



Analysis of Meta Platforms, Inc.'s Financial Reports

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Abstract. With the digitization of the global economy and the development of social media, the financial performance of Meta Platforms, Inc. (formerly Facebook), as a global leader in the social media industry, has been the focus of attention in the capital markets. Based on the financial statements of Meta Company from 2022 to 2024, this paper analyzes its financial risks and development opportunities in the transition to metacomputing and artificial intelligence by means of horizontal analysis, vertical analysis and financial ratio analysis. Through the analysis of its financial statements, it is concluded that Meta company's operating income has increased for three consecutive years, and its revenue growth engine is still advertising business, which has also achieved three consecutive years of growth. Secondly, Meta company implemented the "efficiency year" plan and self-developed AI chip (MTIA) and algorithm optimization, and achieved double growth in gross and net profit margin within three years, and achieved remarkable results in cost control. However, Meta still faces some operational problems: for example, the revenue structure is simple and it relies too much on advertising business; Meanwhile, Metaverse continued to lose money; And long-term debt has soared, exacerbating financial risk. This paper provides investors with a financial analysis method to evaluate Meta's financial data and financial risks, and also provides a reference for the innovation and development of leading enterprises in the social media industry in the process of developing towards artificial intelligence.

Keywords: Financial Analysis, Metaverse, Artificial Intelligence, Advertising Revenue

1 Introduction

Since the world entered the Internet era, the increasing importance of information and forming of a digital economy contributes to the active use of digital tools in various subsystems of society. The most important element of the digital economy is social media [1]. Together with the growing number of internet users, social media has also gained traction rapidly and a significant increase in social media users is still noticeable across the globe [2]. Under this trend, Facebook (now renamed Meta Platforms, Inc.) emerged. It was founded in 2004 and initially positioned as a social platform for college students. At 3 billion out of 4.9 billion active social media users worldwide, Facebook has emerged as the most popular and influential social media platform [3]. Mark

Zuckerberg declared the rebranding of Facebook Inc. as Meta in October 2021 [4]. As of 2024, Meta's market value exceeded 800 billion US dollars, with its key departments (Facebook, WhatsApp, Instagram) having over 3.9 billion monthly active users, covering approximately 49% of the global population. Its digital advertising market share is 23.6%, second only to Google (28.1%). Meta's annual revenue in 2024 reached 142 billion US dollars, with advertising revenue accounting for over 97% and the revenue from hardware and metaverse business increasing to 3%. At the same time, Facebook is the world's largest social platform and a mainstay of global social media advertising and digital advertising, and its business model and financial condition are the focus of the capital market. Therefore, it is very important to conduct business analysis and evaluation of meta's financial performance, which is conducive to summarizing relevant experience and optimizing suggestions, and providing reference for other companies trying to explore the profit model of social media industry. By analyzing the financial statements of Facebook, this paper analyzes the risk status of the transformation process to the meta-universe and artificial intelligence in its development, and it can provide a basis for decision-making and help investors, creditors, etc. evaluate the enterprise's profit level and investment value.

The article evaluates Meta's financial position by using the financial data of Meta Company from 2022 to 2024, horizontal and vertical analysis of financial statements (including balance sheet and income statement), combined with ratio analysis: core business efficiency is measured by using profitability ratios (net interest rate, return on assets, return on capital employed). By analyzing Meta's financial statements, the risks and opportunities in the transformation period of technology giants can be seen from multiple perspectives, which can help investors evaluate Meta's risk-regression status and make decisions. Meanwhile, it reflects Meta's financial status in the transformation process to meta-universe and artificial intelligence, and explores the balance between innovation and profitability.

2 Financial Analysis

2.1 Income Statement Analysis

Table 1. Meta Platforms, Inc. Consolidated Income Statements (2022-2024)

Income Statement Items	2024	2023	2022
Total Sales Revenue	164,501	135,271	116,649
Advertising Revenue	160,633	131,948	113,642
Cost of Revenues	30,161	25,673	23,160
Gross Profit	134,340	109,598	93,489
Operating Expenses	64,960	63,256	58,621
Operating Profit	69,380	48,108	35,912
Net Income	62,360	39,098	23,200

The paper will use vertical and horizontal analysis methods to analyse its income statement.

Horizontal analysis. According to Table 1, The total sales revenue of Meta Company increased from \$116,649 million in 2022 to \$164,501 million in 2024, with a year-on-year growth of 15.9% in 2023 and 21.6% in 2024, achieving a double increase in sales revenue and growth rate. Among them, advertising revenue increased from \$113.642 billion in 2022 to \$160.633 billion in 2024, a two-year increase of \$46.991 billion, and the growth rate of advertising revenue was basically in step with the growth of total sales revenue. This is mainly due to Meta's self-developed Reels short video and AI recommendation algorithm to improve user stickiness. Such a new tool is Facebook's option to set user advertising preferences [5]. While implementing the regional expansion policy, India, Southeast Asia emerging markets contributed to the increase.

In terms of operating costs, from \$23.16 billion in 2022 to \$30.161 billion in 2024, a two-year increase of \$7.01 billion, a year-on-year increase of 17.5% in 2024, but slower than the growth rate of revenue in the same period (+21.6%). Operating expenses increased from \$58.621 billion in 2022 to \$64.96 billion in 2024, a two-year increase of \$6.339 billion, but the growth rate was also much slower than revenue in the same period. Gross profit margin increased from US \$93.489 billion in 2022 to US \$134.340 billion in 2024, representing a two-year increase of US \$40.851 billion. Operating profit nearly doubled from \$35.912 billion in 2022 to \$69.380 billion in 2024, an increase of \$33.468 billion in two years. Net profit rose from \$23.20 billion in 2022 to \$62.36 billion in 2024, an increase of \$39.16 billion over a two-year period.

Through horizontal analysis, we can see that Meta's advertising business growth engine is strong, and it maintains a high growth trend through the use of AI tools and emerging markets; At the same time, from "input into the meta-universe regardless of cost" to control the input cost of the meta-universe, the operating cost and operating expenses are greatly reduced.

Vertical analysis. According to the table above, in terms of revenue structure, it can be seen from Table 1 that the most important revenue source of Meta company is advertising revenue, which accounts for more than 97% for three consecutive years from 2022 to 2024, and the proportion rises slightly. Meta packages customer data, gleaned from its application ecosystem and sells ads to digital advertisers. While the firm has been investing heavily in its Reality Labs business, it remains a very small part of Meta's overall sales [6]. This revenue structure, which relies heavily on advertising revenue, although it will bring huge profits to Meta company in the short term, in the long run, if it is affected by macroeconomic changes or policy shocks, its income will be greatly affected.

In terms of cost structure, operating costs decreased year after year, from 19.85% in 2022 to 18.33% in 2024, and cost efficiency improved. This is due to Meta reducing unit service costs through self-developed chips (such as the MTIA AI chip) and optimizing computing power distribution. And its hardware costs are diluted year by year, for example, although metaverse hardware (such as Quest headset) sales growth is limited, but the related fixed costs are diluted by the high revenue of the advertising business. The decrease in operating costs directly drove the gross margin from 80.15% in 2022 to 81.67% in 2024. In addition, the share of operating expenses has been significantly reduced. From 50.25% in 2022 to 39.49% in 2024, a decrease of 10.76 per-

centage points. This is due to Zuckerberg's proposed "Year of Efficiency" in 2023, Meta has several parallel workstreams to improve organizational efficiency, dramatically increase developer productivity and tooling, optimize distributed work, garbage collect unnecessary processes, and more [7].

At the same time, Meta's profitability has also been greatly improved. Meta's operating margin improved significantly from 30.79% in 2022 to 42.18% in 2024, an increase of 11.39 percentage points. This is due to Meta's revenue growing faster than expenses, and fixed expenses are diluted year by year. Second, Meta's net profit doubled from 19.89% in 2022 to 37.91% in 2024, nearly doubling. This was related to lower tax rates and higher non-recurring gains, such as the sale of part of the patent portfolio.

Through vertical analysis, it can be seen that Meta has achieved significant cost reduction and efficiency improvement, with operating costs and expenses both falling, gross profit margin and net profit margin reaching a record high, and profitability becoming more efficient.

2.2 Balance Sheet Analysis

Table 2. Meta Platforms, Inc. Consolidated Balance Sheet (2022-2024)

Assets/Liabilities & Equity	2024	2023	2022
Accounts Receivable, Net	16,449	16,169	13,366
Total Current Assets	100,045	85,365	59,549
Total Assets	276,054	229,623	185,727
Accounts Payable	7,687	4,849	4,990
Total Current Liabilities	33,596	31,960	27,026
Long-Term Debt	28,826	18,385	9,923
Total Liabilities	93,417	76,455	60,014
Additional Paid-In Capital	83,228	73,253	64,444
Retained Earnings	102,506	82,070	64,799
Total Stockholders' Equity	182,537	153,168	125,713
Total Liabilities & Equity	276,054	229,623	185,727

Horizontal analysis. As can be seen from Table 2, in terms of asset scale, Meta Company's asset scale shows a continuous expansion trend from 2022 to 2024, with total assets increasing from \$18,572.7 billion in 2022 to \$27,605.4 billion in 2024, with a cumulative increase of 48.6% in three years. Its growth trend is mainly due to the growth of current assets and the long-term investment decisions made by the company: Meta's current assets have continued to grow in the past three years, and the growth rate of current assets has slowed down in 2024, but the growth rate still reaches 17.20; Through the analysis of the proportion of current assets and non-current assets, it can be seen that about 68.4 of the total asset increase in 2024 will flow to non-current assets (such as data centers and VR hardware production lines), reflecting the company's strategic transformation of focusing on the materialization of asset technology.

From the perspective of debt dynamics and solvency, long-term debt soared from \$9.923 billion in 2022 to \$28.826 billion in 2024, an increase of 190.5% in two years, and long-term debt showed explosive growth; Total debt also grew to \$93.417 billion, an increase of \$16.962 billion over 2023, or 22.18% over the same period last year, reflecting Meta's capital expansion through debt financing.

At the same time, retained earnings achieved two years of continuous growth, from \$64.799 billion in 2022 to \$102.506 billion in 2024, an increase of 58.2%; The three-year increase of 29.1% in capital reserves was mainly due to the exercise of employee stock options and the conversion of convertible bonds. The total shareholders' equity reached \$182.537 billion in 2024, an increase of 19.18% year-on-year, and the ability to accumulate profits was strong.

Vertical analysis. The vertical analysis of the asset structure shows that from 2022 to 2024, the proportion of liquid assets continues to rise, from 32.07% in 2022 to 36.24% in 2024. The continued increase in the proportion of current assets to total assets was mainly due to the growth of accounts receivable and monetary funds: the proportion of accounts receivable increased for two consecutive years, while the relative decline of non-current assets.

From the analysis of debt structure, it can be seen that Meta company's long-term debt has increased year by year, with long-term debt increasing by 85.28% in 2023 and 56.76% in 2024. The share of current liabilities is relatively stable, with accounts payable increasing by 58.51% in 2023.

An analysis of the owner's equity structure shows that from 2022 to 2024, the proportion of retained earnings increased from 51.56% to 56.15%, mainly due to the company reinvesting most of its profits, rather than paying dividends, to encourage long-term technological innovation.

3 Financial Ratio Analysis

Table 3 listed some of the key financial ratios for profitability, and the detailed explanation will be provided below.

Table 3. Key Financial Ratios Performance

Financial Ratio	2024 (%)	2023 (%)	2022 (%)
Net Profit Margin	37.9	21.5	15.7
Return on Assets (ROA)	19.5	19.3	12.5
Return on Capital Employed (ROCE)	20.6	20.6	12.1

3.1 Net Profit Margin

The net profit margin measures the efficiency of expenditure management relative to sales revenue [8]. The formula for calculating the net profit margin is: Net profit margin = (Net profit ÷ Operating revenue) × 100%. According to Meta's financial reports from

2022 to 2024, the company experienced its lowest net profit margin in 2022 at 15.7%. This decline was primarily attributed to the structural impact of Apple's ATT privacy policy on Meta's advertising ecosystem. Data indicates that Meta's ability to acquire user behavior data on the iOS platform decreased by 40%, leading to a significant reduction in advertising placement accuracy. Additionally, the underperformance of the metaverse strategy resulted in Reality Labs generating only \$2.16 billion in annual revenue while incurring an operating loss of \$13.7 billion, further exacerbating the overall losses. Consequently, the net profit margin halved, and Meta's market value dropped by 64% within the year.

In 2023, Meta's net profit margin improved to 21.5%, largely due to the introduction of the Meta-Lattice algorithm developed by Meta AI Lab. This algorithm leverages multimodal models to analyze user-generated text, images, and video content, thereby increasing the click-through rate of advertisements by 19%. Moreover, Meta implemented cost-cutting measures by laying off 11,000 employees, resulting in labor cost savings of \$4.6 billion. Administrative expenses were also reduced from 6.2% to 4.8% of revenue.

By 2024, with the rapid advancement of AI technology, Meta's net profit margin surged to 37.9%. The deployment of the generative AI toolkit Advantage+ 2.0 enhanced precise site visitor targeting, ad personalization, and campaign performance measurement. Furthermore, the mass production of Meta's self-developed AI chip MTIA v2, which offers four times the computing power of NVIDIA's A100 and a 60% reduction in unit cost, contributed to a 22% increase in revenue to \$164.5 billion, while total costs rose by only 7%. These AI tools are beneficial for precise site visitor targeting, ad personalization, and campaign performance measurement [9]. These factors collectively drove the rapid growth in net profit margin.

3.2 Return on Assets (ROA)

Return on assets (ROA) represents the profitability ratio that a company generates from its assets over a specific period. It can be interpreted as the total return on the company's assets. Analyzing Meta's financial data from 2022 to 2024 reveals that ROA declined to 12.5% in 2022. This decrease was mainly due to the drop in net profit margin, slower growth in advertising revenue, and substantial losses in the metaverse division, causing asset growth to significantly outpace revenue growth.

In 2023, ROA rebounded to 19.3%, driven by Meta's "efficiency year" initiatives. The company laid off 11,000 employees, saving approximately \$5 billion in labor costs. Additionally, improvements in AI recommendation algorithms and increased Reels advertising revenue boosted the net profit margin. Capital expenditures also decreased to \$27 billion, slowing down asset growth.

In 2024, ROA increased slightly to 19.5%, primarily due to the deployment of the generative AI toolkit Advantage+ 2.0 and the mass production of the self-developed AI chip MTIA v2. These advancements led to a significant rise in the net profit margin. Revenue grew to \$164.5 billion, while total costs increased by only 7%, contributing to the improvement in ROA.

3.3 Return on Capital Employed (ROCE)

Return on capital employed (ROCE) assesses a company's ability to generate after-tax operating profits using long-term capital (equity + debt) [10]. An analysis of Meta's financial data shows that ROCE was only 12.1% in 2022. This low figure was primarily due to declining advertising revenue and operating losses in the Reality Labs division. International tax reforms and fine expenditures also increased taxes. Capital employed rose to \$195 billion, with investments directed towards data centers, servers, and metaverse hardware.

In 2023, ROCE increased to 20.6%, mainly due to the recovery of the advertising business, with AI recommendation algorithms driving a 15% increase in advertising revenue. The layoff of 11,000 employees reduced operating expenses, and a decrease in capital expenditures led to a reduction in capital employed.

In 2024, ROCE remained steady at 20.6%, supported by AI-driven advertising tools that increased advertising revenue and a reduction in Reality Labs' losses to \$9 billion, which boosted EBIT. Collaborations with AWS and Azure for data center operations reduced the company's own capital investment and improved capital efficiency.

4 Conclusion

In the era of Internet, social media permeates people's lives in all aspects. As a leader in the social media industry, Meta Company's financial performance is important for us to study its financial situation and help investors analyze Meta Company's risk situation and make decisions. By analyzing the financial data of Meta 2022-2024, this paper evaluates the financial risks and opportunities of meta company in the transition to metacomes and ai from two aspects: financial statement analysis (income statement and balance sheet) and financial ratio (net interest rate, return on assets, return on capital, etc.). At the same time, this paper makes an in-depth analysis of meta company's income statement and balance sheet through horizontal analysis and vertical analysis of financial statements. At the same time, ratio analysis is carried out to calculate core indicators such as net interest rate, ROA (return on assets) and ROCE (return on capital), and analyze them to measure their profitability and asset efficiency. Through the horizontal, vertical and ratio analysis of its financial statements for 2022-2024, it is shown that the financial performance of Meta company presents the characteristics of "high growth and high risk" in the process of transformation to the meta-universe and artificial intelligence (AI). Advertising business is still the core business of Meta Company and the main engine of its profitability. Advertising revenue increased by 41.3% in three years, and the profitability of core business continued to increase. However, it is necessary to be alert to the problem of high dependence on advertising revenue and single income structure. At the same time, Meta's cost control has achieved remarkable results, the proportion of operating expenses decreased from 50.25% in 2022 to 39.49% in 2024, and the gross profit margin increased to 81.67%, but Reality Labs still continues to lose money, which is still a "burden" on cash flow. The asset efficiency has been greatly improved. The return on assets (ROA) has been greatly improved due to Meta's

self-developed AI chip MTIA v2 and its large-scale application. But debt is exploding, with long-term debt soaring 190.5% in three years.

Through the analysis of Meta's financial performance, it can be seen that its strategic direction has changed from "scale first" to "efficiency first". In the future, the company can explore more profit models other than advertising and achieve diversification of revenue models. At the same time the metaverse has enormous potential to provide customers with novel experiences and support brand capabilities, The company should explore the technological integration of AI and meta-universe to achieve Reality Labs to turn losses into profits, reduce costs and increase efficiency, control debt leverage, and perform benign operations.

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