



Facebook (FB) 2018 Q2 Earnings Summary

July 2018

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# Facebook Key Takeaways



## New GDPR Regulations Giving Users More Control Over Data Privacy Is Already Impacting Advertising Yields

### INSTAGRAM

- **Instagram is making an increasing contribution to growth, and now has more than 1 billion active users**
  - Stories are a continued growth opportunity because the effective levels of monetization are lower
  - There are 25 million Instagram business profiles, but only 2 million advertisers
- **IGTV is designed specifically for mobile and makes watching long-form vertical video from creators easy**
  - Creators now uniquely have the ability to both reach a large audience and connect and engage the community at the same time

### VIDEO

- **Globally, people are watching less TV, but they are creating and wanting more video, especially on mobile devices**
  - **Nearly 1/4 of the world's population will watch video on a mobile phone this year**
  - Marketers are making more video of their own and they are seeing healthy growth in video ads amongst all advertiser segments
- **Video strategy is not about optimizing overall watch time but building products that help facilitate interaction between people**
  - People can come together with their friends to watch content through things like Watch Party and engage and build community that way

### MESSENGER

- **Seeing a major shift to more private messaging, and now have 1.3 billion MAU on Messenger**
  - Continue to see a lot of organic connections between businesses and consumers on the messaging platform
- **Over the next 5 years, focused on building out the business ecosystem around messaging on WhatsApp and Messenger**
  - **Being very slow and deliberate with monetization and instead focusing more on the user experience**
  - Excited about the click-to-Messenger ads because they can grow the ecosystem and creates a new opportunity for interaction

### ADVERTISING

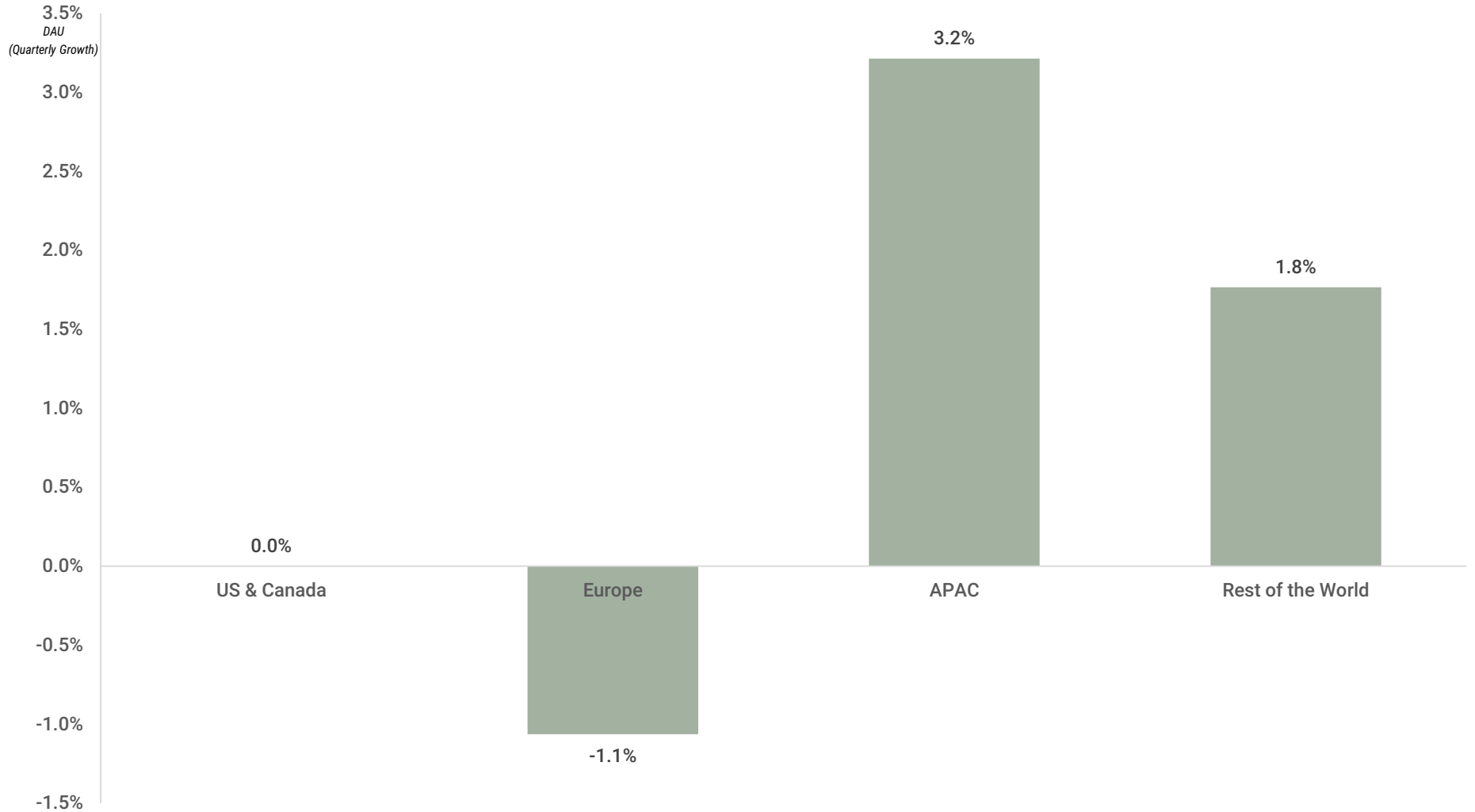
- **Recently launched important ad transparency tools that increase accountability and responsibility for advertisers globally**
  - Anyone can see ad pages running even if the ad is not targeted to them
  - Archive of ads with political content that outlines the budget associated, and the number of views of each one
- **Continue to build new products and improving existing ones to ensure advertisers can reach the right audience**
  - Advertisers can now run variations of their ads and measure the results, so they can easily experiment with different strategies and find the ones that work best

*The addition of the Stories format into the NewsFeed shows the urgency to improve its low levels of monetization*

# Q2 DAU



The Recent Implementation Of GDPR Has Caused A Drop In Daily Active Users In Europe

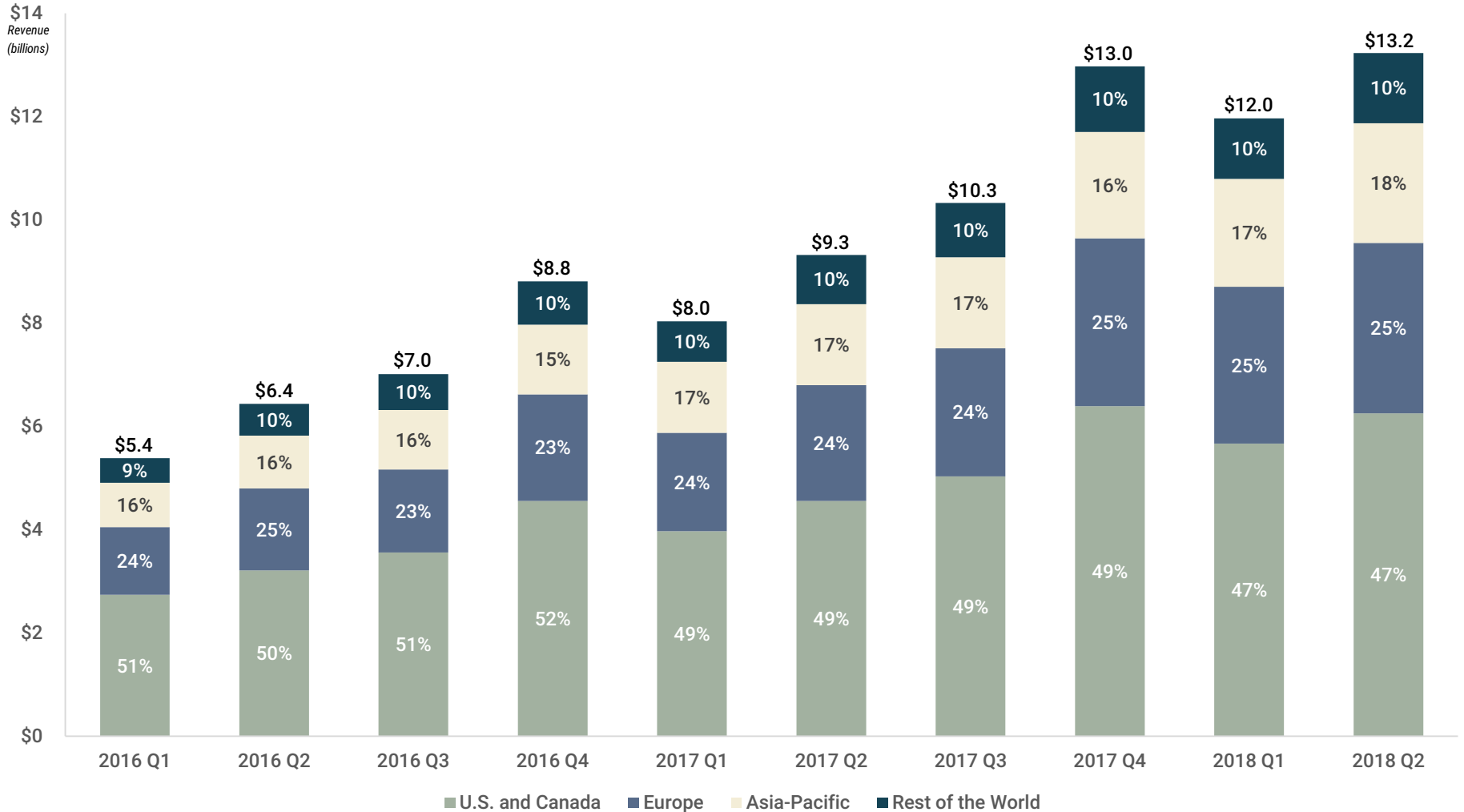


*The overall community remains massive, with over 2.5 billion people using one of their applications in June*

# Revenue



Near-Term Revenue Growth Will Come From Creating Tools That Convert Business Pages Into Advertisers



*In the longer run, revenue growth is being built around direct communication between business and consumers*

# Revenue And Expenses



Acceleration Of Investments Into Security And Privacy Are Beginning To Cut Into Profitability



*Despite being a mobile dominant platform, it has struggled to monetize emerging markets that are primarily mobile first*