

Meta Platforms Inc

Solid 4Q & healthy revenue commentary should maintain AI optimism; Buy

Reiterate Rating: BUY | PO: 765.00 USD | Price: 676.49 USD

4Q Rev/EPS beat; will invest in growth in 2025

4Q revenue at \$48.4bn (+21% y/y) was above the Street at \$47.0bn, with results driven by strength in eCommerce vertical & growing AI benefits. 4Q Ad rev grew 21% (same ex-FX), a 1pts accel. on an 1pt tougher ex-FX comp. GAAP OI/EPS at \$23.4bn/\$8.02 was above Street at \$20.0bn/\$6.76 with lower COGS, G&A, S&M and taxes. Midpoint of the 1Q rev outlook of \$39.5-\$41.8bn (8-15% y/y) bracketed Street estimates at \$41.7bn, & at high end is a modest 3pts q/q ex-FX decel. in growth on a 5pt tougher y/y comp. Key call take was confidence in revenue growth and optimism on product reveals in 2025.

2025 expenses will hit EPS, but AI delivering results

Meta guided FY25 expenses at \$114-\$119bn (+20-25%) above the Street at \$111bn, with growing spend on infrastructure & technical talent. We note Meta has a history of guiding conservatively & lowering spend in slower growth years. The difference for this investment cycle (vs Reels) is that AI is already delivering business results (Advantage+ Shopping at \$20bn ann. rev. rate & up 70% in 4Q) and AI is the top tech sector theme.

Raising 2025E revenues by 3% and lowering EPS by 1%

Raising estimates to reflect higher ARPU trends, but more than offset by higher expenses. For 2025E, we raise revs. by 3% to \$188bn, expenses by 6% to \$114bn & lower EPS by 1% to \$25.16. For 2026E, we raise revenue by 4% to \$216bn & lower EPS by 1% to \$28.65. We raise 2025E capex estimates by \$3.5bn to \$62bn (FCF down 11% y/y) & 2026E by \$4.0bn to \$68bn. With stock up another 2% AH (and 15% YTD), the Street will likely need to see revenue surprises to support AI opportunity thesis.

AI monetization cycle still in early stages; Reiterate Buy

While earnings momentum will stall in 2025, we think Meta sent a positive tone on an “exciting product roadmap” for Meta AI, Llama, Meta Coding agent and Meta AI glasses and a “opportunity to deliver strong revenue growth” without any real headwind warnings (outside of FX). We think a higher multiple is justified as Meta’s AI driven ad improvements are still early (rev. upside), while Meta is building big AI assets with an internal AI supercomputer, inhouse LLM and custom AI chips to leverage massive Facebook, Instagram and messaging user pools. We raise our PO to \$765 based on a higher 26x multiple (vs 24x) offset by a lower 2026E GAAP EPS of \$28.65, plus net cash.

Estimates (Dec) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	19.65	28.26	32.27	36.70	41.66
GAAP EPS	14.92	23.92	25.16	28.65	32.31
EPS Change (YoY)	53.6%	43.8%	14.2%	13.7%	13.5%
Consensus EPS (Bloomberg)			26.82	30.33	33.33
DPS	0	2.00	2.20	2.40	2.40
Valuation (Dec)					
P/E	34.4x	23.9x	21.0x	18.4x	16.2x
GAAP P/E	45.3x	28.3x	26.9x	23.6x	20.9x
Dividend Yield	0%	0.3%	0.3%	0.4%	0.4%
EV / EBITDA*	24.6x	17.4x	15.3x	13.2x	11.4x
Free Cash Flow Yield*	2.5%	3.1%	2.7%	3.2%	4.0%

* For full definitions of *IQmethod*SM measures, see page 11.

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30 January 2025

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	710.00	765.00
2025E Rev (m)	183,341.2	188,126.6
2026E Rev (m)	208,788.2	216,220.1
2027E Rev (m)	235,226.7	245,861.0
2025E EPS	31.32	32.27
2026E EPS	35.71	36.70
2027E EPS	40.23	41.66

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Stock Data

Price	676.49 USD
Price Objective	765.00 USD
Date Established	29-Jan-2025
Investment Opinion	B-1-7
52-Week Range	387.10 USD - 682.58 USD
Mkt Val (mn) / Shares Out (mn)	1,758,198 USD / 2,599.0
Free Float	99.9%
Average Daily Value (mn)	9576.84 USD
BofA Ticker / Exchange	META / NAS
Bloomberg / Reuters	META US / META.OQ
ROE (2025E)	41.7%
Net Dbt to Eqty (Dec-2024A)	2.8%

IDFA: Identifier for Advertisers
CAGR: Compound Annual Growth Rate
DAU: Daily Active User
MAU: Monthly Active User
ARPU: Average Revenue per User
AH: After Hours
RL: Reality Labs
GM: Gross Margin
OI: Operating Income
GPU: Graphic Processing Unit
OCF: Operating Cash Flows
LLaMA: Large Language Model Meta AI
AH: After Hours

iQprofileSM Meta Platforms Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	28.5%	34.8%	31.3%	31.0%	30.5%
Return on Equity	36.9%	43.9%	41.7%	39.9%	38.2%
Operating Margin	46.0%	53.2%	50.3%	49.2%	48.5%
Free Cash Flow	44,068	54,072	48,085	57,020	70,585

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	1.4x	1.2x	1.3x	1.3x	1.4x
Asset Replacement Ratio	2.4x	2.4x	2.8x	2.3x	2.0x
Tax Rate	17.6%	11.7%	13.6%	13.6%	14.0%
Net Debt-to-Equity Ratio	-3.0%	2.8%	2.7%	2.4%	-1.8%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	134,901	164,500	188,127	216,220	245,861
% Change	15.7%	21.9%	14.4%	14.9%	13.7%
Gross Profit	109,840	135,404	151,381	170,482	190,411
% Change	19.2%	23.3%	11.8%	12.6%	11.7%
EBITDA	72,376	102,069	115,856	134,765	155,688
% Change	44.8%	41.0%	13.5%	16.3%	15.5%
Net Interest & Other Income	677	1,284	1,310	1,470	1,510
Net Income (Adjusted)	51,488	73,718	83,229	93,466	104,780
% Change	49.4%	43.2%	12.9%	12.3%	12.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	39,097	62,387	64,894	72,979	81,255
Depreciation & Amortization	11,177	15,498	22,180	29,490	37,450
Change in Working Capital	2,437	1,051	4,687	2,881	2,773
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	18,402	12,392	17,898	19,830	22,730
Capital Expenditure	(27,045)	(37,256)	(61,574)	(68,160)	(73,623)
Free Cash Flow	44,068	54,072	48,085	57,020	70,585
% Change	130.5%	22.7%	-11.1%	18.6%	23.8%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	(5,071)	(5,520)	(5,945)	(5,868)
Change in Debt	8,455	10,432	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	41,862	43,889	43,132	42,948	54,404
Trade Receivables	16,169	16,994	19,368	22,063	24,952
Other Current Assets	27,334	39,162	40,645	41,706	42,803
Property, Plant & Equipment	96,587	121,346	160,740	199,410	235,583
Other Non-Current Assets	47,671	54,663	54,723	54,783	54,843
Total Assets	229,623	276,054	318,609	360,910	412,586
Short-Term Debt	1,623	1,942	1,942	1,942	1,942
Other Current Liabilities	30,337	31,654	40,058	46,555	53,175
Long-Term Debt	35,611	47,118	47,118	47,118	47,118
Other Non-Current Liabilities	8,884	12,703	12,903	13,103	13,303
Total Liabilities	76,455	93,417	102,021	108,718	115,538
Total Equity	153,168	182,637	216,587	252,192	297,048
Total Equity & Liabilities	229,623	276,054	318,609	360,910	412,586

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Internet/e-Commerce

Company Description

Meta Platforms is the largest social network with over 3 billion monthly active users across its properties. The company generates revenue from advertising and payments, with over 95% of revenue from advertising. Meta's revenues are split at rough 50% in North America, and 50% in International markets.

Investment Rationale

Meta is an investment in increasing social and mobile Internet usage, and also offers exposure to the increasing use of AI/ML technology and potential long-term Metaverse opportunity. With the new efficiency mentality, we believe Meta is positioned for strong EPS growth when advertising environment improves.

Stock Data

Average Daily Volume 14,156,668

Quarterly Earnings Estimates

	2024	2025
Q1	5.72A	7.05E
Q2	6.39A	7.58E
Q3	7.16A	7.98E
Q4	9.00A	9.67E



4Q'24 Summary

4Q total revenue of \$48.4bn (up 21% y/y) was above the Street \$47.0bn with growth accelerating 2pts q/q on 2pts tougher y/y comp. Ad revenue was up 21% y/y (same ex-FX, accelerating 1pt ex-FX vs 3Q). 4Q growth was driven by strength in eCommerce vertical & growing AI benefits for usage and ad targeting. 4Q GAAP Operating income at \$23.4bn (48.3% margin) was above the Street estimates at \$20.0bn (42.6% margin) driven by higher topline growth and lower COGS, S&M, G&A expense. G&A had a 1x \$1.55bn benefit that aided EPS close to \$0.50. GAAP EPS at \$8.02 was above the Street at \$6.76 and was also aided by lower taxes (12% vs Street at 18%).

4Q global ad impressions increased 6% y/y (vs up 7% y/y in 3Q), driven mainly by Asia Pacific (up 10% y/y), followed by US (up 6% y/y). In 4Q, global average price per ad increased 14% y/y (vs up 11% in 3Q) driven by stronger advertiser demand and AI driven ad improvements. RoW and Europe saw the highest ad pricing growth at 23% y/y and 16% y/y respectively. Meta indicated that ad conversions grew faster than impressions in 4Q, suggesting ad products are improving and Meta ads are taking share of transaction volumes.

4Q free cash flow was \$13.6bn (\$5.22/share). Meta did not repurchase stock in 4Q (total \$30.1bn in 2024). Total diluted share count was down 1% y/y in 4Q (vs down 2% y/y in 3Q). The company maintained its quarterly dividend at \$0.50/share.

Sentiment positives included: 1) 4Q Rev/EPS beat with revenues above high end of 4Q guidance range, 2) Growing evidence of AI Integrations improving video usage and monetization for core ad business, 3) Improving ad pricing trends suggesting growing ad demand, 4) Monetization of untapped assets (testing ads in Threads), 4) Commentary suggesting growing traction of Meta AI, Llama and Threads.

Negatives included: 1) Midpoint of 1Q revenue outlook below the Street and high end suggesting modest deceleration, 2) FY25 expense and capex outlook (from last week) above the Street, 3) Outlook includes longer useful life estimates for Server and Network assets so adjusted expense outlook even higher than expectations, 4) RL revenues below the Street (suggesting limited traction of RL Glassed) and growing RL losses, and 5) Ongoing uncertainty on regulatory headwinds in EU & US.

Outlook

- **1Q Revenue:** Midpoint of Meta's 1Q revenue guide of \$39.5-\$41.8bn range (8-15% y/y growth) was below the Street estimates at \$41.7bn and at high end suggests a modest 3pts q/q decel. on 5pt tougher ex-FX comp. On a q/q basis, midpoint suggests 16% q/q decline in 1Q24 (vs -9% q/q in 1Q'24 and -11% q/q in 1Q'23). Meta expects a 3pt FX headwind in 1Q and we note 1Q'24 benefited ~2pts from leap year and Easter timing shift. Adjusting for these 1x factors and FX, we see a relatively healthy 1Q growth guide.
- **FY25 Expenses:** Meta guided FY25 total expenses of \$114-\$119bn (up 20%-25% y/y) above the Street estimates at \$111bn and our estimate of \$108bn. We increase our FY25 expense estimates by \$6bn to \$114.3bn. Meta also increased the useful lives of certain servers and network assets to 5.5 years (previously avg. 5 years), which will reduce FY25 depreciation expense by \$2.9bn. Without the change in useful life, FY25 expense guidance would have been much higher and lowers potential for EPS upside from any D&A changes in subsequent quarters.
- **FY25 Capex:** Last week Meta had announced plans to invest \$60-\$65bn in capex for 2025, with focus on enhancing AI infrastructure. We think the outlook was in-line to slightly above expectations. We raise our above Street 2025 capex estimates by \$3.5bn to \$62bn and 2026 by \$4.0bn to \$68bn.



Estimates changes and valuation

We are raising our revenue estimates to reflect slightly higher user growth & better monetization. We are raising expenses for more higher data center and infrastructure operational expenses and R&D headcount. For 1Q, we raise our below Street revenues estimates by 2% to \$41.7bn with EPS unchanged at \$5.47. For 2025E, we raise revenue by 3% to \$188bn, expenses by 6% to \$114bn and lower EPS by 1% to \$25.16 (from \$25.32). For 2026E, we raise revenue by 4% to \$216bn, expenses by 7% to \$133bn and lower EPS by 1% to \$28.65 (from \$28.86). We raise our above the Street 2025 capex estimates by \$3.5bn to \$62bn and 2026 by \$4.0bn to \$68bn. We expect 20% y/y expense growth in 2025 (with depreciation up \$6.7bn y/y).

We think Meta AI driven ad improvements are still early stages and could drive further upside in 2025. Moreover, with a large capex budget, internal AI supercomputer, inhouse LLM & custom AI chips, we think Meta is building valuable AI assets that could be increasingly appreciated in the stock price. With strong 2025 growth drivers including increasing SFV usage, growing messaging revenues, & monetization of untapped assets (Threads, Meta AI, Marketplace), we remain constructive on the stock. We also think Meta's growing AI focus could drive positive product surprises in coming quarters (search engine, messaging service, etc.), which can boost optimism on growth & support higher multiple.

We raise our PO to \$765 (from \$710) based on higher 26x multiple (vs 24x multiple previously) offset by slightly lower 2026 GAAP EPS of \$28.65 (vs \$28.86 previously) but plus net cash. We think a higher multiple is justified as AI driven ad improvements are still in early stages and have potential to drive higher growth in 2025 and beyond.

Using AH stock price of ~\$692, Meta is currently valued at 24x our 2026 GAAP EPS estimate (or 23x ex-cash). On Price/FCF basis, the stock is valued at 31x. However, if we back out \$24bn in estimated 2026 Metaverse losses, we get to an adjusted valuation at 19x 2026 GAAP earnings below the S&P 500 at 20x (assuming \$295 in EPS). We continue to see core business as attractively valued at ~1pt discount to S&P 500 at 20x despite a much higher growth and big AI opportunity ahead.

2025 risks for the stock are: 1) P/E above historical averages and deceleration in revenue growth limits multiple expansion, 2) Higher AI investment could impact both 2025 FCF & margin outlook, 3) Policy changes under new admin (ban on DTC pharma ads, tariffs, changes to section 230 and platform policies) impact revenues, 4) Regulatory surprises impact business model (US FTC case, teen targeting restrictions and DMA investigations), and 5) Increasing competition for ad spend from emerging platforms, eCommerce, TikTok and AVODs impacts growth outlook. For more thoughts on biggest 2025 drivers and valuation see our note [Meta 2025 PM Outlook](#).

4Q Positives:

- **4Q revenue beat:** 4Q revenue at \$48.4bn (21% y/y) was above the Street at \$47.0bn (and high end of guide at \$48bn), with growth driven by strength in eCommerce verticals, and growing AI Integrations driving usage and ad efficiencies. 4Q Ad rev grew 21% (same ex-FX), a 1pt acceleration on 1pt tougher ex- FX comp.
- **CPMs growth trend improving:** CPMs growth accelerated in 4Q and suggest improving advertising demand and targeting capabilities. In 4Q, average price per ad increased 14% y/y (vs up 11% in 3Q).
- **Threads optimism:** Threads has crossed 320mn monthly active users and continues to grow rapidly, with more 1mn sign-ups per day. Meta indicated that it is beginning to test ads on Threads in 1Q, although the company doesn't expect Threads to be a meaningful driver of overall impression or revenue growth in 2025.



- **Meta AI growing rapidly:** Management highlighted that Meta AI has crossed 700 MAUs and the surface is on track to become the most used AI assistant in the World. Meta will look for advertising and subscription opportunities for Meta AI.
- **Growing video usage:** Management highlighted global video time grew double digit percentages y/y on Instagram in 4Q and Meta is seeing strength in the US Facebook, where video time spent was also up double-digit rates y/y. Management noted potential for further growth in video usage through optimizations to ranking systems.
- **Advantage+ shopping getting traction:** Management noted Advantage Plus shopping campaigns continue to rapidly scale, with revenue surpassing a \$20bn annual run rate and growing 70% y/y in 4Q.
- **Larger AI models improving targeting:** In 2H'24, Meta launched Andromeda, an advanced AI system that increased model complexity 10,000x, enhancing ad retrieval and prediction models, which led to better ad personalization and an 8% improvement in ad quality for users.
- **Growing monetization of messaging solutions:** Management highlighted WhatsApp now has more than 100mn monthly actives in the US and business messaging continues to grow at a healthy pace. In 4Q Other FOA revenue grew 55% y/y (vs 48% y/y in 3Q) driven by business messaging revenue growth from WhatsApp business platform.

4Q Negatives:

- **1Q outlook midpoint below the Street:** Midpoint of Meta's 1Q revenue guide of \$39.5-\$41.8bn range (8-15% y/y growth) was below the Street at \$41.7bn and at high end suggests a modest 3pts q/q decel. on 5pts tougher ex-FX comp. On a q/q basis, midpoint suggests 16% q/q decline in 1Q24 (vs -9% q/q in 1Q'24 and -11% q/q in 1Q'23). Meta expects 3pts FX headwind in 1Q and we note 1Q'24 benefited ~2pts from leap year and Easter timing shift.
- **Expense guide above Street estimates:** Meta guided FY25 total expenses of \$114-\$119bn (up 20%-25% y/y) above the Street at \$111bn and our estimate of \$108bn.
- **Expense outlook includes 1x D&A benefit:** Meta increased the useful lives of certain servers and network assets to 5.5 years (previously avg. 5 years), which will reduce FY25 depreciation expense by \$2.9bn. Without the change in useful life, FY25 expense guidance would have been higher.
- **Capex growth will impact FCF:** Meta announced plans to invest \$60-\$65bn in capex for 2025, with focus on enhancing AI Infrastructure. We think the outlook is in-line to slightly above the Street expectations. We expect \$6.7bn of depreciation expense growth in 2025 and FCF down 11% y/y.
- **RL revenue miss:** 4Q Reality Labs revenue at \$1,083mn (up 1% y/y) was below the Street at \$1,136mn, which suggest limited traction for Quest headset and Meta AI glasses sales. Reality Lab expenses were up 5% y/y to \$6.1bn with segment operating loss of \$5.0bn.
- **Reiterated regulatory headwind risk:** Meta noted it continues to monitor an active legal and regulatory landscape in the EU and the US that could impact company's business model.
- **No share repurchases:** In 4Q, Meta did not repurchase any shares (total \$30bn in 2024). CFO noted primary focus for capital allocation remains investing back into the business, with infrastructure and technical talent being top priorities.



Read across for online media stocks

We see Meta's 4Q ad revenue growth as positive, and 1Q outlook as a neutral read across for the online media sector (perhaps lower 1Q revenue. outlooks are expected). Meta 4Q ad revenue growth accelerated 1pts (ex-FX) vs expected 2pts deceleration) and suggests a healthy advertising environment during the quarter (in line with positive eCommerce spending data). Midpoint of Meta's 1Q revenue guide of \$39.5-\$41.8bn range (8-15% y/y growth) was below Street estimates at \$41.7bn and at the high end suggests 3pts q/q deceleration on 5pts tougher comp. On a q/q basis, midpoint suggests 16% q/q decline in 1Q'24 (vs -9% q/q in 1Q'24 and -11% q/q in 1Q'23), which we view as normal seasonality ex-FX. Meta expects 3pts FX headwind in 1Q and we note 1Q'24 benefited ~2pts from leap year and Easter timing shift. We estimated \$40.7bn in 1Q revenue and previewed a guidance range of \$38-42bn, so the guidance range was in line with our below-Street estimates. For expenses, Meta's higher outlook suggests a higher competitive bar.

Google: We believe Meta results are a better read for YouTube and Google network revenues than search. As a reminder, Google generally doesn't guide revenues. Overall, we see Meta's 4Q ad revenue growth as positive for Google 4Q results and neutral for search in 1Q and neutral to negative for YouTube in 1Q.

- **Google Search:** We estimate Google Search 4Q revenues to grow 10% y/y (vs Street at 11%), decelerating 2pts on 2pts tougher y/y comp. We see potential for 4Q Search upside (\$52.9bn vs Street \$53.4bn) as Meta results suggests a healthy ad market and eCommerce strength. For 1Q, given FX pressure we expect Search growth to decelerate 3pts to 7% y/y on 1pts tougher y/y comp, and Meta's outlook also suggests modest ex-FX deceleration and stable trends on a 2-year basis.
- **YouTube:** We expect 4Q YouTube ad revenue growth to decelerate 2pt on a 4pts tougher y/y comp to \$10.1n (up 10% y/y), below the Street at \$10.2bn. For 1Q, we expect YouTube growth to decelerate 2pts on 5pts tougher y/y comp to \$8.7bn (up 8% y/y), also below the Street at \$8.9bn. We think YouTube can beat the Street in 4Q and, we see FX and other risk to the 1Q Street estimates.

Pinterest: We see Meta's results & guide as positive read for Pinterest 4Q results and neutral to slightly negative for 1Q outlook given normal seasonality. For 4Q'24, we and Street estimate Pinterest revenue to grow 16% y/y to \$1,140mn, which represents 2pts of q/q deceleration on a 1pt tougher y/y comp. For 1Q'25, we expect revenues to grow 10% y/y to \$817mn (vs Street at \$838mn), a 6pts q/q deceleration on 11pts tougher y/y comp. If there is normal seasonality in 1Q, we continue to see downside risk to the Street 1Q estimates, though we think expectations are already low.

Snap: We see Meta's results & guide as positive read for Snap 4Q results and neutral to slightly negative for 1Q outlook. For 4Q'24, the Street estimates Snap ad revenue to grow 9% y/y to \$1,415mn (vs BofA \$1,412mn), with growth stable q/q on 1pt easier y/y comp. For 4Q total revenue, Street at \$1,548mn (up 14% y/y) vs BofA \$1,545mn. For 1Q'24, the Street expects Snap ad revenues to grow 7% y/y to \$1,189mn (vs BofA estimate for \$1,151mn), accelerating 3pts on 14pts difficult y/y comp. For 1Q total revenue, Street at \$1,334mn (up 12% y/y) vs BofA \$1,300mn (up 9% y/y). We continue to see downside risk to the Street 1Q estimates if seasonality is normal, though FX will be slightly less of a headwind for Snap (~43% Int'l revenue in 1Q'25E) vs Meta (56%).

Reddit: We don't see Meta (or Google's) results as a good read for Reddit given early stage of advertising adoption and continue to expect upside to Street revenues estimates for Reddit in 4Q. Our one takeaway from Meta is that the company is expecting more normal seasonality in 1Q than last year, which benefitted from some 1x factors. At Reddit's growth rate, a 2-point Leap Year/Easter headwind in 1Q should be less of a factor.



Actual vs Expected Results

4Q total revenue of \$48.4bn (up 21% y/y) was above the Street \$47.0bn with growth accelerating 2pts q/q on 2pts tougher y/y comp. Ad revenue was up 21% y/y (same ex-FX, accelerating 1pt ex-FX vs 3Q). 4Q GAAP Operating income at \$23.4bn was above the Street estimates at \$20.0bn. GAAP EPS at \$8.02 was also above the Street estimates at \$6.76 aided by lower taxes and 1x G&A benefit. COR increased 15% y/y, driven by higher infrastructure costs, while R&D expenses rose 16% y/y, primarily due to higher employee compensation and infrastructure costs, partially offset by lower restructuring costs. Marketing and sales remained flat y/y. G&A expenses declined 67% y/y, mainly due to a \$1.55 billion reduction in legal accruals.

Exhibit 1: Actual vs Street Estimates

4Q Revenue/EPS was above Street estimates.

4Q'24 Actual vs Street					
	BofA Ests	Street Ests	Actual	Actual - Street	Actual - BofA
Revenues					
Ad revenue	\$45,396	\$45,454	\$46,783	\$1,329	\$1,387
Y/Y	17%	17%	21%	3.4%	3.6%
Q/Q	14%	14%	17%	3.3%	3.5%
FoA Other Revenue	\$454	\$443	\$519	\$76	\$65
Y/Y	36%	33%	55%	23%	19%
Reality Labs revenue	\$1,128	\$1,133	\$1,083	(\$50)	(\$45)
Y/Y	5.3%	5.8%	1.1%	(5%)	(4%)
Total Revenue	\$46,979	\$47,030	\$48,385	\$1,355	\$1,406
Y/Y	17.1%	17.3%	20.6%	3.4%	3.5%
Q/Q	16%	16%	19%	3%	3%
Cost of revenue	8,738	8,832	8,567	(\$265)	(\$171)
As a % of revenue	18.6%	18.8%	17.7%	(1.1%)	(0.9%)
Gross Profit	38,241	38,199	39,818	\$1,619	\$1,577
Gross Margin	81.4%	81.2%	82.3%	1.1%	0.9%
M&S	2,772	3,029	2,888	(\$141)	\$117
R&D	8,104	8,457	8,846	\$389	\$742
G&A	2,255	2,387	456	(\$1,930)	(\$1,799)
SBC	4,305	4,123	4,262	\$139	(\$43)
Oper. Income - GAAP	\$20,805	\$20,044	\$23,365	\$3,321	\$2,560
Margin	44.3%	42.6%	48.3%	5.7%	4.0%
Oper. Income non-GAAP	25,484	24,349	28,000	\$3,650	\$2,516
Margin	54.2%	51.8%	57.9%	6.1%	3.6%
Other Income (Expense), net	422	354	188	(\$166)	(\$234)
Income Tax Expense (Benefit)	2,972	2,861	2,715	(\$146)	(\$257)
Tax Rate (%)	14%	18%	12%	(6.2%)	(2.5%)
GAAP EPS (Diluted)	\$7.05	\$6.76	\$8.02	\$1.26	\$0.97
non-GAAP EPS	\$8.30	\$8.14	\$9.00	\$0.87	\$0.70
EBITDA	\$29,517	\$28,455	\$32,087	\$3,632	\$2,570
Margin	62.8%	60.5%	66.3%	5.8%	3.5%
Free Cash Flow	9,414	8,917	13,563	\$4,646	\$4,149
Capital expenditures	15,456	15,425	14,425	(\$1,000)	(\$1,031)
Daily Active People (bn)	3.32	3.33	3.35	0.02	0.03
Avg. Rev per person (ARPP)	\$13.81	\$13.80	\$14.25	\$0.45	\$0.44
Total ad impressions delivered (y/y %)	9%	-	6%	-	-3%
Average Price per ad (y/y %)	6%	-	14%	-	8%
Headcount	73,604	74,230	74,067	(163)	463

Source: BofA Global Research estimates, company filings

Note: M&S, R&S, G&A and Cost of Revenue actual numbers are excluding estimated SBC

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Estimate Changes

We are raising our 2025 revenue growth estimate to 14% and expect 20% y/y expense growth.

Exhibit 2: Meta Platforms Estimate Changes (\$mn except per share data)

We are lowering our 2026 GAAP EPS estimates, key for valuation, by 1% to \$28.65.

	1Q'25 Estimates			2Q'25 Estimates			2025 Estimates			2026 Estimates		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
Revenues												
Advertising revenue	39,807	40,666	859	42,641	43,916	1,275	178,741	183,363	4,622	203,344	210,402	7,058
Y/Y	12%	14%	2%	11%	15%	3%	12%	14%	2%	14%	15%	1%
Other FoA revenue	505	551	46	529	545	16	2,202	2,410	208	2,778	3,195	417
Y/Y	33%	45%	12%	36%	40%	4%	33%	40%	7%	26%	33%	6%
Reality Labs revenue	460	453	(7)	390	376	(14)	2,398	2,354	(45)	2,666	2,623	(43)
Y/Y	5%	3%	-2%	10%	7%	-4%	9%	10%	0%	11%	11%	0%
Total Revenue	\$40,772	\$41,670	\$897	\$43,559	\$44,837	\$1,277	\$183,341	\$188,127	\$4,785	\$208,788	\$216,220	\$7,432
Y/Y	12%	14%	2%	11%	15%	3%	12%	14%	2%	14%	15%	1%
Cost of revenue	7,702	7,871	170	8,559	8,945	385	35,859	36,746	887	43,335	45,738	2,403
As a % of revenue	18.9%	18.9%	0.0%	19.6%	19.9%	0.3%	19.6%	19.5%	0.0%	20.8%	21.2%	0.4%
Gross Profit	33,070	33,798	728	35,000	35,892	892	147,482	151,381	3,898	165,453	170,482	5,029
Gross Margin	81.1%	81.1%	0.0%	80.4%	80.1%	-0.3%	80.4%	80.5%	0.0%	79.2%	78.8%	-0.4%
Marketing and Sales	2,365	2,459	94	2,483	2,601	118	10,446	10,851	406	11,419	11,977	559
Research and Development	7,665	8,334	669	7,797	8,698	901	32,239	36,140	3,901	36,312	41,762	5,449
General and Administrative	2,528	2,625	97	2,614	2,735	121	10,823	11,292	469	11,750	12,116	367
SBC	4,255	4,312	57	5,105	5,262	157	18,840	19,298	458	21,320	21,630	310
GAAP Total Expenses incl. COGS	24,515	25,601	1,086	26,558	28,240	1,683	108,206	114,328	6,121	124,136	133,224	9,088
Operating Income - GAAP	\$16,258	\$16,069	(\$189)	\$17,002	\$16,596	(\$406)	\$75,135	\$73,799	(\$1,336)	\$84,653	\$82,997	(\$1,656)
Margin	40%	39%	-1%	39%	37%	-2%	41%	39%	-2%	41%	38%	-2.2%
Operating Income non-GAAP	20,888	20,758	(130)	22,511	22,267	(244)	95,550	94,686	(864)	107,670	106,333	(1,337)
Margin	51%	50%	-1%	52%	50%	-2%	52%	50%	-2%	52%	49%	-2%
Income Tax Expense	2,491	2,229	(262)	2,603	2,301	(302)	11,485	10,215	(1,270)	12,924	11,487	(1,437)
Tax Rate	15%	14%	-1%	15%	14%	-1%	15%	14%	-1%	15%	14%	-1%
GAAP EPS (Diluted)	\$5.47	\$5.47	(\$0.00)	\$5.73	\$5.66	(\$0.07)	\$25.32	\$25.16	(\$0.16)	\$28.86	\$28.65	(\$0.20)
non-GAAP EPS	\$6.83	\$7.05	\$0.23	\$7.37	\$7.58	\$0.21	\$31.32	\$32.27	\$0.95	\$35.71	\$36.70	\$0.99
EBITDA	\$25,310	\$25,261	(\$49)	\$27,334	\$27,168	(\$166)	\$115,823	\$115,277	(\$546)	\$134,681	\$134,117	(\$564)
Margin	62.1%	60.6%	-1.5%	62.8%	60.6%	-2.2%	63.2%	61.3%	-1.9%	64.5%	62.0%	-2.5%
FCF	11,637	11,333	(303)	12,185	11,588	(597)	46,920	48,085	1,165	58,937	57,020	(1,916)
D&A	4,797	4,880	83	5,227	5,310	83	21,848	22,180	332	28,708	29,490	782
Capital Expenditures	13,455	15,001	1,546	13,939	15,244	1,305	58,087	61,574	3,488	64,203	68,160	3,957
Headcount	73,604	74,667	1,063	73,604	75,167	1,563	76,504	79,067	2,563	82,104	85,367	3,263
Diluted Shares	2,582	2,591	9	2,574	2,583	9	2,570	2,579	9	2,538	2,547	9
Daily Active People (bn)	3.36	3.39	0.03	3.39	3.42	0.03	3.43	3.49	0.06	3.54	3.62	0.08
Avg. Rev per person (ARPP)	\$12.00	\$12.16	\$0.16	\$12.73	\$13.00	\$0.27	\$52.75	\$53.23	\$0.48	\$58.23	\$59.00	\$0.78
Ad impressions delivered (y/y %)	8%	7%	-1%	9%	9%	-1%	9%	9%	0%	8%	9%	1%
Average price per ad (y/y %)	4%	7%	3%	2%	5%	4%	3%	3%	1%	5%	5%	0%

Source: BofA Global Research Estimates

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Valuation

PO Change: We raise our PO to \$765 (from \$710) based on higher 26x multiple (vs 24x multiple previously) offset by slightly lower 2026 GAAP EPS of \$28.65 (vs \$28.86 previously) but plus net cash. We think a higher multiple is justified as AI driven ad improvements are still in early stages and have potential to drive higher growth in 2025 and beyond.

Using AH stock price of ~\$692, Meta is currently valued at 24x our 2026 GAAP EPS estimate (or 23x ex-cash). On Price/FCF basis, the stock is valued at 31x. However, if we



back out \$20bn in estimated 2026 Metaverse losses, we get to an adjusted valuation at 19x 2026 GAAP earnings below the S&P 500 at 20x (assuming \$295 in EPS).

Exhibit 4: Meta sum-of-the-parts analysis

In the AH, Meta is trading at 24x our revised 2026 GAAP EPS estimate (23x ex-cash).

2026E Sum of Parts P/E

\$mn, except per share data

		Comments
Stock Price	\$692	
+ Net Cash (YE'25)	\$48,232	
+ Facebook Reality Labs	\$0	Taking a conservative view, we assume no value for Reality Labs
	\$48,23	
Total Adjustments	2	
Diluted shares (YE'25)	2,579	
Total Adjustments per share	\$19	
Adjusted stock price for cash	\$673	
2026E non-GAAP EPS	\$36.70	
FB core Adjusted non-GAAP EPS (ex-Facebook Reality Labs)	\$43.86	Adding back \$24bn in losses and assuming a 14% tax rate
2026E GAAP EPS	\$28.65	
FB core Adjusted GAAP EPS (ex-Facebook Reality Labs)	\$35.82	Adding back \$24bn in losses and assuming a 14% tax rate
2026 FCF/Share	\$22.11	
Current GAAP 2026E P/E	24x	
Core FB Adjusted GAAP 2025E P/E	19x	
Current GAAP 2026E ex-cash P/E	23x	
Price/FCF	31x	

Source: BofA Global Research

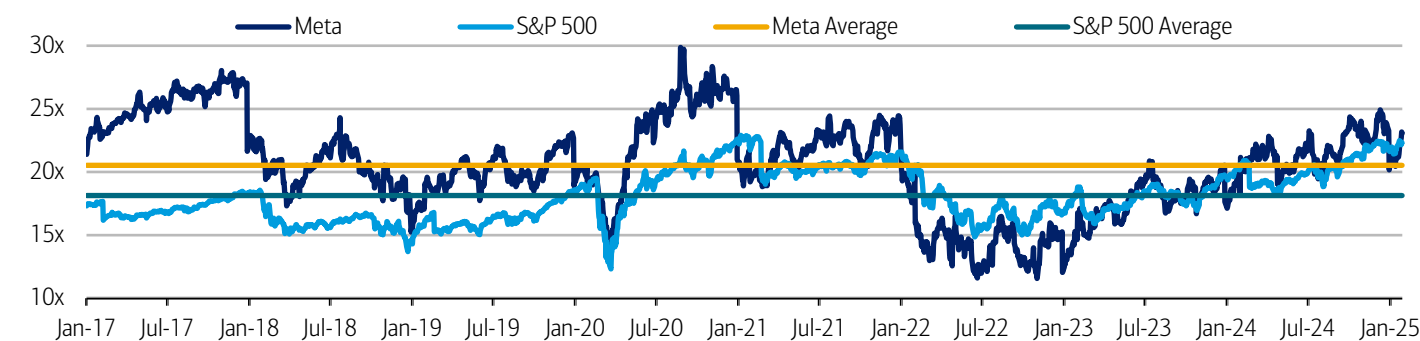
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2yr Forward GAAP P/E Multiple

At the AH stock price of ~\$692, Meta is currently trading at 24x our revised 2026E GAAP EPS vs 8yr historical avg. of 21x and range of 12-30x. Meta is currently at a 4pt premium to the S&P vs 3pt historical average.

Exhibit 4: Meta 2yr Forward GAAP PE (2017 – Present)

At the AH stock price of ~\$692, Meta is currently trading at 24x our revised 2026 GAAP EPS.



Source: Bloomberg

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Price objective basis & risk

Meta Platforms Inc (META)

Our \$765 price objective is based on 26x 2026E GAAP EPS, plus net cash. On a total company basis, including Metaverse investments, our valuation is largely in line with S&P 500 (historically, Meta has traded at an average premium of 3pts to S&P).

Downside risks are decline in user activity from competition, privacy or data issues impact revenue generation, potential for Street to assign a negative value to Metaverse (Reality Labs) given significant investments, and new regulations that impact monetization.

Analyst Certification

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	Carvana	CVNA	CVNA US	Michael McGovern
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	Expedia	EXPE	EXPE US	Justin Post
	Ibotta	IBTA	IBTA US	Curtis Nagle, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Uber	UBER	UBER US	Justin Post
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Reddit	RDDT	RDDT US	Justin Post
	Snap	SNAP	SNAP US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Cardlytics, Inc	CDLX	CDLX US	Omar Dessouky, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Yelp	YELP	YELP US	Nitin Bansal, CFA
RVW				
	Coursera Inc.	COUR	COUR US	Nafeesa Gupta

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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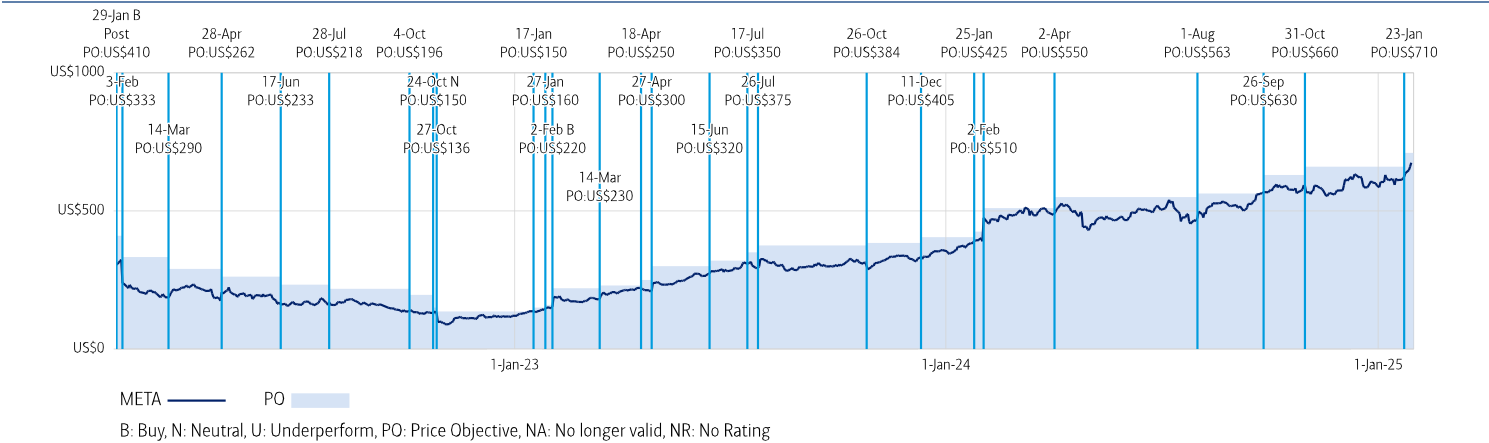
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Important Disclosures

Meta Platforms (META) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	209	53.45%	Buy	107	51.20%
Hold	93	23.79%	Hold	47	50.54%
Sell	89	22.76%	Sell	28	31.46%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	54.39%	Buy	1108	59.28%
Hold	766	22.29%	Hold	463	60.44%
Sell	801	23.31%	Sell	370	46.19%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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