Alphabet (GOOG US)

3Q25 results beat; upbeat on AI and cloud business momentum

BUY (Maintain)

Target Price	**US$328.00**
(Previous TP	US$221.00)
Up/Downside	**19.2%**
Current Price	**US$275.17**

Internet

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Ye TAO, CFA
franktao@cmbi.com.hk

Joanna Ma
(852) 3761 8838
joannama@cmbi.com.hk

Stock Data

Mkt Cap (US$ mn)	3,331,758.4
Avg 3 mths t/o (US$ mn)	1,879.5
52w High/Low (US$)	275.17/146.58
Total Issued Shares (mn)	12108.0

Source: FactSet

Shareholding Structure

The Vanguard Group	4.1%
BlackRock	3.4%

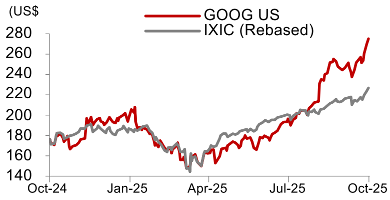
Source: Company data

Share Performance

	Absolute	Relative
1-mth	13.0%	6.9%
3-mth	39.4%	22.9%
6-mth	71.0%	24.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Alphabet announced 3Q25 results: total revenue grew by 16% YoY to US$102.3bn, 3% ahead of consensus estimate; operating income excluding US$3.5bn European Commission fine was up by 22% YoY to US$34.7bn, 8% ahead of consensus estimate, primarily thanks to the enhanced overall efficiency and robust earnings growth of Google Cloud (+85% YoY). Management raised FY25 capex guidance to US$91-93bn (previously: US$85bn), up by 73%-77% YoY. The AI investments gradually bear fruit in both core search (>2bn AI Overviews users) and cloud businesses (cloud backlog + 82% YoY to US$155bn), driving acceleration in revenue growth. We lift our FY25-27 total revenue forecast by 1-4% in view of the AI empowerment. We roll over our valuation window to FY26 and raise our target price to US$328.0 based on 30x FY26E PE (previous: US$221.0 based on 22x FY25E PE), given the AI-enhanced growth outlook. Maintain BUY.

- **AI drove acceleration in core search revenue growth.** Google Search & other revenue grew by 15% YoY to US$56.6bn in 3Q25, led by strength in retail and financial service verticals. AI Overviews and AI Mode drove acceleration in the growth rate of paid clicks from +3% YoY in 1H25 to +7% YoY in 3Q25. DAUs of AI Mode surpassed 75mn in 3Q25, with consistent WoW usage growth since launch and queries doubled QoQ. Cost-per-click was also up by 7% YoY in 3Q25, driven by the AI-enhanced ad performance. AI Max and Search, globally launched in September, created billions of net new queries in 3Q25, becoming the fastest-growing AI-powered search ads product. YouTube ads revenue grew by 15% YoY to US$10.3bn in 3Q25, as the recommendation systems drove robust watch growth in key monetization areas like Shorts and Living Room.
- **Google Cloud: strong beat on both revenue and margin.** Google Cloud revenue was up by 34% YoY to US$15.2bn in 3Q25 (2Q25: +32% YoY), further accelerating thanks to the robust demand for AI compute. Google Cloud backlog was up by 46% QoQ and 82% YoY to US$155bn in 3Q25. Demand for Google's first-party AI models was especially strong, with revenue from products built on its generative AI models grew over 200% YoY in 3Q25. The company is now processing over 1,300tn monthly tokens across all surfaces, up from 980tn monthly tokens in Jul, with its first-party models processing c.300tn monthly tokens via direct API. Google Cloud margin expanded by 7ppts YoY to 23.7% in 3Q25, driven by the strong revenue performance and efficiency gains.
- **Raise full-year capex guidance.** OPM, excluding the EC fine, improved by 2ppts YoY to 33.9% in 3Q25 despite increased AI investments. Total capex increased by 83% YoY to US$24.0bn in 3Q25, and management raised full-year capex guidance to US$91-93bn (previously: US$85bn). Depreciation grew by 41% YoY to US$5.6bn in 3Q25 (5% of total revenue), and we expect it to further accelerate and put pressure on margin in 4Q25E and FY26E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	307,394	350,018	399,165	451,805	506,432
Net profit (US$ mn)	73,795.0	100,118.0	127,499.6	132,271.6	150,321.6
EPS (Reported) (US$)	5.84	8.13	10.53	10.92	12.42
Consensus EPS (US$)	5.84	8.13	9.90	10.79	12.35
P/E (x)	47.1	33.9	26.1	25.2	22.2

Source: Company data, Bloomberg, CMBIGM estimates

Business forecasts update and valuation

Figure 1: Alphabet: forecast revision

	Current			Previous			Change (%)		
US$ bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	399.2	451.8	506.4	393.3	438.6	486.3	1.5%	3.0%	4.1%
Gross profit	236.2	267.7	300.9	231.8	259.1	287.8	1.9%	3.3%	4.6%
Operating profit	128.7	148.8	171.8	129.9	147.7	165.0	-0.9%	0.8%	4.1%
Net profit	127.5	132.3	150.3	121.8	131.2	144.4	4.7%	0.8%	4.1%
EPS (US$)	10.5	10.9	12.4	10.1	10.8	11.9	4.7%	0.8%	4.1%
Gross margin	59.2%	59.2%	59.4%	58.9%	59.1%	59.2%	0.2 ppt	0.2 ppt	0.2 ppt
Operating margin	32.2%	32.9%	33.9%	33.0%	33.7%	33.9%	-0.8 ppt	-0.7 ppt	0.0 ppt
Net margin	31.9%	29.3%	29.7%	31.0%	29.9%	29.7%	1.0 ppt	-0.6 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: Alphabet: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	399.2	451.8	506.4	395.4	441.9	492.8	1.0%	2.2%	2.8%
Gross profit	236.2	267.7	300.9	233.0	260.4	287.6	1.4%	2.8%	4.6%
Operating profit	128.7	148.8	171.8	131.0	150.8	171.1	-1.8%	-1.3%	0.4%
Net profit	127.5	132.3	150.3	120.3	129.1	145.3	6.0%	2.4%	3.4%
EPS (US$)	10.5	10.9	12.4	9.9	10.8	12.3	6.3%	1.3%	0.6%
Gross margin	59.2%	59.2%	59.4%	58.9%	58.9%	58.4%	0.2 ppt	0.3 ppt	1.1 ppt
Operating margin	32.2%	32.9%	33.9%	33.1%	34.1%	34.7%	-0.9 ppt	-1.2 ppt	-0.8 ppt
Net margin	31.9%	29.3%	29.7%	30.4%	29.2%	29.5%	1.5 ppt	0.1 ppt	0.2 ppt

Source: CMBIGM estimates, Bloomberg

Figure 3: Alphabet: quarterly results

(US$ mn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	Consensus	Diff
Total revenue	**80,539**	**84,742**	**88,268**	**96,469**	**90,234**	**96,428**	**102,346**	**99,853**	**2.5%**
YoY	*15.4%*	*13.6%*	*15.1%*	*11.8%*	*12.0%*	*13.8%*	*15.9%*	*13.1%*	
Google services	70,398	73,928	76,510	84,094	77,264	82,543	87,052	84,674	**2.8%**
YoY	*13.6%*	*11.5%*	*12.5%*	*10.2%*	*9.8%*	*11.7%*	*13.8%*	*10.7%*	
Google cloud	9,574	10,347	11,353	11,955	12,260	13,624	15,157	14,752	**2.7%**
YoY	*28.4%*	*28.8%*	*35.0%*	*30.1%*	*28.1%*	*31.7%*	*33.5%*	*29.9%*	
Other bets	495	365	388	400	450	373	344	429	**-19.9%**
YoY	*71.9%*	*28.1%*	*30.6%*	*-39.1%*	*-9.1%*	*2.2%*	*-11.3%*	*10.7%*	
Gross Profit	**46,827**	**49,235**	**51,794**	**55,856**	**53,873**	**57,389**	**60,977**	**58,180**	**4.8%**
GPM	*58.1%*	*58.1%*	*58.7%*	*57.9%*	*59.7%*	*59.5%*	*59.6%*	*58.3%*	
S&M Expenses	**6,426**	**6,792**	**7,227**	**7,363**	**6,172**	**7,101**	**7,205**	**7,565**	**-4.8%**
YoY	*-1.6%*	*0.2%*	*5.0%*	*-4.6%*	*-4.0%*	*4.5%*	*-0.3%*	*4.7%*	
G&A Expenses	**3,026**	**3,158**	**3,599**	**4,405**	**3,539**	**5,209**	**7,393**	**4,697**	**57.4%**
YoY	*-19.5%*	*-9.3%*	*-9.6%*	*-15.4%*	*17.0%*	*64.9%*	*105.4%*	*30.5%*	
R&D Expenses	**11,903**	**11,860**	**12,447**	**13,116**	**13,556**	**13,808**	**15,151**	**14,306**	**5.9%**
YoY	*3.8%*	*12.0%*	*10.6%*	*8.3%*	*13.9%*	*16.4%*	*21.7%*	*14.9%*	
Operating income	**25,472**	**27,425**	**28,521**	**30,972**	**30,606**	**31,271**	**31,228**	**32,106**	**-2.7%**
YoY	*46.3%*	*25.6%*	*33.6%*	*30.7%*	*20.2%*	*14.0%*	*9.5%*	*12.6%*	
OPM	*31.6%*	*32.4%*	*32.3%*	*32.1%*	*33.9%*	*32.4%*	*30.5%*	*32.2%*	
Google services	27,897	29,674	30,856	32,836	32,682	33,063	33,527	33,588	**-0.2%**
OPM	*39.6%*	*40.1%*	*40.3%*	*39.0%*	*42.3%*	*40.1%*	*38.5%*	*39.7%*	
Google cloud	900	1,172	1,947	2,093	2,177	2,826	3,594	3,012	**19.3%**
OPM	*9.4%*	*11.3%*	*17.1%*	*17.5%*	*17.8%*	*20.7%*	*23.7%*	*20.4%*	

Other bets	-1,020	-1,134	-1,116	-1,174	-1,226	-1,246	-1,426	-1,211	**17.7%**
OPM	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	
Net income	**23,662**	**23,619**	**26,301**	**26,536**	**34,540**	**28,196**	**34,979**	**31,756**	**10.2%**
YoY	*57.2%*	*28.6%*	*33.6%*	*28.3%*	*46.0%*	*19.4%*	*33.0%*	*20.7%*	
NPM	*29.4%*	*27.9%*	*29.8%*	*27.5%*	*38.3%*	*29.2%*	*34.2%*	*31.8%*	

Source: Bloomberg, CMBIGM

Valuation

We value Alphabet at US$328.0 per share based on 30x 2026E P/E. Our target PE multiple is a premium to the sector average (21x), which mainly reflects Google's competitive edge in the search market and the monetization potential of Google Cloud.

Figure 4: Alphabet: target valuation

P/E valuation (US$mn)	2026E
Net income	132,272
Target 2026E P/E	30
Target equity valuation	3,968,147
Valuation per share (US$)	328.0

Source: Company data, CMBIGM estimates

Figure 5: Global online ad platforms: valuation comparison

Companies	Ticker	Price		PE (x)			PS (x)		EPS CAGR
		(LC)	2025E	2026E	2027E	2025E	2026E	2027E	25-27E
Global ads									
Meta	META US	751.7	21.2	21.9	19.0	9.6	8.2	7.1	18%
Alphabet	GOOGL US	274.6	26.0	23.7	21.0	9.9	8.6	7.6	17%
Pinterest	PINS US	32.8	18.6	16.2	13.3	5.3	4.6	4.0	17%
Snap	SNAP US	7.7	29.4	21.6	15.6	2.2	2.0	1.8	23%
Average			**23.8**	**20.8**	**17.2**	**6.7**	**5.8**	**5.1**	
Global tech									
Microsoft	MSFT US	541.6	40.4	34.6	29.5	14.4	12.4	10.9	16%
Amazon	AMZN US	230.3	27.7	25.0	20.4	3.5	3.1	2.8	18%
Netflix Inc	NFLX US	1100.4	44.7	35.4	30.7	10.3	9.2	8.2	22%
Uber	UBER US	95.8	27.1	22.7	19.8	3.9	3.3	2.9	33%
Average			**35.0**	**29.4**	**25.1**	**8.0**	**7.0**	**6.2**	

Source: Bloomberg, CMBIGM
Note: data as of 29 Oct

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**282,836**	**307,394**	**350,018**	**399,165**	**451,805**	**506,432**
Cost of goods sold	(126,203)	(133,332)	(146,306)	(162,964)	(184,144)	(205,507)
Gross profit	**156,633**	**174,062**	**203,712**	**236,201**	**267,661**	**300,925**
Operating expenses	**(81,791)**	**(89,769)**	**(91,322)**	**(107,517)**	**(118,825)**	**(129,140)**
Selling expense	(26,567)	(27,917)	(27,808)	(28,189)	(29,819)	(31,399)
Admin expense	(15,724)	(16,425)	(14,188)	(20,841)	(18,524)	(19,244)
R&D expense	(39,500)	(45,427)	(49,326)	(58,488)	(70,482)	(78,497)
Others	0	0	0	0	0	0
Operating profit	**74,842**	**84,293**	**112,390**	**128,683**	**148,837**	**171,785**
Other income/expense	(3,514)	1,424	7,425	28,256	6,777	5,064
Pre-tax profit	**71,328**	**85,717**	**119,815**	**156,940**	**155,614**	**176,849**
Income tax	(11,356)	(11,922)	(19,697)	(29,440)	(23,342)	(26,527)
After tax profit	**59,972**	**73,795**	**100,118**	**127,500**	**132,272**	**150,322**
Net profit	**59,972**	**73,795**	**100,118**	**127,500**	**132,272**	**150,322**
Adjusted net profit	**79,334**	**96,255**	**122,903**	**153,484**	**161,683**	**183,289**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**164,795**	**171,530**	**163,711**	**203,575**	**251,614**	**347,252**
Cash & equivalents	21,879	24,048	23,466	57,175	98,824	188,071
Account receivables	40,258	47,964	52,340	58,495	64,885	71,276
Inventories	2,670	0	0	0	0	0
Financial assets at FVTPL	91,883	86,868	72,191	72,191	72,191	72,191
Other current assets	8,105	12,650	15,714	15,714	15,714	15,714
Non-current assets	**200,469**	**230,862**	**286,545**	**356,963**	**438,921**	**502,618**
PP&E	112,668	134,345	171,036	241,454	323,412	387,109
Right-of-use assets	14,381	14,091	13,588	13,588	13,588	13,588
Deferred income tax	5,261	12,169	17,180	17,180	17,180	17,180
Investment in JVs & assos	30,492	31,008	37,982	37,982	37,982	37,982
Intangibles	2,084	2,084	2,084	2,084	2,084	2,084
Goodwill	28,960	29,198	31,885	31,885	31,885	31,885
Other non-current assets	6,623	7,967	12,790	12,790	12,790	12,790
Total assets	**365,264**	**402,392**	**450,256**	**560,538**	**690,535**	**849,869**
Current liabilities	**69,300**	**81,814**	**89,122**	**95,698**	**103,834**	**111,738**
Account payables	5,128	7,493	7,987	8,718	9,655	10,559
Tax payable	0	0	0	0	0	0
Other current liabilities	12,278	13,013	14,838	15,991	17,187	18,384
Accrued expenses	51,894	61,308	66,297	70,989	76,992	82,794
Non-current liabilities	**39,820**	**37,199**	**36,050**	**36,050**	**36,050**	**36,050**
Long-term borrowings	14,701	13,253	10,883	10,883	10,883	10,883
Obligations under finance leases	12,501	12,460	11,691	11,691	11,691	11,691
Deferred income	599	911	911	911	911	911
Other non-current liabilities	12,019	10,575	12,565	12,565	12,565	12,565
Total liabilities	**109,120**	**119,013**	**125,172**	**131,748**	**139,884**	**147,788**
Capital surplus	68,184	76,534	84,800	61,007	50,596	51,705
Retained earnings	195,563	211,247	245,084	372,584	504,855	655,177
Other reserves	(7,603)	(4,402)	(4,800)	(4,800)	(4,800)	(4,800)
Total shareholders equity	**256,144**	**283,379**	**325,084**	**428,790**	**550,651**	**702,082**
Total equity and liabilities	**365,264**	**402,392**	**450,256**	**560,538**	**690,535**	**849,869**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**71,328**	**85,717**	**119,815**	**156,940**	**155,614**	**176,849**
Depreciation & amortization	15,287	11,946	15,311	21,390	28,734	37,590
Tax paid	(11,356)	(11,922)	(19,697)	(29,440)	(23,342)	(26,527)
Change in working capital	(2,235)	(3,845)	(8,406)	420	1,747	1,513
Others	18,471	19,850	18,276	25,984	29,411	32,967
Net cash from operations	**91,495**	**101,746**	**125,299**	**175,294**	**192,164**	**222,391**
Investing						
Capital expenditure	(31,485)	(32,251)	(52,535)	(91,808)	(110,692)	(101,286)
Acquisition of subsidiaries/ investments	(6,969)	(495)	(2,931)	0	0	0
Others	18,156	5,683	9,930	0	0	0
Net cash from investing	**(20,298)**	**(27,063)**	**(45,536)**	**(91,808)**	**(110,692)**	**(101,286)**
Financing						
Net borrowings	(1,196)	(760)	888	0	0	0
Share repurchases	(59,296)	(61,504)	(62,222)	(49,778)	(39,822)	(31,858)
Others	(9,265)	(9,829)	(18,399)	0	0	0
Net cash from financing	**(69,757)**	**(72,093)**	**(79,733)**	**(49,778)**	**(39,822)**	**(31,858)**
Net change in cash						
Cash at the beginning of the year	20,945	21,879	24,048	23,466	57,175	98,824
Exchange difference	(506)	(421)	(612)	0	0	0
Cash at the end of the year	**21,879**	**24,048**	**23,466**	**57,175**	**98,824**	**188,071**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	9.8%	8.7%	13.9%	14.0%	13.2%	12.1%
Gross profit	6.8%	11.1%	17.0%	15.9%	13.3%	12.4%
Operating profit	(4.9%)	12.6%	33.3%	14.5%	15.7%	15.4%
Net profit	(21.1%)	23.0%	35.7%	27.3%	3.7%	13.6%
Adj. net profit	(13.2%)	21.3%	27.7%	24.9%	5.3%	13.4%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	55.4%	56.6%	58.2%	59.2%	59.2%	59.4%
Operating margin	26.5%	27.4%	32.1%	32.2%	32.9%	33.9%
Adj. net profit margin	28.0%	31.3%	35.1%	38.5%	35.8%	36.2%
Return on equity (ROE)	23.6%	27.4%	32.9%	33.8%	27.0%	24.0%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.4	2.1	1.8	2.1	2.4	3.1
Receivable turnover days	52.0	57.0	54.6	53.5	52.4	51.4

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	59.9	47.1	33.9	26.1	25.2	22.2
P/E (diluted)	60.4	47.4	34.2	26.4	25.5	22.4
P/B	14.0	12.3	10.4	7.8	6.1	4.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

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CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888   Fax: (852) 3900 0800

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