Intro Comments

- More people are using FB mobile than on PC.
  - Started the year of without ads in app + app was not high performance.
  - 23% of all time spent in apps is on FB.
  - 3% of the time is spent on Instagram → 1/4 of the time on mobile apps belongs to FB.
- 3 main strategy points:
  - Build Best Mobile Product
  - Build platform in services that leverages on the social graph
  - Build a strong monetization platform engine.

MOBILE
- Allows FB to reach more people + increase engagement.
- Mobile also enables new experiences + increases sharing across apps.
- Increase in stability + performance in the app enables users to share more.
- Photos + Instagram are doing very well.
- New focus is on building good mobile first experiences to increase engagement.

PLATFORM + SERVICES LEVERAGING ON SOCIAL GRAPH
- Graph Search ⇒ early beta product
  - Structured search over the whole graph of content that people have mapped out on FB
- Use cases:
  - Seeing where friends have eaten / traveled to
  - Search through photos + content posted by friends.
- FB sees this as a potential new market opportunity where search will be socially/personally focused.
- App install advertising is doing well:
  - Developers are able to connect with the right people who would be interested in downloading their apps
  - On mobile it also enables developers to bring more people to their apps

MONETIZATION
- Started year with no mobile apps ⇒ ended Q4 with 23% of their income coming from mobile
  - Big driver was News Feed
    - ⇒ Initially thought they could make it work with timing on the right ads.
    - ⇒ Experienced better results as they found not much timing was needed, resulting in showing more ads per user.
    - ⇒ Will make it better by improving relevance + targeting.
- TARGETING ⇒ Custom Audiences
  - Tool for advertisers. Upload list of target according to information already on FB
- FB expects that income avenues like Gifts + Graph Search will be greater opportunities in the future and will invest in these even if gain on revenues in the short term will not have great impact.

- Expects to continue to grow headcount quickly in 2013.
  - Expenses will grow at a faster rate than revenues.
    - ⇒ Investing in long term.

Sheryl Comments

- 41% increase on advertising revenue.
- 23% of revenue in Q4 come from mobile vs. 14% in Q3 2012. (of ad revenue)
- Ad effectiveness for marketers was shown in holiday season more businesses (both small + large brands) used their ad services to reach their target audience.
- 3 priorities:
  - Building value + tools that create value for every type of marketer.
  - Proving value to marketers.
  - Taking advantage of unique opportunity in mobile.
- Brands are using FB to launch new products + increase awareness.
- FB now works with all 100 Ad Age Global Advertisers.
- Since Offers product was launched, they have seen stronger adoption + engagement.
  - ★ Investigate what this is ⇒ was launched in September ★ Seems to be related to discounts that marketers can promote
- Custom Audiences:
  - Lets marketers show the app to exactly the right people + coupling with FB Customer data + third party data.
  - Not a standalone ad product ⇒ targeting capability that can be used with many of FB ad products for better accuracy and efficiency.
- Revenue from local businesses was strong in Q4.
  - Pages that advertise on FB nearly doubled vs the beginning of the year.
- For developers, continue to gain traction on install mobile app ads.
  - Since launch in Oct. is already being used by 20% of top 100 grossing iOS app to accelerate growth.
  - FB is top driver of awareness of new mobile app download.
  - 48% of the people who see the ad in FB clic directly from the app.
- In order to prove results to advertisers, FB works with companies like Nielsen to determine results.
  - They found FB had a 68% less cost per client acquisition and drew 24% more new sales than other online channels.
- Worked with some clients directly in order to create metrics for them to better measure their ROI in FB ads.
- Launched Beta of Conversion Tracking.
  - Allows marketers of all sizes to more easily measure the impact of FB ads, whether the FB ad is the first or last the person sees before taking action.
- 45% of advertisers now use News Feed ads vs 30% in Q3.
  - News Fee ads have the highest clic through rate.
- Since users use their real identity in FB, + share real information, it is a competitive advantage for FB

David Ebersman Comments

- Key financial priorities: growing revenue, investing in future growth, + position company to guarantee future results.
- Pricing in growing markets is lower than in developed markets like the US.
  - This caused price increase /decrease between quarters depending on the ads bought.
    - ⇒ This translates move with revenue per geography based on users as reported revenue comes from client billing address where no other country apart from US represents more than 10%. These companies though can buy ads that are to be shown in other geographies.
- Price decrease as FB lowered the floor of auction ads. This also resulted in impression increase.
- Closed with $5.8 billion in NOL tax law carry forward.
  - Lookup note in 10K
- Expectation for 2013:
  - Continue increase in ads and gaming
  - Offset by decline in PC use when game purchases can only be done at the moment.
  - Expenses expected to grow by 50% in 2013 excluding stock compensations.
    - ⇒ Most of this growth is expected to come from accelerated highering which, since FB expects to continue offering equity as part of compensation, will result also in higher stock compensation costs.

Questions

- **News Feed quality considering ads now being featured here?**
  - FB measures quality with the amount of feedback they get ⇒ comments / likes.
  - Due to the improvements made, feedback increased around 50% over the last year.
    - When ads were added, feedback decreased 2%.
- **Outlook for FBX**
  - FBX is real time bidding for specific impressions.
  - It is one of the ways to make ads better targeted so its more useful for the user + generates better returns for the advertiser.
- FB is pushing in general for better quality ads, better for users + higher return for advertisers.
  - Initially FB thought that they would have to spend Q-12 adjusting ad quality in order to not affect negatively engagement but, since their performance outweighs by a lot the decrease in engagement when ads were included, they are already having better results than expected.
- **Open Graph**
  - ★ Research what this is ★

  Open Graph is an internet protocol that was originally created by Facebook to standardize the use of metadata within a webpage to represent the content of a page. Within it, you can provide details as simple as the title of a page or as specific as the duration of a video

  Youtube video explanation:

  [What is Open Graph](#)

- Part of the goal with Graph Search is to give people a reason to map structured connections themselves.
- **Is FB in a race with Google's Knowledge Graph?**
  - MZ believes their focus is different bc Google search is more based on unstructured data. He believes, though, that they are trying to add in some of the structure.

- High focus on integration with all mobile devices + making mobile experiences better.
  - 20% of time on mobile is already spent on FB.

- How FB works is that advertisers will tell FB what ad they want to show + who is their target audience. FB then decides where to place it that makes the most sense both for the user and the advertiser.
  - Higher use of mobile + News Feed being available in this platform is what has driven growth results for News Feed ads.

- FB want to be the main infrastructure that connects games

- **Why lower pricing floor?**
  - Purpose was to support higher prices + limit low quality ads.
    - ⇒ As FB has developed other controls for this, price floor has become less important.
  - Smaller businesses also tend to be lowest bidders but create better quality + organic content which is the type FB wants as it feel organic.
    - ⇒ By lowering floor, small businesses will be more willing to post and can later invest more as they grow / feel more confident with posting ads on FB.