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**Operator:** Welcome, everyone. Thank you for standing by for the Alphabet Fourth Quarter 2025 Earnings Conference Call.

At this time, all participants are in a listen-only mode. After the speaker presentations, there will be a question-and-answer session. To ask a question during the session, you will need to press \*1 on your telephone.

I would now like to hand the conference over to your speaker today, Jim Friedland, Head of Investor Relations.

Please go ahead.

**Jim Friedland, Head of Investor Relations:** Thank you. Good afternoon, everyone, and welcome to Alphabet's Fourth Quarter 2025 Earnings Conference Call. With us today are Sundar Pichai, Philipp Schindler and Anat Ashkenazi.

Now, I'll quickly cover the Safe Harbor.

Some of the statements that we make today regarding our business, operations, and financial performance may be considered forward-looking. Such statements are based on current expectations and assumptions that are subject to a number of risks and uncertainties.

Actual results could differ materially. Please refer to our Forms 10-K and 10-Q, including the risk factors. We undertake no obligation to update any forward-looking statement.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP to GAAP measures is included in today's earnings press release, which is distributed and available to the public through our Investor Relations website located at abc.xyz/investor.

Our comments will be on year-over-year comparisons unless we state otherwise.

And now, I'll turn the call over to Sundar.

**Sundar Pichai, CEO, Alphabet and Google:** Thanks, Jim.

Hi, everyone. Thanks for joining us. It was a tremendous quarter for Alphabet. The launch of Gemini 3 was a major milestone and we have great momentum.

Alphabet annual revenues exceeded \$400 billion for the first time. This quarter, Search continued to accelerate with revenues growing 17%. YouTube's annual revenues surpassed \$60 billion across Ads and Subscriptions.

Cloud significantly accelerated with revenues growing 48%, now on an annual run rate of over \$70 billion. Backlog grew by 55% quarter-over-quarter to \$240 billion, representing a wide breadth of customers, driven by demand for AI products.

We have over 325 million paid subscriptions across consumer services, with strong adoption for Google One and YouTube Premium. In addition, we have sold more than 8 million paid seats of Gemini Enterprise, which we launched just four months ago.

And our Gemini App now has over 750 million monthly active users. We're also seeing significantly higher engagement per user, especially since the launch of Gemini 3 in December.

Overall, we're seeing our AI investments and infrastructure drive revenue and growth across the board. To meet customer demand and capitalize on the growing opportunities ahead of us, our 2026 CapEx investments are anticipated to be in the range of \$175 billion to \$185 billion.

Today, I'll provide an update on our AI progress and then share highlights from Search, Cloud, YouTube, and Waymo.

First, AI progress across the full stack.

Our unrivaled infrastructure serves as the bedrock of our AI stack. We have the industry's widest variety of compute options. That includes GPUs from our partner NVIDIA, who announced at CES that we'll be among the first to offer their latest Vera Rubin GPU platform. Plus, our own TPUs that we've been developing for a decade.

In December, we announced our intent to acquire Intersect, which provides data center and energy infrastructure solutions.

As we scale, we're getting dramatically more efficient. We were able to lower Gemini serving unit costs by 78% over 2025 through model optimizations, efficiency and utilization improvements.

Next, world-class AI research, including models and tooling.

We offer the most extensive model portfolio in the world and lead across Text, Vision, and Image-to-Video LMArena leaderboards.

Gemini 3 Pro drives the state of the art in reasoning and multimodal understanding. It has seen the fastest adoption of any model in our history. Since launch, Gemini 3 Pro has consistently processed 3x as many daily tokens on average as 2.5 Pro.

Our latest model powers Google Antigravity, our new development platform where agents can autonomously plan and execute complex software tasks. It already has more than 1.5 million weekly active users after launching just over two months ago.

Our first-party models, like Gemini, now process over 10 billion tokens per minute via direct API use by our customers, up from 7 billion last quarter.

Third, bringing AI to our products and platforms.

We're shipping innovation at scale to bring helpful AI features to people everywhere. In January alone, we have launched Personal Intelligence in AI Mode in Search and the Gemini App; introduced new AI features to Gmail and updated Veo; reimagined Chrome as an AI-first, agentic browser through features like Chrome Auto Browse; announced Project Genie, which lets users create and explore interactive worlds generated in real-time using Genie 3, our general-purpose world model.

And we laid the groundwork for shopping in the AI era by introducing a new open standard for agentic commerce, the Universal Commerce Protocol, built alongside many retail industry leaders.

Finally, from Android to Pixel, we're getting our best AI capabilities into people's hands. At CES, a range of partners, including Samsung, showcased how they're bringing Gemini to more devices, from XR to the living room and beyond.

And to confirm the rumors, we'll be introducing our Pixel 10a to our best-ever rated Pixel 10 series very soon.

Turning now to key highlights from the quarter, starting with Search. Search saw more usage in Q4 than ever before, as AI continues to drive an expansionary moment.

We've executed with incredible speed. We shipped over 250 product launches within AI Mode and AI Overviews just last quarter.

We've integrated Gemini 3 directly into AI Mode in Search. Now Search can better understand your query, dive deeper on the web, and generate interactive UI experiences.

And last week, we upgraded AI Overviews to Gemini 3, giving users a best-in-class AI response at the top of the Search results page.

We've also made the Search experience more cohesive, ensuring the transition from an AI Overview to a conversation in AI Mode is completely seamless.

These new experiences are proving to be more helpful and are driving greater usage.

A few highlights: first, once people start using these new experiences, they use them more. In the U.S., we saw daily AI Mode queries per user double since launch and AI Overviews continue to perform very well.

Second, people are engaging in longer, more complex sessions. Queries in AI Mode are 3x longer than traditional searches. We are also seeing sessions become more conversational, with a significant portion of queries in AI Mode now leading to a follow-up question.

Third, people are searching in new ways beyond text. Nearly one in six AI Mode queries are now non-text, using voice or images. And Circle to Search is now available on over 580 million Android devices.

Next, Google Cloud.

Our growth in revenue, operating margin and backlog highlights the strength of our entire portfolio.

One, we are winning more new customers faster. We exited the year with double the new customer velocity compared to Q1.

Two, we are also signing larger customer commitments. The number of deals in 2025 over \$1 billion surpassed the previous three years combined.

And three, we continue to deepen our relationships with existing customers, who are outpacing their initial commitments by over 30%.

Nearly 75% of Google Cloud customers have used our vertically optimized AI, from chips, to models, to AI platforms, and enterprise AI agents which offer superior performance, quality, security, and cost-efficiency. These AI customers use 1.8x as many products as those who do not, enabling us to diversify our product portfolio, deepen customer relationships and accelerate revenue growth.

Our product line has multiple monetization levers, spanning infrastructure, platform, and high-margin, AI-powered products and services with 14 product lines each exceeding \$1 billion in annual revenue.

We offer leading infrastructure for AI training and inference to our Cloud customers, with the industry's widest variety of compute options: from our own seventh-generation Ironwood TPU to the latest NVIDIA GPUs. Our ten-year track record in building our own accelerators—with expertise in chips, systems, networking, and software—translates to leading power and performance efficiency for large-scale inference and training.

Our Cloud AI accelerators serve the leading frontier AI labs, capital markets firms like Citadel Securities, enterprises like Mercedes-Benz, and governments for high-performance computing applications.

We also offer our leading generative AI models, including Gemini, Imagen, Veo, Chirp, and Lyria to Cloud customers. In December alone, nearly 350 customers each processed more than 100 billion tokens. In Q4, revenue from products built on our generative AI models grew nearly 400% year-over-year, significantly accelerating from the prior quarter. Today, more than 120,000 enterprises use Gemini, including AI unicorns like Lovable and OpenEvidence, and global enterprises like Airbus and Honeywell. 95% of the top 20, and over 80% of the top hundred SaaS companies use Gemini, including Salesforce and Shopify. Gemini is becoming the AI engine for the world's most successful software companies.

Leading enterprises are also driving strong demand for our enterprise AI agents. We have sold more than 8 million paid seats of Gemini Enterprise, our enterprise AI platform, to more than 2,800 companies, including BNY and Virgin Voyages, to streamline knowledge management and automate processes. Gemini Enterprise managed over five billion customer interactions in Q4, growing 65% year-over-year, for customers including Wendy's, Kroger, and Woolworths Group.

Our integration of Gemini in Google Workspace is driving wins with global brands like Schwarz Group and public sector organizations like the U.S. Department of Transportation.

We are also seeing momentum with independent software vendors. Revenue from AI solutions built by our partners increased nearly 300% year-over-year, and commitments from our top 15 software partners grew more than 16x year-over-year.

Before moving on, I'm pleased that we are collaborating with Apple as their preferred Cloud provider and to develop the next generation of Apple Foundation Models, based on Gemini technology.

Up next, YouTube. I want to highlight four points.

First, streaming. In the living room, YouTube continues to be the number one streamer in the U.S. for nearly three years, according to Nielsen. From the NFL to Coachella,

YouTube is where people watch today's biggest popular culture moments unfold.

Second, Subscriptions. We continue to see strong subscription revenue growth across YouTube, particularly YouTube Music Premium. We'll soon launch new YouTube TV plans, bringing more choice and flexibility to subscribers with over ten genre-specific packages.

And the NFL has seen strong NFL Sunday Ticket subscriber growth with YouTube, with the highest paid subscriber number ever in the history of the product.

Third, podcasts. To illustrate YouTube's popularity, in October 2025, viewers watched over 700 million hours of podcasts on Living Room devices, up 75% from just a year prior.

And fourth, AI is transforming the YouTube experience for both creators and viewers. On average, every day in December, over 1 million channels used our new AI creation tools to supercharge their creativity. During that same month, more than 20 million viewers used our new Ask tool, powered by Gemini, to learn more about the content they watched.

And finally, Waymo. This week, Waymo raised its largest investment round to date, and is well positioned to continue its momentum, with safety at the core.

In December, we surpassed 20 million fully autonomous trips and are now providing more than 400,000 rides every week.

Waymo continues to expand its service territory. Its sixth market, Miami, launched two weeks ago; and Waymo will soon expand its service to multiple cities across the U.S., and in the U.K., and Japan.

The team has made incredible progress on important capabilities, including opening up public service to airports and freeways.

In closing, 2025 was a fantastic year for the company. A big thanks to our employees and partners worldwide. We're really well positioned going into 2026.

Now, over to Philipp.

**Philipp Schindler, SVP and CBO, Google:** Thanks, Sundar, and hello, everyone.

I'll cover performance for Google Services for the quarter, then structure the rest of my remarks around the great progress we are delivering across Search, YouTube and Partnerships.

Google Services revenues were \$96 billion for the quarter, up 14% year-on-year, primarily driven by accelerated growth in Search.

Adding some further color to our results, the 17% increase in Search and Other was led by broad strength across all major verticals, with Retail particularly strong.

On YouTube, the 9% growth in advertising revenues was driven by direct response.

Network advertising revenues were down 2% year-on-year this quarter.

Starting with Search and Other revenues, which delivered over \$63 billion in revenue for the quarter. Sundar mentioned the expansionary moment for Search. The same is true for Ads.

We are investing in AI to drive significant improvements across all areas of marketing. We're expanding the entire playing field that advertisers can compete on. AI gives businesses the ability to reach more customers in more places than ever before.

Gemini uniquely positions us to bring the transformational benefits of AI to Ads in three critical areas for our customers: ads quality, advertiser tools and new AI user experiences.

First, ads quality. We've been deploying Gemini models to improve query understanding at a rate of almost a launch per month for the last two years. These improvements drive better query matching, ranking and quality, making Search Ads even more effective.

With Gemini across our Ads quality stack, we evaluate relevance with greater accuracy than with previous generations of models. This has significantly improved our ability to systematically deliver more helpful, high-quality ads, contributing to a meaningful reduction in irrelevant ads served.

Gemini's understanding of intent has increased our ability to deliver ads on longer, more complex searches that were previously challenging to monetize. Gemini models also have a significant impact on query understanding in non-English languages, expanding opportunities for businesses to scale globally.

Second, we're building more agentic actions into our advertiser tools. Businesses can now leverage Gemini in conversational experiences within Ads and Analytics Advisor to identify and run recommended actions, such as generating new campaigns.

Advertisers use Gemini as a real-time partner to assemble creatives. In Q4 alone, they used Gemini to create nearly 70 million creative assets via text customization in AI Max

and PMax.

For instance, Aritzia, Canada's premier fashion house, used AI Max to find new high-value customers that traditional strategies miss, delivering an 80% incremental uplift in conversion value for Q4.

L'Oreal, one of the first alpha testers, used AI Max in 2025 across 800 unique campaigns in 23 countries and 30 brands. AI Max enabled the L'Oreal Group to maximize its presence across the full consumer journey, fuel its consumer growth and increase revenue for DTC brands, like NYX, by 23%.

The third area is how we monetize new AI user experiences in Search.

We have significantly increased our focus on AI Mode and are in the early stages of experimenting with AI Mode monetization, like testing ads below the AI response, with more underway.

For example, we announced Direct Offers, a new Google Ads pilot, which will allow advertisers to show exclusive offers for shoppers who are ready to buy, directly in AI Mode. This new type of sponsored content uses AI to match the right offer provided by the retailer to the right user.

As Sundar mentioned, we are building the era of agentic commerce and working with our partners to introduce the Universal Commerce Protocol in our consumer products and across the web. We've received tremendous feedback from the industry. Soon, people can use a new checkout experience to buy directly in AI Mode and Gemini from select merchants.

Turning now to YouTube, which remains the number one streamer in the U.S. for nearly three years, according to Nielsen.

YouTube creators are providing an unmatched breadth of content. Our investment in AI innovation across creativity, viewing experience and monetization continues to pay off.

We're seeing strong traction in our Subscriptions business, and are innovating to meet consumers where they are. We added a new sports tier for YouTube TV at a lower price point. YouTube Premium Lite is proving to be a popular choice. And we continue to deliver strong year-on-year growth across YouTube Subscriptions, particularly YouTube Music & Premium.

Looking at monetization across YouTube, momentum continues in Shorts and the Living Room. Shorts now averages over 200 billion daily views; and, as we've shared before, in a number of countries Shorts earns more revenue per watch hour than traditional

in-stream on YouTube, including the U.S.

The Retail vertical continues to grow, fueled by smaller advertisers increasingly adopting Demand Gen. Likewise, direct response continues to benefit from the momentum we're seeing with small and medium-sized advertisers.

Viewers trust product and brand recommendations from YouTube creators, and we're focused on making YouTube a premier shopping destination. Innovations, like shoppable ad formats, are improving advertiser return on investment.

During Cyber 5, advertisers piloted shoppable mastheads, a new interactive ad format where viewers browse products and send links to their phones for an easy shopping experience.

On Brands, our Creator Partnership Hub makes it easier for brands to find creators and develop campaigns. This holiday season, brands like JCPenney, Old Navy, and Target worked with creators for their holiday campaigns.

Mattel partnered with eight top YouTube creators to reach families during the peak holiday shopping season in a campaign that helped drive a 25% increase in search volume for UNO.

As always, I'll wrap with the progress we're seeing across Partnerships where our customers tap into the strength and breadth of Google's products to accelerate their transformation.

I would start by joining Sundar in how pleased I am that we are collaborating with Apple as their preferred Cloud provider and to develop the next generation of Apple Foundation Models, based on Gemini technology.

We partnered with Reliance Jio to provide over 500 million consumers with an 18-month free trial of our Gemini suite of products and two terabytes of cloud storage. Reliance's enterprise customers will also get access to Google Cloud's Gemini Enterprise and TPUs, bringing the best of Google AI to every employee and workflow.

The Home Depot is applying Google AI across the board, from Cloud tools to AI-powered ads and YouTube creator partnerships that connect with the next generation of do'ers. Their investments in PMax and YouTube Creator Partnerships have resulted in double-digit increase in ad clicks and visits.

In closing, I'd like to thank Googlers everywhere for their contributions to our success and, as always, to our customers and partners for their continued trust.

Anat, over to you.

**Anat Ashkenazi, SVP and CFO, Alphabet and Google:** Thank you, Philipp.

My comments will focus on year-over-year comparisons for the fourth quarter, unless I state otherwise.

I will start with results at the Alphabet level, and will then cover segment results. I'll end with some commentary on our outlook for the first quarter and full year 2026.

2025 was a strong year of innovation and execution for Alphabet. These efforts, combined with our investments in AI, drove meaningful results across the business.

For the full-year 2025, Alphabet consolidated revenues were \$403 billion, up 15% on a reported and constant currency basis.

Moving to Q4 performance, we delivered strong growth in the fourth quarter. Consolidated revenues reached \$113.8 billion, up 18%, or 17% in constant currency, and was driven by an acceleration in Search and Cloud revenues.

Turning to costs and expenses, we reported a \$2.1 billion stock-based compensation charge due to an increase in Waymo's valuation related to the investment round that was announced on Monday. The vast majority of the charge was reflected in R&D expenses.

Total Cost of Revenue was \$45.8 billion, up 13%. TAC was \$16.6 billion, up 12%.

Other Costs of Revenues was \$29.2 billion, up 13%, with the increase primarily driven by depreciation associated with the deployment of our technical infrastructure, content acquisition costs largely for YouTube, and other technical infrastructure operations costs.

Total operating expenses were up 29% to \$32.1 billion. R&D expense increased by 42%, driven by compensation and depreciation. The increase in compensation was due to the Waymo charge and investment in AI talent.

Sales and Marketing expenses were up 12%, primarily driven by marketing investments to support the Gemini App and Search.

G&A expenses increased 21%, primarily due to a shift in timing of our charitable contributions.

Operating income increased 16% to \$35.9 billion, and operating margin was 31.6%.

Both operating income and operating margin were negatively impacted by the \$2.1 billion Waymo charge in the quarter.

Other income and expenses was \$3.2 billion, primarily due to unrealized gains in our non-marketable equity securities portfolio.

Net income increased 30% to \$34.5 billion, and earnings per share increased 31% to \$2.82.

We generated record operating cash flow of \$52.4 billion in the fourth quarter, and \$164.7 billion for the full year.

This translated into \$24.6 billion of free cashflow in the fourth quarter and \$73.3 billion for the full year.

We ended the quarter with \$126.8 billion in cash and marketable securities, and \$46.5 billion in long-term debts.

Turning to segment results, Google Services revenues increased 14% to \$95.5 billion, reflecting strong growth in Search and Subscriptions.

Google Search and Other advertising revenues increased by 17% to \$63.1 billion, representing another strong quarter with continued growth across all major verticals, with the largest contribution from Retail.

YouTube advertising revenues increased 9% to \$11.4 billion, driven by direct response advertising. Results were negatively affected from the lapping of the strong spend on U.S. election in the fourth quarter of 2024 that we've mentioned on previous earnings calls.

Network advertising revenues of \$7.8 billion were down 2%.

Subscriptions, Platforms and Devices revenues increased 17% this quarter to \$13.6 billion, due to strong growth in YouTube Subscriptions, particularly YouTube Music and Premium, and growth in Google One, which benefited from increased demand for AI plans.

Google Services operating income increased 22% to \$40.1 billion, and operating margins was 41.9%.

The Google Cloud segment delivered outstanding results in the fourth quarter as the business continued to benefit from strong demand for our enterprise AI products.

Cloud revenue accelerated meaningfully and was up 48% to \$17.7 billion. Revenues were driven by strong performance in GCP, which continued to grow at a rate that was much higher than Cloud's overall revenue growth rate. As Sundar noted, we're driving performance through strong growth and a win rate of new customers, signing larger customer commitments, and increasing spend with existing customers.

GCP's performance was driven by accelerating growth in enterprise AI products, which were generating billions in quarterly revenues. We had strong growth in both enterprise AI infrastructure driven by deployment of TPUs and GPUs, and enterprise AI solutions, which benefited from demand for our industry-leading models, including Gemini 3.

Core GCP was also a meaningful contributor to growth due to strong demand for infrastructure and other services, such as cyber security and data analytics.

We also had double-digit growth in Workspace, driven by an increase in average revenue per seat and the number of seats.

Cloud operating income was \$5.3 billion, more than doubling year-over-year. And operating margin increased from 17.5% in the fourth quarter of last year, to 30.1%.

Google Cloud's backlog increased 55% sequentially and more than doubled year-over-year, reaching \$240 billion at the end of the fourth quarter. The increase in backlog was driven by strong demand for our Cloud products, led by our enterprise AI offerings from multiple customers.

In Other Bets, revenues were \$370 million, and operating loss was \$3.6 billion, reflecting the \$2.1 billion Waymo charge I mentioned earlier.

We allocate resources in Other Bets to businesses like Waymo, where we see meaningful opportunities to create value.

Alphabet funded a significant portion of the \$16 billion investment round that Waymo announced on Monday, which will allow the business to accelerate its global expansion.

CapEx was \$27.9 billion for the fourth quarter, and \$91.4 billion for the full year, in line with our expectation. The vast majority of our CapEx was invested in technical infrastructure, with approximately 60% of that investment in servers and 40% in data centers and networking equipment.

In Q4, we returned capital to shareholders through \$5.5 billion of share repurchase and \$2.5 billion of dividend payments.

Turning to our outlook, I would like to provide some commentary on factors that will

impact our business performance in the first quarter and full year 2026.

First, in terms of revenues, we're pleased with the overall momentum of the business. At current spot rates, we would expect to see an FX tailwind toward consolidated revenues in Q1. However, the volatility in exchange rates could affect the impact of FX on Q1 revenues.

In Google Services, we expect growth to be driven by ongoing innovation in the user experience, as well as improved ROI for advertisers, keeping in mind the normal seasonal pattern for advertising revenue.

In Google Cloud, we're seeing significant demand for our products and services, which we expect to continue to drive strong growth, despite the tight supply environment we're operating in.

Moving to investments, the investments we have been making in AI are already translating to strong performance across the business, as you've seen in our financial results. Our successful execution, coupled with strong performance, reinforces our conviction to make the investments required to further capitalize on the AI opportunity.

For the full year 2026, we expect CapEx to be in the range of \$175 billion to \$185 billion, with investments ramping over the course of the year.

We're investing in AI compute capacity to support frontier model development by Google DeepMind, ongoing efforts to improve the user experience, and drive higher advertiser ROI in Google Services, significant Cloud customer demand, as well as strategic investments in Other Bets.

Keep in mind that the availability of supply, pricing of components, and timing of cash payments can cause some variability in the reported CapEx number.

In terms of expenses, as we've discussed on previous calls, the significant increase in our investments in technical infrastructure will continue to put pressure on the P&L in the form of higher depreciation expense and related data centers' operations costs such as energy.

In 2025, depreciation increased by nearly \$6 billion, or 38%, from \$15.3 billion in 2024, to \$21.1 billion in 2025. Given the increase in our CapEx investments in recent years, we expect the growth rate in 2026 depreciation to accelerate in Q1, and meaningfully increase for the full year.

We're also planning to continue hiring in key investment areas, such as AI and Cloud.

In 2025, our teams delivered amazing innovation, executing with a high level of discipline and velocity. These efforts provided great experiences for consumers and outstanding performance for creators, partners, and enterprise customers driving strong revenue growth.

I'm going to take this opportunity to thank our employees for their contribution to this impressive performance.

Now, Sundar, Philipp, and I will take your questions.

**Operator:** Thank you. As a reminder, to ask a question, you will need to press \*1 on your telephone. To prevent any background noise, we ask that you please mute your line once your question has been stated.

Your first question comes from Brian Nowak with Morgan Stanley. Your line is now open.

**Brian Nowak (Morgan Stanley):** Thanks for taking my questions. I have two. One on agentic, one on YouTube.

The first one on agentic, Sundar, I'd be curious to hear about, as you look back at 2025, where do you think you made the most progress on new types of agentic commerce products?

And then looking into '26, where are you most optimistic for even more progress and utility for users and your advertisers?

And the second one is on YouTube. We've seen a lot of the new content-creation models like Genie, et cetera. Walk us through the Alphabet long-term vision for how Genie and some of these content-creation tools could be integrated into YouTube over time.

**Sundar Pichai, CEO, Alphabet and Google:** Great. Thanks, Brian.

First, maybe I'll take the agentic part first.

You know, I definitely think '25 was more about laying the foundation, getting the models to start being more robust in agentic use cases. Obviously, coding is the area where the progress was the most felt.

In the areas like commerce, I think we spent the year working with the ecosystem to develop the underlying protocol that's going to be needed for this agentic world. So I think the launch of Universal Commerce Protocol at NRF in January with a bunch of partners, founding partners, I think has been super well-received.

So, I'm excited now that we have laid the foundation of interoperability on which agentic commerce can work. And now we are integrating those experiences into Gemini, AI Mode and so on.

So I think this is the year where you will see consumers actually being able to use all of this, and I'm excited about the opportunity ahead.

On YouTube, look, super excited by Genie. I'm blown away by -- I've spent a lot of time creating these incredible worlds.

I think it's going to have a wide level of applicability. I think an area where we shine in general is multimodality and representing the real world, and I think Genie is a further step in that direction in terms of building world models.

All the innovation we are doing, be it Imagen, Veo, Lyria, Genie, all that work we bring into our products and to our Cloud customers; and YouTube is going to be a natural place for creators.

We are going to keep incorporating these tools. Already creators are responding by adopting these. But we do want to put creators at the center of the experience, and that's very, very important to us. And so it's, for us, making sure YouTube is a voice for creator expression as the foundation by which we will approach this.

**Brian Nowak (Morgan Stanley):** Great. Thanks, Sundar.

**Operator:** Your next question comes from Eric Sheridan with Goldman Sachs. Your line is now open.

**Eric Sheridan (Goldman Sachs):** Thanks so much for taking the question. Two, if I could.

Over the last couple of earnings calls, we talked a lot about imbalances between demand and capacity for AI, both internally and externally. With the step function change and absolute capital dollars you're projecting now in '26, can you talk about the pathway of closing the gaps for the need for compute, both internally and externally and how to think about some of the outputs of closing that gap as the year progresses?

And again, the second part would be against that level of spend that you're now projecting toward '26, how do you think about continuing to find operating efficiencies inside the business to fund those growth investments as well? Thank you.

**Sundar Pichai, CEO, Alphabet and Google:** Thanks, Eric. You know, you are right,

and we've been supply-constrained, even as we've been ramping up our capacity. Obviously, our CapEx spend this year is an eye towards the future; and you have to keep in mind some of the time horizons are increasing in the supply chain, et cetera.

So, we are constantly planning for the long-term and working towards that. And, obviously, how we close the gap this year is a function of what we have done in the prior years. And so there is that time delay to keep in mind.

I expect the demand we are seeing across the board, across our services, what we need to invest for future work for Google DeepMind, as well as for Cloud, I think is exceptionally strong. And so I do expect to go through the year in a supply-constrained way.

And maybe Anat can touch on the second part.

**Anat Ashkenazi, SVP and CFO, Alphabet and Google:** Thanks, Eric, for the question.

I've mentioned on one of the previous earnings calls our approach to how we look at efficiency and productivity, and we don't view this as an episodic one-time project or effort, but rather how we run the business on a regular basis, and always seek additional opportunities to drive efficiency across the business.

And certainly, with the demand we're seeing, whether it's from external customers or across the organization, the more capital we can free up within the organization to invest, the better we can turn this flywheel of making investments to drive future growth.

And we're doing this across the organization, whether it's within our technical infrastructure, certainly when we invest at these amounts, we look at how we can ensure that we are the most efficient with every dollar that goes towards our technical infrastructure.

There are scientific innovations that are part of that process, technical innovation, as you know, and we've mentioned before, we primarily focus on construction of our own data centers. We do partner with some external parties on lease on occasion, but most of our data centers we can start ourselves, and we ensure that we do it in the most efficient way, in a way that matches our workloads and our needs.

We look at coding productivity that Sundar mentioned in the past. About 50% of our codes are written by agents, coding agents, which are then reviewed by our own engineers. But certainly, it helps our engineers do more, move faster with the current footprint.

We look at how we run the business across the organization. So using AI within the

business to drive daily operations. It can be all the way from the engineering team to small teams within our back office. Even within my Finance team, for example, we deployed the agents within our treasury organization. We're deploying agents within how we run, how we pay and reconcile invoices, et cetera.

So there are opportunities across the business that we evaluate on a regular basis to ensure we can free up more of that capacity to invest in our future.

**Operator:** Your next question comes from Doug Anmuth with JP Morgan. Your line is now open.

**Douglas Anmuth (JP Morgan):** Thanks for taking questions. I have two. Over the last couple years, we've seen considerable large language model leapfrogging, and many expect that to continue. What are the ways that Google can build and maintain its Gemini position around data and distribution and product integration?

And then, how should we think about the potential for TPUs to move outside of Google Cloud and into external data centers and develop as an incremental revenue stream? Thank you.

**Sundar Pichai, CEO, Alphabet and Google:** Doug look, I think the LLM frontier, it's been an exciting trajectory, and I think 2026 will continue to show that progress. We're obviously improving these models across many paradigms, on pre-training, post-training, test time compute, and so on. And we are bringing multimodal models into the picture. We are bringing agentic capabilities, coding areas showing a lot of progress. And obviously, integrating all of this together and offering a great customer experience through our products, as well as through our APIs, to our Cloud customers. To me, feels like there's a lot of headroom ahead.

And as you have seen our trajectory over the past two years, in terms of how we've been making progress, I think we are in a very, very relentless innovation cadence, and I think we are confident about maintaining that momentum as we go through '26.

In terms of TPUs, I would think about it as it's reflected in our overall part of what makes Google Cloud an attractive choice is the wide choice of accelerators we bring to bear here, and we meet customers in terms of what their needs are, and the choice, as well as other things we bring as part of Google Cloud.

The end-to-end efficiencies in our data centers, all of that comes to bear, and that's what you see in the strong momentum in Google Cloud. And given the overall investment we are making, we expect to be able to drive that momentum there. So that's how I would think about it.

**Douglas Anmuth (JP Morgan):** Thank you, Sundar.

**Operator:** Your next question comes from Mark Mahaney with Evercore. Your line is now open.

**Mark Mahaney (Evercore):** Thanks. Two questions. One, could you just comment a little bit on the YouTube Ad revenue, that 9% year-over-year growth? It sounded like direct response was good, and it sounded like from Search that Retail came in relatively strong. So it's a little surprising that it didn't kind of come through in a YouTube Ads revenue growth.

And then, Sundar, can I ask you to try to get ahead of a debate in the market, which is kind of -- there's maybe at a DeepSeek moment again. You talked earlier about Gemini being the AI engine for some of the most successful software SaaS companies out there in the world. And it just seems like there's a market belief that these software companies are kind of losing seat power, losing pricing power. And it looks like it would be a really terrible customer base.

I can't imagine that that's actually going to happen, but could you just talk about it? You're at the forefront of AI and the impact that that's having on software companies. Why wouldn't that be -- or why would it be -- undermining the economics of your large software SaaS company base? Thanks.

**Philipp Schindler, SVP and CBO, Google:** So, Mark, so, first of all, thank you for the question.

For the full year 2025, YouTube's annual revenue surpassed \$60 billion across Ads and Subscription. In Q4, YouTube Ads was driven, indeed, by strong growth in direct response.

On the Brand side, as an ad share, the largest factor negatively impacting the year-over-year growth rate was lapping the strong spend on U.S. elections. We also saw a slight impact in some other brand-related verticals.

But taking a step back, I think it's important to think about YouTube Ads and Subs holistically, because when a user shifts from being an Ads-supported user to a YouTube Music and Premium customer, it has a slightly negative impact on YouTube Ads revenues but a positive impact on our business.

And we had strong revenue growth in YouTube Subscriptions this quarter, particularly in the YouTube Music and Premium category.

Maybe the interesting part is what we're actually excited about, our growth momentum

in brand, the opportunity on connected TVs, more innovative ad formats. For example, the shoppable mastheads I spoke about earlier that we piloted during Cyber 5.

We're working really, really hard to further connect brands and creators, scaling sponsorships, and enabling advertisers to showcase their products, their services during high-visibility spotlight moments.

We continue to expand the functionality of the Creator Partnership Hub, making it a lot easier for brands to actually find creators and develop campaigns. We are heavily focusing on brand deals, on measurement efforts. So, there's a lot of interesting work in the pipeline.

And on top of that, we actually see opportunity also for upside with performance advertising. There's a lot of momentum with Demand Gen adoption across small and medium advertisers.

We're also excited about the opportunity for continued Ads innovation and direct response, for example, shoppable formats, including in the living room, which is then helping drive strength in Retail, the continued momentum in Shorts, and so on. So overall, we are quite excited.

**Sundar Pichai, CEO, Alphabet and Google:** Great, and Mark, in terms of Gemini adoption and what this moment means for SaaS, et cetera, look, at least from my vantage point, I definitely see we have very, very good SaaS customers who are leaders in their respective categories.

And what I see the successful companies doing is they are definitely incorporating Gemini deeply in critical workflows, be it on improving their product experience and driving growth, or using it to drive efficiency within their organizations.

I think it is an enabling tool, just like it has been an enabling tool for us across our products and services, be it Search, YouTube, et cetera. I think the companies who are seizing the moment, I think, have the same opportunity ahead.

And at least we are excited about the partnerships we have there and the momentum. If I look at it in terms of their tokens usage, et cetera, the growth has been very robust in Q4.

**Mark Mahaney (Evercore):** Thank you.

**Operator:** Your next question comes from Mark Shmulik with AllianceBernstein. Your line is now open.

**Mark Shmulik (Bernstein):** Yes, thanks for taking my questions. Two, if I may.

The first for Anat. Can you talk a little bit more about the relationship between investment levels and how you expect core performance to trend? Is there an operating income or free cash flow objective that you solve towards? How do you think about greenlighting resources and projects?

And the second question is for all of you. A year ago, you probably could have guessed the answer to this question. But given where we are today, for each of you, what keeps you up at night here as you think about the Google story and what's next? Thanks.

**Anat Ashkenazi, SVP and CFO, Alphabet and Google:** Thanks, Mark. Let me start with the question on the investment framework, and it's an important one and as you can imagine, an important one for us as well.

We have a highly rigorous framework that we use internally where we look at all the needs for investment, whether it's from our own organization, or from external customers, and have an estimate of what that investment could potentially yield. Obviously, not just near-term but long-term as well. So we take that into consideration when we make the following decision.

The first one is the total investment that we make across the company. This was, for example, in 2025, the \$91 billion we invested in CapEx and our estimate for CapEx investment this year, so what's the total envelope that we want to invest to ensure that we can drive both near-term and long-term growth for the company.

And then the second way we use that framework is to allocate these funds across the organization, determine where we should make these investments.

And throughout the year, as you can imagine, we always look to understand where things are moving, whether it's the external dynamics or internal dynamics. And I've mentioned some of the supply chain pressures we're seeing externally. So we look at this with a highly rigorous framework to make sure that we're making the right decision.

It was exciting to see the fact that we're already monetizing -- and you saw it in the results that we just issued this quarter -- the investments that we've made in AI. It's already delivering results across the business.

I know within Cloud, it's very obvious external, but you've heard the comments on the success we're seeing in Search, the comments from Sundar and from Philipp; and then the frontier model development that really serves as the foundation for the organization.

We then also look at just the cash flow, cash flow generation, the health of our financials

and the balance sheet. That's important as well. So we take that into consideration when we make the decision about the overall level of investment. We want to make sure that we do it in a fiscally responsible way, and that we invest appropriately but we do it in a way that maintains a very healthy financial position for the organization.

**Sundar Pichai, CEO, Alphabet and Google:** Maybe I can answer on what keeps us up at night.

Look, I think overall, we've been on this AI-first trajectory for over a decade now, and it's what we've been methodically thinking our way through. It's the reason why we have been working on TPUs for over a decade, as an example.

But I think specifically at this moment, maybe the top question is definitely around compute capacity, all the constraints, be it power, land, supply chain constraints, how you ramp up to meet this extraordinary demand for this moment. Get our investments right for the long-term and do it all in a way that we are driving efficiencies and doing it in a world-class way.

So that's where I think we are meeting the moment well, but it's definitely an area where we're spending a lot of time.

**Operator:** The next question comes from Michael Nathanson with MoffettNathanson. Your line is now open.

**Michael Nathanson (MoffettNathanson):** Thanks. I have one for Sundar and one for Anat.

Sundar, you mentioned Universal Commerce Protocol a bunch of times. I wonder if you could spend some time talking about the rationale for developing it, the opportunity that you see it solves for, and what it means for the product discovery funnel for consumers.

And then for Anat, any color you can provide on a CapEx guide between longer-duration assets, like buildings and infrastructure, and shorter cycle assets, like technical and audio equipment, that would be helpful. Thanks.

**Sundar Pichai, CEO, Alphabet and Google:** Thanks, Michael. Obviously, people go through a lot of commercial journeys across many of our surfaces: Search, YouTube, Gemini App and so on. So I think as well as we support, through Cloud and Ads, our entire Retail partners as well.

The opportunity to improve the experience, I think, can be kind of a huge foundational uplift here. But it's important that we are approaching it, keeping in mind that our users, as well as merchants here and figuring out that value.

Part of what's been good in designing the Universal Commerce Protocol is it makes it much easier for users to complete transactions. But at the same time, it allows merchants to help showcase the range of their offerings, if they want to make promotions, et cetera. So all of that is built into the protocol.

And I think you have to get that value prop for the ecosystem right to make the experience better.

And so it's foundational. And more importantly, we are now implementing the protocols, and our Gemini models are making progress in those agentic capabilities.

So, I'm excited about a future where, as people are going through discovery, searching, finding new things, if they're interested in acting upon it, all of that is seamless; and so it overall creates an expansionary moment.

**Anat Ashkenazi, SVP and CFO, Alphabet and Google:** And the question with regard to the CapEx and what makes up the total that we've announced for this year and last year.

Approximately 60% of our investment in 2025, and it's going to be fairly similar in 2026, went towards machines; so, the servers. And then 40% is what you would refer to as long duration assets, which is our data centers and networking equipment.

I think you're probably referring to the depreciation delta between them, those long-term duration assets depreciate over -- the building could be 40 years or longer. Other components may be less than that.

Another important component is how we allocate this CapEx, and we've commented in the past about the allocation of our ML compute across the business. And for 2026, just over half of our ML compute is expected to go towards the Cloud business.

**Michael Nathanson (MoffettNathanson):** Thank you so much.

**Operator:** Your next question comes from Ross Sandler with Barclays. Your line is now open.

**Ross Sandler (Barclays):** Great, just a question on the native Gemini 750 million. So we added 100 million MAUs in the fourth quarter. Could you just talk high level about usage and retention of native Gemini? And is this 750 the right way to measure your progress against companies like ChatGPT, or is there another cohort of users that aren't in that 750 that maybe we should also consider? Thanks a lot.

**Sundar Pichai, CEO, Alphabet and Google:** Ross, I think we definitely saw, I would say, extraordinary creative growth in Q4 for Gemini App. It's not just a growth in monthly active users, but there was a sharp increase in engagement per user on the app.

So all the metrics, be it active usage, the intensity of usage, retention, all showed distinct progress across iOS, web, Android, et cetera, and geographically globally.

So definitely, all the product experience improvements, the work we did with Nano Banana, the progress with the Gemini models, all translated into strong momentum, and the momentum is continuing. So we are excited about that and will continue to invest.

Obviously, there are many people who are getting a deeply AI-native experience in the context of AI Mode and Search as well, and we are definitely seeing strong growth and progress. And the introduction of Gemini 3 in AI Mode was a very positive driver as well.

Obviously, we'll continue to evolve these experiences, and I'm excited about the opportunities there.

**Ross Sandler (Barclays):** Thank you.

**Operator:** Your next question comes from Ken Gawrelske with Wells Fargo. Your line is now open.

**Ken Gawrelske (Wells Fargo):** Thank you very much. Two, if I may, both on Search.

First, could you walk us through how you're evolving your views on the monetization of AI search activity? Given the more conversational nature and longer periods of engagement per session, consumer utility increasingly is driven by the on-platform results, not specifically the link-outs and referrals. In that construct, how do you think about increasing the revenue opportunity to match the consumer utility? Is this increasingly where premium subscriptions play?

And then, question two, and it's related, as you think about partnerships such as the new Apple partnership on Siri, how do you think about the right way to align for success with those partners? Previously, as disclosed in the DOJ documents, et cetera, it was a revenue share relationship. But now, if you think about the utility that you're driving through AI search and through Gemini on those platforms, it may be less related to the actual quote-unquote Search revenue. Could you just talk about how you align with partners for success there? Thank you.

**Philipp Schindler, SVP and CBO, Google:** So first of all, it might be worthwhile to say that the acceleration we saw in Search was not due to a single driver, but was really the result of many different parts of our business showing strength and working well

together. And maybe I'll quickly add the vertical perspective: Retail, Finance, Health drove actually the greatest contribution to Search revenue. Nearly every major vertical actually accelerated in Q4.

More specifically to your question, the ongoing innovation, as you know, core to what we do and the enhancements to the user and the advertiser experience, really continue to drive our performance and make hundreds of these changes every quarter.

We see AI Overviews and AI Mode continue to drive greater Search usage and growth in overall queries, including important and commercial queries. Gemini-based improvements in Search Ads help us better match queries and craft creatives for advertisers.

I talked about the understanding of intent and how this has significantly expanded our ability to deliver Ads on longer and more complex searches that were, frankly, previously difficult to monetize. AI Max, for example, is already used by hundreds of thousands of advertisers and continues to unlock billions of net new queries in that sense.

We see strength with SMB advertisers expanding their budgets and adopting automation tools leading to better ROI. On the creative side, we're using Gemini to generate millions of creative assets via text customization in AI Max and PMax and so on. So we're very pleased with what we're seeing here.

**Operator:** And our last question comes from Justin Post with Bank of America. Your line is now open.

**Justin Post (Bank of America):** Great. Just wanted to follow up on the Gemini App. Obviously, great growth there. Are you seeing any cannibalization of Search, as far as activity as people start using that app more?

And then second, on monetization, where are you on that? And with agentic and other Ads coming, could that be incremental to your growth over the next few years? Thank you.

**Sundar Pichai, CEO, Alphabet and Google:** Right now, overall, I think we are giving people choice. People are obviously using Search, experiencing AI Overviews and AI Mode as part of it, and Gemini App as well. The combination of all of that, I think, creates an expansionary moment. I think it's expanding the type of queries people do with Google overall. So overall, some of it is what we see as a growth opportunity, and we haven't seen any evidence of cannibalization there.

And maybe Philipp can comment on the monetization.

**Philipp Schindler, SVP and CBO, Google:** I think Sundar previously commented on agentic and how we think about it. Look, in general, as with all of our products, we really focus first and foremost on creating a great user experience, and we're very excited about where we are with the Ads and AI Overviews and early experiments in AI Mode, including innovations like direct offers and our roadmap for the future.

In terms of the Gemini App, today, we are focused on the free tier and subscriptions and seeing great growth, as Sundar discussed. But Ads have always been part of scaling products to reach billions of people, and if done well, Ads can be really valuable and helpful commercial information, and at the right moment, we'll share any plans. As we've said, we're not rushing anything here.

**Operator:** Thank you. And that concludes our question-and-answer session for today. I'd like to turn the conference back over to Jim Friedland for any further remarks.

**Jim Friedland, Head of Investor Relations:** Thanks, everyone, for joining us today. We look forward to speaking with you again on our First Quarter 2026 call. Thank you, and have a good evening.

**Operator:** Thank you, everyone. This concludes today's conference call. Thank you for participating. You may now disconnect.