

Meta Shares Fall as Costs for AI Concern Investors

The numbers

\$50.1 billion: Meta's ad revenue, up 26% YoY. Overall revenue was \$51.24 billion, up 26% YoY

+14%: YoY increase in ad impressions delivered across Meta's Family of Apps.

10%: Increase in average price per ad.

\$15.9 billion: a one time, non cash income tax charge on deferred tax assets as a result of Trump's One Big Beautiful Bill Act

\$1.05: Earnings per share, significantly lower than the average analyst estimate of \$6.72. (Attributed to the \$15.9 billion one-time tax charge)

3 billion: Instagram hit a major milestone with monthly active users

Watercooler talk

Meta's accelerating AI investment is now the dominant financial storyline. The company is pouring more than expected into data centers, compute, and cloud capacity, prompting investor concern over whether the return on AI will meaningfully scale beyond ads—and on what timeline.

That increase in AI costs, coupled with a one-time hit to the tune of \$15.93 billion tied to tax changes following the implementation of the "One Big Beautiful Bill" signed into law

by President Trump in July, sent shares down as much as 10% in extended trading Wednesday.

The social media giant has been on a massive spending spree, investing billions to hire talent and expand the data centers needed to support its growing AI ambitions. Meta now employs more 78,400 people, up 8% YoY, with employee compensation growth accelerating, particularly for technical hires in AI.

Meta CFO Susan Li said Meta's total expenses in 2026 will grow at a "significantly faster percentage rate in 2026 than 2025," driven primarily by infrastructure costs, including incremental cloud expenses. She added in a call with analysts that ad revenue will help fund those investments.

The annual run rate of revenue running through Meta's end-to-end automated solutions has reached \$60 billion, according to Li. Meanwhile, its AI recommendation systems on Facebook, Instagram, and Threads are delivering more relevant content, boosting time spent on Facebook by 5% in Q3 and on Threads by 10%, per CEO Mark Zuckerberg. Reels now has an annualized revenue run rate of over \$50 billion, he added.

Still, Meta signaled that AI infrastructure needs outpace internal forecasts. Li said the company now expects to "invest aggressively" in compute next year—building new data centers while also paying third-party cloud providers—which will push capital spending and overall expenses higher in 2026.

Key quotes

When an investor pressed Meta on whether it's over-investing in AI infrastructure, Meta insisted the company remains "underbuilt" on AI infrastructure despite swelling capex.

"Almost every week, people come to us from outside the company asking us to stand up an API service or provide compute. We haven't done that yet, but if we ended up overbuilding, that

could be an option,” Zuckerberg said. “The very worst case would be that we’ve essentially prebuilt for a couple of years. There would be some loss in depreciation, but we’d grow into that capacity over time.”

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