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What Meta's revenue growth means for advertisers

Article

Time spent on Facebook and Instagram this year was up 7% and 6%, respectively, according to Meta's Q3 earnings. "It's just incredible growth considering how much time people are already spending on these platforms," our analyst Jasmine Enberg said on a recent episode of the "Behind the Numbers" podcast. "And that, of course, is a really important metric to advertisers."

With its core business stabilized, Meta can focus more on tech-powered innovation, new revenue streams, and responding to global data regulation. Here's an in-depth look at why Meta's trajectory matters.

Doubling down on tech

Meta credits the increase in engagement to AI-driven feed recommendations. In Meta's Q3 earnings call, speakers said "AI" almost 50 times, said Enberg, "which is really a sign of where they're focused now, and [is] what investors want to hear."

She noted that Meta's success with AI is diverting attention away from the money hemorrhaged by metaverse-focused Reality Labs, which saw a $3.74 billion operating loss in Q3, also contributing to even more layoffs during 2023's "year of efficiency."

Meta said it will still nurture Reality Labs, which specializes in AR and VR, despite its 26% drop in revenues YoY to $210 million.

Capitalizing on more platforms

In September, Meta claimed it had no plans to use WhatsApp as an advertising vehicle, but didn't rule out other avenues of monetization.

"WhatsApp is going to be certainly a part of [Meta's] monetization ecosystem in the year to come," our analyst Jeremy Goldman said. "That's something that Mark Zuckerberg has talked a decent amount about."

WhatsApp Business will bring in $718.4 million worldwide in 2024—a 24.5% gain YoY, according to our forecast—as it releases new payment, booking, and commerce services on the app.

Meanwhile, Threads, Meta's new Twitter-like text platform, will contribute to growth in user time spent, Goldman said.

Testing the waters in the EU

In response to EU privacy regulations, Meta launched ad-free subscription options for Facebook and Instagram in October. At €9.99 ($10.84) monthly for web users and €12.99

($14.09) for mobile users (around the same price as a Netflix subscription), the cost could price out some social media users.

For Meta's subscription model to be financially viable in the US, monthly rates would have to be even higher to make up for the higher ad revenues per user in the North American market. In the US this year, every Facebook user will bring in $157.56, compared with the $80.48 for every user in France.

The move serves as a litmus test for the viability of ad-free, subscription-based social media, and challenges Meta's claim that ads enhance the user experience. "Meta said for a really long time that ads are a value-add," Goldman said. "So by saying, 'But now you can pay to get rid of them,' it does undercut that argument."

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