



ALPHABET INC.

Q2 2026

Earnings Report Update

**PREPARED BY:
SAVEST RESEARCH**

Company Overview

Alphabet Inc. is a global technology company providing digital advertising, internet search, cloud computing, artificial intelligence (AI), software, and digital platform services to consumers, businesses, developers, and enterprises worldwide. Its core operations span online search, digital advertising, cloud infrastructure, enterprise productivity solutions, mobile operating systems, video streaming, and AI-powered products, serving users across major international markets.

The company delivers internet search, advertising, YouTube, Android, Chrome, Google Maps, Gmail, Google Drive, Google Photos, Google Play, and subscription-based digital services through its Google Services segment, while Google Cloud provides AI infrastructure, cloud computing, data analytics, cybersecurity, enterprise collaboration tools, and generative AI solutions. Through its diversified technology ecosystem and global digital infrastructure, Alphabet enables businesses and consumers with integrated digital, cloud, and AI-driven solutions while continuing to invest in emerging technologies through its Other Bets portfolio.

“Alphabet CEO Sundar Pichai said the company's AI investments continue to drive growth across its businesses, highlighting 24% year-on-year revenue growth and 82% growth in Google Cloud, fueled by strong demand for AI infrastructure and solutions. He noted that nearly 90% of Fortune 100 companies now use Gemini Enterprise, while AI-powered Search, the Gemini app, YouTube, and cybersecurity offerings continue to see strong user engagement and adoption. Pichai added that Alphabet's full-stack AI strategy is delivering measurable value for consumers, enterprise customers, and partners worldwide.

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CEO Commentary

Expectation Analysis

USD	Q2 2026	ESTIMATE	BEAT/MISS
REVENUE	120B	117B	2.4%
EBITDA	55.8B	55.5B	0.6%
EBIT	40.8B	40.3B	1.2%
EPS (adjusted)	9.11	2.91	213%

Source: Quartr

Revenue by Segment and Geographhy

Million USD	Q2 2025	Q2 2026	YOY
Google Services	82,543	94,540	14.53%
Google Cloud	13,624	24,768	81.80%
Other Bets	373	382	2.41%
Hedging gains (losses)	(112)	106	194.64%
United States	46,063	60,846	32.09%
EMEA	28,262	32,501	15.00%
APAP	16,480	19,317	17.21%
Other Americas	5,735	7,026	22.51%

Financial Summary

Million USD	Q2 2025	Q2 2026	YOY
Revenues	96,428	119,796	24.23%
Total costs and expenses	65,157	79,026	21.29%
Income from operations	31,271	40,770	30.38%
Income before income taxes	33,933	138,753	308.90%
Net income	28,196	112,193	297.90%
Net income per share	2.33	9.23	296.14%
Net cash from operation	27,747	39,069	40.80%
Net cash from investing	(24,544)	(82,433)	-235.86%
Net cash from financing	(5,832)	61,243	1150.12%
Net change in cash	(2,228)	17,848	901.08%
Closing cash balance	21,036	55,911	165.79%

Source: Company's Financial Statement

Performance Highlights

- Alphabet's Q2 2026 performance was underpinned by broad-based growth across its core businesses, with revenue increasing 24% YoY (23% in constant currency), marking its 12th consecutive quarter of double-digit growth. Performance reflected resilient advertising demand, accelerating enterprise AI adoption and deeper monetisation across Google's ecosystem. While Google Services remained the primary revenue driver, Google Cloud delivered the strongest growth, highlighting the increasing commercial impact of the company's AI investments.
- Search remained Alphabet's largest earnings engine, with Search & Other revenue growing 17%, supported by higher search volumes, continued advertiser demand and the integration of AI capabilities into Search. Management noted that AI-powered experiences are expanding user engagement and query activity, indicating that Gemini is enhancing, rather than disrupting, the core Search business. YouTube Ads also delivered solid growth, benefiting from higher engagement around major global events, while continued expansion in subscriptions and platform services further diversified recurring revenue streams.
- Google Cloud remained the standout performer, with revenue increasing 82% YoY as enterprise demand for AI infrastructure, AI solutions and core GCP services accelerated. Cloud operating income more than tripled, reflecting stronger scale economics and improving profitability, while Gemini Enterprise adoption expanded to nearly 90% of Fortune 100 companies, reinforcing Alphabet's growing position in enterprise AI.
- Operating income increased 30%, outpacing revenue growth, while operating margin expanded to 34%. Cost of revenue grew below the pace of sales, supporting margin expansion, although R&D expenditure increased 32% as Alphabet accelerated investment in AI models, infrastructure and product development. Despite higher AI-related spending, stronger Cloud profitability and operating leverage more than offset the increase in operating expenses.
- Reported net income and EPS increased 298% and 294%, respectively, largely reflecting a \$98.0 billion unrealised gain on equity securities recorded in other income. As such, reported earnings materially exceeded the growth in underlying operating performance and should be interpreted alongside operating income when assessing recurring profitability.
- Alphabet further strengthened its financial position through a \$49.6 billion equity issuance and \$20.3 billion senior unsecured note offering, providing additional capital to expand AI infrastructure and global compute capacity. Combined with its strong operating performance, these investments reinforce management's strategic focus on scaling AI capabilities to support long-term growth across consumer and enterprise businesses.

Concerns Raised

The principal earnings-quality concern is the scale of the unrealised investment gain. While core operating income increased 30%, reported net income rose almost fourfold because of equity-security revaluation gains. These gains are market-dependent and may reverse in future periods, making operating income and free cash flow more reliable indicators of underlying performance than reported net income or EPS.

AI investment is also increasing Alphabet's capital and operating intensity. Research and development expenses rose 32%, Alphabet-level costs associated primarily with shared AI research increased materially, and the company raised substantial equity and debt funding to expand global compute infrastructure. The strategic rationale is clear, but returns will depend on Alphabet's ability to convert infrastructure spending into sustained Cloud growth, higher Search monetisation and recurring enterprise AI revenue.

Advertising remains the largest revenue source, leaving Alphabet exposed to economic cycles, changes in advertiser budgets and regulatory scrutiny surrounding Search and digital advertising. At the same time, Other Bets losses widened, while shared AI research costs increased, creating continued pressure outside Google Services and Cloud. Investors should therefore monitor whether Cloud profitability and subscription growth can progressively reduce dependence on the advertising franchise.

OUR INSIGHT

“Alphabet's Q2 2026 results reinforce its long-term investment proposition, supported by sustained double-digit growth across Search, YouTube and Google Cloud, alongside accelerating enterprise adoption of Gemini AI. The continued integration of AI across its ecosystem is enhancing user engagement, strengthening monetisation and expanding the company's competitive position across both consumer and enterprise markets.

The investment case is further supported by Alphabet's robust financial capacity, diversified revenue base and leadership in AI infrastructure. Rapid growth in Google Cloud and enterprise AI solutions is broadening the earnings mix beyond digital advertising, positioning Cloud as an increasingly significant contributor to long-term profitability.

Key watchpoints in the near term include the return on AI infrastructure investments, conversion of Cloud demand into sustainable earnings, Search monetisation under AI-driven experiences, regulatory developments, and the trajectory of Alphabet-level AI-related costs and Other Bets losses. Given the material contribution of unrealised investment gains to Q2 net income, long-term valuation should remain anchored on recurring operating earnings, cash flow generation and the scalability of its AI ecosystem.

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