

Alphabet Inc.

Clicking On All Cylinders

Alphabet results were strong across the board. Total revenue growth of 16% (+15% FXN) was above +13-14% expectations as every major business had double-digit growth, and GOOG/L achieved its first-ever \$100B revenue quarter. Search was most impressive, with revenue accelerating to 14.5% growth (+13% FXHN). **Importantly, we believe GOOG/L's 3Q results and positive commentary on AI search formats could change investor perception around the transition to AI search in a couple of ways.** First, GOOG/L believes AI is driving expansion in search, with query growth and paid clicks (+7%) both accelerating in 3Q. AI Overviews (AIO) and AI Mode (AIM) are improving the search experience, which is driving greater frequency, along with more complex queries. GOOG/L would not confirm, but we continue to believe that clicks per query *may* be lower in these formats, but that is offset by overall query growth and higher quality leads. Our industry conversations suggest that AIO/AIM paid clicks lead to higher conversion rates, which creates upward pressure on pricing. Overall, GOOG/L continues to suggest that AIO monetizes at about the same rate as more traditional search. Second, historically about 20% of Google searches have commercial intent. Management believes there is potential for AI Max to help target a wider range of queries, and even a small increase above 20% would be quite meaningful. **Overall, the AI search transition has been viewed as the greatest risk to Google, but additional signs that AI search is more opportunity than threat will continue to flip the narrative.** We were also impressed by GOOG/L's backlog number of \$155B, up 43% from 2Q. Importantly, we do not believe this number captures all of the recently announced deal expansion with Anthropic, suggesting further increase at 4Q. **Our Alphabet revenue estimates increase 2-4% across 2026-2027, while our GAAP EPS estimates increase about 5%. GOOG/L remains a top 2 idea—behind only AMZN—and we reiterate our Overweight rating, while increasing our December 26 PT to \$340 from \$300, based on 27.5x 2027E GAAP EPS of \$12.43.**

- **Continued Search Innovation & Monetization.** Google believes AI is driving expansion in Search as new AI experiences drove accelerated growth in overall *and* commercial queries in 3Q. AI Overviews continue to drive higher user satisfaction & frequency, and AI Mode is already driving incremental total query growth and has reached 75M DAUs. The Gemini app reached 650M MAUs in 3Q and overall queries increased more than 3x Q/Q. **As AI search engagement grows, we believe Google is effectively balancing monetization & 3Q Search revenue accelerated to +14.5% Y/Y with growth across all major verticals.** Google reiterated that AI Overviews are monetizing at roughly the same rate as traditional search & overtime can unlock the opportunity for much richer ad placements. Additionally, AI Max rolled out globally in September & improves the ability for advertisers to target a wider range of queries, unlocking billions of net-new queries in 3Q alone. Overall, we believe AI search experiences are driving greater query volume & higher quality clicks, which should support monetization as the search ecosystem continues to transform.

See page 13 for analyst certification and important disclosures.

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Overweight

GOOG, GOOG US
Price (29 Oct 25):\$275.17

▲ **Price Target (Dec-26):\$340.00**
Prior (Dec-26):\$300.00

Overweight

GOOGL, GOOGL US
Price (29 Oct 25):\$274.57

▲ **Price Target (Dec-26):\$340.00**
Prior (Dec-26):\$300.00

Internet - Large Cap / Mid & Small Cap

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- **Cloud Acceleration & Increasing Capex.** Google continues to benefit from its full stack approach to AI, including custom TPUs & industry-leading models. Cloud growth accelerated to 34% in 3Q, supported by billions of dollars in revenue from enterprise AI products. Google is signing new customers faster (new GCP customers +34% Y/Y), signing larger deals w/more \$1B+ deals YTD than the previous two years combined, & is deepening relationships with existing customers. Google now processes 1.3 quadrillion monthly tokens, up from 980 trillion in July & over 20x Y/Y. Cloud backlog grew 46% Q/Q to \$155B & Google raised its 2025 capex outlook to \$91B-\$93B (up from \$85B prior) as it invests to meet demand from Cloud customers & for other growth opportunities. Looking ahead, Google expects a *significant increase* in 2026 capex, though it expects to remain in a supply-constrained environment through the year.
- **Other Notable Points.** **1)** YouTube growth accelerated to 15% Y/Y w/recommendation systems driving robust watch time growth in key monetization areas like shorts & living room; **2)** Google surpassed 300M paid subscriptions, led by growth in Google One & YouTube Premium; **3)** Over 230M videos have been generated with Veo 3 & more than 13M developers have built with Google's generative models; **4)** Google launched Gemini Enterprise in October & has already crossed 2M subscribers across 700 companies; **5)** In the US, YouTube Shorts now earns more revenue per watch hour than traditional in-stream video.

Summary of the Quarter

Figure 1: Alphabet, Inc. Actual vs. J.P. Morgan Estimates

\$ in millions, except per share data and where noted otherwise	JPMe	3Q25 Actuals	Diff (%/bps)
Google Services			
Google Search & other Revenue	55,207	56,567	2.5%
Y/Y Growth	11.8%	14.5%	275 bps
YouTube ads Revenue	10,245	10,261	0.2%
Y/Y Growth	14.8%	15.0%	18 bps
Google Network Revenue	7,441	7,354	-1.2%
Y/Y Growth	-1.4%	-2.6%	(115) bps
Google SPD Revenue	12,454	12,870	3.3%
Google Services Revenue	85,346	87,052	2.0%
Y/Y Growth	11.5%	13.8%	223 bps
Operating Income / (Loss)	35,077	33,527	-4.4%
Margin as % of Gross Revenue	41.1%	38.5%	(259) bps
Google Cloud			
Revenue	15,345	15,157	-1.2%
Y/Y Growth	35.2%	33.5%	(166) bps
Operating Income / (Loss)	3,222	3,594	11.5%
% Margin - Gross	21.0%	23.7%	271 bps
Other Bets			
Revenue	381	344	-9.7%
Operating Income / (Loss)	(1,283)	(1,426)	-11.2%
Reconciling Items			
Hedging gains (losses)	(322)	(207)	-35.7%
Corporate costs, unallocated	(8,054)	(4,467)	44.5%
Alphabet Inc.			
Alphabet Gross Revenue	100,749	102,346	1.6%
FXHN Y/Y Growth	12.7%	14.7%	199 bps
Y/Y Growth	14.1%	15.9%	181 bps
Q/Q Growth	4.5%	6.1%	166 bps
Alphabet Net Revenue	85,918	87,470	1.8%
Y/Y Growth	15.3%	17.3%	208 bps
Q/Q Growth	5.1%	7.0%	190 bps
Alphabet GAAP Operating Income	28,962	31,228	7.8%
as % of Gross Revenue	28.7%	30.5%	177 bps
Alphabet GAAP EPS	\$1.97	\$2.87	45.4%
Y/Y Growth	-6.9%	35.3%	4,224 bps

Source: J.P. Morgan estimates, Company data.

Adjusting Estimates

We are adjusting our estimates, as shown below.

Figure 2: Adjusting J.P. Morgan Estimates

(S in millions, except where noted)	3Q25		4Q25 JPMe		1Q26 JPMe		2Q26 JPMe		3Q26 JPMe		4Q26 JPMe		2026 JPMe		2027 JPMe	
	JPMe	Actual	Old	New	New	New	New	New	New	New	New	New	Old	New	Old	New
Google Services																
Google Search & other Revenue	55,207	56,567	60,368	61,868	58,831	61,319	62,983	68,842	245,162	251,975	267,227	277,173				
FXHN Y/Y Growth	10.0%	13.0%	10.0%	13.5%	12.5%	12.5%	12.0%	11.5%	9.5%	12.1%	9.0%	10.0%				
Y/Y Growth	11.8%	14.5%	11.7%	14.5%	16.0%	13.2%	11.3%	11.3%					9.0%	10.0%		
Q/Q Growth	1.9%	4.4%	9.3%	9.4%	-4.9%	4.2%	2.7%	9.3%								
% chg vs. old		2.5%		2.5%	NA	NA	NA	NA					2.8%	3.7%		
YouTube ads Revenue	10,245	10,261	12,020	11,939	10,404	11,232	11,629	13,582	46,203	46,848	50,823	52,001				
FXHN Y/Y Growth	13.0%	13.5%	13.0%	13.0%	14.0%	14.0%	14.0%	14.0%	11.0%	13.7%	10.0%	11.0%				
Y/Y Growth	14.8%	15.0%	14.8%	14.0%	16.5%	14.7%	13.3%	13.8%					14.5%	10.0%	11.0%	
Q/Q Growth	4.6%	4.7%	17.3%	16.3%	-12.9%	8.0%	3.5%	16.8%								
% chg vs. old	0.2%		-0.7%	NA	NA	NA	NA	NA					1.4%	2.3%		
Google Network Revenue	7,441	7,354	7,917	7,783	7,334	7,249	7,165	7,612	29,825	29,360	29,526	29,066				
Y/Y Growth	-1.4%	-2.6%	-0.5%	-2.1%	1.1%	-1.4%	-2.6%	-2.2%	-0.5%	-1.3%	-1.0%	-1.0%				
Q/Q Growth	1.2%	0.0%	6.4%	5.8%	-5.8%	-1.2%	6.2%									
% chg vs. old	-1.2%		-1.7%	NA	NA	NA	NA	NA					-1.6%	-1.6%		
Google SPD Revenue	12,454	12,870	13,587	13,965	12,311	13,071	14,841	16,027	54,167	56,250	59,583	63,000				
Y/Y Growth	16.9%	20.8%	16.8%	20.0%	18.6%	16.7%	15.3%	14.8%					13.7%	16.2%	10.0%	12.0%
Q/Q Growth	11.2%	14.9%	9.1%	8.5%	-11.8%	6.2%	13.5%	8.0%								
% chg vs. old	3.3%		2.8%	NA	NA	NA	NA	NA					3.8%	5.7%		
Google Services Revenue	85,346	87,052	93,892	95,555	88,881	92,871	96,618	106,064	375,356	384,433	407,160	421,240				
FXHN Y/Y Growth	9.8%	12.3%	9.9%	12.6%	11.5%	11.9%	11.6%	11.2%	9.0%	11.6%	8.5%	9.6%				
Y/Y Growth	11.5%	13.8%	11.7%	13.8%	15.0%	12.9%	11.0%	11.0%					10.7%	12.3%	8.5%	9.6%
Q/Q Growth	3.4%	5.5%	10.0%	9.8%	-7.0%	4.5%	4.0%	9.8%								
% chg vs. old	2.0%		1.8%	NA	NA	NA	NA	NA					2.4%	3.5%		
Total TAC as % of Ads Gross Revs	20.3%	20.1%	20.1%	19.9%		20.2%	19.9%	19.8%	19.5%	20.1%	19.8%	19.9%	19.6%			
bps chg vs. old	(29)		(20)	NA	NA	NA	NA	NA					(28)	(30)		
Google Services GAAP OI	35,077	33,527	37,510	38,843	38,930	39,935	40,869	44,229	154,271	163,962	166,121	180,291				
Margin as % of Gross Revenue	41.1%	38.5%	40.0%	40.7%	43.8%	43.0%	42.3%	41.7%	41.1%	42.7%	40.8%	42.8%				
% chg vs. old	-4.4%		3.6%	NA	NA	NA	NA	NA					6.3%	8.5%		
Google Services GAAP EPS	\$2.47	\$2.19	\$2.65	\$2.73	\$2.74	\$2.78	\$2.84	\$3.06	\$10.88	\$11.42	\$11.77	\$12.56				
Y/Y Growth	14.7%	1.5%	16.3%	19.9%	25.0%	18.0%	29.6%	12.4%					20.7%	8.1%	10.0%	
% chg vs. old	-11.5%		3.1%	NA	NA	NA	NA	NA					4.9%	6.7%		
Google Cloud																
Google Cloud Revenue	15,345	15,157	16,392	16,522	17,703	19,459	21,698	23,909	81,923	82,768	103,223	107,599				
FXHN Y/Y Growth	33.0%	31.8%	35.0%	37.0%	40.0%	42.0%	44.0%	45.0%					40.0%	43.0%	26.0%	30.0%
Y/Y Growth	35.2%	33.5%	37.1%	38.2%	44.4%	42.8%	43.2%	44.7%					42.2%	43.8%	26.0%	30.0%
Q/Q Growth	12.6%	11.3%	6.8%	9.0%	7.1%	9.9%	11.5%	10.2%								
% chg vs. old	-1.2%		0.8%	NA	NA	NA	NA	NA					1.0%	4.2%		
Google Cloud GAAP OI	3,222	3,594	3,475	3,965	4,426	4,787	5,186	5,571	18,596	19,969	23,741	24,748				
% Margin - Gross	21.0%	23.7%	21.2%	24.0%	25.0%	24.6%	23.9%	23.3%					22.7%	24.1%	23.0%	23.0%
% chg vs. old	11.5%		14.1%	NA	NA	NA	NA	NA					7.4%	4.2%		
Google Cloud GAAP EPS	\$0.26	\$0.29	\$0.29	\$0.32	\$0.36	\$0.39	\$0.42	\$0.46	\$1.54	\$1.63	\$1.99	\$2.04				
Y/Y Growth	68.9%	87.9%	68.8%	91.6%	104.6%	69.2%	44.1%	40.4%					59.1%	29.2%	24.9%	
% chg vs. old	11.2%		13.5%	NA	NA	NA	NA	NA					6.2%	2.6%		
Other Bets																
Other Bets Revenue	381	344	398	364	390	414	433	450	1,882	1,686	2,103	1,896				
% chg vs. old	-9.7%		-8.5%	NA	NA	NA	NA	NA					-10.4%	-9.8%		
Other Bets GAAP OI	(1,283)	(1,426)	(1,322)	(1,563)	(1,303)	(1,321)	(1,452)	(1,572)	(5,310)	(5,648)	(5,379)	(5,757)				
\$ chg vs. old	(143)		(241)	NA	NA	NA	NA	NA					(338)	(378)		
Other Bets GAAP EPS	(\$0.11)	\$0.75	(\$0.11)	(\$0.13)	(\$0.11)	(\$0.12)	(\$0.12)	(\$0.13)	(\$0.44)	(\$0.46)	(\$0.45)	(\$0.48)				
% chg vs. old			-17.6%	NA	NA	NA	NA	NA					-5.2%	-5.4%		
Reconciling Items																
Hedging gains (losses)	(322)	(207)	(340)	(196)	(649)	(130)	140	53	(1,166)	(586)	0	0				
\$ chg vs. old	115		144	NA	NA	NA	NA	NA					580	0		
Corporate costs, unallocated	(8,054)	4,467	(3,826)	(3,906)	(80)	(4,928)	(4,471)	(4,491)	(4,642)	NA	(16,686)	(18,532)	(1,846)	(17,219)	(20,593)	(3,373)
\$ chg vs. old	3,587															
Alphabet, Inc.																
Alphabet Gross Revenue	100,749	102,346	110,342	112,246	106,325	112,613	118,888	130,475	457,994	468,302	512,485	530,736				
FXHN Y/Y Growth	12.7%	14.7%	13.0%	15.6%	15.3%	16.1%	16.5%	16.2%	13.5%	16.1%	11.6%	13.2%				
Y/Y Growth	14.1%	15.9%	14.4%	16.4%	17.8%	16.8%	16.2%	16.2%					15.1%	16.7%	11.9%	13.3%
Q/Q Growth	4.5%	6.1%	9.5%	9.7%	-5.3%	5.9%	5.6%	9.7%								
% chg vs. old	1.8%		1.7%	NA	NA	NA	NA	NA					2.3%	3.6%		
Alphabet Net Revenue	85,918	87,470	94,183	95,988	90,880	95,719	102,720	112,915	393,408	403,234	443,318	460,539				
Y/Y Growth	15.3%	17.3%	15.4%	17.6%	18.8%	18.4%	17.4%	17.6%					16.3%	18.0%	12.7%	14.2%
Q/Q Growth	5.1%	7.0%	9.6%	9.7%	-5.3%	6.4%	6.2%	9.9%								
% chg vs. old	1.8%		1.9%	NA	NA	NA	NA	NA					2.5%	3.9%		
GAAP Operating Income	28,862	31,228	35,837	37,339	37,124	38,930	40,112	43,585	150,872	159,751	167,264	178,689				
% Margin - Gross	28.7%	30.5%	32.5%	33.3%	34.9%	34.6%	33.7%	33.4%	32.9%	34.1%	32.6%	33.7%				
% chg vs. old	7.8%		4.2%	NA	NA	NA	NA	NA					5.9%	6.8%		
GAAP EPS	\$1.97	\$2.87	\$2.51	\$2.60	\$2.59	\$2.70	\$2.78	\$3.01	\$10.60	\$11.08	\$11.86	\$12.43				
Y/Y Growth	-6.9%	35.3%	16.7%	21.1%	-7.9%	16.9%	-3.2%	15.7%					10.4%	4.6%	11.9%	12.2%
% chg vs. old	45.4%		3.8%	NA	NA	NA	NA	NA					4.5%	4.5%		
Capex	22,768	23,953	23,075	28,796	31,808	34,819</b										

Model Pages

Figure 3: Alphabet Income Statement

	2023A	3/24A	6/24A	9/24A	12/24A	2024A	3/25A	6/25A	9/25A	12/25E	2025E	3/26E	6/26E	9/26E	12/26E	2026E	2027E	
Gross Revenues	307,394.0	80,539	84,742	88,268	96,469	350,018.0	90,234	96,428	102,346	112,246.3	401,254.3	106,324.5	112,613.4	118,888.5	130,475.3	468,301.7	530,735.5	
Traffic Acquisition Costs (TAC)	50,886	12,946	13,387	13,719	14,848	54,900.0	13,748	14,705	14,876	16,258.3	59,587.3	14,448	15,894.1	16,168.7	17,560.5	65,068.0	70,196.9	
Net Revenues excluding TAC	256,508	67,593	71,355	74,549	81,621	295,118.0	76,486	81,723	87,470	95,988.0	341,667.0	90,878.7	96,719.3	102,719.8	112,914.7	403,233.6	460,538.6	
Other cost of revenues	82,446	20,766	22,120	22,755	25,765	91,406.0	22,613	24,334	26,493	30,428.2	103,868.2	27,263.9	29,692.2	32,870.3	37,487.7	127,314.8	153,359.4	
Gross profit	174,062	46,827	49,235	51,794	55,856	203,712.0	53,873	57,389	60,977	65,559.8	237,798.8	63,615.8	67,026.5	69,849.5	75,427.1	275,918.8	307,179.3	
Operating expenses																		
Research & development	45,427	11,903	11,860	12,447	13,116	49,326.0	13,556	13,808	15,151	15,742.0	58,257.0	16,267.5	16,539.0	17,976.0	18,630.9	69,413.4	77,831.0	
Sales & marketing	27,917	6,426	6,792	7,227	7,363	27,808.0	6,172	7,101	7,205	7,583.1	28,061.1	6,452.5	7,737.5	7,704.0	8,016.9	29,910.9	32,237.7	
General & administrative	16,425	3,028	3,158	3,599	4,405	14,188.0	3,539	5,209	3,936	4,895.4	17,579.4	3,771.5	3,820.4	4,057.4	5,194.1	16,843.4	18,421.5	
Other 1x item, incl. Impairment charge	0	0	0	0	0	0.0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total operating expenses	89,769	21,355	21,810	23,273	24,888	91,322.0	23,267	26,118	29,749	28,220.5	107,354.5	26,491.4	28,097.0	29,737.4	31,842.0	116,167.7	128,490.3	
GAAP Operating income	84,293	25,472	27,425	28,521	30,972	112,390.0	30,606	31,271	31,228	37,339.3	130,444.3	37,124.4	38,929.5	40,112.1	43,585.1	159,751.1	178,689.0	
Non-GAAP Operating income	84,293	25,472	27,425	28,521	30,972	112,390.0	30,606	31,271	31,228	37,339.3	130,444.3	37,124.4	38,929.5	40,112.1	43,585.1	159,751.1	178,689.0	
JPMs Adjusted Operating income	106,753	30,736	33,299	34,367	36,782	135,175.0	36,122	37,269	41,053	43,866.5	158,310.5	43,576.8	46,028.2	47,590.3	51,037.5	188,232.8	209,546.1	
Other income, expense and other, net	1,424	2,843	126	3,185	1,271	7,425.0	1,183	2,662	12,759	950.8	27,554.8	937.5	827.1	733.8	745.3	3,243.6	2,731.7	
Income before taxes	85,717	28,315	27,551	31,706	32,243	119,815.0	41,789	33,933	43,987	38,290.1	157,999.1	38,061.8	39,756.6	40,845.9	44,330.4	162,994.7	181,420.6	
Provision for income taxes	11,922	4,653	3,932	5,405	5,707	19,697.0	7,249	5,737	9,008	6,509.3	26,503.3	6,470.5	6,758.6	6,943.8	7,536.2	27,709.1	30,841.5	
Effective tax rate	13.9%	16.4%	14.3%	17.0%	17.7%	16.4%	17.3%	17.6%	20.5%	17.0%	18.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	
Discontinued Operations - Motorola																		
GAAP Net Income (loss)	73,795	23,662	23,619	26,301	26,536	100,118.0	34,540	28,196	34,979	31,780.8	129,495.8	31,591.3	32,998.0	33,902.1	36,794.2	135,285.6	150,579.1	
GAAP EPS - Diluted	\$5.80	\$1.89	\$1.89	\$2.12	\$2.15	\$9.04	\$2.01	\$2.31	\$2.87	\$2.60	\$10.88	\$2.59	\$2.70	\$2.78	\$3.01	\$11.08	\$12.43	
Diluted shares outstanding	12,721	12,527	12,495	12,419	12,348	12,447.3	12,291	12,198.0	12,203	12,206.5	12,225.1	12,210.6	12,212.8	12,215.0	12,217.2	12,219.3	12,216.9	
Alphabet Non-GAAP reconciliation																		
Adj. for One-time item	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Non-GAAP Net Income (loss)	73,795	23,662.0	23,619.0	26,301.0	26,536.0	100,118.0	34,540.0	28,196.0	34,979.0	31,780.8	129,495.8	31,591.3	32,998.0	33,902.1	36,794.2	135,285.6	150,579.1	
Non-GAAP EPS - Diluted	\$5.80	\$1.89	\$1.89	\$2.12	\$2.15	\$9.04	\$2.01	\$2.31	\$2.87	\$2.60	\$10.88	\$2.59	\$2.70	\$2.78	\$3.01	\$11.08	\$12.43	
Non-recurring items:																		
Stock compensation expense	22,460.0	5,264.0	5,865.0	5,846.0	5,810.0	22,785.0	5,516.0	5,988.0	6,368.0	6,527.2	24,409.2	6,452.5	7,088.6	7,478.2	7,452.4	28,481.7	30,856.1	
One-time items	2,441.0	(1,782.0)	964.0	(1,942.0)	(183.0)	(2,943.0)	(10,182.0)	(1,612.0)	(8,226.0)	143.0	(19,877.0)	143.0	143.0	143.0	143.0	572.0	503.4	
Tax effect	(3,400.6)	(572.2)	(974.6)	(665.5)	(996.0)	(3,208.3)	809.4	(741.5)	380.5	(1,133.9)	(685.6)	(1,121.2)	(1,291.2)	(1,295.6)	(1,291.2)	(4,939.1)	(5,331.1)	
Adjusted Net Income (loss)	95,295	26,571.8	29,473.4	30,595.8	31,167.0	116,751.7	30,683.4	31,840.5	33,501.5	37,317.1	133,342.4	37,065.6	38,008.6	40,227.7	43,098.4	159,400.2	176,607.5	
Adj. EPS - Diluted	\$7.49	\$2.12	\$2.36	\$2.38	\$2.52	\$9.38	\$2.50	\$2.61	\$2.75	\$3.06	\$31.01	\$3.19	\$3.29	\$3.53	\$13.05	\$14.58		
Diluted shares outstanding	12,721.3	12,527.0	12,495.0	12,419.0	12,348.0	12,447.3	12,291.0	12,198.0	12,203.0	12,206.5	12,225.1	12,210.6	12,212.8	12,215.0	12,217.2	12,219.3	12,216.9	
Adj. EBITDA Reconciliation																		
Operating income (adj. for 1x item as noted)	84,293	25,472	27,425	28,521	30,972	112,390.0	30,606	31,271	34,685	37,339.3	133,901.3	37,124.4	38,929.5	40,112.1	43,585.1	159,751.1	178,689.0	
Depreciation & amortization	13,699	3,413	3,708	3,985	4,205	15,311.0	4,487	4,998	5,611	6,431.2	21,527.2	7,543.0	8,704.7	9,655.7	10,952.7	36,856.1	50,859.2	
Stock compensation expense	22,460	5,264	5,865	5,846	5,810	22,785	5,516	5,988	6,368	6,527	24,409.2	6,452.5	7,088.6	7,478.2	7,452.4	28,481.7	30,856.1	
Adj. EBITDA	120,452	34,149	36,998	38,352	40,987	150,486.0	40,609	42,267	46,664	50,297	179,837.7	51,119.8	54,732.9	57,246.0	61,990.2	225,088.9	260,204.3	
Year/Year Growth																		
Gross Revenues (FXHN)	10.1%	16.0%	15.2%	16.4%	12.2%	14.8%	13.8%	13.4%	14.7%	15.6%	14.4%	15.3%	16.1%	16.5%	16.2%	16.1%	13.2%	
Gross Revenues	8.7%	15.4%	13.6%	15.1%	11.8%	13.9%	12.0%	13.8%	15.9%	16.4%	14.6%	17.8%	16.8%	16.2%	16.7%	13.3%		
Traffic Acquisition Costs (TAC)	3.9%	10.5%	6.8%	8.5%	6.2%	7.9%	6.2%	9.8%	8.4%	9.5%	8.5%	8.5%	12.3%	8.1%	8.7%	8.0%	9.2%	7.9%
Net Revenues	9.7%	16.4%	15.0%	16.4%	12.9%	15.1%	13.2%	14.5%	17.3%	17.6%	16.8%	18.8%	18.4%	17.4%	17.6%	18.0%	14.2%	
Gross profit	11.1%	19.5%	15.3%	19.2%	14.6%	17.0%	15.0%	16.6%	17.7%	17.4%	16.7%	18.1%	18.5%	18.1%	18.6%	19.1%	11.3%	
Research & development	15.0%	3.8%	12.0%	10.6%	8.3%	8.6%	13.9%	16.4%	21.7%	20.0%	18.1%	20.0%	19.8%	18.6%	18.4%	19.2%		
Sales & marketing	5.1%	-1.6%	0.2%	5.0%	-4.6%	-0.4%	-4.0%	-4.5%	-0.3%	3.0%	0.9%	4.5%	4.5%	9.0%	6.9%	5.7%	7.8%	
General & administrative	4.5%	-19.5%	-9.3%	-15.4%	-13.6%	17.0%	6.4%	9.4%	11.1%	23.9%	6.2%	6.6%	6.6%	-26.7%	3.1%	6.1%	-4.2%	9.4%
Total operating expenses	9.8%	-1.9%	4.6%	5.2%	-0.6%	1.7%	9.0%	19.8%	27.8%	13.4%	17.6%	7.6%	0.0%	12.6%	8.2%	10.6%		
GAAP Operating income	12.6%	46.3%	25.6%	33.6%	30.7%	33.3%	20.2%	14.0%	9.5%	20.6%	16.1%	21.3%	24.5%	28.4%	16.7%	22.5%	11.9%	
Non-GAAP Operating income	12.6%	46.3%	25.6%	33.6%	30.7%	33.3%	20.2%	14.0%	9.5%	20.6%	16.1%	21.3%	24.5%	28.4%	16.7%	22.5%		

Figure 4: Alphabet Revenue Drivers

	2023A	3/24A	6/24A	9/24A	12/24A	2024A	3/25A	6/25A	9/25A	12/25E	2025E	3/26E	6/26E	9/26E	12/26E	2026E	2027E
Gross Revenue Summary																	
Google Search & other	175,033.0	46,156	48,509	49,385	54,034	198,084.0	50,702	54,190	56,567	61,868.3	223,327.3	58,831.5	61,318.6	62,982.8	68,342.3	251,975.1	277,172.7
YY growth	7.7%	14.4%	13.8%	12.2%	12.6%	13.2%	9.8%	11.7%	14.5%	14.5%	12.7%	16.0%	13.2%	11.3%	11.3%	12.8%	10.0%
FX/HN YY growth (estimate)	8.4%	14.9%	15.5%	13.5%	12.6%	14.1%	11.8%	11.1%	13.0%	13.5%	12.4%	12.5%	12.5%	12.0%	11.5%	12.1%	10.0%
YouTube ads	31,510.0	8,090	8,663	8,921	10,473	36,147.0	8,927	9,796	10,261	11,938.6	40,922.6	10,404.4	11,232.4	11,628.8	13,582.3	46,847.9	52,001.1
YY growth	7.8%	20.9%	13.0%	12.2%	13.8%	14.7%	10.3%	13.1%	15.0%	14.0%	13.2%	16.5%	14.7%	13.3%	13.8%	14.5%	11.0%
FX/HN YY growth (estimate)	8.4%	21.5%	14.7%	13.5%	14.2%	15.7%	12.3%	12.4%	13.5%	13.0%	12.9%	13.0%	14.0%	14.0%	13.7%	13.7%	11.0%
Google Properties	206,543.0	54,246	57,172	58,306	64,507	234,231.0	59,829	63,986	66,828	73,807.0	264,250.0	69,235.9	72,551.0	74,611.6	82,424.6	298,823.0	329,173.8
YY growth	7.7%	15.3%	13.7%	12.2%	12.7%	13.4%	9.9%	11.9%	14.6%	14.4%	12.8%	16.1%	13.4%	11.6%	11.7%	13.1%	10.2%
FX/HN YY growth (estimate)	8.4%	15.9%	15.4%	13.5%	13.0%	14.4%	11.9%	11.3%	13.1%	13.4%	12.5%	12.6%	12.7%	12.3%	11.9%	12.4%	10.2%
Google Network Members' properties	31,312.0	7,413	7,444	7,548	7,964	30,359.0	7,256	7,354	7,354	7,783.3	29,747.3	7,334.2	7,248.9	7,164.6	7,612.0	29,359.7	29,066.1
YY growth	-4.5%	-1.1%	-5.2%	-1.6%	-4.1%	-3.0%	-2.1%	-1.2%	-2.6%	-2.1%	-2.0%	1.1%	-1.4%	-2.6%	-2.2%	-1.3%	-1.0%
FX/HN YY growth (estimate)	-3.8%	-0.6%	-3.7%	-0.4%	-3.9%	-2.2%	-0.4%	-1.8%	-3.8%	-3.0%	-2.3%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-1.0%
Q/Q growth	-10.7%	0.4%	1.4%	5.4%	-8.8%	1.4%	0.0%	5.8%	-5.8%	-1.2%	6.3%	-11.8%	6.2%	-1.2%	-1.2%	-1.2%	-1.0%
Google advertising	237,855.0	61,659	64,616	65,854	72,461	264,590.0	66,885	71,340	74,182	81,590.3	293,997.3	76,570.1	79,799.9	81,776.1	90,036.6	328,182.7	358,239.9
YY growth	6.0%	13.0%	11.1%	10.4%	10.6%	11.2%	8.5%	10.4%	12.6%	11.1%	14.5%	11.9%	10.2%	10.4%	11.6%	9.2%	
FX/HN YY growth	6.7%	13.6%	12.8%	11.7%	10.9%	12.2%	10.4%	9.8%	11.2%	10.8%	11.0%	11.2%	10.9%	10.6%	10.9%	9.2%	
Google subscriptions, platforms, and devices	34,688.0	8,739	9,312	10,656	11,663	40,340.0	10,379	11,203	12,870	13,965.1	48,417.1	12,310.8	13,071.1	14,841.5	16,027.1	56,250.4	63,000.5
YY growth	19.4%	17.9%	14.4%	27.8%	7.8%	16.3%	18.8%	20.3%	20.8%	20.0%	20.0%	18.6%	16.7%	15.3%	14.8%	16.2%	12.0%
FX/HN YY growth (estimate)	20.0%	18.5%	16.1%	29.3%	8.1%	17.3%	20.9%	19.6%	19.2%	19.0%	19.6%	15.0%	16.0%	16.0%	15.0%	15.5%	12.0%
Q/Q growth	-19.0%	6.6%	14.4%	9.2%	-10.8%	7.9%	14.9%	8.5%	-11.8%	6.2%	-1.2%	-11.8%	6.2%	-1.2%	-1.2%	-1.2%	-1.0%
Google Services total	272,543.0	70,398	73,928	76,510	84,094	304,930.0	77,264	82,543	87,052	95,555.4	342,414.4	88,889.0	92,871.0	96,617.6	106,063.7	384,433.2	421,240.4
YY growth	7.5%	13.6%	11.5%	12.5%	10.2%	11.9%	9.8%	11.7%	13.8%	13.6%	12.3%	15.0%	12.5%	11.0%	11.0%	12.3%	9.6%
FX/HN YY growth	8.2%	14.2%	13.2%	13.8%	10.5%	12.8%	11.7%	12.0%	12.3%	12.6%	11.9%	11.5%	11.2%	11.6%	11.2%	11.6%	9.6%
Google Cloud	33,088.0	9,574	10,347	11,353	11,995	43,229.0	12,260	13,624	15,157	16,622.5	57,563.5	17,703.2	19,458.7	21,697.8	23,908.7	82,768.4	107,598.9
YY growth	25.9%	28.4%	28.8%	35.0%	30.1%	30.6%	28.1%	31.7%	33.5%	38.2%	33.2%	44.4%	42.8%	43.2%	44.7%	43.8%	30.0%
FX/HN YY growth (estimate)	26.7%	29.1%	30.8%	36.5%	30.4%	31.8%	30.4%	30.9%	31.8%	37.0%	32.7%	40.0%	42.0%	44.0%	45.0%	43.0%	30.0%
Other Bets	1,527.0	495	365	388	400	1,648.0	450	373	344	364.0	1,531.0	389.7	413.7	433.1	449.7	1,686.3	1,896.2
YY growth	43.0%	71.9%	28.1%	30.6%	-39.1%	7.9%	-9.1%	2.2%	-11.3%	-9.0%	-7.1%	-13.4%	10.9%	25.9%	23.8%	10.1%	12.5%
Hedging gains (losses)	236.0	72	102	17	20	21.0	260	(20)	(207)	(195.6)	(254.6)	(649.2)	(130.0)	139.9	53.2	(561.6)	0.0
Alphabet total revenues (gross)	307,394.0	80,539	84,742	88,268	96,469	350,018.0	90,234	96,428	102,346	112,246.3	401,254.3	106,324.5	112,613.4	118,888.5	130,475.3	468,301.7	530,735.5
YY growth	8.7%	15.4%	13.6%	15.1%	11.8%	13.9%	12.0%	13.8%	15.9%	16.4%	14.6%	17.8%	16.8%	16.2%	16.2%	16.7%	13.3%
FX/HN YY growth	10.1%	16.0%	15.2%	16.4%	12.2%	14.8%	13.8%	13.4%	14.7%	15.6%	14.4%	15.3%	16.1%	16.5%	16.2%	16.1%	13.2%
Q/Q growth	-6.7%	5.2%	4.2%	9.3%	-5.5%	-6.5%	-6.5%	6.9%	6.1%	9.7%	-5.3%	5.9%	5.6%	9.7%	-5.3%	5.9%	0.0%
Seasonality	23.0%	24.2%	25.2%	27.5%	22.5%	24.0%	22.5%	24.0%	25.5%	28.0%	22.7%	24.0%	25.4%	27.5%	27.5%	27.5%	0.0%
Gross Revenue Share by Segment																	
Google Search & other	56.9%	57.3%	57.2%	55.9%	56.0%	56.6%	56.2%	56.5%	55.3%	55.1%	55.7%	55.3%	54.5%	53.0%	52.9%	53.8%	52.2%
YouTube ads	10.3%	10.0%	10.2%	10.1%	10.9%	10.3%	9.9%	10.2%	10.0%	10.6%	10.2%	9.8%	10.0%	9.8%	10.4%	9.8%	9.8%
Google Network Members' properties	10.2%	9.2%	8.8%	8.6%	8.2%	8.7%	8.0%	7.6%	7.2%	6.5%	7.4%	6.9%	6.4%	6.0%	5.8%	6.3%	5.5%
Google advertising	77.4%	76.6%	76.3%	74.6%	75.1%	75.6%	74.1%	74.0%	72.5%	72.7%	73.3%	72.0%	70.9%	68.8%	69.0%	70.1%	67.5%
Google subscriptions, platforms, and devices	11.3%	10.9%	11.0%	12.1%	12.1%	11.5%	11.5%	11.6%	12.6%	12.4%	12.1%	11.6%	11.6%	12.5%	12.3%	12.0%	11.9%
Google Services total	88.7%	87.4%	87.2%	86.7%	87.2%	87.1%	85.6%	85.6%	85.1%	85.1%	85.3%	83.6%	82.5%	81.3%	81.3%	81.3%	79.4%
Google Cloud	108.8%	11.9%	12.2%	12.9%	12.4%	12.4%	13.6%	14.1%	14.8%	14.7%	14.3%	16.7%	17.3%	18.3%	18.3%	17.7%	20.3%
Other Bets	0.5%	0.6%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.2%	-0.1%	0.4%	0.4%	0.4%	0.4%	0.4%
Hedging gains (losses)	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	-0.1%	0.1%	0.0%	0.0%	-0.1%	0.0%
TAC Analysis																	
Total Traffic Acquisition Costs (TAC)	50,886	12,946	13,387	13,719	14,848	54,900.0	13,748	14,705	14,876	16,258.3	59,587.3	15,444.8	15,894.1	16,168.7	17,560.5	65,068.0	70,196.9
YY growth	3.9%	10.5%	6.8%	8.5%	6.2%	7.9%	6.2%	9.8%	8.4%	9.5%	8.5%	12.3%	8.1%	8.7%	8.0%	9.2%	7.9%
TAC as a % of Total Gross Adv. Revenues	21.4%	21.0%	20.7%	20.8%	20.5%	20.7%	20.6%	20.8%	20.1%	19.9%	20.3%	20.2%	19.9%	19.8%	19.5%	19.8%	19.6%
TAC as a % of Total Ads Gross Revs ex. YT	24.7%	24.2%	23.9%	24.1%	24.0%	24.0%	23.7%	23.9%	23.3%	23.3%	23.5%	23.3%	23.2%	23.0%	23.0%	23.1%	22.9%
Net Revenue Summary																	
Google Properties - Net Revenues	177,157.8	46,307.2	48,974.0	49,762.4	55,115.9	200,159.4	50,756.2	54,394.4	56,815.6	62,763.5	224,729.6	58,705.0	61,513.7	63,243.2	69,964.1	253,426.0	278,451.2
YY growth	7.2%	14.2%	13.5%	11.8%	12.6%	13.0%	9.6%	11.7%	14.2%	13.9%	12.3%	15.7%	13.1%	11.3%	11.5%	12.8%	9.9%
Q/Q growth	-5.4%	3.8%	1.6%	10.8%	-7.9%	7.2%	4.5%	10.5%	-6.5%	4.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Google Network Members' Properties - Net Revenue	9,811.2	2,405.8	2,255.0	2,372.6	2,497.1	9,530.6	2,380.9	2,240.6	2,490.4	2,568.5	9,680.3	2,420.3	2,392.1	2,364.3	2,512.0	9,688.7	9,591.8
YY growth	-4.8%	5.1%	-7.6%	-5.5%	-2.9%	-1.0%	-0.6%	5.0%	2.9%	1.6%	1.7%	6.8%	-5.1%	-2.2%	0.1%	-1.0%	-1.0%
Google Advertising - Net Revenues	186,969.0	48,713.0	51,229.0	52,153.0	57,613.0	209,690.0	53,137.0	56,633.0	59,306.0	65,332.0	234,410.0	61,125.3	63,905.8	65,607.5	72,476.1	263,114.7	288,043.0
YY growth	6.5%	13.7%	12.3%	10.9%	11.8%	12.2%	9.1%	10.6%	13.8%	13.4%	11.8%	15.0%	12.8%	10.6%	10.9%	12.2%	9.5%
Non-Advertising - Net Revenues	69,539.0	18,880.0	20,126.0	22,414.0	24,008.0	85,428.0	23,349.0	25,088.0	28,164.0	30,656.1	107,257.1	29,754.4	32,813.5	37,112.3	40,437.8	140,118.9	172,495.6
YY growth	19.1%	23.9%	23.3%	31.5%	15.5%	22.8%	23.7%	24.7%	25.7%	27.7%	25.6%	27.4%	30.8%	31.8%	31.9%	30.6%	23.1%
Alphabet Net Revenues	256,508.0	67,693.0	71														

Figure 5: Alphabet Revenue Drivers (Cont'd)

(\$ millions except where noted)	2023A	3/24A	6/24A	9/24A	12/24A	2024A	3/25A	6/25A	9/25A	12/25E	2025E	3/26E	6/26E	9/26E	12/26E	2026E	2027E
Geographic Breakdown																	
Alphabet total revenues (gross)	307,394.0	80,539	84,742	88,268	96,469	350,018.0	90,234	96,428	102,346	112,246.3	401,254.3	106,324.5	112,613.4	118,888.5	130,475.3	468,301.7	530,735.5
YY growth	8.7%	15%	14%	15%	12%	13.9%	12%	14%	16%	16.4%	14.6%	17.8%	16.8%	16.2%	16.2%	16.7%	13.3%
YY growth (ex-FX & Hedging)	10.1%	16%	15%	16%	12%	14.8%	14%	13%	15%	15.6%	14.4%	15.3%	16.1%	16.5%	16.2%	16.1%	13.2%
Q/Q growth	-7%	5%	4%	9%			-6%	7%	6%	9.7%		-5.3%	5.9%	5.6%	9.7%		
Geographic Breakdown																	
United States	146,286.0	38,737	41,196	43,139	47,375	170,447.0	43,964	46,063	48,758	54,007.5	192,792.5	49,889.1	52,327.6	55,584.1	61,622.6	219,433.4	245,984.8
YY growth	8.5%	18%	17%	19%	13%	16.5%	13%	12%	13%	14.0%	13.1%	13.5%	13.6%	14.0%	14.1%	13.8%	12.1%
Q/Q growth	-8%	6%	5%	10%			-7%	5%	6%	10.8%		-7.6%	4.9%	6.2%	10.9%		
U.S. revenues as % of Gross Revenues	47.6%	48%	49%	49%	49%	48.7%	49%	48%	48%	48.1%	48.0%	46.9%	46.5%	46.8%	47.2%	46.9%	46.3%
International	160,872.0	41,730	43,444	45,112	49,074	179,360.0	46,010	50,477	53,795	58,434.4	208,716.4	57,074.6	60,415.8	63,164.5	68,799.5	249,454.4	284,750.7
YY growth	10.1%	13%	10%	12%	11%	11.5%	10%	16%	19%	19.1%	16.4%	24.0%	19.7%	17.4%	17.7%	19.5%	14.1%
FXHN YY growth	11.5%	14%	13%	14%	12%	13.3%	14%	15%	16%	17.1%	15.7%	17.0%	18.4%	18.7%	18.2%	18.1%	14.1%
Q/Q growth	-6%	4%	4%	9%			-6%	10%	7%	8.6%		-2.3%	5.9%	4.5%	8.9%		
International revenues as % of Gross Revenues	52.3%	52%	51%	51%	51%	51.2%	51%	52%	53%	52.1%	52.0%	53.7%	53.8%	53.1%	52.7%	53.3%	53.7%
Hedging Gains (Losses)	236.0	72.0	102.0	17.0	20.0	211.0	260.0	(112.0)	(207.0)	(195.6)	(254.6)	(649.2)	(130.0)	139.9	53.2	(586.1)	0.0
International Breakdown (excl. Hedge post-1Q17 change)																	
EMEA	91,038.0	23,788	24,683	25,472	28,184	102,127.0	25,923	28,262	29,911	33,266.0	117,362.0	31,722.5	32,750.5	33,665.9	37,673.0	135,811.9	152,109.3
YY growth	10.9%	13%	11%	12%	13%	12.2%	9%	14%	17%	18.0%	14.9%	22.4%	15.9%	12.6%	13.2%	15.7%	12.0%
FXHN YY growth	10.4%	12%	12%	13%	11%	12.1%	12%	11%	12%	13.0%	12.2%	12.5%	13.5%	13.7%	13.8%	13.4%	12.0%
Q/Q growth	-5%	4%	3%	11%			-8%	9%	6%	11.2%		-4.6%	3.2%	2.8%	11.9%		
EMEA as a % of Gross Revenues	29.6%	30%	29%	29%	29%	29%	29%	29%	29%	29.6%	29.2%	29.8%	29.1%	28.3%	28.9%	29.0%	28.7%
APAC	51,514.0	13,288	13,823	14,547	15,156	56,815.0	14,854	16,480	17,819	18,195.6	67,348.6	18,694.2	20,490.8	21,951.8	22,507.4	83,652.4	96,953.2
YY growth	9.5%	14%	9%	11%	8%	10.3%	12%	19%	22%	20.1%	18.5%	25.9%	24.4%	23.2%	23.7%	24.2%	15.9%
FXHN YY growth	13.3%	18%	13%	13%	9%	12.9%	15%	18%	22%	23.0%	19.6%	23.0%	25.0%	24.0%	24.4%	23.5%	15.9%
Q/Q growth	-5%	4%	5%	4%	4%	4%	-2%	11%	8%	2.1%		2.7%	9.7%	7.1%	2.5%		
APAC as a % of Gross Revenues	16.8%	17%	16%	16%	16%	16.2%	16%	17%	16.2%	16.8%	17.6%	18.5%	17.5%	17.3%	17.9%	18.3%	
Other Americas (Canada and LatAM)	18,320.0	4,663	4,938	5,093	5,734	20,418.0	5,233	5,735	6,065	6,972.8	24,005.8	6,657.9	7,166.4	7,546.8	8,619.0	29,990.1	35,688.2
YY growth	7.9%	14%	9%	12%	11%	11.5%	12%	16%	19%	21.6%	17.6%	27.2%	25.0%	24.4%	23.6%	24.9%	19.0%
FXHN YY growth	11.8%	18%	16%	25%	22%	20.2%	23%	23%	20%	21.5%	22.0%	22.2%	23.8%	25.0%	24.0%	23.8%	19.0%
Q/Q growth	-10%	6%	3%	13%			-9%	10%	6%	15.0%		-4.5%	7.6%	5.3%	14.2%		
Other Americas as a % of Gross Revenues	6.0%	6%	6%	6%	5.8%	6%	6%	6%	6%	6.2%	6.0%	6.3%	6.4%	6.6%	6.4%	6.7%	
Foreign Exchange Impact on Gross Revenue																	
Total Gross Revenue	307,394.0	80,539	84,742	88,268	96,469	350,018.0	90,234	96,428	102,346	112,246.3	401,254.3	106,324.5	112,613.4	118,888.5	130,475.3	468,301.7	530,735.5
YY growth	8.7%	15%	14%	15%	12%	13.9%	12%	14%	16%	16.4%	14.6%	17.8%	16.8%	16.2%	16.2%	16.7%	13.3%
Q/Q growth	-7%	5%	4%	9%	9%	9%	-6%	7%	6%	9.7%		-5.3%	5.5%	5.6%	9.7%		
YY Foreign Exchange Impact	(1,953.0)	(390)	(1,267)	(1,017)	(265)	(2,939.0)	(1,605)	(543)	(1,339)	(977.8)	(1,254.8)	3,246.1	650.0	(699.3)	(266.0)	2,930.7	-
Cash Flow Hedging Impact	-12%	-18%	-8%	-2%	-8%	-7%	-16%	-21%	-15%	-20%	-20%	-20%	-20%	-20%	-20%	-20%	-20%
FXHN Gross Revs. (based on year ago period)	236.0	72	102	17	20	211.0	260	(112)	(207)	(195.6)	(254.6)	(649.2)	(130.0)	139.9	53.2	(586.1)	
FXHN Gross Revs. (based on year ago period)	309,111.0	80,857	85,907	89,268	96,714	352,746.0	91,579	95,997	101,214	111,464.1	400,254.1	103,727.7	112,093.4	119,447.9	130,488.1	465,957.1	530,735.5
YY growth (ex-FX & Hedging)	10.1%	16%	15%	16%	12%	14.8%	14%	13%	15%	15.6%	14.4%	15.3%	16.1%	16.2%	16.7%	13.2%	
BPS of YY growth impacted by FX & Hedging	(137.0)	(59.5)	(156.6)	(130.2)	(47.9)	(97.6)	(177.2)	37.2	126.0	78.7	21.7	254.6	67.4	(31.1)	1.3	65.8	14.2
FX & Hedging Neutral Gross Revs. (based on last quarter)	80,094	85,204	88,105	96,540	90,959	94,919	101,639	112,654.2	116,732.9	127.5.1	106,546.0	112,613.4	118,888.5	130,475.3			
Q/Q growth (ex-FX & Hedging)	-7%	6%	4%	9%	9%	9%	-6%	5%	5%	9.9%		-5.2%	5.3%	5.5%	9.9%		
BPS of Q/Q growth impacted by FX & Hedging	35.4	(66.8)	6.7	(8.0)			(80.8)	136.8	86.0	(17.7)		(3.2)	64.3	12.2	(12.9)		
\$ millions except where noted																	
Foreign Exchange Impact on EMEA Gross Revenue (excl. Hedging)																	
Total Gross EMEA Revenue	91,038.0	23,788	24,683	25,472	28,184	102,127.0	25,923	28,262	29,911	33,266.0	117,362.0	31,722.5	32,750.5	33,665.9	37,673.0	135,811.9	152,109.3
YY growth	10.9%	13%	11%	12%	13%	12.2%	9%	14%	17%	18.0%	14.9%	22.4%	15.5%	12.6%	13.2%	15.7%	12.0%
Q/Q growth	-5%	4%	3%	11%			-8%	9%	6%	11.2%		-4.6%	3.2%	2.8%	11.9%		
YY Foreign Exchange Impact	460.0	201	(367)	(146)	350	38.0	(724)	78.0	126.0	87.7	21.7	254.6	67.4	(31.1)	1.3	65.8	14.2
FXHN Gross Revs. (based on year ago period)	90,578	23,587	25,050	25,618	27,834	102,089	26,647	27,482	28,650	31,847.9	114,626.9	29,163.4	32,077.4	34,008.8	37,856.7	133,106.2	152,109.3
YY growth (excl. FX & Hedging)	10.4%	12%	12%	13%	11%	12.1%	12%	11%	12%	12.0%		2.7%	13.5%	13.7%	13.8%	13.4%	12.0%
BPS of YY growth impacted by FX & Hedging	56.1	95.4	(164.7)	(64.4)	139.9	4.2	(304.4)	316.0	495.1	503.1	267.8	87.2	238.2	(114.6)	(55.2)	230.5	0.0
YY growth in FX	0.5%	0.9%	-1.5%	-0.6%	1.3%	0.0%	-2.7%	2.8%	4.4%	4.5%	2.4%	8.8%	2.1%	-1.0%	-0.5%	0.9%	0.0%
Foreign Exchange Impact on APAC Gross Revenue (excl. Hedging)																	
Total Gross APAC Revenue	51,514.0	13,288	13,823	14,547	15,156	56,815.0	14,854	16,480	17,819	18,195.6	67,348.6	18,694.2	20,490.0	21,951.8	22,507.4	83,652.4	96,953.2
YY growth	9.5%	14%	9%	11%	8%	10.3%	12%	19%	22%	20.1%	18.5%	25.9%	24.4%	23.2%	23.7%	24.2%	15.9%
Q/Q growth	-5%	4%	5%	5%	4%	4%	-2%	11%	8%	2.1%		2.7%	9.7%	7.1%	2.5%		
YY Foreign Exchange Impact	(1,759.0)	(439)	(595)	(285)	(50)	(1,369.0)	(381)	115	128	(446.3)	(584.3)	423.8	(101.0)	(322.0)	(55.1)	(54.3)	-
FXHN Gross Revs. (based on year ago period)	53,373	13,720	14,448	14,832	15,206	58,184	15,235	16,365	17,691	18,641.9	67,932.9	18,270.4	20,600.0	22,273.8	22,562.5	83,706.7	96,953.2
YY growth (excl. FX & Hedging)	13.3%	18%	13%	13%	9%	12.9%	15%	18%	22%	19.6%		23.0%	25.6%	24.0%	24.3%	15.9%	
BPS of YY growth impacted by FX & Hedging	(374.1)	(375.8)	(467.5)	(217.1)	(35.8)	(265.8)	(286.7)	83.2	88.0	(294.5)	(102.6)	285.3	(61.3)	(180.7)	(30.3)	(8.1)	0.0
YY growth in FX	-3.4%	-3.2%	-5.8%	-4.1%	-1.9%	-0.3%	-7.3%	-8.7%	-5.8%	0.1%	-3.6%	4.1%	1.1%	-0.5%	-0.3%	0.9%	0.0%
Headcount																	

Figure 6: Alphabet Segment Reporting

\$ in millions, except per share amounts	2023A	3/24A	6/24A	9/24A	12/24A	2024A	3/25A	6/25A	9/25A	12/25E	2025E	3/26E	6/26E	9/26E	12/26E	2026E	2027E
ALPHABET SEGMENT SUMMARY																	
Revenues:																	
Google Services	272,543	70,398	73,928	76,510	84,094	304,930	77,264	82,543	87,052	95,555	342,414	88,881	92,871	96,618	106,064	384,433	421,240
Google Cloud	33,088	9,574	10,347	11,353	11,955	43,229	12,260	13,624	15,157	16,522	57,563	17,703	19,459	21,688	23,909	82,768	107,599
Other Bets	1,527	495	365	388	400	1,648	450	373	344	364	1,531	390	414	433	450	1,686	1,896
Hedging gains (losses)	236	72	102	17	20	211	260	(112)	(207)	(196)	(255)	(649)	(130)	140	53	(586)	0
Total Revenues	307,394	80,539	84,742	88,268	96,469	350,018	90,234	96,428	102,346	112,246	401,254	106,325	112,613	118,888	130,475	468,302	530,736
Total Revenues ex-hedge	307,158	80,467	84,640	88,251	96,449	349,807	89,974	96,540	102,553	112,442	401,509	106,974	112,743	118,749	130,422	468,888	530,736
GAAP Operating Income (Loss):																	
Google Services	95,858	27,897	29,674	30,856	32,836	121,263	32,682	33,063	33,527	38,843	138,115	38,930	39,935	40,869	44,229	163,962	180,291
Google Cloud	1,716	900	1,172	1,947	2,093	6,112	2,177	2,826	3,594	3,965	12,562	4,426	4,787	5,186	5,571	19,969	24,748
Other Bets	(4,095)	(1,020)	(1,134)	(1,116)	(1,174)	(4,444)	(1,226)	(1,246)	(1,426)	(1,563)	(5,461)	(1,303)	(1,321)	(1,452)	(1,572)	(5,648)	(5,757)
Corporate costs, unallocated	(9,186)	(2,305)	(2,287)	(3,166)	(2,783)	(10,541)	(3,027)	(3,372)	(4,467)	(3,906)	(14,772)	(4,928)	(4,471)	(4,491)	(4,642)	(18,532)	(20,593)
Total Income from Operations	84,293	25,472	27,425	28,521	30,972	112,390	30,606	31,271	31,228	37,339	130,444	37,124	38,930	40,112	43,686	159,751	178,689
Margins:																	
Google Services	35.2%	39.6%	40.1%	40.3%	39.0%	39.8%	42.3%	40.1%	38.5%	40.7%	40.3%	43.8%	43.0%	42.3%	41.7%	42.7%	42.8%
Google Cloud	5.2%	9.4%	11.3%	17.1%	17.5%	14.1%	17.8%	20.7%	23.7%	24.0%	21.8%	25.0%	24.6%	23.9%	23.3%	24.1%	23.0%
Other Bets	-268.2%	-206.1%	-310.7%	-287.6%	-293.5%	-269.7%	-272.4%	-334.0%	-414.5%	-429.4%	-356.7%	-334.4%	-319.3%	-335.1%	-349.6%	-334.9%	-303.6%
Corporate costs, unallocated (% of total revenues)	-3.0%	-2.9%	-2.7%	-3.6%	-2.9%	-3.0%	-3.4%	-3.5%	-4.4%	-3.5%	-3.7%	-4.6%	-4.0%	-3.8%	-3.6%	-4.0%	-3.9%
Total Income from Operations	27.4%	31.6%	32.4%	32.3%	32.1%	32.1%	33.9%	32.4%	30.5%	33.3%	32.5%	34.9%	34.6%	33.7%	33.4%	34.1%	33.7%

Source: J.P. Morgan estimates, Company data.

Investment Thesis, Valuation and Risks

Alphabet (*Overweight; Price Target: \$340.00*)

Investment Thesis

We believe Alphabet's fundamentals are solid and the company will remain both a driver of and primary beneficiary of an increasingly digital economy & advances in Generative AI. Google remains focused on innovation, and we continue to believe there is a healthy runway across Search and YouTube ads as AI drives higher ROI & TV dollars shift online. Non-Ad businesses, incl. Cloud & YouTube subscription services, have significant headroom, and companies within Other Bets, incl. Waymo & Verily, provide option value. We remain confident in the company's ability to innovate around Generative AI, control costs, & generate solid top-line growth.

Valuation

Our December 2026 PT of \$340 (up from prior \$300) is based on ~27.5x our '27E GAAP EPS of \$12.43, which ex-cash equates to ~26x our '27E GAAP EPS ex-Other Bets of \$12.90. We believe Alphabet shares should trade at a premium to the S&P 500 as Alphabet is one of the few companies in the S&P 500 with DD % revenue and EPS growth off of a very large base and a strong 30%+ GAAP Operating Income margin.

Risks to Rating and Price Target

Downside risks include: **1)** Competition ramping across AI, Ads, Cloud, and for engineering/tech talent; **2)** potential for a return to heavy investment spending and margin compression; **3)** regulatory scrutiny resulting in meaningful change to operations or limiting innovation; and **4)** growth slowing more than anticipated with the next major revenue drivers, including Cloud, Hardware, and Waymo, not materializing as expected.

Investment Thesis, Valuation and Risks

Alphabet Inc. (Overweight; Price Target: \$340.00)

Investment Thesis

We believe Alphabet's fundamentals are solid and the company will remain both a driver of and primary beneficiary of an increasingly digital economy & advances in Generative AI. Google remains focused on innovation, and we continue to believe there is a healthy runway across Search and YouTube ads as AI drives higher ROI & TV dollars shift online. Non-Ad businesses, incl. Cloud & YouTube subscription services, have significant headroom, and companies within Other Bets, incl. Waymo & Verily, provide option value. We remain confident in the company's ability to innovate around Generative AI, control costs, & generate solid top-line growth.

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Alphabet: Summary of Financials

Income Statement - Annual	FY24A	FY25E	FY26E	FY27E	Income Statement - Quarterly	1Q25A	2Q25A	3Q25A	4Q25E
Revenue	350,018	401,254	468,302	530,736	Revenue	90,234A	96,428A	102,346A	112,246
COGS	(146,306)	(163,456)	(192,383)	(223,556)	COGS	(36,361)A	(39,039)A	(41,369)A	(46,687)
Gross profit	203,712	237,799	275,919	307,179	Gross profit	53,873A	57,389A	60,977A	65,560
SG&A	(41,996)	(45,640)	(46,754)	(50,659)	SG&A	(9,711)A	(12,310)A	(11,141)A	(12,478)
Adj. EBITDA	150,486	179,838	225,089	260,204	Adj. EBITDA	40,609A	42,267A	46,664A	50,298
D&A	(15,311)	(21,527)	(36,856)	(50,659)	D&A	(4,487)A	(4,998)A	(5,611)A	(6,431)
Adj. EBIT	135,175	158,311	188,233	209,545	Adj. EBIT	36,122A	37,269A	41,053A	43,867
Net Interest	-	-	-	-	Net Interest	-	-	-	-
Adj. PBT	142,600	185,865	191,476	212,277	Adj. PBT	47,305A	39,931A	53,812A	44,817
Tax	(19,697)	(28,503)	(27,709)	(30,842)	Tax	(7,249)A	(5,737)A	(9,008)A	(6,509)
Minority Interest	-	-	-	-	Minority Interest	-	-	-	-
Adj. Net Income	116,752	133,342	159,400	176,608	Adj. Net Income	30,683A	31,840A	33,501A	37,317
Reported EPS	8.04	10.59	11.08	12.43	Reported EPS	2.81A	2.31A	2.87A	2.60
Adj. EPS	9.38	10.91	13.05	14.58	Adj. EPS	2.50A	2.61A	2.75A	3.06
DPS	0.59	0.82	0.84	0.84	DPS	0.20A	0.21A	0.21A	0.21
Payout ratio	7.4%	7.8%	7.6%	6.8%	Payout ratio	7.1%A	9.1%A	7.3%A	8.1%
Shares outstanding	12,447	12,225	12,214	12,117	Shares outstanding	12,291A	12,198A	12,203A	12,208
Balance Sheet & Cash Flow Statement	FY24A	FY25E	FY26E	FY27E	Ratio Analysis	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	23,466	22,942	25,146	19,593	Gross margin	58.2%	59.3%	58.9%	57.9%
Accounts receivable	52,340	61,553	72,407	82,697	EBITDA margin	43.0%	44.8%	48.1%	49.0%
Inventories	0	0	0	0	EBIT margin	38.6%	39.5%	40.2%	39.5%
Other current assets	87,905	93,886	77,145	70,234	Net profit margin	33.4%	33.2%	34.0%	33.3%
Current assets	163,711	178,381	174,698	172,524	ROE	38.4%	36.5%	35.5%	32.9%
PP&E	171,036	246,152	350,215	456,139	ROA	27.4%	26.3%	25.9%	24.5%
LT investments	-	-	-	-	ROCE	36.8%	35.1%	34.2%	32.1%
Other non current assets	115,509	139,416	142,501	145,425	SG&A/Sales	12.0%	11.4%	10.0%	9.5%
Total assets	450,256	563,950	667,414	774,088	Net debt/equity	NM	NM	NM	NM
Short term borrowings	0	0	0	0	P/E (x)	29.3	25.2	21.1	18.9
Payables	7,987	9,393	11,049	12,619	P/BV (x)	10.5	8.3	6.8	5.7
Other short term liabilities	81,135	98,560	115,940	132,417	EV/EBITDA (x)	22.2	18.7	14.9	12.9
Current liabilities	89,122	107,953	126,989	145,036	Dividend Yield	0.2%	0.3%	0.3%	0.3%
Long-term debt	10,883	21,607	21,607	18,607	Sales/Assets (x)	0.8	0.8	0.8	0.7
Other long term liabilities	25,167	28,049	28,049	27,257	Interest cover (x)	-	-	-	-
Total liabilities	125,172	157,609	176,645	190,900	Operating leverage	192.0%	116.9%	113.1%	84.9%
Shareholders' equity	325,084	406,341	490,769	583,188	Revenue y/y Growth	13.9%	14.6%	16.7%	13.3%
Minority interests	-	-	-	-	EBITDA y/y Growth	24.9%	19.5%	25.2%	15.6%
Total liabilities & equity	450,256	563,950	667,414	774,088	Tax rate	13.8%	15.3%	14.5%	14.5%
BVPS	26.12	33.24	40.18	48.13	Adj. Net Income y/y Growth	22.5%	14.2%	19.5%	10.8%
y/y Growth	17.2%	27.3%	20.9%	19.8%	EPS y/y Growth	25.2%	16.3%	19.7%	11.7%
Net debt/(cash)	(12,583)	(1,335)	(3,539)	(986)	DPS y/y Growth	-	39.4%	1.9%	0.0%
Cash flow from operating activities	125,299	159,794	202,462	233,046					
o/w Depreciation & amortization	15,311	21,527	36,856	50,659					
o/w Changes in working capital	(8,406)	(1,346)	1,839	951					
Cash flow from investing activities	(45,536)	(97,311)	(120,919)	(146,583)					
o/w Capital expenditure	(52,535)	(92,392)	(140,919)	(156,583)					
as % of sales	15.0%	23.0%	30.1%	29.5%					
Cash flow from financing activities	(79,733)	(63,250)	(79,340)	(92,016)					
o/w Dividends paid	-	-	(10,260)	(10,178)					
o/w Net debt issued/(repaid)	888	11,909	0	(3,000)					
Net change in cash	(582)	(524)	2,204	(5,553)					
Adj. Free cash flow to firm	72,764	67,401	61,543	76,463					
y/y Growth	4.7%	(7.4%)	(8.7%)	24.2%					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Alphabet Inc.: Summary of Financials

Income Statement - Annual	FY24A	FY25E	FY26E	FY27E	Income Statement - Quarterly	1Q25A	2Q25A	3Q25A	4Q25E
Revenue	350,018	401,254	468,302	530,736	Revenue	90,234A	96,428A	102,346A	112,246
COGS	(146,306)	(163,456)	(192,383)	(223,556)	COGS	(36,361)A	(39,039)A	(41,369)A	(46,687)
Gross profit	203,712	237,799	275,919	307,179	Gross profit	53,873A	57,389A	60,977A	65,560
SG&A	(41,996)	(45,640)	(46,754)	(50,659)	SG&A	(9,711)A	(12,310)A	(11,141)A	(12,478)
Adj. EBITDA	150,486	179,838	225,089	260,204	Adj. EBITDA	40,609A	42,267A	46,664A	50,298
D&A	(15,311)	(21,527)	(36,856)	(50,659)	D&A	(4,487)A	(4,998)A	(5,611)A	(6,431)
Adj. EBIT	135,175	158,311	188,233	209,545	Adj. EBIT	36,122A	37,269A	41,053A	43,867
Net Interest	-	-	-	-	Net Interest	-	-	-	-
Adj. PBT	142,600	185,865	191,476	212,277	Adj. PBT	47,305A	39,931A	53,812A	44,817
Tax	(19,697)	(28,503)	(27,709)	(30,842)	Tax	(7,249)A	(5,737)A	(9,008)A	(6,509)
Minority Interest	-	-	-	-	Minority Interest	-	-	-	-
Adj. Net Income	116,752	133,342	159,400	176,608	Adj. Net Income	30,683A	31,840A	33,501A	37,317
Reported EPS	8.04	10.59	11.08	12.43	Reported EPS	2.81A	2.31A	2.87A	2.60
Adj. EPS	9.38	10.91	13.05	14.58	Adj. EPS	2.50A	2.61A	2.75A	3.06
DPS	0.59	0.82	0.84	0.84	DPS	0.20A	0.21A	0.21A	0.21
Payout ratio	7.4%	7.8%	7.6%	6.8%	Payout ratio	7.1%A	9.1%A	7.3%A	8.1%
Shares outstanding	12,447	12,225	12,214	12,117	Shares outstanding	12,291A	12,198A	12,203A	12,208
Balance Sheet & Cash Flow Statement	FY24A	FY25E	FY26E	FY27E	Ratio Analysis	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	23,466	22,942	25,146	19,593	Gross margin	58.2%	59.3%	58.9%	57.9%
Accounts receivable	52,340	61,553	72,407	82,697	EBITDA margin	43.0%	44.8%	48.1%	49.0%
Inventories	0	0	0	0	EBIT margin	38.6%	39.5%	40.2%	39.5%
Other current assets	87,905	93,886	77,145	70,234	Net profit margin	33.4%	33.2%	34.0%	33.3%
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Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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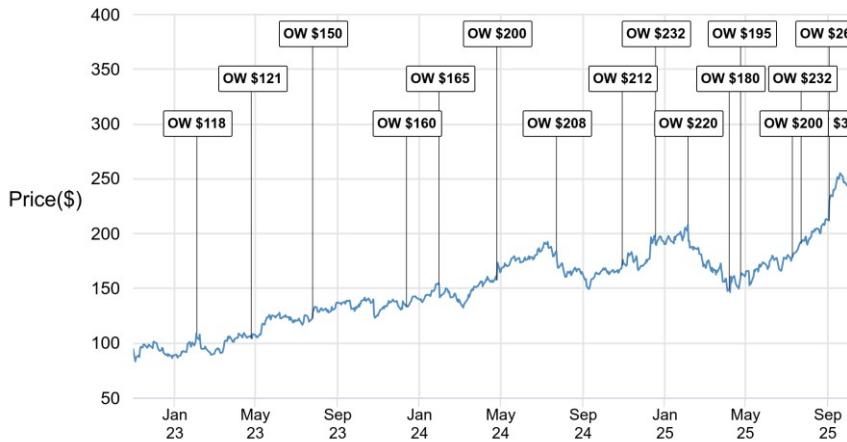
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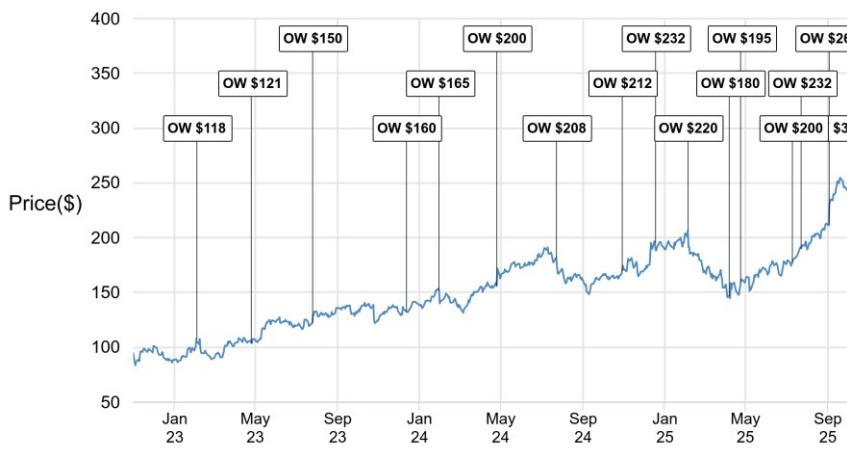
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Alphabet (GOOG, GOOG US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
 Initiated coverage Sep 28, 2004. All share prices are as of market close on the previous business day.

Alphabet Inc. (GOOGL, GOOGL US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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