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Meta Platforms Inc | North America

How Much Capacity Will Muse Need and 5 Agentic Reads from the Answer

WHAT'S CHANGED

Meta Platforms Inc (META.O)	From	To
Price Target	$775.00	**$820.00**

Our work shows every 100mn agentic DAUS likely requires 1-4 GW of GPUs. What does this mean for the agentic adoption curve, capex, Meta's near-term product pipeline and the long-term opportunity? We also update META model into 3Q results, raise PT to $820 and remain OW.

How Much GPU Compute Does Muse Need? In 23 Days of Musing…Top Investor Questions, and Our Answers, we sized a range on Muse's per-user cost to serve and CPU capacity requirements as META's Muse agent continues to see broader consumer adoption. But while attention seems focused on CPUs, we remind investors that **GPUs are actually the larger consumer of power capacity as agentic usage scales…and therefore the more important constraint to consider.** Putting math to it, while we don't know the exact functional characteristics (parameter count, average level of interactivity, token throughput, etc.) of the Muse Spark/Wonder models powering Muse, our sensitivity work shows how every 100mn DAUs (assuming 25% average consumption of weekly token allowance) could likely consume anywhere from 1GW to 4GW of GPU compute capacity annually.

Exhibit 1: Token throughput is the key variable when it comes to Muse's compute needs...but 100mn DAU's could consume anywhere from 1GW-4GW

META GW Requirements to Serve 100mn Muse DAUs

Avg Utilization of 100mn Free Weekly Tokens	Tokens per Second per GPU				
	3,500	7,000	10,500	14,000	17,500
5%	0.8	0.4	0.3	0.2	0.2
10%	1.5	0.8	0.5	0.4	0.3
25%	3.8	1.9	1.3	1.0	0.8
50%	7.7	3.8	2.6	1.9	1.5
100%	15.3	7.7	5.1	3.8	3.1

Source: Company data, Morgan Stanley Research

Token throughout (tokens/second/GPU) remains the key factor in this required capacity analysis (which we also detailed in The Paths to 25-50% GenAI ROIC). Our sensitivity ranges from 3,500 to 17,500 tokens/second/GPU. For perspective, at one end this would represent META utilizing a large, multi-trillion parameter model (similar to leading, closed frontier models like Muse Wonder Full/Gemini 4 Argon)… while the other end would represent a smaller, lightweight model (similar to GLM-

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Meta Platforms Inc (META.O, META US)

Internet | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$820.00**
Shr price, close (Oct 16, 2026)	$709.33
Mkt cap, curr (mm)	$2,221,756
52-Week Range	$779.82-520.26

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5.3 model with ~750bn parameters). Different agentic tasks may be sent to different models as well...so the answer could be somewhere in between.

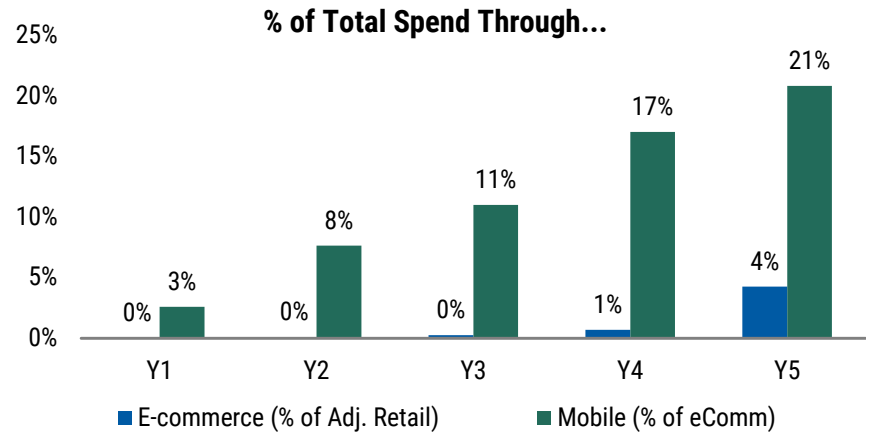
Please do let us know if interested in our Muse cost of compute and compute requirement models so you can flex these assumptions over time as we learn more about the model performance.

5 Key Takeaways from This High GW Consumption: This high agentic compute consumption leaves us with a few key takeaways for investors to consider as we continue down the agentic road.

1. Compute Remains Constrained, So Model Efficiency Improvements Will be Crucial to Scaling a Multi-Purpose Agentic Offering to Billions of Daily Active Users... We model META to add a total of ~13 GW of total capacity in '27/'28 to serve all of its various AI products/services. And as we have written, the ecosystem continues to face growth constraints. With current models, scaling any agentic product to hundreds of millions of users would likely require material capacity… **speaking to how the agentic adoption path is likely going to be long...and require more efficient models (and improving model cost to serve).** Consider that at ~10,000 tokens/second/GPU, 500mn daily users consuming 50mn tokens per week (50% of Muse's free allocation) would require ~13 GW ...or ~100% of the total new compute capacity coming on at META in '27/'28 (across 1P/3P capacity). Other companies like GOOGL/AMZN will have to make similar capacity ROIC decisions and focus on model efficiency. Indeed, **these high compute requirements may also hold back the pace at which competitors (like GOOGL) can ship a fully agentic product** and why smaller players (like Instinct) will have challenges scaling.

2. …So Expect the Slope of the Agentic Adoption to Be Longer (and at Times Flatter) Than Expected: Scaled behavior change takes time (and a strong product with a consistent, high utility experience). Consider that in year 5 of e-commerce (2000), e-commerce only made up 4% of adj retail sales…and even ~30 years in ('26) it's still only 28%. Agentic won't require as extensive of a personal hardware or delivery logistics build, but compute capacity has to be built and new more efficient models need to be developed…and enterprises also need to adopt agentic tools (as written about here). So while we are bullish Muse (and agentic), we encourage investors to keep reasonable adoption rates in perspective. For more on potential slopes of agentic adoption, see Agentic Shoppers Are Coming… Who Could Win or Lose? (17 Nov 2025).

Exhibit 2: While we expect agentic commerce to ramp faster than early e-commerce...keep in mind even in year 5, e-commerce was 4% of spend and in year 30 is only 28% of spend.

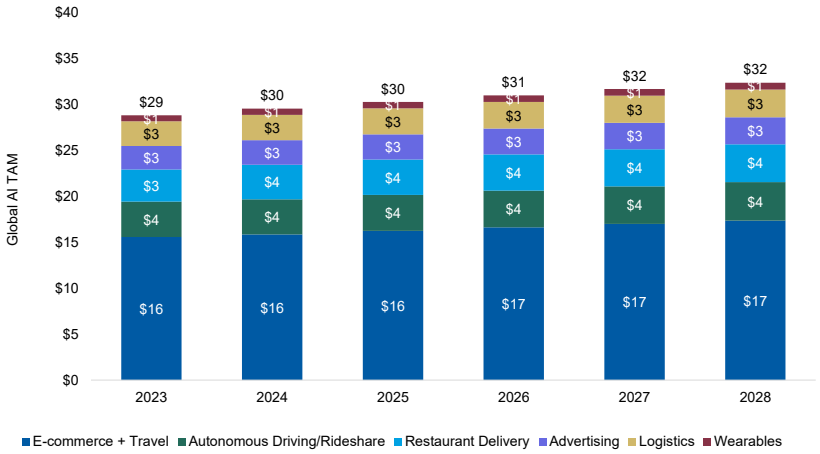


Source: Company data, Morgan Stanley Research

3. And Perhaps The Capex Cycle Stays Higher For Longer: While '27 chip/memory capacity is largely spoken for among the largest players, the extent to which any player looks to scale an agentic offering to billions of users will require a lot of compute. So while annual capex is unlikely to grow as quickly (given law of large numbers, physical limits like people, supplies, etc), this does speak to how the level of capex spend in the ecosystem could stay higher for multiple years.

4. Because The Long-Term Consumer Spend Opportunity Remains in the Trillions: While scaling monetization will take time, we still see a **~$30 trillion dollar opportunity of consumer expenditure** to be monetized digitally through agentic offerings...~55% of which is related to e-commerce/travel. Compute capacity and Muse product innovation (detailed below) will matter to scaling but we also believe **more broadly that 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/ personal agent protocol (PAP) plug-ins as well as observability tools 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. But **this will take time given the long and gradual duration of enterprise and consumer adoption cycles.**

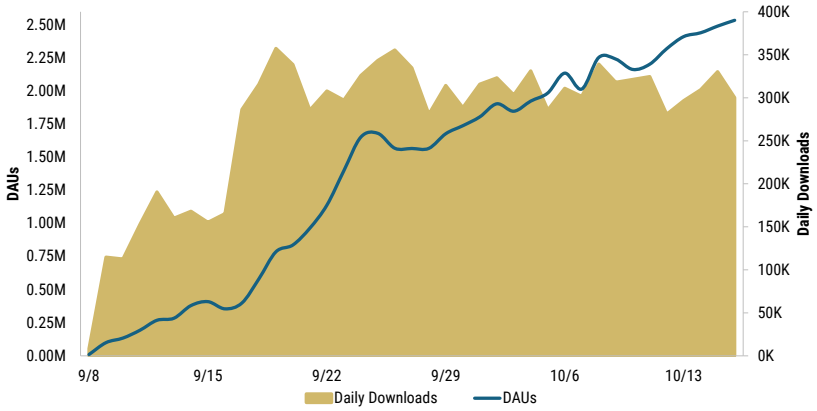
Exhibit 3: We see over $30tn of consumer spend to be digitized through agentic offerings...55% of which is attributable to e-commerce/travel



Source: Company data, Morgan Stanley Research

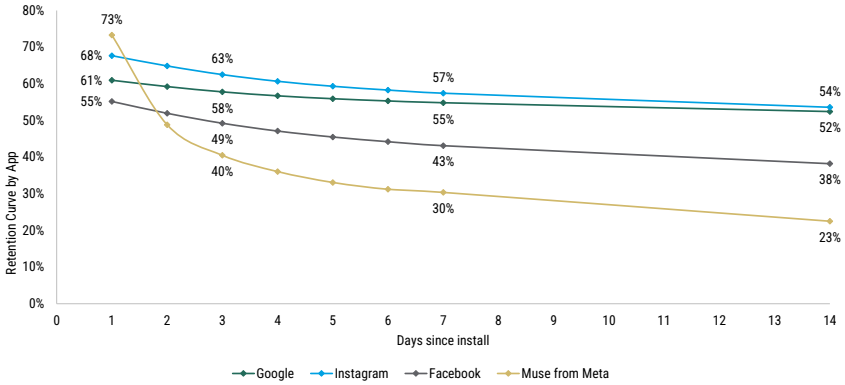
5. And What Should We Monitor on Muse Near-term Product Innovation? More Daily Use Cases and Commercial Functionality: While Muse is still capturing ~300K new downloads in the US per day, the DAUs are not scaling as quickly as 14-day retention is ~20% (well below other "gold standard daily habits" like Instagram/Facebook/Google Search). While not surprising given how early it is in this still developing agentic ecosystem, **we look for Muse to keep the pace of product innovation high to drive more use cases and daily habits** (official seamless connectors, applications, etc). Will we be planning and purchasing our Thanksgiving meals, holiday shopping lists and spring break '27 trips through Muse...or not? Product innovation will drive DAU growth and the multiple investors will put on META as we under-write a larger long-term agentic business.

Exhibit 4: While Muse continues to capture ~300K daily downloads, it only has ~2.5mn DAUs...



Source: Sensor Tower, Morgan Stanley Research

Exhibit 5: ...speaking to retention challenges which can be fixed with product innovation to drive more daily habits



Source: Sensor Tower, Morgan Stanley Research

Pivoting a tad, while the long-term optionality of agentic Muse dominates investor discussions, we also want to take this opportunity to update our model for a few factors heading into 3Q:26 earnings this week and why we remain OW META with our new $820 PT having ~15% upside.

Remain OW, Raising PT to $820 as Stronger Core Advertising and AI Subscription Optionality Drive '27/'28 EPS Higher by 1%/3%: We remain OW META, raising our PT to $820 (from $775), implying 23X our new average '27/'28 EPS of ~$35. **Our estimates continue to move higher, with '27/'28 revenue rising 1%/2% and GAAP EPS increasing 1%/3%**, driven by stronger core advertising trends and growing monetization opportunities across AI products. We raise our '27/'28 advertising revenue estimates by ~1%/1% to reflect improving ROAS from AI-driven ad products, while payments/other revenue rises by $1bn/$2bn as we capture incremental upside from high-margin Muse/business AI subscriptions.

Higher revenue is accompanied by increased Meta Enterprise Platform sales spending, with total expenses rising 1%/1% in '27/'28 to $211bn/$267bn. **Importantly, despite higher spending, our earnings estimates are moving higher, reinforcing our view that META can deliver both sustained top-line growth, investment and long-term call optionality.** With our $820 PT implying ~15% upside, we continue to see an attractive risk/reward as upward revisions and emerging AI revenue streams support further outperformance. Our $1,000 bull case (~40% upside) comes into play if Muse can innovate to drive more DAU growth, engagement and long-term monetizable behavior.

Exhibit 6: Our $820 PT implies paying 23X our average '27/'28 EPS of $34/$36, representing ~15% upside Our $1,000 bull case has ~40% upside if Muse can deliver more use cases and user growth

META Valuation			
	Bear	**Base**	**Bull**
'27/'28 Avg. EPS	$31.72	$34.90	$36.38
(X) P/E	15X	23X	27X
(=) Price Per Share	**$475**	**$820**	**$1,000**
% upside/(downside)	(33%)	16%	41%
Implied P/E on '27 EPS	14X	24X	29X
Implied P/E on '28 EPS	13X	23X	28X

Source: Company data, Morgan Stanley Research

Key Exhibit and Models

Exhibit 7: META Prior vs. Current

	2026 Prior	2027 Prior	2028 Prior	2026 Current	2027 Current	2028 Current	2026 Revision	2027 Revision	2028 Revision
Total revenue	**255,888.3**	**312,245.8**	**375,533.7**	**256,491.3**	**316,127.4**	**381,849.7**	**0.2%**	**1.2%**	**1.7%**
Advertising revenue	**249,308.7**	**303,168.3**	**363,528.7**	**249,308.7**	**305,565.1**	**367,748.8**	**0.0%**	**0.8%**	**1.2%**
Payments/other revenue	**6,579.7**	**9,077.5**	**12,005.0**	**7,182.6**	**10,562.4**	**14,100.9**	**9.2%**	**16.4%**	**17.5%**
Mobile as a % of total advertising revenue	98.3%	98.5%	98.6%	98.3%	98.5%	98.6%	--	0 bp	0 bp
Mobile ad revenue	244,997.1	298,531.8	358,423.5	244,997.1	300,892.2	362,584.8	0.0%	0.8%	1.2%
% change Y/Y							--	--	--
Cost of revenue (ex-SBC)	49,372.3	74,846.5	99,516.4	49,495.6	75,617.3	99,280.9	0.2%	1.0%	-0.2%
Gross profit	**206,516.1**	**237,399.4**	**276,017.3**	**206,995.7**	**240,510.1**	**282,568.8**	**0.2%**	**1.3%**	**2.4%**
Gross margin	80.7%	76.0%	73.5%	80.7%	76.1%	74.0%	(0) bp	5 bp	50 bp
Total operating expenses (GAAP)	**117,383.3**	**133,975.6**	**164,807.6**	**125,051.6**	**135,658.7**	**167,250.2**	**7%**	**1%**	**1%**
Sales and marketing (ex-SBC)	10,659.5	10,612.1	12,763.1	11,733.0	14,541.9	19,092.5	10%	37%	50%
Research and development (ex-SBC)	68,375.0	85,997.1	109,843.6	64,797.0	83,177.0	103,481.3	-5%	-3%	-6%
General and administrative (ex-SBC)	12,618.5	11,358.2	13,660.3	22,738.7	11,616.5	14,128.4	80%	2%	3%
Stock-based compensation	25,730.2	26,008.2	28,540.6	25,782.9	26,323.3	30,548.0	0%	1%	7%
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0	NA	NA	NA
Depreciation and amortization (included in expense lines)	31,490.7	58,977.1	98,679.4	31,490.7	58,977.1	98,679.4	0%	0%	0%
Total operating expenses % of Rev									
Sales and Marketing (ex-SBC)	4.2%	3.4%	3.4%	4.6%	4.6%	5.0%	41bp	120bp	160bp
Research and development (ex-SBC)	26.7%	27.5%	29.3%	25.3%	26.3%	27.1%	-146bp	-123bp	-215bp
General and administrative (ex-SBC)	4.9%	3.6%	3.6%	8.9%	3.7%	3.7%	393bp	4bp	6bp
Stock-based compensation	10.1%	8.3%	7.6%	10.1%	8.3%	8.0%	0bp	0bp	40bp
Non-recurring items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0bp	0bp	0bp
Depreciation and amortization (included in expense lines)	12.3%	18.9%	26.3%	12.3%	18.7%	25.8%	-3bp	-23bp	-43bp
Total costs and operating expenses (GAAP) Y/Y % Change	41.7%	25.2%	26.6%	48.3%	21.0%	26.2%	662 bp	(418) bp	(43) bp
Total costs and operating expenses (non-GAAP)	45.0%	29.7%	29.0%	52.1%	25.0%	27.6%	709 bp	(470) bp	(139) bp
GAAP Operating Income	**89,132.8**	**103,423.7**	**111,209.7**	**81,944.2**	**104,851.4**	**115,318.6**	**-8.1%**	**1.4%**	**3.7%**
Margin	35%	33%	30%	32%	33%	30%			
EBITDA (adjusted)	**146,353.8**	**188,409.1**	**238,429.7**	**139,217.8**	**190,151.9**	**244,546.0**	**-4.9%**	**0.9%**	**2.6%**
EBITDA margin (adjusted)	**57.2%**	**60.3%**	**63.5%**	**54.3%**	**60.2%**	**64.0%**	(292) bp	(19) bp	55 bp
Incremental EBITDA margin	43.8%	74.6%	79.0%	30.4%	85.4%	82.8%	(1333) bp	1079 bp	373 bp
EPS (GAAP)	**$31.80**	**$33.74**	**$34.59**	**$29.43**	**$34.04**	**$35.76**	**-7.5%**	**0.9%**	**3.4%**
Average basic shares	2,565.0	2,611.6	2,639.0	2,565.0	2,611.9	2,641.9	0%	0%	0%
Average diluted shares	2,589.9	2,635.2	2,662.8	2,590.0	2,635.5	2,665.8	0%	0%	0%
Capex	144,654.0	225,154.0	250,154.0	144,654.0	225,154.0	250,154.0	0%	0%	0%
Free Cash Flow	2,930.1	(26,206.2)	(5,846.8)	5,322.6	(26,215.8)	(2,806.7)	82%	0%	-52%
Free Cash Flow per Share	**$1.13**	**-$9.94**	**-$2.20**	**$2.06**	**-$9.95**	**-$1.05**	**82%**	**0%**	**-52%**

Source: Company data, Morgan Stanley Research

Exhibit 8: META Income Statement

Income Statement	2025	2026E	2027E	2028E	25-'28 CAGR
Advertising revenue	$196,174.0	$249,308.7	$305,565.1	$367,748.8	23.3%
Payments/other revenue	4,791.0	7,182.6	10,562.4	14,100.9	43.3%
Total net revenue	**$200,965**	**$256,491**	**$316,127**	**$381,850**	23.9%
Cost of revenue (ex-SBC)	35,067.7	49,495.6	75,617.3	99,280.9	41.5%
Gross profit	**$165,897**	**$206,996**	**$240,510**	**$282,569**	19.4%
Gross margin	82.6%	80.7%	76.1%	74.0%	
Sales and marketing (ex-SBC)	$10,528.2	$11,733.0	$14,541.9	$19,092.5	21.9%
Research and development (ex-SBC)	40,904.9	64,797.0	83,177.0	103,481.3	36.3%
General and administrative (ex-SBC)	10,762.2	22,738.7	11,616.5	14,128.4	9.5%
Stock-based compensation	20,426.0	25,782.9	26,323.3	30,548.0	14.4%
Non-recurring items	0.0	0.0	0.0	0.0	
Depreciation and amortization (included in expense lines)	18,616.0	31,490.7	58,977.1	98,679.4	74.4%
Total operating expenses (GAAP)	82,621.3	125,051.6	135,658.7	167,250.2	26.5%
Operating income (GAAP)	**$83,276**	**$81,944**	**$104,851**	**$115,319**	11.5%
GAAP operating margin	41.4%	31.9%	33.2%	30.2%	
Adjusted EBITDA	**$122,318**	**$139,218**	**$190,152**	**$244,546**	26.0%
Adj. EBITDA margin	60.9%	54.3%	60.2%	64.0%	
Incremental adj. EBITDA margin	56.6%	30.4%	85.4%	82.8%	
EBITDA	**$101,892**	**$113,435**	**$163,829**	**$213,998**	28.1%
EBITDA margin	50.7%	44.2%	51.8%	56.0%	
Incremental EBITDA margin	46.7%	20.8%	84.5%	76.3%	
Interest & other income/(expense), net (GAAP)	2,657.0	(1,290.9)	(520.9)	(4,476.3)	
Pre-tax income (GAAP)	**85,933.0**	**80,653.2**	**104,330.5**	**110,842.3**	8.9%
Income tax provision/(benefit) (GAAP)	25,475.0	4,438.2	14,606.3	15,517.9	(15.2%)
Tax rate (GAAP)	29.6%	5.5%	14.0%	14.0%	
Net income (GAAP)	**$60,458**	**$76,215**	**$89,724**	**$95,324**	16.4%
EPS (GAAP)	**$23.49**	**$29.43**	**$34.04**	**$35.76**	15.0%

Source: Company data, Morgan Stanley Research

Exhibit 9: META Balance Sheet

Meta | Balance sheet

(USD millions)	2025	2026E	2027E	2028E
Balance Sheet				
Assets:				
Cash & cash equivalents	35,873.0	43,887.4	18,643.4	20,418.4
Marketable securities	45,719.0	57,754.0	57,754.0	57,754.0
Accounts receivable, net	19,769.0	24,689.7	29,457.6	34,819.1
Prepaid expenses and other current assets	7,361.0	15,845.3	18,656.7	22,919.2
Total Current Assets	**108,722.0**	**142,176.5**	**124,511.7**	**135,910.7**
Property and equipment, net	176,400.0	291,161.9	451,536.9	594,291.3
Goodwill & other intangible assets, net	25,334.0	25,479.8	25,455.8	25,431.8
Other assets	55,565.0	65,161.0	65,161.0	65,161.0
Total Assets	**366,021.0**	**523,979.1**	**666,665.4**	**820,794.7**
Liabilities:				
Accounts payable	8,894.0	29,194.2	37,494.1	49,700.9
Platform partners payable	0.0	0.0	0.0	0.0
Accrued expenses and other current liabilities	30,729.0	41,122.3	52,614.2	68,070.5
Deferred revenue & deposits	0.0	1,520.5	1,844.7	2,212.3
Capital lease obligations, current portion	2,213.0	2,414.0	2,414.0	2,414.0
Total Current Liabilities	**41,836.0**	**74,251.0**	**94,367.0**	**122,397.7**
Capital lease obligations, less current portion	22,940.0	22,859.9	18,412.6	14,474.1
Long-term debt	58,744.0	83,748.0	103,748.0	123,748.0
Other liabilities	25,258.0	20,461.0	20,461.0	20,461.0
Total Liabilities	**148,778.0**	**201,319.9**	**236,988.6**	**281,080.7**
Shareholders' Equity:				
Preferred equity	0.0	0.0	0.0	0.0
Common equity	0.0	0.0	0.0	0.0
Additional paid-in capital	95,793.0	124,541.1	149,894.1	176,310.8
Accumulated other comprehensive income	271.0	(303.0)	(303.0)	(303.0)
Retained Earnings	121,179.0	198,421.1	280,085.7	363,706.2
Total Shareholders' Equity	**217,243.0**	**322,659.2**	**429,676.9**	**539,714.0**
Total Liabilities & Shareholders' Equity	**366,021.0**	**523,979.1**	**666,665.4**	**820,794.7**

Source: Company data, Morgan Stanley Research

Exhibit 10: META Cash Flow Statement

Meta | Cash flow statement

(USD millions)	2025	2026E	2027E	2028E
Cash Flow Statement				
Operating Cash Flow:				
Net income	60,458.0	84,622.1	87,146.4	89,159.5
Depreciation & amortization	18,616.0	32,082.3	60,689.6	103,819.2
Stock-based compensation	20,426.0	23,736.1	25,353.1	28,276.7
Deferred income taxes	18,738.0	123.0	0.0	0.0
Tax benefit from stock-based compensation	0.0	0.0	0.0	0.0
Excess tax benefit from stock-based compensation	0.0	0.0	0.0	0.0
Other	(1,553.0)	8,558.0	10,000.0	8,140.0
Funds from operations	**116,685.0**	**149,121.5**	**183,189.0**	**229,395.3**
	0.0	0.0	0.0	0.0
Changes in Working Capital:				
Accounts receivable				
Prepaid expenses & other current assets	(88.0)	(7,154.3)	(2,811.4)	(4,262.5)
Other assets	(481.0)	(1,082.0)	0.0	0.0
Accounts payable	(14.0)	14,931.2	8,299.9	12,206.9
Platform partners payable	0.0	0.0	0.0	0.0
Accrued expenses & other current liabilities	1,077.0	9,838.3	11,491.9	15,456.2
Deferred revenue & deposits	0.0	1,520.5	324.2	367.6
Other liabilities	437.0	(5,173.0)	0.0	0.0
Changes in Working Capital	**(885.0)**	**7,788.9**	**12,536.8**	**18,406.6**
Operating Cash Flow	**115,800.0**	**156,910.4**	**195,725.8**	**247,802.0**
	0.0	0.0	0.0	0.0
Investing Cash Flow:				
Purchases of PP&E (Capex)				
Purchase of marketable securities	(36,929.0)	(38,978.0)	(8,000.0)	(8,000.0)
Maturities and sales of marketable securities	26,874.0	25,176.0	8,000.0	8,000.0
Investments in non-marketable equity securities	(21,206.0)	(544.0)	0.0	0.0
Acquisitions, net of cash, & purchases of intangible and other assets	(1,051.0)	(335.0)	0.0	0.0
Change in restricted cash & deposits	0.0	0.0	0.0	0.0
Investing Cash Flow	**(102,003.0)**	**(156,078.9)**	**(221,040.6)**	**(246,549.5)**
	0.0	0.0	0.0	0.0
Financing Cash Flow:				
Net proceeds from issuance of common stock				
Net proceeds from issuance of preferred stock	0.0	0.0	0.0	0.0
Proceeds from exercise of stock options	0.0	0.0	0.0	0.0
Proceeds from / (repayments of) long-term debt	29,906.0	25,000.0	20,000.0	20,000.0
Proceeds from sale & lease-back transactions	0.0	0.0	0.0	0.0
Cash dividends paid	(5,324.0)	(5,421.0)	(5,481.8)	(5,539.0)
Principal payments on capital lease obligations	(2,524.0)	(3,590.1)	(4,447.4)	(3,938.5)
Excess tax benefit from stock-based award activities	(24,028.0)	59.0	(10,000.0)	(10,000.0)
Other	(18,400.0)	(4,423.0)	0.0	0.0
Financing Cash Flow	**(20,370.0)**	**11,625.0**	**70.9**	**522.5**
Effects of FX	235.0	7.0	0.0	0.0
Beginning Cash	43,889.0	35,873.0	43,887.4	18,643.4
(+/-) Net changes in cash	(6,338.0)	12,463.4	(25,244.0)	1,775.0
(+/-) Restatements / adjustments	(1,678.0)	(4,449.0)	0.0	0.0
Ending Cash	**35,873.0**	**43,887.4**	**18,643.4**	**20,418.4**

Source: Company data, Morgan Stanley Research

Risk Reward – Meta Platforms Inc (META.O)

The Age of Efficiency

PRICE TARGET $820.00

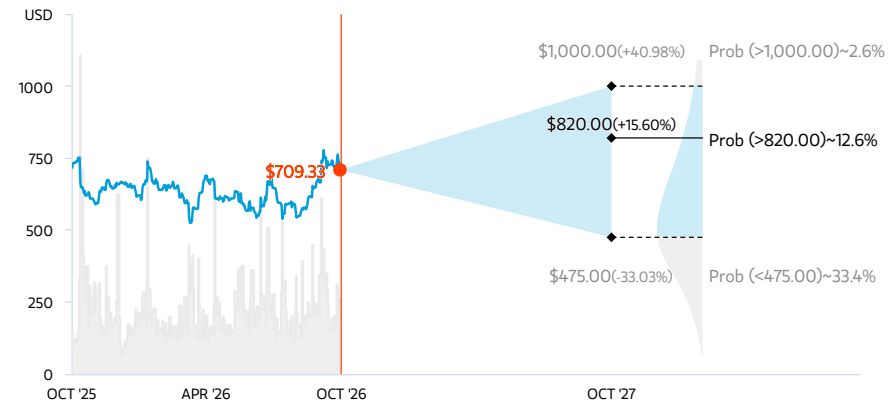
Our $820 PT is based on applying a ~23X P/E multiple to the average of our ~$34/$36 EPS estimates for "27/'28. This multiple is slightly above the long-term average of ~21x due to long-term optionality on monetization nodes, including 1) Muse, 2) Subscriptions, 3) API, etc.

Consensus Price Target Distribution $580.00 — $809.45 (MS PT) — $1,050.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

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 16 Oct 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 ~27x 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 $820.00

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 $475.00

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)

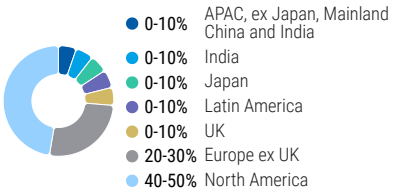
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Constant Currency % Growth (%)	22.5	26.6	23.2	20.4
Operating income (GAAP) ($, mm)	83,276	81,944	104,851	115,319
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

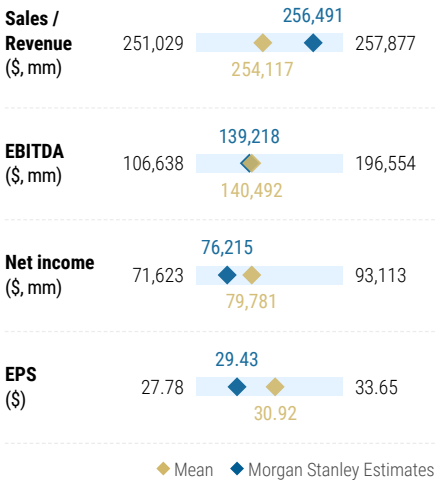
OWNERSHIP POSITIONING

Inst. Owners, % Active	55.2%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	9.9%

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



Source: Refinitiv, Morgan Stanley Research

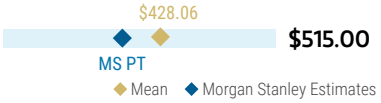
Risk Reward – Alphabet Inc. (GOOGL.O)

Alphabet Inc.

PRICE TARGET $400.00

Our $400 PT is based on applying a ~24X P/E multiple to the average of our $15/$18 EPS in '27/'28, and implies paying ~1.6X PEG, a ~35% premium to GOOGL's peer median.

Consensus Price Target Distribution

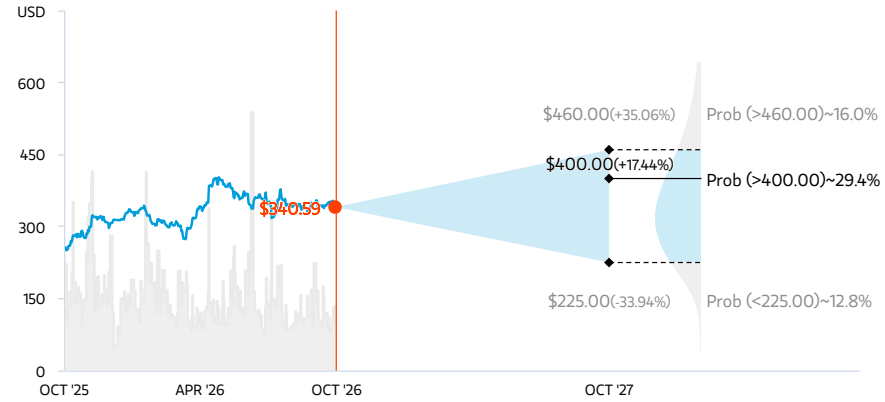


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Continued AI-driven platform-level innovation on Search, YouTube, Cloud, and with other offerings improve confidence in the durability of long term growth.
- Continued expense discipline leads to operating leverage and upward revisions on EPS and FCF estimates.

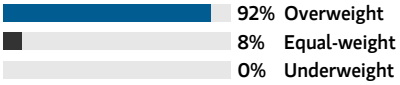
RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



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 16 Oct 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

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

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

View descriptions of Risk Rewards Themes here

BULL CASE $460.00

~26X Avg. '27/'28 Bull Case EPS of ~$16/~$20

Faster innovation and Search/GCP acceleration lead to multiple expansion and higher earnings power. Search revenue accelerates as AI-driven innovation delivers meaningful upside to engagement. New AI offerings prove incremental to the top and bottom line and don't cannibalize core Search. YouTube and Cloud become even bigger contributors to top-line growth, and operate at a higher margin than in our base case.

BASE CASE $400.00

~24X Avg. '27/'28 Base Case EPS of ~$15/~$18

Assumes pragmatic search revenue growth in '26, continued incremental platform monetization and Google Cloud acceleration in '26. As GOOGL continues platform-level innovation on Search and other categories, we assume pragmatic revenue/EBITDA growth. GOOGL introduces new AI offerings which increase confidence in the durability of long term growth and calm fears around competition. Google Cloud accelerates driven by new partnerships and growing backlog.

BEAR CASE $225.00

~15X Avg. '27/'28 Bear Case EPS of ~$14/~$16

Global ad growth slows further and margins face pressure. Assumes slower search advertising growth, and that ad spending slows further. Expense discipline fails to materialize leading to lower than expected margin expansion and adj. EBITDA. New AI products create greater than expected margin pressure due to lower monetization rates and increased compute intensity.

Risk Reward – Alphabet Inc. (GOOGL.O)

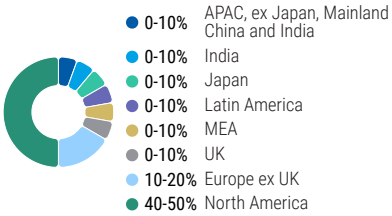
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total operating income (GAAP) ($, mm)	129,039	171,465	229,478	284,409
GAAP Operating Income (Loss) ($, mm)	137,054	178,940	236,678	290,959

INVESTMENT DRIVERS

- Search advertising spend continues to gain share of global advertising budgets.
- Mobile search advertising continues to take share of online budgets.
- Investments in video driving longer-term monetization at YouTube.
- Moderation of expense growth.

GLOBAL REVENUE EXPOSURE



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

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	3/5 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

- New products generate higher than expected top line contribution.
- Capital returns through greater share buybacks.
- Hiring and/or spend per headcount is lower than expected.

RISKS TO DOWNSIDE

- High exposure to SMB and travel could pressure ad revenue in a recession
- Improved disclosure around the Google and Other Alphabet segments may not decrease the overall investment activity of the business.

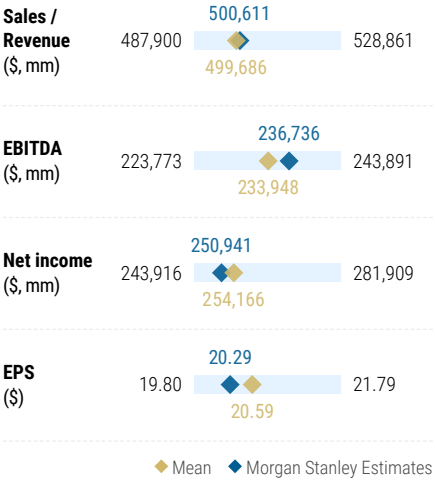
OWNERSHIP POSITIONING

Inst. Owners, % Active	56.5%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	9.9%

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



Source: Refinitiv, Morgan Stanley Research

Valuation Methodology and Risks

Amazon.com Inc (AMZN.O)

Our $350 PT is based on ~21X our $17 '28E EPS. We sense check our PT & target multiple on a growth-adjusted basis. Our PT implies AMZN re-rates to ~0.7X PEG, reflecting a ~50% discount to its hyperscaler peer median PEG of ~0.9X (closer to its short-term historical 40-50% discount to peers on a growth-adjusted basis), given AWS's bigger topline & margin trajectory, further visibility into Bedrock, retail agentic importance, robotics optionality.

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

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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The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Brian Nowak, CFA.

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Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Airbnb Inc, Alphabet Inc., Amazon.com Inc, Compass, Inc., eBay Inc, Liftoff Mobile Inc., **Meta Platforms Inc**, Uber Technologies Inc.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Airbnb Inc, Alphabet Inc., Amazon.com Inc, Bumble Inc., Chewy Inc, DoorDash Inc, eBay Inc, Instacart, Liftoff Mobile Inc., **Meta Platforms Inc**, Uber Technologies Inc.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Airbnb Inc, Alphabet Inc., Amazon.com Inc, AppLovin Corp, Booking Holdings Inc, Bumble Inc., Chewy Inc, Criteo SA, DoorDash Inc, DoubleVerify Holdings Inc, Duolingo Inc, eBay Inc, Etsy Inc, Expedia Inc., FIGS, Inc., Instacart, Liftoff Mobile Inc., Lyft Inc, Match Group Inc, **Meta Platforms Inc**, MNTN Inc, Opendoor Technologies Inc, Peloton Interactive, Inc., Pinterest Inc, Playtika Holding Corp, Reddit Inc, Revolve Group Inc, Roblox Corporation, Snap Inc., Take-Two Interactive Software, Trade Desk Inc, Uber Technologies Inc, Unity Software Inc, Webtoon Entertainment Inc, Yelp Inc, Zillow Group Inc.

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ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of September 30, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	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.

Analyst Stock Ratings

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.

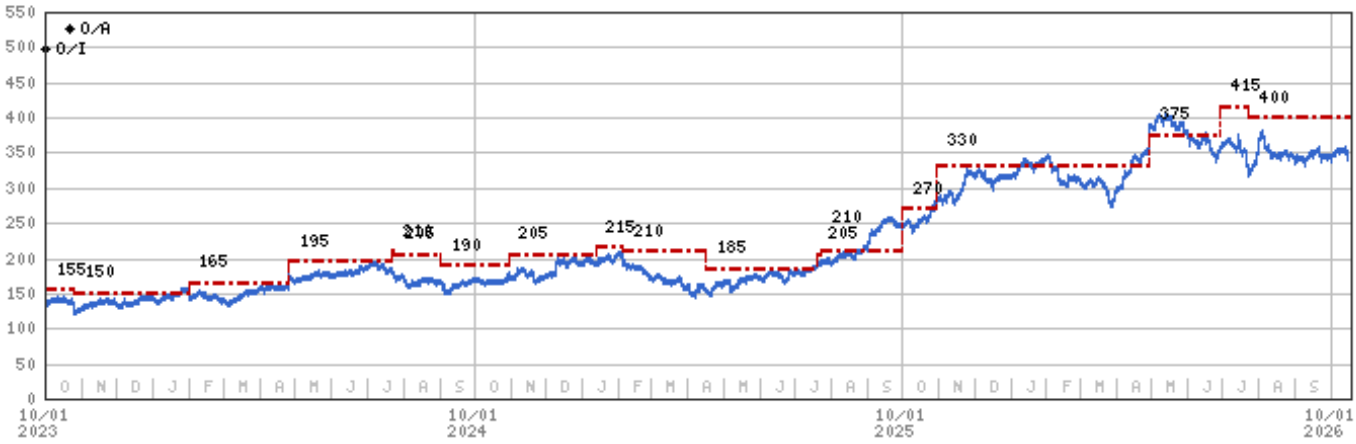
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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)

Alphabet Inc. (GOOGL.O) - As of 10/18/26 GMT in USD
Industry : Internet



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

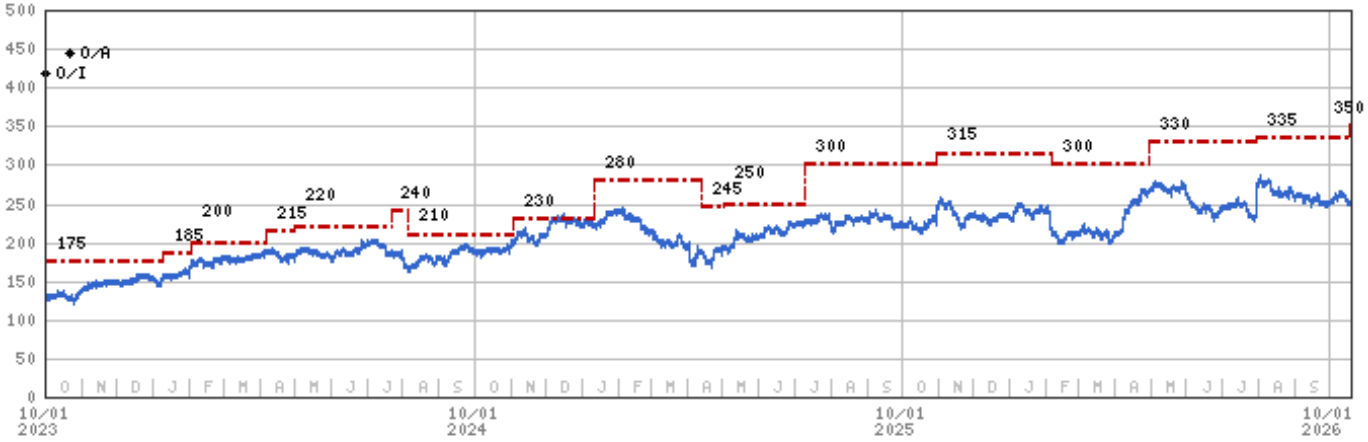
Price Target History: 7/27/21 : 150; 11/1/21 : 160; 1/19/22 : 171.5; 2/2/22 : 172.5; 4/27/22 : 163.5; 5/31/22 : 150; 7/18/22 : 140; 7/27/22 : 145; 10/9/22 : 135; 10/26/22 : 125; 11/14/22 : 120; 1/17/23 : 125; 2/3/23 : 135; 4/25/23 : 140; 7/12/23 : 150; 7/26/23 : 155; 10/25/23 : 150; 1/31/24 : 165; 4/26/24 : 195; 7/22/24 : 210; 7/24/24 : 205; 9/2/24 : 190; 10/30/24 : 205; 1/12/25 : 215; 2/5/25 : 210; 4/16/25 : 185; 7/20/25 : 205; 7/23/25 : 210; 10/1/25 : 270; 10/30/25 : 330; 4/30/26 : 375; 6/29/26 : 415; 7/23/26 : 400

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.

Amazon.com Inc (AMZN.O) - As of 10/18/26 GMT in USD
Industry : Internet



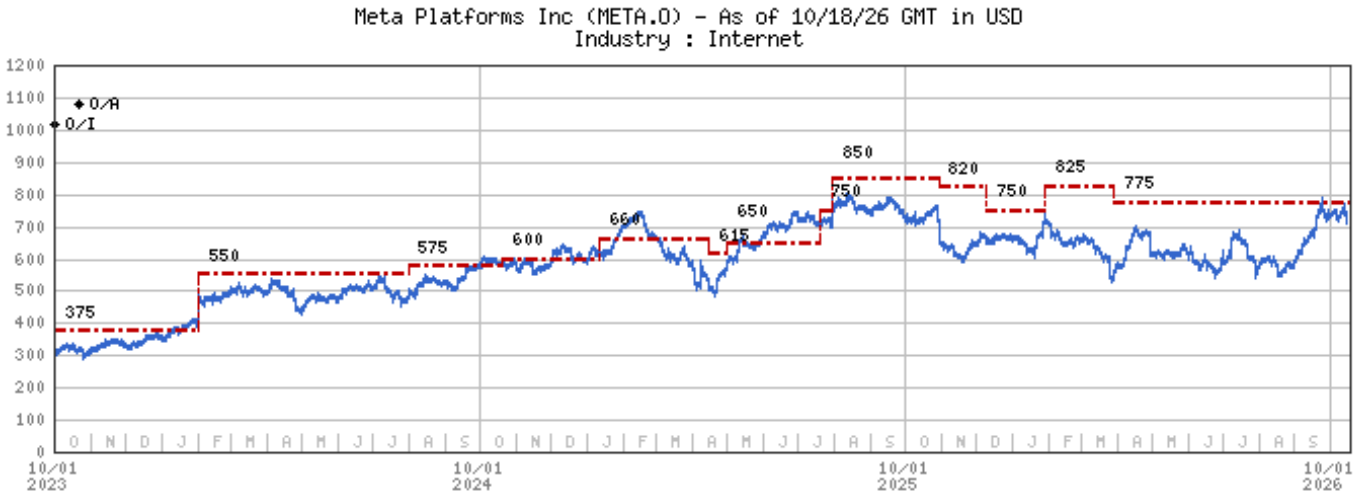
Stock Rating History: 10/1/21 : O/I; 10/22/23 : O/A

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; 10/18/26 : 350

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)

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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* (10/16/2026)
Brian Nowak, CFA		
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$340.59
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$250.00
DoorDash Inc (DASH.O)	O (02/21/2024)	$189.15
Instacart (CART.O)	E (01/29/2024)	$49.83
Lyft Inc (LYFT.O)	E (10/24/2019)	$16.82
Meta Platforms Inc (META.O)	O (03/20/2023)	$709.33
Pinterest Inc (PINS.N)	O (07/20/2025)	$21.91
Reddit Inc (RDDT.N)	O (12/08/2024)	$156.14
Snap Inc. (SNAP.N)	E (07/22/2024)	$6.13
Uber Technologies Inc (UBER.N)	++	$70.35
Matthew Cost		
Airbnb Inc (ABNB.O)	E (09/16/2026)	$173.70
AppLovin Corp (APP.O)	O (04/10/2025)	$266.13
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$163.45
Compass, Inc. (COMP.N)	E (01/12/2026)	$9.13
Criteo SA (CRTO.O)	E (01/26/2016)	$15.34
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$13.49
Expedia Inc. (EXPE.O)	U (09/16/2026)	$288.95
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$16.51
MNTN Inc (MNTN.N)	E (06/16/2025)	$10.16
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$2.12
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$2.11
Roblox Corporation (RBLX.N)	O (11/04/2024)	$49.55
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$205.28

Trade Desk Inc (TTD.O)	E (09/10/2025)	$12.23
Unity Software Inc (U.N)	O (09/02/2024)	$40.40
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$8.72
Yelp Inc (YELP.N)	U (01/10/2019)	$19.88
Zillow Group Inc (Z.O)	E (04/18/2018)	$30.82
Nathan Feather		
Bumble Inc. (BMBL.O)	++	$5.94
Chewy Inc (CHWY.N)	O (10/31/2023)	$20.97
Duolingo Inc (DUOL.O)	E (02/27/2026)	$141.76
eBay Inc (EBAY.O)	O (04/18/2024)	$120.28
Etsy Inc (ETSY.N)	E (07/20/2025)	$85.14
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$19.12
Grindr Inc. (GRND.N)	O (07/01/2026)	$14.09
Match Group Inc (MTCH.O)	E (04/18/2024)	$42.95
Peloton Interactive, Inc. (PTON.O)	U (09/08/2026)	$5.22
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$22.80
WW International Inc (WW.O)	E (08/01/2025)	$13.04

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