

# ALPHABET INC. NDQ-GOOG

RECENT PRICE **1217.26** P/E RATIO **27.1** (Trailing: 30.3 Median: 25.0) RELATIVE P/E RATIO **1.45** DIV'D YLD **Nil** VALUE LINE



2021-23 PROJECTIONS		2008-2019											2020-2023																																																																												
Price	Gain	Ann'l Total Return												Target Price	Range																																																																										
High 1910	(+55%)	12%	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2021	2022	2023																																																																								
Low 1565	(+30%)	7%	34.58	37.21	45.63	58.29	76.10	89.03	96.97	109.10	130.58	159.55	192.35	219.20			2500																																																																								
Insider Decisions			<table border="1"> <tr> <th>S</th><th>O</th><th>N</th><th>D</th><th>J</th><th>F</th><th>M</th><th>A</th><th>M</th> </tr> <tr> <td>to Buy</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> <tr> <td>Options to Buy</td><td>2</td><td>1</td><td>3</td><td>1</td><td>1</td><td>2</td><td>3</td><td>2</td> </tr> <tr> <td>to Sell</td><td>2</td><td>1</td><td>1</td><td>1</td><td>1</td><td>2</td><td>2</td><td>2</td> </tr> </table>															S	O	N	D	J	F	M	A	M	to Buy	0	0	0	0	0	0	0	0	Options to Buy	2	1	3	1	1	2	3	2	to Sell	2	1	1	1	1	2	2	2																																				
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MARKET CAP: \$847 billion (Large Cap)			<table border="1"> <tr> <th>2008</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th> </tr> <tr> <td>2196</td><td>23651</td><td>29321</td><td>37905</td><td>50175</td><td>59825</td><td>66001</td><td>74989</td><td>90272</td><td>110855</td><td>134000</td><td>153000</td> </tr> <tr> <td>36.0%</td><td>40.4%</td><td>39.0%</td><td>34.7%</td><td>29.4%</td><td>28.0%</td><td>30.9%</td><td>31.3%</td><td>32.2%</td><td>31.0%</td><td>36.5%</td><td>36.0%</td> </tr> </table>															2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2196	23651	29321	37905	50175	59825	66001	74989	90272	110855	134000	153000	36.0%	40.4%	39.0%	34.7%	29.4%	28.0%	30.9%	31.3%	32.2%	31.0%	36.5%	36.0%																																				
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Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2015	17258	17727	18675	21329	74989
2016	20257	21500	22451	26064	90272
2017	24750	26010	27772	32323	110855
2018	31146	32657	34325	35872	134000
2019	35895	37750	38750	40605	153000

  

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
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	8.90	9.57	9.70	35.90
2018	9.09	11.75	12.00	12.16	45.00
2019	10.75	13.40	13.65	13.70	51.50

**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 2017 United States, 47%; International, 53%.

**Since our May review, shares of Alphabet have continued to climb higher.** Indeed, over that time frame, the equity's price increased more than 20%. This adds onto the company's relatively unchecked rise over the past seven-plus years.

**Meanwhile, the Internet search provider logged better-than-expected June-period results.** To that end, the top line advanced 25.6% on a year-over-year basis, to \$32.657 billion. This reflected solid, double-digit gains at the Google Advertising unit as well as from the Other Bets portion of its business mix. Ongoing innovation and continued traction from its programmatic customers are driving volumes here. On the profitability front, cost of good sold ticked 260 basis points higher, as a percentage of the top line, as traffic acquisition costs continue to climb. SG&A expenses have also been on the rise. After excluding a nonrecurring charge of \$5.07 billion from the European Commission (EC) that was imposed for antitrust infringement, Alphabet's second-quarter bottom line rose 32%, to \$11.75 a share. This was markedly above our call of \$9.40

Has 80,110 employees. Off. & dir. own approximately 1% of Class A common stock, 94.9% of Class B; The Vanguard Group, 6.1%; Fidelity, 5.6% of Class A (4/18 Proxy). Exec. Chrmn.: Dr. Eric Schmidt. Co-founder & CEO: Larry Page. Pres. & Dir.: Sergey Brin. Inc.: Del. Addr.: 1600 Amphitheatre Parkway, Mountain View, California 94043. Telephone: 650-253-0000. Internet: www.google.com.

**In turn, we have raised our outlooks for this year and next.** The company appears poised to register a revenue advance of approximately 20%, to \$134 billion in 2018, thanks to continued monetization of its mobile platforms as well as steadily rising traction from its programmatic offerings. Additional benefits ought to stem from cross-licensing of its patents, like the recent one with Tencent. Alternatively, the company already has a sizable share of its space, and after factoring in increased competition, we think traffic acquisition costs will probably continue to rise. All told, we have added \$6.20 to our earnings estimate this year, bringing the total to \$45.00 a share. This would represent a bottom-line gain of more than 25%.

**The balance sheet is in good shape and improving.** GOOG has more than \$102 billion in cash on hand, and the long-term debt load represents a minuscule percentage of the capital structure. **These shares are timely and have appeal.** And they offer worthwhile 3- to 5-year capital appreciation potential.

*Bryan J. Fong August 10, 2018*

(A) Diluted earnings per share for Class A and B common stock and Class C capital stock. Excludes nonrecurring gains/(losses): '08, (\$1.69); '14, (\$0.55); '17, (\$3.89); '18, \$4.24.	Qtrly egs. may not sum. Next earnings report due late Oct. (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	70
				Price Growth Persistence	90
				Earnings Predictability	90