

Meta Platforms operates the world's largest family of social networking websites, including the flagship Facebook site, Instagram, Facebook Messenger, WhatsApp, Reels, and Threads. The sites enable users to communicate with friends and family by posting to the site; to comment on others' posts; to share photographs, website links, and videos; to message; and to play games. The company also partners with application developers to add functionality to the sites, and allows users to pay for virtual goods and services through its Payments function. Meta derives about 55% of its revenue from outside the U.S. and Canada.

## Analyst's Notes

Analysis by Joseph Bonner, CFA, June 17, 2025

**ARGUS RATING: BUY**

- Raising target price to \$790
- We see Meta's large investment in Scale AI as a strategic play to turnaround its much-criticized generative AI program.
- The company's announcement that its WhatsApp communications platform will now host advertising could become another significant revenue stream.
- Meta is looking to GenAI to underpin several opportunities from enhanced targeted advertising to its Ray-Ban AI glasses.
- We are maintaining our 2025 GAAP EPS estimate at \$25.95 and our 2026 forecast at \$29.41.

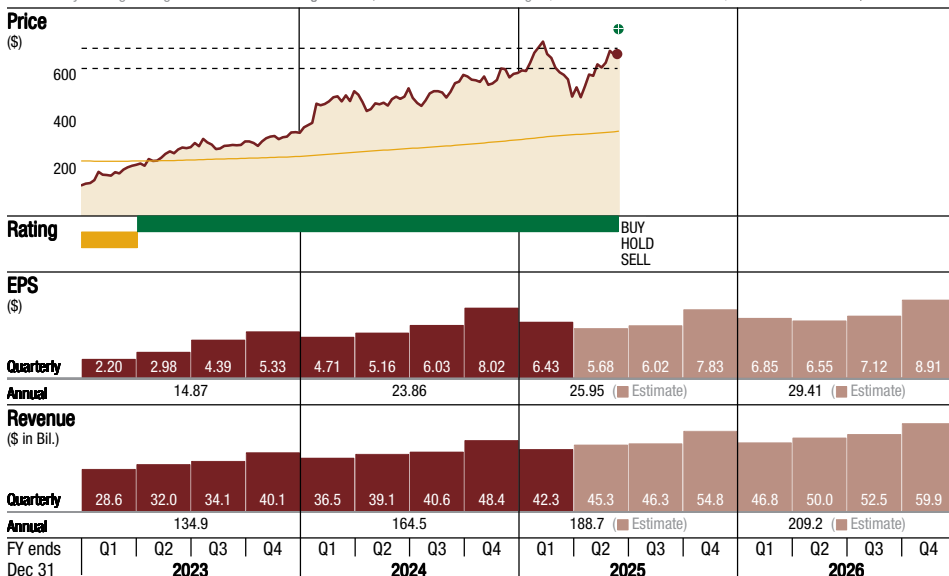
## INVESTMENT THESIS

We are maintaining our BUY rating on Focus List selection Meta Platforms Inc. (NGS: META) and raising our target price to \$790 from \$725. As is the case with most companies, Meta has a variety of both opportunities and risks. Its user growth at scale is certainly striking as both monetization and engagement appear to chugging along. The company's ability to capitalize on GenAI advances in advertising targeting is a particularly relevant opportunity to drive advertising spending, which is the company's lifeblood. On the risk side of the ledger, the new U.S. tariff regime, in particular the extinguishment of the de minimis import exemption is being reflected in lower advertising spend by Chinese retailers. Further, the company is in the midst of an antitrust trial brought by the U.S. Federal Trade Commission and with a highly uncertain outcome. New Chinese competitor DeepSeek adds even more uncertainty into the mix.

Meta typically builds an audience and engagement for new products before moving to monetization, and we think this is once again Mr. Zuckerberg's clearly-stated strategy around generative AI applications to Reality Labs hardware products. We also expect GenAI to pervade Meta's applications to provide another means of optimizing company

## Market Data Pricing reflects previous trading week's closing price.

— 200-Day Moving Average — Target Price: \$790.00 — 52 Week High: \$708.87 — 52 Week Low: \$622.65 — Closed at \$682.87 on 6/13



## Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 72% Buy, 28% Hold.

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

Price	\$697.23
Target Price	\$790.00
52 Week Price Range	\$442.65 to \$740.91
Shares Outstanding	2.17 Billion
Dividend	\$2.10

### Sector Overview

Sector	Communication Services
Sector Rating	MARKET WEIGHT
Total % of S&P 500 Market Cap.	9.60%

### Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	21.4%
Return on Equity	35.4%
Net Margin	39.1%
Payout Ratio	0.08
Current Ratio	2.98
Revenue	\$170.36 Billion
After-Tax Income	\$66.64 Billion

### Valuation

Current FY P/E	26.87
Prior FY P/E	29.22
Price/Sales	8.89
Price/Book	9.51
Book Value/Share	\$73.34
Market Capitalization	\$1.51 Trillion

### Forecasted Growth

1 Year EPS Growth Forecast	8.76%
5 Year EPS Growth Forecast	16.00%
1 Year Dividend Growth Forecast	5.00%

### Risk

Beta	1.21
Institutional Ownership	77.01%

## Analyst's Notes ...Continued

performance and efficiency. We also note that Reality Labs losses continue to mount.

We caution investors that the regulatory threats against Meta in the U.S. and Europe are a material risk. Though the outcomes of myriad regulatory and legal challenges to Meta remain unclear, they have already led to large fines/settlements, and could eventually lead to more material fines and/or onerous regulatory actions including the possibility -- remote, in our opinion -- of breakup. Our long-term rating on META remains BUY.

### RECENT DEVELOPMENTS

On June 12, Scale AI announced a 'significant new investment' from Meta Platforms, valuing that company at \$29 billion. Meta is reportedly investing \$14.3 billion in Scale AI for a 49% minority interest in the company. As part of the deal, Scale AI co-Founder and CEO Alexandr Wang will leave Scale AI to join Meta's AI team. Scale AI is something of a 'picks and shovels' company for generative AI model builders, including OpenAI, Google, and Meta, providing data labeling services that help train frontier GenAI models and other services. Meta is following a recent Tech industry pattern of 'aquihring' top talent through an investment and technology licensing model rather than outright acquisition which could give rise to a greater chance of antitrust opposition given U.S. and European regulators current hostility toward Big Tech consolidation. Of course, regulators could still investigate the deal as they have begun to investigate similar deals including

Microsoft's 'aquihire' of Mustafa Suleyman in its investment deal with Inflection AI.

The disappointing release of Meta's Llama 4 model and delay in the release of its 'Behemoth' large language model led to industry criticism that its GenAI program has begun to lag competitors, particularly OpenAI and Google. Meta is reportedly revamping its GenAI program as it looks to hire top industry talent, including Mr. Wang, to staff a new 'super intelligence' lab. 'Super intelligence' is a relatively new Tech term that refers to a GenAI model that would be more intelligent than the human mind or artificial general intelligence (AGI) which seeks to mimic the human mind. Neither AGI nor super intelligence are considered close to being achieved and have many skeptics as to whether they can be achieved at all.

On June 16, Meta announced in a blog that it will begin to display advertising in the WhatsApp Status function. The company has held off on incorporating advertising into WhatsApp for the last ten years of its stewardship since the acquisition in 2014. However, it is also unsurprising that Meta would move to monetize this valuable communications application that serves 1.5 billion users a day and it certainly follows management's long-term playbook of first building audience and user engagement and then monetizing an application, typically through advertising. Meta is treading cautiously here by only putting advertising into the WhatsApp Status function rather than alongside the messaging function which might have led to the risk of user backlash and

## Growth & Valuation Analysis

### GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	85,965	117,929	116,609	134,902	164,501
COGS	16,692	22,649	25,249	25,959	30,161
Gross Profit	69,273	95,280	91,360	108,943	134,340
SG&A	18,155	23,872	27,078	23,709	21,087
R&D	18,447	24,655	35,338	38,483	43,873
Operating Income	32,671	46,753	28,944	46,751	69,380
Interest Expense	-638	-671	44	-1,043	-1,973
Pretax Income	33,180	47,284	28,819	47,428	70,663
Income Taxes	4,034	7,914	5,619	8,330	8,303
Tax Rate (%)	12	17	19	18	12
Net Income	29,146	39,370	23,200	39,098	62,360
Diluted Shares Outstanding	2,888	2,859	2,702	2,629	2,614
EPS	10.09	13.77	8.59	14.87	23.86
Dividend	—	—	—	—	2.00

### GROWTH RATES (%)

Revenue	21.6	37.4	-1.2	15.6	21.6
Operating Income	12.7	43.1	-38.1	61.5	48.4
Net Income	57.7	35.1	-41.1	68.5	59.5
EPS	56.9	36.5	-37.6	73.1	60.5
Dividend	—	—	—	—	—
Sustainable Growth Rate	23.9	32.1	22.4	22.3	33.6

### VALUATION ANALYSIS

Price: High	\$304.67	\$384.33	\$343.09	\$361.90	\$638.40
Price: Low	\$137.10	\$244.61	\$88.09	\$122.28	\$340.01
Price/Sales: High-Low	10.2 - 4.6	9.3 - 5.9	7.9 - 2.0	7.1 - 2.4	10.1 - 5.4
P/E: High-Low	30.2 - 13.6	27.9 - 17.8	39.9 - 10.3	24.3 - 8.2	26.8 - 14.3
Price/Cash Flow: High-Low	26.0 - 11.7	20.7 - 13.2	17.4 - 4.5	14.4 - 4.9	20.2 - 10.8

## Financial & Risk Analysis

### FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	14,681	41,862	43,889
Working Capital (\$ in Millions)	32,523	53,405	66,449
Current Ratio	2.20	2.67	2.98
LT Debt/Equity Ratio (%)	20.1	23.2	25.8
Total Debt/Equity Ratio (%)	21.2	24.3	26.9

### RATIOS (%)

Gross Profit Margin	78.3	80.8	81.7
Operating Margin	24.8	34.7	42.2
Net Margin	19.9	29.0	37.9
Return On Assets	13.2	18.8	24.7
Return On Equity	18.5	28.0	37.1

### RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	1.6	2.6	2.5
Oper. Income/Int. Exp. (ratio)	156.8	107.3	99.8
Payout Ratio			

## Analyst's Notes ...Continued

dropping the application. META shares were up about 3% intraday on June 16, as the market applauded the company bringing another perhaps significant revenue stream online.

The federal antitrust trial in a case against Meta brought by the U.S. Federal Trade Commission (FTC) concluded on May 27. The case is now with the judge though he may not issue a ruling until later in 2025 or even early 2026. The FTC's lawsuit alleges that Meta (then Facebook) engaged in anti-competitive conduct through its 2012 acquisition of Instagram and its 2014 acquisition of messaging app WhatsApp, essentially acquiring potential competitors. The FTC asks the court to break up Meta by unwinding the acquisitions.

While the market's anticipation of the trial was probably a negative for META shares, prices actually have moved higher lately. Though we give our usual caveat that litigation is notoriously unpredictable, Meta has a reasonable case in our view and could possibly win at trial. In our opinion, the FTC's argument that the social networking market only encompasses Meta, Snapchat, and a heretofore unknown application called weve is simply wrong on its face. The current social networking market also includes the virally popular TikTok and other stalwarts including Google/YouTube, X (Twitter), Reddit, LinkedIn, and a host of smaller niche applications like Discord. Apart from the market size issue, it is bedrock antitrust law that some consumer harm should have arisen from the alleged anti-competitive behavior. The FTC may not have proved its case in this respect. We

think an adverse ruling the in the case would be a negative for the META shares. While a break up would also be a clear negative, a less-draconian fine and/or consent decree outlining certain behavioral strictures would probably be acceptable for Meta. In the event of a loss by Meta, we expect the company to appeal.

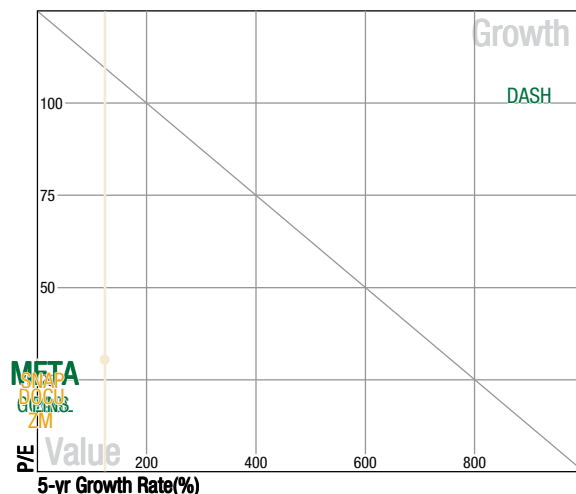
On May 29, Meta and defense contractor Anduril announced a strategic partnership to develop a range of extended reality products. These will likely included augmented or virtual reality headsets/helmets/glasses or other wearable devices for soldiers with the goal of providing enhanced vision, hearing, and battlefield information processing as well as integration with smart weapons systems. The strategic Anduril partnership/Defense Department relationship is a new growth vector for the typically consumer-facing Meta though the company's advances in AR/VR device technology over the last ten years and in generative AI would seem to fit the bill for these types of advanced wearable war fighting systems exactly. Meta and Anduril are reportedly jointly bidding for a \$100 million Defense Department contract to develop prototypes though the opportunity for such wearable technology could be much higher should prototypes get adopted.

Meta has reportedly been in talks with Hollywood movie studios including Disney and A24 and has already partnered with legendary director James Cameron's production company Lightstorm Entertainment for the production of virtual reality first entertainment content. According to a Wall Street Journal report, Meta's discussions have included terms that VR content would be

## Peer & Industry Analysis

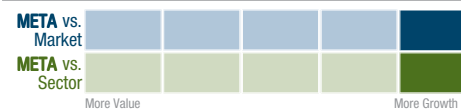
The graphics in this section are designed to allow investors to compare META versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how META stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how META might fit into or modify a diversified portfolio.

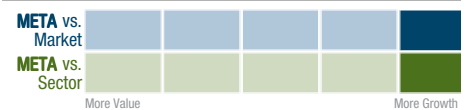


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
META	Meta Platforms Inc	1,513,790	16.0	26.9	39.1	13.3	BUY
GOOGL	Alphabet Inc	1,024,029	14.0	18.4	30.9	5.2	BUY
DASH	DoorDash Inc	87,467	900.0	102.0	3.0	60.5	BUY
EA	Electronic Arts, Inc.	37,698	9.0	18.6	15.0	10.2	BUY
PINS	Pinterest Inc	20,525	25.0	18.4	50.4	19.7	BUY
ZM	Zoom Communications Inc	20,276	6.0	13.9	22.3	.4	HOLD
DOCU	DocuSign Inc	15,116	8.0	20.5	36.5	8.2	HOLD
SNAP	Snap Inc	11,591	10.0	24.8	-9.6	36.4	HOLD
Peer Average		341,311	123.5	30.4	23.5	19.2	

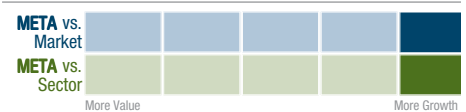
### P/E



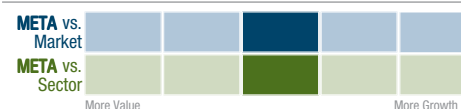
### Price/Sales



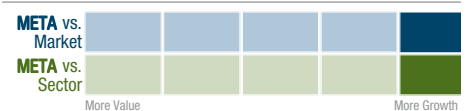
### Price/Book



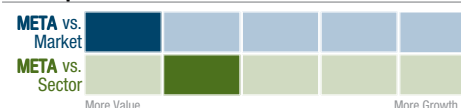
### PEG



### 5 Year Growth



### Debt/Capital



## Analyst's Notes ...Continued

exclusive to Meta for a first window period of time before allowing 2-D versions to be distributed through secondary exhibition windows. While Meta's Vision Quest line of VR headsets have probably been the most successful VR device, the Vision Quest along with Apple's expensive Vision Pro and other VR headsets have seen only limited sales, primarily to videogamers and have not broken through to the mass market. A significant stumbling block to VR adoption has been the lack of compelling content so that Meta's Hollywood gambit to take a shot at acquiring breakthrough popular content makes sense though may also be expensive as it continues to chase CEO Zuckerberg's VR dreams. Meta is likely developing another more powerful, perhaps sleeker and more AI-driven iterative update to the Vision Quest for probable release in 2026.

We are maintaining our 2025 GAAP EPS estimate at \$25.95 and our 2026 forecast at \$29.41. Our EPS estimates imply 11% growth over the next two years. Our long-term earnings growth rate forecast is 16%.

### MANAGEMENT & RISKS

Meta is vulnerable to extreme regulatory backlash in the U.S. and globally, related to antitrust; the spread of misinformation, including election interference; the spread of unlawful content in private groups and encrypted communications; and the misuse of members' private information, among other risks. We say 'extreme regulatory backlash' above as Meta is not only being charged with huge fines for alleged transgressions, but faces a possible forced break-up of the company, given its social media market power.

Meta is appealing a decision and a record 1.2 billion-euro (\$1.3 billion) fine levied by the European Data Protection Board in May 2023. The U.S. Federal Trade Commission antitrust lawsuits, where break-up is a possible remedy, have at a minimum increased headline risk for Meta, and are an existential threat to the company. Management distraction is another risk arising from the FTC suit, and from other regulatory litigation and investigations, particularly in the European Union.

In late 2022, the EU passed the Digital Services Act (DSA) and the Digital Markets Act (DMA), both aimed at severely regulating large online businesses, i.e., Meta and other large American tech companies. The DSA and DMA are aimed at regulating practices around content moderation/disinformation and user privacy, among other issues, and Meta will be required to undergo outside audits of its practices and share algorithmic data with EU regulators. The European Commission ruled that Meta violated the DMA in April of 2025. Penalties for noncompliance to the new law are severe.

On October 24, 2023, Meta was hit with a flurry of joint lawsuits brought by 41 states in federal court. Some state Attorneys General have also filed similar suits in their own state courts. The lawsuits allege that Meta has harmed the psychological health of children and adolescents by knowingly designing psychologically manipulative 'technologies to entice, engage, and ultimately ensnare youth and teens.' The suits allege that Meta lied to the public by minimizing the damaging impact of these technologies and violated the Children's Online Privacy Protection Act (COPPA) by unlawfully collecting 'the personal data of its youngest users' without their parents' permission. The lawsuits seek injunctions to stop the alleged actions as well as monetary damages.

Like all advertising-dependent companies, Meta could be severely hurt by a decline in advertising. This risk is heightened by

the uncertainty surrounding macroeconomic growth, which closely correlates with advertising growth. Meta may be more resilient than other ad-reliant companies due to the secular trend of advertisers moving to digital from other channels and to its sophisticated ad audience targeting tools.

While Meta's user growth has migrated toward developing markets, the U.S. (Meta's home market) is still the most lucrative. As such, a meaningful defection of U.S. users from the flagship Facebook site (other than to Facebook's own sister applications Instagram, WhatsApp, Reels, and Threads) could materially impact the company's performance and business model. A significant loss of advertisers would also be a material problem.

Meta is almost entirely dependent on advertising revenue, which has grown to about 98% of total revenue. The secular trend of advertisers devoting more and more of their advertising dollars to internet-based advertising has generally softened the effect of cyclical swings in the online advertising market. The flagship Facebook platform is at saturation in the U.S., meaning that growth in that platform will likely slow over time. Meta's emerging platforms, Instagram, Messenger, WhatsApp, Reels, and Threads, have been building their respective user bases nicely, and are in various stages of monetization. Management has also warned that it is willing to sacrifice short-term margin expansion for long-term user growth and increased engagement.

Competition in the internet space is intense, and Meta is up against a number of larger companies with greater resources, including Google, Microsoft, and Apple. The company also competes with smaller virally popular and niche social media companies like TikTok, Twitter, Snapchat, Reddit, and Discord. As Meta expands internationally, it must manage its entry into new markets, where it may have limited understanding of the local culture. It also faces pressure from 'national champion' competitors, especially in China, where it is currently banned. Government regulation and the possible censorship of site content could also become much more burdensome in the coming years, both in the U.S. and in international markets. The Snowden revelations involving the use of American internet company data by the National Security Agency (NSA) could make Meta's penetration of foreign markets much more difficult, and result in restrictions or outright bans by foreign governments.

Like any fast-growing tech company, Meta must successfully manage its growth trajectory. It must also ensure 24/7 system reliability in the face of increasingly toxic computer network attacks from malicious governments, organizations or individuals attempting to steal user information.

More than most internet firms, Meta is identified with its founder, chairman, and CEO Mark Zuckerberg, and his possible loss would undoubtedly be a major blow to the company.

On January 6, Meta announced that it had added three new directors to its board: Dana White, John Elkann, and Charlie Songhurst. Mr. Elkann and Mr. Songhurst are an industry leader and a tech investor, respectively, and therefore are what one would expect in this role. Mr. White, in addition to his position as CEO of sports media business UFC, is a close personal friend of President Trump. Also in early January, Meta replaced its global affairs chief Nick Clegg with Joel Kaplan. Mr. Kaplan has served as Meta's point of contact with Republican law makers since 2011. Meta also donated \$1 million to the presidential inaugural committee. While some may decry these moves as genuflecting to

**Analyst's Notes** ...Continued

the new administration, Meta faces serious antitrust and regulatory issues, and we objectively note that currying favor with regulators is in the company's business interest.

**COMPANY DESCRIPTION**

Meta Platforms operates the world's largest family of social networking websites, including the flagship Facebook site, Instagram, Facebook Messenger, WhatsApp, Reels, and Threads. The sites enable users to communicate with friends and family by posting to the site; to comment on others' posts; to share photographs, website links, and videos; to message; and to play games. The company also partners with application developers to add functionality to the sites, and allows users to pay for virtual goods and services through its Payments function. Meta derives about 55% of its revenue from outside the U.S. and Canada.

**VALUATION**

META shares are up 20% year-to-date on a total-return basis, compared to a 3% gain for the S&P 500, a 4% gain for the S&P Interactive Media & Services Industry Index, a 9% gain for the NYSE Fang+ Index, and a 1% decline for the Roundhill Magnificent Seven ETF. The META shares were hit hard earlier this year by the launch of the Chinese DeepSeek GenAI model, which put into question Meta's (and others) huge planned investments in GenAI frontier models along with the beginning of a federal trial on antitrust charges then bottomed with the market in April on trade war fears. However META shares have made a powerful recovery off the bottom, outpacing the market by a wide margin, aided by continued strong results. The forward EV/EBITDA multiple of 16.5 is 6% above the peer average and above the two-year historical average discount of 17%. We are maintaining our BUY rating on Meta and raising our target price to \$790 from \$725.

On June 17, BUY-rated META closed at \$697.23, down \$4.89.



## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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