



Facebook (FB) 2019 Q2 Earnings Summary

July 2019

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Key Takeaways



Facebook Paid A \$5B Fine To The FTC As They Continue Making Major Changes To Their Business

E-COMMERCE

- **Have efforts in several major areas to deliver qualitatively better experiences than what exists today**
 - The business model around this is probably not going to be charging for listings but advertising in order to promote things
- **Continuing the closed beta of Checkout, and launched a new feature that enables creators to tag products in their posts**
 - Always focused on the consumer experience, and want to make sure they really get this right, so they are not in a rush to scale this quickly
 - Think about this primarily from a consumer and closing the loop point of view more than a monetization in and of itself point of view

VIDEO

- **They are not paying for a lot of the content, but their strategy is to invest in great content that really starts the flywheel growing**
 - Seeing some really nice engagement numbers on those shows and the best of them actually carry over into the Facebook community
- **Video ads are pretty exciting because it's obviously a format that marketers have long loved**
 - One of the challenges is that you can't just take TV ads and put them on mobile or into Facebook because they don't perform the same way
 - The best mobile-first ad gets to the main point or gets to the product in the first 3 seconds, captures your attention much more quickly

FTC SETTLEMENT

- **Agreement with the FTC involves implementing a comprehensive expansion of their privacy program, including substantial management and Board of Directors oversight, stringent operational requirements and reporting obligations, and a process to regularly certify their compliance with the privacy program**
 - Will require significant investments in compliance processes, personnel and technical infrastructure
 - Will make some of their existing product development processes more difficult, time-consuming and costly

REDESIGN

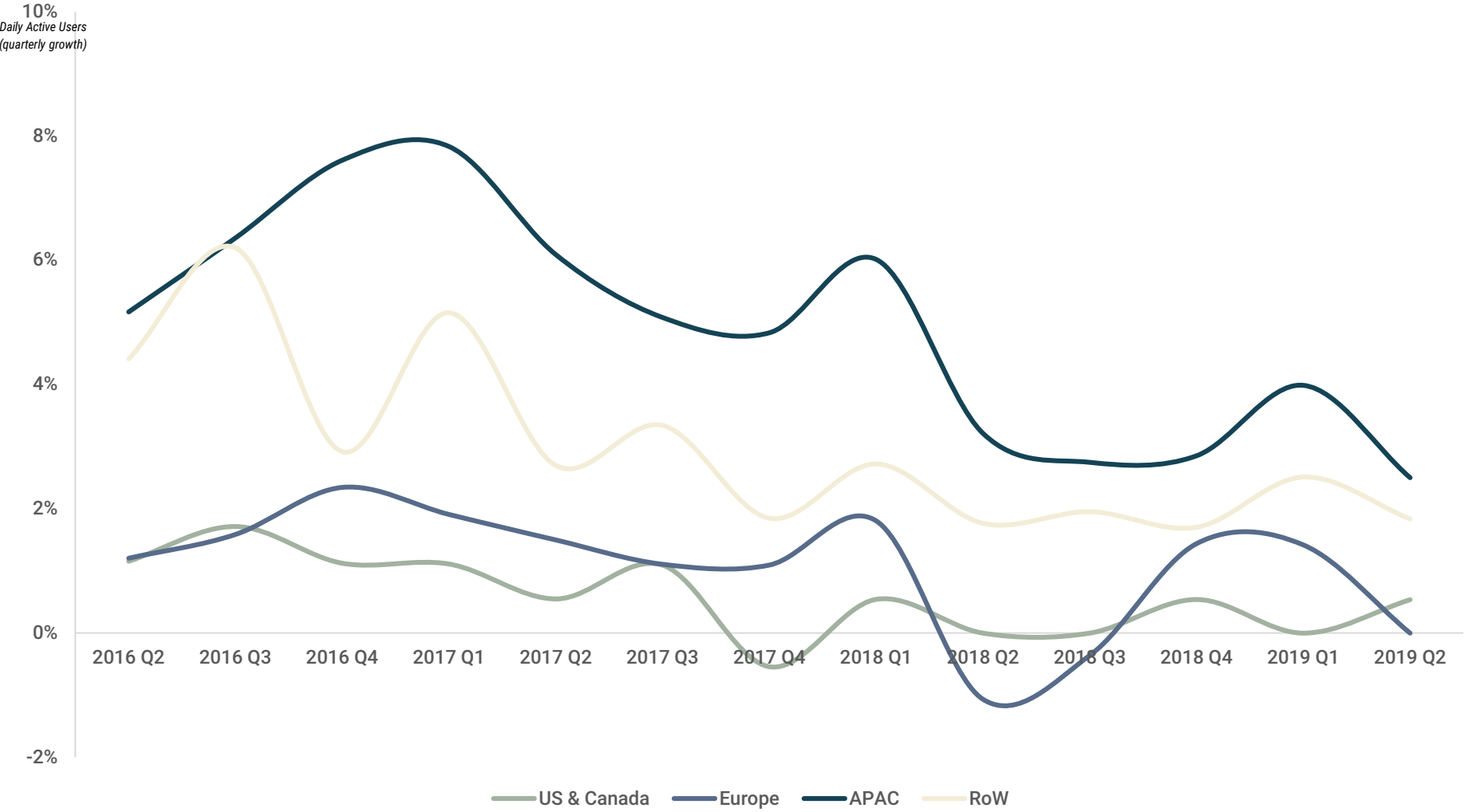
- **Very focused on delivering this redesign over the next 5 years, building on their foundation with Messenger and WhatsApp**
 - Working towards making end-to-end encryption and reduced permanence, the default for all conversations
 - Video chat, which is growing quickly, can become more of a platform for more ways they want to interact privately in the future
- **This is a multiyear journey, so it's going to be a number of years before this is really the biggest driver of our business**
 - First, deliver the consumer product experience, then create organic business experiences, and then ramp up having businesses pay for things

The launch of a cryptocurrency would lessen their dependence on advertising, but will face intense regulatory scrutiny

DAU



There Is Continued Stability In Developed Markets, With Over 2.1 Billion People DAU Across All Products



New product innovations, especially around e-commerce, will be imperative to keep users engaged on the platform



Revenue



Payments Are One Of The Biggest Areas Of Focus, But Will Take Time Before It Is A Meaningful Contributor

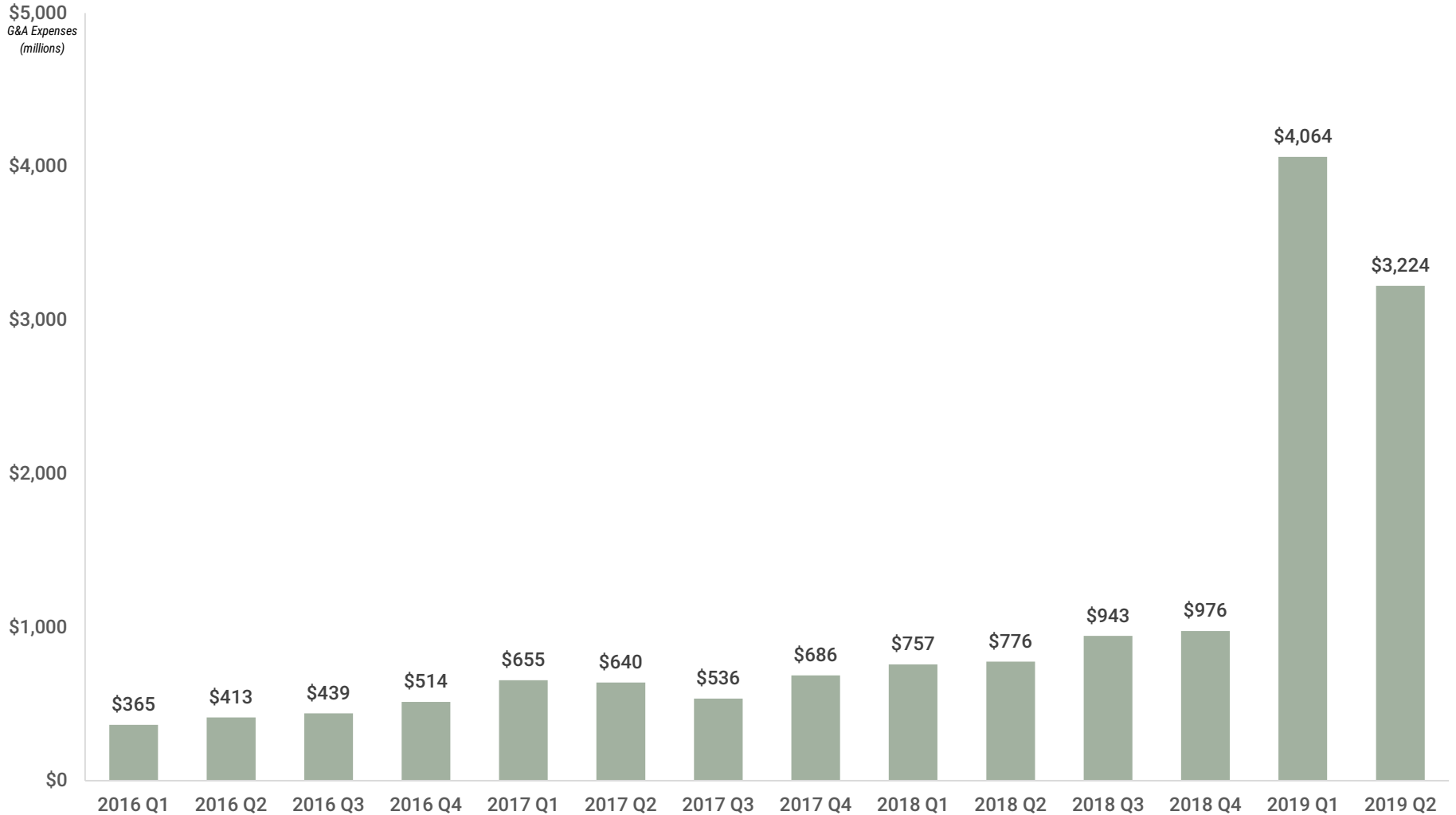


Ad-targeting will continue to face headwinds as they build out a unified, private, and safely encrypted social network

Expenses



Fines Impact Long-Term Product Development Growth At The Company More Than The Bottom Line



Industry frustration will continue to grow until the proper regulations are put in place to combat these major issues