

Meta (META US)

1Q26 results: AI accelerates ad revenue growth; raise FY26 capex guidance

Meta reported 1Q26 results: total revenue was up by 33% YoY to US\$55.0bn, largely in line with Bloomberg consensus; operating income grew by 30% YoY to US\$22.9bn, 18% ahead of the consensus, mainly thanks to the strong operating leverage. For 2Q26E, management expects total revenue to grow by 22%-28% YoY to US\$58-61bn, in line with the consensus of US\$59.6bn. Management lifts FY26 capex guidance from US\$115-135bn to US\$125-145bn (+73-101% YoY), mainly reflecting the higher component costs and additional data centre investment, which raises the concern of certain investors on the ROIC and its impact on earnings. Overall, we lift our FY26-28E total revenue forecasts by 3-6% in view of the strong ad revenue growth driven by AI. We maintain our target price unchanged at US\$880.0 based on 29x FY26E PE. We are constructive on Meta's vision of personal superintelligence, supported by its talent and compute density, and expect its AI investment to continuously drive core business growth. Maintain BUY.

- **AI accelerating ad revenue growth.** Family of Apps (FoA) ad revenue increased by 33% YoY to US\$55.0bn in 1Q26 (4Q25/3Q25: +24%/26% YoY), fuelled by the AI-driven ad impression and pricing growth (+19% YoY and +12% YoY). FoA other revenue grew by 74% YoY to US\$885mn in 1Q26, driven by the strong growth of WhatsApp paid messaging and subscriptions revenue. AI drove ad performance on several fronts: 1) engagement: ranking improvements drove 8% QoQ growth in total video time spend on Facebook in 1Q26, the largest QoQ gains in four years; 2) monetization: enhancements to Lattice and GEM drove over 6% increase in conversion rate for landing page ads in 1Q26; 3) ad products: over 8mn advertisers are using at least one of Meta's generative AI ad creative tools, with advertisers using the video generation feature showing over 3% higher conversion rates.
- **Strive to achieve vision of personal superintelligence.** Meta's new model, Muse Spark, is a key step to its vision of personal superintelligence. The model leads in several areas related to consumers' use cases, including visual understanding, health, shopping and social content etc. Since Muse Spark powering Meta AI's response, Meta AI app has consistently been near the top of the App Store, and the company saw double-digit percent increase in Meta AI sessions per user. Looking ahead, the company is building a personal agent to help users achieve their diverse personal goals.
- **Raising FY26E capex guidance.** Meta maintains FY26E total expense guidance unchanged at US\$162-169bn (+38-44% YoY) despite its layoff plan in May, as management expects the restructuring costs to offset the decline in employee compensation expenses. Management raises FY26 capex guidance from US\$115-135bn to US\$125-145bn (+73-101% YoY), mainly due to the higher component costs, particularly memory pricing; while the company also focuses on improving compute efficiency via rolling out custom silicon and AMD chips.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	164,500	200,966	253,563	301,615	342,145
Net profit (US\$ mn)	62,360.0	60,458.2	85,343.9	89,848.0	104,051.2
EPS (Reported) (US\$)	24.61	23.98	33.68	35.46	41.06
Consensus EPS (US\$)	24.61	23.98	29.79	34.55	40.13
P/E (x)	24.7	25.4	18.1	17.2	14.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$880.00
 Up/Downside 44.6%
 Current Price US\$608.75

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Stock Data

Mkt Cap (US\$ mn)	1,542,559.8
Avg 3 mths t/o (US\$ mn)	5,629.8
52w High/Low (US\$)	790.00/525.72
Total Issued Shares (mn)	2534.0

Source: FactSet

Shareholding Structure

Mark Zuckerberg	13.6%
Vanguard	7.4%

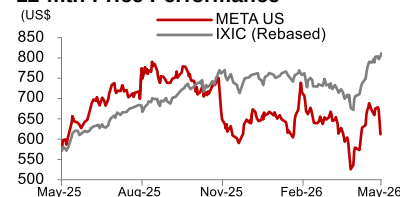
Source: Company data

Share Performance

	Absolute	Relative
1-mth	5.1%	-8.6%
3-mth	-15.0%	-20.6%
6-mth	-6.1%	-11.3%

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	253.6	301.6	342.1	246.3	286.5	324.1	3.0%	5.3%	5.6%
Gross profit	206.8	244.9	277.8	200.0	232.6	263.2	3.4%	5.3%	5.6%
Operating profit	89.3	102.5	117.9	83.7	99.4	114.6	6.6%	3.2%	2.9%
Net profit	85.3	89.8	104.1	73.9	87.1	101.1	15.4%	3.2%	2.9%
EPS (US\$)	33.7	35.5	41.1	29.3	34.5	40.1	14.8%	2.6%	2.4%
Gross margin	81.6%	81.2%	81.2%	81.2%	81.2%	81.2%	0.4 ppt	0.0 ppt	0.0 ppt
Operating margin	35.2%	34.0%	34.5%	34.0%	34.7%	35.4%	1.2 ppt	-0.7 ppt	-0.9 ppt
Net margin	33.7%	29.8%	30.4%	30.0%	30.4%	31.2%	3.6 ppt	-0.6 ppt	-0.8 ppt

Source: CMBIGM estimates

Note: FY26E net income includes US\$8.03bn income tax benefit recognized in 1Q26.

Figure 2: Meta: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	253.6	301.6	342.1	250.4	296.5	345.2	1.3%	1.7%	-0.9%
Gross profit	206.8	244.9	277.8	200.2	234.4	269.5	3.3%	4.5%	3.1%
Operating profit	89.3	102.5	117.9	87.3	102.8	120.8	2.2%	-0.2%	-2.4%
Net profit	85.3	89.8	104.1	76.7	89.3	104.6	11.3%	0.6%	-0.5%
EPS (US\$)	33.7	35.5	41.1	29.8	34.6	40.1	13.1%	2.6%	2.3%
Gross margin	81.6%	81.2%	81.2%	80.0%	79.1%	78.1%	1.6 ppt	2.1 ppt	3.1 ppt
Operating margin	35.2%	34.0%	34.5%	34.9%	34.7%	35.0%	0.3 ppt	-0.7 ppt	-0.5 ppt
Net margin	33.7%	29.8%	30.4%	30.6%	30.1%	30.3%	3.0 ppt	-0.3 ppt	0.1 ppt

Source: CMBIGM estimates

Valuation

We value Meta at US\$880.0 per share based on 29x 2026E P/E. Our target PE multiple is a premium to the sector average (17x), 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
Adjusted net income		77,314
Target 2026E P/E		29x
Target equity valuation		2,217,361
Valuation per share (US\$)		77,314

Source: Company data, CMBIGM estimates

Note: net income is adjusted for US\$8.03bn income tax benefit recognized in 1Q26.

Figure 4: Global online ad platforms: valuation comparison

Companies	Ticker	Price (LC)	PE (x)		PS (x)		EPS CAGR 25-27E
			2026E	2027E	2026E	2027E	
Global ads							
Alphabet	GOOG US	349.9	28.4	24.7	10.3	8.7	14%
Meta	META US	669.1	20.1	17.2	6.8	5.7	13%
Pinterest	PINS US	19.7	10.5	9.2	2.4	2.1	14%
Snap	SNAP US	6.0	10.8	8.9	1.5	1.4	43%
Average			17.4	15.0	5.2	4.5	
Global tech							
Microsoft	MSFT US	424.5	25.3	22.3	9.6	8.3	19%
Amazon	AMZN US	263.0	28.8	23.5	3.5	3.1	13%
Netflix Inc	NFLX US	92.1	26.0	23.9	7.5	6.8	23%
Uber	UBER US	74.5	22.3	16.9	2.6	2.3	33%

Average	25.7	21.4	4.6	4.1
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Source: Bloomberg, CMBIGM
Note: data as of 29 Apr

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	134,901	164,500	200,966	253,563	301,615	342,145
Cost of goods sold	(25,958)	(30,162)	(36,175)	(46,760)	(56,704)	(64,323)
Gross profit	108,943	134,338	164,791	206,802	244,911	277,821
Operating expenses	(62,192)	(64,958)	(81,515)	(117,522)	(142,362)	(159,884)
Selling expense	(12,301)	(11,347)	(11,991)	(12,892)	(16,589)	(18,442)
Admin expense	(11,408)	(9,739)	(12,152)	(14,461)	(17,192)	(19,502)
R&D expense	(38,483)	(43,872)	(57,372)	(90,168)	(108,581)	(121,940)
Operating profit	46,751	69,380	83,276	89,280	102,549	117,937
Net Interest income/(expense)	677	1,284	2,656	(205)	725	1,662
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	89,075	103,274	119,599
Income tax	(8,330)	(8,304)	(25,474)	(3,731)	(13,426)	(15,548)
After tax profit	39,098	62,360	60,458	85,344	89,848	104,051
Net profit	39,098	62,360	60,458	85,344	89,848	104,051
Adjusted net profit	53,125	79,050	80,885	114,794	125,523	144,117

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	85,365	100,045	108,722	105,891	145,342	225,654
Cash & equivalents	41,862	43,889	35,873	24,155	55,394	128,519
Account receivables	16,169	16,994	19,769	24,444	28,495	31,677
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	9,288	11,048	12,532
Non-current assets	144,258	176,009	257,299	372,370	461,336	528,521
PP&E	109,881	121,346	176,400	288,243	374,120	438,479
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	10,645	12,662	14,364
Total assets	229,623	276,054	366,021	478,261	606,678	754,176
Current liabilities	31,960	33,596	41,836	52,406	61,862	68,524
Account payables	4,849	7,687	8,894	11,267	13,389	14,885
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	38,927	46,260	51,427
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	159,348	168,804	175,466
Capital surplus	73,253	83,228	95,793	112,119	141,232	178,017
Retained earnings	82,070	102,506	121,179	206,523	296,371	400,422
Other reserves	(2,155)	(3,097)	271	271	271	271
Total shareholders equity	153,168	182,637	217,243	318,913	437,874	578,710
Total equity and liabilities	229,623	276,054	366,021	478,261	606,678	754,176

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	47,428	70,664	85,932	89,075	103,274	119,599
Depreciation & amortization	11,178	15,498	18,616	21,278	34,768	45,127
Tax paid	(8,330)	(8,304)	(25,474)	(3,731)	(13,426)	(15,548)
Change in working capital	6,175	1,048	(884)	3,969	3,645	1,995
Others	14,662	12,422	37,610	29,450	35,675	40,066
Net cash from operations	71,113	91,328	115,800	140,040	163,936	191,239
Investing						
Capital expenditure	(27,266)	(37,256)	(69,691)	(134,141)	(121,717)	(110,611)
Acquisition of subsidiaries/ investments	(629)	(270)	(4,231)	0	0	0
Others	3,400	(9,624)	(28,081)	(4,494)	(4,418)	(4,222)
Net cash from investing	(24,495)	(47,150)	(102,003)	(138,635)	(126,135)	(114,833)
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	24,155	55,394
Exchange difference	113	(786)	235	0	0	0
Cash at the end of the year	41,862	43,889	35,873	24,155	55,394	128,519
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.7%	21.9%	22.2%	26.2%	19.0%	13.4%
Gross profit	19.2%	23.3%	22.7%	25.5%	18.4%	13.4%
Operating profit	61.5%	48.4%	20.0%	7.2%	14.9%	15.0%
Net profit	68.5%	59.5%	(3.0%)	41.2%	5.3%	15.8%
Adj. net profit	51.0%	48.8%	2.3%	41.9%	9.3%	14.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	80.8%	81.7%	82.0%	81.6%	81.2%	81.2%
Operating margin	34.7%	42.2%	41.4%	35.2%	34.0%	34.5%
Adj. net profit margin	39.4%	48.1%	40.2%	45.3%	41.6%	42.1%
Return on equity (ROE)	28.0%	37.1%	30.2%	31.8%	23.7%	20.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.7	3.0	2.6	2.0	2.3	3.3
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	40.1	24.7	25.4	18.1	17.2	14.8
P/E (diluted)	40.9	25.5	25.9	18.3	17.4	15.0
P/B	10.2	8.4	7.1	4.8	3.5	2.7

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

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