

# Alphabet (GOOGL)

**INCREASE TARGET PRICE**

Rating **OUTPERFORM\***  
Price (11 Jan 16, US\$) 733.07  
Target price (US\$) (from 850.00) 900.00<sup>1</sup>  
52-week price range 793.96 - 497.06  
Market cap. (US\$ m) 498,263.30

\*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

<sup>1</sup>Target price is for 12 months.

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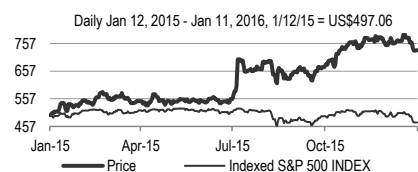
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## Layering In Revenue Contribution from YouTube Red

- **Action:** We have recalibrated our product-by-product forecast model to now include contribution from YouTube Red. Our price target increases to \$900 (vs. \$850 prior) as we increase our LT estimates accordingly.
- **Investment Case:** While the initial investor reaction may be to dismiss the product, with over one billion users already on YouTube, we calculate that even a low-single-digit percentage rate conversion from free ad-supported to paid subscription will allow Google to monetize users at 10x the annual ARPU versus that derived just from advertising. We forecast contribution growth at 44% CAGR from ~\$1b in 2017 to \$6.3b by 2022 as we assume a 3% conversion rate by the target date, which in our opinion in the context of other free-to-paying examples is not an egregious expectation.
- Overall our investment thesis for GOOGL shares in 2016 remain similar to what we carried into 2015 albeit with greater product clarity: 1) faster-than-expected narrowing of the mobile-desktop monetization gap through benefits from a plethora of products including app install, as well as increased ad load on the mobile/desktop SERP, 2) continued moderation of increases to its capital expenditure following a multi-year investment cycle, 3) growing contribution from Google's larger non-search businesses, namely YouTube and Google Play.
- **Valuation:** Our DCF-based price target, which uses a 10.5% weighted average cost of capital and 3% terminal growth rate is now \$900 vs prior \$850 on our increased estimates.

### Share price performance



On 01/11/16 the S&P 500 INDEX closed at 1923.67

Quarterly EPS	Q1	Q2	Q3	Q4
2014A	6.27	6.08	6.35	6.88
2015E	6.57	6.99	7.35	7.32
2016E	7.79	7.96	7.99	9.40

### Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS - (Excl. ESO) (US\$)	30.18	33.79	39.55	48.54
EPS (CS adj.) (US\$)	25.59	28.23	33.14	41.19
Prev. EPS (CS adj.) (US\$)	—	28.2	33.1	40.1
P/E (CS adj., x)	28.6	26.0	22.1	17.8
P/E rel. (CS adj., %)	160.7	146.5	133.5	121.0
Revenue (US\$ m)	52,510.0	60,123.0	70,587.1	82,658.3
EBITDA (US\$ m)	21,097.0	23,801.5	27,908.0	34,311.5
Net debt (US\$ m)	-13,110	-17,213	-36,221	-61,508
OCFPS (US\$)	32.57	38.75	43.30	52.85
P/OCF (x)	16.3	18.9	16.9	13.9
Number of shares (m)	679.69			
BV/share (Next Qtr., US\$)	180.1			
Net debt (Next Qtr., US\$ m)	-17,213.3			
Dividend yield (%)	—			
		Price/sales(x)		8.44
		P/BVPS (x)		4.0
		Dividend (current, US\$)		—

Source: Company data, Credit Suisse estimates.

**DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, AND THE STATUS OF NON-US ANALYSTS.** US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

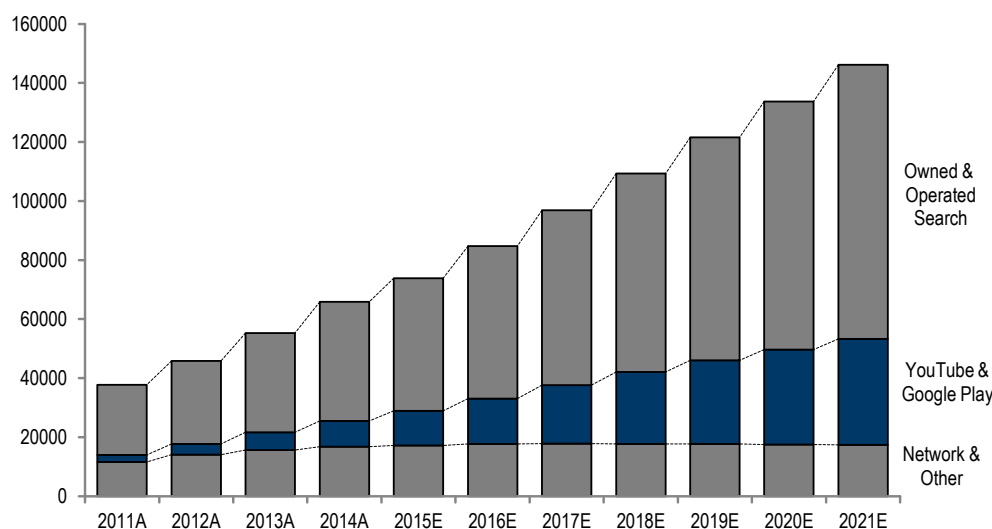
## Layering In Revenue Contribution from YouTube Red

As GOOGL shares have outperformed during 2015 (appreciating by 47%), we revisit our investment thesis heading into 2016 and come away with an increased level of confidence that the company is only at the very beginning of a harvest cycle after extended period of investment to respond to increased consumer demand from not only rising engagement in developed markets but also to onboard incremental users from emerging markets, both driven by the continuing migration from desktop to mobile

And while we are set to receive the incremental disclosure surrounding the new Alphabet structure this quarter, we submit that the greater items of focus should be on the continued health of Google's core search and YouTube franchises, as well as expense moderation. As we have previously laid out, Google's non-search businesses in the form of YouTube and Play are starting to account for a larger percentage of revenue, growing from ~16% in 2015 to over 25% by 2021:

**Exhibit 1: Google, Inc. – Increasing Contribution from YouTube and Google Play – 16% of Gross in 2015, 25% by 2021**

USD in millions



Source: Company data, Credit Suisse estimates

And as we revisit our product-by-product revenue forecast going into 2016, we once-again look to more accurately encapsulate the potential contribution from a still-nascent products (as we have previously done for Google Play and YouTube's display business) by layering in our estimates for YouTube Red, the recently launched subscription service offered by Google. While some investors may be quick to dismiss this product, we submit that with over one billion users on YouTube, even a small level of conversion from free ad-supported to paying subscriber can result in meaningful changes to the P&L over the longer term. Most importantly, at \$10/month per subscriber, we believe Google can effectively grow monetization by a factor of ~12x per user relative to its current ad-driven model.

Our initial YouTube Red projections reflect minimal ARPU growth and assume that YouTube converts ~3% of its more than 1 billion users to paying subscribers over the next five years – with paying subscribers growing from 5.7 million by the end of 2016 to ~61 million by 2022. For context, we note that Netflix had ~66 million paying subscribers as of 3Q15, while Spotify and Hulu recently disclosed that they had reached 9 million (as of April 2015) and 20 million paying subscribers (June 2015), respectively. Net-net, our revenue forecast for the new subscription services assumes contribution growth at a 44% CAGR from ~\$1 billion in 2017 to \$6.3 billion by 2022.

Overall, our investment thesis for GOOGL shares remains essentially unchanged, we add some refinements to the following factors which continue to be reasons that can potentially drive material increases to our current estimates and hence share appreciation:

1. Faster-than-expected narrowing of the mobile-desktop monetization gap – this will be through a combination of the continued benefits from Enhanced Campaigns as well as a plethora of other products including app install, as well as increased ad load on the mobile and desktop SERP.
2. Moderation of increases to its capital expenditure following a multi-year investment cycle.
3. Larger-than-expected contribution from Google's larger non-search businesses, namely YouTube and Google Play.

#### Exhibit 2: Google, Inc. – CS Estimate Revisions

USD in millions, unless otherwise stated

	4Q15	4Q15	%	2016	2016	%	2017	2017	%
	Prior	Current	Δ		Prior	Current		Δ	Prior
Google Web Sites	14256.3	14186.5	-0.5%	60141.0	60756.1	1.0%	69405.5	71417.7	2.9%
Google Network Sites	3896.2	3887.3	-0.2%	15151.6	15114.0	-0.2%	15262.3	15225.4	-0.2%
Licensing and Other	2271.1	2315.2	1.9%	9465.9	9521.6	0.6%	11388.6	11420.3	0.3%
Gross Revenue	20423.6	20389.0	-0.2%	84758.5	85391.7	0.7%	96056.4	98063.4	2.1%
Traffic Acquisition Costs	3867.8	3856.0	-0.3%	14782.4	14804.6	0.1%	15278.5	15405.1	0.8%
Net Revenue	16555.8	16533.0	-0.1%	69976.0	70587.1	0.9%	80777.9	82658.3	2.3%
<b>Adjusted EBITDA</b>	<b>7578.1</b>	<b>7589.8</b>	<b>0.2%</b>	<b>33824.4</b>	<b>33898.0</b>	<b>0.2%</b>	<b>40149.3</b>	<b>41190.7</b>	<b>2.6%</b>
<b>Pro Forma EPS</b>	<b>\$7.31</b>	<b>\$7.32</b>	<b>0.2%</b>	<b>\$33.13</b>	<b>\$33.14</b>	<b>0.0%</b>	<b>\$40.07</b>	<b>\$41.19</b>	<b>2.8%</b>

Source: Company data, Credit Suisse estimates

As we made modest changes to our longer term estimates to reflect our projections for YouTube Red, we are increasing our price target from \$850 to \$900 – we maintain our Outperform rating and GOOGL shares remain one of our favorite ideas for the Internet sector.

Looking nearer-term, our checks indicate that 4Q15 search budget growth remains relatively healthy – growing low-to-mid-teens both year-over-year basis despite growing adoption of alternative direct-response channels. Of note, desktop CPCs continue to inflate at a healthy rate despite stabilizing volume trends, while product initiatives such as Enhanced Campaigns, improved ad targeting capabilities via email matching, adoption of app install ads, and the recent addition of a third paid search link on the mobile SERP, continue to drive mobile pricing and overall budgets allocated to Google's search and display offerings.

Additionally, our checks indicate that budgets allocated to YouTube also continued to grow at a rapid pace in 4Q15, with the introduction of new ad formats and targeting tools helping to drive the migration of offline-budgets to the platform – with little indication that the ramp of Facebook's Premium Video ad product is exerting any sort of headwind.

#### YouTube Red

In late October 2015, Google launched YouTube Red – a \$9.99 per month subscription service that provides a premium usage experience for YouTube users across its website and standalone apps by eliminating ads and providing an offline video viewing option on mobile devices.

Note that in addition to the core YouTube Red service, Google recently launched several distinct services, including: 1) YouTube Gaming (launched August 2015), 2) YouTube Music (November 2015), and 3) an ad-supported version of Google Play Music (June 2015):

- **YouTube Gaming** is a videogame streaming platform and mobile app that both consolidates existing gaming-related content on YouTube (e.g. tutorials and game

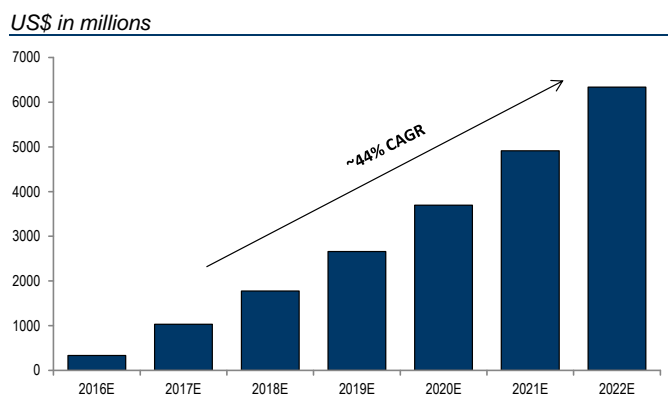
reviews), while also introducing incremental functionality to better compete with Twitch (acquired by Amazon for \$1 billion in August 2014) in eSports and live videogame streaming.

- **YouTube Music** is a standalone on-demand music streaming app for iOS and Android that offers both an ad-free (via YouTube Red subscription) and ad-supported tier. Users can toggle between audio-only and video playback and paying subscribers have the option to save songs to their mobile devices for offline listening.
- **Google Play Music** was first launched in 2011 as a standalone on-demand music-streaming service for paying subscribers (at \$10/month) that Google recently expanded to non-paying users via the launch of an ad-supported radio offering, in addition to allowing users to sync up to 50,000 songs they own for cross-device playback.

**Layering In Contribution for YouTube Red**

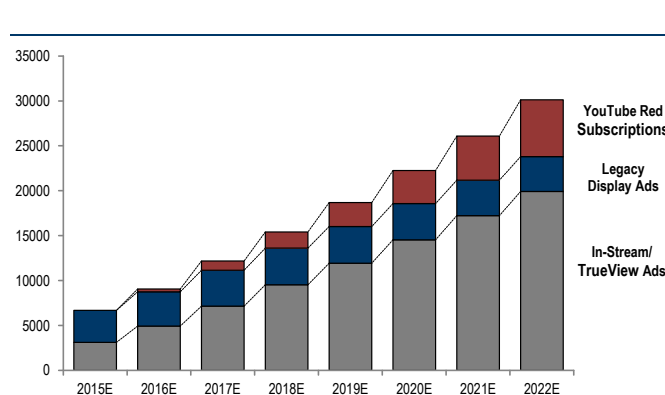
We are layering in incremental revenue and gross profit contribution from YouTube Red into our product-by-product revenue buildout – with the expectation that revenue from the new subscription services will grow at a 44% CAGR from ~\$1 billion in 2017 to \$6.3 billion by 2022.

**Exhibit 3: Google, Inc. - YouTube Red Subscription Revenue Projection**



Source: Company data, Credit Suisse estimates

**Exhibit 4: Google, Inc. - YouTube Revenue by Product**



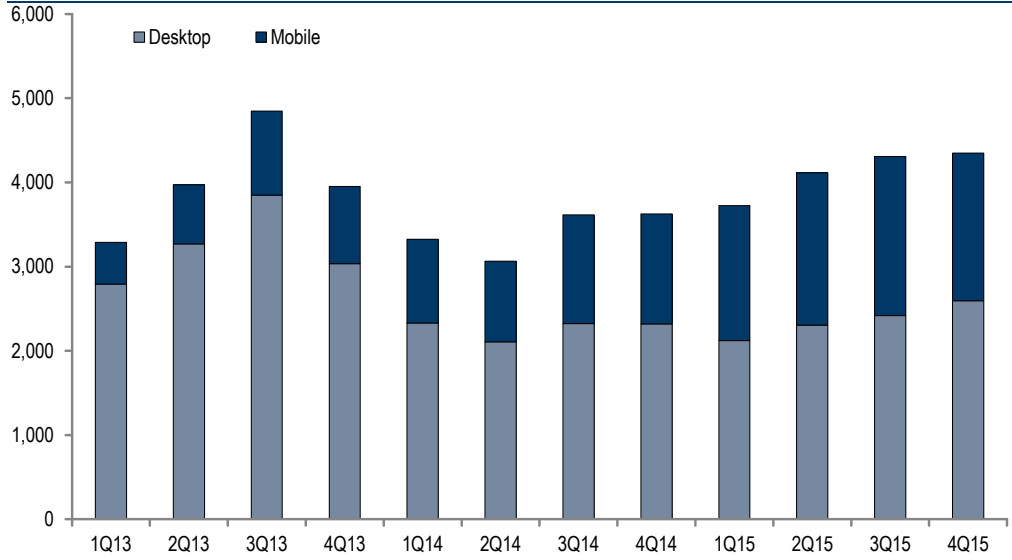
Source: Company data, Credit Suisse estimates

We note that we have made minimal changes to our advertising revenue projections despite the potentially cannibalistic impact that an ad-free usage tier would have on inventory, as it is difficult to argue that the platform will suffer from supply constraints for the foreseeable future.

For context, YouTube recently disclosed cumulative mobile engagement was more than doubling year-on-year, while the duration of an average mobile viewing session was growing by ~50% year-over-year (now over 40 minutes per average mobile session). According to data published by comScore, U.S. YouTube users spent a total of ~16.5 billion hours watching content on YouTube in 2015, up from ~13.6 billion hours in 2014, indicating ~120 hours of engagement per visitor annually.

**Exhibit 5: Google, Inc. - YouTube U.S. Desktop and Mobile Engagement**

*In millions of hours*



Source: comScore, Credit Suisse estimates

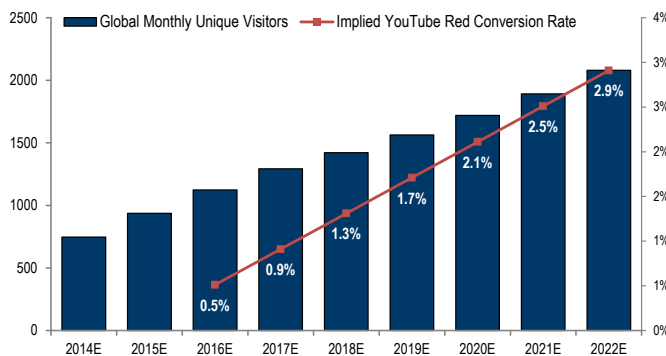
We would also note that our projection of ~\$8.7 billion in advertising revenue for YouTube in 2016 would imply an **ANNUAL** ARPU of less than \$9 for YouTube's current base of roughly 1 billion non-paying users – users converting to paying subscribers will contribute \$120 per annum.

**YouTube Red Revenue Projection**

Our projections reflect minimal ARPU growth and assume that YouTube converts ~3% of its more than 1 billion users to paying subscribers over the next five years – with paying subscribers growing from 5.7 million by the end of 2016 to ~61 million by 2022. For context, we note that Netflix had ~66 million paying subscribers as of 3Q15, while Spotify and Hulu recently disclosed that they had reached 9 million (as of April 2015) and 20 million paying subscribers (June 2015), respectively.

**Exhibit 6: Google, Inc. - YouTube Global Monthly Unique Visitors & YouTube Red Conversion Rate Assumptions**

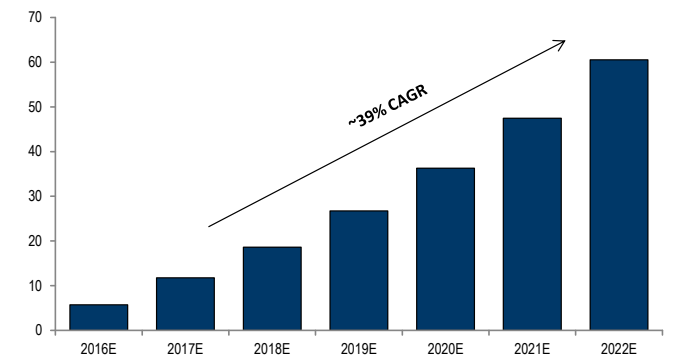
*In millions*



Source: Credit Suisse estimates, comScore

**Exhibit 7: Google, Inc. - YouTube Red Subscriber Projection**

*In millions*



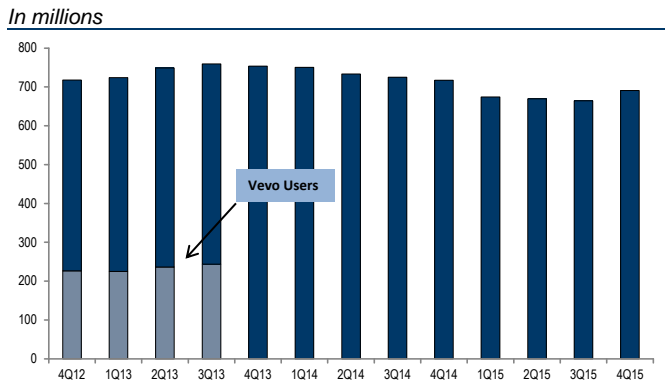
Source: Credit Suisse estimates

Another proxy for gauging the potential size of YouTube Red's subscriber base is to look at the engagement metrics for YouTube channels specifically dedicated to streaming music videos and artist playlists – most notable of which is Vevo, which has historically been the largest music channel on YouTube. We believe this segment of YouTube's user base would be among the primary beneficiaries of an ad-free offering as music consumption often consists of a string of short-form content (e.g., three minute songs in an

artist playlist) – which makes the existences of pre-roll ads particularly bothersome. We note that the YouTube Red subscribers can use the YouTube Music app without ads as part of their subscription.

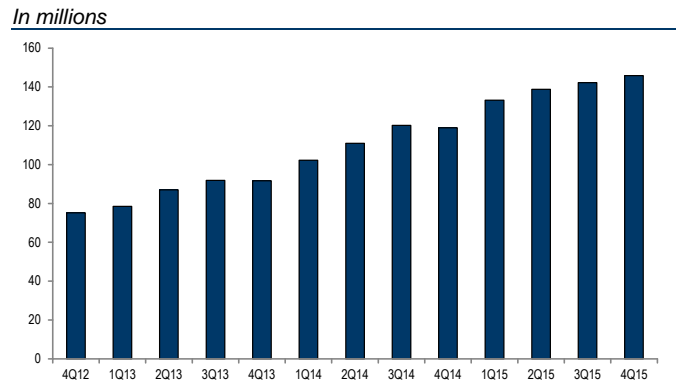
As of 4Q13, which was when comScore last reported desktop usage metrics by channel for YouTube, Vevo’s various music channels reached ~250 million monthly unique visitors or roughly one-third of YouTube’s global desktop user base.

**Exhibit 8: Google, Inc. - YouTube Global Desktop Unique Visitors**



Source: comScore, Credit Suisse estimates

**Exhibit 9: Google, Inc. - YouTube U.S. Mobile Unique Visitors**



Source: comScore, Credit Suisse estimates

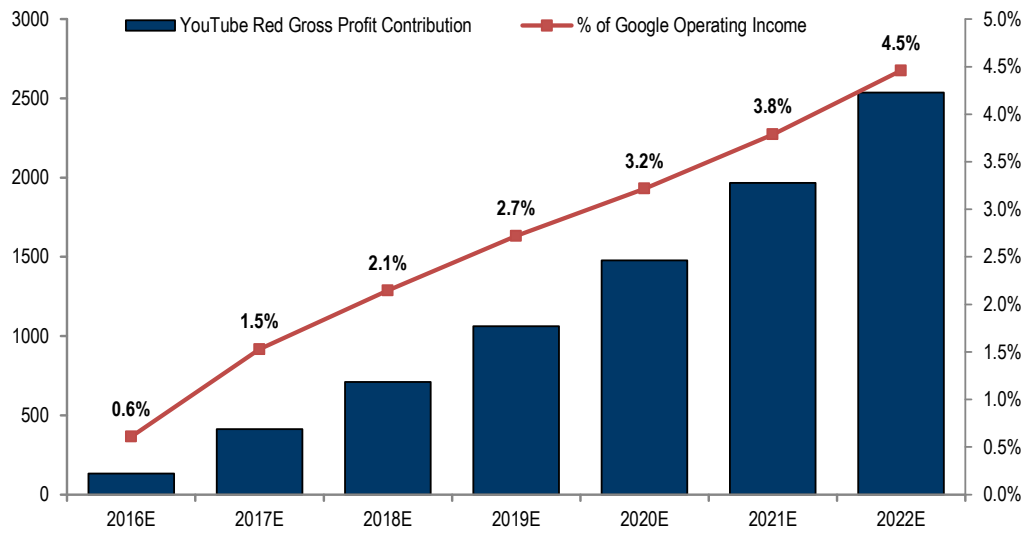
Finally, for additional context, we note that Pandora has converted ~5% of its ad-supported users to its subscription service (Pandora One) as of 3Q15, while Spotify has been able to convert roughly one-quarter of its ~75 million users to paying subscribers to-date. And with various mobile as well as desktop/online free-to-play game companies reporting conversion rates of 4-5%, we do not think our assumption contemplating a low single-digit percentage as egregious.

Turning to margins, we estimate that YouTube will pay ~60% of subscription revenue to content owners – while this is modestly below industry rates for on-demand music services (typically 70% - 80% of revenue), it reflects an above-industry mix of user-generated content and the absence of the 30% "platform fee" typically paid to OS owners by mobile subscription services for Android subscribers. We note that Google recently disclosed that it has paid over \$3 billion in music royalties to artists and record labels to-date, and as of October 2014, YouTube had paid out over \$1 billion to content owners via its Content ID program.

We expect YouTube Red will contribute ~\$2 billion in gross profit by 2021 – accounting for a little less than 2% of Google's total gross profit dollars. However, outside of content costs, a self-serve subscription service should have a little in the way of associated OpEx – which leads us to believe that most of the gross profit generated by YouTube Red will likely flow straight to Google's bottom-line.

**Exhibit 10: Google, Inc. - YouTube Red Gross Profit and Percentage Contribution to Operating Income**

US\$ in millions



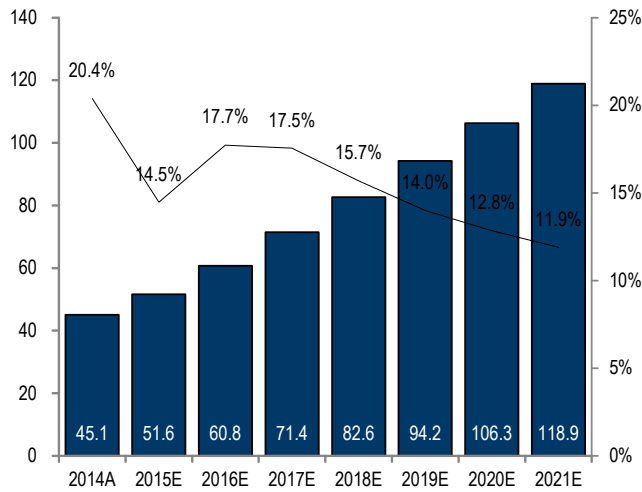
Source: Credit Suisse estimates

**4Q15 Channel Checks Suggest Paid Search Budgets Continue to Grow on Mobile Volume, with Desktop Stabilizing as Well**

Heading into the 4Q15 results, our checks suggest continued advertising revenue growth, with budgets rising low-to-mid teens both on a sequential and year over year basis, driven by the following factors: 1) healthy budget allocations to paid search across verticals, with notable strength in retail as would be expected going into the fourth quarter holiday shopping season; 2) continued strength in paid click volume as a result of incremental traffic from mobile, relatively stable CPCs despite FX movements and seasonality, with modest inflation in desktop CPCs offset by a continued mix-shift towards mobile query volume; 3) an industry backdrop where both engagement and advertiser ROI continues to grow – with little indication that still evolving channels such as programmatic and social display are cannibalizing paid search budget allocations.

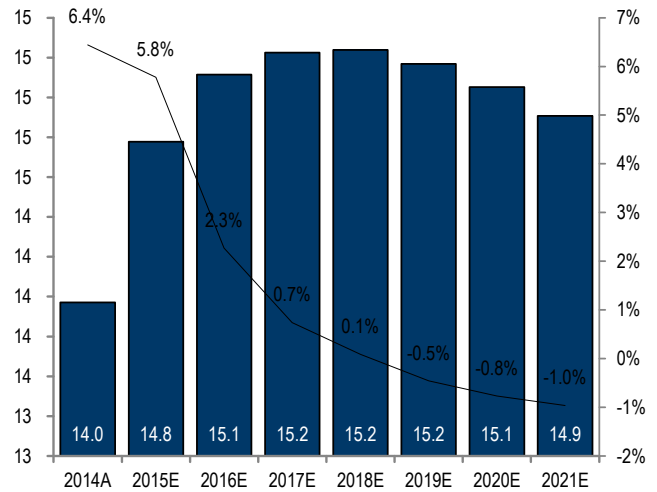
As we look out over the next five years, our projections for Google's disclosed revenue lines are as shown below:

**Exhibit 11: Google, Inc. – Annual Website Revenue and Year Over Year Growth**  
US\$ in billions



Source: Company data, Credit Suisse estimates

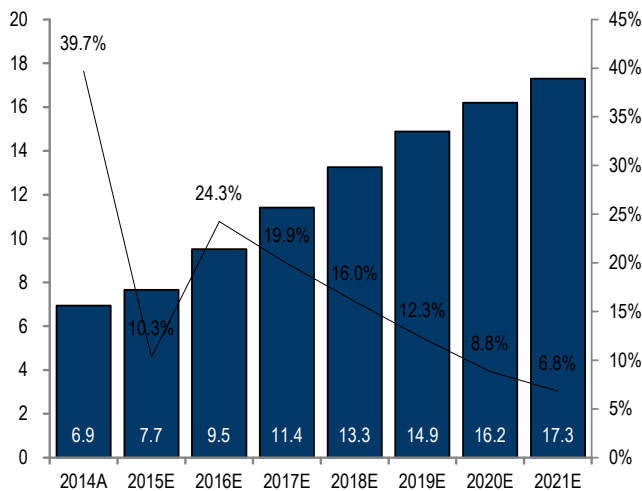
**Exhibit 12: Google, Inc. – Annual Network Revenue and Year Over Year Growth**  
US\$ in billions



Source: Company data, Credit Suisse estimates

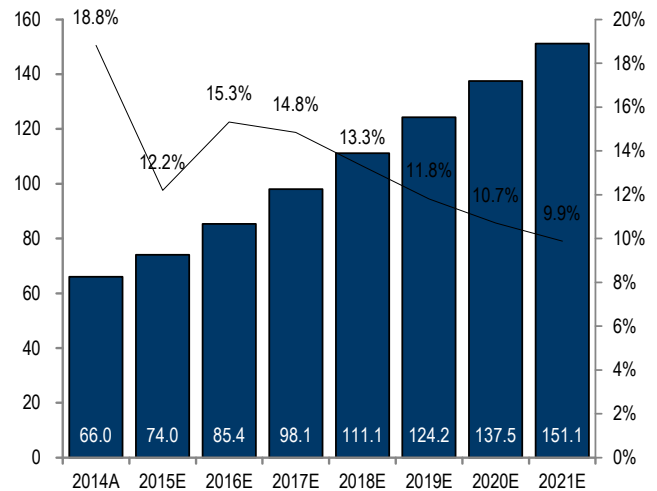
We assume modest growth over the next five years for Google's advertising business as strong growth from YouTube and DoubleClick offset our forecast for a linear deceleration path for Google's more mature search business. However, a growing mix-shift away from Network search and continued growth of Google's Other revenue line should result in a moderation in Google's effective TAC rate and mid-to-high teens growth of net revenue.

**Exhibit 13: Google, Inc. – Annual Licensing and Other Revenue and Year Over Year Growth**  
US\$ in billions



Source: Company data, Credit Suisse estimates

**Exhibit 14: Google, Inc. – Annual Gross Revenue and Year Over Year Growth**  
US\$ in billions

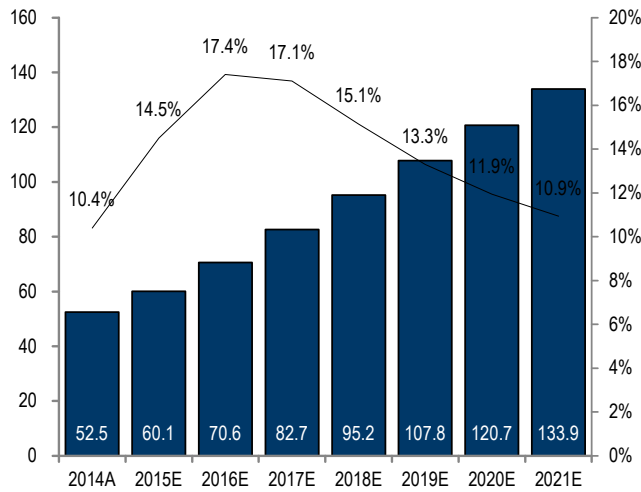


Source: Company data, Credit Suisse estimates

As we have previously noted, we believe both Google Play and YouTube both present an interesting case for upside potential versus our estimates. While we estimate that YouTube's TrueView/Display business grew ~50% year-over-year in 3Q15, we have conservatively estimated ~31% growth in its ads business in 2016 or roughly \$8.7 billion.

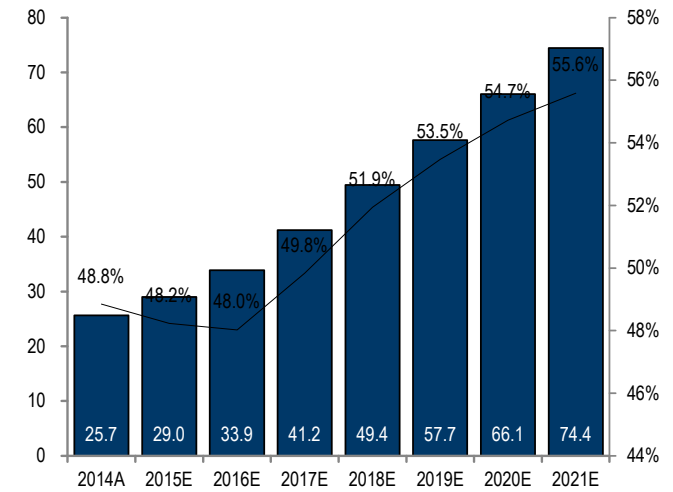


**Exhibit 15: Google, Inc. – Annual Net Revenue and Year Over Year Growth**  
US \$ in billions



Source: Company data, Credit Suisse estimates

**Exhibit 16: Google, Inc. – Annual Adjusted EBITDA and Margin**  
US \$ in billions

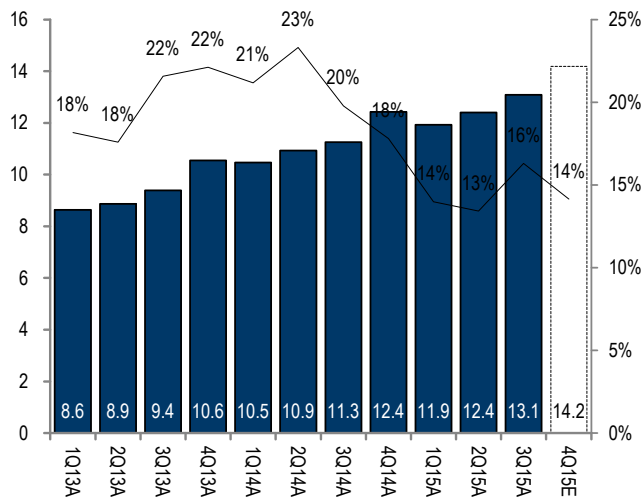


Source: Company data, Credit Suisse estimates

And given our greater implicit contribution from non-search businesses, our Net Revenue growth exceeds that of Gross Revenue – although the impact of slower TAC growth is offset by gross margin compression given revenue share payouts for the likes of YouTube, Play and others are flowing through cost of revenue.

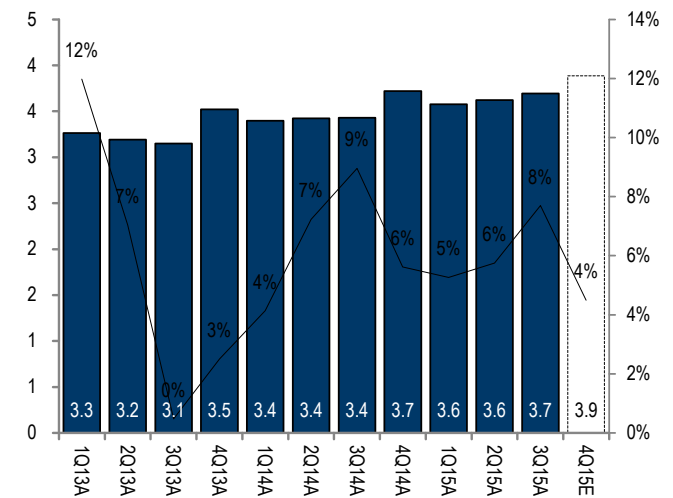
Looking nearer-term, our quarterly estimates for Google's disclosed revenue lines are as shown below:

**Exhibit 17: Google, Inc. – Quarterly Website Revenue and Year Over Year Growth**  
US \$ in billions



Source: Company data, Credit Suisse estimates

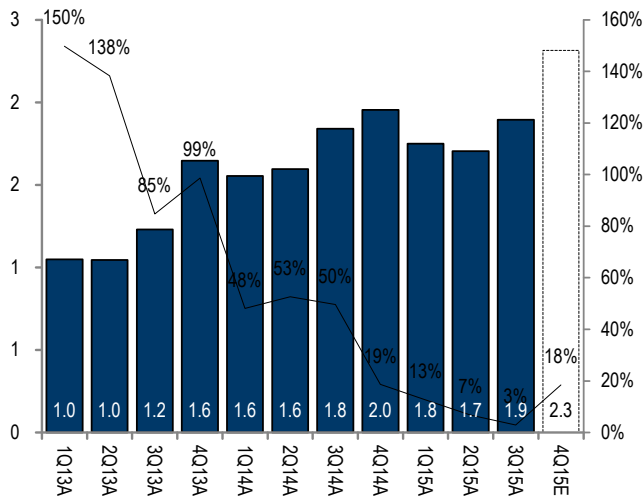
**Exhibit 18: Google, Inc. – Quarterly Network Revenue and Year Over Year Growth**  
US \$ in billions



Source: Company data, Credit Suisse estimates

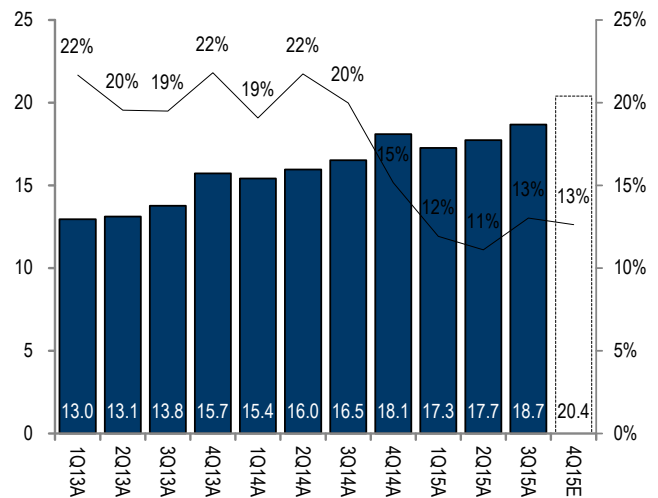
Our Google Website revenue at \$14.2 billion for 4Q15 is contemplating a modest deceleration for the US O&O search to 21% growth (vs. our estimate of 36% for 3Q15), UK O&O search to 10% growth on an FX-neutral basis (vs. our estimate of 16% in 3Q15), and 18% on an FX-neutral basis for ROW O&O search (vs. our estimate of 16% in 3Q15). As for Network, we continue to assume modest deceleration, with UK to grow ~3% YOY on an FX-neutral basis.

**Exhibit 19: Google, Inc. – Quarterly Licensing and Other Revenue and Year Over Year Growth**  
US\$ in billions



Source: Company data, Credit Suisse estimates

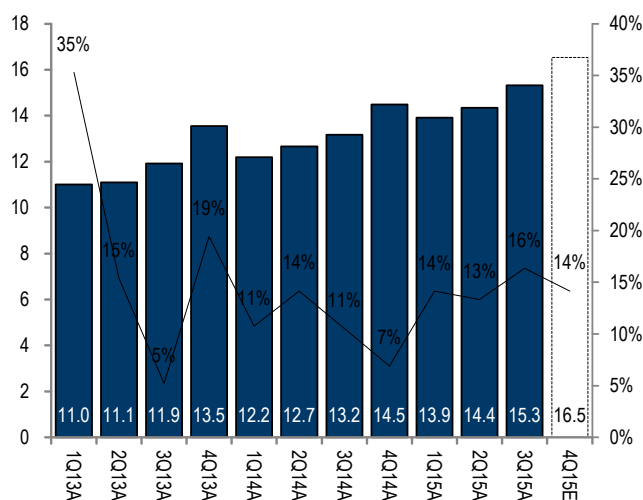
**Exhibit 20: Google, Inc. – Quarterly Gross Revenue and Year Over Year Growth**  
US\$ in billions



Source: Company data, Credit Suisse estimates

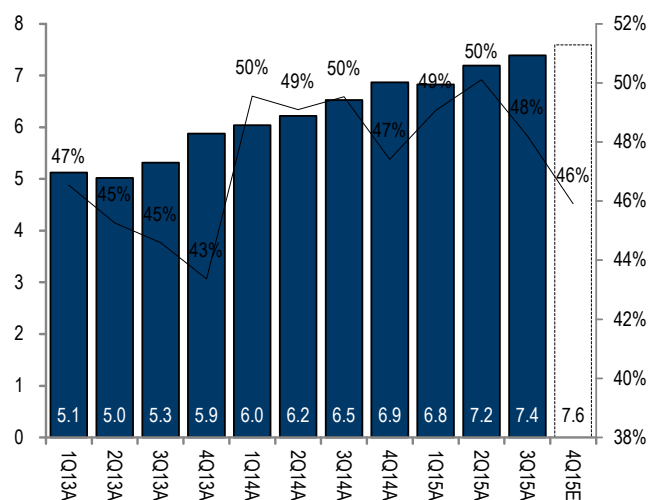
As for Google's L&O line, we believe Google Play grew ~33% in 3Q15 on an FX-neutral basis and our estimate for 4Q15 conservatively reflects that rate to be at ~31%. All of the above adds up to Gross Revenue of \$20.4 billion for 4Q15.

**Exhibit 21: Google, Inc. – Quarterly Net Revenue and Year Over Year Growth**  
US \$ in billions



Source: Company data, Credit Suisse estimates

**Exhibit 22: Google, Inc. – Quarterly Adjusted EBITDA and Margin**  
US \$ in billions



Source: Company data, Credit Suisse estimates

And lastly our estimate for Net Revenue given our projection of a modest sequential increase in TAC rate stands at \$16.5 billion and Adjusted EBITDA is \$7.6 billion.

CS estimates versus consensus for revenue, adjusted EBITDA, and adjusted EPS are as shown below for 4Q15, FY16, FY17.

**Exhibit 23: Google Inc. - Credit Suisse vs. Consensus Estimates**

US\$ in millions, unless otherwise stated

	4Q15			FY16			FY17		
	CS	Consensus	% Diff	CS	Consensus	% Diff	CS	Consensus	% Diff
<b>Revenue</b>	16533.0	16978.0	-2.6%	70587.1	71130.0	-0.8%	82658.3	82089.0	0.7%
<b>Adjusted EBITDA</b>	7589.8	8191.0	-7.3%	33898.0	34828.0	-2.7%	41190.7	40842.0	0.9%
<b>Adjusted EPS</b>	\$7.32	\$8.10	-9.6%	\$33.14	\$34.16	-3.0%	\$41.19	\$39.81	3.5%

Source: Company data, Credit Suisse estimates, Bloomberg

## Valuation

As we have modestly increased our longer-term estimates to reflect contribution from YouTube Red, our price target which uses a 10.5% weighted average cost of capital and 3% terminal growth rate increases to \$900 from \$850 prior.

**Exhibit 24: Google, Inc. - Discounted Cash Flow Analysis**

	2016E	2017E	2018E	2019E	2020E	2021E
EBITDA	33898.0	41190.7	49442.1	57657.7	66062.0	74442.1
Net Income	18378.3	23524.4	29693.4	36035.9	43501.8	50609.1
Depreciation & Amortization	6228.4	7359.4	8551.2	9920.7	10522.2	11992.3
Other Non-Cash Charges (Benefits)	5990.0	6879.2	7795.2	8715.7	9649.0	10603.3
Interest Expense (Income)	(1293.3)	(2453.4)	(4021.1)	(6023.6)	(8486.5)	(11414.8)
Changes in Operating Assets & Liabilities	(318.7)	(515.8)	(641.3)	(608.4)	(724.0)	(610.5)
<b>Unlevered Cash Flows</b>	<b>28984.7</b>	<b>34793.8</b>	<b>41377.4</b>	<b>48040.4</b>	<b>54462.5</b>	<b>61179.3</b>
Capital Expenditures	11269.8	11960.7	12662.8	13225.1	13608.5	14197.7
<b>Unlevered Free Cash Flows</b>	<b>17714.9</b>	<b>22833.1</b>	<b>28714.7</b>	<b>34815.3</b>	<b>40854.0</b>	<b>46981.6</b>
YY % Change	14.1%	28.9%	25.8%	21.2%	17.3%	15.0%
Weighted Average Cost of Capital	10.5%					
Perpetual UFCF Growth Rate ("G")	3.0%					
	<b>2016E</b>					
NPV of Unlevered Free Cash Flows	143619					
Present Value of Terminal Value	391645					
<b>Enterprise Value</b>	<b>535264</b>					
Off-Balance Sheet Assets	0					
<b>Adjusted Enterprise Value</b>	<b>535264</b>					
Year End Net Debt (Cash)	(91783)					
<b>Equity Value</b>	<b>627047</b>					
Diluted Shares Outstanding	699.2					
<b>Equity Value Per Share</b>	<b>\$897</b>					

Source: Company data, Credit Suisse estimates

Risks to our price target for GOOGL shares include the following factors:

- Slower-than-expected advertiser adoption of any of Google's new ad units, particularly TrueView for YouTube.
- Greater-than-expected adoption of non-Android smart phones, which could adversely affect Google Play growth.
- Appreciation of the US Dollar versus the major global currencies may exert a headwind on our estimates.

**Exhibit 25: Google Inc. – Quarterly Income Statement**

US\$ in millions, unless otherwise stated

	2015E				2016E				2017E			
	1Q15A	2Q15A	3Q15A	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
<b>Gross Revenue</b>	<b>17258.0</b>	<b>17727.0</b>	<b>18675.0</b>	<b>20389.0</b>	<b>19628.0</b>	<b>20403.2</b>	<b>21513.7</b>	<b>23846.8</b>	<b>22456.5</b>	<b>23423.0</b>	<b>24732.8</b>	<b>27451.0</b>
TAC	3345.0	3377.0	3348.0	3856.0	3502.1	3600.8	3724.8	3976.8	3625.2	3745.4	3883.5	4151.0
Net Revenue	13913.0	14350.0	15327.0	16533.0	16125.9	16802.4	17788.9	19869.9	18831.3	19677.6	20849.4	23300.0
Other Cost of Revenue	3011.0	3206.0	3689.0	4172.9	3810.6	4141.4	4695.2	4997.1	4450.9	4845.5	5570.8	5869.8
Research and Development	2753.0	2789.0	3230.0	3248.6	3208.4	3276.7	3813.8	3855.3	3735.6	3819.7	4434.0	4478.7
Sales and Marketing	2065.0	2080.0	2223.0	2575.8	2230.3	2275.9	2434.6	2969.6	2401.5	2457.4	2635.3	3230.6
General and Administrative	1637.0	1450.0	1477.0	1777.0	1701.5	1748.7	1847.1	1901.4	1834.4	1890.4	1999.8	2051.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	6455.0	6319.0	6930.0	7601.4	7140.2	7301.3	8095.4	8726.4	7971.6	8167.5	9069.0	9760.9
<b>Operating Income</b>	<b>4447.0</b>	<b>4825.0</b>	<b>4708.0</b>	<b>4758.6</b>	<b>5175.1</b>	<b>5359.7</b>	<b>4998.3</b>	<b>6146.4</b>	<b>6408.8</b>	<b>6664.6</b>	<b>6209.5</b>	<b>7669.3</b>
Interest Income and Other, Net	157.0	131.0	183.0	179.7	241.1	290.3	339.1	422.9	493.9	561.1	644.9	753.6
Pretax Income	4604.0	4956.0	4891.0	4938.3	5416.2	5650.0	5337.3	6569.4	6902.7	7225.6	6854.4	8422.8
Income Tax Expense (Benefit)	1018.0	1025.0	912.0	987.7	1083.2	1130.0	1067.5	1313.9	1380.5	1445.1	1370.9	1684.6
<b>Net Income</b>	<b>3586.0</b>	<b>3931.0</b>	<b>3979.0</b>	<b>3950.6</b>	<b>4333.0</b>	<b>4520.0</b>	<b>4269.9</b>	<b>5255.5</b>	<b>5522.1</b>	<b>5780.5</b>	<b>5483.5</b>	<b>6738.3</b>
Basic EPS to Common	\$5.27	\$5.75	\$5.79	\$5.74	\$6.28	\$6.54	\$6.17	\$7.57	\$7.94	\$8.30	\$7.85	\$9.63
Basic Shares Outstanding	680.9	683.6	687.0	688.4	689.8	691.2	692.5	693.9	695.3	696.7	698.1	699.5
<b>Diluted EPS</b>	<b>\$5.20</b>	<b>\$5.69</b>	<b>\$5.73</b>	<b>\$5.68</b>	<b>\$6.22</b>	<b>\$6.47</b>	<b>\$6.10</b>	<b>\$7.49</b>	<b>\$7.86</b>	<b>\$8.21</b>	<b>\$7.77</b>	<b>\$9.53</b>
Shares Outstanding	689.5	690.9	694.3	695.7	697.1	698.5	699.9	701.3	702.7	704.1	705.5	706.9
<b>EBITDA Reconciliation</b>												
Operating Income	4447.0	4825.0	4708.0	4758.6	5175.1	5359.7	4998.3	6146.4	6408.8	6664.6	6209.5	7669.3
Nonrecurring Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock-Based Compensation	1203.0	1132.0	1432.0	1427.2	1368.2	1302.9	1649.7	1669.3	1565.4	1495.7	1896.5	1921.6
<b>Pro Forma Operating Income</b>	<b>5650.0</b>	<b>5957.0</b>	<b>6140.0</b>	<b>6185.9</b>	<b>6543.3</b>	<b>6662.6</b>	<b>6647.9</b>	<b>7815.7</b>	<b>7974.2</b>	<b>8160.3</b>	<b>8106.0</b>	<b>9590.8</b>
Depreciation and Amortization	1177.0	1234.0	1248.0	1403.9	1474.6	1541.3	1567.6	1645.0	1719.9	1798.0	1879.9	1961.6
<b>Adjusted EBITDA</b>	<b>6827.0</b>	<b>7191.0</b>	<b>7388.0</b>	<b>7589.8</b>	<b>8017.9</b>	<b>8203.9</b>	<b>8215.6</b>	<b>9460.7</b>	<b>9694.0</b>	<b>9958.3</b>	<b>9985.9</b>	<b>11552.4</b>
<b>Pro forma Net Income Reconciliation</b>												
Pro Forma Operating Income	5650.0	5957.0	6140.0	6185.9	6543.3	6662.6	6647.9	7815.7	7974.2	8160.3	8106.0	9590.8
Other Income, Net	157.0	131.0	183.0	179.7	241.1	290.3	339.1	422.9	493.9	561.1	644.9	753.6
Pretax Income	5807.0	6088.0	6323.0	6365.5	6784.4	6952.9	6987.0	8238.6	8468.0	8721.4	8750.9	10344.4
GAAP Income Tax Expense (Benefit)	1018.0	1025.0	912.0	987.7	1083.2	1130.0	1067.5	1313.9	1380.5	1445.1	1370.9	1684.6
Total Taxes	1275.0	1259.0	1221.0	1273.1	1356.9	1390.6	1397.4	1647.7	1693.6	1744.3	1750.2	2068.9
<b>Pro Forma Net Income</b>	<b>4532.0</b>	<b>4829.0</b>	<b>5102.0</b>	<b>5092.4</b>	<b>5427.5</b>	<b>5562.3</b>	<b>5589.6</b>	<b>6590.9</b>	<b>6774.4</b>	<b>6977.1</b>	<b>7000.7</b>	<b>8275.5</b>
<b>Adjusted EPS - Diluted</b>	<b>\$6.57</b>	<b>\$6.99</b>	<b>\$7.35</b>	<b>\$7.32</b>	<b>\$7.79</b>	<b>\$7.96</b>	<b>\$7.99</b>	<b>\$9.40</b>	<b>\$9.64</b>	<b>\$9.91</b>	<b>\$9.92</b>	<b>\$11.71</b>
<b>YY % Change</b>												
Gross Revenue	11.9%	11.1%	13.0%	12.6%	13.7%	15.1%	15.2%	17.0%	14.4%	14.8%	15.0%	15.1%
Net Revenue	14.1%	13.3%	16.3%	14.2%	15.9%	17.1%	16.1%	20.2%	16.8%	17.1%	17.2%	17.3%
TAC	3.6%	2.6%	0.0%	6.5%	4.7%	6.6%	11.3%	3.1%	3.5%	4.0%	4.3%	4.4%
COGS	10.3%	13.6%	10.2%	26.4%	26.6%	29.2%	27.3%	19.8%	16.8%	17.0%	18.6%	17.5%
Research and Development	29.5%	24.6%	21.7%	15.5%	16.5%	17.5%	18.1%	18.7%	16.4%	16.6%	16.3%	16.2%
Sales and Marketing	19.4%	7.2%	6.7%	8.4%	8.0%	9.4%	9.5%	15.3%	7.7%	8.0%	8.2%	8.8%
General and Administrative	9.9%	3.3%	8.2%	11.6%	3.9%	20.6%	25.1%	7.0%	7.8%	8.1%	8.3%	7.9%
Operating Income	8.1%	13.3%	26.4%	8.2%	16.4%	11.1%	6.2%	29.2%	23.8%	24.3%	24.2%	24.8%
Net Income	-1.8%	12.6%	32.7%	4.2%	20.8%	15.0%	7.3%	33.0%	27.4%	27.9%	28.4%	28.2%
Adjusted EBITDA	13.0%	15.7%	13.2%	10.5%	17.4%	14.1%	11.2%	24.7%	20.9%	21.4%	21.5%	22.1%
Pro Forma Net Income	5.4%	15.7%	16.7%	7.5%	19.8%	15.2%	9.6%	29.4%	24.8%	25.4%	25.2%	25.6%
Adjusted EPS - Diluted	4.8%	14.9%	15.6%	6.4%	18.5%	13.9%	8.7%	28.4%	23.8%	24.4%	24.2%	24.6%
<b>Margins (on Net Revenue)</b>												
Gross Margin	78.4%	77.7%	75.9%	74.8%	76.4%	75.4%	73.6%	74.9%	76.4%	75.4%	73.3%	74.8%
GAAP Operating Margin	32.0%	33.6%	30.7%	28.8%	32.1%	31.9%	28.1%	30.9%	34.0%	33.9%	29.8%	32.9%
Pro Forma Operating Margin	40.6%	41.5%	40.1%	37.4%	40.6%	39.7%	37.4%	39.3%	42.3%	41.5%	38.9%	41.2%
Adjusted EBITDA Margin	49.1%	50.1%	48.2%	45.9%	49.7%	48.8%	46.2%	47.6%	51.5%	50.6%	47.9%	49.6%
Net Income Margin	25.8%	27.4%	26.0%	23.9%	26.9%	26.9%	24.0%	26.4%	29.3%	29.4%	26.3%	28.9%
Adjusted Net Income Margin	32.6%	33.7%	33.3%	30.8%	33.7%	33.1%	31.4%	33.2%	36.0%	35.5%	33.6%	35.5%

Source: Company data, Credit Suisse estimates

**Exhibit 26: Google Inc. – Annual Income Statement**

US\$ in millions, unless otherwise stated

	2015E	2016E	2017E	2018E	2019E	2020E	2021E	CAGR '16 - '21
<b>Gross Revenue</b>	<b>74049.0</b>	<b>85391.7</b>	<b>98063.4</b>	<b>111115.3</b>	<b>124232.4</b>	<b>137528.8</b>	<b>151125.0</b>	12.1%
TAC	13926.0	14804.6	15405.1	15936.7	16394.9	16816.1	17209.8	3.1%
Net Revenue	60123.0	70587.1	82658.3	95178.6	107837.5	120712.8	133915.2	13.7%
Other Cost of Revenue	14078.9	17644.2	20737.1	23510.7	26570.9	29030.1	32529.2	13.0%
Research and Development	12020.6	14154.2	16468.1	18852.2	20950.7	23113.3	25310.5	12.3%
Sales and Marketing	8943.8	9910.4	10724.9	11464.9	12686.5	13665.3	14778.2	8.3%
General and Administrative	6341.0	7198.7	7776.1	8255.1	8608.1	9013.3	9450.8	5.6%
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Operating Expenses	27305.4	31263.3	34969.1	38572.3	42245.2	45791.9	49539.5	9.6%
<b>Operating Income</b>	<b>18738.6</b>	<b>21679.6</b>	<b>26952.1</b>	<b>33095.7</b>	<b>39021.3</b>	<b>45890.8</b>	<b>51846.5</b>	19.1%
Interest Income and Other, Net	650.7	1293.3	2453.4	4021.1	6023.6	8486.5	11414.8	54.6%
Pretax Income	19389.3	22972.9	29405.5	37116.8	45044.9	54377.3	63261.3	22.5%
Income Tax Expense (Benefit)	3942.7	4594.6	5881.1	7423.4	9009.0	10875.5	12652.3	22.5%
<b>Net Income</b>	<b>15446.6</b>	<b>18378.3</b>	<b>23524.4</b>	<b>29693.4</b>	<b>36035.9</b>	<b>43501.8</b>	<b>50609.1</b>	22.5%
Basic EPS to Common	\$22.55	\$26.56	\$33.73	\$42.24	\$50.85	\$60.90	\$70.29	21.5%
Basic Shares Outstanding	685.0	691.8	697.4	703.0	708.6	714.3	720.1	0.8%
<b>Diluted EPS</b>	<b>\$22.30</b>	<b>\$26.29</b>	<b>\$33.38</b>	<b>\$41.79</b>	<b>\$50.32</b>	<b>\$60.26</b>	<b>\$69.55</b>	21.5%
Shares Outstanding	692.6	699.2	704.8	710.5	716.2	721.9	727.7	0.8%
<b>EBITDA Reconciliation</b>								
Operating Income	18738.6	21679.6	26952.1	33095.7	39021.3	45890.8	51846.5	19.1%
Nonrecurring Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Stock-Based Compensation	5194.2	5990.0	6879.2	7795.2	8715.7	9649.0	10603.3	12.1%
<b>Pro Forma Operating Income</b>	<b>23932.9</b>	<b>27669.6</b>	<b>33831.3</b>	<b>40890.9</b>	<b>47737.0</b>	<b>55539.8</b>	<b>62449.8</b>	17.7%
Depreciation and Amortization	5062.9	6228.4	7359.4	8551.2	9920.7	10522.2	11992.3	14.0%
<b>Adjusted EBITDA</b>	<b>28995.8</b>	<b>33898.0</b>	<b>41190.7</b>	<b>49442.1</b>	<b>57657.7</b>	<b>66062.0</b>	<b>74442.1</b>	17.0%
<b>Pro forma Net Income Reconciliation</b>								
Pro Forma Operating Income	23932.9	27669.6	33831.3	40890.9	47737.0	55539.8	62449.8	17.7%
Other Income, Net	650.7	1293.3	2453.4	4021.1	6023.6	8486.5	11414.8	54.6%
Pretax Income	24583.5	28962.9	36284.7	44912.0	53760.6	64026.2	73864.6	20.6%
GAAP Income Tax Expense (Benefit)	3942.7	4594.6	5881.1	7423.4	9009.0	10875.5	12652.3	22.5%
Total Taxes	5028.1	5792.6	7256.9	8982.4	10752.1	12805.2	14772.9	20.6%
<b>Pro Forma Net Income</b>	<b>19555.4</b>	<b>23170.3</b>	<b>29027.8</b>	<b>35929.6</b>	<b>43008.5</b>	<b>51221.0</b>	<b>59091.7</b>	20.6%
<b>Adjusted EPS - Diluted</b>	<b>\$28.23</b>	<b>\$33.14</b>	<b>\$41.19</b>	<b>\$50.57</b>	<b>\$60.05</b>	<b>\$70.95</b>	<b>\$81.20</b>	19.6%
<b>YY % Change</b>								
Gross Revenue	12.2%	15.3%	14.8%	13.3%	11.8%	10.7%	9.9%	
Net Revenue	14.5%	17.4%	17.1%	15.1%	13.3%	11.9%	10.9%	
TAC	3.2%	6.3%	4.1%	3.5%	2.9%	2.6%	2.3%	
COGS	15.4%	25.3%	17.5%	13.4%	13.0%	9.3%	12.1%	
Research and Development	22.3%	17.8%	16.3%	14.5%	11.1%	10.3%	9.5%	
Sales and Marketing	10.0%	10.8%	8.2%	6.9%	10.7%	7.7%	8.1%	
General and Administrative	8.4%	13.5%	8.0%	6.2%	4.3%	4.7%	4.9%	
Operating Income	13.6%	15.7%	24.3%	22.8%	17.9%	17.6%	13.0%	
Net Income	10.9%	19.0%	28.0%	26.2%	21.4%	20.7%	16.3%	
Adjusted EBITDA	13.0%	16.9%	21.5%	20.0%	16.6%	14.6%	12.7%	
Pro Forma Net Income	11.2%	18.5%	25.3%	23.8%	19.7%	19.1%	15.4%	
Adjusted EPS - Diluted	10.3%	17.4%	24.3%	22.8%	18.7%	18.1%	14.4%	
<b>Margins</b>								
Gross Margin	76.6%	75.0%	74.9%	75.3%	75.4%	76.0%	75.7%	
GAAP Operating Margin	31.2%	30.7%	32.6%	34.8%	36.2%	38.0%	38.7%	
Pro Forma Operating Margin	39.8%	39.2%	40.9%	43.0%	44.3%	46.0%	46.6%	
Adjusted EBITDA Margin	48.2%	48.0%	49.8%	51.9%	53.5%	54.7%	55.6%	
Net Income Margin	25.7%	26.0%	28.5%	31.2%	33.4%	36.0%	37.8%	
Adjusted Net Income Margin	32.5%	32.8%	35.1%	37.7%	39.9%	42.4%	44.1%	

Source: Company data, Credit Suisse estimates

**Exhibit 27: Google Inc. – Cash Flow Statement**

US\$ in millions, unless otherwise stated

	2015E	2016E	2017E	2018E	2019E	2020E	2021E
<b>Operating Activities</b>							
Net Income	15446.6	18378.3	23524.4	29693.4	36035.9	43501.8	50609.1
Depreciation and Amortization of Property and Equipment	4084.6	5156.4	6395.1	7707.7	9085.8	10512.2	11992.3
Amortization of Intangible and Other Assets	978.3	1072.0	964.3	843.5	834.8	10.1	0.0
Stock-based Compensation Expense	5194.2	5990.0	6879.2	7795.2	8715.7	9649.0	10603.3
Excess Tax Benefits from Stock-based Award Activities	(354.0)	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Income Taxes	(566.0)	0.0	0.0	0.0	0.0	0.0	0.0
Other	189.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	(669.5)	(1709.9)	(1782.3)	(1839.1)	(1845.6)	(1868.0)	(1905.8)
Income Taxes, Net	1022.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid Revenue Share, Expenses and Other Assets	(859.3)	(496.8)	(499.6)	(464.4)	(483.1)	(436.1)	(512.7)
Accounts Payable	612.0	385.5	377.3	351.7	371.1	334.4	399.0
Accrued Expenses and Other Liabilities	1750.8	1351.3	1293.1	1224.4	1274.1	1176.0	1343.6
Accrued Revenue Share	66.0	151.1	95.7	86.0	75.1	69.6	65.4
Deferred Revenue	(55.0)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash from Operating Activities</b>	<b>26839.7</b>	<b>30278.0</b>	<b>37247.2</b>	<b>45398.5</b>	<b>54064.0</b>	<b>62949.0</b>	<b>72594.2</b>
<b>Investing Activities</b>							
Purchases of Property and Equipment	(10669.5)	(11269.8)	(11960.7)	(12662.8)	(13225.1)	(13608.5)	(14197.7)
Purchases of Marketable Securities	(56217.0)	0.0	0.0	0.0	0.0	0.0	0.0
Maturities and Sales of Marketable Securities	46860.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in Non-Marketable Equity Securities	(1771.0)	0.0	0.0	0.0	0.0	0.0	0.0
Cash Collateral Received from Securities Lending	488.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in Reverse Repurchase Agreements	475.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions, Net of Cash Acquired	(244.0)	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash Used in Investing Activities</b>	<b>(21078.5)</b>	<b>(11269.8)</b>	<b>(11960.7)</b>	<b>(12662.8)</b>	<b>(13225.1)</b>	<b>(13608.5)</b>	<b>(14197.7)</b>
<b>Financing Activities</b>							
Net Proceeds (Payments) from Stock-Based Award Activities	(1610.0)	0.0	0.0	0.0	0.0	0.0	0.0
Excess Tax Benefits From Stock-Based Award Activities	354.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of Common Stock in Connection With Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Short-Term Debt	10333.0	(999.0)	0.5	0.5	0.5	0.5	(998.0)
Repayment of Short-Term Debt	(10341.0)	0.0	0.0	0.0	0.0	0.0	0.0
Other	(47.0)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash Used in Financing Activities</b>	<b>(1311.0)</b>	<b>(999.0)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>(998.0)</b>
Effect of Exchange rate	(352.0)	0.0	0.0	0.0	0.0	0.0	0.0
Net Increase (Decrease) in Cash and Equivalents	4098.3	18009.2	25287.0	32736.3	40839.4	49341.0	57398.4
Cash and Equivalents, Beginning of Period	18347.0	22445.3	40454.5	65741.5	98477.8	139317.1	188658.1
<b>Cash and Equivalents, End of Period</b>	<b>22445.3</b>	<b>40454.5</b>	<b>65741.5</b>	<b>98477.8</b>	<b>139317.1</b>	<b>188658.1</b>	<b>246056.5</b>

Source: Company data, Credit Suisse estimates

**Exhibit 28: Google Inc. – Balance Sheet**

US\$ in millions, unless otherwise stated

	2015E	2016E	2017E	2018E	2019E	2020E	2021E
<b>Assets:</b>							
Cash and Cash Equivalents	22445.3	40454.5	65741.5	98477.8	139317.1	188658.1	246056.5
Marketable Securities	54699.0	54699.0	54699.0	54699.0	54699.0	54699.0	54699.0
Accounts Receivable, Net of Allowance	10082.5	11792.4	13574.7	15413.8	17259.3	19127.3	21033.1
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivable Under Reverse Repurchase Agreements	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Deferred Income Taxes, Net	2212.0	2212.0	2212.0	2212.0	2212.0	2212.0	2212.0
Income Taxes Receivable, Net	287.0	287.0	287.0	287.0	287.0	287.0	287.0
Prepaid Revenue Share, Expenses and Other	3751.3	4248.1	4747.6	5212.0	5695.0	6131.2	6643.9
<b>Total Current Assets</b>	<b>93877.1</b>	<b>114092.9</b>	<b>141661.8</b>	<b>176701.5</b>	<b>219869.5</b>	<b>271514.6</b>	<b>331331.5</b>
Prepaid Revenue Share, Expenses, and Other	3329.0	3329.0	3329.0	3329.0	3329.0	3329.0	3329.0
Deferred Income Taxes, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Marketable Equity Securities	4813.0	4813.0	4813.0	4813.0	4813.0	4813.0	4813.0
Property and Equipment, net	30086.9	36200.3	41765.9	46720.9	50860.2	53956.5	56161.9
Intangible Assets, Net	3724.7	2652.6	1688.4	844.9	10.1	0.0	0.0
Goodwill	15675.0	15675.0	15675.0	15675.0	15675.0	15675.0	15675.0
<b>Total Assets</b>	<b>151505.6</b>	<b>176762.9</b>	<b>208933.1</b>	<b>248084.3</b>	<b>294556.7</b>	<b>349288.1</b>	<b>411310.5</b>
<b>Liabilities:</b>							
Accounts Payable	2329.0	2714.5	3091.8	3443.5	3814.6	4149.0	4548.0
Short-Term Debt	3237.0	3237.0	3237.0	3237.0	3237.0	3237.0	3237.0
Accrued Compensation and Benefits	3341.3	3835.8	4290.5	4733.3	5182.7	5615.7	6072.6
Accrued Expenses and Other Current Liabilities	5175.5	6032.3	6870.7	7652.3	8477.0	9220.0	10106.7
Accrued Revenue Share	2034.0	2185.1	2280.8	2366.8	2441.9	2511.5	2576.9
Securities Lending Payable	2694.0	2694.0	2694.0	2694.0	2694.0	2694.0	2694.0
Deferred Revenue	705.0	705.0	705.0	705.0	705.0	705.0	705.0
Income Taxes Payable, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>19515.8</b>	<b>21403.7</b>	<b>23169.8</b>	<b>24831.9</b>	<b>26552.2</b>	<b>28132.2</b>	<b>29940.3</b>
Long-Term Debt	133.0	133.0	133.0	133.0	133.0	133.0	133.0
Deferred Revenue, Non-Current	3596.0	3596.0	3596.0	3596.0	3596.0	3596.0	3596.0
Income Taxes Payable, Non-Current	1976.0	1976.0	1976.0	1976.0	1976.0	1976.0	1976.0
Deferred Income Taxes, Non-Current	1884.0	1884.0	1884.0	1884.0	1884.0	1884.0	1884.0
Other Long-Term Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>29099.8</b>	<b>29988.7</b>	<b>31755.3</b>	<b>33417.9</b>	<b>35138.7</b>	<b>36719.2</b>	<b>37529.3</b>
<b>Shareholder's Equity:</b>							
Convertible Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Paid-In Capital	34078.2	40068.3	46947.5	54742.6	63458.3	73107.3	83710.6
Accumulated Other Comprehensive Loss	(1592.0)	(1592.0)	(1592.0)	(1592.0)	(1592.0)	(1592.0)	(1592.0)
Retained Earnings	89919.6	108297.9	131822.3	161515.8	197551.7	241053.5	291662.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Shareholder's Equity</b>	<b>122405.9</b>	<b>146774.2</b>	<b>177177.8</b>	<b>214666.4</b>	<b>259418.1</b>	<b>312568.8</b>	<b>373781.2</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>151505.6</b>	<b>176762.9</b>	<b>208933.1</b>	<b>248084.3</b>	<b>294556.7</b>	<b>349288.1</b>	<b>411310.5</b>

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 11-Jan-2016)

**Alphabet** (GOOGL.OQ, \$733.07, OUTPERFORM, TP \$850.0)  
**Apple Inc** (AAPL.OQ, \$98.53)  
**Facebook Inc.** (FB.OQ, \$97.51)  
**Netflix, Inc.** (NFLX.OQ, \$114.97)  
**Pandora Media** (P.N, \$10.8)

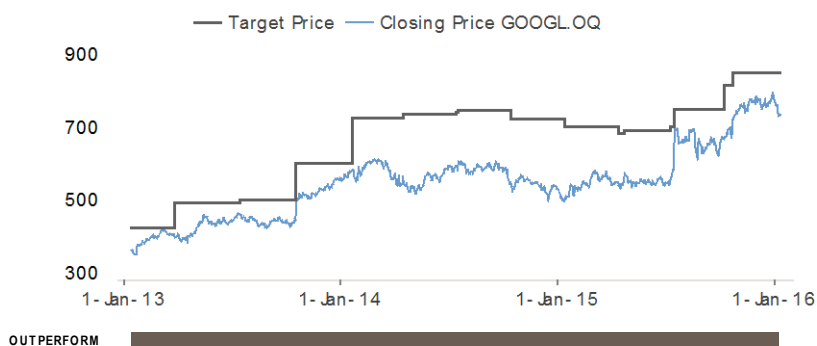
Disclosure Appendix

**Important Global Disclosures**

I, Stephen Ju, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**3-Year Price and Rating History for Alphabet (GOOGL.OQ)**

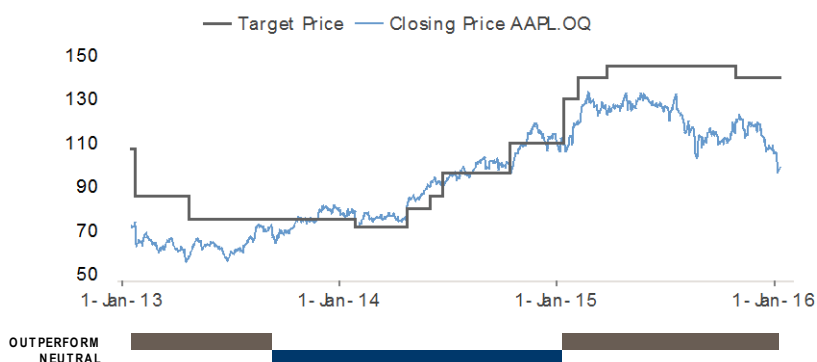
GOOGL.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
14-Jan-13	361.98	423.91	O
27-Mar-13	401.72	491.48	
15-Jul-13	462.79	500.48	
18-Oct-13	506.32	600.58	
21-Jan-14	582.41	725.70	
14-Apr-14	545.20	725.00	
17-Apr-14	543.34	735.00	
14-Jul-14	594.26	742.00	
18-Jul-14	605.11	745.00	
14-Oct-14	548.69	723.00	
19-Nov-14	547.20	722.00	
14-Jan-15	505.93	700.00	
14-Apr-15	539.78	683.00	
24-Apr-15	573.66	690.00	
10-Jul-15	556.11	700.00	
17-Jul-15	699.62	750.00	
09-Oct-15	671.24	815.00	
23-Oct-15	719.33	850.00	



\* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for Apple Inc (AAPL.OQ)**

AAPL.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
17-Jan-13	71.81	107.14	O
24-Jan-13	64.35	85.71	
24-Apr-13	57.95	75.00	
11-Sep-13	66.83	75.00	N
28-Jan-14	72.42	71.43	
24-Apr-14	81.11	80.00	
03-Jun-14	91.08	85.71	
24-Jun-14	90.28	96.00	
14-Oct-14	98.75	110.00	
13-Jan-15	110.22	130.00	O
05-Feb-15	119.94	140.00	
26-Mar-15	124.24	145.00	
28-Oct-15	119.27	140.00	

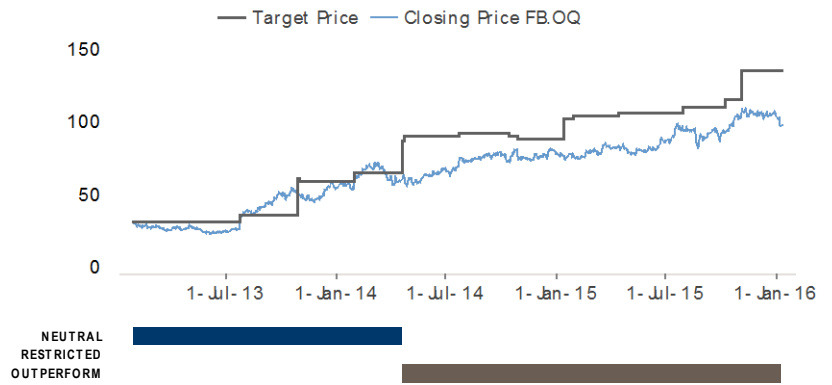


\* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Facebook Inc. (FB.OQ)

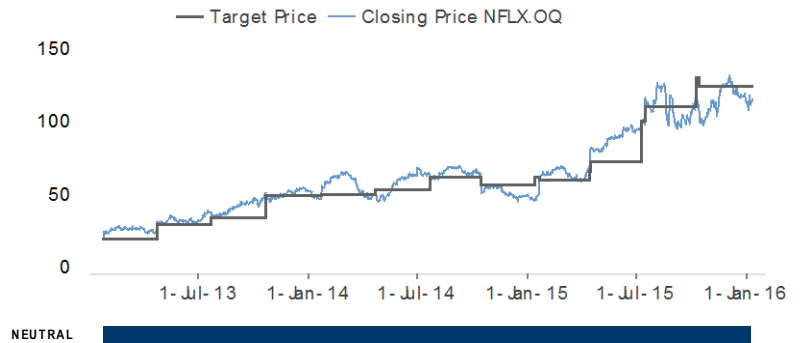
FB.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
29-Jan-13	30.79	31.00	N
25-Jul-13	34.36	36.00	
28-Oct-13	50.25	61.00	
31-Oct-13	50.26	59.00	
19-Dec-13	55.05		R
20-Dec-13	55.10	59.00	N
30-Jan-14	61.05	65.00	
21-Apr-14	61.24	87.00	O
24-Apr-14	60.87	90.00	
24-Jul-14	74.98	92.00	
14-Oct-14	73.59	90.00	
29-Oct-14	75.86	88.00	
14-Jan-15	76.28	102.00	
29-Jan-15	78.00	104.00	
14-Apr-15	83.52	106.00	
30-Jul-15	95.21	110.00	
09-Oct-15	93.24	115.00	
05-Nov-15	108.76	135.00	



\* Asterisk signifies initiation or assumption of coverage.

3-Year Price and Rating History for Netflix, Inc. (NFLX.OQ)

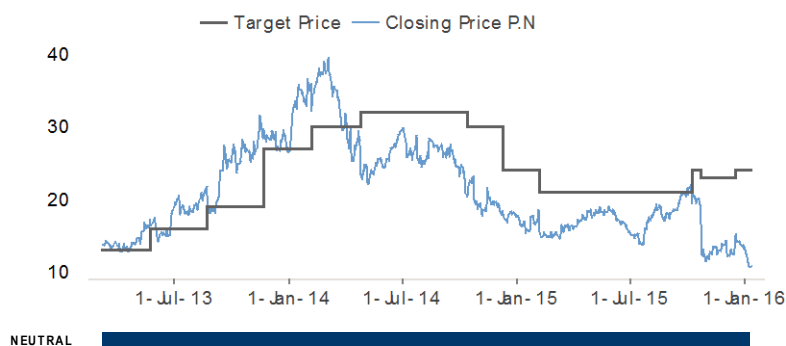
NFLX.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
24-Jan-13	20.98	18.86	N
23-Apr-13	31.00	29.14	
23-Jul-13	35.75	33.71	
22-Oct-13	46.16	49.14	
23-Jan-14	55.53	49.86	
22-Apr-14	53.27	52.71	
22-Jul-14	61.58	61.43	
16-Oct-14	51.67	56.29	
14-Jan-15	46.32	61.71	
21-Jan-15	58.47	59.57	
14-Apr-15	68.39	65.86	
16-Apr-15	80.29	72.14	
10-Jul-15	97.23	100.00	
16-Jul-15	115.81	110.00	
09-Oct-15	113.33	130.00	
15-Oct-15	101.09	124.00	



\* Asterisk signifies initiation or assumption of coverage.

3-Year Price and Rating History for Pandora Media (P.N)

P.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
08-Mar-13	13.79	13.00	N
24-May-13	16.43	16.00	
23-Aug-13	18.91	19.00	
22-Nov-13	29.23	27.00	
06-Feb-14	32.23	30.00	
25-Apr-14	23.51	32.00	
14-Oct-14	20.79	30.00	
10-Dec-14	17.65	24.00	
06-Feb-15	15.24	21.00	
09-Oct-15	20.90	24.00	
23-Oct-15	12.39	23.00	
17-Dec-15	15.26	24.00	



\* Asterisk signifies initiation or assumption of coverage.

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

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**Outperform (O) :** The stock's total return is expected to outperform the relevant benchmark\* over the next 12 months.

**Neutral (N) :** The stock's total return is expected to be in line with the relevant benchmark\* over the next 12 months.

**Underperform (U) :** The stock's total return is expected to underperform the relevant benchmark\* over the next 12 months.

*\*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*

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Underperform/Sell*	12%	(25% banking clients)
Restricted	1%	

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### Target Price and Rating

#### Valuation Methodology and Risks: (12 months) for Alphabet (GOOGL.OQ)

**Method:** We use the discounted cash flow (DCF) method to calculate our \$900 target price for Google. Our five-year DCF uses a 3% terminal growth rate and a market-implied discount rate derived by discounting our unlevered FCF (free cash flow) estimates from 2016 through 2021 to arrive at the stock's current trading price. We then applied this discount rate to our 2016-2021 unlevered free cash flow estimates for GOOG. While we maintain our Outperform rating, factors that can potentially drive material increases to our current estimates and hence share appreciation include: 1) Faster-than-expected narrowing of the mobile-desktop monetization gap - this will be through a combination of the continued benefits from Enhanced Campaigns as well as a plethora of other products including app install, as well as increased ad load on the mobile and desktop SERP. 2) Moderation of increases to its capital expenditure following a multi-year investment cycle 3) Larger-than-expected contribution from Google's larger non-search businesses, namely YouTube and Google Play

**Risk:** Risks to our \$900 target price for GOOG include: 1) Slower-than-expected advertiser adoption of any of Google's new ad units, particularly Trueview for YouTube 2) Greater-than-expected adoption of non-Android smart phones, which could adversely affect Google Play growth 3) Appreciation of the US Dollar versus the major global currencies may exert a headwind on our estimates

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See the *Companies Mentioned* section for full company names

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Credit Suisse has received investment banking related compensation from the subject company (FB.OQ, AAPL.OQ) within the past 12 months

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