

ARETE CAPITAL VIEW

- Alphabet (Google) exhibits many of the traits that we look for core holdings: industry leading product/service, strong brand recognition, well entrenched moat, strong management and solid financials.
- While shares have lagged year to date vs. a few higher-octane peers, business trends remain on track and Alphabet has both the solid core business and the optionality of many new future income streams.

OPPORTUNITIES

- Very firm business model with strong barriers to entry
- Leader in search algorithms & internet advertising
 - Android operating system is the correct way to compete with Apple, rather than the alternate hand phone manufacturers
- Base business is strong, but Google also owns huge IP including:
 - Artificial Intelligence: Google TPU - Tensor Processor Unit - faster and less power hungry than competition
 - Augmented Reality / Virtual Reality - Look for improvements in hardware and software offerings from GOOG
 - Driverless cars, Deep Learning, Machine Learning, etc
- Financials are solid with rising Revenue, EBITDA, and consistently positive Free Cash Flow
 - Forward P/E estimates of 25 are not demanding, given quality of the business
 - Recent issues relating to fines from EU on shopping antitrust are temporary and being addressed
- In reviewing share price performance, it has considerably lagged peers over the past several years, yet has still been a steady performer. Given existing and future revenue streams, this position is a core holding.

RISKS

- Changing trends result in slowdown in core businesses
- Increased regulation not favorable to Alphabet
- Alphabet's future revenue streams take longer to materialize
- Rapidly changing technologies render disrupt or diminish value of existing projects

INCOME STATEMENT Billion (USD)

	2012	2013	2014	2015	2016
Revenue	46,039,000,000	55,519,000,000	66,001,000,000	74,989,000,000	90,272,000,000
Total Operating Expense	32,205,000,000	40,116,000,000	49,505,000,000	55,629,000,000	66,556,000,000
Operating Income	13,834,000,000	15,403,000,000	16,496,000,000	19,360,000,000	23,716,000,000
Net Income Before Taxes	14,469,000,000	15,899,000,000	17,259,000,000	19,651,000,000	24,150,000,000
Net Income After Taxes	11,553,000,000	13,160,000,000	13,620,000,000	16,348,000,000	19,478,000,000
Net Income Before Extra. Items	11,553,000,000	13,160,000,000	13,620,000,000	16,348,000,000	19,478,000,000

PROFITABILITY ANALYSIS

	2012	2013	2014	2015	2016	Latest
ROE Tot Equity, %	17.79	16.55	14.25	14.58	15.02	14.01 *
ROA Tot Assets, %	13.89	12.86	11.34	11.82	12.37	11.62 *
Income Aft Tax Margin, %	25.09	23.70	20.64	21.80	21.58	19.49 *
Revenue/Tot Assets	0.55	0.54	0.55	0.54	0.57	0.60 *
Long Term Debt/Equity, %	4.17	2.56	3.11	1.66	2.83	2.67 **
Total Debt/Equity, %	7.72	6.01	5.04	4.34	2.83	2.67 **

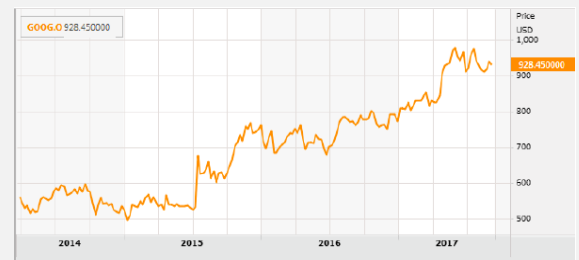
BUSINESS SUMMARY

Alphabet Inc. is a holding company. The Company's businesses include Google Inc. (Google) and its Internet products, such as Access, Calico, CapitalG, GV, Nest, Verily, Waymo and X. The Company's segments include Google and Other Bets. The Google segment includes its Internet products, such as Search, Ads, Commerce, Maps, YouTube, Google Cloud, Android, Chrome and Google Play, as well as its hardware initiatives. The Other Bets segment is engaged in the sales of Internet and television services through Google Fiber, sales of Nest products and services, and licensing and research and development (R&D) services through Verily.

FINANCIAL SUMMARY

For the six months ended 30 June 2017, Alphabet Inc. revenues increased 22% to \$50.76B. Net income decreased 1% to \$8.9B. Revenues reflect Other Bets segment increase of 40% to \$492M, EMEA segment increase from \$7.49B to \$16.64B, United States segment increase of 24% to \$24.09B, APAC segment increase from \$2.9B to \$7.35B. Net income was offset by Unallocated items segment loss increase from \$295M to \$3.07B.

5 YEAR CHART



RATIOS

Dividend Yield	--
P/E (Trailing)	34x
P/E Forward Est.	25x
Annual free cash flow	25.8 billion USD