

Alphabet's Q2 triumph: Beating the Street

- 2Q25 beat consensus, Search, YouTube, and Google Cloud, benefiting from AI.
- Strong fundamentals, stronger earnings
- Recommend a BUY with TP of THB3.26 (\$201, USD/THB at 32.5)

Search rebounds, YouTube scales, Cloud delivers

Alphabet delivered one of its strongest quarters in recent memory, with 2Q25 EPS of \$2.31 beating consensus of \$2.18, supported by broad-based revenue strength. Search revenue grew 12% y-y, exceeding investor expectations of 10–11%, driven by a rebound in paid clicks to 4%, up from 2% in 1Q25 and back in line with 2024 levels. YouTube revenue came in at \$9.8b, ahead of the \$9.6b consensus, supported by improved Shorts monetization and a higher mix of direct response ads. Google Cloud revenue also beat, rising to \$13.6b vs. \$13.1b consensus, maintaining solid enterprise demand. Together, these three pillars—Search, YouTube, and Cloud—highlight Alphabet's multiple growth vectors, while YouTube's enhanced monetization efficiency further contributes to operating leverage.

Fueling the Future: Alphabet's AI investments powering profitability

On the cost side, while the strong revenue performance was partially offset by higher depreciation and amortization, this stemmed from a \$10b upward revision to 2025 CapEx guidance, which will also raise 2026 CapEx. The company also reiterated its typical 3Q seasonal hiring plans. However, the key takeaway is that Alphabet is generating enough operating leverage to absorb the elevated GenAI infrastructure build, reinforcing its moat as it scales AI investments without sacrificing profitability.

The bull case stronger than ever

We believe the bull case centers on several positives from 2Q25: 1) Search revenue grew 12% y-y, above investor expectations (~11%), 2) paid clicks rose 4% y-y, rebounding from 2% in 1Q25 and aligning with 2024 levels, easing concerns on Search fundamentals; 3) YouTube and Cloud revenues beat at \$9.8B and \$13.6B vs consensus \$9.6B and \$13.1B, 4) management highlighted that Shorts monetization is now above parity with horizontal video in some markets, validating ad checks showing Shorts inventory ramping, and 5) the operating margin miss was due to a one-time \$1.4b legal charge, not underlying cost pressures.

Unpacking the bearish arguments

We believe the bear case centers on several concerns: 1) tougher y-y comps in financial services advertising and potential softness from U.S. election-related ad spend may pressure 2H25 growth rates; 2) the 2025 CapEx guidance was raised by ~\$10b to \$85b, implying ~\$2b higher annual D&A, which could weigh on near-term EPS despite long-term topline benefits; 3) management flagged tight cloud supply-demand dynamics, potentially limiting near-term cloud growth; 4) 2026 CapEx is now expected to exceed 2025 levels, likely pushing up 2026–2027 CapEx forecasts; and (5) regulatory overhang, particularly the DoJ search remedies phase, continues to pose open-ended downside risk to Search revenue and may cap multiple expansion.

Recommend a BUY with TP of THB3.26 (\$201, USD/THB at 32.5)

We recommend a BUY on GOOG80, with Bloomberg consensus target price of THB3.26 (equivalent to \$201, USD/THB at 32.5). We remain confident in Alphabet's positioning to capitalize on structural growth in AI and cloud, and while the ongoing antitrust trial poses regulatory overhang, we expect a manageable outcome favorable to Google.

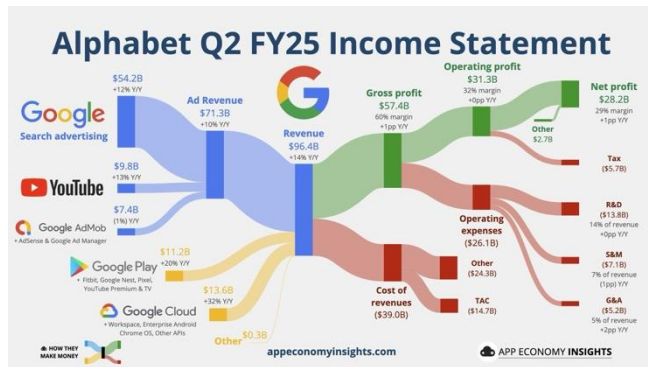
Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

Assistant Analyst

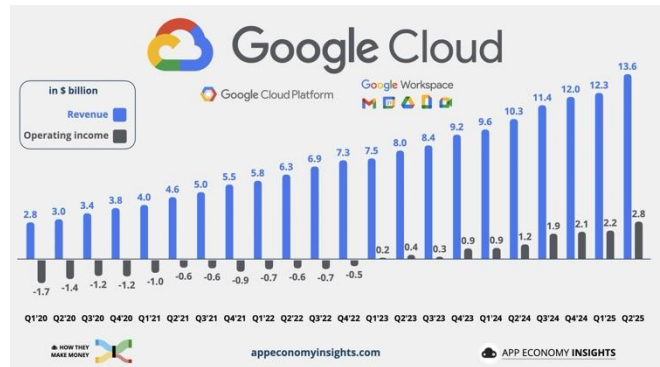
Peerayu Sirivorawong

Exhibit 1: GOOGL's 2Q25 results



Sources: App Economy Insight

Exhibit 2: Google Cloud revenue and income



Sources: App Economy Insight

Exhibit 3: 2Q25 financial highlight

	Quarter Ended June 30,	
	2024	2025
Revenues	\$ 84,742	\$ 96,428
Change in revenues year over year	14 %	14 %
Change in constant currency revenues year over year ⁽¹⁾	15 %	13 %
Operating income	\$ 27,425	\$ 31,271
Operating margin	32 %	32 %
Other income (expense), net	\$ 126	\$ 2,662
Net income	\$ 23,619	\$ 28,196
Diluted EPS	\$ 1.89	\$ 2.31

Sources: GOOGL

Exhibit 4: 2Q25 revenue breakdown

	Quarter Ended June 30,	
	2024	2025
Google Search & other	\$ 48,509	\$ 54,190
YouTube ads	8,663	9,796
Google Network	7,444	7,354
Google advertising	64,616	71,340
Google subscriptions, platforms, and devices	9,312	11,203
Google Services total	73,928	82,543
Google Cloud	10,347	13,624
Other Bets	365	373
Hedging gains (losses)	102	(112)
Total revenues	\$ 84,742	\$ 96,428
Total TAC	\$ 13,387	\$ 14,705
Number of employees	179,582	187,103

Sources: GOOGL

Exhibit 5: AI Stack

The AI Stack

Google is the only major firm to develop a technology or business in these nine AI software and hardware categories.

Company	AI Server Chips	AI Training Clusters	Cloud AI Server Rentals	API for AI App Devs	State-of-the-Art LLM	Enterprise AI Apps	Consumer AI Apps	Personal AI Device	Humanoid Robot
Google	✓	✓	✓	✓	✓	✓	✓	✓	✓
Microsoft	✓	✓	✓	✓	✓	✓	✓		
Amazon	✓	✓	✓	✓	✓	✓	✓		✓
OpenAI	✓	✓		✓	✓	✓	✓	✓	✓
Meta	✓	✓			✓		✓	✓	
xAI/Tesla	✓	✓		✓	✓		✓		✓
Nvidia	✓	✓	✓	✓	✓				
Apple	✓	✓			✓		✓	✓	
Anthropic				✓	✓	✓	✓		

Source: The Information reporting

Sources: The Information reporting

Exhibit 6: Google's AI Overview

Google Search: What is a bull market?

AI Overview

A bull market is a period of time when stock market indexes rise, eventually reaching new highs. Bull markets can also refer to other types of markets, such as real estate, bonds, commodities, and currencies. The term is generally reserved for extended periods when a large portion of security prices are rising.

Learn more

Investopedia: What is a Bull Market, and How Can Investors Benefit From ...

Fidelity Investments: Bear vs bull market: How to tell the difference | Fidelity

Show more

Sources: Google

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Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

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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.