

Google Inc.

BUY (GOOGL, \$572.03, \$650 PT)

GOOGLE EARNINGS PREVIEW: ON TRACK FOR A TRILLION.

Haiku: Google may be worth, over one trillion dollars, by the next decade.

In our opinion Google is positioned to be the first company on U.S. listed stock exchange to have a market capitalization exceed one trillion dollars, an event that could happen by the next decade (year 2020). A market capitalization over \$1 trillion implies a share price for GOOGL of approximately \$1500. Taking the 2020 Bloomberg consensus earnings estimate of \$71.14 this gives a price-to-earnings ratio of 21x. The company currently trades at 22x its 2014 EPS estimate and has a \$382 billion market capitalization. Of course the path between now and 2020 is filled with unknown risks, but we mention the above to showcase the long term growth prospects for Google. The company is taking the cash flows from its performance marketing business (the best in the world in our view) and chasing after large markets such as content, operating systems, enterprise computing, robotics and automation. We are particularly keen on the potential for Google's robotic efforts under the leadership of Andy Rubin, the founder of the Android operating system. While Google's longer term investments tend to have a 10 year horizon, we may see the Robotic effort may monetize at an accelerated pace given the pace of acquisitions (over 10 acquired companies targeted to the effort in our opinion). We also expect that the click pricing declines seen since 2011 should reverse in the relatively near future (fall of 2015?) as mobile monetization improves and location based marketing gains traction. The next five years may prove favorable to Google as the company has a management team willing to invest heavily, a talented employee base, and a balance sheet that is able to support the needs of the business.

Looking to the next two quarters, we expect the core business is able to continue its recent resurgence to growth above 20% year-over-year. We expect the September quarter growth to be 23% and the December quarter growth at 22.8%. Given the potential for a strong holiday season in the United States, it is possible that the December quarter estimates may get revised upward. While we broadly support the investment opportunities that Google is pursuing, we note that expenses are growing faster than revenue – as we expect this trend continues in the near future. We also expect to see click prices decline in the September quarter by 4%, but note that the rate of decline may be slowing.

September Quarter Earnings Preview. Our total revenue estimate of \$16.7B is growth of 4.9% sequentially and growth of 21.7% YoY. This compares to consensus estimates of \$16.6B. Our adjusted EPS estimate is \$6.62. Consensus adjusted EPS is \$6.55.

Google Revenue. We estimate September quarter revenue from Google Websites to be \$11.5B (68.9% of total, +23.0% YoY), Google Network Member's Websites to be \$3.5B (21% of total, +11.7% YoY) and TAC to be \$3.3B (19.7% of total revenue, 94% of network websites revenue, +11.2% YoY. **Click Pricing.** We estimate Paid Click growth of 24% YoY and Cost Per Click decline of 4% YoY in the September quarter.

The Stock, Balance Sheet, and Rating: Google has \$61B in cash (\$89.17 / share) and \$3.2B long-term debt as on June 30, 2014. Cash flow from operations was \$4.5B in Q214. Cash increased by \$1.8B in the June quarter. We mildly increase our FY14 and FY15 EPS estimates and maintain our BUY rating and price target of \$650 on shares of Google Inc. Our FY15 revenue growth estimate is 19.7% YoY, net income growth estimate is 21.6% YoY and operating margin estimate is 28.1%.



Source: finance.yahoo.com

Company Data

Price (\$)	572.03
52-Week Range(\$)	421.91 - 615.05
Mkt Cap (\$ B)	382
Price Target (\$)	650
Shares Outstanding (M)	686.4
Avg. vol. (3mo)	1,616,040

Google Inc.

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

	2013A	2014E	2015E
EPS Reported (\$)			
Q1 (Mar)	6.00	6.27	7.33
Q2 (Jun)	4.96	6.08	7.68
Q3 (Sep)	5.17	6.62	7.93
Q4 (Dec)	6.70	7.65	8.65
FY	22.85	26.63	31.59
Bloomberg EPS FY (\$)	22.85	26.45	31.58

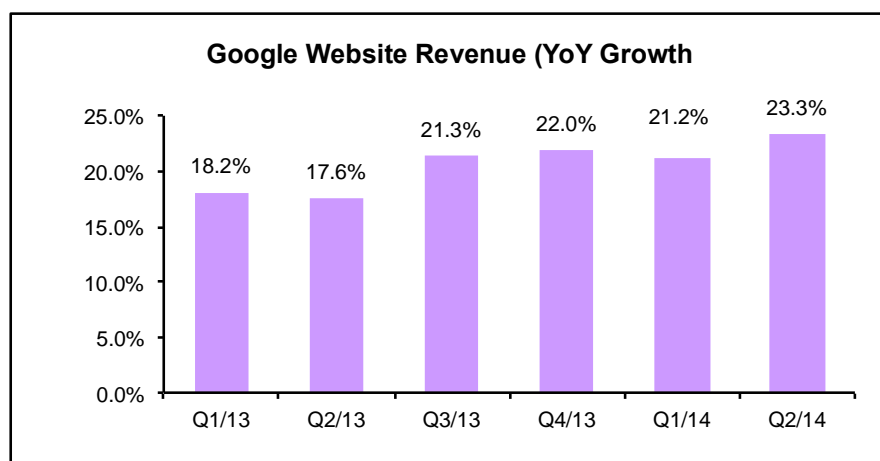
Source: Company data, Bloomberg, BGC Financial estimates. Note: F14 and FY15 estimates may include adjustment. FY total may not add up due to rounding. 'Bloomberg' above denotes Bloomberg consensus estimates.

	2013A	2014E	2015E
Revenue Reported (\$)			
Q1 (Mar)	12,951	15,420	18,473
Q2 (Jun)	13,107	15,955	19,338
Q3 (Sep)	13,754	16,739	19,966
Q4 (Dec)	15,707	19,037	22,635
FY	55,519	67,151	80,411
Bloomberg Revenue FY (\$)	55,519	66,731	78,974

Recommendation

We maintain our BUY rating and our price target of \$650 on shares of Google Inc.

Google Website Revenue



Source: Company Documents and BGC Financial

Share Performance on Earnings Result

GOOGLE Inc. (GOOGL)	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Date of Earnings Release	20-Jan-13	18-Apr-13	18-Jul-13	18-Oct-13	30-Jan-14	16-Apr-14	17-Jul-14
Stock Price on Date of Earning Release	351.79	383.34	455.80	455.80	568.26	563.90	580.82
Stock Price a Day after Earning Release	371.12	400.33	448.75	448.75	591.08	543.34	605.11
% Change	5.5%	4.4%	-1.5%	-1.5%	4.0%	-3.6%	4.2%

Source: Company Documents and BGC Financial

Paid Clicks and CPC Growth: Google

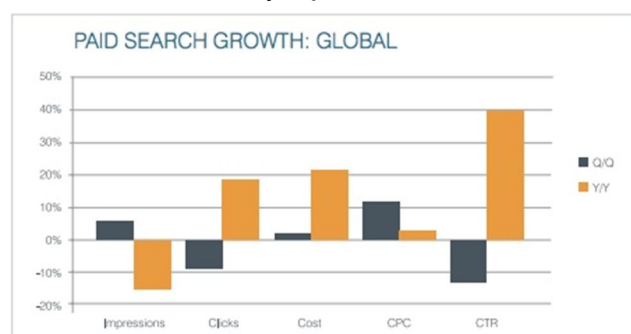
Paid Click	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Y/Y growth	39%	42%	33%	24%	20%	23%	26%	31%	26%	25%
Q/Q growth	7%	1%	6%	9%	3%	4%	8%	13%	-1%	2%
CPC growth	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Y/Y growth	-12%	-16%	-15%	-6%	-4%	-6%	-8%	-11%	-9%	-6%
Q/Q growth	-6%	1%	-3%	2%	-4%	-2%	-4%	-2%	0%	0%

Source: Company Documents and BGC Financial

Paid Search and Growth

Global paid search advertising has grown by 21% YoY and 2% sequentially in the second quarter of Fiscal 2014, according to a report published by Covario. CPC (Cost per Click) has increased by 2% YoY and CTR (Click through Rates) increased 39% YoY in Q214. Google continues to be the market leader globally with a market share of 86% in spends, 73% in impressions and 60% in clicks. Advertisers increased their spend with Google by 19% YoY in Q214.

Global Paid Search Activity – Q214



Source: Covario

Search Engine Market Share (Global) – Q214

Global paid search spend on mobile devices grew 98% YoY and 6% sequentially and made up 25% (38% smart phones and 62% tablets) of the total paid search spending in Q214.

Paid Search Growth: Mobile ó Q214

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

Balance Sheet and Cash flow

Google has \$61B in cash (\$89.17 / share) and \$3.2B long-term debt as on June 30, 2014. Cash flow from operations was \$5.6B in Q214. Cash increased by \$1.8B in the June quarter from \$59.3B on March 31, 2014 to \$61.2B on June 30, 2014.

Estimates and Valuation

We have increased our 2014 estimates to:

\$26.63 in adjusted EPS and \$67.1B in net revenue.

From

\$26.47 in adjusted EPS and \$66.7B in net revenue.

Consensus is \$26.45 in adjusted EPS and \$66.7B in net revenue.

We have increased our 2015 estimates to:

\$31.59 in adjusted EPS and \$80.4B in net revenue.

From

\$31.43 in adjusted EPS and \$79.9B in net revenue.

Consensus is \$31.58 in adjusted EPS and \$78.9B in net revenue.

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

Our FY15 revenue growth estimate is 19.7% YoY, net income growth estimate is 21.6% YoY and operating margin estimate is 28.1%. Based on our \$26.63 EPS estimate for calendar 2014 and using a 24x multiple, we determine a 12-month price target for GOOG of \$650. Google's valuation is a modest premium to its peer group.

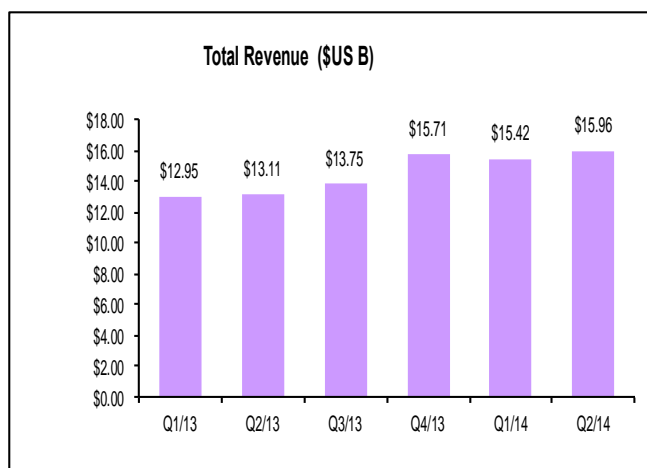
Short Interest

Settlement Date	Short Interest	Average Daily Share Volume	Days to Cover
9/15/2014	30,07,364	15,84,057	1.90
8/29/2014	31,86,513	12,26,088	2.60
8/15/2014	29,16,712	15,33,897	1.90
7/31/2014	29,23,092	19,55,778	1.49
7/15/2014	32,32,348	15,16,092	2.13
6/30/2014	33,28,519	21,40,264	1.56
6/13/2014	33,88,407	16,00,954	2.12
5/30/2014	39,49,632	19,76,827	2.00
5/15/2014	30,87,752	19,73,960	1.56
4/30/2014	30,43,475	29,69,063	1.03
4/15/2014	29,58,259	33,78,689	1.00
3/31/2014	23,98,597	24,14,603	1.00
3/14/2014	24,41,154	17,15,713	1.42
2/28/2014	24,59,520	18,28,934	1.34
2/14/2014	27,21,630	24,18,404	1.13
1/31/2014	27,30,379	30,43,500	1.00
1/15/2014	39,31,374	20,96,771	1.87
12/31/2013	49,06,793	16,46,795	2.98
12/13/2013	50,25,758	16,27,093	3.09
11/29/2013	47,12,667	15,20,881	3.10
11/15/2013	47,52,330	14,13,677	3.36
10/31/2013	49,67,526	33,02,954	1.50
10/15/2013	51,49,908	18,97,596	2.71
9/30/2013	53,92,565	19,40,430	2.78
9/13/2013	43,64,908	16,46,679	2.65
8/30/2013	37,55,909	15,92,169	2.36
8/15/2013	38,93,725	17,34,921	2.24
7/31/2013	40,62,031	28,75,009	1.41
7/15/2013	43,79,115	20,42,932	2.14

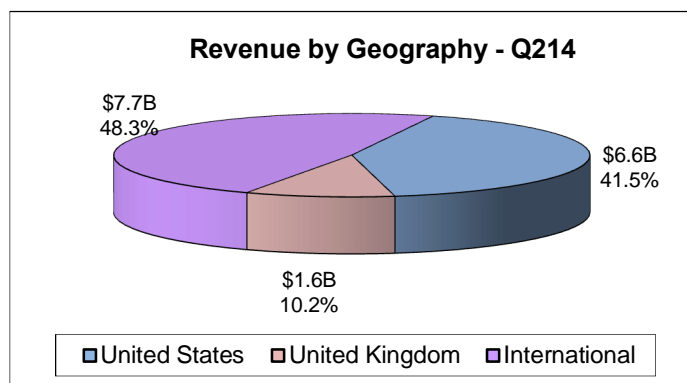
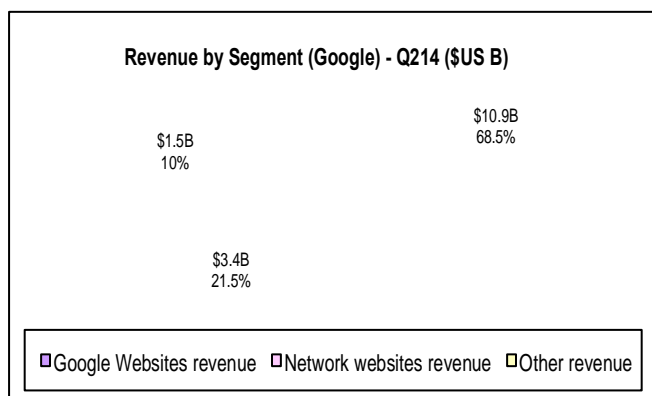
Source: www.nasdaqtrader.com

June Quarter Financial Metrics Review

Google generated total revenue of \$15.9B (+21.7% YoY, +3.5% QoQ) in the June quarter. Adjusted EPS for Q214 was \$6.08.



Source: Company Documents and BGC Financial



Source: Company Documents and BGC Financial

Key Metrics Review

Revenues (\$US millions)	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)E	Q4 (2014)E
Segmentwise Revenue Break up								
Google web sites	\$8,640	\$8,868	\$9,376	\$10,538	\$10,469	\$10,935	\$11,533	\$12,945
% of Revenue	67%	68%	68%	67%	68%	69%	69%	68%
Y/Y Growth Rate	18%	18%	21%	22%	21%	23%	23%	23%
Q/Q Growth Rate	0%	3%	6%	12%	-1%	4%	5%	12%
Google Network web sites	\$3,262	\$3,193	\$3,148	\$3,522	\$3,397	\$3,424	\$3,515	\$3,998
% of Revenue	25%	24%	23%	22%	22%	21%	21%	21%
Y/Y Growth Rate	12%	7%	0%	3%	4%	7%	12%	14%
Q/Q Growth Rate	-5%	-2%	-1%	12%	-4%	1%	3%	14%
Total Advertising Revenues	\$11,902	\$12,061	\$12,524	\$14,060	\$13,866	\$14,359	\$15,048	\$16,943
% of Revenue	92%	92%	91%	90%	90%	90%	90%	89%
Y/Y Growth Rate	16%	15%	15%	17%	17%	19%	20%	21%
Q/Q Growth Rate	-1%	1%	4%	12%	-1%	4%	5%	13%
Other revenues	\$1,049	\$1,046	\$1,230	\$1,647	\$1,554	\$1,596	\$1,691	\$2,094
% of Revenue	8%	8%	9%	10%	10%	10%	10%	11%
Y/Y Growth Rate	150%	138%	85%	99%	48%	53%	37%	27%
Q/Q Growth Rate	27%	0%	18%	34%	-6%	3%	6%	24%
Geographical Revenue Break Up								
United States	\$5,836	\$5,896	\$6,554	\$6,940	\$6,656	\$6,630	\$7,198	\$8,567
% of Revenue	45%	45%	48%	44%	43%	42%	43%	45%
Y/Y Growth Rate	69%	57%	52%	22%	14%	12%	10%	23%
Q/Q Growth Rate	2%	1%	11%	6%	-4%	0%	9%	19%
United Kingdom	\$1,387	\$1,321	\$1,320	\$1,503	\$1,583	\$1,616	\$1,590	\$1,904
% of Revenue	11%	10%	10%	10%	10%	10%	10%	10%
Y/Y Growth Rate	5%	0%	0%	14%	14%	22%	20%	27%
Q/Q Growth Rate	5%	-5%	0%	14%	5%	2%	-2%	20%
International	\$5,728	\$5,890	\$5,880	\$7,264	\$7,181	\$7,709	\$7,951	\$8,567
% of Revenue	44%	45%	43%	46%	47%	48%	48%	45%
Y/Y Growth Rate	-3%	0%	0%	24%	25%	31%	35%	18%
Q/Q Growth Rate	-3%	3%	0%	24%	-1%	7%	3%	8%
Total Consolidated Revenue	\$12,951	\$13,107	\$13,754	\$15,707	\$15,420	\$15,955	\$16,739	\$19,037
Y/Y Growth Rate	22%	20%	19%	22%	19%	22%	22%	21%
Q/Q Growth Rate	0%	1%	5%	14%	-2%	3%	5%	14%

Source: Company Documents and BGC Financial

Cost (\$US millions)	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)E	Q4 (2014)E
Cost of Revenues	\$5,136	\$5,195	\$5,409	\$6,253	\$5,961	\$6,114	\$6,461	\$7,539
As % of Revenues	40%	40%	39%	40%	39%	38%	39%	40%
Y/Y Growth Rate	36%	30%	22%	26%	16%	18%	19%	21%
Research & Development	\$1,617	\$1,766	\$2,017	\$1,933	\$2,126	\$2,238	\$2,310	\$2,342
As % of Revenues	12%	13%	15%	12%	14%	14%	14%	12%
Y/Y Growth Rate	12%	15%	0%	0%	31%	27%	15%	21%
Sales & Marketing	\$1,435	\$1,583	\$1,806	\$1,908	\$1,729	\$1,941	\$1,992	\$2,113
As % of Revenues	11%	12%	13%	12%	11%	12%	12%	11%
Y/Y Growth Rate	13%	12%	3%	9%	20%	23%	10%	11%
General & Administrative	\$1,015	\$1,098	\$1,213	\$1,184	\$1,489	\$1,404	\$1,490	\$1,675
As % of Revenues	8%	8%	9%	8%	10%	9%	9%	9%
Y/Y Growth Rate	34%	17%	16%	5%	47%	28%	23%	41%
Traffic Acquisition Cost	\$2,962	\$3,013	\$2,972	\$3,311	\$3,232	\$3,293	\$3,304	\$3,758
As % of Revenues	23%	23%	22%	21%	21%	21%	20%	20%
Y/Y Growth Rate	18%	16%	7%	8%	9%	9%	11%	13%

Source: Company Documents and BGC Financial

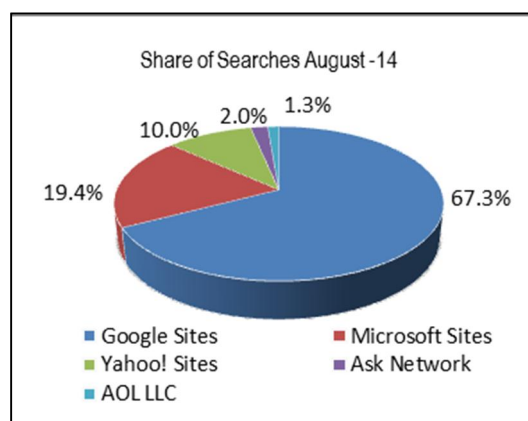
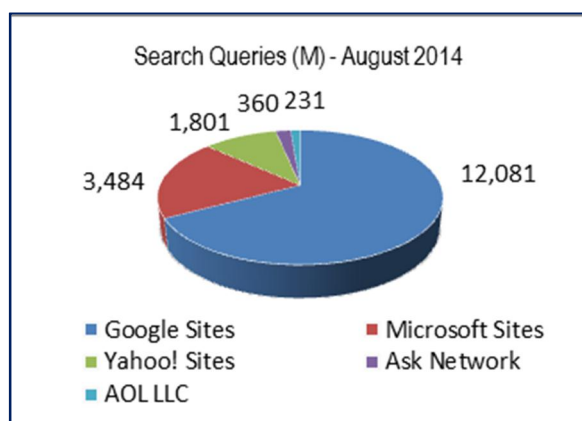
Balance Sheet & Cash Flow Statement (\$US millions)	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)
Cash, Cash Equivalents & Marketable Securities	\$50,098	\$54,432	\$56,523	\$58,717	\$59,379	\$61,204
Cash Flow from Operations	\$3,633	\$4,705	\$5,083	\$5,238	\$4,391	\$5,627
Capital Expenditures	\$1,203	\$1,611	\$2,289	\$2,255	\$2,345	\$2,646
Google Headcount	38,739	40,178	42,162	43,862	46,170	48,584
Sequential Headcount Growth Rate for Google	3%	4%	5%	4%	5%	5%
Revenue per Employee	0.33	0.33	0.33	0.36	0.33	0.33
YoY Growth for Revenue per Employee	-67%	-48%	-52%	-49%	0%	1%

Source: Company Documents and BGC Financial

Search (U.S.)

Search (U.S.)

Google dominates the search segment with 67.3% of the total market share in August 2014, followed by Microsoft with 19.4% share.



August 2013 - August 2014													
Total U.S. - Home/Work/University Locations													
Core Search Entry	Share of Searches (%)												
	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14
Google Sites	66.9%	66.9%	66.9%	66.7%	67.3%	67.6%	67.5%	67.5%	67.6%	67.6%	67.6%	67.4%	67.3%
Microsoft Sites	17.9%	18.0%	18.1%	18.1%	18.2%	18.3%	18.4%	18.6%	18.7%	18.8%	19.2%	19.3%	19.4%
Yahoo! Sites	11.4%	11.3%	11.1%	11.2%	10.8%	10.4%	10.3%	10.1%	10.0%	10.0%	9.8%	10.0%	10.0%
Ask Netw ork	2.6%	2.5%	2.6%	2.6%	2.5%	2.4%	2.4%	2.5%	2.4%	2.3%	2.1%	2.0%	2.0%
AOL LLC	1.3%	1.3%	1.3%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Total Core Search	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: comScore

August 2013 - August 2014													
Total U.S. - Home/Work/University Locations													
Core Search Entry	Search Queries (M)												
	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14
Google Sites	12,771	12,477	12,934	12,095	12,299	13,220	11,941	13,067	12,576	12,501	12,050	12,120	12,081
Microsoft Sites	3,407	3,350	3,495	3,285	3,327	3,587	3,257	3,594	3,475	3,485	3,420	3,470	3,484
Yahoo! Sites	2,175	2,101	2,151	2,027	1,969	2,025	1,822	1,960	1,857	1,845	1,747	1,804	1,801
Ask Netw ork	489	474	499	464	452	477	431	478	445	423	378	362	360
AOL LLC	241	249	260	253	234	253	235	259	243	241	231	232	231
Total Core Search	19,083	18,651	19,339	18,124	18,281	19,562	17,686	19,358	18,596	18,495	17,826	17,988	17,957

Source: comScore

Smartphone Operating Systems

Worldwide Smartphone Forecast by Region, Shipments, Market Share and 5-Year CAGR (Units in Million)					
Operating System	2014 Shipment Volumes	2014 Market Share	2018 Shipment Volumes	2018 Market share	2013-2018 CAGR
Android	997.7	80.2%	1401.3	77.6%	12.0%
iOS	184.1	14.8%	247.4	13.7%	10.0%
Windows Phone	43.3	3.5%	115.3	6.4%	28.1%
Blackberry	9.7	0.8%	4.6	0.3%	-25.0%
Others	9.3	0.7%	37.7	2.1%	31.5%
Total	1244.1	100.0%	1806.3	100.0%	12.3%

Source: IDC Worldwide Mobile Phone Tracker, May 28, 2014.

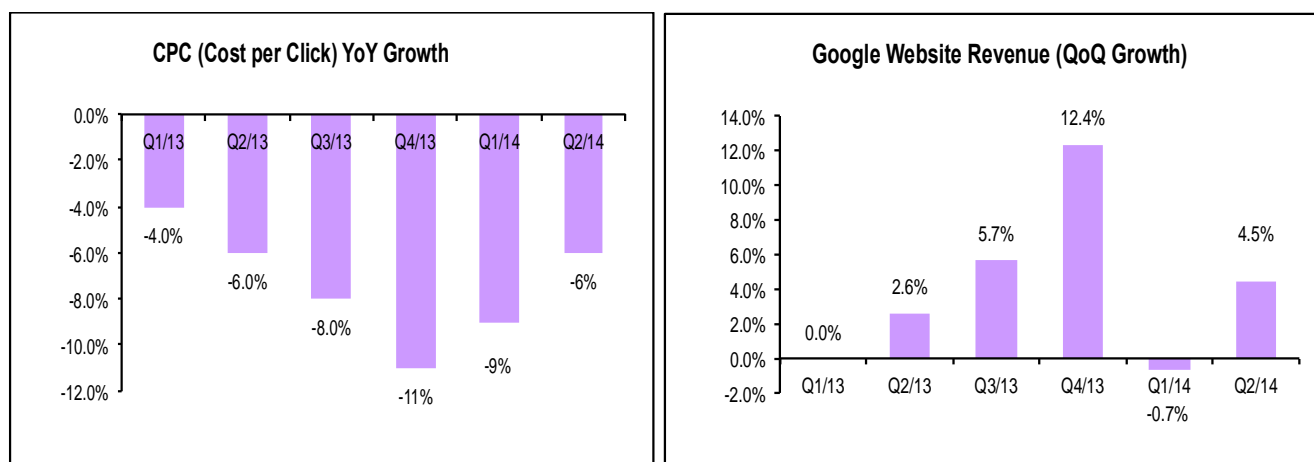
Worldwide Smartphone Average Selling Price (ASP) by Region and 5-Year CAGR (figures in \$USD)

Operating System	2014 Smartphone ASP	2018 Smartphone ASP	2013-2018 CAGR
Android	\$254	\$215	-4.9%
iOS	\$657	\$604	-1.4%
Windows Phone	\$265	\$214	-6.6%
Blackberry	\$339	\$252	-8.5%
Others	\$154	\$173	-2.6%
Total	\$314	\$267	-4.5%

Source: IDC Worldwide Mobile Phone Tracker, May 28, 2014.

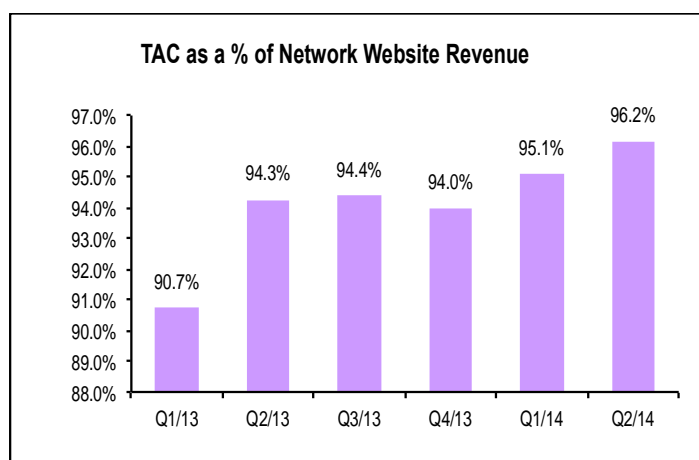
Click Pricing and Traffic Payments

Click Price has been declining YoY in recent quarters and decreased by 6% YoY in Q2/14. Google Website Revenue grew by 4.5% QoQ in Q2/14 compared to a growth of 2.6% in prior June quarter.



Source: Company Documents and BGC Financial.

TAC as a percentage of Network Website Revenue was 96% in the June quarter.



Source: Company Documents and BGC Financial

Risks

Competition: Google faces competition from established companies who can use their resources and experience against Google in different competitive ways, and new startups that seek to disrupt the industry. If competition is able to provide better web search results and advertising services, it could lead to significant decline in the user traffic or the size of Google Network and affect Google revenues.

Operating Results: The operating results of the company may fluctuate based on the company's ability to monetize, ability to attract users and advertisers and other factors. This makes the results of the company difficult to predict and fall short of expectations.

Innovative Products and Services: It is very important for the company to continue providing products and services that are more useful and enjoyable by introducing timely innovations. Not doing so could adversely impact the competitiveness of the company and affect its revenues and operating results.

Advertising: Google generates its revenue mainly from advertising. Loss of advertisers or a reduction in spending could negatively affect its business and revenues.

Global Meltdown: The recent volatility in the global financial markets has affected levels of consumer spending. Such macroeconomic developments could have significant impact on the company's business, operating results and financial conditions.

For additional risks, see the GOOG 10-K filing with the SEC.

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

Disclosures Appendix

Analyst Certification

The analyst primarily responsible for this research report, and whose name appears on the front cover, certifies that: (i) all of the views expressed in this research report accurately reflects his or her personal views about any and all of the subject securities or issuers featured in this report; and (ii) no part of any of the research analyst's compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

Legal Disclosures

Investment banking (next 3 months): BGC Financial LP and/or its affiliates, expect to receive, or intend to seek, compensation for investment banking services within the next three months from all of the companies referenced within this report.

Lead or Co-manager: BGC Financial LP and/or its affiliates, has not acted as lead or co-manager in a public offering of equity and/or debt securities for Google within the last 12 months. BGC Financial LP and/or its affiliates has not received compensation for investment banking services in the last 12 months from Google.

BGC Financial LP's rating system

BUY: We have a positive outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors add to their position.

HOLD: We have a neutral outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation.

SELL: We have a negative outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors reduce their position.

NC: Not Covered. BGC Financial LP does not provide an investment opinion or does not provide research coverage on this stock.

Other Disclosures

This report is for informational purposes only and is based on publicly available data believed to be reliable, but no representation is made that such data are accurate or complete. Opinions and projections contained herein reflect our opinion as of the date of this report and are subject to change. Pursuant to BGC Financial LP's policy, the author of this report does not own shares in any company he/she covers.

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

Additional material for UK investors

This material is approved for distribution in the United Kingdom by Cantor Fitzgerald Europe ("CFE"). CFE is authorised and regulated by the Financial Conduct Authority ("FCA"). While we believe this information and the materials upon which this information was based is accurate, except for any obligations under the rules of the FCA, we do not guarantee its accuracy. This material is only intended for use by eligible counterparties or professional clients who fall within articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and not the general investing public. None of the investments or investment services mentioned or described herein are available to other persons in the U.K and in particular are not available to "retail clients" as defined by the rules of the FCA.

Disclosure for Canadian Institutional Investors

This research report was prepared by analysts of BGC Financial LP and not by BGC Canada Securities Corporation. As a result this report has not been prepared subject to Canadian Disclosure requirements. BGC Canada Securities Corporation itself does not issue research reports but may distribute research reports prepared by its affiliates.

Risks

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based on their specific investment objectives. Past performance should not be taken as an indication or guarantee of future performance. The price, value of and income from, any of the financial instruments featured in this report can rise as well as fall and be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's currency, a change in exchange rates may adversely affect the price or value of, or income derived from, the financial instrument, and such investors effectively assume currency risk. In addition, investors in securities such as ADRs, whose value is affected by the currency of the home market of the underlying security, effectively assume currency risk

Disclosures Appendix

Distribution of Ratings/Investment Banking Services (IB) as of 10/08/14 BGC

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	16	38	0	0
HOLD [H]	23	55	0	0
SELL [S]	3	7	0	0

Price Target and Ratings Changes

Google Inc.

Google Inc.

■ GOOGL - Weekly



Source: BGC Financial and Yahoo Finance

Google Inc (GOOGL)													Cash&eqv.		\$61,204.0	
Income Statement													Cash / share		\$89.17	
(Data in \$US millions, except per share)													LT Debt		\$3,232	
													As of: Jun 30, 2014			
	2013 by Quarter				2014 by Quarter				2015 by Quarter				Calendar Year			
	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14E	Q4/14E	Q1/15E	Q2/15E	Q3/15E	Q4/15E	2012	2013	2014E	2015E
Google (advertising and other)	12,951.0	13,107.0	13,754.0	15,707.0	15,420.0	15,955.0	16,738.6	19,036.9	18,473.2	19,337.6	19,965.8	22,634.9	46,039.0	55,519.0	67,150.5	80,411.5
Costs and Expenses:																
Cost of revenues - Google (advertising and o	5,136.0	5,195.0	5,409.0	6,253.0	5,961.0	6,114.0	6,461.1	7,538.6	7,186.1	7,522.3	7,786.7	9,189.8	17,176.0	21,993.0	26,074.7	31,684.8
Research and development	1,617.0	1,766.0	2,017.0	1,933.0	2,126.0	2,238.0	2,309.9	2,341.5	2,346.1	2,455.9	2,535.7	2,829.4	6,083.0	7,333.0	9,015.5	10,167.0
Sales and marketing	1,435.0	1,583.0	1,806.0	1,908.0	1,729.0	1,941.0	1,991.9	2,113.1	2,032.0	2,127.1	2,196.2	2,421.9	5,465.0	6,732.0	7,775.0	8,777.4
General and administrative	1,015.0	1,098.0	1,213.0	1,184.0	1,489.0	1,404.0	1,489.7	1,675.2	1,662.6	1,740.4	1,796.9	1,991.9	3,481.0	4,510.0	6,058.0	7,191.8
Total costs and expenses	9,203.0	9,642.0	10,445.0	11,278.0	11,305.0	11,697.0	12,252.7	13,668.5	13,226.8	13,845.7	14,315.5	16,432.9	32,205.0	40,568.0	48,923.2	57,820.9
Income from operations	3,748.0	3,465.0	3,309.0	4,429.0	4,115.0	4,258.0	4,485.9	5,368.4	5,246.4	5,491.9	5,650.3	6,202.0	13,834.0	14,951.0	18,227.4	22,590.5
Interest income and other, net	134.0	236.0	24.0	125.0	357.0	145.0	150.0	150.0	150.0	150.0	150.0	150.0	438.0	519.0	802.0	600.0
Income before income taxes	3,882.0	3,701.0	3,333.0	4,554.0	4,472.0	4,403.0	4,635.9	5,518.4	5,396.4	5,641.9	5,800.3	6,352.0	14,272.0	15,470.0	19,029.4	23,190.5
Provision for income taxes	354.0	927.0	513.0	666.0	822.0	913.0	880.8	1,048.5	1,133.2	1,128.4	1,102.1	1,143.4	2,598.0	2,460.0	3,664.3	4,507.0
Net income from continuing operations	3,528.0	2,774.0	2,820.0	3,882.0	3,650.0	3,490.0	3,755.1	4,469.9	4,263.1	4,513.5	4,698.3	5,208.6	11,553.0	13,010.0	15,365.0	18,683.5
Net income (loss) from discontinued operations	(182.0)	454.0	15.0	(506.0)	(198.0)	(68.0)	0.0	0.0	0.0	0.0	0.0	0.0	(816.0)	(219.0)	(266.0)	0.0
Net Income (Continuing Operations)	3,346.0	3,228.0	2,835.0	3,376.0	3,452.0	3,422.0	3,755.1	4,469.9	4,263.1	4,513.5	4,698.3	5,208.6	10,737.0	12,791.0	15,099.0	18,683.5
Stock compensation adjustment & others	696.0	129.0	673.0	1,195.0	847.0	753.0	800.0	800.0	800.0	800.0	800.0	800.0	1,974.0	2,693.0	3,200.0	3,200.0
Adjusted net income	4,042.0	3,357.0	3,508.0	4,571.0	4,299.0	4,175.0	4,555.1	5,269.9	5,063.1	5,313.5	5,498.3	6,008.6	12,711.0	15,484.0	18,299.0	21,883.5
GAAP EPS Reported - diluted	\$4.97	\$4.77	\$4.18	\$4.95	\$5.04	\$4.99	\$5.46	\$6.49	\$6.17	\$6.52	\$6.78	\$7.50	\$16.16	\$18.88	\$21.97	\$26.97
Adjusted EPS (ex-stock comp & other)	\$6.00	\$4.96	\$5.17	\$6.70	\$6.27	\$6.08	\$6.62	\$7.65	\$7.33	\$7.68	\$7.93	\$8.65	\$37.30	\$22.85	\$26.63	\$31.59
Shares used in per share calculation- diluted	673.3	676.7	678.5	682.0	685.2	686.4	687.8	689.2	690.6	692.0	693.4	694.8	664.6	677.6	687.1	692.7
Margins on Revenue																
Cost of revenues - Google (advertising and oth	39.7%	39.6%	39.3%	39.8%	38.7%	38.3%	38.6%	39.6%	38.9%	38.9%	39.0%	40.6%	37.3%	39.6%	38.8%	39.4%
Research and development	12.5%	13.5%	14.7%	12.3%	13.8%	14.0%	13.8%	12.3%	12.7%	12.7%	12.7%	12.5%	13.2%	13.2%	13.4%	12.6%
Sales and marketing	11.1%	12.1%	13.1%	12.1%	11.2%	12.2%	11.9%	11.1%	11.0%	11.0%	11.0%	10.7%	11.9%	12.1%	11.6%	10.9%
General and administrative	7.8%	8.4%	8.8%	7.5%	9.7%	8.8%	8.9%	8.8%	9.0%	9.0%	9.0%	8.8%	7.6%	8.1%	9.0%	8.9%
Stock compensation expense	10.6%	15.1%	19.6%	21.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDAS	41.3%	40.8%	37.6%	40.5%	39.5%	39.2%	35.4%	35.4%	35.4%	35.4%	35.4%	35.4%	40.8%	38.9%	38.2%	37.2%
Operating Margin	28.9%	26.4%	24.1%	28.2%	26.7%	26.7%	22.1%	22.1%	22.1%	22.1%	22.1%	22.1%	30.0%	26.9%	27.1%	28.1%
Pretax Income	30.0%	28.2%	24.2%	29.0%	29.0%	27.6%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	31.0%	27.9%	28.3%	28.8%
Tax Rate	9.1%	25.0%	15.4%	14.6%	18.4%	20.7%	19.0%	19.0%	21.0%	20.0%	19.0%	18.0%	18.2%	15.9%	19.3%	19.4%
Net Income	27.2%	21.2%	20.5%	24.7%	23.7%	21.9%	22.4%	23.5%	23.1%	23.3%	23.5%	23.0%	25.1%	23.4%	22.9%	23.2%
% Changes Q/Q																
Total Revenues	0.4%	1.2%	4.9%	14.2%	-1.8%	3.5%	4.9%	13.7%	-3.0%	4.7%	3.2%	13.4%	na	na	na	na
% Changes Year/Year																
Total Revenues	21.7%	19.5%	19.3%	21.7%	19.1%	21.7%	21.7%	21.2%	19.8%	21.2%	19.3%	18.9%	NA	20.6%	21.0%	19.7%
EBITDAS	20.2%	21.0%	33.7%	32.7%	13.7%	17.0%	22.1%	13.0%	16.2%	17.0%	18.5%	11.6%	NA	15.0%	18.8%	16.6%
Operating Income	10.6%	12.2%	45.5%	41.5%	9.8%	22.9%	35.6%	21.2%	27.5%	29.0%	26.0%	15.5%	NA	8.1%	21.9%	23.9%
Pretax Income	9.5%	10.8%	42.6%	38.8%	15.2%	19.0%	39.1%	21.2%	20.7%	28.1%	25.1%	15.1%	NA	8.4%	23.0%	21.9%
Net Income	22.1%	3.4%	64.4%	46.9%	3.5%	25.8%	33.2%	15.1%	16.8%	29.3%	25.1%	16.5%	NA	12.6%	18.1%	21.6%
Diluted GAAP EPS	-43.2%	-40.1%	-18.8%	-36.8%	1.4%	4.5%	30.7%	31.0%	22.5%	30.8%	24.1%	15.6%	NA	16.8%	16.4%	22.8%
Geographic revenue breakup																
United States	45.1%	45.0%	47.7%	44.2%	43.2%	41.6%	43.0%	45.0%	45.0%	45.0%	45.4%	45.7%	37.4%	45.4%	43.3%	45.3%
United Kingdom	10.7%	10.1%	9.6%	9.6%	10.3%	10.1%	9.5%	10.0%	10.0%	10.0%	9.0%	10.0%	11.5%	10.0%	10.0%	9.8%
International	44.2%	44.9%	42.8%	46.2%	46.6%	48.3%	47.5%	45.0%	45.0%	45.0%	45.6%	44.3%	51.1%	44.6%	46.8%	45.0%
EBITDAS	5,355.0	5,342.0	5,169.0	6,367.0	6,088.0	6,252.0	6,310.9	7,193.4	7,071.4	7,316.9	7,475.3	8,027.0	18,770.0	21,583.0	25,642.4	29,890.5
October 8, 2014																
Source: Company reports and BGC Financial																

Source: Company Documents and BGC Financial

Google Inc (GOOGL)										
Balance Sheet										
(Data in Thousands)										
	2013 by Quarter				2014 by Quarter		Calendar Year			
	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	Dec 31 2010	Dec 31 2011	Dec 31 2012	Dec 31 2013
	Mar 31 2013	Jun 30 2013	Sep 30 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014				
Assets										
Current assets:										
Cash and equivalents	1,53,75,000	1,61,64,000	1,52,42,000	1,88,98,000	1,66,39,000	1,96,20,000	1,36,30,000	99,83,000	1,47,78,000	1,88,98,000
Marketable securities	3,47,23,000	3,82,68,000	4,12,81,000	3,98,19,000	4,27,40,000	4,15,84,000	2,13,45,000	3,46,43,000	3,33,10,000	3,98,19,000
Accounts receivable, net	76,12,000	73,21,000	79,21,000	88,82,000	78,27,000	83,21,000	42,52,000	54,27,000	78,85,000	88,82,000
Deferred income taxes, net	10,17,000	11,48,000	11,54,000	15,26,000	11,66,000	11,58,000	2,59,000	2,15,000	11,44,000	15,26,000
Prepaid revenue share, expenses and other assets	23,75,000	27,76,000	23,54,000	28,27,000	21,38,000	20,43,000	13,26,000	17,10,000	21,32,000	28,27,000
Income taxes receivable	3,58,000	72,000	5,71,000	4,08,000	5,44,000	11,18,000	0	0	0	4,08,000
Inventory	6,48,000	3,42,000	2,35,000	4,26,000	3,37,000	2,93,000	0	35,000	5,05,000	4,26,000
Receivable under reverse repurchase agreements	7,00,000	7,70,000	1,00,000	1,00,000	50,000	1,00,000	7,50,000	7,45,000	7,00,000	1,00,000
Assets held for sale	0	0	0	0	38,73,000	36,68,000	0	0	0	0
Total Current Assets:	6,28,08,000	6,68,61,000	6,88,58,000	7,28,86,000	7,53,14,000	7,79,05,000	4,15,62,000	5,27,58,000	6,04,54,000	7,28,86,000
Prepaid revenue share, expenses and other assets	21,95,000	18,91,000	17,84,000	19,76,000	17,18,000	19,82,000	4,42,000	4,99,000	20,11,000	19,76,000
Deferred income taxes, net, non-current	0	0	0	0	0	0	2,65,000	0	0	0
Non-marketable equity securities	14,70,000	15,64,000	18,43,000	19,76,000	21,23,000	24,15,000	5,23,000	7,90,000	14,69,000	19,76,000
Property and equipment, net	1,23,00,000	1,29,12,000	1,48,67,000	1,65,24,000	1,78,77,000	1,94,86,000	77,59,000	96,03,000	1,18,54,000	1,65,24,000
Intangible assets, net	73,24,000	65,58,000	62,90,000	60,66,000	53,17,000	52,34,000	10,44,000	15,78,000	74,73,000	60,66,000
Goodwill	1,05,95,000	1,13,96,000	1,14,26,000	1,14,92,000	1,41,77,000	1,45,86,000	62,56,000	73,46,000	1,05,37,000	1,14,92,000
Total Assets	9,66,92,000	10,11,82,000	10,50,68,000	11,09,20,000	11,65,26,000	12,16,08,000	5,78,51,000	7,25,74,000	9,37,98,000	11,09,20,000
Liabilities and Stockholder's Equity										
Current liabilities:										
Accounts payable	20,94,000	17,58,000	21,24,000	24,53,000	16,23,000	13,45,000	4,83,000	5,88,000	20,12,000	24,53,000
Accrued compensation and benefits	14,45,000	18,03,000	19,99,000	25,02,000	15,31,000	21,02,000	14,10,000	18,18,000	22,39,000	25,02,000
Accrued expenses and other current liabilities	30,07,000	33,00,000	30,71,000	37,55,000	33,05,000	36,83,000	9,61,000	13,70,000	32,58,000	37,55,000
Accrued revenue share	14,37,000	14,58,000	14,72,000	17,29,000	16,74,000	16,86,000	8,85,000	11,68,000	14,71,000	17,29,000
Deferred revenue	8,82,000	7,99,000	9,07,000	10,62,000	9,47,000	8,82,000	3,94,000	5,47,000	8,95,000	10,62,000
Income taxes payable	0	0	0	24,000	0	0	37,000	1,97,000	2,40,000	24,000
Short Term Debt	21,50,000	30,00,000	30,09,000	30,09,000	30,09,000	20,09,000	34,65,000	12,18,000	25,49,000	30,09,000
Securities lending payable	22,37,000	32,11,000	18,93,000	13,74,000	21,53,000	30,86,000	23,61,000	20,07,000	16,73,000	13,74,000
Liabilities held for sale	0	0	0	0	20,28,000	23,04,000	0	0	0	0
Total Current Liabilities	1,32,52,000	1,53,29,000	1,44,75,000	1,59,08,000	1,62,70,000	1,70,97,000	99,96,000	89,13,000	1,43,37,000	1,59,08,000
Long Term Debt	2989000	1989000	2238000	2236000	3234000	3232000	0	29,86,000	29,88,000	22,36,000
Deferred revenue, long-term	79,000	1,32,000	1,25,000	1,39,000	1,03,000	93,000	35,000	44,000	1,00,000	1,39,000
Deferred income taxes, net	19,78,000	19,05,000	20,97,000	26,38,000	28,26,000	30,02,000	0	2,87,000	18,72,000	26,38,000
Income taxes payable, long term	21,84,000	22,71,000	24,34,000	19,47,000	18,48,000	16,25,000	12,00,000	16,93,000	20,46,000	19,47,000
Other long-term liabilities	7,37,000	7,04,000	7,10,000	7,43,000	5,34,000	8,10,000	3,79,000	5,06,000	7,40,000	7,43,000
Total long term liabilities	79,67,000	70,01,000	76,04,000	77,03,000	85,45,000	87,62,000	16,14,000	55,16,000	77,46,000	77,03,000
Stockholders' Equity:										
Common Stock and Additional paid-in capital	2,34,29,000	2,43,34,000	2,50,04,000	2,59,92,000	2,66,52,000	2,71,11,000	1,82,35,000	2,02,64,000	2,28,35,000	2,59,92,000
Accumulated other comprehensive income	3,56,000	-3,98,000	99,000	1,25,000	3,45,000	5,02,000	1,38,000	2,76,000	5,38,000	1,25,000
Retained earnings	5,16,88,000	5,49,16,000	5,78,86,000	6,12,62,000	6,47,14,000	6,81,36,000	2,78,68,000	3,76,05,000	4,83,42,000	6,12,62,000
Total stockholders' equity	7,54,73,000	7,88,52,000	8,29,89,000	8,73,09,000	9,17,11,000	9,57,49,000	4,62,41,000	5,81,45,000	7,17,15,000	8,73,09,000
Total liabilities and stockholders' equity	9,66,92,000	10,11,82,000	10,50,68,000	11,09,20,000	11,65,26,000	12,16,08,000	5,78,51,000	7,25,74,000	9,37,98,000	11,09,20,000

Source: Company Documents and BGC Financial