

The AI Infrastructure King – Buy the Dip

- Google Cloud has transformed into a high-margin profit engine.
- AI is structurally expanding the Search TAM.
- We recommend a BUY and upgrade our TP to THB5.45 (\$350, USD/THB at 31.0)

Broad-Based Beat: Search, Cloud, and AI Execution

Alphabet's latest results reaffirm our view that the company is entering a structurally stronger earnings phase, supported by strength across Search, Cloud, and AI-driven monetization. In FY2025, Alphabet reported a record \$403b in revenue (+18% y-y), and net income reached \$34.5b (+30% y-y). Quarterly performance also showed continued resilience, with Search revenue of \$63.1b (consensus of \$61.1b), and Cloud revenue of \$17.7b (consensus at \$16.2b). EPS for the quarter came in at \$2.82, exceeding Street expectations of \$2.62. Importantly, AI is already contributing to monetization rather than remaining a purely forward narrative, supporting near-term earnings visibility alongside long-term optionality.

Cloud is the New Profit Engine

Google Cloud is now the strongest evidence that AI CAPEX is translating into real economic returns. Cloud revenue grew ~48% y-y in the latest quarter, with operating margin expanding from 17.5% to 30%, marking a structural shift from a historically loss-making segment to a high-margin growth engine. Additionally, Cloud backlog more than doubled y-y to ~\$240b, suggesting multi-year revenue visibility driven by enterprise AI demand. This combination of growth + margin expansion supports management's aggressive \$180b CAPEX and reinforces Alphabet's positioning as one of the few companies capable of scaling AI profitably at global hyperscale.

Structural Expansion: AI Grows the Search TAM

Beyond Cloud, the more underappreciated driver is how AI is structurally expanding the Search total addressable market. Gemini models are improving query understanding, enabling monetization of longer and more complex queries, and improving ad relevance across languages. In addition, multimodal search adoption continues to rise, with ~1 in 6 AI Mode queries now non-text based, expanding user engagement surfaces. Structurally, this increases ad inventory and advertiser ROI, historically the most powerful long-term revenue driver for digital advertising platforms.

Strategic Investment in a Supply-Constrained World

While the market initially reacted negatively to the significantly higher 2026 CAPEX guide (~\$175b–\$185b), we view this primarily as timing mismatch rather than value destruction. Alphabet is likely operating in a supply-constrained environment where demand for AI compute, training, and inference capacity exceeds available infrastructure. In our view, this spending cycle should be interpreted similarly to past hyperscaler investment cycles — near-term margin pressure but long-term market share lock-in. Given Alphabet's unique vertical integration across infrastructure, models, distribution, and consumer applications, we continue to view the company as one of the highest-probability long-term AI platform winners globally.

Recommend a BUY and Upgrade Our TP to THB5.45 (\$350, USD/THB at 31.0)

We recommend a BUY on GOOG80, and upgrade our TP to THB5.45 (equivalent to \$350 from \$322, USD/THB at 31). In the short term, we expect share price recovery as CAPEX concerns normalize; longer term, we see a credible path for Alphabet to become the most valuable global company if AI becomes deeply embedded into daily digital activity globally.

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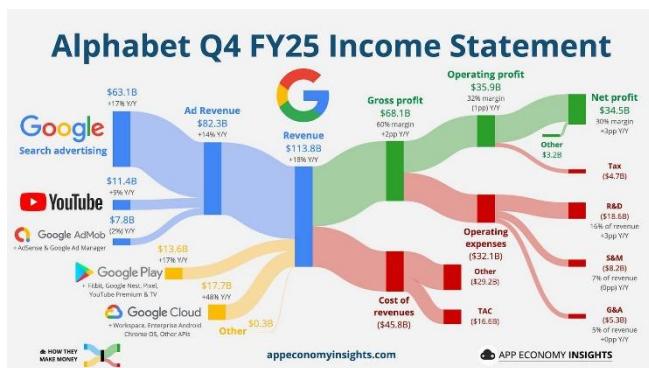
Peerayu Sirivorawong

Exhibit 1: GOOG80 Conversion Ratio

$$\text{GOOG80 (THB)} = \frac{\text{GOOG Target (USD)} \times \text{USD/THB Exchange Rate}}{2000}$$

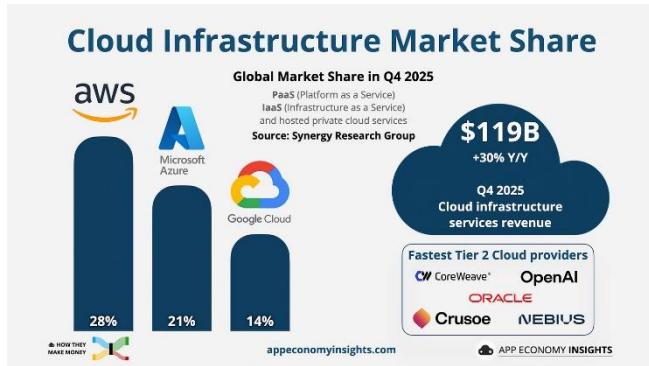
Sources: SET; Globlex Research

Exhibit 2: GOOGL's 4Q25 results



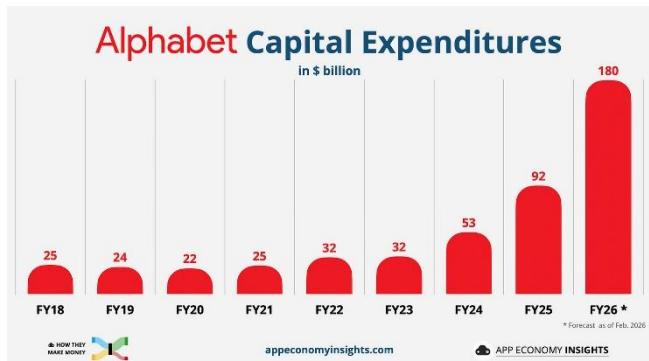
Sources: App Economy Insights

Exhibit 4: Cloud Infrastructure Market Share



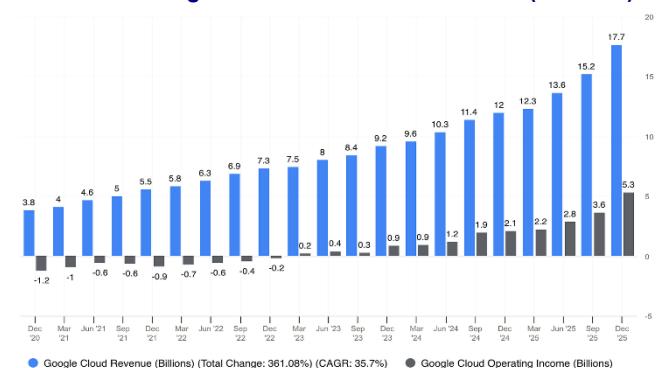
Sources: App Economy Insights

Exhibit 6: Alphabet (GOOG80)'s CAPEX



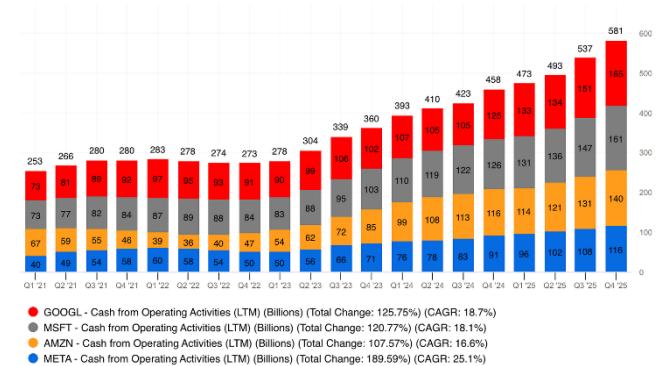
Sources: App Economy Insights

Exhibit 3: Google Cloud Revenue and Profit (\$ billion)



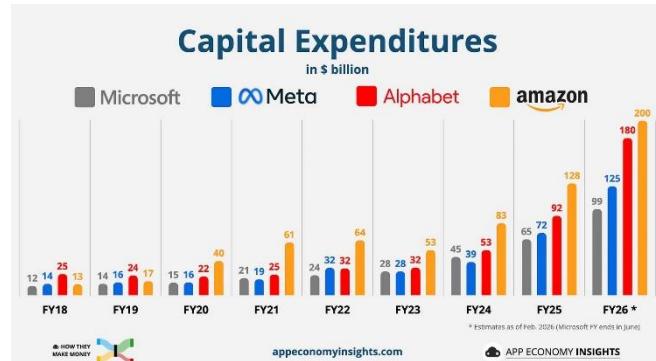
Sources: App Economy Insights

Exhibit 5: Operating Cash Flow (\$ billion)



Sources: Fiscal.ai

Exhibit 7: Hyperscalers CAPEX



Sources: App Economy Insights

GENERAL DISCLAIMER

Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY: Expected return of 10% or more over the next 12 months.

HOLD: Expected return between -10% and 10% over the next 12 months.

REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.

Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.

Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.