31 Jul 2026

CMB International Global Markets | Equity Research | Company Update

Meta (META US)

2Q26 results: Continue to step up AI investment to drive long-term growth

Meta announced 2Q26 results: total revenue increased by 28% YoY to US$60.8bn, largely in line with Visible Alpha (VA) consensus estimate; operating income declined by 8% YoY to US$18.8bn, or grew by 4% YoY to US$21.2bn if excluding US$2.4bn of legal charges, vs. VA consensus of US$21.5bn. For 3Q26E, management guided total revenue to grow by 19%-25% YoY to US$61-64bn, also in line with the consensus (US$63.1bn). In view of the massive AI opportunities on both consumer and enterprise front, the company remains committed to maximizing AI compute capacity in FY26/27E, which may lead to short-term earnings and cash flow pressure. That said, we expect the new AI opportunities (e.g. enterprise agent, API services and AI compute rental) to gradually make earnings contributions, and raise our FY27-28 operating income forecast by 0-4%. We trim our target price to US$830.0 based on 28x FY26 PE (previous: US$880.0 on 29x FY26 PE) given short-term earnings and cash flow uncertainty. Maintain BUY, with next key catalysts on foundational model upgrade and acceleration in enterprise AI monetization.

- **Solid core business growth.** Family of Apps (FoA) ad revenue grew by 27% YoY to US$59.4bn in 2Q26 (1Q26/4Q25: +33%/24% YoY), with ad impression/pricing up by 14%/12% YoY respectively. AI continues to improve ad monetization efficiency: 1) The company launched Meta Generative Recommender in 2Q26, the first generative model in its ad system, which can reason about ad content and user preferences to predict the best ad for users. Early pilots using the model drove a 1% increase in app event conversions; 2) Combining content understanding capability of LLMs and the ads ranking model GEM, Meta achieved an 8% increase in ad clicks and a 16% uplift in conversions on Facebook; 3) Advantage+, AI-powered end-to-end ad solutions, saw ARR surpassing US$75bn and over 9mn small businesses adopting at least 1 AI creative tools. FoA other revenue rose by 73% YoY to US$1.0bn in 2Q26, driven by the growth of WhatsApp paid messaging and subscriptions revenue.
- **Exploring new AI opportunities.** The company accelerated AI monetization on the enterprise front: 1) enterprise agent: Meta introduced Meta Business Agents globally on WhatsApp and Messenger, with over 1mn businesses using these agents each week to communicate with customers and complete sales; 2) APIs: Meta recently launched model API and cooperated with distribution channels like OpenRouter to accelerate developers' adoption; 3) compute rental: the company is exploring opportunities of direct compute rental, though management also noted that a substantial amount of its compute will still be utilized for model training.
- **Maximizing compute capacity.** Capex grew by 83% YoY to US$31.1bn in 2Q26, dragging free cash flow down by 91% YoY to US$784mn. Management raised the lower-end of FY26E capex guidance from US$125-145bn to US$130-145bn (+80-101% YoY), and will continue to maximize AI compute capacity in FY26/27E given strong demand across business lines.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	164,500	200,966	252,297	302,035	349,440
Net profit (US$ mn)	62,360.0	60,458.2	80,807.8	90,576.0	106,976.4
EPS (Reported) (US$)	24.61	23.98	31.83	35.68	42.14
Consensus EPS (US$)	24.61	23.98	31.04	34.81	44.99
P/E (x)	21.9	22.5	16.9	15.1	12.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$830.00**
(Previous TP	US$880.00)
Up/Downside	**54.0%**
Current Price	**US$539.03**

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Stock Data

Mkt Cap (US$ mn)	1,368,327.7
Avg 3 mths t/o (US$ mn)	4,429.9
52w High/Low (US$)	790.00/525.72
Total Issued Shares (mn)	2538.5

Source: FactSet

Shareholding Structure

Mark Zuckerberg	13.6%
Vanguard	7.4%

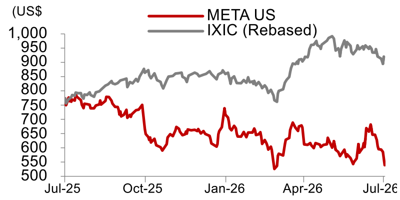
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-4.3%	-0.1%
3-mth	-11.9%	-12.7%
6-mth	-24.8%	-29.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Meta: forecast revision

	Current			Previous			Change (%)		
US$ bn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	252.3	302.0	349.4	253.6	301.6	342.1	-0.5%	0.1%	2.1%
Gross profit	205.5	245.3	283.7	206.8	244.9	277.8	-0.6%	0.1%	2.1%
Operating profit	86.8	102.7	122.2	89.3	102.5	117.9	-2.8%	0.1%	3.6%
Net profit	80.8	90.6	107.0	85.3	89.8	104.1	-5.3%	0.8%	2.8%
EPS (US$)	31.8	35.7	42.1	33.7	35.5	41.1	-5.5%	0.6%	2.6%
Gross margin	81.4%	81.2%	81.2%	81.6%	81.2%	81.2%	-0.1 ppt	0.0 ppt	0.0 ppt
Operating margin	34.4%	34.0%	35.0%	35.2%	34.0%	34.5%	-0.8 ppt	0.0 ppt	0.5 ppt
Net margin	32.0%	30.0%	30.6%	33.7%	29.8%	30.4%	-1.6 ppt	0.2 ppt	0.2 ppt

Source: CMBIGM estimates

Figure 2: Meta: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ bn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	252.3	302.0	349.4	251.5	301.7	372.4	0.3%	0.1%	-6.2%
Gross profit	205.5	245.3	283.7	204.6	243.0	298.0	0.4%	0.9%	-4.8%
Operating profit	86.8	102.7	122.2	84.5	103.0	133.6	2.7%	-0.3%	-8.5%
Net profit	80.8	90.6	107.0	78.8	88.2	113.8	2.6%	2.7%	-6.0%
EPS (US$)	31.8	35.7	42.1	31.0	34.8	45.0	2.6%	2.5%	-6.3%
Gross margin	81.4%	81.2%	81.2%	81.4%	80.5%	80.0%	0.1 ppt	0.7 ppt	1.2 ppt
Operating margin	34.4%	34.0%	35.0%	33.6%	34.1%	35.9%	0.8 ppt	-0.1 ppt	-0.9 ppt
Net margin	32.0%	30.0%	30.6%	31.3%	29.2%	30.6%	0.7 ppt	0.8 ppt	0.0 ppt

Source: CMBIGM estimates, Visible Alpha

Valuation

We value Meta at US$830.0 per share based on 28x 2026E P/E. Our target PE multiple is a premium to the global ads sector average (16x), 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$mn)	2026E
Adjusted net income	75,178
Target 2026E P/E (x)	28
Target equity valuation	2,104,978
Valuation per share (US$)	**830.0**

Source: Company data, CMBIGM estimates
Note: net income is adjusted for US$8.03bn income tax benefit recognized in 1Q26 and US$2.40bn one-off legal charges in 2Q26.

Figure 4: Global online ad platforms: valuation comparison

Companies	Ticker	Price	PE (x)		PS (x)		EPS CAGR
		(LC)	2026E	2027E	2026E	2027E	25-27E
Global ads							
Alphabet	GOOG US	335.8	23.2	19.3	8.2	6.7	26%
Meta	META US	585.6	18.9	16.8	5.9	4.9	4%
Pinterest	PINS US	24.4	12.7	10.9	2.8	2.5	17%
Snap	SNAP US	4.7	8.6	6.3	1.2	1.1	40%
Average			**15.8**	**13.3**	**4.5**	**3.8**	
Global tech							
Microsoft	MSFT US	390.5	22.5	20.1	8.7	7.4	18%
Amazon	AMZN US	226.7	20.0	18.2	3.0	2.6	16%
Netflix Inc	NFLX US	73.6	17.6	19.9	6.0	5.4	18%
Uber	UBER US	71.2	21.0	16.1	2.5	2.2	33%

Average	**20.3**	**18.6**	**5.0**	**4.4**

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

Risks

AI investment impacts short-term earnings and cash flow; slower-than-expected AI monetization; slowdown in ad revenue growth amid macro uncertainty.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**134,901**	**164,500**	**200,966**	**252,297**	**302,035**	**349,440**
Cost of goods sold	(25,958)	(30,162)	(36,175)	(46,820)	(56,783)	(65,695)
Gross profit	**108,943**	**134,338**	**164,791**	**205,476**	**245,252**	**283,745**
Operating expenses	**(62,192)**	**(64,958)**	**(81,515)**	**(118,697)**	**(142,561)**	**(161,563)**
Selling expense	(12,301)	(11,347)	(11,991)	(13,441)	(15,102)	(16,773)
Admin expense	(11,408)	(9,739)	(12,152)	(15,973)	(17,216)	(18,520)
R&D expense	(38,483)	(43,872)	(57,372)	(89,283)	(110,243)	(126,270)
Operating profit	**46,751**	**69,380**	**83,276**	**86,780**	**102,692**	**122,182**
Net Interest income/(expense)	**677**	**1,284**	**2,656**	**(1,139)**	**1,418**	**780**
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**	**85,641**	**104,110**	**122,961**
Income tax	(8,330)	(8,304)	(25,474)	(4,833)	(13,534)	(15,985)
After tax profit	**39,098**	**62,360**	**60,458**	**80,808**	**90,576**	**106,976**
Net profit	**39,098**	**62,360**	**60,458**	**80,808**	**90,576**	**106,976**
Adjusted net profit	**53,125**	**79,050**	**80,885**	**110,552**	**126,301**	**147,463**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**85,365**	**100,045**	**108,722**	**128,850**	**115,998**	**129,447**
Cash & equivalents	41,862	43,889	35,873	47,282	25,996	31,370
Account receivables	16,169	16,994	19,769	24,322	28,535	32,353
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	9,241	11,063	12,799
Non-current assets	**144,258**	**176,009**	**257,299**	**380,483**	**529,110**	**671,116**
PP&E	109,881	121,346	176,400	296,409	441,876	580,768
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	10,592	12,680	14,670
Total assets	**229,623**	**276,054**	**366,021**	**509,333**	**645,108**	**800,564**
Current liabilities	**31,960**	**33,596**	**41,836**	**52,471**	**61,945**	**69,938**
Account payables	4,849	7,687	8,894	11,281	13,408	15,202
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	38,977	46,324	52,523
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**	**181,538**	**191,012**	**199,005**
Capital surplus	73,253	83,228	95,793	125,537	161,262	201,748
Retained earnings	82,070	102,506	121,179	201,987	292,563	399,539
Other reserves	(2,155)	(3,097)	271	271	271	271
Total shareholders equity	**153,168**	**182,637**	**217,243**	**327,795**	**454,096**	**601,559**
Total equity and liabilities	**229,623**	**276,054**	**366,021**	**509,333**	**645,108**	**800,564**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**47,428**	**70,664**	**85,932**	**85,641**	**104,110**	**122,961**
Depreciation & amortization	11,178	15,498	18,616	21,278	35,753	53,300
Tax paid	(8,330)	(8,304)	(25,474)	(4,833)	(13,534)	(15,985)
Change in working capital	6,175	1,048	(884)	4,202	3,440	2,438
Others	14,662	12,422	37,610	29,744	35,725	40,486
Net cash from operations	**71,113**	**91,328**	**115,800**	**136,031**	**165,494**	**203,201**
Investing						
Capital expenditure	(27,266)	(37,256)	(69,691)	(142,306)	(182,292)	(193,317)
Acquisition of subsidiaries/ investments	(629)	(270)	(4,231)	0	0	0
Others	3,400	(9,624)	(28,081)	(4,441)	(4,488)	(4,510)
Net cash from investing	**(24,495)**	**(47,150)**	**(102,003)**	**(146,747)**	**(186,781)**	**(197,827)**
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	47,282	25,996
Exchange difference	113	(786)	235	0	0	0
Cash at the end of the year	**41,862**	**43,889**	**35,873**	**47,282**	**25,996**	**31,370**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	15.7%	21.9%	22.2%	25.5%	19.7%	15.7%
Gross profit	19.2%	23.3%	22.7%	24.7%	19.4%	15.7%
Operating profit	61.5%	48.4%	20.0%	4.2%	18.3%	19.0%
Net profit	68.5%	59.5%	(3.0%)	33.7%	12.1%	18.1%
Adj. net profit	51.0%	48.8%	2.3%	36.7%	14.2%	16.8%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	80.8%	81.7%	82.0%	81.4%	81.2%	81.2%
Operating margin	34.7%	42.2%	41.4%	34.4%	34.0%	35.0%
Adj. net profit margin	39.4%	48.1%	40.2%	43.8%	41.8%	42.2%
Return on equity (ROE)	28.0%	37.1%	30.2%	29.7%	23.2%	20.3%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Current ratio (x)	2.7	3.0	2.6	2.5	1.9	1.9
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	35.5	21.9	22.5	16.9	15.1	12.8
P/E (diluted)	36.2	22.6	22.9	17.1	15.3	12.9
P/B	9.1	7.5	6.3	4.2	3.0	2.3

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

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