

Meta Platforms Inc

Strong 3Q Results & Initial 2024 Spending Outlook As Meta Remains Focused on Operating Discipline; Buying Pullback in Shares; Increasing PT to \$420

Meta delivered strong 3Q results and a better than feared spending outlook for 2024 as the company remains focused on operating discipline going forward. 3Q revenue of \$34.15B was toward the high end of the guide, and even though the 4Q range is wider than usual, the high end is strong at \$40B, suggesting mid-20's% growth. Meta's 40% operating margin was the company's highest in 2 years, as op inc of \$13.75B was 21% above us & consensus, partly driven by lower than expected headcount. Looking into 2024, we believe Meta has a strong product platform & a number of key investment opportunities across AI, Reels, Messaging, Metaverse, and Threads, among others. **But we are confident the company will balance those investments w/operating discipline, as evidenced in the outlooks for lower than expected expenses at \$94B-\$99B & capex \$30B-\$35B.** After initially rallying on strong results, Meta shares sold off around management's discussion of greater ad volatility in 4Q related to geopolitical/war impact. We believe the volatility led Meta to guide 4Q revenue ~\$1B wider than usual, but the company also indicated that some paused brand campaigns have already been resumed & performance-based spend is less impacted. **We also believe management's commentary on having an established financial framework to support its ambitious investments in Reality Labs & Gen AI w/growing operating income was constructive for Meta's potential to grow revenue faster than expenses in 2024.** We believe Meta continues to execute well & remains disciplined, and we would be buying the pullback in Meta shares. We now project GAAP EPS of \$18.02 in 2024 & \$20.74 in 2025, w/Meta currently trading at ~14x our 2025E earnings. Our PT increases from \$400 to \$420 based on 20x 2025E GAAP EPS.

- 2024 Outlook for Expenses & Capex Both Lower Than Expected.** Heading into 3Q earnings there was considerable discussion & debate around '24 expenses & capex following Meta's year of efficiency. The initial outlook suggests operating efficiency will continue even as Meta invests in major growth opportunities. The outlook for total expenses of \$94B-\$99B was below our expectation of \$96B-\$102B, suggesting 11-17% growth off a base of \$84.5B in 2023. Meta noted that the investment pick-up would be driven by the same set of factors it called out at 2Q earnings—greater depreciation tied to higher infrastructure spending, headcount growth & mix-shift to more technical roles, & a meaningful increase in Reality Labs losses. Meta's 3Q headcount of 66.2k was down -24% Y/Y & -7% Q/Q as all laid off employees have exited, coming in 3% below our expectation. But Meta indicated that it has under-hired, w/some of the backlog pushed to 2024, & the company will end '24 w/meaningfully higher headcount than exiting 3Q. Still, Meta will also re-allocate resources toward high priority areas & the headcount step-up is mostly captured in the 2024 expense outlook, w/a slower pace of hiring

Overweight

META, META US

Price (25 Oct 23):\$299.53

▲ **Price Target (Dec-24):\$420.00**

Prior (Dec-24):\$400.00

Internet - Large Cap / Mid & Small Cap

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Key Changes (FYE Dec)

	Prev	Cur
Revenue - 23E (\$ mn)	133,985	134,209
Revenue - 24E (\$ mn)	152,996	152,056
Reported EPS - 23E (\$)	14.24	14.53
Reported EPS - 24E (\$)	17.66	18.02
Revenue growth - 23E	14.9%	15.1%
Revenue growth - 24E	14.2%	13.3%

Quarterly Forecasts (FYE Dec)

Adj. EPS (\$)	2022A	2023E	2024E
Q1	3.47	3.70A	4.55
Q2	3.54	5.06A	5.18
Q3	2.84	5.59A	5.54
Q4	4.19	6.25	6.81
FY	14.02	20.62	22.04

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	66	61	51	74	75
Growth	63	63	35	69	30
Momentum	4	15	70	16	88
Quality	9	13	2	2	2
Low Vol	56	72	57	30	50
ESGQ	94	95	77	26	96

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

See page 13 for analyst certification and important disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	148.9%	-0.4%	1.7%	117.8%
Rel	139.9%	3.0%	10.1%	109.3%

Company Data

Shares O/S (mn)	2,641
52-week range (\$)	330.54-88.09
Market cap (\$ mn)	791,058.70
Exchange rate	1.00
Free float(%)	99.8%
3M - Avg daily vol (mn)	20.87
3M - Avg daily val (\$ mn)	6,373.0
Volatility (90 Day)	31
Index	S&P 500
BBG BUY HOLD SELL	60 7 2

Key Metrics (FYE Dec)

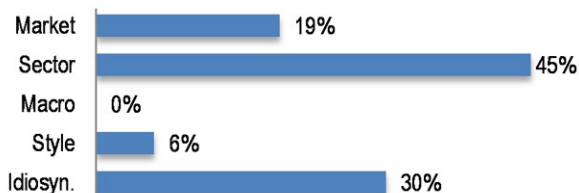
\$ in millions	FY22A	FY23E	FY24E	FY25E
Financial Estimates				
Revenue	116,609	134,209	152,056	169,830
Adj. EBIT	46,774	66,601	70,472	78,528
Adj. EBITDA	54,471	76,597	83,516	94,792
Adj. net income	37,785	53,960	56,259	62,668
Adj. EPS	14.02	20.62	22.04	25.31
BBG EPS	10.97	13.83	17.56	20.22
Cashflow from operations	50,475	73,806	80,273	87,157
FCFF	19,318	46,594	46,786	50,708
Margins and Growth				
Revenue growth	(1.1%)	15.1%	13.3%	11.7%
EBIT margin	40.1%	49.6%	46.3%	46.2%
EBIT growth	(18.0%)	42.4%	5.8%	11.4%
EBITDA margin	46.7%	57.1%	54.9%	55.8%
EBITDA growth	(15.0%)	40.6%	9.0%	13.5%
Net margin	32.4%	40.2%	37.0%	36.9%
Adj. EPS growth	(14.2%)	47.1%	6.9%	14.8%
Ratios				
Adj. tax rate	19.0%	19.0%	19.0%	19.0%
Interest cover	161.2	93.0	84.5	84.0
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	30.2%	38.2%	31.0%	26.9%
Valuation				
FCFF yield	2.4%	5.9%	6.1%	6.8%
Dividend yield	-	-	-	-
EV/Revenue	6.9	5.6	4.6	3.7
EV/EBITDA	14.7	9.8	8.3	6.7
Adj. P/E	21.4	14.5	13.6	11.8

Summary Investment Thesis and Valuation

Investment Thesis

We believe Meta's virtual ownership of the social graph, strong competitive moat, and focus on the user experience position it to become an enduring blue-chip company built for the long term. Meta is in rarefied air across the combination of scale, growth, and profitability, as the company's massive reach and engagement continue to drive network effects, and its targeting abilities provide significant value to advertisers. Meta is also focused on the two big tech waves of AI & Metaverse, and it will spend into those major growth opportunities while also remaining disciplined. We remain positive on META shares as: **1)** advertising should continue to outperform, with AI investments paying off & Reels turning revenue accretive; **2)** overall cost discipline should persist into 2024 even as investments pick up; & **3)** valuation remains compelling with shares trading at 14x our 2025E GAAP EPS. We raise our December 2024 price target from \$400 to \$420, based on ~20x our 2025E GAAP EPS of \$20.74, which is supported by our DCF model.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.49	0.43
Sect: Telecom Services	0.72	0.75
Ind: Media	0.71	0.75
Macro:		
Crude Oil	0.10	-0.21
US 10yr yield	-0.15	-0.20
US 10yr Breakeven	-0.22	-0.19
Quant Styles:		
Momentum	-0.02	-0.39
Growth	-0.05	0.37
LowVol	-0.19	-0.34

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

anticipated for 2025. Capex of \$30B-\$35B was also below our expectation for at least \$35B-\$40B driven by 2 primary factors. First, Meta is heavily scrutinizing investments & benefiting from its new data center architecture for both AI & non-AI workloads. Second, Meta is expecting some GPU supply constraints in 1H24.

- **Potential Revenue Acceleration in 4Q & We Expect Continued Solid Growth Against Tougher Comps in 2024.** Meta continues to drive strong revenue growth through AI & product improvement, favorable comps, & FX tailwinds. China ad spend to other markets has also helped across all regions, as expected. Advantage+ campaigns have now reached a \$10B run-rate & Meta believes there is further AI-driven optimization for this product ahead. Reels has driven a 40% increase in time spent on Instagram since launch & it has now reached revenue neutral. Meta's \$36.5B-\$40B guide for 4Q is \$1B wider than normal, reflecting recent geopolitical-related volatility. However, Meta indicated that some paused campaigns have already resumed & performance-based advertising like ecomm has been less impacted. Importantly, when comparing to Snap, Meta is heavier performance-based & has far greater scale at 10M+ advertisers, suggesting it is better positioned to weather temporary volatility. We still expect Meta revenue growth to peak near-term in 3Q/4Q as 2024 comps become less favorable, but we remain encouraged by underlying ad strength driven by high relative ROI, & we now model 2024 revenue of \$152B, +13% Y/Y.
- **Other Key Points.** 1) AI investment is a major theme for 2024 & Meta believes Llama2 is now the biggest open source model, w/30M downloads last month. 2) Video now accounts for more than 50% of time spent on FB & IG, w/Reels a core component. Given that Reels is now revenue neutral & will be additive in 2024, Meta will no longer comment on Reels revenue. 3) AI-driven content recommendations are driving 7% more time spent on FB & 6% more on IG. 4) Ad revenue was driven by 31% impression growth & a -6% decline in eCPM. Impressions were driven by APAC & ROW, while lower pricing was a function of greater supply & geo mix-shift. Reels may also continue to structurally under-monetize per time spent due to its slower scroll speed. 5) Meta noted that from now on it will provide its initial forward year spending outlook at 4Q earnings, and not 3Q earnings.

Summary of the Quarter

Figure 1: META 3Q23 Results vs. J.P. Morgan Estimates

\$ in millions, except per share data and where noted otherwise

(\$ in millions)	3Q23			Consensus	Diff (%)
	JPME	Actuals	Diff (%)		
Revenue	33,849	34,146	0.9%	33,517	1.9%
Advertising	33,434	33,643	0.6%		
Reality Labs	214	210	-1.8%		
EBITDA	18,825	20,532	9.1%	17,916	14.6%
Margin	55.6%	60.1%	452bps	53.5%	668bps
Operating Income	11,329	13,748	21.4%	11,328	21.4%
Margin	33.5%	40.3%	679bps	33.8%	646bps
GAAP EPS	\$3.61	\$4.39	21.6%	\$3.64	20.5%
Y/Y Growth					
Revenue	22%	23%	107bps		
Advertising	23%	24%	77bps		
Reality Labs	-25%	-26%	(132)bps		
EBITDA	65%	80%	1,493bps		
Operating Income	100%	143%	4,271bps		
GAAP EPS	121%	168%	4,758bps		
Sequential Growth					
Revenue	6%	7%	93bps		
Advertising	6%	7%	66bps		
Reality Labs	-23%	-24%	(136)bps		
EBITDA	0%	9%	909bps		
Operating Income	21%	46%	2,576bps		
GAAP EPS	21%	47%	2,610bps		
MAUs	3,055	3,049	-0.2%		
DAUs	2,091	2,085	-0.3%		
FXN Ad Revenue	21%	21%	61bps		

Source: J.P. Morgan estimates, Company data, Bloomberg Finance L.P.

Adjusting Estimates

We are adjusting our estimates, as shown in the figure below.

Figure 2: Adjusting J.P. Morgan Estimates

\$ in millions, except per share data and where noted otherwise

Meta (\$ in millions)	4Q23E		2023E		1Q24E		2Q24E		3Q24E		4Q24E		2024E		2025E	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
Total Revenue	39,492	39,419	133,985	134,209	34,101	33,675	37,088	36,574	37,940	38,217	43,866	43,589	152,996	152,056	170,820	169,830
Y/Y Growth	23%	23%	15%	15%	19%	18%	16%	14%	12%	12%	11%	11%	14%	13%	12%	12%
% chg vs. old		-0.2%		0.2%		-1.2%		-1.4%		0.7%		-0.6%		-0.6%		-0.6%
FXN Y/Y Growth	22%	21%	15%	15%	21%	19%	18%	16%	14%	14%	11%	10%	16%	15%	12%	12%
chg. vs. old (bps)		(160)		(22)		(178)		(194)		(40)		(67)		(114)		4
Advertising Revenue	38,142	37,985	131,174	131,227	33,307	32,846	36,404	35,860	37,281	37,441	42,252	41,863	149,243	148,010	166,742	165,365
Y/Y Growth	22%	22%	15%	15%	19%	17%	16%	14%	12%	11%	11%	10%	14%	13%	12%	12%
% chg vs. old		-0.4%		0.0%		-1.4%		-1.5%		0.4%		-0.9%		-0.8%		-0.8%
FXN Y/Y Growth	21%	20%	16%	15%	21%	19%	18%	16%	14%	13%	11%	10%	15%	14%	12%	12%
chg. vs. old (bps)		(189)		(38)		(193)		(205)		(45)		(75)		(123)		0
Reality Labs	1,157	1,204	1,986	2,029	579	579	448	448	448	439	1,412	1,469	2,887	2,935	3,169	3,222
Y/Y Growth	59%	66%	-8%	-6%	71%	71%	62%	62%	110%	109%	22%	22%	45%	45%	10%	10%
% chg vs. old		4%		2%		0%		0%		-2%		4%		2%		2%
Adjusted EBITDA	23,237	23,218	74,909	76,597	17,864	17,787	20,258	19,758	19,918	20,999	24,225	24,971	82,264	83,516	92,314	94,792
Y/Y Growth	45%	45%	38%	41%	27%	26%	8%	5%	6%	2%	4%	8%	10%	9%	12%	14%
Margin (%)	58.8%	58.9%	55.9%	57.1%	52.4%	52.8%	54.6%	54.0%	52.5%	54.9%	55.2%	57.3%	53.8%	54.9%	54.0%	55.8%
% chg vs. old		0%		2%		0%		-2%		5%		3%		2%		3%
GAAP COGS and Opex	22,537	23,629	89,082	88,052	22,438	22,327	23,811	23,407	24,618	24,115	26,583	25,805	97,450	95,654	108,898	106,823
Y/Y Growth	-13%	-8%	2%	0%	5%	4%	5%	4%	9%	18%	18%	9%	9%	9%	12%	12%
% chg vs. old		5%		-1%		0%		-2%		-2%		-3%		-2%		-2%
Family of Apps COGS & Opex	17,189	18,373	70,654	70,498	17,258	17,087	18,592	18,592	18,941	18,913	19,682	19,475	74,473	74,067	81,920	81,474
Y/Y Growth	-17%	-12%	-2%	-2%	1%	0%	0%	0%	7%	15%	15%	6%	5%	5%	10%	10%
% chg vs. old		7%		0%		-1%		0%		0%		-1%		-1%		-1%
Reality Labs COGS & Opex	5,347	5,257	18,428	17,555	5,181	5,240	5,219	4,815	5,677	5,202	6,901	6,330	22,977	21,587	26,977	25,350
Y/Y Growth	7%	5%	16%	11%	20%	21%	30%	20%	20%	32%	29%	20%	25%	23%	17%	17%
% chg vs. old		-2%		-5%		1%		-8%		-8%		-8%		-6%		-6%
GAAP Operating Income	16,956	15,789	44,903	46,156	11,663	11,348	13,278	13,167	13,322	14,102	17,283	17,785	55,546	56,402	61,922	63,007
Y/Y Growth	165%	147%	55%	59%	61%	57%	41%	40%	18%	3%	2%	13%	24%	22%	11%	12%
Margin (%)	42.9%	40.1%	33.5%	34.4%	34.2%	33.7%	35.8%	36.0%	35.1%	36.9%	39.4%	40.8%	36.3%	37.1%	36.3%	37.1%
% chg vs. old		-7%		3%		-3%		-1%		6%		3%		2%		2%
Family of Apps Operating Income	21,146	19,842	61,346	61,682	16,264	16,009	18,048	17,534	18,551	18,865	22,773	22,646	75,636	75,054	85,731	85,134
Y/Y Growth	98%	86%	44%	45%	45%	43%	37%	34%	17%	8%	8%	14%	23%	22%	13%	13%
Margin (%)	55.2%	51.9%	46.5%	46.7%	48.5%	48.4%	49.3%	48.5%	49.5%	49.9%	53.6%	53.8%	50.4%	50.3%	51.1%	51.1%
% chg vs. old		-6%		1%		-2%		-3%		2%		-1%		-1%		-1%
Reality Labs Operating Income	(4,190)	(4,053)	(16,442)	(15,526)	(4,602)	(4,660)	(4,771)	(4,367)	(5,229)	(4,763)	(5,489)	(4,861)	(20,090)	(18,652)	(23,808)	(22,127)
Y/Y Growth	2%	5%	-20%	-13%	-15%	-17%	-28%	-17%	-16%	-27%	-31%	-20%	-22%	-20%	-19%	-19%
Margin (%)	-362%	-337%	-828%	-765%	-795%	-805%	-1065%	-975%	-1168%	-1084%	-389%	-331%	-696%	-635%	-751%	-687%
% chg vs. old		-3%		-6%		1%		-8%		-9%		-11%		-7%		-7%
GAAP EPS	\$5.48	\$4.94	\$14.24	\$14.53	\$3.65	\$3.57	\$4.21	\$4.19	\$4.24	\$4.52	\$5.59	\$5.78	\$17.66	\$18.02	\$20.29	\$20.74
Y/Y Growth	211%	180%	66%	69%	66%	62%	41%	41%	18%	3%	2%	17%	24%	24%	15%	15%
% chg vs. old		-10%		2%		-2%		0%		6%		3%		2%		2%
Capex	8,293	8,278	29,814	27,879	8,184	7,408	8,159	7,681	10,623	9,172	11,232	10,026	38,199	34,287	41,851	37,363
Y/Y Growth	-8%	-8%	-5%	-11%	20%	8%	31%	24%	26%	40%	35%	21%	28%	23%	10%	9%
% chg vs. old		0%		-6%		-9%		-6%		-14%		-11%		-10%		-11%
FCF	12,438	13,819	38,488	45,176	9,564	11,180	9,942	10,753	7,830	9,738	10,784	14,314	38,119	45,986	41,138	49,794
Y/Y Growth	138%	164%	112%	148%	39%	62%	-9%	-1%	-5%	-28%	-13%	4%	-1%	2%	8%	8%
% chg vs. old		11%		17%		17%		8%		24%		33%		21%		21%
Monthly Active Users (MAU)	3,079	3,068	3,079	3,068	3,098	3,090	3,116	3,110	3,139	3,130	3,161	3,150	3,161	3,150	3,223	3,220
Y/Y Growth	4%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%
% chg vs. old		0%		0%		0%		0%		0%		0%		0%		0%

Source: J.P. Morgan estimates.

Figure 3: Meta Income Statement

\$ in millions, except per share data and where noted otherwise

	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Revenue	70,697	85,966	117,929	116,609	28,645	31,999	34,146	39,419	134,209	33,675	36,574	38,217	43,589	152,056	169,830
Cost of Revenue	12,393	16,245	22,072	22,986	6,058	5,794	6,031	7,292	25,175	7,408	7,681	7,835	8,413	31,336	36,174
Gross Profit	58,304	69,721	95,857	93,623	22,587	26,205	28,115	32,126	109,033	26,266	28,893	30,383	35,177	120,719	133,656
Operating Expenses															
Marketing and Sales	9,308	10,899	13,206	13,619	2,686	2,604	2,470	3,311	11,072	2,963	3,219	3,363	3,792	13,337	14,436
Research and Development	10,112	13,530	17,549	24,259	6,128	5,744	6,275	6,701	24,849	6,903	7,132	7,261	7,585	28,881	32,268
General and Administrative	10,063	6,085	9,186	10,198	2,351	3,625	1,749	1,971	9,696	2,020	2,268	2,446	2,703	9,437	9,935
Stock-based Compensation	4,835	6,536	9,163	11,991	3,051	4,060	3,492	3,154	13,757	3,031	3,109	3,210	3,313	12,663	14,011
Restructuring Costs				4,611	1,144	780	380	1,200	3,504	0	0	0	0	0	0
Total Operating Expenses	34,318	37,050	49,104	64,678	15,360	16,813	14,367	16,337	62,877	14,918	15,727	16,281	17,392	64,318	70,649
Total GAAP Expenses (COGS + Op	46,711	53,295	71,176	87,664	21,418	22,607	20,398	23,629	88,052	22,327	23,407	24,115	25,805	95,654	106,823
Operating Income	23,986	32,671	46,753	28,945	7,227	9,392	13,748	15,789	46,156	11,348	13,167	14,102	17,785	56,402	63,007
Interest Expense				(338)	(200)	(200)	(212)	(212)	(824)	(212)	(212)	(282)	(282)	(989)	(1,129)
Other income (expense), net	826	509	530	212	80	(99)	272	(212)	41	(212)	(212)	(282)	(282)	(989)	(1,129)
Pre-tax Income	24,812	33,180	47,283	28,819	7,307	9,293	14,020	15,577	46,197	11,136	12,955	13,820	17,502	55,413	61,878
Income Taxes	6,327	4,035	7,913	5,620	1,598	1,505	2,437	2,648	8,188	1,893	2,202	2,349	2,975	9,420	10,519
Effective Tax Rate	25%	12%	17%	20%	22%	16%	17%	17%	18%	17%	17%	17%	17%	17%	17%
Net Income attributable to participating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net Income	18,485	29,145	39,370	23,199	5,709	7,788	11,583	12,929	38,009	9,243	10,752	11,471	14,527	45,993	51,359
GAAP Basic EPS	\$6.48	\$10.23	\$13.99	\$8.63	\$2.21	\$3.03	\$4.50	\$5.10	\$14.82	\$3.69	\$4.35	\$4.69	\$6.02	\$18.70	\$21.53
Basic Shares Out	2,855	2,850	2,815	2,687	2,578	2,568	2,576	2,537	2,565	2,506	2,474	2,443	2,413	2,459	2,385
GAAP Diluted EPS	\$6.43	\$10.11	\$13.79	\$8.61	\$2.20	\$2.98	\$4.39	\$4.94	\$14.53	\$3.57	\$4.19	\$4.52	\$5.78	\$18.02	\$20.74
Diluted Shares Out	2,876	2,882	2,854	2,696	2,596	2,612	2,641	2,617	2,617	2,591	2,565	2,539	2,514	2,552	2,476
EBITDA Calculation															
Operating Income	23,986	32,671	46,753	28,945	7,227	9,392	13,748	15,789	46,156	11,348	13,167	14,102	17,785	56,402	63,007
Stock-based compensation	4,835	6,536	9,163	11,991	3,051	4,060	3,492	3,154	13,757	3,031	3,109	3,210	3,313	12,663	14,011
Payroll Tax Related to SBC, Other	5,152	177	205	4,849	1,285	2,704	434	1,246	5,650	140	63	63	53	318	365
Depreciation and Amortization	5,741	6,862	7,966	8,686	2,524	2,623	2,858	3,028	11,033	3,269	3,420	3,624	3,821	14,134	17,409
EBITDA	39,714	46,246	64,087	54,471	14,067	18,779	20,532	23,218	76,597	17,787	19,758	20,999	24,971	83,516	94,792
	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Y/Y Growth															
Revenue	27%	22%	37%	-1%	3%	11%	23%	23%	15%	18%	14%	12%	11%	13%	12%
Cost of Revenue	37%	31%	36%	4%	4%	16%	10%	9%	10%	22%	33%	30%	15%	24%	15%
Gross Profit	25%	20%	37%	-2%	2%	10%	26%	26%	16%	16%	10%	8%	9%	11%	11%
Marketing and Sales	27%	17%	21%	3%	-13%	-21%	-28%	-12%	-19%	10%	24%	36%	15%	20%	8%
Research and Development	39%	34%	30%	38%	6%	-6%	-3%	13%	2%	13%	24%	16%	13%	16%	12%
General and Administrative	223%	-40%	51%	11%	8%	32%	-43%	-10%	-5%	-14%	-37%	40%	37%	-3%	5%
Stock-based Compensation	16%	35%	40%	31%	22%	21%	11%	5%	15%	-1%	-23%	-8%	5%	-8%	11%
Total Operating Expenses	57%	8%	33%	32%	13%	9%	-13%	-14%	-3%	-3%	-6%	13%	6%	2%	10%
Total GAAP Expenses	51%	14%	34%	23%	10%	10%	-7%	-8%	0%	4%	4%	18%	9%	9%	12%
Operating Income	-4%	36%	43%	-38%	-15%	12%	143%	147%	59%	57%	40%	3%	13%	22%	12%
GAAP Net Income	-16%	58%	35%	-41%	-24%	16%	164%	178%	64%	62%	38%	-1%	12%	21%	12%
GAAP EPS	-15%	57%	36%	-38%	-19%	21%	168%	180%	69%	62%	41%	3%	17%	24%	15%
EBITDA	19%	16%	39%	-15%	6%	37%	80%	45%	41%	26%	5%	2%	8%	9%	14%
Q/Q Growth															
Revenue					-11%	12%	7%	15%		-15%	9%	4%	14%		
Operating Income					13%	30%	46%	15%		-28%	16%	7%	26%		
GAAP EPS					25%	36%	47%	13%		-28%	18%	8%	28%		
EBITDA					-12%	33%	9%	13%		-23%	11%	6%	19%		
% of Revenue															
Cost of Revenue	17.5%	18.9%	18.7%	19.7%	21.1%	18.1%	17.7%	18.5%	18.8%	22.0%	21.0%	20.5%	19.3%	20.6%	21.3%
Gross Profit	82.5%	81.1%	81.3%	80.3%	78.9%	81.9%	82.3%	81.5%	81.2%	78.0%	79.0%	79.5%	80.7%	79.4%	78.7%
Marketing and Sales	13.2%	12.7%	11.2%	11.7%	9.4%	8.1%	7.2%	8.4%	8.2%	8.8%	8.8%	8.8%	8.7%	8.8%	8.5%
Research and Development	14.3%	15.7%	14.9%	20.8%	21.4%	18.0%	18.4%	17.0%	18.5%	20.5%	19.5%	19.0%	17.4%	19.0%	19.0%
General and Administrative	14.2%	7.1%	7.8%	8.7%	8.2%	11.3%	5.1%	5.0%	7.2%	6.0%	6.2%	6.4%	6.2%	6.2%	5.9%
Stock-based Compensation	6.8%	7.6%	7.8%	10.3%	10.7%	12.7%	10.2%	8.0%	10.3%	9.0%	8.5%	8.4%	7.6%	8.3%	8.3%
Total GAAP Opex/Sales	48.5%	43.1%	41.6%	55.5%	53.6%	52.5%	42.1%	41.4%	46.8%	44.3%	43.0%	42.6%	39.9%	42.3%	41.6%
Operating Income	33.9%	38.0%	39.6%	24.8%	25.2%	29.4%	40.3%	40.1%	34.4%	33.7%	36.0%	36.9%	40.8%	37.1%	37.1%
EBITDA	56.2%	53.8%	54.3%	46.7%	49.1%	58.7%	60.1%	58.9%	57.1%	52.8%	54.0%	54.9%	57.3%	54.9%	55.8%
Incremental EBITDA Margin	42%	43%	56%	728%	107%	159%	141%	99%	126%	74%	21%	11%	42%	39%	63%

Source: J.P. Morgan estimates, Company data.

Figure 4: Meta Segment Summary

\$ in millions, except per share data and where noted otherwise

	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Revenue Summary															
Advertising	69,655	84,169	114,934	113,641	28,101	31,498	33,643	37,985	131,227	32,846	35,860	37,441	41,863	148,010	165,365
Y/Y Growth	27%	21%	37%	-1%	4%	12%	24%	22%	15%	17%	14%	11%	10%	13%	12%
Q/Q Growth					-10%	12%	7%	13%		-14%	9%	4%	12%		
% of Total Revenues	99%	98%	97%	97%	98%	98%	99%	96%	98%	98%	98%	98%	96%	97%	97%
FX Impact	(1,664)	(128)	1,620	(5,896)	(806)	(269)	645	632	202	(484)	(660)	(599)	45	(1,698)	
Ex-FX Advertising Revenue	71,319	84,297	113,314	119,537	28,907	31,767	32,998	37,353	131,025	33,330	36,521	38,040	41,818	149,709	165,365
Y/Y Ad Growth (Ex-FX)	30%	21%	35%	4%	7%	13%	21.2%	19.5%	15%	18.6%	15.9%	13.1%	10.1%	14%	12%
Other	541	657	721	809	205	225	293	230	953	250	266	337	258	1,110	1,243
Y/Y Growth	4%	21%	10%	12%	-5%	3%	53%	25%	18%	22%	18%	15%	12%	16%	12%
Q/Q Growth					11%	10%	30%	-22%		9%	6%	27%	-24%		
% of Total Revenues	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Family of Apps	70,196	84,826	115,655	114,450	28,306	31,723	33,936	38,215	132,180	33,096	36,126	37,778	42,121	149,121	166,608
Y/Y Growth	26%	21%	36%	-1%	4%	12%	24%	22%	15%	17%	14%	11%	10%	13%	12%
Q/Q Growth					-10%	12%	7%	13%		-13%	9%	5%	11%		
% of Total Revenues	99%	99%	98%	98%	99%	99%	99%	97%	98%	98%	99%	99%	97%	98%	98%
Reality Labs	501	1,140	2,274	2,159	339	276	210	1,204	2,029	579	448	439	1,469	2,935	3,222
Y/Y Growth	63%	128%	99%	-5%	-51%	-39%	-26%	66%	-6%	71%	62%	109%	22%	45%	10%
Q/Q Growth					-53%	-19%	-24%	473%		-52%	-23%	-2%	234%		
% of Total Revenues	1%	1%	2%	2%	1%	1%	1%	3%	2%	2%	1%	1%	3%	2%	2%
Total Revenue	70,697	85,966	117,929	116,609	28,645	31,999	34,146	39,419	134,209	33,675	36,574	38,217	43,589	152,056	169,830
Y/Y Growth	27%	22%	37%	-1%	3%	11%	23.2%	22.6%	15%	18%	14%	12%	11%	13%	12%
Q/Q Growth					-11%	12%	7%	15%		-15%	9%	4%	14%		
FX Impact	(1,669)	(119)	1,640	(5,957)	(816)	(274)	647	641	198	(495)	(677)	(611)	46	(1,737)	
Ex-FX Revenue	72,366	86,085	116,289	122,566	29,461	32,273	33,499	38,777	134,010	34,170	37,251	38,828	43,544	153,793	169,830
Y/Y Growth (Ex-FX)	30%	22%	35%	4%	6%	12%	20.9%	20.6%	15%	19.3%	16.4%	13.7%	10.5%	15%	12%
Seasonality					21%	24%	25%	29%		22%	24%	25%	29%		
4-year Growth															
Ad Revenue	308%	213%	188%	107%	88%	89%	94%	83%	88%	88%	96%	76%	54%	76%	44%
FXN Ad Revenue	290%	210%	186%	119%	88%	85%	87%	78%	84%	88%	96%	80%	56%	78%	46%
Total Revenue	294%	211%	190%	109%	90%	90%	93%	87%	90%	90%	96%	78%	55%	77%	44%
FXN Total Revenue	279%	208%	188%	121%	89%	85%	87%	81%	85%	90%	96%	82%	57%	79%	46%
5-year Growth															
Ad Revenue	506%	393%	328%	185%	138%	142%	148%	128%	139%	120%	116%	115%	102%	112%	96%
FXN Ad Revenue	517%	361%	317%	201%	157%	151%	141%	120%	140%	116%	112%	115%	99%	110%	96%
Total Revenue	467%	380%	327%	187%	139%	142%	149%	133%	140%	123%	117%	117%	107%	115%	98%
FXN Total Revenue	478%	350%	317%	204%	158%	151%	141%	125%	142%	119%	113%	116%	104%	113%	97%
Profit Summary															
Family of Apps															
Revenue	70,196	84,826	115,655	114,450	28,306	31,723	33,936	38,215	132,180	33,096	36,126	37,778	42,121	149,121	166,608
Y/Y Growth	21%	36%	36%	-1%	4%	12%	24%	22%	15%	17%	14%	11%	10%	13%	12%
% of Total Revenue	99%	99%	98%	98%	99%	99%	99%	97%	98%	98%	99%	99%	97%	98%	98%
Total Costs & Expenses	41,707	45,532	58,708	71,788	17,087	18,592	16,446	18,373	70,498	17,087	18,592	18,913	19,475	74,067	81,474
Y/Y Growth		9%	29%	22%	9%	8%	-9%	-12%	-2%	0%	0%	15%	6%	5%	10%
% of Total Costs & Expenses	89%	85%	82%	82%	80%	82%	81%	78%	80%	77%	79%	78%	75%	77%	76%
Operating Income	28,489	39,294	56,947	42,662	11,219	13,131	17,490	19,842	61,682	16,009	17,534	18,865	22,646	75,054	85,134
Y/Y Growth	38%	45%	45%	-25%	-2%	18%	87%	86%	45%	43%	34%	8%	14%	22%	13%
% Margin	40.6%	46.3%	49.2%	37.3%	39.6%	41.4%	51.5%	51.9%	46.7%	48.4%	48.5%	49.9%	53.8%	50.3%	51.1%
% of Total Operating Income	119%	120%	122%	147%	155%	140%	127%	126%	134%	141%	133%	134%	127%	133%	135%
Reality Labs															
Revenue	501	1,140	2,274	2,159	339	276	210	1,204	2,029	579	448	439	1,469	2,935	3,222
Y/Y Growth	128%	99%	99%	-5%	-51%	-39%	-26%	66%	-6%	71%	62%	109%	22%	45%	10%
% of Total Revenue	1%	1%	2%	2%	1%	1%	1%	3%	2%	2%	1%	1%	3%	2%	2%
Total Costs & Expenses	5,004	7,763	12,468	15,676	4,331	4,015	3,952	5,257	17,555	5,240	4,815	5,202	6,330	21,587	25,350
Y/Y Growth	55%	61%	27%	27%	18%	23%	0%	5%	11%	21%	20%	32%	20%	23%	17%
% of Total Costs & Expenses	11%	15%	18%	18%	20%	18%	19%	22%	20%	23%	21%	22%	25%	23%	24%
Operating Income	(4,503)	(6,623)	(10,194)	(13,717)	(3,992)	(3,739)	(3,742)	(4,053)	(15,526)	(4,660)	(4,367)	(4,763)	(4,861)	(18,652)	(22,127)
Y/Y Growth	-47%	-54%	-35%	-35%	-35%	-33%	-2%	5%	-13%	-17%	-17%	-27%	-20%	-20%	-19%
% Margin	-899%	-581%	-448%	-635%	-1178%	-1355%	-1782%	-337%	-765%	-805%	-975%	-1084%	-331%	-635%	-687%
Total															
Revenue	70,697	85,966	117,929	116,609	28,645	31,999	34,146	39,419	134,209	33,675	36,574	38,217	43,589	152,056	169,830
Y/Y Growth	27%	22%	37%	-1%	3%	11%	23%	23%	15%	18%	14%	12%	11%	13%	12%
Total Costs & Expenses	46,711	53,295	71,176	87,664	21,418	22,607	20,398	23,629	88,052	22,327	23,407	24,115	25,805	95,654	106,823
Y/Y Growth	51%	14%	34%	23%	10%	10%	-7%	-8%	0%	4%	4%	18%	9%	9%	12%
Operating Income	23,986	32,671	46,753	28,945	7,227	9,392	13,748	15,789	46,156	11,348	13,167	14,102	17,785	56,402	63,007
Y/Y Growth	-4%	36%	43%	-38%	-15%	12%	143%	147%	59%	57%	40%	3%	13%	22%	12%
% Margin	33.9%	38.0%	39.6%	24.8%	25.2%	29.4%	40.3%	40.1%	34.4%	33.7%	36.0%	36.9%	40.8%	37.1%	37.1%

Source: J.P. Morgan estimates, Company data.

Figure 5: Meta Revenue Summary

\$ in millions, except per share data and where noted otherwise

	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Revenue per MAU (ARPU) Summary															
US & Canada	\$139.42	\$164.92	\$213.78	\$206.78	\$48.78	\$53.51	\$56.16	\$67.05	\$226.46	\$54.23	\$58.92	\$60.76	\$71.74	\$245.86	\$266.85
Europe	\$43.98	\$51.34	\$68.81	\$61.83	\$15.51	\$17.86	\$19.04	\$22.87	\$75.45	\$19.31	\$21.31	\$21.54	\$25.16	\$87.51	\$96.94
Asia	\$12.72	\$13.97	\$17.51	\$18.15	\$4.52	\$4.87	\$5.12	\$5.14	\$19.71	\$4.90	\$5.19	\$5.44	\$5.50	\$21.05	\$23.22
Rest of World	\$8.77	\$8.92	\$12.39	\$13.24	\$3.35	\$3.76	\$4.22	\$4.82	\$16.18	\$4.17	\$4.41	\$4.91	\$5.51	\$19.00	\$21.21
Total	\$29.35	\$32.47	\$41.31	\$39.70	\$9.63	\$10.63	\$11.23	\$12.89	\$44.50	\$10.94	\$11.80	\$12.25	\$13.88	\$48.91	\$53.32
Y/Y Growth															
US & Canada	24%	18%	30%	-3%	1%	6%	14%	14%	10%	11%	10%	8%	7%	9%	9%
Europe	20%	17%	34%	-10%	1%	14%	34%	32%	22%	24%	19%	13%	10%	16%	11%
Asia	18%	10%	25%	4%	1%	7%	16%	11%	9%	8%	6%	6%	7%	7%	10%
Rest of World	16%	2%	39%	7%	6%	12%	31%	37%	22%	25%	17%	16%	14%	17%	12%
Total	17%	11%	27%	-4%	1%	8%	19%	19%	12%	14%	11%	9%	8%	10%	9%
Q/Q Growth															
US & Canada					-17%	10%	5%	19%		-19%	9%	3%	18%		
Europe					-10%	15%	7%	20%		-16%	10%	1%	17%		
Asia					-2%	8%	5%	0%		-5%	6%	5%	1%		
Rest of World					-5%	12%	12%	14%		-13%	6%	11%	12%		
Total					-11%	10%	6%	15%		-15%	8%	4%	13%		
Family Avg. Revenue per Person (ARPP)															
Total	\$25.57	\$27.78	\$34.23	\$31.82	\$7.59	\$8.32	\$8.71	\$9.87	\$34.34	\$8.29	\$8.89	\$9.16	\$10.30	\$36.51	\$39.26
Y/Y Growth		9%	23%	-7%	-2%	5%	16%	14%	8%	9%	7%	5%	4%	6%	8%
Q/Q Growth					-12%	10%	5%	13%		-16%	7%	3%	12%		
Revenue Based on User Location															
US & Canada	34,158	41,724	55,582	54,591	13,048	14,422	15,190	18,182	60,842	14,739	16,053	16,600	19,649	67,041	73,492
Europe	17,042	20,871	29,105	25,785	6,345	7,323	7,777	9,341	30,786	7,926	8,802	8,931	10,460	36,119	40,646
Asia	12,626	15,621	21,684	23,499	5,960	6,515	6,928	7,001	26,404	6,738	7,180	7,586	7,716	29,219	33,128
Rest of World	6,871	7,750	11,558	12,734	3,292	3,739	4,251	4,895	16,177	4,272	4,540	5,100	5,765	19,677	22,565
Total	70,697	85,966	117,929	116,609	28,645	31,999	34,146	39,419	134,209	33,675	36,574	38,217	43,589	152,056	169,830
% of Total															
US & Canada	48%	49%	47%	47%	46%	45%	44%	46%	45%	44%	44%	43%	45%	44%	43%
Europe	24%	24%	25%	22%	22%	23%	23%	24%	23%	24%	24%	23%	24%	24%	24%
Asia	18%	18%	18%	20%	21%	20%	20%	18%	20%	20%	20%	20%	18%	19%	20%
Rest of World	10%	9%	10%	11%	11%	12%	12%	12%	12%	13%	12%	13%	13%	13%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Y/Y Growth															
US & Canada	26%	22%	33%	-2%	3%	9%	17%	16%	11%	13%	11%	9%	8%	10%	10%
Europe	23%	22%	39%	-11%	-2%	13%	34%	32%	19%	25%	20%	15%	12%	17%	13%
Asia	32%	24%	39%	8%	3%	10%	20%	16%	12%	13%	10%	10%	10%	11%	13%
Rest of World	27%	13%	49%	10%	10%	16%	37%	43%	27%	30%	21%	20%	18%	22%	15%
Total	27%	22%	37%	-1%	3%	11%	23%	23%	15%	18%	14%	12%	11%	13%	12%
Employees & Hiring															
Employees	44,942	58,604	71,970	86,482	77,114	71,469	66,185	67,024	67,024	68,053	69,504	71,480	73,726	73,726	77,726
Y/Y Growth	27%	30%	23%	20%	-1%	-14%	-24%	-23%	-23%	-12%	-3%	8%	10%	10%	5%
Abs. Change Y/Y	9,442	13,662	13,366	14,512	-691	-12,084	-21,129	-19,458	-19,458	-9,061	-1,965	5,295	6,702	6,702	4,000
Abs. Chang Q/Q					-9,368	-5,645	-5,284	839		1,030	1,450	1,976	2,246		
Revenue Per Employee	1,573,072	1,466,896	1,638,586	1,348,362	371,463	447,733	515,918	588,133	2,002,412	494,834	526,216	534,659	591,237	2,062,446	2,184,988
Y/Y Change	0%	-7%	12%	-18%	4%	30%	63%	58%	49%	33%	18%	4%	1%	3%	6%
Opex Per Employee	853,236	715,624	752,125	816,373	187,780	226,311	208,741	245,282	819,212	220,882	228,659	230,957	239,553	913,930	908,955
Y/Y Change	18%	-16%	5%	9%	4%	18%	8%	12%	0%	18%	1%	11%	-2%	12%	-1%
Q/Q Change					-14%	21%	-8%	18%		-10%	4%	1%	4%		
Total Expenses Per Employee	1,161,358	1,029,398	1,090,202	1,106,505	261,840	304,301	296,366	354,771	1,147,220	330,575	340,330	342,099	355,426	1,359,208	1,374,358
Y/Y Change	14%	-11%	6%	1%	1%	20%	15%	20%	4%	26%	12%	15%	0%	18%	1%
Q/Q Change					-12%	16%	-3%	20%		-7%	3%	1%	4%		
Total Expenses ex-DA & Restructuring Per	1,018,622	896,857	968,187	938,669	216,998	258,495	249,321	291,285	957,813	282,179	290,602	290,683	302,804	1,158,373	1,180,764
Y/Y Change	16%	-12%	8%	-3%	-6%	13%	9%	32%	2%	30%	12%	17%	4%	21%	2%
Q/Q Change					-2%	19%	-4%	17%		-3%	3%	0%	4%		

Source: J.P. Morgan estimates, Company data.

Figure 6: Meta Ads by Product

\$ in millions, except per share data and where noted otherwise

	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Total Advertising															
MAUs	2,498	2,797	2,912	2,963	2,989	3,030	3,049	3,068	3,068	3,090	3,110	3,130	3,150	3,150	3,220
Total Impressions in Period (millions)	24,164,449	32,463,775	35,724,680	42,055,816	12,747,320	14,236,452	11,308,231	16,055,969	54,347,972	15,360,520	16,371,920	12,325,972	17,179,887	61,238,299	66,749,746
Y/Y Growth	33%	34%	10%	18%	26%	34%	31%	27%	29%	21%	15%	9%	7%	13%	9%
Q/Q Growth					1%	12%	-21%	42%		-4%	7%	-25%	39%		
eCPM	\$2.88	\$2.59	\$3.22	\$2.70	\$2.20	\$2.21	\$2.98	\$2.37	\$2.41	\$2.14	\$2.19	\$3.04	\$2.44	\$2.42	\$2.48
Y/Y Growth	-5%	-10%	24%	-16%	-17%	-17%	-6%	-4%	-11%	-3%	-1%	2%	3%	0%	2%
Q/Q Growth					-11%	0%	34%	-20%		-10%	2%	39%	-20%		
Total Advertising Revenue	\$69,655	\$84,169	\$114,934	\$113,641	\$28,101	\$31,498	\$33,643	\$37,985	\$131,227	\$32,846	\$35,860	\$37,441	\$41,863	\$148,010	\$165,365
Y/Y Growth	27%	21%	37%	-1%	4%	12%	24%	22%	15%	17%	14%	11%	10%	13%	12%
ex-FX Y/Y Growth					7%	13%	21%	20%		19%	16%	13%	10%		
Seasonality					21%	24%	26%	29%		22%	24%	25%	28%		
Q/Q Growth					-10%	12%	7%	13%		-14%	9%	4%	12%		
Instagram Revenue	\$ 19,600	\$ 28,492	\$ 43,925	\$ 45,435	\$ 10,966	\$ 13,007	\$ 14,011	\$ 17,170	\$ 55,155	\$ 13,598	\$ 15,868	\$ 16,393	\$ 19,746	\$ 65,606	\$ 76,102
Y/Y Growth	110%	45%	54%	3%	7%	16%	32%	29%	21%	24%	22%	17%	15%	19%	16%
Q/Q Growth					-18%	19%	8%	23%		-21%	17%	3%	20%		
Seasonality					20%	24%	25%	31%		21%	24%	25%	30%		
% of Total Ad Revenue	28%	34%	38%	40%	39%	41%	42%	45%	42%	41%	44%	44%	47%	44%	46%
FB (ex-Instagram) Revenue	\$50,055	\$55,677	\$71,009	\$68,206	\$17,135	\$18,491	\$19,632	\$20,814	\$76,072	\$19,248	\$19,992	\$21,048	\$22,117	\$82,405	\$89,262
Y/Y Growth	10%	11%	28%	-4%	3%	9%	18%	16%	12%	12%	8%	7%	6%	8%	8%
Q/Q Growth					-5%	8%	6%	6%		-8%	4%	5%	5%		
Seasonality					23%	24%	26%	27%		23%	24%	26%	27%		
% of Total Ad Revenue	72%	66%	62%	60%	61%	59%	58%	55%	58%	59%	56%	56%	53%	56%	54%

Source: J.P. Morgan estimates, Company data.

Figure 7: Meta User Metrics by Region

\$ in millions, except per share data and where noted otherwise

	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Monthly Active Users (MAU)															
US & Canada	248	258	262	266	269	270	271	271	271	272	273	274	274	274	277
Europe	394	419	427	407	411	409	408	409	409	412	414	415	416	416	422
Asia	1,038	1,199	1,278	1,312	1,324	1,349	1,357	1,368	1,368	1,380	1,389	1,398	1,409	1,409	1,444
Rest of World	817	921	945	979	986	1,002	1,013	1,020	1,020	1,026	1,034	1,043	1,051	1,051	1,077
Total	2,498	2,797	2,912	2,963	2,989	3,030	3,049	3,068	3,068	3,090	3,110	3,130	3,150	3,150	3,220
Y/Y Growth															
US & Canada	2%	4%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Europe	3%	6%	2%	-5%	-2%	0%	0%	1%	0%	0%	1%	2%	2%	2%	1%
Asia	10%	16%	7%	3%	2%	3%	3%	4%	4%	4%	3%	3%	3%	3%	3%
Rest of World	9%	13%	3%	4%	3%	4%	4%	4%	4%	4%	3%	3%	3%	3%	3%
Total	8%	12%	4%	2%	2%	3%	3%	4%	4%	3%	3%	3%	3%	3%	2%
Country Mix															
US & Canada	10%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Europe	16%	15%	15%	14%	14%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Asia	42%	43%	44%	44%	44%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Rest of World	33%	33%	32%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Daily Active Users (DAU)															
US & Canada	190	195	195	199	200	202	203	203	203	204	204	204	205	205	206
Europe	294	308	309	304	307	307	307	308	308	309	309	311	311	311	315
Asia	641	744	806	854	873	891	899	910	910	919	927	935	944	944	971
Rest of World	532	598	619	643	657	665	676	683	683	691	696	702	707	707	725
Total	1,657	1,845	1,929	2,000	2,037	2,064	2,085	2,104	2,104	2,122	2,136	2,152	2,167	2,167	2,217
DAU as % of MAU															
US & Canada	76.6%	75.6%	74.4%	74.8%	74.3%	74.8%	74.9%	74.8%	74.8%	74.8%	74.7%	74.7%	74.7%	74.7%	74.6%
Europe	74.6%	73.5%	72.4%	74.7%	74.7%	75.1%	75.2%	75.3%	75.3%	75.0%	74.7%	74.8%	74.8%	74.8%	74.5%
Asia	61.8%	62.1%	63.1%	65.1%	65.9%	66.0%	66.2%	66.5%	66.5%	66.6%	66.7%	66.9%	67.0%	67.0%	67.3%
Rest of World	65.1%	64.9%	65.5%	65.7%	66.6%	66.4%	66.7%	67.0%	67.0%	67.3%	67.3%	67.3%	67.3%	67.3%	67.3%
Total	66.3%	66.0%	66.2%	67.5%	68.1%	68.1%	68.4%	68.6%	68.6%	68.7%	68.7%	68.8%	68.8%	68.8%	68.8%
Y/Y Growth															
US & Canada	2%	3%	0%	2%	2%	3%	3%	2%	2%	2%	1%	1%	1%	1%	1%
Europe	4%	5%	0%	-2%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Asia	11%	16%	8%	6%	6%	7%	6%	7%	7%	5%	4%	4%	4%	4%	3%
Rest of World	11%	12%	4%	4%	4%	5%	6%	6%	6%	5%	5%	4%	3%	3%	2%
Total	9%	11%	5%	4%	4%	5%	5%	5%	5%	4%	3%	3%	3%	3%	2%
Country Mix															
US & Canada	11%	11%	10%	10%	10%	10%	10%	10%	10%	10%	10%	9%	9%	9%	9%
Europe	18%	17%	16%	15%	15%	15%	15%	15%	15%	15%	14%	14%	14%	14%	14%
Asia	39%	40%	42%	43%	43%	43%	43%	43%	43%	43%	43%	43%	44%	44%	44%
Rest of World	32%	32%	32%	32%	32%	32%	32%	32%	32%	33%	33%	33%	33%	33%	33%
Family Users															
Family Daily Active People (DAP)	2,260	2,600	2,820	2,960	3,020	3,070	3,140	3,200	3,200	3,252	3,293	3,346	3,396	3,396	3,507
Abs Change	230	340	220	140	60	50	70	60	240	52	41	53	50	197	111
Y/Y Growth	11%	15%	8%	5%	5%	7%	7%	8%	8%	8%	7%	7%	6%	6%	3%
Q/Q Growth	--	--	--	--	2%	2%	2%	2%	--	2%	1%	2%	2%	--	--
Family Monthly Active People (MAP)	2,890	3,300	3,590	3,740	3,810	3,880	3,960	4,030	4,030	4,090	4,142	4,204	4,262	4,262	4,389
Abs Change	250	410	290	150	70	70	80	70	290	60	52	62	58	232	128
Y/Y Growth	9%	14%	9%	4%	5%	6%	7%	8%	8%	7%	7%	6%	6%	6%	3%
Q/Q Growth	--	--	--	--	2%	2%	2%	2%	--	1%	1%	1%	1%	--	--
DAP/MAP	78.2%	78.8%	78.6%	79.1%	79.3%	79.1%	79.3%	79.4%	79.4%	79.5%	79.5%	79.6%	79.7%	79.7%	79.9%

Source: J.P. Morgan estimates, Company data.

Investment Thesis, Valuation and Risks

Meta Platforms Inc (*Overweight; Price Target: \$420.00*)

Investment Thesis

We believe Meta's virtual ownership of the social graph, strong competitive moat, and focus on the user experience position it to become an enduring blue-chip company built for the long term. Meta is in rarefied air across the combination of scale, growth, and profitability, as the company's massive reach and engagement continue to drive network effects, and its targeting abilities provide significant value to advertisers. Meta is also focused on the two big tech waves of AI & Metaverse, and it will spend into those major growth opportunities while also remaining disciplined. We remain positive on META shares as: **1)** advertising should continue to outperform, with AI investments paying off & Reels turning revenue accretive; **2)** overall cost discipline should persist into 2024 even as investments pick up; & **3)** valuation remains compelling with shares trading at 14x our 2025E GAAP EPS.

Valuation

We are raising our December 2024 price target from \$400 to \$420, based on ~20x our 2025E GAAP EPS of \$20.74, which is supported by our DCF model. We apply a premium to the SPX, as we have greater confidence in Meta's strong topline growth and ongoing cost efficiencies. We use this valuation approach as we believe it appropriately balances Meta's valuation relative to its growth and industry peers. Our DCF results in an estimated value of \$426 per share and employs a 13% WACC, 10.5x terminal EBITDA multiple, and a 3% long-term growth rate.

Risks to Rating and Price Target

Downside risks include: 1) Slowing engagement, especially in younger demo and more mature markets; 2) the macro backdrop remains uncertain & volatile; 3) lack of improvement from Apple privacy changes would be disappointing; 4) Reels remains early stage; 5) competition for online and mobile ad dollars from Google, TikTok, and other online advertising companies; 6) most of EPS revisions have played out with cost cutting; 7) metaverse investments are difficult to get comfortable with & could become a distraction to mgmt; 8) share structure and Mark Zuckerberg's control; and 9) worse-than-expected impact from regulatory changes.

Meta Platforms Inc: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY21A	FY22A	FY23E	FY24E	FY25E		1Q23A	2Q23A	3Q23A	4Q23E	
Revenue	117,929	116,609	134,209	152,056	169,830	Revenue	28,645A	31,999A	34,146A	39,419	
COGS	(22,072)	(22,986)	(25,175)	(31,336)	(36,174)	COGS	(6,058)A	(5,794)A	(6,031)A	(7,292)	
Gross profit	95,857	93,623	109,033	120,719	133,656	Gross profit	22,587A	26,205A	28,115A	32,126	
SG&A	(22,392)	(23,817)	(20,768)	(22,774)	(24,371)	SG&A	(5,037)A	(6,229)A	(4,220)A	(5,282)	
Adj. EBITDA	64,087	54,471	76,597	83,516	94,792	Adj. EBITDA	14,067A	18,779A	20,532A	23,218	
D&A	(7,966)	(8,686)	(11,033)	(14,134)	(17,409)	D&A	(2,524)A	(2,623)A	(2,858)A	(3,028)	
Adj. EBIT	57,063	46,774	66,601	70,472	78,528	Adj. EBIT	11,778A	16,428A	17,949A	20,447	
Net Interest	0	(338)	(824)	(989)	(1,129)	Net Interest	(200)A	(200)A	(212)A	(212)	
Adj. PBT	57,593	46,648	66,642	69,483	77,399	Adj. PBT	11,858A	16,329A	18,221A	20,235	
Tax	(7,913)	(5,620)	(8,188)	(9,420)	(10,519)	Tax	(1,598)A	(1,505)A	(2,437)A	(2,648)	
Minority Interest	0	0	0	0	0	Minority Interest	0A	0A	0A	0	
Adj. Net Income	46,650	37,785	53,960	56,259	62,668	Adj. Net Income	9,605A	13,226A	14,759A	16,370	
Reported EPS	13.79	8.61	14.53	18.02	20.74	Reported EPS	2.20A	2.98A	4.39A	4.94	
Adj. EPS	16.34	14.02	20.62	22.04	25.31	Adj. EPS	3.70A	5.06A	5.59A	6.25	
DPS	-	-	-	-	-	DPS	-	-	-	-	
Payout ratio	-	-	-	-	-	Payout ratio	-	-	-	-	
Shares outstanding	2,854	2,696	2,617	2,552	2,476	Shares outstanding	2,596A	2,612A	2,641A	2,617	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY21A	FY22A	FY23E	FY24E	FY25E		FY21A	FY22A	FY23E	FY24E	FY25E
Cash and cash equivalents	16,601	14,681	49,673	91,867	131,713	Gross margin	81.3%	80.3%	81.2%	79.4%	78.7%
Accounts receivable	14,039	13,466	13,994	13,077	12,737	EBITDA margin	54.3%	46.7%	57.1%	54.9%	55.8%
Inventories	-	-	-	-	-	EBIT margin	48.4%	40.1%	49.6%	46.3%	46.2%
Other current assets	36,026	31,402	27,662	26,979	26,780	Net profit margin	39.6%	32.4%	40.2%	37.0%	36.9%
Current assets	66,666	59,549	91,329	131,923	171,231	ROE	36.9%	30.2%	38.2%	31.0%	26.9%
PP&E	57,809	79,518	96,134	116,059	135,783	ROA	28.7%	21.5%	25.7%	21.3%	19.4%
LT investments	-	-	-	-	-	ROCE	36.5%	29.1%	34.7%	28.1%	24.7%
Other non current assets	41,512	46,660	46,124	46,124	46,124	SG&A/Sales	19.0%	20.4%	15.5%	15.0%	14.4%
Total assets	165,987	185,727	233,588	294,106	353,138	Net debt/equity	NM	NM	NM	NM	NM
Short term borrowings	-	0	0	4,250	0	P/E (x)	18.3	21.4	14.5	13.6	11.8
Payables	4,083	4,990	5,223	5,667	5,944	P/BV (x)	6.8	6.4	5.0	3.7	2.8
Other short term liabilities	17,052	22,036	28,462	33,901	37,464	EV/EBITDA (x)	13.1	14.7	9.8	8.3	6.7
Current liabilities	21,135	27,026	33,685	43,818	43,408	Dividend Yield	-	-	-	-	-
Long-term debt	0	9,923	18,383	20,133	24,383	Sales/Assets (x)	0.7	0.7	0.6	0.6	0.5
Other long term liabilities	19,973	23,065	24,487	24,487	24,487	Interest cover (x)	-	161.2	93.0	84.5	84.0
Total liabilities	41,108	60,014	76,555	88,438	92,278	Operating leverage	112.1%	1610.9%	280.9%	43.7%	97.8%
Shareholders' equity	124,879	125,713	157,033	205,668	260,860	Revenue y/y Growth	37.2%	(1.1%)	15.1%	13.3%	11.7%
Minority interests	-	-	-	-	-	EBITDA y/y Growth	38.6%	(15.0%)	40.6%	9.0%	13.5%
Total liabilities & equity	165,987	185,727	233,588	294,106	353,138	Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%
BVPS	43.75	46.64	60.02	80.58	105.36	Adj. Net Income y/y Growth	41.2%	(19.0%)	42.8%	4.3%	11.4%
y/y Growth	(1.7%)	6.6%	28.7%	34.3%	30.8%	EPS y/y Growth	42.6%	(14.2%)	47.1%	6.9%	14.8%
Net debt/(cash)	(47,998)	(30,815)	(55,523)	(91,717)	(131,563)	DPS y/y Growth	-	-	-	-	-
Cash flow from operating activities	57,683	50,475	73,806	80,273	87,157						
o/w Depreciation & amortization	7,966	8,686	11,033	14,134	17,409						
o/w Changes in working capital	701	5,682	8,093	7,483	4,378						
Cash flow from investing activities	(7,570)	(28,970)	(24,789)	(31,197)	(34,273)						
o/w Capital expenditure	(18,567)	(31,431)	(27,879)	(34,287)	(37,363)						
as % of sales	15.7%	27.0%	20.8%	22.5%	22.0%						
Cash flow from financing activities	(50,728)	(22,135)	(13,788)	(7,751)	(13,038)						
o/w Dividends paid	-	-	-	-	-						
o/w Net debt issued/(repaid)	0	9,921	8,455	6,000	0						
Net change in cash	(1,089)	(1,269)	34,946	41,325	39,846						
Adj. Free cash flow to firm	39,116	19,318	46,594	46,786	50,708						
y/y Growth	65.5%	(50.6%)	141.2%	0.4%	8.4%						

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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Meta Platforms Inc (META, META US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jun 27, 2012. All share prices are as of market close on the previous business day.

Date	Rating	Price (\$)	Price Target (\$)
28-Oct-20	OW	283.29	315
30-Oct-20	OW	280.83	330
28-Jan-21	OW	272.14	360
29-Apr-21	OW	307.10	390
29-Jul-21	OW	373.28	450
26-Oct-21	OW	328.69	390
18-Jan-22	OW	331.90	385
03-Feb-22	N	323.00	284
28-Apr-22	N	174.95	275
29-Jun-22	N	160.68	225
28-Jul-22	N	169.58	200
21-Oct-22	N	131.53	180
27-Oct-22	N	129.82	115
16-Dec-22	OW	116.15	150
02-Feb-23	OW	153.12	225
24-Mar-23	OW	204.28	270
27-Apr-23	OW	209.40	305
27-Jul-23	OW	298.57	425
04-Oct-23	OW	300.94	400

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IB clients**	47%	45%	33%
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