

RATING

Business	★ ★ ★ ★ ★
Financials	★ ★ ★ ★ ★
Valuation	★ ★ ★ ★ ★
Management	★ ★ ★ ★ ★

Ranking 1 to 5, denoting lowest and 5 highest



Company : Alphabet Inc. Sector : Technology.

Date - 20/03/2024

CMP : \$148.16

Rating - BUY

Target : \$165.85

Research Report

Stock Info

Mkt Cap (\$ in Bn)	1836.2
52-Weeks High/Low	100.28 - 155.20
Avg Volume	23,165,213
No. of eq shares (Class A)	5,922
No. of eq shares (Class B)	877
No. of eq shares (Class C)	5831
Share Volume	47,601,278
NASDAQ	GOOG

Particulars	2022	2023
P/E	30.63	17.93
P/B	6.89	4.64
EV/EBITDA	12.89	12.58
P/S	4.34	4.00
EPS	4.56	5.80
ROCE	27.60%	26.74%
ROIC	27.22%	26.68%
Interest Coverage	229.85	279.30
Debt-to-Equity	0.11	0.09
Operating Margin (%)	29%	28%

Source : Company, Fin2Research

Price Performance of Alphabet ind vs Nasdaq

— Performance of Alphabet Inc
— Performance of Nasdaq



Alphabet Inc: Alphabet Inc., headquartered in Mountain View, California, is an American multinational technology conglomerate holding company. It ranks as the world's third-largest technology company by revenue and stands as one of the most valuable companies globally. The restructuring of Google on October 2, 2015, gave rise to Alphabet, which subsequently became the parent company of Google along with various former Google subsidiaries. Regarded as one of the Big Five American information technology companies, Alphabet holds a prominent position in the industry.

Generative AI will unlock true potential of Alphabet Inc.

- ❑ We believe AI holds the key to driving higher growth prospects for Google, particularly considering its extensive market reach and highest market share. Recent collaborations, like partnering with Apple to offer AI technologies to their users, are anticipated to boost growth and margins for the company. Google is poised to unlock significant potential in shaping the AI of the future.
- ❑ Google and Apple are in talks to potentially integrate Google's chatbot technology into every iPhone, despite concerns about diversity issues and biased answers from Google's bot. This could draw regulatory attention, considering Google's existing \$18 billion deal with Apple for Safari search. If the agreement goes through, it could allow Google to expand its AI services to more than 2 billion active Apple devices, bolstering its competition with Microsoft-backed OpenAI.
- ❑ Alphabet has several avenues to monetize the AI revolution : One immediate opportunity lies in deploying advanced AI analytics tools to enhance search results and advertising placement. By aiming to deepen user engagement, Alphabet can encourage users to return to platforms like Google Search and YouTube, thereby generating more advertising inventory. Moreover, Alphabet will persist in enhancing the AI capabilities within its Google Cloud platform. Given that building and training AI models necessitate scalable resources, leveraging the cloud's scalability is advantageous. As more enterprises adopt cloud computing to harness their AI capabilities, Google Cloud stands to benefit.
- ❑ Gemini : In December 2023, they launched Gemini, their most advanced and versatile AI model to date. Designed to be multimodal from scratch, Gemini seamlessly integrates various forms of information such as text, code, audio, images, and video. Leveraging Gemini along with previously developed AI models, teams across Alphabet aim to enhance product and service experiences for users, advertisers, partners, customers, and developers.
- ❑ Gemini Ultra is coming soon. The company is already working on the next versions and bringing it to the products.
- ❑ Innovation for organizations and developers on Google Cloud : This entails furnishing cutting-edge computing infrastructure and broadening the availability of Google's thoroughly vetted AI models, extensively tested within their own product ecosystem. Through the Vertex AI platform, developers gain the capability to train, fine-tune, enhance, and launch applications utilizing generative AI models, alongside services like Enterprise Search and Conversations. Additionally, Duet AI for Google Cloud offers pre-packaged AI agents that aid developers in writing, testing, documenting, and managing software efficiently.
- ❑ Google maintains a robust cybersecurity system, which involves a comprehensive process for identifying and managing risks from cyber threats. External experts and internal teams provide valuable insights to inform their approach. Dedicated teams, led by experienced professionals, oversee incident prevention, detection, and resolution, ensuring strong security measures are in place.

Risk :

- ❑ Cybersecurity Risk: Privacy, data protection, and adherence to data usage regulations represent intricate and swiftly evolving domains. Any instance or perceived instance of non-compliance with these laws could detrimentally impact our business, reputation, financial standing, and operational outcomes.
- ❑ Exchange Rate Risk



Why Google Is The Best A.I Stock Available At Discount ?

- ❑ **Focus on AI :** Alphabet, the parent company of Google, has been investing heavily in AI technology for several years. With billions of users relying on services like Gmail, YouTube, and other Google platforms, Alphabet has become a dominant force in digital advertising. The company's AI investments position it as a significant influencer in shaping future interactions with technology.
- ❑ Alphabet made significant strides in AI with the launch of Google Bard, a conversational search engine driven by generative AI, and Gemini, its most advanced AI model to date, which excels in multitask language understanding. The integration of generative AI into various products has enabled millions of users to perform tasks previously impossible.
- ❑ **AI Leadership:** Google has been at the forefront of AI research and development for years, investing heavily in AI technologies and acquiring top talent in the field. Its advancements in machine learning, natural language processing, and computer vision have positioned it as a leader in AI. Why Google is The Best A.I Stock Available at discount
- ❑ **Vast Data Resources:** Google's extensive user base across its various platforms, including Google Search, YouTube, and Gmail, provides a wealth of data for training and improving AI algorithms. This data advantage strengthens its AI capabilities and enhances its competitive edge.
- ❑ **Diverse AI Applications:** Google's AI technologies have applications across multiple sectors, including advertising, cloud computing, healthcare, and autonomous vehicles. This diversification spreads its AI-related revenue streams, reducing dependency on any single market segment.
- ❑ **Cloud Computing Dominance:** Google Cloud Platform (GCP) integrates advanced AI capabilities, attracting businesses seeking AI-powered solutions for their operations. Google's dominance in cloud computing positions it well to capitalize on the growing demand for AI services in the enterprise sector.
- ❑ **Long-Term Growth Potential:** As AI continues to permeate various industries, Google's investments in AI are expected to drive long-term growth. Its strong market position, combined with ongoing innovation and expansion into new AI-driven products and services, makes it an attractive investment for the future.
- ❑ Over the years, Pixel phones have seamlessly integrated AI computing within the device, allowing for the creation of user experiences tailored around this technology. The latest Pixel models have been meticulously designed with AI at the forefront, providing users with exceptional AI-assisted features such as Best Take, Magic Editor, and Audio Magic Eraser. Looking ahead, our focus is on developing Android and Chrome operating systems that prioritize AI integration, promising innovative user experiences.

Recent developments and future prospects.

- ❑ Sundar Pichai, CEO, expressed satisfaction with the continued robust performance of Search, along with the increasing impact from YouTube and Cloud services. He highlighted that each of these areas is already reaping the rewards of their AI investments and innovative efforts. Pichai further emphasized that as they transition into the Gemini era, even greater achievements lie ahead.
- ❑ Their investments in AI are yielding substantial benefits, notably in improving Search functionality. Additionally, subscriptions revenue has soared to \$15 billion annually, marking a fivefold increase since 2019, predominantly fueled by the success of YouTube Premium and Music, YouTube TV, and Google One. Cloud revenue has surpassed \$9 billion this quarter, experiencing rapid growth driven by their advanced AI technologies and robust product leadership. They maintain a commitment to investing in and prioritizing areas with promising growth potential to capitalize on future opportunities.
- ❑ In their lineup is Bard, a conversational AI tool that enhances Search capabilities. It is now strengthened by Gemini Pro, greatly enhancing its proficiency in understanding, summarizing, reasoning, coding, and planning. Bard is currently available in over 40 languages and across more than 230 countries worldwide. Future plans include the rollout of an even more advanced version for subscribers, powered by Gemini Ultra.
- ❑ Utilizing Vertex AI, Samsung recently introduced its Galaxy S24 series smartphone, integrating Gemini and Imagen 2, an advanced text-to-image model. Shutterstock has incorporated Imagen 2 into its AI image generator, enabling users to transform simple text prompts into unique visuals. Additionally, Victoria's Secret & Co. plans to enhance customer experiences by leveraging Gemini, Vertex AI Search, and Conversations.
- ❑ Within Workspace, Duet AI is facilitating enhanced productivity and creativity for employees across thousands of paying customers globally, such as Singapore Post, Uber, and Woolworths.
- ❑ Alphabet with its full-year results, reporting revenues of \$307 billion in 2023, a 9% increase from 2022, contributing \$25 billion to the year's revenue. The fourth quarter ended on a strong note, with consolidated revenues of \$86.3 billion, marking a 13% increase from the previous year in both reported and constant currency.
- ❑ The Total Cost of Revenues amounted to \$37.6 billion, reflecting a 6% increase. Additionally, Other Cost of Revenues stood at \$23.6 billion, showing a 5% rise, primarily attributed to content acquisition expenses linked to YouTube subscription services.
- ❑ Operating expenses totaled \$25 billion, marking an 11% increase, largely driven by rises in research and development (R&D) expenses, primarily due to real estate charges, followed by compensation.



- ❑ YouTube Music and Premium have gained significant momentum, available in over 100 countries and regions. They have successfully engaged passionate users and generated substantial returns for the music industry and creators.
- ❑ Additionally, YouTube TV is thriving, receiving excellent feedback on its viewing experience. Users particularly appreciate features like navigation, multiview, and unlimited DVR. NFL Sunday Ticket has found a fitting platform on YouTube, and further details will be provided by Philipp.
- ❑ Google One is experiencing remarkable success, boasting robust user growth. Offering expanded storage and exclusive features within Google products, it enables us to cultivate strong relationships with our most dedicated users. Google One's growth trajectory is impressive, and we are on the brink of surpassing 100 million subscribers.
- ❑ Google Cloud provides the AI Hypercomputer, an innovative supercomputing architecture that integrates powerful TPUs and GPUs, AI software, and Multislice and Multi-host technology. This combination offers significant performance and cost advantages for training and serving models. Companies such as Anthropic, Character.ai, Essential AI, and Mistral AI are leveraging this platform to build and deploy models effectively.
- ❑ For developers focused on building gen AI applications, we provide Vertex AI, an all-encompassing enterprise AI platform. It enables customers such as Deutsche Telekom and Moody's to explore, customize, enhance, and deploy over 130 gen AI models, including PaLM, Med-PaLM, Sec-PaLM, and Gemini, along with popular open source and partner models. Vertex AI has experienced significant adoption, with API requests nearly sextupling from the first half to the second half of last year.
- ❑ Customers are increasingly opting for Duet AI, our pre-packaged AI agents designed for Google Workspace and Google Cloud Platform, to enhance productivity and streamline operations. Since its introduction, thousands of companies and over a million trusted testers have utilized Duet AI. It will soon integrate Gemini functionality.

Current Quarter Performance

The performance quarter-on-quarter :

- ❑ Alphabet with its full-year results, reporting revenues of \$307 billion in 2023, a 9% increase from 2022, contributing \$25 billion to the year's revenue. The fourth quarter ended on a strong note, with consolidated revenues of \$86.3 billion, marking a 13% increase from the previous year in both reported and constant currency.
- ❑ The Total Cost of Revenues amounted to \$37.6 billion, reflecting a 6% increase. Additionally, Other Cost of Revenues stood at \$23.6 billion, showing a 5% rise, primarily attributed to content acquisition expenses linked to YouTube subscription services.
- ❑ Operating expenses totaled \$25 billion, marking an 11% increase, largely driven by rises in research and development (R&D) expenses, primarily due to real estate charges, followed by compensation.
- ❑ Operating income reached \$23.7 billion, experiencing a significant 30% growth, with an operating margin of 27%.
- ❑ Net income amounted to \$20.7 billion, resulting in an earnings per share (EPS) of \$1.64.
- ❑ They delivered Free Cash Flow of \$7.9 billion, influenced by the timing of a \$10.5 billion tax payment made on October 16, as previously disclosed. This payment was associated with the deferral of certain tax payments to the fourth quarter.

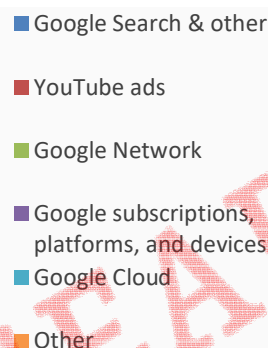
The performance year-on-year :

- ❑ Alphabet is pleased with its full-year results, reporting revenues of \$307 billion for 2023, marking a 9% increase from 2022, contributing an additional \$25 billion to the year's revenue. The company concluded the year with a robust fourth quarter, achieving consolidated revenues of \$86.3 billion, representing a 13% increase compared to the previous year in both reported and constant currency terms.
- ❑ Total Cost of Revenues was \$37.6 billion, up 6%, and Other Cost of Revenues was \$23.6 billion, up 5%, with the increase driven primarily by content acquisition costs associated with YouTube subscription offerings.
- ❑ In terms of total expenses, the year-on-year comparisons reveal an additional \$1.2 billion in exit charges recorded in the fourth quarter of 2023, related to initiatives aimed at optimizing global office space. These charges, as detailed in our earnings release, were distributed across expense categories in Other Cost of Revenues and OpEx, based on the corresponding headcount.
- ❑ Operating expenses amounted to \$25 billion, marking an 11% increase, primarily driven by a rise in research and development (R&D) expenses, attributed to real estate charges, followed by compensation.
- ❑ Operating income surged to \$23.7 billion, representing a substantial 30% increase, with an operating margin of 27%.
- ❑ In 2023, we repurchased a total of \$62 billion worth of our Class A and Class C shares, concluding the year with \$111 billion in cash and marketable securities.

Performance Segment Wise

\$ In Mn.

	FY-20	FY-21	FY-22	FY-23
Google Search & other	104062	148951	162450	175,033
YouTube ads	19772	28845	29243	31,510
Google Network	23090	31701	32780	31,312
Google Network	23090	31701	32780	31,312
Google Other	21711	28032	29055	34,688
Google Cloud	13059	19206	26280	33,088
Other Bets	657	753	1068	1,527
Hedging gains (losses)	176	149	1960	236
Total Revenue	182,527	257,637	282,836	307,394

Segment Wise By Geography

Operating income Segment Wise

\$ In Mn.

	FY-20	FY-21	FY-22	FY-23
Google Services	85,014	117,854	134,814	146,286
Google Cloud	54,606	91,855	86,572	95,858
Google Cloud	-5,607	-3,099	-2,968	1,716
Other Bets	-4,476	-5,281	-6,083	-4,095
Alphabet-level activities	-3,299	-4,761	-2,679	-9,186
Total Revenue	41,224	78,714	74,842	84,293

- A company-wide initiative was initiated to re-engineer the cost base, which included a reduction in workforce announced in January 2023. This led to total employee severance and related charges of \$2.1 billion recorded for the year ending December 31, 2023. The majority of affected employees were no longer part of the headcount as of December 31, 2023.
- Furthermore, efforts were made to optimize global office space, resulting in exit charges of \$1.8 billion recorded for the year ending December 31, 2023. Additionally, \$269 million in accelerated rent and accelerated depreciation were incurred during the same period, which are not reflected in the aforementioned table.

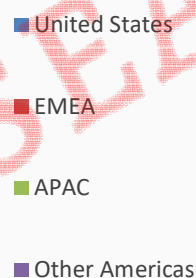
Operating income Margins

	FY-21	FY-22	FY-23	Y-O-Y
Google Services	35.65%	30.61%	31.18%	57.6 bps
Google Cloud	-1.20%	-1.05%	0.56%	160.8 bps
Other Bets	-2.05%	-2.15%	-1.33%	81.9 bps

Revenue By Geography

\$ In Mn.

	FY-20	FY-21	FY-22	FY-23
United States	85,014	117,854	134,814	146,286
EMEA	55,370	79,107	82,062	91,038
APAC	32,550	46,123	47,024	51,514
Other Americas	9,417	14,404	16,976	18,320
Hedging gains (losses)	176	149	1,960	236
Total Revenue	182,527	257,637	282,836	307,394

Revenue By Geography




Financial Summary

Income Statement (Consolidated)

\$ In Mn.	Year ending 31 march		
Particulars	FY-21	FY-22	FY-23
Revenue from operations	257,637	282,836	307,394
Cost of revenues	110,939	126,203	133,332
Gross Profit	146,698	156,633	174,062
Operating Expense			
Research and development	31,562	39,500	45,427
Sales and marketing	22,912	26,567	27,917
General and administrative	13,510	15,724	16,425
Operating Income	78,714	74,842	84,293
Other Income Expense	12,020	6,858	1,424
Pretax Income	90,734	81,700	85,717
Tax Provision	14,701	11,356	11,922
Net Income	76,033	70,344	73,795
Net Profit Margin (%)	29.51%	24.87%	24.01%

Source : Company

Cash Flow Statement (Consolidated)

\$ In Mn.	Year ending 31 march		
Particulars	FY-21	FY-22	FY-23
CFO Before WC	93175.00	93730.00	105591.00
Chg in WC	(898.00)	(2819.00)	(4368.00)
Tax	(625.00)	584.00	523.00
Net Operating cash flow	91652.00	91495.00	101746.00
Net capex	(27258.00)	(38454.00)	(32746.00)
Investment	(8806.00)	16567.00	6734.00
Other CFI	541.00	1589.00	(1051.00)
Total CFI	(35523.00)	(20298.00)	(27063.00)
Net lease/debt	(1236.00)	(1196.00)	(760.00)
Stock Issue/Repurchase	(60436.00)	(68596.00)	(71341.00)
Dividend Paid/Received	310.00	35.00	8.00
Total CFF	(61362.00)	(69757.00)	(72093.00)
Net change in Cash flow	(5233.00)	1440.00	2590.00

Source : Company

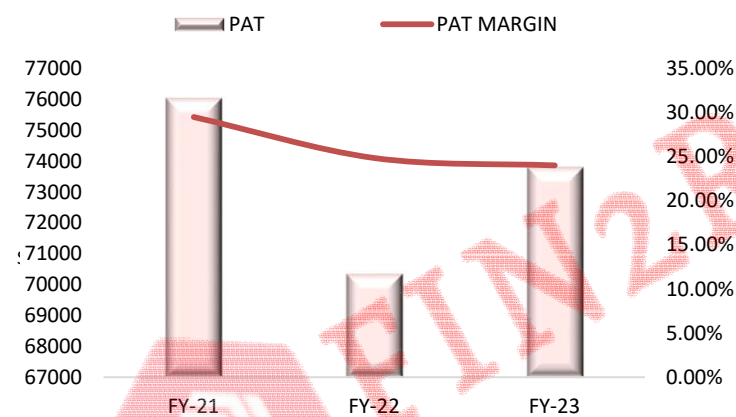
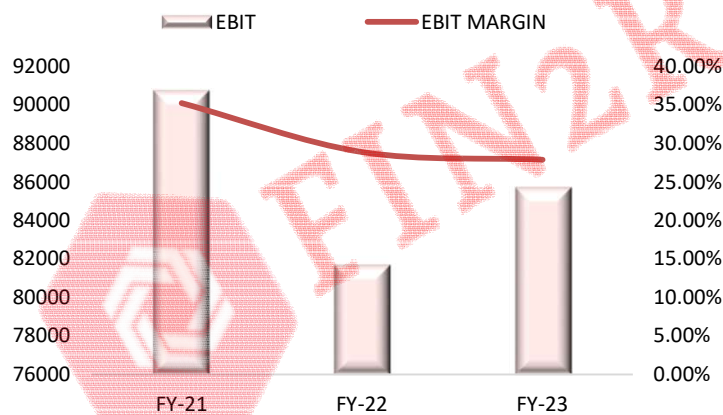
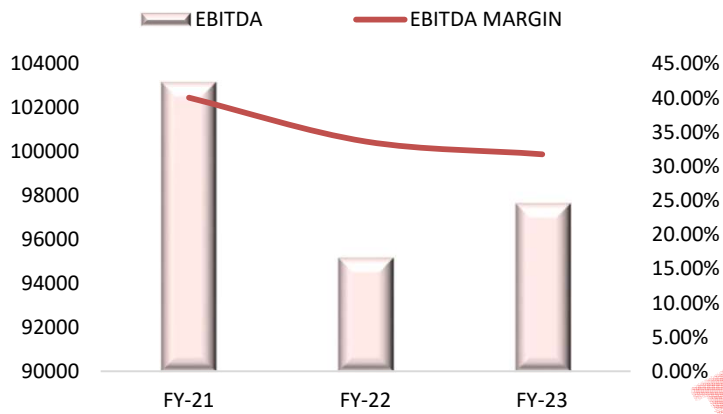
Dupont Analysis

	FY-21	FY-22	FY-23
Tax Burden	83.80%	86.10%	86.09%
Interest Burden	87.65%	85.52%	87.49%
EBIT Margin	35.35%	29.01%	27.99%
Total Assets Turnover	0.72	0.77	0.76
Financial Leverage	1.43	1.43	1.42
ROAE	26.58%	23.59%	22.87%

Balance Sheet (Consolidated)

\$ In Mn.	Year ending 31 march		
Particulars	FY-21	FY-22	FY-23
Non-marketable securities	29549.00	30492.00	31008.00
Deferred income taxes	1284.00	5261.00	12169.00
Property and equipment, net	97599.00	112668.00	134345.00
Operating lease assets	12959.00	14381.00	14091.00
Intangible assets, net	1417.00	0.00	0.00
Goodwill	22956.00	28960.00	29198.00
Other non-current assets	5361.00	8707.00	10051.00
Total Non-Current Assets	171125.00	200469.00	230862.00
Cash and cash equivalents	20945.00	21879.00	24048.00
Marketable securities	118704.00	91883.00	86868.00
Accounts receivable, net	39304.00	40258.00	47964.00
Inventory	1170.00	0.00	0.00
Other current assets	8020.00	10775.00	12650.00
Total Current Assets	188143.00	164795.00	171530.00
Total Assets	359268.00	365264.00	402392.00

Equity Share Capital	61774.00	68184.00	76534.00
Other Equity	191484.00	195563.00	211247.00
Non-Controlling Interest	-1623.00	-7603.00	-4402.00
Total Equity	251635.00	256144.00	283379.00
Long-term debt	14817.00	14701.00	13253.00
Deferred revenue, non-current	535.00	599.00	911.00
Income taxes payable, non-current	9176.00	9258.00	8474.00
Deferred income taxes	5257.00	514.00	485.00
Operating lease liabilities	11389.00	12501.00	12460.00
Other long-term liabilities	2205.00	2247.00	1616.00
Total Non-Current Liabilities	43379.00	39820.00	37199.00
Accounts payable	6037.00	5128.00	7493.00
Accrued compensation and benefits	13889.00	14028.00	15140.00
Other current liabilities	32044.00	37866.00	46168.00
Accrued revenue share	8996.00	8370.00	8876.00
Deferred revenue	3288.00	3908.00	4137.00
Total Current Liabilities	64254.00	69300.00	81814.00
Total Equity and Liabilities	359268.00	365264.00	402392.00



Ratios Year ending 31 march

Particulars	FY-21	FY-22	FY-23
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Profitability Ratios

Sales Growth(%)	41%	10%	9%
Expenses Growth(%)	27%	16%	7%
GP Growth(%)	52%	3%	7%
EBITDA Growth(%)	114.58%	-7.75%	2.61%
EBIT Growth (%)	164%	-10%	5%
Net Profit Growth (%)	163.88%	-9.96%	4.92%
Gross Margin	61.61%	57.80%	57.09%
Operating Margin	35.22%	28.89%	27.89%
Net Margin	29.51%	24.87%	24.01%

Efficient Ratios

Inventory Days	3	6	7
Debtor Days	28	51	52
payables Days	10	16	17

Leverage Ratios

Debt/Equity	0.10	0.11	0.09
Debt/Assets	0.07	0.07	0.06
Debt/EBITDA	0.25	0.29	0.26
Cash/Debt	0.80	0.80	0.94
Interest Coverage (Times)	263.24	229.85	279.30

Liquidity Ratios

Current Ratio	2.93	2.38	2.10
Quick Ratio	2.91	2.38	2.10
Cash Ratio	2.30	1.80	1.51

Cash Ratio

Operating C.F Growth (%)	40.73%	-0.17%	11.20%
CFO/EBITDA	0.89	0.96	1.04
CFO/Total Assets	0.51	0.25	0.27
CFO/Revenue	0.36	0.32	0.33
CFO/PAT	1.21	1.30	1.38

RATING SCALE : Definitions of ratings.

BUY – We expect the stock to deliver more than 10%-20% returns over the next 9 months.

ACCUMULATE – We expect the stock to deliver 5% - 12% returns over the next 9 months.

REDUCE – We expect the stock to deliver 0% - 5% returns over the next 9 months.

SELL – We expect the stock to deliver negative returns over the next 9 months.

NR – Not Rated. Fin2Research is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

RS – Rating Suspended. Fin2Research has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – Not Available or Not Applicable. The information is not available for display or is not applicable.

NM – Not Meaningful. The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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