



Meta Platforms Inc. (META)

Updated February 3rd, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$478	5 Year CAGR Estimate:	13.4%	Market Cap:	\$1.21T
Fair Value Price:	\$437	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	02/21/2024
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.8%	Dividend Payment Date:	03/26/2024
Dividend Yield:	0.4%	5 Year Price Target	\$879	Years Of Dividend Growth:	1
Dividend Risk Score:	A	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Meta Platforms, previously known as Facebook, is multinational technology conglomerate founded by Mark Zuckerberg. The company is known for its social media platforms, including Facebook, Instagram, and WhatsApp, and has also been investing in emerging technologies such as augmented reality (AR) and virtual reality (VR) through its Oculus subsidiary. With nearly 4 billion people logging into at least one of Meta's platforms every month, the company attracts nearly 20% of all global advertising revenue, second only to Alphabet (GOOGL), which commands a substantial 40% market share. Meta Platforms generates nearly \$160 billion in annual revenues, and is headquartered in Menlo Park, California.

On February 1st, 2024, Meta Platforms reported its Q4 and full-year results for the period ending December 31st, 2023. For the quarter, the company posted revenues of \$40.1 billion, marking a strong growth of 25% compared to the previous year. Revenue growth was driven by increased user activity, growth in ad impressions, and higher ad pricing. Specifically, Meta Platforms' Daily Active Users and Monthly Active Users, each grew by 6% to 2.11 billion and to 3.98 billion, respectively. Ad impressions delivered across Meta's Family of Apps increased by 21% year-over-year, while the average price per ad increased by 2% year-over-year.

In the meantime, costs and expenses declined by 8% to \$23.7 billion. Higher revenues combined with a decline in costs resulted in the operating margin skyrocketing from 20% to 41%. Earnings per share, therefore, surged 203% to \$5.33. For the year, earnings per share grew 73% to \$14.87. The per-share figures were boosted by share buybacks, with Meta repurchasing \$20 billion worth of stock during the year. The company also announced a \$50 billion increase in its share repurchase authorization.

For Q1-2024, Meta expects revenues to be in the range of \$34.5 billion and \$37.0 billion, up 29% at the midpoint. Our initial estimate for the full-year earnings per share stands at \$19.00.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.10	\$1.29	\$3.49	\$5.39	\$7.57	\$6.43	\$10.09	\$13.77	\$8.59	\$14.87	\$19.00	\$38.22
DPS	---	---	---	---	---	---	---	---	---	---	\$2.00	\$4.98
Shares¹	2.67	2.85	2.93	2.96	2.92	2.88	2.89	2.86	2.70	2.63	2.63	2.30

Meta Platforms has grown its earnings per share at a CAGR of 33.6% over the past decade. The continuous expansion of its global user base, strategic acquisitions like Instagram and WhatsApp, successful monetization through advertising, constant innovation in product development (including features like Facebook Live and Stories), and global outreach have all played pivotal roles as some of the most important factors that have contributed to its revenue growth.

With its operating margin usually exceeding 35%, Meta tends to yield substantial profits. In 2022, a temporary dip occurred due to one-off severance costs from Meta's 13% staff reduction and substantial losses in its Reality Labs division. However, with these costs gone and operating expenses falling, profits surged last year.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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We believe that a re-acceleration in ad revenue growth combined with disciplined cost management and share repurchases will drive earnings per share growth of 15%.

Meta announced its inaugural quarterly dividend of \$0.50 or \$2.00 per annum alongside its Q4 results. Projecting the future growth rate of dividend hikes is challenging, given the recent initiation. Regardless, our estimates assume a 20% rate, a figure we believe the company can comfortably sustain.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	56.1	65.7	31.8	27.1	22.7	27.1	21.9	22.1	27.0	14.9	25.2	23.0
Avg. Yld.	---	---	---	---	--	---	---	---	---	---	0.4%	0.6%

Meta Platforms initially traded at high multiples post-IPO, driven by optimistic expectations for substantial growth which indeed occurred. However, in recent years, Meta’s valuation saw a compression as investors factored in regulatory risks. Last year, Meta's valuation dipped significantly, with investor confidence eroded due to substantial losses in its Realty Labs segment. With an acceleration in revenue growth, disciplined cost management, and higher focus on shareholder returns, Meta's P/E has now been re-priced upward by Wall Street. Our fair P/E is set at 23, slightly below the forward P/E based on our projected FY2024 earnings. Despite strong dividend growth prospects, anticipate a thin yield.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	--	---	---	---	---	---	11%	13%

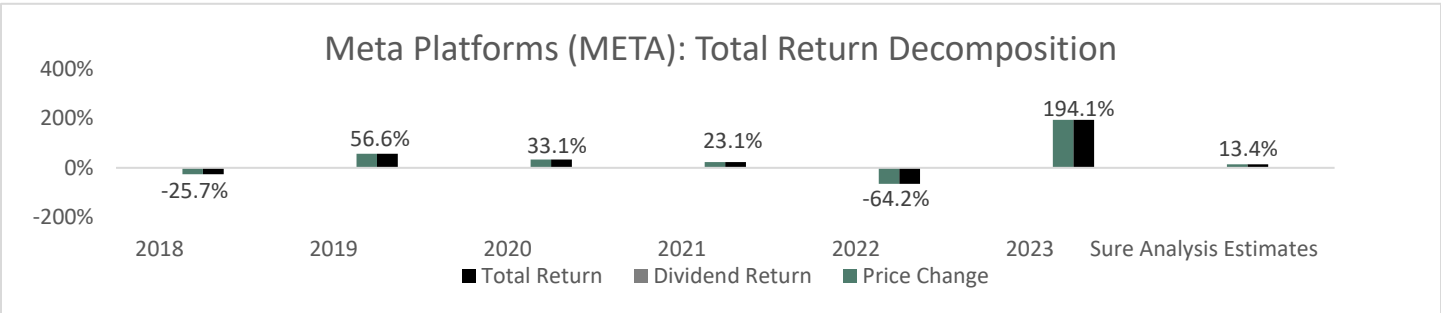
Meta Platforms is a high-quality company featuring a wide moat, impressive margins, and a clean balance sheet. Its social media platforms provide some of the places for advertisers to grow their brands, while its high-margin business model ensures consistent profitability even during challenging times in the advertising industry. Simultaneously, its hefty net cash position of \$27.5 billion provides a wide margin of safety.

Given that Meta is hinged entirely on the dynamics of the advertising industry, its results are susceptible to potential recessions. Its revenues could take a hit if advertisers reduce spending in less favorable market periods. Still, we are confident in the business model due to the reliance of brands on Meta for growth in today’s commerce landscape.

Final Thoughts & Recommendation

Meta Platforms is riding on improved investor sentiment these days, with its revenues undergoing a re-acceleration, its margins reaching record levels, and its capital allocation focusing on rewarding shareholders. We forecast an annualized total return potential of 13.4% moving forward, backed by earnings growth of 15% and the humble dividend, offset by the possibility of a modest valuation headwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	12466	17928	27638	40653	55838	70697	85965	117929	116609	134902
Gross Profit	10313	15061	23849	35199	46483	57927	69273	95280	91360	108943
Gross Margin	82.7%	84.0%	86.3%	86.6%	83.2%	81.9%	80.6%	80.8%	78.3%	80.8%
SG&A Exp.	2653	4020	5503	7242	11297	20341	18155	23872	27078	23709
D&A Exp.	1243	1945	2342	3025	4315	5741	6862	7967	8686	11178
Operating Profit	4994	6225	12427	20203	24913	23986	32671	46753	28944	46751
Operating Margin	40.1%	34.7%	45.0%	49.7%	44.6%	33.9%	38.0%	39.6%	24.8%	34.7%
Net Profit	2940	3688	10217	15934	22112	18485	29146	39370	23200	39098
Net Margin	23.6%	20.6%	37.0%	39.2%	39.6%	26.1%	33.9%	33.4%	19.9%	29.0%
Free Cash Flow	5495	7797	11617	17483	15359	21212	23584	38993	19044	43847
Income Tax	1970	2506	2301	4660	3249	6327	4034	7914	5619	8330

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	39966	49407	64961	84524	97334	133376	159316	165987	185727	229623
Cash & Equivalents	4315	4907	8903	8079	10019	19079	17576	16601	14681	41862
Accounts Receivable	1678	2559	3993	5832	7587	9518	11335	14039	13466	16169
Goodwill & Int. Ass.	21910	21272	20657	20105	19595	19609	19673	19831	21203	21442
Total Liabilities	3870	5189	5767	10177	13207	32322	31026	41108	60014	76455
Accounts Payable	176	196	302	380	820	1363	1331	4083	4990	4849
Long-Term Debt	-	201	-	-	500	-	-	-	9923	18385
Shareholder's Equity	36096	44218	59194	74347	84127	101054	128290	124879	125713	153168
LTD/E Ratio	-	0.00	-	-	0.01	-	-	-	0.08	0.12

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	10.2%	8.3%	17.9%	21.3%	24.3%	16.0%	19.9%	24.2%	13.2%	18.8%
Return on Equity	11.4%	9.2%	19.8%	23.9%	27.9%	20.0%	25.4%	31.1%	18.5%	28.0%
ROIC	11.4%	9.2%	19.7%	23.9%	27.8%	19.9%	25.4%	31.1%	17.8%	25.5%
Shares Out. (B)	2.67	2.85	2.93	2.96	2.92	2.88	2.89	2.86	2.70	2.63
Revenue/Share	4.68	6.28	9.45	13.75	19.12	24.58	29.77	41.25	43.16	51.31
FCF/Share	2.06	2.73	3.97	5.91	5.26	7.38	8.17	13.64	7.05	16.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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