



META Platforms, Inc

Independent Equity Research Report | **Aug 2, 2026** | NasdaqGS Symbol: **META** | **META** is in the S&P 500

Recommendation: STRONG BUY ★ ★ ★ ★ ★

● **Current Price: \$566.71** (as of market close Jul 31, 2026) ● **Fair Value: \$737.48** | **Margin of Safety: 24.51%**

● **Target Price (12 Mo.): Bear Case - \$659.61** | **Base Case - \$831.00** | **Bull Case - \$1274.55**

GICS Sector: Communication Services

Sub-Industry: Media & Services

Summary: Meta is the world's largest digital advertising and social media company. It is best known for Facebook and Instagram and is rapidly expanding into artificial intelligence

Highlights

- We forecast a five-year revenue CAGR of 20-25%, being a slightly bullish prediction. This growth is heavily supported by Meta's Q1 2026 performance, where Family of Apps (FoA), which comprises 98.9% of total revenue, grew 33.4% year-over-year to \$55.91 billion. This occurred because of Meta's advanced AI systems like Lattice and GEM, which expanded global ad impressions by 19% and lifted pricing by 12%. However, WhatsApp Business, which currently makes up only about 2% of sales, is set to grow by over 20% every year as more companies pay to text and sell things directly to consumers. This strong ad business has a wide moat, easily handling recent issues such as losing 20 million daily users due to government-enforced internet outages in Russia and Iran as well as offsetting stagnant sales from the Reality labs virtual reality headsets (1.1% of sales). In the long term, Meta hopes to monetize the multi-billion-dollar Llama enterprise ecosystem where large companies will depend on Meta for integration.
- We expect Meta's operating profit margin to settle at approximately 36% through 2027. While Meta's main advertising gross margin is incredibly profitable at over 80%, the company's overall profit margins face a temporary obstacle. CFO Susan Li raised 2026 CapEx to a historical \$125 to \$145 billion to increase computing capabilities and build AI infrastructure, including data centers, creating huge costs as these assets will depreciate quickly over time. However, Meta is paying for it responsibly by: 1) cutting costs by laying off 8,000 workers to shift money from payroll to AI computing, and 2), using everyday cash flow generated by FoA to avoid taking on too much debt.

- Our forecasts for EPS are \$31.70 for 2026, \$37.66 for 2027, and \$45.12 in 2028, reflecting numbers from the core business. We forecast the newly established annualized dividend payout of \$2.10 per share (~0.35% yield) to be sustained, supported by a low payout ratio of ~7.5% and substantial amounts of free cash flow.

Investment Rationale/Risk

- Our Strong Buy Recommendation is supported by Meta’s transition to AI Infra and components, which is leading to monetization across its app lineup. While near-term concerns are centered around CFO Susan Li’s expanded CapEx guidance of \$125 to \$145 billion, this infrastructure buildout is already delivering efficient results, growing ad impressions by 19% and expanding ad prices by 12%. Based on our multi-year modeling, as Meta benefits with greater efficiency from these investments and moves past peak spending, we forecast its operating margin to recover to approximately 41% by 2028, up from a temporary 36% expected from a near-term compression. This supports our multi-model valuation, which reports a blended intrinsic value of \$737.48 and hands investors a 24.51% margin of safety against a forward P/E multiple of just 18.02x. We assume steady 20-25% revenue growth for the core Family of Apps through 2028, while expecting huge contributions to net income from this revenue generator, made better by a long-term monetization potential from the Llama ecosystem. Additionally, the rout in top memory chipmakers helps the company scale its resources much more efficiently, and get more computing power out of every dollar they invest.
- We see much lower downside risk for Meta compared to its mega-cap technology peers. Even against the CapEx spending that Meta is executing, it’s held together by a clean balance sheet holding \$81.18 billion in cash and marketable securities against its low \$58.75 billion in long term debt. Huge cash flow generation continues and insulates capital returns, even during periods of elevated capital spending.
- Our price target is a result of an intrinsic value produced across our standalone tools, which is then projected 12 months forward. This compounding methodology sets our average price target at \$831.00, highlighting upside potential for investors as the market begins to justly price Meta’s long-term computing scale and efficiency gains.

Quantitative Evaluations

Volatility:	1	2	3	4	5
Insider Activity:	LOW		MEDIUM		HIGH
Fair Value Rank:	Unfavorable		Neutral		Favorable

Fair Value Calculation: \$737.48 | Analysis of the stock’s current worth, based on our multi-quantitative model suggests that META is undervalued by \$180.77 or 24.51%.

Stock Valuation

Graham's Valuation:	\$709.57	Discounted Cash Flow Valuation:	\$661.39
Multiples Valuation:	\$841.48	Lynch's Valuation:	0.91

Intrinsic Value (Average Output):	\$737.48
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Current Price:	\$556.71
Difference:	\$180.77
Margin of Safety:	24.51%
Acceptable Buy Price:	\$737.48
Buy/Sell:	Buy!

***Note:** The valuation methods to the left contain specific assumptions considered by the author and can be clarified upon request.

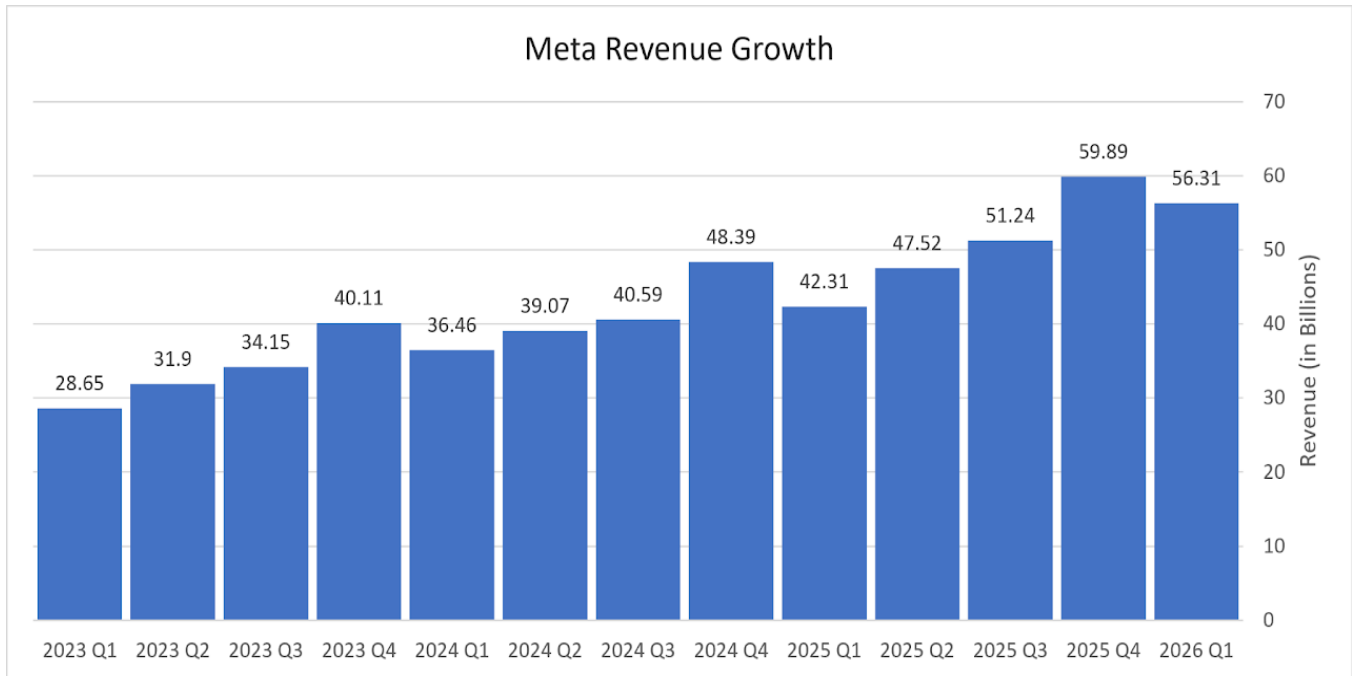
Technical Evaluation: Neutral - Since early 2026, the technical indicators for META have been bearish, as the stock enters a phase with mixed signals, while the market significantly under values the stock.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment balances our view of the company's highly profitable core franchises—including Facebook, Instagram, Messenger, and WhatsApp—along with its success using artificial intelligence to optimize its advertising architecture, with several key structural challenges. Specifically, the enterprise faces an intensive \$125 billion to \$145 billion infrastructure super cycle to construct advanced AI infrastructure, alongside investor anxieties that a speculated multi-billion-dollar public stock offering to fund these projects could dilute equity. These problems are intensified by persistent operational losses in its virtual reality division, strict international data privacy frameworks, and a structural growth ceiling dictated by the law of large numbers. However, due to recent success with monetization through AI infrastructure and the discovery of different ways to fund CapEx, Meta is successfully setting themselves up for growth in the long term.

Revenue/Earnings Data

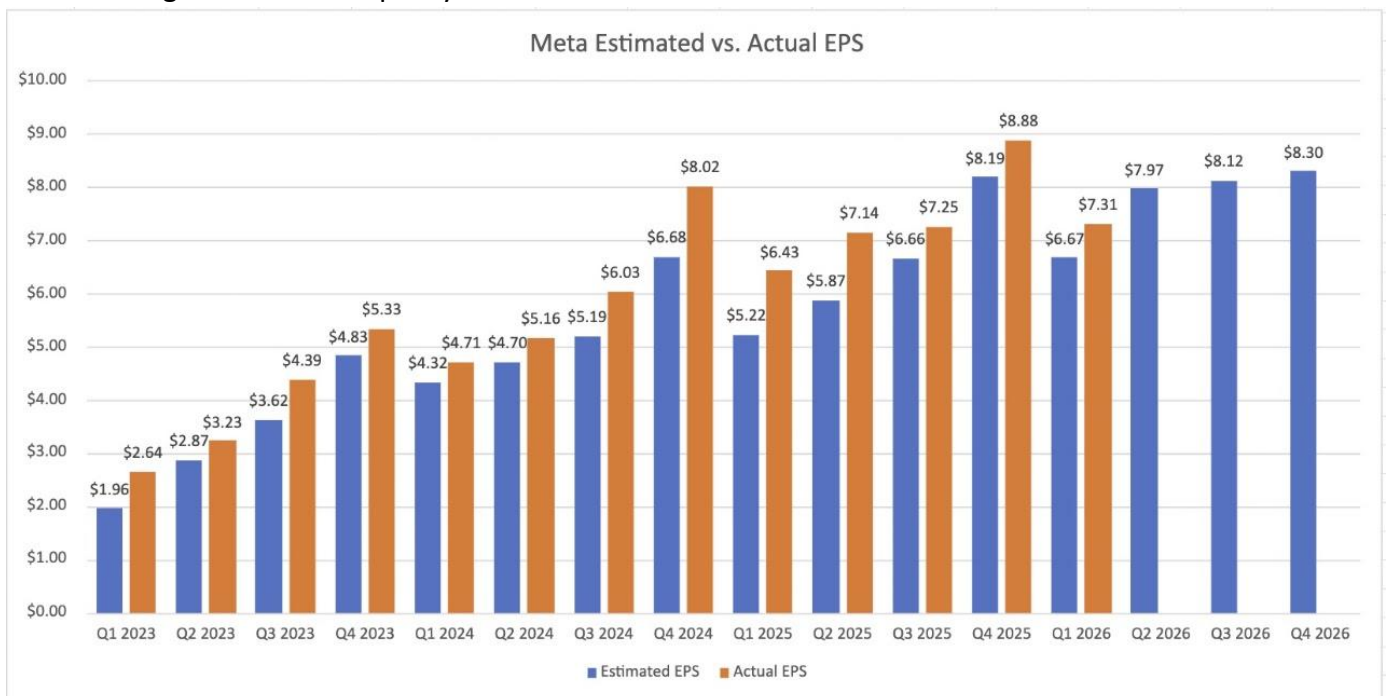


1 Year Revenue Growth Rate (2024 - 2025): + 22.17%

3 Year Revenue Growth Rate (2022 - 2025): + 20.01%

5 Year Revenue Growth Rate (2020 - 2025): + 18.51%

Above chart tracks revenue growth from Q1 of 2023 to Q1 of 2026, showing revenue steadily increasing. Currently, Meta is increasing revenue significantly, reaching a peak in Q4 of 2025. This sharp upward trend shows a strong recovery from the 2022 slowdown, driven by huge Q4 holiday spending spikes alongside accelerated growth over the past year.



The chart above tracks estimated EPS versus actual EPS over the time period of Q1 2023 to Q1 2026. Although the graph shows steady EPS growth over these years, there were two main exceptions that have been adjusted because of unique external shocks to the company. For example, in Q3 of 2025, Meta's actual earnings per share dropped to a compressed \$1.05. This was due to a one-time non-cash income tax charge of \$15.93 billion, wholly triggered by the implementation of H.R.1. However, adjusted EPS at \$7.25 still beat earnings estimate for that quarter by 8.86%. The other exception was quite the opposite and took place recently during Q1 of 2026. Meta received a one-time tax benefit of \$8.03 billion while also growing revenue 33% YOY, driving its earnings per share to \$10.44. However, because the tax benefit was the primary factor for such a surge, adjusted earnings were lower at a rate of \$7.31 per share, persistently beating analyst expectations by an impressive 9.6%.

Key Stock Statistics

52-Wk Range:	\$520.26 - \$796.25	Oper.EPS2026E:	\$28.30	Market Capitalization:	\$1.48 T	Beta:	1.24
Trailing 12-Month EPS:	\$27.50	Oper.EPS2027E:	\$37.66	Yield [%]:	0.36	3-yr Proj. EPS CAGR [%]:	21.2
Trailing 12-Month P/E:	23.09x	P/E on Oper.EPS2026E:	20.40x	Forward P/E Ratio:	19.49	SPGMI's Quality Ranking:	A-
USD 10K Invested 5 Years Ago:	\$19,477	Common Shares Outstg. [B]:	2.2 B	Trailing 12-Month Dividend:	\$2.10	Institutional Ownership [%]:	75.26

Expanded Ratio Analysis

	2025	2024	2023	2022
Price/Sales	8.31	9.02	6.74	2.74
Price/EBITDA	16.39	13.89	15.7	8.48
Price/Pretax Income	19.43	17.47	19.18	11.07
P/E Ratio	21.01x	24.54x	23.3-23.6x	14.01x
Avg. Diluted Shares Outstanding (M)	2,574.00	2,614.00	2,629.00	2,702.00

Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income:	-3.05%	37.64%	17.68%
Sales:	22.17%	19.88%	17.92%
Ratio Analysis (Annual Avg.)			
Net Margin (%):	30.08%	31.95%	29.56%
% LT Debt to Capitalization:	31.15%	24.30%	15.65%
Return on Equity (%):	29.00%	32.40%	27.85%

Historical Stock Price vs. Operational Cash Flow



Chart Source: TradingView

This chart tracks Meta's stock price against its operational cash flow from 2022 to early 2026, showing a major bottom in late 2022 followed by a recovery throughout 2023. In 2024, the stock price jumped while cash flow dipped shortly before catching up. Most importantly, by early 2026, a wide "jaw" pattern opens up as the stock price cools down from its \$798 peak while operational cash flow surges in the opposite direction to an all-time high.

Industry Peer P/E Comparison



Chart Source: KoyFin

The above chart compares LTM/TTM PE Ratios of securities to contrast Meta's value against other Mega-Caps. According to the graph, Meta trades at a much lower PE ratio than its peers at just 20.5x. Even Google, a corporation that shares the Media and Services sector with Meta, trades at a much higher multiple of 26.4x. Apple, a technology giant that owns 59% of the iPhone market in the US, trades at extreme expense compared to Meta, sitting at a TTM PE of 36.1x. Meta is also significantly undervalued when weighed against the market benchmark, the S&P 500, effectively demonstrating this opportunity for long-term investors.

Sub-Industry Outlook

- Our evaluation of the S&P 500 Interactive Media and Services sector is extremely positive, similar to our high expectations for the broader digital advertising market. In a developing world, dividing lines between social networking applications, digital entertainment platforms, and tech hardware are disappearing, and blurring together. This shift occurs as older boundaries transform into smarter algorithmic decision making for entertainment and engagement. Additionally, mega-cap businesses such as Meta Platforms and Alphabet, which account for more than 90% of this sub-industry's total market value, generate the majority of their revenue through high-return digital advertising instead of licensing or standard consumer subscriptions.

- When looking at recent performance, total annual revenue for the sub-industry has recovered from the single-digit slowdown caused by high inflation and privacy concerns in 2022. For the full year of 2026, Meta's revenue is projected to jump around 23.83% Y/Y to hit \$248.9B. This follows recent trends after they brought in \$164.5B (+21.9%) in 2024 and \$200.9B (+22.1%) in 2025. This momentum will likely continue through the second half of the year, essentially supported by novel machine learning models that have increased return on ad spending globally. This expansion outpaces growth around the globe, where an abundance of smaller vendors is more vulnerable to changes in the market or shifting user patterns.
- Recently, another event shook the stock market, and proved again why this sub-industry is uniquely protected. In June 2026, a global semiconductor stock market rout occurred, wiping out over \$1.3 trillion in value from top chipmakers due to a market correction. Because social media platforms are massive consumers rather than producers of these chips, a cooling hardware market stabilizes CapEx inflation for Meta's multi-billion-dollar infrastructure buildouts, maximizing efficiency and protecting their long-term operating margins.
- However, this sub industry contains many different aspects that drive both Meta and the performance of this sector of the economy. There have been several changes in the perspective of consumer AI recently, including a shift into an infrastructure/hardware race rather than merely concentrating on the LLMs (Large Language Models), showcased by Meta's newest release of its \$299 smart glasses. These improved glasses boast built-in artificial intelligence commonly referred to as Meta AI/Muse Spark (the brain that powers Meta AI). Another amendment to Meta's agenda is outsourcing hardware and balancing it with their in-house server silicon to cut upfront research and development costs, contributing to protecting their operating margins during these huge CapEx phases. Furthermore, as Meta's concerns mount over the saturation of nearly the entire global digital market, monetization of AI has and will become a massive factor for the mega-cap. Artificial intelligence has started to substitute predictive machine-learning models for device-tracking methods to optimize ad placement, increase the total number of ads (although this number has minimal room for growth), and most importantly increase the price per ad. This sub-industry is leaning towards open-sourcing advanced LLMs like Llama to establish an early foundation for global software.
- As of July 8, 2026, the S&P 500 Interactive Media and Services index have outperformed technology sectors based on risk and return. The sub-industry is sitting at an attractive relative valuation, led by Meta Platforms trading at an TTM P/E multiple of just 20.5x earnings. They outpace other peers in the sector such as Alphabet at 26.4x, Apple at 36.1x, and the market benchmark Vanguard S&P 500 ETF at 28.4x. This margin offers investors a valuation cushion when considering long-term earnings potential.

Investor Conviction

Below is a list of institutional and billionaire retail investors that have recently invested in Meta, or continue to hold their positions in the company. This consistent backing from refined investors reinforces our Strong Buy thesis, showing market confidence in Meta's long-term computing scale and infrastructure-driven monetization. The following breakdown details the stakeholder's capital deployment towards Meta:



Bill Ackman (Pershing Square Capital Management): In a widely publicized Wall Street move, Ackman initiated a **massive \$2 billion gamble on Meta**, allocating roughly 11% of his hedge fund's total capital to the stock. Ackman cited Meta's digital ad dominance and robust capabilities in monetizing users via artificial intelligence.  The Motley Fool +2



Jeffrey Ubben (ValueAct Holdings): Ubben maintains a top position with Meta accounting for **over 9% of his total reported portfolio**.  ValueSider



Mason Morfit (ValueAct Capital): Known for strategic and activist-style investing, Morfit scaled up his Meta holdings by **adding a staggering 36.3%** to ValueAct's position.  Medium  Bellajones



David Tepper (Appaloosa Management): Tepper continues to hold Meta as a **prominent, high-conviction AI cornerstone** in his portfolio. Appaloosa increased its position significantly (+62%) during recent filing cycles.  Gulf SQAS +1

- **Vanguard Group:** Vanguard stands as the single largest institutional holder of Meta's public float. The firm possesses an estimated **180 million to 195 million shares**, representing a commanding **8.5% to 8.8%** stake in the total outstanding equity. The position acts as a massive anchor of stability across its passive index funds, total market ETFs, and mutual fund products.

- **BlackRock Inc.:** BlackRock is the second-largest institutional investor in the company. The asset management titan holds roughly **164.6 million to 168.8 million shares**, capturing a **7.5% to 7.8%** ownership share of Meta. This multi-billion-dollar allocation is highly concentrated across its flagship iShares ETF suite and quantitative active-management portfolios.

Disclaimer: This report is only for educational and academic purposes and does not constitute formal investment advice.