

Alphabet

Sustainable Growth Hypothesis:

Alphabet's core Google Search product boasts more than 90 per cent market share. The company has eight other internet services with more than a billion users each. Alphabet's free tools have helped revolutionise access to information and learning and allowed smaller businesses to scale fast. Today, the company is at the forefront of innovations in artificial intelligence and we believe it has a catalysing effect on innovation in many realms. Alphabet supports our **prosperity** theme through its **products** which support innovation for growth.

1. Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?

- Alphabet has demonstrated strong growth, driven by the digital ad market, and is well-positioned despite regulatory and technological challenges. The company is diversifying into areas like Cloud and AI, leveraging its data and innovation culture. With continued ad market growth, and a focus on AI, Alphabet is poised for future success even with potential core business slowdowns.

2. Resilience: How much control does the company have over its own success?

- Alphabet's strength lies in its financial health, reputation, and culture. Competition from incumbents is noted, but Alphabet's technological superiority in AI and language models presents a significant advantage.

3. Valuation: What is our insight?

- The market overestimates the recent threats to advertising and undervalues the potential of other projects. Despite pessimism, Alphabet's valuation and talent retention suggest significant growth opportunities ahead.

4. Products: To what extent will the core products & services create value for society over the next decade?

- With free access to information, educational content, and the ability for content creators to monetise their creative endeavours, it is hard to imagine a life pre-Alphabet. Some of the company's other bets – in healthcare or application of AI to scientific challenges – are already having an impact, even though they are not yet profitable.

5. Practices: Does the company show leadership in its business practices?

- Showing true leadership in areas of ethical AI and finding better ways to support targeted advertising while protecting user privacy would improve this.

6. Ambition: What is the company's purpose, and how ambitious are they?

- Alphabet's commitment to "significantly improve the lives of as many people as possible" is evidenced through its continued willingness to undertake projects that should make the world a better place.

7. Trust: Should we trust the company with our clients' capital?

- The company's continued retention of a dual-class share structure create challenges. There should be more progress in this area for this to continue to be a compelling holding.

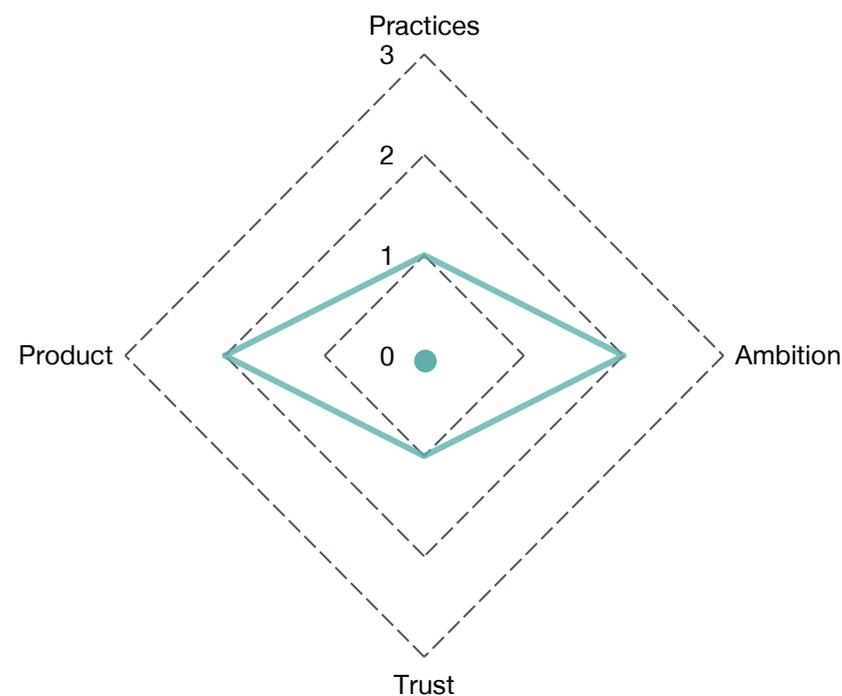
8. Engagement: No company is perfect, what should be our engagement priority?

- Understanding how Alphabet is thinking about the future of advertising given the increasing focus on user privacy and emerging competitive threats from generative search.

9. Milestones: What developments should we pay most attention to? Where could we be wrong?

- There is a need for ambitious, long-term policies that frame the further development of AI.

Compass Scores



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**BGI Principal Office: Calton Square, 1 Greenside Row,
Edinburgh EH1 3AN, Scotland
Telephone: +44 (0)131 275 2000**

**780 Third Avenue, 43rd Floor, New York, NY 10017
Telephone: (212) 319 4633**

**BGE Head Office: 4/5 School House Lane East, Dublin 2
D02 N279, Ireland
Telephone: +35 315 294 150**

**BGE Frankfurt Branch: WINX Tower, Neue Mainzer Str. 6-10, 60311 Frankfurt,
Germany**

**BGE Amsterdam Branch: Atrium Building, Strawinskylaan 3051, 4th Floor, 1077
ZX Amsterdam, The Netherlands**

**BGE Representative Office: Bahnhofstr. 10 / Börsenstr. 18
CH - 8001 Zürich, Switzerland**

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