

Meta Beats Q3 Expectations With Strong Earnings

The numbers

\$64.6 billion – Total Q3 revenue, up 26% year over year.

\$63.1 billion – Total advertising revenue, up 26% year over year.

10% – Year-over-year increase in ad impressions delivered across services.

14% – Global average price increase per ad compared to Q3 2025.

\$9.9 billion – Pre-tax charge recognized in Q3 total expenses tied to the August 2026 Multi-State Attorneys General Agreement related to the platform's handling of youth mental health.

\$13 billion – Q3 GAAP operating income, down 37% year over year (representing a 20% operating margin).

\$34.9 billion – Capital expenditures for the quarter, driven by investments in servers, data centers, and network infrastructure.

The watercooler talk

Meta's advertising business continued to grow in the third quarter, with ad revenue rising 26% year over year to \$63.1 billion. The company said ad impressions increased 10%, driven by user engagement growth and ad load optimizations, while the global average price per ad rose 14% due to ad performance

gains and improved macro conditions.

AI was a major theme on the call. Meta said its AI investments are already generating incremental advertising revenue through stronger engagement, improved recommendations, and more efficient monetization. The company highlighted several AI-driven advertising improvements. Its GEM model lifted conversions by 1.7% for off-site conversion campaigns and 9.6% for app ads conversions.

Advertisers are also adopting Meta's generative AI creative tools, with nearly 10 million using at least one in the third quarter. Meanwhile, partnership ads grew more than 97% year over year and surpassed a \$15 billion annual revenue run rate.

However, a legal settlement charge heavily compressed quarterly profitability. Meta recognized a \$9.9 billion pre-tax charge in Q3 total expenses tied to the August 2026 Multi-State Attorneys General Agreement related to the company's settlement of lawsuits over its handling of youth health on the platform. The charge dragged Q3 GAAP operating income down 37% year over year to \$13 billion (a 20% operating margin). CFO Susan Li emphasized during the call that excluding this legal settlement charge, operating income would have increased 11% year over year.

Key Quote

Meta is betting that its investments in artificial intelligence will help advertisers get better results and drive further growth in its core business. The company pointed to improvements in ad recommendations, engagement, and conversion rates as evidence that its AI spending is beginning to pay off.

"Our AI investments are already delivering substantial incremental advertising revenue through stronger engagement, better recommendations, and more efficient monetization," – Susan Li, Meta's chief financial officer.

The comments show how Meta is positioning AI not just as a long-term investment, but as a way to improve the performance of its advertising business today.

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