

Alphabet Company 2021 Report

Google

ALPHABET COMPANY

COMPANY OVERVIEW

Alphabet, Inc. is a holding company, which engages in the business of acquisition and operation of different companies. It operates through the Google and Other Bets segments. The Google segment includes its main Internet products such as ads, Android, Chrome, hardware, Google Cloud, Google Maps, Google Play, Search, and YouTube.

The Other Bets segment consists of businesses such as Access, Calico, CapitalG, GV, Verily, Waymo, and X. The company was founded by Lawrence E.

Page and Sergey Mikhaylovich Brin on October 2, 2015 and is headquartered in Mountain View, CA. The company currently falls under 'Mega-Cap' category with current market capitalization of 1100 B. Market capitalization usually refers to the total value of a company's stock within the entire market.

Google's namesake search engine and YouTube video service are gateways to the internet for billions of people and have become more essential as they transact and entertain online to avoid the virus. Advertisers have turned to Google's ad system to let shoppers know about deals and adjusted service offerings as the economy chugs along again.



GOOGL [NASDAQ]
Alphabet Inc.

Communication Services | Internet Content & Information | USA

FINANCIALS - Q3 2020

The company beat estimates across the board, following its first-ever revenue decline in Q2. The results showed a strong rebound in its core advertising business, which was hit hard by customer spending pullbacks amid the Covid-19 pandemic. Total revenues of \$46.2 billion in the third quarter reflect broad based growth led by an increase in advertiser spend in Search and YouTube as well as continued strength in Google Cloud and Play

\$46.17 BILLION
REVENUE

\$16.40
EARNINGS PER SHARE

On the company's earnings call, CEO Sundar Pichai said, "This year, including this quarter, showed how valuable Google's founding product, search, has been to people."

Pichai said starting next quarter, it will report operating income for its cloud business, joining Amazon in giving investors more details.

For the quarter ending September 30, the company brought in total advertising revenue of \$37.10 billion, compared to \$33.80 billion a year ago. YouTube ad growth was particularly strong, up 32% from a year ago. Fears of a search advertising crunch did not materialize, as the company's "Search and Other" advertising category showed 6% growth from a year ago.

Executives said YouTube has over 30 million music and premium paid subscribers and YouTube TV has more than 3 million subscribers. YouTube views for guided meditation videos are up 40% since mid-March, Porat said. Tutorials on how to make face masks have been viewed over one billion times.

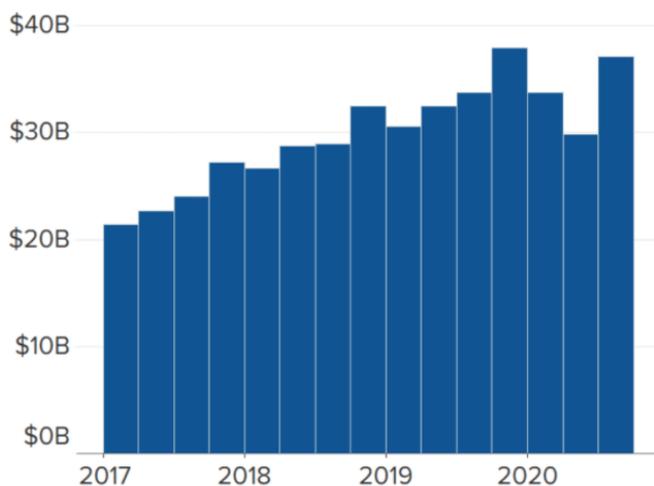
Google's "Other Revenue," which includes hardware like its Pixel phones, came in at \$5.48 billion, compared to \$4.05 billion a year ago. The rise was a result of Google Play engagement during the pandemic, CFO Ruth Porat said. "There are signs that user behavior is beginning to return to normalized levels," she added on the earnings call.

Q3 EARNINGS

REVENUE, NET INCOME

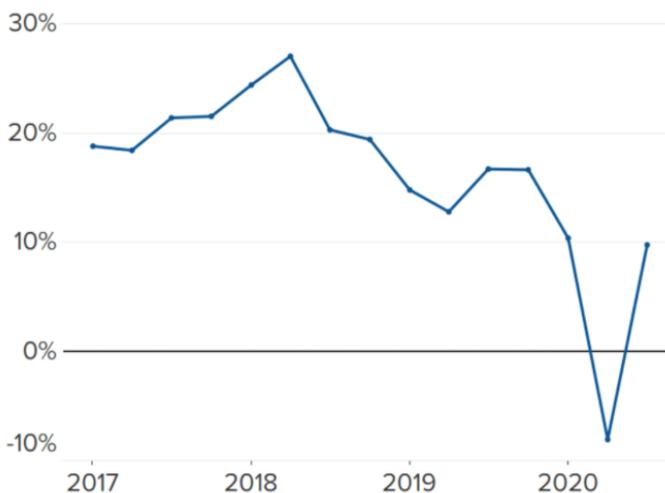
Total Ad Revenue

Q3 2020: \$37.1B



Annual Ad Revenue Growth

Q3 2020: 9.8%



Fiscal Quarter End	Date Reported	Earnings Per Share*	Consensus EPS* Forecast	% Surprise
Sep 2020	10/29/2020	16.4	11.4	43.86
Jun 2020	07/30/2020	10.13	8.43	20.17
Mar 2020	04/28/2020	9.87	10.4	-5.1
Dec 2019	02/03/2020	15.35	12.76	20.3

KEY HIGHLIGHTS

- Earnings per share: \$16.40 vs \$11.29 expected, according to Refinitiv estimates
- Revenue: \$46.17 billion vs \$42.90 billion expected, according to Refinitiv estimates
- Google Cloud: \$3.44 billion vs. \$3.32 billion estimated according to StreetAccount.
- YouTube ads: \$5.04 billion vs. \$4.39 billion estimated, according to StreetAccount.
- Traffic acquisition costs (TAC): \$8.17 billion vs. \$7.66 billion according to StreetAccount.

Alphabet said its revenue from "Other Bets," which includes its subsidiaries outside of Google like the self-driving car company Waymo and Life Sciences business Verily brought in \$178 million compared to \$155 million a year ago. Meanwhile, Other Bets showed an operating loss of \$1.10 billion, up from \$941 million a year ago.

Q4 2020 EARNINGS REPORT

WHAT TO EXPECT

Alphabet – the parent company of tech behemoth Google (GOOG) – is expected to report its fourth quarter, FY19 financial results on 3 February, after the market close.

Alphabet missed on analyst revenue targets in the third quarter – posting net revenue of US\$33.009 billion. (This figure excludes Google's Traffic Acquisition Costs.) At the time, and according to Business Insider, 'Wall Street was looking for [revenue of] \$US32.7 billion.'

Coming into this new round of earnings, analysts have upped their expectations – projecting Alphabet to report fourth quarter revenues of US\$38.34 billion.

Beats or misses aside, Alphabet remains overwhelmingly liked by analysts. All 16 analysts covering the stock currently rate it a BUY, according to Bloomberg Data.

Alphabet has outperformed the broader market – rising 37.0% in that period. At the time of writing, Alphabet's share price stood at US\$1,450.50 per share.

Even with that impressive share price run-up considered, analysts continue to see upside for the tech behemoth over the next 12-months, with the stock carrying an average 12-month price target of US\$1,544.50 per share, according to Bloomberg Data. Such a target implies potential upside of around ~6%, from current price levels.

The company has improved its traffic acquisition costs (TAC) – a key figure analysts and investors look at to assess the health of the business. In Q3 TAC was \$7.49 billion, compared to the \$7.48 billion estimate.

Elsewhere, Other Google revenues that includes cloud and hardware like its Pixel phones (came in at \$6.43 billion in Q3, topping expectations of \$6.32 billion) will be in focus. Assuming Google is able to deliver a top and bottom-line beat, strong TAC, among other improving metrics, the shares can continue higher, breaking above \$1500 and affirming its \$1T market cap status.

VALUTATION

The company currently falls under 'Mega-Cap' category with current market capitalization of 1280 B. Market capitalization usually refers to the total value of a company's stock within the entire market. The entity has 329.87 M outstanding shares of which 1.79 M shares are currently shorted by private and institutional investors with about 1.24 trading days to cover. Alphabet currently holds about 132.6 B in cash with 56.87 B of positive cash flow from operations. This results in cash-per-share (CPS) ratio of 196.02.

\$1,917
CURRENT VALUE
27 JANUARY 2021

\$1,233 Downside

\$2,109 Upside

27 JANUARY 2021

The company is trading at

PE ratio of 37.05

P/S ratio is 8.07

P/B ratio is 6.09

OVER VALUED

REAL VALUE

1234.4

MARKET VALUE

1917

\$1.18 TRILLION
CURRENT VALUATION
JANUARY 2021

AVERAGE ANALYST ANALYSIS

Alphabet (GOOG) is very steady asset. Analysis and calculation of next after-hype price of Intel is based on 3 months time horizon.

BUY

Strong Buy
60%

Buy
40%

FINAL THOUGHTS

Alphabet shows a prevailing Real Value of \$1234.4 per share. The current price of the firm is \$1917.24. At this time, the firm appears to be overvalued. The value of Alphabet from analyzing the firm fundamentals such as Return On Equity of 17.51 %, current valuation of 1180 B, and Profit Margin of 20.80 % as well as examining its technical indicators and Probability Of Bankruptcy.

The upcoming quarterly report is expected on the 2nd of February 2021.

With the holiday season past us, we expect higher revenues amongst Google services.

In general, we recommend acquiring overvalued stocks and selling overvalued stocks since, at some point, asset prices and their ongoing real values will merge together.