BERNSTEIN
SOCIETE GENERALE GROUP

29 July 2026

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U.S. Internet

Meta Platforms Inc.

Rating

Outperform

Price Target

META **800.00 USD** (850.00 *OLD*)

Meta 2Q26: Avoiding TikTok 2.0

Call it 'Personal Superintelligence' or 'AI for everyone', Mark Zuckerberg's vision for the consumer AI is consistent in his 2nd annual memo published this week. The specifics around what AI for consumers looks like, when and if this future presents itself, and how the business model works remain unanswerable. While everyone else zigs to focus on the easier-to-monitize enterprise segment, Meta is zagging towards the greenfield consumer opportunity. If they can solve consumer, their right to win, or at least compete, across 3.6B users might be unmatched, but it remains an expensive IF.

AI-charged core fine. Meta revenues grew +28% Y/Y [27% FxN] as users returned to growth and AI-charged engagement and ad performance efforts continued to deliver. 3Q revenue guidance of +25% Y/Y at the high-end was a touch above expectations, while operating margins ex-one-time legal fees met the bar at 35%. The core business continues to see performance tailwinds from AI efforts pointed in this direction. … table stakes. The bottom end of FY26 expense and CapEx guidance came up modestly, widely expected, while top-end remained unchanged.

Consumer AI is a different ballgame. If you want to understand why Meta has been so aggressive in their frontier model and physical capacity buildout… TikTok. Consumers are unpredictable, but when they start to do something new - AI search with ChatGPT, Short-form video with TikTok - they move quickly. Meta needs to be able to lead and/or respond. In the world of AI that means having a frontier model, talent to ship product, consumer AI hardware, and capacity to deliver. Meta's just about ready.

Investment Implications

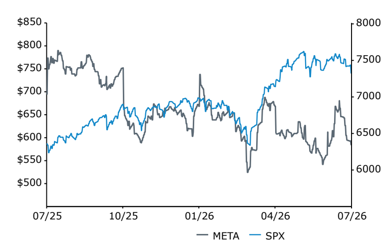
(still) Need to see it to believe it, but if they get this right... **Remain Outperform, PT $800 (-$50)**

Close Date	29 Jul 2026
META Close Price (USD)	585.61
Price Target (USD)	800.00
Upside/(Downside)	37%
52-Week Range	796.25/520.26
SPX	7,316.15
FYE	Dec
Div Yield	0.4%
Market Cap (USD) (B)	1,486.53
EV (USD) (B)	1,492.12

Performance	YTD	1M	6M	12M
Absolute (%)	(11.3)	4.1	(20.7)	(16.3)
SPX (%)	6.9	(1.7)	5.0	14.8
Relative (%)	(18.2)	5.8	(25.7)	(31.2)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Reported EPS	F25A	F26E	F27E
META (USD)	23.49	**32.27**	**36.68**
OLD	--	34.03	37.70

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	200,965	256,376	312,754	24.8%
EBITDA (M)	101,892	118,537	160,404	--
EBIT (M)	83,276	87,381	107,861	--
EBITDA Margin (%)	50.7	46.2	51.3	--
Operating Margin (%)	41.4	34.1	34.5	--

Valuation Metrics	25A	26E	27E
Adjusted P/E (x)	18.6	13.4	11.8
PEG Adjusted (x)	(10.3)	0.4	0.9
EV/FCF (x)	34.2	(167.1)	(31.8)
Reported P/E (x)	24.9	18.1	16.0
EV/Sales (x)	7.4	5.8	4.8
EV/EBITDA (x)	14.6	12.6	9.3
EV/EBIT (x)	17.9	17.1	13.8

Source: Bloomberg, Bernstein estimates and analysis.

First Published: 30 Jul 2026 01:10 UTC Completion Date: 30 Jul 2026 01:10 UTC

DETAILS

Meta reported 2Q26 results after the market close.

PORTFOLIO MANAGER'S SUMMARY

There's not much to report back on today. Revenues… in line, margins (ex one-time legal costs)… in line, 2026 CapEx saw the bottom end of the range come up by $5B but top-end unchanged… about as expected. And the AI story? Still a work in progress.

The earnings call felt a lot like a good old-fashioned brainstorming session. Model APIs for businesses, subscription and outcome based pricing for AI products, AI agents for businesses for customer service and sales, consumer AI agents that operate 24/7, temporarily selling excess compute, and so on. Whatever AI business models you can imagine coming out, that's the opportunity ahead of Meta. But just like those McKinsey problem-solving sessions, **ideas shared on PowerPoint decks or earnings calls aren't real. That is, until it is real**.

What Meta is building isn't something optimized for earnings calls. Earnings calls are for estimate revisions and quantitative evidence of new TAMs, new product engagement traction, and revenue run-rates. We're just simply not there yet. But if you want to better understand why then is Meta taking such an expensive and unpredictable ROIC endeavor while others AI players at least grapple with demand and commoditization risk, the answer lies at the beating heart of Meta: consumers.

Meta gets to count 3.6 billion daily users across their family of apps, and incredulously they're still growing with Instagram now surpassing 2B+ daily users, WhatsApp is seeing 30 million messages per second, and even Threads now has 500M+ monthly users. Every once in a while, something new captures the consumer zeitgeist. Maybe it's a temporary fad, remember Clubhouse and BeReal? But other times, something comes along that completely alters consumer behavior and given Internet's proliferation the speed to exit velocity is faster than ever before.

Twice in the past decade, Meta's been caught off-guard with sudden changes in consumer behavior. The first was short-form video with TikTok, where after several years of scrambling Meta was able to ship and scale Reels and plug the existential risk. The second, of course, was ChatGPT which was recently reported reaching ~1B weekly users. In the first example, Meta's been clear that one of their primary constraints responding quicker was the lack of available compute. In the ChatGPT case, to respond Meta not only needs the same excess compute, but also a leading frontier model. None of this is easy to predict, even OpenAI accidentally fell into ChatGPT's success.

Let's be clear about a few consumer AI truths:

1. **No one knows what's coming next for consumer AI**. After the initial wave of AI chatbots offers a Search on Steroids experience, consumer behavior has mostly stalled out. We haven't had a coding use-case break through like we've seen over on the enterprise-side. Sure it's nice to envision a world where AI agents are running around as our personal assistants, but who knows if and when that happens? Remember how short-lived the agentic commerce euphoria was? What if AI search is as good as it gets?

2. **No one knows when consumer AI adoption scales up.** Let's assume that eventually consumers figure out how to close the AI utility gap to enterprises. It took about ~5 years for smartphones for reach 50% market share in the US after the iPhone launch. That would be a great outcome for the next wave of consumer AI! On the other hand, we've more than a quarter of a century into the e-commerce era and eCom penetration still sits at *just* ~20% of retail sales in the US. Decades is a tough pill to swallow.

3. **Meta is the last-man-standing focused on consumer AI.** There's nuance to this answer, of course. Meta's also focused on business with business messaging agents, model API availability, and re-selling bare metal compute. And while Google and OpenAI have both pivoted their primary focus to enterprises given the easier ramp to monetization, it's not that they've abandoned Consumer AI all together. But increasingly, while both of those competitors are increasingly prioritizing and competition for enterprise dollars, Meta appears perfectly equipped to go after Consumer AI without distractions.

4. **Meta's arming themselves to be ready.** Whether Meta or someone else unlocks the next killer consumer use case, Meta's building out that war chest to respond. In an ideal world, Meta's the one that creates the new thing and proceeds to scale up the business unimpeded by any constraints. But even in a world where a competitor finds product-market fit with something, Meta's sitting here armed with compute capacity, a leading frontier model, AI optimized consumer devices, and

a killer team of AI engineers ready to respond… and if this past decade has shown us anything, no one responds better than Meta.

5. **Meta's cooking something up, but TBD whether the recipe works out**. We know Meta wants agents in everyone's hands, and even AI search tools would be good-enough to offer further tailwinds to revenue performance. Stay tuned as we fully expect the barrage of AI product announcements to come in 2H26 and beyond.

This PM summary has turned into a bit of a manifesto, but the earnings call offered very little incremental data from which to work off of. Yes, AI-enhancements to the core business continue to scale nicely across content and ad recommendation efforts. With $75B+ ARR already going through Advantage+ continues to create the runway for further revenue performance tied to deployment and scale of advertiser and content creator AI solutions. Overall business delivered 28% Y/Y revenue growth with ads growing 27% Y/Y and the top end of the guide pointing to 25% Y/Y for 3Q against tougher compares. Operating margin ex one-time legal fees landed in-line at 35%, though management's call out of potential further legal outcomes may remove the one-time label there.

If you want *something* to underwrite AI ROIC for non-core, we'll point to everyone's favorite catch-all revenue bucket: Other revenue, which grew an impressive 73% Y/Y cross $1B+ for the first time ever. Yes, it's a small number to be sure against ~$60B in quarterly revenue, but the line item mostly consists of business messaging, subscription, and payment revenues. Importantly, as Meta starts to ship AI agents for business messaging alongside subscription and volume-based pricing that's launching as we speak, **we could see a meaningful acceleration in Other revenues**. As with everything new and untested, we urge caution in over underwriting a new technology, but it's something.

Lastly a word on CapEx. Meta took up the bottom-end of the range by $5B but left the top-end in place at $145B alongside consistent commentary on increased spending through at least 2027 until they feel good about their capacity situation. As with the rest of the print, not a lot of new news to report.

So what to do with the stock here. We get it, it's hard to underwrite a story in a volatile narrative-driven tape. If you're looking for trade ideas, Meta is not it. But if you want an investment opportunity? **Meta is poised to open trading at ~15x next year's earnings based on where the stock is trading after-hours**. You get paid to own Meta at 15x.

If you want a story that goes with it? We get the barrage of product announcements in the second half, something possibly finds traction and captures consumer attention. Meta announces plans to scale the product across their user base while the company finally starts to find a way to monetize WhatsApp via Business Agents - after all, remember it's the businesses who are adopting AI with a willingness to pay. We get triple digit growth to 'Other' in 3Q, and now the AI story has legs and some numbers to go with it. Add in commentary that Meta feels good about right-sizing their capacity by the end of 2027, or points to some normalization in capital intensity. Is that a story worth 15x? We think so.

We remain Outperform on Meta, with a PT of $800/share (down from $850), implying 22x (-1x) 2027E P/E. We value Meta using a 50/50 combination of 2027e EV/Sales multiple of 6.7x (-0.3x), and a DCF using a WACC of 10% and a terminal growth of 3.5%. We slightly take down multiple and tweak our DCF revenue growth assumptions to reflect the updated guidance. We consider Meta primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

RESULTS

Following +33% Y/Y revenue growth last quarter, Meta delivered yet another strong performance with revenue rising +28% Y/Y [27% FxN] to $60.8B, landing in-line with consensus and a touch light of the Buy side bogey. The quarter was supported by resilient advertiser demand in the U.S., and a healthy combination of engagement growth and ad monetization gains. These improvements continue to be driven by Meta's ongoing AI investments, which are enhancing both user engagement and advertising efficiency across the platform.

- **Strong momentum continues for the Ad business** with revenues up 27% Y/Y [26% FxN] to $59.4B. Ad impressions and pricing growth remained healthy, with strength coming from both volume and monetization. Ad impressions increased +14% Y/Y (vs +19% Y/Y last quarter) and was healthy across regions while ad pricing rose +12% Y/Y supported by ad performance gains.

- **Users and time spent continued to trend higher**. Last quarter, we saw DAP declining slightly to 3.56B Q/Q as WhatsApp limits in Russia and the war in Iran had disrupted usage. DAP increased sequentially this quarter to 3.6B, up 3% Y/Y highlighting sustained user momentum across the platform family. Engagement trends continue to benefit from ongoing improvements to Meta's AI-powered content recommendation systems, which are driving greater content relevance, higher video consumption, and increased time spent across its apps.

- **Paid messaging revenue growth strong but small.** Other Revenues grew +73% Y/Y to reach $1B, coming in well above Street estimates. Reality Labs revenue grew 16% Y/Y to $431M driven by strong AI glasses demand, partially offset by lower Quest headset sales.

- **Meta's growth algorithm is alive and well, with the ad business benefiting from a powerful combination of rising engagement and improving monetization.** There are a growing set of AI-driven levers across content recommendations, ad ranking, targeting, and creative optimization, providing confidence that both user time spent and advertiser ROI can continue to improve in tandem. AI is already turbocharging Meta's core business, powering the next generation of products, and also creating entirely new enterprise revenue opportunities.

  - **Meaningful engagement gains across Meta's platforms.** Meta highlighted ongoing success from its AI-powered recommendation initiatives, with time spent on Instagram growing at a double-digit rate Y/Y globally, driven primarily by improvements to Feed and Reels recommendations. On Facebook, video engagement remained strong, with time spent increasing 9% Y/Y globally and more than 10% in the U.S. and Canada, reflecting continued progress in ranking models and content relevance.

    - **Meta's family of apps continues to operate at unprecedented scale.** Instagram has now reached 2B DAUs, while Threads has surpassed 500M MAUs, making it the fastest-growing conversation app ever. Facebook has also sustained more than 2B DAUs for a while now. Meanwhile, WhatsApp recently set a new messaging record, peaking at 30M messages per second during the World Cup final.

  - **Focus on monetization efficiency.** Meta continues to improve ad delivery by optimizing the timing and placement of ads across its platforms, while also expanding monetization on newer surfaces.

    - During the quarter, the company completed the global ads expansion on Threads, while on WhatsApp it introduced additional ad destinations, advertiser objectives, and business tools, remaining on track for a broader global rollout.

    - Meta highlighted its new Meta generative recommender, which uses LLMs to jointly understand ad content and user preferences, enabling more intelligent and precise ad matching. Early pilots leveraging LLMs to better understand user preferences drove a 1% increase in app-event conversions on Instagram. Broader advancements in retrieval, ranking, and user understanding models contributed to an 8.3% increase in ad clicks and a 15.7% uplift in conversions on Facebook. At the same time, Meta's AI-powered **Advantage+ suite continues to gain traction, surpassing a $75B annual revenue run-rate,** underscoring the growing role of AI in improving advertiser outcomes and monetization efficiency.

- **3Q guidance implies robust growth despite modest FX headwinds.** Meta guided 3Q26 revenue to $61B-$64B, implying 19%-25% Y/Y growth, while assuming FX represents ~1% headwind to Y/Y revenue growth. On the expense side, management raised the low end of its full-year outlook to reflect the $2.4B legal-related charge recognized in 2Q and now expects FY26 total expenses of $165B-$169B (compared with prior range of $162B-$169B).

  - Meta continues to face youth-related regulatory and legal challenges globally, with several U.S. trials scheduled this year that could ultimately result in a material loss.

Emerging new vectors on AI product monetization

- With Muse Spark advancing as planned, Meta appears well positioned to move from building models to shipping products, leveraging its AI progress to drive a steady stream of new experiences, features, and monetization opportunities. Since rebuilding Meta AI and integrating Muse Spark, the number of people interacting with the assistant daily has increased 60%, with usage continuing to grow rapidly week-over-week.

  - **Strong demand for new AI powered creative tools.** 9M small businesses on Meta platforms are now using at least one of its AI ad creative tools, and the company is rolling out new end to end creative solutions that help advertisers translate performance data into their creative decisions. The recently launched Muse image model can supercharge this. The model can analyze images, improve its own work, and produce better ad variations based on advertiser input, and is getting great feedback so far.

  - Meta recently launched **Meta One**, a subscription offering that provides access to premium AI features across its apps, with additional pricing tiers expected over time.

  - **Paid Model APIs.** Another notable development was Meta's recent launch of Muse Spark 1.1, its most advanced AI model to date, which delivered meaningful improvements in agentic capabilities. Importantly, the release introduced a paid API offering for developers, marking the first time Meta has charged businesses for access to its frontier models and establishing a new, although early, revenue stream. Meta highlighted ongoing investments in enterprise-focused features on the model designed to simplify deployment and adoption.

  - At the same time, **AI is helping Meta ship products faster**, as evidenced by recent launches such as Forum (a standalone groups app) and Seller (a standalone marketplace app). Productivity gains can make it increasingly easier for Meta to build, test, and launch new applications, creating a larger pipeline of future growth opportunities.

  - **Personal AI agents still in vision form only.** Meta is working towards a future where AI agents become a mainstream consumer platform. While agents have gained early traction in coding, management believes the larger opportunity lies in building personal AI agents that work seamlessly on behalf of users across everyday tasks and goals. The company's focus is on delivering a consumer experience that can scale to billions of people, ultimately enabling a future where users interact with multiple AI agents across Meta's ecosystem.

- **Business messaging & agents gaining momentum and could become a meaningful monetization pillar over time.** Meta's AI business agents are now available globally across WhatsApp and Messenger, with more than 1M businesses using them weekly to engage customers and drive sales. Meta is rolling business agents out on Instagram now too. Earlier this month, Meta launched the Meta AI Business Assistant Platform, providing enterprises with the infrastructure to build, customize, and deploy AI agents at scale across WhatsApp. Management's longer-term vision is a "business-in-a-box" platform, where Meta's AI platforms can help businesses start and run their entire operation. Monetization can potentially come through a mix of subscriptions, usage-based pricing, and even performance-based models tied directly to customer outcomes.

- Meta described its glasses as among the fastest-growing consumer electronics products ever, with recent product launches continuing to broaden the portfolio. The latest Meta glasses ship with Muse Spark integrated out of the box, enabling real-time visual understanding and more capable AI assistance. Early demand has exceeded expectations, and Meta projected confidence that AI-powered wearables could become an increasingly important distribution channel for Meta AI over time.

- **And worth reiterating, the investment case doesn't require every initiative to succeed.** Not every initiative needs to succeed - a single breakout success can be enough to reshape the narrative. Whether it's an app that achieves viral adoption, a new product that begins generating meaningful ARR, or a KPI that provides tangible evidence of traction in an adjacent market, one credible proof point is often all that's required to unlock investor imagination and expand perceptions of the company's addressable opportunity.

Expenses, CAPEX, profitability, and FCF

- **Capex range tightened for FY 26.** After increasing its FY26 CapEx outlook by $10B last quarter to $125B-$145B, the company tightened the range to $130B-$145B this quarter, implying spending is tracking toward the upper end of prior expectations. **Importantly, there are signs Meta is increasingly focused on ROI from its AI investments.** In the context of Meta's plans to potentially offer cloud infrastructure and model access to third parties, management noted that the company is receiving offers for compute at "a significant premium over what we paid for it." Leasing excess capacity into a supply-constrained market could provide a practical way for Meta to generate incremental returns on its rapidly expanding AI investment base.

- 2Q GAAP operating income was $18.8B, down 8% Y/Y, with an operating margin of 31%. However, excludin legal-related charge and $1.2B of severance expenses associated with the May 2026 headcount reduction, income would have increased 9% Y/Y.

- Total expenses rose 55% Y/Y to $42B, driven primarily by higher employee compensation, infrastructure spending, legal-related costs, and third-party AI token expenses. Excluding severance, compensation growth reflected continued investment in technical talent, particularly AI hires. Meanwhile, infrastructure costs increased due to higher depreciation, data center operating expenses, and cloud spend as Meta continues to aggressively scale its AI infrastructure footprint.

- Meta's tax rate expectations rose slightly to 15-17% through year-end vs. 13-16% range previously.

- Free cash flow was $784M in the quarter, and Meta ended the quarter with $90.3B in cash and marketable securities and $83.7B of debt.

- Meta ended Q2 with just over 75,000 employees, down -3% sequentially or -1% Y/Y. This total includes ~8,000 employees affected by the May 2026 workforce reduction. Management expects the majority of these employees to roll off reported headcount by the end of Q3 2026.

Estimate and PT revisions:

- **Revenues**: We modestly take down our ad revenue and reality lab revenue estimates for 3Q26, FY 26 and FY27 tied to recent revenue performance and guidance. We take up our forecast for Other Revenue meaningfully tied to strong momentum and new initiatives.

- **Margins**: We largely maintained our 2026 total expense and margin profile for longer term.

- **EPS:** We modestly took down our 3Q26 and 2026 EPS estimates due to one-time cost and increased tax rate guidance. Beyond 2026, we slightly take down our EPS estimates, mainly driven by the increased tax rate guidance.

- **CapEx:** We maintained our CapEx estimates for 2026 and beyond.

- **We remain Outperform on Meta, with a PT of $800/share (down from $850), implying 22x (-1x) 2027E P/E.** We value Meta using a 50/50 combination of 2027e EV/Sales multiple of 6.7x (-0.3x), and a DCF using a WACC of 10% and a terminal growth of 3.5%. We slightly take down multiple and tweak our DCF revenue growth assumptions to reflect the updated guidance. We consider Meta primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

EXHIBIT 1: **Meta estimates revisions**

META: Bernstein estimate revisions

		New	Old	New vs. old	New Growth Y/Y	Consensus	New v Consensus
Total revenue	**2Q26**	60,801	61,135	-1%	28%	60,245	1%
	3Q26	64,058	64,918	-1%	25%	63,170	1%
	FY26	256,376	258,033	-1%	28%	253,177	1%
	FY27	312,754	313,429	0%	22%	302,588	3%
DAP	**2Q26**	3,600	3,602	0%	3%	3,613	0%
	3Q26	3,646	3,646	0%	3%	3,671	-1%
	FY26	3,687	3,687	0%	3%	3,684	0%
	FY27	3,838	3,838	0%	4%	3,802	1%
EPS	**2Q26**	6.18	7.36	-16%	-13%	7.15	-14%
	3Q26	7.11	7.41	-4%	575%	6.96	2%
	FY26	32.27	34.03	-5%	37%	32.76	-1%
	FY27	36.68	37.70	-3%	14%	34.94	5%
EBIT margin ex restructuring	**2Q26**	35%	34%	1%			
	3Q26	32%	32%	0%			
	FY26	35%	35%	0%			
	FY27	34%	34%	0%			
Capex	**2Q26**	30,116	36,681	-18%	82%	33,167	-9%
	3Q26	41,958	38,951	8%	123%	38,883	8%
	FY26	140,331	140,030	0%	101%	135,790	3%
	FY27	224,088	224,101	0%	60%	177,152	26%
Total expense	**2Q26**	42,026	40,288	4%	55%		
	3Q26	43,367	43,949	-1%	41%		
	FY26	168,995	168,147	1%	44%		
	FY27	204,893	205,346	0%	21%		

Source: Company report, Bloomberg and Bernstein analysis and estimates

EXHIBIT 2: **Meta 2Q26: EBIT is impacted by one-time legal charge**

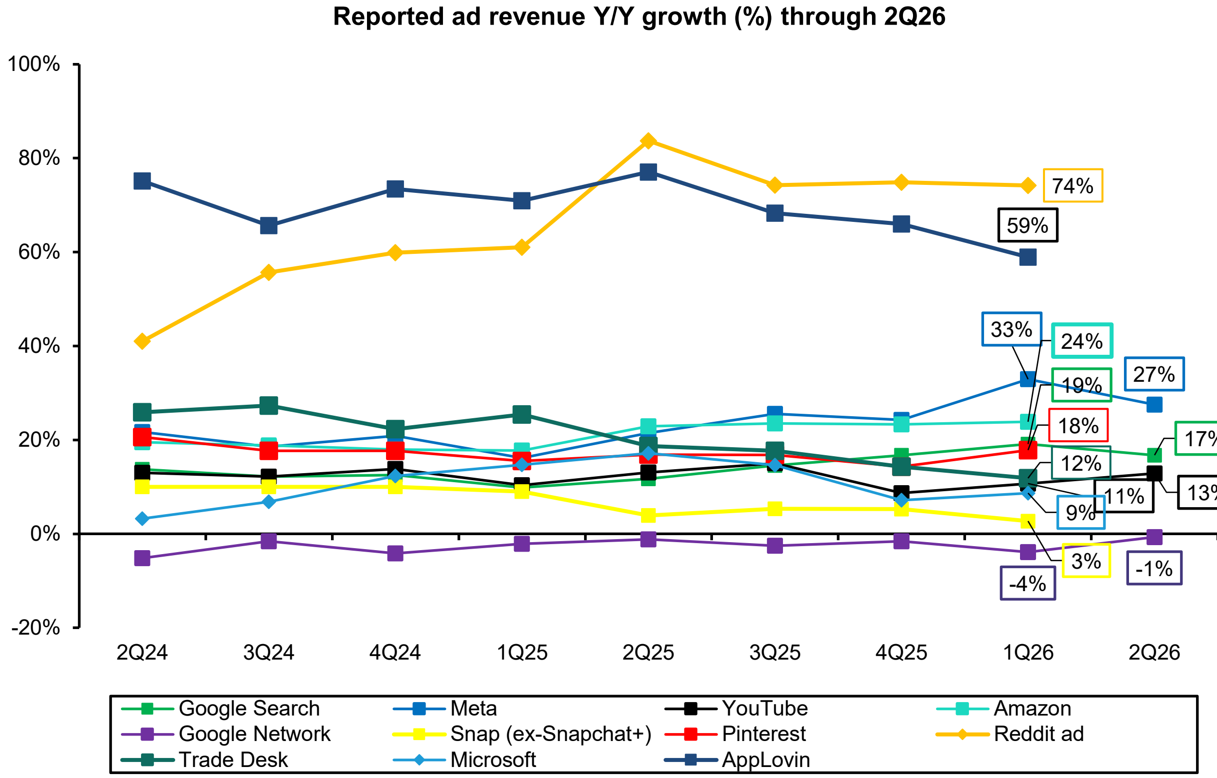
META 2Q26 vs. Expectations ($M)

	2Q26A	Y/Y growth	Bernstein	Beat/Miss	Consensus	Beat/Miss
Family DAP	3,600	3%	3,602	0%	3,613	0%
Revenue	**60,801**	**28%**	**61,135**	**-1%**	**60,245**	**1%**
FoA	60,370	28%	60,650	0%	59,765	1%
Advertising	59,363	27%	59,735	-1%	58,902	1%
Other	1,007	73%	915	10%	863	17%
Reality Labs	431	16%	485	-11%	429	1%
Total Expenses	42,026	55%	40,288	-4%	38,715	-9%
EBIT	**18,775**	-8%	**20,847**	**-10%**	**21,530**	**-13%**
EBIT Margin (%)	31%	**-12ppt**	34%	**-3ppt**	36%	**-5ppt**
EBIT Margin ex restructuring						
Net Income	**15,848**	-14%	**18,803**	**-16%**	**18,499**	**-14%**
Diluted EPS	**6.18**	-13%	**7.36**	**-16%**	**7.15**	**-14%**

For 3Q26	**$M**	**3Q26 Y/Y**		
Midpoint revenue	62,500	22%	With 1% fX headwind	
Revenue guidance	Bottom end	Top end		
	61,000	64,000		
Growth	19%	25%		
FY26	Bottom end	Top end	Average	Previous
Expenses	165,000	169,000	167,000	165,500
CAPEX	130,000	145,000	137,500	135,000

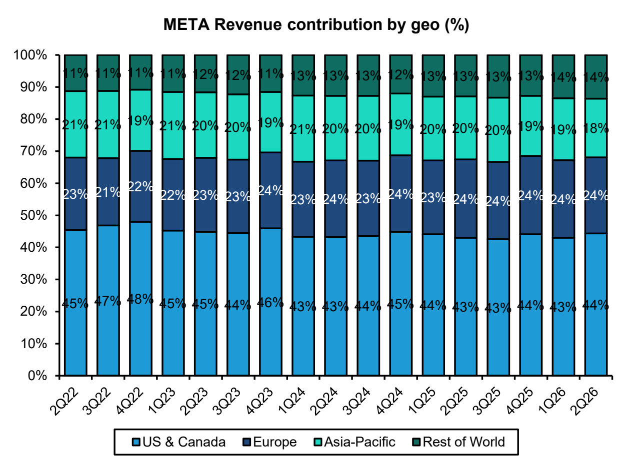
Source: Company reports, Bloomberg, Bernstein estimates and analysis

EXHIBIT 3: **Digital ads growth (%)**



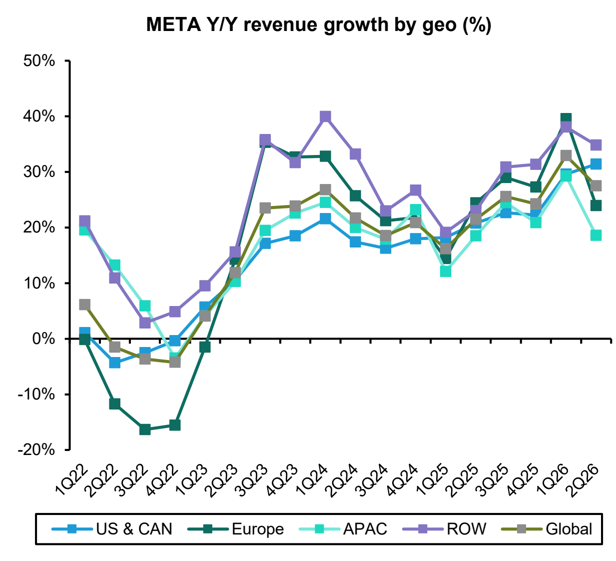
Google, Meta, Amazon, Snapchat, Pinterest; AppLovin excludes IAP
Source: Company reports, Bernstein analysis

EXHIBIT 4: **Revenue contribution by geography**



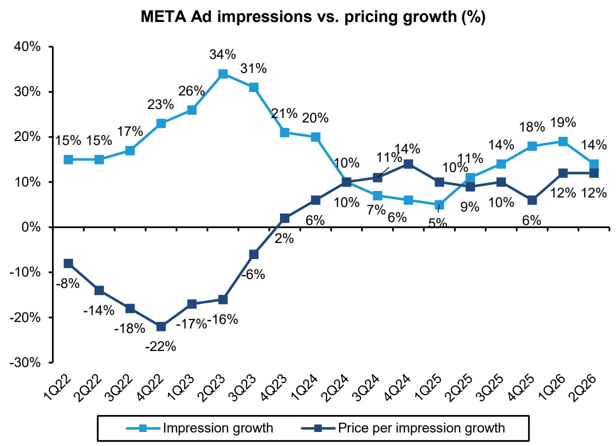
Source: Company filings and Bernstein analysis

EXHIBIT 5: **Y/Y Revenue growth by geography**



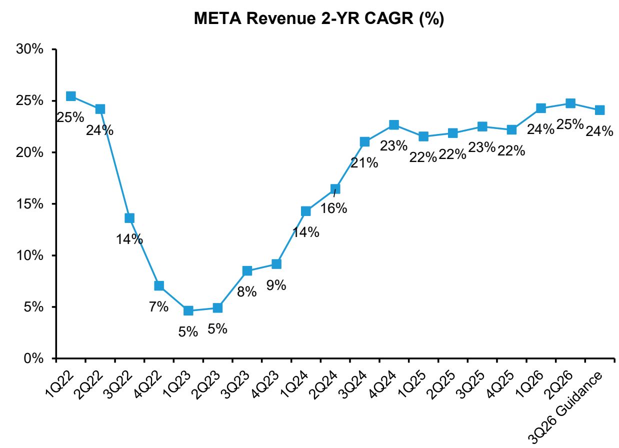
Source: Company filings and Bernstein analysis

EXHIBIT 6: **Ad impressions vs. pricing**



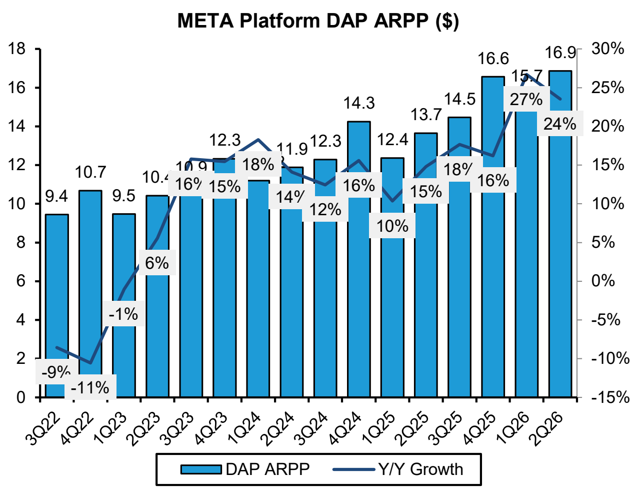
Source: Company filings and Bernstein analysis

EXHIBIT 7: **META Ad revenue 2-YR CAGR**



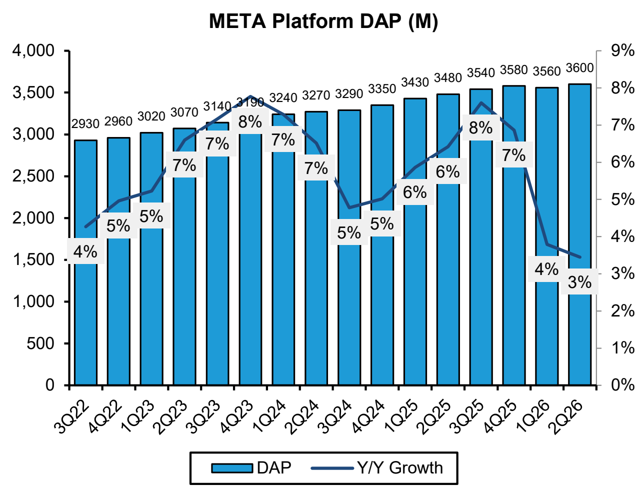
Source: Company filings, Bernstein analysis

EXHIBIT 8: **Meta's ARPP**



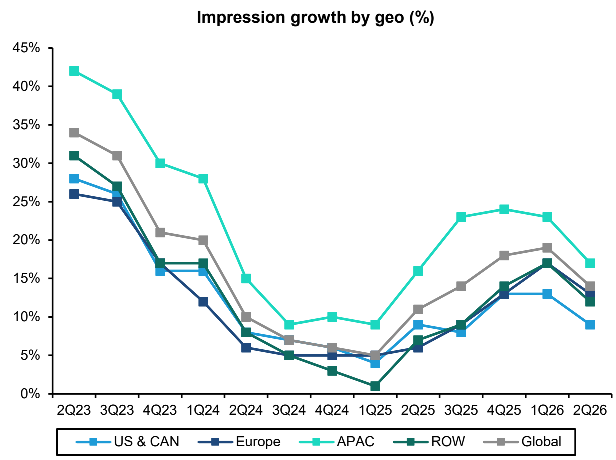
Source: Company reports and Bernstein analysis

EXHIBIT 9: **Meta's DAP**



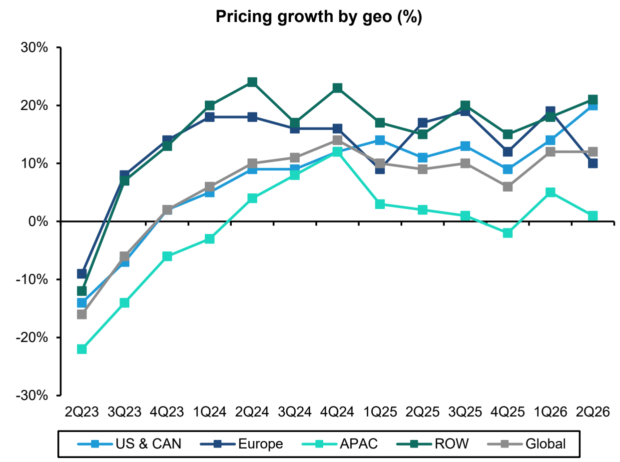
Source: Company reports and Bernstein analysis

EXHIBIT 10: **Impression Y/Y growth**



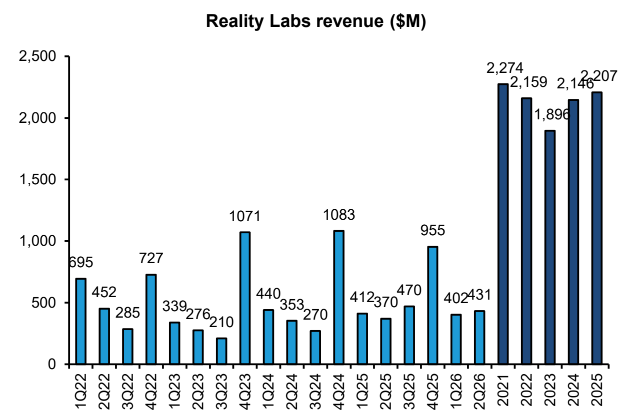
Source: Company filings and Bernstein analysis

EXHIBIT 11: **Pricing Y/Y growth**



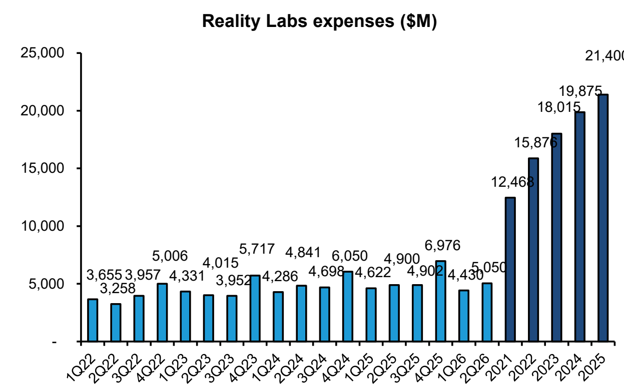
Source: Company filings and Bernstein analysis

EXHIBIT 12: **Reality Labs revenue**



Source: Company filings and Bernstein analysis

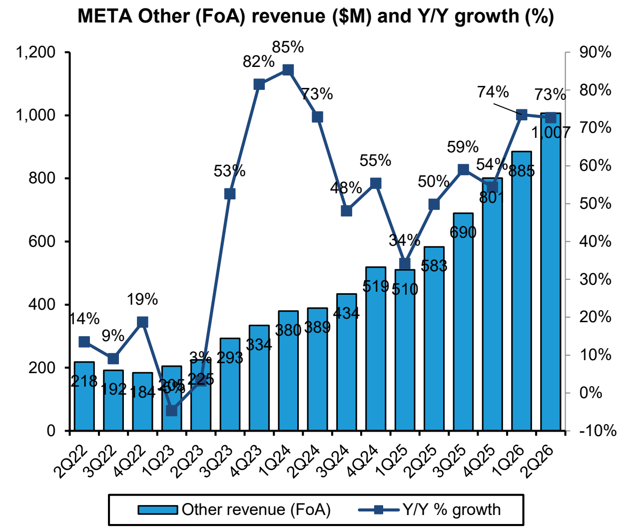
EXHIBIT 13: **Reality Labs expenses**



Source: Company filings and Bernstein analysis

EXHIBIT 14: **Meta Capex ($M) & Capital Intensity (%)**

EXHIBIT 18: **Meta other revenue growth**



Source: Company reports and Bernstein analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 19: **Our META model**

in millions except per share and percentage data

META	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	FY2025	FY2026E	FY2027E	FY2028E
GAAP INCOME STATEMENT												
Revenue	**42,314**	**47,516**	**51,242**	**59,893**	**56,311**	**60,801**	**64,058**	**75,207**	**200,965**	**256,376**	**312,754**	**365,559**
Cost of Revenue	7,572	8,491	9,206	10,905	10,218	11,330	12,171	14,289	36,174	48,008	59,390	69,132
Research and Development	12,150	12,942	15,144	17,136	17,699	21,656	22,356	25,796	57,372	87,507	104,809	123,082
Sales and Marketing	2,757	2,979	2,845	3,410	2,908	3,431	4,740	5,264	11,991	16,344	22,274	25,954
General and Administrative	2,280	2,663	3,512	3,697	2,614	5,609	4,100	4,813	12,152	17,136	18,420	20,837
Total Expenses	**24,759**	**27,075**	**30,707**	**35,148**	**33,439**	**42,026**	**43,367**	**50,163**	**117,689**	**168,995**	**204,893**	**239,005**
EBIT	**17,555**	**20,441**	**20,535**	**24,745**	**22,872**	**18,775**	**20,691**	**25,044**	**83,276**	**87,381**	**107,861**	**126,554**
D&A	3,900	4,342	4,963	5,411	5,999	6,356	8,648	10,153	18,616	31,156	52,543	58,489
EBITDA (incl. SBC)	**21,455**	**24,783**	**25,498**	**30,156**	**28,871**	**25,131**	**29,339**	**35,197**	**101,892**	**118,537**	**160,404**	**185,043**
EBIT ex one-off item	*17,555*	*20,441*	*20,535*	*24,745*	22,872	21,175	20,691	25,044	*83,276*	*89,781*	*107,861*	*126,554*
Other Income (Expenses)	827	93	1,128	609	(1,120)	(19)	734	718	2,657	313	2,749	2,081
Net Income	**16,644**	**18,337**	**2,709**	**22,768**	**26,773**	**15,848**	**18,211**	**21,897**	**60,458**	**82,729**	**94,018**	**109,340**
Weight Avg. Diluted Shares	2,590	2,570	2,572	2,565	2,564	2,566	2,563	2,563	2,574	2,564	2,563	2,563
GAAP EPS	**6.43**	**7.14**	**1.05**	**8.88**	**10.44**	**6.18**	**7.11**	**8.54**	**23.49**	**32.27**	**36.68**	**42.66**
GAAP Margins:												
Gross Margin	82%	82%	82%	82%	82%	81%	81%	81%	82%	81%	81%	81%
EBIT Margin	41%	43%	40%	41%	41%	31%	32%	33%	41%	34%	34%	35%
EBITDA Margin	51%	52%	50%	50%	51%	41%	46%	47%	51%	46%	51%	51%
EBIT Margin ex one-off item	41%	43%	40%	41%	41%	35%	32%	33%	41%	35%	34%	35%
Y/Y Growth (GAAP):												
Revenue	16%	22%	26%	24%	33%	28%	25%	26%	22%	28%	22%	17%
EBITDA	25%	34%	19%	8%	35%	1%	15%	17%	20%	16%	35%	15%
EPS	36%	38%	-83%	11%	62%	-13%	575%	-4%	-2%	37%	14%	16%
NON-GAAP METRICS												
Adjusted EBITDA (ex-SBC)	25,602	29,617	31,053	36,047	34,896	32,789	36,560	42,854	122,319	147,099	193,257	222,825
Adjusted EBITDA Margin	61%	62%	61%	60%	62%	54%	57%	57%	61%	57%	62%	61%
Non-GAAP Net Income	20,791	23,171	8,264	28,659	32,798	24,241	25,432	29,554	80,885	112,026	126,872	147,121
Non-GAAP EPS	**8.03**	**9.02**	**3.21**	**11.17**	**12.79**	**9.45**	**9.92**	**11.53**	**31.42**	**43.69**	**49.50**	**57.40**
KEY METRICS												
DAP	**3,430**	**3,480**	**3,540**	**3,580**	**3,560**	**3,600**	**3,646**	**3,687**	**3,580**	**3,687**	**3,838**	**3,988**
DAP Growth (Y/Y, %)	6%	6%	8%	7%	4%	3%	3%	3%	7%	3%	4%	4%
ARPP	**12.4**	**13.7**	**14.5**	**16.6**	**15.66**	**16.86**	**17.57**	**20.40**	**16.6**	**20.4**	**23.9**	**26.8**
BALANCE SHEET & CASH FLOW												
Cash + Marketable Securities	70,230	47,071	44,448	81,592	81,180	90,260	88,501	77,508	81,592	77,508	71,630	36,108
All Other	209,983	247,673	259,396	284,429	314,070	359,696	393,521	438,313	284,429	438,313	620,035	802,011
Total Assets	**280,213**	**294,744**	**303,844**	**366,021**	**395,250**	**449,956**	**482,021**	**515,821**	**366,021**	**515,821**	**691,665**	**838,119**
Capex	12,941	16,538	18,829	21,383	18,997	30,116	41,958	49,260	69,691	140,331	224,088	230,302
Capital intensity	31%	35%	37%	36%	34%	50%	66%	66%	35%	55%	72%	63%
FCF	10,334	8,549	10,625	14,077	12,386	784	(13,339)	(8,763)	43,585	(8,932)	(46,961)	(26,605)
FCF/Share	**3.99**	**3.33**	**4.13**	**5.49**	**4.83**	**0.31**	**(5.20)**	**(3.42)**	**16.94**	**(3.49)**	**(18.32)**	**(10.38)**

Source: Company reports, Bernstein estimates and analysis

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	29 Jul 2026 Closing Price	Price Target	TTM Rel. Perf.	Cur	Reported EPS 2025A	Reported EPS 2026E	Reported EPS 2027E	Reported P/E (x) 2025A	Reported P/E (x) 2026E	Reported P/E (x) 2027E
META (Meta)	O	USD	585.61	**800.00**	(31.2)%	USD	23.49	**32.27**	**36.68**	24.9	18.1	16.0
OLD				850.00				34.03	37.70			
SPX			7,316.15									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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An associate contributing to this report has a financial interest in the equity or debt securities of Meta Platforms Inc..

VALUATION METHODOLOGY

Meta Platforms Inc.

We value Meta on a Price Target of $800 using a 50/50 combination of 2027e EV/Sales multiple of 6.7x, and a DCF using a WACC of 10% and a terminal growth of 3.5%. We consider Meta primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

RISKS

Meta Platforms Inc.

Downside risk to our target price:
• Meta is currently under investigation in multiple regulatory proceedings now mostly focused on teen-protection and anti-trust domestically and abroad.
• Signs that we’re reaching maturity in digital ads, increased competition as alternatives emerge with compelling ad ROIs, or further privacy related changes (e.g., Cookie depreciation) could all put press on Meta's revenue outlook resulting in compressing revenue growth and de-rating.
• Meta's metaverse aspirations could lead to margin headwinds and potentially minimal ROIC, which could negatively affect both estimates and multiples.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

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Those denoted as ‘Feature’ (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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Underperform	SELL	13.1%	13.6%

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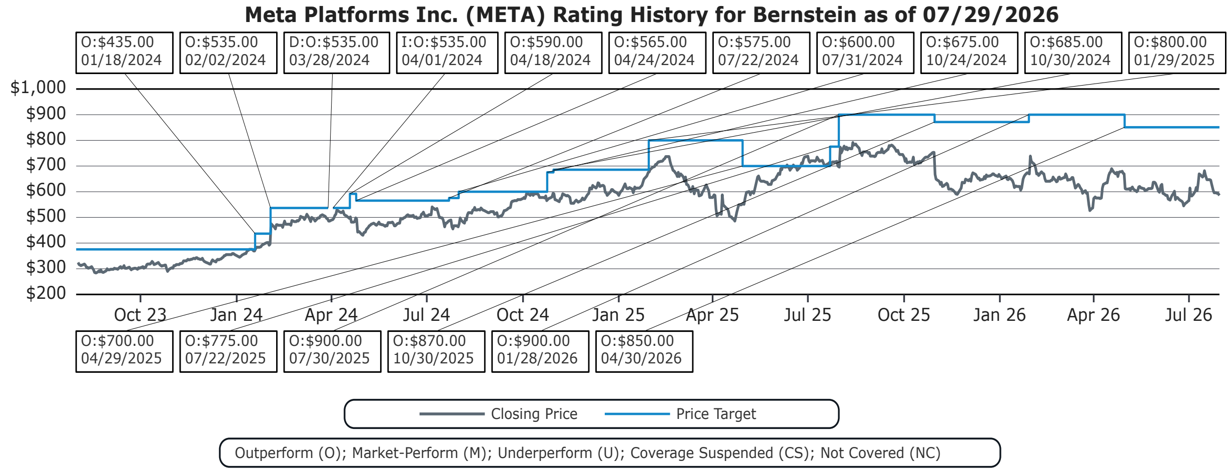

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