

# Meta Platforms, Inc. (NASDAQ:FB)



**Ishfaaq Peerally**  
eToro Elite Popular Investor  
(Approved Value Investor)

## Trading Statistics (USD)

Market Cap (bb)	625	LTM EPS	13.77	Update Date	30 Mar 2022
Current Price	229	LTM P/E	16.6	Recommendation	BUY
52 Wk L - H	185 - 384	EV / EBITDA	10	Price Target	NONE

## Business Description

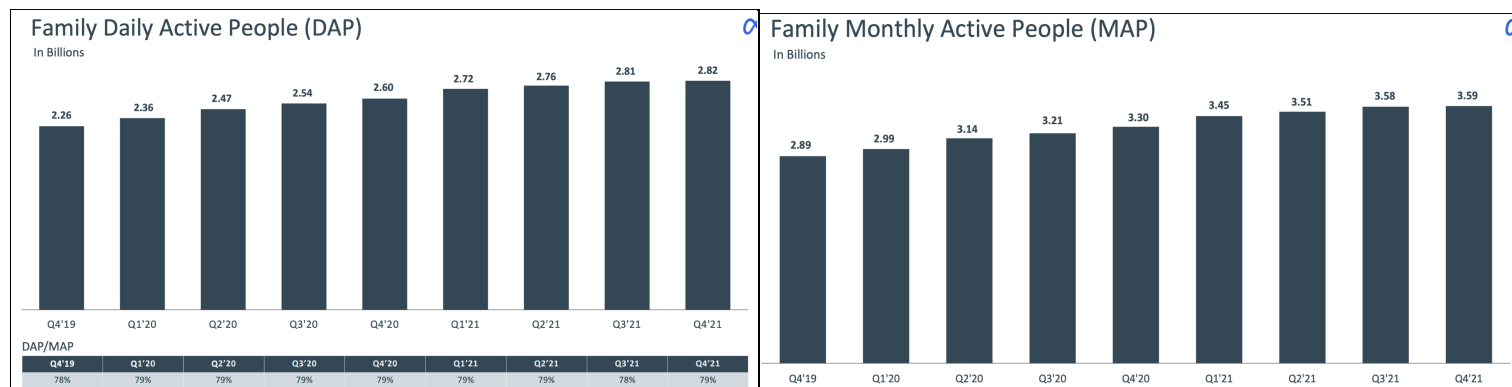
- Parent company of Facebook, Messenger, Instagram, and WhatsApp; formerly known as Facebook, Inc.
- Largest social media company in the world with 2.82 billion Daily Active People (DAP) and 3.59 billion Monthly Active People (MAP)
- Two business segments: Family of Apps (FA) and Reality Labs (RL)

## Financial Summary (USD)

	FY17	FY18	FY19	FY20	FY21
Revenue (mm)	40,653	55,838	70,697	85,965	117,929
EBITDA (mm)	23,625	29,228	29,727	39,533	54,720
Margins	58%	52%	42%	46%	46%
Net Income (mm)	15,934	22,112	18,485	29,146	39,370
Margins	39%	40%	26%	34%	33%

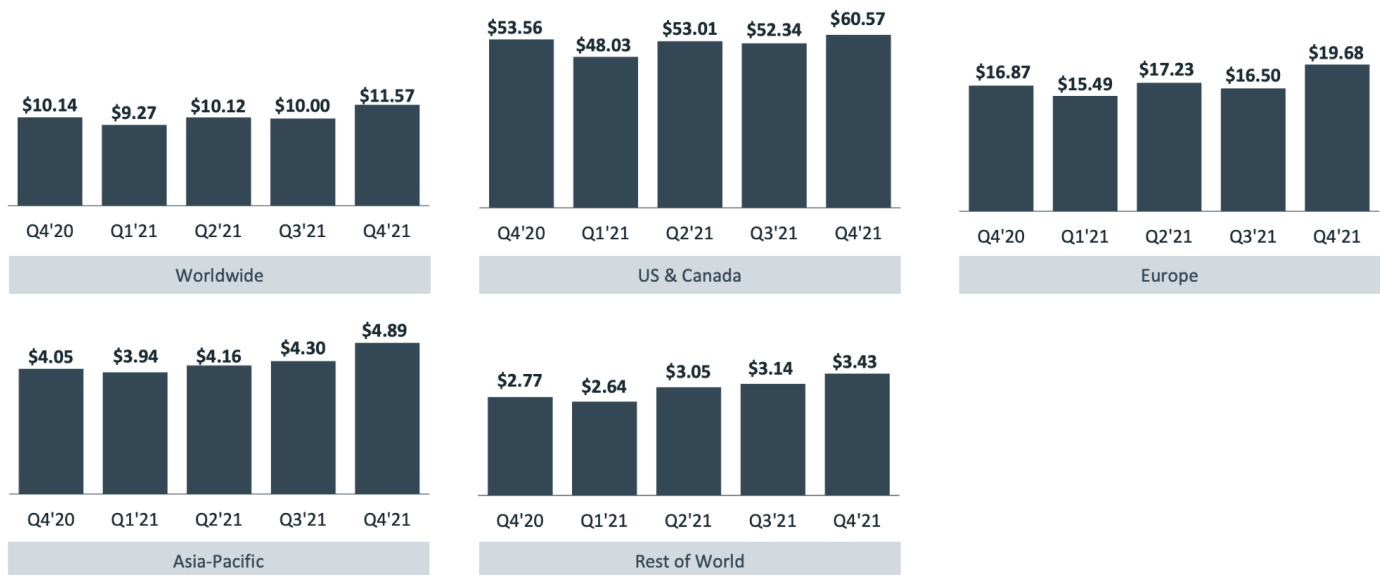
## Investment Thesis

### Business Description:



- Slowing down of MAP and DAP growth with DAU of Facebook going down for the first time
- Average Revenue Per User (ARPU) still increasing

# Facebook Average Revenue per User (ARPU)



## Catalysts:

- More people spending money on the different apps/platforms even without growth in user base
- More ads being sold on these platforms as consumer habits changes
- The Metaverse (if it succeeds - more of a risky bet)
- Great balance sheet and returning cash to shareholders through share buybacks

## Risks:

- Anti-trust probes and more governmental regulations
- Competition from YouTube, TikTok, and other platforms that are more appreciated by younger people
- Saturation of market
- Non-core business (RL) losing a lot of money
- CEO and Founder Mark Zuckerberg holds the majority of the voting rights
- Privacy issues leading to some companies such as Apple from restricting their ability to track user data
- Rising interest rates generally not good for growth stocks

## Financial Analysis:

(mm USD)	4Q21	4Q20	% change		4Q21	4Q20	% change
<b>Revenues</b>	\$ 33,671	\$ 28,072	20%	<b>Net income</b>	\$ 10,285	\$ 11,219	-8%
<b>Operating Income</b>	\$ 12,585	\$ 12,775	-1%	<b>FCF</b>	\$ 12,735	\$ 9,427	35%
<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Book Value</b>	<b>Cash and MS</b>	<b>Debt</b>	<b>Current Assets</b>	<b>Current Liabilities</b>	
\$ 165,987	\$ 41,108	\$ 124,879	\$ 47,998	\$ -	\$ 66,666	\$ 21,135	

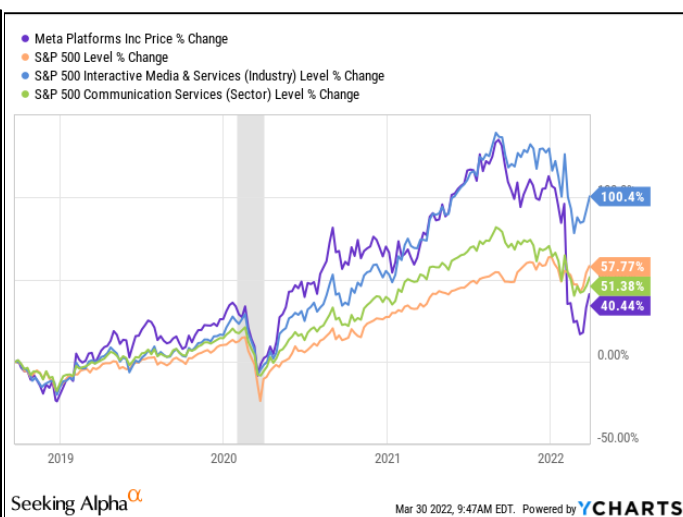
	2015	2016	2017	2018	2019	2020	2021	CAGR	Average
<b>Family of Apps</b>	\$ 17,928	\$ 27,638	\$ 40,653	\$ 55,838	\$ 70,196	\$ 84,826	\$ 115,655	36%	
<b>Reality Labs</b>	\$ -	\$ -	\$ -	\$ -	\$ 501	\$ 1,139	\$ 2,274	113%	
<b>Revenues</b>	\$ 17,928	\$ 27,638	\$ 40,653	\$ 55,838	\$ 70,697	\$ 85,965	\$ 117,929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

## Valuations:

- My personal Biases:
  - Previously invested in the company in 2018 and sold in 2019
- Assumptions:
  - Revenue growth of 20% per year in 2022 and 2023 and 10% per in 2024-2026 for the Family of Apps business segment
  - Revenue growth of 50% per year in 2022-2026 for the Reality Labs segment
  - Operating margin of 45% for the FA business
  - Operating loss margin of 15% for the RL business
  - Net income will be 80% of the operating income
  - Free Cash Flow (FCF) 5% more than the net income
  - Discount Rate of 10% because of the great balance sheet
  - Terminal Growth Rate of 3%
  - Margin of safety of 20%

	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%

Year	FCF	Discounted 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



- Exit Multiples based on P/FCF Ratio (15-45 in the last 7 years)
- Sales 20% higher in bull case and 20% lower in bear case
- Shares outstanding lowered by 10%

		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%

## Conclusion

- Facebook is undervalued and a BUY for the long-term based on current business