

Alphabet Inc

Recommendation

STRONG BUY ★★★★★

Price

\$845.03 (as of Jan 27, 2017 4:00 PM ET)

12-Mo. Target Price

\$1,000

Report Currency

USD

Investment Style

Large-Cap Growth

Equity Analyst S. Kessler

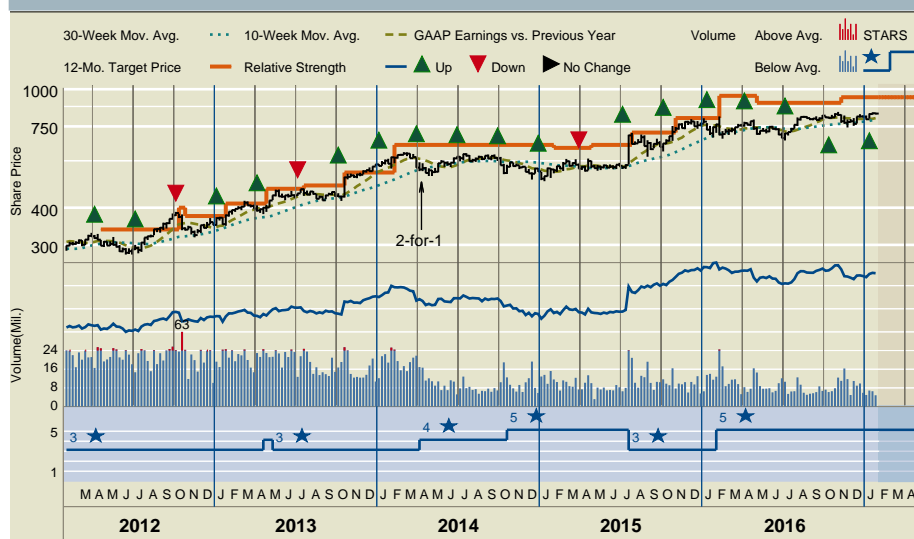
GICS Sector Information Technology
Sub-Industry Internet Software & Services

Summary Alphabet (formerly Google) is the world's largest Internet company, specializing in search and advertising. In October 2015, the company renamed itself, establishing Google as its primary operating unit.

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	\$867.00–672.66	S&P Oper. EPS 2017E	41.08	Market Capitalization(B)	\$244.962	Beta	1.09
Trailing 12-Month EPS	\$28.26	S&P Oper. EPS 2018E	48.23	Yield (%)	Nil	S&P 3-Yr. Proj. EPS CAGR(%)	17
Trailing 12-Month P/E	29.9	P/E on S&P Oper. EPS 2017E	20.6	Dividend Rate/Share	Nil	S&P Quality Ranking	A-
\$10K Invested 5 Yrs Ago	\$43,668	Common Shares Outstg. (M)	689.2	Institutional Ownership (%)	83		

Price Performance



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **S. Kessler** on Jan 27, 2017 12:29 PM, when the stock traded at **\$850.66**.

Highlights

- We project that revenues will rise 17% in 2017 and 15% in 2018. We see revenue growth driven by pricing improvements in mobile and increasing traction across display offerings, most notably YouTube. We see a strong U.S. dollar as a negative for top-line growth.
- EBITDA margins narrowed notably in 2012, due to the Motorola purchase, but we have seen improvements thereafter and see this trend gradually continuing through 2019, given a more favorable revenue mix and more disciplined investments. We note continuing spending related to new offerings and government inquiries/investigations, including those involving the European Commission announced in 2015 and 2016.
- In May 2012, GOOGL acquired Motorola Mobility for \$12.5 billion. In April 2013, GOOGL sold Motorola's Home unit to Arris in a deal valued at \$2.4 billion. In October 2014, GOOGL sold the remainder of Motorola for some \$2.9 billion. However, GOOGL retained considerable intellectual property, despite selling related businesses. In October 2016 GOOGL announced a \$7.0 billion stock buyback program.

Investment Rationale/Risk

- We see healthy growth, with opportunities related to mobile, video (YouTube, in particular) and cloud, and note related improving pricing trends. We think CFO Ruth Porat, who held the same role at Morgan Stanley and joined in May 2015, has contributed to greater transparency and more expense discipline. Nonetheless, we see continuing aggressive investments. In August 2015, the company announced it would change its name to Alphabet and that Google would be its primary operating business.
- Risks to our recommendation and target price include the potential for market share losses, excess expenditures associated with expansion and adverse legal and/or regulatory developments.
- Our 12-month target price is \$1,000. Global large-cap Internet peers recently had a forward median P/E of 31.2X and a P/E-to-growth (PEG) ratio of 1.3. Applying these multiples to GOOGL and averaging the outputs result in our target. We have favorable views of the company's balance sheet and capital allocation efforts and potential.

Analyst's Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects significant competition, substantial and increasing investment and related new offerings, considerable ongoing legal and regulatory matters and potential issues related to the pending sale of Motorola Mobility.

Revenue/Earnings Data

Revenue (Million U.S. \$)		1Q	2Q	3Q	4Q	Year
2016	20,257	21,500	22,451	26,064	90,272	
2015	17,258	17,727	18,675	21,329	74,989	
2014	15,420	15,955	16,523	18,103	66,001	
2013	13,969	14,105	14,893	16,858	59,825	
2012	10,645	11,807	13,304	14,419	50,175	
2011	8,575	9,026	9,720	10,584	37,905	

Earnings Per Share (U.S. \$)

2016	6.12	7.10	7.25	7.74	28.26
2015	5.20	6.43	5.81	7.16	23.01
2014	5.33	5.09	4.36	5.50	20.27
2013	4.94	3.78	4.36	4.96	18.03
2012	4.38	4.21	3.24	4.34	16.23
2011	2.76	3.84	4.17	4.11	14.88

Fiscal year ended Dec. 31. Next earnings report expected: Late April. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid.

Past performance is not an indication of future performance and should not be relied upon as such.

Alphabet Inc

Business Summary January 27, 2017

CORPORATE OVERVIEW. Alphabet (formerly Google) is a global technology company whose stated mission is to organize the world's information and make it universally accessible and useful. GOOGL has amassed and maintains the Internet's largest index of information (consisting of billions of items, including Web pages, images and videos), and makes most of it freely accessible and usable to anyone with online access. GOOGL's websites are a leading Internet destination, and the Google brand is one of the most recognized in the world. International sources contribute more than half of revenues.

In October 2015, the company changed its name to Alphabet, as part of a new operating structure. Alphabet consists of Google, which includes Google Maps, YouTube, Chrome and Android, as well as less-related assets and offerings, including connected-home company Nest, the company's investment arms and a number of emerging/"moonshoot" initiatives. We think the realignment should offer more transparency into GOOGL's operations and assets. Google co-founders Larry Page and Sergey Brin are Alphabet's CEO and President, respectively, and Sundar Pichai is Google's CEO.

GOOGL's advertising program, called AdWords, enables advertisers to present online ads when users are searching for related information. Advertisers employ GOOGL's tools to create text-based ads, bid on keywords that trigger display of their ads and set daily spending budgets. Ads are ranked for presentation based on the maximum cost per click set by the advertiser, click-through rates and other factors used to determine ad relevance. This process is designed to favor the most relevant ads. GOOGL's AdSense technology enables Google Network websites to provide targeted ads from AdWords advertisers.

GOOGL acquired Motorola Mobility in May 2012 for \$12.5 billion. Motorola manufactures smartphones, tablets, and set-top boxes. We expect Motorola to account for 7% of GOOGL's revenues from continuing operations in 2013. In December 2012, GOOGL announced the pending sale of the Motorola Home set-top-box business to Arris Group (ARRS), in a transaction valued at \$2.4 billion in cash and stock. The transaction closed in April 2013. GOOGL announced the pending sale of Motorola to Lenovo in a deal valued at \$2.9 billion in January 2014. The transaction was consummated in October 2014. Earlier that month, GOOGL announced the planned purchase of Nest Labs, a privately held provider of smart thermostats and smoke alarms, for \$3.2 billion.

CORPORATE STRATEGY. The word "Google" has become synonymous with the Internet search category. We think this reflects GOOGL's historically strong focus on the search segment, and the company's related market share leadership in many countries around the world, including the U.S. GOOGL has been expanding its efforts beyond the traditional online search category. We think these initiatives have been intended to broaden GOOGL's reach, and to increasingly attract users and spur activity and engagement. The company has been discontinuing investment in and operations of offerings that have not gained sufficient traction.

COMPETITIVE LANDSCAPE. GOOGL's leading competitors in the search segment include Baidu (BIDU), IAC/InterActiveCorp (IAC), Microsoft (MSFT), Yahoo (YHOO) and Yandex (YNDX). In October 2015, IAC announced it had renewed its partnership with GOOGL until March 2020.

FINANCIAL TRENDS. GOOGL has a somewhat limited operating history, particularly as a publicly traded company (its IPO was completed in August 2004). In our view, GOOGL's historical annual pro forma operating margins (of between 35% and 45%) and net margins (between 25% and 35%) were quite robust. However, these margins could be adversely affected as GOOGL invests to bolster its Internet search offerings and endeavors to diversify into new businesses (including M&A activity). We also expect greater competition to negatively affect the company's pricing. Moreover, we project that Motorola Mobility will continue to impair GOOGL's operating margins. Our EPS estimates include notable expenses related to stock-based compensation.

Capital expenditures increased from \$37 million in 2002 to \$838 million in 2005, and more than doubled in 2006, reflecting notable plans for expansion (hiring people, securing facilities) and investment (technology infrastructure, including hardware and telecommunications capacity). They fell 1% in 2008 and plummeted 66% in 2009, but surged nearly five-fold in 2010 (reflecting the purchase of a building in Manhattan). Capex fell 14% in 2011 and 5% in 2012, but rose 125% in 2013 and nearly 50% in 2014. They fell 10% in 2015 and rose only 3% in 2016, but we see gains over the next few years. We think Motorola contributed to higher capex.

In April 2012, GOOGL announced that for each existing Class A and Class B share, it would pay a stock dividend of a Class C share, which do not include voting rights. We think this was a way for GOOGL to implement a stock split desired by many shareholders, while consolidating power for its founders and chairman. A lawsuit delayed implementation, and the company completed the split in April 2014.

Corporate Information

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Officers

Chrmn E.E. Schmidt	SVP & CFO R.M. Porat
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CEO L.E. Page	CTO J. McAteer
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Pres
S. Brin

Board Members

S. Brin	L. J. Doerr, III
R. W. Ferguson, Jr.	D. B. Greene
J. L. Hennessy	A. Mather
A. R. Mulally	P. S. Otellini
L. E. Page	E. E. Schmidt
K. R. Shriram	S. M. Tilghman

Domicile Delaware	Auditor ERNST & YOUNG
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Founded
1998

Employees
61,814

Stockholders
2,279

Alphabet Inc



Quantitative Evaluations

S&P Capital IQ Fair Value Rank	4	1	2	3	4	5
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LOWEST HIGHEST
Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **\$972.00** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that GOOGL is slightly undervalued by \$126.97 or 15.0%.

Investability Quotient Percentile	100
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LOWEST = 1 HIGHEST = 100
GOOGL scored higher than 100% of all companies for which an S&P Capital IQ Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation **BULLISH** Since January, 2017, the technical indicators for GOOGL have been BULLISH.

Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2015	2014	2013	2012
Price/Sales	7.19	5.54	6.36	4.70
Price/EBITDA	22.07	17.02	21.12	14.99
Price/Pretax Income	27.43	21.18	26.27	17.61
P/E Ratio	32.98	26.25	31.17	21.85
Avg. Diluted Shares Outstg (M)	692.9	689.0	679.5	666.4

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	13.62	13.93	20.53	23.50
Net Income	17.38	14.78	13.61	20.21

Ratio Analysis (Annual Avg.)

Net Margin (%)	21.80	21.11	22.10	23.53
% LT Debt to Capitalization	1.62	2.20	3.10	1.94
Return on Equity (%)	14.54	14.81	15.94	17.60

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	NA	146.38	123.76	103.85	81.38	75.75	60.60	47.72	35.54	31.84
Cash Flow	NA	30.90	26.97	23.84	17.30	17.71	15.32	12.60	9.01	8.18
Earnings	28.26	23.01	20.27	18.03	16.23	14.88	13.16	10.21	6.66	6.65
S&P Capital IQ Core Earnings	NA	NA	19.81	17.84	NA	NA	NA	NA	NA	NA
Dividends	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	839.00	798.69	614.44	560.50	387.19	323.38	315.42	313.00	348.69	373.62
Prices:Low	672.66	490.91	497.19	347.76	278.26	236.51	216.82	141.38	123.65	218.50
P/E Ratio:High	NM	35	30	31	24	22	24	31	52	56
P/E Ratio:Low	NM	21	25	19	17	16	17	14	19	33

Income Statement Analysis (Million U.S. \$)

Revenue	NA	74,989	66,001	59,825	50,175	37,905	29,321	23,651	21,796	16,594
Operating Income	NA	24,423	21,475	18,028	15,722	14,093	11,777	9,836	8,219	6,052
Depreciation	NA	5,063	4,601	3,939	2,962	1,851	1,396	1,524	1,492	968
Interest Expense	NA	104	101	83.0	84.0	58.0	NA	NA	Nil	1.30
Pretax Income	NA	19,651	17,259	14,496	13,386	12,326	10,796	8,381	5,854	5,674
Effective Tax Rate	NA	16.8%	19.3%	15.7%	19.4%	21.0%	21.2%	22.2%	27.8%	26.0%
Net Income	NA	16,348	13,928	12,214	10,788	9,737	8,505	6,520	4,227	4,204
S&P Capital IQ Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million U.S. \$)

Cash	NA	71,926	62,633	57,534	48,088	44,626	34,975	24,485	15,846	14,219
Current Assets	NA	90,114	80,685	72,886	60,454	52,758	41,562	29,167	20,178	17,289
Total Assets	NA	147,461	131,133	110,920	93,798	72,574	57,851	40,497	31,768	25,336
Current Liabilities	NA	19,310	16,805	15,908	14,337	8,913	9,996	2,747	2,302	2,036
Long Term Debt	NA	1,995	2,992	1,990	2,988	2,986	Nil	NA	Nil	Nil
Common Equity	NA	120,331	104,500	87,309	71,715	58,145	46,241	36,004	28,239	22,690
Total Capital	NA	123,326	107,492	90,299	74,703	61,131	46,241	36,004	28,251	22,690
Capital Expenditures	NA	9,915	10,959	7,358	3,273	3,438	4,018	810	2,358	2,403
Cash Flow	NA	21,411	18,529	16,153	13,750	11,588	9,901	8,045	5,719	5,172
Current Ratio	NA	4.7	4.8	4.6	4.2	5.9	4.2	10.6	8.8	8.5
% Long Term Debt of Capitalization	NA	1.6	2.8	2.2	4.0	4.9	Nil	Nil	Nil	Nil
% Net Income of Revenue	NA	21.8	21.1	20.4	21.5	25.7	29.0	27.6	19.4	25.3
% Return on Assets	NA	11.7	11.5	11.9	13.0	14.9	17.3	18.1	14.8	19.1
% Return on Equity	NA	14.5	14.5	15.4	16.6	18.7	20.7	20.3	16.6	21.1

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Alphabet Inc

Sub-Industry Outlook

Our fundamental outlook for the Internet Software & Services sub-industry for the next 12 months is positive, reflecting an increasing percentage of related budgets committed to the Internet (versus so-called traditional media) and pricing for associated online offerings that has shown signs of improvement, offset somewhat by what we view as an uncertain global economy, for which we note the June 2016 Brexit leave vote. We also have questions about pricing for mobile advertising and see great potential for video.

U.S. online advertising revenues rose 17% in 2013, 16% in 2014 and 20% in 2015, and CFRA estimates increases of 17% for 2016 and 16% for 2017. We think the U.S. accounts for more than a third of this market. Corporations are committing larger percentages of advertising budgets to digital formats as people spend more time online and on mobile devices, especially as compared with consumption of other media. Moreover, Internet and mobile marketing offers notable targeting and data-focused return-on-investment capabilities. Mobile has also been driving volumes, and more recently revenues, and we it accounted for more than \$20 billion in U.S. advertising sales in 2015.

We also think the advent and growing adoption of technologies such as powerful Internet-enabled smartphones and tablets is a positive for interactive advertising, notably driving traffic and usage, for example. However, we think mobile advertising is generally priced at lower rates than online advertising, but have noted improving trends. Video is an emerging opportunity, especially involving social media and mobile, and we note the success of offerings like Facebook Live.

U.S. online retail sales increased 10% in 2013, 8% in 2014, and 18% in 2015. We see some deceleration to

around the mid-teens level for 2016 and 2017. We think users are attracted to Internet retail offerings in large part due to factors that include a generally substantial selection of products, 24/7/365 store access and associated convenience of home delivery, and a compelling value proposition. According to Forrester Research, an independent technology and market research company, improving initiatives across multiple channels including physical and online stores, better merchandising, more customized offerings and increasingly sophisticated marketing efforts have helped drive considerable segment growth.

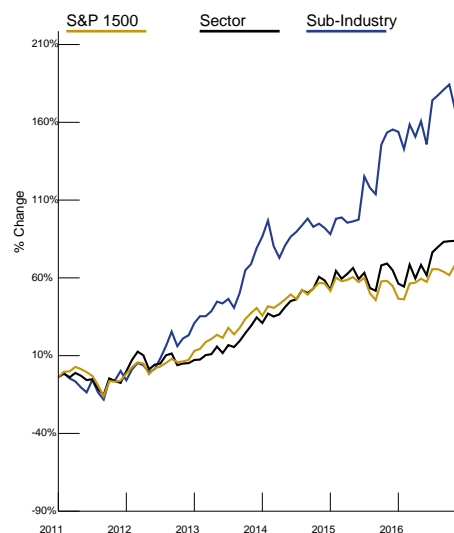
In 2016, the S&P 1500 Internet software & services index rose 5.2%, compared with an increase in the S&P 1500 of 10.6%. In 2015, the S&P 1500 sub-industry index appreciated 32.3%, versus a decrease in the S&P 1500 of 1.0%.

--**Scott Kessler**

Industry Performance

GICS Sector: Information Technology
Sub-Industry: Internet Software & Services

Based on S&P 1500 Indexes
Five-Year market price performance through Jan 27, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Internet Software & Services Peer Group*: Internet Content - General

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Alphabet Inc'A'	GOOGL	244,962	845.03	867.00/672.66	1.09	Nil	30	972.00	A-	100	21.8	1.6
Baidu Inc ADS	BIDU	473,521	174.10	201.00/139.61	1.75	Nil	12	NA	NR	74	48.9	27.6
Blucora Inc	BCOR	640	15.35	15.85/4.69	0.99	Nil	NM	19.60	C	16	NM	51.5
Facebook Inc Cl'A'	FB	309,410	132.18	135.60/96.82	0.74	Nil	51	217.70	NR	88	20.6	NA
IAC/InterActiveCorp	IAC	5,262	69.71	71.48/38.82	0.65	Nil	NM	62.10	B-	31	3.7	43.3
NetEase Inc ADS	NTES	1,326	252.89	272.58/129.60	0.85	1.2	22	287.80	NR	78	30.0	NA
Sina Corp	SINA	4,911	69.74	85.24/39.58	1.75	Nil	23	NA	NR	14	4.1	NA
Sohu.com Inc	SOHU	1,566	40.43	53.31/32.60	1.76	Nil	NM	NA	C	13	NM	NA
Twitter Inc	TWTR	11,735	16.57	25.25/13.73	NA	Nil	NM	11.00	NR	75	NM	25.0
XO Group	XOXO	485	19.10	20.99/13.63	1.13	Nil	76	16.20	B-	78	3.9	NA
Yahoo Inc	YHOO	41,817	44.42	45.08/26.15	1.09	Nil	NM	NA	C	36	NM	4.1

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Analyst Research Notes and other Company News

November 1, 2016

Google has appointed Ronan Harris as its managing director for the UK and Ireland, replacing Eileen Naughton, who transferred to the US in July. Currently country manager for Ireland, Harris, an engineer by training, has been with Google for 11 years and will be replaced in his former role by Fionnuala Meehan. Meehan will retain her current role as vice-president of marketing solutions for the company's EMEA business and will take charge of Google's 5,000 Irish staff from London.

October 28, 2016

09:43 am ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON CLASS A SHARES OF ALPHABET INC. (GOOGL 817.35*****): We raise our 12-month target by \$40 to \$940. Peers have a median forward P/E of 33X and a P/E-to-growth ratio of 1.3. Using these multiples and averaging the outputs result in our target. We raise our EPS estimates for '16 to \$34.44 from \$34.09 and '17 to \$40.90 from \$40.24. GOOGL posts Q3 non-GAAP EPS of \$9.06 vs. \$7.35, \$0.50 above our estimate, reflecting higher revenues, wider margins, and a lower tax rate than we projected. Revenues rose 20% (23% with neutral forex), driven by mobile search and YouTube. GOOGL also announces a new \$7 billion stock buyback. /S. Kessler

October 13, 2016

The Romanian subsidiary of Google announced that it had named Elisabeta Moraru as its new CEO. Elisabeta Moraru is replacing Dan Bulucea, who took an international role as Google's new business manager for the Asia-Pacific (APAC) region in June. Moraru has been working for Google Romania since April 2012 as industry manager and has 15 years of experience in sales and marketing. Before joining Google, Elisabeta Moraru worked for Xerox and Microsoft Romania.

October 6, 2016

09:40 am ET ... S&P GLOBAL REITERATES HOLD OPINION ON SHARES OF TWITTER, INC. (TWTR 24.87***): TWTR is indicated down some 16% this morning, as an unconfirmed report from Recode indicates Alphabet (GOOGL 801 *****) "does not currently plan to make a bid for Twitter," and Disney (DIS 92 ****) "is not going to make an offer." This would notably reduce the number of perceived suitors for TWTR, including two seen as perhaps the most likely. TWTR has risen 37% since September 13 (compared with a flat S&P 500), reflecting perceptions about possible M&A interest. Our 12-month target price remains \$21, and we note the company is set to report Q3 results on October 27. /S. Kessler

October 4, 2016

05:13 pm ET ... S&P GLOBAL REITERATES STRONG BUY OPINION ON SHARES OF ALPHABET INC. (GOOGL 802.79*****): GOOGL announces multiple new hardware products. The Pixel is the first phone with Google Assistant built in, and features "the best smartphone camera ever" for \$649. Google Home is a voice-activated speaker powered by the Google Assistant. Chromecast Ultra and Google Wifi enables/promotes greater connectivity. The Daydream View headset and controller enables users to explore virtual reality with a smartphone. We think this is an impressive stable of new products that underscores GOOGL's focus on innovation, but wonder about the pricing for the Pixel in a very competitive market. /S. Kessler

October 4, 2016

10:32 am ET ... S&P GLOBAL REITERATES HOLD OPINION ON SHARES OF TWITTER, INC. (TWTR 23.79***): Late last week, Bloomberg published an unconfirmed report indicating that Alphabet (GOOGL 798 *****) tapped Lazard Ltd. to "consider a potential bid" for TWTR. We think such interest makes sense, especially given the two companies have what we see as an important search alliance. Moreover, GOOGL could look to TWTR related to key areas such as real-time search, video content/distribution, mobile, and even social media. However, we wonder about valuation, especially given what we see as recent growth and execution challenges at TWTR, and perhaps a competitive bidding situation. /S. Kessler

July 29, 2016

10:23 am ET ... S&P GLOBAL REITERATES STRONG BUY OPINION ON CLASS A SHARES OF ALPHABET INC. (GOOGL 797.15*****): We maintain our 12-month target of \$900. Global Internet peers have a median forward P/E of 32X and a P/E-to-growth ratio of 1.2. Applying those multiples and averaging the outputs results in our target. We raise our EPS estimates to \$34.09 from \$33.91 for '16 and \$40.24 from \$39.87 for '17. GOOGL posts non-GAAP Q2 EPS of \$8.42 vs. \$6.99,

compared with the Capital IQ consensus of \$8.04. Revenues rose 21% (25% using constant currency), well above our expectations, reflecting search and YouTube. Operating margin widened and capex declined, we think reflecting spending discipline. /S. Kessler

July 14, 2016

09:28 am ET ... S&P GLOBAL REITERATES STRONG BUY OPINION ON CLASS A SHARES OF ALPHABET INC. (GOOGL 729.48*****): The European Commission sent two Statements of Objections to GOOGL, supporting a prior Statement of Objections concluding the business "abused its dominant position by systematically favouring its comparison shopping service in its search result pages," and offering a preliminary view that the unit "abused its dominant position by artificially restricting" third-party websites from displaying search ads from competitors. Responses are due within 8 and 10 weeks, and we see the broader matter continuing. We think adverse related developments are largely priced into the stock. /S. Kessler

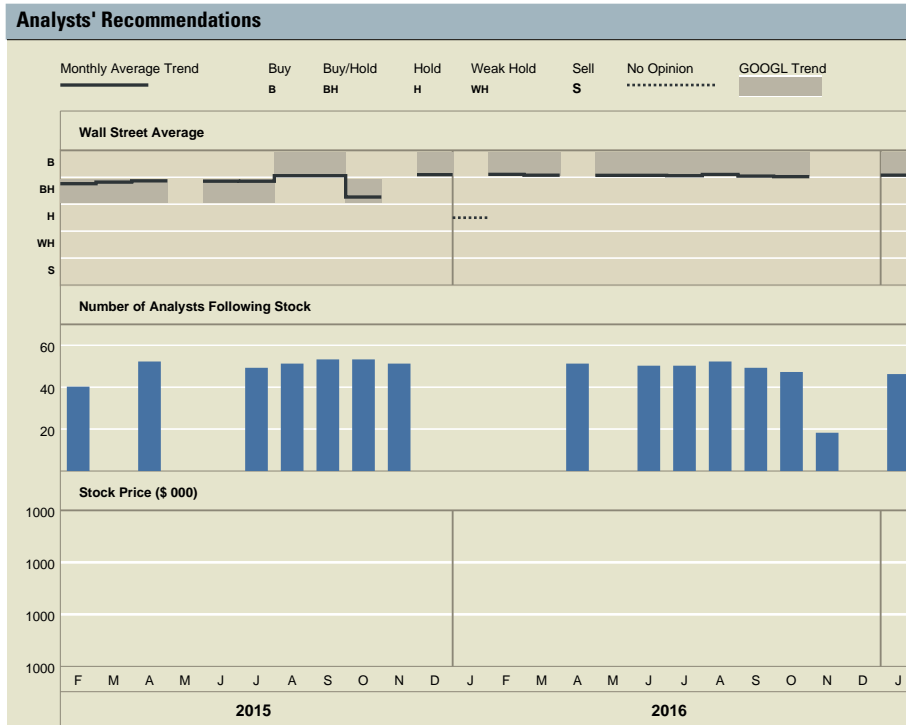
June 30, 2016

04:51 pm ET ... S&P GLOBAL ADDS CLASS A SHARES OF ALPHABET INC. TO ITS TOP-10 PORTFOLIO (GOOGL 700.49*****): We see healthy growth at GOOGL, with opportunities related to mobile and video and note related improving pricing trends. We forecast 15% revenue growth in '16 and 14% in '17. We also believe GOOGL's new CFO will enhance transparency and expense discipline at the firm. GOOGL replaces Twitter Inc. (TWTR 17 ****) in our Top-10 Portfolio. /C. Seifert

June 30, 2016

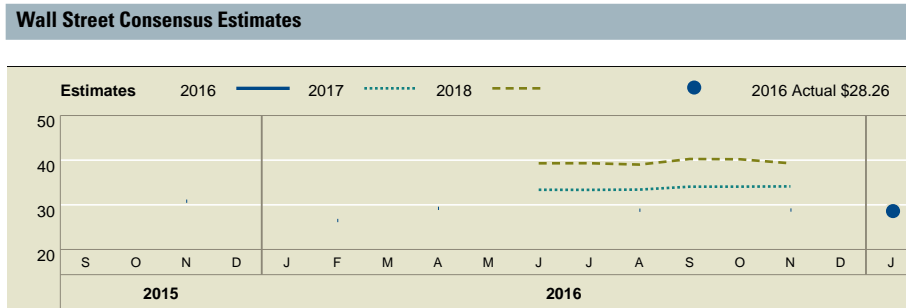
Alphabet Inc. announced it has appointed Roger W. Ferguson, Jr. to its Board of Directors. Mr. Ferguson is a respected leader in the economics and finance industries, and will serve on Alphabet's Audit Committee. His appointment was effective June 24, 2016. Mr. Ferguson has served as the President and Chief Executive Officer of TIAA since April 2008. He joined TIAA after his tenure at Swiss Re, where he served as Chairman of the firm's America Holding Corporation, Head of Financial Services, and a member of the Executive Committee from 2006 to 2008. Following Mr. Ferguson's appointment to the Audit Committee, L. John Doerr resigned from the Audit Committee and was appointed to serve as a member of the Leadership Development and Compensation Committee of the Board.

Alphabet Inc



Of the total 47 companies following GOOGL, 46 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	31	67	0	29
Buy/Hold	11	24	0	11
Hold	2	4	0	3
Weak Hold	0	0	0	0
Sell	1	2	0	1
No Opinion	1	2	0	1
Total	46	100	0	45



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2017	41.12	47.40	29.50	44	20.6
2016	34.76	41.40	33.49	44	24.3
2017 vs. 2016	▲ 18%	▲ 14%	▼ -12%	0%	▼ -15%
Q4'17	11.51	12.66	10.63	25	73.4
Q4'16	9.62	10.67	9.01	39	87.8
Q4'17 vs. Q4'16	▲ 20%	▲ 19%	▲ 18%	▼ -36%	▼ -16%

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Wall Street Consensus Opinion

BUY

Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.

- Aegis Capital Corporation
- Arete Research Services LLP
- Argus Research Company
- Atlantic Equities LLP
- B. Riley & Co.
- BMO Capital Markets Equity Research
- BofA Merrill Lynch
- CLSA
- Canaccord Genuity
- Cantor Fitzgerald & Co.
- Citigroup Inc
- Cowen and Company
- Credit Suisse
- Daiwa Securities Co. Ltd.
- Deutsche Bank
- Eugene Investment & Securities Co Ltd.
- Evercore ISI
- FBN Securities, Inc.
- Goldman Sachs
- Hilliard Lyons
- Investcafe
- JMP Securities
- JP Morgan
- Jefferies LLC
- Kaufman Bros., L.P.
- MKM Partners LLC
- Macquarie Research
- Mizuho Securities USA, Inc.
- Monness, Crespi, Hardt & Co., Inc.
- Morgan Stanley

Wall Street Consensus vs. Performance

For fiscal year 2016, analysts estimate that GOOGL will earn US\$ 34.76. For the 3rd quarter of fiscal year 2016, GOOGL announced earnings per share of US\$ 7.25, representing 21% of the total annual estimate. For fiscal year 2017, analysts estimate that GOOGL's earnings per share will grow by 18% to US\$ 41.12.

Glossary

S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model
 EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization

EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations
 FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value
 PEG Ratio - P/E-to-Growth Ratio
 PV - Present Value
 R&D - Research & Development
 ROCE - Return on Capital Employed
 ROE - Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of September 30, 2016

Ranking	North America	Europe	Asia	Global
Buy	25.0%	29.3%	16.1%	24.6%
Hold	50.6%	53.7%	77.4%	54.7%
Sell	24.4%	17.0%	6.5%	20.7%
Total	100%	100%	100%	100%

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