

Meta's path to recovery paved by expensive layoffs

Article

The news: Meta's stock rebounded and the company briefly enjoyed **\$500 billion in market capitalization**, making Meta the [best performer in the S&P Index](#) since November.

Paving the way to recovery: Meta's shares rose as much as 25% in trading Thursday after CEO Mark Zuckerberg vowed to make the social media company leaner.

- Zuckerberg is embracing his role as Meta's chopper-in-chief.
- The company will likely implement more layoffs and divest itself of underperforming business units as it enters its "year of efficiency."
- **Meta is reportedly canceling multiple data center projects and closing and merging offices.**

Meta's layoffs were costly: The company may have spent more than \$88,000 per employee to cut 13% of its global workforce, per Insider.

- The cost of reducing headcount in the company's most significant job cut ever could indicate continued expenses as the company scrambles to recover.
- Meta's "move fast and break things" mantra might be applied to job cuts, which could result in brain drain within the company.
- **Layoffs will likely continue to cost Meta money, eating into any short-term gains.**

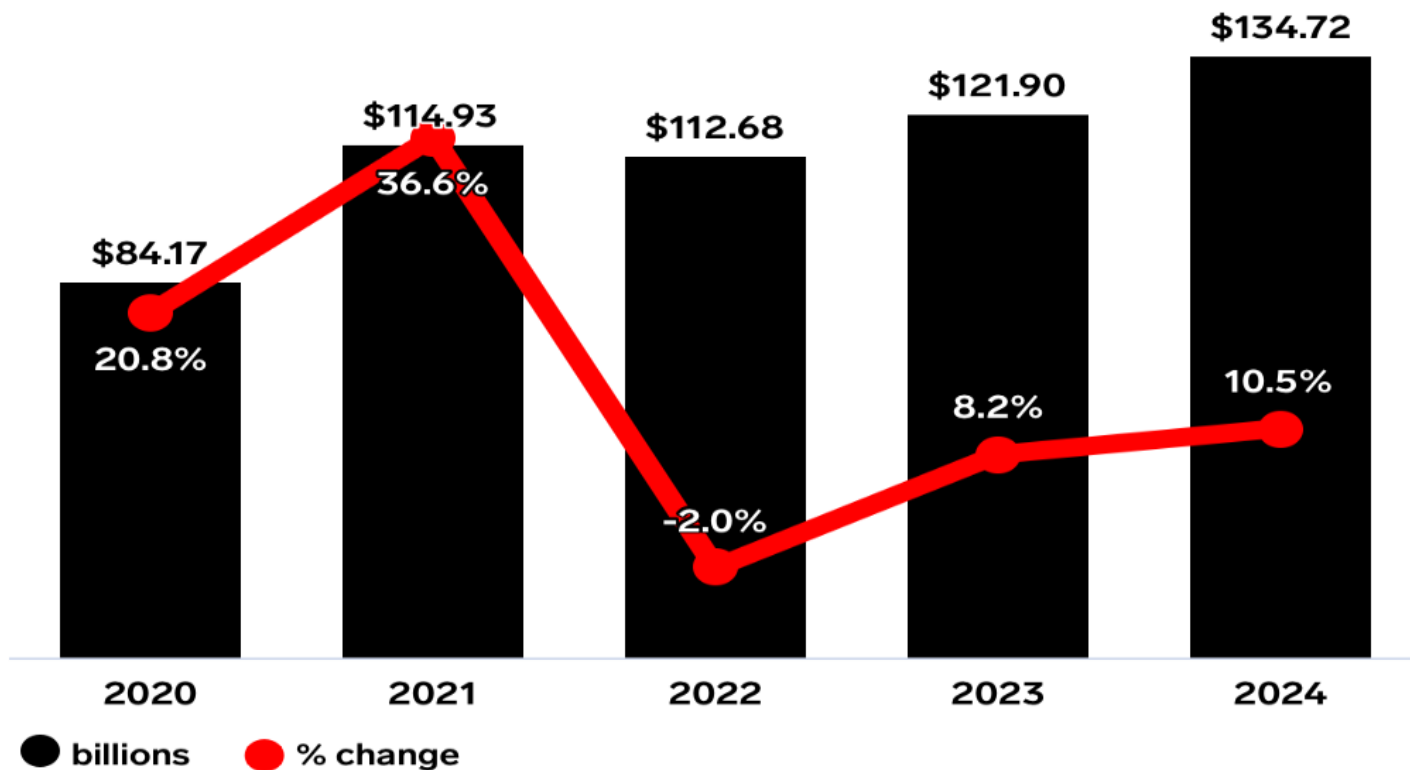
But what about the metaverse? To the delight of Wall Street analysts, Meta's year-old pivot into a VR metaverse platform provider was hardly mentioned during the earnings call. Instead, Meta's messaging focused on potential growth businesses like advertising, content feeds, and Reels.

- Yahoo reports that Meta is spending more than \$1 billion a month on the metaverse, a platform that even Zuckerberg admits is years away from realization.
- Investments in VR will continue. Meta won court approval to purchase VR fitness startup Within Unlimited for an expected \$500 million.
- Owning Within's **Supernatural** service and the competing **Beat Saber** app will give Meta dominance over popular apps on its VR platform.

Our take: Meta will continue to play the shell game, focusing on growth segments and profits, while keeping metaverse developments and expenditures on the down low.

Meta Ad Revenues

Worldwide, 2020-2024



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 spending by marketers that goes toward developing or maintaining a Facebook and/or Instagram presence; excludes revenues reported under Meta's Reality Labs segment

Source: eMarketer, October 2022

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