Meta Platforms

Reels and AI to drive long-term growth

8 May 2026

Company Overview

Meta Platforms, Inc. (META) operates as a social technology company. META builds applications and technologies that help people connect, find communities, and grow businesses. META operates under two segments: Family of Apps (FoA) and Reality Labs (RL). Daily active users in Meta Platforms stand at 3.5bn compared to its major competitor TikTok which has an estimated user base of 1.4bn.

Investment Overview

Reels and AI-driven recommendations remain Meta's core growth engine. In 1Q26, ranking improvements fueled a 10% lift in Instagram Reels time spent, while Facebook video engagement reached all-time highs. Ad system performance surged, with average price per ad rising 12% and impressions up 19%, driven by the Andromeda update's long-horizon optimization. WhatsApp and business messaging scaled as major contributors. Furthermore, Meta's custom MTIA chips are now in production, significantly lowering inference costs for Reels and ad ranking.

META is set to sharply increase AI infrastructure investment in FY26F. META guided capex of USD125–145bn (previous USD115–135bn) for FY26F to expand data centers, servers, and network capacity for Meta Superintelligence Labs and core AI workloads. Management is focused on scaling compute, improving efficiency, and maintaining flexibility across silicon and infrastructure as it advances Llama and embeds AI more deeply across ads, recommendations, and consumer products. While this will pressure near-term spending, these investments should strengthen long-term AI leadership and support continued product and monetization gains.

Reality Labs remains a critical long-term play on AI-native computing. While 1Q26 revenue fell 2% y/y to USD402mn due to declining Quest sales, Ray-Ban Meta daily active users tripled, signaling a shift in consumer preference. Management is now significantly decreasing VR investment to prioritize wearables. This evolution from simple assistance to all-day personal agents solidifies Meta's lead in the high-growth smart glasses category.

We maintain BUY with a revised TP of USD834 (from USD1,000). Our valuation is based on a 12-month forward P/E multiple of 25x (previously 33x), applied to a blended net profit estimate of USD85bn. The revised multiple implies a 15% discount to the peer average of 30x (previously 10%), reflecting relatively lower earnings growth prospects. Consensus estimates point to a 13% earnings CAGR over FY26F-28F, modestly below peers at 15%, which we believe justifies the wider discount.

Risks

Key risks include margin pressure from AI and infrastructure spending, regulatory scrutiny, and reputational risks from content policy changes.

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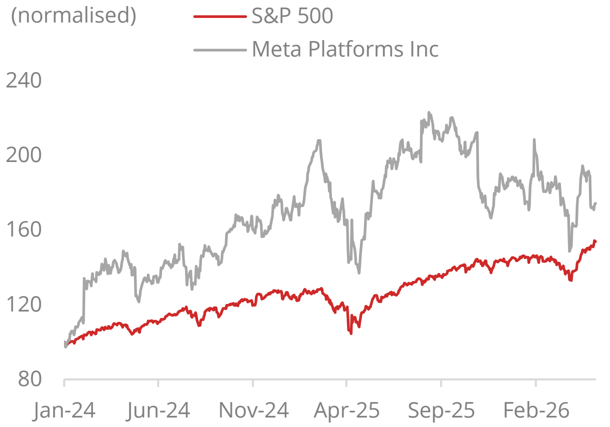
Key Financial Data

Bloomberg Ticker	META US
Sector	Communication Services
Share Price (USD)	616.81
DBS Rating	BUY
12-mth Target Price (USD)	834.0
Market Cap (USDb)	1,565.7
Volume (m shares)	12.3
Free float (%)	99.9
Dividend yield (%)	0.3
Net Debt to Equity (%)	1.6
Fwd. P/E (x)	17.7
P/Book (x)	6.4
ROE (%)	32.9

Closing Price as of 7 May 2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

Financial Summary (USDmn)

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	134,901	164,500	200,965	252,612	301,482
% y/y	*15.7*	*21.9*	*22.2*	*25.7*	*19.3*
Gross Profit	109,637	135,393	165,915	202,392	237,184
% y/y	*17.1*	*23.5*	*22.5*	*22.3*	*17.2*
EBITDA	75,407	101,807	122,319	141,466	172,310
% y/y	*42.3*	*35.0*	*20.4*	*19.5*	*21.3*
Net Profit	52,088	74,589	82,510	89,218	97,101
% y/y	*51.0*	*43.1*	*11.6*	*17.0*	*8.3*
FCF	43,010	52,103	43,585	4,695	5,984
% y/y	*133.3*	*21.1*	*(16.3)*	*(89.1)*	*7.1*
CAPEX	27,045	37,256	69,691	134,136	158,925
% y/y	*(13.3)*	*37.8*	*87.1*	*92.5*	*18.5*
EBITDA Margin (%)	55.9	61.9	60.9	56.0	57.1
Net Margin (%)	29.0	37.9	30.1	34.1	30.6
ROA (%)	18.8	24.7	18.8	20.6	17.2
ROE (%)	28.0	37.1	30.2	33.0	25.9
Tax Rate (%)	19.5	17.1	22.8	6.7	12.8

Source: Company, DBS

Valuation Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
P/E (x)	30.9	21.3	19.0	17.5	16.0
P/B (x)	10.5	8.8	7.3	5.1	3.8
Dividend Yield (%)	0.00	0.3	0.3	0.3	0.3
EV/EBITDA (x)	26.6	18.2	15.1	12.9	10.5
FCF Yield (%)	2.7	3.3	2.8	0.3	0.4
Dividend Per Share (DPS)	0.00	2.0	2.1	2.1	2.1

Source: Company, DBS

Credit & Cashflow Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (%)	24.3	26.9	38.6	27.9	21.4
Net Debt / Equity (x)	(0.2)	(0.2)	0.0	0.0	0.0
Debt / Assets (%)	16.2	17.8	22.9	17.7	14.4
Net Debt / Assets (x)	(0.1)	(0.1)	0.0	0.0	0.0
ST Debt / Total Debt (x)	0.0	0.0	0.0	0.0	0.0
Debt / EBITDA (x)	0.5	0.5	0.7	0.6	0.5
[Cash + CFO] / ST Debt (%)	84.1	87.1	89.2	87.2	92.4
Receivables Days	43.7	37.7	35.9	32.4	31.1
Days Payable	15.5	17.1	16.2	19.9	19.4

Source: Company, DBS

Target Price & Ratings History

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	05 May'25	597.0	702.0	BUY
2	20 Jun'25	695.8	800.0	BUY
3	06 Aug'25	763.5	955.0	BUY
4	03 Nov'25	648.4	913.0	BUY
5	09 Feb'26	614.7	1,000	BUY
6	06 May'26	605.0	834.0	BUY

Source: DBS
Analyst: Sachin Mittal

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
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**Share price appreciation + dividends*

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