Meta Platforms Inc

Muse Wonder Models Underpin Personal Agent & Enterprise Offerings; Reiterate Overweight & $920 PT

Overweight

META, META US
Price (12 Oct 26):$742.96
Price Target (Dec-27):$920.00

Internet - Large Cap / Mid & Small Cap

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

Daniel Pfeiffer
(1-212) 622-0161
daniel.pfeiffer@jpmchase.com

Margaret Hoffman
(1-212) 622-1710
margaret.hoffman@jpmchase.com
J.P. Morgan Securities LLC

Meta introduced its highly anticipated Muse Wonder series of models (codenamed Watermelon), including its most capable models yet that perform at the frontier across personal and professional agentic tasks. Muse Wonder is highly competitive across multiple benchmarks for agents, coding, and general knowledge work, as well as on pricing. **We continue to believe models are at the core of Meta's AI product & monetization pipeline over a multi-year period, and we are encouraged by both the pace & quality of innovation w/Meta proving its ability to compete at the frontier.** Muse Wonder is available via the Meta Model API & Muse Code, & will soon power agentic experiences in Muse for Muse subscribers. Muse agent engagement continues to ramp & we expect monetization to be driven by a take-rate/commission/outcome-based model supported by increasing agent-to-agent interactions, though perhaps not until 2H27. **In the near-term, Muse Wonder models could have an even bigger impact on Meta's Enterprise offerings including the Meta Model API & Muse Code, which should become increasingly compelling with frontier models & competitive pricing, and could be a bigger monetization opportunity next year.** We reiterate our Overweight rating & $920 PT based on 26x 2028E GAAP EPS of $35.44, which we believe could prove conservative.

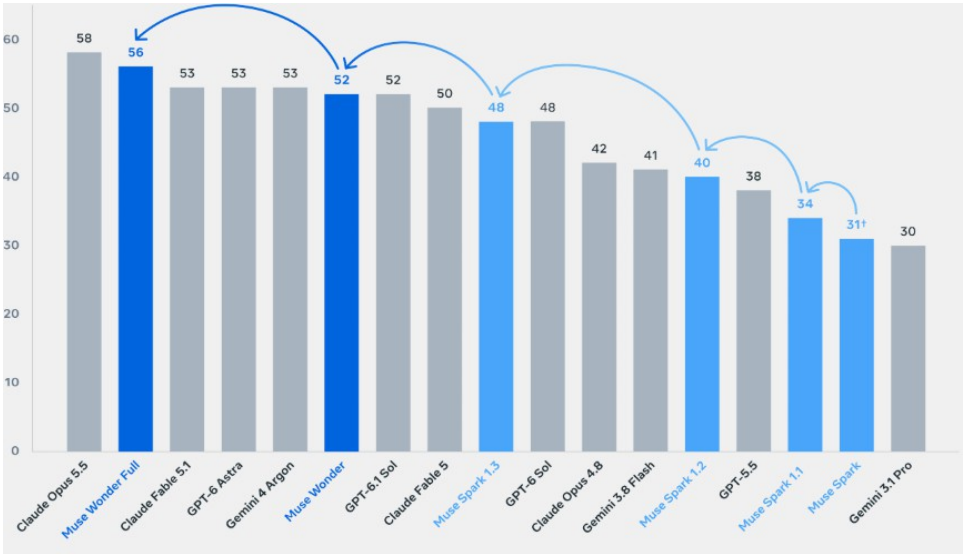
- **Muse Wonder at the Frontier.** Meta has continued to improve and iterate on model performance since it restructured its MSL team 14 months ago. Muse Wonder achieves results at the frontier across multiple benchmarks for personal and professional agents, memory, and coding. Per Artificial Analysis (Figure 1), Meta Wonder outperforms GPT-6 Astra and Anthropic's second-best model, Claude Fable 5.1, but ranks slightly below its best, Claude Opus 5.5. Importantly, Muse Wonder ranks above peers in frontier coding (Figure 2), which we believe bodes well for Meta's Model API and Muse Code offerings, even as Muse Wonder was more optimized for agentic use cases. Like any new model pushing the frontier, Muse Wonder will need to prove itself out across workloads and use cases, beyond just initial benchmarks.
- **Strong Agentic Performance.** Muse Wonder is trained to excel on personal & professional agentic tasks, with capabilities spanning: **1) Domain expertise** (including health, legal, & finance) to deliver strong performance on the types of real-world problems & tasks people encounter at work & in their daily life; **2) Active Memory** to reliably carry key user context across conversations & proactively retrieve details when relevant, which is critical for personalization & multi-session task completion; **3) Active Focus** to presevere on challenging tasks by working through blockers, trying alternative approaches, and adapting to new information; & **4) Frontier coding** to support projects from small applications to complex, long horizon software engineering tasks. Muse Wonder will soon power experiences within Muse (rolling out first to Muse subscribers), and we expect the model, along with specialized models built on top of it, to enable increasingly capable agentic experiences over time.
- **Pricing Remains Competitive.** When accessed via Meta Model API, Muse Wonder will cost $4.00/1M input tokens and $20.00/1M output tokens. While Wonder is more expensive compared to Muse Spark 1.3 ($1.25/1M input

See page 4 for analyst certification and important disclosures.

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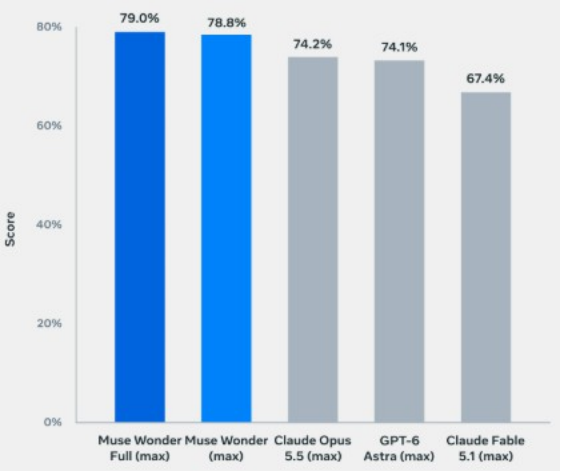
tokens and $4.25/1M output tokens), pricing is still competitive against Gemini 4 Argon and Claude Opus 5.5 (both priced at $4.00/1M input tokens and $20.00/1M output tokens) and less expensive vs. GPT-6 Astra (priced at $10.00/1M input tokens and $50.00/1M output tokens). We also note that Muse Wonder Full is available today for Muse Code subscribers, which is offered across tiers priced from $5/month to $200/month.

Figure 1: Artificial Analysis Intelligence Index



Source: Meta and Artificial Analysis.

Figure 2: Frontier Coding - DeepSWE



Source: Meta and Artificial Analysis.

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Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Investment Thesis, Valuation and Risks

Meta Platforms Inc *(Overweight; Price Target: $920.00)*

Investment Thesis
We believe Meta's virtual ownership of the social graph, strong competitive moat, and focus on the user experience position it to become an enduring blue-chip company built for the long term. Meta's reach and engagement continue to drive network effects, and its targeting abilities provide significant value to advertisers. META is delivering significant AI-driven ad ranking & recommendation gains, supporting greater engagement, ROAS, & revenue growth. More recently, we believe the company has laid out a credible path to monetizing its AI driven capex spend via consumer/business agents and model API access. We remain Overweight rated and raise our December 2027 PT from $820 to $920, based on ~26x our 2028E GAAP EPS of $35.44.

Valuation
We maintain our December 2027 PT of $920, based on ~26x our 2028E GAAP EPS of $35.44, further supported by our DCF model. We apply a premium to the SPX (16x) as we have greater confidence in Meta's strong top-line growth, ongoing cost efficiencies, and path to monetizing its AI initiatives. We use this valuation approach as we believe it appropriately balances Meta's valuation relative to its growth and industry peers.

Risks to Rating and Price Target
Downside risks include: 1) AI investments are heavy & monetization lags, which weighs on GAAP OI, GAAP EPS, & FCF; **2)** slower than expected revenue growth limits AI monetization upside; **3)** AI product & model launches do not resonate, weighing on engagement, revenue, & margins; **4)** competition for online and mobile ad dollars from Google, TikTok, OpenAI, and other online advertising companies; & **5)** the core ad business could be negatively impacted by litigation-related product changes