



# APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

## Alphabet Q4 2025 Results

Share Price	US\$331.33
Date	06 February 2026

### RESULTS SUMMARY

Alphabet delivered strong Q4 results, with revenue up 18% year-on-year to US\$113.8bn and EPS rising 31% to US\$2.82. Google Services grew 14% to US\$95.9bn, led by Search (+17%), while YouTube ads increased 9%, below investor expectations. Google Cloud was the standout, surging 48% to US\$17.7bn on robust AI-driven enterprise demand. Operating margin was at 31.6%.

Management highlighted that Gemini and AI-enhanced Search are improving user engagement, increasing more monetisable queries and driving better ad returns, while simultaneously boosting AI-related Cloud demand. This supports improving returns on AI capital investment.

The share price fell post-results, primarily due to significantly higher capital expenditure guidance of US\$175bn – US\$185bn for 2026, raising concerns around sustained, high return growth.

### OUR LONG-TERM INVESTMENT VIEW

- Alphabet remains well positioned to benefit from the continued structural shift toward digital advertising. While growth may fluctuate with economic cycles, the long-term migration from traditional to online channels remains intact. AI is reinforcing Google's advertising ecosystem by improving targeting, measurement and automation, driving stronger returns for advertisers and supporting the resilience of its core revenue base.
- Google Search continues to dominate global user intent, and the integration of generative AI enhances rather than disrupts this position. AI expands the range of queries Google can address, deepens engagement and increases monetisation opportunities. In this context, AI serves as both defence and offence - protecting market share while unlocking incremental growth.
- Beyond Search, YouTube and Google Cloud provide additional engines of expansion. AI-driven optimisation supports advertiser performance and content discovery on YouTube, while Cloud is increasingly benefiting from enterprise demand for AI infrastructure and applications.

### UNPACKING THE Q4 2025 RESULTS

#### High level numbers

- Alphabet reported **revenue of US\$113.8bn, up 18% y-o-y, driven by strong growth in Search (+17%), YouTube advertising (+9%) and particularly Google Cloud (+48%)**. Operating income rose 16%, with operating margin was at 31.6%.
- Geographically**, growth remained broad-based, led by continued strength in the US and international markets, supported by resilient advertiser demand and expanding Cloud adoption across regions.
- Net income rose** to approximately US\$34.5bn, with diluted EPS increasing 31% to US\$2.82, benefiting from higher operating profit and ongoing share repurchases.
- Alphabet **significantly increased capital expenditure** to support AI and data centre
  - In Advertising, **YouTube** revenue rose 9% y-o-y to US\$11.4bn, below consensus expectations of US\$11.8bn. The softer result reflected tougher prior-year political advertising comparisons and some moderation in brand advertising spend.
  - Google subscriptions, platforms and devices** grew revenues by 17% to US\$13.6bn.
  - Google Cloud revenue** was up 48% to US\$17.7bn and **operating margin** expanding from 17.5% to 30.1% y-o-y. Cloud segment growth reflected strong AI-driven demand. Notably the backlog has increased from US\$155bn in Q3 to US\$240bn in Q4.

#### Looking ahead

Alphabet has guided for capex of US\$175bn-US\$185bn, around US\$60bn higher (at the midpoint guidance) than consensus expectations. While management remain confident in improving

expansion, with Q4 capex 95% higher y-o-y. Elevated infrastructure investment contributed to pressure on near-term free cash flow (rising 0.7% year on year) despite solid operating cash generation (+34%).

- Cash and marketable securities **totalled US\$127bn against US\$47bn in long-term debt.**

#### **Operational Performance**

- **Google Advertising** (incorporating Google Search, YouTube, and Google Network sites) grew revenues by 14% to US\$96bn. **Search growth** (+17% to US\$63bn) was broad-based, with Gemini expanding monetisable queries and improving ad performance, while AI Overviews (2bn MAUs) are driving higher query volumes and monetising in line with traditional search.

margins through cost efficiencies, investors are cautious about the impact on near-term profitability.

#### **The bottom line**

Despite concerns over rising capital expenditure and uncertain short-term returns, Alphabet continues to deliver strong growth and healthy cash flow. AI monetisation across the group's ecosystem supports our view that this will be a key driver of long-term earnings.

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