Ed Faritov, CFA

Country	United States
Sector	Internet
Company	Meta Platforms
Close 06.11.2026	$610.15
Financial signal	Conditional SELL
Reference TP 06.11.2027	$449.47, conditional
Current active rating	Not assigned
Reference TSR / Ke	-25.99% / 10.26%
Equity value[1]	$1,559.7bn
Dividend / yield	$2.10 / 0.34%
V0 / at 5% ERP	$409.55 / $370.32
Debt / preferred claims[2]	$99.0bn / $14.2bn
Post-funding multiples[2]	Not established
Calculated signal	Conditional SELL; no active rating

Meta advertising returns and the cost of long lived investment

Meta is an advertising compounder undertaking a capital-intensive buildout. At the 6 November close of $610.15, the financing reference gives V0 of $409.55, conditional 6 November 2027 TP of $449.47 and TSR of minus 25.99%. Financing supports completion of the buildout; advertising still has to earn the return. This is a conditional reference for consideration, with declared contract and capital-policy assumptions; no active recommendation is assigned.

Software efficiency pays the owner through better advertising monetisation or lower real spending for the same useful service. Third-quarter advertising revenue rose 25.9% to $63.1bn; impressions increased 10% and average price 14%. Engagement alone is not free cash flow. With financing cash and claims counted together, an extra 1 percentage point of annual ad-price growth in 2027–2035 adds $82.11 per economic unit. The benefit must survive traffic growth and the cost of serving it.

Technology can change faster than construction and repayment. In the first nine months, operating cash of $96.9bn met $85.8bn of cash capex, leaving $4.30 per diluted share. Compatible software can improve the installed fleet, while a new architecture first requires purchase and installation. Binding payments can remain after compute prices change. A recurring $10.0bn annual maintenance shortfall reduces reference V0 by $45.24 per economic unit; a replacement programme must be charged once.

Financing extends runway without proving a return. The net benefit of completed dollar debt and preferred issuance, future forward cash and the associated rights is only $2.80 of conditional V0, with capital policy fixed. Combining better ad prices with the $10.0bn maintenance shortfall gives V0 of $446.42, still below $610.15. Values belong to the present A share plus its right to future C, and later that combined holding. The initial pro rata C distribution itself does not dilute ownership.

[1] Quote × 2,556.241253m last disclosed common shares. [2] Financing claims use declared prices and dated economic cash; the retained EPS schedule does not establish post-funding P/E or EV/EBITDA. One unit is A plus the future C right.

Contents

1. Who pays for Meta's earnings
   - 1.1 How advertisers fund the platforms
2. Why advertisers stay with Meta
   - 2.1 Advertising demand and campaign performance
   - 2.2 Five forces
   - 2.3 PEST
3. What it costs to sustain and expand the product
   - 3.1 The economics of advertising and Reality Labs
   - 3.2 Infrastructure spending and replacement needs
4. What the shareholder receives
   - 4.1 Cash reaching continuing shareholders
5. How earnings, cash flow and the balance sheet change
6. What today's price requires
   - 6.1 Required returns and financing terms
7. Which events change the decision
8. Risks, limits and sources

1. Who pays for Meta's earnings

Meta sells advertisers access to prospective customers and gives users free communication tools and content. Advertisers pay for an impression, a click or another selected action; their economic objective is incremental sales profit. Shareholders need to know how many such actions Meta delivers per unit of advertising budget and what it costs to serve that demand. User numbers alone are not earnings.

Facebook, Instagram, Messenger and WhatsApp form the Family of Apps (FoA). The family had 3,640m daily users in September. FoA generated $180.4bn of revenue in the first nine months, comprising $177.4bn of advertising and $3.0bn of other services. Reality Labs (RL), which includes devices and related technologies, generated $1.3bn. Advertising therefore determines the group's current ability to finance new products. Q3 2026 results, 21.10.2026.

Table 1: Family of Apps earned $67.4bn while Reality Labs lost $12.8bn in the first nine months.

Revenue and operating result in USD bn. Current period: 9M 2026; revenue YoY compares with 9M 2025.

Reporting segment / reconciliation	Revenue FY2024	Revenue FY2025	Revenue 9M 2026	Revenue YoY	Operating result[1]	Operating margin[1]
Family of Apps	162.4	198.8	180.4	29.0%	67.4	37.4%
Reality Labs	2.1	2.2	1.3	1.9%	−12.8	−1001.2%
Consolidated Meta	**164.5**	**201.0**	**181.7**	**28.8%**	**54.6**	**30.1%**

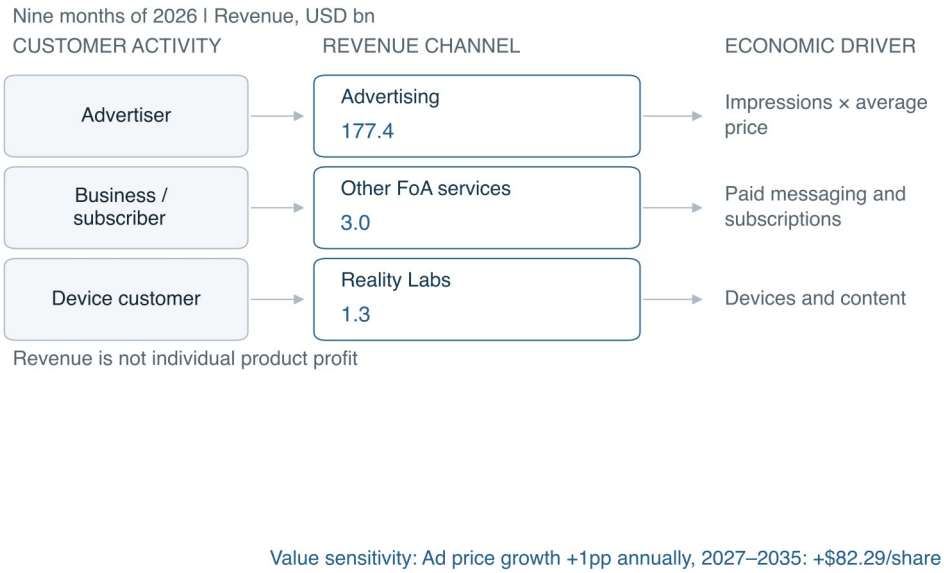
[1] Operating result and margin refer only to the current period; margin is operating result divided by revenue. Family of Apps and Reality Labs are reported segments. Advertising is predominantly a revenue stream withinFamily of Apps, not a third segment.

Sources: Meta FY2025 Form 10-K; Q3 2026 Form 10-Q segment tables. Official filing 1

1.1. How advertisers fund the platforms

The auction allocates limited user attention among advertisers. Meta estimates the probability of a useful action and combines bids with advertising quality; advertisers can shift budgets and platforms. Predictions improve through first-party signals, advertisement content and interaction history. Computing thus becomes a more relevant impression, a better result and an opportunity to charge more for audience access. Auction prices also depend on the mix of countries, formats and advertisers, so higher average prices do not yet measure pure pricing power.

Figure 1: Advertising generated $177.4bn in the first nine months of 2026. On a 30 October 2026 valuation basis, the reverse test requires annual ad-price growth 2.47pp above the central case; +1pp annually adds $82.29/share.



Source: Meta Q3 2026 segment and consolidated cash-flow tables; author calculations. Cut-off: 30.10.2026.

Figure 1 shows three revenue channels: advertising at $177.4bn, other FoA services and Reality Labs. Their revenue is not individual product profit. Moving to group cash requires separate treatment of payment timing, taxes, non-cash expenses and investment. At group level, $96.9bn of operating cash flow less $85.8bn of cash capital expenditure left $11.1bn of free cash flow for the first nine months. That residual is the starting point for assessing cash per share.

Meta's assets are its audience and advertiser relationships, software systems, data within permitted boundaries, computing infrastructure and the people who maintain its quality. User geography affects purchasing power and advertising prices; infrastructure geography affects electricity, construction, permits and commissioning times. Public disclosures do not provide complete standalone Muse or MSL profit. New product revenue should therefore not automatically receive the existing advertising business's margin.

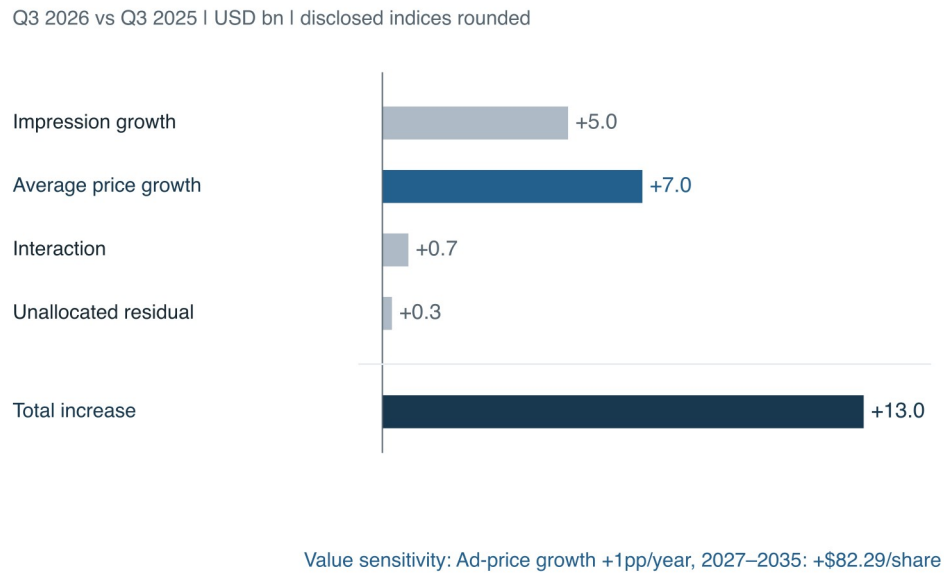
2. Why advertisers stay with Meta

Repeatable advertiser results protect the advertising business. Audience scale helps Meta find the right person, while automation reduces the effort of launching campaigns and selecting advertisements. Advertising budgets can move: when another channel delivers more incremental profit on a comparable measurement basis, historical reach does not retain the next dollar. This is the central competitive question for a Meta shareholder.

2.1. Advertising demand and campaign performance

The third quarter confirms demand for the existing product. Advertising revenue increased from $50.1bn to $63.1bn, a gain of $13.0bn. Impressions up 10% and average price up 14% together imply roughly 25.4%; the small gap to actual growth of 25.9% reflects the rounded disclosed indices. The price contribution includes sales mix and product quality, rather than just a price increase. Figure 2 separates the arithmetic of growth from its causes.

Figure 2: Third-quarter advertising revenue increased by $13.0bn. The +10% and +14% indices do not establish a 10% increase in the price of a comparable outcome. Ad-price sensitivity at 30 October 2026: +$82.29/share for +1pp annually in 2027–2035.



Source: Meta Q3 2026 segment and consolidated cash-flow tables; author calculations. Cut-off: 30.10.2026.

Management reports that the GEM expansion increased conversions by 1.7% for offsite campaigns and 9.6% for app advertising; Andromeda improvements delivered 1.4% on Facebook. These are local tests in different populations, and their percentages cannot be added. Moving content understanding to the Muse family reduces unit costs by more than 80% in offline evaluation while improving quality relative to previous production systems. This creates a specific link between MSL and advertising, but does not measure returns on all MSL training, serving and capital. Q3 earnings call, pp. 6–7. A reduction in offline compute cost is a product-specific technical result. It becomes group cash only through a measured reduction in paid serving costs or additional monetised advertising profit after the extra traffic it stimulates; it cannot be booked in full as both a revenue gain and an independent cost saving.

Muse benefits from existing distribution but must prove incremental earnings. More than 10m people in the United States and Canada have created personal agents; around 25% of those creators use them on a given day. Shopping is used by more than 25% of weekly active users, a different denominator. Management placed more than 20% of US Muse users in the $1,000-plus annual FoA revenue-per-user cohort. This describes monetisation in the existing Family of Apps, not incremental Muse revenue. Affluent early users help the launch but do not justify applying their revenue to the entire world. Q3 call, pp. 1–2 and 8, follow-up call, pp. 2–3, 6 and 10.

Muse currently monetises through subscriptions; transaction fees require more users and partners. An agent can complete purchases that previously only began with advertising and add revenue. It can also take attention and purchase intent away from FoA. The decisive test is a positive increase in combined Muse and FoA profit per comparable user after serving costs, against a control group, sustained beyond the early audience. Until that is measured, the product has potential but no proven standalone margin. The central forecast grows other FoA revenue without adding a separate Muse valuation on top.

2.2. Five forces

TikTok competes for the advertiser's workflow as well as viewers' time. Smart+ combines automated and manual campaign management, advertisement creation and reporting; Symphony and Seedance broaden creative tools. The next budget can move to whoever makes customer acquisition easier. Investors cannot assume the

competitor automatically disappears in the United States: the USDS JV structure announced in January leaves ByteDance with 19.9%, while some commercial functions, including advertising, remain with US entities of TikTok global. TikTok Smart+, Seedance 2.0, 12.02.2026, USDS JV, 23.01.2026.

Comparison requires the same geography, product category, new-customer definition and attribution window. If TikTok consistently delivers at least as much causally measured incremental gross profit per advertising dollar as Meta, shifting marginal budget is rational. The current comparable figure has not been established. Platforms' own reported returns prove neither Meta's superiority nor budget loss. In the financing reference, each additional percentage point of annual average price growth in 2027–2035 is worth $82.11 per economic unit. A reverse test at the 30 October 2026 valuation date requires an extra 2.47 points each year to justify the $614.99 reference price; local conversion tests do not establish that sustained result.

Qwen and DeepSeek lower the barriers to building agents, creative content and analytics tools for both sides. Qwen3.6-35B-A3B is distributed under Apache 2.0, and DeepSeek V4 uses MIT for code and weights. By contrast, Qwen-Image-2.1 open weights carry a research licence: commercial production use requires separate permission. Parameter count or token price is not the cost of a successful task at equivalent quality, latency, safety and data rights. Meta gains a choice of tools and competitors gain cheaper entry; advertising outcomes determine who captures the benefit. Qwen3.6, DeepSeek V4, Qwen-Image-2.1 licence. Model results do not establish accelerator parity. Conditional hardware convergence has three separate stages: sufficient domestic capacity for Chinese workloads; externally available API or hosted service at competitive delivered task economics; and an internationally reproducible hardware, software and support system. The first can affect local procurement, the second rivals Meta-facing agents and tools, and the third could widen Meta's infrastructure choices. None supplies an observed share loss, adoption date or probability for Meta.

2.3. PEST

Apple and Google control access to users and some signals used to measure advertising outcomes. Apple's App Tracking Transparency (ATT) rules restrict cross-company tracking without consent; a hashed email address cannot circumvent refusal. Meta's first-party data remains valuable, but better predictions do not confer a right to an external signal. Meta acknowledges ATT's continuing effect on advertising budgets. 10-Q, mobile platform risks, Apple guidance.

Google operates under a different regime. In October 2025 it retained its existing approach to third-party cookie choice and announced the retirement of several Privacy Sandbox technologies. A universal cookie withdrawal and identical inevitable Apple/Google shock should therefore not be assumed. The economic effect of a new policy must be measured for the affected system and geography against a comparable control group. The forecast reflects these differences through caution about sustained advertising growth; no arbitrary additional platform penalty is applied. Google, 17.10.2025.

3. What it costs to sustain and expand the product

Meta commits capital before new applications produce their full cash return. Software that runs on the installed fleet can improve recommendation quality, useful output per server or off-peak utilisation without an equivalent initial equipment purchase. A different architecture may reduce lifetime cost per successful task only after buying and installing a new fleet. Power, buildings, networks, software migration and equipment commissioning have different lives. Useful-life assumptions and cash replacement needs must follow those differences rather than an asserted universal acceleration of obsolescence.

3.1. The economics of advertising and Reality Labs

Advertising, personal agents and devices have no common unit comparable to a tonne of commodity output. Segment economics are more informative. In 2025, FoA earned $102.5bn of operating profit on $198.8bn of revenue, a 51.55% margin; RL lost $19.2bn on $2.2bn of revenue. FoA operating profit was $67.4bn in the first nine months of 2026, while RL lost $12.8bn. The third-quarter one-off legal charge weakens comparability; the central forecast removes it from recurring earnings separately. FY2025, Q3 2026.

FoA profit already includes AI development costs; disclosures cannot isolate profit excluding MSL. Equally, asserting zero economic return from MSL would be wrong: internal Muse applications have already been described. The investment decision requires separating incremental profit from operating advertising products from spending on foundation models, personal agents and new interfaces with longer payback periods. In the central forecast, FoA retains 54% of revenue before depreciation and amortisation and after the economic cost of stock-based compensation (SBC) in 2027, 57% in 2030 and 58% from 2031. This is a cash-cost efficiency assumption, not a disclosed fact. Rising depreciation then reduces operating profit; one positive advertising quarter does not justify perpetual margin expansion.

3.2. Infrastructure spending and replacement needs

Third-quarter operating cash flow of $32.8bn covered 93.93% of cash capital expenditure of $34.9bn; free cash flow was negative $2.1bn before dividends. This is a single-quarter observation. It shows a shift towards heavier cash requirements but does not prove a permanent deficit. Management expects $135.0–145.0bn of capital expenditure, including finance lease principal repayments, for full-year 2026; the central forecast uses the $140.0bn midpoint. Q3 results and management outlook. The Q3 2026 slides 9 and 15 show the cash outlay and its reconciliation: Q3 property and equipment purchases were $33.9bn and finance lease principal $1.0bn. Their combined $34.9bn exceeded operating cash of $32.8bn. This paid-capex definition matters when comparing construction commitments with free cash flow.

At 30 September, disclosures separately identified $355.7bn of leases not yet commenced, $454.5bn of non-cancelable contractual commitments and up to $14.7bn of contingent cloud payments over five years. The contractual table allocates $45.9bn to the remainder of 2026 and $121.4bn to 2027. These amounts differ in scope and timing; adding them to the balance sheet, future capital expenditure and cloud expenses risks double counting. What matters is the actual payment schedule and its overlap with costs already included. 10-Q, Note 10.

Capital can be lost when binding commitments survive a decline in the useful service those assets earn. Lower compute cost may first support more recommendation or agent tasks rather than reduce the invoice. If demand grows faster than efficiency, utilisation and total spend can both rise; if monetisation fails to follow, cash margin and FCF weaken. Meta's choice is between retaining efficiency as margin, improving advertiser outcomes and prices, serving more volume, or postponing purchases that remain cancellable. The same benefit cannot be recorded in full in all four places.

A signed data-centre or cloud commitment is less flexible than a future equipment order. Construction already underway and non-cancellable payments can continue after computing prices fall; an uncommitted expansion may instead be deferred or redesigned. The operating tests therefore separate a temporary $10.0bn annual capex increase in 2027–2030 from a recurring $10.0bn maintenance shortfall. A single replacement programme must appear once in cash spending: the two charges cannot be applied to the same equipment twice. Book depreciation changes reported margin and tax timing; it does not itself create a second replacement payment.

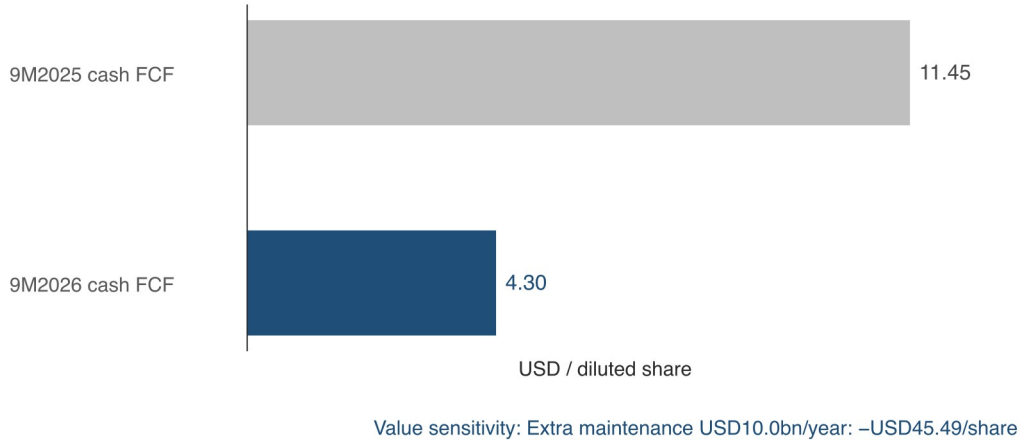
4. What the shareholder receives

Business growth benefits minority shareholders through distributions and higher earnings on their ownership interest. For many years, Meta reduced its share count through repurchases, but today much of its earnings goes into infrastructure and stock-based compensation. Looking only at net income or announced buyback amounts is insufficient. The owner's question is how much cash one economic share retains after labour and investment costs.

4.1. Cash reaching continuing shareholders

Weighted-average diluted shares fell from 2,859m to 2,574m in 2021–2025. Five-year buybacks and dividends totalled $159.0bn against $224.5bn of net income, or 70.84%, above the one-third threshold. This is gross reported cash returned: buybacks are not distributed equally to all holders and partly offset employee share issuance. Meta-defined free cash flow was $43.6bn in 2025; deducting the $20.4bn economic cost of stock-based compensation leaves $23.2bn. The latter is an analytical adjustment, not another actual payment.

Figure 3: Free cash flow after cash capex fell to $4.30 per share. After the economic cost of SBC, 9M2026 cash flow is −$3.90/share; this is not an actual distribution. Maintenance sensitivity at 30 October 2026: −$45.49/share for $10.0bn annually.



Source: Meta Q3 2026 segment and consolidated cash-flow tables; author calculations. Periods are shown in the figure; cut-off: 30.10.2026.

Figure 3 compares free cash flow after cash capex per share for the same nine-month periods: $11.45 in 2025 and $4.30 in 2026. First-nine-months 2026 free cash flow was $4.30 per share; after the economic cost of stock-based compensation, or SBC, it was minus $3.90. SBC reached $21.1bn during the period, there were no repurchases, and dividends totalled $4.1bn. A negative analytical residual does not mean negative dividends paid. It means current free cash flow does not cover both investment and the economic cost of shares granted to employees.

Two of four quality tests can be assessed from facts, but all four have yet to be demonstrated together. Average operating return after actual tax on year-end capital was 37.49% in 2021–2025, above the 10.34% hurdle used in the 30 October 2026 capital comparison; gross distributions were 70.84% of earnings. Year-end capital is an approximation, however, a separate maintenance requirement has not been reconstructed, and a causally measured enduring competitive advantage in the worst year is unproven. FoA's positive margin in 2022 does not by itself satisfy the last test. High earnings and scale therefore do not earn Meta a quality score of 4 out of 4.

Class C expands the capital allocator's flexibility. One non-voting C share is planned for each existing A or B share; that pro rata distribution does not dilute economic ownership. A present A share carries the right to that future C share, so future value and dividends in this note belong to the combined holding. Subsequent issuance, acquisitions and equity compensation can transfer economic ownership while preserving voting control. The

founder's sale restrictions allow 20% unrestricted and a further 2.5% per qualifying quarter over 32 quarters. These restrictions promise no shareholder return. 8-K, Founder Alignment Agreement.

Financing terms have already emerged. The 29 October 8-K confirms the initial preferred closing: 250m depositary shares at $50, representing $12.5bn of liquidation preference. The 27 October pricing sets a 6.50% annual cumulative dividend and mandatory conversion around 15 August 2029, subject to adjustments and conditional Class C provisions. The 6 November final prospectus confirms a further 37.5m depositary shares issued on 2 November for approximately $1.9bn net proceeds ($1,869m in the prospectus), versus $1,875m gross at the $50 issue price. The two amounts both round to $1.9bn. Cash proceeds arrive with dividend and conversion rights; adding proceeds alone overstates the benefit to common holders.

The common-stock forward initially covered 40m shares and has expanded to 46m after full exercise of the additional option on 4 November, confirmed in the 5 November 8-K. Forward sellers borrow existing shares; their sale supplies neither current cash to Meta nor newly issued common shares. The initial forward price is $622.91875, adjusted over time; company-indicated potential future proceeds were approximately $24.9bn for 40m shares or $28.7bn for 46m, before expenses and contractual adjustments. Settlement is due by 19 November 2027, with conditional A/C terms. Future cash and the shares or settlement obligation must enter together.

The 5 November 8-K also confirms $15.0bn of dollar notes completed that day. The 3 November dollar pricing lists coupons of 5.850% to 7.500%, implying $990.1m of nominal annual coupons across the five tranches. The 4 November euro pricing sets €9.0bn of notes with 4.300%–6.400% coupons and expected 12 November settlement; this is pending funding at the 6 November cut-off. It adds €478.8m of nominal annual coupons if issued. Bond proceeds, issue discounts, fees, currency and dated coupon obligations must be reconciled before treating this as net cash available to common shareholders.

The completed issues add $29.3bn of proceeds after estimated fees to the retained economic cash schedule, matched by dollar debt and preferred rights. A $13m estimated underwriting reimbursement is a receivable, not received cash. The reference deducts one preferred claim of $14.2bn at $49.365 per depositary share (2026-11-06; METAM price source). That claim already includes dividends and conversion rights, so those costs are not deducted again. Forward sellers' borrowed shares add no current cash or issued common units. After matching future consideration with future rights, funding changes V0 by $2.80; it does not turn financing receipts into earnings.

5. How earnings, cash flow and the balance sheet change

The operating forecast requires advertising to outgrow the infrastructure burden after 2028. Annual revenue, operating costs and paid capex are analyst assumptions, rather than estimates derived from a technical paper. Table 2 is an operating illustration as at 30 October 2026, with financing diagnostics on that basis. The 6 November financing reference below matches completed proceeds and new claims. It does not supply a complete post-financing earnings or bank-cash forecast.

Table 2: At $435.0bn of revenue in 2030, free cash flow after cash capex reaches $103.7bn in the central forecast.

Metric	2025 actual	2026E	2027E	2028E	2030E
Revenue, USD bn	201.0	256.2	298.9	343.9	435.0
EBITDA, USD bn	101.9	106.7	147.4	177.7	241.6
EBITDA margin	50.7%	41.7%	49.3%	51.7%	55.5%
Net income, USD bn	60.5	73.1	87.2	100.9	130.3
Cash capital expenditure, USD bn	72.2	140.0	160.0	165.0	155.0

Metric	2025 actual	2026E	2027E	2028E	2030E
Meta-defined free cash flow, USD bn	43.6	−8.6	−0.9	26.2	103.7
FCF after the economic cost of SBC, USD bn	23.2	−37.0	−30.8	−8.2	60.2
Net debt/EBITDA, diagnostic	−0.22	0.28	0.55	0.56	0.14
Dividend per share, USD	2.10	2.10	2.10	2.10	2.10
Dividend yield at $610.15	0.34%	0.34%	0.34%	0.34%	0.34%

Source: Meta FY2025 Form 10-K; analyst central operating forecast as at 30.10.2026. Historical net debt is reported balance-sheet net debt; forecast net debt is an economic diagnostic with a cash equivalent for SBC. Financing claims use the 30 October basis. Dividends are held at $2.10 per economic unit; the yield column uses the $610.15 close of 06.11.2026.

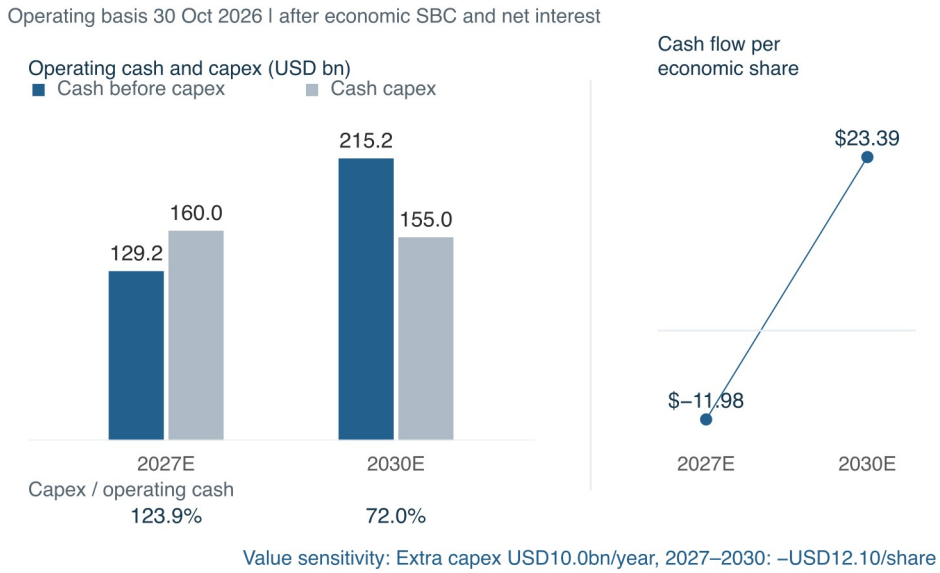
Revenue in Table 2 grows mainly through advertising. In 2027, impressions rise 8% and average price 8%; by 2030, the rates slow to 6% and 5%. Their combined effect compounds on the previous year's base. Other FoA revenue grows 20% annually through 2030 and RL revenue 10%. Muse receives no separate cash flow on top of these lines because standalone product profitability is not disclosed. Section 2 explains the advertising assumptions.

EBITDA, operating profit before depreciation and amortisation, recovers after 2026 through advertising growth, cost discipline and narrower RL losses. Recurring earnings exclude the one-off $9.9bn legal charge. FoA's cash margin before depreciation and after the economic cost of SBC rises from 54% in 2027 to 57% in 2030; the RL loss narrows from $15.0bn to $9.0bn. Depreciation and amortisation rise from $27.5bn in 2026 to $86.0bn in 2030. Consequently, FoA's operating margin after depreciation falls from about 40.2% in 2027 to 38.1% in 2030: improving cash generation before asset consumption is different from a rising accounting margin. Section 3 explains costs and depreciation.

Net income rises to $130.3bn in 2030 at a normalised 16% tax rate. Actual 2025 tax included a large one-off effect; that rate is not carried forward. The $73.1bn forecast for 2026 combines actual results for the year to date with a separate Q4 forecast. Thereafter, earnings are constrained by personnel and serving costs and the consumption of infrastructure already built.

Cash capital expenditure peaks at $165.0bn in 2028 and falls to $155.0bn in 2030. That remains 35.6% of revenue, versus 35.9% in 2025. Meta-defined free cash flow is operating cash less cash capital expenditure: minus $8.6bn in 2026, minus $0.9bn in 2027 and $103.7bn in 2030. After the economic cost of SBC, cash flow turns positive in 2029 and reaches $60.2bn in 2030. Section 3 discusses the nature and timing of the capital burden.

Figure 4: Central cash flow reaches $23.39 per share in 2030. An additional $10.0bn of annual capex in 2027–2030 reduces central value by $12.10/share. Additional capex of $10.0bn annually in 2027–2030: −$12.10/share.



Source: Author's central assumptions, not Meta guidance. Cut-off: 30.10.2026.

Figure 4 illustrates the operating cash path: $23.39 per share in 2030 is cash after the economic cost of SBC and assumed net interest, not a promised dividend. The illustration uses a 30 October 2026 financing basis and does not establish funding needs after completed issuance. The reference cash schedule represents economic cash after SBC rather than an observed bank balance. Section 4 explains financing proceeds and rights.

The common dividend assumption stays at $2.10 per present A-plus-future-C economic unit, a 0.34% yield at $610.15. Labour remains an economic cost and the operating case requires no share-count reduction. The financing reference adds future forward ownership rights consistently with settlement proceeds and deducts the preferred claim once. Monetised earnings and cash per ownership interest matter more than audience or total revenue growth.

6. What today's price requires

At $610.15, the central operating trajectory is insufficient even after financing is included. Reference V0 is $409.55, conditional TP for 6 November 2027 is $449.47, and TSR including the assumed $2.10 dividend is minus 25.99%. The value remains $200.60 below the quote. The capital was raised to fund activity whose payoff must still be earned; the financing announcement does not demonstrate that payoff. Figures 7–10 show which operating results and contract assumptions change the outcome.

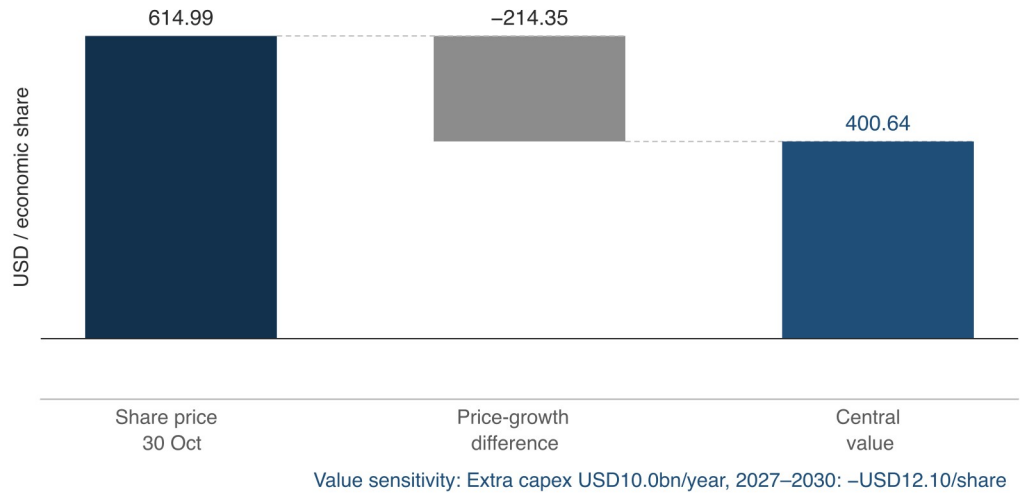
6.1. Required returns and financing terms

The 6 November Treasury 10-year par yield is 4.86%, observed near 15:30 Eastern. At the retained 1.20 beta and 4.50% ERP assumption, Ke is 10.26%; WACC is 9.98% under the retained capital policy. At 5.00% ERP, Ke is 10.86%, V0 $370.32 and conditional TP $408.44. Reweighting capital mechanically for gross debt is a separate choice: it produces V0 $412.49, a $2.94 increase, rather than an operating gain. Treasury 6 November.

The valuation discounts cash after tax, paid capex and SBC through 2035, followed by 3% growth. Completed debt and preferred proceeds enter with their claims; future forward consideration and rights are solved together, while current forward cash and newly issued units remain zero. The single preferred claim includes coupon and

conversion rights. Pending €9.0bn notes add no current cash or issued debt: their paired fee commitment is separate. For one A plus the future C right, TP plus dividend equals V0 carried at Ke: $449.47 + $2.10 = $409.55 × 1.1026. The dated cash schedule remains economic cash, not an observed bank balance.

Figure 5: At a 30 October 2026 valuation date, V0 is $400.64 against a $614.99 reference price. The reverse ad-price test requires +2.47pp annually in 2027–2035. Additional capex of $10.0bn annually in 2027–2030 costs $12.10/share on that basis.



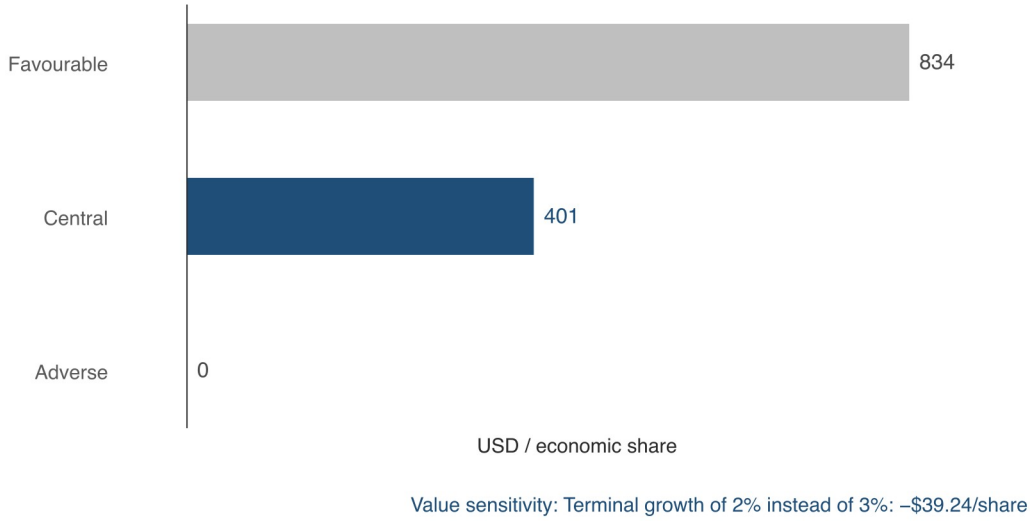
Source: Reverse valuation on advertising price growth; not observed consensus. Cut-off: 30.10.2026.

Figure 5 illustrates a reverse valuation at 30 October 2026 and a $614.99 reference price. Its alternative ad-price and margin routes are conditional requirements, rather than observed consensus, and cannot be added. The 6 November financing reference is set out in Table 4 and Figures 7–10.

Reference TSR of minus 25.99% is below Ke minus 10 percentage points, or 0.26%; BUY arithmetic requires more than Ke plus 10 points, or 20.26%. These thresholds do not activate a recommendation. The remaining contract choices are priced rather than assigned zero: setting future forward cash to zero while retaining its rights lowers V0 by $9.88; the disclosed-initial-price versus carry alternative changes it by $0.46. The zero-cash branch is an endpoint test, not an expected financing outcome. Business quality, realisation and a release signature are still required.

A three-year return cannot be obtained by extending the 12-month target. A separate maintenance requirement has not been reconstructed, so earnings-per-share growth does not yet establish owner-earnings growth. A supported exit price in three years is also absent; the full annualised result of owner earnings, cash-per-share growth and valuation change is not published as a number.

Figure 6: Scenarios at a 30 October 2026 valuation date give $0 to $834 per economic share. The $0 residual is an unproductive-capex scenario, not a probability or a construction-error estimate. Terminal growth of 2% instead of 3% costs $39.24/share on that basis.



Source: Full reruns of one model; no probabilities assigned. Cut-off: 30.10.2026.

Figure 6 illustrates scenarios at 30 October 2026, including the limited-liability zero and $834.38 favourable result. These are conditional outcomes, without assigned probabilities, on a financing basis distinct from the 6 November reference. Maintenance and standalone MSL/Muse returns remain the material business questions; accounting for proceeds and claims does not answer them.

Figure 7: Advertising compensation and maintenance leave joint V0 at $446.42. ERP 4.50%; financing reference held fixed.

06 Nov 2026 I ERP045 I financing reference

Recurring cash burden	Annual monetisation increment	
	Ad price +0pp/yr	Ad price +1pp/yr
Maintenance +$0.0bn/yr	$409.55	$491.66
Maintenance +$10.0bn/yr	$364.31	$446.42

Ad price +1pp: +USD82.11 V0; maintenance +USD10.0bn/yr: –USD45.24 V0

Source: Full financing-model runs, 06.11.2026; P0 $610.15; one A plus future C right; 4.50% ERP; completed proceeds and matched rights. METAM q=$49.365 (2026-11-06); initial forward K and latest settlement remain declared choices.

Figure 8: At 5.00% ERP the same joint case is worth $402.60. Same operating endpoints and financing choices; higher required return.

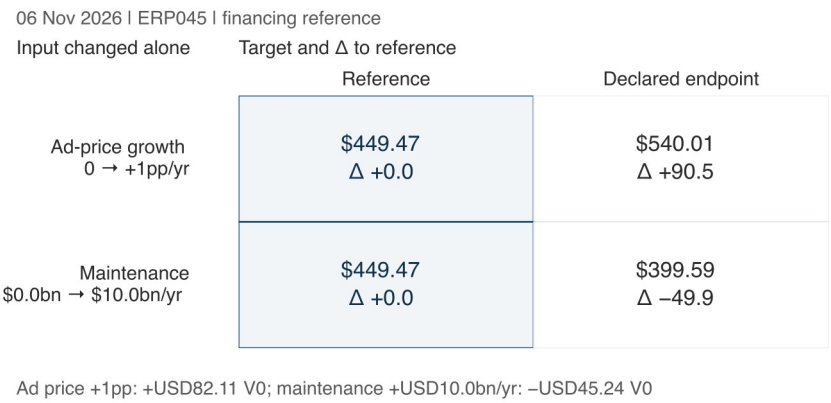
06 Nov 2026 I ERP050 I financing reference

Recurring cash burden	Annual monetisation increment	
	Ad price +0pp/yr	Ad price +1pp/yr
Maintenance +$0.0bn/yr	$370.32	$444.56
Maintenance +$10.0bn/yr	$328.36	$402.60

Ad price +1pp: +USD74.24 V0; maintenance +USD10.0bn/yr: –USD41.96 V0

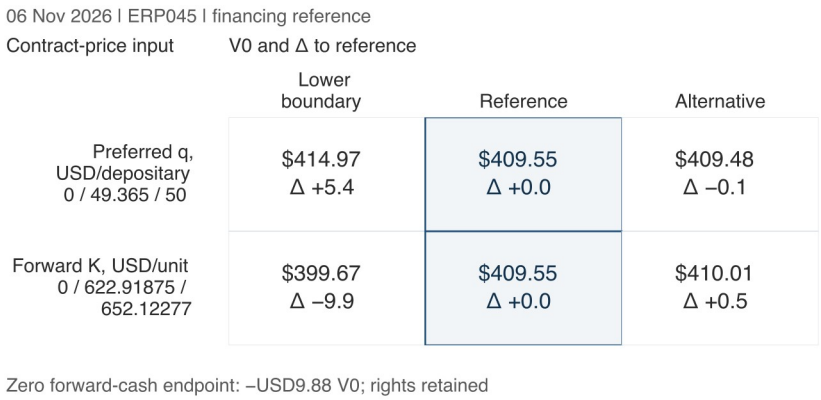
Source: Full financing-model runs, 06.11.2026; P0 $610.15; one A plus future C right; 5.00% ERP; completed proceeds and matched rights. METAM q=$49.365 (2026-11-06); initial forward K and latest settlement remain declared choices.

Figure 9: Ad-price case gives conditional TP $540.01; maintenance $399.59. TP for 06.11.2027, A plus future C right; no active target.



Source: Full financing-model runs, 06.11.2026; P0 $610.15; one A plus future C right; 4.50% ERP; completed proceeds and matched rights. METAM q=$49.365 (2026-11-06); initial forward K and latest settlement remain declared choices.

Figure 10: The zero-forward-cash endpoint gives V0 $399.67. Zero-input branches are endpoint tests, not plausible forecast ranges.



Source: Full financing-model runs, 06.11.2026; P0 $610.15; one A plus future C right; 4.50% ERP; completed proceeds and matched rights. METAM q=$49.365 (2026-11-06); initial forward K and latest settlement remain declared choices.

Figures 7–9 separate the two operating effects. At 4.50% ERP, V0 is $409.55 in the reference, $491.66 with the ad-price increment alone, $364.31 with maintenance alone and $446.42 jointly. Joint conditional TP is $490.13 and TSR minus 19.33%. Each state is a full run with the same financing choices. The positive ad-price axis is compensation, not falling ad prices. Cheaper compute and higher utilisation count only after their effect reaches paid costs, useful volume or monetised advertising outcomes.

Figure 10 separates the preferred quote from the assumed forward price. The preferred claim uses Nasdaq's explicit regular-session Closed reference of $49.365 per depositary on 2026-11-06; no NOCP status is assumed. Yahoo's $49.40 daily alternative lowers V0 by less than one cent and is not averaged with Nasdaq. The forward retains initial K of $622.91875, latest 19 November 2027 settlement and A/C economic parity; actual adjustments and settlement may differ. Its carry alternative gives V0 $410.01. Explicit preferred coupons/conversion instead of the single market claim give $410.54, charged once. These are priced choices, not probabilities. Nasdaq NDX 6 November is 26,989.99, a price index.

7. Which events change the decision

Cash generation and product quality should change the assessment. Better recommendations need a comparable advertiser-profit test; higher useful output needs paid-cost and utilisation evidence; new capacity needs commissioning and subsequent returns. Financing is now counted with the claims it creates. The next business evidence is whether funded assets increase cash per ownership interest enough to cover their cost of capital.

Table 3: Four observations test the recovery in cash per share; reporting dates unannounced at the cut-off are not replaced with invented precise dates.

Observation and timing	What confirms the mechanism	What invalidates it	Financial consequence
Q4/FY2026, next annual disclosure	Advertising keeps growing with capex in the $135.0–145.0bn range	Costs accumulate without advertising results	+1pp ad-price growth: +$82.11 V0, financing reference
2027 quarterly results	RL loss around $15.0bn; FoA margin before depreciation near 54%	Losses and costs fail to fall after resource reallocation	Adverse case: zero shareholder residual after limited liability
Financing completed or pending, Oct–Nov 2026; forward to 19.11.2027	Proceeds and claims reconciled; assets earn above the capital cost	Coupon/ownership burden rises without cash return	Cash and claims included; contract-price choices remain priced in Figure 10
Muse, interim FY2026/2027; efficiency goal by 21.10.2027	Incremental Muse+FoA profit per user after serving costs >0	The same result ≤0 beyond the early cohort	Standalone Muse value unestablished; 30 October 2026 scenario range $0–834.38

Source: Meta Q3 2026 disclosures and full reruns of the central forecast; limits on transferring effects are described in the appendix.

Table 3 follows the evidence sequence: local product improvement, comparable incremental advertiser or cohort profit, then reported cash after paid investment. The first step is visible for advertising systems; the full MSL and Muse return remains open. Management's goal of more than tenfold Muse efficiency improvement over a year is a technology objective. Its cash test is lower cost per successful task at comparable quality and rights, combined with incremental monetised profit after traffic growth and cannibalisation. Higher engagement by itself does not satisfy it.

The capital-cycle thesis weakens if advertising performance requires persistently higher real infrastructure spending and cash per economic unit fails to recover. Watch utilisation, the contractual payment schedule and replacement orders alongside price per ad. Completed financing should be monitored for coupon service, preferred dividends and conversion rights; the euro settlement expected on 12 November and actual forward settlements through 19 November 2027 are distinct next events. Exit conditions remain deterioration in results per ownership interest and loss of a demonstrated advertising advantage. Conditional price thresholds accompany those operating tests.

8. Risks, limits and sources

Duration and monetisation dominate the operating exposure. In the financing reference, a $10.0bn recurring annual maintenance shortfall costs $45.24 of V0, while +1pp annual ad-price growth adds $82.11. Contract-price and capital-policy choices are shown separately; they do not prove operating returns. At a 30 October 2026 valuation date, temporary-capex and additional-SBC tests cost $12.10 and $19.11 per share respectively. A replacement programme belongs in cash costs once, and SBC's economic cost must not be deducted again through duplicate dilution.

A global institutional investor can hold liquid US Class A shares and receive declared distributions; individual taxes depend on investor status and are not estimated here. Minority value capture is constrained by founder control, C's lack of voting rights, project spending and future financing terms. The ability to trade does not guarantee that value created will reach minority holders within the required period.

The reference now matches completed financing cash with debt, preferred and forward rights; it does not make every input observed. Forward price adjustments and A/C values are unresolved, fee reimbursements remain estimates, and economic cash is not an observed bank balance. Pending euro financing is a paired commitment

rather than current cash or debt. The alternatives in Figures 7–10 price these choices without creating probabilities. Construction error, maintenance and standalone MSL/Muse economics remain open, and observed consensus is absent. There is no active recommendation or release signature; independent financial acceptance and the complete issuer transfer are not recorded.

Sources

The principal reporting sources are FY2022, FY2024, FY2025, Q3 2026, the 10-Q for 30.09.2026, and the main and follow-up calls of 21.10.2026. The Q3 2026 slides 9 and 15 explain paid capex and FCF. Financing sources are the 27 October pricing, 29 October 8-K, 3 November dollar pricing, 4 November euro pricing, 5 November 8-K and 6 November final prospectus, linked in Section 4. Report dated 07.11.2026; quote and proposed valuation date 06.11.2026; operating assumptions as at 30.10.2026; reporting balance sheet 30.09.2026; USD unless stated. The preferred prospectus, dollar-note prospectus and forward confirmation provide the detailed claim terms; METAM price source supplies the explicitly dated preferred-price input. Completed financing is included in the conditional reference, while contract and capital-policy choices remain declared.

Appendix Valuation claims and evidence

Workbook: Meta (META) — модель.xlsx; 6 November 2026 valuation including completed financing and paired claims. Operating forecasts and dated calculation files accompany the report, dated 7 November.

The workbook reproduces the 6 November financing and paired-claim calculation at $409.55. Its formula graph, stated inputs and full-run results accompany it. The reference is a conditional SELL arithmetic signal; it does not activate a public rating.

Table 4: Matched financing claims leave $1,053.8bn for current economic units

Cash generation and valuation bridge	6 November 2026 reference
Unlevered cash after tax, paid capex and economic SBC	Remaining 2026 −$16.2bn; 2027 −$30.4bn; 2028 −$7.8bn
Recovery / later explicit cash	2029 $26.5bn; 2030 $60.6bn; 2031 $87.6bn → 2035 $125.8bn
Discounting / terminal cash rule	9.985% WACC; 3.0% growth; 2036 cash $129.6bn
Present value explicit / terminal / operating business	+$286.7bn / +$776.4bn / $1,063.1bn; terminal 73.0%
Dated economic cash / retained private assets	+$100.3bn / +$16.3bn; cash includes completed proceeds
Debt / retained legal claims	−$99.0bn / −$19.9bn
Pending euro fee commitment / underwriting receivable	−$18.7m / +$13.0m; neither is observed bank cash
Value pool before preferred and forward rights	$1,060.8bn
Single preferred claim / matched forward net benefit	−$14.2bn / +$7.1bn
Equity for current units / allocation	$1,053.8bn / 2,573m A-plus-future-C economic units
V_0 → 12-month reference value	$409.55 × (1 + 10.26%) − $2.10 = $449.47
TSR at $610.15, including the $2.10 dividend	−25.99%; lower numerical boundary 0.26%

Table 4 uses one preferred market claim inclusive of dividend and conversion rights. The forward pairs $25.9bn present value of future consideration with 46m future unit rights and retained pre-settlement dividend rights. Their net benefit to current units is $7.1bn; current issued shares and current forward cash are not increased. Values refer to the current A share plus its future C right.

The current price requires a materially stronger operating outcome. A full-graph reverse run reaches V_0 = $610.15 with an extra 2.332 percentage points of annual ad-price growth in every year 2027–2035, other operating and financing inputs held fixed. This changes the selected 2027 rate from 8.0% to 10.332%. It is an inferred price requirement, not measured consensus, a forecast or a linear extrapolation of the +1pp case. Post-funding EPS and comparable P/E are not established, so no unmatched multiple receives an automatic valuation weight.

Table 5: Three share counts answer different ownership questions

Share or award basis	Treatment actually used
Last disclosed issued common: 2,556.241253m	Quote × this count gives $1,559.7bn market capitalisation; not the DCF allocation count
FY2025 weighted-average diluted: 2,574m	Historical per-share denominator; not a current issued register
Retained valuation proxy: 2,573m	Diluted economic-unit proxy; 16.758747m above issued common (0.66%); not an itemised award inventory
Future employee compensation	Post-2026 cash margins already bear economic SBC; no forecast common-share reduction. The disclosed SBC addback is not taken again as distributable owner cash
Existing rights and future new awards	No separate vesting-cohort reconciliation establishes exact overlap with the 2,573m proxy; an itemised claims bridge is required before substituting basic shares
Preferred, forward and Class C	Preferred rights charged once; forward future rights matched with consideration; pro rata C is part of each existing economic unit

Table 5 is an accounting map, not a finding of double counting. The share-count gap alone does not prove an error. Service expense on existing awards, future grants, exercise proceeds, withholding and vesting must be reconciled before changing cash expense or the denominator. A full cohort ledger remains open. The current financing workbook accompanies this report.

Reported values include official financial statements and financing terms; the 6 November prospectus, Recent Developments, confirms $1,869m net option proceeds. Calculated values include the claims bridge, market capitalisation and TSR. Estimated inputs include economic cash, fees, future margins and the SBC cash-equivalent convention. Inferred values include the reverse ad-price requirement; Muse monetisation remains a business interpretation. Sources: Q3 results/calls dated 21 October, Q3 10-Q, and 6 November prospectus; checked 7 November.

Table 6: The principal unknowns remain operating returns and ownership

Material limitation	Measured exposure or impact	Next observation and responsible work
Maintenance versus growth spending	$10.0bn recurring annual shortfall: −$45.24 V_0; separate maintenance norm unmeasured	Issuer analyst: asset lives, replacement orders and next FY26/2027 cash reports
Existing awards versus future SBC	Existing proxy/count overlap not reconstructed; price of a corrected cohort treatment unmeasured	Issuer analyst: award rollforward, vesting/tax register and cohort cash model before a new view
Forward, preferred and capital policy	Zero-forward-cash endpoint: −$9.88; carry alternative: +$0.46; endpoints are not probabilities	Capital analyst: euro settlement expected 12 Nov and actual forward adjustments through 19 Nov 2027
Durable ad and Muse economics	+1pp annual ad-price growth: +$82.11; standalone Muse value unestablished	Issuer analyst: comparable incremental profit after serving costs, next FY26/2027 disclosures

Table 6 assigns no zero value to missing evidence. The current base was replayed in full; independent financial acceptance and live desktop Excel validation remain unrecorded.

Rounding: calculations retain full precision. Percentages, ratios and totals are calculated before display rounding; shown rows may not sum exactly. USD bn is displayed to one decimal; small material amounts are identified in USD m.