Meta Platforms, Inc. (META)
Fourth Quarter 2025 Results Conference Call
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Kenneth Dorell, Director, Investor Relations

Thank you. Good afternoon and welcome to Meta Platforms' fourth quarter and full year 2025 earnings conference call. Joining me today to discuss our results are Mark Zuckerberg, CEO and Susan Li, CFO.

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 over to Mark.

Mark Zuckerberg, CEO

Hey everyone. Thanks for joining us.

We ended 2025 strong with more than 3.5 billion people now using at least one of our apps every day. That includes more than 2 billion daily actives each on Facebook and WhatsApp -- and just shy of that on Instagram. Our business also performed very well thanks to record-breaking holiday demand and AI-driven performance gains.

We are now seeing a major AI acceleration. I expect 2026 to be a year where this wave accelerates even further on several fronts. We're starting to see agents really work. This will unlock the ability to build completely new products and transform how we work.

In '25 we rebuilt the foundations of our AI program. Over the coming months we're going to start shipping our new models and products. I expect our first models will be good but, more importantly, will show the rapid trajectory that we're on. And then I expect us to steadily push the frontier over the course of the year as we continue to release new models.

I'm very excited about the products that we're building. Our vision is building personal superintelligence. We're starting to see the promise of AI that understands our personal context – including our history, our interests, our content, and our relationships. A lot of what makes agents valuable is the unique context that they can see, and we believe that Meta will be able to provide a uniquely personal experience.

We're also working on merging LLMs with the recommendation systems that power Facebook, Instagram, Threads, and our ads system. Our world class recommendation systems are already driving meaningful growth across our apps and ads business, but we think that the current systems are primitive compared to what will be possible soon. Today our systems help people stay in touch with friends, understand the world, and find interesting and entertaining content. But soon, we'll be able to understand people's unique personal goals, and tailor feeds to show each person content that helps them improve their lives in the ways that they want.

This also has implications for commerce. Our ads today help businesses find just the right very specific people who are interested in their products. New agentic shopping tools will allow people to find just the right very specific set of products from the businesses in our catalogue. We're focused on making these experiences work across both our feeds and across business messaging -- significantly increasing the capabilities of WhatsApp over time.

New kinds of content will soon be possible as well. People want to express themselves and experience the world in the most immersive and interactive ways possible. We started with text, and then moved to photos when we got phones with cameras, and then moved to video when mobile networks got fast enough. Soon we'll see an explosion of new media formats that are more immersive and interactive, and only possible because of advances in AI.

Our feeds will become more interactive overall. Today our apps feel like algorithms that recommend content. Soon, you'll open our apps and you'll have an AI that understands you, and also happens to be able to show you great content or even generate great personalized content for you.

Glasses are the ultimate incarnation of this vision. They’re going to be able to see what you see, hear what you hear, talk to you and help you as you go about your day, and even show you information or generate custom UI right there in your vision. Sales of our glasses more than tripled last year, and we think that they're some of the fastest growing consumer electronics in history. Billions of people wear glasses or contacts for vision correction. I think that we're at a moment similar to when smartphones arrived, and it was clearly only a matter of time until all those flip phones became smartphones. It's hard to imagine a world in several years where most glasses that people wear aren't AI glasses.

For Reality Labs, we're directing most of our investment towards glasses and wearables going forward, while focusing on making Horizon a massive success on mobile and making VR a profitable ecosystem over the coming years. I expect Reality Labs losses this year to be similar to last year, and this will likely be the peak as we start to gradually reduce our losses going forward while continuing to execute on our vision.

As we plan for the future, we will continue to invest very significantly in infrastructure to train leading models and deliver personal superintelligence to billions of people and businesses around the world.

I recently announced Meta Compute with the belief that being the most efficient at how we engineer, invest, and partner to build our infrastructure will become a strategic advantage. Dina Powell McCormick also joined us as President and Vice Chairman, and she will lead our efforts to partner with governments, sovereigns, and strategic capital partners to expand our long-term capacity, including ensuring positive economic impact in the communities that we operate in around the world.

An important part of Meta Compute will be making long term investments in silicon and energy. We will continue working with key partners while advancing our own silicon program. We're architecting our systems so that we can be flexible in the systems that we use, and we expect the cost per gigawatt to decrease significantly over time through optimizing both our technology and supply chain.

The last thing that I want to mention is that I think that 2026 is going to be the year that AI starts to dramatically change the way that we work. As we navigate this, our north star is building the best place for individuals to make a massive impact. So to do this, we're investing in AI-native tooling so individuals at Meta can get more done, we're elevating individual contributors, and flattening teams. We're starting to see projects that used to require big teams now be accomplished by a single very talented person. I want to make sure that as many of these very talented people as possible choose Meta as the place that they can make the greatest impact -- to deliver personalized products to billions of people around the world. And if we do this, then I think that we're going to get a lot more done and I think it'll be a lot more fun.

Alright, that's everything I wanted to cover. This is going to be a big year for delivering personal superintelligence, accelerating our business, building infrastructure for the future, and shaping how our company will work going forward. As always, I'm grateful for all of the hard work of our teams and to all of you for being on this journey with us. Now, here's Susan.

Susan Li, CFO

Thanks Mark and good afternoon everyone.

Let's begin with our segment results. All comparisons are on a year-over-year basis unless otherwise noted.

Our community across the Family of Apps continues to grow, and we estimate more than 3.5 billion people used at least one of our Family of Apps on a daily basis in December.

Q4 Total Family of Apps revenue was $58.9 billion, up 25% year over year.

Q4 Family of Apps ad revenue was $58.1 billion, up 24% or 23% on a constant currency basis.

In Q4, the total number of ad impressions served across our services increased 18%. Impression growth was healthy across all regions, driven primarily by engagement and user growth and to a lesser degree, ad load optimizations. The average price per ad increased 6% year-over-year, benefiting from increased advertiser demand, largely driven by improved ad performance.

Family of Apps other revenue was $801 million, up 54%, driven by WhatsApp paid messaging revenue growth as well as Meta Verified subscriptions.

Within our Reality Labs segment, Q4 revenue was $955 million, down 12% year-over-year. As we noted on the last call, the year-over-year decline in Reality Labs revenue is due to us lapping the introduction of Quest 3S in Q4 of 2024 as well as retail partners procuring Quest headsets during the third quarter of 2025 to prepare for the holiday season, which was recorded as revenue in Q3.

Moving now to our consolidated results.

Q4 total revenue was $59.9 billion, up 24% or 23% on a constant currency basis.

Q4 total expenses were $35.1 billion, up 40% compared to last year.

Year-over-year growth was driven primarily by employee compensation expenses, legal expenses, and infrastructure costs.

Growth in employee compensation expenses reflects the technical hires we've added this year, particularly AI talent.

Legal expense growth was due to both lapping legal accrual reversals in Q4'24 and charges recorded in Q4'25.

Infrastructure expense growth was driven by higher depreciation, cloud spend, and other operating expenses.

We ended Q4 with over 78,800 employees, up 6% year-over-year, driven by hiring in priority areas of monetization, infrastructure, Meta Superintelligence Labs, as well as regulation and compliance.

Fourth quarter operating income was $24.7 billion, representing a 41% operating margin.

Q4 interest and other income was $609 million, driven primarily by unrealized gains on our equity investments.

Our tax rate for the quarter was 10%, slightly lower than our outlook of 12-15% due to the settlement of matters with tax authorities.

Net income was $22.8 billion or $8.88 per share.

Capital expenditures, including principal payments on finance leases, were $22.1 billion, driven by investments in data centers, servers, and network infrastructure.

Free cash flow was $14.1 billion. We ended the quarter with $81.6 billion in cash and marketable securities and $58.7 billion in debt.

Turning now to the business performance. There are two primary factors that drive our revenue performance: our ability to deliver engaging experiences for our community, and our effectiveness at monetizing that engagement over time.

On the first, we're continuing to drive incremental engagement from ranking and product improvements.

Instagram Reels had another strong quarter, with watch time up more than 30% year-over-year in the US. Engagement is benefiting from several optimizations we made to improve the quality of recommendations, including simplifying our ranking architecture to enable more efficient model scaling. This unlocked the ability for our systems to consider longer interaction histories to better identify a person's interests.

On Facebook, video time continued to grow double-digits year-over-year in the US, and we're seeing strong results from our ranking and product efforts on both Feed and video surfaces. The optimizations we made in Q4 drove a 7% lift in views of organic Feed and video posts on

Facebook, resulting in the largest quarterly revenue impact from Facebook product launches in the past two years.

We're continuing to increase the freshness and originality of content recommendations as well. On Facebook, our systems are surfacing over 25% more Reels published that day than the prior quarter. On Instagram, we grew the prevalence of original content in the US by 10 percentage points in Q4, with 75% of recommendations now coming from original posts.

Threads is also seeing strong momentum, again benefiting from recommendation improvements. The optimizations we made in Q4 drove a 20% lift in Threads time spent.

Turning to 2026, we see a lot of opportunity to drive additional gains.

This includes scaling the complexity and amount of training data we use in our models while continuing to make our systems more responsive to people's real-time interests. We're also focused on incorporating LLMs to understand content more deeply across our platform, which will enable more personalized recommendations.

Another big area of investment this year is developing the next generation of our recommendation systems. We have several big bets on this front, including building new model architectures from the ground up that will work on top of LLMs, leveraging the world knowledge and reasoning capabilities of an LLM to better infer people's interests.

Beyond improvements to our recommendation systems, we expect to use the models developed by Meta Superintelligence Labs to deliver compelling and differentiated AI products.

One area we're already seeing promise is with AI dubbing of videos into local languages. We are now supporting nine different languages, with hundreds of millions of people watching AI translated videos every day. This is already driving incremental time spent on Instagram and we plan to launch support for more languages over the course of this year.

We are also seeing strong traction with our media creation tools. Nearly 10% of the Reels people view each day are now created in our Edits app, almost tripling from last quarter. Within Meta AI, the number of daily actives generating media tripled year-over-year in Q4. This year, we expect to advance the capabilities of our underlying media generation models and ship new features to further enhance the product experience.

Another area we're focused on for Meta AI is personalization. We're seeing in our early testing that personalized responses drive higher levels of engagement, and we expect to significantly advance the personalization of Meta AI this year. This dovetails with our investments in content understanding, which will enable our systems to develop a deeper understanding of each person's interests and preferences while also identifying the most relevant content across our platform to pull into responses.

Turning to the second driver of our revenue performance: increasing monetization efficiency.

The first part of this work is optimizing the level of ads within organic engagement.

Here, our focus remains on tuning our systems to identify the right time and place to deliver ads. In some cases, this enables us to grow the overall level of ad load while preserving the user experience. However, an increasingly important part of this work is finding opportunities to drive incremental conversions within the same overall level of ad load by determining when a person is more interested in seeing an ad. In fact, in the second half of 2025, our initiatives on Facebook to redistribute ads across users and sessions delivered a nearly 4x larger revenue impact than Facebook ad load increases.

We also continue to make progress on bringing ads to our newer surfaces. Within Threads, we are beginning to expand ads to all remaining countries this month, including the UK, European Union, and Brazil. On WhatsApp, we expect to complete the roll out of ads in Status throughout the year, with the level of ads remaining low in the near-term while we follow our standard approach of optimizing ad formats and performance before ramping inventory.

Moving to the second part of increasing monetization efficiency: improving performance for the businesses who use our tools.

We're seeing very strong results from the ad performance investments we made throughout 2025, with year-over-year conversion growth accelerating through the fourth quarter.

We expect the set of investments we're making in 2026 will enable us to drive further gains as we continue to integrate AI across all layers of the marketing and customer engagement funnel.

The first area is our ads system, where we are continuing to scale the complexity and size of our models to better select which ads to show.

In Q4, we doubled the number of GPUs we used to train our GEM model for ads ranking. We also adopted a new sequence learning model architecture, which is capable of using longer sequences of user behavior and processing much richer information about each piece of content. The GEM and sequence learning improvements together drove a 3.5% lift in ad clicks on Facebook and a more than 1% gain in conversions on Instagram in Q4.

This new sequence learning architecture is significantly more efficient than our prior architectures, which should enable us to further scale up the data, complexity and compute we use in our future ranking models to deliver performance gains.

As we scale up our foundational ads models like GEM, we are also developing more advanced models to use downstream of them at run-time for ads inference. In Q4, we launched a new run-time model across Instagram Feed, Stories, and Reels, resulting in a 3% increase in conversion rates in Q4.

We continue to progress on our model unification efforts under Lattice as well. After seeing strong success with the consolidation of Facebook Feed and video models in the first half of 2025, in Q4 we consolidated models for Facebook Stories and other surfaces into the overall Facebook model. This, along with a series of back-end improvements, drove a 12% increase in ads quality. And in 2026, we expect to consolidate more models than we had in the prior two years as we continue to evolve our systems toward running a smaller number of highly capable models.

Moving to the next area, ads products.

We continue investing in ways to help businesses leverage AI to reduce the friction of setting up and optimizing an ad campaign. In Q4, we started testing our Meta AI business assistant with advertisers, which helps with tasks like campaign optimization and account support. In the coming months, we'll make it available to more advertisers so each business has an AI assistant they can chat with that remembers their businesses' goals and provides personalized recommendations on how to improve performance.

Another area we're deploying AI to improve performance is ad creative. The combined revenue run-rate of video generation tools hit $10 billion in Q4, with quarter-over-quarter growth outpacing the increase in overall ads revenue by nearly 3x.

We are also seeing very good results from our incremental attribution feature, which optimizes for incremental conversions in real-time. Our latest model roll out in Q4 is driving a 24% increase in incremental conversions versus our standard attribution model, and this product has already achieved a multi-billion dollar annual run-rate just seven months since launching.

The last area of our monetization work I'll cover is business messaging, where we're seeing strong momentum across our portfolio of solutions.

Click-to-message ads revenue growth accelerated in Q4, with the US up more than 50% year-over-year driven by strong adoption of our Website to Message ads, which direct people to a businesses' website for more information before choosing to launch a chat.

Paid messaging within WhatsApp continues to scale as well, crossing a $2 billion annual run-rate in Q4.

Finally, we're seeing good early traction with our Business AIs in Mexico and the Philippines, with over 1 million weekly conversations between people and Business AIs now happening on our messaging platforms. This year, we will expand availability of our Business AIs to more markets while also extending their capabilities so they not only answer questions on topics like product availability, but can help people get things done right within WhatsApp.

We speak a lot about how AI is improving our products, but I'd like to take a moment to give an update on how it's changing the way we work. Mark mentioned our focus on making Meta a place where individuals can have significant impact. A big focus of this is to enable the adoption and advancement of our AI coding tools, where we are seeing strong momentum. Since the beginning of 2025, we've seen a 30% increase in output per engineer, with the majority of that growth coming from the adoption of agentic coding, which saw a big jump in Q4. We're seeing even stronger gains with power users of AI coding tools, whose output has increased 80% year-over-year. We expect this growth to accelerate through the next half.

Next, I would like to discuss our approach to capital allocation.

We have significant opportunities to improve our core business in 2026. We plan to continue to prioritize investing in the business to support these opportunities, while also positioning us for an entirely new and exciting product cycle over the coming years, powered by our AI models.

Procuring sufficient infrastructure capacity is central to these initiatives, and we're working to meet our silicon needs by deploying a variety of chips that optimally support each of our different workloads. To that end, in Q4 we extended our Andromeda ads retrieval engine so it can now run on Nvidia, AMD, and MTIA. This, along with model innovations, enabled us to nearly triple Andromeda's compute efficiency. In Q1, we will extend our MTIA program to support our core ranking and recommendation training workloads, in addition to the inference workloads it currently runs.

More broadly, as we invest in infrastructure to meet our business needs, we continue to prioritize maintaining long-term flexibility so we can adapt to how the market develops. We're doing so in several ways, including changing how we develop data center sites, establishing strategic partnerships, contracting cloud capacity, and establishing new ownership structures for some of our large data center sites.

We have a strong net cash balance and expect our business will continue to generate sufficient cash to fund our infrastructure investments in 2026, which is reflected in our expectations. Nonetheless, we will continue to look for opportunities to periodically supplement our strong operating cash flow with prudent amounts of cost-efficient external financing, which may lead us to eventually maintain a positive net debt balance.

Moving to our financial outlook.

We expect first quarter 2026 total revenue to be in the range of $53.5-56.5 billion. Our guidance assumes foreign currency is an approximately 4% tailwind to year-over-year total revenue growth, based on current exchange rates.

Turning to the expense and capex outlooks.

We expect full year 2026 total expenses to be in the range of $162-169 billion.

The majority of expense growth will be driven by infrastructure costs, which includes third party cloud spend, higher depreciation, and higher infrastructure operating expenses.

The second-largest contributor to total expense growth is employee compensation, driven by investments in technical talent. This includes 2026 hires to support our priority areas, particularly AI, as well as a full year of expenses from 2025 hires.

At a segment level, we expect expense growth to be driven by the Family of Apps, with Reality Labs operating losses remaining similar to 2025 levels.

We anticipate 2026 capital expenditures, including principal payments on finance leases, to be in the range of $115-135 billion, with year-over-year growth driven by increased investment to support our Meta Superintelligence Labs efforts and core business.

Despite the meaningful step up in infrastructure investment, in 2026 we expect to deliver operating income that is above 2025 operating income.

Absent any changes to our tax landscape, we expect our full year 2026 tax rate to be 13-16%.

Finally, we recently aligned with the European Commission on further changes to our Less Personalized Ads offering, which we will begin rolling out this quarter. However, we continue to monitor legal and regulatory headwinds in the EU and the US that could significantly impact our business and financial results. For example, we continue to see scrutiny on youth-related issues and have a number of trials scheduled for this year in the US, which may ultimately result in a material loss.

In closing, 2025 was another strong year for our company. The investments we've made to improve our business are continuing to drive strong growth, and we have an exciting roadmap this year to deliver new experiences and services for our global community. As always, thank you to our teams for their hard work and commitment to our mission.

With that, Krista, let's open up the call for questions.

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. Please 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 Brian Nowak with Morgan Stanley. Please go ahead.

Brian Nowak: Thanks for taking my questions. I have one for Mark, one for Susan. Mark, one is a long-term question. As you think about ramping all this investment and the personal intelligence opportunity, the Meta Compute opportunity.

Can you walk us through a little bit of how you think about the largest revenue or ROIC long-term opportunities you're trying to unlock with those over the next, call it, 3, 5, 10 years through all the investment? And then Susan, a little more near term, more like '26.

I think the guide is the fastest growth you've had in almost five years. I know you have a lot of improvements on recommendations and monetization efficiency. But can you just sort of help us a little bit understand two or three of the biggest drivers of this inflection you're seeing on revenue in '26?

Mark Zuckerberg: Yes. I guess I can start with the first one. Although I have to say upfront that I think my answers to a lot of your questions on this particular call may be somewhat unfulfilling because we're in this interesting period where we've been rebuilding our AI effort, and we're six months into that, and I'm happy with how it's going.

But we are going to be rolling out our initial set of models and products and businesses around that over the coming months. And I will have a lot more to share on all of those fronts at that point.

So I'm happy to offer kind of a high-level view of some of the stuff, but I apologize in advance that not much of this is going to be particularly detailed, but it will be exciting as we roll it out.

I think the theme on the business, I mean this is -- I don't think I'm going to break any new ground here, but there are several major business opportunities that we're focused on. I think that -- one is just going to be improving the core products and accelerating the current business.

I talked about that in terms of the connecting of the recommendation systems and the LLMs which I think will both improve the quality of the organic experience and of advertising.

We're going to see the generation of media improve the quality of content which, coupled with the improvements in the recommendation systems, we expect to generally accelerate the quality and effectiveness of the core business, both for people who use it organically and for businesses.

So I think that will have a compounding effect. And then there's going to be several, many, I think, new business opportunities that come up. I mean we have been working on Meta AI for a while.

I think you're starting to see some of the way that products like that get monetized across the industry when we get that to a scale and depth that we want. We think that there are going to be opportunities, both in terms of subscriptions and advertising and all of the different things that you see on that.

And I mean yes, I think -- there's a number of things on shopping and commerce that I'm quite excited about that I alluded to in the comments upfront. And as the models launch and we demonstrate some of the capabilities, both in the first set of models and over the year, I think the models are going to be a lot better, too.

We'll be able to have different products paired with those that I think will facilitate different businesses for businesses who use us and our platforms as well as direct-to-consumer businesses.

I guess it's probably also worth flagging because I don't think either of us mentioned the Manus acquisition in the upfront comments, I mean that is going to -- is a good example of -- you have a significant number of businesses that already pay a subscription to basically use their tool to accelerate their business results and integrating that kind of thing into our ads and business manager, so that way we can just offer more integrated solutions for the many, many millions of businesses that use and rely on our platforms is going to be really powerful, both for accelerating their results using the existing products that we have and I think adding new lines as well.

So a somewhat high-level answer and the -- I think the picture will become clearer and I think more exciting if we do our jobs well over the course of the year.

Susan Li: Brian, on your second question, there's obviously a range of outcomes captured in the Q1'26 revenue outlook.

It overall reflects our expectation for a strong quarter of growth. The range embeds an outlook for accelerated growth, and that's really underpinned by the strong demand that we saw through the end of Q4 and continuing into the start of 2026. Now I will say we also expect foreign currency to be a four-point benefit to year-over-year growth.

So that is a three-point larger tailwind than it was in Q4'25 as we lap the strengthening of the U.S. dollar a year ago. But overall, we see that advertisers are responding to ad performance improvements that we made. They're driving strong conversion growth.

We've made a lot of these investments over the course of 2025 including advances to our ads ranking and delivery systems, the more effective redistribution of ad load, new features and ad products like Advantage+, better measurement and just a lot of great work that has helped to drive the continued performance of our ads.

Operator: Your next question comes from the line of Eric Sheridan with Goldman Sachs. Please go ahead.

Eric Sheridan: Thanks so much for taking the question. Maybe two, if I could. In prior periods, you've talked about being capacity constrained internally and not having enough compute to sort of achieve the goals you have on the platform on a product standpoint.

I want to know if we can get any update on currently how you think about your own internal needs for compute against that roadmap?

And the second part of the question would be, as we continue to see the ads business sort of scale, especially in terms of dollar growth year-on-year, have we yet seen the full first order effects of scaling the business against applying more compute to it? Or how should investors think about the directional relationship between applying more compute and rate of change in terms of outcomes on the monetization side? Thank you.

Susan Li: On your first question, we do continue to be capacity constrained. Our teams have done a great job ramping up our infrastructure through the course of 2025.

But demands for compute resources across the company have increased even faster than our supply. So we expect over the course of 2026 to have significantly more capacity this year as we add cloud.

But we'll likely still be constrained through much of 2026 until additional capacity from our own facilities comes online later in the year. With that said, I think we have done a good job internally mitigating the impact of compute constraints on our business. I expect that will continue to be the case in 2026.

We're continuing to focus on increasing our infrastructure efficiency in several ways including by optimizing workloads, improving infrastructure utilization, diversifying our chip supply and just investing in efficiency improvements as part of our core technology development efforts in areas like content and ads ranking.

So that was your first question. The second question about how the ads business scales. I think we don't -- I don't have an extremely precise answer to this question.

What I'd say is one of the ways that we are working to drive ads performance improvements is by improving our larger scale models along with our lighter weight ones that we use for ads inference at run time. We don't typically use our larger model architectures like GEM for inference because their size and complexity would make it too cost prohibitive.

So the way that we drive performance from those models is by using them to transfer knowledge to smaller lightweight models used at run time. But I would say that we think that there is room for our larger models to benefit from having more compute.

And I think as we scale up the compute available to those models, and the foundational models in different areas that power the different stages of ads ranking and recommendation, we expect that we will see gains coming from that.

Operator: Your next question comes from the line of Mark Shmulik with Bernstein. Please go ahead.

Mark Shmulik: Yes, thanks for taking the questions. Two if I may. Mark, kind of with your comments that you kind of expect to see some meaningful changes in how work and things are done this year, I guess would you be surprised just kind of by the end of the year, we've yet to see meaningful progress and adoption on some of the newer products and initiatives that you're launching?

Or should we just be a bit more patient on the timeline here? And then, Susan, kind of with the guidance provided on OI still expected to grow kind of faster this year than last year?

Let's say in a few months, we realize we need more investment and resources to continue to go after the AI opportunity, but perhaps macro might be a bit weaker. How hard of a line is there in terms of this high of investment levels to core performance? Thank you.

Mark Zuckerberg: I think the first question was asking about kind of when do I expect the product impact to be. I mean we're going to roll out new products over the course of the year. I think the important thing is we're not just launching one thing, and we're building a lot of things.

I think they're -- like AI is going to enable a lot of new experiences. I outlined thematically a bunch of these in the upfront comments around personal AI, around LLMs combining with the recommendation systems.

I think that's a somewhat longer-term research project that I think will yield dividends over a long period of time but we're already definitely seeing optimizations of the recommendation systems as we're including more of the AI research improvements and advances into that.

The content is going to improve. There are going to be new formats. There are going to be improvements on the glasses. There are all these different things as well as several things that we think are new that we're going to try that are not just extensions of the current things that we're doing.

So yes, I mean I would expect that we'll roll these out over the course of the year and that sometimes it takes a few iterations for things to really hit and reach the kind of product market fit that you need.

But I think we have enough time hopefully to -- we're starting off early enough in the year that I would expect that we'll see some successes by the end of the year on this as well as on the work side, what we were talking about is.

I think it's very hard for anyone exactly to predict what the shape of how organizations working is going to feel.

But I just think the fact that agents are really starting to work now is quite profound. And I think it is going to allow -- we're already starting to see the people who adopt them are just being significantly more productive.

And there's a big delta between the people who do it and do it well and the people who don't. And I think that's going to just be a very profound dynamic for, I think, across the whole sector and probably the whole economy going forward in terms of the productivity and efficiency with which we can run these companies which I think -- my hope is that we can use that to just get a lot more done than we were able to before.

And I'm most focused on making sure that Meta is a great company to have a big impact, where you'll be able to use these kind of agentic tools anywhere, but you will only be able to come and ship things to billions of people if you join a company like Meta and there aren't that many companies like Meta.

So I think if we make it so that we can harness these kind of tools, then I think that we should, over some period of time start to see a real acceleration in the amount of output that we could have. Now how to predict exactly the timeframe for adopting that is somewhat hard, right? I'm not going to predict a specific quarter or something like that.

But the trend seems like unmistakably like this is going to happen. And that, to me, is something that is very exciting. And like I said in my comments upfront, also honestly kind of fun, right? I think it just makes it more fun to be able to build a lot of things. And that's what we're here to do.

Susan Li: Mark, on your second question, I want to make sure and clarify something. So I think in the question, you had said that operating income growth in '26 would be higher than '25. And I want to make sure my comments were super clear.

In 2026, we expect to deliver operating income above 2025 operating income. So this is comparing absolute dollars, not year-over-year growth. So to give some context on that, we are going into 2026 with strong revenue growth at the start.

Of course, we are just a few weeks in set against a healthy macro backdrop. So obviously hard to extrapolate the current trends to the full year, and there are many moving variables in the current landscape.

We're really taking advantage of the current business strength to reinvest a lot of the revenue into what we see as very attractive investment opportunities in AI infrastructure and talent.

It's hard to assess what all of those investment opportunities will be over the course of the year as we continue to work through our capacity options. And of course, it remains a very competitive hiring market. But we'd like to invest aggressively where we can.

We continue to use our framework that we shared at this point several years ago of growing consolidated operating profit over time to guide those investments and based on where our plans are rolling up today, again, in '26, we expect to deliver more operating income than we did in 2025.

Operator: Your next question comes from the line of Doug Anmuth with JPMorgan. Please go ahead.

Douglas Anmuth: Thanks so much for taking the questions. One for Mark and one for Susan. Mark, could you just provide more detail on the progress of the MSL team several months in? And more on your view on the path to a frontier model this year?

And then, Susan, I know you expect to grow operating income in '26. Do you also expect to have positive free cash flow? Just how should we think about the current and any future JVs for data center and compute build-out? Thanks.

Mark Zuckerberg: I'm not sure I have anything else to add on the current progress on this. I mean -- that's why I said upfront that I think this is somewhat of an unfulfilling time to be answering some of these questions. We're about six months into building MSL. I'm very pleased with the quality of the team.

I think we have the most talent-dense research effort in the industry and some of the early indicators look positive. But look, I think that this is going to -- this is a long-term effort, right? We're not here to do this to ship like one model or one product.

We're doing a lot of models over time and a lot of different products. And I want to make sure that the work can speak for itself and also that we all internalize that this is a journey that we're on. And the first set of things that we put out, I think, are going to be more about showing the trajectory that we’re on rather than being a single moment in time. So yes, I’m quite optimistic, but don’t have anything else particularly concrete to share.

Susan Li: Doug, on the first part of your question, we are making very significant investments in infrastructure capacity this year to support our AI efforts. And we believe we’re in a strong position to support them with the cash generation of the -- of our business this year.

And at the same time we’ll continue to explore different paths as we build out our infrastructure capacity that help provide us the long-term flexibility and option value that we look for as we support our future capacity needs against the backdrop of a very wide range of possible capacity demand over the years to come.

So we don’t have anything additional to announce at this point. We are looking at all of the different opportunities to stand up capacity across kind of the different timeframes that we need them.

Operator: Your next question comes from the line of Justin Post with Bank of America. Please go ahead.

Justin Post: Great. A couple, maybe one for Mark and one for Susan. It just seems like you’re going to have a tremendous amount of capacity. How do you think about expanding your opportunities beyond ads, things like subscriptions or licensing cloud models?

Just with all the interesting things you’re building, I don’t expect any product announcements, but can you do things beyond ads? And then for Susan, it’s really interesting to see the acceleration even ex FX in advertising.

I’m just wondering if you’re seeing a general acceleration in e-commerce activity, where do you think the dollars are coming from? And is the entire Internet ecosystem accelerating? I’m just wondering your thoughts on that.

Mark Zuckerberg: So yes, we are focused on things beyond ads, I think the numbers make it so that for the next couple of years, ads are going to be, by far, the most important driver of growth in our business.

So that’s why, as we’re working on this, we have a balance of new things that we’re trying to do, while also investing very heavily and making sure that all of the work that we’re doing in AI improves both the quality and business performance of the core apps and businesses that we run there. But yes, I mean we’ll have more to share on that.

But I mean all these things, even if they scale very quickly, are going to take some time to be meaningful at the scale of what the ads business is. And while we’re doing that, we’re just very focused on also delivering more value to businesses and more quality in the apps that we run ads in.

Susan Li: Justin, on your second question, we saw healthy year-over-year growth across all verticals in Q4 with the exception of politics as we lapped the U.S. presidential election last year. The online commerce vertical was the largest contributor to year-over-year growth.

That was followed by professional services and technology. So in online commerce, year-over-year growth was strong. It was actually relatively consistent with Q3 levels and that was broad-based across advertiser regions and sizes.

In general, we saw that the demand leading up to the holiday shopping period that sustained through Cyber five and into the end of the year was very healthy for us. Professional services in this category, we saw a strong broad-based growth of nice contributions from lead generation ads due to product improvements we've made including from Advantage+ lead campaigns that we fully rolled out at the start of Q4 and the tech vertical continues to be strong for us, too, again, broad-based across advertiser regions and sizes. So in general, I would say it was very healthy, broadly growing.

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

Ross Sandler: Yes, Mark, you mentioned bringing Horizon Worlds into mobile. We haven't heard much from the Horizon Worlds squad on these calls. So interesting that that's making it in.

It seems like the combo of AI and what you guys have built with Horizon might open up the door to a bunch of new potential areas in gaming or new forms of communication. So could you just elaborate on what the plan is there?

Mark Zuckerberg: Yes. So let me talk about the basic theme here. One core idea that I've talked about on some of these calls over the years is that people always want to express themselves and experience the world in whatever the richest format is that they can. So I talked about this upfront today. When we started a lot of this was text, right?

That was the kind of the best we could do. Then we all got phones, they had cameras, like a lot of this medium became visual but with photos, we went through a period where the mobile networks were kind of weak and every time you wanted to watch a video, it would buffer. And once that got worked out, now the majority of the content is video. And one of the core ideas that we have had for a while is that, that is not the end of the line, right? Video will continue to be here for a long time.

It's going to continue growing, it's not going anywhere, just like photos and text in many ways, continue to grow even as the market continues to grow beyond that.

But I don't think that video is the ultimate kind of final format. I think that this is going to get -- we're going to get more formats that are more interactive and immersive and you're going to get them in your feeds.

So you can imagine this, I mean there's obviously a lot of details to fill in on this, but you can imagine people being able to, easily through a prompt, create a world or create a game and be able to share that with people who they care about and you see it in your feed and you can jump right into it and you can engage in it. And there are 3D versions of that, and there are 2D versions of that and Horizon, I think, fits very well with the kind of immersive 3D version of that.

But there's definitely a version of the future where any video that you see, you can like tap on and jump into it and like engage and like and be kind of like experience in it in a more meaningful way. And I think that the investments that we've done in both a lot of the virtual reality software and Horizon as well as a number of other areas around the company are actually going to pair well with these AI advances to be able to bring some of those experiences to hundreds of millions and billions of people through mobile.

So anyway, that's a thing that I'm quite excited about, but it's just sort of one flavor of a theme that I think is going to be very interesting.

I think there are going to be lots of different types of interactive and immersive content that become possible. And I think Horizon is going to be one very interesting example that I'm quite excited to see how this unfolds.

Operator: Your next question comes from the line of Ron Josey with Citi. Please go ahead.

Ronald Josey: Great, thanks for taking the question. I wanted to drill down, maybe, Susan, on your comments around ranking recommendation model changes. Clearly, lots of tailwinds here given the results from GEM, Andromeda, Lattice, consolidation of models, et cetera.

So can you help us understand a little bit more just about the roadmap and where we stand within ranking recommendation model changes. There's a thesis out there that maybe where -- there's a limiting factor, maybe we're waiting on newer models, but any insights there would be very helpful as we think about the next -- as the future going forward.

Susan Li: Yes. Thanks for the question, Ron. I was sort of sorting out if your question was more specific to ads or if it was more specific to kind of the engagement side, but I'll try to talk a little bit about both.

So on the sort of core engagement piece, we launched several ranking improvements in Q4 on Facebook and Instagram that drove incremental engagement. And there isn't really one single launch that is driving most of the gains.

It's multiple optimizations to our recommendation systems that are helping us make more accurate predictions about what will be interesting to each person. And I talked a little bit about some of these -- the specific instantiations on both Facebook and on Instagram. And we see a lot of headroom to improve recommendations in 2026 which we expect will drive additional engagement growth on both apps.

First, we plan to continue scaling up our models and increase the amount of data we use including a longer history of content interactions to further improve the overall quality of recommendations.

We're also going to start validating the use of ad signals and organic content recommendations as we continue to work towards having a more shared platform for organic and ads recommendations over time.

Second, we're going to continue to make recommendations even more adaptive to what a person is engaging with during their session.

So the recommendations we surface are more relevant to what they're interested in at that moment. And finally, we will work on more deeply incorporating LLMs into our existing recommendation systems, given their capability to more deeply understand content. And so this will, I think, in particular, be useful for content that has been more recently posted since there's less engagement data to base recommendations off of.

On the ad side, again, we've talked about a lot of the sort of model work in the ads world across Andromeda and Lattice and GEM. I'll touch maybe specifically on GEM, in Q4, we extended GEM to cover Facebook Reels. Now it covers all major surfaces across Facebook and Instagram.

We also doubled the size of the GPU cluster we used to train it. And in 2026, we're expecting to meaningfully scale up GEM training to an even larger cluster, increasing the complexity of the model, expanding the data that we trained it on, leveraging new sequence learning architecture that we had begun deploying in Q4. And we're also going to further improve how we transfer the learnings from our GEM foundation models to the runtime models that we're using.

So there's a lot more headroom, I think, across many, many components of the stack. This is the first time we have found a recommendation model architecture that can scale with similar efficiency as LLMs. And we're hoping that this will unlock the ability for us to significantly scale up the size of our ranking models while preserving an attractive ROI.

Operator: Our next question will come from the line of Ken Gawrelski with Wells Fargo. Please go ahead.

Kenneth Gawrelski: Thank you very much. Two, if I may, please. First, for Mark, how critical is it for Meta to have a leading general purpose model or is there a sufficient capability in a model that really excels at specific use cases, maybe similar to what you see at Anthropic in coding today? We'd love if you could opine on that. And then second, maybe I just want to push again, maybe on this last question, Susan.

On the visibility you have, you talked about the improvements you're making in '26 on the models, the fine-tuning of the core, both in engagement and ad relevance. Could you talk about -- are you seeing any signs of diminishing returns to those investments? And do you think -- do you have visibility beyond '26 into further opportunities there?

Mark Zuckerberg: I think the question was around how important is it for us to have a general model. The way that I think about Meta is we're a deep technology company.

Some people think about us as we build these apps and experiences, but the thing that allows us to build all these things is that we build and control the underlying technology that allows us to integrate and design the experiences that we want and not just be constrained to what others in the ecosystem are building or allow us to build.

So I think that this is a really fundamental thing where my guess is that Frontier AI for many reasons, some competitive, some safety oriented, are not going to always be available through an API to everyone.

So I think it's very important, I think, to be able to have the capability to build the experiences that you want if you want to be one of the major companies in the world that helps to shape the future of these products.

So that I think is -- it's going to be, I think, important from a business perspective. And I think it's just important from like a creative and mission perspective to be able to actually design and build the experiences that we believe that we should be building for people.

But yes, I mean I think it's quite important. Otherwise, we wouldn't be so focused on this. We're clearly extremely focused on this.

Susan Li: On your second question, interestingly, a year ago on this call I think I talked about the set of investments we were making in 2025 as part of our 2025 budgeting process across our ads performance and organic engagement initiatives.

And those investments have generally paid off, and we feel really good about kind of the -- the process we ran in terms of using projected ROI to stack rank investments, make sure that we had a robust measurement system funded things that were positive ROI and then tracking how they performed over the course of the year.

And we've just finished running our 2026 budgeting process, and we have funded a similar set of investments which we expect will enable us to continue delivering strong revenue growth in 2026.

Having said that, I expect both full year reported and constant currency revenue growth to be below the levels in Q1 for a few reasons. First, we would expect that currency tailwinds will dissipate later in the year based on current rates.

Second, we'll be lapping stronger periods of growth later in the year that benefited from our 2025 ad performance investments and the strong macro landscape. And finally, we expect there could be some headwinds from our introduction of the revised less personalized ads offering in the EU that begins rolling out later in Q1.

But again, similar to '25, we feel good about the process by which we identified investment opportunities with attractive ROIs and funded them as part of our budget to support key initiatives across our ranking and recommendation systems and to increase the capacity efficiency of our models, all of which are key to driving growth for us.

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

Mark Mahaney: Okay. Two questions, please. Meta AI. Any update on what you're seeing there in terms of engagement and usage? And do you think you're just starting to be able to apply improvements to that specific functionality?

And then just real quickly on share repurchases, Susan, I don't think you bought any stock back in the quarter.

It's been a while, maybe a year since you haven't bought anything back, you talked about capital allocation a little bit into the year. It didn't sound like you're going to be buying back stock anytime soon, but just do you want to clarify that? Thanks a lot.

Susan Li: Yes. I'm happy to take both of those. So Meta AI, the quick update there is it's now available in over 200 markets. The largest daily active user markets for Meta AI align with where our apps are also very popular though the apps people engage most with Meta AI differ in some places, it's primarily WhatsApp driven, for example, India or Indonesia, in the U.S., Facebook is a stronger driver of engagement.

And in general, we see a lot of opportunity to make it easier for people to accomplish the tasks that they already come to our services for every day. And if we do that well then the way people use our products will continue to expand.

So we're focused on making Meta AI the most personalized assistant while tapping into the vast amount of information, trends, content from our platform to offer differentiated insights and we think we have a very strong track record in building highly personalized experiences, and we're bringing that into Meta AI so that we can tailor responses to each person's personal interests and preferences.

On your second question which is about share repurchase. Share repurchase levels will vary from time to time for a lot of reasons including whether we believe there are areas that have a greater near-term need for capital.

Right now we think the highest order priority for the company is investing our resources to position ourselves as a leader in AI. And so that's kind of the first order of use of capital, but we'll continue to be opportunistic and evaluate repurchases versus other uses of cash.

Kenneth Dorell: Great. I think we will wrap it here. 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 for your participation, and you may now disconnect.