10K Q4 2023

Limitations of Key Metrics and Other Data:

- Beginning with Q1 10Q for 2024, Meta will no longer report DAUs, MAUs, ARPU, and MAP in periodic reports filed to SEC but will continue reporting DAP and ARPP. **Basically all metrics will be based on overall users for FoA instead of detailing specific user and engagement metrics for Facebook and Facebook Messenger as Meta believes FoA metrics are a better representation.

Overview:

- Still opens with: All of our products, including our apps, share the vision of helping to bring the metaverse to life.
- Includes MR in the ways in which Meta helps people connect.
- Includes innovations in artificial intelligence to build new experiences that will help make our platform more social, useful and immersive.
    - Connects AI with the Metaverse mission.
- Added paragraph with 6 key investment focus areas:
    - AI, the Metaverse, Discovery Engine, Monetization of products and services, Regulatory Readiness, and enhancing developer efficiency to build, iterate, and optimize products quickly.
    - AI investments support initiatives across products and services, helping power the system that rank content in their apps, their discovery engine that recommends relevant content, the tools advertisers use to reach customers, the development of new generative AI experiences, and the tools that make their product development more efficient and productive.
- 80% of total costs and expenses were recognized in FoA and 20% were recognized in RL.
- Expect RL to operate at a loss for the foreseeable future.
- Included description for Threads:
    - Threads is an application for text-based updates and public conversations where communities come together to discuss topics of interest. People can connect directly with their favorite creators and others who love the same things or build a loyal following of their own to share their ideas, opinions, and creativity with the world.
- Modified description for WhatsApp:
    - Added to description: Within WhatsApp we launched WhatsApp Channels, a one-to-many broadcast service designed to help people follow information from people and organizations that are important to them.

Government Regulation:

- There have been, and continue to be, various efforts to remove of restrict the scope of the protections available to online platforms under Section 230, and any such changes may increase costs or require significant changes to products, business practices, or operations, which could adversely affect business and financial results.
- For example, although the CJEU upheld the validity of SCCs as a basis to transfer user data from the European Union to the United States in July 2020, on May 12, 2023, the Irish Data Protection Committee (IDPC) issued a Final Decision concluding that Meta Platforms Ireland's reliance on SCCs in respect of certain transfers of European Economic Area (EEA) Facebook user data was not in compliance with the European General Data Protection Regulation (GDPR). The IDPC issued an administrative fine of EUR €1.2 billion as well as corrective orders requiring Meta Platforms Ireland to suspend the relevant transfers and to bring its processing operations into compliance with Chapter V GDPR by ceasing the unlawful processing, including storage, of such data in the United States. We are appealing this decision and the corrective orders are currently subject to an interim stay from the Irish High Court.

- On July 10, 2023, the European Commission adopted an adequacy decision in relation to the United States. The adequacy decision concludes that the United States ensures an adequate level of protection for personal data transferred from the European Union to organizations in the United States that are included in the "Data Privacy Framework List," maintained and made publicly available by the United States Department of Commerce pursuant to the EU-U.S. DPF. The implementation of the EU-U.S. DPF and the adequacy decision are important and welcome milestones, and we are implementing steps to comply with the above corrective orders following engagement with the IDPC. If we are required to take additional steps to comply with the corrective orders, this could increase the cost and complexity of delivering our products and services in Europe.
- ⭐ A further invalidation of the EU-U.S. DPF by the CJEU could create considerable uncertainty and lead to us being unable to offer a number of our most significant products and services, including Facebook and Instagram, in Europe, which would materially and adversely affect our business, financial condition, and results of operations.
- The interpretation of the GDPR is still evolving, including through decisions of the CJEU, and draft decisions in investigations by the IDPC are subject to review by other European privacy regulators as part of the GDPR's consistency mechanism, which may lead to significant changes in the final outcome of such investigations. As a result, the interpretation and enforcement of the GDPR, as well as the imposition and amount of penalties for non-compliance, are subject to significant uncertainty, and as it evolves, could potentially have a negative impact on our business and/or our operations.
- In addition, Brazil, the United Kingdom, and other countries have enacted similar data protection regulations imposing data privacy-related requirements on products and services offered to users in their respective jurisdictions.
- The California Consumer Privacy Act, as amended by the California Privacy Rights Act, and similar laws recently enacted by other states also establish certain transparency rules and create certain data privacy rights for users.
- In addition, the European Union's ePrivacy Directive and national implementation laws impose additional limitations on the use of data across messaging products and include significant penalties for non-compliance. Changes to our products or business practices as a result of these or similar developments have adversely affected, and may in the future adversely affect, our advertising business.
- For example, in response to regulatory developments in Europe, we announced plans to change the legal basis for behavioral advertising on Facebook and Instagram in the EU, EEA, and Switzerland from "legitimate interests" to "consent," and in November 2023 we began offering users in the region a "subscription for no ads" alternative.
- 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 beginning in March 2024. The DMA has caused, and may in the future cause, us to incur significant compliance costs and make 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.
- We are also subject to content-related legislation such as the Digital Services Act (DSA) in the European Union, which started to apply to our business as of August 2023, imposes certain restrictions and requirements for our products and services, and subjects us to increased compliance costs. The DSA also includes significant penalties for non-compliance.
- 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.
- We are, and expect to continue to be, the subject of investigations, inquiries, data requests, requests for information, actions, and audits by government authorities and regulators in the United States, Europe, and around the world, particularly in the areas of privacy, data use and data protection, including with respect to

processing of sensitive data, data from third parties, data for advertising purposes, data security, minors, safety, law enforcement, consumer protection, civil rights, content moderation, use of our platform for illegal, illicit, or otherwise objectionable activity, competition, AI, and machine learning.

- The FTC also continues to monitor us and our compliance with the modified consent order and initiated an administrative proceeding against us, which we are challenging, that alleges deficient compliance and violations of the Children's Online Privacy Protection Act (COPPA), the COPPA Rule, and Section 5 of the Federal Trade Commission Act and seeks changes to our business. If we are unsuccessful in our challenge to the FTC's action and the agency imposes its proposed order in its current form, we would be subject to significant limitations, including on our ability to launch new and modified products or use data of users under 18 years old.

Risk Factors:

- Risks Related to Our Product Offerings:
    - If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed.
        - We are unable to offer a number of our most significant products and services, including Facebook and Instagram, in Europe, or are otherwise limited in our business operations, as a result of European courts invalidating the EU-U.S. DPF or regulators, courts, or legislative bodies determining that the legal bases we rely upon to transfer user data from the European Union to the United States are invalid;
    - We generate substantially all of our revenue from advertising. The loss of marketers, or reduction in spending by marketers, could seriously harm our business.
        - Limitations on our ability to deliver ads to users under the age of 18 and, in some cases, to continue to offer certain products or services to certain cohorts of users, whether voluntarily, as a result of new laws and regulations in the United States and other jurisdictions, or otherwise;
        - The effectiveness of our ad targeting or degree to which users consent to or opt out of the use of data for ads, including as a result of product changes and controls that we have implemented or may implement in the future in connection with the GDPR, ePrivacy Directive, CCPA, as amended by the CPRA, DMA, other laws, regulations, regulatory actions, or litigation, or otherwise, that impact our ability to use data for advertising purposes (for example, in November 2023, in response to regulatory developments in Europe, we began offering our users a "subscription for no ads" alternative in the EU, EEA, and Switzerland);
        - The impact of macroeconomic and geopolitical conditions, whether in the advertising industry in general, or among specific types of marketers or within particular geographies, which in turn can have broader effects in other regions (for example, the war in Ukraine and service restrictions imposed by the Russian government have adversely affected our advertising business in Europe and other regions, and advertiser spending also can be subject to adverse effects from the Israel-Hamas war).
    - Our ad targeting and measurement tools incorporate data signals from user activity on websites and services that we do not control, as well as signals generated within our products, and changes to the regulatory environment, third-party mobile operating systems and browsers, and our own products have impacted, and we expect will continue to impact, the availability of such signals, which will adversely affect our advertising revenue.
        - In particular, we have seen increases in the number of users opting to control certain types of ad targeting in Europe following product changes implemented in connection with our GDPR and ePrivacy Directive compliance, and we have introduced product changes that limit data signal use for certain users in California following adoption of the CCPA.
        - Judicial and regulatory guidance, decisions, or enforcement actions, or new legislation in these or other jurisdictions, such as the DMA, may require us to make additional changes

to our products in the future that further reduce our ability to use these signals, which has occurred in the past.

- Our user growth, engagement, and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, technologies, products, and standards that we do not control.
- Our new products and changes to existing products could fail to attract or retain users or generate revenue and profits, or otherwise adversely affect our business.
    - We are also making significant investments in artificial intelligence (AI) initiatives across our business. For example, we recently launched new AI features on our products, including conversational AIs, stickers, and editing tools. We continue to incur substantial costs, and we may not be successful in generating profits, in connection with these efforts.
    - In addition, we have invested, and expect to continue to invest, significant resources in growing our messaging products to support increasing usage of such products. We have historically monetized messaging in only a limited fashion, and we may not be successful in our efforts to generate meaningful revenue or profits from messaging over the long term. We also recently commenced implementation of end-to-end encryption across our messaging services on Facebook and Instagram, which has been subject to governmental and regulatory scrutiny in multiple jurisdictions.
- We may not be successful in our artificial intelligence initiatives, which could adversely affect our business, reputation, or financial results.
    - We are making significant investments in AI initiatives, including generative AI, to, among other things, recommend relevant content across our products, enhance our advertising tools, develop new products, and develop new features for existing products. In particular, we expect our AI initiatives will require increased investment in infrastructure and headcount.
    - For example, our AI-related efforts, particularly those related to generative AI, subject us to risks related to harmful or illegal content, accuracy, misinformation (including related to elections), bias, discrimination, toxicity, intellectual property infringement or misappropriation, defamation, data privacy, cybersecurity, and sanctions and export controls, among others. It is also uncertain how various laws related to online services, intermediary liability, and other issues will apply to content generated by AI. In addition, we are subject to the risks of new or enhanced governmental or regulatory scrutiny, litigation, or other legal liability, ethical concerns, negative consumer perceptions as to automation and AI, activities that threaten people's safety or well-being on- or offline, or other complications that could adversely affect our business, reputation, or financial results.
    - As a result of the complexity and rapid development of AI, it is also the subject of evolving review by various governmental and regulatory agencies in jurisdictions around the world, which are applying, or are considering applying, platform moderation, intellectual property, cybersecurity, and data protection laws to AI and/or are considering general legal frameworks on AI. We may not always be able to anticipate how courts and regulators will apply existing laws to AI, predict how new legal frameworks will develop to address AI, or otherwise respond to these frameworks as they are still rapidly evolving. We may also have to expend resources to adjust our offerings in certain jurisdictions if the legal frameworks on AI are not consistent across jurisdictions.
    - Further, our ability to continue to develop and effectively deploy AI technologies is dependent on access to specific third-party equipment and other physical infrastructure, such as processing hardware and network capacity, as to which we cannot control the availability or pricing, especially in a highly competitive environment.
    - We are also developing AI technology that we make available via open source, commercial, and non-commercial license agreements to third-parties that can use this technology for use in their own products and services. We may not have insight into, or control over, the

    practices of third parties who may utilize such AI technologies. As such, we cannot guarantee that third parties will not use such AI technologies for improper purposes, including through the dissemination of illegal, inaccurate, defamatory or harmful content, intellectual property infringement or misappropriation, furthering bias or discrimination, cybersecurity attacks, data privacy violations, other activities that threaten people's safety or well-being on- or offline, or to develop competing technologies. While we may mitigate certain risks associated with the improper use of our AI models through both technical measures and the inclusion of contractual restrictions on third-party use in any agreement between us and any third party, we cannot guarantee that such measures will be effective. Such improper use by any third party could adversely affect our business, reputation, or financial results or subject us to legal liability.

  - We make product and investment decisions that may not prioritize short-term financial results and may not produce the long-term benefits that we expect.
  - We may not be successful in our metaverse strategy and investments, which could adversely affect our business, reputation, or financial results.
  - If we are not able to maintain and enhance our brands, our ability to maintain or expand our base of users, marketers, and developers may be impaired, and our business and financial results may be harmed.
  - We may not be able to continue to successfully maintain or grow usage of and engagement with applications that integrate with our products.
- Risk Related to Our Business Operations and Financial Results:
  - Our business is highly competitive. Competition presents an ongoing threat to the success of our business.
    - We also expect to face additional competition as we introduce or acquire new products, as our existing products evolve, or as other companies introduce new products and services, including as part of efforts to develop the metaverse or innovate through the development and application of new technologies such as AI.
  - Our financial results will fluctuate from quarter to quarter and are difficult to predict.
  - Unfavorable media coverage negatively affects our business.
  - We are subject to the risk of catastrophic events and crises, which may have a significant adverse impact on our business and operations.
  - We incur significant expenses in operating our business, and some of our investments, particularly our investments in Reality Labs, have the effect of reducing our operating margin and profitability. If our investments are not successful longer-term, our business and financial performance will be harmed.
    - For example, our investments in Reality Labs reduced our 2023 overall operating profit by approximately $16.12 billion, and we expect our Reality Labs investments and operating losses to increase meaningfully in 2024. If our investments are not successful longer-term, our business and financial performance will be harmed.
  - Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our products and services could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.
  - We have experienced, and could experience in the future, difficulties in building and operating key portions of our technical infrastructure.
    - For example, like others in our industry, we rely on certain third-party equipment and components for our technical infrastructure that are manufactured by a small number of third parties, often with significant operations in a single region such as Asia. Any of the foregoing delays or disruptions, including actions by governments or geopolitical events such as international conflicts, could result in tariffs, sanctions, export controls, and other measures that restrict international trade, could reduce or eliminate the ability of our suppliers, manufacturers, or other third-party providers to continue their operations to

manufacture, or limit or eliminate our ability to purchase, key components of our technical infrastructure.

        - Further, much of our technical infrastructure is located outside the United States, and action by a foreign government, or our response to such government action, has resulted, and may result in the future, in the impairment of a portion of our technical infrastructure, which may interrupt the delivery or degrade the quality or reliability of our products and lead to a negative user experience or increase our costs. Any of these events could adversely affect our business, reputation, or financial results.
    - Real or perceived inaccuracies in our community and other metrics may harm our reputation and negatively affect our business.
    - We cannot assure you that we will effectively manage our scale.
    - We have significant international operations, which subject us to increased business, economic, and legal risks that could affect our financial results.
    - We face design, manufacturing, and supply chain risks with respect to our consumer hardware products that, if not properly managed, could adversely impact our financial results.
    - We face inventory risk with respect to our consumer hardware products.
    - We plan to continue to make acquisitions and pursue other strategic transactions, which could impact our financial condition or results of operations and may adversely affect the price of our common stock.
    - We may not be able to successfully integrate our acquisitions, and we incur significant costs to integrate and support the companies we acquire.
    - We are involved in numerous class action lawsuits and other litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.
        - For example, we are currently the subject of multiple putative class action suits in connection with our platform and user data practices and the misuse of certain data by a developer that shared such data with third parties in violation of our terms and policies; the disclosure of our earnings results for the second quarter of 2018; our acquisitions of Instagram and WhatsApp, as well as other alleged anticompetitive conduct; a former employee's allegations and release of internal company documents beginning in September 2021; the disclosure of our earnings results for the fourth quarter of 2021; and allegations that we inflated our estimates of the potential audience size for advertisements, resulting in artificially increased demand and higher prices. We are also the subject of multiple lawsuits related to our alleged use of facial recognition technology, our alleged recommendation of and/or failure to remove harmful content, information from third-party websites or apps via our business tools, our alleged use of copyright-protected content to train our AI models, and allegations that Facebook and Instagram cause "social media addiction" in users and allegations of violations of the Children's Online Privacy Protection Act (COPPA). The results of any such lawsuits and claims cannot be predicted with certainty, and any negative outcome from any such lawsuits could result in payments of substantial monetary damages or fines, or undesirable changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected.
    - We may have exposure to greater than anticipated tax liabilities.
    - Changes in tax laws or tax rulings could materially affect our financial position, results of operations, and cash flows.
        - Over the last several years, the Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project that, if implemented, would change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. As of July 2023, nearly 140 countries have approved a framework that imposes a minimum tax rate of 15%, among

other provisions. As this framework is subject to further negotiation and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations are uncertain. Similarly, the European Commission and several countries have issued proposals that would apply to various aspects of the current tax framework under which we are taxed. These proposals include changes to the existing framework to calculate income tax, as well as proposals to change or impose new types of non-income taxes, including taxes based on a percentage of revenue. For example, several jurisdictions have proposed or enacted taxes applicable to digital services, which include business activities on digital advertising and online marketplaces, and which apply to our business.

  - Given our levels of share-based compensation, our tax rate has in the past varied, and may in the future vary, significantly depending on our stock price.
  - If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.
  - The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.
  - Our CEO has control over key decision making as a result of his control of a majority of the voting power of our outstanding capital stock.
  - We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value. Share repurchases and dividend payments could also increase the volatility of the trading price of our stock and will diminish our cash reserves.
  - There can be no assurance that we will continue to declare cash dividends.
- **Risks Related to Government Regulation and Enforcement:**
  - Actions by governments that restrict access to Facebook or our other products in their countries, censor or moderate content on our products in their countries, or otherwise impair our ability to sell advertising in their countries, could substantially harm our business and financial results.
  - Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data use and data protection, content, competition, safety and consumer protection, e-commerce, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our products and business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.
    - Greatest risk related to this are the regulations implemented by Europe which are creating a precedent that other countries might follow. Penalties are usually based on a percentage of Global Revenue which can have a big impact on overall Meta results. Also mentions minors on the platform and the new rules around them.
    - For example, the DMA in the European Union imposes 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 beginning in March 2024.
    - Further, the Digital Services Act (DSA) in the European Union, which started to apply to our business as of August 2023, imposes certain restrictions and requirements for our products and services and subjects us to increased compliance costs.
    - In addition, some countries, such as India and Turkey, are considering or have passed legislation implementing data protection requirements, new competition requirements, or requiring local storage and processing of data or similar requirements that could require substantial changes to our products, increase the cost and complexity of delivering our services, cause us to cease the offering of our products and services in certain countries, and/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.
    - We have been subject to regulatory and other government investigations, enforcement actions, and settlements, and we expect to continue to be subject to such proceedings and other inquiries in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.
    - Compliance with our FTC consent order, the GDPR, the CCPA, as amended by the CPRA, the ePrivacy Directive, the DMA, the DSA, and other regulatory and legislative privacy requirements require significant operational resources and modifications to our business practices, and any compliance failures may have a material adverse effect on our business, reputation, and financial results.
    - We may incur liability as a result of information retrieved from or transmitted over the internet or published using our products or as a result of claims related to our products, and legislation regulating content on our platform may require us to change our products or business practices and may adversely affect our business and financial results.
    - Payment-related activities may subject us to additional regulatory requirements, regulatory actions, and other risks that could be costly and difficult to comply with or that could harm our business.
- **Risks Related to Data, Security, Platform Integrity, and Intellectual Property:**
    - Security breaches, improper access to or disclosure of our data or user data, other hacking and phishing attacks on our systems, or other cyber incidents could harm our reputation and adversely affect our business.
    - Intentional misuse of our services and user data and other undesirable activity by third parties on our platform could adversely affect our business.
    - Our products and internal systems rely on software and hardware that is highly technical, and any errors, bugs, or vulnerabilities in these systems, or failures to address or mitigate technical limitations in our systems, could adversely affect our business.
    - If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected. We are currently, and expect to be in the future, party to patent, trademark, and copyright lawsuits and other intellectual property rights claims that are expensive and time consuming and, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations.
- **Risks Related to Ownership of Our Class A Common Stock:**
    - The trading price of our Class A common stock has been and will likely continue to be volatile.
    - The dual class structure of our common stock has the effect of concentrating voting control with our CEO and certain other holders of our Class B common stock; this will limit or preclude your ability to influence corporate matters.
    - Our status as a "controlled company" could make our Class A common stock less attractive to some investors or otherwise harm our stock price.
    - Delaware law and provisions in our certificate of incorporation and bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

⭐ **Dividend Policy:**

- Prior to 2024, we had never declared or paid any cash dividend on our common stock. On February 1, 2024 we announced the initiation of our first ever cash dividend program. This cash dividend of $0.50 per share of Class A common stock and Class B common stock (together, the “common stock”) is equivalent to $2.00 per share on an annual basis. The first cash dividend will be paid on March 26, 2024 to all holders of record of common stock at the close of business on February 22, 2024.
    - The dividend amount must be added to the valuation in order to calculate dividend yield. 4

Consolidated and Segment Results:

	Family of Apps			Reality Labs			Total		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2023	2022	% change	2023	2022	% change	2023	2022	% change
	(in millions, except percentages)								
Revenue	$ 133,006	$ 114,450	*16%*	$ 1,896	$ 2,159	*(12)%*	$ 134,902	$ 116,609	*16%*
Costs and expenses	$ 70,135	$ 71,789	*(2)%*	$ 18,016	$ 15,876	*13%*	$ 88,151	$ 87,665	*1%*
Income (loss) from operations	$ 62,871	$ 42,661	*47%*	$ (16,120)	$ (13,717)	*(18)%*	$ 46,751	$ 28,944	*62%*
Operating margin	*47 %*	*37 %*		*(850)%*	*(635)%*		*35 %*	*25 %*	

Restructuring:

A summary of our restructuring charges, including subsequent adjustments, for the year ended December 31, 2023 by major activity type is as follows (in millions):

	Year Ended December 31, 2023			
	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets	Total
Cost of revenue	$ 177	$ —	$ (224)	$ (47)
Research and development	1,581	413	—	1,994
Marketing and sales	396	307	—	703
General and administrative	352	450	—	802
Total	$ 2,506	$ 1,170	$ (224)	$ 3,452

- During 2023 and 2022, we recognized total pre-tax restructuring charges of $2.84 billion and $4.10 billion under our FoA segment, and $612 million and $515 million under our RL segment, respectively.
- This can be considered a one-time thing since it can be expected that this will not be a normal occurrence in every quarter. Adjust effect on margin caused by this.

Family of Apps Metrics

Metric	# (in billions)
DAP	3.19
MAP	3.98
DAU	2.11
MAU	3.07

Beginning in 2024, Meta will no longer report FB metrics independently.
Will begin reporting YoY percentage changes in ad impressions delivered and average price per ad by geographic region, while continuing to report DAP and ARPP beginning Q1 2024.
ARPP will be calculated from DAP going forward, currently calculated with MAP.

Other Business and Macroeconomic Conditions:

We are investing in Reels and in AI initiatives across our products, including our AI-powered discovery engine to recommend relevant content, which we have already seen results in improved user engagement and monetization of our products. 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. We also have seen fluctuations and declines in the size of our active user base in one or more regions from time to time.

Investing Philosophy:

We expect to continue to build on the discipline and habits that we developed in 2022 when we initiated several efforts to increase our operating efficiency, while still remaining focused on investing in significant opportunities. In 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 content across our products, enhance our advertising tools, develop new products, and develop new features for existing products using generative AI.

We are also making significant investments in our metaverse efforts, including developing virtual, augmented, and mixed reality devices, software for social platforms, neural interfaces, and other foundational technologies for the metaverse. Our RL investments include expenses relating to technology development across these efforts. Many of our RL investments are directed toward long-term, cutting-edge research and development for products for the metaverse that may only be fully realized in the next decade. In 2023, our RL segment reduced our overall operating profit by approximately $16.12 billion, and we expect our RL operating losses to increase meaningfully in 2024. 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	Drivers

Revenue	+16%	• Family of Apps (+16%)
		  • Mostly driven by advertising revenue.
		  • Advertising (+16%)
		    ○ # of ads delivered (+28%): Ad impression grew in all regions during 2023, especially in APAC and Rest of World. Driven by the increases in the number and frequency of ads displayed across products and increase in users.
		    ○ Avg price per ad (-9%): increase in the number of ads delivered, especially in geographies and in products, such as Reels, that monetize at lower rates. While the avg price declined YoY, believe the improvements in ad targeting and measurement tools have had a favorable impact on ad performance and advertising demand.
		    ○ Overall revenue driven mainly by marketer spending in online commerce, which benefited from marketers based in China, consumer packaged goods, and entertainment media.
		    ○ Anticipate future revenue will be driven by a combination of price and the number of ads delivered.
		  • Other revenue (+31%): mainly driven by WhatsApp Business Platform revenue.
		• Reality Labs (-12%)
		  • Net decrease in the volume of Meta Quest sales.
		• Revenue Seasonality: traditionally seasonally strong in Q4 due un part to holiday seasonal demand. Occurs both in Advertising and RL.

		• Foreign Exchange Rates were favorable for results.
Cost of Revenue	+3%	The increase was primarily driven by higher operational expenses related to our data centers and technical infrastructure, partially offset by a decrease in data center abandonment charges related to restructuring and lower content costs.
Research & Development	+9%	The increase was primarily from higher payroll and related expenses driven by an increase in share-based compensation expenses.
Marketing & Sales	-19%	The decrease was mainly due to decreases in marketing and promotional expenses as well as payroll and related expenses. The payroll and related expenses decreased as a result of a decrease in employee headcount from December 31, 2022 to December 31, 2023 in our marketing and sales functions.
General & Administrative	-3%	The decrease was mainly due to lower payroll and related expenses, as a result of a decrease in employee headcount from December 31, 2022 to December 31, 2023 in our general and administrative functions.
Provision for Income Taxes	+48%	• Increase in income before provision for income taxes. • Effective tax rate decreased from 19% to 18% due to excess tax benefits recognized from share-based compensation in 2023 and the effect of additional guidance issued by the IRS providing temporary relief on foreign tax credit. This was partially offset by a decrease in the proportion in US tax benefits from foreign-derived intangible income relative to income before provision for income taxes and additional clarification issued by the IRS in September 2023 regarding R&D expenses subject to mandatory capitalization and amortization.

Segment Profitability

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

	Year Ended December 31,				
	2023	2022	2021	2023 vs 2022 % change	2022 vs 2021 % change
	(in millions, except percentages)				
Family of Apps	$ 62,871	$ 42,661	$ 56,946	47 %	(25)%
Reality Labs	(16,120)	(13,717)	(10,193)	(18)%	(35)%
Total income from operations	$ 46,751	$ 28,944	$ 46,753	62 %	(38)%

- Family of Apps: The increase was mostly driven by higher advertising revenue and a decrease in marketing and sales expenses.
- Reality Labs: The increase in loss was mainly due to an increase in payroll and related expenses and a decrease in RL revenue.

Interest and Other income (expense), net:

	Year Ended December 31,				
	2023	2022	2021	2023 vs 2022 % change	2022 vs 2021 % change
	(in millions, except percentages)				
Interest income	$ 1,639	$ 461	$ 484	256 %	(5)%
Interest expense	(446)	(185)	(23)	(141)%	NM
Foreign currency exchange losses, net	(366)	(81)	(140)	(352)%	42 %
Other income (expense), net	(150)	(320)	210	53 %	(252)%
Interest and other income (expense), net	$ 677	$ (125)	$ 531	NM	(124)%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Credit Risk and Concentration:

- No customer represented more than 10% of revenue during the years from 2021-2023.

Accounting Pronouncements Not Yet Adopted:

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires an enhanced disclosure of significant segment expenses on an annual and interim basis. This guidance will be effective for the annual periods beginning the year ended December 31, 2024, and for interim periods beginning January 1, 2025. Early adoption is permitted. Upon adoption, the guidance should be applied retrospectively to all prior periods presented in the financial statements. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Note 2: Revenue

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

	Year Ended December 31,		
	2023	2022	2021
Advertising	$ 131,948	$ 113,642	$ 114,934
Other revenue	1,058	808	721
Family of Apps	133,006	114,450	115,655
Reality Labs	1,896	2,159	2,274
Total revenue	$ 134,902	$ 116,609	$ 117,929

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

	Year Ended December 31,		
	2023	2022	2021
United States and Canada (1)	$ 52,888	$ 50,150	$ 51,541
Europe (3)	31,210	26,681	29,057
Asia-Pacific (2)	36,154	27,760	26,739
Rest of World (3)	14,650	12,018	10,592
Total revenue	$ 134,902	$ 116,609	$ 117,929

(1) United States revenue was $49.78 billion, $47.20 billion, and $48.38 billion for the years ended December 31, 2023, 2022, and 2021, respectively.
(2) China revenue was $13.69 billion, $7.40 billion, and $7.59 billion for the years ended December 31, 2023, 2022, and 2021, respectively.
(3) Europe includes Russia and Turkey, and Rest of World includes Africa, Latin America, and the Middle East.

Note 3: Restructuring

In certain regions, a small portion of the impacted employees continue to be included in our reported headcount through 2024. We recognized $1.20 billion pre-tax severance and related personnel costs across the FoA and RL segments during the year ended December 31, 2023 in accordance with ASC Topic 420, Exit or Disposal Cost Obligations, where applicable.

A summary of our 2023 Restructuring pre-tax charges, including subsequent adjustments, recorded for severance and related personnel costs during the year ended December 31, 2023 is as follows (in millions):

		Year Ended December 31, 2023
Research and development	$	422
Marketing and sales		308
General and administrative		467
Total [1]	$	1,197

(1) Includes $101 million of share-based compensation expense recognized for the 2023 layoffs during the year ended December 31, 2023.

**This should not be a recurring expense for Meta and should be adjusted for their future margins.

In 2022, we initiated several measures to pursue greater efficiency and to realign our business and strategic priorities. These measures included a facilities consolidation strategy to sublease, early terminate, or abandon several office buildings under operating leases, a layoff of approximately 11,000 employees across the FoA and RL segments, and a pivot towards a next generation data center design, including cancellation of multiple data center projects (the 2022 Restructuring). As of December 31, 2023, we have completed the data center initiatives and the 2022 employee layoffs, and substantially completed the facilities consolidation initiatives.

A summary of our 2022 Restructuring pre-tax charges for the years ended December 31, 2023 and 2022, including subsequent adjustments, is as follows (in millions):

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets [1]	Total	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets	Total
Cost of revenue	$ 177	$ —	$ (224)	$ (47)	$ 154	$ —	$ 1,341	$ 1,495
Research and development	1,581	(9)	—	1,572	1,311	408	—	1,719
Marketing and sales	396	(1)	—	395	404	234	—	638
General and administrative	352	(17)	—	335	426	333	—	759
Total	$ 2,506	$ (27)	$ (224)	$ 2,255	$ 2,295	$ 975	$ 1,341	$ 4,611

(1) Relates to changes in estimates in our data center restructuring charges recorded during 2022.

Note 10: Long-term Debt

As of December 31, 2023, we had $18.50 billion of fixed-rate senior unsecured notes (the Notes), including $10.0 billion issued in August 2022 and $8.50 billion issued in May 2023. The following table summarizes the Notes and the carrying amount of our debt (in millions, except percentages):

	Maturity	Stated Interest Rate	Effective Interest Rate	December 31, 2023	December 31, 2022
August 2022 debt:					
2027 Notes	2027	3.50%	3.63%	$ 2,750	$ 2,750
2032 Notes	2032	3.85%	3.92%	3,000	3,000
2052 Notes	2052	4.45%	4.51%	2,750	2,750
2062 Notes	2062	4.65%	4.71%	1,500	1,500
May 2023 debt:					
2028 Notes	2028	4.60%	4.68%	1,500	
2030 Notes	2030	4.80%	4.90%	1,000	
2033 Notes	2033	4.95%	5.00%	1,750	
2053 Notes	2053	5.60%	5.64%	2,500	
2063 Notes	2063	5.75%	5.79%	1,750	
Total face amount of long-term debt				18,500	10,000
Unamortized discount and issuance costs, net				(115)	(77)
Long-term debt				$ 18,385	$ 9,923

Note 11: Liabilities

- 37% YoY increase in legal-related accruals included in liabilities section. This estimate includes fines, settlements, or other losses in connection with legal and related matter, as well as other legal fees.
    - Aligns to current market situation since most countries are getting stricter with big tech and their policies concerning privacy and security, especially with the new EU rules.

Notes 12: Commitments and Contingencies

Contractual Commitments

We have $16.49 billion of non-cancelable contractual commitments as of December 31, 2023, which are primarily related to our investments in servers, network infrastructure, and consumer hardware products in Reality Labs. The following is a schedule, by years, of non-cancelable contractual commitments as of December 31, 2023 (in millions):

2024	$	12,105
2025		1,152
2026		417
2027		218
2028		127
Thereafter		2,470
Total	$	16,489