

Facebook (FB) 2019 Q3 Earnings Summary

October 2019

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Key Takeaways



Facebook Continues To Face Regulatory Pressures, With The Recent Spotlight On Political Advertising

NEWS

- **With the dedicated News tab, they have a space to build a sustainable business model that can help support journalism**
 - Can have a long-term financial relationship with news publishers where they can pay them for high-quality content
- **When most of the usage was a News Feed, the community really wanted more content from friends and family and less other stuff**
 - The average person will have 1, 2 or 3 secondary tabs that they use for connecting with their broader community
 - Not everyone comes to Facebook for high-quality news, but believe at least 20% of users would really want something like this

ADVERTISING

- **Continue to expect to face ad targeting-related headwinds and uncertainties as the regulatory landscape is evolving**
 - Rolling out their own product changes such as the recent launch of OFA, which is their user control on what data is stored on Facebook
 - Proposed changes from mobile platforms are more oriented towards privacy, which could make targeting and measurement more difficult
- **Taking their experience from helping advertisers migrate to mobile ads and can do that even more quickly in new formats**
 - Stories monetization is experiencing high-impression growth, which puts pressure on the auction in terms of price

POLITICAL ADS

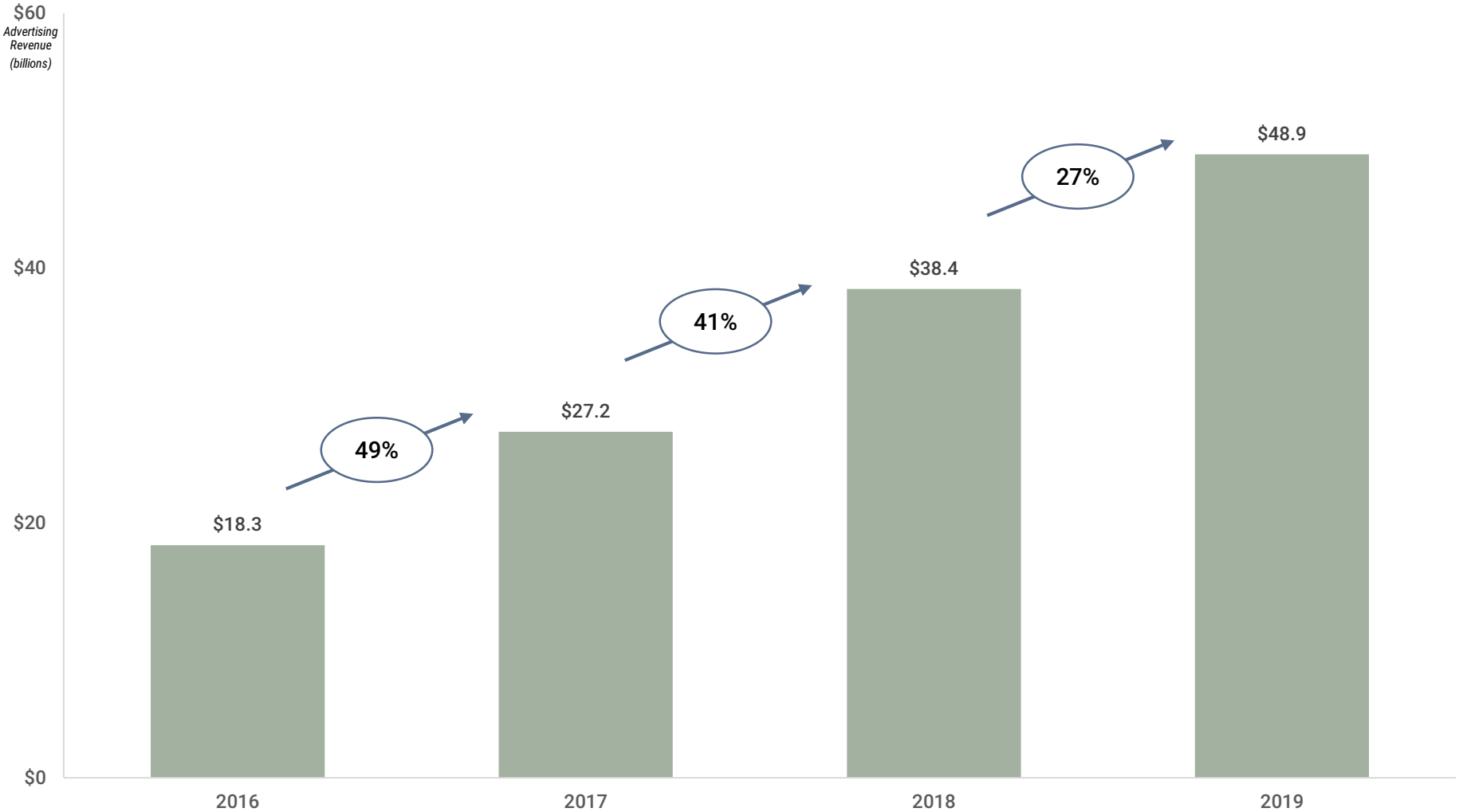
- **In a democracy, they do not think it is right for private companies to sponsor politicians or the news**
 - Ads can be important for candidates and advocacy groups that the media might not otherwise cover so they can get their message into debates
 - It's hard to define where to draw the line and the better approach is to work to increase transparency
- **Willing to make huge sacrifices in the short term to do what they think is right and will be better over time**
 - The controversy that this creates far outweighs the business aspects since political ads will be less than 0.5% of revenue next year

PRIVACY

- **At the federal level, it's important that there is a very clear set of rules on privacy, rather than 50 different regulatory frameworks**
 - Formally working with the FTC to make structural changes and build a rigorous privacy program that will set a new standard for the industry
- **Planning to accelerate hiring in 2020, and that will be focused on their important priorities of privacy, safety and security**
 - Use computers and AI for what they're good for, which is looking at a lot of content very quickly and making quick judgments
 - It's a real benefit to have people classifying content because it helps those machine learning algorithms be able to learn what they're looking at

Experimenting with new tabs, outside of the core news feed, to deepen the engagement and interaction on their platform

New Regulatory Policies That Limit Consumer Targeting Will Reduce The Effectiveness Of Their Advertising



There is a lot of optimism around integrated e-commerce experiences, but it's still very early in the development cycle

U.S. DAU



Users Growth Is Returning To The Platform After The Intense Scrutiny Of Cambridge Analytica Has Subsided

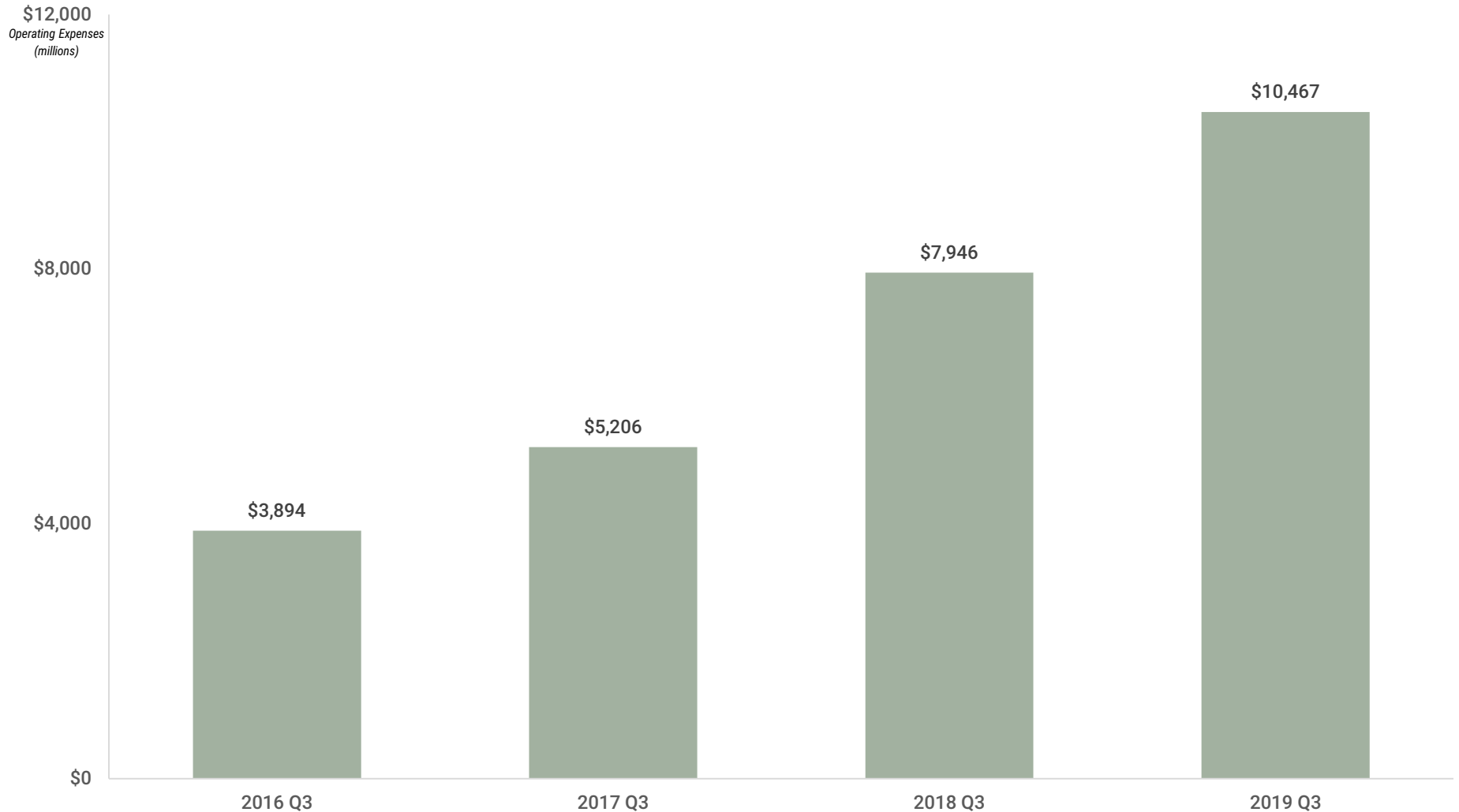


They are testing the removal of "likes" to counter click bait and drive more meaningful conversations in the News Feed

Expenses



Expenses Continue To Increase, But Are Geared Towards Long-Term Growth, Rather Than Short-Term Fixes



VR adoption has taken longer than expected, but they are seeing signs with the Oculus Quest that it might be picking up