



Bird's Eye View of Google's 10-K: How to Read

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Dave

0:00

All right, folks, welcome to Investing for Beginners podcast this afternoon, Andrew and I are going to do a bird's eye view of the Google 10k, or annual report, we thought this would be an interesting walkthrough of a financial report. So you guys can get an idea of how we walk in read through the financial statements that the company provides for us. So Google is a company Alphabet is the official name, but we all know is Google, the company G O G or GOGL are the tickers if you want to follow along at home, the website that I use, and I believe Andrew uses to read the 10k is bam, sec.

But you can also use sec.gov. Or you can also go to Google's investor relations page. And you will be able to find their reports there as well. They'll have their 10 Ks, or annual reports, they'll have their quarterly reports, they'll also have proxy statements, and all kinds of other fun stuff. So if you really want to learn a lot about Google, go to their investor relations page, and you will find a plethora of information to entertain you for hours. If reading financial statements is your kind of jam, I guess the first thing, let's talk a little bit about what is the first thing that maybe you look at, and then I'll chime in on my thoughts on the financial statements.

Andrew

1:24

I've said before that I jump around, so depending on what I'm trying to find, I'll be at different spots, whether you do when you open up a glorious 10k.

Dave

1:33

Yeah, I will jump around to it depends on what I'm doing. So if it's a company that I'm not familiar with, I will literally start at the beginning and try to work my way through the company. And the way that I approach it

is, the first thing I think I have to understand is what it is they do, how do they make money. And if I can't understand that, then it doesn't matter what I understand about the rest of it. Because if I don't understand how they make money, then there's no point in me continuing. And so for me, it just makes sense to kind of start at the beginning and work through it.

And Google is a company that I've been interested in quite a long time, I know it doesn't fall into your wheelhouse, because of the dividends situation at this point. But maybe someday they will. But at this point, they haven't thrown in the red flag yet and are paying a dividend yet. So. So this, this is a company that if I was looking at Google, like I am today, then this is how I would do it. So I would start with the first section, which is the business section, it's item number one in the 10k. If you guys want to follow along, this is the 10k.

That's dated February 1 2022. And so I would just look at the business section and just read through that and kind of give you an idea of what it is that the company does. Now, Google's a bit of a cheat because I think we all kind of understand what it is that the business does. And I guess we'll I'm kind of just skimming through the 10k, a couple of things that kind of jumped out at me is first of all, the company reports in two segments. So to me, that goes, Okay, two segments.

And the two segments are Google services and Google Cloud. So I kind of have, I guess, a sense of what those two are going to entail. But as you read through this section, it gives you a better idea of what it is they're trying to do. Google does a really, really, really good job of kind of laying out what it is they do, how they define what it is they do, and who the competitors are. And what they're really trying to go after. For example, they have a little section here on moonshots. And that falls under the other bets, which also falls under the Waymo kind of idea where they're trying to this is where they just throw a whole bunch of money at a part of a business and see what sticks. And they try just about anything.

And so well Mo is, I think the big cash cow, if you will, it's not making money from what I understand. But it's the self driving car business that you're trying to create. But things like Gmail, and Chrome and the Google Drive have all come out of the Other Bets section of Google. So as you're kind of working through the business section, it just gives you a really good idea of what it is they do. And what they're trying to do. They talk about AI which is obviously very important to them. And so you get a real good sense of what the business is doing. And then they have a section on Google services. And that includes everything that we're familiar with Google, Android, Chrome, Gmail, the drive maps, photos, it just goes on and on and on. And if any of us within the Google ecosystem, which raising my hand to do, then these are all things that I'm going to be very

Andrew

4:47

familiar with. parsed down like, there's got to be a better way to organize think about the 10k then like 16 sections, how can we simplify that to like the meat. Alright, so that's my code. question to you is how would you maybe segment this? Or what's the big picture of how somebody should think about what the sixth? Like what's important within the 16? Items? Okay.

Dave

5:10

All right. That's an excellent question. And it can be overwhelming when you look at this are 16 sections like Holy moly. So, for me, the things that I would look at, especially if I'm starting and working at a business that

I don't understand, I'm gonna start at the business section, then I'm going to look at the risk factors, then I would jump to the section that's labeled number seven, which is management, discussion and analysis of financial conditions and results of operations.

That basically is an overview of what the management thinks is going on with a business. And they're going to give you more nitty gritty details of what is happening in the operations of the business. I guess the next section that I would look at would be the financial statements, and supplemental data. And for me, that would kind of wrap it up honestly, in that section would be the three financial statements, and then notes. And that can be a longer discussion as well. But those for me are, I guess, the big three or four things that I'm going to look through when I read through a 10k. How about you? Yeah, 100%.

Andrew

6:12

Okay. All right. So

Dave

6:12

you know, as you work through the section, one of the things that I try to do is I try to create a list of questions that I want answered, because there's going to be things that are going to come across that I may not understand, or I want more clarification on. And so for example, when I'm looking at Google, and I read that the Google Cloud is one of their segments, for me, I would want to know what's in that segment? How does that generate revenue and business for Google? And is it a good thing or a bad thing? Is that something that is a really big part of their business, or a not so big part of their business, but maybe it's the next big growth area for the business?

And so those are all questions that I would literally write down on a piece of paper, or type it up on notes on whatever word document you like to use, you know, Google Sheets here. And those are things that I would want to answer. And sometimes you may find the answers in the section you're reading. And other times it may be in another section. And I think this is probably a good point to talk about our good friend that Ctrl F function, would you like to tell friends and family at home about our friend there?

Andrew

7:22

Yeah, so Ctrl F, simple shortcut, obviously, you have to be on a computer to do it. But you can search for any keyword inside of a document. I use it all the time. I know you do, too. And whether I want to find like if you want to quickly go the balance sheet and you don't want to scroll through 100 pages to get to the item eight of the financial statements, you can just type in balance sheet, and then click until I do that all the time. I like to type in like geo for geography.

So I can quickly see where are they generating revenues? In this case, I guess we would control F cloud. Right, right. And we basically went right there to page 55. And it says exactly Google Cloud Platform, which is infrastructure, which if we've done some work on a company like Microsoft or Amazon, you would know that's like the servers, the things that this computer's, and all the stuff on the cloud runs on. And then it also says Google workspace is included in Google Cloud.

So that goes back to all those great apps that you talked about that we all use, Gmail, Docs, Drive, Calendar and meet. I mean, that was embedded in what page 55. But using Ctrl? F, let us skip through a lot to answer that first question that popped into your head. Yeah, maybe one of the best secrets, if you will, of like reading through these things

Dave

8:47

it absolutely is. So I guess after I work through the business section, I guess one thing I want to throw it throw out there. If this is a company that you're somewhat familiar with, or you've done additional work on, let's say that you have read previous 10 K's of Google's for example, you don't necessarily have to go through the business section word for word when you read through that 10k. Again, because you already know how they make money, you already know the businesses, unless there's something new, it's a good idea to maybe skim through it to see if there's something new that they add. Or if there's a different maybe business model, or there's some new program or product that they're rolling out that they may want to feature.

Generally, what the company wants to promote the most is going to be the things that they talk about the most. And so those are little, I guess, subtle hints that hey, this is important for us. And it's important for you to understand as a business person. So the fact that they differentiate Google Cloud as a separate business underneath their hood is important, because that tells you that hey, this is something you might want to learn more about. If you're going to ever invest in this company, and so those are a little clues that you can pick up along the way as you work through the business section.

And again, if you're familiar with the business, you don't necessarily have to read all the way through that. I guess another little caveat is sometimes different companies will basically regurgitate that in the the MDNA, or the management discussion, they will literally copy and paste some of those sections, and put them in the MDA. So that can help you, I guess, air quotes speed through some of the sections, because if it's redundant, you don't have to read it, like a book and read every single word you can skip around, you're not going to get finance penalties for not reading every single word of what the business puts out. So that kind of covers like the business section, let's maybe skip to the risk section. And I know this is very important to you. So maybe you could touch on the risk section a little

Andrew

10:51

bit. Yeah, it really is. A lot of times I get too excited about a company. I mean, why would I read their 10k Unless I was excited about them, right? So a lot of times to balance that out, I will have to force myself to trudge through the risk factors, because you'll find that you feel really differently about a company, once you read about some of the things you were not aware of. So that's very good.

And usually within the risk factors section, there will be something where they talk about competition. So a lot of times businesses will say we face intense competition in ourselves, they all they all do. Yeah, we all we're all facing intense competition. I mean, that's, that's just a reality of life. And so, in my mind, finding competition is a very critical step to understanding a business's model. Sometimes I'll learn more about a company's business based on what their competitors say than what they say.

Because some of these are written like marketing pitches, especially some of the cloud tech ones, not alphabet. But some of the like newer kind of cloud ones that don't make a profit, they make it sound like

they have a great business, they'll have something that maybe is flowery, and it has all these things, and either you don't understand, and they make it hard to understand on purpose. So you just give up and try to read something else. Or they try to make everything sound better than it actually is. But if they do mention a competitor, you can go to their competitors report. And maybe they are a lot more straightforward. And maybe they explained the business better. And you can say, Okay, well, these people directly compete.

So I can kind of understand what how their business works. And that was one of my big focuses is I'll find where they list competitors, not every company well, which can make it frustrating, but find out what the company's competitors are. So in the case of Google, I still have this cloud thing highlighted, which makes it nice, because they actually have a competition section. And they have all these different companies, which is fantastic, because it tells you so much. Like for example, I'm like thinking,

Well, Google Cloud, what does that mean? Well, when they break it out to say, providers of digital video like Amazon, Apple, at&t, Disney, Hulu, man and Netflix, okay, now I can think about what business that is that competes directly against some of these players. So for Cloud as an example, they list Alibaba, Amazon, Microsoft and Salesforce. So I can go the Amazon and Microsoft's 10k, which we talked about those already, because we've studied those companies.

But if you hadn't studied that industry, that would be a clue to you, okay, I need to go check out these companies, and see how they compete, how things are similar and how things are different how they look at risk, too. I will like to bake that I do paper notes, I do some highlighting on the computer, but also just straight up pen and paper. And that's one of the things I'll focus on listing for companies I look at is direct competitors that are mentioned, and then start to build this sort of rough, really messy industry map together big picture sense of like, Who are these players? And how do they compare?

Dave

14:10

Yeah, that's awesome. And that's I think, is a secret sauce that I picked up from Andrew is thinking about the competition, and how that can impact the business that you're considering. And sometimes, indirectly, if you're looking at competitors, sometimes you find maybe they're more attractive than the company you originally intended to invest in or learn about. So that's another, I guess, little secret tidbit that can help you find other investment ideas. One of the things that I like to do is I try to think of kind of along the lines of what Charlie Munger likes to preach, always invert and I always try to approach it in the manner of I'm trying to find reasons why not to buy this company. And the risk section can be the perfect place for you to find a reason not to buy the company because sometimes items, maybe not necessarily in the case of Google.

But sometimes you're going to find things in there that are going to give you pause, or that make you think, okay, maybe this is a bigger risk than I had considered initially. And this may not be something that I want to invest in. Another thing that I've found is, a lot of times, they will list of the things that they find the most risky or their biggest risk. And in this case, they're talking about advertising, because that's the majority of the revenue that Google generates comes from advertising, whether it's through the Google search, or whether it's from YouTube or other sources of revenue, that's where they make their money. And so when advertising suffers, then the company likewise suffers, and we're actually seeing that play out in real time, right now.

So that's something that would definitely stand out to me. But sometimes, when you're reading through the risk section, you will come across what I like to call boilerplate kind of language, we have to remember that a

lot of times lawyers are the ones that write these. And so they will come up with everything under the sun, to cover their butts, to make sure that somebody can't say, hey, you know, I bought this company, because you know, they didn't whisk the fact that it could rain on Tuesdays as a risk for investing in Google. I'm not saying that's actually in there.

But you get what I'm saying. And sometimes you're gonna come across things that you're just like, really, the point is this in here, but it's a good idea to definitely move through the risk section, I'm going to warn you, if you want to invest in banks, you need to bring a lot of coffee to the table when you sit down with a 10k. Because the regulations, sections of the risk sections for banks is long and laborious. And it's really hard to get through.

So I'm just I'm not trying to talk you out of banks. But just keep that in mind. But when we think about looking at the risks, you know, for me, I always want to look for reasons why I don't want to buy the company. And I will make questions along the way. And if something occurs to me, as I'm reading through the risk section, it'll help me I guess, give me a little more clarity. What some of those potential downsides for the investment could be.

Andrew

17:09

Yeah, that's fantastic. I love that idea.

Dave

17:13

Yeah. All right. So let's move on to the I guess the next section, which this is kind of where you start to get into the meat and potatoes, for me, is the MDNA, or the management discussion and analysis, this is where the company is going to start to really talk about what is going on with the business and why things are happening good or bad. And the thing that I always try to look for in this section is, how honest is the management really being with me? Are they telling me the truth? Or are they just trained to sugarcoat bad times? And that can go a long ways to giving you an idea of what kind of management team you're could be investing

Andrew

17:54

in that down? So like, how would you parse that this management doesn't seem honest, you know,

Dave

18:00

it's hard to quantify. I think the easiest way that I can do it is, if you, for example, if things are obviously not going well, for the business, and this is maybe not necessarily In Google's case, but let's take Company B going to blank on it. Okay, Snapchat. So Snapchat is on the struggle, bus, big time right now. revenues are down. market sentiment is incredibly down. Everybody's super bearish on the company. And it's no secret that they're on the struggle bus. If management came out and said, Hey, everything is great, and we got all these wonderful things going for it. And everything is awesome. And you know, that's not the case.

They're not telling you the truth. I'm not saying they're outright lying. But they're not telling you the truth. And you want people to be honest with you, because you're going to invest in a company. And if

management doesn't have enough integrity, to tell you when things are not going as they hope and as a plan, and they're just trying to spread a lot of sunshine and rainbows when that's not really what's going on. That to me would tell me that that's not people I want to invest in because they're not being real. They're not telling me what's really going on. There are times when companies are going to struggle and when things happen poorly, and you want management to step up. And I guess in essence take a bullet for you.

And I'll relate a company that I own PayPal. PayPal has been on a bit of a struggle bus as well. But Dan Schulman the CEO, has not tried to skate around it. He's been upfront and said, Yeah, we dropped the ball we haven't done as good as we can. And we've taken our eye off of our core business and we got bigger than we thought we should and you know, now they're trying to get back in their groove and time will tell if they can but to me, that gives me more confidence that hey, he gets it. He understands what he's doing.

And he may not have the answers, but at least he's not telling me, you know, everything's great. So I could just keep dumping more money into the company, when it would be more of a situation of, well, let's see if the things that they're trying to execute on actually come to pass, because then I can, okay, they can execute, and they can do what I need to do. So hopefully those two, I guess examples would give you an idea of maybe kind of how to look at it. Like, again, it's not a hard concrete thing. It's more of a gut feel. kind of idea.

Andrew

20:29

Yeah. I love that you gave us some color on.

Dave

20:34

That was talking negative about Snapchat?

Andrew

20:36

No, no, I'm a Snapchat user, too.

Dave

20:40

I know you are.

Andrew

20:42

The other thing I would say, while we're on the subject of kind of evaluating the MDNA and like, how management's presenting it, I think Brian Dennis has something on Twitter. This is a while ago, but it still sticks out with me is like, look for the adjusted EBIT, da, the mic, how many times are they mentioning adjusted EBIT? Done? You know, are they using that as a crutch, right?

So if you can look at all these numbers look bad, but their adjusted EBIT, da looks good, then that's probably a red flag, too, because there are some businesses that can use adjusted metrics. And that makes sense. But I would say there are more businesses than not that it's not really something that necessarily makes sense. It's them trying to present bad business results in a better

Dave

21:30

light. Yeah, exactly. I saw something on Twitter today. As a matter of fact, there was I don't remember which company it was reported earnings, and they had negative earnings. And they presented in their earnings slide 17, adjustments, 17 adjustments to make it positive. It was literally almost everything you could think of, I don't remember exactly what the caption was, but it was something quite witty and quite brilliant. But it basically highlights exactly what you're just saying.

And yeah, those are things that if you start seeing a lot of that, you know, it's one thing to adjust, because they want to measure the business performance. For example, Brookfield asset management, they present an item called adjusted funds from operations, which is not a GAAP metric. But it's widely regarded as an acceptable metric to measure the performance of the business like Brookfield asset management. So that's what determine. But when you see adjusted EBITA was 17 Different kinds of line items in there. That's taken a step or two too far.

Andrew

22:34

Rates and those type of businesses like Brookfield those can do adjusted FFL. But other ones now come on.

Dave

22:41

Yeah, yeah, exactly. So I think, you know, the basic structure for what I have observed when you're looking at MDA is they walk through the income statement, and they walk through all the segments, they walk through the revenues, they walk through the costs, both of sales, as well as operations, they talk about the earnings. And so they kind of give you a little more color to the operations of the business, what's impacting them, and what's not impacting them, like a perfect example, is if a company is taking on bigger headcount, like Google is, then that's going to impact their margins, because they have more people to pay, and that higher payroll is going to impact their margins. So those are the kinds of things that you would see in that.

And then the next section they would kind of walk through would be the balance sheet, and talk about the strengths and the weaknesses of the balance sheet, then they would look at the cash flow statement. And then finally, they would talk about any sort of capital allocation, which is dividends, share buybacks, any of those kinds of things. So those are different sections you can work through. And again, if you're just looking for the company, the first time we through all of it, if it's something that you're super familiar with, maybe pick and choose different sections that you want to look at.

For example, if I'm looking at Google over a five year period, I may not read through every single part of their capital allocation. But I may look at everything that has to do with costs for the business, because I want to see how those are impacting the margins and what they're doing to control those, or keep an eye on those, because that can go a long ways towards the profitability of the business.

Andrew

24:14

I would encourage, if you're looking at the MDNA, the first time in a company has multiple segments like Google does here. They have Google Search, YouTube ads, Google Network, they like bright within that those three right there that broke out, that was part of the Google services segment. So within that, that paints a

really good picture to me, because when I think of Google, I know Google search, and I know google.com And have an advertisement on there. It's how they make money. But I also know that they own YouTube. And I know that when you're on YouTube, if you don't have a premium account, they show you ads.

And so by looking for that table, that either breaks down revenue by segment, or revenue by in this case They did it a deeper dive into the segment between the Google search the YouTube ads and the Google network, then you can see all right, Google Search makes up, you know, five times more than YouTube. So I can know that, okay, YouTube's a great growth business.

But the Google search is way more impactful at the moment. And you can also if they're presenting it in a good way, you can see how it's moving from year to year. And it's like, wow, from 2020 to 2021. growth was big across the board, especially Google search, especially YouTube ads. So you can see that within the MDNA. And to me, starting there can be very helpful for a lot of the annual reports you look through, because you can glean a lot of information, without needing to read too, too much.

Dave

25:52

Exactly. And I love that. And I think one of the things that I like about different companies is some will give you more information than others. Sometimes, like in the sections that Andrew is talking about when they're looking at segment breakdowns, some companies will give you five years of data, and some will only give you three.

And when they give you five, that's awesome, because now it gives you a bigger snapshot. So you can see how Google services would be doing, for example, and it just highlights the the importance of how the impacts of costs and all those things can have on the business. And basically just seeing how Google's management is executing on whatever they're trying to execute on. Alright, so once we kind of move through the MDNA, then where would you hit?

Andrew

26:44

So the way I approach these annual reports, as I've looked at the financials already, I'll use a website like quick Fs on that, or stratosphere.io. So I've looked at the numbers, and I've gotten a rough idea in my head, maybe played with a few spreadsheets that I know I liked the financials. So I will actually skip the next section, which is the three financial statements. And I will continue going down that path of trying to figure out what I want to learn about the business.

And to tell you that answer is it's different every time. So kind of going back to that idea. You said of listing out questions of what do I want to learn next? I guess I don't do that necessarily, explicitly. But I think I do it in my head. And I do take notes of like, things I want to circle back to. So thinking of we've looked at the segment's for Google, we've kind of seen how they generate most of their probably want to see the profitability of those segments. So where the the one table, we looked at the MDNA showed the revenue and revenue sources, they have another one for operating income.

So that shows me that Google services is profitable, and the Google Cloud and the Other Bets are not. So I'm really going to focus a lot of the research energy on that segment versus the other ones, even if the other

ones might have good. And this is just my personal opinion, even if the other segments have good potential. I'm the type of businesses I buy, I have a lot of free cash flow now.

So I'm really focused on how is that going to continue in the next five to 10 years? I would look at that profit table and I would see, Okay, where can I learn more about the Google services? And I don't have a good answer for that at the moment, because we're kind of skimming through. But I'm sure after reading the risk factors, there would have to be two or three things that would take me there. And I might even jump to like Microsoft or Amazon at this point. And then maybe circle back to Google again, it really just depends. Yeah,

Dave

28:48

I like that one of the things that I guess I would do is, along those lines of looking at the different segments, is look through the notes. And in the notes section underneath the financial reports. So underneath the big three financial reports, there is a section called notes. And in there, the company is going to provide more detailed information about things that are not included in for example, the income statement, and so there'll be more detail on certain items that are in the income statement that maybe they don't break out. And same with a balance sheet.

Same with the cash flow statement and other things. So you can learn more about for example, the debt of the company, how much they have, how long the debt is due, and when the repayments need to be. And sometimes that can give you a great insight into, hey, the company has a three year window where they don't have any debt payments. And so they can go big on either paying down debt or they can go big on investments because now they don't have they can use any extra money they have to really invest in the business.

So I mean, those are different kinds of things that you can see too in the section and you can also find more detailed information on the segments as well. While the MDA may give you a lot of great color, about what's going on, but sometimes the in the notes section, they will break out the segments, so that you can see the profitability of each segment by segment, and all in one place. So it can give you a, you know, a nice overview of things. And for example, as we're reading through Google, the cloud is obviously something that Google has made important, they've made it a separate section, a segment they highlighted in their earnings calls.

And what I would do is, if I'm looking at that, I also would want to look at their competitors. And that would lead me to Amazon and Microsoft. And if you do that, then you see that, you know, first, you can see that Google is doing a good job of growing the cloud. But then if you also compare it on a revenue scale, at this time, to companies like Microsoft and Amazon, it's kind of small peanuts at this point. And so, you know, if you have to kind of balance how much time do you really want to spend on a very fast growing segment of the business.

But overall, it doesn't have that much impact on the overall performance of the business at this point. So you'd kind of want to balance, I'd want to balance, how much time do I really want to allocate to the cloud versus the services segment, which is really, really, really driving the bus at this point. I guess that's where I would probably put more of my focus if I was analyzing Google.

Andrew

31:25

Yeah, that's a great point. I think I misspoke by saying Microsoft and Amazon. So they actually do, we can go back to their competitors section. And you can see some of the other social networks like bite dance, meta snap, and Twitter, that's probably where you would want to spend more of your focus to your point, because of the larger revenues, percentage that comes from that. The only caveat I'll add to the notes is, it's like the risk factors are written by lawyers, except it's written by CFAES. For finance, right. So, you know, when I was going through this journey of learning about the notes, I would almost have to take it on a month by month basis, and just try to learn a little bit each month. And sometimes it applies to the companies you're looking at.

And sometimes it doesn't. So as an example, there's one note that you'll see in a lot of the companies is AFS, htm, so like available for sale and held to maturity. So I had no idea what that was. And honestly, reading through the notes did not help me at all. Basically, what it is, is a company like Google, if they have a bunch of cash, they could buy stocks with that cash of other companies, they could buy bonds, which gives them investment income, just like an investor would. So lucky for me when I was looking through that Dave had just recently written a great blog post about AFS and htm. And so reading his blog post alongside the company, I was looking at something in that clicked where I was like.

So now every time I look at an annual report, and I can see that htma Fs investments security section, that makes sense to me now, but it didn't make sense when I was first digging through annual reports. So I would just skip it. And that's not always the worst thing in the world. But you do have to be careful, because sometimes something can be hidden. So another example I like to bring up is pension liabilities.

So a lot of companies will have that in their notes, which is basically, like UPS as an example, they have huge pension liabilities, where a lot of the people who have worked there for a long time, get a pension, and the company pays for it. So if we're looking at a company like Google, they don't have hardly anybody on that. So it's not something you focus on. But if you're looking at a company like UPS, or FedEx, or even like the defense contractors, some of those have really large pension liabilities. And so you would want to go there and really focus that time to say,

Okay, I'm gonna narrow down on this note for this company, and maybe compare with peers, and see how much that impacts the value of a company.

Dave

34:08

Yeah, that's great advice. I was right there with you. There were sections when I would read through there, I was like, I don't know what that is. And I would have to go spend some time learning about deferred taxes or deferred revenue. Some of these things that just were not roll off the tongue, I know these exactly what they are. And it can be humbling, but it's part of the process.

And it's part of learning and just like anything else, if you just kind of work through it, like the pizza, you'll get to where you want to go and you may not understand all of it immediately, but different businesses, it will have bigger or lesser impacts on the business so that you can kind of take on a case by case basis as well. And all those things are just part of the process of learning through the business. Alright, so kind of work through the major sections of the 10k I guess where Would you go now? Would you work at other businesses? Or would you look at other 10? Ks? Or how would you kind of approach the next step, then?

Andrew

35:07

Yeah, in this particular case for Google, assuming we had gone through all the risk factors, and any notes that I saw that I wanted to double click on, we did that, then I would move on to like meta, and I would move on to Snapchat, and I would read, I will go through the same process, and then start building the, what I like to do allies build an industry map, and lay out.

So for Google's case, like their operating income from services. Compare that with Facebook's over 510 years, however many years we have available. What's the margins? Like kind of going through our bird's eye view episodes? What's the margins? Like? How do those compare? Because when you look at big companies like Google, or meta, or Microsoft, you can't just take the whole company and compare margins, because there's different businesses inside.

And so you really have to take it by piece by piece. So that's where I would go with this. I mean, big picture wise, if that all sounds like a lot of work. You're right it is. That's why stock picking is hard, because it's a lot of work. And there's no way to sugarcoat that there's plenty of people who will tell you that you can do it easily. As I found through the years, it's a lot of work. And you can do it, you just have to be smart about something I read, I can't remember, it might have been Morgan, Morgan Housel, or I can't remember the exact, but that was like the best investor. Oh, I think it was David Rubenstein. He has a new book called How to Invest.

He said, Either he said or one of the people he interviewed said that the best investors have this extraordinary ability to sift through enormous amounts of information, and laser focus into the things that really matter. And so if you're able to do that, and you see everything we've talked about today, as a challenge, instead of an overwhelming kind of feeling, then I think you'll have a good chance at doing really well with whatever you're trying to do along this journey. All right, I think that's

Dave

37:05

a great place to to wrap it. Alright folks. Well, with that, we will go ahead and wrap up our bird's eye view of reading through Google's 10k. So we hope that you found this entertaining, enjoyable, encouraging, and you got this, you can do this. And we have lots of great resources on our website, [e investing for beginners.com](http://einvestingforbeginners.com).

To help you learn more about the different topics, the line items, the income statements, and any other financial statements as well as the definitions that we were talking about in the notes. There's lots of great information there to help you learn about the specifics of each of the questions or things that you might come across in a 10k that you're not familiar with. And they can help you become a better investor over time. The only way to become a better investor is by reading and by doing and the more you do, the better you'll get. So with that, I will go ahead and wrap us up you guys go out there and invest with a margin of safety, emphasis on the safety. Have a great week, and we'll talk to you next week.

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