Finally, a Correction, but AI Doesn't Care About the War

- Meta's massive $115–135b AI capex is compressing near-term free cash flow.
- Markets remain skeptical until the "Avocado" model launches to prove AI revenue.
- META80 at a 17x forward P/E with 20%+ growth, the valuation is highly attractive.

Extreme Fear, First Tranche

As we flagged in prior weeks, the US market had remained resilient despite the ongoing Iran war — that resilience finally broke. The S&P 500 is now down ~7% YTD and the Nasdaq 100 ~8%, with CNN's Fear & Greed Index hitting its lowest reading since Nov-25. With war direction still unclear, further downside cannot be ruled out. That said, we view current levels as an attractive entry point for a first tranche on quality names.

The Mag-7 Reset: Why the AI Thesis Remains Unbroken

The sell-off has hit Mag-7 hard — all seven are now in negative territory for 2026, the first time since the AI rally began in Jan 2023, having shed over $2tr in market cap from their all-time highs, which are down an average of 15% (as shown in Exhibit 1). We remain bullish. Compute power is still the binding constraint in AI, and the demand curve is steepening — not flattening. AI has shifted from a niche developer story to a mainstream utility embedded in tools billions use daily, and Agentic AI and Physical AI are still in early innings, both structurally more compute-intensive than anything deployed today. We estimate the world will need at least 15x current compute capacity to support where AI is heading. Hyperscalers alone are spending ~$700b on AI infrastructure in 2026— the capex cycle is intact. The names funding that buildout are now cheaper. This is a valuation reset, not a thesis break.

Why Meta's "Tobacco Moment" is Overstated

META fell ~13% this week alone, pressured by two legal verdicts landing in quick succession in New Mexico and Los Angeles regarding child safety and platform addiction. While these headlines have sparked fears of a "Big Tobacco" moment for the social media industry, the structural risks appear largely overstated. Protected by Section 230, Meta is facing penalties for marketing discrepancies rather than direct liability for user-generated content. Even in a worst-case scenario, the financial fallout will likely parallel the 2018 Cambridge Analytica scandal—a manageable, one-time penalty (historically around $6b) that the market quickly digests. Furthermore, with youth users representing only an estimated 5% of Meta's massive 3.6 billion global user base, any forced age restrictions or algorithm adjustments will have a negligible impact on the company's core revenue engine.

The 17x Multiple: Pricing in the Spend, Ignoring the Return

The bigger risk, in our view, is capex. Meta is guiding $115–135b in 2026 capex — up ~73% y-y — which is expected to compress free cash flow by ~75% to ~$11b. Markets are paying attention to the spend, but not yet the return. The Llama "Avocado" model has yet to launch, and until it does, the AI investment thesis remains unproven on the revenue side. Currently trading at a highly attractive forward P/E of just 17x against 20%+ expected revenue growth and Q1 guidance implying ~30% y-y, the stock's valuation has become too cheap to ignore.

DR Pick: META80, TP of THB2.84 (META at $700, USD/THB at THB32.5)

We reiterate META80 as our DR Pick with a TP of THB 2.84 (implying 30% upside from the current level of THB2.18. Key re-rating catalysts include the Avocado model launch, legal settlement clarity, and a resolution to the Iran conflict. Investors with a 12-month horizon should use this weakness to start accumulating.

Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

Assistant Analyst

Peerayu Sirivorawong
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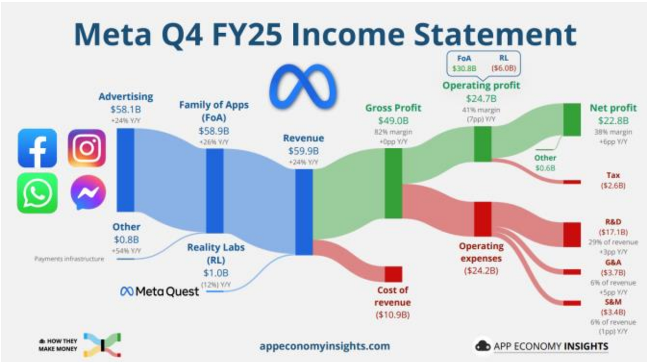
Exhibit 1: MAG-7 Performance

Symbol	Name	Latest	Change	%Change	5D %Chg	3M %Chg	YTD %Chg	YTD High	YTD Low	Time
+ MSFT	Microsoft Corp	356.77	-9.20	-2.51%	-6.57%	-26.85%	-26.23%	489.70	356.51	03/27/26
+ META	Meta Platforms Inc	525.72	-21.82	-3.99%	-11.44%	-20.74%	-20.36%	744.00	520.26	03/27/26
+ TSLA	Tesla Inc	361.83	-10.28	-2.76%	-1.67%	-23.86%	-19.54%	458.34	359.47	03/27/26
+ AMZN	Amazon.com Inc	199.34	-8.20	-3.95%	-2.94%	-14.27%	-13.64%	248.94	196.00	03/27/26
+ GOOG	Alphabet Cl C	273.76	-6.98	-2.49%	-8.38%	-13.08%	-12.76%	350.15	273.48	03/27/26
+ GOOGL	Alphabet Cl A	274.34	-6.58	-2.34%	-8.86%	-12.49%	-12.35%	349.00	273.95	03/27/26
+ NVDA	Nvidia Corp	167.52	-3.72	-2.17%	-3.00%	-12.08%	-10.18%	197.63	167.01	03/27/26
+ AAPL	Apple Inc	248.80	-4.09	-1.62%	+0.33%	-9.00%	-8.48%	280.90	243.42	03/27/26

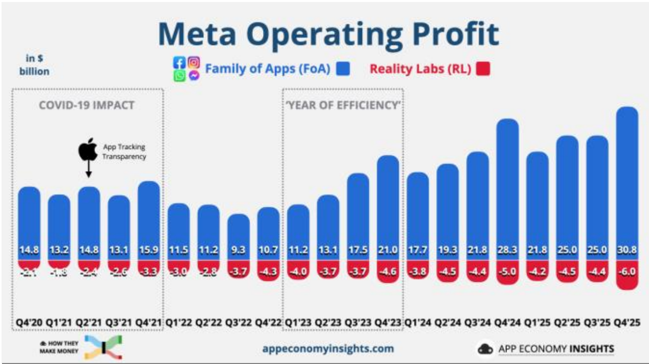
Sources: Barchart

Exhibit 2: META 4Q25 Income Statement



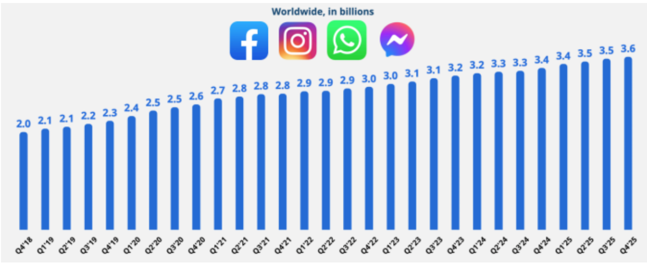
Sources: App Economy Insights

Exhibit 3: META's Operating Profit ($ billion)



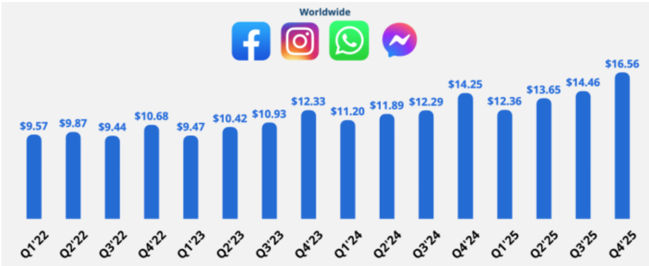
Sources: App Economy Insights

Exhibit 4: META Family Daily Active People



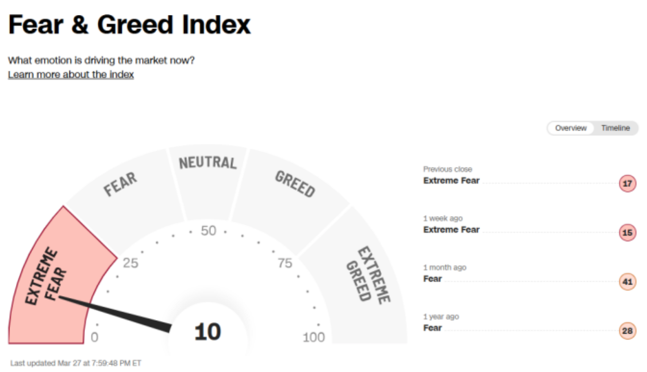
Sources: App Economy Insights

Exhibit 5: META Family Average Revenue per Person



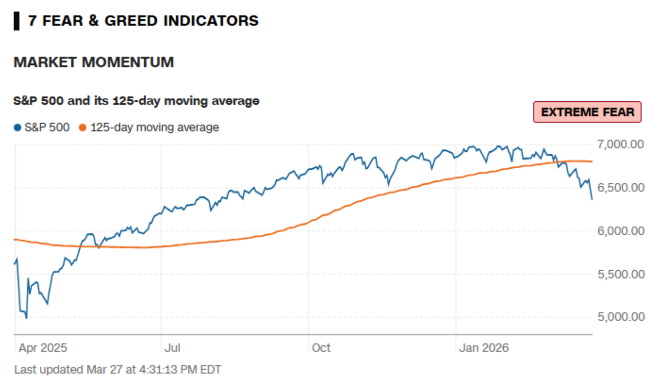
Sources: App Economy Insights

Exhibit 6: Fear & Greed Index (27 Mar 26)



Sources: CNN

Exhibit 7: Market Momentum, S&P500 vs 125 days MA



Sources: CNN

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Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

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Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.