

DESK NOTE

12.06.2025

Meta Platforms, Inc. (META US) – *Wait for the Signal:* *Valuation and Regulatory Risks Justify Patience*

Conclusive Summary: We recommend **avoiding META at current levels and revisiting the stock around \$480**, where the risk/reward becomes more attractive.

The combination of **near-term risks and historically expensive valuation** leads us to remain on the sidelines. Regulatory pressure in Europe and the U.S., rising capital intensity (CapEx raised to \$64–72 billion), and continued Reality Labs losses (\$412 million revenue, down 6% YoY) could weigh on sentiment. That said, **the long-term outlook is compelling** as seen by KPIs: daily user growth reached 3.5 billion, ad prices rose 10%, and Meta's AI tools drove a 30% increase in advertiser adoption and a 5% lift in Reels ad conversions. Threads surpassed 350 million MAUs, Meta AI is nearing 1 billion users, and new Ray-Ban smart glasses tripled sales YoY. With a \$14–15 billion investment in Scale AI, accelerating AI-driven monetization, and improved cost discipline, **Meta is well-positioned for durable growth, just not at current valuation levels**, which still trade at a premium to historical norms. We believe that **investors who exercise patience will eventually benefit from more favorable prices**. In case of significant stock price volatility, we suggest entering around \$480.

Competitive Position: competes across **social media, digital advertising, immersive technologies, and AI**, facing rivals like TikTok, YouTube, Google, Amazon, Apple, and OpenAI. It differentiates through unmatched scale, with over 3 billion users, deep platform integration, and a leading AI-driven ad infrastructure that delivers strong ROI for advertisers. Its **personalization engine** boosts engagement across Facebook and Instagram, while **open-source Llama models and the Meta AI assistant** enhance its AI footprint. Meta also **leads in global messaging** through WhatsApp and Messenger and is uniquely positioned with a long-term commitment to the metaverse via Reality Labs. Diversified monetization strategies further strengthen its competitive edge.

Valuation: Using a combination of multiple and DCF valuations, **we reach a blended target price (TP) of \$568, representing a -18% downside** from current prices. META is trading 1.2 to 3.5 standard deviations above its 5-year mean multiples (EV/Sales, EV/EBIT, P/FCF, and P/E), demonstrating room for mean reversion and better entry levels ahead. **Current valuation warrants patience. We suggest investors to wait for more favorable entry points, around \$480.**

Ticker: META US

Previous day close price: \$693.36

Price range (52w.): \$442.65 - \$695.38

Reason for note: Initiation

Target price: \$568 (-18% Downside)

Recommendation: **Buy @ \$480**

Description: Meta Platforms, Inc. is a leading technology company focused on building digital communities, communication platforms, and immersive experiences that enable global social connection. The company operates through two primary segments, generating revenue primarily from advertising and, to a lesser extent, hardware and software sales:

- **Family of Apps (FoA):** Meta's core segment, encompassing Facebook, Instagram, Messenger, WhatsApp, and Threads. These platforms enable billions of users to connect and interact through features like Feed, Reels, Stories, Messaging, and Groups. The segment generates the vast majority of Meta's revenue (98.9%) through targeted digital advertising placements, utilizing advanced AI-driven ad delivery and measurement tools.

- **Reality Labs (RL):** This segment focuses on developing next-generation computing platforms, including virtual reality (VR), mixed reality (MR), and augmented reality (AR). Revenue is derived from hardware sales (Meta Quest headsets, Ray-Ban Meta smart glasses), digital content (Meta Horizon platform), and related services (1.1%). RL operates at a loss and reflects Meta's long-term investment in building the infrastructure and consumer hardware for the metaverse.

Meta generates 43.8% of its sales from the U.S., 23.6% from Europe, 19.9% from the Asia-Pacific region, and 12.7% from the Rest of the World.

Target Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Sales	7.0	198,479	1,389,353	-20,711	1,410,064	2,523	\$558.88
EV/EBIT	20.0	76,444	1,528,887	-20,711	1,549,498	2,523	\$614.19
P/FCF	30.0	66,870			2,006,088	2,523	\$795.12
P/E	30.0	25.48			1,928,761	2,523	\$764.47
Avg. DCF Price		Andreas Eliades, ae@dprginvestment.com Sergey Malygin, CFA, sm@dprginvestment.com Tel: +357 223 22030					\$490.37
Avg. Multiple & DCF Price							\$568.11

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Quarterly Earnings Preview:

META	Expected Report Date		Next FY End	Preview Date
META PLATFORMS INC-CLASS	7/31/2025	?	12/31/2025	6/13/2025
Targets	DPRG	568	Street	700.52
Current Price/ Upside	693.36	-18.1%		1.0%
Quarterly Preview		Last Q Report		
Last Close	Estimate	4/30/2025		
693.36	Q2	2025 Q1		Year Ago
			% Surprise	
Sales, \$ mil.	44,543	42,314	2.27%	36,455
growth	qoq	5.3%	yoy	22.2%
EBITDA, \$ mil.	22,797	21,455	4.49%	17,972
growth	qoq	6.3%	yoy	26.8%
Net Income, \$ mil.	15,072	16,644	20.98%	12,563
growth	qoq	-9.4%	yoy	20.0%
EPS, \$	6.15	6.43	20.50%	4.78
growth	qoq	-4.3%	yoy	28.6%
EPS GAAP, \$	5.83	6.43	22.50%	4.71
growth	qoq	-9.4%	yoy	23.7%
Valuation	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	8.68	5.85	7.01	8.18
EV to Forward 12M EBITDA	16.38	10.70	12.91	15.12
Price to Forward 12M EPS	24.89	19.43	21.67	23.91
EV/Sales	Overpriced			
EV/EBITDA	Overpriced			
PE	Overpriced			
Total Rating on Valuation	Overpriced			

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