BERNSTEIN
SOCIETE GENERALE GROUP

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U.S. Internet

US Internet: All in all just another settlement in the Internet regulatory wall



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We don't want to dismiss the importance of these Big Tech regulatory outcomes, but with Meta's recent settlement with most US States on social media addiction, investors have generally been rewarded for focusing attention elsewhere. Meta's muted stock reaction to yesterday's settlement fits this trend, though we'd note this legal outcome removes an overhang for a potentially catalyst-rich slate through year-end.

The details: Meta reached a landmark settlement with a bipartisan coalition of attorneys general across nearly all US states, resolving the largest government-led youth-safety case against the company. The agreement requires new protections for teens on Facebook and Instagram, including default usage limits, Night Mode restrictions, parental controls, and enhanced age-assurance measures.**Meta has agreed to pay approximately $18B over 10 years, although only ~70% (~$12.7B) is unconditional, with the remaining ~30% (~$5.3B)** contingent on YouTube and TikTok adopting similar protections and making matching payments.

The implications. Despite the headline settlement size, the practical impact appears more limited than initially feared. The payment is distributed over 10 years, with Meta expects to recognize ~**$10B of expense in 3Q26**, roughly consistent with the 10-year discounted value of the unconditional payment part. Competitive risks are also mitigated by the structure of the agreement, which incentivizes TikTok and YouTube to adopt the same standards. Meanwhile, user-behavior impacts should be modest, as the proposed default **two-hour daily limit remains well above the roughly one hour per day** currently spent by the average US teen on Meta platforms. Teens account for **<1% of Meta revenue**, and the restrictions apply only to **Facebook and Instagram**, leaving WhatsApp and Meta's AI initiatives unaffected.

With the overhang gone, can we expect a catalyst-rich rest of 2026? The settlement removes what was arguably Meta's largest legal overhang, though individual youth-harm lawsuits and school-district claims remain outstanding. We believe those cases face higher legal hurdles to prove causation where Section 230 and First Amendment defenses offer greater legal defenses in bench and appellate courts. Management also expects any material outcomes from those cases to take time with 2028 floated as a potential timeline. With legal uncertainty significantly reduced, investor focus can increasingly return to Meta's core drivers: AI monetization, advertising growth, engagement trends, and capital allocation. We view **Meta Connect in September** as the next major catalyst, where the company is likely to introduce additional AI products, platform capabilities, and monetization initiatives. Combined with the potential for post-event product adoption and commercialization milestones, this could create a catalyst-rich backdrop for the remainder of 2026.

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BERNSTEIN TICKER TABLE

			26 Aug 2026 Closing Price		TTM Rel. Perf.	Reported EPS				Reported P/E (x)		
Ticker	Rating	Cur		Price Target		Cur	2025A	2026E	2027E	2025A	2026E	2027E
META (Meta)	O	USD	576.14	800.00	(42.3)%	USD	23.49	32.27	36.68	24.5	17.9	15.7
GOOGL (Alphabet)	M	USD	342.00	385.00	46.4%	USD	10.81	20.84	15.26	31.6	16.4	22.4
SNAP (Snap)	M	USD	5.42	6.00	(41.5)%	USD	(0.27)	(0.10)	0.01	1.8	1.6	1.4
PINS (Pinterest)	O	USD	23.31	28.00	(54.1)%	USD	1.60	1.98	2.51	14.6	11.8	9.3
RDDT (Reddit)	M	USD	155.36	180.00	(47.9)%	USD	2.63	5.05	6.55	59.1	30.8	23.7
SPX			7,675.70									

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

PINS, RDDT estimate is Adjusted EPS; SNAP valuation is EV/Sales (x); PINS, RDDT valuation is Adjusted P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We rate META and PINS Outperform. We rate GOOGL, SNAP, and RDDT Market-Perform.

DETAILS

Meta reaches a broad settlement with state attorneys general. Meta announced an agreement with a bipartisan coalition of AGs across most US states resolving litigation related to teen social media usage and establishing a new framework governing how teens access Facebook and Instagram. New Mexico is being litigated separately and currently under appeal, while Florida has chosen to pursue their own litigation. The agreement is designed to provide greater parental oversight, limit excessive social media usage among minors, and establish a common industry standard for teen protections.

- **What did Meta agree to?** Pending judicial approval, Meta will implement a broad set of protections for users under 18, with most provisions remaining in place for 10 years. Key measures include a default two-hour daily usage limit across Facebook and Instagram that can only be disabled with parental approval, Night Mode restrictions from midnight to 6 a.m., muted notifications during school hours, periodic screen-time reminders, enhanced parental supervision tools, stronger age-assurance technology, restrictions on unwanted contact from adults, and greater user control over algorithmic recommendations and autoplay features. Meta also agreed to maintain age-appropriate content restrictions and continue efforts to limit teen exposure to harmful content.

  - **An ~$18 billion settlement with a unique 70%-30% structure to incentivize industry practice.** The agreement includes an approximately $18 billion payment over 10 years, although only ~70% of the total (~$12.7 billion) will be distributed unconditionally to participating jurisdictions. The remaining ~30% (~$5.3 billion) is contingent on both YouTube and TikTok adopting comparable safeguards, including daily usage limits, Night Mode protections, and age-assurance measures, while also making matching financial contributions, with half of the contingent amount tied to each company. Meta expects to recognize approximately $10 billion of related legal expense in 3Q26, which appears broadly consistent with the NPV of the unconditional ~$12.7 billion payment stream over the next decade, while the company indicated that its previously issued operating guidance otherwise remains unchanged.

  - **Trying to create an industry standard, not just a Meta standard.** A notable aspect of the agreement is Meta's explicit call for YouTube, TikTok, and other social media platforms to adopt similar protections. Meta argues that teens move seamlessly across multiple apps and that restrictions on a single platform are unlikely to meaningfully change behavior if competing services remain unrestricted. To encourage broader adoption, the agreement includes provisions that become stricter if industry peers join, including reducing daily limits from two hours to one hour per app and expanding Night Mode hours from 10 p.m. to 7 a.m.

  - **Florida and New Mexico remain outside the agreement.** The settlement includes 48 US states, the District of Columbia, Puerto Rico, American Samoa, and the Northern Mariana Islands. Florida and New Mexico are the only states not participating, as both have chosen to pursue separate actions against Meta. New Mexico has already secured its own judgment (which Meta plans to appeal), while Florida continues to litigate separately.

- **What are Meta's implications of this settlement? Likely more manageable than initial headline suggests.**

  - **The AG settlement is payable over 10 years**, with Meta expecting to recognize ~**$10B of expense in 3Q26** (~4% of 2026E revenue), and is the approximate NPV of the unconditional **$12.7B** payment.

  - **The competitive risk appears largely mitigated by the settlement's structure,** which explicitly incentivizes TikTok and YouTube to adopt similar protections, reducing the likelihood that user engagement simply migrates to competing platforms.

  - **We also expect limited changes in user behavior,** as the default 2-hour daily limit remains well above the current ~1 hour per day spent by the average US teen on Meta's platforms.

  - **Direct revenue impact is also limited,** as Meta has indicated that teens contribute **<1% of company revenue**, and **the settlement measures apply only to Facebook and Instagram,** with no direct impact on other Meta ecosystems like

WhatsApp or Meta's expanding AI initiatives.

- **What other legal activity remains for Meta?** The settlement removes perhaps the largest legal overhang surrounding Meta, though the big remaining US litigation activity involves two tranches of Mental Health action surrounding the School Districts and individual cases. While Outside mental health there are numerous other legal efforts still underway. Unlike the AG cases, responsibility for the alleged harms is shared across multiple platforms, making it more difficult to assign damages to any single company, while Meta also retains potential defenses related to Section 230 and First Amendment protections for recommendation systems and content-ranking decisions. Management are also generally expecting any material settlements or litigation outcomes to emerge **closer to 2028** rather than representing a significant near-term overhang.

  - **Individual personal youth mental-health lawsuits remain outstanding.** More than 2,400 personal injury lawsuits alleging youth mental-health harm have been consolidated into multidistrict litigation (MDL) proceedings in California federal court, with plaintiffs claiming that features such as recommendation algorithms, infinite scroll, autoplay, and notification systems contributed to depression, anxiety, eating disorders, self-harm, and other adverse outcomes among young users. Outside the MDL process, estimates suggest the broader universe of claims exceeds 10,000 individual cases across federal and state courts. Recent plaintiff victories, including the K.G.M. verdict which resulted in ~$4 million judgment against Meta, could further encourage new filings and raise settlement expectations across the broader docket.

  - **School district lawsuits are emerging as another meaningful area of exposure.** Roughly **1,200-1,300 school districts** have sued Meta and other social media platforms, arguing that addictive product features contributed to a youth mental-health crisis and forced schools to spend more on counseling and support services. The first bellwether case, brought by Kentucky's Breathitt County School District, settled shortly before trial in May 2026 for ~**$27 million**, including **$9 million from Meta**, providing the first financial benchmark for the broader litigation.

  - **International scrutiny could represent the next frontier, but may not be material financially.** While the current settlement applies only to US jurisdictions, concerns around teen safety and addictive product design are increasingly global. Regulators across Europe, the UK, Australia, and other major markets have already introduced or proposed online-safety frameworks focused on minors, age verification, algorithmic recommendations, and parental controls. We believe the US settlement may ultimately serve as a blueprint for regulators abroad, leaving Meta and other large social-media platforms are likely to face continued pressure to implement similar protections internationally. **We do note that the global contagion risk also appears manageable financially.** While many countries may follow the US in pursuing legal action against Meta, it's likely hard for them to achieve large settlements due to weaker legal tools and significant jurisdictional barriers. In the Big Tobacco cases, only Canada secured a settlement despite 21+ countries filing suit, and it took Canada 27 years to achieve ~$23 billion (~11% of the US MSA) in 2025, largely because other jurisdictions lack US-style legal mechanisms (e.g., class actions, contingency fee lawyers, etc.), and also faced the jurisdictional hurdles of international courts, use of trade agreements & aggressive delaying tactics from the Tobacco companies.

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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.

Alphabet Inc

We value Alphabet on a Price Target of $385, using a 50/50 combination of 2027e EV/ EBIT multiple of 24x and a DCF using a WACC of 10% and a terminal growth of 3.5%. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

Snap Inc

We value Snapchat on a Price Target of $6 using a 50/50 combination of a 2027E EV/Sales multiple of 1.5x and a DCF using a WACC of 11% and a terminal growth rate of 1.5%. We consider Snapchat primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

Pinterest Inc

We value Pinterest on a price target of $28 using a 50/50 combination of 2027e EV/Sales multiple of 3x, and a DCF using a WACC of 11% and a terminal growth of 3%. We consider Pinterest primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

Reddit Inc

We value Reddit on a Price Target of $180 using a 50/50 combination of 2027e EV/Sales multiple of 7x, and a DCF using a WACC of 11% and a terminal growth of 3.5%. We consider Reddit 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.

Alphabet Inc

Upside risk to our price target:

- Faster than expected revenue growth tied to digital advertising recovery and idiosyncratic efforts or better than expected margins tied to recent effort to slow down hiring and small scale lay-offs.
- Favorable regulatory outcomes further entrenching Google's incumbency positions across both Search and Network.

Downside risk to our price target:

- Terminal risk narratives tied to Search disintermediation, either from negative headlines or share loss (users and/or revenue) in search. If search were to suffer topline changes it could have a trickle effect across the business and have a material impact on GOOGL's ad revenues and we would expect further de-rating in the stock.
- Alphabet is currently under investigation in multiple regulatory proceedings across both anti-trust and privacy, domestically and abroad. In particular, the DOJ case against Google on Search will likely reach a verdict later this year.

Snap Inc

Upside risk to the price target:
• Snap trades heavily around revenue beats and misses, if core advertisers come back and/or the company is able to attract new ad buyers to the improved ad platform, monetization may accelerate ahead of our timetable.
• Snap's current investor narrative is unclear at the moment with limited investor confidence in management's forward looking commentary, efforts to improve investor messaging alongside proof of progress (potentially new partnership announcements) could win back investors and re-rate the stock.
Downside risk to the price target:
• With any negative macro events that could put ad budgets under pressure, Snapchat could be at risk of ad dollars moving off the platform and being re-allocated to larger peers with more established direct response products. If Snapchat is also unable to overcome ad measuring and tracking issues successfully, they could lose advertisers.
• Snapchat's primary users are Gen Z and younger millennials – a notoriously finicky group. Newer entrants like TikTok, Roblox, and several in-development apps are also going after this same age demo which could result in SNAP losing their status as the social home of this demo, which would severely dampen the financials and valuation of the company.

Pinterest Inc

Downside risks to our price target:

- With any negative macro events that could put ad budgets under pressure, Pinterest could be at risk of ad dollars moving off the platform and being re-allocated to larger peers with more established direct response products.
- Pinterest trades at a higher multiple to peers with a compelling investor narrative, but if the company is unable to execute successfully on the vision of shifting user behavior towards shopping, recent investor optimism may cool.
- Slower roll out in any of their new products could lead to slower than anticipated revenue growth

Reddit Inc

Upside risk to our price target:

- Faster than expected revenue growth helped by more data licensing deals.
- Higher than expected revenue growth if Reddit figures out the new ad platform and monetization accelerate ahead of our timetable.
- Faster than expected margin expansion tied to revenue growth acceleration and moderate expense growth.

Downside risk to our price target:

- Continued volatility in user growth number, particularly in the domestic market
- Data licensing revenue could start to slow and decline down the line
- More than expected revenue impact from macro slow down

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

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The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

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Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

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The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

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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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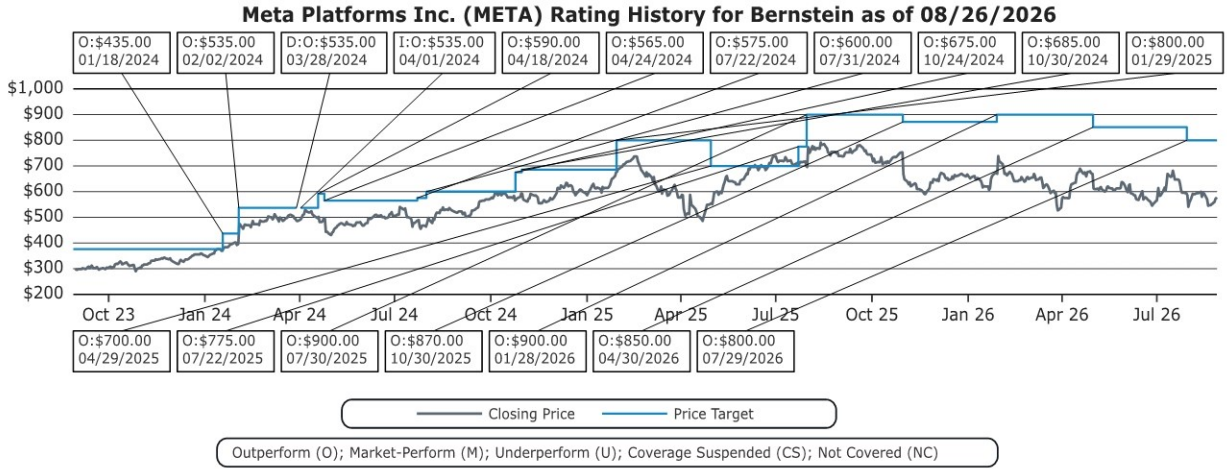
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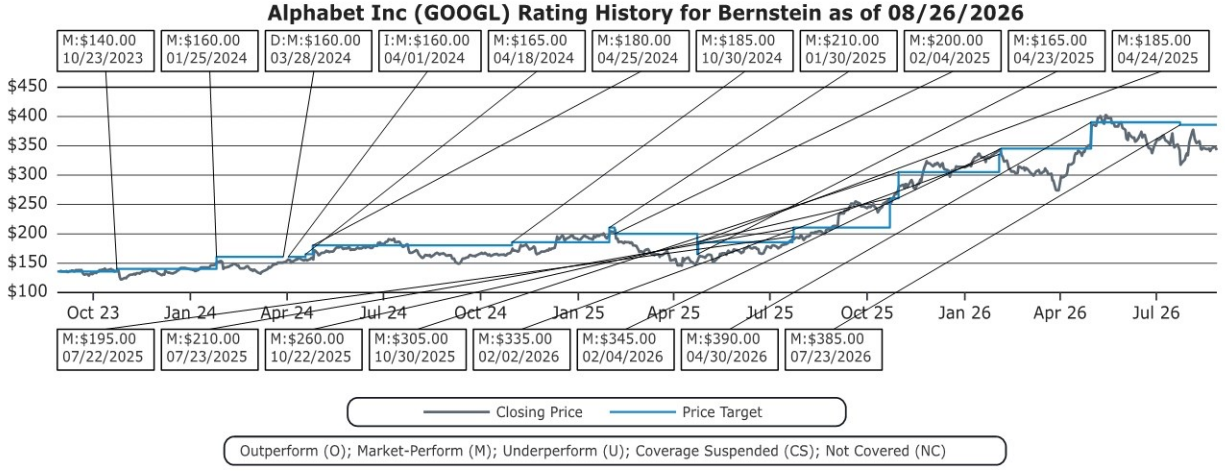
Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	51.2%	15.3%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.8%	16.2%
Underperform	SELL	13.1%	13.6%

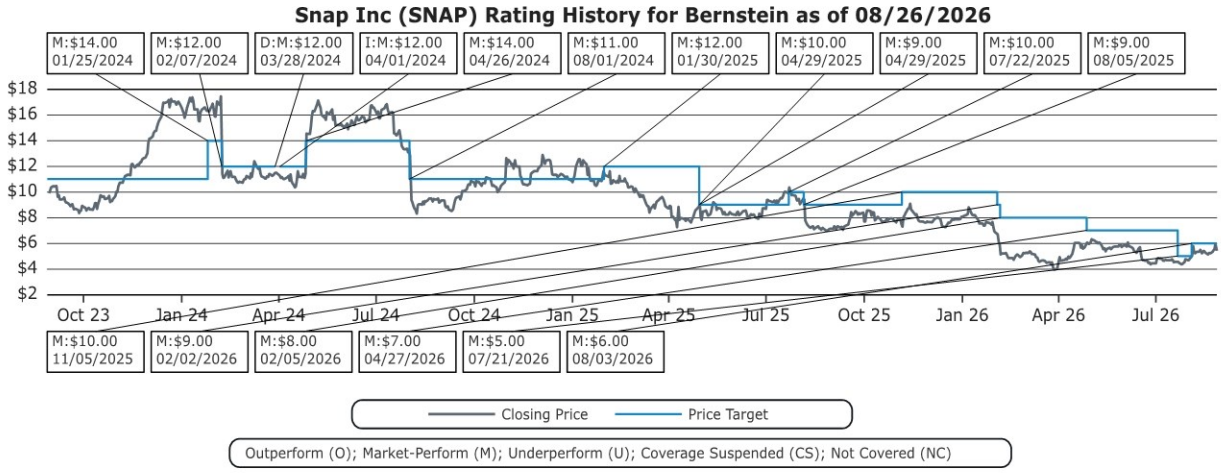
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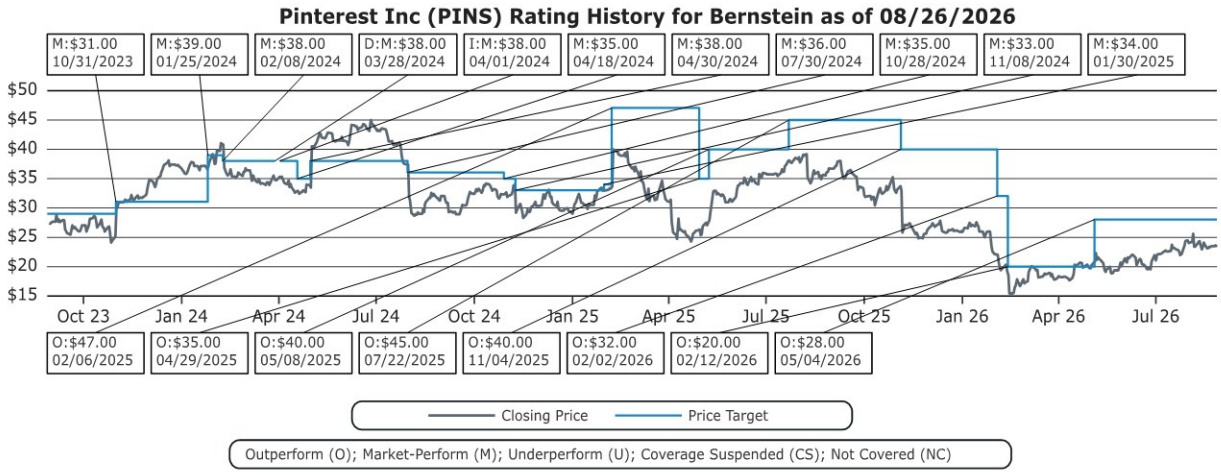
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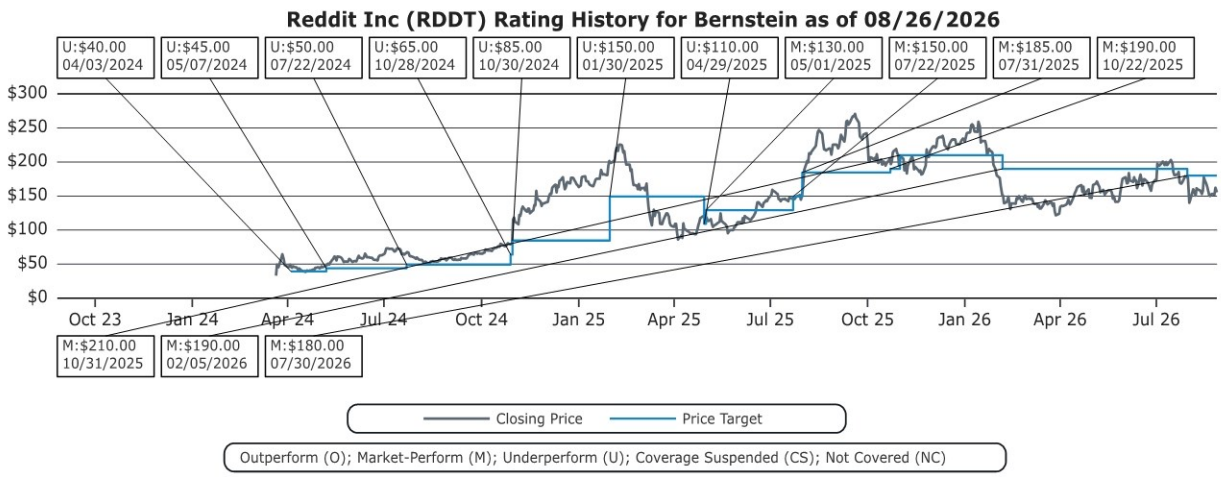
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All price target and closing price data in the chart(s) above are denominated in the currency noted in the Ticker Table of this report.

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