

Alphabet Inc

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Google parent Alphabet's second-quarter performance draws applause from Wall Street

Alphabet Inc (NASDAQ:GOOGL) shares are still climbing after the parent of search engine Google trumped analysts' expectations for both second-quarter profit and revenue.

The company's earnings of US\$11.75 per share on revenue of US\$32.7bn came days after it was slapped with a US\$5bn fine by the European Union for abusing the dominance of its Android mobile operating systems.

But investors are piling in, sending Alphabet shares up nearly 4% to US\$1,255.29 in afternoon trade.

Read: Google's parent Alphabet shares jump after whizzing past 2Q profit and revenue forecasts

Having already digested the strong results, Wall Street's analysts are also delivering bullish opinions about Google.

Oppenheimer's Jason Helfstein, for example, is an unabashed fan.

He argues that Alphabet's revenue growth remains strong while its traffic acquisition costs or its payments to companies that direct consumer and business traffic to the site, continue to slow.

Helfstein is also optimistic about the possibility of robust returns from the Google Cloud platform, Alphabet's self-driving car unit Waymo and YouTube.

"Search advertising remains the most effective advertising medium that exists today, based on the paid-click advertising model," Helfstein concludes. "With roughly 70% market share, Alphabet Inc is by far the US leader."

Helfstein is keeping a US\$1,450 price target on the stock as well as an Outperform rating.

A handful of factors could prevent Google from hitting Oppenheimer's price target, according to Helfstein. Its possible problems include potential new privacy regulations, economic weakness in the US or Europe, higher traffic acquisition costs and a surge in competition as web search shifts to mobile devices from the desk top.

Here is a sampling of other views culled from the notes delivered by Wall Street's leading opinion makers that were first published by business news site TheFly.com:

- Keeping a Buy rating on the stock, Stifel analyst Scott Devitt lifted his price target on Alphabet to US\$1,456 from US\$1,2345 as Google showed "continued momentum" in the quarter.
- Credit Suisse analyst Stephen Ju increased his price target to US\$1,375 from US\$1,330 after the company posted a "high-quality quarter" in which the bulk of the top-line outperformance came from websites followed by network revenue. The analyst is reiterating his Outperform rating on the shares.
- With an Overweight rating on the stock, Morgan Stanley analyst Brian Nowak sees signs that Alphabet is "just

Price: 1520.58

Market Cap: \$1.04 trillion

1 Year Share Price Graph



Share Information

Code: GOOG

Listing: NASDAQ

52 week	High	Low
	1576.48	1014.2

Sector: Online business & e-commerce

Website: abc.xyz

Company Synopsis:

Alphabet is mostly a collection of companies. The largest of which is Google. .

action@proactiveinvestors.com

beginning" and upped its target to US\$1,325 from US\$1,250. He was particularly impressed by the acceleration in Google's US\$85bn annualized websites business and that the company is still in the early phases of the monetization of those user bases. Waymo also remains on track for a commercial ride-hailing service launch this year.

- Alphabet remains Barclays analyst Ross Sandler's top pick, with an Overweight rating and a new price target of US\$1,415, up from US\$1,350. He likes Google for its traffic acquisition cost improvement and 'better than feared' core margin.
- KeyBank analyst Andy Hargreaves continues to recommend owning the stock as Alphabet invests heavily in growth opportunities while its core ad business churns out impressive growth. He forecasts that its cloud and hardware businesses, YouTube and Waymo should add significant value over time. Hargreaves' price target for Alphabet has been lifted to US\$1,430 from US\$1,230 and an Overweight rating is still in place.
- Baird analyst Colin Sebastian lauds Alphabet for gaining meaningful market share in digital marketing, cloud services, online video, local advertising, mobile devices and driverless cars. He says artificial intelligence will unlock incremental value in Google's core ad business. He reiterated his Outperform rating and lifted his price target to US\$1,380 from US\$1,300.
- RBC Capital analyst Mark Mahaney is also sticking to his Outperform rating on Alphabet as revenues and operating income have come in ahead of expectations, growth remains consistent and traffic acquisition costs have started to subside.
- UBS analyst Eric Sheridan joins the large chorus of Alphabet bulls. He has a long-term view that Alphabet will further develop its cloud computing, artificial intelligence, hardware, software, media consumption and life sciences. Yet, he says that the market is "ascribing little or no value" to those opportunities. Sheridan reiterated his Buy rating and raised his price target to US\$1,400 from US\$1,360.
- Keeping a Buy rating on the stock, Michael Olson of Piper Jaffray raised his price target to US\$1,400 from US\$1,350 as Alphabet's traffic acquisition costs and paid clicks exceeded consensus expectations.
- Doug Anmuth of JP Morgan is also backing Alphabet as it continues to "execute well." Anmuth does think that additional quarters of margin stabilization are needed by Google, but he reiterated his Overweight rating and price target of \$1,440 to be hit by December 2019.
- Mizuho analyst James Lee raised his price target to US\$1,460 from US\$1,350 on the back of Google's accelerating US revenue growth. He maintained a Buy rating on the shares.
- Jefferies analyst Brent Thill continues to see "large potential" from Alphabet's YouTube, cloud and hardware businesses, as well as Waymo. He views the current valuation as "reasonable" and is keeping his Buy rating on the stock while raising his price target to US\$1,450 from US\$1,360.
- JMP Securities analyst Ronald Josey noted that Google Properties revenue continued to outperform in the second quarter and that its click growth likely came from its subsidiary YouTube, as well as TrueView ad format. Margins at core Google also came in 211 basis points better than Josey's projections. Josey lifted his price target to US\$1,390 and kept an Outperform rating on the stock.

Contact Ellen Kelleher at ellen@proactiveinvestors.com

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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