



Alphabet Inc. (GOOGL)

Updated July 25th, 2025 by Nathan Parsh

Key Metrics

| | | | | | |
|-----------------------------|-------|--|------------------------|----------------------------------|-----------------------|
| Current Price: | \$192 | 5 Year CAGR Estimate: | 22.3% | Market Cap: | \$2.33 T |
| Fair Value Price: | \$259 | 5 Year Growth Estimate: | 15.0% | Ex-Dividend Date: | 09/09/25 ¹ |
| % Fair Value: | 74% | 5 Year Valuation Multiple Estimate: | 6.1% | Dividend Payment Date: | 09/16/25 ² |
| Dividend Yield: | 0.4% | 5 Year Price Target | \$520 | Years Of Dividend Growth: | 2 |
| Dividend Risk Score: | C | Sector: | Information Technology | Rating: | Hold |

Overview & Current Events

Alphabet, formerly known as Google, is a holding company. With a market capitalization of more than \$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.

On July 23rd, 2025, Alphabet announced second quarter results for the period ending June 30th, 2025. For the quarter, revenue grew 13.8% to \$96.4 billion, which was \$2.45 billion more than expected. Adjusted earnings-per-share of \$2.31 compared very favorably to \$1.89 in the prior year and was \$0.12 ahead of estimates.

Most businesses once again performed very well during the period. For the quarter, revenue for Google Search, the largest contributor to results, grew 11.7% to \$54.2 billion. YouTube ads improved 13.1% to \$9.8 billion while Google Network decreased 1.2% to \$7.4 billion. Google subscriptions, platforms, and devices was higher by 20.3% to \$11.2 billion. In total, Google advertising was higher by 10.4% to \$71.3 billion while Google Services was up 11.7% to \$82.5 billion. Google Cloud grew 31.7% to \$13.6 billion. The company's operating margin expanded 400 basis points to 32.4% due to the continued widespread success of the individual segments and expense controls. Alphabet repurchased \$13.6 billion worth of stock during the quarter.

Following a string of excellent results, we now expect that Alphabet will earn \$9.95 in 2025, up from \$9.42 and \$9.04 previously. This would mark a nearly 24% 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 | \$9.95 | \$20.01 |
| DPS | --- | --- | --- | --- | --- | --- | --- | --- | --- | \$0.60 | \$0.84 | \$1.07 |
| Shares³ | 13,860 | 13,970 | 14,070 | 14,070 | 13,970 | 13,740 | 13,550 | 13,160 | 12,720 | 12,319 | 12,343 | 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 \$373 million of revenue in Q2 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 Estimated ex-dividend date.

² Estimated dividend payment date.

³ 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 \$95.7 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 | 19.3 | 26.0 |
| Avg. Yld. | --- | --- | --- | --- | --- | --- | --- | --- | --- | 0.3% | 0.4% | 0.2% |

Shares of Alphabet have gained \$30, or 18.5%, since our April 26th, 2025 report. Shares trade at 19.3 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 by 2030 would add 6.1% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

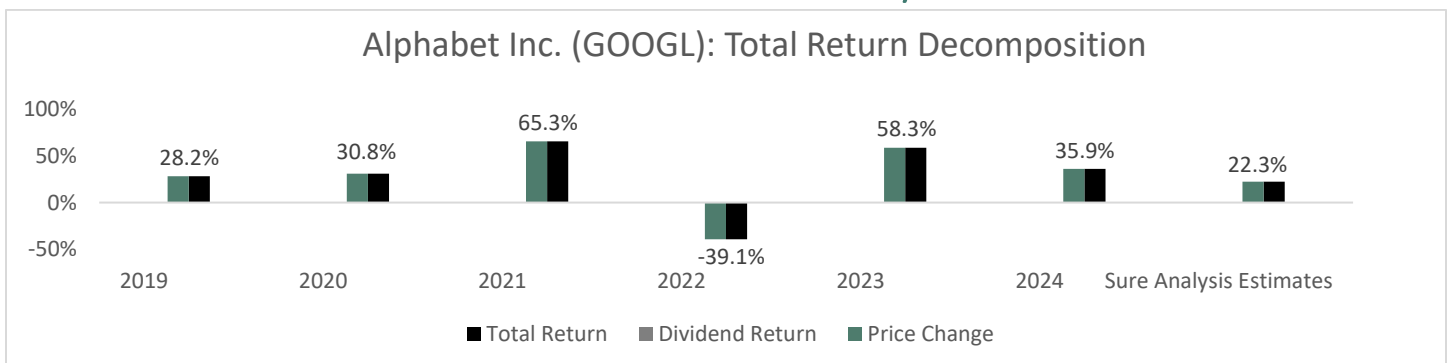
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | --- | --- | --- | --- | --- | --- | --- | --- | --- | 7% | 8% | 5% |

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 second quarter results, Alphabet is expected to provide total annual returns of 22.3% through 2030, down from 25.2% 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 had another very strong showing in the most recent quarter. Shares earn a hold rating due to the company's limited dividend growth streak, but total return potential remains 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.

Disclaimer

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