

Google

Alphabet Inc.



**RGIP**  
STETSON UNIVERSITY



# Alphabet Inc.

NYSE: GOOGL



Cameron Spence  
Risk and Compliance Officer



Braden Hill  
Lead Sector Analyst



Beatriz Vossen  
Lead Sector Associate



## EXECUTIVE SUMMARY

# Alphabet Inc.

RECOMMENDATION:

**BUY**

20% Upside

**\$149**

Target Price



**\$124**

Current Price

1

GLOBAL DEMAND FOR AI TECHNOLOGY

2

ESTABLISHED INDUSTRY LEADER

3

SUPERIOR ACQUISITION ACTIVITY

4

STRONG FREE CASH FLOW GENERATION





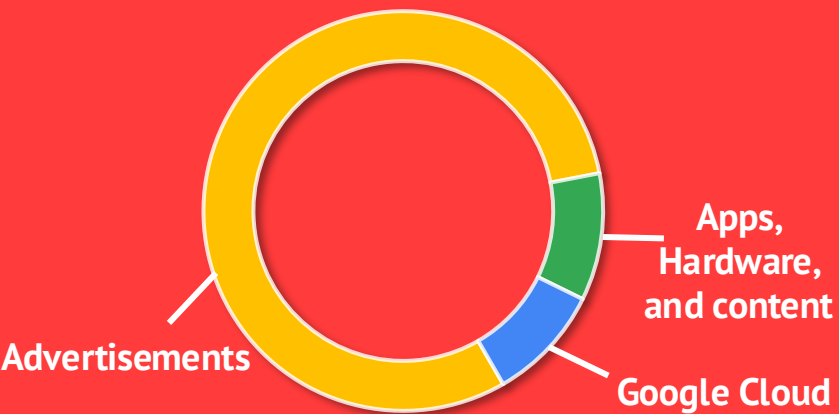


Business Overview  
**Beatriz Vossen**

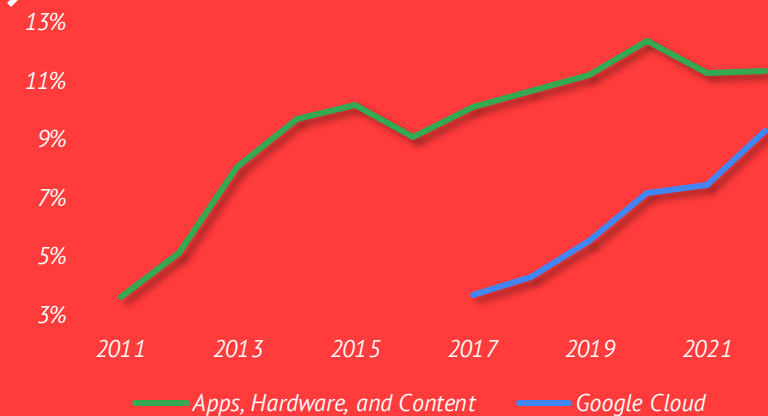
# Business Overview



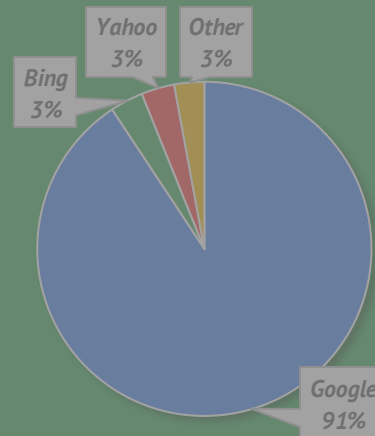
## Revenue Breakdown by Segment



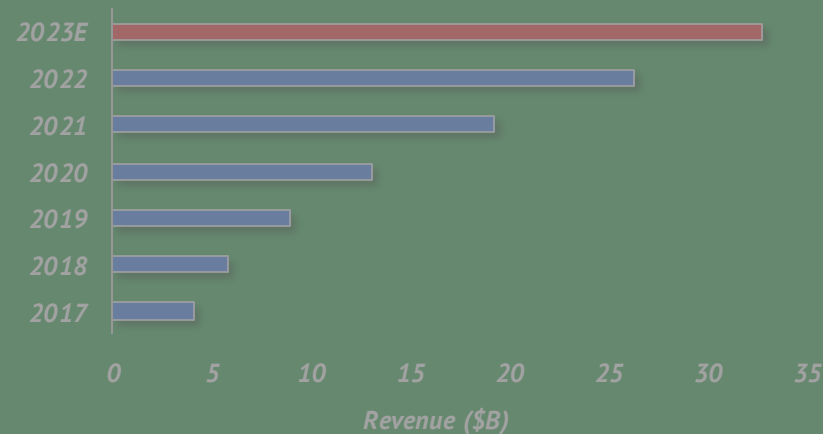
## Segment as % of Total Revenue



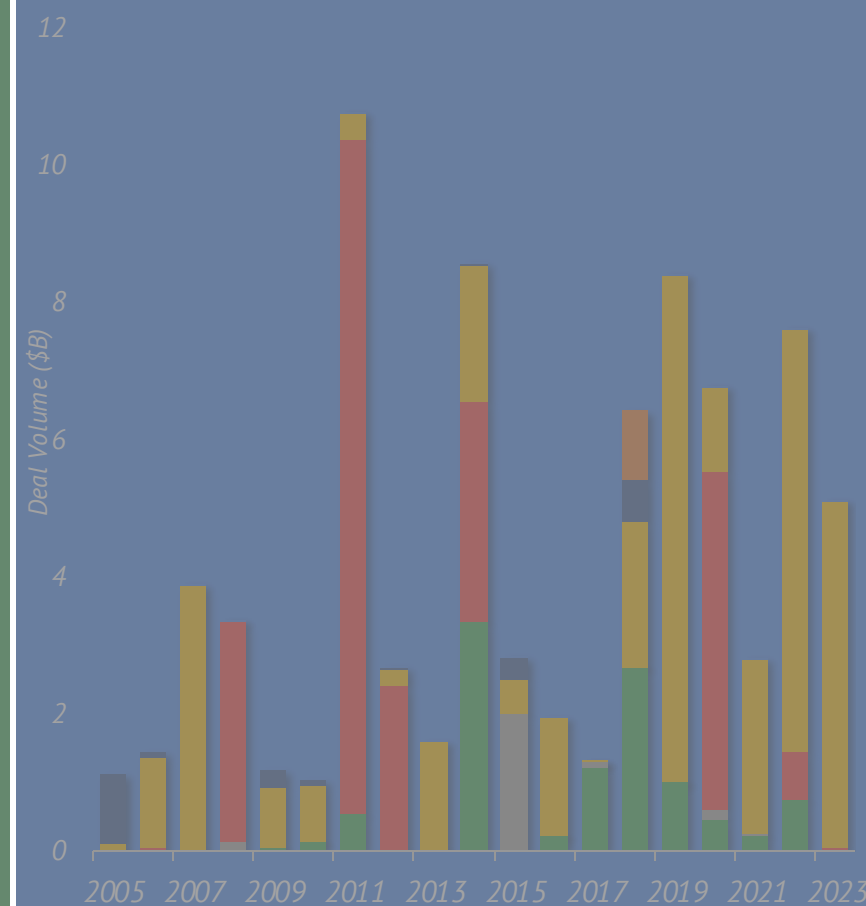
## Search Engine Global Market Share



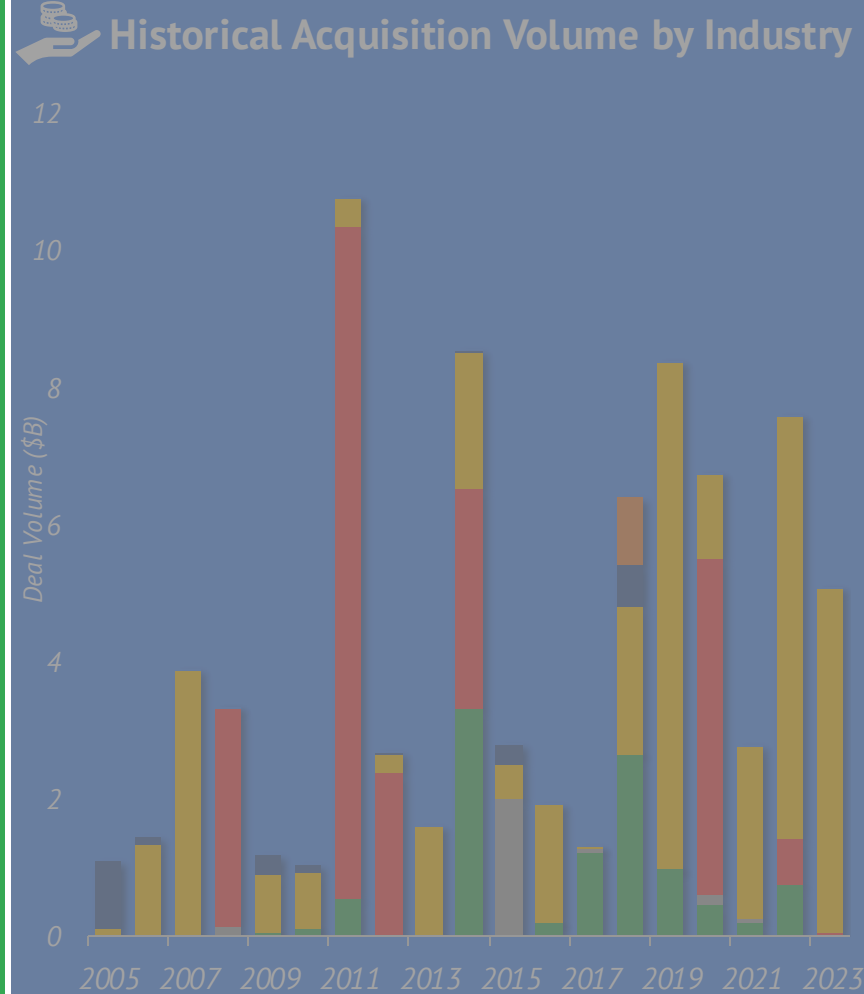
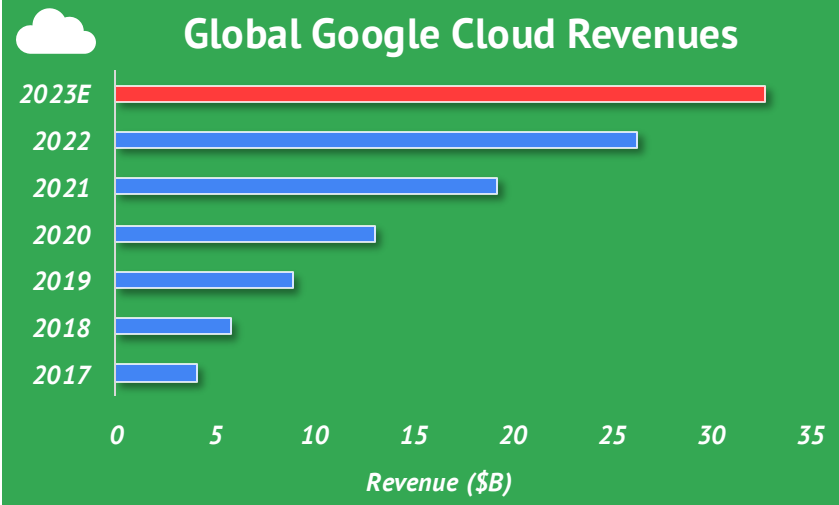
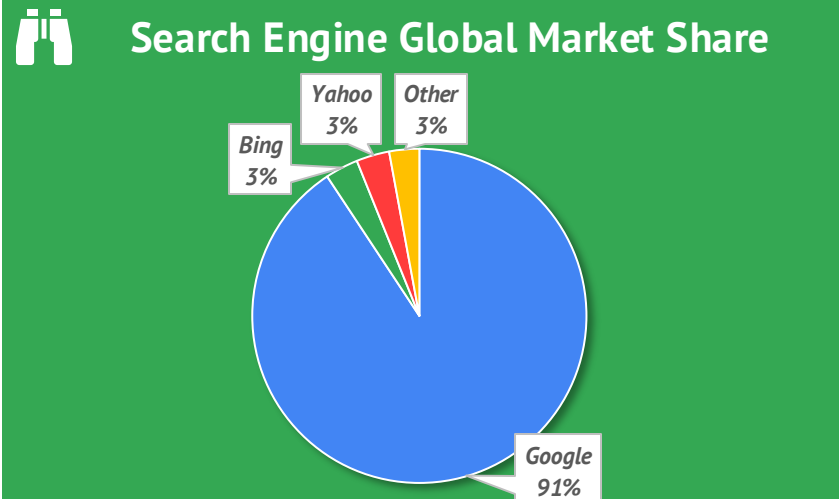
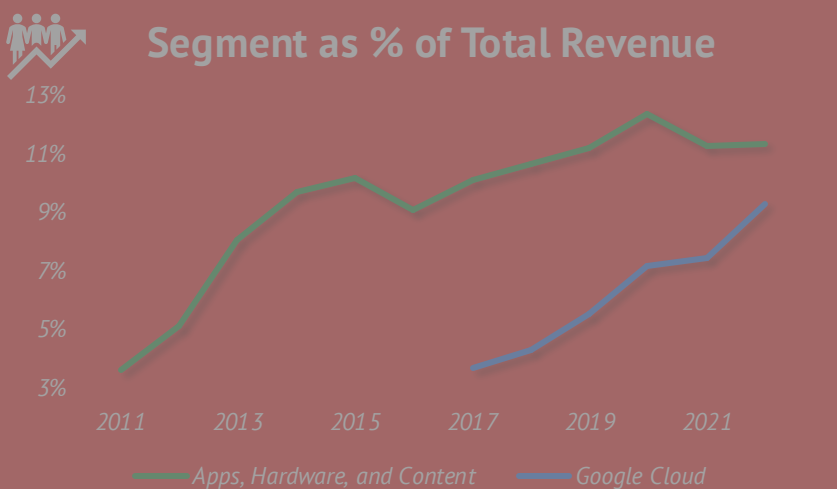
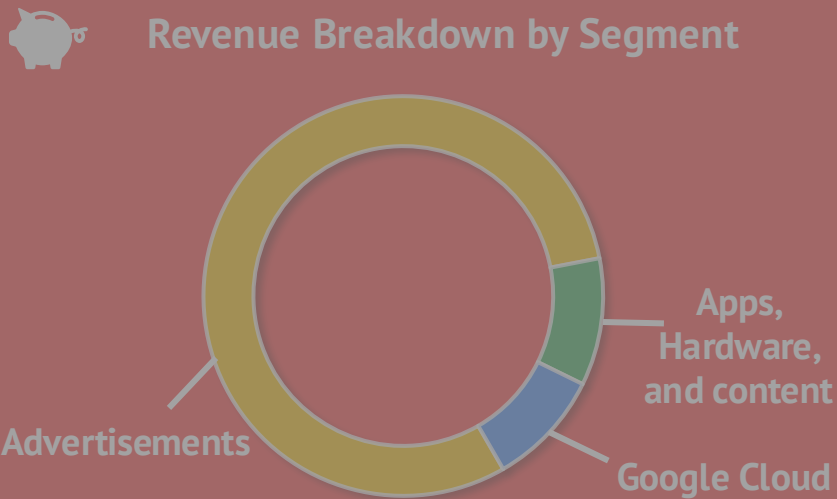
## Global Google Cloud Revenues



## Historical Acquisition Volume by Industry

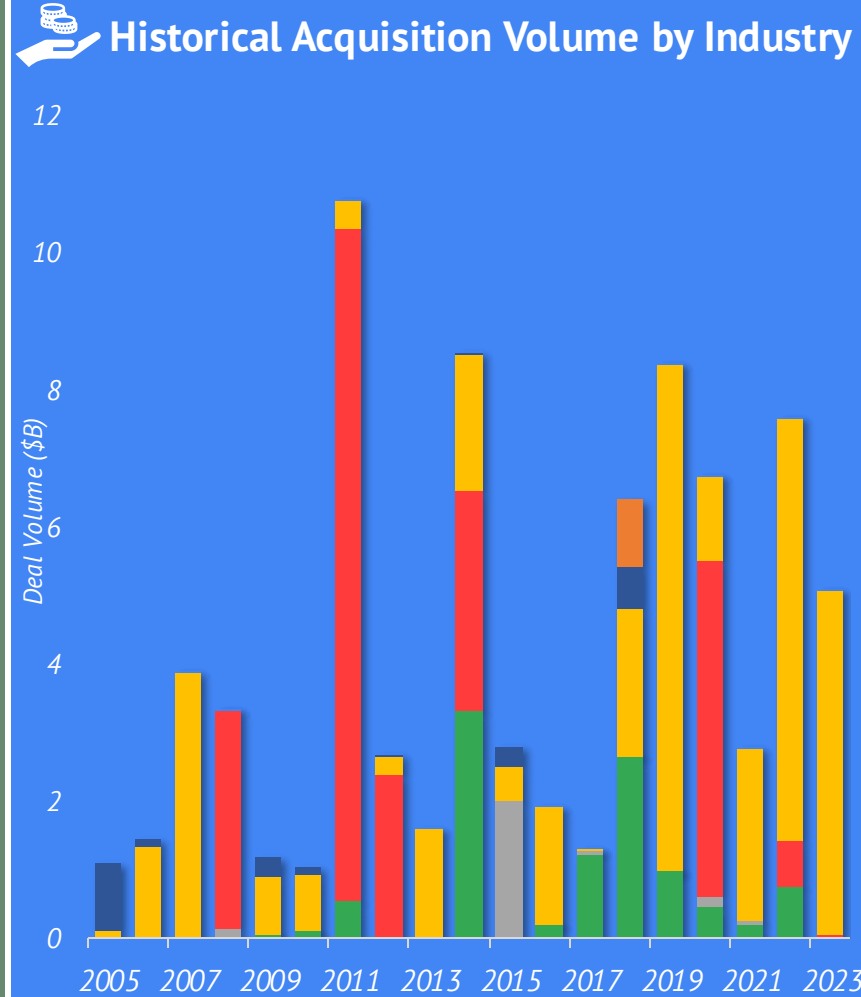
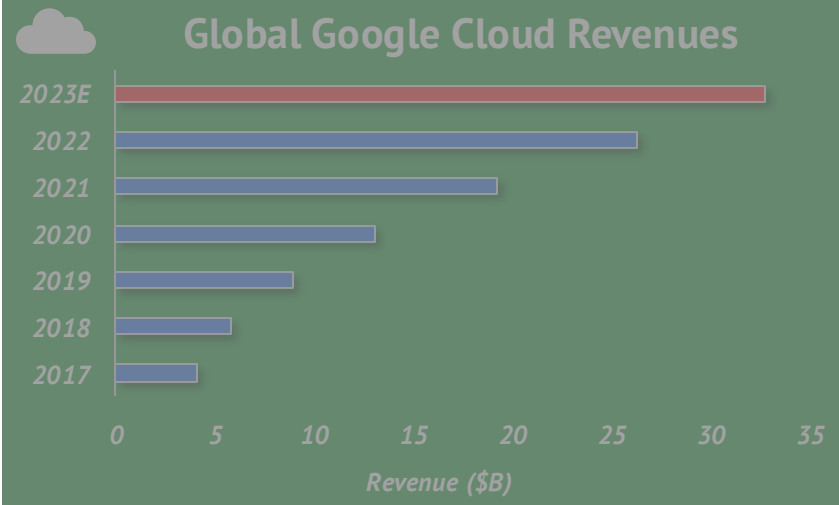
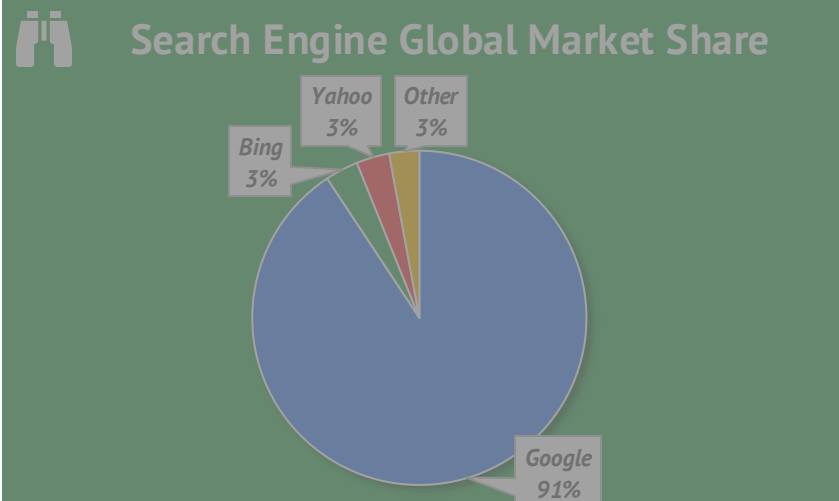
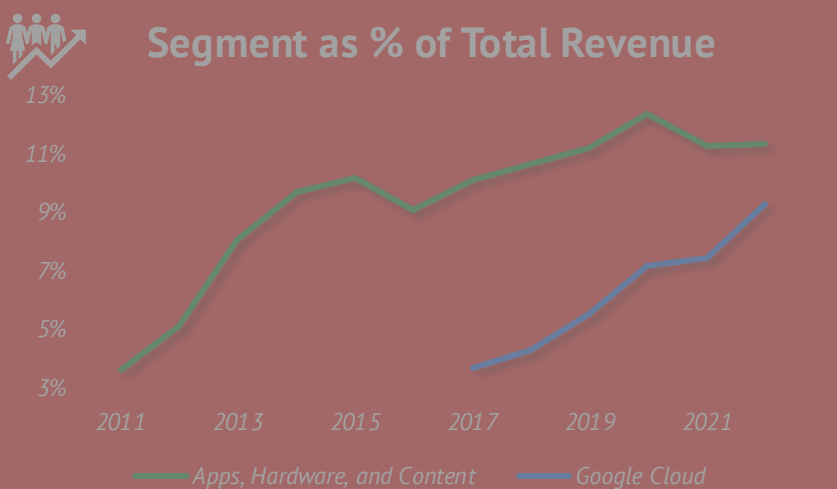
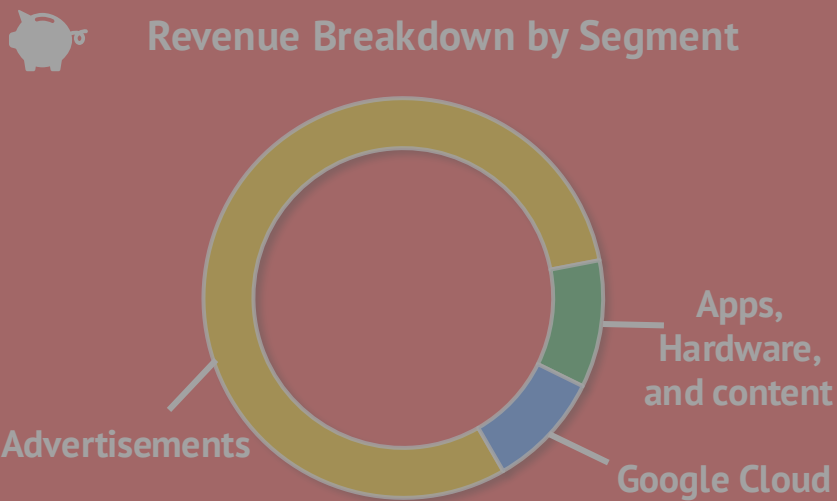


# Business Overview

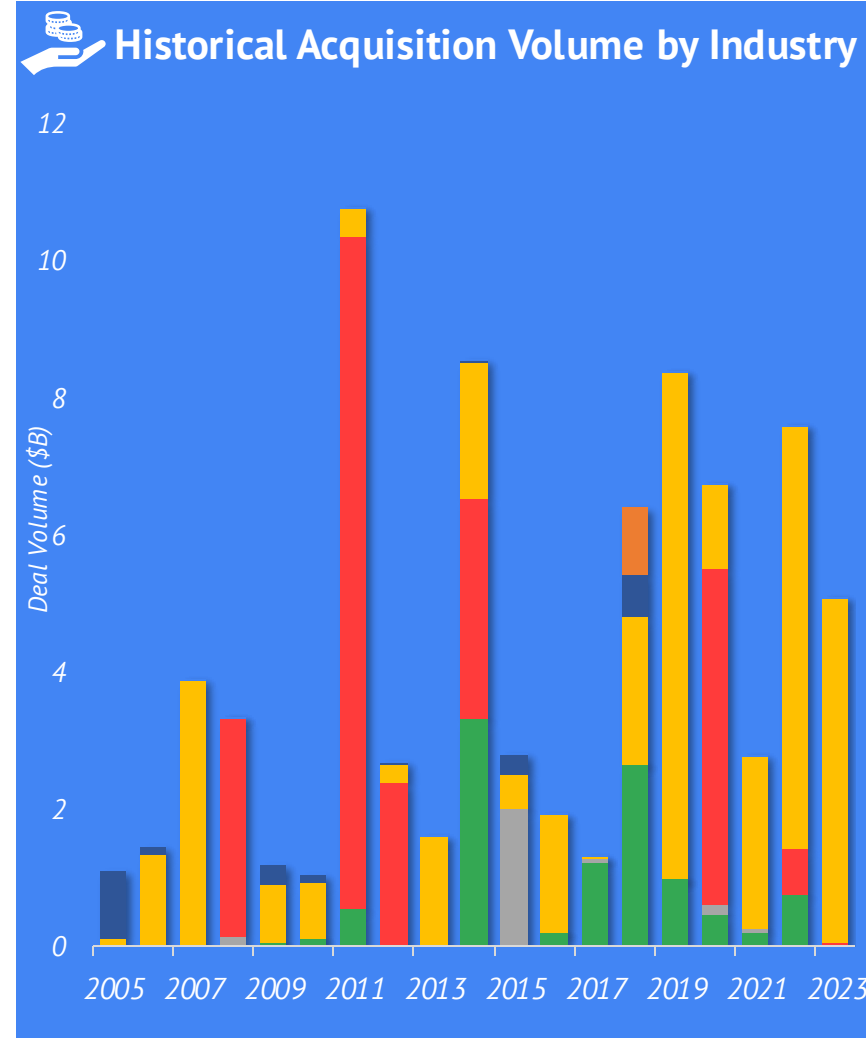




# Business Overview



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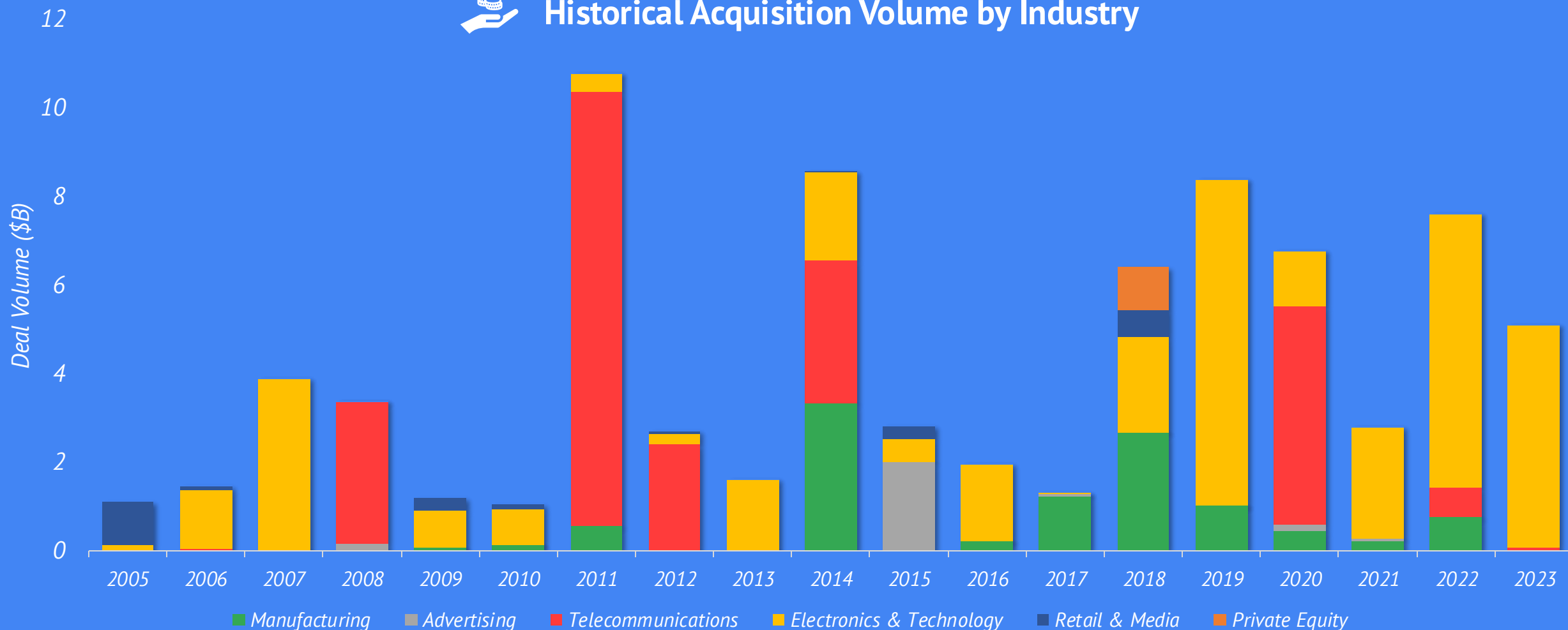




# Business Overview



## Historical Acquisition Volume by Industry



BUSINESS DESCRIPTION

MACROECONOMIC

INDUSTRY ANALYSIS

FINANCIAL ANALYSIS

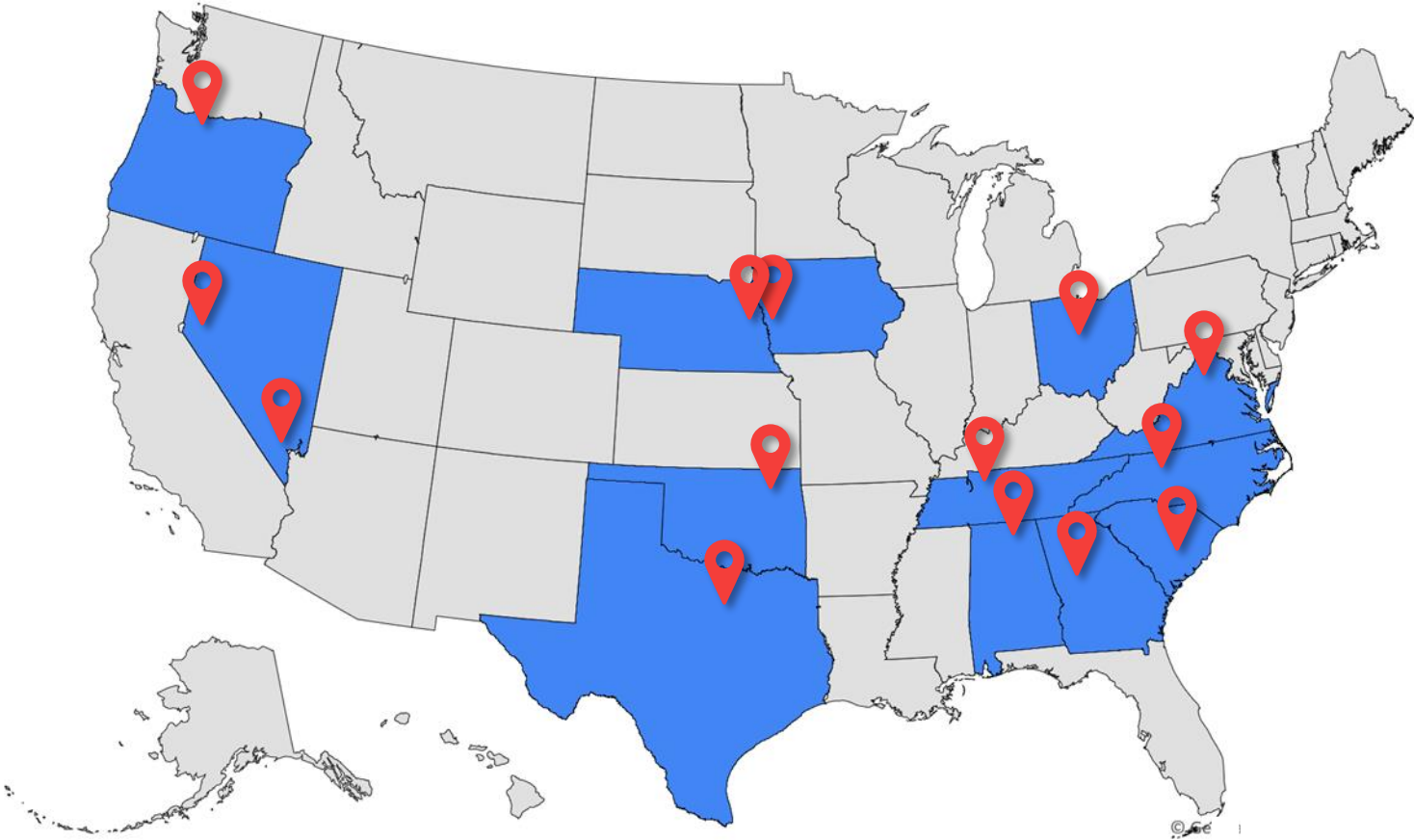
ESG

VALUATION

INVESTMENT RISKS



US Data Center Locations



Operates in 219 countries and territories



24 major data centers across 10 different countries



Data centers process 40 million searches per second



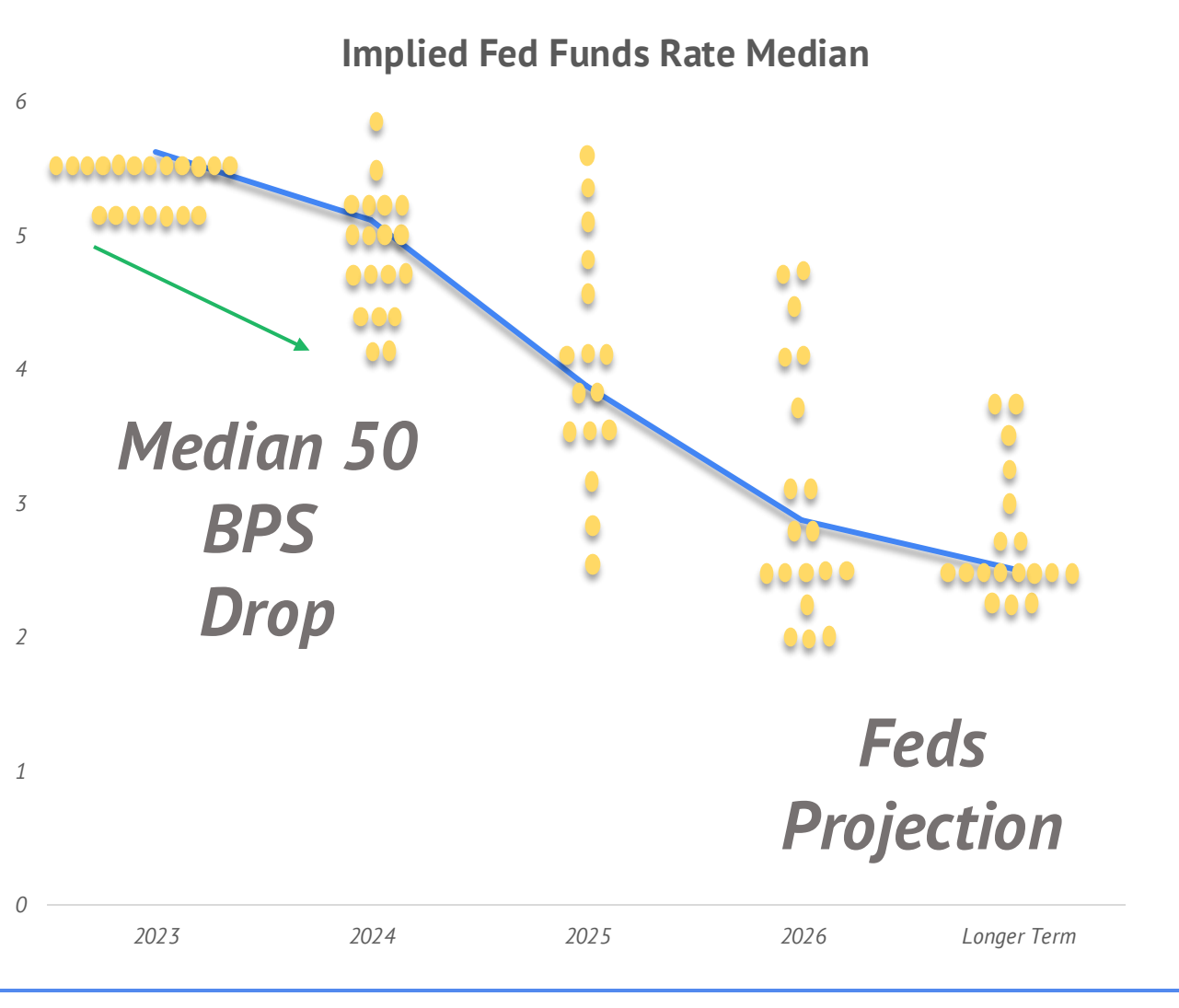
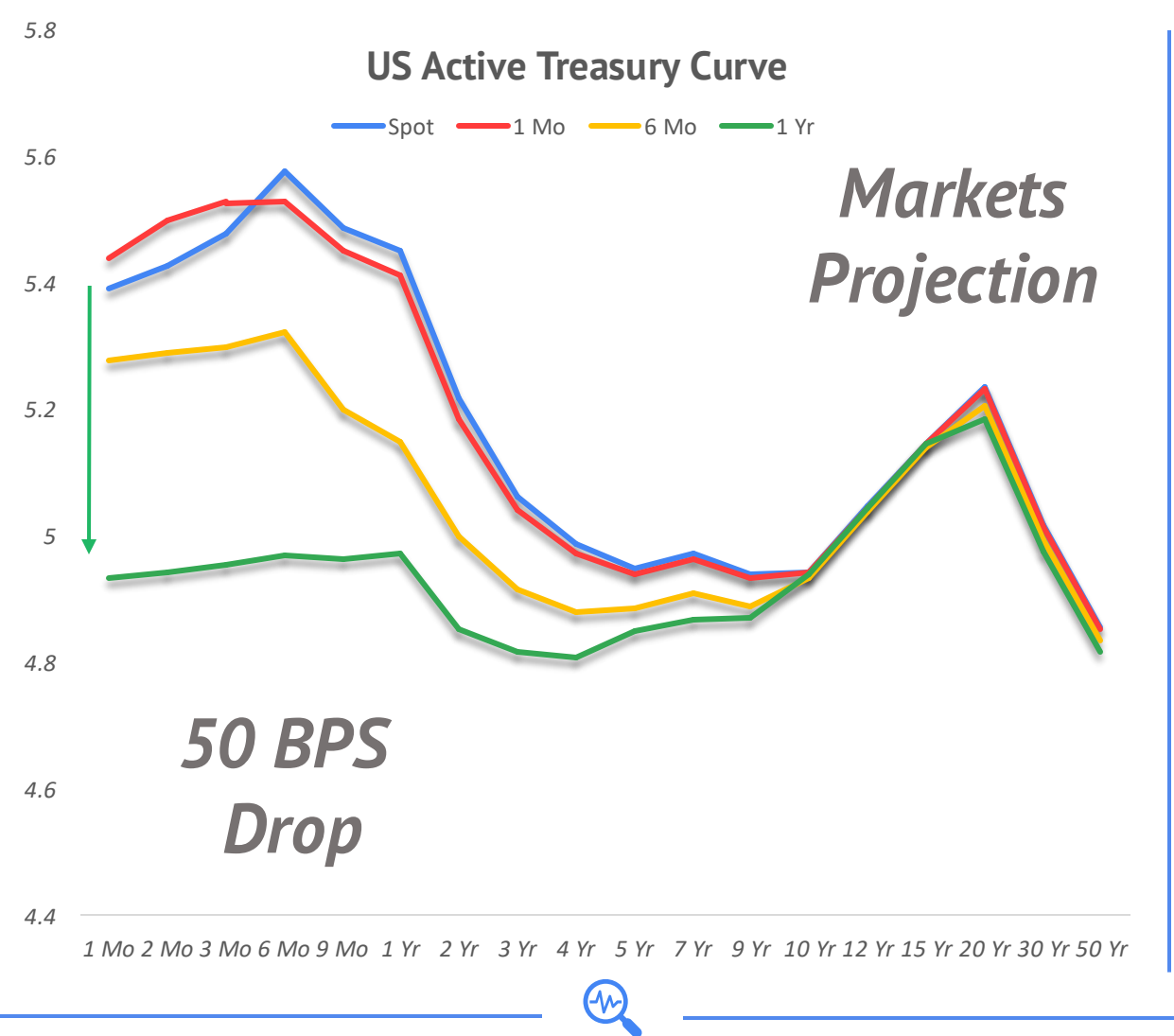
Data centers will be 100% energy efficient by 2030





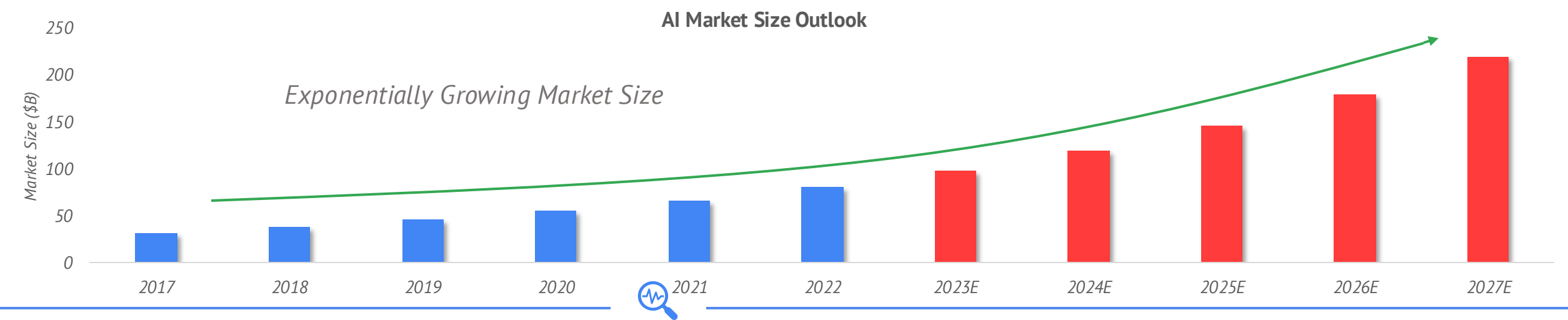
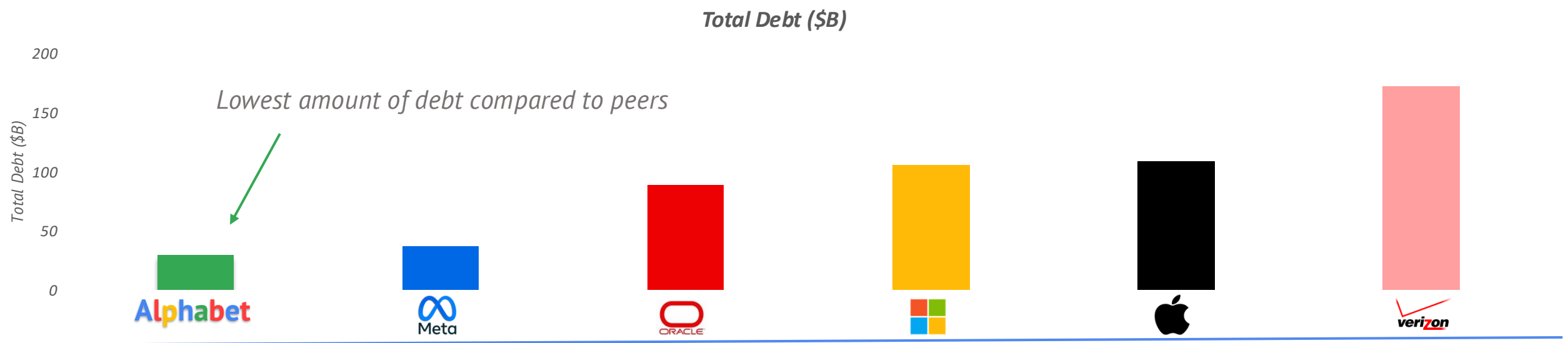


Macroeconomic and Industry Analysis  
**Braden Hill**





# Industry Analysis



# Industry Analysis



## Google Bard vs. ChatGPT

### Google Bard

Continually Draws Information from Internet for free



Provides sources for any information given



Integrates only with Google Services



More precise answers, can summarize articles from Internet



### ChatGPT

Sources end with Jan. 2022 data without subscription

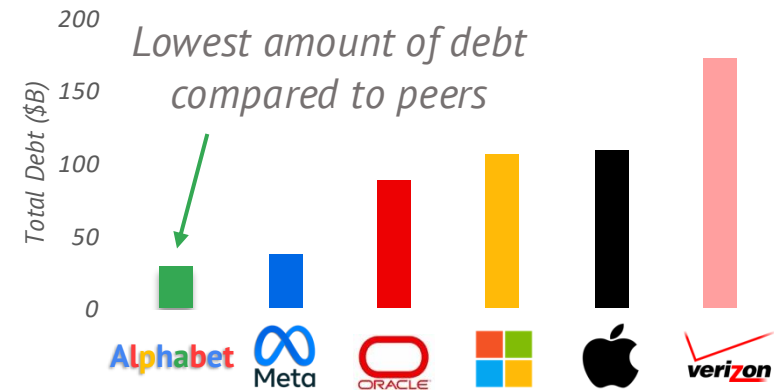
Cannot provide sources, more prone to AI hallucination

Integrates with Microsoft Teams and other services

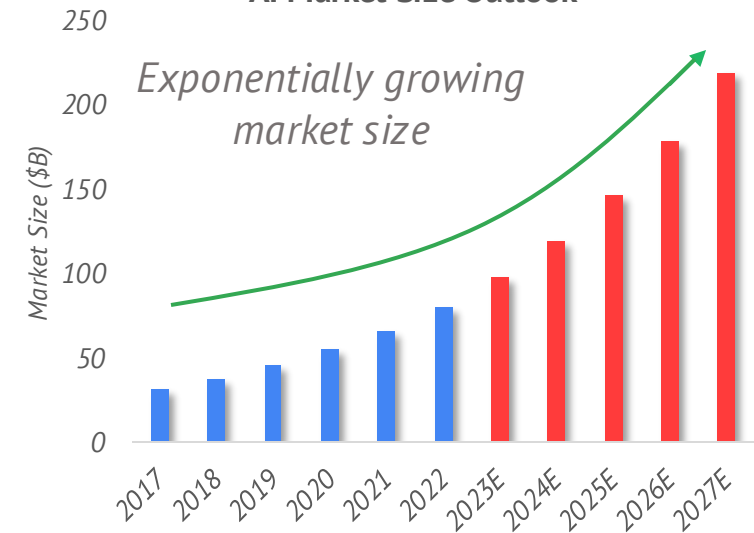
More general answers



### Total Debt



### AI Market Size Outlook





# Industry Analysis



## Google Bard

C Tell me about Alphabet's most recent earnings release



View other drafts



Alphabet's most recent earnings release was for the third quarter of 2023, which ended on September 30, 2023. The company reported revenue of \$77 billion, up 11% year-over-year. Net income was \$19.7 billion, or \$1.55 per share, up from \$13.9 billion, or \$1.06 per share, in the same quarter a year ago.

The strong earnings results were driven by growth in the company's core advertising business, as well as its cloud computing business. Google's advertising revenue was \$59.65 billion in the third quarter, up from \$54.48 billion a year ago. YouTube advertising revenue beat analyst expectations, reporting \$7.95 billion.

Alphabet's cloud computing business, Google Cloud Platform (GCP), also reported strong growth in the third quarter. GCP revenue was \$7.2 billion, up 44% year-over-year. GCP is now the third-largest cloud computing platform in the world, behind Amazon Web Services and Microsoft Azure.

Overall, Alphabet's third-quarter earnings release was positive. The company reported strong growth in its core advertising business, as well as its cloud computing business. Alphabet also generated a significant amount of cash flow in the quarter, which it can use to invest in new growth opportunities.

Here is a table of Alphabet's key financial metrics for the third quarter of 2023:

Metric	Q3 2023	Q3 2022	Year-over-year change
Revenue	\$77 billion	\$70 billion	11%
Net income	\$19.7 billion	\$13.9 billion	42%
EPS	\$1.55	\$1.06	46%
Advertising revenue	\$59.65 billion	\$54.48 billion	9%
Cloud revenue	\$7.2 billion	\$5.0 billion	44%

Export to Sheets

Alphabet's stock price rose by about 3% in after-hours trading following the release of the company's third-quarter earnings results.



## ChatGPT

C Tell me about Alphabet's most recent earnings release



As of my last knowledge update in January 2022, I don't have access to real-time information or events that have occurred after that date, including Alphabet's most recent earnings release. To find the latest information on Alphabet's earnings, I recommend checking reputable financial news sources, the company's official press releases, or their investor relations website. They typically release quarterly and annual reports that provide detailed information on their financial performance.

C That was not helpful



I apologize for any inconvenience. Since my information is not up to date and I don't have access to current events, I am unable to provide you with the latest information on Alphabet's earnings. For the most recent earnings release and financial updates, I recommend visiting Alphabet Inc.'s investor relations website or referring to financial news sources like Bloomberg, Reuters, or CNBC for the latest earnings reports and analysis. If you have any other questions or need information on a different topic, feel free to ask, and I'll do my best to assist you.



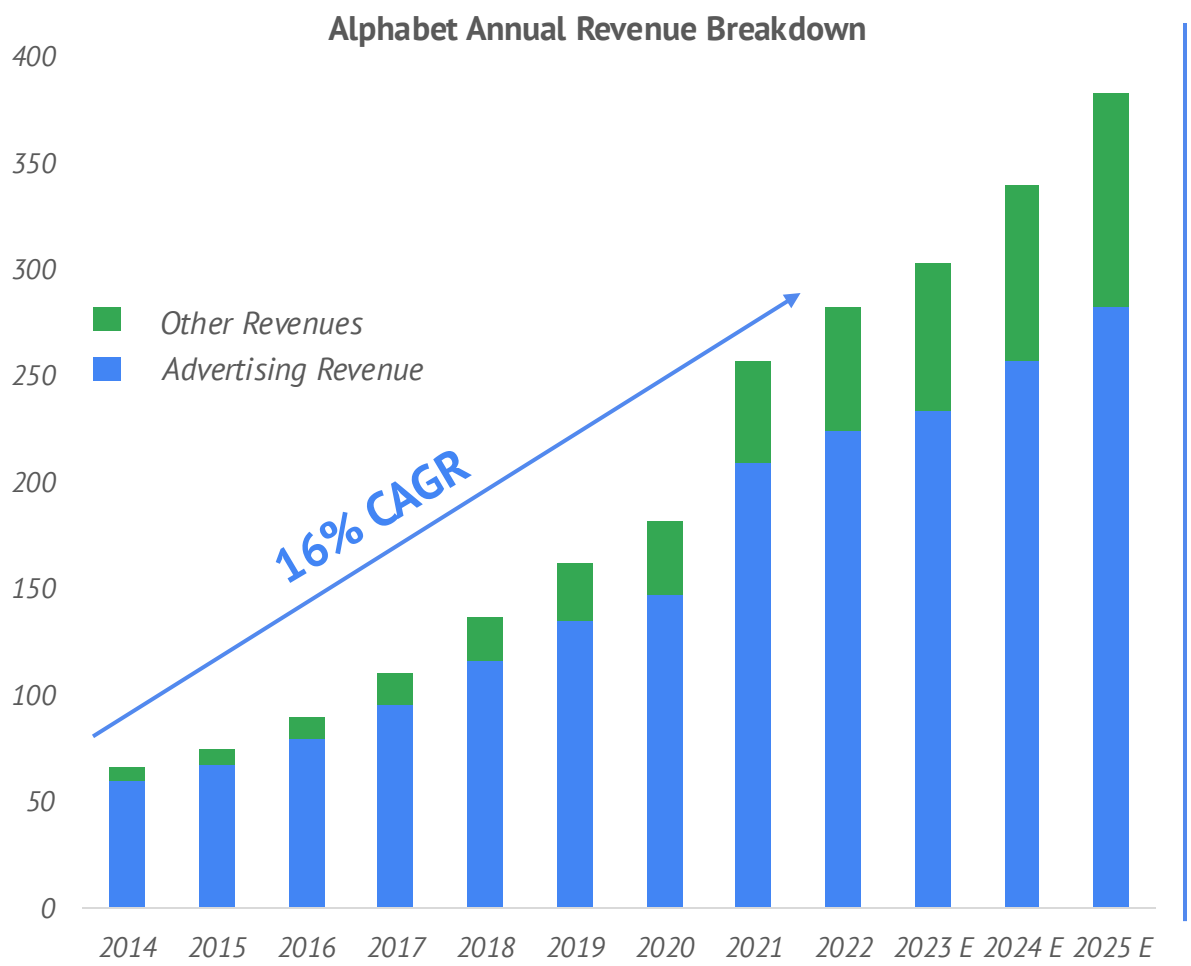
Financial Analysis  
Cameron Spence



# Consistent Advertising Revenue



Alphabet's significant advertising revenue provides a foundation for the company's growing investments in strategic initiatives and AI technology..



**YouTube**

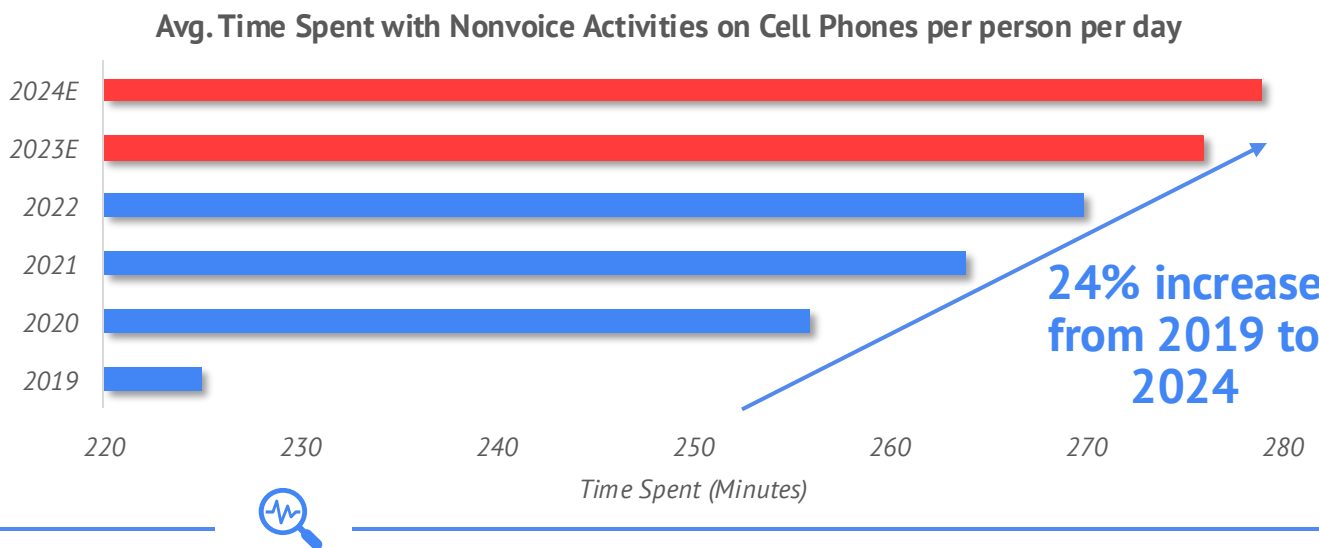
YouTube Shorts are now watched by over 2B users a month, up from 1.5B one year ago

**Google Ads**

Google Ads has adopted generative AI that has attracted advertisers and helped them to showcase their product

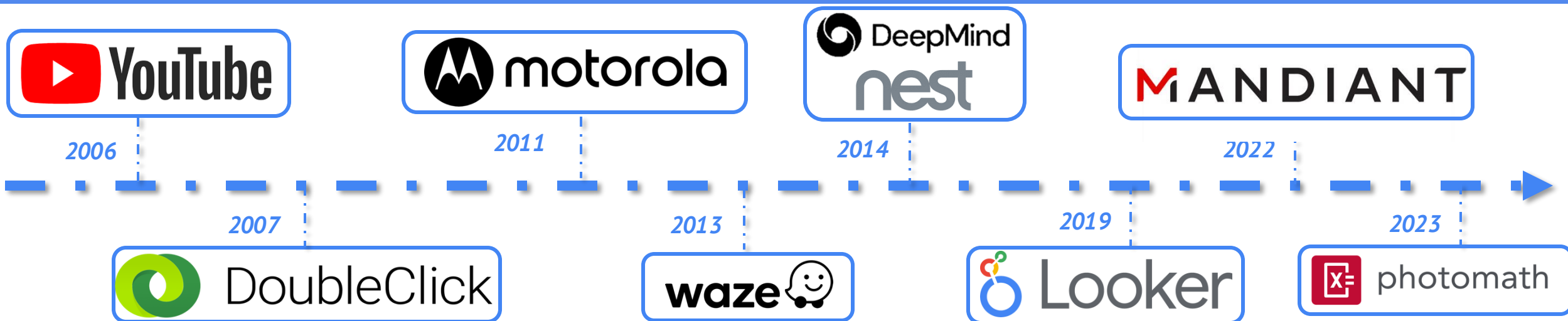
**Google Maps**

Google Maps annual revenue grew from \$3B in 2019 to \$9.7B in 2022 as new travel products increased ad revenue





# Timeline of Major Acquisitions



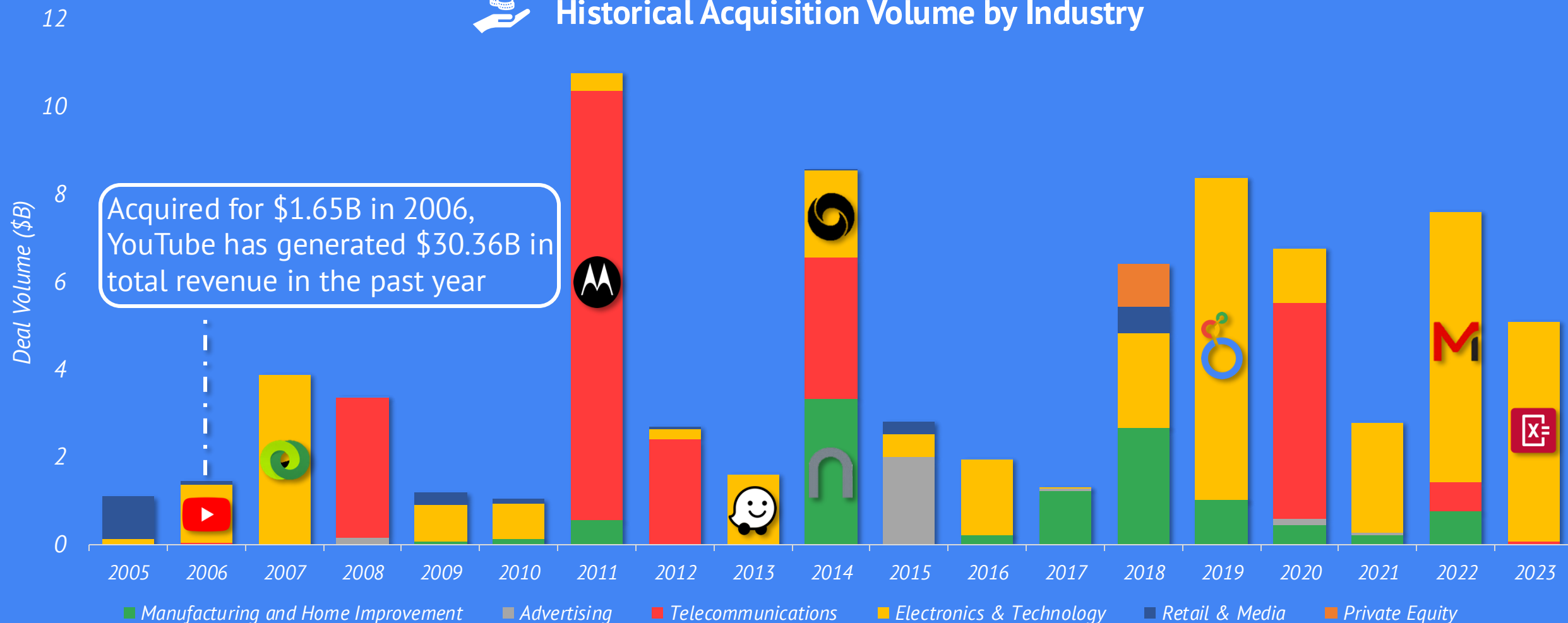
\*  Indicates subsidiary has incorporated AI technology into operations



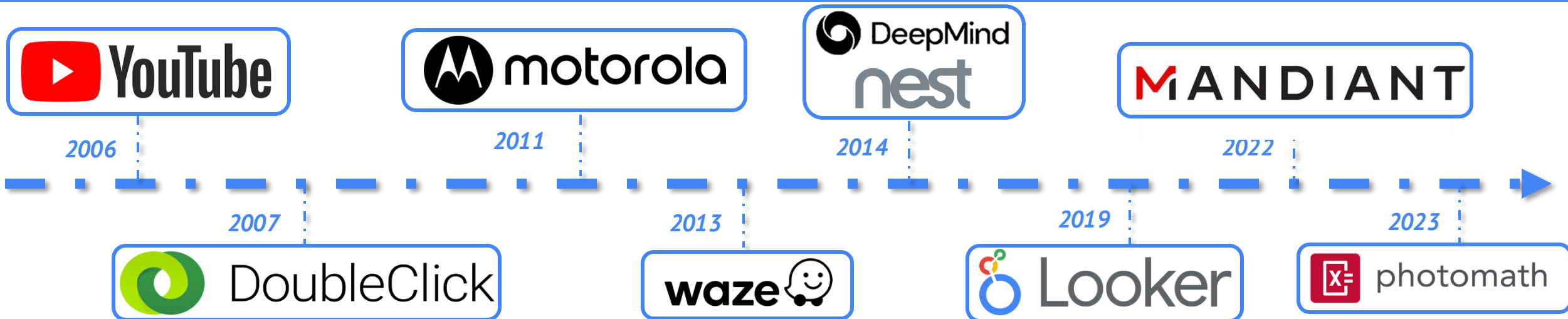
# Timeline of Major Acquisitions



## Historical Acquisition Volume by Industry

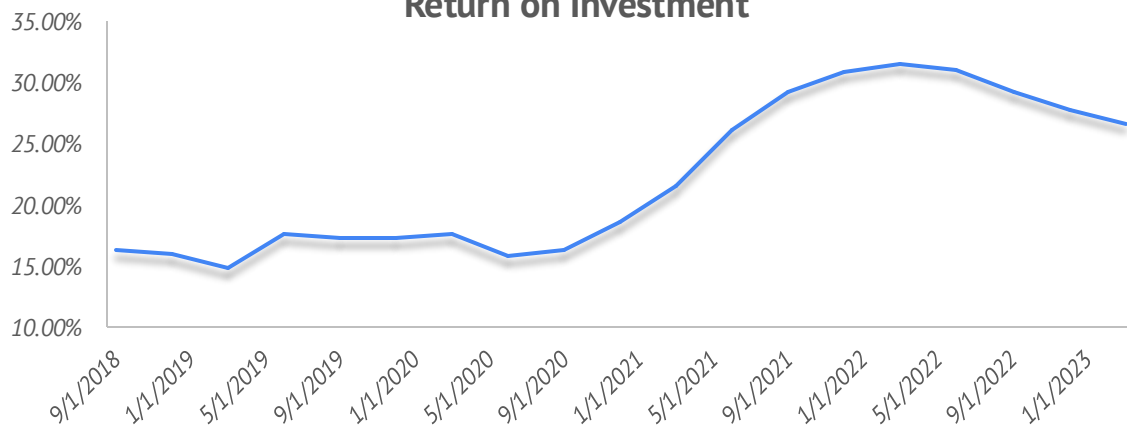


# Timeline of Major Acquisitions



\*  Indicates subsidiary has incorporated AI technology into operations

Return on Investment



Alphabet continues to make profitable acquisitions with minimal debt while maximizing shareholder value...

## Companies with Most Stock Buybacks in 2022 (\$B)

	Meta	Google	Apple
Total Value of Shares Repurchased (\$B)	\$31.6	\$59.3	\$94.1
Shares Repurchased as % of Total Market Cap	5.8%	5.2%	4.5%





Environmental, Social, and Governance  
**Beatriz Vossen**

# Environmental, Social, and Governance



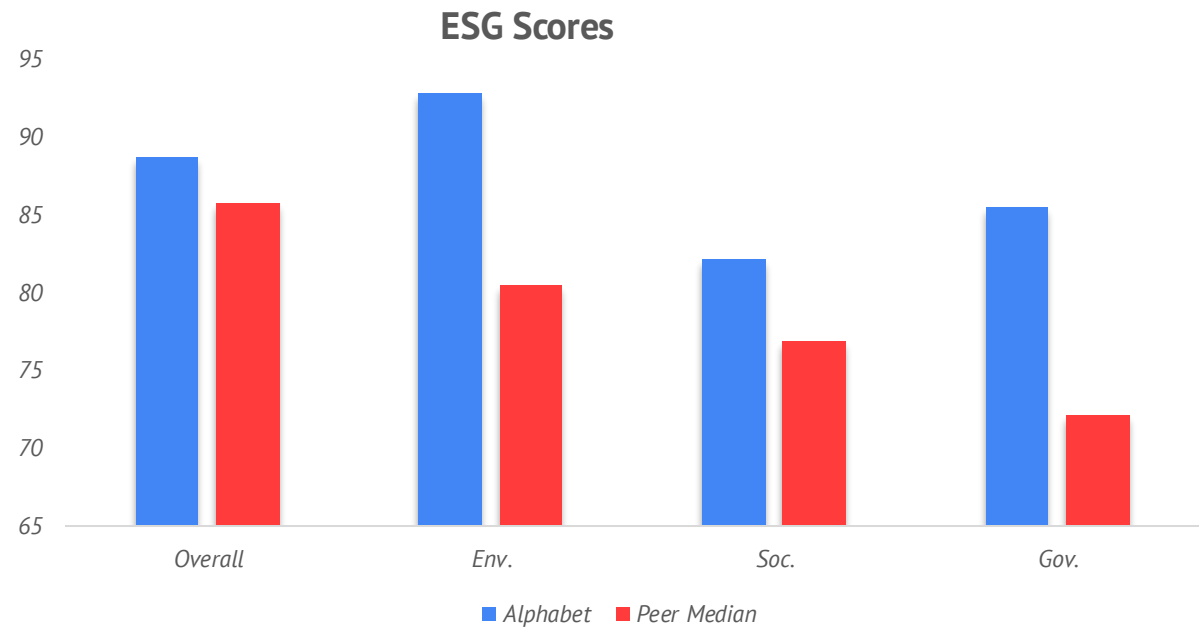
Sundar Pichai - CEO



Ruth Porat – CFO



Kent Walker – CLO/President of Global Affairs



## Shares Ownership



# Environmental, Social, and Governance



Sundar Pichai - CEO

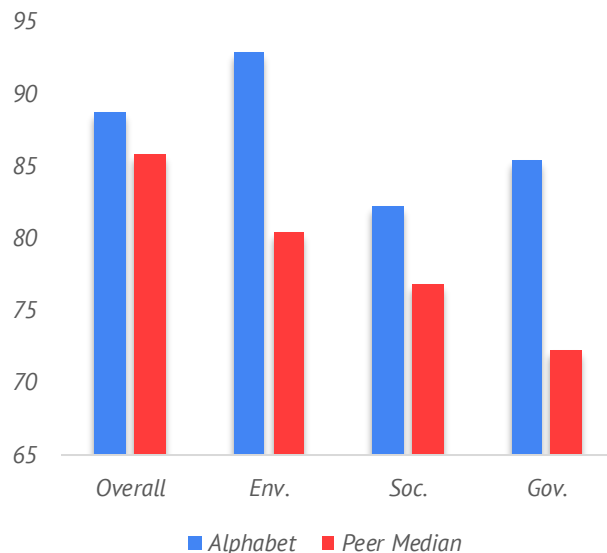


Ruth Porat - CFO



Kent Walker - CLO/President of Global Affairs

## ESG Scores



## Shares Ownership



## 2030 Environmental Sustainability Plan Targets



Net-zero emissions across all operations



Operate all data centers and office campuses on 24/7 carbon-free energy



Replenish 120% of the freshwater volume Google consumes

## Alphabet's Society



Forecasting floods and helping society stay safe through early warnings systems



Investing in underserved communities to expand economic opportunity







Valuation  
Cameron Spence

# Price Target Calculation

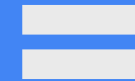
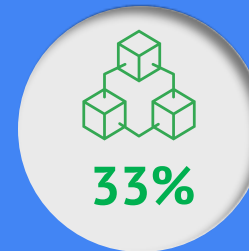
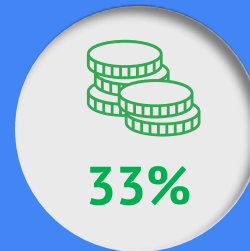


DISCOUNTED CASH  
FLOW (DCF)

RESIDUAL INCOME

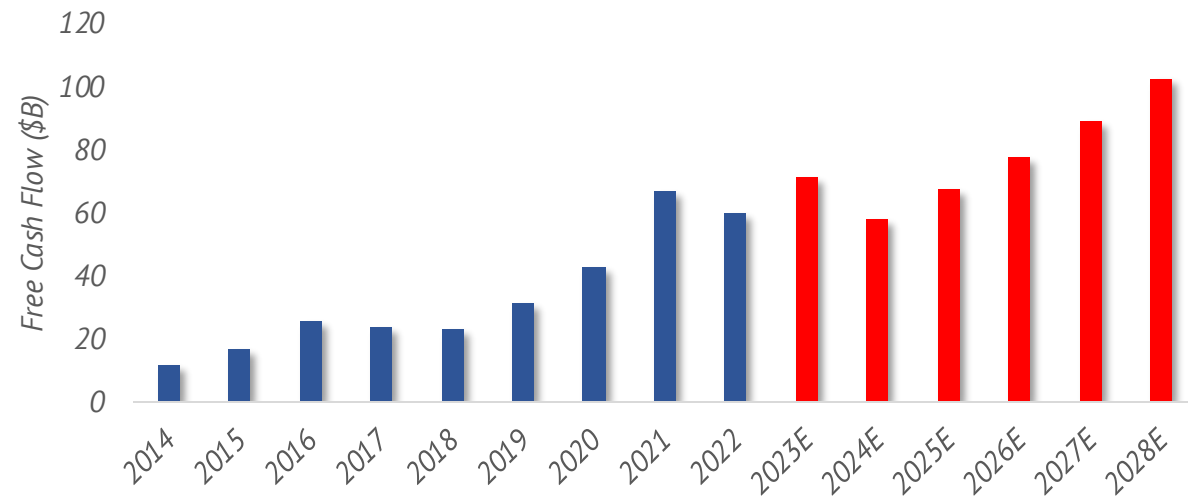
RELATIVE VALUATION

TARGET PRICE

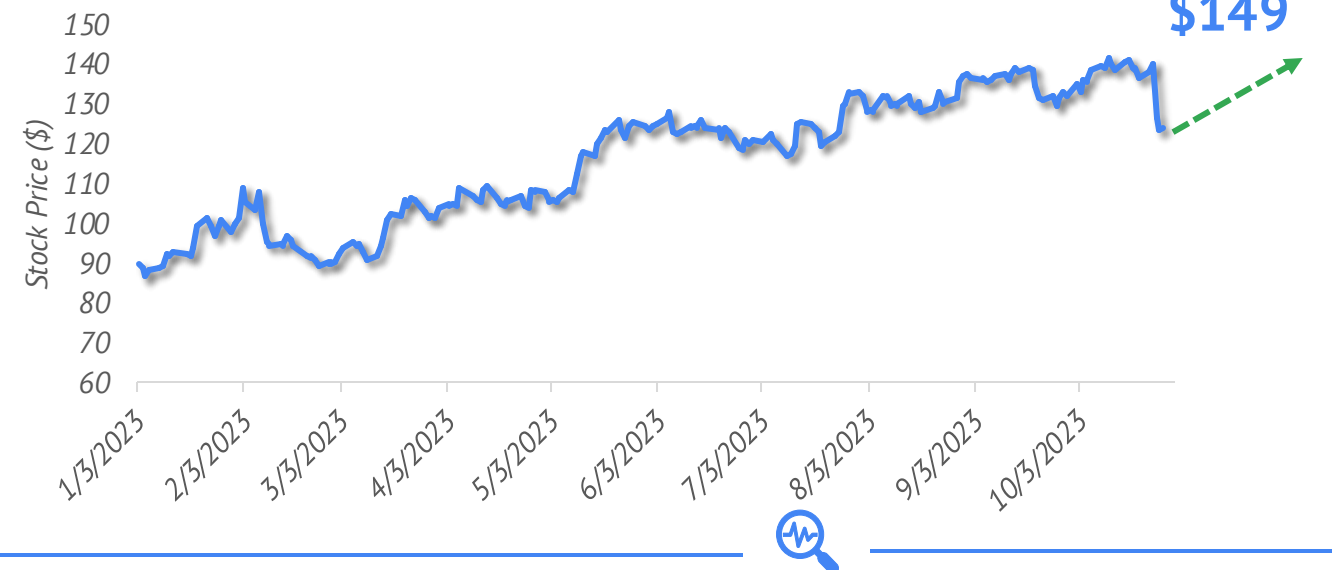


**\$149**  
20% Upside

Free Cash Flow



Year to Date Stock Price Performance






# Sensitivity Analysis




DCF Model		Terminal Growth Rate				
		1.00%	1.25%	1.50%	1.75%	2.00%
WACC	12.00%	\$140	\$142	\$144	\$147	\$149
	11.50%	\$147	\$149	\$152	\$154	\$157
	11.02%	\$154	\$156	\$159	\$162	\$165
	10.50%	\$163	\$165	\$169	\$172	\$175
	10.00%	\$172	\$175	\$179	\$182	\$186

Residual Income Model		Return on Equity				
	Model	24.00%	24.50%	25.20%	25.50%	26.00%
Cost of Equity	12.00%	\$119	\$124	\$131	\$134	\$139
	11.50%	\$128	\$133	\$141	\$144	\$149
	1.17%	\$135	\$140	\$147	\$151	\$157
	10.50%	\$149	\$154	\$163	\$166	\$173
	10.00%	\$160	\$167	\$175	\$180	\$186


Valuation models indicate significant upside amid volatility of inputs...




**Best-on-Best Scenario**  
50% Upside



**Worst-on-Worst Scenario**  
13% Upside



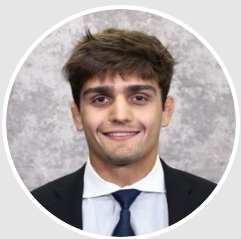
**Best-on-Best Scenario**  
50% Upside



**Worst-on-Worst Scenario**  
4% Downside

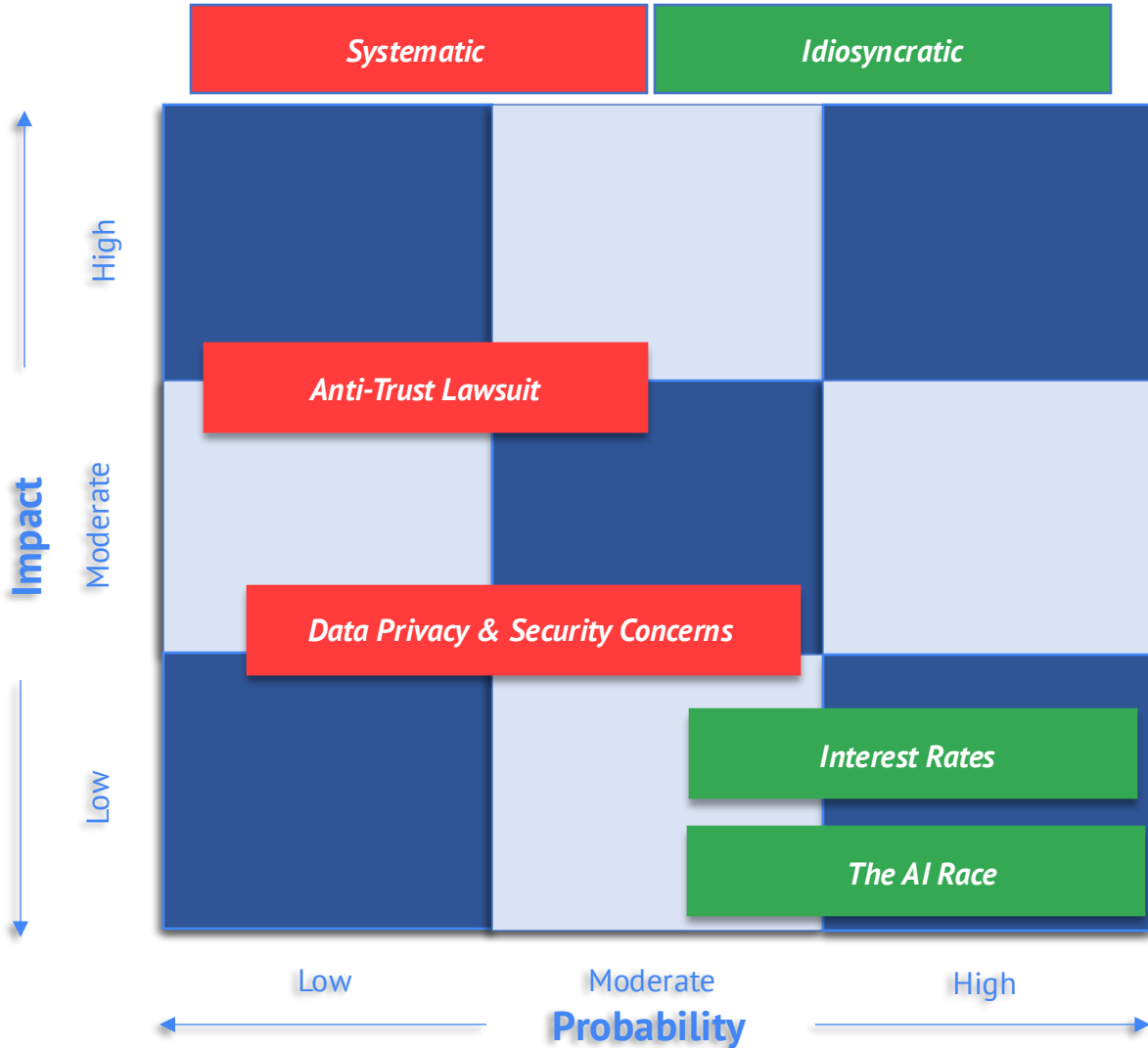






Investment Risks  
**Braden Hill**

# Investment Risks



## Key Risks

### Anti-trust Lawsuit



*DOJ sued for allegedly engaging in monopolistic and anticompetitive behaviors.*

### The AI Race



*Google faces lagging competition when focused on the AI race. If Google does not continue to innovate Google could lose market share across its various segments which will affect their business.*



android

Q&A

# Alphabet Inc.

