



Alphabet Inc. (GOOGL)

Updated April 26th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$162	5 Year CAGR Estimate:	25.2%	Market Cap:	\$1.97 T
Fair Value Price:	\$245	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	06/09/25
% Fair Value:	66%	5 Year Valuation Multiple Estimate:	8.6%	Dividend Payment Date:	06/16/25
Dividend Yield:	0.5%	5 Year Price Target	\$493	Years Of Dividend Growth:	2
Dividend Risk Score:	C	Sector:	Technology	Rating:	Hold

Overview & Current Events

Alphabet, formerly known as Google, is a holding company. With a market capitalization of \$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 April 24th, 2025, Alphabet announced that it had raised its quarterly dividend by 5% to \$0.21 per share.

That same day, Alphabet reported first quarter results for the period ending March 31st, 2025. For the quarter, revenue grew 12% to \$90.2 billion, which topped estimates by \$1.08 billion. Adjusted earnings-per-share of \$2.81 compared very favorably to \$1.89 in the prior year and was \$0.80 above expectations.

Most businesses once again performed well during the period. For the quarter, revenue for Google Search, the largest contributor to results, grew 9.8% to \$50.7 billion. YouTube ads improved 10.3% to \$8.9 billion while Google Network declined 2.1% to \$7.3 billion. Google subscriptions, platforms, and devices increased 18.8% to \$10.4 billion. In total, Google advertising was higher by 8.5% to \$66.9 billion while Google Services was up 9.8% to \$77.3 billion. Google Cloud surged 28.1% to \$12.3 billion, though this was below prior growth rates that were in the low to mid-30% range. The company's operating margin expanded 200 basis points to 34% due to the continued widespread success of the individual segments. Alphabet repurchased \$15.7 billion worth of stock during the quarter and the company added \$70 billion to its share repurchase authorization.

Alphabet is expected to earn \$9.42 in 2025, up from \$9.04 previously. This would mark a 17.2% increase from the prior year. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.19	\$1.39	\$0.90	\$2.19	\$2.46	\$2.93	\$5.61	\$4.56	\$5.80	\$8.04	\$9.42	\$18.95
DPS	---	---	---	---	---	---	---	---	---	\$0.60	\$0.84	\$1.07
Shares¹	13,860	13,970	14,070	14,070	13,970	13,740	13,550	13,160	12,720	12,319	12,415	12,300

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. Revenue has grown by a mid-double-digit clip over the long-term. 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, but high-reward investments. This area of the company is very small compared to other segments, just \$450 million of revenue in Q1 2025, 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

¹ In millions of shares.

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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 \$95.3 billion of total cash, cash equivalents, and marketable securities on its balance sheet. Given the high base from which earnings-per-share are expected to be for 2025, we project annual EPS growth of 15% through 2030.

Alphabet has only begun to declare dividends and has, in fact, distributed or announced just five payments 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	17.2	26.0
Avg. Yld.	---	---	---	---	---	---	---	---	---	0.3%	0.5%	0.2%

Shares of Alphabet have decreased \$28, or 14.7%, since our February 5th, 2025 report. Shares trade at just 17.2 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 sizeable potential tailwind from multiple expansion. Reaching our target P/E would add 8.6% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

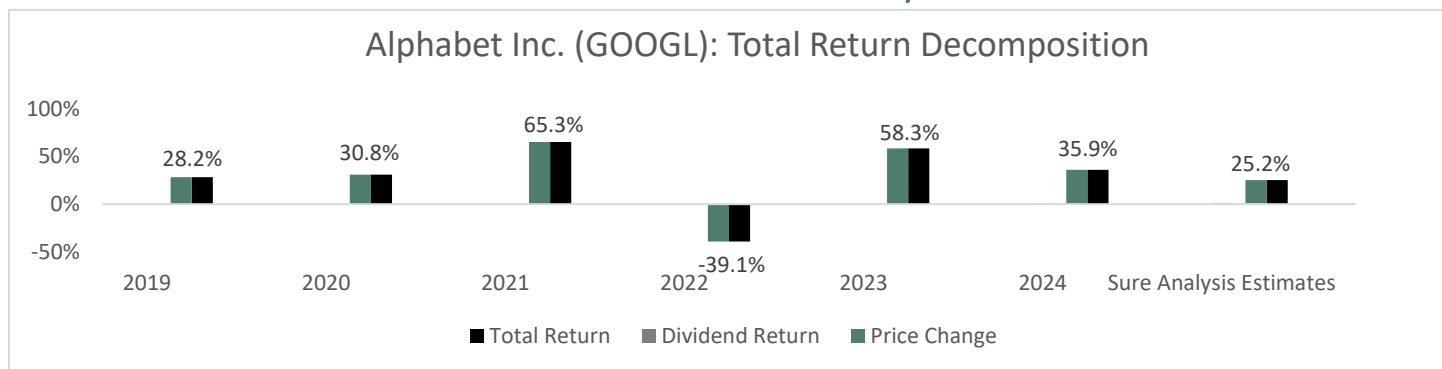
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	---	---	---	7%	9%	6%

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

After first quarter results, Alphabet is expected to provide total annual returns of 25.2% through 2030, up from 20.2% previously. This projection stems from earnings growth of 15%, a starting dividend yield of 0.5%, and a high 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. Shares earn a hold rating due to the company's limited dividend growth streak, but total return potential is very appealing at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	75	90	111	137	162	183	258	283	307	350
Gross Profit (\$B)	47	55	65	77	90	98	147	157	174	204
Gross Margin	62.4%	61.1%	58.9%	56.5%	55.6%	53.6%	56.9%	55.4%	56.6%	58.2%
SG&A Exp.	15,183	17,470	19,733	23,256	28,015	28,998	36,422	42,291	44,342	41,996
D&A Exp.	5,063	6,144	6,915	9,035	11,781	13,697	12,441	13,475	11,946	15,311
Operating Profit	19,360	23,716	28,914	32,595	35,928	41,224	78,714	74,842	84,293	112,390
Operating Margin	25.8%	26.3%	26.1%	23.8%	22.2%	22.6%	30.6%	26.5%	27.4%	32.1%
Net Profit	16,348	19,478	12,662	30,736	34,343	40,269	76,033	59,972	73,795	100,118
Net Margin	21.8%	21.6%	11.4%	22.5%	21.2%	22.1%	29.5%	21.2%	24.0%	28.6%
Free Cash Flow	16,622	25,824	23,907	22,832	30,972	42,843	67,012	60,010	69,495	72,764
Income Tax	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
Total Assets (\$B)	147	167	197	233	276	320	359	365	402	450
Cash & Equivalents	16,549	12,918	10,715	16,701	18,498	26,465	20,945	21,879	24,048	23,466
Acc. Receivable	11,556	14,137	18,336	20,838	25,326	30,930	39,304	40,258	47,964	52,340
Inventories	491	268	749	1,107	999	728	1,170			
Goodwill & Int.	19,716	19,775	19,439	20,108	22,603	22,620	24,373	28,960	29,198	31,885
Total Liabilities (\$B)	27	28	45	55	74	97	108	109	119	125
Accounts Payable	1,931	2,041	3,137	4,378	5,561	5,589	6,037	5,128	7,493	7,987
Long-Term Debt	4,995	3,935	3,943	3,950	4,554	12,832	12,844	12,857	11,870	10,883
Total Equity (\$B)	120	139	153	178	201	223	252	256	283	325
LTD/E Ratio	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
Return on Assets	11.8%	12.4%	6.9%	14.3%	13.5%	13.5%	22.4%	16.6%	19.2%	23.5%
Return on Equity	14.6%	15.0%	8.7%	18.6%	18.1%	19.0%	32.1%	23.6%	27.4%	32.9%
ROIC	14.0%	14.5%	8.5%	18.2%	17.7%	18.2%	30.4%	22.5%	26.2%	31.7%
Shares Out.	13,860	13,970	14,070	14,070	13,970	13,740	13,550	13,160	12,720	12,319
Revenue/Share	5.41	6.46	7.88	9.73	11.59	13.28	19.01	21.49	24.16	28.12
FCF/Share	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.

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