September 9, 2026 01:16 AM GMT

Meta Platforms Inc | North America

Muse Has Arrived; What Matters Next?

META unveiled Muse, its standalone consumer AI agent. The battle to address the $30tn consumer agentic TAM is approaching. Why we think META could win, what we need to see, and what this means for GOOGL and other players downstream. OW; META remains Top Pick.

What Happened? META unveiled its new consumer AI agent called Muse (formerly codename "Hatch") as an agentic offering that helps users automate a variety of tasks including online shopping, travel, buying tickets, scheduling appointments/ managing calendar, sending emails, among other use cases. While the agent is able to perform a variety of tasks autonomously, sensitive tasks like completing purchases/payments will require verification from the end user before completion. Notably, **Muse is a separate app** from Instagram, Facebook or other Meta apps...and for now does *not* share data with META's ad system. We leave this announcement with 4 key takeaways and factors to monitor from here for META, GOOGL and the downstream players.

1) The Battle for the $30tn Consumer Agentic TAM is Heating Up: In The Morgan Stanley AI Guidebook: Navigating the Age of Inference we laid out the $30tn TAM of consumer spend (See Exhibit 1) that we see consumer agentic offerings addressing across digital ads, e-commerce, online travel, autonomous driving, restaurant delivery, logistics, and wearables. There are a variety of horizontal agent offerings available (from GOOGL's Gemini to increasingly capable agents from frontier labs to newly emerging startups like Instinct)...now add META's Muse to the list. As such, **we direct investors to our work in Agentic Shoppers Are Coming... Who Could Win or Lose?** where we detailed our views on the leading top-of-funnel platforms (including META and GOOGL) and frameworks for implications for downstream players across e-commerce, travel, rideshare, etc.

2) We See Scaled Distribution and Unique, Large Consumer Datasets as Being Critical to Personalized Agentic Offerings and Adoption: We continue to believe leading tech platforms with broad-based reach and unique data sets (like META and GOOGL) are in advantaged positions to create unique consumer agentic offerings that drive utility and garner scaled adoption. This is **part of META's advantage and opportunity as we will be highly focused on how consumer adoption and integration of Facebook, Instagram, Messenger and Whatsapp data into Muse Agent ramp over time.** This combined with the integration of other monetizable apps and personalized datasets (including Gmail) could give Meta an edge to create a more personalized agent with new monetizable behaviors. The entry price of the product...free...is also a notable advantage that comes with scale. And we would expect META's new model (Watermelon, expected this Fall) to only make the product better.

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

Julian Herrera
Research Associate
Julian.Herrera@morganstanley.com +1 212 761-1784

Kavya A Narayanan
Research Associate
Kavya.Narayanan@morganstanley.com +1 212 761-4183

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 (Sep 8, 2026)	$613.48
Mkt cap, curr (mm)	$1,918,286
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.

3) Muse Agent Success is Not Priced at 18X '28 EPS, But Expect Investors (and Us) to Need to See Adoption and Monetizable Behavior to Re-rate Shares Higher: For META, success from Muse Agent to drive incremental monetizable behavior is one of the largest call options not priced in Meta shares at 18X '28. We detailed this in Key Debates, MetaClaw and Why to Buy META Now and now look for adoption signal to confidently put upside into our base case numbers in '27 and '28. We have seen META launch products before that didn't live up to expectations (FB Shopping, the Metaverse, MetaAI, etc) and think the market will need signal on adoption and monetizable behavior to re-rate shares...which is what we will focus on from here. For more on our view of META's product pipeline driving multiple expansion, please see Could META Now Become GOOGL of 2H:25?

4) For GOOGL the Importance of Shipping New Products and Improving Search Remains High and Could Rise: On the other hand, the extent to which Meta Muse gains traction driving top of funnel monetizable behavior is also not priced in GOOGL shares...and could pose a new potential threat to the position of search. This, in our view, just reinforces the importance of GOOGL's own product innovation pipeline flowing across Search and YouTube...and Gemini 4 returning GOOGL to the frontier.

Exhibit 1: We Identify ~$30tn of Total Consumer Spend as the Main Addressable Market for META's Muse

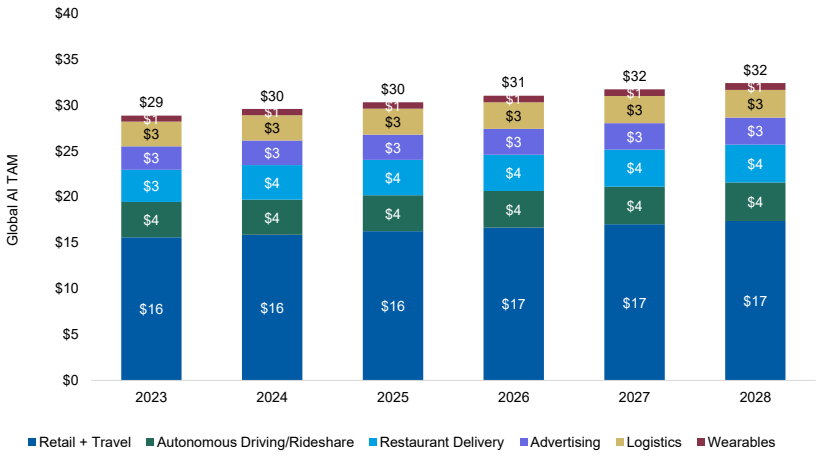
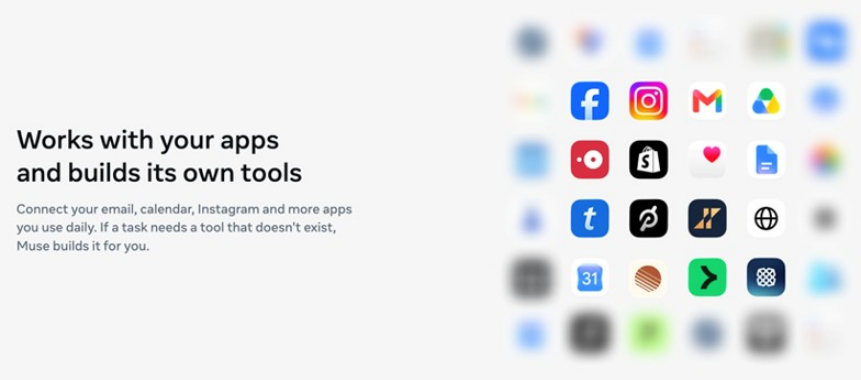


Exhibit 2: Muse is Already Integrated into Popular Consumer Apps Like Gmail, OpenTable, and Shopify



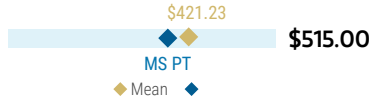
Risk Reward – Alphabet Inc. (GOOGL.O)

Alphabet Inc.

PRICE TARGET $400.00

Our $400 PT is based on applying a ~24X P/E multiple to the average of our $15/$18 EPS in '27/'28, and implies paying ~1.6X PEG, a ~35% premium to GOOGL's peer median.

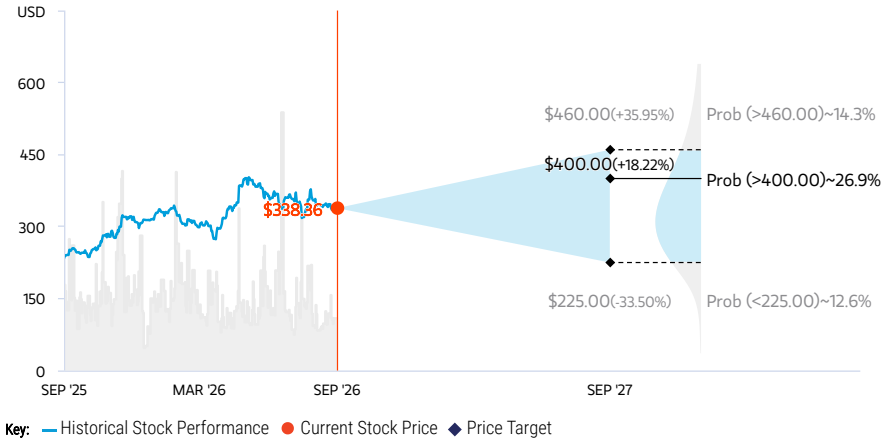
Consensus Price Target Distribution



OVERWEIGHT THESIS

- Continued AI-driven platform-level innovation on Search, YouTube, Cloud, and with other offerings improve confidence in the durability of long term growth.
- Continued expense discipline leads to operating leverage and upward revisions on EPS and FCF estimates.

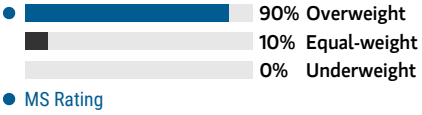
RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



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 8 Sep 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

Consensus Rating Distribution



Risk Reward Themes

Secular Growth:	*Positive*
New Data Era:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $460.00

~26X Avg. '27/'28 Bull Case EPS of ~$16/~$20

Faster innovation and Search/GCP acceleration lead to multiple expansion and higher earnings power. Search revenue accelerates as AI-driven innovation delivers meaningful upside to engagement. New AI offerings prove incremental to the top and bottom line and don't cannibalize core Search. YouTube and Cloud become even bigger contributors to top-line growth, and operate at a higher margin than in our base case.

BASE CASE $400.00

~24X Avg. '27/'28 Base Case EPS of ~$15/~$18

Assumes pragmatic search revenue growth in '26, continued incremental platform monetization and Google Cloud acceleration in '26. As GOOGL continues platform-level innovation on Search and other categories, we assume pragmatic revenue/EBITDA growth. GOOGL introduces new AI offerings which increase confidence in the durability of long term growth and calm fears around competition. Google Cloud accelerates driven by new partnerships and growing backlog.

BEAR CASE $225.00

~15X Avg. '27/'28 Bear Case EPS of ~$14/~$16

Global ad growth slows further and margins face pressure. Assumes slower search advertising growth, and that ad spending slows further. Expense discipline fails to materialize leading to lower than expected margin expansion and adj. EBITDA. New AI products create greater than expected margin pressure due to lower monetization rates and increased compute intensity.

Risk Reward – Alphabet Inc. (GOOGL.O)

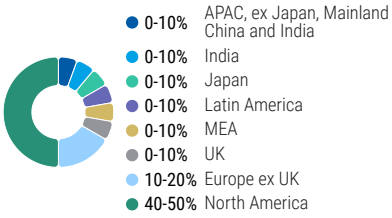
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total operating income (GAAP) ($, mm)	129,039	171,465	229,478	284,409
GAAP Operating Income (Loss) ($, mm)	137,054	178,940	236,678	290,959

INVESTMENT DRIVERS

- Search advertising spend continues to gain share of global advertising budgets.
- Mobile search advertising continues to take share of online budgets.
- Investments in video driving longer-term monetization at YouTube.
- Moderation of expense growth.

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- New products generate higher than expected top line contribution.
- Capital returns through greater share buybacks.
- Hiring and/or spend per headcount is lower than expected.

RISKS TO DOWNSIDE

- High exposure to SMB and travel could pressure ad revenue in a recession
- Improved disclosure around the Google and Other Alphabet segments may not decrease the overall investment activity of the business.

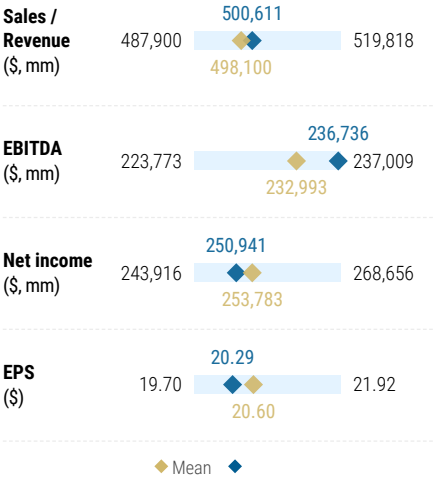
OWNERSHIP POSITIONING

Inst. Owners, % Active	56.5%
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



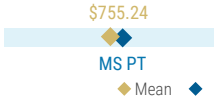
Risk Reward – Meta Platforms Inc (META.O) Top Pick

The Age of Efficiency

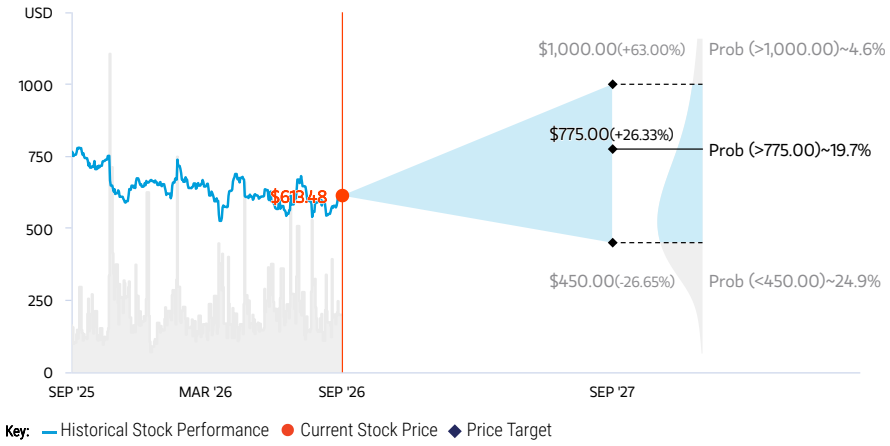
PRICE TARGET $775.00

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)



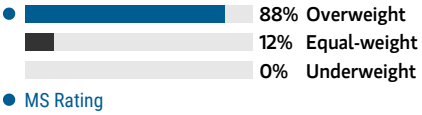
Key: Historical Stock Performance Current Stock Price Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 8 Sep 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.

人在草木间

Risk Reward – Meta Platforms Inc (META.O)

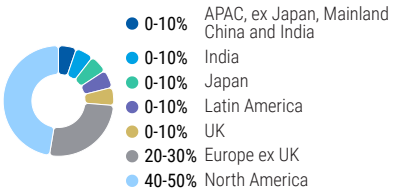
KEY EARNINGS INPUTS

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