



Facebook (FB) 2019 Q4 Earnings Summary

January 2020

Sign Up For Additional Research From Evolution Media Capital



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Key Takeaways



Facebook Is Increasing Its Efforts To Combine Its Products Into A Private, Integrated Social Platform

ADVERTISING

- **Seeing headwinds in terms of targeting and measurement and the majority of that impact lies in front of them**
 - GDPR and CCPA have impacted, and will continue to impact their ability to use signals from user activity on third-party website and services
 - Mobile operating systems and browser providers have announced product changes and future plans that will limit their ability to use those signals
 - Made their own product changes that gives users the ability to limit the use of such data signals to improve ads and other experiences
 - Regulatory and platform changes will have a disproportionate impact on the ability of small businesses to use ads to grow and thrive

VIDEO

- **Video strategy has been pretty consistent with the rest of what they are trying to do by creating these other social utilities**
 - Do not expect everyone to use it, but even if tens of millions of people use them, then they are adding unique value to the app
 - Video on News Feed was displacing some of the social interactions that was the real core of why people came to the service
- **Content acquisition is more along the lines of either marketing or bringing new people into the platform**
 - They are not building out a subscription service, so it's more about anchor content to help create the community and get people into that experience

COMMERCE

- **Taking different approaches, ranging from people buying and selling to each other directly to businesses setting up storefronts**
 - Click-to-messaging ads are one of the fastest-growing ad formats, especially with SMBs in markets like APAC, but really across the board
- **Have been building the experience, and now hundreds of businesses in the U.S. are experimenting with Checkout**
 - These are still very early days, and are working hard to improve the product and expand to more businesses
 - Moving very slowly and carefully in order to make sure the entire experience is right across the board before going deeper and broader

PAYMENTS

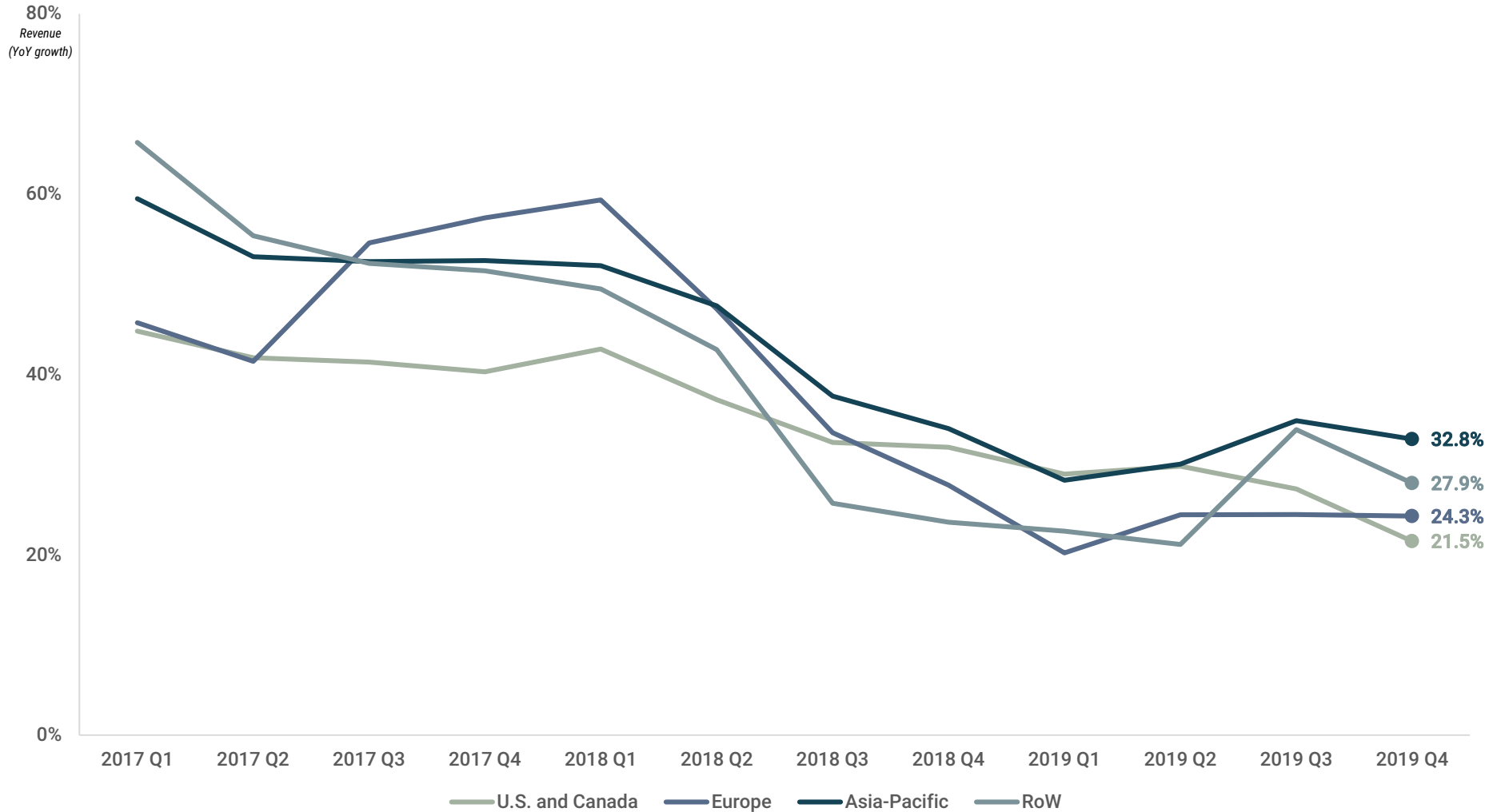
- **Focusing on different products in different places, but everything is built on top of traditional payment infrastructure**
 - In the longer-term, working on a wallet that will work with Libra in order to make some of the payment infrastructure around the world more efficient
 - Being able to close the loop on ads and transactions is going to be extremely valuable for small businesses
- **Have been working on WhatsApp Payments where users will be able to send money as quickly and easily as sending a photo**
 - Expect this to start rolling out in a number of countries and to make a lot of progress here in the next 6 months

Industry will continue to face a high level of scrutiny until there are clearer rules or mechanisms of governance in place

Revenue



Revenue Growth Has Dropped Across Regions As The Ability To Target Ads Becomes More Limited

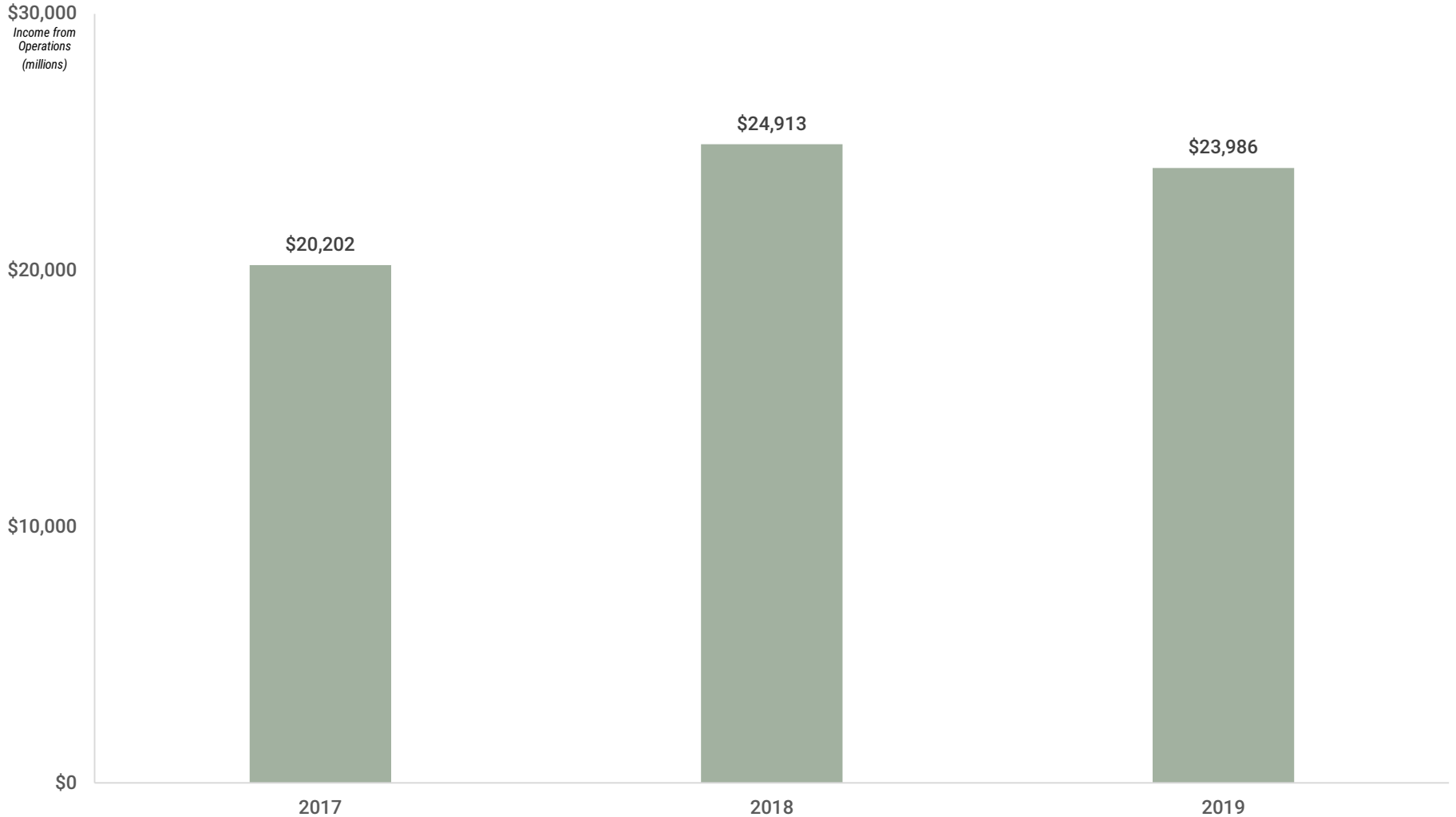


There is an ongoing shift to Stories, with over 4 million advertisers, but monetization pales in comparison to News Feed

Income



Regulatory Pressures Are Having An Impact As FTC Fines Were The Main Culprit For The Decline In Income

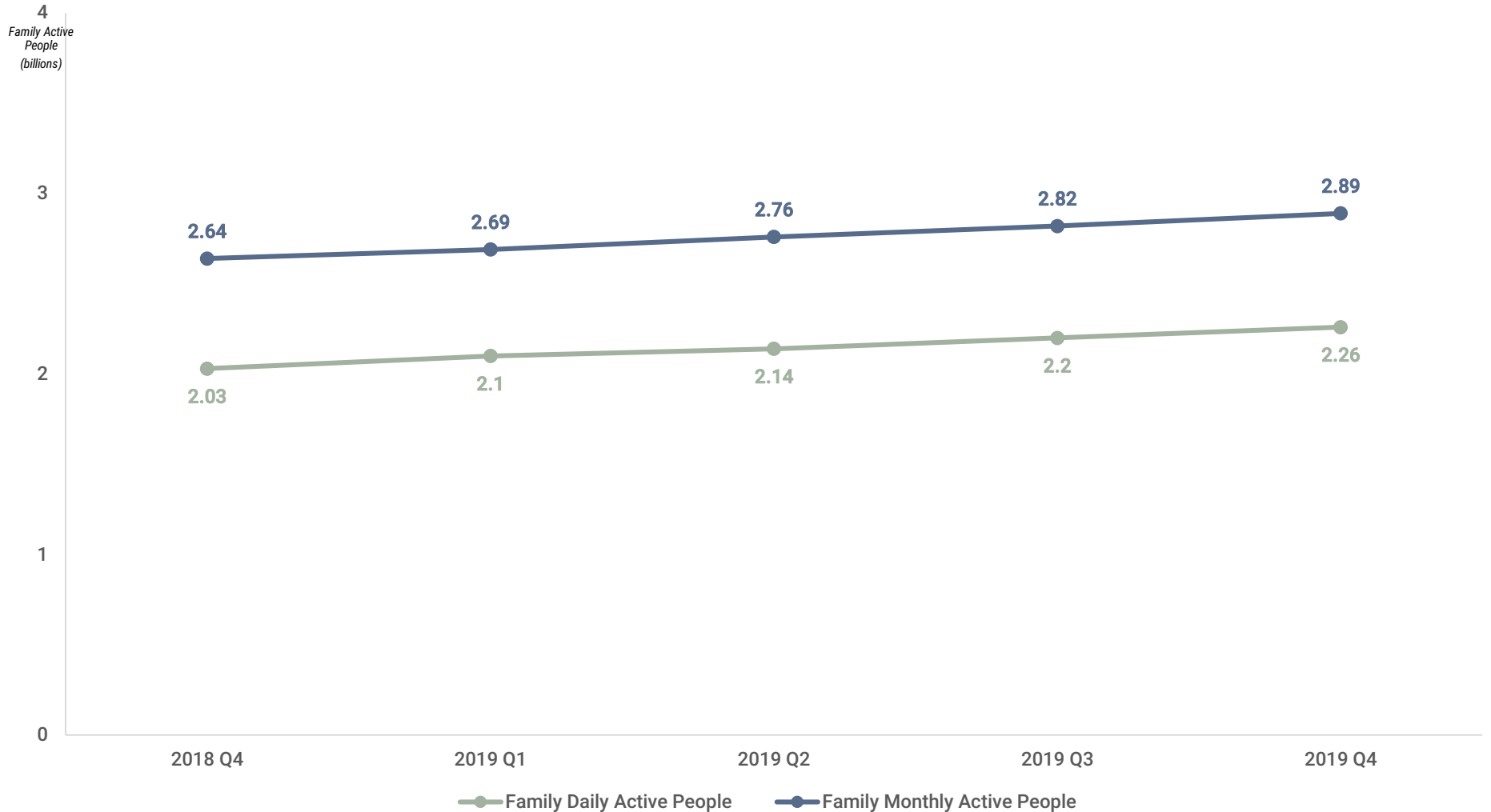


Continued investments into privacy and transparency will be essential, especially in such a critical election year

Family of Apps



Across Services, The Greatest Growth In Usage Comes From Communication Through Private Messaging



Apps will continue to have their own identity and brands because people still use them for different functions