Meta Platforms Inc. (META)

Equity Offering Announced; Recent Earnings Highlighted Early Muse Success, Core Business Momentum & Intent to Remain Focused on Scaling Investments

META	12m Price Target: **$885.00**	Price: **$642.62**	Upside: **37.7%**

BUY

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On October 26th, Meta announced (link) the launch of a broad equity-financing plan totaling approximately ~$95bn, consisting of two separate transactions:

- ~$35bn of immediate underwritten offerings consisting of: (1) an offering of ~$22.5bn of Class A common stock, structured in connection with forward-sale agreements; & (2) ~250mm Series A depositary shares, representing interest in newly issued mandatory convertible preferred stock, totaling ~$12.5b. Together, these transactions comprise ~$35b of new equity capital. Nvidia (NVDA), Advanced Micro Devices (AMD) & Broadcom (AVGO), all covered by Jim Schneider, have, severally and not jointly, indicated an interest in purchasing up to an aggregate ~$5bn of shares of Class A common stock offered in the common stock offering.
- An additional ~$60bn at-the-market (ATM) equity program that is expected to begin after trading commences in Meta's previously announced Class C common stock (link). The company stated that the program is not expected to commence until the first quarter of 2027 and emphasized that definitive agreements, timing, size, and terms have not yet been finalized.

Meta's recent Q3'26 earnings report (link) reflected a few key themes: (a) a clear beat & expressed optimism with respect to the operating momentum in its core business; (b) disclosures (both qualitative & quantitative) around the early successes of Muse (link | link); (c) a framing of the potential pathway for additional AI-related revenue opportunities (SMB, enterprise, etc); & (d) a reiteration of plans to scale investments in AI-related infrastructure in support of these opportunities. Alongside these results, Meta announced a plan to issue Class C shares (non-voting) to enable founder/CEO to retain voting control in a host of scenarios (multi-year investments &

Key Data

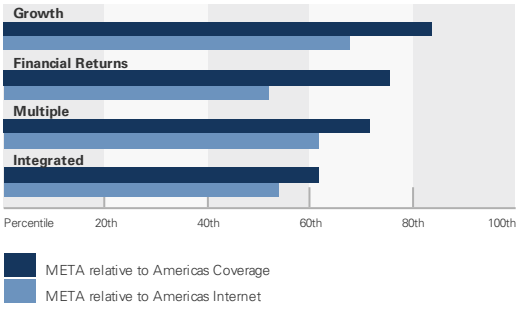
Market cap: $1.7tr
Enterprise value: $1.7tr
3m ADTV: $12.8bn
United States
Americas Internet
M&A Rank: 3

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue ($ mn)	200,965.0	257,184.8	315,885.8	374,132.2
EBITDA ($ mn)	101,892.0	114,811.7	157,440.5	215,557.3
EBIT ($ mn)	83,276.0	80,116.4	94,455.7	120,630.9
EPS ($)	23.49	28.84	31.02	37.49
P/E (X)	28.5	22.3	20.7	17.1
EV/EBITDA (X)	16.8	14.5	11.0	8.3
FCF yield (%)	2.7	0.4	(2.0)	0.1
Dividend yield (%)	0.3	0.3	0.3	0.3
Net debt/EBITDA (X)	0.2	0.3	0.5	0.5

	9/26	12/26E	3/27E	6/27E
EPS ($)	3.83	8.39	7.16	6.77

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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BUY

Meta Platforms Inc. (META)

Rating since Sep 12, 2021

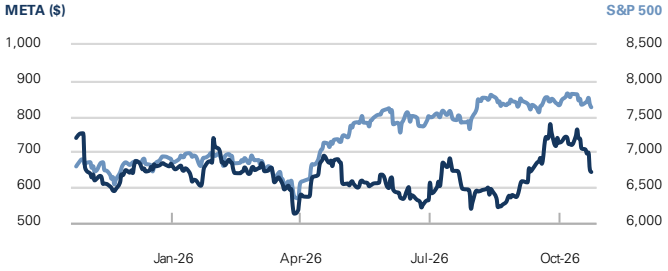
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	28.5	22.3	20.7	17.1
EV/EBITDA (X)	16.8	14.5	11.0	8.3
EV/sales (X)	8.5	6.5	5.5	4.8
FCF yield (%)	2.7	0.4	(2.0)	0.1
EV/DACF (X)	15.1	12.0	10.4	8.1
CROCI (%)	36.5	32.7	28.8	27.8
ROE (%)	30.2	28.9	23.9	22.8
Net debt/EBITDA (X)	0.2	0.3	0.5	0.5
Net debt/equity (%)	10.5	10.2	19.1	20.5
Interest cover (X)	71.5	21.4	18.2	20.5
Inventory days	NM	NM	NM	NM
Receivable days	33.4	32.3	30.7	26.7
Days payable outstanding	83.7	83.5	72.4	78.2

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	22.2	28.0	22.8	18.4
EBITDA growth	20.0	12.7	37.1	36.9
EPS growth	(2.1)	22.8	7.6	20.9
DPS growth	5.3	0.9	0.2	0.0
Gross margin	82.0	78.7	68.3	68.1
EBIT margin	41.4	31.2	29.9	32.2

Price Performance



	3m	6m	12m
Absolute	6.0%	(2.5)%	(12.4)%
Rel. to the S&P 500	3.0%	(9.1)%	(22.6)%

Source: FactSet. Price as of 23 Oct 2026 close.

Income Statement ($ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	200,965.0	257,184.8	315,885.8	374,132.2
Cost of goods sold	(36,174.0)	(54,696.2)	(99,979.7)	(119,169.0)
SG&A	(24,143.0)	(40,686.4)	(29,906.2)	(31,345.0)
R&D	(57,372.0)	(81,685.8)	(91,544.2)	(102,987.2)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**101,892.0**	**114,811.7**	**157,440.5**	**215,557.3**
Depreciation & amortization	(18,616.0)	(34,695.3)	(62,984.8)	(94,926.4)
EBIT	**83,276.0**	**80,116.4**	**94,455.7**	**120,630.9**
Net interest inc./(exp.)	2,657.0	(785.8)	800.9	(3,015.7)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**85,933.0**	**79,330.6**	**95,256.6**	**117,615.2**
Provision for taxes	(25,475.0)	(5,159.5)	(14,288.5)	(18,230.4)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**60,458.0**	**74,171.2**	**80,968.1**	**99,384.9**
Net inc. (post-exceptionals)	**60,458.0**	**74,171.2**	**80,968.1**	**99,384.9**
EPS (basic, pre-except) ($)	**23.98**	**29.11**	**31.27**	**37.79**
EPS (diluted, pre-except) ($)	**23.49**	**28.84**	**31.02**	**37.49**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	2.11	2.13	2.13	2.13
Div. payout ratio (%)	8.8	7.3	6.8	5.6
Wtd avg shares out. (basic) (mn)	2,521.0	2,548.2	2,589.3	2,629.7
Wtd avg shares out. (diluted) (mn)	2,574.0	2,572.0	2,610.3	2,650.7

Balance Sheet ($ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	35,873.0	70,913.6	25,144.7	11,394.7
Accounts receivable	19,769.0	25,700.0	27,370.0	27,435.1
Inventory	–	–	–	–
Other current assets	53,080.0	25,353.9	9,313.7	10,903.0
Total current assets	**108,722.0**	**121,967.5**	**61,828.4**	**49,732.7**
Net PP&E	196,804.0	319,954.2	487,265.7	642,786.5
Net intangibles	24,534.0	23,421.0	23,421.0	23,421.0
Total investments	27,524.0	32,624.0	32,624.0	32,624.0
Other long-term assets	8,437.0	23,093.0	23,093.0	23,093.0
Total assets	**366,021.0**	**521,059.6**	**628,232.1**	**771,657.2**
Accounts payable	8,894.0	16,131.7	23,528.6	27,527.8
Short-term debt	–	–	–	–
Current lease liabilities	2,213.0	2,522.0	2,522.0	2,522.0
Other current liabilities	30,729.0	44,991.4	52,413.5	62,983.0
Total current liabilities	**41,836.0**	**63,645.1**	**78,464.1**	**93,032.8**
Long-term debt	58,744.0	100,922.0	98,172.0	111,672.0
Non-current lease liabilities	22,940.0	28,651.0	28,651.0	28,651.0
Other long-term liabilities	25,258.0	32,493.8	40,080.9	48,986.8
Total long-term liabilities	**106,942.0**	**162,066.8**	**166,903.9**	**189,309.8**
Total liabilities	**148,778.0**	**225,711.8**	**245,368.0**	**282,342.6**
Preferred shares	–	–	–	–
Total common equity	**217,243.0**	**295,347.8**	**382,864.1**	**489,314.6**
Minority interest	–	–	–	–
Total liabilities & equity	**366,021.0**	**521,059.6**	**628,232.1**	**771,657.2**
BVPS ($)	85.88	114.98	146.73	184.69

Cash Flow ($ mn)

	12/25	12/26E	12/27E	12/28E
Net income	60,458.0	74,171.2	80,968.1	99,384.9
D&A add-back	18,616.0	34,695.3	62,984.8	94,926.4
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(885.0)	2,809.7	19,039.1	21,751.0
Others	37,611.0	31,430.0	26,943.0	28,290.2
Cash flow from operations	**115,800.0**	**143,106.2**	**189,935.0**	**244,352.4**
Capital expenditures	(69,691.0)	(136,737.2)	(223,387.4)	(242,933.8)
Acquisitions	(4,229.0)	(584.0)	–	–
Divestitures	–	–	–	–
Others	(28,083.0)	22,750.3	17,737.2	69.3
Cash flow from investing	**(102,003.0)**	**(114,571.0)**	**(205,650.2)**	**(242,864.5)**
Dividends paid	–	–	–	–
Share issuance/(repurchase)	–	–	–	–
Inc/(dec) in debt	29,906.0	44,910.0	(2,750.0)	13,500.0
Others	(51,719.0)	(38,404.6)	(27,303.7)	(28,737.9)
Cash flow from financing	**(21,813.0)**	**6,505.4**	**(30,053.7)**	**(15,237.9)**
Total cash flow	**(8,016.0)**	**35,040.6**	**(45,768.9)**	**(13,750.0)**
Free cash flow	46,109.0	6,368.9	(33,452.4)	1,418.6
Free cash flow per share (basic) ($)	18.29	2.50	(12.92)	0.54

Source: Company data, Goldman Sachs Research estimates.

California wealth tax) – our own view was that such scenarios (documented in this securities filing – link) demonstrated not financial forecasts but a range of possibilities that the Board analyzed to make its determination to proceed with the new class of shares.

Coming out of this earnings report, our investor conversations were centered around a few key themes/debates: (a) timing, magnitude & form of potential capital raises; & (b) further clarity on 2027 (& beyond) investment plans in support of AI. On the latter point, we currently project FY27/28 total GAAP expenses of ~$221bn / ~$254bn and total capex of ~$230bn / ~$250bn, respectively (i.e. a cumulative total GAAP expenses / capex investments of ~$475bn / ~$480bn, respectively, across the two years).

Over the long-term, we maintain our positive view & core thesis on META's shares - we continue to see META mgmt as focused squarely on the core building blocks of growth around operating themes at the intersection of AI and spatial computing across the existing Family of Apps, new standalone apps, and the hardware/software/platform potential around Reality Labs. Further, we see META as well-positioned against several long-term secular growth themes against the coverage universe. We reiterate our Buy rating and our 12-month PT of $885. Based on today's stock price of $634, META trades at ~20x / ~17x our 2027/28 GAAP EPS estimates (ex-cash), respectively. We make no changes to our forward estimates with this note and these multiples make no adjustment for any additional funds which might be raised (including the offerings announced this morning).

Valuation & Key Risks:

Our $885 (unchanged) 12-month price target is based on an equal blend of (1) 26.0x EV/GAAP EBIT (unchanged) applied to our NTM + 1 year estimates and (2) a modified DCF using 45.0x EV/FCF-SBC (unchanged) applied to our NTM + 4 years estimates discounted back 3 years at 12% (unchanged). The discount rate represents CAPM using the blended average of companies within our coverage universe consisting of: (1) 3% risk free rate (based on the normalized 10-year rate); (2) average beta of ~1.3; (3) equity risk premium of 7%. Key risks to our Buy rating include: 1) Competition for user growth, user engagement & advertising dollars across an array of incumbent and emerging Internet, media and commerce companies; 2) Large investments in long-tailed initiatives depress operating margins for longer than we forecast; 3) No/low levels of incremental shareholder returns going forward; 4) Regulatory scrutiny and industry practices altering the business model's prospects; 5) Potential antitrust scrutiny could prove to be a headwind to M&A aspirations (to add talent and product innovation inorganically) and/or result in a break-up or dis-synergies of prior period M&A activity; & 6) Inability to monetize upside opportunities (messaging layer, social commerce/shopping, AI [including Muse] and Reality Labs). In addition, Meta is exposed to volatility caused by the global macroeconomic environment & investor risk appetite for growth stocks.

