

MARK ZUCKERBERG

- Reached a milestone in daily actives worldwide.
- Efficiency Work:
 - Goal: make stronger tech company that allows to build products faster + better financial performance.
 - Stronger financial position will allow them to weather volatile environment + focus on future.
 - Have had 2 waves of layoffs and still one pending. Will have better work environment after this is done.
 - Will deploy AI tools
- Strong engagement growth across all apps.
- Reels continue to grow quickly - increase overall app engagement + more social due to more sharing.
- AI wave today + Metaverse for the future:
 - AI: recommendation structure powered by AI. Generative foundations are enabling new products and experiences. More than 20% of content are recommended by AI from accounts that you don't follow overall. Specifically in Instagram its 40%. Reels has increased this.
 - Business Messaging: continue to see growth.
 - Beyond recommendation, AI work in new products: are working on shipping new things over the coming months. Themes to expect: focused on connection and expression. Opportunity to introduce AI agents. Chat experiences, visual creation tools, video and multimodal experiences. AI in messaging for customer support. Will extend to work on the metaverse.
 - Want to create an open ecosystem to make it easier for other companies to interact with FB products.
 - AI infrastructure in the CAPEX: are no longer behind, have the capacity to do leading work at scale. Will need to continue to invest in infrastructure but will have better idea after they launch new products.
 - Metaverse: still remains a focus as well as AI. Areas are also related. Metaverse will also enable AI.
 - Long-term project but still remains a focus.
 - More avatars have been created.
 - Increase in use in Quest Devices.
 - Are in the way of launching new headset

SUSAN LI

- Increase of 3% YoY. 6% on constant currency basis.
- Restructuring charges + severance packages affected costs.
- Down 11% in headcount vs last quarter.
- Online commerce vertical was strongest growth.
- 80% of overall expenses dedicated to FoA.
- Lower Quest 2 sales impacted YoY variation.
- Continue to focus on closing the gap between Reels monetization vs other products. Reels require more time - less time to show ads which will make closing this gap more challenging to close vs stories. End of year/ early next year should close gap.
- AI investment to increase automation for advertisers + create better measurement tools.
- Click-to-message ad bring incremental demand to platform. Mainly used in SE Asia + LA.
- Outlook:
 - Continue to expect RL losses to increase.

QUESTIONS:

- Generative AI - how will it impact long term ad business.
 - Will create more engaging experiences. Increase in engagement allows for more opportunities for advertisement.
 - Opportunities in visual side to create.

- Convergence with AI agents in business messaging. More businesses will be able to afford to make better customer service if AI is used vs having to hire personnel.
- Hiring expectations for 2024 and beyond. How does using AI internally factor into future hiring.
 - Will resume hiring for next year in 1-2% but focus is on efficiency. New hires would go to priority areas like generative AI.
 - Don't have enough visibility in how AI will make workforce more productive.
- Opensource in AI. What will be a driver for more open-ended systems in AI.
 - Its better if the industry standardizes which drive down the costs. Are playing a different game on infrastructure since they don't sell cloud.
- Datacenter architecture.
 - Are progressing with construction. Will be used for future workload.
 - CAPEX investment has 3 buckets: non-AI computing needs (are efficient in this), core AI investment (building of discovery engine + recommendations - will see ROI and that will drive future investment), generative AI (will represent significant investment opportunity but still to early to tell how this will impact).
- Compare Meta vs competitors including new AI tools. Post ATT landscape. Making progress in mitigating impact vs Apple changes.
 - Feel that they are well positioned.
 - Have used AI to improve current products. Feel good about relative position overall.
 - Stabilization in macroenvironment.
- Additional color where they are seeing strengths and weaknesses in Q1 performance + outlook.
 - Stronger demand including lapping of Ukraine war.
 - Acceleration of advertisers in China targeting other markets. Associated to COVID lockdowns.
 - Will be lapping a weaker demand period.
 - Lack of Russian demand revenue in the second half of the year.
 - The market has absorbed new develops that were impacting broader economy.
 - Continues to be a challenging regulatory environment - monitor it closely.
- How far along are they in sustaining more efficient structure.
 - Efficiency work not only driven by financial impact but also on being more operationally efficient.
 - Includes reprioritizing investments, letting go of projects that no longer make sense.
 - Believes that this will make them more critical in the future.
 - Everything in service of launching and shipping quality products faster.
 - Also working with developers to build better products and get things done faster.
- Health of the FB user base on the site. Reels also to help FB as it did Instagram.
 - Core FB user growth are pleased with.
 - More broadly discovery engine is expansive beyond IG and is driving growth in FB.
- OPEX Guide.
 - Efficiency will translate in longer term roadmap.
 - Will constantly be evaluating investment priorities. Don't have guidance for further year but do expect to continue with efficiency.
- Regulatory front. How will data transfer affect future business.
 - Continue to be hopeful that framework will be implemented.
 - A lot they don't know of suspension order and how much time it will take.
- Restructuring charges still to be had?
 - Expect will recognize further charges in the year.
- Click-to-message ads. Further monetization in messaging. Opportunity for WhatsApp.
 - Are investing in areas to make it easier for businesses to connect.
 - Making it easier to create ads. Native ads in WhatsApp.
 - Working on making ads better performers to have better conversions in the ads. Introduced new features such as commerce tools.
- Opensource for Generative AI.

- Its valuable for FB to provide for this so that is integrates with FB products. Makes sure that they are compatible.
 - Integrate more broadly with the community. Increases innovation and efficiency in the platform.
 - Are early in being developed but the better they do with foundational work, the more opportunities will be created.
- Time increase in IG. How much were they from TikTok.
 - Are pleased with incremental engagement provided by Reels.
 - Incrementality has increase over time. Are focused on increasing incremental engagement.
 - Unlocking new content pool as they help people discover and are seeing sharing flywheel increase.
 - Discovery engine go beyond Reels. AI recommendation are increasing engagement in the blue app with all types of content.
- Confidence of Reels going forward.
 - Reels is structurally different so time-wise it will take time to get to the level of news feed ads.
- Updates on Messenger. How does messaging improve marketing ability to regain signals and re-target.
 - Important to overall ad strategy.
 - First part of first party data playbook.
 - Monetize messaging behavior and create better communications between businesses and customers.

FOLLOW-UP CALL

- Hearing good things about Advantage+ from advertisers. How important has that roll-out been + any color?
 - [Information on Advantage+](#)
 - Advantage+ shopping campaigns is part of Meta's Advantage+ products, which leverage machine learning to help you reach valuable audiences with less set up time and greater efficiency. Advantage+ shopping campaigns is designed to be the most efficient solution for performance-focused advertisers looking to drive online sales.
 - Advantage+ Shopping campaigns, I mean, they've been growing steadily since launch. I think Mark mentioned that, in the last six months we've seen a 7x increase in daily revenue.
 - And from the studies that we run, we've seen Advantage+ Shopping drive lower cost per conversion than similar campaigns run without it. And so, again, the feedback is positive.
 - So it's a suite of products that we're continuing to innovate, and we feel good about the traction and adoption that we're seeing there.
- Reality Labs operating loss outlook
 - scope of our Reality Labs ambitions, especially over the long term, has not changed.
 - In the short-term have made some changes like sunseting the Portal, but the magnitude of the long run vision and opportunity and ambition for RL remains the same.
 - Went through organizational efficiency exercise as ll of the other teams - are becoming more efficient.
 - Early on putting together long-range plan.
- Cost of AI initiatives, particularly Generative AI.
 - Really hard to place and attribute costs.
 - So much of AI and ML underpins already so much of core FoA experience and product offerings.
 - Gen AI has smaller count team right now but its where they are going to deploy GPU capacity more quickly - captured in the Capex Guide right now.
 - It is likely that GEN AI workloads will be relatively more Capex-intensive than other AI workloads given large scale compute infrastructure you need for training and inference.
- Revenue growth for Q1:

- Stronger demand from e-commerce - big vertical. Was hit hard after the pull-back from COVID. Returned to positive YoY.
 - This vertical also benefited from growth from China.
 - Have a quarterly seasonality tied to the way marketers spend their budgets - saw their typical seasonal trends from the quarter.
 - Also lapping start of War on Ukraine which makes for better comps YoY.
- How quickly is the cost of training complex AI models coming down + long-term structural CAPEX outlook.
 - Relatively early - don't have a lot of details.
 - Expect Gen AI efforts to be more capital intensive than their core AI work they have been doing to date.
 - Are in the process of standing up several large-scale training clusters. When they begin engaging with users, will have to build inference infrastructures.
- Do you feel FB has caught up to what advertisers used to see pre-ATT days or how do they see advertisers achieving comparable results?
 - Don't think of getting to a place where they were before ATT. See it more as a new landscape that all digital advertisers are operating in.
 - From their focus, see it as continue to improve ad performance with investments in onsite objectives and AI.
- Strength on click-to-message and on WhatsApp paid messaging. Opportunities aside from advertising (customer service and new budgets)
 - Shared last Q that click-to-messaging ads reached \$10B annual run rate and it continues to grow.
 - Some advertisers use exclusively this ad platform.
 - Trying to tie these results to sales by enabling payment/ commerce tools.
 - Are laying the foundation for paid messaging business by cultivating the ecosystem fostering business to consumer activity in messaging.
 - Believe there is a big opportunity for paid messaging here.
 - Are updating pricing model to offer differentiated pricing for different use cases.
- Payments live in Brazil - insights on how that might add to closed loop attribution, transactions, etc.
 - People in Brazil can now find and message and buy from small businesses on WhatsApp directly. Anyone on WhatsApp in Brazil can try it now and they're making it available to more merchants soon.
 - Are continuing to invest in other in-thread experiences so that the entire purchase funnel can take place within an app.
- Supply constraints in Reels ads format. What have they seen with ad load and pricing on Reels - is there more room to grow in ad load?
 - Ad load still lower than on other ad surfaces - still room to grow.
 - Because of the difference in scroll speed (takes longer to watch a Reel) results in a much lower per-time ad load on Reels.
 - But there is potential growth in ads-per-number-of-organic-stories. Even when it reaches a higher % per organic content, due to how Reels function in terms of time, it will always monetize less in per-time metrics. Going to have to think about being more creative.