

Meta Platforms (META US)

FUNDAMENTAL VIEW ¹

As of 13 Aug 2025

- While Meta is executing strongly from a product perspective, we are concerned by its surging AI investments and regulatory risks. Meta acquired a 49% stake in Scale AI for \$14 bn in 2Q25. The company expects capex to have "similarly significant" dollar growth in 2026; this implies it could be ~\$100 bn or ~45% of sales in 2026.
- There are also concerns on the regulatory front. We could potentially see a ruling in the next several months from the FTC suit which is seeking to unwind prior acquisitions of Instagram and WhatsApp. In addition, the EC's DMA decision could require modifications that impact its European revenue. Gross leverage is 0.3x although net cash declined sharply to \$18.2 bn in 2Q25. We also think Meta could be in the market fairly soon with a jumbo bond deal.

RISKS & CATALYSTS

As of 13 Aug 2025

- In December 2020, the FTC filed a lawsuit against Meta seeking to unwind prior acquisitions of Instagram and Whatsapp.
- Meta's business model relies almost entirely on user-generated content, exposing it to customer privacy concerns and regulatory changes (e.g., Section 230 protections).
- Surging capex for AI and continued investments in Reality Labs could weaken the balance sheet although Meta has reportedly raised \$29 bn in external financing from PIMCO and Blue Owl for its Louisiana data center project.
- We continue to expect Meta to be a regular/annual issuer to fund its shareholder returns and massive investments.
- A potential ban of TikTok (extended through 9/17/2025) would positively impact Meta and others with short-form video products.

CREDIT QUALITY SCORE (CQS) ²

As of 16 Sep 2025

CURRENT CQS

100

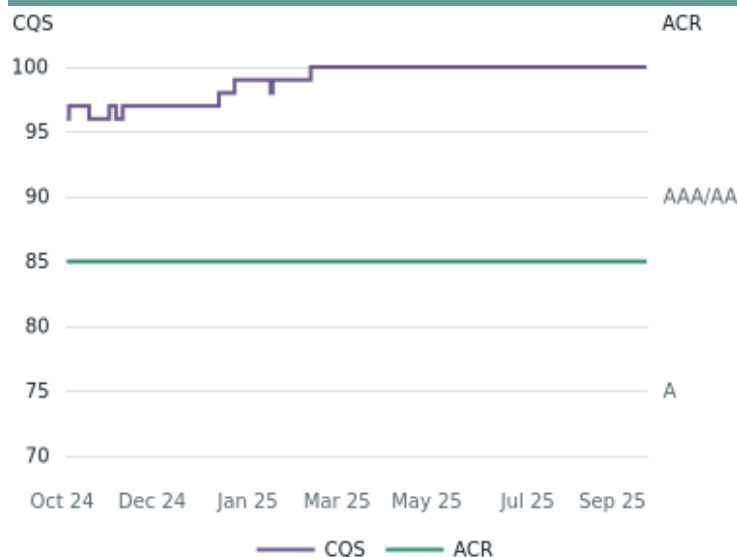
CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 13 Aug 2025

\$ MN	2021	2022	2023	2024	LTM Q2 25
Revenue YoY %	37.2%	(1.1%)	15.7%	21.9%	19.4%
EBITDA	63,882	49,622	71,955	101,568	112,933
EBITDA Margin	54.2%	42.6%	53.3%	61.7%	63.2%
CapEx % of Sales	16.3%	27.5%	20.8%	23.8%	30.6%
Sh. Ret. % of CFO-CapEx	116%	152%	46%	68%	78%
Net Debt	(47,998)	(30,815)	(47,018)	(48,989)	(18,239)
Gross Leverage	0.0x	0.2x	0.3x	0.3x	0.3x
EV / EBITDA	14.0x	5.8x	12.3x	14.5x	16.6x

BUSINESS DESCRIPTION

As of 13 Aug 2025

- Meta Platforms is the largest social networking company in the world. Meta's advertising revenue is primarily from Facebook and Instagram, although also on Messenger, Whatsapp, Threads, and third-party affiliated websites and apps.
- In 2Q25, Family of Apps was 99% of revenue (98.0% from advertising and 1.2% from other) and Reality Labs was 1% of revenue. Reality Labs generated \$18.1 bn in operating losses during LTM Q2 2025.
- There are 3.48 bn Family Daily Active People (DAP) as of 2Q25, and the Family Average Revenue per Person (ARPP) was \$13.65 quarterly in 2Q25.
- Meta is headquartered in Menlo Park, California. Employee headcount was >75.9k at 2Q25.

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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