December 7, 2024

Stock Analysis & Presentation

ALPHABET INC. *Ticker: GOOG* *CMP: 177*

Buying Opportunities & Strategy

- Accumulate (Price $165 – $180), December 2024, during the 2nd quarter of 2025: last quarter of 2025 or early 2026. If market corrects, buying opportunities at $155 - $170.
- Total performance: In the next 3-5 years, GOOG stock will close its current underperformance, and gain higher PE in years like 2026, 2027, and in early part of 2028.

Profits booking in 2025 on 20-30% of the position above $195 - $210 would be a prudent strategy to lower buying price. Market may correct and go sideways in 2025.

GOOG Stock Price Chart Analysis

200 DMA will continue to stay above 450 DMA until the end of 2028/early 2029. 200 DMA is a well-established and reliable trend line for GOOG. Opportunity to accumulate in the zone of 165-175, (2024 Dec, 2025 Spring, 2025 end or 2026 early)

Strong Buy Zone: 200 DMA and 450 DMA are likely to stay parallel and skewed until a few years from now.

FUNDAMENTAL BUSINESS ANALYSIS

Sector: Technology

Business: Technology (Search engine, cloud)

Growth segments – Cloud Computing, AI, YouTube, Digital advertising

Growth of Other Bets – Waymo, Fiber, Verily

Current PE: 22.14

2024 EPS: $7.74 (est. for 2024) (put $8), **2023 EPS**: $5.80, **2022 EPS**: $4.56, **2021 EPS**: $5.61

EPS growth rate: 38.12% (Q3 of 2024)

Business Competitors: MSFT, META, AMZN (for revenues)

Stock Price Competitors: META, TSM, NVDA, AVGO

Past 3-5 years:

GOOG EPS has grown slowly over the past 5 years starting with $2.93 in 2020, stabilizing around $5-6 during 2021, 2022, and 2023, and is expected to reach $8 by the end of 2024.

Projections for EPS for the next 5 years (use a growth rate of 19-22% growth range)

Year	EPS (19% Growth Rate)	EPS (22% Growth Rate)
2025	$9.52	$9.76
2026	$11.33	$11.91
2027	$13.48	$14.53
2028	$16.04	$17.72
2029	$19.09	$21.62
2030	$22.72	$26.38

Market Cap: $2.03 trillion (2024 Q4)

PE Comparison:

Competitor	Competitor PE
Amazon	43.0
Microsoft	34.4
Apple	31.0
Meta	25.0

Current PE: 22.14 Sector/Industry PE: 36.57

BUSINESS & REVENUE COMPETITION ANALYSIS

Alphabet:

Core Competitiveness:

- Holds approx. 90% of the global search engine market share.
- Google Ads – Search Ads, Display Network (GDN), YouTube Ads

- Google Cloud Platform (GCP)
- Hardware: Google Pixel devices, Nest smart home products
- Content Platforms: YouTube, Google Play Store
- Other Ventures: Waymo, AI

Revenue Breakdown:

- **2024 – Up Till Q3: $253.55 billion (2023 Q3: $221.08 billion)**
  - Ads – $192.13 billion – 75.8%
    - Google Search - $144.05 billion – 56.8%
    - YouTube - $25.67 billion – 10.1%
    - Google Display Network – $22.41 billion – 8.8%
  - GCP (Cloud) - $31.27 billion – 12.3%
  - Subscriptions, platforms, devices - $28.71 billion – 11.3%
  - Other Ventures - $1.25 billion – 0.5%
  - Hedging gains – $191 million – 0.08%

- **2023 – Total: $307.39 billion**
  - Ads – $237.92 billion - 77.4%
    - Google Search - $175.03 billion – 56.9%
    - YouTube - $31.51 billion – 10.3%
    - Google Display Network – $31.31 billion – 10.2%
  - GCP (Cloud)- $33.09 billion - 10.8%
  - Subscriptions, platforms, devices - $34.69 billion – 11.3%
  - Other Ventures - $1.53 billion – 0.5%
  - Hedging gains - $236 million – 0.1%

INTRINSIC VALUATION of Alphabet (GOOG)

in billions of dollars	2024	2025	2026	2027	2028	2029
Free Cash Flows	$69.50	$83.75	$100.92	$121.60	$146.53	$176.57
PV of cash flows	$462.03	$75.26	$83.68	$91.81	$100.74	$110.54
PV of Terminal Value	$1,669.42					
Value of operations	$2,132.45					

Growth Rate	20.50%
WACC	0.0982
Cost of Debt	0.065
CAPM	0.1012
Beta	1.02
RF Rate	0.04
Market Risk Premium	0.06

Value of operations	$2,131,450,000,000.00
Non-op Assets	$110,916,000,000.00
Debt	$12,297,000,000.00
Outstanding Shares	12264000000
Value of Equity	$2,230,069,000,000.00
Intrinsic value per share	$181.00

Analysis of Business/Revenue Competitors

In terms of revenues derived from advertising, Alphabet's competitors are likely Amazon, Microsoft, and Meta.

Amazon:

Core Competitiveness: e-commerce, AWS (cloud computing), digital advertising, and streaming services.

Revenue (2023): $574.8 billion.

Competing with Google in advertising and cloud computing

	EPS	PE	EPS Growth Rate
2024	$5.29	44.17	103.45%
2023	$2.90	52.39	1174%
2022	$-0.27	0.00	-108.33%

Insight: Anomaly exists in PE comparison, and GOOG PE is likely to expand, and AMZN PE is likely to shrink after market correction.

Microsoft:

Core Competitiveness: Azure (cloud), software (Office 365), LinkedIn, hardware (Surface), and gaming (Xbox).

Revenue (2023): $211.9 billion.

	EPS	PE	EPS Growth Rate
2024	$11.80	35.00	21.9%
2023	$9.68	34.78	0.31%
2022	$9.65	26.06	19.88%

Insight: GOOG PE will likely expand, and MSFT PE is likely to shrink after market correction.

Meta (Facebook)

Core Competitiveness: Focuses on digital advertising via platforms like Facebook, Instagram, and WhatsApp.

Exploring metaverse technology as a new revenue stream.

Revenue (2023): $134.9 billion, primarily from advertising.

	EPS	PE	EPS Growth Rate
2024	$22.62	27.16	52.12%
2023	$14.87	23.73	73.11%
2022	$8.59	13.97	-37.62%

Insight: META is a strong competitor for GOOG in revenue generation because of ads and can even be a stock price competitor

TAILWINDS FOR FUTURE STOCK PRICE PERFORMANCE

Lower interest rates over the next few years unless inflation goes up too much.

Anticipated lower inflation in the next several years.

Share buy-back program announced by Alphabet.

High growth in cloud revenues and other bets revenues to continue.

Current anomaly in underperformance will likely be over in early 2026 and stock will outperform in 2026, 2027, 2028.

DEMAND & SUPPLY ZONES FOR GOOG STOCK PRICE

Strong Demand Zones: $150 - $165, Future strong demand zones: $175 - $185.

Fair Demand Zone: $165 – $175 - $185 (below intrinsic value in 2024)

The stock had been purchased in large volumes during at $150 - $170.

Long term demand zones: $150 - $170

The stock had been purchased in large volumes during December 2018, March 2020, June to October 2022, November 2022 to January 2023.

Near term supply zones: $180 - $200+

STOCK PRICE CONSOLIDATION UNTIL END OF 2025/EARLY 2026

The market will move sideways throughout 2025, correcting sharply in the last quarter of 2025. Noise in anti-trust lawsuits is likely to persist in 2025. Alphabet will continue to deploy $70B capital to buy back its shares. Our recommendation is to accumulate GOOG shares at $155 - $180.

RISKS TO FUTURE STOCK PRICE PERFORMANCE in GOOG

Stocks like Nvidia (NVDA), Broadcom (AVGO), and Taiwan Semi-Conductor (TSM) are growth leaders/monopolies in new industries like AI and chip sector and enjoy high profit margin like 40-60% and higher growth rate like 30-90%. They, are likely to outperform Google stock by giving it a lower PE like 20-25, unlike these three top stocks enjoying a PE of 30-40 or higher.

NVDA - $3.5 Trillion, TSM - $900 Billion, AVGO - $800 Billion, - Their market valuation is likely to grow and GOOG price movement is likely to be impacted by these three stocks.

STOCK PRICE ANOMALIES (NVDA, AVGO, TSM)

In the market today and in the foreseeable future, (NVDA, AVGO, TSM) are superior stock price performers and revenues competitors.

NVDA:

- Stock growth of approximately 2,409% over the last 5 years, compared to Google's 159% growth.
- Ahead in terms of AI research and products compared to Google.

AVGO:

- Stock growth of approximately 421% over the last 5 years

TSM:

- Stock growth of approximately 248% over the last 5 years

Price anomalies

- Stocks like NVDA, AVGO, TSM are AI industry creating companies and they have in high EPS growth rate and have better net profit margins compared to Google although cloud business and other business are growing at 19-20% growth rate, they cannot match 40-50-60% growth rates of the above companies. We believe NVDA, AVGO, and TSM prices have moved much faster than Google's price and will continue to move at a higher rate in the next 3-5 years. During most of the next 3-5 years, we anticipate NVDA, AVGO, TSM stock prices will outperform Google's stock price. Our recommendation is that investors should buy up NVDA, AVGO, TSM during times of substantial correction of these 3 stocks.

ANTICIPATED STOCK PRICE MOVES: (GOOG 2025-2028)

Past 3-5 years:

- 5-year high: $190 (July 2024)
- 5-year low: $52.83 (March 2020)

2028: price range will likely be $360 - $470 (or higher if the PE is higher than 22). See our Analysis above.

GOOG stock price is expected to grow over the next 3-5 years, with a growth rate ranging from a PE of 19-22% annually.

ADDITIONAL RECOMMENDATION

INVESTING LONG IN STOCK PRICE OUTPERFORMERS

GOAL: To maximize wealth, and not fight against anomalies (explained above) that may last several years or longer.

OUTPERFORMER STOCKS: NVDA, AVGO, TSM

Our recommendation: During anticipated market corrections in the last quarter of 2025 or the first quarter of 2026, stocks like NVDA, AVGO, META, and TSM should be purchased long with support for further analysis. The market may correct sharply in the first quarter of 2027, and these stocks should be purchased at this time as well. During these corrections, GOOG must be added in large positions.