

Meta shares on an upswing as user growth returns to Facebook

Article

The news: Meta reported 1.96 billion users on its legacy Facebook social media platform while outlining growth plans for the metaverse hinged on a new premium headset that it hopes can replace laptops.

Why it's worth watching: Meta shares jumped up by as much as 19% yesterday after the company reported user growth that was higher than projected for the quarter, [per](#)

Bloomberg

- Markets reacted positively to Facebook's user growth after the company's first-ever Q4 decline. Meta surpassed analyst estimates of **1.84 billion** Facebook users for the quarter by adding **31 million** new daily Facebook users.
- Analysts **expected** ad revenue of **\$28.3 billion** for Q1 2022, **up more than 8%** from a disappointing final quarter of 2021. It came close but, at **\$27.91 billion**, fell short.
- Facebook is still reeling from the impact of **Apple's iOS anti-ad-tracking functionality** which negates targeted ad tracking systems.
- Meta CEO **Mark Zuckerberg** acknowledged that competitors like **TikTok** have been aggressively competing for younger users' attention. Meta's short-form video product **Reels** and **Instagram** are losing **younger viewers** to TikTok.

Updates to the metaverse: Zuckerberg reiterated that the metaverse, the company's immersive VR platform, is still years away from making any significant contributions to the overall business. But he did give a glimpse on next steps for the metaverse.

- The company is currently hiring thousands of employees to build the platform. Recent updates to the **Meta Quest 2** headset, the lynchpin to the metaverse, have included multitasking features and tools to interact with iOS devices.
- Meta is looking at how to **sell in-world items within the metaverse**, but it expects to take almost 50% as commission from sellers, which could deter content creators. It's also piloting a real-world **retail store** to demo VR and the metaverse but would need to quickly scale its retail footprint to attract new customers.
- A new professional VR headset, codenamed **Project Cambria**, will ship later this year and will be used for work, serving as a "replacement for a laptop," Zuckerberg said.

Reality check: Meta is juggling its need for a profitable present with lofty ideals for its metaverse future, and it seems these two realities are not compatible with each other.

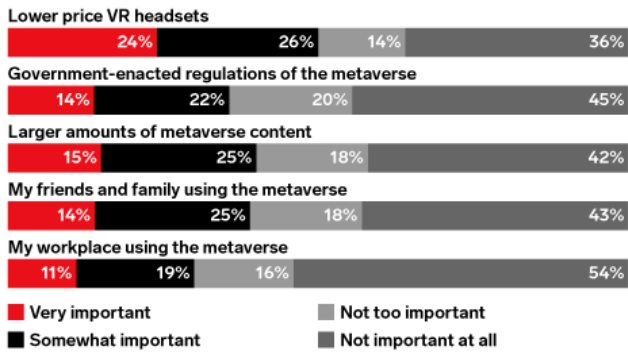
Zuckerberg noted that Meta will "slow down the pace of some of our investments" due to "current business growth levels," **per** the Verge.

- The decline in profit, which was **down 21% YoY**, could force the company to ease off on metaverse spending.

- Meta is spending **\$10 billion** a year to develop the metaverse, but mounting losses could stifle its otherworldly ambitions.

Importance of Select Factors When Deciding Whether to Try Using the Metaverse According to US Adults, March 2022

% of respondents



Note: numbers may not add up to 100% due to rounding
 Source: Morning Consult, "National Tracking Poll #2203015," April 11, 2022

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