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Alphabet Inc (GOOGL.O)

AI Mode Creates Search Monetization Headwinds as GCP Revenue Accelerates to +103% Y/Y on GCP & TPU Demand

CITI'S TAKE

GOOGL's 3Q26 results came in slightly below consensus expectations on slower Search revenue growth more than offsetting GCP's 103% Y/Y accelerating revenue growth as TPU sales ramp. The debates out of the quarter are likely to be on: 1) AI-O and AI-M monetization as each are now a more meaningful part of search results; 2) TPU sales and ongoing contribution to revenue; and 3) Google's rising '27 capex needs and FCF pressures as TPU demand requires inventory and working capital. While we acknowledge the N-T headwinds at Google, we remain constructive on shares as greater RSI investment should accelerate model velocity, support newer product launches (such as Gemini Agent), and strengthen monetization across its Consumer and Enterprise functions while also improving internal productivity. We maintain our Buy rating and lower our TP to $375 (from $447 prior) to reflect greater overall uncertainty.

Buy	
Price (28 Oct 26 16:00)	US$324.89
Target price	US$375.00↓
from US$447.00	
Expected share price return	15.4%
Expected dividend yield	0.3%
Expected total return	15.7%
Market Cap	US$3,956,824M

Price Performance
(RIC: GOOGL.O, BB: GOOGL US)



Five Key Takeaways from Google's 3Q26 Results:

1) Search Query Growth Reaches Five-Year High as AI Search Expands Engagement...with AI-O and AI-M queries ~3x longer creating more context and mostly incremental compared to traditional search as zero-click search now accounts for ~40% of search results, per Comscore;

2) ...Though Search Revenue Growth Decelerated ~480bps Q/Q to +12% Y/Y on FX, EU, World Cup Headwinds, and AI Mode...with FX accounting for a ~120bps Q/Q FX reversal, weaker APAC retail spend post-EU's de minimis changes, World Cup ad spend moderating, and lower monetized AI-M queries gaining share of total queries, among other headwinds;

3) ...and AI Mode Monetization is Just Beginning Ramp, Though At Lower Monetization Rates to Overall Search—and while we believe this gap should close over time as AI-M ads are more targeted, native to the answer, international expansion is likely to take some time and we note Multi-Turn ads are just now being rolled out in the U.S. and we believe while advertisers do not need to 'opt-in', we believe pricing (and ad loads) is lower vis-à-vis traditional search;

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EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2025A	2.81A	2.31A	2.87A	2.82A	10.81A	10.81A	11.15A
2026E	**5.11A**	**9.11A**	**2.12A**	**3.23E**	**19.54E**	**20.57E**	**17.39E**
Previous	5.11A	9.11A	3.10E	3.42E	20.70E	na	na
2027E	**3.46E**	**3.61E**	**3.71E**	**4.20E**	**14.98E**	**15.27E**	**15.25E**
Previous	na	na	na	na	15.87E	na	na
2028E	**na**	**na**	**na**	**na**	**17.83E**	**18.42E**	**19.32E**
Previous	na	na	na	na	19.45E	na	na

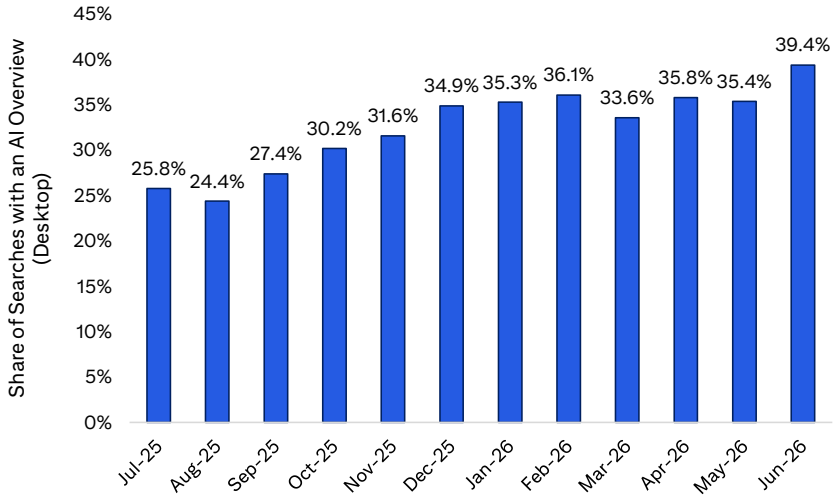
Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

4) GCP and TPU Demand Accelerates Cloud Growth to 103% Y/Y—led by 18 product lines each with $1B+ in annual revenue and while TPU sales are expected to ramp in '27, we note management was clear to highlight diversifying TPU sales to ~100 customers as 1P tokens rose +40% Q/Q, AI generating "tens of billions" of YTD revenue, and we note GCP's Backlog expanded to $561B (+$47B Q/Q) in 3Q;

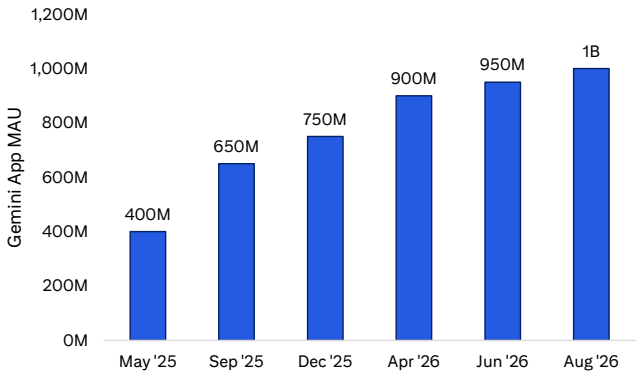
5) Benefiting from Internal AI Efficiencies Alongside Faster Model Velocity—internal teams using Gemini 4 Argon produced 35% more code with 30% fewer errors and CEO Pichai suggested '27E could represent a "golden age" for productivity as Google expects accelerating NTM model cadence (given RSI benefits) and we note recent model launches—Carbon and Genie 4.

Figure 1. AI Overviews Displayed on ~40% of Google Searches



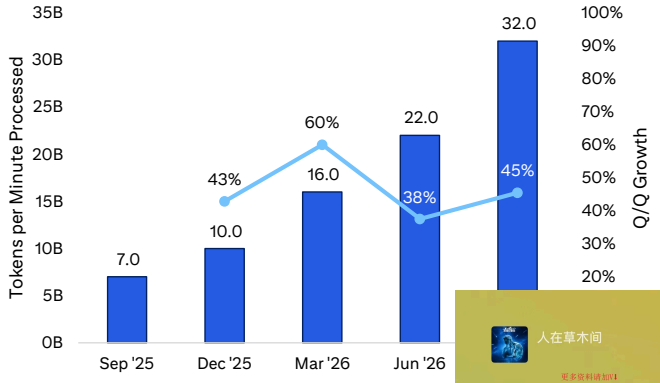
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Source: Citi Research, Comscore

Figure 2. Gemini App MAU up to 1B+...



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Source: Citi Research, Company Reports

Figure 3. ...and Tokens per Minute Processed Reaches 32B (+45% Q/Q)



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Source: Citi Research, Company Reports



Quarterly Results Recap

- **Overall Results: Revenue In Line and OI ~6% Below Consensus:** Alphabet reported revenue of $127.6 billion (+25% Y/Y ex-FX), in line with consensus. Total OI of $40.6 billion (31.8% margin) was ~6% below consensus and GAAP EPS of $2.12 compared to consensus $3.03.

- **Google Search & YT Below Expectations:** Search & Other revenues of $63.4 billion (+12.0% Y/Y) were ~2.5% below consensus, decelerating from 2Q's +16.8% Y/Y. YouTube ad revenue of $11.2 billion (+9.2% Y/Y) came in ~2% below consensus, decelerating from 2Q's +15.7% Y/Y. Google Services gross revenue of $96.3 billion (+10.6% Y/Y) came in ~2% below consensus, while Google Services GAAP operating income margin was 40.7%, +220bps Y/Y, though below our 43.0% projection.

- **Google Cloud: Revenue Growth Accelerates to +102.6% Y/Y:** Google Cloud revenue of $30.7 billion grew +102.6% Y/Y and came in ~7% above consensus, accelerating from 2Q's +82% Y/Y. Google Cloud backlog grew +262% Y/Y to $561 billion, representing +9% Q/Q and +$47 billion expansion sequentially. Cloud operating profit was $11.1 billion (36.2% margin; +1,250bps Y/Y) compared to consensus of $9.7 billion (33.9% margin) and suggests to us that TPU sales are margin accretive.

- **Capex: Ramping Technical Infrastructure Investments:** Capex grew +$6.4 billion Q/Q to $51.4 billion, ~10% below our projection, and management noted ~65% of CapEx investments related to Servers & Networking Equipment (6-YR useful life) with the remaining 35% focused on Data Centers (useful lives of 7-40 years).

- **Expanding Capacity Utilizing 3Ps**: We believe Google's multi-year partnership to lease capacity went live at the end of 2Q and we now model the incremental costs of ~$920M/month for 110K GPUs beginning in 4Q. To be clear, this capacity is earmarked for L-T contracts and we believe Google intends to replace this capacity with 1P O&O capacity when its capacity is built.

Following 3Q26 results, shares of Google declined ~10% in after-market trading and currently trade at ~16x our 2028E GAAP EPS of $17.83. We are rolling forward our valuation methodology to 2028E to reflect improving visibility. Our $375 (from $447) target price is based on ~21x our 2028E GAAP EPS of $17.83 (from ~28x our 2027E GAAP EPS of $15.72). Our multiple is roughly in-line with Google's historical multiple range, given Google Cloud revenue growth is reaccelerating on TPU and Gemini demand as query volume strength continues, though Search revenue headwinds have emerged as AI Mode monetization ramps.

Figure 4. GOOGL 3Q26 Results vs. Projections

			Citi		Y/Y % Change		
	3Q25A	2Q26A	3Q26E	3Q26A	3Q26E	3Q26A	vs. Estimate
Google Search and Other	$56,567	$63,271	$65,193	$63,350	15.3%	12.0%	-2.8%
YouTube Ads	$10,261	$11,055	$11,441	$11,207	11.5%	9.2%	-2.0%
Google Network Websites	$7,354	$7,303	$7,133	$7,455	-3.0%	1.4%	4.5%
Google Advertising	**$74,182**	**$81,629**	**$83,768**	**$82,012**	**12.9%**	**10.6%**	**-2.1%**
Google Subscriptions, Platforms, and Devices	$12,870	$12,911	$14,672	$14,290	14.0%	11.0%	-2.6%
Google Services	**$87,052**	**$94,540**	**$98,440**	**$96,302**	**13.1%**	**10.6%**	**-2.2%**
Google Cloud	$15,157	$24,768	$28,950	$30,709	91.0%	102.6%	6.1%
Other Bets	$344	$382	$351	$372	2.0%	8.1%	6.0%
Total Gross Revenue	**$102,346**	**$119,796**	**$127,740**	**$127,577**	**24.8%**	**24.7%**	**-0.1%**
TAC	$14,876	$16,179	$16,360	$16,366	10.0%	10.0%	0.0%
Net Revenue	**$87,470**	**$103,617**	**$111,380**	**$111,211**	**27.3%**	**27.1%**	**-0.2%**
SEGMENT OPERATING RESULTS							
Google Services Revenue	$87,052	$94,540	$98,440	$96,302	13.1%	10.6%	-2.2%
Google Services Operating Income	**$33,527**	**$39,544**	**$42,329**	**$39,157**	**26.3%**	**16.8%**	**-7.5%**
Google Services Operating Margin	38.5%	41.8%	43.0%	40.7%			
Google Cloud Revenue	$15,157	$24,768	$28,950	$30,709	91.0%	102.6%	6.1%
Google Cloud Operating Income	**$3,594**	**$8,814**	**$10,277**	**$11,121**	**186.0%**	**209.4%**	**8.2%**
Google Cloud Operating Margin	23.7%	35.6%	35.5%	36.2%			
Other Bets Revenue	$344	$382	$351	$372	2.0%	8.1%	6.0%
Other Bets Operating Income	**-$1,426**	**-$1,799**	**-$1,684**	**-$2,047**	**N/A**	**N/A**	**N/A**
Other Bets Operating Margin	-414.5%	-470.9%	-480.0%	-550.3%			
Corporate Costs, Unallocated Op Inc	-$4,467	-$5,789	-$7,150	-$7,655	N/A	N/A	N/A
OPERATING EXPENSE AND PROFITABILITY RESULTS							
Gross Profit	**$60,977**	**$73,853**	**$78,857**	**$76,158**	**29.3%**	**24.9%**	**-3.4%**
Research and Development	$15,151	$18,219	$21,162	$20,640	39.7%	36.2%	-2.5%
Sales and Marketing	$7,205	$8,403	$9,133	$8,804	26.8%	22.2%	-3.6%
General and Administrative	$3,936	$6,461	$4,789	$6,138	21.7%	55.9%	28.2%
Operating Income	**$31,228**	**$40,770**	**$43,772**	**$40,576**	**40.2%**	**29.9%**	**-7.3%**
GAAP EPS	**$2.87**	**$9.11**	**$3.10**	**$2.12**	**8.0%**	**-26.2%**	**-31.7%**
% of Revenue							
Gross Margin	**69.7%**	**71.3%**	**70.8%**	**68.5%**			
Research and Development	17.3%	17.6%	19.0%	18.6%			
Sales and Marketing	8.2%	8.1%	8.2%	7.9%			
General and Administrative	4.5%	6.2%	4.3%	5.5%			
Operating Margin	**30.5%**	**34.0%**	**34.3%**	**31.8%**			

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Source: Citi Research, Company Reports

Updating our Projections: Following 3Q26 results, we are updating our projections for 4Q26 and beyond. We are raising our revenue projections by +1% in '27E & +2% in '28E to reflect accelerating Cloud revenue growth offsetting advertising growth deceleration. However, our GAAP OI projections are revised downwards by ~2% in '27E & ~3% in '28E on rising growth investments to expand compute capacity.

Figure 5. GOOGL Old vs. New Projections

	4Q26E		2026E		1Q27E	2Q27E	3Q27E	4Q27E	2027E		2028E	
	Old	New	Old	New	New	New	New	New	Old	New	Old	New
Total Revenue	**$141,126**	**$141,644**	**$498,559**	**$498,913**	**$143,346**	**$157,555**	**$171,533**	**$190,902**	**$654,104**	**$663,336**	**$799,916**	**$815,451**
Y/Y growth	*24.0%*	*24.4%*	*23.8%*	*23.9%*	*30.4%*	*31.5%*	*34.5%*	*34.8%*	*31.2%*	*33.0%*	*22.3%*	*22.9%*
Q/Q growth	*10.5%*	*11.0%*		-	*1.2%*	*9.9%*	*8.9%*	*11.3%*		-		-
% change to estimate		0.4%		0.1%						1.4%		1.9%
Net Revenue	**$123,126**	**$123,709**	**$432,791**	**$433,205**	**$127,030**	**$140,195**	**$153,921**	**$171,691**	**$582,810**	**$592,837**	**$722,999**	**$739,764**
Y/Y growth	*26.6%*	*27.2%*	*26.2%*	*26.3%*	*34.2%*	*35.3%*	*38.4%*	*38.8%*	*34.7%*	*36.8%*	*24.1%*	*24.8%*
Q/Q growth	*-86.1%*	*-86.6%*		-	-	-	-	-		-		-
% change to estimate		0.5%		0.1%						1.7%		2.3%
Operating Income	**$48,881**	**$46,020**	**$173,119**	**$167,062**	**$49,923**	**$52,713**	**$54,796**	**$62,839**	**$230,210**	**$220,271**	**$287,754**	**$269,274**
Y/Y growth	*36.0%*	*28.1%*	*34.2%*	*29.5%*	*25.8%*	*29.3%*	*35.0%*	*36.5%*	*33.0%*	*31.8%*	*25.0%*	*22.2%*
Operating Margin on Gross Revenue	*34.6%*	*32.5%*	*34.7%*	*33.5%*	*34.8%*	*33.5%*	*31.9%*	*32.9%*	*35.2%*	*33.2%*	*36.0%*	*33.0%*
% change to estimate		-5.9%		-3.5%						-4.3%		-6.4%
EBITDA	**$68,088**	**$65,364**	**$237,646**	**$231,699**	**$70,981**	**$77,854**	**$84,131**	**$95,855**	**$335,107**	**$328,821**	**$442,813**	**$430,172**
Y/Y growth	*33.1%*	*27.8%*	*30.5%*	*27.3%*	*34.1%*	*39.4%*	*46.1%*	*46.6%*	*41.0%*	*41.9%*	*32.1%*	*30.8%*
Margin	55.3%	52.8%	54.9%	53.5%	55.9%	55.5%	54.7%	55.8%	57.5%	55.5%	61.2%	58.1%
% change to estimate		-4.0%		-2.5%						-1.9%		-2.9%
GAAP EPS	**$3.42**	**$3.23**	**$20.70**	**$19.54**	**$3.46**	**$3.61**	**$3.71**	**$4.20**	**$15.87**	**$14.98**	**$19.45**	**$17.83**
Y/Y growth	*21.3%*	*14.7%*	*91.5%*	*80.8%*	*-32.4%*	*-60.4%*	*75.3%*	*29.8%*	*-23.3%*	*-23.3%*	*22.5%*	*19.0%*
NI Margin	*34.6%*	*32.5%*	*59.1%*	*55.6%*	*34.1%*	*32.5%*	*30.7%*	*31.4%*	*34.0%*	*32.0%*	*33.9%*	*30.9%*
% change to estimate		-5.4%		-5.6%						-5.6%		-8.3%
Capital expenditures	**$68,335**	**$71,751**	**$205,737**	**$203,704**	**$69,866**	**$78,509**	**$87,735**	**$98,722**	**$329,288**	**$334,833**	**$422,955**	**$432,762**
Y/Y growth	*145.4%*	*157.6%*	*125.0%*	*122.8%*	*95.8%*	*74.8%*	*70.8%*	*37.6%*	*60.1%*	*64.4%*	*28.4%*	*29.2%*
% change to estimate		5.0%		-1.0%						1.7%		2.3%

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Source: Citi Research, Company Reports

Figure 6. GOOGL Income Statement, $ in millions except per share amounts (2024A-2028E)

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Total Google Services Revenue	304,930	342,721	89,637	94,540	96,302	105,031	385,510	97,825	102,643	105,099	114,419	419,986	455,960
Google Cloud	43,229	58,705	20,028	24,768	30,709	36,211	111,716	45,063	54,490	66,024	76,044	241,620	357,598
Other Bets	1,648	1,537	411	382	372	401	1,566	458	422	409	440	1,729	1,893
Hedging gains (losses)	211	(127)	(180)	106	194	-	120	-	-	-	-	-	-
Gross Revenues	**350,018**	**402,836**	**109,896**	**119,796**	**127,577**	**141,644**	**498,913**	**143,346**	**157,555**	**171,533**	**190,902**	**663,336**	**815,451**
Less: Traffic Acquisition Costs (TAC)	54,900	59,926	15,228	16,179	16,366	17,934	65,707	16,317	17,360	17,611	19,212	70,499	75,688
Net Revenues	**295,118**	**342,910**	**94,668**	**103,617**	**111,211**	**123,709**	**433,205**	**127,030**	**140,195**	**153,921**	**171,691**	**592,837**	**739,764**
Less: Cost of revenue (ex. TAC)	91,253	102,609	26,043	29,764	35,053	39,216	130,076	38,236	44,862	50,794	56,658	190,550	240,423
Gross Profit	**203,865**	**240,301**	**68,625**	**73,853**	**76,158**	**84,493**	**303,129**	**88,794**	**95,333**	**103,127**	**115,033**	**402,286**	**499,341**
Operating Expenses													
Research & Development	49,079	58,987	17,032	18,219	20,640	22,144	78,035	23,119	24,955	28,783	30,904	107,762	135,377
Sales and marketing	27,591	28,693	7,606	8,403	8,804	9,897	34,710	10,289	11,356	12,160	13,735	47,540	58,441
General & Administrative	13,482	16,650	4,291	6,461	6,138	6,433	23,323	5,462	6,309	7,388	7,554	26,714	36,248
1x items (including DoJ/EU fines)	1,323	6,932	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	91,475	111,262	28,929	33,083	35,582	38,474	136,068	38,871	42,619	48,331	52,194	182,016	230,067
GAAP Operating Income	**112,390**	**129,039**	**39,696**	**40,770**	**40,576**	**46,020**	**167,062**	**49,923**	**52,713**	**54,796**	**62,839**	**220,271**	**269,274**
PF Operating Income	**113,713**	**135,971**	**39,696**	**40,770**	**40,576**	**46,020**	**167,062**	**49,923**	**52,713**	**54,796**	**62,839**	**220,271**	**269,274**
Other income (expense)	7,425	21,787	37,716	97,983	(8,221)	2,176	129,654	2,008	1,911	1,780	1,634	7,333	4,016
1x items	-	8,000	-	-	-	-	-	-	-	-	-	-	-
Income before taxes	**119,815**	**158,826**	**77,412**	**138,753**	**32,355**	**48,196**	**296,716**	**51,930**	**54,625**	**56,576**	**64,473**	**227,604**	**273,290**
Provision for taxes	19,697	26,656	14,834	26,560	5,887	7,711	54,992	8,309	8,740	9,052	10,316	36,417	43,726
Effective tax rate	16.4%	16.8%	19.2%	19.1%	18.2%	16.0%	18.5%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Loss on discountinued operations and other, net of tax													
Preferred stock dividends	-	-	-	86	298	298	682	298	298	298	298	1,192	1,192
GAAP Net income	100,118	132,170	62,578	112,107	26,170	40,187	241,042	43,323	45,587	47,226	53,859	189,995	228,372
GAAP Net income per share -- Basic	**$8.13**	**$10.91**	**$5.17**	**$9.23**	**$2.14**	**$3.26**	**$19.75**	**$3.49**	**$3.64**	**$3.74**	**$4.24**	**$15.12**	**$17.99**
GAAP Net income per share -- Diluted	**$8.04**	**$10.81**	**$5.11**	**$9.11**	**$2.12**	**$3.23**	**$19.54**	**$3.46**	**$3.61**	**$3.71**	**$4.20**	**$14.98**	**$17.83**
Basic shares outstanding (M)	12,319	12,116	12,099	12,151	12,256	12,317	12,206	12,416	12,515	12,615	12,716	12,566	12,691
Diluted shares outstanding (M)	12,447	12,230	12,238	12,309	12,368	12,430	12,336	12,529	12,630	12,731	12,832	12,680	12,807
Non-recurring items:													
Stock Compensation expense	22,785	24,953	6,751	7,957	8,630	9,278	32,616	8,892	10,374	11,544	12,362	43,172	51,783
1x items	1,323.0	(1,068)	(36,915)	(99,000)	-	-	(135,915)	-	-	-	-	-	-
Tax Effect	3,948	3,921	(5,780)	(17,427)	1,570	1,485	(20,153)	1,423	1,660	1,847	1,978	6,908	8,285
Non-GAAP Net Income	120,278	152,134	38,194	38,491	33,230	47,980	157,896	50,793	54,301	56,923	64,243	226,260	271,870
Non-GAAP Diluted Income per share	**$9.66**	**$12.44**	**$3.12**	**$3.13**	**$2.69**	**$3.86**	**$12.80**	**$4.05**	**$4.30**	**$4.47**	**$5.01**	**$17.84**	**$21.23**
EBITDA Reconciliation													
Operating Income	112,390	129,039	39,696	40,770	40,576	46,020	167,062	49,923	52,713	54,796	62,839	220,271	269,274
Depreciation and amortization expense	15,311	21,136	6,482	7,104	8,369	10,066	32,021	12,166	14,766	17,791	20,655	65,378	109,115
Stock-based compensation	22,785	24,953	6,751	7,957	8,630	9,278	32,616	8,892	10,374	11,544	12,362	43,172	51,783
1x Items	1,323	6,932	-	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**151,809.0**	**182,060.0**	**52,929.0**	**55,831.0**	**57,575.0**	**65,364.4**	**231,699.4**	**70,981.0**	**77,854.1**	**84,130.6**	**95,855.3**	**328,821.0**	**430,172.3**

Y/Y % Change

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Total Google Services Revenue	*11.9%*	*12.4%*	*16.0%*	*14.5%*	*10.6%*	*9.6%*	*12.5%*	*9.1%*	*8.6%*	*9.1%*	*8.9%*	*8.9%*	*8.6%*
Google Cloud	*30.6%*	*35.8%*	*63.4%*	*81.8%*	*102.6%*	*105.0%*	*90.3%*	*125.0%*	*120.0%*	*115.0%*	*110.0%*	*116.3%*	*48.0%*
Other Bets	*7.9%*	*-6.7%*	*-8.7%*	*2.4%*	*8.1%*	*8.5%*	*1.9%*	*11.5%*	*10.5%*	*10.0%*	*9.5%*	*10.4%*	*9.5%*
Hedging gains (losses)	*-10.6%*	*-160.2%*	*-169.2%*	*-194.6%*	*N/A*	*N/A*	*-194.5%*	*N/A*	*N/A*	*N/A*	*N/A*	*-100.0%*	*N/A*
Gross Revenues	***13.9%***	***15.1%***	***21.8%***	***24.2%***	***24.7%***	***24.4%***	***23.9%***	***30.4%***	***31.5%***	***34.5%***	***34.8%***	***33.0%***	***22.9%***
Traffic Acquisition Costs (TAC)	*7.9%*	*9.2%*	*10.8%*	*10.0%*	*10.0%*	*8.1%*	*9.6%*	*7.2%*	*7.3%*	*7.6%*	*7.1%*	*7.3%*	*7.4%*
Net Revenues	***15.1%***	***16.2%***	***23.8%***	***26.8%***	***27.1%***	***27.2%***	***26.3%***	***34.2%***	***35.3%***	***38.4%***	***38.8%***	***36.8%***	***24.8%***
Cost of revenue	*12.0%*	*12.4%*	*15.2%*	*22.3%*	*32.3%*	*34.4%*	*26.8%*	*46.8%*	*50.7%*	*44.9%*	*44.5%*	*46.5%*	*26.2%*
Gross profit	***16.5%***	***17.9%***	***27.4%***	***28.7%***	***24.9%***	***24.1%***	***26.1%***	***29.4%***	***29.1%***	***35.4%***	***36.1%***	***32.7%***	***24.1%***
Research & Development	*12.3%*	*20.2%*	*25.6%*	*31.9%*	*36.2%*	*34.4%*	*32.3%*	*35.7%*	*37.0%*	*39.5%*	*39.6%*	*38.1%*	*25.6%*
Sales and marketing	*1.6%*	*4.0%*	*23.2%*	*18.3%*	*22.2%*	*20.5%*	*21.0%*	*35.3%*	*35.1%*	*38.1%*	*38.8%*	*37.0%*	*22.9%*
General & Administrative	*-13.9%*	*23.5%*	*21.2%*	*68.5%*	*55.9%*	*20.4%*	*40.1%*	*27.3%*	*-2.4%*	*20.4%*	*17.4%*	*14.5%*	*35.7%*
GAAP Operating Expenses	***0.8%***	***21.6%***	***24.3%***	***26.7%***	***19.6%***	***19.8%***	***22.3%***	***34.4%***	***28.8%***	***35.8%***	***35.7%***	***33.8%***	***26.4%***
PF Operating Expenses	***4.2%***	***15.7%***	***24.3%***	***33.7%***	***35.3%***	***28.1%***	***30.4%***	***34.4%***	***28.8%***	***35.8%***	***35.7%***	***33.8%***	***26.4%***
GAAP Operating Income	***33.3%***	***14.8%***	***29.7%***	***30.4%***	***29.9%***	***28.1%***	***29.5%***	***25.8%***	***29.3%***	***35.0%***	***36.5%***	***31.8%***	***22.2%***
PF Operating Income	***28.5%***	***19.6%***	***29.7%***	***24.9%***	***17.0%***	***21.0%***	***22.9%***	***25.8%***	***29.3%***	***35.0%***	***36.5%***	***31.8%***	***22.2%***
Adjusted EBITDA	***21.8%***	***19.9%***	***30.3%***	***27.9%***	***23.4%***	***27.8%***	***27.3%***	***34.1%***	***39.4%***	***46.1%***	***46.6%***	***41.9%***	***30.8%***
GAAP EPS	*38.7%*	*34.4%*	*82.0%*	*294.0%*	*-26.2%*	*14.7%*	*80.8%*	*-32.4%*	*-60.4%*	*75.3%*	*29.8%*	*-23.3%*	*19.0%*
% of Net Revenue													
Cost of revenues (non-TAC)	30.9%	29.9%	27.5%	28.7%	31.5%	31.7%	30.0%	30.1%	32.0%	33.0%	33.0%	32.1%	32.5%
Research & Development	16.6%	17.2%	18.0%	17.6%	18.6%	17.9%	18.0%	18.2%	17.8%	18.7%	18.0%	18.2%	18.3%
Sales and marketing	9.3%	8.4%	8.0%	8.1%	7.9%	8.0%	8.0%	8.1%	8.1%	7.9%	8.0%	8.0%	7.9%
General & Administrative	4.6%	4.9%	4.5%	6.2%	5.5%	5.2%	5.4%	4.3%	4.5%	4.8%	4.4%	4.5%	4.9%
Stock-based compensation expenses	7.7%	7.3%	7.1%	7.7%	7.8%	7.5%	7.5%	7.0%	7.4%	7.5%	7.2%	7.3%	7.0%
Margins as a % of net revenues													
Gross margin	**69.1%**	**70.1%**	**72.5%**	**71.3%**	**68.5%**	**68.3%**	**70.0%**	**69.9%**	**68.0%**	**67.0%**	**67.0%**	**67.9%**	**67.5%**
GAAP Operating margin	**38.1%**	**37.6%**	**41.9%**	**39.3%**	**36.5%**	**37.2%**	**38.6%**	**39.3%**	**37.6%**	**35.6%**	**36.6%**	**37.2%**	**36.4%**
PF Operating Income	**38.5%**	**39.7%**	**41.9%**	**39.3%**	**36.5%**	**37.2%**	**38.6%**	**39.3%**	**37.6%**	**35.6%**	**36.6%**	**37.2%**	**36.4%**
Net Income margin	33.9%	38.5%	66.1%	108.2%	23.5%	32.5%	55.6%	34.1%	32.5%	30.7%	31.4%	32.0%	30.9%
Adjusted EBITDA margin	**51.4%**	**53.1%**	**55.9%**	**53.9%**	**51.8%**	**52.8%**	**53.5%**	**55.9%**	**55.5%**	**54.7%**	**55.8%**	**55.5%**	**58.1%**
Margins as a % of gross revenues													
Gross margin	**58.2%**	**59.7%**	**62.4%**	**61.6%**	**59.7%**	**59.7%**	**60.8%**	**61.9%**	**60.5%**	**60.1%**	**60.3%**	**60.6%**	**61.2%**
GAAP Operating margin	**32.1%**	**32.0%**	**36.1%**	**34.0%**	**31.8%**	**32.5%**	**33.5%**	**34.8%**	**33.5%**	**31.9%**	**32.9%**	**33.2%**	**33.0%**
PF Operating Income	**32.5%**	**33.8%**	**36.1%**	**34.0%**	**31.8%**	**32.5%**	**33.5%**	**34.8%**	**33.5%**	**31.9%**	**32.9%**	**33.2%**	**33.0%**
Net Income margin	28.6%	32.8%	56.9%	93.6%	20.5%	28.4%	48.3%	30.2%	28.9%	27.5%	28.2%	28.6%	28.0%
Adjusted EBITDA margin	**43.4%**	**45.2%**	**48.2%**	**46.6%**	**45.1%**	**46.1%**	**46.4%**	**49.5%**	**49.4%**	**49.0%**	**50.2%**	**49.6%**	**52.8%**
Operating Leverage (Change in EBITDA/ Change in Net Rev)	70.3%	63.3%	67.8%	55.7%	46.0%	53.7%	55.0%	55.8%	60.2%	62.2%	63.5%	60.8%	69.0%
Dividends Paid	7,363	10,050	2,542	2,689	2,936	2,951	11,118	2,974	2,998	3,022	3,046	12,041	12,161
Dividends Paid Per Share	0.59	0.82	0.21	0.22	0.24	0.24	0.90	0.24	0.24	0.24	0.24	0.95	0.95

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Source: Citi Research, Company Reports

Figure 7. GOOGL Revenue Analysis, $ in millions (2024A-2028E)

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
REVENUE ANALYSIS													
Google Search and Other	**198,084**	**224,532**	**60,399**	**63,271**	**63,350**	**69,996**	**256,716**	**66,439**	**69,282**	**70,002**	**76,665**	**282,388**	**309,214**
Y/Y growth	*13.2%*	*13.4%*	*19.1%*	*16.8%*	*12.0%*	*10.5%*	*14.3%*	*10.0%*	*9.5%*	*10.5%*	*10.0%*	*10.0%*	*9.5%*
Y/Y growth ex-FX	*14.1%*		*16.3%*	*15.7%*	*12.2%*								
Q/Q growth			*-4.2%*	*4.8%*	*0.1%*	*10.0%*		*-4.7%*	*4.3%*	*1.0%*	*9.5%*		
YouTube Ads	**36,147**	**40,367**	**9,880**	**11,055**	**11,207**	**12,464**	**44,609**	**10,723**	**11,884**	**12,104**	**13,462**	**48,172**	**51,785**
Y/Y growth	*14.7%*	*11.7%*	*10.7%*	*12.9%*	*9.2%*	*9.5%*	*10.5%*	*8.5%*	*7.5%*	*8.0%*	*8.0%*	*8.0%*	*7.5%*
Q/Q growth			*-13.2%*	*11.9%*	*1.4%*	*11.2%*		*-14.0%*	*10.8%*	*1.8%*	*11.2%*		
Google Properties	**234,231**	**264,899**	**70,282**	**74,326**	**74,557**	**82,160**	**301,325**	**77,162**	**81,166**	**82,105**	**90,127**	**330,560**	**361,000**
Y/Y growth	*13.4%*	*13.1%*	*17.9%*	*16.2%*	*11.6%*	*10.3%*	*13.8%*	*9.8%*	*9.2%*	*10.1%*	*9.7%*	*9.7%*	*9.2%*
Q/Q growth			*-5.6%*	*5.8%*	*0.3%*	*10.2%*		*-6.1%*	*5.2%*	*1.2%*	*9.8%*		
Google Network Websites	**30,359**	**29,792**	**6,971**	**7,303**	**7,455**	**7,867**	**29,596**	**7,041**	**7,340**	**7,418**	**7,788**	**29,586**	**29,734**
Y/Y growth	*-3.0%*	*-1.9%*	*-3.9%*	*-0.7%*	*1.4%*	*0.5%*	*-0.7%*	*1.0%*	*0.5%*	*-0.5%*	*-1.0%*	*0.0%*	*0.5%*
Q/Q growth			*-10.9%*	*4.8%*	*2.1%*	*5.5%*		*-10.5%*	*4.2%*	*1.1%*	*5.0%*		
Total Advertising Revenues	**264,590**	**294,691**	**77,253**	**81,629**	**82,012**	**90,027**	**330,921**	**84,203**	**88,505**	**89,523**	**97,915**	**360,146**	**390,734**
Y/Y growth	*11.2%*	*11.4%*	*15.5%*	*14.4%*	*10.6%*	*9.4%*	*12.3%*	*9.0%*	*8.4%*	*9.2%*	*8.8%*	*8.8%*	*8.5%*
Q/Q growth			*-6.1%*	*5.7%*	*0.5%*	*9.8%*		*-6.5%*	*5.1%*	*1.1%*	*9.4%*		
Google Subscriptions, Platforms, and Devices	**40,340**	**48,030**	**12,384**	**12,911**	**14,290**	**15,004**	**54,589**	**13,622**	**14,138**	**15,576**	**16,504**	**59,840**	**65,226**
Y/Y growth	*16.3%*	*19.1%*	*19.3%*	*15.2%*	*11.0%*	*10.5%*	*13.7%*	*10.0%*	*9.5%*	*9.0%*	*10.0%*	*9.6%*	*9.0%*
Q/Q growth			*-8.8%*	*4.3%*	*10.7%*	*5.0%*		*-9.2%*	*3.8%*	*10.2%*	*6.0%*		
Total Google Services Revenues	**304,930**	**342,721**	**89,637**	**94,540**	**96,302**	**105,031**	**385,510**	**97,825**	**102,643**	**105,099**	**114,419**	**419,986**	**455,960**
Y/Y growth	*11.9%*	*12.4%*	*16.0%*	*14.5%*	*10.6%*	*9.6%*	*12.5%*	*9.1%*	*8.6%*	*9.1%*	*8.9%*	*8.9%*	*8.6%*
Q/Q growth			*-6.5%*	*5.5%*	*1.9%*	*9.1%*		*-6.9%*	*4.9%*	*2.4%*	*8.9%*		
Google Cloud	**43,229**	**58,705**	**20,028**	**24,768**	**30,709**	**36,211**	**111,716**	**45,063**	**54,490**	**66,024**	**76,044**	**241,620**	**357,598**
Incremental Google Cloud Revenues (Y/Y)	10,141	15,476	7,768	11,144	15,552	18,547	53,011	25,035	29,722	35,315	39,832	129,904	115,978
Incremental Google Cloud Revenues (Q/Q)			2,364.0	4,740.0	5,941.0	5,502.2		8,851.8	9,426.6	11,534.8	10,019.2		
Y/Y growth	*30.6%*	*35.8%*	*63.4%*	*81.8%*	*102.6%*	*105.0%*	*90.3%*	*125.0%*	*120.0%*	*115.0%*	*110.0%*	*116.3%*	*48.0%*
Q/Q growth			*13.4%*	*23.7%*	*24.0%*	*17.9%*		*24.4%*	*20.9%*	*21.2%*	*15.2%*		
TPU Revenue from 3P Sales			***N/A***	**1,539**	**4,942**	**7,066**	**13,547**	**12,618**	**19,646**	**28,662**	**34,857**	**95,583**	**158,067**
Y/Y growth			*N/A*	*N/A*	*N/A*	*N/A*		*N/A*	*1176.5%*	*480.0%*	*390.5%*	*605.6%*	*63.3%*
Q/Q growth			*N/A*	*N/A*	*221.1%*	*43.0%*		*78.6%*	*55.7%*	*45.9%*	*20.9%*		
Core Google Cloud (ex-TPUs)	**43,229**	**58,705**	**20,028**	**23,229**	**25,767**	**29,146**	**98,169**	**32,445**	**34,843**	**37,362**	**41,187**	**146,037**	**201,532**
Y/Y growth	*30.6%*	*35.8%*	*63.4%*	*70.5%*	*70.0%*	*65.0%*	*67.2%*	*62.0%*	*50.0%*	*45.0%*	*42.0%*	*48.8%*	*38.0%*
Q/Q growth			*13.4%*	*16.0%*	*10.9%*	*13.1%*		*11.3%*	*7.4%*	*7.2%*	*10.8%*		
Cloud Backlog	**93,200**	**240,000**	**462,300**	**513,900**	**661,000**	**588,000**	**588,000**	**624,105**	**673,209**	**706,860**	**735,000**	**735,000**	**889,350**
Incremental Cloud Backlog (Y/Y)	19,100.0	146,800.0	369,900.0	407,900.0	406,000.0	348,000.0	348,000.0	161,805.0	159,309.0	145,860.0	147,000.0	147,000.0	154,350.0
Incremental Cloud Backlog (Q/Q)			222,300.0	51,600.0	47,100.0	27,000.0		36,105.0	49,104.0	33,651.0	28,140.0		
Y/Y growth	*25.8%*	*157.5%*	*400.3%*	*384.8%*	*261.9%*	*145.0%*	*145.0%*	*35.0%*	*31.0%*	*26.0%*	*25.0%*	*25.0%*	*21.0%*
Q/Q growth			*92.6%*	*11.2%*	*9.2%*	*4.8%*		*6.1%*	*7.9%*	*5.0%*	*4.0%*		
Total Google Revenues	**348,159**	**401,426**	**109,666**	**119,308**	**127,011**	**141,242**	**497,226**	**142,888**	**157,133**	**171,123**	**190,463**	**661,607**	**813,558**
Y/Y growth	*13.9%*	*15.3%*	*22.5%*	*24.1%*	*24.3%*	*24.4%*	*23.9%*	*30.3%*	*31.7%*	*34.7%*	*34.8%*	*33.1%*	*23.0%*
Q/Q growth			*-3.4%*	*8.8%*	*6.5%*	*11.2%*		*1.2%*	*10.0%*	*8.9%*	*11.3%*		
Other Bets	**1,648**	**1,537**	**411**	**382**	**372**	**401**	**1,566**	**458**	**422**	**409**	**440**	**1,729**	**1,893**
Y/Y growth	*7.9%*	*-6.7%*	*-8.7%*	*2.4%*	*8.1%*	*8.5%*	*1.9%*	*11.5%*	*10.5%*	*10.0%*	*9.5%*	*10.4%*	*9.5%*
Q/Q growth			*11.1%*	*-7.1%*	*-2.6%*	*7.9%*		*14.2%*	*-7.9%*	*-3.1%*	*7.4%*		
Hedging G/L	**211.0**	**(127.0)**	**(180.0)**	**108.0**	**194.0**	**-**	**120.0**	**-**	**-**	**-**	**-**	**-**	**-**
Y/Y growth	*-10.6%*	*-160.2%*	*-169.2%*	*-194.6%*	*-193.7%*	*--*	*-194.5%*	*--*	*--*	*--*	*--*	*-100.0%*	*--*
Q/Q growth			*164.7%*	*-158.9%*	*83.0%*	*--*		*--*	*--*	*--*	*--*		
Total revenue	**350,018**	**402,836**	**109,896**	**119,796**	**127,577**	**141,644**	**498,913**	**143,346**	**157,555**	**171,533**	**190,902**	**663,336**	**815,451**
Y/Y growth	*13.9%*	*15.1%*	*21.8%*	*24.2%*	*24.7%*	*24.4%*	*23.9%*	*30.4%*	*31.5%*	*34.5%*	*34.8%*	*33.0%*	*22.9%*
Q/Q growth			*-3.5%*	*9.0%*	*6.5%*	*11.0%*		*1.2%*	*9.9%*	*8.9%*	*11.3%*		
Seasonality			38.9%	42.4%	45.1%	46.1%		46.6%	51.3%	55.8%	62.1%		
Y/Y growth ex-FX	*14.8%*		*19.0%*	*23.2%*	*24.9%*								
Gross Revenue As a % of Alphabet Total Gross Revenue													
Google Search and Other	56.6%	55.7%	55.0%	52.8%	49.7%	49.2%	51.5%	46.3%	44.0%	40.8%	40.2%	42.6%	37.9%
YouTube Ads	10.3%	10.0%	9.0%	9.2%	8.8%	8.8%	8.9%	7.5%	7.5%	7.1%	7.1%	7.3%	6.4%
Google Properties	**66.9%**	**65.8%**	**64.0%**	**62.0%**	**58.4%**	**58.0%**	**60.4%**	**53.8%**	**51.5%**	**47.9%**	**47.2%**	**49.8%**	**44.3%**
Google Network Websites	8.7%	7.4%	6.3%	6.1%	5.8%	5.6%	5.9%	4.9%	4.7%	4.3%	4.1%	4.5%	3.6%
Total Advertising Revenues	**75.6%**	**73.2%**	**70.3%**	**68.1%**	**64.3%**	**63.6%**	**66.3%**	**58.7%**	**56.2%**	**52.2%**	**51.3%**	**54.3%**	**47.9%**
Google Subscriptions, Platforms, and Devices	11.5%	11.9%	11.3%	10.8%	11.2%	10.6%	10.9%	9.5%	9.0%	9.1%	8.6%	9.0%	8.0%
Google Cloud	12.4%	14.6%	18.2%	20.7%	24.1%	25.6%	22.4%	31.4%	34.6%	38.5%	39.8%	36.4%	43.9%
Total Google	**99.5%**	**99.6%**	**99.8%**	**99.6%**	**99.6%**	**99.7%**	**99.7%**	**99.7%**	**99.7%**	**99.8%**	**99.8%**	**99.7%**	**99.8%**
Other Bets	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%
Hedging	0.1%	0.0%	-0.2%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Alphabet Gross Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

TAC & Net Revenue Analysis

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Google Search and Other Revenue	198,084	224,532	60,399	63,271	63,350	69,696	256,716	66,439	69,282	70,002	76,665	282,388	309,214
TAC Google Search and Other	**33,962**	**39,577**	**10,418**	**11,178**	**11,259**	**12,545**	**45,399**	**11,494**	**12,332**	**12,830**	**13,876**	**50,233**	**55,949**
TAC as a % of Google Search & Other Revs	17.1%	17.6%	17.2%	17.7%	17.8%	18.0%	17.7%	17.3%	17.8%	17.9%	18.1%	17.8%	17.9%
Y/Y growth	*15.9%*	*16.5%*	*18.2%*	*15.4%*	*14.4%*	*11.7%*	*14.7%*	*10.3%*	*10.3%*	*11.3%*	*10.6%*	*10.6%*	*10.2%*
Q/Q growth			*-7.3%*	*7.3%*	*0.7%*	*11.4%*		*-8.4%*	*7.3%*	*1.6%*	*10.7%*		
Google Network Websites Revenue	30,359	29,792	6,971	7,303	7,455	7,867	29,596	7,041	7,340	7,418	7,788	29,586	29,734
TAC Google Network Websites	**20,938**	**20,349**	**4,810**	**5,003**	**5,107**	**5,389**	**20,308**	**4,823**	**5,028**	**5,081**	**5,336**	**20,267**	**20,338**
TAC Share	69.0%	68.3%	69.0%	68.5%	68.5%	68.5%	68.6%	68.5%	68.5%	68.5%	68.5%	68.5%	68.4%
Y/Y growth	*-3.0%*	*-2.8%*	*-2.5%*	*-0.4%*	*1.5%*	*0.5%*	*-0.2%*	*0.3%*	*0.5%*	*-0.5%*	*-1.0%*	*-0.2%*	*0.4%*
Q/Q growth			*-10.3%*	*4.0%*	*2.1%*	*5.5%*		*-10.5%*	*4.2%*	*1.1%*	*5.0%*		
Total TAC	**54,900**	**59,926**	**15,228**	**16,179**	**16,366**	**17,934**	**65,707**	**16,317**	**17,360**	**17,911**	**19,212**	**70,499**	**75,688**
TAC as a % of Google Search & Other + Network Revenue	24.0%	23.6%	22.6%	22.9%	23.1%	23.1%	22.9%	22.2%	22.7%	22.7%	22.7%	22.6%	22.3%
Y/Y growth	*7.9%*	*9.2%*	*10.8%*	*10.0%*	*10.0%*	*8.1%*	*9.6%*	*7.2%*	*7.3%*	*7.6%*	*7.1%*	*7.3%*	*7.4%*
Q/Q growth			*-8.2%*	*6.2%*	*1.2%*	*9.6%*		*-9.0%*	*6.4%*	*1.5%*	*9.1%*		
Seasonality			29.9%	31.8%	33.4%	32.7%		29.7%	31.6%	32.1%	35.0%		

NET REVENUE BY SEGMENT

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Net Revenue Google Search and Other	**164,122**	**184,955**	**49,981**	**52,095**	**52,091**	**57,150**	**211,317**	**54,945**	**56,950**	**57,471**	**62,789**	**232,155**	**253,865**
Y/Y growth	*12.6%*	*12.7%*	*19.3%*	*17.0%*	*11.5%*	*10.2%*	*14.3%*	*9.9%*	*9.3%*	*10.3%*	*9.9%*	*9.9%*	*9.4%*
Q/Q growth			*-3.6%*	*4.2%*	*0.0%*	*9.7%*		*-3.9%*	*3.6%*	*0.9%*	*9.3%*		
Net Revenue Google Network Websites	**9,421**	**9,443**	**2,161**	**2,300**	**2,348**	**2,478**	**9,288**	**2,218**	**2,312**	**2,337**	**2,453**	**9,320**	**9,396**
Y/Y growth	*-3.0%*	*0.2%*	*-6.9%*	*-1.3%*	*1.1%*	*0.5%*	*-1.6%*	*2.6%*	*0.5%*	*-0.5%*	*-1.0%*	*0.3%*	*0.8%*
Q/Q growth			*-12.4%*	*6.5%*	*2.1%*	*5.5%*		*-10.5%*	*4.2%*	*1.1%*	*5.0%*		
Total Google Search, Other, and Website Net Revenue	**173,543**	**194,398**	**52,142**	**54,395**	**54,439**	**59,629**	**220,605**	**57,163**	**59,282**	**59,808**	**65,242**	**241,475**	**263,261**
Y/Y growth	*11.6%*	*12.0%*	*17.9%*	*16.1%*	*11.0%*	*9.8%*	*13.5%*	*9.6%*	*8.9%*	*9.9%*	*9.4%*	*9.5%*	*9.0%*
Q/Q growth			*-4.0%*	*4.3%*	*0.1%*	*9.5%*		*-4.1%*	*3.7%*	*0.9%*	*9.1%*		
As % of Total Net Revenue													
Google Search and Other	55.6%	53.9%	52.8%	50.3%	46.8%	46.2%	48.8%	43.3%	40.6%	37.3%	36.6%	39.2%	34.3%
YouTube Ads	12.2%	11.8%	10.4%	10.7%	10.1%	10.1%	10.3%	8.4%	8.5%	7.9%	7.8%	8.1%	7.0%
Google Properties	**67.9%**	**65.7%**	**63.2%**	**60.9%**	**59.0%**	**58.3%**	**59.1%**	**51.7%**	**49.1%**	**45.2%**	**44.4%**	**47.3%**	**41.3%**
Google Network Websites	3.2%	2.8%	2.3%	2.2%	2.1%	2.0%	2.1%	1.7%	1.6%	1.5%	1.4%	1.6%	1.3%
Total Advertising Revenues	**71.1%**	**68.5%**	**65.5%**	**63.2%**	**59.0%**	**58.3%**	**61.2%**	**53.4%**	**50.7%**	**46.7%**	**45.8%**	**48.9%**	**42.6%**
Google Subscriptions, Platforms, and Devices	13.7%	14.0%	13.1%	12.5%	12.8%	12.1%	12.6%	10.7%	10.1%	10.1%	9.6%	10.1%	8.8%
Google Cloud	14.6%	17.1%	21.2%	23.9%	27.6%	29.3%	25.8%	35.5%	38.9%	42.9%	44.3%	40.8%	48.3%
Total Google	**99.4%**	**99.6%**	**99.8%**	**99.5%**	**99.5%**	**99.7%**	**99.6%**	**99.6%**	**99.7%**	**99.7%**	**99.7%**	**99.7%**	**99.7%**
Other Bets	0.6%	0.4%	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Hedging	0.1%	0.0%	-0.2%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Alphabet Net Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

CORE GOOGLE KPIs

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Paid clicks on Google properties (YoY)	5%	6%	13%	13%									
Cost-per-click on Google properties (YoY)	7%	7%	5%	3%									
Impressions on Google Network Members' properties (YoY)	-11%	-7%	-9%	-12%									
Cost-per-impression on Google Network Members' properties (YoY)	10%	7%	6%	13%									

GOOGLE CLOUD BACKLOG ANALYSIS

	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Cloud Backlog	**93,200**	**240,000**	**462,300**	**513,900**	**661,000**	**588,000**	**588,000**	**624,105**	**673,209**	**706,860**	**735,000**	**735,000**	**889,350**
Incremental Cloud Backlog (Y/Y)	19,100	146,800	369,900	407,900	406,000	348,000	348,000	161,805	159,309	145,860	147,000	147,000	154,350
Incremental Cloud Backlog (Q/Q)	-	-	222,300	51,600	47,100	27,000	-	36,105	49,104	33,651	28,140	-	-
Y/Y growth	*25.8%*	*157.5%*	*400.3%*	*384.8%*	*261.9%*	*145.0%*	*145.0%*	*35.0%*	*31.0%*	*26.0%*	*25.0%*	*25.0%*	*21.0%*
Q/Q growth			*92.6%*	*11.2%*	*9.2%*	*4.8%*		*6.1%*	*7.9%*	*5.0%*	*4.0%*		
Backlog Recognized over Next 24 Months	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**55.0%**	**55.0%**	**55.0%**	**55.0%**	**55.0%**	**55.0%**	**55.0%**	**55.0%**	**55.0%**
Implied Cloud Revenue from Backlog	**19,515**	**30,121**	**15,000**	**25,894**	**32,119**	**38,569**	**114,581**	**40,425**	**42,907**	**46,283**	**48,597**	**178,212**	**202,125**
Y/Y growth	*24.1%*	*54.4%*	*157.5%*	*354.8%*	*340.7%*	*30.5%*	*280.4%*	*169.5%*	*48.5%*	*44.1%*	*26.0%*	*55.5%*	*13.4%*
Q/Q growth			*40.8%*	*92.6%*	*11.2%*	*20.1%*		*4.8%*	*6.1%*	*7.9%*	*5.0%*		
% of Total Cloud Revenue	45.1%	51.3%	74.9%	116.7%	104.6%	106.5%	102.6%	89.7%	78.7%	70.1%	63.9%	73.8%	56.5%
Total Google Cloud Revenue	**43,229**	**58,705**	**20,028**	**24,768**	**30,709**	**36,211**	**111,716**	**45,063**	**54,490**	**66,024**	**76,044**	**241,620**	**357,598**
Incremental Google Cloud Revenues (Y/Y)	10,141	15,476	7,768	11,144	15,552	18,547	53,011	25,035	29,722	35,315	39,832	129,904	115,978
Incremental Google Cloud Revenues (Q/Q)			2,364	4,740	5,941	5,502		8,852	9,427	11,535	10,019		
Y/Y growth	*30.6%*	*35.8%*	*63.4%*	*81.8%*	*102.6%*	*105.0%*	*90.3%*	*125.0%*	*120.0%*	*115.0%*	*110.0%*	*116.3%*	*48.0%*
Q/Q growth			*13.4%*	*23.7%*	*24.0%*	*17.9%*		*24.4%*	*20.9%*	*21.2%*	*15.2%*		

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Source: Citi Research, Company Reports

Figure 8. GOOGL Revenue Analysis, $ in millions (2024A-2028E)

ALPHABET SEGMENT SUMMARY	2024A	2025A	1Q26A	2Q26A	3Q26A	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	2028E
Google Services													
Google Services Gross Revenue	304,930	342,721	89,637	94,540	96,302	105,031	385,510	97,825	102,643	105,099	114,419	419,986	455,960
Y/Y growth	11.9%	12.4%	16.0%	14.5%	10.6%	9.6%	12.5%	9.1%	8.6%	9.1%	8.9%	8.9%	8.6%
% of Total Revenue	87.1%	85.1%	81.6%	78.9%	75.5%	74.2%	77.3%	68.2%	65.1%	61.3%	59.9%	63.3%	55.9%
TAC	54,900.0	59,926.0	15,228.0	16,179.0	16,366.0	17,934.2	65,707.2	16,316.8	17,359.7	17,611.5	19,211.5	70,499.5	75,687.7
Y/Y growth	7.9%	9.2%	10.8%	10.0%	10.0%	8.1%	9.6%	7.2%	7.3%	7.6%	7.1%	7.3%	7.4%
TAC as % of gross revenue	15.7%	14.9%	13.9%	13.5%	12.8%	12.7%	13.2%	11.4%	11.0%	10.3%	10.1%	10.6%	9.3%
Google Services Net Revenue	**250,030**	**282,795**	**74,409**	**78,361**	**79,936**	**87,097**	**319,803**	**81,508**	**85,283**	**87,488**	**95,208**	**349,487**	**380,272**
Y/Y growth	12.8%	13.1%	17.2%	15.5%	10.8%	9.9%	13.1%	9.5%	8.8%	9.4%	9.3%	9.3%	8.8%
Q/Q growth			*-6.1%*	*5.3%*	*2.0%*	*9.0%*		*-6.4%*	*4.6%*	*2.6%*	*8.8%*		
Google Services Operating expenses	**128,767**	**143,391**	**33,820**	**38,817**	**40,779**	**44,034**	**157,450**	**38,465**	**41,660**	**43,346**	**47,724**	**171,195**	**184,209**
Y/Y growth	*2.4%*	*11.4%*	*9.7%*	*11.6%*	*5.5%*	*12.5%*	*9.8%*	*13.7%*	*7.3%*	*6.3%*	*8.4%*	*8.7%*	*7.6%*
Q/Q growth			*-13.6%*	*14.8%*	*5.1%*	*8.0%*		*-12.6%*	*8.3%*	*4.0%*	*10.1%*		
Opex as a % of services net revenue	51.5%	50.7%	45.5%	49.5%	51.0%	50.6%	49.2%	47.2%	48.8%	49.5%	50.1%	49.0%	48.4%
Google Services GAAP Operating Income	**121,263**	**139,404**	**40,589**	**39,544**	**39,157**	**43,063**	**162,353**	**43,043**	**43,623**	**44,142**	**47,484**	**178,292**	**196,063**
Y/Y growth	26.5%	15.0%	24.2%	19.6%	16.8%	7.3%	16.5%	6.0%	10.3%	12.7%	10.3%	9.8%	10.0%
Q/Q growth			*1.1%*	*-2.6%*	*-1.0%*	*10.0%*		*0.0%*	*1.3%*	*1.2%*	*7.6%*		
Google Services margin (on Gross Revenue)	39.8%	40.7%	45.3%	41.8%	40.7%	41.0%	42.1%	44.0%	42.5%	42.0%	41.5%	42.5%	43.0%
Y/Y bps change	0.046	0.009	0.030	0.018	0.021	(0.009)	0.014	(0.013)	0.007	0.013	0.005	0.003	0.005
Google Services margin (on Net Revenue)	48.5%	49.3%	54.5%	50.5%	49.0%	49.4%	50.8%	52.8%	51.2%	50.5%	49.9%	51.0%	51.6%
Google Services Operating Leverage (Change in OI/Change in Net Rev)	89.5%	55.4%	72.6%	61.6%	72.6%	37.4%	62.0%	34.6%	58.9%	66.0%	54.5%	53.7%	57.7%
Google Cloud Summary													
Google Cloud Revenue	**43,229**	**58,705**	**20,028**	**24,768**	**30,709**	**36,211**	**111,716**	**45,063**	**54,490**	**66,024**	**76,044**	**241,620**	**357,598**
Y/Y growth	30.6%	35.8%	63.4%	81.8%	102.6%	105.0%	90.3%	125.0%	120.0%	115.0%	110.0%	116.3%	48.0%
Q/Q growth			13.4%	23.7%	24.0%	17.9%		24.4%	20.9%	21.2%	15.2%		
% of Total Revenue	12.4%	14.6%	18.2%	20.7%	24.1%	25.6%	22.4%	31.4%	34.6%	38.5%	39.8%	36.4%	43.9%
Cloud Operating expenses	**37,117**	**44,795**	**13,430**	**15,954**	**19,588**	**23,899**	**72,871**	**29,832**	**35,963**	**43,510**	**49,961**	**159,265**	**234,227**
Y/Y growth	*18.3%*	*20.7%*	*33.2%*	*47.7%*	*69.4%*	*93.5%*	*62.7%*	*122.1%*	*125.4%*	*122.1%*	*109.0%*	*118.6%*	*47.1%*
Opex as a % of Cloud Revenue	85.9%	76.3%	67.1%	64.4%	63.8%	66.0%	65.2%	66.2%	66.0%	65.9%	65.7%	65.9%	65.5%
Google Cloud GAAP Operating Income	**6,112**	**13,910**	**6,598**	**8,814**	**11,121**	**12,312**	**38,845**	**15,231**	**18,526**	**22,514**	**26,083**	**82,355**	**123,371**
Y/Y growth	256.2%	127.6%	203.1%	211.9%	209.4%	131.7%	179.3%	130.8%	110.2%	102.4%	111.9%	112.0%	49.8%
Google Cloud Margin	14.1%	23.7%	32.9%	35.6%	36.2%	34.0%	34.8%	33.8%	34.0%	34.1%	34.3%	34.1%	34.5%
Y/Y bps change	0.090	0.096	0.152	0.148	0.125	0.039	0.111	0.009	(0.016)	(0.021)	0.003	(0.007)	0.004
Google Cloud Operating Leverage (Change in OI/Change in Rev)	43.3%	50.4%	56.9%	53.7%	48.4%	37.7%	47.0%	34.5%	32.7%	32.3%	34.6%	33.5%	35.4%
Other Bets Summary													
Other Bets Revenue	**1,648**	**1,537**	**411**	**382**	**372**	**401**	**1,566**	**458**	**422**	**409**	**440**	**1,729**	**1,893**
Y/Y growth	7.9%	-6.7%	-8.7%	2.4%	8.1%	8.5%	1.9%	11.5%	10.5%	10.0%	9.5%	10.4%	9.5%
Q/Q growth			11.1%	-7.1%	-2.6%	7.9%		14.2%	-7.9%	-3.1%	7.4%		
% of Total Revenue	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%
Operating expenses	**6,092**	**9,052**	**2,511**	**2,181**	**2,419**	**2,409**	**9,520**	**2,520**	**2,216**	**2,046**	**2,088**	**8,871**	**8,520**
Y/Y growth	8.4%	48.6%	49.8%	34.7%	36.7%	-39.6%	5.2%	0.4%	1.6%	-15.4%	-13.3%	-6.8%	-3.9%
Opex as a % of Other Bets Revenue	369.7%	588.9%	610.9%	570.9%	650.3%	600.0%	607.7%	550.0%	525.0%	500.0%	475.0%	513.0%	450.0%
Other Bets GAAP Operating Income	**(4,444)**	**(7,515)**	**(2,100)**	**(1,799)**	**(2,047)**	**(2,007)**	**(7,953)**	**(2,062)**	**(1,794)**	**(1,637)**	**(1,648)**	**(7,141)**	**(6,627)**
Y/Y growth	8.5%	69.1%	71.3%	44.4%	43.5%	-44.5%	5.8%	-1.8%	-0.3%	-20.0%	-17.9%	-10.2%	-7.2%
Other Bets Margin	-269.7%	-488.9%	-510.9%	-470.9%	-550.3%	-500.0%	-507.7%	-450.0%	-425.0%	-400.0%	-375.0%	-413.0%	-350.0%
Alphabet-level Activities													
Alphabet-level Activities (Costs)	**(10,541)**	**(16,760)**	**(5,391)**	**(5,789)**	**(7,855)**	**(7,347)**	**(26,182)**	**(6,290)**	**(7,842)**	**(10,223)**	**(9,080)**	**(33,235)**	**(43,533)**
Y/Y growth	14.8%	59.0%	78.1%	71.7%	71.4%	24.7%	56.2%	16.7%	32.0%	33.5%	23.6%	26.9%	31.0%
Total Operating Income	**112,390**	**129,039**	**39,696**	**40,770**	**40,576**	**46,020**	**167,062**	**49,923**	**52,713**	**54,796**	**62,839**	**220,271**	**269,274**
Total Alphabet Operating Income Margin	32.1%	32.0%	36.1%	34.0%	31.8%	32.5%	33.5%	34.8%	33.5%	31.9%	32.9%	33.2%	33.0%
Alphabet Operating Leverage (Change in OI/Change in Gross Rev)	65.9%	31.5%	46.2%	40.6%	37.0%	36.3%	39.6%	30.6%	31.6%	32.4%	34.1%	32.4%	32.2%
INTERNATIONAL & EX-FX ANALYSIS	**2024A**	**2025A**	**1Q26A**	**2Q26A**	**3Q26A**	**4Q26E**	**2026E**	**1Q27E**	**2Q27E**	**3Q27E**	**4Q27E**	**2027E**	**2028E**
US revenue	**170,447**	**194,229**	**53,975**	**60,848**	**67,881**	**76,488**	**258,990**	**76,690**	**83,504**	**90,055**	**99,269**	**349,518**	**431,374**
Y/Y growth	*16.5%*	*14.0%*	*22.8%*	*32.1%*	*38.8%*	*38.0%*	*33.3%*	*42.1%*	*37.2%*	*33.1%*	*29.8%*	*35.0%*	*23.4%*
EMEA revenue -as reported	102,127	117,152	31,468	32,501	32,695	36,827	133,491	37,987	41,437	44,770	49,444	173,637	220,172
Y/Y growth	*12.2%*	*14.7%*	*21.4%*	*15.0%*	*9.3%*	*11.4%*	*13.9%*	*20.7%*	*27.5%*	*36.9%*	*34.3%*	*30.1%*	*26.8%*
Exclude FX effect on current period using prior year FX	(41.0)	(2,755.0)	(2,515.0)	(794.0)	336.0								
Exclude hedging effect in current period	-	-											
EMEA Constant Currency Revenue (prior year FX)	**102,086**	**114,397**	**28,953**	**31,707**	**33,031**								
Y/Y EX-FX growth	*12.1%*	*12.0%*	*11.7%*	*12.2%*	*10.4%*								
China revenue	22,726	27,433	7,315	7,727	7,962	8,782	31,786	9,059	9,957	10,841	12,065	41,923	49,294
Y/Y growth	*26.0%*	*20.7%*	*15.9%*	*15.8%*	*11.7%*	*20.0%*	*15.9%*	*23.8%*	*28.9%*	*36.2%*	*37.4%*	*31.9%*	*17.6%*
% of APAC revenue	40.0%	40.5%	40.0%	40.0%	40.0%	40.0%	40.0%	39.5%	39.5%	39.5%	39.5%	39.5%	39.0%
APAC (ex-China) revenue	34,089	40,247	10,973	11,590	11,944	13,173	47,679	13,876	15,251	16,604	18,479	64,211	77,101
Y/Y growth	*1.8%*	*18.1%*	*28.5%*	*18.2%*	*11.7%*	*17.5%*	*18.5%*	*26.5%*	*31.6%*	*39.0%*	*40.3%*	*34.7%*	*20.1%*
% of APAC revenue	60.0%	59.5%	60.0%	60.0%	60.0%	60.0%	60.0%	60.5%	60.5%	60.5%	60.5%	60.5%	61.0%
APAC revenue - as reported	56,815	67,680	18,288	19,317	19,906	21,955	79,466	22,935	25,209	27,445	30,544	106,134	126,395
Y/Y growth	*10.3%*	*19.1%*	*23.1%*	*17.2%*	*11.7%*	*18.5%*	*17.4%*	*25.4%*	*30.5%*	*37.9%*	*39.1%*	*33.6%*	*19.1%*
Exclude FX effect on current period using prior year FX	1,369.0	314.0	(134.00)	351.00	517.00								
Exclude hedging effect in current period	-	-											
APAC Constant Currency Revenue (prior year FX)	**58,184**	**67,994**	**18,154**	**19,668**	**20,423**								
Y/Y EX-FX growth	*12.9%*	*19.7%*	*22.2%*	*19.3%*	*14.6%*								
Other Americas revenue - as reported	20,418	23,902	6,345	7,026	7,101	6,374	26,846	5,734	7,405	9,263	11,645	34,047	37,511
Y/Y growth	*11.5%*	*17.1%*	*21.2%*	*22.5%*	*17.1%*	*-7.2%*	*12.3%*	*-9.6%*	*5.4%*	*30.4%*	*82.7%*	*26.8%*	*10.2%*
Exclude FX effect on current period using prior year FX	1,608.0	833.0	(356.00)	(297.00)	(151.00)								
Exclude hedging effect in current period	-	-											
Other Constant Currency Revenue (Prior year FX)	**22,026**	**24,735**	**5,989**	**6,729**	**6,950**								
Y/Y EX-FX growth	*20.2%*	*21.1%*	*14.4%*	*17.3%*	*14.6%*								
Hedging gains (losses)	211.0	(127.0)	(180.0)	106.0	194.0	-	120.0	-	-	-	-	-	-
Total Revenues	**350,018**	**402,836**	**109,896**	**119,796**	**127,577**	**141,644**	**498,913**	**143,346**	**157,555**	**171,533**	**190,902**	**663,336**	**815,451**
Y/Y growth	*13.9%*	*15.1%*	*21.8%*	*24.2%*	*24.7%*	*24.4%*	*23.9%*	*30.4%*	*31.5%*	*34.5%*	*34.8%*	*33.0%*	*22.9%*
Revenues, excluding hedging effect	349,807	402,963	110,076	119,690	127,383								
Exchange rate affect (prior year FX)	2,936	(1,608)	(3,005)	(740)	702								
= Total constant currency revenue (prior year FX)	**352,743**	**401,355**	**107,071**	**118,950**	**128,085**								
Y/Y EX-FX growth	*14.8%*	*14.7%*	*19.0%*	*23.2%*	*24.9%*								
% OF TOTAL REVENUE BY REGION													
US	48.7%	48.2%	49.1%	50.8%	53.1%	54.0%	51.9%	53.5%	53.0%	52.5%	52.0%	52.7%	52.9%
EMEA	29.2%	29.1%	28.6%	27.1%	25.6%	26.0%	26.8%	26.5%	26.3%	26.1%	25.9%	26.2%	27.0%
China	6.5%	6.8%	6.7%	6.4%	6.2%	6.2%	6.4%	6.3%	6.3%	6.3%	6.3%	6.3%	6.0%
APAC ex-China	9.7%	10.0%	10.0%	9.7%	9.4%	9.3%	9.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.5%
Total APAC	16.2%	16.8%	16.6%	16.1%	15.6%	15.5%	15.9%	16.0%	16.0%	16.0%	16.0%	16.0%	15.5%
Other Americas	5.8%	5.9%	5.8%	5.9%	5.6%	4.5%	5.4%	4.0%	4.7%	5.4%	6.1%	5.1%	4.6%
Headcount Analysis	**2024A**	**2025A**	**1Q26A**	**2Q26A**	**3Q26A**	**4Q26E**	**2026E**	**1Q27E**	**2Q27E**	**3Q27E**	**4Q27E**	**2027E**	**2028E**
headcount additions	0.821	7.497	3.868	4.245	5.824	2.283	16.220	2.250	2.574	4.155	3.443	12.422	12.070
Full Time Headcount	**183.323**	**190.820**	**194.688**	**198.933**	**204.757**	**207.040**	**207.040**	**209.290**	**211.864**	**216.019**	**219.462**	**219.462**	**231.532**
Y/Y growth	*0.4%*	*4.1%*	*4.8%*	*6.3%*	*7.7%*	*8.5%*	*8.5%*	*7.5%*	*6.5%*	*5.5%*	*6.0%*	*6.0%*	*5.5%*
Q/Q growth			*2.0%*	*2.2%*	*2.9%*	*1.1%*		*1.1%*	*1.2%*	*2.0%*	*1.6%*		
TTM Net Revenue / Average Full Time Employee	1,931	2,138	2,216	2,302	2,388	3,952	2,478	2,658	4,454	2,910	4,770	3,097	3,616
Y/Y growth	15.8%	10.7%	12.4%	14.3%	15.6%	84.9%	15.9%	20.0%	93.4%	21.9%	20.7%	25.0%	16.8%
TTM Gross Profit / Average Full Time Employee	1,125	1,275	1,337	1,402	1,453	2,369	1,505	1,613	2,706	1,761	2,887	1,878	2,214
Y/Y growth	18.5%	13.4%	15.8%	18.1%	18.9%	85.8%	18.1%	20.6%	93.0%	21.2%	21.8%	24.8%	17.9%
TTM OpEx / Average Full Time Employee	505	590	613	640	657	1,090	676	724	1,216	797	1,307	850	1,020
Y/Y growth	2.5%	17.0%	20.0%	20.9%	17.9%	84.6%	14.5%	18.1%	90.0%	21.3%	19.9%	25.8%	20.0%
TTM GAAP OI / Average Full Time Employee	620	685	724	762	796	1,280	830	889	1,490	964	1,580	1,029	1,194
Y/Y growth	35.6%	10.4%	12.5%	15.8%	19.6%	86.9%	21.2%	22.7%	95.5%	21.2%	23.5%	24.0%	16.1%
TTM EBITDA / Average Full Time Employee	837	966	1,019	1,067	1,102	1,801	1,151	1,253	2,104	1,414	2,292	1,535	1,908
Y/Y growth	23.9%	15.4%	18.1%	19.8%	19.6%	86.4%	19.1%	22.9%	97.2%	28.2%	27.3%	33.4%	24.2%

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Source: Citi Research, Company Reports

Bull/Bear: Alphabet Inc (GOOGL.O)

US$ 470.00	US$ 375.00	US$ 253.00
▲45% Upside	▲15% Upside	▼22% Downside



Spread 67pp
Current Price and expected returns (upside/downside) as of 28 Oct 2026

BULL Assumptions

- 2028 Revenue Growth ~26%
- 2028 GAAP EPS Margin ~30%
- 2028 GAAP P/E ~24x

BASE Assumptions

- 2028 Revenue Growth ~23%
- 2028 GAAP EPS Margin ~28%
- 2028 GAAP P/E ~21x

BEAR Assumptions

- 2028 Revenue Growth ~15%
- 2028 GAAP EPS Margin ~25%
- 2028 GAAP P/E ~17x