

MARK ZUCKERBERG AND ZUCK'S HIRING OF NON-EXPERT DOUCHE BAGS KILLED REALITY LABS VR

Meta's reality check: Inside insane the \$45 billion cash burn at ego-centric Reality Labs



[Yasmin Khorram](#)

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Nearly \$50 billion.

In just over four years, Meta ([META](#))'s Reality Labs division — focused mainly on its products in augmented reality (AR), virtual reality (VR), and the metaverse — has lost as much money as the market caps of Snap ([SNAP](#)) and Pinterest ([PINS](#)) combined.

Insiders tell Yahoo Finance that the staggering cash burn is not the price of innovation, but rather the result of a “chaotic” culture that features frequent reorganizations and installation of top leaders without AR or VR expertise.

With Meta CEO Mark Zuckerberg warning that operating losses in Reality Labs will only continue to “increase meaningfully,” Yahoo Finance spoke to a dozen former high-level

employees (mostly executives or managers across multiple segments including engineering, research, product management, hardware, content, and operating systems) who say the lack of a clear vision and mismanagement are largely to blame for Reality Labs' financial pitfalls.

The former employees Yahoo Finance spoke with left within the last three years, with the earliest departing in February of 2021 and the most recent ones this year. The majority left on their own because of what they called discord within Reality Labs, but some left due to structural layoffs.

They asked not to be named because of nondisclosure agreements and a fear of jeopardizing future employment opportunities.

Meta did not respond to Yahoo Finance's multiple requests for comment on this story.

The question for investors is how to reconcile Reality Labs' multibillion-dollar expenses within the context of Zuckerberg's "year of efficiency" promise for Meta. Despite implementing cost-cutting measures and scaling back spending in Q1 of 2023, Meta saw its shares tank 20% after its most recent earnings report, thanks to a significant increase in AI investment.

With Zuckerberg back to breaking open the checkbook, is there enough room on the balance sheet for his AI pivot *and* Reality Labs' steep losses? Although analysts and investors have remained patient on the long-term potential of AR and VR, how long is that leash more than 10 years on?

Meta Platforms, Inc. (META)

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NasdaqGS – Nasdaq Real Time Price (USD)

465.71

+0.01(0.00%)

At close:4:00PM EDT

466.01+0.30 (0.06%)

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Back in 2014, Meta (then Facebook) made its two largest acquisitions ever in just over a

month. The first was its \$16 billion purchase of WhatsApp. The second was of a smaller outfit out of Irvine, Calif., that had only developed a prototype of its revolutionary VR headset. The company's name was Oculus and the promise of its technology was enough for Mark Zuckerberg to shell out \$2 billion — only a fraction of what he'd spend on its development over the next decade.

In its first few years under the Facebook umbrella, Oculus's financials were grouped in with every other product in the business. But during the COVID-19 pandemic, Zuckerberg became enamored with the potential of the Metaverse — so much so that he changed the name of his company from Facebook to Meta.

Meta also began breaking out its revenue and expenses into two separate divisions: "Family of Apps" (which included Facebook, Instagram, and WhatsApp), and "Reality Labs" (a combination of Oculus and its other mixed-reality investments). In 2020, the former reported a profit of more than \$39 billion, while Reality Labs lost just over \$6 billion.

The numbers only became worse for Meta over the ensuing years: a \$10 billion loss in 2021, \$13 billion in 2022, and \$16 billion in 2023. Furthermore, slumping sales and poor mainstream adoption caused Reality Labs' revenue to decrease annually. Since 2021, Reality Labs' annual revenue has been falling despite significant increases in spend.

In just the first quarter of 2024, Meta has reported a loss of \$3.8 billion, about equal to its total revenues in the last two years combined. Analysts Yahoo Finance surveyed projected Q2 losses for the division would be closer to \$5 billion. The lowest forecast we received was \$4.6 billion.



'Employee Bingo'

Several of the people interviewed blamed the dysfunction and cash burn at Reality Labs on chain of command reorganizations they say took place every three to six months. This included the promotion of “local heroes” — or individuals that had succeeded elsewhere within Meta, such as Instagram or Facebook — who were then asked to replicate those results inside of Reality Labs. The lack of understanding of the technology often led to tension between new managers and the existing staff.

“It was pretty chaotic,” said a former employee who worked on the research team and said leaders were often pulled from the apps division with little VR experience. “In software you can get away with that because you make mistakes and change things all the time. In hardware, you’re stuck with your mistakes for a long time.”

“If you’re a senior director, they forklift you into any position,” said a former executive in engineering. “You can lead an organization, set priorities, take on anything from Instagram ads to AR software design. It creates this really weird dynamic where the people in the trenches doing the work don’t have respect for the senior leaders and the senior leaders don’t really speak the language of the technology they’re building.”

“They play employee bingo,” said another employee responsible for AR/VR content. “They move people into AR that don’t really understand it. It’s hardware and experience, not a news feed in your hand.”

One former executive in product management told us, “There’s an arrogance there that says, ‘Look how much money I was accountable for making because of this role I played in Facebook’s Family of Apps — therefore I can obviously be successful at this new thing.’”

“I think that’s probably the real story as to why there’s been so much money thrown at this thing with such limited success today,” they said.

Just last month, several senior managers and vice presidents were quietly let go from the company, according to two people familiar with the matter. Their positions at Reality Labs included head of AR glasses hardware, head of hardware partnerships, vice president of supply chain organization, vice president of technology engineering, and head of silicon partnerships.



Object 2

Another challenge is the lack of traction AR and VR products have had in gaining a wider audience. Meta also competes in the segment with Snap, Tik Tok parent ByteDance, and now Apple ([AAPL](#)).

Circana Research analyst Ben Arnold says total AR and VR device sales in the US were just over \$1 billion last year — a year in which Meta's Reality Labs expenses alone topped \$18 billion. According to IDC's analysis, global shipments of AR and VR headsets dropped 67.4% year over year in 2024 Q1.

Meta's current product lineup includes two VR headsets (the Quest 3 and Quest Pro) and Ray-Ban Meta smart glasses. But Arnold says software gains will be critical to the industry, specifically "in content and applications that appeal to people beyond gamer." "That's always been the challenge for this category," he said.

A former employee said that at one point, there were 24 hardware products on an 18-month roadmap. "You might be able to do that if you're shipping software experiences, but highly unlikely for an organization that has never really shipped outside of the Oculus space."

The source said management did not realize until too late that shipping "a wrist [watch], sunglasses, new controller models, new VR experiences, new mixed-reality experiences" was unrealistic, leading to low morale among the workforce.

"I had severe doubts about leadership," they said.

Emblematic of that lack of direction was the scrapped development of Meta's in-house chips for its Ray-Ban smart glasses and other devices. In 2021, after over a year of design and build, Meta's vice president of AR Alex Himel abruptly canceled the project, instead returning to using an external Qualcomm ([QCOM](#)) chip.

The team was incensed. “All of us in the room that were software and chip people were like, ‘You’re insane,’” said a former executive who was directly involved in the project. “People were livid over this. People left the company. This guy basically flushed millions of dollars down the toilet.”

The cost of the internal chip was cheaper than Qualcomm’s chip, according to another executive involved. “It’s illustrative of this mindset of not really taking the innovation piece seriously and not wanting to invest in long-term deep technology on the hardware side,” they said. Himel did not respond to Yahoo Finance’s request for comment.

Another executive put Meta’s spontaneous decision making more succinctly: “I had anti-confidence in the roadmap. Zuck gets excited. Everyone rallies around what Zuck gets excited about. Boz [Reality Labs head Andrew Bosworth] gets a budget based on Zuck’s excitement, and then we go off and try to figure out what the product looks like. Over and over and over again.” Meta CTO Andrew Bosworth did not respond to a request for an interview.

A woman is playing a virtual game of tennis using the Meta Quest 3 at the Telefonica pavilion during the Mobile World Congress in Barcelona, Spain, on April 2, 2024. (Joan Cros/NurPhoto via Getty Images) (NurPhoto via Getty Images)

As for Zuckerberg’s vision for his multibillion-dollar bet, sources say he sees the metaverse as another community he can own, similar to how he revolutionized social media with Facebook. “He’s really big on the notion of an immersive presence across boundaries,” a former executive who worked closely with Zuckerberg said.

“When we were working on the Orion [AR] glasses, the top Zuck scenario was always immersive video calls. We did all the modeling on the heat and battery performance and we told him, ‘Dude, we can do a call like this for five minutes and then the person’s head catches on fire.’ It’s a power-hungry thing, but it’s one of those goals he’s chasing.”

Another former executive said Zuckerberg is at the mercy of Apple — due to its anti-data-tracking efforts and Vision Pro development — so he’s playing “a big chess game.”

“His bet is that the next thing after phones will be augmented reality glasses. Apple is making moves and he’s trying to protect by investing in the future and hoping to own the next platform.”

Wall Street, meanwhile, has its own mixed reality on the stock. Gene Munster, co-

founder of Deepwater Asset Management, called Reality Labs “a disaster from a financial perspective.” Munster told Yahoo Finance that the stock would be higher if not for the significant cash burn inside the division.

Wedbush analyst Dan Ives agreed, referring to Reality Labs as the “black eye of spending at Meta.” Yet, both remain bullish on the stock, despite Munster believing that Reality Labs won’t play a real role in Meta’s future for at least a decade.

Meta investor Dan Niles of Niles Investment Management called Reality Labs “a giant insurance policy,” saying Meta could always cut spending in the division if its other businesses falter.

For those insiders with “Reality Labs” on their resumes, it’s a different conclusion. “It just doesn’t seem responsible,” said a former executive. “If I was a shareholder, I would rather see Zuckerberg putting all their metaverse infrastructure on top of somebody else burning at those rates. Let Samsung or Apple build that hardware.”

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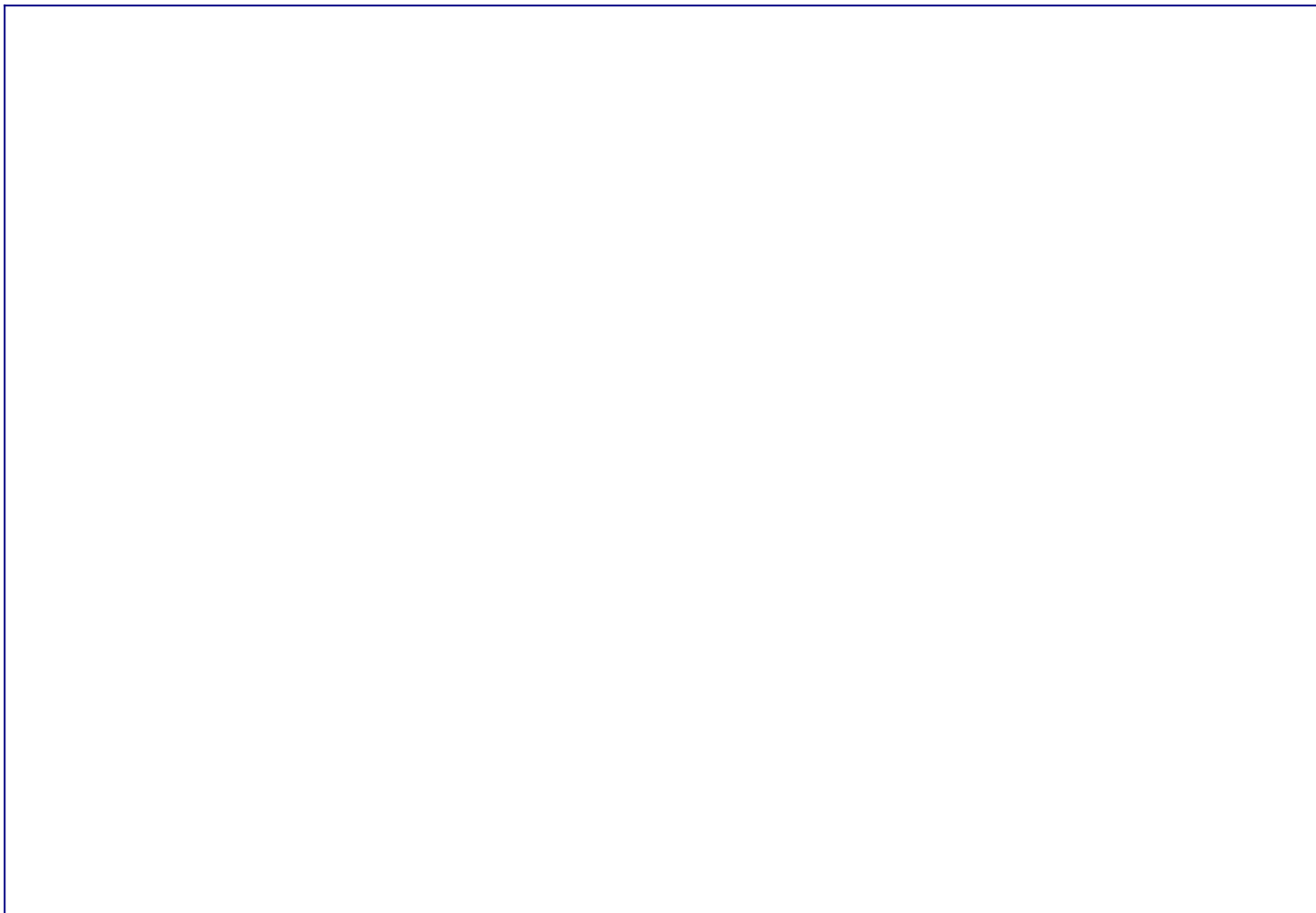
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