22 Oct 2026 04:18:51 ET | 26 pages

Meta Platforms Inc (META.O)

AI Tailwinds Accelerate as Muse Adoption Ramps & Core Ad Momentum Remains Strong; Watching Investments

CITI'S TAKE

We are incrementally positive on shares of Meta following 3Q26 results as we believe Meta is entering into an AI product super-cycle with multiple monetization tailwinds. Key here, Meta's growing compute capacity gives it the ability to launch multiple new products and services and press its first-mover advantage across Personal Agents. We are impressed with Muse adoption whereby 10M users have set up a Muse, 25% return daily, and given shopping is the most common use case, we believe there is a clear line-of-sight to multiple monetization levers across subscriptions, transaction take-rates, & enterprise. This as core IG & FB Reels time spent/user reached ATHs as Meta's LLMs surfaced more relevant content, likely a key driver to 4Q revenue guidance coming in better-than-expected. While 2027 remains an investment year (particularly as Muse ramps), we believe Meta's AI products are well positioned; reit. Buy rating & raise TP to $905.

- **Muse Delivering Commercial Intent**—Key points on Muse adoption include: 10M+ users, 25% use Muse daily, and Shopping is emerging as the leading use case, with $200 the average purchase size. And while Muse is Compute intensive, management believes it can improve cost efficiency by 10x in 2027;
- **Compute Capacity Ramping**—With management highlighting its ability to allocate compute across model training, core business growth and the development of newer products, like Enterprise as Meta is focused on inference demand;
- **Core R&R and Ads Benefiting from LLMs**—We highlight IG time spent/use reaching All-Time-Highs as Meta's LLMs surface more relevant content and we note 45% of recommended Reels are less than 1 day old;
- **Ad Momentum & Positive '27 Outlook**—As Meta benefits from newer recommender, GEM, and Andromeda launches, with continued outperformance in the U.S. and we note META expects to 'sustain strong revenue growth throughout 2027 though we also raise our '27 Expense and CapEx projections.

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2025A	7.88A	8.81A	8.24A	10.94A	35.86A	23.49A	32.01A
2026E	**9.48A**	**9.88A**	**8.92A**	**10.62E**	**38.92E**	**30.58E**	**41.16E**
Previous	9.48A	9.88A	9.18E	10.89E	39.44E	na	na
2027E	**9.69E**	**11.05E**	**11.17E**	**12.32E**	**44.25E**	**34.02E**	**36.25E**
Previous	na	na	na	na	44.74E	na	na
2028E	**na**	**na**	**na**	**na**	**53.42E**	**40.10E**	**40.32E**
Previous	na	na	na	na	55.87E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

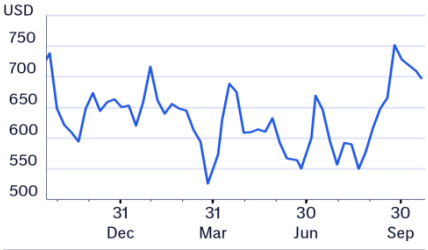
Click here for Visible Alpha consensus data

Buy

Catalyst Watch: Upside, expires 15-DEC-26

Price (21 Oct 26 16:00)	US$697.52
Target price	US$905.00↑
from US$895.00	
Expected share price return	29.7%
Expected dividend yield	0.3%
Expected total return	30.0%
Market Cap	US$1,776,937M

Price Performance
(RIC: META.O, BB: META US)



Ronald Josey[AC]

Jamesmichael Sherman-Lewis

Jake Hallac, CFA

Muse: Gaining Scale, Delivering Commercial Intent, and Improving Compute – 5 Key Takeaways

- **1) 10M+ Users Suggest A Natural Product-Market Fit**…and achieved in Muse's first ~6 weeks post launch in the U.S. and Canada (see Figures 1-3 for updated Muse download and DAU metrics); **2) …With ~25% of Users Using it Daily**—this is 2x+ the usage of Threads upon launch with retention improving as cohorts spend more time on the platform; **3) Commercial Intent with Shopping a Leading Use Case**—with 25%+ of users shopping on Muse resulting in an average purchase size of $200+ as 20% of Muse users generate $1K+ annual FoA ARPU underscoring the platform's high commercial intent and monetization potential…Muse is a search tool; **4) Monetization Paths Beginning to Emerge**—beginning with subscriptions, and emerging to include transaction fees within the next year (see our Muse revenue build here), followed by enterprise, and ultimately advertising integrations→ point being, Muse monetization is likely to be a tailwind and a function of the platform's ability to convert intent to transactions; and **5) Muse is Compute Intensive, but Path to 10x Efficiency Gains in a Year**—given the virtual machine architecture, the multiple model runs, context, memory, and other services, Muse is compute intensive, but model distillation, inference optimization, specialized models, and improved capacity utilization provide a roadmap to management's 10x+ cost-efficiency improvements over the next year.

Core Business: Engagement Strength on R&R Gains & Ad Innovations – 5 Key Takeaways

- **1) Engagement Gains from LLMs Result in IG Time Spent Reaching ATHs…**and growing double-digits Y/Y as FB Reels and WhatsApp MAUs also reached ATHs & Threads time spent/user +20% Y/Y and with Meta's LLMs surfacing more relevant content, we look for engagement to continue to ramp…; **2)…As Content Relevance Improvements Drive Discovery & Engagement—**IG Reels relevance launches delivered 4% gains in time spent and Meta's new Generative Retrieval architecture led to a 1% boost to Reels watch time and is now rolled out to 50% of Reels views; **3) Ads Product Tailwinds Drive Monetization Benefits—**and we note Meta Generative Recommender (MGR) resulting in a 2% conversion lift on FB Feed, as GEM & Andromeda drove 1-2% conversions gains and ~10M advertisers used at least 1 GenAI creative Tool; **4) Meta has 500M+ SMBs Across its Platform—**underscoring the potential of Biz Agents, WhatsApp, and Muse for SMBs; and **5) AI Productivity Gains as RL Losses Improve**—on AI Productivity, we note 2x output per engineer driving operating leverage in RL where losses are expected to narrow to $15B with reallocated investment towards AI.

Early Read on 2027: Sustained Revenue Growth Expected as AI Monetization Opportunities Emerge

- **W**ith management suggesting 'strong overall revenue growth throughout '27,' the platform is well positioned to benefit from its core ads and engagement improvements as well as newer products around Subscriptions (Meta One now has 15M subs + trial), Commerce, APIs, and Enterprise, with AI revenue contributions beginning to emerge in 2027. Key here, with management highlighting greater flexibility in allocating compute capacity, we believe Meta

is entering a new product super-cycle with Muse the centerpiece of its AI strategy.

– Management did not provide insights on '27 expenses nor CapEx, though we now project '27 Expenses to reach $211 billion, CapEx to reach $22 billion, and for negative FCF through 2029. As a result, we now project Meta to raise ~$25B / year through 2029.

Digital Advertising Read-Throughs: Strong U.S. Results, Offset by Decelerating EU Growth

– **We view Meta's 3Q results as a positive indicator for the broader digital advertising environment.** Meta's +26% Y/Y ex-FX ad revenue growth was driven by +10% Y/Y impression growth and pricing +14% Y/Y. To that, we note US & CA ad revenue growth accelerated to +33% Y/Y while EU revenue growth decelerated to +18% Y/Y likely due to the M.E. conflict and the EU's newly issued de-minimis tax on July 1.

– Given Meta's results, we are incrementally positive on **Google** (reporting 10/28) as well as **Reddit** (reporting 10/29). Though Meta's EU revenue growth deceleration could impact both **Pinterest** (reporting 10/29) and **Snap's** (reporting 11/4) results.

Quarterly Results Recap

– **Overall Results—Revenue & OI Above:** Revenue of $64.6 billion (+26.1% Y/Y, +26.3% Y/Y ex-FX) came in ~2% above consensus. Operating income of $13.0 billion (20.1% margin) would have been $22.8B excluding the legal charge, ~13% above consensus and Diluted EPS of $7.40 (ex-legal) compares to consensus of $6.53. Reported GAAP EPS came in at $3.83, inclusive of the $9.9B legal charge.

– **Family of Apps: Revenue Above & Profitability Above:** Family of Apps DAPs of 3.64 billion (+2.8% Y/Y, +1.1% Q/Q) came in-line with our projection, revenue of $64.2 billion (+26.4% Y/Y) was ~2% above our projection, led by +26.1% Y/Y advertising ex-FX growth, while Family of Apps OI of $17.1 billion (26.7% margin) compares to our $16.2 billion projection (25.6% margin). Ad impressions increased 10% Y/Y while pricing increased 14% Y/Y, supported by recommendation, ranking, and advertiser performance improvements.

– **Reality Labs: Operating Losses Better than Expected:** Reality Labs revenue of $443 million (-5.7% Y/Y) came in ~17% below our projection, though RL operating losses of ~$(4.1) billion compares to our $(5.1) billion projection. AI glasses revenue remained a positive offset to weaker Quest headset demand.

– **Guidance: 4Q Revenue Guide Above Expectations:** Meta's 4Q revenue guidance range of $73-$76B (+21.9%-26.9% Y/Y, +22.9%-27.9% Y/Y ex-FX) was ~1% above consensus at the midpoint on continued R&R model benefits and assumes a ~1pt FX headwind.

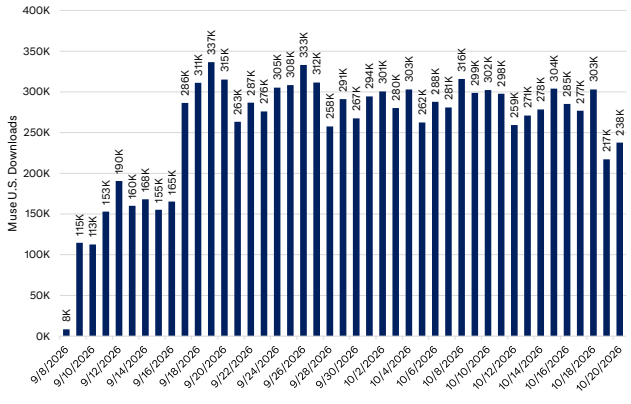
– **2026 CapEx Guide Narrowed & Expense Guide Maintained (Including Legal Charge):** Meta narrowed 2026 CapEx guidance to a range of $135-$145B (from $130B-$145B), ~2.5% below our projection at the midpoint. Meta maintained 2026 Expense guidance of $175-$179B (when including the $9.9B legal charge

from 08/26), +50% Y/Y at the midpoint and ~1% above our projections at the midpoint.

– **2027 Guidance:** Meta guided to expect 'strong overall revenue growth throughout 2027' and expects Reality Labs losses to narrow to ~$15 billion by reallocating investment toward priority areas (primarily AI).

Following 3Q26 results, shares of META rose ~2% in afterhours trading and currently trade at ~22x our updated '27E GAAP EPS of $32.74. We are rolling forward our valuation methodology to 2028E to reflect improving visibility. Our target price of $905 (from $895) is based on ~22.5x our 2028E GAAP EPS of $40.15 (from ~27x our 2027E GAAP EPS of $32.86) and implies ~11x our 2028E 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.

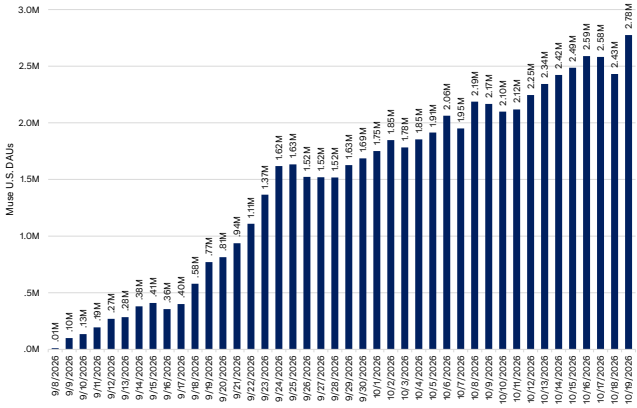
Figure 1. Muse at 11M+ U.S. App Downloads in 6 Weeks…



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Source: Citi Research, Sensor Tower

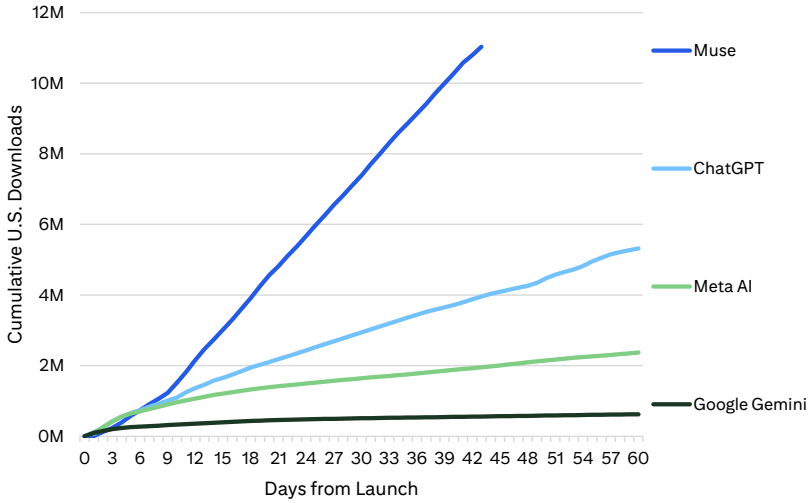
Figure 2. …with U.S. DAUs Above ~2.7M



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Source: Citi Research, Sensor Tower

Figure 3. Muse U.S. Downloads Post Launch Outpacing Launches from ChatGPT, Gemini, and Meta AI



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Source: Citi Research, Sensor Tower

Figure 4. META 3Q26 Key Data Points across Muse, Family of Apps, & Monetization

3Q26	Stats
Muse:	
Muse Usage	10M+ people in US & Canada
Retention (DAUs/Agents Set Up)	~25%
Muse Shopping Usage	25%+ of WAUs
Average Muse Shopping Basket	$200+
Muse Users with $1K+ Annual FoA ARPU	~20%
Connector Applications Since Connect (1,500)	+2X
Muse Compute Cost Improvement Goal	10x Improvement
FoA Engagement & Usage:	
IG Global Time Spent/User	+DD% Y/Y, All-Time High
FB Reels Time Spent	+DD% Y/Y, All-Time High
WhatsApp Messaging	All-Time High
Threads Time Spent / User	20%+ Y/Y
Edits MAU	50M+
Meta One Subscriptions & Trials	15M+
IG Reels <1 Day Old	45%, +11pts vs 2Q
Content Model Processing Costs	80% Reduction
Business & Advertiser Usage	
SMBs on Meta Apps	500M+
Video Generation Adoption Growth	+25% Q/Q
Advertisers Using GenAI Creative Tools	Nearly 10M
Creators in Marketing Hub	10M+
Meta AI Business Assistant Advertiser Spend	+9%
Partnership Ads Revenue Run-Rate	$15B+
Partnership Ads Growth	+97% Y/Y
Conversion & Ad Performance	
Meta Generative Recommender Conversions	+2%
GEM Expansion (Offsite Ads) Conversions	+1-1.7%
GEM App Campaigns Conversions	+9.6%
FB Andromeda Improvements	+1.4%
Meta AI Business Assistant Conversion	+5%
AI Productivity	
Software Output per Engineer	+2X Y/Y
AI Assisted Analytics Output	+70% Y/Y
PMs/Data Scientists Shipping Code	~30% vs ~5% Y/Y
Unnecessary Data Assets Removed	50K+

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Source: Citi Research, Company Reports



Figure 5. META 3Q26 Results vs. Projections

			Citi		Y/Y % Change		
	3Q25A	**2Q26A**	**3Q26E**	**3Q26A**	**3Q26E**	**3Q26A**	**vs. Estimate**
Family of Apps Ad Revenue	$50,082	$59,363	$61,924	$63,061	23.6%	25.9%	1.8%
Family of Apps Other Revenue	$690	$1,007	$1,159	$1,097	68.0%	59.0%	-5.4%
Family of Apps Revenue	**$50,772**	**$60,370**	**$63,083**	**$64,158**	**24.2%**	**26.4%**	**1.7%**
Reality Labs Revenue	$470	$431	$536	$443	14.0%	-5.7%	-17.3%
Total Revenue	**$51,242**	**$60,801**	**$63,619**	**$64,601**	**24.2%**	**26.1%**	**1.5%**
Family of Apps							
Family of Apps Revenue	$50,772	$60,370	$63,083	$64,158	24.2%	26.4%	1.7%
Family of Apps Operating Income	$24,967	$23,394	$16,179	$17,117	-35.2%	-31.4%	5.8%
FoA Margin	49.2%	38.8%	25.6%	26.7%			
Reality Labs							
Reality Labs Revenue	$470	$431	$536	$443	14.0%	-5.7%	-17.3%
Reality Labs Operating Loss	-$4,432	-$4,619	-$5,090	-$4,129	14.8%	-6.8%	-18.9%
Reality Labs Margin	N/A	N/A	N/A	N/A			
Gross Profit	$42,325	$49,810	$52,040	$51,558	23.0%	21.8%	-0.9%
Operating Income	**$20,535**	**$18,775**	**$11,089**	**$12,988**	**-46.0%**	**-36.8%**	**17.1%**
PF Operating Income	$26,090	$30,013	$28,724	$30,241	10.1%	15.9%	5.3%
GAAP EPS	**$1.05**	**$6.18**	**$3.44**	**$3.83**	**226.4%**	**263.8%**	**11.5%**
EBITDA	$31,053	$36,369	$37,072	$37,395	19.4%	20.4%	0.9%
FCF	$10,625	$784	-$13,621	-$2,120	N/A	N/A	N/A
% of Revenue							
Gross Margin	82.6%	81.9%	81.8%	79.8%			
Operating Margin	40.1%	30.9%	17.4%	20.1%			
PF Operating Margin	50.9%	49.4%	45.1%	46.8%			
EBITDA	60.6%	59.8%	58.3%	57.9%			
FCF Margin	20.7%	1.3%	-21.4%	-3.3%			

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Source: Citi Research, Company Reports

Updating our Projections: Following 3Q26 results, we are updating our projections for 4Q26 and beyond. We are raising our revenue projections by ~1% in '27E & '28E to reflect Meta's advertising momentum. However, our GAAP EPS projections are revised downwards by ~5% in '28E given our view that long-term infrastructure investments towards Meta's AI product roadmap likely weigh on profitability.

Figure 6. META Old vs. New Projections

	4Q26E		2026E		1Q27E	2Q27E	3Q27E	4Q27E	2027E		2028E	
	Old	New	Old	New	New	New	New	New	Old	New	Old	New
Family of Apps Revenue	72,400.1	74,122.5	251,761.8	254,559.5	69,480.8	74,059.8	77,997.0	89,607.5	307,249.1	311,145.2	368,298.9	373,341.4
Y/Y growth	*22.8%*	*25.8%*	*26.7%*	*28.1%*	*24.3%*	*22.7%*	*21.6%*	*20.9%*	*22.0%*	*22.2%*	*19.9%*	*20.0%*
% change to estimate		2.4%		1.1%						1.3%		1.4%
Reality Labs Revenue	1,069.6	1,050.5	2,438.4	2,326.5	466.3	491.3	498.4	1,166.1	2,877.3	2,622.1	3,337.7	3,015.4
Y/Y growth	*12.0%*	*10.0%*	*10.5%*	*5.4%*	*16.0%*	*14.0%*	*12.5%*	*11.0%*	*18.0%*	*12.7%*	*16.0%*	*15.0%*
% change to estimate		-1.8%		-4.6%						-8.9%		-9.7%
Total Revenue	**$73,470**	**$75,173**	**$254,200**	**$256,886**	**$69,947**	**$74,551**	**$78,495**	**$90,774**	**$310,126**	**$313,767**	**$371,637**	**$376,357**
Y/Y growth	*22.7%*	*25.5%*	*26.5%*	*27.8%*	*24.2%*	*22.6%*	*21.5%*	*20.8%*	*22.0%*	*22.1%*	*19.8%*	*19.9%*
Y/Y growth, ex-FX impact	*22.9%*	*26.4%*	*25.6%*	*26.9%*	*25.0%*	*23.5%*	*22.0%*	*20.7%*	*22.0%*	*22.6%*	*19.8%*	*19.9%*
% change to estimate		2.3%		1.1%						1.2%		1.3%
GAAP EPS	**$8.06**	**$7.98**	**$28.10**	**$28.44**	**$7.27**	**$7.99**	**$8.23**	**$9.23**	**$32.86**	**$32.74**	**$42.28**	**$40.15**
Y/Y growth	*-9.2%*	*-10.1%*	*19.6%*	*21.1%*	*-30.4%*	*29.4%*	*114.7%*	*15.7%*	*16.9%*	*15.1%*	*28.7%*	*22.6%*
% change to estimate		-0.9%		1.2%						-0.4%		-5.0%
EBITDA	**$43,244**	**$43,018**	**$151,588**	**$151,685**	**$40,045**	**$45,622**	**$47,041**	**$51,740**	**$181,755**	**$184,448**	**$231,182**	**$235,694**
Y/Y growth	*20.0%*	*19.3%*	*23.9%*	*24.0%*	*14.7%*	*25.4%*	*25.8%*	*20.3%*	*19.9%*	*21.6%*	*27.2%*	*27.8%*
Margin	58.9%	57.2%	59.6%	59.0%	57.2%	61.2%	59.9%	57.0%	58.6%	58.8%	62.2%	62.6%
% change to estimate		-0.5%		0.1%						1.5%		2.0%
Free Cash Flow	**-$10,045**	**-$14,084**	**-$10,496**	**-$3,034**	**-$21,604**	**-$12,090**	**-$11,704**	**-$5,346**	**-$32,458**	**-$50,744**	**-$24,357**	**-$43,305**
Y/Y growth	*-171.4%*	*-200.0%*	*-124.1%*	*-107.0%*	*-274.4%*	*-1642.1%*	*452.1%*	*-62.0%*	*209.2%*	*1572.8%*	*-25.0%*	*-14.7%*
Margin	*-13.7%*	*-18.7%*	*-4.1%*	*-1.2%*	*-30.9%*	*-16.2%*	*-14.9%*	*-5.9%*	*-10.5%*	*-16.2%*	*-6.6%*	*-11.5%*

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Source: Citi Research, Company Reports

Figure 7. META Income Statement, $ in millions except per share amounts (2024A-2028E)

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Advertising Revenue	160,632.0	196,174.0	55,024.0	59,363.0	63,061.0	72,840.9	250,288.9	68,082.5	72,488.9	76,285.7	87,595.4	304,452.6	362,298.6
Other revenue	1,722.0	2,584.0	885.0	1,007.0	1,097.0	1,281.6	4,270.6	1,398.3	1,570.9	1,711.3	2,012.1	6,692.7	11,042.9
Family of Apps Revenue	162,354.0	198,758.0	55,909.0	60,370.0	64,158.0	74,122.5	254,559.5	69,480.8	74,059.8	77,997.0	89,607.5	311,145.2	373,341.4
Reality Labs	2,146.0	2,207.0	402.0	431.0	443.0	1,050.5	2,326.5	466.3	491.3	498.4	1,166.1	2,622.1	3,015.4
Total Revenue	**164,500.0**	**200,965.0**	**56,311.0**	**60,801.0**	**64,601.0**	**75,173.0**	**256,886.0**	**69,947.2**	**74,551.2**	**78,495.4**	**90,773.6**	**313,767.3**	**376,356.8**
Cost of Sales	29,107.0	35,050.0	9,945.0	10,991.0	13,043.1	15,410.5	49,389.5	14,688.9	15,283.0	16,484.0	19,516.3	65,972.2	79,034.9
Gross Profit	**135,393.0**	**165,915.0**	**46,366.0**	**49,810.0**	**51,557.9**	**59,762.5**	**207,496.5**	**55,258.3**	**59,268.2**	**62,011.4**	**71,257.3**	**247,795.1**	**297,321.9**
Operating Expenses													
Research & Development	30,189.0	39,887.0	12,367.0	13,716.0	13,554.4	16,538.1	56,175.5	17,137.1	17,892.3	18,053.9	21,150.2	74,233.5	88,067.5
Marketing & sales	10,321.0	11,065.0	2,698.0	3,186.0	3,097.4	4,134.5	13,116.0	3,777.1	4,174.9	4,003.3	4,901.8	16,857.1	19,194.2
General & Administrative	8,813.0	11,260.0	2,397.0	2,895.0	4,719.9	5,309.7	15,321.6	4,441.7	2,933.1	4,933.9	6,422.4	18,731.1	22,528.8
Stock-based compensation	16,690.0	20,426.0	6,032.0	7,658.0	7,363.0	8,269.0	29,322.0	7,344.5	9,318.9	9,027.0	9,531.2	35,221.5	41,399.3
1x items	-	-	-	3,580.0	9,890.0	-	13,470.0	-	-	-	-	-	-
Total operating expenses	66,013.0	82,638.0	23,494.0	31,035.0	38,624.7	34,251.3	127,405.0	32,700.3	34,319.2	36,018.1	42,005.6	145,043.2	171,189.7
Operating Income	**69,380.0**	**83,276.0**	**22,872.0**	**18,775.0**	**12,988.0**	**25,511.3**	**80,146.3**	**22,557.9**	**24,949.0**	**25,993.2**	**29,251.6**	**102,751.8**	**126,132.2**
PF Operating Income	**86,070.0**	**103,702.0**	**28,904.0**	**30,013.0**	**30,241.0**	**33,780.3**	**122,938.3**	**29,902.4**	**34,267.9**	**35,020.2**	**38,782.9**	**137,973.4**	**167,531.4**
Interest and other income	1,284.0	2,657.0	-1,120.0	-19.0	13.0	-537.5	-1,663.5	-482.7	-559.2	-756.2	-795.6	-2,593.7	-839.2
Income before taxes	**70,664.0**	**85,933.0**	**21,752.0**	**18,756.0**	**13,001.0**	**24,973.7**	**78,482.7**	**22,075.2**	**24,389.8**	**25,237.0**	**28,456.0**	**100,158.1**	**125,292.9**
Provision for income taxes	8,304.0	25,475.0	-5,021.0	2,908.0	3,141.0	3,995.8	5,023.8	2,869.8	3,170.7	3,280.8	3,699.3	13,020.6	16,288.1
Effective tax rate	11.8%	29.6%	-23.1%	15.5%	24.2%	16.0%	6.4%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Net Income	62,360.0	60,458.0	26,773.0	15,848.0	9,860.0	20,977.9	73,458.9	19,205.4	21,219.2	21,956.2	24,756.8	87,137.6	109,004.9
Net Income attributable to participating securities													
GAAP Net Income attributable to common	**62,360.0**	**60,458.0**	**26,773.0**	**15,848.0**	**9,860.0**	**20,977.9**	**73,458.9**	**19,205.4**	**21,219.2**	**21,956.2**	**24,756.8**	**87,137.6**	**109,004.9**
Basic Income per share	**$24.61**	**$23.98**	**$10.57**	**$6.23**	**$3.86**	**$8.08**	**$28.74**	**$7.40**	**$8.17**	**$8.45**	**$9.53**	**$33.55**	**$41.77**
Diluted Income per share	**$23.86**	**$23.49**	**$10.44**	**$6.18**	**$3.83**	**$7.98**	**$28.44**	**$7.27**	**$7.99**	**$8.23**	**$9.23**	**$32.74**	**$40.15**
Basic shares outstanding (000s)	2,534	2,521	2,534	2,543	2,552	2,595	2,556	2,596	2,597	2,597	2,598	2,597	2,610
Diluted shares outstanding (000s)	2,614	2,574	2,564	2,566	2,573	2,629	2,583	2,642	2,655	2,668	2,681	2,662	2,715
Non-recurring Items													
Stock-based compensation	16,690.0	20,426.0	6,032.0	7,658.0	7,363.0	8,269.0	29,322.0	7,344.5	9,318.9	9,027.0	9,531.2	35,221.5	41,399.3
1x Items	-	15,930.0	(8,030.0)	3,580.0	9,890.0	-	5,440.0	-	-	-	-	-	-
Tax Effect	1,957.2	4,518.0	461.2	1,742.4	4,168.3	1,323.0	7,694.9	954.8	1,211.5	1,173.5	1,239.1	4,578.8	5,381.9
PF Net income (loss)	77,092.8	92,296.0	24,313.8	25,343.6	22,944.7	27,923.9	100,526.1	25,595.1	29,326.6	29,809.7	33,048.9	117,780.3	145,022.2
PF EPS (ex-SBC/non-recurring items)	$29.49	$35.86	$9.48	$9.88	$8.92	$10.62	$38.92	$9.69	$11.05	$11.17	$12.32	$44.25	$53.42
EBITDA Reconciliation													
Operating Income	69,380.0	83,276.0	22,872.0	18,775.0	12,988.0	25,511.3	80,146.3	22,557.9	24,949.0	25,993.2	29,251.6	102,751.8	126,132.2
Depreciation and amortization expense	15,498.0	18,616.0	5,999.0	6,356.0	7,154.0	9,237.3	28,746.3	10,142.3	11,354.2	12,020.8	12,957.3	46,474.6	68,163.0
Stock-based compensation	16,690.0	20,426.0	6,032.0	7,658.0	7,363.0	8,269.0	29,322.0	7,344.5	9,318.9	9,027.0	9,531.2	35,221.5	41,399.3
1x Items	-	-	-	3,580.0	9,890.0	-	13,470.0	-	-	-	-	-	-
EBITDA	**101,568.0**	**122,318.0**	**34,903.0**	**36,369.0**	**37,395.0**	**43,017.6**	**151,684.6**	**40,044.7**	**45,622.1**	**47,041.0**	**51,740.1**	**184,448.0**	**235,694.4**

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Y/Y % Change													
Advertising Revenue	21.7%	22.1%	32.9%	27.5%	25.9%	25.3%	27.6%	23.7%	22.1%	21.0%	20.3%	21.6%	19.0%
Other revenue	62.9%	50.1%	73.5%	72.7%	59.0%	60.0%	65.3%	58.0%	56.0%	56.0%	57.0%	56.7%	65.0%
Family of Apps Revenue	**21.9%**	**22.2%**	**33.1%**	**28.0%**	**26.1%**	**25.5%**	**27.8%**	**24.2%**	**22.6%**	**21.5%**	**20.8%**	**22.1%**	**19.9%**
Reality Labs	13.2%	2.8%	-2.4%	16.5%	-5.7%	10.0%	5.4%	16.0%	14.0%	12.5%	11.0%	12.7%	15.0%
Total Revenue	**21.9%**	**22.2%**	**33.1%**	**28.0%**	**26.1%**	**25.5%**	**27.8%**	**24.2%**	**22.6%**	**21.5%**	**20.8%**	**22.1%**	**19.9%**
Cost of Sales	15.2%	20.4%	36.2%	33.8%	46.3%	45.1%	40.9%	47.7%	39.1%	26.4%	26.6%	33.6%	19.8%
Gross Profit	**23.5%**	**22.5%**	**32.4%**	**26.7%**	**21.8%**	**21.3%**	**25.1%**	**19.2%**	**19.0%**	**20.3%**	**19.2%**	**19.4%**	**20.0%**
Research & Development	20.5%	32.1%	41.8%	54.8%	31.2%	38.1%	40.8%	38.6%	30.4%	33.2%	27.9%	32.1%	18.6%
Marketing & sales	-3.1%	7.2%	7.0%	16.1%	18.5%	29.8%	18.5%	40.0%	31.0%	29.2%	18.6%	28.5%	13.9%
G&A	-9.1%	27.8%	16.0%	19.6%	43.4%	52.6%	36.1%	85.3%	1.3%	4.5%	21.0%	22.3%	20.3%
GAAP Expenses	**5.0%**	**25.2%**	**34.6%**	**64.5%**	**77.3%**	**39.6%**	**54.2%**	**39.2%**	**10.6%**	**-6.7%**	**22.6%**	**13.8%**	**18.0%**
PF Expenses	**8.6%**	**26.1%**	**31.2%**	**41.1%**	**31.6%**	**39.4%**	**36.0%**	**45.2%**	**26.3%**	**26.3%**	**25.0%**	**29.8%**	**18.2%**
Total Expense	**12.3%**	**23.7%**	**35.1%**	**42.0%**	**36.1%**	**41.3%**	**38.8%**	**41.7%**	**29.0%**	**25.7%**	**23.9%**	**29.2%**	**18.6%**
Operating income	48.4%	20.0%	30.3%	-8.2%	-36.8%	3.1%	-3.8%	-1.4%	32.9%	100.1%	14.7%	28.2%	22.8%
PF Operating Income	**34.0%**	**20.5%**	**33.2%**	**18.7%**	**15.9%**	**10.3%**	**18.5%**	**3.5%**	**14.2%**	**15.8%**	**14.8%**	**12.2%**	**21.4%**
GAAP Net Income	59.5%	-3.1%	60.9%	-13.6%	264.0%	-7.9%	21.5%	-28.3%	33.9%	122.7%	18.0%	18.6%	25.1%
GAAP EPS	60.4%	-1.5%	62.5%	-13.4%	263.8%	-10.1%	21.1%	-30.4%	29.4%	114.7%	15.7%	15.1%	22.6%
PF EPS													
EBITDA	**34.7%**	**20.4%**	**36.3%**	**22.8%**	**20.4%**	**19.3%**	**24.0%**	**14.7%**	**25.4%**	**25.8%**	**20.3%**	**21.6%**	**27.8%**
Sequential Change													
Total Revenue			*-6.0%*	*8.0%*	*6.2%*	*16.4%*		*-7.0%*	*6.6%*	*5.3%*	*15.6%*		
% of Revenues													
Cost of Sales	17.7%	17.4%	17.7%	18.1%	20.2%	20.5%	19.2%	21.0%	20.5%	21.0%	21.5%	21.0%	21.0%
Research & Development	18.4%	19.8%	22.0%	22.6%	21.0%	22.0%	21.9%	24.5%	24.0%	23.0%	23.3%	23.7%	23.4%
Marketing & sales	6.3%	5.5%	4.8%	5.2%	4.8%	5.5%	5.1%	5.4%	5.6%	5.1%	5.4%	5.4%	5.1%
G&A	5.4%	5.6%	4.3%	4.8%	7.3%	7.1%	6.0%	6.4%	3.9%	6.3%	7.1%	6.0%	6.0%
Stock-based compensation	10.1%	10.2%	10.7%	12.6%	11.4%	11.0%	11.4%	10.5%	12.5%	11.5%	10.5%	11.2%	11.0%
Margins													
Gross Margin	**82.3%**	**82.6%**	**82.3%**	**81.9%**	**79.8%**	**79.5%**	**80.8%**	**79.0%**	**79.5%**	**79.0%**	**78.5%**	**79.0%**	**79.0%**
Operating Margin	**42.2%**	**41.4%**	**40.6%**	**30.9%**	**20.1%**	**33.9%**	**31.2%**	**32.2%**	**33.5%**	**33.1%**	**32.2%**	**32.7%**	**33.5%**
PF Operating Margin	52.3%	51.6%	51.3%	49.4%	46.8%	44.9%	47.9%	42.7%	46.0%	44.6%	42.7%	44.0%	44.5%
EBITDA Margin	**61.7%**	**60.9%**	**62.0%**	**59.8%**	**57.9%**	**57.2%**	**59.0%**	**57.2%**	**61.2%**	**59.9%**	**57.0%**	**58.8%**	**62.6%**
PF Operating Profit/Gross Profit	63.6%	62.5%	62.3%	60.3%	58.7%	56.5%	59.2%	54.1%	57.8%	56.5%	54.4%	55.7%	56.3%
Net income (loss) Margin	37.9%	30.1%	47.5%	26.1%	15.3%	27.9%	28.6%	27.5%	28.5%	28.0%	27.3%	27.8%	29.0%
Operating Leverage (Change in PF Op Inc./Change in Revs)	73.8%	48.4%	51.5%	35.7%	31.1%	20.6%	34.4%	7.3%	30.9%	34.4%	32.1%	26.4%	47.2%
Dividends Paid	**5,071**	**5,324**	**1,346**	**1,353**	**1,361**	**1,363**	**5,423**	**1,363**	**1,363**	**1,364**	**1,364**	**5,454**	**5,481**
Dividends Paid Per Share	**2.00**	**2.11**	**0.53**	**0.53**	**0.53**	**0.53**	**2.12**	**0.53**	**0.53**	**0.53**	**0.53**	**2.10**	**2.10**

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Source: Citi Research, Company Reports

Figure 8. META Revenue Analysis, $ in millions (2024A-2028E)

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Advertising Revenue	**160,632.0**	**196,174.0**	**55,024.0**	**59,363.0**	**63,061.0**	**72,840.9**	**250,288.9**	**68,082.5**	**72,488.9**	**76,285.7**	**87,595.4**	**304,452.6**	**362,298.6**
Y/Y growth	21.7%	22.1%	32.9%	27.5%	25.9%	25.3%	27.6%	23.7%	22.1%	21.0%	20.3%	21.6%	19.0%
Q/Q growth			-5.4%	7.9%	6.2%	15.5%		-6.5%	6.5%	5.2%	14.8%		
Y/Y growth, ex-FX impact	22.4%	22.4%	28.7%	26.0%	26.1%	26.2%	26.7%	24.5%	23.0%	21.5%	20.3%	22.2%	19.0%
Other revenue	1,722.0	2,584.0	885.0	1,007.0	1,097.0	1,281.6	4,270.6	1,398.3	1,570.9	1,711.3	2,012.1	6,692.7	11,042.9
Y/Y growth	62.9%	50.1%	73.5%	72.7%	59.0%	60.0%	65.3%	58.0%	56.0%	56.0%	57.0%	56.7%	65.0%
Q/Q growth			10.5%	13.8%	8.9%	16.8%		9.1%	12.3%	8.9%	17.6%		
Family of Apps Revenue	**162,354.0**	**198,758.0**	**55,909.0**	**60,370.0**	**64,158.0**	**74,122.5**	**254,559.5**	**69,480.8**	**74,059.8**	**77,997.0**	**89,607.5**	**311,145.2**	**373,341.4**
Y/Y growth	22.1%	22.4%	33.4%	28.0%	26.4%	25.8%	28.1%	24.3%	22.7%	21.6%	20.9%	22.2%	20.0%
Q/Q growth			-5.1%	8.0%	6.3%	15.5%		-6.3%	6.6%	5.3%	14.9%		
Reality Labs	**2,146.0**	**2,207.0**	**402.0**	**431.0**	**443.0**	**1,050.5**	**2,326.5**	**466.3**	**491.3**	**498.4**	**1,166.1**	**2,622.1**	**3,015.4**
Y/Y growth	13.2%	2.8%	-2.4%	16.5%	-5.7%	10.0%	5.4%	16.0%	14.0%	12.5%	11.0%	12.7%	15.0%
Q/Q growth			-57.9%	7.2%	2.8%	137.1%		-55.6%	5.4%	1.4%	134.0%		
Total Revenue	**164,500.0**	**200,965.0**	**56,311.0**	**60,801.0**	**64,601.0**	**75,173.0**	**256,886.0**	**69,947.2**	**74,551.2**	**78,495.4**	**90,773.6**	**313,767.3**	**376,356.8**
Y/Y growth	21.9%	22.2%	33.1%	28.0%	26.1%	25.5%	27.8%	24.2%	22.6%	21.5%	20.8%	22.1%	19.9%
Q/Q growth			-6.0%	8.0%	6.2%	16.4%		-7.0%	6.6%	5.3%	15.6%		
Y/Y growth, ex-FX impact	22.6%	22.4%	28.9%	26.5%	26.3%	26.4%	26.9%	25.0%	23.5%	22.0%	20.7%	22.6%	19.9%

ADVERTISING BREAKDOWN: FB / IG

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Total Advertising Revenue	**160,632.0**	**196,174.0**	**55,024.0**	**59,363.0**	**63,061.0**	**72,840.9**	**250,288.9**	**68,082.5**	**72,488.9**	**76,285.7**	**87,595.4**	**304,452.6**	**362,298.6**
Y/Y growth	21.7%	22.1%	32.9%	27.5%	25.9%	25.3%	27.6%	23.7%	22.1%	21.0%	20.3%	21.6%	19.0%
Q/Q growth			-5.4%	7.9%	6.2%	15.5%		-6.5%	6.5%	5.2%	14.8%		
facebook	**101,414**	**116,688**	**31,364**	**33,540**	**35,314**	**40,427**	**140,645**	**37,105**	**39,144**	**40,813**	**46,426**	**163,487**	**186,584**
Y/Y growth	15.2%	15.1%	24.2%	19.1%	19.5%	19.9%	20.5%	18.3%	16.7%	15.6%	14.8%	16.2%	14.1%
Q/Q growth			-7.0%	6.9%	5.3%	14.5%		-8.2%	5.5%	4.3%	13.8%		
Core FB revs and a % of total ad revs	63.1%	59.5%	57.0%	56.5%	56.0%	55.5%	56.2%	54.5%	54.0%	53.5%	53.0%	53.7%	51.5%
Instagram	**59,218**	**79,486**	**23,660**	**25,823**	**27,747**	**32,414**	**109,644**	**30,978**	**33,345**	**35,473**	**41,170**	**140,965**	**175,715**
Y/Y growth	34.9%	34.2%	46.6%	40.4%	35.1%	32.7%	37.9%	30.9%	29.1%	27.8%	27.0%	28.6%	24.7%
Q/Q growth			-3.1%	9.1%	7.5%	16.8%		-4.4%	7.6%	6.4%	16.1%		
Instagram revs as a % of total ad revs	36.9%	40.5%	43.0%	43.5%	44.0%	44.5%	43.8%	45.5%	46.0%	46.5%	47.0%	46.3%	48.5%
Y/Y Ad impression growth	11%	12%	19%	14%	10%								
Y/Y Ad pricing growth	10%	9%	12%	12%	14%								

FB MAP & DAP ANALYSIS

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Facebook Family of Apps DAP & MAP (FB, IG, WA, & Mess)													
FB Family Monthly Active People (MAP)	**4.1875**	**4.48**	**4.45**	**4.50**	**4.55**	**4.60**	**4.60**	**4.57**	**4.62**	**4.66**	**4.72**	**4.72**	**4.83**
Y/Y growth	5.2%	6.9%	3.8%	3.4%	2.8%	2.8%	2.8%	2.7%	2.6%	2.5%	2.5%	2.5%	2.4%
Q/Q growth			-0.6%	1.1%	1.1%	1.1%		-0.7%	1.0%	1.0%	1.1%		
FB Family Daily Active People (DAP)	**3.35**	**3.58**	**3.56**	**3.60**	**3.64**	**3.68**	**3.68**	**3.66**	**3.69**	**3.73**	**3.77**	**3.77**	**3.86**
Y/Y growth	5.0%	6.9%	3.8%	3.4%	2.8%	2.8%	2.8%	2.7%	2.6%	2.5%	2.5%	2.5%	2.4%
Q/Q growth			-0.6%	1.1%	1.1%	1.1%		-0.7%	1.0%	1.0%	1.1%		
Total User Engagement (DAP / MAP)	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Family Average Revenue per Person (ARPP) - MAP	**$40.24**	**$46.13**	**$12.62**	**$13.59**	**$14.28**	**$16.43**	**$56.91**	**$15.25**	**$16.23**	**$16.92**	**$19.36**	**$67.76**	**$78.87**
Y/Y growth	15.9%	14.6%	26.4%	23.5%	22.2%	22.1%	23.4%	20.9%	19.4%	18.5%	17.8%	19.1%	16.4%
Q/Q growth			-6.2%	7.7%	5.1%	15.1%		-7.2%	6.4%	4.2%	14.4%		
Family Average Revenue per Person (ARPP) - DAU	**$50.29**	**$57.66**	**$15.77**	**$16.98**	**$17.85**	**$20.54**	**$71.14**	**$19.07**	**$20.29**	**$21.14**	**$24.20**	**$84.70**	**$98.59**
Y/Y growth	14.9%	14.6%	26.4%	23.5%	22.2%	22.1%	23.4%	20.9%	19.4%	18.5%	17.8%	19.1%	16.4%
Q/Q growth			-6.2%	7.7%	5.1%	15.1%		-7.2%	6.4%	4.2%	14.4%		

SEGMENT ANALYSIS - REVENUE & OPERATING INCOME

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Family of Apps Revenue	**162,354.0**	**198,758.0**	**55,909.0**	**60,370.0**	**64,158.0**	**74,122.5**	**254,559.5**	**69,480.8**	**74,059.8**	**77,997.0**	**89,607.5**	**311,145.2**	**373,341.4**
Y/Y growth	*22.1%*	*22.4%*	*33.4%*	*28.0%*	*26.4%*	*25.8%*	*28.1%*	*24.3%*	*22.7%*	*21.6%*	*20.9%*	*22.2%*	*20.0%*
Q/Q growth			*-5.1%*	*8.0%*	*6.3%*	*15.5%*		*-6.3%*	*6.6%*	*5.3%*	*14.9%*		
Family of Apps Expenses	75,245.0	96,289.0	29,009.0	36,976.0	47,041.0	42,991.1	156,017.1	43,425.5	45,917.1	49,138.1	55,108.6	193,589.4	233,338.4
Y/Y growth	*7.3%*	*28.0%*	*44.1%*	*66.7%*	*82.3%*	*52.6%*	*62.0%*	*49.7%*	*24.2%*	*4.5%*	*28.2%*	*24.1%*	*20.5%*
Q/Q growth			*3.0%*	*27.5%*	*27.2%*	*-8.6%*		*1.0%*	*5.7%*	*7.0%*	*12.2%*		
Family of Apps Operating Income	**87,109.0**	**102,469.0**	**26,900.0**	**23,394.0**	**17,117.0**	**31,131.5**	**98,542.5**	**26,055.3**	**28,142.7**	**28,858.9**	**34,498.9**	**117,555.8**	**140,003.0**
Y/Y growth	*38.6%*	*17.6%*	*23.6%*	*-6.3%*	*-31.4%*	*1.2%*	*-3.8%*	*-3.1%*	*20.3%*	*68.6%*	*10.8%*	*19.3%*	*19.1%*
Q/Q growth			*-12.6%*	*-13.0%*	*-26.8%*	*81.9%*		*-16.3%*	*8.0%*	*2.5%*	*19.5%*		
FoA Operating Margin	53.7%	51.6%	48.1%	38.8%	26.7%	42.0%	38.7%	37.5%	38.0%	37.0%	38.5%	37.8%	37.5%
Y/Y bps change	638bps	(210bps)	(383bps)	(1,421bps)	(2,250bps)	(1,020bps)	(1,284bps)	(1,061bps)	(75bps)	1,032bps	(350bps)	(93bps)	(28bps)
FoA Operating Leverage (Change in OI/Change in Revenue)	82.6%	42.2%	36.7%	-11.9%	-58.6%	2.4%	-7.0%	-6.2%	34.7%	84.8%	21.7%	33.6%	36.1%
Reality Labs Revenue	**2,146.0**	**2,207.0**	**402.0**	**431.0**	**443.0**	**1,050.5**	**2,326.5**	**466.3**	**491.3**	**498.4**	**1,166.1**	**2,622.1**	**3,015.4**
Y/Y growth	*13.2%*	*2.8%*	*-2.4%*	*16.5%*	*-5.7%*	*10.0%*	*5.4%*	*16.0%*	*14.0%*	*12.5%*	*11.0%*	*12.7%*	*15.0%*
Q/Q growth			*-57.9%*	*7.2%*	*2.8%*	*137.1%*		*-55.6%*	*5.4%*	*1.4%*	*134.0%*		
Reality Labs Expenses	19,875.0	21,400.0	4,430.0	5,050.0	4,572.0	6,670.7	20,722.7	3,963.7	3,685.1	3,364.0	6,413.3	17,426.1	16,886.3
Y/Y growth	*10.3%*	*7.7%*	*-4.2%*	*3.1%*	*-6.7%*	*-4.4%*	*-3.2%*	*-10.5%*	*-27.0%*	*-26.4%*	*-3.9%*	*-15.9%*	*-3.1%*
Q/Q growth			*-36.5%*	*14.0%*	*-9.5%*	*45.9%*		*-40.6%*	*-7.0%*	*-8.7%*	*90.6%*		
Reality Labs Operating Income / Loss	**(17,729.0)**	**(19,193.0)**	**(4,028.0)**	**(4,619.0)**	**(4,129.0)**	**(5,620.2)**	**(18,396.2)**	**(3,497.4)**	**(3,193.7)**	**(2,865.7)**	**(5,247.2)**	**(14,804.0)**	**(13,870.9)**
Y/Y growth	*10.0%*	*8.3%*	*-4.3%*	*2.0%*	*-6.8%*	*-6.7%*	*-4.2%*	*-13.2%*	*-30.9%*	*-30.6%*	*-6.6%*	*-19.5%*	*-6.3%*
Q/Q growth			*-33.1%*	*14.7%*	*-10.6%*	*36.1%*		*-37.8%*	*-8.7%*	*-10.3%*	*83.1%*		
RL Operating Margin	-826.1%	-869.6%	-1002.0%	-1071.7%	-932.1%	-535.0%	-790.7%	-750.0%	-650.0%	-575.0%	-450.0%	-564.6%	-460.0%
Meta Total Revenue	**164,500**	**200,965**	**56,311**	**60,801**	**64,601**	**75,173**	**256,886**	**69,947**	**74,551**	**78,495**	**90,774**	**313,767**	**376,357**
Y/Y growth	21.9%	22.2%	33.1%	28.0%	26.1%	25.5%	27.8%	24.2%	22.6%	21.5%	20.8%	22.1%	19.9%
Q/Q growth			*-6.0%*	*8.0%*	*6.2%*	*16.4%*		*-7.0%*	*6.6%*	*5.3%*	*15.6%*		
Total Expenses	95,120	117,689	33,439	42,026	51,613	49,662	176,740	47,389	49,602	52,502	61,522	211,015	250,225
Y/Y growth	*7.9%*	*23.7%*	*35.1%*	*55.2%*	*68.1%*	*41.3%*	*50.2%*	*41.7%*	*18.0%*	*1.7%*	*23.9%*	*19.4%*	*18.6%*
Q/Q growth			*-4.9%*	*25.7%*	*22.8%*	*-3.8%*		*-4.6%*	*4.7%*	*5.8%*	*17.2%*		
Meta Operating Income	**69,380**	**83,276**	**22,872**	**18,775**	**12,988**	**25,511**	**80,146**	**22,558**	**24,949**	**25,993**	**29,252**	**102,752**	**126,132**
Y/Y growth	*48.4%*	*20.0%*	*30.3%*	*-8.2%*	*-36.8%*	*3.1%*	*-3.8%*	*-1.4%*	*32.9%*	*100.1%*	*14.7%*	*28.2%*	*22.8%*
Q/Q growth			*-7.6%*	*-17.9%*	*-30.8%*	*96.4%*		*-11.6%*	*10.6%*	*4.2%*	*12.5%*		
Operating Margin	42.2%	41.4%	40.6%	30.9%	20.1%	33.9%	31.2%	32.2%	33.5%	33.1%	32.2%	32.7%	33.5%
Y/Y bps change	752bps	(74bps)	(87bps)	(1,214bps)	(1,997bps)	(738bps)	(1,024bps)	(837bps)	259bps	1,301bps	(171bps)	155bps	77bps
Operating Leverage (Change in OI/Change in Revenue)	76.5%	38.1%	38.0%	-12.5%	-56.5%	5.0%	-5.6%	-2.3%	44.9%	93.6%	24.0%	39.7%	37.4%
META REVENUE SPLIT													
Family of Apps	98.7%	98.9%	99.3%	99.3%	99.3%	98.6%	99.1%	99.3%	99.3%	99.4%	98.7%	99.2%	99.2%
Realty Labs	1.3%	1.1%	0.7%	0.7%	0.7%	1.4%	0.9%	0.7%	0.7%	0.6%	1.3%	0.8%	0.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
META EXPENSES SPLIT													
Family of Apps	79.1%	81.8%	86.8%	88.0%	91.1%	86.6%	88.3%	91.6%	92.6%	93.6%	89.6%	91.7%	93.3%
Realty Labs	20.9%	18.2%	13.2%	12.0%	8.9%	13.4%	11.7%	8.4%	7.4%	6.4%	10.4%	8.3%	6.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Source: Citi Research, Company Reports

Figure 9. META Revenue Analysis, $ in millions (2024A-2028E)

TOTAL META REVENUE BY USER GEOGRAPHY

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
WW - Total Revenue	**164,500.0**	**200,965.0**	**56,311.0**	**60,801.0**	**64,601.0**	**75,173.0**	**256,886.0**	**69,947.2**	**74,551.2**	**78,495.4**	**90,773.6**	**313,767.3**	**376,356.8**
Y/Y growth	*21.9%*	*22.2%*	*33.1%*	*28.0%*	*26.1%*	*25.5%*	*27.8%*	*24.2%*	*22.6%*	*21.5%*	*20.8%*	*22.1%*	*19.9%*
Q/Q growth			*-6.0%*	*8.0%*	*6.2%*	*16.4%*		*-7.0%*	*6.6%*	*5.3%*	*15.6%*		
US & Canada - Total revenue	**72,063.0**	**87,199.0**	**24,079.0**	**26,816.0**	**28,905.0**	**33,827.9**	**113,627.9**	**30,077.3**	**33,175.3**	**35,322.9**	**40,848.1**	**139,423.6**	**166,537.9**
Y/Y growth	*17.7%*	*21.0%*	*29.4%*	*31.6%*	*32.9%*	*27.8%*	*30.3%*	*24.9%*	*23.7%*	*22.2%*	*20.8%*	*22.7%*	*19.4%*
Q/Q growth			*-9.0%*	*11.4%*	*7.8%*	*17.0%*		*-11.1%*	*10.3%*	*6.5%*	*15.6%*		
Europe - Total Revenue	**38,778.0**	**47,960.0**	**13,500.0**	**14,296.0**	**14,462.0**	**17,289.8**	**59,547.8**	**15,738.1**	**16,774.0**	**17,661.5**	**20,424.1**	**70,597.6**	**83,927.6**
Y/Y growth	*25.6%*	*23.7%*	*39.5%*	*24.0%*	*17.9%*	*19.4%*	*24.2%*	*16.6%*	*17.3%*	*22.1%*	*18.1%*	*18.6%*	*18.9%*
Q/Q growth			*-6.8%*	*5.9%*	*1.2%*	*19.6%*		*-9.0%*	*6.6%*	*5.3%*	*15.6%*		
China - Total Revenue	**18,350.0**	**20,649.8**	**5,457.0**	**5,526.2**	**5,826.1**	**6,635.5**	**23,444.8**	**6,177.7**	**6,515.8**	**6,788.3**	**7,766.6**	**27,248.4**	**31,681.7**
Y/Y growth	*34.0%*	*12.5%*	*18.6%*	*10.3%*	*8.0%*	*17.5%*	*13.5%*	*13.2%*	*17.9%*	*16.5%*	*17.0%*	*16.2%*	*16.3%*
Q/Q growth			*-3.4%*	*1.3%*	*5.4%*	*13.9%*		*-6.9%*	*5.5%*	*4.2%*	*14.4%*		
% of Asia Revenue	55.9%	52.6%	50.0%	49.5%	49.0%	48.5%	49.2%	48.0%	47.5%	47.0%	46.5%	47.2%	46.0%
Asia (ex-China) - Total Revenue	**14,484.0**	**18,609.2**	**5,457.0**	**5,637.8**	**6,063.9**	**7,046.0**	**24,204.7**	**6,692.5**	**7,201.6**	**7,654.9**	**8,935.8**	**30,484.8**	**37,191.6**
Y/Y growth	*9.5%*	*28.5%*	*42.1%*	*29.5%*	*24.3%*	*27.3%*	*30.1%*	*22.6%*	*27.7%*	*26.2%*	*26.8%*	*25.9%*	*22.0%*
Q/Q growth			*-1.4%*	*3.3%*	*7.6%*	*16.2%*		*-5.0%*	*7.6%*	*6.3%*	*16.7%*		
% of Asia Revenue	44.1%	47.4%	50.0%	50.5%	51.0%	51.5%	50.8%	52.0%	52.5%	53.0%	53.5%	52.8%	54.0%
Asia - Total Revenue	**32,834.0**	**39,259.0**	**10,914.0**	**11,164.0**	**11,890.0**	**13,681.5**	**47,649.5**	**12,870.3**	**13,717.4**	**14,443.2**	**16,702.3**	**57,733.2**	**68,873.3**
Y/Y growth	*22.0%*	*19.6%*	*29.3%*	*19.2%*	*15.8%*	*22.4%*	*21.4%*	*17.9%*	*22.9%*	*21.5%*	*22.1%*	*21.2%*	*19.3%*
Q/Q growth			*-2.4%*	*2.3%*	*6.5%*	*15.1%*		*-5.9%*	*6.6%*	*5.3%*	*15.6%*		
ROW - Total Revenue	**20,825.0**	**26,547.0**	**7,818.0**	**8,525.0**	**9,344.0**	**10,373.9**	**36,060.9**	**11,261.5**	**10,884.5**	**11,067.9**	**12,799.1**	**46,012.9**	**57,018.1**
Y/Y growth	*31.3%*	*27.5%*	*39.9%*	*36.5%*	*34.4%*	*33.7%*	*35.8%*	*44.0%*	*27.7%*	*18.4%*	*23.4%*	*27.6%*	*23.9%*
Q/Q growth			*0.8%*	*9.0%*	*9.6%*	*11.0%*		*8.6%*	*-3.3%*	*1.7%*	*15.6%*		
% OF TOTAL REVENUE BY REGION													
US & Canada	43.8%	43.4%	42.8%	44.1%	44.7%	45.0%	44.2%	43.0%	44.5%	45.0%	45.0%	44.4%	44.3%
Europe	23.6%	23.9%	24.0%	23.5%	22.4%	23.0%	23.2%	22.5%	22.5%	22.5%	22.5%	22.5%	22.3%
China	11.2%	10.3%	9.7%	9.1%	9.0%	8.8%	9.1%	8.8%	8.7%	8.6%	8.6%	8.7%	8.4%
Asia (ex-China)	8.8%	9.3%	9.7%	9.3%	9.4%	9.4%	9.4%	9.6%	9.7%	9.8%	9.8%	9.7%	9.9%
Asia	20.0%	19.5%	19.4%	18.4%	18.4%	18.2%	18.5%	18.4%	18.4%	18.4%	18.4%	18.4%	18.3%
ROW	12.7%	13.2%	13.9%	14.0%	14.5%	13.8%	14.0%	16.1%	14.6%	14.1%	14.1%	14.7%	15.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

ADVERTISING REVENUE BY USER GEOGRAPHY

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Advertising Revenue - WW	**160,632.0**	**196,174.0**	**55,024.0**	**59,363.0**	**63,061.0**	**72,840.9**	**250,288.9**	**68,082.5**	**72,488.9**	**76,285.7**	**87,595.4**	**304,452.6**	**362,298.6**
Y/Y growth	21.7%	22.1%	32.9%	27.5%	25.9%	25.3%	27.6%	23.7%	22.1%	21.0%	20.3%	21.6%	19.0%
Q/Q growth			-5.4%	7.9%	6.2%	15.5%		-6.5%	6.5%	5.2%	14.8%		
Impression growth	11%		19%	14%	10%								
Pricing growth	10%		12%	12%	14%								
Ad revenue - US & Canada	**70,415.0**	**85,278.0**	**23,667.0**	**26,337.0**	**28,438.0**	**34,235.2**	**112,677.2**	**31,318.0**	**33,344.9**	**34,328.6**	**40,293.9**	**139,285.3**	**164,121.2**
Y/Y growth	18.2%	21.1%	29.6%	31.4%	33.3%	33.5%	32.1%	32.3%	26.6%	20.7%	17.7%	23.6%	17.8%
Q/Q growth			-7.7%	11.3%	8.0%	20.4%		-8.5%	6.5%	2.9%	17.4%		
Impression growth	9%		13%	9%	8%								
Pricing growth	9%		14%	20%	23%								
Ad Revenue Europe	**37,974.0**	**47,163.0**	**13,296.0**	**14,085.0**	**14,234.0**	**16,753.4**	**58,368.4**	**15,659.0**	**16,672.5**	**17,545.7**	**20,146.9**	**70,024.1**	**82,604.1**
Y/Y growth	24.8%	24.2%	39.6%	23.9%	17.9%	18.0%	23.8%	17.8%	18.4%	23.3%	20.3%	20.0%	18.0%
Q/Q growth			-6.4%	5.9%	1.1%	17.7%		-6.5%	6.5%	5.2%	14.8%		
Impression growth	7%		17%	13%	8%								
Pricing growth	17%		19%	10%	10%								
Ad Revenue - Asia	**32,121.0**	**38,285.0**	**10,631.0**	**10,847.0**	**11,531.0**	**12,747.2**	**45,756.2**	**12,254.9**	**13,048.0**	**13,731.4**	**15,767.2**	**54,801.5**	**64,851.4**
Y/Y growth	21.3%	19.2%	29.3%	18.6%	15.1%	17.0%	19.5%	15.3%	20.3%	19.1%	23.7%	19.8%	18.3%
Q/Q growth			-2.4%	2.0%	6.3%	10.5%		-3.9%	6.5%	5.2%	14.8%		
Impression growth	16%		23%	17%	14%								
Pricing growth	5%		5%	1%	1%								
Ad Revenue - ROW	**20,122.0**	**25,448.0**	**7,430.0**	**8,094.0**	**8,858.0**	**9,105.1**	**33,487.1**	**8,850.7**	**9,423.6**	**10,680.0**	**11,387.4**	**40,341.7**	**50,721.8**
Y/Y growth	30.0%	26.5%	38.1%	34.8%	33.0%	23.0%	31.6%	19.1%	16.4%	20.6%	25.1%	20.5%	25.7%
Q/Q growth			0.4%	8.9%	9.4%	2.8%		-2.8%	6.5%	13.3%	6.6%		
Impression growth	8%		17%	12%	8%								
Pricing growth	21%		18%	21%	24%								
% OF TOTAL ADVERTISING REVENUE BY REGION													
US & Canada	43.8%	43.5%	43.0%	44.4%	45.1%	47.0%	45.0%	46.0%	46.0%	45.0%	46.0%	45.7%	45.3%
Europe	23.6%	24.0%	24.2%	23.7%	22.6%	23.0%	23.3%	23.0%	23.0%	23.0%	23.0%	23.0%	22.8%
Asia	20.0%	19.5%	19.3%	18.3%	18.3%	17.5%	18.3%	18.0%	18.0%	18.0%	18.0%	18.0%	17.9%
ROW	12.5%	13.0%	13.5%	13.6%	14.0%	12.5%	13.4%	13.0%	13.0%	14.0%	13.0%	13.3%	14.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

FX Revenue Analysis

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
GAAP revenue	164,500	200,965	56,311	60,801	64,601	75,173	256,886	69,947	74,551	78,495	90,774	313,767	376,357
FX effect using prior year rates	874	419	(1,749)	(685)	113	528	(1,793)	422	528	333	(4)	1,279	-
Revenue excluding foreign exchange effect	165,374	201,384	54,562	60,116	64,714	75,701	255,093	70,370	75,079	78,829	90,769	315,046	376,357
GAAP revenue year-over-year change %	21.9%	22.2%	33.1%	28.0%	26.1%	25.5%	27.8%	24.2%	22.6%	21.5%	20.8%	22.1%	19.9%
Revenue excluding foreign exchange effect year-over-year change %	22.6%	22.4%	28.9%	26.5%	26.3%	26.4%	26.9%	25.0%	23.5%	22.0%	20.7%	22.6%	19.9%
GAAP advertising revenue	160,632	196,174	55,024	59,363	63,061	72,841	250,289	68,083	72,489	76,286	87,595	304,453	362,299
FX effect using prior year rates	881	422	(1,734)	(693)	96	528	(1,803)	422	528	333	(4)	1,279	-
Advertising revenue excluding foreign exchange effect	161,513	196,596	53,290	58,670	63,157	73,369	248,486	68,505	73,016	76,619	87,591	305,732	362,299
GAAP advertising revenue year-over-year change %	21.7%	22.1%	32.9%	27.5%	25.9%	25.3%	27.6%	23.7%	22.1%	21.0%	20.3%	21.6%	19.0%
Advertising revenue excluding foreign exchange effect year-over-year change %	22.4%	22.4%	28.7%	26.0%	26.1%	26.2%	26.7%	24.5%	23.0%	21.5%	20.3%	22.2%	19.0%

Headcount Analysis

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Sequential change in headcount	6,750	4,798	(879)	(2,514)	(8,697)	208	(11,883)	440	503	435	208	1,585	1,505
Y/Y growth	N/A	-28.9%	-131.8%	182.8%	-447.2%	-50.0%	-347.7%	-150.0%	-120.0%	-105.0%	0.0%	-113.3%	-5.0%
Full Time Headcount	**74,067**	**78,865**	**77,986**	**75,472**	**66,775**	**66,983**	**66,983**	**67,422**	**67,925**	**68,360**	**68,567**	**68,567**	**70,073**
Y/Y growth	10.0%	6.5%	1.5%	-0.6%	-14.9%	-15.1%	-15.1%	-13.5%	-10.0%	2.4%	2.4%	2.4%	2.2%
Q/Q growth			-1.1%	-3.2%	-11.5%	0.3%		0.7%	0.7%	0.6%	0.3%		
TTM Net Revenue / Average Full Time Employee	$2.327	$2.628	$2.741	$2.975	$3.397	$6.004	$3.523	$4.187	$6.886	$4.376	$7.313	$4.630	$5.429
Y/Y growth	32.6%	12.9%	21.4%	27.1%	38.4%	135.0%	34.0%	52.8%	131.5%	28.8%	21.8%	31.4%	17.3%
TTM EBITDA / Average Full Time Employee	$1.437	$1.600	$1.678	$1.803	$2.035	$3.575	$2.080	$2.420	$4.060	$2.579	$4.325	$2.721	$3.400
Y/Y growth	46.5%	11.3%	19.0%	22.0%	32.7%	129.9%	30.0%	44.2%	125.1%	26.7%	21.0%	30.8%	24.9%
TTM Cash Opex / Average Full Time Employee	$0.698	$0.814	$0.846	$0.987	$1.276	$2.136	$1.345	$1.500	$2.655	$1.516	$2.666	$1.620	$1.872
Y/Y growth	9.8%	16.6%	27.7%	46.6%	76.6%	170.0%	65.3%	77.3%	169.1%	18.9%	24.8%	20.5%	15.5%
TTM Expenses / Average Full Time Employee	$1.346	$1.539	$1.611	$1.842	$2.281	$3.902	$2.424	$2.812	$4.808	$2.923	$4.972	$3.113	$3.610
Y/Y growth	17.4%	14.4%	25.0%	40.6%	63.7%	160.8%	57.5%	74.5%	161.0%	28.1%	27.4%	28.5%	15.9%

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Source: Citi Research, Company Reports

Bull/Bear: Meta Platforms Inc (META.O)

US$1,049.00 ▲50% Upside | US$905.00 ▲30% Upside | US$582.00 ▼17% Downside



Spread 67pp
Current Price and expected returns (upside/downside) as of 21 Oct 2026

BULL Assumptions

- 2028E Revenue Growth ~22%
- 2028E GAAP Net Margin ~31%
- 2028 GAAP P/E ~24x

BASE Assumptions

- 2028E Revenue Growth ~20%
- 2028E GAAP Net Margin ~29%
- 2028 GAAP P/E ~22.5x

BEAR Assumptions

- 2028E Revenue Growth ~14%
- 2028E GAAP Net Margin ~26%
- 2028 GAAP P/E ~17x

Meta Platforms Inc

Company description

Meta Platforms, Inc. is a multinational social media and networking application development company. Through various tools, Meta allows users to connect, share, discover, and communicate with one another over computers and mobile devices. Meta also provides developers with tools to build websites and applications.

Investment strategy

We rate Meta Platforms Buy. We view that Reels can effectively compete with other short-form video platforms and that monetization is improving, which we think should continue to see benefits.

Valuation

Our target price of $905 is based on ~22.5x our 2028E GAAP EPS of $40.15 and implies ~11x our 2028E 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.

Alphabet Inc

(GOOGL.O; US$334.76; 1; 21 Oct 26; 16:00)

Valuation

Our $447 target price is based on ~28x our GAAP EPS of $15.87 in 2027E. While a 28x multiple is a premium to the market and to Google's historical multiple range, given Google Cloud revenue growth is reaccelerating on TPU and Gemini demand as query volume strength continues, we believe the shares warrant a premium to the market and to Alphabet's historical multiple. We reiterate our Buy rating on shares given our view that Google's product halo could lead to continued Search usage, and we are impressed with Gemini 4 and Google's newer AI models.

Risks

Risks to Alphabet achieving our target price include: 1) adverse economic and/or consumer spending trends could hinder advertising spend; 2) competition could prove to have a greater impact on company performance than we anticipate; 3) internet advertising spend could decelerate faster than we anticipate; and 4) regulatory pressures on anti-trust, data, and privacy practices could potentially have an adverse impact on performance.

Pinterest Inc

(PINS.N; US$22.95; 2H; 21 Oct 26; 16:00)

Valuation

Our $27 target price is based on ~8x our 2027E EV/EBITDA whereby our EV is ~$14 billion and our 2027E EBITDA is $1.736 billion. Our target multiple reflects strengthening monetization, growing engagement rates, and product tailwinds (e.g. Pinterest Assistant, Performance+, ROAS Bidding) that could lead to upside to our projections.

Risks

This stock is High Risk based upon our quantitative model. Upside risks to the shares exceeding our target price include: 1) higher sustained growth of US user base; 2) faster-than-expected monetization of non-US users; and 3) expansion into other advertising verticals (travel, autos, financials, etc.) Downside risks to the shares failing to reach our target price include: 1) international monetization could plateau or decelerate faster than expected; 2) increased competition from the likes of Instagram and TikTok, which have scale and other potential advantages; and 3) expansion into other advertising verticals (travel, autos, financials, etc.) could prove more difficult than expected.

Reddit, Inc.

(RDDT.N; US$153.28; 1; 21 Oct 26; 16:00)

Valuation

Our $245 target price is based on ~22x our 2027E EV/EBITDA whereby our '27E EBITDA is $2.116 billion (46.7% margin) and our EV is ~$47 billion. Our target multiple reflects Reddit's advertising demand, sustained 50%+ operating leverage, and represents a premium valuation relative to online advertising platform peers. We believe our valuation methodology is justified given industry-leading revenue growth, product-led engagement trends, and improving profitability.

Risks

Reddit has limited trading history in the public markets. Key downside risks to our target price include: 1) Slower-than-expected user growth and potential