



Google: The Financial Analysis

By: Christopher Guzman Silva



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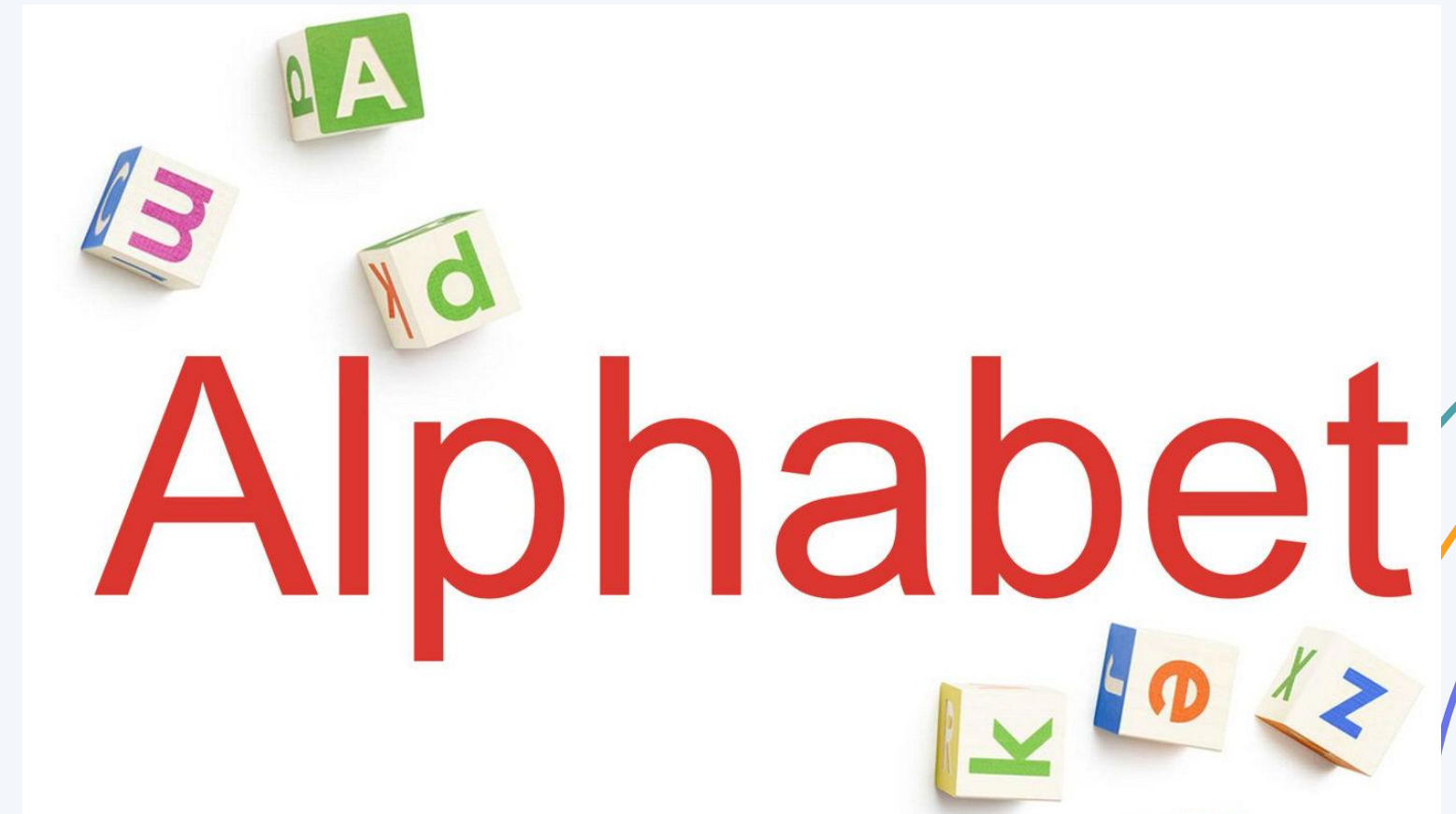
01.



Introduction

Background

- Google Founded in 1998 by Larry Page and Sergey Brin.
- In 2015 Alphabet became the successor of Google.
- Alphabet Inc. Is an American Tech Conglomerate based out of Mountain View, California.



Background

- Provides numerous online products & services:
Google Cloud, Google Chrome, Google maps, Gmail, Google Play, Google Translate, etc.
- Diverse Tech Subsidiaries:
Youtube social media platform
(including Youtube Premium and Youtube TV)
- Fitbit (Fitness Electronics)
Revenue Stream Stems From:
Advertisement, Premium Services,
Electronic devices (Fitbit/Phones)



Table 1: Alphabets Line of Business and Revenues (Alphabet 94)

| | 2021 | 2021 | 2020 | 2020 |
|-----------------------|------------------------------|--------------------|------------------------------|--------------------|
| Line of Business | Amount (dollars in millions) | % of total revenue | Amount (dollars in millions) | % of total revenue |
| Google Search & Other | 148,951 | 57.8% | 104,062 | 57% |
| Youtube Ads | 28,845 | 11.2% | 19,772 | 10.8% |
| Google Network | 31,701 | 12.3% | 23,090 | 12.7% |
| Google Cloud | 19,206 | 7.5% | 13,059 | 7.1% |
| Google Other | 28,032 | 10.8% | 21,711 | 11.9% |
| Other Bets | 753 | 0.3% | 657 | 0.4% |
| Hedging Gains | 149 | 0.1% | 176 | 0.1% |
| Total | \$257,637 | 100% | \$182,527 | 100% |

Understanding Alphabet Financially

Alphabet Inc. (GOOG) is publicly traded on the Nasdaq Stock Market LLC


- Analyzing the annual financial statement and comparing Alphabet to competitors will leave us with the following results:
- Profitability and Solvency is high, but liquidity is lower than it was the year before
- Overall, it appears that Alphabet Inc. will continue to prosper financially in the future

Figure 1: Price Performance and Market Cap of Alphabet

(“ALPHABET INC. (GOOG) Stock Price, News, Quote & History- Yahoo Finance”)



| | |
|--------------------------|-----------------------------|
| Previous Close | 116.90 |
| Open | 117.00 |
| Bid | 116.98 x 900 |
| Ask | 117.00 x 900 |
| Day's Range | 116.55 - 117.67 |
| 52 Week Range | 83.45 - 123.26 |
| Volume | 6,448,823 |
| Avg. Volume | 28,988,167 |
| Market Cap | 1.425T |
| Beta (5Y Monthly) | 1.10 |
| PE Ratio (TTM) | 24.60 |
| EPS (TTM) | 4.76 |
| Earnings Date | Jul 24, 2023 - Jul 28, 2023 |
| Forward Dividend & Yield | N/A (N/A) |
| Ex-Dividend Date | N/A |
| 1y Target Est | 115.82 |



**“In the year ahead, we will continue to
build on our advances in knowledge and
computing to help people and communities
everywhere.”**

— Sundar Pichai — CEO of Google



02

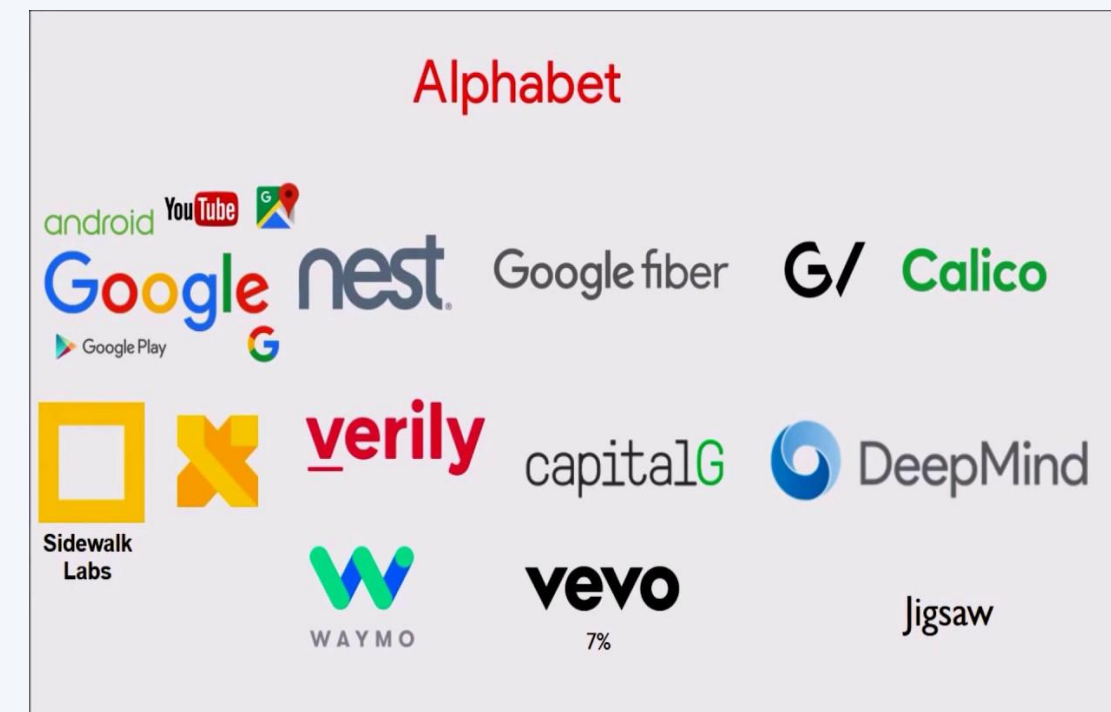


Notes To Financial Statements

By: Christopher Guzman Silva

Notes To Financial Statements

- Alphabet Inc consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP)
- Accounting policies, including the use of estimates and judgments in determining the value of certain assets and liabilities such as long-lived assets and goodwill.
- Alphabet Inc has significant amounts of cash and cash equivalents and marketable securities on its balance sheet totaled \$139.6 billion as of December 31, 2021.
- Plans to use this cash primarily to fund future acquisitions and strategic investments



Notes To Financial Statements

- It does have a significant amount of debt from its liabilities which total \$107.6 billion
- The company has indicated that it uses debt to fund its operations and to take advantage of favorable borrowing rates



Notes To Financial Statements

- Alphabet Inc obtains revenue primarily from advertising, but also from other sources such as cloud services and hardware sales.
- The company has noted that it has experienced increased competition in the online advertising market.
- which could affect its revenue growth and financial performance.



Notes To Financial Statements

- Alphabet Inc faces various legal and regulatory risks such as antitrust investigations and data privacy concerns
- These risks could result in significant fines, penalties, or changes to the company's business practices.
- Overall, these notes provide important insights into Alphabet Inc financial statements and should be considered in any analysis of the company's financial performance and position.



03



Operational Performance

Operational Performance

Alphabet’s consolidated Income statements in 2020 and 2021 Part:1

| Income statement for the years ended December 31 | | | | |
|--|------------------|------------------|------------------------------------|------------------|
| | | | Increase or (Decrease) During 2021 | |
| | 2021 | 2020 | Amount | Percent |
| | Dollar’s million | Dollar’s million | Dollar’s million | Dollar’s million |
| Sales revenue | | | | |
| Google Search & other | 148,951 | 104,062 | 44,889 | 43.1% |
| YouTube Ads | 28,845 | 19,772 | 9,073 | 45.9% |
| Google Network | 31,701 | 23,090 | 8,611 | 37.3% |
| Google Cloud | 19,206 | 13,059 | 6,147 | 47.1% |
| Google other | 28,032 | 21,711 | 6,321 | 29.1% |
| Total sales revenue | 257,637 | 182,527 | 75,110 | 41.1% |

Operational Performance

Alphabet's consolidated Income statements in 2020 and 2021 Part:2

| | | | | |
|---|---------|--------|--------|--------|
| Cost of revenues | 110,939 | 84,732 | 26,207 | 30.9% |
| Gross profit | 146,698 | 97,795 | 48,903 | 50% |
| Interest income and other gains | 12,380 | 5,592 | 6,788 | 121.1% |
| Selling and marketing expense | 22,912 | 17,946 | 4,966 | 27.7% |
| General and administrative expenses | 13,510 | 11,052 | 2,458 | 22.2% |
| Operating profit | 78,814 | 41,224 | 37,590 | 91.1% |
| Finance cost | 12,020 | 6,858 | 5,162 | 75.3% |
| Share of profit/loss of associates and joint ventures | 1,442 | 1,139 | 303 | 26.6% |
| Profit before and income tax | 90,734 | 48,082 | 42,652 | 88.7% |
| Income tax expense | 14,701 | 7,813 | 6,888 | 88.1% |

Operational Performance

Vertical analysis for Alphabet's Income statement in 2020 and 2021 Part:1

| Income statement for the years ended December 31 | | | | |
|--|---------|---------|---------|---------|
| | 2021 | | 2020 | |
| | Amount | Percent | Amount | Percent |
| | | | | |
| Google Search & other | 148,951 | 57.8% | 104,062 | 57% |
| YouTube Ads | 28,845 | 11.2% | 19,772 | 10.8% |
| Google Network | 31,701 | 12.1% | 23,090 | 12.6% |
| Google Cloud | 19,206 | 7.5% | 13,059 | 7.2% |
| Google other | 28,032 | 10.9% | 21,711 | 11.9% |
| Other bets | 753 | 0.3% | 657 | 0.4% |
| Hedging gains | 149 | 0.1% | 176 | 0.1% |
| Total sales revenue | 257,637 | 100% | 182,527 | 100% |

Operational Performance

Vertical analysis for Alphabet's Income statement in 2020 and 2021 Part:2

| | | | | |
|---------------------------------|---------|-------|--------|-------|
| Cost of revenues | 110,939 | 43.1% | 84,732 | 46.4% |
| Gross profit | 146,698 | 56.9% | 97,795 | 53.6% |
| Interest income and other gains | 12,380 | 4.8% | 5,592 | 3.1% |
| Selling and marketing expenses | 22,912 | 8.9% | 17,946 | 9.8% |
| General and administrative | 13,510 | 5.2% | 11,052 | 6.1% |
| Operating profit | 78,814 | 30.6% | 41,224 | 22.6% |
| | | | | |
| Profit before income tax | 90,734 | 35.2% | 48,802 | 26.7% |
| Income tax expense | 14,701 | 5.7% | 7,813 | 4.3% |
| Profit for the year | 76,033 | 29.5% | 40,269 | 22.1% |

04.



By: Ebrima Ceesay

Balance Sheet



| Horizontal Analysis of Assets, Liabilities, & Equity | | | | |
|--|---------|---------|---------|--------------------------------|
| | 2020 | 2021 | Amount | Percent Increase (Decrease) |
| Assets | 319,616 | 359,268 | 39,652 | 12.4% |
| Cash and Cash Equivalents | 26,465 | 20,945 | (5,520) | (21%) |
| Accounts Receivable, net | 30,930 | 39,304 | 8,374 | 27.1% |
| Income Taxes Receivable | 454 | 966 | 512 | 113% |
| Liabilities | 97,072 | 107,633 | 10,561 | 10.9% |
| Income Taxes Payable | 1,485 | 808 | (677) | (45.6%) |
| Deferred Income Taxes | 3,561 | 5,257 | 1,696 | 47.6% |
| Stockholder's Equity | 222,544 | 251,635 | 29,091 | 13.1% |

| Vertical Analysis of Assets, Liabilities, & Equities | | | | |
|--|---------|---------|---------|---------|
| | 2020 | | 2021 | |
| | Amount | Percent | Amount | Percent |
| Assets | 319,616 | 100% | 359,268 | 100% |
| Cash, Cash Equivalents | 26,465 | 8.28% | 20,945 | 5.83% |
| Liabilities | 97,072 | 30.37% | 107,633 | 29.96% |
| Stockholder's Equity | 222,544 | 69.62% | 251,635 | 70.04% |

| Profitability, Solvency, & Liquidity Ratios | 2020 | 2021 |
|---|------------|------------|
| Current Ratio | 3.07:1 | 2.93:1 |
| Acid Test Ratio | 2.95:1 | 2.79:1 |
| Accounts Receivable Turnover | 0.66 times | 0.51 times |
| Profit Margin | 22.06% | 29.51% |
| Asset Turnover | 0.61 times | 0.76 times |
| Return on Asset | 13.52% | 22.40% |
| Return on common Stockholders Equity | 19% | 32.07% |
| Return on Earnings | 73.85% | 126.45% |
| Debt to Assets Ratio | 30.37% | 29.96% |
| Times Interest Earned | 8.01:1 | 8.55:1 |

05.



Competition

Who are Alphabets Competitors?

- Based on online advertising platforms, digital video services, social networks, and more; Alphabets top competitors are **Amazon** and **Meta**.

The Amazon logo, featuring the word "amazon" in a bold, black, sans-serif font. A curved orange arrow is positioned below the letters "a" and "z", pointing from the "a" to the "z".The Meta logo, consisting of a blue infinity symbol (∞) followed by the word "Meta" in a bold, dark blue, sans-serif font.

Comparison of Liquidity

| Company Name | Current Ratio | Quick Ratio | Account Receivable Turnover |
|---------------|---------------|-------------|-----------------------------|
| Alphabet Inc. | 2.93 :1 | 2.79:1 | 0.51 |
| Amazon | 1.14: 1 | 0.86: 1 | 14.28 |
| Meta | 2.20 :1 | 2.35 :1 | 8.4 |

Comparison of Profitability

| Company Name | Net Margin | Asset Turnover | Return on Asset | Return on Investment Capitol |
|---------------|------------|----------------|-----------------|------------------------------|
| Alphabet Inc. | 29.51% | 0.76 | 22.40% | 32.07% |
| Amazon | 7.10% | 1.11 | 7.93% | 17.28% |
| Meta | 33.38% | 0.71 | 23.72% | 27.9% |

Comparison of Solvency

| Company Name | Debt To Asset Ratio | Times Interest Earned |
|---------------|---------------------|-----------------------|
| Alphabet Inc. | 29.96% | 8.55:1 |
| Amazon | 7.93% | 4.00 :1 |
| Meta | 23.51% | 4.15:1 |

06



Conclusion

To Conclude

Most of Alphabet's financial success has come from advertising. In 2021 they earned \$1,329 billion with advertising alone.

The company uses debt to fund operations and takes advantage of borrowing rates.

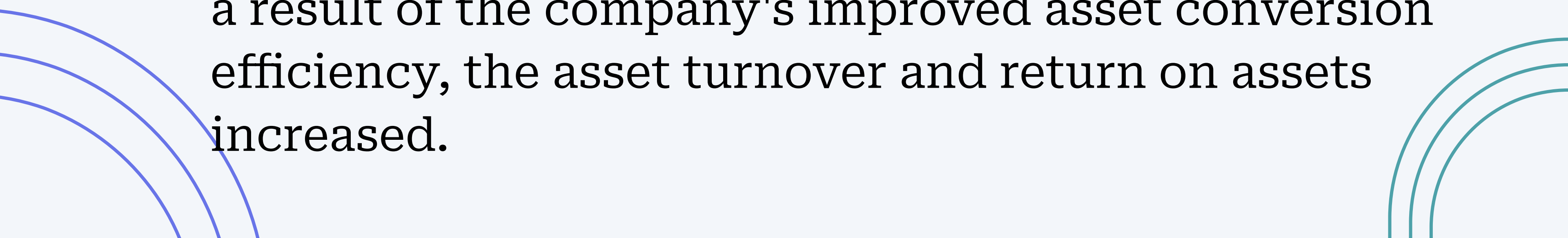
Partnering with YouTube for YouTube Ads, Google made almost \$29 million in the year 2021



Google has been such a successful company, however we see a fall in their current assets and cash.

The company's liquidity has declined from the previous year, as shown by the current ratio and accounts receivable turnover.

Still, profitability has increased, with an increase in profit margin, asset turnover, and return on assets, indicating successful sales conversion into profits. As a result of the company's improved asset conversion efficiency, the asset turnover and return on assets increased.





thank you!

end credits



Cite Page



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