Morgan Stanley | RESEARCH

IDEA

June 2, 2026 08:00 PM GMT

Meta Platforms Inc | North America

4 Products to Turn Meta Back into an "AI Winner"

We detail and size Meta AI search, business and consumer subscriptions, core ad upside, and the Neocloud safety valve, each of which could add $1-3 to '28 EPS and drive multiple expansion...showing how META can drive more durable revenue and EPS from investments. Top pick; $775 PT ~30% upside.

We would greatly appreciate your support in the Internet Large Cap and Internet SmidCap categories in this year's All-America Extel survey. Thank you so much! - Brian

How to vote: To request a ballot, please go to https://www.extelinsights.com/voting.

With Sentiment Troughed, We Detail 4 Products/Catalysts to Drive Earnings Power and Multiple Expansion: META investor sentiment continues to lag megacap peers due to lower visibility and confidence in GenAI ROIC and/or concerns that META's $380bn+ of capex ('27+'28) and ~$25bn of annual hyperscaler investment will not generate return. We believe these concerns, reflected in META's valuation gap to its megacap peers, arguably misses the company's improving moats. META still has 3.5bn daily active users spending hours per day (and growing) on the platform...and has a litany of GPU enabled improvements in the pipeline (see here) to drive further engagement and monetization growth. Contrary to the share price, we think META's engagement and monetization moats are deeper than ever and don't see that changing...and agentic may even make their platform stronger (see here).

But this level of investment requires incremental products and revenue streams. **Today we lay out 4 potential products/event catalysts to drive more durable revenue growth, higher earnings power and likely multiple expansion.** As shown, we see Meta AI search, subscription revenue, core ad revenue upside, and the neocloud "back-up" plan as all $1-$3 drivers of upside to '28 EPS.

Brian Nowak, CFA
Equity Analyst
Brian.Nowak@morganstanley.com +1 212 761-3365

Gregory Gao
Research Associate
Greg.Gao@morganstanley.com +1 212 296-3125

Nikhil Javeri
Research Associate
Nikhil.Javeri1@morganstanley.com +1 212 761-3742

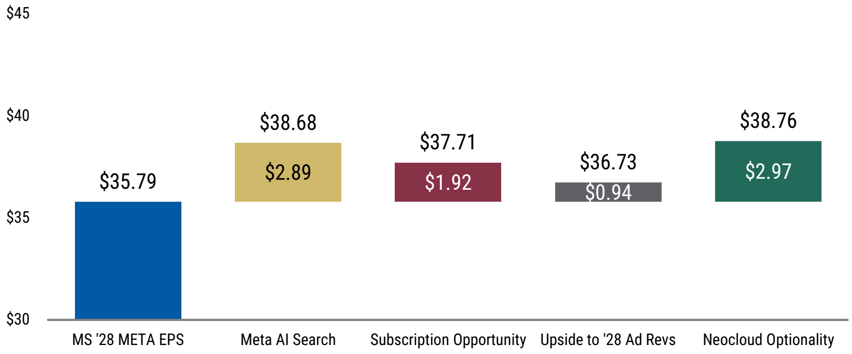
Meta Platforms Inc (META.O, META US)

Top Pick

Internet | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$775.00**
Shr price, close (Jun 1, 2026)	$600.47
Mkt cap, curr (mm)	$1,877,605
52-Week Range	$796.25-520.26

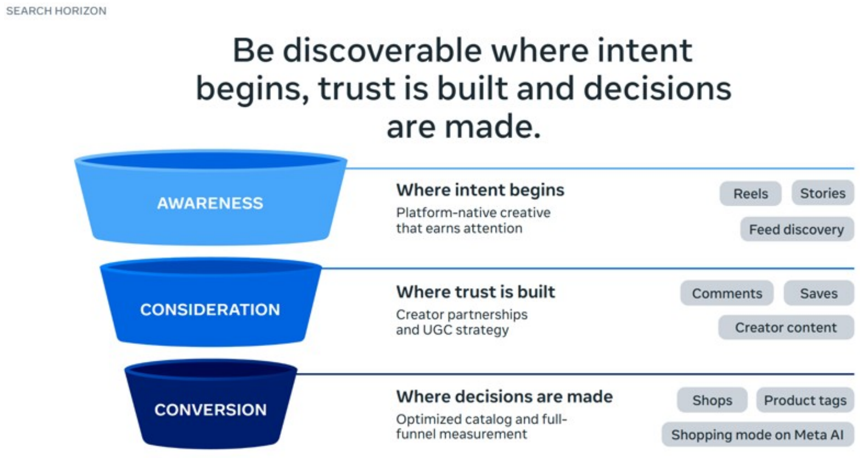
Exhibit 1: We see Meta AI search, business and user subscriptions, core ad upside, and the Neocloud optionality as drivers of $1-3 of EPS each...with multiple expansion too (from successful product launches).



commercial query rate, monetization of $0.30 per query, and 80% incremental margins. Subscription Opportunity assumes 60mn subs at $10 monthly ARPU with 80% incremental margins. Upside to '28 Ad Revs assumes 1% revenue upside with 80% incremental margins. Neocloud Optionality assumes revenue of $10bn/GW with 90% incremental operating margin.

1. A $10bn+ "Search" Opportunity with Meta AI (That Really Could Scale to $30bn+ Quickly If Successful) As detailed in Key Debates, MetaClaw and Why to Buy META Now we see the Meta AI and "MetaClaw" agentic opportunity as one of the most under-appreciated monetization call options in our coverage. A recent Meta ad product presentation deck that made its way to social media (see here) confirms the full funnel opportunity META is going after as well...with the largest incremental opportunity at the top of funnel to build a "search-like" use case and revenue stream.

Exhibit 2: A recent presentation from Meta on advertising and Meta AI confirmed their full funnel focus efforts to disrupt search behavior...



SEARCH HORIZON

Be discoverable where intent begins, trust is built and decisions are made.

AWARENESS

Where intent begins
Platform-native creative that earns attention

Reels | Stories | Feed discovery

CONSIDERATION

Where trust is built
Creator partnerships and UGC strategy

Comments | Saves | Creator content

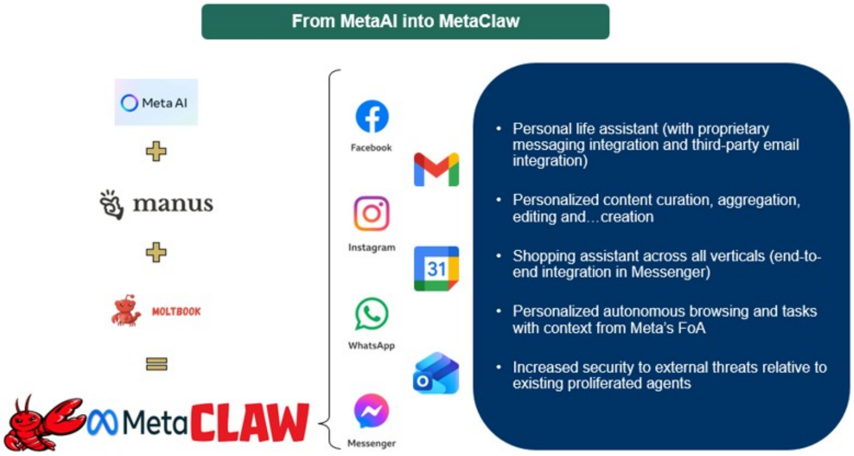
CONVERSION

Where decisions are made
Optimized catalog and full-funnel measurement

Shops | Product tags | Shopping mode on Meta AI

We acknowledge creating and scaling a differentiated top of funnel search agent won't be easy across billions of users (given entrenched behavior around GOOGL and other emerging chatbots) but **META's leading personalized data and distribution and ability to create new use cases and sources of consumer utility make this agentic call option possible.** One could ask their Meta AI agent what the top toys are this summer ...and be shown shoppable inventory with influencer reviews. And content on Meta will become more interactive and personalized too...with a Meta AI agent being able to ask users if they want to shop for Toy Story 5 toys after they finish watching Reels of the content (as one example). In some ways, GOOGL's advancing agents may bring a halo tailwind to Meta AI...as the extent to which consumers begin using agents off of Meta for commercial behavior could cause them to start using Meta AI in that manner too.

Exhibit 3: ...with META's leading data and distribution setting the table to launch and scale products to drive "search like" monetization (and more) ...



- Personal life assistant (with proprietary messaging integration and third-party email integration)
- Personalized content curation, aggregation, editing and…creation
- Shopping assistant across all verticals (end-to-end integration in Messenger)
- Personalized autonomous browsing and tasks with context from Meta's FoA
- Increased security to external threats relative to existing proliferated agents

The path to $10bn+ of incremental search revenue doesn't seem a stretch: Putting numbers behind the "search" monetization opportunity, consider that if Meta AI can reach/maintain 1bn users (which it reached as of May '25 per Meta) and generate 1 query per day with 10% of queries monetizable (vs. 5 per day on GOOGL and 20% of them monetizable) it is likely to generate over $10bn of annual revenue and ~8% upside to our '28 EPS.

And our sensitivity work shows the scalability of this high margin search business...with the potential for 20%+ upside to '28 EPS. ***Please let us know if interested in our interactive Meta AI search model.***

Exhibit 4: … and the path to $10bn+ of annual "search-like" revenue doesn't seem to be a stretch…

MetaAI	**2028**
(+) MAUs (mns)	1,000
(X) META Queries per MAU per Day	1.0
Note: GOOGL Queries per MAU per Day	*5.0*
(=) Total Meta AI Queries	365,000
(X) Meta AI Commercial Query Rate	10%
Note: GOOGL Commercial Query Rate	*20%*
(=) Total Meta AI Commercial Queries	**36,500**
(X) META Monetization per Commercial Query	$0.30
Note: GOOGL US Monetization per Commercial Query	*$0.36*
(=) META Global Search Revenue ($ bn)	**$11.0**
Upside to '28 Revenue	*3%*
(=) Incremental Search EPS	**$2.89**
Upside to '28 EPS	*8%*

Exhibit 5: … while our sensitivity tables on scaling the search behavior speaks to the path to $30bn+ of annual revenue (for context GOOGL search is currently $225bn annually)….

META Upside to '28 Revenue from AI Search ($bn)						
		Meta AI MAUs (mn)				
		1,000	**1,500**	**2,000**	**2,500**	**3,000**
Search Queries per MAU per Day	**0.5**	$5	$8	$11	$14	$16
	1.0	$11	$16	$22	$27	$33
	1.5	$16	$25	$33	$41	$49
	2.0	$22	$33	$44	$55	$66
	2.5	$27	$41	$55	$68	$82

$0.30 per commercial query, respectively,

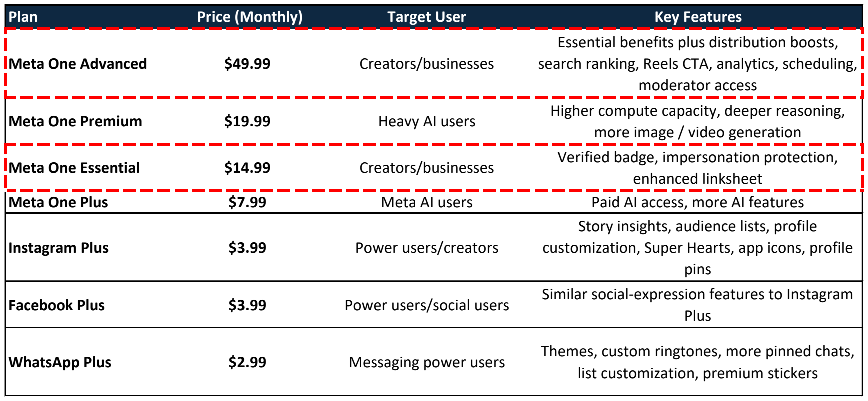
Exhibit 6: …with the high incremental margins on advertising driving 20%+ upside to our '28 EPS.

META Upside to '28 EPS from AI Search ($bn)						
		Meta AI MAUs (mn)				
		1,000	**1,500**	**2,000**	**2,500**	**3,000**
Search Queries per MAU per Day	**0.5**	4%	6%	8%	10%	12%
	1.0	8%	12%	16%	20%	24%
	1.5	12%	18%	24%	30%	36%
	2.0	16%	24%	32%	40%	48%
	2.5	20%	30%	40%	50%	61%

$0.30 per commercial query, respectively, and assume 80% incremental margins on upside ad revenue throughout this sensitivity analysis.

2. A Multi-TAMed Business, Creator and User Subscription Offering That Could Drive $7bn/$2 of Revenue/EPS. META's recent announcement on multiple subscription offerings aimed at businesses, creators and users speak to another high incremental margin revenue stream for the company. META has 3.5bn+ daily active users…and (in our view) more importantly 10mn-15mn advertisers and an addressable market of 50mn+ content creators (the majority of which we believe utilize META's platforms). This speaks to the multiple TAMs of potential subscribers to improve their user experiences, business analytics and ROIC on META. We detail the subscription offerings below…but in some cases we view these as META simply **"turning emerging monetization dials"…and creating new costs to compete for audiences and wallet share on META.**

Exhibit 7: META's rollout of subscription offerings for businesses, creators and users speaks to the multiple monetization levers it is pulling.



Plan	Price (Monthly)	Target User	Key Features
Meta One Advanced	**$49.99**	Creators/businesses	Essential benefits plus distribution boosts, search ranking, Reels CTA, analytics, scheduling, moderator access
Meta One Premium	**$19.99**	Heavy AI users	Higher compute capacity, deeper reasoning, more image / video generation
Meta One Essential	**$14.99**	Creators/businesses	Verified badge, impersonation protection, enhanced linksheet
Meta One Plus	**$7.99**	Meta AI users	Paid AI access, more AI features
Instagram Plus	**$3.99**	Power users/creators	Story insights, audience lists, profile customization, Super Hearts, app icons, profile pins
Facebook Plus	**$3.99**	Power users/social users	Similar social-expression features to Instagram Plus
WhatsApp Plus	**$2.99**	Messaging power users	Themes, custom ringtones, more pinned chats, list customization, premium stickers

As one example, we would argue **business services like verification, impersonation protection and image/video creation could become table stakes for businesses and content creators** on META in a GenAI world. **Distribution boosts, search ranking and other analytics will be critical** to businesses competing on Meta (through core feed/reels or messaging). Given this, consider that just 20mn subscribers at $15/month would translate into ~$3.5bn of incremental revenue and ~$1 of EPS.

On the consumer side, we believe other platforms have been able to reach a low to mid single digit percent of user payer adoption for GenAI tools…but in this case we think META will need to showcase more differentiation to drive that level of adoption. We also argue META doesn't want to fragment the user base or impact engagement as well…which means many tools are likely to remain free…so for now we take a more conservative approach with user subscriptions.

ARPU rates and adoption by product will vary but these TAMs help us put reasonable revenue ranges on successful subscription product roll-outs…and as shown, consider that even **60mn subscribers at an ARPU of $10** (think of as 10mn businesses/creators at $20 ARPU, 15mn businesses/creators $15 ARPU and 35mn users ,~1% penetration, at $4 ARPU) **would lead to an incremental ~$7bn of annual revenue and drive ~5% upside to '28 EPS.** If the $4 consumer subscription offering gains more differentiation this side of the business could be much larger…but for now we feel more comfortable with the B2B and creator opportunity scaling.

Exhibit 8: Even just 60mn subscribers at an ARPU of $10 would drive $7bn of revenue upside...

META Upside to '28 Revenue from Subscription Revenue ($)

		Subscribers (mn)				
		40	50	60	70	80
Subscriber Monthly ARPU	$5	$2,400	$3,000	$3,600	$4,200	$4,800
	$10	$4,800	$6,000	$7,200	$8,400	$9,600
	$15	$7,200	$9,000	$10,800	$12,600	$14,400
	$20	$9,600	$12,000	$14,400	$16,800	$19,200
	$25	$12,000	$15,000	$18,000	$21,000	$24,000

Exhibit 9: ... $2 of EPS...

META $ Upside to '28 EPS from Subscription Revenue

		Subscribers (mn)				
		40	50	60	70	80
Subscriber Monthly ARPU	$5	$0.64	$0.80	$0.96	$1.12	$1.28
	$10	$1.28	$1.60	$1.92	$2.24	$2.56
	$15	$1.92	$2.40	$2.87	$3.35	$3.83
	$20	$2.56	$3.19	$3.83	$4.47	$5.11
	$25	$3.19	$3.99	$4.79	$5.59	$6.39

Exhibit 10: ... which is 5%+ upside to '28 EPS.

META % Upside to '28 EPS from Subscription Revenue

		Subscribers (mn)				
		40	50	60	70	80
Subscriber Monthly ARPU	$5	1.8%	2.2%	2.7%	3.1%	3.6%
	$10	3.6%	4.5%	5.4%	6.2%	7.1%
	$15	5.4%	6.7%	8.0%	9.4%	10.7%
	$20	7.1%	8.9%	10.7%	12.5%	14.3%
	$25	8.9%	11.2%	13.4%	15.6%	17.8%

3. Core Ad Runway Likely Longer than Appreciated…with Every 1% Upside to '28 Ad Revenue ~$3.5bn of Revenue and ~$1 of EPS. We currently model META ad revenue to grow 21%/18% in '27/'28...essentially assuming the business decelerates from laws of large numbers. But with engagement growth trends strong (still growing double digit percentages, we believe) and META's pipeline of ad targeting, data analyses/matching and overall tech stack improving from GPU-enabled machine learning flush (see here for META's pipeline of innovations ahead) we argue even we may be under-appreciating the growth ahead.

This is particularly true given the strength in engagement…which is one of the strongest leading indicators of monetization potential. Here again, this can move estimates as every 1% upside to our '28 ad revenue would generate ~$3.5bn of revenue and lead to ~2.5% upside to our '28 EPS.

Exhibit 11: Every 1% upside to our '28 ad revenue drives ~250bps of upside to our '28 META EPS

'28 Ad Revenue (Modeled)	$356,890	$356,890	$356,890	$356,890	$356,890
(X) % Upside	*0.5%*	*1.0%*	*1.5%*	*2.0%*	*2.5%*
(=) $ Upside to '28 Ad Revenues	**$1,784**	**$3,569**	**$5,353**	**$7,138**	**$8,922**
% EBIT Flow Through	*80%*	*80%*	*80%*	*80%*	*80%*
Tax Rate	*13%*	*13%*	*13%*	*13%*	*13%*
(=) $ Upside to MS'28 META EPS	**$0.47**	**$0.94**	**$1.41**	**$1.88**	**$2.36**
% Upside to MS '28 META EPS	*1.3%*	*2.6%*	*3.9%*	*5.3%*	*6.6%*

4. And a Neocloud "Safety Net" Optionality That Could Add ~$3/8%+ to '28 EPS: As written in Headcount Reductions and the Neocloud Backup Optionality, compute is a scarce resource and META's rapid capacity build gives the company optionality to lease out any compute resources that are not utilized internally. While not the core plan or base case, notably, this option was highlighted by management at META's annual shareholder meeting on May 27th where management said providing compute capacity to external customers was "definitely on the table." Our work implies 8%+ upside to '28 EPS in a scenario where META leases out 1GW of capacity at ~$10bn/ GW (in line with neocloud bare-metal leasing deals). **In a world where full stack GW are being leased at $15-$20bn/GW, we would view this a minimum upside in this scenario.** In addition, given we believe recent leasing deals are being done with more flexibility (shorter terms, options to cancel), etc, leasing out GW could also be an effective stop-gap to protect FCF as products scale.

Exhibit 12: Assuming META's compute (if sold externally) monetizes at a similar rate to bare-metal neoclouds (~$10/watt), we see ~8% upside to our '27 EPS numbers...

META Neocloud Optionality	
Revenue $/Watt	$10
(X) Assumed Incremental Operating Margin	90%
(=) Incremental Operating Profit $/Watt	$9
(X) Watts per GW	1,000,000,000
(=) Incremental OI per GW ($ mn)	$9,000
(X) Tax Rate	13%
(=) Incremental Net Income ($ mn)	**$7,830**
(/) Shares (mn)	2,636
(=) Incremental EPS	**$2.97**
Upside to Current '28 EPS	*8%*

Exhibits

Exhibit 13: META now trades at a 30% discount to GOOGL on consensus earnings estimates, ~2X standard deviations below the long-term average

Exhibit 14: Our $775 PT on META implies paying 23X on our '27 EPS of ~$34

Figures in mn	**Bear**	**Base**	**Bull**
EBITDA (FY27E)	$175,008	$185,526	$190,336
(X) Target Multiple	5.2x	11.1x	13.8x
Discount to 3-Year Average	-60%	-15%	5%
(=) Enterprise Value	913,540	2,066,756	2,617,122
(-) Net Debt (YE '26)	(3,550)	(9,654)	(14,089)
(÷) Shares Outstanding	2,612	2,613	2,614
(=) Multiples Based Valuation	**$351**	**$795**	**$1,007**
DCF Based Valuation	**$548**	**$756**	**$994**
PT (Average of Multiples, DCF Valuation)	**$450**	**$775**	**$1,000**
% Upside	***-27%***	***26%***	***63%***
Implied '27 P/E	**14x**	**23x**	**28x**
'27 EPS	**$31.16**	**$34.16**	**$35.46**

Financials

Exhibit 15: META Income Statement

Income Statement	**2023**	**2024**	**2025**	**2026E**	**2027E**	**'23-'27 CAGR**
Advertising revenue	$131,948.0	$160,632.0	$196,174.0	$250,625.2	$302,337.6	23.0%
Payments/other revenue	2,953.0	3,868.0	4,791.0	6,446.7	8,301.4	29.5%
Total net revenue	**$134,901**	**$164,500**	**$200,965**	**$257,072**	**$310,639**	23.2%
Cost of revenue (ex-SBC)	25,208.1	29,260.6	35,067.7	66,908.4	90,823.7	37.8%
Gross profit	**$109,693**	**$135,239**	**$165,897**	**$190,163**	**$219,815**	19.0%
Gross margin	81.3%	82.2%	82.6%	74.0%	70.8%	
Sales and marketing (ex-SBC)	$11,299.2	$10,146.1	$10,528.2	$10,310.1	$11,141.1	(0.4%)
Research and development (ex-SBC)	27,162.1	30,327.2	40,904.9	52,681.2	67,493.0	25.6%
General and administrative (ex-SBC)	10,453.5	8,596.0	10,762.2	10,151.5	11,300.1	2.0%
Stock-based compensation	14,027.0	16,790.0	20,426.0	23,948.3	25,433.3	16.0%
Non-recurring items	0.0	0.0	0.0	0.0	0.0	
Depreciation and amortization (included in expense lines)	11,177.0	15,498.0	18,616.0	32,082.1	55,900.4	49.5%
Total operating expenses (GAAP)	62,941.9	65,859.4	82,621.3	97,091.1	115,367.6	16.4%
Operating income (GAAP)	**$46,751**	**$69,380**	**$83,276**	**$93,072**	**$104,448**	22.3%
GAAP operating margin	34.7%	42.2%	41.4%	36.2%	33.6%	
Adjusted EBITDA	**$71,955**	**$101,668**	**$122,318**	**$149,103**	**$185,781**	26.8%
Adj. EBITDA margin	53.3%	61.8%	60.9%	58.0%	59.8%	
Incremental adj. EBITDA margin	122.3%	100.4%	56.6%	47.7%	68.5%	
EBITDA	**$57,928**	**$84,878**	**$101,892**	**$125,154**	**$160,348**	29.0%
EBITDA margin	42.9%	51.6%	50.7%	48.7%	51.6%	
Incremental EBITDA margin	111.0%	91.1%	46.7%	41.5%	65.7%	
Interest & other income/(expense), net (GAAP)	677.0	1,284.0	2,657.0	(3,970.5)	(1,580.0)	
Pre-tax income (GAAP)	**47,428.0**	**70,664.0**	**85,933.0**	**89,101.8**	**102,867.6**	21.4%
Income tax provision/(benefit) (GAAP)	8,331.0	8,304.0	25,475.0	3,734.5	13,372.8	12.6%
Tax rate (GAAP)	17.6%	11.8%	29.6%	4.2%	13.0%	
Net income (GAAP)	**$39,097**	**$62,360**	**$60,458**	**$85,367**	**$89,495**	23.0%
EPS (GAAP)	**$14.92**	**$23.91**	**$23.49**	**$32.88**	**$34.22**	23.1%

Exhibit 16: META Balance Sheet

Meta | Balance sheet

(USD millions)	**2023**	**2024**	**2025**	**2026E**	**2027E**
Balance Sheet					
Assets:					
Cash & cash equivalents	41,862.0	43,889.0	35,873.0	10,641.1	11,442.9
Marketable securities	23,541.0	33,926.0	45,719.0	57,754.0	57,754.0
Accounts receivable, net	16,169.0	16,994.0	19,769.0	25,019.1	29,635.8
Prepaid expenses and other current assets	3,793.0	5,236.0	7,361.0	16,056.8	18,213.7
Total Current Assets	**85,365.0**	**100,045.0**	**108,722.0**	**109,471.1**	**117,046.4**
Property and equipment, net	96,587.0	121,346.0	176,400.0	291,155.6	406,417.3
Goodwill & other intangible assets, net	21,442.0	21,454.0	25,334.0	25,479.8	25,455.8
Other assets	26,229.0	33,209.0	55,565.0	65,161.0	65,161.0
Total Assets	**229,623.0**	**276,054.0**	**366,021.0**	**491,267.4**	**614,080.4**
Liabilities:					
Accounts payable	4,849.0	7,687.0	8,894.0	29,583.7	35,989.4
Platform partners payable	863.0	0.0	0.0	0.0	0.0
Accrued expenses and other current liabilities	24,625.0	23,967.0	30,729.0	41,671.2	51,364.9
Deferred revenue & deposits	0.0	0.0	0.0	1,540.7	1,855.8
Capital lease obligations, current portion	1,623.0	1,942.0	2,213.0	2,414.0	2,414.0
Total Current Liabilities	**31,960.0**	**33,596.0**	**41,836.0**	**75,209.7**	**91,624.2**
Capital lease obligations, less current portion	17,226.0	18,292.0	22,940.0	22,860.1	19,448.8
Long-term debt	18,385.0	28,826.0	58,744.0	58,748.0	58,748.0
Other liabilities	8,884.0	12,703.0	25,258.0	20,461.0	20,461.0
Total Liabilities	**76,455.0**	**93,417.0**	**148,778.0**	**177,278.7**	**190,282.0**
Shareholders' Equity:					
Preferred equity	0.0	0.0	0.0	0.0	0.0
Common equity	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	73,253.0	83,228.0	95,793.0	115,221.0	141,163.5
Accumulated other comprehensive income	(2,155.0)	(3,097.0)	271.0	(303.0)	(303.0)
Retained Earnings	82,070.0	102,506.0	121,179.0	199,070.7	282,937.9
Total Shareholders' Equity	**153,168.0**	**182,637.0**	**217,243.0**	**313,988.7**	**423,798.4**
Total Liabilities & Shareholders' Equity	**229,623.0**	**276,054.0**	**366,021.0**	**491,267.4**	**614,080.4**

Exhibit 17: META Cash Flow Statement

Meta | Cash flow statement

(USD millions)	**2023**	**2024**	**2025**	**2026E**	**2027E**
Cash Flow Statement					
Operating Cash Flow:					
Net income	39,097.0	62,360.0	60,458.0	85,255.5	89,316.7
Depreciation & amortization	11,177.0	15,498.0	18,616.0	32,082.1	55,900.4
Stock-based compensation	14,027.0	16,690.0	20,426.0	23,916.0	25,383.5
Deferred income taxes	131.0	(4,739.0)	18,738.0	123.0	0.0
Tax benefit from stock-based compensation	0.0	0.0	0.0	0.0	0.0
Excess tax benefit from stock-based compensation	0.0	0.0	0.0	0.0	0.0
Other	2,844.0	469.0	(1,553.0)	8,558.0	10,000.0
Funds from operations	**67,276.0**	**90,278.0**	**116,685.0**	**149,934.7**	**180,600.7**
	0.0	0.0	0.0	0.0	0.0
Changes in Working Capital:					
Accounts receivable					
Prepaid expenses & other current assets	560.0	(698.0)	(88.0)	(7,365.8)	(2,156.9)
Other assets	(80.0)	(269.0)	(481.0)	(1,082.0)	0.0
Accounts payable	51.0	373.0	(14.0)	15,320.7	6,405.7
Platform partners payable	(271.0)	0.0	0.0	0.0	0.0
Accrued expenses & other current liabilities	5,352.0	324.0	1,077.0	10,387.2	9,693.7
Deferred revenue & deposits	0.0	0.0	0.0	1,540.7	315.1
Other liabilities	624.0	2,806.0	437.0	(5,173.0)	0.0
Changes in Working Capital	**3,837.0**	**1,050.0**	**(885.0)**	**8,206.7**	**9,641.0**
Operating Cash Flow	**71,113.0**	**91,328.0**	**115,800.0**	**158,141.4**	**190,241.7**
	0%	0.0	0.0	0.0	0.0
Investing Cash Flow:					
Purchases of PP&E (Capex)					
Purchase of marketable securities	(2,981.0)	(25,542.0)	(36,929.0)	(38,978.0)	(8,000.0)
Maturities and sales of marketable securities	6,184.0	15,789.0	26,874.0	25,176.0	8,000.0
Investments in non-marketable equity securities	0.0	0.0	(21,206.0)	(544.0)	0.0
Acquisitions, net of cash, & purchases of intangible and other assets	(653.0)	(141.0)	(1,051.0)	(335.0)	0.0
Change in restricted cash & deposits	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	**(24,495.0)**	**(47,150.0)**	**(102,003.0)**	**(156,072.5)**	**(171,138.1)**
	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow:					
Net proceeds from issuance of common stock					
Net proceeds from issuance of preferred stock	0.0	0.0	0.0	0.0	0.0
Proceeds from exercise of stock options	0.0	0.0	0.0	0.0	0.0
Proceeds from / (repayments of) long-term debt	8,455.0	0.0	29,906.0	0.0	0.0
Proceeds from sale & lease-back transactions	0.0	0.0	0.0	0.0	0.0
Cash dividends paid	0.0	(5,071.0)	(5,324.0)	(5,404.9)	(5,449.6)
Principal payments on capital lease obligations	(1,058.0)	(1,969.0)	(2,524.0)	(3,589.9)	(3,411.3)
Excess tax benefit from stock-based award activities	(19,916.0)	(19,970.0)	(24,028.0)	(9,441.0)	(9,441.0)
Other	(7,011.0)	(13,771.0)	(18,400.0)	(4,423.0)	0.0
Financing Cash Flow	**(19,530.0)**	**(40,781.0)**	**(20,370.0)**	**(22,858.8)**	**(18,301.8)**
Effects of FX	113.0	(786.0)	235.0	7.0	0.0
Beginning Cash	14,681.0	41,862.0	43,889.0	35,873.0	10,641.1
(+/-) Net changes in cash	27,201.0	2,611.0	(6,338.0)	(20,782.9)	801.7
(+/-) Restatements / adjustments	(20.0)	(584.0)	(1,678.0)	(4,449.0)	0.0
Ending Cash	**41,862.0**	**43,889.0**	**35,873.0**	**10,641.1**	**11,442.9**

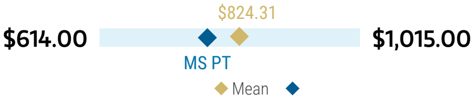
Risk Reward – Meta Platforms Inc (META.O) **Top Pick**

The Age of Efficiency

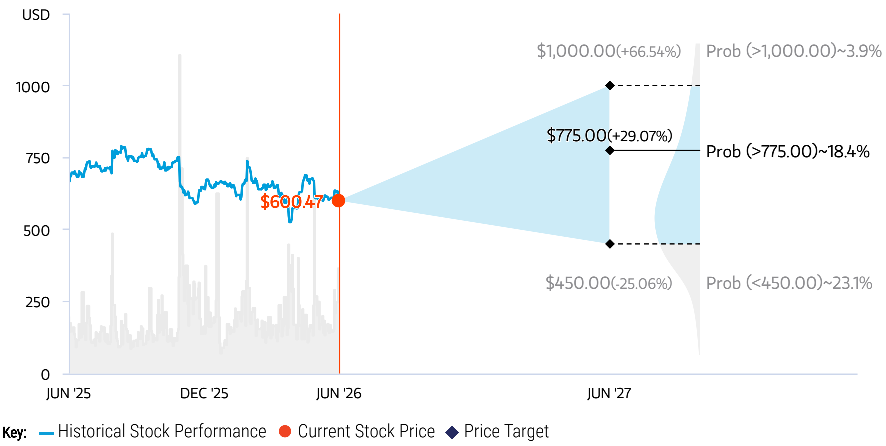
PRICE TARGET $775.00

Our price target is determined using a discounted cash flow/long-term EBITDA multiple. It implies a ~23x '27 P/E Multiple. Our DCF uses an ~8% WACC and a ~3% terminal growth rate

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

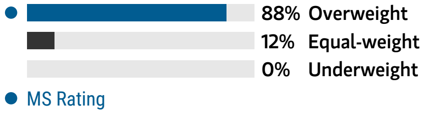


Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 1 Jun 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- **A Structural Pivot to Focus on Multi-Year Efficiency, Productivity and Leaner Operations...** We think META's "year of efficiency" is more than just a 365 day change...but rather a structural and cultural pivot to operate leaner and with a greater focus on investor returns...even through investment.
- **Importantly, Revenue and Engagement Trends Are Also Improving Across META's Platform...** our industry and company conversations speak to progress driving incremental Reels engagement and monetization...and traction improving ad measurement/attribution in the post IDFA world.
- **3 Underappreciated "Call Options"** including 1) further AI driven upside, 2) subscription adoption and 3) click-to-message.

Consensus Rating Distribution



Risk Reward Themes

New Data Era:	*Positive*
Self-help:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $1,000.00

Implied ~28x '27 P/E

AI investments drive increased engagement and lead to new products/tools, which supports outsized ad monetization and revenue growth. Execution on newer offerings (like click to message) could also contribute to higher than expected growth. META could also drive further efficiency gains and be more successful in closing the Reels monetization gap. Reality Labs losses moderate and macro environment is better than expected.

BASE CASE $775.00

Implied ~23X base case '27 P/E

Ad revenue grows ~28% in '26 as META's AI investments drive incremental Reels engagement/monetization and support improved performance and ad measurement/attribution across the Family of Apps. We also see META continuing to focus on efficiency and improving productivity.

BEAR CASE $450.00

Implied ~14x '27 P/E

Declines in engagement and/or evidence of Reels monetization ramping more slowly than expected could lead to lower growth and greater uncertainty. We also watch for any macro uncertainty, regulation that limits META's ability to target ads, Reality Labs losses widen more materially than expected, and higher capital intensity from mis-execution around the data center build. Any additional opex and capex could weigh on operating income growth and FCF.

Risk Reward – Meta Platforms Inc (META.O)

KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Constant Currency % Growth (%)	22.5	26.2	20.5	18.3
Operating income (GAAP) ($, mm)	83,276	92,944	104,243	108,640
Consolidated Total Daily Active Users (mm)	2,239.9	2,294.5	2,344.5	2,389.2

INVESTMENT DRIVERS

- We are positive on META's structural pivot towards efficiency and improving revenue, engagement and Reels. We continue to monitor META's progress on call options (AI, subscriptions, click-to-message) and further investment in AI/data centers.

GLOBAL REVENUE EXPOSURE

●	0-10%	APAC, ex Japan, Mainland China and India
●	0-10%	India
●	0-10%	Japan
●	0-10%	Latin America
●	0-10%	UK
●	20-30%	Europe ex UK
●	40-50%	North America

View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 **BEST**	24 Month Horizon	2/5 **MOST**	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

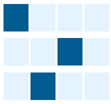
- Faster than expected Reels monetization & higher engagement growth
- Increased benefit from AI investment
- Revenue driven by subscriptions and/or click-to-message ads
- Further efficiency improvements drive outsized FCF growth

RISKS TO DOWNSIDE

- Macro pressures/weaker consumer spend
- Regulation impacts ability to target ads
- Reality labs losses widen further
- Mis-execution risk could result in higher LT capital intensity

OWNERSHIP POSITIONING

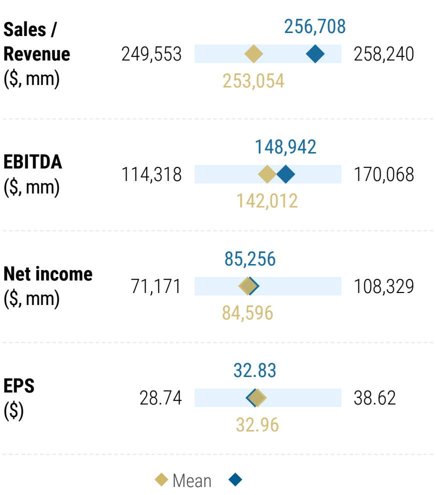
Inst. Owners, % Active	55.6%
HF Sector Long/Short Ratio	2.7x
HF Sector Net Exposure	12.9%



Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf