



Meta Platforms, Inc.

Fundamental Analysis,
Valuation &
Recommendation



Meta Platforms, Inc.

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Executive Summary

Overview

- **Business Focus:** Provides social networking, advertising and business insight solutions.
- **Major Products:** Facebook, Instagram, Oculus, Threads, Messenger, and WhatsApp
- **Revenue Model:** Sells targeted advertising placements based on user demographics and behavior.
- **Annal Revenue (2024):** Increased 21.9% from 2023 (YoY).
- **Gross Margin:** Increased from 80.8% to 81.7% from last year.

Valuation

- **Base Case DCF:** Meta’s enterprise value is at \$1.02T, equity value at \$1.06T with implied share price at \$422.17.
- **CCA:** Meta’s enterprise value is at \$1.34T based on the average EV-to-EBITDA multiple of 16.10.

Key Metrics

Share Price	\$484.26
P/E	21.02
EPS	23.87
YTD Stock Movement	-16.24%

Recent News & Developments

- **Ongoing Antitrust Trial:** Meta is currently facing an antitrust lawsuit brought by the FTC, focusing on its acquisition of WhatsApp & Instagram.
- **Recognition in Advertising:** Meta for Business has been awarded the Best Social Media Advertising Platform for 2025.
- **AI-Focused Events:** Meta is launching “LlamaCon” on April 29, 2025, an event dedicated to open-source AI developments.

Company Overview & Performance

Overview

Meta Platforms Inc (Meta), formerly Facebook Inc, is a leading provider of social networking and digital advertising solutions. Founded in 2004, Meta operating platforms such as Facebook, Instagram, WhatsApp, Threads, and Messenger to connect users globally and enable targeted advertising based on demographics and user behavior.

- Founded in February 2024
- Headquartered in Menlo Park, California

Financial Performance

Profitability Ratios	2022	2023	2024
Gross Margin	78.35%	80.76%	81.67%
Operating Margin	24.82%	34.66%	42.18%
Net Profit Margin	19.90%	28.98%	37.91%
Return on Assets	12.5%	18.8%	24.7%

Efficiency, Liquidity & Leverage	2022	2023	2024
Asset Turnover	0.63	0.65	0.65
Current Ratio	2.20	2.67	2.98
Quick Ratio	2.01	2.55	2.82
Debt-to-Equity Ratio	0.08	0.12	0.16
Interest Coverage Ratio	-231.55	69.06	54.08

Discounted Cash Flow (DCF) Valuation

Methodology

- Forecast Free Cash Flow using revenue growth, costs, capex, and change in net working capital.
- Calculate using risk-free rate, beta & equity risk premium.
- Estimate terminal value using Gordon Growth Model.
- Discounted all cash flows and terminal value using WACC to calculate the enterprise value.

Key Metrics

Metric	Value
Risk-free Rate	4.3%
Beta	1.28
Equity Risk Premium	4.1
WACC	9.5%
Terminal Growth Rate	3%

Valuation

Case	Enterprise Value (\$ M)	Equity Value (\$ M)	Share Price (\$/sh)
Base	1,020,375	1,069,364	422.17
Optimistic	1,207,346	1,256,335	495.99
Pessimistic	959,035	1,008,024	397.96

Conclusion

The DCF analysis values Meta's intrinsic equity between \$1.00 trillion and \$1.25 trillion, with a share price range of \$397.96 to \$495.99. The base case shows an enterprise value of \$1.02 trillion and equity value of \$1.06 trillion, implying a share price of \$422.17. This is based on a 9.5% WACC, 3% terminal growth, and scenario-based assumptions on revenue and margins.

Comparable Company Analysis

Methodology

- Identify publicly traded companies operating in the same industry, with similar business models, revenue scale, and market positioning.
- Use industry relevant valuation metrics such EV/EBITDA, P/E ratio etc.
- Gather financial data from company filings, earnings reports, and market sources to calculate multiple for peers
- Apply relevant multiple to target company's financial metrics to estimate its implied enterprise value.
- Determine the valuation range based on different multiple scenarios, highlighting the implied share price and investment outlook

Peer Companies

Company	Share Price	EV/EBITDA	EPS	P/E Ratio
Meta Platforms, Inc.	484.26	14.29	23.87	21.02
Netflix Inc.	1047.45	15.78	21.14	46.69
Alphabet Inc.	152.96	12.87	8.05	19.00
Apple Inc.	198.65	21.44	6.30	31.56

Conclusion

- **Average Enterprise Value:** \$1.34 trillion with an EV/EBITDA multiple of 16.10x.
- **Minimum Enterprise Value:** \$1.07 trillion with an EV/EBITDA multiple of 12.87x.
- **Maximum Enterprise Value:** \$1.79 trillion with an EV/EBITDA multiple of 21.44x.

Disclaimer: Peer companies used in this analysis partially overlap with the Meta's business, product or service and may not give the accurate valuation results.

Risk Analysis



Macroeconomic Risks

- **Foreign Exchange Volatility:** Meta generates significant international revenue, exposing it to FX risks that could impact reported earnings.
- **Geopolitical Tensions & Trade Wars:** Regulatory uncertainties and trade restrictions could affect operations & data flows.



Operational Risks

- **Dependence on Key Talent:** Loss of key executives, engineers or product leaders could hinder operations.
- **Revenue Concentration:** Any disruption or decline in ad segment poses as a significant operational risk.



Market & Competitive Risks

- **Advertising Market Saturation:** As digital advertising matures, growth rates may slow, pressuring revenue.
- **Platform Competition:** TikTok, YouTube, Snapchat & other platforms challenge user engagement & ad dollars.
- **Shifting User Preferences:** Shifting demographics may reduce engagement on core apps like Facebook.



Technology & Cybersecurity Risks

- **Data Privacy Regulation:** GDPR, CCPA, and similar laws may limit data usage and raise compliance costs.
- **Cybersecurity Threats:** Ongoing risk of data breaches, and attacks on digital infrastructure.
- **AI & Algorithm Dependence:** Heavy use of AI poses risks of bias and regulatory scrutiny.

Recent News & Legal Proceedings

Recent News

- **AI Infrastructure Investment:** Meta plans to invest up to \$65 billion in 2025 to expand its AI capabilities, including developing custom AI chips and enhancing GPU capacity.
- **Open-Source AI Strategy:** Meta continues to differentiate itself by offering open-source AI models like Llama, promoting broader adoption and innovation in the AI community.
- **AI-Powered Age Verification on Instagram:** Instagram is testing AI tools to detect users misrepresenting their age, enhancing safety for younger users by enforcing stricter privacy settings and content limitations.
- **Personalized Political Content:** Meta is implementing a more personalized approach to political content across its platforms, allowing users to customize their exposure to such content based on individual preferences.

Legal Proceedings

- **FTC vs. Meta:** The U.S. Federal Trade Commission (FTC) has initiated a landmark antitrust trial against Meta, alleging that its acquisition of Instagram (2012) and WhatsApp (2014) were strategic move to eliminate competition and establish a monopoly in the personal social networking market. The FTC seeks to mandate the divestiture of these platforms.
- **Kadrey et al. v. Meta:** A group of authors, including Sarah Silverman and Junot Diaz, have filed a lawsuit against Meta, accusing the company of using over 7 million pirated books to train its LLaMa AI model without proper authorization.

Recommendation

Investment Recommendation: BUY

Meta Platform Inc. appears to be undervalued based on a DCF valuation, with an intrinsic equity value range of \$1.00T to \$1.25T, compared to current market levels. The base case price target of \$422.17 reflects meaningful upside driven by:

- Strong monetization across core platforms (Facebook, Instagram, WhatsApp).
- Continued momentum in Reels and AI-driven ad targeting.
- Strategic investments in metaverse and generative AI with long-term potential.
- Solid financials, high cash reserves, and limited debt.

However, investors should monitor ongoing legal and regulatory challenges, competitive pressure from TikTok, YouTube, and other evolving user behaviour trends.

Conclusion: Given the strong fundamentals, robust free cash flow generation, and upside potential, Meta represents a compelling long-term investment opportunity.

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