

Company: <u>Alphabet, Inc.</u> Ticker: <u>GOOGL</u> Current price: <u>105.44</u> Industry: <u>Internet/IS</u> Sub-industry: <u>Web Based</u>			
Search			
Target Price: <u>123.27</u>	TTM P/E: <u>23.2X</u>	Beta: <u>1.09</u>	Market Cap: <u>1.36 Trillion</u>
Stop Loss: <u>84.35</u>	Forward P/E: <u>19.53</u>	Credit Rating: <u>AA+</u>	Avg Vol (12M): <u>30,020,267</u>
52 Week High/Low: <u>144.46/83.45</u>	EPS: <u>1.05</u>	Rating Outlook: <u>A-</u>	Dividend Yield: <u>0</u>

Company Background:

Alphabet Inc (“Alphabet”), the holding company of Google (“GOOGL”), is a global technology company. It offers a wide range of products and platforms, including search, maps, calendar, ads, Gmail, Google Play, Android, google cloud, chrome, and YouTube. It also offers hardware products such as Pixel phones, smartwatches, Google Nest home products, and other related products. The company offers online advertising services through its AdSense, internet, TV services, licensing and research and development services. Alphabet also invests in infrastructure, data management, analytics, and artificial intelligence (“AI”). The Company has business presence across the Americas, Europe, and Asia-Pacific regions. It is headquartered in Mountain View, California.

Industry Outlook:

The industry is rapidly evolving and innovative, highly competitive, and data-driven

- ❖ Industry overall is coming off a rocky year
Search engines are becoming more personalized and intelligent.
- ❖ Online advertising is becoming more data-driven and focused on user privacy.
- ❖ Cloud computing is growing in popularity as more companies move their IT infrastructure to the cloud.

Investment Thesis:

We believe GOOGL is a BUY because of the low beta, lower debt/equity, and GOOGL’s large market cap.

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

- “And there are many opportunities to build on our progress at YouTube over the years, starting with Shorts monetization. Overall, I see this as an important journey to reengineer the company's cost base in a durable way. There are several dimensions already underway, including prioritization of our product investments across Google and Other Bets. It also includes a careful focus on our hiring needs, reflecting these priorities, as well as efficiencies in our technical infrastructure and productivity improvements from our AI tools.” - Sundar Pichai -- *Chief Executive Officer*
- “We also repurchased a total of \$59 billion of our Class A and Class C shares in 2022. Turning to our segment results, starting with Google Services. Revenues were \$67.8 billion, down 2%. Google Search and other advertising revenues of \$42.6 billion in the quarter were down 2%. Search delivered moderate underlying growth in Q4, absent the impact of currency movements on reported results. YouTube advertising revenues of \$8 billion were down 8%. Network advertising revenues of \$8.5 billion were down 9%. Other revenues were \$8.8 billion, up 8%, reflecting several factors: first, significant subscriber growth in YouTube Music Premium and YouTube TV; second, strong growth in hardware revenues, primarily from the Pixel family.” - Ruth Porat -- *Chief Financial Officer*
- “I feel like we've been scaling up well. In Google Cloud today with Vertex AI, we'd already been bringing AI APIs to enterprises, and they're on a pretty healthy growth path. So, we do see secular opportunities ahead, both in terms of putting these APIs out, making sure every developer, every organization in the world can use it. And as I said earlier, we are in very, very early days and I think there's a lot of room ahead. In terms of Search too, now that we can integrate more direct LLM-type experiences in Search, I think it will help us expand and serve new types of use cases, generative use cases. And so, I think I see this as a chance to rethink and reimagine and drive Search to solve more use cases for our users as well. So, again, early days, you will see us be bold, put things out, get feedback and iterate and make things better.” - Sundar Pichai -- *Chief Executive Officer*
- “And then on your second question, when we talk about being focused on delivering sustainable financial value, that obviously means that expense growth cannot be growing ahead of revenue growth. And we're focused on revenue upside, as well as durable changes to the expense base to really ensure we have the capacity to invest in that growth. And clearly, the emphasis of revenue growth, there's a lot that's exciting ahead of us within Google Services, all of the AI advancements that are improving advertiser ROI and the search user experience and more broadly, as we've talked about across the key product areas. And then very importantly, on expense growth, we have a very strong commitment to -- we keep emphasizing durably re-engineer our cost base, and that will benefit all of the segments across Alphabet.” - Ruth Porat -- *Chief Financial Officer*

Financial performance:					Discounted Cash Flow:		
	2019	2020	2021	2022		2018-2022	2023-2031
Revenue (Bil.)	160.74	181.69	256.74	279.8	Avg Revenue Growth	13.64%	9.7%
Operating Profit (Mil.)	44,354	48,999	88,756	83,604	Avg Gross profit (mm)	114,750	254,857
Net Income (Bil.)	34,343	40.27	76.03	59.27	Avg FCF (mm)	28,547	48,453
Revenue Growth (%)	161,857	182,527	257,637	282,836	Tax Rate		
D/E	.02	.03	.07	.06	WACC	9.27%	
EPS (USD \$)	2.46	2.93	5.61	4.56	Perpetuity Growth Rate	3.00%	
PE Ratio	92.17	162.46	166.32	84	Analyst Opinion		
Current Ratio	3.37	3.07	2.93	2.38		Rating	Target
ROE	17.79%	19.03%	31.56%	23.54%	S&P Net Advantage	Buy	\$135
ROA	13.19%	13.76%	22.21%	16.71%	Bloomberg	Buy	\$123
Dividend/share	0	0	0	0	Yahoo Finance	Hold	\$110
FCF (Bil)	30,972.00	42,843.00	67,012.00	60,010.00			

Relative Valuation													Total Return %			
Company Information		Financial Metrics			Valuation Metrics				Operational Metrics					Google	Industry Sec	S&P 500
Ticker	Firm	Mar ket Cap	BV of Equity	Total Assets	19.94P /Sales	P/B	P/ E	P/FCF	Gross Margin	EBIT Margin	ROE	RO A	YTD			
GOOG	Alphabe t	1.29 4T	19.94	365.3 Billio n		5.06 6	22 .1 6	23.24	53.53 %	28.07 %	21.38%	15.0 6%	2021	65.17%	34.5%	26.61 %
AMZN	Amazo n	996 billi on	14.26	462.7 billion USD		6.89	13 5. 91	0.00	43.81	26.9	-1.89	5.44	Last 3 years	109.4%	85.23%	10.38 %
MSFT	Microso ft	2.05 trilli on	1140	364.8 billion		11.1 3	30 .7 6	622.7 8	66.855	58	39.87%	15.2	CSR Characteristics			
														GOOG	Industry Avg	
													ESG Disclosure	24.6	22.58	
													Governance Disclosure Score	14	8.68	
													Social Disclosure Score	8.2	11.65	
													Environmental Disclosure Score	2.4	1.92	

*Industry Avg. includes companies listed

-Prepared by MSFRM Fund 2 (DATE) using Bloomberg, S&P Net Advantage, Morningstar, Yahoo Finance