

<b>Company:</b> Alphabet Inc-A	<b>Ticker:</b> GOOGL (Nov.29)	<b>Current Price:</b> \$ 2,910.61	<b>Industry:</b> Communication Services <b>Sub Industry:</b> Interactive Media & Services	
Target Price: \$3,423.12 Stop Loss: \$2,474.02 52 Week High/ Low: \$3,019.33/ \$1,694.0	TTM P/E: 32.35 Forward P/E: 26.23 EPS: \$ 103.81	Beta: 1.04 Credit Rating: AA+ (S&P) Rating Outlook: Stable	Market Cap: \$1.89T Avg Vol (3 M): 1.13M Dividend Yield: N/A	

#### Company Background:

Alphabet Inc. provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America. The company offers performance and brand advertising services. It operates through Google Services, Google Cloud, and Other Bets segments. The Google Services segment provides products and services, such as ads, Android, Chrome, hardware, Google Maps, Google Play, Search, and YouTube, as well as technical infrastructure, and digital content. The Google Cloud segment offers infrastructure and data analytics platforms, collaboration tools, and other services for enterprise customers. The Other Bets segment sells internet and TV services, as well as licensing and research and development services. The company was founded in 1998 and is headquartered in Mountain View, California.

#### Industry Outlook:

Going forward, we see higher monetization taking over as the primary growth driver for online/digital advertising for both search and social media well into the late 2020s. Together, Alphabet and Facebook dominate digital/online advertising, holding more than 50% of the global online/digital advertising market with what might be called monopolistic power in their respective search and social media businesses, at least outside of China. Over the next five years, we see digital/online advertising diversifying somewhat, especially in social media, with growing share from smaller competitors focused on specific interests, age groups, geographies, formats, etc. We also see incumbents and emerging players alike generating more non-ad revenue.

#### Investment Thesis:

- Fundamentals look solid in the internet sector.
- Lower P/E ratio than its peers.
- Higher ROE, ROA ratio than its peers.
- Large Cap company with high trading volume.
- 19.87% Margin of Safety.

#### Investment Risks:

- Supply and labor shortage dynamics, spending will go up.
- There has been news about Play Store fee cuts on the subscription piece that maybe impacting the business in '22 when those start to take effect.
- Congress is taking aim at Big Tech through several bipartisan bills, looking to curtail the capabilities of their online businesses that kill competition. A DOJ lawsuit is also Targeting the search distribution business where Apple's search partnership is a key aspect of the case (slated to start in 2023).

#### 3-5 take away from last quarter investor call transcript:

- Continuing to support the news ecosystem and make quality journalism more accessible.
- The new Pixel 6 and 6 Pro bring together the best of Google AI, software, and hardware, with the most advanced and inclusive cameras we've ever built.
- On to Cloud, where we see continued momentum with Q3 revenue growing 45% year-over-year, with GCP's revenue growth rate above Cloud overall.
- Strong growth in our broad portfolio of cybersecurity products.
- YouTube Shorts continues to see higher adoption rates.

#### Financial Performance:

	2018	2019	2020	Q1-2021	Q2-2021	Q3-2021
Revenue	136,819	161,857	182,527	55,314	61,880	65,118
Operating Profit	32,595	35,928	41,224	16,437	19,361	21,031
Net Income	30,736	34,343	40,269	14,698.1	16,587.9	17,471.3
Rev. Growth	23.4	18.3	12.8	34.4	61.6	41
EBITDA %	30.4	30.6	31.3	34.7	36	38.8
Operating Margin	20.12	21.15	22.59	29.72	31.29	32.3
N/I %	22.4	20.9	19.4	26.6	26.8	26.8
D/E	2.26	7.93	12.03	11.81	11.78	11.39
EPS	43.65	48.38	52.03	21.55	24.41	25.83
P/E	44.22	49.59	59.15	26.63	27.69	28.44
Current ratio	3.92	3.37	3.07	3.1	3.15	2.98
ROE	18.62	18.12	19	23.69	28.29	30.87
ROA	14.29	13.5	13.52	17.11	20.5	21.84
DIV per share	--	--	--	--	--	--
FCF	22,832.00	30,972.00	42,843.00	13,347.00	16,394.00	18,720.00

#### Discounted Cash Flow

Discounted Cash Flow	
Debt ratio	10.00%
Equity ratio	90.00%
Levered beta	1.04
Treasury rate	1.62%
Market risk premia	6.00%
Cost of equity (CAPM)	7.86%
Cost of debt	2.00%
Tax rate	16.20%
WACC	7.24%
Terminal growth rate	2.5%

#### Analyst Opinion

Buy: 49	Hold: 2	Sell: 0
	Rating	Target
S&P Net Advantage	Buy	\$3,200
Morningstar	Hold	\$3,400
Value Line	Timeliness: 1	\$2,325 - \$4,341

#### Relative Valuation

	Industry Average	GOOGL	FB	TWTR	SNAP
Mkt Cap	348.69B	1.94T	940.32B	36.61B	78.64B
P/E	137.63	37.09	26.31	144.99	--
P/B	14.99	6.95	6.74	6.3	--
DIV Yield	--	--	--	--	--
EPS	13.58	89.15	14.22	0.47	-0.42
Rev. Grth	29.86%	13.62%	43.82%	58.09%	--
N/I Grth	25.26%	13.96%	58.05%	--	--
Operating Margin	-120.98%	25.82%	34.72%	-20.29%	-650.72%
D/E	17.66%	11.39%	9.91%	75.98%	75.6%
PEG	1.85	0.77	0.95	2.31	3.93
Rev. TTM	3.73B	239.21B	112.33B	4.80B	3.73B
N/I TTM	24.95k	59.76k	40.30k	366.02	-623.6
FCF TTM	365.77M	59.76B	40.30B	366.020M	-623.60M

#### Total Return

	GOOGL	S5TELS Index	S&P 500
YTD	62.25%	20.87%	23.89%
2020	28.05%	22.01%	17.39%
Last 3 Years	169.3%	90.28%	81.20%
Last 5 Years	246.46%	82.13%	127.65%

#### CSR Characteristics

	GOOGL	Industry
ESG Disclosure	57.14	54.42
Governance Disclosure Score	28	14
Social Disclosure Score	32	7
Environmental Disclosure Score	79	6

Prepared by Ruosu Chen, Ronald Feng (Nov 30<sup>th</sup>, 2021) using Bloomberg, Value Line, S&P Net Advantage, Morning Star, Yahoo Finance.

\*Industry Avg. includes companies listed and Pinterest Inc, IAC, Kuashou Technology, Match Group Inc. ZoomInfo