

# Meta's 2024 Infrastructure Bet: How Fast to Build?

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## The decision

At 4:15 p.m. Eastern on February 1, Meta Platforms had just released its fourth-quarter and full-year 2023 results. Investors had seen the numbers and a new range for 2024 capital expenditures. Meta's earnings call was scheduled to begin at 4:30. In the interval, a hypothetical strategy team was asked to recommend how quickly the company should commit to infrastructure spending for the year.

The public materials did not disclose a specific board vote or internal proposal. For this case, assume the team must advise whether to plan near the lower end, midpoint, or upper end of the newly disclosed **\$30-37 billion** capex range, and what evidence should govern any change in pace. The decision includes AI and non-AI servers, data centers, and a new data-center architecture. It also sits alongside a newly increased **\$50 billion share-repurchase authorization** and Meta's first quarterly dividend.

## A strong business and a changing investment plan

Meta's Family of Apps averaged 3.19 billion daily active people in December 2023, up 8% from a year earlier. Full-year revenue was \$134.9 billion, including \$131.9 billion of advertising revenue. For the fourth quarter, ad impressions across the Family apps rose 21% year over year and average price per ad rose 2%. Across all of 2023, impressions rose 28%, while average price per ad fell 9%. These results show the scale and recent momentum of the advertising business, but they do not separate the effects of advertiser demand, ad mix, pricing, engagement, product changes, or AI.

Management said in its September 2023 Form 10-Q that Meta's AI-powered discovery engine for recommending content people do not already follow had "already seen results" in improved engagement and monetization. The filing did not quantify those results or provide a comparison showing what would have happened without the engine. It did not measure returns on additional infrastructure spending.

The company also described competitive and execution risks. Its 10-Q said competition from TikTok and other services had reduced some user engagement, and that user engagement affects ad inventory and financial results. Meta was investing in AI for ad delivery, targeting and measurement. At the same time, it warned that AI initiatives might not improve its products, efficiency or profitability and could create privacy, security, legal, safety and reputational risks.

## The new range and the capital-return announcements

Meta reported 2023 capital expenditures of \$28.1 billion, including principal payments on finance leases. Its new 2024 outlook was \$30-37 billion, with the high end \$2 billion above the prior range. The company said the spending would support both AI and non-AI servers and data centers, including a new data-center architecture. Management expected infrastructure needs to grow beyond 2024 as it pursued longer-term AI research and product development, while describing its understanding of AI capacity needs as evolving.

The range implies materially different levels of commitment. Its \$33.5 billion midpoint is about 19% above 2023's \$28.1 billion on the company's lease-inclusive capex measure. The lower and upper endpoints imply increases of approximately 7% and 32%, respectively. Those comparisons are arithmetic, not forecasts of project returns. Meta did not disclose an AI/non-AI allocation, compute utilization, project schedule, or expected return for any portion of the range.

Meta ended 2023 with \$65.4 billion in cash, cash equivalents and marketable securities, and \$18.4 billion of long-term debt. It reported \$43.0 billion of free cash flow for the year. Meta defines that non-GAAP measure as operating cash flow less property and equipment purchases net of proceeds and principal payments on finance leases. The company cautions that free cash flow is not residual cash available for discretionary spending. It must be read with operating needs, investment commitments, debt, dividends and repurchases in mind.

Meta repurchased \$20.0 billion of its shares in 2023. On February 1 it announced a further \$50 billion increase in the authorization; the existing program had no expiration. The company also declared a first quarterly dividend of \$0.50 per share, intended to recur quarterly subject to market conditions and future board approval. An authorization gives the company latitude over timing; it is not a promise to spend \$50 billion immediately. The dividend creates a recurring distribution intention but remains subject to future declaration.

The investment and distribution decisions therefore did not map mechanically dollar for dollar. Cash generation, the timing of construction and equipment commitments, and the pace of repurchases all matter. Some infrastructure commitments may be difficult to reverse after contracts are signed or facilities are built; the public release did not describe those commitments project by project.

## A rival's signal

Alphabet's January 30 results release reported \$11.0 billion of capital purchases in the fourth quarter and \$18.9 billion of operating cash flow. Its chief executive linked business progress partly to AI investments. This was one visible signal that a large rival was investing at scale. The figures use another company's accounting and business scope, however. They do not show how much capacity Meta needed, what it could earn, or whether Meta would lose an advantage by pacing investment differently.

## The strategic tension

An early, large commitment might relieve a future capacity constraint, support product development, and give Meta room to learn while competing platforms invest. It could also leave the company with underused or mismatched capacity if demand, model efficiency, energy access, construction timing or product adoption develops differently than expected. Waiting could preserve flexibility and reveal more about those uncertainties, but it could delay products or leave competitors with greater capacity when timing matters.

The research offers ways to structure the dilemma, not a Meta-specific answer. Real-options theory explains why a company may value the ability to wait, stage or abandon an uncertain investment. Capacity-choice models add a competing possibility: when strategic competition affects timing and scale, waiting may carry a cost, and in some model settings a firm may choose greater capacity later. These results depend on their assumptions and do not demonstrate that Meta faces a particular race or should build to deter a rival.

Evidence about advertising also calls for care. A study of 15 Facebook advertiser experiments found that observational estimates of purchase lift often differed sharply from randomized estimates. The study concerns advertisers' campaign measurement, not Meta's own recommendation systems, ad revenue, or infrastructure returns. It suggests that platform-attributed conversions alone may not establish incremental advertiser value.

## **Your assignment**

As the hypothetical strategy team, recommend how Meta should pace 2024 capex within the \$30-37 billion range. Explain what would make your position appropriate, what evidence should be reviewed before releasing the next increment of spending, and what conditions would cause you to accelerate, hold, or slow the plan. Address how your recommendation fits with the company's capital-return policy. The evidence does not require one correct spending point, and it does not establish that AI caused the recent advertising growth.

## **Discussion questions**

1. What strategic bottleneck or opportunity would each additional increment of infrastructure spending address?
2. Which uncertainties favor committing sooner, and which favor waiting or staging?
3. What observable measures would help distinguish valuable capacity from unused or poorly matched capacity? Which outcomes would need a causal test?
4. How should management think about the repurchase authorization and dividend alongside investment, given the limits of the reported cash and free-cash-flow figures?
5. What evidence or event would change your recommendation?

## Exhibit 1. Selected Meta financial and operating facts

| Measure                                                                  | Reported value        | Interpretation limit                                                                                    |
|--------------------------------------------------------------------------|-----------------------|---------------------------------------------------------------------------------------------------------|
| Family daily active people, December 2023 average                        | 3.19 billion; +8% y/y | Scale does not measure user-level engagement or monetization quality.                                   |
| Q4 2023 ad impressions / average price per ad                            | +21% / +2% y/y        | Does not isolate demand, mix, product or AI effects.                                                    |
| FY2023 ad impressions / average price per ad                             | +28% / –9% y/y        | The volume-price pattern has no causal decomposition in the release.                                    |
| FY2023 revenue / advertising revenue                                     | \$134.9B / \$131.9B   | Advertising represented about 97.8% of revenue (derived); this is concentration, not a return estimate. |
| FY2023 capital expenditures, including finance-lease principal payments  | \$28.1B               | Company-reported lease-inclusive measure.                                                               |
| FY2024 capital-expenditure outlook                                       | \$30-37B              | Management outlook for AI and non-AI servers, data centers and architecture.                            |
| FY2023 cash, cash equivalents and marketable securities / long-term debt | \$65.4B / \$18.4B     | Cash less debt is not a measure of excess or distributable cash.                                        |
| FY2023 free cash flow                                                    | \$43.0B               | Company-defined non-GAAP measure; Meta says it is not residual discretionary cash.                      |
| FY2023 share repurchases / increase in authorization announced Feb. 1    | \$20.0B / \$50B       | Authorization does not require immediate purchases.                                                     |
| First quarterly dividend announced Feb. 1                                | \$0.50 per share      | Future quarterly declarations remain subject to market conditions and board approval.                   |

**Sources:** Meta Q4 and FY2023 results release, Feb. 1, 2024, “Operational and Other Financial Highlights,” “Ad impressions and price per ad,” “Capital expenditures,” “Cash,” “Share repurchases,” “Meta Initiates Quarterly Dividend,” “CFO Outlook Commentary,” and “Non-GAAP Financial Measures”; included in Meta Form 8-K, Item 2.02 and Exhibit 99.1. Derived values are identified above.

## Exhibit 2. Competing mechanisms and evidence limits

| Mechanism                   | What it suggests                                                                                                              | Limit for Meta's decision                                                                                               |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Staging and learning        | An initial commitment may preserve follow-on choices as uncertainty resolves.                                                 | Data centers and specialized equipment can be lumpy and difficult to reverse. No project-level staging data are public. |
| Capacity and competition    | The cost of delay may rise if rivals' moves change future strategic position.                                                 | Model results depend on market and competition assumptions; rival spending does not prove preemption value.             |
| AI-enabled product progress | Meta reported improved engagement and monetization from its discovery engine.                                                 | The statement was unquantified and had no counterfactual; it does not establish the return on incremental capex.        |
| Advertising measurement     | Across 15 Facebook campaign experiments, observational purchase-lift estimates frequently diverged from randomized estimates. | Campaign lift for advertisers is not a measure of Meta's own AI or capital returns.                                     |

**Academic sources:** Rita Gunther McGrath, "A Real Options Logic for Initiating Technology Positioning Investments," *Academy of Management Review* 22(4), 1997, pp. 974-996; McGrath and Atul Nerkar, "Real Options Reasoning and a New Look at the R&D Investment Strategies of Pharmaceutical Firms," *Strategic Management Journal* 25(1), 2004, pp. 1-21; Nick F. D. Huberts et al., "Capacity Choice in (Strategic) Real Options Models: A Survey," *Dynamic Games and Applications* 5, 2015, pp. 424-439; Brett R. Gordon et al., "A Comparison of Approaches to Advertising Measurement: Evidence from Big Field Experiments at Facebook," *Marketing Science* 38(2), 2019, pp. 193-225.

## Sources and cutoff

1. Meta Platforms, Inc., [Q4 and FY2023 results release](#), Feb. 1, 2024, 4:05 p.m. ET; Form 8-K, [accession 0001326801-24-000010](#), accepted 4:10:29 p.m. ET. Release figures are unaudited.
2. Meta Platforms, Inc., [Form 10-Q for the quarter ended Sept. 30, 2023](#), accepted Oct. 25, 2023; MD&A pp. 35-36; risk factors pp. 58-65.
3. Alphabet Inc., [Q4 and FY2023 earnings release](#), Jan. 30, 2024; Q4 financial highlights and free-cash-flow reconciliation.

Meta's earnings call was scheduled for 4:30 p.m. ET and its 2023 Form 10-K was accepted at 7:39:02 p.m. ET on Feb. 1; both are after the cutoff and excluded. No later company information or outcomes are used.