

## VALUATION: META

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<b>Team:</b>	Team 7
<b>Team Members:</b>	Bisesta Shrestha, Nikhil Raj Singh, Richard Hickman
<b>Date Presented:</b>	11/18/2024
<b>Investment Decision:</b>	Invested ~\$6100 in MSIF, ~11 Shares

### ***INTRODUCTION:***

Our group was looking at a Tech Company with exposure to Artificial Intelligence (AI) or the one developing AI products. After reviewing all the tech companies, we came up with the decision of Meta for its strong financial metrics, technological innovation, and consistent performance above the S&P 500. Our screening criteria for a tech company were a market cap higher than \$50 Billion, a P/E ratio of less than 30, 50%, or a higher gross margin. It met all our criteria i.e. stability, including a low P/E ratio compared to its peers and high free cash flow.

<b>Ticker:</b>	META	<b>Exchange:</b>	NASDAQ
<b>Current Stock Price:</b>	\$554.08	<b>Date Reported:</b>	11/16/2024
<b>Target Stock Price:</b>	<b>\$652.27</b>	<b>Target Date:</b>	11/18/2024

META, the second-largest company in ad revenues after Alphabet, became the largest social media platform with 3 billion active users after acquiring Instagram and WhatsApp. This vast user base provides consistent ad revenue, which Meta reinvests into AI, AR/VR, and server upgrades. The company partners with NVIDIA to optimize processors for its AI technology. Meta's Llama/Meta AI competes with ChatGPT and is trusted by defense contractors, boosting confidence in its products.

### ***HISTORICAL PERFORMANCE:***

Meta has performed strongly, delivering returns above S&P 500. In 2023, META US Equity demonstrated resilience by outperforming the index, with a return of 194% compared to the S&P 500's 24% and the S&P Tech's 56%. Apart from 2022, when Meta's revenue fell by 1%, the company has consistently grown revenue by over 15% annually since its IPO. The stock grew by 338% from Jan 2019-Oct 2024 while S&P grew only 152%. The LTM revenue this year is over \$156 billion, and it is expected to grow by more than 15% in 2024. Overall, META US Equity provides consistent positive returns, offering stability with high cash flow. Although it has a high beta of 1.21, the upside potential, strong cash flows, consistent revenue growth, share buybacks of over \$60 billion this year, and investments in AI and AR/VR make it an attractive investment.

### ***VALUATION SUMMARY:***

The technology and digital infrastructure industry remains highly competitive, but Meta Platforms (META) continues to dominate due to its vast user base and strong financial metrics. Our valuation assumes Meta will maintain robust free cash flow growth, consistent revenue trends, and effective debt management. With its diversified operations across social media, AI, and AR/VR, Meta is well-positioned for sustained growth and profitability. Our key assumptions are 1) Meta's strong historical cash flow will continue to grow as projected. 2) Ongoing technological innovation and ad revenue streams support consistent revenue and profit expansion. 3) Meta's low debt-to-equity ratio provides stability and operational flexibility.