Stock Report | **November 20, 2021** | NasdaqGS Symbol: **FB** | **FB** is in the S&P 500

Meta Platforms, Inc.

Recommendation	Price	12-Mo. Target Price	Report Currency	Investment Style
HOLD ★★★★★	USD 345.30 (as of market close Nov 19, 2021)	USD 357.00	USD	Large-Cap Growth

Equity Analyst Angelo Zino, CFA

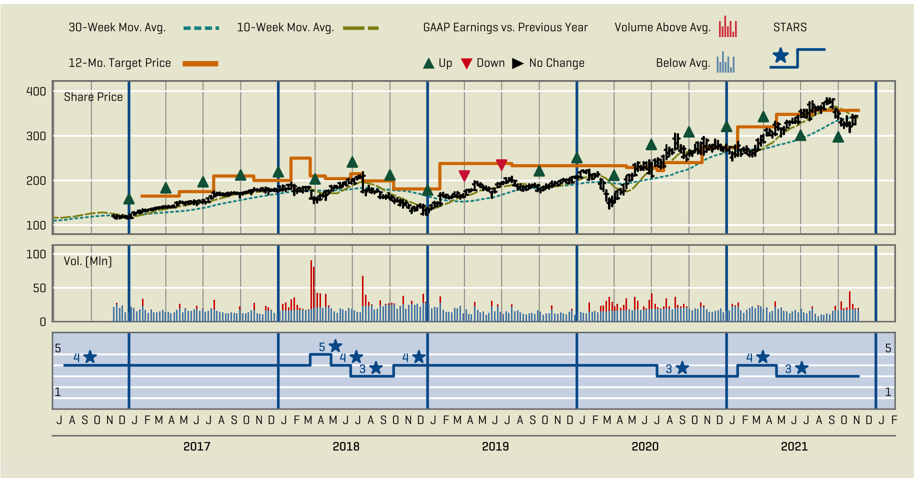
GICS Sector Communication Services
Sub-Industry Interactive Media and Services

Summary FB operates the largest social networks in the world, including "core" Facebook, Messenger, Instagram, and WhatsApp, with more than 1.6B daily active users.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 382.18 - 245.64**	Oper.EPS2021**E**	**USD 14.05**	Market Capitalization[B]	**USD 942.15**	Beta	**1.32**
Trailing 12-Month EPS	**USD 13.97**	Oper.EPS2022**E**	**USD 15.27**	Yield [%]	**N/A**	3-yr Proj. EPS CAGR[%]	**21**
Trailing 12-Month P/E	**24.71**	P/E on Oper.EPS2021**E**	**24.58**	Dividend Rate/Share	**N/A**	SPGMI's Quality Ranking	**NR**
USD 10K Invested 5 Yrs Ago	**29,310.0**	Common Shares Outstg.[M]	**2,793.00**	Institutional Ownership [%]	**64.0**		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by **Angelo Zino, CFA** on Nov 01, 2021 09:03 AM ET, when the stock traded at **USD 326.00**.

Highlights

▶ We forecast revenue to grow 16% in 2022 after our projection for a 36% rise in 2021. We see sales driven mainly by higher monetization (average revenue per user up 27% in Q3) as ad spend continues to shift from traditional media to online/digital with superior and improving ROI. While we believe that FB is looking to retool in an effort to better serve young adults (18 to 29), we see Monthly Active Users (MAUs) growing at a low single digit percentage over the next three years, with growth almost completely from Asia, Africa, and Latin America. We expect headwinds from iOS ad tracking changes to linger in the coming quarters while supply constraints appear to be a transitory issue.

▶ We estimate an adjusted EBITDA narrowing to the low 50% range in 2022 versus our 55% margin view for 2021. We see operating expenses growing more than 30% in 2022, as FB more heavily reinvests into the business to support growth initiatives. Its efforts in Facebook Reality Labs alone will be a $10B headwind on 2021 operating profit.

▶ We expect capital spending of $29B-$34B in 2022, which compares to an estimated $19B in 2021, driven by rising investments in AI and machine learning capabilities.

Investment Rationale/Risk

▶ Our Hold reflects a balance between FB's regulatory risk, decelerating growth, and attractive financial position. Despite iOS ad tracking changes, we see FB addressing issues on ad targeting and measurement through new capabilities that will take time to fully execute. We see multiple potential sources of non-ad revenue given 1.9 billion Daily Active Users (DAUs), with various monetization schemes in e-commerce and payments. FB's most promising moonshot, in our view, is the creation/evolution of the metaverse, where it is releasing new AR/VR products and services to help develop the next generation of online social experiences.

▶ FB faces regulatory risks that could potentially dovetail with social user and/or advertiser backlash, especially against FB's "hands off" editorial approach to content. Other concerns include lower user engagement and inability to attract the younger generation across its ecosystem.

▶ Our 12-month target price of $357 is based on a P/E of 23.4x our 2022 EPS view of $15.27, near FB's three-year historical forward average but below peers to reflect its lower growth profile. We see annual free cash flow exceeding $35B, with aggressive buybacks supporting shares.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH

Our risk assessment reflects changing technologies and tastes, considerable competitive threats, and legal and regulatory issues, only partly offset by what we view as attractive global brands and platforms as well as multiple monetization opportunities.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2023	--	--	--	--	**E** 162,775
2022	**E** 30,000	**E** 32,000	**E** 34,000	**E** 40,200	**E** 136,200
2021	26,171	29,077	29,010	**E** 29,030	**E** 117,078
2020	17,737	18,687	21,470	28,072	85,966
2019	15,077	16,886	17,652	21,082	70,697
2018	11,966	13,231	13,727	16,914	55,838

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2023	--	--	--	--	**E** 18.09
2022	**E** 3.30	**E** 3.52	**E** 3.61	**E** 4.84	**E** 15.27
2021	3.30	3.61	3.22	**E** 3.92	**E** 14.05
2020	1.71	1.80	2.71	3.88	10.09
2019	0.85	0.91	2.12	2.57	6.43
2018	1.69	1.74	1.76	2.38	7.57

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid in the last year.

Business Summary Nov 01, 2021

CORPORATE OVERVIEW. Meta Platforms, Inc. is the world's largest social media company and is a classic two-sided platform with an advertising-based business model. Individuals use its platforms for free, creating their own pages, linking with "friends", attracting "followers", posting/sharing content (text, photos, videos), and commenting on that content – all which enable more precise targeting of ads relevant to users' interests and more in-depth measurement and analysis of ad campaigns.

Starting with FB's results for the fourth quarter of 2021, the company will break out Facebook Reality Labs, or FRL, as a separate reporting segment. FB is dedicating significant resources toward augmented and virtual reality products and services, which are an important part of its work to develop the next generation of online social experiences. Under this reporting structure, FB will provide revenue and operating profit for two segments: 1) Family of Apps, which will include Facebook, Instagram, Messenger, WhatsApp and other services, and 2) Facebook Reality Labs, which will include augmented and virtual reality related hardware, software and content.

FB holds a 22% share (2020, eMarketer) of the $378B global online/mobile ad market, second only to Alphabet at 28% with five others' shares in single digits. In 2012, FB was the first social network to hit 1 billion Monthly Active Users (MAUs). By 2021, FB had 2.8B MAUs, around one-third of all humans, across its four social networks (Facebook, Messenger, Instagram, and WhatsApp), albeit with significant overlap.

COMPANY HISTORY. Mark Zuckerberg founded Facebook in 2004 at Harvard with Eduardo Saverin, Andrew McCollum, Dustin Moskovitz, and Chris Hughes inspired by building an online version of Harvard's "face book" of student profiles. FB quickly grew beyond Harvard, but prospective membership was expanded in stages: Columbia, Stanford, and Yale were invited first; then other Ivies; then Boston schools; North American schools; and, finally, everybody in the world in 2006. This staged approach created cache and anticipation around membership and enabled the system to scale in manageable increments to maintain performance.

In 2006, FB added the News Feed, an early key to success that gave users a compelling reason, even "compulsion", to constantly return to check their friends' updates, memes, etc. This contrasted with the static content of MySpace, which had 200 million users when FB passed it in 2008. Photo-tagging was another key, jacking up user engagement when it was added in 2010 and turbocharged by the proliferation of smartphones with digital cameras. By 2012, users were uploading and accessing photos way more than expected, noticeably slowing performance. This prompted FB to invest $2B+ to transition completely from slower mechanical hard drives to solid state storage by 2014.

FB is not as acquisitive as its Big Tech peers, but two deals, Instagram in 2012 for $1B and WhatsApp in 2014 for $19B, had a major impact, becoming two of FB's four social networks. Instagram now generates ~50% of revenue. Another acquisition, Oculus in 2014 for $2B, holds considerable potential as the leading consumer virtual reality platform.

REGULATORY RISK. FB faces serious and intensifying regulatory risks that appear to be dovetailing with and fueled by a broader public backlash, especially in the U.S. While "reg risk" is now higher for all Big Tech, we view FB as most vulnerable. For years, FB has de-emphasized and neglected government relations (GR, i.e., "lobbying"), reflected in its inconsistent and incompetent GR efforts to date, often appearing hostile to government concerns in the U.S., the E.U., and Australia. In our view, FB's instinct toward hostility and grievance seems to leave it one step behind and out of synch. At times, it appears other Big Tech members are setting FB up to take the full brunt of the likely coming legal changes that could potentially restrict its business far more intrusively or even force a break-up of the company.

We highlight that Congress is taking aim at Big Tech through a number of bipartisan bills that look to rein in FB, Google, Amazon, and Apple by trying to curtail the capabilities of their online businesses along with other lines of business that kill competition. We expect to see greater traction on this subject as we enter 2022. We also expect a refiled antitrust lawsuit of Facebook, with the new complaint providing additional details to support the FTC's "personal social networking" market definition and FB monopoly power.

FINANCIAL TRENDS. FB's product is the attention of its users, which are kept riveted by royalty-free content those same users create. Therefore, despite regulatory risk, FB is inherently a very profitable business, increasingly so with scale, with EBITDA margins seen at well over 50% in the foreseeable future despite a period of heavy investments.

For years now, advertising has generated 95%+ of total revenue. However, when FB IPO'd in 2012, 16% of revenue came from third-party apps and games, almost all of which from in-game purchases on Zynga's social free-to-play game, Farmville. We think it is important to note that FB has demonstrated other monetization methods (e.g., "social" shopping, payments, subscriptions for specific groups or activities) given that it may need to diversify in response to governmental and social pressures. Nevertheless, FB's growth will be likely ad-based for years to come, as it continues to ride the "big shift" of ad spend from traditional media (TV, radio, print) to online/mobile platforms. It was not until 2019 when global online/mobile ad revenue ($336B, eMarketer) passed traditional media ($321B), so this trend has more room to run, in our view. Digital ad spend is seen at $455B in 2021, representing 61% of total media ad spending.

FB had total cash and equivalents along with long-term investments of nearly $65B at the end of September 2021, along with an absence of debt. Despite our outlook for significant capital spending increases in the coming years, partly reflecting FB's long-term initiatives on the metaverse, we forecast free cash flow growing from an estimated $35B in 2021 to $38B in 2022 and $43B in 2023.

Corporate information

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Officers

Founder, Chairman & CEO M. E. Zuckerberg	**Chief Technology Officer** M. T. Schroepfer
Founder, Chairman & CEO M. E. Zuckerberg	**COO & Director** S. K. Sandberg
Chief Legal Officer J. G. Newstead	**Chief Financial Officer** D. M. Wehner
Chief Accounting Officer S. S. Taylor	

Board Members

A. W. Houston	P. M. Alford
M. E. Zuckerberg	R. M. Kimmitt
M. L. Andreessen	S. K. Sandberg
N. Killefer	T. T. Travis
P. A. Thiel	

Domicile Delaware	**Auditor** Ernst & Young LLP

Founded
2004

Employees
68,177

Stockholders
N/A

Quantitative Evaluations

Fair Value Rank

1	2	3	4	**5**

LOWEST HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **USD 493.42**

Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that FB is undervalued by USD 148.12 or 42.90%

Volatility

LOW	AVERAGE	HIGH

Technical Evaluation **NEUTRAL**

Since June, 2021, the technical indicators for FB have been NEUTRAL"

Insider Activity

UNFAVORABLE	NEUTRAL	FAVORABLE

Expanded Ratio Analysis

	2020	2019	2018	2017
Price/Sales	9.18	8.35	6.86	12.83
Price/EBITDA	19.96	17.00	13.10	22.46
Price/Pretax Income	23.78	23.79	15.10	25.33
P/E Ratio	27.07	31.92	17.32	32.74
Avg. Diluted Shares Outstg. (M)	2888.00	2876.00	2921.00	2956.00

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	57.67	22.30	51.20
Sales	21.60	28.35	36.82
Ratio Analysis (Annual Avg.)			
Net Margin (%)	33.90	33.22	35.16
% LT Debt to Capitalization	7.24	5.26	3.16
Return on Equity (%)	25.42	24.43	23.38

Company Financials Fiscal year ending Dec 31

Per Share Data (USD)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tangible Book Value	38.12	28.56	22.61	18.67	13.35	8.10	5.11	5.42	4.39	3.11
Free Cash Flow	8.29	7.43	5.31	6.03	4.06	2.78	2.10	1.18	0.19	0.73
Earnings	10.09	6.43	7.57	5.39	3.49	1.29	1.10	0.60	0.01	0.46
Earnings (Normalized)	7.18	6.48	5.43	4.35	2.67	1.36	1.15	0.71	0.14	0.70
Dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Payout Ratio (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Prices: High	304.67	208.93	218.62	184.25	133.50	110.65	82.17	58.58	45.00	N/A
Prices: Low	137.10	128.56	123.02	115.51	89.37	72.00	51.85	22.67	17.55	N/A
P/E Ratio: High	30.20	32.50	28.90	34.20	38.20	85.60	74.50	98.30	NM	NM
P/E Ratio: Low	13.60	20.00	16.30	21.40	25.60	55.70	47.00	38.00	NM	NM
Income Statement Analysis (Million USD)										
Revenue	85,965	70,697	55,838	40,653	27,638	17,928	12,466	7,872	5,089	3,711
Operating Income	32,671	28,986	24,913	20,203	12,427	6,225	4,994	2,921	538.00	1,756
Depreciation + Amortization	6,862	5,741	4,315	3,025	2,342	1,945	1,243	1,011	649.00	323.00
Interest Expense	N/A	N/A	N/A	6.00	10.00	23.00	23.00	56.00	51.00	42.00
Pretax Income	33,180	24,812	25,361	20,594	12,518	6,194	4,910	2,754	494.00	1,695
Effective Tax Rate	12.20	25.50	12.80	22.60	18.40	40.50	40.10	45.50	89.30	41.00
Net Income	29,146	18,485	22,112	15,934	10,217	3,688	2,940	1,500	53.00	1,000
Net Income (Normalized)	20,738	18,633	15,851	12,871	7,824	3,871	3,069	1,794	308.80	1,059
Balance Sheet and Other Financial Data (Million USD)										
Cash	61,954	54,855	41,114	41,711	29,449	18,434	11,199	11,449	9,626	3,908
Current Assets	75,670	66,225	50,480	48,563	34,401	21,652	13,390	13,070	11,267	4,604
Total Assets	159,316	133,376	97,334	84,524	64,961	49,407	39,966	17,895	15,103	6,331
Current Liabilities	14,981	15,053	7,017	3,760	2,875	1,925	1,424	1,100	1,052	899.00
Long Term Debt	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,504	N/A
Total Capital	139,467	111,378	84,627	74,347	59,194	44,533	36,329	15,946	14,115	5,576
Capital Expenditures	15,115	15,102	13,915	6,733	4,491	2,523	1,831	1,362	1,235	606.00
Cash from Operations	38,747	36,314	29,274	24,216	16,108	10,320	7,326	4,222	1,612	1,549
Current Ratio	5.05	4.40	7.19	12.92	11.97	11.25	9.40	11.88	10.71	5.12
% Long Term Debt of Capitalization	7.20	8.60	N/A	N/A	N/A	0.20	0.30	1.50	14.10	7.10
% Net Income of Revenue	33.90	26.10	39.60	39.20	37.00	20.60	23.60	19.10	1.00	26.90
% Return on Assets	13.95	15.70	17.12	16.89	13.58	8.71	10.79	11.06	3.14	23.55
% Return on Equity	25.40	20.00	27.90	23.90	19.80	9.20	11.40	11.00	0.60	28.30

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sub-Industry Outlook

We have a positive fundamental outlook for the Interactive Media & Services sub-industry over the next 12 months, reflecting the ongoing shift of total global advertising spend from traditional broadcast TV/radio and print media to Internet/digital media. This shift is driven by the increasing time consumers spend on Internet/digital vs. traditional media and by the superior return on investment (ROI) of Internet/digital for the advertiser due to more precise targeting, richer feedback, and a more efficient ad buying process that is mostly auction-based and increasingly programmatic. We expect the increasing application of machine/deep learning techniques to generate even higher ROI from Internet/digital campaigns over time.

According to eMarketer, total media ad spend is seen growing 15% in 2021 to $748 billion, rising an additional 10% in 2022 and eclipsing $1 trillion by 2025. Total global digital ad spending is seen reaching $455 billion in 2021 (61% of total media ad spend). Of that, about 55% will go to display advertising and 40% will go to search. According to eMarketer, three years ago the gap between display and search was only around 10 percentage points, but now it is 15, equating to around $68 billion more in spending for display than for search. Consumer shifts toward social media and digital video are accelerating the rise of display.

Sometimes, paradigm shifts in tech lead to massive and sudden share losses by the incumbents of the old paradigm – e.g., Uber vs. taxis and Apple/Android vs. Blackberry and Nokia in smart phones. This has not been the case in advertising where the shift to the Internet/digital paradigm has already taken 15+ years due to the fungibility of ad spend, the retained value of traditional media (e.g., a Super Bowl TV ad still reaches 500M+ viewers and that value is not reduced by social media ads), and advertisers' organizational inertia and habits; however, we see the second half of this shift proceeding more rapidly.

We expect revenue growth to decelerate for social media participants Alphabet (GOOG.L), Facebook (FB), Twitter (TWTR), Snapchat (SNAP), and Pinterest (PINS). This largely reflects tougher comparisons heading into 2022 as the recovery continues, coupled with a number of headwinds in the intermediate term. We expect growth to be partly hindered by ad tracking changes on iOS (broadly rolled out in June/July) as well as supply constraints that have reduced the need for advertising partners to spur customer demand. Despite iOS ad tracking changes, we see new measurement solutions gaining traction/supporting ad partners over time and believe the industry remaining well-positioned to benefit from increasing user engagement and a growing digital ad market.

We also underscore the tremendous profitability and substantial operating leverage inherent to the businesses in this sub-industry. We also note the large adjacent markets into which both are expanding (e.g., GOOGL's enterprise cloud services and FB's VR/AR apps) or planning to expand (e.g., autonomous vehicles, drone delivery, payments). The tremendous opportunity we see in this sub-industry is partially offset by the persistent threat of greater regulation regarding alleged anti-trust violations, data privacy, and most recently claims of unfair political bias.

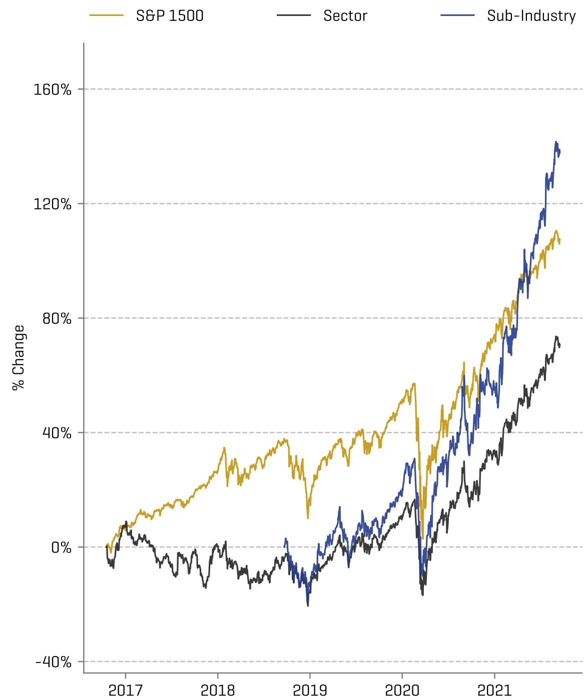
Year-to-date through October 22, 2021, the S&P 1500 Interactive Media & Services sub-industry index is up 42.1% versus a 21.1% increase for the broaders S&P 1500.

/ Angelo Zino, CFA

Industry Performance

GICS Sector: Communication Services
Sub-Industry: Interactive Media and Services

Based on S&P 1500 Indexes
Five-Year market price performance through Nov 20, 2021



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Interactive Media and Services Peer Group*: Interactive Media and Services

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Meta Platforms, Inc.	**FB**	**NasdaqGS**	**USD**	**338.69**	**942,154.0**	**-0.4**	**24.5**	**34.0**	**493.42**	**N/A**	**25.4**	**7.2**
Adevinta ASA	ADEV.F	OTCPK	USD	16.44	200,960.0	-3.8	-13.5	NM	N/A	N/A	-5.1	46.8
IAC/InterActiveCorp	IAC	NasdaqGS	USD	130.19	11,661.0	-12.3	-3.4	44.0	N/A	N/A	5.1	11.0
Kuaishou Technology	KUAS.F	OTCPK	USD	12.00	64,637.0	16.5	N/A	NM	N/A	N/A	108.1	609.0
Match Group, Inc.	MTCH	NasdaqGS	USD	142.39	40,309.0	-11.4	8.4	71.0	N/A	N/A	40.0	147.7
Pinterest, Inc.	PINS	NYSE	USD	46.00	30,001.0	-17.2	-28.6	NM	30.22	N/A	-6.0	5.7
Snap Inc.	SNAP	NYSE	USD	53.47	86,076.0	-30.0	31.6	NM	N/A	N/A	-41.2	45.3
Twitter, Inc.	TWTR	NYSE	USD	48.60	38,789.0	-26.5	12.2	NM	N/A	N/A	-13.6	27.2
Weibo Corporation	WB	NasdaqGS	USD	41.76	9,515.0	-15.0	-6.3	30.0	N/A	N/A	12.2	45.7
Z Holdings Corporation	YAHO.Y	OTCPK	USD	14.18	54,447.0	15.4	28.2	116.0	N/A	N/A	4.4	31.7
ZoomInfo Technologies Inc.	ZI	NasdaqGS	USD	77.35	31,189.0	11.2	95.4	NM	N/A	N/A	-7.9	45.0

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available; NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

November 01, 2021
08:59 AM ET... CFRA Maintains Hold Opinion on Shares of Meta Platforms, Inc. (FB 326.49***):
Last Thursday, FB officially changed its parent name to Meta Platforms from Facebook and will detail operating results of these initiatives in a new Facebook Reality Labs (FRL) segment. Although we think it makes sense for FB to look for new opportunities as growth sharply decelerates, we caution investors that the metaverse will take years to come to fruition and will come at a hefty price. FRL will reduce '21 operating profit by $10B while capex will see a sharp boost to $29B-$34B in '22 ($19B estimated in '21). In the interim, FB will look to help the adoption of the metaverse by rolling out AR/VR hardware devices and we believe other Big Tech giants are helping with this shift (for instance, Apple's AR initiatives with developers and planned hardware devices). The rebrand effort is also intended to help the company better cater to a younger demographic (age 18 to 29), as its platform has aged over the years. Separately, starting December 1, the company's shares will trade under the stock symbol MVRS. / Angelo Zino, CFA

October 26, 2021
05:28 AM ET... CFRA Maintains Hold Opinion on Shares of Facebook, Inc. (FB 336.33***):
We keep our 12-month target price at $357, on P/E of 23.4x '22 EPS view, near FB's five-year historical forward average. We raise our '21 EPS forecast to $14.05 from $13.14 but cut '22 to $15.28 from $18.09. FB posts Q3 EPS of $3.22 vs. $2.71, beating the $3.18 consensus. Sales grew 35%, slightly below expectations, with monthly active users rising 6% while average revenue per user increased about 27%. Although Q4 guidance missed the mark, partly reflecting headwinds from iOS ad tracking changes, expectations appear better than feared while FB also addressed improvements on the horizon through new ad targeting / ad tracking measurement initiatives. Regulatory concerns and media scrutiny surrounding business practices are risks, but engagement across FB's family of apps remains impressive. We find FB's efforts towards building the metaverse as intriguing, but will take years to come to fruition while coming at a steep price (reduces '21 operating profit by $10B; '22 capex rises to $29B-$34B from $19B in '21). / Angelo Zino, CFA

July 29, 2021
09:20 AM ET... CFRA Maintains Hold Rating on Shares of Facebook, Inc. (FB 373.27***):
We raise our target by $9 to $357 due to: 1) 2Q20 results reflecting the return of ad spend and a pandemic-accelerated shift to digital/online ads; 2) 56% Y/Y revenue growth driven mostly by monetization (ARPU +37% Y/Y), with U.S. and European user growth now flat; 3) 43% operating margin vs. 32% in 2Q20; 4) substantial regulatory risk, compounded by clumsy PR/lobbying and vulnerability as Big Tech's scapegoat; 5) lack of innovation, in our view, seen in multiple copy-cat efforts, e.g., Instagram Reels to match Snap and TikTok in short-form video to vie for the attention of younger users, Watch to compete with YouTube, etc., and now parroting Roblox's "metaverse" idea (what's next? Zune?). Our $357 target is a product of our '22 EPS forecast of $15.27 (+$0.19) and 23.4x P/E (two-year mean, less 8% due to reg risk). Revenue of $29B, +56% Y/Y, beat consensus by $1.19B; EPS doubled Y/Y to $3.61 and beat by $0.58. We also raise our EPS forecast for '21 by $0.09 to $13.14 but cut '23 by $0.16 to $18.09. / John Freeman

May 03, 2021
12:15 AM ET... CFRA Lowers Rating on Shares of Facebook, Inc. to Hold from Buy (FB 325.34***):
We cut our rating to Hold from Buy but raise our target by $28 to $348, taking money off the table here given: 1) the +7% post-earnings move as Q1 revenue grew 48% Y/Y with the release of pent-up 2020 ad budgets in B&M retail, restaurants, sports events, etc., and a longer-lasting Covid-catalyzed transition of ad spend to digital from traditional media; 2) operating margin swelled by 1,000bps Y/Y to 43%, driving 93% Y/Y EPS growth; 3) largely offset for now with FB facing the biggest regulatory risk in Big Tech, with others likely conceding FB's vulnerable points – i.e., user data sales to third parties – trying to force FB to act as Big Tech's "backlash shield". Our $348 target is a product of our $15.08 '22 EPS forecast (+$0.81) and 23.1x PE (2-yr. mean, less 8% from reg. risk, partially offset by $52B in net cash). Q1 revenue of $26B, +48% Y/Y, beat consensus by $2.5B; EPS of $3.30, up from $1.71 in Q1 '20, beat by $0.96. We also raise our EPS forecasts for '21 by $1.37 to $13.05 and '23 by $0.42 to $18.25. / John Freeman

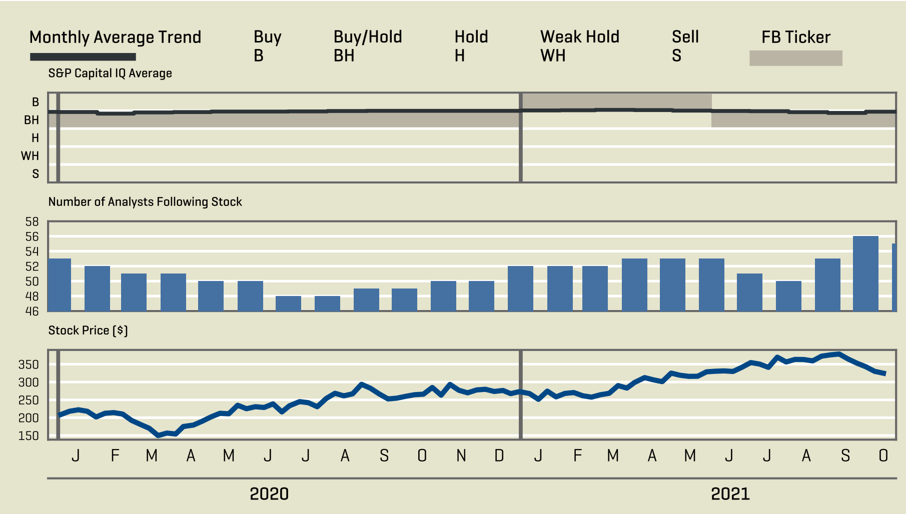
January 28, 2021
01:16 PM ET... CFRA Upgrades Rating on Shares of Facebook, Inc. to Buy from Hold (FB 275.00****):
We raise our rating to Buy and our target to $320 from $274 based on the following: 1) Q4 '20 revenue growth accelerated to 33% YoY, the highest since Q2 '18, indicating a very healthy comeback for online advertising and a faster shift from traditional media going forward vs. pre-Covid; 2) impressive operational execution and streamlining, resulting in a 4% YoY operating margin expansion to 46%; 3) VR is no longer a moonshot as FB's Oculus VR goggle sales surged and put FB in the lead of this emerging market with ~35% share (IDC), adding ~2% to total YoY growth in 4Q; 4) we remain concerned about leadership's ability to navigate FB's ongoing regulatory/PR risk. Our $320 target is the product of our '22 EPS forecast of $14.27 and 22.4x multiple (2-year mean, less 10%, due to reg./backlash risk, partially offset by $51B in net cash). Q4 revenue of $28B, +33% YoY, beat consensus by $1.6B; EPS of $3.88, +52% YoY, beat by $0.64. We also raise our EPS forecast for '21 by $1.09 to $11.68 and initiate '23 at $17.83. / John Freeman

November 02, 2020
02:40 AM ET... CFRA Maintains Hold Rating on Shares of Facebook, Inc. (FB 263.11***):
We maintain our Hold and raise our target by $34 to $274 based on: 1) Q3 2020 results that reflected a rebound in overall online/digital ad spend and an accelerating shift to online/digital advertising from traditional media; 2) a healthy operating margin of 37%, vs. 32% in Q2, but we expected it to be higher given 22% YoY revenue growth (vs. 11% in Q2); 3) active user growth of 12% YoY but only 1.4% QoQ, down from 3.8% in Q2 and 4.2% in Q1; 4) escalating risks from regulation, user/advertiser backlash, and share loss to competitors with less political baggage (e.g., Pinterest). Our $274 target is the product of a 21.3x P/E multiple against our 2022 EPS forecast (2-year mean, less 10%, due to reg./backlash risk, partially offset by $45 billion in net cash). Revenue of $21.5 billion, +22% YoY, beat consensus by $1.7 billion; EPS of $2.40 was up 13% YoY and beat by $0.49. Our EPS forecasts are now: $9.61 for 2020, up $1.42; $10.59 for 2021, down $0.82; and $12.86 for 2022, down $1.50. / John Freeman

July 31, 2020
12:26 PM ET... CFRA Maintains Hold Rating on Shares of Facebook, Inc. (FB 234.50***):
We maintain our Hold and raise our target by $18 to $240 based on: 1) strong 2Q 20 results in spite of Covid-19, especially on the bottom line, impressively demonstrating the inherent operating leverage of FB's business; 2) Covid-19 is likely accelerating the shift of ad spend to online/digital from traditional media, enabling FB to take share faster; 3) active users grew 12% YoY, up from 11% in Q1 when the sheltering-at-home surge began; 4) offset by escalating global regulatory risk, potentially compounded by social/advertiser backlash. Our $240 target is the product of our now higher '21 EPS forecast of $11.41, up from $10.74, and a 21.1x multiple (2-yr. mean, less 10%, due to significant regulatory and social backlash risk, partially offset by $48B in net cash). Revenue of $18.7B was up 11% YoY and beat consensus by $1.3B; EPS of $1.80 was down 10% YoY but handily beat consensus by $0.42. We raise our EPS forecasts by $0.68 to $8.19 for '20, by $0.67 to $11.41 for '21, and by $0.90 to $14.36 for '22. / John Freeman

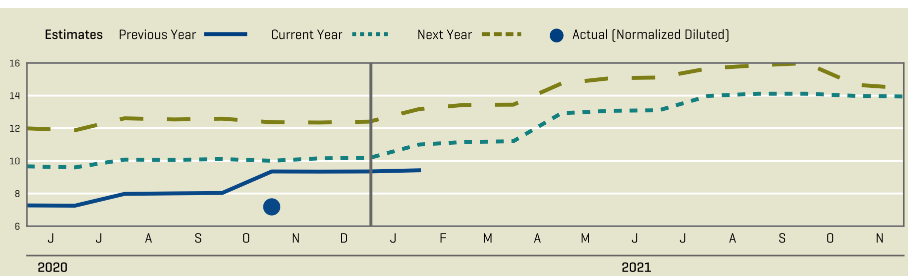
Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	34	62	34	32
Buy/Hold	10	18	10	7
Hold	6	11	6	7
Weak hold	1	2	1	1
Sell	1	2	1	1
No Opinion	3	5	4	2
Total	55	100	56	50

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2022	14.46	16.82	11.94	33	23.42
2021	13.95	15.60	13.19	33	24.28
2022 vs. 2021	**▲ 4%**	**▲ 8%**	**▼ -9%**	**N/A%**	**▼ -4%**
Q4'22	4.40	5.23	3.35	17	76.90
Q4'21	3.77	4.21	3.26	24	89.86
Q4'22 vs. Q4'21	**▲ 17%**	**▲ 24%**	**▲ 3%**	**▼ -29%**	**▼ -14%**

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2021, analysts estimate that FB will earn USD 13.95. For fiscal year 2022, analysts estimate that FB's earnings per share will grow by 3.68% to USD 14.46.

Glossary

STARS
Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking
(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates
CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price
The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment
Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARS (Buy):
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★☆☆ 3-STARS (Hold):
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★☆☆☆ 2-STARS (Sell):
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★☆☆☆☆ 1-STAR (Strong Sell):
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section seof the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of March 05, 2021

Ranking	North America	Europe	Asia	Global
Buy	40.3%	32.5%	40.0%	38.7%
Hold	49.6%	57.1%	53.1%	51.7%
Sell	10.1%	10.3%	6.9%	9.6%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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