

GOOGL - Communication Services

GOOGL: Gemini AI Catalyzing Next Growth Cycle

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Overview

Business Overview: Alphabet's core model leverages its vast ecosystem for digital advertising, primarily through Google Search and YouTube, complemented by its rapidly expanding Google Cloud Platform. Revenue streams are segmented into Google Services, Google Cloud, and Other Bets. Dominant in search with significant market share, its competitive advantages stem from network effects, data moats, and AI leadership across products like Android and Chrome.

Industry Overview: GOOGL operates within a dynamic landscape encompassing digital advertising, cloud computing, and AI. Key trends include the ongoing shift to mobile and CTV advertising, rapid generative AI integration across all services, and expanding enterprise cloud adoption. Main competitors include Meta in advertising, Amazon and Microsoft in cloud, and Apple influencing privacy. Regulatory scrutiny, particularly regarding antitrust in search and ad tech, along with evolving data privacy laws, remains a significant overhang.

Investment Overview

Our valuation of Alphabet (GOOGL) employs a blended approach, assigning 25% weight to a Discounted Cash Flow (DCF) model and 75% to Forward Price-to-Earnings (P/E) Multiples. Our DCF, utilizing an 8.07% WACC (Cost of Equity 8.12%, Beta 1.09) and a 5-year explicit projection with 3.0% terminal growth, yields a target price of \$264.85. The Multiples analysis applies an industry average Forward P/E range of 26.1x - 32.6x to our Forward EPS of \$11.27, resulting in a probability-weighted target of \$336.84. Key investment drivers include continued strength in Search advertising, significant growth in Google Cloud, and ongoing innovation in AI. Combining these methodologies, our blended target for GOOGL is \$318.84. Against a current price of \$338.00, this implies a -5.7% downside, leading us to initiate a HOLD recommendation.

Key risks to monitor include:

- Increased regulatory scrutiny and potential antitrust actions globally could impact business operations and profitability.
- Intensified competition in AI development and cloud computing could erode market share and pricing power.
- A downturn in advertising spending across the digital ecosystem could directly affect core revenue streams.

Investment Conclusion

We maintain our HOLD rating for GOOGL with a target price of \$318.84, suggesting a -5.7% downside from its current \$338.00. While its robust core business and AI investments are strong, the current valuation limits near-term upside; we will monitor AI monetization and cloud growth for future catalysts.

Stock Overview

Metric	Value
Ticker	GOOGL
Industry/Sector	Communication Services
Closing Price	338.00 USD
Market Cap	4,093,897 USDm
Beta	1.09
P/E (TTM)	33.46x

Closing price as of 30 Jan 2026



Source: Yahoo Finance

Final Valuation & Recommendation

Scenario Analysis

Scenario	DCF Price	Multiples Price
Bear Case	\$182.55	\$294.18
Base Case	\$264.18	\$338.31
Bull Case	\$352.52	\$367.73
Prob-Weighted	\$264.85	\$336.84

Final Investment Recommendation

Metric	Value
Current Price	\$338.00
DCF Target (25% weight)	\$264.85
Multiples Target (75% weight)	\$336.84
Blended Target Price	\$318.84
Upside / Downside	-5.7%

HOLD

GOOGL - Financial Analysis

Financial Ratio Analysis (TTM)

Profitability

Metric	Value
Gross Margin	59.2%
Operating Margin	32.2%
Net Margin	32.2%
EBITDA Margin	37.2%
ROA	25.7%
ROE	35.5%
ROIC	28.2%

Liquidity

Metric	Value
Current Ratio	1.75x
Quick Ratio	1.75x
Cash Ratio	0.23x
OCF Ratio	1.52x

Leverage

Metric	Value
Debt/Equity	0.09x
Debt/Assets	0.06x
Equity Multiplier	1.39x
Interest Coverage	252.70x
EBITDA Coverage	292.01x
Net Debt/EBITDA	0.07x

Efficiency

Metric	Value
Asset Turnover	0.80x
Receivables Turnover	7.26x
Days Sales Outstanding	50.3 days

Cash Flow

Metric	Value
OCF Margin	39.3%
FCF Margin	19.1%
CF to Net Income	1.22x
CapEx / OCF	51.4%

Valuation

Metric	Value
P/E (TTM)	33.46x
P/B	10.58x
P/S	10.62x
EV/EBITDA	28.63x
EV/Sales	10.65x
FCF Yield	1.8%

WACC Calculation

Component	Value
Risk-Free Rate	4.24%
Market Risk Premium	3.57%
Beta	1.09
Cost of Equity	8.12%
Cost of Debt (after-tax)	0.86%

Component	Value
Equity Weight	99.4%
Debt Weight	0.6%
WACC	8.07%

DCF Valuation Summary

Metric	Bear Case	Base Case	Bull Case
Terminal Growth	2.5%	3.0%	3.5%
PV(FCFF)	\$279,586m	\$314,256m	\$337,982m
PV(Terminal Value)	\$784,503m	\$1,224,751m	\$1,714,965m
Enterprise Value	\$1,064,090m	\$1,539,008m	\$2,052,947m
Equity Value	\$1,062,095m	\$1,537,013m	\$2,050,952m
Share Price	\$182.55	\$264.18	\$352.52
Probability	10%	80%	10%

Sensitivity Analysis (Base Case)

TG \ WACC	6.57%	7.32%	8.07%	8.82%	9.57%
2.5%	\$336	\$283	\$244	\$215	\$192
3.0%	\$377	\$311	\$264	\$230	\$203
3.5%	\$431	\$345	\$288	\$247	\$216
4.0%	\$506	\$391	\$318	\$269	\$232
4.5%	\$617	\$452	\$357	\$295	\$251

Multiples Valuation Summary

Metric	Value
Industry Anchor Forward P/E	26.1x
Forward EPS	\$11.27
Bear P/E (10%)	26.1x
Base P/E (80%)	30.0x
Bull P/E (10%)	32.6x
Prob-Weighted Target	\$336.84