

October 26, 2023

Alphabet Inc

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

Alphabet Inc :GOOG-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, eBay Inc, Apple Inc, Yandex NV, Baidu Inc (ADR), Akamai Technologies, Inc., Amazon.com, Inc. and Adobe Inc (MSFT-US, EBAY-US, AAPL-US, YNDX-US, BIDU-US, AKAM-US, AMZN-US and ADBE-US) that have also reported for this period.

Highlights

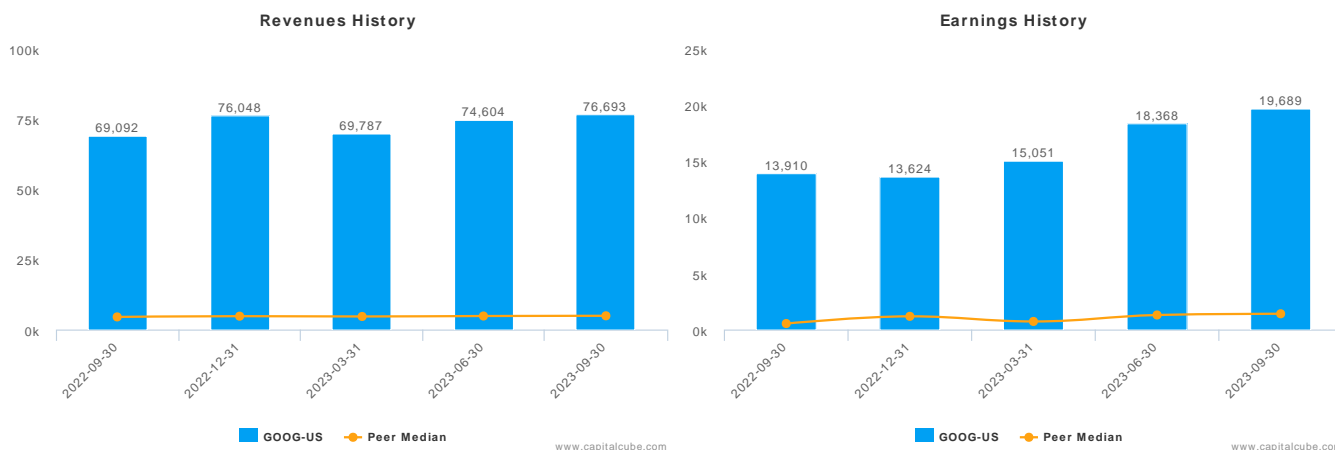
- # Summary numbers: Revenues of USD 76693 million, Net Earnings of USD 19689 million.
- # Gross margins widened from 54.90% to 56.70% compared to the same period last year, operating (EBITDA) margins now 32.78% from 30.66%.
- # Year-on-year change in operating cash flow of 31.27% is about the same as 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:

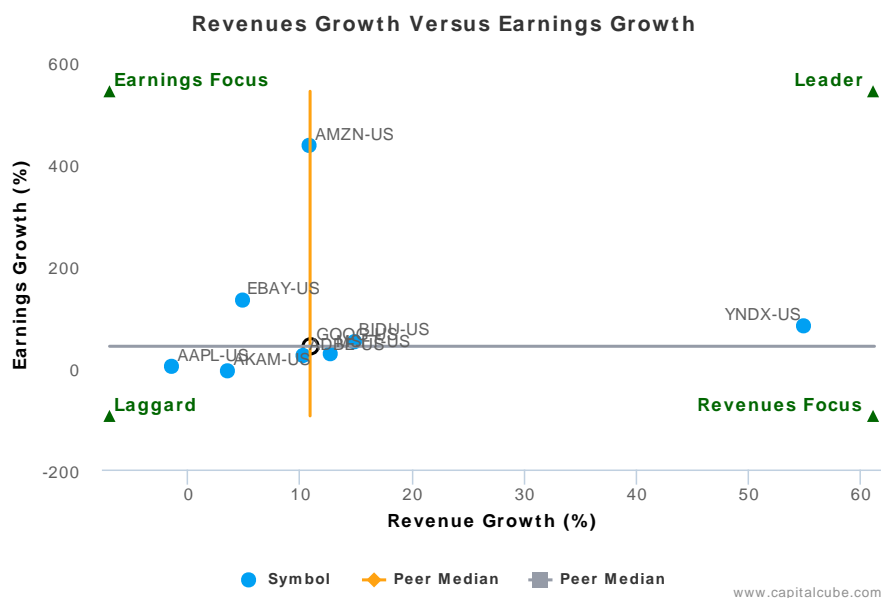
	2023-09-30	2023-06-30	2023-03-31	2022-12-31	2022-09-30
Relevant Numbers (Quarterly)					
Revenues (mil)	76693	74604	69787	76048	69092
Revenue Growth (%YOY)	11	7.06	2.61	0.96	6.1
Earnings (mil)	19689	18368	15051	13624	13910
Earnings Growth (%YOY)	41.55	14.79	-8.43	-34	-26.54
Net Margin (%)	25.67	24.62	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

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Market Share Versus Profits

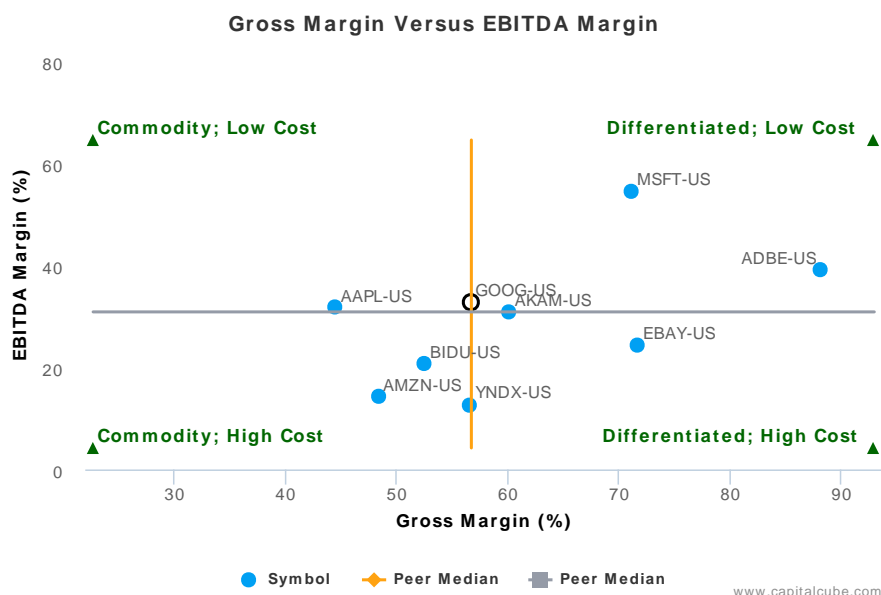


GOOG-US's change in revenue this period compared to the same period last year of 11.00% is almost the same as its change in earnings, and is about average among the announced results thus far in its peer group, suggesting that GOOG-US is holding onto its market share. Also, for comparison purposes, revenues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

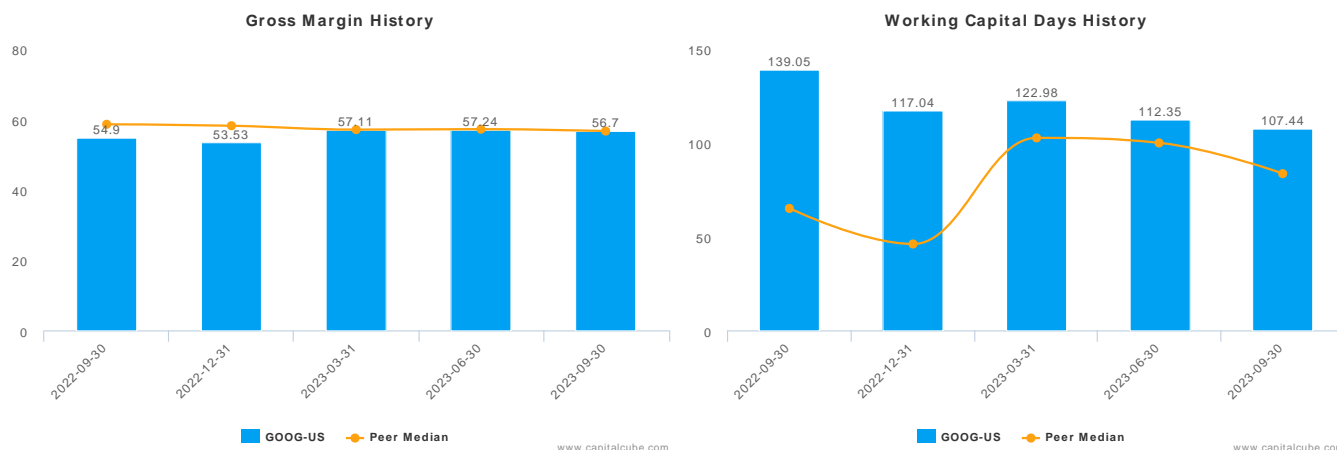


Earnings Growth Analysis

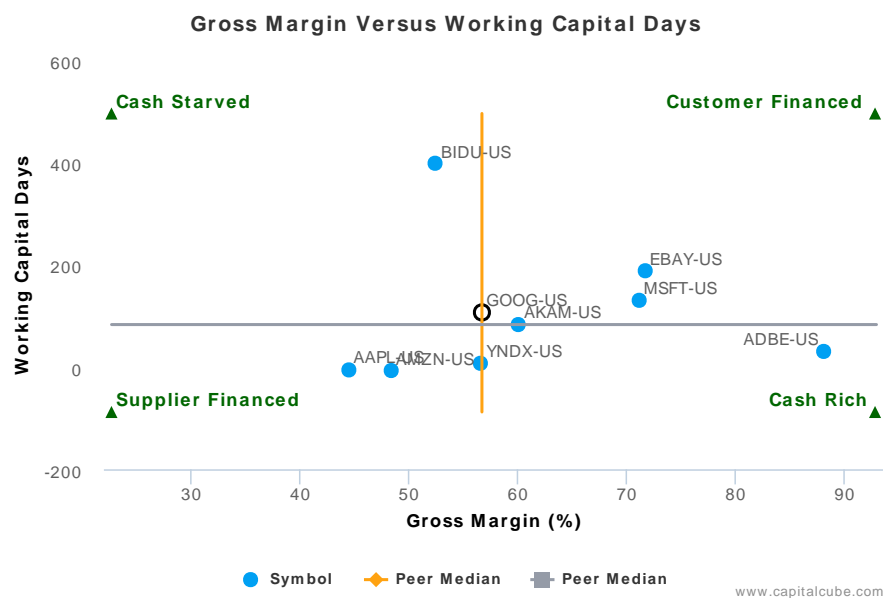
The company's earnings growth was influenced by year-on-year improvement in gross margins from 54.90% to 56.70% as well as better cost controls. As a result, operating margins (EBITDA margins) rose from 30.66% to 32.78% compared to the same period last year. For comparison, gross margins were 57.24%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



Gross Margin Trend



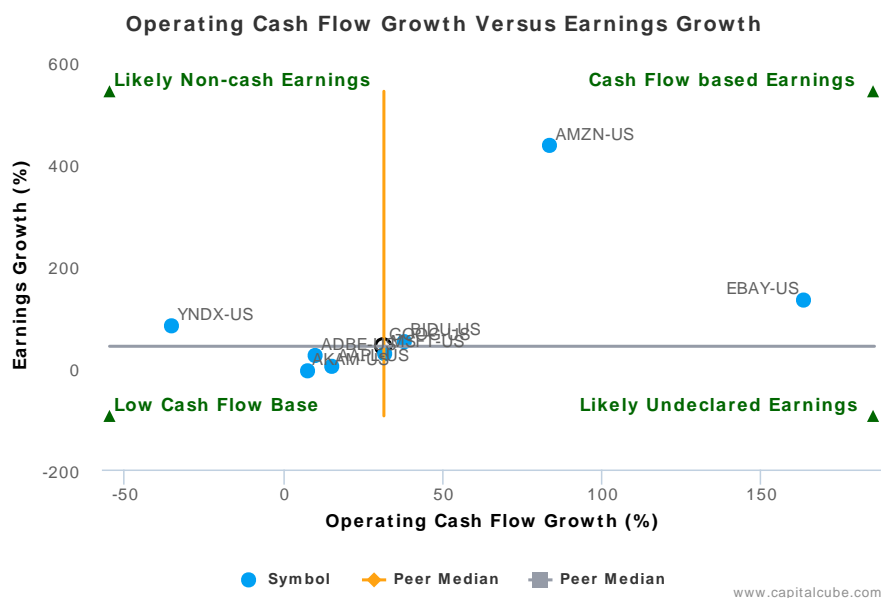
GOOG-US's improvement in gross margin has been accompanied by an improvement in its balance sheet as well. This suggests that gross margin improvements are likely from operating decisions and not accounting gimmicks. Its working capital days are now 107.44 days compared to 139.05 days for the same period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



Cash Versus Earnings - Sustainable Performance?

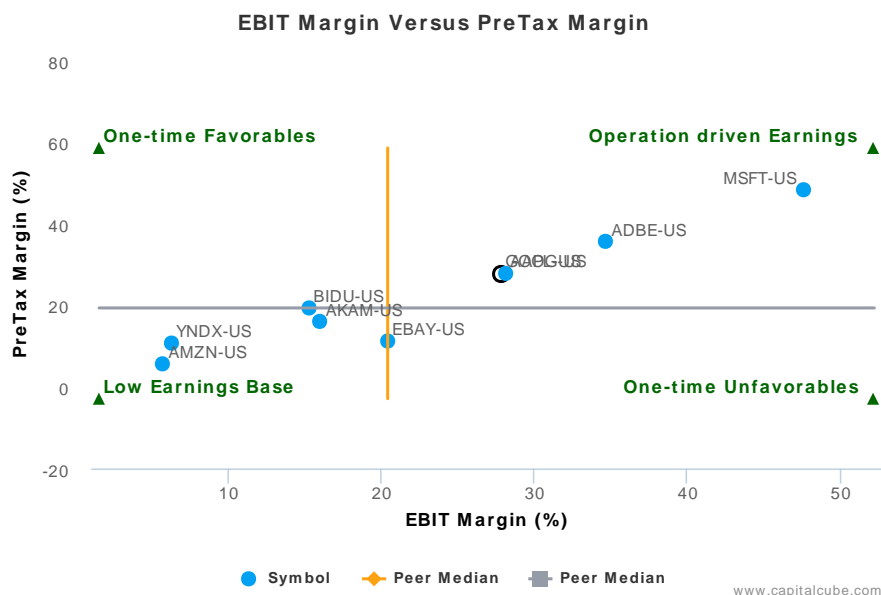
It is important to examine a company's cash versus earnings numbers to gauge whether its performance is sustainable.

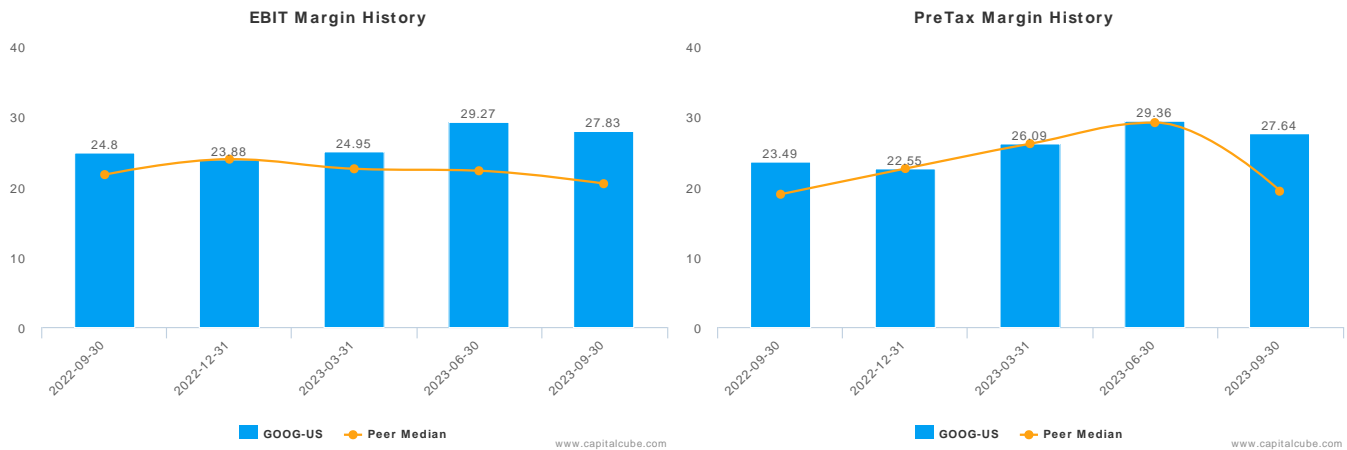
GOOG-US's change in operating cash flow of 31.27% compared to the same period last year is about the same as its change in earnings this period. Additionally, this change in operating cash flow is about average among its peer group. This suggests that the company did not use accruals or reserves to manage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





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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, GOOG-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 GOOG-US has outperformed its peers by 8.48% (and is now also higher than its peer median). In 2021, GOOG-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)
- # GOOG-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.
- # GOOG-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).
- # GOOG-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, GOOG-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 GOOG-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+
eBay Inc	EBAY-US	B+	C+	B+	A-
Apple Inc	AAPL-US	A-	B	A-	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
Amazon.com, Inc.	AMZN-US	A-	A	A-	B+
Adobe Inc	ADBE-US	A-	A-	A-	A-
Alphabet Inc	GOOG-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.

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