

**We invest in winners.** This means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

### Alphabet Inc.

Since it was founded in 1998, Alphabet has become an integral part of our professional and leisure activities. Nine core products each have more than one billion active users per month: Android, Chrome, Gmail, Google Drive, Google Maps, Google Play, Google Photos, Google Search and YouTube. Google Pay could join the ranks in the next few years. The vision of the company is to empower all people with tools they need to improve their knowledge, their health, their happiness and their success. This allows the technology group to grow continuously, with high profitability and without large capital investments. Adjusted for free cash, which totals USD 114 billion, Alphabet achieved a high operating margin of 30% in relation to total capital employed (ROCE) last year (table).

	2022	2021	2020	2019	2018
Sales in billions USD	283	258	183	162	137
EBIT in billions USD	75	78	41	34	28
ROCE	30%	36%	23%	22%	22%

At the same time, Alphabet is investing significant amounts in research and development (14% of revenues) to extend the relevance of the ecosystem with new features and products (“We are continually innovating and building new products and features.”). Income continues to be primarily driven by advertising revenues. They correlate with worldwide internet usage and are driven by

growth, i.e. an increase in worldwide clicks (paid clicks) with a simultaneous disproportionately low decline in income per click (cost-per-click), which increased again in 2021, and very low production costs. These costs are calculated as the TAC rate (traffic acquisition costs), i.e. payments for network and distribution partners in relation to advertising revenues (table).

	2022	2021	2020	2019	2018
Δ Paid clicks	10%	23%	19%	23%	62%
Δ Cost-per-click	-1%	15%	-10%	-7%	-25%
TAC rate	22%	22%	22%	22%	23%

Thanks to cloud services (Cloud Platform, Workspace), Google Play, YouTube Premium/TV as well as Nest (smart home), Pixel (Laptops, Smartphones) and Fitbit (Wearables), Alphabet generates 21% of its revenues independent of advertising (table).

	2022	2021	2020	2019	2018
Advertising revenues	79%	81%	81%	83%	85%
Other revenues	21%	19%	19%	17%	15%

Alphabet is a long-term core position in our fund: an innovative, digital and AI-focused winner with significant brand equity and powerful network effects. We consider the shares to be a debt-free “equity bond” with growing coupons and permanent cash value protection - the current yield is 5%.

Sincerely yours



J. Henrik Muhle



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