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Meta's First Negative Free Cash Flow Since IPO Stokes AI Fears



By Naomi Buchanan, Reporter

Investors are reassessing two competing forces within hyperscaler stocks: AI spending and return on investment. The market was suffering the consequences, with the Nasdaq Composite down 2.7% and the S&P 500 losing 1.4%.

Meta earnings offered a prime look into the duality hyperscalers face. The company modestly lifted its already hefty spending outlook for the full year, and signaled that AI helped with engagement and monetization efforts, which ultimately contributes to its revenue growth. The stock fell 7.3%.

The key sticking point was that Meta was free cash flow negative for the first time since the second quarter of 2012, when it went public as Facebook.