

Equity Research Report: Alphabet Inc.

Income Statement Analysis

The company generated \$350 billion in total revenues for the current fiscal year, up 14% from the prior year. Revenues grew across key segments such as Google Search & Other, YouTube ads, and Google Cloud Platform. The cost of revenues as a percentage of revenues improved to 42% versus 43% last year, as content acquisition costs and TAC ratio were managed well despite revenue mix shifts. However, R&D; expenses increased moderately while G&A; costs declined on lower legal charges, maintaining operating margins at 32%. Net income rose 36% to \$100 billion, with the operating and net profit margins reaching new highs. Overall, the company demonstrated sustained double-digit topline expansion and improving cost efficiencies over the past year. Going forward, the company appears well-positioned to continue driving revenue growth through innovation and market expansion. However, tighter management of infrastructure investments and legal costs will be important to preserve margins as revenues scale further in the coming years.

Balance Sheet Analysis

Alphabet's balance sheet depicts a stable financial position. Current assets of \$163.7 billion sufficiently cover current liabilities of \$89.1 billion, demonstrating strong liquidity with a ratio of 1.84. Property and equipment, net at \$184.6 billion comprise a large portion of assets, indicating substantial investments in infrastructure to support long-term growth. Compared to prior years, liquidity has decreased as current assets declined while current liabilities rose, though the ratio remains healthy. Meanwhile, property and equipment has steadily increased, highlighting ongoing capital expenditures primarily for technical infrastructure. Debt of \$25.5 billion is modest relative to total assets of \$450.3 billion and equity of \$325.1 billion. The low debt-to-equity ratio of 0.08 signals a conservative capital structure with flexibility for strategic initiatives. Equity has grown consistently through retained earnings as the company regularly generates profits. Overall, Alphabet's balance sheet conveys a financially stable company with a strong asset base, manageable debt levels, and ample equity. Prudent management of working capital and continued investments in technical infrastructure to support innovative products and services will likely sustain its solid financial position. The company appears well-positioned for long-term growth through further monetization of existing platforms while exploring new technologies and business models.

Cashflow Analysis

Alphabet generated \$125.3 billion in operating cash flow in 2024, up 23% from 2023, indicating strong core business profitability. Cash from operations primarily came from advertising revenues, offset by payments for content, TAC, and operating expenses. Investing activities used \$45.5 billion in cash, up from \$27.1 billion, mainly due to a \$20.3 billion increase in capital expenditures to \$52.5 billion as the company continues investing heavily in infrastructure to support growth. Purchases of marketable securities also increased. Financing activities used \$79.7 billion, up from \$72.1 billion, as the company initiated a dividend program that paid out \$7.4 billion and increased stock repurchases to \$62.0 billion. Proceeds from debt issuance rose but were offset by repayments. Overall, Alphabet maintained robust liquidity with \$95.7 billion in cash/investments at year-end despite increased investments and shareholder returns. Strong operating cash flow funds capital expenditures for sustainable long-term growth while dividend payments and buybacks indicate confidence in profitability. However, continued heavy infrastructure spending could strain liquidity if revenues slow. Alphabet's cash management has effectively balanced growth, returns, and liquidity thus far.

Summarization

Alphabet delivered strong operational and financial results in the latest fiscal year according to the comprehensive analysis. Revenues grew 14% to \$350 billion through innovative products and market expansion. Cost efficiencies including content and TAC management supported 32% operating margins despite revenue mix shifts. Net income increased 36% on sustained profitability gains. The balance sheet portrays a stable financial structure with ample liquidity and manageable debt. Substantial investments in infrastructure are evident from growing property/equipment, maintaining future growth. Prudent equity and liability management signals balance sheet strength. Robust operating cash flows of \$125

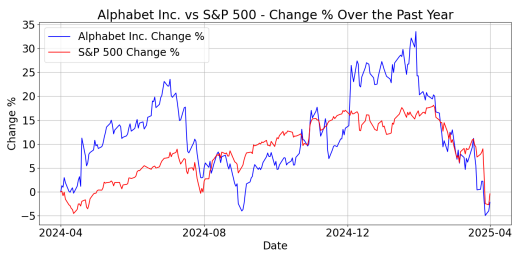
billion primarily funded \$52.5 billion capital expenditures and \$7.4 billion dividends. Increased stock buybacks indicate confidence in cash generation. Cash/investments remained healthy at \$95.7 billion despite investments and returns, showing efficient cash application. Overall, Alphabet demonstrated strong fiscal health through revenue growth, cost leadership, and efficient cash deployment. The company is well-positioned for continued innovation and monetization while preserving margins and liquidity. To further optimize performance, Alphabet should focus on infrastructure spending discipline to maintain healthy liquidity as revenues scale. Exploring new technologies and business models through strategic partnerships could also drive diversification while preserving financial flexibility. With diligent management of investments, costs, and cash flows, Alphabet is well-equipped for sustainable long-term growth and shareholder value creation.

Rating: BUY

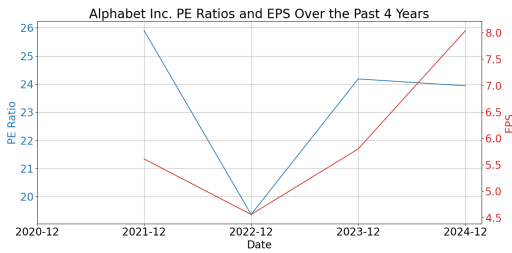
Key data

6m avg daily val (USDmn)	19.88
Closing Price (USD)	152.02
Market Cap (USDmn)	1835176.95
52 Week Price Range (USD)	142.66 - 208.7
BVPS (USD)	26.622

Share Performance



PE & EPS



Income Statement

FY (USD mn)	2024	2023	2022
Tax Effect Of Unusual Items	370.968	-286.479	-981.507
Tax Rate For Calcs	0.164	0.139	0.159
Normalized EBITDA	133132.0	100032.0	91333.0
Total Unusual Items	2262.0	-2061.0	-6173.0
Total Unusual Items Excluding Goodwill	2262.0	-2061.0	-6173.0
Net Income From Continuing Operation Net Minority Interest	100118.0	73795.0	59972.0
Reconciled Depreciation	15311.0	11946.0	13475.0
Reconciled Cost Of Revenue	146306.0	133332.0	126203.0
EBITDA	135394.0	97971.0	85160.0
EBIT	120083.0	86025.0	71685.0
Net Interest Income	4214.0	3557.0	1817.0
Interest Expense	268.0	308.0	357.0
Interest Income	4482.0	3865.0	2174.0
Normalized Income	98226.968	75569.521	65163.493
Net Income From Continuing And Discontinued Operation	100118.0	73795.0	59972.0
Total Expenses	237628.0	223101.0	207994.0
Total Operating Income As Reported	112390.0	84293.0	74842.0
Diluted Average Shares	12447.0	12722.0	13159.0
Basic Average Shares	12319.0	12630.0	13063.0
Diluted EPS	8.04	5.8	4.56
Basic EPS	8.13	5.84	4.59
Diluted NI Availto Com Stockholders	100118.0	73795.0	59972.0
Net Income Common Stockholders	100118.0	73795.0	59972.0
Net Income	100118.0	73795.0	59972.0
Net Income Including Noncontrolling Interests	100118.0	73795.0	59972.0
Net Income Continuous Operations	100118.0	73795.0	59972.0
Tax Provision	19697.0	11922.0	11356.0
Pretax Income	119815.0	85717.0	71328.0
Other Income Expense	3211.0	-2133.0	-5331.0
Other Non Operating Income Expenses	1137.0	556.0	1179.0
Special Income Charges	nan	nan	nan
Earnings From Equity Interest	-188.0	-628.0	-337.0
Gain On Sale Of Security	2262.0	-2061.0	-6173.0
Net Non Operating Interest Income Expense	4214.0	3557.0	1817.0
Interest Expense Non Operating	268.0	308.0	357.0
Interest Income Non Operating	4482.0	3865.0	2174.0
Operating Income	112390.0	84293.0	74842.0
Operating Expense	91322.0	89769.0	81791.0
Research And Development	49326.0	45427.0	39500.0
Selling General And Administration	41996.0	44342.0	42291.0
Selling And Marketing Expense	27808.0	27917.0	26567.0
General And Administrative Expense	14188.0	16425.0	15724.0
Other Gand A	14188.0	16425.0	15724.0
Gross Profit	203712.0	174062.0	156633.0
Cost Of Revenue	146306.0	133332.0	126203.0
Total Revenue	350018.0	307394.0	282836.0
Operating Revenue	350018.0	307394.0	282836.0

Cash Flow Sheet

FY (USD mn)	2024	2023	2022
Free Cash Flow	72764.0	69495.0	60010.0
Repurchase Of Capital Stock	-62222.0	-61504.0	-59296.0
Repayment Of Debt	-12701.0	-11550.0	-54068.0
Issuance Of Debt	13589.0	10790.0	52872.0
Capital Expenditure	-52535.0	-32251.0	-31485.0
Income Tax Paid Supplemental Data	nan	19164.0	18892.0
End Cash Position	23466.0	24048.0	21879.0
Beginning Cash Position	24048.0	21879.0	20945.0
Effect Of Exchange Rate Changes	-612.0	-421.0	-506.0
Changes In Cash	30.0	2590.0	1440.0
Financing Cash Flow	-79733.0	-72093.0	-69757.0
Cash Flow From Continuing Financing Activities	-79733.0	-72093.0	-69757.0
Net Other Financing Charges	1154.0	8.0	35.0
Proceeds From Stock Option Exercised	-12190.0	-9837.0	-9300.0
Cash Dividends Paid	-7363.0	0.0	0.0
Common Stock Dividend Paid	-7363.0	0.0	0.0
Net Common Stock Issuance	-62222.0	-61504.0	-59296.0
Common Stock Payments	-62222.0	-61504.0	-59296.0
Net Issuance Payments Of Debt	888.0	-760.0	-1196.0
Net Long Term Debt Issuance	888.0	-760.0	-1196.0
Long Term Debt Payments	-12701.0	-11550.0	-54068.0
Long Term Debt Issuance	13589.0	10790.0	52872.0
Investing Cash Flow	-45536.0	-27063.0	-20298.0
Cash Flow From Continuing Investing Activities	-45536.0	-27063.0	-20298.0
Net Other Investing Changes	-2667.0	-1051.0	1589.0
Net Investment Purchase And Sale	12597.0	6734.0	16567.0
Sale Of Investment	104310.0	87619.0	97972.0
Purchase Of Investment	-91713.0	-80885.0	-81405.0
Net Business Purchase And Sale	-2931.0	-495.0	-6969.0
Purchase Of Business	-2931.0	-495.0	-6969.0
Net PPE Purchase And Sale	-52535.0	-32251.0	-31485.0
Purchase Of PPE	-52535.0	-32251.0	-31485.0
Operating Cash Flow	125299.0	101746.0	91495.0
Cash Flow From Continuing Operating Activities	125299.0	101746.0	91495.0
Change In Working Capital	-8406.0	-3845.0	-2235.0
Change In Other Working Capital	-1375.0	1048.0	951.0
Change In Other Current Assets	-1397.0	-2143.0	-5046.0
Change In Payables And Accrued Expense	257.0	5083.0	4177.0
Change In Accrued Expense	-102.0	4419.0	3470.0
Change In Payable	359.0	664.0	707.0
Change In Account Payable	359.0	664.0	707.0
Change In Receivables	-5891.0	-7833.0	-2317.0
Changes In Account Receivables	-5891.0	-7833.0	-2317.0
Other Non Cash Items	3419.0	4330.0	3483.0
Stock Based Compensation	22785.0	22460.0	19362.0
Deferred Tax	-5257.0	-7763.0	-8081.0
Deferred Income Tax	-5257.0	-7763.0	-8081.0
Depreciation Amortization Depletion	15311.0	11946.0	13475.0
Depreciation And Amortization	15311.0	11946.0	13475.0
Amortization Cash Flow	nan	nan	641.0
Amortization Of Intangibles	nan	nan	641.0
Depreciation	15311.0	11946.0	13475.0
Operating Gains Losses	-2671.0	823.0	5519.0
Gain Loss On Investment Securities	-2671.0	823.0	5519.0
Net Income From Continuing Operations	100118.0	73795.0	59972.0