

Alphabet Inc. (NASDAQ: GOOG)

Sector: Communication Services

Industry: Internet Content & Information

Target Price	Current Price	52 Wk High	52 Wk Low	P/E	Market Cap	Dividend Yield	Beta
\$1738.56	\$1583.73	\$1,733.18	\$1,013.54	34x	\$1.06T	-	1.11

Business Description

Alphabet Inc. (GOOG) is a holding company that operates through the Google and Other Bets segments. The Google segment includes its main internet products. The Other Bets segment consists of early innovative businesses with the goal of solving radical problems as thriving businesses in the medium to long-term future.

Industry Trends

Alphabet operates in four major industries: search engines, digital advertising, cloud computing, and hardware products. Initially impacted by COVID-19, these industries have emerged and now continue to grow rapidly – especially the cloud computing industry due to the work from home transition.

Valuation Assumptions

Implied Equity Value and Share Price	
PV of Cash Flows	\$254,955.31
PV of Terminal Value	\$813,885.12
EV	\$1,068,840.42
Less: Total Debt	\$4,554.00
Plus: Cash and Marketable Securities	\$119,675.00
Implied Equity Value	\$1,183,961.42
Fully Diluted Shares Outstanding	681
Implied Share Price (\$)	\$1,738.56
Current Stock Price	\$1,583.73
Margin of Safety	9.78%

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$89,057.98
WACC	9.50%
Terminal Value	\$1,536,250.16
Implied Perpetuity Growth Rate	3.50%

Investment Thesis

As an industry leader, we believe that Alphabet is well-positioned to continue innovating and capturing the market. There are four main areas of growth that we see holding tremendous potential for Alphabet: growth in the cloud computing industry, a commitment to maintaining a strong balance sheet, the ability to adapt in order to overcome challenges and meet industry trends, and continuous innovation via the Other Bets segment.

Risks

Multiple risks that could negatively impact the share price of Alphabet include, but are not limited to:

- Weakening revenues in the digital advertising business: COVID-19 has impacted the digital ad ecosystem and consumer behavior, further affecting advertising revenues.
- Growing regulatory risks & DOJ antitrust probe: Alphabet has a history of accusations in anticompetitive behavior and of biased search results.
- Intense competition: A lack of presence on social media platforms, vertical search alternatives, and continuous market innovation present potential threats to Alphabet.

Corporate Social Responsibility

Alphabet has made strides in lessening their environmental impact, most notably their 24/7 by 2030 initiative, which aims to be carbon-free across their supply chains by 2030. It has also created a \$175 million economic opportunity fund and a \$100 million Youtube creators fund to amplify Black-owned businesses and creators. Alphabet has committed \$800 million to small and medium-sized businesses during the COVID-19 pandemic, and has also been providing low interest loans. Finally, Alphabet has instituted the Sustainability Bond Network, which issues bonds with net proceeds going to financing projects with environmental or social benefits.