

Meta (META US)

1Q25 results beat; raising capex guidance to support core business and AI development

Meta reported 1Q25 results: total revenue grew by 16% YoY to US\$42.3bn, largely in line with consensus estimate; operating income grew by 27% YoY to US\$17.6bn, 13% ahead of consensus estimate, mainly due to control in certain non-headcount-related opex. As a result, management lowered FY25 total expenses guidance by US\$1bn to US\$113-118bn (+19-24% YoY); but raised FY25 capex guidance to US\$64-72bn (+63-84%, previous: US\$60-65bn) reflecting additional data centre investment and increased hardware costs. For 2Q25E, management expects total revenue to grow by 9-16% YoY to US\$42.5-45.5bn, with decelerating growth which factors in the macro uncertainty and reduced ad spending from Asia-based e-commerce exporters. We lower our FY25-27 total revenue forecast by 0-1%, and trim our target price to US\$760 based on 30x FY25E PE (previous: US\$835 on 32x FY25E PE). Maintain BUY.

- **Solid 1Q25 ad revenue growth driven by AI empowerment.** Family of Apps ad revenue was up by 16% YoY to US\$41.4bn in 1Q25, with ad impressions/average price per ad up by 5/10% YoY respectively. AI continues to be a key growth driver of both user engagement and ad performance. Supported by AI-enhanced recommendation systems, time spend on Facebook/Instagram/Threads increased by 7/6/35% in the past 6 months. The testing of a new ad recommendation model for Reels in 1Q25 led to a 5% increase in ad conversions. Looking ahead, management expects macro uncertainty and reduced ad spending from Asia-based e-commerce platforms to have a short-term impact on the revenue growth, but remains upbeat on the long-term growth trend, supported by AI empowerment and improved monetization of unmonetized products like Threads.
- **AI to unlock key growth opportunities.** Meta will focus on 5 key opportunities in the AI space: 1) improved advertising to have better ad ROI and thus higher ad pricing; 2) more engaging user experience which led to higher ad impression; 3) business messaging: management expects AI will help more businesses to conduct commerce on Meta's messaging apps, which will further unleash ad and e-commerce opportunities; 4) Meta AI: MAUs are now close to 1bn. The company will focus on scaling user base and improving user engagement in FY25/26E, after which will start to monetize through ads & premium services; 5) AI devices: Ray-Ban Meta AI Glasses tripled in sales in FY24, and the company plans to launch a new product later in FY25.
- **Increasing capex to support core businesses and AI.** Total expenses/capex were up by 9/104% YoY to US\$24.8/13.7bn in 1Q25. Management raised FY25 capex guidance to US\$64-72bn (previous: US\$60-65bn), up 63-84% YoY, primarily due to: 1) additional data centre investment to support its core business and Gen AI development; 2) increased hardware costs associated with the ongoing tariff discussion. That said, management slightly lowered FY25 total expenses guidance to US\$113-118bn (previous: US\$114-119bn) on effective opex control.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	134,901	164,500	185,072	207,028	227,337
EPS (Reported) (US\$)	15.19	24.61	25.31	28.51	32.00
Consensus EPS (US\$)	15.19	24.61	24.63	28.09	32.68
P/S (x)	10.9	9.0	8.0	7.1	6.5
P/E (x)	37.7	23.3	22.6	20.1	17.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$760.00
(Previous TP US\$835.00)
Up/Downside 32.8%
Current Price US\$572.21

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Stock Data

Mkt Cap (US\$ mn)	1,472,868.5
Avg 3 mths t/o (US\$ mn)	7,189.9
52w High/Low (US\$)	736.67/451.96
Total Issued Shares (mn)	2574.0

Source: FactSet

Shareholding Structure

Mark Zuckerberg	13.6%
FMR	5.3%

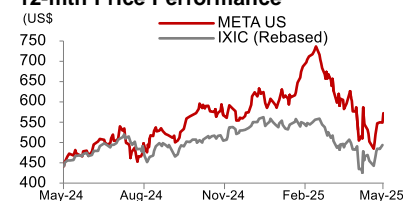
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-2.0%	-2.6%
3-mth	-17.0%	-8.0%
6-mth	0.9%	3.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Meta: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	185.1	207.0	227.3	187.7	208.9	227.9	-1.4%	-0.9%	-0.3%
Gross profit	149.2	166.9	183.3	149.7	166.7	181.8	-0.4%	0.1%	0.8%
Operating profit	71.6	80.9	90.2	73.6	83.5	93.3	-2.8%	-3.1%	-3.2%
Net profit	64.0	72.0	80.9	65.9	75.4	85.4	-3.0%	-4.5%	-5.3%
EPS (US\$)	25.3	28.5	32.0	26.1	29.8	33.8	-2.9%	-4.4%	-5.3%
Gross margin	80.6%	80.6%	80.6%	79.8%	79.8%	79.8%	0.8 ppt	0.8 ppt	0.8 ppt
Operating margin	38.7%	39.1%	39.7%	39.2%	40.0%	40.9%	-0.6 ppt	-0.9 ppt	-1.2 ppt
Net margin	34.6%	34.8%	35.6%	35.1%	36.1%	37.5%	-0.6 ppt	-1.3 ppt	-1.9 ppt

Source: CMBIGM estimates

Figure 2: Meta: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	185.1	207.0	227.3	186.3	211.3	239.0	-0.7%	-2.0%	-4.9%
Gross profit	149.2	166.9	183.3	149.8	169.4	191.1	-0.4%	-1.5%	-4.1%
Operating profit	71.6	80.9	90.2	72.8	84.4	96.5	-1.6%	-4.1%	-6.5%
Net profit	64.0	72.0	80.9	63.3	71.8	82.0	1.0%	0.4%	-1.3%
EPS (US\$)	25.3	28.5	32.0	24.6	28.1	32.7	2.8%	1.5%	-2.1%
Gross margin	80.6%	80.6%	80.6%	80.4%	80.2%	80.0%	0.2 ppt	0.4 ppt	0.6 ppt
Operating margin	38.7%	39.1%	39.7%	39.1%	39.9%	40.4%	-0.4 ppt	-0.8 ppt	-0.7 ppt
Net margin	34.6%	34.8%	35.6%	34.0%	34.0%	34.3%	0.6 ppt	0.8 ppt	1.3 ppt

Source: CMBIGM estimates

Valuation

We value Meta at US\$760.0 per share based on 30x 2025E P/E. Our target PE multiple is a premium to the sector average (20x), 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		63,957
Target 2025E P/E		30.0
Target equity valuation		1,918,695
Valuation per share (US\$)		760.0

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	549.0	22.0	18.8	16.2	7.4	6.6	5.8	12%
Alphabet	GOOGL US	158.8	16.5	15.1	13.1	5.9	5.3	4.7	14%
Pinterest	PINS US	25.3	14.7	12.2	10.0	4.1	3.6	3.2	18%
Snap	SNAP US	8.0	26.7	19.6	13.8	2.3	2.1	1.9	30%
Average			19.6	15.7	13.0	4.9	4.4	3.9	
Global tech									
Microsoft	MSFT US	395.3	29.9	26.3	22.7	10.6	9.3	8.4	14%
Amazon	AMZN US	184.4	25.0	22.2	18.6	2.8	2.6	2.3	12%
Netflix Inc	NFLX US	1131.7	44.7	36.6	30.2	10.8	9.7	8.7	24%
Uber	UBER US	81.0	30.2	22.7	18.0	3.4	2.9	2.6	29%
Average			33.3	27.2	22.3	5.7	5.1	4.5	

Source: Bloomberg, CMBIGM

Note: data as of 30 Apr

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	116,609	134,901	164,500	185,072	207,028	227,337
Cost of goods sold	(25,249)	(25,958)	(30,162)	(35,881)	(40,137)	(44,075)
Gross profit	91,360	108,943	134,338	149,192	166,890	183,262
Operating expenses	(62,415)	(62,192)	(64,958)	(77,612)	(86,004)	(93,021)
Selling expense	(15,261)	(12,301)	(11,347)	(12,363)	(13,553)	(14,585)
Admin expense	(11,816)	(11,408)	(9,739)	(10,846)	(11,594)	(12,276)
R&D expense	(35,338)	(38,483)	(43,872)	(54,404)	(60,858)	(66,160)
Operating profit	28,945	46,751	69,380	71,579	80,886	90,241
Net Interest income/(expense)	(126)	677	1,284	1,185	980	1,660
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	72,764	81,866	91,901
Income tax	(5,619)	(8,330)	(8,304)	(8,808)	(9,824)	(11,028)
After tax profit	23,200	39,098	62,360	63,957	72,042	80,873
Net profit	23,200	39,098	62,360	63,957	72,042	80,873
Adjusted net profit	35,192	53,125	79,050	83,898	94,140	104,773

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	59,549	85,365	100,045	102,860	134,488	193,706
Cash & equivalents	14,681	41,862	43,889	39,218	66,392	121,352
Account receivables	13,466	16,169	16,994	18,737	20,540	22,104
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	5,891	6,590	7,236
Non-current assets	126,178	144,258	176,009	223,167	257,892	281,456
PP&E	92,191	109,881	121,346	166,130	198,335	219,469
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	14,645	16,382	17,989
Total assets	185,727	229,623	276,054	326,027	392,380	475,163
Current liabilities	27,026	31,960	33,596	38,845	42,397	45,477
Account payables	4,990	4,849	7,687	8,962	9,824	10,572
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	27,941	30,631	32,963
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	98,666	102,218	105,298
Capital surplus	64,444	73,253	83,228	63,996	54,754	53,584
Retained earnings	64,799	82,070	102,506	166,463	238,505	319,378
Other reserves	(3,530)	(2,155)	(3,097)	(3,097)	(3,097)	(3,097)
Total shareholders equity	125,713	153,168	182,637	227,361	290,162	369,865
Total equity and liabilities	185,727	229,623	276,054	326,027	392,380	475,163

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	28,819	47,428	70,664	72,764	81,866	91,901
Depreciation & amortization	8,686	11,178	15,498	21,842	29,903	35,700
Tax paid	(5,619)	(8,330)	(8,304)	(8,808)	(9,824)	(11,028)
Change in working capital	5,683	6,175	1,048	2,851	1,050	870
Others	12,906	14,662	12,422	19,941	22,098	23,900
Net cash from operations	50,475	71,113	91,328	108,591	125,093	141,343
Investing						
Capital expenditure	(31,431)	(27,266)	(37,256)	(67,372)	(62,892)	(57,657)
Acquisition of subsidiaries/ investments	(1,312)	(629)	(270)	0	0	0
Others	3,773	3,400	(9,624)	(6,717)	(3,688)	(3,655)
Net cash from investing	(28,970)	(24,495)	(47,150)	(74,089)	(66,580)	(61,312)
Financing						
Net borrowings	9,071	7,397	8,463	0	0	0
Share repurchases	(31,551)	(19,774)	(48,967)	(39,174)	(31,339)	(25,071)
Others	344	(7,123)	(277)	0	0	0
Net cash from financing	(22,136)	(19,500)	(40,781)	(39,174)	(31,339)	(25,071)
Net change in cash						
Cash at the beginning of the year	16,601	14,681	41,862	43,889	39,218	66,392
Exchange difference	(1,289)	113	(786)	0	0	0
Cash at the end of the year	14,681	41,912	44,473	39,218	66,392	121,352
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(1.1%)	15.7%	21.9%	12.5%	11.9%	9.8%
Gross profit	(4.1%)	19.2%	23.3%	11.1%	11.9%	9.8%
Operating profit	(38.1%)	61.5%	48.4%	3.2%	13.0%	11.6%
Net profit	(41.1%)	68.5%	59.5%	2.6%	12.6%	12.3%
Adj. net profit	(27.5%)	51.0%	48.8%	6.1%	12.2%	11.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	78.3%	80.8%	81.7%	80.6%	80.6%	80.6%
Operating margin	24.8%	34.7%	42.2%	38.7%	39.1%	39.7%
Adj. net profit margin	30.2%	39.4%	48.1%	45.3%	45.5%	46.1%
Return on equity (ROE)	18.5%	28.0%	37.1%	31.2%	27.8%	24.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.2	2.7	3.0	2.6	3.2	4.3
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	66.3	37.7	23.3	22.6	20.1	17.9
P/E (diluted)	66.6	38.5	24.0	23.2	20.6	18.3
P/B	12.2	9.6	7.9	6.4	5.0	3.9

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

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