



ALPHABET Inc.

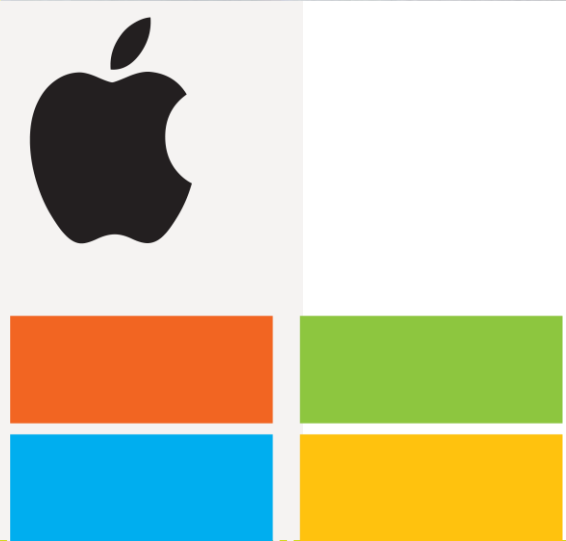
ANALYSIS OF FINANCIAL
STATEMENT YEAR 2021- 2022

By: Swagat

Background

- Alphabet Inc. (founded on 2nd Oct. 2015) is an American multinational technology conglomerate holding company headquartered in Mountain View, California.
- It is the world's third-largest technology company by revenue and one of the world's most valuable companies.
- On August 10, 2015, Google announced plans to create a new public holding company, Alphabet Inc.
- Alphabet was created to restructure Google by moving subsidiaries from Google to Alphabet, thus narrowing Google's scope.
- Alphabet is currently trading under Google's former ticker symbols "GOOG" and "GOOGL" with S&P 500 and NASDAQ.
- As of 2022 Alphabet stands with a revenue of \$282.83 billion.

ALPHABET Inc.'s major competitors



Alphabet

amazon.com

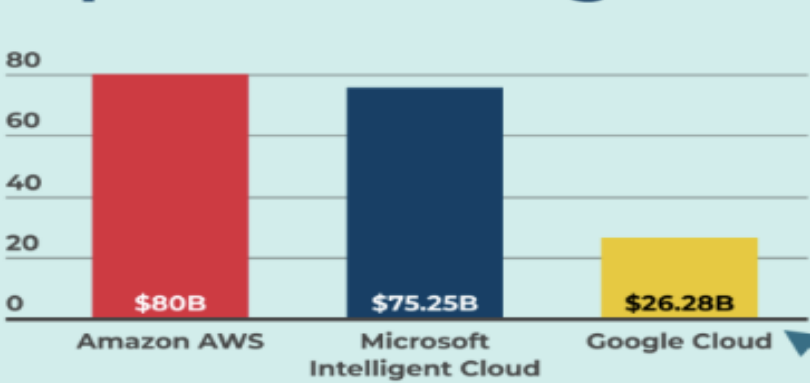
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ALPHABET Inc. Business model

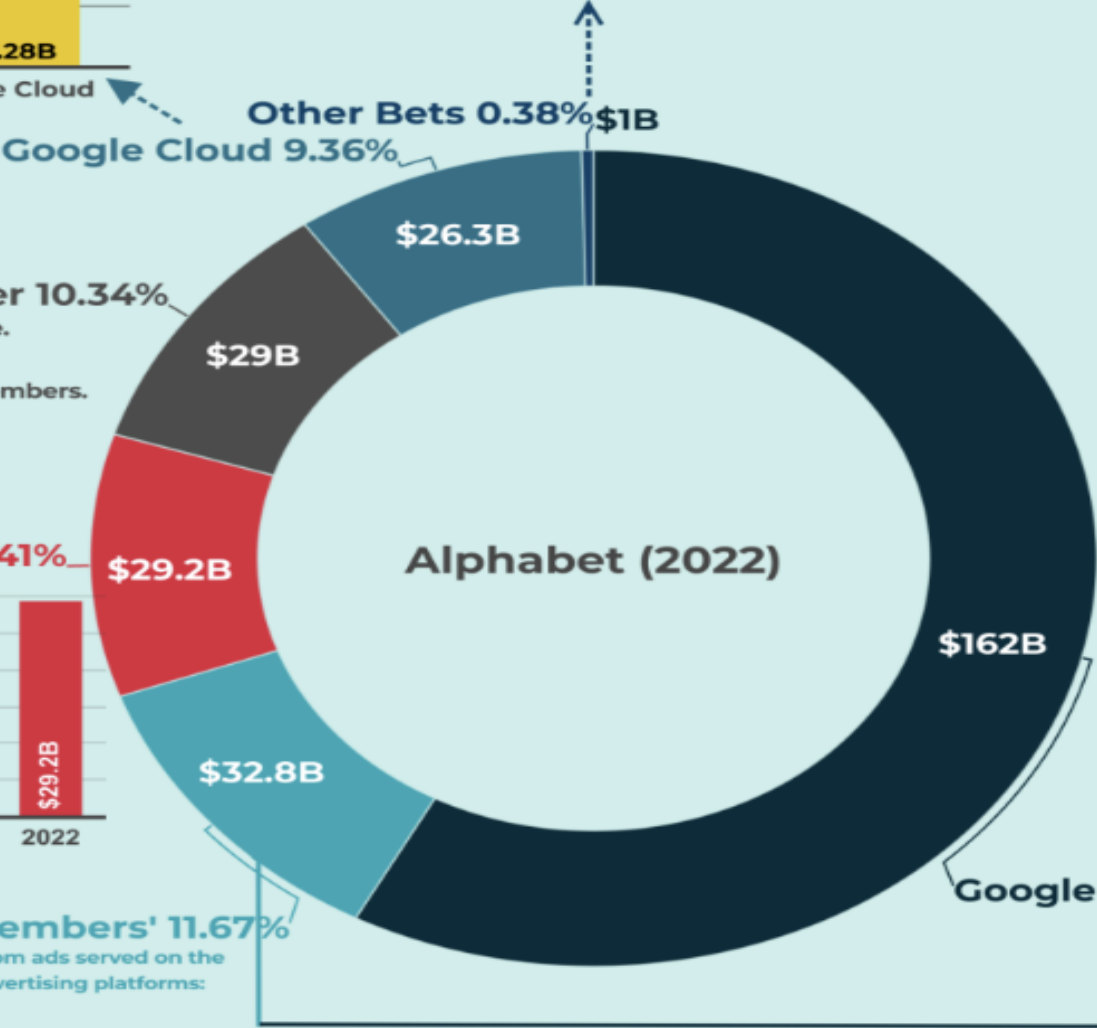
Alphabet leverages its search, web browsing, mobile operating systems, and cloud computing to make money through the sale of advertising and various service fees.

Alphabet's Google Business Model



Verily Nest Access
Waymo GV Calico CapitalG

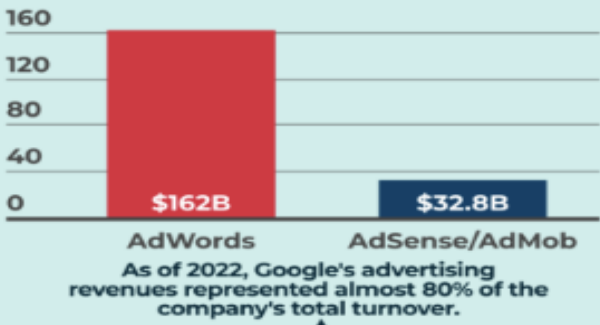
Other Bets revenues consist primarily of:
- Internet and TV services (Fiber aka Access)
- Licensing and R&D services (Verily)
- Nest branded hardware (Nest)



Google other 10.34%
• Google Play store.
• Hardware.
• YouTube Paid Members.



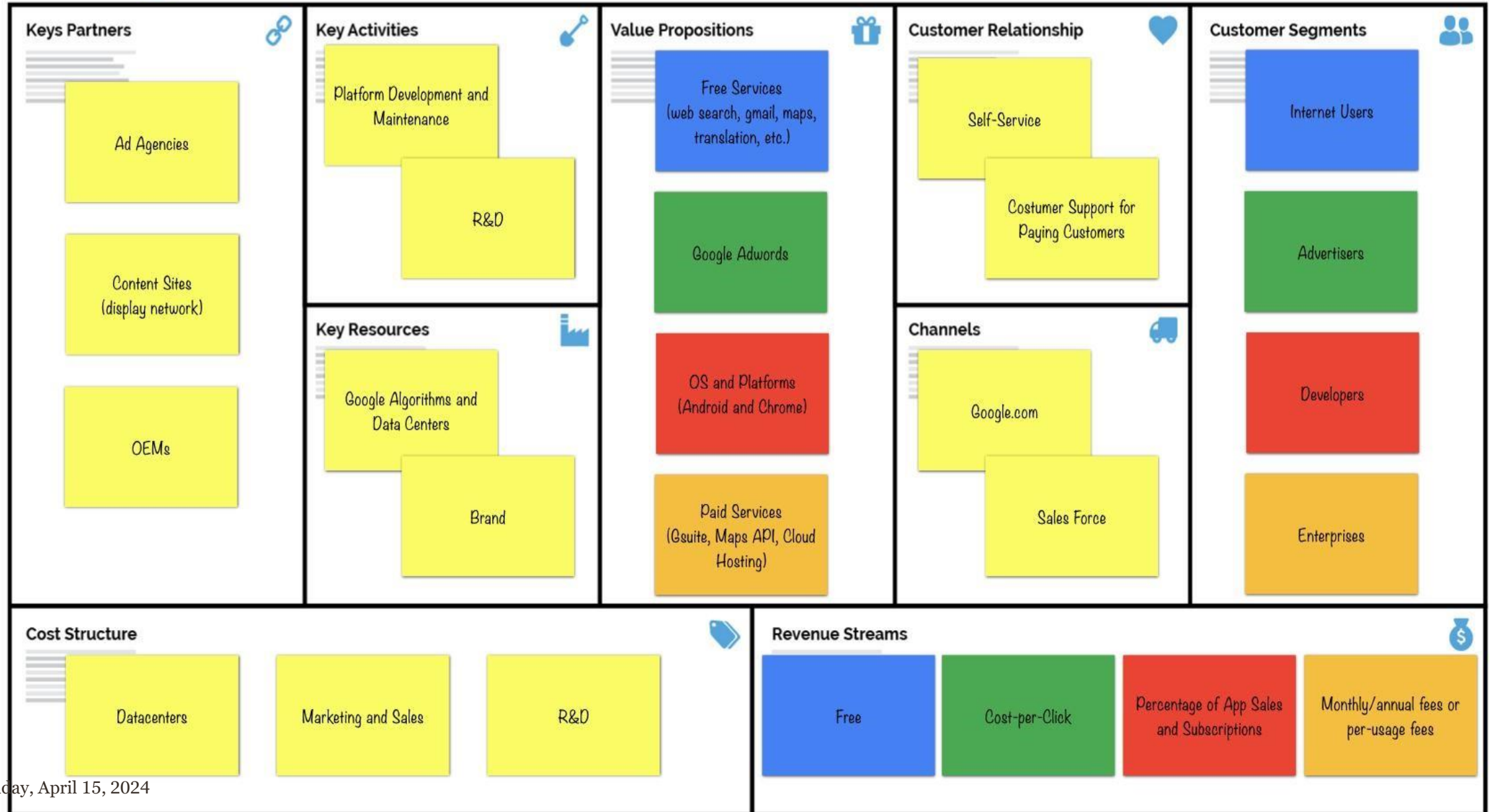
Google Network Members' 11.67%
Advertising revenues generated from ads served on the web properties part of Google's advertising platforms:
• AdMob;
• AdSense.
• Google Ad Manager.

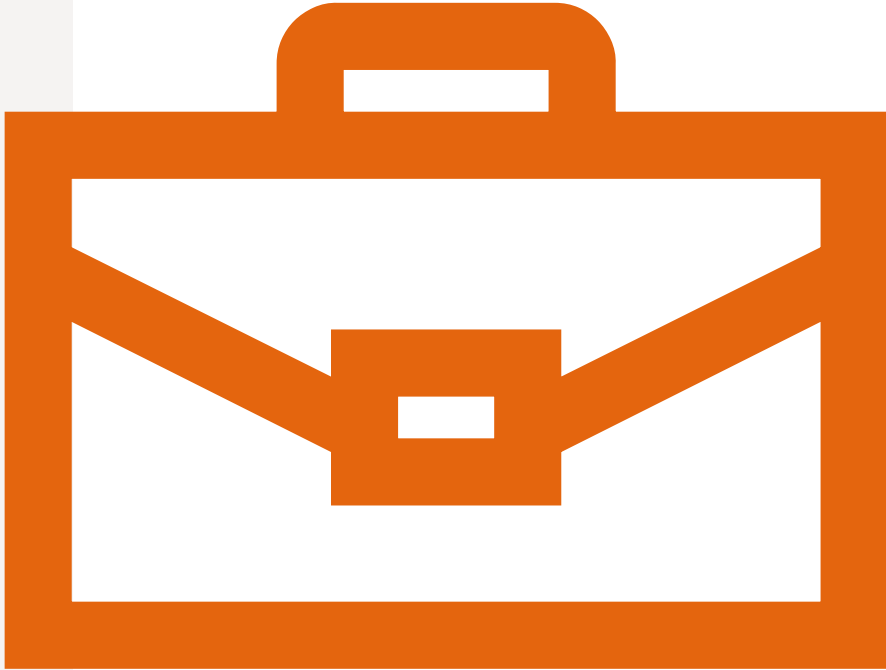


As of 2022, Google's advertising revenues represented almost 80% of the company's total turnover.

Google - Business Model Canvas

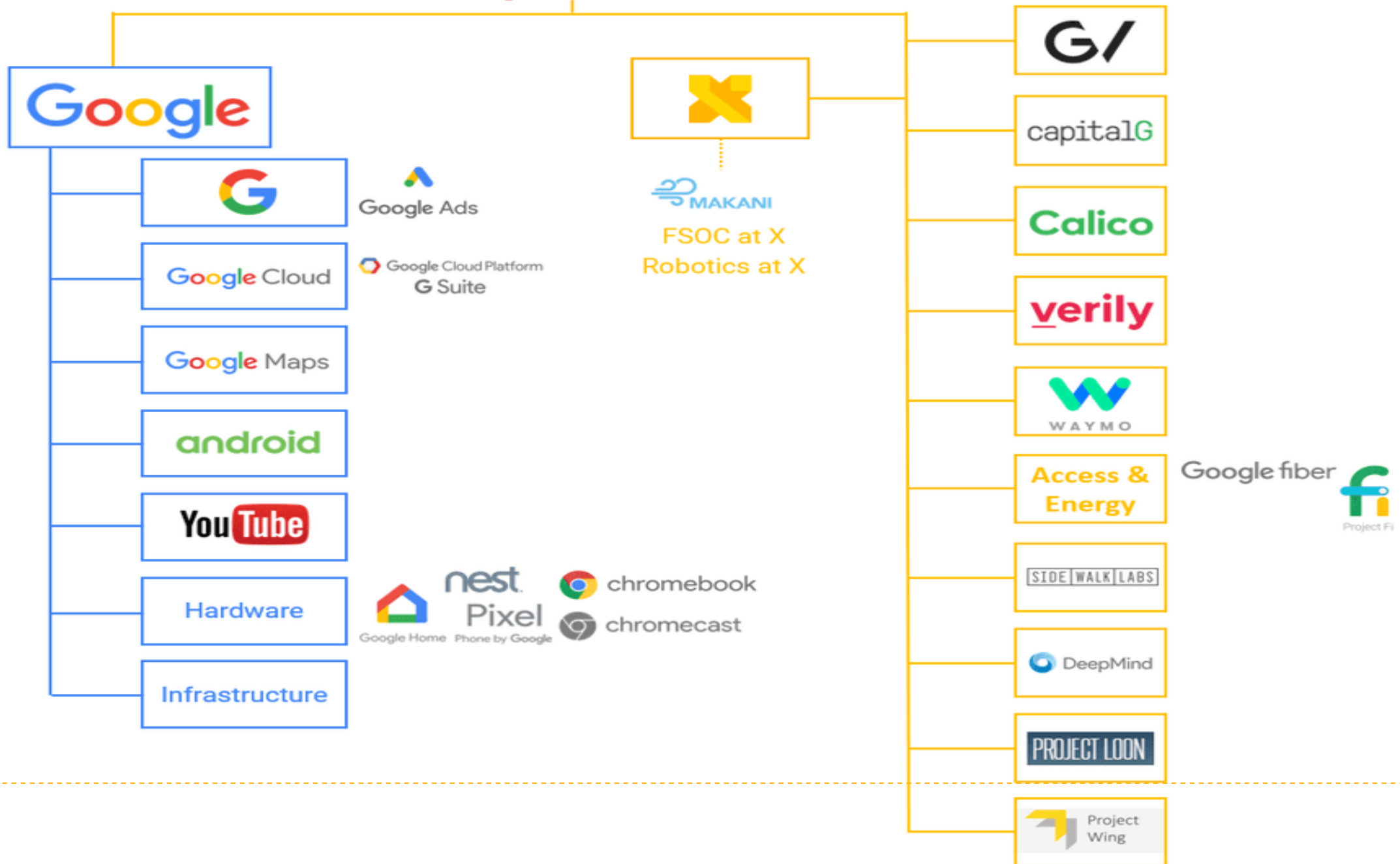
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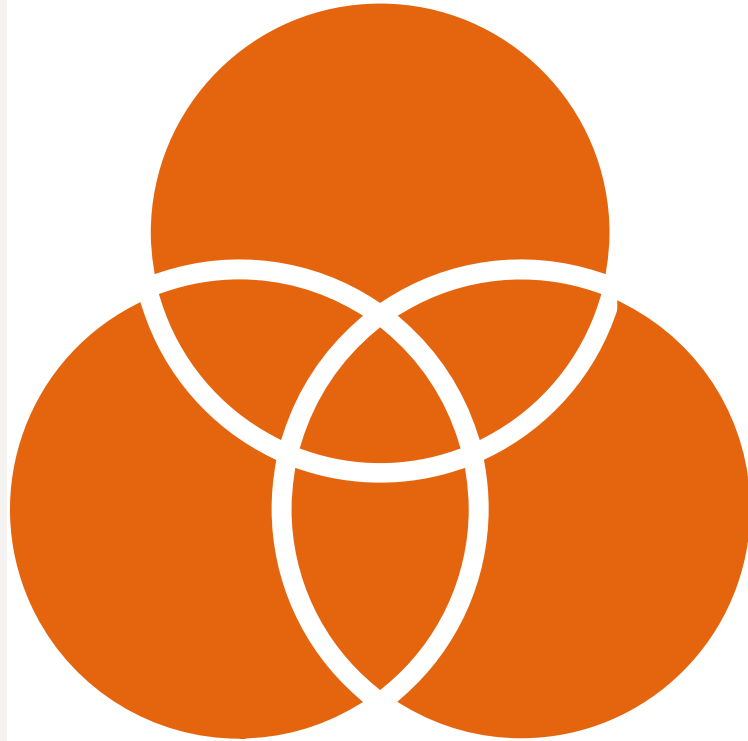
ALPHABET Inc.
Is the parent of a
diverse set of
subsidiaries

Alphabet



Objectives

- Basic horizontal and vertical analysis of the obtained financial statements (Balance sheet and Income statement)
- Compare and analyze common-size financial statements.
- Preparing financial ratio analysis (Until ROE measure)
- ESG rating of your company (Sustainalytics)



ALPHABET Inc.

Horizontal analysis – Balance Sheet (2021- 2022)

ALPHABET CONSOLIDATED BALACE SHEET (IN \$ MILLIONS)	AT DECEMBER 31St		INCREASE / (DECREASE)	
Assets	2022	2021 (Base Year)	Amount	Percentage
Cash and cash equivalents	21,879	20,945	934	4.46
Marketable securities	91,883	118,704	-26821	-22.59
Total cash, cash equivalents, and marketable securities	113,762	139,649	-25887	-18.56
Accounts receivable, net	40,258	39,304	954	2.43
Inventory	2,670	1,170	1500	128.21
Other current assets	8,105	8,020	85	1.06
Total current assets	164,795	188,143	-23348	-12.41
Non-marketable securities	30,492	29,549	943	3.19
Deferred income taxes	5,261	1,284	3977	309.74
Property and equipment, net	112,668	97,599	15069	15.44
Operating lease assets	14,381	12,959	1422	10.97
Intangible assets, net	2,084	1,417	667	47.07
Goodwill	28,960	22,956	6004	26.15
Non-current assets	200,469	171,125	29344	17.15
Other non-current assets	6,623	5,361	1262	23.54
Total assets	365,264	\$ 359,268	5996	1.67
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	5,128	6,037	-909	-15.06
Accrued compensation and benefits	14,028	13,889	139	1.00
Accrued expenses and other current liabilities	37,886	32,044	5842	18.38
Accrued revenue share	8,370	8,996	-626	-6.96
Deferred revenue	3,908	3,288	620	18.86
Total current liabilities	69,300	64,254	5046	7.85
Long-term debt:	14,701	14,817	-116	-0.78
Deferred revenue, non-current	599	535	64	11.96
Income taxes payable, non-current	9,258	9,176	82	0.89
Deferred income taxes	514	5,257	-4743	-90.22
Operating lease liabilities	12,501	11,389	1112	9.76
Other long-term liabilities	2,247	2,205	42	1.90
Total liabilities	109,120	107,633	1487	1.38
Stockholders' equity:	68,184	61,774	6410	10.38
Accumulated other comprehensive income (loss)	-7,603	-1,623	-9226	368.45
Retained earnings	195,563	191,484	4079	2.13
Monday, April 15, 2024Total stockholders' equity	256,144	251,635	4509	1.79
Total liabilities and stockholders' equity	365,264	359,268	5996	1.67



ALPHABET Inc.

Horizontal analysis-
Income statement (2021-
2022)

ALPHABET CONSOLIDATED INCOME STATEMENT (IN \$ MILLIONS)	AT DECEMBER 31st		INCREASE / (DECREASE)	
	2022	2021 (<i>Base Year</i>)	Amount	Percentage
Revenues	282,836	257,637	25199	9.78
Cost of revenues	(126,203)	(110,939)	-15264	13.76
Gross profit	156,633	146,698	9935	6.77
Research and development	(39,500)	(31,562)	7938	25.15
Sales and marketing	(26,567)	(22,912)	3655	15.95
General and administrative	(15,724)	(13,510)	2214	16.39
Total costs and expenses	207,994	178,923	29071	16.25
Income from operations	74,842	78,714	-3872	-4.92
Interest income	2,174	1,499	675	45.03
Interest expense	(357)	(346)	11	3.18
Foreign currency exchange gain (loss), net	(654)	(240)	414	172.50
Gain (loss) on debt securities, net	(2,064)	(110)	1954	1776.36
Gain (loss) on equity securities, net	(3,455)	12,380	-8925	-72.09
Performance fees	798	(1,908)	-1110	-58.18
Income (loss) and impairment from equity method investments, net	(337)	334	3	0.90
Other	381	411	-30	-7.30
Other income (expense), net	(3,514)	12,020	-15534	-129.23
Income before income taxes	71,328	90,734	-19406	-21.39
Provision for income taxes	(11,356)	(14,701)	-3345	-22.75
Net income	59,972	76,033	-16061	-21.12



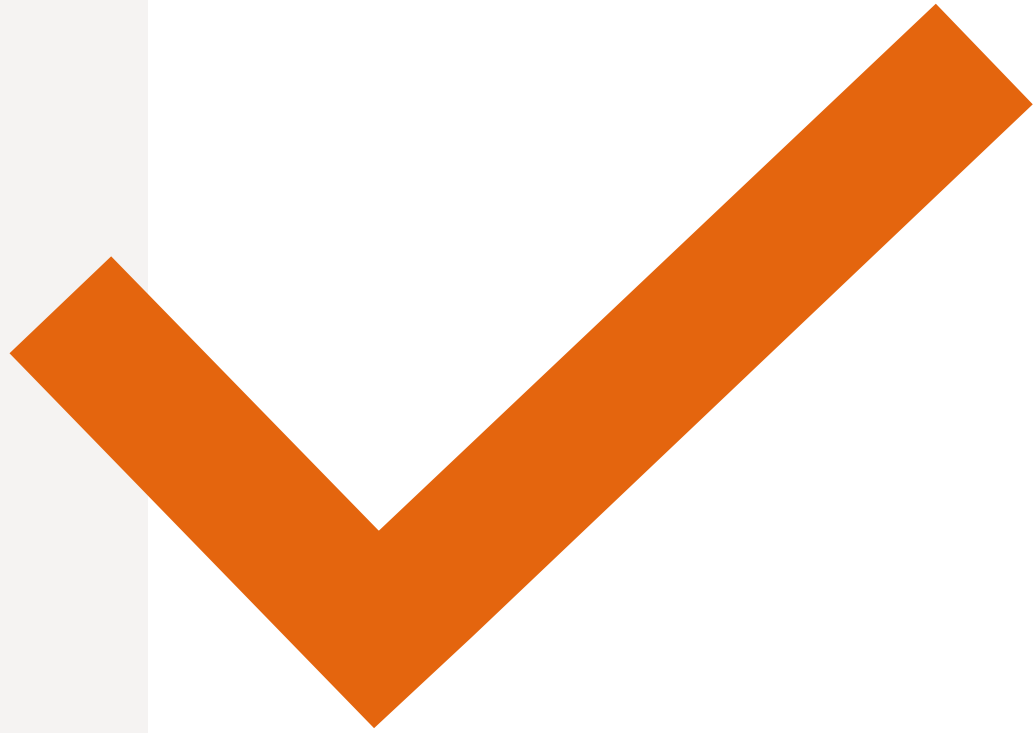
ALPHABET Inc. common-size financial statement

Common size income statement	% Sales (2022)	% Sales (2021)
Revenues	100%	100%
Cost of revenues	44.62%	43.06%
Gross profit	55.38%	56.93%
Research and development	13.97%	12.25%
Sales and marketing	9.39%	8.89%
General and administrative	5.55%	5.24%
Total costs and expenses	73.53%	69.44%
Income from operations	26.46%	30.55%
Interest income	0.77%	0.58%
Interest expense	0.13%	0.13%
Foreign currency exchange gain (loss), net	0.23%	0.09%
Gain (loss) on debt securities, net	0.73%	0.04%
Gain (loss) on equity securities, net	1.22%	4.81%
Performance fees	0.28%	0.74%
Income (loss) and impairment from equity method investments, net	0.12%	0.13%
Other	0.13%	0.16%
Other income (expense), net	1.24%	4.66%
Income before income taxes	25.22%	35.21%
Provision for income taxes	1.02%	5.70%
Net income	21.20%	29.51%



ALPHABET Inc. Common Financial Ratio

COMMON FINANCIAL RATIO				
Efficiency Ratios:	2022	2021	Amount	Percentage
Inventory Turnover	47.267	94.819	-47.552	-50.15%
Days' inventory/ sales/ payable outstanding	7.722	3.849	3.873	100.62%
Accounts Receivable Turnover	7.11	7.34	-0.23	-3.13%
Average daily sales	774.893	705.854	69.039	9.78%
Convert average daily sales to DSO	51.952	55.682	-3.73	-6.70%
Accounts payable turnover	24.61	18.376	6.234	33.92%
Cash conversion cycle	40.74	33.75	6.99	20.71%
Assets turnover ratio	0.774	0.717	0.057	7.95%
Rate of Return on Total Assets (ROA)	0.204	0.219	-0.015	-6.85%
Financial Strength Ratios:				
Cash Ratio	0.315	0.325	-0.01	-3.08%
Current Ratio	2.378	2.928	-0.55	-18.78%
Quick Ratio	0.896	0.937	-0.041	-4.38%
Debt Ratio	0.298	0.299	-0.001	-0.33%
Working Capital	2.377	2.928	-0.551	-18.82%
Times-interest-earned ratio	209.641	215.936	-6.295	-2.92%
Profitability Ratios:				
Gross Profit Margin Percentage	55.37	56.93	-1.56	-2.74%
Operating Profit Margin	26.46	30.55	-4.09	-13.39%
Net Profit Margin	21.2	29.51	-8.31	-28.16%
Return on Total Assets (ROA)	16.5	21.25	-4.75	-22.35%
Return on Equity (ROE)	23.41	30.21	-6.8	-22.51%
Investment Ratios:				
Price/ Earnings (P/E) Ratio	19.39	26.76	-7.37	-27.54%



ALPHABET Inc. ESG Rating

Morningstar Vs. Sustainalytics

Focus

Morningstar Rating:

Morningstar is a broader financial services company that provides a range of investment research, including fund ratings, stock analysis, and economic research. While they do consider ESG factors, their ratings encompass a wider array of financial metrics.

Sustainalytics Rating:

Sustainalytics primarily specializes in environmental, social, and governance (ESG) research and ratings. They evaluate how well companies address ESG risks and opportunities.

Methodology

Morningstar Rating:

Morningstar's methodology is not solely focused on ESG criteria. They evaluate various financial factors, including past performance, risk, fees, and management quality. ESG is considered as part of a broader investment analysis.

Sustainalytics Rating:

Sustainalytics uses a comprehensive methodology to assess a company's performance across a wide range of ESG criteria. They consider factors such as environmental impact, labor practices, human rights, product safety, governance structure, and more.

Morningstar Vs. Sustainalytics

Scoring System

Morningstar Rating:	Sustainalytics Rating:
<p>Morningstar typically provides star ratings for mutual funds and ETFs, with a higher number of stars indicating better historical performance. For stocks, Morningstar may use a similar rating system, considering both financial and ESG factors.</p>	<p>Sustainalytics typically provides a numeric ESG score or rating for companies, allowing investors to compare them based on their sustainability and responsible business practices.</p>

Data Sources

Morningstar Rating:	Sustainalytics Rating:
<p>Morningstar relies on a combination of company financial reports, market data, and proprietary analysis for its ratings.</p>	<p>Sustainalytics relies on a combination of company disclosures, public information, and proprietary research to generate their ESG ratings.</p>

Alphabet, Inc.

Industry Group: **Software & Services**

Country/Region: **United States of America**

Identifier: **NAS:GOOGL**

Alphabet is a holding company. Internet media giant Google is a wholly owned subsidiary. Google generates 99% of Alphabet revenue, of which more than 85% is from online ads. Google's other revenue is from sales of apps and content on Google Play and YouTube, as well as cloud service fees and other licensing revenue. Sales of hardware...
[+ Show More](#)

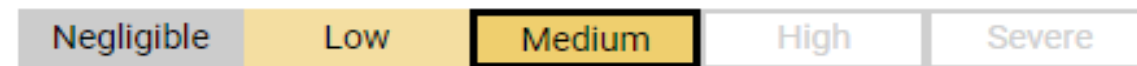
Full time employees: **182,381**

ESG Risk Rating

COMPREHENSIVE



24.1 Medium Risk



Monday, April 15, 2024

Ranking

Industry Group (1st = lowest risk)

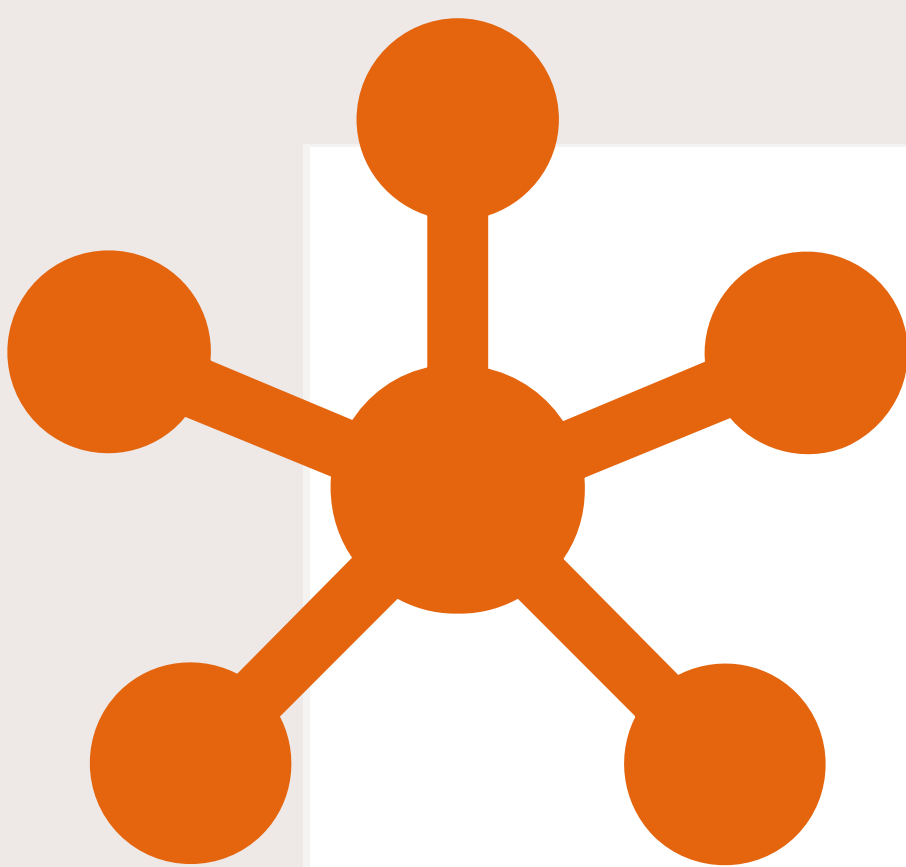
Software & Services

730 out of 1106

Universe

Global Universe

7222 out of 15906



Porter's Five Forces

Threat of new entry

- The tech industry, especially the internet and search engine market, has high barriers to entry.
- Alphabet's dominant position with Google Search and the significant capital required to build and maintain a search engine infrastructure create a substantial barrier for new entrants.

Threat of substitution

- The bargaining power of individual users is relatively low, given that Google's services are widely used, and users often find it convenient to stick with established platforms.
- Advertisers have a moderate to high bargaining power as they can choose from various advertising platforms. However, Google's extensive user base and reach provide a unique advertising opportunity, giving Google some leverage.

Competitive rivalry

Supplier power

- For services like YouTube, content creators may have some bargaining power, but Google's dominance in the online video space gives it significant control.
- Additionally, Google has diversified revenue streams beyond content creation.



- Alphabet faces intense competition in various segments, including search engines (competing with Bing, Yahoo), cloud services (competing with Amazon and Microsoft), and hardware (competing with Apple and others).
- The technology industry is characterized by rapid innovation and changes. Companies need to continually invest in research and development to stay competitive.

Buyer power

- While there are other search engines, Google's search dominance makes it a default choice for most users.
- The threat from substitute products is moderate, with some competition from other search engines, but Google's brand and algorithms give it a competitive advantage.





Recommendations from Firms / Analysts

ANALYST RESEARCH: **GOOGL**
[Edit my quotes](#)

Alphabet Inc. Class A Common Stock (GOOGL)

 Nasdaq Listed **Nasdaq 100**

\$142.38 +1.22 (+0.86%)
 CLOSED AT FEB 2, 2024 4:00 PM ET

\$142.87 +0.49 (+0.34%)

 Bid: **\$142.87** x 178

 Ask: **\$142.90** x 50

 Volume: **71,888**

FEB 5, 2024 6:20 AM ET

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GOOGL Analyst Research

GOOGL Analyst Ratings

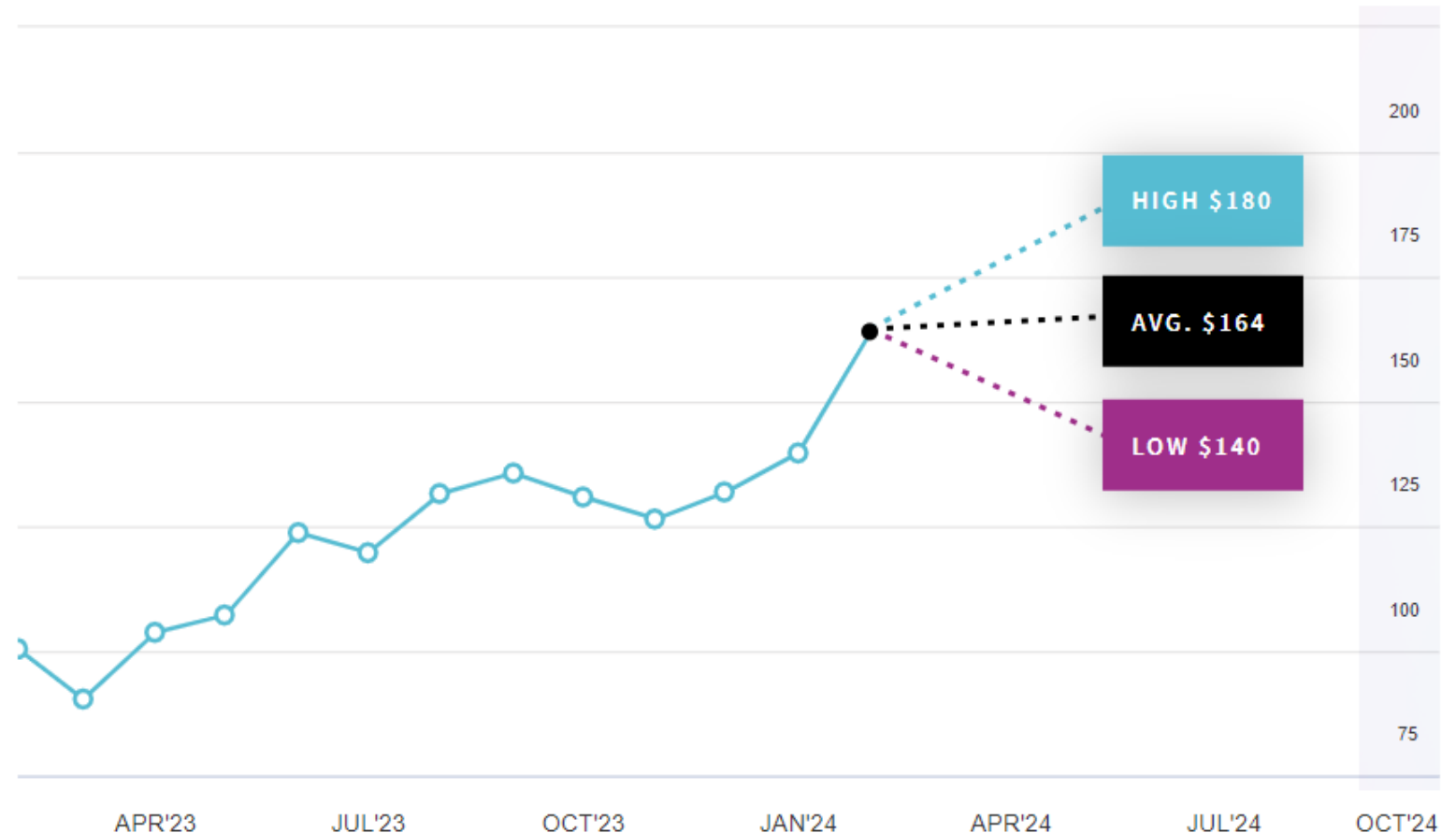
CONSENSUS

Strong Buy

Based on **42 analysts** offering recommendations for 'GOOGL'.

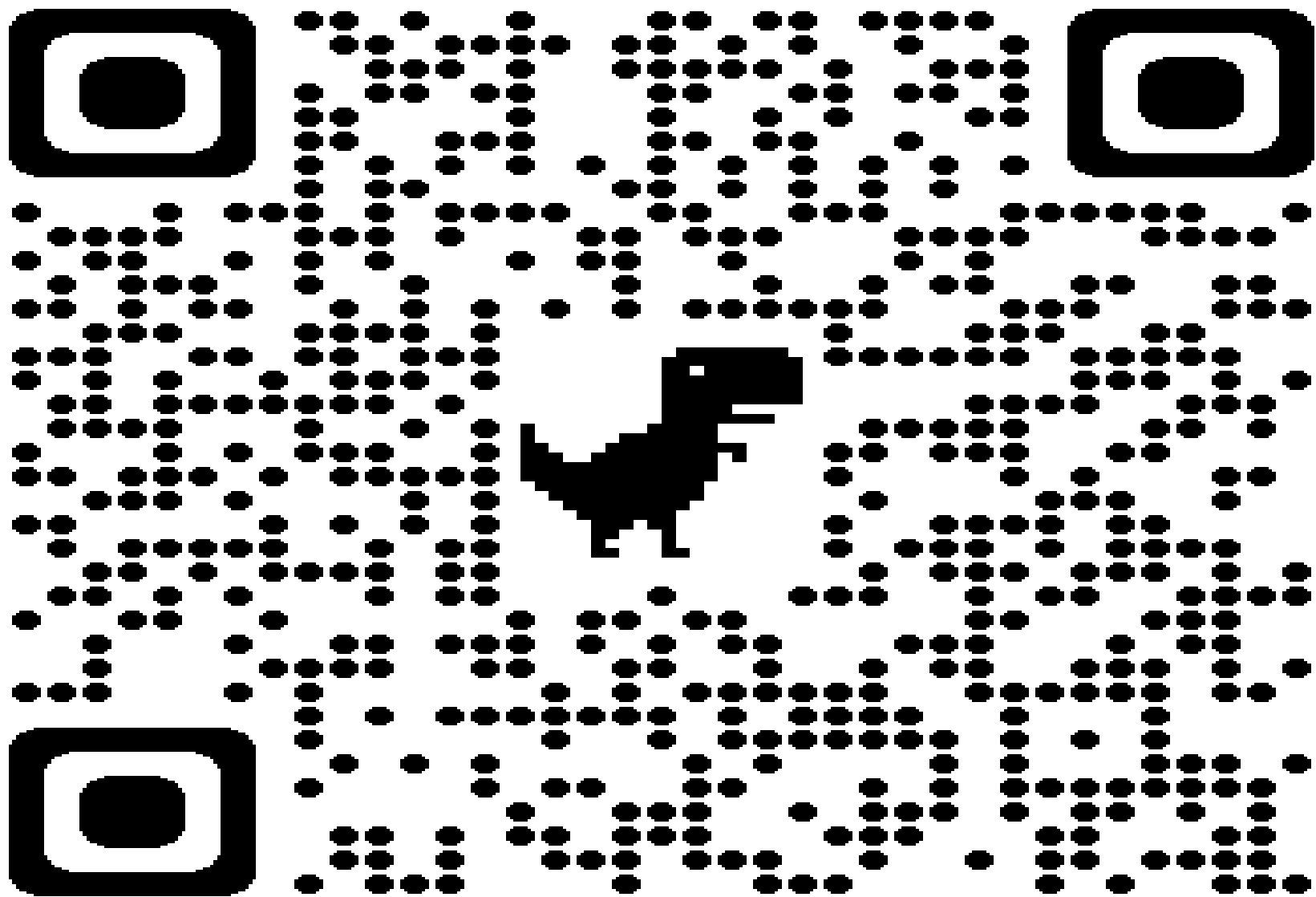
Analyst Firms Making Recommendations

- B OF A GLBL RES
- BAIRD R W
- BARCLAYS CAPITA
- BMO CAPITAL MKT
- CANACCORD GENUI
- CITIGROUP
- DBS BANK
- DEUTSCHE BK SEC
- EDWARD JONES
- EVERCORE ISI
- EXANE BNP PARIB
- GOLDMAN SACHS
- JEFFERIES & CO.
- JMP SECURITIES
- JP MORGAN SECUR
- KEYBANC CAP MKT
- LOOP CAPITAL MK
- MIZUHO SECURITI
- MONNESS CRESPI
- MORGAN STANLEY
- NEEDHAM & CO.
- NEW STREET RESE
- OPPENHEIMER HLD
- PIPER SANDLER
- RAYMOND JAMES
- RBC CAPITAL
- REDBURN ATLANTI
- ROSENBLATT SEC
- ROTH CAPITAL PA
- SANFORD BERNSTE
- SEAPORT RES PTN
- STIFEL NICOLAUS
- SUSQUEHANNA
- TD COWEN
- TIGRESS FINANCI
- TRUIST SECURITI
- UBS
- WEDBUSH SECURIT
- WELLS FARGO SEC
- WILLIAM BLAIR
- WOLFE RESEARCH
- ZACKS RESEARCH



Analyst
\$164

Based on **analysts** offering 12-month price targets for **GOOGL** in the last 3 months. The average price target is **\$164** with a high estimate of **\$180** and a low estimate of **\$140**.





Bibliography

Content Source:

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EDGAR - <https://www.sec.gov/ix?doc=/Archives/edgar/data/1652044/000165204423000016/goog-20221231.htm>

ALPHABET – abc.xyz

Morningstar/Sustainalytics - <https://www.sustainalytics.com/esg-rating/alphabet-inc/1007907342>

Stock Analysis - <https://stockanalysis.com/analysts/top-stocks/>

Porter's 5 forces - [custom-writing.org](https://www.custom-writing.org)

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FourWeekMBA - <https://fourweekmba.com/how-does-google-make-money/>

Business Model Canvas - businessmodelanalyst.com

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Thank you..