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September 30, 2026 10:55 PM GMT

Meta Platforms Inc | North America

23 Days of Musing...Top Investor Questions and Our Answers

How and when will Muse monetize? How much is Muse's cost to serve and how much capacity does Meta have to scale this? What is Meta's quantitative and qualitative enterprise opportunity? What are Amazon and Meta likely negotiating across retail and AWS? What do we do with Meta shares now?

We are 23 days into the age of Meta's Muse….with downloads remaining strong, new use cases and partnerships announced weekly (feels daily) and Meta starting to integrate the product more into Instagram/Facebook (check your feeds). And while we have written much on agentic over the past 3 and 52 weeks including The Morgan Stanley Agentic Playbook (18 Sep 2026) and Muse: Rewriting the Retail/ Consumer Playbook (28 Sep 2026), today we want to address 6 of the most common agentic/Muse investor questions and debates. ***We also have new interactive Muse cost to serve models and Meta CPU capacity models available, so let us know if interested.***

1. How and When Could Meta Monetize Muse Directly? First, we expect Muse subscription revenue to be quite small for a while as Meta focuses on scaling a user base, engagement and commercial behavior well before monetization. To this point, we believe initial "take rates" on the connection agreements are de minimis. But over the long-term as the agentic behavior scales **(think late '27/'28 at the earliest) we would expect Meta to monetize through a real-time bidding auction market (businesses paying for transactions/acquisitions)** with businesses across the economy bidding based on return on investment and paying Meta for completed transactions. The $30tn of consumer spend to be digitized by agentic highlights the opportunity here. In the meantime, we do see Muse being a further source of data capture and profile build for Meta's core products to showcase even more targeted organic content to drive more engagement.

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Meta Platforms Inc (META.O, META US)
Top Pick

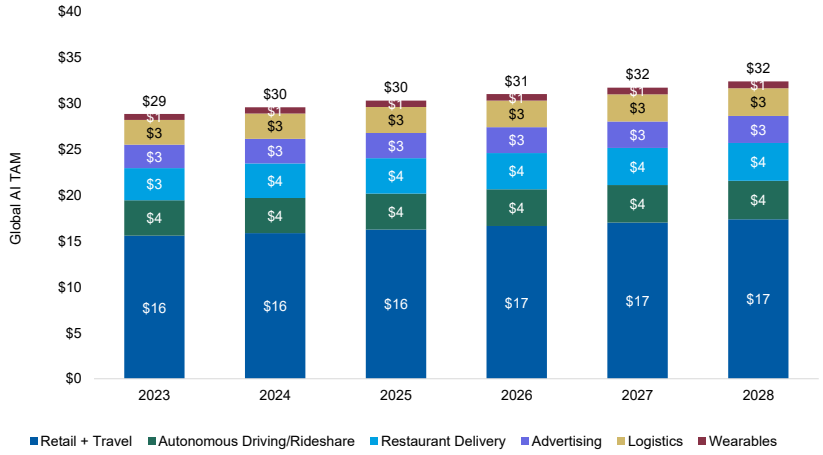
Internet | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$775.00**
Shr price, close (Sep 30, 2026)	$725.18
Mkt cap, curr (mm)	$2,267,560
52-Week Range	$779.82-520.26

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Exhibit 1: We See $30tn of Consumer Spend for Agents to Address

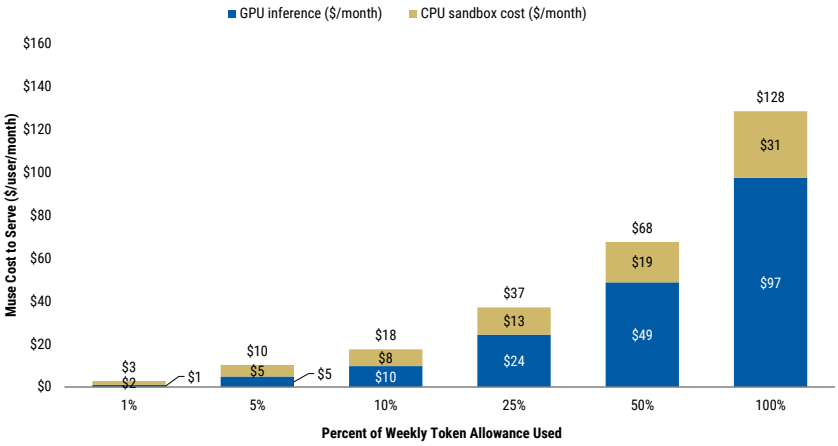


Source: Company data, Morgan Stanley Research

2. How Much Are Muse Serving Costs? Our sensitivity work showcases how **it ranges from $3-$130 per user per month based on token consumption**. We have built a detailed cost to serve model separating the two primary compute workloads of GPU inference (which scales with tokens consumed) and the CPU sandbox (which scales with how frequently users activate Muse and how long the underlying VM remains provisioned). The GPU workloads consist of running Muse's underlying model inference (processing user prompts, reasoning through tasks, etc.) while the CPU workloads likely support the agent environment itself, including running the VM, browser, tools, code execution, etc. The mix of these costs shifts with intensity as the CPU sandbox expense is the larger cost driver for lower-usage users, while GPU inference becomes the dominant component for users consuming the full token allowance. ***Please let us know if interested in our new interactive Muse Cost to Serve Model fully shown in*** **Exhibit 2.**

There are many assumptions behind this analysis that investors can flex...and while drawing a clean analogy to Meta's historical cost to serve is difficult (given limited disclosure on users across FB/Instagram/WhatsApp) **we think this analysis does speak to the cost prohibitive barriers to entry for smaller players to scale a competitive product to Meta.** Meta's $250bn core ad business growing 27% y/y (that is only getting stronger) certainly provides cushion too. Consider too that META's global ARPU (total revenue divided by FOA users) is ~$70 (with North America multiples higher)...so the company certainly does have a history of driving monetization of its behavior.

Exhibit 2: We estimate Muse cost to serve per user is anywhere from $3-$130/month...depending on token consumption. This speaks to the cost prohibitive moats around Muse's free go-to-market strategy.



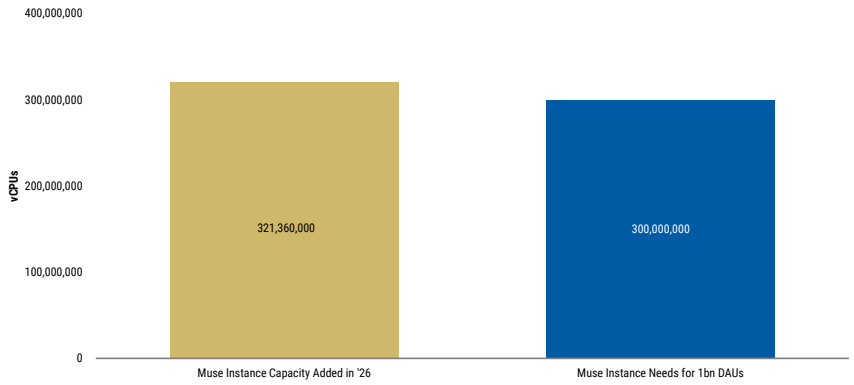
Source: Company data, Morgan Stanley Research

3. Is Meta at Risk of Being Capacity Constrained When it Comes to Scaling Muse?

No, we estimate Meta is acquiring the equivalent CPU capacity in '26 alone to serve 1bn Muse DAUs who spend 25% of their weekly token allowance. Even this 25% could be high but we would rather assume adoption and use cases ramp in this instance to show the large amount of capacity Meta already has coming on. As shown, our bottom up estimates of Meta's expected CPU purchases in '26 and Graviton capacity acquired from Amazon earlier this year (see AMZN and META: A Graviton Enabled Muse Ahead?) could potentially serve as many as 1bn DAUs (assuming they use 25% of their weekly token allowance). Note too this does not consider other CPUs they may already have in the fleet to use.



Exhibit 3: We estimate that the CPU capacity META is acquiring in '26 alone could be enough to serve 1bn Muse DAUs spending 25% of their weekly token allowance.



Source: Company data, Morgan Stanley Research. Note: In '26, we estimate META is adding sufficient CPU capacity to service ~320mn Muse Instances. These CPUs are being procured from a variety of vendors including AMD, NVDA and AWS Graviton. We estimate META would need ~300mn simultaneously active Muse instances to support 1bn DAUs. Key underlying assumptions include 1) Muse agents are active 3 out of 24 hours each day 2) Peak capacity usage of about 2x average usage and 3) An additional 20% instance buffer above requirements for peak utilization. For more detail, please see Exhibit 10 in the "Exhibits and Models" section below.

Importantly, too, we believe these costs are already in our model for $209bn of '27 opex as the CPUs are captured in our $145bn/$225bn of capex in '26/'27 leading to $59bn of '27 D&A. And our model also includes $26bn of third party compute deals in '27 (vs $17bn in '26), which includes AWS Graviton at an estimated ~$4-5bn (for perspective, we estimate 30mn Graviton cores would cost ~$5.5bn annualized). **This again speaks to Meta's competitive advantage with its access to compute...and ability to tactically scale ahead of others.**

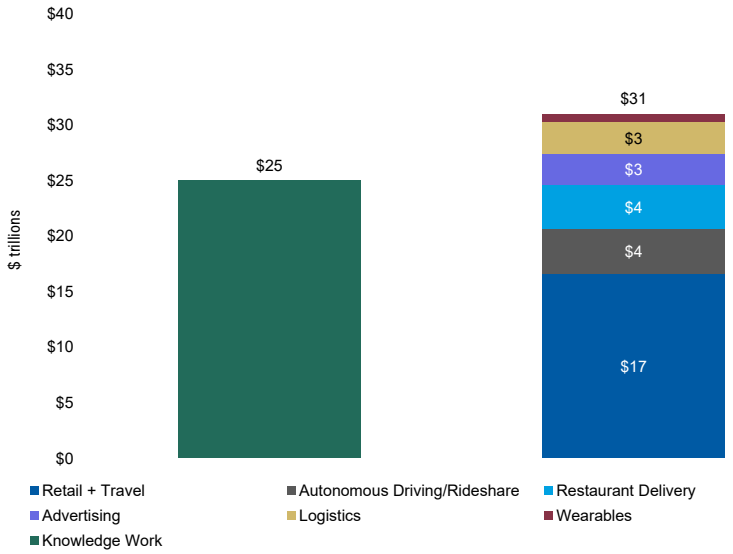
Exhibit 4: We estimate 30mn Graviton cores (30mn units of vCPU capacity) would cost Meta ~$6bn on a fully annualized basis

AWS x META Graviton Deal Sizing			
Graviton Instance Price/Hour	$4	$4	$4
(/) Cores/Chip	192	192	192
(X) Price/Core/Hour	$0.02	$0.02	$0.02
(X) Graviton Cores (mn)	10	20	30
(X) Hours in Year	8,760	8,760	8,760
(X) Utilization	100%	100%	100%
(=) ARR ($mn)	**$1,860**	**$3,721**	**$5,581**
ppts of '27 AWS Growth	*1%*	*2%*	*3%*

Source: Company data, Morgan Stanley Research

4. How Should We Think About Meta Enterprise Platform Opportunity? Big picture, Meta is working to better address the $25tn global knowledge work economy that we see being digitized and impacted by next generation AI tools. In effect, **Meta is now addressing the $30tn consumer TAM and $25tn enterprise TAM.** This will come through multiple products including Muse for Small Businesses and other WhatsApp/Messenger agentic tools, an enterprise product push, Muse Coding and an eventual comprehensive Meta model API offering (Watermelon and other models).

Exhibit 5: We see Meta's suite of AI products addressing both the $25tn knowledge work and $30tn consumer TAM



Source: Company data, Morgan Stanley Research

In some ways, **Meta for Enterprise is also designed to fuel META's consumer agentic opportunity because we believe companies' underlying "Web 1.0" architecture needs to evolve to support agent-to-agent interactions.** All companies from SMBs to large enterprises will need to build or adopt an agentic interaction layer including MCP/tool interfaces and observability to allow external agents to securely discover and transact with their systems. This presents a large opportunity for META as it builds its Meta Enterprise Platform, giving business customers access to its full suite of agentic tools. Muse pinging websites through browsers and calling human call centers isn't a high-quality, consistent or repeatable experience that will scale. Instead, consumer agents ultimately need a machine-native way to interact directly with enterprise systems… and Meta is aiming to help solve this problem. In our view, **SMBs are likely going to be easier to penetrate with agentic tools than large enterprises** (given large enterprises will likely look for more cross-platform independence), but we expect Meta to work to address all companies...in particular given its recent hire to head Meta Enterprise.

What about Monetization? Meta has now launched its Meta One subscription product in the US and we have shown how charging anywhere from $15-$50/month to businesses and influencers for its latest models, content creation/business management tools, and higher AI limits can scale quickly given the 100mn businesses on Meta Platforms. We would think of Meta for Enterprise through a similar lens.

But Meta Enterprise Platform also represents an opportunity to scale an eventual API business...which as we have shown even assuming 100 MW of allocated API capacity can add 4% (~$1) to '28 EPS. The models need to be compelling (very low cost, fast, compute capable, etc.) but this at least speaks to the opportunity that META is going after with Watermelon on the horizon.

Exhibit 6: With 100mn businesses on the platform, META's subscription opportunity can scale quickly and is highly accretive to EPS

META % Upside to '28 EPS from Subscription Revenue

Subscriber Monthly ARPU	Subscribers (mn) 40	50	60	70	80
$5	1.8%	2.3%	2.7%	3.2%	3.6%
$10	3.6%	4.5%	5.4%	6.3%	7.2%
$15	5.4%	6.8%	8.2%	9.5%	10.9%
$20	7.2%	9.1%	10.9%	12.7%	14.5%
$25	9.1%	11.3%	13.6%	15.9%	18.1%

META $ Upside to '28 EPS from Subscription Revenue

Subscriber Monthly ARPU	Subscribers (mn) 40	50	60	70	80
$5	$0.63	$0.79	$0.95	$1.11	$1.27
$10	$1.27	$1.59	$1.90	$2.22	$2.54
$15	$1.90	$2.38	$2.85	$3.33	$3.81
$20	$2.54	$3.17	$3.81	$4.44	$5.07
$25	$3.17	$3.96	$4.76	$5.55	$6.34

Source: Company data, Morgan Stanley Research

Exhibit 7: We estimate 100 MW of dedicated API capacity for META's AI models could add 4% upside or ~$1 to '28 EPS

META API Revenue Based on GB300	
Capacity Deployed Towards API (MW)	100
(/) KW Per Rack	135
(=) Racks Deployed Towards API	5
(X) GPUs Per Rack	72
(=) GPUs Deployed Towards API	347
(X) Tokens/Second/GPU	2,750
(X) Seconds per Year	31,536,000
(X) GPU Utilization	75%
(=) Tokens per Year (tn)	**23**
(X) Blended Token Pricing	$1.58
(=) API Revenue ($mn)	**$36**
% Upside to '28 Revenue	*0%*
API Revenue	**$36**
(X) Gross Margin	75%
(=) Gross Profit	$7,140
(X) GP Flow Through	100%
(=) Incremental EBIT	$7,140
(X) Marginal Tax Rate	21%
(=) Net Income	$5,641
(/) Shares Outstanding	2,631
(=) EPS Upside	**$1.24**
% Upside to '28 EPS	*4%*

Source: Company data, Morgan Stanley Research

5. What Could Meta and Amazon be Negotiating Across E-Comm and AWS?

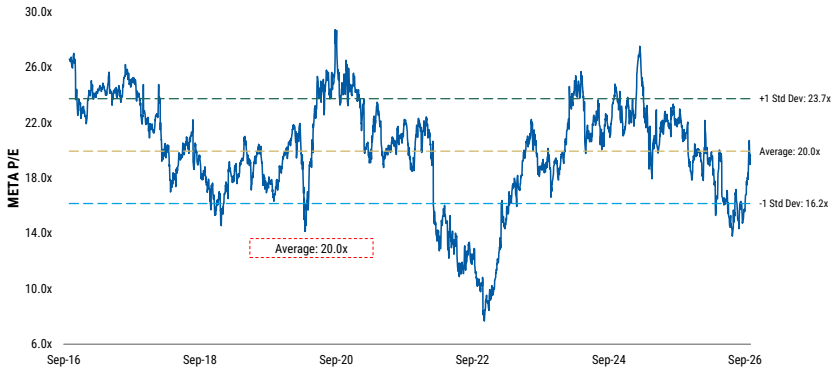
Amazon is ~40% of the US e-commerce market and at the top of the e-commerce funnel and wants to ensure this remains the case even as horizontal agents emerge. **We have detailed AMZN's sources of leverage in our "5 I's" framework here and here.**

But merchant of record, controlling the shopper experience (the role and offerings of Prime benefits, retail media, what inventory do people see, upsell opportunities, etc.), and data sharing back to the Muse agent are all important. Any META deal is also particularly unique as **1)** It is likely to be the first agentic partnership with

AMZN that sets a potential precedent structure for others to come and **2)** in our view, META needs AMZN's fulfillment and shipping prowess and AWS for its cloud capacity (CPU and GPU) and model distribution (API access to Watermelon via Bedrock).

6. After a Muse-Driven Re-rate to 21X, What are We Focused on For META Shares From Here? META shares have re-rated to 21X NTM consensus EPS (from 14X before it settled the state AG case), driven largely off of improved sentiment following the release of Muse. We believe today's multiple now largely reflects META's position of strength, with a first mover advantage bringing a free Muse to market and better models on the horizon. That said, further upward multiple revisions will be dependent on **1)** user adoption of Muse, **2)** commercial behavior on the agent platform and **3)** the competitive set of agentic products rolled out by GOOGL/SPCX/privates and others in the space. It is still early in the consumer agentic landscape, and while not our base case, we would remind investors that META traded at 28X as recently as February 2025, so there is precedent for taking the multiple higher from here even after the recent move if un-contested momentum continues. On the **revision side,** we are focused on more durable core engagement and monetization (from GPU enabled machine learning), business messaging/agents, or the API to drive upside.

Exhibit 8: META now trades at 21X, and we will be looking for further updates on user adoption of Muse and commercial behavior on the platform to re-rate further from here



Source: Company data, Morgan Stanley Research

Key Exhibit and Models

Further Logic on Our Cost to Serve Muse... Importantly, we see these figures as a framework rather than a point estimate given limited disclosure around actual user behavior and META's underlying infrastructure costs as well as the model served at runtime. Our CPU analysis assumes ~10 minutes of provisioned sandbox time per activation (see here) and benchmarks the 2 vCPU/8 GB environment to AWS on-demand pricing, while our GPU analysis applies our existing GB300 infrastructure framework outlined in The Paths to 25-50% GenAI ROIC (27 Jul 2026). We would in turn view our ~ $37/user base case as more of a ceiling as it assumes META rents all of its CPU sandbox capacity at AWS on-demand pricing for comparable AMD instances. This will likely prove to be conservative as META **1)** drives utilization of Muse, **2)** negotiates more 3P capacity and **3)** brings online and optimizes significant amounts of 1P CPU capacity. This reinforces why we expect META to focus first on building engagement and high-value commercial behaviors before scaling monetization.

Exhibit 9: Muse Cost to Serve Model

Demand: free allowance x share consumed						
Weekly allowance (mn tokens)	100	100	100	100	100	100
(X) Allowance consumed (%)	1%	5%	10%	25%	50%	100%
(X) Weeks In Year	52	52	52	52	52	52
(/) Months In Year	12	12	12	12	12	12
(=) Monthly tokens consumed (mn)	**4**	**22**	**43**	**108**	**217**	**433**
GPU inference						
GB300 GPUs per 1GW (#)	410,256	410,256	410,256	410,256	410,256	410,256
(X) Benchmark tokens / second / GPU	3,500	3,500	3,500	3,500	3,500	3,500
(X) GPU fleet utilization	75%	75%	75%	75%	75%	75%
(=) 1GW token output (tn tokens/year)	33,962	33,962	33,962	33,962	33,962	33,962
IT capex per 1GW ($bn)	$22.8	$22.8	$22.8	$22.8	$22.8	$22.8
(/) IT useful life (years)	5	5	5	5	5	5
Non-IT capex per 1GW ($bn)	$16.2	$16.2	$16.2	$16.2	$16.2	$16.2
(/) Non-IT useful life (years)	15	15	15	15	15	15
(=) IT depreciation per GW per year ($bn)	$4.55	$4.55	$4.55	$4.55	$4.55	$4.55
(=) Non-IT depreciation per GW per year ($bn)	$1.08	$1.08	$1.08	$1.08	$1.08	$1.08
(+) Energy + other opex per GW per year ($bn)	$2	$2	$2	$2	$2	$2
(=) Infrastructure cost per GW per year ($bn)	**$7.63**	**$7.63**	**$7.63**	**$7.63**	**$7.63**	**$7.63**
Monthly tokens consumed (mn)	4	22	43	108	217	433
(X) GPU serving cost ($/mn tokens)	$0.225	$0.225	$0.225	$0.225	$0.225	$0.225
(=) GPU inference cost ($/user/month)	**$0.97**	**$4.87**	**$9.74**	**$24.35**	**$48.69**	**$97.38**
CPU sandbox – usage and vCPU capacity						
Sessions / day	2	8	12	20	30	50
(X) Active days / month	30	30	30	30	30	30
(=) Sessions / month	60	240	360	600	900	1500
(X) Active sandbox minutes / session	10.0	10.0	10.0	10.0	10.0	10.0
(=) VM hours / user / month	**10.0**	**40.0**	**60.0**	**100.0**	**150.0**	**250.0**
Implied hours per active day	*0.3*	*1.3*	*2.0*	*3.3*	*5.0*	*8.3*
Implied tokens / session	*72,222*	*90,278*	*120,370*	*180,556*	*240,741*	*288,889*
VM hours / user / month	10.0	40.0	60.0	100.0	150.0	250.0
(X) AWS Pricing on AMD Instances ($/hour)	$0.1217	$0.1217	$0.1217	$0.1217	$0.1217	$0.1217
(=) VM compute at AWS list price ($/month)	$1.22	$4.87	$7.30	$12.17	$18.26	$30.43
(+) Provisioned storage (GB)	7.5	7.5	7.5	7.5	7.5	7.5
(X) Storage at AWS list price ($/month)	$0.60	$0.60	$0.60	$0.60	$0.60	$0.60
(=) CPU sandbox at AWS list price ($/month)	**$1.82**	**$5.47**	**$7.90**	**$12.77**	**$18.86**	**$31.03**
Total cost to serve per user						
(+) GPU inference ($/month)	$0.97	$4.87	$9.74	$24.35	$48.69	$97.38
(+) CPU sandbox at cost ($/month)	$1.82	$5.47	$7.90	$12.77	$18.86	$31.03
(=) Total Cost to Serve ($/user/month)	**$2.79**	**$10.34**	**$17.64**	**$37.12**	**$67.55**	**$128.41**
Total cost to serve ($/user/year)	$33	$124	$212	$445	$811	$1,541

Source: Company data, Morgan Stanley Research

Exhibit 10: We Estimate META Will Build/Rent Capacity for ~600mn vCPUs in '26, Enough to Serve ~1bn DAUs

Meta Muse vCPU Capacity Analysis		
Meta vCPU Capacity from '26 AMD Purchases:		**Assumptions:**
'26 AMD Chip Unit Sales	10,900,000	MS estimates
(X) META mix	20%	MS estimates
(=) META AMD Chip Unit Purchases	2,180,000	
(X) Cores/CPU	126	AMD company/CPU Benchmark data
(X) Threads/Core	2	AMD company data
(=) vCPU Capacity from AMD	**549,360,000**	
Meta vCPU Capacity from '26 NVDA Vera CPU Purchases:		
MS Asia Hardware/Semis Rack Estimates	93,000	
(X) CPUs/Rack	36	
(=) Vera CPUs in Racks	3,348,000	
MS Asia Hardware/Semis CoWoS Vera Estimates	5,750,000	
Remaining non-rack Vera CPUs	2,402,000	
(X) META mix of remaining CPUs	15%	
(=) '26 META Implied Unit Purchases	360,000	MS Asia estimates
(X) Cores/CPU	88	NVDA company data
(X) Threads/Core	2	NVDA company data
(=) vCPU Capacity from NVDA	**63,360,000**	
Meta vCPU Capacity from '26 AWS Graviton5 Deal:		
Implied Chips	156,250	
Cores/Chip	192	AWS company data
Graviton5 Cores	30,000,000	MS est. of "tens of millions"
(X) Threads/Core	1	AWS company data
(=) vCPU Capacity from AWS	**30,000,000**	
Capacity to Instance/User Math		
Est. META Theoretical CPU Capacity (vCPU-equivalent)	**642,720,000**	
(/) Observed vCPUs per Muse instance	2	META company data
(=) Muse instance capacity	**321,360,000**	
Could Meta Serve 1bn Muse DAUs?		
DAUs	1,000,000,000	
(x) % agent active hours/day	12.5%	3 out of 24 hours/day
(x) Peak Multiplier	2.0x	Ms est. of peak capacity vs. average
(x) Headroom	1.2	MS est. capacity buffer
(=) Simultaneously Active Instance Capacity	**300,000,000**	
% of '26 vCPU capacity purchases	*93%*	

Source: Company data, Morgan Stanley Research Estimates. Note: Estimates for META's Vera CPU capacity bridges to supply chain estimates from our MS Asia Hardware and Semis Research teams.

Risk Reward – Amazon.com Inc (AMZN.O)

AMZN Risk Reward

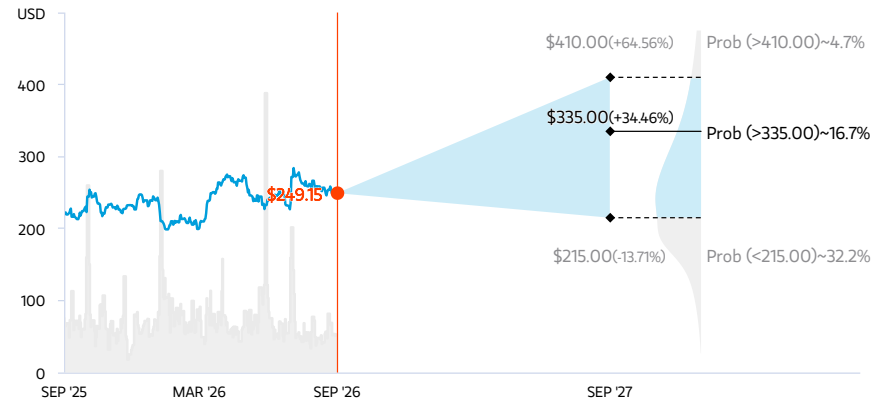
PRICE TARGET $335.00

Our $335 PT is based on applying a ~25X P/E multiple to an average of our $14 of '27/'28 EPS (roll to mid-year), which implies ~28X '27 EPS and ~22X '28 EPS.

Consensus Price Target Distribution $207.00 — $322.42 (Mean) — MS PT $335.00 — $405.00

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



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

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 30 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

- Amazon's high-margin businesses continue to allow Amazon to drive greater profitability while still continuing to invest (last mile delivery, fulfillment, Prime Now, Fresh, Prime digital content, Alexa/Echo, India, AWS, etc).
- Amazon Prime membership growth drives recurring revenue and positive mix shift.
- Cloud adoption hitting an inflection point.
- Advertising serves as a key area for both further growth potential and profitability flow-through.

Consensus Rating Distribution

97%	Overweight
3%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

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

View descriptions of Risk Rewards Themes here

BULL CASE $410.00

~27X an average of $15 of bull '27/'28 EPS

Our Bull case is derived from higher Revenue and EBIT margin assumptions than in our base case

BASE CASE $335.00

~25X an average of $14 of base '27/'28 EPS

Our $335 PT is based on applying a ~25X P/E multiple to an average of our $14 of '27/'28 EPS (roll to mid-year), which implies ~28X '27 EPS and ~22X '28 EPS.

BEAR CASE $215.00

~17X an average of $12 of bear '27/'28 EPS

Our Bear case is derived from lower Revenue and EBIT margin assumptions than in our base case

Risk Reward – Amazon.com Inc (AMZN.O)

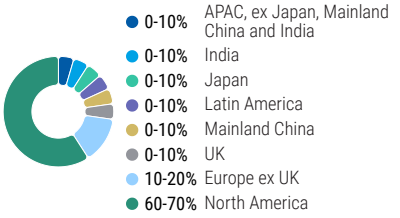
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue ($, mm)	716,924	833,352	973,667	1,134,182
Gross Profit ($, mm)	361,287	433,328	534,679	656,405
GAAP EBIT ($, mm)	79,975	116,753	166,089	227,300
Paid Unit Growth (y/y) (%)	10.8	12.9	9.6	9.1
AWS Revenue Growth (%)	19.7	37.4	40.8	36.8

INVESTMENT DRIVERS

- Amazon's high-margin businesses continue to allow Amazon to drive greater profitability while still continuing to invest
- Cloud is in a multi-decade secular adoption cycle
- Amazon is gaining share in eCommerce/retail and share of consumers' wallets

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster than expected AWS rev growth and stable margin expansion
- Faster than expected Retail rev growth, stable to expanding 1P Merch Margins
- Greater than expected shipping and fulfillment leverage

RISKS TO DOWNSIDE

- Investments step up and continue for longer than expected
- Merch margins worse than expected
- AWS revenue decelerates and /or margins decline

OWNERSHIP POSITIONING

Inst. Owners, % Active	55.8%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

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 ($, mm)	815,866	833,352 / 828,763	841,977
EBITDA ($, mm)	197,862	224,292 / 216,474	235,567
Net income ($, mm)	96,276	146,557 / 138,852	148,986
EPS ($)	9.00	13.43 / 12.86	13.70

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

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.

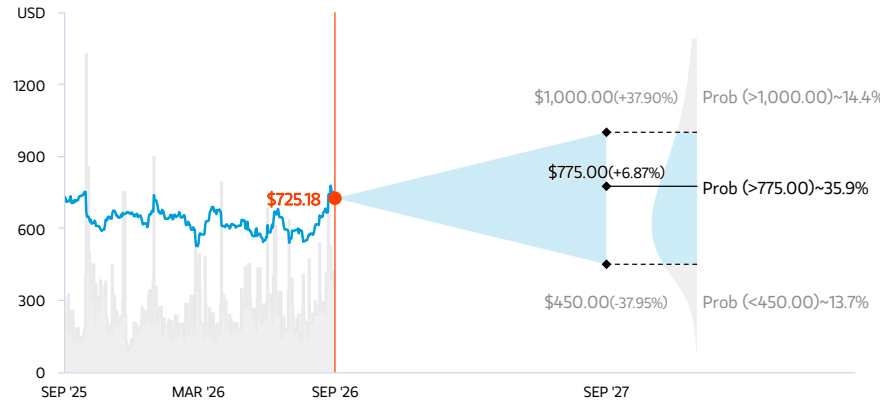
Consensus Price Target Distribution $580.00 $789.78 $1,000.00

MS PT

Mean Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 30 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

89% Overweight
10% Equal-weight
2% Underweight

MS Rating

Source: Refinitiv, Morgan Stanley Research

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)

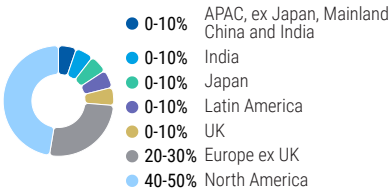
KEY EARNINGS INPUTS

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



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is 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	2.2x
HF Sector Net Exposure	9.9%

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MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	251,000	255,888 / 254,048	257,877
EBITDA ($, mm)	106,638	146,354 / 140,768	162,162
Net income ($, mm)	71,742	82,353 / 80,977	93,113
EPS ($)	27.78	31.80 / 31.29	33.65

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

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

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Global Stock Ratings Distribution

(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

Amazon.com Inc (AMZN.O) - As of 09/30/26 GMT in USD
Industry : Internet



Stock Rating History: 10/1/21 : O/I; 10/22/23 : O/A

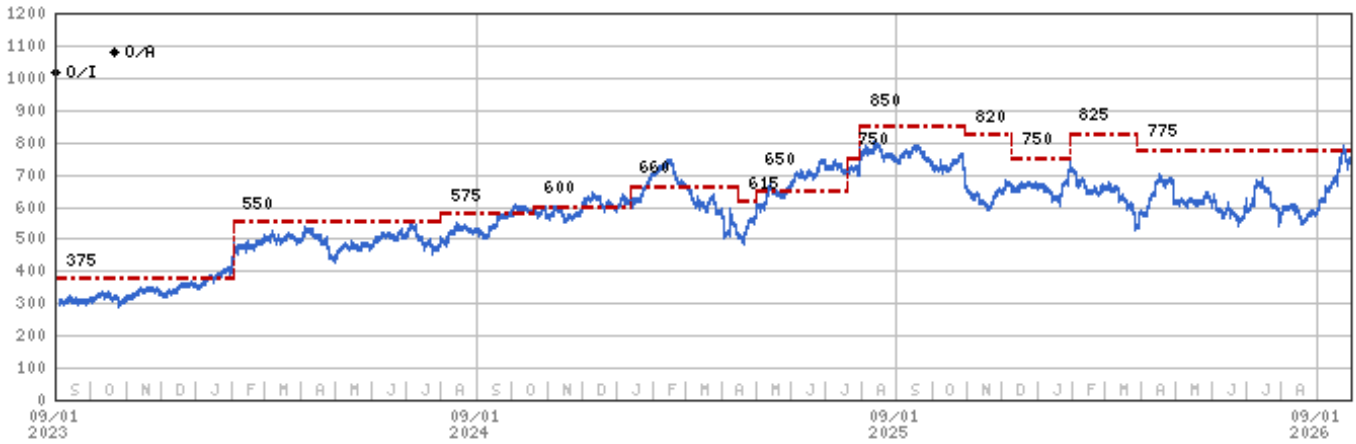
Price Target History: 9/26/21 : 205; 10/29/21 : 200; 1/10/22 : 210; 4/29/22 : 190; 5/31/22 : 175; 10/28/22 : 140; 2/3/23 : 150; 8/4/23 : 175; 1/10/24 : 185; 2/2/24 : 200; 4/7/24 : 215; 5/1/24 : 220; 7/22/24 : 240; 8/5/24 : 210; 11/3/24 : 230; 1/12/25 : 280; 4/13/25 : 245; 5/2/25 : 250; 7/10/25 : 300; 10/31/25 : 315; 2/6/26 : 300; 4/30/26 : 330; 7/31/26 : 335

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Meta Platforms Inc (META.O) - As of 09/30/26 GMT in USD
Industry : Internet



Stock Rating History: 10/1/21 : O/I; 10/27/22 : E/I; 3/20/23 : O/I; 10/22/23 : O/A

Price Target History: 7/28/21 : 400; 10/26/21 : 365; 1/19/22 : 395; 2/3/22 : 360; 3/2/22 : 325; 4/28/22 : 330; 5/31/22 : 300; 7/18/22 : 280; 8/18/22 : 225; 10/9/22 : 205; 10/27/22 : 105; 11/14/22 : 100; 1/17/23 : 130; 2/2/23 : 190; 3/20/23 : 250; 4/26/23 : 300; 7/12/23 : 350; 7/27/23 : 375; 2/2/24 : 550; 7/31/24 : 575; 10/20/24 : 600; 1/12/25 : 660; 4/16/25 : 615; 5/1/25 : 650; 7/20/25 : 750; 7/31/25 : 850; 10/30/25 : 820; 12/10/25 : 750; 1/29/26 : 825; 3/29/26 : 775

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Internet

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/30/2026)
Brian Nowak, CFA		
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$344.08
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$249.15
DoorDash Inc (DASH.O)	O (02/21/2024)	$183.55
Instacart (CART.O)	E (01/29/2024)	$43.12
Lyft Inc (LYFT.O)	E (10/24/2019)	$15.01
Meta Platforms Inc (META.O)	O (03/20/2023)	$725.18
Pinterest Inc (PINS.N)	O (07/20/2025)	$18.89
Reddit Inc (RDDT.N)	O (12/08/2024)	$142.44
Snap Inc. (SNAP.N)	E (07/22/2024)	$5.40
Uber Technologies Inc (UBER.N)	++	$68.51
Matthew Cost		
Airbnb Inc (ABNB.O)	E (09/16/2026)	$160.65
AppLovin Corp (APP.O)	O (04/10/2025)	$290.43
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$162.91
Compass, Inc. (COMP.N)	E (01/12/2026)	$8.88
Criteo SA (CRTO.O)	E (01/26/2016)	$15.20
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$13.49
Expedia Inc. (EXPE.O)	U (09/16/2026)	$263.36
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$15.80
MNTN Inc (MNTN.N)	E (06/16/2025)	$10.17
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$2.37
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$2.14
Roblox Corporation (RBLX.N)	O (11/04/2024)	$42.37
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$207.50
Trade Desk Inc (TTD.O)	E (09/10/2025)	$12.17
Unity Software Inc (U.N)	O (09/02/2024)	$40.93
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$10.79
Yelp Inc (YELP.N)	U (01/10/2019)	$18.50
Zillow Group Inc (Z.O)	E (04/18/2018)	$27.13
Nathan Feather		
Bumble Inc. (BMBL.O)	E (03/08/2021)	$2.63
Chewy Inc (CHWY.N)	O (10/31/2023)	$18.20
Duolingo Inc (DUOL.O)	E (02/27/2026)	$142.40
eBay Inc (EBAY.O)	O (04/18/2024)	$106.05
Etsy Inc (ETSY.N)	E (07/20/2025)	$71.49
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$13.86
Grindr Inc. (GRND.N)	O (07/01/2026)	$15.43
Match Group Inc (MTCH.O)	E (04/18/2024)	$40.15
Peloton Interactive, Inc. (PTON.O)	U (09/08/2026)	$4.99
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$21.33
WW International Inc (WW.O)	E (08/01/2025)	$15.46

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* Historical prices are not split adjusted.

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