

<b>TIMELINESS</b> 3 Raised 5/12/17	High: 256.5	373.6	348.7	313.0	315.4	323.4	387.2	560.5	614.4	780.0	816.7	920.8	Target Price Range 2020 2021 2022	2500
<b>SAFETY</b> 1 Raised 5/12/17	Low: 165.8	218.5	123.6	141.4	216.8	236.5	278.3	347.8	489.0	487.6	663.1	775.8		1250
<b>TECHNICAL</b> 4 Lowered 5/12/17	<b>LEGENDS</b> --- 18.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 4/14 Options: Yes Shaded area indicates recession													
<b>BETA</b> 1.00 (1.00 = Market)														
<b>2020-22 PROJECTIONS</b>														
Price	Ann'l Total													
High <b>1325</b>	Gain <b>(+45%)</b>	Return												
Low <b>1085</b>	<b>(+20%)</b>	<b>10%</b>												
<b>Insider Decisions</b>														
J A S O N D J F M														
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	5	5	4	4	5	5	2	3	4					
to Sell	4	4	4	4	6	5	4	5	3					
<b>Institutional Decisions</b>														
2Q2016 3Q2016 4Q2016														
to Buy	815	739	875	Percent shares traded										
to Sell	784	813	796	150										
Hld's(000)	238276	237922	241623	100										

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
26.48	34.58	37.21	45.63	58.29	76.10	89.03	96.97	109.10	130.58	<b>151.75</b>	<b>169.80</b>	Revenues per sh	<b>239.35</b>
8.00	10.33	12.21	14.90	17.12	19.38	22.31	26.20	29.04	35.80	<b>45.90</b>	<b>48.50</b>	"Cash Flow" per sh	<b>68.70</b>
6.65	8.35	10.21	13.16	14.88	16.23	18.03	20.82	22.84	27.85	<b>35.00</b>	<b>37.05</b>	Earnings per sh A	<b>54.70</b>
--	--	--	--	--	--	--	--	--	--	<b>Nil</b>	<b>Nil</b>	Div'ds Decl'd per sh	<b>Nil</b>
3.84	3.74	1.27	6.25	5.29	4.96	10.95	16.10	14.43	14.77	<b>23.10</b>	<b>25.69</b>	Cap'l Spending per sh	<b>28.55</b>
36.21	44.81	56.65	71.96	89.42	108.77	129.92	153.54	175.07	201.12	<b>239.70</b>	<b>282.85</b>	Book Value per sh	<b>446.95</b>
626.55	630.23	635.54	642.60	650.27	659.33	672.00	680.62	687.35	691.29	<b>692.00</b>	<b>695.00</b>	Common Shs Outst'g B	<b>700.00</b>
40.7	27.6	21.5	20.3	19.1	19.8	24.6	27.0	26.3	26.7	<b>26.7</b>	<b>26.7</b>	Avg Ann'l P/E Ratio	<b>22.0</b>
2.16	1.66	1.43	1.29	1.20	1.26	1.38	1.42	1.32	1.41	<b>1.41</b>	<b>1.41</b>	Relative P/E Ratio	<b>1.40</b>
--	--	--	--	--	--	--	--	--	--	<b>Nil</b>	<b>Nil</b>	Avg Ann'l Div'd Yield	<b>Nil</b>
16594	21796	23651	29321	37905	50175	59825	66001	74989	90272	<b>105000</b>	<b>118000</b>	Revenues (\$mill)	<b>167530</b>
35.5%	36.0%	40.4%	39.0%	34.7%	29.4%	28.0%	30.9%	31.3%	32.2%	<b>36.5%</b>	<b>34.5%</b>	Operating Margin	<b>35.0%</b>
807.7	1212.2	1240.0	1067.0	1396.0	1988.0	2781.0	3523.0	4132.0	5267.0	<b>5500</b>	<b>5750</b>	Depreciation (\$mill)	<b>6500</b>
4203.7	5299.3	6520.4	8505.0	9737.0	10788	12214	14306	15826	19478	<b>26250</b>	<b>27970</b>	Net Profit (\$mill)	<b>41585</b>
25.9%	9.5%	22.2%	21.2%	21.0%	19.4%	15.7%	18.9%	16.8%	19.3%	<b>20.0%</b>	<b>20.0%</b>	Income Tax Rate	<b>20.0%</b>
25.3%	24.3%	27.6%	29.0%	25.7%	21.5%	20.4%	21.7%	21.1%	21.6%	<b>25.0%</b>	<b>23.7%</b>	Net Profit Margin	<b>24.8%</b>
15254	17876	26420	31566	43845	46117	56978	63880	70804	88652	<b>85055</b>	<b>78770</b>	Working Cap'l (\$mill)	<b>94550</b>
--	--	--	--	2986.0	2988.0	2236.0	3228.0	1995.0	3935.0	<b>4000</b>	<b>4250</b>	Long-Term Debt (\$mill)	<b>5000</b>
22690	28239	36004	46241	58145	71715	87309	104500	120331	139036	<b>169870</b>	<b>200835</b>	Shr. Equity (\$mill)	<b>312870</b>
18.5%	18.8%	18.1%	18.4%	16.0%	14.4%	13.7%	13.3%	13.0%	13.7%	<b>15.5%</b>	<b>14.0%</b>	Return on Total Cap'l	<b>13.0%</b>
18.5%	18.8%	18.1%	18.4%	16.7%	15.0%	14.0%	13.7%	13.2%	14.0%	<b>16.0%</b>	<b>14.0%</b>	Return on Shr. Equity	<b>13.5%</b>
18.5%	18.8%	18.1%	18.4%	16.7%	15.0%	14.0%	13.7%	13.2%	14.0%	<b>16.0%</b>	<b>14.0%</b>	Retained to Com Eq	<b>13.5%</b>
--	--	--	--	--	--	--	--	--	--	<b>Nil</b>	<b>Nil</b>	All Div'ds to Net Prof	<b>Nil</b>

Google Inc. undertook its initial public offering on August 19, 2004, selling approximately 19.6 million shares of its Class A Common stock for \$85 a share. Of the total shares, the company sold 14.1 million, and selling stockholders sold 5.5 million. The lead underwriters of the offering were Morgan Stanley and Credit Suisse First Boston.

**CAPITAL STRUCTURE** as of 3/31/17  
**Total Debt** \$3937 mill. **Due in 5 Yrs.** \$1422 mill.  
**LT Debt** \$3937 mill. **LT Interest** \$124 mill. (3% of Cap'l)

**Leases, Uncapitalized:** Annual rentals \$828 mill.

**No Defined Benefit Pension Plan**  
**Pfd Stock** None

**Common Stock** 692,108,000 shares (297,600,000 Class A shares, 47,164,000 Class B shares, and 347,344,000 Class C shares) C D  
**MARKET CAP: \$634 billion (Large Cap)**

CURRENT POSITION	2015	2016	3/31/17
(\$MILL.)			
Cash Assets	73066	86333	92439
Receivables	11556	14137	12913
Inventory	--	--	--
Other	5492	4938	3442
Current Assets	90114	105408	108794
Accts Payable	1931	2041	2306
Debt Due	3225	--	--
Other	14154	14715	12950
Current Liab.	19310	16756	15256

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16	Est'd '14-'16
of change (per sh)				
Revenues	26.0%	19.0%	14.0%	14.0%
"Cash Flow"	25.5%	15.5%	15.5%	15.5%
Earnings	24.5%	13.5%	15.5%	15.5%
Dividends	--	--	Nil	Nil
Book Value	27.0%	19.5%	16.5%	16.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2014	15420	15955	16523	18103	66001
2015	17258	17727	18675	21329	74989
2016	20257	21500	22451	26064	90272
2017	24750	25150	25755	29345	105000
2018	28000	28400	29005	32595	118000

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2014	5.33	5.09	4.91	5.50	20.82
2015	5.10	4.93	5.73	7.06	22.84
2016	6.02	7.00	7.25	7.56	27.85
2017	7.73	8.75	9.00	9.52	35.00
2018	8.25	9.25	9.50	10.05	37.05

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013					
2014					
2015					
2016					
2017					

NO CASH DIVIDENDS BEING PAID

**BUSINESS:** Alphabet Inc. is the successor and parent holding company of Google Inc., which operates the world's leading Internet search engine. The company derives revenues primarily through delivering targeted advertising. Revenues are also derived from the licensing of search technology and solutions to enterprises. Revenues in 2016: United States, 47%; International, 53%.

**Shares of Alphabet continue to trend higher.** The stock has gone pretty consistently upward for the past eight years. More recently, since our February review, GOOG's price increased another 15%. In comparison, the S&P 500 Index registered a more modest rise of about 5%.

**Meanwhile, the company posted better-than-expected first-quarter financial results.** Indeed, the top line advanced more than 22%, to \$24.75 billion, as a result of double-digit gains from the Google Advertising, Google Other, and Other Bet segments. On the profitability front, although cost of goods sold increased 180 basis points as a function of revenues, operating expenses declined 200 basis points, which helped to even things out. Meanwhile, after accounting for a modest uptick in the provision for income taxes; and the dilutive effects of stock issuances, GOOG's share net climbed 28%, to \$7.73 for the March period. This was moderately higher than our earlier call of \$7.50. Nonetheless, we have left our 2017 earnings projection unchanged for the time being. Finally, we have introduced our 2018 top- and bottom-line estimates at \$118 billion

and \$37.05 a share, respectively. **The overall financial position is in good shape and improving.** Over the first three months of this year, cash reserves rose more than 7%, and now sit at approximately \$92.5 billion. What's more, Alphabet rarely utilizes debt to fund operations, which opens up another avenue of financing should the need arise. However, management appears to prefer to keep the balance sheet leverage to a minimum.

**Our Timeliness Ranking System suggests these shares will mirror the broader market averages in the coming year.** Looking ahead, the healthy uptick in the Alphabet's quotation has eroded a fair amount of the capital appreciation that we project for the pull to 2020-2022. At this point, the stock offers about-average 3- to 5-year upside potential when compared to the Value Line median. Thus, finding an attractive entry point may prove challenging. However, should the company continue to introduce disruptive technologies, our estimates may prove to be on the conservative side.

*Bryan J. Fong*  
*May 12, 2017*

(A) Diluted earnings per share for Class A and B common stock and Class C capital stock. Excludes nonrecurring gains/(losses): '06, 22¢; '08, (\$1.69); '14, (\$0.55). Qtrly egs. may not sum.	Next earnings report due late July.	(B) In millions.	(C) Class A common stock entitled to one vote per share. Class B common stock entitled to 10 votes per share. Class C common stock is non-voting.	(D) All preferred stock converted to Class B common stock upon initial public offering.	Company's Financial Strength	A++
					Stock's Price Stability	75
					Price Growth Persistence	90
					Earnings Predictability	95

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