

Meta Platforms, Inc. (NASDAQ: META)

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Zuckerberg's Empire



Meta earns the majority of its revenue from its Family of Apps. The sheer quantity of daily users provides a distinct competitive advantage; however, market saturation is the catalyst of Meta's shift towards the Metaverse

General Description

- Two sectors of Meta: Family of Apps and Reality Labs
- Family of Apps: Facebook, Instagram, WhatsApp, Messenger
- 98% of their revenue comes from targeted digital advertising and their Family of Apps

Social Media Platforms



- Meta doesn't provide specific data, but FB provides around 60%-70% of revenue
- Targeted ads on feed provide bulk of revenue, however self-serve still significant

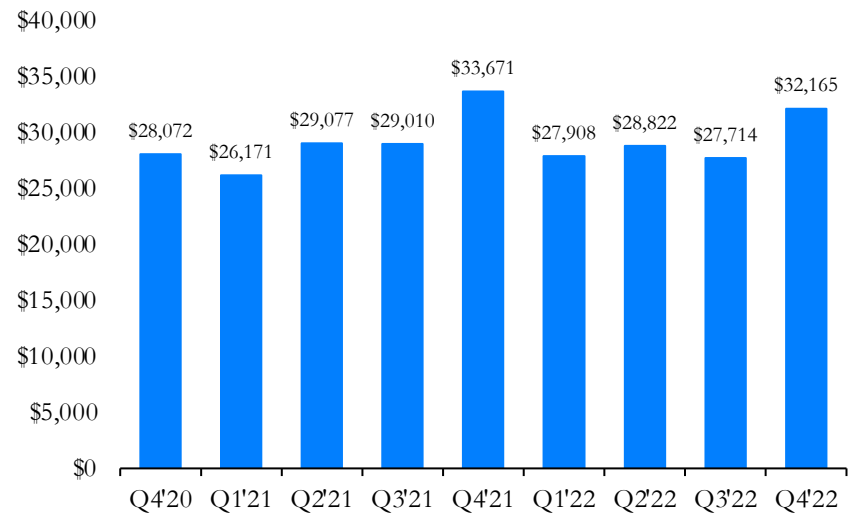


- Instagram ads represent roughly 30%-40% of advertising revenue
- 2/3 of Instagram revenue comes from Instagram Feed advertisements, with the remained coming from Instagram Stories

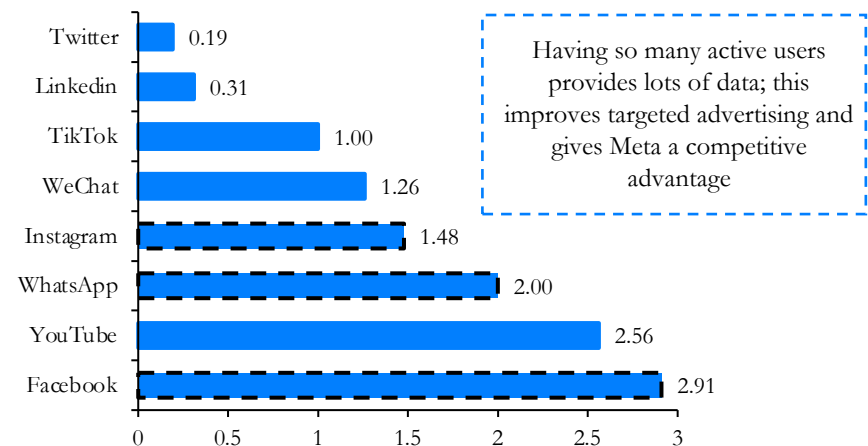


- WhatsApp is monetized through WhatsApp Business and WhatsApp pay – provides little overall revenue
- Currently trying to monetize WhatsApp

Total Revenue (in millions)



Daily Active People Comparison (in billions)

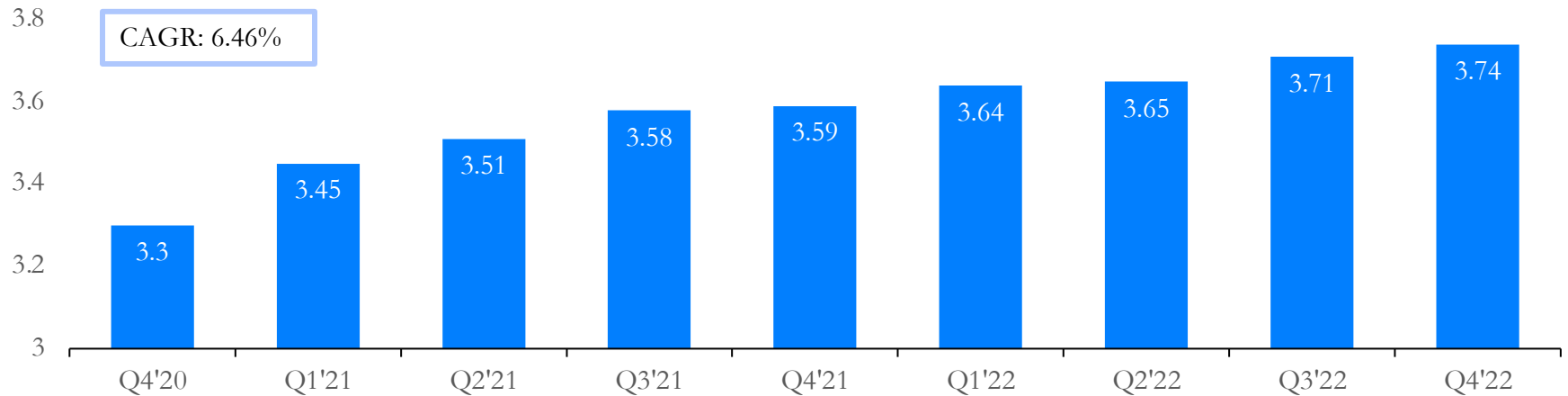


User Engagement Growth

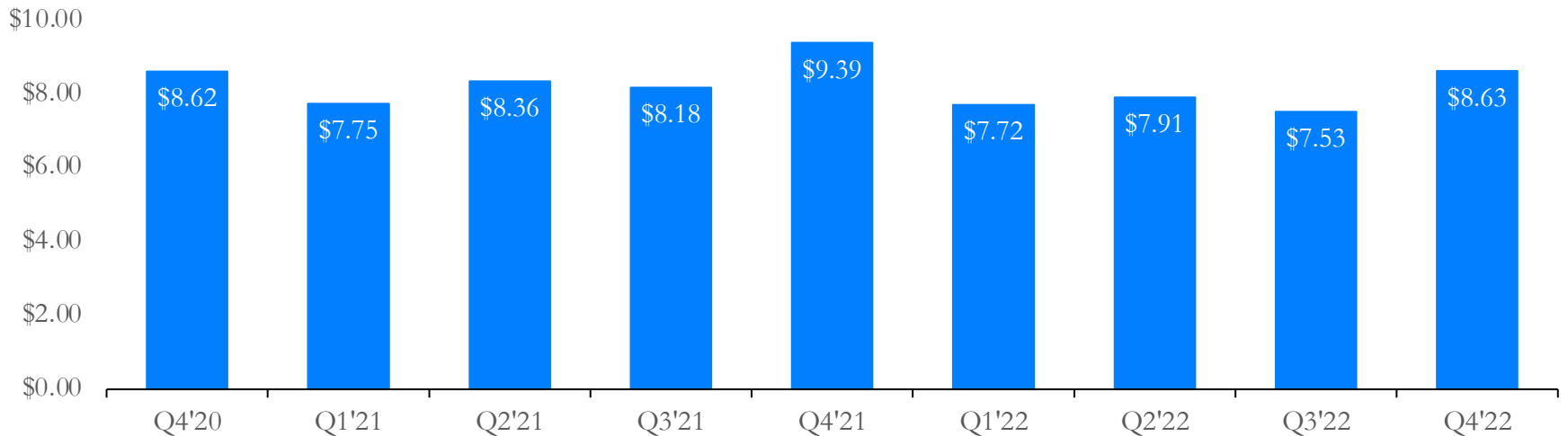


MAU is still growing, although the growth is slowing which is why Facebook pivoted to Metaverse. ARPU has fluctuated but is positioned to begin to grow in the near future

Monthly Active People (in billions)



Average Revenue per Person





- 1 Meta is well positioned to surge due to new monetization and cost-cutting opportunities
- 2 Although no longer the growth superpower of years prior, Meta still holds a distinct competitive advantage in social media and advertising
- 3 Meta's investments in the Metaverse are Meta's key to prolonged growth and establishing a monopoly in the VR and AR markets
- 4 Negative sentiment (bad news, controversies, skepticism, etc.) is priced-in to the stock

BUY

Price Target: \$224.68

Upside: 24%

Margin Expansion

Cost-Cutting



Overly-aggressive R&D costs have played a significant role in the Meta stock drop; Meta is planning on cutting R&D costs within 1-2 years which will inevitably have the opposite effect

Expenses (\$mm)	2021	2022
COGS	22,649	25,249
R&D	24,655	35,338
Marketing and Sales	14,043	15,262
General and Administrative	9,829	11,816

- High R&D (43% increase) played a large role in stock drop off
- Since Meta fired 11,000 employees and promising to cut other costs, the stock has risen 83%
- Investors clearly want cost-cutting

1 Costs increased due to Reality Labs technological investments and payroll

Mark Zuckerberg: “We expect Reality Labs **expenses will increase meaningfully again in 2023**, with the biggest drivers of that being the **launch of the next generation of our consumer Quest headset** and hiring that has been done in 2022, but for which we are going to be paying the first full year of salaries next year.”



- CFO Dave Wehner clarified that most of the increase in Quest expenses was COGS due to higher projected Quest sales.
- Wehner also said **Meta will begin moderating growth and spending in 2024**

2 Cost increases related to investment in Reels AI and monetization

TikTok increasing in popularity



Meta is investing in improving its "AI discovery engine" to recommend more content across the Meta network and increase Reels' monetization rate

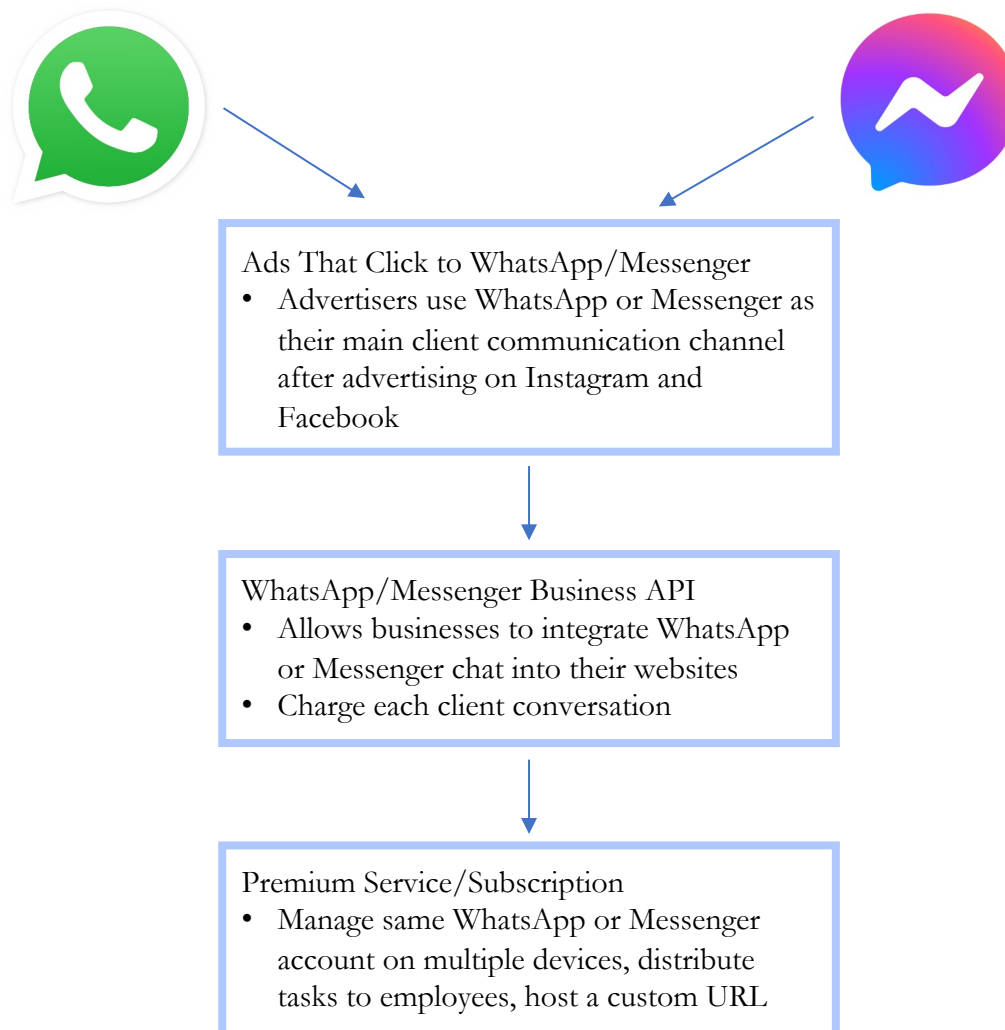


This cost (which exceeded the increases due to RL) **is temporary** and will eventually be cut

WhatsApp and Messenger Monetization



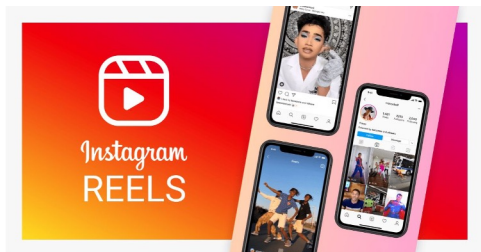
WhatsApp and Messenger are gold mine opportunities for Meta to drive significant revenue growth through monetization and user growth in business and personal interactions



Average Revenue per User Headwinds



Not being able to monetize Reels and Apple Tracking Transparency have lowered ARPP, a significant driver of share price, but plans are in place to solve this going forward

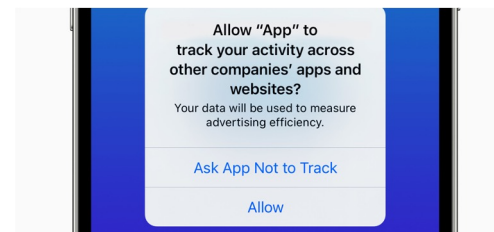


Issue: Closing the monetization gap between Reels and Feed/Stories

Magnitude: \$500 million quarterly revenue headwind
ARPP was \$7.53 in the third quarter of 2022, down ~8% year over year

Future: Reels at 140 billion plays each day, which is up 50% from 6 months ago

Meta is focused on closing the monetization gap between Reels and Instagram Feed and Stories to make Reels a revenue tailwind



Issue: Apple Tracking Transparency makes data collection and, thus, ad targeting more difficult

Magnitude: \$10B revenue headwind

Future: Trying to do more with less data which causes underreporting of iOS web conversions – down from 15% to 8%

Investing in AI/machine learning to overcome signal loss

Meta's Moat

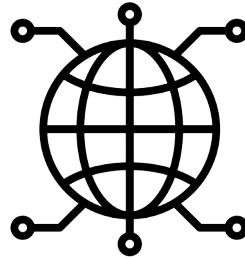
Meta's Secret Sauce



The "Network Effect" is what attracts and retains users to Meta's social media platforms to increase the value of Meta's products and services

The Network Effect

Meta is the king of user engagement



Meta Family of Apps' DAU : MAU = 67%

- Meta owns the most effective online advertising platform globally

Each new user increases the value of social network to Meta

Each new person who joins increases overall network value to you

Users return to Meta's social media properties to interact

Meta gathers data on users to target ads

Benefits from the Network Effect

- Vast network feeds into Meta's AI and valuable data
- Network Effect and AI for ads support future revenue and FCF growth for Meta in upcoming bull market

Meta's AI helps it counteract iOS privacy changes by relying less on 3rd party data by achieving more with less data

Advertising: The Meat and Potatoes



Advertising accounts for 97% of Meta's revenues, with Facebook and Instagram being the dominant advertising platforms

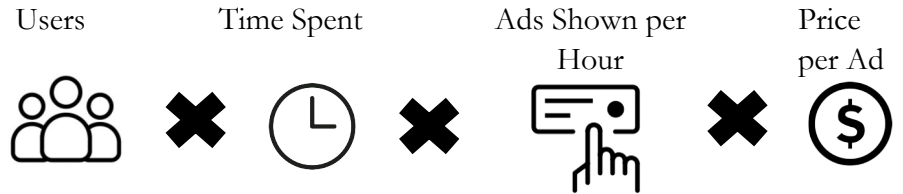
Ad Targeting Abilities

World's most popular social media platforms

Ad targeting

Location Age Gender Interests Education Workplace
Religion Relationship Status Political Affiliation Posts

Core Revenue Drivers



Ad supply is manipulated by Meta to maximize revenue

Ad Type Drives Demand



Targeted model: great for brand and product awareness



Search and display model: great for reaching users with high and specific purchase intent

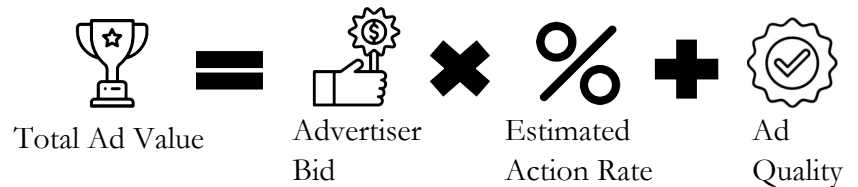


Primarily video model: great for brand awareness or product explanation



Short-form video ads: great for brand and product awareness

Price Per Ad: Auction System



Advertisers choose target audience



Meta identifies where to target ads based on advertiser goals



Meta deploys ad campaign for highest bidder

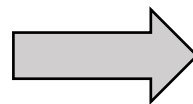
Advertising Competitive Advantage



Meta's long-term competitive advantage is utilizing its advanced AI to overcome signal loss

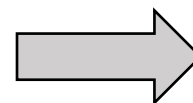
Signal Loss and its Consequences

Signal loss: losing advertising targeting abilities



Meta costs increase as ability to target users and measure ad performance decreases

Apple's and Google's browsers, other browser makers (Firefox), and regulators (EU) cause signal loss



Decrease in demand for ads so Meta must adjust ad strategy

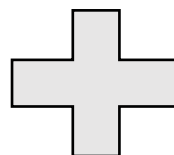
Meta responds to increased costs from signal loss using AI and Secure Multiparty Computation (MPC)

Meta's Counterattack

AI

AI is the key behind Meta's ad targeting

- Purpose of AI is to know which ads to show to which people
- First, advertisers choose which target audience they want to advertise to
- Then, AI selects ads with the highest estimated action rate and ad quality tailored to the specific audience chosen



MPC

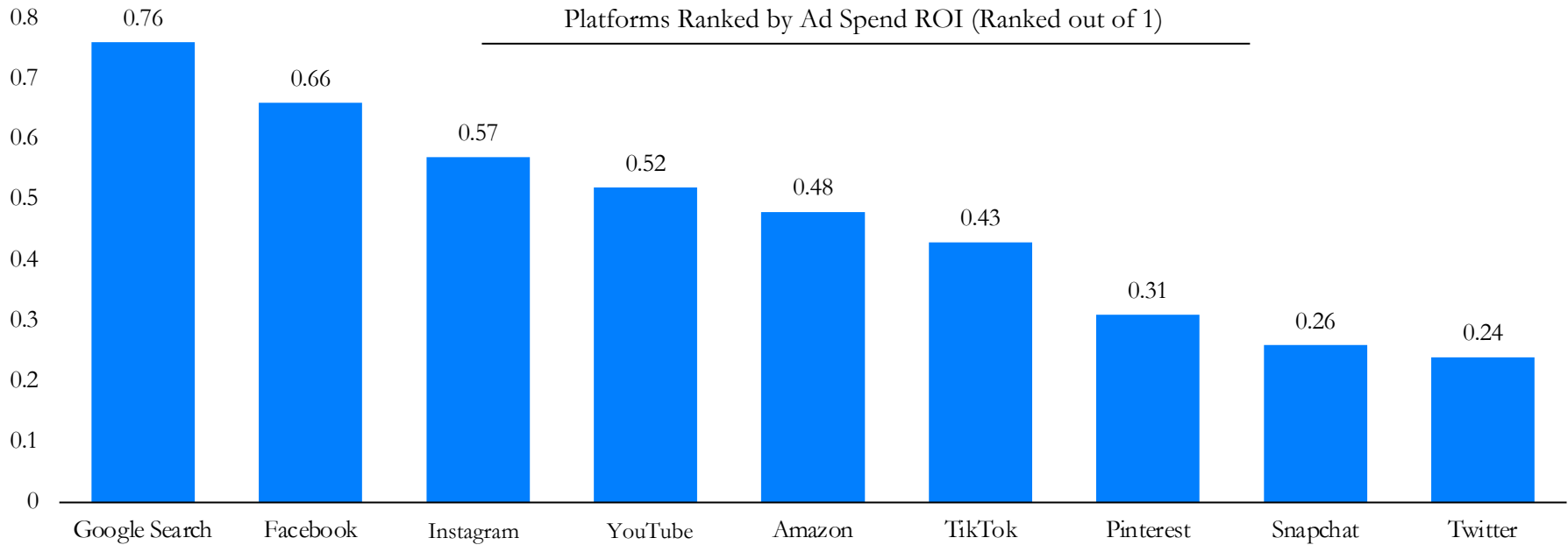
MPC gives Meta same ability to measure ad conversions

- Measures which ad "impressions" convert to purchases, on average, without knowing which individuals converted the ad
- Advertisers and merchants compare their data to make advertising decisions

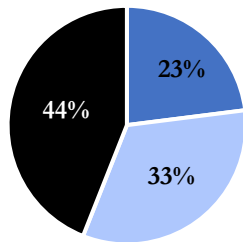
Meta Positioned Well Relative to Competitors



Meta is positioned well in the digital advertising business due to high allocation of ad spend, high ROI for advertisers, and favorable improvements to overall ad spend

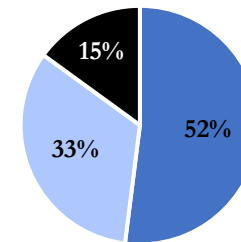


Short Video Ad Market Share in 2023



■ Youtube Shorts ■ Instagram Reels ■ Tiktok

Respondents Expected 2023 Ad Spend Change vs. 2022



■ Expect to Increase ■ Expect to dedine ■ Expect no change

TikTok is a Diminishing Threat



TikTok's effect on Meta is slowly dissipating. The increase of ban accusations on TikTok by the US government does not help their core advertising business.



Fear

- Meta and Alphabet combined share of digital ad market fell below 50% last year for the first time since 2014
- Attributable to TikTok's growing ad share and popularity among younger demographics

Situation

- Currently banned by about half of US States and Congress from government devices
- Washington has speculated about possible bans on TikTok over privacy concerns
- TikTok still only represents 2% of US digital ad spending
- 25 universities that have banned Tik Tok

Future

- TikTok's future in the US and EU, the world's primary digital advertising markets, is uncertain
- Regulation and scrutiny will likely increase and suppress Tik Tok's growth, leaving Meta and Alphabet to compete amongst themselves for the digital ad market

Google is a Diminishing Threat



On January 25, 2023, Google was sued by the Department of Justice for building an alleged digital ad monopoly



Situation

- Justice Department sues Google for monopolizing digital advertising technologies
- Google criticized for serial acquisitions and anticompetitive auction manipulation and for subverting competition

Problem

- Lawsuit comes 6 months after DOJ rejected Google's offer to split off parts of its ad-tech business
- Google's overreach in the digital advertising space extends to 2008 when it acquired DoubleClick

Future

- DOJ is looking to have Google split-up its digital ad ecosystem businesses, which give tools to publishers to sell ad space, tools for advertisers to buy ad space, and system that links bidders and sellers
- Expected to cause more than a 12% revenue hit, roughly \$32B

Metaverse Option Play

Uncertainty of Future of Metaverse



Reality Labs has the potential to be a successful investment

RL Success

- If Reality Labs is going to be successful, will likely take around 10 years
- According to McKinsey, Metaverse could be a \$5 trillion dollar opportunity
- Currently \$200 billion dollar market, Meta has \$2.16 billion in revenue

	\$1 Tn Market	\$2.5 Tn Market	\$5 Tn Market
1% Market Share	\$10 Bn	\$25 Bn	\$50 Bn
2% Market Share	\$20 Bn	\$50 Bn	\$100 Bn
5% Market Share	\$50 Bn	\$100 Bn	\$250 Bn

Sources: Meta, 10-K, Equity Research, Bloomberg

RL Failure

Meta spent \$15 Bn in 2022 on RL; Planning on investing same amount in 2023



According to CFO, spending will be optimized in 2024



Timeline on cutting all costs unknown, but no default risk, limiting downside no matter what

Downside Priced-In

Main Causes of Stock Price Drop



Apple data privacy changes, high investment in Reality Labs, and macroeconomic headwinds caused financial underperformance and Meta stock to drop 61% over the last year

1. Apple Data Privacy Changes

- Apple Tracking Transparency (ATT) which allows users to decide whether they want to be tracked across the web
- Estimated 62% of iOS users chose to opt out

2. High Metaverse Expenditures and Lack of Results

- Meta has spent \$36 billion on Metaverse so far
- 2022 had over \$13 billion in losses and only \$2.16 billion in revenue (~5% decrease from 2021)

3. Macroeconomic Factors

- Lots of systematic risk due to tech's recent fall off: rising interest rates and investor fear have brought valuations back down to Earth

4. Financial Underperformance

- Average Revenue Per Person down to \$8.63 from peak of \$11.57 in December 2021
- EPS down to \$8.63 from \$13.99 at peak in 2021 as a result of highly compressed margins

Meta Stock Recovery Plan

1. Invest in AI to reduce signal loss from privacy changes
2. Evaluate Metaverse investment ROI and optimize costs
3. Increase advertising revenue from improved macroeconomic environment
4. Expand Margins through new monetization opportunities and cost cutting



- 1 Meta is well positioned to surge due to new monetization and cost-cutting opportunities
- 2 Although no longer the growth superpower of years prior, Meta still holds a distinct competitive advantage in social media and advertising
- 3 Meta's investments in the Metaverse are Meta's key to prolonged growth and establishing a monopoly in the VR and AR markets
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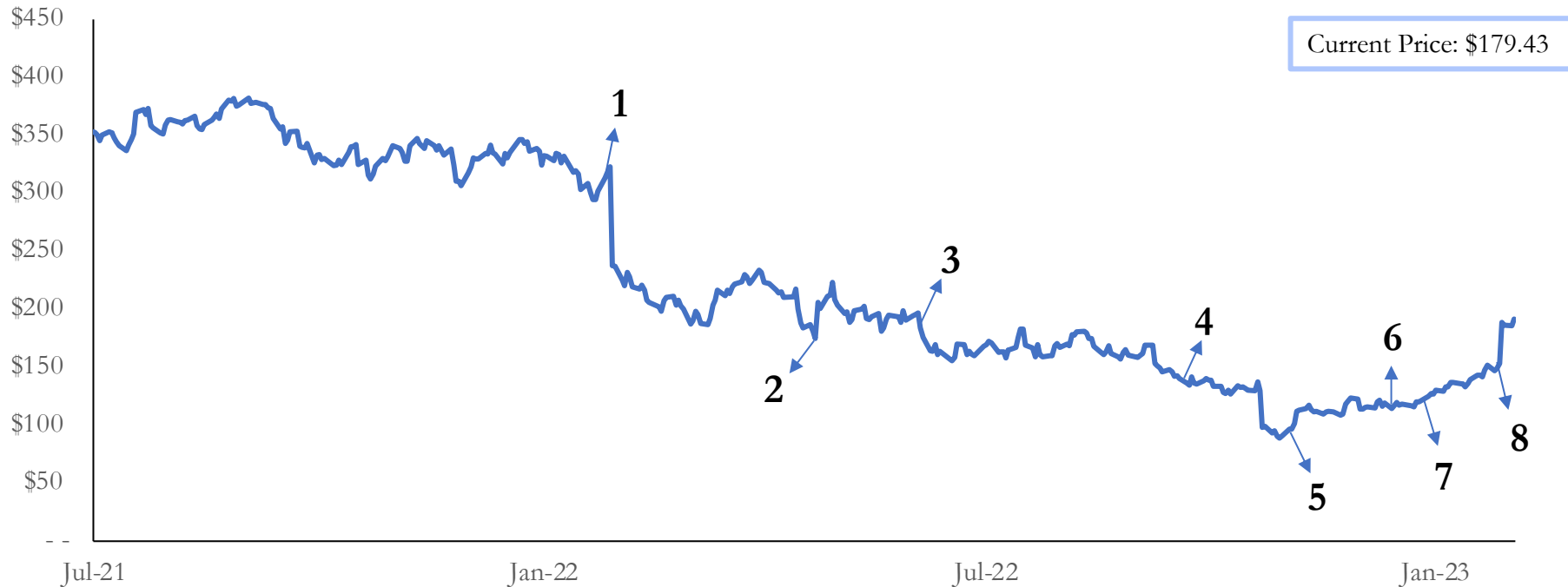
Upside: 24%

Appendix

Annotated Stock Chart



Meta share price movements are largely driven by daily active user (DAU) and average revenue per user (ARPU) metrics, whereas data privacy issues and fines are priced-in and minimally affect share price



1 Q4 2021 and Full Year Earnings Released
• DAUs slightly down in Q4, marking first quarterly decline in DAUs ever

2 Q1 2022 Earnings Released
• DAUs and ARPU beat expectations

3 Meta Changes Ticker from FB to META

4 Apple Users File Class Action Lawsuit Against Meta for Data Privacy Issues

5 Meta Announces Layoffs of 13% of Staff (11,000 Employees)

6 Meta Fined \$725M for Cambridge Analytica Scandal

7 Meta Fined \$414M for EU Privacy Law Violations

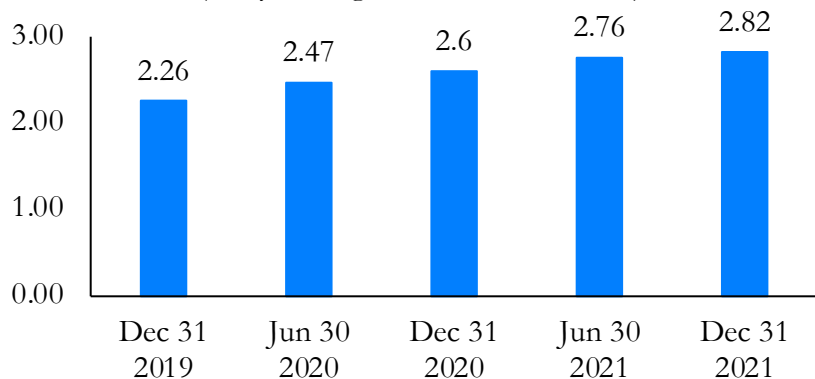
8 Q4 2022 and Full Year Earnings Released
• Shares soar 20% on 4th-quarter revenue beat

Family of Apps Metrics

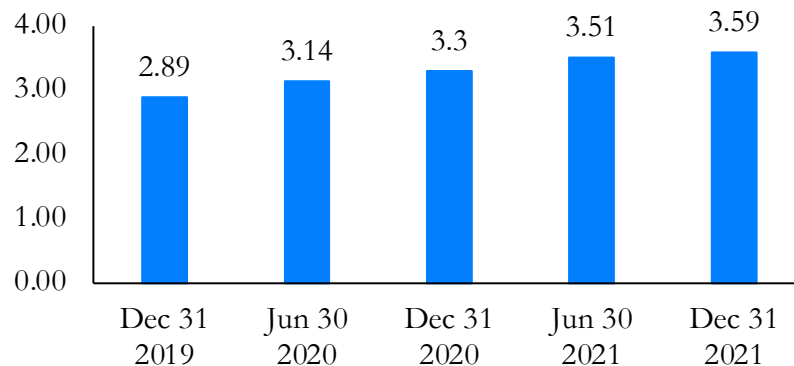


Meta is still experiencing user and revenue growth despite social media and advertising market saturation

Daily Active People Worldwide (in Billions)
(Daily Average Over Month Ended)



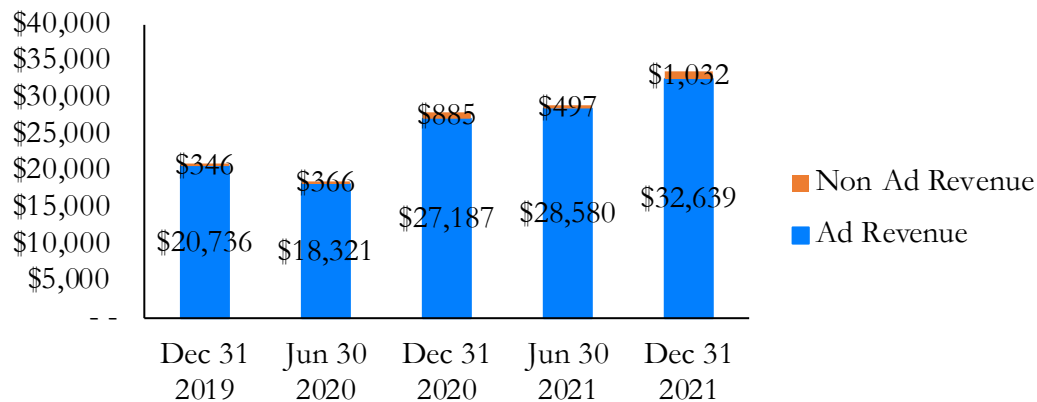
Monthly Active People Worldwide (in Billions)



DAP: registered and logged-in user who visited at least one Family of Apps product on a given day

MAP: registered and logged-in user who visited at least one Family of Apps product in the last 30 days

Revenue Worldwide
(in \$ millions, except ARPU)



ARPU: \$41.41 \$36.49 \$53.56 \$53.01 \$60.57

Sources: 10-K

Historical EV/EBITDA



Since the beginning of 2022, Meta's EV/EBITDA ratio has been trading under its 3 year average of ~18x. However, as of recently, it seems the ratio is spiking back towards the average

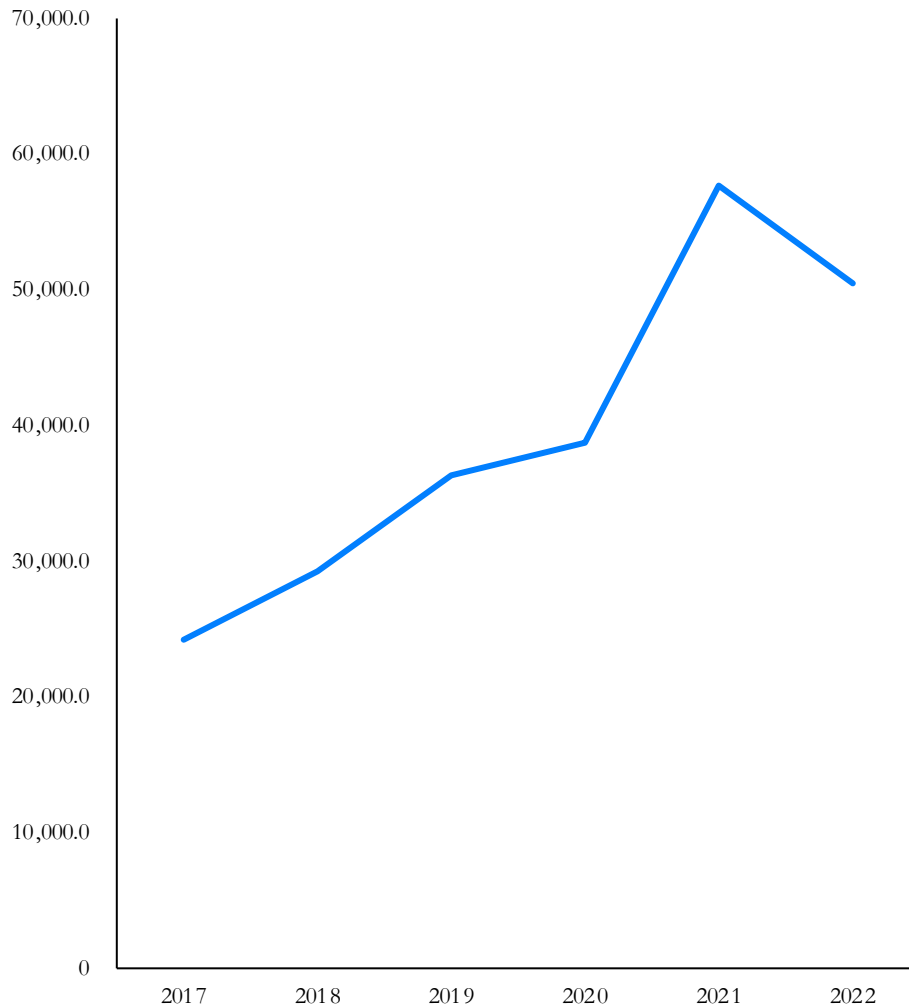


Meta Operating Cash Flows



Meta's core business is still bringing in an immense amount of cash, which is positioned to only continue to grow. The operating cash flow relative to share price also hints that Meta likely continues to be undervalued

Operating Cash Flows (\$mm)



2017

Peak Share Price: \$180

Operating Cash Flows:
\$24,216

2022

Current Share Price: \$186

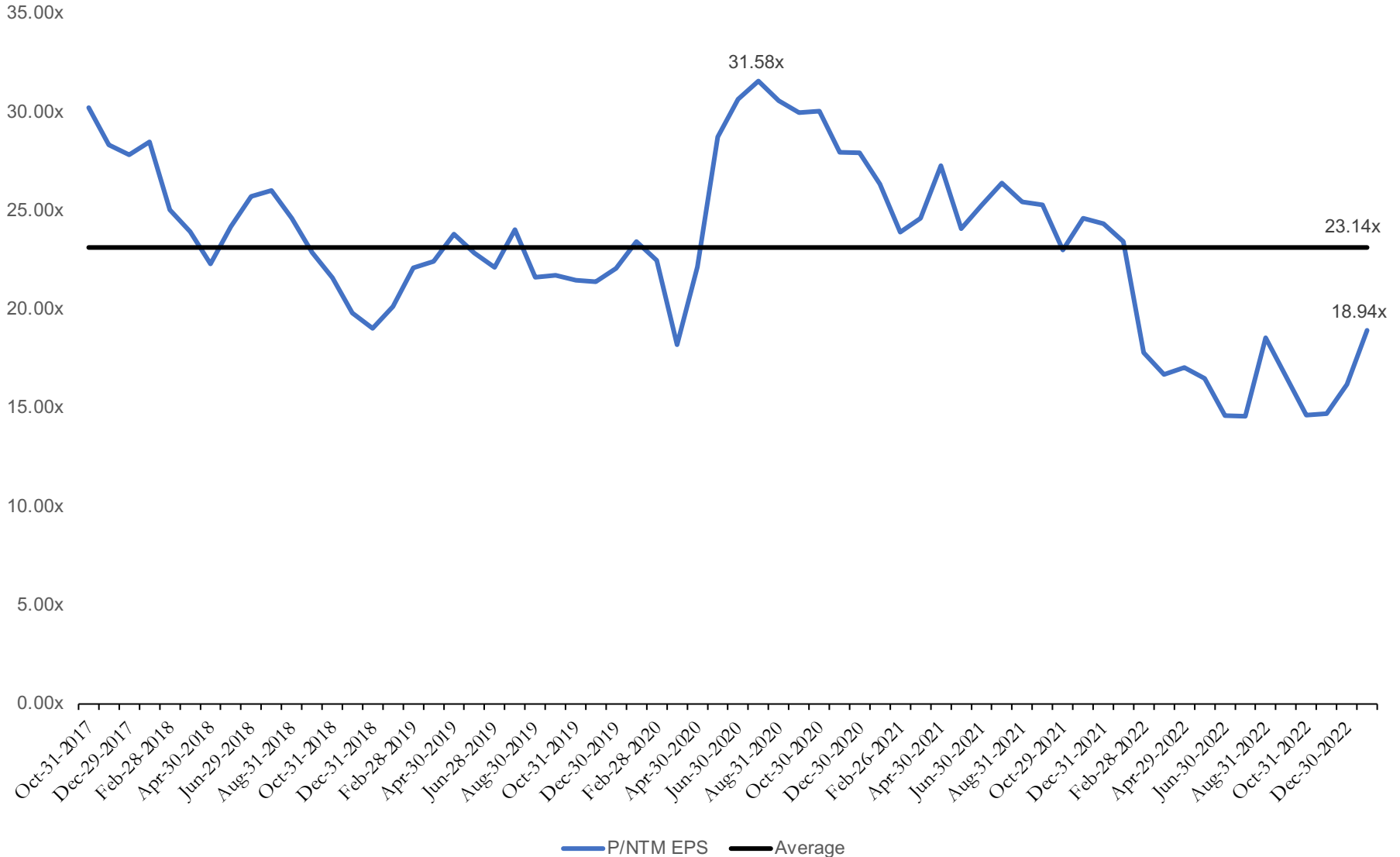
Operating Cash Flows:
\$50,474

- Despite numerous aforementioned problems, Meta continues to bring an immense amount of cash from core operations.
- Capex and R&D is hitting the bottom-line and masking the fact that Meta continues to improve its operational efficiency
- As Meta continues to cut costs and improve ARPU, bottom line will begin to reflect cash improvements

Historical P/E vs Current P/E



Meta P/E ratio shows that Meta is still being valued at less than its 5-year average, which means that Meta might still have room for further multiple expansion and higher valuations going forward



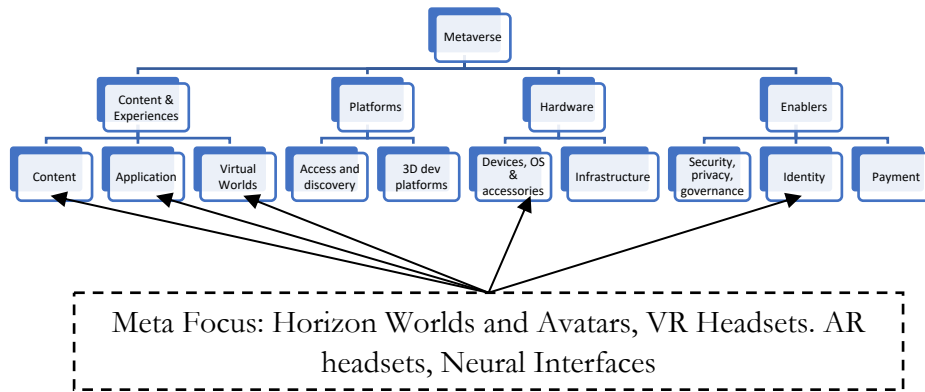
What is the Metaverse



The Metaverse is vague and undefined but nonetheless certain to be a transformative iteration of the internet with tremendous consumer and corporate use potential and market value

What is the Metaverse

- Largely undefined, but viewed as next iteration of the internet that we are immersed in rather than just view



Metaverse Uses

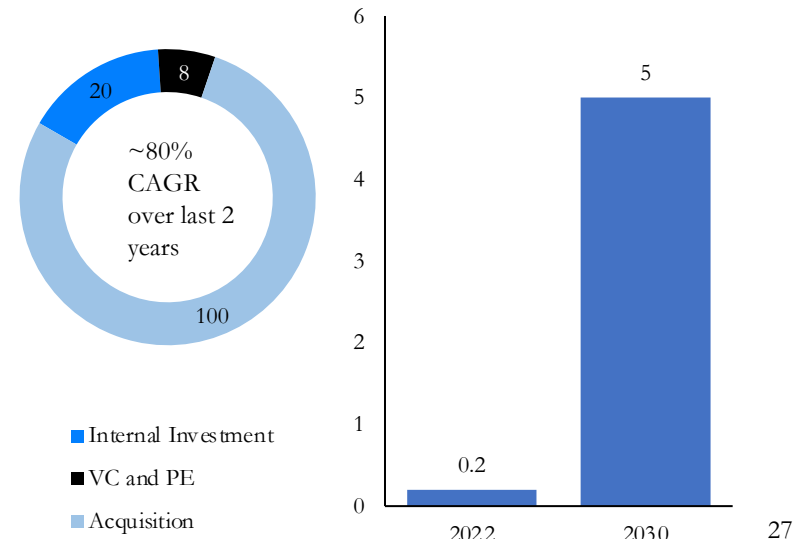
Consumer	Enterprise
<ul style="list-style-type: none"> Virtual assets Gaming VR/AR hardware E-commerce Live entertainment Education Health and fitness Ads Digital Media 	<ul style="list-style-type: none"> Banking Manufacturing Education Healthcare Retain Media Telecommunications Professional Services High-Tech
	<ul style="list-style-type: none"> Marketing Employee Dev Meeting Events Product Design Recruitment Payment

Sources: Meta, 10-K, Wired

Consumer Adoption

- 59%** of consumers are excited about transitioning their everyday activities to the metaverse
- 57%** of metaverse-aware companies say they are adopters
- 95%** of business leaders expect the Metaverse to positively impact their business in 5-10 years

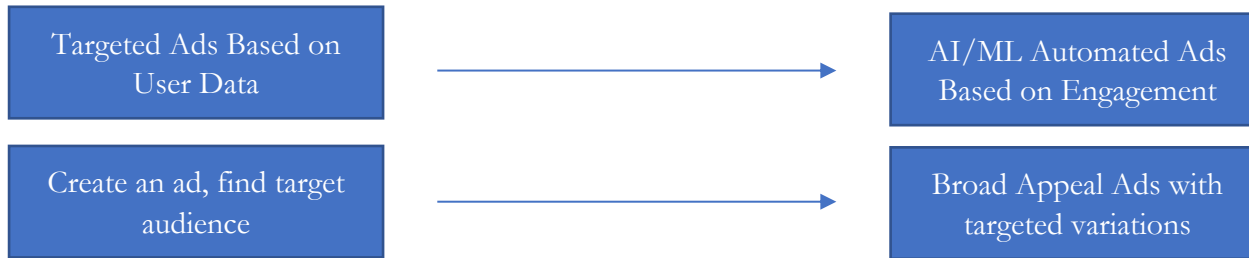
2022 Investment (\$Bn) and Potential Returns (\$Tn)



Meta Advantage+



Meta Advantage+ simplifies the ad creation process by taking care of the audience targeting and ad creative elements for advertisers by allowing ad placements to be seen on all of Meta's Family of Apps



Advantage+ Portfolio of AI Tools

- Creative** Different variations of an ad are deployed based on viewer preferences and engagement
- App Campaigns** Simpler ad creation process: one ad set with fewer inputs that can be used to bulk create ads
- Shopping Campaigns** Instead of manually creating 150 ads, a single ad set can be automatically turned into 150 variations and then distributed based on audience targeted inputs.
- Placements** Custom audience is created and finds a lookalike audience. If ads are being received better by another audience, targeting system will automatically expand

- 12% lower cost per purchase conversion – important because Meta targeted SMB who are price sensitive both intrinsically but particularly due to recession
- RBC Capital Markets: “Estimated to bridge over half of the impact generated by Apple signal loss
- Close to half Advantage+ users see ad performance improvements and half of those attribute it directly to Advantage+



Meta Platforms Discounted Cash Flow Analysis								
(\$ in millions)								
Active Case:	Base Case					As of	2/13/2023	
	Projected						Year end	12/31/2023
Fiscal Year Ended	2023E	2024E	2025E	2026E	2027E	2028E		
	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028		
Total Revenue	\$ 116,086	\$ 133,532	\$ 148,334	\$ 161,695	\$ 172,418	\$ 181,093		
% Growth	0%	15%	11%	9%	7%	5%		
EBITDA	\$ 44,119	\$ 55,569	\$ 66,135	\$ 74,760	\$ 80,752	\$ 84,073		
% Margin	38%	42%	45%	46%	47%	46%		
EBIT	\$ 27,623	\$ 31,774	\$ 35,296	\$ 38,476	\$ 41,027	\$ 43,091		
% Margin	24%	24%	24%	24%	24%	24%		
(-) Tax Expense	\$ (5,215)	\$ (5,999)	\$ (6,664)	\$ (7,264)	\$ (7,746)	\$ (8,136)		
% Effective Tax Rate	23%	23%	23%	23%	23%	23%		
NOPAT	\$ 22,408	\$ 25,775	\$ 28,632	\$ 31,211	\$ 33,281	\$ 34,956		
(+) Depreciation and Amortization, net	\$ 16,496	\$ 23,795	\$ 30,839	\$ 36,284	\$ 39,725	\$ 40,981		
(+) (Increase)/Decrease in NWC	\$ (2,392.15)	\$ 637.21	\$ 1,811.60	\$ 2,230.49	\$ 752.08	\$ 1,236.69		
(-) Capital Expenditure	\$ (33,664.93)	\$ (44,065.51)	\$ (48,950.13)	\$ (53,359.34)	\$ (55,173.69)	\$ (56,138.80)		
Unlevered Free Cash Flow	\$ 2,846	\$ 6,142	\$ 12,332	\$ 16,367	\$ 18,584	\$ 21,035		
% Growth	N/A	115.8%	100.8%	32.7%	13.6%	13.2%		
WACC	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%		
Present Value of FCF	\$ 2,619	\$ 5,142	\$ 9,395	\$ 11,345	\$ 11,723	\$ 12,073		
Discount Period	0.88	1.88	2.88	3.88	4.88	5.88		
Discount Factor	0.92	0.84	0.76	0.69	0.63	0.57		
Sum of Discounted FCF	\$ 52,297							

Terminal Value	
Perpetuity Growth Method	
2028E FCF	\$ 21,035
Terminal Growth Rate	4.00%
Terminal Value	\$ 371,040
PV of Terminal Value	\$ 212,967

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Period	\$ 52,297
PV of Terminal Value	\$ 212,967
Implied EV	\$ 265,264
(-) Debt	\$ (12,407)
(+) Cash	\$ 14,681
Implied Equity Value	\$ 267,538
Shares Outstanding	2,593
Implied Share Price	\$ 103.19

Blended Implied Share Price	
Perpetuity Growth Method	\$ 103.19
Exit Multiple Method	\$ 346.16
Blended Implied Share Price	\$ 224.68

Upside/D downside	
Implied Valuation	\$ 224.68
Share Price	\$ 180.51
% Premium	24%

Terminal Value	
Exit Multiple Method	
2028E EBITDA	\$ 84,073
Exit Multiple	17.5x
Terminal Value	\$ 1,468,519
Present Value of Terminal Value	\$ 842,891

Enterprise Value	
Exit Multiple Growth Method	
PV of Projection Period	\$ 52,297
PV of Terminal Value	\$ 842,891
Implied EV	\$ 895,188
(-) Debt	\$ (12,407)
(+) Cash	\$ 14,681
Implied Equity Value	\$ 897,462
Shares Outstanding	2,593
Implied Share Price	\$ 346.16

Blended Share Price						
WACC						
Perpetuity Growth	8.90%	9.40%	9.90%	10.40%	10.90%	
	5.0%	\$104.62	\$92.77	\$83.40	\$75.81	\$69.55
	5.5%	\$117.77	\$102.71	\$91.13	\$81.97	\$74.55
	6.0%	\$135.46	\$115.57	\$100.85	\$89.64	\$80.58
	6.5%	\$160.52	\$132.87	\$113.43	\$99.04	\$87.98
	7.0%	\$198.77	\$157.37	\$130.34	\$111.34	\$97.28

Blended Share Price						
WACC						
EBITDA: Exit MUI	8.90%	9.40%	9.90%	10.40%	10.90%	
	17.0x	\$300.36	\$292.82	\$285.52	\$278.44	\$271.58
	17.5x	\$308.64	\$300.88	\$293.38	\$286.08	\$279.02
	18.0x	\$316.92	\$308.94	\$301.21	\$293.71	\$286.46
	18.5x	\$325.20	\$317.00	\$309.05	\$301.35	\$293.39
	19.0x	\$333.47	\$325.06	\$316.89	\$308.98	\$301.32

DCF Upside



Meta Platforms Discounted Cash Flow Analysis						
(\$ in millions)						
Active Case:	Upside Case					
	As of 2/13/2023					
	Year end: 12/31/2023					
	Projected					
	2023E	2024E	2025E	2026E	2027E	2028E
Fiscal Year Ended	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Total Revenue	\$ 131,823	\$ 165,118	\$ 194,754	\$ 225,305	\$ 260,140	\$ 324,482
% Growth	13%	25%	17%	13%	9%	7%
EBITDA	\$ 50,100	\$ 68,714	\$ 86,831	\$ 104,170	\$ 121,837	\$ 150,641
% Margin	38%	42%	45%	46%	47%	46%
EBIT	\$ 31,368	\$ 39,290	\$ 46,342	\$ 53,612	\$ 61,901	\$ 77,211
% Margin	24%	24%	24%	24%	24%	24%
(-) Tax Expense	\$ (5,922)	\$ (7,418)	\$ (8,750)	\$ (10,122)	\$ (11,687)	\$ (14,578)
% Effective Tax Rate	23%	23%	23%	23%	23%	23%
NOPAT	\$ 25,445	\$ 31,872	\$ 37,592	\$ 43,490	\$ 50,214	\$ 62,633
(+) Depreciation and Amortization, net	\$ 18,732	\$ 29,424	\$ 40,489	\$ 50,558	\$ 59,935	\$ 73,430
(+) (Increase)/Decrease in NWC	\$ (1,939.52)	\$ 1,125.07	\$ 2,682.30	\$ 3,573.57	\$ 2,059.89	\$ 4,698.05
(-) Capital Expenditure	\$ (38,228.73)	\$ (54,488.79)	\$ (64,268.73)	\$ (74,350.54)	\$ (83,244.86)	#####
Unlevered Free Cash Flow	\$ 4,009	\$ 7,932	\$ 16,495	\$ 23,271	\$ 28,965	\$ 40,172
% Growth	N/A	97.9%	108.0%	41.1%	24.5%	38.7%
WACC	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%
Present Value of FCF	\$ 3,688	\$ 6,641	\$ 12,566	\$ 16,131	\$ 18,270	\$ 23,058
Discount Period	0.88	1.88	2.88	3.88	4.88	5.88
Discount Factor	0.92	0.84	0.76	0.69	0.63	0.57
Sum of Discounted FCF	\$ 80,354					

Terminal Value	
Perpetuity Growth Method	
2028E FCF	\$ 40,172
Terminal Growth Rate	4.00%
Terminal Value	\$ 708,611
PV of Terminal Value	\$ 406,724

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Period	\$ 80,354
PV of Terminal Value	\$ 406,724
Implied EV	\$ 487,079
(-) Debt	\$ (12,407)
(+) Cash	\$ 14,681
Implied Equity Value	\$ 489,353
Shares Outstanding	2,593
Implied Share Price	\$ 188.75

Blended Implied Share Price	
Perpetuity Growth Method	\$ 188.75
Exit Multiple Method	\$ 614.41
Blended Implied Share Price	\$ 401.58

Upside/D downside	
Implied Valuation	\$ 401.58
Share Price	\$ 180.51
% Premium	122%

Terminal Value	
Exit Multiple Method	
2028E EBITDA	\$ 150,641
Exit Multiple	17.5x
Terminal Value	\$ 2,631,289
Present Value of Terminal Value	\$ 1,510,291

Enterprise Value	
Exit Multiple Growth Method	
PV of Projection Period	\$ 80,354
PV of Terminal Value	\$ 1,510,291
Implied EV	\$ 1,590,646
(-) Debt	\$ (12,407)
(+) Cash	\$ 14,681
Implied Equity Value	\$ 1,592,920
Shares Outstanding	2,593
Implied Share Price	\$ 614.41

Blended Share Price						
WACC						
Perpetuity Growth	8.90%	9.40%	9.90%	10.40%	10.90%	
	5.0%	\$104.62	\$92.77	\$83.40	\$75.81	\$69.55
	5.5%	\$117.77	\$102.71	\$91.13	\$81.97	\$74.55
	6.0%	\$135.46	\$115.57	\$100.85	\$89.54	\$80.58
	6.5%	\$160.52	\$132.87	\$113.43	\$99.04	\$87.98
	7.0%	\$198.77	\$167.37	\$130.34	\$111.34	\$97.28

Blended Share Price						
WACC						
EBITDA Exit MUF	8.90%	9.40%	9.90%	10.40%	10.90%	
	17.0x	\$300.36	\$292.82	\$285.52	\$278.44	\$271.68
	17.5x	\$308.64	\$300.88	\$293.36	\$286.08	\$279.02
	18.0x	\$316.92	\$308.94	\$301.21	\$293.71	\$286.45
	18.5x	\$325.20	\$317.00	\$309.05	\$301.35	\$293.89
	19.0x	\$333.47	\$325.05	\$316.89	\$308.98	\$301.32

DCF Downside



Meta Platforms Discounted Cash Flow Analysis							
(\$ in millions)							
Active Case:	Downside Case					As of	2/13/2023
	Projected						
	2023E	2024E	2025E	2026E	2027E	2028E	
Fiscal Year Ended	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	
Total Revenue	\$ 97,923	\$ 101,510	\$ 105,131	\$ 107,711	\$ 110,603	\$ 113,762	
% Growth	-16%	4%	4%	3%	3%	3%	
EBITDA	\$ 37,216	\$ 42,243	\$ 46,873	\$ 49,800	\$ 51,801	\$ 52,814	
% Margin	38%	42%	45%	46%	47%	46%	
EBIT	\$ 23,301	\$ 24,154	\$ 25,016	\$ 25,630	\$ 26,318	\$ 27,070	
% Margin	24%	24%	24%	24%	24%	24%	
(-) Tax Expense	\$ (4,399)	\$ (4,560)	\$ (4,723)	\$ (4,839)	\$ (4,969)	\$ (5,111)	
% Effective Tax Rate	23%	23%	23%	23%	23%	23%	
NOPAT	\$ 18,902	\$ 19,594	\$ 20,293	\$ 20,791	\$ 21,349	\$ 21,959	
(+) Depreciation and Amortization, net	\$ 13,915	\$ 18,089	\$ 21,857	\$ 24,170	\$ 25,483	\$ 25,744	
(+) (Increase) Decrease in NWC	\$ (2,914.54)	\$ 206.10	\$ 1,079.42	\$ 1,239.21	\$ 284.74	\$ 660.40	
(-) Capital Expenditure	\$ (28,397.81)	\$ (33,498.17)	\$ (34,693.22)	\$ (35,544.66)	\$ (35,392.87)	\$ (35,266.32)	
Unlevered Free Cash Flow	\$ 1,504	\$ 4,391	\$ 8,536	\$ 10,656	\$ 11,724	\$ 13,098	
% Growth	N/A	191.9%	94.4%	24.8%	10.0%	11.7%	
WACC	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	
Present Value of FCF	\$ 1,384	\$ 3,676	\$ 6,503	\$ 7,387	\$ 7,395	\$ 7,518	
Discount Period	0.88	1.88	2.88	3.88	4.88	5.88	
Discount Factor	0.92	0.84	0.76	0.69	0.63	0.57	
Sum of Discounted FCF	\$ 33,862						

Terminal Value	
Perpetuity Growth Method	
2028E FCF	\$ 13,098
Terminal Growth Rate	4.00%
Terminal Value	\$ 231,032
PV of Terminal Value	\$ 132,606

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Period	\$ 33,862
PV of Terminal Value	\$ 132,606
Implied EV	\$ 166,468
(-) Debt	\$ (12,407)
(+) Cash	\$ 14,681
Implied Equity Value	\$ 168,742
Shares Outstanding	2,593
Implied Share Price	\$ 65.09

Blended Implied Share Price	
Perpetuity Growth Method	\$ 65.09
Exit Multiple Method	\$ 218.17
Blended Implied Share Price	\$ 141.63

Upside/Downside	
Implied Valuation	\$ 141.63
Share Price	\$ 180.51
% Premium	-22%

Terminal Value	
Exit Multiple Method	
2028E EBITDA	\$ 52,814
Exit Multiple	17.5x
Terminal Value	\$ 922,522
Present Value of Terminal Value	\$ 629,503

Enterprise Value	
Exit Multiple Growth Method	
PV of Projection Period	\$ 33,862
PV of Terminal Value	\$ 529,503
Implied EV	\$ 563,365
(-) Debt	\$ (12,407)
(+) Cash	\$ 14,681
Implied Equity Value	\$ 565,639
Shares Outstanding	2,593
Implied Share Price	\$ 218.17

Blended Share Price						
WACC						
Perpetuity Growth	8.90%	9.40%	9.90%	10.40%	10.90%	
	5.0%	\$104.62	\$92.77	\$83.40	\$75.81	\$69.56
	5.5%	\$117.77	\$102.71	\$91.13	\$81.97	\$74.55
	6.0%	\$135.46	\$116.57	\$100.86	\$89.54	\$80.58
	6.5%	\$160.52	\$132.87	\$113.43	\$99.04	\$87.98
	7.0%	\$198.77	\$167.37	\$130.34	\$111.34	\$97.28

Blended Share Price						
WACC						
EBITDA Exit Mx	8.90%	9.40%	9.90%	10.40%	10.90%	
	17.0x	\$300.36	\$292.82	\$285.52	\$278.44	\$271.58
	17.5x	\$308.64	\$300.88	\$293.36	\$286.08	\$279.02
	18.0x	\$316.92	\$308.94	\$301.21	\$293.71	\$286.45
	18.5x	\$325.20	\$317.00	\$309.05	\$301.35	\$293.89
	19.0x	\$333.47	\$325.05	\$316.89	\$308.98	\$301.32



Meta Platforms WACC	Date of Analysis	2/13/2023
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\$ in Millions, Unless Otherwise Noted

Inputs	
Risk-Free Rate	3.53%
Market Risk Premium	5.60%
Credit Spread	1.23%
Beta 5Y	1.16
Corporate Tax Rate	21%
Common Shares (millions)	2592.6
Share Price	\$ 180.51
Market Value of Debt	\$ 9,923

Debt Assumptions	
Risk Free Rate	3.53%
Meta Spread	1.23%
Tax Rate	21.00%
After-Tax Cost of Debt	3.76%

Risk-Free Rate	3.53%
Equity Risk Premium	0.056
Beta	1.16
Cost of Equity	10.03%

WACC Calculation

Market Value	Amount	% of Total	Cost of Capital
Market Value of Debt	\$ 9,923	2%	0.08%
Market Value of Equity	\$ 467,990	98%	9.82%
Total	\$ 477,913	100%	9.90%

Weighted Average Cost of Capital	9.90%
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Comparable Companies Analysis



Family of Apps Comparable Companies Analysis Date of Analysis: 1/29/2023
 \$ in Millions, Unless Otherwise Noted

Company	Ticker	Capitalization	Net Debt	Enterprise Value	EV/Revenue			EV/EBITDA			EV/EBIT		
					2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
Alphabet Inc.	NASDAQ: GOOGL	\$ 1,294,301	\$ (86,923)	\$ 1,207,378	4.3x	4.0x	3.5x	12.9x	10.2x	8.9x	15.4x	15.1x	13.2x
Apple Inc.	NASDAQ: AAPL	\$ 2,310,979	\$ (36,629)	\$ 2,274,350	5.8x	5.6x	5.3x	17.4x	17.7x	16.7x	19.0x	19.5x	18.4x
Tencent Holdings Ltd.	OTCMKTS: TCEHY	\$ 498,502	\$ 11,020	\$ 509,521	6.2x	5.6x	5.0x	19.7x	17.3x	15.1x	22.5x	19.9x	17.6x
Microsoft Corp	NASDAQ: MSFT	\$ 1,847,254	\$ (21,510)	\$ 1,825,744	8.9x	8.7x	7.8x	18.6x	18.3x	15.7x	21.8x	21.3x	18.6x

Meta Platforms	NASDAQ: META	\$ 496,802	\$ (13,331)	\$ 483,471	4.1x	4.0x	3.5x	11.4x	9.0x	7.7x	14.4x	15.3x	13.0x
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Low	\$ 498,502	\$ (86,923)	\$ 509,521	4.3x	4.0x	3.5x	12.9x	10.2x	8.9x	15.4x	15.1x	13.2x
Mean	\$ 1,487,759	\$ (33,511)	\$ 1,454,248	6.3x	6.0x	5.4x	17.2x	15.9x	14.1x	19.7x	19.0x	16.9x
Median	\$ 1,570,778	\$ (29,070)	\$ 1,516,561	6.0x	5.6x	5.2x	18.0x	17.5x	15.4x	20.4x	19.7x	18.0x
High	\$ 2,310,979	\$ 11,020	\$ 2,274,350	8.9x	8.7x	7.8x	19.7x	18.3x	16.7x	22.5x	21.3x	18.6x

Operating Statistics

Company	Ticker	Revenue			Revenue Growth		EBITDA			EBITDA Growth		EBIT			
		2022A	2023E	2024E	22-23	23-24	2022A	2023E	2024E	22-23	23-24	2022A	2023E	2024E	
Alphabet Inc.	NASDAQ: GOOGL	\$ 282,113	\$ 305,453	\$ 343,575	8%		12%	\$ 93,733	\$ 117,846	\$ 134,996	26%	15%	\$ 78,567	\$ 79,728	\$ 91,692
Apple Inc.	NASDAQ: AAPL	\$ 394,328	\$ 403,593	\$ 426,774	2%		6%	\$ 130,541	\$ 128,755	\$ 135,961	-1%	6%	\$ 119,437	\$ 116,842	\$ 123,892
Tencent Holdings Ltd.	OTCMKTS: TCEHY	\$ 81,775	\$ 90,813	\$ 102,045	11%		12%	\$ 25,862	\$ 29,503	\$ 33,752	14%	14%	\$ 22,679	\$ 25,640	\$ 28,903
Microsoft Corp	NASDAQ: MSFT	\$ 204,094	\$ 209,025	\$ 234,328	2%		12%	\$ 97,945	\$ 99,944	\$ 116,253	2%	16%	\$ 83,615	\$ 85,601	\$ 98,334

Meta Platforms	NASDAQ: META	\$ 116,609	\$ 122,348	\$ 136,567	5%		12%	\$ 42,241	\$ 53,903	\$ 62,591	28%	16%	\$ 33,555	\$ 31,553	\$ 37,107
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Low	\$ 81,775	\$ 90,813	\$ 102,045	2%		6%	\$ 25,862	\$ 29,503	\$ 33,752	-1%	6%	\$ 22,679	\$ 25,640	\$ 28,903
Mean	\$ 240,578	\$ 252,221	\$ 276,680	6%		11%	\$ 87,020	\$ 94,012	\$ 105,240	10%	13%	\$ 76,074	\$ 76,953	\$ 85,705
Median	\$ 243,104	\$ 257,239	\$ 288,951	5%		12%	\$ 95,839	\$ 108,895	\$ 125,624	8%	14%	\$ 81,091	\$ 82,664	\$ 95,013
High	\$ 394,328	\$ 403,593	\$ 426,774	11%		12%	\$ 130,541	\$ 128,755	\$ 135,961	26%	16%	\$ 119,437	\$ 116,842	\$ 123,892

Company	Ticker	Gross Profit Margin			EBITDA Margin		
		2021A	2022A	Change	2021A	2022A	Change
Apple Inc.	NASDAQ: AAPL	41.8%	43.3%	1.5%	32.9%	33.1%	0.2%
Tencent Holdings Ltd.	OTCMKTS: TCEHY	43.9%	42.4%	(1.5%)	31.3%	27.7%	(3.6%)
Microsoft Corp	NASDAQ: MSFT	68.9%	68.2%	(0.7%)	48.1%	48.0%	(0.1%)
Alphabet Inc.	NASDAQ: GOOGL	56.9%	55.4%	(1.5%)	35.4%	32.1%	(3.3%)

Meta	NASDAQ: META	81.0%	79.6%	(1.4%)	46.4%	36.2%	(10.2%)
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Low	41.8%	42.4%	31.3%	27.7%
Mean	58.5%	57.8%	38.8%	35.4%
Median	56.9%	55.4%	35.4%	33.1%
High	81.0%	79.6%	48.1%	48.0%

Revenue Build Base



Meta Platforms Revenue Build												
(\$ in millions)												
Active Case: Base Case												
Fiscal Year Ended	Historical						Projected					
	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
Family of Apps												
FoA Revenue	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	\$ 114,450	\$ 113,884	\$ 131,286	\$ 146,043	\$ 159,358	\$ 170,034	\$ 178,662
<i>Growth</i>	N/A	37.4%	25.7%	20.8%	36.3%	-1.0%	-0.5%	15.3%	11.2%	9.1%	6.7%	5.1%
DAP (in millions)	N/A	2,030	2,260	2,600	2,820	2,960	3,182	3,357	3,525	3,683	3,812	3,889
ARPP (\$ in ones)	N/A	N/A	\$ 25.6	\$ 27.5	\$ 33.7	\$ 31.8	\$ 35.8	\$ 39.1	\$ 41.4	\$ 43.3	\$ 44.6	\$ 45.9
<i>User Growth</i>	N/A	N/A	11.3%	15.0%	8.5%	5.0%	7.5%	5.5%	5.0%	4.5%	3.5%	2.0%
<i>ARPP Growth</i>	N/A	N/A	N/A	7.6%	22.4%	-5.6%	12.6%	9.3%	5.9%	4.4%	3.1%	3.0%
Reality Labs												
RL Revenue	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	\$ 2,159	\$ 2,202	\$ 2,246	\$ 2,291	\$ 2,337	\$ 2,384	\$ 2,431
<i>Growth</i>	N/A	N/A	N/A	127.3%	99.6%	-5.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Meta Platforms												
Total Revenue	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	\$ 116,609	\$ 116,086	\$ 133,532	\$ 148,334	\$ 161,695	\$ 172,418	\$ 181,093
<i>Growth</i>	N/A	37.4%	26.6%	21.6%	37.2%	-1.1%	-0.4%	15.0%	11.1%	9.0%	6.6%	5.0%
Family of Apps Revenue												
<i>Daily Active People</i>							3,182	3,357	3,525	3,683	3,812	3,889
Base Case							3,182	3,357	3,525	3,683	3,812	3,889
Upside Case							3,256	3,549	3,833	4,101	4,306	4,436
Downside Case							3,019	3,080	3,141	3,173	3,204	3,236
<i>ARPP</i>							\$ 35.8	\$ 39.1	\$ 41.4	\$ 43.3	\$ 44.6	\$ 45.9
Base Case							\$ 35.8	\$ 39.1	\$ 41.4	\$ 43.3	\$ 44.6	\$ 45.9
Upside Case							\$ 39.8	\$ 45.8	\$ 49.8	\$ 52.8	\$ 54.8	\$ 56.8
Downside Case							\$ 31.8	\$ 32.4	\$ 33.1	\$ 33.7	\$ 34.4	\$ 35.1
Reality Labs Revenue												
<i>Revenue Growth</i>							2%	2%	2%	2%	2%	2%
Base Case							2%	2%	2%	2%	2%	2%
Upside Case							5%	15%	50%	125%	175%	200%
Downside Case							-10%	-15%	-25%	-45%	-50%	-50%

Revenue Build Upside



Meta Platforms Revenue Build													
(\$ in millions)													
Active Case: Upside Case													
Fiscal Year Ended	Historical						Projected						
	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	
	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	
Family of Apps													
FoA Revenue	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	\$ 114,450	\$ 129,556	\$ 162,511	\$ 190,843	\$ 216,506	\$ 235,944	\$ 251,893	
<i>Growth</i>	N/A	37.4%	25.7%	20.8%	36.3%	-1.0%	13.2%	25.4%	17.4%	13.4%	9.0%	6.8%	
DAP (in millions)	N/A	2,030	2,260	2,600	2,820	2,960	3,256	3,549	3,833	4,101	4,306	4,436	
ARPP (\$ in ones)	N/A	N/A	\$ 25.6	\$ 27.5	\$ 33.7	\$ 31.8	\$ 39.8	\$ 45.8	\$ 49.8	\$ 52.8	\$ 54.8	\$ 56.8	
<i>User Growth</i>	N/A	N/A	11.3%	15.0%	8.5%	5.0%	10.0%	9.0%	8.0%	7.0%	5.0%	3.0%	
<i>ARPP Growth</i>	N/A	N/A	N/A	7.6%	22.4%	-5.6%	25.2%	15.1%	8.7%	6.0%	3.8%	3.7%	
Reality Labs													
RL Revenue	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	\$ 2,159	\$ 2,267	\$ 2,607	\$ 3,910	\$ 8,799	\$ 24,196	\$ 72,588	
<i>Growth</i>	N/A	N/A	N/A	127.3%	99.6%	-5.1%	5.0%	15.0%	50.0%	125.0%	175.0%	200.0%	
Meta Platforms													
Total Revenue	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	\$ 116,609	\$ 131,823	\$ 165,118	\$ 194,754	\$ 225,305	\$ 260,140	\$ 324,482	
<i>Growth</i>	N/A	37.4%	26.6%	21.6%	37.2%	-1.1%	13.0%	25.3%	17.9%	15.7%	15.5%	24.7%	
Family of Apps Revenue													
<i>Daily Active People</i>		2,030	2,260	2,600	2,820	2,960	3,256	3,549	3,833	4,101	4,306	4,436	
Base Case							3,182	3,357	3,525	3,683	3,812	3,889	
Upside Case							3,256	3,549	3,833	4,101	4,306	4,436	
Downside Case							3,019	3,080	3,141	3,173	3,204	3,236	
<i>ARPP</i>		N/A	\$ 25.6	\$ 27.5	\$ 33.7	\$ 31.8	\$ 39.8	\$ 45.8	\$ 49.8	\$ 52.8	\$ 54.8	\$ 56.8	
Base Case							\$ 35.8	\$ 39.1	\$ 41.4	\$ 43.3	\$ 44.6	\$ 45.9	
Upside Case							\$ 39.8	\$ 45.8	\$ 49.8	\$ 52.8	\$ 54.8	\$ 56.8	
Downside Case							\$ 31.8	\$ 32.4	\$ 33.1	\$ 33.7	\$ 34.4	\$ 35.1	
Reality Labs Revenue													
<i>Revenue Growth</i>				127.3%	99.6%	-5.1%	5%	15%	50%	125%	175%	200%	
Base Case							2%	2%	2%	2%	2%	2%	
Upside Case							5%	15%	50%	125%	175%	200%	
Downside Case							-10%	-15%	-25%	-45%	-50%	-50%	

Revenue Build Downside



Meta Platforms Revenue Build													
(\$ in millions)													
Active Case: Downside Case													
Fiscal Year Ended	Historical						Projected						
	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	
	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	
Family of Apps													
FoA Revenue	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	\$ 114,450	\$ 95,980	\$ 99,858	\$ 103,892	\$ 107,030	\$ 110,262	\$ 113,592	
<i>Growth</i>	N/A	37.4%	25.7%	20.8%	36.3%	-1.0%	-16.1%	4.0%	4.0%	3.0%	3.0%	3.0%	
DAP (in millions)	N/A	2,030	2,260	2,600	2,820	2,960	3,019	3,080	3,141	3,173	3,204	3,236	
ARPP (\$ in ones)	N/A	N/A	\$ 25.6	\$ 27.5	\$ 33.7	\$ 31.8	\$ 31.8	\$ 32.4	\$ 33.1	\$ 33.7	\$ 34.4	\$ 35.1	
<i>User Growth</i>	N/A	N/A	11.3%	15.0%	8.5%	5.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	
<i>ARPP Growth</i>	N/A	N/A	N/A	7.6%	22.4%	-5.6%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Reality Labs													
RL Revenue	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	\$ 2,159	\$ 1,943	\$ 1,652	\$ 1,239	\$ 681	\$ 341	\$ 170	
<i>Growth</i>	N/A	N/A	N/A	127.3%	99.6%	-5.1%	-10.0%	-15.0%	-25.0%	-45.0%	-50.0%	-50.0%	
Meta Platforms													
Total Revenue	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	\$ 116,609	\$ 97,923	\$ 101,510	\$ 105,131	\$ 107,711	\$ 110,603	\$ 113,762	
<i>Growth</i>	N/A	37.4%	26.6%	21.6%	37.2%	-1.1%	-16.0%	3.7%	3.6%	2.5%	2.7%	2.9%	
Family of Apps Revenue													
<i>Daily Active People</i>			2,030	2,260	2,600	2,820	2,960	3,019	3,080	3,141	3,173	3,204	3,236
Base Case							3,182	3,357	3,525	3,683	3,812	3,889	
Upside Case							3,256	3,549	3,833	4,101	4,306	4,436	
Downside Case							3,019	3,080	3,141	3,173	3,204	3,236	
ARPP			\$ 25.6	\$ 27.5	\$ 33.7	\$ 31.8	\$ 31.8	\$ 32.4	\$ 33.1	\$ 33.7	\$ 34.4	\$ 35.1	
Base Case							\$ 35.8	\$ 39.1	\$ 41.4	\$ 43.3	\$ 44.6	\$ 45.9	
Upside Case							\$ 39.8	\$ 45.8	\$ 49.8	\$ 52.8	\$ 54.8	\$ 56.8	
Downside Case							\$ 31.8	\$ 32.4	\$ 33.1	\$ 33.7	\$ 34.4	\$ 35.1	
Reality Labs Revenue													
<i>Revenue Growth</i>				127.3%	99.6%	-5.1%	-10%	-15%	-25%	-45%	-50%	-50%	
Base Case							2%	2%	2%	2%	2%	2%	
Upside Case							5%	15%	50%	125%	175%	200%	
Downside Case							-10%	-15%	-25%	-45%	-50%	-50%	

Operating Build Base



Meta Platforms Operating Build												
(\$ in millions)												
Active Case: Base Case												
Fiscal Year Ended	Historical						Projected					
	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
Revenue:												
Family of Apps	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	\$ 114,450	\$ 113,884	\$ 131,286	\$ 146,043	\$ 159,358	\$ 170,034	\$ 178,662
Reality Labs	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	\$ 2,159	\$ 2,202	\$ 2,246	\$ 2,291	\$ 2,337	\$ 2,384	\$ 2,431
Total Revenue	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	\$ 116,609	\$ 116,086	\$ 133,532	\$ 148,334	\$ 161,695	\$ 172,418	\$ 181,093
Costs and Expenses:												
Cost of Revenue	\$ (5,454)	\$ (9,355)	\$ (12,770)	\$ (16,692)	\$ (22,649)	\$ (25,249)	\$ (27,861)	\$ (32,048)	\$ (35,600)	\$ (38,807)	\$ (41,380)	\$ (43,462)
Research and Development	\$ (7,754)	\$ (10,273)	\$ (13,600)	\$ (18,447)	\$ (24,655)	\$ (35,338)	\$ (35,179)	\$ (40,466)	\$ (44,952)	\$ (49,001)	\$ (52,251)	\$ (54,880)
Marketing and Sales	\$ (4,725)	\$ (7,846)	\$ (9,876)	\$ (11,591)	\$ (14,043)	\$ (15,262)	\$ (15,115)	\$ (17,387)	\$ (19,314)	\$ (21,054)	\$ (22,450)	\$ (23,579)
General and Administrative	\$ (2,517)	\$ (3,451)	\$ (10,465)	\$ (6,564)	\$ (9,829)	\$ (11,816)	\$ (10,308)	\$ (11,857)	\$ (13,171)	\$ (14,358)	\$ (15,310)	\$ (16,080)
Total Costs and Expenses	\$ (20,450)	\$ (30,925)	\$ (46,711)	\$ (53,294)	\$ (71,176)	\$ (87,665)	\$ (88,463)	\$ (101,758)	\$ (113,037)	\$ (123,219)	\$ (131,391)	\$ (138,002)
Income from Operations	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	\$ 28,944	\$ 27,623	\$ 31,774	\$ 35,296	\$ 38,476	\$ 41,027	\$ 43,091
Interest and other income, net	\$ (391)	\$ (448)	\$ (826)	\$ (509)	\$ (531)	\$ (125)	\$ (124)	\$ (143)	\$ (160)	\$ (174)	\$ (186)	\$ (195)
Income Tax Expense	\$ (4,660)	\$ (3,249)	\$ (6,327)	\$ (4,034)	\$ (7,914)	\$ (5,619)	\$ (5,215)	\$ (5,999)	\$ (6,664)	\$ (7,264)	\$ (7,746)	\$ (8,136)
Effective Tax Rate	24%	13%	27%	13%	17%	19%	19%	19%	19%	19%	19%	19%
Net Income	\$ 15,934	\$ 22,112	\$ 18,485	\$ 29,146	\$ 39,370	\$ 23,200	\$ 22,283	\$ 25,632	\$ 28,473	\$ 31,037	\$ 33,095	\$ 34,760
Operating Income	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	\$ 28,944	\$ 27,623	\$ 31,774	\$ 35,296	\$ 38,476	\$ 41,027	\$ 43,091
D&A	\$ 3,025	\$ 4,315	\$ 5,741	\$ 6,862	\$ 7,967	\$ 8,686	\$ 16,496	\$ 23,795	\$ 30,839	\$ 36,284	\$ 39,725	\$ 40,981
Adjustment for Legal Settlement	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted EBITDA	\$ 23,228	\$ 29,228	\$ 34,727	\$ 39,533	\$ 54,720	\$ 37,630	\$ 44,119	\$ 55,569	\$ 66,135	\$ 74,760	\$ 80,752	\$ 84,073
Capex	\$ 6,730	\$ 13,920	\$ 15,650	\$ 15,720	\$ 19,240	\$ 32,040	\$ 33,665	\$ 44,066	\$ 48,950	\$ 53,359	\$ 55,174	\$ 56,139
Non-cash Current Assets:												
Accounts Receivable, net	\$ 5,832	\$ 7,587	\$ 9,518	\$ 11,335	\$ 14,039	\$ 13,466	\$ 12,825	\$ 14,085	\$ 14,905	\$ 15,439	\$ 15,600	\$ 15,480
Prepaid Expenses and Other Current Assets	\$ 1,020	\$ 1,779	\$ 1,852	\$ 2,381	\$ 4,629	\$ 5,345	\$ 3,791	\$ 4,529	\$ 5,082	\$ 5,757	\$ 6,366	\$ 6,616
Total Non-cash Current Assets	\$ 6,852	\$ 9,366	\$ 11,370	\$ 13,716	\$ 18,668	\$ 18,811	\$ 16,616	\$ 18,614	\$ 19,986	\$ 21,195	\$ 21,966	\$ 22,095
Non-debt Current Liabilities:												
Accounts Payable	\$ 380	\$ 820	\$ 1,363	\$ 1,331	\$ 4,083	\$ 4,990	\$ 2,635	\$ 3,329	\$ 3,951	\$ 4,505	\$ 5,159	\$ 5,277
Accrued Expenses and Other Current Liabilities	\$ 2,892	\$ 5,509	\$ 11,735	\$ 11,152	\$ 14,312	\$ 19,552	\$ 16,970	\$ 18,860	\$ 21,377	\$ 24,222	\$ 25,058	\$ 26,281
Deferred Revenue and Deposits	\$ 98	\$ 147	\$ 269	\$ 382	\$ 561	\$ -	\$ 349	\$ 402	\$ 446	\$ 486	\$ 519	\$ 545
Total Non-debt Current Liabilities	\$ 3,370	\$ 6,476	\$ 13,367	\$ 12,865	\$ 18,956	\$ 24,542	\$ 19,955	\$ 22,590	\$ 25,774	\$ 29,214	\$ 30,736	\$ 32,102
Net Working Capital	\$ 3,482.0	\$ 2,890.0	\$ (1,997.0)	\$ 851.0	\$ (288.0)	\$ (5,731.0)	\$ (3,339)	\$ (3,976)	\$ (5,788)	\$ (8,018)	\$ (8,770)	\$ (10,007)
Change in NWC	\$ (592.0)	\$ (4,887.0)	\$ 2,848.0	\$ (1,139.0)	\$ (5,443.0)	\$ 2,392	\$ (637)	\$ (1,812)	\$ (2,230)	\$ (752)	\$ (1,237)	\$ (1,237)

Operating Build Upside



Meta Platforms Operating Build																								
(\$ in millions)																								
Active Case:	Upside Case						Historical						Projected											
	2017A		2018A		2019A		2020A		2021A		2022A		2023E		2024E		2025E		2026E		2027E		2028E	
	12/31/17		12/31/18		12/31/19		12/31/20		12/31/21		12/31/22		12/31/23		12/31/24		12/31/25		12/31/26		12/31/27		12/31/28	
Fiscal Year Ended																								
Revenue:																								
Family of Apps	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	\$ 114,450	\$ 129,556	\$ 162,511	\$ 190,843	\$ 216,506	\$ 235,944	\$ 251,893												
Reality Labs	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	\$ 2,159	\$ 2,267	\$ 2,607	\$ 3,910	\$ 8,799	\$ 24,196	\$ 72,588												
Total Revenue	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	\$ 116,609	\$ 131,823	\$ 165,118	\$ 194,754	\$ 225,305	\$ 260,140	\$ 324,482												
Costs and Expenses:																								
Cost of Revenue	\$ (5,454)	\$ (9,355)	\$ (12,770)	\$ (16,692)	\$ (22,649)	\$ (25,249)	\$ (31,638)	\$ (39,628)	\$ (46,741)	\$ (54,073)	\$ (62,434)	\$ (77,876)												
Research and Development	\$ (7,754)	\$ (10,273)	\$ (13,600)	\$ (18,447)	\$ (24,655)	\$ (35,338)	\$ (39,949)	\$ (50,038)	\$ (59,020)	\$ (68,278)	\$ (78,835)	\$ (98,333)												
Marketing and Sales	\$ (4,725)	\$ (7,846)	\$ (9,876)	\$ (11,591)	\$ (14,043)	\$ (15,262)	\$ (17,164)	\$ (21,499)	\$ (25,358)	\$ (29,336)	\$ (33,872)	\$ (42,249)												
General and Administrative	\$ (2,517)	\$ (3,451)	\$ (10,465)	\$ (6,564)	\$ (9,829)	\$ (11,816)	\$ (11,705)	\$ (14,662)	\$ (17,293)	\$ (20,006)	\$ (23,099)	\$ (28,813)												
Total Costs and Expenses	\$ (20,450)	\$ (30,925)	\$ (46,711)	\$ (53,294)	\$ (71,176)	\$ (87,665)	\$ (100,456)	\$ (125,828)	\$ (148,412)	\$ (171,693)	\$ (198,239)	\$ (247,271)												
Income from Operations	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	\$ 28,944	\$ 31,368	\$ 39,290	\$ 46,342	\$ 53,612	\$ 61,901	\$ 77,211												
Interest and other income, net	\$ (391)	\$ (448)	\$ (826)	\$ (509)	\$ (531)	\$ (125)	\$ (141)	\$ (177)	\$ (208)	\$ (236)	\$ (258)	\$ (275)												
Income Tax Expense	\$ (4,660)	\$ (3,249)	\$ (6,327)	\$ (4,034)	\$ (7,914)	\$ (5,619)	\$ (5,922)	\$ (7,418)	\$ (8,750)	\$ (10,122)	\$ (11,687)	\$ (14,578)												
Effective Tax Rate	24%	13%	27%	13%	17%	19%	19%	19%	19%	19%	19%	19%												
Net Income	\$ 15,934	\$ 22,112	\$ 18,485	\$ 29,146	\$ 39,370	\$ 23,200	\$ 25,304	\$ 31,694	\$ 37,384	\$ 43,253	\$ 49,956	\$ 62,358												
Operating Income	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	\$ 28,944	\$ 31,368	\$ 39,290	\$ 46,342	\$ 53,612	\$ 61,901	\$ 77,211												
D&A	\$ 3,025	\$ 4,315	\$ 5,741	\$ 6,862	\$ 7,967	\$ 8,686	\$ 18,732	\$ 29,424	\$ 40,489	\$ 50,558	\$ 59,936	\$ 73,430												
Adjustment for Legal Settlement			\$ 5,000																					
Adjusted EBITDA	\$ 23,228	\$ 29,228	\$ 34,727	\$ 39,533	\$ 54,720	\$ 37,630	\$ 50,100	\$ 68,714	\$ 86,831	\$ 104,170	\$ 121,837	\$ 150,641												
Capex	\$ 6,730	\$ 13,920	\$ 15,650	\$ 15,720	\$ 19,240	\$ 32,040	\$ 38,229	\$ 54,489	\$ 64,269	\$ 74,351	\$ 83,245	\$ 100,589												
Non-cash Current Assets:																								
Accounts Receivable, net	\$ 5,832	\$ 7,587	\$ 9,518	\$ 11,335	\$ 14,039	\$ 13,466	\$ 14,564	\$ 17,417	\$ 19,569	\$ 21,512	\$ 23,537	\$ 27,737												
Prepaid Expenses and Other Current Assets	\$ 1,020	\$ 1,779	\$ 1,852	\$ 2,381	\$ 4,629	\$ 5,345	\$ 4,305	\$ 5,600	\$ 6,672	\$ 8,022	\$ 9,605	\$ 11,854												
Total Non-cash Current Assets	\$ 6,852	\$ 9,366	\$ 11,370	\$ 13,716	\$ 18,668	\$ 18,811	\$ 18,869	\$ 23,017	\$ 26,241	\$ 29,534	\$ 33,142	\$ 39,591												
Non-debt Current Liabilities:																								
Accounts Payable	\$ 380	\$ 820	\$ 1,363	\$ 1,331	\$ 4,083	\$ 4,990	\$ 2,993	\$ 4,116	\$ 5,187	\$ 6,277	\$ 7,784	\$ 9,455												
Accrued Expenses and Other Current Liabilities	\$ 2,892	\$ 5,509	\$ 11,735	\$ 11,152	\$ 14,312	\$ 19,552	\$ 19,271	\$ 23,321	\$ 28,067	\$ 33,751	\$ 37,808	\$ 47,090												
Deferred Revenue and Deposits	\$ 98	\$ 147	\$ 269	\$ 382	\$ 561	\$ -	\$ 397	\$ 497	\$ 586	\$ 678	\$ 783	\$ 976												
Total Non-debt Current Liabilities	\$ 3,370	\$ 6,476	\$ 13,367	\$ 12,865	\$ 18,956	\$ 24,542	\$ 22,660	\$ 27,933	\$ 33,840	\$ 40,706	\$ 46,374	\$ 57,521												
Net Working Capital	\$ 3,482.0	\$ 2,890.0	\$ (1,997.0)	\$ 851.0	\$ (288.0)	\$ (5,731.0)	\$ (3,791)	\$ (4,917)	\$ (7,599)	\$ (11,172)	\$ (13,232)	\$ (17,930)												
Change in NWC	\$ (592.0)	\$ (4,887.0)	\$ 2,848.0	\$ (1,139.0)	\$ (5,443.0)	\$ 1,940	\$ (1,125)	\$ (2,682)	\$ (3,574)	\$ (2,060)	\$ (4,698)													

Operating Build Downside



Meta Platforms Operating Build												
(\$ in millions)												
Fiscal Year Ended	Downside Case						Projected					
	Historical						Projected					
	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
Revenue:												
Family of Apps	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	\$ 114,450	\$ 95,980	\$ 99,858	\$ 103,892	\$ 107,030	\$ 110,262	\$ 113,592
Reality Labs	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	\$ 2,159	\$ 1,943	\$ 1,652	\$ 1,239	\$ 681	\$ 341	\$ 170
Total Revenue	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	\$ 116,609	\$ 97,923	\$ 101,510	\$ 105,131	\$ 107,711	\$ 110,603	\$ 113,762
Costs and Expenses:												
Cost of Revenue	\$ (5,454)	\$ (9,355)	\$ (12,770)	\$ (16,692)	\$ (22,649)	\$ (25,249)	\$ (23,502)	\$ (24,362)	\$ (25,231)	\$ (25,851)	\$ (26,545)	\$ (27,303)
Research and Development	\$ (7,754)	\$ (10,273)	\$ (13,600)	\$ (18,447)	\$ (24,655)	\$ (35,338)	\$ (29,675)	\$ (30,762)	\$ (31,860)	\$ (32,642)	\$ (33,518)	\$ (34,475)
Marketing and Sales	\$ (4,725)	\$ (7,846)	\$ (9,876)	\$ (11,591)	\$ (14,043)	\$ (15,262)	\$ (12,750)	\$ (13,217)	\$ (13,689)	\$ (14,025)	\$ (14,401)	\$ (14,812)
General and Administrative	\$ (2,517)	\$ (3,451)	\$ (10,465)	\$ (6,564)	\$ (9,829)	\$ (11,816)	\$ (8,695)	\$ (9,014)	\$ (9,335)	\$ (9,564)	\$ (9,821)	\$ (10,102)
Total Costs and Expenses	\$ (20,450)	\$ (30,925)	\$ (46,711)	\$ (53,294)	\$ (71,176)	\$ (87,665)	\$ (74,622)	\$ (77,355)	\$ (80,115)	\$ (82,081)	\$ (84,285)	\$ (86,692)
Income from Operations	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	\$ 28,944	\$ 23,301	\$ 24,154	\$ 25,016	\$ 25,630	\$ 26,318	\$ 27,070
Interest and other income, net	\$ (391)	\$ (448)	\$ (826)	\$ (509)	\$ (531)	\$ (125)	\$ (105)	\$ (109)	\$ (113)	\$ (117)	\$ (120)	\$ (124)
Income Tax Expense	\$ (4,660)	\$ (3,249)	\$ (6,327)	\$ (4,034)	\$ (7,914)	\$ (5,619)	\$ (4,399)	\$ (4,560)	\$ (4,723)	\$ (4,839)	\$ (4,969)	\$ (5,111)
Effective Tax Rate	24%	13%	27%	13%	17%	19%	19%	19%	19%	19%	19%	19%
Net Income	\$ 15,934	\$ 22,112	\$ 18,485	\$ 29,146	\$ 39,370	\$ 23,200	\$ 18,797	\$ 19,485	\$ 20,179	\$ 20,674	\$ 21,229	\$ 21,835
Operating Income	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	\$ 28,944	\$ 23,301	\$ 24,154	\$ 25,016	\$ 25,630	\$ 26,318	\$ 27,070
D&A	\$ 3,025	\$ 4,315	\$ 5,741	\$ 6,862	\$ 7,967	\$ 8,686	\$ 13,915	\$ 18,089	\$ 21,857	\$ 24,170	\$ 25,483	\$ 25,744
Adjustment for Legal Settlement			\$ 5,000									
Adjusted EBITDA	\$ 23,228	\$ 29,228	\$ 34,727	\$ 39,533	\$ 54,720	\$ 37,630	\$ 37,216	\$ 42,243	\$ 46,873	\$ 49,800	\$ 51,801	\$ 52,814
Capex	\$ 6,730	\$ 13,920	\$ 15,650	\$ 15,720	\$ 19,240	\$ 32,040	\$ 28,398	\$ 33,498	\$ 34,693	\$ 35,545	\$ 35,393	\$ 35,266
Non-cash Current Assets:												
Accounts Receivable, net	\$ 5,832	\$ 7,587	\$ 9,518	\$ 11,335	\$ 14,039	\$ 13,466	\$ 10,819	\$ 10,707	\$ 10,564	\$ 10,284	\$ 10,007	\$ 9,724
Prepaid Expenses and Other Current Assets	\$ 1,020	\$ 1,779	\$ 1,852	\$ 2,381	\$ 4,629	\$ 5,345	\$ 3,198	\$ 3,443	\$ 3,602	\$ 3,835	\$ 4,084	\$ 4,156
Total Non-cash Current Assets	\$ 6,852	\$ 9,366	\$ 11,370	\$ 13,716	\$ 18,668	\$ 18,811	\$ 14,016	\$ 14,150	\$ 14,165	\$ 14,119	\$ 14,091	\$ 13,880
Non-debt Current Liabilities:												
Accounts Payable	\$ 380	\$ 820	\$ 1,363	\$ 1,331	\$ 4,083	\$ 4,990	\$ 2,223	\$ 2,530	\$ 2,800	\$ 3,001	\$ 3,310	\$ 3,315
Accrued Expenses and Other Current Liabilities	\$ 2,892	\$ 5,509	\$ 11,735	\$ 11,152	\$ 14,312	\$ 19,552	\$ 14,315	\$ 14,337	\$ 15,151	\$ 16,135	\$ 16,074	\$ 16,509
Deferred Revenue and Deposits	\$ 98	\$ 147	\$ 269	\$ 382	\$ 561	\$ -	\$ 295	\$ 305	\$ 316	\$ 324	\$ 333	\$ 342
Total Non-debt Current Liabilities	\$ 3,370	\$ 6,476	\$ 13,367	\$ 12,865	\$ 18,956	\$ 24,542	\$ 16,833	\$ 17,173	\$ 18,267	\$ 19,460	\$ 19,717	\$ 20,167
Net Working Capital	\$ 3,482.0	\$ 2,890.0	\$ (1,997.0)	\$ 851.0	\$ (288.0)	\$ (5,731.0)	\$ (2,816)	\$ (3,023)	\$ (4,102)	\$ (5,341)	\$ (5,626)	\$ (6,286)
Change in NWC	\$ (592.0)	\$ (4,887.0)	\$ 2,848.0	\$ (1,139.0)	\$ (5,443.0)	\$ 2,915	\$ (206)	\$ (1,079)	\$ (1,239)	\$ (285)	\$ (660)	