

GOOG

Alphabet Inc.

SMIF Investment Presentation | Communication Services Sector

Search Dominance

Cloud Acceleration

AI Leadership

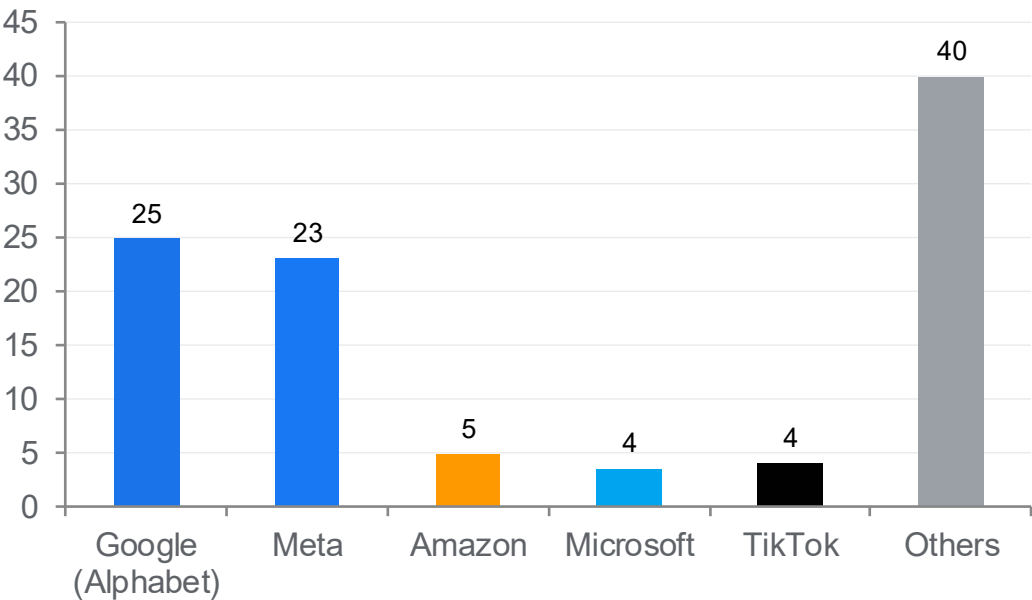
Global Scale

Current Price: \$311.43 | Market Cap: ~\$3.8T | Nasdaq: GOOG

SMIF Investment Committee | March 1, 2026

Industry Structure: Digital Advertising

Global Digital Ad Market Share 2025 (%) Advertising Only



Google + Meta Lead Global Digital Ads

Google (~24.8%) and Meta (~23%) together hold roughly half of global digital ad spend. US-only shares are higher for both.

Unmatched Advertiser Pricing Power

Google Search commands premium CPCs vs. all rivals. Intent-based search ads convert 2-3x better than social ads.

Cloud: \$300B+ Market Growing 20%+ Annually

AWS ~30%, Azure ~20%, GCP ~13% share (Q4 2025). GCP fastest-growing hyperscaler at 36% YoY, gaining share from both rivals.

Industry Drivers & Disruption Risks

Key Industry Drivers

AI-Enhanced Search Monetization

AI Overviews now used by 2B+ monthly users, boosting engagement. Sponsored AI links preserve ad economics.

Enterprise AI Spending Boom

Cloud AI spend growing >35% CAGR. GCP backlog hit \$240B in Q4 2025, more than 2x YoY.

YouTube CTV & Subscriptions

YouTube #1 streamer in US by watch time for 3 yrs. >325M paid subs, \$60B+ combined 2025 revenue.

Disruption Risks

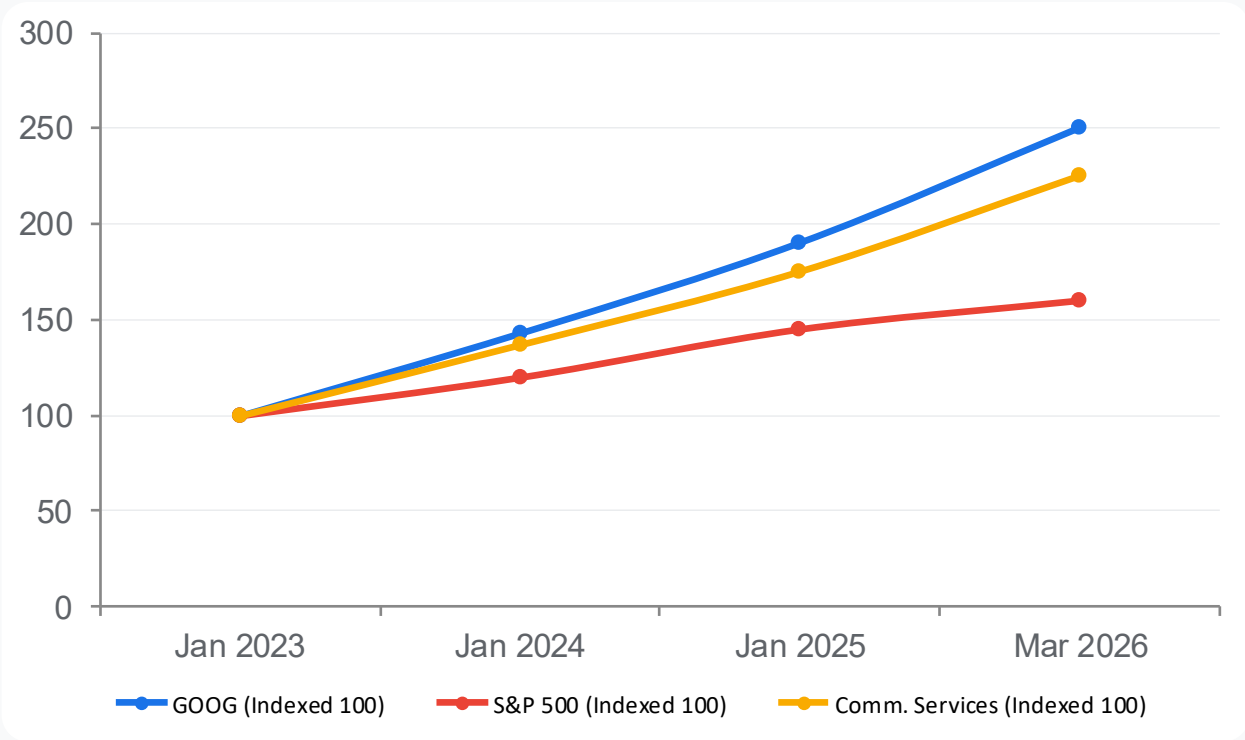
AI Search Disintermediation

ChatGPT, Perplexity & Copilot gaining query share. No-click AI answers may reduce ad impressions over time.

DOJ Antitrust Structural Risk

U.S. DOJ found Google illegally monopolized search. Potential remedies: forced Chrome/Android separation or search deal bans.

Stock Performance & Investment Attractiveness



✓ ATTRACTIVE

- ✓ GOOG +150% over 3 years vs. S&P +60%
- ✓ GCP fastest-growing hyper-scaler at 36% YoY, \$240B backlog
- ✓ Trades below 5-yr avg P/E, DCF & Fwd P/E both support upside

Company Overview & Revenue Breakdown

\$311.43

Current Price
as of 3/1/2026

~\$3.8T

Market Cap
Nasdaq: GOOG/GOOGL

\$402.8B

FY2025 Revenue
+15.1% YoY

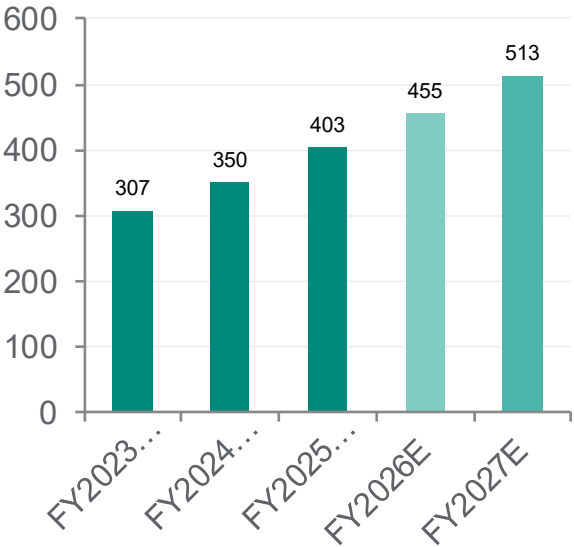
\$10.81

FY2025 EPS
+34.4% YoY

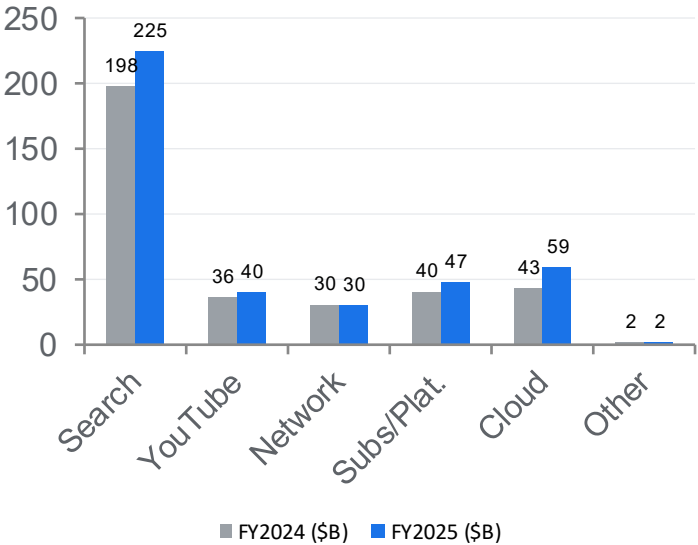
\$126.8B

Net Cash
End of FY2025

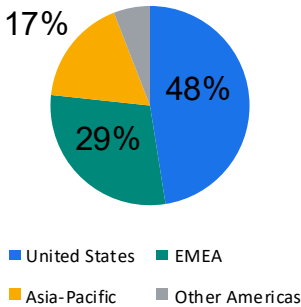
Total Revenue (\$B) | CAGR +14.5%



Sub-Segment Revenue FY2024 vs. FY2025 (\$B)



6% Revenue by Geography



Google Services ~86%

Search, YouTube, Ads, Maps, Subs & Devices.

Google Cloud ~14%

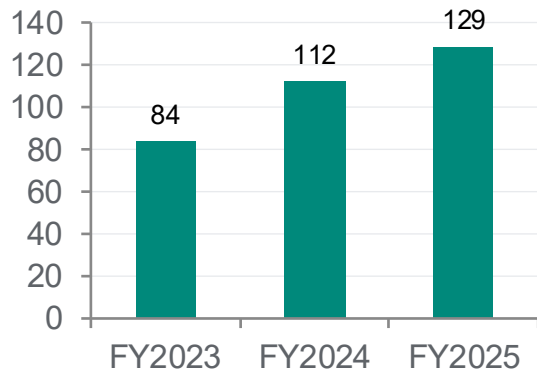
GCP, Vertex AI, Workspace. 30.1% op. margin Q4.

Other Bets ~0.4%

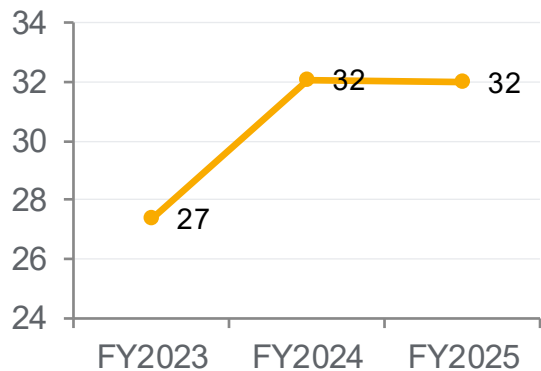
Waymo (\$16B round Feb '26), Verily, Wing.

Profitability: Operating Income, Margins & EPS

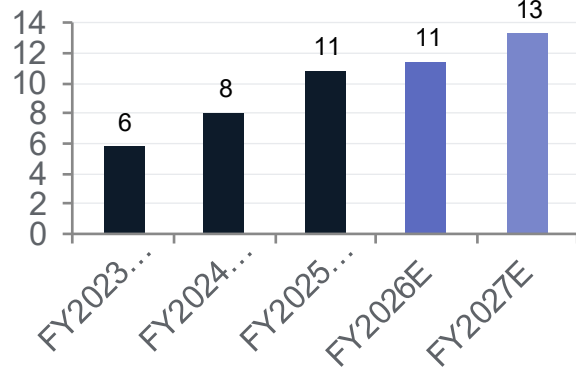
Operating Income (\$B) | CAGR +23.6%



Operating Margin (%)



Diluted EPS (\$) | 3-Yr CAGR +36.5%



Segment Operating Income - Q4 2024 vs. Q4 2025

Segment	Q4 2024 Op. Inc.	Q4 2025 Op. Inc.	YoY	Key Takeaway	FY2026E EPS	FY2027E EPS
Google Services	\$32.8B	\$40.1B	+22%	41.9% op. margin Q4	—	—
Google Cloud	\$2.1B	\$5.3B	+153%	30.1% op. margin, fastest-growing profit engine	—	—
Other Bets	\$(1.2B)	\$(3.6B)	Wider	\$2.1B Waymo employee comp charge in Q4 2025	—	—
CONSOLIDATED	\$31.0B	\$35.9B	+16%	31.6% consolidated margin; 32% op. margin FY2025	\$11.44	\$13.31

Growth Strategy & Competitive Advantage

Growth Strategy

GCP & AI Infrastructure

Google Cloud is growing fast. Over \$70B in annual revenue exiting 2025, with \$240B in signed contracts still to be delivered. Google is spending \$175-185B in 2026 to build more data centers and capture the AI boom.

Gemini AI Across All Products

Now on version 3. It launched in Q4 2025 and was the fastest-adopted AI model ever. 750M people use the Gemini App monthly. It's built into Search, Cloud, Gmail, and Android.

YouTube Monetization

YouTube is the #1 streaming platform in the US and made over \$60B in combined ad and subscription revenue in 2025.

Why the Moat is Sustainable

Search Flywheel (91% Share)

More users = more data = better search results = more users. This cycle has run for 25 years and is built into Chrome, Android, and iOS.

Proprietary AI Data Advantage

Google has data from Search, Maps, YouTube, Gmail, and Chrome that no competitor can match. Better data trains better AI models.

Advertiser Ecosystem Lock-In

Marketing teams and agencies have built their entire workflows around Google Ads tools. Switching to a competitor is disruptive and costly. Over 85% of small business digital ad spend goes through Google.

Bottom line: Google's advantages get stronger over time, not weaker. The more people use Google, the better it gets and the harder it is for competitors to catch up.

How Alphabet Uses AI Across Its Business

Search & AI Overviews

Google now shows AI-generated summaries at the top of search results for 2B+ users. Ads still appear alongside them, so Google keeps making money. People are actually searching more since AI was added.

Gemini Models (1→2→3)

Gemini is Google's answer to ChatGPT. Version 3 launched Q4 2025 and is now used by 750M people per month. It powers Search, Gmail, Google Docs, Cloud, and Android.

Google Cloud / Vertex AI

Vertex AI lets businesses build and run their own AI using Google's technology. About 75% of Google Cloud customers now use AI tools. Customers who use AI end up buying 1.8x more cloud services overall.

YouTube & Ad Targeting

Google's AI creates ad content automatically. It generated 70M ad creatives in Q4 2025 alone. Real example: L'Oreal used Google AI across 800 ad campaigns in 23 countries and grew one brand's online sales by 23%.

Waymo Autonomous Vehicles

Waymo is a fully self-driving taxi service. No human driver. It completed 15M paid rides in 2025 across 6 US cities. In early 2026, it raised \$16B from investors, with most of the funding coming from Alphabet.

Google DeepMind & Verily

DeepMind is Google's core AI research lab. It trains the Gemini models and does advanced scientific research. AlphaFold predicted the shape of nearly every known protein, a breakthrough used by scientists worldwide. Verily uses AI for healthcare.

Management & Shareholder Alignment

Sundar Pichai | CEO, Alphabet & Google

Tenure:	CEO since 2019; at Google since 2004 (21 years with the company)
Compensation:	FY2024 total pay: ~\$10.7M. Most of it is stock that only pays out if the company hits performance targets, not a guaranteed salary.
Shareholder Alignment:	Owns over \$500M of Google stock. When the stock goes up, he wins. When it goes down, he loses. He also approved the \$70B+ buyback program.

Anat Ashkenazi | CFO, Alphabet

Tenure:	CFO since July 2024. Previously CFO at Eli Lilly.
Compensation:	FY2024 total pay: ~\$21M (includes new-hire stock grant). Ongoing pay is tied to operating income and FCF growth.
Shareholder Alignment:	Came in with a reputation for cutting waste and improving margins at Lilly. She started Google's first-ever quarterly dividend (\$0.21/share) and has kept a tight grip on costs even as AI spending surged.

Giving Money Back to Shareholders: Google bought back \$61.8B of its own stock in FY2024, reducing share count by 1.74%. It also paid its first-ever dividend in 2026 at \$0.21/share per quarter. Both signal management confidence in the business.

Catalysts for Revenue, EPS & Stock Price Appreciation

1 GCP CapEx Returns

Google Cloud is growing rapidly and has \$240B in signed contracts awaiting delivery. The \$175- 185B Google is spending in 2026 is building the infrastructure to handle that demand. As the new data centers fill up, profit margins should expand.

2 Gemini Subscription Revenue

Google now charges for premium AI access through Gemini Advanced and AI-powered Google Workspace. Over 325M people pay for Google subscriptions today. This is a growing, recurring revenue stream.

3 AI Overviews Ad Innovation

Google has added sponsored ads directly inside its AI search summaries. This is a new ad format that didn't exist before. Early results show people are still clicking ads, meaning this adds new revenue on top of traditional search ads.

4 Antitrust Resolution

The DOJ antitrust case has been a cloud over the stock for years. The market is pricing in a worst-case outcome. If the final remedy turns out to be less severe than feared, the stock could re-rate quickly.

5 Waymo Valuation Unlock

Waymo was valued at \$16B in its Feb 2026 funding round, but some analysts think it could eventually be worth \$100B+ on its own. None of that value is reflected in Google's current stock price.

6 YouTube CTV Ad Growth

TV advertising budgets are moving from traditional cable TV to streaming platforms. YouTube is the #1 streaming platform in the US.

Valuation vs. 5-Year Historical Trading Range

GOOG vs. 5-Year Historical Multiples

Metric	5-Yr Low	5-Yr Avg	5-Yr High	Current	2026E	2027E	Assessment
P/E	18.5x	27.5x	39.4x	~28.8x	27.0x	23.2x	Below 5-yr avg on fwd basis, P/E target implies 29x = \$376
EV/EBITDA	11.5x	18.5x	29.0x	~24.7x	~22x	~19x	Below 5-yr avg. Reflects capex concern
P/Sales	4.1x	6.8x	10.2x	~9.3x	~8.3x	~7.4x	Reasonable. forward P/S declining

Key Insight: GOOG's forward P/E of 27x (2026E EPS \$11.44) sits below its 5-yr average of 27.5x - despite stronger growth visibility from GCP and AI.

~28.8x

Trailing P/E

~27.2x

Fwd P/E 2026E (TIKR)

\$376

P/E Target (29x × \$13.31)

\$140-\$349

52-Wk Range

12.1B

Shares Out.

Peer Valuation Comparison

Growth & Valuation Scorecard: Key Mega-Cap Peers

Company	Ticker	Mkt Cap	2026E EPS	2027E EPS Gr%	3-5Yr EPS CAGR	2026E P/E	EV/EBITDA	P/Sales
Alphabet	GOOG	\$3.8T	\$11.44	+13.3%	~17%	27.2x	~22x	8.3x
Microsoft	MSFT	\$3.2T	\$13.50	+16%	~15%	32.0x	22.0x	11.2x
Meta Platforms	META	\$1.7T	\$27.00	+18%	~20%	26.5x	15.5x	9.0x
Amazon	AMZN	\$2.5T	\$6.90	+22%	~25%	36.0x	20.0x	3.8x

Takeaway: GOOG trades at a discount compared to MSFT on P/E and EV/EBITDA with comparable growth, yet GOOG has superior AI infrastructure advantages (TPUs, Search data, GCP backlog).

Valuation: DCF & Forward P/E Analysis

METHOD 1: DISCOUNTED CASH FLOW (DCF)

Assumption	Value	Why
Base FCF	~\$72B	FY2025 actual free cash flow
FCF Growth Yrs 1–3	+5%	\$175-185B capex suppresses near-term FCF
FCF Growth Yrs 4–7	+18%	GCP + AI Overviews revenue ramps up
FCF Growth Yrs 8–10	+12%	Mature but still above-average growth
Terminal Growth Rate	3.5%	Slightly above GDP. Search & Cloud grow long-term
WACC	9.5%	Includes regulatory & capex risk premium
Net Cash Added	+\$126.8B	Adds ~\$10.50/share to intrinsic value

DCF INTRINSIC VALUE

\$345

UPSIDE TO DCF

+10.8%

METHOD 2: FORWARD P/E ANALYSIS

Input	Value	Rationale
FY2027E EPS	\$13.31	TIKR consensus; +16.3% growth vs. FY2026E
Applied P/E Multiple	29x	5-yr avg 27.5x + premium for GCP growth visibility
Why 29x is fair	—	MSFT trades 32x, META 26.5x. GOOG discount reflects antitrust risk-justified entry point.
Why not higher?	—	\$175-185B capex year suppresses 2026 EPS. Multiple are limited until the capex returns are confirmed.
Why not lower?	—	GCP at 36% growth, 30%+ margin. AI Overviews intact. Search moat unbroken.
× Applied Multiple		29x
= My Price		\$376
Wall St. Consensus Avg		~\$374

FWD P/E IMPLIED PRICE

\$376

UPSIDE TO FWD P/E

+20.8%

Bear / Base / Bull Scenario Analysis

BEAR CASE

\$225

- 28% from current

Antitrust + AI Disruption

- DOJ imposes structural remedy and forces Android/Chrome divestiture or search deal ban
- AI query disintermediation materially reduces search volume and revenue per query.
- GCP growth disappoints vs. \$240B backlog.
- Macro ad spend pullback. APAC headwinds from tariff-related economic slowdown.
- EPS \$9.50-10.00. P/E compresses to 22-23x on sustained regulatory uncertainty.

BASE CASE

\$376

+20.8% from current

Forward P/E: 29x × FY2027E EPS \$13.31

- Search maintains ~90%+ share, AI Overviews monetization holds and improves
- GCP grows 35%+ with backlog converting. Cloud margin expands toward 35%
- Antitrust outcome: behavioral remedies only, no structural break-up.
- 29x P/E applied to FY2027E EPS of \$13.31 (TIKR consensus) In line with Wall St. avg ~\$374
- DCF yields \$345 as a conservative estimate. The Forward P/E method is primary.

BULL CASE

\$420

+34.9% from current

Multiple Re-Rate + EPS Upside

- GCP growth accelerates beyond 40% and captures major enterprise AI contracts.
- AI Overviews creates incremental ad unit revenue, and EPS beats consensus estimates.
- Antitrust fully resolved in favor of behavioral-only remedies. multiple re-rates to 32-33x
- Waymo raises funds at \$100B+ valuation; \$10+ per Alphabet share in market value.
- FY2027E EPS upside to \$14+ combined with multiple expansion drives \$420+ target.

Recommendation - Alphabet Inc. (GOOG)

BUY

12-MONTH TARGET: \$376

Current Price

\$311.43

as of 3/1/2026

12-Mo Target

\$376

Fwd P/E: 29x × \$13.31E

Implied Upside

+20.8%

to P/E target

DCF Floor

\$345

Conservative cross-check

Investment Thesis

Dominant search moat (~91% share) with network effects that compound over decades.

GCP hyperscaler acceleration: \$240B backlog, 48% Q4 growth, 30%+ op. margin.

Trades near 5-yr avg P/E despite significantly better growth visibility; 29x × FY2027E EPS \$13.31 implies \$376.

Balance sheet (\$126.8B net cash) + \$61.8B buyback in 2024 + inaugural dividend . management clearly aligned with shareholders

Key Risks: (1) DOJ structural antitrust remedy (2) AI search disintermediation (3) CapEx overshoot / lower FCF (4) Macroeconomic ad spend pullback (5) GCP competition from AWS/Azure

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