UConn Student Managed Fund Analyst Report

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(Alphabet Inc.) (NASDAQ:(Ge	OOGL))		Recommendation: BUY			
Target Price: 121	Market Cap: 1.324	Γ	P/E Ratio: 31.95			
Current Price: 102.68	Dividend Yield: N/	A	EV/EBITDA: 13.82			
Stop Loss: 25%	Beta: 1.07		EBITDA Margin: 32%			
52 Week High/Low: 143.71/83.34	ROE: 23.62%		Gross Margin: 56%			

Company Background:

Google is an American multinational technology company that specializes in Internet-related services and products. The company was founded in 1998 by Larry Page and Sergey Brin while they were Ph.D. students at Stanford University. Google is now a subsidiary of Alphabet Inc., which is Google's parent company.

Alphabet (GOOG) is the world's dominant internet search engine, with between 80% and 90% of the internet's search engine queries and close to 90% of all search engine revenue. Smartphones enable searches anytime, anywhere, and their proliferation has boosted usage considerably, with 70% of queries now mobile. The search engine's everyday presence became so common, so quickly that "google" was recognized as a verb by the Merriam-Webster and Oxford English dictionaries in 2006. In addition to search (55% to 65% of total revenue), Google generates ad revenue from its display ad network (10% to 12% of total) and YouTube (10% to 13% of total). Google is nurturing many other businesses, including "moonshots," with little revenue but tremendous long-term potential, e.g., autonomous vehicles, quantum computing, and drone delivery. Google Cloud is its largest source of non-ad revenue (6% to 9% of total), competing with Amazon AWS and Microsoft Azure.

Industry Outlook:

- (1) Market Size and Growth: The technology industry is one of the largest and fastest-growing industries in the world, with a market size continuely increasing. The industry is expected to continue growing at a rapid pace in the coming years, driven by trends such as digital transformation, cloud computing, and the internet of things.
- (2) Key Players: Google is one of the key players in the technology industry, alongside other giants such as Apple, Microsoft, Amazon, and Facebook. These companies compete in areas such as search engines, cloud computing, hardware, and software products and services.
- (3) Innovation: Innovation is a key driver of growth in the technology industry, and Google is known for its innovative culture and focus on research and development. The company invests heavily in areas such as artificial intelligence, machine learning, and cloud computing, and has launched several successful products and services in these areas.

Google operates in the technology industry, which is characterized by rapid innovation, intense competition, and high levels of investment in research and development. Google is well-positioned to continue innovating and driving growth in the years ahead. However, the industry also faces challenges in terms of regulation, cybersecurity, and the pace of technological change, which will require ongoing investment and attention from companies like Google.

Investment Thesis:

- Market dominance
- Growth opportunities
- Wide economic moats
- Innovation focus
- Strong financials
- Aggressive buybacks
- Increase demand of AI
- increase ad spending

Investment Risks:

- Online Advertising Dependence
- Limited Revenue Diversification
- Regulatory Pressures
- Data Privacy & Security Concerns
- Potential Conflict of Interest

Financial Performance

Total revenue	136,819	TELEST	152,527	257,637	252,535	300,036	353,775	401,505	466,014	535,704
XYSY Drowth	23%	18%	13%	4%	10%	9%	15%	14%	16%	150
California of December in	59545	79995	04732	192222	126200	196296	PS7002	1794813	200953	230346
V of Bearing	486	44%	450	430	45%	441	400	400	441	447
(+) Gross Pealst	77,270	69,961	37,235	166,650	196,633	171,240	136,633	223,423	259,061	230,350
%Nagin	50%	50%	54%	57%	22%	50%	50%	50%	58%	500
	49746	55230	56571	62394	80%	73929	84892	96457	119943	129901
(-1Operating Expenses 35 of Reserve	360	365	38511	250	2350	265	265	265	265	240
35 of Hesenue	30%	34%	300	2800	285	24%	260	200	54%	20
(-1 Operating Income[EBIT]	27.524	34.231	41,224	78,714	74,842	57,311	111,742	126,565	147,218	955,545
3 Mergin	2000	234	2300	3854	2601	30%	32%	32%	30%	325
							-	-		-
(-) Taxon EBIT	4177	5282	7013	14701	TIDES	8533	10540	2780	24555	20254
% Tax Plate	15%	15%	19%	15%	15%	1704	17%	17%	10%	175
(-INCPAT	23.347	20.545	22.411	64.000	63.496	01,970	33.101	105.705	122,659	H1.256
%Nego	23,347	20,343	33,411	25%	22%	277	33,101	20%	25%	91,200
Sittlego	105	1000	100%	25%	20%	2500	2000	2005	25%	200
(+) December at ordination	3,035	15,795	13.697	12.441	15.329	19.629	22,529	25.539	29.662	34.100
% of Reserve	7%	TX:	854	5%	6%	504	6%	6%	504	- 6
(HCaptalExpendises	25,100	23,500	22,300	24,600	31900	40.517	46,526	52,894	61,297	70.899
15 of Reserve	1004	15×c	12%	10%	tbs	13.15%	13,15%	13.15%	13.15%	13.150
(-1Changes in Net Volking Capital		-22%	879	7495	-2394	190	917	1794	1709	199
X of Reserve		-16664	0.45%	2.900	-0.89%	0.06%	0.34%	0.32%	0.37%	0.393
A OF PRESENCE		-1607	0.485	2.011	70.000	0.065	0.945	0.865	9.010	0.002
(-) Free Cash Flow	7,282	19,966	23,989	44,389	90,308	58,990	67,937	77,235	89,336	102,971
>: Margin	5.32%	12.34%	13,1401	97.22%	17.7904	19.4600	19,1904	19.22%	19.17%	13.190
Periodifor Discounted Factor Discount Factor						0.92	0.85	0.28	0.72	0.6
Present Value of Free Cash Flow						95,223	57.526	60.247	64.149	68.060
Present value of Free Cash Free						95,443	17,009	90.247	69,740	66,065
FRITDA						116,931	134.271	152,584	176,900	203,734
% Margin						37.96%	37.96%	37.96%	37.96%	37.960
Free Cach Flow						55,550	67,657	77,235	85,336	102,57
Donouglad Factor						0.92	0.85	0.78	901	0.66
Discoursed Free Cash Flow						55,223	57.526	60.247	64.140	60.06
						33,443	27,000	99,241	04,740	
Francoine Value										1548.80
Add Book value of each Smirt see										139,641
Less Book Value of Debr. (long term-deb	4)									14,70
Equity Value per Share										13

Α	26 *		fr.										
	A	8	0	0			0	н	1.0	1	2		
		2018	2919	2929	2921	2922	Average	2023	2024	2025	2025	2027	
	Google Search & other	05,296	90,115	104,062	140,961	162,450		177,172	196,666	215,294	242,306	265,960	
3	YaY		15%	9%	42%	2%	18%	2%	11%	11%	11%	11%	
4	YauTube ads	11,155	15,149	19,772	28,845	29,243		29,646	35,576	42.691	51,229	61,475	
5	YaY		36%	21%	45%	1%	22%	1%	20%	20%	20%	22%	
6	Google Network	20,010	21.547	23,090	31,711	32,780		33,896	35,929	38,865	40,379	42,799	
7	Yey		2%	7%	37%	25	12%	26	674	69	674	674	
0	Google advertising	116,461	134,811	146,594	200,457	224,473		249,725	269,167	299,870	333,996	373,228	
2	YeY		15%	9%	43%	7%	19%	7%	12%	12%	12%	12%	
10	Google other	14.063	17.014	21.711	29.032	29.065		10.115	15.215	15.215	81,335	41,225	
	YaY		21%	20%	22%	4%	22%	4%	17%	12%	17%	17%	
	Google Services total	130,524	151,825	168,635	207,529	253,528		279,830	345,493	334,395	375,131	434,453	
12			19%	11%	41%	7%	12%	7%	12%	12%	12%	20%	
14	Google Cloud	5.838	8,918	13,059	19,295	26,290		25,968	45,545	65,536	55,474	119,440	
	YeY		53%	49%	47%	37%	46%	37%	35%	35%	35%	35%	
16	Other Data	585	652	CST	753	1.065		1267	1.762	2.864	2.409	2.912	
	YeY		11%	9%	15%	42%	17%	42%	17%	17%	17%	17%	
18	Hedging gains (fosses)	(139)	455	176	149	1.960							
19	Yer		432%	41%	-15%	1215%	177%						
29	Total revenues	136,819	191,857	182,527	257,637	282,836		388,036	353,715	401,505	466,014	536,784	

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2											
3	in millions	2018A	2019A	2018A	2019A	2018A	2023E	2024E	2023E	2024E	2023E
4	A/R	20838	25326	30930	39304	40258	-	47,630	54,693	62,144	72,057
5	Inventory	1107	999	728	1170	2570		1,985	2,280	2,591	3,004
6	Other CA	4236	4412	5490	8020	8105		9,123	10,476	11,903	13,902
7	Current Assets	25181	30737	37148	48494	51033		58,739	67,449	76,638	88,863
8	AJP	4378	5561	5589	6037	5128		8,535	9,801	11,116	12,912
9	Accrued Liabilities + Other CL	16958	23067	28531	32044	37886		41,994	48,222	54,791	63,531
10	Current Liabilities	21336	28928	34220	38081	43014		50,529	58,022	65,927	76,443
11	Working Capital	4845	2109	2528	10413	8019		8,209	9,427	10,711	12,420
12	Net Change in WC		-2736	819	7485	-2394	(8,019)	8,209	1,217	1,284	1,709
13	% of Revenue		-2.00%	0.51%	4,10%	-0.93%	-2.84%	#DM01	0.40%	0.36%	0.43%
14											
15											
16											
17	in millions	2018A	2019A	2018A	2019A	2018A	2023E	2024E	2023E	2024E	2023E
18	A/R	15.23%	15.65%	16.96%	15.26%	14.23%	15,46%	15.46%	15.46%	15,46%	15.46%
19	Inventory	0.81%	0.62%	0.40%	0.45%	0.94%	0.64%	0.64%	0.64%	0.64%	0.64%
20	Other CA	3.10%	2.73%	3.01%	3.11%	2.87%	2,96%	2.96%	2.96%	2.96%	2.96%
21	Current Assets	19.14%	18.99%	20.35%	18.82%	18.04%	19.07%	19.07%	19.07%	19.07%	19.07%
22	A/P	3.20%	3.44%	3.06%	2.34%	1.81%	2,77%	2,77%	2.77%	2,77%	2,77%
23	Accrued Liabilities + Other CL	12%	14%	16%	12%	13%	13.63%	13.63%	13.63%	13.63%	13.63%
24	Current Liabilities	16%	18%	19%	15%	15%	15,40%	16.61%	16.25%	14,99%	15.21%
20											

Valuation: Discounted Cash Flow Analysis

1	Current share price	101
2	Current shares outstanding	12,807
3	Current market cap.	1,292,098
4	Total debt	14,701
5	Cash plus marketable securities	139,649
6	11-11-1-1-1	
7	Discount rate input	
8	Debt ratio	1%
9	Equity ratio	99%
10	Levered beta	1.08
11	Treasury rate	3.55%
12	Market risk premium	4.78%
13	Cost of equity (CAPM)	8.71%
14	Cost of debt	2.43%
15	Tax rate	17%
16	WACC	8.63%
17	Terminal growth rate	1.00%

NACC		Ter	minal Growth		
1,299,031.14	2.80%	2.90%	3.00%	3.10%	3.20%
5.00%	2,978,337	3,112,551	3,260,186	3,423,362	3,604,669
5.50%	2,467,329	2,556,079	2,651,928	2,755,765	2,868,631
6.01%	2,110,101	2,172,811	2,239,687	2,311,159	2,387,718
6.50%	1,859,644	1,906,861	1,956,776	2,009,627	2,065,681
7.00%	1.664.317	1.701.012	1,739,541	1.780.046	1,822,683

7.63% 8.13% 8.63% 9.13% 9.63%

Terminal EBIT(WACC

0.1076	1,400,001	1,400,000	1,040,404	1,001,000	1,000,701
9.63%	1,432,527	1,490,996	1,549,464	1,607,933	1,666,401
WACC		EE	BITDA Multiple		
121	9.31	9.81	10.31	10.81	11.31
7.63%	112	116	121	126	130
8.13%	112	116	121	126	130
8.63%	112	116	121	126	130
9.13%	112	116	121	126	130
0.000	140	110	121	100	120

	Present Value	
	(+) Present Val	
	(=) Current Ent	
	(-) Long Term [
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	(+) Casil and N	
1,634,005		
1,080,135		
	(=) Fourity Value	1.
1,299,031	(-) Equity value	
14,701		
139,649	Shares outstan	
1 422 979	Estimated Valu	
	1,080,135 218,896 1,299,031 14,701 139,649	(+) Present Val (=) Current Ent (-) Long Term I (+) Cash and N 1,000,100 1,000 1

Inputs	
WACC	8.63%
Perpetual Growth Rate	3.00%
EBITDA Exit Mutiple	10.31

WACC	0.0070	ı					
Exit Enterprise	10.31	l					
Terminal Value	1,823,836						
Present Value	1,205,621						
(+) Present Val	218,896						
(=) Current Ent	1,424,516						
(-) Long Term (14701						
(+) Cash and N	139649	Senerio	Perpetuity	EBITDA	Weights	Value	
		Bull	135	147	25%	142	
(=) Equity Valu	1,549,464,39	Base	111	121	50%	117	
		Bear	101	110	25%	106	
Shares outstan	12,807	Bear	101	110		-	
Shares outstan Estimated Valu	12,807 121		101	110	Target Price	121	
	121		101	110		-	

176,900 8.63%

Relative Valuation

1		P/Sales	P/E	EV/EBITDA	ROIC	ROA	ROE
2	GOOGL	4.69	22.13	13.82	20.66%	16.55%	23.62%
3	AAPL	6.78	27.57	20.53	52.59%	26.15%	148.94%
4	MSFT	10.44	31.56	21.01	28.72%	19.14%	39.31%
5	META	13.94	24.2	13.94	15.79%	13.19%	18.52%
6	AMZN	2.02	N/A	29.08	-0.70%	-0.62%	-1.92%
-							

ESG Score

