

After a strong Q1, Meta looks to AI for its future

Article

The news: Meta posted **Q1 earnings that beat estimates** on Wednesday, but its shares slumped on disappointing Q2 guidance as it outlined plans for heavy AI investments.

- Revenues were \$36.46 billion, versus expectations of \$36.16 billion, and rose 27% year over year.
- Meta's advertising business saw improvements, with impressions jumping 20% and price per ad increasing 6%.

- [Several rounds of layoffs](#) throughout 2023's "year of efficiency" and Q1 2024 saw the company's headcount decline 10% to 69,329.
- The company still projects revenue growth for Q2, but its guidance was below investor expectations. The company's stock fell 15% in pre-market trading Thursday.

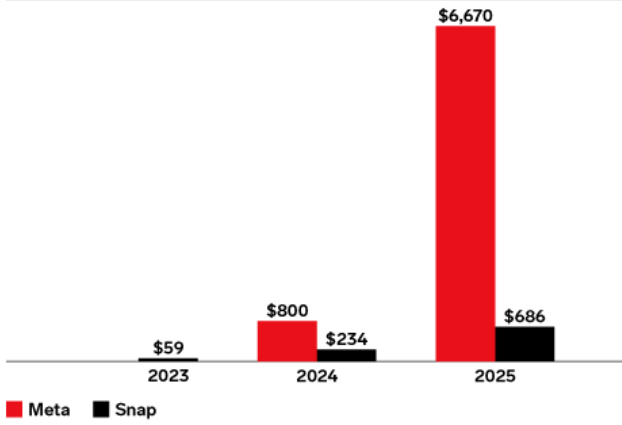
Cost-cutting: Meta's revenue increase is a sign that the company is still benefiting from its yearlong cost-cutting, giving it time to focus on the next growth sector.

- At the moment, that looks to be artificial intelligence. Meta has brought generative AI to its advertising business, allowing brands to use the tech to make accessible creative material and opening [new pools of ad spending](#) from smaller brands.
- But AI isn't just a back-end feature: Meta recently [brought Meta AI to consumers](#), prominently featuring it in the search bars across its app ecosystem and launching a standalone version designed to compete with **ChatGPT**.
- It's yet to be seen if AI will drive long-term engagement or allow Meta to debut new ad space, but it's a prominent push for mainstream use of AI. Other competitors are launching similar AI tools: **TikTok** has tested [AI-generated music features](#); **X** offers access to an AI named **Grok**; and **Snapchat** has highlighted its [ChatGPT-powered chatbot](#) (which is partially locked behind a **Snapchat+** subscription).

Our take: Meta will need to prove throughout the year that AI can be a significant driver of user and revenue growth in order to meet investor demands. Despite AI's buzz, that's a challenging prospect: Monetization has lagged behind AI development, and Meta has already [run into notable content moderation issues](#) involving the tech.

Meta vs. Snap Artificial Intelligence (AI) Agent Ad Revenues Worldwide, 2023-2025

millions



Source: New Street Research, "META & SNAP: How Much Ad Revenue Could Consumer AI Agents Generate?" cited by MediaPost, Jan 5, 2024

284392

Insider Intelligence | eMarketer