



Alphabet Inc. (GOOGL)

Updated February 7th, 2026, by Nathan Parsh

Key Metrics

Current Price:	\$323	5 Year Annual Expected Total Return:	13.4%	Market Cap:	\$3.9 T
Fair Value Price:	\$298	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	03/09/26
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	03/16/26
Dividend Yield:	0.3%	5 Year Price Target	\$600	Years Of Dividend Growth:	2
Dividend Risk Score:	C	Sector:	Information Technology	Rating:	Hold

Overview & Current Events

Alphabet, formerly known as Google, is a holding company. With a market capitalization of more than \$2 trillion, Alphabet is a technology conglomerate that operates several businesses such as Google search, Android, Chrome, YouTube, Nest, Gmail, Maps, and many more. Alphabet is a leader in many of the areas of technology that it operates. There are two classes of Alphabet stock, Class A shares, which has voting rights, and Class C shares, that do not have voting rights. This report will reference the Class A shares.

On April 24th, 2025, Alphabet announced that it had raised its quarterly dividend by 5% to \$0.21 per share.

On February 4th, 2026, Alphabet announced fourth quarter and full year results for the period ending December 31st, 2025. For the quarter, revenue improved 18% to \$113.8 billion, which was \$2.35 billion better than expected. Adjusted earnings-per-share of \$2.82 compared very favorably to \$2.15 in the prior year and beat estimates by \$0.18. For the year, revenue grew 15% to \$402.8 billion while earnings-per-share of \$10.81 compared to \$8.04 in 2024.

Most businesses continue to perform very well. For the quarter, revenue for Google Search, the largest contributor to results, grew 16.7% to \$63.1 billion. YouTube ads increased 8.7% to \$11.4 billion while Google Network fell 1.6% to \$7.8 billion. Google subscriptions, platforms, and devices was up 16.7% to \$13.6 billion. In total, Google advertising was higher by 13.6% to \$82.3 billion while Google Services was up 14% to \$95.9 billion. Google Cloud surged nearly 48% to \$17.8 billion. The company's operating margin contracted 50 basis points to 31.6%. Alphabet repurchased \$5.5 billion worth of stock during the quarter and \$45.7 billion in 2025. The company will spend \$175 billion to \$185 billion in capex in 2026. Shares were down following this announcement, likely due to the announced ramp up in spending for this year.

Following several strong years of growth, we expect that Alphabet will earn \$11.47 in 2026, which would be a 6.1% improvement from the prior year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$1.39	\$0.90	\$2.19	\$2.46	\$2.93	\$5.61	\$4.56	\$5.80	\$8.04	\$10.81	\$11.47	\$23.07
DPS	---	---	---	---	---	---	---	---	\$0.60	\$0.83	\$0.84	\$1.07
Shares¹	13,970	14,070	14,070	13,970	13,740	13,550	13,160	12,720	12,319	12,228	12,228	12,100

Alphabet has been an incredible creator of wealth for a long time. Earnings-per-share have a compound annual growth rate of 25.6% over the last decade. Revenue has grown by a mid-double-digit clip over the long-term. The company has so entrenched itself in almost every key aspect related to the internet. So much so that the word "google" has become a verb used in everyday language around the world. Alphabet has also successfully monetized key aspects of its business, such as YouTube, that have allowed it to create recurring revenue streams. In addition, the company utilizes its Other Bets to make high-risk, but high-reward investments. This area of the company is very small compared to other segments, just \$370 million of revenue in Q4 2025, but could lead to additional products to bring to market. Some examples of this include the life sciences brand Verily and broadband internet service provider Google Fiber. Alphabet

¹ In millions of shares.

Disclosure: This analyst has a long position in the security discussed in this research report.



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can also use its sizeable cash balance to invest or to make bolt on acquisitions to further its growth. The company ended Q4 2025 with \$126.8 billion of total cash, cash equivalents, and marketable securities on its balance sheet.

Given the high base from which earnings-per-share are expected to be for 2026, we project annual EPS growth of 15% through 2031.

Alphabet has only begun to declare dividends and has, in fact, distributed or announced just eight payments to shareholders. That said, we project that the company, given the tremendous cash on its balance sheet, will likely be able to provide at least 5% increases moving forward. We acknowledge that EPS and dividend growth rates may turn out to be too conservative of an estimate, but we are not yet ready to make a more aggressive prediction.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	34.7	37.8	23.9	27.3	29.9	25.8	15.7	30.6	23.5	29.0	28.2	26.0
Avg. Yld.	---	---	---	---	---	---	---	---	0.3%	0.3%	0.3%	0.2%

Shares of Alphabet have increased \$38, or 13.3%, since our November 55th, 2025 report. Shares trade at 28.2 times estimated earnings for the year. Since 2016 and 2021, shares have an average price-to-earnings ratio of 27.8 and 24.9, respectively. We have a target price-to-earnings ratio of 26, implying a small headwind from multiple contraction. Reaching our target P/E by 2031 would reduce annual returns by 1.6% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

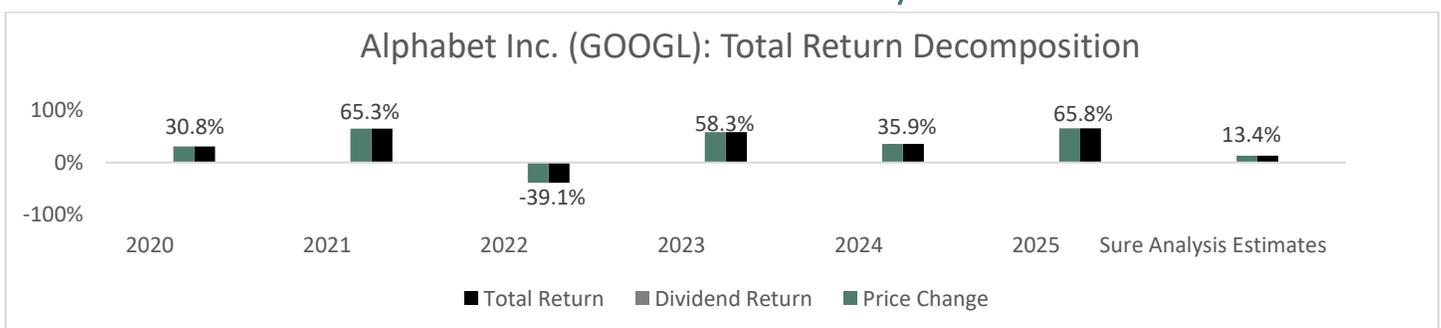
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	---	---	---	---	---	---	---	7%	8%	7%	5%

Technology can be negatively impacted by recessions. Shares of these companies, especially those with elevated multiples, can suffer steep declines during periods of economic uncertainty as investors flee high growth names. However, Alphabet is not the typical technology company as it has performed quite well during difficult periods. This includes the 2007 to 2009 period, where the company's earnings-per-share grew every year. In total, earnings-per-share improved 54% from 2007 to 2009. In 2020, Alphabet's earnings-per-share grew more than 19%. Only twice in the last decade (2017 and 2022) has Alphabet failed to increase its earnings-per-share.

Final Thoughts & Recommendation

Following fourth quarter results, Alphabet is expected to provide total annual returns of 13.4% through 2031, down from 14.2% previously. This projection stems from earnings growth of 15% and a starting dividend yield of 0.3%, partially offset by a small headwind from multiple contraction. Alphabet is one of the most dominate names in the entire marketplace and had another very strong showing in the most recent quarter. Shares earn a hold rating due to the company's limited dividend growth streak, but total return potential is still very appealing even after the strong rally in the name over the past few reports.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue (\$B)	90	111	137	161	182	257	281	307	350	403
Gross Profit (\$B)	55	65	77	90	98	147	155	174	204	240
Gross Margin	60.8%	58.9%	56.5%	55.5%	53.5%	56.9%	55.1%	56.7%	58.2%	59.7%
SG&A Exp.	17,470	19,765	24,459	28,015	28,998	36,422	42,291	44,342	41,996	50,175
D&A Exp.	6,144	6,915	9,035	11,781	13,697	12,441	15,928	11,946	15,311	21,136
Operating Profit	23	29	32	35	41	79	73	86	112	129
Operating Margin	25.8%	26.2%	23.0%	22.0%	22.5%	30.5%	25.9%	28.0%	32.1%	32.1%
Net Profit	19,478	12,662	30,736	34,343	40,269	76,033	59,972	73,795	100,118	132,170
Net Margin	21.7%	11.4%	22.4%	21.3%	22.1%	29.5%	21.4%	24.0%	28.6%	32.8%
Free Cash Flow	25,824	23,907	22,832	30,972	42,843	67,012	60,010	69,495	72,764	73,266
Income Tax	4,672	14,531	4,177	5,282	7,813	14,701	11,356	11,922	19,697	26,656

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets (\$B)	167	197	233	276	320	359	365	402	450	595
Cash & Equiv. (\$B)	86	102	109	120	137	140	114	111	96	127
Acc. Receivable	14,137	18,336	20,838	25,326	30,930	39,304	40,258	47,964	52,340	62,886
Inventories	268	749	1,107	999	728	1,170	2,670	-	-	-
Goodwill & Int.	19,775	19,439	20,108	22,603	22,620	24,373	31,044	29,198	31,885	33,380
Total Liabilities (\$B)	28	45	55	74	97	108	109	119	125	180
Accounts Payable	2,041	3,137	4,378	5,561	5,589	6,037	5,128	7,493	7,987	12,200
Long-Term Debt	3,935	3,969	4,012	14,768	26,178	26,319	27,500	27,076	25,250	63,787
Total Equity (\$B)	139	153	178	201	223	252	256	283	325	415
LTD/E Ratio	0.03	0.03	0.02	0.08	0.13	0.11	0.12	0.11	0.09	0.16

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	12.4%	6.9%	14.3%	13.5%	13.5%	22.4%	16.6%	19.2%	23.5%	25.3%
Return on Equity	15.0%	8.7%	18.6%	18.1%	19.0%	32.1%	23.6%	27.4%	32.9%	35.7%
ROIC	14.5%	8.5%	18.2%	17.2%	17.2%	28.7%	21.2%	24.6%	30.0%	31.6%
Shares Out.	13,970	14,070	14,070	13,970	13,740	13,550	13,160	12,720	12,319	12,228
Revenue/Share	6.42	7.89	9.74	11.55	13.27	19.00	21.34	24.14	28.10	32.95
FCF/Share	1.85	1.70	1.62	2.22	3.12	4.94	4.56	5.46	5.85	5.99

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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