



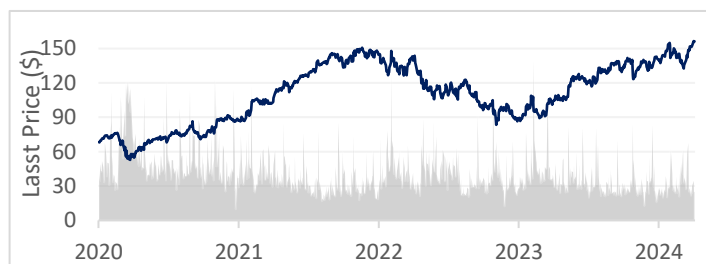
Equity Rating  
**BUY**

Price Target  
**\$ 185**

## Business Overview

Google, launched in 1998 by Larry Page and Sergey Brin, has transformed from a Stanford research project into a global internet leader. Its core business, search advertising, revolutionised online marketing with its targeted ad platform, Google Ads. Google's dominance in search, fueled by its innovative PageRank algorithm and user-centric approach, provided the foundation for this success. Today, Google's business extends far beyond search, encompassing Google Cloud Platform and application development tools (Android) amongst others. This diversification positions Google as a major player across multiple high-growth tech sectors, generating revenue through advertising, cloud subscriptions, hardware sales, and software licensing.

<b>Company Name</b>	Alphabet Inc
<b>Ticker</b>	GOOGL
<b>Country</b>	United States
<b>Industry</b>	Technology
<b>Current Price</b>	\$151
<b>Price Target (1 Year)</b>	\$185
<b>Upside/ Downside to PT</b>	22%



## Our view: why?

- Google's Strategic Advantage in a High-Growth, High-Flux Industry:** Google is strategically positioned to capitalize on the AI boom by leveraging its existing dominance in search and advertising alongside its cutting-edge advancements in machine learning. The company's core business, fueled by its search engine and targeted advertising platform, generates a wealth of data that serves as the lifeblood for developing powerful AI solutions. Google funnels this data through its TensorFlow platform, a leading open-source framework that empowers a global developer community to create next-generation AI applications. Beyond software, Google's custom-designed Tensor Processing Units (TPUs) accelerate AI workloads, offering unmatched performance and efficiency for training and deploying complex models. This combination of software, hardware, and data, positions Google as a key player in shaping the future of AI. More recently, rumours have been circulating of a potential bid by GOOGL for marketing firm HubSpot which has a market cap of around 33bn. This acquisition would pave the way for GOOGL to enter the rapidly growing CRM industry along and would also boost their marketing and advertising tools.
- Results:** Revenue growth of 8.9% (FY22: 9.7%), operating income of \$84.3bn (FY22: \$74.8bn), up 12.7% from last year, profit before tax of \$85.7bn (FY22: \$71.3bn), up 20.2% from last year and EPS of \$5.84 (FY22: \$4.59) up 26.1% over last year. Return on equity came in at 26.1% (FY22: 23.4%) whilst return on assets was 18.3% (FY22: 16.4%).
- Valuation approach:** Our 1-year price target is calculated through a multiples approach. The multiples used were namely the P/E and EV/EBITDA with a median multiple of the company's peers being used to arrive to a fair value for GOOGL's stock.

## Outlook

- Revenue:** We are forecasting a jump in revenue in the next few years as GOOGL takes advantage of the AI boom which will moderate to high single digits in the longer term as growth reaches its early maturity stage.
- Operating margin:** Operating margin is also expected to increase in the future as GOOGL focuses on greater efficiency and cost managements leveraged through AI along with investments in growth areas with greater margins.
- CAPEX:** CAPEX is expected to increase drastically in the next few years with substantial investments in both AI and specialized hardware. Google is also heavily invested in building out its data centre infrastructure to support the growth of its cloud computing platform and other services.



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