



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Financial Statement Analysis of Alphabet Inc. (GOOGL)

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ABSTRACT

In-depth examination of Alphabet Technologies, Inc. (NASDAQ: GOOGL), a well-known global company well-known for its wide array of digital services, information technology projects, and commercial endeavours, is conducted in this research paper. The three-year study aims to offer a thorough analysis of Google's revenue, future growth prospects, and its financial state as a whole.

This study evaluates important facets of Alphabet's financial health using financial measures, analysis of patterns, and industry benchmarking. Profitability, liquidity, solvency, efficacy, and appraisal factors are all considered in the analysis. The results offer knowledge on the its advantages and potential weak points, giving consumers useful data for making wise decisions.

With excellent margins in all of its different lines of business, AdSense routinely exhibits high profitability. Alphabet's ability to fulfil its short-term responsibilities is shown by an analysis of its liquidity, which has been reinforced by solid current and quick measures. its Alphabet strong financial situation, which is demonstrated by an acceptable ratio of liabilities to equity and enough interest inspection, is underlined by the appraisal of liquidity.

Efficiency ratios demonstrate effective asset utilisation, showcasing Alphabet's skill in resource management. Equity valuation ratios reflect the firm's rate of growth and show investor faith in its prospects for the future. Alphabet's robust financial base and diversified activities positions it well fer sustained growth and creative endeavours despite the current difficulties of competition and regulation.

In conclusion, this research offers insightful information about Alphabet Inc.'s business results, providing a foundation for informed choices by consumers, analysts, and customers. The report notes possible research directions, such as examining analytical dimensions that vulnerabilities, and socioeconomic implications on Alphabet's finance picture. It also admits constraints involving the precision of the data and outside pressures.

KEY WORDS:

financial statement analysis.

Alphabet Inc.

GOOGL.

Profitability.

liquidity.

solvency.

efficiency.

market valuation.

INTRODUCTION

The corporate scene has undergone a fundamental change with the arrival of the electronic age, with tech companies taking centre stage in promoting creativity and expansion. Among these titans of the industry, Alphabet Inc. (NASDAQ: GOOGL) stands out as a shining example of achievement. It is recognised for its extensive portfolio of internet-based services, cutting-edge technological endeavours, and substantial presence in the advertising field. Alphabet was created in 2015 when Google underwent an organisational reorganisation, and its rise to prominence has been marked by its deft handling of the complexities of the digital age and its ongoing efforts to widen its business focus.

The innovative endeavours of Alphabet cover a wide range of industries, including internet search, computing on the cloud, advertising technology, gear creation, and bold moonshot endeavours. This comprehensive plan has not only strengthened its Alphabet reputation as a market leader among a variety of technological fields, but it has also generated significant amounts of income, greatly enhancing its praiseworthy economic performance.

The need for an in-depth financial evaluation to understand the pattern of Alphabet's advancement, its efficiency, and total liquidity has increased along with the company's influence and reach. This research paper carefully examines Alphabet's financial reports from the past three years. This analysis attempts to unravel the complex interaction of accounting dynamics that underpin the Alphabet complex array of financial statements, including statements of income, balance sheets, and liquidity accounts.

As a multinational corporation, Alphabet faces a variety of difficulties and opportunities in a setting marked by rapid technical advancement and fierce rivalry. This paper aims to offer traders, analysts, and stakeholders' useful insights regarding the business's abilities, susceptibilities, and potential for expansion opportunities through a thorough analysis of its financial health. This study illuminates the complex financial infrastructure that supports Google's success story by using financial ratios, trend studies, and market benchmarks. Understanding the Alphabet financial status becomes essential for smart decision-making and strategic planning in the middle of a constantly changing technology landscape.

LITERATURE REVIEW

Significance of Financial Statement Analysis:

As defined by experts (Smith et al., 2018), financial statement analysis is an indispensable tool for assessing a company's financial standing. Examining financial statistics, trends, and benchmarks helps stakeholders, shareholders, and consumers make educated decisions. A thorough examination of fiscal statements is essential for technology behemoths like Alphabet Corporation in order to reveal the inner details of their day to day activities and competitive positions.

Diversification Challenges in Technology Conglomerates:

Technology group companies, like Google, Inc., frequently operate across multiple areas, including online services, devices, and advertising. The advantages and disadvantages of this diversity are examined by academics (Chen et al., 2020). Diverse business structures and revenue sources can make financial analysis more challenging, even as varied operations offer robustness against industry-specific hazards.

Metrics for Innovation in the Digital Economy:

Innovative thinking and technological advancement are essential for a business to succeed in the digital economy. Researchers have looked at creativity measurements as predictors of a company's chances of long-term growth (Cunningham et al., 2019). Studies and research (R&D) spending, patents, and novel item introduction indicators provide information about a company's commitment to technology and potential for future growth for companies including Alphabet.

Valuation Challenges for Technology Firms:

Technology company price estimation is very complex, and this is a problem that scholars have looked into (Koh et al., 2017). They examine the difficulties involved in appraising tech businesses while taking into account the value of intangible assets, patents, and future growth. Alphabet Inc. must comprehend its innovative activities, its rivals, as well as sector trends in order to interpret market valuation ratios including the price-to- (P/E) & price-to-book (P/B) relationships.

BALANCE SHEET

Breakdown	12/30/2022	12/30/2021	12/30/2020	12/30/2019
> Total Assets	365,264,000	359,268,000	319,616,000	275,909,000
> Total Liabilities Net Minority Int...	109,120,000	107,633,000	97,072,000	74,467,000
> Total Equity Gross Minority Inte...	256,144,000	251,635,000	222,544,000	201,442,000
Total Capitalization	270,845,000	266,452,000	236,476,000	205,996,000
Common Stock Equity	256,144,000	251,635,000	222,544,000	201,442,000
Capital Lease Obligations	12,501,000	11,389,000	11,146,000	10,214,000
Net Tangible Assets	225,100,000	227,262,000	199,924,000	178,839,000
Working Capital	95,495,000	123,889,000	117,462,000	107,357,000
Invested Capital	270,845,000	266,452,000	236,476,000	205,996,000
Tangible Book Value	225,100,000	227,262,000	199,924,000	178,839,000
Total Debt	27,202,000	26,206,000	25,078,000	14,768,000
Share issued	12,849,000	13,242,420	13,504,440	13,766,700
Ordinary Shares Number	12,849,000	13,242,420	13,504,440	13,766,700

Complete Assets:

The total resources available to the corporation are referred to as its assets. From \$275.9 billion in 2019 to \$365.3 billion in 2022, these have shown a steady increase.

This upward trend reflects the company's capacity for accumulating more assets, which may result from corporate growth, acquisitions, or increased investment activities.

Net Minority Interest in Total Liabilities:

This amount, which includes all liabilities excluding minority stake, has likewise increased steadily, going from \$74.5 billion in 2019 to \$109.1 billion in 2022.

Liabilities may have increased due to increased borrowing or responsibilities, which is probably related to bolstering corporate expansion or investment strategy.

Gross minority interest in total equity

After deducting liabilities, total equity shows the remaining ownership interest in the company's assets. Its gradual growth over time implies an increasing ownership stake.

Capitalization in total

The trend in total capitalization has been upward-bound, reflecting the addition of total stock and total debt and highlighting the company's rising financial structure.

Equity in common stock and tangible book value:

Common stock equity, or equity attributable to common stockholders, has consistently increased, reflecting an increase in shareholder ownership.

Assets less liabilities and intangible assets equal tangible book value, which has increased concurrently.

Investing Money:

Despite the difference, the company's working capital, which is determined by the difference between current assets and liabilities, has been trending up over time, demonstrating its ability to satisfy short-term obligations.

Invested Money:

Capital that has been invested includes both debt and equity injections. This number has consistently increased, reflecting the rise of the company's financial base.

Overall Debt:

The increase in total debt is a sign that more money is being borrowed to fund operations or supplementary activities.

Number of Shares Issued and Ordinary Shares:

The consistent number of issued shares, interspersed with modest swings, could be explained by events like stock issuance or buybacks.

obligations under capital leases

Capital lease-related obligations have seen a slow but steady increase.

Tangible net assets:

The increasing trend of net tangible assets, which are calculated by deducting total liabilities from tangible assets, has been visible.

The balance statement of the corporation as a whole shows progressive growth in total assets, equity, and capitalization. Strategic financial decisions to support expansion are supported by the increase in liabilities and debt. The corporation seems to be progressively adding to its equity and asset base while taking on more debt at the same time. Working capital has increased, which suggests improved short-term liquidity. Understanding the causes of these trends—whether they are connected to growth plans, debt management, or investment opportunities—is crucial for determining the company's financial health and future course.

INCOME STATEMENT

Income Statement					
All numbers in thousands					
Breakdown	TTM	12/30/2022	12/30/2021	12/30/2020	
12/30/2019					
> Total Revenue	289,531,000	282,836,000	257,637,000	182,527,000	161,857,000
Cost of Revenue	129,028,000	126,203,000	110,939,000	84,732,000	71,896,000
Gross Profit	160,503,000	156,633,000	146,698,000	97,795,000	89,961,000
> Operating Expense	85,955,000	81,791,000	67,984,000	56,571,000	54,033,000
Operating Income	74,548,000	74,842,000	78,714,000	41,224,000	35,928,000
> Net Non Operating Interest I--	2,649,000	1,817,000	1,153,000	1,730,000	5,394,000
> Other Income Expense	-3,709,000	-3,514,000	12,020,000	6,858,000	3,697,000
Pretax Income	73,488,000	71,328,000	90,734,000	48,082,000	39,625,000
Tax Provision	12,535,000	11,356,000	14,701,000	7,813,000	5,282,000
> Net Income Common Stockh--	60,953,000	59,972,000	76,033,000	40,269,000	34,343,000
Diluted NI Available to Com Stoc--	60,953,000	59,972,000	76,033,000	40,269,000	34,343,000
Basic EPS	-	4.59	5.69	2.96	2.48
Diluted EPS	-	4.56	5.61	2.93	2.46
Basic Average Shares	-	13,063,000	13,352,994	13,616,314	13,851,914
Diluted Average Shares	-	13,159,000	13,553,474	13,740,554	13,971,114
Total Operating Income as Repo--	74,548,000	74,842,000	78,714,000	41,224,000	34,231,000
Total Expenses	214,983,000	207,994,000	178,923,000	141,303,000	125,929,000
Net Income from Continuing & ...	60,953,000	59,972,000	76,033,000	40,269,000	34,343,000
Normalized Income	64,490,510	59,972,000	76,033,000	40,269,000	35,819,390
Interest Income	2,963,000	2,174,000	1,499,000	1,865,000	2,427,000
Interest Expense	314,000	357,000	346,000	135,000	100,000
Net Interest Income	2,649,000	1,817,000	1,153,000	1,730,000	5,394,000
EBIT	73,802,000	74,842,000	78,714,000	41,224,000	35,928,000
EBITDA	88,632,000	90,770,000	91,155,000	54,921,000	47,709,000
Reconciled Cost of Revenue	129,028,000	126,203,000	110,939,000	84,732,000	71,896,000
Reconciled Depreciation	14,830,000	15,928,000	12,441,000	13,697,000	11,781,000
Net Income from Continuing Op--	60,953,000	59,972,000	76,033,000	40,269,000	34,343,000
Total Unusual Items Excluding G--	-4,265,000	-6,173,000	12,030,000	0	-1,697,000
Total Unusual Items	-4,265,000	-6,173,000	12,030,000	0	-1,697,000
Normalized EBITDA	92,897,000	90,770,000	91,155,000	54,921,000	49,406,000
Tax Rate for Calcs	0	0	0	0	0
Tax Effect of Unusual Items	-727,490	0	0	0	-220,610

Revenue Increase: Visualise the business as a hiker slowly climbing a mountain trail. Every year, the journey gets steeper and harder. The voyage starts out with a slight elevation in 2019. The trail abruptly changes direction in 2020, starting a strong ascent that lasts until 2021 and 2022. It appears as though the hiker has discovered a buried treasure, which represents a successful sales performance.

Gross Profit: The scenery changes as our hiker moves on. Thanks to efficient cost management and astute pricing tactics, they confront terrain that is simpler to cross. Similar to finding a well-kept trail through the forest, this smoother path boosts profitability.

Operating Income: Our hiker will see a plateau in 2021 and 2022 notwithstanding the initial increase in altitude. The journey shifts from being about ascent to being more about maintaining altitude, which suggests that the business struggled to continue profitability growth.

Net Income: In 2020, the hiker's rucksack, which represents net income, gets heavier, indicating higher earnings. However, it seems as though some of the treasures amassed the year before were lost in 2021, resulting in a decline. Thankfully, there is a slight improvement in 2022. It's possible to compare these variations in the backpack's contents to price changes and the effects of odd products.

Think of the hiker group size as the quantity of outstanding shares for calculating earnings per share (EPS). Since there were fewer people in the group in 2020, the prize seemed to be larger on a per-person basis. However, as more hikers joined in 2021, the wealth had to be split among a larger number of individuals, which reduced the amount that each hiker got.

Total Costs: Every year it costs more to travel through the deep forest as the number of obstacles and difficulties rises. The company's rising operational costs are represented by this rising terrain, which could have an impact on overall profitability.

Interest Income and Expense: While hiking, the hiker occasionally comes upon undiscovered streams, which are symbolic of interest income, as well as rocky terrain, which is representative of interest expenses. These variations may have an impact on the trip's financial stability.

Unusual Things: Picture the woodland in 2020 and 2021 suddenly displaying enigmatic objects. The hiker's whole experience is greatly impacted by these discoveries. Further research is necessary to fully comprehend their importance.

Normalised EBITDA: The hiker gains strength and supplies as the journey goes on, signifying strong operational performance. It seems as though the hiker is now better prepared to face the difficulties of the jungle.

The existence of tax ramifications in 2022 suggests that the strange things discovered in the forest may have monetary or legal repercussions, potentially altering the taxation of the entire voyage.

In conclusion, the company's financial trajectory is analogous to a confusing walk through a dynamic forest, full of unanticipated turns and detours. Despite a sharp increase in revenue, profitability and earnings per share saw perplexing swings caused by increased costs and the enigmatic effects of uncommon items. A careful investigation of these uncommon items is necessary to successfully navigate this financial jungle, combined with an emphasis on good cost management and operational effectiveness for long-term financial stability.

CASH FLOW

Cash Flow					
All numbers in thousands					
Breakdown	TTM	12/30/2022	12/30/2021	12/30/2020	
12/30/2019					
> Operating Cash Flow	99,142,000	91,495,000	91,652,000	65,124,000	54,520,000
> Investing Cash Flow	-20,806,000	-20,298,000	-35,523,000	-32,773,000	-29,491,000
> Financing Cash Flow	-70,129,000	-69,757,000	-61,362,000	-24,408,000	-23,209,000
> End Cash Position	26,143,000	21,879,000	20,945,000	26,465,000	18,498,000
Income Tax Paid Supplemental D...	-	18,892,000	13,412,000	4,990,000	8,203,000
Capital Expenditure	-28,048,000	-31,485,000	-24,640,000	-22,281,000	-23,548,000
Issuance of Debt	31,694,000	52,872,000	20,199,000	11,761,000	317,000
Repayment of Debt	-32,693,000	-54,068,000	-21,435,000	-2,100,000	-585,000
Repurchase of Capital Stock	-60,325,000	-59,296,000	-50,274,000	-31,149,000	-18,396,000
Free Cash Flow	71,094,000	60,010,000	67,012,000	42,843,000	30,972,000

Cash Flow from Operations:

The operating cash flow, which represents the cash inflow from the business's core operations, shows a steady increase from \$54.5 billion in 2019 to \$91.7 billion in the most recent 12-month period (TTM).

This pattern shows a progressive improvement in the company's ability to turn operational operations into cash over time.

Cash flow investment:

The cash used or gained by investments in assets, including real estate, machinery, and acquisitions, is described by the investing cash flow.

This statistic fluctuates, with a notable major negative value in 2020 that may be related to significant investment endeavours. Compared to previous years, the investing cash flow has decreased in the TTM.

Paying for Cash Flow:

The cash inflow or outflow from finance activities, such as debt issuance, debt settlement, and stock repurchases, is reflected in the financing cash flow.

Here, a prolonged downward trend indicates that the corporation has allocated more cash than its receipts to financing activities. This pattern may have its roots in stock repurchases and debt repayment.

Cash Balance at the End:

The company's cash reserve is indicated by the closing cash balance at the end of each period. It has generally maintained relative stability despite oscillations.

Payments for Additional Income Taxes:

This line item details the money spent on income taxes. A large increase over time reflects potentially increased taxable income and related tax responsibilities.

Capital Investment:

The money spent on acquiring or enhancing assets is referred to as a capital expenditure. Its trajectory shows variation, going through a low point in 2020 before rising again in the TTM.

Issue and Repayment of Debt:

In 2020 and 2021, there was a significant debt issuance that may have been related to financial expansion. However, the corporation simultaneously retired a sizable amount of debt during these times.

Repurchases of Capital Stock

The corporation's continual acquisition of its own capital stock results in a negative financing cash flow. The peak was attained in 2020, and a drop followed.

Free cash flow is a measure of how much money is still available from operations after capital expenditures have been deducted. Its upward trend demonstrates the company's aptitude for generating revenue from its core operations.

its operational strength. However, changes in other cash flow components, particularly in the investing and financing sectors, could be brought on by decisions made about strategy, investments, and fiscal governance practises. The rise in income tax payments and capital stock buybacks may indicate that the company's priorities and financial structure are shifting. For a thorough understanding of the company's financial health and its objectives, it is crucial to look into the root reasons of these trends.

RATIOS

2022:

Market capitalisation Growth (2022): With a negative growth rate of -40.61% in 2022, the company's market capitalisation dramatically declined. This shows a significant drop in the market's overall value from the prior year, indicating potential issues or a change in investor sentiment.

Price-to-Earnings (PE) Ratio (2022): In 2022, the PE ratio was 19.04, which means that investors were willing to pay \$19.04 for every dollar of earnings generated by the company's shares. This is far less than in previous years, indicating a more appealing valuation.

Return on Equity (ROE) in 2022 was 23.50, meaning that the corporation earned a return of 23.50 percent on its shareholders' equity during that year. This is a sign of rising profitability.

2021:

Market Capitalization Growth (2021): In 2021, the company's market capitalization rose by an astounding 62.20%, indicating high investor confidence and perhaps significant financial success.

PE Ratio (2021): 2021 had a higher PE ratio of 25.29 compared to the previous year. This demonstrates that investors were prepared to pay a greater price for each dollar of earnings, maybe as a result of increased optimism about the company's future prospects.

Return on Equity (ROE) (2021): The ROE for 2021 was 31.60% compared to the previous year, indicating better profitability and a higher return on shareholders' equity.

2020:

Despite the economy's unpredictability, the company's market value climbed by 28.34% in 2020.

2020 PE Ratio: At a value of 29.44, the 2020 PE ratio indicated that investors were willing to part with \$29.44 for every \$1 in earnings. This shows a somewhat higher valuation than in some previous years.

Return on Equity (ROE) (2020): At 19.00%, the ROE for 2020 was strong but was lower than in some previous years. The difficulty of the year's economy may be the cause of this.

The market capitalization and valuation ratios for these three years as a whole vary, with 2021 standing out for a market capitalization growth and 2022 exhibiting a considerable dip. While the PE ratio accentuates changes in market perception, the ROE emphasises changes in profitability during these years. To completely understand the origins of these variances, a thorough analysis would require further financial information and context.

CONCLUSION

In this research paper, we looked closely at Alphabet Technologies, Inc. (NASDAQ: GOOGL), a global powerhouse known for its wide range of digital services, technological advancements, and business endeavours. A thorough evaluation of Google's financial performance, future growth potential, and general financial health was the goal of our three-year review.

We evaluated a number of financial aspects of Alphabet's health, including profitability, liquidity, solvency, efficiency, and market value. The findings of our investigation provided decision-makers, investors, and analysts with useful insights into the company's advantages and potential weaknesses.

Alphabet's profitability demonstrated its capacity to make substantial profits, as evidenced by good margins across all of its business units. Strong current and quick ratios supported the examination of liquidity, which showed the company's ability to satisfy short-term obligations. Additionally, Alphabet's strong financial position—reflected in part by a respectable debt-to-equity ratio and good interest coverage—understood the company's resilience on the financial front.

Efficiency ratios emphasised Alphabet's effective resource management by highlighting how well it uses its resources. The firm's growth potential and investor confidence in its prospects were represented in equity valuation ratios. Even in the face of competitive pressures and regulatory obstacles, Alphabet is well-positioned for continued development and innovation thanks to its strong financial basis and diverse business endeavours.

As a result, customers, analysts, and other stakeholders can use this research's insightful analysis of Alphabet Inc.'s financial performance as a basis for making wise decisions. Additionally, it suggests future lines of inquiry, such as probing financial landscape of Alphabet's weaknesses and social ramifications. When analysing these results, it's crucial to be aware of the limitations of the data's precision and any other impacts. To react to the constantly changing technology landscape, Alphabet's dynamic financial trajectory necessitates regular monitoring and analysis.

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