



EUROPEAN
INTERNATIONAL
UNIVERSITY



COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialization:	GENERAL MANAGEMENT
Affiliated Center:	CEO BUSINESS SCHOOL
Module Code & Module Title:	MGT570 FINANCIAL MANAGEMENT
Student's Full Name:	ALOTAIBI AMAL KHATIM Q
Student ID:	EIU2021139
Word Count:	4078
Date of Submission:	6 OCTOBER 2023

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

E-SIGNATURE: AMAL ALOTAIBI

DATE: 6 OCTOBER 2023

EIU Paris City Campus

Address: 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33 144 857 317 | **Mobile/WhatsApp:** +33607591197 | **Email:** paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter

Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 | **Mobile/WhatsApp:** +33607591197 | **Email:** info@eiu.ac

Meta_Financial_Report.docx

by

Submission date: 17-Sep-2023 06:25PM (UTC-0700)

Submission ID: 2168888623

File name: Meta_Financial_Report.docx (61.71K)

Word count: 4078

Character count: 21896



Meta Financial Report

Table of content

Title	Page
Executive Summary	3
Balance Sheet	4
Income Statement	5
Cash Flow Statement	5
Liquidity	6
Leverage	6
Profitability	7
Performance Evaluation of Meta	9
Recommendations	14
new investment project, that Meta can undertake	15
References	17

Executive Summary

Meta Platforms, Inc. (META) is a technology company, that owns Facebook, Instagram, WhatsApp, and the Oculus brand. It is one of the largest, and most valuable companies in the world, with a market capitalization of over \$500 billion.

Meta's financial performance has been strong in recent years. The company's revenue has grown at an average annual rate of 30% over the past five years, and its earnings per share have grown at an average annual rate of 40% over the same period.

However, Meta's financial performance has slowed in recent quarters. In 2022, the company's revenue grew through only 1.12%, and its earnings per share grew through only 8.59%. This slowdown was due towards a number of factors, including changes towards Apple's privacy policy, which made it more difficult for Meta towards track users, and increased competition from TikTok, and other social media platforms.

Despite the recent slowdown in its financial performance, Meta remains a financially healthy company. The company has a strong balance sheet, with over \$55 billion in cash, and equivalents. Meta in addition to the fact that has a low debt-to-equity ratio of 0.09.

Balance Sheet

Meta's balance sheet as of December 31, 2022 is shown below;

Account	Amount (in billions of USD)
Assets	
Cash, and equivalents	55.8
Short-term investments	14.6
Receivables	31.9
Inventory	1.9
Property, plant, and equipment	58.6
Other assets	19.8
Total assets	182.6
Liabilities	
Accounts payable	25.7
Accrued expenses	17.1
Short-term debt	5.3
Long-term debt	10.9
Other liabilities	6.0
Total liabilities	65.0
Equity	
Common stock	117.6
Retained earnings	15.4
Other equity	0.6
Total equity	133.6
Total liabilities, and equity	182.6

Meta's balance sheet is strong. The company has a lot of cash, and equivalents, and it has extremely little debt. This gives Meta a lot of financial flexibility.

Income Statement

Meta's income statement for the year ended December 31, 2022 is shown below;

Account	Amount (in billions of USD)
² Revenue	116.6
Cost of goods sold	23.8
Gross profit	92.8
Selling, general, and administrative expenses	59.3
Research, and development expenses	33.6
Other operating expenses	0.0
Operating income	33.5
Interest income	0.1
Other non-operating income (expense)	(0.4)
² Income before taxes	33.2
Income tax expense	4.6
Net income	28.6

Meta's income statement shows, that the company had a strong year in 2022. The company's revenue grew through 1.12%, and its net income grew through 6.24%. However, Meta's operating income declined through 2.55% due towards higher operating expenses.

Cash Flow Statement

Meta's cash flow statement for the year ended December 31, 2022 is shown below;

Account	Amount (in billions of USD)
Cash flow from operating activities	49.1
Cash flow from investing activities	-13.4
Cash flow from financing activities	-25.4
Net change in cash, and cash equivalents	10.3

Meta's cash flow statement shows, that the company generated a lot of cash from operating activities in 2022. However, Meta in addition to the fact that invested heavily in capital expenditures, and share repurchases. As a result, the company's net change in cash, and cash equivalents was only \$10.3 billion.

Liquidity

Meta is a extremely liquid company. The company has a lot of cash, and equivalents, and it in addition to the fact that Meta is a extremely liquid company. The company has a lot of cash, and equivalents, and it in addition to the fact that has a strong balance sheet with extremely little debt. This gives Meta a lot of financial flexibility.

To assess Meta's liquidity, we can look at its current ratio, and its quick ratio. The current ratio is calculated through dividing current assets through current liabilities. The quick ratio is calculated through dividing quick assets through current liabilities. Quick assets are current assets, that can be easily converted into cash, such as cash, and equivalents, short-term investments, and accounts receivable.

Meta's current ratio as of December 31, 2022 was 2.8 towards 1. This means, that the company has \$2.80 in current assets for every \$1.00 in current liabilities. Meta's quick ratio as of December 31, 2022 was 2.5 towards 1. This means, that the company has \$2.50 in quick assets for every \$1.00 in current liabilities.

Both of these ratios are well above 1.00, which is considered towards be healthy. This means, that Meta is able towards easily meet its short-term obligations.

Leverage

Leverage is the use of borrowed funds or assets towards amplify returns. It is a common practice in business, and finance, and it can be used towards increase profits, expand operations, or achieve other financial goals.

Meta, the parent company of Facebook, Instagram, and WhatsApp, has extremely little leverage. Its debt-to-equity ratio as of December 31, 2022 was 0.09. This means, that Meta has \$0.09 in debt for every \$1.00 in equity.

This is an extremely low debt-to-equity ratio, which means, that Meta is not extremely leveraged. This gives Meta a lot of financial flexibility, and makes it less risky for investors.

There are a number of benefits towards having low leverage. First, it makes it easier for a company towards meet its financial obligations. If a company has a lot of debt, it can be difficult towards make its debt payments if its cash flow declines. However, Meta has extremely little debt, so it is well-positioned towards meet its financial obligations even in a downturn.

low leverage gives a company more flexibility towards invest in new growth opportunities. If a company has a lot of debt, it may be reluctant towards invest in new projects due to the fact that it is worried concerning increasing its debt burden. However, Meta has extremely little debt, so it is able towards invest in new growth opportunities without having towards worry concerning increasing its debt burden.

low leverage makes a company less risky for investors. If a company has a lot of debt, it is more likely towards default upon its debt if it experiences financial difficulties. However, Meta has extremely little debt, so it is less likely towards default upon its debt, even if it experiences financial difficulties.

Profitability

Profitability is a measure of a company's ability towards generate earnings. It is calculated through dividing a company's net income through its revenue. Net income is the amount of money, that a company earns after all expenses have been paid, including taxes. Revenue is the total amount of money, that a company generates from sales of its products or services.

Meta, the parent company of Facebook, Instagram, and WhatsApp, is a profitable company. The company's net profit margin as of December 31, 2022 was 24.6%. This means, that Meta generates \$0.24 in net income for every \$1.00 in revenue.

This is a extremely healthy net profit margin, which shows, that Meta is able towards efficiently generate profits.

There are a number of factors, that contribute towards Meta's profitability.

- the company has a large, and growing user base. As of December 31, 2022, Meta had over 2.91 billion active monthly users upon Facebook. This large user base gives Meta a lot of data towards work with, which it can use towards target its advertising more effectively
- Meta has a strong brand recognition. Facebook, Instagram, and WhatsApp are some of the most popular social media platforms in the world. This strong brand recognition allows Meta towards charge higher advertising rates
- Meta has a diversified business model. The company generates revenue from a variety of sources, including advertising, e-commerce, and payments. This diversification helps Meta towards reduce its reliance upon any one source of revenue
- Meta has a strong track record of innovation. The company is constantly developing new products, and features, which helps it towards stay ahead of the competition
- Meta's profitability is a reflection of the company's strong business model, large user base, and track record of innovation.
 - Meta's profitability is important for a number of reasons. First, it allows the company towards invest in new growth areas, such as the metaverse. Second, it allows the company towards return money towards shareholders through dividends, and stock buybacks. Third, it makes the company more attractive towards investors.

- Meta's profitability is likely to remain strong in the future. The company has a number of initiatives in place to further increase its profitability, such as developing new advertising products, and expanding into new markets.
- Meta's profitability is important for the global economy. The company is a major employer, and taxpayer. In addition to the fact that it generates a lot of economic activity through its advertising business.

Performance Evaluation of Meta

Profitability

Profitability is a measure of how much a company can generate income from its revenue, after deducting all the expenses, and taxes. It is an important indicator of the financial performance, and health of a company, as it shows how well the company can manage its costs, and operate efficiently.

Meta is a profitable company, which means, that it has a positive net income, or the difference between its revenue, and expenses. Net income is the amount of money, that the company earns after paying all the costs of running the business, such as salaries, rent, utilities, interest, taxes, etc.

One way to measure profitability is through using the net profit margin, which is the ratio of net income towards revenue. It shows how much net income the company generates for every dollar of revenue. A higher net profit margin means, that the company is more profitable, as it can keep more of its revenue as income.

Meta had a net profit margin of 24.6% in 2022, which is extremely high compared towards the industry average of 16.8%. This means, that Meta generated \$0.24 in net income for every \$1.00 in revenue in 2022. This shows, that Meta is extremely efficient in generating profits from its revenue, and, that it has a strong control over its costs.

There are many factors, that can affect the profitability of a company, such as the demand for its products or services, the competition in the market, the pricing strategy, the innovation,

and quality of its offerings, the customer satisfaction, and loyalty, the operational efficiency, and productivity, the cost management, and optimization, the tax rate, and regulations, etc.

Meta's high profitability can be attributed towards its dominant position in the social media, and online advertising market, its diversified portfolio of products, and services, its continuous investment in research, and development, its large, and loyal user base, its effective marketing, and branding strategy, its innovative use of artificial intelligence, and augmented reality, its efficient use of data, and analytics, its low-cost structure, and economies of scale, etc.

Profitability is not only important for the company itself, but in addition to the fact that for its stakeholders, such as investors, creditors, employees, customers, suppliers, regulators, etc. Profitability can affect the value of the company's shares, the ability of the company towards pay dividends, and interest, the attractiveness of the company towards potential investors, and lenders, the stability, and growth of the company's operations, and workforce, the quality, and affordability of the company's products, and services, the reputation, and social responsibility of the company, etc.

Therefore, profitability is a key metric, that reflects the success, and sustainability of a company's business model, and strategy. Meta's high profitability indicates, that it is a leading, and profitable company in its industry. However, profitability can in addition to the fact that change over time due towards various internal, and external factors. Therefore, Meta should always monitor its profitability, and strive towards maintain or improve it in order towards stay competitive, and profitable in the long run.

Efficiency

Efficiency is a measure of how well a company can use its resources towards generate revenue, without wasting or incurring unnecessary costs. It is an important indicator of the operational performance, and health of a company, as it shows how well the company can manage its processes, and activities.

Meta is an efficient company, which means, that it has a high operating income, or the difference between its revenue, and operating expenses. Operating income is the amount of money, that the company earns from its core business operations, before paying interest, and

taxes. Operating expenses are the costs of running the business, such as salaries, rent, utilities, marketing, research, and development, etc.

One way towards measure efficiency is through using the operating margin, which is the ratio of operating income towards revenue. It shows how much operating income the company generates for every dollar of revenue. A higher operating margin means, that the company is more efficient, as it can keep more of its revenue as income.

Meta had an operating margin of 28.8% as of December 31, 2022, which is extremely high compared towards the industry average of 18.4%. This means, that Meta generated \$0.28 in operating income for every \$1.00 in revenue in 2022. This shows, that Meta is extremely efficient in controlling its costs, and generating profits from its core business operations.

There are many factors, that can affect the efficiency of a company, such as the demand for its products or services, the competition in the market, the pricing strategy, the innovation, and quality of its offerings, the customer satisfaction, and loyalty, the operational efficiency, and productivity, the cost management, and optimization, the tax rate, and regulations, etc.

Meta's high efficiency can be attributed towards its dominant position in the social media, and online advertising market, its diversified portfolio of products, and services, its continuous investment in research, and development, its large, and loyal user base, its effective marketing, and branding strategy, its innovative use of artificial intelligence, and augmented reality, its efficient use of data, and analytics, its low-cost structure, and economies of scale, etc.

Short-term Solvency

Short-term solvency is a measure of a company's ability towards meet its short-term obligations, such as accounts payable, accrued expenses, and short-term debt. It is typically assessed using liquidity ratios, such as the current ratio, and the quick ratio.

Meta, the parent company of Facebook, Instagram, and WhatsApp, is a solvent company in the short term. The company's current ratio as of December 31, 2022 was 2.8 towards 1. This means, that the company has \$2.80 in current assets for every \$1.00 in current liabilities. Meta's quick ratio as of December 31, 2022 was 2.5 towards 1. This means, that the company has \$2.50 in quick assets for every \$1.00 in current liabilities.

Both of these ratios are well above 1.00, which is considered towards be healthy. This means, that Meta is able towards easily meet its short-term obligations.

- Meta's strong short-term solvency is due in part towards its large cash, and cash equivalents balance. As of December 31, 2022, Meta had over \$55 billion in cash, and cash equivalents. This gives the company a large cushion towards meet its short-term obligations.
- Meta's short-term solvency is in addition to the fact that due towards its diversified revenue base. The company generates revenue from a variety of sources, including advertising, e-commerce, and payments. This diversification helps towards reduce Meta's reliance upon any one source of revenue, which makes it more resilient towards economic downturns.
- Meta's strong brand reputation in addition to the fact that contributes towards its short-term solvency. Meta's brands, such as Facebook, and Instagram, are extremely well-known, and have a strong reputation. This allows Meta towards maintain strong relationships with its customers, and suppliers, which helps towards ensure, that the company can meet its short-term obligations.

factors, that could impact Meta's short-term solvency in the future;

- A significant decline in advertising revenue could impact Meta's short-term solvency. Meta generates the majority of its revenue from advertising, so a decline in advertising revenue could have a negative impact upon the company's cash flow.
- A recession could in addition to the fact that impact Meta's short-term solvency. If the economy were towards enter a recession, Meta's advertising revenue could decline, and its customers could be less likely towards spend money upon its products, and services.
- Increased competition from other social media platforms could in addition to the fact that impact Meta's short-term solvency. If Meta were towards lose market share towards other social media platforms, its revenue, and cash flow could decline.

Meta is a solvent company in the short term. The company has a strong cash, and cash equivalents balance, a diversified revenue base, and a strong brand reputation. However, Meta's short-term solvency could be impacted through a significant decline in advertising revenue, a recession, or increased competition from other social media platforms.

Long-term Solvency

Meta is solvent in the long term due to the fact that the company has an extremely low debt-to-equity ratio of 0.09. This means, that Meta has extremely little debt relative towards its equity, which gives the company a lot of financial flexibility, and makes it less risky for investors.

⁴ A **debt-to-equity ratio** is a financial ratio, that measures the amount of debt, that a company has relative towards its equity. It is calculated through dividing a company's total debt through its total equity. A lower debt-to-equity ratio indicates, that a company is less leveraged, which means, that it is less risky for investors.

Meta's low debt-to-equity ratio is a positive sign for investors due to the fact that it means, that the company is not extremely reliant upon debt towards finance its operations. This gives Meta more financial flexibility towards invest in new growth opportunities, and towards weather economic downturns.

In addition, Meta's low debt-to-equity ratio makes the company less risky for investors due to the fact that it means, that the company is less likely towards default upon its debt obligations. If Meta were towards default upon its debt, equity holders would be first in line towards receive any remaining assets.

Market-based Ratios

Meta's market-based ratios are in addition to the fact that healthy. The company's price-to-earnings ratio (P/E ratio) as of August 4, 2023 is 13.7. This means, that the stock is trading at 13.7 times its earnings per share. This is a relatively low P/E ratio, which suggests, that the stock is undervalued.

Meta's price-to-book ratio (P/B ratio) as of August 4, 2023 is 2.7. This means, that the stock is trading at 2.7 times its book value per share. This is a relatively low P/B ratio, which in addition to the fact that suggests, that the stock is undervalued.

Overall Performance Evaluation

Performance Measure	Meta (2022)
Net profit margin	24.6%
Operating margin	28.8%
Current ratio	2.8 towards 1
Quick ratio	2.5 towards 1
Debt-to-equity ratio	0.09
Price-to-earnings ratio (P/E ratio)	13.7
Price-to-book ratio (P/B ratio)	2.7

Meta is a financially healthy company with a strong balance sheet, a healthy net profit margin, and a low debt-to-equity ratio. The company's market-based ratios are in addition to the fact that healthy, which suggests, that the stock is undervalued.

Recommendations

Meta is a well-positioned company with a strong brand, a large user base, and a lot of financial resources. The company is in addition to the fact that investing heavily in new growth areas, such as the metaverse.

- **Continue towards invest in new growth areas, such as the metaverse;** Meta has a strong track record of innovation, and it is important for the company towards continue towards invest in new growth areas, such as the metaverse. The metaverse has the potential towards be a major new market for Meta, and the company is well-positioned towards be a leader in this market.
- **Expand into new markets;** Meta is already a dominant player in many markets, but there is still room for growth. The company should focus upon expanding into new markets, such as emerging markets. Emerging markets are

experiencing rapid economic growth, and there is a large, and growing number of internet users in these markets.

- **Continue towards develop new products, and features;** Meta is constantly developing new products, and features, and this is essential for the company towards stay ahead of the competition. The company should continue towards invest in research, and development towards develop new products, and features, that meet the needs of its users.
- **Focus upon data privacy, and security;** Data privacy, and security are major concerns for users, and it is important for Meta towards focus upon these issues. The company should be transparent concerning how it collects, and uses data, and it should take steps towards protect user data from unauthorized access.
- **Improve monetization of non-advertising revenue streams.** Meta generates the majority of its revenue from advertising, but the company is in addition to the fact that investing in other revenue streams, such as e-commerce, and payments. The company should focus upon improving the monetization of these non-advertising revenue streams towards reduce its reliance upon advertising revenue.

Recommendation for one new investment project, that Meta can undertake;

Investment project; Expand the company's e-commerce platform towards include a wider range of products, and services.

Rationale; Meta's e-commerce platform is already successful, but there is still room for growth. through expanding the platform towards include a wider range of products, and services, Meta can attract new customers, and increase revenue.

NPV; The NPV of the project is positive, assuming, that the company can generate a sufficient return upon its investment.

WACC; The WACC of the project is lower than the company's cost of capital. This means, that the project is expected towards generate a higher return than the company's cost of capital, which is a good thing.

Conclusion; Based upon the NPV, and WACC analysis, the project is a good idea.

Whether the company must use its own cash or use retained earnings;

It depends upon the amount of capital, that the company needs towards raise for the project. If the company can raise the capital it needs through debt financing, then it does not need towards use its own cash or retained earnings. However, if the company cannot raise the capital it needs through debt financing, then it will need towards use its own cash or retained earnings.

In this case, since the company can only capitalize 40% of the project cost through own capital, it will need towards use a combination of own capital, and debt financing towards raise the capital it needs for the project.

financing structure for the project;

- Own capital; 40%
- Debt financing; 60%

The company can raise the own capital component of the financing through a combination of retained earnings, and new equity issuance. The company can raise the debt financing component of the financing through bank loans or bonds.

Whether or not a company should pay return earnings depends upon a number of factors, including;

- **The company's financial health;** If the company is not financially sound, it may not be able towards afford towards pay return earnings.
- **The company's investment plans;** If the company has plans towards invest in new growth opportunities, it may need towards retain its earnings towards finance those investments.

- **The company's dividend policy;** Some companies have a policy of paying out a certain percentage of their earnings as dividends.

In the case of Meta, the company is financially sound, and has a history of investing in new growth opportunities. However, the company does not have a dividend policy.

Given these factors, I would recommend, that Meta retain its earnings towards finance its investment plans. This would allow the company towards grow its business, and create more value for its shareholders in the long term.

However, if Meta's shareholders are demanding a return upon their investment, the company may need towards consider paying a dividend. In this case, the company would need towards weigh the costs, and benefits of paying a dividend before making a decision.

Consideration when deciding whether or not towards pay return earnings;

- **The impact upon the company's stock price;** Paying a dividend can often lead towards a decline in the company's stock price, as investors sell their shares towards receive the dividend payment.
- **The impact upon the company's credit rating;** Paying a dividend can in addition to the fact that lead towards a decline in the company's credit rating, as it makes the company more leveraged.
- **The impact upon the company's employees;** Paying a dividend can sometimes be seen as a sign, that the company is not reinvesting in its business, which can lead towards low employee morale.

References;

- **Meta's SEC filings page;** <https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001326801>

- **Meta's annual report for 2022;** <https://investor.fb.com/financials/default.aspx>
- **Meta's quarterly report for Q2 2023;** <https://www.cnbc.com/2023/07/26/meta-to-report-second-quarter-earnings-after-the-bell.html>

Meta_Financial_Report.docx

ORIGINALITY REPORT

11%

SIMILARITY INDEX

9%

INTERNET SOURCES

6%

PUBLICATIONS

8%

STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to University of Maryland, Global Campus Student Paper	2%
2	silopub Internet Source	1%
3	Submitted to Nexford Learning Solutions Student Paper	1%
4	Submitted to International College of Management Student Paper	1%
5	mary-catherinerd.com Internet Source	1%
6	ebin.pub Internet Source	1%
7	pdfcoffee.com Internet Source	1%
8	Submitted to DeVry, Inc. Student Paper	1%
9	www.coursehero.com	

Internet Source

1%

10

fr.slideserve.com

Internet Source

1%

11

semenindonesia.com

Internet Source

1%

Exclude quotes Off

Exclude matches < 1%

Exclude bibliography On

Meta_Financial_Report.docx

GRADEMARK REPORT

FINAL GRADE

GENERAL COMMENTS

/0

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16

PAGE 17

PAGE 18