Meta Platforms Inc. (META)

The Introduction of Muse AI: Implications & Framing a Potential "Conversation-to-Action" Paradigm Shift

META	12m Price Target: **$725.00**	Price: **$648.03**	Upside: **11.9%**

BUY

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With the introduction of several action-based consumer agents in the last few weeks (Spear Street Technology's Instinct; Meta's Muse AI; etc.), **the consumer AI landscape has begun the process of undergoing a fundamental paradigm shift**, transitioning rapidly from **passive, conversational chatbots to proactive, autonomous agents capable of executing real-world tasks**. We see the industry moving from simply answering questions to completing complex, high-value personal workflows such as travel booking, bill negotiation, calendar management, shopping, and administrative tasks.

Muse is Meta's full scale personal AI agent app/website. We'd highlight a few key details/takeaways from the launch:

- **Interface and Access:** Users interact with Muse through dedicated iOS and Android applications, the web (muse.ai), and WhatsApp. Meta designed the product around existing messaging behaviors to minimize the learning curve.
- **Capabilities:** Powered by the Muse Spark 1.3 model family, which is optimized for long-horizon agentic tasks, Muse can autonomously browse the web, manage workflows, fill out forms, make purchases, and coordinate long-term goals.
- **Monetization:** Meta has initially launched the Muse product as a **paid subscription** (Meta's first major foray into paid consumer AI subscriptions). Current subscription tiers include: **Free Tier** (capped at 100 million weekly tokens); **Power Tier** ($20/month for 500 million weekly tokens and faster response times); and **Maximum Tier** ($100/month for 3 billion weekly tokens and priority access). We see the potential for additional monetization avenues over time, including **commerce** (agentic commerce capabilities with potential to charge a take rate over time) and/or **advertising**.

Key Data

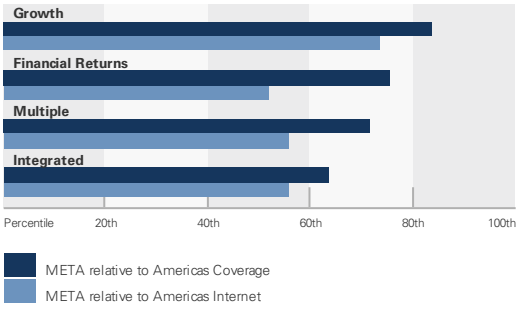
Market cap: $1.7tr
Enterprise value: $1.7tr
3m ADTV: $10.9bn
United States
Americas Internet
M&A Rank: 3

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue ($ mn)	200,965.0	255,408.6	310,507.3	370,836.7
EBITDA ($ mn)	101,892.0	123,753.0	156,691.6	215,616.3
EBIT ($ mn)	83,276.0	86,938.3	89,950.2	118,608.1
EPS ($)	23.49	31.65	31.39	37.83
P/E (X)	28.5	20.5	20.6	17.1
EV/EBITDA (X)	16.8	13.4	11.1	8.2
FCF yield (%)	2.7	0.8	(1.6)	0.7
Dividend yield (%)	0.3	0.3	0.3	0.3
Net debt/EBITDA (X)	0.2	0.1	0.4	0.3

	6/26	9/26E	12/26E	3/27E
EPS ($)	6.18	6.48	8.56	8.15

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.

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BUY

Meta Platforms Inc. (META)

Rating since Sep 12, 2021

Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	28.5	20.5	20.6	17.1
EV/EBITDA (X)	16.8	13.4	11.1	8.2
EV/sales (X)	8.5	6.5	5.6	4.8
FCF yield (%)	2.7	0.8	(1.6)	0.7
EV/DACF (X)	15.1	11.5	10.4	8.0
CROCI (%)	36.5	34.7	29.5	28.8
ROE (%)	30.2	31.3	23.7	22.6
Net debt/EBITDA (X)	0.2	0.1	0.4	0.3
Net debt/equity (%)	10.5	3.7	15.1	15.0
Interest cover (X)	71.5	27.6	26.9	35.4
Inventory days	NM	NM	NM	NM
Receivable days	33.4	32.0	30.2	26.0
Days payable outstanding	83.7	78.6	76.7	81.1

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	22.2	27.1	21.6	19.4
EBITDA growth	20.0	21.5	26.6	37.6
EPS growth	(2.1)	34.8	(0.8)	20.5
DPS growth	5.3	0.7	0.0	0.0
Gross margin	82.0	77.4	69.6	68.5
EBIT margin	41.4	34.0	29.0	32.0

Price Performance



	3m	6m	12m
Absolute	14.0%	(1.0)%	(13.7)%
Rel. to the S&P 500	10.1%	(12.4)%	(25.8)%

Source: FactSet. Price as of 11 Sep 2026 close.

Income Statement ($ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	200,965.0	255,408.6	310,507.3	370,836.7
Cost of goods sold	(36,174.0)	(57,638.1)	(94,381.9)	(116,978.1)
SG&A	(24,143.0)	(28,341.6)	(27,186.4)	(28,342.6)
R&D	(57,372.0)	(82,490.7)	(98,988.8)	(106,907.9)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**101,892.0**	**123,753.0**	**156,691.6**	**215,616.3**
Depreciation & amortization	(18,616.0)	(36,814.7)	(66,741.4)	(97,008.2)
EBIT	**83,276.0**	**86,938.3**	**89,950.2**	**118,608.1**
Net interest inc./(exp.)	2,657.0	(173.0)	5,432.9	(1,987.4)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**85,933.0**	**86,765.3**	**95,383.1**	**116,620.7**
Provision for taxes	(25,475.0)	(5,288.2)	(13,353.6)	(16,326.9)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**60,458.0**	**81,477.2**	**82,029.5**	**100,293.8**
Net inc. (post-exceptionals)	**60,458.0**	**81,477.2**	**82,029.5**	**100,293.8**
EPS (basic, pre-except) ($)	**23.98**	**31.96**	**31.67**	**38.16**
EPS (diluted, pre-except) ($)	**23.49**	**31.65**	**31.39**	**37.83**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	2.11	2.13	2.13	2.13
Div. payout ratio (%)	8.8	6.7	6.7	5.6
Wtd avg shares out. (basic) (mn)	2,521.0	2,549.5	2,589.9	2,628.4
Wtd avg shares out. (diluted) (mn)	2,574.0	2,574.3	2,612.9	2,651.4

Balance Sheet ($ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	35,873.0	72,383.2	24,551.2	9,150.6
Accounts receivable	19,769.0	25,029.0	26,294.3	26,538.7
Inventory	–	–	–	–
Other current assets	53,080.0	12,134.3	9,051.3	10,759.9
Total current assets	**108,722.0**	**109,546.5**	**59,896.7**	**46,449.2**
Net PP&E	196,804.0	317,265.9	470,739.3	604,956.6
Net intangibles	24,534.0	23,406.0	23,406.0	23,406.0
Total investments	27,524.0	30,157.0	30,157.0	30,157.0
Other long-term assets	8,437.0	25,933.5	36,666.5	46,052.9
Total assets	**366,021.0**	**506,309.0**	**620,865.6**	**751,021.7**
Accounts payable	8,894.0	15,944.2	23,728.0	28,264.0
Short-term debt	–	–	–	–
Current lease liabilities	2,213.0	2,425.0	2,425.0	2,425.0
Other current liabilities	30,729.0	43,810.5	53,508.4	63,845.3
Total current liabilities	**41,836.0**	**62,179.6**	**79,661.4**	**94,534.3**
Long-term debt	58,744.0	83,664.0	83,664.0	83,664.0
Non-current lease liabilities	22,940.0	26,229.0	26,229.0	26,229.0
Other long-term liabilities	25,258.0	31,640.9	40,918.2	49,657.5
Total long-term liabilities	**106,942.0**	**141,533.9**	**150,811.2**	**159,550.5**
Total liabilities	**148,778.0**	**203,713.5**	**230,472.6**	**254,084.8**
Preferred shares	–	–	–	–
Total common equity	**217,243.0**	**302,595.5**	**390,392.9**	**496,936.9**
Minority interest	–	–	–	–
Total liabilities & equity	**366,021.0**	**506,309.0**	**620,865.6**	**751,021.7**
BVPS ($)	85.88	117.74	149.65	187.74

Cash Flow ($ mn)

	12/25	12/26E	12/27E	12/28E
Net income	60,458.0	81,477.2	82,029.5	100,293.8
D&A add-back	18,616.0	36,814.7	66,741.4	97,008.2
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(885.0)	5,721.6	13,187.2	12,254.5
Others	37,611.0	28,260.4	25,579.4	26,858.4
Cash flow from operations	**115,800.0**	**152,273.8**	**187,537.5**	**236,414.9**
Capital expenditures	(69,691.0)	(138,369.1)	(213,608.3)	(224,288.7)
Acquisitions	(4,229.0)	(473.0)	–	–
Divestitures	–	–	–	–
Others	(28,083.0)	36,378.1	4,656.6	18.2
Cash flow from investing	**(102,003.0)**	**(102,464.0)**	**(208,951.7)**	**(224,270.5)**
Dividends paid	–	–	–	–
Share issuance/(repurchase)	–	–	–	–
Inc/(dec) in debt	29,906.0	24,910.0	–	–
Others	(51,719.0)	(38,209.6)	(26,417.8)	(27,545.0)
Cash flow from financing	**(21,813.0)**	**(13,299.6)**	**(26,417.8)**	**(27,545.0)**
Total cash flow	**(8,016.0)**	**36,510.2**	**(47,832.0)**	**(15,400.6)**
Free cash flow	46,109.0	13,904.7	(26,070.8)	12,126.2
Free cash flow per share (basic) ($)	18.29	5.45	(10.07)	4.61

Source: Company data, Goldman Sachs Research estimates.

- **Infrastructure:** Each user's agent runs inside an isolated Linux container on a dedicated virtual machine (**Muse Secure VM**) in the cloud, allowing it to continue executing tasks in the background after the user closes the application. Muse also has a number of partnership integrations to facilitate safe & secure interactions with various 3P networks, including most prominently Stripe (integration with Link's wallet for agents to facilitate agentic commerce).
- **Security & Privacy:** The transition from information retrieval to autonomous execution introduces several security, privacy, and transactional challenges. To mitigate risks, Meta utilizes its **Sentinel** system, a system-isolated process that acts as the sole permission authority for network access and connector actions (with credentials and authentication tokens stored outside of the agent's runtime). Meta has confirmed that Muse data/content is fully encrypted (using the same technology featured in WhatsApp) and not shared with the company (excluded from its advertising systems, with sanitized interaction data used for model training by default unless users manually opt out).

We see a key advantage for Meta being scale & distribution (i.e. the ability to leverage billions of daily active users across Facebook, Instagram, Messenger, and WhatsApp) – by integrating identity, commerce, payments, communications, and advertising infrastructure into a single platform, Meta has a powerful user acquisition advantage that is difficult for startups/independent AI companies to replicate. Based on past corporate priorities, it is **unlikely that Meta overly emphasizes monetization with such an effort in the early adoption period** & instead anchors its strategic approach to this effort building scale of adoption among users. Lastly on **consumer trust** – we see any questions or hesitancy from consumers around data privacy and security as likely the biggest potential headwind for broad based adoption of consumer AI agents. We expect consistency of performance (lack of errors in sourcing products and transaction completion) to be the biggest factor that must be executed consistently to retain and build transactional momentum among platform users.

In our note post its settlement of social media litigation a few weeks ago (link), we framed Meta as poised to begin to move from a "wall of worry" stock (around scaling/building compute given less visible return profiles vs. some of the other US hyperscalers) to a company that stood positioned to both productize and/or monetize that compute in a manner that could increase investor confidence. **We reiterate this view with increased conviction with a clearer catalyst path for the shares going forward post settlement & Muse launch** (Connect event on 9/23; potential for further foundational model releases, e.g. Watermelon; other initiatives aimed at the intersection of consumer, SMB & enterprise compute shifts toward AI). We reiterate our Buy rating & $725 PT.

Industry Implications: Balancing Growth & Investments Against Possible User Adoption & Behavioral Shifts

We view the launch of Muse as a critical strategic implication for the industry: competition within consumer AI is increasingly becoming a matter of platform/ecosystem integrations, distribution and capabilities rather than purely on model quality alone. Much like the consolidation of mobile operating systems around Apple (iOS) and Google (Android), **we expect consumer agents will consolidate**

around platforms with the strongest distribution, trust, and commerce integrations. Within our coverage, we'd highlight **META** & **GOOGL** as having the existing distribution, intelligence, compute capacity and user base to build & scale such consumer agentic AI efforts in the coming years.

Looking across our broader coverage universe, we would make a few points as initial takeaways and likely continued debates among investors going forward:

- **Access to compute is likely to be a critical variable** in the ability to launch and scale such broad-based initiatives.
- We would place a greater emphasis on **distribution as a strategic advantage** (as highlighted above) **vs. AI model performance alone** (at/around/pushing the frontier) as a likely factor in determining success in such efforts.
- Along with distribution mechanisms, we would posit that **deep integration into existing businesses** (apps/sites), **payment infrastructure, fulfillment/logistics landscape**, etc. is **likely critical to minimize the downstream customer service friction points that might impede widespread adoption**.
- Agentic commerce, travel, financial services, and customer service represent massive new monetization opportunities for companies successful at the platform layer (akin to the Application distribution stores as mobile computing gained mainstream adoption). That said, a friction point remains how "agent ready" the broader web/app ecosystem sits in its current form (which might cause growing pains).
- A key technical debate centers on whether browser-mimicking agents represent the long-term architecture, or if API-driven data access will ultimately prove faster, more reliable, and more scalable.

At our recent Communacopia + Technology conference (see our full conference takeaways note for details – link), the industry broadly spoke to a few key trends with respect to shifts toward agentic driven commercial behavior:

- A small but growing amount of traffic is coming from consumer AI agents (with recent product launches likely acting as a catalyst for increased volume going forward);
- Companies are balancing their own efforts to drive more direct traffic and/or user loyalty driven behavior (across app and web) while also introducing their own 1P/on-platform AI solutions (to reduce user friction, increase personalization & improving conversion);
- The importance of supply aggregation and differentiation as a source of durable competitive advantage (that is unlikely to be as easily disintermediated as investors might currently imagine).
- The importance of being a demand aggregation point for frequent user behavior, muting any potential disintermediation (that might pull users further up the funnel) toward a platform-led agentic commercial industry outcome.

In our view, as a collection of marketplace companies grapple with those industry shifts, a likely key determinant of stock price performance will be the companies that strike a balance between improving user relevance across multiple transactional pathways,

building/scaling demand/supply advantages and maintaining or increasing underlying platform unit economics in the process.

Valuation & Key Risks

We reiterate our Buy rating and 12-month price target of $725. Our $725, 12-month price target is based on an equal blend of (1) 26.0x EV/GAAP EBIT applied to our NTM + 1 year estimates and (2) a modified DCF using 45.0x EV/FCF-SBC multiple applied to our NTM + 4 years estimates discounted back 3 years. Risks to our Buy rating include: a) competition for user growth, user engagement & advertising dollars across an array of incumbent and emerging Internet, media and commerce companies; b) large investments in long-tailed initiatives depress operating margins for longer than our forecasts; c) no/low levels of incremental shareholder returns going forward; d) regulatory scrutiny and industry practices altering the business model's prospects; e) potential antitrust scrutiny could prove to be a headwind to M&A aspiration (to add talent and product innovation inorganically) and/or result in a break-up or dis-synergies of prior period M&A activity; & f) inability to monetize upside optionality opportunities (messaging layer, social commerce/shopping, Oculus/Metaverse). In addition, Meta is exposed to the volatility caused by the global macroeconomic environment and investor risk appetite for growth stocks.