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Morgan Stanley | RESEARCH

IDEA

October 7, 2026 12:21 AM GMT

Alphabet Inc. | North America

Why Waymo is an Agentic Differentiator

1H:26 Waymo miles were lower than expected but we think this is largely transitory and cities are scaling/launching faster. We also update our bottom-up Waymo demand/supply model. GOOGL needs an agent to re-rate the multiple and remember Waymo is an under-appreciated agentic differentiator for GOOGL.

Some 1H:26 Bumps in the Road... Waymo recently released updated operating milestones and safety data (miles driven, weekly trips, and frequency of crashes) through 1H:26. Results were lower than expected with 1H:26 miles ~3% below our prior forecast, with San Francisco (-8%), Phoenix (-5%) and Austin (-6%) all lower than modeled, while Atlanta was meaningfully ahead of our forecast. We think several transitory operating disruptions contributed to the miss, including **1)** weather-related service pauses during 1Q, **2)** freeway issues that began in April leading to a pause in freeway operations across markets on May 19 before gradually resuming service in late July and **3)** a temporary Waymo recall affecting ~3,700 cars (effectively the entire fleet). Auto supply and/or geofencing mapping constraints may also be factors here but we view all of these issues as largely growing pains in the multi-year autonomous journey.

Please let us know if interested in our updated interactive city-level Waymo supply and demand model.

...But Multi-Year Land and Expand Story Unchanged: Despite 1H:26 results being lower than expected, **we are raising '28 miles driven by ~2% as new cities ramp faster than previously expected.** Atlanta's faster traction and more new city launches coming online earlier than previously modeled (Denver, San Diego and Tampa Bay) cause us to increase our '27/'28 miles driven by 1%/2% with revenue in '27/'28 also rising by 2%/3%. Our '27/'28 San Francisco + Phoenix miles driven forecast comes down by 14%/11% as we account for additional growing pains in total mile growth for Waymo's most mature markets. Despite these changes, we continue to see Waymo reaching ~$20bn of revenue by 2032.

On the Supply/Fleet, We Now Model Waymo to Reach ~8K/~16K Vehicles by YE'27/'28 (up 1%/2% from previous) and for the fleet to reach 120K by '32. Waymo continues to expand its reach and we are particularly focused on how it handles weather conditions this winter (Denver/DC, etc.) and how its international expansion progresses, further showcasing its global opportunity (list of cities with a planned launch now includes London, Munich, Tokyo, and Singapore).

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Alphabet Inc. (GOOGL.O, GOOGL US)

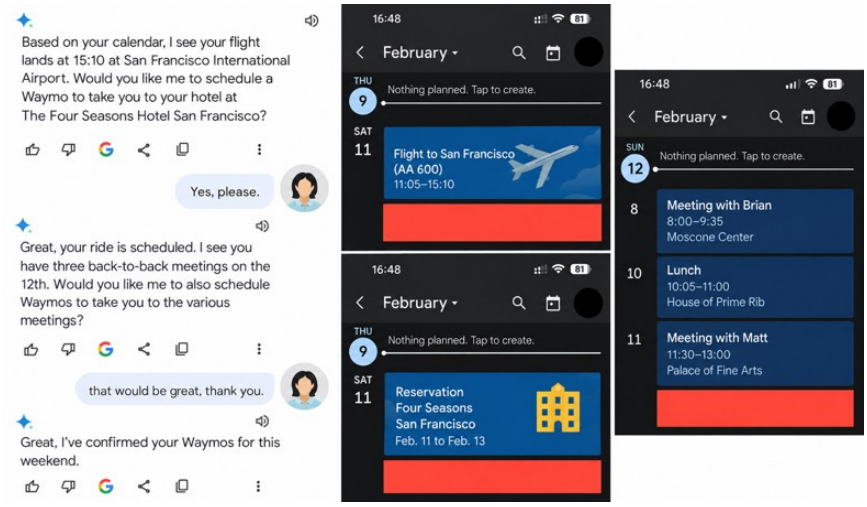
Internet | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$400.00**
Shr price, close (Oct 6, 2026)	$347.68
Mkt cap, curr (mm)	$4,309,128
52-Week Range	$408.61-235.84

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

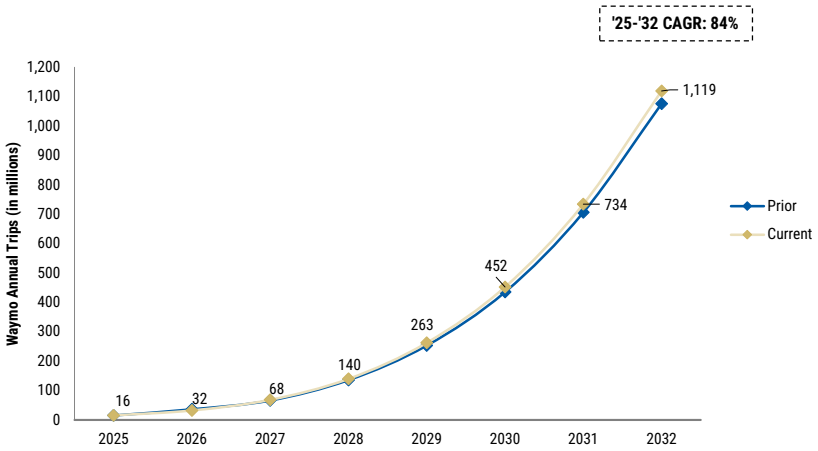
Exhibit 1: GOOGL's personal AI agents (powered by Gemini) could help plan and schedule AV rides based on context found in Gmail, Google Calendar, etc.



Source: Company data, Morgan Stanley Research

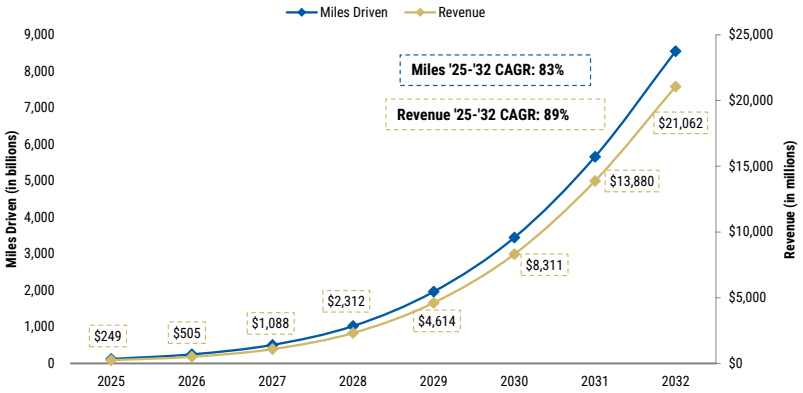
As Waymo Remains Part of GOOGL's Under-Appreciated Physical AI Agentic Opportunity: Waymo remains an under-appreciated asset within GOOGL's portfolio, in particular at current levels, trading at 19X our '28 EPS. **And with a Gemini Agentic offering important to re-rating GOOGL, we remind investors that Waymo is an important differentiator for GOOGL on eventual agentic offerings as well**. As detailed in The Morgan Stanley Agentic Playbook (18 Sep 2026), we think rideshare is one of the services likely to be impacted by personal digital agents like Muse and others. This speaks to GOOGL's agentic opportunity for a Gemini Agent to eventually integrate users' calendars/email into its Waymo offering and pre-plan Waymo cars to transport people (in one example) from hotels to airports, airports to meetings, meetings to airports, and airports to home. Or if you have a dinner reservation in your email, why couldn't your Gemini agent eventually pre-plan a Waymo to and from the restaurant? This is not to say this is coming at scale tomorrow (as supply is a constraint, etc.) but we look for examples of this in future Gemini Agentic offerings as a further way to re-rate GOOGL shares higher.

Exhibit 2: We raise Waymo '27/'28 trips by 4%/3%...and continue to model Waymo trips reaching 1.1bn by '32. Even then this implies Waymo makes up only <0.5% of total US miles driven



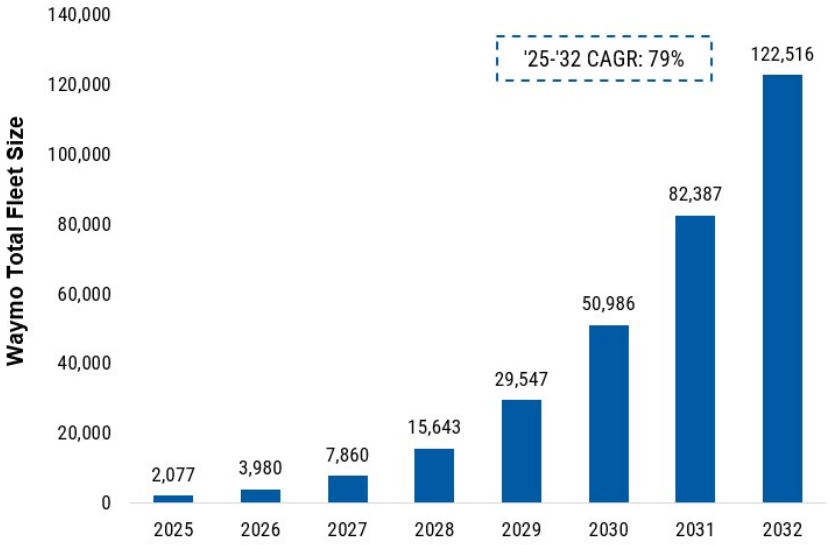
Source: Company Data, Morgan Stanley Research

Exhibit 3: We now model Waymo miles driven/revenue to grow at an 83%/89% forward CAGR



Source: Company Data, Morgan Stanley Research

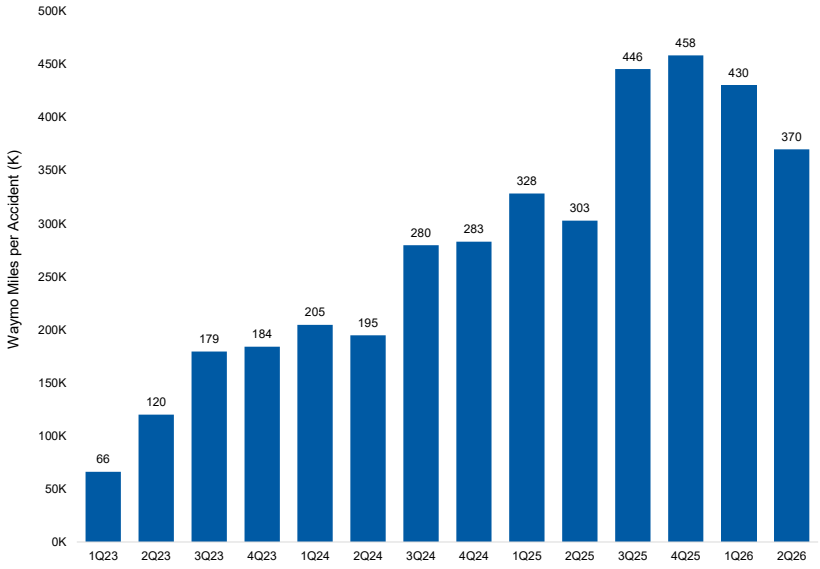
Exhibit 4: Our estimated Waymo total fleet size grows at a 79% CAGR and reaches ~120K vehicles by 2032 to keep pace with rapidly scaling miles/trips served



Source: Company Data, Morgan Stanley Research

Waymo's Safety Advantage Remains Significant, Though Miles per Accident Have Declined in Recent Quarters: In Internet: Approaching an Autonomous Inflection Point, we outlined how safety remains a critical gating factor for autonomous vehicle adoption and Waymo continues to compare favorably with human-driver benchmarks. That said, the recent trend has moved in the wrong direction, as miles driven per accident declined from ~458K in 4Q25 to ~430K in 1Q26 and ~370K in 2Q26. While Waymo's aggregate safety performance remains materially better than human-driver benchmarks, we believe the sequential deterioration is worth monitoring as Waymo increases fleet density and expands into a larger and more diverse set of operating environments (snow environments like Washington DC/ Denver, international environments such as London/Tokyo).

Exhibit 5: Waymo's miles driven per accident is now ~370K…roughly 5X safer than US human drivers



Source: NHTSA Data, Company Data, Morgan Stanley Research



Additional Exhibits

Exhibit 6: Waymo's cumulative miles driven data as of 1H:26 came in -3% below our estimates…as core markets lagged despite significant outperformance in Atlanta

Cumulative Jun. Miles (mns)	Reported	MS Estimate	Results vs Estimates
Phoenix	92.1	96.7	-4.8%
San Francisco	82.4	89.8	-8.2%
Los Angeles	67.1	67.4	-0.4%
Austin	21.1	22.3	-5.6%
Atlanta	8.6	4.0	113.9%
Total	**271.3**	**280.3**	**-3.2%**

Note: These miles represent Rider-only (RO) trips, without a human driver

Source: Company Data, Morgan Stanley Research

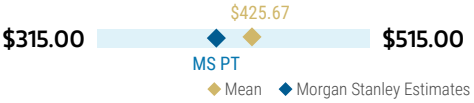
Risk Reward – Alphabet Inc. (GOOGL.O)

Alphabet Inc.

PRICE TARGET $400.00

Our $400 PT is based on applying a ~24X P/E multiple to the average of our $15/$18 EPS in '27/'28, and implies paying ~1.6X PEG, a ~35% premium to GOOGL's peer median.

Consensus Price Target Distribution

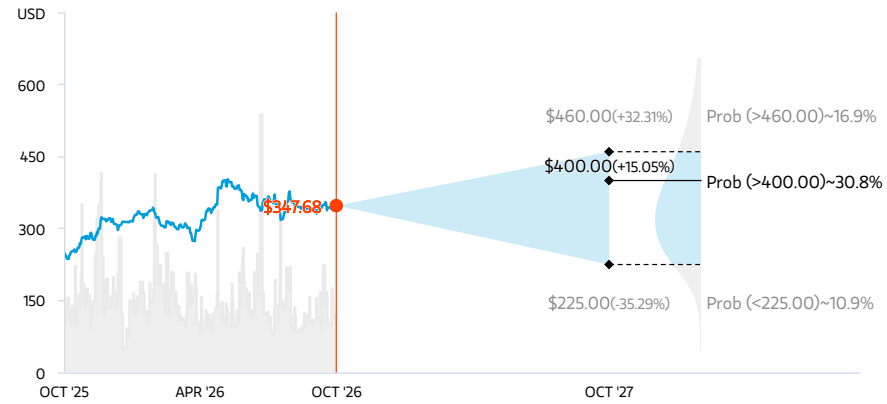


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Continued AI-driven platform-level innovation on Search, YouTube, Cloud, and with other offerings improve confidence in the durability of long term growth.
- Continued expense discipline leads to operating leverage and upward revisions on EPS and FCF estimates.

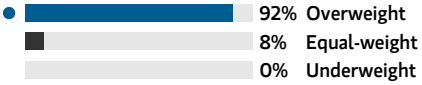
RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 6 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

Consensus Rating Distribution



● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth:	*Positive*
New Data Era:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $460.00

~26X Avg. '27/'28 Bull Case EPS of ~$16/~$20

Faster innovation and Search/GCP acceleration lead to multiple expansion and higher earnings power. Search revenue accelerates as AI-driven innovation delivers meaningful upside to engagement. New AI offerings prove incremental to the top and bottom line and don't cannibalize core Search. YouTube and Cloud become even bigger contributors to top-line growth, and operate at a higher margin than in our base case.

BASE CASE $400.00

~24X Avg. '27/'28 Base Case EPS of ~$15/~$18

Assumes pragmatic search revenue growth in '26, continued incremental platform monetization and Google Cloud acceleration in '26. As GOOGL continues platform-level innovation on Search and other categories, we assume pragmatic revenue/EBITDA growth. GOOGL introduces new AI offerings which increase confidence in the durability of long term growth and calm fears around competition. Google Cloud accelerates driven by new partnerships and growing backlog.

BEAR CASE $225.00

~15X Avg. '27/'28 Bear Case EPS of ~$14/~$16

Global ad growth slows further and margins face pressure. Assumes slower search advertising growth, and that ad spending slows further. Expense discipline fails to materialize leading to lower than expected margin expansion and adj. EBITDA. New AI products create greater than expected margin pressure due to lower monetization rates and increased compute intensity.

Risk Reward – Alphabet Inc. (GOOGL.O)

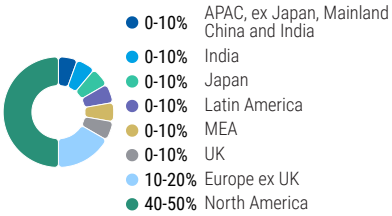
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total operating income (GAAP) ($, mm)	129,039	171,465	229,478	284,409
GAAP Operating Income (Loss) ($, mm)	137,054	178,940	236,678	290,959

INVESTMENT DRIVERS

- Search advertising spend continues to gain share of global advertising budgets.
- Mobile search advertising continues to take share of online budgets.
- Investments in video driving longer-term monetization at YouTube.
- Moderation of expense growth.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- New products generate higher than expected top line contribution.
- Capital returns through greater share buybacks.
- Hiring and/or spend per headcount is lower than expected.

RISKS TO DOWNSIDE

- High exposure to SMB and travel could pressure ad revenue in a recession
- Improved disclosure around the Google and Other Alphabet segments may not decrease the overall investment activity of the business.

OWNERSHIP POSITIONING

Inst. Owners, % Active	56.5%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	9.9%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	487,900	500,611 / 498,702	519,818
EBITDA ($, mm)	223,773	236,736 / 233,615	243,891
Net income ($, mm)	243,916	250,941 / 254,866	281,909
EPS ($)	19.89	20.29 / 20.64	21.92

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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Global Stock Ratings Distribution

(as of September 30, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

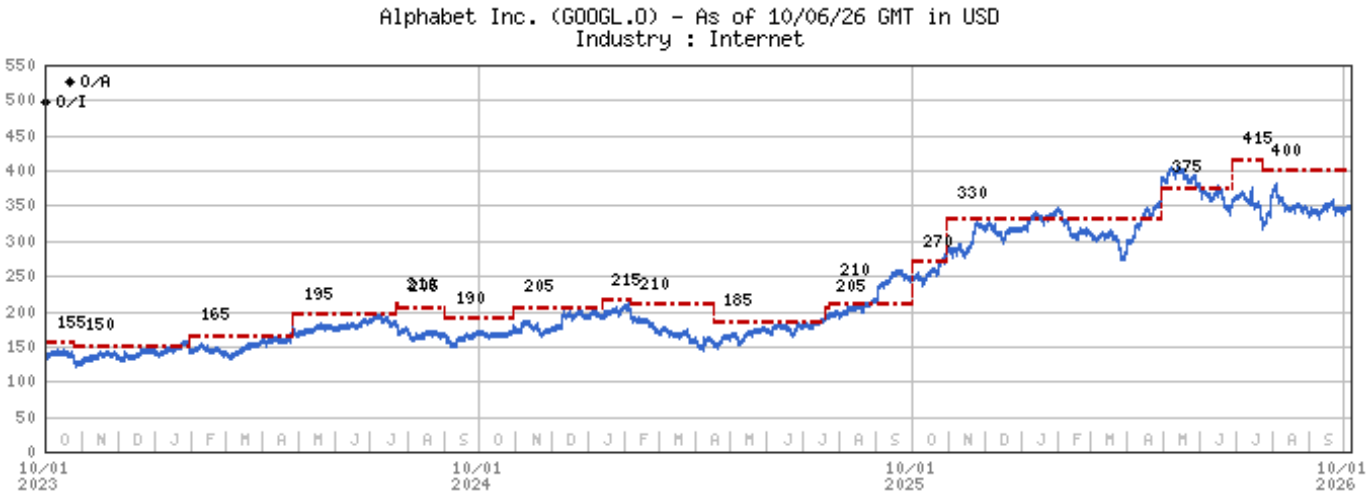
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : O/I; 10/22/23 : O/A

Price Target History: 7/27/21 : 150; 11/1/21 : 160; 1/19/22 : 171.5; 2/2/22 : 172.5; 4/27/22 : 163.5; 5/31/22 : 150; 7/18/22 : 140; 7/27/22 : 145; 10/9/22 : 135; 10/26/22 : 125; 11/14/22 : 120; 1/17/23 : 125; 2/3/23 : 135; 4/25/23 : 140; 7/12/23 : 150; 7/26/23 : 155; 10/25/23 : 150; 1/31/24 : 165; 4/26/24 : 195; 7/22/24 : 210; 7/24/24 : 205; 9/2/24 : 190; 10/30/24 : 205; 1/12/25 : 215; 2/5/25 : 210; 4/16/25 : 185; 7/20/25 : 205; 7/23/25 : 210; 10/1/25 : 270; 10/30/25 : 330; 4/30/26 : 375; 6/29/26 : 415; 7/23/26 : 400

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/06/2026)
Brian Nowak, CFA		
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$347.68
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$256.29
DoorDash Inc (DASH.O)	O (02/21/2024)	$193.62
Instacart (CART.O)	E (01/29/2024)	$45.47
Lyft Inc (LYFT.O)	E (10/24/2019)	$15.76
Meta Platforms Inc (META.O)	O (03/20/2023)	$738.88
Pinterest Inc (PINS.N)	O (07/20/2025)	$20.03
Reddit Inc (RDDT.N)	O (12/08/2024)	$148.95
Snap Inc. (SNAP.N)	E (07/22/2024)	$5.78
Uber Technologies Inc (UBER.N)	++	$69.08
Matthew Cost		
Airbnb Inc (ABNB.O)	E (09/16/2026)	$160.39
AppLovin Corp (APP.O)	O (04/10/2025)	$278.78
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$157.63
Compass, Inc. (COMP.N)	E (01/12/2026)	$9.29
Criteo SA (CRTO.O)	E (01/26/2016)	$14.80
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$13.48
Expedia Inc. (EXPE.O)	U (09/16/2026)	$260.07
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$15.49
MNTN Inc (MNTN.N)	E (06/16/2025)	$10.05
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$2.27
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$2.29
Roblox Corporation (RBLX.N)	O (11/04/2024)	$45.56
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$202.53

Trade Desk Inc (TTD.O)	E (09/10/2025)	$11.92
Unity Software Inc (U.N)	O (09/02/2024)	$44.95
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$10.20
Yelp Inc (YELP.N)	U (01/10/2019)	$18.14
Zillow Group Inc (Z.O)	E (04/18/2018)	$27.70
Nathan Feather		
Bumble Inc. (BMBL.O)	E (03/08/2021)	$2.51
Chewy Inc (CHWY.N)	O (10/31/2023)	$18.14
Duolingo Inc (DUOL.O)	E (02/27/2026)	$148.13
eBay Inc (EBAY.O)	O (04/18/2024)	$107.06
Etsy Inc (ETSY.N)	E (07/20/2025)	$71.39
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$14.10
Grindr Inc. (GRND.N)	O (07/01/2026)	$13.94
Match Group Inc (MTCH.O)	E (04/18/2024)	$40.62
Peloton Interactive, Inc. (PTON.O)	U (09/08/2026)	$4.87
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$21.21
WW International Inc (WW.O)	E (08/01/2025)	$15.68

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