

Meta Platforms, Inc. (META)

Equity research note · Interim review · Nasdaq · Data as of the close on 2 September 2026

Rating	Last close	Weighted fair value	Reinstatement band	Investment score
WATCHLIST	\$592.85	\$586.25 (-1.1%)	\$520 - 545	67 / 100

Rating unchanged from the 26 August note. Fair value is the probability-weighted output of the scenario table on the final page, not a price target. The reinstatement band is the level at which the shares would become interesting again, derived below.

Why this note exists

The 26 August note left this coverage without a live entry level, and that gap is now worth closing. The 5 August downgrade to Watchlist named a reinstatement condition of \$530-555. Between 17 and 20 August the shares traded through that band, closing as low as \$543.67. The August note declined to act on it, on the reasoning that the band had been drawn to compensate for the risks known at the time, and the price had reached it because a substantially new risk had arrived rather than because the market had drifted into value. That judgement was correct. Honouring a price trigger without asking why the price moved is how a mechanical rule produces a bad decision.

The consequence, though, was a Watchlist rating with no stated level, which tells a reader nothing about what is being watched for. The new risk has since been resolved and capped, so the condition that voided the band has been removed and a level can be set again. That is the purpose of this review.

The settlement caps the risk that voided the old band

On 26 August Meta settled the federal child-safety case brought by 29 state attorneys general, agreeing to pay a maximum of \$16.68 billion. Before that, the exposure discussed around the trial ran to figures no shareholder could sensibly model, and the states had told the court they were seeking closer to \$200 billion. A capped, staged liability is a materially different object from an open-ended one, and it is the single reason this note is able to set a level where the previous one could not.

The market agreed. The shares have risen 4.0% since the 25 August close of \$570.05 and now sit above the \$587.94 at which the August downgrade was written. Wedbush framed the outcome as clearing the overhang while leaving engagement concerns intact, which is a fair summary.

Those engagement concerns are the part that carries no price tag. The settlement requires daily usage limits and night-time blocks on teen accounts, enhanced age assurance, and additional parental tools. Usage limits reduce teen engagement by design, and engagement is advertising inventory. Age verification adds friction at sign-up across both Facebook and Instagram. Neither effect resets the investment case on its own, and both will appear gradually in reported numbers rather than in an announcement.

The capital picture is unchanged, and it remains the thesis

Nothing in the settlement alters what moved this rating in the first place. Second-quarter free cash flow fell to \$784 million from \$8,549 million a year earlier, buybacks stopped entirely against \$10,167 million in the comparable quarter, and long-term debt rose to \$83,664 million with \$24,910 million issued in the period. Full-year capital expenditure is guided to \$130-145 billion, and that spending must be depreciated over the years that follow.

The settlement adds a further claim on cash at precisely the moment cash has become the binding constraint. It is absorbable against quarterly revenue above \$60 billion, and the second quarter had already absorbed \$2.40 billion of legal charges. But absorbable is not free, and a company that has stopped returning capital while issuing debt to fund construction is a different proposition from the one that carried a Buy rating in July.

Valuation

Measure	Value	Comment
Last close	\$592.85	2 September 2026
P/E on annualised normalised Q2 EPS	~19.4x	Carried forward from the August review
Weighted fair value	\$586.25	Scenario table, computed
Implied return to fair value	-1.1%	Roughly fairly priced
Previous weighted fair value	\$552.85	26 August, at a \$570.05 price
Analyst range	\$595 to \$810	Wedbush Neutral \$595, Goldman Buy \$725, BofA Buy \$810

Fair value rises from \$552.85 to \$586.25, and the whole of that move is attributable to the legal tail being capped rather than to any operating improvement. A multiple near 19.4 times normalised earnings is not demanding for a franchise of this quality. It is also not the bargain it appears while free cash flow sits near zero, because the earnings that multiple rests on are not currently converting to cash a shareholder can receive.

Macro drivers. Two variables matter here and neither is generic. The first is nominal consumer and corporate advertising demand, which tracks consumer spending: real personal consumption went nowhere in July, and the August payroll print of 38,000 points to a labour market losing momentum, both of which argue against advertising budgets expanding from here. The second is the policy rate path, which matters less for demand than for the cost of a capital programme now partly debt-funded. Chair Warsh's Jackson Hole remarks raised the odds of a September increase rather than a cut, with core PCE still near 3%. A higher path raises the financing cost of the build at the same time as softer spending caps the revenue it is meant to serve. Both point mildly the same way.

Principal risks

Risk	Probability	Severity	Comment
Capex depreciation drag	Occurring	High	\$130-145bn must be depreciated; the largest single pressure on reported returns
Cash return stays suspended	Moderate	High	Buybacks at zero against \$10.2bn a year earlier
Teen engagement remedies	Certain	Medium	Usage limits and age assurance reduce inventory by design; no fixed price
Settlement cash claim	Now capped	Medium	\$16.68bn maximum, staged; quantified rather than open-ended
Advertising demand softening	Moderate	Medium	Flat real consumer spending and a 38,000 payroll print
Further regulatory action	Moderate	Medium	This settlement resolves one case, not the category

Sentiment and technicals

Indicator	Reading	Interpretation
Price vs 20-day average	\$592.85 vs \$574.61, +3.2%	Above the short-term trend
Price vs 50-day average	\$592.85 vs \$592.95, -0.0%	Sitting exactly on it
Price vs 100-day average	\$592.85 vs \$606.10, -2.2%	Still below the medium-term trend
200-day average	Not computed	Only 100 sessions retrieved; not estimated
RSI (14)	55.3	Neutral, with a mild upward bias
MACD (12,26,9)	-4.24, signal -8.11	Histogram positive: momentum recovering from a low base

Indicator	Reading	Interpretation
ATR (14)	\$20.24, 3.4% of price	Normal for a megacap
From the period high	-13.9% from \$688.55 (17 Apr)	The April de-rating has not been recovered
From the 18 August low	+9.0% from \$543.67	The settlement rally retraced the trial-driven fall
Analyst consensus	\$595 to \$810	Street is above this note, as it was in August

Technicals inform timing only and do not override the fundamental view. All indicator values were computed from the daily price series rather than read from a third-party summary.

Scorecard

Scored 1-10, where 10 is always best, including Risk. Weights sum to 100 and the composite is a plain weighted sum.

Factor	Score	Wt	Rationale
Business Quality		15	3.4bn users; the ad franchise itself is undamaged
Financial Strength		15	Revenue scale intact, but FCF \$784m and debt rising
Competitive Advantage		12	Distribution and data moat unchanged by the settlement
Management		10	Capital allocation is the open question, not execution
Growth Potential		13	Revenue +28%, though remedies trim teen inventory
Valuation		18	~19.4x normalised earnings; cheap only if cash returns
Risk (10 = lowest risk)		12	Legal tail now capped; capex and remedies remain
Technical Setup		5	Above the 20-day, on the 50-day, momentum turning up
Investment Score	67 / 100	100	Unchanged from the August note at 67

The composite is unchanged, but its composition is not. Risk improves because a legal exposure that could not be modelled now has a ceiling. Valuation offsets that, because the shares have risen 4.0% since the last review while the operating picture has not moved.

Scenarios

Case	Prob.	What happens	Fair value
Bull	25%	Capex moderates from the guided peak, free cash flow recovers through 2027, buybacks resume, and the teen remedies prove immaterial to consolidated engagement	\$720
Base	50%	Capital spending holds at \$130-145bn, free cash flow stays depressed through the build, no cash return resumes this year, and the remedies shave teen inventory modestly	\$585
Bear	25%	Age assurance and usage limits bite harder than expected, capex overruns the guide, cash return stays suspended into 2027 and the multiple compresses	\$455
Weighted	100%	Probability-weighted fair value, computed	\$586.25

Verdict

Watchlist, unchanged, and now with a level attached.

The settlement is genuinely good news, and it is good news about a risk rather than about the business. What it removes is an exposure that could not be sized. What it does not touch is the reason the rating fell in the first place: a

company spending \$130-145 billion a year, funding part of it with debt, and returning nothing to shareholders while it does so. At \$592.85 against a weighted fair value of \$586.25, the shares price that situation roughly correctly.

The reinstatement band is \$520-545. It is derived rather than chosen. The 5 August note set \$530-555 as the level that would compensate for the capital-programme risks then known. Those risks are unchanged. The settlement adds a further staged claim on cash which, though capped, did not exist when the original band was drawn, so the band moves down by roughly two per cent rather than up. That places it 8% to 12% below the current price. Reaching it on a drift lower, with the capital picture unchanged, would be a genuine opportunity. Reaching it because a new and unquantified risk has appeared would not, and this note would decline to act on it a second time for the same reason it declined in August.

What would change the view

Toward Buy	Toward Avoid
Shares into \$520-545 on a drift lower rather than on a new shock	Capital spending guided above \$145bn for 2027 without a return metric
A quarter showing free cash flow recovering toward historic levels	A visible step down in engagement attributable to the teen remedies
Buybacks resuming, or a disclosed return metric on AI infrastructure	A further regulatory action of comparable scale to the one just settled
Advertising revenue holding above 20% growth despite softer consumer spending	Advertising growth decelerating alongside continued flat real consumer spending

Sources. Meta Platforms second-quarter 2026 Form 8-K Exhibit 99.1 and Form 10-Q; court reporting on the state attorneys general settlement via Reuters, BBC and CNA; moomoo news and research feeds for analyst actions (Wedbush, Goldman Sachs, BofA Securities); Beating The Bull economic write-ups of 26 August to 2 September for consumer spending, payrolls and policy; Alpha Vantage daily price series for all technical indicators, computed independently.

This note is informational only and is not financial advice, an offer, or a recommendation to transact. It reflects publicly available information as of 2 September 2026 and may become inaccurate without notice.