



Exploring Meta's strategic evolution and market edge

We've seen significant growth in the technology sector this year. Investment Analyst Claire Britton explores the social media giant Meta, highlighting its robust market position and innovative strategies for adapting to industry changes. Claire offers insights into how Meta navigates competitive risks like TikTok and actively integrates Artificial Intelligence into its operations to enhance user experiences and optimise its platforms, making it a worthy position in the Magellan global strategy.

We've seen strong growth within the technology sector this year and recently Meta was added back to the portfolio, can you provide insight on this?

Meta is the owner of popular social media platforms, Facebook and Instagram, as well as WhatsApp, the largest messaging platform globally. With 4 billion monthly active users, Meta has built a vast user base and a powerful social networking dataset. This, combined with significant investments in its technology and algorithms, has enabled Meta to build one of the largest and most efficient advertising platforms in the world. The global advertising market, valued at nearly US\$1 trillion, is a large and growing market, and Meta is expected to benefit as digital advertising continues to gain market share from traditional offline formats.

Every investment carries risks, and the Magellan team carefully evaluates these. What risk does TikTok pose to Meta?

TikTok is a social media platform, owned by the Chinese firm ByteDance, that started gaining momentum in 2018 and quickly grew to a billion users by 2021. TikTok's popularity threatened the loss of user engagement and advertising dollars for Meta. However, Meta has a strong track record of adapting to new trends and threats. For example, it successfully introduced Instagram Stories to compete with Snapchat in the late 2010's, and recently introduced Instagram Reels to counter TikTok. Meta is seeing healthy growth among young adults, a key demographic, driven by its recent product innovations as well as strong engagement on its Facebook Marketplace. While TikTok remains a threat, Meta's ability to adapt is crucial in the fast-

paced technology sector.

Can you share insights on the potential TikTok ban in the U.S.?

Earlier this year, President Biden signed a bill to ban TikTok in the U.S. unless ByteDance, its Chinese owner, agreed to divest it. There are three possible outcomes:

1. TikTok wins its lawsuit against the U.S. government (claiming the proposed law is unconstitutional), and subsequently its operations are unchanged in the U.S.
2. TikTok loses its lawsuit, ByteDance divests the U.S. TikTok business to another U.S. owner, causing temporary disruption but a continuation of TikTok's operations in the U.S.
3. TikTok loses its lawsuit and ByteDance chooses not to divest the U.S. TikTok business, leading to a ban of TikTok in the U.S., which could benefit Meta over time.

How is Meta using artificial intelligence?

Artificial intelligence (AI) is becoming integral to many technology companies, including Meta, which has several opportunities to capitalise on AI.


1. **Messaging:** Meta owns WhatsApp, Facebook Messenger, and Instagram Direct Messaging, and has launched its AI assistant across these communication channels. "Meta AI" could become the most used AI assistant by the end of the year. This is expected to help businesses scale customer interactions and engagement.
2. **Content Creation:** Meta aims to utilise AI to automate content creation on behalf of advertisers. This is particularly valuable for small businesses.
3. **Large Language Models:** Meta has developed a number of large language models using its unique data and has chosen to open-source them, enabling developers to build new tools on top of the existing capabilities. This state-of-the-art capability, wide availability and adaptability are a competitive differentiator for Meta.

Can you tell us more about Mark Zuckerberg’s work on augmented reality glasses and how that fits into the company’s broader strategy?

Meta’s augmented reality glasses are just one part of its broader Metaverse, or Reality Labs, strategy. The Metaverse represents a long-term project aimed at creating a more immersive, 3D internet experience. Mark Zuckerberg envisions the Metaverse as being an extension of Meta’s current platforms, with a focus on developing technology to bring people together. This initiative requires significant investment in both software and hardware. Recently, Meta unveiled the Orion augmented reality glasses, which incorporate Meta’s AI assistant and can digitally interact with the user’s environment. Although not yet available to consumers, these glasses showcase Meta’s commitment to innovation and hint at future advancements.

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