



# Alphabet Inc. (GOOGL)

Updated February 5<sup>th</sup>, 2025 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$190	<b>5 Year CAGR Estimate:</b>	20.2%	<b>Market Cap:</b>	\$2.3 T
<b>Fair Value Price:</b>	\$235	<b>5 Year Growth Estimate:</b>	15.0%	<b>Ex-Dividend Date:</b>	03/10/25 <sup>1</sup>
<b>% Fair Value:</b>	81%	<b>5 Year Valuation Multiple Estimate:</b>	4.3%	<b>Dividend Payment Date:</b>	03/21/25 <sup>2</sup>
<b>Dividend Yield:</b>	0.4%	<b>5 Year Price Target</b>	\$473	<b>Years Of Dividend Growth:</b>	1
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Buy

## Overview & Current Events

Alphabet, formerly known as Google, is a holding company. With a market capitalization that exceeds \$2 trillion, Alphabet is a technology conglomerate that operates several businesses such as Google search, Android, Chrome, YouTube, Nest, Gmail, Maps, and many more. Alphabet is a leader in many of the areas of technology that it operates. There are two classes of Alphabet stock, Class A shares, which has voting rights, and Class C shares, that do not have voting rights. This report will reference the Class A shares.

On July 23<sup>rd</sup>, 2024, Alphabet declared its second ever quarterly dividend of \$0.20 per share.

On February 4<sup>th</sup>, 2025, Alphabet announced fourth quarter and full year results for the period ending December 31<sup>st</sup>, 2024. For the quarter, revenue grew 11.8% to \$96.5 billion, but this was \$170 million less than expected. Adjusted earnings-per-share of \$2.15 compared very favorably to \$1.64 in the prior year and was \$0.02 above estimates. For the year, revenue grew 14% to \$350 billion while adjusted earnings-per-share of \$8.04 compared to \$5.80 in 2023.

Most businesses performed well during the period. For the quarter, revenue for Google Search, the largest contributor to results, grew 12.5% to \$54 billion. YouTube ads increased 13.8% to \$10.5 billion while Google Network declined 4.1% to just under \$8 billion. Google subscriptions, platforms, and devices grew 7.8% to \$11.6 billion. In total, Google advertising was up 10.6% to \$72.5 billion while Google Services was higher by 10.2% to \$84.1 billion. Google Cloud surged 30.1% to nearly \$12 billion, though this was below prior growth rates that were in the mid-30% range. The company's operating margin expanded 500 basis points to 32% due to the continued widespread success of the individual segments. The company repurchased \$15.1 billion worth of stock during the quarter for a total repurchase amount of \$61.5 billion for the year. Alphabet expects to invest nearly \$75 billion in its businesses in 2025.

Alphabet is expected to earn \$9.04 in 2025. This would mark a 12.2% increase from the prior year. We have initiated our forecast accordingly.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.19	\$1.39	\$0.90	\$2.19	\$2.46	\$2.93	\$5.61	\$4.56	\$5.80	\$8.04	<b>\$9.04</b>	<b>\$18.18</b>
<b>DPS</b>	---	---	---	---	---	---	---	---	---	\$0.60	<b>\$0.80</b>	<b>\$1.02</b>
<b>Shares<sup>3</sup></b>	13,860	13,970	14,070	14,070	13,970	13,740	13,550	13,160	12,720	12,319	<b>12,319</b>	<b>12,200</b>

Alphabet has been an incredible creator of wealth for a long time. Earnings-per-share have a compound annual growth rate of 23.6% over the last decade, though this growth has slowed slightly to 22.4% for the 2020 to 2024 period. Revenue has grown by a mid-double-digit clip over both periods of time. The company has so entrenched itself in almost every key aspect related to the internet. So much so that the word "google" has become a verb used in everyday language around the world. Alphabet has also successfully monetized key aspects of its business, such as YouTube, that have allowed it to create recurring revenue streams. In addition, the company utilizes its Other Bets to make high-risk,

<sup>1</sup> Estimate ex-dividend date.

<sup>2</sup> Estimated dividend payment date.

<sup>3</sup> In millions of shares.

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but high-reward investments. This area of the company is very small compared to other segments, just \$400 million of revenue in Q4 2024, but could lead to additional products to bring to market. Some examples of this include the life sciences brand Verily and broadband internet service provider Google Fiber. Alphabet can also use its sizeable cash balance to invest or to make bolt on acquisitions to further its growth. The company ended the most recent quarter with \$110.9 billion of total cash, cash equivalents, and marketable securities on its balance sheet.

Given a slight slowing in earnings growth over the medium-term and the high base from which earnings-per-share are expected to be for 2024, we project annual EPS growth of 15% through 2030.

Alphabet has only begun to declare dividends and has, in fact, distributed just one payment to shareholders. That said, we project that the company, given the tremendous cash on its balance sheet, will likely be able to provide at least 5% increases moving forward. We acknowledge that EPS and dividend growth rates may turn out to be too conservative of an estimate, but we are not yet ready to make a more aggressive prediction.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	34.1	34.7	37.8	23.9	27.3	29.9	25.8	15.7	30.6	23.5	21.1	26.0
Avg. Yld.	---	---	---	---	---	---	---	---	---	0.3%	0.4%	0.2%

Shares of Alphabet have increased \$12, or 6.7%, since our October 30<sup>th</sup>, 2024 report. Shares trade at just 21 times estimated earnings for the year. Since 2015 and 2020, shares have an average price-to-earnings ratio of 28.3 and 25.1, respectively. We have a target price-to-earnings ratio of 26, implying a tailwind from valuation. Reaching our target P/E would add 4.3% to annual returns over this period.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

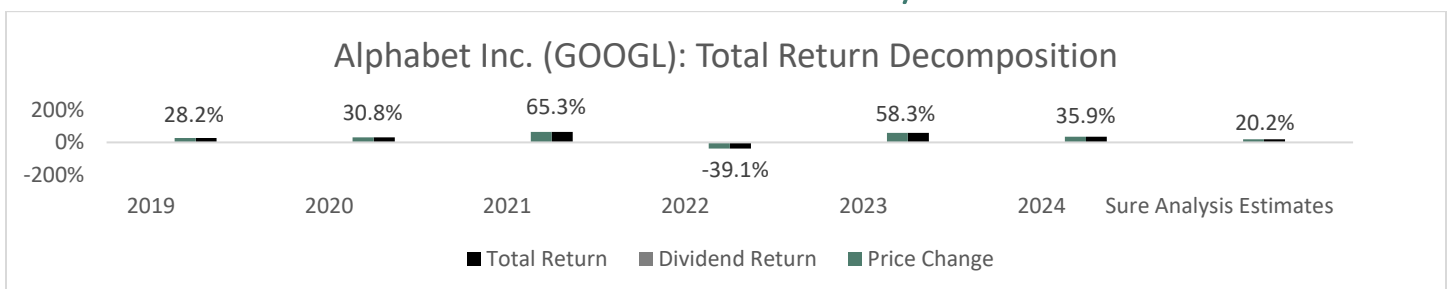
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	---	---	---	7%	9%	6%

Technology can be negatively impacted by recessions. Shares of these companies, especially those with elevated multiples, can suffer steep declines during periods of economic uncertainty as investors flee high growth names. However, Alphabet is not the typical technology company as it has performed quite well during difficult periods. This includes the 2007 to 2009 period, where the company's earnings-per-share grew every year. In total, earnings-per-share improved 54% from 2007 to 2009. In 2020, Alphabet's earnings-per-share grew more than 19%. Only twice in the last decade (2017 and 2022) has Alphabet failed to increase its earnings-per-share.

## Final Thoughts & Recommendation

Following fourth quarter results, Alphabet is expected to provide total annual returns of 20.2% through 2030, up from 18.8% previously. This projection stems from earnings growth of 15%, a starting dividend yield of 0.4%, and a mid-single-digit tailwind from multiple expansion. Alphabet is one of the most dominate names in the entire marketplace and holds a leadership position in almost every category that it competes. We continue to rate Alphabet as a buy.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue (\$B)</b>	75	90	111	137	162	183	258	283	307	350
<b>Gross Profit (\$B)</b>	47	55	65	77	90	98	147	157	174	204
<b>Gross Margin</b>	62.4%	61.1%	58.9%	56.5%	55.6%	53.6%	56.9%	55.4%	56.6%	58.2%
<b>SG&amp;A Exp.</b>	15,183	17,470	19,733	23,256	28,015	28,998	36,422	42,291	44,342	41,996
<b>D&amp;A Exp.</b>	5,063	6,144	6,915	9,035	11,781	13,697	12,441	13,475	11,946	15,311
<b>Operating Profit</b>	19,360	23,716	28,914	32,595	35,928	41,224	78,714	74,842	84,293	112,390
<b>Operating Margin</b>	25.8%	26.3%	26.1%	23.8%	22.2%	22.6%	30.6%	26.5%	27.4%	32.1%
<b>Net Profit</b>	16,348	19,478	12,662	30,736	34,343	40,269	76,033	59,972	73,795	100,118
<b>Net Margin</b>	21.8%	21.6%	11.4%	22.5%	21.2%	22.1%	29.5%	21.2%	24.0%	28.6%
<b>Free Cash Flow</b>	16,622	25,824	23,907	22,832	30,972	42,843	67,012	60,010	69,495	72,764
<b>Income Tax</b>	3,303	4,672	14,531	4,177	5,282	7,813	14,701	11,356	11,922	19,697

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets (\$B)</b>	147	167	197	233	276	320	359	365	402	450
<b>Cash &amp; Equivalents</b>	16,549	12,918	10,715	16,701	18,498	26,465	20,945	21,879	24,048	23,466
<b>Acc. Receivable</b>	11,556	14,137	18,336	20,838	25,326	30,930	39,304	40,258	47,964	52,340
<b>Inventories</b>	491	268	749	1,107	999	728	1,170			
<b>Goodwill &amp; Int.</b>	19,716	19,775	19,439	20,108	22,603	22,620	24,373	28,960	29,198	31,885
<b>Total Liabilities (\$B)</b>	27	28	45	55	74	97	108	109	119	125
<b>Accounts Payable</b>	1,931	2,041	3,137	4,378	5,561	5,589	6,037	5,128	7,493	7,987
<b>Long-Term Debt</b>	4,995	3,935	3,943	3,950	4,554	12,832	12,844	12,857	11,870	10,883
<b>Total Equity (\$B)</b>	120	139	153	178	201	223	252	256	283	325
<b>LTD/E Ratio</b>	0.04	0.03	0.03	0.02	0.02	0.06	0.05	0.05	0.04	0.03

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	11.8%	12.4%	6.9%	14.3%	13.5%	13.5%	22.4%	16.6%	19.2%	23.5%
<b>Return on Equity</b>	14.6%	15.0%	8.7%	18.6%	18.1%	19.0%	32.1%	23.6%	27.4%	32.9%
<b>ROIC</b>	14.0%	14.5%	8.5%	18.2%	17.7%	18.2%	30.4%	22.5%	26.2%	31.7%
<b>Shares Out.</b>	13,860	13,970	14,070	14,070	13,970	13,740	13,550	13,160	12,720	12,319
<b>Revenue/Share</b>	5.41	6.46	7.88	9.73	11.59	13.28	19.01	21.49	24.16	28.12
<b>FCF/Share</b>	1.20	1.85	1.70	1.62	2.22	3.12	4.94	4.56	5.46	5.85

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.