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RESEARCH HenryFund.Org

META PLATFORMS, INC. (META)

April 16, 2025

Communication Services – Internet Content & Information

Stock Rating **BUY**

Investment Thesis

Following a strong 2024 earnings report, Meta has reinforced that AI will be essential to its future growth. The company is uniquely positioned to directly monetize its AI investments, particularly by enhancing its core advertising business. We also see AI driving innovation across user experience, as well as in its virtual reality (VR) and augmented reality (AR) initiatives. Given these catalysts, we recommend a **BUY** rating with a $670 price target, reflecting a 30.1% upside from the current price.

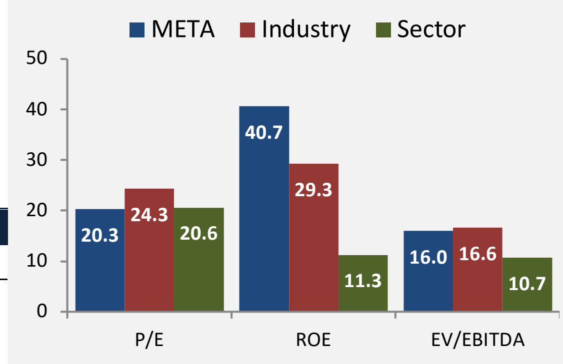
Drivers of Thesis

- We forecast Meta's total revenue to grow by a CAGR of 12.1% through 2029, led by higher-value ad placements from increased ad conversion rates brought by their investment in artificial intelligence (AI).
- Meta continues to hold a dominant market share position in the VR and AR industry which is projected to reach a global revenue of $62.0 billion by 2029[15].
- We predict Meta's continued strong profit margins will lead to free cash flow growing at a CAGR of 36.1% through 2029, providing extra capital for innovation.

Risks to Thesis

- An ongoing antitrust case from the U.S. Federal Trade Commission (FTC) puts Meta at risk of having to divest from Instagram and WhatsApp to restore a competitive market[12].
- Ongoing political and economic uncertainty may prompt global ad spend cuts, slowing Meta's revenue growth.
- Meta's $65 billion investment in AI for 2025[11] shows to be a poor investment if their AI tools struggle to keep up with competitors and they have to sustain high levels of capital expenditures.

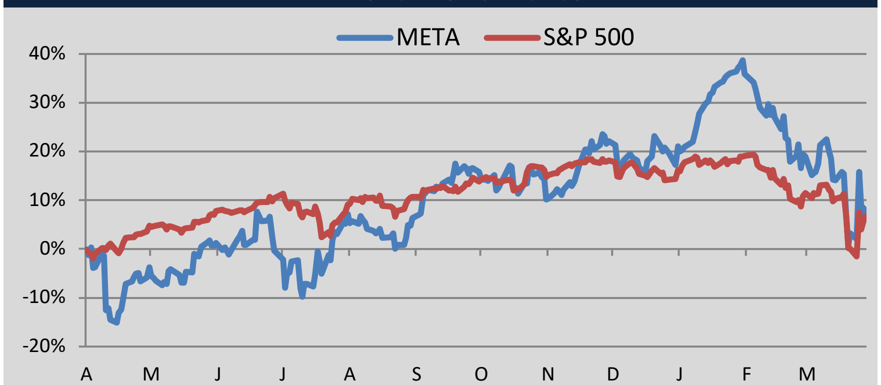
Target Price	$670
Henry Fund DCF	$670
Henry Fund DDM	$548
Relative Multiple	$616
Price Data	
Current Price	$515
52wk Range	$415 – 741
Consensus 1yr Target	$735
Key Statistics	
Market Cap (B)	$1,484.3
Shares Outstanding (M)	2,534.0
Institutional Ownership	78.3%
Beta	1.22
Dividend Yield	0.3%
Est. 5yr Growth	12.5%
Price/Earnings (TTM)	21.0
Price/Earnings (25E)	20.3
EV/EBITDA (TTM)	16.0
EV/EBITDA (25E)	13.5
Profitability	
Operating Margin	42.2%
Profit Margin	81.7%
Return on Assets (TTM)	24.7%
Return on Equity (TTM)	40.7%



Earnings Estimates

Year	2022	2023	2024	2025E	2026E	2027E
EPS	$8.63	$15.19	$24.61	$24.70	$27.99	$32.28
HF est.				$25.40	$29.01	$33.65
growth	*-38.3%*	*76.0%*	*62.0%*	*3.2%*	*14.2%*	*16.0%*

12 Month Performance



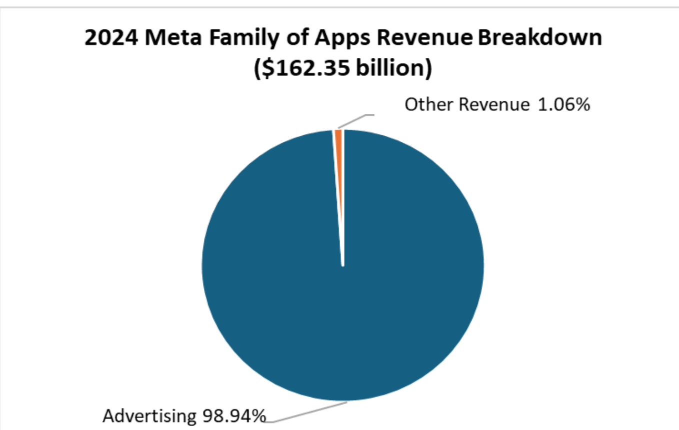
Company Description

Meta Platforms is a global technology company that connects people and businesses through their Family of Apps which consists of Facebook, Instagram, WhatsApp, Messenger, and Threads. Almost the entirety of Meta's revenue comes from their advertising segment supported by their Family of Apps. Meta is also developing virtual reality, augmented reality, and AI tools through its Reality Labs division. Meta has been driven to innovate products that facilitate human connection under the vision of the CEO, Mark Zuckerberg, since 2004.

COMPANY DESCRIPTION

Infamously portrayed in the movie *The Social Network*, Mark Zuckerberg created Meta in 2004 under the name Thefacebook as a means for students at Harvard to connect with each other. After wild popularity, the platform was no longer exclusive to college students and became a pioneer in the social media space under the name Facebook. 20 years later, in 2025, Facebook still holds its spot in the social media space with the most monthly active users at 3.07 billion[4]. Starting in late 2021, Facebook was no longer its own entity, but a platform under the parent company's new name, Meta. The brand name being changed to Meta represented a necessary shift in the way the company was perceived. As opposed to sticking with the name Facebook which represented the social media platform, Meta would represent the company's social media platforms and now their expansion into virtual and augmented reality. This has since evolved into a company that is now innovating in the AI space as well.

Family of Apps

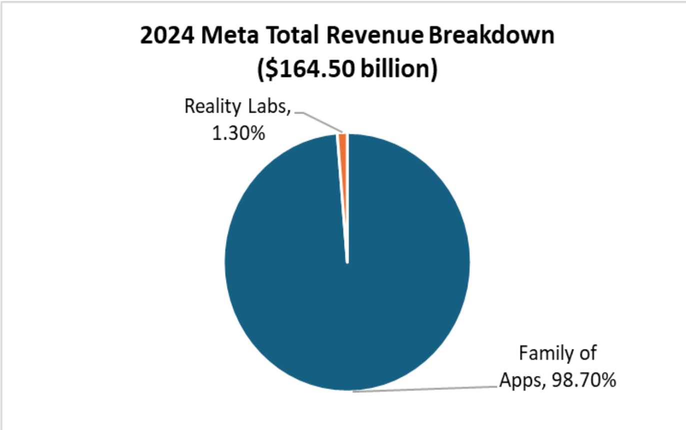


Source: Meta 10-K

Meta's current operations consist of two segments, which are its Family of Apps and Reality Labs. Family of Apps is made up of Facebook, Instagram, WhatsApp, Messenger, and Threads. This segment creates almost all of Meta's revenue by allowing them to sell advertising placements to marketers[11]. With an average of 3.35 billion daily active people (DAP)[11], Meta has the ability to help businesses reach a large number of people every day which makes their ad space valuable. Additionally, their ad space is valuable because social media users are more engaged while using a platform than the users of a broadcast or streaming platform. The only variation within the Family of Apps would be revenue from the WhatsApp Business Platform and Meta Verified subscriptions which are categorized under other revenue within the Family of Apps. Although WhatsApp does make money from advertising, WhatsApp Business Platform's primary source of revenue is by charging businesses to use its business application programming interface (API)[17]. By paying a fee for this service, businesses have a platform where they can communicate directly with customers and provide quick response times[17]. Meta Verified subscriptions are when content creators pay a monthly fee to access special features on Facebook and Instagram. Some of these features include a verified badge, security protection for your account, profile enhancements, and other exclusive features[9]. The revenue from WhatsApp and Meta Verified subscriptions do not provide a significant source of revenue for Meta. Advertising revenue for the Family of Apps segment totaled $160.63 billion in 2024 and other revenue came in much lower at $1.72 billion.

Reality Labs

Meta's second segment of operations is their Reality Labs. This segment specializes in hardware and software used for virtual reality (VR), augmented reality (AR), and mixed reality (MR). Some of the products Meta offers through Reality Labs are Metaverse, Meta Quest devices, Ray-Ban Meta AI glasses, and more. The sales and deliveries of these products to consumers are how it generates revenue. Meta believes Reality Labs plays a crucial role in their mission to help connect people anywhere at any time[9] by creating new experiences for everyone. This segment of Meta is considered to be a long-term investment in creating products that are not available today and might not be utilized for another decade[11]. This long-term mindset is arguably the reason that Meta accepts the losses incurred by Reality Labs each year so far. Reality Labs' total revenue for 2024 totaled $2.15 billion and total expenses totaled $19.88 billion[11]. As a result, Meta's total income from operations was reduced by $17.73 billion in 2024. As of now, this segment of Meta has been a detriment to their financial performance, but they can afford the investments due to their high margins. We believe Reality Labs will continue innovating at Meta and will be a worthy investment in the future. As of 2024, Reality Labs generates $2.15 billion of Meta's total $164.50 billion.

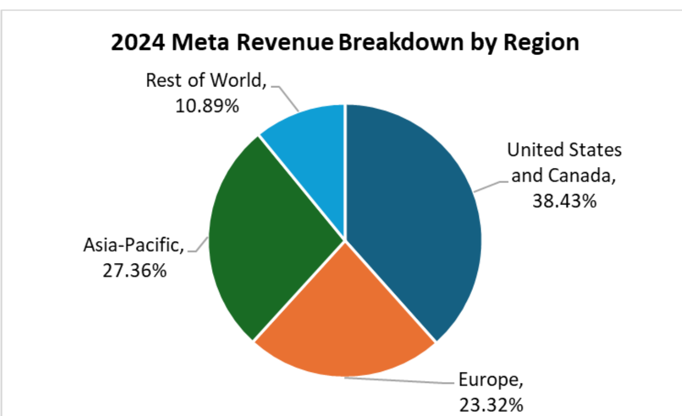


Source: Meta 10-K

Regional Breakdown

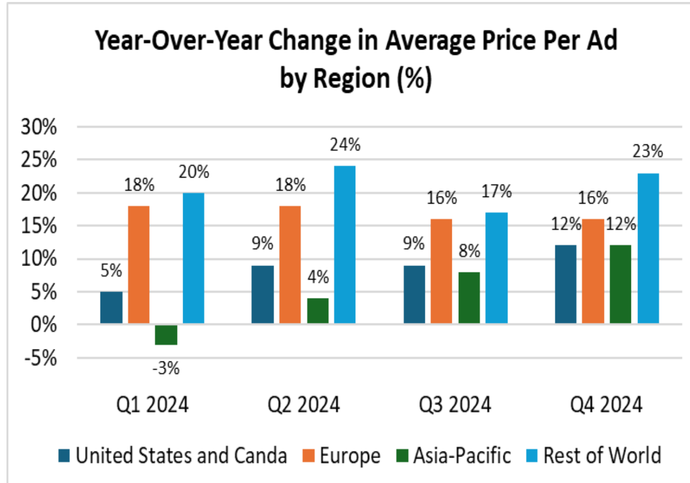
Revenue & Average Price Per Ad (APPA):

Of the two segments Meta operates in, they break down their global revenue and year-over-year percentage change in average price per ad (APPA) into four regions. These four regions are the United States and Canada, Europe, Asia-Pacific, and the Rest of World. The sum of these four regions produced Meta a total revenue of $164.50 billion for the year 2024. Of that amount, $63.21 billion was from the United States and Canada, $38.36 billion was from Europe, $45.01 billion was from Asia-Pacific, and $17.92 billion was from the Rest of World[11].



Source: Meta 10-K

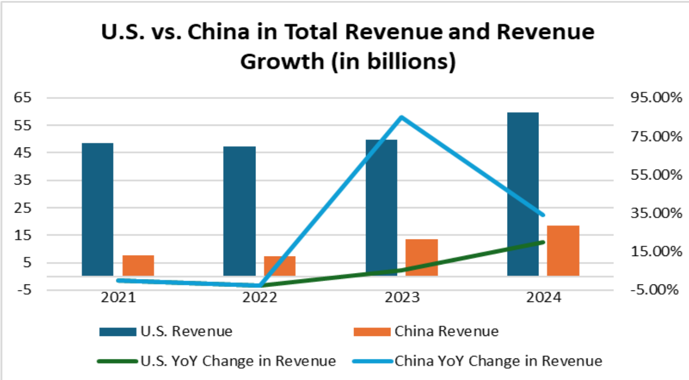
As stated before, Meta also reports each region's year-over-year average price per ad (APPA) to show how prices are trending across the globe. This metric is calculated by taking the total advertising revenue per region and dividing it by the number of ads delivered per region. Although this does not account for Meta's total revenue, it is an important metric to follow as advertising revenue makes up almost all of their revenue. Meta's worldwide average price per ad (APPA) increased 10% year-over-year which was driven by an increase in advertising demand but was slightly offset by increased ad deliveries[11].



Source: Meta 10-K

China Revenue Growth:

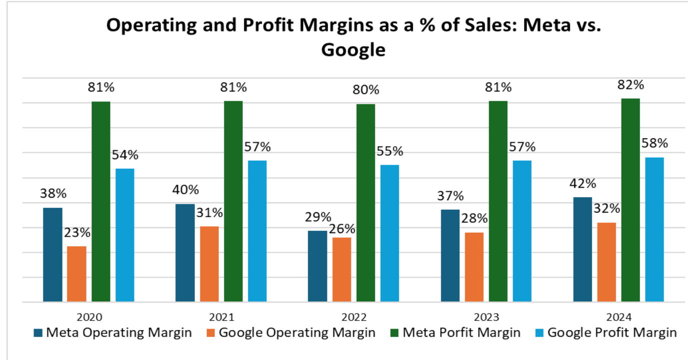
With the ongoing feud between the U.S. and China in the tariff war, Meta faces the risk of losing a high-growth segment of its revenue. China does not make up a large portion of Meta's total revenue, but the country has shown room for much higher growth than other regions in the past few years. This has been brought on by advertisers from China like Temu and Shein looking to reach U.S. consumers through social media platforms[24]. If trade wars continue to escalate with additional actions like the U.S. placing a 125% tariff on China, then there is the risk of Meta losing revenue from China. Whether Donald Trump stops the inflow of products from China or Xi Jinping prevents companies from advertising or shipping products to the U.S., this is a potential loss for Meta. It has been reported that a continued trade war in 2025 could result in advertising revenue losses in the range of $7.0 to $23.0 billion[24]. The de-escalation of the trade war is an important factor for Meta to build up the total revenue from China long term.



Source: Meta 10-K

Margins

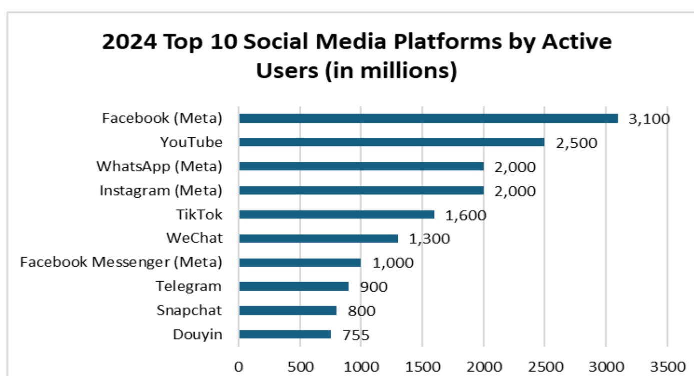
One of Meta's most impressive features is by far their operating and profit margins. Their profit margin is mainly reduced by depreciation and amortization expenses associated with their data centers and technical infrastructure. Other costs that impact profit margin have been decreasing as a percentage of sales over the past three years. This means that Meta's profit margin will vary based on whether they continue to increase capital expenditures for AI. In terms of operating margins, once again, Meta's expenses that impact this metric have been decreasing as a percentage of sales over the past three years. The only category that has the potential to increase relative to sales is general and administrative as Mark Zuckerberg has stated Meta needs to hire additional talent as part of their investment in AI[22]. To give some perspective as to how phenomenal Meta's margins are, it is best to compare them to the margins of Google. Google is the closest company to Meta from an operations standpoint and their margins do not come close to Meta. This is one of Meta's best features and it can provide investors with confidence that they can fund their AI investments and potentially higher dividends.



Source: FactSet

Advertising Revenue

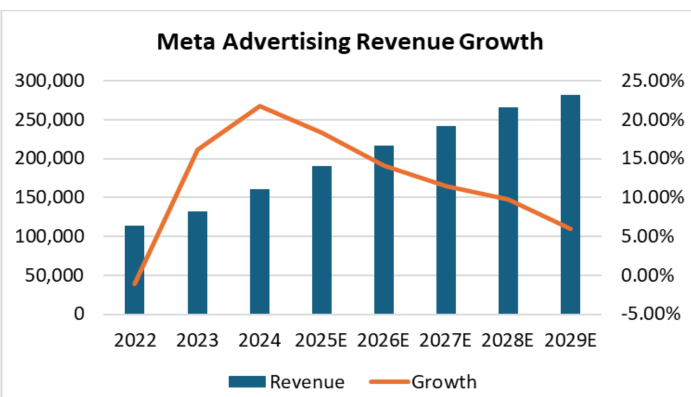
Advertising revenue is the heart of Meta as it accounts for 98.70% of their total revenue. This source of revenue comes from marketers and businesses looking to increase awareness of their products or services. Meta can provide spots for these companies to advertise their offerings through their Family of Apps. As stated before, Meta's Family of Apps consists of Facebook, Instagram, WhatsApp, Messenger, and Threads. With the worldwide number of social media users reaching 5.24 billion across all platforms in February of 2025[15], there is no doubt that it is the most effective way for companies to reach consumers. Meta is the company best positioned to capitalize from this since they have the 1st, 2nd, and 4th most popular social network by number of monthly active users[15]. In order, these apps are Facebook, Instagram, and WhatsApp. Over the past decade, Meta has done an incredible job positioning itself in the social media industry.



Source: Soax

Meta's popularity amongst their portfolio of apps will be important for advertising revenue growth in years to come, but it is not the most important factor. Meta plans to invest $60 - $65 billion in developing their AI capabilities in 2025. Although this is important for their Reality Labs segment and the development of their AI tools such as Llama and Meta AI, this investment will have a material impact on their growth of advertising revenue. Meta's AI advertising system helps businesses target the best audience for their advertisement. It assesses the demographics, interests, and behaviors of social media users to determine who has the highest chance of clicking on the ad[20]. If companies are confident in Meta's ability to put their ads in front of the right people, it will drive higher demand for advertising. In 2024, Meta ads powered by AI had a 22% higher conversion rate than their traditional ads[7]. A conversion is the act of the social media user following the ad. In addition to a higher conversion rate, ObjectsHQ reported that the use of Meta's AI tools reduced their cost to acquire customers by 41%[1]. Not only is Meta putting ads in front of the correct people, but they are making it cheaper to create ads as well.

In an environment where investors are questioning the ongoing investments in AI, Meta is in a unique position to capitalize from it. Their investment in AI is already making their business model more efficient and it will continue to do so in the future. We forecast that advertising revenue will grow at a CAGR of 11.9% through 2029, driven by increased global demand for advertising and the optimization of Meta's AI advertisement process.

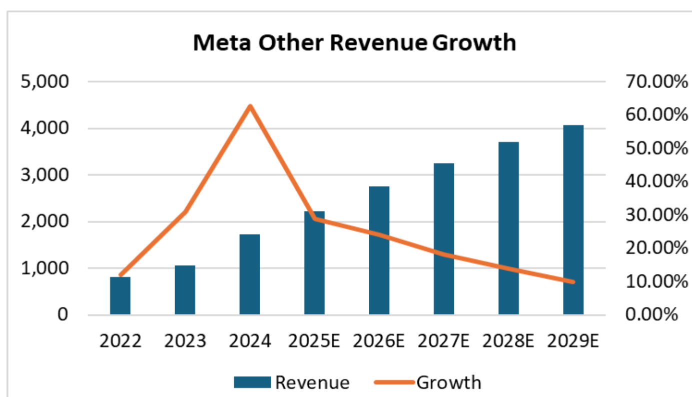


Source: Meta 10-K & HF Estimates

Our estimates are in line with consensus estimates as we forecast advertising revenue to grow at a CAGR of 11.9% and consensus estimates forecast an 11.6% CAGR. The small discrepancy can be attributed to consensus estimates projecting much slower growth in daily active people (DAP) and higher growth in average revenue per person (ARPP).

Other Revenue

The smaller portion of Meta's Family of Apps revenue is the other revenue category which includes revenues from WhatsApp Business Platform and Meta Verified subscriptions. This category seems insignificant to Meta's total revenue, but it has been growing at a substantial rate with it doubling in growth each of the past two years. WhatsApp Business Platform allows businesses to communicate with customers directly, create advertisements, showcase products and services, and create automatic responses for companies at a larger scale[21]. Meta Verified subscriptions allow users of Facebook and Instagram to interact with additional features after paying for a monthly subscription. As stated previously, some of these features consist of a verification badge, additional account security protection, and faster customer service with each app. With Meta's large AI investment, we believe they will continue to add or enhance additional functions for both WhatsApp Business Platform and Meta Verified subscriptions. This will lead to a high retention rate for current businesses and users and continued high growth over the next 5 years. We forecast that other revenues will grow at a CAGR of 18.8% through 2029 which exceeds consensus estimates five-year CAGR of 14.4%.



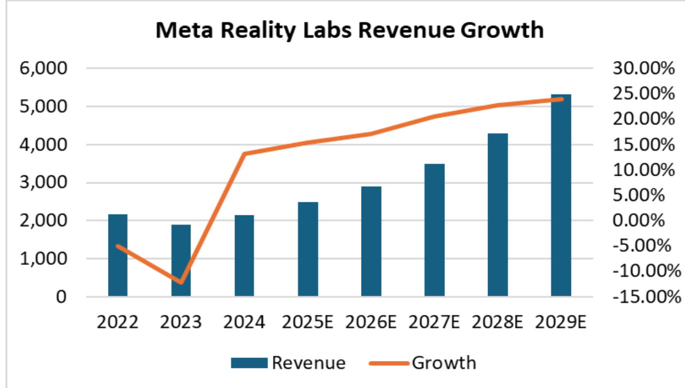
Source: Meta 10-K & HF Estimates

Reality Labs Revenue

The final segment of Meta's revenue stream generates a small amount when compared to the company's total revenue, but generates large losses for the company. Reality Labs develops products, software, and content for their virtual, augmented, and mixed reality services/devices. Some of the products Reality Labs offers are Meta Quest devices for virtual reality and mixed-reality, and Ray-Ban Meta AI glasses for augmented reality. Within these products, Meta offers features like the Meta Horizon Store and Meta AI to facilitate the experiences associated with their products. This issue with this segment of Meta is they have posted substantial losses consistently due to disproportionate expenses to revenue. For 2024 and 2023, Reality Labs reduced Meta's income from operations by $17.73 billion and $16.12 billion[11], respectively. While the losses may show this segment of Meta to be a bad investment, we believe their continued innovation will put them in a dominant position in an industry that is not near its peak growth.

Once again, Meta is using their investment in AI to develop material returns for their business. On Meta's recent earnings call, Mark Zuckerberg made it clear that he emphasizes hitting a milestone of the total people reached for his products and services before he focuses on the monetization of a product[22]. The most recent example of this is the Ray-Ban Meta AI glasses. This product has only sold 2 million units over two years, but Meta has continued to invest in advertising to create hype for the product. Recently, the builder of the glasses, stated that they are looking to sell 10 million units a year by the end of 2026 and hinted at the potential of a subscription service[18]. We believe the increased demand and need for a subscription will be a result of Meta further developing their AI functions with the glasses. This is one example, but we believe this is what Meta sets out to do for all of their virtual, augmented, and virtual reality products.

We forecast Reality Labs revenue to grow by a CAGR of 19.9% through the year 2029 which will be driven by increased demand for their products based on increased AI applications. Due to the consensus estimate providing predictions on the profitability of Reality Labs, we cannot determine whether we are in line with consensus in this segment or not.

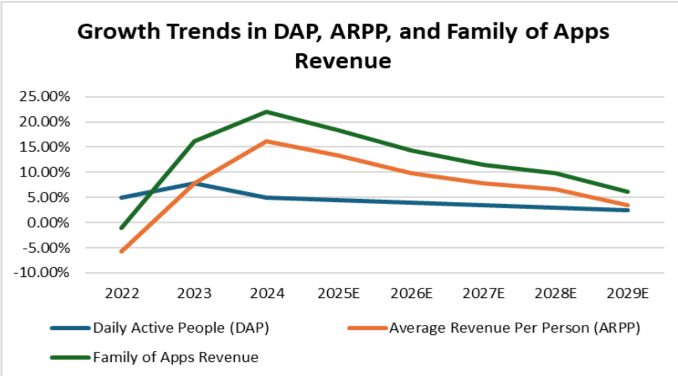


Source: Meta 10-K & HF Estimates

Additional Company Analysis

Revenue Generation for Meta:

Virtually all of Meta's revenue is generated through their advertising segment, which is when they sell advertising space to companies across their Family of Apps. Meta gets paid based on the number of impressions or interactions an ad receives on their platforms which is why it is crucial for their ad displaying process to be effective. Meta's overall advertising revenue is dependent on their daily active people (DAP) and their average revenue per person (ARPP). Daily active people (DAP) is defined as any user who is signed in across one of the apps in the Family of Apps who visits it on any given day. This metric attempts to eliminate the chance of counting the same user twice for their total users. Average revenue per person (ARPP) is calculated by taking the total Family of Apps revenue and dividing it by the total daily active people (DAP). We used these metrics and our assumptions for Meta to determine the average revenue per person (ARPP) for Meta. Due to Meta having 3.35 billion[11] daily active people (DAP) in 2024 and there are reported 5.24 billion total social media users[15], we see limited growth for daily active people. We forecasted daily active people growing at a CAGR of 3.5% through 2029. We believe demand for ad space from Meta will continually increase with their development of AI ad placing which is why we grew advertising at a CAGR of 11.9% through 2029. After taking our forecasted advertising revenue growth and dividing it by our forecasted daily active people, we arrived at a CAGR of 8.2% for average revenue per person (ARPP). This reflects our belief that while Meta's number of users will not substantially grow, the value of their ad placing system will grow in value.



Source: Meta 10-K & HF Estimates

Market and Competitive Advantage:

Meta's main market is advertising, and their revenue is based on the ability to place ads in front of the right people. They are a company that receives revenue internationally and whose main goal is to get as many people signed into their Family of Apps as possible. Amongst their smaller segments like the WhatsApp Business Platform, they would be targeting businesses, and their Reality Labs segment would be targeting tech-savvy users. For their social media presence, they simply want everyone to view content on their Family of Apps. This is where they have established their competitive advantage and potential to dominate the market. There is no company as complete as Meta when it comes to social media. When going by age, they have Instagram which appeals to a younger demographic, and Facebook when it comes to older demographics. Both age groups have found their place on the apps, and it seems more and more that all age groups are enjoying both apps now. No one company can compete with Meta when it comes to their Family of Apps. TikTok and X are the biggest competitors when it comes to short-form video versus Meta. Meta has Instagram Reels and Threads to compete with them. Snapchat posed a risk at one point to Meta based on the love they received for people being able to post "stories." Meta adopted this and made it a feature on Instagram. Meta is likely the most powerful force when it comes to social media, and it will always be that way unless they are forced to be broken up.

Debt Maturity Analysis

As of now, Meta has $29.0 billion in outstanding debt with the majority of it not coming due within the next five years. We believe Meta is in a more than stable enough position to repay these debts as they come due and their AA-[6] rating reflects that. Currently, Meta generates approximately $91.3 billion in operating cash flow, largely due to their robust margins. With an investment-grade credit rating and a substantial amount of free cash flow, Meta will be able to handle their outstanding debt.

Five-Year Debt Maturity Schedule

Fiscal Year	Payment ($mil)
2025 – 2026	0
2027	2,750
2028	1,500
2029	1,000
Thereafter	23,750
Total	29,000

Source: Meta 10-K

ESG Analysis

Company	ESG Score	Risk Rating
Nvidia	12.5	Low
Microsoft	17.4	Low
Pinterest	17.8	Low
Apple	18.9	Low
Google	24.9	Medium
Amazon	26.1	Medium
Meta	**32.7**	**High**

Source: Sustainalystics

When looking at Meta compared to its peers, it ranks at the bottom of the group with a 32.7 ESG score and is the only one of the companies with a high ESG risk rating. The most notable ESG-related concerns for Meta continue to be centered around user privacy, platform safety, and board governance. These concerns have been present for several years, but they remain relevant today as Meta continues to be scrutinized over how it moderates content and protects user data across Facebook, Instagram, and WhatsApp. In response, the company has expanded its investment in AI to detect harmful content and misinformation and has also supported its Oversight Board to add a layer of accountability[10]. On the governance side, Meta continues to operate under a dual-class share structure, which gives Mark Zuckerberg outsized voting control despite holding a minority of the economic interest. Mark Zuckerberg holds approximately 13.5% of Meta's total shares and has 61% of the voting power for Meta[27]. This structure limits shareholder influence and has drawn criticism from institutional investors and governance advisory firms. The board has also faced scrutiny for limited independence and potential conflicts of interest.

On the environmental side, Meta has committed to reaching net-zero emissions across its entire value chain by 2030 and has already achieved net-zero in its global operations as of 2023[10]. The company continues to invest in renewable energy to support its growing network of data centers. While ESG does not directly influence our valuation, we acknowledge that it remains a factor that could impact long-term risk.

RECENT DEVELOPMENTS

Recent Earnings Announcement

On January 29, 2025, Meta reported their Q4 earnings and impressed investors with their results and initiatives for 2025. The expectation for Q4 revenue was $47.0 billion and earnings per share was $6.77[3]. The actual results came in at $48.4 billion for revenue and $8.02 for earnings per share[3]. Meta posted an impressive double-beat at a time when the stock market was already performing very well. The strong growth in revenue and earnings was driven by a 14% increase in average price per ad (APPA)[11]. Additionally, their total performance for 2024 was driven by an 11% increase in ad impressions and a 10% increase in average price per ad (APPA)[11]. Meta reported that these increases were caused by higher demand from advertisers and that the demand was caused by their improvements in ad performance from the implementation of AI. As a whole, a higher demand for ad space and an increase in daily active people (DAP) led to Meta's advertising revenue growing by 21.74% in 2024.

The most important piece of guidance given by Meta was that they estimate they will spend $60 - $65 billion in capital expenditures to fuel the advancement of AI. In a time when the theme of AI is more prevalent than ever, Meta solidified the direction large tech and communications companies are going. For our forecast, we used the high end of the guidance at $65 billion for capital expenditures in 2025. This figure was referenced when calculating depreciation and amortization, and property and equipment.

The last piece of guidance Meta provided was that their total cost and expenses for 2025 would fall in the range of $114 billion - $119 billion[4]. The approximate increase of $20 billion was said to be expected because of increased infrastructure costs and an increase in headcount at Meta[4]. After adjusting for the guidance they provided, our total cost and expense for 2025 came out to be $114.5 billion which is in line with the low end of their guidance. Other than the two guidance pieces mentioned, Meta announced they would not be giving revenue guidance for 2025.

FTC vs. Meta

An antitrust lawsuit against Meta that was originally filed in 2020 started trial on April 14, 2025. The FTC claims that Meta illegally used the acquisitions of Instagram in 2012 and WhatsApp in 2014 to suppress their competition[8]. The term being used is "buy or bury" to describe Meta's acquisition strategy and the FTC is claiming that they built a monopoly. While Mark Zuckerberg has argued that the existence of TikTok, X, and YouTube is enough proof alone to prove there is still competition in this industry, documents are resurfacing that give validity to the FTC's claims. An email from 2008 revealed Zuckerberg said it is better to buy than compete and a memo from 2012 shows Zuckerberg describing the purchase of Instagram as a way to neutralize competition[8]. Additionally, Zuckerberg admitted to buying Instagram because they were building a better camera than Facebook at the time. The FTC seeks to have Meta divest from Instagram and WhatsApp to restore a competitive market. We do not believe that this attempt by the FTC will be successful, especially with Zuckerberg's attempt to gain favor from the current president earlier this year. The real damage coming from this is the harm to Mark Zuckerberg's and ultimately Meta's reputation. Further evidence revealing questionable remarks by Zuckerberg could hurt the performance of the company's stock as he is so closely tied to it.

In the area of "Big Tech" companies, it seems more frequently that antitrust cases are being brought into the courtroom. The Department of Justice (DOJ) and Federal Trade Commission (FTC) have made it a point to go after companies they feel are trying to maintain a monopoly. As previously explained, the FTC is going after Meta for supposedly suppressing competition within their industry. The DOJ has two cases against Google for maintaining a monopoly in both the internet search and digital advertising space[14]. Additionally, the DOJ has an8 ongoing case against Apple for creating a monopoly by limiting the cross-platform compatibility of smartphones[14]. Finally, the FTC has a case against Amazon for allegedly maintaining an online retail monopoly by prioritizing their own services, which led to artificially inflated prices[14]. We do not believe that any of these cases will result in a change in operations for these companies, but it appears that is what these agencies want. If there are no breakups of these companies, these agencies at least want to issue a warning and place these companies under more scrutiny.

INDUSTRY TRENDS

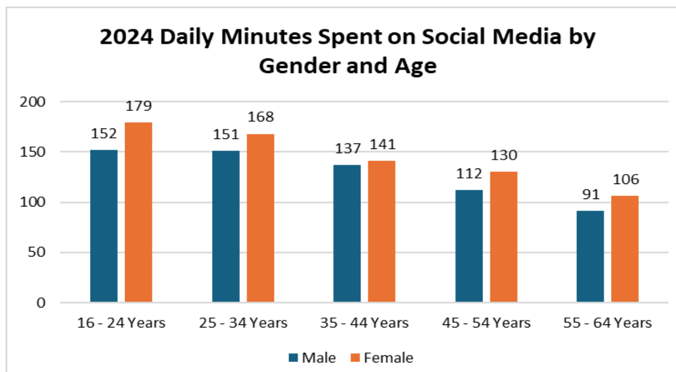
AI-Driven Advertising

Artificial intelligence is now the core driver behind growth in digital advertising, and Meta continues to be one of the biggest beneficiaries. In Q4 2024, the company reported a 24% year-over-year increase in advertising revenue, which Meta attributed to continued improvements in AI systems like Advantage+ and its predictive ad tools[20]. These systems are helping brands improve click-through rates, conversions, and overall return on ad spending by delivering more relevant content in real time. AI is also being used to anticipate user behavior by analyzing intent and engagement patterns using first-party data. This trend is not unique to Meta exclusively with competitors like Google and TikTok also leaning heavily into AI. Tools like Performance Max and personalized recommendation engines are becoming standard in this industry. As technology becomes more advanced, companies that prioritize AI in their ad infrastructure are seeing higher performance, with some reporting engagement rates over 200% higher than older strategies[13]. Looking ahead, we expect AI to continue shaping the way content is delivered, monetized, and personalized across the entire digital advertising landscape.

Short-Form Video Content

Short-form video has become the dominant format for digital engagement with Meta aggressively expanding Reels to compete with TikTok and YouTube Shorts. In 2025, we believe the average time spent on social media will continue to increase which reflects a dramatic shift in consumer behavior toward engaging, and easily digestible content. Meta's Reels now deliver higher engagement rates and video completion rates than TikTok, with recent campaigns showing Reels achieving a 9.3% engagement rate versus 7.2% for TikTok[5]. This trend is mirrored across the industry TikTok's algorithm remains the ideal option for viral reach. YouTube Shorts leverages Google's AI to optimize video discovery and engagement. Brands that master short-form video through creative storytelling, influencer partnerships, and AI-powered personalization are consistently outperforming those relying on long-form content, as seen in the rapid adoption of video ads and influencer campaigns on all major platforms. Going forward, the industry will see further innovation in interactive and shoppable video, with Meta and its peers racing to integrate new features that keep users engaged and drive measurable business outcomes.

An important metric to watch moving forward will be the average time internet users spend on social media. We believe that social media companies will continue to develop ways to make their platforms more engaging which in turn results in more advertising revenue. The two groups leading social media usage by daily hours are both females, but females between the ages of 16 and 24 use it the most. After that, it is females between the ages of 25 and 34. Social media usage is most popular with younger demographics as a whole and we believe this will continue for the foreseeable future.



Source: Soax

MARKETS AND COMPETITION

Key Competitors

Ticker	Market Cap (B)	2024 Revenue (B)	2024 Net Income (B)
GOOGL	$1,918	$350	$100
AMZN	$1,850	$638	$59
AAPL	$3,036	$391	$94
MSFT	$2,867	$245	$88
NVDA	$2,737	$130	$73
PINS	$17	$4	$2
META	**$1,355**	**$165**	**$62**

Source: FactSet

This industry's key competitors contain various companies that mostly consist of Magnificent 7 stocks that have broad business operations. Due to the size of these companies, no one company matches Meta. Google would be the closest as both companies rely on advertising, social media, and AI applications. From a social media standpoint, Pinterest would be a close comparison because that is the only function of that company. All of these companies match Meta in some aspect with size being the most common similarity, except for Pinterest. These companies are leading the race in AI and the one that prevails will be the one who can prove a return from their investment in AI. We believe that Meta is in the best position to capitalize from further implementation which would mean Google would likely be the next best option. Targeting advertisements through AI to increase conversions directly makes ad space more valuable. While other companies have yet to prove returns on their AI investments, Meta and Google's application improves their business model.

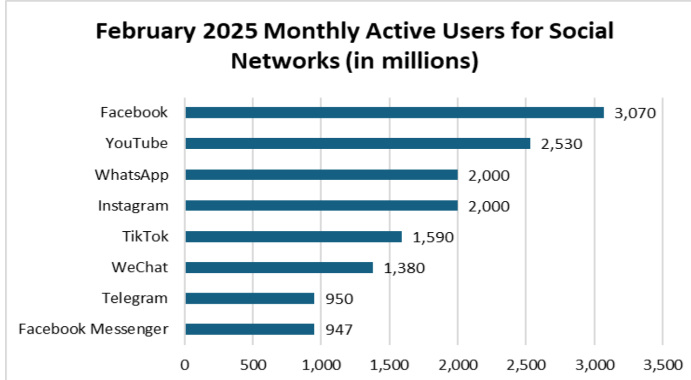
Structure and Stability

Of the companies previously mentioned, there is no stability regarding AI. We believe that AI is still in its infancy stage which is why companies are investing so heavily in it. The first company to prove its return from AI will likely see investors and excitement chase it. This is why the landscape of that market is so competitive right now.

From the perspective of social media and advertising, it is competitive between the top-performing companies. These companies would be Meta, Google, and TikTok (ByteDance). Meta and Google would be battling for whoever can place ads more effectively for marketers and businesses. Additionally, all three companies are battling in the social media race. Facebook and Instagram (Meta), YouTube (Google), and TikTok (ByteDance) are all trying to draw users to their platform. Meta is positioned the best in this competition with Facebook and Instagram. A potential threat to Meta would be if TikTok became a solidified rival if purchased by the like of Amazon. Before the escalation of trade wars with China, Amazon put in a bid to purchase TikTok from ByteDance. If this occurred, Meta would have a new U.S. rival with strong company backing. At the same time, if Amazon were to buy TikTok, there would likely be no more new entrants to the social media industry. This industry is very concentrated and will likely remain this way.

Peer Comparisons

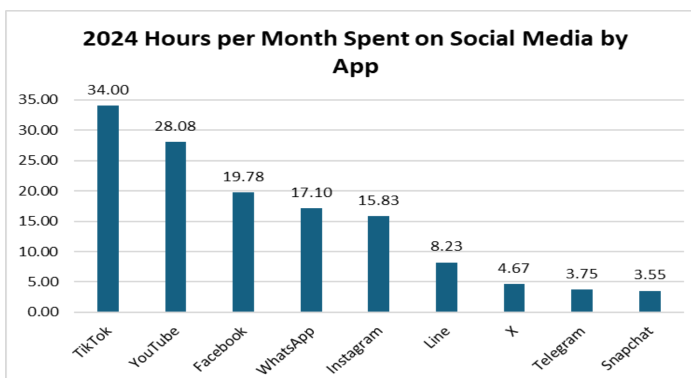
Monthly Active Users:



Source: Statista

Among the most popular social networks, Meta has three of the top four by monthly active users. Meta is crushing the competition when it comes to people engaged with their platforms. With social media platforms relatively established, it will be hard for anyone to dethrone Meta soon. Other than TikTok and X, which was essentially just rebranded, there have not been successful new social media platforms for quite some time. This is Meta's biggest strength by far as a company. Their number of monthly active users puts them in a position to attract advertisers who are looking to reach the most amount of people possible. Ultimately, this allows Meta to capture more advertising revenue and will likely continue as we believe their monthly active users will exceed their peers for years to come.

Time Spent per App:

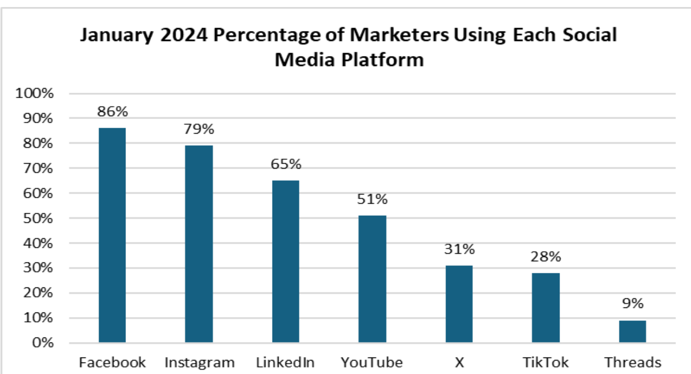


Source: Soax

After the number of total users per platform, the next important metric would be the average time users spend on each platform. When looking at individual apps, TikTok leads the industry with 34.00 hours a month per user on average. YouTube takes second place at 28.08 hours a month per user on average. These statistics show that on the scale of individual app performance, Meta has competition with TikTok and YouTube.

Meta once again asserts its dominance in the industry when looking at the combined time spent across their family of apps. While their three most popular apps underperform TikTok and YouTube based on individual performance, they exceed them when put together. When accounting for Facebook, WhatsApp, and Instagram, the average total hours spent per month by users is 52.72 hours. Meta's strategic purchases have allowed them to still be ahead on overall average user time usage as a whole when compared to TikTok and YouTube. This is another reason for marketers and businesses to be incentivized to advertise through Meta's Family of Apps. Not only will they reach the most amount of people, but they will be put in front of people more frequently.

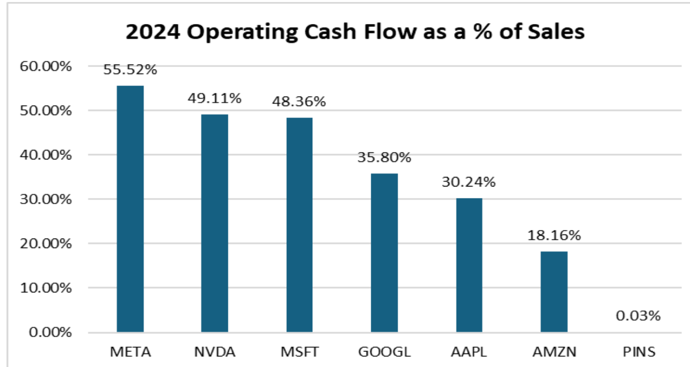
Usage by Marketers:



Source: Statista

In terms of the percentage of marketers that use each social media platform, Meta leads the group again. Under their Family of Apps, Meta's Facebook and Instagram are the most used social media platforms for marketers. This is another testament to the dominance Meta has in this industry and in the advertising space. While this information is over a year old, we estimate that a more current data collection of this statistic would shower higher percentages across the board. This would be the result of a continued increase in popularity for social media platforms, resulting in increased ad spending from marketers.

Operating Cash Flow:

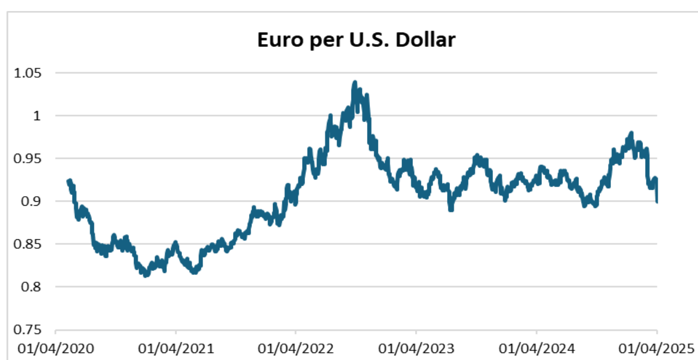


Source: FactSet

Operating cash flow represents a company's ability to generate cash flow based on its core operations. When looking at Meta compared to our selected peer group, they have the highest operating cash flow as a percentage of sales. Most importantly for Meta, this represents their ability to afford higher levels of investment, additional dividends and share repurchases, and sufficient funds to meet their debt obligations. This also demonstrates that Meta will be able to afford further AI and product innovation going forward. We believe Meta will use their efficient operations to fund new projects and attempt to create new revenue segments.

ECONOMIC OUTLOOK

Foreign Exchange Rates

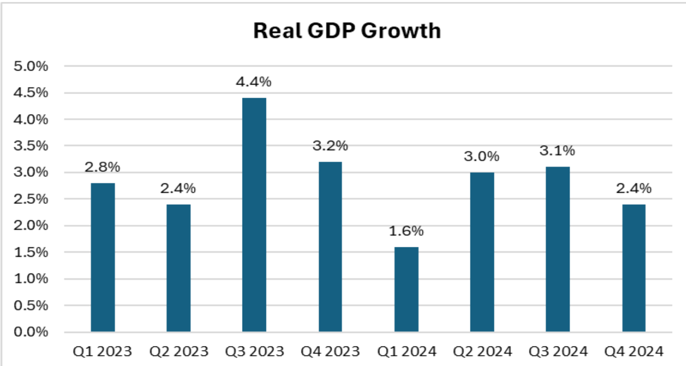


Source: FactSet

With over 60% of Meta's business coming from outside of the United States, the foreign exchange rates will be an important factor to watch going forward. If the current political and economic state continues, a weaker U.S.

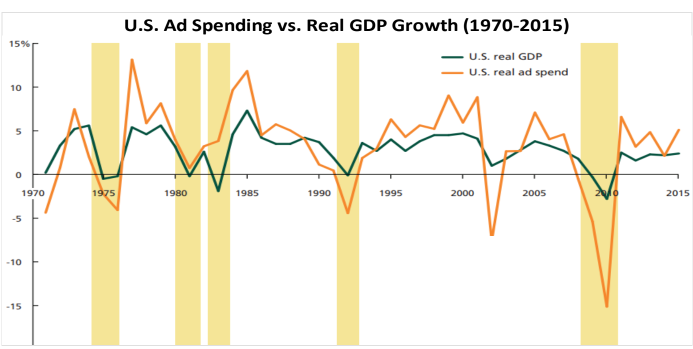
dollar will increase the value of any foreign currencies that Meta earns. If Donald Trump is able to turn this country around and strengthen the U.S. dollar, then the opposite effect would be true.

U.S. GDP Growth



Source: Trading Economics

The GDP growth of the United States will be a crucial factor to watch going forward as fears of a recession are on the rise. In the event of a recession, spending tends to slow in fear of economic uncertainty. If businesses decide to cut costs and choose to reduce advertising expenses, this directly leads to less revenue for Meta. Additionally, global GDP growth will be important to watch as well. This is for the same reason, the fear that businesses cut ad spending. On a global level, the impact would be much more severe. We predict that GDP will fall to 1.85% in the next six months and rebound to 2.51% in the next two years. A decrease in GDP will lead to a decrease in ad spending as data has shown that the two factors are correlated. This will be a very important factor to watch in the U.S. and on a global scale as it directly impacts Meta's performance.



Source: L.E.K

Tariff Policy

The most popular talking point since the new administration took over is undoubtedly the implementation of tariffs. While there are rumblings that foreign countries are ready to make trade deals with the U.S., the U.S. and China are conducting a trade war in full force. The U.S. now has a tariff of 125% on China and there have been rumors that due to China's retaliatory tariffs, the U.S. could increase that number to 245%. The tariff itself is not what could impact Meta, but how China reacts. We have already seen China restrict imports of Hollywood films[12]. If the trade war continues to escalate, China may continue to cut ties with all things related to the United States. In a worst-case scenario, China restricts companies from ad spending in the United States which would drastically hurt Meta. Asia-Pacific is slightly below 28% of Meta's advertising revenue but provided high growth in 2024. A restriction on this region would substantially reduce Meta's advertising revenue.

Another way tariffs could negatively impact Meta is through their Reality Labs segment. Historically, these products have been produced in China but Meta plans to move up to half of their production of the Meta Quest to Vietnam in 2025. This announcement was before Donald Trump started his term, but the current geopolitical climate should affirm Meta's decision. Although the tariffs are lower in Vietnam compared to China, there is still a 46% tariff on this country. With Reality Labs already incurring substantial losses for Meta, an unwanted price increase will not help its performance. In 2022, Meta raised the price of their Quest 2 by $100 which was followed by a quarterly year-over-year drop in Reality Lab's revenue of approximately $273 million[25]. If high tariffs stay in place, Reality Labs will face even larger losses caused by a reduction in sales based on higher product pricing.

VALUATION

Revenue Growth:

We forecast that Meta's revenue will grow by 13.3% from 2024 to 2025 and that it will grow by a CAGR of 12.1% through 2029. In the short term, we believe additional investments in AI will result in better ad placements from Meta. With higher conversion rates, this will drive the demand for ad space from Meta resulting in a higher average revenue per person and higher overall advertising revenue. We expect this trend to carry forward in the long term as well. As Meta holds its spot at the top with the most total social media users, advertisers will still be looking to utilize their ad space to effectively reach as many users as possible. This is why we forecast average revenue per person to grow by a CAGR of 8.1%. Additionally, we foresee Meta's investment in AI being used to enhance user experience for products in their Reality Labs segment. The industry of virtual reality, mixed reality, and augmented reality is nowhere near its peak, and we believe this is due to a lack of applications for users. Meta will provide users with new and exciting ways to interact with their products, driving customer demand. For these reasons, we forecast the Reality Labs Segment to grow at a CAGR of 19.9%.

Overall, our revenue growth estimates exceed consensus in 2025-2027 but then fall back in line for 2028 and 2029.

	2025E	2026E	2027E	2028E	2029E
HF est.	$194,759	$222,608	$248,612	$273,443	$290,771
Consensus	$185,917	$210,190	$236,872	$265,417	$295,132

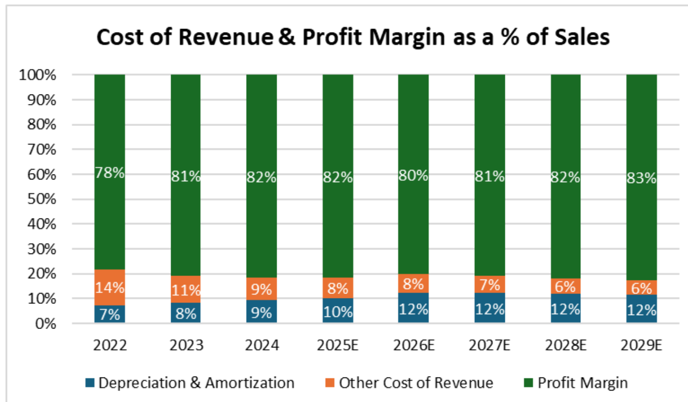
Source: Meta 10-K & HF Estimates

Cost of Revenue & Profit Margin:

The biggest piece of Meta's cost of revenue is their depreciation and amortization expenses related to their data centers and technical infrastructure. With the large investment scheduled in 2025 for AI and data centers, we arrived at depreciation and amortization being a larger percentage of sales over our 5-year forecast. To calculate each year's depreciation and amortization expense, we simply multiplied the beginning property and equipment by a 5-year average depreciation and amortization rate. To calculate the property and equipment for each year, we took the beginning property and equipment, added our forecasted capital expenditures for each year, and subtracted our calculated depreciation and amortization expenses for each year.

Our forecasts for these numbers were reliant on our predictions of annual capital expenditures. We believe this year, $65 billion, will be the biggest total investment Meta makes in AI, so we decreased capital expenditures by a constant rate of 10% each year. We believe that if Meta continued to increase their capital expenditures in AI, then investors would view it as a bad investment. AI has not proven its ability to provide returns yet so investors are skeptical as to whether it is a smart investment or not. There is a fear of overvaluation in the markets when it comes to AI and investors' reactions were seen when DeepSeek AI was announced. When it was announced that a Chinese AI model was produced using older equipment at a fraction of the cost, the market plummeted drastically. We believe this is something Meta took note of and it is why they will not continue increasing their total amount invested in AI.

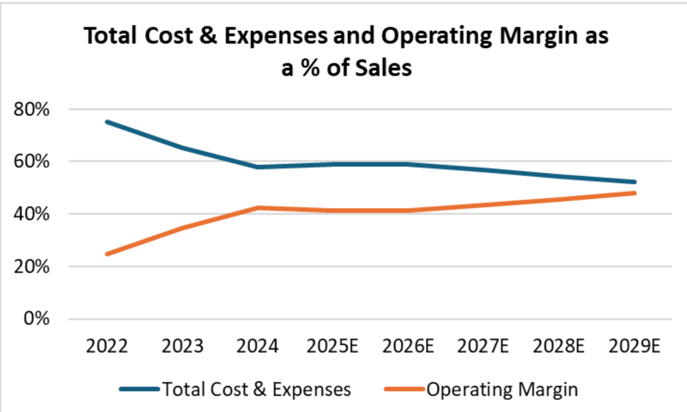
The increase in depreciation and amortization expenses was partially offset by our forecast of other costs of revenues decreasing. This category has been trending downward over the past three years, so we calculated the average annual decrease over that period and continued decreasing by that amount for the duration of our forecast. This kept Meta's profit margin in line with their usual 80% mark throughout our forecast.



Source: Meta 10-K & HF Estimates

Operating Margin & EPS:

In arrival at the operating margin for Meta or the income from operations as a percentage of sales, there were two key assumptions of expenses that affected the outcome. The first is related to research and development. Research and development has been trending downward over the past three years which is what we continued for the duration of our forecast. We believe as Meta starts to fully develop the capacities of their products from Reality Labs, less money will spent annually developing entirely new technology. For our forecasted period, we took the average amount of research and development as a percentage of sales that has decreased annually over the last three years and decreased it by that same amount. The second assumption we made was a higher general and administrative expense relative to 2024. On Meta's recent earnings call, Mark Zuckerberg explained that as part of their investment in AI, they will need to hire new talent to facilitate necessary actions[22]. To reflect additional costs incurred from new hirings, we forecasted general and administrative as that category's 5-year average as a percentage of sales. General and administrative is held steady at 8.10% of sales for the period of our forecast which is an increase from its 5.92% in 2024. With the decrease in research and development being larger than the increase in general and administrative, we forecast Meta's operating margin going from 42.2% in 2024 to 47.9% in 2029.



Source: Meta 10-K & HF Estimates

With Meta becoming more profitable over the time of our forecast, we are above consensus on our earnings per share estimates.

Year	2025E	2026E	2027E	2028E	2029E
Consensus	$24.70	$27.99	$32.28	$35.91	$40.28
HF est.	$25.40	$29.01	$33.65	$39.47	$45.13
HF growth	*3.2%*	*14.2%*	*16.0%*	*17.3%*	*14.3%*

Source: Meta 10-K & HF Estimates

We believe we are above estimates because they are not factoring in the ability of AI to make Meta more automated and even more profitable.

Share Repurchases & Dividends:

Meta repurchased shares totaling $30.1 billion in 2024 and their free cash flow level allows them to sustain this amount throughout our forecast. They were able to purchase and retire approximately 65 million shares, which comes out to be about 2.50% of their total basic shares outstanding in 2024. Meta currently has a share buyback authority worth $51.3 billion. There is no period at which this buyback authority has to be spent so there is no real guidance on this matter. For the duration of our forecast, we reduced the total shares bought by 10% each year. This is because we feel their current stock price will attract them to buy more shares and that they will increase the buyback authority in the near term.

Meta announced its first dividend at 50 cents a share per quarter, or $2 per year annually in 2024. Since then, Meta has increased their quarterly dividend to 52.5 cents. This represents a 5% increase so without guidance from management, we raised the annual dividend by 5% each year.

<u>Valuation Models:</u>

Discounted Cash Flow and Economic Profit:

The discounted cash flow and economic profit models we produced both returned to an estimated stock price for Meta at $670. The key drivers behind these models that we calculated were a CV growth rate of 6.00%, a CV year ROIC of 38.12%, a WACC of 10.20%, and a cost of equity of 10.44%. The most important factor of this model is the CV growth rate of NOPLAT at 6.00%. This percentage, which outperforms nominal GDP historically, is justified by the assumption that Meta has more potential to sustain high growth through their innovation. Additionally, the continued implementation of AI will allow them to increase margins even more going forward which is difficult to capture in five years. We believe both of these models are appropriate for the valuation of Meta as they take into account Meta's profitability and ability to generate cash flows. For these reasons, we put a 100% weight on our discounted cash flow and economic profit model for our price target.

Dividend Discount Model:

Our key assumptions in this model compared to the discounted cash flow and economic profit are our projected earnings per share growth, our CV earnings per share growth rate of 6.00%, and our CV ROE of 26.39%. With these assumptions and our previously mentioned costs of equity of 10.44%, our model produced that Meta should be trading at $548 per share. Although this model is appropriate in the sense that it accounts for our projected earnings per share growth, we are not confident in it as it does not reflect Meta's full potential dividend capacity. Meta's current dividend yield is .39% and based on their ability to generate profit, this number could be much higher. For this reason, we did not rely on our dividend discount model when determining a price target.

Relative Valuation:

To see where Meta's stock ranks amongst its peers, we did a forward-looking comparison based on competitors in the industry. The group of companies we compared Meta to were Google, Amazon, Apple, Microsoft, Nvidia, and Pinterest. Other than Pinterest, the peer group represents five of the Magnificent 7 companies. Since Meta is a Magnificent 7 company as well, it felt the most appropriate to compare the companies that are similar in size. The only exception to this is Tesla since they operate in an entirely different sector. All of the Magnificent 7 companies share somewhat similar operations with Meta which is also why they were selected. Google is the closest company to Meta with their presence in advertising. Finally, Pinterest was added to this group because they are a profitable social media company. The operations of Pinterest closely resemble the function of Meta's Family of Apps which is why it was added.

The two metrics we utilized were the price-to-earnings ratio and EV/EBITDA based on estimates for 2025 and 2026. The two average price-to-earnings ratios we arrived at were 24.76 for 2025 and 20.72 for 2026. Using our earnings per share estimates, this ratio revealed Meta should be trading at a range of $601 - $616 for the years 2025 and 2026. The average EV/EBITDA ratios we arrived at for the years 2025 and 2026 were 16.06 and 13.89. Using our estimated EBITDA for those years, we calculated that Meta is worth approximately $616 -$633 per share. Both of these peer comparison metrics indicate that Meta is undervalued compared to other companies in the industry. This is an appropriate valuation method as the comparable companies are mostly Magnificent 7 stocks which Meta is as well. We used this valuation method to determine an appropriate range that Meta could be trading at, but we relied on our discounted cash flow and economic profit model to determine a price target.

Sensitivity Analysis:

2025-2029 G&A as a % of Sales	2025 Capital Expenditures							
	670.40	57,500	60,000	62,500	65,000	67,500	70,000	72,500
	6.60%	732.57	720.92	709.28	697.63	685.99	674.34	662.69
	7.10%	723.49	711.85	700.20	688.55	676.91	665.26	653.62
	7.60%	714.41	702.77	691.12	679.48	667.83	656.18	644.54
	8.10%	705.34	693.69	682.04	670.40	658.75	647.11	635.46
	8.60%	696.26	684.61	672.97	661.32	649.67	638.03	626.38
	9.10%	687.18	675.53	663.89	652.24	640.60	628.95	617.30
	9.60%	678.10	666.46	654.81	643.16	631.52	619.87	608.23

With the growth of Meta weighing heavily on the return on their investment in AI, we wanted to determine how our price target would change based on their investment varying in total expenses. We used sensitivity testing to see what our discounted cash flow and economic profit model would produce based on changes in general and administrative as a percentage of sales, and the total capital expenditures for 2025. General and administrative represent the additional personnel that will be fired for AI development and capital expenditures represent the entire cost for the AI investment. The biggest takeaway was that if capital expenditure reached $72.5 billion instead of $65.0 billion and general and administrative was 9.60% of sales instead of 8.10%, our price target would still be $608. This shows that Meta has room for additional expenses if they are needed for their investment in AI. If this occurred, we would still have a buy rating on them, but there would be a lower upside.

SENTIMENT OUTLOOK

Bullish Sentiment:

Meta has the potential to advance competitors in the AI race by demonstrating their return on investment for their AI applications. Proven higher conversion rates from their AI ad placement system will result in higher demand for their advertising space and lead to a higher average price per ad. Additionally, improved capabilities for products from Reality Labs have the potential to start turning large annual losses back in the right direction. For the year 2025, the most important figures to watch will be ad impressions per quarter and average price per ad. If both of those figures grow by a larger percentage each quarter then there is possible evidence that the AI investment is paying off.

Bearish Sentiment:

The biggest issue Meta is facing right now is their antitrust case from the FTC. If Meta was forced to divest from Instagram, it essentially would not be the same company anymore. The result of that case is the single most important result to follow for Meta this year. In addition to that, global GDP growth will be an important figure to follow as a global slowdown in spending will slow Meta's advertising growth. Finally, it is important to watch Meta's Q1 total expenses and reported capital expenditures. If there are any indications that the investment in AI is exceeding their guidance, it will feed into skeptics who fear the ability of AI to return a profit.

Conclusion:

We believe that Meta is destined to rebound to early 2025 all-time highs from a current stock price that has been dragged down by macroeconomic trends. We are bullish on their ability to enhance their ad placing algorithms and improve already very high margins. On top of this, Meta has strategically positioned itself to remain the company with the most used social media platforms. For these reasons, we recommend a **BUY** rating for Meta with a price target of $670 based on our DCF model, representing a 30.1% upside.

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29. Trading Economics

DISCLAIMER

Meta Platforms, Inc.

Revenue Decomposition

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Family of apps metrics:								
Family daily active people (DAP)	2,960	3,190	3,350	3,501	3,641	3,768	3,881	3,978
Growth	4.96%	7.77%	5.02%	4.50%	4.00%	3.50%	3.00%	2.50%
Average revenue per person (ARPP)	38.67	41.69	48.46	54.93	60.35	65.05	69.34	71.75
Growth	-5.72%	7.83%	16.24%	13.33%	9.87%	7.79%	6.61%	3.47%
Family of apps:								
Advertising	113,642	131,948	160,633	190,061	216,955	241,861	265,442	281,369
Growth	-1.12%	16.11%	21.74%	18.32%	14.15%	11.48%	9.75%	6.00%
Other revenue	808	1,058	1,722	2,219	2,752	3,251	3,703	4,073
Growth	12.07%	30.94%	62.76%	28.88%	24.00%	18.14%	13.90%	10.00%
Total family of apps revenue	114,450	133,006	162,355	192,280	219,707	245,112	269,145	285,442
Growth	-1.04%	16.21%	22.07%	18.43%	14.26%	11.56%	9.81%	6.06%
Reality labs	2,159	1,896	2,146	2,478	2,901	3,500	4,298	5,329
Growth	-5.06%	-12.18%	13.19%	15.49%	17.06%	20.63%	22.80%	24.00%
Total revenue	116,609	134,902	164,501	194,759	222,608	248,612	273,443	290,771
Growth	-1.12%	15.69%	21.94%	18.39%	14.30%	11.68%	9.99%	6.34%

Meta Platforms, Inc.

Income Statement (in millions)

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	116,609	134,902	164,501	194,759	222,608	248,612	273,443	290,771
Costs and expenses:								
Depreciation and amortization	8,686	11,178	15,498	19,904	27,301	32,418	35,737	37,648
Other cost of revenue	16,563	14,781	14,663	16,132	17,036	17,459	17,479	16,754
Cost of revenue	25,249	25,959	30,161	36,036	44,337	49,878	53,216	54,402
Research and development	35,338	38,483	43,873	49,225	53,157	55,898	57,665	57,262
Marketing and sales	15,262	12,301	11,347	13,438	15,360	17,154	18,868	20,063
General and administrative	11,816	11,408	9,740	15,775	18,031	20,138	22,149	23,552
Total cost and expenses	87,665	88,151	95,121	114,475	130,886	143,067	151,898	155,279
Income from operations	28,944	46,751	69,380	80,283	91,722	105,545	121,545	135,492
Interest income	461	1,639	2,517	3,151	3,250	4,673	7,047	9,890
Interest expense	(185)	(446)	(715)	(1,216)	(1,313)	(1,522)	(1,664)	(1,756)
Other income (expense), net	(401)	(516)	(519)	-	-	-	-	-
Interest and other income (expense), net	(125)	677	1,283	1,935	1,937	3,151	5,382	8,134
Income before provision for income taxes	28,819	47,428	70,663	82,219	93,659	108,696	126,928	143,626
Provision for income taxes	5,619	8,330	8,303	18,006	20,511	23,804	27,797	31,454
Net income	23,200	39,098	62,360	64,213	73,148	84,892	99,131	112,172
Basic earnings per share (EPS)	8.63	15.19	24.61	25.40	29.01	33.65	39.47	45.13
Weighted average basic shares outstanding class A & B	2,687	2,574	2,534	2,528	2,521	2,523	2,511	2,485
Year end basic shares outstanding	2,614	2,561	2,534	2,522	2,520	2,526	2,497	2,474
Annual dividends per share	0.00	0.00	2.00	2.10	2.21	2.32	2.43	2.55

Meta Platforms, Inc.

Balance Sheet (in millions)

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Assets								
Current Assets:								
Cash and cash equivalents	14,681	41,862	43,889	44,971	78,683	135,824	204,493	293,543
Marketable securities	26,057	23,541	33,926	35,300	36,729	38,216	39,763	41,373
Accounts receivable, net	13,466	16,169	16,994	22,964	26,247	29,314	32,241	34,285
Prepaid expenses and other current assets	5,345	3,793	5,236	6,728	7,690	8,589	9,447	10,045
Total current assets	59,549	85,365	100,045	109,962	149,350	211,942	285,945	379,247
Non-marketable equity securities	6,201	6,141	6,070	6,041	6,012	5,983	5,954	5,926
Property and equipment, net	79,518	96,587	121,346	166,442	197,641	217,873	229,521	234,520
Operating lease right-of-use assets	12,673	13,294	14,922	20,467	24,304	26,792	28,224	28,839
Intangible assets, net	897	788	-	-	-	-	-	-
Goodwill	20,306	20,654	20,654	20,654	20,654	20,654	20,654	20,654
Other assets	6,583	6,794	13,017	13,544	14,092	14,663	15,257	15,875
Total assets	185,727	229,623	276,054	337,111	412,054	497,907	585,555	685,060
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	4,990	4,849	7,687	7,795	8,909	9,950	10,944	11,637
Partners payable	1,117	863	-	-	-	-	-	-
Operating lease liabilities, current	1,367	1,623	1,942	2,302	2,733	3,013	3,174	3,243
Accrued expenses and other current liabilities	19,552	24,625	23,967	32,194	36,798	41,096	45,201	48,065
Deferred revenue and deposits	-	-	-	-	-	-	-	-
Total current liabilities	27,026	31,960	33,596	42,290	48,440	54,059	59,318	62,945
Operating lease liabilities, non-current	15,301	17,226	18,292	23,775	28,231	31,121	32,785	33,499
Long-term debt	9,923	18,385	28,826	28,240	32,725	35,794	37,760	38,759
Long-term income taxes	6,645	7,514	9,987	13,440	17,375	21,940	27,272	33,305
Other liabilities	1,119	1,370	2,716	2,569	2,931	3,184	3,351	3,443
Total liabilities	60,014	76,455	93,417	110,314	129,702	146,098	160,486	171,951
Stockholders' equity:								
Additional paid-in capital	64,444	73,253	83,228	95,596	107,965	120,333	120,333	120,333
Accumulated other comprehensive income loss	(3,530)	(2,155)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)
Retained earnings	64,799	82,070	102,506	134,297	177,484	234,573	307,834	395,873
Total stockholders' equity	125,713	153,168	182,637	226,796	282,352	351,809	425,069	513,109
Total liabilities and stockholders' equity	185,727	229,623	276,054	337,111	412,054	497,907	585,555	685,060

Meta Platforms, Inc.

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2022	2023	2024
Cash flows from operating activities:			
Net income	23,200	39,098	62,360
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,686	11,178	15,498
Share-based compensation	11,992	14,027	16,690
Deferred income taxes	(3,286)	131	(4,738)
Impairment charges for facilities consolidation	2,218	2,432	383
Data center assets abandonment	1,341	(224)	-
Other	641	635	87
Changes in assets and liabilities:			
Accounts receivable	231	(2,399)	(1,485)
Prepaid expenses and other current assets	162	559	(698)
Other assets	(106)	(80)	(270)
Accounts payable	210	51	373
Partners payable			-
Accrued expenses and other current liabilities	4,300	5,081	323
Other liabilities	886	624	2,805
Net cash provided by operating activities	50,475	71,113	91,328
Cash flows from investing activities:			
Purchases of property & equipment	(31,186)	(27,266)	(37,256)
Proceeds relating to property and equipment		221	-
Purchases of marketable securities	(9,626)	(2,982)	(25,542)
Sales and maturities of marketable securities	13,158	6,184	15,789
Purchases of non-marketable equity securities	(4)	-	-
Acquisitions of businesses and intangible assets	(1,312)	(629)	(270)
Other investing activities		(23)	129
Net cash used in investing activities	(28,970)	(24,495)	(47,150)
Cash flows from financing activities:			
Taxes paid related to net share settlement of equity awards	(3,595)	(7,012)	(13,770)
Repurchases of class A common stock	(27,956)	(19,774)	(30,125)
Payments for dividends and dividend equivalents	-	-	(5,072)
Proceeds from issuance of long-term debt, net	9,921	8,455	10,432
Principal payments on finance leases	(850)	(1,058)	(1,969)
Other financing activities	344	(111)	(277)
Net cash used in financing activities	(22,136)	(19,500)	(40,781)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(638)	113	(786)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,269)	27,231	2,611
Cash, cash equivalents, and restricted cash at beginning of the period	16,865	15,596	42,827
Cash, cash equivalents, and restricted cash at end of the period	15,596	42,827	45,438

Meta Platforms, Inc.

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
Cash flows from operating activities:					
Net income	64,213	73,148	84,892	99,131	112,172
Depreciation and amortization	19,904	27,301	32,418	35,737	37,648
Change in accounts receivable, net	(5,970)	(3,284)	(3,066)	(2,928)	(2,043)
Change in prepaid expenses and other current assets	(1,492)	(962)	(898)	(858)	(599)
Change in other assets	(527)	(548)	(571)	(594)	(618)
Change in accounts payable	108	1,115	1,041	994	694
Change in accrued expenses and other current liabilities	8,227	4,604	4,299	4,105	2,864
Change in other liabilities	(147)	363	252	167	92
Change in long-term income taxes	3,453	3,934	4,566	5,331	6,033
Net cash provided by operating activities	87,769	105,669	122,932	141,085	156,243
Cash flows from investing activities:					
Change in marketable securities	(1,374)	(1,429)	(1,487)	(1,547)	(1,610)
Change in non-marketable equity securities	29	29	29	29	29
Capital expenditures	(65,000)	(58,500)	(52,650)	(47,385)	(42,647)
Change in operating lease right-of-use assets	(5,545)	(3,837)	(2,488)	(1,432)	(615)
Net cash used in investing activities	(71,890)	(63,737)	(56,596)	(50,336)	(44,843)
Cash flows from financing activities:					
Change in long-term debt	(586)	4,485	3,069	1,966	999
Change in operating lease liabilities, current	360	431	280	161	69
Change in operating lease liabilities, non-current	5,483	4,456	2,890	1,664	714
Change in additional paid-in capital	12,368	12,368	12,368	0	0
Share repurchases	(27,113)	(24,401)	(21,961)	(19,765)	(17,789)
Dividend payouts	(5,309)	(5,559)	(5,841)	(6,105)	(6,344)
Net cash used in financing activities	(14,797)	(8,220)	(9,196)	(22,080)	(22,350)
Change in cash	1,082	33,713	57,140	68,669	89,050
Beginning of year cash	43,889	44,971	78,683	135,824	204,493
End of year cash	44,971	78,683	135,824	204,493	293,543

Meta Platforms, Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Costs and expenses:								
Depreciation and amortization	7.45%	8.29%	9.42%	10.22%	12.26%	13.04%	13.07%	12.95%
Other cost of revenue	14.20%	10.96%	8.91%	8.28%	7.65%	7.02%	6.39%	5.76%
Cost of revenue	21.65%	19.24%	18.33%	18.50%	19.92%	20.06%	19.46%	18.71%
Research and development	30.30%	28.53%	26.67%	25.27%	23.88%	22.48%	21.09%	19.69%
Marketing and sales	13.09%	9.12%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
General and administrative	10.13%	8.46%	5.92%	8.10%	8.10%	8.10%	8.10%	8.10%
Total cost and expenses	75.18%	65.34%	57.82%	58.78%	58.80%	57.55%	55.55%	53.40%
Income from operations	24.82%	34.66%	42.18%	41.22%	41.20%	42.45%	44.45%	46.60%
Interest income	0.40%	1.21%	1.53%	1.62%	1.46%	1.88%	2.58%	3.40%
Interest expense	-0.16%	-0.33%	-0.43%	-0.62%	-0.59%	-0.61%	-0.61%	-0.60%
Other income (expense), net	-0.34%	-0.38%	-0.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest and other income (expense), net	-0.11%	0.50%	0.78%	0.99%	0.87%	1.27%	1.97%	2.80%
Income before provision for income taxes	24.71%	35.16%	42.96%	42.22%	42.07%	43.72%	46.42%	49.39%
Provision for income taxes	4.82%	6.17%	5.05%	9.25%	9.21%	9.57%	10.17%	10.82%
Net income	19.90%	28.98%	37.91%	32.97%	32.86%	34.15%	36.25%	38.58%

Meta Platforms, Inc.

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Assets								
Current Assets:								
Cash and cash equivalents	12.59%	31.03%	26.68%	23.09%	35.35%	54.63%	74.78%	100.95%
Marketable securities	22.35%	17.45%	20.62%	18.12%	16.50%	15.37%	14.54%	14.23%
Accounts receivable, net	11.55%	11.99%	10.33%	11.79%	11.79%	11.79%	11.79%	11.79%
Prepaid expenses and other current assets	4.58%	2.81%	3.18%	3.45%	3.45%	3.45%	3.45%	3.45%
Total current assets	51.07%	63.28%	60.82%	56.46%	67.09%	85.25%	104.57%	130.43%
Non-marketable equity securities	5.32%	4.55%	3.69%	3.10%	2.70%	2.41%	2.18%	2.04%
Property and equipment, net	68.19%	71.60%	73.77%	85.46%	88.78%	87.64%	83.94%	80.65%
Operating lease right-of-use assets	10.87%	9.85%	9.07%	10.51%	10.92%	10.78%	10.32%	9.92%
Intangible assets, net	0.77%	0.58%	-	-	-	-	-	-
Goodwill	17.41%	15.31%	12.56%	10.60%	9.28%	8.31%	7.55%	7.10%
Other assets	5.65%	5.04%	7.91%	6.95%	6.33%	5.90%	5.58%	5.46%
Total assets	159.27%	170.21%	167.81%	173.09%	185.10%	200.27%	214.14%	235.60%
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	4.28%	3.59%	4.67%	4.00%	4.00%	4.00%	4.00%	4.00%
Partners payable	0.96%	0.64%	-	-	-	-	-	-
Operating lease liabilities, current	1.17%	1.20%	1.18%	1.18%	1.23%	1.21%	1.16%	1.12%
Accrued expenses and other current liabilities	16.77%	18.25%	14.57%	16.53%	16.53%	16.53%	16.53%	16.53%
Deferred revenue and deposits	-	-	-	-	-	-	-	-
Total current liabilities	23.18%	23.69%	20.42%	21.71%	21.76%	21.74%	21.69%	21.65%
Operating lease liabilities, non-current	13.12%	12.77%	11.12%	12.21%	12.68%	12.52%	11.99%	11.52%
Long-term debt	8.51%	13.63%	17.52%	14.50%	14.70%	14.40%	13.81%	13.33%
Long-term income taxes	5.70%	5.57%	6.07%	6.90%	7.81%	8.83%	9.97%	11.45%
Other liabilities	0.96%	1.02%	1.65%	1.32%	1.32%	1.28%	1.23%	1.18%
Total liabilities	51.47%	56.67%	56.79%	56.64%	58.26%	58.77%	58.69%	59.14%
Stockholders' equity:								
Additional paid-in capital	55.27%	54.30%	50.59%	49.08%	48.50%	48.40%	44.01%	41.38%
Accumulated other comprehensive income loss	-3.03%	-1.60%	-1.88%	-1.59%	-1.39%	-1.25%	-1.13%	-1.07%
Retained earnings	55.57%	60.84%	62.31%	68.96%	79.73%	94.35%	112.58%	136.15%
Total stockholders' equity	107.81%	113.54%	111.02%	116.45%	126.84%	141.51%	155.45%	176.46%
Total liabilities and stockholders' equity	159.27%	170.21%	167.81%	173.09%	185.10%	200.27%	214.14%	235.60%

Meta Platforms, Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
NOPLAT:								
EBITA:								
Revenue	116,609	134,902	164,501	194,759	222,608	248,612	273,443	290,771
Operating Costs and Expenses:								
Depreciation and amortization	8,686	11,178	15,498	19,904	27,301	32,418	35,737	37,648
Other cost of revenue	16,563	14,781	14,663	16,132	17,036	17,459	17,479	16,754
Research and development	35,338	38,483	43,873	49,225	53,157	55,898	57,665	57,262
Marketing and sales	15,262	12,301	11,347	13,438	15,360	17,154	18,868	20,063
General and administrative	11,816	11,408	9,740	15,775	18,031	20,138	22,149	23,552
Income from operations:	28,944	46,751	69,380	80,283	91,722	105,545	121,545	135,492
Plus: Implied interest on operating leases	596	732	851	851	851	851	851	851
EBITA:	29,540	47,483	70,231	81,134	92,573	106,396	122,396	136,343
Less: Adjusted Taxes:								
Provision for income taxes	5,619	8,330	8,303	18,006	20,511	23,804	27,797	31,454
Plus: Tax on implied lease interest	149	168	186	186	186	186	186	186
Minus: Tax on interest income	(115)	(377)	(551)	(690)	(712)	(1,023)	(1,543)	(2,166)
Plus: Tax on interest expense	46	103	157	266	288	333	365	385
Minus: Tax on other income (expense), net	100	119	114	-	-	-	-	-
Total Adjusted Taxes:	5,799	8,343	8,208	17,768	20,273	23,301	26,805	29,859
Plus: Change in deferred taxes	(3,286)	131	(4,738)	3,453	3,934	4,566	5,331	6,033
NOPLAT:	20,455	39,271	57,284	66,819	76,233	87,661	100,923	112,517
Invested Capital (IC):								
Operating Current Assets:								
Normal cash	14,681	16,984	20,711	24,520	28,026	31,300	34,426	36,608
Accounts receivable, net	13,466	16,169	16,994	22,964	26,247	29,314	32,241	34,285
Prepaid expenses and other current assets	5,345	3,793	5,236	6,728	7,690	8,589	9,447	10,045
Total Operating Current Assets:	33,492	36,946	42,941	54,212	61,964	69,202	76,114	80,938
Non-Interest Bearing Operating Current Liabilities:								
Accounts payable	4,990	4,849	7,687	7,795	8,909	9,950	10,944	11,637
Partners payable	1,117	863	-	-	-	-	-	-
Accrued expenses and other current liabilities	14,757	18,033	18,444	26,671	31,275	35,573	39,678	42,542
Total Non-Interest Bearing Operating Current Liabilities:	20,864	23,745	26,131	34,466	40,184	45,523	50,622	54,179
Net Operating Working Capital:	12,628	13,201	16,810	19,746	21,780	23,679	25,493	26,758
Property and Equipment, Net:	79,518	96,587	121,346	166,442	197,641	217,873	229,521	234,520
Other Long-Term Operating Assets:								
Operating lease right-of-use assets	12,673	13,294	14,922	20,467	24,304	26,792	28,224	28,839
Intangible assets, net	897	788	-	-	-	-	-	-
Other assets	6,583	6,794	13,017	13,544	14,092	14,663	15,257	15,875
Total Other Long-Term Operating Assets:	20,153	20,876	27,939	34,012	38,397	41,455	43,481	44,714
Other Long-Term Operating Liabilities:								
Other liabilities	1,119	1,370	2,716	2,569	2,931	3,184	3,351	3,443
Total Other Long-Term Operating Liabilities:	1,119	1,370	2,716	2,569	2,931	3,184	3,351	3,443
Invested Capital (IC):	111,180	129,294	163,379	217,631	254,886	279,823	295,144	302,549
Free Cash Flow (FCF):								
NOPLAT	20,455	39,271	57,284	66,819	76,233	87,661	100,923	112,517
Change in IC	22,359	18,114	34,084	54,253	37,255	24,937	15,321	7,405
FCF	**(1,904)**	**21,157**	**23,200**	**12,567**	**38,978**	**62,724**	**85,602**	**105,112**
Return on Invested Capital (ROIC):								
NOPLAT	20,455	39,271	57,284	66,819	76,233	87,661	100,923	112,517
Beginning IC	88,821	111,180	129,294	163,379	217,631	254,886	279,823	295,144
ROIC	**23.03%**	**35.32%**	**44.31%**	**40.90%**	**35.03%**	**34.39%**	**36.07%**	**38.12%**
Economic Profit (EP):								
Beginning IC	88,821	111,180	129,294	163,379	217,631	254,886	279,823	295,144
x (ROIC - WACC)	12.83%	25.13%	34.11%	30.70%	24.83%	24.20%	25.87%	27.93%
EP	**11,398**	**27,934**	**44,100**	**50,160**	**54,042**	**61,670**	**72,389**	**82,421**

Meta Platforms, Inc.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:			*ASSUMPTIONS:*
Risk-Free Rate	4.33%		*10-year Treasury bond*
Beta	1.22		*Average of 1, 2, and 5-year Bloomberg weekly beta*
Equity Risk Premium	5.00%		*Henry Fund Estimate*
Cost of Equity	**10.44%**		
Cost of Debt:			
Risk-Free Rate	4.33%		*10-year Treasury bond*
Implied Default Premium	0.32%		
Pre-Tax Cost of Debt	4.65%		*YTM on company's 37-year corporate bond*
Marginal Tax Rate	21.90%		
After-Tax Cost of Debt	**3.63%**		

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	2,534	
Current Stock Price	$515.49	
MV of Equity	**1,306,252**	96.39%
Market Value of Debt:		
Short-Term Debt	-	
Current Portion of LTD	-	
Long-Term Debt	28,826	
PV of Operating Leases	20,121	
MV of Total Debt	**48,947**	3.61%
Market Value of the Firm	**1,355,199**	100.00%

Estimated WACC	**10.20%**

Meta Platforms, Inc.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	6.00%
CV Year ROIC	38.12%
WACC	10.20%
Cost of Equity	10.44%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
DCF Model:					
Free Cash Flow (FCF)	12,567	38,978	62,724	85,602	105,112
Continuing Value (CV)					2,258,958
PV of FCF	11,404	32,098	46,873	58,050	1,531,896
Value of Operating Assets:	1,680,322				
Non-Operating Adjustments:					
Excess Cash	23,178				
Marketable Securities	39,996				
Less: Total Debt	(48,947)				
Less: ESOP	(30,335)				
Less: Legal Accruals	(5,523)				
Value of Equity	1,658,691				
Shares Outstanding	2,534				
Intrinsic Value of Last FYE	$ 654.57				
Implied Price as of Today	$ 670.40				
EP Model:					
Economic Profit (EP)	50,160	54,042	61,670	72,389	82,421
Continuing Value (CV)					1,963,814
PV of EP	45,518	44,503	46,085	49,090	1,331,746
Total PV of EP	1,516,943				
Invested Capital (last FYE)	163,379				
Value of Operating Assets:	1,680,322				
Non-Operating Adjustments:					
Excess Cash	23,178				
Marketable Securities	39,996				
Less: Total Debt	(48,947)				
Less: ESOP	(30,335)				
Less: Legal Accruals	(5,523)				
Value of Equity	1,658,691				
Shares Outstanding	2,534				
Intrinsic Value of Last FYE	$ 654.57				
Implied Price as of Today	$ 670.40				

Meta Platforms, Inc.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E
EPS	$ 25.40	$ 29.01	$ 33.65	$ 39.47	$ 45.13
Key Assumptions					
CV growth of EPS	6.00%				
CV Year ROE	26.39%				
Cost of Equity	10.44%				
Future Cash Flows					
P/E Multiple (CV Year)					17.39
EPS (CV Year)					$ 45.13
Future Stock Price					$ 784.87
Dividends Per Share	2.10	2.21	2.32	2.43	2.55
Discounted Cash Flows	1.90	1.81	1.72	1.63	527.53
Intrinsic Value as of Last FYE	$ 534.59				
Implied Price as of Today	$ 547.51				

Meta Platforms, Inc.

Relative Valuation Models

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Enterprise Value (M)	EBITDA 2025E	EBITDA 2026E	EV/EBITDA 2025	EV/EBITDA 2026
GOOGL	Alphabet A	$158.71	$8.89	$10.16	17.85	15.62	1,916,343	171,076	194,833	11.20	9.84
AMZN	Amazon	$191.10	$6.33	$7.61	30.19	25.11	1,937,338	167,019	192,425	11.60	10.07
AAPL	Apple	$198.85	$7.27	$8.04	27.35	24.73	3,035,523	140,877	150,849	21.55	20.12
MSFT	Microsoft	$390.49	$13.17	$14.93	29.65	26.15	2,877,211	154,616	176,229	18.61	16.33
NVDA	NVIDIA	$114.33	$4.53	$5.72	25.24	19.99	2,696,912	131,388	164,435	20.53	16.40
PINS	Pinterest	$28.14	$1.84	$2.21	15.29	12.73	16,036	1,244	1,518	12.89	10.56
				Average	**24.26**	**20.72**				**16.06**	**13.89**
META	Meta Platforms, Inc.	$515.49	$25.40	$29.01	20.3	17.8	1,355,199	100,187	119,023	13.53	11.39

Implied Relative Value:

P/E (EPS25)	**$**	**616.25**
P/E (EPS26)	**$**	**601.25**
EV/EBITDA (EBITDA 25)	**$**	**615.75**
EV/EBITDA (EBITDA 26)	**$**	**632.93**

Meta Platforms, Inc.

Sensitivity Tables

Risk-Free Rate vs. CV Growth of NOPLAT

670.40	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%
4.03%	559.51	602.89	656.12	722.95	809.39	925.54	1,089.88
4.13%	548.80	590.33	641.07	704.48	785.97	894.57	1,046.50
4.23%	538.47	578.24	626.65	686.87	763.80	865.53	1,006.34
4.33%	528.48	566.60	612.83	670.07	742.79	838.23	969.04
4.43%	518.83	555.38	599.56	654.02	722.84	812.53	934.32
4.53%	509.49	544.57	586.82	638.68	703.88	788.30	901.91
4.63%	500.46	534.14	574.57	624.00	685.84	765.40	871.59

Cost of Equity vs. CV Growth of EPS

547.51	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%
9.84%	500.20	538.69	586.06	645.76	723.33	828.22	977.94
10.04%	479.06	514.02	556.67	609.89	678.14	768.83	895.24
10.24%	459.42	491.25	529.80	577.43	637.81	716.82	824.66
10.44%	441.13	470.19	505.13	547.94	601.61	670.89	763.73
10.64%	424.05	450.64	482.40	521.01	568.94	630.04	710.60
10.84%	408.08	432.46	461.41	496.34	539.32	593.49	663.87
11.04%	393.10	415.51	441.96	473.65	512.33	560.58	622.46

Pre-Tax Cost of Debt vs. Beta

670.40	0.92	1.02	1.12	1.22	1.32	1.42	1.52
4.05%	1,058.61	892.44	769.83	675.66	601.07	540.54	490.45
4.25%	1,056.26	890.78	768.60	674.72	600.33	539.96	489.98
4.45%	1,053.94	889.13	767.38	673.79	599.61	539.38	489.52
4.65%	1,051.65	887.50	766.18	672.87	598.89	538.81	489.05
4.85%	1,049.38	885.89	764.98	671.95	598.17	538.24	488.59
5.05%	1,047.14	884.30	763.80	671.05	597.46	537.67	488.13
5.25%	1,044.92	882.72	762.63	670.15	596.76	537.11	487.68

2025-2029 G&A as a % of Sales vs. 2025 Capital Expenditures

670.40	57,500	60,000	62,500	65,000	67,500	70,000	72,500
6.60%	732.57	720.92	709.28	697.63	685.99	674.34	662.69
7.10%	723.49	711.85	700.20	688.55	676.91	665.26	653.62
7.60%	714.41	702.77	691.12	679.48	667.83	656.18	644.54
8.10%	705.34	693.69	682.04	670.40	658.75	647.11	635.46
8.60%	696.26	684.61	672.97	661.32	649.67	638.03	626.38
9.10%	687.18	675.53	663.89	652.24	640.60	628.95	617.30
9.60%	678.10	666.46	654.81	643.16	631.52	619.87	608.23

2025-2029 M&S as a % of Sales vs. Normal Cash as a % of Sales

670.40	11.09%	11.59%	12.09%	12.59%	13.09%	13.59%	14.09%
6.30%	684.42	683.38	682.33	681.29	680.25	679.20	678.16
6.50%	680.79	679.75	678.70	677.66	676.62	675.57	674.53
6.70%	677.16	676.12	675.07	674.03	672.99	671.94	670.90
6.90%	673.53	672.48	671.44	670.40	669.35	668.31	667.27
7.10%	669.90	668.85	667.81	666.77	665.72	664.68	663.64
7.30%	666.27	665.22	664.18	663.14	662.09	661.05	660.01
7.50%	662.63	661.59	660.55	659.50	658.46	657.42	656.37

WACC vs. 2025 Advertising Growth

670.40	12.32%	14.32%	16.32%	18.32%	20.32%	22.32%	24.32%
9.60%	729.35	749.54	769.73	789.92	810.11	830.30	850.49
9.80%	688.37	707.48	726.58	745.68	764.79	783.89	802.99
10.00%	651.51	669.63	687.76	705.88	724.01	742.13	760.26
10.20%	618.16	635.40	652.64	669.88	687.12	704.36	721.60
10.40%	587.86	604.29	620.73	637.17	653.60	670.04	686.48
10.60%	560.20	575.90	591.60	607.31	623.01	638.71	654.42
10.80%	534.85	549.89	564.92	579.95	594.98	610.01	625.04

Meta Platforms, Inc.

Valuation of Options Granted under ESOP

Current Stock Price	$515.49	
Risk Free Rate	4.33%	
Current Dividend Yield	0.39%	
Annualized St. Dev. of Stock Returns	23.70%	Bloomberg 5y average

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	122.63	302.57	3.00	$ 247.37	$ 30,335
Total	122.63	$ 302.57	3.00	$ 253.12	**$ 30,335**

Meta Platforms, Inc.

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	123
Average Time to Maturity (years):	3.00
Expected Annual Number of Options Exercised:	41
Current Average Strike Price:	$ 302.57
Cost of Equity:	10.44%
Current Stock Price:	$515.49

Fiscal Years Ending Dec. 31	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Increase in Shares Outstanding:	41	41	41		
Average Strike Price:	$ 302.57	$ 302.57	$ 302.57	$ 302.57	$ 302.57
Increase in Common Stock Account:	**12,368**	**12,368**	**12,368**	**-**	**-**
Share Repurchases ($)	27,113	24,401	21,961	19,765	17,789
Expected Price of Repurchased Shares:	$ 515.49	$ 567.32	$ 624.37	$ 687.15	$ 756.24
Number of Shares Repurchased:	**53**	**43**	**35**	**29**	**24**
Shares Outstanding (beginning of the year)	2,534	2,522	2,520	2,526	2,497
Plus: Shares Issued Through ESOP	41	41	41	0	0
Less: Shares Repurchased in Treasury	53	43	35	29	24
Shares Outstanding (end of the year)	**2,522**	**2,520**	**2,526**	**2,497**	**2,474**

Meta Platforms, Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Liquidity Ratios:								
Current Ratio (Current Assets/Current Liabilities)	2.20	2.67	2.98	2.60	3.08	3.92	4.82	6.03
Cash Ratio (Cash/Current Liabilities)	0.54	1.31	1.31	1.06	1.62	2.51	3.45	4.66
Net Working Capital to Revenue Ratio (NWC/Revenue)	0.28	0.40	0.40	0.35	0.45	0.64	0.83	1.09
Asset-Management Ratios:								
Net Working Capital Ratio (Revenue/Net Working Capital)	3.59	2.53	2.48	2.88	2.21	1.57	1.21	0.92
Cash Turnover Ratio (Revenue/Cash)	7.94	3.22	3.75	4.33	2.83	1.83	1.34	0.99
Asset Turnover Ratio (Revenue/Average Total Assets)	0.66	0.65	0.65	0.64	0.59	0.55	0.50	0.46
Financial Leverage Ratios:								
Debt Ratio (Total Debt/Total Assets)	0.14	0.16	0.18	0.14	0.13	0.11	0.10	0.09
Debt-to-Equity Ratio (Total Debt/Total Equity)	0.20	0.24	0.27	0.21	0.19	0.16	0.14	0.11
LT Debt/Total Assets	0.05	0.08	0.10	0.08	0.08	0.07	0.06	0.06
Profitability Ratios:								
Return on Equity (NI/Beg TSE)	18.58%	31.10%	40.71%	35.16%	32.25%	30.07%	28.18%	26.39%
Return on Assets (NI/Avg Total Assets)	13.19%	18.83%	24.66%	20.94%	19.53%	18.66%	18.30%	17.66%
Gross Margin ((Revenue - COGS)/Revenue)	78.35%	80.76%	81.67%	81.50%	80.08%	79.94%	80.54%	81.29%
Payout Policy Ratios:								
Dividend Payout Ratio (Dividend/EPS)	0.00%	0.00%	8.13%	8.27%	7.60%	6.88%	6.16%	5.66%
Total Payout Ratio ((Divs. + Repurchases)/NI)	120.50%	50.58%	56.44%	50.49%	40.96%	32.75%	26.10%	21.51%