

Meta revenues jump 11% in Q2, solidifying its return to growth

Article

The news: Meta delivered second-quarter results that topped estimates thanks to continued improvements in its advertising business. Revenues were **\$32 billion**, above expectations of \$31.06 billion and up 11% year over year (and up 12% when adjusted for constant currency).

- The average daily active users in March across the company’s “Family of Apps”—**Facebook, Messenger, WhatsApp, and Instagram**—was 3.07 billion, a 7% increase from the previous year.
- Facebook daily active users and monthly active users rose 5% and 3%, respectively.
- Shares were up more than 6% in post close trading. They have more than doubled this year.

On the up-and-up:

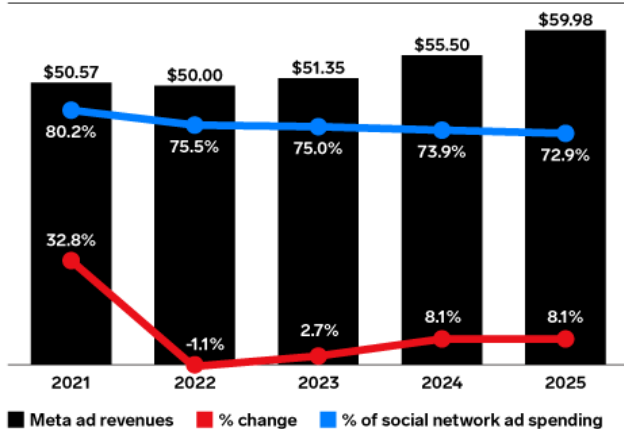
- The company had its highest net income—and best earnings per share—since Q4 2021.
- The company reported its highest Family Daily Active People (DAP), 3.07 billion and Family Monthly Active People (MAP), 3.88 billion, since it first began using the metric.
- Facebook average revenue per user (ARPU) grew 6.5% in the important US/Canada market, 14.3% in Europe, 7.5% in Asia/Pacific, and 12.24% in Rest of World.

The comeback: Meta has now had two strong quarters in a row, reversing a period that saw three straight quarters of revenue decline as it grappled with changes like **AppTrackingTransparency (ATT)** on iOS and an advertising slump.

- In the last year, the company has launched a number of products that appear to have helped swing revenues back into the green.
- **Instagram Reels**, its short-form video offering launched in February 2022 to compete with **TikTok**, has grown into a formidable service. A March survey from Raymond James found that 44% of internet users ages 18 to 60 use Reels. TikTok sits at 46%.
- The company warned last year that ATT could cause it to lose as much as \$10 billion. But now, its post-ATT advertising solution **Advantage+** appears to have righted the ship.
- “There’s a lot to feel good about when it comes to Meta right now,” said Insider Intelligence principal analyst **Debra Aho Williamson**. “It has been able to maintain decent growth in monthly and daily active users across both Facebook and its family of apps, and it has seen strong performance from Advantage, its AI-driven suite of ad automation tools, as well as good momentum for advertiser demand on Reels.”

US Meta Ad Revenues, 2021-2025

billions, % change, and % of social network ad spending



Note: paid advertising only; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices; includes Facebook and Instagram ad revenues; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; excludes payments to influencers or other creators to produce sponsored content; includes branded content amplified as paid media; excludes revenues reported under Meta's Reality Labs segment
Source: eMarketer, March 2023

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The road ahead: Two strong quarters don't mean all Meta's troubles are behind it. The company has to clear hurdles preventing it from launching products in major markets, and has yet to prove that its namesake metaverse division can be a meaningful revenue generator.

- Revenue from Reality Labs reached its lowest point since Q3 2022, but the company is doggedly committed to the sector.
- The company's lack of revenue diversity leaves it vulnerable to rising competitors. "Meta gets nearly all of its revenues from advertising, and we estimate that its share of the worldwide digital ad market will fall to 20.1% this year from its 2021 peak of 22.7%," Aho Williamson said.
- **Threads**, its newest product intended to take on **Twitter/X Corp**, has yet to launch in the EU. While the service garnered millions of initial sign-ups, it's faced a steep engagement drop-off.