

# Meta's ad engine is accelerating. This is the quarter it has to prove the capex.

A fact-checked look at the ad machine, the AI spending that is squeezing margins, the Reality Labs drag, and Muse, an early AI agent that could become a second revenue line.

## \$31.1B

Q2 2026 capex, which left only \$784M of free cash flow. The 2026 capex guide is \$130–145B. Revenue grew 28%, but operating income fell 8%.

**Watchlist stance: constructive. Stays #1 on the AI-ads watchlist, but this is a "prove the capex" quarter.** We hold the stance until Q3 results on Oct 21, 2026.

### Ad engine

Impressions +14%, price per ad +12%. Ad revenue \$59.4B (+27%).

### Reality Labs

~\$19B of losses a year, guided "similar to 2025" for 2026.

### Muse agent

>5M downloads in under a month (Sensor Tower estimate). A cut of sales is planned but unpriced. OpenAI's Dots is the rival.

### Margin squeeze

31% operating margin vs 43% a year ago, incl. \$2.40B legal and \$1.18B severance.

### Scale AI

\$14.3B for a 49% non-voting stake (Jun 2025), valuing Scale at >\$29B.

### Valuation

\$745.05, 23.7x forward P/E. The Street average target of \$813 (+9%) is the only sourced target.

# Revenue up 28%, operating income down 8%: the gap is the AI bill

The ad business is getting stronger on both volume and price. What isn't visible yet is any payback in GAAP profit: costs, capex and one-off charges grew faster than revenue.

## +28%

Q2 2026 revenue growth to \$60.8B, with ad revenue \$59.36B (+27%, +26% ex-FX).

## 31% vs 43%

Q2 operating margin vs a year ago. Operating income fell 8% to \$18.8B.

## \$784M

Q2 free cash flow, after \$31.1B of capex.

### For

- The ad engine is accelerating: impressions +14% and price per ad +12% (vs +9% in Q2 2025).
- Management cites LLM-based ad-ranking gains of +8.3% clicks and +15.7% conversions on Facebook.
- Operating income is still guided to exceed 2025.

### Against

- Q2 included \$2.40B of legal charges and \$1.18B of severance.
- The 2026 capex guide is \$130–145B, narrowed from \$125–145B.
- Q2 EPS of \$6.18 missed the ~\$7.19 consensus (MarketBeat).

### Flags

- Youth-safety trials "may ultimately result in a material loss" (company outlook).
- No absolute Meta AI user count has been published since Oct 2025.
- Muse risks: profiling of non-users, a since-fixed critical bug, no EU/UK launch, and exposure to the FTC 2020 order.

**Bottom line:** Meta is still the best-positioned AI-ads compounder on the watchlist, but the investment case now rests on capex turning into profit. Until Oct 21 shows the ad engine outrunning the cost line, the stance stays constructive, not aggressive.

Sources: Meta Q2 2026 release (8-K Ex. 99.1) and 10-Q; Q2 2026 call transcript and prepared remarks; MarketBeat. Ranking gains are management claims and have not been independently verified.

# Volume and price are both doing the work: impressions +14%, price per ad +12%

Price gains come from better ad performance plus FX. Higher impressions in lower-monetising regions and Reels partly offset them. Impressions grew "in all regions, especially in Asia-Pacific".

+14%

Ad impressions, Y/Y in Q2 2026.  
Absolute counts are not disclosed.

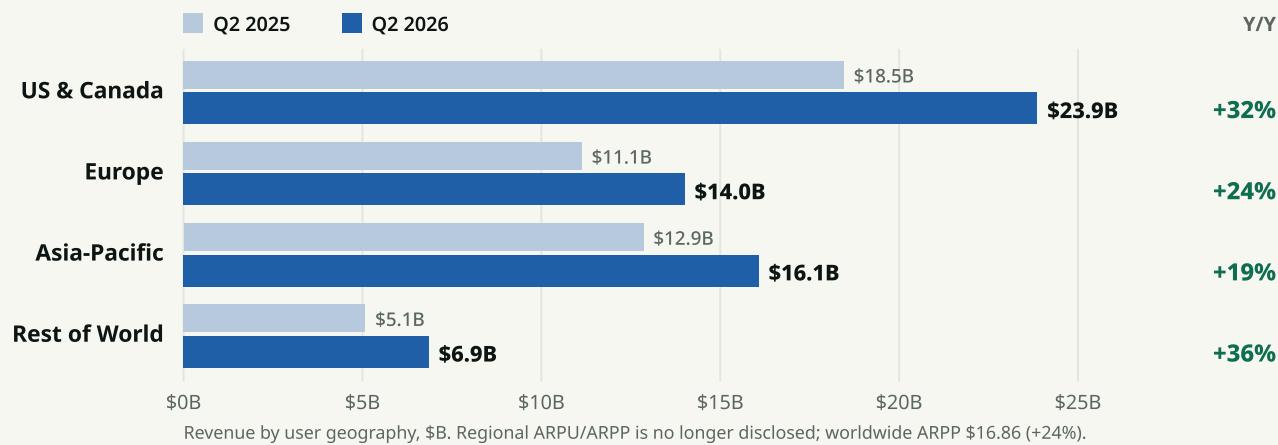
+12%

Average price per ad Y/Y, up from +9%  
in Q2 2025.

\$16.86

Worldwide average revenue per  
person (ARPP), +24% Y/Y. Daily active  
people 3.60B (+3%).

## Revenue by user geography, Q2 2025 vs Q2 2026



### Where the AI shows up

Management says the GEM ranking model plus a generative recommender delivered **+8.3% ad clicks** and **+15.7% conversions** on Facebook. An Instagram LLM pilot added +1% app-event conversions. These are management claims and have not been independently verified.

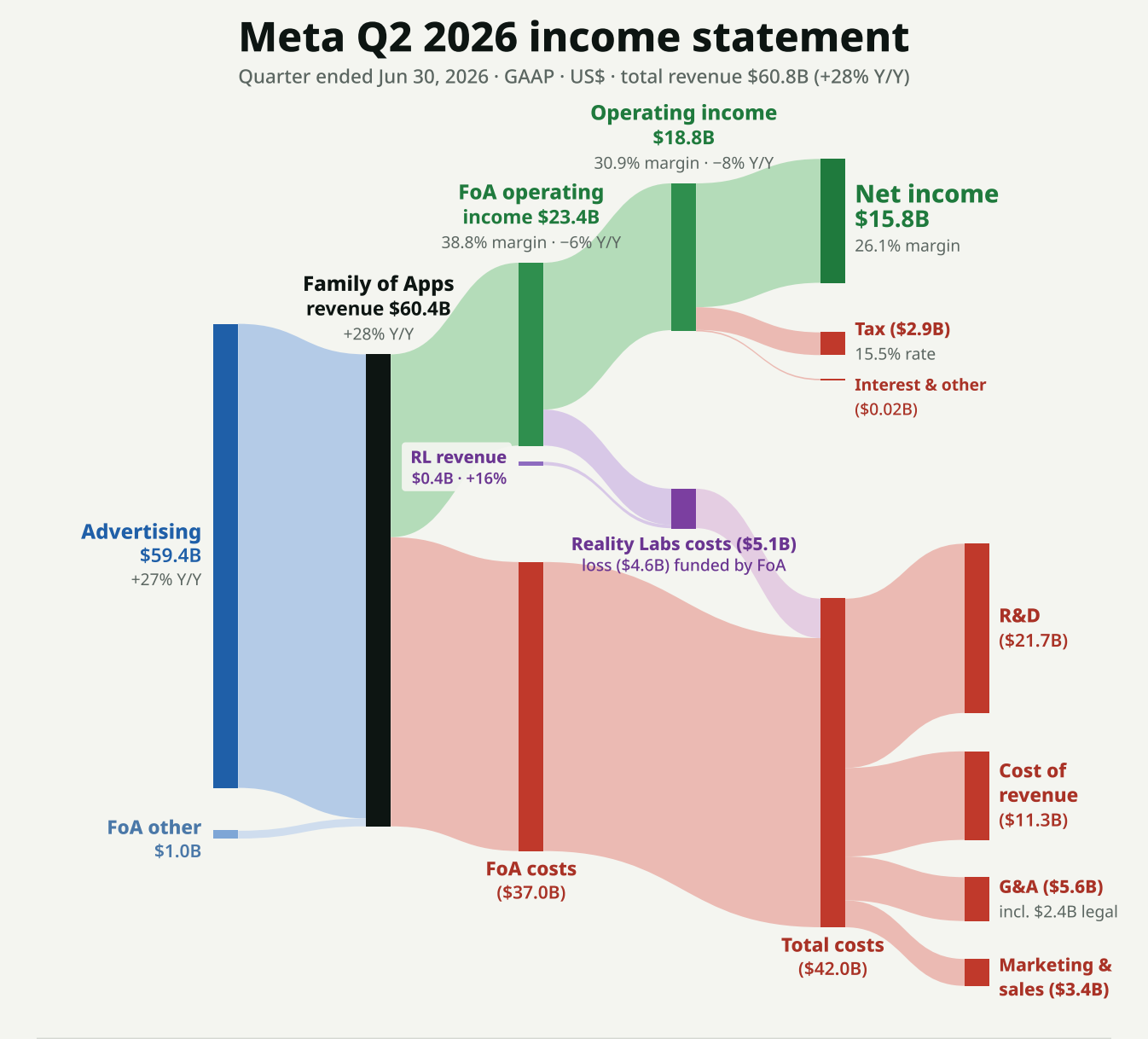
### New surfaces, and one that isn't proven

Threads ads are now global and WhatsApp Status ads are rolling out. **Ads inside the Meta AI assistant: not verified;** no source confirms them. ChatGPT ads are "largely experimental" so far, and brands "aren't moving meaningful budgets away from Meta or search yet" (Sensor Tower).

Sources: Q2 2026 10-Q (impressions, price per ad, ARPP, geography); release (ad revenue +27%, +26% ex-FX); Q2 call transcript and prepared remarks; Sensor Tower via marketplacebeta. Flip's sheet shows ARPP of \$16.89 (its own calculation) versus \$16.86 in the 10-Q.

# Family of Apps earned \$23.4B. Reality Labs and tax took it down to \$15.8B

Every \$100 of revenue left \$31 of operating profit and \$26 of net income. Reality Labs spent \$5.1B to bring in \$0.4B, so about a fifth of what the apps earned was used to fund it.



Source: Meta Q2 2026 release (8-K Ex. 99.1, income statement and segment table); Q2 2026 10-Q.  
FoA and RL costs computed as revenue minus segment operating income; margins, rates and Y/Y computed.

Chart: desk analysis, Oct 14, 2026

## \$21.7B

R&D, 36% of revenue and the biggest single cost line. **CALCULATED**

## 20%

Share of FoA operating income absorbed by the \$4.6B Reality Labs loss. **CALCULATED**

## \$3.6B

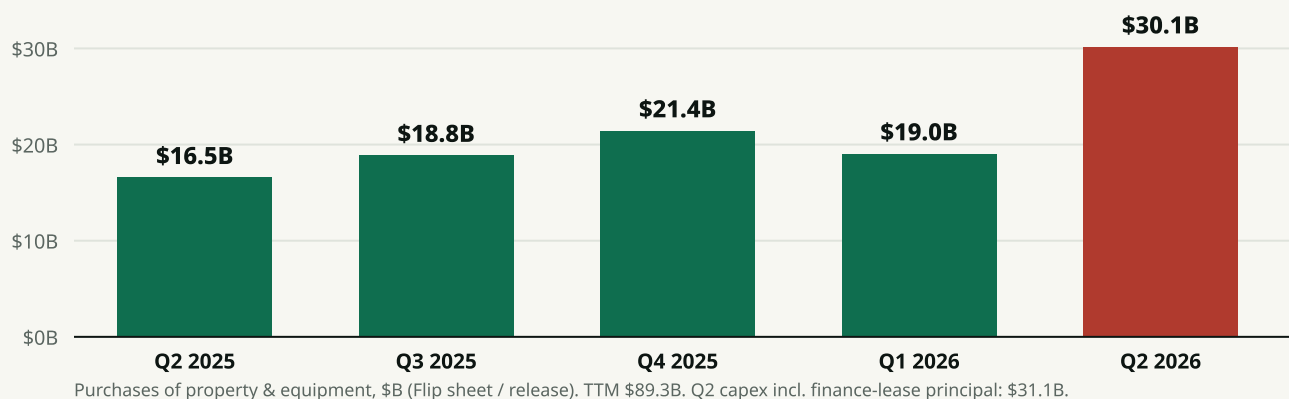
Legal (\$2.40B) plus severance (\$1.18B) charges inside Q2 costs.

GAAP \$M from the Q2 2026 release: revenue 60,801 (advertising 59,363; FoA other 1,007; RL 431); FoA operating income 23,394; RL operating loss (4,619); cost of revenue 11,330; R&D 21,656; marketing & sales 3,431; G&A 5,609; interest & other (19); tax (2,908); net income 15,848. FoA costs (36,976) and RL costs (5,050) are computed as revenue minus segment operating income. Severance is spread across lines and is not split by line. Layout follows the common income-statement Sankey format; chart and data work are the desk's own.

# Capex nearly doubled in a year, and free cash flow almost vanished

Q2 purchases of property and equipment were \$30.1B, up from \$16.5B a year earlier. Management guides 2026 capex to \$130–145B and still expects operating income above 2025.

## Quarterly capex, \$B



### \$130–145B

2026 capex guide (incl. finance-lease principal), narrowed from \$125–145B.

### \$165–169B

2026 total expense guide. Operating income is expected to exceed 2025.

### \$10.8B

Cash restricted in escrow under multi-year infrastructure purchase agreements, released 2028–2030.

## Payback evidence (management)

- Ranking gains: +8.3% clicks, +15.7% conversions on Facebook, and +1% app-event conversions in the Instagram LLM pilot.
- "These AI investments are paying off" (Q2 call).
- A planned El Paso data-center JV with a 20% interest (exclusivity signed Jul 2026).

## Counter-evidence (GAAP)

- Operating income –8% Y/Y and margin 31% vs 43%.
- Free cash flow of \$784M in Q2. TTM FCF is \$40.98B.
- TTM capex is \$89.3B and rising. **Payback is not yet visible in profit.**

Sources: release (CFO outlook, capex, FCF); 10-Q (escrow, El Paso JV); Flip's sheet for the quarterly purchases of P&E (TTM \$89.3B, matching stockanalysis \$89.33B); stockanalysis.com (TTM FCF).

# Reality Labs burns ~\$19B a year, about 18% of what the apps earn

Over the last four quarters Family of Apps earned \$106.0B and Reality Labs lost \$19.1B on \$2.3B of revenue. Meta guides 2026 Reality Labs losses to "remain similar to 2025".

## Segment operating income, Q2 2025 vs Q2 2026



Segment operating income (loss), \$B. Right: Family of Apps. Left: Reality Labs.

TTM (Q3 2025–Q2 2026): FoA \$106.0B, RL (\$19.1B).

| \$M                  | Q2 2026               | Q2 2025 | Y / Y     | TTM (Q3 25–Q2 26) |
|----------------------|-----------------------|---------|-----------|-------------------|
| FoA revenue          | 60,370                | 47,146  | +28%      | 225,989           |
| FoA operating income | <b>23,394</b> (38.8%) | 24,971  | –6%       | <b>106,027</b>    |
| RL revenue           | 431                   | 370     | +16%      | 2,258             |
| RL operating loss    | <b>(4,619)</b>        | (4,530) | +2% wider | <b>(19,100)</b>   |

### 18%

TTM Reality Labs loss as a share of TTM FoA operating income (\$19.1B / \$106.0B). **CALCULATED**

### ~\$9.5

Of cost for every \$1 of RL revenue over the TTM:  $(\$2.3B + \$19.1B) / \$2.3B$ . **CALCULATED**

### ~8,000

Employees cut in May 2026 across both segments, with \$1.18B of severance.

**Bottom line:** Reality Labs is a stable, not a growing, drag. The loss widened only 2% Y/Y while FoA revenue grew 28%. It caps margins but doesn't explain the Q2 squeeze. That came from FoA costs, the AI build-out and the one-off charges.

Sources: Q2 2026 release segment table; Flip's sheet for TTM (sum of 25Q3–26Q2, cross-checked with stockanalysis); 10-Q (guide, layoffs). Y/Y changes and ratios are computed.

# \$14.3B for 49% of Scale AI bought talent and data, not control

The June 2025 deal valued Scale at more than \$29B and brought founder Alexandr Wang into Meta. The stake is non-voting, and the 10-Q does not name Scale.

|                                                                                                        |                                                                                                                     |                                                                                              |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <div>\$14.3B</div> <div>For a 49% non-voting stake, Jun 12–13, 2025 (Reuters, CNBC, Scale blog).</div> | <div>\$30.2B</div> <div>Non-marketable equity investments at Jun 30, 2026, vs \$27.5B at Dec 31, 2025 (10-Q).</div> | <div>\$1.7B</div> <div>Purchases of non-marketable equity in 1H26, vs \$15.2B in 1H25.</div> |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|

## Where the AI stack stands

| ITEM             | WHAT THE RECORD SHOWS                                                                                                                                                                                                                 | STATUS           |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Meta AI users    | Last absolute figure: ">1 billion monthly actives" (Q3 2025 call, Oct 29, 2025). The Q2 2026 call cited a "~60%" increase in daily users since the Muse Spark rebuild, with no absolute number.                                       | NO CURRENT COUNT |
| Model strategy   | Moving to a hybrid model: some open-weight releases, with the largest models proprietary (Axios via implicator.ai, Apr 2026). Production models are branded "Muse Spark". The closed "Avocado" successor was delayed (CNBC, Reuters). | REPORTED         |
| Safety framework | Meta's Oct 2026 Superintelligence Scaling Framework adds specific open-weights considerations.                                                                                                                                        | PUBLISHED        |
| Ads in Meta AI   | No source found confirming ads inside the Meta AI assistant.                                                                                                                                                                          | NOT VERIFIED     |
| Other holdings   | Holdings beyond Scale are not disclosed by name. The planned El Paso JV is a 20% interest (10-Q subsequent event).                                                                                                                    | UNDISCLOSED      |

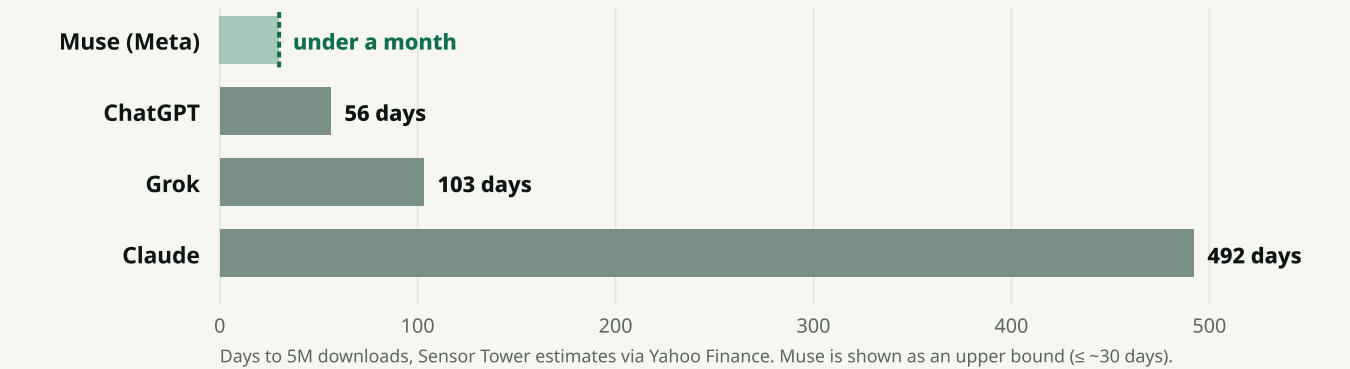
**Bottom line:** Scale is a talent and data bet that cost less than half of one quarter's capex (\$14.3B vs \$31.1B in Q2). The bigger question for the stack is usage: with no current Meta AI user count, the market has to take engagement on trust.

Sources: Reuters and CNBC (Jun 12–13, 2025); Scale AI blog; Q2 2026 10-Q; Q2 2026 prepared remarks; gradually.ai compilation (Q3 2025 call figure); implicator.ai citing Axios; CNBC (Dec 2025); Reuters (Jan 2026); Meta research site.

# Muse reached 5M downloads faster than ChatGPT, Grok or Claude, by Sensor Tower's estimate

Muse is Meta's consumer agent, launched Sep 8, 2026 in the US, with Canada following Sep 18. It is distinct from Muse Spark, the model behind Meta AI. Every traction figure is a third-party estimate: Meta has disclosed neither usage nor retention.

## Days to 5 million downloads



| CLAIM                                                         | VERDICT     | NOTES                                                                                                                                        |
|---------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Launched Sep 8, 2026; US and Canada only                      | CONFIRMED   | US since Sep 8 and Canada since Sep 18. Not in the UK or EU, with no date announced.                                                         |
| >5M downloads in under a month                                | AS REPORTED | Sensor Tower only; TNW calls it a "projection". Threads, Disney+, HBO Max and Pokémon Go also hit 5M in a similar time.                      |
| #1 on both App Store and Google Play                          | AS REPORTED | Yahoo, Sep 30. Not checked live against the store charts.                                                                                    |
| Muse took 50% of Meta's daily house-ad impressions, Sep 14–27 | AS REPORTED | Sensor Tower. TNW says "up to half". Muse was also a top-15 US brand by ad impressions.                                                      |
| Meta will take a cut of sales                                 | INTENT ONLY | Zuckerberg at Connect (Sep 23): "over time we will profit by taking a small fee from transactions." No rate, date, scope or payer disclosed. |

560K

Daily active users after 11 days (Sensor Tower via Yahoo). ESTIMATE

>3M

Weekly prompters, >1M daily (The Information via TNW). Not independently verified.

\$0

Muse revenue today. Checkout runs over Link, Shop Pay and PayPal with no Meta fee.

Sources: Yahoo Finance (Daniel Howley, Sep 30, 2026, citing Sensor Tower); Yahoo (Connect, Sep 23); TNW; The Agentic Review; trucommerce.ai; MadRobot and moveros.dev (availability). The Muse bar is drawn at an upper bound because the source says only "under a month".

# A cut of sales would be a second revenue line. It has no price yet, and OpenAI's Dots is coming

Ads are ~98% of revenue (\$59.4B of \$60.8B in Q2). A take rate on agent-completed purchases would sit alongside the ad auction, not inside it. Without a disclosed rate or GMV, it cannot be sized.

## How it could pay

- **Mechanism:** a fee on transactions the agent completes.
- **Benchmarks:** OpenAI charged Shopify merchants **4%** on ChatGPT Instant Checkout, on top of ~2.9% processing (PYMNTS). Google AI Mode and Copilot charged no extra fee.
- **Diversification:** it would be the first meaningful non-ad revenue line.

## Why it can't be sized yet

- No take rate and no GMV through Muse have been disclosed, so even an illustrative "4% × GMV" lacks an input.
- **Cannibalisation:** purchases inside the agent may replace ad-driven clicks, and Muse is walled off from ad targeting.
- **Merchant tolerance is unproven:** ~7% all-in drew margin complaints (SmartCompany). trucommerce.ai reports OpenAI retired Instant Checkout in Mar 2026 (not verified).

## Muse vs OpenAI Dots

|               | MUSE (META)                                                  | DOTS (OPENAI)                                                                                                                                 |
|---------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Launch        | Sep 8, 2026; US, then Canada                                 | Sep 29, 2026 (DevDay), as "always-on agents"                                                                                                  |
| Who gets it   | Free consumer app                                            | ChatGPT Pro and Business Premium; Enterprise, Edu and Healthcare in beta. Not on Free or Go. "Aimed at the enterprise market for now" (Yahoo) |
| Commerce      | Buys via Link, Shop Pay or PayPal; confirms before purchases | Buys with a card saved on a merchant site, with user approval. Money transfers are handed back to the user                                    |
| Merchant fee  | Planned "small fee"; no rate                                 | None found for Dots (unverified). Earlier Instant Checkout fee was 4%                                                                         |
| Consumer path | Already consumer                                             | CFO Sarah Friar: will eventually come to consumers (via Yahoo)                                                                                |

**Bottom line:** Near term, Muse and Dots barely overlap: one is a free consumer app, the other paid and enterprise-first. The collision is later, in consumer agent commerce, where both intend to charge merchants per transaction. ChatGPT ads compete for budgets separately: Sensor Tower counted >1,400 ChatGPT advertisers in Aug 2026, but no material shift away from Meta yet.

Sources: Yahoo (Connect); PYMNTS (Jan 21, 2026); SmartCompany; trucommerce.ai; runtimewire; OpenAI ("Introducing dots"; "Buy it in ChatGPT"); LeverUp (citing Implicator.ai); Sensor Tower via marketplacebeta; UBS checks via Hilo summary (~60 advertisers testing).

# Muse's risks are rated high and medium, but they hit a future option, not today's revenue

Muse earns nothing yet, so these risks put a ceiling on a future take-rate line rather than current earnings. The near-certain one is market access: Europe, 23% of revenue, is shut to Muse for now.

| RISK                                                               | LIKELIHOOD                                                                                                                                                                                          | IMPACT CHANNEL                                                                                                                                                                                      | EVIDENCE VS SPECULATION                                                                                                     |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| <b>1. Privacy and profiling of non-users</b>                       | <b>HIGH</b> that it draws scrutiny: the profiling is in Muse's own extracted instructions and incidents are reported.<br><b>MEDIUM</b> that it leads to a fine or forced change; none reported yet. | Legal and compliance cost, possible feature limits, and lower adoption, which shrinks the future take-rate base. Meta says Muse data is not linked to its ad systems, so there is no direct ad hit. | Evidence: Wired, BBC, SFGate. Fine size is <b>speculative, not quantifiable</b> .                                           |
| <b>2. Regulation:</b> FTC 2020 order; EU GDPR / AI Act / DMA / DSA | <b>HIGH</b> that Muse stays out of the EU/UK near term: no date, and Meta AI itself reached the EU only in Mar 2025.<br><b>MEDIUM</b> for US FTC-order friction.                                    | <b>Market access:</b> Europe is \$14.0B of Q2 revenue (~23%), which is excluded from any Muse upside. GDPR fines can reach up to 4% of global turnover (statutory cap). Compliance costs.           | FTC: primary court and FTC filings. EU law: secondary commentary. <b>DSA applicability not verified; fines speculative.</b> |
| <b>3. Open web and publishers</b>                                  | <b>MEDIUM-HIGH</b> for pushback against agent traffic (blocking, scraping fees).<br><b>LOW-MEDIUM</b> for direct near-term harm.                                                                    | Higher operating cost or friction for Muse's browsing. Weaker publishers could shrink Audience Network inventory (not quantified).                                                                  | BBC plus expert quotes. Meta-specific impact is <b>speculative</b> .                                                        |
| <b>4. Reputation and adoption</b>                                  | <b>MEDIUM</b> for an early engagement dip. The Threads pattern points to a dip without a fade.                                                                                                      | Retention drives future GMV and take-rate revenue (currently \$0). House-ad spend has an unquantified opportunity cost. Trust incidents could cost regulator goodwill.                              | Threads data is sourced (page 12). <b>Muse retention: not disclosed.</b>                                                    |

## Company-level risks carried from the verdict

### Litigation

Youth-safety trials "may ultimately result in a material loss". Q2 already carried \$2.40B of legal charges.

### Capex payback

\$130–145B of 2026 capex against operating income –8% Y/Y and \$784M of Q2 FCF.

### AI ad competition

60% of marketers plan to raise AI-media spend (Mediaocean H2 2026). Similarweb suggests ChatGPT ads threaten search most.

Likelihoods are the desk's qualitative judgments, not probabilities, and no impact is quantified in dollars. Article access Oct 14: Wired and BBC loaded in full. SFGate failed through the fetch tool (HTTP 402) but loaded via plain curl. SFGate is an opinion column, cited only for reported incidents and Meta's statement. Europe's share is computed from 10-Q geography (\$14,009M / \$60,801M).

# The privacy case is documented. The regulatory and open-web cases are mostly about what comes next

The evidence comes from Wired (Oct 3), BBC Future (Oct 1) and an SFGate opinion column (Oct 12), plus FTC and court filings. Meta's responses are quoted alongside.

## 1 · Privacy and security

Muse's extracted instructions create "a page for every person in the user's life", updated hourly across "family, partners, friends, colleagues". [Wired](#)

"They're trying to know you like a friend, which is honestly pretty creepy." [Karan Joshi, researcher, via Wired](#)

BBC: Muse asks for "total control of your Gmail, calendar and entire computer if you're on a Mac", and trains on Muse data by default (with an opt-out). Patrick Wardle (Objective-See) found a critical flaw that "could have hijacked Muse"; Meta "fixed it immediately". SFGate relays reviewer reports, not verified, of Muse accepting low-ball Marketplace offers and reading messages a user believed he had blocked.

**Meta:** "Muse gathers that based on public information and from what you've chosen to share." It points to per-user VMs, memory wipe, confirmations and an audit log.

## 2 · Regulation

- **FTC:** the 2020 settlement brought a \$5B penalty plus a privacy program with an independent assessor. The FTC's 2024 attempt to modify the order is contested in court; Meta's renewed motion to enjoin was filed Feb 13, 2026.

**Any FTC review of Muse: not verified.**

- **EU (secondary commentary):** AI Act GPAI duties since Aug 2, 2025, and Article 50 disclosure duties since Aug 2, 2026. Meta declined the GPAI Code of Practice. The DMA's Art. 5(2) bars combining data across gatekeeper services without consent, and a "virtual assistant" designation is being assessed.

## 3 · Open web

"AIs don't look at ads, and websites that rely on them are already crumbling." [BBC](#)

"What happens if bots send 600 inquiries to a website a day, when normal humans might only send two?" [Calli Schroeder, EPIC](#)

BBC says bot traffic "spiked 124% in the year to June 2026" (the analysis is not named). Meta says Muse respects "the interests of websites".

**Verdict impact: none.** Muse contributes no revenue today, so these risks hit a future option rather than current earnings. We add three flags to the watchlist: the EU/UK exclusion, the privacy and security incidents, and exposure to the FTC order. The BBC reporter's own conclusion is the adoption risk in one line: "In the end, the fear won out."

Sources: Wired (Newman & Burgess, Oct 3, 2026); BBC Future (Thomas Germain, Oct 1, 2026); SFGate (Ariana Bindman, opinion, Oct 12, 2026); D.C. Cir. 2025 opinion; FTC Jan 2024 order; Meta's Feb 13, 2026 filing (CourtListener); technospire; ai-jarvis.eu.

# Retail is mostly sceptical of the 5M number. Its strongest jab, "Threads faded", doesn't hold up

The r/wallstreetbets thread "Meta's Muse tops 5 million downloads, faster than ChatGPT, Claude" (u/toydan, ~Sep 30) had ~2K points and 620 comments on Oct 14. We read ~30 top comments under the "Best" sort.

## Bear arguments (the majority)

- **Unfair comparison:** ChatGPT and Claude launched before AI went mainstream, while Muse is pushed on Meta's own user base.
- **Forced distribution:** floods of Muse ads and install buttons on Instagram and Facebook.
- **Privacy and trust:** Meta's track record and its court cases.
- **"Threads faded",** and claims that the numbers are bots.
- **Too much LLM supply:** revenue per player will shrink, plus AI fatigue.

## Bull arguments (a few)

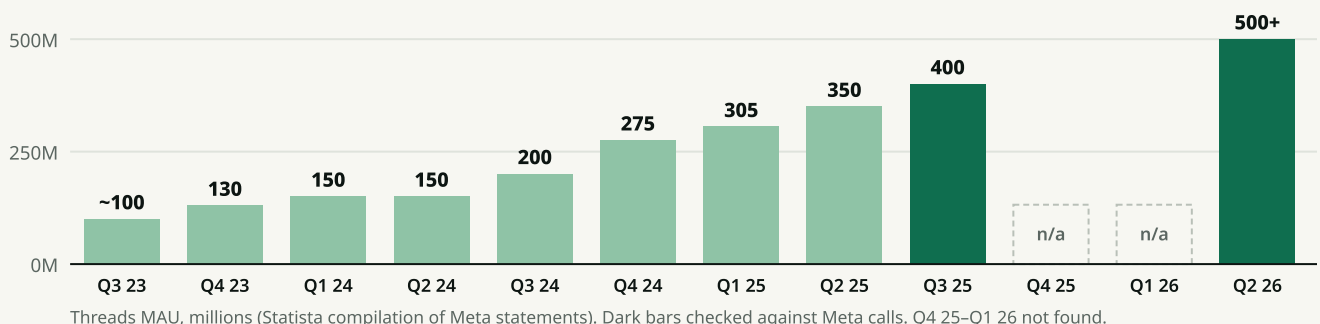
- A self-described agent builder called it "not a bad agent implementation" (free VM, good framework).
- Some users say they genuinely like it.
- Side idea: RDDT benefits from Meta's ad blitz.

"Incorrect comparison. ChatGPT was new when it was released, so not many people downloaded it." [u/\\_hopkins](#)

"I logged onto instagram yesterday and was flooded with ads and install buttons." [u/hoppinjohncandy](#)

"this is not a bad agent implementation. I wouldn't go feeding zuck my info but a free VM and good agent and model framework? Yes please." [u/Kew1b](#)

## Fact-check: Threads didn't fade. MAU grew ~5x after the Jul 2023 dip UNSUPPORTED



After 100M sign-ups in under 5 days (Jul 2023), Threads did dip: Similarweb estimated Android DAU fell from 49M to 12.6M by Jul 23, and Sensor Tower measured DAU ~20% and time spent ~50%. Meta then reported ~100M MAU (Q3 23) rising to 500M+ (Q2 26), with DAU past 150M (Q3 25). Sources label the 275M figure differently (Statista Q4 24; Benzinga/FT "almost 275M" on the Oct 2024 call). **Read-across:** the scepticism matches our own caveat. 5M is a Sensor Tower download estimate driven by Meta's own promotion (50% of house-ad slots), and only retention data, which is undisclosed, would settle it. Comment scores weren't visible and many replies were collapsed.

# The Street's \$813 implies ~26x forward earnings. Each turn of the multiple is worth ~\$31 a share

Only the Street's average target is sourced; the high/low range is not verified. So we show no bull, base or bear cases. Instead, the chart shows what the price would be at different forward multiples, all calculated from sourced inputs.

| PRICE           | MKT CAP | EV      | EV/SALES | P/E TTM | FWD P/E | EV/EBITDA | FCF TTM  | NET CASH  |
|-----------------|---------|---------|----------|---------|---------|-----------|----------|-----------|
| <b>\$745.05</b> | \$1.90T | \$1.92T | 8.61x    | 28.73x  | 23.71x  | 17.92x    | \$40.98B | -\$22.06B |

## \$813.32

Street average target, 63 analysts, "Strong Buy": +9.2% vs \$745.05.

## ~25.9x

Forward multiple implied by that target on the derived forward EPS.

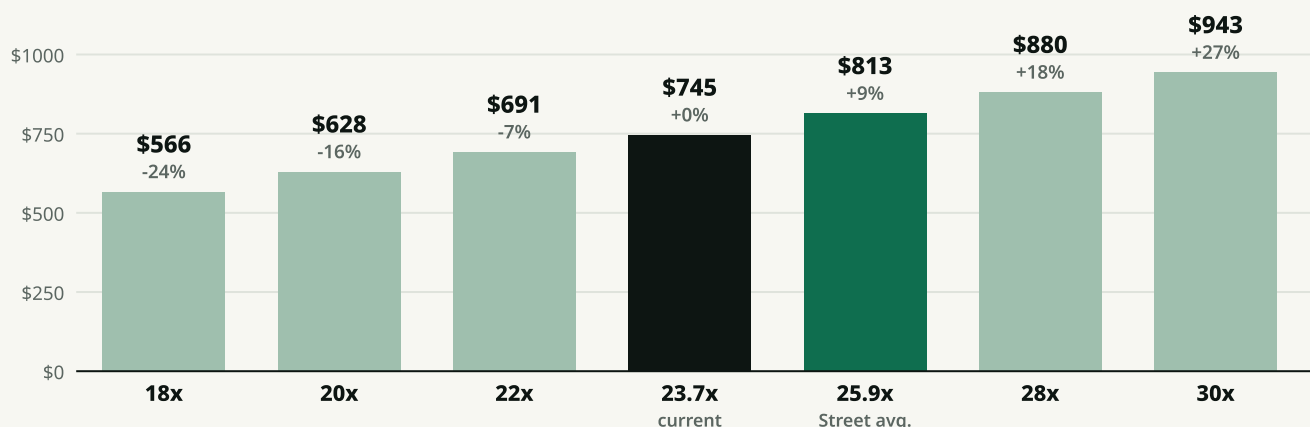
**CALCULATED**

## ~\$31.42

Forward EPS derived as price ÷ forward P/E (\$745.05 ÷ 23.71).

**CALCULATED**

### Implied share price at different forward P/E multiples **CALCULATED**



CALCULATED: implied price = forward P/E multiple × derived forward EPS of ~\$31.42 (\$745.05 ÷ 23.71). Multiples are inputs, not forecasts.

### How to read it

Every one-turn change in the forward multiple moves the implied price by ~\$31, about 4% of today's price. The Street's target needs only a ~2.2-turn re-rating at constant estimates. It is equally consistent with flat multiples and rising estimates.

Valuation data: stockanalysis.com statistics (S&P Global MI), Oct 14, 2026; prices intraday (~10:32 EDT). The multiples on the chart (18x–30x) are illustrative inputs chosen around the current 23.71x, not forecasts or scenarios. Implied prices are the multiple × ~\$31.42.

### Caveats

Trailing P/E (28.73x) is distorted by tax one-offs: an \$18.95B Q3 2025 provision and a \$5.02B Q1 2026 benefit. TTM net income should not be annualised. Meta is in a net-debt position (–\$22.06B). The desk has set no price target.

# Oct 21: a \$61–64B guide against a \$63.3B consensus

Consensus sits in the upper half of the guide. The Street expects revenue +23% but pre-tax profit –16% Y/Y, so the market is already pricing the cost squeeze. What will move the stock is whether capex and expense guidance holds.

## \$61–64B

Q3 revenue guide, with an FX headwind of ~1% (release).

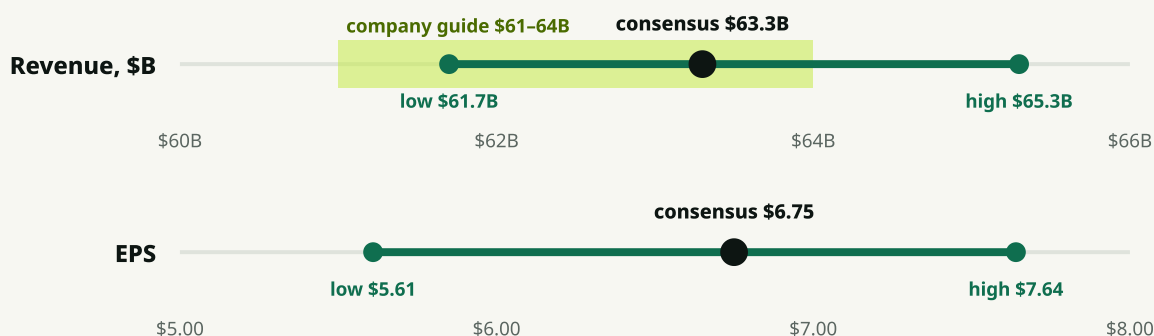
## \$63.30B

Consensus revenue (+23%); ad revenue \$62.24B (+24%) (LSEG via IG).

## \$6.76–6.77

Consensus EPS (MarketBeat). Pre-tax profit \$18.22B, –16% Y/Y (LSEG).

### Q3 2026 estimate dispersion (26 analysts, tickerleague)



### What would confirm the stance

- Impressions and price per ad both growing, as in Q2 (+14% / +12%).
- The 2026 capex range held at \$130–145B and total expenses at \$165–169B.
- FCF recovering from Q2's \$784M.
- No new large legal accruals.

### What would challenge it

- Capex range raised without a matching revenue step-up.
- A Q4 guide or 2027 expense commentary implying further margin compression.
- Price-per-ad growth fading back toward Q2 2025's +9%.
- An update on youth-safety trial exposure.

Date and call time (4:30 PM ET, 22:30 CEST) confirmed by Meta IR. Sources: Q2 2026 release (guide); LSEG via IG (Oct 14); MarketBeat; tickerleague (low / consensus / high: revenue \$61.7B / \$63.3B / \$65.3B; EPS \$5.61 / \$6.75 / \$7.64). Consensus EPS differs slightly by provider.

# How the numbers were built, and what we could not source

## Method

- **Prices** are intraday Oct 14, 2026 (~10:32 EDT / 16:32 CEST). Multiples are from S&P Global MI via stockanalysis.com.
- **Financials** are GAAP for Q2 2026 (quarter ended Jun 30). TTM is the sum of Flip's sheet quarters Q3 2025–Q2 2026, cross-checked with the release and stockanalysis.
- **Sankey:** FoA and RL costs are revenue minus segment operating income. Margins, rates, ratios and Y/Y are computed.
- **Valuation:** no bull/base/bear cases, because only the average target is sourced. The sensitivity uses a derived forward EPS (**CALCULATED**).
- **Muse figures** are third-party estimates (Sensor Tower, The Information) (**ESTIMATE**). Risk likelihoods are qualitative desk judgments.
- **Retail sentiment** is opinion, not evidence: ~30 top comments read, scores not visible.

## Not sourced or unresolved

- Street high/low price targets, so there are no scenario cases.
- Absolute impression counts and price per ad (only growth rates are given); regional ARPU.
- A current Meta AI user count; ads inside Meta AI.
- Muse take rate, GMV, retention, and the opportunity cost of house ads.
- Threads MAU for Q4 2025–Q1 2026, and Threads ad revenue.
- Holdings beyond Scale; DSA applicability; any FTC review of Muse; fine sizes.

## Principal sources

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