



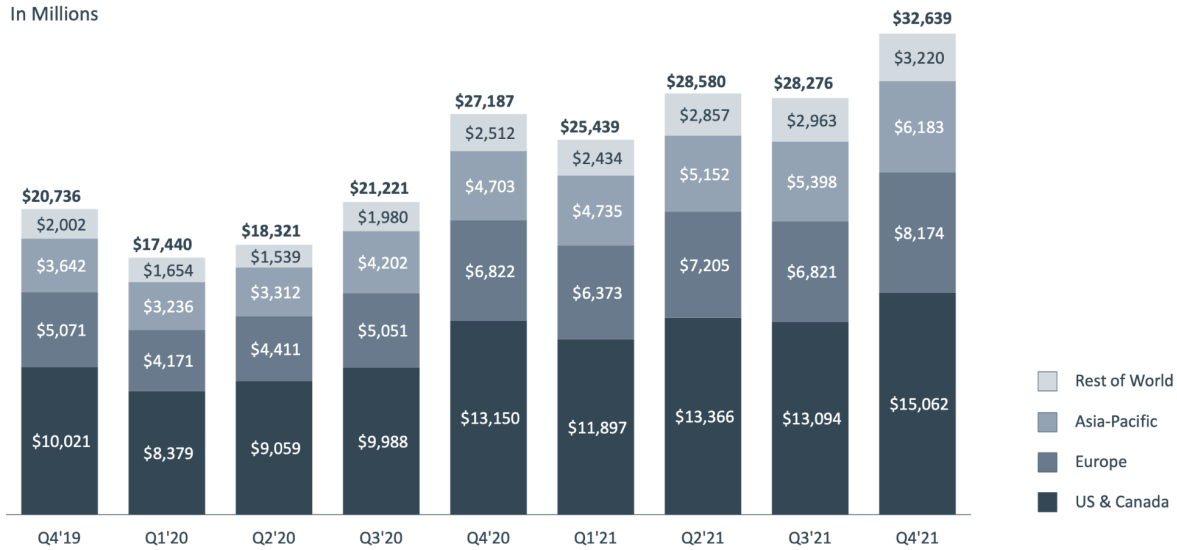
We invested in FB in 2018 after the stock crashed and it was a good decision. What about now?

Let's look at the last company presentation

https://s21.q4cdn.com/399680738/files/doc_financials/2021/q4/Q4-2021_Earnings-Presentation-Final.pdf

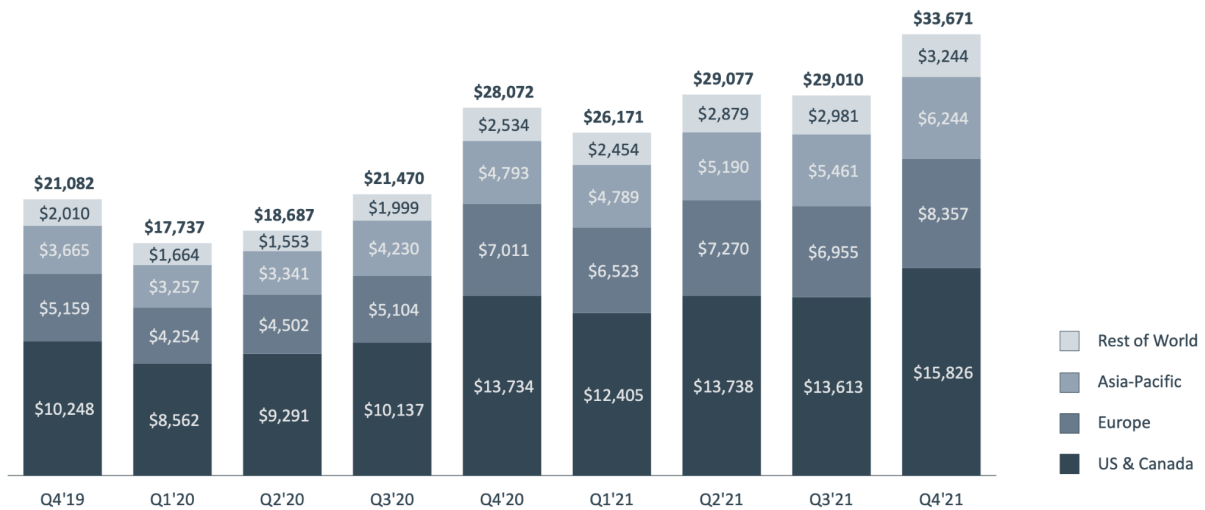
Advertising Revenue by User Geography

In Millions



Revenue by User Geography

In Millions



Revenues are still growing even though the growth is slowing down



	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
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Family of Apps Operating Income	\$ 14,874	\$ 13,205	\$ 14,799	\$ 13,054	\$ 15,889
Reality Labs Operating (Loss)	(2,099)	(1,827)	(2,432)	(2,631)	(3,304)
Total Income from Operations	\$ 12,775	\$ 11,378	\$ 12,367	\$ 10,423	\$ 12,585
Operating Margin	46%	43%	43%	36%	37%

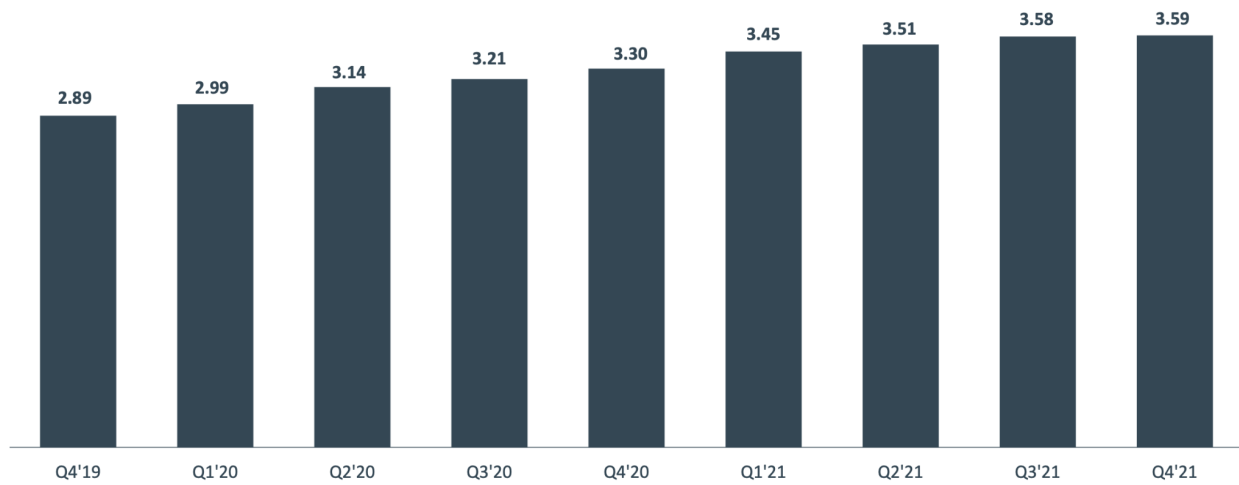
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Quarter	Number of employees
Q4'19	2.26
Q1'20	2.36
Q2'20	2.47
Q3'20	2.54
Q4'20	2.60
Q1'21	2.72
Q2'21	2.76
Q3'21	2.81
Q4'21	2.82

Family Monthly Active People (MAP)

In Billions

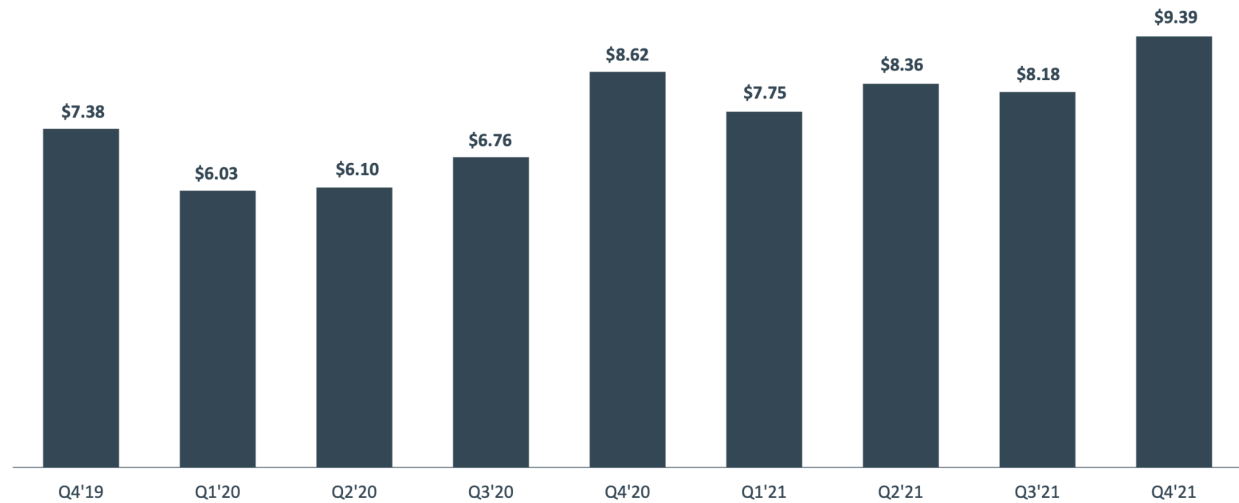
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It is natural that Facebook user base growth would slow down as there is only a limited number of people on Earth

Family Average Revenue per Person (ARPP)

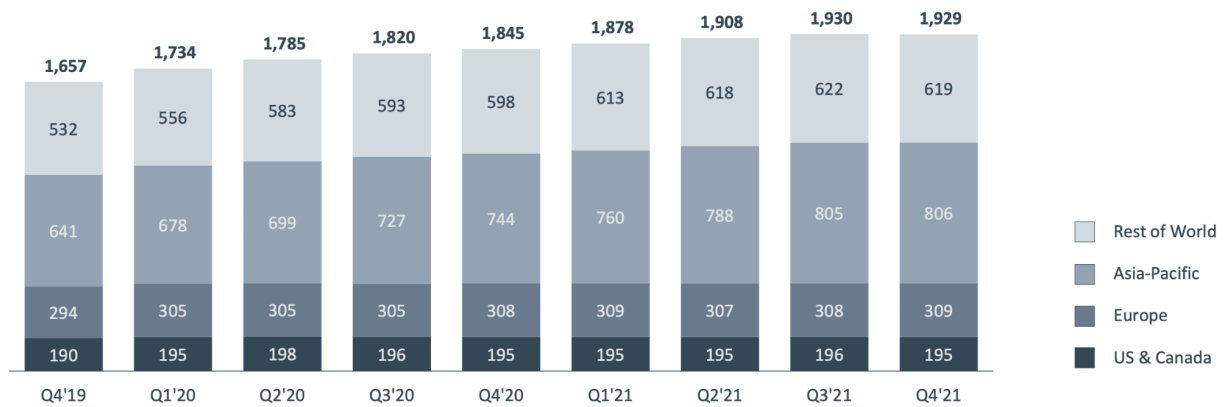
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What's important is that they make more money per person

Facebook Daily Active Users (DAUs)

In Millions



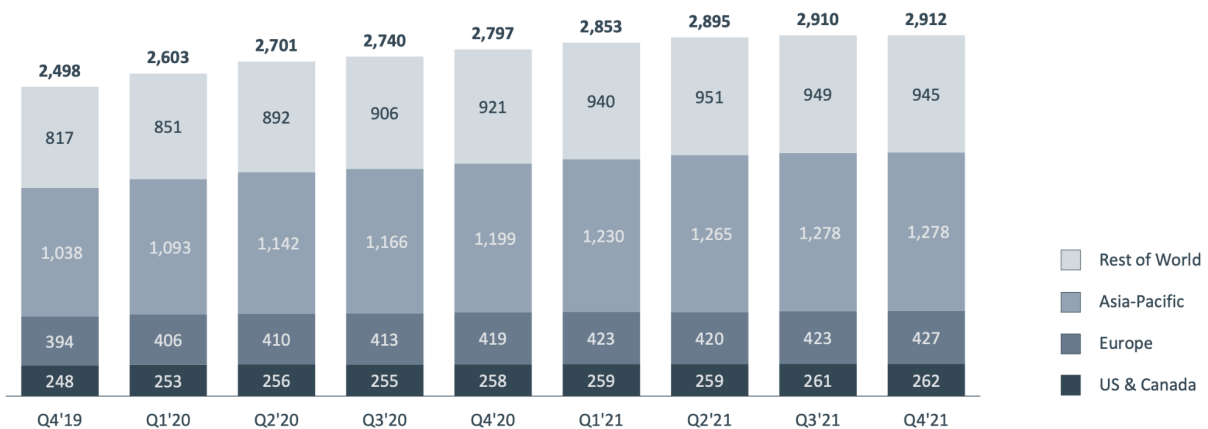
DAUs/MAUs

Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
66%	67%	66%	66%	66%	66%	66%	66%	66%

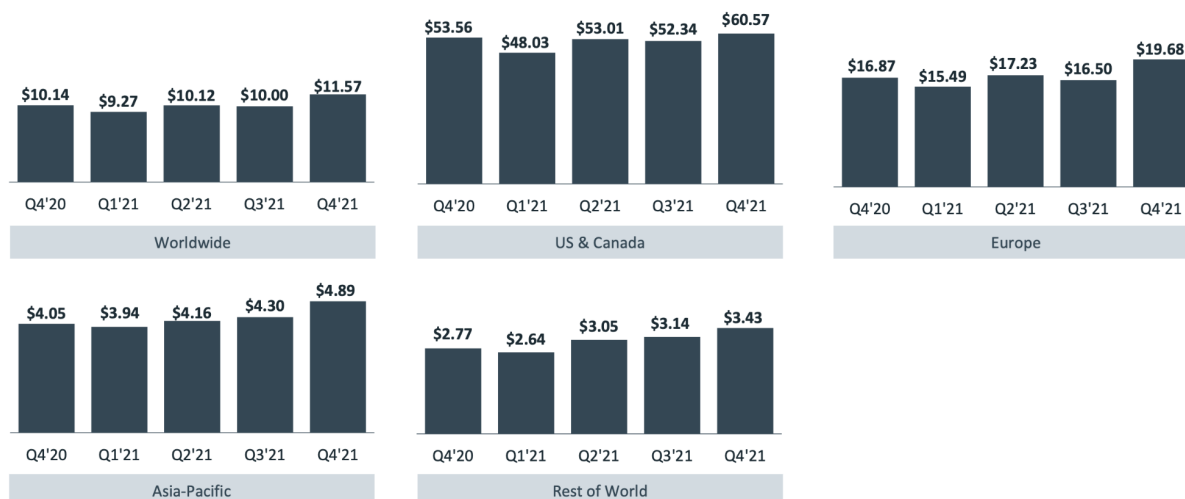
Facebook DAU is going down

Facebook Monthly Active Users (MAUs)

In Millions



Facebook Average Revenue per User (ARPU)



ARPU all over the world is increasing

That's just for Facebook, they don't tell us much about Instagram

Free Cash Flow Reconciliation



In Millions

	Q4'19	Q1'20	Q2'20 ⁽¹⁾	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Net cash provided by operating activities	\$ 9,083	\$ 11,001	\$ 3,878	\$ 9,828	\$ 14,040	\$ 12,242	\$ 13,246	\$ 14,091	\$ 18,104
Less: Purchases of property and equipment, net	4,100	3,558	3,255	3,689	4,613	4,272	4,612	4,313	5,370
Less: Principal payments on finance leases	141	100	109	189	205	151	123	231	172
Free cash flow	\$ 4,842	\$ 7,343	\$ 514	\$ 5,950	\$ 9,222	\$ 7,819	\$ 8,511	\$ 9,547	\$ 12,562

What we should be looking for in FB is not really the growth in users but the growth in revenues per user and consequently profits.

FB is trying new things such as the Metaverse but we should not really consider this in our analysis as there is no certainty of whether they are going to make any money of it or not.

Let's now have a look at the last earnings release

https://s21.q4cdn.com/399680738/files/doc_financials/2021/q4/FB-12.31.2021-Exhibit-99.1-Final.pdf

Fourth Quarter and Full Year 2021 Financial Highlights

<i>In millions, except percentages and per share amounts</i>	Three Months Ended December 31,		Year-over-Year % Change	Year Ended December 31,		Year-over-Year % Change
	2021	2020		2021	2020	
Total revenue	\$ 33,671	\$ 28,072	20 %	\$ 117,929	\$ 85,965	37 %
Total costs and expenses	21,086	15,297	38 %	71,176	53,294	34 %
Income from operations	\$ 12,585	\$ 12,775	(1)%	\$ 46,753	\$ 32,671	43 %
Operating margin	37 %	46 %		40 %	38 %	
Provision for income taxes	\$ 2,417	\$ 1,836	32 %	\$ 7,914	\$ 4,034	96 %
Effective tax rate	19 %	14 %		17 %	12 %	
Net income	\$ 10,285	\$ 11,219	(8)%	\$ 39,370	\$ 29,146	35 %
Diluted earnings per share (EPS)	\$ 3.67	\$ 3.88	(5)%	\$ 13.77	\$ 10.09	36 %

Fourth Quarter and Full Year 2021 Operational and Other Financial Highlights

- **Family daily active people (DAP)** – DAP was 2.82 billion on average for December 2021, an increase of 8% year-over-year.
- **Family monthly active people (MAP)** – MAP was 3.59 billion as of December 31, 2021, an increase of 9% year-over-year.
- **Facebook daily active users (DAUs)** – DAUs were 1.93 billion on average for December 2021, an increase of 5% year-over-year.
- **Facebook monthly active users (MAUs)** – MAUs were 2.91 billion as of December 31, 2021, an increase of 4% year-over-year.
- **Ad impressions and price per ad** – In the fourth quarter of 2021, ad impressions delivered across our Family of Apps increased by 13% year-over-year and the average price per ad increased by 6% year-over-year. For the full year 2021, ad impressions increased by 10% year-over-year and the average price per ad increased by 24% year-over-year.
- **Capital expenditures** – Capital expenditures, including principal payments on finance leases, were \$5.54 billion and \$19.24 billion for the fourth quarter and full year 2021, respectively.
- **Share repurchases** – We repurchased \$19.18 billion and \$44.81 billion of our Class A common stock in the fourth quarter and full year 2021, respectively. As of December 31, 2021, we had \$38.79 billion available and authorized for repurchases.
- **Cash and cash equivalents and marketable securities** – Cash and cash equivalents and marketable securities were \$48.0 billion as of December 31, 2021.
- **Headcount** – Headcount was 71,970 as of December 31, 2021, an increase of 23% year-over-year.

An increase in headcount will certainly lead to higher expenditures

Beginning in the fourth quarter of 2021, we report our financial results based on two reportable segments:

- **Family of Apps (FoA)**, which includes Facebook, Instagram, Messenger, WhatsApp and other services.
- **Reality Labs (RL)**, which includes augmented and virtual reality related consumer hardware, software and content.

Segment Information

(In millions)

(Unaudited)

	Three Months Ended					Year Ended December 31,		
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	2021	2020	2019
Revenue:								
Advertising	\$ 32,639	\$ 28,276	\$ 28,580	\$ 25,439	\$ 27,187	\$114,934	\$ 84,169	\$ 69,655
Other revenue	155	176	192	198	168	721	657	541
Family of Apps	32,794	28,452	28,772	25,637	27,355	115,655	84,826	70,196
Reality Labs	877	558	305	534	717	2,274	1,139	501
Total revenue	<u>\$ 33,671</u>	<u>\$ 29,010</u>	<u>\$ 29,077</u>	<u>\$ 26,171</u>	<u>\$ 28,072</u>	<u>\$117,929</u>	<u>\$ 85,965</u>	<u>\$ 70,697</u>
Income (loss) from operations:								
Family of Apps	\$ 15,889	\$ 13,054	\$ 14,799	\$ 13,205	\$ 14,874	\$ 56,946	\$ 39,294	\$ 28,489
Reality Labs	(3,304)	(2,631)	(2,432)	(1,827)	(2,099)	(10,193)	(6,623)	(4,503)
Total income from operations	<u>\$ 12,585</u>	<u>\$ 10,423</u>	<u>\$ 12,367</u>	<u>\$ 11,378</u>	<u>\$ 12,775</u>	<u>\$ 46,753</u>	<u>\$ 32,671</u>	<u>\$ 23,986</u>

Their RL segment is eating a big portion of their profits

CFO Outlook Commentary

We expect first quarter 2022 total revenue to be in the range of \$27-29 billion, which represents 3-11% year-over-year growth. We expect our year-over-year growth in the first quarter to be impacted by headwinds to both impression and price growth.

We expect 2022 capital expenditures, including principal payments on finance leases, to be in the range of \$29-34 billion, unchanged from our prior estimate. Our planned capital expenditures are primarily driven by investments in data centers, servers, network infrastructure, and office facilities. As we discussed previously, this range reflects a significant increase in our artificial intelligence and machine learning investments, which will support a number of areas across our Family of Apps. While our Reality Labs products and services may require more infrastructure capacity in the future, they do not require substantial capacity today and, as a result, are not a significant driver of 2022 capital expenditures.

Absent any changes to U.S. tax law, we expect our full-year 2022 tax rate to be similar to the full-year 2021 rate.

Let's now have a look at the 10-K form

<https://d18rn0p25nwr6d.cloudfront.net/CIK-0001326801/14039b47-2e2f-4054-9dc5-71bcc7cf01ce.pdf>

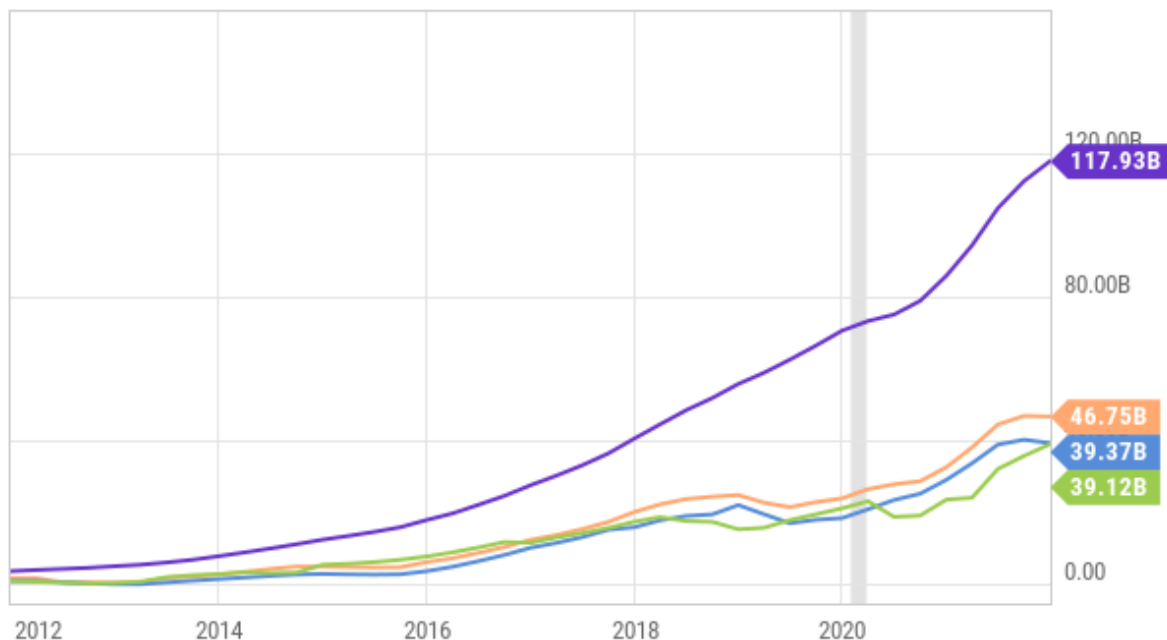
The following table sets forth our consolidated statements of income data (in millions):

	Year Ended December 31,		
	2021	2020	2019
Revenue	\$ 117,929	\$ 85,965	\$ 70,697
Costs and expenses:			
Cost of revenue	22,649	16,692	12,770
Research and development	24,655	18,447	13,600
Marketing and sales	14,043	11,591	9,876
General and administrative	9,829	6,564	10,465
Total costs and expenses	71,176	53,294	46,711
Income from operations	46,753	32,671	23,986
Interest and other income, net	531	509	826
Income before provision for income taxes	47,284	33,180	24,812
Provision for income taxes	7,914	4,034	6,327
Net income	\$ 39,370	\$ 29,146	\$ 18,485

The following table sets forth our consolidated statements of income data (as a percentage of revenue)⁽¹⁾:

	Year Ended December 31,		
	2021	2020	2019
Revenue	100 %	100 %	100 %
Costs and expenses:			
Cost of revenue	19	19	18
Research and development	21	21	19
Marketing and sales	12	13	14
General and administrative	8	8	15
Total costs and expenses	60	62	66
Income from operations	40	38	34
Interest and other income, net	—	1	1
Income before provision for income taxes	40	39	35
Provision for income taxes	7	5	9
Net income	33 %	34 %	26 %

- Meta Platforms Inc Revenue (TTM)
- Meta Platforms Inc Operating Income (TTM)
- Meta Platforms Inc Net Income (TTM)
- Meta Platforms Inc Free Cash Flow



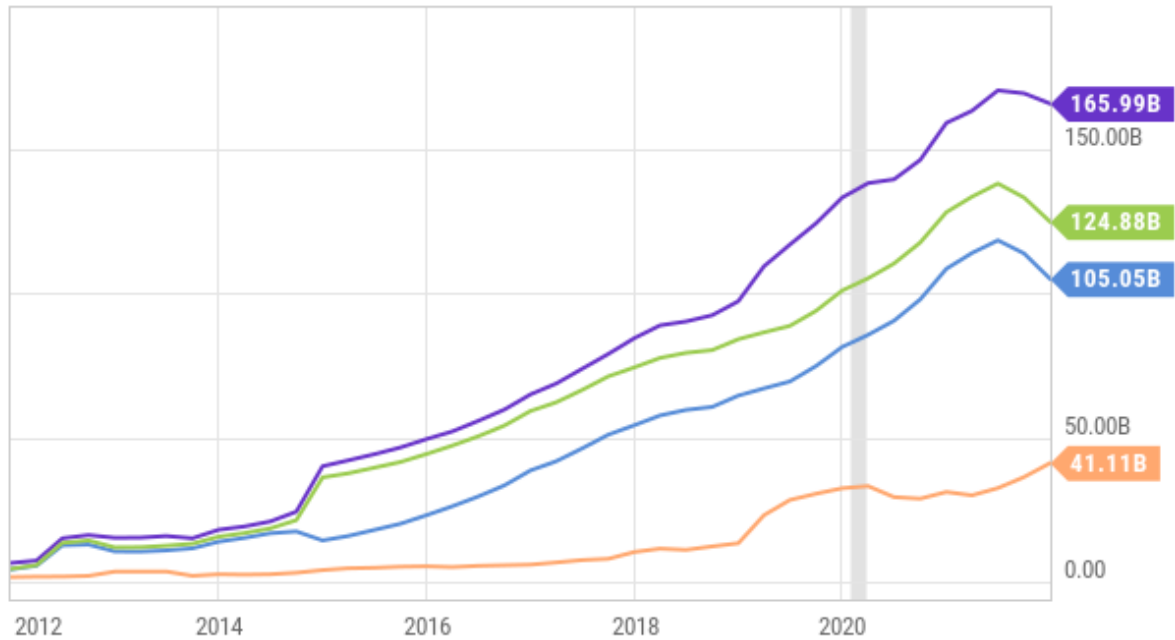
Seeking Alpha^α

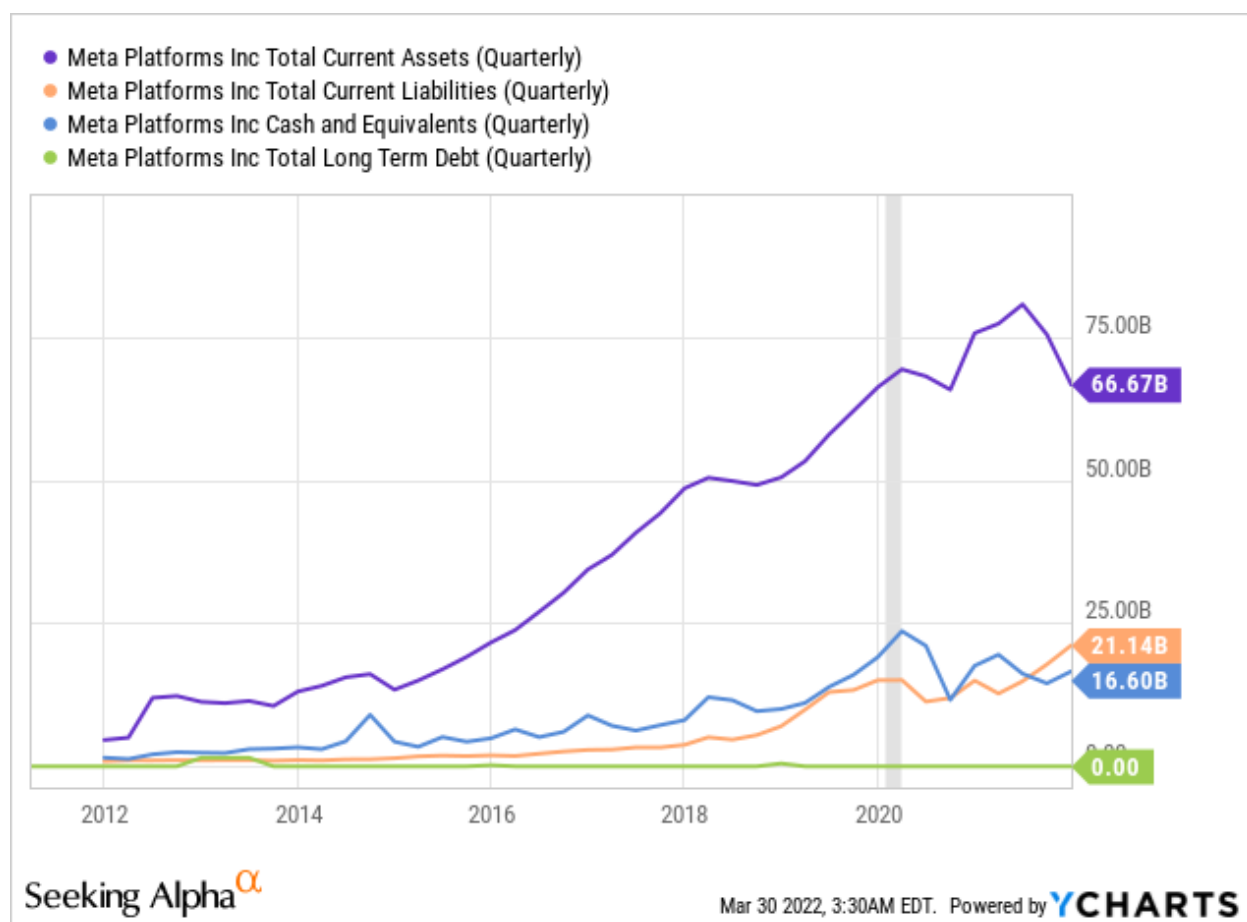
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	Total	Payment Due by Period			
		2022	2023-2024	2025-2026	Thereafter
Operating lease obligations, including imputed interest ⁽¹⁾	\$ 25,410	\$ 1,559	\$ 3,966	\$ 3,837	\$ 16,048
Finance lease obligations, including imputed interest ⁽¹⁾	2,303	678	603	322	700
Transition tax payable	1,537	—	848	689	—
Other contractual commitments	23,080	14,502	5,426	609	2,543
Total contractual obligations	\$ 52,330	\$ 16,739	\$ 10,843	\$ 5,457	\$ 19,291

	December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,601	\$ 17,576
Marketable securities	31,397	44,378
Accounts receivable, net	14,039	11,335
Prepaid expenses and other current assets	4,629	2,381
Total current assets	66,666	75,670
Equity investments	6,775	6,234
Property and equipment, net	57,809	45,633
Operating lease right-of-use assets	12,155	9,348
Intangible assets, net	634	623
Goodwill	19,197	19,050
Other assets	2,751	2,758
Total assets	\$ 165,987	\$ 159,316
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,083	\$ 1,331
Partners payable	1,052	1,093
Operating lease liabilities, current	1,127	1,023
Accrued expenses and other current liabilities	14,312	11,152
Deferred revenue and deposits	561	382
Total current liabilities	21,135	14,981
Operating lease liabilities, non-current	12,746	9,631
Other liabilities	7,227	6,414
Total liabilities	41,108	31,026
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.000006 par value; 5,000 million Class A shares authorized, 2,328 million and 2,406 million shares issued and outstanding, as of December 31, 2021 and 2020, respectively; 4,141 million Class B shares authorized, 413 million and 443 million shares issued and outstanding, as of December 31, 2021 and 2020, respectively	—	—
Additional paid-in capital	55,811	50,018
Accumulated other comprehensive income (loss)	(693)	927
Retained earnings	69,761	77,345
Total stockholders' equity	124,879	128,290
Total liabilities and stockholders' equity	\$ 165,987	\$ 159,316

- Meta Platforms Inc Total Assets (Quarterly)
- Meta Platforms Inc Total Liabilities (Quarterly)
- Meta Platforms Inc Tangible Book Value (Quarterly)
- Meta Platforms Inc Book Value (Quarterly)





FB has a great balance sheet without any debt

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities			
Net income	\$ 39,370	\$ 29,146	\$ 18,485
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,967	6,862	5,741
Share-based compensation	9,164	6,536	4,836
Deferred income taxes	609	(1,192)	(37)
Other	(127)	118	39
Changes in assets and liabilities:			
Accounts receivable	(3,110)	(1,512)	(1,961)
Prepaid expenses and other current assets	(1,750)	135	47
Other assets	(349)	(34)	41
Accounts payable	1,436	(17)	113
Partners payable	(12)	178	348
Accrued expenses and other current liabilities	3,357	(1,054)	7,300
Deferred revenue and deposits	187	108	123
Other liabilities	941	(527)	1,239
Net cash provided by operating activities	57,683	38,747	36,314

Cash flows from investing activities			
Purchases of property and equipment	(18,567)	(15,115)	(15,102)
Purchases of marketable securities	(30,407)	(33,930)	(23,910)
Sales of marketable securities	31,671	11,787	9,565
Maturities of marketable securities	10,915	13,984	10,152
Purchases of equity investments	(47)	(6,361)	(61)
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(851)	(388)	(508)
Other investing activities	(284)	(36)	—
Net cash used in investing activities	(7,570)	(30,059)	(19,864)
Cash flows from financing activities			
Taxes paid related to net share settlement of equity awards	(5,515)	(3,564)	(2,337)
Repurchases of Class A common stock	(44,537)	(6,272)	(4,202)
Principal payments on finance leases	(677)	(604)	(552)
Net change in overdraft in cash pooling entities	14	24	(223)
Other financing activities	(13)	124	15
Net cash used in financing activities	(50,728)	(10,292)	(7,299)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(474)	279	4
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,089)	(1,325)	9,155
Cash, cash equivalents, and restricted cash at beginning of the period	17,954	19,279	10,124
Cash, cash equivalents, and restricted cash at end of the period	\$ 16,865	\$ 17,954	\$ 19,279
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	\$ 16,601	\$ 17,576	\$ 19,079
Restricted cash, included in prepaid expenses and other current assets	149	241	8
Restricted cash, included in other assets	115	137	192
Total cash, cash equivalents, and restricted cash	\$ 16,865	\$ 17,954	\$ 19,279

Note 4. Cash and Cash Equivalents and Marketable Securities

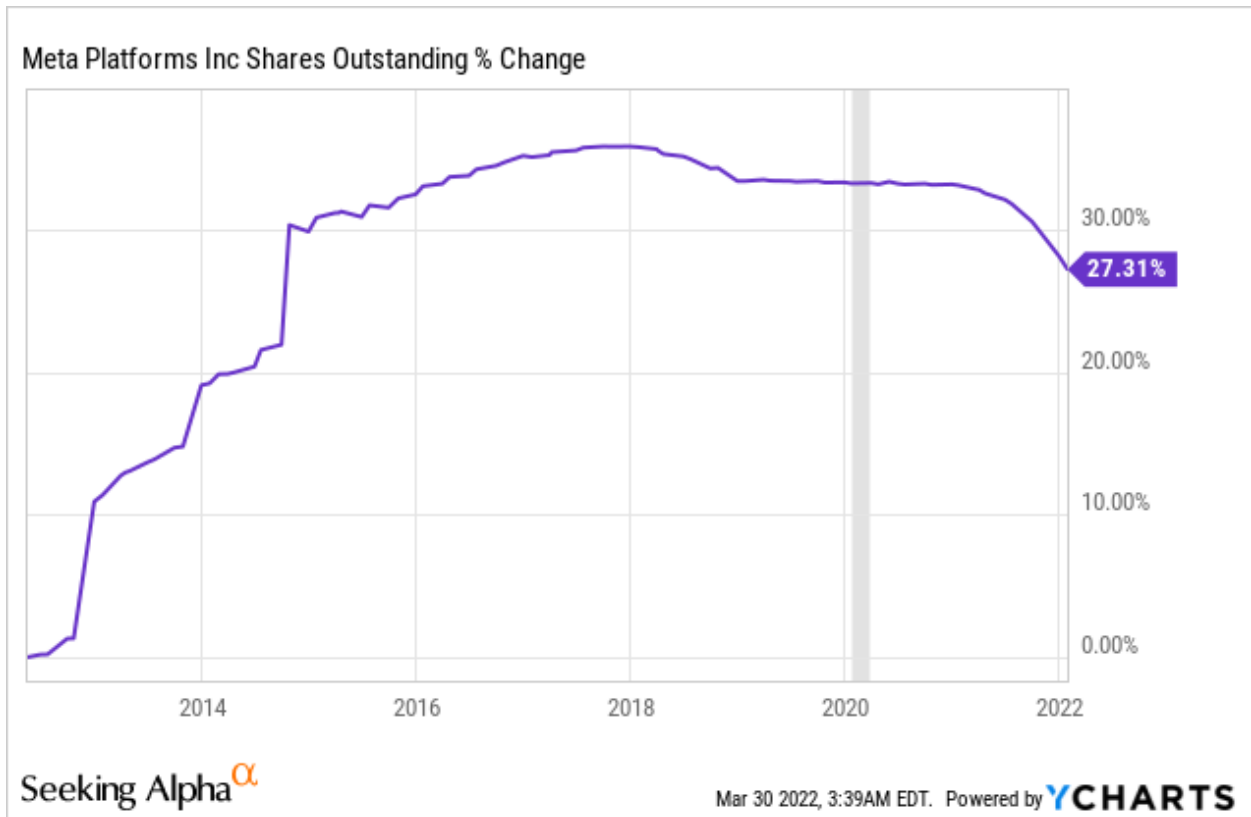
The following table sets forth the cash and cash equivalents and marketable securities (in millions):

	December 31,	
	2021	2020
Cash and cash equivalents:		
Cash	\$ 7,308	\$ 6,488
Money market funds	8,850	9,755
U.S. government securities	25	1,016
U.S. government agency securities	108	—
Certificates of deposit and time deposits	250	305
Corporate debt securities	60	12
Total cash and cash equivalents	16,601	17,576
Marketable securities:		
U.S. government securities	10,901	20,921
U.S. government agency securities	5,927	11,698
Corporate debt securities	14,569	11,759
Total marketable securities	31,397	44,378
Total cash and cash equivalents and marketable securities	\$ 47,998	\$ 61,954

The gross unrealized gains on our marketable securities were not material and \$641 million as of December 31, 2021 and 2020, respectively. The gross unrealized losses and the allowance for credit losses on our marketable securities were not material as of December 31, 2021 and 2020.

The following table classifies our marketable securities by contractual maturities (in millions):

	December 31, 2021
Due within one year	\$ 3,352
Due after one year to five years	28,045
Total	\$ 31,397



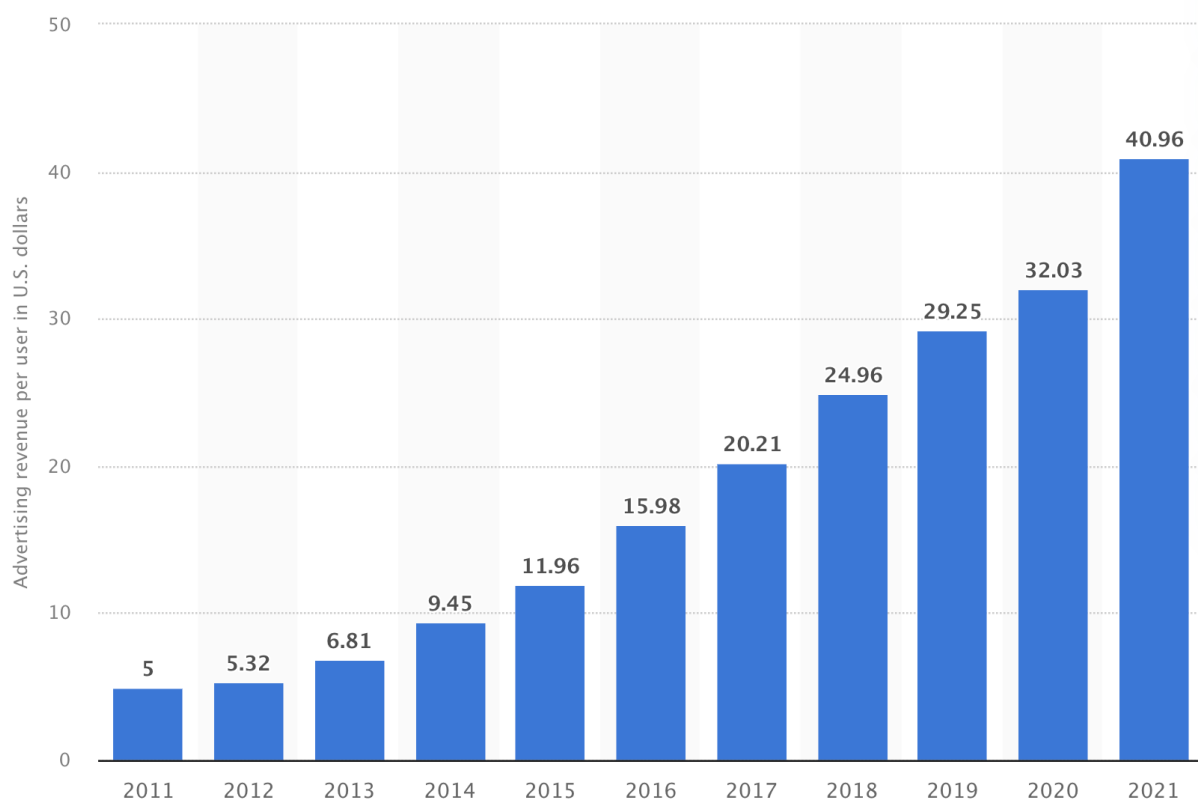
FB has been buying back shares and can certainly buy more with the marketable securities they own.

Our next step is to breakdown FB into its core business and its Metaverse venture

The core business is slowing down but still profitable. The margins will increase as they increase revenues per user.

The Metaverse business is the problem.

	2015	2016	2017	2018	2019	2020	2021	CAGR	Average
Family of Apps	\$ 17,928	\$ 27,638	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	36%	
Reality Labs	\$ -	\$ -	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	113%	
Revenues	\$ 17,928	\$ 27,638	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929	37%	
Family of Apps	100%	100%	100%	100%	99%	99%	98%		99%
Reality Labs	0%	0%	0%	0%	1%	1%	2%		1%
Revenues	100%	100%	100%	100%	100%	100%	100%		
Family of Apps	\$ 6,225	\$ 12,427	\$ 20,203	\$ 24,913	\$ 28,489	\$ 39,294	\$ 56,946	45%	
Reality Labs	\$ -	\$ -	\$ -	\$ -	\$ (4,503)	\$ (6,623)	\$ (10,193)	N/A	\$ (3,046)
Operating Income	\$ 6,225	\$ 12,427	\$ 20,203	\$ 24,913	\$ 23,986	\$ 32,671	\$ 46,753	40%	
Margins	35%	45%	50%	45%	34%	38%	40%		41%
Family of Apps	100%	100%	100%	100%	119%	120%	122%		109%
Reality Labs	0%	0%	0%	0%	-19%	-20%	-22%		-9%
Operating Income	100%	100%	100%	100%	100%	100%	100%		
Total Net income	\$ 3,688	\$ 10,217	\$ 15,934	\$ 22,112	\$ 18,485	\$ 29,146	\$ 39,370	48%	
Profit Margin	21%	37%	39%	40%	26%	34%	33%		33%
FCF	\$ 7,797	\$ 11,617	\$ 17,483	\$ 15,359	\$ 21,212	\$ 23,632	\$ 39,116	31%	
FCF Margin	43%	42%	43%	28%	30%	27%	33%		35%



The ARPU has been growing by 20.7% per year in the last 5 years.

If we assume growth of 10%, reflecting to growth in revenues of 10% in the Family of Apps (FA) business for 2024-2026. And 20% for 2022 and 2023

The RL business can grow by 50% annually

We maintain the same operating margins of about 45% for the FA business

The loss in the RL business will be 15% of the FA business gains

Net income is 80% of operating income

FCF 5% more than net income

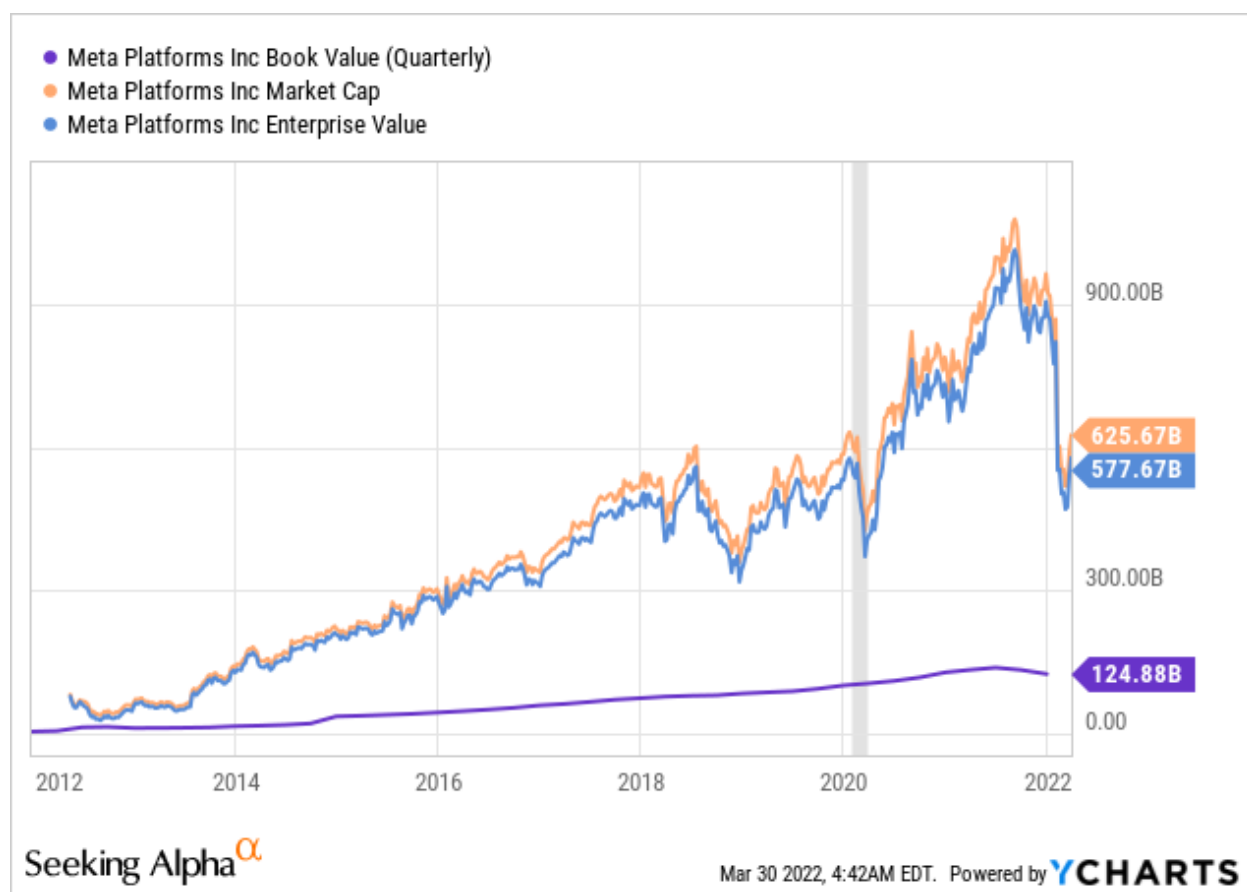
	2021	2022	2023	2024	2025	2026	CAGR	Average
Family of Apps	\$ 115,655	\$ 138,786	\$ 166,543	\$ 183,198	\$ 201,517	\$ 221,669	14%	
Reality Labs	\$ 2,274	\$ 3,411	\$ 5,117	\$ 7,675	\$ 11,512	\$ 17,268	50%	
Revenues	\$ 117,929	\$ 142,197	\$ 171,660	\$ 190,872	\$ 213,029	\$ 238,937	15%	
Family of Apps	98%	98%	97%	96%	95%	93%		96%
Reality Labs	2%	2%	3%	4%	5%	7%		4%
Revenues	100%	100%	100%	100%	100%	100%		
Family of Apps	\$ 56,946	\$ 62,454	\$ 74,944	\$ 82,439	\$ 90,683	\$ 99,751	12%	
Reality Labs	\$ (10,193)	\$ (12,491)	\$ (14,989)	\$ (16,488)	\$ (18,137)	\$ (19,950)	14%	
Operating Income	\$ 46,753	\$ 49,963	\$ 59,956	\$ 65,951	\$ 72,546	\$ 79,801	11%	
Margins	40%	35%	35%	35%	34%	33%		35%
Total Net income	\$ 39,370	\$ 39,970	\$ 47,964	\$ 52,761	\$ 58,037	\$ 63,841	10%	
Profit Margin	33%	28%	28%	28%	27%	27%		29%
FCF	\$ 39,116	\$ 41,969	\$ 50,363	\$ 55,399	\$ 60,939	\$ 67,033	11%	
FCF Margin	33%	30%	29%	29%	29%	28%		30%

Next, we discount those FCF at a rate of 10% because of the great balance sheet

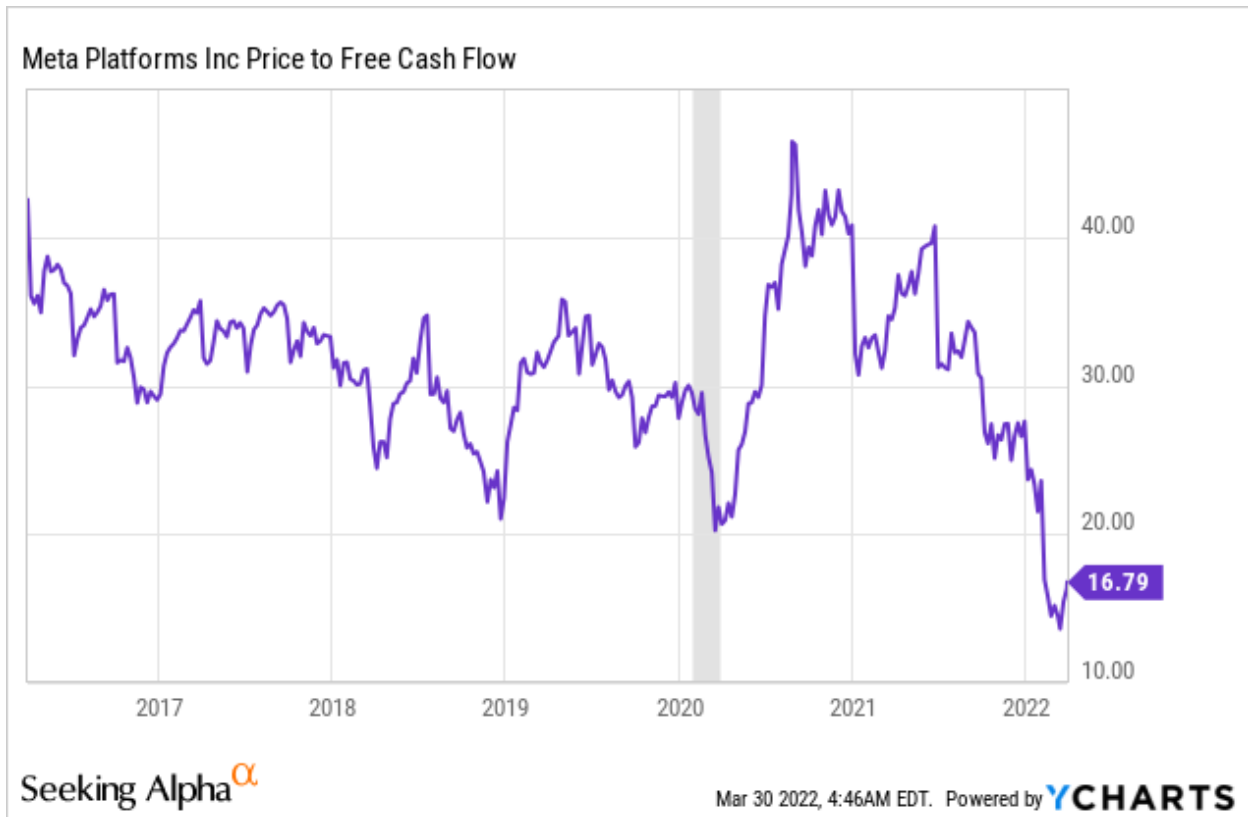
Terminal growth rate of 3%

Year	FCF	Disounted FCF
TTM	\$ 39,116	
Year 1	\$ 41,969	\$ 38,154
Year 2	\$ 50,363	\$ 41,622
Year 3	\$ 55,399	\$ 41,622
Year 4	\$ 60,939	\$ 41,622
Year 5	\$ 67,033	\$ 41,622
Terminal Value		\$ 594,600
Intrinsic Value		\$ 799,242
Per share		\$ 293.62

FB looks undervalued, even if we take a 20% margin of safety



We will use the exit multiples of P/FCF



We will use a 15-35 range

Assume the company buys back 10% of shares outstanding in the next 5 years

Assume 20% more/less in FCF in bull/bear cases

		2026 Price to FCF Ratio				
2026 FCF/share		15	20	25	30	35
Bull	\$ 32.83	\$ 492.48	\$ 656.64	\$ 820.80	\$ 984.96	\$ 1,149.12
Base	\$ 27.36	\$ 410.40	\$ 547.20	\$ 684.00	\$ 820.80	\$ 957.60
Bear	\$ 21.89	\$ 328.32	\$ 437.76	\$ 547.20	\$ 656.64	\$ 766.08
Returns @	\$ 229.00	43%	139%	199%	258%	402%
CAGR		7%	19%	24%	29%	38%
Probability		10%	20%	40%	20%	10%
Expectation	24%	1%	4%	10%	6%	4%

Facebook is undervalued today