

MARK ZUCKERBERG

- Seem to have entered an economic downturn that will have a broad impact on the digital ad business.
- Focused on making long-term investments that will position them to be stronger coming out of this downturn.
 - ↳ Work on discovery engine & Reels
 - ↳ New ads infrastructure
 - ↳ Metaverse
- Also focused on being rigorous about measuring returns & sizing these investments correctly.
- Given recent revenue trajectory → slowing pace of these investments & pushing some expenses on a somewhat longer time line.
- Will be steadily reducing headcount growth over the next year.
 - ↳ Many teams are going to shrink to shift energy to other areas inside the company.
- Expect to get more done with fewer resources.
- 2 waves driving business:
 - ↳ AI
 - ↳ Emergence of the Metaverse → long-term.

AI

- Build recommendation systems across all type of content is the focus.
- About 15% of content on FB feed & a little more than that on IG feed is recommended by AI from ppl, groups / account you don't follow.
 - ↳ Expect these #'s to more than double by the end of next year.
 - ↳ AI finds more interesting content = + engagement.
 - ⇒ Since they are already efficient in monetizing most of the formats, this should increase business opportunity.
- Reels engagement +30% in IG & FB.
 - ↳ Driven by AI advances.
 - ↳ After launching new large AI model for recommendation → +15% in watch time in Reels video player on FB alone.
- New social trend:
 - ↳ Instead of ppl interacting in comments in their feed, most ppl find interesting content & then message it to their friends & interact there.
 - ⇒ Creates flywheel of discovery & social connection & inspiring those ppl to create content themselves.
 - * Reels make up more than 1/2 of the content shared.
- Near term challenges:
 - ↳ Growth in short-term video → monetize at lower rate.
 - ⇒ The faster Reels grows, more revenue displaced from higher monetization surfaces.
 - ⇒ Could mitigate this by pushing less hard on growing Reels but this would be worse in the long run.
 - ⇒ Work on ads monetization for Reels is making faster progress than expected.
 - + \$1B annual revenue run rate → faster than stories in identical times post launch.
 - ↳ Signal loss from Apple's iOS changes
 - ⇒ Approach is to grow first party understanding
 - ⇒ Advances in AI enable them to deliver better personalized ads while using less data.
 - ↳ Macroeconomy
 - ⇒ In periods like this, marketers reevaluate their budgets & are even more focused on finding the highest performing advertising.
 - * Validate if ad industry revenue overall has reduced & how does FB index here.

Metaverse

- By helping to develop these platforms, they're going to have the freedom to build these experiences the way that they & the overall industry believe will be best rather than being limited by the constraints that competitors place on them & their community & on small businesses.
 - ↳ Hit on having the power vs Apple & Google having the power.
- Next milestones
 - ↳ Continued expansion of Horizon
 - ↳ Continued improvements of Avatar platforms
 - ⇒ How you express yourself & interact as well as the commerce around that.
- Launched Avatars store with digital clothes from leading fashion houses.
 - ⇒ Will continue expanding the selection & fidelity of Avatar system overall.
- Hardware → release of Project Cambria
- Transition in leadership *look up specifics.
 - ↳ Sheryl leaves
 - ↳ Javier & Marne
 - ↳ Dave Wehner moves to Chief Strategy Officer
 - ↳ Promoting Susan Li to CFO.

SHERYL SANDBERG

- FX trends had negative impact.
 - Revenue would have been +3% on a constant currency basis.
- Solid growth is APAC & Rest of the World.
- New challenges → rising inflation & uncertainty around a looming recession.
 - Recession puts pressure on marketers to make sure their ad budgets are spent in the smartest way possible.
- Focus with Reels is ramping up ad load, improving performance & making sure ads are easy for advertisers to create.
- Using AI to better understand content being published in Reels so users can connect to the content that is most relevant to them & marketers can also show more relevant ads.
- Helping improve performance of ads by growing on-site data conversions → lead ads & click-to-message ads.
 - Making it easier to create these ads directly from WhatsApp Business app, which will help small businesses looking to find customers grow.
- Big brands are also incorporating business messaging to their campaigns.
- Continuing to invest conversions API → connection between advertiser's meta data & Meta.
- Developing privacy enhancing tech to help minimize personal info they process while still showing relevant ads & measure performance.
- Private Lift → beta testing
 - Measurement solution → helps advertisers understand how their campaigns are performing while adding extra layers of privacy to limit the info that can be learned by the advertiser or Meta.
- AI-driven products (advantage detailed targeting & advantaged look-alikes)
 - Help increase audience for an ad campaign if it's likely to improve performance.
- AI is also an important part of how they continue to grow video monetization.
 - Launched AI based tools to make it simpler to create video ads for IG stories
 - Continuing to test ways for advertisers to transform static images with music & motion so they appear more like video
- Will remain in Meta's board.

DAVID WEHNER

- Cost of revenue (-4%) → reduction in RL loss reserves as a result of the announced Quest2 price increase.
- Recorded loss of \$172 million under interest & other expenses → unrealized losses & equity investments *Look this up.
- Ad rev (-1%)
 - Advertiser demand softened
 - Broad based deceleration across verticals.
 - Believe that ad spend is being lowered due to increased economic uncertainty.
 - YoY growth strongest in APAC & Rest of the World.
 - Declines in N. America & EU
- Impression growth (+15%): APAC & RoW
- Pricing (-14%): reduction in advertiser demand, mix shift in lower monetizing services in regions + FX.
- For a other rev (+14%): WhatsApp business API.
- RL (+48%): Quest2 sales.
 - Expenses (+19%): R&D expenses offset by previous mentioned reduction loss.
- Outlook
 - Continued weak ad demand
 - RL rev to be lower
 - FX 6% headwind
- Expense outlook:
 - Decelerate hiring
 - Being discipline on spending while investing in those areas that will position to drive growth as economic environment improves.

QUESTIONS

- Reels. Are you seeing total time spent among users grow?
 - Reels is additive to time spent
 - Does have cannibalistic impact but the net impact is positive.
- What would differentiate the discovery platform on FB & IG vs some other platforms?
 - Have a lot of different types of content formats.
 - Provides different experience vs some competitors that only focus on 1 content format.
- Do you think what you're building now with AI & from digital is a better model/better business than the one you had before which was barriers to entry given the social effects of the network you built?
 - In terms of social graphs, people have been able to get that from phones for more than a decade
 - Doesn't think this has been the thing for them.
 - Mark thinks that they're a serious tech company
 - Invest a lot in building infrastructure
 - Culturally focus on moving & learning faster than everyone else
 - These are sustainable advantages.
 - Reason they have succeeded so far is b/c they're basically focused relentlessly on just pushing to constantly improve their apps.
 - AI is going to make the apps better
- How long before Reels reaches parity with other ad forms (monetization)?
 - Stories started rolling in 2018 & this year reached monetization parity in developed markets.
 - Still early with Reels.
- How important is M&A (Merger & Acquisitions) to accomplishing Metaverse vision?
 - Regulatory agencies announced lawsuit to block acquisition of Within (fitness app for VR)
 - M&A is a component of strategy & will continue to do acquisitions going forward.
 - Believe acquisition of Within would be good for competition & expand VR ecosystem & would attract new users to VR & make it a more productive space for new & existing developers.