Alphabet

Navigable Cross Currents or Structural Search Slowdown?

Alphabet's 3Q results & the stock's sharp move lower show us the margin for error when a hyperscaler spending hundreds of billions on the AI infrastructure buildout and flipping to negative FCF posts disappointing results in the core. Not that there was much debate going in—most investors seemed to understand that strong Google Cloud growth, including early TPU ramp, wouldn't be enough to offset a Search shortfall, which was telegraphed in 3P data. But the magnitude of Search deceleration—from +16.8% in 2Q to +12.0% in 3Q—was steeper than expected, w/discussions in the +13-14% range. **Google faced a tough search comp in 3Q, and management indicated that FX was the single largest driver of the decel.** We estimate FX impact in Search flipped from ~100bps tailwind in 2Q to ~80bps headwind in 3Q. The company also called out slower APAC retailer spend related to the EU eliminating the de minimis exemption, along w/normalized media & entertainment vertical advertising post the 2Q World Cup bump. **But with Google delivering its strongest query growth in 5 years, it's AI Mode monetization headwinds that will get the most scrutiny.** AI Mode is becoming a bigger % of search queries & we believe it lags traditional search in both coverage & ad load, resulting in lower overall monetization. Google announced the expansion of ads in AI Mode to international markets, which should help, but the monetization gap will likely bring back concerns from a couple years ago about a potential AI Search air pocket. Search shortfall (high margin revenue) likely contributed to lower Google Services margin—40.7% vs. our 43.5% estimate—and we also believe legal charges in G&A pressured Services margins. While some of that can be explained away, further margin pressure on Alphabet overall, and Google Cloud specifically, begins in 4Q w/the bridge compute deal w/SPCX for $920M/month or an estimated ~$50/GW. More positively, Google Cloud grew 103% & Google's new Gemini Carbon model ranks at the top of the updated Artificial Analysis Intelligence Index, ranking above the frontier labs. **Importantly, Carbon, Google's strongest model to date, shows an accelerated launch cadence, w/release less than a month after Gemini 4 Argon.** Google Cloud's growth was driven by both AI and core GCP, and we believe it still grew ~80% even without an estimated ~$3B in TPU sales. Overall, there's a lot to like about Google on the Cloud, AI, and models side of the business, and we now project Google Cloud revenue surpasses Search—and AMZN's AWS—in the first half of 2028. But Search also faces tough comps & bigger FX headwinds in 4Q, & AI Mode monetization may take some time to kick in. This could keep pressure on Google shares near-term, or make them range-bound. **The positive catalysts would likely be further model releases and agentic product build-out, which we're optimistic could be impactful as a consumer-focused personal agent is integrated into Gemini, which has 1B+ users.** We're sticking Overweight, as we believe Google's Search headwinds are more navigable than permanently structural, and Google Cloud becomes an even more critical part of the business, driving overall Alphabet revenue growth of ~30% in both 2027 & 2028. Still, our GAAP EPS estimates for 2027 and 2028 come down -5% and -2%, and we're lowering our price target from $425 to $375 based on 22x 2028E GAAP EPS of $17.00.

- **Search Engagement Strong, But Revenue Growth Pressured.** Search & other revenue growth of +12% Y/Y came in below expectations despite Y/Y query growth accelerating to its highest rate in the past five years. The

See page 13 for analyst certification and important disclosures.

Overweight

GOOG, GOOG US
Price (28 Oct 26):$321.89
▼**Price Target (Dec-27):$375.00**
Prior (Dec-27):$425.00

Overweight

GOOGL, GOOGL US
Price (28 Oct 26):$324.89
▼**Price Target (Dec-27):$375.00**
Prior (Dec-27):$425.00

Internet - Large Cap / Mid & Small Cap

Doug Anmuth AC
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

Dae K Lee, CFA
(1-415) 315-8500
dae.k.lee@jpmorgan.com

Margaret Hoffman
(1-212) 622-1710
margaret.hoffman@jpmchase.com
J.P. Morgan Securities LLC

deceleration from +16.8% in 2Q mainly reflects: **1)** A ~3 point tougher comp reported, & ~2 pts tougher FXN; **2)** FX headwinds, w/almost a 2 point swing from 2Q; **3)** APAC retailers impacted by the EU eliminating its de minimis exemption; & **4)** Normalization of Media & Entertainment spend after World Cup-driven strength in 2Q. Additionally, while Google believes the *majority* of AI Mode queries are incremental, monetization remains lower vs. traditional Search, which likely adds to the disconnect between engagement & revenue growth. However, Google is focused on scaling ads across both AI Overviews & AI Mode to more users, queries, & geos, and believes click through rates are similar between sponsored and organic product items within AI Mode. That said, we expect Search growth to remain pressured N-T, with Y/Y comps continuing to get tougher through 1Q27, 4Q FX headwinds expected to be slightly larger relative to 3Q, & limited visibility into recovery of APAC retailers impacted by the de minimis change. We now model Search & other revenue growth of +9% Y/Y (+10% FXN) in 4Q & 2027.

- **Broad-Based Cloud Growth w/TPUs Beginning to Scale.** Cloud revenue grew +103% Y/Y driven by GCP, just above our +100% estimate, with strength in both AI & core GCP. Momentum remains strong across a wide range of products, customers, & industries, with 18 product lines generating over $1B each in annual revenue. Google's 1P model APIs are now processing ~32B tokens per minute, over 2,600 customers have used 100B+ tokens over the past 12 months, & Gemini Enterprise adoption remains strong with 100M + seats sold for knowledge work. TPU system sales were also a meaningful contributor to 3Q Cloud revenue & the company is seeing strong demand across a wide range of customers, including recent deals with Oracle & Crux AI. Google clarified that when it signs an agreement to sell its TPU systems (which includes hardware, software, optical networking, etc.), the impact will first show up in backlog, and then Google will start to build inventory to serve that customer before it begins delivering the TPUs & recognizing revenue. Google continues to expect TPU contribution to scale through 4Q, followed by a more meaningful ramp in 2027, & is very focused on continuing to improve margins as the business scales. Additionally, the cloud backlog increased +$47B Q/Q to $561B, which remains majority typical GCP contracts & just over 55% of the backlog is expected to convert to revenue in the next 24 months. We project Cloud revenue growth of +111% in 4Q & +107% in 2027, including $5B & $57B of TPU revenue, respectively.
- **AI Investments Continue to Ramp.** 3Q Cloud operating margin of 36.2% exceeded expectations, but was offset by lighter than expected Services margin, likely reflecting slower Search growth & legal charges. Google began utilizing 3P bridging capacity (w/ SPCX) at the very end of 3Q, limiting margin pressure in the quarter, though usage is set to ramp in 4Q & should result in a more meaningful N-T headwind to margins. Additionally, higher depreciation & data center operating costs should further weigh on the P&L as technical infrastructure investment scales. **Mgmt maintained the 2026 capex guide of $195B-$205B & continues to expect a significant increase in 2027, which, together with the inventory ramp needed to scale the TPU business, will further pressure FCF.** We model 2027 capex of $379B (+86% Y/Y) & Operating Margin of 32.0%.

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Summary of the Quarter

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

$ in millions, except per share data and where noted otherwise	3Q26 JPMe	3Q26 Actuals	Diff (%/bps)
Google Services			
Google Search & other Revenue	64,838	63,350	-2.3%
Y/Y Growth	14.6%	12.0%	(263) bps
YouTube ads Revenue	11,250	11,207	-0.4%
Y/Y Growth	9.6%	9.2%	(42) bps
Google Network Revenue	7,330	7,455	1.7%
Y/Y Growth	-0.3%	1.4%	170 bps
Google SPD Revenue	14,623	14,290	-2.3%
Google Services Revenue	98,041	96,302	-1.8%
Y/Y Growth	12.6%	10.6%	(200) bps
Operating Income / (Loss)	42,648	39,157	-8.2%
Margin as % of Gross Revenue	43.5%	40.7%	(284) bps
Google Cloud			
Revenue	30,314	30,709	1.3%
Y/Y Growth	100.0%	102.6%	261 bps
Operating Income / (Loss)	9,276	11,121	19.9%
Margin as % of Revenue	30.6%	36.2%	561 bps
Other Bets			
Revenue	430	372	-13.5%
Operating Income / (Loss)	(1,903)	(2,047)	-7.6%
Reconciling Items			
Hedging gains (losses)	65	194	199.3%
Corporate costs, unallocated	(5,988)	(7,655)	-27.8%
Alphabet Inc.			
Alphabet Gross Revenue	128,850	127,577	-1.0%
FXHN Y/Y Growth	25.9%	24.9%	(100) bps
Y/Y Growth	25.9%	24.7%	(124) bps
Q/Q Growth	7.6%	6.5%	(106) bps
Alphabet Net Revenue	112,529	111,211	-1.2%
Y/Y Growth	28.6%	27.1%	(151) bps
Q/Q Growth	8.6%	7.3%	(127) bps
Alphabet GAAP Operating Income	44,033	40,576	-7.9%
as % of Gross Revenue	34.2%	31.8%	(237) bps
Alphabet GAAP EPS	$2.97	$2.12	-28.7%
Y/Y Growth	3.5%	-26	

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

人在草木间

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Adjusting Estimates

We are adjusting our estimates, as shown below.

Figure 2: Adjusting J.P. Morgan Estimates

Alphabet, Inc ($ in millions, except where noted)	3Q26		4Q26 JPMe		2026 JPMe		1Q27 JPMe		2Q27 JPMe		3Q27 JPMe		4Q27 JPMe		2027 JPMe		2028 JPMe	
	JPMe	Actual	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
Google Services																		
Google Search & other Revenue	64,838	63,350	70,927	68,772	259,435	255,792	67,052	65,277	70,429	68,789	72,538	69,481	79,402	75,904	289,421	279,451	321,258	306,557
FXHN Y/Y Growth	***15.0%***	***12.8%***	***13.0%***	***10.0%***	***14.7%***	***13.3%***	***13.0%***	***10.0%***	***12.5%***	***10.0%***	***12.5%***	***10.5%***	***12.0%***	***10.5%***	***12.5%***	***10.3%***	***11.0%***	***9.7%***
Y/Y Growth	*14.6%*	*12.0%*	*12.5%*	*9.0%*	*15.5%*	*13.9%*	*11.0%*	*8.1%*	*11.3%*	*8.7%*	*11.9%*	*9.7%*	*11.9%*	*10.4%*	*11.6%*	*9.2%*	*11.0%*	*9.7%*
Q/Q Growth	*2.5%*	*0.1%*	*9.4%*	*8.6%*														
% chg vs. old		*-2.3%*		*-3.0%*		*-1.4%*		*-2.6%*		*-2.3%*		*-4.2%*		*-4.4%*		*-3.4%*		*-4.6%*
YouTube ads Revenue	11,250	11,207	12,347	12,299	44,535	44,444	10,680	10,681	11,923	11,910	12,194	12,125	13,514	13,451	48,312	48,167	52,660	52,502
FXHN Y/Y Growth	***10.0%***	***10.0%***	***9.0%***	***9.0%***	***9.5%***	***9.5%***	***10.0%***	***10.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.5%***	***9.5%***	***9.4%***	***9.4%***	***9.0%***	***9.0%***
Y/Y Growth	*9.6%*	*9.2%*	*8.5%*	*8.0%*	*10.3%*	*10.1%*	*8.1%*	*8.1%*	*7.8%*	*7.7%*	*8.4%*	*8.2%*	*9.5%*	*9.4%*	*8.5%*	*8.4%*	*9.0%*	*9.0%*
Q/Q Growth	*1.8%*	*1.4%*	*9.8%*	*9.7%*														
% chg vs. old		*-0.4%*		*-0.4%*		*-0.2%*		*0.0%*		*-0.1%*		*-0.6%*		*-0.5%*		*-0.3%*		*-0.3%*
Google Network Revenue	7,330	7,455	7,712	7,759	29,316	29,488	6,712	6,849	7,081	7,218	7,143	7,399	7,555	7,750	28,491	29,217	27,921	29,217
Y/Y Growth	*-0.3%*	*1.4%*	*-1.5%*	*-0.9%*	*-1.6%*	*-1.0%*	*-3.7%*	*-1.7%*	*-3.0%*	*-1.2%*	*-2.5%*	*-0.7%*	*-2.0%*	*-0.1%*	*-2.8%*	*-0.9%*	*-2.0%*	*0.0%*
Q/Q Growth	*0.4%*	*2.1%*	*5.2%*	*4.1%*														
% chg vs. old		*1.7%*		*0.6%*		*0.6%*		*2.0%*		*1.9%*		*3.6%*		*2.6%*		*2.5%*		*4.6%*
Google SPD Revenue	14,623	14,290	15,404	15,074	55,322	54,659	13,505	13,384	14,308	14,165	16,287	15,744	17,245	16,713	61,345	60,005	68,092	66,306
Y/Y Growth	*13.6%*	*11.0%*	*13.4%*	*11.0%*	*15.2%*	*13.8%*	*9.1%*	*8.1%*	*10.8%*	*9.7%*	*11.4%*	*10.2%*	*11.9%*	*10.9%*	*10.9%*	*9.8%*	*11.0%*	*10.5%*
Q/Q Growth	*13.3%*	*10.7%*	*5.3%*	*5.5%*														
% chg vs. old		*-2.3%*		*-2.1%*		*-1.2%*		*-0.9%*		*-1.0%*		*-3.3%*		*-3.1%*		*-2.2%*		*-2.6%*
Google Services Revenue	98,041	96,302	106,390	103,904	388,608	384,383	97,949	96,191	103,741	102,082	108,163	104,749	117,716	113,818	427,569	416,840	469,931	454,582
FXHN Y/Y Growth	***13.0%***	***11.4%***	***11.5%***	***9.3%***	***12.5%***	***11.5%***	***11.2%***	***9.2%***	***10.9%***	***9.2%***	***10.9%***	***9.6%***	***10.7%***	***9.7%***	***10.9%***	***9.4%***	***9.9%***	***9.1%***
Y/Y Growth	*12.6%*	*10.6%*	*11.0%*	*8.4%*	*13.4%*	*12.2%*	*9.3%*	*7.3%*	*9.7%*	*8.0%*	*10.3%*	*8.8%*	*10.6%*	*9.5%*	*10.0%*	*8.4%*	*9.9%*	*9.1%*
Q/Q Growth	*3.7%*	*1.9%*	*8.5%*	*7.9%*														
% chg vs. old		*-1.8%*		*-2.3%*		*-1.1%*		*-1.8%*		*-1.6%*		*-3.2%*		*-3.3%*		*-2.5%*		*-3.3%*
Total TAC as % of Ads Gross Revs	19.6%	20.0%	19.4%	19.7%	19.6%	19.8%	19.5%	19.7%	19.4%	19.6%	19.3%	19.7%	19.3%	19.6%	19.4%	19.6%	19.2%	19.5%
bps chg vs. old		39		24		16		26		26		34		29		29		33
Google Services GAAP OI	42,648	39,157	45,748	44,159	168,529	163,449	44,665	43,863	43,882	43,181	48,241	44,518	51,560	48,942	188,347	180,504	210,059	200,016
Margin as % of Gross Revenue	43.5%	40.7%	43.0%	42.5%	43.4%	42.5%	45.6%	45.6%	42.3%	42.3%	44.6%	42.5%	43.8%	43.0%	44.1%	43.3%	44.7%	44.0%
% chg vs. old		-8.2%		-3.5%		-3.0%		-1.8%		-1.6%		-7.7%		-5.1%		-4.2%		-4.8%
Google Services GAAP EPS	$2.86	$2.73	$3.06	$2.98	$9.08	$8.86	$2.83	$2.85	$2.70	$2.71	$2.89	$2.71	$3.08	$2.96	$11.52	$11.23	$11.64	$11.23
Y/Y Growth	*30.7%*	*24.5%*	*2.9%*	*0.3%*	*-6.5%*	*-8.8%*	*30.6%*	*31.1%*	*178.7%*	*179.7%*	*1.1%*	*-0.7%*	*0.8%*	*-0.7%*	*26.8%*	*26.7%*	*1.0%*	*0.1%*
% chg vs. old		-4.8%		-2.5%		-2.4%		0.4%		0.3%		-6.4%		-4.0%		-2.5%		-3.5%
Google Cloud																		
Google Cloud Revenue	30,314	30,709	36,211	37,271	111,321	112,776	44,062	45,464	52,508	54,490	63,659	62,953	70,612	70,815	230,841	233,722	376,271	385,641
Y/Y Growth	***100.0%***	***102.6%***	***105.0%***	***111.0%***	***89.6%***	***92.1%***	***120.0%***	***127.0%***	***112.0%***	***120.0%***	***110.0%***	***105.0%***	***95.0%***	***90.0%***	***107.4%***	***107.2%***	***63.0%***	***65.0%***
Q/Q Growth	*22.4%*	*24.0%*	*19.5%*	*21.4%*														
% chg vs. old		*1.3%*		*2.9%*		*1.3%*		*3.2%*		*3.8%*		*-1.1%*		*0.3%*		*1.2%*		*2.5%*
Google Cloud GAAP OI	9,276	11,121	12,239	9,690	36,927	36,223	14,452	13,184	18,535	17,437	20,244	20,775	23,443	24,077	76,674	75,473	129,061	135,360
Margin as % of Revenue	30.6%	36.2%	33.8%	26.0%	33.2%	32.1%	32.8%	29.0%	35.3%	32.0%	31.8%	33.0%	33.2%	34.0%	33.2%	32.3%	34.3%	35.1%
% chg vs. old		19.9%		-20.8%		-1.9%		-8.8%		-5.9%		2.6%		2.7%		-1.6%		4.9%
Google Cloud GAAP EPS	$0.75	$0.90	$0.98	$0.78	$2.98	$2.94	$1.16	$1.06	$1.47	$1.38	$1.59	$1.64	$1.82	$1.88	$6.04	$5.97	$10.07	$10.60
Y/Y Growth	*153.2%*	*205.3%*	*125.0%*	*79.2%*	*162.3%*	*158.1%*	*114.3%*	*96.1%*	*104.8%*	*93.3%*	*113.0%*	*81.9%*	*86.6%*	*141.5%*	*102.6%*	*103.4%*	*66.7%*	*77.6%*
% chg vs. old		20.6%		-20.4%		-1.6%		-8.5%		-5.6%		3.0%		3.1%		-1.2%		5.2%
Other Bets																		
Other Bets Revenue	430	372	438	400	1,662	1,565	454	408	466	415	500	430	573	451	1,992	1,704	2,411	2,170
% chg vs. old		-13.5%		-8.7%		-5.8%		-10.1%		-11.1%		-13.9%		-21.3%		-14.5%		-10.0%
Other Bets GAAP OI	(1,903)	(2,047)	(4,358)	(4,389)	(10,160)	(10,335)	(2,371)	(2,393)	(2,352)	(2,390)	(2,282)	(2,348)	(5,078)	(4,895)	(12,083)	(12,026)	(13,883)	(13,828)
$ chg vs. old		(144)		(31)		(175)		(22)		(38)		(66)		183		57		55
Other Bets GAAP EPS	($0.15)	($0.87)	($0.35)	($0.35)	$10.16	$9.48	($0.19)	($0.19)	($0.19)	($0.19)	($0.18)	($0.18)	($0.40)	($0.38)	($0.95)	($0.95)	($1.08)	($1.08)
% chg vs. old		-466.1%		-1.3%		-6.8%		-1.2%		-2.0%		-3.2%		3.3%		0.1%		0.1%
Reconciling Items																		
Hedging gains (losses)	65	194	104	184	95	304	350	342	221	240	121	157	11	27	703	766	0	0
$ chg vs. old		129		80		209		(8)		19		37		16		64		0
Corporate costs, unallocated	(5,988)	(7,655)	(7,477)	(8,452)	(24,646)	(27,287)	(6,445)	(7,755)	(7,567)	(8,394)	(8,047)	(8,670)	(10,077)	(10,153)	(32,137)	(34,972)	(42,431)	(46,669)
$ chg vs. old		(1,667)		(975)		(2,642)		(1,310)		(827)		(622)		(76)		(2,835)		(4,238)
Alphabet, Inc ($ in millions, except where noted)	**3Q26**		**4Q26 JPMe**		**2026 JPMe**		**1Q27 JPMe**		**2Q27 JPMe**		**3Q27 JPMe**		**4Q27 JPMe**		**2027 JPMe**		**2028 JPMe**	
	JPMe	Actual	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
Alphabet Inc.																		
Alphabet Gross Revenue	128,850	127,577	143,143	141,759	501,685	499,028	142,815	142,405	156,936	157,226	172,443	168,289	188,911	185,111	661,104	653,031	848,613	842,392
FXHN Y/Y Growth	***25.9%***	***24.9%***	***26.0%***	***25.1%***	***23.8%***	***23.2%***	***31.0%***	***30.6%***	***31.9%***	***32.2%***	***34.3%***	***32.6%***	***32.1%***	***30.8%***	***32.4%***	***31.6%***	***28.5%***	***29.1%***
Y/Y Growth	*25.9%*	*24.7%*	*25.8%*	*24.5%*	*24.5%*	*23.9%*	*30.0%*	*29.6%*	*31.0%*	*31.2%*	*33.8%*	*31.9%*	*32.0%*	*30.6%*	*31.8%*	*30.9%*	*28.4%*	*29.0%*
Q/Q Growth	*7.6%*	*6.5%*	*11.1%*	*11.1%*														
% chg vs. old		*-1.0%*		*-1.0%*		*-0.5%*		*-0.3%*		*0.2%*		*-2.4%*		*-2.0%*		*-1.2%*		*-0.7%*
Alphabet Net Revenue	112,529	111,211	125,447	124,268	436,261	433,764	126,383	126,073	139,622	139,980	154,668	150,765	169,542	166,107	590,214	582,924	771,429	766,535
Y/Y Growth	*28.6%*	*27.1%*	*29.0%*	*27.8%*	*27.2%*	*26.5%*	*33.5%*	*33.2%*	*34.7%*	*35.1%*	*37.4%*	*35.6%*	*35.1%*	*33.7%*	*35.3%*	*34.4%*	*30.7%*	*31.5%*
Q/Q Growth	*8.6%*	*7.3%*	*11.5%*	*11.7%*														
% chg vs. old		*-1.2%*		*-0.9%*		*-0.6%*		*-0.2%*		*0.3%*		*-2.5%*		*-2.0%*		*-1.2%*		*-0.6%*
GAAP Operating Income	44,033	40,576	46,152	41,008	170,651	162,050	50,300	46,899	52,498	49,833	58,155	54,275	59,848	57,971	220,801	208,979	282,806	274,879
Y/Y Growth		*29.9%*		*14.1%*		*25.6%*		*29.9%*		*29.9%*		*29.9%*		*29.9%*		*29.9%*		*29.9%*
% Margin - Gross	34.2%	31.8%	32.2%	28.9%	34.0%	32.5%	35.2%	32.9%	33.5%	31.7%	33.7%	32.3%	31.7%	31.3%	33.4%	32.0%	33.3%	32.6%
% chg vs. old		-7.9%		-11.1%		-5.0%		-6.8%		-5.1%		-6.7%		-3.1%		-5.4%		-2.8%
GAAP EPS	$2.97	$2.12	$3.08	$2.70	$20.22	$19.00	$3.28	$3.06	$3.38	$3.22	$3.66	$3.45	$3.72	$3.64	$14.05	$13.39	$17.29	$17.00
Y/Y Growth	*3.5%*	*-26.2%*	*9.4%*	*-4.0%*	*87.1%*	*75.8%*	*-35.9%*	*-40.1%*	*-62.9%*	*-64.7%*	*23.5%*	*63.2%*	*20.7%*	*34.7%*	*-30.5%*	*-29.6%*	*23.1%*	*27.0%*
% chg vs. old		-28.7%		-12.3%		-6.0%		-6.5%		-4.8%		-5.8%		-2.1%		-4.7%		-1.7%
Capex	56,264	51,355	70,250	72,075	207,113	204,028	79,621	80,687	87,962	89,587	100,534	99,505	110,202	109,631	378,319	379,409	459,000	459,921
Y/Y Growth	*134.9%*	*114.4%*	*152.2%*	*158.8%*	*126.5%*	*123.1%*	*123.2%*	*126.2%*	*95.8%*	*99.4%*	*78.7%*	*93.8%*	*56.9%*	*52.1%*	*82.7%*	*86.0%*	*21.3%*	*21.2%*
% chg vs. old		-8.7%		2.6%		-1.5%		1.3%		1.8%		-1.0%		-0.5%		0.3%		0.2%
FCF	7,502	(9,065)	(11,486)	(27,229)	277	(32,033)	(1,960)	(15,969)	(49,076)	(19,989)	(13,715)	(27,819)	(31,396)	(43,958)	(96,147)	(107,736)	(82,927)	(93,061)
Y/Y Growth	*-69.3%*	*-137.1%*	*-146.8%*	*-210.9%*	*-99.6%*	*-143.7%*	*-119.4%*	*-257.9%*	*738.2%*	*241.4%*	*-282.8%*	*206.9%*	*173.3%*	*61.4%*	*-34868.7%*	*236.3%*	*-13.7%*	*-13.6%*
% chg vs. old		-220.8%		-137.1%		-11683.8%		-714.6%		59.3%		-102.8%		-40.0%		-12.1%		-12.2%

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

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Model Pages

Figure 3: Alphabet Income Statement

$ in millions, except per share amounts	2024A	3/25A	6/25A	9/25A	12/25A	2025A	3/26A	6/26A	9/26A	12/26E	2026E	3/27E	6/27E	9/27E	12/27E	2027E	2028E
Gross Revenues	**350,018**	**90,234**	**96,428**	**102,346**	**113,828**	**402,836**	**109,896**	**119,796**	**127,577**	**141,759.1**	**499,028.1**	**142,405.0**	**157,225.9**	**168,289.4**	**185,110.9**	**653,031.2**	**842,392.1**
Traffic Acquisition Costs (TAC)	54,900	13,748	14,705	14,876	16,597	59,926	15,228	16,179	16,366	17,491.3	65,264.3	16,332.3	17,245.8	17,524.6	19,004.1	70,106.7	75,857.4
Net Revenues excluding TAC	**295,118**	**76,486**	**81,723**	**87,470**	**97,231**	**342,910**	**94,668**	**103,617**	**111,211**	**124,267.8**	**433,763.8**	**126,072.7**	**139,980.1**	**150,764.8**	**166,106.9**	**582,924.5**	**766,534.7**
Other cost of revenues	91,406	22,613	24,334	26,493	29,169	102,609	26,043	29,764	35,053	44,736.4	135,596.4	41,477.9	48,293.1	52,466.2	61,625.6	203,862.9	289,750.1
Gross profit	**203,712**	**53,873**	**57,389**	**60,977**	**68,062**	**240,301**	**68,625**	**73,853**	**76,158**	**79,531.4**	**298,167.4**	**84,594.8**	**91,687.0**	**98,298.7**	**104,481.2**	**379,061.6**	**476,784.6**
Operating expenses		R&D ex. Waymo comp charge			16,472												
Research & development	49,326	13,556	13,808	15,151	18,572	61,087	17,032	18,219	20,640	21,995.4	77,886.4	22,945.2	24,216.6	26,233.1	27,075.4	100,470.3	118,812.9
Sales & marketing	27,808	6,172	7,101	7,205	8,215	28,693	7,606	8,403	8,804	9,941.4	34,754.4	9,455.5	10,358.5	10,704.3	11,959.7	42,478.0	52,890.9
General & administrative	14,188	3,539	5,209	3,936	5,341	18,025	4,291	6,461	6,138	6,586.2	23,476.2	5,295.1	7,279.0	7,085.9	7,474.8	27,134.8	30,201.5
Other 1x item, incl. Impairment charge	0	0	0	3,457	0	3,457	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total operating expenses	91,322	23,267	26,118	29,749	32,128	111,262	28,929	33,083	35,582	38,523.0	136,117.0	37,695.7	41,854.1	44,023.3	46,509.9	170,083.0	201,905.2
GAAP Operating income	**112,390**	**30,606**	**31,271**	**31,228**	**35,934**	**129,039**	**39,696**	**40,770**	**40,576**	**41,008.4**	**162,050.4**	**46,899.0**	**49,832.9**	**54,275.3**	**57,971.3**	**208,978.6**	**274,879.3**
Non-GAAP Operating income	**112,390**	**30,606**	**31,271**	**31,228**	**35,934**	**129,039**	**39,696**	**40,770**	**40,576**	**41,008.4**	**162,050.4**	**46,899.0**	**49,832.9**	**54,275.3**	**57,971.3**	**208,978.6**	**274,879.3**
JPMe Adjusted Operating income	**135,175**	**36,122**	**37,269**	**41,053**	**43,005**	**157,449**	**46,447**	**48,727**	**49,206**	**49,707.1**	**194,087.1**	**55,219.8**	**59,491.6**	**64,678.1**	**68,436.0**	**247,825.5**	**321,638.0**
Other income, expense and other, net	7,425	11,183	2,662	12,759	3,183	29,787	37,716	97,983	(8,221)	401.0	127,879.0	74.3	(55.8)	(436.9)	(725.6)	(1,144.1)	(8,647.9)
Income before taxes	119,815	41,789	33,933	43,987	39,117	158,826	77,412	138,753	32,355	41,409.4	289,929.4	46,973.4	49,777.1	53,838.4	57,245.7	207,834.5	266,231.4
Provision for income taxes	19,697	7,249	5,737	9,008	4,662	26,656	14,834	26,560	5,887	7,453.7	54,734.7	8,455.2	8,959.9	9,690.9	10,304.2	37,410.2	47,921.7
Effective tax rate	*16.4%*	*17.3%*	*16.9%*	*20.5%*	*11.9%*	*16.8%*	*19.2%*	*19.1%*	*18.2%*	*18.0%*	*18.9%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*
GAAP Net Income	**100,118**	**34,540**	**28,196**	**34,979**	**34,455**	**132,170**	**62,578**	**112,193**	**26,468**	**33,955.7**	**235,194.7**	**38,518.2**	**40,817.2**	**44,147.5**	**46,941.4**	**170,424.3**	**218,309.8**
Preferred stock dividends								86	298	298.0	682.0	298.0	298.0	298.0	298.0	1,192.0	1,192.0
GAAP Net Income available to common stockholders	**100,118**	**34,540**	**28,196**	**34,979**	**34,455**	**132,170**	**62,578**	**112,107**	**26,170**	**33,657.7**	**234,512.7**	**38,220.2**	**40,519.2**	**43,849.5**	**46,643.4**	**169,232.3**	**217,117.8**
GAAP EPS - Diluted	**$8.04**	**$2.81**	**$2.31**	**$2.87**	**$2.82**	**$10.81**	**$5.11**	**$9.11**	**$2.12**	**$2.70**	**$19.00**	**$3.06**	**$3.22**	**$3.45**	**$3.64**	**$13.39**	**$17.00**
Diluted shares outstanding	12,447	12,291	12,198	12,203	12,228	12,230	12,238	12,309	12,368	12,446.0	12,340.3	12,471.4	12,596.3	12,699.9	12,803.9	12,642.9	12,769.3
Alphabet Non-GAAP reconciliation																	
Adj. for One-time item	0	0	0	3,457	0	3,457	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-GAAP Net Income (loss)	**100,118**	**34,540**	**28,196**	**38,436**	**34,455**	**135,627**	**62,578.0**	**112,107.0**	**26,170**	**33,657.7**	**234,512.7**	**38,220.2**	**40,519.2**	**43,849.5**	**46,643.4**	**169,232.3**	**217,117.8**
Non-GAAP EPS - Diluted	**$8.04**	**$2.81**	**$2.31**	**$3.15**	**$2.82**	**$11.09**	**$5.11**	**$9.11**	**$2.12**	**$2.70**	**$19.00**	**$3.06**	**$3.22**	**$3.45**	**$3.64**	**$13.39**	**$17.00**
Non-recurring items:																	
Stock compensation expense	22,785	5,516	5,998	6,368	7,071	24,953	6,751.0	7,957.0	8,630	8,698.7	32,036.7	8,320.8	9,658.6	10,402.8	10,464.7	38,846.9	46,758.6
One-time items	(2,943)	(10,182)	(1,612)	(8,226)	(1,973)	(21,993)	(36,335.0)	(96,553.0)	9,989	1,445.8	(121,453.2)	1,825.9	2,032.1	2,374.9	2,580.1	8,813.0	15,648.9
Tax Effect	(3,208)	809	(742)	380	(608)	(159)	5,669.0	16,959.0	(3,388)	(1,826.0)	17,414.2	(1,826.4)	(2,104.3)	(2,300.0)	(2,348.1)	(8,578.8)	(11,233.4)
Adjusted Net Income (loss)	**116,752**	**30,683**	**31,840**	**33,501**	**38,945**	**134,971**	**38,663.0**	**40,470.0**	**41,401**	**41,976.2**	**162,510.5**	**46,540.4**	**50,105.6**	**54,327.2**	**57,340.2**	**208,313.4**	**268,292.0**
Adj. EPS - Diluted	**$9.38**	**$2.50**	**$2.61**	**$2.75**	**$3.18**	**$11.04**	**$3.16**	**$3.29**	**$3.35**	**$3.37**	**$13.17**	**$3.73**	**$3.98**	**$4.28**	**$4.48**	**$16.48**	**$21.01**
Diluted shares outstanding	12,447	12,291	12,198	12,203	12,228	12,230	12,238.0	12,309.0	12,368	12,446.0	12,340.3	12,471.4	12,596.3	12,699.9	12,803.9	12,642.9	12,769.3
Adj. EBITDA Reconciliation																	
Operating income (adj. for 1x item as noted)	112,390	30,606	31,271	34,685	35,934	132,496	39,696	40,770	40,576	41,008.4	162,050.4	46,899.0	49,832.9	54,275.3	57,971.3	208,978.6	274,879.3
Depreciation & amortization	15,311	4,487	4,998	5,611	6,040	21,136	6,482	7,104	8,369	10,935.6	32,890.6	13,994.1	15,537.8	16,734.9	18,437.9	64,704.6	114,980.2
Stock compensation expense	22,785	5,516	5,998	6,368	7,071	24,953	6,751	7,957	8,630	8,698.7	32,036.7	8,320.8	9,658.6	10,402.8	10,464.7	38,846.9	46,758.6
Adj. EBITDA	**150,486**	**40,609**	**42,267**	**46,664**	**49,045**	**178,585**	**52,929**	**55,831**	**57,575**	**60,642.7**	**226,977.7**	**69,213.9**	**75,029.3**	**81,413.0**	**86,873.9**	**312,530.1**	**436,618.2**
Year/Year Growth	**2024A**	**3/25A**	**6/25A**	**9/25A**	**12/25A**	**2025A**	**3/26A**	**6/26A**	**9/26A**	**12/26E**	**2026E**	**3/27E**	**6/27E**	**9/27E**	**12/27E**	**2027E**	**2028E**
Gross Revenues (FXHN)	***14.8%***	***13.8%***	***13.4%***	***14.7%***	***16.7%***	***14.7%***	***19.0%***	***23.2%***	***24.9%***	***25.1%***	***23.2%***	***30.6%***	***32.2%***	***32.6%***	***30.8%***	***31.6%***	***29.1%***
Gross Revenues	***13.9%***	***12.0%***	***13.8%***	***15.9%***	***18.0%***	***15.1%***	***21.8%***	***24.2%***	***24.7%***	***24.5%***	***23.9%***	***29.6%***	***31.2%***	***31.9%***	***30.6%***	***30.9%***	***29.0%***
Traffic Acquisition Costs (TAC)	*7.9%*	*6.2%*	*9.8%*	*8.4%*	*11.8%*	*9.2%*	*10.8%*	*10.0%*	*10.0%*	*5.4%*	*8.9%*	*7.3%*	*6.6%*	*7.1%*	*8.6%*	*7.4%*	*8.2%*
Net Revenues	***15.1%***	***13.2%***	***14.5%***	***17.3%***	***19.1%***	***16.2%***	***23.8%***	***26.8%***	***27.1%***	***27.8%***	***26.5%***	***33.2%***	***35.1%***	***35.6%***	***33.7%***	***34.4%***	***31.5%***
Other cost of revenues	*10.9%*	*8.9%*	*10.0%*	*16.4%*	*13.2%*	*12.3%*	*15.2%*	*22.3%*	*32.3%*	*53.4%*	*32.1%*	*59.3%*	*62.3%*	*49.7%*	*37.8%*	*50.3%*	*42.1%*
Gross profit	***17.0%***	***15.0%***	***16.6%***	***17.7%***	***21.9%***	***18.0%***	***27.4%***	***28.7%***	***24.9%***	***16.9%***	***24.1%***	***23.3%***	***24.1%***	***29.1%***	***31.4%***	***27.1%***	***25.8%***
Research & development	*8.6%*	*13.9%*	*16.4%*	*21.7%*	*41.6%*	*23.8%*	*25.6%*	*31.9%*	*36.2%*	*18.4%*	*27.5%*	*34.7%*	*32.9%*	*27.1%*	*23.1%*	*29.0%*	*18.3%*
Sales & marketing	*-0.4%*	*-4.0%*	*4.5%*	*-0.3%*	*11.6%*	*3.2%*	*23.2%*	*18.3%*	*22.2%*	*21.0%*	*21.1%*	*24.3%*	*23.3%*	*21.6%*	*20.3%*	*22.2%*	*24.5%*
General & administrative	*-13.6%*	*17.0%*	*64.9%*	*9.4%*	*21.2%*	*27.0%*	*21.2%*	*24.0%*	*55.9%*	*23.3%*	*30.2%*	*23.4%*	*12.7%*	*15.4%*	*13.5%*	*15.6%*	*11.3%*
Total operating expenses	***1.7%***	***9.0%***	***19.8%***	***27.8%***	***29.1%***	***21.8%***	***24.3%***	***26.7%***	***19.6%***	***19.9%***	***22.3%***	***30.3%***	***26.5%***	***23.7%***	***20.7%***	***25.0%***	***18.7%***
GAAP Operating income	***33.3%***	***20.2%***	***14.0%***	***9.5%***	***16.0%***	***14.8%***	***29.7%***	***30.4%***	***29.9%***	***14.1%***	***25.6%***	***18.1%***	***22.2%***	***33.8%***	***41.4%***	***29.0%***	***31.5%***
Non-GAAP Operating income	***33.3%***	***20.2%***	***14.0%***	***9.5%***	***16.0%***	***14.8%***	***29.7%***	***30.4%***	***29.9%***	***14.1%***	***25.6%***	***18.1%***	***22.2%***	***33.8%***	***41.4%***	***29.0%***	***31.5%***
JPMe Adjusted Operating income	***26.6%***	***17.5%***	***12.0%***	***19.5%***	***16.9%***	***16.5%***	***28.6%***	***30.7%***	***19.9%***	***15.6%***	***23.3%***	***18.9%***	***22.1%***	***31.4%***	***37.7%***	***27.7%***	***29.8%***
Depreciation & amortization	*28.2%*	*31.5%*	*34.8%*	*40.8%*	*43.6%*	*38.0%*	*44.5%*	*42.1%*	*49.2%*	*81.1%*	*55.6%*	*115.9%*	*118.7%*	*100.0%*	*68.6%*	*96.7%*	*77.7%*
Stock compensation expense	*1.4%*	*4.8%*	*2.3%*	*8.9%*	*21.7%*	*9.5%*	*22.4%*	*32.7%*	*35.5%*	*23.0%*	*28.4%*	*23.3%*	*21.4%*	*20.5%*	*20.3%*	*21.3%*	*20.4%*
EBITDA	*24.9%*	*18.9%*	*14.2%*	*21.7%*	*19.7%*	*18.7%*	*30.3%*	*32.1%*	*23.4%*	*23.6%*	*27.1%*	*30.8%*	*34.4%*	*41.4%*	*43.3%*	*37.7%*	*39.7%*
GAAP Net Income (loss)	*35.7%*	*46.0%*	*19.4%*	*33.0%*	*29.8%*	*32.0%*	*81.2%*	*297.6%*	*-25.2%*	*-2.3%*	*77.4%*	*-38.9%*	*-63.9%*	*67.6%*	*38.6%*	*-27.8%*	*28.3%*
GAAP EPS	***38.7%***	***48.8%***	***22.3%***	***35.3%***	***31.1%***	***34.4%***	***82.0%***	***294.0%***	***-26.2%***	***-4.0%***	***75.8%***	***-40.1%***	***-64.7%***	***63.2%***	***34.7%***	***-29.6%***	***27.0%***
Non-GAAP Net Income (loss)	*35.7%*	*46.0%*	*19.4%*	*46.1%*	*29.8%*	*35.5%*	*81.2%*	*297.6%*	*-31.9%*	*-2.3%*	*72.9%*	*-38.9%*	*-63.9%*	*67.6%*	*38.6%*	*-27.8%*	*28.3%*
Non-GAAP EPS	*38.7%*	*48.8%*	*22.3%*	*48.7%*	*31.1%*	*37.9%*	*82.0%*	*294.0%*	*-32.8%*	*-4.0%*	*71.4%*	*-40.1%*	*-64.7%*	*63.2%*	*34.7%*	*-29.6%*	*27.0%*
JPMe Adjusted Net Income (loss)	*22.5%*	*15.5%*	*8.0%*	*13.4%*	*25.0%*	*15.6%*	*26.0%*	*27.1%*	*23.6%*	*7.8%*	*20.4%*	*20.4%*	*23.8%*	*31.2%*	*36.6%*	*28.2%*	*28.8%*
JPMe Adjusted EPS	*25.2%*	*17.7%*	*10.7%*	*15.4%*	*26.2%*	*17.7%*	*26.6%*	*26.0%*	*21.9%*	*5.9%*	*19.3%*	*18.1%*	*21.0%*	*27.8%*	*32.8%*	*25.1%*	*27.5%*
GAAP expenses as % of Net Revenues																	
Other cost of revenues (non-TAC)	31.0%	29.6%	29.8%	30.3%	30.0%	29.9%	27.5%	28.7%	31.5%	36.0%	31.3%	32.9%	34.5%	34.8%	37.1%	35.0%	37.8%
Research & development	16.7%	17.7%	16.9%	17.3%	19.1%	17.8%	18.0%	17.6%	18.6%	17.7%	18.0%	18.2%	17.3%	17.4%	16.3%	17.2%	15.5%
Sales & marketing	9.4%	8.1%	8.7%	8.2%	8.4%	8.4%	8.0%	8.1%	7.9%	8.0%	8.0%	7.5%	7.4%	7.1%	7.2%	7.3%	6.9%
General & administrative	4.8%	4.6%	6.4%	4.5%	5.5%	5.3%	4.5%	6.2%	5.5%	5.3%	5.4%	4.2%	5.2%	4.7%	4.5%	4.7%	3.9%
Stock compensation expense	7.7%	7.2%	7.3%	7.3%	7.3%	7.3%	7.1%	7.7%	7.8%	7.0%	7.4%	6.6%	6.9%	6.9%	6.3%	6.7%	6.1%
GAAP expenses as % of Gross Revenues																	
Traffic Acquisition Costs (TAC)	15.7%	15.2%	15.2%	14.5%	14.6%	14.9%	13.9%	13.5%	12.8%	12.3%	13.1%	11.5%	11.0%	10.4%	10.3%	10.7%	9.0%
Other cost of revenues (non-TAC)	26.1%	25.1%	25.2%	25.9%	25.6%	25.5%	23.7%	24.8%	27.5%	31.6%	27.2%	29.1%	30.7%	31.2%	33.3%	31.2%	34.4%
Research & development	14.1%	15.0%	14.3%	14.8%	16.3%	15.2%	15.5%	15.2%	16.2%	15.5%	15.6%	16.1%	15.4%	15.6%	14.6%	15.4%	14.1%
Sales & marketing	7.9%	6.8%	7.4%	7.0%	7.2%	7.1%	6.9%	7.0%	6.9%	7.0%	7.0%	6.6%	6.6%	6.4%	6.5%	6.5%	6.3%
General & administrative	4.1%	3.9%	5.4%	3.8%	4.7%	4.5%	3.9%	5.4%	4.8%	4.6%	4.7%	3.7%	4.6%	4.2%	4.0%	4.2%	3.6%
Stock compensation expense	6.5%	6.1%	6.2%	6.2%	6.2%	6.2%	6.1%	6.6%	6.8%	6.1%	6.4%	5.8%	6.1%	6.2%	5.7%	5.9%	5.6%
Margin as % of Gross Revenues																	
Gross margin	58.2%	59.7%	59.5%	59.6%	59.8%	59.7%	62.4%	61.6%	59.7%	56.1%	59.7%	59.4%	58.3%	58.4%	56.4%	58.0%	56.6%
GAAP Operating margin	**32.1%**	**33.9%**	**32.4%**	**30.5%**	**31.6%**	**32.0%**	**36.1%**	**34.0%**	**31.8%**	**28.9%**	**32.5%**	**32.9%**	**31.7%**	**32.3%**	**31.3%**	**32.0%**	**32.6%**
Non-GAAP Operating margin	**32.1%**	**33.9%**	**32.4%**	**30.5%**	**31.6%**	**32.0%**	**36.1%**	**34.0%**	**31.8%**	**28.9%**	**32.5%**	**32.9%**	**31.7%**	**32.3%**	**31.3%**	**32.0%**	**32.6%**
JPMe Adjusted Operating margin	**38.6%**	**40.0%**	**38.6%**	**40.1%**	**37.8%**	**39.1%**	**42.3%**	**40.7%**	**38.6%**	**35.1%**	**38.9%**	**38.8%**	**37.8%**	**38.4%**	**37.0%**	**38.0%**	**38.2%**
Net margin	28.6%	38.3%	29.2%	34.2%	30.3%	32.8%	56.9%	93.6%	20.5%	23.7%	47.0%	26.8%	25.8%	26.1%	25.2%	25.9%	25.8%
Adj. EBITDA	**43.0%**	**45.0%**	**43.8%**	**45.6%**	**43.1%**	**44.3%**	**48.2%**	**46.6%**	**45.1%**	**42.8%**	**45.5%**	**48.6%**	**47.7%**	**48.4%**	**46.9%**	**47.9%**	**51.8%**
Operating Leverage/Flow-through	**70.5%**	**66.6%**	**45.1%**	**59.0%**	**46.4%**	**53.2%**	**62.7%**	**58.0%**	**43.2%**	**41.5%**	**50.3%**	**50.1%**	**51.3%**	**58.6%**	**60.5%**	**55.6%**	**65.5%**

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

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Figure 4: Alphabet Revenue Drivers

$ millions except where noted	2024A	3/25A	6/25A	9/25A	12/25A	2025A	3/26A	6/26A	9/26A	12/26E	2026E	3/27E	6/27E	9/27E	12/27E	2027E	2028E
Gross Revenue Summary																	
Google Services																	
Google Search & other	198,084.0	50,702	54,190	56,567	63,073	224,532.0	60,399	63,271	63,350	68,772.0	255,792.0	65,276.8	68,789.0	69,480.5	75,904.2	279,450.6	306,557.3
Y/Y growth	*13.2%*	*9.8%*	*11.7%*	*14.5%*	*16.7%*	*13.4%*	*19.1%*	*16.8%*	*12.0%*	*9.0%*	*13.9%*	*8.1%*	*8.7%*	*9.7%*	*10.4%*	*9.2%*	*9.7%*
FXHN Y/Y growth (estimate)	*14.3%*	*12.1%*	*11.0%*	*12.8%*	*15.1%*	*12.8%*	*15.1%*	*15.8%*	*12.8%*	*10.0%*	*13.3%*	*10.0%*	*10.0%*	*10.5%*	*10.5%*	*10.3%*	*9.7%*
YouTube ads	36,147.0	8,927	9,796	10,261	11,383	40,367.0	9,883	11,055	11,207	12,298.7	44,443.7	10,681.1	11,909.9	12,124.7	13,451.3	48,167.0	52,502.0
Y/Y growth	*14.7%*	*10.3%*	*13.1%*	*15.0%*	*8.7%*	*11.7%*	*10.7%*	*12.9%*	*9.2%*	*8.0%*	*10.1%*	*8.1%*	*7.7%*	*8.2%*	*9.4%*	*8.4%*	*9.0%*
FXHN Y/Y growth (estimate)	*15.8%*	*12.6%*	*12.3%*	*13.3%*	*7.2%*	*11.2%*	*7.0%*	*12.0%*	*10.0%*	*9.0%*	*9.5%*	*10.0%*	*9.0%*	*9.0%*	*9.5%*	*9.4%*	*9.0%*
Google Network Members' properties	30,359.0	7,256	7,354	7,354	7,828	29,792.0	6,971	7,303	7,455	7,759.4	29,488.4	6,849.1	7,218.1	7,399.5	7,750.3	29,217.0	29,217.0
Y/Y growth	*-3.0%*	*-2.1%*	*-1.2%*	*-2.6%*	*-1.6%*	*-1.9%*	*-3.9%*	*-0.7%*	*1.4%*	*-0.9%*	*-1.0%*	*-1.7%*	*-1.2%*	*-0.7%*	*-0.1%*	*-0.9%*	*0.0%*
FXHN Y/Y growth (estimate)	*-2.1%*	*-0.1%*	*-1.9%*	*-4.1%*	*-3.0%*	*-2.3%*	*-7.1%*	*-1.5%*	*2.1%*	*0.0%*	*-1.6%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Q/Q growth		*-8.8%*	*1.4%*	*0.0%*	*6.4%*		*-10.9%*	*4.8%*	*2.1%*	*4.1%*		*-11.7%*	*5.4%*	*2.5%*	*4.7%*		
Google advertising	264,590.0	66,885	71,340	74,182	82,284	294,691.0	77,253	81,629	82,012	88,830.1	329,724.1	82,807.0	87,917.0	89,004.7	97,105.9	356,834.5	388,276.3
Y/Y growth	*11.2%*	*8.5%*	*10.4%*	*12.6%*	*13.6%*	*11.4%*	*15.5%*	*14.4%*	*10.6%*	*8.0%*	*11.9%*	*7.2%*	*7.7%*	*8.5%*	*9.3%*	*8.2%*	*8.8%*
FXHN Y/Y growth	*12.3%*	*10.7%*	*9.7%*	*10.9%*	*12.0%*	*10.9%*	*11.6%*	*13.5%*	*11.4%*	*8.9%*	*11.3%*	*9.1%*	*9.0%*	*9.3%*	*9.4%*	*9.2%*	*8.8%*
Google subscriptions, platforms, and devices	40,340.0	10,379	11,203	12,870	13,578	48,030.0	12,384	12,911	14,290	15,074.0	54,659.0	13,384.1	14,164.6	15,743.8	16,712.6	60,005.1	66,305.7
Y/Y growth	*16.3%*	*18.8%*	*20.3%*	*20.8%*	*16.7%*	*19.1%*	*19.3%*	*15.2%*	*11.0%*	*11.0%*	*13.8%*	*8.1%*	*9.7%*	*10.2%*	*10.9%*	*9.8%*	*10.5%*
FXHN Y/Y growth (estimate)	*17.4%*	*21.2%*	*19.5%*	*18.9%*	*15.1%*	*18.5%*	*15.3%*	*14.3%*	*11.8%*	*12.0%*	*13.2%*	*10.0%*	*11.0%*	*11.0%*	*11.0%*	*10.8%*	*10.5%*
Q/Q growth		*-10.8%*	*7.9%*	*14.9%*	*5.5%*		*-8.8%*	*4.3%*	*10.7%*	*5.5%*		*-11.2%*	*5.8%*	*11.1%*	*6.2%*		
Google Services total	304,930.0	77,264	82,543	87,052	95,862	342,721.0	89,637	94,540	96,302	103,904.2	384,383.2	96,191.1	102,081.6	104,748.5	113,818.5	416,839.7	454,581.9
Y/Y growth	*11.9%*	*9.8%*	*11.7%*	*13.8%*	*14.0%*	*12.4%*	*16.0%*	*14.5%*	*10.6%*	*8.4%*	*12.2%*	*7.3%*	*8.0%*	*8.8%*	*9.5%*	*8.4%*	*9.1%*
FXHN Y/Y growth	*13.0%*	*12.0%*	*10.9%*	*12.0%*	*12.4%*	*11.9%*	*12.1%*	*13.6%*	*11.4%*	*9.3%*	*11.5%*	*9.2%*	*9.2%*	*9.6%*	*9.7%*	*9.4%*	*9.1%*
Google Cloud																	
Google Cloud	43,229.0	12,260	13,624	15,157	17,664	58,705.0	20,028	24,768	30,709	37,271.0	112,776.0	45,463.6	54,489.6	62,953.5	70,815.0	233,721.6	385,640.6
Y/Y growth	*30.6%*	*28.1%*	*31.7%*	*33.5%*	*47.8%*	*35.8%*	*63.4%*	*81.8%*	*102.6%*	*111.0%*	*92.1%*	*127.0%*	*120.0%*	*105.0%*	*90.0%*	*107.2%*	*65.0%*
Q/Q growth		*2.6%*	*11.1%*	*11.3%*	*16.5%*		*13.4%*	*23.7%*	*24.0%*	*21.4%*		*22.0%*	*19.9%*	*15.5%*	*12.5%*		
Other Bets																	
Other Bets	1,648.0	450	373	344	370	1,537.0	411	382	372	400.2	1,565.2	407.8	414.6	430.3	450.8	1,703.5	2,169.6
Y/Y growth	*7.9%*	*-9.1%*	*2.2%*	*-11.3%*	*-7.5%*	*-6.7%*	*-8.7%*	*2.4%*	*8.1%*	*8.1%*	*1.8%*	*-0.8%*	*8.5%*	*15.7%*	*12.7%*	*8.8%*	*27.4%*
Hedging gains (losses)	211.0	260	(112)	(207)	(68)	(127.0)	(180)	106	194	183.8	303.8	342.5	240.1	157.2	26.6	766.4	0.0
Alphabet total revenues (gross)	350,018.0	90,234	96,428	102,346	113,828	402,836.0	109,896	119,796	127,577	141,759.1	499,028.1	142,405.0	157,225.9	168,289.4	185,110.9	653,031.2	842,392.1
Y/Y growth	*13.9%*	*12.0%*	*13.8%*	*15.9%*	*18.0%*	*15.1%*	*21.8%*	*24.2%*	*24.7%*	*24.5%*	*23.9%*	*29.6%*	*31.2%*	*31.9%*	*30.6%*	*30.9%*	*29.0%*
FXHN Y/Y growth	*14.8%*	*13.8%*	*13.4%*	*14.7%*	*16.7%*	*14.7%*	*19.0%*	*23.2%*	*24.9%*	*25.1%*	*23.2%*	*30.6%*	*32.2%*	*32.6%*	*30.8%*	*31.6%*	*29.1%*
Q/Q growth		*-6.5%*	*6.9%*	*6.1%*	*11.2%*		*-3.5%*	*9.0%*	*6.5%*	*11.1%*		*0.5%*	*10.4%*	*7.0%*	*10.0%*		
Seasonality		22.4%	23.9%	25.4%	28.3%		22.0%	24.0%	25.6%	28.4%		21.8%	24.1%	25.8%	28.3%		
Gross Revenue Share by Segment																	
Google Search & other	56.6%	56.2%	56.2%	55.3%	55.4%	55.7%	55.0%	52.8%	49.7%	48.5%	51.3%	45.8%	43.8%	41.3%	41.0%	42.8%	36.4%
YouTube ads	10.3%	9.9%	10.2%	10.0%	10.0%	10.0%	9.0%	9.2%	8.8%	8.7%	8.9%	7.5%	7.6%	7.2%	7.3%	7.4%	6.2%
Google Network Members' properties	8.7%	8.0%	7.6%	7.2%	6.9%	7.4%	6.3%	6.1%	5.8%	5.5%	5.9%	4.8%	4.6%	4.4%	4.2%	4.5%	3.5%
Google advertising	75.6%	74.1%	74.0%	72.5%	72.3%	73.2%	70.3%	68.1%	64.3%	62.7%	66.1%	58.1%	55.9%	52.9%	52.5%	54.6%	46.1%
Google subscriptions, platforms, and devices	11.5%	11.5%	11.6%	12.6%	11.9%	11.9%	11.3%	10.8%	11.2%	10.6%	11.0%	9.4%	9.0%	9.4%	9.0%	9.2%	7.9%
Google Services total	87.1%	85.6%	85.6%	85.1%	84.2%	85.1%	81.6%	78.9%	75.5%	73.3%	77.0%	67.5%	64.9%	62.2%	61.5%	63.8%	54.0%
Hardware/TPU Revenue								0.8%	2.4%	3.5%	1.8%	7.0%	8.3%	9.5%	9.7%	8.7%	10.5%
Digital Cloud Revenue								19.8%	21.7%	22.8%	20.8%	24.9%	26.4%	27.9%	28.5%	27.1%	35.3%
Google Cloud	12.4%	13.6%	14.1%	14.8%	15.5%	14.6%	18.2%	20.7%	24.1%	26.3%	22.6%	31.9%	34.7%	37.4%	38.3%	35.8%	45.8%
Other Bets	0.5%	0.5%	0.4%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.3%
Hedging gains (losses)	0.1%	0.3%	-0.1%	-0.2%	-0.1%	0.0%	-0.2%	0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	0.1%	0.0%	0.1%	0.0%
TAC Analysis																	
Total Traffic Acquisition Costs (TAC)	54,900.0	13,748	14,705	14,876	16,597	59,926.0	15,228	16,179	16,366	17,491.3	65,264.3	16,332.3	17,245.8	17,524.6	19,004.1	70,106.7	75,857.4
Y/Y growth	*7.9%*	*6.2%*	*9.8%*	*8.4%*	*11.8%*	*9.2%*	*10.8%*	*10.0%*	*10.0%*	*5.4%*	*8.9%*	*7.3%*	*6.6%*	*7.1%*	*8.6%*	*7.4%*	*8.2%*
TAC as a % of Total Gross Adv. Revenues	20.7%	20.6%	20.6%	20.1%	20.2%	20.3%	19.7%	19.8%	20.0%	19.7%	19.8%	19.7%	19.6%	19.7%	19.6%	19.6%	19.5%
TAC as a % of Total Ads Gross Revs ex. YT	24.0%	23.7%	23.9%	23.3%	23.4%	23.6%	22.6%	22.9%	23.1%	22.9%	22.9%	22.6%	22.7%	22.8%	22.7%	22.7%	22.6%
Net Revenue Summary																	
Google Properties - Net Revenues	200,159.4	50,756.2	54,394.4	56,815.6	63,197.5	225,163.6	59,470.6	62,937.2	63,122.3	68,623.0	254,153.1	64,077.5	68,144.9	68,890.3	75,389.2	276,501.9	302,192.9
Y/Y growth	*13.0%*	*9.6%*	*11.1%*	*14.2%*	*14.7%*	*12.5%*	*17.2%*	*15.7%*	*11.1%*	*8.6%*	*12.9%*	*7.7%*	*8.3%*	*9.1%*	*9.9%*	*8.8%*	*9.3%*
Q/Q growth		*-7.9%*	*7.2%*	*4.5%*	*11.2%*		*-5.9%*	*5.8%*	*0.3%*	*8.7%*		*-6.6%*	*6.3%*	*1.1%*	*9.4%*		
Google Network Members' Properties - Net Revenu	9,530.6	2,380.9	2,240.6	2,490.4	2,489.5	9,601.4	2,554.4	2,512.8	2,523.7	2,715.8	10,306.7	2,397.2	2,526.3	2,589.8	2,712.6	10,225.9	10,225.9
Y/Y growth	*-2.9%*	*-1.0%*	*-0.6%*	*5.0%*	*-0.3%*	*0.7%*	*7.3%*	*12.1%*	*1.3%*	*9.1%*	*7.3%*	*-6.2%*	*0.5%*	*2.6%*	*-0.1%*	*-0.8%*	*0.0%*
Google Advertising - Net Revenues	209,690.0	53,137.0	56,635.0	59,306.0	65,687.0	234,765.0	62,025.0	65,450.0	65,646.0	71,338.8	264,459.8	66,474.7	70,671.2	71,480.1	78,101.8	286,727.8	312,418.9
Y/Y growth	*12.2%*	*9.1%*	*10.6%*	*13.8%*	*14.0%*	*12.0%*	*16.7%*	*15.6%*	*10.7%*	*8.6%*	*12.6%*	*7.2%*	*8.0%*	*8.9%*	*9.5%*	*8.4%*	*9.0%*
Non-Advertising - Net Revenues	85,428.0	23,349.0	25,088.0	28,164.0	31,544.0	108,145.0	32,643.0	38,167.0	45,565.0	52,929.0	169,304.0	59,598.0	69,308.9	79,284.7	88,005.1	296,196.7	454,115.9
Y/Y growth	*22.8%*	*23.7%*	*24.7%*	*25.7%*	*31.4%*	*26.6%*	*39.8%*	*52.1%*	*61.8%*	*67.8%*	*56.6%*	*82.6%*	*81.6%*	*74.0%*	*66.3%*	*74.9%*	*53.3%*
Alphabet Net Revenues	295,118.0	76,486.0	81,723.0	87,470.0	97,231.0	342,910.0	94,668.0	103,617.0	111,211.0	124,267.8	433,763.8	126,072.7	139,980.1	150,764.8	166,106.9	582,924.5	766,534.7
Y/Y growth	*15.1%*	*13.2%*	*14.5%*	*17.3%*	*19.1%*	*16.2%*	*23.8%*	*26.8%*	*27.1%*	*27.8%*	*26.5%*	*33.2%*	*35.1%*	*35.6%*	*33.7%*	*34.4%*	*31.5%*
Q/Q growth		*-6.3%*	*6.8%*	*7.0%*	*11.2%*		*-2.6%*	*9.5%*	*7.3%*	*11.7%*		*1.5%*	*11.0%*	*7.7%*	*10.2%*		
Seasonality		22.3%	23.8%	25.5%	28.4%		21.8%	23.9%	25.6%	28.6%		21.6%	24.0%	25.9%	28.5%		
Net Revenue Share by Segment																	
Google Properties as % of Alphabet Net Revenues	67.8%	66.4%	66.6%	65.0%	65.0%	65.7%	62.8%	60.7%	56.8%	55.2%	58.6%	50.8%	48.7%	45.7%	45.4%	47.4%	39.4%
Google Network Members' Properties as % of Alphab	3.2%	3.1%	2.7%	2.8%	2.6%	2.8%	2.7%	2.4%	2.3%	2.2%	2.4%	1.9%	1.8%	1.7%	1.6%	1.8%	1.3%
Google Advertising as % of Alphabet Net Revenue	71.1%	69.5%	69.3%	67.8%	67.6%	68.5%	65.5%	63.2%	59.0%	57.4%	61.0%	52.7%	50.5%	47.4%	47.0%	49.2%	40.8%
Google Other & Other Bets as % of Alphabet Net R	28.9%	30.5%	30.7%	32.2%	32.4%	31.5%	34.5%	36.8%	41.0%	42.6%	39.0%	47.3%	49.5%	52.6%	53.0%	50.8%	59.2%

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

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Figure 5: Alphabet Revenue Drivers (Cont'd)

($ millions except where noted)	2024A	3/25A	6/25A	9/25A	12/25A	2025A	3/26A	6/26A	9/26A	12/26E	2026E	3/27E	6/27E	9/27E	12/27E	2027E	2028E
MONETIZATION																	
Google Search & Other																	
Paid Clicks Change																	
Y/Y growth	5%	2%	4%	7%	10%	6%	13%	13%									
QTD Y/Y growth		2%	3%	4%	6%		13%	13%									
Cost-per-Click Change																	
Y/Y growth	7%	7%	8%	7%	6%	7%	5%	3%									
QTD Y/Y growth		7%	8%	7%	7%		5%	4%									

($ millions except where noted)	2024A	3/25A	6/25A	9/25A	12/25A	2025A	3/26A	6/26A	9/26A	12/26E	2026E	3/27E	6/27E	9/27E	12/27E	2027E	2028E
Geographic Breakdown																	
Alphabet total revenues (gross)	**350,018.0**	**90,234**	**96,428**	**102,346**	**113,828**	**402,836.0**	**109,896**	**119,796**	**127,577**	**141,759.1**	**499,028.1**	**142,405.0**	**157,225.9**	**168,289.4**	**185,110.9**	**653,031.2**	**842,392.1**
Y/Y growth	*13.9%*	*12%*	*14%*	*16%*	*18%*	*15.1%*	*22%*	*24%*	*25%*	*24.5%*	*23.9%*	*29.6%*	*31.2%*	*31.9%*	*30.6%*	*30.9%*	*29.0%*
Y/Y growth (ex-FX & Hedging)	***14.8%***	***14%***	***13%***	***15%***	***17%***	***14.7%***	***19%***	***23%***	***25%***	***25.1%***	***23.2%***	***30.6%***	***32.2%***	***32.6%***	***30.8%***	***31.6%***	***29.1%***
Q/Q growth		*-6%*	*7%*	*6%*	*11%*		*-3%*	*9%*	*6%*	*11.1%*		*0%*	*10%*	*7.0%*	*10.0%*		
Geographic Breakdown																	
United States	**170,447.0**	**43,964**	**46,063**	**48,758**	**55,444**	**194,229.0**	**53,975**	**60,846**	**67,681**	**76,789.9**	**259,291.9**	**80,692.6**	**91,877.5**	**101,859.9**	**112,420.5**	**386,850.5**	**545,846.0**
Y/Y growth	***16.5%***	***13%***	***12%***	***13%***	***17%***	***14.0%***	***23%***	***32%***	***39%***	***38.5%***	***33.5%***	***49.5%***	***51.0%***	***50.5%***	***46.4%***	***49.2%***	***41.1%***
Q/Q growth		*-7%*	*5%*	*6%*	*14%*		*-3%*	*13%*	*11%*	*13.5%*		*5%*	*14%*	*10.9%*	*10.4%*		
U.S. revenues as % of Gross Revenues	48.7%	49%	48%	48%	49%	48.2%	49%	51%	53%	54.2%	52.0%	56.7%	58.4%	60.5%	60.7%	59.2%	64.8%
International	**179,360.0**	**46,010**	**50,477**	**53,795**	**58,452**	**208,734.0**	**56,101**	**58,844**	**59,702**	**64,785.4**	**239,432.4**	**61,369.8**	**65,108.3**	**66,272.4**	**72,663.8**	**265,414.3**	**296,546.1**
Y/Y growth	*11.5%*	*10%*	*16%*	*19%*	*19%*	*16.4%*	*22%*	*17%*	*11%*	*10.8%*	*14.7%*	*9.4%*	*10.6%*	*11.0%*	*12.2%*	*10.9%*	*11.7%*
FXHN Y/Y growth	*13.3%*	*14%*	*15%*	*16%*	*16%*	*15.5%*	*15%*	*15%*	*12%*	*12.4%*	*13.7%*	*12.4%*	*12.7%*	*12.3%*	*12.4%*	*12.5%*	*11.7%*
Q/Q growth		*-6%*	*10%*	*7%*	*9%*		*-4%*	*5%*	*1%*	*8.5%*		*-5%*	*6%*	*1.8%*	*9.6%*		
International revenues as % of Gross Revenues	51.2%	51%	52%	53%	51%	51.8%	51%	49%	47%	45.7%	48.0%	43.1%	41.4%	39.4%	39.3%	40.6%	35.2%
Hedging Gains (Losses)	**211.0**	**260.0**	**(112.0)**	**(207.0)**	**(68.0)**	**(127.0)**	**(180.0)**	**106.0**	**194.0**	**183.8**	**303.8**	**342.5**	**240.1**	**157.2**	**26.6**	**766.4**	**0.0**
Internation Breakdown (excl. Hedge post-1Q17 change)																	
EMEA	**102,127.0**	**25,923**	**28,262**	**29,911**	**33,056**	**117,152.0**	**31,468**	**32,501**	**32,695**	**35,356.4**	**132,020.4**	**33,034.0**	**34,533.2**	**34,881.8**	**38,577.2**	**141,026.2**	**154,423.7**
Y/Y growth	*12.2%*	*9%*	*14%*	*17%*	*17%*	*14.7%*	*21%*	*15%*	*9%*	*7.0%*	*12.7%*	*5.0%*	*6.3%*	*6.7%*	*9.1%*	*6.8%*	*9.5%*
FXHN Y/Y growth	***12.1%***	***12%***	***11%***	***12%***	***12%***	***12.0%***	***12%***	***12%***	***10%***	***10.0%***	***11.0%***	***10.0%***	***10.0%***	***9.5%***	***9.5%***	***9.7%***	***9.5%***
Q/Q growth		*-8%*	*9%*	*6%*	*11%*		*-5%*	*3%*	*1%*	*8.1%*		*-7%*	*5%*	*1.0%*	*10.6%*		
EMEA as a % of Gross Revenues	29.2%	29%	29%	29%	29%	29.1%	29%	27%	26%	24.9%	26.5%	23.2%	22.0%	20.7%	20.8%	21.6%	18.3%
APAC	**56,815.0**	**14,854**	**16,480**	**17,819**	**18,527**	**67,680.0**	**18,288**	**19,317**	**19,906**	**21,451.1**	**78,962.1**	**21,124.0**	**22,838.8**	**23,489.5**	**24,937.0**	**92,389.3**	**105,323.8**
Y/Y growth	*10.3%*	*12%*	*19%*	*22%*	*22%*	*19.1%*	*23%*	*17%*	*12%*	*15.8%*	*16.7%*	*15.5%*	*18.2%*	*18.0%*	*16.3%*	*17.0%*	*14.0%*
FXHN Y/Y growth	***12.9%***	***15%***	***18%***	***22%***	***23%***	***19.7%***	***22%***	***19%***	***15%***	***15.0%***	***17.5%***	***15.0%***	***16.0%***	***16.0%***	***16.0%***	***15.8%***	***14.0%***
Q/Q growth		*-2%*	*11%*	*8%*	*4%*		*-1%*	*6%*	*3%*	*7.8%*		*-2%*	*8%*	*2.8%*	*6.2%*		
APAC as a % of Gross Revenues	16.2%	16%	17%	17%	16%	16.8%	17%	16%	16%	15.1%	15.8%	14.8%	14.5%	14.0%	13.5%	14.1%	12.5%
Other Americas (Canada and LatAm)	**20,418.0**	**5,233**	**5,735**	**6,065**	**6,869**	**23,902.0**	**6,345**	**7,026**	**7,101**	**7,977.9**	**28,449.9**	**7,211.9**	**7,736.3**	**7,901.1**	**9,149.6**	**31,998.9**	**36,798.7**
Y/Y growth	*11.5%*	*12%*	*16%*	*19%*	*20%*	*17.1%*	*21%*	*23%*	*17%*	*16.1%*	*19.0%*	*13.7%*	*10.1%*	*11.3%*	*14.7%*	*12.5%*	*15.0%*
FXHN Y/Y growth	***20.2%***	***23%***	***23%***	***20%***	***19%***	***21.1%***	***14%***	***17%***	***15%***	***17.0%***	***15.9%***	***17.2%***	***16.0%***	***15.0%***	***15.3%***	***15.8%***	***15.0%***
Q/Q growth		*-9%*	*10%*	*6%*	*13%*		*-8%*	*11%*	*1%*	*12.3%*		*-10%*	*7%*	*2.1%*	*15.8%*		
Other Americas as a % of Gross Revenues	5.8%	6%	6%	6%	6%	5.9%	6%	6%	6%	5.6%	5.7%	5.1%	4.9%	4.7%	4.9%	4.9%	4.4%
Foreign Exchange Impact on Gross Revenue																	
Total Gross Revenue	**350,018.0**	**90,234**	**96,428**	**102,346**	**113,828**	**402,836.0**	**109,896**	**119,796**	**127,577**	**141,759.1**	**499,028.1**	**142,405.0**	**157,225.9**	**168,289.4**	**185,110.9**	**653,031.2**	**842,392.1**
Y/Y growth	***13.9%***	***12%***	***14%***	***16%***	***18%***	***15.1%***	***22%***	***24%***	***25%***	***24.5%***	***23.9%***	***29.6%***	***31.2%***	***31.9%***	***30.6%***	***30.9%***	***29.0%***
Q/Q growth		***-6%***	***7%***	***6%***	***11%***		***-3%***	***9%***	***6%***	***11.1%***		***0.5%***	***10.4%***	***7.0%***	***10.0%***		
Y/Y Foreign Exchange Impact	(2,939.0)	(1,605)	543	1,339	1,331	1,608.0	3,005	740	(702)	(919.0)	2,124.0	(1,712.5)	(1,200.7)	(785.8)	(133.2)	(3,832.2)	-
	-7%	-16%	-21%	-15%	-5%	-8%	-6%	14%	-28%	-20%	14%	-20%	-20%	-20%	-20%	-20%	-20%
Cash Flow Hedging Impact	211.0	260	(112)	(207)	(68)	(127.0)	(180)	106	194	183.8	303.8	342.5	240.1	157.2	26.6	766.4	-
FXHN Gross Revs. (based on year ago period)	**352,746.0**	**91,579**	**95,997**	**101,214**	**112,565**	**401,355.0**	**107,071**	**118,950**	**128,085**	**142,494.3**	**496,600.3**	**143,775.0**	**158,186.4**	**168,918.0**	**185,217.5**	**656,097.0**	**842,392.1**
Y/Y growth (ex-FX & Hedging)	***14.8%***	***14%***	***13%***	***15%***	***17%***	***14.7%***	***19%***	***23%***	***25%***	***25.1%***	***23.2%***	***30.6%***	***32.2%***	***32.6%***	***30.8%***	***31.6%***	***29.1%***
BPS of Y/Y growth impacted by FX & Hedging	(97.6)	(177.2)	37.2	126.0	128.5	35.4	278.8	102.0	(24.4)	(57.1)	64.2	(103.3)	(91.9)	(69.4)	(24.5)	(69.4)	(15.2)
FX & Hedging Neutral Gross Revs. (based on last quarter)		**90,995**	**94,919**	**101,635**	**114,153**		**109,426**	**120,325**	**127,816**	**142,488.1**		**142,519.7**	**157,225.9**	**168,289.4**	**185,110.9**		
Q/Q growth (ex-FX & Hedging)		***-6%***	***5%***	***5%***	***12%***		***-4%***	***9%***	***7%***	***11.9%***		***0.7%***	***10.7%***	***7.2%***	***10.1%***		
BPS of Q/Q growth impacted by FX & Hedging		(80.8)	136.8	86.0	(31.8)		47.0	(30.2)	(29.4)	(74.2)		(21.1)	(26.6)	(16.4)	(10.3)		

$ millions except where noted	2024A	3/25A	6/25A	9/25A	12/25A	2025A	3/26A	6/26A	9/26A	12/26E	2026E	3/27E	6/27E	9/27E	12/27E	2027E	2028E
Foreign Exchange Impact on EMEA Gross Revenue (excl. Hedging)																	
Total Gross EMEA Revenue	**102,127.0**	**25,923**	**28,262**	**29,911**	**33,056**	**117,152.0**	**31,468**	**32,501**	**32,695**	**35,356.4**	**132,020.4**	**33,034.0**	**34,533.2**	**34,881.8**	**38,577.2**	**141,026.2**	**154,423.7**
Y/Y growth	***12.2%***	***9%***	***14%***	***17%***	***17%***	***14.7%***	***21%***	***15%***	***9%***	***7.0%***	***12.7%***	***5.0%***	***6.3%***	***6.7%***	***9.1%***	***6.8%***	***9.5%***
Q/Q growth		***-8%***	***9%***	***6%***	***11%***		***-5%***	***3%***	***1%***	***8.1%***		***-6.6%***	***4.5%***	***1.0%***	***10.6%***		
Y/Y Foreign Exchange Impact	38.0	(724)	780	1,261	1,438	2,755.0	2,515	794	(336)	(1,005.2)	1,967.8	(1,580.8)	(1,217.9)	(919.2)	(138.1)	(3,856.0)	-
FXHN Gross Revs. (based on year ago period)	**102,089**	**26,647**	**27,482**	**28,650**	**31,618**	**114,397.0**	**28,963**	**31,707**	**33,031**	**36,361.6**	**130,052.6**	**34,614.8**	**35,751.1**	**35,801.0**	**38,715.3**	**144,882.2**	**154,423.7**
Y/Y growth (excl. FX & Hedging)	***12.1%***	***12%***	***11%***	***12%***	***12%***	***12.0%***	***12%***	***12%***	***10%***	***10.0%***	***11.0%***	***10.0%***	***10.0%***	***9.5%***	***9.5%***	***9.7%***	***9.5%***
BPS of Y/Y growth impacted by FX & Hedging	4.2	(304.4)	316.0	495.1	510.2	269.8	970.2	280.9	(112.3)	(304.1)	168.0	(502.4)	(374.7)	(281.1)	(39.0)	(292.1)	(0.0)
Y/Y growth in FX	*0.0%*	*-2.7%*	*2.8%*	*4.4%*	*4.5%*	*2.4%*	*8.7%*	*2.5%*	*-1.0%*	*-2.8%*	*1.5%*	*-4.6%*	*-3.4%*	*-2.6%*	*-0.4%*	*-2.7%*	*0.0%*
Foreign Exchange Impact on APAC Gross Revenue (excl. Hedging)																	
Total Gross APAC Revenue	**56,815.0**	**14,854**	**16,480**	**17,819**	**18,527**	**67,680.0**	**18,288**	**19,317**	**19,906**	**21,451.1**	**78,962.1**	**21,124.0**	**22,838.8**	**23,489.5**	**24,937.0**	**92,389.3**	**105,323.8**
Y/Y growth	***10.3%***	***12%***	***19%***	***22%***	***22%***	***19.1%***	***23%***	***17%***	***12%***	***15.8%***	***16.7%***	***15.5%***	***18.2%***	***18.0%***	***16.3%***	***17.0%***	***14.0%***
Q/Q growth		***-2%***	***11%***	***8%***	***4%***		***-1%***	***6%***	***3%***	***7.8%***		***-1.5%***	***8.1%***	***2.8%***	***6.2%***		
Y/Y Foreign Exchange Impact	(1,369.0)	(381)	115	128	(176)	(314.0)	134	(351)	(517)	145.0	(589.0)	92.8	431.1	398.5	53.8	976.2	-
FXHN Gross Revs. (based on year ago period)	**58,184**	**15,235**	**16,365**	**17,691**	**18,703**	**67,994.0**	**18,154**	**19,668**	**20,423**	**21,306.1**	**79,551.1**	**21,031.2**	**22,407.7**	**23,091.0**	**24,883.2**	**91,413.1**	**105,323.8**
Y/Y growth (excl. FX & Hedging)	***12.9%***	***15%***	***18%***	***22%***	***23%***	***19.7%***	***22%***	***19%***	***15%***	***15.0%***	***17.0%***	***15.0%***	***16.0%***	***16.0%***	***16.0%***	***15.8%***	***14.0%***
BPS of Y/Y growth impacted by FX & Hedging	(265.8)	(286.7)	83.2	88.0	(116.1)	(55.3)	90.2	(213.0)	(290.1)	78.3	(87.0)	50.7	223.2	200.2	25.1	123.6	0.0
Y/Y growth in FX	*-2.4%*	*-2.5%*	*0.7%*	*0.7%*	*-0.9%*	*-0.5%*	*0.7%*	*-1.8%*	*-2.5%*	*0.7%*	*-0.7%*	*0.4%*	*1.9%*	*1.7%*	*0.2%*	*1.1%*	*0.0%*
Foreign Exchange Impact on Other Americas Gross Revenue (excl. Hedging)																	
Total Gross Other Americas Revenue	**20,418.0**	**5,233.0**	**5,735.0**	**6,065.0**	**6,869.0**	**23,902.0**	**6,345.0**	**7,026.0**	**7,101.0**	**7,977.9**	**28,449.9**	**7,211.9**	**7,736.3**	**7,901.1**	**9,149.6**	**31,998.9**	**36,798.7**
Y/Y growth	***11.5%***	***12%***	***16%***	***19%***	***20%***	***17.1%***	***21%***	***23%***	***17%***	***16.1%***	***19.0%***	***13.7%***	***10.1%***	***11.3%***	***14.7%***	***12.5%***	***15.0%***
Q/Q growth		***-9%***	***10%***	***6%***	***13%***		***-8%***	***11%***	***1%***	***12.3%***		***-9.6%***	***7.3%***	***2.1%***	***15.8%***		
Y/Y Foreign Exchange Impact	(1,608.0)	(500.0)	(352.0)	(50.0)	69.0	(833.0)	356.0	297.0	151.0	(58.8)	745.2	(224.5)	(413.9)	(265.1)	(49.0)	(952.4)	-
FXHN Gross Revs. (based on year ago period)	**22,026**	**5,733**	**6,087**	**6,115**	**6,800**	**24,735.0**	**5,989**	**6,729**	**6,950**	**8,036.7**	**27,704.7**	**7,436.3**	**8,150.2**	**8,166.2**	**9,198.6**	**32,951.2**	**36,798.7**
Y/Y growth (excl. FX & Hedging)	***20.2%***	***23%***	***23%***	***20%***	***19%***	***21.1%***	***14%***	***17%***	***15%***	***17.0%***	***15.9%***	***17.2%***	***16.0%***	***15.0%***	***15.3%***	***15.8%***	***15.0%***
BPS of Y/Y growth impacted by FX & Hedging	(677.7)	(1,074.6)	(712.8)	(98.2)	120.3	(408.0)	680.3	517.9	249.0	(85.6)	311.8	(353.8)	(589.0)	(373.3)	(61.4)	(334.7)	(0.0)
Y/Y growth in FX	*-7.3%*	*-8.7%*	*-5.8%*	*-0.8%*	*1.0%*	*-3.4%*	*5.9%*	*4.4%*	*2.2%*	*-0.7%*	*2.7%*	*-3.0%*	*-5.1%*	*-3.2%*	*-0.5%*	*-2.9%*	*0.0%*
Headcount																	
Ending Full-time Headcount (ex-Motorola)	**183,323**	**185,719**	**187,103**	**190,167**	**190,820**	**190,820**	**194,668**	**198,933**	**204,757**	**207,557**	**207,557**	**211,557**	**215,857**	**221,857**	**224,857**	**224,857**	**238,348**
Y/Y growth	*0.4%*	*2.7%*	*4.2%*	*4.9%*	*4.1%*	*4.1%*	*4.8%*	*6.3%*	*7.7%*	*8.8%*	*8.8%*	*8.7%*	*8.5%*	*8.4%*	*8.3%*	*8.3%*	*6.0%*
Q/Q growth		*1.3%*	*0.7%*	*1.6%*	*0.3%*		*2.0%*	*2.2%*	*2.9%*	*1.4%*		*1.9%*	*2.0%*	*2.8%*	*1.4%*		
Absolute Sequential Change in Headcount	821	2,396	1,384	3,064	653	7,497	3,848	4,265	5,824	2,800	16,737	4,000	4,300	6,000	3,000	17,300	13,491

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

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Figure 6: Alphabet Segment Reporting

$ in millions, except per share amounts	2024A	3/25A	6/25A	9/25A	12/25A	2025A	3/26A	6/26A	9/26A	12/26E	2026E	3/27E	6/27E	9/27E	12/27E	2027E	2028E
ALPHABET SEGMENT SUMMARY																	
Revenues:																	
Google Services	304,930	77,264	82,543	87,052	95,862	342,721	89,637	94,540	96,302	103,904	384,383	96,191	102,082	104,749	113,818	416,840	454,582
Google Cloud	43,229	12,260	13,624	15,157	17,664	58,705	20,028	24,768	30,709	37,271	112,776	45,464	54,490	62,953	70,815	233,722	385,641
Other Bets	1,648	450	373	344	370	1,537	411	382	372	400	1,565	408	415	430	451	1,704	2,170
Hedging gains (losses)	211	260	(112)	(207)	(68)	(127)	(180)	106	194	184	304	342	240	157	27	766	0
Total Revenues	**350,018**	**90,234**	**96,428**	**102,346**	**113,828**	**402,836**	**109,896**	**119,796**	**127,577**	**141,759**	**499,028**	**142,405**	**157,226**	**168,289**	**185,111**	**653,031**	**842,392**
Total Revenues ex-hedge	349,807	89,974	96,540	102,553	113,896	402,963	110,076	119,690	127,383	141,575	498,724	142,062	156,986	168,132	185,084	652,265	842,392
GAAP Operating Income (Loss):																	
Google Services	121,263	32,682	33,063	33,527	40,132	139,404	40,589	39,544	39,157	44,159	163,449	43,863	43,181	44,518	48,942	180,504	200,016
Google Cloud	6,112	2,177	2,826	3,594	5,313	13,910	6,598	8,814	11,121	9,690	36,223	13,184	17,437	20,775	24,077	75,473	135,360
Other Bets	(4,444)	(1,226)	(1,246)	(1,426)	(3,617)	(7,515)	(2,100)	(1,799)	(2,047)	(4,389)	(10,335)	(2,393)	(2,390)	(2,348)	(4,895)	(12,026)	(13,828)
Corporate costs, unallocated	(10,541)	(3,027)	(3,372)	(4,467)	(5,894)	(16,760)	(5,391)	(5,789)	(7,655)	(8,452)	(27,287)	(7,755)	(8,394)	(8,670)	(10,153)	(34,972)	(46,669)
Total Income from Operations	**112,390**	**30,606**	**31,271**	**31,228**	**35,934**	**129,039**	**39,696**	**40,770**	**40,576**	**41,008**	**162,050**	**46,899**	**49,833**	**54,275**	**57,971**	**208,979**	**274,879**
Margins:																	
Google Services	39.8%	42.3%	40.1%	38.5%	41.9%	40.7%	45.3%	41.8%	40.7%	42.5%	42.5%	45.6%	42.3%	42.5%	43.0%	43.3%	44.0%
Google Cloud	14.1%	17.8%	20.7%	23.7%	30.1%	23.7%	32.9%	35.6%	36.2%	26.0%	32.1%	29.0%	32.0%	33.0%	34.0%	32.3%	35.1%
Other Bets	-269.7%	-272.4%	-334.0%	-414.5%	-977.6%	-488.9%	-510.9%	-470.9%	-550.3%	-1096.9%	-660.3%	-586.9%	-576.5%	-545.6%	-1085.8%	-706.0%	-637.4%
Corporate costs, unallocated (% of total revenues)	-3.0%	-3.4%	-3.5%	-4.4%	-5.2%	-4.2%	-4.9%	-4.8%	-6.0%	-6.0%	-5.5%	-5.4%	-5.3%	-5.2%	-5.5%	-5.4%	-5.5%
Total Income from Operations	**32.1%**	**33.9%**	**32.4%**	**30.5%**	**31.6%**	**32.0%**	**36.1%**	**34.0%**	**31.8%**	**28.9%**	**32.5%**	**32.9%**	**31.7%**	**32.3%**	**31.3%**	**32.0%**	**32.6%**
SEGMENT ANALYSIS																	
GOOGLE SERVICES																	
Revenue	304,930	77,264	82,543	87,052	95,862	342,721	89,637	94,540	96,302	103,904	384,383	96,191	102,082	104,749	113,818	416,840	454,582
TAC	54,900	13,748	14,705	14,876	16,597	59,926	15,228	16,179	16,366	17,491	65,264	16,332	17,246	17,525	19,004	70,107	75,857
Net Revenue	250,030	63,516	67,838	72,176	79,265	282,795	74,409	78,361	79,936	86,413	319,119	79,859	84,836	87,224	94,814	346,733	378,725
GAAP Costs & Opex	128,767	30,834	34,775	38,649	39,133	143,391	33,820	38,817	40,779	42,254	155,670	35,996	41,655	42,706	45,872	166,229	178,708
GAAP Operating Income	121,263	32,682	33,063	33,527	40,132	139,404	40,589	39,544	39,157	44,159	163,449	43,863	43,181	44,518	48,942	180,504	200,016
OI&E	3,493	1,465	1,459	2,199	881	6,004	801	(1,048)	443	401	597	74	(56)	(437)	(726)	(1,144)	(8,648)
Income before taxes	124,756	34,147	34,522	35,726	41,013	145,408	41,390	38,496	39,600	44,560	164,046	43,937	43,125	44,081	48,216	179,360	191,368
Income Tax	19,697	7,249	5,737	9,008	4,662	26,656	14,834	26,560	5,887	7,454	54,735	8,455	8,960	9,691	10,304	37,410	47,922
GAAP Net Income	105,059	26,898	28,785	26,718	36,351	118,752	26,556	11,936	33,713	37,107	109,312	35,482	34,165	34,390	37,912	141,949	143,446
GAAP EPS	$8.44	$2.19	$2.36	$2.19	$2.97	$9.71	$2.17	$0.97	$2.73	$2.98	$8.86	$2.85	$2.71	$2.71	$2.96	$11.23	$11.23
D&A	10,490					13,709					18,066					24,594	35,457
SBC	16,161					17,205					19,219					20,759	22,411
Adj. EBITDA	147,914					170,317					200,734					225,856	257,884
Costs & Expenses As % of Revenue																	
TAC	18.0%	17.8%	17.8%	17.1%	17.3%	17.5%	17.0%	17.1%	17.0%	16.8%	17.0%	17.0%	16.9%	16.7%	16.7%	16.8%	16.7%
GAAP Costs & Opex	42.2%	39.9%	42.1%	44.4%	40.8%	41.8%	37.7%	41.1%	42.3%	40.7%	40.5%	37.4%	40.8%	40.8%	40.3%	39.9%	39.3%
D&A	3.4%					4.0%					4.7%					5.9%	7.8%
SBC	5.3%					5.0%					5.0%					5.0%	4.9%
Margins																	
GAAP Operating Income	**39.8%**	**42.3%**	**40.1%**	**38.5%**	**41.9%**	**40.7%**	**45.3%**	**41.8%**	**40.7%**	**42.5%**	**42.5%**	**45.6%**	**42.3%**	**42.5%**	**43.0%**	**43.3%**	**44.0%**
GOOGLE CLOUD																	
Revenue	43,229	12,260	13,624	15,157	17,664	58,705	20,028	24,768	30,709	37,271	112,776	45,464	54,490	62,953	70,815	233,722	385,641
GAAP Costs & Opex	37,117	10,083	10,798	11,563	12,351	44,795	13,430	15,954	19,588	27,581	76,553	32,279	37,053	42,179	46,738	158,249	250,281
GAAP Operating Income	6,112	2,177	2,826	3,594	5,313	13,910	6,598	8,814	11,121	9,690	36,223	13,184	17,437	20,775	24,077	75,473	135,360
OI&E	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income before taxes	6,112	2,177	2,826	3,594	5,313	13,910	6,598	8,814	11,121	9,690	36,223	13,184	17,437	20,775	24,077	75,473	135,360
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAAP Net Income	6,112	2,177	2,826	3,594	5,313	13,910	6,598	8,814	11,121	9,690	36,223	13,184	17,437	20,775	24,077	75,473	135,360
GAAP EPS	$0.49	$0.18	$0.23	$0.29	$0.43	$1.14	$0.54	$0.72	$0.90	$0.78	$2.94	$1.06	$1.38	$1.64	$1.88	$5.97	$10.60
D&A	4,409					6,927					14,210					39,429	78,748
SBC	5,879					6,927					11,729					16,594	22,560
Adj. EBITDA	16,401					27,764					62,162					131,496	236,668
Costs & Expenses As % of Revenue																	
GAAP Costs & Opex	85.9%	82.2%	79.3%	76.3%	69.9%	76.3%	67.1%	64.4%	63.8%	74.0%	67.9%	71.0%	68.0%	67.0%	66.0%	67.7%	64.9%
D&A	10%					12%					13%					17%	20%
SBC	14%					12%					10%					7%	6%
Margins																	
GAAP Operating Income	**14.1%**	**17.8%**	**20.7%**	**23.7%**	**30.1%**	**23.7%**	**32.9%**	**35.6%**	**36.2%**	**26.0%**	**32.1%**	**29.0%**	**32.0%**	**33.0%**	**34.0%**	**32.3%**	**35.1%**
OTHER BETS																	
Revenue	1,648	450	373	344	370	1,537	411	382	372	400	1,565	408	415	430	451	1,704	2,170
GAAP Costs & Opex	6,092	1,676	1,619	1,770	3,987	9,052	2,511	2,181	2,419	4,789	11,900	2,801	2,805	2,778	5,346	13,730	15,998
Non-GAAP Costs & Opex	4,935					7,731					10,197					11,553	13,435
GAAP Operating Income	**(4,444)**	**(1,226)**	**(1,246)**	**(1,426)**	**(3,617)**	**(7,515)**	**(2,100)**	**(1,799)**	**(2,047)**	**(4,389)**	**(10,335)**	**(2,393)**	**(2,390)**	**(2,348)**	**(4,895)**	**(12,026)**	**(13,828)**
OI&E	3,932	9,718	1,203	10,560	2,302	23,783	36,915	99,031	(8,664)	0	127,282	0	0	0	0	0	0
Income before taxes	(512)	8,492	(43)	9,134	(1,315)	16,268	34,815	97,232	(10,711)	(4,389)	116,947	(2,393)	(2,390)	(2,348)	(4,895)	(12,026)	(13,828)
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAAP Net Income	(512)	8,492	(43)	9,134	(1,315)	16,268	34,815	97,232	(10,711)	(4,389)	116,947	(2,393)	(2,390)	(2,348)	(4,895)	(12,026)	(13,828)
GAAP EPS	($0.04)	$0.69	($0.00)	$0.75	($0.11)	$1.33	$2.84	$7.90	($0.87)	($0.35)	$9.48	($0.19)	($0.19)	($0.18)	($0.38)	($0.95)	($1.08)
D&A	412					500					615					682	775
SBC	745					821					1,089					1,494	1,788
Adj. EBITDA	(3,287)					(6,194)					(8,631)					(9,850)	(11,265)
Costs & Expenses As % of Revenue																	
GAAP Costs & Opex	370%	372%	434%	515%	1078%	589%	611%	571%	650%	1197%	760%	687%	677%	646%	1186%	806%	737%
Margins																	
GAAP Operating Income	-269.7%	-272.4%	-334.0%	-414.5%	-977.6%	-488.9%	-510.9%	-470.9%	-550.3%	-1096.9%	-660.3%	-586.9%	-576.5%	-545.6%	-1085.8%	-706.0%	-637.4%
RECONCILING ITEMS																	
Hedging gains (losses)	211	260	(112)	(207)	(68)	(127)	(180)	106	194	184	304	342	240	157	27	766	0
Corporate costs, unallocated	**8,965**	**3,287**	**3,260**	**3,653**	**5,826**	**16,026**	**5,211**	**5,895**	**7,242**	**8,636**	**26,984**	**8,098**	**8,634**	**8,827**	**10,180**	**35,738**	**46,669**
One-time items	1,787	0	0	607	0	607	0	0	607	0	607	0	0	0	0	0	0
GAAP Operating Income	(10,541)	(3,027)	(3,372)	(4,467)	(5,894)	(16,760)	(5,391)	(5,789)	(7,655)	(8,452)	(27,287)	(7,755)	(8,394)	(8,670)	(10,153)	(34,972)	(46,669)
OI&E	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income before taxes	(10,541)	(3,027)	(3,372)	(4,467)	(5,894)	(16,760)	(5,391)	(5,789)	(7,655)	(8,452)	(27,287)	(7,755)	(8,394)	(8,670)	(10,153)	(34,972)	(46,669)
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAAP Net Income	(10,541)	(3,027)	(3,372)	(4,467)	(5,894)	(16,760)	(5,391)	(5,789)	(7,655)	(8,452)	(27,287)	(7,755)	(8,394)	(8,670)	(10,153)	(34,972)	(46,669)
GAAP EPS	($0.85)	($0.25)	($0.28)	($0.37)	($0.48)	($1.37)	($0.44)	($0.47)	($0.62)	($0.68)	($2.21)	($0.62)	($0.67)	($0.68)	($0.79)	($2.77)	($3.65)
As % of Alphabet Total Revenue ex-hedge																	
Corporate costs, unallocated	2.56%	3.65%	3.38%	3.56%	5.12%	3.98%	4.73%	4.93%	5.69%	6.10%	5.41%	5.70%	5.50%	5.25%	5.50%	5.48%	5.54%

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

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

Investment Thesis, Valuation and Risks

Alphabet *(Overweight; Price Target: $375.00)*

Investment Thesis
We believe Alphabet's full-stack AI approach spanning infrastructure, models, products, & platforms that reach billions of users positions it to capture AI demand across multiple markets. AI returns are most evident across Cloud, with strong revenue acceleration, substantial revenue backlog, & emerging TPU business. AI innovation is also driving greater Search engagement & enables more complex queries, though Google must prove out its ability to maintain strong monetization as it scales AI & agentic Search experiences. Beyond Search & Cloud, momentum remains strong across subscriptions (YouTube & Google One), and companies within Other Bets, incl. Waymo, provide option value. We remain confident in Google's AI full stack advantage & in the company's ability to innovate around AI, manage costs, & generate solid top-line growth.

Valuation
Our December 2027 price target of $375, down from prior $425, is based on ~22x our '28E GAAP EPS of $17.00, which ex-cash equates to ~21x our '28E GAAP EPS ex-Other Bets of $18.09. We believe Alphabet shares should trade at a premium to the S&P 500 as Alphabet is one of the few companies in the S&P 500 with DD % revenue and EPS growth off of a very large base and a strong 32%+ GAAP Operating Income margin.

Risks to Rating and Price Target
Downside risks include: 1) Heavy capex weighs on FCF while depreciation pressures margins; **2)** Gemini falls behind the frontier, w/elevated competition across models & talent; **3)** AI & Agentic search transition still ongoing & could pressure monetization; and **4)** growth slowing more than anticipated with the next major revenue drivers, including Cloud, Hardware, and Waymo, not materialising as expected.

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

Investment Thesis, Valuation and Risks

Alphabet Inc. *(Overweight; Price Target: $375.00)*

Investment Thesis
We believe Alphabet's full-stack AI approach spanning infrastructure, models, products, & platforms that reach billions of users positions it to capture AI demand across multiple markets. AI returns are most evident across Cloud, with strong revenue acceleration, substantial revenue backlog, & emerging TPU business. AI innovation is also driving greater Search engagement & enables more complex queries, though Google must prove out its ability to maintain strong monetization as it scales AI & agentic Search experiences. Beyond Search & Cloud, momentum remains strong across subscriptions (YouTube & Google One), and companies within Other Bets, incl. Waymo, provide option value. We remain confident in Google's AI full stack advantage & in the company's ability to innovate around AI, manage costs, & generate solid top-line growth.

Valuation
Our December 2027 price target of $375, down from prior $425, is based on ~22x our '28E GAAP EPS of $17.00, which ex-cash equates to ~21x our '28E GAAP EPS ex-Other Bets of $18.09. We believe Alphabet shares should trade at a premium to the S&P 500 as Alphabet is one of the few companies in the S&P 500 with DD % revenue and EPS growth off of a very large base and a strong 32%+ GAAP Operating Income margin.

Risks to Rating and Price Target
Downside risks include: 1) Heavy capex weighs on FCF while depreciation pressures margins; **2)** Gemini falls behind the frontier, w/elevated competition across models & talent; **3)** AI & Agentic search transition still ongoing & could pressure monetization; and **4)** growth slowing more than anticipated with the next major revenue drivers, including Cloud, Hardware, and Waymo, not materialising as expected.

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Alphabet: Summary of Financials

Income Statement - Annual	FY25A	FY26E	FY27E	FY28E
Revenue	**402,836**	**499,028**	**653,031**	**842,392**
COGS	(162,535)	(200,861)	(273,970)	(365,608)
Gross profit	**240,301**	**298,167**	**379,062**	**476,785**
SG&A	(46,718)	(58,231)	(69,613)	(83,092)
Adj. EBITDA	**178,585**	**226,978**	**312,530**	**436,618**
D&A	(21,136)	(32,891)	(64,705)	(114,980)
Adj. EBIT	**157,449**	**194,087**	**247,826**	**321,638**
Net Interest	-	-	-	-
Adj. PBT	**187,236**	**321,966**	**246,681**	**312,990**
Tax	(26,656)	(54,735)	(37,410)	(47,922)
Minority Interest	-	-	-	-
Adj. Net Income	**134,971**	**162,510**	**208,313**	**268,292**
Reported EPS	10.81	19.00	13.39	17.00
Adj. EPS	**11.04**	**13.17**	**16.48**	**21.01**
DPS	**0.82**	**0.88**	**0.88**	**0.88**
Payout ratio	7.6%	4.7%	6.6%	5.2%
Shares outstanding	12,230	12,340	12,643	12,769

Income Statement - Quarterly	1Q26A	2Q26A	3Q26A	4Q26E
Revenue	**109,896A**	**119,796A**	**127,577A**	**141,759**
COGS	(41,271)A	(45,943)A	(51,419)A	(62,228)
Gross profit	**68,625A**	**73,853A**	**76,158A**	**79,531**
SG&A	(11,897)A	(14,864)A	(14,942)A	(16,528)
Adj. EBITDA	**52,929A**	**55,831A**	**57,575A**	**60,643**
D&A	(6,482)A	(7,104)A	(8,369)A	(10,936)
Adj. EBIT	**46,447A**	**48,727A**	**49,206A**	**49,707**
Net Interest	-	-	-	-
Adj. PBT	**84,163A**	**146,710A**	**40,985A**	**50,108**
Tax	(14,834)A	(26,560)A	(5,887)A	(7,454)
Minority Interest	-	-	-	-
Adj. Net Income	**38,663A**	**40,470A**	**41,401A**	**41,976**
Reported EPS	5.11A	9.11A	2.12A	2.70
Adj. EPS	**3.16A**	**3.29A**	**3.35A**	**3.37**
DPS	**0.21A**	**0.22A**	**0.22A**	**0.22**
Payout ratio	4.1%A	2.4%A	10.4%A	8.1%
Shares outstanding	12,238A	12,309A	12,368A	12,446

Balance Sheet & Cash Flow Statement	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	30,708	63,999	80,295	111,882
Accounts receivable	62,886	80,373	107,433	141,272
Inventories	2,439	16,772	24,077	38,564
Other current assets	110,005	232,676	178,330	107,643
Current assets	**206,038**	**393,820**	**390,134**	**399,361**
PP&E	246,597	433,967	748,671	1,093,612
LT investments	-	-	-	-
Other non current assets	142,646	249,690	255,789	265,835
Total assets	**595,281**	**1,077,476**	**1,394,594**	**1,758,807**
Short term borrowings	0	0	0	0
Payables	12,200	15,592	20,842	27,407
Other short term liabilities	90,545	115,723	154,685	203,407
Current liabilities	**102,745**	**131,315**	**175,527**	**230,814**
Long-term debt	46,547	158,102	237,102	314,460
Other long term liabilities	30,724	65,962	65,566	64,774
Total liabilities	**180,016**	**355,379**	**478,194**	**610,048**
Shareholders' equity	415,265	722,097	916,400	1,148,759
Minority interests	-	-	-	-
Total liabilities & equity	**595,281**	**1,077,476**	**1,394,594**	**1,758,807**
BVPS	**33.95**	**58.52**	**72.48**	**89.96**
y/y Growth	*30.0%*	*72.3%*	*23.9%*	*24.1%*
Net debt/(cash)	15,839	94,103	156,807	202,578
Cash flow from operating activities	**164,713**	**171,995**	**271,674**	**366,859**
o/w Depreciation & amortization	21,136	32,891	64,705	114,980
o/w Changes in working capital	618	(39,274)	(2,302)	(13,189)
Cash flow from investing activities	**(120,291)**	**(289,246)**	**(319,409)**	**(379,921)**
o/w Capital expenditure	(91,447)	(204,028)	(379,409)	(459,921)
as % of sales	*22.7%*	*40.9%*	*58.1%*	*54.6%*
Cash flow from financing activities	**(37,388)**	**150,651**	**64,031**	**44,649**
o/w Dividends paid	-	(10,905)	(11,126)	(11,237)
o/w Net debt issued/(repaid)	32,138	24,121	79,000	77,358
Net change in cash	**7,242**	**33,291**	**16,296**	**31,587**
Adj. Free cash flow to firm	**73,266**	**(32,033)**	**(107,736)**	**(93,061)**
y/y Growth	*0.7%*	*(143.7%)*	*236.3%*	*(13.6%)*

Ratio Analysis	FY25A	FY26E	FY27E	FY28E
Gross margin	59.7%	59.7%	58.0%	56.6%
EBITDA margin	44.3%	45.5%	47.9%	51.8%
EBIT margin	39.1%	38.9%	38.0%	38.2%
Net profit margin	33.5%	32.6%	31.9%	31.8%
ROE	36.5%	28.6%	25.4%	26.0%
ROA	25.8%	19.4%	16.9%	17.0%
ROCE	33.9%	24.0%	20.7%	20.8%
SG&A/Sales	11.6%	11.7%	10.7%	9.9%
Net debt/equity	0.0	0.1	0.2	0.2
P/E (x)	29.2	24.4	19.5	15.3
P/BV (x)	9.5	5.5	4.4	3.6
EV/EBITDA (x)	22.4	18.0	13.2	9.6
Dividend Yield	0.3%	0.3%	0.3%	0.3%
Sales/Assets (x)	0.8	0.6	0.5	0.5
Interest cover (x)	-	-	-	-
Operating leverage	109.2%	97.5%	89.7%	102.7%
Revenue y/y Growth	15.1%	23.9%	30.9%	29.0%
EBITDA y/y Growth	18.7%	27.1%	37.7%	39.7%
Tax rate	14.2%	17.0%	15.2%	15.3%
Adj. Net Income y/y Growth	15.6%	20.4%	28.2%	28.8%
EPS y/y Growth	17.7%	19.3%	25.1%	27.5%
DPS y/y Growth	38.9%	7.5%	(0.4%)	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

Doug Anmuth [AC]
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

J.P.Morgan

Alphabet Inc.: Summary of Financials

Income Statement - Annual	FY25A	FY26E	FY27E	FY28E
Revenue	**402,836**	**499,028**	**653,031**	**842,392**
COGS	(162,535)	(200,861)	(273,970)	(365,608)
Gross profit	**240,301**	**298,167**	**379,062**	**476,785**
SG&A	(46,718)	(58,231)	(69,613)	(83,092)
Adj. EBITDA	**178,585**	**226,978**	**312,530**	**436,618**
D&A	(21,136)	(32,891)	(64,705)	(114,980)
Adj. EBIT	**157,449**	**194,087**	**247,826**	**321,638**
Net Interest	-	-	-	-
Adj. PBT	**187,236**	**321,966**	**246,681**	**312,990**
Tax	(26,656)	(54,735)	(37,410)	(47,922)
Minority Interest	-	-	-	-
Adj. Net Income	**134,971**	**162,510**	**208,313**	**268,292**
Reported EPS	10.81	19.00	13.39	17.00
Adj. EPS	**11.04**	**13.17**	**16.48**	**21.01**
DPS	**0.82**	**0.88**	**0.88**	**0.88**
Payout ratio	7.6%	4.7%	6.6%	5.2%
Shares outstanding	12,230	12,340	12,643	12,769

Income Statement - Quarterly	1Q26A	2Q26A	3Q26A	4Q26E
Revenue	**109,896A**	**119,796A**	**127,577A**	**141,759**
COGS	(41,271)A	(45,943)A	(51,419)A	(62,228)
Gross profit	**68,625A**	**73,853A**	**76,158A**	**79,531**
SG&A	(11,897)A	(14,864)A	(14,942)A	(16,528)
Adj. EBITDA	**52,929A**	**55,831A**	**57,575A**	**60,643**
D&A	(6,482)A	(7,104)A	(8,369)A	(10,936)
Adj. EBIT	**46,447A**	**48,727A**	**49,206A**	**49,707**
Net Interest	-	-	-	-
Adj. PBT	**84,163A**	**146,710A**	**40,985A**	**50,108**
Tax	(14,834)A	(26,560)A	(5,887)A	(7,454)
Minority Interest	-	-	-	-
Adj. Net Income	**38,663A**	**40,470A**	**41,401A**	**41,976**
Reported EPS	5.11A	9.11A	2.12A	2.70
Adj. EPS	**3.16A**	**3.29A**	**3.35A**	**3.37**
DPS	**0.21A**	**0.22A**	**0.22A**	**0.22**
Payout ratio	4.1%A	2.4%A	10.4%A	8.1%
Shares outstanding	12,238A	12,309A	12,368A	12,446

Balance Sheet & Cash Flow Statement	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	30,708	63,999	80,295	111,882
Accounts receivable	62,886	80,373	107,433	141,272
Inventories	2,439	16,772	24,077	38,564
Other current assets	110,005	232,676	178,330	107,643
Current assets	**206,038**	**393,820**	**390,134**	**399,361**
PP&E	246,597	433,967	748,671	1,093,612
LT investments	-	-	-	-
Other non current assets	142,646	249,690	255,789	265,835
Total assets	**595,281**	**1,077,476**	**1,394,594**	**1,758,807**
Short term borrowings	0	0	0	0
Payables	12,200	15,592	20,842	27,407
Other short term liabilities	90,545	115,723	154,685	203,407
Current liabilities	**102,745**	**131,315**	**175,527**	**230,814**
Long-term debt	46,547	158,102	237,102	314,460
Other long term liabilities	30,724	65,962	65,566	64,774
Total liabilities	**180,016**	**355,379**	**478,194**	**610,048**
Shareholders' equity	415,265	722,097	916,400	1,148,759
Minority interests	-	-	-	-
Total liabilities & equity	**595,281**	**1,077,476**	**1,394,594**	**1,758,807**
BVPS	**33.95**	**58.52**	**72.48**	**89.96**
y/y Growth	*30.0%*	*72.3%*	*23.9%*	*24.1%*
Net debt/(cash)	15,839	94,103	156,807	202,578
Cash flow from operating activities	**164,713**	**171,995**	**271,674**	**366,859**
o/w Depreciation & amortization	21,136	32,891	64,705	114,980
o/w Changes in working capital	618	(39,274)	(2,302)	(13,189)
Cash flow from investing activities	**(120,291)**	**(289,246)**	**(319,409)**	**(379,921)**
o/w Capital expenditure	(91,447)	(204,028)	(379,409)	(459,921)
as % of sales	*22.7%*	*40.9%*	*58.1%*	*54.6%*
Cash flow from financing activities	**(37,388)**	**150,651**	**64,031**	**44,649**
o/w Dividends paid	(10,050)	(10,905)	(11,126)	(11,237)
o/w Net debt issued/(repaid)	32,138	24,121	79,000	77,358
Net change in cash	**7,242**	**33,291**	**16,296**	**31,587**
Adj. Free cash flow to firm	**73,266**	**(32,033)**	**(107,736)**	**(93,061)**
y/y Growth	*0.7%*	*(143.7%)*	*236.3%*	*(13.6%)*

Ratio Analysis	FY25A	FY26E	FY27E	FY28E
Gross margin	59.7%	59.7%	58.0%	56.6%
EBITDA margin	44.3%	45.5%	47.9%	51.8%
EBIT margin	39.1%	38.9%	38.0%	38.2%
Net profit margin	33.5%	32.6%	31.9%	31.8%
ROE	36.5%	28.6%	25.4%	26.0%
ROA	25.8%	19.4%	16.9%	17.0%
ROCE	33.9%	24.0%	20.7%	20.8%
SG&A/Sales	11.6%	11.7%	10.7%	9.9%
Net debt/equity	0.0	0.1	0.2	0.2
P/E (x)	29.4	24.7	19.7	15.5
P/BV (x)	9.6	5.6	4.5	3.6
EV/EBITDA (x)	22.6	18.1	13.4	9.7
Dividend Yield	0.3%	0.3%	0.3%	0.3%
Sales/Assets (x)	0.8	0.6	0.5	0.5
Interest cover (x)	-	-	-	-
Operating leverage	109.2%	97.5%	89.7%	102.7%
Revenue y/y Growth	15.1%	23.9%	30.9%	29.0%
EBITDA y/y Growth	18.7%	27.1%	37.7%	39.7%
Tax rate	14.2%	17.0%	15.2%	15.3%
Adj. Net Income y/y Growth	15.6%	20.4%	28.2%	28.8%
EPS y/y Growth	17.7%	19.3%	25.1%	27.5%
DPS y/y Growth	38.9%	7.5%	(0.4%)	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which