

Meta's strategic efficiency and diversification pay off

Article

The news: Meta's shares surged more than 6% yesterday after the company posted strong earnings results, proving that its "year of efficiency" and diversification is finally paying off.

How Meta got its groove back: The company, which owns Facebook, Instagram, Reality Labs, WhatsApp, and Threads, forecast revenue of \$32 billion to 34.5 billion for the third

quarter, which surpasses analysts' \$31 billion expectation.

- The company has returned to double-digit revenue growth, and the stock is up over 160% this year, per [CNBC](#).
- Its resurgence is thanks in part to a rebound in online advertising and a sign that its “year of efficiency”—resulting in [layoffs of 11,000 employees and middle management](#)—cut costs and improved the bottom line.
- Increased engagement from Meta's **TikTok** competitor **Reels** and a return on continued [AI integration and investments](#) have helped its upward trajectory even as its metaverse pivot lays dormant.

Pros and cons: A return to profitability gives Meta the luxury to invest in emerging technologies and establish its foothold in the red-hot [generative AI market](#).

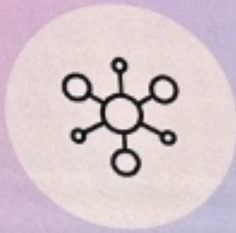
- It can also continue to imbue its products and services with AI including **Meta Advantage+** and AI modeling for feeds and ads.
- Meta has some breathing room to continue investing in its VR and metaverse aspirations as well as expand on new services like Instagram's Threads.

The caveat: Meta should invest cautiously—earnings could quickly be offset by losses—in context, [the company lost \\$7.7 billion on its AR/VR Business in the past six months](#).

Our take: How Big Tech companies recover from the economic downturn is indicative of their future success.

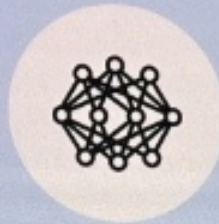
- In the case of Meta, its highly diversified business model didn't just enable the company to overcome economic headwinds; it gave it the latitude to push into AI as well as create new services like Threads.
- Judicious investments across markets with shorter-term ROI could sustain longer-term ambitions like VR platform expansion.

Three focused areas of AI investment in ads



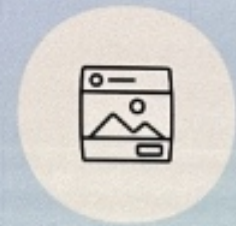
Infrastructure

Helps improve the performance and efficiency of our ads system



Modeling

Helps performance with less access to the same granular level of data



Experiences

Help automate steps for advertisers or optimize for a certain business objective and better results

Responsibility

(Source: Meta)