

U.S. Internet

Alphabet Inc

Rating

Market-Perform

Price Target

**345.00 USD** (335.00 OLD)

4 February 2026

Estimate Change

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Google 4Q25: Keep calm, and carry on... spending

In an unforgiving tape, Google took a page out of Meta's January playbook by blowing top line numbers out and following it up with the chance to take up AI investment levels materially - in case you haven't heard the AI opportunity is generational. A week ago this print would have been bought up, but it's February, and it seems no revenue beat is enough in an investment cycle that is just as likely to be a race to the bottom as it is TAM expansionary while wiping out FCF in the process.

The \$400B Gorilla. Revenues grew +18% Y/Y [17% FxN] delivering Google's first \$400B+ revenue year led by beats where it mattered most. Search accelerated to +17% Y/Y growth with management confirm AI driving TAM expansion. Cloud also comfortably beat with 48% Y/Y revenue growth and perhaps more impressively driving cloud margins up 6pppts Q/Q to 30% - the low-priced cloud is suddenly in price taking mode! There were some misses with YouTube ads only growing +9% Y/Y against tougher comps, while SP&D also came in a touch light at +17% Y/Y growth.

Welcome to Google's Investment Cycle Era. If investors' chief complaint earlier in the AI LLM/search wars was that Google wasn't spending enough to keep up, they suddenly find themselves reversing course and wondering if Google is now spending too much with a 2026 CapEx guide of \$175-185B nearly 2xing investment levels Y/Y over year. And if there was any lingering doubt that management was being conservative, it certainly sounds like their biggest worry these days is how quickly they can spin up more capacity. With EPS/FCF firmly range-bound in an escalating investment cycle, the hope is that the ROIC holds up in 2027+ where questions around revenue growth durability emerge.

Investment ImplicationsIn Google do you trust? **Maintain Market-Perform, PT \$345 (+10).**

Close Date	4 Feb 2026			
GOOGL Close Price (USD)	333.04			
Price Target (USD)	345.00			
Upside/(Downside)	4%			
52-Week Range	349.00/140.53	SPX	6,882.72	FYE
				Dec
Div Yield	0.3%	Market Cap (USD) (B)	4,020.54	EV (USD) (B)
				3,952.99
Performance	YTD	1M	6M	12M
Absolute (%)	6.4	5.7	70.8	61.4
SPX (%)	0.5	0.4	8.7	14.0
Relative (%)	5.9	5.3	62.0	47.4
Source: Bloomberg, Bernstein estimates and analysis.				

Price Performance, 1YR



Reported EPS	F25A	F26E	F27E
GOOGL (USD)	10.81	11.94	13.75
OLD	--	11.41	13.71

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	402,836	472,594	551,034	17.0%
EBITDA (M)	150,175	188,882	234,301	24.9%
EBIT (M)	129,039	155,328	184,708	19.6%
EBITDA Margin (%)	37.3	40.0	42.5	--
Operating Margin (%)	32.0	32.9	33.5	--
Adjusted EPS	12.85	14.34	16.56	13.5%

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	30.8	27.9	24.2
PEG Reported (x)	0.9	2.6	1.6
EV/Sales (x)	9.8	8.4	7.2
EV/EBITDA (x)	26.3	20.9	16.9
EV/EBIT (x)	30.6	25.4	21.4
Adjusted P/E (x)	25.9	23.2	20.1

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our [Global Research Disclosure Website](#).

www.bernsteinresearch.com

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DETAILS

PORTFOLIO MANAGER'S SUMMARY

Alphabet reported its 4Q25 results today after the market close.

There's a theme we're noticing, perhaps you've noticed it too. Revenue acceleration continues to defy gravity for our large-cap global leaders, and whether it's early proof points on AI driving real contribution to that top-line growth rate, the desire to build and own the next big thing, or the self-assurance that the spend is going towards hard assets, everyone is going back to their accountants to try to figure out what the maximum they can spend is without breaking the bank or their risk management levels. **Welcome to the next chapter of the AI wars.**

What makes this chapter unique is there's clearly a bifurcation in the industry of the scaled AI-haves and have-nots. Both Meta and Google (and let's go out on a limb and assume Amazon offers up a copy & paste quarter tomorrow) have delivered growth rates in their core businesses that were viewed as impossible just a few quarters ago. But that was before we knew that shoving AI across ad delivery, consumer use cases, and ad creative would drive TAM-expanding and share increasing benefits for our favorite incumbents. For example, **Google put up a 17% Y/Y search growth rate in 4Q, and should build on that in 1Q26 given the Meta read-across feels applicable.** It wasn't that long ago that the Street was questioning whether double-digit search growth was a fair expectation and that's before we overlaid all the AI chatbot disruption risks thanks to ChatGPT!

Once again, management confirmed that **AI searches via Gemini, AI overviews, AI mode, Google Lens, etc. increased the total pie of search queries.** AI searches are longer, they prompt more follow-on queries, and even introduce new image and voice-based searches with 1 in 6 AI mode queries already non-text - feeling old yet? Google shipped 250 products tied to AI search this past quarter and expect to continue to ship ~100 updates each quarter. Which would be disruptor can compete with this? And adoption continues to impress with 750M monthly Gemini users and "significantly higher" growth in engagement per user.

If search growth was one marker that gives Google the right to increase investment levels, the other was Cloud, which we believe absorbed 50%+ of the incremental CapEx spent by Google in 2025. It seemed the bogey for cloud growth went up with every investor conversation leading into earnings. But even that wasn't high enough with **Cloud delivering nearly 50% Y/Y revenue growth, run-rating at ~\$70B vs. YouTube at ~\$60B, and a backlog number of \$240B that's up 55% quarter-on-quarter!** Add in commentary that suggests they're picking off new accounts with more \$1B+ deals signed in 2025 than the last 3 years combined, alongside remarks that point to TPU sales off GCP ahead, and this business looks rock solid even if there are some question marks surrounding the durability of some of their software customers. If that wasn't enough, the beauty of supply-constrained market for the historically low-priced player was that they too can flex pricing which helped drive a **6 percentage point increase in Cloud margins, again quarter-on-quarter, to ~30%.**

If you stopped reading here, you'd probably guess that Google's stock ripped after-hours regardless of the multiple it was trading on or how crowded the position was. But tech investing isn't easy these days, not even close. Last week Meta produced a similar blow-out quarter on the top-line, pushed investment levels up to 1/3rd of a trillion dollars in 2026, and were handsomely rewarded for it with a ~10% stock bump the next day. But that stock has now round-tripped and Google found itself reporting into the steady bleed of any stock that even smelled like software or had some exposure to it.

So when Google's earnings press release came out and guided to \$175-185B in 2026 CapEx, it seems like both us and the algos had to do a double take. To put this number in perspective, **the implied year-over-year growth in CapEx is close to ~100%, with consensus at \$119B heading into the print and a now laughable \$94B back in October.** We can understand why Google felt they had earned this right to be aggressive. Count us among the many that were begging Google to move faster, spend more, and get on the front foot - this is exactly the Google we have in front of us today, but I guess even that has a limit?

We asked management a "lazy" question on the earnings call, one we knew would see us dragged on Twitter, but even lazy questions have a time and a place which can reveal nuggets of wisdom if one's paying attention. Over the last 2-3 years, we knew who Google's monsters were (OpenAI, internal culture), and where they were hiding (clunky response to search, no longer a monopoly). But today, **ask management what keeps them up at night (insert eye-roll) and the answer is bluntly "how do [we] ramp up [capacity] to meet this extraordinary demand".** They aren't as worried about competition, or longer-term ROIC, or YouTube, or depreciation costs, or regulatory, or FCF, or or or... they are worried about moving quickly enough to scoop up demand, because if they get stuck standing up capacity - Meta, Microsoft, Amazon, and others are right there ready to pick

those dollars off.

So what to do with the stock here? We're quickly getting to north of a trillion dollars in combined 2026 investment across the mega caps if we consider both CapEx and associated resourcing needs. For that trillion to pay off suggests the TAM for AI-driven products and enhancements needs to be multiples of that very quickly. And let's not forget that the OpenAI threat isn't gone, instead you can probably add Meta, xAI, Anthropic, and even Amazon to the list of companies going hard at commercial consumer behavior via their own agentic solutions - everyone needs that ROIC for themselves and aren't shy about it. Can everyone win? **There's a case to be made that Google still has more of a right to win than anyone else and has put that muscle to use once again this quarter.**

But everything has a price, and we're happy concluding that Google is a great company but perhaps just an OK stock here. After taking up our numbers materially to reflect the growth in both Search and Cloud, the offset from the higher investment levels has us right back to where we started on EPS for this year and next, and FCF gets cut significantly this year though we expect re-acceleration in 2027+. **We remain Market-perform and raise our price target to \$345/share (+10).** We value Alphabet using a 50/50 combination of 2027e EV/EBIT multiple of 25x (+1X) and a DCF using a WACC of 10% and a terminal growth of 3.5%. We revise up our EV/EBIT multiple from 24x to 25X driven by strong towline growth and improved Cloud margin. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

RESULTS

Revenues

Overall revenues comfortably beat Street expectations up +18% Y/Y [17% FxN] to \$113.8B, with Search and Cloud seeing accelerating revenue growth led by Search at +17% Y/Y and Cloud at +48% Y/Y. SP&D (Subscription, Platforms and Devices) grew +17% Y/Y, YouTube advertising was up +9% Y/Y, while Network declined by -2% Y/Y. What we saw from Google this quarter was strong momentum carrying on from last quarter with continued evidence of TAM expansion across both Search and Cloud, and the ability of Google to deliver a sustained higher cadence of AI product shipments and enhancements to drive measurable ROIC.

Advertising

Advertising revenues were up +14% Y/Y to \$82B, 3pps ahead of Street estimates, with YouTube Ads and Network holding back faster growth across the rest of Google properties.

- **Search acceleration continues.** Search revenues grew +17% Y/Y to \$63B, accelerating from 15% Y/Y growth in Q3. Management called out broad strength across all major verticals, with retail in particular strong, followed by finance and health, but with nearly every major vertical accelerating.
 - **AI engagement deepens.** Google noted that AI mode queries per user doubled since launch and AI overviews also continued to perform well, with users also engaging in longer, more complex sessions, with AI mode queries being 3x longer than traditional searches. Engagement per user also accelerated after the launch of Gemini 3 in December across metrics such as active usage, intensity of usage, and retention, across iOS, web, and Android, and across geographies. Management noted AI sessions becoming more conversational, with a significant portion of AI mode queries leading to follow-up questions. Multimodal search also gained traction, with 1 in 6 AI mode queries now being non-text, and Circle to Search now available on more than 580M Android devices.
- **Gemini growth following suit.** Management noted that Gemini 3 was integrated into AI mode and AI overviews in the past couple of weeks, leading to improved results and greater engagement.
 - Impressively, Google shipped over 250 product launches within AI mode and AI overviews last quarter and expects to keep up a cadence of ~100 product shipments/enhancements each quarter.
 - Gemini hit 750M DAUs, up from 650M last quarter.
 - Google noted that its first-party models (Gemini, etc.) now process over 10B tokens per minute via direct API usage (roughly ~432T monthly tokens), up from 7B last quarter. Gemini 3 Pro was called out as having had the fastest adoption of any model in Google's history, processing 3x as many daily tokens on average as Gemini 2.5 Pro.

- **AI ad products continue to power search ad performance.** While most of the attention is rightly focused on AI search behavior, management highlighted continued strong advertiser adoption of AI Max for Search being used by hundreds of thousands of ad buyers, along with strong ramp in ad creative usage with Gemini. Management noted that in Q4, ad creatives used Gemini to create nearly 70M creative assets via text customization in AI Max and PMax.
- **AI mode monetization coming.** Google noted that they've increased their focus on AI mode and are in the early stages of experimenting with AI mode monetization, including testing ads below the AI response.
- **Agentic eCom foundations being built.** Google is working with partners to introduce the universal commerce protocol in their consumer products and across the web, and called out strong positive feedback. Management note that users will soon have a new checkout experience to buy directly in AI mode and Gemini from certain merchants.
- **YouTube hits \$60B ARR, but ad revenues soft.** YouTube ads missed Street estimates by ~3ppts, growing +9% Y/Y to \$11B led again by Direct Response. The miss was attributed to the lapping of strong US election spend in 4Q24, followed by a slight impact in some brand-related verticals. In 2024 management pointed to YouTube + Cloud exiting the year at \$100B ARR which hit \$130B in 2025, or a combined 30% Y/Y growth rate.
- **Subscriptions on the rise.** Management called out that YouTube's annual revenues surpassed \$60B across ads and subscriptions, and noted that it was important to think about YouTube ads and subscriptions holistically as when a user shifts from being ad-supported to a YouTube Music and Premium customer, it has a slight negative impact on YouTube ads revenues but a positive margin impact.
- **Shorts engagement and monetization strong.** Google Shorts now averaging over 200B daily views, and that Shorts earns more revenue per watch hour than tradition in-stream, including in the US.
- **YouTube still king of the hill.** YouTube has been the #1 streaming platform for more than 3 years, according to Nielsen. Management noted that the subscription business is seeing strong traction, and that they added a new sports tier for YouTube TV at a lower price point. Encouragingly, YouTube subscriptions were strong in the quarter, particularly in YouTube Music and Premium.
- **AI impact growing.** Management noted that on average every day in December, over 1M channels used their new AI creation tools, and in December, more than 20M viewers used the new Ask tool to learn about the content they watched.
- Management called out strength in Podcasts, with over 700M hours of podcasts watched on living room devices in Oct 2025, up 75% from the prior year.
- **Network continue to donate share.** Network revenues were down Y/Y for the 14th quarter in a row at -2% Y/Y to \$8B.

Subscription, Platforms and Devices (Formerly Google Other)

- **SP&D missed.** SP&D revenues were up +17% Y/Y to \$14B, 2% below Consensus. Google disclosed it crossed **over 325 million paid subscriptions led by growth in Google One and YouTube Premium.** Management also shared that it was seeing strong growth in its YouTube Music and Premium, and YouTube TV offerings. Google is more than just a consumer ad business given the subscription business growth has consistently outpaced the ad business.
- Management called out their partners' announcements at CES, including Samsung, introducing Gemini to more devices, and confirmed rumors that the Pixel 10A will be introduced very soon.

Cloud

- **Google Cloud revenues surpass a high bar, with incredibly strong margin improvement.** Cloud revenues grew +48% Y/Y, reaching \$17.7B, ~14 ppts faster than Q3 (34% Y/Y) and well above Street estimates, hitting an ARR of \$70B+. Growth was primarily driven by GCP, which continued to grow faster than the overall Cloud growth. GCP saw strong demand for infrastructure as well as higher margin cybersecurity and data analytics services. Management also noted double-digit growth in Workspace, driven by an increase in average revenue per seats and the number of seats. For 2025, we believe that over half of incremental CapEx spending went towards the Cloud business, and we expect a similar share for 2026.

- **Capacity-driven end game.** Management noted that their key concern is being able to ramp their compute capacity (and power, land, supply chain constraints, etc.) quickly enough to meet demand - the acceleration might be bumpy if there are any delays, but the performance delivered this quarter is more a sign of things to come vs. any type of pull forward.
- **Gemini Enterprise bursts onto the scene.** Google shared a plethora of data points to highlight the strength of Gemini and its enterprise offerings.
 - Management called out more than 8 million paid seats of Gemini Enterprise, their enterprise AI platform launched just 4 months ago, to more than 2800 companies (up from 2M subscribers across 700 companies in 3Q), with Gemini Enterprise managing more than 5B customer interactions in 4Q, up 65% Y/Y.
 - Google noted that in 4Q, revenue from products built on Google's generative AI models grew nearly 400% Y/Y, a significant acceleration from 3Q, and revenue from AI solutions build by their partners increased nearly 300% Y/Y, with commitments Google's top 15 software partners growing more than 16x Y/Y.
 - More than 120,000 enterprises now use Gemini, with 95% of the top 20 and over 80% of the top 100 SaaS companies using Gemini. Google noted that AntiGravity, their new development platform where agents can autonomously plan and execute complex software tasks, already had more than 1.5M WAUs after launching just over 2 months ago.
 - **Token volume accelerating rapidly.** Gemini now processes 10 billion tokens per minute via direct API use (up from 7B tokens per minute in 3Q, and compared to OpenAI's last usage disclosure of 6 billion tokens per minute via their APIs), and that in December alone, nearly 350 Cloud customers each processed more than 100 billion tokens.
 - **Gemini getting dramatically more efficient.** Google was able to lower Gemini serving unit costs by 78% over 2025 through model optimizations, efficiency and utilization improvements.
 - **Strong GCP pipeline.** Google management very confidently called out strong growth in the win rate of new customers driving performance, with larger customer commitments, and also increased spend with existing customers by over 30%.
 - Google exited 2025 with double the new customer velocity compared to Q1, and the number of \$1B deals signed in 2025 surpassed the previous 3 years combined. Management disclosed that nearly 75% of Cloud customers have used their vertically optimized AI offerings (chips, models, AI platforms, enterprise AI agents), and that these customers use 1.8x as many products as those that don't,
 - 14 cloud product lines now have ARRs of \$1B+.
 - Google called out a deal with Reliance to provide over 500M consumers with an 18-month free trial of the Gemini suite of products and 2 TB of cloud storage, with Reliance enterprise customers getting access to Gemini Enterprise and TPUs.
 - **Another big backlog jump, and Apple deal announced.** Backlog was up +55% Q/Q and more than doubled Y/Y to \$240B. Google noted that this jump was driven by strong demand for cloud products, led by enterprise AI offerings, and representing a wide breadth of customers. We believe that the backlog jump over the past couple of Qs includes the Anthropic, Meta, and OpenAI deals, as well as the newly announced collaboration with Apple - with GCP becoming Apple's preferred cloud provider for the development of the next generation of Apple Foundation Models based on Gemini, as well as for the next-generation AI Siri which will be built using a Gemini 3 model version.
 - **TPUs for sale?** Management didn't shut down the idea that Google would be open to selling TPUs off of Google-owned infrastructure. We note that Anthropic is reportedly already set to be the first external customer buying TPUs directly for their own infrastructure.
 - **Cloud forecast comes up with performance and capacity.** We believe that GCP could see 60%+ growth in 2026 and 55%+ growth in 2027, while Workspace growth may taper as consumption growth may be offset by fewer seats thanks to AI's efficiency gains. Overall, we land at Google Cloud growth accelerating to high-40s in 2026 with 50%+ as highly possible, tapering to 45%+ growth in 2027.

- **Cloud margins astound.** Operating margins for Cloud grew an astonishing 640 bps Q/Q to ~30%, up from ~24% in 2Q. We expect the Gemini bundling price hike to have played a smaller role here, with strong revenue performance given insatiable demand and continued efficiencies in the expense base as positive drivers, offset by higher technical infrastructure costs, including depreciation and operational costs such as energy.
 - Management noted that given the continued strong CapEx ramp, a commensurate step-up in depreciation expense will continue to weigh on margins as depreciation costs should accelerate in Q1 and meaningfully increase for the full year 2026. We give Google a lot of credit for improved Cloud margins and take up our estimates to low-30%, but we remain concerned that depreciation will present a real and growing challenge to this level of margin expansion from here.

Margins and CapEx

Margins came in slightly below expectations due to a \$2.1 billion employee compensation charge for Waymo. Operating margins came in at 32%, yet excluding this one-time charge margins would have been 33%, slightly down from 34% from Q1-Q3 (also excluding one-time items).

- **Gross margins come in at ~60%, slightly improved from 3Q.** TAC once again grew slower than revenues up +12% Y/Y to \$16.6B, while other cost of revenue grew by +13% Y/Y driven by depreciation, content acquisition costs largely for YouTube, and other technical infrastructure operations costs.
- **Operating cost increase was driven by the Waymo compensation and significant depreciation expense increase.** Total operating expenses increased +29% Y/Y to \$32.1B. R&D costs were up +42% Y/Y driven by compensation (mostly Waymo) and depreciation expense, Sales & Marketing costs were up +12% Y/Y. G&A increased by +21% Y/Y tied to timing shift for the charitable donations.
- **Headcount climbed modestly Q/Q.** 4Q headcount was up ~0.7k Q/Q, and total headcount was up ~4% Y/Y. While this represents a smaller increase in sequential employee growth than we've seen recently, we expect headcount to continue to grow, and management called out continued hiring in key investment areas such as AI and cloud.
- **FCF was \$24.6B in Q4**, and \$73.3B for TTM. FCF was above consensus, benefiting from strong operating cash flow.
- **EPS came in at \$2.82/share.**
- **CapEx was guided to \$175-185B, up 97% Y/Y at mid-point**, driven by investments in their technical infrastructure, with the biggest component being servers (~60%), followed by data centers and networking equipment (40%). Google continues to ramp up their scale of AI CapEx at unprecedented level.
- **Depreciation to drive up expenses in 2026 and beyond.** The step-up in CapEx in 2026 will continue to put pressure on Google's margins as depreciation expenses flow through. Management called out "significant increases" in depreciation multiple times, and called out depreciation growth rate to accelerate in 1Q26 and meaningfully increase for the full year.
- **Internal AI deployments continue to increase productivity.** Management highlighted that 50% of Google's code are written by agents and then reviewed by engineers, and they expect AI to continue drive efficiency across the organization.

Other

- **Waymo commitments deepen**, with management calling out Waymo raising its largest ever investment round, and Google representing a significant majority of the \$16B raise. Google also noted Waymo passed 20M fully autonomous trips in December, and now provides 400k rides every week. Expansion also continued, with the sixth market Miami launched a couple of weeks ago (we're early users), and upcoming launch plans across the US, the UK, and Japan, and service expansion to airports and freeways.
- **Buybacks and dividends.** Google bought back \$5.5B in shares this quarter, a lower amount than we've seen in the past, but likely tied to FCF heading to fund AI-related initiatives. Dividend payments in the quarter were \$2.5B.

Estimate and PT revisions

- Revenues:** We take up our revenue estimates for Search, and Cloud in particular, to reflect the stronger business performance. We marginally take down YouTube ad revenue due to the mix-shift towards subscription. We marginally take down Network and SP&D revenue to reflect the recent softness.
- Margins:** We modestly revise down our FY2026 margins largely tied to increased AI investments & depreciation cost flow through, partially offset by stronger Cloud margins.
- CapEx:** We take up our 2026 full year CapEx estimates to ~\$185B to reflect the high end of management guidance. Beyond 2026, we also take up CapEx dollars to reflect the company's continued AI related investments but taper the capital intensity.
- We modestly tweak our EPS estimates from \$11.4 to \$11.9 for 2026,** driven by the increased top line and took up our estimate for Other Income tied to the cadence of mark-to-market events in Google's investment portfolio companies. We keep 2027 EPS largely stable.
- We raise our price target to \$345/share (+10).** We value Alphabet using a 50/50 combination of 2027e EV/ EBIT multiple of 25x (+1X) and a DCF using a WACC of 10% and a terminal growth of 3.5%. We revise up our EV/EBIT multiple from 24x to 25X driven by strong towline growth and improved Cloud margin. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

EXHIBIT 1: Google estimates changes post 4Q25

GOOGL: Bernstein estimate revisions post 4Q25

Estimate revisions		New	Old	New vs. old	New Growth Y/Y	Consensus	Bern v Consensus
Total revenue	4Q25	113,828	110,993	3%	18%	111,402	2%
	1Q26	107,472	103,269	4%	19%	104,336	3%
	FY26	472,594	460,340	3%	17%	459,255	3%
	FY27	551,034	536,644	3%	17%	520,557	6%
1Q26 revenues	Search	59,321	56,533	5%	17%	57,596	3%
	YouTube	10,070	10,177	-1%	13%	10,201	-1%
	Network	7,075	7,183	-2%	-3%	7,134	-1%
	Cloud	18,598	16,968	10%	52%	16,840	10%
	SP&D*	11,936	11,936	0%	15%	12,037	-1%
	Other bets	473	473	0%	5%	466	1%
2026 revenues	Search	254,464	248,107	3%	13%	248,814	2%
	YouTube	45,003	46,096	-2%	11%	46,014	-2%
	Network	29,047	29,383	-1%	-3%	29,171	0%
	Cloud	87,420	79,682	10%	49%	77,755	12%
	SP&D*	55,046	55,406	-1%	15%	55,399	-1%
	Other bets	1,614	1,666	-3%	5%	1,772	-9%
EBIT	4Q25	35,934	35,943	0%	<u>32%</u>	36,953	-3%
<i>*Showing new EBIT margin in the New Growth column</i>	1Q26	35,565	35,757	-1%	<u>33%</u>	35,351	1%
	FY26	155,328	155,987	0%	<u>33%</u>	156,352	-1%
	FY27	184,708	187,342	-1%	<u>34%</u>	192,585	-4%
GAAP EPS	4Q25	2.82	2.62	7%	31%	2.65	7%
	1Q26	2.76	2.62	5%	-2%	2.56	8%
	FY26	11.94	11.41	5%	11%	11.25	6%
	FY27	13.75	13.71	0%	15%	13.47	2%
Capex	4Q25	27,851	29,413	-5%		28,170	-1%
	1Q26	42,022	29,948	40%		29,604	42%
	FY26	184,784	133,499	38%		126,154	46%
	FY27	208,842	144,894	44%		142,157	47%

Source: Company filings, Bloomberg consensus, Bernstein estimates and analysis

EXHIBIT 2: GOOGL 4Q25 results vs Consensus and our expectations

Source: Company reports, Bloomberg, Bernstein estimates and analysis

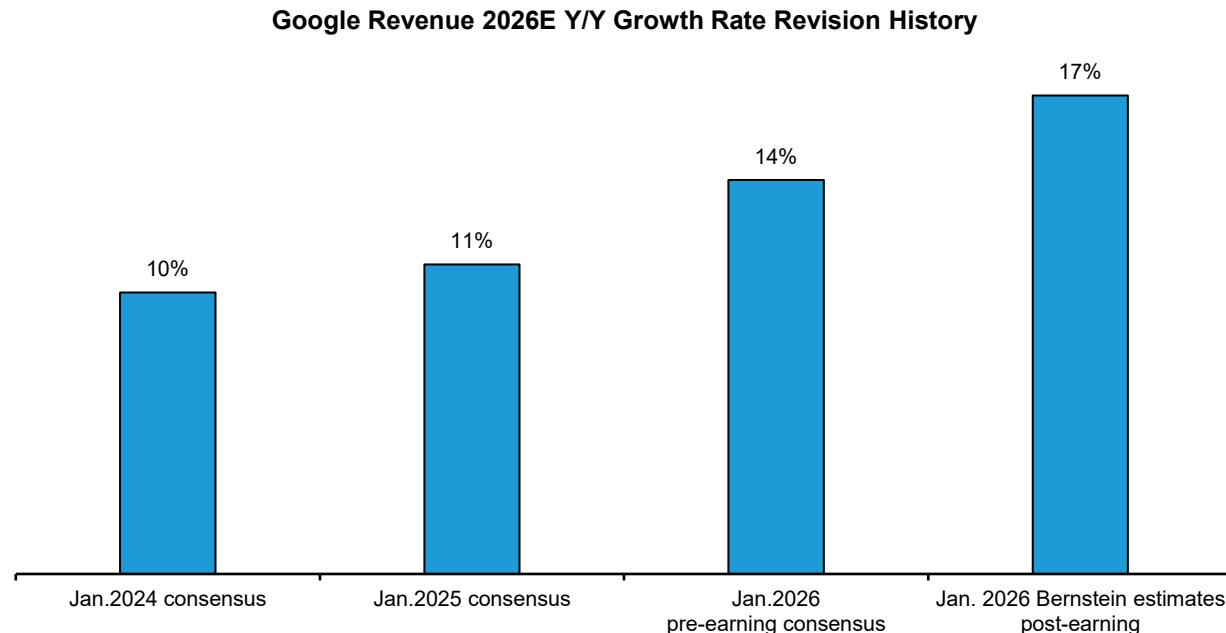
GOOGL 4Q25 vs. Expectations						
	4Q25A	Y/Y Growth	Bernstein	Beat/Miss	Consensus	Beat/Miss
Total Revenue	113,828	18%	110,993	3%	111,402	2%
Google Search & Other	63,073	17%	61,058	3%	61,372	3%
YouTube Ads	11,383	9%	11,730	-3%	11,780	-3%
Google Network Members' Properties	7,828	-2%	7,715	1%	7,778	1%
Google Cloud	17,664	48%	16,342	8%	16,196	9%
Subscription, platforms and devices	13,578	17%	13,727	-1%	13,806	-2%
Other bets revenues	370	-8%			444	-17%
Hedging gains (losses)	-68	-440%				
Total Expenses	77,894	19%	75,050	4%	74,449	5%
Operating Income	35,934	16%	35,943	0%	36,953	-3%
Google Services	40,132	22%	36,301	11%	38,008	6%
Google Cloud	5,313	154%	3,922	35%	3,646	46%
Other Bets	-3,617	208%	-1,497	142%	-1,296	179%
Alphabet level activities (restructuring)	-5,894	112%	-2,783	112%	-3,570	65%
Operating Margin (%)	31.6%	-1ppt	32.4%	-1ppt	33.2%	-1%
Ex one-off restructuring	31.6%	-1ppt	32.4%	-1ppt		
Google Services	41.9%	3ppt	38.5%	3ppt		
Google Cloud	30.1%	13ppt	24.0%	6ppt		
Other Bets	-977.6%		-10.9%			
Net Income	34,455	30%	31,907	8%	31,929	8%
Diluted EPS	2.82	31%	2.62	7%	2.65	7%
Google services revenue	82,284	14%	80,504	2%	80,930	2%
Google services margin	49%		45%			
Capex	27,851		29,413		28,170	
Free Cash Flow	24,551		11,783		14,333	71%

Source: Company reports, Bloomberg consensus, Bernstein estimates and analysis

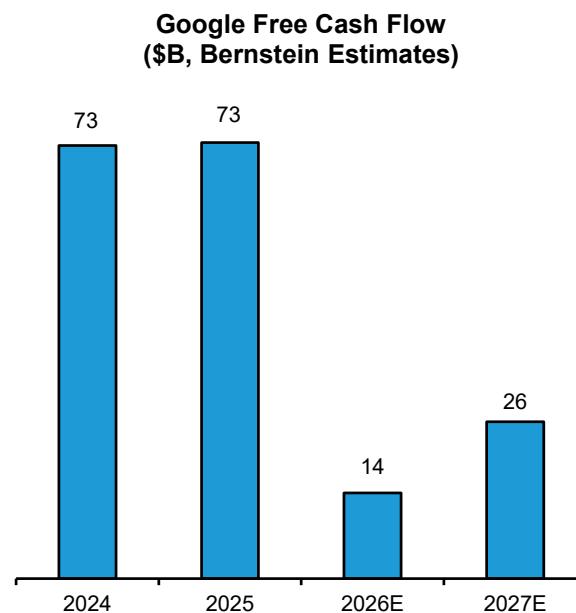
EXHIBIT 3: Revenue and Operating Profits by segment

Segment revenues and operating profits (\$B)	1Q25	2Q25	3Q25	4Q25	1Q26E	FY24	FY25	FY26E
Google Services								
- Revenue	77,264	82,543	87,052	95,862	88,401	304,930	342,721	383,561
- Operating Profit	32,682	33,063	33,527	40,132	33,954	121,263	139,404	142,462
- Operating Margin (%)	42%	40%	39%	42%	38%	40%	41%	37%
Google Cloud								
- Revenue	12,260	13,624	15,157	17,664	18,598	43,229	58,705	87,420
- Operating Profit	2,177	2,826	3,594	5,313	6,137	6,112	13,910	28,849
- Operating Margin (%)	18%	21%	24%	30%	33%	14%	24%	33%
Other Bets								
- Revenue	450	373	344	370	473	1,648	1,537	1,614
- Operating Profit	(1,226)	(1,246)	(1,426)	(3,617)	(1,500)	(4,444)	(7,515)	(6,182)
- Operating Margin (%)	-272%	-334%	-415%	-978%	-317%	-270%	-489%	-383%
Hedging Gains (Losses)	260	(112)	(207)	(68)	-	-	-	-
Corporate Costs, Unallocated	(3,027)	(3,372)	(4,467)	(5,894)	(3,027)	(10,541)	(16,760)	(9,800)
Total Revenue	90,234	96,428	102,346	113,828	107,472	349,807	402,963	472,594
Total Operating Profit (ex restructuring)	30,606	31,271	31,228	35,934	35,565	112,390	129,039	155,328
Operating margin (%) (ex restructuring)	34%	32%	31%	32%	33%	32%	32%	33%

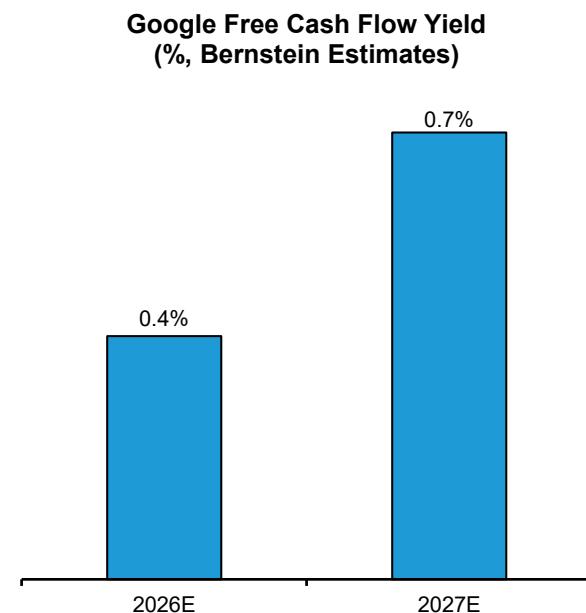
Source: Company filings, Bernstein estimates and analysis

EXHIBIT 4: Google revenue estimate has been revised up significantly in the past 2 years

Source: Bloomberg, Bernstein estimates and analysis

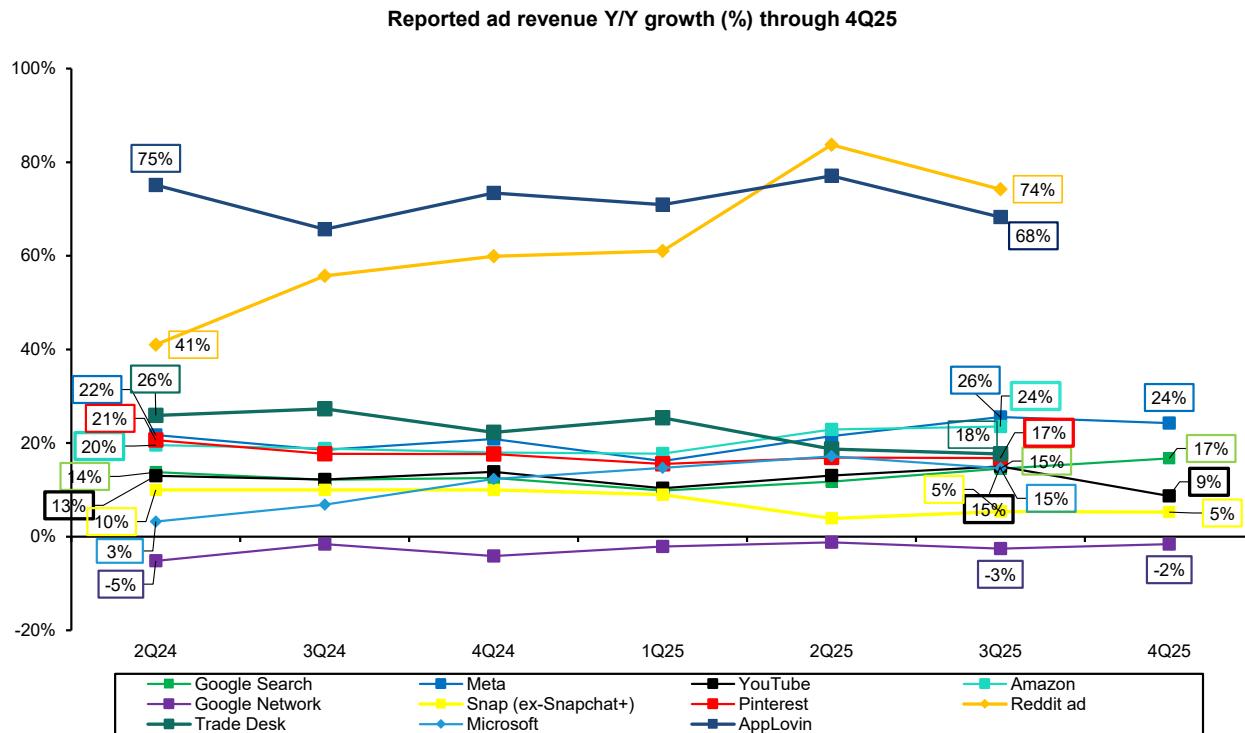
EXHIBIT 5: We expect to see significant free cash flow contraction for Google in 2026 & 2027

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 6: We estimate the 2026 & 2027 FCF yield will be below 1%

Source: Company reports, Bernstein estimates and analysis

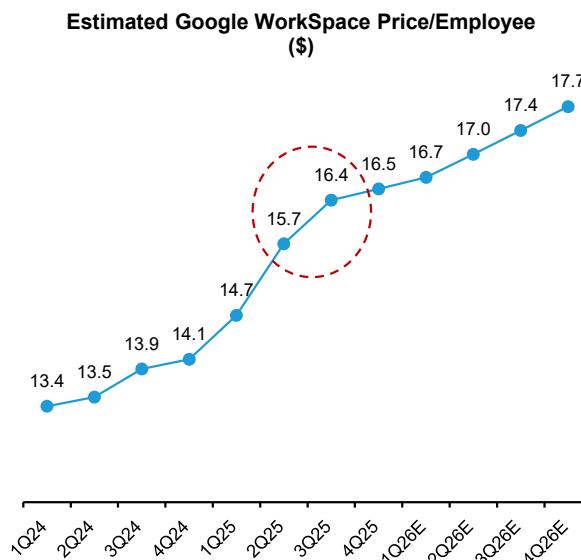
EXHIBIT 7: Digital ads growth (%)



AppLovin excludes IAP

Source: Company reports, Bernstein analysis

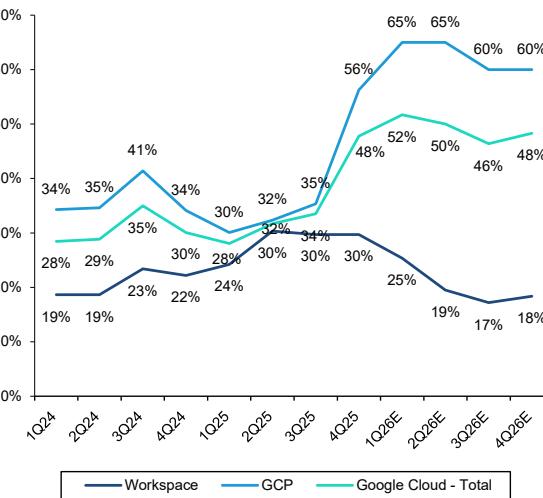
EXHIBIT 8: We estimated Google Cloud benefitted from a full quarter of the Gemini bundling price hike in Q2, and saw some limited benefit in Q3, but growth will taper



Source: Company reports, Bernstein estimates and analysis

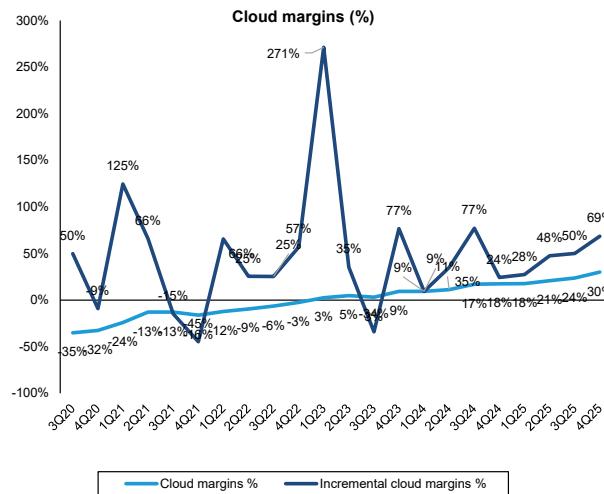
EXHIBIT 9: We believe GCP will continue to grow faster than Google Cloud overall, driven by growth in core and AI products, while Workspace growth will temper

GCP vs Workspace Growth (% y/y)



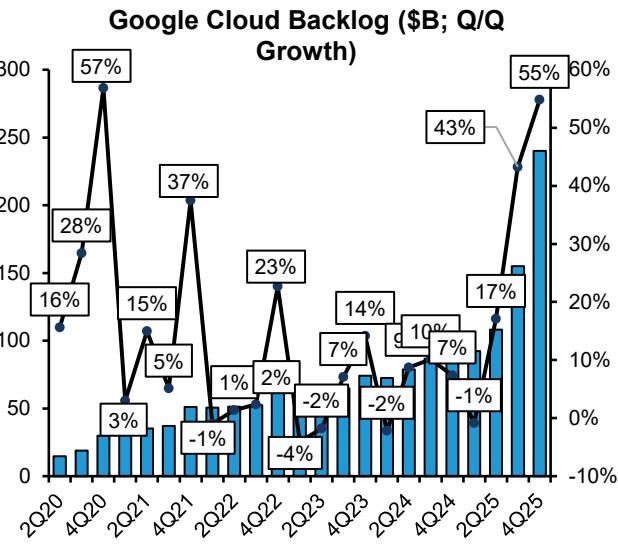
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 10: Google Cloud margins & incremental margins Q/Q; margin improved significantly to 30% in 4Q25



Source: Company reports and Bernstein analysis

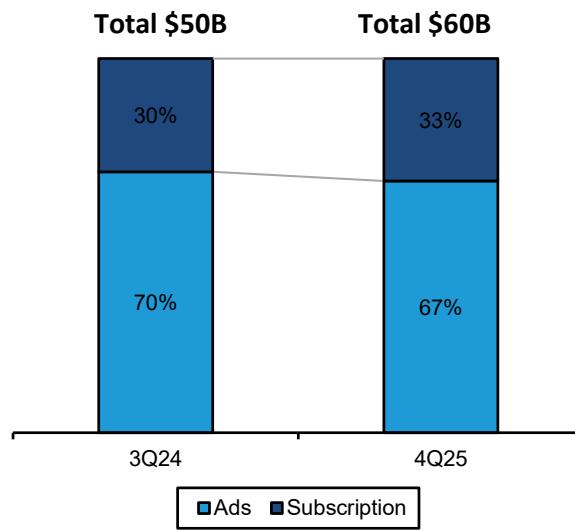
EXHIBIT 11: Google Cloud's Backlog jumped dramatically to \$240B, up +55% Q/Q and up +158% YoY



Source: Company reports, Bernstein analysis

EXHIBIT 12: YouTube total revenue is mix-shifting towards subscription

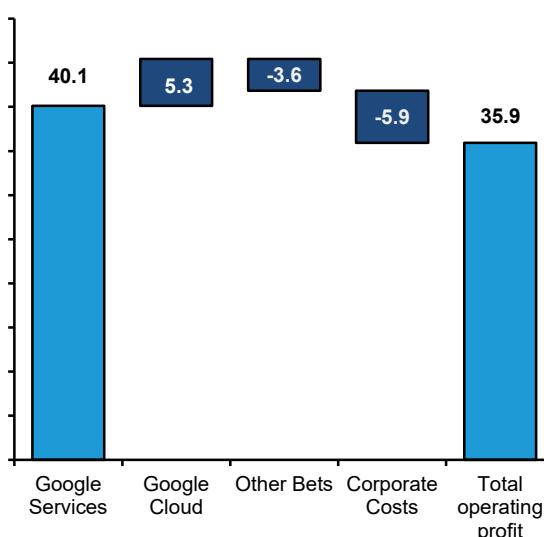
YouTube Trailing 12 Months Rev. Split



Source: Company reports, Bernstein analysis

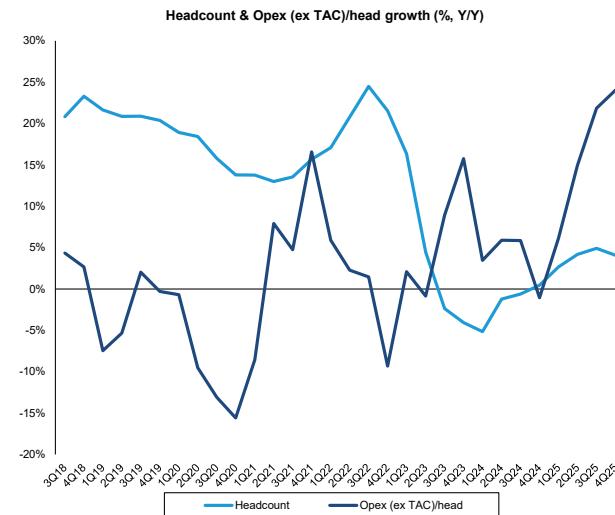
EXHIBIT 13: Google operating profit waterfall

4Q25 Operating Profit Waterfall (\$B)



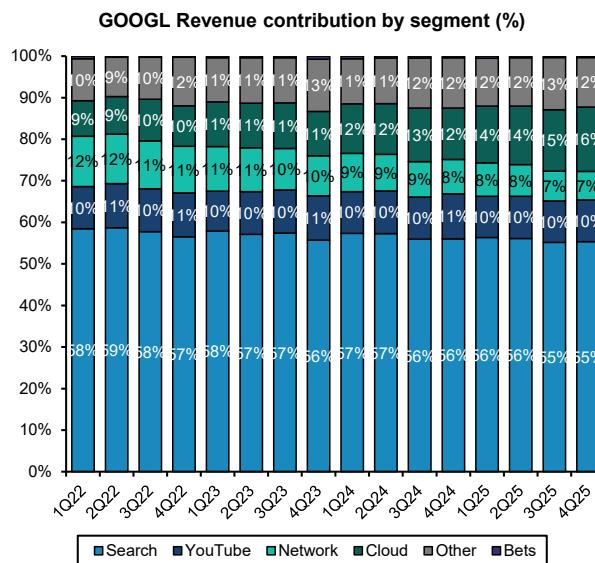
Source: Company filings, Bernstein analysis

EXHIBIT 14: Headcount increased by 0.7k Q/Q and was up 4% YoY



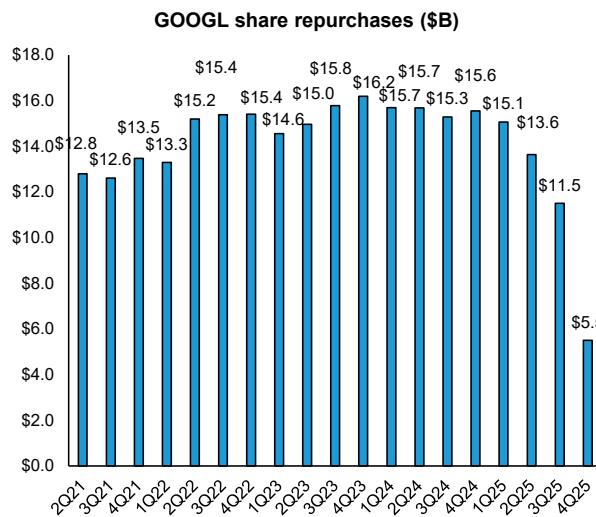
Source: Company reports, Bernstein analysis

EXHIBIT 16: Revenue contribution by segment



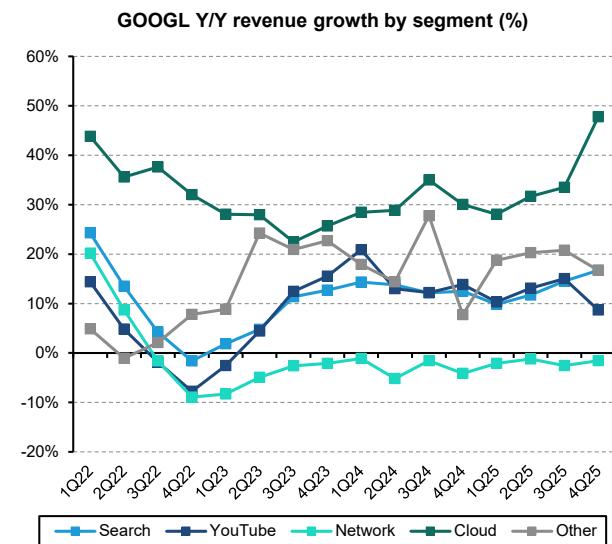
Source: Company filings, Bernstein analysis

EXHIBIT 15: Google slowed down stock repurchase as it focuses more on AI related investment



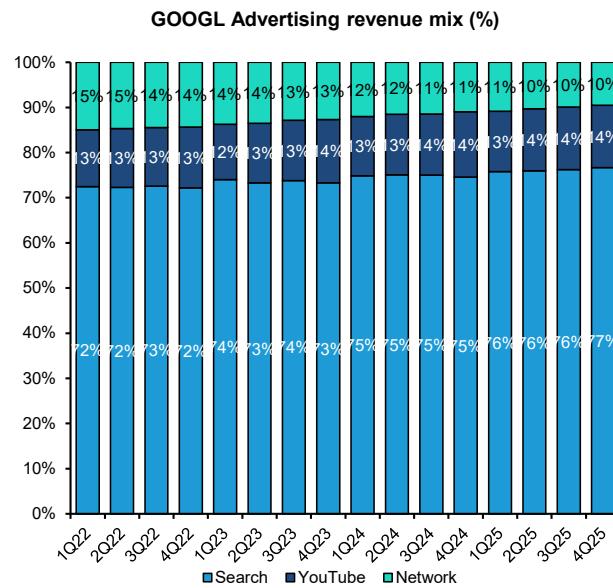
Source: Company reports, Bernstein analysis

EXHIBIT 17: Y/Y Revenue growth by segment (%)



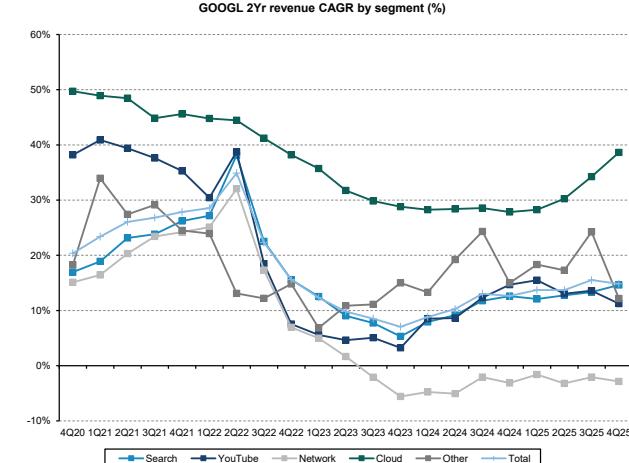
Source: Company filings, Bernstein analysis

EXHIBIT 18: Advertising revenue mix



Source: Company filings, Bernstein analysis

EXHIBIT 19: 2Yr Revenue Growth CAGR by Segment



Source: Company filings, Bernstein analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 20: Our Google model

in millions except per share and percentage data

GOOGL	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	FY2025	FY2026E	FY2027E	FY2028E
GAAP INCOME STATEMENT												
Revenue	90,234	96,428	102,346	113,828	107,472	113,554	119,182	132,387	402,836	472,594	551,034	628,309
Cost of Revenue	36,361	39,039	41,369	45,766	42,138	44,589	46,834	51,588	162,535	185,149	211,394	236,015
Research and Development	13,556	13,808	15,151	18,572	17,840	18,850	19,784	21,976	61,087	78,451	93,676	106,813
Sales and Marketing	6,172	7,101	7,205	8,215	7,416	8,176	8,700	9,399	28,693	33,691	39,146	44,637
General and Administrative	3,539	5,209	7,393	5,341	4,514	4,883	4,886	5,693	21,482	19,976	22,110	25,213
One Time costs (restructuring & fines)	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	59,628	65,157	71,118	77,894	71,908	76,497	80,205	88,656	273,797	317,267	366,326	412,678
EBIT	30,606	31,271	31,228	35,934	35,565	37,056	38,976	43,730	129,039	155,328	184,708	215,632
D&A	4,487	4,998	5,611	6,040	7,631	8,062	8,462	9,399	21,136	33,554	49,593	64,716
EBITDA (incl. SBC)	35,093	36,269	36,839	41,974	43,195	45,119	47,438	53,130	150,175	188,882	234,301	280,347
Other Income (Expenses)	11,183	2,662	12,759	3,183	5,000	5,000	5,000	5,000	29,787	20,000	16,000	10,000
Net Income	34,540	28,196	34,497	34,455	33,669	34,907	36,500	40,446	132,170	145,522	166,588	187,274
Weight Avg. Diluted Shares	12,291	12,198	12,203	12,228	12,211	12,194	12,178	12,161	12,230	12,186	12,119	12,051
Diluted GAAP EPS	2.81	2.31	2.87	2.82	2.76	2.86	3.00	3.33	10.81	11.94	13.75	15.54
GAAP Margins:												
Gross Margin	60%	60%	60%	60%	61%	61%	61%	61%	60%	61%	62%	62%
EBIT Margin (ex-One Time Fines)	34%	34%	34%	33%	33%	33%	33%	33%	32%	33%	34%	34%
EBITDA Margin (ex-One Time Fines)	39%	38%	36%	37%	40%	40%	40%	40%	37%	40%	43%	45%
Y/Y Growth (GAAP):												
Revenue	12%	14%	16%	18%	19%	18%	16%	16%	15%	17%	17%	14%
EBITDA	21%	16%	13%	19%	23%	24%	29%	27%	11%	14%	14%	12%
EPS	52%	22%	35%	31%	-2%	24%	5%	18%	35%	11%	15%	13%
ADJUSTED ITEMS												
Adjusted EBITDA (ex-SBC)	40,609	42,267	43,207	49,045	49,765	52,182	54,854	61,354	175,128	218,154	268,433	319,267
Adjusted EBITDA Margin	45%	44%	42%	43%	46%	46%	46%	46%	43%	46%	49%	51%
Non-GAAP Net Income	40,056	34,194	41,347	41,526	40,239	41,970	43,916	48,670	157,123	174,795	200,720	226,193
Diluted Non-GAAP EPS	3.26	2.80	3.39	3.40	3.30	3.44	3.61	4.00	12.85	14.34	16.56	18.77
KEY METRICS (ex-Other Bets)												
Search	50,702	54,190	56,567	63,073	59,321	61,777	63,355	70,011	224,532	254,464	279,910	300,904
YouTube	8,927	9,796	10,261	11,383	10,070	10,952	11,369	12,612	40,367	45,003	50,043	54,547
Network Members	7,256	7,354	7,354	7,828	7,075	7,170	7,170	7,632	29,792	29,047	28,321	27,613
Advertising Revenue	66,885	71,340	74,182	82,284	76,466	79,899	81,894	90,256	294,691	328,514	358,275	383,064
Cloud	12,260	13,624	15,157	17,664	18,598	20,436	22,190	26,196	58,705	87,420	128,202	173,688
Other	10,379	11,203	12,870	13,578	11,936	12,827	14,736	15,547	48,030	55,046	62,863	69,778
Google Segment Revenues	89,524	96,167	102,209	113,526	107,000	113,162	118,820	131,998	401,426	470,981	549,340	626,530
Advertising Growth (Y/Y)	8%	10%	13%	14%	14%	12%	10%	10%	11%	11%	9%	7%
Google Segment Growth (Y/Y)	12%	14%	16%	18%	20%	18%	16%	16%	12%	11%	11%	9%
BALANCE SHEET & CASH FLOW												
Cash + Marketable Securities	95,328	95,148	98,496	126,843	125,778	108,949	103,879	97,713	126,843	97,713	78,581	86,763
Property and equipment, net	185,062	203,231	223,787	246,597	280,988	317,325	355,463	397,827	246,597	397,827	557,076	705,985
All Other	194,984	203,674	214,186	221,841	227,890	239,502	249,901	264,831	221,841	264,831	304,044	346,710
Total Assets	475,374	502,053	536,469	595,281	634,656	665,776	709,243	760,371	595,281	760,371	939,700	1,139,459
FCF	18,953	5,301	24,461	24,551	9,530	(5,915)	5,897	4,856	73,266	14,368	26,376	55,839
FCF Margin	21%	5%	24%	22%	9%	-5%	5%	4%	18%	3%	5%	9%

Source: Company reports, Bernstein estimates and analysis

BERNSTEIN TICKER TABLE

Ticker	4 Feb 2026					TTM	Reported EPS			Reported P/E (x)		
	Rating	Cur	Closing Price	Target	Rel. Perf.		Cur	2025A	2026E	2027E	2025A	2026E
GOOGL (Alphabet)	M	USD	333.04	345.00	47.4%	USD	10.81	11.94	13.75	30.8	27.9	24.2
OLD			335.00					11.41	13.71			
SPX			6,882.72									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

DISCLOSURE APPENDIX

I. REQUIRED DISCLOSURES

References to "Bernstein" or the "Firm" in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited and Sanford C. Bernstein Japan KK (サンフォード・C・バーンスタイン株式会社).

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VALUATION METHODOLOGY**Alphabet Inc**

We value Alphabet on a Price Target of \$345, using a 50/50 combination of 2027e EV/ EBIT multiple of 25x and a DCF using a WACC of 10% and a terminal growth of 3.5%. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

RISKS**Alphabet Inc**

Upside risk to our price target:

- Faster than expected revenue growth tied to digital advertising recovery and idiosyncratic efforts or better than expected margins tied to recent effort to slow down hiring and small scale lay-offs.
- Favorable regulatory outcomes further entrenching Google's incumbency positions across both Search and Network.

Downside risk to our price target:

- Terminal risk narratives tied to Search disintermediation, either from negative headlines or share loss (users and/or revenue) in search. If search were to suffer topline changes it could have a trickle effect across the business and have a material impact on GOOGL's ad revenues and we would expect further de-rating in the stock.
- Alphabet is currently under investigation in multiple regulatory proceedings across both anti-trust and privacy, domestically and abroad. In particular, the DOJ case against Google on Search will likely reach a verdict later this year.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION**EQUITY RATINGS DEFINITIONS****Bernstein brand**

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAJX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp

- Underperform: Stock will trail the performance of the market index by more than 15 pp

Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 500 Banks And Financial Services Index (BEBANKS) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 500 Insurance Index (BEINSUR) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, and the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

- Outperform (OP): Stock will outpace the relevant index by more than 10 pp
- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
- Underperform (UP): Stock will trail the performance of the relevant index by more than 10 pp

Coverage Suspended: Coverage of a company under the Autonomous research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

Not Covered (NC) denotes companies that are not under coverage.

Autonomous brand common stock ratings are based on a 12-month time horizon.

Autonomous brand – preferred stocks

The Autonomous brand has three categories of preferred stock ratings:

- Outperform (OP): The total return of the preferred instrument is expected to outperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Neutral (N): The total return of the preferred instrument is expected to perform in line with preferred securities of other issuers operating in similar sectors or rating categories over the next six months.
- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

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The report may also include reference(s) to published opinions by other Autonomous or Bernstein analysts covering the equity securities of the issuer(s) referenced herein. Please note an investment recommendation for credit instruments published by the author(s) of this report may differ from the published view of the analyst covering equity securities for the issuer(s) contained in this report and vice versa.

CREDIT RATINGS DEFINITIONS

The Autonomous brand has three categories of credit ratings:

- Credit Outperform (C-OP): The total return of the Reference Credit Instrument is expected to outperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.
- Credit Neutral (C-N): The total return of the Reference Credit Instrument is expected to perform in line with the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.
- Credit Underperform (C-UP): The total return of the Reference Credit Instrument is expected to underperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous credit ratings are based on a 6-month time horizon.

A list of all investment recommendations produced by the author(s) of this report alongside credit ratings history are available upon request.

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DISTRIBUTION OF EQUITY RATINGS/INVESTMENT BANKING SERVICES

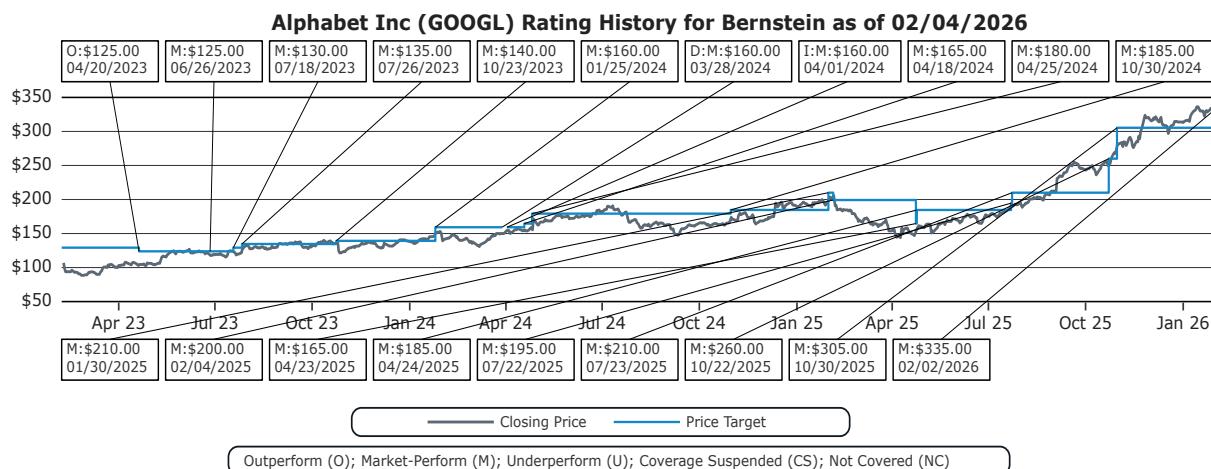
Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	51.4%	16.8%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	34.7%	18.7%
Underperform	SELL	13.9%	13.4%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.

As of December 31, 2025. All figures are updated quarterly.

PRICE CHARTS / RATINGS AND PRICE TARGET HISTORY

Prior to April 1, 2024, Sanford C. Bernstein & Co., LLC. issued the ratings and price target information in the graph(s) below for the following companies: Alphabet Inc.



All price target and closing price data in the chart(s) above are denominated in the currency noted in the Ticker Table of this report.

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