

Meta Platforms, Inc. (META)
Second Quarter 2025 Results Follow Up Call
July 30th, 2025

Operator: Good afternoon. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to Meta's Second Quarter Results Follow-up Q&A call. All lines have been placed on mute to prevent any background noise.

After the speaker's remarks, there will be a question and answer session. If you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, again press star one. We ask that you limit yourself to one question, and this call will be recorded. Thank you very much. Kenneth Dorell, Meta's Director of Investor Relations, you may begin.

Kenneth Dorell: Thank you. Good afternoon, and welcome to the Follow-Up Q&A call. With me on today's call are Susan Li, CFO, and Chad Heaton, VP of Finance.

Our remarks today will include forward-looking statements, which are based on assumptions as of today. Actual results may differ materially as a result of various factors, including those set forth in today's earnings press release, and in our quarterly report on Form 10-Q filed with the SEC. We undertake no obligation to update any forward-looking statement.

During this call, we will present both GAAP and certain non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release. The earnings press release and an accompanying investor presentation are available on our website at investor.atmeta.com. And now, I'd like to turn the call back over to Krista for the first question.

Operator: Thank you. We will now open the lines for a question and answer session. To ask a question, please press star one on your touchtone phone. To withdraw your question, again press star one. We ask that you limit yourself to one question. Please pick up your handset before asking your question to ensure clarity. If you are streaming today's call, please mute your computer speakers. And your first question comes from the line of Stephen Ju with UBS. Please go ahead.

Stephen Ju: Okay. Thank you. So, hi, Susan. So, reading between the lines of what Mark was talking about, it sounds like the overall development of the five pillars, and particularly, Business AI and Meta AI, were steady and the step up and the key talent that you guys have been adding, as well as the compute that you want to put in, is in response to, perhaps, new business opportunities that you're probably not quite ready to discuss as of yet.

So, I know you have not really communicated a timeline for when these five pillars will start, I guess, adding more meaningfully to revenue. But, I just want to make sure that we should not be thinking about that timeline moving, I

guess, more distant into the horizon. And that's what might be motivating some of the step-up spend here. Thanks.

Susan Li:

Thanks, Stephen. I think I might -- I just want to make sure I understand your question. The five pillars that Mark has spoken to on multiple calls continue to be the primary way that we expect we will, eventually, monetize the investments and the technology that we're building in the AI work and the investments in frontier models, and how they'll translate into consumer and business experiences, and then, eventually, into business opportunities for us.

That is still the roadmap. We are early in the lifecycle of all of those. And I think I mentioned on the call that we don't expect that we are going to be realizing significant revenue from any of those things in the near term. I think I said this year or next.

So there's been no change, I would say, to the monetization roadmap or the way we think about it. Again, it's very early. Those are still what we consider to be the biggest primary opportunities.

Separately from that, both the focus on recruiting leading talent into the superintelligence effort, as well as the increase investment in CapEx, those are investments that we believe we need to make in order to stay on the forefront of research and technological development in the AI field.

And we both are very excited about the new folks that we have brought in, Alex Wang, leading the new Meta Superintelligence Labs group, with Nat Friedman partnering with him, leading our AI products and applied research efforts, the announcement of our Chief Scientist.

And we're bringing the foundational product and FAIR teams together in this new org. We've stood up a new team that is focused on developing the next generation of models, and we are putting the compute that we think we need behind that effort in order to really make sure that we are in an extremely competitive position going forward.

But I would not say that that is about opening up a new business opportunity. That's really just connected to what we feel like we need to do in order to be in a good position to deliver on superintelligence.

Operator:

Your next question comes from the line of Ross Sandler with Barclays. Please go ahead.

Ross Sandler:

Great. Susan, you mentioned on the main call that you kind of watered down the opportunity around the WhatsApp status ads over coming years. Could you just elaborate on that a little bit? Is that just because of the location of the users that are heavily engaged in that compared to Instagram and Facebook?

And then, I remember a few years ago, you guys have been experimenting quite heavily with ads in the Messenger app inbox. So where are we on the

opportunity to potentially bring inbox ads into WhatsApp or Messenger?
Thanks a lot.

Susan Li: On ads and WhatsApp Status, we are excited to introduce ads in Status to give businesses on WhatsApp more ways to be discovered by customers, to open up a conversation with them.

So that global rollout began in Q2 with a limited set of advertisers. And we expect that we are going to take a very gradual approach as we expand availability to more businesses. One is we really want to take our time getting the product experience right. So, we think that this rollout is going to proceed pretty slowly over the course of '25 and '26.

It follows a playbook that we have used many times, as we have introduced ads into new services, making sure that we have a very rigorous way of measuring kind of the impact of ads on sentiment, and making sure that they are high quality ads and are accretive to the user experience as we roll out more ads.

The structural constraints that you alluded to are also very much real. The geographic mix really skews towards markets that have lower ad spend per capita, like Southeast Asia, Latin America.

So relative to products, like Instagram Stories, the geo mix is more challenging from a monetization perspective. And again, we expect ad targeting to be less robust for people who don't have their WhatsApp account linked to the Meta Accounts Center since we have limited information on WhatsApp.

The final thing I would just add there is that those Status ads are on the Updates tab. That's away from people's chats. And I say that just because you asked a question about the Messenger ads in inbox, which is something we tested a while ago and decided not to move forward with.

Operator: Your next question comes from the line of Mark Mahaney with Evercore ISI. Please go ahead.

Mark Mahaney: Okay. Thank you. Let me try a couple of quick ones. When you say this CapEx growth next year was similarly significant dollar growth, and you talked about the \$30 billion for this year, is the obvious conclusion that that growth is going to be dollar-wise similar to the \$30 billion, you know, más o menos \$5 billion?

And then, the biggest areas of deleverage in the model in the back half of this year, because I think you're guiding for operating margins to come down, I assume that's rising COGS because of depreciation and rising R&D expenses because of comp.

And then, finally, please, if I could squeeze one more in, on the success you're having with ad revenue and advertisers, is there something different that you're seeing in the types of commitment you're getting, the ad dollars that are coming in, much more based on small businesses? You mentioned them a couple of times in terms of using the tools.

You're growing, like your growth gap versus the rest of internet advertising world is kind of expanding. Is there something in particular you'd attribute that to, a particular vertical or a sector? Thank you very much.

Susan Li:

Thanks, Mark. Okay. I'm going to try to make sure I hit all of these and you can tell me if I've missed anything.

So, yes, on the CapEx growth, my comments were intended to reflect sort of the absolute increase in dollars. We are -- again, it's a very dynamic planning process and we certainly do not have perfect visibility into next year yet.

But, based on what we know today, we would expect a similar absolute dollar growth. So, your comments, I think, captured that correctly.

The second question you asked was sort of around the H2 expense acceleration. That's due to a couple things. One is we expect higher G&A expense growth as we lapped legal accrual reversals in the second half of 2024, particularly the fourth quarter.

The second is higher infrastructure expense growth due to increased operating expenses as well as incremental depreciation from the CapEx that is beginning to roll through. And then the third is higher compensation expense growth driven by technical hires and particularly, the AI talent that we have brought onboard. So those are some of the big drivers of the expense acceleration in the second half of the year.

The third question you asked was around the ads outlook. I might say a little bit of context. When we gave our Q2 guide at the time of Q1 earnings, our expectation was that the macroeconomic uncertainty would pressure advertisers spend more over the course of the quarter. There were things we saw at the time, like Asia-based online commerce advertisers who had pulled back on their U.S. spend, a lot of uncertainty about how the macro conditions would evolve.

And what we saw was that growth remained strong. It actually improved in Q2 relative to Q1, resulting in outperformance relative to our guidance. We saw improvement amongst those Asia-based online commerce advertisers over the course of Q2.

Some of the advertisers who cut their U.S. spend in April fully resumed marketing efforts in the U.S. later in the quarter. And in aggregate, global spend in that cohort actually ended Q2 higher than Q1 due to increased spending outside of the United States. And we also saw general strong growth among North American advertisers in Q2, driven by smaller advertisers.

So we're looking forward into Q3 now. Our outlook reflects a continuation of the strong trends we saw through Q2. We generally expect another quarter of healthy advertising demand. We expect that the ongoing investments we've

made in ads performance and improvements in organic engagement to continue to be healthy contributors to revenue.

Having said that, the range was intended to encompass a wide range of outcomes. There are different dynamics in place every quarter. We know that we are benefiting from lapping a period of decelerating growth in Q3 of last year.

We also expect FX to shift to a 1% tailwind in Q3 after it was largely neutral to growth in Q2. And we called out some of the other risks, I think, in the script, in terms of just things that are not fully within our control that could transpire over the course of the quarter.

So, again, we are, broadly speaking, very pleased, of course, with our revenue performance. We were pleased that the overall advertising demand trends have remained healthy, but we recognize that there is a lot of uncertainty in the world, and there were some sort of idiosyncratic things about Q3 in terms of lapping last year's comps.

Chad Heaton: Mark, the only thing that I would add on your third question about characterizing the composition of ads revenue and advertisers, the other lens we look at it is through verticals. I would say that the revenue growth accelerated across most of our verticals in Q2, so it was pretty broad-based.

The online commerce vertical was the largest contributor to year-over-year growth, and then that was followed by professional services and technology.

Susan already talked a little bit about online commerce, so I won't reiterate that. But on professional services, that was very broad-based across advertiser regions and was driven primarily by smaller advertisers, who account for most of the spend in that vertical.

And then, on technology, that was actually our fastest growing vertical in Q2, again, very broad-based across advertiser regions and sizes, but seeing particular strength in the US.

Operator: Your next question comes from the line of Ken Gawrelski with Wells Fargo. Please go ahead.

Ken Gawrelski: Thank you very much. A couple, if I may, please. First, Susan, you talked a lot about different enhancements with various names that you've rolled out, improving targeting, engagement, impressions, all of that.

I guess after a period, if we just step back, after a period of decelerating impressions growth for many quarters, you're now re-accelerating again in 2Q. I guess the question is, first question is, do you expect to be able to sustain that momentum? How should we think about in the back half and into '26?

Should we see a more even distribution in success between impression volume and pricing? That's question one. And the second one is, as you think, you've talked a lot about the infrastructure side.

Could you talk more about the employee side? We've all seen the headlines around higher price, big talent for the superintelligence lab. But can you talk more broadly about overall headcount? Should we see a more constrained net employee additions with just higher OpEx per head going forward? Is that the right pattern to think about over a multiyear period here? Thank you.

Susan Li:

Thank you, Ken. So on your first question about impression growth, the worldwide impression growth acceleration that we saw in Q2 was driven primarily by incremental engagement on video and Feed surfaces, which benefited from a bunch of the ranking optimizations that we made to our content recommendations on Facebook and Instagram, and then to a lesser extent some of the ad load optimizations. We aren't sharing an impression growth outlook per se.

We generally see opportunities to continue driving impression growth, and that is one of the outputs of the ongoing investments that we've continued to make in the ranking and recommendations work. We don't expect Threads or WhatsApp status to be meaningful contributors to impression growth in either the second half of 2025 or next year. So that's on the impression growth side.

Now, I will say, in terms of the overall sort of revenue outlook, as I mentioned on the script, there were a lot of things that are contributing to our Q3 revenue guide, but because of the sort of year-over-year comparisons, we expect the revenue growth rate in Q4 to be less than that of Q3.

To your second question on the headcount side, what I would say is we're really focused on a few things. One is we're really focused on making sure that where we add headcount, we are really focused on the highest priorities that we outlined on the call earlier, and we've been very, very disciplined about constraining headcount growth outside of those areas.

In terms of a longer-term headcount trajectory, I don't think we are sharing longer-term guidance on that now, but what I can tell you is we're very focused on how can we leverage these sort of tools and technologies developed by ourselves and others to really make sure that we're leaning into making employees more productive.

And I think that's something where, as we hope that the workforce becomes more productive over time, you could see there might be puts and takes where there may in fact be teams that grow as well as teams that shrink, and we don't really know where that will all net out. But we're very focused on making sure that we are at the forefront of leveraging tools that can help us really optimize productivity in our workforce.

Operator:

Your next question comes from the line of Benjamin Black with Deutsche Bank. Please go ahead.

Benjamin Black: Thank you. So, Susan, can you perhaps dig into the impact Advantage+ being rolled out as the default campaign setup has had over the last few quarters, how much runways are left there, and maybe highlight some of the feedback that you're getting from advertisers, what's the uptake look like, what impact has it had on the core business.

And then just one quickly on business through AI agents maybe playing a larger role across messaging or even customer support, maybe talk to the incremental investments needed to bring these to market in a scaled way, and how do you ultimately see these being monetized? Would it be API usage, subscriptions? Yeah, some extra color would be great.

Chad Heaton: Why don't I start with the Advantage+ bit. So, as we noted, the big update that we had in Q2 was completing the global rollout of our new streamlined campaign creation flow, which has Advantage+ turned on from the beginning for sales and app campaigns. So that automates and optimizes several aspects of the campaign setup process at once.

It includes selecting the audience, the ad creative, where to show the ad, how the campaign budget gets distributed across ad sets to drive the most efficient outcomes. In terms of the results, we are seeing advertisers adopting Advantage+ sales campaigns at a higher rate in this new experience compared to the previous flow. And frankly, it's been above our expectations.

And overall, revenue growth of Advantage+ sales continues to be really strong. In terms of the opportunity, we expect all advertisers optimizing for sales will benefit from adopting Advantage+ sales campaigns. So there's a lot of runway here for us to grow advertiser adoption sales from -- Advantage+ sales from here.

And we're just optimistic that the new flow is going to help businesses adopt it to take advantage of the performance gains. So there's an area we're optimistic about. We don't have the specific stats, but like I said, it's been exceeding our expectations.

Susan Li: On your second question, which was around the role that business AIs are playing, there are a few places that we have been focused on to start. The first is enabling business AIs within message threads. We've been testing this in a few countries to start.

And it's a particular focus for the messaging-first countries in emerging markets. We've been building the solutions in close collaboration with these businesses to try to get the product experience right. Given the traction we've made on sort of product development, we're expanding business AIs to more businesses in Mexico and the Philippines.

And we expect to broaden availability later this year as we keep refining the product. A big emphasis for us here has been optimizing the onboarding process to make our business AIs more of a turnkey solution. So businesses

are sort of now able to easily train their AI based on existing information on their website or Facebook and Instagram posts, their WhatsApp profile, product catalogs.

So we're generally seeing good retention with businesses, hearing positive feedback on how AIs are saving businesses time, helping them generate leads, be responsive to customers, offload repetitive tasks from their team like responding to initial inquiries. The second area of business AI development is within ads. So people can ask questions about products, return policies, or get assistance with making a purchase within our in-app browser.

We're currently testing this with a small number of businesses across Feed and Reels on Facebook and Instagram as well as Instagram Stories. We expect this is going to be a natural extension for advertisers in developed markets to help drive users from discovery to conversion on the same ad.

And we're beginning to test new features in our business AIs on ads including voice, AI generated prompts, quick FAQs to drive sales by helping prospective customers quickly find the information they need in their preferred method of communication, whether that is text or voice.

And then the final area that we are exploring is business AIs on business websites to help better support businesses across all platforms. So no matter where you engage with a business AI, it's sort of one agent. It has recollection of your history and preferences, and we're starting to test that with a few businesses in the US.

But I would say there are -- we're early in the process. There are certainly challenges in scaling this faster. The most important areas that we are working on to enable broader availability are multi-language support, response quality, and ease of onboarding. That last one is especially important and challenging, but our goal is to build the world's first turnkey business agent that requires minimal manual upfront implementation and integration and configuration as businesses get set up.

Operator: Your next question comes from the line of Rob Sanderson with Loop Capital. Please go ahead.

Rob Sanderson: Yeah, thank you for taking my question. I've got a couple, actually. So you've been forced to make choices on capacity allocation for the past, I don't know, 12 or 18 months or so, obviously favoring strategic AI over core AI.

Is it too simple to sort of draw a straight line between the capacity coming into better balance and the acceleration that you've seen in revenue growth this quarter and the outlook for Q3? Can you also provide any color on what zip code your conversion rates are at these days and how much improvement you think has been driven by core AI work over the past few years and how do you think about any ceilings or points of diminishing returns on that?

And then finally, is there any way to contextualize, like, the 9% growth in ad pricing in terms of better ad performance and conversion rates compared to the average price that advertisers are paying per conversion? Thank you.

Susan Li: Thanks, Rob. On your capacity question, I wish it were as simple as that. We're actually still somewhat capacity constrained and we are working to alleviate that by bringing more data center space online and increasing the efficiency of our workloads.

But even with the capacity that we're bringing online, we are still not quite perfectly meeting the demand that teams have for compute resources across the company. So that is something we're actively working on and it's certainly factored into the 2026 CapEx plans also. On the question about conversion rates, I would say, we're continuing to drive ad performance improvements.

One measure we look at is conversion rates. But it's a little bit complicated because advertisers are optimizing for different types of conversions that are not all apples-to-apples. So, a view versus a website purchase may have very different values.

So, it's a little bit hard for us to compare those. But we try to look at value-weighted conversion rates and we generally are seeing very strong year-over-year growth with conversions growing faster than impressions. And we also look at average cost per action.

Again, same sort of issue with this being kind of a complicated metric that blends a lot of things of different value as the conversion issue. But again, when we try to control for these different value-weighted actions, we generally see healthy cost per action trends for advertisers as well.

Kenneth Dorell: Krista, we have time for one last question.

Operator: And that question comes from the line of Shweta Khajuria with Wolfe Research. Please go ahead.

Shweta Khajuria: Thank you so much for taking my questions. Let me try two, please. Susan, do you still expect to manage the business next year for margin expansion, so you sort of alluded to OpEx growth being faster than 2025 growth, but how should we think about how you're thinking about managing the business as we think about margins?

And then second is just in terms of productivity gains, a follow-up to one of the prior questions. Is there a way to frame the benefit, the magnitude of productivity gains you could have on your P&L if mid-level engineers can be started to be replaced as early as sometime next year? How should we think about that? Thank you.

Susan Li: Thank you, Shweta, for the questions. On the first question, I might have said - - I don't think I have ever said that I am managing the business for margin expansion in 2026. I think we have said in the past that our primary focus from

a profitability perspective is driving consolidated operating profit growth over time with some recognition that that may be a little bit lumpy because, again, there are years in which there will be more investment opportunities than others, and so it won't be perfectly linear.

And I think that continues to be sort of our framework, recognizing, of course, that if we barely drove operating profit growth over time, we would not be a particularly compelling investment.

So, we recognize that we probably need to do a bit better than that over the long term. But, again, it's not a linear process, and there will be years where we are in more of an investment cycle than others.

Productivity. I think we both expect and hope that there will be big improvements in productivity across our workforce over the next few years. But, again, depending on how those improvements play out, we may want to add more people.

For example, if each ads engineer can deliver more revenue or if each engineer can deliver greater product impact than they would have previously, it may, frankly, be a good business decision for us to add more engineers than we would have otherwise. So, we don't know exactly how this is going to net out, but we are very focused on making sure that we lean into productivity trends to optimize how we run the company.

Kenneth Dorell: Great. Thank you, everyone, for joining us today. We look forward to speaking with you again soon.

Operator: This concludes today's conference call. Thank you all for joining, and you may disconnect your lines.