

Alphabet Inc. (GOOGL US)



Alphabet Inc. is an American holding company of commonly known Google, Android, YouTube, as well as other complimentary apps like Chrome, Gmail, etc.. Over 50% of the revenue is generated overseas with the majority of it being produced through Google Services (90%) with the remainder in Google Cloud (9%) and Others (1%).

Bard Blunder

With the successful reveal of ChatGPT and it’s recent implementation into Microsoft’s Bing Search Engine, many in the industry hastily revealed their own chat AI projects including Google’s Bard AI. Reception for the most part was not positive however, as more information regarding the lack of the project’s readiness was revealed.

Fiscal Year 2022

Though YouTube, Cloud and Pixels brought high amounts of revenue compared to pre-pandemic levels, other segments brought down overall revenue to values lower than last years. Slow growth, declining advertising revenue and increased R&D netted a barely profitable YoY growth. GOOG recently laid off 6% of its workforce to focus on current economic conditions, perhaps in part due to their unsustainable growth during the pandemic period (though current employment is still higher than it was in the previous quarter).

Mixed Outlook

Despite unfavorable economic conditions, there are some potential highlights and good indicators for the upcoming year. Despite missing earnings estimates, J.P. Morgan still has a positive outlook on GOOG 2023 performance due to growth in Youtube and Pixels as well as restructuring and focus on efficiencies. In particular is the ban of TikTok on government networks and devices in the U.S. with potential to further extend to the general public which could help push additional revenue to YouTube Shorts where the ad revenue is split 55-45 in favor of YouTube.

Competition

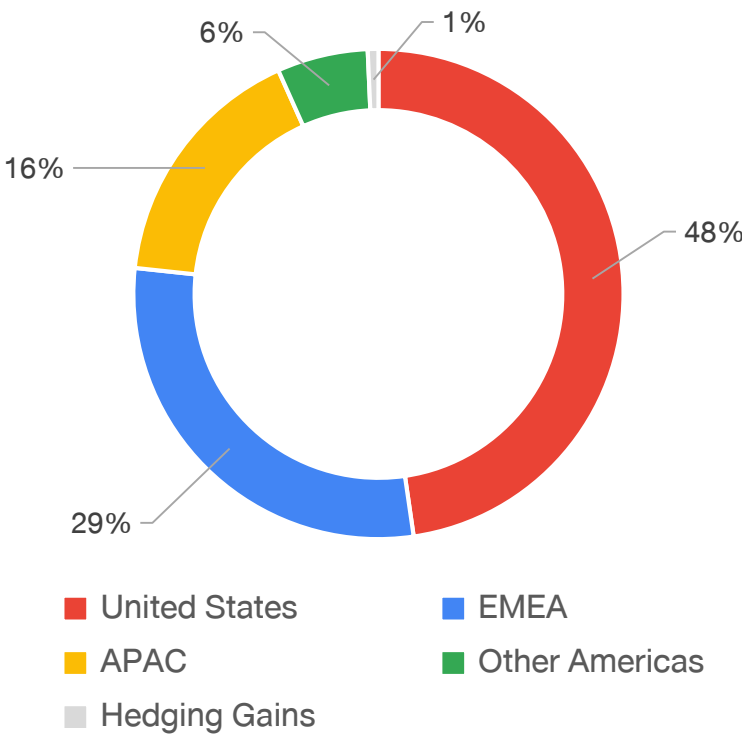
GOOG is undervalued according to PE, PBV and PEG metrics compared to competitors. PE is fairly valued compared to close competitor Microsoft (19.61 compared to 17.64) and is far below the industry average of 43.18. PBV is also fair valued at 4.77 which is between Microsoft and Amazon within ±2. PEG is much lower than it’s closest competitors at 0.73 whilst Microsoft and Amazon are well above 1.

Industry	Internet Media and Services
Last Price	USD94.25
Bloomberg TP	USD126.70
Upside/Downside	34.4%

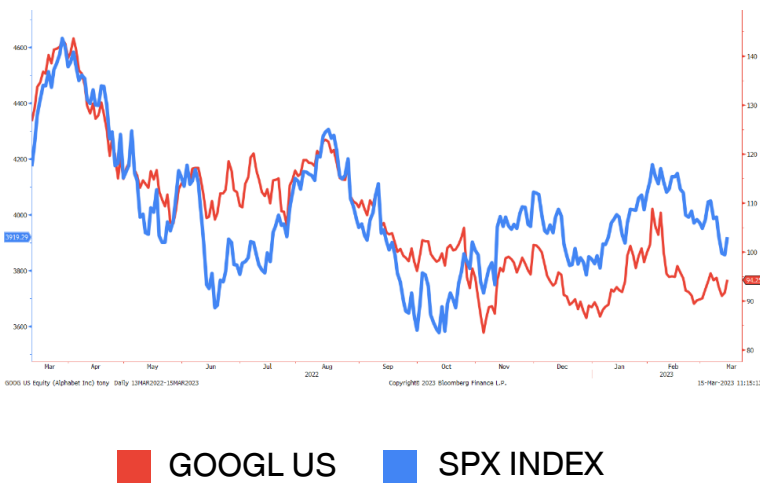
Financial (\$)	22A	23E	24E
Revenue (Millions)	282,836	275,303	298,389
Net Profit (Millions)	63,968	70,454	82,726
Profit Margin	22.6%	25.6%	27.7%
EBITDA Margin	33.1%	41.5%	44.1%
Earning Per Share	4.86	5.64	6.73

Valuation	22A	23E	24E
P/E (x)	18.14	16.66	13.97
P/B (x)	4.71	4.22	3.62

Revenue Breakdown



1 Year Return VS S&P 500 Index



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