on 29-Oct-2026

BERNSTEIN
SOCIETE GENERALE GROUP

28 October 2026

U.S. Internet

Alphabet Inc

Rating

Market-Perform

Price Target

GOOGL **325.00 USD** (385.00 *OLD*)



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Google 3Q26: Is there anything to get excited about?

In the AI trade you need a clean story to pique investor interest. But it only matters if numbers track in the right direction. Google's AI-tailwind story for search behavior (which we believe) only lands if search growth tracks in the right direction... If you're explaining you've already lost. Cloud growth is impressive as TPU sales ramp, but margin compression ahead and core Google Cloud growth rate questions persist. Is Google an AI winner? Probably, but not today.

Agentic disruption fears resurface. Search revenue growth fell to +12% Y/Y, missing investor expectations as FX, APAC advertisers, and AI mode cannibalization all hurt against tougher Y/Y compares. Even on a 2-year stack view we saw Search growth decelerate despite management emphasis on the fastest query volume growth rate in 5 years. The narrative around agentic disruption risk may only get louder as comps get tougher and Google's own consumer agentic offering may take a minute to come to market.

Cloud growth hits triple digits, but questions remain. Cloud revenues grew 103% Y/Y, well above stale Street numbers though below a buyside bogey in the 115%+ range. Questions around non-TPU system sales growth, selling TPU systems into competitors, received few direct answers and hang over an otherwise impressive business. Margin compression ahead as CapEx shifts towards shorter-lived assets and 3P cloud contracts ramp, offset much of the excitement around TPUs and Gemini 4 model releases.

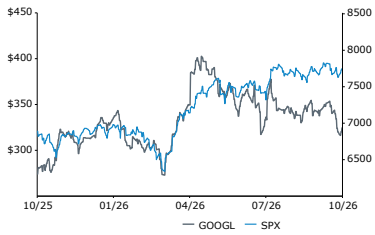
Defense wins championships, but doesn't win over neutral fans. Google has a lot of competing priorities for capital as 2026 Capex guidance and 2027 commentary remained unchanged. Management remained steadfast across their beliefs that agentic is search TAM expansionary, their models can remain at the frontier, and they have a right to win Enterprise in AI Cloud. We believe them, but need more details to get constructive.

Close Date	28 Oct 2026
GOOGL Close Price (USD)	324.89
Price Target (USD)	325.00
Upside/(Downside)	0%
52-Week Range	408.61/266.50
SPX	7,743.98
FYE	Dec
Div Yield	0.3%
Market Cap (USD) (B)	3,955.57
EV (USD) (B)	3,849.77

Performance	YTD	1M	6M	12M
Absolute (%)	3.8	(5.2)	(7.1)	21.5
SPX (%)	13.1	0.8	8.5	12.4
Relative (%)	(9.3)	(6.0)	(15.6)	9.1

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Investment Implications

Stuck in AI purgatory… for at least a quarter. **Maintain Market-Perform, PT $325 (-$60).**

Reported EPS	F25A	F26E	F27E
GOOGL (USD)	10.81	**19.83**	**14.90**
OLD	--	20.97	15.44

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	402,836	499,894	628,337	24.9%
EBITDA (M)	150,175	201,162	267,807	33.5%
EBIT (M)	129,039	168,083	210,000	27.6%
EBITDA Margin (%)	37.3	40.2	42.6	--
Operating Margin (%)	32.0	33.6	33.4	--
Adjusted EPS	12.85	22.40	18.14	18.8%

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	30.1	16.4	21.8
PEG Reported (x)	0.9	0.2	(0.9)
EV/Sales (x)	9.6	7.7	6.1
EV/EBITDA (x)	25.6	19.1	14.4
EV/EBIT (x)	29.8	22.9	18.3
Div Yield (%)	0.3	0.3	0.3
Adjusted P/E (x)	25.3	14.5	17.9

Source: Bloomberg, Bernstein estimates and analysis.

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

PORTFOLIO MANAGER'S SUMMARY

Alphabet reported its 3Q26 results today after the market close.

-10% is a big move. Perhaps we've all gotten a bit too used to high torque moves in this tape: see Meta's rise and fall over the past few weeks. But still, a +/- double-digit move for a not-so-magnificent 7 company on an earnings print is meaningful. The short answer is Search missed noticeably decelerating sequentially, Y/Y and on a 2-year stack. And Search is still why folks own Google. The explanations all make sense: FX headwinds, APAC advertisers hit with EU tariff changes, pull forward of Prime Day and the umbrella of associated ad spend into 2Q, and curiously commentary on AI mode both being a tailwind to total search query volume - highest search growth rate in 5 years - but also a headwind to search revenues.

But if you're explaining… you're not story-telling. And in a market short on patience, Google's stock has now given back all the good vibe gains achieved when Search growth was accelerating, Cloud going from strength to strength, and it was "easy" to slap the AI winner tag on Google. **We still think Google is an AI winner, but it's not easy right now.** If there's one thing the market has taught us, numbers need to be clean, and then you can tell a wonderful tale about being an AI winner, and we rinse and repeat this cycle with a new AI champion once a quarter. For now, Google is on the opposite end of this spectrum, but it's not hard to see them back on top early next year as capacity comes online, ads on AI surfaces ramp, agentic products launch and scale, all leading into their annual I/O developer conference.

We want to spend a few minutes here on Search because the miss here was easiest to react to - Search growth decelerated 5ppts from 17% Y/Y last quarter to 12% Y/Y. FX and the tougher Y/Y comps account for a bit more than half of the decel, and add another ppt for headwinds from APAC advertisers with changes to European tariff policies. But that still leaves a portion unaccounted for with management noting that: (1) total search query volume grew at the fastest rate in 5 years (though we'll await paid click growth in the 10Q to see if the monetization search rate matches), (2) AI surfaces are generally accretive to total search volume, though in the near term are substitutive to search revenues, at least until monetization ramps, and (3) AI surface conversion and presumably monetization rates are comparable to search, though nascent. We remain steadfast in our belief that AI surfaces including agentic are all accretive to search TAM, though the careful rollout to avoid diluting the quality of responses in a more competitive market against tougher comps leaves Google squarely between a rock and a hard place.

Cloud growth hitting triple digits is nothing short of impressive, turbocharged by TPU system sales is exciting, but there are larger hyperscalers and semis names you can own there. Stocks need scarcity value. Management impressively avoided any specific quantitative color on the TPU systems business - how durable is the growth rate against a highly concentrated customer base? How did cloud growth fare outside TPU system sales? And what do margins look like for the business? All critical questions for investors trying to underwrite the business, sadly with few available answers. What we do know, however, is that 3P cloud contracts ramp in the 4th quarter alongside capex mix shifting more heavily to shorter-lived compute assets = margin compression ahead.

Speaking of margins, while cloud margins held constant for a quarter though expected to compress, we also saw the second sequential quarter of Google Services margin decline. The cost of compute, efforts to bring Gemini 4 to market quickly, and a noticeable step-up in headcount all continue to weigh on margins here as well. One last note on CapEx, while the quarter was ~ $5B below expectations, full year guidance and 2027 aggressive step up commentary remained in place, likely signaling more a timing issue of compute delivery vs. any change in spending cadence.

So what to do with the stock? Not much. It's hard to think of compelling reasons to step into the stock ahead of Search potentially testing the single digit growth level, likely margin compression and further -FCF revisions. Reasons to get excited seem squarely placed on the relative valuation of the stock after this sell-off, which in and of itself is rarely a reason to jump in. But if you have duration? It's not hard to see Google getting their mojo back as capacity comes online, ads ramp on AI surfaces - which Sundar is "excited" about - and the launch of a bunch of new products and services on the back of the newer Gemini 4 model releases including a consumer AI agent. And as much as we want to get excited about underwriting the TPU system sales alongside continued core+AI Cloud growth, right now it's mostly assumptions on assumptions tied to expected capacity earmarked for off-GCP TPUs. There are likely cleaner AI stories in Internet to get excited about today, but don't count Google out.

We remain Market-Perform and lower our price target to $325/share (-$60). We value Alphabet using a 50/50 combination of 2027E EV/EBIT multiple of 18x (-6x) and a DCF using a WACC of 10% and a terminal growth of 3.5%. We

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revise down our EV/EBIT multiple due to the lower Search growth and lower quality of earnings due to mix-shifting to Cloud/ Hardware. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

RESULTS

Revenues

Total revenue grew +25% Y/Y to $128B. The highlights reel: Search grew +12% Y/Y decelerating 5ppt from 2Q, Cloud accelerated to +103% Y/Y, Gemini App MAUs are now 1B+, tokens per min across 1P models rose to 32B up from 22B in 2Q26 and 4x Y/Y, and there are now 150M YouTube Music & Premium subscribers. YouTube Ads grew +9% Y/Y while Network remained relatively stable at +1% Y/Y.

Advertising

Advertising revenues were up +11% Y/Y (vs +14% Y/Y last quarter) to $82B with Search and YouTube Ads missing Street expectations and Network landing ~3% ahead.

- **Search slowdown fears are back.** Any slowdown in Search growth is immediately extrapolated to agentic commerce disruption. With Search growth slowing to +12% Y/Y, down from +17% in 2Q26 and +19% in 1Q26, many will be quick to view this as early evidence that AI-native experiences are beginning to impact Search. There are several alternative explanations, including tougher comps, FX headwinds, World Cup & Prime Day timing benefits in 2Q, and normal quarterly variability, but absent evidence that clearly disproves the bear case, the slowdown risks reigniting AI disruption concerns and re-establishing a familiar overhang on the stock. Looking forward, **Search will continue to be in the spotlight**, with growth comps increasingly difficult alongside FX headwinds.

  - **Search query growth is accelerating, but monetization remains the key debate.** Google noted that AI investments are driving overall Search engagement, including commercial queries, with query volume growth reaching its highest level in five years. Yet stronger engagement has not translated into stronger revenue growth as it has historically. Management attributed the deceleration in Search growth to a mix of factors, including FX headwinds (the largest driver relative to 2Q26), retail weakness tied to changes in the EU's de minimis exemption, and normalization in Media & Entertainment following a FIFA-driven 2Q. Google also acknowledged that the rapid growth of AI Mode queries weighed on reported Search growth, as these experiences currently monetize below traditional Search. While Google believes expanding ad inventory across AI Overviews, AI Mode, and multi-turn experiences will help narrow the monetization gap over time, investors are likely to remain focused on whether the current disconnect is cyclical and transitory or evidence that AI-native experiences are beginning to impact higher-value Search monetization.

  - **AI keeps broadening how users engage with Search.** Users are searching in increasingly rich ways, with queries becoming longer, more personalized, and more multimodal. Queries in AI Mode are now roughly 3x longer than traditional searches, while 1 in 5 AI Mode searches globally incorporate voice, images, or documents. Meanwhile, visual search has surpassed 50B searches per month.

  - **AI Mode monetization is starting to take shape.** While investors remain focused on whether AI monetizes as well as traditional Search, Google's commentary increasingly points to AI expanding the opportunity set. Management noted that many AI Mode queries are upper-funnel commercial queries and that the majority of activity is incremental rather than cannibalistic. User feedback around ads appears positive, with sponsored product listings generating click-through rates similar to organic results. As a result, Google is now moving from experimentation to scale, expanding ads globally across AI Overviews and AI Mode while introducing multi-turn advertising, creating additional opportunities to monetize longer, more conversational search journeys.

  - Gemini App has reached 1B+ users, making it the fastest-growing product in Google's history.

- **Google Services margins remain under pressure.** Services margins landed at 41%, down for the second consecutive quarter as AI-related compute costs continue to build through the core business. The focus now shifts to the longer-term

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margin profile of Google Services: do ongoing investments in model improvements, agentic experiences, and competitive positioning create a structurally lower margin framework going forward?

- **YouTube advertising revenue increased 9% Y/Y to $11.2B**, driven primarily by strength in brand advertising. The living room continues to be a major growth vector, accounting for roughly one-third of total YouTube advertising revenue in 3Q26. Management highlighted ongoing momentum in connected TV viewing, reinforcing YouTube's position at the intersection of digital video and traditional TV budgets as advertisers continue to shift spend toward streaming platforms.

- Network revenues grew +1% Y/Y to ~$7.5B and landed ~3% ahead of Street estimates.

Subscription, Platforms and Devices (Formerly Google Other)

- **SP&D missed consensus by ~3%.** SP&D revenues were up +11% Y/Y to $14B driven by growth in both YouTube subscriptions, particularly YouTube Music and Premium and AI plans on Google One. There are now 150M YouTube Music & Premium subscribers, including trials.

Cloud

- **Expectations remain elevated, but Google Cloud continues to execute.** Expectations had climbed so high heading into the print (with some looking for as much as +115% growth) that even +103% Cloud growth - result that would have been unthinkable just a few quarters ago - wasn't enough to generate much excitement. Revenue landed at $30.7B driven by strength across AI infrastructure, AI solutions, and core GCP offerings. TPU system sales provided a meaningful tailwind, though management stressed that even excluding TPU contributions, Cloud growth remained exceptionally robust. Importantly, GCP continued to account for the vast majority of Cloud revenue highlighting continued momentum in Google's core cloud business.

- **Strong backlog growth continues.** Following the step-up to $514B in 2Q26, Google added another $47B sequentially, bringing total backlog to $561B. Majority of backlog remains tied to traditional GCP contracts. Google expects to recognize just over 55% of total backlog as revenue over the next 24 months, providing helpful visibility into future Cloud growth.

- **Gemini Enterprise momentum continues to build.** Adoption now extends to nearly 90% of the Fortune 100, but the more important story is how quickly usage is scaling. Token consumption continues to surge, with 2,600+ enterprises processing over 100B tokens and 75 customers exceeding 10T tokens, reflecting a meaningful shift from pilots to scaled production deployments. Importantly, Gemini is evolving beyond a model offering into a broader enterprise platform, with a unified agent embedded across Google's Cloud portfolio capable of automating workflows, executing code, and orchestrating business processes. Management also highlighted growing adoption across database, analytics, and cybersecurity products, reinforcing the view that Gemini is increasingly acting as a demand driver across the broader Cloud stack.

    - While Google is initially rolling out agentic experiences in enterprise, where security, governance, and runtime requirements are most demanding, management indicated that the same experience will begin expanding to consumers later this year starting with the 1B+ users of the Gemini App.

- **Push at the frontier.** First-party model APIs are now processing nearly 32B tokens per minute, up 40% Q/Q and more than 4x Y/Y. More importantly, management struck a far more confident tone on model competitiveness, with Gemini 4 Argon ramping 3.5x faster than Gemini 3 in its first week and seeing strong adoption across high-value enterprise use cases including finance, legal, cybersecurity, and scientific research. Google also introduced Carbon, its newest frontier model and now the company's most capable model, while Genie 4, Google's latest world model, points to growing ambitions in robotics and agent training.

    - **Improving internal efficiency.** Google highlighted growing internal productivity gains from its latest models. Teams across Chrome, Ads, and Search have used Gemini 4 Argon to write and optimize code, resulting in 35% more code shipped with 30% fewer errors.

- **3P TPU system sales remain one of the largest sources of upside.** TPU momentum continues to build, with management highlighting demand across a broad set of training and inference workloads and noting that nearly 100

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customers are already using the platform. Improved performance economics, growing software compatibility, and an expanding ecosystem should continue to lower adoption friction and broaden the addressable market. Combined with strong customer demand and management's expectation that TPU system sales will continue scaling in 4Q ahead of a more meaningful revenue ramp in 2027, TPUs remain one of the most important upside drivers of future Cloud growth.

- **Cloud margins remained remarkably resilient.** Cloud operating income more than tripled Y/Y to $11.1B, with operating margin expanding to 36.2% from 35.6% in 2Q26, ~33% in 1Q26, and 23.7% in 3Q25. Notably, the third-party bridge capacity intended to alleviate compute constraints was only deployed near quarter-end, suggesting that the associated cost headwinds were limited in 3Q results. While margin expansion continues to be supported by strong revenue growth and operating leverage, ongoing capacity constraints and greater reliance on higher-cost third-party bridge capacity are likely to add to near-term margin pressure.

Other

- **Waymo quietly keeps scaling.** Waymo has now surpassed 300M fully autonomous miles and expanded to 15 major U.S. cities, with additional international markets on the horizon. While financial contributions remain modest today, the pace of deployment continues to reinforce Waymo's position as a leader in autonomous mobility. Overall, Other Bets revenues (mostly Waymo) came in about ~4% below expectations to $372M.

Margins and CapEx

- **Operating margin fell to 31.8%, down from 34.0% in 2Q26 and 36.0% in 1Q26.** Expense growth remained elevated.
  - Other Cost of Revenues was $35.1 billion, grew 32% Y/Y, driven by hardware costs related TPU systems, increase in depreciation, content acquisition costs, and technical infrastructure operations costs.
  - Total operating expenses rising 20% Y/Y to $35.6B. R&D was the largest driver, up 36% Y/Y on AI talent hiring and higher depreciation, while Sales & Marketing increased 22% Y/Y as Google continued investing in Gemini. G&A declined 17% Y/Y due to the lapping of higher legal costs from last year.
- EPS missed at $2.12, driven mainly by the EBIT miss and an $8.7B loss on equity securities. Excluding the equity loss, EPS would have been $2.69.
- Capex was $51.4B in the quarter, with the vast majority directed toward technical infrastructure supporting AI demand. Approximately 65% of infrastructure investment was allocated to servers and networking equipment, which generally carry 6-year useful lives, while the remaining 35% was invested in data centers, with useful lives ranging from 7 to 40 years. Management left FY26 CapEx guidance unchanged and expectations stay unchanged around significantly higher investment levels in 2027.
- 3Q26 FCF was **-**$9.1B driven by capex spending, inventory investments tied to TPU system sales, and payment of the EC fine. The company still ended the quarter with ~$265B of cash and marketable securities and generated $19.7B FCF over the past twelve months.
- **Senior unsecured notes.** Google issued senior unsecured notes for net proceeds of $28.7B in the quarter to be used for general corporate purposes.

Estimate and PT revisions

- **Revenues:** We take up our revenue estimates for Cloud meaningfully, to reflect the stronger business performance. We take down our revenue estimates for Search, YouTube and SP&D to reflect recent performance.
- **Margins**: We take up other cost of revenues, driven by hardware costs primarily related to the sales of TPU systems, increasing depreciation, content, acquisition costs, and technical infrastructure operations costs.
- **Other Income:** We modestly take down Other Income to reflect the latest trend.
- **We take down our EPS estimates for FY26 and FY27,** mainly driven by the lower margin and slower search growth.

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- **We lower our price target to $325/share (-$60).** We value Alphabet using a 50/50 combination of 2027E EV/EBIT multiple of 18x (-6x) and a DCF using a WACC of 10% and a terminal growth of 3.5%. We revise down our EV/EBIT multiple due to the lower Search growth and lower quality of earnings due to mix-shifting to Cloud/Hardware. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

EXHIBIT 1: **Google estimates changes post 3Q26**

GOOGL: Bernstein estimate revisions post 3Q26

Estimate revisions		New	Old	New vs. old	New Growth Y/Y	Consensus	Bern v Consensus
Total revenue	**3Q26**	127,577	128,127	0%	25%	127,903	0%
	4Q26	142,625	142,530	0%	25%	142,521	0%
	FY26	499,894	500,349	0%	24%	499,703	0%
	FY27	628,337	622,916	1%	26%	623,849	1%
4Q26 revenues	**Search**	69,380	71,903	-4%	10%	71,430	-3%
	YouTube	12,567	12,681	-1%	10%	12,818	-2%
	Network	7,585	7,585	0%	-3%	7,688	-1%
	Cloud	37,094	34,092	9%	110%	34,526	7%
	SP&D*	15,615	15,886	-2%	15%	15,623	0%
	Other bets	383	383	0%	4%	417	-8%
2027 revenues	**Search**	284,348	291,900	-3%	11%	291,873	-3%
	YouTube	48,959	49,700	-1%	10%	50,023	-2%
	Network	28,581	28,261	1%	-2%	28,634	0%
	Cloud	202,419	186,957	8%	80%	188,837	7%
	SP&D*	62,427	64,512	-3%	13%	63,945	-2%
	Other bets	1,602	1,586	1%	3%	1,768	-9%
EBIT	**3Q26**	40,576	43,045	-6%	*32%*	43,153	-6%
***Showing new EBIT margin in the New Growth column**	**4Q26**	47,041	47,608	-1%	*33%*	48,338	-3%
	FY26	168,083	171,119	-2%	*34%*	171,862	-2%
	FY27	210,000	216,408	-3%	*33%*	221,898	-5%
GAAP EPS	**3Q26**	2.12	3.23	-34%	-26%	2.99	-29%
	4Q26	3.48	3.51	-1%	24%	3.36	4%
	FY26	19.83	20.97	-5%	83%	20.58	-4%
	FY27	14.90	15.44	-3%	-25%	15.49	-4%
Capex	**3Q26**	51,355	57,657	-11%		55,783	-8%
	4Q26	69,173	64,138	8%		65,454	6%
	FY26	201,126	202,394	-1%		202,215	-1%
	FY27	329,877	329,523	0%		311,007	6%

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

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EXHIBIT 2: **GOOGL 3Q25 results vs Consensus and our expectations**

GOOGL 3Q26 vs. Expectations

	3Q26A	Y/Y Growth	Bernstein	Beat/Miss	Consensus	Beat/Miss
Total Revenue	**127,577**	**25%**	**128,127**	0%	**127,933**	0%
Google Search & Other	63,350	12%	65,052	-3%	64,851	-2%
YouTube Ads	11,207	9%	11,359	-1%	11,425	-2%
Google Network Members' Properties	7,455	1%	7,126	5%	7,241	3%
Google Cloud	30,709	103%	29,253	5%	29,096	6%
Subscription, platforms and devices	14,290	11%	14,981	-5%	14,785	-3%
Other bets revenues	372	8%			388	-4%
Hedging gains (losses)	194					
Total Expenses	87,001	22%	85,081	2%		
Operating Income	**40,576**	**30%**	**43,045**	**-6%**	**43,161**	**-6%**
Google Services	39,157	17%	35,905	9%	40,534	-3%
Google Cloud	11,121	209%	9,946	12%	9,767	14%
Other Bets	-2,047	44%	-1,799	14%	-1,715	19%
Alphabet level activities (restructuring)	-7,655	71%	-1,007	660%	-5,488	39%
Operating Margin (%)	**31.8%**	**1ppt**	**33.6%**	**-2ppt**	**33.7%**	**-2ppt**
Ex one-off restructuring	**31.8%**	**-2ppt**	**33.6%**	**-2ppt**		
Google Services	40.7%	**2ppt**	36.4%	**4ppt**	41.2%	**-1ppt**
Google Cloud	36.2%	**13ppt**	34.0%	**2ppt**	33.6%	**3ppt**
Other Bets	-550.3%					
Net Income	**26,468**	**-24%**	**40,022**	**-34%**	**36,474**	**-27%**
Diluted EPS	**2.12**	**-26%**	**3.23**	**-34%**	**2.99**	**-29%**
Capex	51,355		**57,657**		55,783	
Free Cash Flow	-9,065		**-8,373**		-3,491	

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

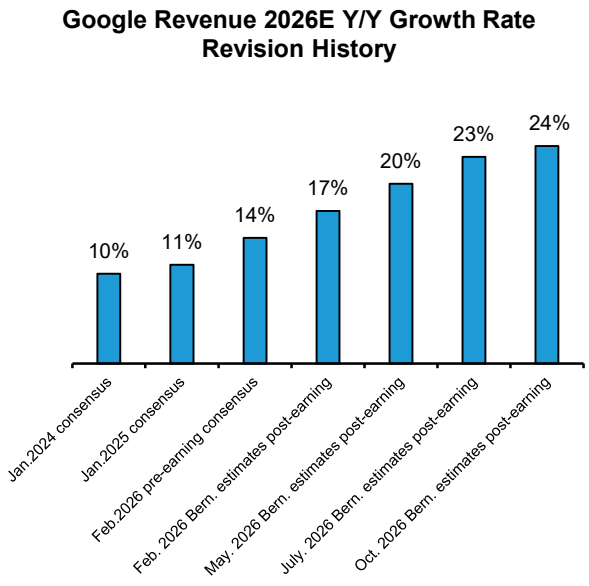
EXHIBIT 3: **Revenue and Operating Profits by segment**

Segment revenues and operating profits ($M)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	FY25	FY26E	FY27E
Google Services										
- Revenue	77,264	82,543	87,052	95,862	89,637	94,540	96,302	342,721	385,626	424,316
- Operating Profit	32,682	33,063	33,527	40,132	40,589	39,544	39,157	139,404	162,008	178,964
- Operating Margin (%)	42%	40%	39%	42%	45%	42%	41%	41%	42%	42%
Google Cloud										
- Revenue	12,260	13,624	15,157	17,664	20,028	24,768	30,709	58,705	112,599	202,419
- Operating Profit	2,177	2,826	3,594	5,313	6,598	8,814	11,121	13,910	38,403	63,559
- Operating Margin (%)	18%	21%	24%	30%	33%	36%	36%	24%	34%	31%
Other Bets										
- Revenue	450	373	344	370	411	382	372	1,537	1,548	1,602
- Operating Profit	(1,226)	(1,246)	(1,426)	(3,617)	(2,100)	(1,799)	(2,047)	(7,515)	(7,993)	(8,188)
- Operating Margin (%)	-272%	-334%	-415%	-978%	-511%	-471%	-550%	-489%	-516%	-511%
Hedging Gains (Losses)	260	(112)	(207)	(68)	(180)	106	194	(127)	120	-
Corporate Costs, Unallocated	(3,027)	(3,372)	(4,467)	(5,894)	(5,391)	(5,789)	(7,655)	(16,760)	(24,335)	(24,335)
Total Revenue	**90,234**	**96,428**	**102,346**	**113,828**	**109,896**	**119,796**	**127,577**	**402,836**	**499,894**	**628,337**
Total Operating Profit	**30,606**	**31,271**	**31,228**	**35,934**	**39,696**	**40,770**	**40,576**	**129,039**	**168,083**	**210,000**
Operating margin (%)	**34%**	**32%**	**31%**	**32%**	**36%**	**34%**	**32%**	**32%**	**34%**	**33%**

Source: Company filings, Bernstein estimates and analysis

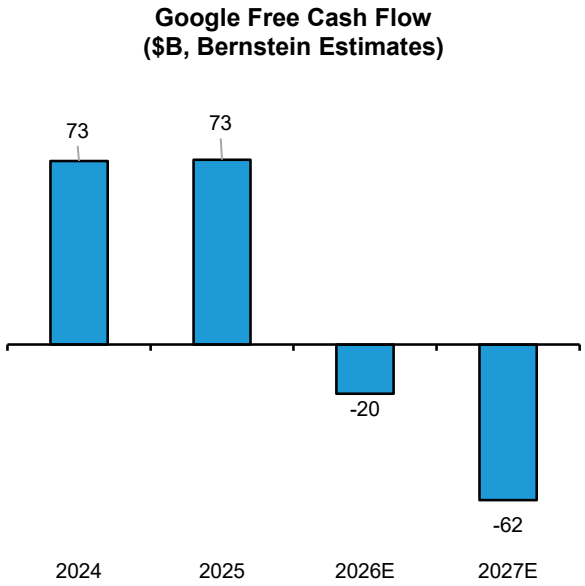
on 29-Oct-2026

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



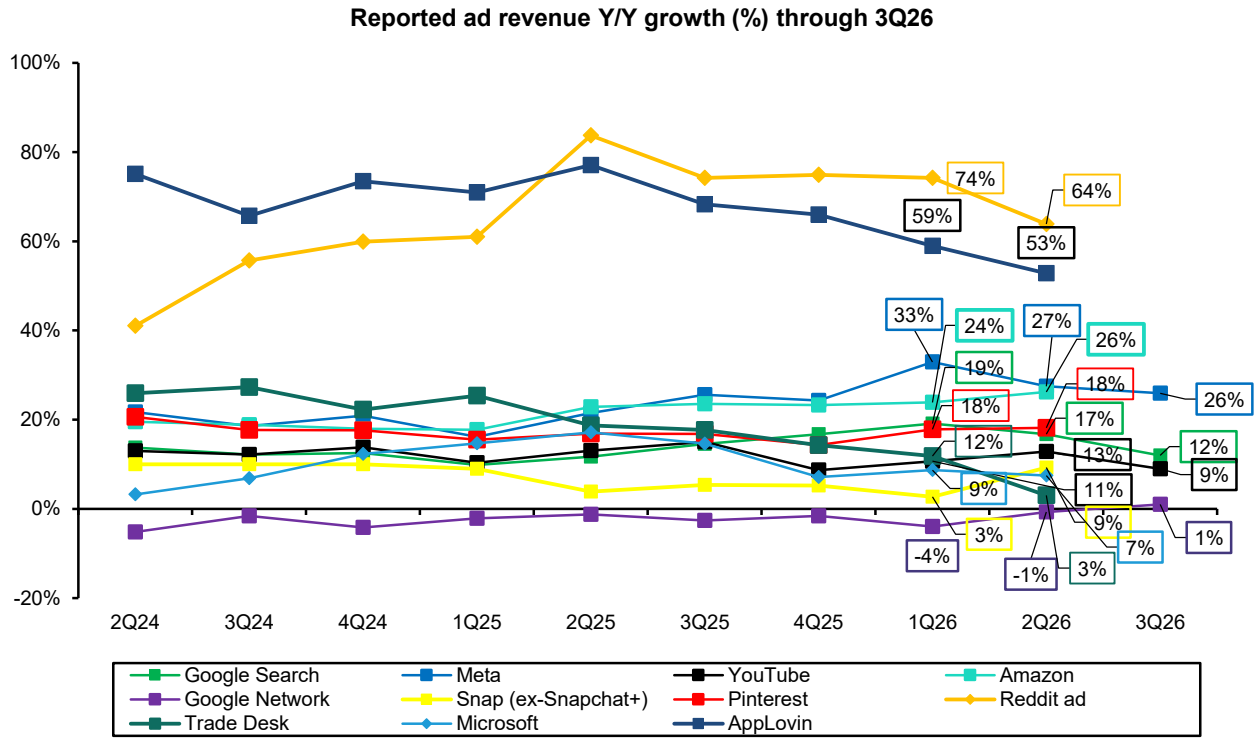
Source: Bloomberg, Bernstein estimates and analysis

EXHIBIT 5: **..but not all numbers are going up: we expect significant FCF contraction**



Source: Company reports, Bernstein estimates and analysis

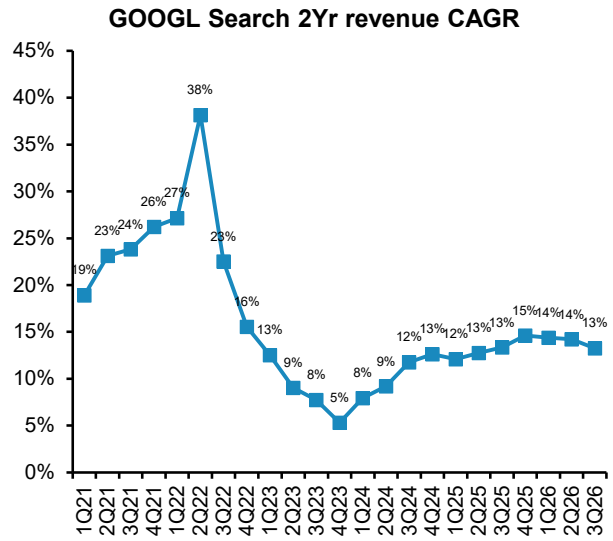
EXHIBIT 6: **Digital ads growth (%)**



Google, Meta, Amazon, Snapchat, Pinterest; AppLovin excludes IAP
Source: Company reports, Bernstein analysis

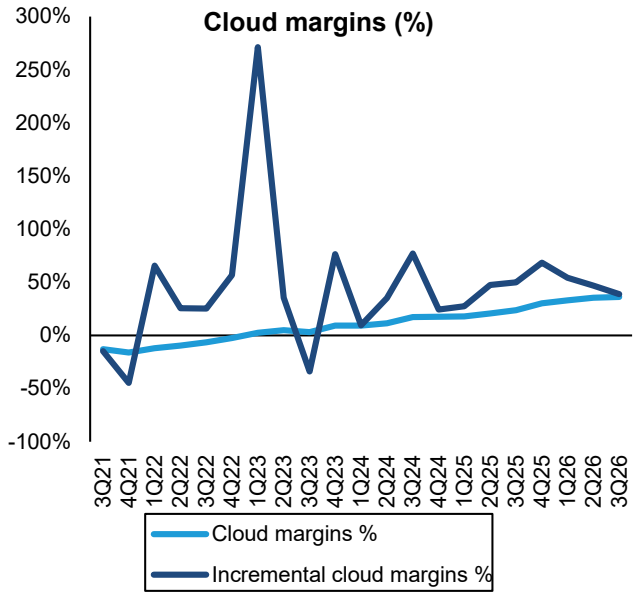
on 29-Oct-2026

EXHIBIT 7: **Google Search 2Y CAGR**



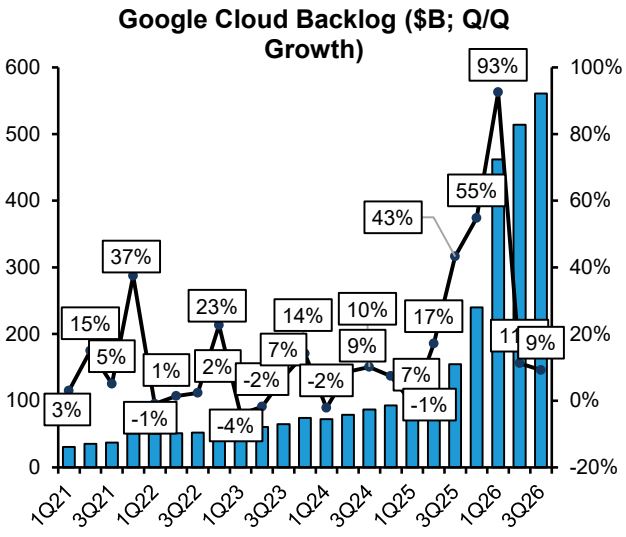
Source: Company reports and Bernstein analysis

EXHIBIT 8: **Google Cloud margins & incremental margins Q/Q**



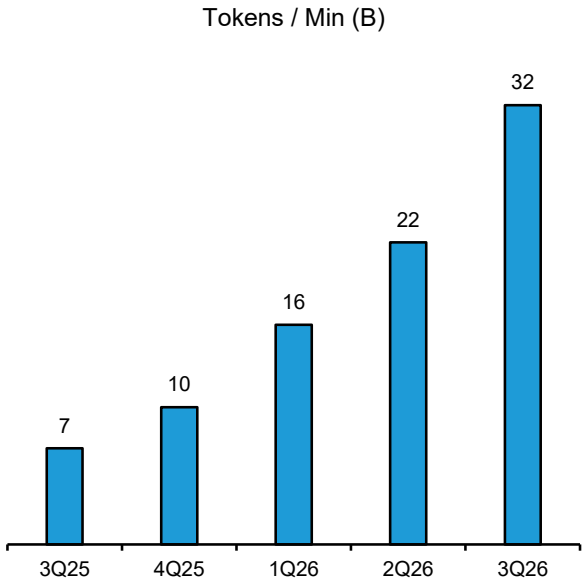
Source: Company reports and Bernstein analysis

EXHIBIT 9: **Google Cloud's Backlog rose to $561B**



Source: Company reports, Bernstein analysis

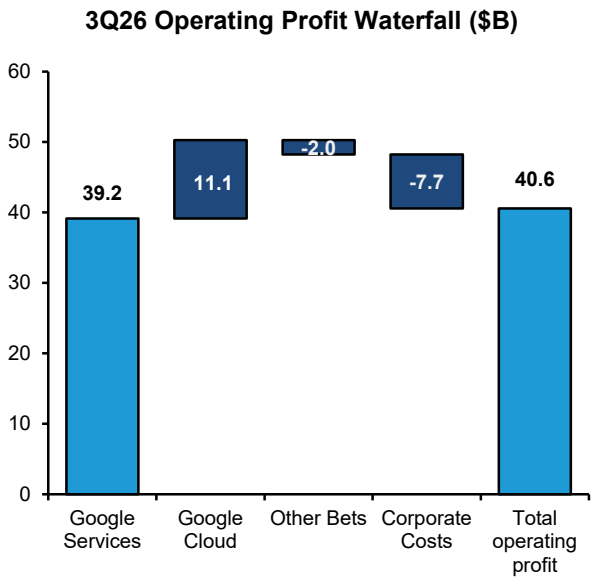
EXHIBIT 10: **Tokens processed rose to 32B per min**



Source: Company reports; Bernstein analysis

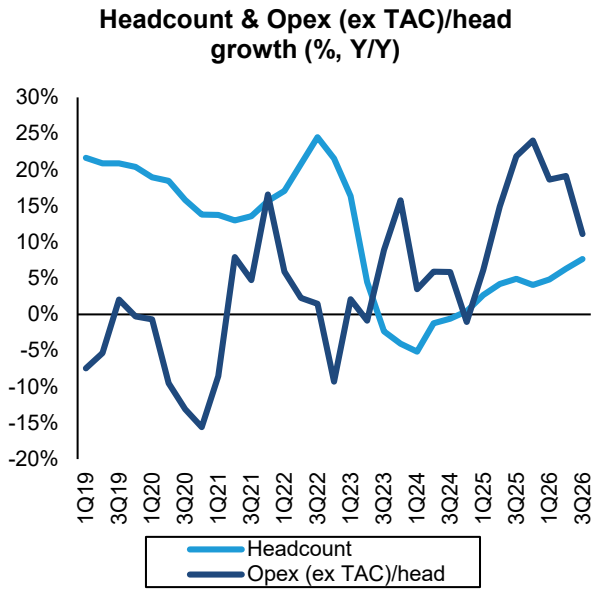
on 29-Oct-2026

EXHIBIT 11: **Google operating profit waterfall**



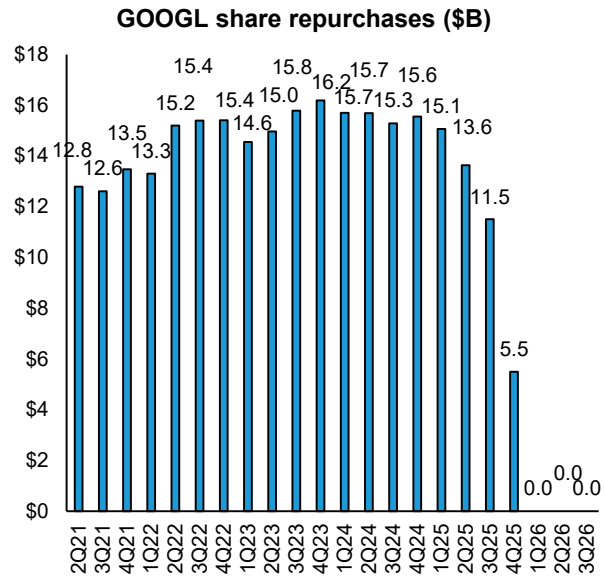
Source: Company filings, Bernstein analysis

EXHIBIT 12: **Headcount increased by 5.8k Q/Q and was up 8% YoY**



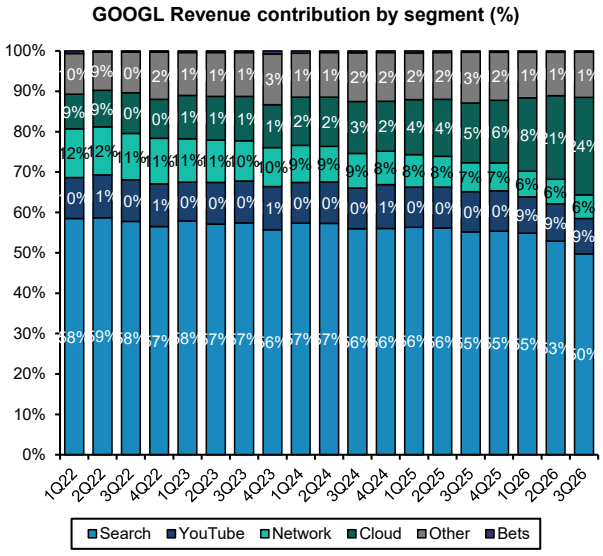
Source: Company reports, Bernstein analysis

EXHIBIT 13: **GOOGL share repurchase**



Source: Company reports, Bernstein analysis

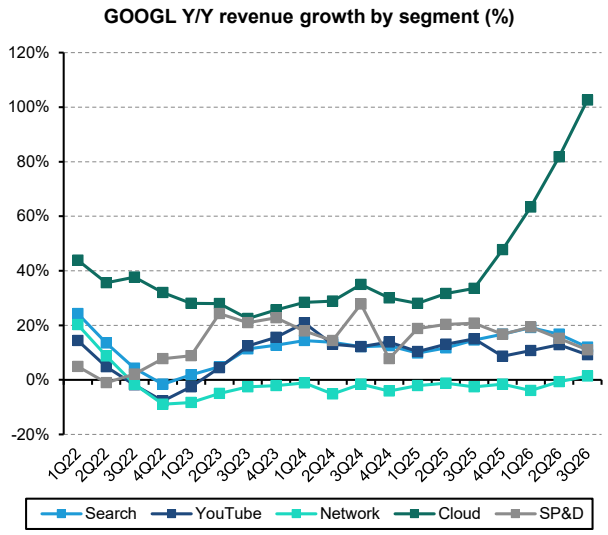
EXHIBIT 14: **Revenue contribution by segment**



Source: Company filings, Bernstein analysis

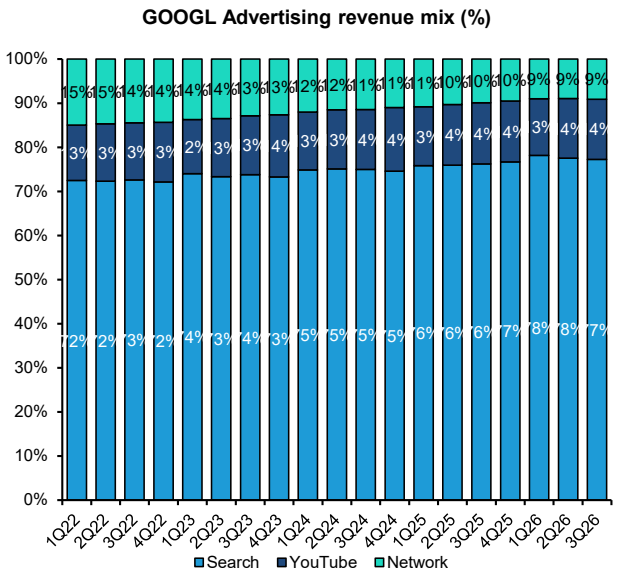
on 29-Oct-2026

EXHIBIT 15: **Y/Y Revenue growth by segment (%)**



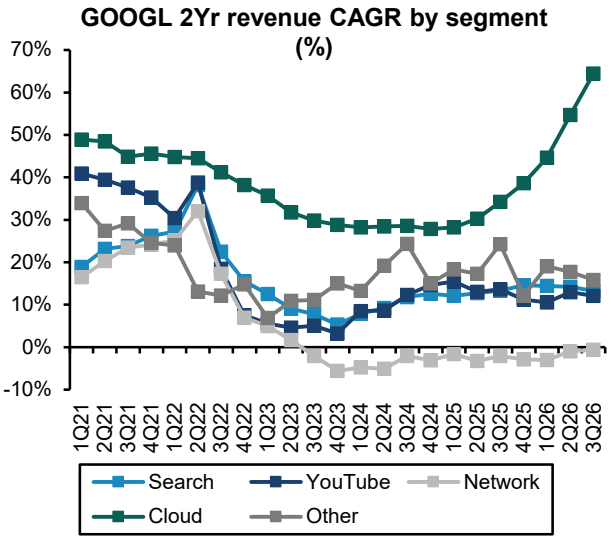
Source: Company filings, Bernstein analysis

EXHIBIT 16: **Advertising revenue mix**



Source: Company filings, Bernstein analysis

EXHIBIT 17: **2Yr Revenue Growth CAGR by Segment**



Source: Company filings, Bernstein analysis

on 29-Oct-2026

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 18: **Our Google model**

in millions except per share and percentage data

GOOGL	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26E	FY2025	FY2026E	FY2027E	FY2028E
GAAP INCOME STATEMENT												
Revenue	**90,234**	**96,428**	**102,346**	**113,828**	**109,896**	**119,796**	**127,577**	**142,625**	**402,836**	**499,894**	**628,337**	**775,542**
Cost of Revenue	36,361	39,039	41,369	45,766	41,271	45,943	51,419	56,362	162,535	194,995	245,413	292,625
Research and Development	13,556	13,808	15,151	18,572	17,032	18,219	20,640	22,820	61,087	78,711	101,791	125,638
Sales and Marketing	6,172	7,101	7,205	8,215	7,606	8,403	8,804	10,269	28,693	35,082	44,647	55,112
General and Administrative	3,539	5,209	7,393	5,341	4,291	6,461	6,138	6,133	21,482	23,023	26,486	32,704
One Time costs (restructuring & fines)	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**59,628**	**65,157**	**71,118**	**77,894**	**70,200**	**79,026**	**87,001**	**95,584**	**273,797**	**331,811**	**418,337**	**506,078**
EBIT	**30,606**	**31,271**	**31,228**	**35,934**	**39,696**	**40,770**	**40,576**	**47,041**	**129,039**	**168,083**	**210,000**	**269,464**
D&A	4,487	4,998	5,611	6,040	6,482	7,104	8,369	11,125	21,136	33,080	57,807	85,310
EBITDA (incl. SBC)	**35,093**	**36,269**	**36,839**	**41,974**	**46,178**	**47,874**	**48,945**	**58,165**	**150,175**	**201,162**	**267,807**	**354,773**
Other Income (Expenses)	11,183	2,662	12,759	3,183	37,716	97,983	(8,221)	5,000	29,787	132,478	14,000	10,000
Net Income	**34,540**	**28,196**	**34,979**	**34,455**	**62,578**	**112,193**	**26,468**	**43,350**	**132,170**	**244,589**	**186,592**	**232,793**
Weight Avg. Diluted Shares	12,291	12,198	12,203	12,228	12,238	12,309	12,368	12,450	12,230	12,341	12,517	12,642
Diluted GAAP EPS	**2.81**	**2.31**	**2.87**	**2.82**	**5.11**	**9.11**	**2.12**	**3.48**	**10.81**	**19.83**	**14.90**	**18.41**
GAAP Margins:												
Gross Margin	60%	60%	60%	60%	62%	62%	60%	60%	60%	61%	61%	62%
EBIT Margin (ex-One Time Fines)	34%	34%	34%	33%	36%	34%	32%	33%	32%	34%	33%	35%
EBITDA Margin (ex-One Time Fines)	39%	38%	36%	37%	42%	40%	38%	41%	37%	40%	43%	46%
Y/Y Growth (GAAP):												
Revenue	12%	14%	16%	18%	22%	24%	25%	25%	15%	24%	26%	23%
EBITDA	21%	16%	13%	19%	32%	32%	33%	39%	11%	20%	26%	19%
EPS	52%	22%	35%	31%	82%	294%	-26%	24%	35%	83%	-25%	24%
ADJUSTED ITEMS												
Adjusted EBITDA (ex-SBC)	40,609	42,267	43,207	49,045	52,929	55,831	57,575	67,025	175,128	233,360	308,276	404,725
Adjusted EBITDA Margin	45%	44%	42%	43%	48%	47%	45%	47%	43%	47%	49%	52%
Non-GAAP Net Income	40,056	34,194	41,347	41,526	69,329	120,150	35,098	52,210	157,123	276,787	227,061	282,745
Diluted Non-GAAP EPS	**3.26**	**2.80**	**3.39**	**3.40**	**5.67**	**9.76**	**2.81**	**4.19**	**12.85**	**22.40**	**18.14**	**22.37**
KEY METRICS (ex-Other Bets)												
Search	50,702	54,190	56,567	63,073	60,399	63,271	63,350	69,380	224,532	256,400	284,348	309,939
YouTube	8,927	9,796	10,261	11,383	9,883	11,055	11,207	12,567	40,367	44,712	48,959	52,876
Network Members	7,256	7,354	7,354	7,828	6,971	7,303	7,455	7,585	29,792	29,314	28,581	27,901
Advertising Revenue	**66,885**	**71,340**	**74,182**	**82,284**	**77,253**	**81,629**	**82,012**	**89,532**	**294,691**	**330,426**	**361,889**	**390,716**
Cloud	12,260	13,624	15,157	17,664	20,028	24,768	30,709	37,094	58,705	112,599	202,419	313,749
Other	10,379	11,203	12,870	13,578	12,384	12,911	14,290	15,615	48,030	55,200	62,427	69,419
Google Segment Revenues	**89,524**	**96,167**	**102,209**	**113,526**	**109,665**	**119,308**	**127,011**	**142,242**	**401,426**	**498,226**	**626,734**	**773,884**
Advertising Growth (Y/Y)	8%	10%	13%	14%	16%	14%	11%	9%	11%	12%	10%	8%
Google Segment Growth (Y/Y)	12%	14%	16%	18%	22%	24%	24%	25%	15%	24%	26%	23%
BALANCE SHEET & CASH FLOW												
Cash + Marketable Securities	95,328	95,148	98,496	126,843	126,840	242,474	265,098	263,218	126,843	263,218	171,979	154,212
Property and equipment, net	185,062	203,231	223,787	246,597	281,020	321,212	372,827	430,875	246,597	430,875	702,945	948,792
All Other	194,984	203,674	214,186	221,841	296,059	358,297	365,387	365,492	221,841	365,492	425,026	497,699
Total Assets	**475,374**	**502,053**	**536,469**	**595,281**	**703,919**	**921,983**	**1,003,312**	**1,059,586**	**595,281**	**1,059,586**	**1,299,950**	**1,600,703**
FCF	18,953	5,301	24,461	24,551	10,116	(5,855)	(9,065)	(14,761)	73,266	(19,565)	(61,727)	13,204
FCF Margin	21%	5%	24%	22%	9%	-5%	-7%	-10%	18%	-4%	-10%	2%

Source: Company reports, Bernstein estimates and analysis

on 29-Oct-2026

Mark Shmulik +1 917 344 8508 mark.shmulik@bernsteinsg.com 28 October 2026

BERNSTEIN TICKER TABLE

			28 Oct 2026		TTM	Reported EPS				Reported P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
GOOGL (Alphabet)	M	USD	324.89	**325.00**	9.1%	USD	10.81	**19.83**	**14.90**	30.1	16.4	21.8
OLD				385.00				20.97	15.44			
SPX			7,743.98									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

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

Source: Bloomberg, Bernstein estimates and analysis.



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I. REQUIRED DISCLOSURES

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

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VALUATION METHODOLOGY

Alphabet Inc

We value Alphabet on a Price Target of $325, using a 50/50 combination of 2027E EV/EBIT multiple of 18x and a DCF using a WACC of 10% and a terminal growth of 3.5%. We consider Alphabet primarily a digital advertising business and benchmark valuation to comparable peers in this industry set.

RISKS

Alphabet Inc

Upside risk to our price target:

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

Downside risk to our price target:

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

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

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

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp

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- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

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

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

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

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

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

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

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

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

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

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

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

Autonomous brand – preferred stocks

The Autonomous brand has three categories of preferred stock ratings:

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

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

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AUTONOMOUS CREDIT RESEARCH

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

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The Autonomous brand has three categories of credit ratings:

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

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

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

It is at the sole discretion of the Firm as to when to initiate, update and cease research coverage. The Firm has established, maintains and relies on information barriers to control the flow of information contained in one or more areas (i.e. the private side) within the Firm, and into other areas, units, groups or affiliates (i.e. public side) of the Firm

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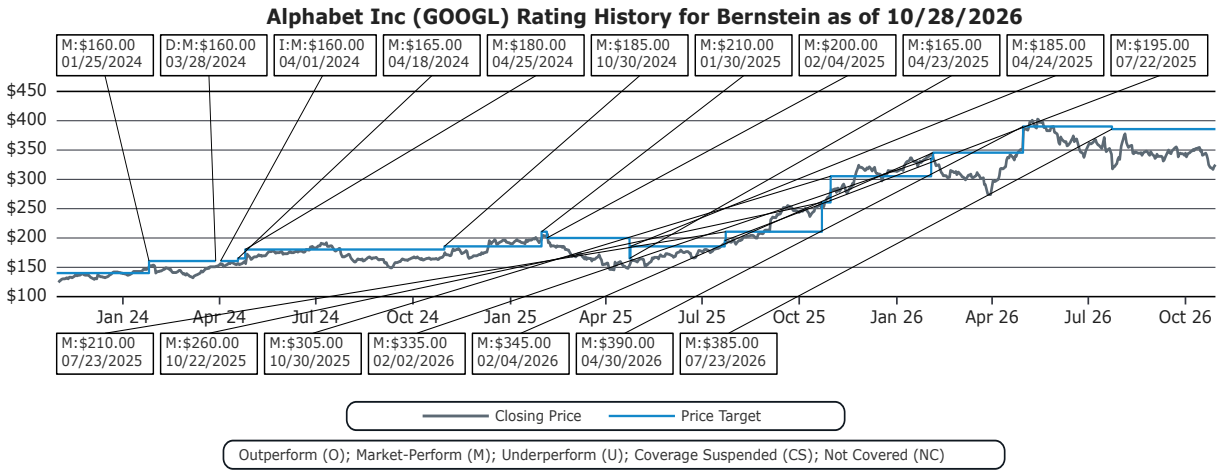
Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	52.3%	14.2%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.6%	16.1%
Underperform	SELL	12.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
As of September 30, 2026. All figures are updated quarterly.

PRICE CHARTS / RATINGS AND PRICE TARGET HISTORY

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

on 29-Oct-2026



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

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SG and/or its affiliate.s is acting as Joint Bookrunner for Alphabet Inc's bond issue (EUR, 3, 6, 9, 13, 19, 39Y).
Bernstein Autonomous LLP or BSG France SA, beneficially, has either a net long or short position of 0.5% or more of the total issued share capital of a class of common equity securities of the following MiFID eligible securities: Alphabet Inc.

Bernstein and/or affiliates have received compensation for investment banking services in the past twelve months from Alphabet Inc.

An associate contributing to this report has a financial interest in the equity or debt securities of Alphabet Inc.

Bernstein and/or affiliates have received compensation for non-investment banking securities-related products or services in the previous twelve months from the following clients: Alphabet Inc.

Bernstein and/or affiliates expect to receive or intend to seek compensation for investment banking services in the next three months from Alphabet Inc.

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Bernstein and/or affiliates had an investment banking client relationship during the past twelve months with Alphabet Inc.

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+41 Bernstein Autonomous LLP; Geneva, Switzerland

+49 BSG France S.A.; Frankfurt, Germany

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