Meta now funds its growth from outside, near the highest hurdle in five years, and the price assumes it pays off.

Capex takes ~89% of operating cash flow. Commitments beyond the balance sheet are ~$810bn, about 6x a year of it, and on October 26 Meta priced ~$37.5bn of new equity, with a ~$60bn ATM to follow. At ~$631 the price asks for ~17% growth a year for a decade, against ~12% at the 2021 peak. In 2022, when the market stopped believing, the multiple halved.

01 · SPENDING

~89%

Capex takes ~89% of operating cash flow in 2026, against ~63% in 2022.

In Q3 it passed 100% for the first time in the series, and free cash flow turned negative.

P. 02

02 · FINANCING

~$810bn

Commitments beyond the balance sheet, against ~$84bn of debt.

Cash, then debt, then leases and purchase commitments of ~6x a year of operating cash flow. On Oct 26 Meta priced ~$37.5bn of equity, with a ~$60bn ATM to follow.

P. 08–09

03 · THE ANALOG

~2/3

In 2022 the multiple did about two-thirds of the damage.

Returns on capex can only be read late: the 2022–23 spend earned ~8% in its own window and ~45% a year or two on. Today's spend can't be judged from results yet, only from what the price assumes it will earn.

P. 03–04, 07

04 · THE PRICE

~17% vs ~12%

Today's price asks for more growth than the 2021 peak did.

Implied 10-year revenue growth, mid case, at ~$631. The higher hurdle, ~11% vs ~7%, explains all of the gap. At 2021's ~12% implied growth, the model values the shares at ~$320–530.

P. 06, 10

05 · THE TRIGGER

~+13% vs −4%

The revenue guide moves the stock; capex raises barely do.

Next-day excess return when the guide implied faster vs slower growth. Capex raises averaged ~0%; Oct 22 fell ~4%.

P. 05

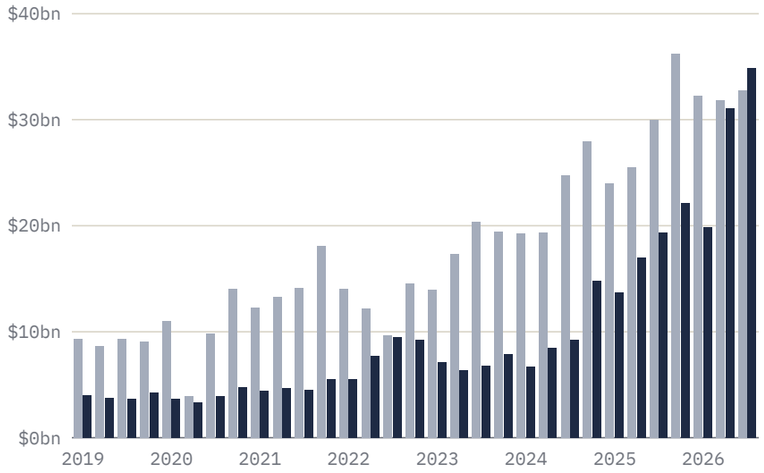
Prices at the October 26, 2026 close; Q3 2026 from the Oct 21 earnings release and the Oct 22 10-Q. Ranges are approximate and are the information. Method and caveats: page 11; sources: page 12. Not affiliated with Meta Platforms. The author holds no position in META.

Meta now spends ~89% of its operating cash flow on capex, against ~63% in 2022.

In Q3 capex passed operating cash flow for the first time in the series (~107%; Q3 2022 came close at ~98%), and free cash flow turned negative at about −$2.1bn. Depreciation is growing ~44% a year against revenue at ~26%, so the spending is now reaching the income statement.

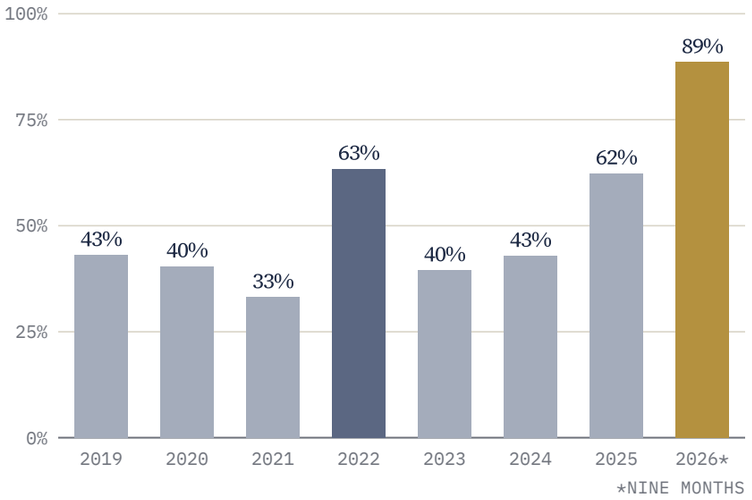
01 · CAPEX AGAINST OPERATING CASH FLOW

Quarterly, $bn. Gray: operating cash flow. Navy: capex including finance leases.



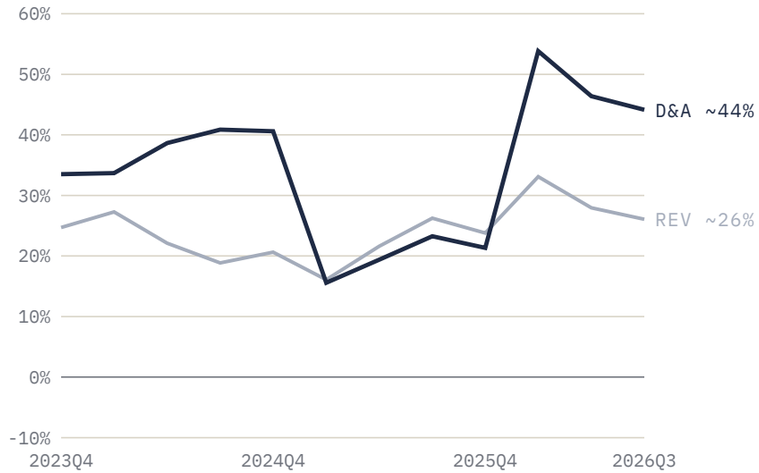
02 · CAPEX / OPERATING CASH FLOW

By year. 2022 was the metaverse peak; 2026 is already well past it.



03 · THE SPEND REACHES EARNINGS

Year-over-year growth. Depreciation now outruns revenue by ~18 points.



−$2.1bn
Q3 2026 FREE CASH FLOW, META'S DEFINITION

~$135–145bn
2026 CAPEX GUIDE; FLOOR RAISED AGAIN IN Q3

~35%
Q3 OPERATING MARGIN EX SETTLEMENT CHARGE, FROM ~40%

~107%
Q3 2026 CAPEX / OPERATING CASH FLOW

Capex = purchases of property and equipment + principal payments on finance leases, Meta's own FCF definition. 2019Q1–2026Q2 from SEC XBRL; 2026Q3 from the earnings release (8-K Ex. 99.1, Oct 21, 2026). Operating margin excludes the $9.89bn state attorneys general settlement charge, as the release does.

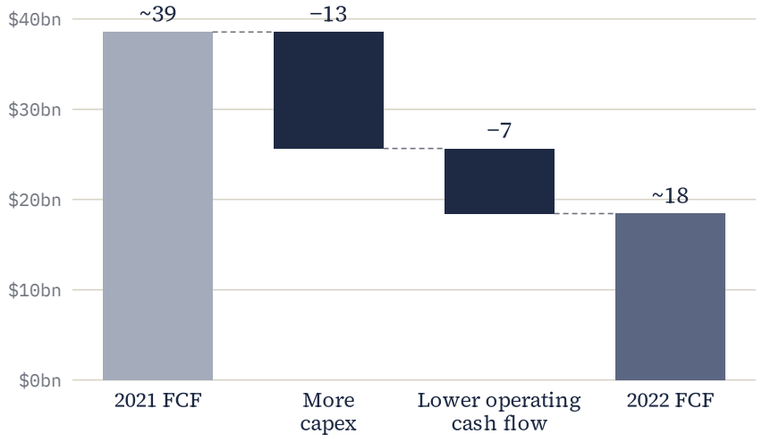
NOT INVESTMENT ADVICE

In 2022, spending hit cash flow. The multiple hit the stock.

Free cash flow roughly halved, from ~$39bn to ~$18bn: ~$13bn from more capex, ~$7bn from lower operating cash flow. The share price fell ~65% between the Q3 2021 and Q4 2022 quarter ends, and about two-thirds of that came from a lower P/E, not lower earnings (page 07).

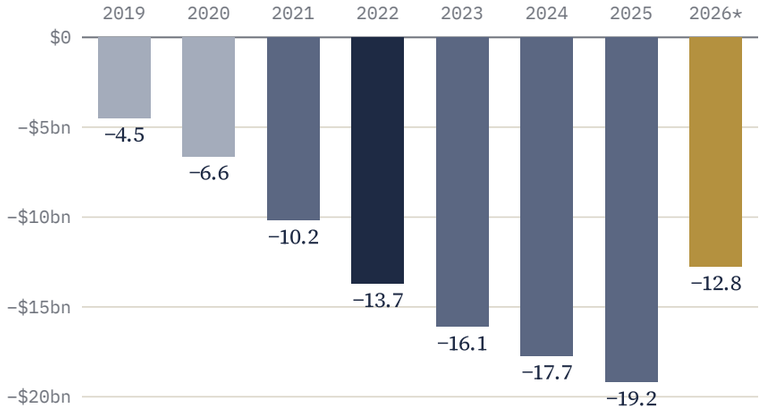
01 · WHAT HALVED FREE CASH FLOW

Full year, $bn. Capex did more of the damage than lower operating cash flow.



02 · REALITY LABS OPERATING LOSS

By year, $bn. Losses kept rising through 2025, three years after the stock bottomed.



*NINE MONTHS

03 · WHAT CHANGED IN DECEMBER 2022

Some of the 2022 capex was redirected to AI; some was written off.

In December 2022 Meta re-evaluated its data center strategy to improve efficiency and advance its AI work: several projects were moved to a next-generation design and others canceled, with ~$1.3bn of abandonment charges.

The same year it lengthened server lives from four years to 4.5, then five, cutting 2022 depreciation by ~$0.9bn.

The 2023 capex guide went from ~$34–39bn to ~$30–33bn. The stock rose ~23% the day after that cut.

−$20bn
CHANGE IN FREE CASH FLOW, 2021 TO 2022

~$13.7bn
REALITY LABS OPERATING LOSS, 2022

~$1.3bn
ABANDONMENT CHARGES, DEC 2022 DATA CENTER PIVOT

~2/3
SHARE OF THE 2022 FALL FROM THE MULTIPLE

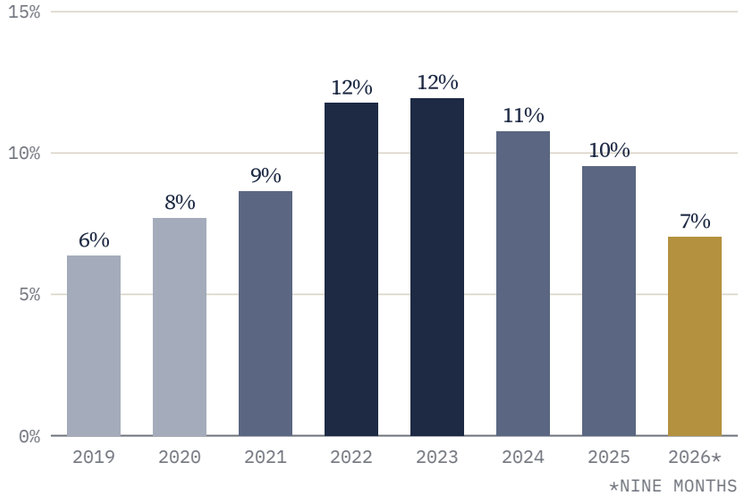
FY2022 10-K (restructuring note; use of estimates); Q4 2022 release and 8-K of Nov 9, 2022 (capex guidance); segment losses from earnings releases (FY2019–2020 from the Q4 2021 release). Meta does not report capex by segment, so the split of 2022 capex between AI, core and Reality Labs is not disclosed.

Reality Labs was spend no one could trace to revenue. Its successor has no line at all.

Reality Labs has lost ~$96bn since the start of 2020 on ~$0.4–0.5bn of revenue a quarter. Meta Superintelligence Labs (MSL), the AI effort Meta names in its capex guidance, has no segment of its own; it falls in Family of Apps and consolidated capex. And returns on capex arrive late: the 2022–23 spend earned ~8% in its own window and ~45% a year or two on.

01 · REALITY LABS LOSS / REVENUE

By year. The metaverse peak was ~12% of revenue; it was ~7% through September 2026.



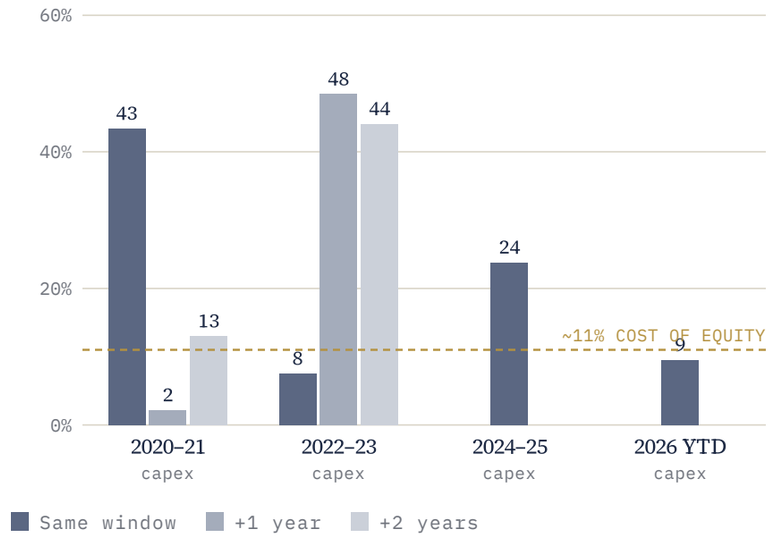
02 · WHAT IS DISCLOSED

Reality Labs is a segment. MSL is not.

	Reality Labs	MSL
Segment revenue	Reported	None
Segment loss	Reported	None
Loss guidance	~$18–19bn 2026; ~$15bn 2027	None
Capex	Not split out	Inside the $135–145bn guide
Management view	Losses to narrow in 2027	“Will take longer to generate returns” than the core

03 · RETURNS ARE READ LATE

After-tax operating income gained per $ of capex, measured in the same window or one or two years later, %.



~$96bn
REALITY LABS OPERATING LOSSES SINCE THE START OF 2020

~$18–19bn
2026 REALITY LABS LOSS GUIDE

~8% → ~45%
2022–23 CAPEX: SAME WINDOW VS ONE TO TWO YEARS LATER

None
SEPARATE DISCLOSURE OF MSL SPEND

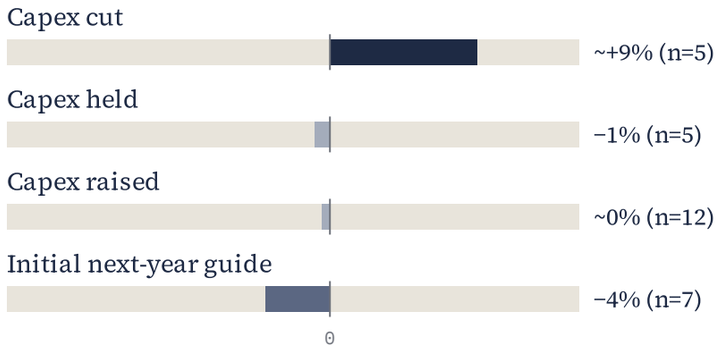
Segment results and outlook from earnings releases through Oct 21, 2026; cumulative losses sum full-year 2020–2025 plus nine months of 2026 (widely quoted ~$92bn totals start in Q4 2020). Returns: change in trailing operating income ex disclosed one-offs, taxed at a flat 15%, over capex in the window. Lagged windows also absorb later spending and every other driver of income (2020–21 capex scores ~2% a year on, when Apple’s ATT hit): directional only.

Capex raises barely move the stock. The revenue guide does.

Across ~30 releases and guidance 8-Ks since 2020, capex raises averaged ~0% next-day return over QQQ and cuts ~+9%. When the next-quarter guide implied faster growth than the quarter just reported, the stock averaged ~+13% over QQQ; slower, −4% (n = 5 and 16).

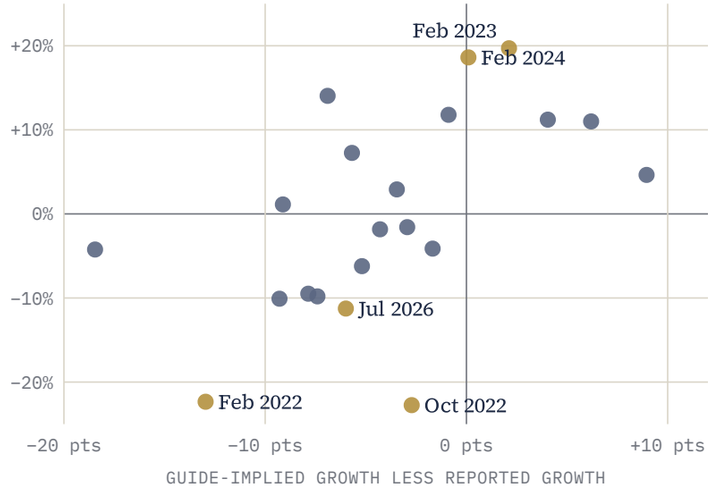
01 · BY CAPEX SIGNAL

Average next-day return over QQQ, releases and guidance 8-Ks since 2020.



02 · BY REVENUE GUIDE

Each dot an earnings release since Oct 2021. Faster guided growth, better day.



03 · READING IT

Direction, not magnitude: the samples are small and the events are bundled.

The largest single-day fall in the series, −22% excess on February 2, 2022, came with capex guidance unchanged. The guide implied growth ~13 points slower than the quarter just reported.

The cuts cluster in 2022–23 and arrived with expense cuts and a ~$40bn buyback authorization, so ~+9% is not a clean capex effect.

Correlation with next-day excess, Oct 2021 on: revenue guide ~+0.5; capex change −0.3.

The guide decides how a raise lands. Since 2023, raises with a guide 5+ points below reported growth fell ~10% in four of five cases; raises with an in-line guide rallied in two of three.

~0%
NEXT-DAY EXCESS ON CAPEX RAISES (N = 12)

−22%
FEB 2, 2022, WITH CAPEX GUIDANCE UNCHANGED

−4%
OCT 22, 2026: CAPEX FLOOR RAISED, GUIDE ~2 PTS BELOW REPORTED

~+13% vs −4%
NEXT-DAY EXCESS: GUIDE IMPLIES FASTER VS SLOWER GROWTH

Guidance and items from earnings releases and 8-Ks only. Guide-implied growth = guide midpoint over year-ago reported revenue. Next-day returns from adjusted closes (Yahoo Finance): event-day close to next close for after-close releases; prior close for pre-market 8-Ks. Oct 22, 2026: −7%, −4% against QQQ, reversing a press-reported ~+3% after hours. Split at 2023: from 2023 the guide correlation is ~+0.66 (n=16) and raises average −1% (n=10); initial next-year capex guides flip, −9% before vs ~+3% after (n=4, 3). Raises since 2023: guide 5+ pts below reported −7% average (n=5); in line ~+9% (n=3). Part of that gap is mechanical: a strong reported quarter makes any guide look slower.

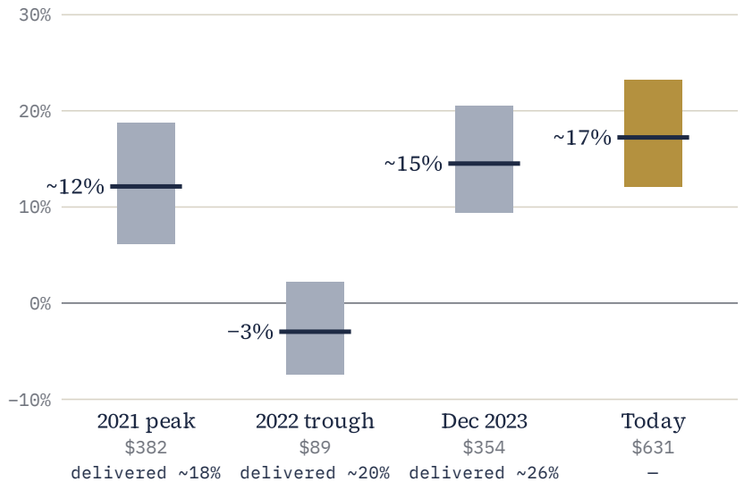
NOT INVESTMENT ADVICE

At the 2021 peak the price asked for ~12% growth. At ~$631 it asks for ~17%.

What growth does each price require? Discounting owner free cash flow (FCF less share-based pay) at the cost of equity, solve for the 10-year revenue growth that returns each price. Margins ramp over five years to a steady 15–25% of revenue (2019–21 ran ~19–25%); terminal growth 3%.

01 · IMPLIED 10-YEAR REVENUE GROWTH

Bar: range across discount rate and margin. Line: mid case. Below each date: revenue growth delivered since.



02 · THE INPUTS THAT MOVED

Hurdle = cost of equity: 10-year Treasury + 1.2 beta × 5% premium, ±1 point in the range. Implied = mid case.

	Hurdle	10-yr Tsy	Implied	Range
2021 peak	~7.4%	~1.4%	~12%	~6% to ~19%
2022 trough	~10.1%	~4.1%	−3%	−7% to ~2%
Dec 2023	~9.9%	~3.9%	~15%	~9% to ~21%
Today	~11.0%	~5.0%	~17%	~12% to ~23%

03 · READING IT

The price asks more today, and the hurdle is doing all of the asking.

The 2021 peak was not priced for heroics, and Meta delivered more than it asked. The drawdown came from what the price stopped believing: the trough implied a decade of shrinking revenue.

At ~17% a year, revenue reaches ~$1.2tn by 2036, from ~$242bn now.

The higher hurdle explains all of the step-up. At 2021's ~7.4% cost of equity, today's price would need only ~8%, less than the 2021 peak asked for.

~12%
IMPLIED GROWTH AT THE SEP 2021 PEAK, MID CASE

−3%
IMPLIED AT THE NOV 2022 TROUGH

~8%
TODAY'S PRICE AT 2021'S COST OF EQUITY

~17%
IMPLIED AT ~$631; RANGE ~12–23%

Point-in-time: trailing twelve months through the latest quarter reported by each date. 10-year Treasury from the U.S. Treasury daily par curve. Owner FCF = Meta FCF less share-based compensation. Delivered growth runs ~3–5 years, not ten. "Today" is the Oct 26 close, ~$631. Beta and premium are judgment inputs.

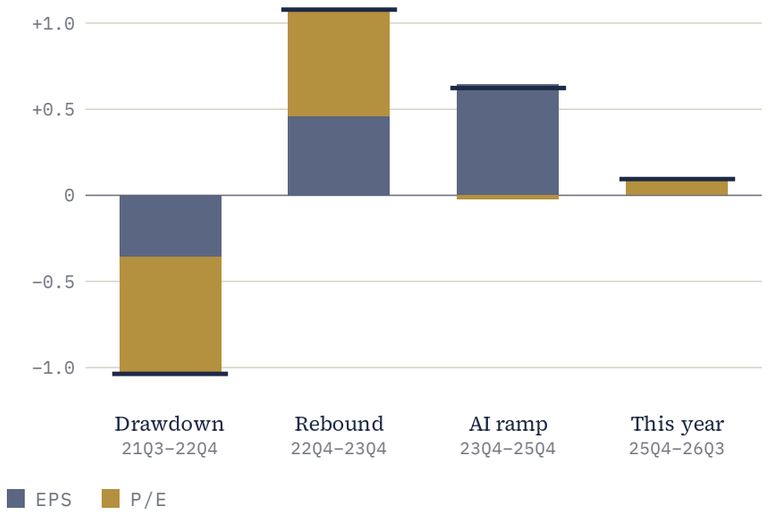
NOT INVESTMENT ADVICE

About two-thirds of the 2022 fall was the multiple. This year the multiple is all that rose.

Splitting the log change in price into trailing adjusted EPS and trailing P/E: from Q3 2021 to Q4 2022 the P/E roughly halved, ~24x to ~12x, while adjusted EPS fell ~30%. Since Q4 2025 adjusted EPS has been flat and the stock has risen ~10% on the multiple.

01 · EARNINGS VERSUS MULTIPLE

Log price change. Slate: trailing adjusted EPS. Gold: trailing P/E. Line: total.



02 · BY WINDOW

Quarter-end closes. Log changes add exactly; percentages do not.

	Price	Log EPS	Log P/E	vs QQQ
Drawdown	−65%	−0.36	−0.68	−53%
Rebound	~+194%	~+0.46	~+0.62	~+90%
AI ramp	~+86%	~+0.64	−0.02	~+23%
This year	~+10%	~+0.00	~+0.09	−9%
Full span	~+114%	~+0.75	~+0.01	~+0%

03 · READING IT

The 2022 analog was a re-rating. This year is a re-rating the other way.

Over the whole span, 2021 to now, the shares roughly doubled on earnings alone; the P/E ended where it started, ~24x, and the stock is about flat against QQQ.

Operating cash flow per share grew faster than EPS, yet market value per dollar of it fell ~25 log points: consistent with the market netting out the capex that operating cash flow ignores.

This year adjusted EPS was flat and the multiple did all the work.

~24x → ~12x
TRAILING ADJUSTED P/E, Q3 2021 TO Q4 2022

~24x
TRAILING ADJUSTED P/E, Q3 2026

~0%
ADJUSTED EPS CHANGE SINCE Q4 2025

~2/3
SHARE OF THE 2021–22 LOG DECLINE FROM P/E

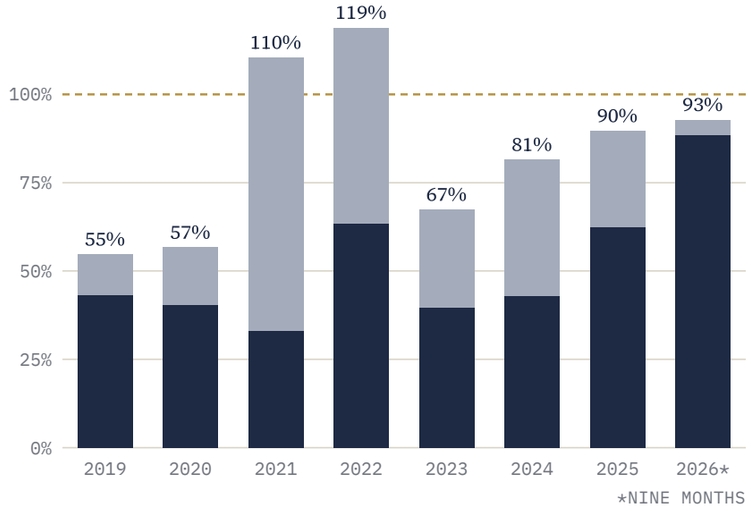
Adjusted EPS = reported diluted EPS plus only those one-off effects Meta itself quantified per share (FTC accruals, 2022–23 restructuring, the 2025 tax charge and 2026 benefit, the 2026 settlement). Unquantified items are not adjusted, so adjusted EPS is approximate. Market value uses diluted weighted shares.

Cash, then debt, now equity: ~$98bn priced or planned.

Buybacks and dividends took ~77% of operating cash flow in 2021 and ~4% so far in 2026. Net cash of ~$58bn is now net debt of ~$1bn after ~$84bn of notes. On October 26 Meta priced ~$37.5bn of equity and planned a ~$60bn Class C ATM, ~6% of its market value, against forecasts that need hundreds of billions.

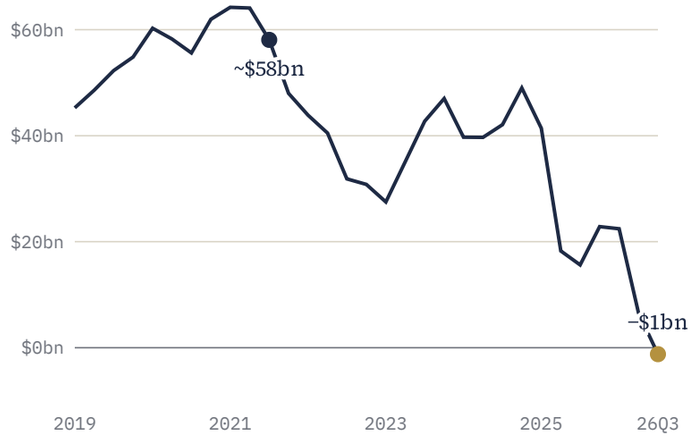
01 · WHERE OPERATING CASH WENT

Navy: capex. Gray: buybacks and dividends. Share of operating cash flow by year.



02 · NET CASH

Cash and securities less total debt, quarter ends, $bn. Excludes leases.



03 · THE NEXT LAYER: EQUITY

Five days after the new share class, the equity layer is no longer a plan.

On October 26 Meta priced ~$37.5bn of equity: ~$25bn of Class A common at $625 through forward sales it can settle by November 2027, upsized from ~$22.5bn, and ~$12.5bn of 6.50% mandatory convertible preferred that converts in August 2029 at between $625 and ~$734 a share. A ~$60bn ATM on Class C is to follow, not yet agreed.

The October 21 information statement records management's forecasts showing a need to raise hundreds of billions over several years, starting as early as fall 2026. Moelis put the most equity raisable without Zuckerberg's voting power falling below 50% at ~$700bn.

~77% → ~4%
BUYBACKS AND DIVIDENDS, SHARE OF OPERATING CASH FLOW

~$58bn → −$1bn
NET CASH, Q3 2021 TO Q3 2026: NOW NET DEBT

~$37.5bn
PRICED OCT 26: FORWARD COMMON AT $625 PLUS 6.50% MANDATORY CONVERTIBLE

~$98bn
PRICED OR PLANNED, WITH THE ~$60BN CLASS C ATM

Cash flows from XBRL and the Q3 2026 release. Notes from the Q3 2026 10-Q. Class C from the Oct 21 release and Schedule 14C. Offerings from the Oct 26 S-3ASR and prospectus supplements and the pricing term sheet dated Oct 26 (filed Oct 27); sizes exclude underwriter options (6m common shares; preferred over-allotment). Market value at the Oct 26 close.

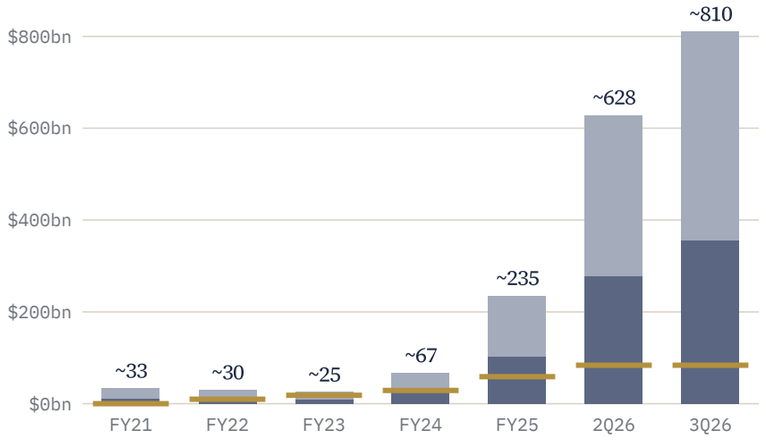
NOT INVESTMENT ADVICE

Debt is ~$84bn. Commitments beyond the balance sheet are ~$810bn.

At Sep 30, leases not yet commenced (~$356bn) and non-cancelable purchase commitments (~$455bn) came to ~6x a year of operating cash flow, from ~0.6x in 2021, and up ~$180bn in one quarter. ~$121bn of the commitments fall due in 2027. Servers are depreciated over 5.5 years, from four in 2021; the notes run to 2066.

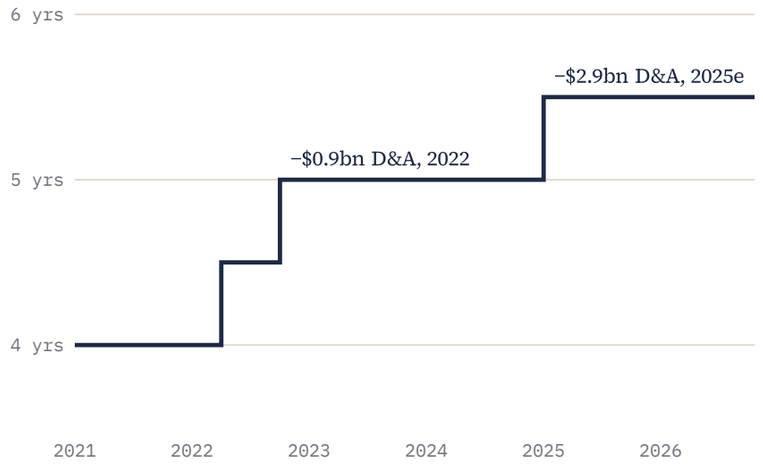
01 · BEYOND THE BALANCE SHEET

Slate: leases not yet commenced. Gray: purchase commitments. Gold: long-term debt.



02 · SERVER USEFUL LIFE

Lengthened in 2022, during the drawdown, and again in 2025.



03 · THE TENOR OF THE MONEY

Long money, short assets, and guarantees on assets Meta does not own on its books.

Notes: ~$84bn face, ~88% due after 2030, out to 2066, at ~3.5–6.5% coupons, no covenants.

Two data center ventures, Louisiana and Texas, 20% owned and not consolidated. Meta's leases start in 2029 and 2028 on four-year initial terms, backed by residual value guarantees of up to ~$41bn combined.

Maximum exposure to loss: ~$68bn at Sep 30, from ~$46bn at Dec 2025.

The notes' fair value was ~$73bn at Sep 30, ~87% of face: the debt market has already repriced this money.

~6x
SAME, AGAINST TRAILING OPERATING CASH FLOW; ~0.6X IN 2021

5.5 yrs
SERVER AND NETWORK ASSET LIFE, FROM 4 IN 2021

~$68bn
MAXIMUM EXPOSURE TO LOSS, TWO DATA CENTER VENTURES

~$810bn
LEASES NOT COMMENCED PLUS COMMITMENTS, SEP 30, 2026

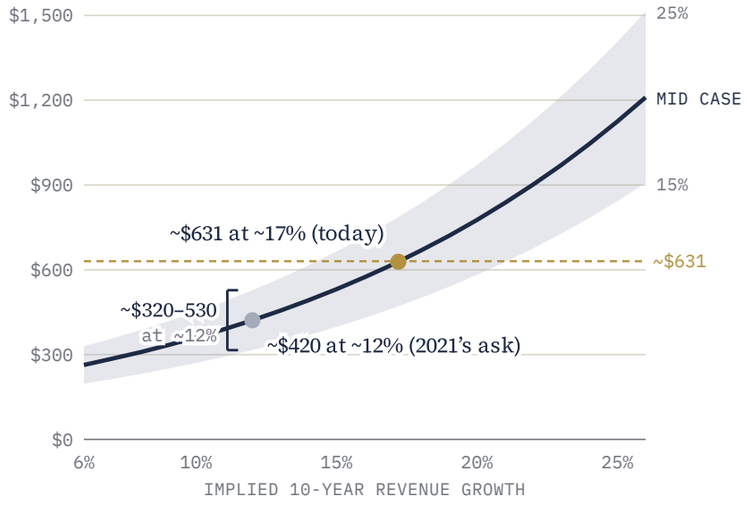
FY2021–FY2025 10-Ks; Q2 and Q3 2026 10-Qs (long-term debt, commitments and contingencies, variable interest entities). Amounts are nominal and undiscounted, span up to ~30 years, and add two separately disclosed categories: scale, not a liability measure.

At 2021's ~12% implied growth, the model values Meta at ~$320–530 a share. Each point is worth ~$45.

Value per share against implied 10-year revenue growth at today's cost of equity. Near today's price, each point of implied growth is worth ~$45 a share in the mid case (~$35–55 across margins). The thesis holds if the revenue guide turns lower while capex steps up again in 2027; it fails if growth keeps outrunning what the price asks.

01 · VALUE AGAINST IMPLIED GROWTH

Per share at today's ~11% hurdle. Line: mid case. Band: 15–25% steady owner-FCF margins.



02 · WHAT WOULD MARK A REPEAT

Leading indicators. The right-hand column is judgment, not model output.

Indicator	2022	Now	Would mark a repeat
Revenue guide vs reported growth	−3 pts (Q4 2022)	−2 pts	A capex raise with a guide 5+ pts below reported
Capex / operating cash flow	~63% (FY)	~89% (9M)	Above 100% for a full year
D&A growth less revenue growth	~+22 pts (Q4)	~+18 pts	Gap widening into 2027
Commitments / operating cash flow	~0.6x	~6.1x	Still rising at the FY2026 10-K
Trailing adjusted P/E	~12x	~24x	Falling with flat EPS

03 · THE RANGE

Scenarios are re-pricings of growth, not forecasts of it.

At 2021's ~12% implied growth, the model values the shares at ~$320–530 at today's hurdle, ~15–50% below ~$631. The range varies steady margins only; adding ±1 point on the hurdle widens it to ~$270–620.

At end-2023's ~15%, ~$400–670.

Against: the Q4 guide implies ~22–27% growth for the quarter (midpoint ~24%), above the ~17% a year the price asks for a decade, and a lower hurdle would support today's price at ~8% growth.

~$45
PER POINT OF IMPLIED GROWTH NEAR TODAY, MID CASE

~24%
Q4 2026 GUIDE MIDPOINT, IMPLIED YOY GROWTH (~22–27%)

~8%
GROWTH TODAY'S PRICE NEEDS AT 2021'S HURDLE

~$320–530
MODEL VALUE PER SHARE AT 2021'S ~12% IMPLIED GROWTH

Same model as page 06: Q3 2026 trailing revenue ~$242bn, starting owner-FCF margin −1%, five-year ramp, 3% terminal growth, cost of equity ~11.0%, Oct 26 close ~$631. Ranges span 15–25% steady margins. Q4 guide growth: $73–76bn against Q4 2025 revenue of ~$59.9bn. Indicator thresholds are the author's judgment.

How it was measured, and what to distrust.

01 · METHOD

Data layer from primary sources: SEC XBRL company facts, earnings releases (Exhibit 99.1), 8-Ks, 10-Ks and 10-Qs. Quarterly cash flows are derived by differencing year-to-date figures; Q4 per-share data come from Q4 releases.

Event study: every capex outlook statement since 2020, next-day return over QQQ from adjusted closes. Revenue guide signal = guide midpoint over year-ago revenue, less the quarter just reported.

Reverse DCF: owner FCF (FCF less share-based pay), ten years, linear margin ramp, Gordon terminal value, cost of equity = 10-year Treasury + beta × premium.

Returns on spend: change in trailing operating income ex one-offs, after a flat 15% tax, over capex in the window, with zero to two years of lag.

02 · WHAT TO DISTRUST

Small samples. ~30 events, 5 to 16 per bucket, and most bundle several pieces of news. Read the direction, not the size.

Adjusted EPS uses only per-share effects Meta quantified; unquantified charges (2023 legal, late-2023 restructuring, 2026 legal and severance) are not adjusted.

Returns on spend credit all income growth to capex and, when lagged, absorb later spending. They show timing, not value.

About 63% of each value comes from the terminal value, after year 10, so the discount rate and terminal growth matter as much as the near-term years.

Beta 1.2 and a 5% premium are judgment. Moving cost of equity one for one with the Treasury yield assumes a constant premium.

Commitments are nominal, undiscounted and multi-decade. The capital-raising statements in the information statement are management's oral summary to the special committee's advisers, not disclosed forecasts. The forward sales settle at Meta's discretion, so the common proceeds and dilution may arrive over a year or more.

03 · LEFT OUT DELIBERATELY

Consensus estimates: no vendor data, so expectations come from Meta's own guidance and from what each price implied.

The capex split between AI, core and Reality Labs: not disclosed.

A price target. The work shows what the price requires and what would undermine it, not where it should trade.

A read on one day: Oct 22 fell ~4% against QQQ, consistent with page 05, not a test of it.

Sources and disclosures

META FILINGS	Earnings releases (8-K Ex. 99.1), Jan 2019 to Oct 21, 2026; 8-Ks of Nov 9, 2022 and Mar 14, 2023; 10-Ks for FY2021–FY2025; 10-Qs for Q2 and Q3 2026; preliminary information statement (Schedule 14C) of Oct 21, 2026; S-3ASR, prospectus supplements and free writing prospectus of Oct 26, 2026; pricing term sheet dated Oct 26 and filed Oct 27, 2026; SEC XBRL company facts (CIK 0001326801).
MARKET DATA	Daily closes for META, QQQ, GOOGL, MSFT, AMZN, Jan 2018 to Oct 26, 2026 (Yahoo Finance). 10-year Treasury yields: U.S. Treasury daily par yield curve.
MODEL	META capex, FCF and price workbook: quarterly data, event tags, reverse DCF, decomposition and duration tabs, fully recalculated.
PRESS	Used only as a cross-check, never as an input: after-hours reaction to the Q3 2026 release.

Everything is approximate and rounded; ranges are the information. Prices as of October 26, 2026.

Not affiliated with Meta Platforms. The author holds no position in META. Not investment advice.