THESISPOINT RESEARCH

19 Aug 2026

Meta Platforms Inc · NASDAQ: META

Panic over AI spending fears, business still robust and can make more out of the Capex

RATING	TARGET PRICE	CMP	MARKET CAP
BUY	$ 745 ▲ 37% upside	$ 544 As of 19 Aug 2026	$ 1385.00 Bn

COMPANY OVERVIEW

Meta Platforms (NASDAQ: META) owns Facebook, Instagram, WhatsApp, Messenger and Threads, and monetises its massive global user base almost entirely through digital advertising within its core Family of Apps segment, alongside a small, loss-making Reality Labs hardware unit (VR/AR headsets and AI smart glasses). The core advertising business is highly profitable and fast-growing, and Meta is now directing that cash flow into Meta Superintelligence Labs, its AI unit, funding large-scale infrastructure spending aimed at building new, still-unproven revenue lines such as an AI model API, business AI agents, and compute leasing.

KEY CATALYSTS

01 Pricing Power in a Growing Ad Market

Meta delivered its highest-ever quarterly revenue in Q2 FY2026 at $60.80bn, up 28% year-over-year, of which Family of Apps advertising contributed $59.4bn (+27%) The composition of that growth says a lot. Ad impressions rose 14% year-over-year while the average price per ad rose 12%. We read this as evidence of durable pricing power. For Meta, it's core advertising business is something that will continue to generate greater revenue in the future as time spent on apps increases and Meta having great control of its pricing

02 Feeding the Ad Business

In our view, the panic around Meta's capex is overblown. A meaningful share of the spend is being directed back into the advertising business, which is already proven and profitable. Management has been explicit that the core ad engine remains compute constrained, and that additional capacity would translate directly into additional revenue on a business that already works. Much of the near term investment is going toward optimising ad recommendations and improving how Reels content is ranked, both of which feed straight back into monetisation. There is also unrealised upside still to come: WhatsApp Status ads only launched just over a year ago, and the revenue impact of that surface has barely begun to show up in the numbers.

03 Selling Intelligence and not just Compute

Meta's compute builtout is beginning to show early signs of monetisation beyond the core ad business. On the Q2 FY2026 call, management outlined four paths to monetising the infrastructure: API access to Meta's AI models, business agents sold to advertisers and small businesses, developer and productivity tools built on top of those models, and selling compute directly to third parties. Zuckerberg was explicit on relative margins, stating that Meta expects a significantly higher margin on selling intelligence than on selling raw compute. He also said Meta is fielding a number of offers to purchase compute at a meaningful premium to what it paid, and that it would be foolish to sell all of that capacity for a short term profit when higher margin intelligence products can be built on the same base. He was equally clear that selling compute directly remains a large opportunity that Meta retains the ability to act on when it makes sense, and declined to say which line would scale first, expressing confidence in meaningful growth across all of them.

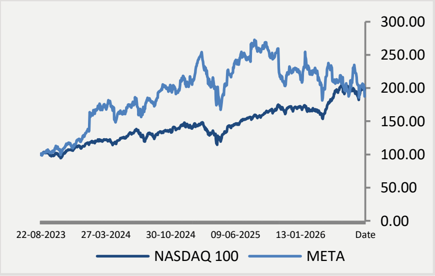
INVESTMENT THESIS

> *The core advertising business of Meta is still a giant which according to us is being overlooked due to the Capex fears. It is a giant advertising business and will continue to grow further, apart from that we side with the management and believe that the Capex will get monetized and generate greater returns than what the street is assuming. We value Meta at 24x our FY26E diluted EPS of $31.00, giving a target price of $745.*

FINANCIALS SUMMARY

Revenue (FY25)	$ 200,966 Mn
Revenue (FY26E)	$ 253,100 Mn
Gross Profit Margin	81.75%
EPS (FY25)	$ 23.49
EPS (FY25)	$ 31.00
P/E	20.48×
Forward P/E	17.5×
ROE	29.85%
Debt/Equity	0.43×

RELATIVE PRICE MOVEMENT (3YRS)



ANALYSTS

Ruhaan Bajaj
Linkedin

Vansh Mittal
LinkedIn

RISKS

Legal and Regulatory Risks Meta is facing intensifying legal and regulatory risk across multiple regions. In the US, it is a defendant in a landmark federal trial beginning this week over claims that features like infinite scroll and autoplay were designed to maximise engagement among minors, part of a much larger multidistrict litigation consolidated in the Northern District of California. Separately, the New Mexico state court entered final judgment on 6 August 2026, ordering Meta to pay $567mn into an abatement fund on top of the $375mn jury penalty from March, a total of $942mn, alongside mandated product changes for minors in the state. Meta is appealing. Meta recognised $2.40bn of charges related to legal proceedings in Q2 FY2026, and management has flagged further youth-related trials scheduled in the US this year that may result in a material loss. In Europe, its Ray-Ban smart glasses face active regulatory scrutiny in Germany, France, and the Netherlands over unconsented recording, with a nationwide ban under consideration in Germany. In India, government notices over CSAM in paid Instagram ads led a parliamentary committee to threaten Meta's safe harbour status entirely, which would sharply raise its legal exposure in one of its largest markets.

Competitive and platform risk to the core ad business While Meta's pricing power currently looks strong, this rests on continued engagement and ad relevance. Any material shift in user attention toward other platforms, or renewed regulatory pressure on data-driven ad targeting, would directly threaten the monopoly thesis the rest of this memo depends on

Execution risk on the enterprise AI pivot the API, business agent, and compute leasing opportunities are real but early. Adoption figures like the more than 1 million businesses using Business Agents weekly are encouraging, but none of these lines are material to revenue yet. If enterprise AI fails to scale as management expects, that portion of the capex will have funded capacity without a corresponding return, and the market may not extend patience indefinitely.

KEY DATA VISUALISATIONS

EXHIBIT: Revenue Split Across Ad and Non-Ad Revenue (in Millions USD)

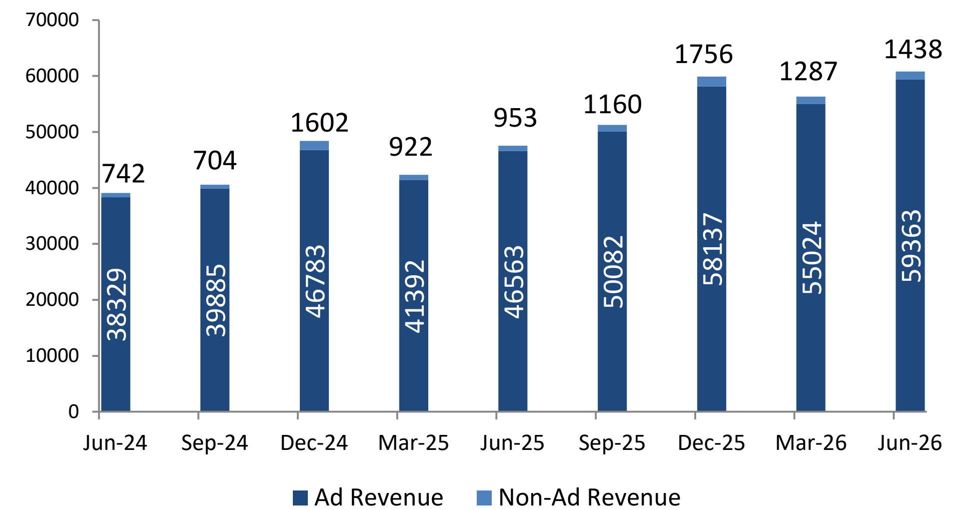
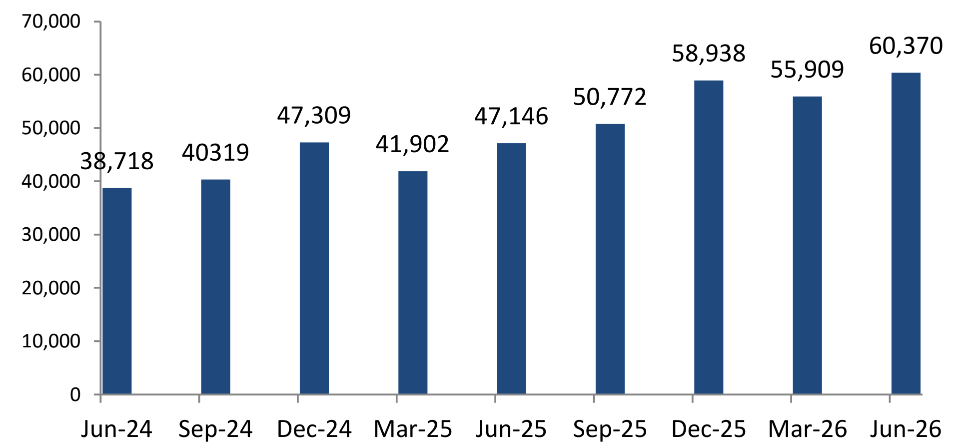


EXHIBIT: Family of Apps Revenue & ARPP (in Millions USD except ARPP)



ARPP: $11.89 $12.29 $14.25 $12.36 $13.65 $14.46 $16.56 $15.66 $16.86

EXHIBIT: Year over Year Change in Ad Impressions Delivered

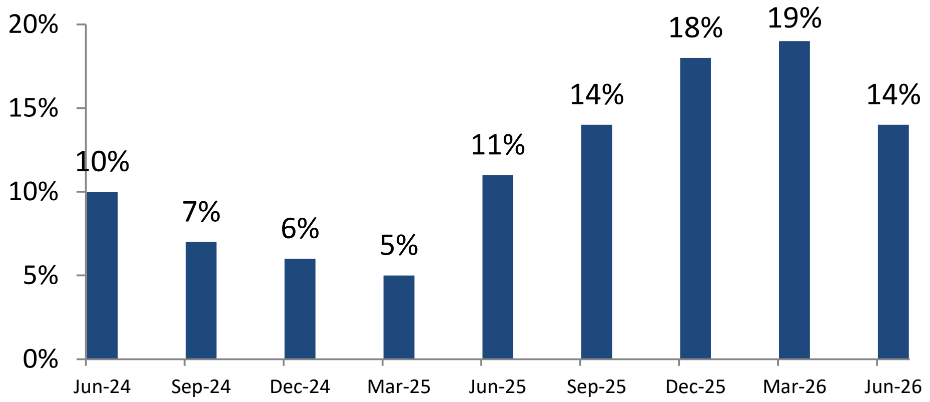
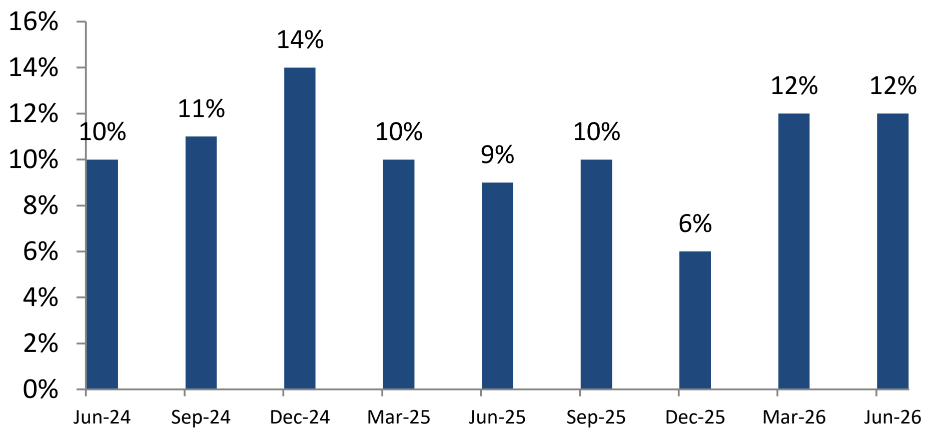


EXHIBIT: Year over Year Change in Average Price Per Ad



Disclaimer

1. ***PURPOSE AND NATURE OF THIS REPORT***
This research report is prepared and published by ThesisPoint Research solely for educational, informational, and analytical purposes. The analysis, commentary, and perspectives contained herein are intended to facilitate understanding of market dynamics, sectoral trends, and investment themes. This report is intended for readers interested in learning about markets and investing, not for providing tailored investment recommendations.

2. ***NOT INVESTMENT ADVICE***
This report explicitly does not constitute investment advice, a recommendation to buy or sell any security, an endorsement of any investment strategy, or an offer to provide investment advisory services. The information and analysis presented herein should not be construed as a call to action or a basis for any investment decision. Each reader bears sole responsibility for evaluating the appropriateness of any investment action in light of their own financial situation, investment goals, time horizon, and risk tolerance. ThesisPoint Research does not know the specific circumstances, financial position, or investment needs of any individual reader. Therefore, no analysis in this report can be tailored to specific investor requirements. Readers are strongly advised to consult with qualified financial advisors, investment professionals, and legal counsel before making any investment decisions.

3. ***NOT A LICENSED INVESTMENT ANALYSIS***
ThesisPoint Research is an independent content and educational platform. This report is not prepared under any regulatory or licensed investment framework. The authors are not registered as investment advisors, research analysts, financial advisors, or other regulated professionals with SEBI, RBI, or any other financial regulatory authority. This content should not be treated as professional investment research, equity research, or analysis produced by licensed professionals. It is independent educational writing and commentary on markets and sectors. Readers should seek professional advice from qualified, registered investment advisors before making any financial decisions.