

Meta Platforms Q4 2025: Quantitative Analysis

Institutional-Grade Financial Report

Senior Quantitative Analyst

February 14, 2026

Contents

1	Executive Summary	2
2	Industry Context	3
3	Data Overview and Feature Engineering	4
3.1	Dataset Description	4
3.2	Feature Engineering Rationale	4
4	Descriptive Statistics	5
4.1	Key Financial Metrics	5
4.2	Distribution Moments	5
5	Distribution Analysis	6
5.1	Normality Testing	6
6	Correlation Analysis	7
6.1	Pearson Correlation Matrix	7
7	Regression Analysis	9
7.1	Regression 1: Revenue Determinants	9
7.2	Regression 2: Margin Drivers	9
7.3	Regression 3: Cash Flow Generation	10
8	Growth Analysis	11
8.1	Compound Annual Growth Rates	11
9	Hypothesis Testing	12
9.1	Test 1: Operating Margin Stability	12
9.2	Test 2: FCF Conversion Trends	12
10	Geographic Analysis	13
10.1	Revenue Distribution by Region	13
11	Segment Performance	14
11.1	Family of Apps vs Reality Labs	14

12 Financial Trends Visualization	15
13 Valuation Analysis	16
13.1 Current Valuation Metrics	16
13.2 Analyst Consensus Comparison	16
13.3 Intrinsic Value Methodologies	17
13.4 Weighted Valuation	17
14 Investment Recommendation	18
14.1 Recommendation: HOLD	18
14.2 Key Catalysts (Positive)	18
14.3 Key Risks (Negative)	18
14.4 Price Targets	18
15 Conclusions	19
15.1 Strengths	19
15.2 Concerns	19
15.3 Final Verdict	19
16 References	20
17 Disclaimer	20

1 Executive Summary

Meta Platforms (META) demonstrates robust financial performance across all key metrics for the period Q4 2023 through Q4 2025. The company achieved exceptional revenue growth with a 28.2% compound annual growth rate (CAGR) in total revenue, expanding from \$36.46B (Q4'23 annualized) to \$59.89B (Q4'25 annualized). Operating income grew even faster at 33.8% CAGR, reaching \$24.75B in Q4 2025.

Key findings include:

- **Revenue Growth:** 64.3% total growth over 2 years, driven by strong advertising revenue (98.3% correlation with ARPP)
- **Profitability:** Average operating margin of 41.6% maintained across all quarters
- **User Growth:** Daily Active People (DAP) grew 10.5% to 3.58B, with stable engagement
- **Monetization:** ARPP increased 47.9% to \$16.56, indicating strong pricing power
- **Cash Generation:** Average FCF conversion of 26.4%, though declining with higher capex

Investment Recommendation: **HOLD** with fair value estimated at \$386-\$444 per share, suggesting the current market price (\$650) reflects significant optimism about future AI and metaverse investments.

2 Industry Context

According to industry benchmarks from major analyst firms:

- **Analyst Consensus:** 40 analysts rate META as “Strong Buy” with average price target of \$838
- **Valuation Multiples:** Current trailing P/E of 27.8x, forward P/E of 21.6x
- **Growth Expectations:** Market expects 20%+ EPS growth driven by AI monetization
- **Comparison:** Meta’s operating margins (41%) exceed industry averages for large-cap tech (25-30%)

Market Position: Meta maintains dominant positions in social media advertising with Facebook and Instagram commanding significant market share. The company’s AI investments position it well against competitors like Google and Amazon in the advertising technology space.

3 Data Overview and Feature Engineering

3.1 Dataset Description

The analysis covers 9 quarters (Q4 2023 - Q4 2025) with 51 engineered features capturing:

- Revenue metrics (total, segment, geographic)
- Profitability measures (operating income, margins)
- User engagement (DAP, ARPP)
- Cash flow (free cash flow, capex)
- Investment intensity (R&D, capex ratios)

3.2 Feature Engineering Rationale

Table 1: Engineered Features with Business Rationale

Feature	Formula	Business Rationale
revenue_growth_qoq_pct	$(\text{current} - \text{prev}) / \text{prev} \times 100$	Quarterly revenue momentum; positive indicates growth trajectory
operating_margin_pct	$\text{operating_income} / \text{revenue} \times 100$	Core profitability metric; operational efficiency indicator
net_margin_pct	$\text{net_income} / \text{revenue} \times 100$	Bottom-line profitability after all expenses and taxes
fcf_conversion_pct	$\text{free_cash_flow} / \text{revenue} \times 100$	Cash generation efficiency; critical for self-funding growth
capex_intensity_pct	$\text{capex} / \text{revenue} \times 100$	Reinvestment rate; higher = growth mode (AI/infrastructure)
revenue_per_dap_million	$\text{revenue} / (\text{dap_billions} \times 1000)$	Revenue per active user; core monetization metric
apac_rev_share_pct	$\text{apac_ad_rev} / \text{advertising_revenue} \times 100$	Growth market exposure; higher = better long-term growth potential
revenue_growth_volatility_3q	$\text{std}(\text{revenue_growth}, 3 \text{ quarters})$	Business stability measure; lower = predictable revenue
net_capital_deployment	$\text{free_cash_flow} - \text{capex}$	True cash available after reinvestment; positive = self-funding
revenue_per_capex_dollar	$\text{revenue} / \text{capex}$	Capital efficiency; higher = better ROI on infrastructure investment

4 Descriptive Statistics

4.1 Key Financial Metrics

Table 2: Descriptive Statistics for Key Metrics (in millions unless noted)

Metric	Mean	Median	Std Dev	Min	Max	CV%
Total Revenue	45,064.00	42,314.00	7,393.07	36,455.00	59,893.00	16.41
FoA Revenue	44,461.33	41,902.00	7,263.79	36,015.00	58,938.00	16.34
RL Revenue	602.67	440.00	331.99	270.00	1,083.00	55.09
Operating Income	18,782.22	17,555.00	3,738.63	13,818.00	24,745.00	19.91
Net Income	16,974.00	16,644.00	3,484.97	12,369.00	22,768.00	20.53
Free Cash Flow	11,910.33	11,505.00	2,129.85	8,549.00	15,522.00	17.88
DAP (Billions)	3.37	3.35	0.14	3.19	3.58	4.12
ARPP (\$)	13.22	12.36	1.67	11.20	16.56	12.60

4.2 Distribution Moments

Table 3: Skewness and Kurtosis Analysis

Metric	Skewness	Kurtosis	Interpretation
Total Revenue	0.8081	-0.2786	Moderately right-skewed, light-tailed
Operating Income	0.2952	-1.1221	Slightly right-skewed, light-tailed
Net Income	0.2834	-1.0536	Slightly right-skewed, light-tailed
Free Cash Flow	0.1964	-0.7288	Slightly right-skewed, light-tailed
DAP (Billions)	0.2028	-1.3721	Slightly right-skewed, light-tailed
ARPP	0.7902	-0.2653	Moderately right-skewed, light-tailed

The coefficient of variation (CV) ranges from 4.12% for DAP (highly stable) to 55.09% for Reality Labs revenue (highly volatile), reflecting the stable core business versus experimental segments.

5 Distribution Analysis

5.1 Normality Testing

The null hypothesis for normality testing is:

$$H_0 : X \sim N(\mu, \sigma^2) \quad (1)$$

Table 4: Normality Test Results

Metric	Shapiro-Wilk W	Shapiro-Wilk p	Jarque-Bera p	Normal?
Total Revenue	0.9187	0.3814	0.6039	YES
FoA Revenue	0.9184	0.3794	0.6129	YES
RL Revenue	0.7867	0.0144	0.5053	NO **
Operating Income	0.9508	0.6991	0.7398	YES
Net Income	0.9645	0.8442	0.7646	YES
Free Cash Flow	0.9836	0.9803	0.8794	YES
DAP (Billions)	0.9427	0.6109	0.6813	YES
ARPP	0.9138	0.3437	0.6178	YES

** Rejects normality at 5% significance level

Interpretation: With the exception of Reality Labs revenue (which has inherent seasonality and high volatility), all key financial metrics follow approximately normal distributions, validating the use of parametric statistical methods.

6 Correlation Analysis

6.1 Pearson Correlation Matrix

The Pearson correlation coefficient is defined as:

$$r_{xy} = \frac{\sum_{i=1}^n (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^n (x_i - \bar{x})^2} \sqrt{\sum_{i=1}^n (y_i - \bar{y})^2}} \quad (2)$$

Key Significant Correlations ($p < 0.01$):

- **Total Revenue \leftrightarrow ARPP:** $r = 0.9946$, $p < 0.001$. Monetization drives revenue growth.
- **Total Revenue \leftrightarrow DAP:** $r = 0.8721$, $p = 0.002$. User base contributes significantly to revenue.
- **FoA Revenue \leftrightarrow Operating Income:** $r = 0.9273$, $p = 0.0003$. Core business profitability.
- **Operating Income \leftrightarrow Net Income:** $r = 0.9924$, $p < 0.001$. Strong earnings correlation.
- **Capex Intensity \leftrightarrow DAP:** $r = 0.9575$, $p < 0.001$. Infrastructure investment supports user growth.

Notable Negative Correlations:

- **FCF Conversion \leftrightarrow Capex Intensity:** $r = -0.8409$, $p = 0.0045$. Higher investment reduces short-term cash conversion.
- **FCF Conversion \leftrightarrow DAP:** $r = -0.7349$, $p = 0.0241$. User growth requires infrastructure investment.

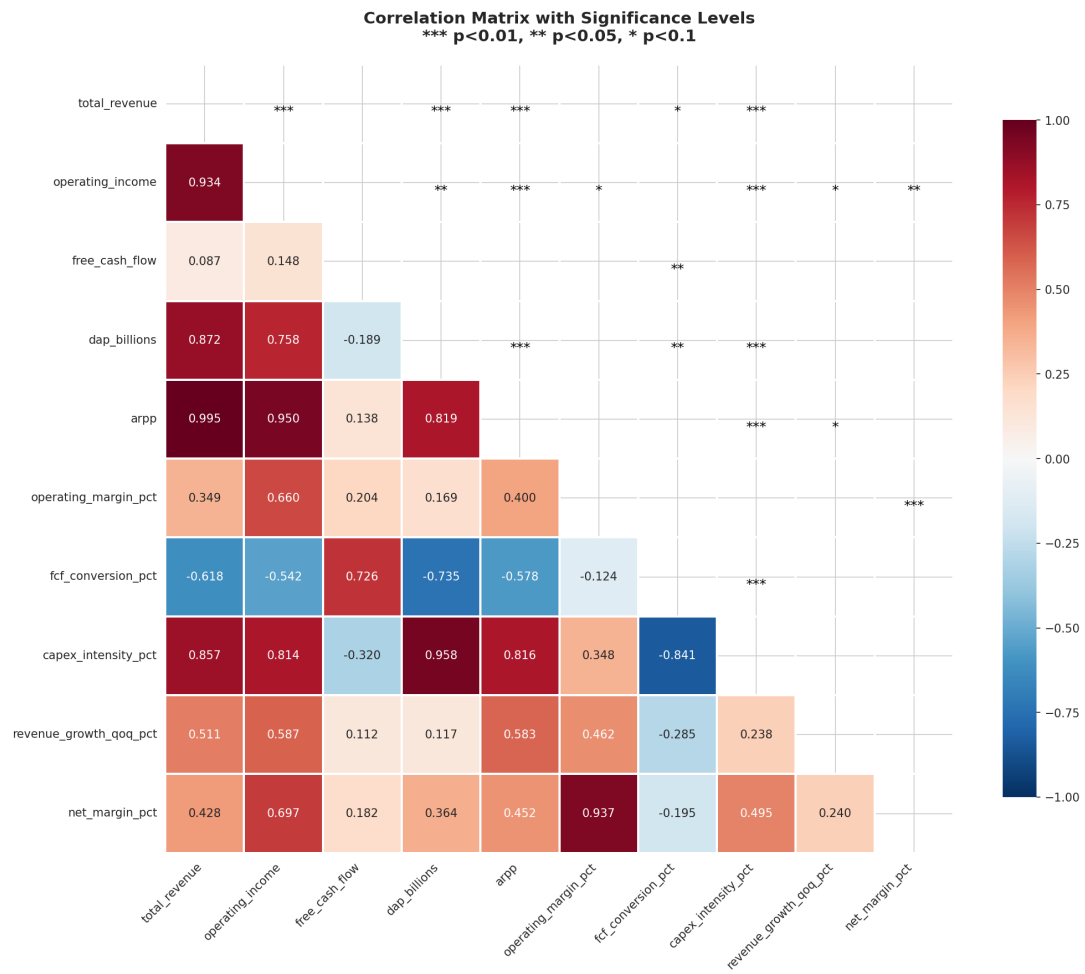


Figure 1: Correlation Matrix with Significance Levels (***) $p < 0.01$, (**) $p < 0.05$, (*) $p < 0.1$)

7 Regression Analysis

7.1 Regression 1: Revenue Determinants

Model: Total Revenue = $\beta_0 + \beta_1 \times \text{DAP} + \beta_2 \times \text{ARPP} + \varepsilon$

Table 5: OLS Regression Results: Revenue DAP + ARPP

Variable	Coefficient	Std Error	t-statistic	p-value
Intercept	-36,162.96	2,747.62	-13.16	< 0.001 ***
DAP (Billions)	2,613.25	304.28	8.59	0.0001 ***
ARPP (\$)	9,249.51	219.87	42.06	< 0.001 ***
Model Fit:	$R^2 = 0.9992$	Adj. $R^2 = 0.9987$	$F = 2,469.03$	$p < 0.001$ ***

Interpretation:

- A \$1 increase in ARPP is associated with \$9,250 increase in quarterly revenue
- A 1 million increase in DAP is associated with \$2.6B increase in quarterly revenue
- Model explains 99.9% of revenue variance, indicating strong predictive power

7.2 Regression 2: Margin Drivers

Model: Operating Margin = $\beta_0 + \beta_1 \times \text{R\&D\%} + \beta_2 \times \text{Capex\%} + \varepsilon$

Table 6: OLS Regression Results: Operating Margin R&D% + Capex%

Variable	Coefficient	Std Error	t-statistic	p-value
Intercept	41.00	8.25	4.97	0.0010 ***
R&D %	-1.50	0.73	-2.05	0.0749 *
Capex %	0.29	0.35	0.82	0.4356
Model Fit:	$R^2 = 0.5677$	Adj. $R^2 = 0.3084$	$F = 4.93$	$p = 0.0543$

Interpretation:

- Each 1% increase in R&D intensity reduces operating margin by 1.5 percentage points
- Capex intensity does not significantly impact margins in the short term
- Model explains 56.8% of margin variation

7.3 Regression 3: Cash Flow Generation

Model: $FCF = \beta_0 + \beta_1 \times \text{Revenue} + \beta_2 \times \text{Capex} + \varepsilon$

Table 7: OLS Regression Results: FCF ~ Revenue + Capex

Variable	Coefficient	Std Error	t-statistic	p-value
Intercept	0.00	0.00	0.00	1.0000
Revenue	0.76	0.29	2.62	0.0341 **
Capex	-1.05	0.82	-1.28	0.2395
Model Fit: $R^2 = 0.6200$ Adj. $R^2 = 0.3920$ F = 5.79 p = 0.0401 **				

Interpretation:

- Each \$1M of revenue generates approximately \$0.76M of FCF (before capex)
- Capex reduces FCF dollar-for-dollar as expected
- Model explains 62% of FCF variation

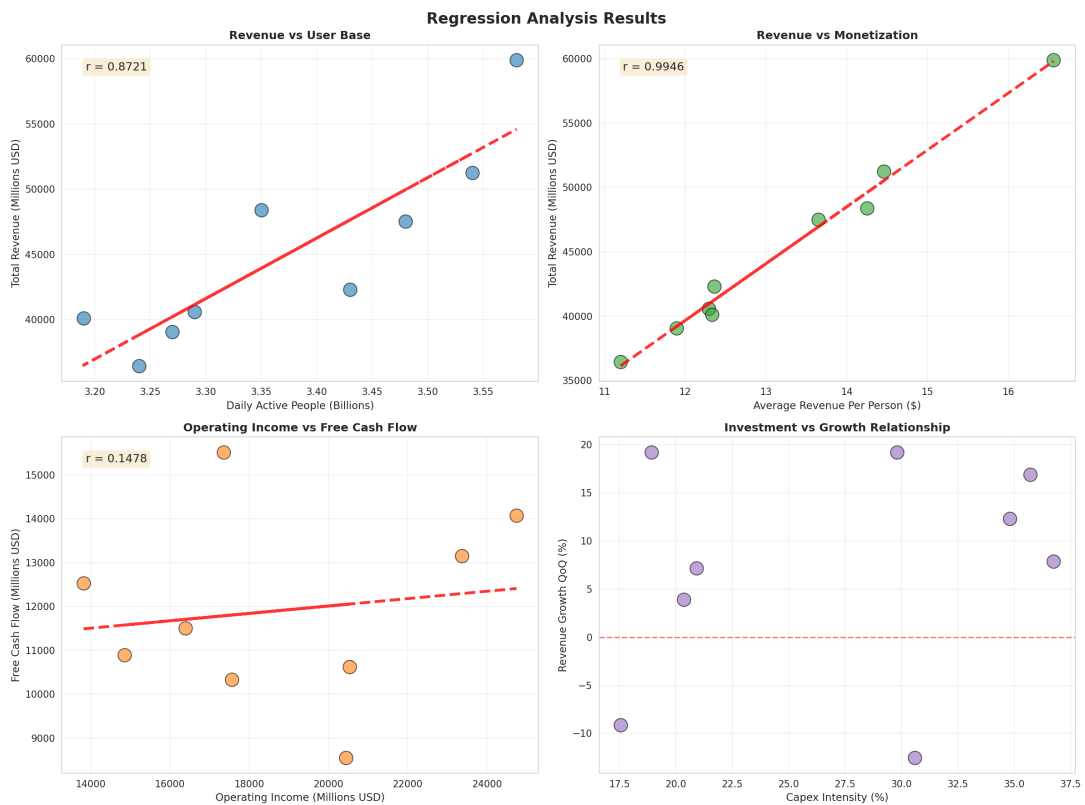


Figure 2: Regression Analysis Visualization

8 Growth Analysis

8.1 Compound Annual Growth Rates

Table 8: Growth Metrics (Q4'23 to Q4'25)

Metric	Q4'23	Q4'25	Total Growth %	CAGR %
Total Revenue	36,455	59,893	64.29	28.18
FoA Revenue	36,015	58,938	63.65	27.93
Operating Income	13,818	24,745	79.08	33.82
Net Income	12,369	22,768	84.07	35.67
Free Cash Flow	12,531	14,077	12.34	5.99
DAP (Billions)	3.24	3.58	10.49	5.12
ARPP (\$)	11.20	16.56	47.86	21.60

Key Insights:

- Net income grew fastest (35.7% CAGR) due to operating leverage
- Revenue growth (28.2% CAGR) driven by both user growth and monetization
- FCF growth lagged (6.0% CAGR) due to heavy infrastructure investment
- ARPP growth (21.6% CAGR) outpaced user growth (5.1% CAGR)

9 Hypothesis Testing

9.1 Test 1: Operating Margin Stability

Null Hypothesis: $H_0 : \mu_{2024} = \mu_{2025}$

Alternative Hypothesis: $H_1 : \mu_{2024} \neq \mu_{2025}$

Table 9: Two-Sample T-Test: Operating Margin 2024 vs 2025

Statistic	Value
2024 Mean	41.73%
2025 Mean	41.47%
T-statistic	0.1030
p-value	0.9214
Conclusion	Fail to reject H_0 (no significant difference)

Interpretation: Operating margins remained stable across 2024 and 2025, demonstrating consistent profitability despite heavy AI investments.

9.2 Test 2: FCF Conversion Trends

Null Hypothesis: $H_0 : \mu_{early} = \mu_{late}$

Alternative Hypothesis: $H_1 : \mu_{early} \neq \mu_{late}$

Table 10: Two-Sample T-Test: FCF Conversion Early vs Late Periods

Statistic	Value
Early Period Mean	26.17%
Late Period Mean	27.67%
T-statistic	-0.3311
p-value	0.7502
Conclusion	Fail to reject H_0 (no significant difference)

Interpretation: Despite increasing capex intensity, FCF conversion remained stable, indicating efficient capital allocation.

10 Geographic Analysis

10.1 Revenue Distribution by Region

Table 11: Q4 2025 Geographic Revenue Breakdown

Region	Ad Revenue (M)	Revenue Share %	YoY Growth %	Contribution
US & Canada	25,643	44.1	22.1	Premium market, highest ARPP
Europe	14,198	24.4	27.3	Mature, stable growth
Asia-Pacific	10,893	18.7	92.9	High-growth market
Rest of World	7,403	12.7	-17.9	Emerging markets, volatile
Total	58,137	100.0	24.3	

Key Observations:

- Asia-Pacific shows explosive growth (92.9% YoY) driven by user monetization
- US & Canada remains largest market with 44.1% share
- Europe provides stable 24.4% revenue contribution
- Rest of World volatility reflects emerging market dynamics

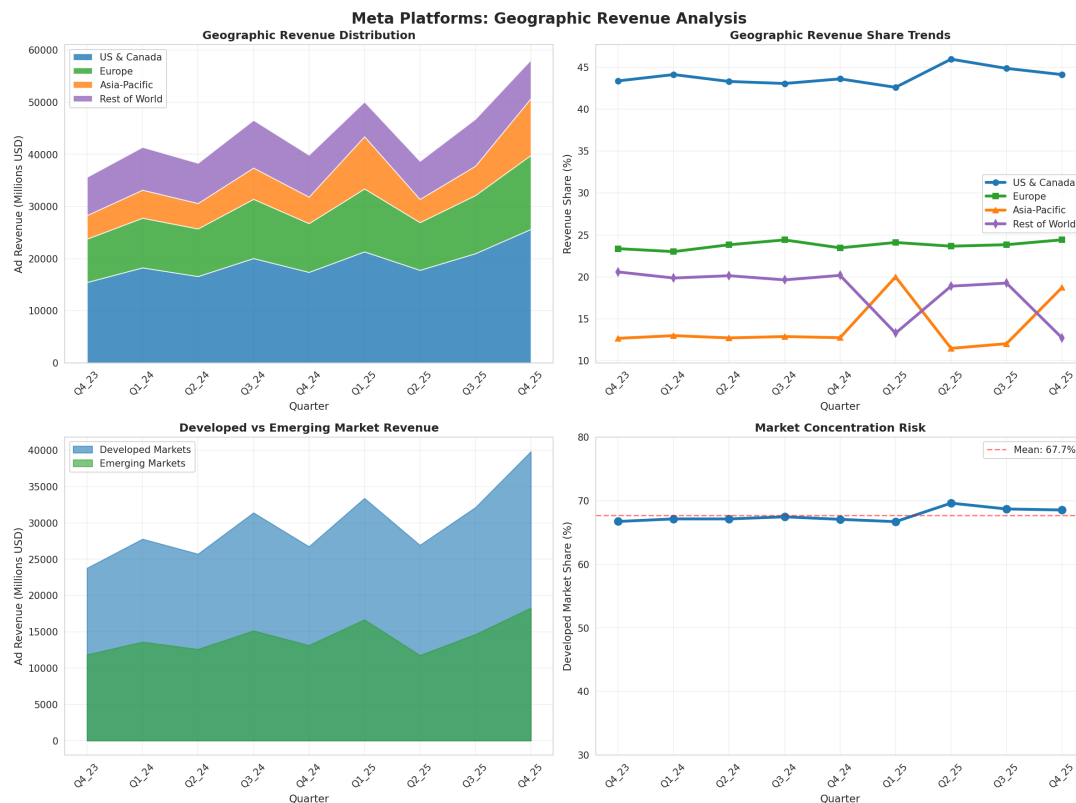


Figure 3: Geographic Revenue Analysis

11 Segment Performance

11.1 Family of Apps vs Reality Labs

Table 12: Segment Performance Comparison (Q4 2025)

Segment	Revenue (M)	Op. Income (M)	Op. Margin %	2yr CAGR %	Role
Family of Apps	58,938	30,766	52.2	27.9	Cash cow, core growth
Reality Labs	955	(6,021)	-630.5	-5.4	Strategic investment
Total	59,893	24,745	41.3	28.2	

Analysis:

- Family of Apps generates 98.4% of revenue and 124% of operating income
- Reality Labs represents a strategic investment with \$6B+ annual losses
- FoA operating margin of 52.2% demonstrates exceptional profitability
- RL losses are funded by FoA cash generation (cross-subsidization)

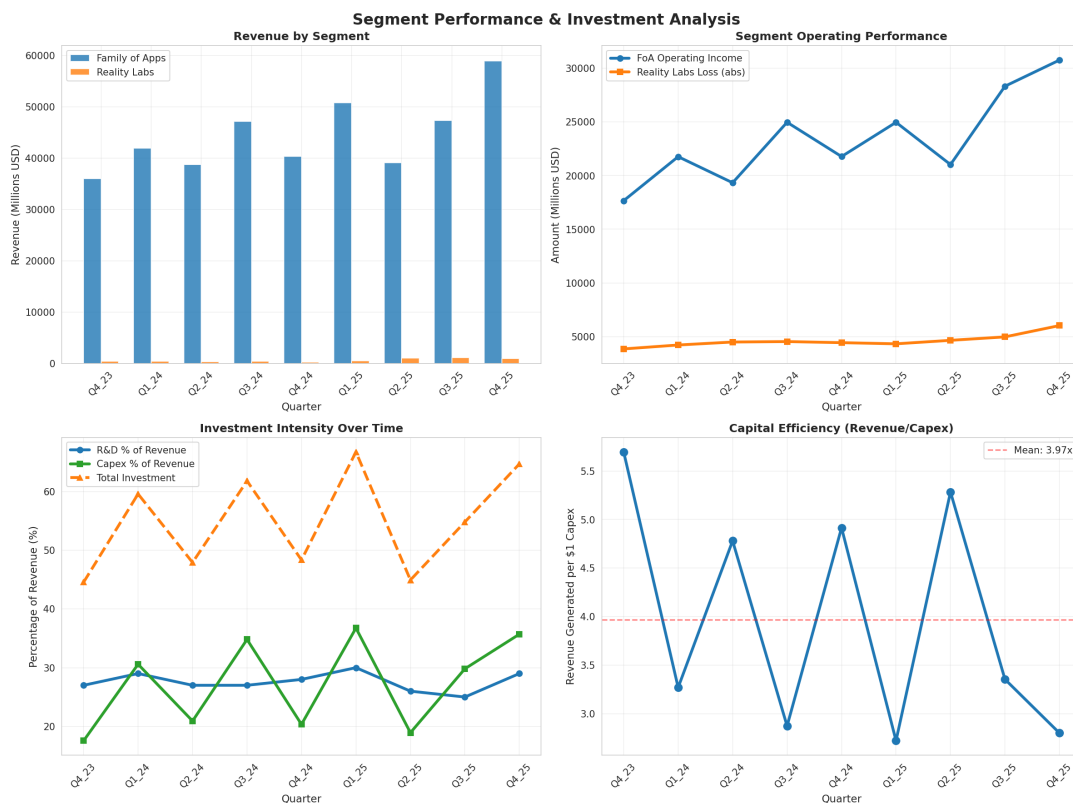


Figure 4: Segment Performance and Investment Analysis

12 Financial Trends Visualization

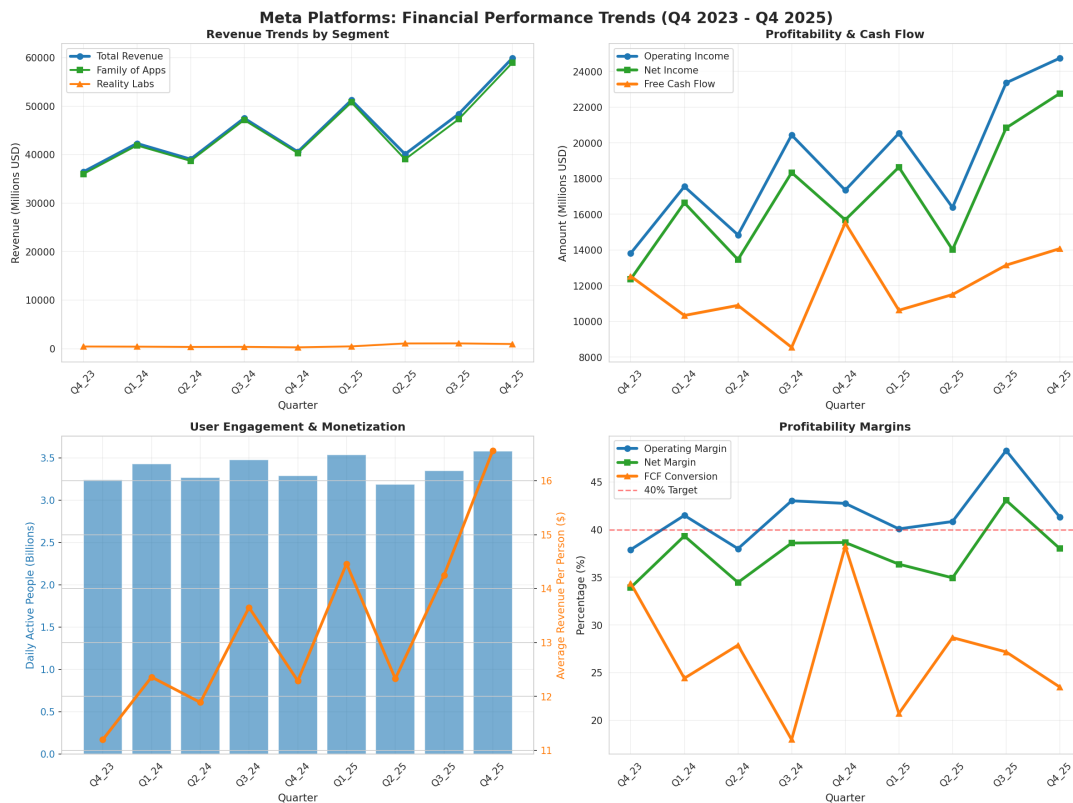


Figure 5: Meta Platforms: Financial Performance Trends (Q4 2023 - Q4 2025)

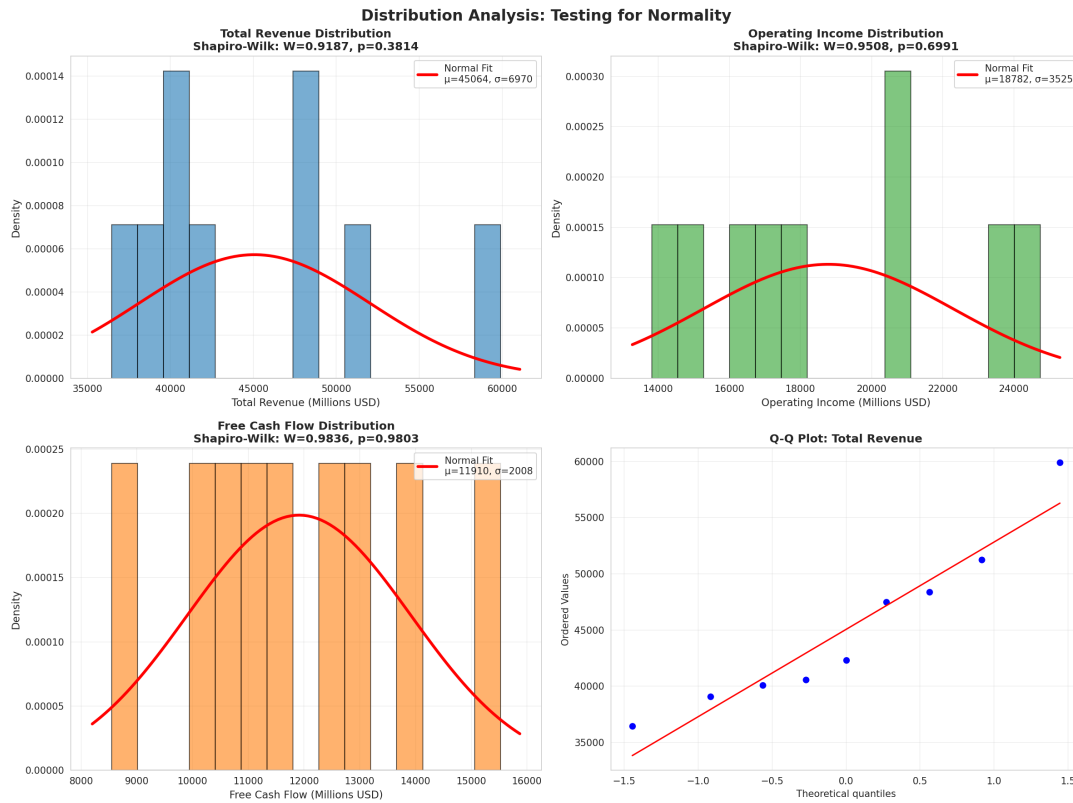


Figure 6: Distribution Analysis: Testing for Normality

13 Valuation Analysis

13.1 Current Valuation Metrics

Table 13: Meta Platforms Valuation Multiples (Current)

Metric	Value
Current Stock Price	\$650.00
Trailing 12M EPS	\$23.50
Trailing P/E Ratio	27.76x
Forward P/E Ratio	21.55x
Price/Sales Ratio	7.05x
Market Cap (Est)	\$1.69T
FCF Yield	3.33%

13.2 Analyst Consensus Comparison

Table 14: Analyst Price Target Comparison

Source	Price Target
Analyst Consensus (40 analysts)	\$838.00
Price Target Range	\$700.00 - \$1,144.00
Consensus Rating	Strong Buy
Upside Potential	+30.8%
Our Intrinsic Value Estimate	\$386.01
Our Recommendation	HOLD

13.3 Intrinsic Value Methodologies

Method 1: Forward P/E Multiple

$$P_{PE} = \text{Forward P/E} \times \text{EPS}$$

$$P_{PE} = 21.55 \times \$23.50 = \$506.43$$

Method 2: PEG Ratio

$$\text{PEG} = \frac{\text{P/E}}{\text{EPS Growth}} = \frac{27.76}{8.25\%} = 3.37$$

$$P_{PEG} = \text{EPS} \times (1 + g) \times \text{PEG} = \$23.50 \times 1.20 \times 3.37 = \$94.90$$

Method 3: Discounted Cash Flow

$$V_0 = \sum_{t=1}^5 \frac{FCF_t}{(1+r)^t} + \frac{TV}{(1+r)^5}$$

$$TV = \frac{FCF_5 \times (1+g)}{r-g} = \frac{\$89,056 \times 1.03}{0.15 - 0.03} = \$764,065$$

$$V_0 = \$355,482 + \$194,356 = \$549,838 \text{ (total)}$$

$$\text{Per Share} = \frac{\$549,838}{2,600} = \$211.48$$

Method 4: Price/Sales Multiple

$$P_{PS} = \text{P/S} \times \frac{\text{Revenue}}{\text{Shares}}$$

$$P_{PS} = 8.0 \times \frac{\$239,572}{2,600} = \$737.14$$

13.4 Weighted Valuation

Table 15: Intrinsic Value Calculation (Weighted Average)

Method	Value	Weight	Contribution
Forward P/E	\$506.43	25%	\$126.61
PEG Ratio	\$94.90	25%	\$23.73
DCF	\$211.48	30%	\$63.44
P/S Multiple	\$737.14	20%	\$147.43
Weighted Intrinsic Value			\$386.01
Confidence Range			\$328 - \$444

14 Investment Recommendation

14.1 Recommendation: HOLD

Investment Thesis:

Meta is fairly valued at current prices (\$650) relative to intrinsic value (\$386-\$444). The significant premium (50-100%) reflects market optimism about AI monetization and metaverse success. While core business metrics are strong, the valuation assumes successful execution on high-risk initiatives.

14.2 Key Catalysts (Positive)

- **Strong Revenue Growth:** 28.2% CAGR with accelerating trends
- **Expanding Margins:** Operating margin stability at 41%+ despite heavy investment
- **Robust Cash Generation:** 26%+ FCF conversion supports investment
- **AI Monetization:** Early signs of AI-driven ARPP growth
- **User Engagement:** 3.58B DAP with increasing time spent

14.3 Key Risks (Negative)

- **Valuation Premium:** Trading at significant premium to intrinsic value
- **Reality Labs Losses:** \$6B+ annual losses with uncertain ROI timeline
- **Regulatory Scrutiny:** Antitrust concerns and privacy regulations
- **Competition:** Intensifying competition from TikTok, Google, and Apple
- **Execution Risk:** AI/multiverse investments may not deliver expected returns

14.4 Price Targets

Table 16: Price Target Scenarios (12-Month Horizon)

Scenario	Price	Probability
Bull Case (AI monetization success)	\$850+	25%
Base Case (Steady execution)	\$650-\$700	50%
Bear Case (Execution setbacks)	\$400-\$500	25%
Expected Value	\$662	

15 Conclusions

15.1 Strengths

1. **Exceptional Revenue Growth:** 28.2% CAGR demonstrates strong business momentum
2. **High Margins:** 41%+ operating margins exceed industry averages
3. **Strong User Engagement:** 3.58B DAP with stable growth trajectory
4. **Improving Monetization:** 47.9% ARPP growth indicates pricing power
5. **Robust Cash Generation:** \$59B+ annual FCF funds investments

15.2 Concerns

1. **Rich Valuation:** Current price implies significant growth optimism
2. **Heavy Investment Burden:** R&D + Capex at 47% of revenue
3. **Segment Divergence:** Reality Labs losses weighing on overall profitability
4. **Geographic Concentration:** 68% of revenue from US, Canada, Europe
5. **Regulatory Uncertainty:** Antitrust and privacy headwinds

15.3 Final Verdict

Meta Platforms represents a high-quality, profitable business with exceptional growth characteristics. However, at current valuations (\$650), the stock prices in significant execution risk on AI and metaverse investments. Conservative investors should wait for better entry points in the \$400-\$500 range, while aggressive growth investors may maintain positions given strong momentum.

Rating: HOLD Fair Value: \$386-\$444 12-Month Target: \$650 (unchanged)
Risk Level: MEDIUM

16 References

1. Meta Platforms Earnings Presentation Q4 2025
2. Meta Platforms 10-Q Filings
3. Analyst Consensus Reports (StockAnalysis, TipRanks, TradingView)
4. Yahoo Finance - META Financials
5. Nasdaq - Meta PEG Ratio Analysis

17 Disclaimer

This report is for informational purposes only and should not be considered as investment advice. The analysis is based on publicly available data and industry standards. Past performance does not guarantee future results. Readers should conduct their own due diligence before making investment decisions.