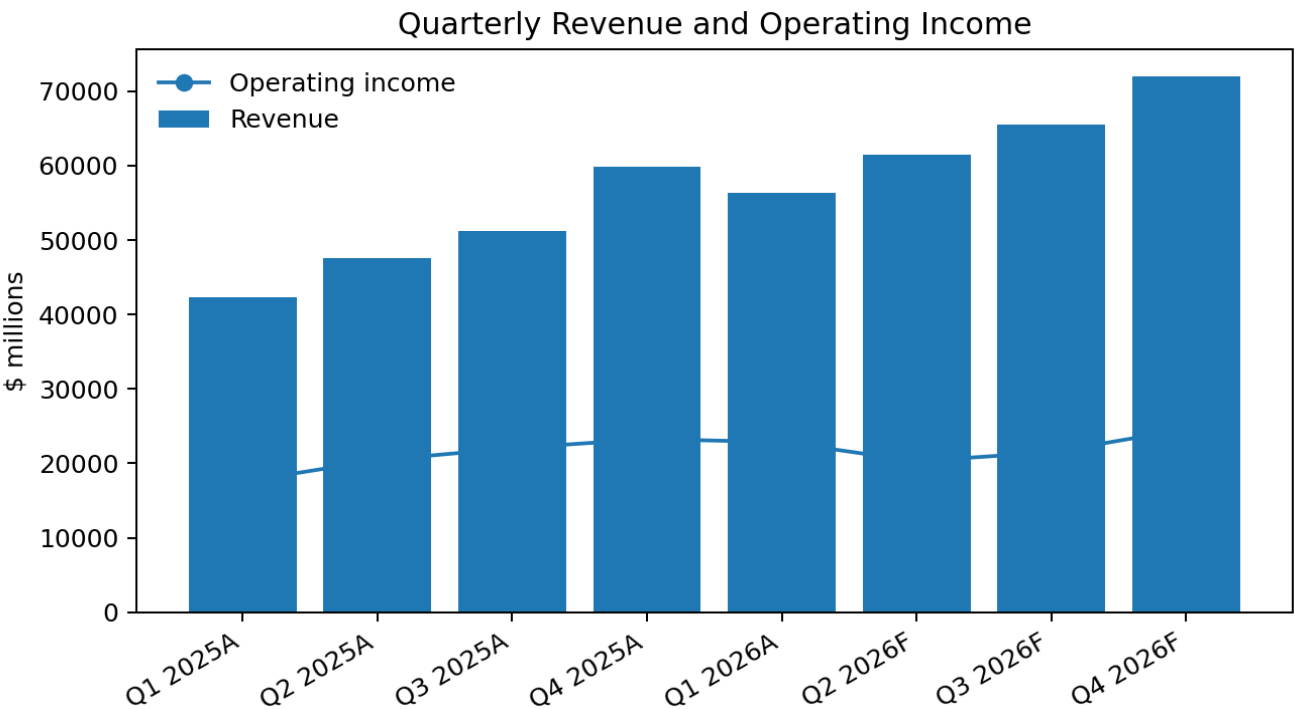


Meta Platforms Corporate FP&A and Valuation Case Study

META | Historical 2023-2025 | Q1 2026 actual | Independent FY2026 planning forecast

\$255.3B	35.0%	\$135B	\$784
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Executive conclusion. Meta enters 2026 with exceptional advertising momentum, but the financial-planning problem has shifted from revenue recovery to investment governance. The base case forecasts \$255.3 billion of revenue and \$166.0 billion of expenses, producing \$89.3 billion of operating income. Capital expenditures of \$135 billion drive a temporary free-cash-flow trough before cash generation recovers as infrastructure utilization improves.



All forecasts and valuation conclusions are independent analyst assumptions. Historical figures are sourced from Meta public filings.

1. Historical Performance and Business Context

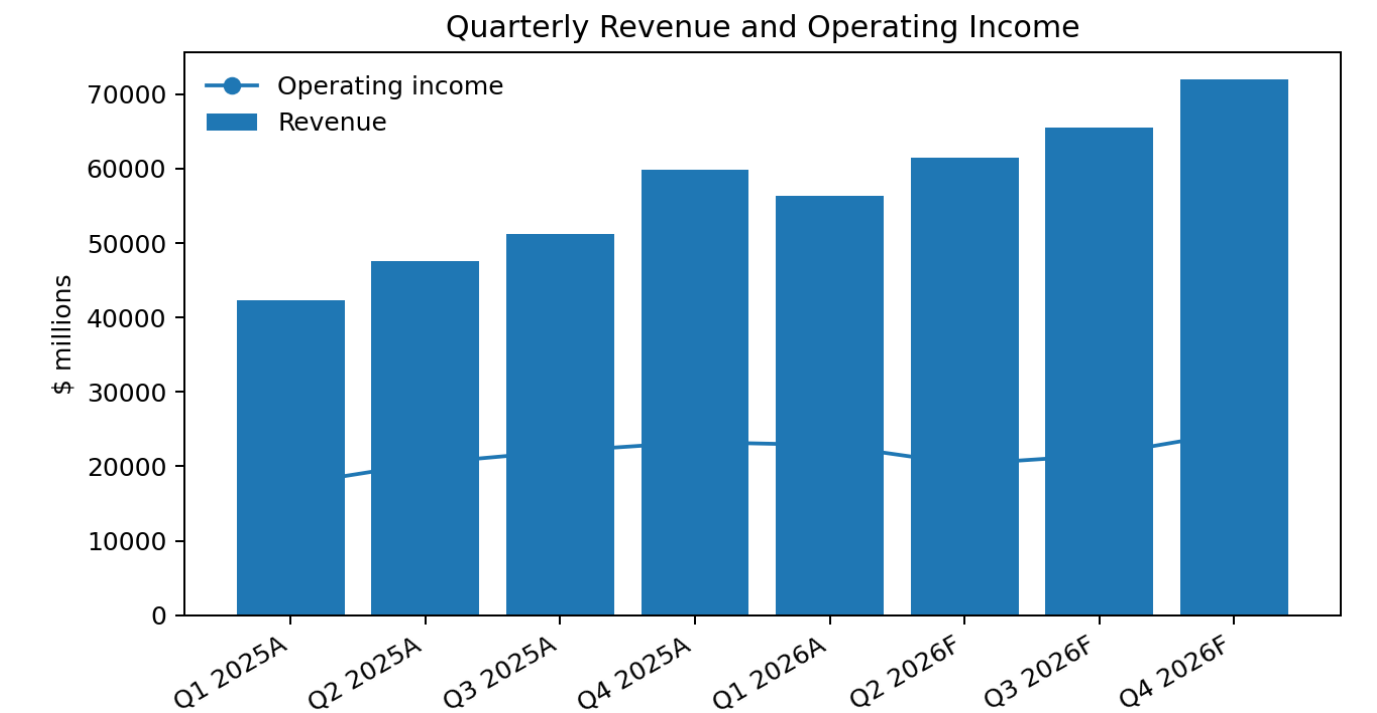
\$ in millions	2023	2024	2025	2025 Growth
Revenue	134,902	164,501	200,966	22.2%
Operating Income	46,751	69,380	83,276	20.0%
Operating Margin	34.7%	42.2%	41.4%	(0.8 pts)
Net Income	39,098	62,360	60,458	(3.0%)
Operating Cash Flow	71,113	91,328	115,800	26.8%
Capital Expenditures	28,103	39,225	72,215	84.1%
Free Cash Flow	43,010	52,103	43,585	(16.3%)
Headcount	67,317	74,067	78,865	6.5%

Meta's 2025 revenue growth was driven primarily by advertising, including 12% growth in ad impressions and 9% growth in average price per ad. At the same time, capital expenditures increased sharply as the company expanded AI and data-center capacity. R&D; reached \$57.4 billion, and Reality Labs generated a \$19.2 billion operating loss.

FP&A; implication

The planning priority is no longer broad cost reduction. It is resource allocation: directing technical headcount, infrastructure, and capital toward AI products that improve ad performance, engagement, messaging monetization, and long-term platform economics.

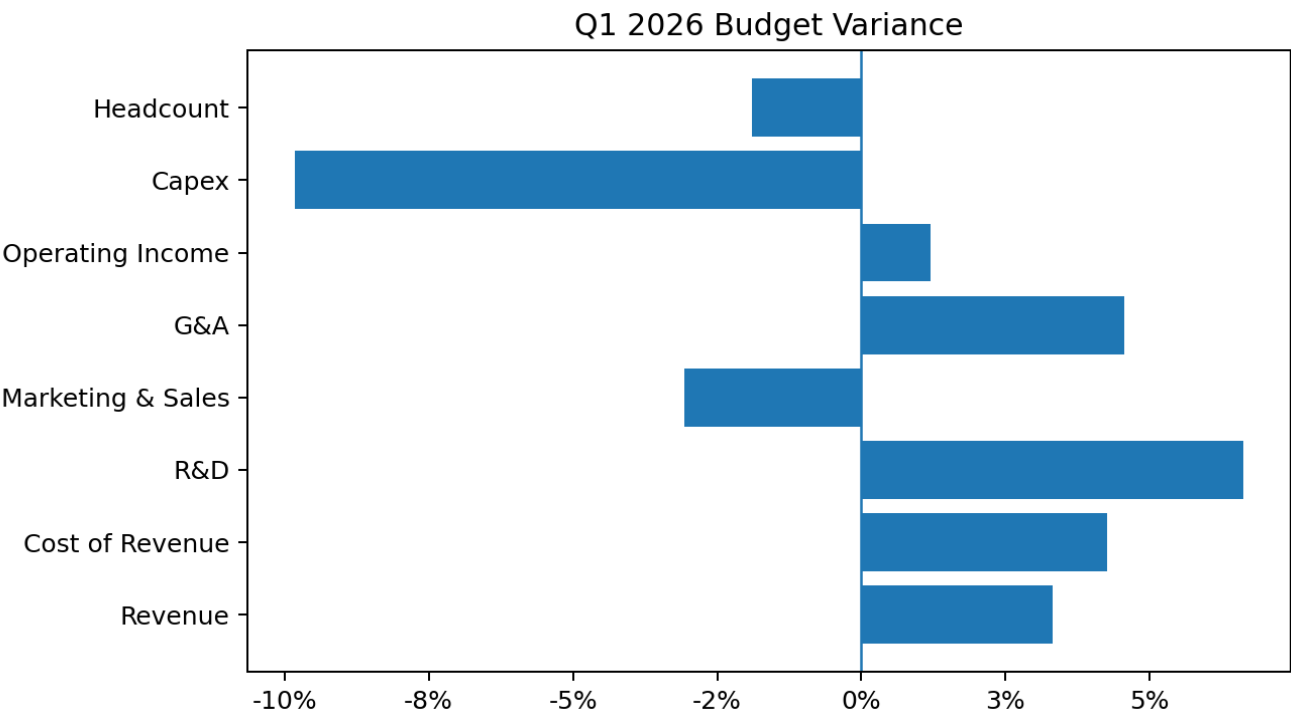
2. Quarterly Revenue and Expense Forecast



Metric	Q1 2026A	Q2 2026F	Q3 2026F	Q4 2026F	FY2026E
Revenue	56,311	61,500	65,500	72,000	255,311
Cost of Revenue	10,218	12,800	13,800	15,500	52,318
R&D	17,699	22,000	23,500	25,001	88,200
Marketing & Sales	2,908	3,400	3,500	3,600	13,408
G&A	2,614	3,000	3,200	3,300	12,114
Operating Income	22,872	20,300	21,500	24,599	89,271
Operating Margin	40.6%	33.0%	32.8%	34.2%	35.0%

The forecast deliberately models margin compression after Q1 as infrastructure costs, depreciation, and technical compensation accelerate. Full-year expenses of approximately \$166 billion fall within management's published \$162-\$169 billion range, while operating income remains above the 2025 level.

3. Budget Versus Actual Analysis



Metric	Budget	Actual	Variance	Assessment
Revenue	54,500	56,311	+3.3%	Favorable
Cost of Revenue	9,800	10,218	+4.3%	Unfavorable
R&D	16,600	17,699	+6.6%	Unfavorable
Marketing & Sales	3,000	2,908	-3.1%	Favorable
G&A	2,500	2,614	+4.6%	Unfavorable
Operating Income	22,600	22,872	+1.2%	Favorable
Capex	22,000	19,840	-9.8%	Favorable
Headcount	79,500	77,986	-1.9%	Favorable

Revenue outperformance. Q1 revenue exceeded the planning case by 3.3%, reflecting stronger ad volume, pricing, and foreign-exchange support.

R&D; overspend. R&D; exceeded budget by 6.6% because AI compensation, share-based compensation, and infrastructure costs accelerated.

Capex timing. Q1 capex was below budget, but management subsequently increased full-year guidance; the variance should not be treated as structural savings.

Headcount discipline. Year-end hiring remains focused on engineering and technical functions, with tighter control over corporate roles.

4. Headcount and Expense Planning

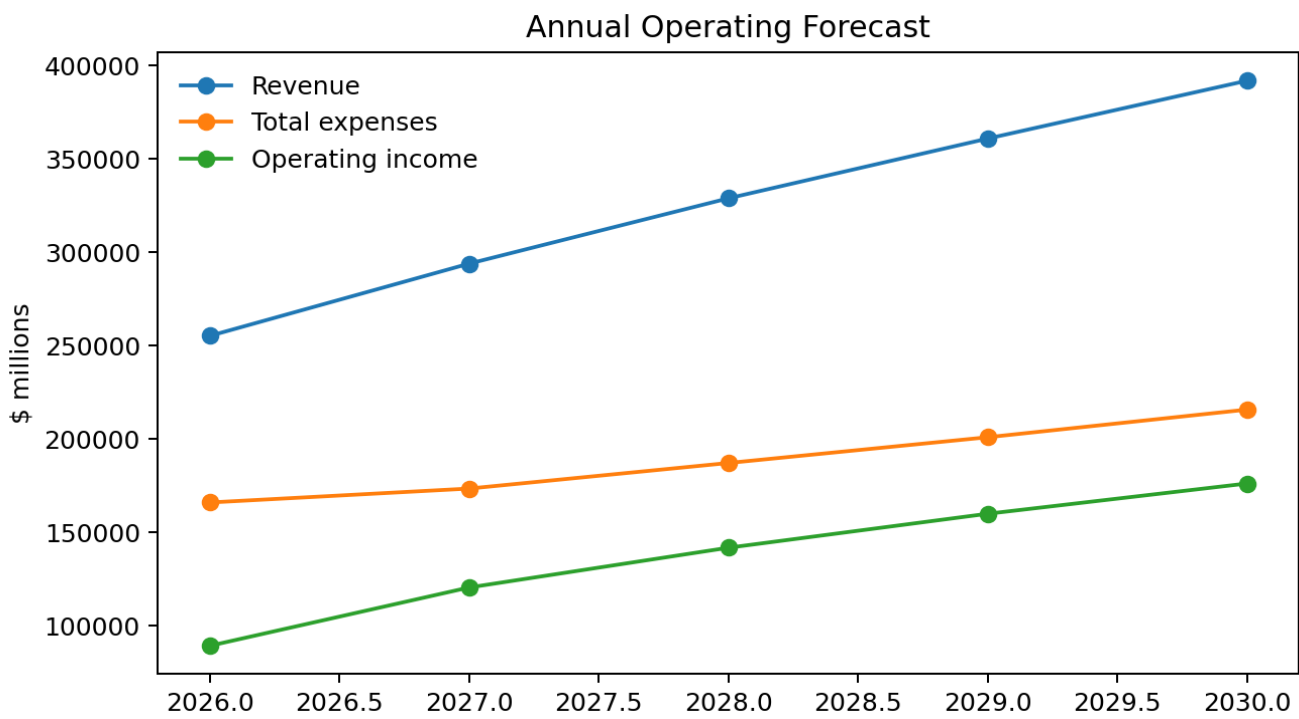
Function	2025A HC	2026E HC	Net Adds	Avg. Cost	2026 Comp.
Engineering / Technical	47,000	54,000	+7,000	\$340K	\$18.4B
Product / Design	7,500	8,000	+500	\$290K	\$2.3B
Sales & Marketing	9,000	9,500	+500	\$235K	\$2.2B
Operations / Trust & Safety	8,000	8,500	+500	\$180K	\$1.5B
G&A / Corporate	7,365	6,000	(1,365)	\$250K	\$1.5B
Total	78,865	86,000	+7,135	-	\$25.9B

The headcount plan concentrates growth in engineering, AI research, infrastructure, and product development while reducing or consolidating selected corporate roles. Monthly hiring approvals should be linked to compute-capacity delivery, model milestones, product adoption, and revenue productivity rather than annual blanket authorizations.

Recommended planning controls

- Quarterly workforce plans by function and location.
- Offer-level approval thresholds for specialized AI talent.
- Revenue and operating-income productivity per employee.
- Infrastructure capacity milestones before incremental hiring.
- Separate tracking of salary, bonus, benefits, and share-based compensation.

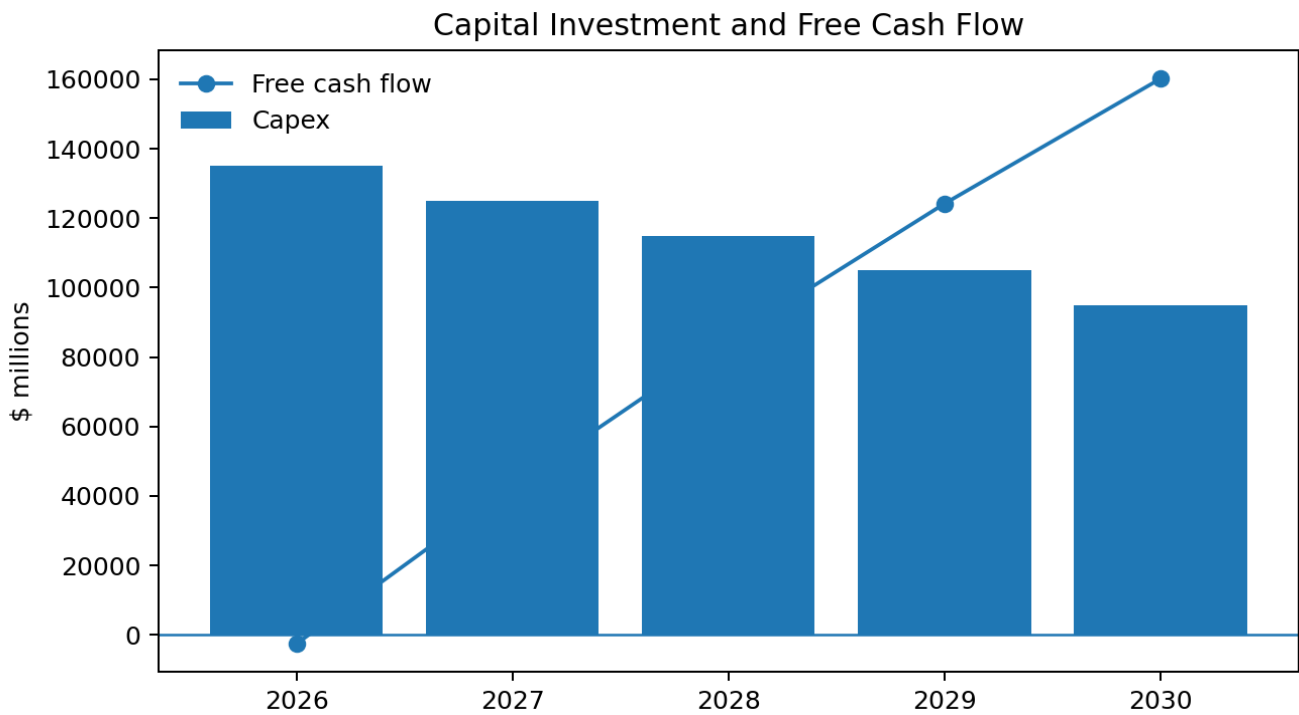
5. Three-Statement Forecast



\$ in millions	2026E	2027E	2028E	2029E	2030E
Revenue	255,311	294,000	329,000	361,000	392,000
Total Expenses	166,040	173,500	187,200	201,000	215,800
Operating Income	89,271	120,500	141,800	160,000	176,200
Operating Margin	35.0%	41.0%	43.1%	44.3%	44.9%
Net Income	81,927	103,882	122,607	137,870	152,150
Operating Cash Flow	132,427	167,682	200,107	229,170	255,150
Capital Expenditures	135,000	125,000	115,000	105,000	95,000
Free Cash Flow	-2,573	42,682	85,107	124,170	160,150

The balance-sheet forecast assumes continued growth in property and equipment, a large but manageable debt balance, and sufficient liquidity to fund the AI investment cycle. The model balances in every forecast year, with retained earnings and capital allocation flowing through stockholders' equity.

6. Cash Flow Forecast and Capital Allocation



The base case shows slightly negative free cash flow in 2026 because capital spending reaches \$135 billion. This is a planning stress point rather than a solvency concern: Meta entered 2026 with more than \$81 billion of cash and marketable securities and strong operating cash generation.

Capital-allocation priorities

- 1. Fund core AI capacity.** Maintain infrastructure commitments that directly support ads, recommendations, messaging, and model deployment.
- 2. Preserve liquidity.** Maintain a substantial liquidity buffer through the peak investment year.
- 3. Keep repurchases flexible.** Reduce buybacks when free cash flow is weak and accelerate only as utilization and cash conversion improve.
- 4. Continue the dividend.** The dividend is modest relative to cash generation and can remain a stable recurring return.
- 5. Review Reality Labs gates.** Use milestone-based funding and explicit commercial adoption thresholds.

7. KPI Dashboard and Management Reporting

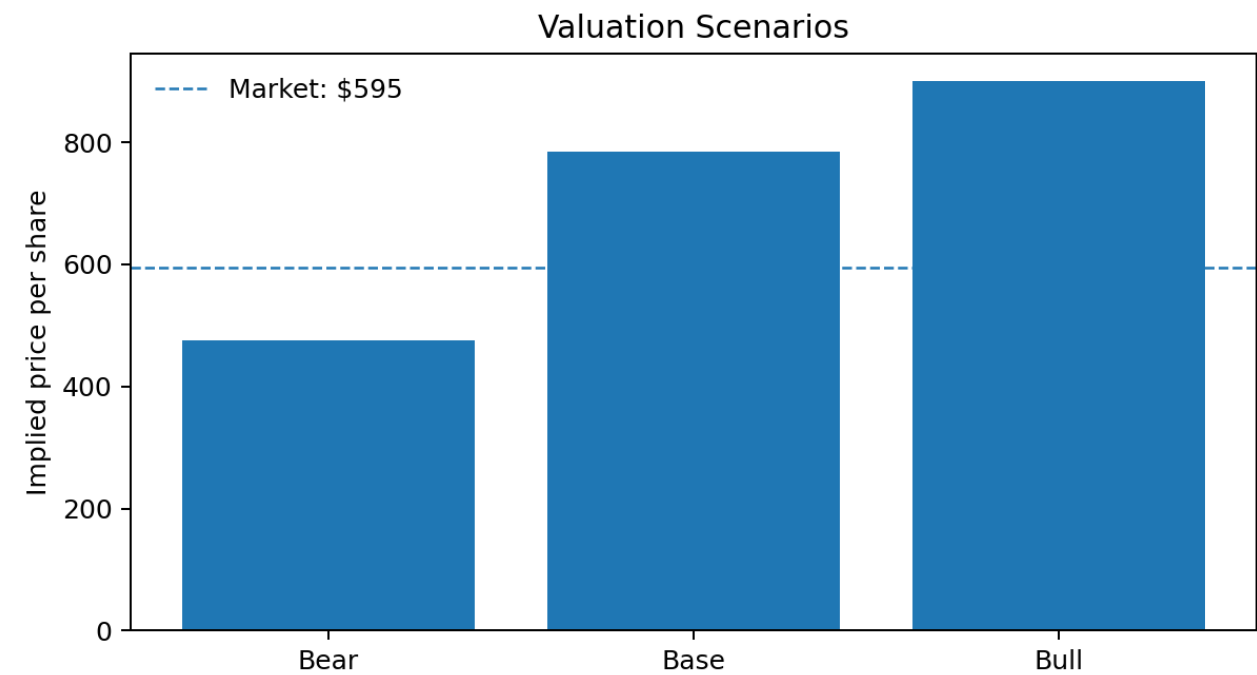
KPI	2025A	2026E	Management Use
Revenue Growth	22.2%	27.0%	Demand and monetization
Operating Margin	41.4%	35.0%	Investment efficiency
R&D as % of Revenue	28.5%	34.5%	AI resource intensity
Capex as % of Revenue	35.9%	52.9%	Infrastructure burden
Free Cash Flow Margin	21.7%	(1.0%)	Cash conversion
Revenue per Employee	\$2.55M	\$2.97M	Workforce productivity
Reality Labs Operating Loss	\$19.2B	~\$19B	Long-duration investment control

Recommended monthly reporting package

- Revenue by geography, app surface, ad impressions, and price per ad.
- Expense by function, compensation type, infrastructure category, and legal cost.
- Headcount by function, location, hiring status, and fully loaded cost.
- Capex commitments, cash paid, capacity delivered, and utilization.
- Free cash flow bridge from operating income to cash generation.
- Budget, latest estimate, actual, and prior-year comparison for every major line item.

8. Valuation and Sensitivity Analysis

Method	Key Assumption	Implied Value	Weight
DCF	9.5% WACC / 2.5% terminal growth	\$709	45%
Forward P/E	20.0x 2027 EPS	\$820	35%
EV / EBITDA	14.0x 2027 EBITDA	\$890	20%
Blended Target	Independent base case	\$784	100%



The blended value of approximately \$784 per share implies 31.7% upside from the July 24, 2026 market price of \$595.19. The valuation is highly sensitive to the pace of free-cash-flow recovery after the 2026 investment peak.

9. Management Recommendations

Adopt a rolling 18-month forecast. Refresh revenue, expense, headcount, and capex assumptions monthly rather than relying on a static annual budget.

Create an AI investment scorecard. Track capacity delivered, model utilization, incremental ad revenue, engagement, inference cost, and contribution margin.

Separate run-rate and strategic spending. Distinguish recurring platform costs from temporary build-out and experimental initiatives.

Introduce headcount productivity gates. Require measurable product, revenue, or infrastructure outcomes before incremental hiring waves.

Protect cash conversion. Use free cash flow and capex utilization as executive KPIs alongside revenue and operating income.

Apply milestone funding to Reality Labs. Allocate capital in stages tied to hardware adoption, ecosystem growth, and commercialization evidence.

Maintain valuation discipline. Do not treat high revenue growth as sufficient if capital intensity prevents durable per-share cash-flow growth.

Website project description

Meta Platforms Corporate FP&A; and Valuation Case Study

Built an integrated three-statement model and quarterly planning forecast using Meta's public financial statements. Evaluated revenue drivers, operating expenses, headcount, capital expenditures, budget variances, cash flow, valuation sensitivities, and management actions during a major AI infrastructure investment cycle.

10. Sources and Disclosure

- Meta Platforms 2025 Form 10-K, filed January 28, 2026.
- Meta Platforms Q1 2026 Form 10-Q, filed April 29, 2026.
- Meta Q4 and Full-Year 2025 earnings release, January 28, 2026.
- Meta Q1 2026 earnings release, April 29, 2026.
- META market price snapshot of \$595.19 as of July 24, 2026.

Disclosure

This document is an independent educational portfolio project. It is not an internal Meta budget, company guidance, investment advice, or a representation that the author had access to non-public information. Historical figures are derived from public filings. All budget assumptions, forecasts, target prices, and management recommendations are the author's analytical estimates.

Prepared by Davis Sahr | Independent FP&A; and valuation project