



Alphabet Inc.

3Q23 Earnings Results

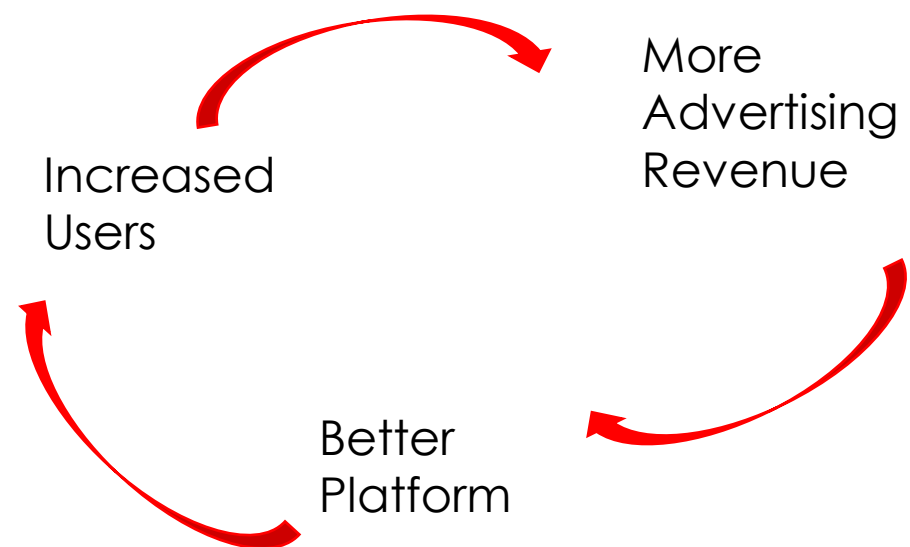


Economic Moat

3Q23 Results

Network Effect

- Definition: The network becomes more valuable the more you use it



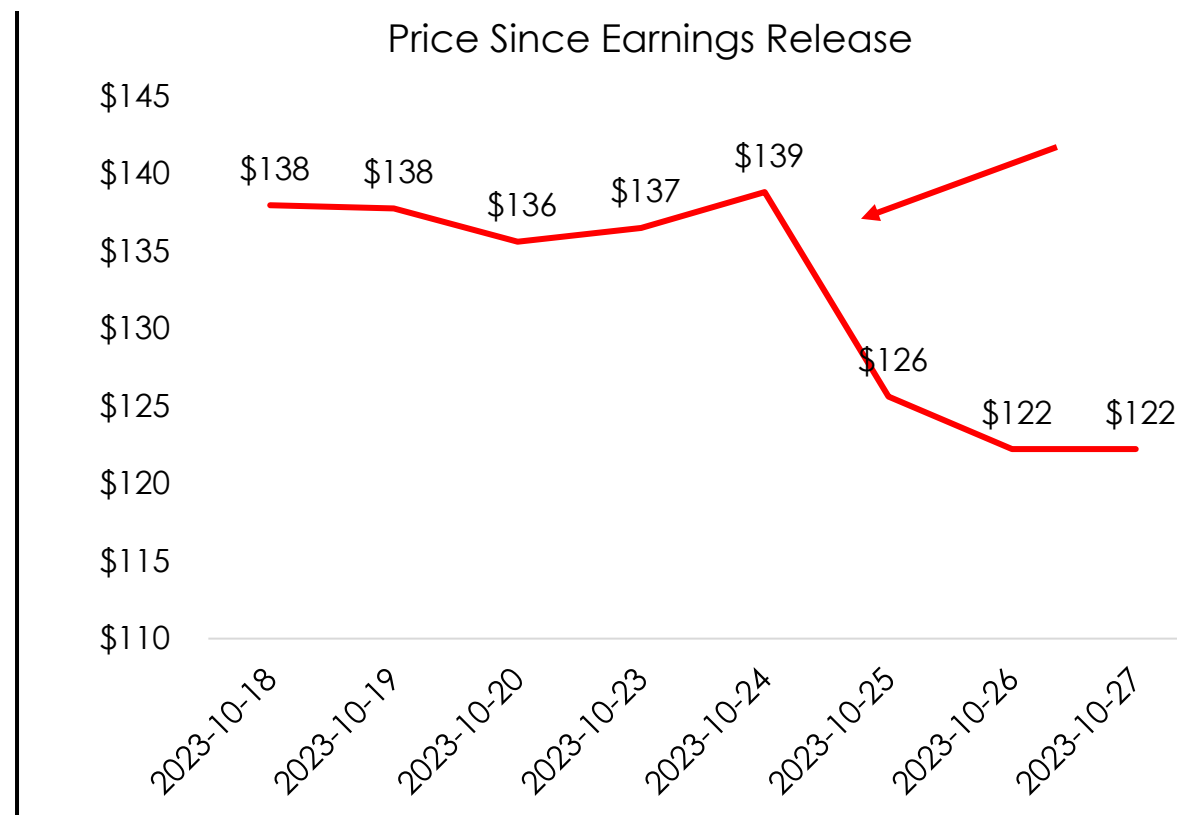
Intangible Assets

- Brand Name
- Patents

Beat or Miss?

- Beat revenue estimates by 1.2%
- Beat EPS estimates by 7%

3Q23 Results



Results

3Q23 Results

- Revenue grew 11%
- Operating income grew 24.6%
- Diluted EPS grew 46.2%

	2022	2023	Variance
Revenues	\$ 69,092	\$ 76,693	11.0%
Costs and expenses: Cost of revenues	31,158	33,229	6.6%
Research and development	10,273	11,258	9.6%
Sales and marketing	6,929	6,884	-0.6%
General and administrative	3,597	3,979	10.6%
Total costs and expenses	51,957	55,350	6.5%
Income from operations	17,135	21,343	24.6%
Other income (expense), net	-902	-146	-83.8%
Income before income taxes	16,233	21,197	30.6%
Provision for income taxes	2,323	1,508	-35.1%
Net income	\$ 13,910	\$ 19,689	41.5%
Basic EPS	\$ 1.07	\$ 1.56	45.8%
Diluted EPS	\$ 1.06	\$ 1.55	46.2%

Top Line Drivers - Services

3Q23 Results

Revenue grew 11.8%

- Google Search increased 11.3%
 - Increased search queries
 - Growth in advertiser spending
- YouTube Ads increased 12.4%
- Google Advertising decreased -2.5%
 - decreased use of Google ad manager

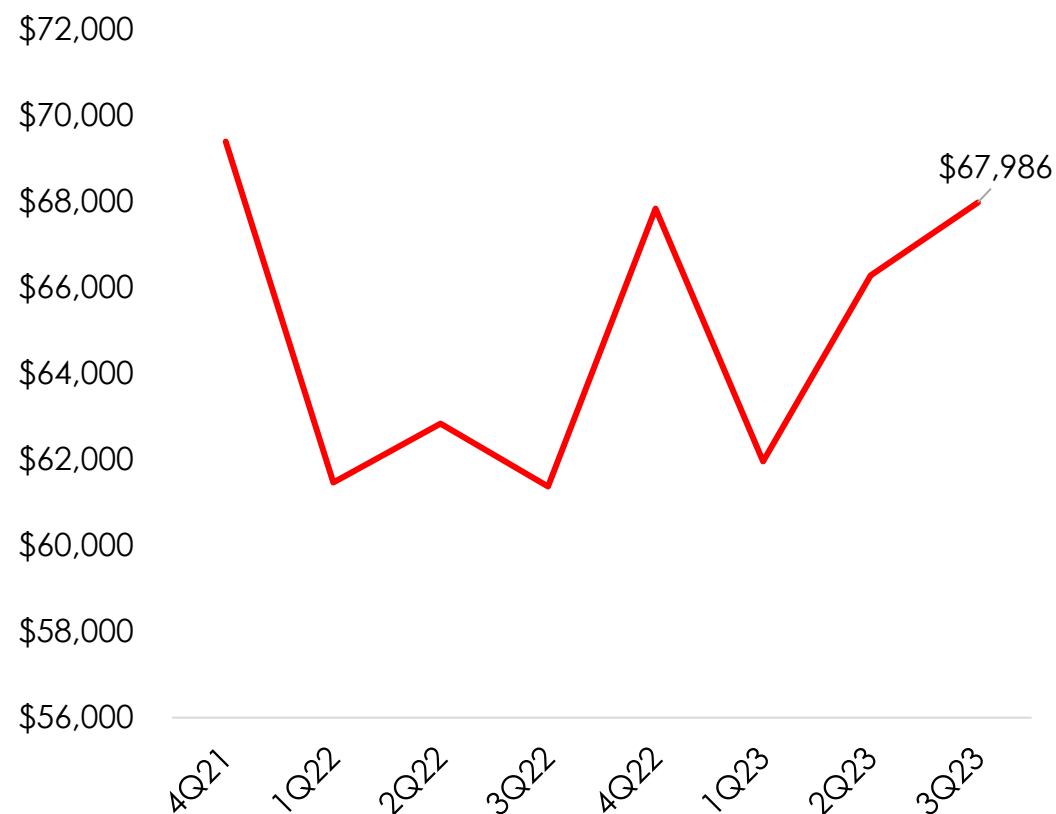
Total Advertising grew 9.4%

Other grew 20.9%

Paid clicks grew 7%

Impressions decreased 3%

Google Services Sales



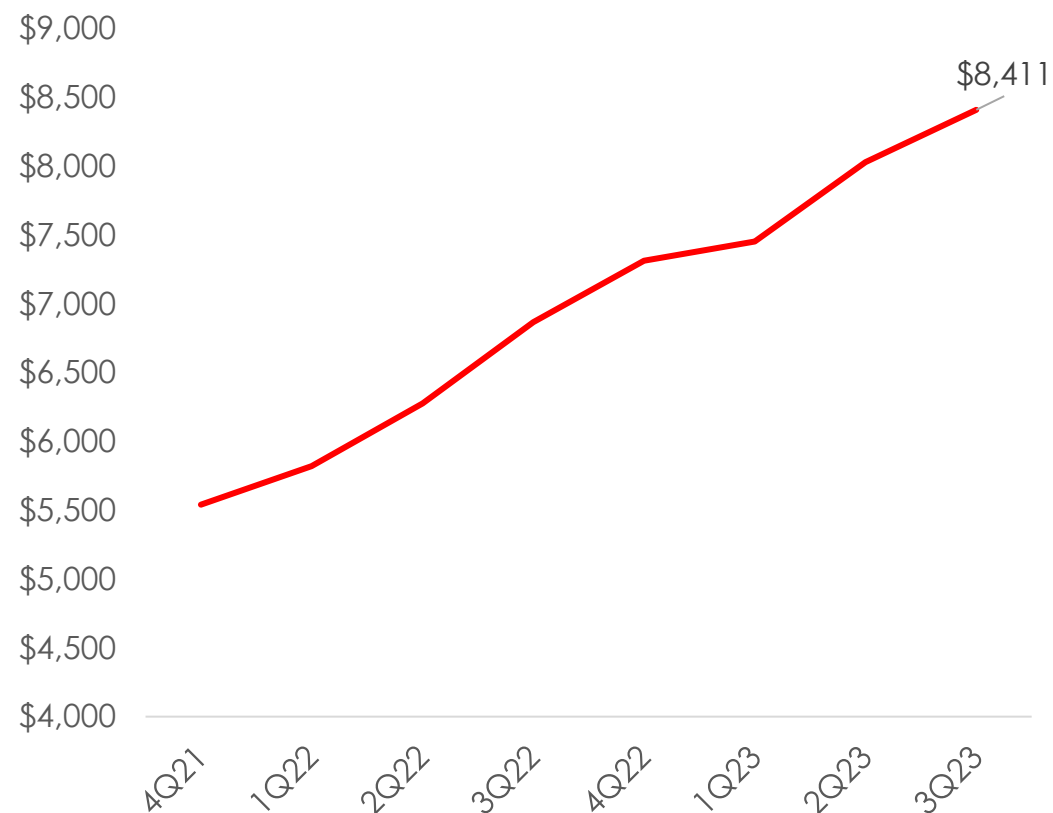
Top Line Drivers - Cloud

Revenue grew 22.4%

- Driven by cloud and workspace offerings

3Q23 Results

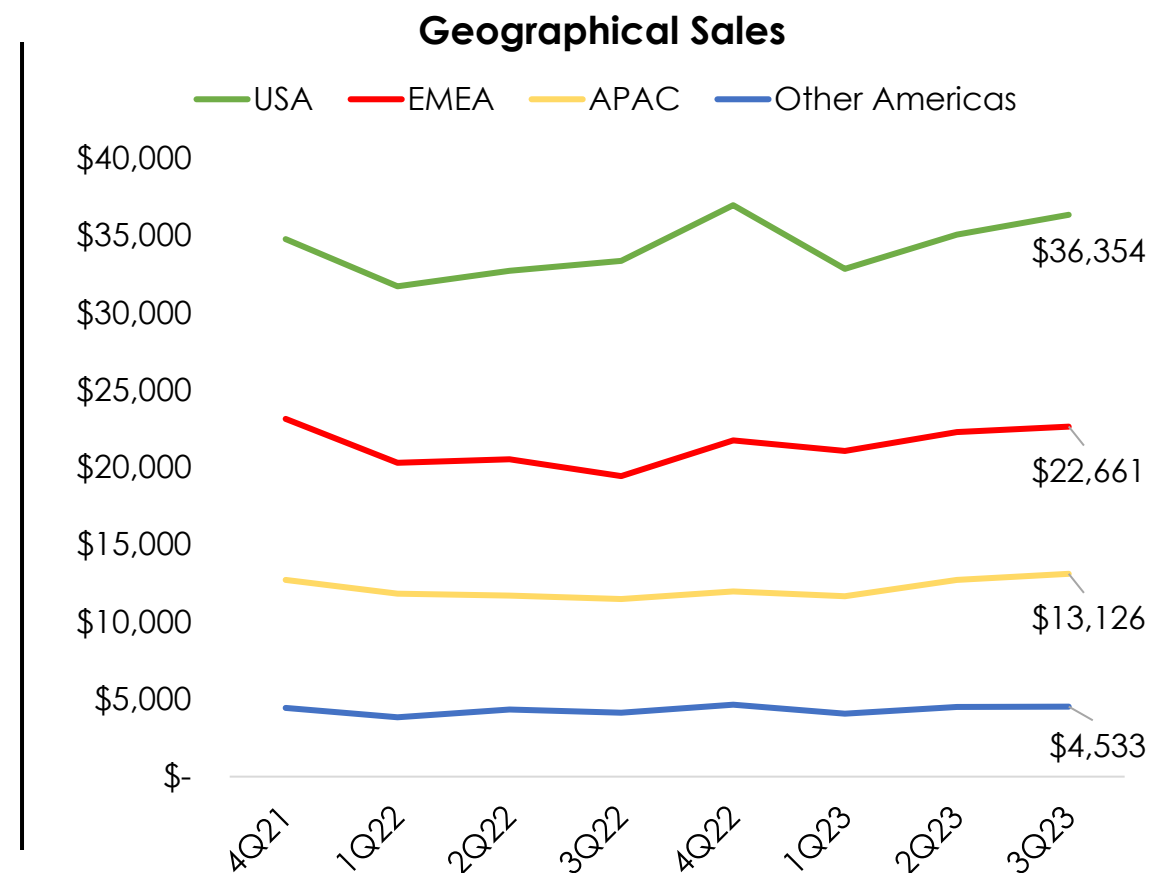
Google Cloud Sales



Top Line Drivers - Geographies

3Q23 Results

- North America grew 8.9%
- EMEA grew 16.5%
- APAC grew 14.1%
- Other Americas grew 9.5%



Expenses

3Q23 Results

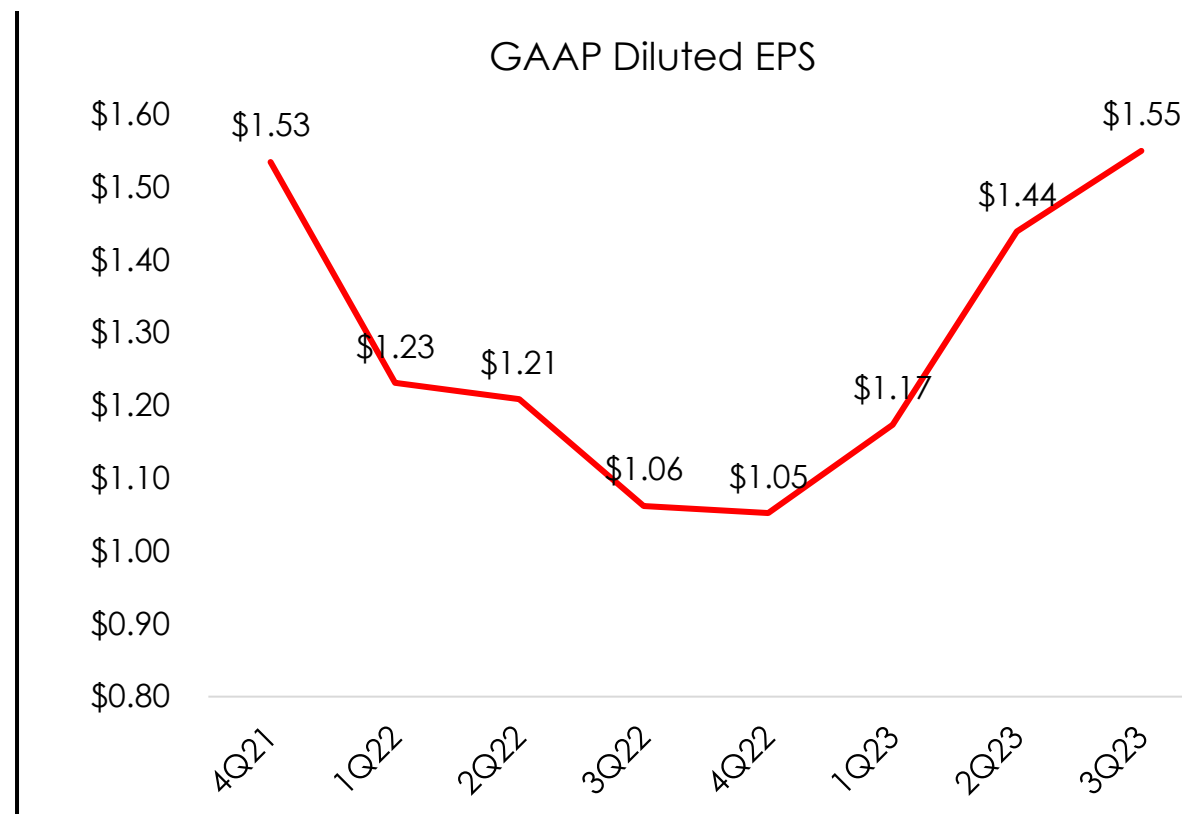
- Gross margin increased to 56.7% from 54.9%
 - Reduction in depreciation expense
- Operating margin increased to 28% from 25%
 - Operational leverage from lower advertising
- Net margin increased to 25.6% from 20.1%

EPS

EPS grew 46%

- Share repurchases of \$15.9 billion
- Lower tax rate of 7.1% vs 14.3%

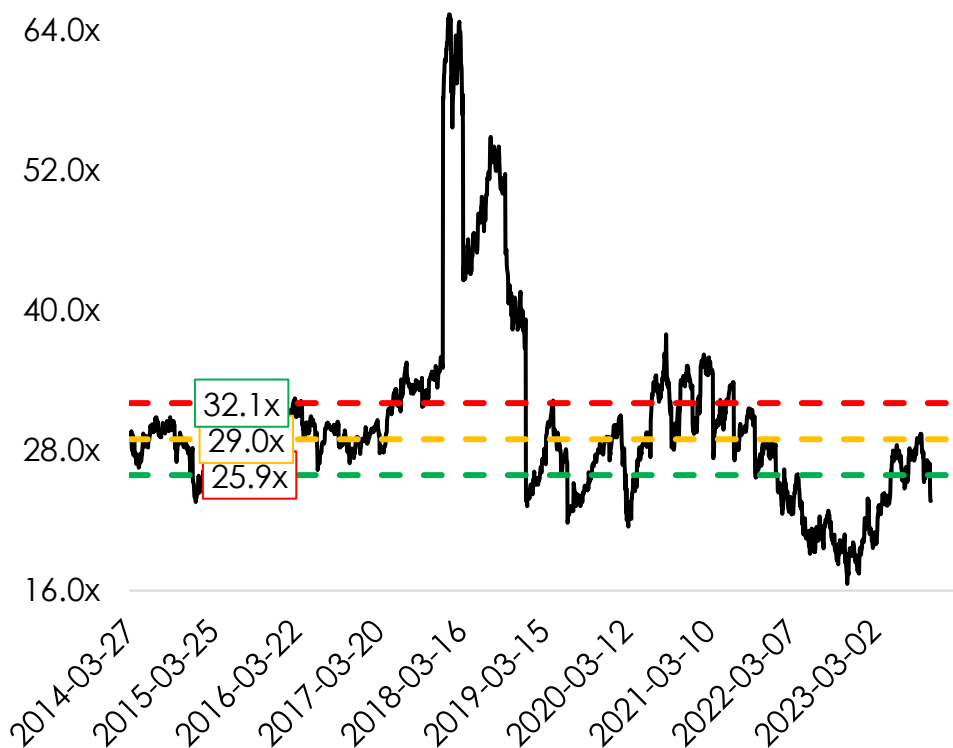
3Q23 Results



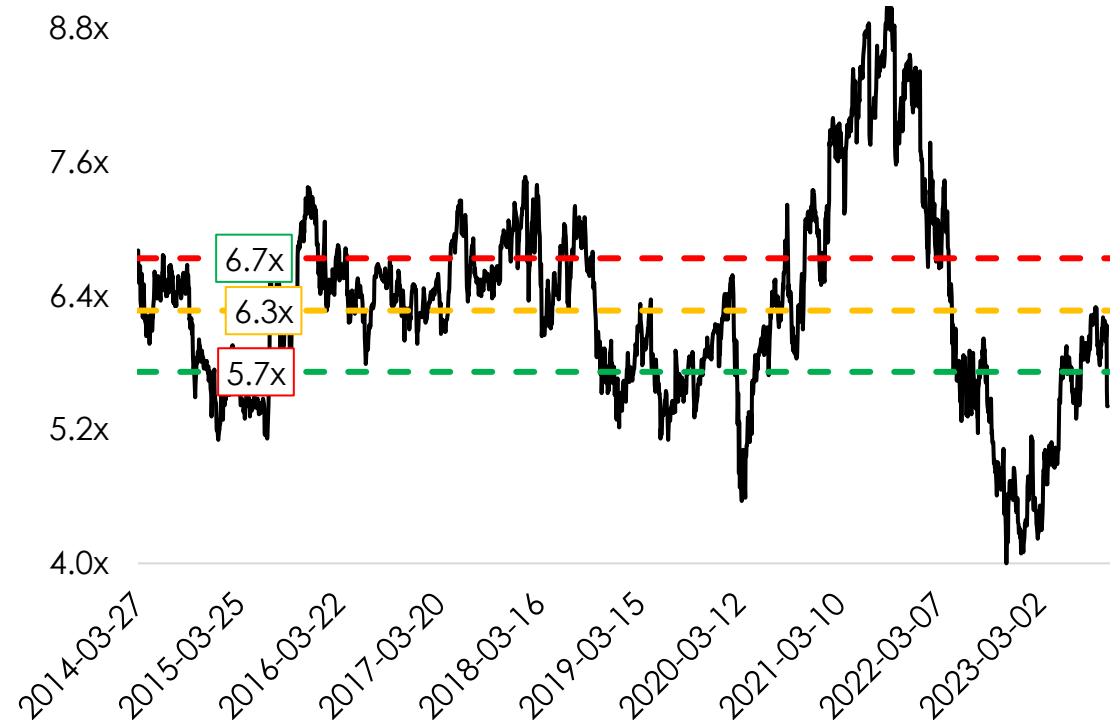
Suggestion

3Q23 Results

Price to Earnings



Price to Sales



Valuation

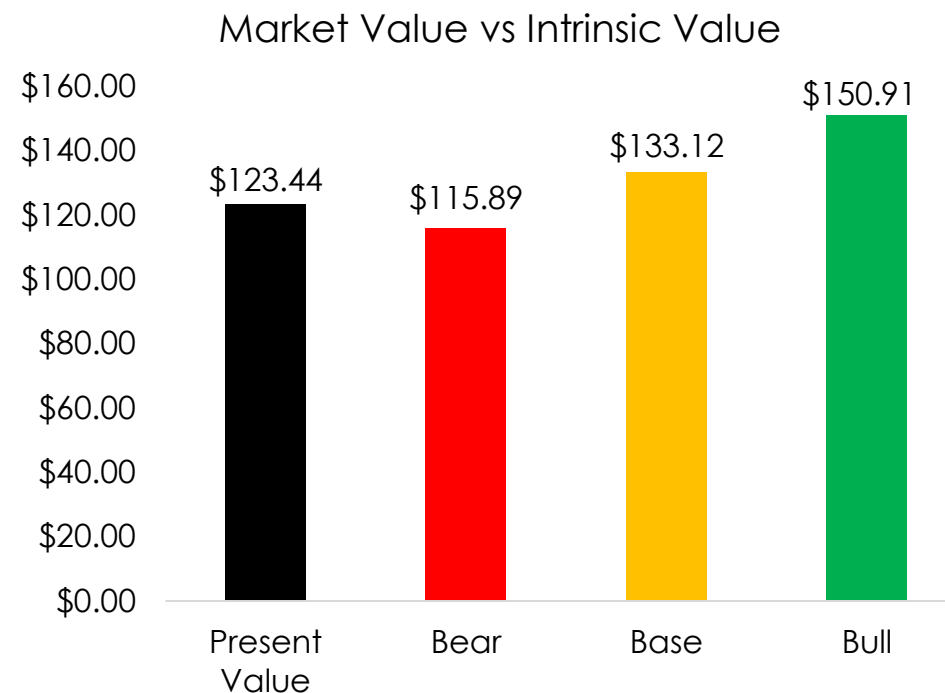
3Q23 Results

Ticker: GOOG Price: \$123.44											
5 Year Discounted Cash Flow											
								Total Return			
							P/E	Price	PV	5 YR Return	Annual Return
Bear	EPS	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	18.0x	\$134.39	\$83.44	8.9%
		\$4.73	\$5.82	\$6.52	\$7.04	\$7.25	\$7.47	25.0x	\$186.65	\$115.89	51.2%
			23%	12%	8%	3%	3%	32.0x	\$238.91	\$148.34	93.5%
Base	EPS	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	18.0x	\$154.36	\$95.85	25.1%
		\$4.73	\$6.15	\$7.07	\$7.78	\$8.17	\$8.58	25.0x	\$214.39	\$133.12	73.7%
			30%	15%	10%	5%	5%	32.0x	\$274.42	\$170.40	122.3%
Bull	EPS	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	18.0x	\$175.00	\$108.66	41.8%
		\$4.73	\$6.48	\$7.58	\$8.49	\$9.09	\$9.72	25.0x	\$243.05	\$150.91	96.9%
			37%	17%	12%	7%	7%	32.0x	\$311.10	\$193.17	152.0%

Valuation Results

3Q23 Results

Total RoR Sensitivity				
P / E		Est. EPS growth rate		
		10%	13%	16%
	18.0x	1.7%	4.6%	7.2%
	25.0x	8.6%	11.7%	14.5%
	32.0x	14.1%	17.3%	20.3%





Suggestion

- **Hold**

3Q23 Results