most of integrity work to keep communities safe.

↳ Opened a new AI research lab in Montreal & building one in Paris.

↳ Oculus Go: all-in-one headset → great for feeling like you're present with someone when you physically can't be together.

⇒ Price \$199 & ships next year.

- Investing in infrastructure.

↳ Broke ground in new Albany datacenter & announced 11th major datacenter in Virginia.

SHERYL SANDBERG

- FB has +1M active advertisers & Instagram +2M → mostly small/medium sized businesses with reduced budget.
- One of the strongest areas this Q was SMBs in Europe → +60% YoY.
- Ads were only eligible for ad breaks if they also ran in News Feed.
 - ↳ In Q3, advertisers had the option to run ads in videos alone.
 - ⇒ More than 70% of ad breaks up to 15 secs in length on FB & FAN were viewed to completion, most with sound on.
- Gave more flexibility in content, format & reach of ads in IG stories.
- Added new creative template to Collection ads, which help retailers bring their catalog online.
- In Q3, introduced new tools powered by ML & automation to help businesses reach people more likely to spend with them.
- Also simplified tools for creating ads, making it easier for businesses of all sizes to advertise with FB.
- Are working to give advertisers more clarity on where their ads are shown so they can make informed choices about where to run them in the future.
- Believe that ads are important to free expression & will continue to accept ads on issues, but will also do their part to elevate the quality of that discourse.
 - ↳ Working with Congress on new requirements for online political advertising, but will not wait legislation.
 - ⇒ Building a tool now that will allow anyone to see the ads a page is running even if those ads are not targeted to them.
- Will share more info related to US federal elections
 - ↳ Will also require more thorough documentation from these advertisers & label their ads so it's clear who paid for them.
- Bk the interference on FB platform went beyond ads, they're also increasing transparency around organic content from pages.

DAVID WEHNER

- Community growth driven by same factors:
 - ↳ Product improvement, promotional data plans & Internet.org
- In Q3, began to lap introduction of promotional data plan for mobile operators in markets like India.
- Implemented new methodology to help identify duplicate accounts & inauthentic accounts.
- Ad revenue growth was strong globally, led by Europe & APAC.
- Avg Price per ad +35% & impressions +10%.
 - ↳ Compared to a year ago, price is a much more important driver of ad revenue growth.
- Biggest hiring quarter ever (+2500)
- Operating margin → 50%.
- Outlook:
 - ↳ Ad business remained strong but YoY growth rate decelerated for the 5th consecutive quarter.
 - ⇒ Expect this trend to continue for the foreseeable future.
 - ↳ Expect growth of ad revenue will be driven by price vs prior years where it was primarily driven by increases in supply.
 - ↳ Full year expenses will grow 35-40%.
 - ↳ 2018 is shaping up to be a big investment year.
 - ⇒ Expenses +45-60%:
 - Security investments
 - Video content investments to support Watch tab.
 - Invest in long-term initiative (AR, VR, AI & connectivity)
 - * Expect these significant investments will be net negative on Op. margins.
 - ⇒ Substantial investments in infrastructure & improving products.
 - Capex will double vs. 2017.

QUESTIONS

- ① Potential additional growth in certain verticals? Driver for ad revenue growth?
 - Growth has been across the board.
 - ↳ Has been driven more by the relevance of the ads b/c FB is getting better at reaching the right people at the right time.
- ② The increase in ad price is not affecting advertisers across the board?
 - Most of the advertising FB is getting isn't necessarily bid on ad impression basis.
 - ↳ Ppl are bidding for other actions (click to website, e-commerce transaction, app install)
 - ↳ Ability to optimize inventory against those activities help FB to deliver good prices while seeing effective CPM go up (CPM = Cost Per Thousand → marketing term to denote price of 1000 ad impression on one website).
- ③ FB Watch → produced vs licensing content? Certain type of content best suited?
 - Intent of watch tab is to specifically engage around video or communities around that.
 - In order to build it up makes sense to invest in lighthouse content → don't care about the source, just want to start the flywheel going.
 - Long term, hope that the business will be revenue share rather than proactively go out & license.
 - ↳ First may need to build this behavior where people want to intentionally engage with content.
 - A lighthouse project is a small-scale but big-picture project. It's like a beacon for future digital transformation and development. With this tried-and-tested approach, you can turn ideas into real value for your business.
- ④ More detail on how security investment could look like & where it could show up?
 - Will show up in a variety of different line items.
 - ↳ Significant allocation in R&D
- ⑤ As more video is integrated → better time spent per user?
 - Video helps people connect more with each other.
 - Focus on increasing time well spent.
- ⑥ Impact of security measures on engagement?
 - Ppl don't want false news, hate speech or bullying → by eradicating it from the platform, we are creating a better product → stronger long-term community + better business.
- ⑦ What type of content is FB looking for? How important is sports in the mix?
 - Don't know the answers of what type of content → will experiment with different things.
 - Current model to get lighthouse content on the platform is to pay up-front.
 - ↳ Over time want to shift towards revenue share for ads shown (like YouTube)
 - Opportunity of increasing inventory with watch & ad-breaks.
- ⑧ Using more AI & ML that has been built for product & ad platform can't be utilized to help mitigate some of the costs of adding people in tech to handle those issues?
 - Both tech & people are needed.
 - AI tool enables system to look at millions of pieces of content & make rough assessments.
 - If you want to get high-quality judgements today on sensitive content & you want to do it quickly when the stakes are pretty high you need people.
 - Are increasing SLAs (Service-Level Agreements) across different types of content & security threats.
 - In order to adapt to all tools to this task also need more staff to engineer them.