



Meta Platforms (META) operates the world's largest social network. The company builds tools that enable users to connect and communicate with each other; enables developers to build social applications on Facebook or to integrate their Websites with Facebook; and offers products that enable advertisers to engage with users.

Name	Ticker	Yield	Growth	D + G
Meta Platforms Inc Class A	META	0.40%	14.00%	14.40%

#### Highlights:

Years from now, META's most recent report may get looked at as the moment META expanded from being looked at as the leading social ad player to layering on a leading GenAI-focused cloud intelligence business with an arguable impenetrable moat. And then, they initiated their first ever dividend and increased their buyback program. All-in-all, Super strong core business aside, the bigger LT multiple expansion opportunity may actually be around how META can use AI for both direct & indirect monetization opportunities and is likely underappreciated.

Despite the elevated privacy/usage-related headline risks and strategic pivot towards short-form video, we believe Meta could ultimately earn back a valuation premium to peer averages due to superior growth prospects, platform scale, and technology orientation.

#### Bull Case:

- **Discounted Valuation** - Meta trades at a discount to the broader internet group, which is largely a function of views around core market maturity and laws of large numbers. This discount is likely to persist given the undeniable size of the core business, but we think the gap should persist or narrow depending on META's ability to demonstrate stability in its ad business.
- **Meta Apps are the Gravitational Center of Social Media** - Meta is the hub of the social web, where our connections and personal preferences increasingly influence what we experience online. As the dominant social network outside of China (Facebook and Instagram), Meta has an almost unprecedented level of network effects that secure its position as the world's leading social network. With 3.7 billion monthly active people, Meta is amassing the most comprehensive user profile database in existence that offers significant opportunity to monetize a significant portion of the ~\$700+ billion global advertising market.
- **Significant Room for Growth and Margin Expansion** - Despite an attractive revenue and margin profile, Meta, in our view, still has many opportunities to grow revenues in advertising and content, with plenty of margin opportunity, particularly with the focus on operating efficiency.
- **Secular Shift to Online Advertising** - Along with Google, we expect Meta to be a primary beneficiary of the ~\$700 billion global advertising industry's secular shift from offline to online.

#### Bear Case:

- **Competitive Social Networks** - Facebook faces many regional social network competitors in various countries, such as TikTok, Snap, Pinterest, Twitter, among others. Meta is currently excluded from competing in China, but has an increasing following globally.
- **Online Advertising Competitors** - There are many capable online competitors, including Google Search, and other social apps. If Meta is unable to match the functionality and features of Google's ad platform, then revenue growth may not reach its current potential.
- **Antitrust Oversight Will Likely Increase** - Facebook has achieved overwhelming dominance in the bulk of its key markets and consequently is likely to continue facing increased scrutiny from the DOJ, the EU, and other government watchdogs.
- **Privacy Concerns and Regulation** - Online advertising is becoming increasingly fraught with privacy-related concerns which is attracting significant attention from legislative bodies as well as users. We note that changes by Apple and Google limit Meta's ability to provide targeted ads to companies, which have impacted revenue growth.

#### Overall Thesis:

In possessing both the largest user base as well as the deepest amount of knowledge (data) of that user base, we believe META can compound 15–20%+ earnings growth once it gets through its currently elevated investment cycle around AI which is aimed to both drive engagement shares gains while also restoring it to being the dominant player in social media with structural advantages around ad targeting.



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