



ALPHABET INC.

Q1 2026

Earnings Report Update

**PREPARED BY:
SAVEST RESEARCH**

Company Overview

Alphabet Inc. operates a diversified technology business focused on digital services, cloud computing, and innovation-driven ventures. Its core operations are anchored in Google Services, which provides search, advertising, YouTube, Android, and other widely used digital platforms.

Beyond this, Google Cloud delivers enterprise solutions, including data analytics, cybersecurity, and artificial intelligence services through subscription and usage-based models.

The company also invests in emerging businesses through its Other Bets segment, targeting long-term opportunities in areas such as transportation and internet services.

“Sundar Pichai, CEO of Alphabet and Google, described 2026 as a “terrific start,” noting that Alphabet’s AI investments and full-stack strategy are driving strong momentum across the business. He highlighted robust Search growth, record user engagement, and a 63% surge in Cloud revenue, supported by rising enterprise AI adoption. He also emphasized the rapid expansion of Gemini-powered products, growth in paid subscriptions to 350 million, and increasing usage of AI models, stating that these investments are delivering tangible value across users, customers, and the broader business.”

CEO Commentary

Expectation Analysis

USD (\$)	Q1 2026	ESTIMATE	BEAT/MISS
REVENUE	110B	107B	2.7%
EBITDA	52.9B	49.9B	6.0%
EBIT	39.7B	36.1B	10.0%
EPS (adjusted)	5.11	2.63	94.1%

Source: Quatr

Revenue by Segment

Billion USD	Q1 2025	Q1 2026	YOY
Google Services	77.26	89.64	16.01%
Google Cloud	12.26	20.03	63.36%
Other Bets	0.45	0.41	-8.67%

Source: Company's Q1 Financial Statement

Alphabet's Q1 2026 revenue remained well diversified, led by the U.S. (\$54.0bn, 49% of total, +23% YoY), followed by EMEA (29%, +21% YoY) and APAC (17%, +23% YoY), with growth broadly supported across regions, though partly aided by FX in EMEA.

By segment, Google Services dominated, contributing 82% of revenue, driven by Search, YouTube, and subscriptions. Google Cloud was the fastest-growing segment (+63% YoY), reaching 18% of revenue, while Other Bets remained immaterial.

Profitability was concentrated in Google Services, while Google Cloud saw significant margin expansion. However, losses in Other Bets widened, and rising central costs, largely AI-related—added pressure at the group level.

Financial Summary

Billion USD	Q1 2025	Q4 2025	Q1 2026	YOY
Revenues	90.23	113.83	109.90	21.79%
Total costs & expenses	59.63	77.89	70.20	17.73%
Operating income	30.61	35.93	39.70	29.70%
Pre-tax income	41.79	39.12	77.41	85.24%
Income tax	7.25	4.66	14.83	104.64%
Net income	34.54	34.46	62.58	81.18%
EPS	2.81	2.82	5.11	81.85%
Total assets	475.37	595.28	703.92	48.07%
Total liabilities	130.11	180.02	225.17	73.06%
Net cash from operations	36.15	52.40	45.79	26.67%
Net cash from investing	-16.19	-51.78	-63.39	-291.44%
Net cash from financing	-20.20	7,028	25.08	224.14%

Source: Company's Q1 Financial Statement

Performance Highlights

- Alphabet delivered strong performance, with revenue rising 22% YoY to \$109.9bn, marking its 11th consecutive quarter of double-digit growth. This was largely driven by AI-led engagement across core products, particularly Search, where enhanced AI features boosted user activity, query volumes, and ultimately advertising monetization.
- A key structural driver was the rapid monetization of AI across its ecosystem. The rollout of Gemini models and enterprise AI tools supported both consumer engagement and enterprise adoption. Google Cloud revenue surged 63% YoY, reflecting strong demand for AI infrastructure, increased enterprise cloud migration, and growth in long-term contracts. This signals Cloud's transition into a meaningful profit contributor, supported by scale and pricing power.
- On the consumer side, Alphabet continues to diversify revenue through subscriptions, with paid users reaching 350 million, led by YouTube and Google One. This strengthens revenue stability beyond advertising, while YouTube's dual monetization model—ads and subscriptions, remains a key growth pillar.
- Profitability improved significantly, with operating income up 30% YoY and margins expanding to 36.1%, driven by operating leverage across Services and Cloud. However, costs remain elevated, with increased R&D spending and capex tied to ongoing AI and infrastructure investments.
- Net income surged 81% YoY, though this was materially supported by \$37.7bn in non-operating gains. As a result, while core operations remain strong, headline earnings overstate underlying profitability due to this significant one-off contribution.
- From a strategic standpoint, Alphabet is increasingly positioning itself as a full-stack AI platform, integrating AI across Search, Cloud, and enterprise applications. This ecosystem approach enhances user retention, deepens enterprise relationships, and strengthens its competitive positioning against other large-scale AI and cloud providers.
- However, the scale of ongoing investment introduces execution and return-on-capital risks. Sustaining current growth levels will depend on continued AI adoption, effective monetization of infrastructure spend, and maintaining a balance between innovation-led expansion and cost discipline.

Concerns Raised

- A key concern is on the earnings quality. Although net income rose 81%, a significant portion of the increase came from \$37.7bn of other income, mainly unrealized investment gains. This introduces volatility because such gains may not recur and can fluctuate with market valuations.
- The rising AI-related cost intensity calls for attention. R&D increased 25.6%, Alphabet-level activities losses widened to \$5.4bn, and capital expenditure rose to \$35.7bn. While these investments support long-term AI leadership, they may pressure free cash flow if monetization takes longer than expected.
- An obvious concern is the widening losses in Other Bets, which increased to \$2.1bn from \$1.2bn. Although projects such as Waymo offer long-term optionality, they remain loss-making and continue to absorb capital. Google Network revenue also declined from \$7.3bn to \$7.0bn, suggesting pressure in part of the advertising ecosystem.
- Additionally, advertising concentration risk remains, as Google Services still contributes over 80% of revenue, exposing the company to cyclical ad spending and competition in digital advertising markets.

OUR INSIGHT

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Alphabet's Q1 2026 performance reflects a high-quality growth profile anchored on Search resilience, accelerating Cloud momentum, and expanding AI monetization. The company remains one of the strongest global digital platforms, with Google Services providing exceptional profitability and Google Cloud increasingly becoming a second major earnings engine. The medium-term outlook requires disciplined monitoring, as headline earnings were materially supported by investment gains, while AI-related capex and R&D intensity continue to rise.

From a portfolio perspective, Alphabet remains a structurally attractive long-term technology holding, supported by dominant search economics, cloud acceleration, subscription growth, and AI leadership. Key watchpoints include sustainability of Cloud margin expansion, AI monetization, free cash flow after capex, Other Bets losses, and the quality of earnings excluding non-operating investment gains.

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