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IDEA

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Meta Platforms Inc | North America

Could META Now Become GOOGL of 2H:25?

We detail our take on META's teen engagement settlement and, as an analogy to GOOGL in '25, wonder if the META product pipeline is about to flow and META's multiple is about to expand.

Meta Litigation Clearing Event…Last week (Wednesday), META agreed to pay up to ~$17bn over 10 years to settle social media addiction claims, while also agreeing to changes for teens using FB/IG. These include **1)** a 2-hour daily limit across FB/IG for U18 users, removable with parental permission, **2)** default blocking during school (8am–3pm) and overnight hours (midnight–6am), and **3)** an opt-in to non-algorithmic feeds for U18 users, among other changes. Payments are made up of a guaranteed $12.7bn to a coalition of states over 10 years (with a $10bn legal expense accrual this quarter) plus an additional $5.3bn contingent on YouTube/TikTok reaching similar agreements whereby they also pay $5.3bn and those apps agree to a one-hour time limit.

…and Potential Larger Long-term Headwind to YouTube than Meta…While, in our view, it will be challenging to push GOOGL to follow a 1 hour limit (and pay $5.3bn) quickly, we believe youth engagement ceilings like these would actually be a larger headwind to YouTube than Meta given average time spent by teens on FB/IG is well below two hours per day (with IG usage less than 1 hour) and third party data shows that average time spent per user per day on YouTube in the US is ~73 minutes…and we believe youth adoption of YouTube is higher than FB/IG. We also believe revenue from teens represents only ~1% of META revenue.

…Are Youth Digital Regulation Winds About to Start Blowing Harder? Bigger picture, we are focused on whether a ruling like this (which includes YouTube, not a social network) could potentially accelerate a push for firmer regulation of teen and youth digital usage. Investors should watch the tea leaves here as this could have impacts on many platforms including SNAP, RBLX, SPOT and others. *RBLX is covered by Matthew Cost, and SPOT is covered by Sean Diffley.*

Now, For META, Could This Be a Product Innovation Flood Gate Opener Like GOOGL Last Year? The time frame over which leading tech companies launch innovative new offerings can be impacted by many factors…including, in our view, externalities such as substantial lawsuits. Look no further than September of '25 when the GOOGL DoJ ruling was followed by a slew of successful new product and model launches, including Gemini 3 and broader rollout of search tools including AI Mode/AI Overviews….which ultimately led GOOGL's multiple to expand by ~40% from 9/1/25 to 12/31/25. As detailed in Meta Platforms Inc: Core Strong Now; More Call Options "Soon" (30 Jul 2026) we see multiple new products in the pipeline from Meta (MetaClaw/a better MetaAI, a full suite of agentic ad tooling for SMBs, upcoming rollout of new subscription offerings, a robust API offering, neocloud

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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 (Aug 28, 2026)	$578.02
Mkt cap, curr (mm)	$1,807,407
52-Week Range	$790.80-520.26

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

optionality and more) which in aggregate could add $10+ to EPS. We don't believe these are priced in Meta right now at 16X EPS, which is ~25% below its long-term average and ~45% below '25 peak levels, when Meta was viewed as an "AI winner" and GPU investments were driving faster growth. While we are not claiming this legal settlement is a signal that Meta's products are ready, recent media reports indicate we could see a new agentic offering ("Hatch") as soon as the next few weeks, and that Meta's new model Watermelon is targeting October launch …and remember Meta Connect is 25 days away. There are certainly signals, in our view, that Meta's product pipeline could start flowing following this legal clearing event… just like GOOGL's last year.

Exhibit 1: Following DOJ Resolution Last Fall, GOOGL Re-rated Materially As Gemini 3 Reached the Frontier...



Exhibit 2: … Could META Shares See a Similar Re-rating with New Models and Products to Come?



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to, the parties' historical relationship, laws pertaining to the case, relative litigation talent, trial location, jury composition, and judge composition. Investors should contact their legal advisor about any issue of law relating to the subject matter of this material.



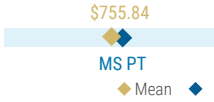
Risk Reward – Meta Platforms Inc (META.O) Top Pick

The Age of Efficiency

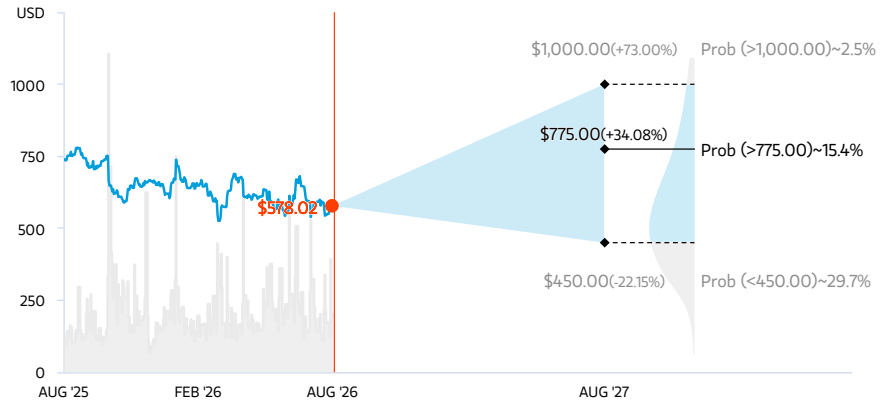
PRICE TARGET $775.00

Our $775 PT is based on applying a ~23X P/E multiple to the average of our $34/$35 EPS in '27/'28.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



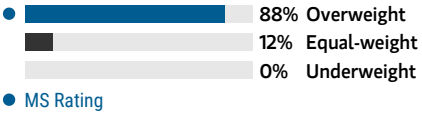
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 28 Aug 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 blended '27/'28 P/E

AI investments drive increased engagement and lead to new products/services, which supports outsized ad monetization and revenue growth. Execution on newer offerings (like click to message, subscriptions, and Meta Business AI) 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.

BASE CASE $775.00

Implied ~23X base case blended '27/'28 P/E

Ad revenue grows ~27% 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 explore new ways to monetize META's extensive data center capacity.

BEAR CASE $450.00

Implied ~15x blended '27/'28 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, Higher capital intensity from mis-execution around the data center build widens losses with minimal ROIC. Any additional opex and capex could weigh on operating income growth and FCF.

Risk Reward – Meta Platforms Inc (META.O)

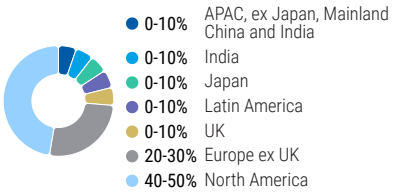
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Constant Currency % Growth (%)	22.5	26.6	22.2	19.9
Operating income (GAAP) ($, mm)	83,276	89,133	103,424	111,210
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



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	55.2%
HF Sector Long/Short Ratio	2.4x
HF Sector Net Exposure	11.4%

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

Sales / Revenue ($, mm)	251,307	255,888 / 254,035	257,877
EBITDA ($, mm)	106,638	146,354 / 140,556	161,219
Net income ($, mm)	71,742	82,353 / 81,606	104,671
EPS ($)	27.78	31.80 / 31.41	33.65

◆ Mean ◆

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