

TRIM REPORT: ALPHABET

GOOGL

Executive Summary

Alphabet Inc is an American international holding company, created to hold Google and its diverse businesses.

Key Products/Services

Core businesses owned by Alphabet include

- 1. Google services such as YouTube, Google Chrome, Google ads and, more recently, Gemini*
- 2. Google Cloud that offers data analysis, cloud infrastructure, learning platforms and collaboration tools (Google workplace)*
- 3. Other high-risk, high-return ventures. These include Waymo for autonomous driving, Google X for moonshot technologies and Gfiber for high speed internet projects*

Share Price: \$245

Suggested Trim: 17 shares

Market Cap: \$2.97 trillion

Bought At: \$42.0

Current Exposure: 37 shares,

\$9336, 20% of portfolio

Profit: 500%



MOTIVATION

- With 20% of our portfolio on one stock in a very competitive market, we are overexposed.
- We also have an overdependence on technology, which has proven to be lucrative but volatile over recent years.
- Alphabet has had a great year, with its stock starting to lose momentum, which is why now is a good time to trim.
- The investment club needs more cash on hand, so liquidating part of our largest position makes sense.
- Our tech-heavy portfolio is vulnerable to regulatory shifts, and could be heavily impacted with so much exposure.
- Trimming by 17 shares, to 20, would give us over \$4,200 for diversification and allow for more cash on hand.

MACRO TRENDS

- Alphabet faces ongoing U.S. antitrust scrutiny, with a September 2025 ruling finding two illegal monopolies.
- The company was fined \$3.45 billion under the EU's Digital Markets Act for self-preferencing and may face further penalties.
- Rising geopolitical tensions and regulatory demands threaten Alphabet's global economies of scale through costly compliance.
- Increasing reliance on AI-based lookup risks disrupting Google's core search-driven revenue model.
- Competition in cloud services, particularly from AWS, requires sustained heavy investment, pressuring operating margins.
- Google's long-standing dominance as a search engine is under strain from AI-native platforms, posing risks to its advertising revenues.

KEY STATISTICS (VALUATION/PROFITABILITY)

	Stat	2025
Valuation	Share Price:	\$245
	12-Month Performance (% change):	+47.66%
	52-Week Range:	\$141 to \$257
	P/E ratio:	26.14
	PEG ratio:	1.59
Profitability	EPS (diluted):	\$9.48
	EPS Growth (5 years):	17%
	ROCE:	29.7%
	Operating Margin:	33%
	EBITDA:	\$140.84 Billion

What This Tells Us

- Operating Margin shows an efficient business model at scale
- 17% CAGR shows long-term steady growth
- 48% increase in share price shows market confidence
- P/E of 26 means a premium valuation, with future upside dependent on continued growth
- With high margins, there isn't much room for expansion
- Large investments in AI and Cloud Computing have a large execution risk, based on competition

Alphabet remains a high-quality growth stock, but valuation and execution risks justify trimming

KEY STATISTICS (FINANCIAL HEALTH/CASH FLOW)

	Stat	(This year)	(Last year)	(Two years ago)
Financial Health	Beta:	1.00	1.00	1.00
	Interest Cover:	300	419	274
	Debt to Equity (Net Gearing):	11.48%	9.57%	11.59%
Cash Flow	Free Cash Flow (per share):	\$5.47	\$5.91	\$5.50
	Operating Cash Flow (per share):	\$9.41	\$10.17	\$8.05

What this tells us

Beta – Moves in line with the overall market; moderate risk profile. This is due to S&P 500 and US revenue

Interest Cover – Extremely strong at 300× - no concern over debt servicing.

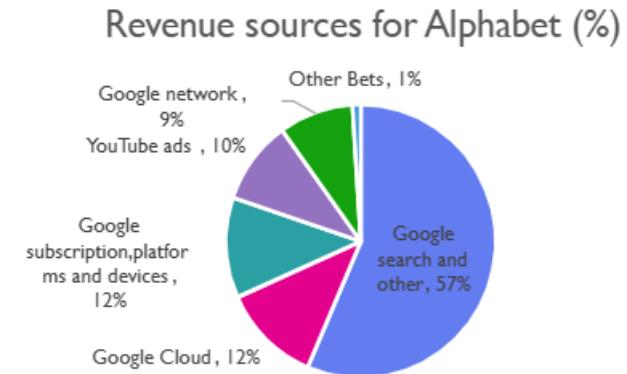
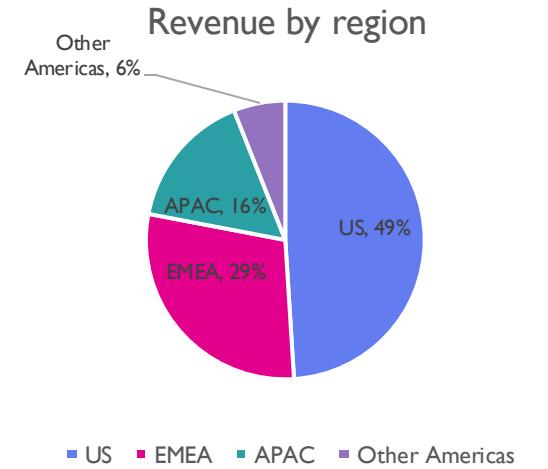
Debt-to-Equity – Low at 11.48% - company remains conservatively financed.

Free Cash Flow per Share – \$5.47- slightly lower than last year but still strong.

Operating Cash Flow per Share – \$9.41 - down year-on-year yet remains solid and reliable.

OTHER KEY STATISTICS

- **P/E ratio**- Trailing P/E of 26.14x. The internet service and social media average P/E ratio is 26x, the S&P 500 tech sector has an average P/E of 38x and the cloud computing sector has an average P/E of 57x
- **Past average P/E ratio**- 25.51x
- **Forecast earnings per share** increase in 2025 is 23%, while for 2026 it is 5% to 11% due to high growth in 2025
- **Operating profit margin**-33% S&P 500 average tech sector profit margin is 25.8%



SWOT ANALYSIS

Strengths:

- 90% of all search traffic in Google
- Integrated Ecosystems for Androids and Google workspace
- \$95 billion cash reserve
- 5 business models generated 99% of its revenue (Search, Cloud, Network, Subscription and YouTube)
- Other applications such as Gmail have 1.8bn users/month and YouTube has 2.7bn users/month - strong moat
- Attracts top talent - consistently placed upon top 10 lists for jobs

Opportunities:

- \$48 billion on Research and Development - Waymo offers 250,000 rides per week and continues to grow
- Generative AI such as Gemini continue to be integrated in its services
- Further growth in cloud network revenue - +30% last year to \$12 billion, AI expected to further grow cloud network and computing market
- YouTube shorts has more monthly active users than TikTok of around 2 billion users

Weaknesses:

- 49% of revenue from the US
- Illegal monopolies and anti-trust issues (monopolistic in searches)
- Longshot bets currently losing cash - \$4.4 billion in 2024 and \$1.2 billion in Q1 2025 (e.g. Waymo loses money each ride)
- Privacy concerns \$3.45 billion under the EU's Digital Markets Act
- Android phones-sells base software, but does not create phones (limits revenue and risks of companies leaving)

Threats:

- Dominance of google search challenged by AI search features
- Competition and undercutting from other advertisers - YouTube ads and Google services make up 66.9% of revenue (Facebook is comparatively cheaper in terms of CPM)
- Competition in cloud services - AWS is cheaper for storage

RELEVANT NEWS

- Wiz Acquisition (\$32B, Mar 2025): Largest deal in company history, boosting Google Cloud's cybersecurity offering as Wiz analyzes risk factors in cloud computing-currently under review by DOJ for antitrust (breakup fee of \$3.2 billion)
- AI Expansion: Gemini integrated across Search, YouTube, Workspace; driving new monetisation and user engagement.
- Cloud Growth: Google Cloud revenues +32% YoY in Q2 2025, now consistently profitable.
- Court rulings: A U.S. judge ruled that Alphabet does not need to be broken up, allowing it to retain control over Chrome and Android but the judge also ruled data must be shared with competitors to better their systems.
- EU court criticisms-Accused of making Google apps difficult to uninstall and making non-Google channels harder to find-In the past, it has been fined a total of \$9.5 billion dollars

CONCLUSION

Portfolio Contribution:

- Cash required for other potentially more lucrative stocks in other industries
- Lower expected growth in 2026-regulatory risk, AI competition, high YTD performance of 29.31%, processing margins
- Portfolio currently 31% tech, target is 20%
- Allows for more industry diversification
- Reduces exposure to US during high tension

Recommendation:

Trim from: \$9336 (37 shares)

To: \$5046 (20 shares)

Percentage Cash before trim: 3.68%

Percentage Cash after trim: 12.7%