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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K



(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-50726

Google Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0493581
(I.R.S. Employer
Identification Number)

**1600 Amphitheatre Parkway
Mountain View, CA 94043**
(Address of principal executive offices)

(650) 253-0000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Exchange on Which Registered</u>
Class A Common Stock, \$0.001 par value	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class
Class B Common Stock, \$0.001 par value
Options to purchase Class A Common Stock

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At June 29, 2007, the aggregate market value of shares held by non-affiliates of the Registrant (based upon the closing sale price of such shares on the Nasdaq Global Select Market on June 29, 2007) was approximately \$104,596,093,551. Shares of the Registrant's Class A common stock and Class B common stock held by each executive officer and director and by each entity or person that, to the Registrant's knowledge, owned 5% or more of the Registrant's outstanding common stock as of June 29, 2007 have been excluded in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive

determination for other purposes.

At January 31, 2008, there were 236,750,181 shares of the Registrant's Class A common stock outstanding and 76,628,707 shares of the Registrant's Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2008 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended December 31, 2007.

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You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and our consolidated financial statements and the related notes appearing elsewhere in this Form 10-K.

The consolidated statements of income data for the years ended December 31, 2005, 2006 and 2007, and the consolidated balance sheet data at December 31, 2006 and 2007, are derived from our audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K. The consolidated statements of income data for the years ended December 31, 2003 and 2004, and the consolidated balance sheet data at December 31, 2003, 2004 and 2005, are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the results to be expected in any future period.

	Year Ended December 31,				
	2003	2004	2005	2006	2007
	(in thousands, except per share amounts)				
Consolidated Statements of Income Data:					
Revenues	\$1,465,934	\$3,189,223	\$6,138,560	\$10,604,917	\$16,593,986
Costs and expenses:					
Cost of revenues	634,411	1,468,967	2,577,088	4,225,027	6,649,085
Research and development	229,605	395,164	599,510	1,228,589	2,119,985
Sales and marketing	164,935	295,749	468,152	849,518	1,461,266
General and administrative	94,519	188,151	386,532	751,787	1,279,250
Contribution to Google Foundation	—	—	90,000	—	—
Non-recurring portion of settlement of disputes with Yahoo	—	201,000	—	—	—
Total costs and expenses	<u>1,123,470</u>	<u>2,549,031</u>	<u>4,121,282</u>	<u>7,054,921</u>	<u>11,509,586</u>
Income from operations	342,464	640,192	2,017,278	3,549,996	5,084,400
Interest income and other, net	4,190	10,042	124,399	461,044	589,580
Income before income taxes	346,654	650,234	2,141,677	4,011,040	5,673,980
Provision for income taxes	241,006	251,115	676,280	933,594	1,470,260
Net income	<u>\$ 105,648</u>	<u>\$ 399,119</u>	<u>\$1,465,397</u>	<u>\$ 3,077,446</u>	<u>\$ 4,203,720</u>
Net income per share of Class A and Class B common stock					
Basic	<u>\$ 0.77</u>	<u>\$ 2.07</u>	<u>\$ 5.31</u>	<u>\$ 10.21</u>	<u>\$ 13.53</u>
Diluted	<u>\$ 0.41</u>	<u>\$ 1.46</u>	<u>\$ 5.02</u>	<u>\$ 9.94</u>	<u>\$ 13.29</u>

	As of December 31,				
	2003	2004	2005	2006	2007
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	\$ 334,718	\$2,132,297	\$ 8,034,247	\$11,243,914	\$14,218,613
Total assets	871,458	3,313,351	10,271,813	18,473,351	25,335,806
Total long-term liabilities	33,365	43,927	107,472	128,924	610,525
Redeemable convertible preferred stock warrant	13,871	—	—	—	—
Deferred stock-based compensation	(369,668)	(249,470)	(119,015)	—	—
Total stockholders' equity	588,770	2,929,056	9,418,957	17,039,840	22,689,679

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continue to acquire businesses and other assets from time to time. These acquisitions generally enhance the breadth and depth of our expertise in engineering and other functional areas, our technologies and our product offerings. In addition, we are incurring significant costs and expenses to support our Google Checkout product and promote its adoption by merchants and consumers, as well as promote the distribution of certain other products, including the Google Toolbar. Our headcount growth has required us to make substantial investments in property and equipment. Our full-time employee headcount has significantly increased over the last 12 months, growing from 10,674 at December 31, 2006 to 16,805 at December 31, 2007, and we also utilize a significant number of temporary employees. We also expect to continue to make significant capital expenditure investments, including information and technology infrastructure and corporate facilities. In April 2007, we launched our employee transferable stock option (TSO) program. We modified employee options to allow them to participate in this program, and as a result we incurred a modification charge of approximately \$95 million in 2007 related to vested options, and we expect to incur an additional modification charge of approximately \$134 million related to unvested options over their remaining vesting periods through the second quarter of 2011. In addition, the fair value of each option granted under the TSO program will be greater than it would have been otherwise because of a longer expected life, resulting in more stock-based compensation per option. As a result of all of the above, the growth rate of our costs and expenses may exceed the growth rate of our revenues.

We expect our cost of revenues to continue to increase in dollars and may increase as a percentage of revenues in 2008 and in future periods, primarily as a result of forecasted increases in traffic acquisition costs, data center costs and credit card and other transaction fees, including transaction processing fees related to Google Checkout, as well as content acquisition costs. In particular, traffic acquisition costs as a percentage of advertising revenues may increase in the future if we are unable to continue to improve the monetization of traffic on our web sites and our Google Network members' web sites, particularly with those members to whom we have guaranteed minimum revenue share payments.

Our international revenues have grown as a percentage of our total revenues to 48% in 2007 from 43% in 2006. This increase in the portion of our revenues derived from international markets results largely from increased acceptance of our advertising programs, increases in our direct sales resources and customer support operations and our continued progress in developing localized versions of our products in these international markets.

Results of Operations

The following table presents our historical operating results as a percentage of revenues for the periods indicated:

	<u>Year Ended December 31,</u>			<u>Three Months Ended</u>	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2007</u>
	(unaudited)				
Consolidated Statement of Income Data:					
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Costs and expenses:					
Cost of revenues	42.0	39.8	40.1	39.3	40.5
Research and development	9.8	11.6	12.8	13.0	13.1
Sales and marketing	7.6	8.0	8.8	9.0	8.8
General and administrative	6.2	7.1	7.7	7.6	7.8
Contribution to Google Foundation	1.5	—	—	—	—
Total costs and expenses	<u>67.1</u>	<u>66.5</u>	<u>69.4</u>	<u>68.9</u>	<u>70.2</u>
Income from operations	32.9	33.5	30.6	31.1	29.8
Interest income and other, net	2.0	4.3	3.6	3.6	3.5
Income before income taxes	<u>34.9</u>	<u>37.8</u>	<u>34.2</u>	<u>34.7</u>	<u>33.3</u>
Net income	<u>23.9%</u>	<u>29.0%</u>	<u>25.3%</u>	<u>25.2%</u>	<u>25.0%</u>