

# ALPHABET INC. NDQ-GOOG

RECENT PRICE **1163.69** P/E RATIO **31.6** (Trailing: 34.5 Median: 25.0) RELATIVE P/E RATIO **1.51** DIV'D YLD **Nil** VALUE LINE

TIMELINESS <b>2</b> Lowered 1/12/18	High: 256.5	373.6	348.7	313.0	315.4	323.4	387.2	560.5	614.4	780.0	816.7	1078		Target Price Range
SAFETY <b>1</b> 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		2020 2021 2022
TECHNICAL <b>4</b> Lowered 1/19/18	<p>LEGENDS</p> <p>--- 20.0 x "Cash Flow" p sh</p> <p>... Relative Price Strength</p> <p>2-for-1 split 4/14</p> <p>Options: Yes</p> <p>Shaded area indicates recession</p>													
BETA 1.05 (1.00 = Market)														
<b>2020-22 PROJECTIONS</b>														
Price	Gain	Ann'l Total												
High <b>1615</b>	<b>(+40%)</b>	Return												
Low <b>1320</b>	<b>(+15%)</b>	3%												
<b>Insider Decisions</b>														
M A M J J A S O N														
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	4	2	5	3	2	4	2	1	3					
to Sell	3	3	3	3	3	2	2	1	1					
<b>Institutional Decisions</b>														
1Q2017 2Q2017 3Q2017														
to Buy	906	851	827	Percent										
to Sell	833	865	879	shares										
Hld's(000)	261336	260934	262912	traded										

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22	
Google Inc. (now, officially Alphabet 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.	26.48	34.58	37.21	45.63	58.29	76.10	89.03	96.97	109.10	130.58	159.55	<b>179.40</b>	Revenues per sh	<b>262.20</b>	
	8.00	10.33	12.21	14.90	17.12	19.38	22.31	26.20	29.04	35.80	<b>46.55</b>	<b>49.40</b>	"Cash Flow" per sh	<b>73.00</b>	
	6.65	8.35	10.21	13.16	14.88	16.23	18.03	20.82	22.84	27.85	<b>35.90</b>	<b>38.00</b>	Earnings per sh A	<b>58.70</b>	
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	3.84	3.74	1.27	6.25	5.29	4.96	10.95	16.10	14.43	14.77	<b>23.05</b>	<b>25.80</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	219.50	<b>287.00</b>	Book Value per sh	<b>458.10</b>	
	626.55	630.23	635.54	642.60	650.27	659.33	672.00	680.62	687.35	691.29	694.78	<b>697.00</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	25.8		Avg Ann'l P/E Ratio	<b>25.0</b>	
	2.16	1.66	1.43	1.29	1.20	1.26	1.38	1.42	1.32	1.41	1.34		Relative P/E Ratio	<b>1.55</b>	
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<b>CAPITAL STRUCTURE as of 12/31/17</b> Total Debt \$3969 mill. Due in 5 Yrs. \$1422 mill. LT Debt \$3969 mill. LT Interest \$124 mill. (3% of Cap'l)	16594	21796	23651	29321	37905	50175	59825	66001	74989	90272	110855	<b>125000</b>	Revenues (\$mill)	<b>183530</b>	
	35.5%	36.0%	40.4%	39.0%	34.7%	29.4%	28.0%	30.9%	31.3%	32.2%	<b>35.5%</b>	<b>33.5%</b>	Operating Margin	<b>34.0%</b>	
	807.7	1212.2	1240.0	1067.0	1396.0	1988.0	2781.0	3523.0	4132.0	5267.0	6103	<b>6250</b>	Depreciation (\$mill)	<b>6500</b>	
	4203.7	5299.3	6520.4	8505.0	9737.0	10788	12214	14306	15826	19478	<b>26810</b>	<b>28690</b>	Net Profit (\$mill)	<b>44595</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>24.4%</b>	<b>23.0%</b>	Net Profit Margin	<b>24.3%</b>	
	15254	17876	26420	31566	43845	46117	56978	63880	70804	88652	88652	<b>82225</b>	Working Cap'l (\$mill)	<b>102340</b>	
	---	---	---	---	2986.0	2988.0	2236.0	3228.0	1995.0	3935.0	3969.0	<b>42050</b>	Long-Term Debt (\$mill)	<b>5000</b>	
	22690	28239	36004	46241	58145	71715	87309	104500	120331	139036	152502	<b>200045</b>	Shr. Equity (\$mill)	<b>320655</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>13.5%</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>14.5%</b>	Return on Shr. Equity	<b>14.0%</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>14.5%</b>	Retained to Com Eq	<b>14.0%</b>	
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**Leases, Uncapitalized:** Annual rentals \$828 mill.

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

**Common Stock** 694,783,000 shares (298,470,000 Class A shares, 46,972,000 Class B shares, and 349,341,000 Class C shares) C D

**MARKET CAP: \$809 billion (Large Cap)**

**CURRENT POSITION** 2015 2016 12/31/17 (\$MILL.)

Cash Assets	73066	86333	101871
Receivables	11556	14137	18336
Inventory	---	---	---
Other	5492	4938	4101
Current Assets	90114	105408	124308
Accts Payable	1931	2041	3137
Debt Due	3225	---	---
Other	14154	14715	21046
Current Liab.	19310	16756	24183

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 of change (per sh) to '20-'22

Revenues	26.0%	19.0%	14.0%
"Cash Flow"	25.5%	15.5%	16.0%
Earnings	24.5%	13.5%	15.5%
Dividends	---	---	Nil
Book Value	27.0%	19.5%	17.0%

**QUARTERLY REVENUES (\$mill.)**

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2014	15420	15955	16523	18103	66001
2015	17258	17727	18675	21329	74989
2016	20257	21500	22451	26064	90272
2017	24750	26010	27772	32323	110855
2018	<b>28500</b>	<b>29760</b>	<b>31520</b>	<b>35220</b>	<b>125000</b>

**EARNINGS PER SHARE A**

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
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	8.90	9.57	9.70	35.90
2018	<b>8.30</b>	<b>9.45</b>	<b>10.10</b>	<b>10.15</b>	<b>38.00</b>

**QUARTERLY DIVIDENDS PAID**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014					
2015					
2016					
2017					
2018					

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 on their upward trajectory.** Indeed, since our November review, the stock's price has climbed almost 15%. This likely reflects the company posting healthy year-over-year gains for the bulk of 2017. At this point, GOOG's quotation is hovering near the top end of its 52-week range. **Meanwhile, the Internet search provider logged impressive annual top-and bottom-line gains for last year.** In fact, revenues increased 23%, to \$110.855 billion, thanks to greater contributions from the Google Advertising unit and hefty gains from the Other Bets portion of its business mix. On the profitability front, after excluding the \$2.74 billion nonrecurring charge from the European Commission (EC) that was imposed in the second quarter, GOOG's total expenses climbed 20 basis points as a percentage of the top line. Elsewhere, we have excluded \$11.04 billion (\$14.05 per share) in nonrecurring income tax expenses related to the impact of the U.S. Tax Act. On balance, these factors equated to a roughly 29.0% increase in the bottom line, to \$35.90 a share. This was relatively in line with our call.

Has 72,053 employees. Off. & dir. own approximately 1% of Class A common stock, 94.9% of Class B; The Vanguard Group, 6.5%; Fidelity, 4.1% of Class A (4/17 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.

**That said, 2018's revenue and earnings gains will probably be a bit more moderated.** Revenues appear poised to still climb by a double-digit percentage gain of about 14%, to \$125 billion as the company continues to monetize its search platforms. However, as traffic acquisition costs climb, we think margins may be pressured a bit, resulting in more conservative year-over-year earnings advances. **A long-term agreement between Google and Tencent appears mutually beneficial.** The two companies recently agreed to cross-license their patents. This means that they will each have the ability to utilize the other's patents without any implications of infringement. By working together, the two companies can focus on product and service development while building off of each other's respective strengths. Financial details of this arrangement were not released. **Alphabet shares offer worthwhile 3-to 5-year appreciation potential.** And they are ranked to outpace the broader market averages in the year ahead (Timeliness: 2).

*Bryan J. Fong* February 9, 2018

Company's Financial Strength	A++
Stock's Price Stability	70
Price Growth Persistence	90
Earnings Predictability	95

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