Is Meta a Good Investment?

By: www.ProfitableInvestingTips.com

Facebook came into being in 2004 and the stock went public in 2012 at $38 a share. Despite an almost-immediate drop in the price of the stock back then, Facebook was a good investment as it grew its user base over the years and learned to monetize that base. As of September 2021 Facebook's market cap was a trillion dollars more or less. Today the company has a new name, Meta. This is supposed to highlight the company's move into virtual reality, the **Metaverse**. It also was meant to distract investors from issues like antitrust actions by the FTC. Then earnings dropped and the Meta market cap fell to $670 billion. Is Meta a good investment or are its glory days gone?

Virtual Reality or Reality Check?

Facebook is a dominant social media platform. It counts more than a third of earth's population as active monthly users and because you have to be 13 to subscribe, half of the earth's "eligible" population actively uses Facebook. Facebook is a mature tech company without as much room to grow as it once had. It has competition from the likes of TicToc and is seeing its user base level off. As the company rebranded itself as Meta Platforms, Inc., Apple upgraded its iPhone privacy protection making it harder for Facebook to view users' online habits. The company has poured about $10 billion into its efforts to become a lynchpin of the Metaverse but payoff for those efforts is likely years away. When investors became aware of Meta's current situation many responded by bailing out and taking the stock from an opening of $323 on February 3, 2022 to a closing of $237. This 29.7% drop in market cap was followed by the stock wandering lower to an opening price of $220 on February 8.

Will Meta Recover or Continue to Fall?

Meta is not the only social media company that is hurting right now. While Google's ad revenue has been going up, Facebook Twitter, Pinterest, and Snap are all down significantly as noted in a *New York Times* article about **Meta's unmitigated disaster** of a quarter.

The drop in revenue due to Apple's privacy upgrade shows how vulnerable Facebook revenue is to changes in a few lines of code by the likes of Apple. Nevertheless, Facebook is not going away and will likely find ways to claw back users from the likes of TicToc. But, this does not change the fact that Facebook has half of all possible users around the globe. In fact, because many people do not have access to the internet or are not interested Facebook has more than half of all possible subscribers. This is the dilemma of the mature and successful company that generally starts offering a healthy dividend to replace growth as an incentive to investors. Another issue with Meta's cash flow is that if it wants to be the dominant player as the Metaverse evolves, it needs to keep pouring money into R&D similar to the $10 billion it spent this last year.

If Meta Platforms, Inc. is to recoup its share price it either needs to show investors that it can grow its revenue with its current social media assets or speed up its introduction of Metaverse-related offerings to get investors excited about that set of possibilities.

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