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CMB International Global Markets | Equity Research | Company Update

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Meta (META US)

Solid 4Q24 results; further stepping up AI investments in FY25

BUY (Maintain)

Target Price	**US$835.00**
(Previous TP	US$685.00)
Up/Downside	**21.2%**
Current Price	**US$689.18**

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Meta announced 4Q24 results: total revenue was up by 21% YoY to US$48.4bn, 3% ahead of Bloomberg consensus estimate, thanks to the solid ad impression and pricing growth on AI optimization. Net income was up by 49% YoY to US$20.8bn, 18% ahead of consensus estimate, mainly reflecting c.US$3bn favourable impact from legal accrual reductions and lower restructuring costs. FY24 total revenue/net income grew by 22%/59% YoY to US$164.5/62.4bn. Looking ahead, management guides total revenue to increase by 8-15% YoY to US$39.5-41.8bn in 1Q25E, and expects to step up investments to drive strong revenue growth throughout FY25E. Management anticipates total expenses/capex to grow by 20-25%/53-66% YoY to US$114-119bn/60-65bn, mainly driven by increased investments in Gen AI and core businesses. We maintain our FY25-26E total revenue forecasts largely unchanged, but raise our TP to US$835 on 32x FY25E PE (previous: US$685.0 on 27x FY25E PE), as we are more upbeat on the long-term growth initiatives enabled by AI. Maintain BUY.

- **Core ad business delivered solid growth.** Family of Apps ad revenue grew 21% YoY to US$47.3bn in 4Q24, with online commercial vertical as the largest contributor to YoY growth. Ad impressions/average price per ad grew by 6/14% YoY respectively in 4Q24, as AI enhanced both user engagement and ad monetization. Key products like Reels and Threads continue to grow. Global video time spent on Instagram grew by double-digit % YoY in 4Q24, thanks to the ongoing optimizations to the ranking systems. Threads MAU surpassed 320mn in 4Q24 and has been adding 1mn sign-ups per day. The company started to test ads on Threads in 4Q24, and expects gradual introduction of ads on Threads in 2025.
- **Continue to lead in the AI competition.** On the AI front: 1) Meta AI MAUs grew by c.40% QoQ to over 700mn in 4Q24. The company plans to introduce more updates that will enable Meta AI to deliver more personalized AI experience and differentiate with other general AI; 2) Meta introduced a new machine learning system called Andromeda with Nvidia in 2H24, which is enabling Meta to better personalize ad display. Andromeda has driven an 8% increase in the quality of tested ads; 3) Annual revenue run-rate of Advantage+ shopping campaigns surpassed US$20bn in 4Q24, up 70% YoY. Over 4mn advertisers are currently using at least one of Meta's generative AI ad creative tools, up from 1mn in Sep 2024. We are upbeat on Meta's AI vision, which may generate new monetization opportunities and drive long-term revenue growth.
- **Further stepping up AI investments in FY25.** Management expects FY25 total expenses to grow by 20-25% YoY to US$114-119bn, primarily driven by higher infrastructure costs and employee compensation. This may lead to a c.3ppt YoY decline in OPM in FY25E, based on our estimate. That said, management continues to enhance infra and operating efficiency through: 1) extending the useful life of both AI and non-AI servers; 2) ramping up the adoption of its MTIA silicon in the ranking and recommendation systems.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	134,901	164,500	187,685	208,935	227,928
EPS (Adjusted) (US$)	20.64	31.20	33.81	38.26	42.78
Consensus EPS (US$)	15.19	24.61	25.63	29.29	33.32
P/S (x)	13.2	10.8	9.5	8.5	7.8
P/E (x)	45.4	28.0	26.4	23.1	20.4

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (US$ mn)	1,773,949.3
Avg 3 mths t/o (US$ mn)	8,171.4
52w High/Low (US$)	689.18/394.78
Total Issued Shares (mn)	2574.0

Source: FactSet

Shareholding Structure

Mark Zuckerberg	14.0%
The Vanguard Group	6.9%

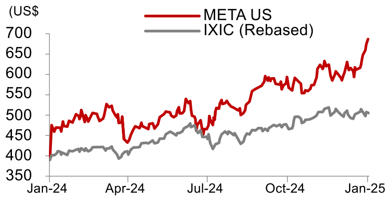
Source: Company data

Share Performance

	Absolute	Relative
1-mth	17.7%	15.8%
3-mth	21.4%	11.9%
6-mth	45.1%	30.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Meta: forecast revision

	Current			Previous			Change (%)		
US$ bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	187.7	208.9	227.9	186.1	208.0	NA	0.8%	0.4%	NA
Gross profit	149.7	166.7	181.8	150.4	168.1	NA	-0.4%	-0.8%	NA
Operating profit	73.6	83.5	93.3	73.7	82.6	NA	-0.1%	1.0%	NA
Net profit	65.9	75.4	85.4	64.6	72.7	NA	2.1%	3.7%	NA
EPS (US$)	26.1	29.8	33.8	25.5	28.8	NA	2.1%	3.7%	NA
Gross margin	79.8%	79.8%	79.8%	80.8%	80.8%	NA	-1.0 ppt	-1.0 ppt	NA
Operating margin	39.2%	40.0%	40.9%	39.6%	39.7%	NA	-0.4 ppt	0.2 ppt	NA
Net margin	35.1%	36.1%	37.5%	34.7%	35.0%	NA	0.4 ppt	1.1 ppt	NA

Source: CMBIGM estimates

Figure 2: Meta: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	187.7	208.9	227.9	186.9	211.2	233.5	0.4%	-1.1%	-2.4%
Gross profit	149.7	166.7	181.8	150.3	169.1	187.2	-0.4%	-1.4%	-2.9%
Operating profit	73.6	83.5	93.3	77.1	87.7	98.0	-4.5%	-4.8%	-4.9%
Net profit	65.9	75.4	85.4	65.5	74.0	83.2	0.7%	1.9%	2.7%
EPS (US$)	26.1	29.8	33.8	25.6	29.3	33.3	1.7%	1.8%	1.4%
Gross margin	79.8%	79.8%	79.8%	80.4%	80.1%	80.2%	-0.7 ppt	-0.3 ppt	-0.4 ppt
Operating margin	39.2%	40.0%	40.9%	41.2%	41.5%	42.0%	-2.0 ppt	-1.6 ppt	-1.1 ppt
Net margin	35.1%	36.1%	37.5%	35.0%	35.0%	35.6%	0.1 ppt	1.1 ppt	1.8 ppt

Source: CMBIGM estimates

Valuation

We value Meta at US$835.0 per share based on 32x 2025E P/E. Our target PE multiple is a premium to the sector average (24x), reflecting Meta's strong leadership in global social media space and capability to drive long-term earnings growth.

Figure 3: Meta: target valuation

P/E valuation (US$mn)	2025E
Net income	65,947
Target 2025E P/E	32.0
Target equity valuation	2,110,319
Valuation per share (US$)	835.0

Source: Company data, CMBIGM estimates

Figure 4: Global online ad platforms: valuation comparison

Companies	Ticker	Price (LC)	PE(x) 2024E	PE(x) 2025E	PE(x) 2026E	PS (x) 2024E	PS (x) 2025E	PS (x) 2026E	EPS CAGR 24-26E
Global ads									
Meta	META US	676.5	28.4	25.4	22.4	10.5	9.1	8.1	26%
Alphabet	GOOGL US	195.4	23.8	21.3	18.5	8.1	6.8	6.1	21%
Pinterest	PINS US	33.2	21.7	18.7	15.5	6.2	5.4	4.7	27%
Snap	SNAP US	11.6	44.1	30.8	19.6	3.6	3.2	2.8	98%
Average			***29.5***	***24.1***	***19.0***	***7.1***	***6.1***	***5.4***	
Global tech									
Microsoft	MSFT US	442.3	37.4	33.9	29.3	13.4	11.8	10.3	16%
Amazon.com	AMZN US	237.1	35.0	33.1	27.7	3.9	3.5	3.2	31%
Netflix	NFLX US	978.2	49.4	39.9	32.6	10.8	9.5	8.4	35%
Salesforce	CRM US	354.0	43.2	35.3	31.5	9.7	8.9	8.2	32%
ServiceNow	NOW US	1143.6	NA	NA	NA	21.4	17.8	14.8	24%
Adobe	ADBE US	441.7	24.2	21.6	19.2	9.0	8.2	7.4	13%
Average			***37.8***	***32.8***	***28.1***	***11.4***	***10.0***	***8.7***	

Source: Bloomberg, CMBIGM
Note: data as of 29 Jan

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**116,609**	**134,901**	**164,500**	**187,685**	**208,935**	**227,928**
Cost of goods sold	(25,249)	(25,958)	(30,162)	(37,958)	(42,256)	(46,097)
Gross profit	**91,360**	**108,943**	**134,338**	**149,727**	**166,680**	**181,832**
Operating expenses	**(62,415)**	**(62,192)**	**(64,958)**	**(76,103)**	**(83,178)**	**(88,570)**
Selling expense	(15,261)	(12,301)	(11,347)	(12,950)	(14,128)	(15,104)
Admin expense	(11,816)	(11,408)	(9,739)	(11,261)	(11,283)	(11,077)
R&D expense	(35,338)	(38,483)	(43,872)	(51,892)	(57,768)	(62,389)
Operating profit	**28,945**	**46,751**	**69,380**	**73,624**	**83,502**	**93,261**
Net Interest income/(expense)	**(126)**	**677**	**1,284**	**1,317**	**2,179**	**3,833**
Foreign exchange gain/loss	0	0	0	0	0	0
Other income/expense	0	0	0	0	0	0
Pre-tax profit	**28,819**	**47,428**	**70,664**	**74,940**	**85,681**	**97,094**
Income tax	(5,619)	(8,330)	(8,304)	(8,993)	(10,282)	(11,651)
After tax profit	**23,200**	**39,098**	**62,360**	**65,947**	**75,399**	**85,443**
Net profit	**23,200**	**39,098**	**62,360**	**65,947**	**75,399**	**85,443**
Adjusted net profit	**35,192**	**53,125**	**79,050**	**85,501**	**96,770**	**108,199**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**59,549**	**85,365**	**100,045**	**144,699**	**226,064**	**349,870**
Cash & equivalents	14,681	41,862	43,889	80,708	157,718	277,439
Account receivables	13,466	16,169	16,994	19,001	20,730	22,162
Financial assets at FVTPL	26,057	23,541	33,926	39,015	40,966	43,014
Other current assets	5,345	3,793	5,236	5,974	6,650	7,255
Non-current assets	**126,178**	**144,258**	**176,009**	**212,982**	**220,680**	**208,015**
PP&E	92,191	109,881	121,346	155,738	160,971	145,981
Investment in JVs & assos	6,201	6,141	6,070	6,070	6,070	6,070
Intangibles	897	788	14,922	15,668	16,452	17,274
Goodwill	20,306	20,654	20,654	20,654	20,654	20,654
Other non-current assets	6,583	6,794	13,017	14,852	16,533	18,036
Total assets	**185,727**	**229,623**	**276,054**	**357,681**	**446,743**	**557,885**
Current liabilities	**27,026**	**31,960**	**33,596**	**40,981**	**44,532**	**47,474**
Account payables	4,990	4,849	7,687	9,480	10,343	11,057
Other current liabilities	1,117	863	0	0	0	0
Lease liabilities	1,367	1,623	1,942	1,942	1,942	1,942
Accrued expenses	19,552	24,625	23,967	29,558	32,247	34,475
Non-current liabilities	**32,988**	**44,495**	**59,821**	**59,821**	**59,821**	**59,821**
Obligations under finance leases	15,301	17,226	18,292	18,292	18,292	18,292
Other non-current liabilities	17,687	27,269	41,529	41,529	41,529	41,529
Total liabilities	**60,014**	**76,455**	**93,417**	**100,802**	**104,353**	**107,295**
Capital surplus	64,444	73,253	83,228	91,523	101,635	124,392
Retained earnings	64,799	82,070	102,506	168,453	243,853	329,295
Other reserves	(3,530)	(2,155)	(3,097)	(3,097)	(3,097)	(3,097)
Total shareholders equity	**125,713**	**153,168**	**182,637**	**256,879**	**342,391**	**450,590**
Total equity and liabilities	**185,727**	**229,623**	**276,054**	**357,681**	**446,743**	**557,885**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**28,819**	**47,428**	**70,664**	**74,940**	**85,681**	**97,094**
Depreciation & amortization	8,686	11,178	15,498	28,482	36,555	37,783
Tax paid	(5,619)	(8,330)	(8,304)	(8,993)	(10,282)	(11,651)
Change in working capital	5,683	6,175	1,048	4,639	1,146	906
Others	12,906	14,662	12,422	19,554	21,371	22,757
Net cash from operations	**50,475**	**71,113**	**91,328**	**118,623**	**134,471**	**146,888**
Investing						
Capital expenditure	(31,431)	(27,266)	(37,256)	(63,621)	(42,570)	(23,615)
Acquisition of subsidiaries/ investments	(1,312)	(629)	(270)	0	0	0
Others	3,773	3,400	(9,624)	(6,924)	(3,632)	(3,551)
Net cash from investing	**(28,970)**	**(24,495)**	**(47,150)**	**(70,544)**	**(46,203)**	**(27,167)**
Financing						
Net borrowings	9,071	7,397	8,463	0	0	0
Share repurchases	(31,551)	(19,774)	(48,967)	(11,259)	(11,259)	0
Others	344	(7,123)	(277)	0	0	0
Net cash from financing	**(22,136)**	**(19,500)**	**(40,781)**	**(11,259)**	**(11,259)**	**0**
Net change in cash						
Cash at the beginning of the year	16,601	14,681	41,862	43,889	80,708	157,718
Exchange difference	(1,289)	113	(786)	0	0	0
Cash at the end of the year	**14,681**	**41,912**	**44,473**	**80,708**	**157,718**	**277,439**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(1.1%)	15.7%	21.9%	14.1%	11.3%	9.1%
Gross profit	(4.1%)	19.2%	23.3%	11.5%	11.3%	9.1%
Operating profit	(38.1%)	61.5%	48.4%	6.1%	13.4%	11.7%
Net profit	(41.1%)	68.5%	59.5%	5.8%	14.3%	13.3%
Adj. net profit	(27.5%)	51.0%	48.8%	8.2%	13.2%	11.8%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	78.3%	80.8%	81.7%	79.8%	79.8%	79.8%
Operating margin	24.8%	34.7%	42.2%	39.2%	40.0%	40.9%
Adj. net profit margin	30.2%	39.4%	48.1%	45.6%	46.3%	47.5%
Return on equity (ROE)	18.5%	28.0%	37.1%	30.0%	25.2%	21.5%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.2	2.7	3.0	3.5	5.1	7.4
Receivable turnover days	42.2	43.7	37.7	37.0	36.2	35.5

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	79.8	45.4	28.0	26.4	23.1	20.4
P/E (diluted)	80.3	46.3	28.9	27.2	23.8	21.0
P/B	14.7	11.6	9.6	6.8	5.1	3.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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