LISBON INVESTMENT SOCIETY | EQUITY RESEARCH

Meta

Nov 25th, 2025 09:00 AM GMT

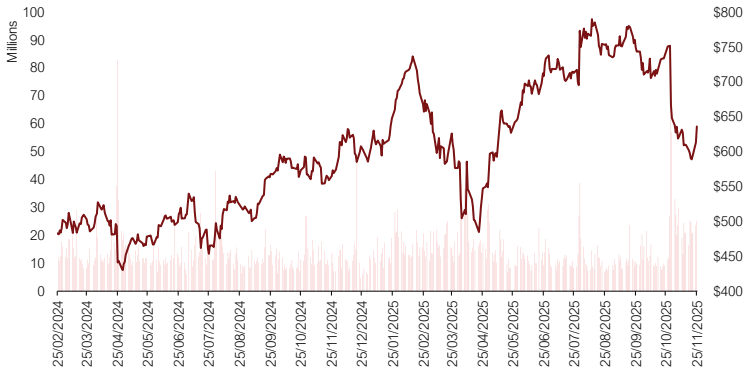
META Platforms, Inc.

Recommendation: **BUY** | *Price Target: $790.00*

Meta has proven to be a dominant force in the digital ecosystem, maintaining its position among the largest players in the global advertising and social media markets. The company continues to deliver strong revenue and engagement growth, supported by resilient margins and significant room for further monetization. This outperformance is largely driven by its AI-enhanced advertising engine and the scale of its global platforms.

With a strong balance sheet, substantial free cash flow generation, and unmatched global reach across Facebook, Instagram, WhatsApp, and Messenger, we believe Meta is well-positioned to continue expanding in both its core business and long-term areas such as AI, messaging commerce, and immersive technologies.

Based on our DCF analysis, we arrive at a fair value estimate of **$790.00**, significantly above the current trading level. Although regulatory scrutiny and competitive pressure create ongoing challenges, we believe Meta has the scale and capabilities to adapt and thrive. We view recent market concerns as a buying opportunity and assign a **buy recommendation** on the stock.



Business Overview

Meta Platforms, Inc. is a global technology powerhouse redefining social connection through an integrated ecosystem of applications and immersive technologies. The company differentiates itself by monetizing user attention via high-precision **digital advertising**, now supercharged by cutting-edge **Artificial Intelligence infrastructure**. Meta's evolved mission focuses on **building "personal superintelligence" accessible to all** and establishing the next computing platform through smart glasses and mixed reality. Uniquely, Meta positions itself as the world's leading "Open Source AI" laboratory (via its Llama models), creating a competitive moat based on algorithmic performance that is difficult for rivals to replicate.

As of late 2025, Meta operates a bimodal **business model** where the "**Family of Apps**" (Facebook, Instagram, WhatsApp, Threads) drives over 98% of total revenue, serving 3.54 billion daily active people. While "**Reality Labs**" represents less than 2% of revenue, this hardware-focused segment (VR/AR) is central to Meta's long-term strategy to escape reliance on mobile operating systems like iOS and Android. The company capitalizes on secular trends like short-form video consolidation (Reels) and Generative AI, using automated tools like Advantage+ to deliver superior ROI for advertisers.

Financially, **Meta maintains a fortress-like position**, demonstrating surprising **revenue growth of 26% in Q3 2025**, fueled by algorithmic improvements in ad delivery. The company boasts **industry-leading gross margins** of 82% and **robust cash conversion**, supporting a solid balance sheet with **abundant liquidity** ($44.45 billion) and **minimal net debt**. Despite a historically high capital expenditure cycle dedicated to training AI models, Meta trades at attractive growth-adjusted valuation multiples, as the market begins to recognize the immediate accretive value of its AI infrastructure alongside its long-term vision.

LISBON INVESTMENT SOCIETY

NASDAQ: META
Price (Nov 25): $636.22
Upside: 23%

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Statistics	
Beta	1.27
% Float	86.12%
% Held by Insiders	0.06%
% Held by Institutions	79.32%
Short % of Float	1.39%

Holder	% Out
Vanguard Group Inc	8.85%
Blackrock Inc.	7.69%
FMR, LLC	5.97%
State Street Corporation	3.97%
JPMORGAN CHASE & CO	2.51%
Geode Capital Management, LLC	2.38%
Capital World Investors	1.80%
Price (T.Rowe) Associates Inc	1.78%
Morgan Stanley	1.69%
NORGES BANK	1.44%

Board of directors

Mark Zuckerberg (Founder, Chairman and Chief Executive Officer), Peggy Alford (Chair of the Compensation, Nominating & Governance Committee), Marc L. Andreessen (Member of the Risk & Strategy Committee), John Arnold (Member of the Risk & Strategy Committee), Patrick Collison, John Elkann (Member of the Compensation, Nominating & Governance Committee), Andrew W. Houston (Member of the Compensation, Nominating & Governance Committee), Nancy Killefer (Chair of the Audit & Privacy Committee), Robert M. Kimmit, Dina Powell McCormick (Member of the Audit & Privacy Committee), Charlie Songhurst (Chair of the Risk & Strategy Committee), Hock E. Tan (Member of the Audit & Privacy Committee), Tracey T. Travis (Member of the Audit & Privacy Committee), Dana White (Member of the Risk & Strategy Committee), Tony Xu (Member of the Compensation, Nominating & Governance Committee)

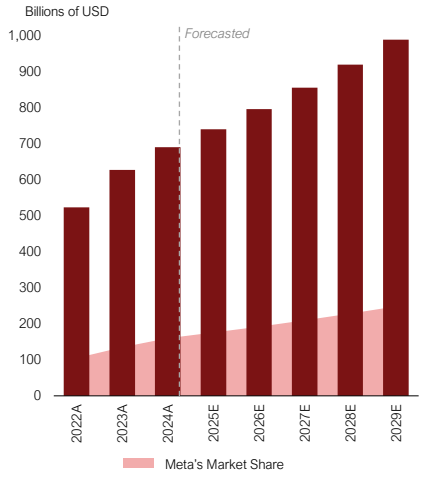
ESG Scores	
LSEG ESG Score	**61**
E-Score	*74*
S-Score	83
G-Score	*59*
S&P Global ESG Score	**30**
ISS ESG Corporate Rating	**C**
SDG Impact Rating	-5.8
Governance Quality Score	*10*
Bloomberg ESG score	**4.28**

For inquiries about this report, feel free to contact our team

CONTACT US

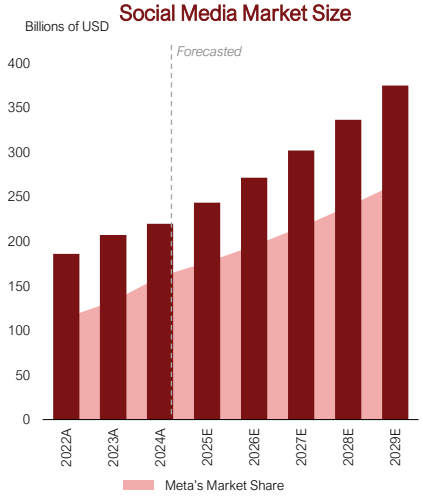
Industry and Market Overview

Digital Advertising Market Size



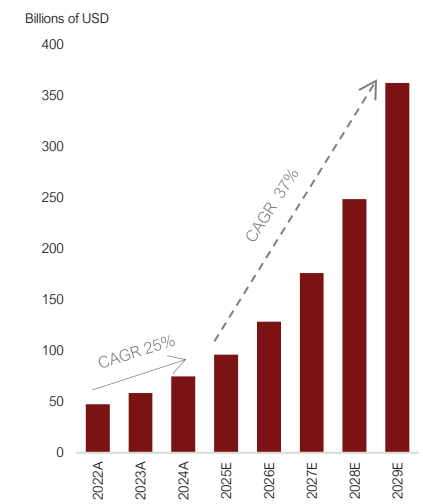
Source: Statista

Social Media Market Size



Source: Statista

Metaverse/VR Market Size



Source: Tiktok

The META US company operates in three different markets, those being digital advertising, social media, and the Metaverse/VR segment . While these sectors are interconnected, they exhibit distinct growth profiles and competitive landscapes. The first industry is the least exponential, at least in expected growth, up until 2029 . It is expected for it to reach **$988.7B** in total market cap with an expected CAGR of **6.0%** . This steady growth reflects a maturing sector. However, recent studies indicate that digital ad spending is largely resilient, driven significantly by the "Big Three" (Meta, Google, Amazon), whose combined market share of global ad revenues hit **51%** in 2024. It is a broader sector and, following that, META presents a lower market share of around **25%**, having to compete with companies like Google and Amazon . The market is currently shifting toward AI-driven efficiency and video formats. For instance, digital channels now account for over **72%** of worldwide ad investment, with social video and retail media networks driving the majority of new growth. Regarding social media, it is a growing industry, with a CAGR of **9.0%** . It is expected to reach **$375.1B** in market cap . Meta's share in "Social Media" is roughly **3x** its share in the broader "Digital Ad" market because it dominates social traffic but competes with Search . This disparity exists because Meta is the dominant player in social media traffic, but it faces significant competition in the broader digital advertising space, particularly from Search platforms . Industry data supports this dominance, showing that in the first half of 2024, Meta's platforms (Facebook and Instagram) captured approximately **63.8%** of total social media ad spend, far outpacing competitors like TikTok and YouTube. Notably, 2024 marked a landmark shift where social media advertising spend globally surpassed paid search for the first time, projected to reach **$247.3 billion** for the year. Unlike the steady maturity of digital ads, the Metaverse and Virtual Reality (VR) sector is projected to be highly exponential. Market analysis suggests the global Metaverse market size could expand by over **$362.4 billion** between 2025 and 2029, growing at an aggressive CAGR of **30.4%**. Meta remains a primary driver in this space through its Reality Labs division. The VR hardware market is largely consolidated, with Meta's Quest series being a market leader in shipment volumes, competing primarily against new high-end entrants like Apple's Vision Pro. While currently smaller in revenue compared to advertising, this segment represents Meta's long-term bet on the next computing platform, with massive investments in AR/VR hardware and immersive software ecosystems. The company's market share is expected to follow the trend that has been going on, that is, for it to decrease with it being an untapped market for now, and innovation being presented by different companies as the years go on.

Potential Drivers

Meta Platforms is currently navigating an important transformation defined by the merging of an aggressive infrastructure "supercycle" and a fundamental shift in the nature of digital consumption. The primary driver propelling the company's valuation and operational strategy is the AI Infrastructure Pivot. No longer solely a social networking company, Meta has transitioned into an AI-first entity, necessitating a projected capital expenditure of $70–$72 billion in 2025 alone. This massive investment in "compute sovereignty", specifically the acquisition of Nvidia H100 and Blackwell GPU clusters, is not merely R&D; it is the engine of current revenue. The deployment of these resources into the "Advantage+" ad stack has allowed Meta to overcome the "signal loss" caused by Apple's iOS privacy changes. By replacing user-tracking data with predictive machine learning models, Meta has restored ad performance efficiency, directly driving a 26% year-over-year revenue increase and proving that AI is the primary lever for monetization in a privacy-first world.

Parallel to this technological update is a critical Consumer Behavioral Shift towards "Algorithmic Entertainment." The era of the "social graph", where users primarily see content because they follow a friend, has been replaced by the "discovery engine." This shift is driven by the industry-wide dominance of short-form video, where Meta's Reels product has now matured into a $50 billion annual revenue business. By successfully copying the engagement model of competitors like TikTok and integrating it into Instagram and Facebook, Meta has defended its share of "Time Spent," turning user attention into monetizable inventory at a scale that rivals rely on. This successful pivot ensures that user retention remains high even as the utility of traditional social networking declines.

However, these growth vectors are counterbalanced by Regulatory and Strategic Defensive Drivers. The external environment remains hostile, particularly in the European Union, where the Digital Markets Act (DMA) challenges Meta's "walled garden" model, that is, an environment that controls the user's access to network-based content and services. by mandating interoperability and consent-based advertising. This regulatory friction is the silent driver behind Meta's continued investment in Reality Labs (VR/AR). Despite significant operating losses, the push into the Metaverse is a strategic imperative designed to escape the "Supplier Power" of the mobile duopoly (Apple and Google). By attempting to own the next hardware platform, Meta is driven by the need to secure long-term independence from the operating system constraints that currently threaten its primary ad business.

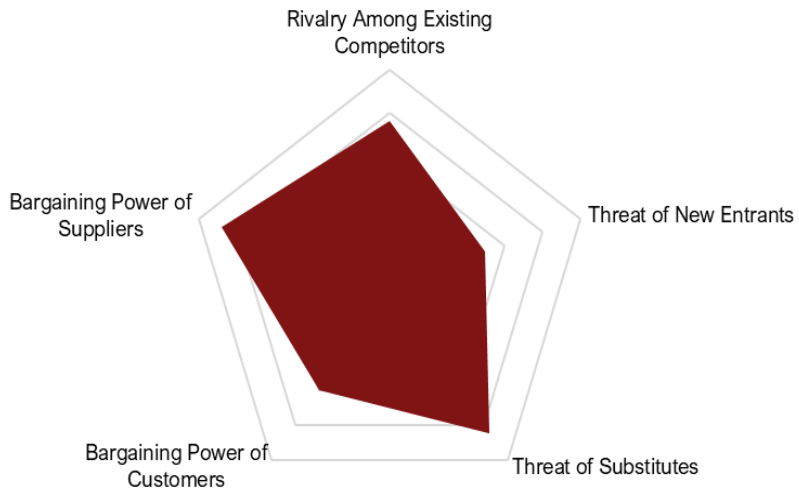
Porter's Five Forces

Bargaining Power of Suppliers: Critical Risk

This remains Meta's single greatest strategic vulnerability. Unlike its primary rivals, Google and Apple, Meta does not control the operating system or the hardware layer of the internet, leaving it in a perpetual "sovereignty crisis." The company is currently navigating a "Capex Supercycle," projecting $70–$72 billion in 2025 expenditures primarily to secure AI compute. With Nvidia controlling over 80% of the AI chip market, Meta is effectively a "price taker," forced to pay substantial premiums for H100 and Blackwell GPUs to keep its Llama models competitive. Furthermore, the "Apple Tax" remains in full effect. Apple's *App Tracking Transparency* (ATT) framework continues to restrict Meta's data visibility, meaning any future privacy update to iOS could further sever the signal Meta needs for ad targeting, effectively allowing a supplier to regulate Meta's revenue at will.

Threat of Substitutes: High

The definition of a "substitute" has expanded beyond other social networks to include any platform where a purchase occurs, creating a high-intensity war. Retail Media Networks (RMNs) like Amazon and Walmart have become formidable substitutes because they capture users at the point of purchase. Unlike a Facebook ad, which requires a user to click and leave the app, an Amazon ad converts instantly, and this "attribution certainty" is stealing budget from Meta's upper-funnel brand awareness campaigns. Additionally, a new, existential substitute has emerged in 2025: "Agentic AI." Meta's core ad inventory risks losing relevance.



Threat of New Entrants: Low to Moderate

The barrier to entry has shifted from user acquisition to "Compute Capacity," . Competing with Meta's recommendation engine now requires tens of billions in AI infrastructure, effectively blocking startup entrants. While EU regulations (DMA) attempt to lower barriers by forcing messaging interoperability, the capital costs and entrenched network effects make successful displacement highly unlikely.

Bargaining power of buyers: Moderate

Meta has basically used AI to create a "golden handcuffs" situation for advertisers. With their new Advantage+ tools, you just hand over your credit card and a picture, and their AI handles the rest. It's convenient, sure, but it turns the whole process into a "black box" where advertisers can't fiddle with the settings anymore, which puts the power back in Meta's hands. That said, advertisers aren't loyal; they're ruthless. They only care about the return on their cash. The second Meta's AI stops delivering more sales than Google or Amazon, those automated budgets will walk out the door.

Competitive Rivalry: High

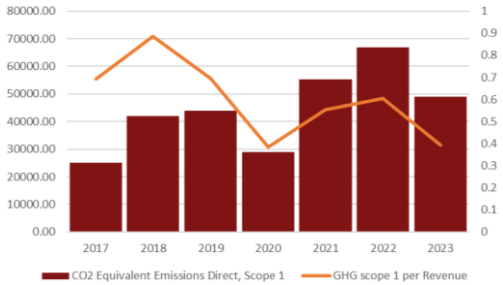
The ad market is of limited competition, a market where growth is zero-sum. While Meta is currently outpacing the market, it remains locked in a battle for "time spent" against TikTok. The difference-maker in 2025 is no longer features, but "Algorithm Efficiency." Meta is currently winning simply because its AI-driven "Advantage+" tools are delivering a higher Return on Ad Spend (ROAS) than competitors, effectively buying market share through superior performance.

ESG Analysis

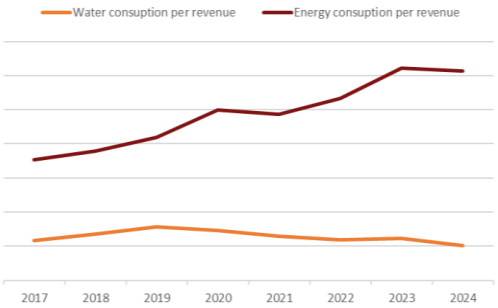
Environmental

META has a target to **reduce its GHG scope 1 emissions by 42% until 2031** following their 2021 baseline, it's CO2 direct emission in scope 1 has increased, however, the amount per revenue decreased, representing a **better efficiency** throughout the years. The company also plans to, **by 2031, restore 200% of all water they consume back to the planet** (they already achieved 1,6 million gallons returned). META's **energy consumption**, even though it's increasing relative to revenue in past years, has showed to be way **more efficient than comparative Peers**, such as Alphabet and Microsoft.

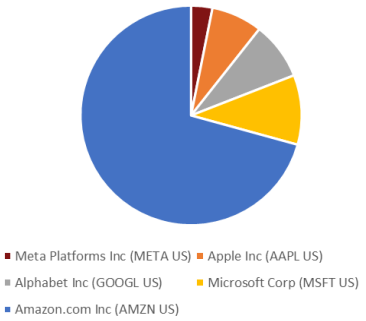
GHG Scope 1 value and per revenue



Water Consumption vs Energy consumption



Number of employees



Social

META's social scope is **controversial**, by one side, they demonstrate **high control over quality in supply chains**, as they are mandated to adhere to the Responsible Business Alliance, and **community involvement**, as they, for example, **provided over $40 million in direct funding to schools and nonprofits.** However, the company's drive at the moment is to increase their engineer to employee ratio, meaning **major reduction in workforce**, reducing the numbers to one of the lowest between peers. Also, Meta is **full of controversies regarding discrimination, lawsuits, management departures, and multiple Intellectual Property controversies related to AI development**.

Governance

META's governance presents **high quality when talking about independence**, **as 89% of the board is composed of non-executive members**, however, when discussing **diversity, only 4 women are positioned as Director, out of 15**, and in the broader representation in executive management, the diversity dropped from 40% to 28% in 2023. **Mark Zuckerberg remained for years as the founder, Chairman and CEO at the same time**. But given all, the company publishes an annual Human Rights Report, Community Standards Enforcement Reports, and a Transparency Center, everything within 8 months after fiscal year end, somewhat delayed, but explained by the complexity of the reports.

Director's name	Position	M/F
Mark Zuckerberg	Founder, Chairman and Chief Executive Officer	M
Peggy Alford	Chair of the Compensation, Nominating & Governance Committee	F
Marc L. Andreessen	Member of the Risk & Strategy Committee	M
John Arnold	Member of the Risk & Strategy Committee	M
Patrick Collison		M
John Elkann	Member of the Compensation, Nominating & Governance Committee	M
Andrew W. Houston	Member of the Compensation, Nominating & Governance Committee	M
Nancy Killefer	Chair of the Audit & Privacy Committee	F
Robert M. Kimmitt		M
Dina Powell McCormick	Member of the Audit & Privacy Committee	F
Charlie Songhurst	Chair of the Risk & Strategy Committee	M
Hock E. Tan	Member of the Audit & Privacy Committee	M
Tracey T. Travis	Member of the Audit & Privacy Committee	F
Dana White	Member of the Risk & Strategy Committee	M
Tony Xu	Member of the Compensation, Nominating & Governance Committee	M

Peer Analysis and Relative Valuation

Comparing Meta Platforms to peers proved to be complex. The company's largest competitor, **ByteDance** (TikTok), is a **private owned** company. Additionally, Meta's sheer scale and **trillion-dollar market capitalization** set it apart from most public rivals in the digital media space. As a result, comparisons often involve smaller, that share similar products, but lack the global reach, revenues, and maturity of Meta.

Growth	Meta Platforms Inc	Snap Inc	Alphabet Inc	Pinterest Inc	AVERAGE
Revenue (LTM)	21%	12%	13%	17%	**14%**
Revenue (3-yr CAGR)	17%	8%	11%	14%	**11%**
Gross profit (LTM)	22%	14%	16%	18%	**16%**
EBIT (LTM)	26%	-33%	17%	145%	**43%**
EBITDA (LTM)	23%	-54%	17%	126%	**30%**
FCF (LTM)	23%	528%	5%	55%	**196%**

Meta shows strong growth and solid operational performance. The company reports a **21%** increase in **revenue** over the last twelve months (LTM), an amazing result comparing with its **peer average of 14**%, driven by increased demand for digital advertising, improved ad targeting powered by AI, and higher engagement across its Family of Apps portfolio. Additionally, its **three-year compound annual growth rate** (CAGR) of **17%** demonstrates consistent expansion over time, emphasizing sustainable revenue gains. The company maintains a notably **high EBITDA margin (53%)** by operating at scale and controlling costs through automation and efficient digital infrastructure. Nevertheless, expense growth is accelerating due to heavier investments in AI and data centres.
At the same time, Meta's **R&D margin is 28%** - what may be seen as a low R&D rate, comparing to its peers - but is quite balanced: the company spends enough to stay competitive in technology, but not so much that it risks hurting its overall profitability, as further increases in spending, especially for AI development, could reduce free cash flow in coming years, even though these investments are expected to improve services and drive future growth.
Net margin (38%) and **ROE (33%)** are elevated relative to peers, reflecting the company's ability to translate revenue gains into shareholder returns.
Debt-to-capital remains moderate at **21%**, due to prudent leverage amid massive reinvestment in AI infrastructure. This careful balance supports Meta's resilience, ensuring the company can fund innovation while minimizing financial risk.

in millions of USD	Enterprise Value /						LTM	Net
Company	LTM EBITDA	2025E EBITDA	2026E EBITDA	LTM EBIT	2025E EBIT	2026E EBIT	EBITDA Margin	Debt / EBITDA
Meta Platforms Inc	18.5x	18.3x	15.2x	22.7x	22.6x	21.5x	53%	0.5x
Tier I								
Snap Inc	-48.7x	23.0x	14.6x	-23.6x	33.9x	22.3x	-5%	N/A
Alphabet Inc	19.5x	16.8x	14.1x	23.2x	21.8x	18.5x	38%	0.3x
Pinterest Inc	63.3x	15.1x	12.8x	69.0x	15.4x	13.1x	8%	0.7x
Mean	**11.4x**	**18.3x**	**13.8x**	**22.9x**	**23.7x**	**18.0x**	**14%**	**0.5x**
Median	**19.5x**	**16.8x**	**14.1x**	**23.2x**	**21.8x**	**18.5x**	**8%**	**0.5x**

Meta is distinguished by its robust valuation multiples, particularly when focusing on EV/EBITDA, EV/Sales, and EV/EBIT metrics. The company reports an **EV/EBITDA of 18.5x**, which is slightly above the sector median, demonstrating that investors are willing to pay more for Meta's strong profitability and future growth prospects. In contrast, Snap Inc features a negative EV/EBITDA due to operating losses, while **Alphabet** and **Pinterest** post **19.5x** and **63.3x**, respectively, demonstrating that Meta offers high earnings quality at a competitive multiple.
The **EV/Sales** ratio for Meta is **9.8x**, also above peers such as **Snap (2.5x)** and **Pinterest (4.8x)**, reflecting its strong market position and sustained revenue generation capacity. **Meta's EV/EBIT** coverage **(22.7x)** is solid, with strong EBIT margins driving investor confidence. Compared with peers where EBIT is volatile or negative, Meta is valued for its consistent operational performance.
Meta trades at a LTM **price-to-earnings** ratio of **20.2x**, below **Alphabet (33.1x)** and **Pinterest (44.1x)**, which shows a more attractive valuation given its higher profitability and stable earnings growth.

Valuation - FCFF

The digital advertising and social media markets are expected to expand steadily over the next several years, with **global ad spend growing at a ~6% CAGR** and the **social media sector** at **nearly 9% from 2025 to 2029**. The **Metaverse and VR segment**, where Meta has made significant long-term investments, is projected to **grow even faster**, at more than 30% annually.
Meta is positioned to strengthen its leadership across all three markets. In digital advertising, its market share is expected to rise from 23.8% in 2025 to 25.1% by 2029, while in social media the company maintains an exceptionally dominant 70–73% share. Meta is also set to remain a leading player in Metaverse/VR technologies, holding above 55% share even as the category accelerates.
This outlook is supported by Meta's investment in AI-driven ad performance, continued product innovation, and global platform scale, enabling the company to capture a meaningful share of industry growth and reinforce its long-term competitive advantage.

Operating Assumptions	2022A	2023A	2024A	2025E					2026E	2027E	2028E	2029E
	FY	FY	FY	Q1	Q2	Q3	Q4	FY	FY	FY	FY	FY
Income Statement												
Revenue	116,609	134,902	164,501	42,314	47,516	51,242	58,000	199,072	230,892	263,298	296,496	332,611
% of growth	*-1.1%*	*15.7%*	*21.9%*	*16.1%*	*21.6%*	*26.2%*	*19.9%*	*21.0%*	*16.0%*	*14.0%*	*12.6%*	*12.2%*
Cost of Goods & Services	23,754	26,006	30,130	7,572	8,491	9,206	10,388	35,657	42,719	48,034	54,018	60,938
% of sales	*20.4%*	*19.3%*	*18.3%*	*17.9%*	*17.9%*	*18.0%*	*17.9%*	*17.9%*	*18.5%*	*18.2%*	*18.2%*	*18.3%*
Gross Profit	92,855	108,896	134,371	34,742	39,025	42,036	47,612	163,415	188,173	215,265	242,478	271,673
% of sales	*79.6%*	*80.7%*	*81.7%*	*82.1%*	*82.1%*	*82.0%*	*82.1%*	*82.1%*	*81.5%*	*81.8%*	*81.8%*	*81.7%*
SG&A (Selling, General & Administrative)	25,681	22,204	20,983	5,037	5,642	6,357	6,995	24,031	26,194	29,076	32,565	37,124
% of sales	*22.0%*	*16.5%*	*12.8%*	*11.9%*	*11.9%*	*12.4%*	*12.1%*	*12.1%*	*11.3%*	*11.0%*	*11.0%*	*11.2%*
R&D (Research & Development)	33,619	36,489	43,619	12,150	12,942	15,144	16,531	56,767	63,168	72,307	82,359	91,576
% of gross profit	*36.2%*	*33.5%*	*32.5%*	*35.0%*	*33.2%*	*36.0%*	*34.7%*	*34.7%*	*33.6%*	*33.6%*	*34.0%*	*33.7%*
EBIT (Operating Income)	37,114	54,281	69,769	17,555	20,441	20,535	24,085	82,616	98,810	113,882	127,554	142,973
% of sales	*31.8%*	*40.2%*	*42.4%*	*41.5%*	*43.0%*	*40.1%*	*41.5%*	*41.5%*	*42.8%*	*43.3%*	*43.0%*	*43.0%*

Meta rarely relies on major acquisitions to drive expansion; instead, its scale, network effects, and dominance across its Family of Apps serve as the primary engines of growth. Rather than acting as a conglomerate that depends on buying established platforms to fuel revenue, Meta functions as a product and distribution powerhouse, leveraging its massive user base, advanced AI systems, and integrated ecosystem to launch, refine, and monetize a wide range of services at global scale. This strategy enables Meta to generate substantial growth organically while strengthening its competitive position without heavy reliance on external acquisitions

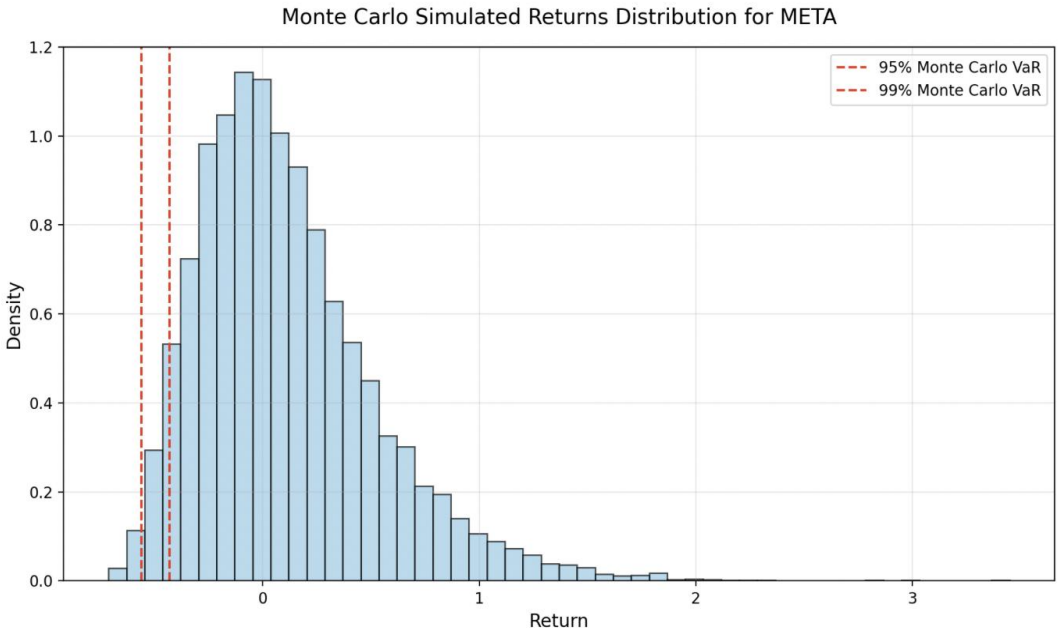
Free Cash Flow to Firm	2022A	2023A	2024A	2025E					2026E	2027E	2028E	2029E
	FY	FY	FY	Q1	Q2	Q3	Q4	FY	FY	FY	FY	FY
EBIT (Operating Income)	37,114	54,281	69,769	17,555	20,441	20,535	24,085	82,616	98,810	113,882	127,554	142,973
Tax Rate	19.8%	18.0%	11.8%	9.5%	10.7%	14.0%	*13.5%*	11.9%	*12.5%*	*15.0%*	*15.0%*	*15.0%*
NOPAT (Net Operating Profit After Taxes)	29,749	44,492	61,536	15,895	18,254	17,660	20,834	72,643	86,459	96,800	108,421	121,527
D&A (Depreciation & Amortization)	8,686	11,178	15,498	3,900	4,342	4,963	5,093	18,298	19,670	23,604	28,325	33,990
Stock-Based Compensation	11,992	14,027	16,690	4,147	4,834	5,555	5,955	20,491	20,512	19,281	17,353	17,006
Changes in Net Working Capital	4,903	3,292	-1,487	-101	-1,659	-1,448	-1,491	-1,491	-4,611	-7,097	-5,889	-3,055
Net CapEx	-31,186	-27,045	-37,256	-12,941	-16,538	-18,829	-19,746	-68,054	-74,179	-77,888	-79,445	-80,240
FCFF (Free Cash Flow to Firm)	**24,144**	**45,944**	**54,981**	**10,900**	**9,233**	**7,901**	**10,645**	**41,887**	**47,851**	**54,701**	**68,765**	**89,229**
FCFF for the remaider of the year (stub period of Q4)								**4,464**	**47,851**	**54,701**	**68,765**	**89,229**

Rolling WACC	2025	2026	2027	2028	2029	LT
Enterprise Value	2,298,423	2,467,047	2,644,671	2,826,923	3,008,377	
Equity:						
Market Cap *(in billions)*	1,592,018	2,563,924	2,750,292	2,953,608	3,174,620	
% of Equity	*97.0%*	*98.3%*	*98.6%*	*99.0%*	*99.3%*	99.28%
Risk-Free Rate	3.61%	3.47%	3.45%	3.50%	3.56%	4.09%
Beta	1.17	1.15	1.15	1.15	1.14	1.14
Unlevered Beta	1.14	1.14	1.14	1.14	1.14	
Equity Risk Premium	5.24%	5.25%	5.27%	5.29%	5.31%	5.31%
Ke (Cost of Equity)	**9.72%**	**9.53%**	**9.51%**	**9.56%**	**9.62%**	**10.15%**
Preferred Equity:						
Market Capitalization	0	0	0	0	0	
% of Preferred Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
Preferred Dividends	0	0	0	0	0	
Kp (Cost of Preferred Equity)	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Debt:						
Debt *(in millions)*	50,018	45,016	38,264	30,611	22,958	
% of Debt	*3.0%*	*1.7%*	*1.4%*	*1.0%*	*0.7%*	0.72%
Debt Spread	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Cost of Debt	3.74%	3.60%	3.58%	3.63%	3.69%	4.22%
Tax Rate	11.9%	12.5%	15.0%	15.0%	15.0%	15.00%
Kd (After-Tax Cost of Debt)	**3.29%**	**3.15%**	**3.04%**	**3.08%**	**3.14%**	**3.59%**
Total	1,642,036	2,608,940	2,788,556	2,984,219	3,197,578	
WACC	**9.52%**	**9.42%**	**9.42%**	**9.49%**	**9.58%**	**10.10%**
ROIC	**29.43%**	**30.94%**	**30.33%**	**29.28%**	**27.92%**	

Using a free cash flow to firm DCF model, Meta's FCFF is expected to decline in 2025 despite continued EBIT expansion, driven primarily by a sharp increase in capital expenditures, higher stock-based compensation, and unfavorable working-capital movements, while operating costs remain broadly stable with COGS near 18% of revenue. These factors temporarily compress cash conversion even as revenue and margins improve. Discount periods incorporate both the stub period and the mid-year convention, and 15x EBITDA Exit is applied to reflect investors' expectations on Meta's ability to sustain moderate long-term expansion beyond 2029, given its global scale, AI-driven monetization, and ongoing investment in high-growth adjacencies. Under these assumptions, the DCF indicates an upside of **23%**, with a fair value estimate of **$790.00**, a result that is consistent with the valuation implied by trading multiples.

Sensitivity Analysis

Assessing the sensitivity of the DCF model, 10,000 Monte-Carlo simulations using a mean WACC of 9.9% with a volatility of 36.6%, and a terminal growth rate of 2.0% with a 0.50% standard deviation. The simulations also varied revenue growth and EBIT margins according to our three scenarios. The resulting return distribution is right-skewed, showing more probability mass on the upside and limited extreme downside, as reflected by the positioning of the 95% and 99% VaR lines on the graph. The average simulated fair value is $792.50, indicating a 24.6% upside.



Investment Risks

Meta operates in a highly competitive digital ecosystem, facing significant pressure from TikTok, Alphabet, Amazon, Snap, and emerging creator-led platforms. Competitors may outperform Meta in user engagement, short-form content, commerce integration, or ad-technology capabilities, which could weaken Meta's pricing power or slow its share of global digital ad spend.

Operational risks are also material. Meta depends on global data-center infrastructure, suppliers of advanced chips and hardware, and a large-scale cloud architecture that is sensitive to supply-chain disruptions, semiconductor shortages, and rising energy and server costs. Geopolitical tensions or export restrictions could further affect Reality Labs production and AI-infrastructure buildout. Increasing regulatory scrutiny, particularly around privacy, data governance, content safety, and antitrust, may constrain Meta's ability to use data for ad optimization or expand into new markets.

Reputation remains a core vulnerability. Issues such as misinformation, algorithmic harm, privacy breaches, or failures in content moderation can reduce user trust, invite regulatory penalties, and drive advertiser pullbacks. As Meta increasingly relies on AI-driven systems, failures in transparency, accuracy, or safety could create additional reputational and regulatory challenges.

Finally, Meta's innovation cycle carries execution risk. Growth depends on continued adoption of Reels, messaging monetization, AI-driven advertising tools, and long-horizon investments in AR/VR and immersive technologies. Underperformance in any of these areas, or slower-than-expected user adoption of Metaverse products, could dampen revenue growth and reduce returns on the company's significant capital investments.

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This report was prepared by the Equity Research team at the Lisbon Investment Society. Our analysts combine rigorous financial modeling, critical thinking, and collaborative research to deliver high-quality, student-led investment analysis.
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