



CORPORATE FINANCE

Alphabet Inc. Company Report

ISABELLE CELLA, RICCARDO COTI ZELATI

Alphabet



Googleplex, home to Alphabet Inc., in Mountain View, California

Company type	Public
Traded as	Nasdaq: GOOGL (Class A) Nasdaq: GOOG (Class C) Nasdaq-100 components (A & C) S&P 100 components (A & C) S&P 500 components (A & C)
ISIN	US02079K3059 US02079K1079
Industry	Conglomerate
Predecessor	Google Inc. (1998-2017)
Founded	September 4, 1998; 26 years ago or October 2, 2015; 9 years ago
Founders	Larry Page Sergey Brin
Headquarters	Googleplex, Mountain View, California, United States
Area served	Worldwide
Key people	John L. Hennessy (Chairman) Sundar Pichai (CEO) Ruth Porat (President and CIO) Anat Ashkenazi (CFO)
Revenue	▲ US\$307.4 billion (2023)
Operating income	▲ US\$84.29 billion (2023)
Net income	▲ US\$73.79 billion (2023)
Total assets	▲ US\$402.4 billion (2023)
Total equity	▲ US\$283.4 billion (2023)
Number of employees	181,269 (Sept. 2024)
Subsidiaries	Calico CapitalG Google Google Fiber GV Intrinsic Isomorphic Labs Verily Waymo Wing

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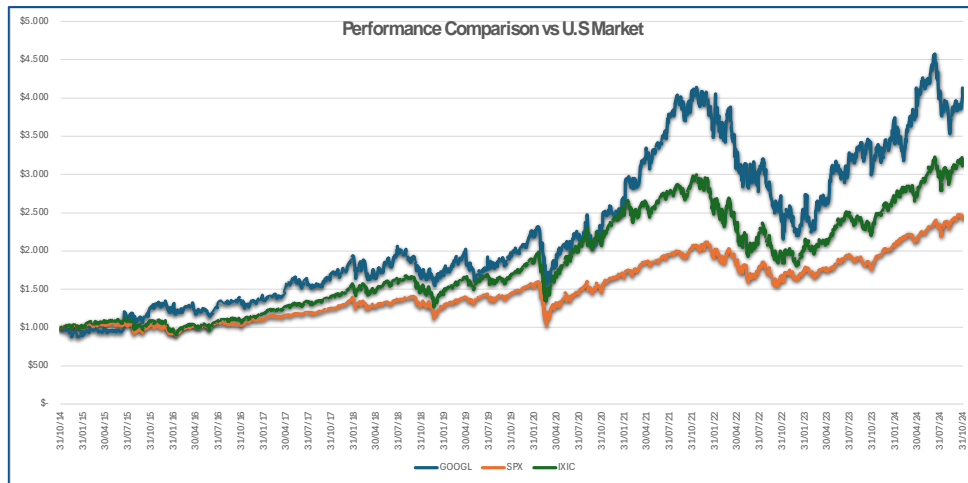


Figure 1: Performance Comparison (GOOGL, SPX, IXC)

Company Description

Alphabet Inc. is an American multinational technology conglomerate based in Mountain View, California. As the second-largest technology company in the world by revenue, following Apple, it ranks among the most valuable companies globally. Established on October 2, 2015, Alphabet emerged from a reorganization of Google, becoming the parent company of Google and several former subsidiaries. It is recognized as one of the Big Five American technology firms, alongside Amazon, Apple, Meta, and Microsoft and is in the group of the so-called “Magnificent 7”.

The creation of Alphabet was driven by the aim to enhance the clarity and accountability of Google's core operations while granting greater independence to its various companies involved in sectors beyond internet services. In December 2019, founders Larry Page and Sergey Brin announced their resignation from executive roles, with Sundar Pichai taking over as CEO. However, Page and Brin continue to serve as employees, board members, and controlling shareholders of Alphabet Inc.

Businesses

Alphabet's primary revenue source is digital advertising, through its **Google Services** segment, which includes products like **Search**, **YouTube**, and **Google Maps**. **Google Search**, which dominates global search engine usage, remains Alphabet's largest revenue generator. YouTube has also become a major advertising platform, reaching billions of users worldwide. Additionally, Google Maps and the **Android** mobile operating system contribute to Alphabet's widespread reach and influence in the digital ecosystem.

Beyond advertising, Alphabet has invested heavily in **Google Cloud**, which competes with Amazon Web Services (AWS) and Microsoft Azure. Google Cloud provides enterprise solutions, data analytics, and AI-driven productivity tools, positioning Alphabet as a key player in the rapidly growing cloud computing market.

Alphabet is also well-known for its experimental ventures grouped under "**Other Bets**." These include **Waymo** (autonomous driving), **Verily** (life sciences), **DeepMind** (artificial intelligence research) and others that could be seen in the graph below. While these segments are not yet profitable, they demonstrate Alphabet's commitment to innovation and its pursuit of high-potential technologies that may reshape future industries.

The company, which is considered one of the founders of the Artificial Intelligence era, has continued its strategy of innovation and strategic investment in AI and, of course, in the sustainability matter. The company's organizational structure allows each subsidiary a level of independence to pursue unique goals, which helps foster a culture of innovation and agility within a rapidly changing technological landscape.

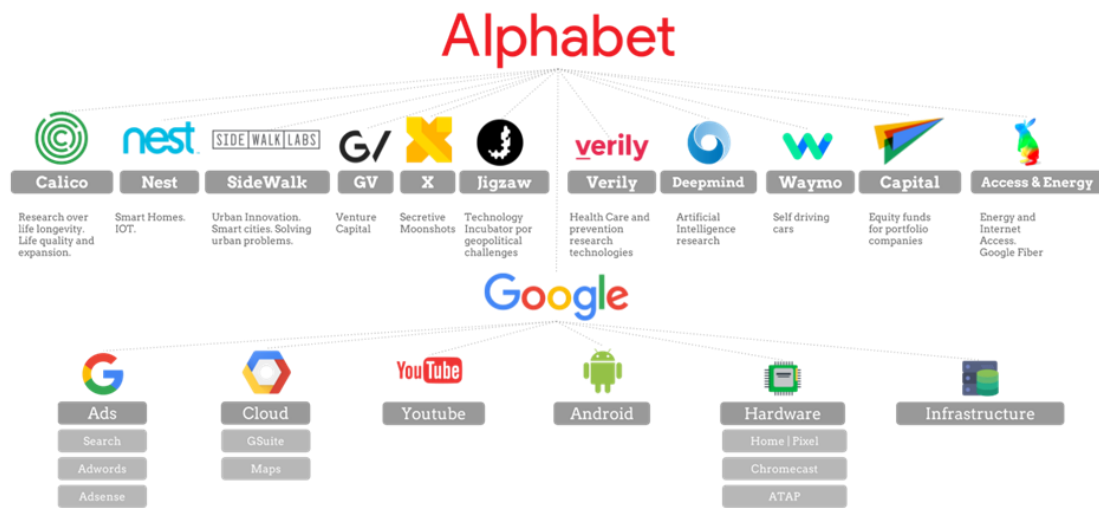


Figure 2: Graphical Representation of Alphabet’s Subsidiaries

Management Organization

Alphabet Inc.'s management structure is designed to support its diverse range of businesses and investments, organized in a way that facilitates the independent growth of its subsidiaries while maintaining oversight.

Alphabet’s Board of Directors includes executives and independent members who oversee the company’s strategy, policies, and overall direction. They make high-level decisions, particularly around strategic growth and regulatory compliance. **Sundar Pichai**, the CEO of Alphabet and Google, is a board member and plays a pivotal role in shaping Alphabet's vision, together with the co-founders **Larry Page** and **Sergey Brin** which, even if they resigned as Managing Directors, have still a huge impact on company decisions.

The board of directors has several committees for decision-process support that focus on specific areas:

- **Audit Committee:** Oversees financial reporting, compliance, and audit processes.
- **Compensation Committee:** Sets executive compensation and oversees management performance.
- **Nominating and Governance Committee:** Responsible for board member nominations and corporate governance policies.

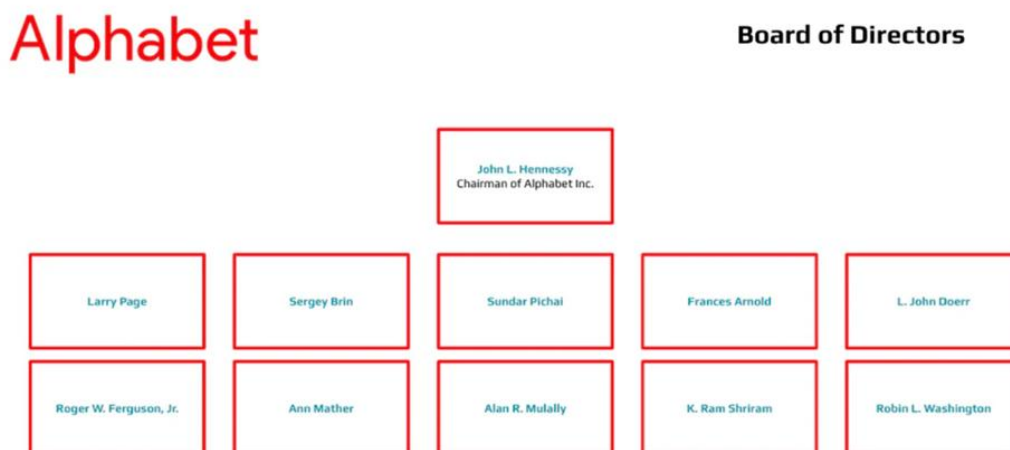


Figure 3: 2024 Board of Directors

Alphabet, also, operates with a dual class share structure, which gives founders like Page and Brin more voting power, allowing them to maintain control over company decisions even with a smaller percentage of equity.

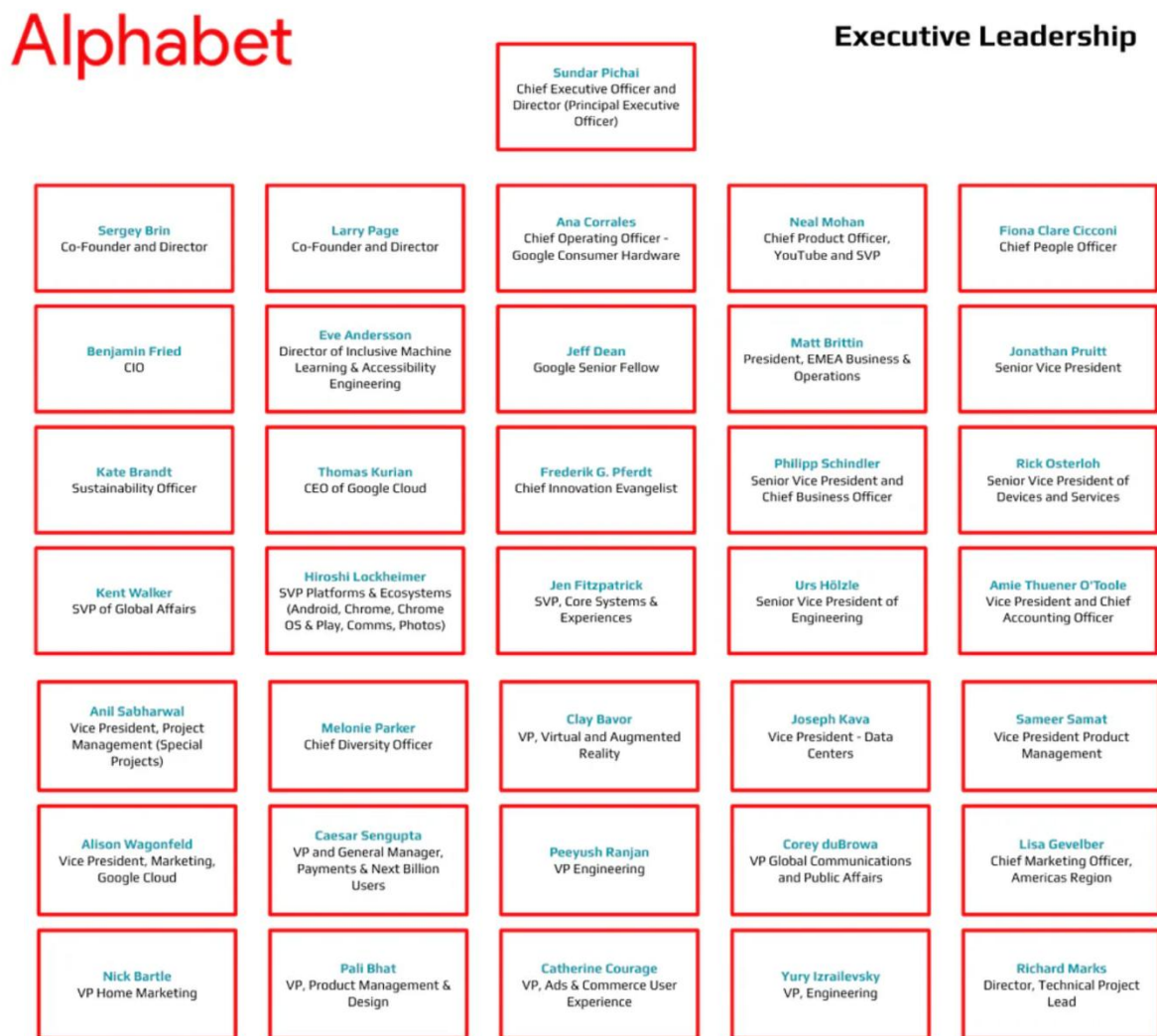


Figure 4: Executive Leadership

Another key aspect of Alphabet's organizational structure is its decentralized approach. The company operates through several subsidiaries, each of which is run by its own management. This allows a more focused approach to different area of business and allows subsidiaries to operate with a certain freedom; decentralization also enables the management teams to make decisions quickly and efficiently to market changes. Everything, of course, is exercised under the scrutiny of the parent company.

Alphabet, also, places a strong emphasis on talent development and retention; the company is known for its intense and competitive work environment and turnover, and it is constantly seeking top talents to join. The company, in which principles innovation and technology are inserted, offers its employees opportunities for professional development.

In conclusion, Alphabet management structure is innovation-oriented, with a strong decentralized organization, which helps to achieve its cultural targets; the new board (from 2019, after the resignation of Paige) impulse such behavior in favor of employee's activities, maintaining a top-ranking position in the business.

Key People



Sundar Pichai

Chief Executive Officer, Alphabet and Google
Director since 2017 | Executive Committee

Sundar Pichai, 51, joined Google in 2004 and was named the Chief Executive Officer of Google in October 2015 and of Alphabet in December 2019. Sundar has led product and engineering for Google's products and platforms, including Search, Chrome, Maps, Android, Gmail, and Google Workspace. Sundar served as Google's Senior Vice President of Products from October 2014 to October 2015, and as Google's Senior Vice President of Android, Chrome and Apps from March 2013 to October 2014. As CEO, he has shifted the company's strategy to focus on AI, which is now powering advances in the company's founding product, Search, as well as other helpful products for people around the world. Sundar holds a Bachelor of Technology degree from the Indian Institute of Technology Kharagpur, a Master of Science degree from Stanford University, and a Master of Business Administration degree from The Wharton School of the University of Pennsylvania.

Select Leadership Skills and Additional Experiences:

Business leadership, operational experience, and experience developing technology as Chief Executive Officer of Alphabet and Google. In-depth knowledge of the technology sector, and experience in developing Alphabet and Google's products and services and leading

Larry Page

Co-Founder

Director since 1998 | Executive Committee (Chair)

Larry Page, 51, one of Google's Co-Founders, previously served as Google's Chief Executive Officer from April 2011 to October 2015, and as Alphabet's Chief Executive Officer from October 2015 to December 2019. From July 2001 to April 2011, Larry served as Google's President, Products. In addition, from September 1998 to July 2001, Larry served as Google's Chief Executive Officer, and from September 1998 to July 2002, as Google's Chief Financial Officer. Larry holds a Bachelor of Science degree in engineering, with a concentration in computer engineering, from the University of Michigan and a Master of Science degree in computer science from Stanford University.



Select Leadership Skills and Additional Experiences:

Business leadership, operational experience, and experience developing technology as Co-Founder of Google and former Chief Executive Officer of Alphabet. In-depth knowledge of the technology sector and experience in developing transformative business models.



Sergey Brin

Co-Founder

Director since 1998 | Executive Committee

Sergey Brin, 50, one of Google’s Co-Founders, previously served as Google’s President from May 2011 to October 2015, and as Alphabet’s President from October 2015 to December 2019. From July 2001 to April 2011, Sergey served as Google’s President, Technology and Co-Founder. In addition, from September 1998 to July 2001, Sergey served as Google’s President and Chairman of Google’s Board of Directors. Sergey holds a Bachelor of Science degree with high honors in mathematics and computer science from the University of Maryland at College Park and a Master of Science degree in computer science from Stanford University.

Select Leadership Skills and Additional Experiences:

Business leadership, operational experience, and experience developing technology as Co-Founder of Google and former President of Alphabet. In-depth knowledge of the technology sector and experience in developing transformative business models.

John L. Hennessy

Chair of the Board

Independent Director since 2004 | Nominating and Corporate Governance Committee (Chair)

John L. Hennessy, 71, has served as Chair of our Board since January 2018. John previously served as our Lead Independent Director from April 2007 to January 2018. John is the James F. and Mary Lynn Gibbons Professor of Computer Science and Electrical Engineering in the Stanford School of Engineering, and the Shriram Family Director of Stanford’s Knight-Hennessy Scholars, a graduate-level scholarship program. John served as the President of Stanford University from September 2000 to August 2016. From 1994 to August 2000, John held various positions at Stanford, including Dean of the Stanford University School of Engineering and Chair of the Stanford University Department of Computer Science. John is the recipient of numerous honors, including the Medal of Honor of the Institute of Electrical and Electronics Engineers, and the ACM A.M. Turing Award. John holds a Bachelor of Science degree in electrical Engineering from Villanova University and a Master of Science degree and a Doctoral degree in computer science from the State University of New York, Stony Brook.



Select Leadership Skills and Additional Experiences:

Leadership and management experience as a former president of a world-renowned university. Experience developing technology businesses as founder of MIPS Technologies, Inc. and chief architect of Silicon Graphics Computer Systems, Inc. Global business perspective from his service on other boards.

Industry Analysis

Alphabet Inc., the parent company of Google, operates across multiple sectors, primarily in technology and digital advertising, with a strong focus on innovation, artificial intelligence (AI), and cloud computing. Here's an in-depth look at its industry positioning, as we have seen before:

- **Core Advertising Business:** Alphabet's primary revenue stream is advertising via Google Search, YouTube, and display ads; paid search and display advertising contribute over 80% of its revenue. It commands a large share of the digital advertising market, competing with other tech giants like Meta (Facebook), Amazon, and Microsoft.
- **Cloud Computing:** Google Cloud Platform (GCP) is Alphabet's fastest-growing business segment, competing directly with AWS (Amazon Web Services) and Microsoft Azure.
- **Other Bets:** Alphabet has a diverse portfolio of innovative ventures (Waymo, DeepMind, Verily, etc.) which focus on AI, autonomous driving, and healthcare technology.
- **AI Pioneering:** Alphabet's DeepMind subsidiary and investments in AI and machine learning remain at the forefront of industry innovation. Bard (an AI chatbot) competes directly with OpenAI's ChatGPT, showing Alphabet's intent to make AI widely accessible. Alphabet is integrating AI into almost all its services, from Search to Google Cloud, optimizing ad placements, and developing autonomous technology for Waymo (self-driving car division). AI's role in healthcare, particularly in diagnostics (e.g., Google Health), is also a significant area of exploration.
- **Hardware and Consumer Electronics:** Alphabet's hardware portfolio includes Pixel smartphones, Nest smart home devices, Chromecast, and wearable tech like Fitbit.

Regarding the competitive landscape, Alphabet Inc., operates in a highly competitive and dynamic environment, contending with various companies across its different business segments. Because of this complex environment, we now must distinguish, for a better comprehension, the different competitors for each business:

1. Search and Advertising

- **Competitors: Meta (Facebook), Amazon, Microsoft (Bing), Apple (Safari)**
- **Position and Strategy:** Google holds a dominant market share in search and digital advertising, largely due to its data-driven approach and extensive reach. Meta competes with Google Ads by offering powerful, targeted advertising across Facebook, Instagram, and WhatsApp. Amazon has also made significant strides with its e-commerce-driven ad platform, challenging Google for product search ad revenue.
- **Key Challenges:** Alphabet faces ongoing scrutiny around data privacy, antitrust issues, and increasing user awareness of privacy, which impacts personalized advertising. Regulatory bodies are closely monitoring Alphabet's practices, potentially impacting ad-targeting capabilities and market share.

2. Cloud Computing (Google Cloud)

- **Competitors: Amazon Web Services (AWS), Microsoft Azure, IBM, Oracle**
- **Position and Strategy:** Google Cloud is the third-largest cloud provider, behind AWS and Azure. While AWS maintains a lead due to its established presence and broad service portfolio, Azure's strength lies in its enterprise relationships and seamless integration with Microsoft products. Google Cloud differentiates itself with advanced AI and machine learning tools, sustainability commitments, and high-performance data management capabilities.
- **Challenges:** Despite growth, Google Cloud is not yet profitable, in contrast to AWS and Azure. To increase its share, Alphabet must continue expanding Google Cloud's offerings, improve enterprise customer acquisition, and focus on specific industries like retail, healthcare, and finance.

3. YouTube and Video Streaming

- **Competitors: TikTok, Meta (Instagram Reels, Facebook Watch), Netflix, Disney+, Amazon Prime Video**
- **Position and Strategy:** YouTube is the largest video-sharing platform and has a significant advantage due to its user-generated content model. However, TikTok's rapid growth in short-form video, along with Meta's Reels, challenges YouTube for younger audiences and advertisers.
- **Challenges:** The short-form video market is highly competitive, requiring YouTube to innovate continuously. Additionally, streaming platforms like Netflix, Disney+, and Amazon Prime Video compete with YouTube Premium for subscription-based viewers, especially those looking for high-quality, original content.

4. Artificial Intelligence and Machine Learning

- **Competitors: Microsoft (OpenAI partnership), Meta, Amazon, IBM**
- **Position and Strategy:** Alphabet is a frontrunner in AI, with significant investments through DeepMind, Google AI, and Bard (an AI chatbot competitor to ChatGPT). Microsoft's partnership with OpenAI has intensified competition, particularly in generative AI, search, and cloud-based AI solutions.
- **Challenges:** The rapid pace of AI advancements brings both opportunities and regulatory hurdles. Competitors like Meta and Microsoft are investing heavily in AI, raising the stakes for innovation and application in enterprise products. Alphabet's challenge will be to monetize its AI advancements effectively while managing ethical and privacy concerns.

5. Hardware and Consumer Electronics

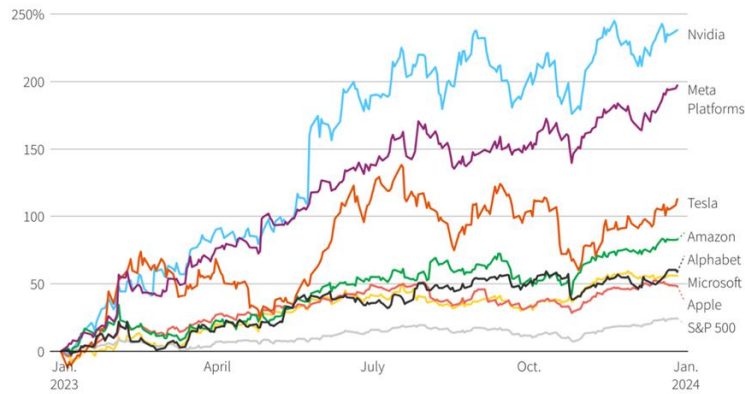
- **Competitors: Apple, Samsung, Amazon (Alexa, Echo), Microsoft (Surface)**
- **Position and Strategy:** Alphabet's hardware division includes products like Pixel phones, Nest smart home devices, and Fitbit wearables. These products often serve as complements to its software and services, creating an ecosystem that keeps users within the Google ecosystem.
- **Challenges:** Apple and Samsung are the leaders in consumer electronics and have stronger brand recognition and loyalty, particularly in smartphones. Amazon dominates the smart home market with its Alexa-enabled Echo devices. To gain a competitive edge, Alphabet needs to innovate in device integration and focus on unique features that complement its software.

6. Other Bets

- **Competitors: Tesla, Cruise (General Motors), Uber (Autonomous R&D), Amazon (Zoox)**
- **Position and Strategy:** Waymo, Alphabet's self-driving car initiative, is a leader in autonomous vehicle technology, particularly in safety and mileage accumulated in real-world testing. However, other tech giants and automotive companies, like Tesla's Full Self-Driving (FSD) and GM's Cruise, are also making significant advancements.
- **Challenges:** Autonomous driving technology faces regulatory challenges and high R&D costs. It remains unclear how soon these technologies will reach mainstream commercial viability. Additionally, competition from Amazon's Zoox and Tesla's push for self-driving capabilities keeps the pressure high for Waymo.

Big year for big stocks

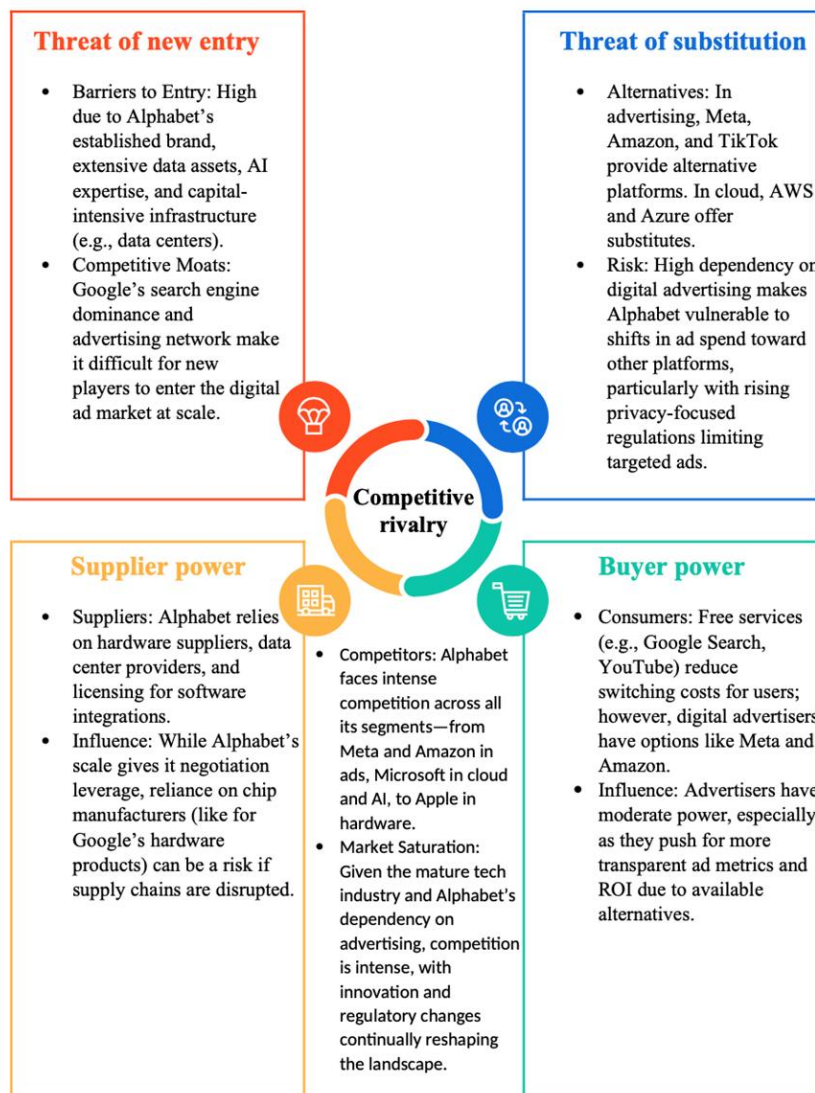
The "Magnificent Seven" tech and growth stocks have outperformed the broader U.S. market in 2023



Source: LSEG data | Graphic by Lewis Krauskopf
Reuters Graphics

Figure 5: Performance Comparison of the Magnificent 7

Porter Analysis



Conclusion of Porter's Analysis:

Strengths → Alphabet's low supplier power and high barriers to entry are competitive strengths, allowing it to maintain profitability and defend its dominant market position. The company's integrated ecosystem, vast user base, and massive investments in R&D give it an edge over competitors.

Challenges → High buyer power and industry rivalry are Alphabet's main challenges, especially as alternative platforms for digital advertising and streaming emerge. Regulatory scrutiny also poses a long-term risk, as government actions may further reduce barriers for competitors or limit Alphabet's reach.

Overall Position → Alphabet is well-positioned in its key markets, though continued innovation in AI, cloud services, and content will be essential to mitigate competition. Regulatory compliance and efforts to enhance customer satisfaction will also play key roles in maintaining its competitive advantage.

Valuation

Being part of the Magnificent 7 (along with Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) and one of the drivers of the technology sector, means having a huge impact on the world's economy and society. This is the main reason why it is crucial to undertake a financial valuation, which consists in determining the correct value and the performance of Alphabet Inc. The goal to achieve is connected to the understanding of the company's growth potential and risks, the evaluation of its strategic moves, the analysis of its financial health and, finally, the definition of its relative market position by doing comparisons. In fact, the approach that will be adopted is market based: financial metrics will be compared to the ones of the other Magnificent 7 companies, to have a direct perception of Alphabet's current value.

However, before heading to the multiples valuation, it could be interesting to have a look at the Q3 of 2024 results, which have been published at the end of October.

Q3 Insights

Alphabet has showed strong results during Q3 of 2024, thanks to the growth of revenues (\$88.3B, up 15% year-over-year), operating income (\$28.5B, up 34% year-over-year) and earnings per share (\$2.12, up 37% year-over-year).

Thanks to improvements in hardware and engineering, there has been a decrease of costs referred to GenAI, business segment that has had a rise in searches: these two factors are closing the profit and monetization gap between GenAI queries and classic Search. Clear is the innovation phase the company is going through.

Capital expenditures have reached \$13B: the reasons behind this are mainly referred to advancements in technical infrastructures, such as servers and data centers (even higher Capex is expected in 2025).

Dividing Alphabet's revenues into segments, it is noticeable that the Google Services, Search, Cloud, YouTube Ad, Subscription & Devices revenues have all experienced an expansion year-over-year (15%, 12%, 35%, 12%, 28%). The last-named segment is fundamental for the revenues' diversification away from ads, which lowers the total risk.

More specifically, the growth of revenues in the Search segment was driven by the retail and financial services ad verticals, along with the rising opportunities in GenAI.

On the other hand, the Cloud sector is continuously supported by investments in data centers, infrastructures and efficient AI models, as a result of a high customer demand for generative AI and core cloud products.

In addition, YouTube has been a key revenue generator for years, considering the huge number of new features that have been implemented.

Other useful financial metrics comprehend operating margins, which show the percentage of profit a company produces from its operations before subtracting taxes and interest charges: a year-over-year of 34% has been reported in 3Q24.

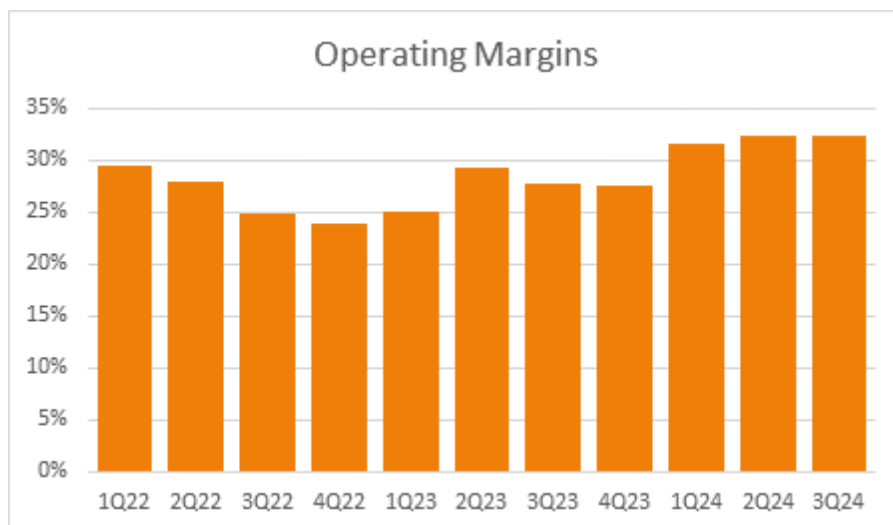


Figure 6: Operating Margins

Regarding shares, the company has decided to repurchase \$15.3B of shares in 3Q; reasons behind the share buyback are based on the fact that it's a way of making existing shares more valuable. Not only, another argument lies in the fact that the company believes that their stock is undervalued. This has increased the return on capital, reaching an amount of \$17.75B in 3Q24, and it has also stabilized the trend of share price:



Figure 7: Share Price Performance

Also, \$93B of cash and marketable securities have been quantified at the end of 3Q. Looking at the monthly active users, 7 products have reached more than 2B of them; indeed, Google Lens has demonstrated to be the fastest growing segment of Search, thanks to 20B visual searches per month. Finally, thinking about how the cost structure will develop in the next few months, Alphabet has signed up for 500 megawatts of nuclear energy capacity from new modular reactors; clear is the impact of this event on total expenditures.

Following Needham & Company's analysis of 3Q24 results, YouTube is worth \$532B (\$43/share), if separately tradable. As a matter of fact, some experts believe that Alphabet is worth more if considered in pieces, since:

- Investors usually pay more for pure-play assets, balancing their exposure to risk by business line

- There would be more information and accounting documents available
- Employee retention would get better, because they could receive stocks in a company they can directly impact
- Regulators believe that big conglomerates are dangerous and increase the regulatory risk.

Forecasts have been made and these suggest a strong long-term strategic position:

- GenAI will expand margins: there has been a 15% increase in revenues and a 34% increase in operating income in 3Q
- Google search will benefit from GenAI
- Alphabet's strategic position takes advantage from large data flows, vertical integration and employment of AI engineers
- The company's total of global ad revenues in 2024 will represent > 40% of global digital ad spending: this means a digital advertising dominance
- There has been a rapid subscription revenues growth driven by YouTube and it is currently the largest social video advertising site
- The primary upside valuation driver is going to be Alphabet's proprietary large language models, having a consequence on the rising development of GenAI

The general environment seems full of opportunities and positive aspects. However, there are definitely a few **risks** that must be taken into account:

1. Rising competition
2. Fluctuations in the economy and consumer spending
3. Global regulatory risks, legal costs and fines

Recently, US Elections took place: Alphabet's chief executive has showed support after the election of Donald Trump as US President. The main hope is to see a more tech- and business-friendly attitude from Trump, since the company faced regulatory probes and antitrust threats during the last administration.

Multiples Valuation

As previously said, in order to gain a profound idea of the results of Alphabet Inc., multiples will be analyzed by comparing all Magnificent 7 companies.

Before looking at several financial metrics, it would be interesting to give a look at a suggested type of clustering, which has the main aim to put together companies with similar core activities and makes comparisons simpler:

1. Communication Services: Alphabet and Meta
2. Consumer Discretionary: Tesla and Amazon
3. Information Technology: Apple, Nvidia and Microsoft

We are going to analyze a few multiples that follow the Brown-Forman's methodology, which reflects premium valuations associated with stable and high-brand-equity companies like Brown-Forman. Looking at EV/EBITDA, Alphabet shows the lowest value among analysed companies, which doesn't indicate overvaluation (positive sign). EV/Revenues indicates how much investors are willing to pay for every dollar of revenues: compared to the competitors, the company's value seems to be stable and adapted to the industry benchmarks, from which a stable growth is perceived. Also, P/E, which is the ratio between price and earnings per share, points out the lowest value for Alphabet among all Magnificent 7: once again proving that investors price the company below the rest of Mag7.

On the other hand, P/BV indicates the market's valuation of a company relative to its book value, it is quantified as the ratio between the market cap (share price x number of outstanding shares) and the book value of equity. Investors are valuing Alphabet at 6.63 times its book value, a common result for technology companies.

Enterprise Value is calculated in this way:

Market Capitalization + *Total Debt* - *Cash and Cash Equivalent*s + *Minority Interest* + *Preferred Equity*.

Alphabet's result is very similar to Amazon's and higher than Meta's, that is part of the Communication Services cluster.

Name	Share price (USD)	BF EV/EBITDA	BF EV/Rev	BF P/E	P/BV	EV (Mil)
Alphabet Inc	178.35	12.47	6.03	19.08	6.63	2,022,81
Apple Inc	226.96	22.73	7.97	30.07	59.31	3,340,04
Meta Platforms Inc	589.34	14.11	7.79	22.63	8.78	1,423,76
Tesla Inc	321.22	40.63	6.92	80.41	11.53	1,010,51
NVIDIA Corp	147.63	30.23	20.32	37.05	59.09	3,407,21
Amazon.com Inc	208.18	13.12	3.10	28.92	8.09	2,160,33
Microsoft Corp	422.54	19.19	10.48	29.75	10.63	3,077,57

Let's move on now with capital ratios and growth rates. In order to measure leverage, the net debt/equity ratio can be calculated. Noticeable is the negative net debt equity ratio: this lies in the fact that Alphabet has more cash than outstanding debt. This opens possibilities to the company to take on new debt to invest in market opportunities.

Looking at the debt as a proportion of total assets (in %), we are able to analyse the solvency of the company. Basically, this ratio shows the proportion of assets financed by debt. The company indicates the lowest ratio among all Magnificent 7: a smaller portion of assets are funded through debt, so the company relies less on borrowing and may be in a stronger financial position.

Moreover, the growth rates seem to be promising in Alphabet's case. These growth rates are representing YoY growth.

Firstly, they all have a positive value, which leads to the assumption that the company is undergoing a business expansion phase. Sales growth measures the increase in revenue, Alphabet's sales have increased by 14.38% compared to the same period in the prior year.

On the other hand, EBITDA growth quantifies the operating performance by excluding non-operational factors (like interest payments and taxes): since it demonstrates a positive growth, core business operations are becoming more profitable (improvement of efficiency or reduction of operational costs). Finally, Net Income growth gives an overview of the overall profitability of the company: Alphabet is becoming more cost-effective after all expenses.

Name	Net Debt/Equity (%)	Total Debt/Total Assets (%)	Sales Growth (%)	EBITDA Growth (%)	Net Income Growth (%)
Alphabet Inc	-20.67	7.17	14.38	20.35	39.79
Apple Inc	-66.01	32.62	2.02	7.03	-3.36
Meta Platforms Inc	-13.28	16.52	23.06	31.50	43.81
Tesla Inc	-29.51	8.98	1.28	-12.16	-32.21
NVIDIA Corp	-42.62	16.82	194.69	363.18	384.85

Amazon.com Inc	24.15	29.28	11.93	45.28	134.12
Microsoft Corp	6.40	19.11	16.44	26.30	17.19

A summary comment on the global financial performance can be found in the final chapter “Final Comments and Indications”.

Target Price

Defining Alphabet’s target price is essential for guiding investment decisions, providing insights of the company and industry fundamentals, assessing potential returns and setting performance benchmarks. It consists in the forecasted price level that financial analysts set as a likely future value of the stock over a specified period, in our case 12 months.

There are many methods that can be used in order to quantify the target price, one of them is based on DCF (“discounted cash flow”) valuation. In this way, the present value of Alphabet’s expected future cash flows is calculated, by discounting long-term cash flows and removing the impact of non-cash accounting conventions.

As of November 2024, analysts have set a target price around **\$210**/share, so a 15% growth from the current price (\$179) is forecasted. In general, consensus ratings strongly recommend to buy the company’s stocks (in the worst case, the rating is identified as “moderate buy”).

The highest target reaches **\$240** and the lowest target is **\$165**.

This overall consensus is coherent with our price target hypothesis of the company, derived from the P/E ratio formula:

$$\text{Target Price} = \left(\frac{\text{Current PE Ratio}}{\text{Forward PE Ratio}} \right) \times \text{Current Share Price}$$

Considering the values standing on the 10th of November, the target price horizon for the next 12-18 months is **\$211,32** per share, in line with the institutional investors overview.

Basically, what is showed is the confidence in Alphabet’s continued revenue growth and robust performance across its core businesses. Indeed, a moderate growth in the stock is estimated on average.

Upside drivers and risk must be both taken into consideration, since both may have a direct impact on the trend of the current target price.

Starting from the potential upside factors:

1. In general Google is the dominant search engine both in the US and Europe, additionally it benefits from global advertising shifts towards online platforms
2. According to experts, Cloud and GenAI will be key revenue growth driver over the medium to long term
3. The company benefits from the barriers created by network effects in several of its business segments
4. As previously said, if Alphabet broke up into smaller pieces, it would gain a higher shareholder value.

On the other hand:

1. Competition is increasing
2. Litigation and regulation globally add uncertainty
3. The current economic trends could bring demand weaknesses
4. Uncertainties surrounding AI, cloud computing and potential regulatory challenges may vary forecasts

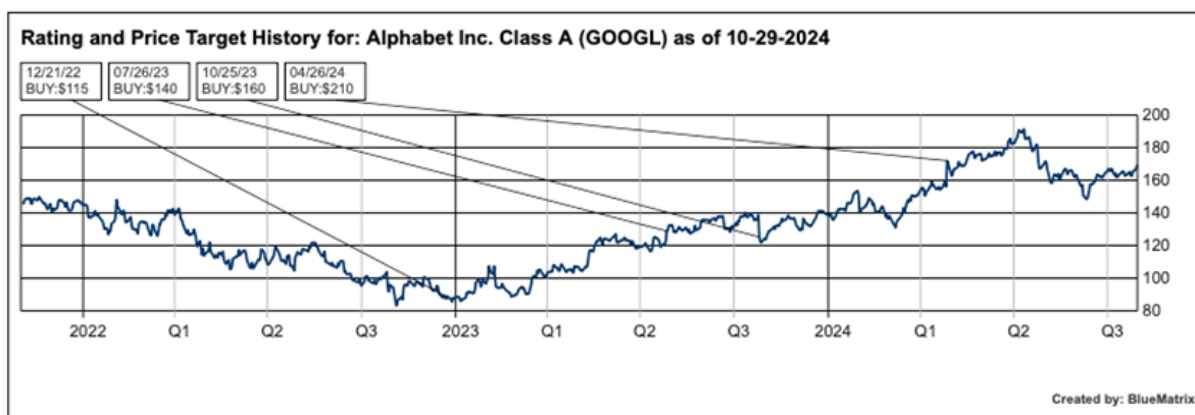


Figure 8: Rating and Price Target History (GOOGL)

Final Comments and Indications

In conclusion, Alphabet Inc. exemplifies a leader in the global technology landscape, with a resilient strategy, diversified revenue streams, and robust growth prospects that secure its position among the world's most valuable companies. Formed as the parent entity of Google in 2015, Alphabet's structure allows for clear differentiation between its primary revenue-driving segments (Google Services and Google Cloud) and its innovative ventures ("Other Bets") like Waymo, Verily, and DeepMind. This decentralized model empowers each subsidiary to pursue specialized goals, fueling innovation, while central management oversees strategic alignment and maintains robust control over financial and operational decisions.

In terms of market positioning, the company benefits from its dominant role in digital advertising, commanding a significant portion of global ad spending, particularly through Google Search and YouTube. With ongoing shifts in advertising toward digital channels, Alphabet is well-placed to capture further market share, even as it faces competitive pressures from Amazon and Meta. Additionally, Alphabet's advancements in AI, primarily through DeepMind and Bard are central to its strategy, integrating AI across products to enhance user experiences and operational efficiencies. Ongoing investments in generative AI are also expected to support search functionality, increase user engagement, and drive additional revenue in the coming years.

Alphabet's recent financial performance in 3Q24 reinforces its strong market position, showcasing a 15% year-over-year revenue increase to \$88.3 billion, with operating income surging by 34% and earnings per share up by 37%. Importantly, Google Cloud reported a notable 35% revenue growth, driven by enterprise adoption of AI solutions, data analytics, and productivity tools. YouTube also continues to attract users globally and drive growth.

The solid growth rates across key financial metrics reflect an upward trend in operational and overall profitability. The company's revenue growth, coupled with effective cost management in areas like generative AI operations, suggests a company not only expanding but also optimizing its cost structure for the future.

Financially, Alphabet's valuation appears strong, with a projected target price of \$211 per share for the next 12-18 months, reflecting sustained investor confidence in its market position, innovation trajectory, and operational efficiency. This valuation aligns with the company's solid performance metrics in comparison to peers in the "Magnificent 7" group of leading tech companies. Analysts broadly support Alphabet as a "buy" and we align to this valuation, given the recent U.S. election results too, which, through the economic plans of the Trump administration, will benefit the tech sector and Alphabet; we must also consider its relative undervaluation compared to the other Magnificent 7 that could bring interesting returns for the investors.

Despite these strengths, Alphabet faces several challenges. The competitive landscape in digital advertising and cloud computing is increasingly fierce, with Amazon and Microsoft posing formidable competition. Regulatory scrutiny in the U.S. and Europe also remains a significant concern, particularly with respect to data privacy, antitrust actions, and AI ethics. As Alphabet continues to advance in AI, autonomous vehicles, and digital advertising, navigating these regulatory hurdles will be essential for sustaining growth. Additionally, the current economic climate, marked by consumer spending volatility, may introduce demand uncertainties across its business segments.

Overall, Alphabet's balanced approach positions it well for continued leadership in technology and digital services. With AI and cloud computing poised to further bolster its revenue base, and robust organizational structures in place to foster agility and innovation, Alphabet appears well-equipped to capitalize on emerging opportunities and navigate future challenges, securing its relevance and influence in the global economy.

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