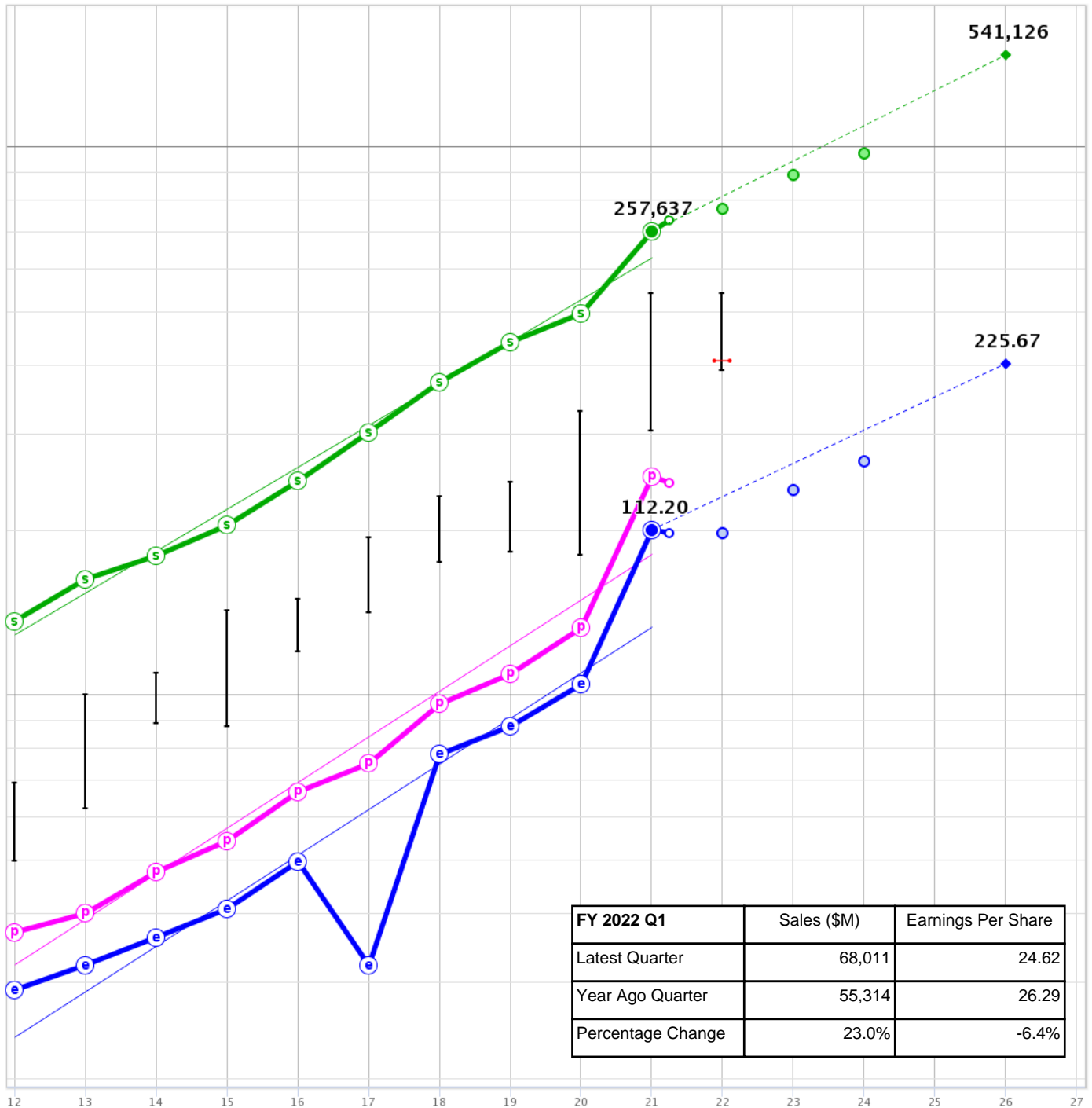


# Stock Selection Guide

Company	Alphabet			Date	04/29/22		
Prepared by	Jo Murphy			Data taken from	BI Stock Data		
Where traded	NAS			Industry	Internet Content & Information		
Capitalization --- Outstanding Amounts	Reference						
Preferred (\$M)	0.0	% Insiders			% Institution		
Common (M Shares)	667.6	0.1			33.6		
Debt (\$M)	28,421.0	% to Tot Cap	10.1	% Pot Dil	1.1		

Symbol: GOOGL

## 1 VISUAL ANALYSIS of Sales, Earnings, and Price



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 19.2% | (3) Historical Earnings Per Share Growth       | 21.1% |
| (2) Estimated Future Sales Growth | 16.0% | (4) Estimated Future Earnings Per Share Growth | 15.0% |

## 2 EVALUATING Management

Alphabet

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Last 5 Year Avg.
Pre-tax Profit on Sales	26.7%	24.2%	26.1%	26.2%	26.8%	24.5%	25.5%	24.5%	26.3%	35.2%	27.2%
% Earned on Equity	14.9%	14.6%	14.0%	13.5%	14.4%	8.0%	17.9%	17.4%	18.6%	30.4%	18.4%
% Debt To Capital	7.2%	5.7%	4.8%	4.2%	2.8%	2.5%	2.2%	7.3%	10.7%	10.1%	6.6%

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

**CLOSING PRICE** 2,282.19 (04/29/22)

**HIGH THIS YEAR** 3,030.93

**LOW THIS YEAR** 2,193.62

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2017	1,086.5	792.5	18.00	60.4	44.0	0.00	0.0	0.0
2018	1,291.4	977.7	43.70	29.6	22.4	0.00	0.0	0.0
2019	1,367.1	1,022.4	49.16	27.8	20.8	0.00	0.0	0.0
2020	1,843.8	1,008.9	58.61	31.5	17.2	0.00	0.0	0.0
2021	3,019.3	1,696.1	112.20	26.9	15.1	0.00	0.0	0.0
AVERAGE		1,099.5		28.9	18.9		0.0	
CURRENT/TTM			110.56			0.00	0.0	
AVERAGE PRICE EARNINGS RATIO: 23.9				CURRENT PRICE EARNINGS RATIO: 20.6				

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 24.0 X Estimate High Earnings/Share 225.67 = Forecasted High Price \$ 5,416.2

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 21.0 X Estimate Low Earnings/Share 43.41 = Forecasted Low Price \$ 911.6

(b) Avg. Low Price of Last 5 Years 1,099.5

(c) Recent Market Low Price 1,008.9

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.00}{0.00\%} = 0.0$

Selected Forecasted Low Price \$ 911.6

### C ZONING using 25%-50%-25%

Forecasted High Price 5,416.2 Minus Forecasted Low Price 911.6 = 4,504.6 Range. 25% of Range 1,126.1

Buy Zone 911.6 to 2,037.7

Hold Zone 2,037.7 to 4,290.0

Sell Zone 4,290.0 to 5,416.2

Present Market Price of 2,282.19 is in the **HOLD** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{5,416.2 - 2,282.19}{2,282.19 - 911.6} = \frac{3,133.99}{1,370.59} = 2.3$  To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{5,416.2 - 2,282.19}{2,282.19} = 2.3732$  X 100 = 237.32 - 100 = 137.3 % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

**A**  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.00}{2,282.19} = 0.0000 = 0.0\%$  Current Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{0.0\%}{24.00} = 0.0\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{0.0\%}{22.50} = 0.0\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 18.9 %  
Average Yield 0.0 %  
Annualized Rate of Return 18.9 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 17.3 %  
Average Yield 0.0 %  
Annualized Rate of Return 17.3 %

**Notes: GOOGL 5/1/22**

Date	Subject	Description	Type
02/03/22	GOOG Feb 3 2022	Annual + 4Q: Another blowout year, and 4q sales growth up 32%. Annual profit \$36B. Average PAR of 11% going forward. Beat all analyst expectations. Announced a 20 to 1 stock split for July. I did not change my sales, eps, or PE this quarter. Future growth: digital ad growth continuing as strong consumer online activity grows; stock split making shares more affordable (\$100l range); continuing growth in cloud demand; Youtube new features (Youtube Shorts already 15B daily views) challenging TikTok model; new commerce live streams through partnerships with Walmart and Target enabling a seamless omnichannel for both buyers and merchants which also encourages more ad revenue. Biggest threat for GOOG: regulators in US and Europe who are filing lawsuits and proposing laws to limit its dominance. In US, there are antitrust lawsuits against its ad-tech, search and app-store businesses. Some are calling for it to divest its ad-tech segment.	Study
05/06/19	1Q review May 2019	Revenue disappointed for 1st time since 2015. Competition is heating up for ads, with Amazon taking some of it. I left my sales (13) and eps (12) judgments unchanged, however, as the May VL is still forecasting higher amounts than mine. Management blames slower growth on product changes impacting short-term and not long term. M* still predicts 20% growth in 2019 and says it will remain the market leader in advertising and gain traction in the cloud.	Study
02/03/18	VL note on earnings nonrecurring charges 2/2018	2B tax charge from European Commission in 2nd qtr and \$11B in nonrecurring income tax expenses related to the U.S. Tax Act. (12/2017). I omitted them, also on my SSG.	Study
05/07/17	1 Qtrl.	Left growth estimates, but lowered PE's a bit since they are trending down a little. Still a strong HOLD. Made low price 80% of current one.	Study
05/07/17	Notes from Toolkit 6	Jan 2017: Used PREFERRED Procedure, shares outst 690 (VL), Net profit 25 (VL), made earnings a little less than sales to account for the Other Bets ventures pulling down eps a bit.	Study