



Google Inc.

Google LLC is an American multinational technology company that specializes in Internet- related services and products, which include online advertising technologies, search engine, cloud computing, software, and hardware.



History Summary of Google LLC

The Google company was officially launched in 1998 by Larry Page and Sergey Brin to market Google Search, which has become the most widely used web-based search engine. Page and Brin, students at Stanford University in California, developed a search algorithm-at first known as “ BackRub”-in 1996. The search engine soon proved successful and the expanding company moved several times, finally settling at Mountain View in 2003. This marked a phase of rapid growth, with the company making its initial public offering in 2004 and quickly becoming one of the world’s largest media companies. The company launched Google News in 2002, Gmail in 2004, Google Maps in 2005, Google Chrome in 2008, and the social network known as Google+ in 2011, in addition to many other products. In 2015, Google became the main subsidiary of the holding company Alphabet Inc.

Presentation of Google LLC

Google LLC is an American multinational technology company that specializes in Internet-related services and products, which include online advertising technologies, search engine, cloud computing, software, and hardware.

The company’s rapid growth since incorporation (September 4, 1998) has triggered a chain of products, acquisitions, and partnerships beyond Google’s core search engine (Google Search). It offers services designed for work and productivity (Google Calendar), cloud storage (Google Drive), social networking (Google+), instant messaging and video chat (Google Allo, Duo, Hangouts), language translation (Google Translate), mapping and navigating (Google maps, Waze, Google Earth, Street View), video sharing (YouTube), note-taking (Google Keep), and photo organizing and editing (Google Photos). On August 10, 2015, the company announced

plans to reorganize its various interests as a conglomerate called Alphabet. Google became Alphabet's leading subsidiary, and will continue to be the umbrella company for Alphabet's Internet interests. On September 1, 2017, Google Inc. announced its plans of restructuring as a limited liability company, Google LLC, as a wholly owned Inc. of XXVI Holdings Inc., which is formed as a subsidiary of Alphabet Inc. to hold the equity of its other subsidiaries, including Google LLC and other bets.

Google LLC's Initial Public Offering (IPO)

In Google Inc.'s prospectus of August 18, 2004 the company was offering 14,142,135 shares of Class A common stock and the selling stockholders were offering 5,462,917 shares of Class A common stock. The company stated that it would not receive any proceeds from the sale of shares by the selling stockholders. This was the company's initial public offering and no public market existed for the company shares at that time. The initial public offering price was \$85.00 per share. Following the offering, Google had two classes of authorized common stock, Class A common stock and Class B common stock. The right of the holders of Class A common stock and Class B common stock were identical, except with respect to voting and conversion. Each share of Class A common stock was entitled to one vote per share. Each share of Class B common stock was entitled to ten votes per share and was convertible at any time into one share of Class A common stock. The table below summarizes the IPO.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Google	Proceeds to Selling Stockholders
Per share	\$ 85.00	\$ 2.3839	\$ 82.6161	\$ 82.6161
Total	\$ 1,666,429,420	\$ 46,736,483	\$ 1,168,368,039	\$ 451,324,897

To arrange this IPO, Google Inc. hired Morgan Stanley and Goldman Sachs Group. The IPO was projected to raise as much as \$4billion. Google's initial public offering took place on August 19, 2004. The sale raised US \$1.67 billion, and gave Google a market capitalization of more than

\$23 billion. The company was listed on the NASDAQ stock exchange under the ticker symbol GOOG. Google intended to use the net proceeds from the initial offering for general corporate purpose, including working capital, and possible acquisitions of complementary businesses, technologies or other assets. The company did not receive the proceeds from the sale of shares by the selling stockholders. The company projected to have outstanding 271,219,643 shares of common stock upon completion of the initial offering. The table below shows the outstanding shares after the initial offering.

Days After the Date of the Prospectus		Additional Shares Eligible for Public Sale
On the date of this prospectus		0
At 15 days after the date of this prospectus and various times thereafter		4,667,483
At 90 days after the date of this prospectus and various times thereafter		39,071,376

Days After the Date of the Prospectus		Additional Shares Eligible for Public Sale
At 120 days after the date of this prospectus and various times thereafter		24,874,091
At 150 days after the date of this prospectus and various times thereafter		24,874,091
At 180 days after the date of this prospectus and various times thereafter		176,794,161

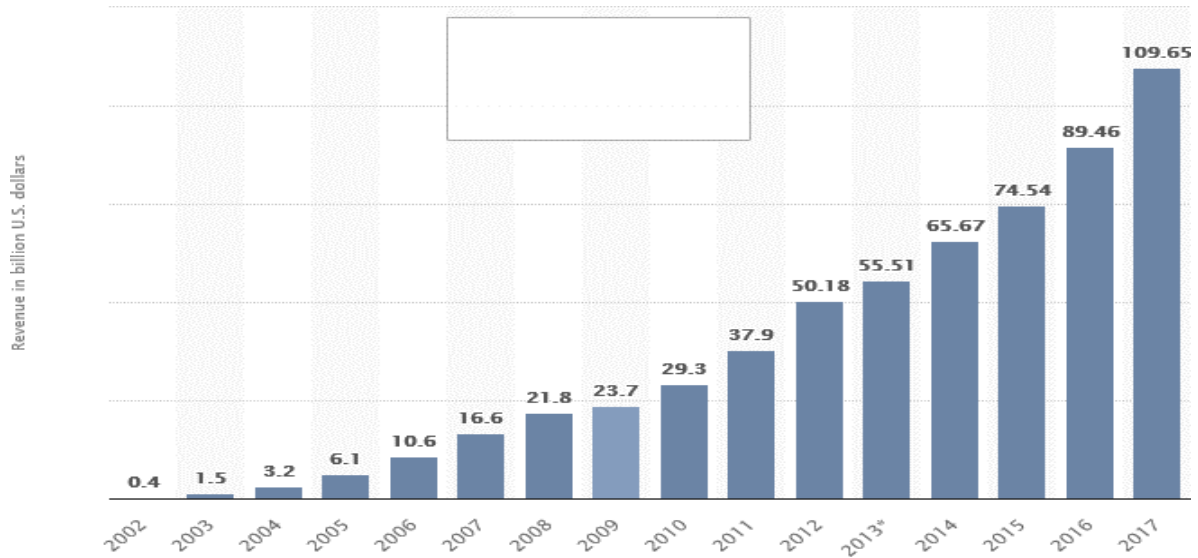
As a result of the completion of its initial public offering in August 2004 and its follow-on stock offering in September 2005, Google raised \$1,161.1 million and \$4,287.2 million of net proceeds. At December 31, 2005, the company had \$8,034.2 million of cash, cash equivalents and marketable securities, compared to \$2,132.3 million and \$334.7 million at December 31, 2004 and 2003.

Google's financial performance and growth after the Initial Public Offering.

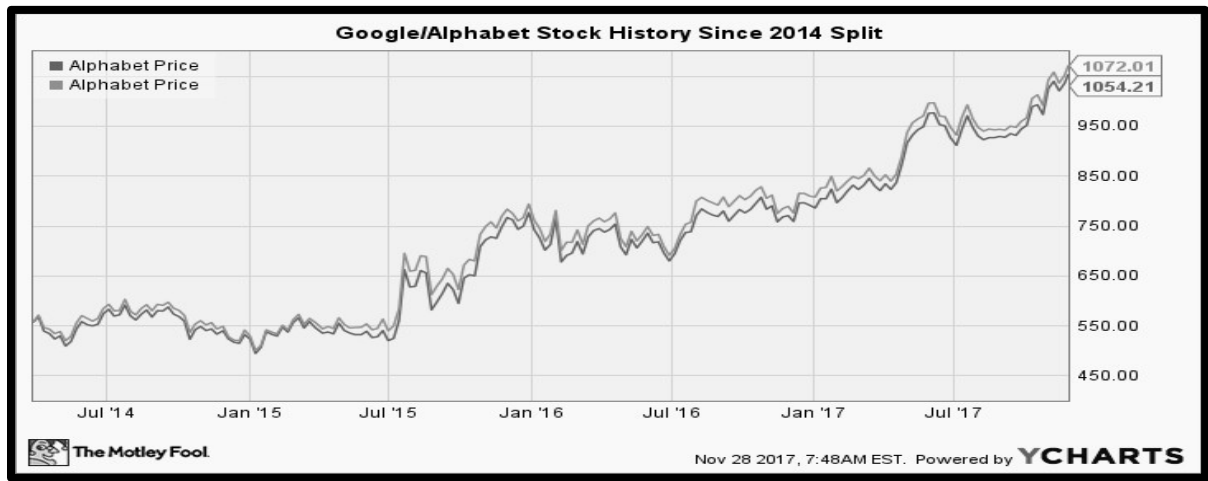
Google Inc.'s profitability from ongoing operations was improved from December 31, 2003 (Before the IPO) to December 31, 2005 approximately one year after the IPO. The table below shows this financial performance.

Year Ended December 31,			
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net income (x 1000)	\$ <u>105,648</u>	\$ <u>399,119</u>	\$ <u>1,465,397</u>
Net income per share:			
Basic	\$ <u>0.77</u>	\$ <u>2.07</u>	\$ <u>5.31</u>
Diluted	\$ <u>0.41</u>	\$ <u>1.46</u>	\$ <u>5.02</u>
Number of shares used in per share calculations:			
Basic	<u>137,697</u>	<u>193,176</u>	<u>275,844</u>
Diluted	256,638	272,781	291,874

Google's revenue worldwide from 2002 to 2017. In 2017, Google's revenue amounted to 109.65 billion US dollars. Google's revenue is largely made up by [advertising revenue](#), which amounted to 67.39 billion US dollars in 2015. As of May 2015, Google ranks first among worldwide internet companies, with a [market capitalization](#) of 510 billion U.S. dollars. The chart below shows Google's revenue evolution from 2002 to 2017.



Since Google's initial public offering the company's overall stock performance from 2004 to 2018 has improved. At IPO, its stock was selling at \$85 per share, but today, as of November 29, 2018 its stock is selling at \$1085.08. The chart below shows the company's stock performance from 2014 to 2017.



Google's business operations after the IPO

Google operates its business in multiple operating segments. Google is its only reportable segment. None of its other segments meet the quantitative thresholds to qualify as reportable segments; therefore, the other operating segments are combined and disclosed below as Other Bets. Its reported segments are:

☞ Google – Google includes our main products such as Ads, Android, Chrome, Commerce, Google Cloud, Google Maps, Google Play, Hardware, Search, and YouTube. Its technical infrastructure and some newer efforts like virtual reality are also included in Google.

Google generates revenues primarily from advertising; sales of apps, in-app purchases, digital content products, and hardware; and licensing and service fees, including fees received for Google Cloud offerings.

☞ Other Bets – Other Bets is a combination of multiple operating segments that are not individually material. Other Bets includes businesses such as Access, Calico, Capital G, GV, Nest, Verily, Waymo, and X. Revenues from the Other Bets are derived primarily through the sales of internet and TV services through Fiber, sales of Nest products and services, and licensing and R&D services through Verily.

Google's advertising revenue growth, as well as the change in paid clicks and cost-per-click on Google properties and Google Network Members' properties and the correlation between these items, have fluctuated and may continue to fluctuate because of various factors, including:

- Advertiser competition for keywords;
- Changes in advertising quality or formats;
- Changes in device mix;
- Changes in foreign currency exchange rates;
- Fees advertisers are willing to pay based on how they manage their advertising costs;
- General economic conditions;
- Growth rates of revenues from Google properties, including YouTube, compared to growth rates of revenues from Google Network Members' properties;
- Seasonality;

- Shift in the proportion of non-click based revenues generated on Google properties and Google Network Members' properties, including an increase in programmatic and reservation based advertising buying; and
- Traffic growth in emerging markets compared to more mature markets and across various advertising verticals and channels.

Google's advertising revenue growth rate has fluctuated over time as a result of a number of factors, including challenges in maintaining its growth rate as revenues increase to higher levels, changes in its product mix, increasing competition, query growth rates, its investments in new business strategies, shifts in the geographic mix of its revenues, and the evolution of the online advertising market. Google expect that its revenue growth rate will continue to be affected by evolution user preferences, the acceptance by users of its products and services as they are delivered on diverse devices and modalities, its ability to create a seamless for both users and advertisers, and movements in foreign currency exchange rates. Below are Google's key financial results for the fiscal year ended December 31, 2017 (consolidated unless otherwise noted):

- Revenues of \$110.9 billion and revenue growth of 23% year over year, constant currency revenue growth of 24% year over year.
- Google segment revenues of \$109.7 billion with revenue growth of 23% year over year and Other Bets revenues of \$1.2 billion with revenue growth of 49% year over year.
- Revenues from the United States, EMEA, APAC, and Other Americans were \$52.4 billion, \$36 billion, \$16.2 billion, and \$6.1 billion, respectively.
- Cost of revenues was \$45.6 billion, consisting of TAC of \$21.7 billion and other cost of revenues of \$23.9 billion. Its TAC as a percentage of advertising was 23%.
- Operating expenses (excluding cost of revenues) were \$39.1 billion.
- Income from operations was \$26.1 billion.
- Effective tax rate was 53%.

- Net income was \$12.7 billion with diluted net income per share of \$18.00.
- Operating cash flow was \$37.1 billion.
- Capital expenditures were \$13.2 billion.
- Number of employees was 80,110 as of December 31, 2017.

As we can see through the information provided above, Google has grown significantly after its initial public offering. Google's net income grew from \$105,648,000 on December 31, 2003 to \$12,662 million on December 31, 2017. We can reasonably conclude that the money raised during the IPO was effectively used, and has contributed to the company expansion by diversifying the company's products, and by acquiring some other companies.

Based on information provided above, I am likely to invest in Google. Over 3.5 billion searches are made on Google every day. Each search generates a tiny bit of [revenue](#) for Google as the company sells ads against these results. Google has 75% of the internet search market and 85% of the mobile search market. Additionally, search on the internet continues to grow as it becomes a more integral part of peoples' daily lives on a global basis.

A massive [profit driver](#) for the company, this is the main ingredient in making Google a safe investment. Nearly 90% of Google's earnings and revenues come from search. These profits and revenues fund the projects Google hopes become future [profit centers](#). It allows the company to take on massive risks that other companies could not even consider.

Additionally, search has given Google a massive [war chest](#) and borrowing capacity that allows it to buy out any competitor before it becomes a serious threat. The ubiquity of its search product also ensures it continually evolves its [algorithm](#) to deliver better results for users. The more people who use Google search, the more data is collected.

Due to these inherent advantages, Google is in a much better spot than its smaller competitors, and is able to withstand competition and stress from economic weakness. And it has a history of doing so.

References

Financial Management: Theory and Practice, Volume 1&2 15 edition.

<https://www.nasdaq.com/symbol/goog/sec-filings>

<http://performance.morningstar.com/stock/performance-return.action?t=goog>

<https://www.investopedia.com/investing/google-good-investment/#ixzz5YHcUuAMC>

<https://searchenginewatch.com/article/2080003/May-2015-Search-Engine-Market-Share-from-comScore-Compete-Hitwise>

<https://fr.finance.yahoo.com/>

<https://www.nasdaq.com/markets/ipos/company/google-inc-633170-39207>

<http://www.secinfo.com/d14D5a.127t8.html>

<https://www.computerworld.com/article/2565111/enterprise-applications/google-ipo-may-help-raise-fortunes-of-tech-industry.html>