

Meta reports strong Q2 with 22% revenue growth

Article

By the numbers: Meta reported a stronger Q2 than perhaps any of its Big Tech brethren.

- **Revenues of \$39.07 billion, up 22% year-over-year** and the fourth consecutive quarter of over 20% growth. For the current quarter, Meta forecasts revenues between \$38.5 billion and \$41 billion, surpassing analyst expectations.
- **Earnings per share: \$5.16, up 73% year over year** and well above the \$4.72 per share expected by analysts.
- **Daily active users across all apps: 3.27 billion, up 6.5% YoY.**

While Meta's revenues surged, the company warned that its spending on AI and other sectors will increase in 2025. The Federal Reserve could lower interest rates in September, which would embolden Meta to spend more freely.

Why it matters: As the leader in social media and part of the ad duopoly, Meta's earnings indicate the overall health of the industry. Despite a quarter full of steep penalties and stringent regulatory changes, Meta pulled ahead.

- The number of users across its family of apps grew 7%. Impressions grew 10%, and price per ad also increased 10%.
- The strong ad and user growth reflects that, despite complaints about increasing ad loads on Instagram, users haven't been deterred from the service—and the value of ad space is increasing.

In context: Meta pulled ahead of fellow duopoly member **Google**, which underperformed in earnings and missed expectations on **YouTube**. Google's ad sales grew just 11%.

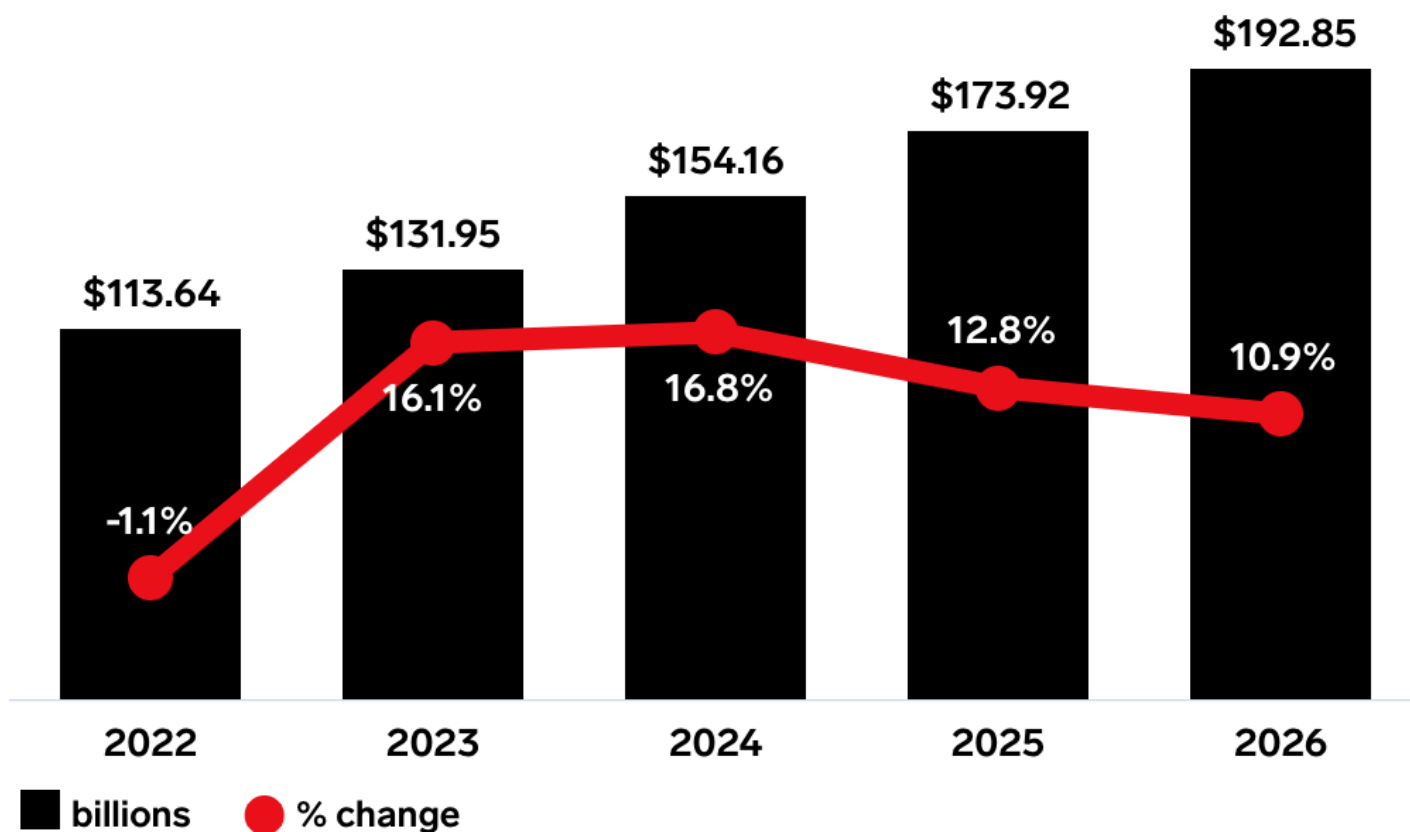
There is also a significant valley between Meta and other social media companies. **Pinterest** met expectations for its Q2 earnings but clung onto growing Gen Z use as a salve for a lower Q3 forecast.

Our take: Meta's strong financial performance and optimistic outlook suggest the company is effectively navigating challenges in the tech industry.

- Continued investment in AI and metaverse technologies demonstrates the company's commitment to long-term growth and innovation.
- Meta's focus on AI development, including the release of the Llama 3.1 model, positions it as a strong competitor in the AI race against companies like **OpenAI** and Google.
- On the company's earnings call, CEO **Mark Zuckerberg** noted growth among young adults on Facebook, particularly in Groups and Marketplace, and the rise of Threads, which is about to hit 200 million monthly active users—both of which are tailwinds for future ad revenue growth.
- The same is true for international expansion: Ad revenue growth was strongest in Meta's rest of world segment, which includes Latin America and Africa, at 33%.

Meta Ad Revenues

Worldwide, 2022-2026



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 Forecast, March 2024