






Alphabet: Vertical integration perfection

When you own everything from the search bar to the data center, the profits show it.

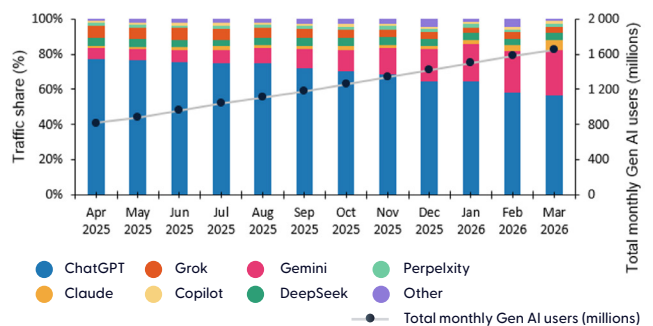
From the computer chips powering AI, to the AI models themselves, to the apps people use every day – Alphabet owns every layer of the stack. That’s now showing up where it matters: faster revenue growth, fatter profit margins, and a growing pile of future contracted revenue, all while its core advertising business keeps printing money.

Earnings highlights

 +19% Q1 Y/Y Search and Other revenue growth <small>Search & Other</small>	 +63% Q1 Y/Y Cloud revenue growth, \$460B+ backlog. Gemini Enterprise paid MAUs +40% Q/Q <small>Google Cloud</small>	 16B+ Tokens per minute (+60% Q/Q) <small>Across 1P models, including Gemini via Direct API usage</small>	 ~350M Paid subscriptions <small>Across Google One, YouTube and Other</small>	 500K+ Waymo fully autonomous rides per week <small>Waymo</small>	<p>Advertising (~70% of revenue) remains resilient, while Google Cloud is accelerating fast on AI demand. Margins are expanding, even as Alphabet spends heavily on AI infrastructure.</p> <p>The market is rewarding disciplined AI spending with clear returns, and Alphabet’s \$400bn post-earnings gain shows investors are paying a premium for visible ROIC over speculative AI bets.</p>
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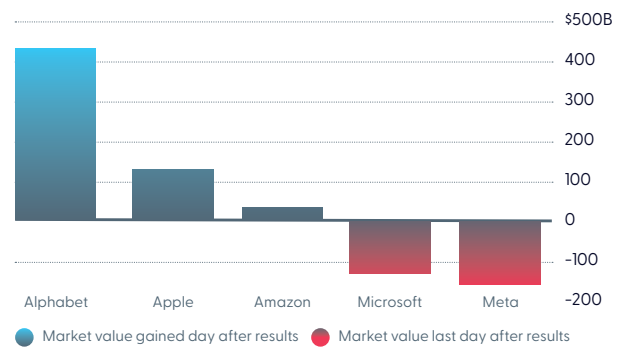
Source: Alphabet Investor Relations - Investors - Earnings

Alphabet continues to be the biggest gainer of Gen AI website traffic with users moving primarily from ChatGPT.



Source: Similarweb Global AI Tracker (traffic share, Apr 2025 - Mar 2026)

Big tech earnings winners and losers



Source: Bloomberg - 5 May 2026

Another standout quarter: Q1 2026 earning snapshot

Alphabet’s net income increased 81% YoY. Other Income has increased 237%.

This was driven primarily by net unrealised gains on non-marketable equity securities of approximately \$36.9 billion. Reports attribute the bulk of this outsized gain around \$28–29 billion (pre-tax) to the mark-to-market revaluation of Alphabet’s stake in Anthropic.

YouTube continues to strengthen its position as the #1 U.S. streaming platform for nearly three years running, with \$60bn+ in annual revenue and expanding into live sports, connected TV, and digital advertising.

Alphabet delivered a strong quarter, with Cloud accelerating and AI integration driving efficiency across the business. Heavy spending remains a risk, but its vertically integrated model reinforces a compelling long-term investment case.

The views expressed above are those of the Advantage Securities Investment Team and are based on our analysis, interpretation of publicly available information, and professional judgement at the time of writing.