



Facebook (FB) 2019 Q1 Earnings Summary

May 2019

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Facebook Is Redesigning Its Product To Encourage More Private Communication Between Users

REDESIGN

- **Messages, small groups and stories are by far the fastest-growing areas of online communication**
 - The broader pattern across the world is that people want to use both private and public platforms
- **Priority for messaging is a focus on privacy and interoperability, and that means that monetization is a lower, near-term priority**
 - Going to intentionally take a longer period of time than they might have previously in order to get safety right
 - Reducing the permanence of data may have some impact, but have found that more recent data is more useful for recommendations

E-COMMERCE

- **Announced checkout on Instagram, so when people find a product they love in a story, they can buy it without leaving the app**
 - If people learn about things through their ads and then close the loop all the way to purchase, it's very strong for proving ROI
- **As they build out more commerce-related features it will lend itself to private interactions around Payments and Commerce**
 - Will help businesses convert better, and it will be more valuable to them and therefore, will translate into higher bids for the advertising
 - In the near term, offering as many of these things at cost and for free as possible to deliver as much value to small businesses around the world

SAFETY

- **For harmful content, there should be a public process for determining what's allowed and required to minimize its impact**
 - Working with policymakers to ensure that people can share and express themselves while still protecting copyright
 - It doesn't feel right for a private company to make such important policy decisions by themselves
- **There have long been laws defining what is political advertising, but need to update those regulations to reflect today's threats**
 - The challenge of course with that is that except in a limited number of cases, regulation typically isn't global, it's national

ADVERTISING

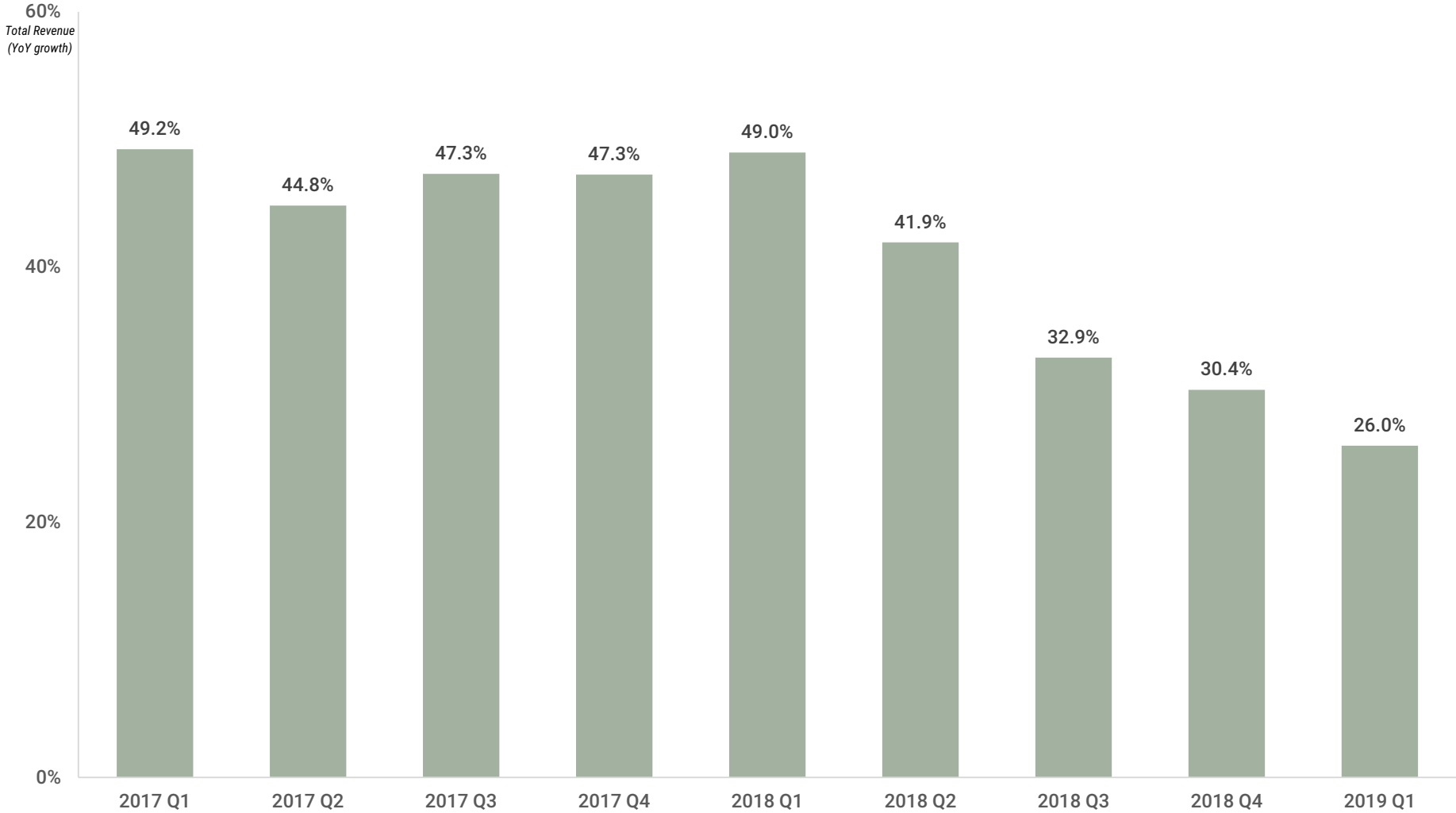
- **Consumers move to new features and products before marketers, and it's really up to them to help marketers move there quickly**
 - There definitely has to be some cannibalization from people who are doing feed ads as they do Stories
 - Over time, as they move people, they hopefully are able to get increasing shares of their budget
- **Seeing increased engagement in Stories, and there's some opportunity to increase ad load going forward**
 - Expect that there'll be much less significant growth opportunities going forward on Instagram Feed ad load

New commerce products are being developed to keep consumers on the platform as they interact with businesses

Revenue



Since The Adoption Of GDPR, Ad Targeting Is Facing Headwinds As Users Opt Out Of Sharing Their Data



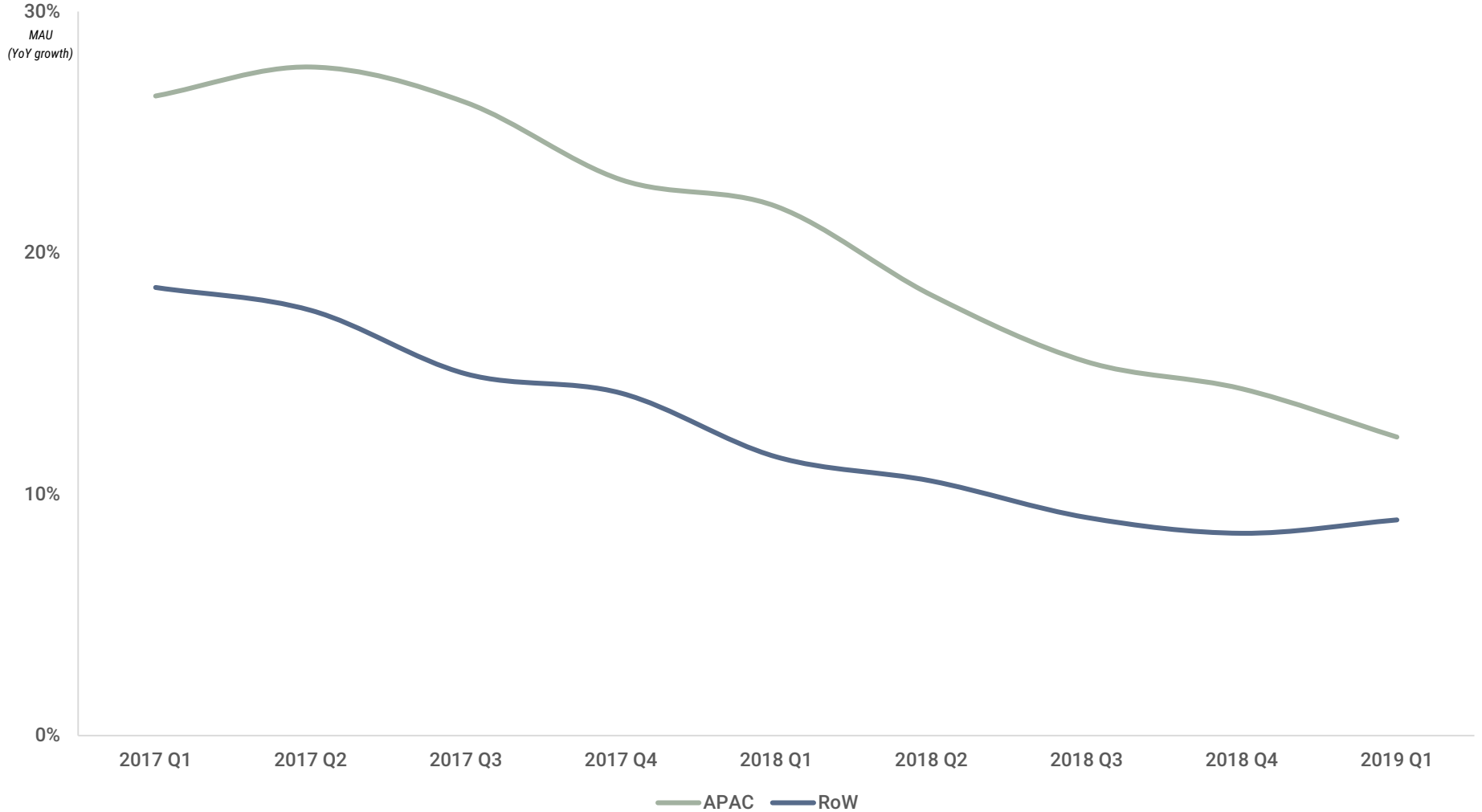
It will be important to manage the advertising experience in private settings so they do not alienate the user



MAU



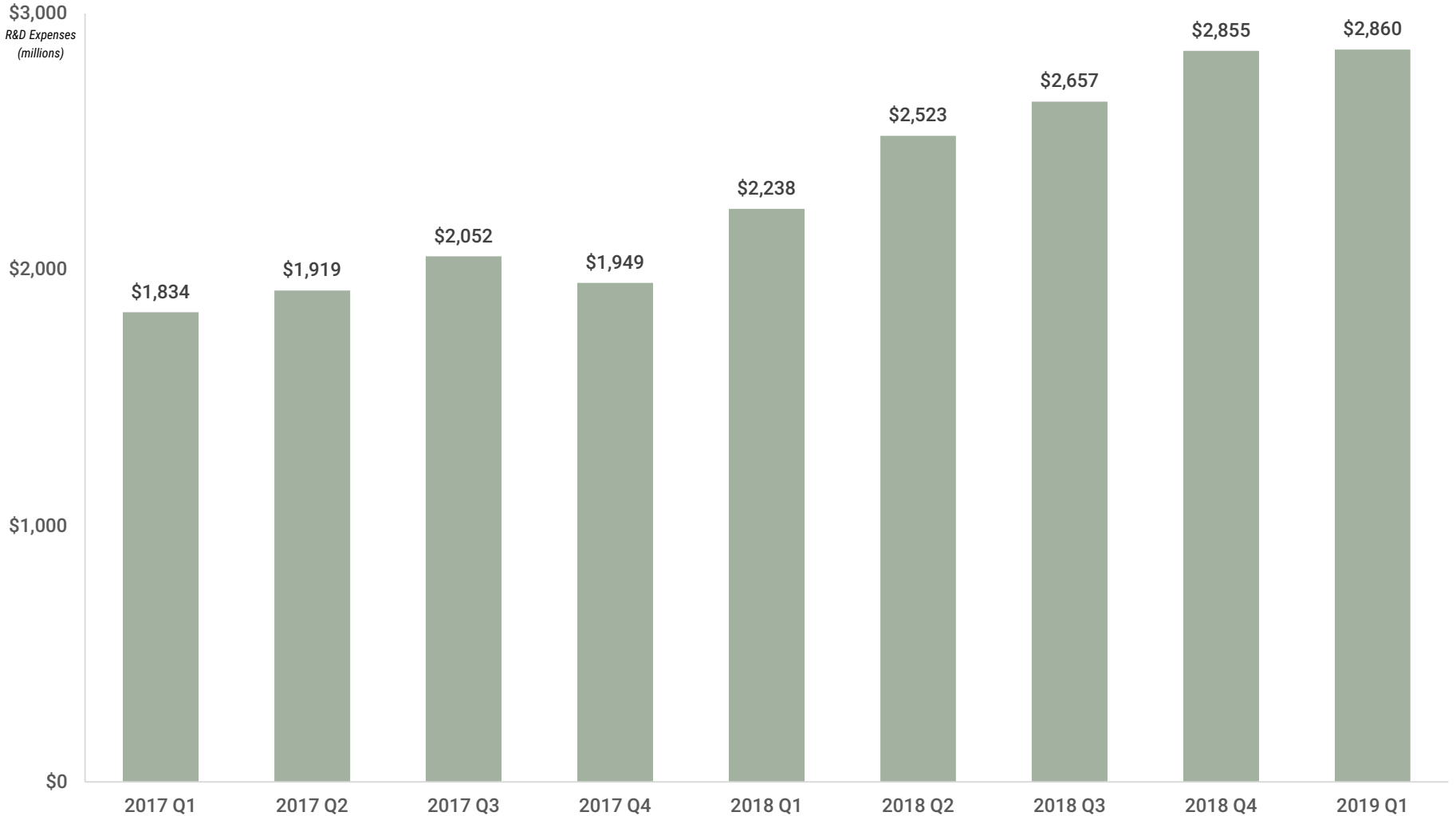
The Fastest Growing Regions Are Starting To See Some Stagnation In The Expansion Of Active Users



Payments will take on a bigger role in developing markets, but it is essential to become the leading social network first



Given The Volume Of Content, Investments Into AI Are Necessary To Proactively Combat Malicious Behavior



The encryption features of WhatsApp gives them a foundation to expand those capabilities to other products