

Meta (META US)

4Q25 results beat; AI continues to drive ad business growth

Meta announced 4Q25 results: total revenue increased by 24% YoY to US\$59.9bn and net income grew by 9% YoY to US\$22.8bn, 3% and 8% ahead of Bloomberg consensus estimates, as AI continues to drive solid ad revenue growth. Management expected the strong momentum to sustain and guided total revenue to increase by 26-34% YoY to US\$53.5-56.5bn in 1Q26, which is also ahead of consensus estimate (US\$51.3bn). Management guided FY26 total expenses to be US\$162-169bn (+38-44% YoY) mainly due to the increase in infra costs and employee compensation, but still expected positive operating income growth in FY26. This guidance, based on our estimate, implies total revenue growth could be above 22% YoY in FY26 (vs. consensus of +18% YoY). Overall, we lift our FY26-27E total revenue forecasts by 6-9% in view of the strong AI-driven performance gains of the ad business, but maintain our FY26 earnings forecast largely unchanged on the opex growth. We maintain our target price unchanged at US\$880.0 based on 30x FY26E PE. Maintain BUY.

■ **Strong ad business momentum.** Family of Apps (FoA) ad revenue grew by 24% YoY to US\$58.1bn in 4Q25, driven by online commerce, professional services and technology verticals. Ad impressions delivered solid YoY growth of 18% in 4Q25, mainly due to engagement growth and ad load optimization. Average price per ad increased by 6% YoY in 4Q25 as AI improved ad performance. FoA other revenue grew by 54% YoY to US\$801mn in 4Q25, with WhatsApp paid messaging surpassing the annual run rate of US\$2bn. Looking ahead, management guides total revenue to grow by 26-34% YoY in 1Q26 (incl. 4% currency tailwinds), but expects FY26 total revenue growth to be below 1Q26 level due to less currency tailwinds, high-base effect, and introduction of the revised ads offering in the EU.

■ **AI continues to drive business growth.** AI drove ad performance on several fronts and management expects the AI gains to continue in FY26: 1) Engagement: total watch time of Instagram Reels and Facebook videos grew by over 30% YoY and at double-digit figures YoY in the US, thanks to the optimization of recommendation system. 2) Monetization: the GEM model and sequence learning architecture improvements in 4Q25 drove 3.5% increase in ad clicks on Facebook and over 1% gain in conversions on Instagram. 3) Ad products: the company continues to introduce and optimize ad products to improve efficiency of advertisers. The combined revenue run rate of video generation tools surpassed US\$10bn in 4Q25.

■ **Update on opex and capital allocation.** For FY26, Meta guided total expenses to be US\$162-169bn (+38-44% YoY), and capex to be US\$115-135bn (+59-87% YoY), primarily due to the step-up of AI investment. Management noted that the compute demand will continue to outpace supply through the majority of 2026 until the company's own facilities come online in the later part of the year. Despite the AI investment, management still expected positive YoY operating income growth in FY26, which may ease investor concern to some extent, in our view.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	164,500	200,966	246,253	286,451	324,136
Net profit (US\$ mn)	62,360.0	60,458.2	73,934.0	87,082.1	101,100.0
EPS (Reported) (US\$)	24.61	23.98	29.33	34.54	40.10
Consensus EPS (US\$)	24.61	23.98	29.64	33.59	38.91
P/E (x)	27.2	27.9	22.8	19.4	16.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$880.00
 Up/Downside 31.6%
 Current Price US\$668.73

Internet

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

Ye TAO, CFA
 (852) 3850 5226
 franktao@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	1,685,868.3
Avg 3 mths t/o (US\$ mn)	12,179.7
52w High/Low (US\$)	790.00/484.66
Total Issued Shares (mn)	2521.0

Source: FactSet

Shareholding Structure

Mark Zuckerberg	13.6%
Vanguard	7.4%

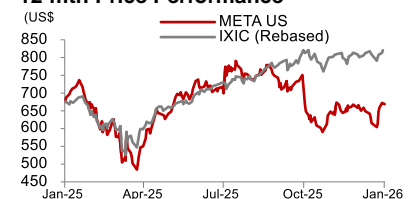
Source: Company data

Share Performance

	Absolute	Relative
1-mth	1.5%	0.1%
3-mth	-11.0%	-10.5%
6-mth	-4.5%	-15.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Meta: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	246.3	286.5	324.1	233.3	262.0	NA	5.6%	9.3%	NA
Gross profit	200.0	232.6	263.2	189.0	210.9	NA	5.8%	10.3%	NA
Operating profit	83.7	99.4	114.6	83.5	94.9	NA	0.2%	4.8%	NA
Net profit	73.9	87.1	101.1	74.1	83.8	NA	-0.2%	3.9%	NA
EPS (US\$)	29.3	34.5	40.1	29.3	33.2	NA	0.0%	4.2%	NA
Gross margin	81.2%	81.2%	81.2%	81.0%	80.5%	NA	0.2 ppt	0.7 ppt	NA
Operating margin	34.0%	34.7%	35.4%	35.8%	36.2%	NA	-1.8 ppt	-1.5 ppt	NA
Net margin	30.0%	30.4%	31.2%	31.8%	32.0%	NA	-1.7 ppt	-1.6 ppt	NA

Source: CMBIGM estimates

Figure 2: Meta: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	246.3	286.5	324.1	236.1	274.3	311.8	4.3%	4.4%	3.9%
Gross profit	200.0	232.6	263.2	188.2	215.0	242.2	6.3%	8.2%	8.7%
Operating profit	83.7	99.4	114.6	86.3	99.2	116.4	-2.9%	0.2%	-1.6%
Net profit	73.9	87.1	101.1	75.8	86.0	99.4	-2.5%	1.3%	1.7%
EPS (US\$)	29.3	34.5	40.1	29.6	33.6	38.9	-1.1%	2.8%	3.1%
Gross margin	81.2%	81.2%	81.2%	79.7%	78.4%	77.7%	1.5 ppt	2.8 ppt	3.5 ppt
Operating margin	34.0%	34.7%	35.4%	36.5%	36.2%	37.3%	-2.5 ppt	-1.5 ppt	-2.0 ppt
Net margin	30.0%	30.4%	31.2%	32.1%	31.3%	31.9%	-2.1 ppt	-0.9 ppt	-0.7 ppt

Source: CMBIGM estimates

Valuation

We value Meta at US\$880.0 per share based on 30x 2026E P/E. Our target PE multiple is a premium to the sector average (19x), 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)		2026E
Net income		73,934
Target 2026E P/E		30.0
Target equity valuation		2,218,021
Valuation per share (US\$)		880.0

Source: Company data, CMBIGM estimates

Figure 4: Global online ad platforms: valuation comparison

Companies	Ticker	Price (LC)	2025E	PE (x) 2026E	2027E	2025E	PS (x) 2026E	2027E	EPS CAGR 25-27E
Global ads									
Meta	META US	668.7	22.0	20.3	17.5	8.5	7.1	6.1	17%
Alphabet	GOOGL US	336.0	30.8	28.4	24.0	11.9	10.3	9.0	19%
Pinterest	PINS US	22.6	13.2	12.0	10.4	3.6	3.2	2.8	12%
Snap	SNAP US	7.7	23.3	16.4	15.4	2.2	2.0	1.8	23%
Average			22.4	18.9	16.6	5.9	5.1	4.5	
Global tech									
Microsoft	MSFT US	481.6	35.9	30.1	25.6	12.8	11.0	9.5	17%
Amazon	AMZN US	243.0	28.3	26.1	21.2	3.6	3.3	2.9	19%
Netflix Inc	NFLX US	84.6	33.1	26.9	22.3	7.9	7.0	6.3	24%
Uber	UBER US	79.8	19.0	20.8	17.0	3.2	2.7	2.4	31%
Average			27.0	26.8	22.1	11.5	9.3	7.7	

Source: Bloomberg, CMBIGM

Note: data as of 28 Jan

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	134,901	164,500	200,966	246,253	286,451	324,136
Cost of goods sold	(25,958)	(30,162)	(36,175)	(46,296)	(53,853)	(60,938)
Gross profit	108,943	134,338	164,791	199,958	232,598	263,199
Operating expenses	(62,192)	(64,958)	(81,515)	(116,231)	(133,200)	(148,584)
Selling expense	(12,301)	(11,347)	(11,991)	(13,544)	(15,755)	(17,471)
Admin expense	(11,408)	(9,739)	(12,152)	(15,268)	(17,187)	(18,800)
R&D expense	(38,483)	(43,872)	(57,372)	(87,420)	(100,258)	(112,313)
Operating profit	46,751	69,380	83,276	83,726	99,399	114,615
Net Interest income/(expense)	677	1,284	2,656	1,256	696	1,592
Foreign exchange gain/loss	0	0	0	0	0	0
Other income/expense	0	0	0	0	0	0
Pre-tax profit	47,428	70,664	85,932	84,982	100,094	116,207
Income tax	(8,330)	(8,304)	(25,474)	(11,048)	(13,012)	(15,107)
After tax profit	39,098	62,360	60,458	73,934	87,082	101,100
Net profit	39,098	62,360	60,458	73,934	87,082	101,100
Adjusted net profit	53,125	79,050	80,885	103,061	120,461	138,334

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	85,365	100,045	108,722	103,960	141,038	219,167
Cash & equivalents	41,862	43,889	35,873	23,196	53,079	124,359
Account receivables	16,169	16,994	19,769	23,739	27,062	30,010
Financial assets at FVTPL	23,541	33,926	45,719	48,005	50,405	52,925
Other current assets	3,793	5,236	7,361	9,020	10,492	11,872
Non-current assets	144,258	176,009	257,299	362,069	445,846	508,941
PP&E	109,881	121,346	176,400	278,249	359,266	419,654
Investment in JVs & assos	6,141	6,070	27,524	27,524	27,524	27,524
Intangibles	788	14,922	20,404	21,424	22,495	23,620
Goodwill	20,654	20,654	24,534	24,534	24,534	24,534
Other non-current assets	6,794	13,017	8,437	10,338	12,026	13,608
Total assets	229,623	276,054	366,021	466,029	586,884	728,107
Current liabilities	31,960	33,596	41,836	51,907	58,863	65,034
Account payables	4,849	7,687	8,894	11,155	12,716	14,101
Other current liabilities	863	0	0	0	0	0
Lease liabilities	1,623	1,942	2,213	2,213	2,213	2,213
Accrued expenses	24,625	23,967	30,729	38,540	43,934	48,720
Non-current liabilities	44,495	59,821	106,942	106,942	106,942	106,942
Obligations under finance leases	17,226	18,292	22,940	22,940	22,940	22,940
Other non-current liabilities	27,269	41,529	84,002	84,002	84,002	84,002
Total liabilities	76,455	93,417	148,778	158,849	165,805	171,976
Capital surplus	73,253	83,228	95,793	111,796	138,612	172,565
Retained earnings	82,070	102,506	121,179	195,113	282,195	383,295
Other reserves	(2,155)	(3,097)	271	271	271	271
Total shareholders equity	153,168	182,637	217,243	307,180	421,079	556,132
Total equity and liabilities	229,623	276,054	366,021	466,029	586,884	728,107

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	47,428	70,664	85,932	84,982	100,094	116,207
Depreciation & amortization	11,178	15,498	18,616	21,278	33,563	43,335
Tax paid	(8,330)	(8,304)	(25,474)	(11,048)	(13,012)	(15,107)
Change in working capital	6,175	1,048	(884)	4,442	2,161	1,843
Others	14,662	12,422	37,610	29,127	33,379	37,234
Net cash from operations	71,113	91,328	115,800	128,781	156,184	183,512
Investing						
Capital expenditure	(27,266)	(37,256)	(69,691)	(124,147)	(115,652)	(104,848)
Acquisition of subsidiaries/ investments	(629)	(270)	(4,231)	0	0	0
Others	3,400	(9,624)	(28,081)	(4,187)	(4,088)	(4,102)
Net cash from investing	(24,495)	(47,150)	(102,003)	(128,334)	(119,739)	(108,951)
Financing						
Net borrowings	7,397	8,463	27,382	0	0	0
Share repurchases	(19,774)	(48,967)	(26,248)	(13,124)	(6,562)	(3,281)
Others	(7,123)	(277)	(21,504)	0	0	0
Net cash from financing	(19,500)	(40,781)	(20,370)	(13,124)	(6,562)	(3,281)
Net change in cash						
Cash at the beginning of the year	14,681	41,862	43,889	35,873	23,196	53,079
Exchange difference	113	(786)	235	0	0	0
Cash at the end of the year	41,862	43,889	35,873	23,196	53,079	124,359
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.7%	21.9%	22.2%	22.5%	16.3%	13.2%
Gross profit	19.2%	23.3%	22.7%	21.3%	16.3%	13.2%
Operating profit	61.5%	48.4%	20.0%	0.5%	18.7%	15.3%
Net profit	68.5%	59.5%	(3.0%)	22.3%	17.8%	16.1%
Adj. net profit	51.0%	48.8%	2.3%	27.4%	16.9%	14.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	80.8%	81.7%	82.0%	81.2%	81.2%	81.2%
Operating margin	34.7%	42.2%	41.4%	34.0%	34.7%	35.4%
Adj. net profit margin	39.4%	48.1%	40.2%	41.9%	42.1%	42.7%
Return on equity (ROE)	28.0%	37.1%	30.2%	28.2%	23.9%	20.7%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.7	3.0	2.6	2.0	2.4	3.4
Receivable turnover days	43.7	37.7	35.9	35.2	34.5	33.8
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	44.0	27.2	27.9	22.8	19.4	16.7
P/E (diluted)	45.0	28.0	28.5	23.3	19.8	17.0
P/B	11.2	9.3	7.8	5.5	4.0	3.0

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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