

Meta Platforms (META US)

FUNDAMENTAL VIEW ¹

As of 25 Feb 2025

- We are encouraged by Meta's strong advertising growth relative to peers in 2023 and 2024. Meta has extremely strong credit metrics of 0.3x gross leverage and \$49 bn net cash. We continue to expect Meta to be a regular/annual issuer to fund its shareholder returns and massive investments in AI and the metaverse.
- Longer term, we expect Meta to adhere to its previously communicated financial policy of maintaining a positive or neutral cash balance. Meta does have legal and regulatory risks notably an FTC suit that seeks to unwind its prior acquisitions of Instagram and WhatsApp. However, not all event risk is negative as Meta would be the greatest beneficiary from a potential TikTok ban.

RISKS & CATALYSTS

As of 25 Feb 2025

- 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 Trump signed an executive order instructing the Attorney General to not enforce the TikTok ban for 75 days (to 4/5/2025). 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.

KEY METRICS

As of 25 Feb 2025

\$ MN	2020	2021	2022	2023	LTM 4Q24
Revenue YoY %	21.6%	37.2%	(1.1%)	15.7%	21.9%
EBITDA	46,069	63,882	49,622	71,955	101,568
EBITDA Margin	53.6%	54.2%	42.6%	53.3%	61.7%
CapEx % of Sales	18.3%	16.3%	27.5%	20.8%	23.8%
Sh. Ret. % of CFO-CapEx	27%	116%	152%	46%	68%
Net Debt	(61,954)	(47,998)	(30,815)	(47,018)	(48,989)
Gross Leverage	0.0x	0.0x	0.2x	0.3x	0.3x
EV / EBITDA	15.8x	14.0x	5.8x	12.3x	14.5x

BUSINESS DESCRIPTION

As of 25 Feb 2025

- 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 4Q24, Family of Apps was 98% of revenue (96.7% from advertising and 1.1% from other) and Reality Labs was 2% of revenue. Reality Labs generated \$17.7 bn in operating losses during LTM 4Q24 as the company is investing heavily in the metaverse.
- There are 3.35 bn Family Daily Active People (DAP) as of 4Q24, and the Family Average Revenue per Person (ARPP) was \$14.25 quarterly in 4Q24.
- Meta is headquartered in Menlo Park, California. Employee headcount was >74k at 4Q24.

GLOSSARY

- 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.
 - 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.
 - 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.
 - 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.

CREDIT QUALITY SCORE (CQS)²

As of 11 Mar 2025

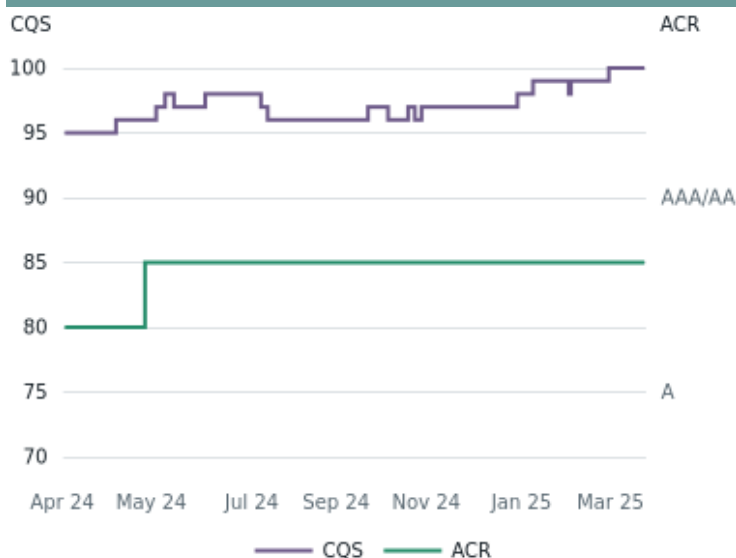
CURRENT CQS

100

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) VS CQS



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