2026

Alphabet Inc. - Valuation Report, 2026.

INTEGRATED FINANCIAL MODELING & SCENARIO-BASED VALUATION

BY:
TAPAN PATEL

Table of Contents

Disclaimer:

This analysis is based on publicly available information and a set of internally developed assumptions. It is intended for educational and illustrative purposes only and does not constitute investment advice. The model focuses on underlying business performance and valuation drivers rather than short-term market pricing. As a result, current stock price comparisons are not a primary focus of this analysis. A more detailed version of the model, including full financial projections and supporting schedules, is available upon request.

Introduction

Alphabet Inc. is a global technology company whose core operations are centred around digital advertising through Google Search and YouTube, supported by a growing ecosystem that includes Google Cloud, subscriptions, and platform-based services. Its scale, strong cash flow generation, and expanding role in artificial intelligence position it as one of the most influential and structurally advantaged businesses in the global economy.

This model was developed to evaluate Alphabet's intrinsic value through a fully integrated financial framework, while also understanding how changes in operating performance and market conditions impact valuation outcomes. Rather than relying on a single set of assumptions, the model is designed to capture a range of scenarios and highlight the key drivers behind them.

The model is built as a multi-sheet financial system, incorporating full three-statement projections, segmented revenue build, WACC schedule, and a dedicated discounted cash flow (DCF) valuation engine. Revenue assumptions flow through the income statement, balance sheet, and cash flow statement, ensuring consistency between operating performance, reinvestment requirements, and free cash flow generation.

Supporting schedules are incorporated to model key components such as working capital, capital expenditures, and depreciation. These schedules feed directly into the core financial statements, allowing the model to capture the relationship between growth, investment, and cash generation.

Valuation is performed using both the perpetuity growth method and an exit EBITDA multiple approach, supported by a separate cost of capital (WACC) calculation. Scenario controls are applied across revenue, operating assumptions, and valuation inputs, allowing the model to reflect both intrinsic performance and market-based valuation perspectives.

Financial Statement Model (FSM)

The Financial Statement Model (FSM) forms the core of the overall model and is built as a fully integrated three-statement system, linking the income statement, balance sheet, and cash flow statement.

All key operating assumptions, including revenue, margins, and investment levels, flow through these statements to ensure internal consistency. Changes in performance are reflected across earnings, assets, liabilities, and cash flow, allowing the model to capture how the business evolves over time rather than treating each component in isolation.

Growth rates & margins

Revenue growth		10%	9%	14%	15%	15%	16%	15%	15%	13%
Gross profit margin	57%	55%	57%	58%	60%	60%	60%	60%	60%	60%
SG&A % of revenue	14%	15%	14%	12%	12%	12%	12%	12%	12%	12%
R&D % of revenue	12%	14%	15%	14%	15%	14%	14%	14%	14%	14%
Tax rate	16%	16%	14%	16%	17%	17%	17%	17%	17%	17%

Supporting schedules are included to model key items such as property, plant and equipment, working capital, interest income and expense, retained earnings, and the revolver. These schedules feed directly into the financial statements, ensuring that non-cash items, financing activities, and reinvestment requirements are handled in a structured and consistent way.

The FSM is designed to reflect the interaction between growth, funding, and cash generation. As revenue and operating assumptions change, the model adjusts investment needs, financing flows, and cash balances accordingly, providing a more realistic view of how the business would operate under different conditions.

Overall, the FSM acts as the engine of the model, translating operating assumptions into financial outcomes that ultimately drive free cash flow and valuation.

X **SCHEDULES**

X **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%

X **Revolver**

Fiscal year	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
								Forecast		
Revolver needs analysis										
Cash at beginning of period (BOP)						195,530	160,347	176,564	252,575	370,922
Less: Minimum cash balance						(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Plus: Free cash flows generated during period						(35,183)	16,217	76,011	118,347	165,335
Equals: Cash available (needed) to pay down (draw from) revolver						**110,347**	**126,564**	**202,575**	**320,922**	**486,257**
Commercial paper / Revolver										
Beginning of period						0	0	0	0	0
Draw / (paydown)						0	0	0	0	0
Discretionary borrowing / (paydown)						0	0	0	0	0
End of period				0	0	0	0	0	0	0
Debt balance:						ok	ok	ok	ok	ok

Revenue Build

Revenue is projected using a segmented approach, with Alphabet's business broken down into its core operating components: Google Search, YouTube Ads, Google Network, Subscriptions & Platforms, and Google Cloud. Each segment is modelled independently to reflect differences in growth drivers, competitive dynamics, and long-term maturity.

To capture uncertainty and variation in business performance, the model incorporates three scenarios: **Best, Base, and Weak**. These scenarios primarily differ in the pace of growth, the rate of deceleration, and the extent to which each segment is impacted by competition and market conditions.

The **Best case** assumes stronger execution and more favorable market conditions. Search and YouTube benefit from sustained advertiser demand and improved monetization, resulting in slower-than-expected deceleration. Cloud growth remains elevated for longer, supported by continued enterprise adoption and AI-related demand. Subscriptions and platform revenues also scale more efficiently, leading to higher overall growth across the forecast period.

In the **Base case**, growth assumptions reflect a balanced outlook. Google Search continues to grow at a healthy rate but gradually decelerates due to scale and increasing competition from AI-driven alternatives. Similarly, YouTube Ads maintain steady growth with slight deceleration over time, while Google Network remains under pressure with modest declines driven by privacy changes and consistent third-party ad effectiveness. Subscriptions & Platforms

normalize, and Google Cloud remains a key growth driver, with strong expansion in the near term followed by gradual deceleration as the business matures.

The **Weak case** reflects a more conservative outlook. Growth across segments decelerates more quickly, particularly in Search and YouTube, due to competitive pressures and potential shifts in user behaviour. Google Network continues to decline at a faster pace, and Cloud growth moderates earlier than expected as competition intensifies. Subscriptions and platform revenues also experience slower adoption, contributing to a more muted overall revenue trajectory.

Overall, the segmented and scenario-driven approach allows the model to capture both the stability of Alphabet's core businesses and the variability introduced by competition, market cycles, and technological shifts. This structure ensures that valuation outcomes are not dependent on a single set of assumptions, but instead reflect a range of realistic operating environments.

Growth per segment	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Google Search								
Best case				13%	13%	13%	13%	12%
Base case		13%	13%	12%	12%	12%	11%	9%
Weak case				13%	12%	10%	8%	5%
Youtube Ads								
Best case				12%	12%	11%	11%	11%
Base case		15%	12%	12%	11%	11%	10%	9%
Weak case				12%	10%	9%	8%	5%
Google Network								
Best case				-2%	-1%	-1%	-1%	0%
Base case		-3%	-2%	-2%	-2%	-2%	-2%	-2%
Weak case				-2%	-2%	-2%	-2%	-3%
Google subscription, platforms, and devices								
Best case				19%	19%	18%	18%	17%
Base case		16%	19%	19%	18%	17%	16%	14%
Weak case				19%	17%	15%	14%	10%
Google Cloud								
Best case				36%	35%	33%	32%	30%
Base case		31%	36%	36%	34%	31%	29%	25%
Weak case				36%	32%	27%	23%	15%

Valuation Methodology

Valuation is performed using a discounted cash flow (DCF) framework, supported by two terminal value approaches: the perpetuity growth method and an exit EBITDA multiple method. Both methods are applied independently to provide complementary perspectives on value.

Free cash flow is derived from the fully integrated three-statement model, ensuring that operating performance, reinvestment requirements, and working capital dynamics are consistently reflected throughout the forecast period. These cash flows are then discounted using a weighted average cost of capital (WACC), calculated separately within the model based on capital structure, cost of equity, and cost of debt 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%	8%	Author's estimates (8% - Risk Free Rate)
Cost of equity	7.84%		RfR + Beta x MRP

Capital weights (capital structure)

	Current	Target (override)	% of total
Equity	3,726,079.0		104.1%
Debt	(145,725.0)	100%	(4.1%)

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

WACC sensitivity to MRP and Beta

		Beta		
		1.010	1.110	1.210
Market Risk Premium	2.61%	7.2%	7.4%	7.7%
	3.11%	7.7%	8.0%	8.3%
	3.61%	8.2%	8.60%	9.0%
	4.11%	8.7%	9.2%	9.6%
	4.61%	9.3%	9.8%	10.2%

The **perpetuity growth method** estimates terminal value by assuming the business continues indefinitely at a stable growth rate beyond the forecast period. This approach reflects the intrinsic value of the business based on its ability to generate long-term cash flows. As a result, valuation under this method is highly sensitive to assumptions around terminal growth and discount rates.

The **exit EBITDA multiple method** provides a market-based perspective by applying a selected multiple to the company's terminal-year EBITDA. Unlike the perpetuity approach, which is driven purely by financial fundamentals, the multiple approach reflects how similar businesses are valued in the market. To preserve this distinction, exit multiples are not mechanically derived from the perpetuity method, but are instead set independently across scenarios.

Scenario-based valuation is incorporated across both approaches. While operating performance (such as revenue growth and margins) varies by scenario, exit multiples are also adjusted to reflect changes in market sentiment. In stronger scenarios, higher growth and profitability support premium valuation multiples, whereas weaker scenarios assume more conservative market pricing. This ensures that valuation outcomes capture both intrinsic performance and external market dynamics.

Finally, the implied EBITDA multiple derived from the perpetuity valuation is used as a validation tool rather than an input. This provides a consistency check between intrinsic and

market-based valuations, helping to identify whether assumptions across the model remain within a reasonable range.

Overall, the use of dual valuation methods and scenario-driven assumptions allows the model to present a range of outcomes, rather than a single point estimate, while maintaining a clear separation between business fundamentals and market perception.

Present value of UFCF on Mar 18, 2026 valuation date							
		Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flows	Stub %	*2026-03-18*	*2026-08-09*	*2027-07-01*	*2028-07-01*	*2029-07-01*	*2030-07-01*
Unlevered free cash flows (UFCF) stub adjusted	**78.6%**		(10)	53,839	103,146	131,513	153,745
Present value of of unlevered free cash flows			**(10)**	**53,839**	**103,146**	**131,513**	**153,745**

Terminal value - growth in perpetuity approach	
Long term growth rate	3.0%
2031 FCF	220,567
Terminal value in 2030	4,388,289
Present value of terminal value	3,150,610
Present value of stage 1 cash flows	442,233
Total enterprise value (TEV)	**3,592,843**
Terminal value as % of TEV	*87.7%*
Stage 1 cash flows as % of TEV	*12.3%*
Implied TV exit EBITDA multiple	*12.1x*

Terminal value - EBITDA multiple approach	
Terminal year EBITDA	362,383
EBITDA multiple	12.0x
Terminal value in 2030	4,348,595
Present value of terminal value	3,122,112
Present value of stage 1 cash flows	442,233
Enterprise value (stage 1 + 2)	**3,564,345**
Terminal value as % of TEV	*87.6%*
Stage 1 cash flows as % of TEV	*12.4%*
Implied terminal growth rate	*3.0%*

Base Case 12

Scenario Analysis	
Best Case	14.0
Base Case	12.0
Weak Case	10.5

Net debt	
Source doc	**2025 10K**
Source date	**2025-12-31**
Gross debt and equivalents	
Debt	49,805
Convertible debt	0
Preferred stock	0
Noncontrolling (minority) interests	0
Nonoperating assets	
Cash	195,530
Equity investments	0
Net debt	**(145,725)**

Shares outstanding				
	Source doc	Date		
Basic shares	**2025 10K**	**2025-12-31**	12,097	Includes Class A, B, and C.
Restricted stock / RSUs	**2025 10K**	**2025-12-31**	282	
Options / warrants			0	
Convertible debt			0	
Convertible preferred stock			0	
Net diluted shares outstanding			**12,379**	

Valuation		
	Perpetuity	EBITDA
Enterprise value	3,592,843	3,564,345
Net debt	(145,725)	(145,725)
Equity value	3,738,568	3,710,070
Shares outstanding	12,379	12,379
Equity value per share	**$302.01**	**$299.71**

Year 1 Multiples	Perpetuity	EBITDA
EV / Revenue	7.7x	7.7x
EV / EBITDA	17.7	17.5
EV / EBIT	22.7	22.6

Key Assumptions and Risks

The valuation is driven by a set of core assumptions around revenue growth, operating margins, and terminal value inputs. Given Alphabet's scale and diversified business model, small changes in these assumptions can have a meaningful impact on valuation outcomes.

A key assumption in the model is the **gradual deceleration of revenue growth across all segments**. While high-growth areas such as Google Cloud and Subscriptions & Platforms are expected to drive expansion in the near term, growth is assumed to moderate over time as these businesses scale and face increased competition. The model also assumes continued stability in the core advertising business, particularly Google Search, which remains the primary contributor to overall cash flow.

Operating margins are assumed to remain relatively strong, supported by Alphabet's scale, infrastructure, and high-margin advertising model. However, this is balanced by ongoing investment in areas such as artificial intelligence, cloud infrastructure, and product development, which may place pressure on margins in certain scenarios.

Terminal value assumptions represent a significant portion of overall valuation. The perpetuity growth rate reflects long-term economic growth expectations, while exit EBITDA multiples are selected to align with market-based valuation ranges under different scenarios. As a result, the model is particularly sensitive to changes in long-term growth, discount rates, and valuation multiples.

Several key risks could impact the assumptions and outcomes of the model. **Technological disruption**, particularly from AI-driven search alternatives, may affect the long-term dominance of Google Search. **Advertising cyclicality** also presents a risk, as revenue is closely tied to macroeconomic conditions and corporate spending. In addition, **competitive pressure in cloud computing** from major players such as Amazon Web Services and Microsoft Azure may impact growth and profitability in Google Cloud.

Regulatory and privacy-related changes also remain an ongoing risk, particularly for advertising-related segments. Restrictions on data usage and tracking could continue to affect the effectiveness of targeted advertising, especially within the Google Network business.

Overall, the model incorporates these uncertainties through its scenario-based structure. By allowing key assumptions to vary across Best, Base, and Weak cases, the valuation reflects a range of potential outcomes rather than relying on a single set of expectations.

Conclusion

The analysis highlights Alphabet's position as a highly scalable and cash-generative business, supported by its dominant role in digital advertising and growing presence in cloud and artificial intelligence. While the core advertising segment continues to provide stability, future performance is increasingly influenced by the pace of innovation, competition, and the ability to sustain growth across newer business lines.

The use of a segmented revenue approach and a fully integrated financial model allows for a more grounded understanding of how operating performance translates into cash flow and valuation. Rather than relying on a single outcome, the scenario-based framework reflects a range of possible trajectories, capturing both upside from continued execution and downside risks from competitive and macroeconomic pressures.

Valuation results across both the perpetuity growth and exit multiple approaches remain broadly aligned, reinforcing the internal consistency of the model while also highlighting sensitivity to key assumptions such as growth, margins, and terminal inputs. Differences between methods are not treated as discrepancies, but as indicators of how value may shift under varying conditions.

Overall, the analysis suggests that while Alphabet remains structurally strong, its valuation is ultimately driven by long-term expectations rather than short-term performance. As such, any assessment of value should be considered within a range, supported by clear assumptions and a consistent modeling framework.