

Facebook (FB) 2017 Q4 Earnings Summary

February 2018

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Facebook Key Takeaways



Facebook Has Started To Make Major Changes To Its News Feed To Encourage Social Interactions

ENGAGEMENT

- **Will prioritize meaningful social interactions over passive consumption by favoring content from friends, family and groups**
 - Users are more willing to see ads to experience things they care about, rather than if they just come across a viral video
 - **Won't be one overnight change, but a series of roll-outs and new products and interfaces**
- Time spent on Facebook and some measures of engagement will go down as a result, but interactions should go up over time
 - **In Q4, these updates decreased time spent on Facebook by roughly 5%, or an estimated 50 million hours every day**

FAKE NEWS

- **Changing the News Feed to improve the quality and trustworthiness of news on Facebook in order to counter misinformation and polarization**
 - Show more news from sources that are broadly trusted across the community and not just by those who read them directly
- Do not want to make the assessment themselves on which sources are trustworthy
 - **Relying on the community of users to make this determination, and then aggregating the data**

ADVERTISING

- **Advertisers are increasingly developing mobile-first ads rather than simply taking their TV creative and putting them online**
 - **Mobile-first video was 50% of video ad revenue this quarter, up from 41% last quarter**
- **Emphasis on increasing ROI for advertisers through things like better targeting, better ad units, and driving better conversion**
 - Improving downstream business results for advertising partners will translate into higher effective prices
 - Progress is highlighted by the willingness of advertisers to continue to grow their budget with Facebook

VIDEO

- As video continues to grow, focusing on building video experiences that help people connect with family, friends and groups
 - **Sports viewing is one of the ways that people get together on Facebook and build community**
- The News Feed video ecosystem and the Watch video ecosystem are almost completely separate things
 - **People come intentionally to watch specific videos and to interact with the community on Facebook Watch, compared to the passive consumption of video in the News Feed**

INSTAGRAM

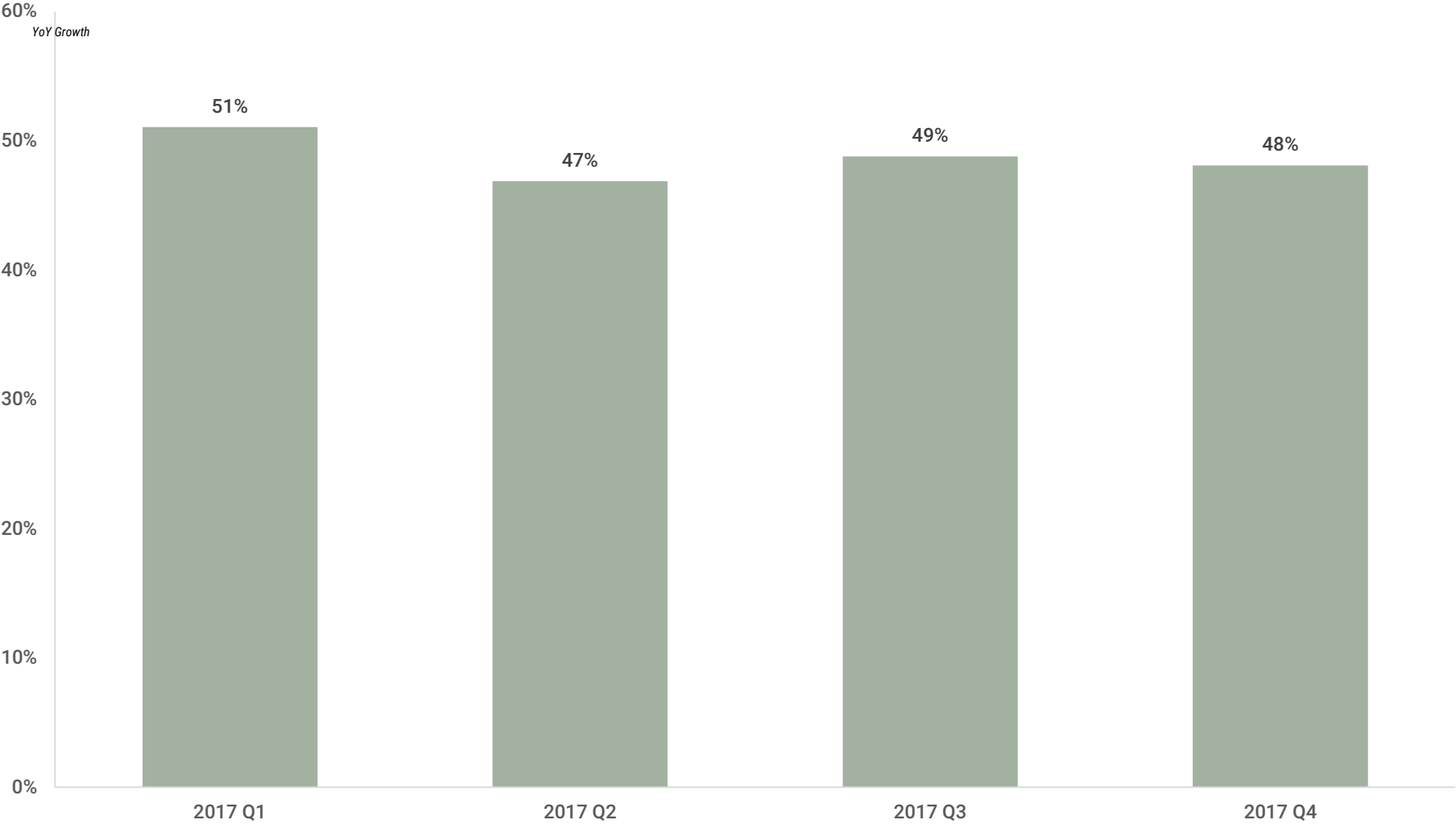
- **Stories are on track to overtake posts and feeds as the most common way that people share across all social apps**
 - Better format for sharing multiple, quick video clips throughout the day
- Ads on Instagram Stories are a small but quickly growing part of revenue
 - **The format is very exciting and has a lot of potential because it is full screen, authentic and very engaging**
- **Big opportunity to grow as there are only 2 million advertisers on Instagram compared to 6 million advertisers on Facebook**

Digital publishers with an organic and passionate audience will be able to further leverage the platform's scale

Advertising Growth



Facebook Continues To Grow Advertising Revenues At A Rapid Pace



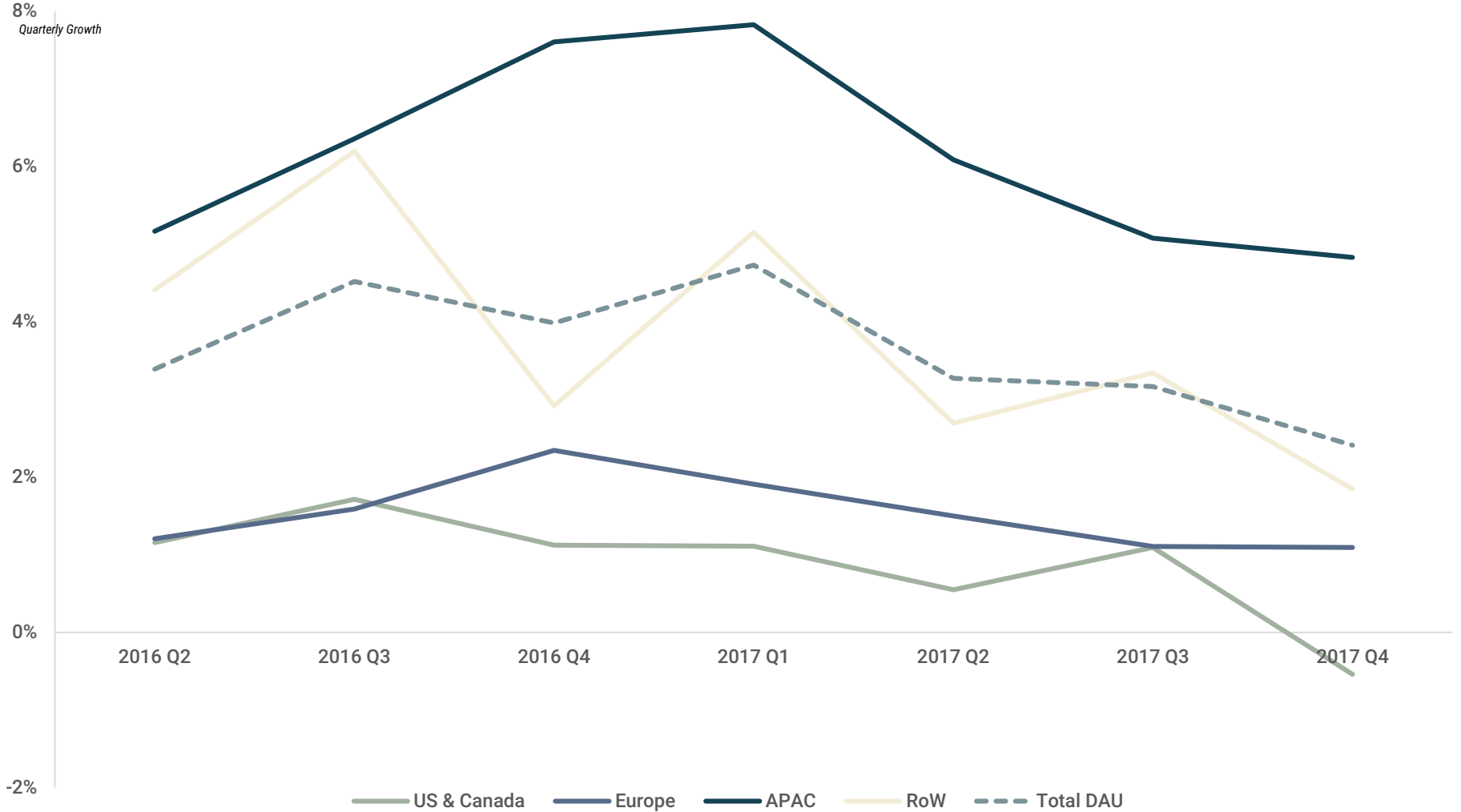
Mobile ad revenue is the main driver, contributing approximately 89% of total ad revenue in Q4



DAU



Emerging Markets Such As Indonesia And India Have Led Recent Growth To 1.4 Billion Daily Active Users

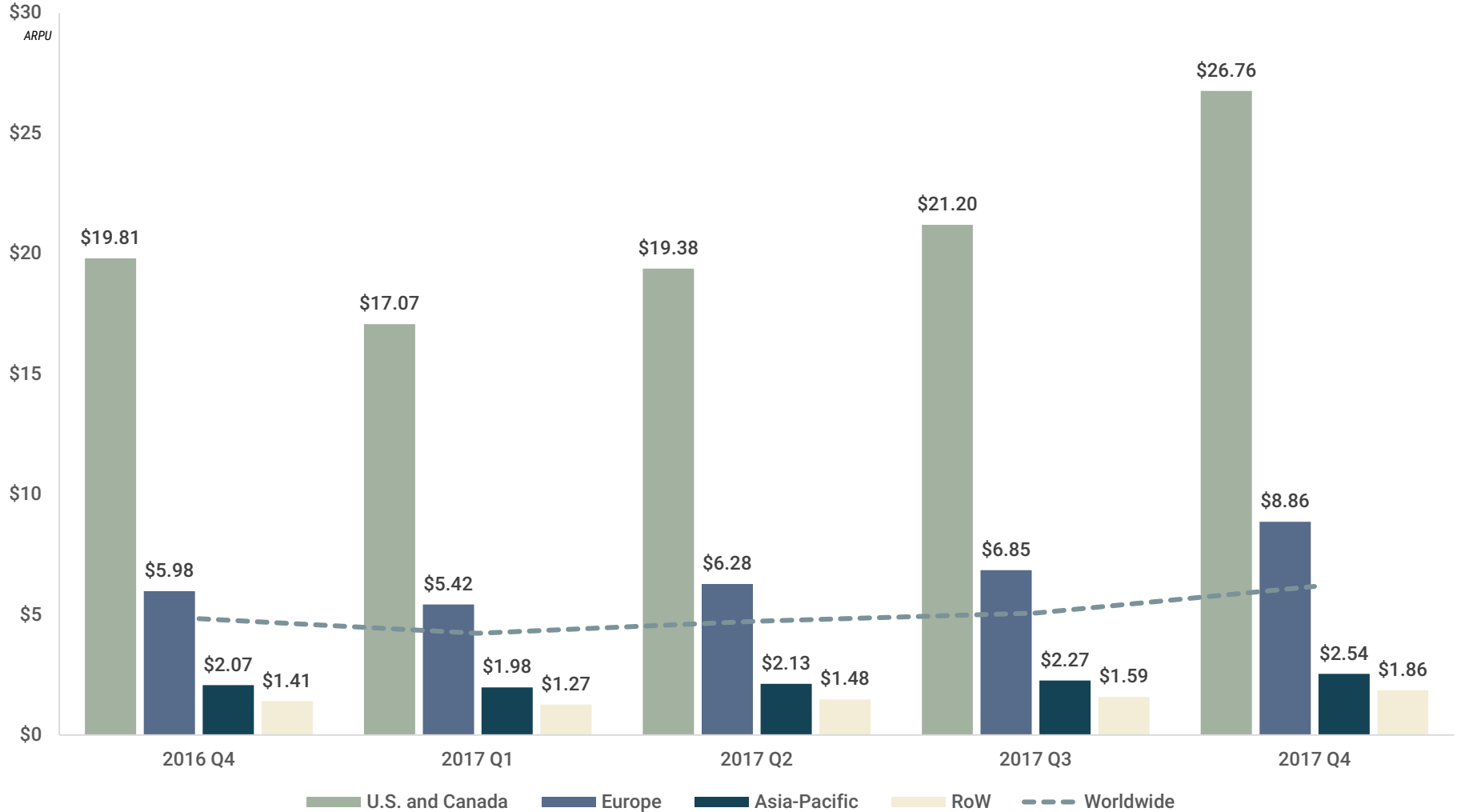


News Feed changes in Q4 had an immediate negative impact in the highly penetrated U.S. market

ARPU



The Monetization Gap Between Regions Shows There Is Still A Lot Of Runway For Growth



The new-placed emphasis on engagement should help drive higher CPMs from advertisers