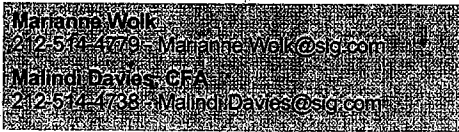


Exhibit A



Google Inc.

GOOG	\$407.99 OPEN
Rating	Positive

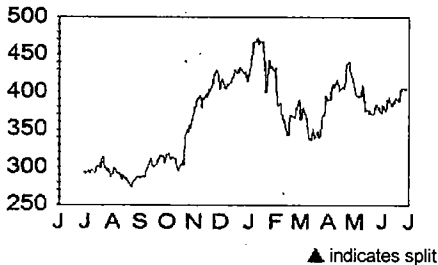
52-Week Range (\$)	475-196
Shrs Out (mln)	309
Avg Daily Vol (000)	10,929
Market Cap (\$mln)	116,470
Ent Value (\$mln)	106,976
Debt/Cap	0.0%
Net Cash/Shr	\$30.68
Equity in AOL	\$3.23
C2005 EBITDA	2,623.8
C2006 EBITDA	4,329.0
C2007E EBITDA	5,868.0
EV / C2007E EBITDA	18.2x

Fiscal Year December

EPS	2005A	2006E	Prior	2007E	Prior
1Q	1.23	2.29A		3.03	
2Q	1.33	2.40		3.10	
3Q	1.51	2.43		3.12	
4Q	1.54	2.89		3.57	
PF EPS	5.60	10.01		12.82	
PF P/E		37.6x		29.4x	
GAAP EPS	5.02	8.20		10.83	
GAAP P/E		45.9x		34.8x	
Rev (\$M)					
1Q	795	1,531A		2,095	
2Q	890	1,589		2,176	
3Q	1,049	1,645		2,233	
4Q	1,290	1,963		2,525	
Rev (\$M)	4,024	6,728		9,028	
EV/Rev		15.9x		11.8x	

GAAP ex 1x items. PF ests ex 1x items & stock comp., after tax.

GOOG Share Price (LTM)



Source: SFG Research and company reports

Google Inc.
GOOG: \$407.99 OPEN

Rating: Positive

Google Launches Payments, Mostly As Expected

Google unveiled its payments platform today, largely in line with expectations. In our view, the promise of Google Checkout is the ability for Google to more closely match its advertising with eCommerce revenue. Longer term, this could lead to higher ad pricing and a potential shift in Google's business model from price-per-click to price-per-action or even revenue sharing. Regardless, it should be able to improve its monetization by optimizing ads for eCommerce sales rather than click-through, which should translate into higher ROIs for advertisers.

HIGHLIGHTS

- **This morning Google unveiled its long-awaited payments platform, "Google Checkout."** As we indicated in our June 12 report, details of the forthcoming offering have been available since June 2005. **Neutral Factor**
- **Preliminary details suggest Google will rollout Checkout to approximately 100 merchants.** (Refer to Figure 1.) As an incentive for merchants to participate, Google is offering to process \$10 in sales for every \$1 spent in advertising on AdWords (for an unknown period of time). Otherwise, pricing is roughly as anticipated at 2.0% and \$0.20 per transaction (slightly below the 2.5% and \$0.25 we estimated in our June 12 report and in line with PayPal's 1.9% and \$0.30 for merchants with monthly payments of \$100,000 or more). In addition, Google is offering a Payment Guarantee to protect sellers, will refund eligible transactions within 10 days (on a select basis) and will fight chargebacks on sellers' behalf. Finally, Google will disburse funds to merchants' bank accounts for sales processed through Checkout every two days; this is not a stored value account. Google is launching Checkout including integration with other merchant shopping cart applications from Mercantec, Monster Commerce, Shopsite, Volusion, Infopia, and ChannelAdvisor. **Neutral Factor**
- **What else is new, relative to Google's challenges in attracting consumers to Google Checkout?** Google is marketing the offering as a single-payment solution for the web that consumers can use with the ease of a username and password. Google Checkout will support coupons and gift certificates at launch. To assure security, Google is permitting shoppers to choose whether or not to hide their email addresses from merchants. Google will also conceal credit card information from merchants. At launch, Google is offering a one-time \$10 rebate on orders of \$20 or more from about 16 stores (refer to Figure 1). **Positive Factor**
- **Many other unanswered questions about Google Checkout.** We have limited information as to the back office processing for Google Checkout (insourced or outsourced), its ability to manage regulatory challenges (particularly for international banking), customer service provisions for buyers and sellers, handling of returns, etc. **Neutral Factor**
- **Growth driver for AdWords?** Google is offering to process *for free* sales equal to 10x merchant's AdWords spending. At the same time, Google appears to be trying to capture more activity from smaller businesses without web sites, featuring the ease of online commerce for these SMEs by listing on Google Base and relying on Google Checkout. We believe the payments platform may improve conversion rates (making it easier for consumers to purchase items listed in search results), which would raise revenue. More interesting is the potential for Google to monitor transaction revenue per advertisement, market its performance/ROI relative to competitors, optimize its platform to generate higher ecommerce sales and longer term to alter ad payments from pay per click (e.g., sales lead) to revenue sharing. **Positive Factor**
- **Overall, we believe Google's entrance into the payments business has long term potential...** We see three major positives from Google Checkout: 1) it is entering a high-growth, high-margin (~30%) market dominated by direct credit card payments today; 2) relatively easy upselling to Google's substantial 400,000+ AdWords merchants, which are likely to adopt the offering (alongside other payment platforms) as there is no cost to trying it; and 3) payments should accelerate AdWords advertising sales (see above). **Positive Factor**
- **...If Google can overcome several key challenges.** In our view, Google will need to overcome concerns about security and privacy if it is to attract consumer adoption of its

Checkout solution. Google lacks any consumer registrations outside of its fledgling Gmail offering, which has just 8 mln U.S. users (according to comScore). Given ongoing clickfraud and privacy concerns, it could face challenges convincing consumers to trust Google with their credit cards and purchase information (which is likely to be used to target them with future ads). Finally, Google's last two efforts at eCommerce – Froogle and Google Base – have seen only modest success. **Negative Factor**

CONTRA CASE

Risks include intensifying competition that could limit Google's ability to drive long-term growth and profitability in line with expectations. Google also faces risks related to its numerous investments in new products, which may not yield desired returns. In addition, deterioration in global economies could slow the secular shift to online advertising that underlies Google's business expansion.

Figure 1. Google is Launching its Checkout Offering with 100 Merchants

Google A few places to shop
Checkout [Google Checkout](#) | [Help](#)

 Levi's	 Timberland	 Buy.com	 Starbucks Store
 Zales	 Jockey	 GNC	 Dick's Sporting Goods
 Ritz Camera	 BlueFly	 Aeropostale	 Tweeter
 eCost	 Dockers	 Fossil (coming soon)	 Ace Hardware (coming soon)

Get \$10 off from these stores

To get **\$10 off** your order of **\$20 or more** from these stores, enter the coupon code listed below during Google Checkout. (Discount valid once per store)

Starbucks Store Coupon code: c96924	Jockey Coupon code: jockeyg	eCost Coupon code: ecost10off	CD Universe Coupon code: gbuy10
CSN Rugs Coupon code: g10csn	DVD Empire Coupon code: 1167311	All Childrens Furniture Coupon code: g10csn	Magazines.com Coupon code: google10
Football Fanatics Coupon code: googleff123321	Racks and Stands Coupon code: g10csn	Select Blinds Coupon code: google10	CSN Lighting Coupon code: g10csn
Golf Balls.com Coupon code: googlegolf	Best Buy Eye Glasses Coupon code: gog10d	Improvement Direct Coupon code: googpay	uBid Coupon automatically applied at checkout

Other recently added stores

Accent Furniture Direct	Dining Rooms Direct	LightingDirect	Shop PBS (coming soon)
Adirondack Furniture Direct	Discount Dance Supply Dockers	Locker Supply	Skates.com
All Barstools	eAngler	Luggage.com	Skates on Haight
All Modern Furniture	EdmundsScientific	Mac Friends	Snorkel Bob
Ashford.com	eGeneralMedical	Mobile PC	SpinLife
Avenue You	FaucetDirect	More Home	Sports Authority (coming soon)
Baby Furniture Online	FixturesDirect	Morton Golf	StovesDepot
BackCountry	Fogdog (coming soon)	Mounts and More	Superior Galleries
BaggageForLess	Gl Joe (coming soon)	O'Sullivan Furniture Direct	Teak, Wicker and More
Bedroom Furniture Direct	GlobalGolfUSA	OpAmerica	The Furniture
Best Prices	Google Store	Outer Banks Outfitters	Thermosource
BlindSelect	Google Video Store	Photo Alley	ToolsDirect
Boaters World	Grapevinehill	Planet Shoes	Trendy Tags
Bretford Central	HandleSets	PlumbingDirect	Venting Systems
Bush Furniture Central	Household Appliance	Premier Mounts Central	VentingPipe

Source: Google.com

Figure 2. Google Checkout is Easy to Try



Find it with Google. Buy it with Google Checkout.

Want a faster, safer and more convenient way to shop online? You got it.

Stop creating multiple accounts and passwords.

With Google Checkout™ you can quickly and easily buy from stores across the web and track all your orders and shipping in one place.

Shop with confidence.

Our fraud protection policy covers you against unauthorized purchases made through Google Checkout, and we don't share your purchase history or full credit card number with sellers.

Control commercial spam.

You can keep your email address confidential, and easily turn off unwanted emails from stores where you use Google Checkout.

citi Citi® cardmember? [Register your Citi Card](#) with Google Checkout to get \$5 or 1000 ThankYou™ Points.

[Take a tour](#) - [Places to shop](#) - [Information for sellers](#)

Sign in to Google Checkout with your
Google Account

Email:

Password:

[Forgot your password?](#)
[Sign in as a different user](#)

Don't have a Google Account?
[Sign up now to start shopping](#)

Welcome to Google Checkout!

Sign up for a free Google Account in order to use Google Checkout: A faster, safer and more convenient way to shop online.

Email: [Sign in as a different user](#)

Credit card number:

Expiration date: / CVC: [What's this?](#)

Name on card:

Billing address line 1:

Billing address line 2:

(optional)

City State Zip

Country:

Phone number:

e.g. 650-555-1212. Required for account verification.

I agree to the [Terms of Service](#).



Source: Google.com

COMPANY DESCRIPTION

Google Inc. (GOOG) is a global technology leader in the search and advertising markets. The company's web site is a top 5 destination on the Internet and the number one site for users performing search queries. Users access free information (via Google's sizable index of the world wide web) about the products/services they seek by entering a "keyword," which generates a list of URLs to web sites across the Internet, ranked by their relevance to the user's query. Google primarily generates revenue from businesses advertising on its own global web sites. Advertising is placed on a pay-for-performance basis, where the advertiser pays only if a user clicks on the advertisement. Through Google's auction-based keyword bidding process, more than 150,000 advertisers (including small and medium-sized businesses) can also purchase keyword advertising on other search sites (i.e., Ask Jeeves, InfoSpace, Lycos, T-Online and others) which, in return for the benefit of access to Google's large number of advertisers, marketing and billing services, share revenue with Google.

Google Inc.
 Quarterly Geographic Model
 \$ Millions
 Revised, 4/20/06

GROSS REVENUE ANALYSIS

	Q1 Mar-05	Q2 Jun-05	Q3 Sep-05	Q4 Dec-05	Q1 Mar-06	Q2E Jun-06	Q3E Sep-06	Q4E Dec-06	C04	C05	C06E
US	61%	61%	61%	62%	58%	58%	58%	57%	66%	61%	57%
International	39%	39%	39%	38%	42%	43%	42%	44%	34%	39%	43%
Total Gross Mix	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
US	73%	75%	82%	78%	69%	59%	46%	36%	104%	77%	51%
U.K.	144%	145%	116%	89%	84%	81%	58%	60%	118%	118%	69%
Other Int'l	131%	151%	124%	108%	102%	85%	87%	73%	125%	125%	80%
International	136%	149%	121%	101%	95%	83%	63%	69%	150%	123%	76%
Y/Y Growth	93%	98%	96%	86%	79%	68%	53%	48%	118%	92%	60%
US	16%	9%	13%	24%	10%	3%	4%	15%			
U.K.	36%	7%	17%	11%	32%	5%	2%	13%			
Other Int'l	31%	15%	13%	22%	27%	5%	3%	27%			
International	32%	12%	15%	18%	29%	5%	2%	22%			
International, Ex Currency	29%	14%	19%	20%	29%						
Q/Q Growth	22%	10%	14%	22%	17%	4%	4%	18%			

US	48,741,541,237	62,154,768,355	94,637,991,695	110,718,281,673	110,718,281,673	110,718,281,673	110,718,281,673	110,718,281,673	110,718,281,673	110,718,281,673	110,718,281,673
International	1256,516	138,495	1578,456	1919,093	2253,785	2332,702	2415,294	2847,936	3189,224	6,138,560	9,349,687
Total Gross Revenues											

Source: Company Reports, SFG Forecasts

Google Inc.

Headcount Analysis

\$ Millions

Revised, 1/4/06

	Q1 Mar-04	Q2 Jun-04	Q3 Sep-04	Q4 Dec-04	Q1 Mar-05	Q2 Jun-05	Q3 Sep-05	Q4 Dec-05	Q1E Mar-06	Q2E Jun-06	Q3E Sep-06	Q4E Dec-06
Headcount	1907	2292	2668	3021	3482	4183	4989	5680	6790	7390	7990	8640
Net New Additions	279	385	376	353	461	701	806	691	1110	600	600	650
Annualized Net Revenue Per Employee \$000s												
YY Growth	114.5%	98.6%	89.8%	85.6%	82.6%	82.5%	87.0%	88.0%	95.0%	76.7%	60.2%	52.1%
Q/Q Growth	17.1%	20.2%	16.4%	13.2%	15.3%	20.1%	19.3%	13.9%	19.5%	8.8%	8.1%	8.1%
Change in Spending \$000s / Change in Headcount												
TTM Average	87	74	121	165	25	91	131	144	64	71	54	168
Q/Q Growth in Spending \$MM (Non-TAC COGS + Opex)	89	91	87	112	96	101	103	98	108	103	83	89
Pct Change	24	29	45	58	12	64	106	99	71	43	33	109
Q/Q Growth in Headcount	20%	19%	26%	31%	4%	21%	29%	21%	12%	7%	5%	15%
Pct Change	279	385	376	353	461	701	806	691	1110	600	600	650
	17%	20%	16%	13%	15%	20%	19%	14%	20%	9%	8%	8%
Annualized Opex per Average Employee \$000s												
TTM Average	236	244	264	288	270	276	305	319	298	282	274	288
Annualized Opex \$MM	237	244	245	258	267	275	285	293	299	301	293	286
Average Employees	418	512	655	820	879	1057	1397	1704	1858	2002	2106	2394
	1767.5	2099.5	2480	2845	3252	3833	4586	5334.5	6235	7090	7690	8315

NOTE: Q4:04 opex figures exclude \$10.4min in in-process R&D charges.

Source: Company Reports, SFG Forecasts

Google Inc.

Quarterly Revenue Model

\$ Millions

Revised, 4/20/06

GOOGLE NETWORK FORECAST

	Q1 Mar-05	Q2 Jun-05	Q3 Sep-05	Q4 Dec-05	Q1 Mar-06	Q2E Jun-06	Q3E Sep-06	Q4E Dec-06	C04	C05E	C06E
Google Web Sites	656.997	737.172	884.679	1,098.213	1,297.317	1,355.696	1,403.146	1,683.775	1,589.033	3,377.061	5,739.934
AdSense Third Party Network	584.115	630.242	675.012	798.573	928.376	946.944	980.087	1,127.100	1,554.256	2,687.942	3,982.506
Network Advertising Revenues, Gross	1,241.112	1,367.414	1,559.691	1,896.786	2,225.693	2,302.640	2,383.232	2,810.874	3,143.289	6,065.003	9,722.439
Google Web Sites	52.9%	53.9%	56.7%	57.9%	58.3%	58.9%	58.9%	59.9%	50.6%	55.7%	59.0%
AdSense Third Party Network	47.1%	46.1%	43.3%	42.1%	41.7%	41.1%	41.1%	40.1%	49.4%	44.3%	41.0%
Percent Mix	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Google Web Sites	23.9%	12.2%	20.0%	24.1%	18.1%	4.5%	3.5%	20.0%			
AdSense Third Party Network	19.2%	7.9%	7.1%	18.3%	16.3%	2.0%	3.5%	15.0%			
Q/Q Growth	21.6%	10.2%	14.1%	21.6%	17.3%	3.5%	3.5%	17.9%			
Google Web Sites	116.5%	114.6%	114.9%	107.1%	97.5%	83.9%	58.6%	53.3%	100.6%	112.5%	70.0%
AdSense Third Party Network	75.0%	82.0%	75.7%	63.0%	58.9%	50.3%	45.2%	41.1%	147.3%	72.9%	48.2%
Y/Y Growth	94.8%	98.3%	96.0%	85.9%	79.3%	68.4%	52.8%	48.2%	121.3%	93.0%	60.3%

Source: Company Reports, SFG Forecasts