Alphabet Inc.: Reorganizing Google

This case was written by Syeda Maseeha Qumer and Debapratim Purkayastha, IBS Hyderabad. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
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In October 2015, in an unexpected move, global technology giant Google Inc (Google) restructured itself as Alphabet Inc (Alphabet), a new holding company under which Google’s non-core businesses including self-driving cars, life sciences research, high-speed Internet access, and investment divisions, were spun off as distinct entities and separated from the company’s internet operations such as Android, YouTube, and the Google search engine. The businesses were reorganized into two reporting segments: ‘Google’ and ‘Other Bets’. This marked a massive shift from the earlier setup in which Google was in charge of a number of diverse companies, some of which carried it far afield from its core search business. Under the new structure, a number of businesses including Google operated as subsidiaries of Alphabet and were run independently, each with its own CEO. According to a statement posted by Larry Page (Page) co-founder of Google, on the company’s official blog, “Fundamentally, we believe this allows us more management scale, as we can run things independently that aren’t very related. Alphabet is about businesses prospering through strong leaders and independence […] This new structure will allow us to keep tremendous focus on the extraordinary opportunities we have inside of Google.”

Co-founded by Page and Sergey Brin (Brin) in 1998, Google provided internet-related services and products including web-based search, cloud computing, software applications, online advertising technologies, mobile operating systems, consumer content, enterprise solutions, and hardware products. Since its inception it had focused on innovation and come out with disruptive technologies from time to time. The company had branched out into hosting services like video and mapping, enterprise services, e-mail and chat, social networking space, payment gateway services, mobile operating software, and wireless device sales. Google’s technological innovations made it one of the most recognized and valuable brands in the world.

However, over a period of time investors had begun to voice strong concern over Google expanding into areas unrelated to its core search business and into unknown territory in terms of profitability. They felt that Google had got distracted from its core web search and was hemorrhaging money in pursuing projects fancied by its founders such as developing robots and self-driving cars and studying life sciences. Investors began to question the heavy investments the company had been making in non-core businesses and the lack of clarity concerning risky investments. Analysts too found it difficult to evaluate the company’s broad set of businesses and figure out their individual performances. Eventually, the senior management realized that the company had become too complex to manage and that a change was required to allow for cleaner operations and more accountability. Subsequently, they announced a radical shake-up of Google’s corporate structure and management, and created a new holding company called Alphabet that would manage a collection of companies, the largest of these being Google.

Industry observers saw this move as being a response to Google’s stagnant share price and an attempt to pacify investors. Some analysts lauded the move saying Google’s decision to restructure itself under a new holding company would protect its core brand Google, increase the operational independence of the individual businesses, and usher in greater financial transparency across divisions. On the other hand, some analysts criticized the change and questioned how the restructuring would make the company’s businesses competitively stronger and increase profitability and company valuation.
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Post restructuring, Alphabet pushed for more financial discipline and accountability from its riskiest ventures. The non-core companies were struggling as they faced unprecedented pressure to bring their costs in line with their revenue. In fiscal 2016, ‘Other Bets’ posted a loss of about US$3.6 billion. Moreover, some key executives who were chosen to turn the riskier ‘Other Bets’ into reality departed from Alphabet, allegedly over pressure to perform. Going forward, investors would likely pile up the pressure if the company faltered and nothing profitable emerged from ‘Other Bets’, said analysts. The questions being asked were: Will the creation of Alphabet spell a new successful era for Google? Can Alphabet maintain Google’s lead as an innovator and challenge competitors in a wide array of industries?

BACKGROUND NOTE

Google’s roots lay in a research project on search engines taken up by two PhD students at Stanford University, Larry Page (Page) and Sergey Brin (Brin), in 1996. Google pioneered a new technology called ‘PageRank’, which determined the importance of the website by the number of other pages linked to it and their importance that linked back to the original site. This new technology marked a shift from the earlier method followed by other search engines which ranked the results by the number of times the search terms appeared on the page. The search engine was initially called ‘BackRub’ as it determined a website’s relevance by checking its back links. The name was finally changed to Google, based on the word ‘Googol’ – the number one followed by a hundred zeroes.

Google’s primary domain ‘www.google.com’ was registered in September 1997 and the company was incorporated in September 1998 in a friend’s garage in California, US. In 1999, Google moved its headquarters to Palo Alto, California, home to several other technology companies. Google’s mission was “to organize the world’s information and make it universally accessible and useful.” In August 2001, Eric E. Schmidt (Schmidt) succeeded Page as the CEO of Google, just five months after joining the company as chairman of the board.

Google started to sell advertisements associated with search keywords. This advertising model was successful and the company started getting a major part of its revenues from search related advertising. From 2001, Google based its growth strategies on acquiring many small companies with innovative products. It added many other products to its product portfolio like Google Earth\(^a\) and YouTube\(^b\) in this way. Apart from acquiring other companies, Google also launched its own products like the free webmail, called ‘Gmail’ in April 2004. Gmail was also well received by the web community due to the massive increase in storage space provided by Google (initially one GB). The success of Gmail and YouTube made Google the undisputed leader on the internet, with the company overtaking many other established internet companies like Yahoo! Inc.\(^c\) (Yahoo).

Google’s promoters were hesitant to go in for an Initial Public Offering (IPO) as they were apprehensive that public scrutiny and financial regulations would make the company less agile. But, due to the demands of venture capitalists who wanted to cash out, Google filed for an IPO in April 2004. In the IPO prospectus, Google’s founders attached a letter subtly warning potential subscribers that Google was not a conventional company and did not aim to be one. The dual class equity structure proposed by Google’s founders proved controversial. Google’s IPO comprised only the issue of Class A shares, each of which was entitled to a single vote. Google’s founders, venture capitalists, and other insiders held Class B shares which were entitled to 10 votes per share.\(^d\) Class C shares had no voting rights, except as required by applicable law. Critics

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\(^a\) Google Earth is a virtual globe, map, and geographic information application owned by Google.

\(^b\) YouTube is a video sharing website owned by Google. Users can upload, share, and view videos on the website.

\(^c\) Yahoo! Inc., headquartered in Sunnyvale, California, USA, is an internet company which provides services like search engine, webmail, online mapping, etc.
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lambasted this share structure as they felt that it gave the founders significant management control and could lead to potential management abuse. But Page and Brin defended the structure on the grounds that it would help them fulfill their long-term vision for the company without getting bogged down by short-term financial demands.\(^7\)

By the mid-2000s, Google faced a new challenge in the form of the ever-expanding high-end mobile phones dubbed as smartphones. Developing applications for the variety of platforms on which these smartphones were available proved to be cumbersome for Google. The company therefore decided to launch its own open source platform for mobile phones, which would give application developers the freedom to develop applications for various mobile phones without depending on any handset manufacturer or service provider. Hence, Google acquired an open-source mobile platform called Android from Android, Inc. and released its first version in the market in 2009. Android proved to be an instant hit in the market and soon emerged as the dominant mobile operating system in the world.

In April 2009, Google launched a venture capital arm called Google Ventures to invest in a diverse array of industries, including the consumer Internet, software, clean tech, and healthcare. In January 2011, Schmidt stepped down as CEO of Google and Page took over. Schmidt continued as Executive Chairman of the company. In August 2011, Google acquired Motorola Mobility LLC\(^d\) for US$ 12.5 billion in order to make its own hardware for smartphones, tablets, and other devices.\(^8\)

Other than acquiring other smaller companies for launching new products, Google also focused on innovation and spent huge sums of money on developing new services. However, rather than a simple iterative approach to innovation, Page wanted Google to develop a ‘moonshot mentality’ where it would be inspired to create products and services that were 10 times better than the competition. Google X, a separate division which was established in early 2010 to come out with ‘moonshot’ projects, was Page’s brainchild. In 2010, Google started to invest heavily in developing technologies which were both related and unrelated to its core business. Most of these products were innovative and were totally new to the world. One of the most hyped up technologies developed by Google was ‘Google Glass’, a wearable computer which came with its own optical head-mounted display (OHMD)\(^e\). This wearable computer performed many of the tasks traditionally performed by other portable gadgets like smartphones and tablets.\(^9\) Another important technology that Google had been working on was the Google Driverless Car project. This project was aimed at developing autonomous cars which would drive on their own without the need for any physical drivers. Google was testing cars which ran using this technology across the world and was expected to release it for the mass market once it obtained the legal clearances.

In September 2013, Google entered into healthcare research by creating a new company called Calico to make advancements in human health and well-being, in particular understanding the aging process and increasing the longevity of people. There were two other innovative technology projects of Google aimed at improving accessibility to people around the world. The more ambitious of the two was Project Loon which aimed to bring internet access within the reach of people living in remote parts of the world. Another new service that Google was experimenting with was Google Fiber which promised to bring very high-speed internet access (100 times greater than the prevalent broadband speeds) within the reach of everyone.

In order to make its mark in smart-home systems, in January 2014, Google acquired Nest Labs, Inc. (Nest), a smart home appliances maker of thermostats and smoke alarms, for US$3.2 billion. Less than two years after acquiring Motorola, Google sold the smartphone maker to Chinese PC manufacturer Lenovo for US$2.9 billion in January 2014.

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\(d\) Motorola Mobility LLC, headquartered in Libertyville, Illinois, USA is a leading telecommunications company in the world.

\(e\) OHMD displays use an optical mixer made of silvered mirrors. These displays have the capability to reflect projected images besides allowing the user to look through them.
In June 2015, Google started an urban innovation company called Sidewalk Labs that used technology and innovation to improve urban life. Google’s revenues for the year 2015 were US$74.5 billion with over 90% of the earnings coming from online advertising. The company had more than 59,976 employees worldwide as of October 2015.

WHY GOOGLE BECAME ALPHABET

Since its inception, Page and Brin had massively diversified Google from its origins as an internet search engine to invest in several projects that were unrelated to its core business such as self-driving cars, renewable energy, wearable technology, artificial intelligence, mapping services, and the Android operating system. According to them, Google being just a search company, no matter how successful, would not be able to consolidate its position in the highly competitive tech market without diversifying. The duo began to pour money into far off fields by increasing their spending on research and development. In the 2004 Founders’ IPO Letter, they wrote, “Google is not a conventional company. We do not intend to become one. Do not be surprised if we place smaller bets in areas that seem very speculative or even strange when compared to our current businesses. Although we cannot quantify the specific level of risk we will undertake, as the ratio of reward to risk increases, we will accept projects further outside our current businesses, especially when the initial investment is small relative to the level of investment in our current businesses.”

Though Google’s diversification strategy drove the company forward and benefitted customers, it created several issues. Google was tight-lipped about its riskier and non-core investments, including the moonshot projects, which left investors feeling uneasy. “Historically, Google has notoriously been a black box. Larry Page and company consistently marched to the beat of their own drum,” said James Cakmak, an analyst at equity research and trading company Monness Crespi Hardt & Co. Moreover, the financial returns of the search engine and advertising business were not observed separately from the investments in all of the new businesses. This appeared to limit transparency, accountability, and discipline across the company. The moonshot projects lost US$1.9 billion in 2014.

Google came under some pressure from Wall Street as investors began to question the heavy investments it was making in non-core businesses and complained about the lack of clarity regarding risky investments. The shareholders were upset as there were no paybacks to them in the form of dividends or buybacks. Profits from the search and ad business were plowed into vague innovation projects leaving investors worried and this led to stagnation in Google’s stock price despite the company’s long-term value creation. Observers felt that Google had become a vast and diverse company and its mission statement – “to organize the world’s information and make it universally accessible and useful” – no longer made sense. According to Michael Quirke, senior consultant at brand agency Brand Union, “Their ambitions in health, hardware and drones are too far from their search core to keep under the Google name, and that name was beginning to get tarnished for its world-eating ambitions.”

As Google continued to grow at a rapid pace, problems began to emerge in its organizational structure. Prior to restructuring, Google had adopted a cross-functional organizational structure which was more of a team approach to management and was structured horizontally wherein Google, the parent company, was in charge of a number of diverse companies (See Exhibit 1). Google implemented a centralized decision-making system wherein Brin and Page along with Schmidt made all the major decisions together. Though the system made sense in the beginning, it turned problematic as Google grew in size. On many occasions, the trio used to discuss and debate for long hours, making the product teams wait and stalling all the dependent processes. Sometimes these meetings would end with no tangible decision being arrived at because one of the three was missing, making one more discussion inevitable. This slowed down the decision making process at the company. Some analysts also criticized Google for maintaining an opaque and monolith structure, where no outsider would know the developments behind the scenes. Analysts themselves
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found it difficult to evaluate the broad set of businesses and to figure out the performance of the core business. As managing such a diverse set of business operations under a single organization was creating bottlenecks, experts felt that the company was in need of a strong and accountable management structure and strategy.

Eventually the senior management at Google realized that the company has become too complex to manage as it was pursuing potentially big new businesses in industries far from its search-engine roots. They wanted to improve the transparency and provide an oversight of what the company was doing. Page admitted that Google’s original mission statement had become somewhat obsolete. “We’re in a bit of uncharted territory. We’re trying to figure it out. How do we use all these resources…and have a much more positive impact on the world,” he said.

In August 2015, Page announced a plan to draw a dividing line between Google and its other ventures by creating a new public holding company under which Google’s non-core businesses would be spun off as distinct entities and separated from the company’s main internet-related businesses. He said, “We’ve long believed that over time companies tend to get comfortable doing the same thing, just making incremental changes. But in the technology industry, where revolutionary ideas drive the next big growth areas, you need to be a bit uncomfortable to stay relevant. Our company is operating well today, but we think we can make it cleaner and more accountable. So we are creating a new company, called Alphabet.”

THE A TO Z OF ALPHABET

On October 2, 2015, Alphabet became the parent holding company of Google and its diverse set of businesses with no business operations of its own. The restructuring was carried out under a Delaware General Corporation Law called Section 251(g), according to which a company incorporated in the state could create and merge with a holding company without the consent of shareholders. Under Section 251(g) DGCL, Google incorporated Alphabet Holding as its wholly-owned subsidiary and, in turn, caused Alphabet to merge with Maple Technologies (a Merger Sub), to form a Google Merger Sub. Following the Alphabet Merger, Google Merger Sub, an indirect, wholly-owned subsidiary of Google, merged with and into Google. Upon consummation of the reorganization, Google became a direct, wholly owned subsidiary of Alphabet and the transitory existence of Google Merger Sub was disregarded (See Exhibit II). Thereafter, Google shareholders transferred their stocks to Alphabet in exchange for New Alphabet stock.

Experts said that Google’s molding into Alphabet was uniquely possible because of the company’s rare stock-holding structure, where its founders controlled the direction of the business without majority economic ownership of the company’s stock. Since Google shareholders had few voting rights, they were unable to block the transaction by filing a lawsuit in the Delaware Court of Chancery.

Under the new structure, a number of companies, including Google, operated as subsidiaries of Alphabet. Alphabet’s only significant assets were the outstanding equity interests in Google and other future subsidiaries of Alphabet (See Exhibit III). The businesses were reorganized into two reporting segments: ‘Google’ and ‘Other Bets’. Google’s mature businesses and main internet products such as Search, Ads, Commerce, Maps, YouTube, Apps, Cloud, Android, Chrome, Google Play, as well as hardware products such as Chromecast, Chromebooks, and Nexus and technical infrastructure and efforts like Virtual Reality remained under Google. What got separated were companies that were far afield of the core search products. These formed ‘Other Bets’ and included Access/Google Fiber, Calico, Nest, Verily (formerly Google Life Sciences), Google Ventures, Google Capital, X (formerly Google [X]), and other initiatives.

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1 Maple Technologies, a Delaware corporation (Merger Sub), was created as a wholly-owned subsidiary of Alphabet.
Addressing a group of shareholders, Page said that Google’s new structure was inspired by and modeled after Berkshire Hathaway⁶, which owned many diverse and independent businesses with strong CEOs in place for each of its operating entities. Where Alphabet was concerned, the CEOs of each subsidiary would report to Page who had become the CEO of the holding company. Brin was appointed as its president. Meanwhile, the Vice President of products at Google, Sundar Pichai (Pichai), replaced Page as the CEO of Google, the largest subsidiary within the Alphabet umbrella. Schmidt and David Drummond transitioned from being the Executive Chairman and Chief Counsel respectively at Google, to functioning in the same capacities at Alphabet. Ruth Porat (Porat) was appointed as the CFO of both Google and Alphabet and was responsible for overseeing the reorganization of Google into Alphabet. Omid Kordistani stepped down as Chief Business Officer of Google and become an adviser to Alphabet and Google (See Exhibit IV).

Corporate governance remained largely unchanged as Google’s board became the Alphabet board. Alphabet remained incorporated in Delaware and its corporate website was named www.abc.xyz. As part of the identity shift, Alphabet posted a new code of conduct for its employees and replaced Google’s famous “Don’t Be Evil” motto with “Do the right thing” (See Exhibit V). Talking about the new organization, Page said, “For Sergey and me this is a very exciting new chapter in the life of Google—the birth of Alphabet. We liked the name Alphabet because it means a collection of letters that represent language, one of humanity’s most important innovations, and is the core of how we index with Google search! We also like that it means alpha−bet (Alpha is investment return above benchmark), which we strive for! I should add that we are not intending for this to be a big consumer brand with related products—the whole point is that Alphabet companies should have independence and develop their own brands.”⁶

Alphabet retained Google’s multi-class share structure. As part of the reorganization, Alphabet replaced Google as the publicly-traded entity and all shares of Google automatically got converted into the same number of shares of Alphabet with the same designations, rights, powers, and limitations as the corresponding share of Google stock. The company’s two classes of shares continued to trade on Nasdaq as GOOGL and GOOG. After the restructuring was announced, shares of the class A common stock of the company climbed 6%, thereby adding more than US$28 billion to the company’s market valuation. According to Erich Joachimsthaler, founder and CEO of Vivaldi Partners Group⁷, “This corporate structure will work. It is a rather painless exercise relative to the alternative – mergers and integration. Integrating large, existing businesses into Google is time-consuming, unattractive and costly. The Alphabet structure simplifies. Simplicity wins!”⁷

A GOOD MOVE?

According to some analysts, the new structure was a smart way for Google to pursue long-term growth while simultaneously increasing transparency and management focus on the core business. According to Eric Bradlow, co-director of the Wharton Customer Analytics Initiative, “On net, [the restructuring] is probably a good move for branding, positioning, P&L [profit and loss reporting] and also for Sundar Pichai. It allows Google to have many uncertain, but high potential, ventures without damaging the parent brand. It also allows them the opportunity to keep the P&L separate for different areas of the company.”⁸

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⁶ Berkshire Hathaway Inc. is a US-based holding company owning subsidiaries that engage in a number of diverse business activities including insurance and reinsurance, freight rail transportation, utilities and energy, finance, manufacturing, services and retailing. Berkshire’s revenue in 2016 was US$223,604 million.

⁷ Vivaldi Partners Group is a brand strategy consulting firm.
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More Focus

The move would ensure clearer oversight of the company’s ambitious and risky research projects and allow greater focus and control of unrelated companies like Calico, X, Google Capital, Nest Labs etc., said analysts. Jeff Kagan, an independent industry analyst, said, “This is what they should have done years ago. They’ve gotten out of control... As Google gets bigger with all of these different businesses, they get sluggish. They’ve gotten too big with too many arms and they’re going in too many directions. This should deal with that.”

While Alphabet would give the company’s moonshot bets new opportunities to grow, it would also segment them as distinct subsidiaries, each with its own liability, management, and profit stream. The subsidiaries would be freed from the matrix management of a large company such as Google. Each entity within Alphabet could be assessed on its own merits and flourish without the distraction of the potential impact on the core business. For instance, Google would not have the burden of the potential liability for X Labs and could focus on its core services like advertising and YouTube which had been money spinners for the company.

Innovation at Alphabet would also get a boost as founders Page and Brin stepped back from the day-to-day operations of Google and focused on the immense opportunities inside of Alphabet. They could dedicate their time to developing smaller emerging business lines, launching path-breaking products that might result in windfall gains for Alphabet shareholders and keep them happy. Eventually, becoming Alphabet could help the founders stay in control of the larger vision for the company and experiment and grow into areas that might be seen as unlikely for Google, they felt.

Under the new structure, Google could give operating divisions more leeway to make their own decisions and keep the businesses more nimble. Subsidiaries would get their own legal departments and be able to set their own benefit structures and culture to some extent. With each division headed by its own CEO, leaders would be able make independent decisions and drive the company forward. Stepan Khzrtian (Stepan) co-founder and Managing Partner of international business law firm LegalLab Law Boutique, said, “Putting its many projects into separate companies and donning each with a strong CEO, Alphabet can be seen as sparking robust competition and entrepreneurial spirit among its many arms. Although not necessarily direct competitors, these different projects (or different companies, I should say) will be fighting hard to bring their red financials into the black, become profitable, and remain favorable in the eyes of the senior management at Alphabet... or risk being scrapped as a failed enterprise.”

The moonshot projects would no longer have to justify themselves as adding value to Google’s core search business as they would be standalone operations, to rise or fall on their own, opined analysts. They had to support themselves in the market rather than be falsely buoyed by the Google brand name. Rik Moore, head of creative strategy at Havas Media, said, “It allows the best of both worlds – to both protect Google from association with any future false starts, while giving new projects breathing space to find their own identity away from the Google mega-brand.”

Limiting Liability

The restructuring would limit liability. Alphabet as a holding company would not be liable for the debts of its subsidiaries, while the subsidiaries would not be liable for each other’s debts. Moreover, the creation of subsidiaries implied that potential legal fallouts or the failure of any risky bet would not impact the rest of the holding. Prior to restructuring, if one of the new projects failed, Google had to bear the loss but with its new structure, Alphabet would shield itself from the liability of its risky moonshots, said analysts. “With its new structure, Alphabet is insulating its vague and risky businesses (Calico, Sidewalk, Fiber, Google X) from the tried and true ones (Search, Ads, Apps, Android, YouTube, Maps). So, if one or more of these “bets” fails (big?), it would be sinking its own boat rather than bringing down the entire ship,” remarked Stepan. Moreover, having several subsidiaries might yield more tax advantages than having one large company with combined profit and losses, felt some analysts.
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Corporate Transparency

According to analysts, greater transparency of both cash flows as well as investments would prompt greater discipline and accountability across the company, allow better analysis and valuation of the individual businesses, and increase shareholder value. Investors would be better able to value Alphabet’s individual companies based solely on their financial performance. There would also be more disclosure around operations of the company’s main search business, including YouTube, mobile search, and online advertising, which Google had not disclosed earlier. Analysts said the new structure would improve corporate transparency, providing investors with a clear oversight of the company’s businesses, thereby fueling better decisions and increasing the stock price of the company.

Averting Anti-trust Regulation

Over the years, Google as a single entity, had been the target of anti-trust legislation in the US and Europe. European regulators were hostile toward Google and viewed its growing footprint and internet monopoly as a threat to their local business interests. The company had faced inquiries from a number of different governments regarding its business practices, data collection methods, and privacy policies. In fact, the European Commission had accused Google of engaging in anti-competitive practices by privileging its own products and services over those of competitors in its search engine. Analysts felt that by spinning off its arms, Google might be able to pre-empt anti-trust regulation and placate regulators who were worried about Google becoming too powerful as a single entity.

Moreover, for some years, Google had been criticized for its approach to tax, data protection, and international secrecy. Experts said the shift from a single ‘Branded House’ approach toward a pure ‘House of Brands’ architecture would make Alphabet less vulnerable to scandals. “By creating a house of brands and the Alphabet holding company they distance corporate risk from brand equity and reduce any potential impact of corporate misdeeds on its consumer brands,” observed columnist Mark Ritson.

Talent Retention and Employee Acquisition

According to some analysts, the reorganization would allow entrepreneurship within the company to flourish, promote good talent, and prevent talent loss. More talented senior executives, who otherwise might get poached by other powerful competitors, would be promoted within the company. Reportedly social networking service Twitter Inc had been pursuing Pichai as its future CEO around the time the reorganization was announced. “You have a number of long-time people who’ve been at Google, and eventually they want to run their own things, run their own shows. It’s hard when top management is locked in and you can’t really change it,” said Danny Sullivan, an industry expert on search engines.

By creating a portfolio of separate businesses, Alphabet would also open up many more high ranking executive openings. There would be more opportunities to hire responsible managers with in-depth knowledge in certain areas for the individual companies in the holding. The move would also allow Alphabet to employ different leadership styles and develop different cultural variations for each of its businesses. Google had created a highly distinctive culture such as its popular HR policy called ‘Innovation Time Off’ and its campus-based community approach. The new Alphabet would allow the company to alter the company’s unique culture according to the needs of each business. For instance, visionaries, risk-takers, and engineering whiz kids might better fit in with moonshot companies while disciplined go-getters would do better in its more mature businesses.

1 Introduced in 2010, ‘Innovation Time Off’ allowed Google’s employees to work on any company related work of their choice other than their regular job tasks for 20% percent of their total working time.
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Paving Way for More Acquisitions

Industry observers felt that Google’s acquisitions over a period of time had been overshadowed by doubts on how these new aspects of the business would fit in with the pre-existing facets of the business. Although some acquisitions such as YouTube were successful, many acquisitions had been either wholly swallowed up like Keyhole Inc1 or simply shut down as in the case of Dodgeball.

Analysts said the new holding company structure would make it easier to bring in new acquisitions, since the new businesses could be added without having to be bundled together with Google’s core business. The opportunity to gain access to Google’s talent pool, corporate relationships, and high level of independence that could not easily be offered by Google’s former management structure would create an unparalleled value proposition for future acquisitions targets, they added. “What Silicon Valley values is innovation and scale, which is what acquisitions can help heighten. This concept is something that Google perhaps could not offer other companies. In order for Google to increase its chances of purchasing a multi-billion-dollar company, it must promote – at the forefront of their agenda – that a company along with its employees could exist under Google without losing sight of its uniqueness. The Alphabet structure could make this easier to implement, with its guarantee of generally neutral feuding,”2 wrote author Katie Wong.

CRITICISM

Some analysts were, however, skeptical about the level of clarity the reorganization would actually bring as it was not clear how much of its quarterly financial information Alphabet was willing to share. They felt that the financial details disclosed by the new company were more or less similar to the ones discussed in Google’s earlier earnings reports with only the labels being changed and other minor details added. Alice Truong Deputy growth editor at Quartz, Asia, commented, “On balance the news is positive as this provides for incremental transparency into Google’s business and suggests the company is looking for ways to balance founder and employee interests with those of investors. It may be overly optimistic at this point to hope for discrete business unit breakouts for the display network business GDN, YouTube, other Doubleclick-related activities, Google Play, Android, etc. Further, it remains to be seen whether or not key cash flow items such as capital expenditures—which are not commonly broken out by companies with multiple reporting segments, but which are particularly critical for Google—will be disclosed at the segment level.”25

According to some critics, the name ‘Alphabet’ was neither innovative nor catchy and it made it look as if the company was starting from scratch. They wondered why the new holding company had defected from the extremely valuable core name, Google. The spinoff businesses could have benefited from the powerful brand name, they added. Jim Prior, CEO of international brand consulting agencies The Partners and Lambie-Nairn, said, “As a Brand Consultant I do understand how that familiarisation process works – I just think it could have, should have, been something better and cooler than the overly simplistic Alphabet. What this name fails to convey to me is any sense of the specialness of the corporation, nor its ambition, long-term view, empowerment, scale, transparency, focus or humanity – which are the things Larry writes in his memo that they are excited about.”27

Some analysts felt it was not yet clear how the reorganization would increase the profitability and valuation of Google. They said other than the name change, there was not much happening differently. Experts opined that the restructuring had not led to a compelling tangible corporate strategy for the overall enterprise. Moreover, according to them, the reorganization failed to

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1 Google acquired Keyhole, a digital mapping firm, in 2004 and integrated it into Google Maps in 2005.

2 Dodgeball, a location-based social networking software provider for mobile devices, was acquired by Google in 2005 and later shut down in 2009.
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Alphabet Inc., headquartered in Cupertino, California, US, is one of the biggest technology companies in the world. It mainly focuses on designing and selling consumer electronics products.

address how Alphabet’s businesses would become economically stronger and its projects more likely to succeed as they operated under a holding company. “Yes, the company's new structure is now clearer to the outside world, but its strategy remains as opaque as ever. As long as that’s the case, Alphabet is just a new dog trying an old trick to appease the outside world and cope with internal complexity,” remarked Ken Favaro, a Forbes contributor.

Moreover some experts felt that disclosing the financial details for risky bets might lead to investors calling for the closure of some underperforming units. Allowing investors to know the particulars of cash flows might not be the wisest thing to do for a company like Google that spent heavily on an uncertain variable like innovation, they said. Some analysts felt that post restructuring, Alphabet might lose its purpose and unifying vision because some of its high profile moonshot projects supported the company’s core activity of creating audiences for ads. For instance, the self-driving car project could allow users to free up commute time that they could use to access the internet. Project Loon, which aimed to bring the internet to remote areas, would add more customers to Google’s search business. Calling the move a risky bet, Julian Birkinshaw (Birkinshaw), Professor of Strategy and Entrepreneurship, London Business School, said, “I suspect that by creating Alphabet, Page and Brin are opening up a Pandora’s box of commentary and criticism that they could well do without. The only sustainable model for all Google’s really creative business ideas is a Private Equity model, or perhaps a foundation, where they can work on their ‘moonshot’ ventures away from the glare of the public capital markets.”

INITIAL RESULTS

Beginning the fourth quarter 2015, Alphabet reported separate financial results for the core Google business and the remaining Alphabet businesses as ‘Other Bets’. In the fourth quarter, Google’s revenues were US$21.3 billion, topping analyst expectations of US$20.77 billion up by 18% year-over-year. A majority of Alphabet’s earnings were derived from Google’s core search business. In fiscal 2015, Google’s revenues were US$74.5 billion and it generated profits of US$23.4 billion. In contrast, “Other Bets” posted revenues of US$448 million and reported an operating loss of US$3.56 billion.

Shortly after it announced its first quarterly results in February 2016, Alphabet briefly displaced Apple as the world’s most valuable company by stock-market capitalization (See Exhibit VI). Topping analysts’ expectations, the fourth quarter results drove up the company’s shares by as much as 8%. For the first time on February 2, 2016, Alphabet surpassed Apple Inc to become the world’s most valuable company, after reporting higher profit and sales fueled by a flourishing advertising business that supported ambitious new projects. Alphabet’s shares rose 1.7% pushing its market capitalization to US$531 billion, while Apple’s market value was US$523.9 billion.

Reportedly, in the six months since Google restructured to become Alphabet, the company’s market capitalization had increased by US$200 billion, almost doubling its total value despite its products line-up remaining much the same. “Alphabet’s core business looks very healthy. That’s going to build investors’ confidence about the other bets they’ve been making,” said Josh Olson, an analyst at investing company Edward Jones & Co.

In fiscal 2016, Alphabet brought in US$90.3 billion in revenue, a 20% growth from US$75 billion in 2015 (See Exhibit VII). Revenues from the Google segment were US$89.5 billion while that of ‘Other Bets’ were US$809 million. According to industry observers, Porat had instilled a sense of financial discipline across the company and cut costs, thereby increasing the company’s financial strength and stability. “Our growth in the fourth quarter was exceptional -- with revenues up 22% year on year and 24% on a constant currency basis. This performance was led by mobile search and YouTube. We’re seeing great momentum in Google’s newer investment areas and ongoing strong progress in Other Bets,” observed Porat.

1 Apple Inc., headquartered in Cupertino, California, US, is one of the biggest technology companies in the world. It mainly focuses on designing and selling consumer electronics products.
Analysts said though the restructuring had brought detailed segment level reporting, given that many of Alphabet’s businesses were still in early stages and non-revenue generating, there might not be a lot of numbers to show at the beginning and it would take some time for the reorganization to bear fruit. According to Om Malik, founder of technology research and analysis firm Gigaom, “It will be some time before we see the complete impact of taking this direction. I think it is a timely move for a company that has been getting fat and bloated. Google of today is not even a faint outline of a plucky upstart that wanted to simplify the web search.”

CHALLENGES

According to industry experts, Alphabet’s ‘Other Bets’ were turning into financial black holes as they had been losing billions of dollars annually. Reportedly in the fourth quarter of 2016, Alphabet had lost nearly US$1.1 billion from its ‘Other Bets’ division. In 2016, the total loss posted by this division was about US$3.6 billion. “Even if the amounts of money involved in some of Google’s crazier ventures are relatively small, investors will be saying ‘why is Google doing this stuff with my money?’ This is one of the dark sides of transparency. We don’t want to see sausages being made, but we are quite happy to consume the end product. Investors will struggle to understand Page and Brin’s big ideas, especially while they are still being developed. And they will have no patience for failure,” commented Birkinshaw.

Analysts said that Alphabet desperately needed a hit product or service from the non-core businesses in order to gain the confidence of the investors. Moreover, they said that Alphabet had to sustain and support individual businesses within the new corporate structure and this could prove to be a costly proposition from a branding perspective.

Some analysts felt that the clock was ticking on Google’s dominance in the internet search business. Though Google’s core search and advertising business looked unbeatable for the time being, going forward, its services such as YouTube and Google Cloud could face tough competition from rivals such as Facebook and Amazon respectively who were trying to grab a bigger slice of the lucrative online advertising market.

Some analysts were worried that Google’s culture built on focusing on innovation over profits was fast dissolving. They were concerned that Alphabet’s fiscal prudence and sharp focus on the bottom line would hamper technological innovation at the company. Some former employees had reportedly disclosed how expense and revenue expectations, once rare at the moonshot divisions, had become common since the Alphabet reorganization. Moreover, some analysts felt that the new structure might create new obstacles to innovation and create unhealthy competition within Alphabet as creation of new cost centers might raise incentives for each business unit to compete among themselves, removing the possibility of employees allocated in a given division participating in new ventures elsewhere. According to Nelson Alves, Financial Controller at EDP, “Firstly, will the usual freedom for employees to invest time in new projects be maintained? Employees are considered a cost in the companies where they belong, therefore, to have them working for other units for free is helping others at the cost of our own budget. You can extrapolate the previous example to other types of resources. This myopic view is very common when the management allow silos within the organization.”

Though the new holding structure would allow subsidiaries to co-exist with Google under the Alphabet holding, the culture, compensation, and expansion strategy of these businesses would be fundamentally different from that of Google. These issues might become significant management challenges going forward. Moreover, some Alphabet businesses might compete against each other or overlap in ways that might lead to conflicts of interest.

Some observers felt that the demand for financial discipline and accountability across the company had taken a toll on the moonshot businesses as these ventures were facing unprecedented pressure to bring their costs in line with their revenue (See Exhibit VIII). Reportedly, Porat had been
Alphabet Inc.: Reorganizing Google

scaling back or shutting down projects that had been losing money or were seeking heavy investments. For instance, Alphabet had decided to put its Boston Dynamics robotics business unit up for sale as the company felt it was not likely to produce a marketable product and make money in the future. Alphabet also scaled back its efforts with drones and scrapped its modular smartphone project Project Ara as part of a larger effort to consolidate its hardware operations, which included products like its Nexus smartphones and Chromebook computers. Amid a shift in strategy, Google Fiber also decided to trim its high-speed internet service plans in 11 US cities and planned to lay off 9% of its workforce. According to Dieter Bohn, founding editor of The Verge, “It occurs to me that it’s just the latest in a string of missteps and corrections for both Alphabet and Google. You can look at all this as a company flailing, or you can look at it as a sign of a company that’s cleaning house and locking things down without being willing to publicly say so. Alphabet has been a confusing company from the jump, a mix of random product ideas from crazy moonshots to utilitarian smartphone appliances. Perhaps it’s simply time for said company to start demanding the kind of focus and fiscal responsibility that we historically haven’t seen a ton of with Google’s weirder projects.”

Alphabet’s changing priorities pushed some key executives to quit the company. Nearly a third of the Alphabet subsidiaries (as of February 2016, there were ten Alphabet subsidiaries apart from Google), were facing major leadership challenges. In June 2016, Nest founder Tony Fadell left the company saying that the “the fiscal-discipline era has now descended upon everything” and that each business within Alphabet had to depend on Google for the capital in order to grow. According to some reports, the increased pressure on Nest to perform and deliver profitable results as a standalone unit inside the new Alphabet operating structure limited its ability to innovate and led to the departure of Fadell. Marwan Fawaz, a cable and telecom industry veteran, was appointed as the new CEO of Nest while Fadell continued as an adviser to Alphabet.

This was followed by the exit of some key executives from Alphabet’s prestigious self-driving car project. In August 2016, CTO Chris Urmson, who had been the face of the self-driving car project since its launch in 2009, left the company. His departure raised a host of questions about the future of Alphabet’s driverless vehicles. In December 2016, Alphabet spun off the self-driving car division, earlier a unit of X, into an independent company called Waymo. During the same period, Bill Maris, founder and head of Google’s investing arm GV, stepped aside after running the company for close to eight years. He was replaced by David Krane, managing partner of the venture arm. This was followed by the departure of CEO of Google Fiber Craig Barratt in October 2016. Reportedly, Barratt left Google Fiber because he was worried about procuring resources for his company post restructuring. In October 2016, Dave Vos, head of Project Wing, a drone delivery program of Alphabet managed by X, also stepped down.

The company’s research lab X too had been struggling to get products out the door amidst internal politics. Several executives who left X said that instead of accelerating the moonshot divisions, the reshuffle had clogged up many of X’s projects including Project Loon, drones, and robotics which since then had become rudderless. Alphabet’s life sciences company Verily was also facing turbulence with many employees quitting the startup reportedly over CEO Andy Conrad whose allegedly divisive practices were said to be driving off top talent. However, Porat played down analysts’ concerns of instability at ‘Other Bets’ stressing that these ventures were on a “longer time horizon” and that Alphabet was resetting some of them as they were trying to build sustainable business models. “As we reach for moonshots that will have a big impact in the longer term, it’s inevitable that there will be course corrections along the way, and that some efforts will be more successful than others,” Porat said.

m Project Ara, one of the flagship efforts of Google’s Advanced Technology and Projects group, aimed to build fully modular smartphones with interchangeable components.
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THE ROAD AHEAD

As of November 2016, Alphabet was the second most valuable company in the world, worth around US$528 billion, not far behind Apple, valued at US$589 billion, and ahead of Microsoft Corporation, valued at US$468 billion. Analysts said Alphabet’s other companies were wildly ambitious and they would hardly make a dent in Google’s finances owing to the huge profitability of Google’s search business. According to them, Alphabet was a catalyst that could bring together human talent, technology scale, long-horizon venture and investment approaches to build new business models that could challenge rivals in a wide array of industries in the future. For instance, Alphabet could be attractive to technologists working at GE and Microsoft Research and if the company could scale up ventures like Google Fiber and Project Loon, telecommunication giants such as AT&T, Verizon, and Comcast would be at risk. “But just because the projects do not bring in much money, it does not mean they have no effect on the company’s performance. If anything, it is the opposite: Alphabet is now the largest company in the world not because of the money it makes today, which pales in comparison to the former reigning champion Apple, but because of the money it could make tomorrow, the day after, or in 50 years,” remarked Alex Hern, a technology reporter for the Guardian.

Going forward, the company planned to focus on cloud based computing and artificial-intelligence initiatives and cull investment in non-profitable bets. Pichai said cloud would to be one of the largest areas of investment and growth for Google in 2017. A strong digital ad market and the company’s expertise in artificial intelligence to sell cloud-based computing and analytics to big businesses could push Alphabet shares to over US$1,000 in a period of one year (See Exhibit IX). Some industry observers predicted that Alphabet would likely be one of the dominant conglomerates in the world in the future. Given the resources remaining at its disposal, the company should have no worries about its financial future, they said. According to Stepan, “Today, tech companies like Alibaba and Alphabet are redefining this conventional wisdom, (re)creating conglomerates which sprawl industries, customers, and geographies. Call it innovation: not in technology, but instead in the tech business. These structures make sense from a business, finance, and legal perspective, and could well become guiding case studies for similar giants. Like Facebook. Or Apple.”

However, some analysts pointed out that the transformation of Alphabet was still a work in progress and its long-term goals still remained unclear. With the search going on for sustainable business models for its moonshot divisions ventures, Alphabet had held back from making any disclosures about if or when some of these projects would pay off. Moreover, it was unclear how the group’s divisions would be ultimately managed as they become more freestanding. Analysts said the lack of a precedent for each entity under the Alphabet umbrella and the vagueness of their aims would further add to the risks of failure of the company. As Michael A. Cusumano, Communications of the ACM, noted, “But is Google’s transformation into Alphabet Inc. a good bet—for Google investors and users, and society more broadly? That simple question raises big issues, such as how much should we expect large corporations to invest in research that might benefit society but not their bottom lines, and how might large corporations better use the money they do invest in research and new ventures?”

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α Microsoft Corporation, headquartered in Redmond, Washington, US, is leading multinational software corporation.

Exhibit I

Google’s Structure 2014-2015 (Before Reorganization)

Source: hbtlj.org/articlearchive/v16i1/16HousBusTaxLJ1.pdf

Exhibit II

Google’s Reorganization under DGCL Section 251 (g)

Source: hbtlj.org/articlearchive/v16i1/16HousBusTaxLJ1.pdf
### Exhibit III

Structure of Alphabet Inc

<table>
<thead>
<tr>
<th>ALPHABET</th>
<th>Larry Page, CEO</th>
<th>Sergey Brin, President</th>
<th>Eric Schmidt, Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access &amp; Energyn</td>
<td>Craig Barratt</td>
<td>Energy and Internet access – including Fiber, which provides low-cost broadband.</td>
<td></td>
</tr>
<tr>
<td>verily</td>
<td>Andy Conrad</td>
<td>Healthcare and disease prevention research. Formerly Google Life Sciences.</td>
<td></td>
</tr>
<tr>
<td>Sundar Pichai</td>
<td>Google Ventures</td>
<td>All of Google's 'traditional' products are here.</td>
<td></td>
</tr>
<tr>
<td>Astro Teller</td>
<td>Bill Maris</td>
<td>Secretive Moonshot and outlandish projects.</td>
<td></td>
</tr>
<tr>
<td>G/</td>
<td>David Lawee</td>
<td>A growth equity fund that draws on advisors from Google to help portfolio companies.</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>Demis Hassabis</td>
<td>Artificial intelligence Research.</td>
<td></td>
</tr>
<tr>
<td>jigsaw</td>
<td>Jared Cohen</td>
<td>Technology Innovator tackling geopolitical challenges.</td>
<td></td>
</tr>
<tr>
<td>Project Loon</td>
<td>Delivering internet to the Developing world with high-altitude balloons.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Titan</td>
<td>High-altitude, solar-powered Internet-delivering drones.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Google Adsense</td>
<td>Adverts, which drive the majority of Google's revenue.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATAP</td>
<td>Advanced Technology and Projects. A busy research lab.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YouTube</td>
<td>Video hosting site was acquired by Google in 2006.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Google Apps for Work</td>
<td>Applications like Google Docs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Google</td>
<td>Google's dominant mobile operating system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Google for Work</td>
<td>Google's enterprise division.</td>
<td></td>
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</tr>
</tbody>
</table>

Note: The list of Google departments is non-exhaustive, as is the list of Google X projects – because they're so secretive.

Source: [http://www.businessinsider.in](http://www.businessinsider.in)
### Exhibit IV

**Alphabet’s Top Management**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larry Page</td>
<td>Chief Executive Officer, Alphabet, Co-Founder and Director</td>
</tr>
<tr>
<td>Sergey Brin</td>
<td>President, Alphabet, Co-Founder and Director</td>
</tr>
<tr>
<td>Eric E. Schmidt</td>
<td>Executive Chairman of the Board of Directors</td>
</tr>
<tr>
<td>L. John Doerr</td>
<td>Director</td>
</tr>
<tr>
<td>Diane B. Greene</td>
<td>Senior Vice President, Google, and Director</td>
</tr>
<tr>
<td>John L. Hennessy</td>
<td>Lead Independent Director</td>
</tr>
<tr>
<td>Ann Mather</td>
<td>Director</td>
</tr>
<tr>
<td>Alan R. Mulally</td>
<td>Director</td>
</tr>
<tr>
<td>Paul S. Otellini</td>
<td>Director</td>
</tr>
<tr>
<td>K. Ram Shriram</td>
<td>Director</td>
</tr>
<tr>
<td>Shirley M. Tilghman</td>
<td>Director</td>
</tr>
<tr>
<td>David C. Drummond</td>
<td>Senior Vice President, Corporate Development, Chief Legal Officer, and Secretary, Alphabet</td>
</tr>
<tr>
<td>Sundar Pichai</td>
<td>Chief Executive Officer, Google</td>
</tr>
<tr>
<td>Ruth M. Porat</td>
<td>Senior Vice President and Chief Financial Officer, Alphabet and Google</td>
</tr>
</tbody>
</table>

*Source: https://www.sec.gov/Archives/edgar/data/1652044/000130817916000384/lgoog_def14a.htm*
Exhibit V

Alphabet Inc- Code of Conduct for Employees

I. Avoid Conflicts of Interest

A conflict of interest may arise any time competing loyalties could cause you to pursue a personal benefit for you, your friends, or your family at the expense of Alphabet or our customers. Avoid conflicts of interest and circumstances that reasonably appear to be a conflict. Sometimes a situation that previously didn’t present a conflict of interest may develop into one.

When faced with a potential conflict, ask yourself:

Would this activity create an actual or apparent incentive for me to benefit myself, my friends, or my family?

Would this activity harm my reputation or hurt my ability to do my job?

Would this activity embarrass Alphabet or me if it showed up in the press?

If the answer to any of these questions is “yes,” the relationship or situation is likely to constitute a conflict of interest, and you should avoid it.

II. Ensure Financial Integrity and Responsibility

Ensure that money is appropriately spent, our financial records are complete and accurate, and our internal controls are honored.

If your job involves the financial recording of our transactions, make sure that you’re familiar with all relevant policies, including those relating to revenue recognition.

Never interfere with the auditing of financial records. Similarly, never falsify any company record or account.

If you suspect or observe any irregularities relating to financial integrity or fiscal responsibility, no matter how small, immediately report them.

III. Obey the Law

Comply with all applicable legal requirements and understand the major laws and regulations that apply to your work.

Source: https://abc.xyz/investor/other/code-of-conduct.html

Exhibit VI

Alphabet vs Apple


Exhibit VII
Alphabet Inc-Segment wise Consolidated Revenues

Amount in millions of US Dollars

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Google Segment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Google properties</td>
<td>45,085</td>
<td>52,357</td>
<td>63,785</td>
</tr>
<tr>
<td>Google Network Members’ properties</td>
<td>14,539</td>
<td>15,033</td>
<td>15,598</td>
</tr>
<tr>
<td>Google advertising revenues</td>
<td>59,624</td>
<td>67,390</td>
<td>79,383</td>
</tr>
<tr>
<td>Google Other revenues</td>
<td>6,050</td>
<td>7,154</td>
<td>10,080</td>
</tr>
<tr>
<td><strong>Google segment revenues</strong></td>
<td><strong>65,674</strong></td>
<td><strong>74,544</strong></td>
<td><strong>89,463</strong></td>
</tr>
<tr>
<td><strong>Other Bets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Bets revenues</td>
<td>327</td>
<td>445</td>
<td>809</td>
</tr>
<tr>
<td><strong>Consolidated revenues</strong></td>
<td><strong>66,001</strong></td>
<td><strong>74,989</strong></td>
<td><strong>90,272</strong></td>
</tr>
</tbody>
</table>

Source: https://abc.xyz/investor/

Exhibit VIII

Alphabet Inc: 2015-2016 Quarterly Revenues

Amount in millions of US Dollars

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Google segment revenues</td>
<td>17,178</td>
<td>20,091</td>
<td>17,653</td>
<td>21,315</td>
<td>18,534</td>
<td>22,254</td>
<td>21,179</td>
</tr>
<tr>
<td>Google operating income</td>
<td>5,188</td>
<td>6,272</td>
<td>5,608</td>
<td>6,994</td>
<td>5,807</td>
<td>6,778</td>
<td>6,744</td>
</tr>
<tr>
<td>Other Bets revenues</td>
<td>80</td>
<td>166</td>
<td>74</td>
<td>185</td>
<td>141</td>
<td>197</td>
<td>150</td>
</tr>
<tr>
<td>Other Bets operating loss</td>
<td>(633)</td>
<td>(802)</td>
<td>(660)</td>
<td>(859)</td>
<td>(980)</td>
<td>(865)</td>
<td>(1,213)</td>
</tr>
</tbody>
</table>

Source: https://abc.xyz/investor/
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Exhibit IX


Source: http://bigcharts.marketwatch.com

End Notes:

1 https://googleblog.blogspot.in/2015/08/google-alphabet.html.
3 http://www.google.co.in/about/company/
14 https://abc.xyz/investor/founders-letters/2015/
15 https://abc.xyz/investor/founders-letters/2015/
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29 “Why Google’s Alphabet is a Risky Bet That will End in Tears,” www.forbes.com, August 17, 2015.
34 “Why Google’s Alphabet is a Risky Bet that will End in Tears,” www.forbes.com, August 17, 2015.