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Meta Platforms Inc (META.O)

Meta Enterprise Announced; Suggests Significant Infrastructure Capacity into '27

CITI'S TAKE

Earlier today, Meta announced the launch of Meta Enterprise Platform which CEO Zuckerberg called the next major pillar of Meta. Meta Enterprise commercializes its Muse agent, Meta Business Agent, Muse API, and Muse Code. To build out this new segment, Meta hired MongoDB's CEO, CJ Desai, given his experience across AI, infrastructure, business applications, and security (see thoughts from Citi's Software Analyst, Tyler Radke). With Meta's model API now GA as Muse gains scale and as we await the launch of Watermelon, we believe the launch of Enterprise suggests that Meta has sufficient compute capacity into '27 as newer products and services launch. With the launch of Muse, growing adoption of its Muse Spark models, expected launch of Watermelon, and now with Enterprise, we believe Meta's product cycle is accelerating and we reiterate our Buy rating and $800 TP.

Buy

Catalyst Watch: Upside, expires 15-DEC-26

Price (28 Sep 26 16:00)	US$715.62
Target price	US$800.00
Expected share price return	11.8%
Expected dividend yield	0.3%
Expected total return	12.1%
Market Cap	US$1,823,046M

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- **Meta's AI Products & Tools Built For the Enterprise:** Meta Enterprise expects to launch with core tools like Muse Agent, Meta Business Agent, Muse API and Muse Code that we believe were built for Enterprise demand environments. While clearly early days here, this announcement underscores Meta's infrastructure investment whereby we believe its compute capacity is expected to expand significantly in '27 towards ~14GW. Although Meta remains capacity constrained today, the addition of Prometheus, 3P partnerships, and broader infrastructure investments should unlock incremental capacity for both the internal product roadmap and external monetization plans.
- **Meta Enterprise Leverages its Advertiser Relationships:** With hundreds of millions of SMBs and likely 10M+ advertisers, we believe Meta plans to target its existing partners as it builds out its product suite. Key here, we expect these newer offerings to build on the expansion of Meta Business Agent and Meta Business Agent Platform in June '26 (1M+ WA & Messenger Business Agents in use weekly), as Meta can now deliver AI solutions beyond advertising and into newer use cases, including customer service, business intelligence, and back-office automation.
- **Shares of META currently trade at ~20x our '27E GAAP EPS of $36.92.** Our $800 target price is based on ~22x our 2027E GAAP EPS of $36.92 and implies ~11x our 2027E EV/EBITDA. We justify our valuation methodology based on Meta's user scale, growing engagement, product supercycle and AI opportunity, ads innovation, and revenue growth, and we're watching investments and overall profitability.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

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Valuation

Our target price of $800 is based on ~22x our 2027E GAAP EPS of $36.92 and implies ~11x our 2027E EV/EBITDA. We justify our valuation methodology based on Meta's user scale, growing engagement, product super cycle and AI opportunity, ads innovation, and revenue growth, and we're watching investments and overall profitability.

Risks

Risks to our target price include: 1) Impacts from changes to ATT and IDFA could prove more difficult to overcome and structurally impact Meta's advertising business; 2) Online advertising spend could decelerate faster than we anticipate; 3) Competition could prove to be more impactful than we anticipate; 4) Meta may not be able to achieve meaningful contributions from its investments in non-advertising businesses (metaverse). 5) Adverse economic and/or consumer spending trends could hinder advertising spend; and 6) Regulatory pressures on anti-trust, data, and privacy practices could adversely impact on performance.

