



## **Alphabet Inc. (NASDAQ: GOOG) Pitch Note (prior to Q4/25 Earnings)**

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It's Google. Search, advertising, video, cloud infrastructure, mobile operating systems, browsers, AI models. Google touches all of it: and touches it where it matters. Headquartered in Mountain View, California, Google operates across Google Services, and Google Cloud with revenue still anchored in advertising but increasingly diversified toward subscriptions, cloud, and AI-driven services.

What separates Google from its peers is not just scale, but ownership of the entire AI stack. From proprietary chips (TPUs), to foundation models (Gemini), to global distribution (Search, Chrome, Android, YouTube), Google controls both the technology and the demand. It controls every cost in the supply chain and gets to charge the end consumer whatever it wants. No other companies have pricing power on scale with Google.

Market Cap	Revenue (Y/Y +%)	EPS (Y/Y +%)
\$4.1T	\$385B (+13.4%)	\$8.71 (+17.5%)

As of market close February 2<sup>nd</sup>, GOOG trades at \$341.72 just 1% off of their all-time high. Shares are up ~62% in the last year, but expectations heading into earnings remain surprisingly conservative given the increasing monetization of AI and cloud infrastructure. Bloomberg's implied 1 day price move for Q4/25 earnings fluctuate between 4.12% and 5.79%. Our view is that Google can exceed implied moves given strong trends working in their favour going into 2026.

Share Price	Position Value	Shares Held	Position(%)
\$334.12	\$913,535	2,000	-1.67%

### **Key Thesis Points**

#### **Google is properly monetizing AI.**

In 2024 Google spent \$52 billion on CapEx, making up almost 50% of their free cash flow. In 2025, the street expects to be up to \$77 Billion, up 48% Y/Y. Investors were entirely obsessed over it, along with data centers and model training, while missing the obvious question: How does Google actually make money from this? That answer is now showing up. Google is now viewed as the leader in almost every major part of the artificial intelligence industry. Gemini is no longer a flashy, flagship demo, instead it's integrated directly into the search engine and advertising, improving the margins on the pillar that makes up 56% of revenue. Google Spokesperson said "*The line between search engine and chatbot is blurring*" and that matters because Google monetizes queries better than

any other company on earth. Higher engagement, broader queries, and improved ad targeting means more money for Google.

Some investors were concerned with Microsoft's CoPilot, which is a direct competitor with Gemini, however MSFT Q2/26 earnings show that they are falling behind. Microsoft earnings had many investors questioning the progress they have made with monetizing Co-Pilot and user experience for their Agentic Tools.

### Waymo's showing it's teeth.

Waymo is privately valued at about \$126B, following its recent funding round that raised \$16B. Google raised \$13B of the \$16, further cementing itself as the majority holder with an 84% stake. Commercial deployments continue to expand, with Waymo expecting to reach 20 cities by the end of the year, up from 6. The competitive impact is already visible, shown through Uber's Q4/25 EPS miss, which led to the stock trading down. Waymo was one of the main topics of conversation in their recent earnings call, showing investors are uncertain on whether Uber can sustain its competitive advantage. Despite all of this, Waymo is still a small portion of Google's valuation. Any commentary during earnings about expansion or technology development is pure upside as Google takes the crown for the autonomous mobility leader.

Cars	Rides (per week)	Cities	Market Cap	GOOG Stake
<b>+100% Y/Y</b>	450,000 <b>(+125% Y/Y)</b>	6 -> 20+ <b>(+230% Y/Y)</b>	~126 Bil. <b>(+180% Y/Y)</b>	~84%

### Google Cloud is a pillar.

Cloud revenue was up 48% Y/Y and the street expects it to grow 29% in F2026. Revenue from Google Cloud was guided to make up 17% of revenue by F2026 ended, up from 10% at the start of 2024. Most importantly, margins are expanding. Proprietary TPUS\* gives Google a structural hardware advantage, especially for AI inference workloads, unlike competitors who rely on third-party chips. Google has teamed up with Mediatek and Broadcom to deliver 40% more TPUs this year, meaning that Google controls costs from end to end. As AI demand shifts from training to inference\*\*, Cloud becomes increasingly profitable.

*\*Google's Tensor Processing Unit, developed only for internal AI use but now sold at enterprise level, are specialized chips that run machine-learning models much faster and more efficiently than CPUs or GPUs (15-30x faster). Their limitation is narrow flexibility, but that specialization makes them 4x more superior for large-scale AI training and inference. Meta's AI, and all internal Google products, and now all of Siri training.*

*\*\*See [Morgan Stanley's report on the AI shift to inference](#)*

## **Subscriptions growth continues to accelerate.**

YouTube Premium and YouTube TV also saw strong growth in the quarter. Currently at 137 million and 24 million subscribers each, they are up an average of 8% on the quarter, and 15% on the year, with Street predictions expecting continued growth into F2026. Google also released Google One subscriptions for AI pro (\$27/mo) and AI Ultra (\$170/mo). These are far from mainstream adoption at their current price, however these subscriptions aren't intended for leisurely use, but instead provide access to unprecedented AI automation tools. This shows Google beginning to shift away from attention-based revenue, into reoccurring access to efficient tools to improve the life of the current "time-poor" demographics. This growth matters for earnings because subscriptions revenue is predictable and in recent quarters, Google saw its lowest churn rates yet.

## **CapEx spend widens the moat.**

Google's rising CapEx is being misread; it is not reckless spending, but instead targeted investment in AI infrastructure, chips, and data centers that are on the cusp of directly adding to the top line. The market is still anchored to last cycle's fear that AI spend contracts margins. The reality is the opposite: Google's CapEx is reinforcing its moat and setting up a multi-year sustainable competitive advantage and absolute operating excellence. But, in most product pipelines, Google has structured itself to control costs end-to-end.

## **Outlook Provides us Confidence for Google**

### **Agentic AI**

Through Chrome and Gemini integrations, AI can now browse websites, fill out tedious forms, manage subscriptions, compare prices, schedule dentist appointments, and handle the administrative parts of digital life that users can save time on. This will create a new layer of monetization sitting between users and the internet itself. Every automated action becomes a potential transaction or referral. Google Cloud wants to help brands build their own agentic AI bots: Enterprises get workflow automation without billions in R&D, consumers get time back, and Google sits in the middle, collecting data, subscriptions, and eventually fees. Reports by IBM around Agentic AI implementation say it will be the biggest global player in the financial services by revolutionizing trading strategies.

### **Project Genie**

Days ago, Google launched Project Genie: an AI tool that builds interactive 3D worlds from text and images, a product that targets game creators and content creators. It is an experimental research prototype available only to AI Ultra subscribers. As an experimental research prototype, it opens Google up to a relatively untapped market. Unity shares declined 39% from January 29<sup>th</sup> to February 4<sup>th</sup>, directly attributing the decline to investor concerns about potential competition for established game development platforms.

Google described Project Genie as part of its broader artificial general intelligence mission, noting that “the technology simulates physics and interactions for dynamic environments while maintaining consistency across various scenarios.”

## **AI Commerce Standards**

As retailers increasingly turn to AI tools to attract shoppers to their business for them, Google wants to make sure it's in the center of the action. In January, Google announced the launch of what it calls the Universal Commerce Protocol. The company wants UCP to become an industry standard that retailers use with their AI agents across all tasks. If UCP becomes the default standard, Google moves from advertising around commerce to facilitating commerce itself and potentially getting a cut of the transactions.

## **India Expansion provides international growth lever.**

While everyone debates AI models, Google rebuilds the talent behind them. Expanding aggressively in India, Google plans to add tens of thousands of employees, nearly tripling their Indian workforce. Talent shortages and visa restrictions in the USA are pushing tech companies offshore, but Google is ahead of the curve and moving at scale, tapping into the fastest growing technical workforces in the world. Lower labour costs, 24 hour development cycles, and proximity to the biggest emerging markets allow Google to improve core operations even further. As India's tech workforce pushes toward an estimated 2.7 million professionals by 2030, Google positions itself not just for a participation trophy, but to be the cornerstone employer.

## **Earnings Setup and Risk**

Street expectations remain anchored to Google as a browser, underestimating subscription growth, cloud margins, and AI money. Any upside surprise in Cloud profitability, or commentary on Siri x Gemini, Project Genie, or their Agentic AI baby has the potential to reframe their entire share price.

The position is protected with a defined 12% stop loss, which is twice the implied one-day move.

## **Conclusion**

Google is heading into earnings firing on all cylinders with more power forecasted, but the market is still stuck in last year's story. Still convinced AI kills Search instead of AI being the search.

Fun Fact: Polymarket odds were 95% that Google would beat Q4/25 earnings.

GOOG is positioned to beat.