

Meta (META US)

2Q25 results beat; AI drives core business growth

Meta announced better-than-expected 2Q25 results: total revenue was up by 22% YoY to US\$47.5bn, 6% ahead of Bloomberg consensus estimate as AI drove solid growth of both ad impressions and pricing; net income grew by 36% YoY to US\$18.3bn, beating consensus estimate by 21% thanks to the control in non-core investment. Management also guides a strong 3Q25 total revenue of US\$47.5-50.5bn (+17%-24% YoY), the mid-point of which is 6% ahead of consensus estimate. The company has narrowed FY25 capex guidance from US\$64-72bn to US\$66-72bn (+68-84% YoY), and currently expects FY26 capex to maintain a similar level of dollar growth (+c.US\$30bn YoY), in order to meet the needs of its core & GenAI initiatives. In view of the strong ad revenue growth driven by AI empowerment, we lift FY25-27E total revenue forecast by 5-10%. We raise our target price to US\$860.0 based on 30x FY25E PE (previous: US\$760 based on 30x FY25E PE). Maintain BUY.

- **Reaccelerating ad revenue growth driven by AI empowerment.** Family of Apps (FoA) ad revenue grew by 21% YoY to US\$46.6bn in 2Q25 (1Q25: +16% YoY), reaccelerating with the online commerce vertical as the largest contributor. Ad impressions/average price per ad grew by 11/9% YoY in 2Q25, as AI drove solid engagement growth and improved ad performance. FoA other revenue increased by 50% YoY to US\$583mn in 2Q25, driven by strong paid messaging revenue growth. Click-to-message revenue grew by over 40% YoY in the US in 2Q25. Looking ahead, management continues to expect a strong revenue growth in 3Q25 (+17%-24% YoY), while 4Q25 YoY growth rate may decelerate due to the high-base effect.
- **Solid progress on the AI front.** AI continues to drive core business growth in 2Q25: 1) Meta improved its AI-powered recommendation model for ads, driving 5%/3% more ad conversions on Instagram/Facebook; 2) Meta also leveraged AI to optimize content recommendation systems, which led to a 5%/6% increase in time spent on Facebook/Instagram; 3) Advantage+ Creative saw a growing user base, with c.2mn advertisers using GenAI features like video generation and video expansion; 4) Meta has established Meta Superintelligence Labs, which will focus on AI products, advanced AI research and the development of next-generation AI models.
- **Continued investment in AI talent and infrastructure.** Meta narrowed FY25 total expenses guidance from US\$113-118bn to US\$114-118bn, up by 20-24% YoY. And management expects a higher YoY total expense growth in FY26, primarily due to the acceleration in depreciation growth, higher infrastructure operating costs and greater compensation expenses related to newly-hired technical talent. That said, the higher depreciation could be partially offset by the return from core businesses. The company guides FY25 capex of US\$66-72bn (+68-84% YoY) and expects another year of similarly significant capex dollar growth in FY26 (+c.US\$30bn YoY). Supported by its investment in AI talent and infrastructure, Meta will continue to lead in AI applications and model development, in our view.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	134,901	164,500	195,172	224,414	249,786
Net profit (US\$ mn)	39,098.0	62,360.0	72,435.1	77,037.2	85,481.2
EPS (Reported) (US\$)	15.19	24.61	28.66	30.49	33.83
Consensus EPS (US\$)	15.19	24.61	25.72	28.64	32.61
P/E (x)	50.9	31.4	27.0	25.4	22.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$860.00
 (Previous TP) US\$760.00
Up/Downside 11.2%
Current Price US\$773.44

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Stock Data

Mkt Cap (US\$ mn)	1,954,482.9
Avg 3 mths t/o (US\$ mn)	3,285.5
52w High/Low (US\$)	773.44/475.73
Total Issued Shares (mn)	2527.0

Source: FactSet

Shareholding Structure

Mark Zuckerberg	13.6%
FMR	5.3%

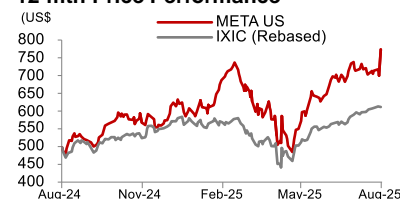
Source: Company data

Share Performance

	Absolute	Relative
1-mth	7.5%	2.9%
3-mth	35.2%	13.3%
6-mth	12.2%	4.3%

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	195.2	224.4	249.8	185.1	207.0	227.3	5.5%	8.4%	9.9%
Gross profit	159.3	181.8	201.1	149.2	166.9	183.3	6.8%	8.9%	9.7%
Operating profit	80.3	85.5	95.0	71.6	80.9	90.2	12.2%	5.7%	5.3%
Net profit	72.4	77.0	85.5	64.0	72.0	80.9	13.3%	6.9%	5.7%
EPS (US\$)	28.7	30.5	33.8	25.3	28.5	32.0	13.3%	6.9%	5.7%
Gross margin	81.6%	81.0%	80.5%	80.6%	80.6%	80.6%	1.0 ppt	0.4 ppt	-0.1 ppt
Operating margin	41.1%	38.1%	38.0%	38.7%	39.1%	39.7%	2.5 ppt	-1.0 ppt	-1.7 ppt
Net margin	37.1%	34.3%	34.2%	34.6%	34.8%	35.6%	2.6 ppt	-0.5 ppt	-1.4 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	195.2	224.4	249.8	188.3	214.1	241.0	3.6%	4.8%	3.7%
Gross profit	159.3	181.8	201.1	152.3	171.6	191.7	4.6%	5.9%	4.9%
Operating profit	80.3	85.5	95.0	74.2	84.6	95.6	8.2%	1.1%	-0.7%
Net profit	72.4	77.0	85.5	66.3	73.4	83.3	9.2%	5.0%	2.6%
EPS (US\$)	28.7	30.5	33.8	25.7	28.6	32.6	11.5%	6.4%	3.7%
Gross margin	81.6%	81.0%	80.5%	80.9%	80.2%	79.5%	0.7 ppt	0.8 ppt	1.0 ppt
Operating margin	41.1%	38.1%	38.0%	39.4%	39.5%	39.7%	1.7 ppt	-1.4 ppt	-1.7 ppt
Net margin	37.1%	34.3%	34.2%	35.2%	34.3%	34.6%	1.9 ppt	0.0 ppt	-0.3 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Meta at US\$860.0 per share based on 30x 2025E P/E. Our target PE multiple is a premium to the sector average (24x), 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	72,435
Target 2025E P/E	30.0
Target equity valuation	2,173,054
Valuation per share (US\$)	860.0

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
			2025E	2026E	2027E	2025E	2026E	2027E	
Global ads									
Meta	META US	695.2	27.6	23.6	20.6	9.4	8.3	7.3	12%
Alphabet	GOOGL US	197.4	19.8	19.1	16.6	7.4	6.6	5.9	14%
Pinterest	PINS US	38.3	22.3	18.5	15.1	6.2	5.5	4.8	18%
Snap	SNAP US	9.3	27.6	18.8	14.2	2.6	2.4	2.1	30%
Average			24.3	20.0	16.6	6.4	5.7	5.0	
Global tech									
Microsoft	MSFT US	513.2	39.0	34.2	29.3	13.8	12.2	10.9	14%
Amazon	AMZN US	230.2	30.4	27.5	23.0	3.5	3.2	2.9	12%
Netflix Inc	NFLX US	1184.2	46.6	38.2	31.6	11.3	10.1	9.1	24%
Uber	UBER US	87.6	32.7	24.5	19.3	3.6	3.2	2.8	29%
Average			37.2	31.1	25.8	8.1	7.2	6.4	

Source: Bloomberg, CMBIGM

Note: data as of 30 Jul

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	116,609	134,901	164,500	195,172	224,414	249,786
Cost of goods sold	(25,249)	(25,958)	(30,162)	(35,891)	(42,639)	(48,708)
Gross profit	91,360	108,943	134,338	159,281	181,775	201,078
Operating expenses	(62,415)	(62,192)	(64,958)	(78,989)	(96,273)	(106,084)
Selling expense	(15,261)	(12,301)	(11,347)	(12,745)	(14,587)	(15,911)
Admin expense	(11,816)	(11,408)	(9,739)	(10,989)	(12,567)	(13,738)
R&D expense	(35,338)	(38,483)	(43,872)	(55,255)	(69,119)	(76,435)
Operating profit	28,945	46,751	69,380	80,292	85,502	94,994
Net Interest income/(expense)	(126)	677	1,284	1,185	1,057	1,053
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	81,477	86,559	96,046
Income tax	(5,619)	(8,330)	(8,304)	(9,042)	(9,521)	(10,565)
After tax profit	23,200	39,098	62,360	72,435	77,037	85,481
Net profit	23,200	39,098	62,360	72,435	77,037	85,481
Adjusted net profit	35,192	53,125	79,050	92,730	101,773	112,738

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	59,549	85,365	100,045	107,268	112,483	170,351
Cash & equivalents	14,681	41,862	43,889	42,281	42,109	95,099
Account receivables	13,466	16,169	16,994	19,759	22,265	24,287
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	6,212	7,143	7,951
Non-current assets	126,178	144,258	176,009	227,602	298,883	333,818
PP&E	92,191	109,881	121,346	169,766	237,950	270,055
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	15,444	17,758	19,766
Total assets	185,727	229,623	276,054	334,869	411,367	504,169
Current liabilities	27,026	31,960	33,596	38,855	44,918	50,054
Account payables	4,990	4,849	7,687	8,964	10,436	11,684
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	27,949	32,539	36,428
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	98,676	104,739	109,875
Capital surplus	64,444	73,253	83,228	64,349	57,747	59,932
Retained earnings	64,799	82,070	102,506	174,941	251,978	337,460
Other reserves	(3,530)	(2,155)	(3,097)	(3,097)	(3,097)	(3,097)
Total shareholders equity	125,713	153,168	182,637	236,194	306,628	394,295
Total equity and liabilities	185,727	229,623	276,054	334,869	411,367	504,169

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	28,819	47,428	70,664	81,477	86,559	96,046
Depreciation & amortization	8,686	11,178	15,498	21,842	30,558	42,831
Tax paid	(5,619)	(8,330)	(8,304)	(9,042)	(9,521)	(10,565)
Change in working capital	5,683	6,175	1,048	1,517	2,626	2,307
Others	12,906	14,662	12,422	20,295	24,736	27,257
Net cash from operations	50,475	71,113	91,328	116,090	134,957	157,875
Investing						
Capital expenditure	(31,431)	(27,266)	(37,256)	(71,008)	(99,525)	(75,758)
Acquisition of subsidiaries/ investments	(1,312)	(629)	(270)	0	0	0
Others	3,773	3,400	(9,624)	(7,516)	(4,265)	(4,056)
Net cash from investing	(28,970)	(24,495)	(47,150)	(78,524)	(103,790)	(79,814)
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	42,281	42,109
Exchange difference	(1,289)	63	(1,370)	0	0	0
Cash at the end of the year	14,681	41,862	43,889	42,281	42,109	95,099

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

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