

Company: Meta Platforms, Inc.	Ticker: META Price: \$143	Industry: Communication Services Sub Industry: Interactive Media and Services	
Target Price: \$154.80 Stop Loss: 25% 52 Week High/Low: \$328.00/\$88.09	TTM P/E: 12.66X Forward P/E: 18.35X EPS: 10.52	Beta: 1.16 Credit Rating: A1 (Moody's) Rating Outlook: Stable	Market Cap: \$375B Avg. Vol. (12 M): 44,017,448 Div. Yield: 0%

Company Background:

Meta Platforms, Inc. is a leading social media and technology company based in Menlo Park, California. The company has grown to become one of the world's most popular and widely used platforms, with over 3.71 billion monthly active people as of 2021. The company's flagship platform, Facebook, allows users to connect with friends and family, share photos, videos, and links, and join groups and communities. Additionally, Meta Platforms owns and operates Instagram, WhatsApp, and Messenger which are also popular social networking platforms. Meta Platforms uses these social media platforms to generate revenue through advertising. The company's advertising platform allows businesses to target specific demographics and interests, making it a valuable tool for marketers. Additionally, Meta Platforms' virtual and augmented reality technology, such as the Oculus brand, and artificial intelligence is expected to play a significant role in the company's future operations.

Industry Outlook:

The interactive media and services industry has experienced significant growth in recent years and is expected to continue to do so in the future. The increasing penetration of internet-enabled devices, such as smartphones and tablets, and the growing popularity of social media and video streaming platforms, have driven the expansion of this industry.

One major trend in the industry is the increasing use of virtual and augmented reality technology. This technology has the potential to revolutionize the way we consume media and interact with each other, and companies in the interactive media and services industry are investing heavily in its development. This technology is likely to be used in areas such as gaming, education, and healthcare, among others.

Advertising and e-commerce are also a key area of growth for the industry. As the use of social media and other online platforms continues to rise, businesses are increasingly turning to digital advertising to reach consumers. This is expected to drive growth in the digital advertising market, which is expected to reach \$1 trillion by 2025.

Investment Thesis:

Meta Platforms, Inc. is a well-established and financially strong company with a strong track record of growth. Its dominant position in the social media market, along with its ownership of Instagram and WhatsApp, positions the company well for continued success.

Additionally, the company's advertising platform and virtual and augmented reality technology provide potential for future growth.

1. Leader in Digital Advertising
2. Oversold from Technology Sell-Off and Worries on Growth and Profitability
3. Opportunities in Extended Reality
4. Great Financial Health

Investment Risks:

- Increasing competition from incumbent firms and new entrants. This could reduce time spend on Meta Platforms' social media platforms leading to advertisers spending money elsewhere.
- Lack of diversification makes Meta Platforms is reliant on advertising spending. Advertising makes up 97.5% of Meta Platforms' revenue.
- Regulatory risk from increasing restrictions on data collection to antitrust lawsuits makes Meta Platforms vulnerable to the results of legal actions.
- Meta Platforms' ambitious investments in Reality Labs could fail to yield the expected economic and strategic returns.

3-5 takeaways from last quarter investor call transcript:

- Meta Platforms' social media platforms are strong and continue to grow. Reels has seen tremendous growth, which has helped increase incremental time spend and engagement.
- Advertisers are having a difficult time, but continue to spend money on digital advertising.
- Artificial Intelligence and Machine Learning are high return on investments. Meta Platforms' is going to continue to spend invest and grow its capabilities until it determines there is no marginal benefit.
- Virtual Reality and Mixed Reality will continue to be developed as the firm tries to develop the next computing platform. The release of the Meta Quest Pro and partnerships will help the company appeal toward businesses.

4-Year Financial Performance (Millions):					Discounted Cash Flow Valuation:	
	2018	2019	2020	2021	Terminal Value Assumptions	
Revenue	\$55,838	\$70,697	\$85,965	\$117,929	WACC	9.50%
Net Income	\$22,112	\$18,485	\$29,146	\$39,370	Perpetual Growth Rate	1.50%
NOPLAT	\$21,721	\$17,870	\$28,699	\$38,928	Terminal Value	\$ 653,038
Revenue Growth %	37.35%	26.61%	21.60%	37.18%	PV of Terminal Value	\$ 239,257
EBIT % Margin	44.6%	41.0%	38.0%	39.6%	PV of Cash Flows	\$ 150,944
ROE	27.9%	20.0%	25.4%	31.1%	Enterprise Value	\$ 390,201
FCF	\$15,359	\$21,212	\$23,632	\$39,116	Total Debt (-)	\$ 26,481
					Cash (+)	\$ 41,776
					Equity Value	\$ 405,496
					Shares Outstanding	\$ 2,622
					Implied Share Price	\$ 154.64
					Current Share Price	\$ 143.27
					Margin of Safety	7.35%

Relative Valuation:							Total Return %			
	TEV/LTM Revenue	TEV/EBITDA	TEV/EBIT	P/E	P/BV	Net Profit Margin		META	Comm. Services	SPY ETF
Meta Platforms	2.48x	6.24x	7.99x	13.30x	2.52x	24.4%				
Alphabet	4.10x	11.73x	14.47x	19.47x	4.89x	23.7%				
Microsoft	8.73x	17.42x	20.89x	25.88x	10.44x	34.4%	YTD	+14.85%	+11.15%	+5.20%
Snap	3.44x	.0x	.0x	.0x	5.33x	-24.3%	1 Year	-53.59%	-25.73%	-8.91%
Pinterest	4.96x	56.82x	94.07x	13641.02x	5.13x	2.2%	5 Years	-24.59%	+7.01%	+39.80%
Information Technology Average	2.80x	13.30x	17.80x	21.60x	4.30x	9.5%				
								Governance Disclosure Score		7.55
								Social Disclosure Score:		3.16
								Environmental Disclosure Score:		6.37