



∞ Meta

# META Valuation

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FY2012 – PRESENT

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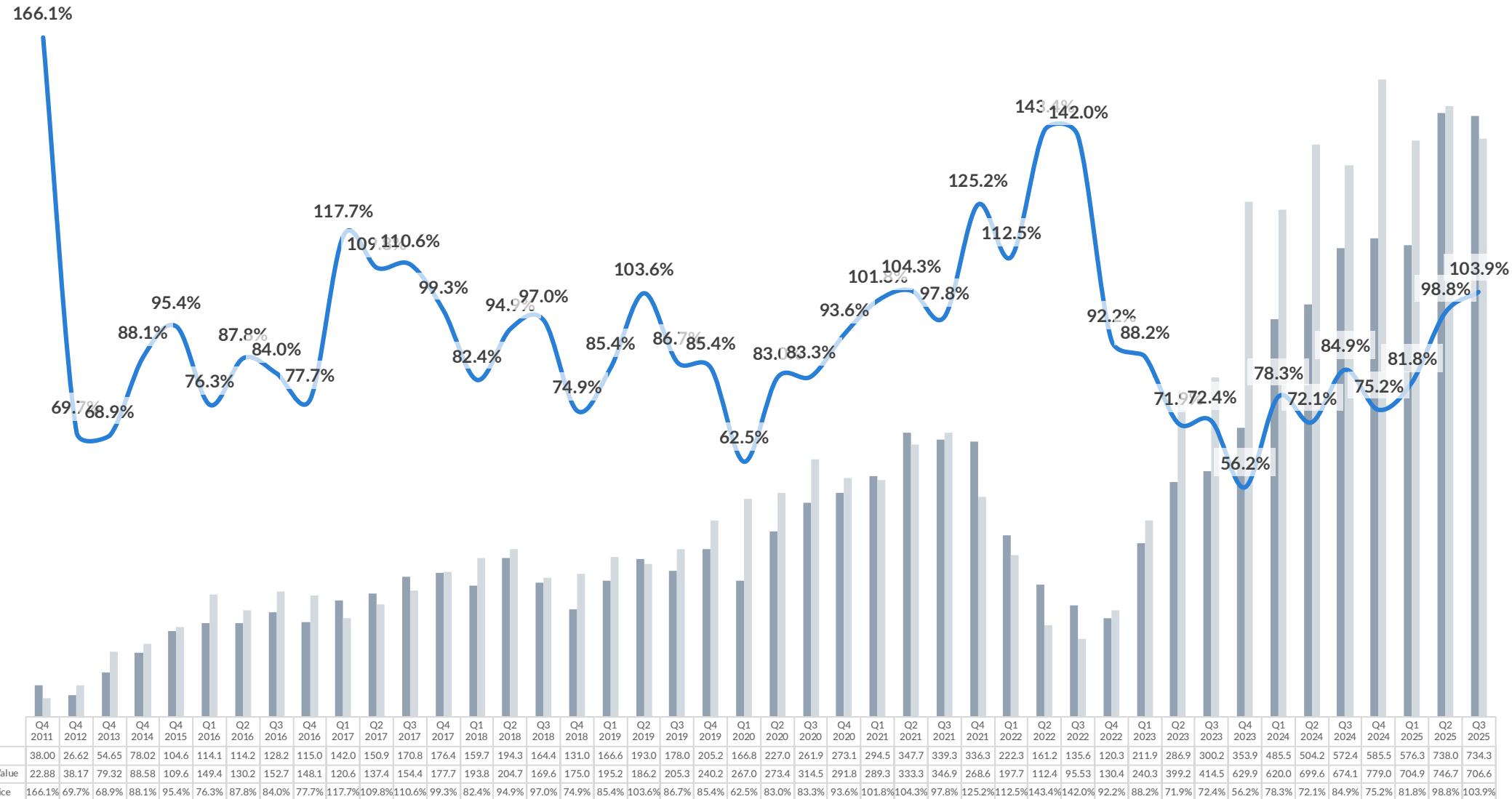
# Valuation Summary



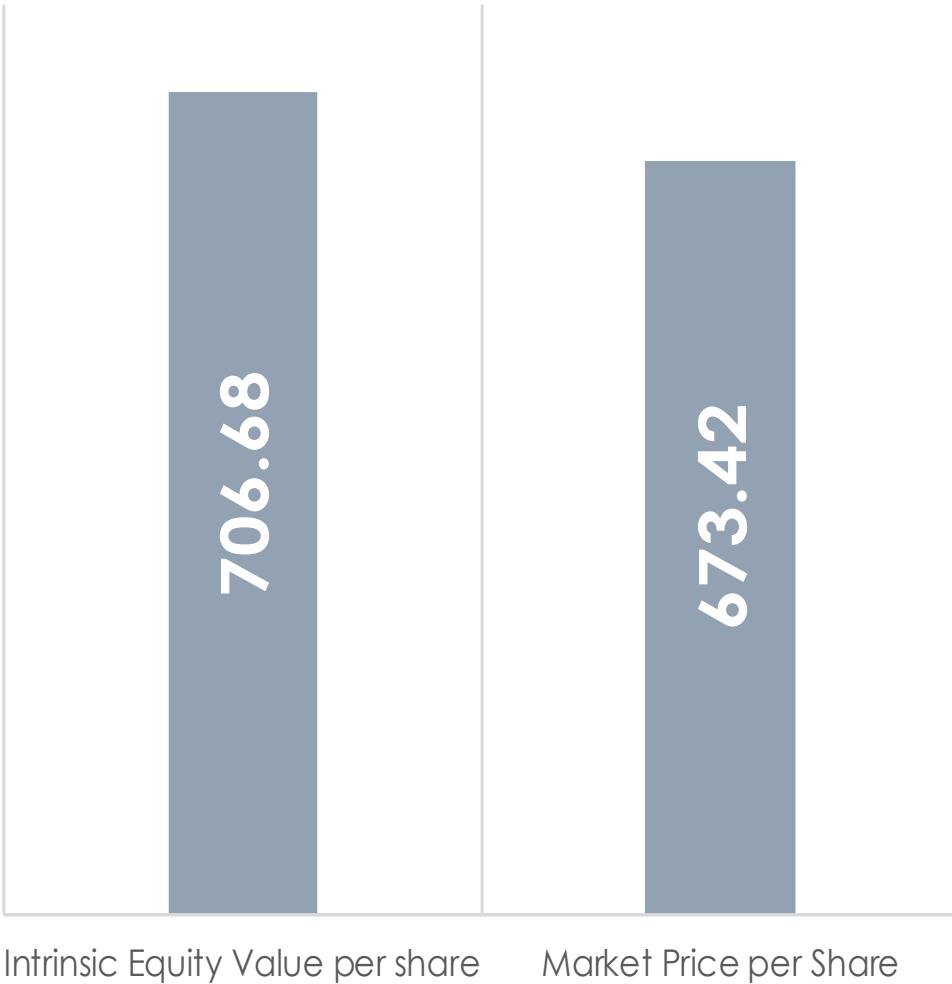
Meta has proven to be a resilient company that adapts and evolves its business not only for the consumer but also the future. META has started to transform itself from a social media company, to having a vision of bringing personal intelligence to all its users.

- ∞ Meta is not afraid to make big bets on companies they believe in with acquisitions like Instagram, Oculus, WhatsApp, and Scale AI.
- ∞ They are investing heavily in future technologies, particularly AI, with important sums dedicated to building multibillion dollar datacenters.
- ∞ The company faces scrutiny from regulators and limitations on user data access.
- ∞ See the Metaverse as the next computing platform and have made it its mission to help develop it.
- ∞ Has been negatively impacted by public perception and scandals related to data, privacy and safety practices which it must control to continue growing its ads business.
- ∞ The macroeconomic environment has also affected the industry, forcing Meta to focus on efficiency and incorporate Generative AI.

# Intrinsic Value vs Real Value over the Years



# Value of the Company Today



**95.3%**  
PRICE AS % OF VALUE

*Market Close Date: December 05, 2025*

# SUMMARY REPORT



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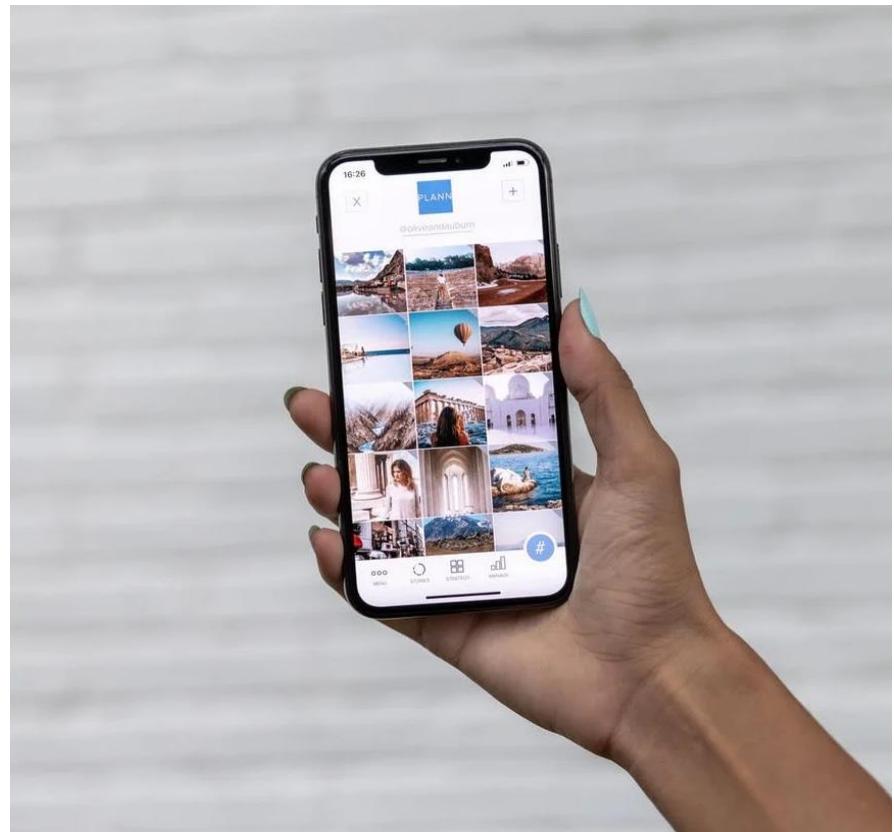
Business Overview

## 02

Current Year

## 03

Previous Years Summary



## Business Overview

# Business Overview

## Reporting Segments

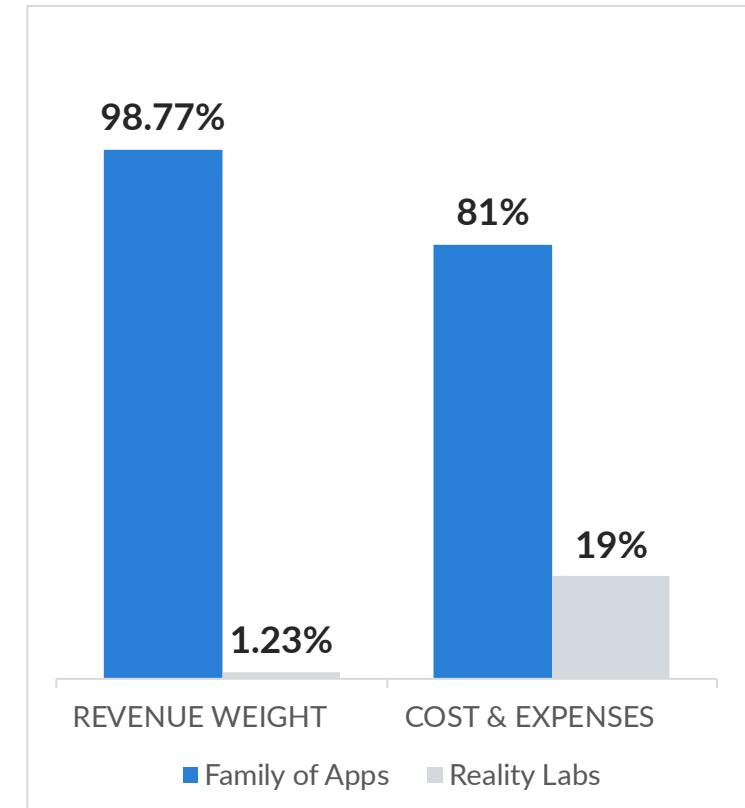
### Family of Apps (FoA)

- Generates almost all the revenue from selling advertising placements to marketers.
- Ads can appear in multiple places including Facebook, Instagram, Messenger and 3<sup>rd</sup> party apps/ websites.

### Reality Labs (RL)

- Reflects efforts to develop the metaverse.
- Generates revenue from sales of consumer hardware products, software and content.

AI investments is split between strengthening core products and developing new opportunities.



As of Q3 2025

# Industry Overview

## DIGITAL ADVERTISING

CAGR  
**15%**

### DEFINITION:

Digital advertising uses the internet to deliver marketing messages in various formats including digital video, search engine, social media, digital banner, digital audio, digital classifieds, connected TV, in-app, and influencer advertising.

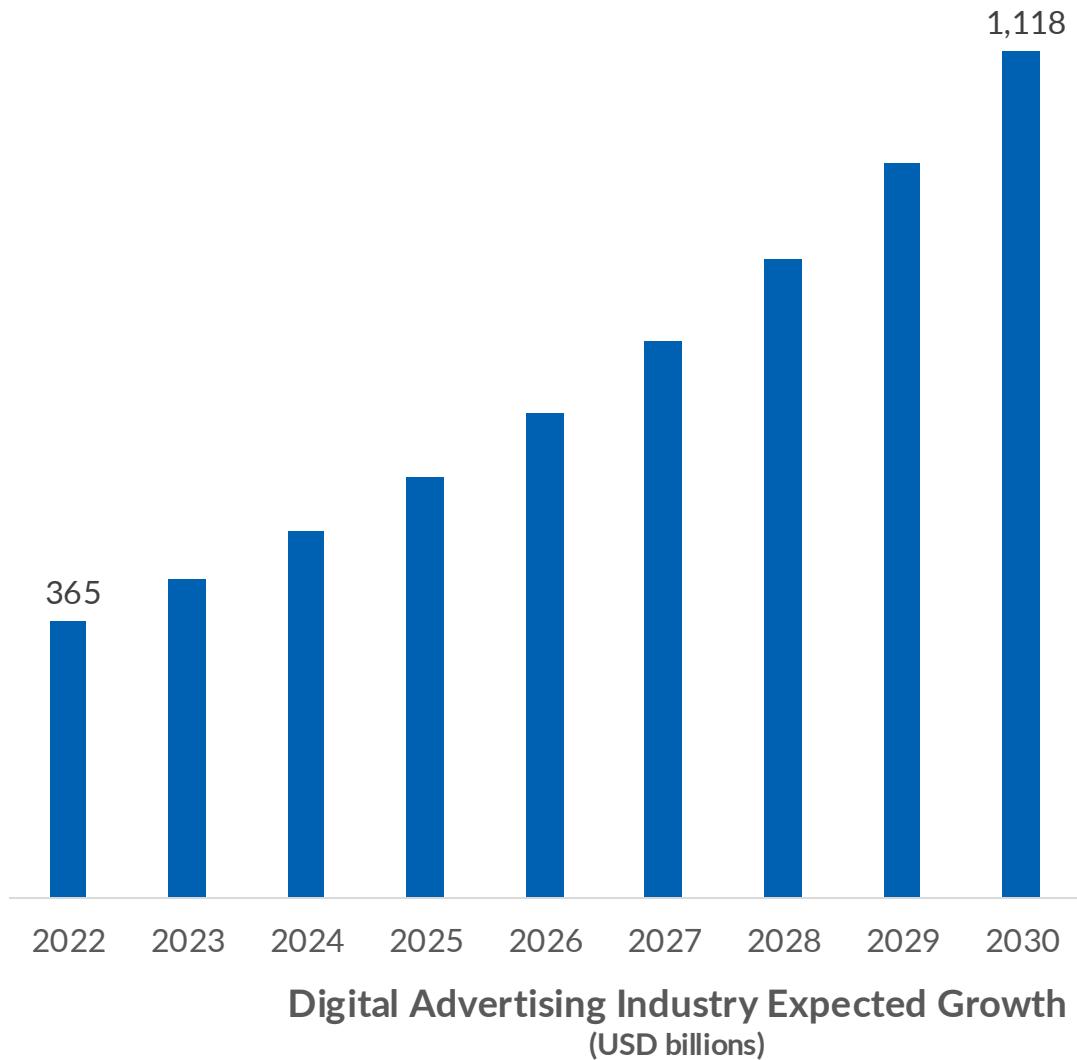
Became dominant advertising medium in 2018 as consumer behavior has shifted from offline to online.

Dominated by large tech companies including Alphabet, Meta Platforms, Microsoft, Amazon, Tencent, Baidu, and ByteDance.

Growth in the Video, Banner, Social Media, and Search Advertising markets is comparably higher than in the Classifieds market due to the rapid increase in social media consumption and online shopping.

The growth of the market is being further driven by integration of technologies, such as Artificial Intelligence (AI), analytics and machine learning which enable more effective targeting and personalized marketing strategies.

The market has a projected CAGR of 15% in average, reaching around USD \$1.1 trillion by 2030.



# Industry Overview

From LLMs to Multimodal and World Models

## DEFINITION:

Foundation models have evolved beyond text processing (LLMs) into Large Multimodal Models that natively reason across text, audio, video and code simultaneously. A new class of World Models is now emerging with systems designed to simulate physical dynamics, causality, and 3D environments. These models do not just retrieve data, they act as autonomous agents capable of planning, tool use, and complex reasoning to solve problems with little and sometimes without human intervention.



## USE CASES



### Agentic AI & Reasoning

- Autonomous Workflows: agents that plan, code, and debug software independently
- Computer Use: Ai that controls desktop interfaces to perform admin tasks.
- Chain of Thought: solving complex math and logic problems.



### World Models & Simulation

- Physics Simulations: generating video that adheres to real-world physics for training robots/ cars.
- Digital Twins: creating interactive 3D environments from 2D prompts.
- Causality: predicting "what happens next" in a video sequence.



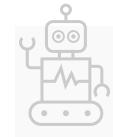
### Native Multimodality

- Real-Time Voice: speech-to-speech translation with emotional intonation.
- Video context: uploading hours of video for the Ai to analyze, search, and summarize instantly.



### Scientific Discovery

- Material Synthesis: predicting new crystal structures.
- Biology: simulating protein folding and drug interaction.
- Hypothesis Generation: Ai that proposes and simulates lab experiments.



### Embodied Ai (Robotics)

- Vision-Language-Action (VLA): Robots learning tasks by watching video demos.
- General purpose bots: one brain controlling multiple types of robot hardware.



### Enterprise Customization

- Small Language Models: running high-performance AI locally on laptops/ phones.
- RAG Agents: AI that searches internal company data to answer queries with citations.

# Industry Overview

## DIGITAL ADVERTISING

### IMPACT OF AI

Artificial Intelligence is being used by all the big players to make advertising more engaging and efficient, producing better results and higher advertiser ROI through higher conversions using the same ad dollars. It also helps creates more ad inventory by determining the best moments and places to show ads considering preserving the best



*Image created using AI | Prompt: AI & Social Media*

Sources: [Lean Summit](#) | [Forbes](#)

### KEY BENEFITS OF USING AI

More precise audience segmentation

Easier ad creation and dynamization

Better ad placement

Increased security and privacy

# Industry Overview

## THE METAVERSE + AR/VR



Image created using AI | Prompt: The Metaverse + AR/VR

- The metaverse remains a massive and rapidly expanding global opportunity – particularly as AR/VR hardware, enterprise “digital twin” use cases, immersive collaboration, and spatial-computing services continue scaling.
- However, the market is evolving. Much of the growth is driven by augmented reality (AR), enterprise/industrial adoption, and services, rather than purely social metaverse platforms.
- As AR becomes more mainstream, wearables and “smart glasses” – especially AI-enhanced devices – are increasingly central to the next-gen form factor for spatial computing and the metaverse.

## SECTOR OUTLOOK

The global metaverse market (combining AR/VR, spatial computing, digital twin, and immersive platforms) was estimated at roughly USD 105.4B in 2024 and is projected to reach about USD 936.6B by 2030 (~46.4% CAGR from 2025-2030).<sup>1</sup>

The broader augmented reality (AR) market – a major component of the metaverse ecosystem – was estimated at USD 83.65 billion in 2024 and is expected to surge to ~USD 599.6 billion by 2030 (CAGR ~37.9%).<sup>2</sup>

Enterprise and industrial metaverse applications (digital twins, AR/VR for manufacturing, training, industrial IoT) are growing rapidly: the “industrial metaverse” was valued at about USD 34.4 billion in 2024, with forecasts reaching USD 181.0 billion by 2030 (CAGR ~32%).<sup>3</sup>

The AR/VR / mixed-reality (XR) segment is among the fastest-growing tech sectors globally; one recent forecast estimates the combined VR/AR market at roughly USD 20.4 billion in 2025, with growth to ~USD 85.6 billion by 2030 (CAGR ~33.2%).<sup>4</sup>

# Industry Overview

THE METAVERSE + AR/VR

Companies are racing to develop the next technology platform



Meta RayBan Gen 2

- Smart Glasses/ AR Glasses



XREAL One Pro

- AR glasses / XR glasses



Viture Luma Pro

AR glasses / XR glasses



Samsung Galaxy XR

Mixed Reality (MR) headset / XR



Meta Quest 3

Standalone VR / Mixed Reality headset



HTC Vive Focus Vision

VR / Professional VR headset



Varjo XR-4

Premium XR / enterprise headset



Apple Vision Pro

Mixed Reality headset / XR

VALUATION YEAR

# FY2025

January – December 2025





FISCAL YEAR  
**2025**

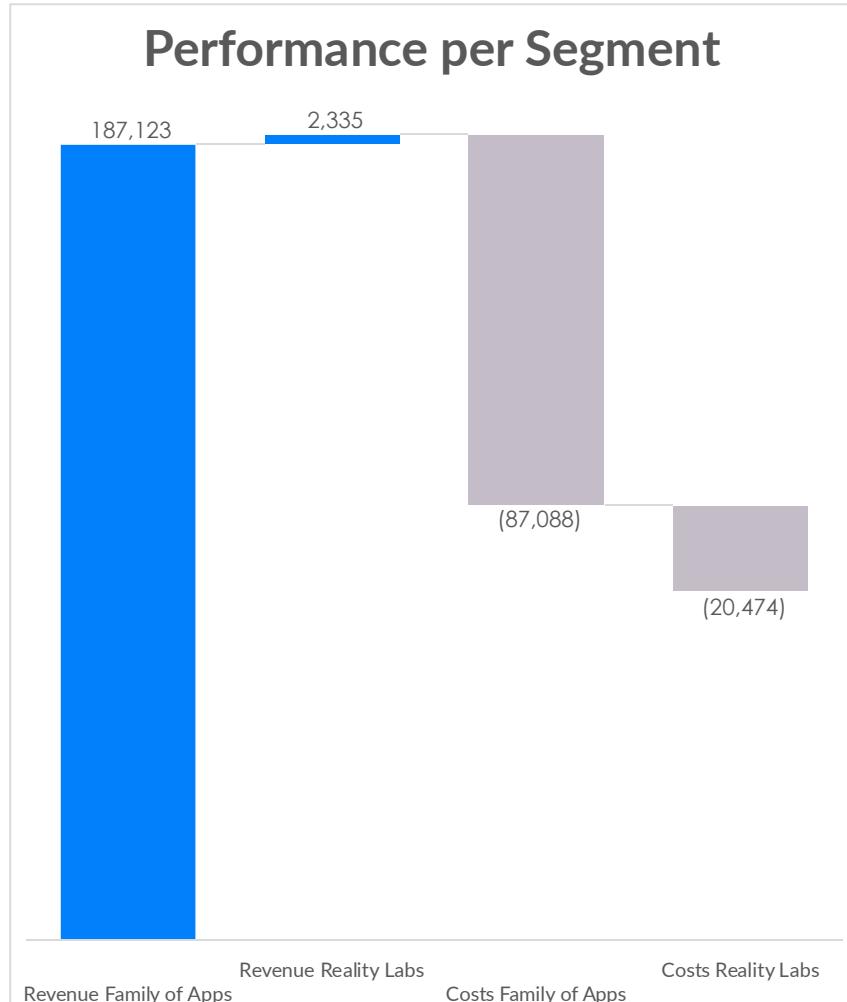
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# **Q3 Results**

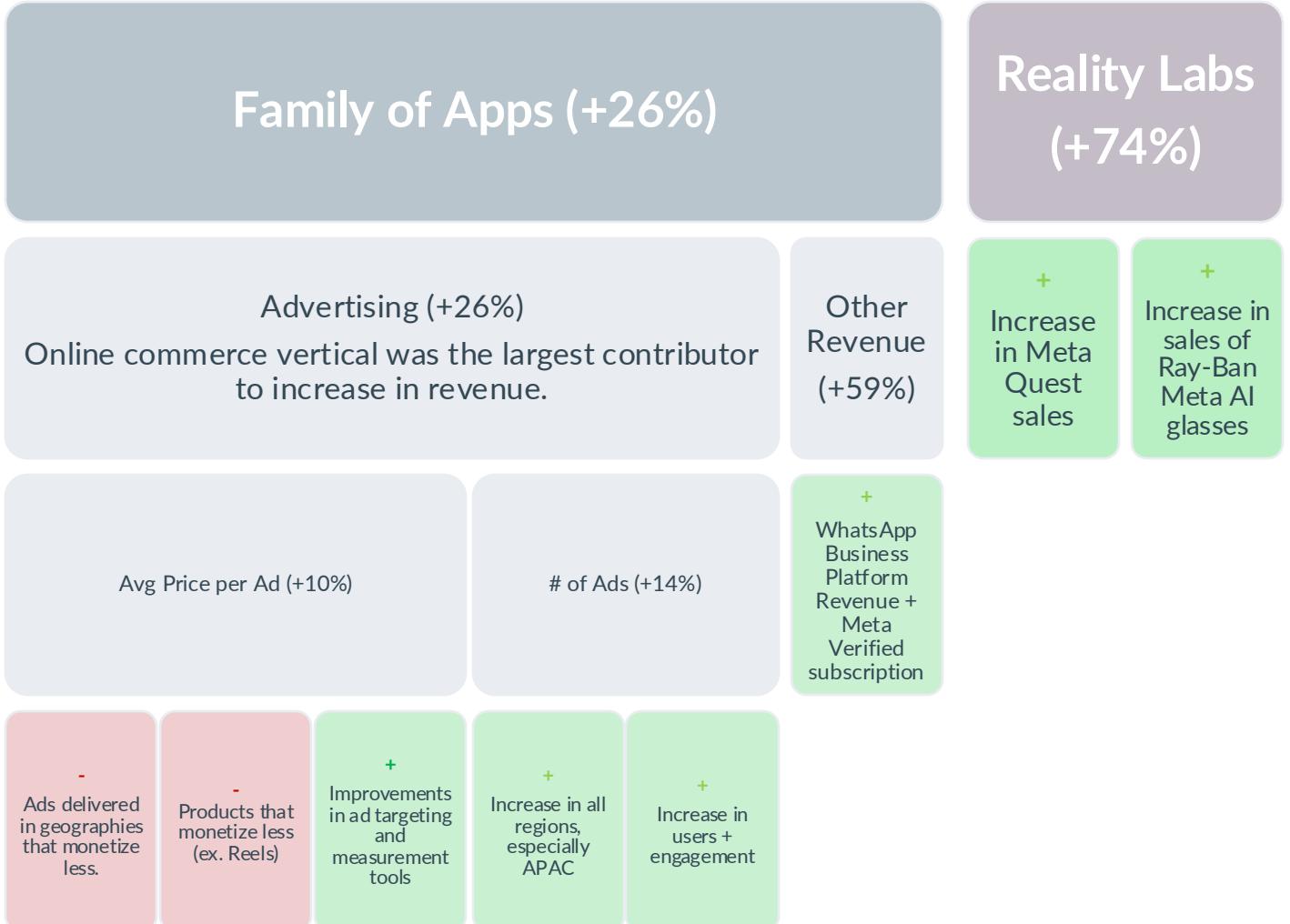
July – September 2025

# Narrative | Segment Drivers

FY2025 | Q3



MARGINS	FoA	53.5%
	RL	-776.8%



# Narrative | General Information

FY2025 | Q3

## COMPANY OUTLOOK

- Meta is making huge investments in artificial intelligence, betting on a large future opportunity for the company and directing resources toward both talent and infrastructure.
- Meta is front-loading massive compute capacity to be prepared for the earliest possible arrival of superintelligence, with the understanding that if superintelligence arrives later, the excess compute will be used to accelerate the core business.
- Headcount rose in Q3, with hiring concentrated in AI, infrastructure, monetization, and regulatory roles.
- Meta also signaled that 2026 expenses and capex will accelerate meaningfully due to rapidly expanding compute requirements and increased cloud commitments.
- In order to increase flexibility in planning for infrastructure, Meta has entered joint ventures and cloud agreements to support its datacenter buildout.
- Meta created the Hyperion Data Center joint venture with Blue Owl, with Blue Owl owning 80% and Meta retaining 20%. Meta entered 4-year initial operating leases for all JV facilities, with options to extend and a residual value guarantee to offer financial and strategic flexibility.
- Following Q3, Meta added new third-party cloud commitments to expand compute capacity, reflecting a shift toward a more diversified and flexible infrastructure strategy.
- Meta is already seeing meaningful results from its AI investments in its core product systems, and it plans to continue expanding the use of AI to improve efficiency, engagement, and advertiser outcomes.
- AI-powered recommendations drove a 5% increase in time spent on Facebook and a 10% increase on Threads in Q3.
- Meta is unifying its ads ranking models into simpler, more general systems, and its end-to-end AI ad stack has reached a \$60B annual run rate.
- The company is working toward a single unified AI system that will operate across all apps and advertising systems.
- Lattice, Meta's unified ads architecture, continues consolidating models and improving performance, replacing roughly 100 legacy models and generating a nearly 3% lift in conversions for app-ads after its Q3 rollout.
- The Andromeda ads model produced a 14% improvement in ads quality across Facebook Feed, Reels, and Marketplace in Q3, with Instagram rollout upcoming.
- GEM, Meta's large-scale recommendation model, is now four times more efficient than the original ranking models and is expected to reach full coverage of all major Facebook and Instagram surfaces by Q4.
- Time spent across Instagram and Facebook is growing double digits in the United States, driven by video and recommendation improvements.
- Meta plans to integrate LLMs to enhance content understanding through more precise labeling and retrieval, improving the relevance of recommendations.
- Reels and video continue to be major drivers of engagement, and Meta increasingly sees AI-generated and AI-enhanced content as central to the future of engagement and ad inventory.
- Reels video time spent on Instagram grew 30% year-over-year, and Reels now carries a \$50B annual revenue run-rate.
- Meta describes a shift into a third era of content, AI-generated content, which will greatly expand the total amount of content available on its platforms.
- Meta AI has surpassed 1B monthly active users, with momentum expected to grow as frontier models are introduced.
- Meta launched Vibes, its AI media creation tool, with fast-growing retention and more than a tenfold increase in media generation since launch.
- Threads daily actives surpassed 150M in Q3, marking a new scale milestone.
- Business AI and business messaging remain major future revenue opportunities for Meta, and the company is seeing strong early traction.
- Business AI now enables millions of automated conversations and is viewed internally as a key long-term revenue driver.
- Business messaging revenue continues to grow rapidly, with click-to-WhatsApp ads increasing 60% year-over-year.
- Meta expanded access in Q3 across Mexico and the Philippines while beginning early rollout in the United States.
- Reality Labs investments continue, with focus increasingly shifting toward AI-enabled glasses, which Meta views as the next major computing form factor.
- The AI glasses lineup is performing extremely well, with the Ray-Ban Meta Display glasses selling out within 48 hours of launch.
- Reality Labs revenue increased driven by early retailer stocking of Quest devices for the holiday season and stronger AI glasses sales.
- Meta noted that Reality Labs revenue will decline year-over-year in Q4 due to the pull-forward effect of this stocking that occurred in Q3 instead of Q4.
- A one-time \$15.93B tax charge from new U.S. tax legislation pushed the effective tax rate to 87%.
- Meta recorded higher legal expenses in Q3 due to new charges.
- Infrastructure operating costs rose in Q3 as Meta expanded its data center fleet, incurred higher depreciation, and increased its use of third-party cloud resources compared with Q2 levels.

# Narrative | General Information

FY2025 | Q2

## OTHER RELEVANT INFORMATION

- Meta is pursuing AI content licensing agreements with media companies to secure training data, positioning itself as more cooperative with publishers than rivals already facing lawsuits and backlash.[591](#)
- Meta unveiled new AI-enabled smart glasses at Meta Connect 2025, but failed live demos exposed execution risk, even as the company reinforced smart glasses as its primary mass-market AI and AR entry point.[592](#)
- Meta's long-term wearable strategy emphasizes neural interfaces and AI-driven communication, framing smart glasses—not VR headsets—as the path to everyday ambient computing.[593](#)
- Meta is committing massive capital to AI infrastructure and data centers in pursuit of advanced AI and superintelligence, despite analyst concerns that spending may outpace near-term demand.[594](#)
- Meta laid off roughly 600 employees in its AI division while protecting its most advanced research units, signaling a strategic reset focused on execution efficiency rather than retreat from AI investment.[595](#)
- Meta continues aggressive recruitment of elite AI talent and reorganized efforts under "Superintelligence Labs," reinforcing ambitions to lead next-generation AI development.[596](#)
- Meta is competing head-on with Google, Amazon, Microsoft, and Salesforce in AI-driven advertising, using AI agents to automate campaign planning, buying, and performance measurement.[597](#)
- Google's ad-tech antitrust pressures indirectly benefit Meta, as market disruption and regulatory scrutiny may weaken incumbents and reshape advertising standards.[598](#)
- Meta faces expanding regulatory obligations alongside peers, including new requirements to warn minors about mental health risks tied to social media use.[599](#)
- The documented decline of the open web strengthens Meta's closed-platform model, where content discovery, engagement, and monetization are controlled internally.[600](#)
- Publisher lawsuits against Google over AI summaries highlight a strategic opening for Meta, which is proactively negotiating licensing rather than unilaterally deploying AI content usage.[601](#)
- Enterprise AI agents remain unreliable and labor-intensive, suggesting Meta's AI monetization—particularly outside advertising—may take longer to scale than headline capabilities imply.[602](#)
- Apple's pivot toward smart glasses validates Meta's early strategic bet on AI wearables, intensifying competition while confirming the category's long-term importance.[603](#)
- Meta's AI and hardware ambitions are unfolding amid rising geopolitical and regulatory uncertainty, which may influence partnerships, data access, and capital deployment.[604](#)
- Yann LeCun announced his departure from Meta, marking a significant leadership change for the company's AI research organization and raising questions about continuity in Meta's long-term AI strategy.[605](#)
- Perplexity's advertising and commerce initiatives are struggling, with slow ad approvals and limited shopping functionality constraining revenue growth and monetization.[606](#)
- Amazon launched generative-AI tools to automate ad creation, targeting small and medium-sized businesses to expand advertising revenue and simplify campaign setup.[607](#)
- Amazon introduced agentic AI across its seller tools, positioning AI as an always-on assistant for inventory management, compliance, account health, and advertising creation.[608](#)
- Google integrated its Gemini AI directly into Chrome, signaling that AI-powered browsers are moving into the mainstream consumer experience.[609](#)
- Microsoft is building an AI marketplace for publishers, shifting away from upfront licensing toward usage-based compensation for AI-driven content consumption.[610](#)
- Amazon is testing AI-powered AR glasses for delivery drivers, designed to improve efficiency, safety, and hands-free navigation during routes.[611](#)
- Valve introduced a redesigned VR headset focused on practicality, positioning VR as an extension of PC gaming rather than a niche experimental platform.[612](#)
- TikTok surpassed 200 million users in Europe, even as it faces ongoing regulatory scrutiny, fines, and political pressure.[613](#)
- The U.S. and China reached a framework deal on TikTok, aiming to keep the app operational under American ownership while negotiations continue.[614](#)
- YouTube expanded AI tools and monetization options for creators, reinforcing its central role in the creator economy and increasing platform stickiness.[615](#)

# Assumptions

FY2025 | Q3

	BASE YEAR	GROWTH PHASE	STABLE PHASE	TERMINAL	LINK TO NARRATIVE
REVENUE	189,458	20.00%	3.74%	3.74%	<p>Meta's revenue outlook remains strong, driven by its dominant position in digital advertising and ongoing improvements to its recommendation systems. Business messaging is a key focus, with AI agents in testing for customer service and sales.</p> <p>Meta is also investing steadily in AR and VR, with its Ray-Ban smart glasses performing well. In the short-term, we expect to maintain the same growth rate as previous valuations as Meta continues to deliver consistent ROI and is the first choice for many advertisers.</p>
OPERATING MARGIN	48.11%	30.00%	50.00%	50.00%	<p>We maintained our assumptions for growth phase margins, anticipating lower margins in this phase as Meta continues its aggressive investments in future bets.</p> <p>Over time, we expect margins to increase, aligning with current levels as the company improves efficiency and further monetizes additional revenue streams.</p>
TAX RATE	30.43%	13.00%	27.00%	27.00%	Converging to US Marginal Tax of 27%.
REINVESTMENT	Sales to Capital Ratio	0.70	RIR =	26.30%	Placed sales to capital average of 2022 as it was an investment year to represent the investment phase that Meta is entering to support its AI efforts. Increased to 1.5 for stable and terminal phase as Meta becomes more efficient with its investments over time.
RETURN ON CAPITAL	20.94%	Marginal ROIC =	35.37%	14.22%	Expect Meta to maintain strong network effects over time and maintain high ROIC levels.
COST OF CAPITAL		12.62%	9.22%	9.22%	Increased WACC vs previous quarter as Meta faces a difficult regulatory environment as well as some internal instability due to all the changes regarding talent and investments in AI.

# NUMBERS

## FY2025 | Q3

	The Cash Flows					
	Revenues	Operating Margin	EBIT	EBIT (1-t)	Reinvestment	FCFF
1	227,350	44.49%	13.00%	87,999	54,131	33,868
2	272,820	40.87%	13.00%	97,001	64,957	32,044
3	327,383	37.25%	13.00%	106,083	77,948	28,134
4	392,860	33.62%	13.00%	114,918	93,538	21,380
5	471,432	30.00%	13.00%	123,044	112,246	10,798
6	550,388	50.00%	15.80%	231,713	52,637	179,076
7	624,668	50.00%	18.60%	254,240	49,520	204,720
8	688,659	50.00%	21.40%	270,643	42,661	227,982
9	736,810	50.00%	24.20%	279,251	32,101	247,150
10	764,367	50.00%	27.00%	278,994	18,371	260,623
<b>Terminal Value</b>	<b>792,954</b>	<b>50.00%</b>	<b>27.00%</b>	<b>289,428</b>	<b>76,110</b>	<b>213,318</b>

The Value	
Terminal value	3,890,981
PV(Terminal value)	1,299,223
PV (CF over next 10 years)	541,869
<b>Value of operating assets</b>	<b>1,841,092</b>
- Tax due on trapped cash brought back	-
+ Cash & Marketable Securities	44,448
<b>Value of firm</b>	<b>1,885,540</b>
- Debt value of lease	(28,199)
- Total Interest Bearing Debt	(51,060)
- Preferred Stock	-
- Minority Interest (Non-controlling equity interest)	(25,074)
<b>Market Value of Equity</b>	<b>1,781,207</b>
- Options outstanding	-
<b>Value of Equity in Common Stock</b>	<b>1,781,207</b>
Number of shares (primary)	2,521
<b>Intrinsic Equity Value per share</b>	<b>706.68</b>



**104%**  
PRICE AS % OF VALUE



FISCAL YEAR  
**2025**

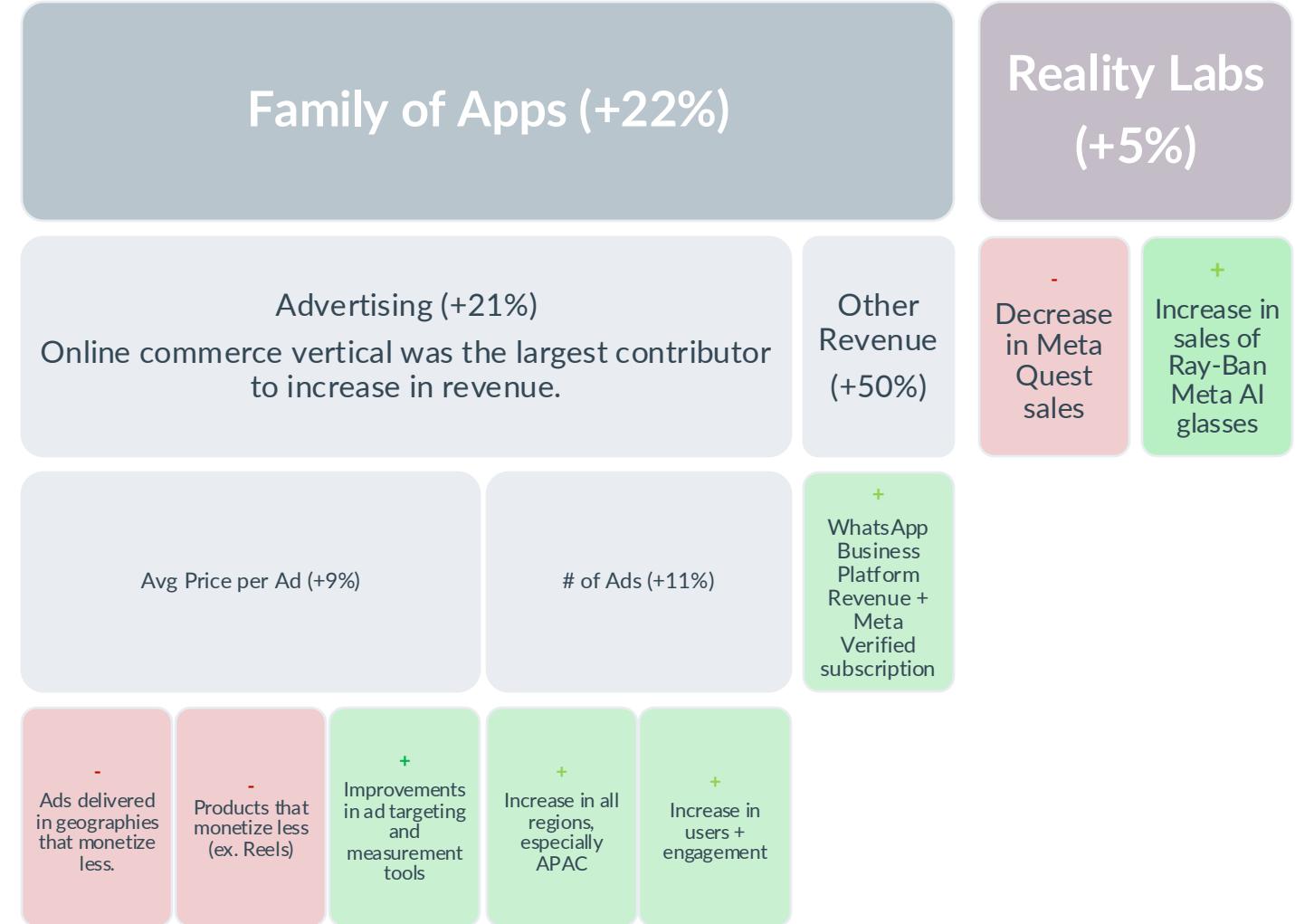
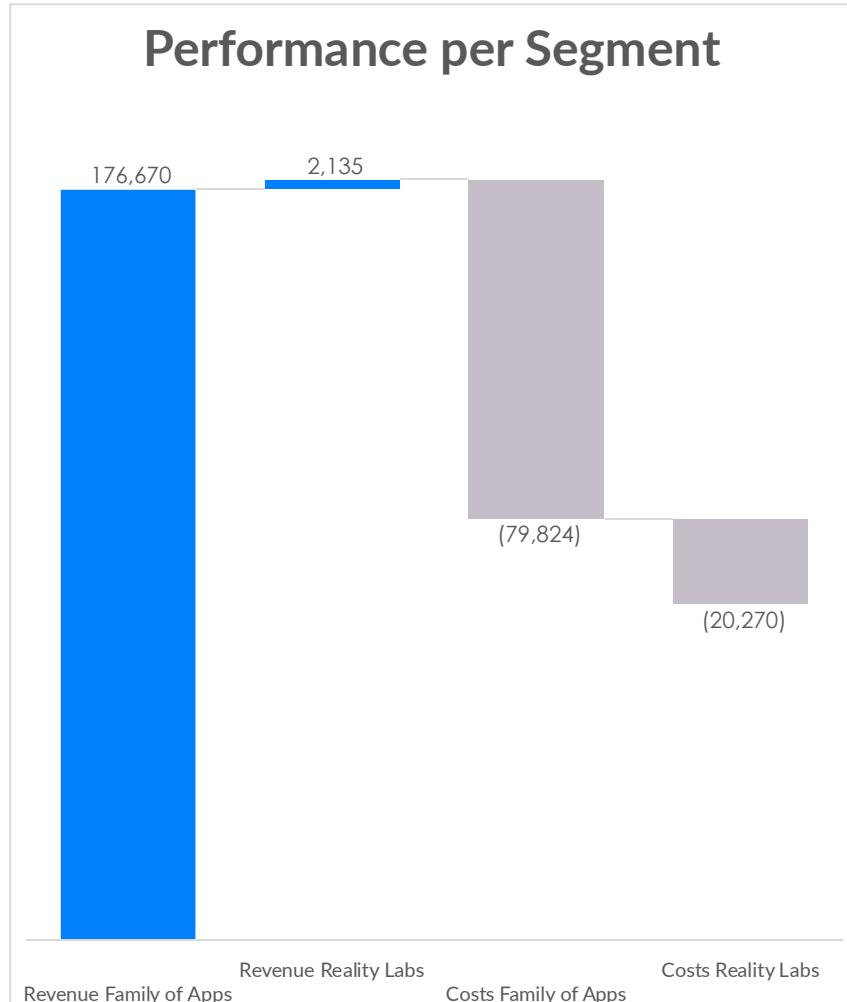
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# **Q2 Results**

April – June 2025

# Narrative | Segment Drivers

FY2025 | Q2



MARGINS	FoA	54.8%
	RL	-849.4%

# Narrative | General Information

FY2025 | Q2

## COMPANY OUTLOOK

- In June 2025, Meta completed an investment in Scale AI by acquiring a non-voting minority of its outstanding equity.
- Meta approved a plan to dispose of certain data center assets and reclassified \$2.04 B of these assets as held for sale – no loss was recognized upon reclassification as these assets are expected to be disposed of within the next twelve months through a contribution to a third party for the purpose of co-developing data centers. The total held for sale as of June 30 were \$3.26 B.
- Total expenses expected to increase as Meta scales up infrastructure fleet and adds technical talent in priority areas.
- Meta currently expects another year of significant capital expenditure dollar growth as they aggressively pursue opportunities to bring additional capacity online to meet their AI efforts and business operations.
- Meta continues to face an active regulatory environment, especially in the EU where they are still expecting a feedback on LPA where the EC may seek to impose further modifications that would result in a materially worse user and advertiser experience.
- Meta continues to focus on its 5 main opportunities:
  - Advertising: expanded their recommendation model for ads to new surfaces and improved performance by using more signals and longer context increasing ad conversion rates.
  - More engaging experiences: AI is improving ability to show people content that they'll find more interesting + incorporating AI video editing tools (Edits) to help creators make more engaging content.
  - Business Messaging: currently integrating business AIs into ads + directly in e-commerce websites.
  - Meta AI: have seen engagement grow as models improve – expect next generation model to further increase adoption.
  - AI Devices: Meta AI use growing with Ray-Ban glasses. Launched new model with Oakley with a sport focus. Quest use also increased with cloud gaming + continue to see broader use cases with media and web-browsing contributing a significant portion of engagement.
- Revenue Drivers: Engagement + Monetization Efficiency.
  - Engagement: driving growth in DAUs through stronger video traction, pushing fresher content, and advanced recommendation models powered by LLMs and Llama, enhancing discovery and reducing bugs.
  - Monetization Efficiency: ad performance is improving with advanced retrieval and ranking models, broader adoption of AI-powered Advantage+ and creative tools, strong business messaging growth and new omnichannel solutions lowering costs and boosting conversions.
- Meta is building turnkey Business AI Agents that use business data to drive conversions across all platforms (messaging, ads, and websites), expanding from early test in Mexico and the Philippines to broader rollout later this year.

# Narrative | General Information

FY2025 | Q2

## OTHER RELEVANT INFORMATION

- Ad platforms like Meta, Google and Amazon are more resilient as advertisers who are cutting budget favor platforms that drive sales.<sup>573</sup>
- Snap launched sponsored AI lenses, letting user insert themselves into branded scenes for real-time, interactive engagement – focusing on immersive experiences over static ads.<sup>574</sup>
- Tik reassured advertisers of its future despite US ban risk, stressing cultural influence and new ad tools amid legal and competitive pressures.<sup>575</sup>
- TikTok launched AI Alive, a Story Camera tool that turns photos into animated videos with effects, labeled and safety-checked as AI-generated.<sup>576</sup>
- Ireland fined TikTok \$600M for sending user data to China without safeguards, ordering transfers halted in six months; TikTok will appeal, citing newer protections.<sup>577</sup>
- The EU may fine TikTok up to 6% of global revenue for lacking an ad library under the DSA, while also probing privacy and election issues.<sup>578</sup>
- YouTube is prioritizing subscriptions—now over 125M—as a faster-growing revenue stream than ads, despite hurdles in converting free users and sharing revenue with creators.<sup>579</sup>
- Meta hired top Apple AI execs like Frank Chu while reorganizing teams and funding Superintelligence Labs, underscoring Apple's struggles to keep pace and reliance on third-party AI for Siri.<sup>580</sup>
- China seeks AI dominance by exporting tech and setting standards, using open-source ecosystems and talent mobility to reshape the global tech landscape amid US trade protectionism.<sup>581</sup>
- Moonshot AI's open-source Kimi K2 surpasses GPT-4 in coding and autonomous tasks, with competitive pricing and advanced agentic features, marking a major shift in AI competition.<sup>582</sup>
- Alibaba has become a leader in open-source AI, surpassing Meta's Llama and DeepSeek. Once struggling with adoption, its Qwen models now power internal units and serve 290,000+ external customers. By offering cost-effective solutions and fostering collaboration, Alibaba is well-positioned to challenge U.S. tech giants.<sup>583</sup>
- Meta CEO Mark Zuckerberg secured a \$14B deal for a 49% stake in Scale AI, gaining protections and influence over its future. Scale CEO Alexander Wang will join Meta while retaining sway at Scale, as concerns grow over Scale's performance and customer ties.<sup>584</sup>
- AI researchers now command NBA-level pay, with offers up to \$250M over four years. Fierce competition among Meta, OpenAI, and Google has turned hiring into a talent war, as scarce experts leverage their power. Meta's aggressive tactics, including direct outreach from Zuckerberg, underscore the stakes.<sup>585</sup>
- Big Tech's high salaries and reverse acquisitions give short-term AI advantages but risk eroding Silicon Valley's startup culture, leaving employees without rewards and discouraging future talent. This could thin the startup talent pool and threaten long-term sustainability for VCs and tech giants alike.<sup>586</sup>
- The EU fined Apple €500M and Meta €200M for violating the Digital Markets Act—Apple by blocking app developers from sharing alternative offers, and Meta by limiting user choice with its "Consent or Pay" model. Both must comply within 60 days or face more penalties.<sup>587</sup>
- An internal Meta policy document revealed that its AI chatbots were permitted to engage in romantic chats with minors, generate false medical claims, and produce racist arguments, exposing serious lapses in ethical safeguards despite later revisions.<sup>588</sup>
- Texas AG Ken Paxton is investigating Meta and Character.AI for allegedly misleading children by promoting AI tools as mental health resources, raising concerns over deceptive practices, data exploitation, and inadequate safeguards for minors.<sup>589</sup>
- Meta rolled out new teen safety tools on Instagram and Facebook, removed 135,000 exploitative accounts, and tightened child account settings amid rising lawmaker scrutiny over online child protection.<sup>590</sup>

# Assumptions

FY2025 | Q2

	BASE YEAR	GROWTH PHASE	STABLE PHASE	TERMINAL	LINK TO NARRATIVE
REVENUE	178,805	20.00%	4.24%	4.24%	<p>Meta's revenue outlook remains strong, driven by its dominant position in digital advertising and ongoing improvements to its recommendation systems. Business messaging is a key focus, with AI agents in testing for customer service and sales.</p> <p>Meta is also investing steadily in AR and VR, with its Ray-Ban smart glasses performing well. In the short-term, we expect to maintain the same growth rate as previous valuations as Meta continues to deliver consistent ROI and is the first choice for many advertisers.</p>
OPERATING MARGIN	47.45%	30.00%	50.00%	50.00%	<p>We maintained our assumptions for growth phase margins, anticipating lower margins in this phase as Meta continues its aggressive investments in future bets.</p> <p>Over time, we expect margins to increase, aligning with current levels as the company improves efficiency and further monetizes additional revenue streams.</p>
TAX RATE	10.94%	10.94%	27.00%	27.00%	Converging to US Marginal Tax of 27%.
REINVESTMENT	Sales to Capital Ratio	0.70	RIR =	29.81%	Placed sales to capital average of 2022 as it was an investment year to represent the investment phase that Meta is entering to support its AI efforts. Increased to 1.5 for stable and terminal phase as Meta becomes more efficient with its investments over time.
RETURN ON CAPITAL	24.86%	Marginal ROIC =	32.92%	14.22%	Expect Meta to maintain strong network effects over time and maintain high ROIC levels.
COST OF CAPITAL		11.73%	9.22%	9.22%	Similar WACC as previous quarter in order to incorporate further risk due to potential regulation and/or other reputation issues. Expected to decrease over time as these issues start to stabilize.

# NUMBERS

## FY2025 | Q2

	The Cash Flows					
	Revenues	Operating Margin	EBIT	EBIT (1-t)	Reinvestment	FCFF
1	214,566	43.96%	10.94%	83,999	51,087	32,912
2	257,479	40.47%	10.94%	92,798	61,305	31,493
3	308,975	36.98%	10.94%	101,756	73,565	28,190
4	370,770	33.49%	10.94%	110,585	88,279	22,307
5	444,924	30.00%	10.94%	118,876	105,934	12,942
6	519,885	50.00%	14.15%	223,157	49,974	173,183
7	591,088	50.00%	17.36%	244,227	47,469	196,759
8	653,413	50.00%	20.58%	259,484	41,550	217,935
9	701,713	50.00%	23.79%	267,395	32,200	235,195
10	731,466	50.00%	27.00%	266,985	19,835	247,150
<b>Terminal Value</b>	<b>762,480</b>	<b>50.00%</b>	<b>27.00%</b>	<b>278,305</b>	<b>82,971</b>	<b>195,334</b>

The Value	
Terminal value	3,920,786
PV(Terminal value)	1,384,473
PV (CF over next 10 years)	548,073
<b>Value of operating assets</b>	<b>1,932,546</b>
- Tax due on trapped cash brought back	-
+ Cash & Marketable Securities	47,071
<b>Value of firm</b>	<b>1,979,617</b>
- Debt value of lease	(32,129)
- Total Interest Bearing Debt	(49,560)
- Preferred Stock	-
- Minority Interest (Non-controlling equity interest)	(21,988)
<b>Market Value of Equity</b>	<b>1,875,940</b>
- Options outstanding	-
<b>Value of Equity in Common Stock</b>	<b>1,875,940</b>
Number of shares (primary)	2,512
<b>Intrinsic Equity Value per share</b>	<b>746.75</b>

746.75

Intrinsic Equity Value per  
share

738.09

Market Price per Share

**98.8%**

PRICE AS % OF VALUE



FISCAL YEAR  
**2025**

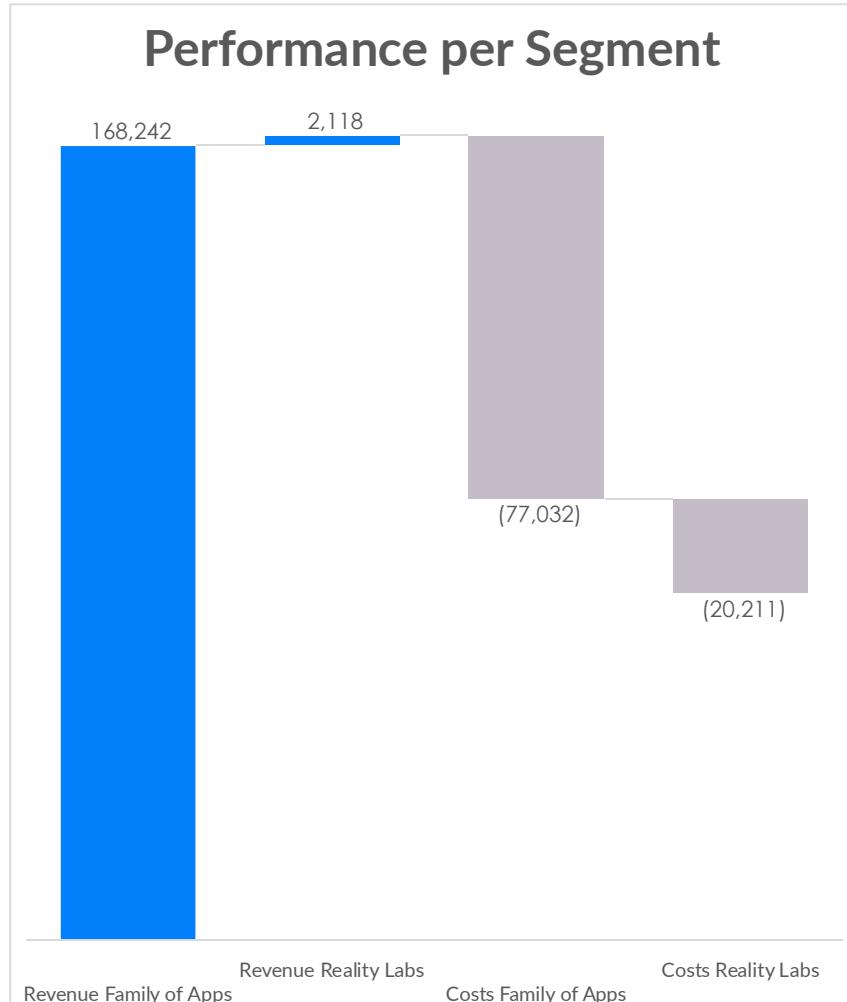
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# Q1 Results

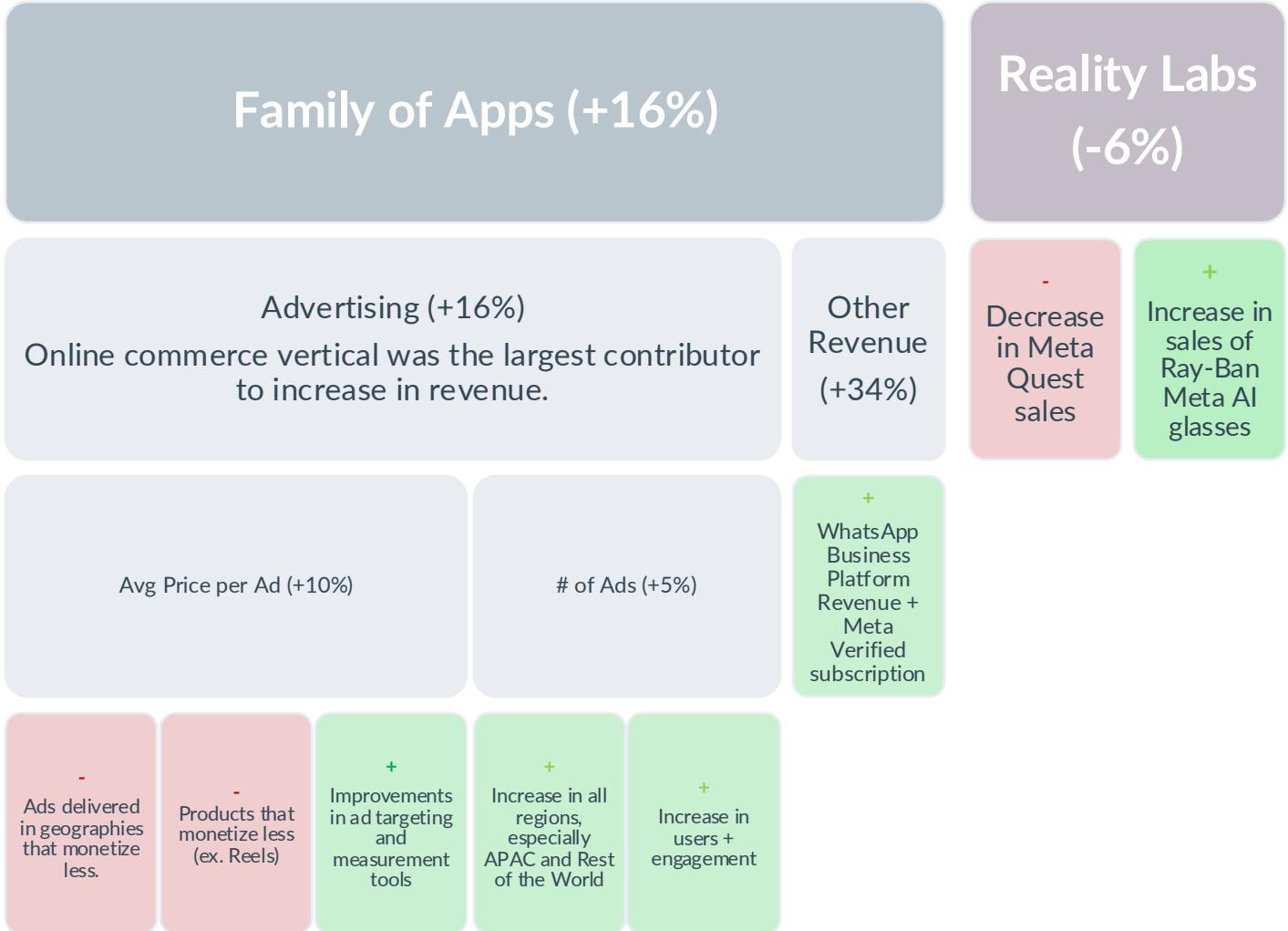
January – March 2025

# Narrative | Segment Drivers

FY2025 | Q1



MARGINS	FoA	54.2%
	RL	-854.2%



# Narrative | General Information

FY2025 | Q1

## COMPANY OUTLOOK

- Meta anticipates full year capital expenditures to increase, reflecting additional datacenter investments to support AI efforts + expected increase in the cost of infrastructure hardware.
  - The company continues to invest at a fast pace even while increasing the useful life of their current infrastructure.
- Meta continues to monitor an active regulatory landscape, including legal and regulatory headwinds in the EU and the US.
  - European commission recently announced its decision to their subscription for no ads model as noncompliant with the DMA – expect they will need to make modifications to their model which could result in a worse experience for European users and therefore impact revenue in the region.
- Meta is focused on 5 key major opportunities: improved advertising, more engaging experiences, business messaging, Meta AI, and AI devices.
  - Improved advertising: the vision is to eventually have businesses define goals and have Meta do the rest. As they incorporates more AI into the advertising process, Meta will become more efficient at knowing which types of ads would be best for different types of users which would result in better overall ROI for advertisers.
  - More engaging experiences: AI has made recommendation system more accurate and the content more engaging. Time spent has increased on all platforms. AI can be used to help create content and expect to aid in making future content more interactive which in turn should increase overall engagement.
  - Business Messaging: expect this to be the next big pillar of the business as AI will make it possible for every business to have their own AI agent helping with sales and customer support.
  - Meta AI: goal is to become the leading AI personal assistant. Recently released standalone app with a social feed. The current focus is to increase scale of use (following their normal playbook for new products) and will later figure out monetization once it gains traction. Expect there to be a large opportunity to show product recommendations or ads, as well as a premium service for people who want to unlock more compute.
  - AI devices: continue to see AI glasses as the next form factor in computing. Ray-Ban glasses have truppled in sales and they are expecting new launches. Are also seeing more engagement in Quest 3S with more people creating experiences in Horizon with AI tools. Recently rolled out live translations to all markets in English, French, Italian and Spanish.
- Meta released the first Llama 4 models which are natively multi-modal, low latency, and efficient. Have more models on the way including Behemoth. Will continue to heavily invest in AI as it has become core for the business.
- Creators remain a big focus and are investing in tools to help them product content including standalone app Edits.
- Meta continues to focus on increasing efficiency of workloads – many of the innovations coming out of their ranking work are focused on increasing the efficiency of their systems to delivery strong returns from core AI initiatives.

# Narrative | General Information

FY2025 | Q1

## OTHER RELEVANT INFORMATION

- Two federal judges have ruled Google a monopoly in search and ad tech, signaling tougher antitrust enforcement and possible business breakups.[556](#)
- Antitrust trials against Meta and Google feel outdated, missing current shifts like TikTok's rise.[557](#)
- The EU fined Apple €500M for App Store anti-steering and Meta €200M for its "pay or consent" ad model. Both plan to appeal.[558](#)
- The text criticizes the EU's heavy regulation of big tech, warning that strict demands and high fines on firms like Apple, Meta, and Nvidia risk stifling innovation and amount to de facto nationalization. It questions the EU's regulatory power and highlights the challenges of creating EU-specific code.[559](#)
- The 2025 AI Index shows rising training costs, falling inference costs, a shrinking U.S.-China model gap, growing state-level policy action, and continued public optimism about AI's impact on jobs.[560](#)
- Meta is testing its first in-house AI training chip to reduce reliance on Nvidia, aiming for wider production if tests succeed. The chip is designed for AI-specific tasks, part of a strategy to lower infrastructure costs and enhance AI capabilities by 2026.[561](#)
- Mark Zuckerberg discusses the evolution of social media and AI at Meta, emphasizing the importance of open-source models like Llama, the shift towards AI-driven content creation, and the potential of business messaging to enhance revenue across platforms like WhatsApp and Instagram.[562](#)
- Apple is developing specialized chips for smart glasses, new Macs, and AI servers, aiming to compete with Meta's products. The glasses are expected to feature energy-efficient processors designed for multiple cameras, while new Mac chips and AI server processors are also in the works, with production planned for 2027.[563](#)
- Snapchat launches its first AI Video Lenses, powered by an in-house generative model, available to Snapchat Platinum subscribers. The initial three Lenses include "Raccoon," "Fox," and "Spring Flowers," with plans to add more weekly, enhancing the app's competitive edge in the social media landscape.[564](#)
- TikTok has launched "TikTok AI Alive," an image-to-video tool that transforms static photos into animated videos with effects. Accessible via the Story Camera, it allows users to create dynamic content while ensuring safety checks and AI-generated labels are in place to identify AI-created videos.[565](#)
- Snap's new sponsored AI lenses offer interactive, branded visuals that boost engagement by integrating users into AI-generated scenes, setting it apart from competitors' static ads.[566](#)
- Humanoid robots face slow progress due to data, safety, and cost hurdles, with near-term viability in logistics and long-term potential at home, requiring diverse data, top talent, and strong partnerships.[567](#)
- Meta's first LlamaCon unveiled new AI tools to rival OpenAI and Google, but development delays and missing features raise concerns, as startups in the space continue attracting major funding.[568](#)
- Meta is disbanding its US fact-checking team in favor of community-based moderation, sparking concerns over misinformation and harm to marginalized groups amid relaxed content policies.[569](#)
- Meta and Google clash over child safety laws, with Meta advocating app store responsibility and parental controls, while Google favors developer-led age protections, amid broader scrutiny on youth privacy and safety.[570](#)
- Meta has been actively trying to make Facebook more appealing to creators again, reaching out to top YouTube creators like Mr Beast and Mark Rober for advice, and offering new cash bonuses for posting Reels on both Facebook and Instagram.[571](#)
- Meta's stock fell sharply as Trump's tariffs threaten ad revenue, especially from Chinese firms and cost-hit small advertisers.[572](#)

# Assumptions

FY2025 | Q1

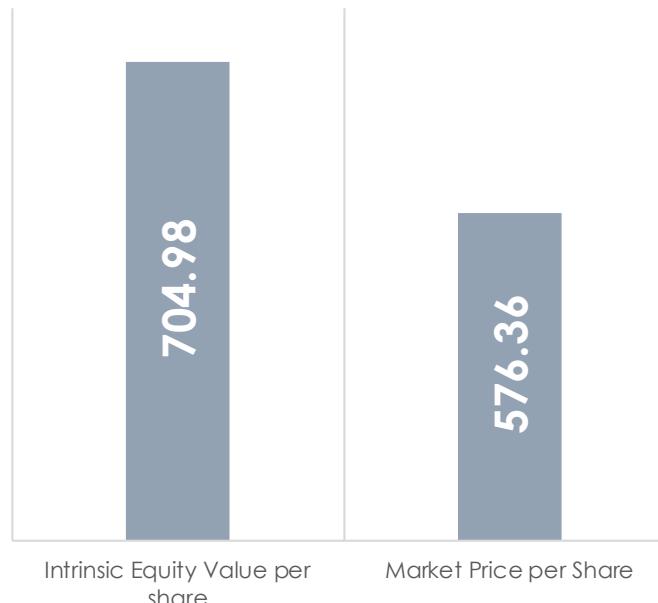
	BASE YEAR	GROWTH PHASE	STABLE PHASE	TERMINAL	LINK TO NARRATIVE
REVENUE	170,360	20.00%	4.51%	4.51%	<p>Meta's revenue outlook remains strong, driven by its dominant position in digital advertising and ongoing improvements to its recommendation systems. Business messaging is a key focus, with AI agents in testing for customer service and sales.</p> <p>Meta is also investing steadily in AR and VR, with its Ray-Ban smart glasses performing well. In the short-term, we expect to have slower growth than in previous valuations due to reduced spending from the advertising sector, especially Chinese advertisers, amid regulatory shifts, taking our assumption of growth from 23% to 20%.</p>
OPERATING MARGIN	47.04%	30.00%	50.00%	50.00%	<p>We maintained our assumptions for growth phase margins, anticipating lower margins in this phase as Meta continues its aggressive investments in future bets.</p> <p>Over time, we expect margins to increase, aligning with current levels as the company improves efficiency and further monetizes additional revenue streams.</p>
TAX RATE	10.99%	10.99%	27.00%	27.00%	Converging to US Marginal Tax of 27%.
REINVESTMENT	Sales to Capital Ratio	0.62	RIR =	31.71%	Maintaining current sales to capital for growth phase, increase to 1.5 for stable and terminal phase as Meta becomes more efficient with its investments over time.
RETURN ON CAPITAL	26.94%	Marginal ROIC =	30.46%	14.22%	Expect Meta to maintain strong network effects over time and maintain high ROIC levels.
COST OF CAPITAL		12.37%	9.22%	9.22%	Similar WACC as previous quarter in order to incorporate further risk due to potential regulation and/or other reputation issues. Expected to decrease over time as these issues start to stabilize.

# NUMBERS

## FY2025 | Q1

	The Cash Flows					
	Revenues	Operating Margin	EBIT	EBIT (1-t)	Reinvestment	FCFF
1	204,432	43.63%	10.99%	79,388	55,287	24,101
2	245,318	40.22%	10.99%	87,827	66,345	21,482
3	294,382	36.81%	10.99%	96,464	79,613	16,851
4	353,258	33.41%	10.99%	105,044	95,536	9,508
5	423,910	30.00%	10.99%	113,197	114,643	(1,446)
6	495,559	50.00%	14.19%	212,616	47,766	164,850
7	563,967	50.00%	17.39%	232,936	45,605	187,331
8	624,345	50.00%	20.60%	247,878	40,252	207,626
9	671,845	50.00%	23.80%	255,980	31,667	224,313
10	702,145	50.00%	27.00%	256,283	20,200	236,083
<b>Terminal Value</b>	<b>733,812</b>	<b>50.00%</b>	<b>27.00%</b>	<b>267,841</b>	<b>84,938</b>	<b>182,904</b>

The Value	
Terminal value	3,881,840
PV(Terminal value)	1,316,114
PV (CF over next 10 years)	469,574
<b>Value of operating assets</b>	<b>1,785,688</b>
- Tax due on trapped cash brought back	-
+ Cash & Marketable Securities	70,230
<b>Value of firm</b>	<b>1,855,918</b>
- Debt value of lease	(27,682)
- Total Interest Bearing Debt	(49,519)
- Preferred Stock	-
- Minority Interest (Non-controlling equity interest)	(6,168)
<b>Market Value of Equity</b>	<b>1,772,549</b>
- Options outstanding	-
<b>Value of Equity in Common Stock</b>	<b>1,772,549</b>
Number of shares (primary)	2,514
Intrinsic Equity Value per share	<b>704.98</b>



**81.8%**  
PRICE AS % OF VALUE

# VALUATIONS AT A GLANCE

# FY 2012 - 2024

January 2012 – December 2024



# Important Milestones

2012 •Facebook IPO with starting price of \$38.	2012 •Acquisition of Instagram for \$1B	2012 •Facebook starts shift towards being a mobile first company	2014 •Acquisition of WhatsApp & Oculus	2015 •Strong investments in proprietary datacenters and AI	2015 •Video emerges as next big trend
2016 •Big growth opportunities in emerging markets where mobile use is increasing	2016 •Progress with AI in understanding text	2017 •Found Russian interference promoting divisive and political issues.	2017 •Increase in staff and partnerships to police platform.	2018 •Messaging as new opportunity as well as video, especially through Stories.	2018 •Backlash due to Cambridge Analytica Scandal - CEO testifies in Capitol Hill.
2019 •E-commerce as potential additional revenue stream.	2019 •Doubles marketing spending as it deals with reputational damage from scandal issues.	2019 •Announcement of Libra cryptocurrency	2019 •Launch of Oculus Quest - first all-in-one headset with no wires as well as touch controls.	2020 •COVID-19 Pandemic creates some turmoil but pushes for more digital experiences	2020 •Partnership with Jio Platforms in India to connect businesses and customers through WhatsApp
2020 •Boycott of Facebook by big advertisers	2020 •Launch of Reels in +50 countries as a response to rival TikTok	2021 •Company changes name to Meta to emphasize its focus on helping to build the Metaverse	2021 •WhatsApp Payments live in India and Brazil	2021 •Launch of new Apple iOS which limits measurements and targeting	2021 •Made ads on Reels available
2021 •Former Facebook employee releases internal documents proving FB knew about the harm its platforms has on its users	2022 •War on Ukraine negatively impacts results worldwide	2022 •Macroeconomic situation including inflation and interest rate hikes are affecting global economy, limiting advertiser budget	2022 •Focusing on AI to drive discovery engine	2022 •Proclaims 2023 as year of efficiency as Meta focuses on bringing costs down including massive layoffs	

# Important Milestones

2023

- Launch of Threads, an app for text based updates and public conversations.

2023

- Release of Llama 2

2023

- Announced in Meta Connect: Quest 3, RayBan AR glasses, Meta AI, AI studio Platform, Emu Image Creation Model + Business & Creator AI.

2023

- Roll out of multimodal AI for RayBan glasses.

2023

- Implementation of paid version for users in the EU due to regulation.

2024

- AI-recommended content increasing time spent in both IG and FB

2024

- Meta implements restrictions for teens due to regulatory pressure

2024

- Meta's silicon has allowed for more efficiency

2024

- WhatsApp Business adoption continues + WhatsApp increases in users in US

2024

- Young adults very active in FB marketplace

2024

- Release of Llama 3 including smaller models

2024

- Development of V-JEPA, a new AI trained on video footage

2024

- Orion demo showcased in Meta Connect204

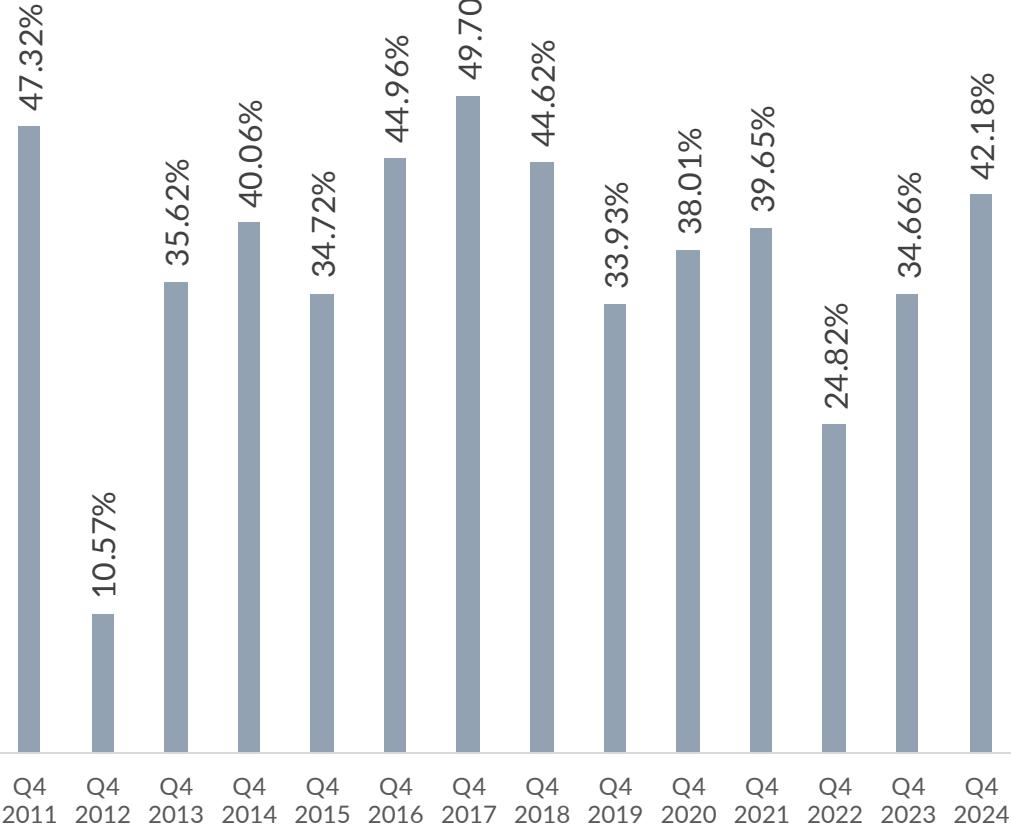
2024

- Meta AI growth across all apps

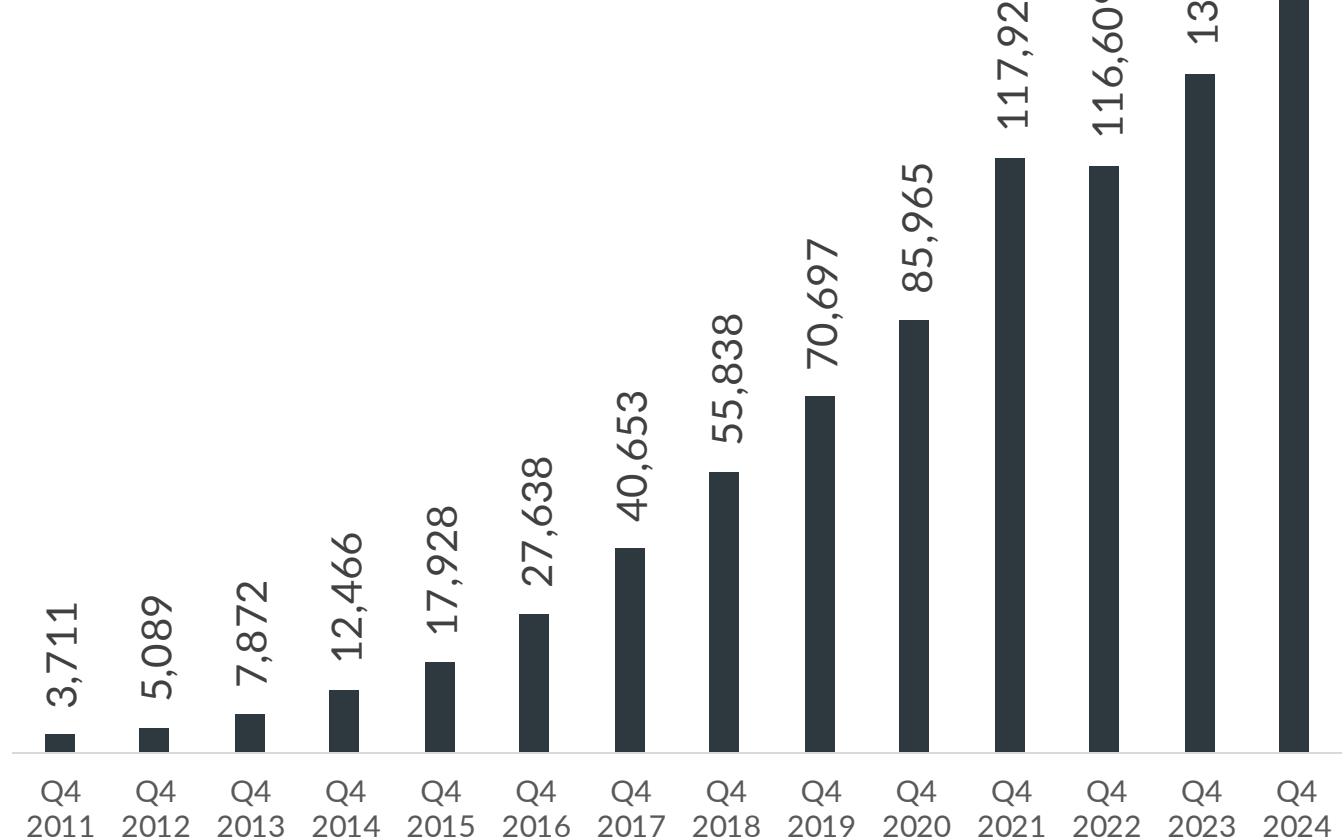
2024

- Quest 3 sales exceeds expectations - use of Horizon also increases

# Yearly Results



Operating Margin



Revenue

# Year Close Intrinsic Value

