

Meta Platforms (META US)

FUNDAMENTAL VIEW ¹

As of 30 Dec 2024

- Meta has extremely strong credit metrics of 0.3x gross leverage (pro forma for \$10.5 bn bond deal) and \$40 bn net cash. We are encouraged by Meta's strong advertising growth relative to peers. However, Meta is going through a heavy investment cycle for both AI and the metaverse.
- We continue to expect Meta to be a regular/annual issuer to fund its shareholder returns and massive investments. Longer term, we expect Meta to adhere to its previously communicated financial policy of maintaining a positive or neutral cash balance. Meta has legal and regulatory risks notably an FTC suit that seeks to unwind its prior acquisitions of Instagram and WhatsApp.

RISKS & CATALYSTS

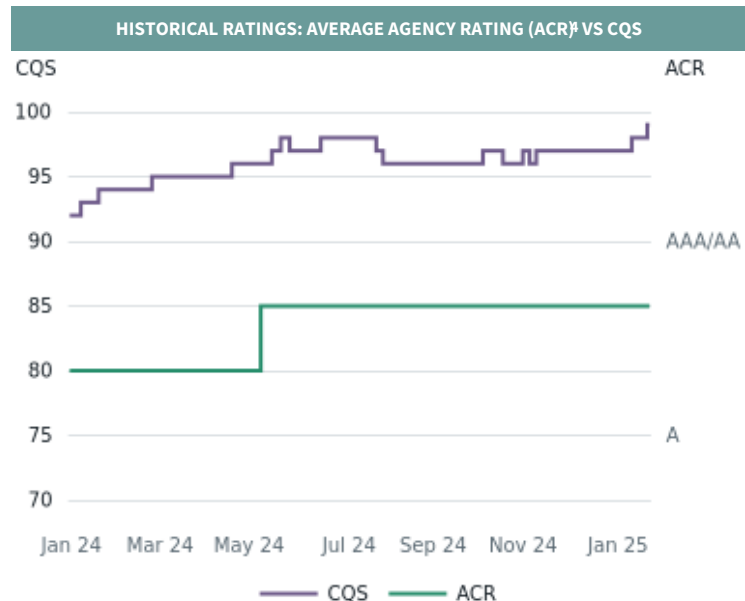
As of 13 Aug 2024

- In December 2020, the FTC filed a lawsuit against Meta targeting its acquisitions of Instagram and Whatsapp. If Meta is forced to unwind prior acquisitions, this would be a credit negative given reduced scale and diversification.
- Meta's business model relies almost entirely on user-generated content. As such, there are risks related to customer privacy (e.g., Cambridge Analytica data scandal in 2018) and regulatory changes (e.g., Section 230 protections).
- In April 2024, the US signed into law a bill requiring a sale or ban of TikTok, although we expect legal challenges. If a ban is implemented, this would positively impact Meta and others with competing short-form video products.
- In October 2022, activist Altimeter Capital wrote a letter to Zuck and Board although it was on the friendly-side of activism and some suggestions have already been implemented.

CREDIT QUALITY SCORE (CQS)²

As of 01 Jan 2025

CURRENT CQS



KEY METRICS

As of 13 Aug 2024

\$ MN	2020	2021	2022	2023	LTM 2Q24
Revenue YoY %	21.6%	37.2%	(1.1%)	15.7%	24.3%
EBITDA	46,069	63,882	49,622	71,955	86,932
EBITDA Margin	53.6%	54.2%	42.6%	53.3%	58.0%
CapEx % of Sales	18.3%	16.3%	27.5%	20.8%	19.9%
Sh. Ret. % of CFO-CapEx	27%	116%	152%	46%	69%
Net Debt	(61,954)	(47,998)	(30,815)	(47,018)	(39,691)
Gross Leverage	0.0x	0.0x	0.2x	0.3x	0.2x
EV / EBITDA	15.8x	14.0x	5.8x	12.3x	14.7x

BUSINESS DESCRIPTION

As of 13 Aug 2024

- Meta Platforms is the largest social networking company in the world. Meta generates substantially all of its revenue from advertising which includes Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications.
- In 2Q24, Family of Apps was 99% of revenue (98.1% from advertising and 0.9% from other) and Reality Labs was 1% of revenue. Reality Labs generated \$16.7 bn in operating losses during LTM 2Q24 as the company is investing heavily in the metaverse.
- There are 3.27 bn Family Daily Active People (DAP) as of 2Q24, and the Family Average Revenue per Person (ARPP) was \$11.89 quarterly in 2Q24. While US & Canada have the lowest number of users, they generate higher revenue than other regions given significantly higher ARPU. Revenue was 43% from US & Canada, 24% from Europe, 20% from Asia Pacific, and 13% from Rest of World in 2Q24.
- Meta is headquartered in Menlo Park, California. Employee headcount was 70.8k at 2Q24.

GLOSSARY

- ¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
 - ² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
 - ³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
 - ⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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