

Universidade do Minho

Escola de Economia e Gestão

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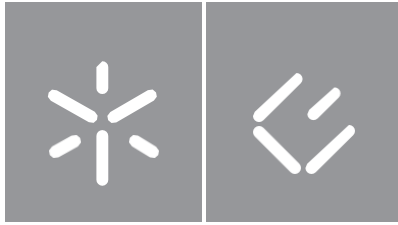
Equity Research Report: Meta Platforms Inc.

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João Carlos Ribeiro Pinto

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Escola de Economia e Gestão

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Equity Research Report: Meta Platforms Inc.

Projeto de Mestrado
Mestrado em Finanças

Trabalho efetuado sob a orientação do
Professor Doutor Nelson Brandão da Costa Areal

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Acknowledgements

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I am forever indebted to my family, especially my parents, for their unconditional love and support over my academic journey. Your belief in me and their support, especially during the most challenging moments, is the main key for my perseverance and success and I feel very special to have you in my life.

To my friends, thank you for your constant support, encouragement and faith in my abilities. Your companionship and unwavering support have been a great source of motivation through this journey, and I am truly grateful to have such special people in my life. I am very thankful to share this path with you.

I would also like to extend my sincere appreciation to all the professors involved in the Master's in Finance program at the University of Minho. The knowledge, insights, and practical skills imparted by each of you have been invaluable in preparing me for both academic and professional endeavors.

Lastly, I am grateful for everyone who has contributed to my academic and personal development through these two years. Your support, in its many forms, has made this achievement possible.

Resumo

Este trabalho acadêmico consiste num Equity Research Report sobre a empresa Meta Platforms Inc., elaborado em conformidade com os padrões de pesquisa estabelecidos pelo CFA Institute. Importante referir que a informação utilizada para a condução deste projeto refere-se exclusivamente a dados publicamente disponíveis até 1 de fevereiro de 2024. Toda a análise foi baseada unicamente em informações até essa data, sem levar em consideração desenvolvimentos ou eventos subsequentes.

O objetivo deste relatório é conduzir uma análise aprofundada da Meta Platforms Inc., incluindo uma avaliação do desempenho financeiro da empresa, a sua posição competitiva, perspectivas de crescimento, bem como outros fatores relevantes que possam influenciar o valor intrínseco das suas ações.

Estabelecendo-se na última década como um dos gigantes na indústria da tecnologia e redes sociais, a Meta Platforms, Inc. oferece nos dias de hoje serviços para quase metade da população. Com uma capitalização de mercado superior a 1 trilião de dólares, a empresa continua a impulsionar a inovação e o desenvolvimento, aprimorando os seus serviços e acompanhando o rápido crescimento da indústria.

A avaliação baseia-se em três abordagens distintas: o método dos fluxos de caixa descontados, a avaliação relativa e o método dos dividendos descontados, estimando os componentes financeiros da empresa para um período de dez anos.

Com base na análise realizada, a recomendação de investimento para a empresa é de compra, com um preço alvo de 543,71 dólares até ao final de 2024, refletindo uma potencial valorização de 12.69%.

Abstract

This academic work consists of an Equity Research Report on Meta Platforms Inc., prepared in accordance with the research standards established by the CFA Institute. It is important to note that the information used for this project is based exclusively on publicly available data up until February 1, 2024. All analysis was conducted solely based on information available until this date, without considering subsequent developments or events.

The purpose of this report is to conduct an in-depth analysis of Meta Platforms Inc., including an evaluation of the company's financial performance, its competitive position, growth prospects, as well as other relevant factors that could influence the intrinsic value of its shares.

Over the past decade, Meta Platforms Inc. has established itself as one of the giants in the technology and social media industry, currently providing services to almost half of the global population. With a market capitalization exceeding 1 trillion dollars, the company continues to drive innovation and development, improving its services while keeping pace with the rapid growth of the industry.

The valuation is based on three distinct approaches: the discounted cash flow method, relative valuation, and the discounted dividend model, estimating the company's financial components over a ten-year period.

Based on the analysis conducted, the investment recommendation for the company is a buy, with a target price of 543.71 dollars by the end of 2024, reflecting a potential upside of 12.69%.

CONTENTS

Research Snapshot	1
Company Overview	1
Company Description	2
Family of Apps (FoA)	2
Reality labs	3
Company Structure	4
Management	4
Shareholder Structure	4
Share Repurchase Program	4
Dividend	4
Capital Structure.....	5
Invested Capital	5
Fiscal Policy	6
Dynamic Overview	6
Revenues	6
Cost Structure	7
Profitability	8
Industry and Macroeconomic Overview	9
Macroeconomic Outlook	9
Digital Advertising Industry.....	9
porters five forces	9
Competitors	10
Valuation	11
DCF Valuation	11
Relative Valuation	13
Sensitive Analysis	13
Monte Carlo Simulation	14
Environmental, Social and Governance.....	15
Environment.....	15
Social	15
Governance.....	16
Investment Risks.....	16
Operational Risk	16
Market Risks	17
Political Risk.....	17

Appendices.....	19
Appendix 1 – Income Statement	19
Appendix 2 – Balance Sheet	20
Appendix 3 – Revenue Forecast	21
Appendix 4 – Beta Calculation	22
Appendix 5 – WACC.....	22
Appendix 6 – DCF.....	23
Appendix 7 – Relative Valuation	24
Appendix 8 – SWOT Analysis	25
Appendix 9 – Committee Composition	25
References	26

LIST OF FIGURES

Figure 1 - Meta Platforms Inc. stock price chart (Source: Refinitiv Eikon)	1
Figure 2 - Most popular social networks worldwide as of April 2024, by number of monthly active users (Source: Statista)	2
Figure 3 - Facebook Monthly Active Users (Source: Business of Apps)	2
Figure 4 - Instagram AD revenue (Source: Oberlo)	2
Figure 5 - Instagram AD revenue weight on total revenues (Source: author estimation)	2
Figure 6 -Most popular global mobile messenger apps as of April 2024 (Statista)	3
Figure 7 - Reality Labs Revenues and Costs and expenses (Source: company 2023 annual report)	3
Figure 8 - Income/loss from Reality Labs (Source: company 2023 annual report)	3
Figure 9 - Company Board of directors Structure (Source: company 2023 annual report)	4
Figure 10 - Meta Ownership (Source: Tipranks)	4
Figure 11 - "How Meta got over Silicon Valley's disdain for dividends." (Source Financial Times)	4
Figure 12 - Meta capital structure (Source: company 2023 annual report)	5
Figure 13 - PPE to revenues (Source: company 2023 annual report)	5
Figure 14 - PPE to total assets (Source: company 2023 annual report)	5
Figure 15 - Revenues performance (Source: company 2023 annual report)	6
Figure 16 - "Apple's \$12 billion strike to Facebook is suddenly taking shape." (Source Forbes)	6
Figure 17 - Revenues structure (Source: company 2023 annual report)	7
Figure 18 - Meta total costs evolution (Source: company 2023 annual report)	7
Figure 19 - Total cost to revenues (Source: company 2023 annual report)	7
Figure 20 - Profitability ratios evolution (Source: company 2023 annual report)	8
Figure 21 - Efficiency ratios evolution (Source: company 2023 annual report)	8
Figure 22 - Profitability ratios evolution (Source: company 2023 annual report)	8
Figure 23 - Valuation ratios evolution (Source: company 2023 annual report)	9
Figure 24 - US historic inflation (Source: Trading Economics)	9
Figure 25 - Ads spending evolution and forecast (Source: Statista)	9
Figure 26 - Porter's Five Forces analysis (Source: author estimates)	10
Figure 27 - Meta MAU's over the last 5 years in billions (Source: Statista)	12
Figure 28 - Reality Labs last 5y Revenue (in millions of dollars) (Source: company 2023 annual report)	13
Figure 29 - Monte Carlo Simulation (Source: Author)	14
Figure 30 - Competitors ESG overall score (Source: Refinitiv Eikon)	15
Figure 31 - META ESG rating (Source: Refinitiv Eikon)	15
Figure 32 - Risk Matrix (Source: author estimates)	17
Figure 33 - Share Class Voting Power (Source: Refinitiv Eikon)	17

LIST OF TABLES

Table 1 - Valuation, Efficiency and Valuation ratios evolution ratio (Source: company 2023 annual report)	8
Table 2 - Valuation, Efficiency and Valuation ratios comparison with competitors (Source: Refinitiv Eikon)	8
Table 3 - Competitor Revenue Comparison (Source: author estimates).....	10
Table 4 - WACC Assumptions (Source: author estimates)	11
Table 5 - Sensitive Analysis - MAU & Average Revenue per User	12
Table 6 - Relative Valuation (Source: Refinitiv Eikon)	13
Table 7 - Sensitive Analysis - WACC and Terminal Growth	14
Table 8 - Monte Carlo Simulation Statistics (Source: Author)	14
Table 9 - Board of Directors (Source: Company website)	16



RESEARCH SNAPSHOT

This report issues a **BUY** recommendation for Meta's shares, with a 12-month target price of \$543.71, representing an upside of 37.33 from its closing price of \$390.14, as of December 31rd. 2023. Throughout the report, there will be presented all the key information necessary to have a concise and comprehensive overview of the company, as well as different types of analysis performed to derive to the price recommendation.

COMPANY OVERVIEW

Meta Platforms, Inc., initially established with the name of Facebook, Inc., was funded in 2004 by their current Chief Executive Officer, Mark Zuckerberg. The company based in Menlo Park, California, have established themselves over the last decade as a giant in the technology industry and a major leader in the social media sector. The company made their stock market debut in 2012, having their stocks listed with the ticker symbol "META" traded on Nasdaq, with a share price of \$38. As per Figure 1, we can see the share price evolution of the company over the last 10 years.

As a leader in technology that foster human connectivity, Meta is dedicated to transforming the digital environment and enhancing the way people engage with the world. Through driving fusions of expanded reality, virtual reality, and artificial intelligence, the company empower their users to connect, create and collaborate in innovative ways. Due to their huge growth over the last decade and the evolution of the social media sector, the company had the ability to shape the current generation, reaching the great achievement of having almost half of the world population using their services.



Figure 1 - Meta Platforms Inc. stock price chart (Source: Refinitiv Eikon)

BUY

Price:	\$390.14
Target Price 2024Y:	\$543.71
Upside:	39.36%

Listing Details

Trading Symbol:	"META"
Exchange:	NASDAQ

Market Data

Main Shareholders:	
Vanguard Group Inc	8.67%
Blackrock Inc	7.37%
FMR, LLC	6.34%
State Street Corporation	3.95%
JP Morgan Chase & Comp	2.39%

Share outstanding:	2.2B
Market Cap:	\$858B

COMPANY DESCRIPTION

The company has diversified its services over time and has purchased a number of other well-known technologies and platforms. The company's reach and influence in the tech sector were greatly expanded by these acquisitions. Meta Platforms Inc. operates within two distinct categories: the Family of Apps (FoA), which entails Facebook, Instagram, Messenger, and WhatsApp, and Reality Labs (RL), comprising Oculus and Metaverse.

FAMILY OF APPS (FOA)

The revenue generated on FoA segment consists in advertising. Through tailored advertisements based on user interests, demographics, and behaviors, the company provides marketers with a platform to connect with its huge user base. This strategic approach enhances the effectiveness and precision of targeted advertising on Meta's platforms making marketing the primary business strategy of the company. Meta has emerged as a leader in the social media segment, boasting dominance with its leading applications across the world's most popular social networks. Its considerable influence is notably evident in securing top positions within the industry (Figure 2).

Facebook

Facebook app was the initial project of the company and had an incredible development over the years, becoming an extensive platform that offers a wide range of features to connect people, share content and facilitate social interaction in both personal and business contexts. The App offers a very rich and dynamic user experience through different features as News Feed, Marketplace, Reels, Dating, among others. The App is the leader of the most popular social network, presenting the higher Monthly Active Users (MAU) (Figure 2). The company presents a continued growth on MAU (Figure 3) which is a key point for the company as the revenue from this App represents a huge part of Meta total revenue.

Instagram

Instagram is a leader social media platform with a core focus on photo and video sharing. In 2012, Meta recognized the platform as a valuable asset and made the strategic move of acquiring the company for approximately \$1 billion. Instagram has since then become a dynamic ecosystem, offering various features such as the iconic Feed, Stories, Reels, Video, Live sessions, personalized Shops, and messaging. These diverse spaces provide individuals and creators with multifaceted avenues to connect, share, and express themselves through the captivating mediums of photos and videos. Following the acquisition, the App has demonstrated an impressive evolution in terms of revenues (Figure 4), closely paralleling Facebook. It now holds a significant share, contributing 45% to the total revenues of the company in 2023 (Figure 5).

Facebook Messenger

Messenger is a powerful messaging app that aims to connect people with their friends, family, communities, and businesses. The use of Messenger is also

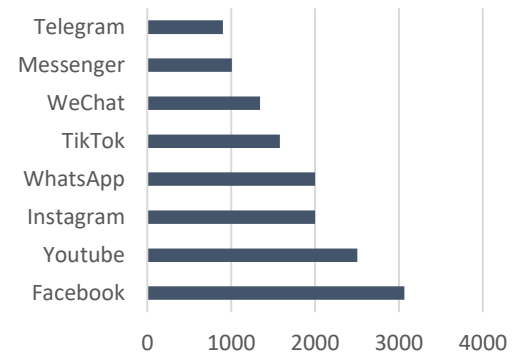


Figure 2 - Most popular social networks worldwide as of April 2024, by number of monthly active users (Source: Statista)

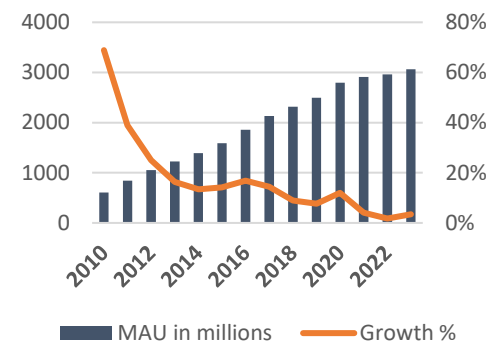


Figure 3 - Facebook Monthly Active Users (Source: Business of Apps)

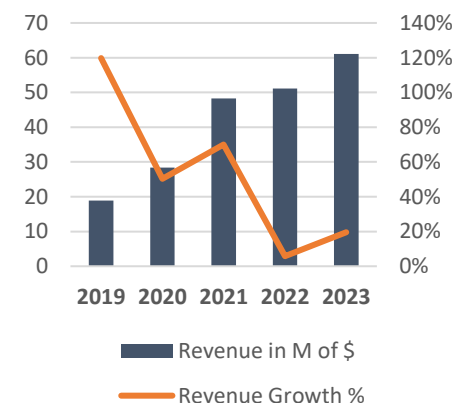


Figure 4 - Instagram AD revenue (Source: Oberlo)

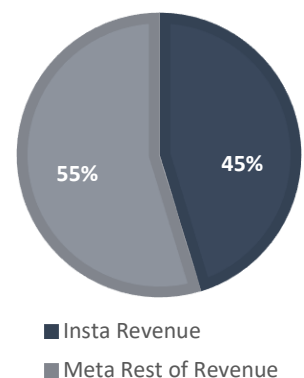


Figure 5 - Instagram AD revenue weight on total revenues (Source: author estimation)

extensive in several text, audio and video communication methods across different platforms and devices.

Meta is a leader in the Messaging App field, leading with a huge difference from the competitors having two of the three most used Apps (Figure 6).

WhatsApp

WhatsApp has been an integral part of communication across the globe, and is often praised for its ease of use, functionality, and enhanced security. This messaging application has gained commendable attention from individuals and enterprises across the continents as its use in holding safe and secure private and business conversations and even carrying out transactions has proved to be indispensable. The company is a leader in Messaging Apps in 2024 (Figure 6).

REALITY LABS

The other division of the organization, Reality Labs, is concerned with the creative advancement of virtual and augmented reality research and technology. In line with the broader vision of the Family of Apps, Reality Labs aims to transform the very essence of human connections by allowing people to overcome space barriers in a bid to create a whole new level of interaction and engagement. With advanced VR hardware, cutting-edge software, and compelling content, the division is committed to empowering individuals to feel deeply connected, irrespective of time and place. The revenue from this division is generated from the delivery of consumer hardware products, related software and content.

Currently, this division is experiencing notable unprofitability, characterized by modest revenues that constitute a minimal share of the total income, coupled with elevated operating costs. The company had reported a \$16.1 billion in operation losses in 2023 on this division, surpassing the value presented on the previous year 13.17\$ billion. The revenue of this division, as already mentioned, is almost insignificant when comparing these values. The company has consequently presented drops on this project revenue from \$1.89 billion in 2023, \$2.16 billion in 2022 and from \$2.27 billion in 2021 (Figure 7).

Investors are expressing some concern over this particular division due to alarming figures, particularly in terms of operating losses and the substantial investment projected. Discerning how the organization intends to recover or earn returns from these investments proves to be alarming to the investors. The organization might be called upon to give a more strategic and transparent route in order to highlight the projects to investors as not only viable in the short term but also in the long-term addressing some concerns and presenting a clear pathway profitability

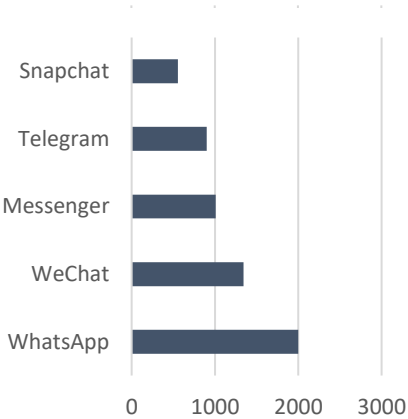


Figure 6 -Most popular global mobile messenger apps as of April 2024 (Statista)

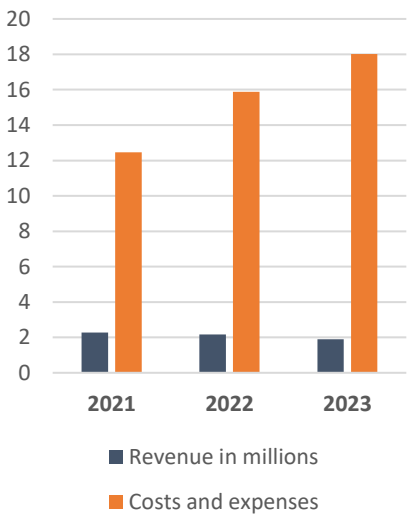


Figure 7 – Reality Labs Revenues and Costs and expenses (Source: company 2023 annual report)

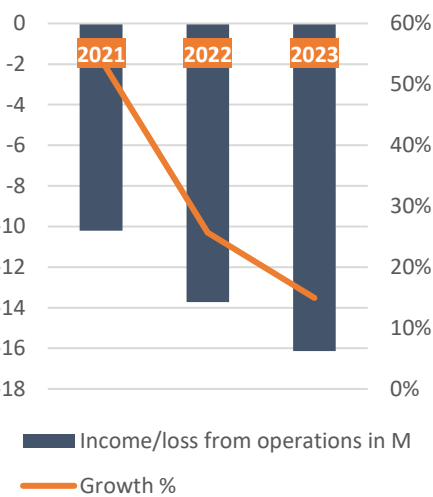


Figure 8 - Income/loss from Reality Labs (Source: company 2023 annual report)

COMPANY STRUCTURE

MANAGEMENT

Meta Platforms adheres to a centralized functional organizational structure, where Mark Zuckerberg assumes the position of the highest authority, overseeing the board of directors (Figure 9). In collaboration with his executive team, Mark Zuckerberg actively shapes the overarching vision and product strategy for Meta, placing particular emphasis on the continual advancement of services, technology, and infrastructure development. This leadership approach ensures a cohesive and focused direction for the company under Mark Zuckerberg's guidance.

SHAREHOLDER STRUCTURE

As per the form 10-K of December 2023, the company has reported a total of 2,200,048,907 outstanding shares of class A common stock, each representing one vote per share. In terms of ownership distribution, Institutional Investors held the majority stake at 67.80%, with Mutual Funds contributing 27.34% and Other Institutional Investors accounting for 40.46%. Individual Investors and Public Companies collectively owned 22.94%, while Insiders, including management, held a modest 9.25%.

In addition, Meta had 349,356,199 shares of class B common stock outstanding, each representing 10 votes per share. This class of stock is predominantly owned by key figures such as Mark Zuckerberg, Meta's management, and directors. The ownership structure of class B shares affords Zuckerberg and his management team effective control of the company, ensuring a concentrated and influential decision-making capability.

SHARE REPURCHASE PROGRAM

Started in 2017, Meta have launched the share repurchase program with no limit to the shares, cash or period of time in which the program was implemented. As of December 31, 2023, the repurchase amount available and authorized was \$30.93 billion dollars. Therefore, the company also declared an additional \$50 billion share repurchase program for 2024, which amounts to nearly five percent of the shares in circulation using Meta one trillion-dollar valuation as an example.

This substantial repurchase authorization is an indication of the soundness of the firm's financial capacity over the years; as the firm's ability to generate cash has been strong. Such share repurchase programs are generally positively regarded by the investors as they can help increase the share price when the number of shares in circulation is reduced thus helping in increasing earnings per share.

DIVIDEND

The company for the first time ever will distribute dividends in 2024. The CEO has announced in the last quarter of 2023 results that the company will distribute 50 cents in the first quarter of 2024 and intends to continue to distribute dividends on a quarterly basis, depending on market conditions.

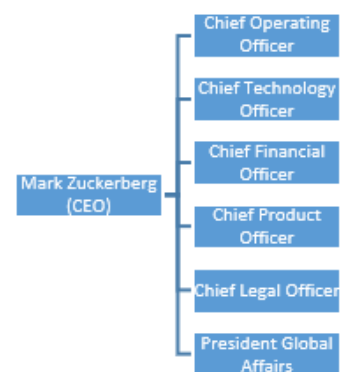


Figure 9 - Company Board of directors Structure
(Source: company 2023 annual report)

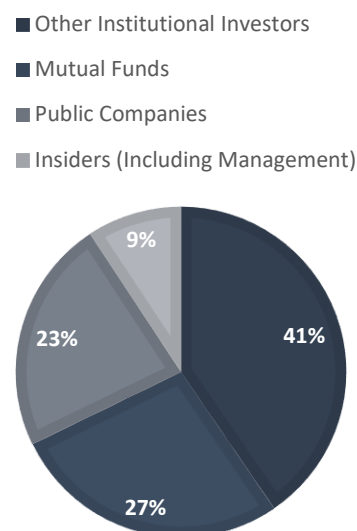


Figure 10 - Meta Ownership (Source: Tipranks)

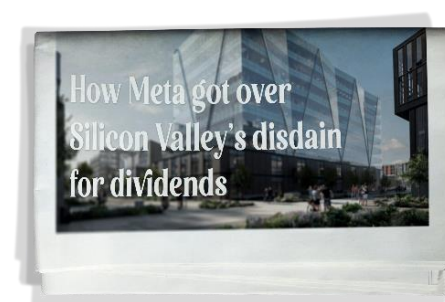


Figure 11 - "How Meta got over Silicon Valley's disdain for dividends." (Source Financial Times)

Susan LI, the company CFO had told analysts, during the earnings call, that this move will allow the company a more balanced capital return program as well as more flexibility in the way the company is able to return capital in the future.

This type of measure is generally well-regarded by investors, as usually it is a strong indicator of the company's good financial health

CAPITAL STRUCTURE

Meta boasts a robust and affluent capital structure. Up until 2022, the company stood out in the S&P500 as the sole entity without any debt. However, in 2022, Meta for the first time has strategically issued \$10 billion in debt, increasing in 2023 to \$18.99 billion of debt. Despite this move, the company continues to exhibit an exceptionally positive financial ratio with a book value debt-to-equity ratio of approximately 3% (Figure 13).

The financial ratios point towards a robust and sound company structure for Meta, indicating a lack of excessive risk and providing no evident cause for concerns regarding solvency. As of now, there's no compelling evidence suggesting significant changes in the capital structure in the near future. Our assumption is that the growth of operating lease liabilities will likely align with revenue increases, while the gradual repayment of long-term debt is expected over time.

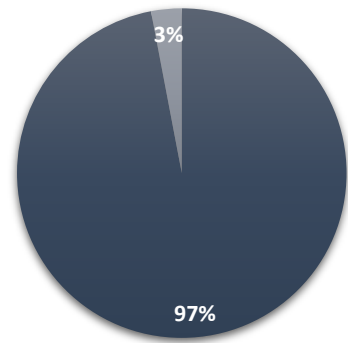
Historically, Meta has not heavily relied on debt financing, primarily because the company, being a robust generator of cash, didn't find it necessary. Instead, Meta achieved impressive growth by utilizing its substantial cash reserves and equity to finance various investments and initiatives. This strategic approach has contributed to the company's financial health and has been a key factor in its remarkable growth trajectory.

INVESTED CAPITAL

The company has adhered to its historic strategy of increasing their Property, Plant, and Equipment (PPE) by investing in servers, network assets, and new constructions to accommodate its growth, reaching a PPE value of \$143 billion in 2023. Over the past five years, the company's PPE has averaged 88.63% of its revenue. Notably, in the last two years, PPE values have exceeded revenues, as we can see per Figure 13.

The figure 15 shows that PPE has been occupying a larger share of total assets over the time. This trend reflects the company's strategy focus and growing investment in this area.

In 2023, the company reported \$28.1 billion in capital expenditures, with expectations for the next year ranging between \$30 billion and \$37 billion. The forecasted growth is attributed to investments in servers, including both AI and non-AI hardware, as well as data centers, to stay ahead of industry innovation previously announced on previous reports. Our forecast predicts that capital expenditures will continue to increase throughout the period due to the ongoing need for industry innovation investment and further investments in the metaverse.



■ Weight of Equity ■ Weight of Debt

Figure 12 - Meta capital structure (Source: company 2023 annual report)

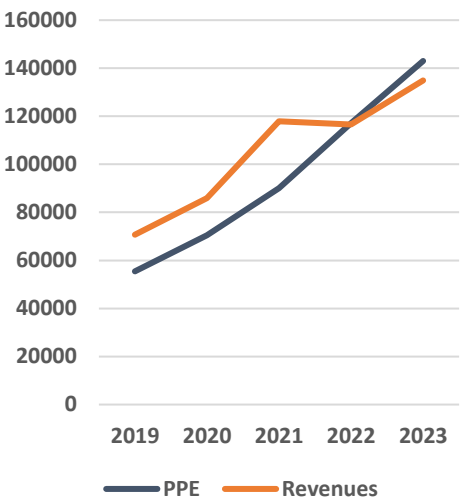


Figure 13 - PPE to revenues (Source: company 2023 annual report)

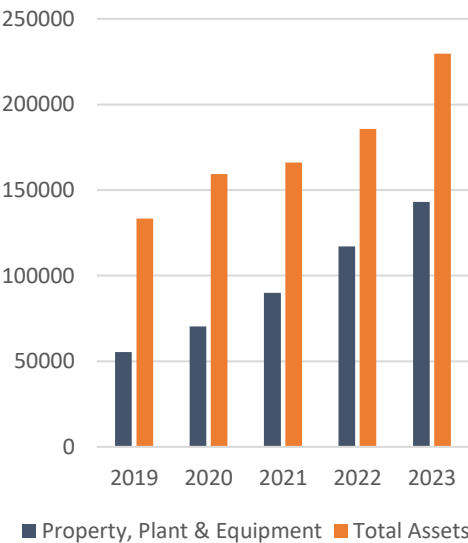


Figure 14 - PPE to total assets (Source: company 2023 annual report)

FISCAL POLICY

While the tax figure grew from \$1.497 billion in the year 2022 to \$2.791 billion in the year 2023, the effective tax rate reduced from 24% to 17% in the course of the period. The corporation anticipates that the overall statutory tax rate shall hover within the range of mid-teens in the year 2024 barring any change to the current regime of taxation in the United States.

With the elections drawing closer, it is necessary to weigh what influence or impact both parties can have on the company performance taking into account particularly the fiscal policy. A Democratic win could result in an increase on the corporate tax over the coming years, which may affect the company profitability and strategic planning.

DYNAMIC OVERVIEW

REVENUES

Meta has shown astonishing revenue growth every year since its inception, crediting most of its performance to the increase in the customer base. This growth has enabled the company grow and to become a leader on their industry, being responsible for a huge portion of the market capitalization in the advertising industry.

The organization recorded a 23.74% Compound Annual Growth Rate (CAGR) during the period of 2017 to 2021. This is indicative of many years of stable growth and substantial market leadership. However, in another historic feat, the company also suffered a collapse in its year-over-year revenues for the very first time in the year 2022.

This downturn can be primarily attributed to the following key factors:

(ATT): The introduction of App Tracking Transparency by Apple, enables users to deny permission for app tracking, which in turn affects the company's ability to run performance advertising. Conventional forms of revenue-generating targeted advertising have been disrupted thanks to this policy change, and this has strained the firm revenues.

Competition from TikTok: The meteoric rise of TikTok has reshaped the social media landscape, posing a formidable challenge to established platforms. TikTok's rapid ascent to prominence has diverted user attention and advertising spending away from other platforms, including the company in question, thereby affecting revenue growth.

Declining Growth Rate of Family Monthly Active Users (MAUs): The growth in the Family Monthly Active Users (MAUs) has been on a downward trend for some time now which has limited the growth of the company's user numbers as well as the increase in revenues. This segment of the population is particularly significant for nurturing involvement and ensuring proper spending practices in the future, while its slowdown in growth has hampered the firm's ability to turn in revenues.

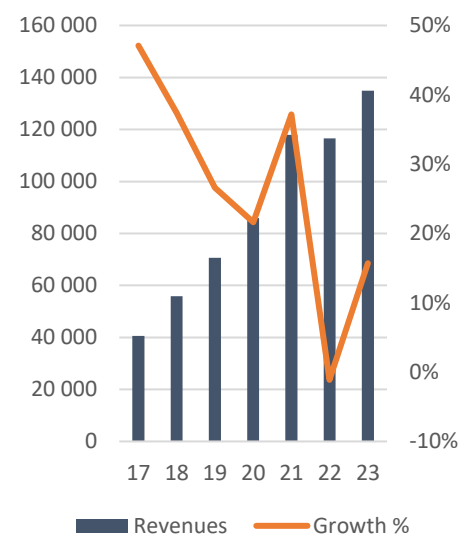


Figure 15 - Revenues performance (Source: company 2023 annual report)



Figure 16 - "Apple's \$12 billion strike to Facebook is suddenly taking shape." (Source Forbes)

Recession in the Advertising Market: The overall level of advertising demand seems to have dropped due to high inflation, war tensions, fuel crises in many countries of the world, which led to cuts in expenditure on advertising, and this has also led to reduced Revenues. Downturn in the availability of advertisement real estate e or advertisement services has limited the capacity of the firm to generate revenues.

For this remarkable historical return to growth, growth has been a year on year of 16% in the year 2023 with revenues at \$137.90 billion. Most of this growth can be attributed to the growth of FoA monetization while revenue from the Metaverse has continued to decline moderately.

As per the table below we can see the contribution of both streams of revenue of the company. As mentioned before, Advertising is the main source of revenue with a significant percentage, making the contribution of “Reality Labs & Other Revenue” almost irrelevant.

COST STRUCTURE

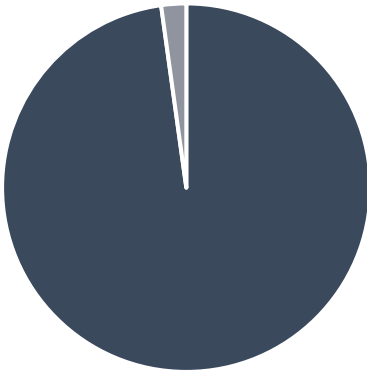
The costs of the company were divided into three segments: 1) Cost of Revenue refers to the expenses directly associated with producing goods or services sold by a company. This typically includes the costs of raw materials, labor, manufacturing overhead, and any other expenses directly tied to the production process; 2) Research and Development (R&D) expenses represent the investment made by a company into activities aimed at creating and enhancing products or services. This includes the costs associated with scientific research, technological innovation, and product development efforts and 3) Sales, General, and Administrative (SG&A) expenses encompass the various costs incurred by a company that are not directly tied to the production of goods or services. This category typically includes expenses related to sales, marketing, administrative functions, and overhead costs necessary to support the overall operations of the business.

As per the Figure 18, it's evident that all segments have grown proportionally with revenues over the last five years.

Within the SG&A segment, there was a notable acceleration in growth in 2019 and 2022, attributed to unexpected expenses during those years.

To mitigate rising costs, the company announced a strategic initiative in November 2022, which involved a reduction in workforce by approximately 11,000 employees and the implementation of a hiring freeze until 2023. These measures were intended to streamline operations and reduce expenditure. However, it's crucial to recognize that the effects of these actions will not be immediate. The company plans to offer a severance package consisting of 16 weeks' pay, with an additional two weeks for each year of service, along with providing all remaining accrued time off and maintaining health insurance coverage for six months.

As a result of these initiatives, the company successfully halted the growth of SG&A expenses, reporting nearly \$23 billion in 2023—a decrease of 10.5% compared to 2022. However, we anticipate that SG&A expenses will increase



■ Advertising ■ Reality Labs & Other Revenue

Figure 17 - Revenues structure (Source: company 2023 annual report)

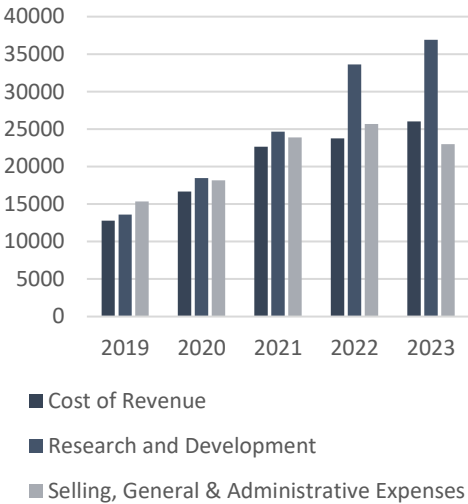


Figure 18 - Meta total costs evolution (Source: company 2023 annual report)

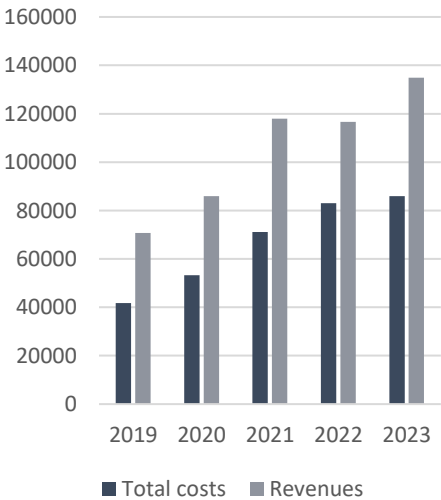


Figure 19 - Total cost to revenues (Source: company 2023 annual report)

over the forecast period, as we believe the company will need to continue investing to stay competitive.

PROFITABILITY

Figure 20 shows the evolution of the profit margins of the company since 2019. When compared to 2019, all the ratios have declined, with a large decrease noted in 2022, due to high cost related to the metaverse. Throw Figure 23 we are able to assume that the company has improved their efficiency ratios when comparing to 2019. However, these values did not grow constantly with values fluctuating from year to year. Figure 22 mirrors the trend observed in Table 1, showing that all ratios were lower in 2023 compared to 2019. A notable aspect of these ratios is their evolution from 2022 to 2023. In 2022, the company reported poor results, leading to a loss of investor confidence. However, this was swiftly reversed in 2023, with all ratios showing significant improvement.

	2019	2020	2021	2022	2023
Profitability					
Gross Profit Margin %	81,9%	80,6%	80,8%	79,6%	80,7%
Operating Margin - %	41,0%	38,0%	39,7%	28,8%	37,2%
EBITDA Margin - %	49,1%	46,0%	46,4%	36,2%	45,5%
Net Margin - %	26,2%	33,9%	33,4%	20,2%	29,4%
Efficiency					
ROE (1)	20,0%	25,4%	31,1%	18,8%	28,5%
ROA (2)	16,0%	19,9%	24,2%	13,4%	19,1%
ROIC	19,9%	25,3%	31,0%	17,7%	25,6%
Valuation					
P/E	31,93	27,07	24,43	13,80	23,46
P/S	8,35	9,18	8,15	2,79	6,90
P/B	5,79	6,07	7,38	2,50	5,92

Table 1 - Valuation, Efficiency and Valuation ratios evolution ratio (Source: company 2023 annual report)

2023			
Companies:	META	GOOGL	AMZN
Gross Profit Margin - %	80,7%	56,9%	46,8%
Operating Margin - %	37,2%	28,7%	6,4%
EBITDA Margin - %	45,5%	32,5%	11,8%
Net Margin - %	29,4%	24,6%	5,2%
Efficiency			
ROE (1)	28,5%	28,1%	17,4%
ROA (2)	19,1%	19,7%	6,1%
ROIC	25,6%	26,0%	12,3%
Valuation			
P/E	23,46	23,42	77,87
P/S	6,90	5,78	4,30
P/B	5,92	6,20	5,89

Table 2 - Valuation, Efficiency and Valuation ratios comparison with competitors (Source: Refinitiv Eikon)

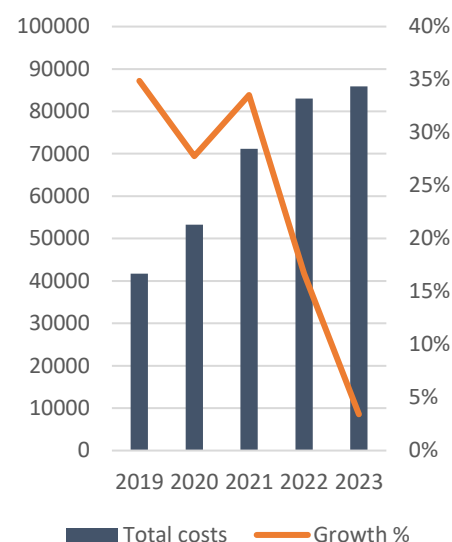


Figure 20 - Profitability ratios evolution (Source: company 2023 annual report)

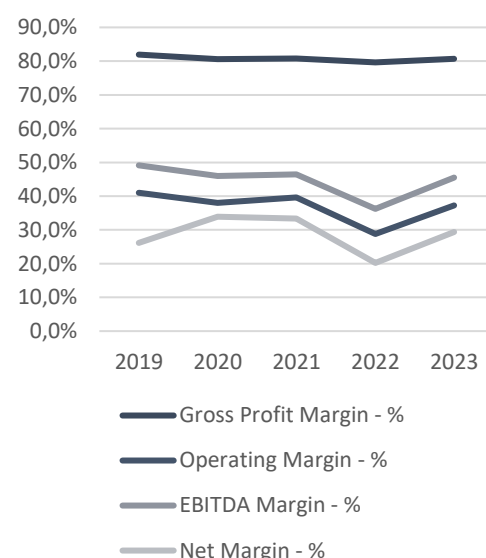


Figure 22 - Profitability ratios evolution (Source: company 2023 annual report)

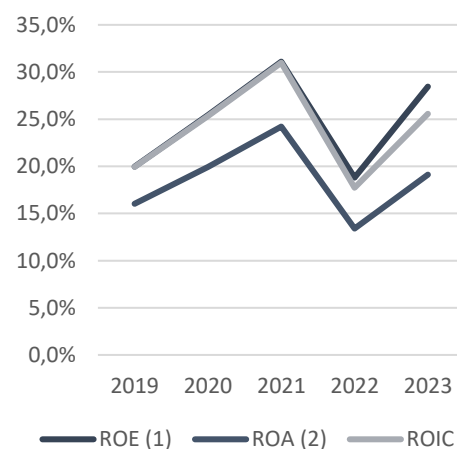


Figure 21 - Efficiency ratios evolution (Source: company 2023 annual report)

Meta presents a unique business model, making it challenging to find suitable peers for comparison. However, core business comparability between Meta and Alphabet (GOOGL) comes out as strong from the following table. Meta reported very strong profitability ratios in 2023 with numbers across the board coming in higher compared to GOOGL. Both companies hared a very high level of similarity with their efficiency and valuation ratios being very similar.

INDUSTRY AND MACROECONOMIC OVERVIEW

MACROECONOMIC OUTLOOK

The overall outlook for growth on a global scale is perceived to be consistent with the forecasts suggesting a 3.1% growth in 2024 and a slight improvement to 3.2% in 2025. Nonetheless, such activities may be hampered by high central bank rates designed to fight inflation and a tapering of government spending over worries of high debt. Notably, inflation is declining more rapidly than anticipated in most regions, attributed to the resolution of supply-side issues and the implementation of more restrictive monetary policies.

An encouraging aspect is that, with the accelerated disinflation, there is a potential upside for companies as financial conditions could improve, fostering innovation and encouraging investment. The positive projections extend to global headline inflation, which is expected to decrease from 5.8% in 2024 to a further decline to 4.4% in 2025. The same trend occurs on the projections of US inflation rate, with the average consumer price inflation to be around 3.2% in 2024 and 1.9% in 2025.

DIGITAL ADVERTISING INDUSTRY

Digital advertising is the dynamic practice of promoting products or services across online channels. The securing of ad placements has opened numerous opportunities in the promotion of products or services through leads generation and sales enhancement using appropriate measures, all with an aim of increasing the online traffic. Nowadays, we stay in an age where internet connectivity has become a norm in that human beings even use the internet for research, leisure and even socializing with the others. Such a habit of using digital media is not only a feature of our everyday life but also plays a significant role in the growth and development of the Digital Advertising Industry along with the passing of time.

In recent years, the digital advertising industry has experienced significant growth, with projections indicating that its market is poised to surpass an impressive \$740.3 billion and it is expected to continue to grow in the future (Figure 25).

PORTERS FIVE FORCES

1. Competitive Rivals (High)

Although the firm is a clear leader in their business sector, it has to contend with stiff rivalry since it functions within a dynamic market. The organization competes side-by-side with other social networking sites such as Twitter,

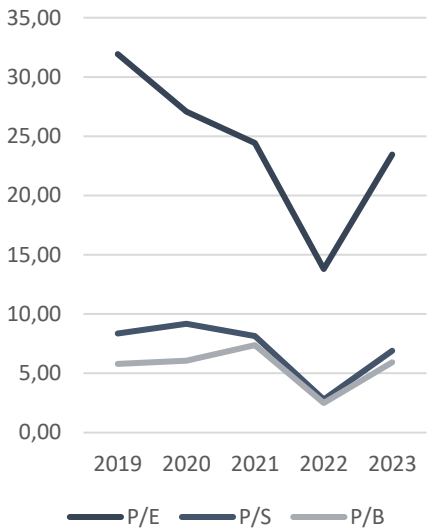


Figure 23 - Valuation ratios evolution (Source: company 2023 annual report)

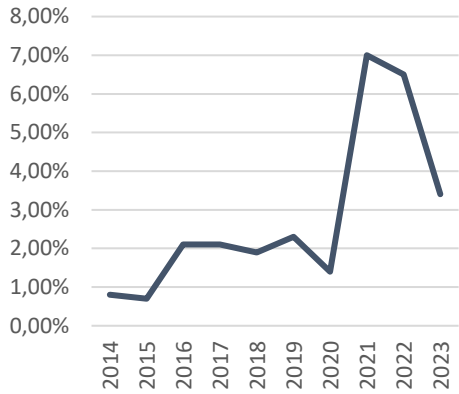


Figure 24 - US historic inflation (Source: Trading Economics)

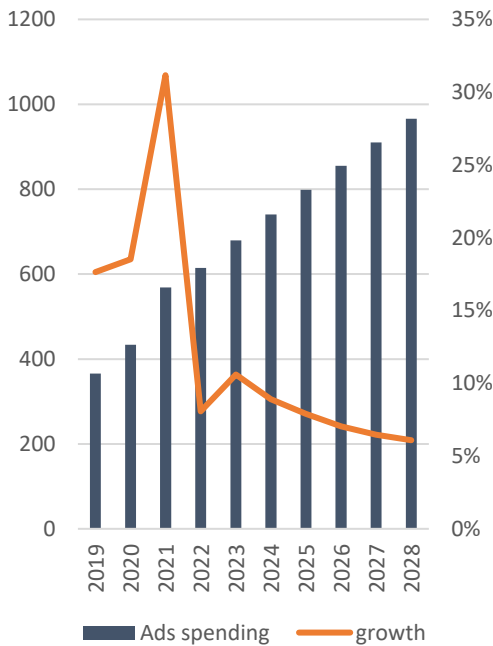


Figure 25 - Ads spending evolution and forecast (Source: Statista)

TikTok, and Snapchat. Also, Meta competes with indirect competitors such as Google and Amazon, which are driven by advertising revenue.

2. Potential for New Entrants in the Industry (Low to Moderate)

The social media and Advertising sector presents significant and challenging barriers to entry. The industry is dominated by major players. Meta. For example, it has already established a huge strong brand recognition and user loyalty, making it difficult for new entrants to attract users. Competing with such well-established companies require substantial financial resources for technology, infrastructure, and marketing. Additionally, regulatory barriers are increasing, particularly concerning data privacy and security, adding another layer of difficulty for new players in the market.

3. Supplier Power (Low)

The company's key suppliers include technology providers offering cloud services, hardware, and software components, as well as content creators and advertisers. However, the effect of these suppliers on the company is offset as the company have an excellent financial capability which enable them to make considerable in-house facilities, research and development investments thus lowering reliance on outside sources. All the same, the need to reach such a vast audience also makes it easier for content creators and inventors to work with Meta.

4. Customer Power (High)

We categorize the company customers into Individuals and Advertisers. While Individuals do not directly pay for the company's services, their engagement is crucial for the company's success and longevity. For Advertisers, although there is strong competition, the company's large user base and effective advertising platform provide a compelling value proposition, ensuring advertiser satisfaction and confidence of Meta Service.

5. Threat of Substitution (Moderate to High)

As previously mentioned, the market is highly competitive, and there is always the possibility that trends may shift, leading users to choose alternative forms of entertainment and communication. However, we believe Meta is well-equipped to retain its current users and attract new ones. The company's extensive suite of apps (Facebook, Instagram, Messenger, WhatsApp) positions it to adapt to these potential changes effectively, ensuring continued engagement and relevance in the evolving digital landscape.

COMPETITORS

New companies from diverse industries, such as Uber, Netflix, and Amazon, are entering the advertising market by leveraging their platforms to offer ad services to other businesses. While Meta has a strong position on social media advertising, these emerging players are gradually capturing a share of the ad market. Although advertising is not the primary revenue stream for these companies, they pose a long-term threat to Meta. Clients may perceive these

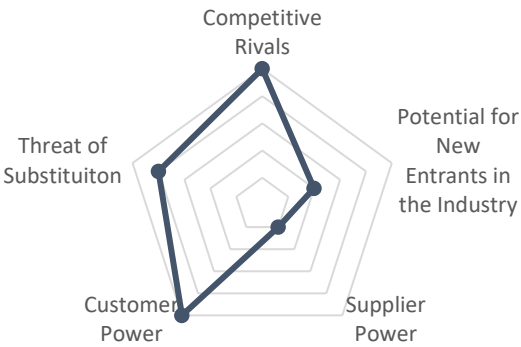


Figure 26 - Porter's Five Forces analysis (Source: author estimates)

	Revenue in billions of dollars	Ratio (x)
META	134,9	1
GOOGLE	307,4	2,3
AMAZON	574,8	4,3

Table 3 - Competitor Revenue Comparison (Source: author estimates)

new opportunities as more efficient and strategically advantageous, potentially shifting their advertising spend away from traditional social media channels.

GOOGLE

Google LLC is a subsidiary of Alphabet Inc. and is ranked as one of the world's leading internet search and advertisement providers. The company's corporate structure also includes important sectors such as advertising, search functionality, specific platforms and operating systems, as well as managing enterprise and hardware related sections. The company presented \$307.4 billion of revenue in 2023, which is 2.3x higher than Meta.

Google stands out as Meta's primary competitor, given their shared reliance on digital advertising as a core revenue stream. In terms of company size and market capitalization, Google emerges as the most comparable counterpart to Meta in the competitive landscape. Both entities navigate on the digital market, "fighting" for market dominance in the constantly changing landscape of online advertising and technology.

AMAZON

Amazon.com, Inc. operates in the retail sale of consumer products, advertising, and subscription service through both online and physical stores, mainly in North America. Started from selling books in 1994 but quickly expanded into a broad marketplace, offering a vast range of products.

Even though the company had a quick success in their industry, the company has decided to diversify their business into areas such as Amazon Web Services (AWS) for cloud computing, Prime for subscriptions, and different advertising platforms. In 2023, Amazon presented \$574.8 billion of revenue, which is 4.3x higher than Meta.

VALUATION

DCF VALUATION

WACC

DCF analysis employs the Weighted Average Cost of Capital [WACC] as its key input. WACC is a discount rate that helps us to estimate the present value of our future estimated cash flows. It is crucial to use an accurate WACC in DCF analysis to guarantee correct calculation of present value of the projected cash flows due to small modifications in inputs that can materially affect valuation. The following formula was applied:

$$WACC = Re * \frac{E}{E+D} + Rd * \frac{D}{E+D} * (1 - t)$$

To begin, we calculate the market value of the firm's equity by multiplying the total number of shares by the last share price of 2023, ending up with \$858,327,080,576.98. Next, we estimate the firm's market value of Debt, which was \$37,834,000,000.00. To find out the Cost of Debt, we use the US Corporate Effective Yield for the rating of the credit rating of the company (AA) – 5.05%. The credit rating from the company was retrieved from company

WACC Component	Rate
Risk-Free Rate	4.42%
Market Risk Premium	4.6%
Beta	1.11
Cost of Equity	9.51%
Spread	0,00%
Cost of Debt	5.05%
Tax Rate	25,00%
After-tax Cost of Debt	3.79%
WACC	9.27%

Table 4 - WACC Assumptions (Source: author estimates)

annual report and the yield per the current US corporate rating at the moment on this rating.

Having the Cost of Debt calculated, we proceed for the calculation of the cost of equity by using the Capital Asset Pricing Model [CAPM]. This model required a risk-free rate (4,42%) extracted from the United States 10-year Treasury Note, a market risk premium (4,60%), sourced on the Market Risk Premium Damodaran website, and a Beta (1,11) based on a regression made between the company monthly price over the last 10 years and the CRSP index, as we did not find suitable for this analysis to use the usual bottom-up approach with the peers, due to the business differences. We got a Cost of Equity of 9,574%.

By using all the inputs necessary and an effective tax rate of 25%, value driven by Damodaran website, we computed an average WACC of 9,574%.

Revenues

To forecast the company's revenue, we have categorized it into two primary revenue streams: Family of Apps (FoA) and Reality Labs.

For FoA, we have chosen to estimate revenues based on the growth of the company's active users. To start, we calculate the average Yearly Active Users (YAU) growth over the last five years, arriving to the value of 8.71%. However, acknowledging that there is a finite number of possible users, we decided to use a more conservative approach using 4% of growth in the first five years and 2% for the remaining ones. Despite the more conservative approach for the YAU forecast, the company's ability to attract new users due to innovation and several emerging markets opportunities, let us be very confident that the value forecast is possible and realistic. Then, we proceed to calculate the Average Revenue User Return (ARPU). After evaluating both the last 3- and 5-years averages, we chose to proceed with the higher value of \$32.38 (3y Average), as we had already taken a conservative approach on the forecast of YAU. Finally, we multiplied the projected YAU by the ARPU to estimate the total revenue figures, as shown in Figure 28.

We have also used a sensitive analysis to observe how the changes in YAU and the average revenue per user would influence in total revenue.

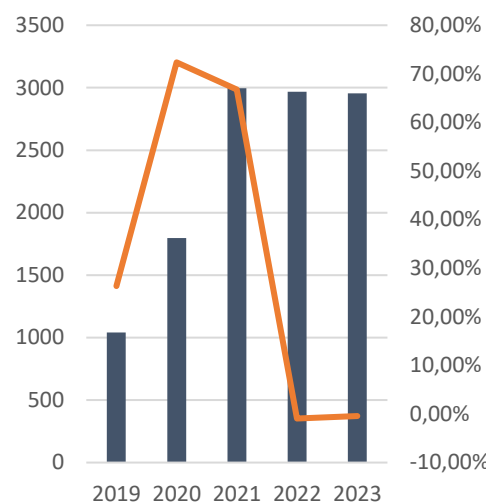


Figure 27 - Meta MAU's over the last 5 years in billions (Source: Statista)

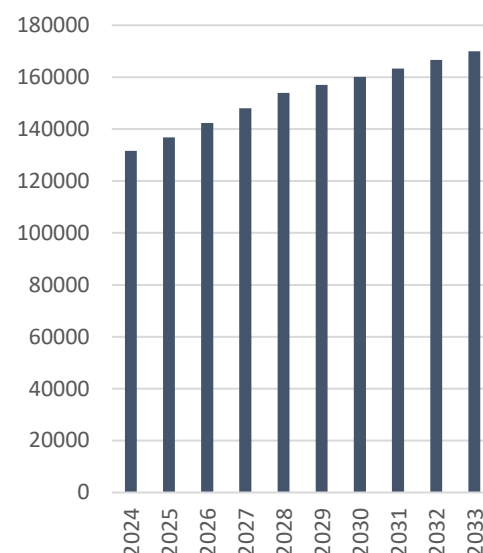


Figure 28 - Meta forecasted MAU in the next 10 years (Source: Author)

Sensitive Analysis (\$/Revenues in M) - MAU & Average Revenue per User								
Avg Rev. (\$) per User	MAU (in billions)							
	\$ 131							
	948	3,31	3,51	3,71	3,91	4,11	4,31	4,51
	31,77	105159	111513	117867	124221	130575	136929	143283
	32,77	108469	115023	121577	128131	134685	141239	147793
	33,77	111779	118533	125287	132041	138795	145549	152303
	34,77	115089	122043	128997	135951	142905	149859	156813
	35,77	118399	125553	132707	139861	147015	154169	161323

Table 5 - Sensitive Analysis - MAU & Average Revenue per User

Regarding Reality Labs, we observed that while this segment experienced a continuous growth in the past, it has slowed significantly down in the last 2 years, with revenues stagnating at around \$3 billion. From their minimal

contribution to total revenues, lack of guidance from the company and an overgrowing uncertainty over this project viability, investors sentiment remains cautious. In light of this, we have chosen to project this stream at a constant \$4 billion annually over the next 10 years.

Capital Expenditures (CAPEX)

Regarding Capital Expenditures, the company has presented a consistent growth on their Capital expenditures, with a minor decrease from 2022 to 2023. Despite this, from the guidelines provided by the company, the company is still committed to further investment in property and equipment (PPE), more particularly, in data centers, servers and networks infrastructures.

In order to calculate a future growth rate for the forecasted period, we calculate the historical CAPEX to revenue ratio, which the last 5-year consistent hovers 20 percent. Given the lack of more concrete material provided by the company, we assume the company's CAPEX to grow at 20.5% during the forecasted values (table). The same strategy was applied on the calculation of both Depreciation & Amortization (D&A) and Change in Working Capital.

Target Price

With all the components, we calculated the FCFF and the Terminal Value and discounted them to their present value reaching a share target price for the final of 2024 of \$535.76, supporting a BUY recommendation.

RELATIVE VALUATION

To complement the company analysis, we decide to also conduct a multiple valuation using the company's peers. As mentioned above, finding a company's peers proved to be a big challenge, as the company has a very unique business model and there is a lack of companies with similar specifications, like similar capital structures, profit margins, and streams of revenue. Therefore, we decide to just use two companies, Alphabet Inc and Amazon.com Inc to conduct the multiple valuation. The most reliable outcome from the valuation was based on the EV/Revenues ratio, which yielded an implied share price of \$582.93 supporting a BUY recommendation from the company.

Also, we have conducted the calculation for the company valuation derived from the EV/EBITDA and EV/EBI ratios, which we decided to not use on the recommendation as both analyses were extremely overvalued by the companies type of business models discrepancies, making them non-reliable for this case.

SENSITIVE ANALYSIS

In order to check the impact of these variables on the company share price we derive the sensitive analysis and got the below results shown on the Table 7. We decide to use these two variables due to their importance in the company as WACC represents the cost of capital and Terminal Growth Rate reflects future growth.

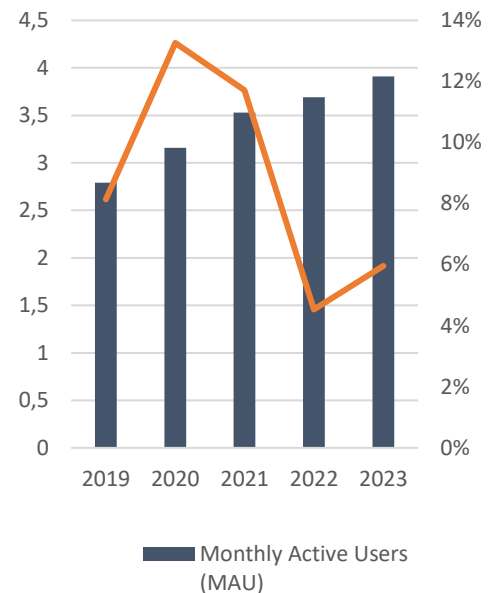


Figure 28 - Reality Labs last 5y Revenue (in millions of dollars)
(Source: company 2023 annual report)

Multiples	META	GOOGL	AMZN
EV / Revenues	6.92	5.77	2.87
EV / EBITDA	11.89	13.57	12.92
EV / EBIT	17.62	18.81	42.51

Table 6 - Relative Valuation (Source: Refinitiv Eikon)

Sensitive Analysis (\$/Sh.) - WACC and Terminal Growth								
Terminal Growth	WACC							
	\$ 543.71	7,77%	8,27%	8,77%	9,27%	9,77%	10,27%	10,77%
	1,50%	585,131	562,181	542,385	525,135	509,971	496,534	484,547
	1,75%	598,833	573,953	552,615	534,112	517,916	503,619	490,907
	2%	613,721	586,663	563,599	543,706	526,372	511,132	497,630
	2,25%	629,957	600,428	575,426	553,983	535,390	519,113	504,747
	2.50%	647.731	615.385	588.195	565.018	545.027	527.608	512.294

Table 7 - Sensitive Analysis - WACC and Terminal Growth

The estimates set the price target to \$543.71 per share, with a discount rate (WACC) of 9.27% and a long-term growth rate of 2%. Per the studied conduct, we can see a very interesting that all values, although the changes in metrics, present a BUY recommendation, showing that the company is undervalue and supporting again a BUY recommendation.

MONTE CARLO SIMULATION

In order to better understand the possible future developments of the share price of Meta Platforms Inc. given the prevailing market uncertainty, we present the results of a Monte Carlo simulation that takes into account changes in the Terminal Growth Rate (TGR) and the Weighted Average Cost of Capital (WACC). These two parameters were chosen as they greatly affect the equity attracted by the investment in any company, as they are related to the valuation of that company.

The TGR and WACC were both modeled with triangular distributions based on the assumptions used in the Sensitivity Analysis. For instance, the WACC we used ranges between 7.77% and 10.77%, while the Terminal Growth Rate used ranges between 1.50% and 2.50%. Based on 100,000 simulations, the average price target computed was \$546.12 per share, which indicates a 40% upside compared to Meta's prevailing share price of €390.14 as of close on December 29th, 2023.

Statistics	Value
Nº Observations	100000
Minimum	362.78
Maximum	788.46
1º Quartile	498.62
2º Quartile	591.04
Mean	546.12
Median	543.88
StDev	66.69
Skweness	0.19
Kurthosis	2.75
Tgrowth Rnage	1.5% - 2.5%
WACC Range	7.77% - 10.77%
Probability (Price > \$543.41)	50.1%
Probability (Price < \$390.14)	0.27%

Table 8 - Monte Carlo Simulation Statistics (Source: Author)

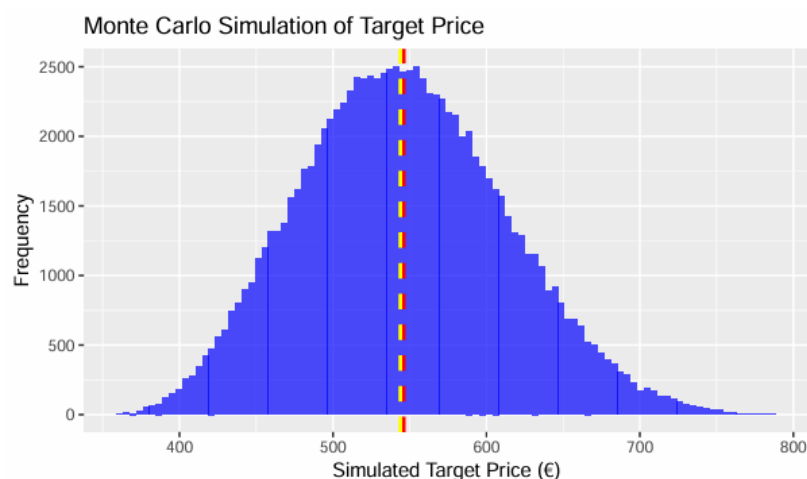


Figure 29 - Monte Carlo Simulation (Source: Author)

The results also imply a 50,1% probability for the share price to be above my estimated target price of \$543.71 per share. Also, as per this valuation method, we can conclude that there is a 0.27% probability for the share price to be below \$390.14 and my recommendation to failure.

Upon reviewing the statistical outcomes outlined in Table (8), the worst-case scenario shows a drop of 7.01% from the existing share price of US\$390.14 per share. On the other hand, the highest value indicates a room of appreciation by 40%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The consideration of ESG has been made an unavoidable factor when making investment decisions. By incorporating these environmental, social, and governance factors in their analysis, investors can clearly evaluate the risks and upsides regarding a company's financial performance, reputation, and its overall worth.

The company currently holds an ESG overall score of 67 out of 100. While there is room for improvement, the company is actively setting new goals to enhance its performance in this area. Over the years, the company has consistently outperformed both the industry and country medians, but when comparing with the peer chosen, the company present the lower score as shown on Figure 31.

ENVIRONMENT

Meta is devoted to promoting sustainable development and has established specific objectives for a positive change in the world’s sustainability. 2030 has been set as a target year, when the company has designed a strategy to achieve net carbon emission across the entire value chain and the company is already close to achieving that. The firm has been putting in significant sums of investment into clean sources of energy since their ambition is to power all the company’s global operations and facilities with one hundred per cent renewable energy; and the company is working on building energy efficient data centers, utilizing modern cooling systems and clean energy sources.

SOCIAL

Meta considers their workforce, supply chain and communities their greatest assets. The organization is convinced that establishing and nurturing a corporate culture and providing justice mechanisms to their people and partners is the most efficient way to accomplish the mission of the organization.

Therefore, the organization is working towards increasing diversity in its workforce, including targets for the number of women and other minorities in management positions.

As Meta is a social media company, they have a big impact socially. The company has committed to mitigate these negative social impacts by implementing measures such as investing in AI tools, human moderators and partnerships with third-party fast-checkers in order to control content moderation and combat misinformation; and the creation and development of



Figure 30 - Competitors ESG overall score (Source: Refinitiv Eikon)

	2022	2021	2020
ESG Score	A-	A-	A-
ESG Controversies Score	D+	B+	D+
ESG Combined Score	C+	A-	B-
Environmental Score	B+	B+	B+
Social Score	B+	A-	A-
Governance Score	A-	A-	A-

Figure 31 - META ESG rating (Source: Refinitiv Eikon)

new privacy tools and transparency reports in order to mitigate their privacy concerns and strengthening data security and user privacy measures.

GOVERNANCE

Board of Directors

Meta Board is constituted by ten experienced professionals, including the CEO, that share different roles into the company, as we can see per table (9). The board was designed to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance.

Compensation, Nominating & Governance Committee

The Committee assists the Board in managing executive compensation, director nominations, and corporate governance. It supervises and recommends executive compensation plans, equity-based compensation, and non-employee director pay. The Committee also identifies and recommends Board candidates, reviews governance policies, evaluates Board performance, and advises on the Board's structure. While the Committee holds specific responsibilities, the Board may act directly on these matters unless restricted by the Committee's authority.

Shareholder Structure:

The company operates under a dual-class share structure, which allows for two types of shares: Class A and Class B. Class A shares are publicly traded and carry one vote per share. The same does not occur in Class, as these ones are only carried by insiders, including the company CEO, and carry 10 votes per share. This allows Mark Zuckerberg a disproportionate amount of control over the company, wielding 58% of the voting power despite owning a much smaller percentage of equity.

This structure model has been widely criticized as there is too much power in the hands of the CEO, which can raise doubts if the decisions were made for the best interest of all the shareholders and the fact of having two classes of shares is a barrier for the shareholder engagement and governance reforms.

Board of Directors	Role
Mark Zuckerberg	CEO
Peggy Alford	Member
Marc L. Andreessen	Member
John Arnold	Member
Andrew W. Houston	Member
Nancy Killefer	Member
Robert M. Kimmitt	Member
Hock E. Tan	Member
Tracey T. Travis	Member
Tony Xu	Member

Table 9 - Board of Directors (Source: Company website)

INVESTMENT RISKS

OPERATIONAL RISK

OR1: Dependence on Ads Revenue (High Risk)

According to the company's financial statements provided during the years it is easy to perceive that the main fount of revenue of Meta is retrieved from advertising, with this stream always representing more than 90 percent of the company total revenue. If people start to not perceive the company products to be useful, reliable and trustworthy marketers may shift for competition or reduce their spendings on the company products, which will lead to a decrease in total revenues and have a huge impact on the company financials.

So, it is important to mention that, even though the results from this source of revenue were and are fantastic, a company that only relies on one stream of revenue is not different from an investor that only relies on really strong security. The dependence on revenue streams is risky and would be a good idea to diversify different streams of revenue in case advertising market dips.

OR2: Metaverse (Moderate)

Complementing the last operational risk, the company has attempted to diversify their revenue streams with the creation of the project already mentioned “Reality Labs”. However, these efforts seem to not yield the expected results. The lack of guidance provided by the company on this project coupled with the huge amount of money spent, has raised concerns about the viability of these projects.

This investment shows that the company does not prioritize short-term financial results and that lack of guidance and uncertainty surrounding the project raises concerns about its ability to deliver the expected long-term benefits. This perception of failure could undermine investor confidence in Meta's future ventures.

OR3: Governance Risk (Moderate to High Risk)

As mentioned above, the company relies the majority of the decision-making power in the hands of their CEO, Mark Zuckerberg. While this structure has led to positive results so far, it raises possible conflicts with shareholders’ interests and undermines confidence among both current and prospective investors. Also, this concentration of power creates barriers for shareholders engagement and governance reforms.

This consists of one of the biggest criticisms pointed to the company. It seems a prudent management decision to distribute the decision-making authority among a diverse competent group of individuals or teams.

MARKET RISKS

MR1: Competitive Risk (High Risk)

The organization functions in an extremely competitive sector that incorporates tough competitors like Google and Tik Tok. The fast pace at which the central technologies of social networks and digital advertising technologies evolves constitutes a threat to the company as it entails that in order to avert the risk of losing market share, the company has to keep on injecting resources for growth. It is possible to observe the impact of new entrants in the space with the growing popularity of TikTok that not only gained significant market share really quickly but also positioned itself as a giant in the industry.

POLITICAL RISK

PR1: Regulatory risk (High Risk)

To remain functional in the Social Media space, the company is required to adhere to extremely sophisticated and dynamic privacy, data protection, content, competition and consumer protection statutes both within The United

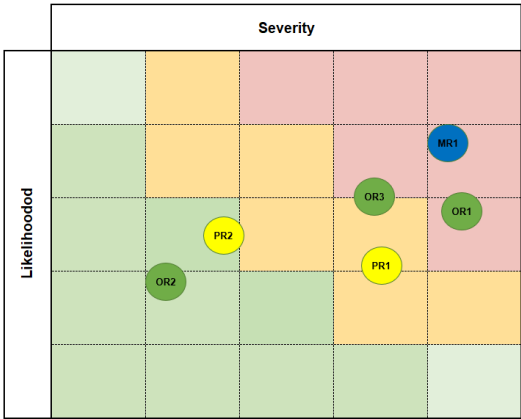


Figure 32 - Risk Matrix (Source: author estimates)

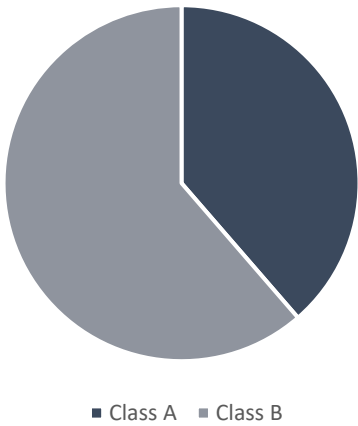


Figure 33 - Share Class Voting Power (Source: Refinitiv Eikon)

States and beyond including such pertinent regulations as GDPR or DMA or DSA among others.

This however creates a challenge, more so given that the company's principal source of income, which is advertising, is data sensitive and hence creates risks of cyber threats.

Adhering to these standards consumes a lot of resources and any infraction could lead to huge fines and salvage operations to clean up the image of the organization. In its history, the organization has been subject to notable sanctions before; for example, in early 2023 European regulators slapped the organization with a \$414 million punishment after it had AI users to opt-in to personalized advertising practices without clear consent.

PR2: Government Risk (Moderate Risk)

The company faces challenges from government-imposed restrictions to platforms like Facebook and Instagram, which impede the company's ability to sell advertising in certain countries, reducing the ability of growing the company market share.

The company's app, Facebook, is currently banned in several countries, including China, North Korea, and Iran. Political uncertainty poses additional risks, as more countries could potentially block the company's apps in the future. Unfortunately for the company, there is not much the company can do to counter these restrictions.

APPENDICES

APPENDIX 1 – INCOME STATEMENT

Income Statement	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues	12 466	17 928	27 638	40 653	55 038	70 697	85 965	117 929	116 609	134 902	134 590	139 854	145 328	151 021	156 942	160 021	163 161	166 364	169 632	172 964
Advertising	11 492	17 079	26 885	39 942	55 013	69 655	84 169	114 934	113 642	131 048	131 590	136 854	142 328	148 021	153 942	157 021	160 161	163 364	166 632	169 964
Reality Labs & Other Revenue	974	849	753	711	825	1042	1796	2995	2967	2954	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Cost of Revenue	2153	2867	3789	5454	9355	12770	16692	22649	23754	26006	26918	27971	29066	30204	31388	32004	32632	33273	33926	34593
Gross Profit	10 313	15 061	23 849	35 199	46 483	57 927	69 273	95 280	92 855	108 896	107 672	111 883	116 262	120 817	125 553	128 016	130 529	133 091	135 705	138 371
Operating Expenses	5319	8836	11 422	14 996	21 570	28 941	36 602	48 527	59 300	59 890	60 566	62 934	65 398	67 959	70 624	72 009	73 422	74 864	76 334	77 834
Selling, General & Administrative Expenses	2653	4020	5503	7242	11 297	15 341	18 155	23 872	25 681	22 979	26 918	27 971	29 066	30 204	31 388	32 004	32 632	33 273	33 926	34 593
Research and Development	2666	4816	5919	7754	10 273	13 600	18 447	24 655	33 619	36 911	33 648	34 963	36 332	37 755	39 235	40 005	40 790	41 591	42 408	43 241
Operating Profit	4 994	6 225	12 427	20 203	24 913	28 986	32 671	46 753	33 555	49 006	47 107	48 949	50 865	52 857	54 930	56 007	57 106	58 227	59 371	60 537
Unusual Expenses/(Income)	0	0	0	0	0	5 000	0	0	4 611	2 255	3 365	3 496	3 633	3 776	3 924	4 001	4 079	4 159	4 241	4 324
Other Expense/(Income)	84	31	-91	-391	-448	-826	-509	-531	125	-677	-673	-699	-727	-755	-785	-800	-816	-832	-848	-865
Pretax Income	4 910	6 194	12 518	20 594	25 361	24 812	33 180	47 284	28 819	47 428	44 415	46 152	47 958	49 837	51 791	52 807	53 843	54 900	55 978	57 078
Income Taxes	1970	2506	2301	2387	3249	6327	4034	7914	4109	7190	7402	7692	7993	8306	8632	8801	8974	9150	9330	9513
Net Income After Taxes	2 940	3 688	10 217	18 207	22 112	18 485	29 146	39 370	24 710	40 238	37 012	38 460	39 965	41 531	43 159	44 006	44 869	45 750	46 649	47 565
Extraordinary Events	0	0	0	-2 273	0	0	0	0	-1 510	-1 140	0	0	0	0	0	0	0	0	0	0
Net Income	2 940	3 688	10 217	15 934	22 112	18 485	29 146	39 370	23 200	39 098	37 012	38 460	39 965	41 531	43 159	44 006	44 869	45 750	46 649	47 565

APPENDIX 2 – BALANCE SHEET

Balance Sheet	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Assets																				
Cash and Cash Equivalents	11 199	18 434	29 449	41 711	41 114	54 855	61 954	47 998	40 738	65 403	80 509	89 823	99 501	109 557	120 006	131 320	142 856	154 619	166 612	178 840
Account Receivable, Net	1678	2559	3993	5832	7587	9518	11335	14039	13466	16169	16824	17482	18166	18878	19618	20003	20395	20796	21204	21621
Prepaid Expenses and other current assets	513	659	959	1 020	1 779	1 852	2 381	4 629	5 345	3 793	4711	4895	5086	5286	5493	5601	5711	5823	5937	6054
Total Current Assets	13 390	21 652	34 401	48 563	50 480	66 225	75 670	66 666	59 549	85 365	102 043	112 200	122 753	133 720	145 116	156 923	168 962	181 237	193 753	206 514
Property, Plant & Equipment	5784	7819	11803	18337	31573	55446	70399	90044	117166	143015	127861	132861	138061	143470	149095	152020	155003	158046	161150	164316
Accumulated Depreciation	-1817	-2132	-3212	-4616	-6890	-10663	-15418	-20080	-24975	-33134	-28264	-29369	-30519	-31714	-32958	-33604	-34264	-34936	-35623	-36322
Long Term Investments	0	0	0	0	0	86	6 234	6 775	6 201	6 141	6730	6993	7266	7551	7847	8001	8158	8318	8482	8648
Goodwill	17 981	18 026	18 122	18 221	18 301	18 715	19 050	19 197	20 306	20 654	21534	22377	23252	24163	25111	25603	26106	26618	27141	27674
Intangibles	3929	3246	2535	1884	1294	894	623	634	897	788	1009	1049	1090	1133	1177	1200	1224	1248	1272	1297
Other Long Term Assets	699	796	1312	2135	2576	2673	2758	2751	6583	6794	5384	5594	5813	6041	6278	6401	6526	6655	6785	6919
Total Non-current Assets	26576	27755	30560	35961	46854	67151	83646	99321	126178	144258	134254	139504	144965	150643	156549	159621	162753	165948	169207	172532
Total Assets	39 966	49 407	64 961	84 524	97 334	133 376	159 316	165 987	185 727	229 623	236 297	251 704	267 718	284 363	301 666	316 544	331 715	347 185	362 960	379 046
Liabilities																				
Accounts Payable	378	413	582	770	1361	2249	2424	5135	6107	5712	5384	5594	5813	6041	6278	6401	6526	6655	6785	6919
Other Current Liabilities	446	639	1 084	1 529	2 922	3 613	5 835	7 000	7 116	9 071	8075	8391	8720	9061	9417	9601	9790	9982	10178	10378
Notes Payables/Short-term Debt	0	201	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Port. Of LT Debt/Capital Leases	114	7	0	0	0	55	54	75	129	90	108	112	116	121	126	128	131	133	136	138
Current Operating Lease Liabilities	0	0	0	0	0	800	1 023	1 127	1 367	1 623	1480	1538	1599	1661	1726	1760	1795	1830	1866	1903
Accrued Expenses	486	665	1 209	1 461	2 734	8 336	5 645	7 798	12 307	15 464	12786	13286	13806	14347	14909	15202	15500	15805	16115	16432
Total Current Liabilities	1424	1925	2875	3760	7017	15053	14981	21135	27026	27833	28922	30054	31231	32456	33092	33742	34404	35080	35769	36462
Total Long Term Debt	119	107	0	0	0	418	469	506	10 481	18 985	19 058	19 084	19 112	19 140	19 170	19 185	19 201	19 217	19 233	19 250
Long term Debt	0	0	0	0	0	0	0	0	9 923	18 385	18385	18385	18385	18385	18385	18385	18385	18385	18385	18385
Capital Lease Obligations	119	107	0	0	0	418	469	506	558	600	673	699	727	755	785	800	816	832	848	865
Deferred Income Tax	769	163	0	0	673	1039	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Current Operating Lease Liabilities	0	0	0	0	0	9 524	9 631	12 746	15 301	17 226	16487	17132	17803	18500	19225	19603	19987	20380	20780	21188
Other Long Term Liabilities	1558	2994	2892	6417	5517	6288	5945	6721	7206	8284	8075	8391	8720	9061	9417	9601	9790	9982	10178	10378
Total Long term Liabilities	2 446	3 264	2 892	6 417	6 190	17 269	16 045	19 973	32 988	44 495	43 621	44 608	45 634	46 701	47 812	48 389	48 978	49 578	50 191	50 816
Total Liabilities	3 870	5 189	5 767	10 177	13 207	32 322	31 026	41 108	60 014	76 455	71 454	73 529	75 688	77 933	80 267	81 481	82 719	83 982	85 271	86 585
Equity																				
Additional Paid-In Capital	30 225	34 886	38 227	40 584	42 906	45 851	50 018	55 811	64 444	73 253	74025	76920	79930	83062	86318	88011	89739	91500	93297	95130
Retained Earnings (Accumulated Deficit)	6099	9787	21670	33990	41981	55692	77345	69761	64799	82070	92164	102653	113553	124879	136650	148652	160889	173366	186088	199061
Other Equity	-228	-455	-703	-227	-760	-489	927	-693	-3530	-2155	-1346	-1399	-1453	-1510	-1569	-1600	-1632	-1664	-1696	-1730
Total Equity	36 096	44 218	59 194	74 347	84 127	101 054	128 290	124 879	125 713	153 168	164 843	178 174	192 030	206 431	221 399	235 063	248 996	263 203	277 689	292 461
Total Liabilities + Equity	39 966	49 407	64 961	84 524	97 334	133 376	159 316	165 987	185 727	229 623	236 297	251 704	267 718	284 363	301 666	316 544	331 715	347 185	362 960	379 046

APPENDIX 3 – REVENUE FORECAST

Ads Revenue Forecast	2018	2019	2020	2021	2022	2023	Avg 5y	Avg 3y
Average Yearly Active Users (in billions)	2,58	2,79	3,16	3,53	3,69	3,91	3,416	3,71
Growth	-	8,14%	13,26%	11,71%	4,53%	5,96%	8,72%	7,40%
Revenue (in millions)	55013	69655	84169	114934	113642	131948	102870	120175
Average Revenue per user (\$)	21,32	24,97	26,64	32,56	30,80	33,75	28,34	32,38

FoA Revenue Assumptions	
Average revenue per user (\$)	\$ 32,38
Average YAU growth over the 5 first years	4%
Average YAU growth over the 5 last years	2%

FoA Revenue Forecast	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Average Yearly Active Users Forecast (in billions)	4,06	4,23	4,40	4,57	4,75	4,85	4,95	5,05	5,15	5,25
Ads Revenue Forecast	131590	136854	142328	148021	153942	157021	160161	163364	166632	169964

Reality Labs Revenue	2019	2020	2021	2022	2023
Reality Labs Revenue	1042	1796	2995	2967	2954
Growth	26,30%	72,36%	66,76%	-0,93%	-0,44%

Reality Labs Revenue Assumptions	
Value used in perpetuity (in millions)	\$3000

APPENDIX 4 – BETA CALCULATION

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,514324439
R Square	0,264529628
Adjusted R Square	0,258296828
Standard Error	0,083792572
Observations	120

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0,297990344	0,297990344	42,44154126	1,86914E-09
Residual	118	0,82850103	0,007021195		
Total	119	1,126491374			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	0,010111888	0,007867689	1,285242566	0,201224407	-0,005468277	0,025692054	-0,005468277	0,025692054
X Variable 1	1,106268665	0,169810694	6,514717281	1,86914E-09	0,769997259	1,442540071	0,769997259	1,442540071

APPENDIX 5 – WACC

WACC	
Capital Structure	
Number of Shares Outstanding (1)	2200048907
Current Market Price per share (2)	\$ 390,14
Market Value of the firm Equity	\$ 858 327 080 576,98
Current Lease Obligation	1 623 000 000
Non-Current Lease Obligation	17 226 000 000
Long-term Debt	18 985 000 000
Value of Debt	\$ 37 834 000 000,00
Firm Value	\$ 896 161 080 576,98
Weight of Equity	95,78%
Weight of Debt	4,41%
Cost of Debt	
Cost Of Debt (3)	5,05%
Tax Rate	25,00%
Cost of Equity	
Risk-free Rate (4)	4,42%
Market Risk Premium (5)	4,60%
Beta	1,11
CAPM	9,51%
WACC	9,274%

(1) Retrieved from Refinitiv

(2) Retrieved from Refinitiv

(3) US Corporate AA Effective Yield

(4) US 10 Treasury Note

(5) Retrieved from Damodaran Website

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net Income	18 485	29 146	39 370	23 200	39 098	37 012	38 460	39 965	41 531	43 159	44 006	44 869	45 750	46 649	47 565
Plus: D&A	4315	5741	6862	7967	10904	13610	12786	13286	13806	14347	14909	15202	15500	15805	16115
Less: Capex	-15102	-15115	-18567	-31186	-27045	-27590,97	-28670	-29792	-30959	-32173	-32804	-33448	-34105	-34774	-35458
Less: Change in WC	7250	-2723	700	5683	3836	4038	4196	4360	4531	4708	4801	4895	4991	5089	5189
Unlevered FCF					74176	74176	75720	78684	81766	84971	86919	88624	90364	92139	93949
WACC							9,27%	9,27%	9,27%	9,27%	9,27%	9,27%	9,27%	9,27%	9,27%
Cumulated Discount Period					1		0,92	0,84	0,77	0,70	0,64	0,59	0,54	0,49	0,45
Present Value of FCF					74176	74176	69294	65894	62664	59593	55786	52053	48570	45321	42289

Enterprise Value	
Cumulative Present Value of FCF	575639
Terminal Value	
g	2%
WACC	9,27%
Terminal Value	1317340
Discount Factor	0,450128
PV of Terminal Value	592972
% of EV	0,507416
Enterprise Value	1168611

Implied Equity Value & Share Price	
Enterprise Value	1168611
(Less) Net Debt	37834
(Plus) Cash and Cash Equivalents	65 403
Implied Equity Value	1196180
Share Outstanding	2200,049
Implied Share Price	\$ 543,71

APPENDIX 7 – RELATIVE VALUATION

Identifier (RIC)	Company Name	EV / Revenues	EV / EBITDA	EV / EBIT
META.O	Meta Platforms Inc	6,92	11,89	17,62
Peers				
GOOGL.OQ	Alphabet Inc	5,77	13,57	18,81
AMZN.OQ	Amazon.com Inc	2,87	12,92	42,51
	Average Multiple	4,32	13,24	30,66
	Meta Platforms Inc	134,90	60,19	49,01
	Meta Platforms Inc EV	582,93	797,13	1502,41

APPENDIX 8 – SWOT ANALYSIS

Strengths	Weakness
Brand Recognition and Market Dominance: The company is one of the most recognized brands globally and the leader in their industry. Strong Financial Performance: Consisted revenue growth and profitability, supported by a robust advertising business. Large User Base: Across all of its platforms, billions of active users generate a vast amount of data and advertising opportunities. Financials: The company is very healthy financially, which can help in future opportunities and challenges.	Privacy Concerns and Regulatory Issues: Growing regulatory constraints and constant examination of data privacy policies may result in penalties. These limitations can have an effect on company operations. Reliance on Advertising Income: Since advertising accounts for a sizable amount of Meta's revenue, changes in the market and shifts in the amounts spent on advertising can impact the company's financial wealth. Problems with trust and public image: Meta's reputation has been damaged. Ongoing issues with data misuse and disinformation persist. Difficulties with content moderation further harm their image.
Opportunities	Threats
Growing Digital Advertising Market: The continuous growth of digital advertising, particularly mobile advertising, offers ongoing revenue opportunities. Monetization of WhatsApp and Messenger: Further monetizing messaging services through new features and business tools can enhance revenue. International Market Expansion: Expanding presence in emerging markets with growing internet penetration. Increasing digital adoption. Innovation in AI and Machine Learning: Leveraging AI for better ad targeting user engagement and platform security.	Competition: Strong competition from other tech giants like Google and Apple, as well as the emergence of large companies entering the advertising sector, such as Uber and Amazon Regulatory Changes: Future new restrictions can difficult the company's ability to operate efficiently or the possibility to reach new markets. Technological Shifts: The industry moves quickly and there is a lack of knowledge if the current wave is here to stay. Metaverse is the right example of this, as the company have invested heavily to still be a unproven concept.

APPENDIX 9 – COMMITTEE COMPOSITION

	Audit & Risk Oversight	Compensation, Nominating & Governance	Privacy & Product Compliance
Peggy Alford			
Marc L. Andreessen			
John Arnold			
Andrew W. Houston			
Nancy Killefer			
Robert Kimmitt			
Hock E. Tan			
Tracey T. Travis			
Tony Xu			
 Chair  Member			

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