AZ STOCKS
Stocks from A to Z

Meta Platforms

One of the best cash-generating machines in the world, in the middle of the biggest investment bet in its history

DEEP DIVE

November 2026

COMPANY PROFILE

Meta Platforms

THESIS

Meta is no longer just a social network: it is one of the companies investing the most in artificial intelligence in the world. In this report I assess the quality of its advertising business, the cost of its long-term bets and what the company is really worth.

THE COMPANY

Meta Platforms develops products that let people connect and share content. It operates in two segments: Family of Apps (Facebook, Instagram, Messenger and WhatsApp), which generates practically all revenue through advertising, and Reality Labs.

Reality Labs concentrates the long-term bets on virtual reality, augmented reality and wearables, and still runs significant losses.

TARGET PRICE
USD 687

UPSIDE / DOWNSIDE
+11.2%

SECTOR
Technology

EXCHANGE
NASDAQ

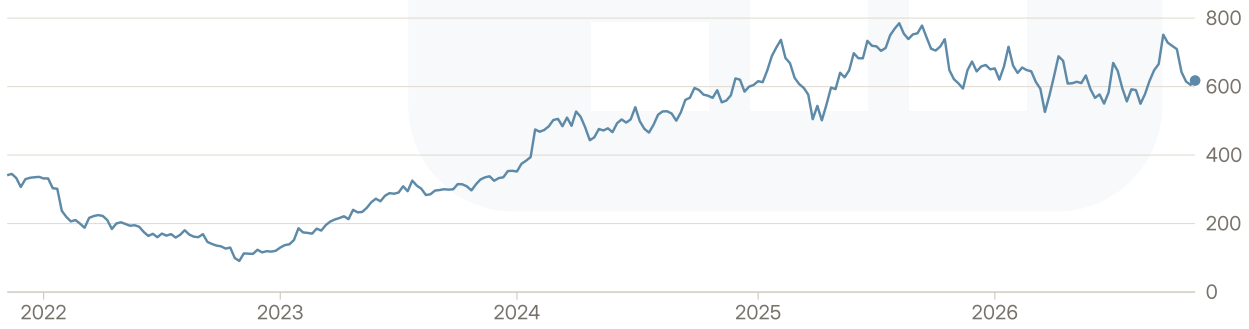
CURRENCY
USD

LAST UPDATED
November 2026

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 617.66	520.26 – 779.82	+81%	1.28

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

There is a small group of companies I consider my *flagships*: practically permanent positions in my portfolio, the kind I plan to hold until retirement (as long as the thesis does not change along the way, of course).

Meta is one of them.

Let's take a detailed look at this tech giant.

Meta Platforms, Inc. is an American technology company that develops products and services that let people connect and share content with friends, family and communities through mobile devices, personal computers, virtual and mixed reality headsets, augmented reality and wearables around the world.

The company operates through two main segments: **Family of Apps (FoA)** and **Reality Labs (RL)**.

The **Family of Apps** segment includes **Facebook**, which lets users build communities and share content through the feed, reels, stories, groups, marketplace and other features; **Instagram**, which brings people together through posts, stories, reels, live broadcasts and messaging; **Messenger**, a messaging app for text, audio and video calls between people, communities and businesses; **Threads**, focused on text updates and public conversations; and **WhatsApp**, a messaging platform used globally by individuals and businesses to communicate and transact privately and securely.

The **Reality Labs** segment focuses on products and experiences related to **virtual, augmented and mixed reality**, including hardware, software and content designed to enable new forms of digital and immersive connection.

The company was founded in **2004** as **Facebook, Inc.** and in **October 2021** changed its name to **Meta Platforms, Inc.**, reflecting its strategic shift toward building the **metaverse**. It is headquartered in **Menlo Park, California**.

History

Meta's history is, in many ways, the history of how the way the world connects has evolved.

It all began in **2004**, when **Mark Zuckerberg** launched **Facebook** from his Harvard dorm room. What started as a university network quickly became a global phenomenon, redefining how people shared their lives online.

In **2011**, Facebook took a key step with the launch of **Messenger**, separating messaging to boost direct communication between users. A year later, in **2012**, it acquired **Instagram**, consolidating its dominance in visual social networks just as smartphone use was taking off.

2014 was a decisive year: Facebook bought **WhatsApp**, the most popular messaging app in the world, and **Oculus VR**, its first big bet on virtual reality and the future of the metaverse. Two years later, in **2016**, it launched **Workplace**, a tool for business collaboration.

In **2021**, the company made a historic turn and changed its name from **Facebook, Inc.** to **Meta Platforms, Inc.** The new name reflected a broader vision: to go from being a social network to a company building the next evolution of digital connectivity, the **metaverse**.

Since then, Meta has kept expanding. In **2023** it launched **Threads**, its text-based public conversation platform, and it has continued to deepen immersive experiences through its **virtual and augmented reality** products under the **Reality Labs** brand.

Today, Meta brings together billions of people through **Facebook, Instagram, WhatsApp, Messenger, Threads** and its extended reality devices. What began as a university network has become one of the most influential technology ecosystems on the planet.



Source: Meta.

SECTION 02

Business model

Meta Platforms' business model is structured around **two large operating segments**: *Family of Apps (FoA)* and *Reality Labs (RL)*. Each plays a different role in the company's strategy and creates value in very different ways.

Family of Apps (FoA)

FoA is the heart of Meta's business and accounts, by a wide margin, for most of the company's revenue and profit. This segment brings together the most widely used social and messaging platforms in the world, which operate on a mainly advertising-based model.

It includes the following products:

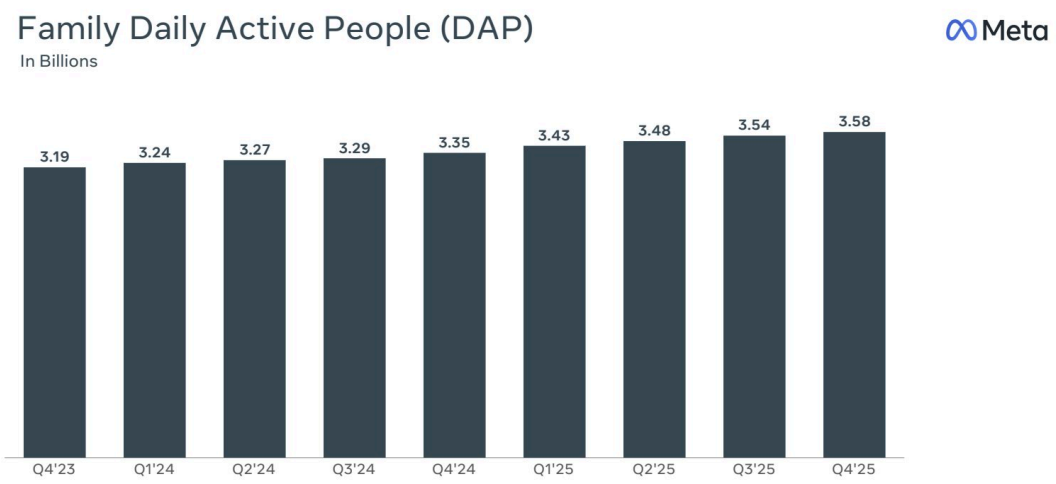
- **Facebook:** the company's original social network. Users can create communities, share content in the *feed* and interact through *reels*, *stories*, groups, marketplace and other features. It is a mature but still massive platform with a high level of monetization.
- **Instagram:** today one of the pillars of the ecosystem. It combines visual content, *stories*, *reels*, live broadcasts and messaging. It is one of Meta's main sources of advertising growth, especially among younger audiences and e-commerce advertisers.
- **Messenger:** Meta's messaging app, with text, audio and video calls. It also includes features for businesses, conversational commerce and automation through bots.
- **WhatsApp:** the most widely used messaging app in the world. Its focus is private, secure, cross-platform communication. Although it has historically been lightly monetized, Meta is pushing revenue models through WhatsApp Business, catalogs, payments and business tools.
- **Threads:** the text-based social network for public conversations, integrated with Instagram. It aims to compete in microblogging, expanding the Meta ecosystem's presence across content surfaces.

FoA's revenue model is mostly based on **personalized digital advertising**, supported by Meta's massive user scale and targeting capabilities. This segment generates very high operating margins, which have historically funded much of the company's long-term investments.

Key metrics

Meta reports a set of operating metrics that help evaluate the performance of its platform, especially within FoA. The main ones are:

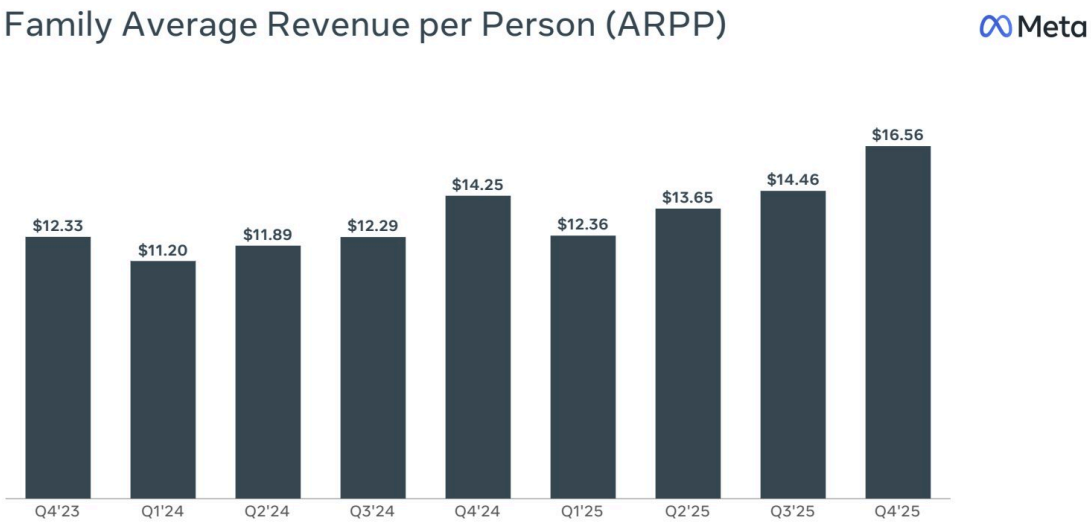
- **DAP / DAU (Daily Active People / Daily Active Users):** the number of people who use at least one FoA product each day. It is a key metric because it captures the frequency and advertising value of the ecosystem.



Source: Meta Q4 2025 earnings presentation.

DAP shows steady growth in the scale of Meta's ecosystem. From **3.19 billion daily users in Q4 2023**, the company expanded its base to **3.58 billion in Q4 2025**, a sustained increase over the last two years. This growth reflects both the resilience of Meta's platforms and their ability to keep high retention and engagement in mature markets, while still adding users in regions with greater expansion potential. It also highlights the strength of the FoA model, where even moderate increases in daily users translate into a significant increase in ad inventory and, therefore, in monetization potential.

- **MAP / MAU (Monthly Active People / Monthly Active Users):** monthly active users. It gives a view of global scale and penetration.
- **ARPP (Average Revenue Per Person):** essential to assess monetization capacity by region.



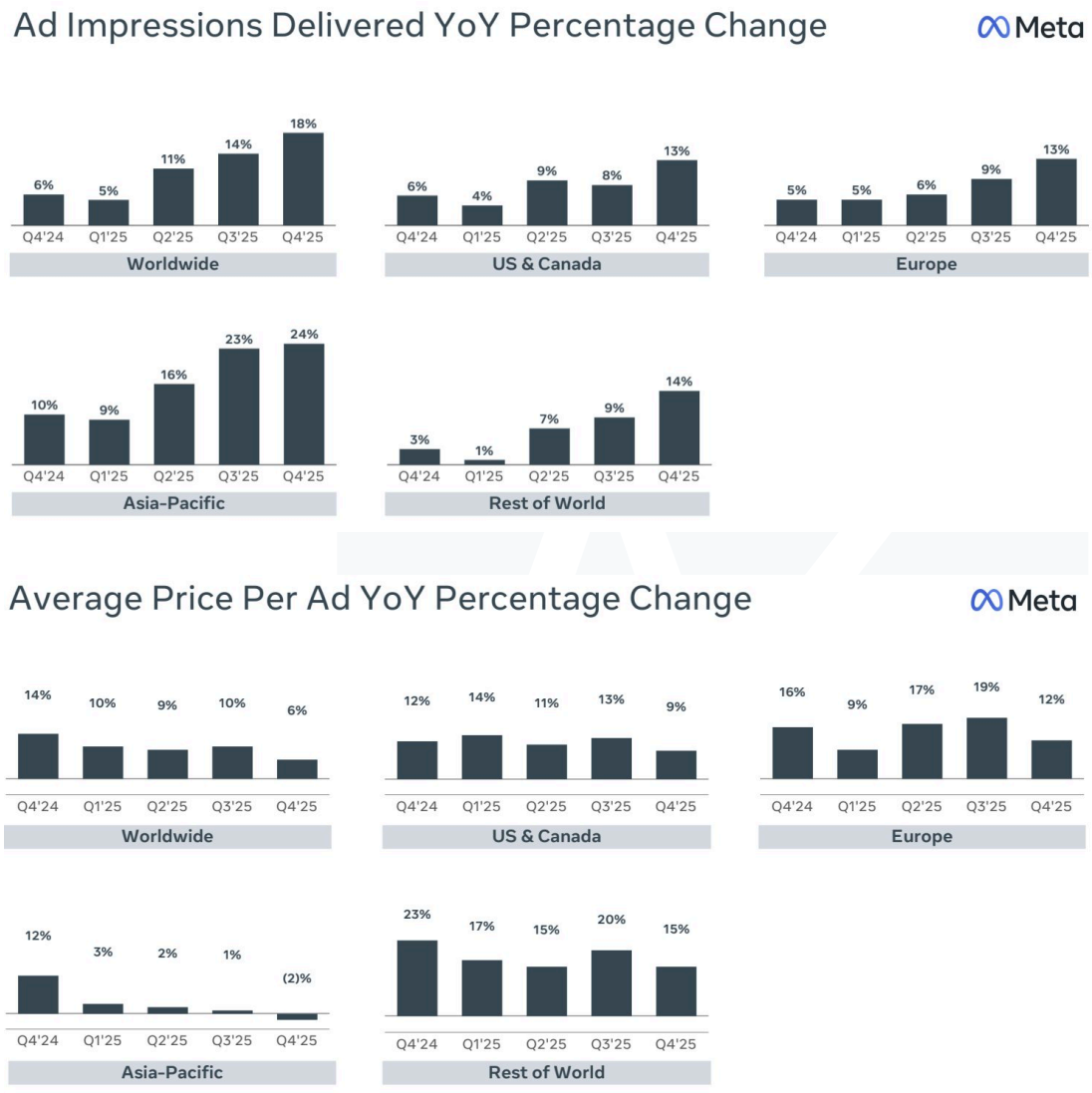
Source: Meta Q4 2025 earnings presentation.

ARPP shows an upward trend over the period, reflecting the steady improvement in the monetization capacity of Meta's ecosystem. From **USD 12.33 in Q4 2023**, the company raised average revenue per person to **USD 16.56 in Q4 2025**, driven mainly by stronger advertising demand, AI-based targeting improvements and the expansion of high-performing formats such as Reels and ads in messaging.

There is the usual seasonality, with peaks in the fourth quarters driven by holiday campaigns, but the underlying trend is clearly positive. ARPP growth is especially relevant in developed markets, where small increases in monetization per user have a significant impact on total revenue because of FoA's huge user base.

The combination of both trends (DAP and ARPP) creates a multiplier effect: **more people active every day, each generating more revenue**, which pushes total revenue growth above purely demographic growth.

- **Impressions and price per ad:** they show the advertising volume served and the evolution of commercial performance.



Source: Meta Q4 2025 earnings presentation.

Impressions and price per ad show how Meta's commercial performance is evolving by region. Over the last year, **impression** growth was positive in practically every geography, driven by higher engagement (especially in short-form video like Reels) and more efficient ad delivery. **Asia-Pacific**

stands out, reaching **+24% YoY in Q4 2025** and becoming the region with the largest expansion in ad volume. **US & Canada, Europe and Rest of World** accelerated to growth rates of 13% or 14% YoY, reflecting solid and diversified demand.

The **average price per ad** also rose steadily over the period. Globally, Meta posted double-digit improvements in most quarters, driven by more sophisticated AI bidding and targeting systems and a stronger advertising environment. Europe stands out with increases of up to **+12% YoY**, while **US & Canada** held at **+9% YoY**. Even historically more price-sensitive regions, such as **Rest of World**, showed significant progress by Q4 2025, reaching **+15% YoY**.

The combination of **more impressions** and **higher prices per ad** reinforces Meta's ability to keep growing advertising revenue. It shows not only the operating strength of FoA but also the direct impact of more advanced AI models on advertiser performance.

- **Engagement:** not always reported explicitly but inferred by surface (time on Reels, Stories usage, video consumption, etc.).

Reality Labs (RL)

Reality Labs is Meta's strategic bet on **virtual (VR), augmented (AR) and mixed reality (MR)**. Unlike FoA, it is an emerging, long-term segment with a heavy investment burden.

It includes:

- **Hardware:** devices such as the Meta Quest line (VR/MR) and the smart glasses developed with Ray-Ban.
- **Software and platforms:** Horizon Worlds and other immersive social environments.
- **Content ecosystem:** apps, games, experiences and developers building on Meta's hardware.

Reality Labs aims to position the company as a leader in spatial computing and the next generation of technology interfaces. Its monetization is limited today and it runs significant losses because of the investment required, but Meta considers it strategic for the future.

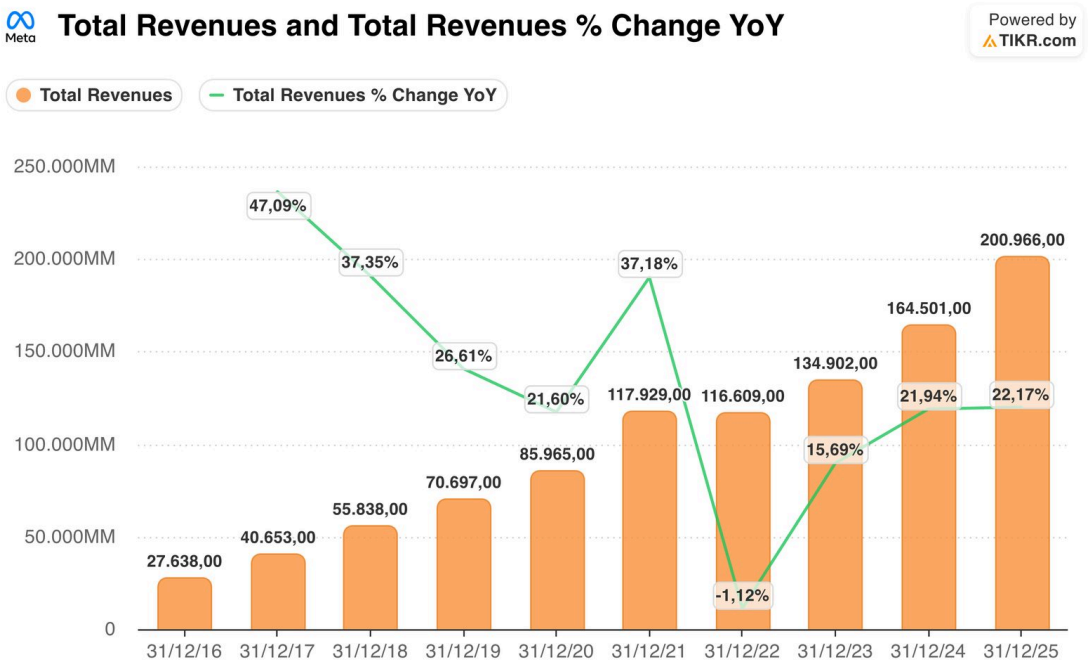
The **key metrics** for Reality Labs are hardware revenue, ecosystem adoption and investment levels, since there is no standard metric comparable to FoA engagement yet.

In 2026 Meta expects Reality Labs to lose between USD 18 and 19 billion, somewhat less than in 2025, and said losses should fall to about USD 15 billion in 2027 as investment shifts toward artificial intelligence. Smart glasses with Ray-Ban and Oakley are, for now, the segment's product with the best traction.

SECTION 03

Business quality

Revenue



Source: Tikr.

Between 2015 and 2021, Meta grew at an exceptional pace. Revenue went from **USD 17.9B** to almost **USD 118B**, with annual growth rates that exceeded 50% at times. This stage reflects the huge scaling of Facebook, Instagram and its global advertising business.

2022 brought the only contraction of the period, a **1.12%** decline. It was a difficult year for the whole digital industry: weaker ad demand, post-pandemic normalization, regulatory pressure and the first effects of Apple's privacy change. The decline was moderate given the size of the business, but it marked a turning point.

The recovery started in 2023. Revenue grew strongly again, first **+15.69%** and then a solid **+21.94%** in 2024, reaching **USD 164.5B**. The rebound reflects operating improvements, tighter cost control and better monetization on platforms like Instagram and Reels.

In 2025 the acceleration continued. Revenue reached USD 200.97B, up 22.17%, practically the same rate as 2024, which is remarkable for a company of this size. For the first time in its history, Meta passed USD 200B in revenue, consolidating its position as one of the largest and most profitable advertising platforms in the world.

Overall, the trend confirms that Meta has reached a size and maturity that slow the explosive growth of the past, but it keeps the ability to grow consistently and profitably at double-digit rates, with an extremely solid base of users and advertisers.

REVENUE BY SEGMENT

	Year Ended December 31,			2024 vs 2023 % change	2023 vs 2022 % change
	2024	2023	2022		
	(in millions, except percentages)				
Advertising	$ 160,633	$ 131,948	$ 113,642	22 %	16 %
Other revenue	1,722	1,058	808	63 %	31 %
Family of Apps	162,355	133,006	114,450	22 %	16 %
Reality Labs	2,146	1,896	2,159	13 %	(12)%
Total revenue	$ 164,501	$ 134,902	$ 116,609	22 %	16 %

Source: Meta 2024 10-K.

Meta's revenue showed a solid recovery in 2023 and 2024, driven mainly by the improving advertising business and operating efficiency in the Family of Apps. The most relevant moves by segment were:

1. Family of Apps: broad and consistent growth

Combining advertising and other revenue, Facebook, Instagram, WhatsApp and Messenger together show a clear recovery trend:

- **+16% in 2023**,
- **+22% in 2024**.

The rebound is explained by more impressions served, better monetization per ad and a steady increase in active users in every geography.

In the last year it accounted for almost 99% of total sales.

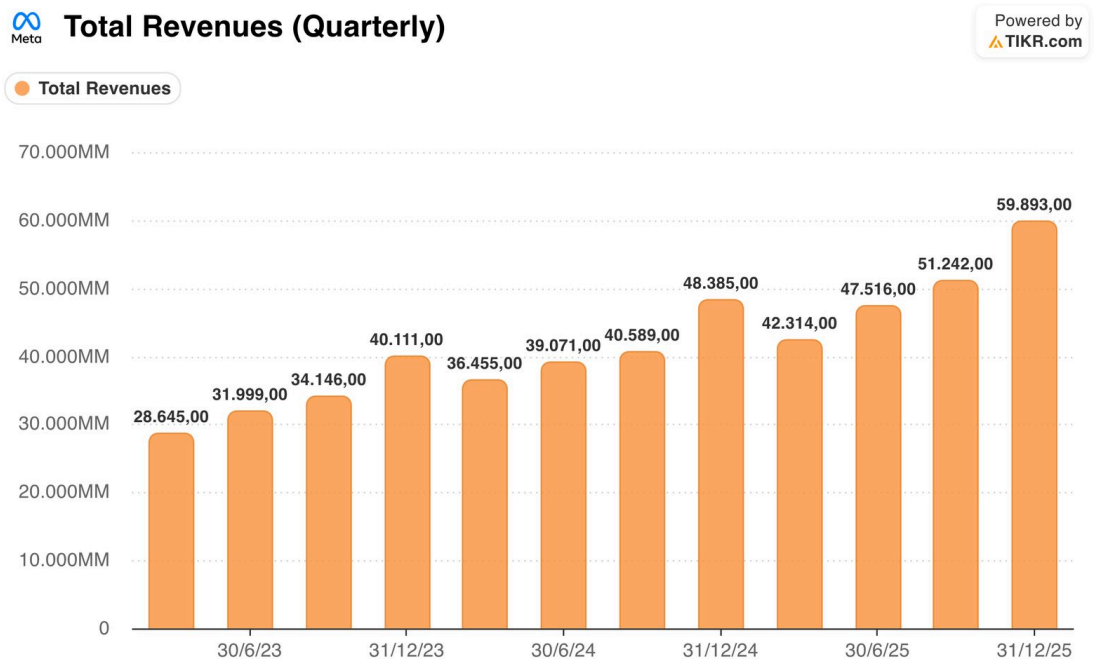
2. Reality Labs: continued pressure and volatile growth

The segment focused on immersive technologies (VR/AR and the metaverse) remains a small but strategic part of the business:

- **-12% in 2023**, explained by weaker hardware demand and delayed upgrade cycles.
- **+13% in 2024**, a moderate rebound but still not enough to reverse the trend of structural operating losses.

Reality Labs is still a long-term bet, and its impact on total revenue remains marginal compared with the Family of Apps.

SEASONALITY



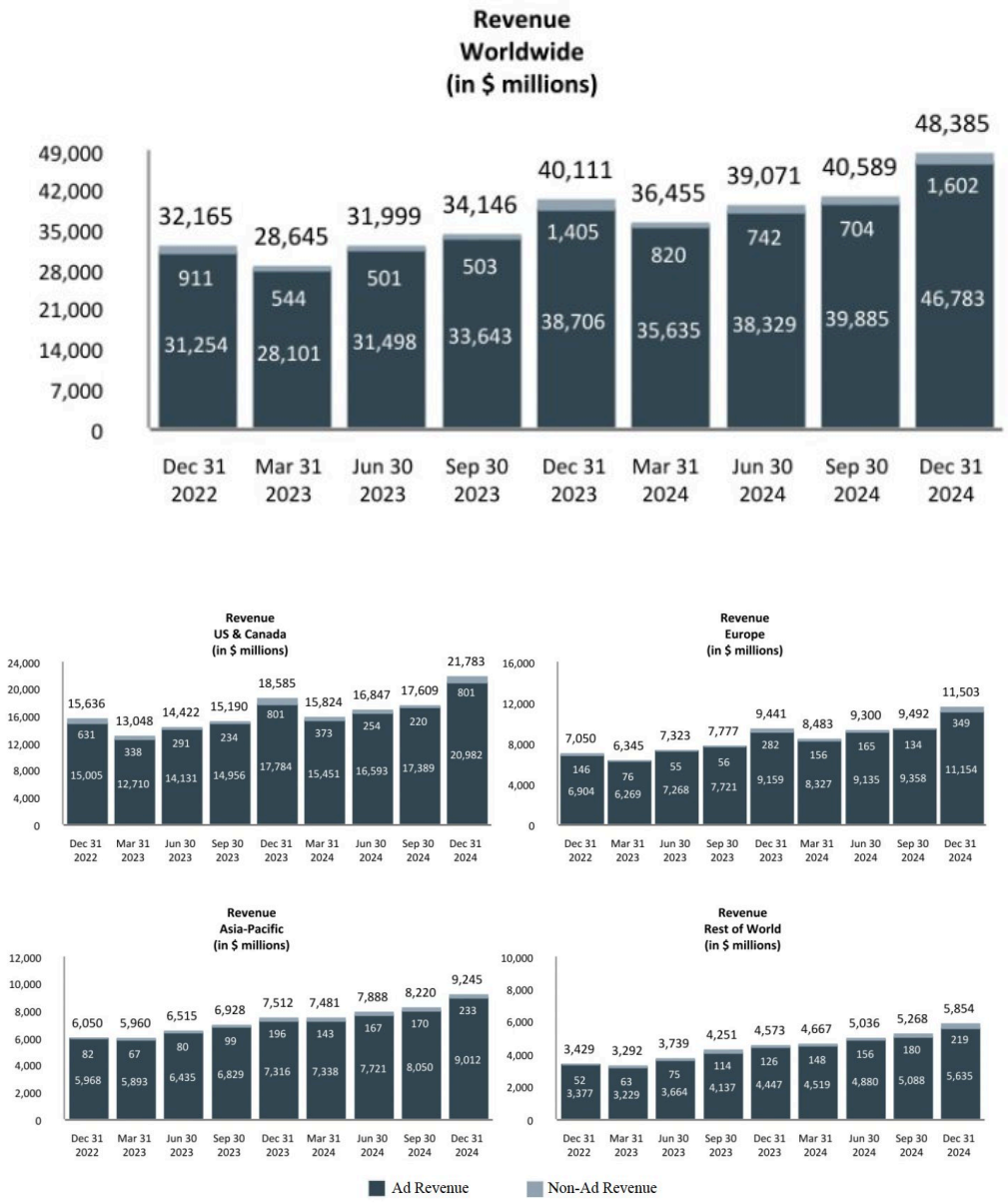
Source: Tikr.

Meta's revenue shows marked seasonality throughout the year, a common pattern in digital advertising. The **fourth quarter** is usually the strongest, driven by higher ad spending during the holidays and events like Black Friday, Cyber Monday and Christmas. In this period both e-commerce advertisers and large brands step up their campaigns, which leads to more impressions, better prices per ad and higher ARPP.

By contrast, the **first quarter** tends to be the weakest. After the year-end consumption peak, companies cut advertising and adjust budgets, causing a seasonal drop in demand and monetization. This pattern shows up consistently year after year in Meta's main indicators, including ARPP, impressions, price per ad and total revenue.

Meta's quarterly revenue should be read with this structural seasonality in mind: **Q4 is the annual peak and Q1 the low point**, while the rest of the year reflects a gradual normalization in ad spending.

REVENUE BY USER GEOGRAPHY



Source: Meta.

A closer look at user geography reveals significant differences in revenue mix and monetization potential. Dependence on advertising and market maturity are the key factors that distinguish each region's growth profile:

1. US & Canada: the profitability engine

This region is, without question, Meta's **most valuable and mature market**.

- **Advertising dominance: ad revenue** is overwhelmingly dominant. Despite a more stable user base (typical of a saturated market), monetization per user is unmatched.

- **Amplified seasonality:** seasonality is clearest in this market. The jump from Q3 2024 ($17,609M) to **Q4 2024 ($21,783M)** is the sharpest of all, reflecting the power of North American holiday e-commerce spending.

2. Europe: solid, but more sensitive to regulation

Europe remains the second-largest market, offering a solid and predictable revenue base. It is usually the region most exposed to regulatory changes (such as GDPR or the *Digital Markets Act*), which can create headwinds for Meta's ability to collect data and target ads, potentially hurting monetization efficiency.

3. Asia-Pacific: the user growth lever

Asia-Pacific is key for the long-term growth story, although its per capita monetization is still low compared with the West.

- **Volume over price:** total revenue is high, but the region contributes mainly to the growth of the **user base and activity**. Revenue per user is much lower than in the US and Europe, so the profitability of the *next user* is lower.
- **Future opportunity:** growth potential lies in Meta's ability to **improve the ad infrastructure** and raise ad prices as local economies mature and digital ad spending increases.

4. Rest of World: untapped potential

This category, which includes Africa, Latin America and other areas, is the least monetized.

- **Less mature advertising:** its revenue contribution is the smallest of the four, reflecting less mature digital ad investment and lower purchasing power.
- **Non-advertising component:** there is a small but growing share of **non-ad revenue**, which may be related to virtual reality services and hardware sales (such as Quest) in emerging markets.

Meta's strategy is not uniform. It depends on monetization strength in US/Canada and Europe for short-term profitability, and on raising revenue per user in Asia-Pacific and Rest of World for long-term growth.

Latest results: third quarter of 2026

On October 21 Meta reported its third-quarter results. The advertising business keeps running at an impressive pace for a company of this size:

- **Revenue:** USD 64.6 billion, **+26% year over year**, above market expectations.
- **Ad impressions:** +10%. **Average price per ad:** +14%. Both volume and the value of each ad are growing, largely thanks to better AI recommendation and targeting models.
- **Users:** 3.64 billion daily active people across the family of apps (+3%).
- **Operating income:** USD 13.0 billion, a 20% margin. This figure includes a **USD 9.89 billion legal charge** for the August agreement with 52 US state attorneys general. Excluding the charge, EPS would have been USD 7.40.

- **Family of Apps:** operating income of USD 17.1 billion. **Reality Labs:** operating loss of USD 4.1 billion.
- **CapEx:** USD 34.9 billion in the quarter, more than operating cash flow (USD 32.8 billion). **Free cash flow was negative for the first time in many years** (-USD 2.1 billion) and there were no buybacks.
- **Headcount:** 66,775 employees, 15% fewer than a year earlier.

For the fourth quarter Meta expects revenue of USD 73-76 billion. For 2026 it raised its total expense guidance to USD 175-179 billion (including the legal charge) and set **CapEx at USD 135-145 billion**, more than double 2025. It gave no figures for 2027, but said it expects to sustain strong revenue growth and to keep investing aggressively in AI.

The other important news is the creation of a **new non-voting Class C stock**, to be distributed in January 2027 as a stock dividend: one Class C share for each Class A or B share. In practice it works like a 2-for-1 split, and it gives the company a currency for issuance, compensation and acquisitions without diluting Zuckerberg's control. **All per-share figures in this report are stated before that distribution.**

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(13.7%)	(13.4%)	(16.8%)	(18.1%)	(19.4%)	(19.2%)	(20.4%)	(19.2%)	(18.3%)	(18.0%)	**(18.5%)**	**(19.0%)**
Gross Profit	**86.3%**	**86.6%**	**83.2%**	**81.9%**	**80.6%**	**80.8%**	**79.6%**	**80.8%**	**81.7%**	**82.0%**	**81.5%**	**81.0%**
Selling General & Admin Expenses	(19.9%)	(17.8%)	(20.2%)	(21.7%)	(21.1%)	(20.2%)	(22.0%)	(17.6%)	(12.8%)	(12.0%)	**(14.1%)**	**(16.9%)**
R&D Expenses	(21.4%)	(19.1%)	(18.4%)	(19.2%)	(21.5%)	(20.9%)	(28.8%)	(28.5%)	(26.7%)	(28.5%)	**(27.9%)**	**(26.7%)**
Total Operating Expenses	**(41.3%)**	**(36.9%)**	**(38.6%)**	**(40.9%)**	**(42.6%)**	**(41.1%)**	**(50.9%)**	**(46.1%)**	**(39.5%)**	**(40.6%)**	**(42.1%)**	**(43.6%)**
Operating Income	**45.0%**	**49.7%**	**44.6%**	**41.0%**	**38.0%**	**39.6%**	**28.8%**	**34.7%**	**42.2%**	**41.4%**	**39.4%**	**37.3%**
Interest Expense	(0.0%)	(0.0%)	–	–	–	(0.0%)	(0.2%)	(0.3%)	(0.4%)	(0.6%)	**(0.4%)**	**(0.3%)**
EBT Incl. Unusual Items	**45.3%**	**50.7%**	**45.4%**	**35.1%**	**38.6%**	**40.1%**	**24.7%**	**35.2%**	**43.0%**	**42.8%**	**40.3%**	**37.1%**
Income Tax Expense	(8.3%)	(11.5%)	(5.8%)	(8.9%)	(4.7%)	(6.7%)	(4.8%)	(6.2%)	(5.0%)	(12.7%)	**(8.0%)**	**(7.1%)**
Net Income	**37.0%**	**39.2%**	**39.6%**	**26.1%**	**33.9%**	**33.4%**	**19.9%**	**29.0%**	**37.9%**	**30.1%**	**32.3%**	**30.1%**
EBITDA	53.4%	57.1%	52.3%	49.1%	46.0%	46.4%	36.2%	42.9%	51.6%	50.7%	**48.4%**	**45.6%**

Source: author's analysis based on Tikr data.

Although 2025 gross margin stayed around **82%**, in line with 2024, it is still clearly below Meta's best years (2016 and 2017). The main explanation is that between 2016 and 2025 the company went from being a relatively light platform to literally becoming a global infrastructure company. It now operates at a very different scale: larger user bases, explosive growth in video consumption (much more expensive to store, process and distribute than images or text), heavier AI processing loads and rising energy costs. All of this raises cost of revenue and lowers gross margin.

In addition, in 2016 Meta was essentially a software business. Reality Labs did not exist yet. Its addition not only pressures operating expenses but also affects gross margin, since hardware typically carries much lower margins. Moving from a "pure software" model to a mixed one with hardware dilutes gross margin.

Where strategic changes show most clearly is in **operating margin**.

In 2021 Meta reached a very solid 39.65%. In 2022, however, margin collapsed to 28.78%, the lowest level of the decade.

The causes were clear:

- a sharp increase in R&D, driven by Reality Labs and the metaverse bet,
- higher sales and administrative expenses,
- headcount growth,
- and a tough revenue backdrop (lower ARPP and weaker ad demand).

The response was a radical shift toward efficiency (the famous "Year of Efficiency" declared by Mark Zuckerberg), and the results are clear:

- **2023**: operating margin rebounded to 36.33%, driven by layoffs, rationalization of projects and much stricter cost discipline.
- **2024**: the recovery continued to 41.47%, back to levels comparable with 2020-2021.
- **2025**: the trend consolidated, with an operating margin of **41.44%**. This confirms that Meta not only recovered its lost efficiency but surpassed it, while absorbing the huge increase in AI infrastructure CapEx without sacrificing operating profitability.

Net margin followed the same path. In 2021 it was a healthy 33.20%, but in 2022 it fell to 19.90% because of lower ad revenue, higher costs and pressure across several expense lines. The rebound was remarkable:

- **2023**: 28.98%, +900 bps vs. 2022.
- **2024**: 37.91%, the highest level in recent years.
- **2025**: **30%**, a slight compression from 2024, explained mainly by a sharp increase in the effective tax rate that year, not by operating deterioration.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Cash And Short Term Investments	**45.3%**	**49.3%**	**42.2%**	**41.1%**	**38.9%**	**28.9%**	**21.9%**	**28.5%**	**28.2%**	**22.3%**	**26.3%**	**26.0%**
Total Receivables	**6.1%**	**6.9%**	**7.8%**	**7.1%**	**7.1%**	**8.5%**	**7.3%**	**7.0%**	**6.2%**	**5.4%**	**6.2%**	**6.9%**
Total Current Assets	**53.0%**	**57.5%**	**51.9%**	**49.7%**	**47.5%**	**40.2%**	**32.1%**	**37.2%**	**36.2%**	**29.7%**	**34.4%**	**35.1%**
Net Property Plant And Equipment	13.2%	16.2%	25.4%	33.6%	34.5%	42.2%	49.6%	47.9%	49.4%	53.8%	**50.3%**	**48.6%**
Long-term Investments	–	–	–	0.1%	3.9%	4.1%	3.3%	2.7%	2.2%	7.5%	**4.1%**	**4.0%**
Goodwill	27.9%	21.6%	18.8%	14.0%	12.0%	11.6%	10.9%	9.0%	7.5%	6.7%	**7.7%**	**9.1%**
Other Intangibles	3.9%	2.2%	1.3%	0.7%	0.4%	0.4%	0.5%	0.3%	0.3%	1.0%	**0.6%**	**0.5%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**4.4%**	**4.4%**	**7.2%**	**11.3%**	**9.4%**	**12.7%**	**14.6%**	**13.9%**	**12.2%**	**11.4%**	**12.5%**	**13.0%**
Long-Term Debt	–	–	–	–	–	–	5.3%	8.0%	10.4%	16.0%	**11.5%**	**8.0%**
Capital Leases	–	–	–	7.1%	6.0%	7.7%	8.2%	7.5%	6.6%	6.5%	**6.9%**	**7.3%**
Total Liabilities	**8.9%**	**12.0%**	**13.6%**	**24.2%**	**19.5%**	**24.8%**	**32.3%**	**33.3%**	**33.8%**	**40.6%**	**35.9%**	**33.0%**
Total Equity	**91.1%**	**88.0%**	**86.4%**	**75.8%**	**80.5%**	**75.2%**	**67.7%**	**66.7%**	**66.2%**	**59.4%**	**64.1%**	**67.0%**
Total Debt	**–**	**–**	**0.5%**	**7.7%**	**6.7%**	**8.4%**	**14.3%**	**16.2%**	**17.8%**	**23.2%**	**19.1%**	**16.0%**
Net Debt	(45.3%)	(49.3%)	(41.7%)	(33.4%)	(32.2%)	(20.6%)	(7.6%)	(12.3%)	(10.4%)	1.0%	**(7.2%)**	**(10.0%)**

Source: author's analysis based on Tikr data.

The first conclusion when looking at Meta's balance sheet is that it is very solid. It really is a great balance sheet. But over the last five years a clear pattern appears: the company's financial structure has become heavier, more intensive in fixed assets and with more liabilities.

In 2021-2025, current assets lost weight in the total, going from about 40% to 29%. Within that block, cash and short-term investments stood at around 22% in 2025, still far from 2016-2018, when cash represented more than 45% of the balance sheet. The company still has a very solid liquidity position, but it is no longer the ultra-light business it used to be.

Most of the change is explained by the steady growth of property, plant and equipment. In 2016 it represented 13% of assets; by 2025 it was more than **53.77%**. This jump is not incidental: it reflects a long-term investment plan that Meta has been executing since 2018 and that accelerated sharply in 2024 and 2025 with the shift toward an ecosystem dominated by video, artificial intelligence and ever more intensive computing. Servers, data centers, internal networks, specialized equipment and AI hardware are now key components of the business.

On the liabilities side, the most relevant change is long-term debt: Meta went from operating without debt for more than a decade to carrying financial liabilities that, while still manageable, reflect a more sophisticated financial strategy: funding buybacks, optimizing the cost of capital and keeping flexibility during years of extreme CapEx.

Equity as a share of the balance sheet has clearly decreased, ending 2025 at around **59.33%**, largely because of the huge volume of buybacks. This does not weaken the financial position, but it shows a strategic change: Meta no longer accumulates cash as before; it reinvests it (in servers and infrastructure) or returns it to shareholders.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Net Income	**37.0%**	**39.2%**	**39.6%**	**26.1%**	**33.9%**	**33.4%**	**19.9%**	**29.0%**	**37.9%**	**30.1%**	**32.3%**	**30.1%**
Total Depreciation & Amortization	**8.5%**	**7.4%**	**7.7%**	**8.1%**	**8.0%**	**6.8%**	**7.4%**	**8.3%**	**9.4%**	**9.3%**	**9.0%**	**8.2%**
Stock-Based Compensation	11.6%	9.2%	7.4%	6.8%	7.6%	7.8%	10.3%	10.4%	10.1%	10.2%	**10.2%**	**9.8%**
Cash from Operations	**58.3%**	**59.6%**	**52.4%**	**51.4%**	**45.1%**	**48.9%**	**43.3%**	**52.7%**	**55.5%**	**57.6%**	**55.3%**	**51.6%**
Capital Expenditure	(16.2%)	(16.6%)	(24.9%)	(21.4%)	(17.6%)	(15.8%)	(26.7%)	(20.0%)	(22.6%)	(34.7%)	**(25.8%)**	**(24.0%)**
Cash Acquisitions	(0.4%)	(0.3%)	(0.2%)	(0.7%)	(0.5%)	(0.7%)	(1.1%)	(0.5%)	(0.2%)	(2.1%)	**(0.9%)**	**(0.9%)**
Cash from Investing	**(42.7%)**	**(49.5%)**	**(20.8%)**	**(28.1%)**	**(35.0%)**	**(6.4%)**	**(24.8%)**	**(18.2%)**	**(28.7%)**	**(50.8%)**	**(32.5%)**	**(25.8%)**
Total Debt Issued	**–**	**–**	**0.9%**	**–**	**–**	**–**	**8.5%**	**6.3%**	**6.3%**	**14.9%**	**9.2%**	**7.2%**
Total Debt Repaid	**(1.1%)**	**–**	**–**	**(1.1%)**	**(0.7%)**	**(0.6%)**	**(0.7%)**	**(0.8%)**	**(1.2%)**	**(1.3%)**	**(1.1%)**	**(0.9%)**
Repurchase of Common Stock	(0.0%)	(12.8%)	(28.8%)	(9.2%)	(11.4%)	(42.4%)	(27.1%)	(19.9%)	(26.7%)	(22.2%)	**(22.9%)**	**(27.7%)**
Common Dividends Paid	–	–	–	–	–	–	–	–	(3.1%)	(2.6%)	**(1.9%)**	**(1.1%)**
Cash from Financing	**(1.1%)**	**(12.9%)**	**(27.9%)**	**(10.3%)**	**(12.0%)**	**(43.0%)**	**(19.0%)**	**(14.5%)**	**(24.8%)**	**(10.1%)**	**(16.5%)**	**(22.3%)**
Free Cash Flow	42.0%	43.0%	27.5%	30.0%	27.4%	33.1%	16.5%	32.7%	32.9%	22.9%	**29.5%**	**27.6%**

Source: author's analysis based on Tikr data.

Meta's cash flow shows a company that, despite extreme investment cycles and regulatory pressure, keeps a very solid capacity to generate operating cash.

Cash from operations has historically been very high, usually **45-60% of revenue**, which is extraordinary for a company that is increasingly infrastructure-intensive. **2025 ended at 57.62% of revenue**, one of the highest levels of the decade, confirming that the operating business is at its historical best.

The real structural change appears in investing cash flow. From 2020, and especially between 2021 and 2025, the exponential growth of CapEx, mainly for **data centers, servers with accelerators (GPUs), AI infrastructure and the metaverse**, completely changed the free cash flow profile. Historically CapEx ranged between 14% and 25% of sales; in **2025 it represented 34.68% of revenue**, the highest ever recorded, and in 2026 it will exceed 50%.

This jump in CapEx is why, even with very high operating cash flow, **free cash flow** fell to **22.94% of revenue in 2025** and turned negative in the third quarter of 2026. It is the expected and planned consequence of a long-term strategic bet.

In **financing**, Meta had operated practically without debt, but from 2022-2023 it decided to issue bonds for the first time, not out of financial need but to optimize its cost of capital and fund part of CapEx without eroding the cash available for buybacks. Buybacks remain a very relevant use of cash,

although Meta adjusts them depending on the macro context and visibility on its business.

Meta's cash flow over this decade tells the story of a company that went from an asset-light, very high-margin advertising business with low investment to a technology platform that is intensive in infrastructure, forced to build its own global digital fabric to support AI, the metaverse and the scaling of the business.

Financial ratios

- **Growth**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Growth												
Revenue growth		47.1%	37.4%	26.6%	21.6%	37.2%	(1.1%)	15.7%	21.9%	22.2%	**19.9%**	**19.2%**
EBIT growth		62.6%	23.3%	16.3%	12.7%	43.1%	(28.2%)	39.3%	48.4%	20.0%	**35.9%**	**24.5%**
Diluted EPS growth		54.4%	40.4%	(15.1%)	56.9%	36.5%	(37.6%)	73.1%	60.5%	(1.6%)	**44.0%**	**26.2%**
Change in diluted shares (dilution / buybacks)		1.1%	(1.2%)	(1.5%)	0.4%	(1.0%)	(5.5%)	(2.7%)	(0.6%)	(1.5%)	**(1.6%)**	**(2.3%)**

Source: author's analysis based on Tikr data.

Sales grew 21.9% in 2024 and 22.2% in 2025, and are accelerating above 25% in 2026. EPS fell slightly in 2025 (-1.6%) because of an unusually high tax rate. The share count falls every year (1.5% in 2025) thanks to buybacks.

- **Profitability**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Profitability												
Gross margin	86.3%	86.6%	83.2%	81.9%	80.6%	80.8%	79.6%	80.8%	81.7%	82.0%	**81.5%**	**81.0%**
SG&A % revenue	19.9%	17.8%	20.2%	21.7%	21.1%	20.2%	22.0%	17.6%	12.8%	12.0%	**14.1%**	**16.9%**
R&D % revenue	21.4%	19.1%	18.4%	19.2%	21.5%	20.9%	28.8%	28.5%	26.7%	28.5%	**27.9%**	**26.7%**
EBIT margin	45.0%	49.7%	44.6%	41.0%	38.0%	39.6%	28.8%	34.7%	42.2%	41.4%	**39.4%**	**37.3%**
EBITDA margin (EBIT + D&A)	53.4%	57.1%	52.3%	49.1%	46.0%	46.4%	36.2%	42.9%	51.6%	50.7%	**48.4%**	**45.6%**
Net margin	37.0%	39.2%	39.6%	26.1%	33.9%	33.4%	19.9%	29.0%	37.9%	30.1%	**32.3%**	**30.1%**
Stock-based compensation % revenue	11.6%	9.2%	7.4%	6.8%	7.6%	7.8%	10.3%	10.4%	10.1%	10.2%	**10.2%**	**9.8%**
Effective tax rate	18.4%	22.6%	12.8%	25.5%	12.2%	16.7%	19.5%	17.6%	11.8%	29.6%	**19.7%**	**19.0%**

Source: author's analysis based on Tikr data.

Gross margin stays around 82% and EBIT margin at 41-42%, after the drop to 28.8% in 2022. R&D spending is still huge (28.5% of sales) and stock-based compensation is around 10% of sales, a real cost that should not be ignored.

- **Cash flow and reinvestment**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	58.3%	59.6%	52.4%	51.4%	45.1%	48.9%	43.3%	52.7%	55.5%	57.6%	**55.3%**	**51.6%**
FCF margin (TIKR FCF / revenue)	42.0%	43.0%	27.5%	30.0%	27.4%	33.1%	16.5%	32.7%	32.9%	22.9%	**29.5%**	**27.6%**
FCF conversion (FCF / net income)	113.7%	109.7%	69.5%	114.8%	80.9%	99.0%	83.1%	112.7%	86.7%	76.3%	**91.9%**	**91.6%**
Capex % revenue	16.2%	16.6%	24.9%	21.4%	17.6%	15.8%	26.7%	20.0%	22.6%	34.7%	**25.8%**	**24.0%**
D&A % revenue	8.5%	7.4%	7.7%	8.1%	8.0%	6.8%	7.4%	8.3%	9.4%	9.3%	**9.0%**	**8.2%**
Capex / D&A	1.9x	2.2x	3.2x	2.6x	2.2x	2.3x	3.6x	2.4x	2.4x	3.7x	**2.9x**	**2.9x**
D&A % beginning net PP&E		35.2%	31.4%	23.3%	15.3%	14.5%	12.4%	12.1%	14.1%	13.7%	**13.3%**	**13.3%**
Acquisitions % revenue	0.4%	0.3%	0.2%	0.7%	0.5%	0.7%	1.1%	0.5%	0.2%	2.1%	**0.9%**	**0.9%**

Source: author's analysis based on Tikr data.

This is the big change: CapEx went from 15-20% of sales to 34.7% in 2025, and in 2026 it will exceed 50%. Free cash flow fell from 32.9% of sales in 2024 to 22.9% in 2025, and in the third quarter of 2026 it was already negative. Operating cash flow, by contrast, is still at record levels (57.6% of sales).

- **Working capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	52.7	52.4	49.6	49.1	48.1	43.5	42.2	43.7	37.7	35.9	**39.1**	**40.6**
Inventory days (DIO)	–	–	–	–	–	–	–	–	–	–	–	–
Payables days (DPO)	29.1	25.4	32.0	39.0	29.1	65.8	76.7	68.2	93.0	89.7	**83.6**	**78.7**
Cash conversion cycle (DSO + DIO − DPO)	23.6	26.9	17.6	10.2	19.0	(22.3)	(34.5)	(24.4)	(55.3)	(53.8)	**(44.5)**	**(38.1)**
Deferred revenue % revenue	0.2%	0.2%	0.2%	0.3%	0.4%	–	–	–	–	–	–	–
Operating NWC % revenue	8.1%	8.4%	6.0%	(3.2%)	1.8%	(0.2%)	(4.1%)	(5.1%)	(3.9%)	(5.5%)	**(4.8%)**	**(3.7%)**

Source: author's analysis based on Tikr data.

Meta has no inventory and collects from advertisers in about 36 days, while paying suppliers in almost 90. Working capital is negative and does not consume cash.

- **Returns on capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	10,244	16,655	20,537	23,895	26,933	38,542	27,662	38,540	57,194	68,650	**54,795**	**46,117**
Invested capital = debt + equity − cash & ST inv.	29,745	32,636	43,513	56,523	76,990	90,754	111,566	124,999	153,882	220,732	**166,538**	**140,387**
ROIC = NOPAT / average invested capital		53.4%	53.9%	47.8%	40.3%	46.0%	27.3%	32.6%	41.0%	36.7%	**36.8%**	**36.7%**
ROIC incl. cash = NOPAT / average (debt + equity)		24.9%	25.8%	24.4%	21.5%	27.8%	19.0%	22.5%	27.1%	25.7%	**25.1%**	**24.4%**
Pre-tax ROIC = EBIT / average invested capital (reference)		64.8%	65.4%	58.0%	48.9%	55.7%	33.2%	39.5%	49.8%	44.5%	**44.6%**	**44.5%**
ROE = net income / average equity		23.9%	27.9%	20.0%	25.4%	31.1%	18.5%	28.0%	37.1%	30.2%	**31.8%**	**29.0%**
ROA = net income / average total assets		21.3%	24.3%	16.0%	19.9%	24.2%	13.2%	18.8%	24.7%	18.8%	**20.8%**	**19.9%**

Source: author's analysis based on Tikr data.

ROIC was 36.7% in 2025, still very high but far from the 50% of 2016-2018. Invested capital went from USD 154 billion to USD 221 billion in a single year. The big question of the thesis is what return the USD 140 billion of 2026 CapEx will generate.

- **Leverage and liquidity**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	(29,449)	(41,711)	(40,614)	(44,531)	(51,300)	(34,125)	(14,147)	(28,169)	(28,755)	3,489	**(17,812)**	**(20,341)**
Net debt / EBITDA	(2.0x)	(1.8x)	(1.4x)	(1.3x)	(1.3x)	(0.6x)	(0.3x)	(0.5x)	(0.3x)	0.0x	**(0.3x)**	**(0.3x)**
Interest coverage (EBIT / interest expense)	1242.7x	3367.2x	n.m.	n.m.	n.m.	2032.7x	181.4x	104.8x	97.0x	71.5x	**91.1x**	**497.5x**
Debt / (debt + equity), book	–	–	0.6%	9.3%	7.7%	10.0%	17.5%	19.6%	21.2%	28.1%	**23.0%**	**19.3%**
Current ratio	11.97	12.92	7.19	4.40	5.05	3.15	2.20	2.67	2.98	2.60	**2.75**	**2.72**

Source: author's analysis based on Tikr data.

Meta went from having net cash throughout the decade to ending 2025 with practically zero net debt (including leases). At the end of the third quarter of 2026 it had USD 82.5 billion of cash and USD 80.9 billion of long-term debt. Interest coverage is still extremely high (71x).

- **Shareholder returns and valuation**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	0.1%	29.9%	104.7%	30.8%	41.7%	128.4%	163.6%	60.8%	90.6%	108.4%	**86.6%**	**110.3%**
EV / EBITDA	20.7x	20.4x	11.5x	15.6x	18.6x	16.3x	7.1x	15.3x	17.2x	16.4x	**16.3x**	**14.4x**
EV / revenue	11.1x	11.7x	6.0x	7.7x	8.5x	7.6x	2.6x	6.6x	8.9x	8.3x	**7.9x**	**6.8x**
P/E	32.5x	32.2x	17.0x	31.7x	26.7x	23.8x	13.6x	23.3x	23.7x	27.5x	**24.8x**	**22.4x**
FCF yield (FCF / market cap)	3.5%	3.4%	4.1%	3.6%	3.0%	4.2%	6.1%	4.8%	3.7%	2.8%	**3.8%**	**4.3%**

Source: author's analysis based on Tikr data.

In 2025 Meta returned more than 100% of its free cash flow to shareholders through dividends and buybacks. With negative free cash flow, buybacks stopped in the third quarter of 2026. At the end of 2025 it traded at 16x EBITDA and 27.5x earnings, with a 2.8% FCF yield.

SECTION 04

Management and capital allocation

Meta's management team has evolved notably in recent years. Although Mark Zuckerberg is still the center of the whole leadership structure, the company has strengthened its "second line" with experienced executives, many with more than a decade at the company. The result is a team that combines two traits that are hard to find together: **long operating experience inside Meta** and **prior experience at large technology companies**.

Mark Zuckerberg – CEO and co-founder

Zuckerberg needs little introduction, but his current role is worth highlighting. He is no longer just a visionary founder; he has become a CEO with experience in economic cycles, regulatory crises, deep reorganizations and periods of strong competitive pressure. After almost two decades at the helm, his leadership is defined by a long-term vision reflected both in massive investments and in tough decisions (layoffs, prioritizing efficiency, strategic shifts toward AI).

In terms of incentives, Zuckerberg is one of the CEOs with the **most skin in the game in the world**: he controls about 55% of the voting power thanks to the dual-class structure and remains the largest individual shareholder. He takes a symbolic salary and practically all his wealth depends on Meta's value. This strongly aligns him with long-term performance, although it also means he keeps full control over strategic decisions, for better or worse.

Susan Li – CFO

Promoted in 2022, Susan Li belongs to the new generation of Silicon Valley finance leaders. She joined Meta more than 15 years ago and worked in several areas before becoming CFO, which makes her deeply familiar with the company's operating details.

Her tenure has been defined by three clear priorities:

1. **Cost discipline**, particularly after the 2022 downturn.
2. **Financial transparency**, with clearer communication to investors about the impact of CapEx and the AI strategy.
3. **Strengthening the balance sheet**, including the decision to issue debt for the first time in Meta's history to fund investment without sacrificing buybacks.

Most of her compensation depends on performance and the share price, which ensures **direct alignment with shareholders**.

Andrew Bosworth – CTO

Better known as “Boz”, he is a historical figure at Meta and one of the executives closest to Zuckerberg. He leads the technology division, with direct responsibility for infrastructure, AI and augmented and virtual reality projects, including Reality Labs.

His track record is key to understanding Meta’s technical culture: he started as an engineer, led the development of News Feed and was one of the architects of the advertising system. A substantial part of his pay is in stock, and he has accumulated significant equity over 17 years, which makes him highly aligned with long-term value.

Javier Olivan – COO

He replaced Sheryl Sandberg after her departure in 2022. Olivan, who is Spanish, does not have Sandberg’s media profile, but he has deep operational knowledge: he was responsible for Facebook’s global growth and the expansion of its main products. His style is more technical and less public, reflecting Meta’s cultural shift toward a less political and more operational approach. He has more than 15 years at the company and his pay includes a significant stock component.

The management team is made up mostly of executives with **10, 15 or even 20 years at the firm**. It is not an inexperienced or improvised team: it is a highly technical group that has gone through reorganizations, strategy changes and huge investment cycles.

Personally, Meta’s management gives me confidence as an investor. There are valid criticisms (such as buybacks at times when the price was not the most attractive, or huge investments in projects with uncertain returns, like the metaverse), but I believe management has proven to be **ambitious, with a long-term vision and a strong will to lead every market it competes in**.

Meta has an extraordinarily profitable core business: digital advertising. It is a true cash machine, which allows the company to take risks on longer-term initiatives without compromising its core. And, as we saw, its **exceptionally high ROIC** reflects management’s ability to allocate capital efficiently.

Capital allocation

2026 capital allocation is the most aggressive in Meta’s history. On one side, the company cut headcount by 15% and keeps showing discipline in operating expenses. On the other, it is spending more than half its revenue on CapEx, financing part of it with debt and pausing buybacks. It is a conscious bet: Zuckerberg considers the race for superintelligence the most important opportunity of the decade and would rather overinvest than arrive late.

The creation of the non-voting Class C shares, together with an alignment agreement with Zuckerberg governing his sales of those shares, reinforces his long-term control. For minority shareholders it cuts both ways: it secures the continuity of a long-term vision, but also confirms that Meta will remain a company where one person decides.

SECTION 05

Competitive position

Industry

Meta operates mainly in **global digital advertising**, a market that today is the most relevant channel for advertisers worldwide and that has been growing steadily and structurally for years.

The global digital advertising market is huge and has become the dominant part of worldwide ad spending. Analysts estimate it was already worth about **USD 712 billion** in 2025. In that context, the digital advertising **TAM** works as a broad ceiling: Meta does not only compete in social networks but is positioned on multiple fronts (display, video, mobile, messaging), giving it a vast potential revenue universe.

Within this huge market, few companies capture a significant share of global ad spending. According to several analyses, a "triopoly" of Alphabet (Google), Meta and Amazon captures a substantial share of global digital ad spending. So although the market is large and fragmented, its structure clearly favors global-scale giants like Meta, which can offer massive reach, advanced targeting and integrated ecosystems (social networks + messaging + data + AI).

Looking ahead, the industry is expected to grow at a 6% to 10% CAGR over 2025-2034, driven by several structural engines:

- **The continued shift of ad spending from traditional to digital media.** The decline of TV, print and outdoor advertising goes hand in hand with growth in online platforms, social networks, e-commerce and streaming.
- **The proliferation of digital content consumption, especially mobile and video.** Advertisers want to be "where attention flows", and global attention is moving to the digital world.
- **The targeting, measurement and optimization capabilities of digital platforms.** Unlike traditional advertising, digital lets advertisers target very specific audiences, measure results in real time and maximize return on investment.
- **The growth of e-commerce, retail media and digital commerce.** Brands need efficient, measurable and scalable advertising channels to capture demand and turn it into sales.
- **Technological innovation: AI, automation, video formats and new ad experiences.** AI, machine learning, dynamic formats and short-form vertical video are reshaping marketing, increasing efficiency and reach.
- **Geographic expansion and digitalization in emerging markets.** Many regions still have low internet penetration, so the market keeps adding millions of new users every year.

This backdrop (a huge, growing market moving to digital, with rising needs for targeting, data and scale) is the ideal terrain for companies like Meta.

Main competitors

Meta operates in a highly dynamic and fragmented competitive environment, where it competes both with large technology conglomerates and with emerging platforms for attention, time spent and advertising budgets.

1. Main competitors in digital advertising (the "triopoly")

- **Alphabet (Google/YouTube):** the most direct rival in terms of scale. Google dominates search ads, intent-based targeting and video advertising through YouTube, the largest online video platform in the world. The growth of Shorts intensifies competition with Instagram Reels.
- **Amazon (retail media):** it has become a key player in purchase-based performance advertising, capturing the ad spending closest to the moment of conversion, especially among e-commerce sellers.

2. Social media and short-form video competitors

- **TikTok:** today the most aggressive rival in the fight for young users' attention and short-form video. Its highly personalized content algorithm makes it the biggest direct threat to Meta's "social" business.
- **Snap (Snapchat):** smaller, but still strong among young audiences in developed markets, especially in AR formats, filters and ephemeral messages.
- **X (formerly Twitter):** competes in real-time content and public conversation, but its advertising share is much smaller than Meta's.

3. Messaging competitors

Although Meta dominates global messaging with **WhatsApp**, **Messenger** and **Instagram Direct**, it faces relevant competition from **Telegram** and **Signal** (privacy-focused) and Asian apps such as **WeChat**, **LINE** and **KakaoTalk**, which integrate payments, commerce and services. In these categories competition is more about functionality and ecosystem than advertising.

4. Hardware and virtual/mixed reality competitors

- **Apple (Vision Pro):** the biggest potential threat in premium AR/VR thanks to its vertical integration and installed base, although adoption is limited today.
- **Sony, HTC, Valve:** compete in specific VR niches (gaming, immersive experiences), without Meta's scale.

5. Competition for attention (the real battlefield)

Beyond specific categories, Meta competes for users' *total time spent*: YouTube, Netflix, Disney+, Prime Video, video games (Fortnite, Roblox, mobile gaming) and content-driven commerce platforms (Temu, Shein, Amazon Live). Attention is finite: every minute spent elsewhere is a minute less for Meta, which directly affects impressions and ad revenue.

Moat

Meta has one of the deepest competitive moats in technology. Its dominant position is explained not only by the size of its user base but by a combination of structural factors that, together, create barriers to entry that are hard to replicate even for the sector's giants.

1. Network effects at global scale

The core of Meta's moat is the size of its network effects. Facebook, Instagram and WhatsApp become more valuable as more people use them. The scale Meta has reached is practically impossible to replicate: billions of users interacting daily in an integrated ecosystem. It creates a virtuous circle: more users → more content → more engagement → more data → better ad performance → more advertisers → more investment in product.

2. Integrated ecosystem: social networks + messaging + ads

Meta is not just a social network but a *complete ecosystem*: feed, short video, messaging, commerce, AI and advertising tools under a single account. For an advertiser, this unified ecosystem is unique: global reach, diverse audiences, AI-based targeting tools, cross-platform measurement and multi-platform inventory.

3. AI-driven dominance in performance ads

Meta's moat deepened significantly with large-scale machine learning and automated campaigns. Tools such as *Advantage+* optimize campaigns with a precision few players can match. This efficiency comes from the huge scale of data, its own infrastructure (data centers and custom chips) and top-level AI research teams. It requires years of sustained investment and access to data others simply do not have.

4. Sunk costs and extreme economies of scale

Meta is literally a global infrastructure company, with a gigantic network of data centers, servers, subsea cables, content delivery systems and AI platforms. That scale creates operating economies that are almost impossible to match: extremely low delivery costs per user and the ability to absorb massive investments.

5. Deeply rooted brand and habits

Instagram and WhatsApp are part of the daily lives of billions of people. They are not just apps: they are behaviors. Changing that habit requires a competitor to convince millions of people to migrate their relationships, groups, chats, photos and content at practically the same time. The switching cost for users is very high, even if it is not perceived as such.

SWOT analysis

Strengths

- **Unprecedented scale in social media:** Facebook, Instagram, WhatsApp and Messenger together have more than 3.8 billion monthly users, creating network effects that are almost impossible to replicate.
- **Dominance in digital advertising:** with a unique ability to target audiences, Meta captures about 20% of global digital ad spending.
- **Extraordinary operating margins and cash generation:** the core business is still a cash machine, with margins among the highest in the sector.
- **Proven execution and engineering culture:** Meta has repeatedly shown it can pivot: from the static feed to mobile, Stories, Reels and now generative AI.
- **Strong position in AI infrastructure:** its huge investments place it among the few players able to train foundation models at global scale.
- **Solid balance sheet:** although it has recently taken on debt, its financial structure remains conservative.

Opportunities

- **Monetizing WhatsApp and messaging:** WhatsApp Business and automation services for small businesses are a blue ocean, with very low commercial penetration relative to the user base.
- **Advertising powered by generative AI:** more personalized ads, automatic creative and better conversion can raise revenue per user without adding users.
- **E-commerce within the ecosystem:** messaging, payments and catalogs open opportunities for direct transactions inside Instagram and WhatsApp.
- **Next-generation devices and wearables:** Quest, Ray-Ban Meta and future XR devices can make Meta a relevant player in the interface of the future, especially combined with contextual AI.
- **Potential CapEx reduction after the AI investment wave:** when the data center build-out matures, FCF could expand significantly.
- **New use cases driven by personal AI:** personal assistants, autonomous agents and creative tools in WhatsApp and Instagram can open entirely new markets.

Weaknesses

- **Extreme dependence on advertising:** more than 95% of revenue comes from ads, exposing Meta to economic cycles, regulatory changes and competition.
- **Brand controversies and damaged public perception:** privacy, addiction, political polarization and content moderation create distrust and constant regulatory pressure.
- **Very expensive investments with uncertain returns (Reality Labs):** the metaverse has burned tens of billions of dollars without clear returns.
- **Mature platforms with slowing user growth in developed markets:** growth increasingly depends on regions with lower revenue per user.
- **Risk of overinvestment in infrastructure:** massive AI CapEx could erode margins if demand does not grow as expected.

Threats

- **Increasingly strict global regulation:** legislation on privacy, AI, harmful content and anticompetitive practices; fines and restrictions can affect the business model, as the 2026 settlement shows.
- **Competition on every front:** Google and Amazon in advertising, TikTok in content, Apple limiting tracking, and OpenAI, Anthropic and others in generative AI.
- **Dependence on third-party platforms:** changes like Apple's ATT showed that an external policy change can cost billions.
- **Saturation of the advertising market:** AI CapEx depends on global ad spending continuing to grow fast; a macro downturn could hit hard.
- **Risk of disruption in social media:** consumer behavior changes quickly; TikTok already showed users can migrate almost overnight.

SECTION 06

The bulls vs. the bears

What do the bulls say?

The first argument is the **advertising business**: growing 26% on more than USD 250 billion of annual revenue is extraordinary. AI is already improving targeting and price per ad, and it shows in the numbers quarter after quarter.

The second is **optionality**: WhatsApp, business messaging, AI assistants and smart glasses still generate almost no revenue and could become new growth engines.

The third is **management**: Meta already showed in 2023 that it knows how to cut when needed. If the return on AI does not materialize, it can reduce CapEx and go back to generating huge amounts of cash.

What do the bears say?

The first argument is **CapEx**: investing more than half of sales in infrastructure turns Meta into a company with negative free cash flow. If AI returns take time to arrive, the value destroyed could be enormous.

The second is **regulation**: the almost USD 10 billion charge in the third quarter shows that legal risks are real and costly, and there are open cases in the United States and Europe.

The third is **corporate governance**: with the new non-voting shares, Zuckerberg keeps full control no matter how many shares are issued. Minority shareholders depend completely on his decisions.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)															
Driver	**Δ vs Base**	**FY2023A**	**FY2024A**	**FY2025A**	**3Y avg**	**FY2026E**	**FY2027E**	**FY2028E**	**FY2029E**	**FY2030E**	**FY2031E**	**FY2032E**	**FY2033E**	**FY2034E**	**FY2035E**
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		15.7%	21.9%	22.2%	**19.9%**	**27.8%**	**21.7%**	**19.0%**	**15.0%**	**13.0%**	**11.0%**	**10.0%**	**8.0%**	**6.0%**	**5.0%**
Best case	3.0%					30.8%	24.7%	22.0%	18.0%	16.0%	14.0%	13.0%	11.0%	9.0%	8.0%
Base case						27.8%	21.7%	19.0%	15.0%	13.0%	11.0%	10.0%	8.0%	6.0%	5.0%
Worst case	(4.0%)					23.8%	17.7%	15.0%	11.0%	9.0%	7.0%	6.0%	4.0%	2.0%	1.0%
Gross margin ▸ selected scenario		80.8%	81.7%	82.0%	**81.5%**	**80.0%**	**78.0%**	**77.0%**	**76.0%**	**77.0%**	**77.0%**	**77.0%**	**78.0%**	**78.0%**	**78.0%**
Best case	1.0%					81.0%	79.0%	78.0%	77.0%	78.0%	78.0%	78.0%	79.0%	79.0%	79.0%
Base case						80.0%	78.0%	77.0%	76.0%	77.0%	77.0%	77.0%	78.0%	78.0%	78.0%
Worst case	(2.0%)					78.0%	76.0%	75.0%	74.0%	75.0%	75.0%	75.0%	76.0%	76.0%	76.0%
EBIT margin ▸ selected scenario		34.7%	42.2%	41.4%	**39.4%**	**32.0%**	**33.0%**	**34.0%**	**35.0%**	**36.0%**	**37.0%**	**38.0%**	**38.0%**	**38.0%**	**38.0%**
Best case	3.0%					35.0%	36.0%	37.0%	38.0%	39.0%	40.0%	41.0%	41.0%	41.0%	41.0%
Base case						32.0%	33.0%	34.0%	35.0%	36.0%	37.0%	38.0%	38.0%	38.0%	38.0%
Worst case	(5.0%)					27.0%	28.0%	29.0%	30.0%	31.0%	32.0%	33.0%	33.0%	33.0%	33.0%
Capex % of revenue ▸ selected scenario		20.0%	22.6%	34.7%	**25.8%**	**56.0%**	**55.0%**	**45.0%**	**38.0%**	**32.0%**	**28.0%**	**25.0%**	**22.0%**	**20.0%**	**18.0%**
Best case	(3.0%)					53.0%	52.0%	42.0%	35.0%	29.0%	25.0%	22.0%	19.0%	17.0%	15.0%
Base case						56.0%	55.0%	45.0%	38.0%	32.0%	28.0%	25.0%	22.0%	20.0%	18.0%
Worst case	3.0%					59.0%	58.0%	48.0%	41.0%	35.0%	31.0%	28.0%	25.0%	23.0%	21.0%

Source: author's analysis.

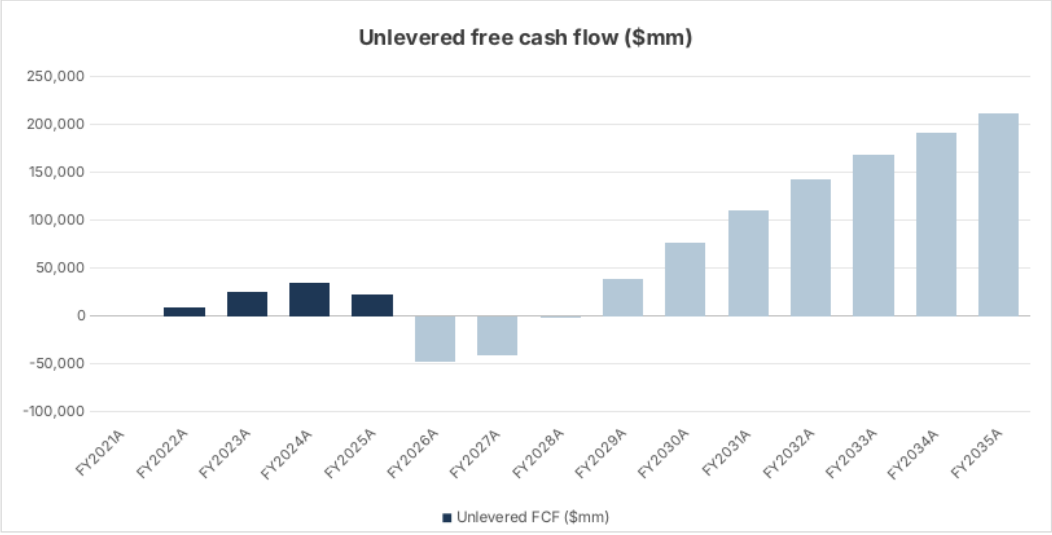
Revenue growth: in the Base Case I project 27.8% for 2026, in line with the first nine months and fourth-quarter guidance. After that, growth gradually slows: 21.7% in 2027, 19% in 2028, 15% in 2029, 13% in 2030 and 11% in 2031, down to 5% in 2035.

Margins: gross margin falls from 82% to 78% in 2027 and to 76% in 2029 because of higher depreciation on the new infrastructure, and then recovers to 78% by the end of the period. EBIT margin starts at 32% in 2026 (affected by the legal charge) and gradually recovers to 38%, somewhat below the 41-42% of 2024-2025, because the new infrastructure carries much higher operating and depreciation costs.

CapEx: this is the key assumption. I use 56% of sales in 2026 (the middle of the USD 135-145 billion guidance) and 55% in 2027. From 2028 CapEx gradually falls to 18% of sales by the end of the period, still above the historical average, because an AI company at this scale will need to reinvest much more than the Meta of 2016.

What does each scenario mean?

- **Base Case:** advertising keeps growing at double digits for several years, AI investment starts to ease from 2028 and margins partially recover.
- **Best Case:** AI opens new revenue streams (WhatsApp, assistants, business agents) and CapEx falls sooner than expected. It adds 3 points of growth, 3 points of EBIT margin and 3 points less CapEx.
- **Worst Case:** AI investment does not deliver the expected return, advertising slows and regulation makes the business more expensive. It subtracts 4 points of growth and 5 points of EBIT margin, with 3 points more CapEx.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)		Value
Risk-free rate		4.9%
Equity beta (levered)	x	1.28
Equity risk premium		4.2%
Country risk premium		–
Cost of equity		10.3%
Pre-tax cost of debt		5.0%
Tax rate (debt tax shield)		17.6%
After-tax cost of debt		4.1%
Market value of equity	$ mm	1,562,680
Total debt	$ mm	85,081
Debt / (Debt + Equity)		5.2%
Equity / (Debt + Equity)		94.8%
WACC		10.0%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 1.28, which gives a **cost of equity of 10.3%**. For debt I use a 5% pre-tax cost. With a capital structure of 95% equity and 5% debt at market values, the **resulting WACC is 10.0%**.

To go from Enterprise Value to Equity Value I added net cash of USD 24.0 billion. The diluted share count is 2,530 million (before the Class C distribution).

Model results

PERPETUITY METHOD

With 2.5% perpetual growth and an 18% return on new invested capital, the model gives an Enterprise Value of USD 1.59 trillion and an Equity Value of USD 1.61 trillion, equivalent to **USD 637.12 per share**.

Meta Platforms, Inc.

META · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

INTRINSIC VALUE PER SHARE

$637.12

Current share price	$617.66
Upside / (downside)	+3.1%

VALUATION SUMMARY

Enterprise value	1,587,866
Equity value	1,611,901
PV of forecast cash flows	468,346
PV of terminal value	1,119,520
Terminal value % of EV	70.5%
Implied exit EV / EBITDA	6.9x

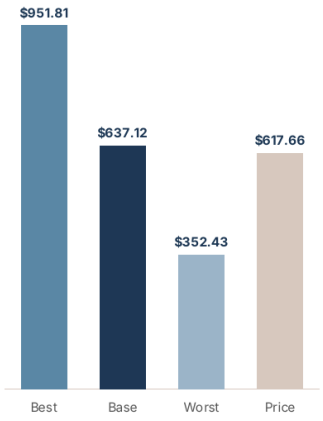
KEY ASSUMPTIONS

WACC (year 1)	10.0%
Terminal WACC	10.0%
Terminal growth (g)	2.5%
RONIC (terminal)	18.0%
Net debt & other claims	(24,035)
Diluted shares (mm)	2,530.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	2,384,054	2,408,089	**$951.81**	+54.1%
Base case	2.5%	1,587,866	1,611,901	**$637.12**	+3.1%
Worst case	2.0%	867,601	891,636	**$352.43**	(42.9%)
Current share price				*$617.66*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Terminal growth rate (g)

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
9.0%	$718.51	$738.68	$761.97	$789.16	$821.34
9.5%	$660.65	$676.63	$694.89	$715.99	$740.63
10.0%	$609.97	$622.69	**$637.12**	$653.61	$672.66
10.5%	$565.26	$575.42	$586.87	$599.84	$614.69
11.0%	$525.55	$533.70	$542.80	$553.06	$564.68

Source: author's analysis.

In the Best Case the value is **USD 951.81** and in the Worst Case **USD 352.43**.

With a WACC half a point lower, the value rises to USD 695; with one half a point higher, it falls to USD 587.

EBITDA MULTIPLE METHOD

Applying an **8.5x** multiple to EBITDA in the last projected year of the Base Case (11x in the Best Case and 6.5x in the Worst Case), the model gives an Enterprise Value of USD 1.84 trillion and a value of **USD 737.07 per share**.

Meta Platforms, Inc.

META · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

INTRINSIC VALUE PER SHARE

$737.07

Current share price	$617.66
Upside / (downside)	+19.3%

VALUATION SUMMARY

Enterprise value	1,840,756
Equity value	1,864,791
PV of forecast cash flows	468,346
PV of terminal value	1,372,410
Terminal value % of EV	74.6%
Implied perpetual growth	3.3%

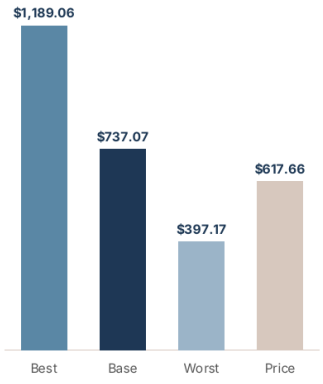
KEY ASSUMPTIONS

WACC (year 1)	10.0%
Terminal WACC	10.0%
Exit EV / EBITDA	8.5x
EBITDA, final forecast year	384,853
Net debt & other claims	(24,035)
Diluted shares (mm)	2,530.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	11.0x	2,984,285	3,008,320	**$1,189.06**	+92.5%
Base case	8.5x	1,840,756	1,864,791	**$737.07**	+19.3%
Worst case	6.5x	980,817	1,004,852	**$397.17**	(35.7%)
Current share price				*$617.66*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	6.5x	7.5x	8.5x	9.5x	10.5x
9.0%	$657.38	$726.77	$796.15	$865.53	$934.91
9.5%	$632.89	$699.42	$765.96	$832.49	$899.03
10.0%	$609.44	$673.25	**$737.07**	$800.89	$864.71
10.5%	$586.98	$648.21	$709.43	$770.65	$831.88
11.0%	$565.48	$624.23	$682.97	$741.72	$800.46

Source: author's analysis.

An 8.5x multiple is low compared with the 16-17x Meta has traded at in recent years, but there is a reason: with so much investment, 2035 EBITDA includes huge depreciation, and a higher multiple would imply perpetual growth above 4%. 8.5x implies 3.3%, a reasonable level.

In the Best Case the value is **USD 1,189.06** and in the Worst Case **USD 397.17**.

Reading both methods together

Averaging both methods in the base case, I arrive at a **target price of USD 687 per share**, compared with a market price of USD 617.66. That is an upside of about 11%.

The spread between scenarios is huge: from just over USD 300 in the Worst Case to more than USD 1,100 in the Best Case. That spread sums up Meta's moment: its value depends almost entirely on what the AI investment delivers.

SECTION 08

Conclusion

Meta is, without a doubt, one of my favorite companies and even one of my largest positions. I consider it one of my *flagships*: that small group of companies that stand out not only for the exceptional quality of their business but also for their ability to sustain competitive advantages over the long term.

This thesis has shown Meta's structural strength: the unmatched scale of its platforms, its monetization capacity, the operating discipline of recent years and an advertising business still growing 26% on more than USD 250 billion of revenue. That has not changed.

What has changed is the intensity of investment. With USD 140 billion of CapEx in 2026 and probably more in 2027, Meta has stopped being, at least for a while, the free cash flow machine it was over the last decade. My model, which assumes that investment starts to ease from 2028, gives a **target price of USD 687 per share**, about 11% above the current price. There is some margin of safety, although not much for a company in the middle of an investment cycle.

I have a significant share of my portfolio in Meta and I do not plan to sell: I still trust the business and management. But at these prices I do not plan to add either. To do so I would need to see one of two things: a drop that gives me a margin of safety, or concrete signs that the AI investment is generating returns (for example, relevant new revenue streams in WhatsApp or the assistants).

Meta combines solid fundamentals, management with a long-term vision and significant potential for value creation. The difference from a few months ago is that the path to that value requires more patience and more confidence in Zuckerberg's decisions. For those without a position, it looks to me like a company to follow closely and accumulate on dips, rather than one to rush into at the current price.

Alan



WEB	SUBSTACK	X
azstocks.net	@alaninvests	@alan_azstocks