

Meta shares rise after earnings top expectations

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Credit: Julio Lopez from Pexels

Meta on Wednesday reported profit of \$13.5 billion in the recently ended quarter, beating market expectations and causing its share price to jump.

Meta, the parent company of Facebook and Instagram, said revenue in the quarter was \$39 billion, about 22 percent higher than the same period a year earlier.

"We had a strong quarter, and Meta AI is on track to be the most used AI assistant in the world by the end of the year," said Meta founder and chief Mark Zuckerberg.

Meta shares rose more than six percent to \$506.91 in after-market trade that followed the release of the earnings figures.

The impressive profit came even though Meta's Reality Labs unit, devoted to virtual and augmented reality products, lost \$4.5 billion, which was more than analysts expected.

"We are in the fortunate position where the strong results that we're seeing in our core products and business give us the opportunity to make deep investments for the future," Zuckerberg said on an earnings call.

"I plan to fully seize that opportunity."

Meta's overall costs rose seven percent to \$24.22 billion when compared to the same period a year earlier, with the company racing against Microsoft, Google and other tech firms to be a leader in [artificial intelligence](#).

Microsoft saw its shares slip this week on earnings figures showing its crucial cloud computing unit did not grow as strongly as expected.

Shares of Google-parent Alphabet dropped on concerns that [ad revenue](#) was slowing while costs were on the rise after its earnings release.

"Meta stands out from other [tech firms](#) that have AI ambitions because it

already brings in a massive amount of revenue from digital advertising," said Sonata Insights founder and chief analyst Debra Aho Williamson.

"Unlike Google, which is grappling with making changes that will impact its core ad business, most of Meta's AI investments are either aimed at making advertising on its properties work better, or at building new features that could eventually become revenue drivers."

AI for all

Zuckerberg has become an unexpected evangelist for open-source technology when it comes to developing artificial intelligence, pitting him against OpenAI and Google.

He recently laid out his vision in an open letter titled "Open Source AI is the Path Forward."

"AI is going to end up affecting almost every product that we have in some way," Zuckerberg said.

"It's why there are the jokes about how all the tech CEOs get on these earnings calls and just talk about AI the whole time—it's because it's actually super exciting."

Meta reported that an average of 3.27 billion people used at least one of its family of apps, which includes WhatsApp, Instagram, and Facebook.

"I'm particularly pleased with the progress that we're making with young adults on Facebook," Zuckerberg said.

"Another bright spot is Threads, which is about to hit 200 million monthly (active users)."

In another potential boost to its business, Meta could also start selling advertising on Threads, its spin on rival social media platform X, formerly Twitter.

Meta said ad views in the quarter were 10 percent more than during the same period last year, and the average price of ads was up a similar percentage.

"Any apprehensions investors may have had about Meta's spending on AI and the 'Metaverse' are likely to be allayed by this quarter's results," said eMarketer principal analyst Max Willens.

"Meta's careful introduction of ads on Reels has led to a perfect storm of rising impressions and rising ad prices."

Reels is an algorithm-fueled short-video-sharing service Meta launched in a challenge to TikTok, which faces the potential of being banned in the United States under a new law poised to take effect.

The rise in sales and profit continued Meta's rebound of 2023, which came thanks to drastic cost-cutting, including massive layoffs in what Zuckerberg dubbed the "year of efficiency," which saw tens of thousands of employees let go after a miserable 2022.

Meta said its global workforce now stood at 70,799, down from a peak of more than 87,000 employees in 2022.

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