

# Equity Research Report: Alphabet Inc.

## Income Statement Analysis

Alphabet's revenues grew 14% to \$350 billion in 2024, with Google Services revenues increasing 12% led by Search and YouTube. Gross margins declined slightly to 58% due to higher content and infrastructure costs. Operating margins expanded to 32% despite a 2% rise in operating expenses, demonstrating good cost management. Net income grew 36% resulting in an 8% net margin, showing strong profitability. Revenues have steadily increased over the past few years as the company expands into new markets. While costs are rising with business growth, Alphabet is efficiently managing expenses to drive higher profits. Overall, Alphabet remains financially healthy with sustainable revenue drivers and opportunities to optimize infrastructure spending to bolster margins further, keeping it well positioned for continued growth and profitability.

## Balance Sheet Analysis

For the year ended December 31, 2024, Alphabet maintained a strong financial position with current assets of \$163.7 billion exceeding current liabilities of \$89.1 billion, demonstrating ample liquidity to meet near-term obligations. The ratio of total debt to total capitalization remained low at 7.6%, reflecting prudent use of leverage. Compared to prior years, shareholders' equity expanded to \$325.1 billion from growing retained earnings, underscoring profits are reinvested to fuel innovation. Overall, Alphabet's financial stability has improved in recent years through diligent asset and liability management. Significant free cash flow provides flexibility to strategically reinvest in technology and talent while returning capital to shareholders. These tactics position the company for enduring growth and value creation through continued development of disruptive technologies. Prudent fiscal stewardship maintains an enviable capital structure for weathering economic volatility while empowering Alphabet's long-term vision.

## Cashflow Analysis

Alphabet generated \$125.3 billion in operating cash flow in 2024, up 23% from 2023, indicating strong core business profitability. Cash outflows for investing rose 66% as capital expenditures increased to \$52.5 billion primarily for infrastructure to support growth. Financing cash outflows increased 10% due to \$7.4 billion in dividend payments and \$62 billion for share repurchases, partially offset by debt issuance. Compared to prior periods, Alphabet's operating and investing cash flows have steadily increased, demonstrating sustainable growth. With \$95.7 billion in cash/investments and \$10 billion credit facilities as backup, Alphabet has ample liquidity to fund operations and \$55.4 billion in commitments while returning cash to shareholders. Overall, Alphabet maintains effective cash management, and its liquidity position should enable further growth opportunities.

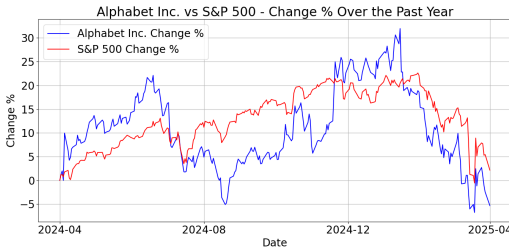
## Summarization

Alphabet continues to demonstrate strong financial performance and health. Revenues grew 14% in 2024 as the company expands into new markets, driving 12% growth in Google Services. Cost discipline kept operating expenses largely flat despite infrastructure investments, boosting profits 36% and margins. The balance sheet reflects prudent management with low debt, ample current assets, and reinvested profits strengthening equity. Steadily rising operating cash flows fund \$52.5 billion in capital expenditures and \$7.4 billion in dividends while maintaining a robust cash balance. Alphabet efficiently converts revenues into cash, invests strategically, and returns value to shareholders. Overall, the company exhibits fiscal discipline through revenue growth, cost optimization, and effective cash deployment. Alphabet is well positioned for sustainable long-term growth by continuing technology leadership while balancing investments, profits, and shareholder returns.

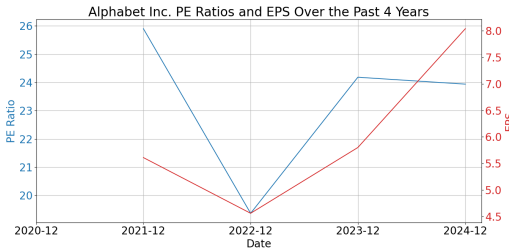
## Key data

6m avg daily val (USDmn)	20.74
Closing Price (USD)	148.84
Market Cap (USDmn)	1799829.19
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