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Narrative

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Alphabet Inc. the parent company of Google is one of the most prominent companies in the technology industry. With a global presence in advertising, artificial intelligence and as a search engine, Google has maintained the status of being a highly successful and well regarded company. As of 2024 Google's search engine holds a market share of about 91%. Google's leadership in the search engine industry has been a critical driver in their financial success. Aside from the search engine, Alphabet has diversified its operations in industries such as self driving cars with Waymo and AI with Gemini. Over the past three years the company has consistently demonstrated its ability to grow and adapt to market changes. This analysis highlights the critical financial data from the income statement, balance sheet, and cash flow statement for 2021 to 2023, providing insights into the company. This analysis highlights critical data from Alphabet's financial statements, including the income statement, balance sheet and cash flow statement.

According to the income statements over the last three years, Alphabet has consistently grown their revenue, rising from \$257.6 billion in 2021 to \$307.4 billion in 2023. This consistent growth underscores Alphabet's ability to innovate and maintain its core business. Worth noting is the fluctuation in operating income percentage from 31% in 2021 to 26% in 2022 before rebounding to 27% in 2023. This small but noteworthy decrease in 2022 aligns with economic challenges that occurred that same year. Including soaring inflation and supply chain issues that slowed down demand

in the economy especially for digital advertising. Alphabet's ability to recover demonstrates the strength of their diversified revenue streams and capacity to navigate economic volatility.. The growth in gross profit from \$146.7 billion in 2021 to \$174.1 billion in 2023 reflects strong operational efficiency. Over the three year period, Alphabet has maintained a positive net income, highlighting their ability to generate earnings despite high expenses.

Alphabet's financial position remains robust, with total assets growing steadily from \$347.4 billion in 2021 to \$402.4 billion in 2023. The company's current ratio has improved over time, increasing from 2.97 in 2021 to 3.38 in 2023, indicating a strong ability to meet short-term obligations. Additionally, Alphabet's debt ratio has declined from 0.335 in 2021 to 0.295 in 2023, highlighting the company's conservative approach to paying off debt. The significant growth in stockholders' equity, rising from \$244.6 billion in 2021 to \$283.4 billion in 2023, reflects Alphabet's ability to generate and retain value for its investors. This means that Alphabet's balance sheet is in a good position to continue to grow. An area to watch would be the increase in liabilities because of the potential risk due to large investment in long term assets.

Alphabet's net cash from operating activities grew steadily, from \$91.6 billion in 2021 to \$101.7 billion in 2023, reflecting its strong ability to generate cash through performing business activities. This increase reflects efficient cash generation, driven by non-cash adjustments like "stock-based compensation", which rose from \$15.4 billion to \$22.5 billion, and depreciation of property, which averaged around \$12 billion annually. Alphabet has consistently had a net negative in investing activities driven by large purchases of property, equipment and marketable securities. This net decrease is typical for large companies seeking to grow and expand their business and underscores

their reliance on high operational cash flow. The consistent net negative in financing activities shows Alphabet's desire to pay stockholders back through buybacks. This strategy would be appealing to investors looking to make gains on their investments.

An ethical concern that has arisen for Google is their reliance on personal data for its advertising business. The company has faced scrutiny for violating privacy by collecting data. Another area of concern could be the accuracy of their financial records. Google maintains a \$2.24 trillion market cap. Which means they handle an enormous amount of money and unethical practices can easily be hidden given the size of some entries. From an internal controls perspective, Alphabet must ensure strict processes for managing its complex global operations.

As a manager I would focus on two specific areas of the company, the large reliance on marketable securities and ethical issues. Having a reliance on marketable securities puts the company at risk of potential market volatility. Large changes in the market could have a large effect on the company. Ethical concerns like data privacy and security would also be important, as these directly affect user trust and the company's reputation. Missteps in this area could lead to significant financial penalties, legal challenges, and a loss of consumer confidence, which would negatively impact its advertising business. As a leader in the industry, it is important that Alphabet set a standard for ethical practices.