

MARK ZUCKERBERG

- New milestone: 2B FB MAU
- Mission Change:
 - ↳ Previous: Making the world more open & connected.
 - ↳ New: Bringing the world closer together.
 - Big part is building communities
 - Had their first FB Communities Summit to talk about product roadmap focused on building meaningful communities.
 - ↳ Meaningful Communities: groups that become an important part of social network experience & real-world support structure.
 - Are helping people discover the right groups by building AI to better understand people's interests & suggest groups that might be meaningful to them.
- Instagram & WhatsApp Stories now have +250M DAU
 - ↳ Added ability to reply to stories with photos or videos & share a replay of live video on Instagram.
- AI is delivering consistent improvements to many of FB systems like News Feed, search ads, security & spam filtering & more
 - ↳ Expect AI to change the way FB does business.
 - Flag content faster → future use
 - Started using to fight terrorism & keep propaganda & extremist accounts off FB.
 - ↳ Real improvement will come when through AI FB can understand all the content & help people discover much more of what matters beyond what friends are up to.
 - ↳ On the business side:
 - You can put a creative message out there & AI can figure out who will be most interested → you don't even need to target → AI can do it more precisely & better than ppl can manually.
 - Makes ads more relevant to the user & more efficient for businesses.
- ↳ **this is the most that MZ has talked of AI so far in a Q → big breakthroughs seem to be happening this year.**
- Video continues to be a focus
- Working to build business ecosystems around Messenger & WhatsApp
 - ↳ Started showing ads to a small # of ppl on Messenger.
 - ↳ Still early on the monetization side but wants to see FB move a little faster here.
- VR:
 - ↳ Launched Live from Spaces → go live with friends on different places.
- Successfully flew Aquila in May → second successful flight.
- Fort Worth datacenter went live (100% renewable energy) + extending other datacenters.

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- +70M businesses on FB & +15M business profiles on Instagram.
- Continued to work with marketers to adopt mobile-first video.
 - ↳ Ppl consume content on phones faster → developing short-form snackable content is a big opportunity.
- Continued to improve Dynamic Ads & extend them to new verticals & categories.
- Rolled out ads in Instagram stories.
- Added new ways for marketers to improve targeting & spend more efficiently.
 - ↳ Value Optimization: helps businesses show ads to ppl who are most likely to spend based on previous purchase behavior.
 - ↳ Lookalike Audiences: uses machine learning to help marketers reach people who are similar to their most valuable current customers.
- Focused on giving clients more options for 3rd party measurements & verification.

DAVID WEHNER

- Community growth driven by same factors:
 - ↳ Product improvements on Android
 - ↳ Internet.org efforts
 - ↳ Ongoing 3rd party promotional data plans in markets like India.
- Strong growth continues in Rest of the world & Asia Pacific.
- Desktop ads grow 17% due to efforts to limit impact of blocking tech.
- 20,000 employees, +43%
- 47% operating margin
- Outlook:
 - ↳ Continue to expect that FB ad load will play less significant factor driving ad growth
 - ↳ Desktop ad revenue will slow as FB laps efforts to limit blockers.
 - ↳ Expect focus on driving engagement with mobile video may slow ad impression growth → fewer ad impressions in video.
 - ↳ Do not see early efforts with Messenger offsetting previously mentioned factors.
- Ad growth rate will decrease
 - ↳ Payments will continue to decrease.
 - ↳ Expense growth rate → 40-45%
 - ↳ Expect to accelerate headcount growth rate in second half.

QUESTIONS

① Wanting Messenger to move faster.

- Starting to put ad products to see basic parameters around how it performs → ppl like them? how do they work for business?
- Biggest strategic thing in messaging right now is make ppl organically interact with businesses & that it's a good interaction for ppl & for businesses.
- Messaging monetization is not a near-term overall FB growth driver.

② Mid-roll ad breaks → progress with completion / rolling out more broadly.

- Currently testing ability to put a short break in uploaded videos.
 - Only in videos longer than 30 seconds or live videos longer than 4 minutes.
- Rolling out slowly.
- Focused on finding ways to help marketers measure the right things which is purchase data.

③ Video impacts ad inventory. Could it drive prices up?

- Impression growth is impacted by slower ad growth & increasing video watch time.
- Auction drives the pricing → interplay between supply growth & pricing.
- Focus right now is driving better ROI for advertisers.
 - ↳ If FB gets better at converting impressions into value for advertisers (get more efficient) → will be rewarded with better pricing & higher demand at better pricing as result of the hard work.
 - Not necessarily related to video.

④ How do you think European Commission's GDPR & related privacy initiatives will impact the business? Will these policies become global standard?

- Regulation is always an area of focus.
 - ↳ Work hard to make sure they're explaining their business clearly.
 - ↳ Make sure regulators know the steps they take to protect privacy as well as making sure they are in compliance.

⑤ AR being the next platform & resource allocation

- AR & VR are seen as being much more social & intuitive & natural than some of the devices we have today.
- There are a lot of AR experiences on mobile.
- Presented something they will be releasing slowly in FB. • *Validate this* •
- AR is far down the road. Even more so than messaging.