Meta Platforms, Inc. (META)
Fourth Quarter 2025 Results Conference Call – Prepared Remarks
January 28th, 2026

Kenneth Dorell, Director, Investor Relations

Thank you. Good afternoon and welcome to Meta's 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 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 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 those 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.