



# Meta Platforms, Inc.

META

EQUITY RESEARCH REPORT

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October 14, 2026

## META — Meta Platforms, Inc.

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Report Date: 2026-10-14

Analyst: Moschovakis Capital Research

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### EXECUTIVE SUMMARY

Metric | Value

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Recommendation | HOLD / WATCHLIST

Current Price | \$762.50 USD / €680.99 EUR

Fair Value (Base Case) | \$780.00 USD (€696.60 EUR)

Margin of Safety | +2.3% (effectively zero)

Target Entry (HOLD) | \$700.00 USD (€625.00 EUR)

Return Profile | Value

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Dividend Yield | 0.28%

Expected Dividend Growth | 1.2% (1 year only, no track record)

Expected Price Appreciation | ~8.0% annualized

Total Expected Return (Base) | ~8.3% CAGR

Bear Case Total Return | ~2.2% CAGR (nominal; negative in real terms)

Bull Case Total Return | ~14.3% CAGR

Probability-Weighted Return | ~8.4% CAGR

Risk Assessment | Value

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Wealth Preservation Score | 62 / 100

Downside Protection Score | 60 / 100

Quality Score | 56 / 100

Risk Level | ELEVATED

Probability of >50% Permanent Loss | ~10%

Recession Profile | SENSITIVE

One-Line Thesis:

Meta operates the world's largest attention marketplace on a net-cash balance sheet and a wide moat, so it can compound value over a decade, but at \$762.50 after a 46% rally it sits at the 93rd percentile of its 52-week range with no margin of safety and a bear-case drawdown near 50%, which fails the preservation mandate's non-negotiable downside constraint.

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## INVESTMENT THESIS

Meta passes the vocabulary test for a compounder. The Family of Apps segment generated \$60.37 billion of Q2 2026 revenue out of \$60.80 billion total, meaning 99.3% of the top line comes from advertising across Facebook, Instagram, WhatsApp, Messenger, and Threads. Family daily active people reached 3.60 billion, ad impressions grew 14% year over year, and the average price per ad rose 12%. Gross margin printed at roughly 82% for FY2025, and operating margin sat at 41.4% for the full year. Morningstar assigns an Economic Moat of Wide. Find My Moat identifies a Two-Sided Network plus Direct Network Effects across a user base of more than 3.5 billion daily users. This is a real moat, not a story. The balance sheet backs it: roughly \$90.26 billion in cash and marketable securities against \$83.66 billion in long-term debt as of June 30, 2026, a debt-to-equity ratio near 0.3x, a current ratio near 2.6x, and operating cash flow of \$115.8 billion in FY2025. On solvency, this is a FORTRESS.

The return math meets the hurdle on the base case. Current dividend sits at \$2.10 per share for a 0.28% yield. I model base-case earnings per share growing roughly 11% annually from the depressed FY2025 base of \$23.49, with the terminal multiple at 25x, which produces a year-10 price near \$1,700 and a total return around 8.3% annualized including reinvested dividends. That clears the inflation-plus-4% target of roughly 7% by a narrow but real margin. The probability-weighted outcome across bear, base, and bull cases lands near 8.4%.

The problem is the path, not the terminal value. I buy preservation assets that cap drawdowns at 15% to 20% in the bear case. Meta does not qualify. The stock traded down 77% peak-to-trough from September 2021 to November 2022, from roughly \$384 to \$88. More recently, the March 28, 2026 legal verdicts on addictive product design in California and New Mexico knocked the shares into the \$520 to \$525 range. The current \$762.50 price means the stock has already climbed roughly 46% off that legal low in about six and a half months. You would be buying the recovery, not the discount. A bear case that applies a cyclical ad decline of 10% to 15%, an operating margin compressed toward 25%, and a multiple derating to 20x puts the trough in the \$330 to \$430 zone, which is a 43% to 57% decline from today. The ten-year bear-case CAGR still comes out slightly positive at around 2% because the business is that strong, but a preservation mandate cannot accept a 45% to 55% drawdown on the way there.

The AI capital-spend treadmill is the swing factor. Meta guided capital expenditures to \$70 to \$72 billion for the year. The Q2 2026 print showed the consequence: free cash flow collapsed to \$784 million on \$60.8 billion of revenue, a 1.3% FCF margin versus roughly 22% a quarter earlier. Operating margin compressed to 31% from 43% a year earlier, with \$2.40 billion of legal charges and \$1.18 billion of severance inside the cost base. The entire bull case rests on capex peaking and AI monetization converting into margin. That assumption remains unproven. I do not pay 32x trailing earnings for an unproven assumption when a 4% high-yield savings account carries zero drawdown risk.

The honest answer for a wealth-preservation account is to wait. The quality score lands at 56, the downside protection score at 60, and the composite at 62, below the 65 required for a buy. Consensus targets imply 2.4% upside to \$781. The normalized-earnings margin-of-safety calculation using a five-year average operating margin and the ten-year average multiple produces a fair value near \$726, which is below the current price. Nothing about \$762.50 offers a cushion. At \$700, roughly 8% lower, the forward multiple drops toward 22x, the entry sits near the midpoint of the 52-week range, and the position becomes a defensible reduced-size satellite holding rather than a chaser's trade. I hold cash and wait.

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## 1. BUSINESS QUALITY ASSESSMENT

Meta monetizes global attention. The Umbrex profile splits the company into Family of Apps and Reality Labs. Q2 2026 made the dependence explicit: FoA revenue of \$60.37 billion against total revenue of \$60.80 billion, or 99.3%, while Reality Labs delivered \$431 million of revenue against a \$4.619 billion operating loss. The FoA segment is the business. The flagship products are Facebook, Instagram, WhatsApp, Messenger, and Threads, backed by digital advertising tools, business messaging tools, and the AI-driven ad ranking stack. Reality Labs holds Quest devices, Ray-Ban Meta smart glasses, and Horizon, which the data frames as optionality rather than a demonstrated moat.

The competitive position rests on two reinforcing networks. The first is a global user-advertiser marketplace that aggregates more than 3.5 billion daily users for a diversified advertiser base. The second is direct social networks across the four core messaging and feed apps, where switching costs for both users and advertisers are high. Find My Moat labels this a Two-Sided Network moat and a Direct Network Effects moat. Morningstar independently assigns a Wide moat. This is the durable engine behind the 82% gross margin and the 41.4% FY2025 operating margin. Users supply attention, advertisers supply dollars, and the dollars fund the infrastructure that improves ad targeting and engagement.

The durability question matters more than the width question for my mandate. The moat faces three specific erosion channels. Regulation is the most concrete: the Undervaluable and beanvest sources flag antitrust pressure and the possibility of a forced sale of Instagram or WhatsApp, and EU rules including the DMA, the DSA, and the EU AI Act. Litigation is the second: the March 28, 2026 verdicts in California and New Mexico found certain product features addictive, and those design elements are the engagement drivers that underwrite the ad model. Competition is the third: the market is maturing, and AI search from Alphabet plus engagement competitors pressure both pricing and attention. The moat is wide today. The preservation confidence is medium-high, not high, because the regulatory and litigation channels are live and dated, not hypothetical.

Where AI sits in the moat is worth precision. Find My Moat concludes AI may improve recommendations and ad performance, but current evidence does not isolate a separate proprietary-data moat from the networks. AI reinforces the existing advantage. It does not add an independent structural layer. That distinction matters when the market prices AI as a second moat. Engagement shows the AI effect: time spent on Facebook rose 5% and Instagram rose 6% under AI optimization. But the monetization of that engagement into margin remains the open question, and the Q2 2026 FCF margin of 1.3% shows the cost of the bet.

Management quality carries a split read. Zimmerman holds majority voting control through Class B shares per the 2024 proxy, which aligns him with long-term value but removes any external check on capital allocation. Morningstar rates Capital Allocation as Standard. Find My Moat views the long-term orientation positively. The InsightDock sentiment tracker shows why I weight this caution: AI-driven advertising growth runs 80 signals reinforcing versus 1 challenging, while capital-allocation scrutiny runs 7 reinforcing versus 33 challenging. The market trusts the top line. It no longer fully trusts the spend. On balance the business quality is exceptional and the moat is genuine. The risk is that a preservation account pays 32x earnings at the moment the market is actively debating whether the spend will return.

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## 2. FINANCIAL FORTRESS ANALYSIS

The balance sheet is not the risk at Meta. The earnings trajectory is. I separate the two because the fortress label can mislead if it hides collapsing cash generation.

Solvency is unambiguous. Debt-to-equity prints at 0.3x per StockTitan and 0.43x per stockanalysis.com; both readings sit at or below half the 1.0x threshold I apply to non-utility companies. The current ratio is 2.6x per StockTitan and 2.23x per stockanalysis.com, above the 1.5x preference. Cash and marketable securities of \$90.26 billion exceed long-term debt of \$83.66 billion, leaving the company essentially net cash on a narrow basis. Interest coverage is an estimate because the packet does not provide gross interest expense, but with EBIT above \$80 billion in each of the last two fiscal years against roughly \$84 billion of debt, the ratio runs well past 20x against my 8x preference. The 2022 efficiency year stands as the stress test: operating income dropped to \$28.94 billion on \$116.6 billion of revenue, and the company never approached covenant distress. A 30% revenue decline from FY2025 levels would still leave gross profit near \$115 billion at the 82% margin against roughly \$82 billion of operating expenses, which is comfortably profitable. No auditor warning or going-concern language appears in any filing. Solvency assessment: FORTRESS.

The concern sits one line lower on the cash flow statement. Free cash flow in Q2 2026 fell to \$784 million, a 1.3% margin, against operating cash flow of \$31.86 billion. This implies quarterly capital expenditures and other investing outflows near \$31 billion, which annualizes to roughly \$124 billion and runs far above the \$70 to \$72 billion full-year guidance, suggesting either heavy front-loading or additional investing items. For contrast, FY2025 free cash flow was \$46.1 billion on operating cash flow of \$115.8 billion, a 22.9% margin. The swing is entirely the AI infrastructure build. The market registered it with an 8% post-earnings selloff, which NorrisAI frames as the market no longer trusting the invest-now, monetize-later narrative. The free cash flow positive in four of five years test passes on a fiscal-year basis, but the current quarterly run-rate is effectively breakeven, and I flag that explicitly rather than letting the five-year average paper over it.

Earnings quality is high. Operating cash flow of \$115.8 billion in FY2025 sits at 1.91x reported net income of \$60.5 billion, and Q2 2026 repeats the pattern at 2.01x. That gap reflects heavy depreciation on the infrastructure base, which depresses accounting earnings relative to cash. The one-time items in Q2 2026 work in our favor on quality: \$2.40 billion of legal charges and \$1.18 billion of severance are costs that depressed the \$6.18 GAAP EPS, so underlying earnings power is higher than the headline. No revenue-recognition restatements or unusual gains appear in the record.

Dilution runs negative, which is excellent. Buybacks generated a 1.08% yield per stockanalysis.com and have reduced the diluted share count from roughly 2.9 billion in 2021 to about 2.58 billion today. The \$23.49 FY2025 EPS on \$60.5 billion of net income confirms the share base. Stock-based compensation runs heavy at a company of this scale, but repurchases have more than offset it. Shareholder yield, including the token dividend, sits at 1.37%, which is modest against \$46 billion of free cash flow, but the direction of the share count is what matters for a preservation account.

The fortress conclusion carries a caveat. Solvency and earnings quality protect against permanent capital loss on the balance sheet side. They do not protect against a multiple derating when free cash flow collapses. The Q2 2026 FCF print at 1.3% is the single most important financial fact in this file, and no amount of cash on the books changes the earnings-power risk it represents.

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### 3. DIVIDEND ANALYSIS

Meta pays a dividend, but the dividend is not doing preservation work. The annual rate is \$2.10 per share, which at \$762.50 produces a 0.28% yield. The payout ratio is 7.91% of earnings and 13.06% of free cash flow, per stockanalysis.com. Coverage is not the issue. The issue is scale. A 0.28% yield cannot offset a 45% to 55% bear-case drawdown. It provides no income cushion of the kind a preservation mandate seeks from a 3% to 4% yielder with a 60% payout.

The track record is short. Meta initiated the dividend in February 2024, with the first payment in March 2024, following the 2022 derating. That means roughly two and a half years of payments and a single year of 1.20% growth, per the stockanalysis.com data. The framework's dividend sustainability scoring punishes this hard: the yield fails the 2% to 4% sweet spot, the growth rate sits below the 3% inflation-beating threshold I want, and the consecutive-years history is below the five-year minimum. The coverage ratios are rock solid, but the income reliability sub-score lands at roughly 3 out of 30. This is the correct outcome. The dividend is a capital-discipline signal, not an income stream.

The stress-test answer on the dividend itself is easy. A 40% earnings decline from the FY2025 EPS of \$23.49 would leave roughly \$14 in earnings per share against a \$2.10 payment, a 15% payout. Even the Q2 2026 compressed EPS of \$6.18 on an annualized basis covers the dividend more than three times. A cut is not a realistic near-term event. The dividend is sustainable in every operational scenario I can construct. But the question I was asked is whether the dividend contributes to capital preservation, and the answer is that it does not, because 28 cents of quarterly income does not move the needle on a position that can lose \$300 per share in a bear case.

The honest framing for a wealth-preservation account: treat Meta as a non-dividend-payer for planning purposes. The real cash return engine is the buyback program, which retired enough shares to keep EPS from falling further in FY2025 despite a 1.6% decline in EPS on 22% revenue growth. If the board wanted to strengthen the preservation case, it would accelerate the dividend growth rate toward the 10% range as a signal that the AI spend has a defined endpoint. Until that signal appears, the dividend stays symbolic.

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#### 4. VALUATION ANALYSIS

The valuation fails the preservation test on two independent methods, which is the most important conclusion in this report.

The first method is the normalized margin-of-safety calculation the framework requires. I take the five-year average operating margin and apply it to current revenue, then multiply normalized earnings by the historical average multiple. The five-year operating margins run approximately 40% in 2021, 25% in 2022, 35% in 2023, 42.2% in 2024, and 41.4% in 2025. The average is roughly 37%. Applying 37% to FY2025 revenue of \$201.0 billion produces normalized operating income of about \$74 billion, and after a 17% tax rate normalized net income is roughly \$61 billion, or about \$23.80 per share. The ten-year mean trailing P/E per TIKR.com is approximately 30.5x. That yields a normalized fair value near \$726. The current price of \$762.50 sits 5% above that normalized fair value. The margin of safety is negative. You are paying a premium to the company's own five-year average earnings power.

The second method is the forward justified multiple. Consensus forward EPS for the next twelve months sits in a wide range because sources disagree on the period and the base. VCP Scanner puts forward P/E at 24.5x against a \$31.07 forward EPS. MarketBeat puts next-year EPS at \$34.39, which would put forward P/E near 22.2x. Taking a midpoint forward EPS of roughly \$32 and applying a justified multiple of 25x on 12% growth

produces \$800. Against \$762.50, that is a 4.9% cushion, effectively zero once you allow for the growth uncertainty and the Q2 2026 miss of 14.4% on GAAP EPS. Morningstar's \$850 fair value from July 31, 2025, predates the FCF collapse and now overstates the case.

The multiple stack tells the same story. Trailing P/E at \$762.50 runs roughly 32x on FY2025 EPS of \$23.49, above the 27x to 28x the packet sources show at \$720 prices and right at the ten-year mean of 30.5x. PEG prints at 1.15 to 1.25, above 1.0, which means the market is pricing the 23% consensus EPS growth at a modest premium. EV/EBITDA sits near 17x to 18x trailing on EBITDA of roughly \$110 billion, with forward EV/EBITDA near 11.9x per TIKR. Price-to-FCF is the number that breaks the story: roughly 43x on FY2025 free cash flow of \$46.1 billion, but closer to 55x to 60x on trailing twelve-month free cash flow, which has collapsed toward \$33 billion. The market refuses to mark the stock down for the cash flow compression, which is precisely the kind of embedded optimism a preservation account should not pay for.

The 52-week range provides the final piece. The stock trades between \$520.26 and \$779.82. At \$762.50, the price sits at the 93rd percentile of that range. The March 28, 2026 legal-verdict low is 6.5 months behind the stock, and the shares have gained roughly 46% since. Consensus targets give 2.4% upside to the \$781 median. The Street low target sits at \$595, a 22% decline, and the VCP bear scenario sits at \$714. Buying at the 93rd percentile with consensus implying 2.4% and the bear path implying negative double digits is the definition of an unfavorable entry for my mandate, regardless of how strong the business is.

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## 5. SCENARIO ANALYSIS

The key question in each scenario is not whether Meta survives. It does, on a net-cash balance sheet with a wide moat. The key question is what the price does along the way, because a preservation account cannot hold through a 50% drawdown even when the ten-year math recovers.

**Bear case, 25% weight.** A recession arrives in 2027 and ad budgets retrench. NorrisAI models 10% to 15% revenue declines as historically plausible for feed-based advertising, which is more discretionary than Google Search. I combine that with operating margin compressed from 31% toward 25%, sustained legal liabilities from the addictive-design verdicts, and continued Reality Labs losses near \$4.6 billion per quarter. Earnings per share falls from \$23.49 to roughly \$16 at the trough, and the multiple derates to 20x. That produces a trough price in the \$320 to \$400 zone, a 48% to 58% decline from \$762.50. The ten-year endpoint assumes a slow recovery: earnings return to roughly \$45 by year ten and the market applies 20x, giving a year-ten price near \$950 with cumulative dividends near \$28. The total return CAGR lands around 2.2% nominal. After 2.5% inflation, that is a slight real loss. On a total-return basis the bear case passes the greater-than-zero test. On a real basis and on a path basis, it fails the preservation mandate because the drawdown is unacceptable.

**Base case, 50% weight.** The AI spend normalizes after 2027, margins recover toward the high-thirties, and revenue follows the Morningstar path of \$234 billion in 2026 growing to \$339 billion in 2029, a roughly 14% CAGR that decelerates to roughly 10% in the out years. Earnings per share compounds near 11% from the depressed \$23.49 base, reaching roughly \$67 by year ten, and the terminal multiple holds at 25x. The year-ten price lands near \$1,700, with cumulative reinvested dividends adding \$30. Total return CAGR is roughly 8.3%, above the 7% hurdle.

**Bull case, 25% weight.** AI monetization converts at scale, Advantage+ pricing accelerates, margins return to the low-forties, and the market re-rates a proven AI compounder. Earnings per share compounds 16% from \$23.49 to roughly \$104 by year ten, and the terminal multiple expands to 28x. The year-ten price lands near \$2,900, with

cumulative dividends near \$40, for a 14.3% CAGR. The VCP Scanner model base case of \$1,134 and bull case of \$1,494 are more aggressive in the near term, and the Manu Invests model of \$141 billion EBIT by 2028 at 18x implies \$963 by 2028; my 28x terminal multiple on a mature base is the more conservative of the bullish paths.

| Scenario                 | Year-10 Price Target | Total CAGR | Weight | Contribution |
|--------------------------|----------------------|------------|--------|--------------|
| Bear                     | \$950                | 2.2%       | 25%    | 0.6%         |
| Base                     | \$1,700              | 8.3%       | 50%    | 4.2%         |
| Bull                     | \$2,900              | 14.3%      | 25%    | 3.6%         |
| **Probability-Weighted** |                      | **~8.4%**  |        |              |

The drawdown math is the part I will not soften. The bear case trough near \$350 to \$400 represents a 48% to 58% decline. The historical precedent is worse: 77% from September 2021 to November 2022. A preservation account cannot hold through that path, full stop. The capital-at-risk calculation frames the exposure: a 25% bear weight times a roughly 50% decline equals an expected bear-case loss contribution of roughly 12.5% from today's entry. That is the number that disqualifies a buy at \$762.50.

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## 6. RISK ASSESSMENT

The dominant risk is the AI capital-spend treadmill and its effect on free cash flow. Meta guided 2026 capex to \$70 to \$72 billion. Q2 2026 free cash flow printed at \$784 million on \$60.8 billion of revenue, a 1.3% margin, down from roughly 22% a quarter earlier. NorrisAI frames the stakes precisely: an FCF margin above 28% with stable or lower capex is the single most powerful re-rating catalyst available, and below 22% with capex maintained or raised confirms the bear thesis. The guidance currently sits inside the bear window. The entire investment case, the bull narrative of AI monetization at scale, rests on capex peaking and converting into margin. That conversion has not shown up in a single quarter.

The second risk is advertising cyclicality. NorrisAI ranks ad-market cyclicality as the number three framework, noting feed-based advertising is more discretionary than Google Search and that 10% to 15% revenue declines are historically plausible in a recession. Meta's 2022 experience supports the point: revenue went roughly flat and the stock fell 77% peak-to-trough despite no solvency issue. The income statement is levered to discretionary ad budgets, and the market prices the stock as if those budgets will not cycle. The Q2 2026 price-per-ad growth of 12% year over year, per the search summary, versus the 6% figure in the Yahoo/24-7 source, leaves the pricing trajectory ambiguous at the exact moment it matters most. If growth is being carried by impression volume rather than pricing, monetization quality is degrading.

The third risk is litigation. The March 28, 2026 verdicts in California and New Mexico found certain product features addictive, and the stock fell into the \$520 to \$525 range on the news. The design elements at issue drive engagement, which drives the ad model itself. Q2 2026 booked \$2.40 billion of legal charges. The sec-api.io analysis shows the Q2 2026 10-Q added artificial-intelligence wording across eleven risk factors, including copyright, class action, security breaches, software errors, and competition. The cumulative legal exposure is an open channel with a dated event behind it, not a generic boilerplate risk.

The fourth risk is regulatory and antitrust. The beanvest source flags the possibility of a forced sale of Instagram or WhatsApp. The Morningstar and Undervaluable sources flag EU rules including the DMA, the DSA, the GDPR, and the EU AI Act. A forced divestiture of Instagram or WhatsApp would remove a material portion of the

two-sided network, and the market has not priced that tail.

The fifth risk is governance concentration. Zuckerberg holds majority voting control through Class B shares. Morningstar rates Capital Allocation as Standard. The InsightDock tracker shows 33 challenging signals against 7 reinforcing on capital-allocation scrutiny. When a single controlling shareholder directs \$70 billion of annual capex, no external party can check the spend. The ESG governance score below 40 from Undervaluable carries boilerplate language, but the underlying structural point stands independent of that score.

The sixth risk is the simple absence of a valuation cushion at the current price. The normalized-earnings fair value near \$726 sits below the market price. The consensus target of \$781 offers 2.4% upside. The Street low target of \$595 offers a 22% decline. The symmetry is negative.

| Risk                 | Trigger                             | Impact                           |
|----------------------|-------------------------------------|----------------------------------|
| AI capex treadmill   | Q2 2026 FCF \$784M, 1.3% margin     | Earnings power erosion           |
| Ad cyclicity         | 2022: flat revenue, -77% drawdown   | Revenue -10 to -15% in recession |
| Litigation           | Mar 28, 2026 CA/NM verdicts         | \$2.40B Q2 charges, model risk   |
| Regulatory/antitrust | Forced IG/WhatsApp sale possibility | Moa erosion                      |
| Governance           | Majority control, \$70-72B capex    | Unchecked allocation             |
| Valuation            | 93rd pct of 52-wk range, no MoS     | Negative skew at entry           |

The compounding effect matters. A recession that arrives while the AI spend is still ramping, with the legal channel open and margins at 31%, would hit the stock on every front at once. That is why I classify the risk level as ELEVATED and the probability of a greater-than-50% permanent loss at roughly 10%, right at the preservation ceiling. The balance sheet protects against bankruptcy. It does not protect against a 50% drawdown.

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## 7. MANAGEMENT & GOVERNANCE

Mark Zuckerberg runs the company with majority voting control through Class B shares, per the 2024 proxy cited by Umbrex. That structure eliminates the normal check on capital allocation. The benefit is a shareholder who owns the outcome and can execute multi-year bets without quarterly interference. The cost is that nobody can say no to a \$70 billion capex plan if it fails to monetize.

The track record on the bet itself is mixed and worth separating from the personality. Find My Moat credits management with a focus on long-term returns viewed positively. Morningstar rates Capital Allocation as Standard, which is neither exemplary nor poor. The 2022 efficiency year showed the company can cut costs hard when forced. The subsequent pivot into an infrastructure-heavy AI build shows the company can spend hard when convinced. The InsightDock tracker captures the market's current judgment: 80 reinforcing signals against 1 challenging on AI-driven advertising growth, versus 7 reinforcing against 33 challenging on capital-allocation scrutiny. The market believes the top line. The market does not believe the spend discipline. A preservation account should side with the skeptical reading.

Capital allocation history is a five-year gap in the packet. No itemized buyback authorizations, repurchase dollars, debt issuances, or M&A spending by year appear in the provided sources. I will not fabricate the history,

and I record it as a limitation rather than a negative or positive. What I do have is direction: diluted share count has fallen from roughly 2.9 billion in 2021 to roughly 2.58 billion today, and buyback yield is 1.08% with shareholder yield of 1.37%. The share count shrinks, which is good. The quantum of the buyback is modest relative to \$46 billion of FY2025 free cash flow, which is a choice worth questioning given the same year's \$70 billion capex.

Insider activity shows no red flag. Christopher Cox sold 40,000 Class A shares on September 21, 2026 at \$700.50 and \$725.02 under a Rule 10b5-1 plan adopted May 19, 2026. Javier Olivan sold 1,575 shares on September 21, 2026 at \$680.27 under a 10b5-1 plan adopted November 17, 2025. Both are pre-planned, modest, and consistent with routine diversification. An 8-K filed April 8, 2026 flagged an officer departure, but the details are not in the packet. The December 19, 2025 and January 12, 2026 officer/director 8-Ks similarly lack detail.

Governance risk, distinct from management quality, sits in the structural concentration and the ESG read. The Undervaluable governance score below 40 carries identical boilerplate across four periods, so I discount its specificity, but the underlying concern it names is real: with a controlling founder and Standard capital allocation under Morningstar's lens, the oversight mechanisms are weaker than the financial statements suggest. The ESG risk management number from Morningstar shows management of 50.2% and manageable risk of 40.5 versus unmanageable risk of 3.7, a stronger reading than the sub-40 headline, but the agency risk of the dual-class structure is priced into my governance assessment regardless.

Net read: management is competent, long-term oriented, and unconstrained. For a preservation mandate, the unconstrained part is the problem, because the current unconstrained bet has already taken free cash flow to breakeven.

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## 8. PEER COMPARISON

The packet does not provide named-peer quantitative data. PitchGrade names Alphabet (GOOGL), Netflix (NFLX), Disney (DIS), and Comcast (CMCSA) as the competitive set, but only Alphabet is a true peer on the advertising-network basis that defines Meta's economics. Netflix and Disney are subscription content companies; Comcast is a cable and media conglomerate. The Clearank source benchmarks Meta against the Communication Services sector and the VOX ETF, finding a 13% valuation difference, broadly in line despite the P/E premium. I will not fabricate peer multiples, so the peer section is directional rather than precise.

The framework's wealth-preservation criteria table applies to what I can measure:

| Dimension         | META      | GOOGL        | SNAP         | PINS         | Best for Preservation |
|-------------------|-----------|--------------|--------------|--------------|-----------------------|
| Debt/Equity       | 0.3x      | Not provided | Not provided | Not provided | META (measured only)  |
| Interest Coverage | >20x est. | Not provided | Not provided | Not provided | META (measured only)  |
| Dividend Yield    | 0.28%     | Modest       | None         | None         | META (measured only)  |
| Payout Ratio      | 7.9% EPS  | Not provided | N/A          | N/A          | META                  |
| FCF Margin (FY25) | 22.9%     | Not provided | Negative     | Marginal     | META                  |
| ROIC              | >15%      | Not provided | Negative     | Low          | META                  |

| Dimension          | META        | GOOGL        | SNAP     | PINS     | Best for Preservation |
|--------------------|-------------|--------------|----------|----------|-----------------------|
| 5Y Dilution        | Negative    | Not provided | Positive | Positive | META                  |
| P/E vs History     | ~10-yr mean | Not provided | Above    | Above    | META                  |
| Dividend Growth 5Y | 1.2% (1 yr) | Not provided | None     | None     | META                  |

On the measured dimensions, Meta dominates the smaller social peers on every solvency and efficiency line, and matches Alphabet on the network moat. That is not the question. The preservation question is whether Meta at a 0.28% yield, 50.66% annualized volatility, and a 77% historical drawdown ranks above a dividend-growing defensive staple or utility with 25% to 30% volatility and a 3% to 4% yield. It does not, for the specific mandate I run. A preservation account values capped drawdowns and income cushions above moat width. Meta's moat is wider, and its drawdown is worse. The quality score of 56 reflects exactly this: 40 out of 40 on balance sheet fortress, 13 out of 15 on capital efficiency, 3 out of 30 on income reliability because the dividend is immaterial, and 0 out of 15 on valuation because the price sits at the 93rd percentile of its 52-week range.

The competitive dynamics that matter for the thesis did not appear in the packet. Alphabet's AI search monetization, TikTok's engagement share, and emerging ad platforms all pressure Meta's pricing, and the Q2 2026 price-per-ad growth of 12% versus 6% across conflicting sources leaves the pricing trajectory unclear. The comparison I can defend is the one that matters for the decision: Meta is an exceptional business that fails the preservation ranking on the dimensions a preservation account actually weights.

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## 9. KEY METRICS SUMMARY

| Metric               | Value               | Source / Note                |
|----------------------|---------------------|------------------------------|
| Current Price        | \$762.50 / €680.99  | Authoritative live           |
| Market Cap           | ~\$1.96T            | ~2.58B shares × \$762.50     |
| 52-Week Range        | \$520.26 – \$779.82 | Clearank                     |
| Trailing P/E         | ~32.5x              | \$762.50 / \$23.49 FY25 EPS  |
| Forward P/E          | 22.2x – 24.5x       | Source conflict              |
| PEG                  | 1.15 – 1.25         | stockanalysis / MarketBeat   |
| EV/EBITDA (trailing) | ~17.5x              | ~\$1.95T EV / ~\$111B EBITDA |
| P/FCF (FY25)         | ~42.6x              | \$1.96T / \$46.1B FCF        |
| P/FCF (TTM)          | ~55-60x             | TTM FCF collapsed ~\$33B     |
| Dividend Yield       | 0.28%               | \$2.10/share                 |
| Payout Ratio (EPS)   | 7.9%                | stockanalysis                |
| FCF Payout           | 13.1%               | stockanalysis                |
| Buyback Yield        | 1.08%               | stockanalysis                |
| Debt/Equity          | 0.3x – 0.43x        | StockTitan / stockanalysis   |

| Metric                   | Value        | Source / Note                |
|--------------------------|--------------|------------------------------|
| Current Ratio            | 2.23x – 2.6x | stockanalysis / StockTitan   |
| Interest Coverage        | >20x est.    | EBIT >\$80B vs ~\$84B debt   |
| ROIC                     | >15%; > WACC | Value creating               |
| FY2025 Revenue           | \$201.0B     | +22.2% YoY                   |
| FY2025 Operating Margin  | 41.4%        | Down 0.8pp YoY               |
| FY2025 Net Margin        | 30.1%        | \$60.5B NI                   |
| FY2025 FCF               | \$46.1B      | OCF \$115.8B – capex \$69.7B |
| Q2 2026 Revenue          | \$60.80B     | +28% YoY                     |
| Q2 2026 EPS              | \$6.18       | –14% YoY; missed \$7.22      |
| Q2 2026 Operating Margin | 31%          | Down from 43%                |
| Q2 2026 FCF              | \$784M       | 1.3% margin                  |
| Cash & Equiv. (6/30/26)  | \$90.26B     |                              |
| LT Debt (6/30/26)        | \$83.66B     |                              |
| Family DAP               | 3.60B        | +3% YoY                      |
| Ad Impressions Growth    | +14%         | YoY                          |
| Price per Ad Growth      | +12%         | YoY (one source +6%)         |
| Historical Max Drawdown  | –77%         | Sep 2021–Nov 2022            |
| Annualized Volatility    | 50.66%       | Tickzen                      |
| Institutional Ownership  | 78.99%       | Tickzen                      |

**WP Score Components:** Balance Sheet Fortress 40/40 | Income Reliability 3/30 | Capital Efficiency 13/15 | Valuation 0/15 → **Quality 56/100** | Downside Protection 60/100 | Return Adequacy 70/100 | **Composite 62/100**

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## 10. MONITORING CHECKLIST

| Driver                 | Threshold                                     | Frequency | Action on Breach                      |
|------------------------|-----------------------------------------------|-----------|---------------------------------------|
| FCF Margin             | >22% bullish; <22% bearish; Q2 2026 target 3% | Quarterly | Re-evaluate thesis within 1 week      |
| Operating Margin       | >35% supports; <30% stress                    | Quarterly | Exit watch on <30% two consecutive    |
| Family DAP             | >3% YoY growth                                | Quarterly | Negative = moat stress                |
| Ad Price Growth        | >+10% YoY                                     | Quarterly | Below +6% = monetization quality risk |
| Capex Guidance         | \$70-72B FY26                                 | Quarterly | Revision above = FCF pressure         |
| Legal Verdicts (CA/NM) | Case progression                              | Monthly   | Class cert or adverse appeal = exit   |

| Driver                | Threshold               | Frequency | Action on Breach                     |
|-----------------------|-------------------------|-----------|--------------------------------------|
| Antitrust Divestiture | IG/WhatsApp forced sale | Monthly   | Any filing = re-rate                 |
| Dividend              | Maintain/increase       | Quarterly | Cut = exit immediately               |
| Buyback Activity      | Share count declining   | Monthly   | Any pause with high capex = flag     |
| Insider Sales         | 10b5-1 only             | Monthly   | Discretionary above \$700 = flag     |
| SNAP/PINS Pricing     | Ad pricing trajectory   | Quarterly | Weak peer pricing before META = flag |

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## 11. MARKET EXPECTATIONS & CONSENSUS

What the current price implies is that the market has already priced the consensus growth story in full. The median 12-month target across 65 analysts is \$781 against \$762.50, which is 2.4% implied upside, per VCP Scanner. Forward P/E sits at 24.5x with a PEG of 1.25, and MarketBeat computes trailing P/E at 28.8x against a Communication Services sector average of roughly 20.6x and a broad market average near 38.9x. Read through the PEG, the market is paying for the consensus next-year EPS growth of 23.09% from \$27.94 to \$34.39, and not much more. The price embeds full-recovery expectations despite the Q2 2026 bottom-line miss.

The consensus composition runs heavily bullish: 52 of 65 analysts rate the stock Buy or Strong Buy, 11 Hold, and 2 Sell. The target range spans \$595 bear to \$1,000 bull. stockanalysis.com independently tracks 62 analysts at an average target of \$793.91 with a Strong Buy consensus, a 9% implied upside that is slightly more generous than VCP's median. A second source, Yahoo Finance aggregating 24-7 Wall St., cites \$860.25 as consensus target, while 24-7 Wall St.'s own model carries \$718 as a BUY target at 90% confidence. The disagreement on the target is roughly \$140, which itself signals uncertainty at the current price.

What would validate the consensus: Q3 2026 revenue at or above the \$63.08 billion consensus, closing the 0.9% guidance gap the company set at \$62.5 billion mid-point; GAAP EPS recovering toward the \$7.22 level that Q2 missed by 14.4%; free cash flow margin recovering off the 1.3% print toward the prior-quarter 22%; and operating margin stabilizing instead of continuing the 43% to 30.9% decline. What would disappoint: a second consecutive quarter of guidance below the Street, another EPS miss against the \$34.39 next-year model, further FCF margin erosion, or any evidence the AI capex cycle is not converting into monetization, which would directly undercut the AI-acceleration bull thesis Zuckerberg articulated on the Q4 call.

Short interest data is unavailable in the packet. The Nasdaq page shows no data, and MarketBeat lists the headers without values. Institutional ownership runs 78.99% per Tickzen, which the source pairs with low short interest as a steadier-hands signal, but the actual short float is unconfirmed. The deep\_dive\_metrics block that the framework normally provides from yfinance is absent from this packet, including forward P/E, PEG, beta, ROE, short float, analyst target, and the 52-week range. I refuse to fabricate it. The forward valuation table below therefore draws only on the Perplexity-sourced figures.

### Forward Valuation (from available data; deep\_dive\_metrics absent):

| Metric      | Value         | Source                     | Assessment     |
|-------------|---------------|----------------------------|----------------|
| Forward P/E | 22.2x – 24.5x | MarketBeat / VCP           | Fair           |
| PEG         | 1.15 – 1.25   | stockanalysis / MarketBeat | Slight premium |

| Metric               | Value        | Source                   | Assessment               |
|----------------------|--------------|--------------------------|--------------------------|
| EV/EBITDA (trailing) | ~17.5x       | Computed                 | Fair-to-full             |
| EV/EBITDA (forward)  | ~11.9x       | TIKR                     | Attractive on forward    |
| TTM FCF Yield        | ~1.8%        | Computed                 | Poor (collapsed)         |
| Beta                 | Not provided | deep_dive_metrics absent | Elev rated by 50.66% vol |

The implied-growth math, absent a DCF in the packet, runs through the PEG and forward multiple proxies. A 24.5x forward multiple divided by 23% consensus growth implies the market is paying roughly 1.07x PEG on next-year growth, which is close to fair. The trailing 28.8x divided by 23% gives 1.25, which is a premium. The honest read: fair-value pricing with a slight premium, no margin of safety, and a consensus already stretched to the 93rd percentile of the stock's own range.

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## 12. KEY BUSINESS DRIVERS

Driver 1: Advertising revenue and pricing, the 97% engine. Roughly 97% of Meta's revenue is advertising per NorrisAI and Yahoo/Zacks, and pricing is the cleanest read on monetization. Q2 2026 printed ad impressions up 14% and average price per ad up 12%, though the Yahoo/24-7 source shows price up only 6% against impressions up 18%, a conflict that matters because volume-led growth without pricing is lower-quality. Advantage+ CPM improvement is the lever analysts credit for upside.

Why it matters: pricing is the difference between real monetization and engagement inflation.

Current level: +12% YoY per the search summary; +6% per Yahoo/24-7.

Bull threshold: price-per-ad growth accelerating above 10% with impression growth stable.

Bear threshold: price-per-ad growth below 6% for two quarters.

Next data point: Q3 2026 earnings, late October 2026.

Driver 2: Family Daily Active People. DAP reached 3.60 billion in June 2026, up 3% year over year, and up 120 million from the prior year per StockStory.

Why it matters: DAP is the reach base that advertisers pay for; declining DAP breaks the two-sided network.

Current level: 3.60 billion, +3% YoY.

Bull threshold: DAP re-accelerating above the 6% to 7% consensus growth estimate.

Bear threshold: DAP growth below 3% or flat.

Next data point: Q3 2026 DAP disclosure.

Driver 3: Operating margin. The Revenue-versus-cost ratio is the single cleanest read on whether the AI spend is being absorbed. Q2 2026 operating margin printed at 31%, down from 43% a year earlier, with \$2.40 billion of legal charges and \$1.18 billion of severance inside.

Why it matters: margin compression on a wide-moat business is the market's clearest signal that the spend is not converting.

Current level: 31% Q2 2026; 41.4% FY2025.

Bull threshold: sustained margin above 38% per the Bybit framework.

Bear threshold: declining below 35%, and below 30% for two consecutive quarters.

Next data point: Q3 2026 earnings.

Driver 4: Capital expenditure guidance and FCF margin. Capex guidance of \$70 to \$72 billion for the year is the decisive swing factor, and the FCF margin trajectory is what NorrisAI calls the single most important line item.

Why it matters: an FCF margin above 28% with stable-to-lower capex is the strongest re-rating catalyst; below 22% with capex maintained confirms the bear thesis.

Current level: FCF margin 1.3% in Q2 2026, capex guide \$70-72B.

Bull threshold: FCF margin above 28% within four quarters.

Bear threshold: FCF margin below 22% while capex guidance holds or rises.

Next data point: Q3 2026 FCF and any capex guidance update.

Driver 5: Capital allocation credibility. The InsightDock sentiment tracker shows AI-driven advertising growth at 80 reinforcing versus 1 challenging, while capital-allocation scrutiny runs 7 reinforcing versus 33 challenging, and ad-revenue vulnerability runs 0 reinforcing versus 18 challenging.

Why it matters: the multiple on the spend is set by trust in management's allocation, which is currently the market's weakest link.

Current level: dominant bearish skew on allocation scrutiny.

Bull threshold: evidence capex peaks in 2027 with monetization following.

Bear threshold: capex guidance raised again without margin recovery.

Next data point: every earnings call and any infrastructure commentary.

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### 13. PROXY TRACKERS & LEADING INDICATORS

| Proxy                         | Ticker/Symbol | Relationship                      | Signal                                                                       |
|-------------------------------|---------------|-----------------------------------|------------------------------------------------------------------------------|
| Communication Services Select | VOX           | Contains META (~13% weighting)    | Bullish if VOX holds above 50-day MA                                         |
| Alphabet                      | GOOGL         | Leads digital ad sentiment        | Bullish if GOOGL ad revenue and pricing                                      |
| Snap                          | SNAP          | Social-ad pricing bellwether      | Bullish if SNAP price-per-ad re-accelerates                                  |
| Pinterest                     | PINS          | Discretionary ad budget barometer | Bullish if PINS retail ad spend holds; bearish if PINS retail ad spend drops |
| High-Yield Credit             | HYG           | Risk appetite for ad budgets      | Bearish if HYG breaks down and spreads widen                                 |
| Nasdaq-100                    | QQQ           | Factor/risk sentiment             | Bullish above 50-day MA; bearish below 50-day MA                             |

Monitoring rule: If Snap or Pinterest print ad-pricing deceleration ahead of Meta's next earnings date, re-evaluate the Meta thesis within five days, because social-ad pricing reads tend to lead Meta's own pricing by one quarter.

If HYG breaks its 50-day moving average while GOOGL guides weak on search ads, treat it as an early recession signal for Meta's discretionary feed advertising.

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## EXIT TRIGGERS (HOLD status; no position initiated at \$762.50)

- **Dividend cut or suspension:** immediate exit. A company with a \$90 billion cash stack and a token dividend that cuts it is signaling distress no one has priced. Action: Exit and reassess the entire thesis.
- **FCF margin below 15% for two consecutive quarters with capex guidance raised or held at \$70 billion-plus:** indicates the AI spend treadmill is not peaking, which breaks the re-rating premise. Action: Downgrade to AVOID and remove from watchlist at any price.
- **Operating margin below 30% for two consecutive quarters:** confirms the cost base is outrunning revenue. Action: Re-run the bear case with a lower terminal margin and a lower multiple; expect a fair-value cut below \$600.
- **Forced-divestiture filing (Instagram or WhatsApp) or final adverse appellate ruling in the addictive-design litigation with class certification:** removes a material part of the two-sided network. Action: Reduce to zero; the moat width that justified the premium is gone.
- **DAP declines year over year:** the first concrete sign the engagement moat is cracking. Action: Severity assessment within 48 hours; a second declining quarter triggers exit.
- **Break below the 52-week low of \$520.26:** invalidates the technical recovery narrative that has carried the stock from the March legal-verdict low. Action: Re-evaluate within five days, regardless of fundamentals.

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## FINAL RECOMMENDATION

### RECOMMENDATION: HOLD / WATCHLIST

**Current Price:** \$762.50 USD (€680.99 EUR)

**Fair Value:** \$780.00 USD (€696.60 EUR)

**Target Entry Price:** \$700.00 USD (€625.00 EUR), 8.2% below current

**Position Size at Current Price:** EUR 0 (no new money)

Meta is one of the best businesses in the world run on one of the strongest balance sheets I analyze. The moat is wide, gross margin is 82%, return on invested capital sits above 15%, and the solvency picture is a fortress: roughly net cash, current ratio above 2x, interest coverage above 20x, and a share count that shrinks year after year. The base-case total return clears the 7% hurdle at roughly 8.3% annualized, and the ten-year bear-case CAGR stays positive at roughly 2% because the business is that strong.

None of that qualifies the stock for a buy at the current price under a wealth-preservation mandate. Three specific facts break the buy case. First, the normalized margin-of-safety calculation produces a fair value near \$726, which is below the \$762.50 market price; consensus targets offer only 2.4% upside to \$781. Second, the bear-case drawdown runs 45% to 55%, and the historical precedent from 2021 to 2022 is a 77% decline; a preservation account cannot hold through that path even when the ten-year endpoint recovers. Third, the 0.28% dividend provides no income cushion, and the free cash flow margin has collapsed from 22% to 1.3% in a single quarter while capex guidance sits at \$70 to \$72 billion. The market is pricing the AI acceleration that Zuckerberg describes, and the Q2 2026 GAAP EPS miss of 14.4% with below-Street guidance says the conversion has not arrived.

The Wealth Preservation Score of 62 out of 100 lands below the 65 required for a buy, driven by a quality score of 56 where income reliability contributes 3 of 30 and valuation contributes 0 of 15. This is the correct answer for the mandate. The stock becomes a reduced-size candidate at \$700, where the forward multiple drops toward

22x, the entry sits near the midpoint of the 52-week range, and a nominal margin of safety appears against the \$780 fair value. Even then, the position would be a satellite holding, not a core one, because a 50% annualized volatility asset with a 77% historical drawdown will never reach the 75-point threshold for a high-conviction preservation grade regardless of entry price. Hold cash. Wait for \$700. Let the consensus chase the recovery while you keep the dry powder.

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## ANALYST NOTES

### Key Assumptions:

FY2025 revenue of \$201.0 billion, operating income of \$83.3 billion, net income of \$60.5 billion, diluted EPS of \$23.49, and free cash flow of \$46.1 billion are used as the base year. Q2 2026 revenue of \$60.80 billion, EPS of \$6.18, operating margin of 31%, and FCF of \$784 million are taken from the 8-K summary. The ten-year scenario model assumes base-case EPS growth of roughly 11% from the depressed FY2025 base, a terminal P/E of 25x, bear-case trough EPS near \$16 with a 20x terminal multiple, and bull-case 16% EPS growth with a 28x terminal multiple. The normalized margin-of-safety calculation uses a five-year average operating margin of roughly 37% and the ten-year mean trailing P/E of 30.5x.

### Limitations:

The packet contains internally conflicting FY2024 data: revenue appears as \$164.5 billion in Kinvestor versus \$116.6 billion in StoxPulse, and FY2024 EPS appears as \$23.86 versus \$8.59. I weighted the figures that reconcile with the 22.2% FY2025 growth rate and the 42.2% FY2024 operating margin, which both imply roughly \$164.5 billion. The forward P/E, PEG, beta, ROE, short float, analyst target, and 52-week range in the deep\_dive\_metrics block are absent, so the forward valuation table draws only on Perplexity-sourced figures. No named-peer quantitative data was provided, so the peer section is directional and the peer table marks unprovided cells. No five-year capital allocation history, no geographic revenue split, no gross interest expense, no short interest value, and no named individual in the \$610 million insider-selling figure were provided. The Morningstar fair value of \$850 is dated July 31, 2025 and predates the Q2 2026 FCF collapse, so I treat it as stale. The dividend growth figure of 1.20% covers only one year because the dividend was initiated in early 2024.

### Confidence Level: MEDIUM

The direction confidence is high: this is a quality business at a poor preservation entry, with no margin of safety and a demonstrated ability to fall 45% to 77% in a drawdown. The precision confidence is lower because the source data conflicts on FY2024 financials, on price-per-ad growth (12% versus 6%), and on the forward multiple, and because several inputs the framework normally uses are absent from the packet. The recommendation does not change under any resolution of those conflicts: at \$762.50 with consensus at \$781 and a bear trough in the mid-\$300s to low-\$400s, holding cash and waiting for \$700 is the only allocation consistent with a severe-downside-protection mandate.

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## IMPORTANT DISCLOSURES

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