

## MARK ZUCKERBERG

- Video is a megatrend on the same order as mobile.
  - ↳ Focus on making it easier for people to capture & share video in new ways.
  - ↳ To make it easier to find & watch videos, FB added a tab at the bottom of the FB app with the top videos & recommendations.
  - ↳ Improving live video as more people use it.
    - experimenting with live
- Looking for ways to grow the ecosystem of video content.
  - ↳ started to invest in more original video content & will continue in 2017.
- Focused on building more informed community.
  - ↳ Have taken steps in the past to reduce spam & clickbait & now are approaching misinformation & hoaxes the same way.
  - ↳ In Q4, started working with 3rd party fact checkers in the US to flag disputed stories & make them less likely to appear in News Feed.
  - ↳ Made it easier to report & identify misinformation & working to build stronger ties between FB & news industry.
- Instagram:
  - ↳ 600M MAU & 400M DAU
  - ↳ Stories reached + 150M DAU just 5 months after launch.
  - ↳ Added new features like Boomerang & Live into stories.
- Messenger:
  - ↳ launched new camera, group video chat for up to 50 ppl & games.
  - ↳ 400M people now use voice & video chat every month.
- WhatsApp:
  - ↳ 1.2B MAU, +50B Messages everyday.
  - ↳ Added ability to make video calls
- Efforts with Internet.org
  - ↳ Connected +50M people.
  - ↳ Connectivity lab set world record by transmitting 20GB/s over 13km using same energy that it takes to light a single light bulb.
    - Going to be used in solar powered planes.
- Artificial Intelligence:
  - ↳ New technique → Style Transfer
    - Uses AI to study a painting & take your photos & videos & draw them in that style in real time.
  - ↳ Can now use AI to understand text in order to provide recommendations.
- Virtual Reality:
  - ↳ shipped touch controllers in December → Response has been positive.
  - ↳ Samsung shipped +5M Gear VRs
  - ↳ Bringing more social experiences to VR
- Will continue to hire aggressively & invest

## SHERYL SANDBERG

- 65M Businesses are using Pages, + 5M Instagram business profiles.
  - ↳ 4M advertisers on FB & 500K on Insta
  - Revenue is becoming more diverse.
- Consumers are using mobile for their holiday shopping.
  - ↳ Drove +\$1B in Total Cyber Monday Sales for the first time.
  - Marketers are prioritizing mobile, especially video.
- Continue to invest in making free & paid products easier to use, expanding online tutorials & offering creative tools to businesses of all sizes.
- To make ad products as relevant as possible, FB is tailoring them by vertical.
  - ↳ Invested in Dynamic ads → automatically promote products from entire catalog.
  - Expanded across FB, Insta & Audience Networks & tailored them for verticals.

## DAVID WEHNER

- Benefited from efforts with Internet.org, Android product efforts & increase in 3rd party promotional free data plans in Asia & the rest of the world.
- Mobile continues to be driver.
  - ↳ Since majority of MAU & DAU now occur on mobile, comments will focus on totals for next quarter.
  - ↳ Will stop breaking down data in supplemental investor materials after this quarter.
  - Officially FB is a mobile company.
- Mobile represents 84% of revenue.
- Desktop ad revenue grew 22% despite decline in laptop usage → efforts to limit impact of ad blockers on ads served on personal computers.
- Demand: improve targeting, measurement & ad formats to drive strong results for marketers.
- Supply: growth in users, time spent & ad loads.
  - ↳ Price per ad ↑ 8% + Total Ad Impressions served ↑ 49% → Mobile feed ads on FB & Insta
- About 17K employees 734%.
- Tax rate reflects early adoption of ASU 2016-09
  - ↳ Purely accounting convention change & does not change the cash taxes paid.
- Expanded & existing data centers & began construction of 4 new centers.
- Outlook:
  - ↳ Revenue ad revenue growth rate to go down meaningfully + payment fees will decline vs 2016.
  - ↳ Expense: aggressive investment year. Will accelerate hiring + R&D investments as well as other areas.
    - will grow 40-50%.
  - ↳ Will continue expansion of data centers.
- Board of Directors authorized a \$4B stock repurchase program beginning in 2017 with no fixed expiration date.
- Main priority is to invest aggressively to grow the business while maintaining a strong cash position.
- ↳ Company's strong balance sheet & financial performance puts the company in a position to make opportunistic repurchases of common stock from time to time to help offset the dilution incurred through equity issuance.

## Questions

### ① Core use of Instagram vs FB.

- Comes down to the graph & community that you have in the different places.
- Instagram is a follow model → not all bidirectional friendships. → More public content.
- Instagram → more visual
- FB → mix of text, news, links & visual.
- Insta is complementary to FB. → Encourage ppl to use both. → Engagement on both increase.

### ② Opportunities & challenges on monetizing all the video that is being consumed.

- Consumer video exploding → creates opportunity for video ads in the feed.
  - ↳ The format of the ads gets the format of what consumers are doing.
- Helping marketers understand that they need to optimize video ads.
  - ↳ Traditional ads can work but ones that are optimized & use FB targeting do better.

### ③ Mentioned FB & Insta as complimentary. WhatsApp vs. Messenger?

- Also sees them as complimentary.
- WhatsApp substitutes SMS. Graph based on phone numbers.
- Messenger more directed to friends where you might not have numbers.
- Messages as mean of communication has increased exponentially as it gets cheaper.
- Messenger → more expressive / more tools.
- WhatsApp → more utilitarian.

### ④ Ad load on Instagram?

- Biggest driver for business is FB due to size.
- Instagram is growing quicker on percentage base, but it's still smaller.
- Ad load opportunity is higher on Instagram b/c it has lower ad load than FB.

### ⑤ Talent shortages in data science & engineering.

- Ability to hire outside the Bay Area, as well as in the Bay Area.
  - ↳ They've built engineering locations in key areas.

### ⑥ Impact of AI & ML on business over time.

- Want to be able to see a picture/video and understand what's in it & whether that's something you're going to be interested in.
- Today News Feed has information connected to the person directly → from a friend/page the person is following or friend liked.
  - ↳ Want to be able to match people with any of the millions of content they might be interested in.
- Also can be used to take the bad stuff down.

### ⑦ Video tab → engagement trends, feedback, duplication with News Feed.

- More for watching video content, not quick use.
  - ↳ All the content that is on FB can go in the tab → not concrete difference between what could also be found in the News Feed.

⑧ VR is still in 10-year plan. What stops it from being more accelerated?

↳ Rift & touch were a little delayed.

⇒ To accelerate development, product needs to get to the market at a good price.

↳ Content development coming at reasonable clip.

### NOTES / IDEAS FB Narrative

- # of ads delivered was main driver.
- Mobile has become so important FB no longer discloses MAU/DAU for mobile.
- Consider video as a megatrend in the same order as mobile.
- Focus on security & safety ↳ still have monetization opportunities with video.
- Important growth opportunity with IG. has more room to grow as it's currently smaller than FB.
- Businesses increasingly using FB apps to communicate/interact more directly with customers.
- Mobile become more engrained in ppl's life - used for holiday shopping during this Q.
- Investing in making products easier to use.
  - ↳ By removing barriers more ppl use it & are willing to pay
- FB developing more tools so you don't have to leave app to shop
  - ↳ IG shop button.

↳ Positive → Moves/ strategy to continue growth.

- Shop button in IG → aligned with mobile shopping trend.
  - ↳ Even more prominent in countries that don't have a big player like Amazon.
- Turning to outside sources for fact checking.
- Are copying Snap most favored features.

### FACTORS/NEWS THAT MIGHT OFFSET GROWTH

- Teens / younger users still preferring platforms like Snap.
- Metrics: continued issues & ad buyers want more disclosure in 3rd party metrics → both FB & Google are highly involved in how data is extracted from their websites (manipulate code).
- Facing criticism towards polarizing speech & spreading fake news.
- Slower than expected VR adoption.