2) The Google ecosystem strengthens as its products are adopted by more users, making Google's online advertising services more attractive to advertisers and publishers, resulting in increased online ad revenue. The company utilizes technological innovation to improve the user experience in nearly all of its offerings, while making the sale and purchase of ads efficient for publishers and advertisers.

3) Adoption of mobile devices has been increasing, as has usage time on these devices. The online advertising market has taken notice and is following its target audience onto the mobile platform. We have seen Google take part in this on the back of its Android mobile operating system's growing market share, helping it drive revenue growth in 2018, and expanding its operating margin, which we expect will continue.

4) Among the firm's investment areas, we particularly applaud the efforts to gain a stronger foothold in the public cloud market, which is expected to grow more than 25% annually through 2020. In a short period of time, Google has leveraged the technological expertise it acquired in creating and maintaining its private cloud platform to increase its market share in this space, driving additional revenue growth, creating more operating leverage, and expanding its operating margin, which we expect will continue.

5) As regards Alphabet's more futuristic projects, although most are not yet generating revenue, if they succeed, the upside is attractive, as the company is targeting newer markets. Alphabet's self-driving-car technology project is a good example: Based on various studies, it may tap into a market valued in the tens of billions of dollars within the next 10–15 years.

Investment Risks:

1) Alphabet's investments in moonshot projects such as Google glass, self-driving cars have yet to generate positive returns. Given the lack of any sustainable competitive advantages in those businesses, continuing investment in them could affect the company's overall return on invested capital, or ROIC, adversely.

2) Alphabet highly relies on the online advertising business, about 87% of the revenue comes from online advertising, a big downturn in online ad spending could have a negative impact on Alphabet's revenue and cash flow, resulting in a significantly lower fair value estimate.

3) Rapid adoption rate of additional online ad platforms, such as Facebook's social network, could lower Alphabet's revenue growth, eliminating operating leverage and creating pressure on operating margin.

4) Alphabet's Google faces various claims and investigations brought on by different companies and regulatory agencies regarding search bias.