

October 26, 2023

Alphabet Inc

GOOGL-US USD 125.61

Industry Group: Online Services
52 Week Range: USD 83.34 - USD 141.22
Market Cap: USD 1583816.49 Mil.

Data as of Last Available Filing

Annual: 2022-12-31
Semi Annual: N/A
Quarterly: 2023-09-30

Peer Group

Microsoft Corp (MSFT-US)
Apple Inc (AAPL-US)
eBay Inc (EBAY-US)
Yandex NV (YNDX-US)
Baidu Inc (ADR) (BIDU-US)
Akamai Technologies, Inc. (AKAM-US)
Adobe Inc (ADBE-US)
Amazon.com, Inc. (AMZN-US)
Alphabet Inc (GOOGL-US)

Alphabet Inc :GOOGL-US: Earnings Analysis: Q3, 2023 By the Numbers

Alphabet Inc reports financial results for the quarter ended September 30, 2023.

We analyze the earnings along side the following peers of Alphabet Inc - Microsoft Corp, Apple Inc, eBay Inc, Yandex NV, Baidu Inc (ADR), Akamai Technologies, Inc., Adobe Inc and Amazon.com, Inc. (MSFT-US, AAPL-US, EBAY-US, YNDX-US, BIDU-US, AKAM-US, ADBE-US and AMZN-US) that have also reported for this period.

Highlights

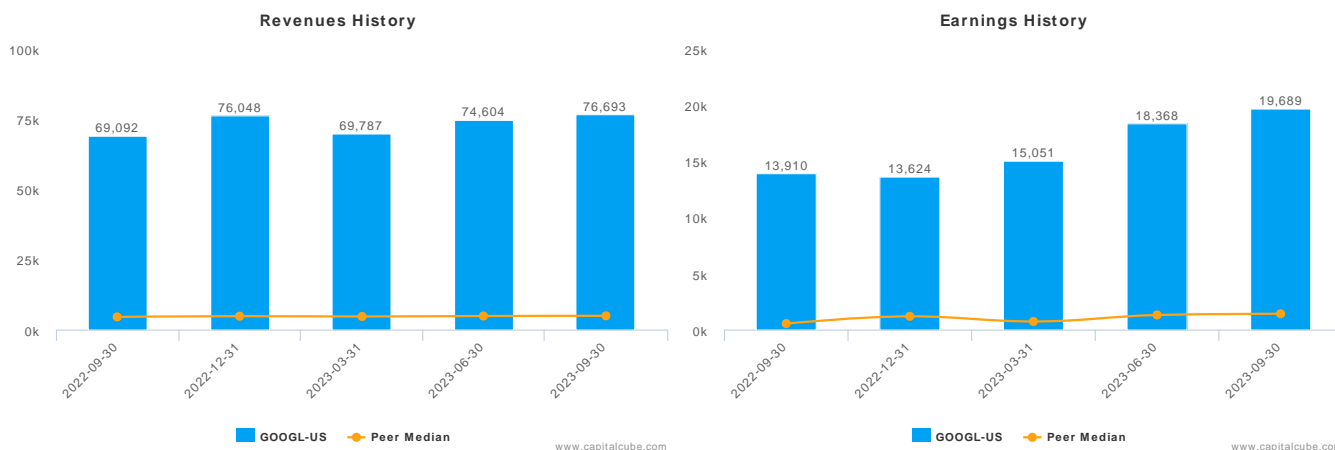
- # Summary numbers: Revenues of USD 76693 million, Net Earnings of USD 19689 million.
- # Gross margins widened from 54.90% to 56.70% compared to the same period last year, operating (EBITDA) margins now 32.78% from 30.66%.
- # Year-on-year change in operating cash flow of 31.27% is about the same as the change in earnings, likely no significant movement in accruals or reserves.
- # Earnings growth from operating margin improvements as well as one-time items.

The table below shows the preliminary results and recent trends for key metrics such as revenues and net income growth:

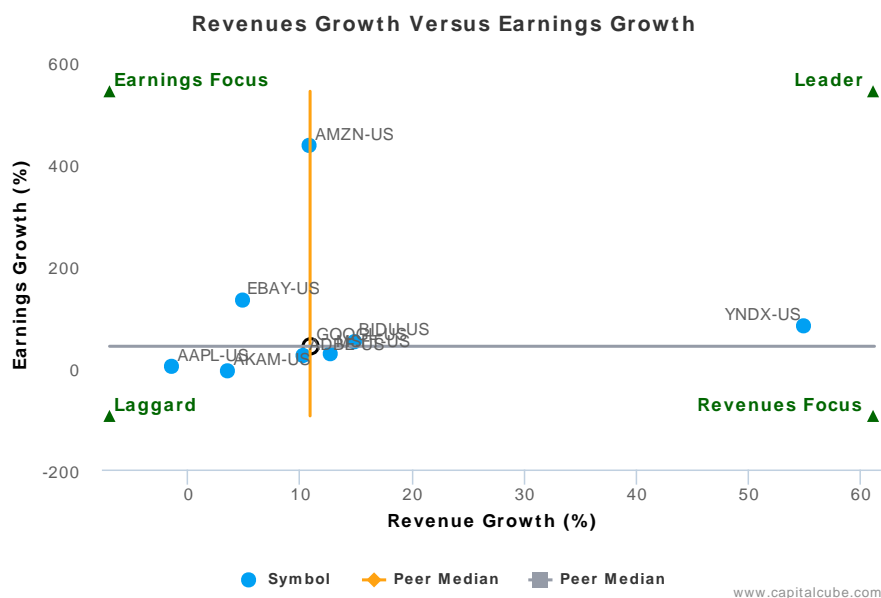
	2023-09-30	2023-06-30	2023-03-31	2022-12-31	2022-09-30
Relevant Numbers (Quarterly)					
Revenues (mil)	76693	74604	69787	76048	69092
Revenue Growth (%YOY)	11	7.06	2.61	0.96	6.1
Earnings (mil)	19689	18368	15051	13624	13910
Earnings Growth (%YOY)	41.55	14.79	-8.43	-34	-26.54
Net Margin (%)	25.67	24.62	21.57	17.92	20.13
EPS	1.45	1.35	1.17	0.98	1.06
Return on Equity (%)	7.29	6.96	5.82	5.35	5.47
Return on Assets (%)	20.2	19.53	16.39	15.06	15.6

[Access our Ratings and Scores for Alphabet Inc](#)

Market Share Versus Profits

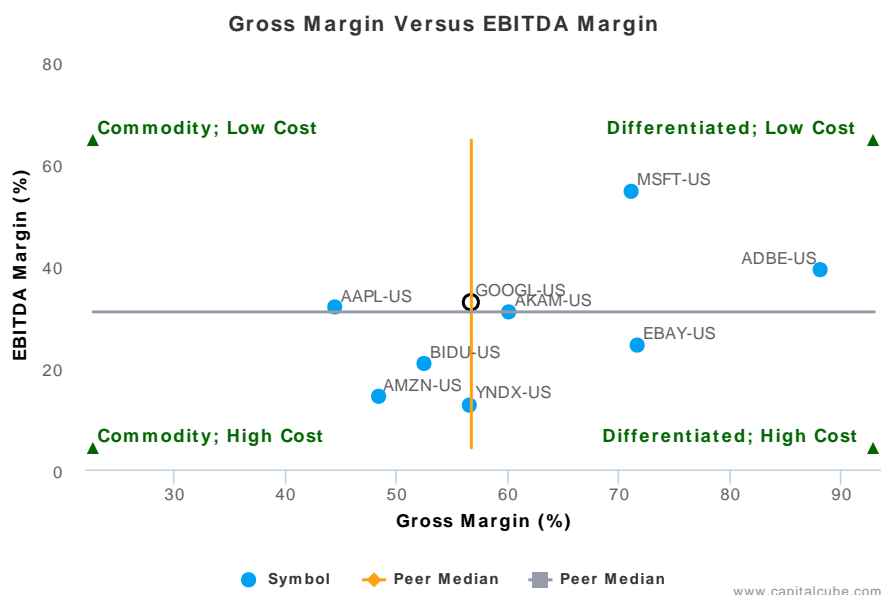


GOOGL-US's change in revenue this period compared to the same period last year of 11.00% is almost the same as its change in earnings, and is about average among the announced results thus far in its peer group, suggesting that GOOGL-US is holding onto its market share. Also, for comparison purposes, revenues changed by 2.80% and earnings by 7.19% compared to the immediate last period.

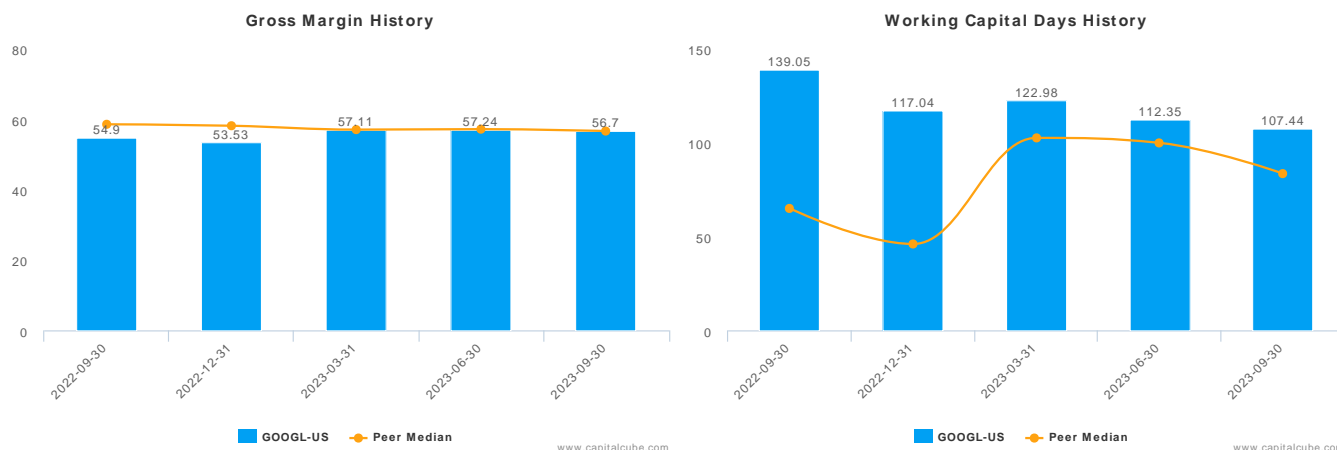


Earnings Growth Analysis

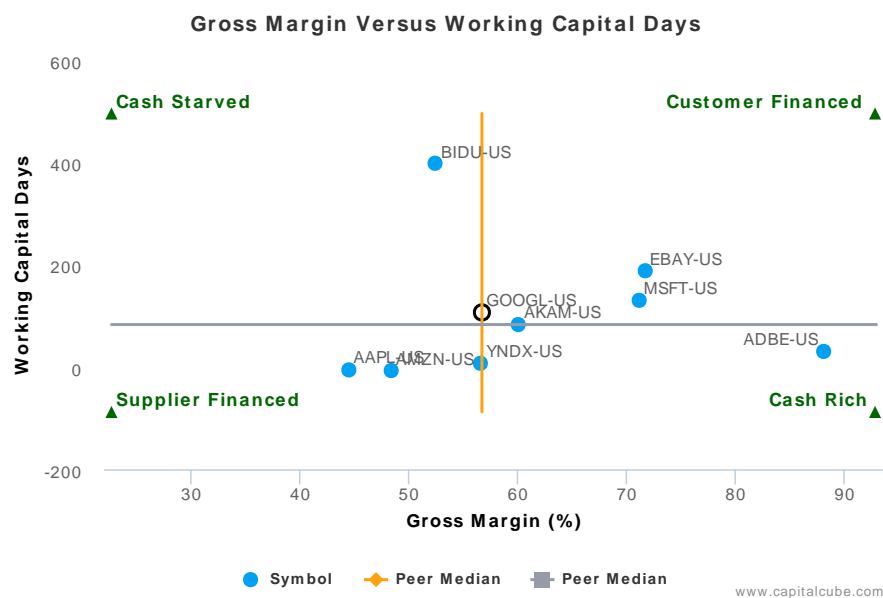
The company's earnings growth was influenced by year-on-year improvement in gross margins from 54.90% to 56.70% as well as better cost controls. As a result, operating margins (EBITDA margins) rose from 30.66% to 32.78% compared to the same period last year. For comparison, gross margins were 57.24% and EBITDA margins were 33.83% in the last reporting period.



Gross Margin Trend



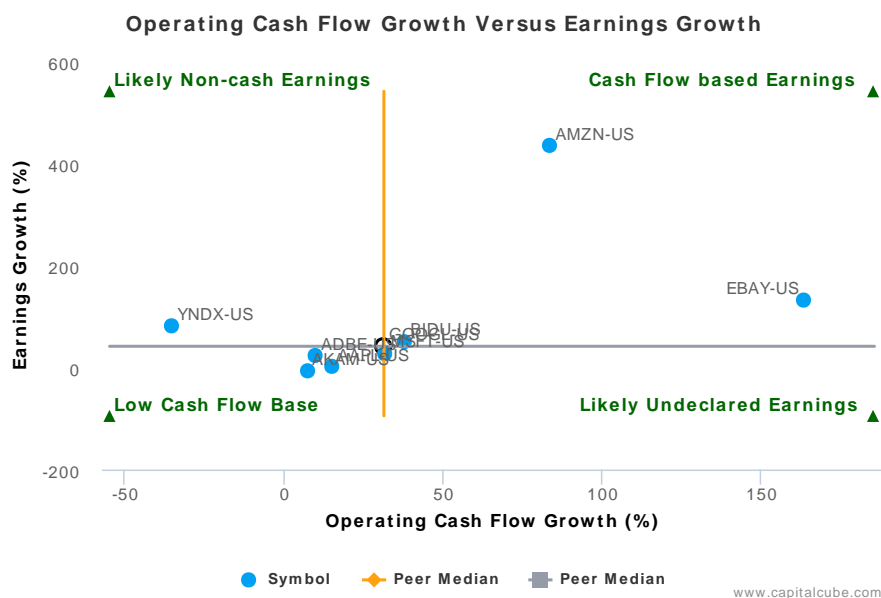
GOOGL-US's improvement in gross margin has been accompanied by an improvement in its balance sheet as well. This suggests that gross margin improvements are likely from operating decisions and not accounting gimmicks. Its working capital days are now 107.44 days compared to 139.05 days for the same period last year.



Cash Versus Earnings - Sustainable Performance?

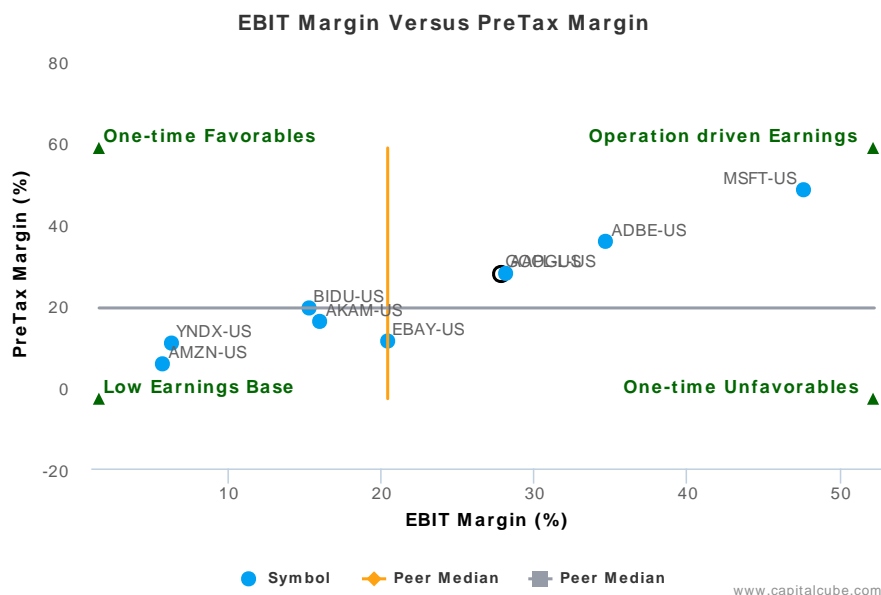
It is important to examine a company's cash versus earnings numbers to gauge whether its performance is sustainable.

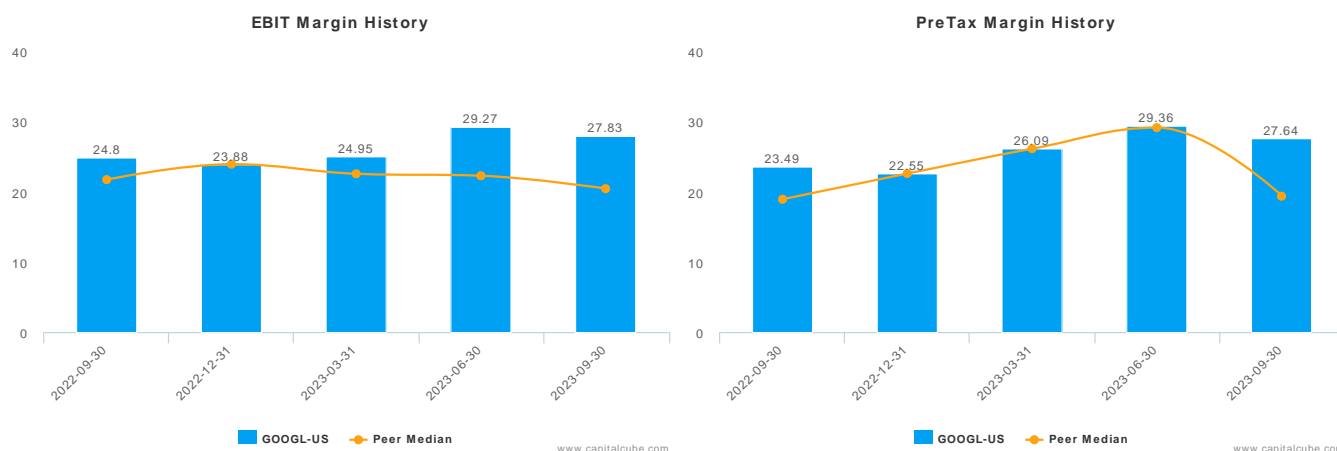
GOOGL-US's change in operating cash flow of 31.27% compared to the same period last year is about the same as its change in earnings this period. Additionally, this change in operating cash flow is about average among its peer group. This suggests that the company did not use accruals or reserves to manage earnings this period, and that, all else being equal, the earnings number is sustainable.



Margins

The company's earnings growth has also been influenced by the following factors: (1) Improvements in operating (EBIT) margins from 24.80% to 27.83% and (2) one-time items. The company's pretax margins are now 27.64% compared to 23.49% for the same period last year.





[Access our Ratings and Scores for Alphabet Inc](#)

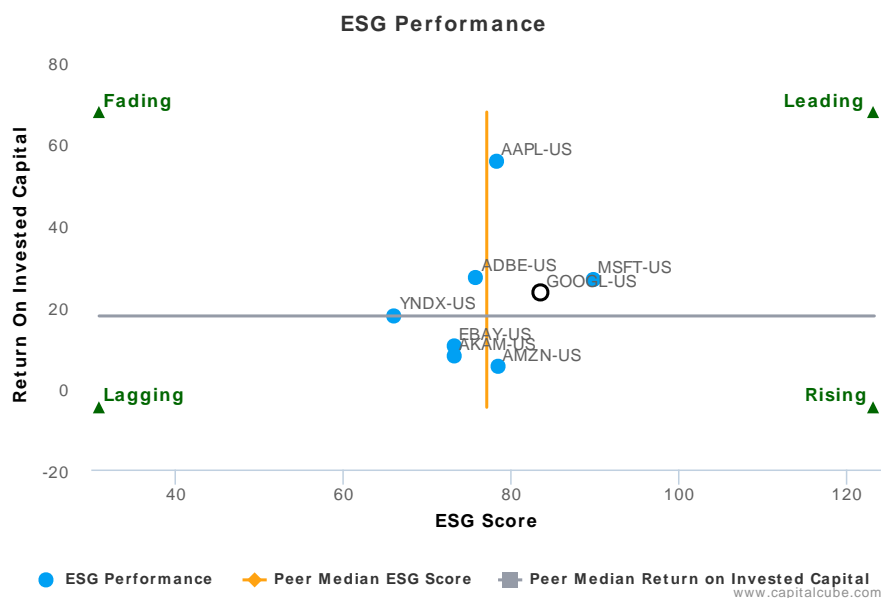
ESG Performance

Investors are more conscientious about investing in companies with good Environmental, Social and Governance (ESG) practices. We give companies that self-report annually on these metrics a score that is calculated as a sum of the 3 individual pillar scores. ESG scores are calculated out of 100 and are also presented as a letter grade.

- # As of 2022, GOOGL-US has an ESG score of 83.59 (A) which is highest compared to the last four years and is higher as compared to a low of 66.21 (B) in 2018.
- # While its ESG score increased to 83.59 (A) from 81.60 (A-) in 2021, its peer median decreased during this period to 77.06 (A-) from 78.28 (A-).
- # As of 2022, the ESG score of GOOGL-US has outperformed its peers by 8.48% (and is now also higher than its peer median). In 2021, GOOGL-US outperformed its peers by 4.24%.
- # Of the three pillars that make up the overall ESG score, the Social pillar performed best with a score of 88.81 (A)
- # GOOGL-US's Environmental pillar score of 76.84 (A-) is its highest relative to the last four years and compares to a low of 73.91 (B+) in 2018.
- # GOOGL-US's Social pillar score of 88.81 (A) has increased 7.36 % from last year's low and is now above its four-year average Social pillar score of 86.70 (A).
- # GOOGL-US's Governance pillar score of 81.13 (A-) has declined by 1.16 % from last year's high but remains above its four-year average Governance pillar score of 62.34 (B).

Beyond the ESG score, we also analyze the Controversies score of the company. This is calculated based on controversies related to the company in the media - bad press can be costly to companies. A Controversies score of 100 is good - meaning no controversies whereas a Controversies score of 0 is bad and adversely affects the ESG Score.

- # In 2022, GOOGL-US's Controversies score has remained relatively stable at 0.40 (D-) compared to 2021. Its peer median has increased to 41.87 (C+) from 20.59 (D+) during the same period.
- # Factoring in the Controversies score of 0.40 (D-) with the ESG Score of 83.59 (A), gives GOOGL-US a Combined ESG (ESGC) score of 41.99 (C+).



Company	Symbol	Total ESG Score	Environmental Score	Social Score	Governance Score
Microsoft Corp	MSFT-US	A	A-	A	A+
Apple Inc	AAPL-US	A-	B	A-	A+
eBay Inc	EBAY-US	B+	C+	B+	A-
Yandex NV	YNDX-US	B	C+	A+	B-
Baidu Inc (ADR)	BIDU-US	N/A	N/A	N/A	N/A
Akamai Technologies, Inc.	AKAM-US	B+	B+	B-	A
Adobe Inc	ADBE-US	A-	A-	A-	A-
Amazon.com, Inc.	AMZN-US	A-	A	A-	B+
Alphabet Inc	GOOGL-US	A	A-	A	A-
Peer Median		A-	B+	A-	A-

Company Profile

Alphabet Inc. is a holding company. The Company's segments include Google Services, Google Cloud, and Other Bets. The Google Services segment includes products and services such as ads, Android, Chrome, hardware, Google Maps, Google Play, Search, and YouTube. The Google Cloud segment includes infrastructure and platform services, collaboration tools, and other services for enterprise customers. The Other Bets segment includes earlier stage technologies that are further afield from its core Google business, and it includes the sale of health technology and Internet services. Its Google Cloud provides enterprise-ready cloud services, including Google Cloud Platform and Google Workspace. Google Cloud Platform provides technology in cybersecurity; data, analytics, artificial intelligence (AI), machine learning and infrastructure. The Company's Google Workspace's secure communication and collaboration tools, which include apps, such as Gmail, Docs, Drive, Calendar, Meet, and others.

About CapitalCube

CapitalCube is a financial portal providing comprehensive company analysis including on-demand fundamental research, portfolio evaluation and screening tools on over 50,000 global equities and North American ETFs. CapitalCube and its affiliated companies own no shares in the companies mentioned in this report. CapitalCube is owned by AnalytixInsight Inc. Visit www.capitalcube.com for a free trial.

CapitalCube does not own any shares in the stocks mentioned and focuses solely on providing unique fundamental research and analysis on approximately 50,000 stocks and ETFs globally. Try any of our analysis, screener or portfolio premium services free for 7 days. To get a quick preview of our services, check out our free quick summary analysis of GOOGL-US.

Disclaimer

The information on this website and the reports provided herein have been prepared by AnalytixInsight Inc. The information presented has been obtained from sources deemed to be reliable, but neither AnalytixInsight Inc. nor its service providers make any representation about the accuracy, completeness, or timeliness of this information. The reports are produced for informational purposes only and nothing contained herein should be construed as an offer, recommendation, or solicitation to buy or sell any security or derivative instrument mentioned herein. The reports are current only as of the date that they are published and the opinions, estimates, ratings, scores and other information may change without notice or publication. Past financial performance is no guarantee of future financial results or performance. Prior to making any investment or financial decision readers should consult with their financial, legal and tax advisors. Neither AnalytixInsight Inc., nor its subsidiaries, directors, officers, consultants, employees or service providers shall be liable for any party's use of this report. AnalytixInsight Inc. is not a broker-dealer and does not buy, sell, maintain a position in, or make a market in any security referenced in the reports. By using CapitalCube, or by reading CapitalCube reports, you agree that you are responsible for your own investment research and investment decisions. You also agree that AnalytixInsight Inc., its subsidiaries, directors, officers, consultants, employees, and service providers are not liable for any investment decision made or action taken by you or any party based on news, information, opinion, or any other material generated by us and/or published through our services. For more information, please visit www.capitalcube.com or www.analytixinsight.com.