

Facebook (FB) 2018 Q4 Earnings Summary

January 2019

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# Key Takeaways



## Facebook Faced A Lot Of Scrutiny In 2018, But Users Have Been Reluctant To Disconnect From The Platform

### ADVERTISING

- **Targeting is obviously very important, but there are headwinds that they might face given the overall privacy landscape in 2019**
  - Across all platforms and formats, they are investing in AI to make ads more relevant and effective
- **The shift to Stories is a big opportunity and it's going to take time to get advertisers in, but are happy with demand to date**
  - There are 2 million advertisers in Stories, with broad adoption between large advertisers and small advertisers
  - Will bring more advertising formats that will create more demand and they will be more reliant on Stories impression growth in 2019

### VIDEO

- **Have limited the amount of video shown in News Feed to make sure that it doesn't displace social interactions**
  - Have moved a bunch of video-watching behavior to a different tab, where people intentionally go to the tab because they want to watch a video
  - There are now 400 million people who use it every month, and people, on average, spend over 20 minutes on Watch daily
- **Making sure the video experience isn't just about passive consumption but about interaction, which drives engagement**
  - The monetization side for creators is going to be really important for making it so that they have the content that people want to consume

### SAFETY / PRIVACY

- **Most of their energy has gone into addressing some of the biggest social issues around the future of the internet**
  - Fundamentally changed how they run the company and are building services that focus more on preventing harm
  - Gave people tools to better control their information and set a new standard for transparency and ads
- **Making more of their products end-to-end encrypted and making them more ephemeral so user data doesn't stick around forever**
  - There is greater awareness that having data stored for long periods of time with companies can be a liability via breaches or misuses

### PRODUCT

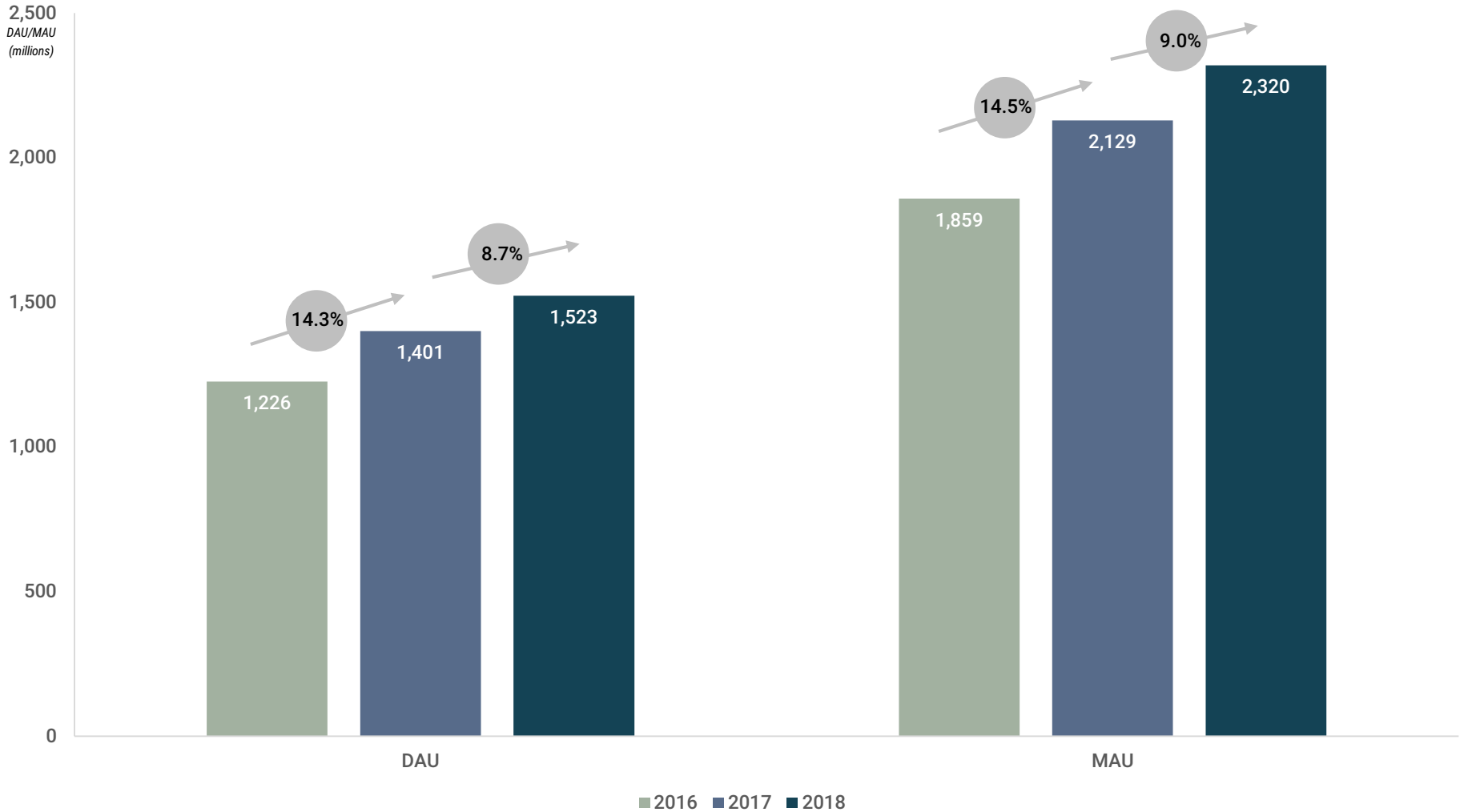
- **Really early in thinking through the integration of the apps and there's a lot more that they need to figure out before finalizing the plan**
  - There are now 2.7 billion people using Facebook, Instagram, WhatsApp or Messenger each month and more than 2 billion people who use at least one service every day
- **Messaging is growing quickly and people are going to feel these apps becoming the center of their social experience in more ways**
  - Need to make it so that people can communicate across the different networks in order to facilitate more transactions and connections

*Instagram Stories has over 500 million daily active users, highlighting the scale of the overall business*

# Users



The Core Facebook Product Is Still Adding New Active Users, But Growth Is Slowing Down



*Integration of the apps will create more social interactions between users and develop stronger communities*

# ARPU



New E-Commerce Features That Can Directly Enable Transactions Will Be Highly Desirable For Advertisers



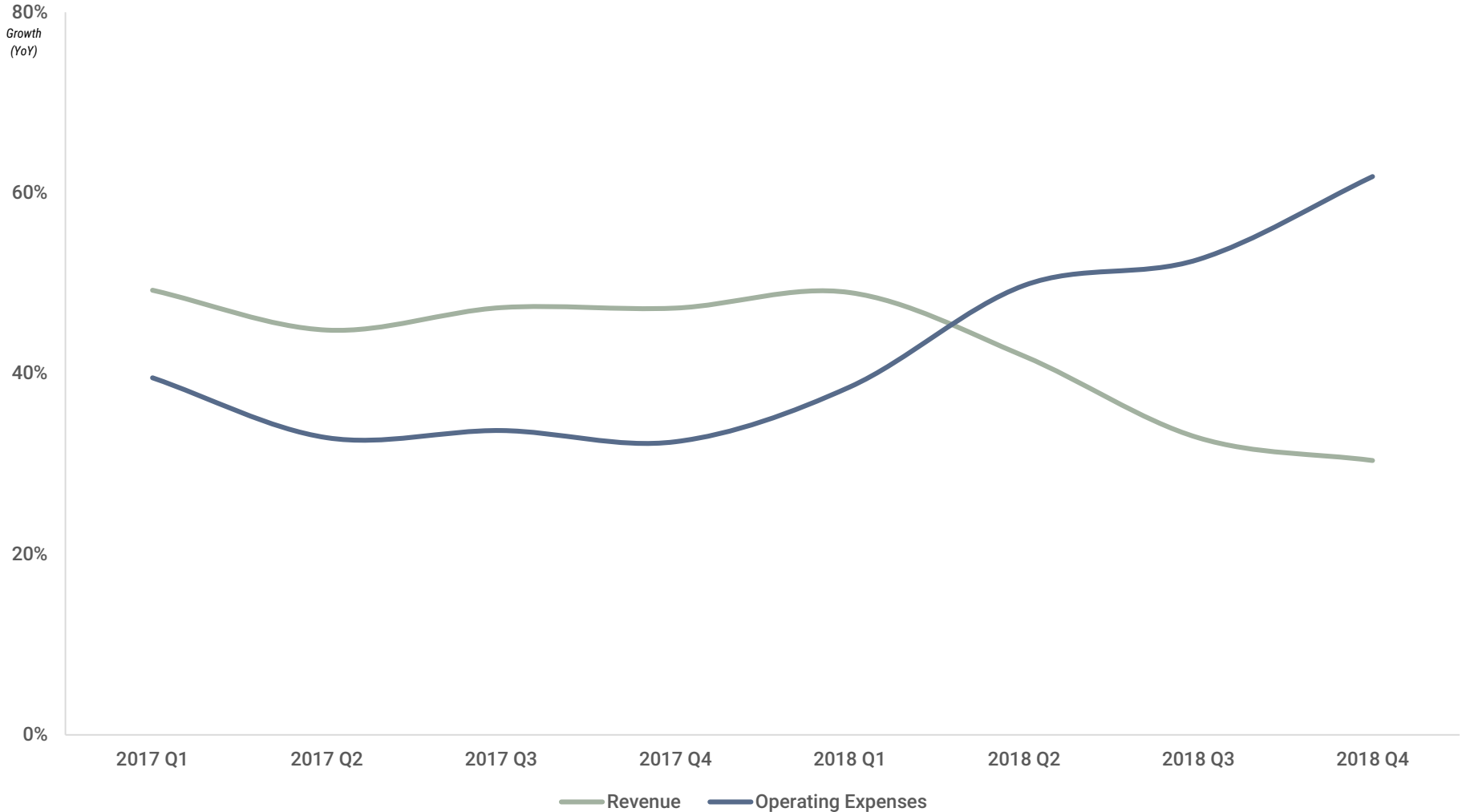
*Improving the relevance of ads, rather than the number of ads, will be the catalyst for better monetization rates*



# Revenue/Expenses



Investments Into Safety And Security Have Been A Priority Instead Of Developing New Product Features



*Rather than competing for original scripted shows, user generated content may provide better engagement with video*