

MARK ZUCKERBERG

- Hard year for FB: have seen abuse, including interference from nation states, the spread of news that is false, sensational & polarizing & debate about the utility of social media.
 - ↳ check if the Social Dilemma was around this time?
- 1st update: Want to make sure services aren't just fun but also good for people's well-being & society overall.
 - ↳ Prioritizing meaningful social interactions over passive consumption of content.
 - ⇒ Ecosystem of public content has grown to the point where it's starting to crowd out the personal connection that people value the most.
 - ⇒ Helping people connect is more important than maximizing the time they spend on FB.
 - ° FB made an update where content from friends that will lead you to interact with ppl will be seen more than public content.
 - ↳ This will lead to more overall time spent.
 - * How would this affect ad inventory?
 - ↳ Expect time ppl spend on FB & some measures of engagement will go down but expect interaction with each other to grow over time.
- Updated video recommendations & made other quality changes → focus on video to encourage meaningful interactions.
 - ↳ Estimate these updates decreased time spent by 5% in Q4. (50M hours everyday).
- Most important driver is quality of conversations & connections.
 - ↳ Stronger community → more willing to see ads in order to maintain meaningful connections.
- 2nd update: making sure info you see on FB comes from broadly trusted & high-quality sources in order to counter misinformation & polarization.
 - ↳ Show more news from sources broadly trusted.
- 3rd area of focus: preventing false news, hate speech & other abuse.
 - ↳ Are investing in both ppl & technology (including AI)
- Started rolling out major ad transparency efforts.
- 3 year focus → video
 - ↳ Excited about watch → launched watch party (friends can watch a show together).
 - ↳ Growth of stories → expect to overtake posts & feeds as most common way for people to share
- More people are using Groups than ever.
- Marketplace → +700M monthly users.
 - ↳ Launched this year in 30 countries
- 5 year focus: building ecosystems around services that lots of ppl already use.
 - ↳ Working in WhatsApp & Messenger to give businesses more ways to communicate with their customers.
 - ⇒ Launched Messenger plug-in: ppl chat live with companies on their websites.
 - ⇒ Launched WhatsApp Business: new App designed specifically for small & medium businesses to connect with ppl they want to reach.
- 10 year focus: working on foundational tech needed to bring the world closer.
 - ↳ AI: understand meaning of all the content on FB → better services → help remove harmful content → show more content that encourages connection & conversation.
 - ↳ VR: get Oculus Go on ppl's hands

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- Launched Community Boost Program → provides digital training for people in need of work & helps local businesses & non-profits get the most out of the internet.
- Instagram continues to grow quickly
 - ↳ +2M active advertisers
 - ↳ +25M business profiles
- Online ads are driving sales especially in mobile for the holiday season.
- Launched Dynamic Ads for Auto, allows dealers & manufacturers to show the right cars to the right audiences.
- Advertisers are increasingly developing mobile-first ads rather than simply taking their TV creative & putting them online.
- Continue to invest in Value Optimization → helps advertisers show their ads to people who are likely to spend more with them.
 - ↳ +2,500 businesses have tried it since June & many are putting more of their budget toward it.
- Disabled option that lets advertisers exclude people in specific, multicultural affinity segments until FB can develop safeguards against discrimination.
- Took additional steps to penalize e-commerce advertisers who created misleading or negative ads.

DAVID WEHNER

- Remain committed to the repurchase of stock. Still \$4B remains of the \$16B approved.
- Outlook for 2018:
 - ↳ Supply: growth in ad impressions at a modest pace.
 - ↳ Constant currency ad revenue growth rate to decelerate.
 - ↳ Will likely benefit from FX due to depreciation of dollar.
 - ↳ Expenses will grow 45-60%.
 - ↳ \$14-\$15B Capex → investments in data centers, servers, office facilities & network infrastructure.

QUESTIONS

- How does the update impact ads?
 - Focus on what's better for the community
 - When people spend time viewing more posts b/c they're interacting with family & friends, FB has more monetization opportunities.
- Advertisers' response to lower engagement
 - Business continues strong
 - ↳ vague response.

③ What will you be watching for in order to determine if changes are being effective towards providing meaningful social interactions?

- Shift focus from showing the most meaningful content to encouraging the most meaningful social interaction.
 - ↳ Starts with News Feed but new products & interfaces will be designed with the goal of encouraging interaction between people.
- FB is going to be measuring the # of interactions that people have on the platform & off b/c of what people report are meaningful (surveys)
- Not only focused on FB, also other apps.
- Will require a series of rollouts & product changes as well as things that FB will launch.

④ Opportunity with Search.

- # of searches are growing but still ways off from monetization.

⑤ Sustainability of the pricing growth.

- FB is making good progress in goal of driving better outcomes & ROI for advertisers.
 - ↳ Willingness of advertisers to continue to grow budget with FB highlights this progress.
- Advertisers are optimizing for business results for a given dollar spent, not the impression price.
- As long as FB can improve yield of impressions to drive downstream business results effectively, that will translate into higher effective prices for their business.

⑥ How marketing budget grows as retail moves online - what is the TAM for FB?

- E-commerce is & remains as one of FB's strongest verticals.
- FB still has opportunity to continue growing in the large global ad market.

⑦ Broader applications of AI

- Largest tech trend in the industry & across the business.
- FB sees it in 3 ways:
 - ↳ First & most tactical → optimization (ranking News Feed, ranking ad search, improving security)
 - ↳ Qualitative changes in how FB does business.
 - ⇒ Understand the meaning of all content & use content not associated to the person to improve their experience.
 - ↳ Completely new products & platforms.
 - ⇒ VR & AR