

Meta (META US)

3Q26 results: strong core business; upbeat on AI progress

Meta reported 3Q26 results: total revenue grew by 26% YoY to US\$64.6bn, 2% ahead of Visible Alpha (VA) consensus estimate, mainly thanks to the strong core advertising business growth; operating income increased by 11% YoY to US\$22.9bn if excluding the legal charge of US\$9.9bn. Looking ahead, management guides total revenue to grow by 22-27% YoY to US\$73-76bn in 4Q26, and expects total revenue to sustain strong growth momentum in FY27E, supported by the benefits from AI investment and emerging product opportunities (e.g. Muse personal agents and Meta Enterprise Platform). Overall, we raise our FY27/28E total revenue forecasts by 4/7% in view of the solid ad business, but trim FY27/28E operating income forecasts by 3/5% given the increasing AI investment. We roll forward our valuation window to FY27E and derive our target price of US\$850.0 based on 25x FY27E PE (previous: US\$830.0 based on 28x FY26 PE). Maintain BUY on the strong core businesses and AI opportunities ahead.

- **AI drove strong core business growth.** Advertising revenue increased by 26% YoY to US\$63.1bn in 3Q26 (2Q26/1Q26: +27%/33% YoY), with ad impression/pricing up by 10%/14% YoY. Global time spent per user on Instagram and Reels grew by double-digit % YoY in 3Q26, thanks to the improvement on content recommendation. On ad monetization front: 1) Meta Generative Recommender drove a 2% increase in conversions across targeted segments on Facebook Feed; 2) the company expanded GEM models to more surfaces, driving a 1.7%/9.6% increase in off-site/app ad conversion; 3) improvements to Andromeda increased conversions by 1.4% on Facebook. Family of Apps other revenue grew by 70% YoY to US\$1.1bn in 3Q26, primarily fueled by WhatsApp paid messaging and subscriptions revenue.
- **Updates on Muse.** Over 10mn users set up Muse personal agent in 1.5 months after its launch in the US and Canada, with healthy retention rate of c.25%. The top three use cases for Muse are shopping, personal productivity and creativity, with shopping used by over 25% of Muse weekly actives. Looking ahead for Muse, the company will focus on three aspects: 1) scaling the product to billions of users and expanding the Muse network; 2) monetizing the product through transaction fees and subscription; 3) improving its cost efficiency by over 10x in FY27, through better utilization of off-peak capacity, more efficient models and inference optimization.
- **Continue AI investment.** Management raised the lower-end of FY26E capex guidance from US\$130-145bn to US\$135-145bn (+86-101% YoY), and expects to continue investing aggressively to support both its core business and emerging AI initiatives in FY27E. The company recorded negative FCF of US\$2.1bn in 3Q26, down from positive FCF of US\$10.6bn in 3Q25. The company planned to establish a new non-voting Class C common stock (effective in Jan 2027), for capital raising and employee compensation etc., while ensuring voting power of the founder and CEO.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	164,500	200,966	256,255	312,833	372,461
Net profit (US\$ mn)	62,360.0	60,458.2	74,642.2	86,445.5	99,780.4
EPS (Reported) (US\$)	24.61	23.98	29.35	33.99	39.24
Consensus EPS (US\$)	24.61	23.98	30.13	33.80	36.31
P/E (x)	28.3	29.1	23.8	20.5	17.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$850.00**
 (Previous TP **US\$830.00**)
 Up/Downside **21.9%**
 Current Price **US\$697.52**

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Stock Data

Mkt Cap (US\$ mn)	1,773,793.4
Avg 3 mths t/o (US\$ mn)	2,813.9
52w High/Low (US\$)	777.59/525.72
Total Issued Shares (mn)	2543.0

Source: FactSet

Shareholding Structure

Mark Zuckerberg	13.4%
Vanguard	6.4%

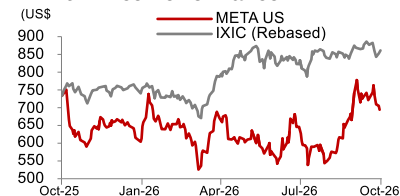
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-5.3%	-3.4%
3-mth	11.2%	7.0%
6-mth	3.4%	-4.5%

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	256.3	312.8	372.5	252.3	302.0	349.4	1.6%	3.6%	6.6%
Gross profit	205.9	246.7	288.1	205.5	245.3	283.7	0.2%	0.6%	1.5%
Operating profit	81.0	99.3	116.3	86.8	102.7	122.2	-6.6%	-3.3%	-4.8%
Net profit	74.6	86.4	99.8	80.8	90.6	107.0	-7.6%	-4.6%	-6.7%
EPS (US\$)	29.4	34.0	39.2	31.8	35.7	42.1	-7.8%	-4.7%	-6.9%
Gross margin	80.4%	78.9%	77.4%	81.4%	81.2%	81.2%	-1.1 ppt	-2.3 ppt	-3.8 ppt
Operating margin	31.6%	31.8%	31.2%	34.4%	34.0%	35.0%	-2.8 ppt	-2.2 ppt	-3.8 ppt
Net margin	29.1%	27.6%	26.8%	32.0%	30.0%	30.6%	-2.9 ppt	-2.4 ppt	-3.8 ppt

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	256.3	312.8	372.5	254.1	306.8	366.6	0.9%	2.0%	1.6%
Gross profit	205.9	246.7	288.1	204.3	240.3	282.0	0.8%	2.7%	2.2%
Operating profit	81.0	99.3	116.3	83.3	102.8	123.8	-2.8%	-3.3%	-6.1%
Net profit	74.6	86.4	99.8	77.7	87.2	103.7	-3.9%	-0.9%	-3.7%
EPS (US\$)	29.4	34.0	39.2	30.1	33.8	36.3	-2.6%	0.6%	8.1%
Gross margin	80.4%	78.9%	77.4%	80.4%	78.3%	76.9%	-0.1 ppt	0.5 ppt	0.4 ppt
Operating margin	31.6%	31.8%	31.2%	32.8%	33.5%	33.8%	-1.2 ppt	-1.7 ppt	-2.6 ppt
Net margin	29.1%	27.6%	26.8%	30.6%	28.4%	28.3%	-1.5 ppt	-0.8 ppt	-1.5 ppt

Source: CMBIGM estimates, Visible Alpha

Valuation

We value Meta at US\$850.0 per share based on 25x 2027E P/E. Our target PE multiple is a premium to the sector average (14x), 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)	2027E
Adjusted net income	86,446
Target 2027E P/E	25
Target equity valuation	2,161,138
Valuation per share (US\$)	850.0

Source: Company data, CMBIGM estimates

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	331.0	23.3	18.5	8.1	6.5	26%
Meta	META US	697.5	23.1	20.6	6.9	5.8	2%
Pinterest	PINS US	23.0	11.1	9.5	2.6	2.3	22%
Snap	SNAP US	6.4	9.9	7.9	1.6	1.4	51%
Average			16.9	14.1	4.8	4.0	
Global tech							
Microsoft	MSFT US	533.0	30.7	26.8	11.9	10.1	18%
Amazon	AMZN US	262.4	18.4	20.4	3.4	3.0	19%
Netflix Inc	NFLX US	65.0	18.8	17.4	5.3	4.8	18%
Uber	UBER US	67.6	19.9	15.2	2.4	2.1	33%
Average			22.0	20.0	5.8	5.0	

Source: Bloomberg, CMBIGM; Note: data as of 21 Oct

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	134,901	164,500	200,966	256,255	312,833	372,461
Cost of goods sold	(25,958)	(30,162)	(36,175)	(50,353)	(66,163)	(84,361)
Gross profit	108,943	134,338	164,791	205,903	246,671	288,101
Operating expenses	(62,192)	(64,958)	(81,515)	(124,885)	(147,344)	(171,839)
Selling expense	(12,301)	(11,347)	(11,991)	(13,697)	(15,642)	(17,878)
Admin expense	(11,408)	(9,739)	(12,152)	(27,925)	(17,831)	(19,740)
R&D expense	(38,483)	(43,872)	(57,372)	(83,263)	(113,871)	(134,220)
Operating profit	46,751	69,380	83,276	81,017	99,326	116,262
Net Interest income/(expense)	677	1,284	2,656	(1,126)	1,192	(238)
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	79,891	100,518	116,024
Income tax	(8,330)	(8,304)	(25,474)	(5,249)	(14,073)	(16,243)
After tax profit	39,098	62,360	60,458	74,642	86,446	99,780
Net profit	39,098	62,360	60,458	74,642	86,446	99,780
Adjusted net profit	53,125	79,050	80,885	102,117	115,914	130,711

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	85,365	100,045	108,722	121,824	83,473	71,398
Cash & equivalents	41,862	43,889	35,873	39,729	(7,945)	(29,655)
Account receivables	16,169	16,994	19,769	24,704	29,555	34,484
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	9,386	11,458	13,643
Non-current assets	144,258	176,009	257,299	382,866	552,681	712,836
PP&E	109,881	121,346	176,400	298,625	464,994	621,521
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	10,758	13,133	15,637
Total assets	229,623	276,054	366,021	504,689	636,154	784,234
Current liabilities	31,960	33,596	41,836	56,262	71,812	89,181
Account payables	4,849	7,687	8,894	12,132	15,623	19,521
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	41,917	53,977	67,447
Non-current liabilities	44,495	59,821	106,942	129,067	129,067	129,067
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	106,127	106,127	106,127
Total liabilities	76,455	93,417	148,778	185,329	200,879	218,248
Capital surplus	73,253	83,228	95,793	123,268	152,737	183,668
Retained earnings	82,070	102,506	121,179	195,821	282,267	382,047
Other reserves	(2,155)	(3,097)	271	271	271	271
Total shareholders equity	153,168	182,637	217,243	319,360	435,274	565,986
Total equity and liabilities	229,623	276,054	366,021	504,689	636,154	784,234

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	47,428	70,664	85,932	79,891	100,518	116,024
Depreciation & amortization	11,178	15,498	18,616	21,278	44,794	74,399
Tax paid	(8,330)	(8,304)	(25,474)	(5,249)	(14,073)	(16,243)
Change in working capital	6,175	1,048	(884)	7,467	8,627	10,255
Others	14,662	12,422	37,610	27,475	29,469	30,931
Net cash from operations	71,113	91,328	115,800	130,861	169,335	215,365
Investing						
Capital expenditure	(27,266)	(37,256)	(69,691)	(144,523)	(212,234)	(232,051)
Acquisition of subsidiaries/ investments	(629)	(270)	(4,231)	0	0	0
Others	3,400	(9,624)	(28,081)	(4,607)	(4,776)	(5,024)
Net cash from investing	(24,495)	(47,150)	(102,003)	(149,130)	(217,009)	(237,074)
Financing						
Net borrowings	7,397	8,463	27,382	22,125	0	0
Share repurchases	(19,774)	(48,967)	(26,248)	0	0	0
Others	(7,123)	(277)	(21,504)	0	0	0
Net cash from financing	(19,500)	(40,781)	(20,370)	22,125	0	0
Net change in cash						
Cash at the beginning of the year	14,681	41,862	43,889	35,873	39,729	(7,945)
Exchange difference	113	(786)	235	0	0	0
Cash at the end of the year	41,862	43,889	35,873	39,729	(7,945)	(29,655)
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.7%	21.9%	22.2%	27.5%	22.1%	19.1%
Gross profit	19.2%	23.3%	22.7%	24.9%	19.8%	16.8%
Operating profit	61.5%	48.4%	20.0%	(2.7%)	22.6%	17.1%
Net profit	68.5%	59.5%	(3.0%)	23.5%	15.8%	15.4%
Adj. net profit	51.0%	48.8%	2.3%	26.2%	13.5%	12.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	80.8%	81.7%	82.0%	80.4%	78.9%	77.4%
Operating margin	34.7%	42.2%	41.4%	31.6%	31.8%	31.2%
Adj. net profit margin	39.4%	48.1%	40.2%	39.8%	37.1%	35.1%
Return on equity (ROE)	28.0%	37.1%	30.2%	27.8%	22.9%	19.9%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.7	3.0	2.6	2.2	1.2	0.8
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	45.9	28.3	29.1	23.8	20.5	17.8
P/E (diluted)	46.9	29.2	29.7	24.0	20.7	17.9
P/B	11.7	9.7	8.1	5.6	4.1	3.1

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

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