

JPMorgan Global Technology, Media and Telecom Conference

Company Participants

- Carolyn Everson, VP
- Dave Wehner, CFO

Other Participants

- Doug Anmuth, Analyst, JPMorgan

Presentation

Operator

Audio in progress.

Doug Anmuth

-- during that time?

Carolyn Everson {BIO 15342167 <GO>}

Well I've been at Facebook for four years and I think not only has our business changed dramatically over those four years. But so have our relationships. Just to set some context, four years ago we were a social business. And clients thought of us as a social media tactic for them, around Like, Shares. And Comments, because that was essentially the currency in which consumers would communicate with brands.

Fast-forward to today. And the conversations are very different. We're talking about how we specifically drive our clients' business.

We say very directly to our clients and agencies that they should not invest a single dollar unless we're driving measurable business results for them. Sometimes those measurable business objectives are brand related; sometimes they are actually driving product off the shelves. And everything in between.

But we are very focused on being a business that grows other people's business. That's number one.

The second is the evolution of our targeting capabilities. Four years ago you were not able to target people at a granular level at all.

Fast-forward to today, we have a number of targeting-ad products, starting with Custom Audiences, which allows marketers to utilize their data to target consumers on Facebook that may be existing customers. We have Lookalike Audiences, where marketers can find customers that look like their existing customers. And we have website Custom Audiences which allows marketers to target people that have visited their site. But perhaps have not made a purchase. And re-engage them on Facebook.

So our targeting has gotten so much more sophisticated. And I think that has been very well received.

Around measurement, one of the first things that I did when I came to Facebook four years ago was set up a client council. And at that time it was composed of the eight top global CMOs and six agency CEOs. It has grown; we now have over 12 CMOs and a little bit more agency CEOs as well.

That group told us that we needed to really essentially prove that Facebook ads worked, because four years ago we only had really data around brand lift and brand recall. So the investments that we've made on measurement have changed pretty dramatically over these last four years.

We are now using things called conversion lift, where we're able to have control groups and really measure whether or not we're driving business results for clients. So our measurement has become much more sophisticated.

No longer is the dialog about: does Facebook ads work? Do Facebook ads work? The dialog now is how much ROI can I drive. And can I start to drive market share?

I think culturally we've also evolved, Doug, is the last thing I will say. Four years ago I think we were a Company that perhaps built products and then would release them into the market.

Now we've become much more of a listening organization, where our product and engineering teams work hand-in-hand with me, meeting with clients and agencies to really understand the business challenges that clients have and how we can best solve them. So the solutions that you see us putting out into the market now are very much driven by what are the pain points that marketers have and how can we solve them. So I think it's evolved pretty dramatically.

Doug Anmuth

Great. Facebook likes to point out that it's ad products serve all types of advertisers. When I think across your four groups of advertisers -- direct response, developers, local. And brands -- it feels like brands have perhaps lagged the others in terms of adoption and spend.

So how would you characterize your relationship with the big brands today? How penetrated are they on Facebook? And what do they want to see before they can spend even more money with you?

Carolyn Everson {BIO 15342167 <GO>}

Sure. When I think about the brand market and marketers that are traditionally called brand, I think there's a couple of things occurring, just to set some context. The first is there has been this distinction -- and we have made this distinction as we talk about our business -- between direct response and brand. The reality is those lines are blurring.

If you think about Coca-Cola, Procter & Gamble Unilever, Nestle, any of the largest marketers that you would think of as brand, they of course care about their brand affinity and how consumers are going to have a preference for their product versus someone else's. But they also very much care about driving growth and driving sales. So what we are seeing is much more of a blending between those two objectives.

It is a fact that getting a traditional brand marketer budget that has been traditionally spent in more TV and print forms to move not only to digital but to mobile takes time. There has been an established way of working for decades -- and by the way, a way that has worked for many of those marketers.

So we are in the early days of really getting brand marketers to, number one, understand the dramatic shift that consumers have had to mobile. And this shift is really dramatic over the last few years, which is causing marketers to rethink their mix, rethink how they develop their creative.

So education is a big component of what we are trying to do. And it is going to take time. So I believe we are under share. I know Sheryl talked about it in the earnings call the fact that consumers spend 25% of their time on mobile. We at Facebook with Instagram get about 20% of their time.

That would lead you to believe that we could garner about 5% of marketers' budgets. And we're not there yet with the large brand marketers. So we have opportunity to grow there. But I do want to emphasize that it takes time to change an ecosystem that has been operating a certain way for decades.

Doug Anmuth

Okay. Great. When we talk to marketers and agencies, we get really good feedback on Custom Audiences. So hoping that you can talk to us more about this product and tool, what's differentiated about it. And how it's gotten the traction that it has?

Carolyn Everson {BIO 15342167 <GO>}

Sure. Custom Audiences is one of those solutions that when you actually explain it, even to a small business, their eyes light up. Because the notion that they can find customers that have been customers of theirs and re-target them on Facebook is a really appealing way to actually communicate with their existing customer base.

The way Custom Audiences works, very simply, is that allows a client to take a list of their customers and be able to see if they are on Facebook; and if so, we can re-target them. It is very effective. And we find that marketers are using it in a variety of different ways.

Sometimes it's to reinforce a message. Sometimes it's just rethinking, instead of doing direct mail, where they traditionally have spent, that they will actually now find those customers on Facebook where customers are spending a majority of their time.

We focus on Custom Audience adoption across all of our client base. And we work very hard to educate the market about what this capability is. A lot of these targeting capabilities are extremely new, right? They are new for Facebook. But they are also entirely new for the industry.

Our entire business is a people-based marketing business. And once clients start to understand that you can do personalized marketing at scale they are responding very, very well to it. But it is a new muscle, it's a new capability, not only for ourselves but for the entire market.

Dave Wehner {BIO 2419389 <GO>}

It's probably worth pointing out as well that related to Custom Audiences we have the Lookalike product, which allows the advertiser to bring to us a group of their best customers, or another group that they want to target. And say: Facebook delivers people who look like this as well. And that allows us to expand well beyond their existing reach into whole new groups of people to try their products. So that's another important category as well.

Carolyn Everson {BIO 15342167 <GO>}

And we used Lookalike Audiences, as an example, for Banana Republic this holiday season. So Banana Republic has a very clear understanding of who their customer base is. What they did is they profiled through their existing customer bases and said: We need to find more people that look like this existing customer base.

And we were able to target them. And they had a 4X increase in conversions using Lookalike Audiences. So these products are very effective and the teams that I oversee around the world work very hard to try to get clients to adopt them.

Doug Anmuth

Great. Let's shift gears a little bit and talk about video, certainly a big topic of discussion with investors and just in the industry across-the-board. You have been very bullish on mobile video overall.

Can you tell us how autoplay video ads are doing so far? How do you know when it's the right time to increase the volume of these ads?

And where do you think the dollars are coming from? Are they coming from social, from online budgets, TV?

Carolyn Everson {BIO 15342167 <GO>}

Well video has always been a form that marketers have loved to tell their stories. Sight, sound. And motion is a format that has been used back in the 1950s when television really emerged. So marketers have been very eager to use that format on the mobile phone and be able to reach the scale of consumers that we have.

So there is a lot of enthusiasm about mobile video. I think we have become -- Facebook and increasingly Instagram are becoming synonymous with mobile. I think that the next frontier is becoming synonymous with mobile video on both of those platforms.

In terms of how autoplay is playing out and whether or not it is increasing, in terms of how much we are thinking about putting it in, remember: the video ad, when it goes in, it just displaces another ad unit that could have been text or photos. So that is how we think about it.

Over time, we see marketers starting to think about how to develop creative specifically for the mobile video environment, which is a different environment than they had been developing for the last several decades. In mobile video we find that 47% of the value is created in the first three seconds; and 74% of the value to the marketer is created in the first 10 seconds. So thinking about shorter-form video is a capability that they are focused on.

Also, increasingly a lot of video can be consumed depending on the time of day and the environment with sound off. So considerations on how they develop their video creative without thinking about having to have sound deliver that message is also something that marketers are thinking about.

But there is a tremendous amount of enthusiasm. And they think about our platform as the discovery engine. If you think about your behavior if you happen to be on Facebook or Instagram, you are in the discovery mode. You are getting things served up to you that you may not specifically be going to look for at that moment in time. And that discovery mechanism is very important to brands, because that is actually how they often get into the hearts and minds of consumers.

Dave Wehner {BIO 2419389 <GO>}

One of the things that's important as well is just -- we benefit from marketers coming to us with a wide variety of objectives. So it could be that they are coming to us wanting to see their message viewed; it could be that they are coming to us wanting to drive conversion on their website as an ecommerce provider; or it could be that they are a mobile app looking for distribution and getting an install.

The more variety of different types of objectives we have to choose from, it gives us a better ability to pick the right ad for the right person and get the best conversion for our inventory as possible. So having video in the portfolio of things that we can offer is really important for us from that perspective.

Carolyn Everson {BIO 15342167 <GO>}

The other point that I'll note is that we often think about video from a large brand perspective. But we've had a million SMBs upload and use video for their advertising objective, which we find to be very encouraging.

If you think about the capabilities that not only many of us have on our smartphones but many small businesses have as well -- and so the ability for them to develop a video and target it to their consumers is becoming quite popular.

Doug Anmuth

And Dave, just a follow-up here. I know, Carolyn, you said that video is not completely incremental; it is displacing another ad unit. But Dave, how should we think about video pricing and then also the relative performance it has for advertisers?

Dave Wehner {BIO 2419389 <GO>}

Sure. I mean the best way to think about video pricing is, just as Carolyn said, it's just displacing something else in the auction. So if video is appearing in your feed it's really because it was winning in the auction.

So from a CPM perspective, it had a slightly higher CPM. And conversely if an app install is appearing in your feed, it's because they had a slightly higher CPM.

So really from that perspective there is not a differential rate card or higher pricing for video. It is just: what are you willing to bid into the system? Then what -- given the different objectives that you have. And the inventory that we have, what's the best way to match that against it? So you can think of it of being effectively at the overall CPM.

Doug Anmuth

Okay. Just taking a step back. So the work that you are doing and then some others obviously in the industry, really feels like still the early days of a massive shift in the

marketing landscape. As you are measuring these business results or outcomes, can you talk about your efforts in tying Facebook ads to conversion both online and offline?

What's the adoption of and the feedback around conversion lift thus far? And how accurate is that correlation and measurement for advertisers?

Carolyn Everson {BIO 15342167 <GO>}

Well we were really excited to be able to offer conversion lift out to the market. Essentially what conversion lift is, in a simple description, is you basically -- and it's used in science and medicine all the time. But it's a breakthrough, frankly, in our industry. We basically set up a control group. So think about it as an A and B group.

It is scientifically chosen so that there is no bias in the system. We show a set of ads to A. And we don't show a set of ads to B; and we measure the difference that the Facebook ads are driving be it -- whatever the objective might be.

It used to be that our measurement team had to hand -- literally oversee every single conversion lift study. We knew we needed to scale, because conversion lift is important to a small business as much as it is to some of our largest marketers.

So we made it available to the broader market. Our teams now are overseeing it. And we are getting such an increase in volume of conversion lift studies, which is really positive because it truly allows the marketer to see whether or not the ads made a difference and what difference can be attributed to Facebook.

So that's where we are at with conversion lift. And I think there we're in the early days of, A, people understanding that it's available and, B, using it on a frequent basis.

Some of the other things that we're testing in conjunction with conversion lift is showing sequential ads. A recent example, Refinery29, which is a fashion website used conversion lift and sequential ads to understand: what is the difference between showing a set of consumers ads for about 12 weeks -- so just keep hitting them with the same message -- versus hitting them with an initial brand message and then sequentially starting to build up to a conversion? When they did the sequential storytelling they had an 87% increase in people actually getting to the website of Refinery29. And then a 56% increase in actually signing up for a subscription.

So what it is allowing marketers to do is to become much more scientific around what is the best approach to deliver the most value for their bid.

Dave Wehner {BIO 2419389 <GO>}

Yes. And I think just -- our capabilities of that sort of people-based approach, really where you are able to do those studies against a select group of people and

compare, that is really one of the key unique features of Facebook versus trying to do that any other way, with cookies or anything like that.

Doug Anmuth

Okay. We're going to get to audience questions in a couple minutes. So if you have questions, please feel free to head toward the mics. But Dave, wanted to ask you about pricing and impressions. Over the last few quarters we've seen this really outsized growth in CPMs. And then also big declines in impressions, right? 1Q CPMs up almost 300%; impressions down more than 60%.

Clearly some drivers in terms of the overall shift from desktop to mobile. And then of course the bigger ads in the desktop right rail, fewer of them. But is it reasonable to think this normalizes starting in 3Q? And what are the key factors that you think about that will influence volume and pricing going forward?

Dave Wehner {BIO 2419389 <GO>}

Yes. So in terms of the biggest factor driving it was the redesign of the right-hand column ad. The most recent trends are that is the biggest driver, with a secondary trend just the overall shift to mobile, where we don't have right-hand column ads.

We started -- we really rolled out that right-hand column change where we went from seven ads down to two. That happened in Q3 of last year; so the trends will look different starting in Q3 as a result of lapping that change. So I think that is true.

Then in terms of just the ongoing shift to mobile, we are now at a point where just the bulk of our business is on mobile. So as that starts to become even more prevalent on an impressions basis, then we will also see that play into the overall price and impression trends.

I think when you think about what we are thinking about from how we look at price, it's really about, again: how do we take the inventory that we have and get the highest yield from it? From that perspective, what we are trying to do is drive outcomes for our advertisers. That could be a video view; it could be an app install; it could be a conversion on ecommerce website. If we can do that efficiently, we can get a higher effective CPM while still delivering great outcomes and great ROI for our advertisers.

So that is why we focus so much on ad relevance. That is why we focus on bringing more and more diversity into the auction from a demand side. So that means getting more advertisers; we just have over 2 million advertisers on the platform. It means getting different types of advertising objectives into this system.

So the more diversity we can bring in on that side, the better we can get at targeting and bringing those sophisticated targeting tools into place, the better yield we can get from the inventory that we have. So ultimately that is what we focus on. And

hopefully if we do everything right we can drive good effective CPMs for ourselves but also great outcomes and great ROI that's sustainable for our advertisers.

Doug Anmuth

Great. Dave, let's switch gears a little bit and talk about expenses and the guidance that you have out there. You've lowered the high end of your non-GAAP OpEx growth outlook in each of the last two quarters. So 70% to 65%. And then now down to 60%.

What gives you the confidence in doing that in the first half of the year? Has anything changed in the business? And how you think about the right level of hiring going forward?

Dave Wehner {BIO 2419389 <GO>}

Yes. No big changes in terms of what we are planning on investing against for the year that's driving that. It's really better visibility into the spend as we get through the year.

We gave the original guidance very early going back to -- I think it was in the Fourth Quarter we gave that. So as we have gotten further into the year we are able to tune that guidance going forward.

We are still investing against the big objectives that we have, the three-, five-. And 10-year objectives. The bulk of our investment is against what we call our three-year objectives. You can think of that is being the growth in engagement and monetization of our core business.

So on the growth side, we are focused on driving DAU and MAU. On engagement we are focused on driving a wide variety of different metrics that measure just how engaged people are on the platform. Then on the monetization front we are focused on, obviously, driving revenue. So that is the bulk of the investment that we are making.

Then in the five-year time frame, the things that I focus on are really building the ecosystems around the next generation of services. Things like Instagram, Messenger. And WhatsApp.

Then in the longer term, we've made substantial investments in areas that we're excited about for the long term. That's things like the next-generation computing platform, which is, we believe virtual reality; and Oculus is our big investment there. Then also investing in areas like Internet.org and artificial intelligence that we think will help support and drive the business in the long run.

But all of those investments have sort of come into play. No big changes. But just better tuning on what we expect.

Doug Anmuth

Okay. Great. Questions from the audience? If you can't get to a mic, which seems possible in the situation, feel free to raise your hand and I'll repeat the question.

All right, Carolyn, let's talk about international. When we look across geographies, Facebook's revenue per MAU is significantly higher in the US than everywhere else, even Europe. So what will it take for the other geographies to really start to close the gap more on monetization?

Carolyn Everson {BIO 15342167 <GO>}

I think the first thing is just to reinforce our mission, which is to continue to connect the world. We're at 1.44 billion now on Facebook and we still have a lot more people to connect. So our growth teams are very, very much focused on that.

In terms of the overall markets and the differences, the thing that I will point out is there is maturity of ad markets, which are different around the world; and that will take some time. Many of the emerging markets we're having conversations with our largest marketers about how they can deliver their message on feature phones. So we are, again, at the very early stages. But we are doing some very interesting work with them in India, Indonesia, Kenya, South Africa. And Turkey, some of the world's largest marketers.

So one is just the actual evolution of the ad market and what marketers are doing I think is probably the biggest difference that you will see.

Dave Wehner {BIO 2419389 <GO>}

Yes, I would just point out as well, in terms of the ARPU statistics that we have, the way we categorize our regions, US and Canada is one region. So just by the inherent nature of the GDP per capita in that region versus Europe, where we do have a mix of countries with Central and Eastern Europe and Turkey, you are going to see some differences there.

Questions And Answers

Q - Doug Anmuth

Jeff? (inaudible) So the question is where Instagram is in terms of both products and then also advertising; and then where WhatsApp fits in the three, five, 10 product (multiple speakers).

A - Carolyn Everson {BIO 15342167 <GO>}

Sure, I'll take Instagram and Dave will cover WhatsApp. We've been in the market with Instagram for a little over a year now; it is at 300 million users and growing.

There is, I think, very good response from marketers. They are excited about it. It is a mobile-first, mobile really only product. And they realize how popular it is with consumers.

I think marketers have also responded very well to the creative canvas and the curation of imagery. Instagram is a different product than Facebook.

Facebook you follow people that you are connected with -- your friends, companies that you have a connection with. On Instagram people are really following their passions and their interests. So it is not uncommon for somebody on Instagram to follow people that they don't know if they happen to be inspired by what they are putting on Instagram.

Brands find that to be a very good environment for discovery. So we are in very early days on Instagram. But I will say that there is a lot of enthusiasm about what this product will be down the road.

A - Dave Wehner {BIO 2419389 <GO>}

In terms of WhatsApp, their clear focus in the near term is to drive user growth. And we've been really very pleased with the success that they have had there, crossing 800 million MAUs. So we feel like good success on WhatsApp at this point.

In terms of building businesses around messaging, that's more in the five-year time frame. We are doing experiments today with Messenger in areas that we think have promise.

Things like business to consumer messaging, we've talked about some initiatives there, where we are creating the conversations between businesses to consumers on messaging in a way that we think will work well for consumers but also be effective for businesses. We think that enabling that B2C messaging has good business potential for us on messaging.

We are also working on broader platform initiatives with Messenger. As we learn those things, I think there is going to be opportunities to bring some of those things to WhatsApp. But that is longer term than the near-term.

Q - Doug Anmuth

Just following up on Instagram for a minute, how do you guys think about how that could ultimately monetize relative to Facebook? On the one hand, it's all photos and videos; feels like it would be a great place for brands. But on the other hand, it may not have that same degree of direct-response advertising, which of course has been very lucrative.

A - Carolyn Everson {BIO 15342167 <GO>}

Well the similarities are they are essentially mobile platforms, number one. Number two, they are feed-based. So in the sense of being feed-based, what I mean is that's

how consumers are scrolling through and consuming the content.

What we are seeing on Instagram is a mixture of some marketers thinking about it as a replacement for print, where they were having the opportunity to put an image ad in a magazine; and now they are seeing that as an opportunity for them in Instagram. Other marketers are working with us on links off of Instagram, to take action.

Again, it's very early days and we will have to see really what the consumer behavior is on Instagram for the different objectives. That's really what drives all of our -- what we do for marketers. We have to understand, what is the consumer experience? Are they taking action? Are they engaging with whatever the ad unit might be? Then over time assess what we roll out to the market.

Q - Doug Anmuth

Great. Let's talk a little bit about the ad tech initiatives. You mentioned earlier people-based marketing but didn't really get into it in much detail.

Do you believe the -- so maybe you can just talk about the assets there across Atlas and LiveRail and Audience Network on their own. But also how they helped drive core Facebook. Then also, do you believe that the ad stack is complete here, spanning from sell-side to buy-side?

A - Carolyn Everson {BIO 15342167 <GO>}

Sure. So let me set a little bit of context of what we mean when we say people-based marketing or people-based measurement. When the Internet -- for the last 20-plus years the Internet has been based on cookies. And cookies really were the currency on desktop. It worked when consumers had one desktop that they predominantly used.

Fast-forward to today and over 30% of people are using almost three devices in this country. And in some markets people are using even more than three devices. So what you have is a situation -- just before we even get to what we are doing, just in terms of the macro, you have a situation where it is very -- it is not unusual for a consumer to wake up and look at their phone right next to their bed; get to work, be on a desktop or a laptop; and then in the evening they may be consuming content on a tablet or an iPad.

So from a marketing perspective, that presents some challenges. Number one, figuring out how to serve ad at what time to ensure that you are actually hitting that person if they are on these different devices.

So our point of view is that people-based measurement versus cookies -- so real people versus an actual cookie -- is really going to be a big differentiator for us. We are able to tell a marketer now that they can serve an ad to a consumer in the morning.

If you take a quick-service restaurant like McDonald's or Burger King Wendy's, they may have a message that they want to get to you in the morning about stopping in for breakfast. That message will be very different later in the day and in the evening. So we are able to allow the marketer to target different points of the day on different devices and track whether that consumer is receiving a message.

The cookie-based systems that are out there are not very accurate. For example, on gender and age, they are about 59% accurate. So that leaves a lots of unknowns as to whether or not you are actually reaching the right person.

Cookie-based also overestimates reach. It will tell you you're reaching more people when in fact you might be reaching that same person. Then it underestimates frequency.

It overestimates reach by about 46% and it underestimates frequency by about 31%. So there is a very big shift that we are starting to see about marketers realizing that this new environment of multidevice, same individual consumer, requires new measurement and new targeting capabilities.

How we've thought about this environment is in a few different areas. One is Atlas. Atlas is a technology that we purchased from Microsoft but wound up rebuilding from scratch.

It is state-of-the-art, it is mobile-based. And it allows marketers to not only target on different devices but then also do the follow-on measurement. We are in early days of Atlas adoption. We launched it at Advertising Week in New York in October. And we have been getting some good traction with the large agency holding groups that are working on rolling that out.

So that is our Atlas system. Think of it as targeting and measurement, to simplify it.

We also have an asset called LiveRail, which is really designed to help publishers -- these are other publishers, not Facebook properties -- other publishers be able to monetize their websites in a better fashion because they will be utilizing Facebook data. So we've got that rolled out to several hundred publishers. And they are starting to see some very good results.

Then we have something called Audience Network which allows marketers to not only do what they are doing from a targeting perspective on Facebook. But it allows them to do something off of Facebook in a series of mobile apps. Really the overarching belief is, as Dave talked about, we are extremely focused on getting the right ad to the right person.

We believe by using people-based marketing that the entire digital ecosystem can be a lot more effective, because we will not only get the right ad to the right person on Facebook and Instagram. But what would it look like for the entire ecosystem to

actually have a more efficient model of getting relevant ads? So that is the overarching approach that we have.

Q - Doug Anmuth

Question? (inaudible) The question is just about the regulatory environment in Europe.

A - Dave Wehner {BIO 2419389 <GO>}

Sure. It's clearly an environment that is challenging currently. We believe that we've got a very good position with regards to our operations in Europe. From a privacy perspective, that's been where a lot of the discussions have centered recently.

From a privacy perspective, we are regulated in Ireland. That is where our international headquarters is. We are regulated by the Irish Data Protection Authority. And that regulation basically covers all of Europe.

So we feel that we're in a good place from a perspective of complying with European law and also having a good relationship with our regulator in Ireland.

Sorry, I didn't --

A - Carolyn Everson {BIO 15342167 <GO>}

I couldn't hear. Oh, Belgium.

A - Dave Wehner {BIO 2419389 <GO>}

Oh, yes. There have been some countries within Europe -- Belgium you mentioned -- have said that we should be regulated in-country, not just by one authority within Europe. Our position is the way the EU is set up we are operating out of Ireland and the Irish Data Protection Authority covers all of Europe for us. So that's how European law is written. And we believe that our position is consistent with that.

Q - Doug Anmuth

Go ahead. (inaudible) The question is about Oculus and when it's coming to market.

A - Dave Wehner {BIO 2419389 <GO>}

Sure. We've announced that we plan to have our first consumer version of Oculus in Q1 of 2016. We haven't given a lot more specifics around that. But we've got basically two development paths.

One is on the mobile side. And you've seen the Samsung Gear VR. Then the consumer version coming out in Q1 of 2016 is basically an extension of what we've in the past called our developer kits, our DK1 and DK2 products, which is more of a PC peripheral. That will be the higher-end experience versus the mobile Gear VR experience.

We are really excited about the capabilities that that product will bring. But I would say that we are still in very much the early adopter phase of VR. That's going to take multiple years to develop.

We think that the technologies are right. We know the developers are really excited about it. So we are encouraged by the amount of interest we have from content developers. And we think this is a very explosive and interesting space in the next decade.

But it's going to take time and getting all of the products to the right price points for them to be broadly consumer adopted. It's going to be -- it is going to take time.

Q - Doug Anmuth

Great. Thank you. We're going to leave it there just in the interest of time. Thank you, Carolyn; thank you, Dave.

A - Dave Wehner {BIO 2419389 <GO>}

Thank you, Doug.

A - Carolyn Everson {BIO 15342167 <GO>}

Thank you.

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