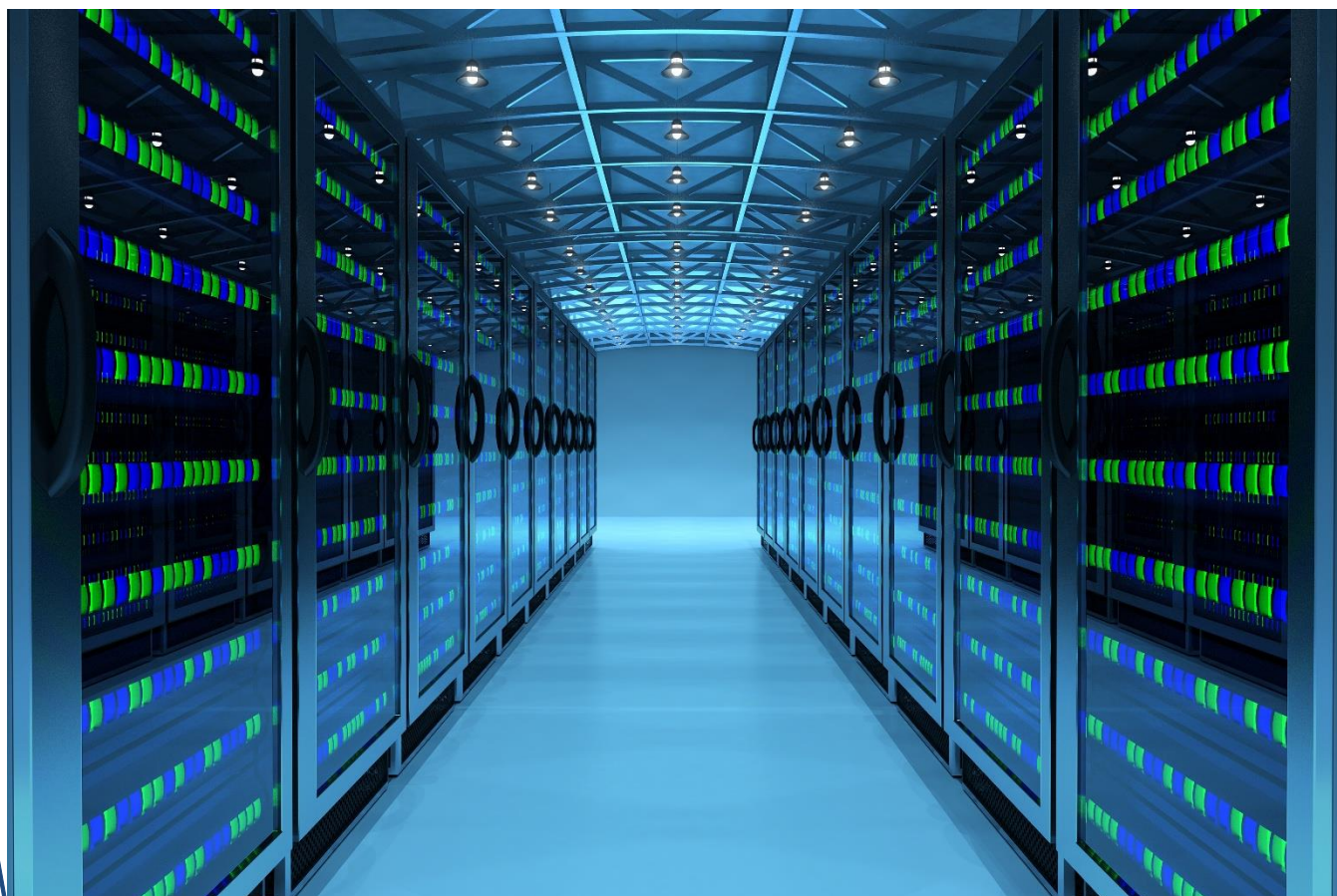


5/8/2026

DCF ANALYSIS

Alphabet Inc.



TAPAN PATEL

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Disclaimer

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Executive Summary

This valuation analyses Alphabet Inc. using a discounted cash flow model supported by a full financial statement model, a segment-level revenue build, a WACC buildup, and historical financial data from the income statement, balance sheet, and cash flow statement. The model values Alphabet using two terminal value approaches: a perpetuity growth method and an exit EBITDA multiple method.

Under the base case, the model produces an implied equity value per share of **\$344.99** using the perpetuity growth approach and **\$352.55** using the EBITDA multiple approach. Compared to the current share price of **\$400**, this implies a downside of roughly **13.8%** under the perpetuity method and **11.9%** under the EBITDA multiple method.

Overall			
Select an operating scenario:	Base case		
Equity value per share:	Perpetual	EBITDA	
	344.99	352.55	

Revenue	EBITA Multiple
Base case	Base Case

The valuation does not suggest that Alphabet is a weak company. Instead, it suggests that, under the assumptions used in this base case, the current market price already reflects a significant amount of future growth, especially from Google Cloud, AI infrastructure investment, and continued monetization across Search, YouTube, and subscription/platform businesses. The model's conclusion is therefore that Alphabet remains a high-quality business, but the base case valuation implies that the shares may be trading above intrinsic value unless stronger long-term growth, margin expansion, or a lower discount rate is justified.

Company Overview

Alphabet is one of the largest technology companies in the world, with core operations across digital advertising, cloud computing, subscriptions, platforms, devices, and long-term experimental businesses. The company's largest revenue source remains Google Services, especially Google Search, YouTube Ads, and Google Network. However, Google Cloud is becoming increasingly important to the long-term growth story, particularly as demand for AI infrastructure, data processing, enterprise cloud services, and generative AI products continues to grow.

Alphabet's business model benefits from scale, strong operating margins, significant cash generation, and a large net cash position. These strengths support continued investment in artificial intelligence, data centres, cloud infrastructure, product development, and shareholder returns through repurchases and dividends. At the same time, the company faces risks from rising capital expenditures, competition in AI and cloud, regulatory pressure, and the possibility that market expectations may already price in a large portion of future growth.

Historical Financial Performance

Alphabet has demonstrated strong historical growth across revenue, operating income, EBITDA, and net income.

Revenue increased from **\$257.6 billion in 2021** to **\$402.8 billion in 2025**. Over the same period, operating income increased from **\$78.7 billion** to **\$129.0 billion**, while EBITDA increased from **\$89.0 billion** to **\$150.2 billion**. Net income also increased significantly, reaching **\$132.2 billion in 2025**.

The company's 2025 profitability was especially strong. In 2025, Alphabet generated:

- Revenue of **\$402.8 billion**
- EBITDA of **\$150.2 billion**
- EBIT of **\$129.0 billion**
- Net income of **\$132.2 billion**
- EBITDA margin of approximately **37.3%**
- EBIT margin of approximately **32.0%**

The model uses 2025 as the latest actual year and projects financial performance through 2030.

Income Statement	2021A	2022A	2023A	2024A	2025A
Revenue	257,637	282,836	307,394	350,018	402,836
Cost of goods sold	(110,939)	(126,203)	(133,332)	(146,306)	(162,535)
Gross Profit	146,698	156,633	174,062	203,712	240,301
Selling, general, and administrative expenses	(36,422)	(42,291)	(44,342)	(41,996)	(50,175)
R&D Expense	(31,562)	(39,500)	(45,427)	(49,326)	(61,087)
EBIT	78,714	74,842	84,293	112,390	129,039
Interest Expense	(346)	(357)	(308)	(268)	(736)
Interest and Investment Income	1,499	2,174	3,865	4,482	4,337
Other non-operating income	(1,403)	188	(1,310)	540	1,566
EBT (Excl. Unusual)	78,464	76,847	86,540	117,144	134,206
Unusual Items	12,270	(5,519)	(823)	2,671	24,620
EBT (Reported)	90,734	71,328	85,717	119,815	158,826
Taxes	(14,701)	(11,356)	(11,922)	(19,697)	(26,656)
Net Income	76,033	59,972	73,795	100,118	132,170
Depreciation & amortization	10,273	13,475	11,946	15,311	21,136
EBITDA	88,987	88,317	96,239	127,701	150,175
Stock based compensation	15,376	19,362	22,460	22,785	24,953
Adjusted EBITDA	104,363	107,679	118,699	150,486	175,128

Revenue Build

The revenue forecast is built at the segment level, which is the strongest part of the model because it avoids using one flat company-wide growth assumption. Instead, each major business line is forecast separately.

The revenue build includes:

- Google Search
- YouTube Ads
- Google Network
- Google subscriptions, platforms, and devices
- Google Cloud
- Other Bets

Total revenue is projected to increase from approximately **\$402.8 billion in 2025** to **\$881.0 billion in 2030**, representing a five-year compound annual growth rate of approximately **16.9%**.

The model assumes the following total revenue growth rates:

Year	Revenue Growth
2026	19.0%
2027	18.7%
2028	17.7%
2029	15.9%
2030	13.5%

This creates a growth path where Alphabet continues growing rapidly, but growth gradually decelerates over the explicit forecast period.

Google Search

Google Search revenue is forecast to grow from **\$224.5 billion in 2025** to **\$386.7 billion in 2030**. The model assumes Search growth begins at **14.0% in 2026** and declines gradually to **9.0% by 2030**.

This is a reasonable mature-business assumption. Search remains Alphabet's core profit engine, but the model does not assume that Search can grow at hyper-growth rates forever. Instead, it assumes Search continues expanding through advertising demand, AI-enhanced search monetization, and global digital activity, while growth naturally slows as the segment becomes larger.

YouTube Ads

YouTube Ads revenue is forecast to grow from **\$40.4 billion in 2025** to **\$63.5 billion in 2030**. Growth starts at **11.0% in 2026** and declines to **8.0% by 2030**.

This assumption reflects continued monetization of video advertising, creator content, Shorts, connected TV, and performance advertising. However, the model does not treat YouTube Ads as a high-growth cloud-style segment. Instead, YouTube remains a strong advertising platform with solid but gradually slowing growth.

Google Network

Google Network revenue is forecast to decline from **\$29.8 billion in 2025** to **\$26.9 billion in 2030**, with the model assuming a steady **2.0% annual decline**.

This is a conservative assumption and reflects the weaker outlook for network advertising relative to Search, YouTube, and Cloud. The decline also helps avoid overestimating advertising revenue by assuming every advertising segment grows at the same rate.

Google Subscriptions, Platforms, and Devices

This segment is forecast to grow from **\$48.0 billion in 2025** to **\$103.0 billion in 2030**, representing a compound annual growth rate of roughly **16.5%**.

The model assumes growth starts at **19.0% in 2026** and slows to **14.0% by 2030**. This reflects continued expansion in areas such as subscriptions, app store/platform revenue, hardware, and ecosystem-related monetization.

Google Cloud

The global cloud computing market is expected to expand significantly through 2030, supported by AI integration, enterprise digital transformation, and multi-cloud adoption. Industry estimates vary, but most forecasts place the 2030 global cloud opportunity in the range of approximately \$1.6 trillion to \$2.4 trillion. BCC Research projects the market to reach \$1.6 trillion by 2030, while MarketsandMarkets estimates roughly \$2.28 trillion and Grand View Research estimates roughly \$2.39 trillion. This supports the assumption that Google Cloud has a large addressable market ahead, particularly as AI workloads increase demand for infrastructure, platform services, and enterprise cloud solutions.

In the model, Google Cloud revenue increases from **\$58.7 billion in 2025** to approximately **\$299.6 billion by 2030**. Against a \$1.6 trillion to \$2.4 trillion global cloud market, this would imply an approximate **2030 market share of 12.5% to 18.7%**. Given Google Cloud's 2025 revenue base, strong backlog visibility, and AI-driven infrastructure demand, this assumption is aggressive but not structurally impossible.

Alphabet reported 2025 Google Cloud revenue of \$58.7 billion and **remaining performance obligations of \$242.8 billion**, primarily related to Google Cloud, which supports the argument that demand visibility is improving.

The model assumes very high near-term growth of **55.0% in 2026**, followed by gradual deceleration to **23.0% by 2030**.

Other Bets

Other Bets revenue is held flat at **\$1.5 billion** throughout the forecast period. This is conservative because it does not assign major revenue upside to Alphabet's experimental businesses. Any successful commercialization from Other Bets could provide upside, but the model does not rely on that.

Revenue by segment	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Google Advertising								
Google Search	175,033	198,084	224,532	255,966	288,602	321,791	354,775	386,705
Youtube Ads	31,510	36,147	40,367	44,807	49,400	54,093	58,826	63,532
Google Network	31,312	30,359	29,792	29,196	28,612	28,040	27,479	26,930
Advertising Total	237,855	264,590	294,691	329,970	366,615	403,925	441,081	477,167
Google subscription, platforms, and devices								
Google Services Total	272,543	304,930	342,721	387,126	433,915	482,330	531,443	580,180
Google Cloud								
Other bets	1,527	1,648	1,537	1,537	1,537	1,537	1,537	1,537
Grand Total	307,158	349,807	402,963	479,655	569,212	669,793	776,542	881,299
% growth		13.9%	15.2%	19.0%	18.7%	17.7%	15.9%	13.5%

Growth Model	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Google Search				14%	13%	12%	10%	9%
Youtube Ads				11%	10%	10%	9%	8%
Google Network				-2%	-2%	-2%	-2%	-2%
Google subscription, platforms, and devices				19%	18%	17%	15%	14%
Google Cloud				55%	47%	39%	31%	23%

Margin Assumptions

The financial statement model assumes a stable long-term gross profit margin of **59.0%** from 2026 through 2030. SG&A is forecast at **12.0% of revenue**, and R&D is forecast at **15.0% of revenue**.

This produces a stable EBIT margin of approximately **32.0%** throughout the forecast period.

The projected income statement shows:

Year	Revenue	EBIT	EBIT Margin
2025	\$402.8B	\$129.0B	32.0%
2026	\$479.5B	\$153.4B	32.0%
2027	\$569.0B	\$182.1B	32.0%

2028	\$669.6B	\$214.3B	32.0%
2029	\$776.3B	\$248.4B	32.0%
2030	\$881.0B	\$281.9B	32.0%

The model assumes that Alphabet can absorb major investments in AI, cloud, and infrastructure while maintaining strong operating profitability. This is a major assumption. If AI-related infrastructure and R&D spending pressure margins more than expected, the valuation would be lower. If Alphabet achieves operating leverage from Cloud and AI monetization, the valuation could be higher.

Capital Expenditures and Depreciation

The model reflects a heavy investment cycle. Capital expenditures are projected to be extremely elevated in the near term, especially in 2026.

PROPERTY, PLANT & EQUIPMENT

Fiscal year	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
						Forecast				
Beginning of period						261,818	397,508	494,371	551,155	587,899
Plus: Capital expenditures	24,640	31,485	32,251	52,535	91,447	180,919	161,440	141,960	122,480	103,000
Less: Depreciation & Amortization	(10,273)	(13,475)	(11,946)	(15,311)	(21,136)	(45,230)	(64,576)	(85,176)	(85,736)	(87,550)
End of period	110,558	127,049	148,436	184,624	261,818	397,508	494,371	551,155	587,899	603,349
D&A as a % of Capex	42%	43%	37%	29%	23%	25%	40%	60%	70%	85%

Forecast capex is:

Year	Capex
2026	\$180.9B
2027	\$161.4B
2028	\$142.0B
2029	\$122.5B
2030	\$103.0B

Capex as a percentage of revenue declines from **37.7% in 2026** to **11.7% in 2030**. This means the model assumes Alphabet is currently in an intense investment phase, but that spending normalizes over time as revenue scales.

Depreciation and amortization also rises significantly, from **\$45.2 billion in 2026** to **\$87.6 billion in 2030**. The model assumes D&A as a percentage of capex increases from **25% in 2026** to **85% by 2030**, reflecting the lagged effect of prior infrastructure investment flowing through depreciation.

The model recognizes that AI and cloud capex does not immediately hit the income statement through D&A at the same rate. Instead, depreciation catches up over time. That is a more realistic approach than assuming capex can rise massively without a later D&A impact.

Free Cash Flow Forecast

The DCF uses unlevered free cash flow, which is based on NOPAT, plus D&A, less changes in net working capital and capex.

The model forecasts unlevered free cash flow as follows:

Year	Unlevered FCF
2026	\$3.0B
2027	\$59.3B
2028	\$126.4B
2029	\$172.7B
2030	\$218.3B

Unlevered Free Cash Flows

Fiscal year ended	Actual	Forecasts				
	2025A	2026E	2027E	2028E	2029E	2030E
	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31
Revenue	402,836	479,504	569,032	669,581	776,298	881,021
% growth		19%	19%	18%	16%	13%
EBITDA	150,175	198,671	246,666	299,442	334,151	369,477
% margin	37%	41%	43%	45%	43%	42%
EBIT	129,039	153,441	182,090	214,266	248,415	281,927
% margin	32%	32%	32%	32%	32%	32%
Tax on EBIT	(21,657)	(25,752)	(30,560)	(35,961)	(41,692)	(47,316)
Tax rate	17%	17%	17%	17%	17%	17%
NOPAT (aka EBIAT)	107,382	127,689	151,530	178,305	206,723	234,611
Depreciation & amortization		45,230	64,576	85,176	85,736	87,550
Changes in net working capital		(10,992)	(4,625)	(4,868)	(2,733)	856
Capital expenditures		180,919	161,440	141,960	122,480	103,000
as % of revenue		38%	28%	21%	16%	12%
Unlevered free cash flows (UFCF)		2,992	59,292	126,390	172,713	218,305
Net working capital (WC Assets - WC liabilities)	(23,767)	(34,759)	(39,385)	(44,253)	(46,986)	(46,131)
as % of revenue	6%	7%	7%	7%	6%	5%

The very low 2026 free cash flow is caused mainly by the heavy capex assumption. This is not necessarily a sign of weak operations. Alphabet is projected to generate strong operating income and NOPAT, but near-term free cash flow is compressed by infrastructure investment.

By 2030, free cash flow rises sharply to **\$218.3 billion**, driven by revenue growth, stable EBIT margins, rising D&A addbacks, and declining capex intensity.

The model therefore tells a clear story: Alphabet's near-term cash flow is pressured by AI and cloud infrastructure investment, but the payoff appears later in the forecast period as revenue scales and capex becomes less intense relative to the size of the business.

Balance Sheet Forecast

The balance sheet forecast remains internally balanced, with the model showing a balance check of zero throughout the forecast period.

Total assets are projected to increase from **\$595.3 billion in 2025** to **\$1.45 trillion in 2030**. This growth is driven mainly by cash/investments, receivables, and PP&E.

Cash, short-term investments, and long-term investments increase from **\$195.5 billion in 2025** to **\$548.3 billion in 2030**. Net PP&E increases from **\$261.8 billion** to **\$603.3 billion**, reflecting the heavy capex cycle.

Total equity increases from **\$415.3 billion in 2025** to **\$1.10 trillion in 2030**, supported by retained earnings growth. The model also assumes continued share repurchases and dividends, but Alphabet still generates enough earnings power for retained earnings and equity value to grow meaningfully.

Balance Sheet	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Assets										
Cash, ST, and LT Investments	169,198	144,254	142,845	133,639	195,530	160,974	178,549	256,707	378,792	548,347
Accounts Receivable	39,304	40,258	47,964	52,340	62,886	74,855	88,831	104,527	121,186	137,535
Other current assets	9,190	10,775	12,650	15,714	16,309	19,413	23,038	27,108	31,429	35,669
Net property, plant, and equipment	110,558	127,049	148,436	184,624	261,818	397,508	494,371	551,155	587,899	603,349
Other non-current assets	31,018	42,928	50,497	63,939	58,738	69,917	82,971	97,632	113,193	128,463
Total Assets	359,268	365,264	402,392	450,256	595,281	722,666	867,760	1,037,130	1,232,499	1,453,362
Liabilities										
Accounts Payable	6,037	5,128	7,493	7,987	12,200	14,757	17,512	20,606	23,890	27,113
Accrued Expenses	27,912	31,743	36,142	31,867	36,484	43,428	51,536	60,643	70,308	79,792
Unearned Revenues (Current and LT)	3,823	4,507	4,137	5,036	6,578	7,830	9,292	10,934	12,676	14,386
Revolver	0	0	0	0	0	0	0	0	0	0
Other current Liabilities (Inc. ST Debt, Lease, Inc. Tax)	27,017	28,521	33,042	43,233	45,487	54,421	63,880	74,523	85,838	96,963
Long term debt (Incl. current portion of LT)	12,844	12,857	12,870	11,882	48,543	58,347	67,099	77,163	88,738	102,049
Other non-current liabilities	30,000	26,364	25,329	25,167	30,724	30,724	30,724	30,724	30,724	30,724
Total Liabilities	107,633	109,120	119,013	125,172	180,016	209,506	240,042	274,593	312,174	351,028
Equity										
Common Stock	61,774	68,184	76,534	84,800	93,126	122,828	158,076	199,552	247,638	302,212
Retained Earnings	191,484	195,563	211,247	245,084	324,055	392,248	471,558	564,901	674,603	802,038
Comprehensive Inc. and Other	(1,623)	(7,603)	(4,402)	(4,800)	(1,916)	(1,916)	(1,916)	(1,916)	(1,916)	(1,916)
Total Equity	251,635	256,144	283,379	325,084	415,265	513,160	627,718	762,537	920,325	1,102,334
<i>Balance check</i>	0	0	0	0	0	0	0	0	0	0

WACC Analysis

The model uses a WACC of approximately **7.98%**.

The WACC buildup includes:

- Risk-free rate: **4.386%**
- Beta: **1.11**
- Market risk premium: **3.114%**
- Cost of equity: **7.84%**
- Pre-tax cost of debt: **4.00%**
- Tax rate: **16.78%**
- After-tax cost of debt: **3.33%**

Because Alphabet has a large net cash position, the model's capital structure produces an equity weight above 100% and a negative debt weight. This reflects Alphabet's net cash balance rather than a traditional leveraged capital structure.

The WACC is a very important driver of valuation because most of the DCF value comes from the terminal value. A higher WACC would reduce the present value of future cash flows, while a lower WACC would increase valuation. The WACC sensitivity table in the workbook shows that changes in beta and market risk premium can move WACC

meaningfully, with outputs ranging from the low 7% area to above 10% depending on assumptions.

WACC Buildup

\$ and shares in millions, except per share data

Cost of capital assumptions

		Source
Cost of debt	4.00%	Capital IQ
Tax rate	16.78%	From terminal year of UFCF forecast
Cost of debt (after tax)	3.33%	Cost of debt x (1 - tax rate)
Risk free rate	4.39%	10 Year US Treasury Yield
Beta	1.110	Yahoo Finance 5Y Monthly
Market risk premium	3.11%	7.5% Author's estimates (7.5% - Risk Free Rate)
Cost of equity	7.84%	RfR + Beta x MRP

Capital weights (capital structure)

	Current	Target (override)	% of total
Equity	4,951,600.0		103.0%
Debt	(145,725.0)	100%	(3.0%)

Cost of capital (WACC)	8.0%
------------------------	------

WACC sensitivity to MRP and Beta

		Beta		
		1.010	1.110	1.210
Market	2.61%	7.1%	7.4%	7.7%
	3.11%	7.7%	8.0%	8.3%
Risk Premium	3.61%	8.2%	8.55%	8.9%
	4.11%	8.7%	9.1%	9.5%
	4.61%	9.2%	9.7%	10.2%

Terminal Value

The model uses two terminal value approaches.

Perpetuity Growth Method

The perpetuity growth method uses a long-term growth rate of **3.5%**. The model calculates 2031 free cash flow of **\$225.9 billion** and a terminal value of approximately **\$5.04 trillion** in 2030. Discounted back to the valuation date, the present value of the terminal value is approximately **\$3.67 trillion**.

Terminal value - growth in perpetuity approach	
Long term growth rate	3.5%
2031 FCF	225,946
Terminal value in 2030	5,044,093
Present value of terminal value	3,667,327
Present value of stage 1 cash flows	457,637
Total enterprise value (TEV)	4,124,964
<i>Terminal value as % of TEV</i>	88.9%
<i>Stage 1 cash flows as % of TEV</i>	11.1%
<i>Implied TV exit EBITDA multiple</i>	13.7x

Exit EBITDA Multiple Method

The exit multiple method uses a terminal EBITDA multiple of **14.0x** applied to 2030 EBITDA of **\$369.5 billion**. This produces a 2030 terminal value of approximately **\$5.17 trillion** and a present value of approximately **\$3.76 trillion**.

Terminal value - EBITDA multiple approach		Scenario Analysis	
Terminal year EBITDA	369,477		
EBITDA multiple	14.0x	Base Case	14
Terminal value in 2030	5,172,673	Best Case	15.0
Present value of terminal value	3,760,812	Base Case	14.0
Present value of stage 1 cash flows	457,637	Weak Case	13.0
Enterprise value (stage 1 + 2)	4,218,449		
<i>Terminal value as % of TEV</i>	89.2%		
<i>Stage 1 cash flows as % of TEV</i>	10.8%		
<i>Implied terminal growth rate</i>	3.6%		

The implied terminal growth rate from the EBITDA multiple method is approximately **3.6%**, while the implied exit EBITDA multiple from the perpetuity method is approximately **13.7x**. This suggests the two terminal value methods are directionally consistent with each other. The perpetuity and multiple-based methods are not producing wildly different valuations, which improves confidence in the model's internal consistency.

Valuation Output

The perpetuity growth method produces:

- Enterprise value: **\$4.125 trillion**
- Net debt: **negative \$145.7 billion**
- Equity value: **\$4.271 trillion**
- Diluted shares outstanding: **12.379 billion**
- Implied equity value per share: **\$344.99**

The EBITDA multiple method produces:

- Enterprise value: **\$4.218 trillion**
- Net debt: **negative \$145.7 billion**
- Equity value: **\$4.364 trillion**
- Diluted shares outstanding: **12.379 billion**
- Implied equity value per share: **\$352.55**

Compared to the model's share price input of **\$400**, both valuation methods imply that Alphabet is trading above intrinsic value under the base case.

Method	Implied Value per Share	Upside / Downside vs. \$400
Perpetuity Growth	\$344.99	-13.8%
EBITDA Multiple	\$352.55	-11.9%

The average of the two methods is approximately **\$348.77 per share**, implying roughly **12.8% downside** versus the model's share price.

Investment View

Based strictly on this **base case** DCF, Alphabet appears modestly overvalued at the assumed market price of **\$400 per share**. The model already gives Alphabet credit for strong revenue growth, extremely rapid Google Cloud expansion, stable operating margins, and long-term free cash flow recovery after the current capex cycle. Even with those assumptions, the implied valuation remains below the current share price.

That said, this does not necessarily mean Alphabet is a poor long-term investment. The company remains financially strong, highly profitable, and strategically positioned in several large markets, including Search, YouTube, Cloud, AI, mobile ecosystems, and digital subscriptions.

For Alphabet Inc. to justify a price above the model's implied value, one or more of the following would likely need to occur:

- Google Cloud grows faster or remains highly profitable sooner than expected.
- AI monetization creates new revenue streams beyond the base case forecast.
- Capex intensity normalizes faster than expected.
- Margins expand above the assumed 32% EBIT margin.
- WACC declines due to lower interest rates or lower perceived risk.
- The market assigns a higher terminal EBITDA multiple than 14.0x.

Therefore, the model supports a cautious conclusion: Alphabet is a high-quality business, but under the base case assumptions, the stock does not offer a sufficient margin of safety at \$400.

Key Risks

AI Capex Risk

Alphabet's capex forecast is extremely high, especially in 2026 and 2027. If these investments do not generate sufficient incremental revenue or margin expansion, free cash flow could remain pressured longer than expected.

Cloud Execution Risk

Google Cloud is the largest growth driver in the model. If Cloud revenue growth slows faster than expected, the company's consolidated revenue growth would likely be lower than projected.

Margin Risk

The model assumes a stable EBIT margin of approximately 32%. If competition, AI infrastructure costs, regulation, or employee costs pressure margins, valuation would decline.

Terminal Value Risk

Roughly 89% of the enterprise value comes from terminal value. This makes the valuation highly sensitive to assumptions about long-term growth, WACC, and exit multiple.

Regulatory Risk

Alphabet faces ongoing regulatory scrutiny across advertising, search, app platforms, data privacy, and competition policy. Regulatory changes could affect monetization, cost structure, or business flexibility.

Market Expectations Risk

At a \$400 share price, the market may already be pricing in significant AI and Cloud upside. If future results are strong but not stronger than expectations, the stock could still underperform.

Conclusion

The DCF model values Alphabet at **\$344.99 per share** using the perpetuity growth method and **\$352.55 per share** using the EBITDA multiple method. Both valuation approaches imply downside relative to the model's assumed share price of **\$400**.

Alphabet remains a strong business with durable competitive advantages, high profitability, a large net cash position, and exposure to major long-term growth areas such as Cloud and AI. However, the base case model already assumes strong revenue growth, rapid Cloud expansion, and recovery in free cash flow after heavy infrastructure investment. Because the implied value is still below the market price, the valuation suggests limited margin of safety.

Overall, the model supports a **Hold / Neutral** conclusion under the base case. A more bullish recommendation would require stronger assumptions around AI monetization, Cloud profitability, long-term margin expansion, lower WACC, or a higher justified terminal multiple.