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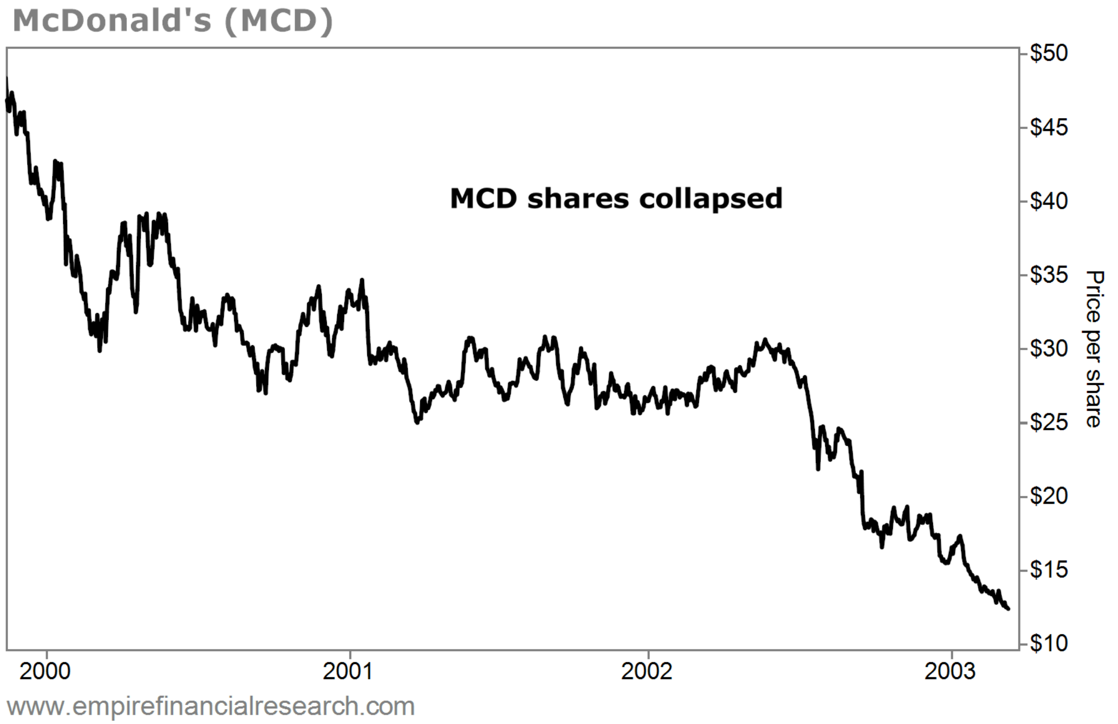
It Reminds Me of McDonald's (MCD)

- November 1999: Stock peaked at nearly $50
- Then, a series of missteps led to a collapse: lack of new products, too many stores, price war with Burger King
- CNBC's Jim Cramer calls MCD "unownable"
- March 2003: Stock bottomed around $12



My “Boots on the Ground” Research

- I spoke to a longtime McDonald’s franchise owner
- I was shocked when he said: *“Whitney, if I had $5 million today, I would put every penny of it into MCD stock.”*
- New CEO Jim Cantalupo was fixing things
- So I loaded up…

MCD Has Been a 20-Bagger Since Then

What McDonald's Taught Me

- Look to buy great businesses when they fall out of favor
- If the business stabilizes, the stock can turn into a home run
- I'm seeing one of these rare situations today:
  - One of the most hated companies in the world
  - Its outlook is uncertain
  - But its share price more than reflects this

Meta Platforms Is Today's McDonald's

- Widely vilified for harming users, misusing their information, spreading fear and lies, interfering with elections, etc.
- Apple's changes to user privacy has impaired Facebook's ability to target ads
- Skepticism about $10 billion annual spend on the Metaverse

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The Stock Is Down More Than 40%

Meta Platforms Owns Three of the World's Greatest Businesses

- 3.6 billion people – 61% of adults (age 15+) I the world – use a Meta product each month, 2.8 billion every day
- It pays nothing for content – users provide it
- It knows more about you than anyone – even Alphabet
- Massive network effects
- Revenues are less than half Alphabet's and barely a third of Apple's, so it has more room to grow
- Nearly all of the incremental ad spending in the world is going to Alphabet and Facebook
- There is plenty of room for growth:
  - Enormous trend of advertising moving from traditional media to online
  - Nearly a third of the world's adults still don't have smartphones

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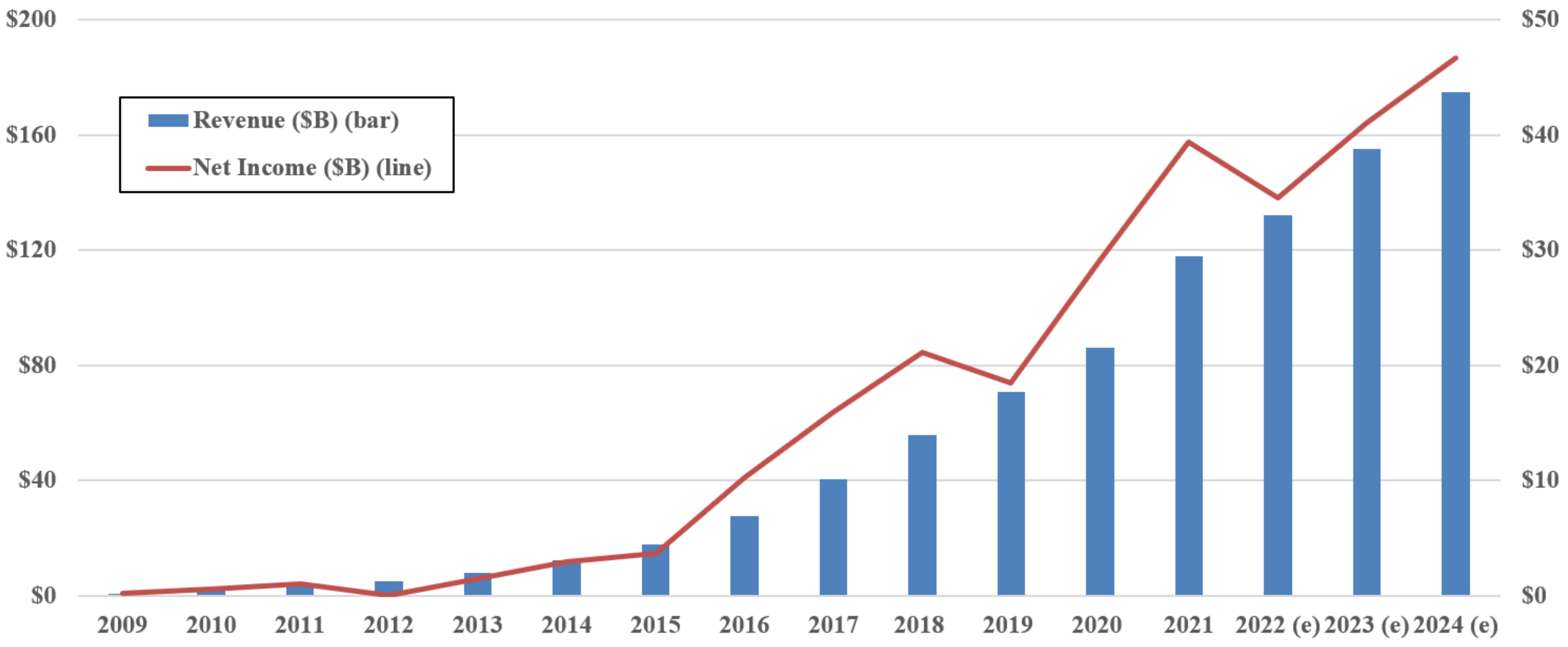
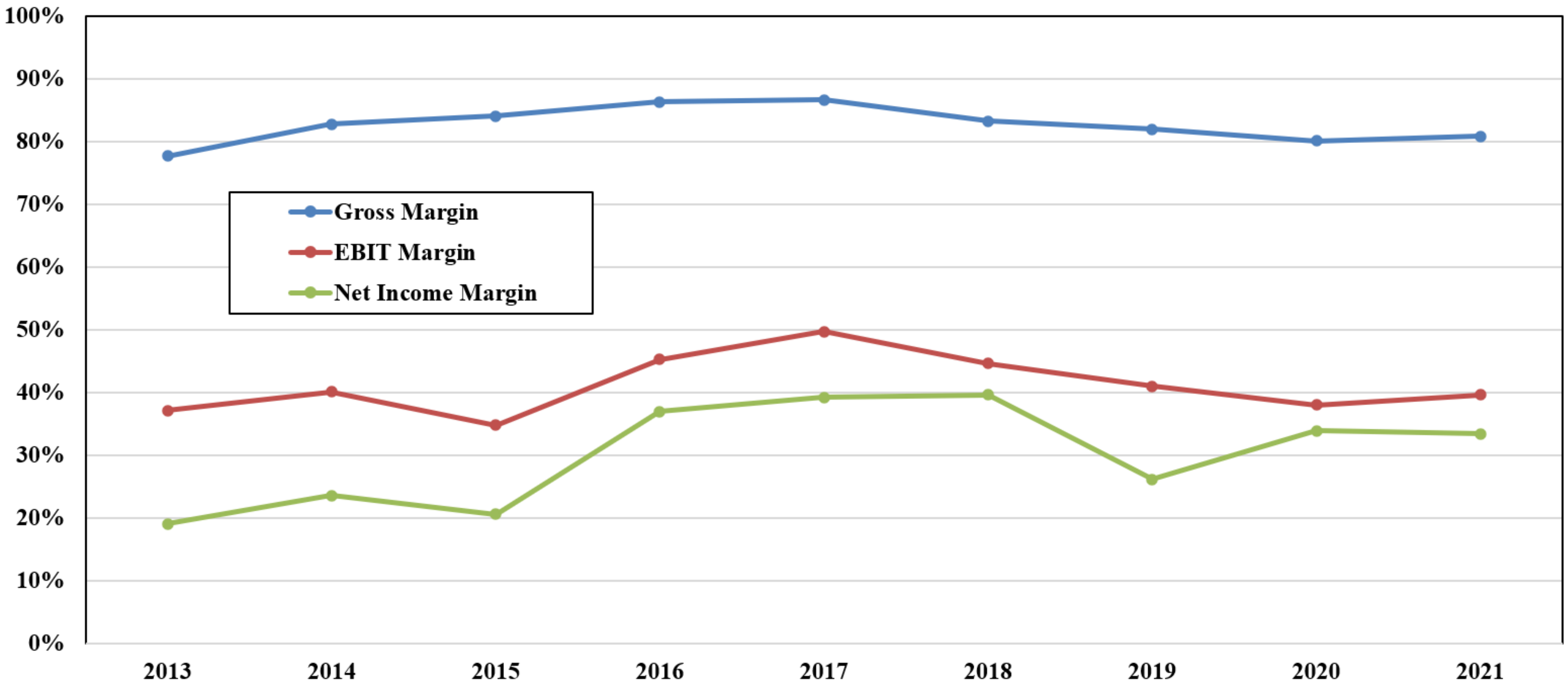
Growth Has Been Extraordinary



Meta Has Mouth-Watering Margins



Average Revenue Per User (ARPU) Continues to Grow

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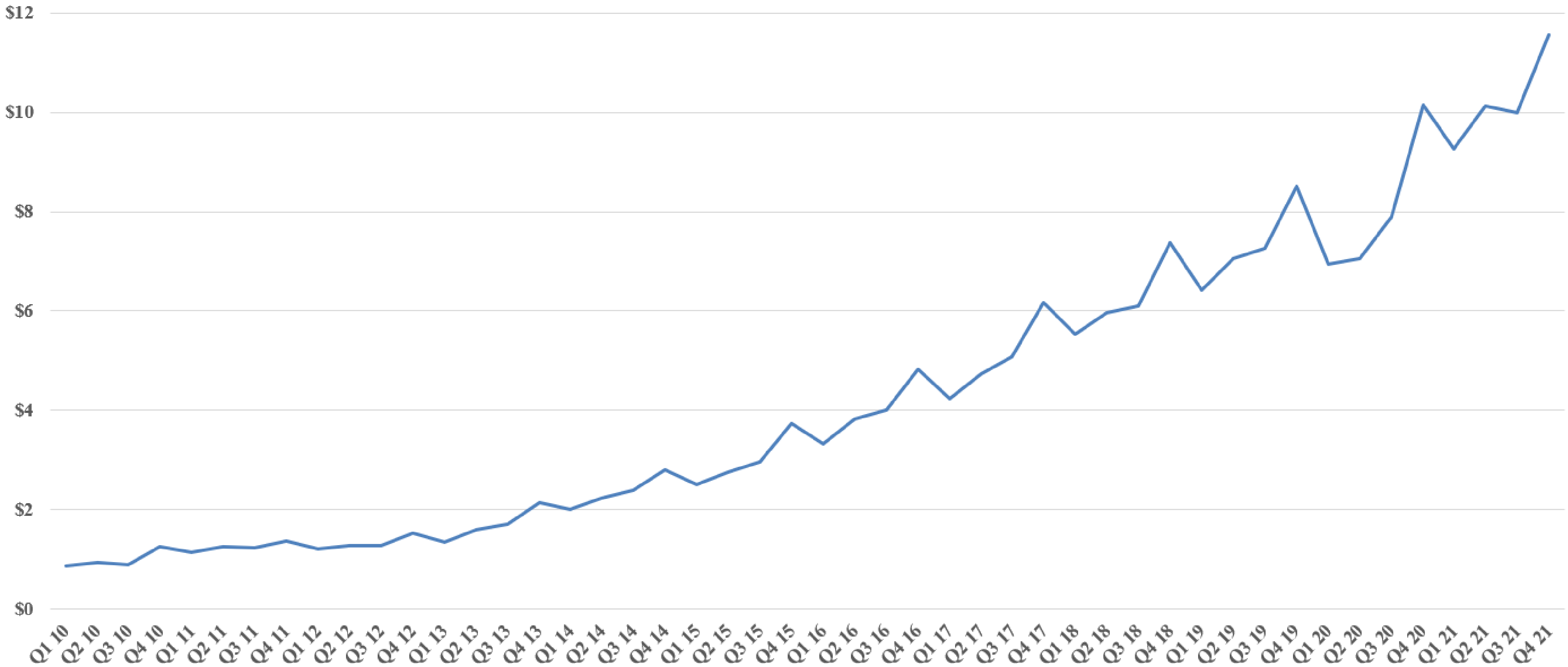

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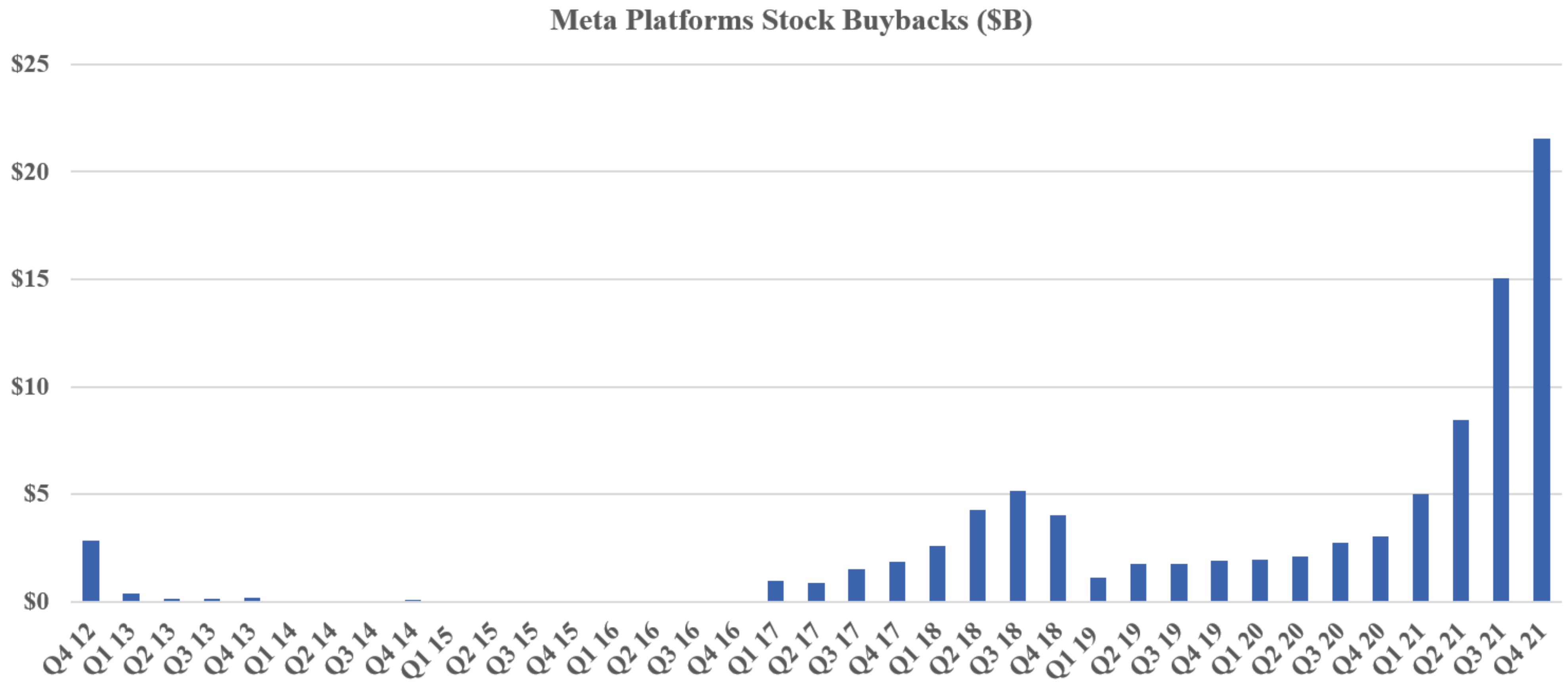
Share Repurchases Are Ramping Rapidly



Meta's Share Repurchases Are Following the Path Blazed by Apple and Alphabet - But to an Even Greater Degree

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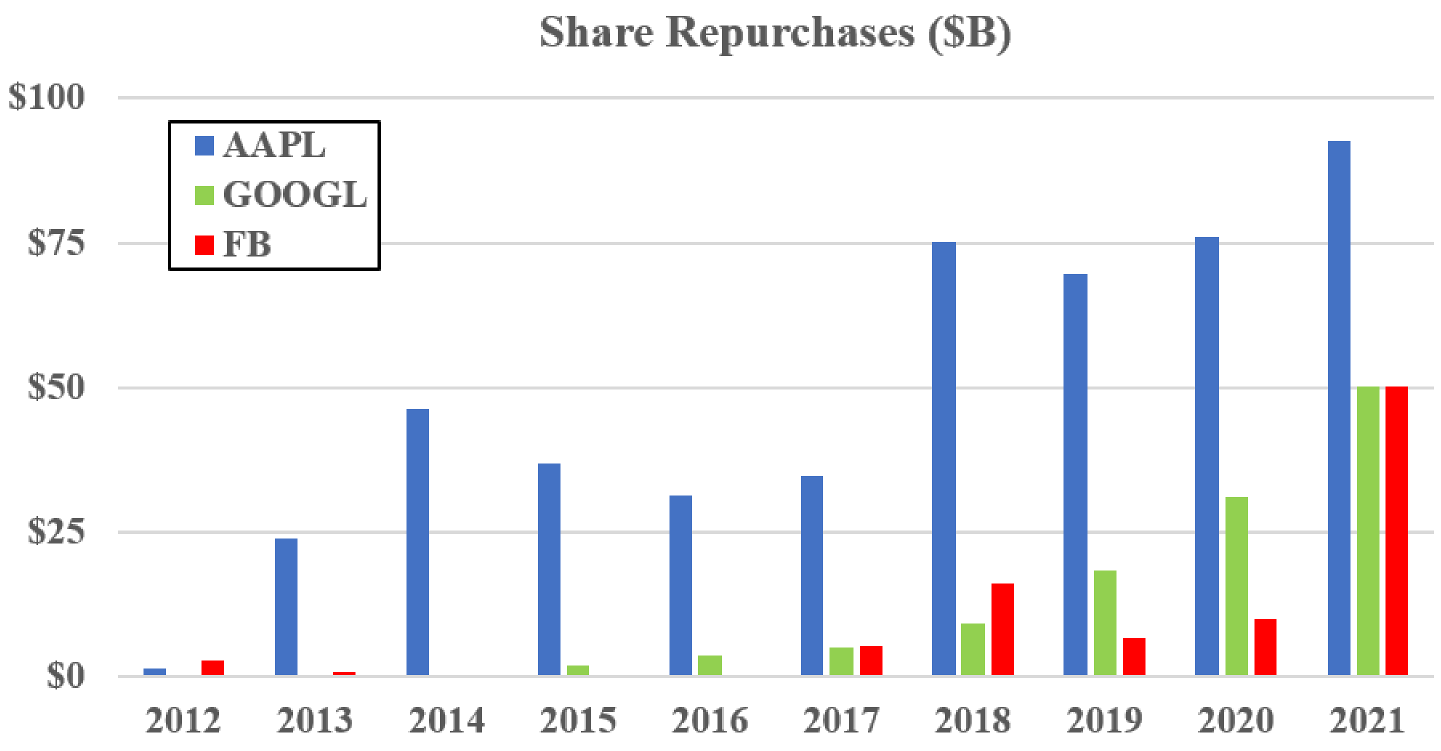
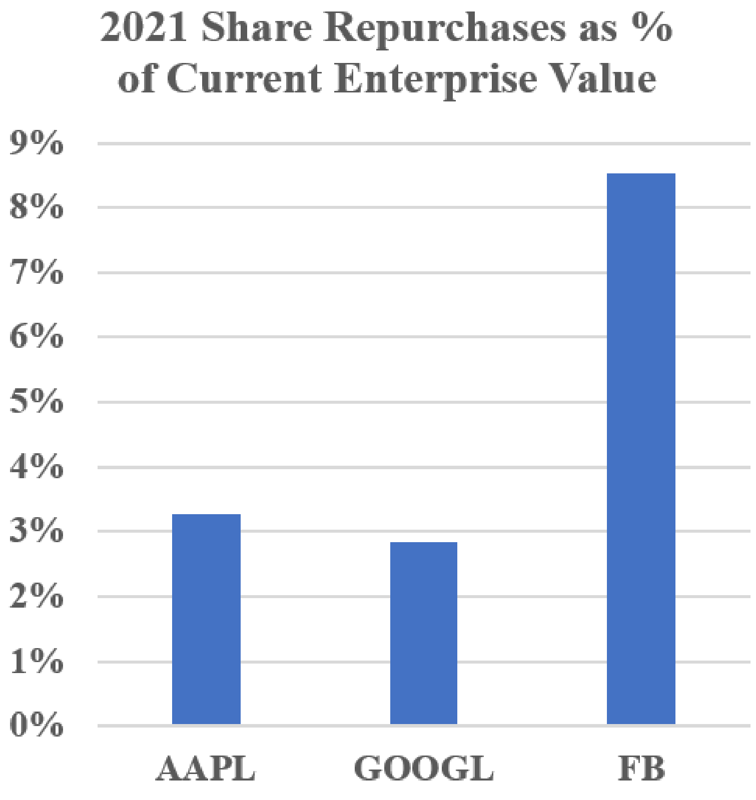
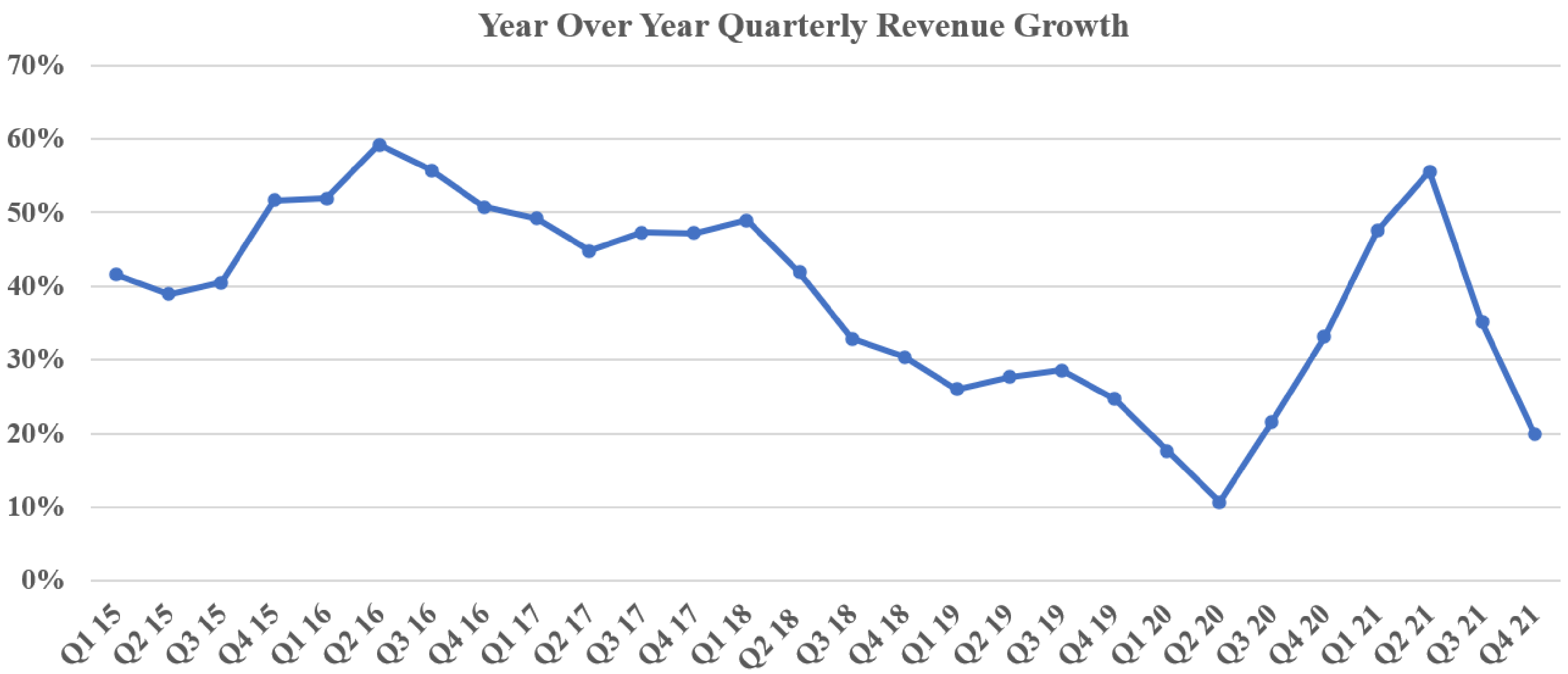




Growth Is Slowing However



The Slowing Growth Is More Than Reflected in the Stock, Which Is Trading at Its Lowest Valuation Ever

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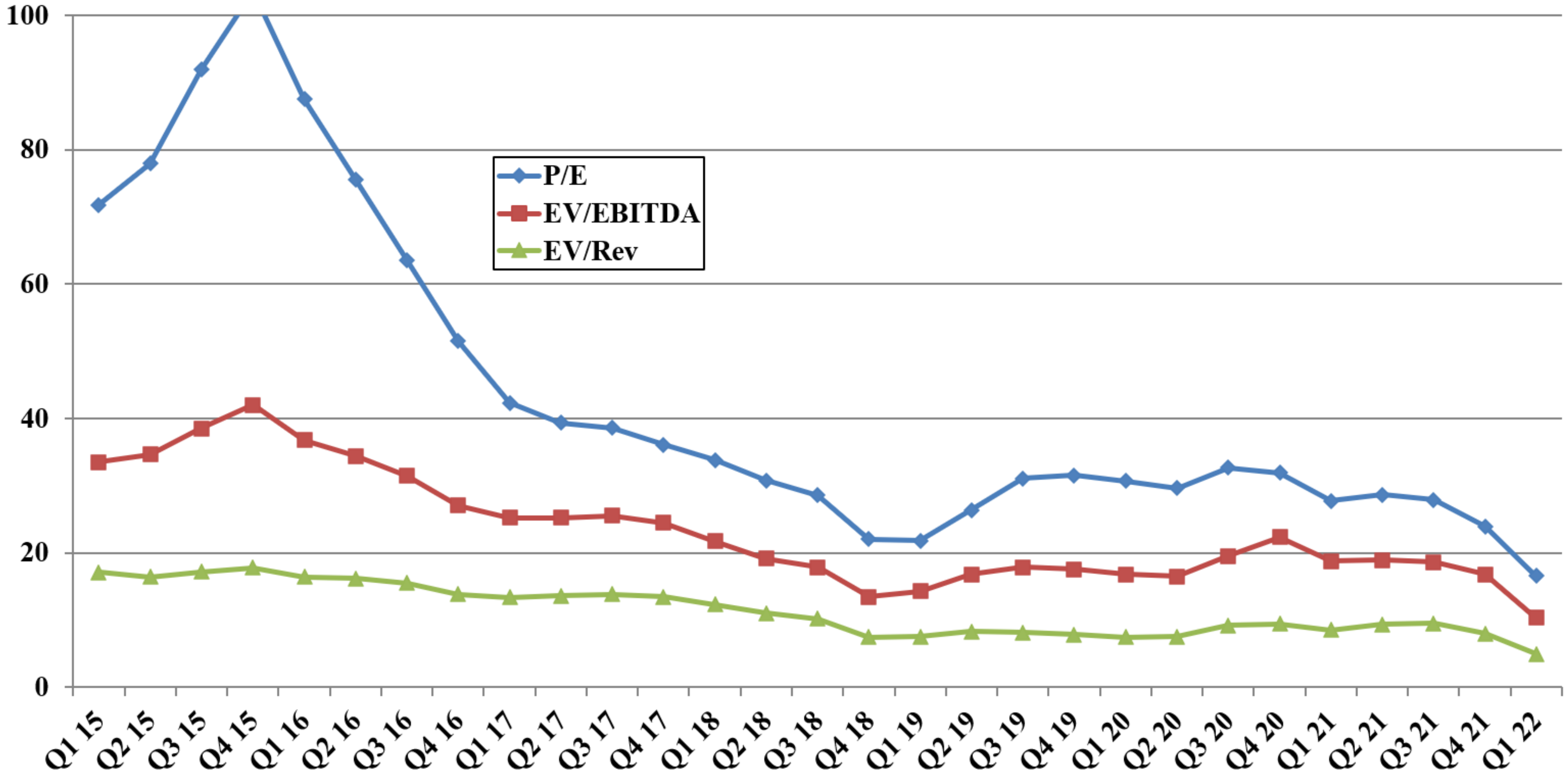

Meta Is Cheaper Than IBM

- Meta's enterprise value is $587 billion ($620 billion market cap, minus $48 billion in cash plus $14 billion in "operating lease liabilities," a form of debt). And last year it had $55 billion in EBITDA ($47 billion of operating income plus $8 billion of depreciation and amortization), so the stock today trades at 10.7 times EV/EBITDA.
- The same figures for IBM (IBM) are a $167 billion enterprise value and $11.2 billion in EBITDA, for a multiple of 14.8 times.
- IBM should trade at a huge *discount*, not premium, to Meta, given that Meta is one of the greatest businesses of all time and still has substantial growth ahead of it, while IBM has been a total value trap for more than *two decades*.

My Advice

- **Buy Meta Platforms (FB) up to $250 a share**
- In the 10 years since Meta went public, it's only missed numbers four times. Given the nature of the reset after last quarter's earnings debacle, we are extremely confident that Meta will report strong Q1 numbers on April 28
- If this happens, given its cheap valuation and the heavy (top-10) weighting in the S&P 500 index, we think there could be a rapid rush back into the stock
- Hold for the long term… it might be a bumpy ride, but we expect the stock to double or even triple over the next few years

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