



META

Meta Platforms, Inc.

Wealth Preservation Equity Research

RECOMMENDATION	CURRENT PRICE	WP SCORE	TARGET ENTRY
HOLD / WATCH	\$387.54	68 / 100	\$470 - \$490

Report Date: March 27, 2026

Analyst: Moschovakis Capital Research

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.
It does not constitute investment advice. Past performance does not guarantee future results.

EXECUTIVE SUMMARY

Metric	Value
Recommendation	HOLD / WATCHLIST
Current Price	\$547.54
Fair Value (Base Case)	\$720 - \$780
Margin of Safety	-24% to -30% (overvalued vs target entry)
Target Entry Price	\$470 - \$490

Return Profile	Value
Dividend Yield	0.38%
Expected Dividend Growth	15-20% (from low base)
Expected Price Appreciation	8.0 - 9.5% CAGR
Total Expected Return (Base)	9.0 - 10.0% CAGR
Bear Case Total Return	0.5 - 2.0% CAGR
Bull Case Total Return	14.0 - 16.0% CAGR
Probability-Weighted Return	8.5 - 9.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	68 / 100
Downside Protection Score	65 / 100
Quality Score	71 / 100
Risk Level	MODERATE
Probability of >50% Loss	12-15%
Recession Profile	SENSITIVE

One-Line Thesis:

Meta owns the world's largest social graph with 3.6 billion daily users and generates exceptional returns on capital (ROIC 27-35%), but a 0.4% dividend yield, \$115-135B CapEx cycle, 73.7% max historical drawdown, and mounting legal exposure push the stock below the Wealth Preservation BUY threshold at current prices.

INVESTMENT THESIS

Meta Platforms operates the most dominant social media ecosystem on the planet. Facebook, Instagram, WhatsApp, and Messenger collectively serve 3.58 billion daily active people, a figure that represents roughly half the world's internet-connected population. Advertisers have no substitute that offers comparable reach at comparable cost per impression. This network effect, combined with Meta's proprietary data and AI-driven ad targeting, creates a moat that generates 41% operating margins and returns on invested capital north of 25%.

The business comfortably clears the Wealth Preservation return hurdle. Even under conservative assumptions (10% revenue growth, stable margins, no multiple expansion), the base case delivers a 9-10% total return CAGR that exceeds our inflation-plus-4% threshold. The balance sheet is a fortress: \$81.6 billion in cash and marketable securities, interest coverage of 76x, and a debt-to-equity ratio of 0.27x. Meta could service its entire debt load from two quarters of operating cash flow. The company returned \$31.6 billion to shareholders in FY2025 through buybacks and dividends while still growing its cash position.

Three factors prevent a BUY recommendation at today's price. First, the dividend yield of 0.38% provides no meaningful income floor. The framework penalizes this: with Income Reliability scoring only 8 of 30 possible points, the WP Score lands at 68, below the 75-point high-conviction threshold. Second, the 2022 drawdown of 73.7% proved Meta can suffer permanent-feeling capital impairment when multiple risks converge (competition, privacy regulation, excessive CapEx, macro headwinds). That drawdown pattern is repeating in miniature today: the stock has fallen 31% from its August 2025 highs amid legal verdicts, AI spending concerns, and workforce restructuring. Third, the FY2026 CapEx guidance of \$115-135 billion dwarfs FY2025's \$72 billion, compressing free cash flow at a time when the return on AI investments remains unquantified. A target entry of \$470-490 (P/E of ~17-18x trailing) would provide sufficient margin of safety to compensate for these risks and move the downside protection score into BUY territory.

1. BUSINESS QUALITY ASSESSMENT

Business Model:

Meta generates 97% of its revenue from digital advertising served across its Family of Apps (Facebook, Instagram, Messenger, WhatsApp, Threads). The remaining 3% comes from Reality Labs (VR/AR hardware and software). The advertising model is self-reinforcing: more users produce more data, which improves ad targeting, which attracts more advertiser spend, which funds product improvements that attract more users. FY2025 advertising revenue reached \$196 billion on 3.58 billion daily active people.

Competitive Moat:

Moat Type	Evidence	Durability (1-10)	Preservation Value
Network Effects	3.58B DAP across 4 apps; advertisers follow users	9	Excellent
Data Advantage	Proprietary behavioral data powering AI ad targeting	8	Excellent
Switching Costs	Social graph lock-in; advertiser tools integration	7	Good
Scale Economies	\$201B revenue funds R&D at level competitors cannot match	9	Excellent

The moat's primary threat comes from regulatory intervention rather than competitive displacement. TikTok competes for attention among younger demographics, but Meta has responded with Reels (Instagram) and has matched TikTok's engagement metrics in key markets. The March 2026 jury verdicts finding Meta liable for addictive design introduce a new category of legal risk. Section 230 reform could alter the liability landscape. These regulatory threats warrant monitoring but do not, at present, threaten the core advertising engine.

Market Position:

Metric	Value
Industry Ranking	#1 in social media advertising globally
Market Share (US Digital Ad)	~22% (behind Alphabet at ~27%)
Pricing Power	STRONG (avg. ad price up 6% YoY in Q4 2025)
User Base	3.58B daily active people (+7% YoY)

Moat Erosion Risk: MODERATE. The moat is wide and durable against commercial competitors, but regulatory action (Section 230 reform, antitrust, privacy law) represents the most credible long-term threat. Moat Preservation Confidence: MEDIUM-HIGH.

2. FINANCIAL FORTRESS ANALYSIS

Balance Sheet Strength:

Metric	Value	Threshold	Assessment
Debt/Equity	0.27x	<1.0x	PASS
Interest Coverage	76.4x	>5.0x	PASS
Current Ratio	2.60	>1.5x	PASS
Cash + Securities / Total Debt	139% (\$81.6B / \$58.7B)	>20%	PASS
FCF Positive (5Y)	5 / 5	5 / 5	PASS
OCF / Total Debt	197%	>100%	PASS

Solvency Verdict: FORTRESS. Meta holds more cash and marketable securities (\$81.6B) than its total long-term debt (\$58.7B). Interest coverage of 76x means operating income could fall 93% before debt service becomes a concern. The company has raised debt primarily to fund buybacks and AI infrastructure, not to cover operating shortfalls. In a severe recession scenario where revenue drops 30%, Meta would still generate \$50-60B in operating cash flow against \$1.1B in annual interest expense.

Profitability Metrics:

Metric	FY2025	FY2024	FY2023	5Y Avg	Trend
Gross Margin	81.5%	81.5%	80.6%	80.2%	Stable
Operating Margin	41.4%	42.2%	34.7%	33.8%	Improving
Net Margin	30.1%	37.9%	29.0%	27.8%	Volatile
FCF Margin	22.9%	32.9%	26.8%	26.0%	Declining (CapEx)
ROIC	26.3%	34.9%	22.3%	24.5%	Strong

FCF margin contracted from 33% to 23% in FY2025 as CapEx nearly doubled (\$72.2B vs \$37.3B). This compression accelerates in FY2026 with guided CapEx of \$115-135B. Operating cash flow (\$115.8B) remains robust, but the gap between OCF and FCF widened. For a Wealth Preservation investor, the question is whether this CapEx cycle generates returns exceeding Meta's cost of capital. Early evidence from AI-driven ad targeting improvements (impressions up 18%, price per ad up 6%) is encouraging, but the magnitude of spending relative to proven returns creates execution risk.

Earnings Quality:

Earnings Quality: HIGH. Operating cash flow of \$115.8B against net income of \$60.5B yields OCF/NI coverage of 191%. This ratio exceeds 80% in every year of the past five. Receivables growth (+5%) trails revenue growth (+22%), indicating clean revenue recognition. No financial restatements in the past decade. SBC of \$21.8B (FY2025) is the primary non-cash charge.

Dilution Check:

Year	Shares Out (B)	YoY Change
2020	2.851	N/A

Year	Shares Out (B)	YoY Change
2021	2.815	-1.3%
2022	2.687	-4.5%
2023	2.574	-4.2%
2024	2.534	-1.6%
2025	2.521	-0.5%

Dilution Assessment: EXCELLENT. Share count has declined every year since 2020. The company spent \$26.3B on buybacks in FY2025. SBC (\$21.8B) is offset by repurchases. Net shares declined 11.6% over five years, or roughly 2.4% annualized accretion. Zuckerberg controls 61% of voting power through dual-class shares (Class B), which provides governance stability but limits shareholder influence on capital allocation decisions.

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Yield	0.38%	Well below 1.5% WP floor
Payout Ratio (EPS)	8.9%	Extremely safe
Payout Ratio (FCF)	11.5%	Extremely safe
Dividend Growth (Since Initiation)	+5% (2024 to 2025)	Nascent track record
Consecutive Years Paid	2 (initiated Feb 2024)	Unproven commitment
Dividend Coverage (FCF/Div)	8.7x	Fortress-level coverage
Maintained Through 2008-09?	N/A (not yet paying)	--
Maintained Through 2020?	N/A (not yet paying)	--

Dividend Sustainability: ROCK SOLID (mechanically) but IMMATERIAL (for income purposes). At a 9% payout ratio and 8.7x FCF coverage, the dividend will survive any plausible stress scenario. The \$2.10 annual dividend on a \$547 stock, however, contributes negligibly to total return. For a Wealth Preservation mandate that weights income as a core return component, this is a structural weakness. Meta's dividend program signals shareholder-friendliness, but the yield would need to reach 1.5-2.0% (stock price of \$105-140 at current payout, or payout growth to \$8-11/share) before it provides meaningful downside cushion.

Stress Test: If earnings dropped 40%, the dividend payout ratio would rise from 9% to 15%. Coverage remains abundant. The dividend is in no danger under any realistic scenario.

4. VALUATION ANALYSIS

Relative Valuation:

Metric	Current	5Y Avg	10Y Avg	Percentile (5Y)	vs. History
P/E (TTM)	23.3x	24.6x	26.5x	45th	Slightly Below Avg
EV/EBITDA	13.6x	13.6x	16.9x	50th	At Average
P/FCF	30.1x	32.0x	28.0x	55th	Near Average
Div. Yield	0.38%	0.20%	0.10%	N/A	Above (new)

Fair Value Calculation:

Normalized EPS: \$25.50 (average of FY2024 \$23.86 and FY2025 \$23.49, adjusted for CapEx-driven margin compression). Fair P/E Multiple: 23x (based on 5Y average, quality premium, growth profile). Fair Value: \$25.50 x 23 = \$586.50. Forward EPS (FY2026 consensus): ~\$27.80. Forward Fair Value: \$27.80 x 23 = \$639.40. Current Price: \$547.54. Margin of Safety vs. trailing fair value: 6.6%. Margin of Safety vs. forward fair value: 14.4%.

Valuation Verdict: FAIR. META trades at a modest discount to its 5-year average P/E and near the midpoint of its EV/EBITDA range. The stock is not expensive, but it is not a clear bargain either. At \$470-490 (P/E ~18-19x trailing, ~17x forward), the margin of safety would widen to 15-20%, bringing the risk/reward profile squarely into Wealth Preservation BUY territory.

5. SCENARIO ANALYSIS

Scenario	Rev CAGR	EPS CAGR	Terminal P/E	10Y Price	Div Yield (10Y)	Total CAGR	Weight
Bear	3%	2%	15x	\$430	~0.8%	~1.5%	25%
Base	10%	11%	20x	\$1,250	~0.5%	~9.5%	50%
Bull	14%	15%	25x	\$2,350	~0.3%	~16.0%	25%

	Value
Probability-Weighted Expected Total Return	~9.1% CAGR
vs. Hurdle Rate (Inflation + 4% = ~7%)	PASSES (+2.1%)
vs. HYSA (4%)	PASSES (+5.1%)

Bear Case Assumptions:

Revenue growth decelerates to low single digits as digital advertising matures and regulatory action constrains user data collection. Operating margins compress to ~30% as AI CapEx generates below-cost-of-capital returns and Reality Labs continues to burn cash. Section 230 reform leads to \$10-20B in cumulative legal settlements over 5 years. EPS grows from \$23.49 to ~\$28.70 over 10 years (2% CAGR). Terminal P/E compresses to 15x (mature, regulated utility-like business). 10-year price target: ~\$430. Cumulative dividends contribute ~\$25-30 per share. Total return: ~1.5% CAGR. Capital is preserved, but returns fall short of the hurdle rate.

Base Case Assumptions:

Meta sustains 10% revenue growth driven by ad market share gains, AI-enhanced engagement, WhatsApp monetization, and emerging market penetration. Operating margins stabilize at 38-40% as CapEx intensity normalizes after 2027. EPS compounds at 11% to ~\$66 in 10 years. The P/E multiple holds at 20x (reflecting durable growth, moderate regulatory overhang). 10-year price target: ~\$1,250. Total return including dividends: ~9.5% CAGR. This scenario meets the Wealth Preservation mandate.

Bull Case Assumptions:

AI investments drive a step-change in advertising effectiveness, expanding total addressable market beyond current digital ad budgets. WhatsApp business payments and Meta AI assistant generate multi-billion revenue streams. Reality Labs reaches breakeven. Regulatory risk is managed without structural impairment. EPS compounds at 15% to ~\$95 by year 10. Terminal P/E re-rates to 25x. 10-year price target: ~\$2,350. Total return: ~16% CAGR.

Critical Downside Check:

Check	Result
Bear Case Total Return	~1.5% CAGR (POSITIVE)
Capital Preserved in Downside?	YES (bear case price \$430 vs. entry \$547 = -21%, but dividends partially offset)
Max Estimated Drawdown	30-40% from current levels in stress scenario
Probability of >50% Permanent Loss	12-15% (elevated by 2022 precedent and legal tail risk)

6. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet	2	Rapid debt growth (\$0 to \$59B in 4 years)	Cash exceeds total debt; interest coverage 76x
Earnings Volatility	4	FY2022 EPS crashed 64% (\$23.86 to \$8.59)	Recovered to \$23.49 in 3 years; ad model proved resilient
Competitive Threat	4	TikTok, AI-native competitors, Apple privacy	\$58B DAP moat; AI ad targeting improvements
Regulatory Risk	7	Section 230 reform; child safety verdicts	Lobbying capacity; geographic diversification
Management Risk	5	Dual-class structure; Zuckerberg's sole control	Strong operational track record; "Year of Efficiency" proved discipline
Valuation Risk	3	Trading at 5Y average, not discounted	Not overvalued; forward P/E ~20x reasonable for growth
CapEx / AI Execution	7	\$115-135B FY2026 CapEx; unproven ROI	Early AI ad targeting gains; management has pivoted before
Aggregate Risk	4.6		

Recession Stress Test:

Period	Revenue Impact	Stock Drawdown	Dividend	Recovery Time
COVID 2020	-2% (Q2 2020 only)	-32.9%	N/A (no div)	~2 months
2022 Bear Market	+1% (full year)	-73.7%	N/A (no div)	~13 months
Current (2026)	+22% FY2025	-31% from highs	Maintained	Ongoing

Recession Profile: SENSITIVE. Meta's revenue held up through COVID (ad budgets recovered within one quarter) and grew through 2022 despite macro headwinds. The business itself is recession-resilient, but the stock price is recession-vulnerable. The 73.7% peak-to-trough decline in 2022 was driven not by revenue collapse but by margin compression, CapEx concerns, and multiple contraction. The same pattern could repeat if AI spending fails to generate returns. For a Wealth Preservation mandate, this price volatility is the primary risk factor, not business insolvency.

7. MANAGEMENT & GOVERNANCE

Attribute	Assessment
CEO	Mark Zuckerberg (co-founder, in role since 2004)
Tenure	22 years (founder-led)
Insider Ownership	~13% economic; 61% voting control via Class B shares
Track Record	Built \$1.4T company from zero; navigated 2022 crisis via "Year of Efficiency"; revenue quadrupled in 6 years
Capital Allocation (5Y)	Buybacks: \$120B+ cumulative (mostly at reasonable valuations). Dividends: initiated 2024. Acquisitions: Instagram, V

Zuckerberg demonstrated real capital allocation discipline in 2023 when he declared the "Year of Efficiency," cutting 25% of the workforce and refocusing spending. Operating margins expanded from 25% to 42% in two years. The concern is that the same concentrated authority that enabled decisive cost-cutting also permitted the \$80B+ in Reality Labs losses with no external check. The dual-class structure means shareholders cannot vote Zuckerberg out regardless of performance. This governance structure is a risk factor under the WP framework, partially offset by demonstrated willingness to course-correct when market signals are severe.

Management Quality: GOOD. Operational execution is excellent; capital allocation is above average with the Reality Labs albatross as the notable exception. Governance structure (dual-class control) prevents an EXCELLENT rating.

8. PEER COMPARISON

Metric	META	GOOGL (Alphabet)	SNAP	Best for WP
Debt/Equity	0.27x	0.16x	1.7x	GOOGL
Interest Coverage	76x	~200x	<1x	GOOGL
Dividend Yield	0.38%	0.45%	None	GOOGL
ROIC	26.3%	31.2%	Negative	GOOGL
FCF Margin	22.9%	28.5%	~5%	GOOGL
P/E (TTM)	23.3x	19.2x	N/M	GOOGL
Revenue Growth (FY25)	+22%	+14%	+15%	META
Operating Margin	41.4%	32.5%	~5%	META
User Scale	3.58B DAP	~2B+ (Search)	~400M MAU	META
Max 5Y Drawdown	73.7%	44%	90%+	GOOGL

Alphabet scores higher than Meta on nearly every Wealth Preservation metric: lower leverage, higher interest coverage, better ROIC, lower valuation multiple, smaller max drawdown, and a more diversified revenue base (Search, Cloud, YouTube). Meta's advantages are superior revenue growth and operating margins. For a capital preservation mandate, Alphabet represents the safer allocation within the digital advertising duopoly. Meta offers higher upside but at higher volatility cost.

9. KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	68 / 100
- Downside Protection (45% weight)	65 / 100
- Return Adequacy (30% weight)	70 / 100
- Quality Score (25% weight)	71 / 100
Fair Value Range	\$586 - \$640
Current Price	\$547.54
Target Entry Price	\$470 - \$490
Margin of Safety (vs. Fair Value)	6.6% - 14.4%
Expected Total Return (Base)	9.5% CAGR
Bear Case Return	1.5% CAGR
Dividend Yield + Growth	0.38% + 15-20%
ROIC vs. WACC	26.3% vs. 13.6%
Probability of Permanent Loss (>50%)	12-15%

WP Score Breakdown:

Component	Points Earned	Points Available	Detail
Balance Sheet Fortress	40	40	D/E 0.27x (15), IC 76x (15), FCF 5/5 (10)
Income Reliability	8	30	Yield 0.38% (5), Growth nascent (3), History 2yrs (0)
Capital Efficiency	13	15	ROIC >15% (10), Trend stable (3)
Valuation	10	15	Near 50th percentile of 5Y range
TOTAL	71	100	

10. MONITORING CHECKLIST

Quarterly Review Items:

- Earnings vs. expectations (watch for margin compression from AI CapEx)
- Dividend maintained/increased (currently immaterial but signals intent)
- Balance sheet metrics (debt growth rate; cash depletion from CapEx)
- Competitive position (ad impression growth, user engagement metrics)
- Management CapEx guidance (any reduction signals capital discipline)
- Legal developments (Section 230 reform progress, upcoming trials)
- Reality Labs losses (narrowing would be a positive catalyst)

Exit Triggers:

Condition	Action
Section 230 materially reformed (liability regime change)	Reassess immediately; likely sell
Debt/Equity rises above 1.0x	Sell
ROIC falls below WACC for 2+ consecutive years	Sell
Bear case return turns negative (price >\$700 without earnings growth)	Reduce / Sell
FY2026 CapEx exceeds \$135B with no visible ad revenue acceleration	Reassess; consider reducing
Cumulative legal settlements exceed \$25B	Reassess thesis
Better opportunity with 10+ point higher WP Score	Replace

Upgrade Triggers (from HOLD to BUY):

Condition	Rationale
Price declines to \$470-490 (P/E ~18x trailing)	Margin of safety reaches 15-20%; downside protection score improves to 75+
Dividend raised to \$4+ per share (~0.8% yield at \$500)	Income Reliability score improves; signals management confidence
FY2026 CapEx guided below \$100B with maintained revenue growth	50% margin recovers; removes primary execution risk
Section 230 reform resolved with manageable outcome	Removes regulatory tail risk; re-rates multiple

FINAL RECOMMENDATION

RECOMMENDATION: HOLD / WATCHLIST

Position Size: \$0 at current price. Add to watchlist for entry at \$470-490.

Entry Strategy: Set limit order at \$480. If triggered, initiate half position (\$50). Add remaining half if price reaches \$450 or if Q1 2026 earnings (April 29) confirm CapEx discipline.

Expected Outcome (10 years, Base Case from Target Entry \$480):

Metric	Value
Total Return	~11.0% CAGR
Cumulative Return	~184%
\$100 becomes	~\$284

vs. Alternatives:

Alternative	\$100 Becomes (10Y)	CAGR
HYSY (4%)	\$148	4.0%
META at Target Entry (\$480)	\$284	~11.0%
META at Current Price (\$547)	\$248	~9.5%
Outperformance vs. HYSY (at entry)	+\$136	+7.0%

Downside Protection Summary:

Check	Status
Bear case preserves capital	YES (marginal at current price; comfortable at \$480)
Dividend provides income floor	NO (0.38% yield is immaterial)
Balance sheet provides safety	YES (FORTRESS classification)
Probability of permanent loss <10%	BORDERLINE (12-15% at current price; <10% at \$480)

Meta Platforms is an exceptional business trading at a fair price. The WP framework does not dispute the quality of the franchise. The 3.58 billion daily user network, 41% operating margins, and 26% ROIC place Meta among the most efficient capital compounders in public markets. The obstacle to a BUY recommendation is threefold: the dividend yield provides no income cushion; the stock's history includes a 73.7% drawdown that violates the framework's preference for limited volatility; and the FY2026 CapEx cycle introduces execution risk that temporarily compresses free cash flow. At \$470-490, each of these concerns is sufficiently discounted. At \$547, the margin of safety is too thin for a mandate that prioritizes capital preservation above all else.

ANALYST NOTES

Key Assumptions:

1. Revenue growth moderates to 10% CAGR over 10 years.
Sensitivity: Each 1% change in revenue CAGR alters 10Y price target by ~\$80-100.
2. Operating margins stabilize at 38-40% after FY2027 CapEx normalization.
Sensitivity: Each 2% margin compression reduces EPS by ~\$2.50 and fair value by ~\$50.
3. Terminal P/E of 20x reflects durable but decelerating growth.
Sensitivity: Each 1x change in terminal P/E alters 10Y price target by ~\$55-65.
4. AI CapEx generates returns at or above cost of capital within 3 years.
If not, bear case probability increases from 25% to 35%, lowering expected CAGR by ~1%.
5. Legal settlements (child safety, antitrust) are manageable at \$5-15B cumulative.
If settlements reach \$25B+, operating margins compress by ~1-2% and thesis requires reassessment.

Limitations:

- Dividend history is only 2 years; the Income Reliability score is based on limited data.
- Reality Labs losses (\$17.7B in FY2025) are excluded from bear case margin assumptions; if they worsen, downside expands.
- Forward EPS consensus may be too optimistic given CapEx acceleration; actual FY2026 margins could surprise lower.
- Section 230 reform is a low-probability, high-impact tail risk that is difficult to model precisely.
- Dual-class share structure means the probability-weighted scenarios assume Zuckerberg continues to allocate capital rationally.

Confidence Level: MEDIUM. The business quality assessment carries high confidence; Meta's competitive position and financial strength are well-documented. The valuation and scenario analysis carry medium confidence due to the unprecedented scale of AI CapEx (\$115-135B), which has no historical analog for comparison. The legal risk assessment carries lower confidence as the child safety litigation landscape is evolving and damages are difficult to estimate.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only and does not constitute investment advice, a recommendation, or a solicitation to buy or sell any security. The author may hold or initiate positions in META. Past performance does not guarantee future results. All data sourced from SEC filings, company press releases, and third-party financial data providers as of March 27, 2026.

