

Alphabet Inc. (GOOGL US, BUY, TP: US\$212.00)

BUY

HOLD

SELL

Target Price: US\$212.00 Price: US\$169.68

Potential up/downside to TP +/-%	+25%
52-Week High/Low (US\$)	191.75/122.69
Market Cap (US\$m)	2,107,256
Shares Outstanding (mn)	12,419
3-mth ADTV (US\$m)	3,944
Free Float (%)	90
Major Shareholder (%)	
The Vanguard Group	7
BlackRock Inc	6
Sergey Brin	6

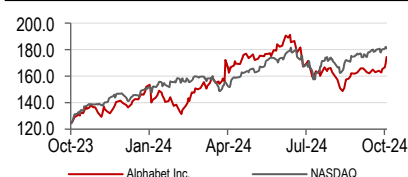
Price as of close on October 29, 2024.

Source: FactSet

Key Changes

	New	Old	Diff
Rating	BUY	HOLD	↑
Target Price (US\$)	212.00	182.00	16%
2024E EPS (US\$)	8.15	7.95	3%
2025E EPS (US\$)	8.77	8.70	1%
2026E EPS (US\$)	9.70	9.63	1%

Price Performance



Source: FactSet

China Renaissance vs Consensus (% Diff)

	2024E	2025E
Rev (US\$m)	347,261 (-0%)	385,510 (-0%)
EPS (US\$)	7.92 (+0%)	8.87 (-2%)

Note: Consensus estimates displayed, sourced from Factset. Positive % diff = CR estimate above consensus; negative = CR estimate below consensus.

Research Team

Ella Ji, CFA

China Renaissance Securities (US) Inc.

+1 212 554 2966

ellaji@chinarenaissance.com

3Q24 Review: Cloud business gathers momentum; Upgrade to BUY

- Core Search and YouTube ads maintained resilient 12% YoY growth.
- Cloud achieved solid growth acceleration and margin expansion; capex continued at a US\$13bn/qtr run rate.
- Upgrade to BUY; raise DCF-based TP to US\$212.00 from US\$182.00.

Alphabet's 3Q24 total revenue rose 15% YoY to US\$88.3bn, 3%/2% above our estimate/FactSet consensus. **Google Services:** Search revenue increased 12% YoY to US\$49.4bn, led by Financial Services and followed by the Retail sector, which was impacted by a tougher comp from APAC-based retailers in 3Q23. Management highlighted the strong performance of Search was broad-based across verticals. YouTube ad revenue growth was 12% YoY, a slight deceleration from 1Q24/2Q24's 21%/13%. Management observed a slight tailwind from election-related ad spending in 3Q24, which we anticipate will continue in 4Q24. **On AI**, management shared that Gemini, the company's AI product, has been implemented in all its products and platforms with more than 2 billion monthly users. It now reaches more than 1 billion search users on a monthly basis, and is experiencing stronger user engagement and better user satisfaction. The company has recently launched ads in its AI Overviews product, which are monetizing at approximately the same rate as traditional ads. **Google Services OPM** reached 40.3% in 3Q24 vs 40.1% in 2Q24.

Google Cloud: Revenue growth in 3Q24 accelerated meaningfully at 35% YoY to US\$11.4bn (1Q24/2Q24: 28%/29%), continuing to be driven by an AI boost in Google Cloud Platform (GCP) as the company signs up new customers and achieves 30% deeper product adoption with existing customers. **OPM** also expanded to 17.1% from 9.4%/11.3% in 1Q24/2Q24, thanks to the benefit of scale and the company's efforts to improve efficiency in the past year. **Capex** was largely flat QoQ at US\$13.1bn; management expects it should stay at this level in 4Q24 and anticipates an increase in 2025 but at a lower rate.

Estimate changes: We increase both our 4Q24E revenue and net income estimates by 2% against the backdrop of an overall strong 3Q24. Together with benefits from the company's share buyback, we raise our 4Q24E/2024E GAAP EPS by 3% accordingly.

Upgrade to BUY; raise TP to US\$212.00 from US\$182.00. GOOGL has de-rated since the 2Q24 results in July due to decelerating ad growth and ongoing litigation concerns (Ex. 5). Its P/E multiple trading gap versus META had reversed to -5.0x as of Oct 28, deviating from an average of +1.9x since 2020 (Ex. 6). We think Cloud segment acceleration and margin expansion will start to drive a stock re-rating. Our DCF-derived TP implies 24x/20x 2025E GAAP/non-GAAP P/E. **Key risks:** macro slowdown, ongoing regulatory scrutiny and potential AI regulation, intensifying competition.

Summary Financial Data

FY to Dec 31	2022A	2023A	2024E	2025E	2026E
Revenue (US\$m)	282,836	307,394	350,084	386,956	426,841
EBITDA (US\$m)	110,132	120,452	152,483	171,001	191,094
EBIT (US\$m)	74,842	84,293	113,235	125,929	140,049
Net Income (US\$m)	59,972	73,795	101,614	109,818	122,119
EPS (US\$)	4.56	5.80	8.15	8.77	9.70
P/E (x)	25.2	20.5	20.8	19.4	17.5

Note: Historical valuation ratios calculated on yearly average price.

Financial analysis

Exhibit 1: Alphabet – 3Q24 actual vs. expected

USD in millions, unless otherwise noted

	3Q24A	3Q24E	Y/Y %	Delta %	Delta \$
Search & Other	49,385	49,309	12%	0%	76
YouTube Ads	8,921	8,827	12%	1%	94
Google Network	7,548	7,592	-2%	-1%	(44)
Google subs, platforms, and devices	10,656	9,256	28%	15%	1,400
Google Cloud	11,353	10,766	35%	5%	587
Other Bets	388	356	31%	9%	32
Total Alphabet revenue	88,268	86,107	15%	3%	2,161
Gross profit	51,794	49,883	19%	4%	1,911
Gross margin	58.7%	57.9%	201bps	75bps	
Operating income	28,521	27,839	34%	2%	682
Operating margin	32.3%	32.3%	448bps	-2bps	
EBIT by Segment					
Google Services	30,856	30,069	29%	3%	787
EBIT Margin%	40.3%	40.1%			
Google Cloud	1,947	1,238	-632%	57%	709
EBIT Margin%	17.1%	11.5%			
Other Bets	(1,116)	(1,250)	7%	11%	134
EBIT Margin%	-288%	-351%			
Unallocated	(3,166)	(2,217)	-90%	-43%	(949)
Adj. EBITDA	38,615	38,049	25%	1%	566
Adj. EBITDA margin	43.7%	44.2%	348bps	-44bps	
Adj. Net income	30,589	30,692	19%	0%	(103)
Adj. Net margin	34.7%	35.6%	102bps	-99bps	
GAAP Diluted EPS	2.12	1.98	37%	7%	

Source: Company data, CRSUS estimates

Exhibit 2: Alphabet – 3Q24 actual vs. consensus vs. CRSUS estimates

USD in mn, except for EPS

2Q24A	Actual	CRSUS	Consensus	Actual vs CRSUS	Actual vs Consensus
Total revenue	88,268	86,107	86,362	3%	2%
Gross Profit, GAAP	51,794	49,883	49,516	4%	5%
% margin	59%	58%	57%	75bps	134bps
Operating income, GAAP	28,521	27,839	26,527	2%	8%
% margin	32%	32%	31%	-2bps	160bps
Adj. EBITDA	38,615	38,049	36,585	1%	6%
% margin	44%	44%	42%	-44bps	139bps
Net income, GAAP	26,301	24,732	22,945	6%	15%
% margin	30%	29%	27%	107bps	323bps
Diluted EPS, GAAP	2.12	\$1.98	\$1.84	7%	15%

Source: Company data, FactSet consensus, CRSUS estimates

Exhibit 3: Alphabet – Estimate revisions
USD in mn, except for EPS

	4Q24E		
	Old	New	Delta
Revenue	94,904	96,535	2%
% YoY	10%	12%	189 bps
Gross Profit, GAAP	55,341	56,434	2%
% margin	58.3%	58.5%	15 bps
Operating income, GAAP	31,140	31,817	2%
% margin	32.8%	33.0%	15 bps
Adj. EBITDA	42,204	42,721	1%
Margin %	44.5%	44.3%	-22 bps
GAAP Net income	27,562	28,033	2%
% margin	29.0%	29.0%	0 bps
Adj. Net income	34,130	34,714	2%
% margin	36.0%	36.0%	0 bps
Diluted EPS, GAAP	2.20	2.26	3%

USD in mn, except for EPS

	2024E			2025E			2026E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Revenue	346,292	350,084	1%	383,817	386,956	1%	423,110	426,841	1%
% YoY	13%	14%	123 bps	11%	11%	-30 bps	10%	10%	7 bps
Gross Profit, GAAP	201,286	204,290	1%	223,428	225,754	1%	247,398	250,163	1%
% margin	58.1%	58.4%	23 bps	58.2%	58.3%	13 bps	58.5%	58.6%	14 bps
Operating income, GAAP	111,877	113,235	1%	124,684	125,929	1%	138,545	140,049	1%
% margin	32.3%	32.3%	4 bps	32.5%	32.5%	6 bps	32.7%	32.8%	7 bps
Adj. EBITDA	151,400	152,483	1%	170,109	171,001	1%	189,539	191,094	1%
Margin %	43.7%	43.6%	-16 bps	44.3%	44.2%	-13 bps	44.8%	44.8%	-3 bps
GAAP Net income	99,574	101,614	2%	109,543	109,818	0%	121,760	122,119	0%
% margin	28.8%	29.0%	27 bps	28.5%	28.4%	-16 bps	28.8%	28.6%	-17 bps
Adj. Net income	121,702	122,184	0%	135,763	136,256	0%	150,664	151,282	0%
% margin	35.1%	34.9%	-24 bps	35.4%	35.2%	-16 bps	35.6%	35.4%	-17 bps
Diluted EPS, GAAP	7.95	8.15	3%	8.70	8.77	1%	9.63	9.70	1%

Source: CRSUS estimates

For 4Q24E/ 2024E, we model Alphabet revenue to grow 12%/ 14% YoY, supported by strength in Google Cloud segments. We forecast the 4Q24E/ 2024E operating margin to be 33.0%/ 32.3% on notable cost savings via headcount reduction and contribution from higher revenue. As a result, our 2024E GAAP diluted EPS is increased by 3%.

Valuation

We upgrade our rating to BUY from HOLD and increase our DCF-based target price to US\$212.00 from US\$182.00, as we expect accelerating Cloud business will drive a stock re-rating.

Our revised target price includes the following assumptions:

- 12% total revenue CAGR for both 2023-25E and 2020-30E (unchanged).
- 49.3% terminal adjusted EBITDA margin (up from 47.5% previously).
- 10% discount rate, based on Bloomberg estimate (unchanged).
- 14x terminal EV/EBITDA multiple (up from 12x previously, given the company's improved competitiveness in its AI products and offerings).

Our target price of US\$212.00 indicates 25% upside from the Oct 29 close. It implies a 24x/ 20x 2025E GAAP/ non-GAAP P/E, in line with the stock's average next-12-month (NTM) GAAP P/E of 24.3x since the outbreak of COVID-19 in 2020 (Exhibit 5) and at a 20% premium to the average 18.4x 2025E P/E multiple of its most comparable peers (Exhibit 7).

Exhibit 4: Alphabet – DCF-based valuation

USD in millions, unless otherwise noted

Free Cash Flow	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	23-25E CAGR	20-30E CAGR
Alphabet total revenue	182,527	257,637	282,836	307,394	350,084	386,956	426,841	466,823	504,720	542,240	579,963	12%	12%
Y/Y change %	13%	41%	10%	9%	14%	11%	10%	9%	8%	7%	7%		
Adj. EBITDA (excl. fine)	67,781	106,531	110,132	120,452	152,483	171,001	191,094	213,102	231,567	258,554	286,156		
Margin %	37.1%	41.3%	38.9%	39.2%	43.6%	44.2%	44.8%	45.6%	45.9%	47.7%	49.3%		
SBC	12,860	15,376	19,362	22,460	23,919	26,438	29,164	31,895	34,485	37,048	39,626		
D&A	13,697	12,441	15,928	13,699	15,328	18,633	21,881	25,007	27,102	32,654	35,895		
Interest expense	(135)	(346)	(357)	(308)	(295)	(279)	(279)	(279)	(279)	(279)	(279)		
Net income (GAAP)	40,269	76,033	59,972	73,795	101,614	109,818	122,119	136,448	149,445	166,971	187,548		
Margin %	22%	30%	21%	24%	29%	28%	29%	29%	30%	31%	32%		
Net income (Non-GAAP)	47,537	79,029	82,789	95,863	122,184	136,256	151,282	168,343	183,929	204,019	227,173		
Margin %	26%	31%	29%	31%	35%	35%	35%	36%	36%	38%	39%		
Capex	22,281	24,640	31,485	32,251	51,774	58,043	64,026	60,687	65,614	65,069	69,596		
% of revenue	12%	10%	11%	10%	15%	15%	15%	13%	13%	12%	12%		
Income Tax	7,813	14,701	11,356	11,922	18,937	20,466	22,758	25,429	27,851	31,117	34,952		
Change in working capital	(6,914)	3,472	(2,507)	(2,933)	1,924	(1,488)	(2,140)	(1,836)	(2,008)	165	1,980		
% of revenue	-4%	1%	-1%	-1%	1%	0%	-1%	0%	0%	0%	0%		
Unlevered FCF	31,741	48,342	50,436	56,752	55,929	67,540	77,286	96,928	105,626	125,155	140,003	9%	16%
% of revenue	17%	19%	18%	18%	16%	17%	18%	21%	21%	23%	24%		

DCF Valuation

Discount rate	10%
NPV of FCF	447,565
Terminal EBITDA	286,156
Terminal EV/EBITDA	14x
Terminal Value	4,006,181
PV of Terminal Value	2,122,422
Net Cash	80,933
Equity Value	2,650,920
Diluted shares outstanding	12,419
Target Price	\$ 212.00
Current Price	\$ 169.68
Upside/Downside	25%

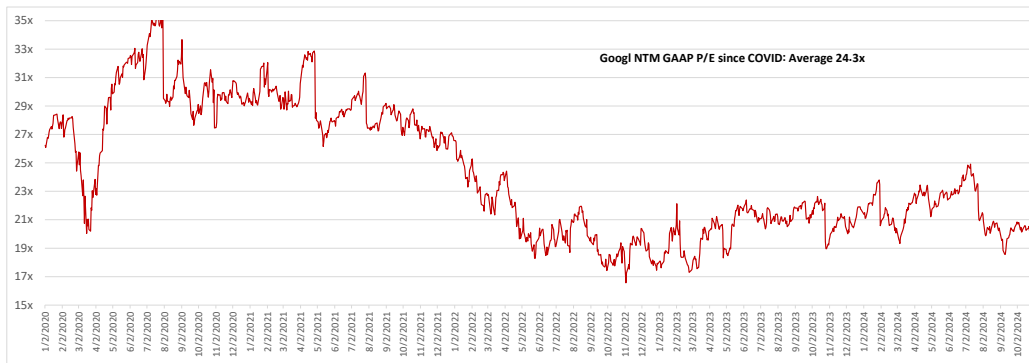
Valuation multiples	2023A	2024E	2025E	2026E
Implied				
P/S	8.6x	7.6x	6.9x	6.2x
EV/EBITDA (Non-GAAP)	21x	17x	15x	13x
P/E (GAAP)	36x	26x	24x	22x
P/E (Non-GAAP)	28x	22x	19x	18x
Current				
P/S	6.9x	6.0x	5.4x	4.9x
EV/EBITDA (Non-GAAP)	17x	13x	12x	11x
P/E (GAAP)	29x	21x	19x	17x
P/E (Non-GAAP)	22x	17x	15x	14x

Note: Priced as of Oct 29, 2024.

Source: Company data, Bloomberg, CRSUS estimates

Since COVID, GOOGL stock on average has had a 1.9x P/E multiple premium to Meta (META US, BUY, TP: US\$560.00), although the gap has narrowed recently as Meta recovers from Apple's App Tracking Transparency (ATT) introduction, and benefits from strong APAC retailer spending and headcount reduction, while Alphabet initially lagged in AI product innovation and performance compared with industry leaders. The gap further reversed to -5.0x after a disappointing 2Q24 result (Ex 6). We expect the gap will start to rebound with Google Cloud's strong performance in 3Q24.

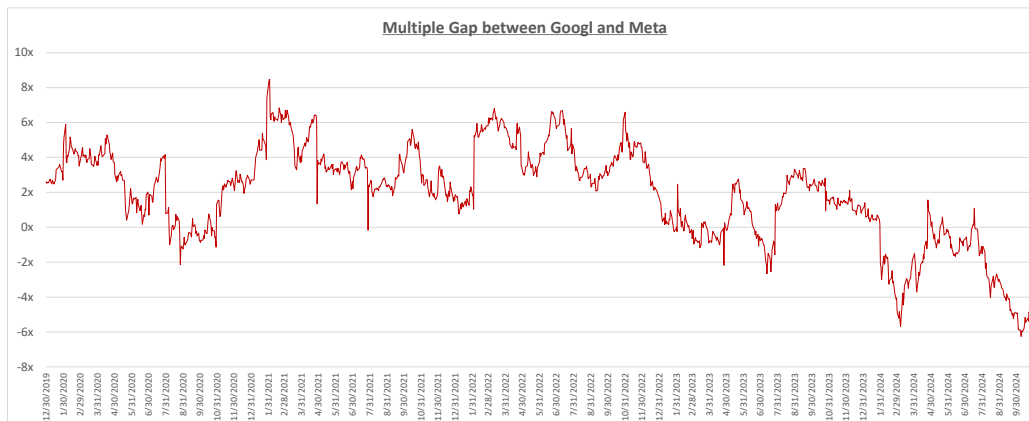
Exhibit 5: Alphabet – NTM GAAP P/E (since 2020)



Note: Next 12 months (NTM) represents the next four unreported quarters. Data as of Oct 29, 2024.

Source: FactSet

Exhibit 6: Trading multiple difference between GOOGL and META – Average at 1.9x for NTM GAAP P/E difference



Note: Next 12 months (NTM) represents the next four unreported quarters. A positive number means GOOGL is trading at premium to META. Data as of Oct 29, 2024.

Source: FactSet

Exhibit 7: Alphabet – Comparative peer valuation

Local currency in mn, unless otherwise noted

Ticker	Company name	Price (local currency)	Market cap (USD)	Rev Growth 2024E	Rev Growth 2025E	EV/EBITDA 2024E	EV/EBITDA 2025E	P/E 2024E	P/E 2025E	Adj. Net Margin 2024E	Adj. Net Margin 2025E	PEG 2024E	PEG 2025E
GOOGL	Alphabet Class A	169.68	2,158,669	14%	11%	14x	12x	17.7x	15.8x	35%	35%	0.8x	0.8x
Global online advertising													
META	Meta Platforms Inc	593.28	1,559,733	19%	11%	16x	14x	28.1x	24.7x	35%	35%	0.5x	0.9x
700-HK	Tencent Holdings	418.40	517,439	8%	10%	13x	11x	17.0x	15.6x	33%	33%	0.5x	0.7x
BIDU	Baidu	93.59	33,189	-1%	6%	3x	3x	8.7x	8.7x	21%	19%	0.6x	-3.4x
SNAP	Snap	10.89	17,560	16%	14%	40x	24x	NM	25.6x	6%	11%	NM	0.2x
PINS	Pinterest	32.43	21,879	19%	17%	21x	16x	21.2x	17.2x	28%	30%	0.4x	0.6x
Group average				12%	11%	18x	14x	18.8x	18.4x	24%	26%	0.5x	-0.2x

Note: Priced as of Oct 29, 2024. FactSet consensus for Pinterest; all others CRSUS estimates. NM Not meaningful.

Source: FactSet, CRSUS estimates

Risks

- **Macroeconomic slowdown.** As Alphabet generates most of its revenue from advertisements, which tend to be a leading indicator of the global economy, its revenue may be affected significantly if economic recession, trade wars, geographic instability or other political issues weigh on sentiment, thus further pressuring advertiser spending.
- **Further regulatory scrutiny on ad business.** Regulations have been and will likely remain a major overhang for Alphabet. Potential anti-trust allegations made by regulators over Alphabet's search, ad exchange and mobile operating system (Android) business could result in a petition for a company breakup. In addition, the European Union's Digital Markets Act (DMA) and Digital Services Act (DSA) set rules on platform competition and content regulation. User privacy conduct, supervised under Europe's GDPR (regulator), may incur further penalties. All of these, or any other regulatory actions, may result in a direct impact on EPS (eg, via fines) or a deterioration in long-term ad performance affecting revenue growth.
- **AI regulation.** As generative AI-powered products receive rapid public adoption, regulators worldwide have raised concerns about content presentation and data privacy. Regulations, if issued, could bring about uncertainties concerning Alphabet's technology upgrades, product launch timelines, application and monetization, thus negatively impacting its top line.
- **Intensifying competition:** Alphabet operates in markets with significant competition, such as online advertising and cloud. The company competes with domestic and international peers that may have resources to develop similar or better products, which could force the company to invest more aggressively in R&D and talent to maintain its competitiveness.

Financials

Year to Dec 31

Income Statement

(US\$m)	2023A	2024E	2025E	2026E
Google	305,631	347,857	384,614	424,148
Other bets	1,527	2,036	2,342	2,693
Hedging gains (losses)	236	191	0	0
Sales	307,394	350,084	386,956	426,841
Cost of Goods Sold	(133,332)	(145,794)	(161,202)	(176,678)
Gross Profit	174,062	204,290	225,754	250,163
SG&A (incl. R&D)	(89,769)	(91,054)	(99,825)	(110,114)
thereof R&D	(45,427)	(49,242)	(54,174)	(59,758)
thereof Sales & Marketing expense	(27,917)	(28,168)	(30,956)	(34,147)
thereof Admin expense	(16,425)	(13,644)	(14,695)	(16,209)
EBIT	84,293	113,235	125,929	140,049
EBITDA	84,293	113,235	125,929	140,049
Net interest income	3,865	4,636	4,633	5,107
Net interest expense	(308)	(295)	(279)	(279)
Pretax profit	85,717	120,551	130,284	144,877
Income Tax	11,922	18,937	20,466	22,758
Reported net income	73,795	101,614	109,818	122,119
Adjusted EBIT	106,753	137,155	152,368	169,212
Adjusted EBITDA	120,452	152,483	171,001	191,094
EPS (reported) (US\$)	5.80	8.15	8.77	9.70

Balance Sheet

(US\$m)	2023A	2024E	2025E	2026E
Current assets	171,530	167,112	184,396	210,561
Cash & equivalents	110,916	103,178	113,728	132,609
Account receivables	47,964	53,646	59,296	65,408
Inventories	0	0	0	0
Other current assets	12,650	10,288	11,372	12,544
Non-current assets	230,862	274,075	313,204	372,039
PPE	134,345	170,791	210,201	252,346
Intangible assets	0	0	0	0
Goodwill	29,198	31,935	31,935	31,935
Other non-current assets	67,319	71,349	71,068	87,757
Total assets	402,392	441,187	497,601	582,600
Total Current Liabilities	81,814	83,211	91,432	100,857
ST interest bearing debt	0	0	0	0
Unearned revenue	4,137	4,627	5,114	5,642
Accounts Payable	7,493	8,381	9,263	10,218
LT interest bearing debt	13,253	12,297	12,297	12,297
Other Liabilities	37,199	36,443	25,952	27,210
Total Liabilities	119,013	119,654	117,384	128,066
Common Stock/Ordinary Capital	0	0	0	0
Share Premium	76,534	82,030	82,030	82,030
Retained Earnings	211,247	263,350	373,168	495,287
Shareholders Equity	283,379	321,533	380,216	454,533
Minority Interest	0	0	0	0
Total Liabilities & Sh. Equity	402,392	441,187	497,601	582,600

Note: Historical valuation ratios calculated on yearly average price.

Source: Company data, CRSUS estimates

Cash Flow

(US\$m)	2023A	2024E	2025E	2026E
Reported net income	73,795	101,614	109,818	122,119
Depreciation & amortization	13,699	15,328	18,633	21,881
Net interest (income) / expenses	0	0	0	0
Other non-cash items (+/-)	0	0	0	0
Others (+/-)	18,097	19,964	25,792	28,465
Change in Working Capital	(3,845)	(4,740)	1,409	2,055
Cash Flow from operations	101,746	132,167	155,652	174,520
Capex	(32,251)	(51,774)	(58,043)	(64,026)
Acquisitions & Investments	(77,858)	15,710	12,869	10,542
Disposal of Fixed Assets & Invest	86,672	0	0	0
Other Investing Activities	(3,626)	(8,860)	(11,392)	(14,648)
Net Cash Flow from Investments	(27,063)	(44,924)	(56,567)	(68,132)
Dividends paid	0	0	0	0
Change in Debt	(760)	(257)	0	0
Equity raised / (purchased)	8	293	0	0
Other Financial Activities	(71,341)	(79,188)	(75,563)	(76,965)
Net Cash Flow from Financing	(72,093)	(79,152)	(75,563)	(76,965)
Net Cash Flow	2,169	7,869	23,522	29,422
Free Cash Flow	80,328	86,869	98,054	110,998

Key Assumptions

	2023A	2024E	2025E	2026E
Google Search and Other	175,033	196,872	216,559	236,050
YouTube ads	31,510	35,886	39,617	41,715
Google Network Members	31,312	30,619	30,619	32,150
Google Cloud	33,088	43,683	54,604	66,478
Google Other	34,688	40,796	43,215	47,755

Financial Ratios

	2023A	2024E	2025E	2026E
YoY (%)				
Revenue	8.7	13.9	10.5	10.3
Gross Profit	11.1	17.4	10.5	10.8
EBITDA	12.6	34.3	11.2	11.2
Adjusted EBITDA	9.4	26.6	12.1	11.8
Net Profit	23.0	37.7	8.1	11.2
EPS	27.3	40.5	7.5	10.6
Profitability (%)				
Gross Margin	56.6	58.4	58.3	58.6
EBITDA Margin	27.4	32.3	32.5	32.8
Adjusted EBITDA Margin	39.2	43.6	44.2	44.8
EBIT Margin	27.4	32.3	32.5	32.8
Adjusted EBIT Margin	34.7	39.2	39.4	39.6
Net Margin	24.0	29.0	28.4	28.6
ROE	26.0	31.6	28.9	26.9
ROA	18.3	23.0	22.1	21.0
Liquidity (x)				
Current ratio	2.1	2.0	2.0	2.1
Quick ratio	2.1	2.0	2.0	2.1
Valuation Ratios (x)				
P/E	20.5	20.8	19.4	17.5
P/B	5.3	6.6	5.6	4.7
P/S	6.9	6.0	5.4	4.9
EV/EBITDA	13.8	13.1	11.7	10.4

Appendix A

Analyst Certification

I, Ella Ji, CFA, certify that the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers featured in this report. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Important Disclosures

Legal entities disclosures for global distribution

China Renaissance Securities (US) Inc. ("CRSUS") is registered with the Securities and Exchange Commission as a U.S. broker-dealer under Section 15 of the Securities Exchange Act of 1934 and is a member of FINRA and SIPC (<http://www.sipc.org>). CRSUS is located at 295 Madison Avenue, 18th Floor, New York, NY 10017. China Renaissance Securities (Hong Kong) Limited ("CRSHK") is licensed by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities, and advising on corporate finance. CRSHK is located at Units 8107-08, Level 81 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. China Renaissance Securities (China) Co., Ltd. ("CR Securities") is licensed by the China Securities Regulatory Commission for conducting securities investment consulting business. CR Securities is located at 23rd Floor, East Tower, Raffles City The Bund, 1089 East Daming Road, 200082 Shanghai, China. China Renaissance (Singapore) Pte. Ltd. ("CR Singapore") is licensed by the Monetary Authority of Singapore under the Securities and Futures Act 2001 ("SFA") to deal in capital markets products that are securities and holds an exemption under the Financial Advisers Act 2001 ("FAA") allowing it to provide financial advice and issue or promulgate research analyses or research reports. CR Singapore is located at 12 Marina View, #11-01, Asia Square Tower 2, Singapore 018961. (CRSUS, CRSHK, CR Securities and CR Singapore are referred to as "China Renaissance" collectively).

The research group of China Renaissance produces and distributes research products for clients of China Renaissance on a global basis. Analysts based in China Renaissance offices around the world produce equity research on industries and companies, and research on macroeconomics and portfolio strategy. This research report is disseminated in **Hong Kong** by CRSHK; in **the United States of America** by CRSUS; and in **Singapore** by CR Singapore. CRSUS has approved and agreed to take responsibility for any research report prepared by CRSHK or CR Securities if and to the extent CRSUS distributes it in the United States.

Country and Region-specific Disclosures

Distribution in the United States: See Company-specific Regulatory Disclosures below for any of the following disclosures required for companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. China Renaissance trades or may trade as a principal in debt securities (or in related derivatives) of issuers discussed in this report. In addition to 1% ownership positions in covered companies that are required to be specifically disclosed in this report, China Renaissance, its affiliates, and their respective officers, directors or employees, other than the analyst(s) who prepared this report, may have a long position of less than 1% or a short position or make purchases or sales as principal or agent in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. Recipients of this report are advised that any or all of the foregoing arrangements, as well as more specific disclosures set forth below, may at times give rise to potential conflicts of interest.

Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this publication is distributed in the U.S. in accordance with the provisions of Rule 15a-6, under the U.S. Securities Exchange Act of 1934 for Major Institutional Investors, as such term is defined in Rule 15a-6. To the extent that this publication is distributed to U.S. Institutional Investors other than Major Institutional Investors, this publication is distributed by CRSUS but not CRSHK or CR Securities (whether directly or indirectly). Any transactions by U.S. persons with CRSHK or CR Securities in any security discussed in this research report will be effected through CRSUS, in compliance with the requirements of paragraph (a)(3) of Rule 15a-6 of the U.S. Securities Exchange Act of 1934.

The following are additional required disclosures: **Ownership and material conflicts of interest:** China Renaissance's policy prohibits its analysts, professionals reporting to analysts and members of their households from owning positions in securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on overall revenues of China Renaissance, which includes investment banking revenues. **Analyst as officer or director:** China Renaissance's policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Non-U.S. analysts:** are not registered or qualified as research analysts with FINRA. They may not be associated persons of CRSUS and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with subject company, public appearances and trading securities held by the analyst.

Distribution in Hong Kong: This research report has been prepared solely for professional investors (as defined in the Securities and Futures Ordinance (CAP 571 of the Laws of Hong Kong) whose business involves the acquisition, disposal or holding of securities whether as principal or agent. This research report is not intended for disclosure to, and should not be relied upon by, any person other than a professional investor. For professional investors in Hong Kong, please contact CRSHK for all matters and queries relating to this report.

See Company-specific Regulatory Disclosures below for the disclosures which are made by CRSHK as per paragraph 16 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("SFC Code of Conduct"), and capitalized terms used below bear the same meanings as defined in paragraph 16 of the SFC Code of Conduct. A copy of the SFC Code of Conduct can be found on: www.sfc.hk.

Distribution in Singapore: This research report is distributed in Singapore only to institutional investors and accredited investors as defined in the SFA. Recipients of this report should contact representatives of CR Singapore at EnquiriesSG@chinarenaissance.com in respect of any matters arising from, or in connection with, this research report. By virtue of distributing only to the aforementioned institutional investors and accredited investors, CR Singapore does not accept legal responsibility for the contents of the report (pursuant to Regulation 32C(1)(d) of the Financial Advisers Regulations). CR Singapore and/or its representatives are exempt from complying with certain requirements under the FAA pursuant to certain exemptions under the FAA and one or more subsidiary legislations of the FAA when providing financial advisory services to an institutional investor or an accredited investor.

Analyst Conflict of Interest

The research analyst(s) responsible for the preparation of this report receives compensation based upon a variety of factors, including the quality and accuracy of research, internal/client feedback, and overall firm revenues, which include investment banking revenues. Research analysts do not receive compensation based upon revenues from specific investment banking transactions.

Company-specific Regulatory Disclosures

In the next three months, China Renaissance expects to receive or intends to seek compensation for investment banking services from: Alphabet Inc. (GOOGL US)

Distribution of Ratings and Investment Banking Relationships

Below is the distribution of research recommendations as of October 31, 2024.

Rating	Count	Percent	IB Count	IB%
Buy	146	75%	4	3%
Hold	45	23%	0	0%
Sell	4	2%	0	0%

China Renaissance assigns stock ratings of Buy, Hold and Sell. See 'Stock ratings and definitions' and 'Sector ratings and definitions' below.

Stock ratings and definitions: Stock ratings of Buy, Hold and Sell have a time horizon of twelve to eighteen months from the publishing date of the initiation or subsequent rating/price target change report issued for the subject company's stock. The following rating definitions were last updated on December 31, 2019:

Buy – The expected return on the subject company's stock price should outperform the typical benchmark market index for the subject company's primary listing exchange (e.g. the S&P 500 for U.S.-listed stocks) over the above-defined time horizon from the publishing date of the initiation of coverage or subsequent report announcing a rating change.

Hold – The stock price of the subject company is not expected to either appreciate or depreciate meaningfully from the typical benchmark market index for the subject company's primary listing exchange (e.g. the S&P 500 for U.S.-listed stocks) during the above-stated time horizon.

Sell – The expected return on the subject company's stock price should underperform the typical benchmark market index for the subject company's primary listing exchange (e.g. the S&P 500 for U.S.-listed stocks) over the above-defined time horizon from the publishing date of the initiation of coverage or subsequent report announcing a rating change.

Rating Suspended – China Renaissance has temporarily suspended the rating and, if applicable, the price target, for the subject company's stock because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or price target. The previous rating and, if applicable, the price target, should no longer be relied upon. A Rating Suspended designation is not a recommendation or a rating.

Not Covered – a company for which China Renaissance research report has not been published.

Sector ratings and definitions: Sector Ratings of Overweight, Neutral and Underweight are applied to the designated sector coverage group with a time horizon of twelve to eighteen months from the date of report publication. The following rating definitions were last updated on January 19, 2019:

Overweight – Expect sector to outperform the relevant market. **Neutral** – Expect sector to perform in line with the relevant market.

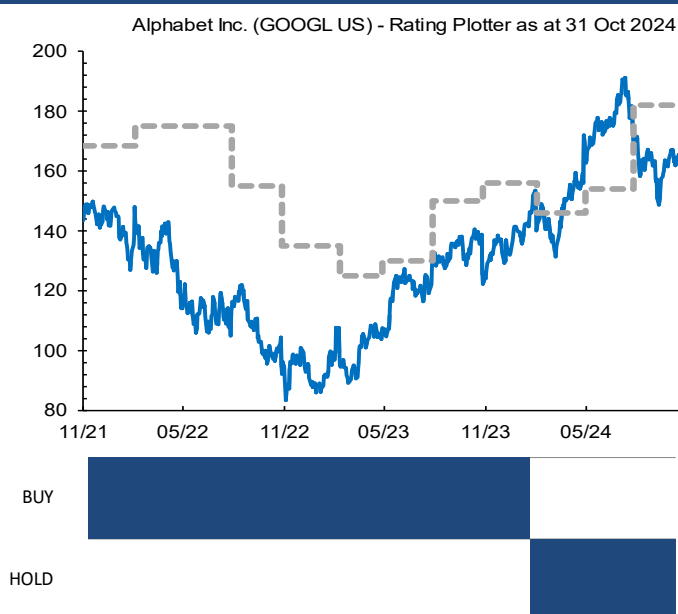
Underweight – Expect sector to underperform the relevant market.

Stocks Mentioned (Stock Code / Date / Price / Rating)

Alphabet Inc. (GOOGL US, Oct 30, 2024, US\$174.46, BUY)

History of investment rating and target price – Alphabet Inc.

Date	CP (US\$)	TP (US\$)	Rating
24-Jul-24	167.28	182.00	Hold
28-Apr-24	166.15	154.00	Hold
31-Jan-24	141.16	146.00	Hold
25-Oct-23	122.28	156.00	Buy
26-Jul-23	129.40	150.00	Buy
26-Apr-23	107.59	130.00	Buy
08-Feb-23	95.01	125.00	Buy
26-Oct-22	92.22	135.00	Buy
27-Jul-22	114.22	155.00	Buy
02-Feb-22	143.09	175.00	Buy



Valuation and Risks - Alphabet Inc. (GOOGL US)

Valuation: Our DCF-based US\$212.00 target price for Alphabet is based on the following assumptions: 1) 12% and 12% total revenue growth CAGRs for 2023-25E and 2020-30E, respectively. 2) 49.3% terminal adjusted EBITDA margin. 3) 10% discount rate. 4) 14x terminal EV/EBIDTA multiple.

Risks: Downside risks: 1) Macroeconomic slowdown; 2) Further regulatory scrutiny on ad business; 3) AI regulation; 4) Intensifying competition.

General Disclosures

This research report is for institutional investors and accredited investors only. If you are an unintended recipient, you are requested to immediately notify and directly return this report to China Renaissance.

Other than disclosures relating to China Renaissance, this research report is based on current public information that we consider reliable, but we do not represent that any of the information contained herein is accurate, complete or up to date, nor shall China Renaissance have any responsibility to update any opinions or other information contained herein. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research report as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports to be published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate.

China Renaissance conducts a global integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our research group.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this research report. Our asset management area and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research report.

The analysts named in this report may have from time to time discussed with our clients, including China Renaissance salespersons and traders, or may discuss in this report trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which reflects a stock's return potential relative to its coverage group as described herein.

We and our affiliates, officers, directors, and employees, excluding research analysts named in this report, may from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research report.

The views attributed to third-party presenters at China Renaissance arranged conferences, including individuals from other parts of China Renaissance, do not necessarily reflect those of the research group and are not an official view of China Renaissance.

Any third party referenced herein, including any salespeople, traders and other professionals or members of their household, may have positions in the products mentioned that are inconsistent with the views expressed by analysts named in this report.

This research report is not an invitation or offer to sell or the solicitation of an offer to buy any security or related financial instrument. Any security or related financial instrument discussed herein may not be eligible for distribution or sale in all jurisdictions and/or to all types of investors. This research report is provided for information purposes only. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research report and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents, which are available from China Renaissance sales representatives or at <http://www.theocc.com/about/publications/character-risks.jsp>.

Transaction costs may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is China Renaissance responsible for the redistribution of our research by third party aggregators. For research, models or other data available on a particular security, please contact your China Renaissance sales representative.

No part of this report may be reproduced or redistributed in any manner without the written permission of China Renaissance. China Renaissance specifically prohibits the redistribution of this report, via the Internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.

Disclosure information is also available from Compliance, 295 Madison Avenue, 18th Floor, New York, NY 10017 or at <https://research.chinarennaissance.com/en/disclaimer>.

©2024. China Renaissance.

All rights reserved. This publication or any portion hereof shall not be sold, reprinted or redistributed without the prior written consent of China Renaissance.