

Alphabet Inc. (GOOGL)

Equity research update · NASDAQ · Data as of 5 October 2026 close · Published 6 October 2026

Rating	Last close	Fair value / Target 1	Risk / reward	Investment score
Buy (unchanged)	\$346.47 (5 Oct)	\$428 / \$430	2.3 : 1 to target 1	74 / 100 (from 73.7)

Summary

Gemini 4 Argon is the development this coverage has been waiting for. Google DeepMind announced it on 30 September, months late and after a cancelled intermediate model, and the company claims a lead on several coding, agent and long-video benchmarks at an introductory price of \$2 per million input tokens and \$10 per million output tokens. Four consecutive reports named a competitive Gemini 4 as the readable test of the AI thesis. The test has now arrived, but only half of it has been passed: the model exists and scores well, while access is so far limited to a group of cyber-defence partners, with no date for developers, enterprises or consumers.

That split decides how much of it reaches the numbers. On reasonable inputs the earnings effect of the launch is under 1% of forward EPS in either direction; where it matters is the multiple, because the shares fell about 16% from their May peak largely on doubts about Google's position at the model frontier. This report keeps the scenario weights where they were, holds the \$428 fair value, and shows that a broad, well-received rollout would lift it toward \$438 while a stalled one would pull it toward \$419. The Buy rating, the \$340 to \$365 buy range, the \$310 stop and the \$430 and \$490 targets all hold. The price, at \$346.47, is inside the buy range and 2.6% above the last report's close.

Two other items moved. A federal judge let roughly \$3.2bn of publisher ad-tech damages claims proceed toward jury trials, which is small against about \$122bn of net cash but adds a second legal front. And the ten-year Treasury yield rose to 5.31% from 5.11%, which raises the cost of the debt-funded part of the capital programme. Neither changes the rating. Technical setup improves by one point as the price regained its 20- and 50-day averages, which lifts the composite score from 73.7 to 74.2.

What has changed since 24 September

Item	24 September report	Now	Effect
Price	\$337.83	\$346.47 (+2.6%)	Inside the \$340 to \$365 buy range
Gemini 4	No date announced	Gemini 4 Argon announced 30 Sep; limited release	Development section below; scenario wording updated
Forward P/E	25.2x	25.8x; 23.0x FY27 consensus EPS	Valuation score held at 6
Ten-year Treasury	5.11%	5.31% (5 Oct)	Higher funding cost; Risk held at 5
Ad-tech litigation	DOJ remedies appeal pending	Plus ~\$3.2bn publisher claims cleared for trial	New risk row; no score change
Technical setup	Below 20-, 50- and 100-day	Above 20-, 50- and 200-day; below 100-day	Technical score 4 to 5
Q3 results	Shown as 28 Oct	Date not yet announced by the company	Milestone restated as expected

Our comparison against the 24 September 2026 report. Risk is scored 10 = lowest risk in both reports, so no restatement was needed.

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Gemini 4 Argon, flagship model	Announced 30 Sep 2026; limited release	Claims 77.9% on DeepSWE v1.1, #1 on AutomationBench (51.3%) and a lead on the Vals Index; 1m-token output limit; \$2 / \$10 per million tokens introductory, \$4 / \$20 after; first access via a cyber-defence programme	Broader availability to paid API customers and AI Ultra subscribers promised 'as soon as possible', no date (company)	High

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Publisher ad-tech damages	Ruling 2 Oct 2026	Class of about 5,000 publishers (~\$1.7bn) plus USA Today (~\$900m) and Daily Mail (~\$600m) cleared to proceed toward jury trials; some claims dismissed; no trial date	Google says it will defend the remaining claims (company)	Medium
Anthropic IPO filing	Reported 28-30 Sep 2026; confidential filing	Reported: about 47% of Anthropic's 2025 sales ran through Amazon and Google cloud platforms	A listing would mark Alphabet's stake to market; size and timing not disclosed	Medium
Constellation nuclear power deal	Reported 6 Oct 2026; not confirmed	Reported (Bloomberg) to be near a nuclear power deal worth about \$1bn	None disclosed	Low

Company announcements, court records and established press; see Sources. Reported items are unconfirmed by the company and carry no weight in the verdict.

Gemini 4 Argon: what it is and what it is worth

What is known. Google DeepMind's chief AI architect announced Gemini 4 Argon on 30 September 2026 as the company's frontier model for software engineering, enterprise knowledge work and cybersecurity defence. Company figures: 77.9% on DeepSWE v1.1, first place on AutomationBench at 51.3%, 91.7% on LVBench for long video and a tie for first on CWE-bench v1 at 68%. All of these are vendor-reported. The model ships first to vetted cyber defenders, with paid API customers and AI Ultra subscribers to follow and no date given. A Google spokesperson described it as comparable to OpenAI's and Anthropic's latest models on key coding and cyber benchmarks, and press accounts note it trails rivals on two of four coding benchmarks. Introductory pricing of \$2 and \$10 per million input and output tokens matches OpenAI's current flagship, rising to \$4 and \$20 later.

Why it matters here. The model touches every AI revenue line Alphabet has: Search and AI Mode, the Gemini app and subscriptions, Gemini Enterprise and the API inside Google Cloud (\$24.8bn of Q2 revenue, up 82%), and the case for selling TPUs to outside model builders. It is also the explicit test this coverage set four reports ago. Its delay, the cancellation of the intermediate 3.5 Pro release and the August leadership change at DeepMind are the main reasons the shares fell about 16% from their 18 May peak.

What success and failure look like. Success is a general release within weeks, adoption visible in Cloud growth and in Gemini Enterprise seats, and independent leaderboards confirming the vendor scores. Failure is a release that stays gated into 2027, or a price war that forces the introductory rate to become permanent. The first hard data arrives with Q3 results, expected in late October or early November.

Economics. Matching OpenAI's price means Alphabet is competing on cost as much as capability, which is where its own TPUs help: it serves the model on silicon it does not buy at a merchant margin. The risk is that the introductory price becomes the market price, so revenue per token falls even as volume rises. Precedent cuts both ways: earlier Gemini releases won share on price, while the last year showed how quickly a lead on benchmarks can pass to a rival.

Input (our assumption unless stated)		Value	
Forward EPS implied by 25.8x forward P/E at \$346.47		\$13.43	
Diluted shares (Q2 2026, company)		12.31bn	
Tax rate on incremental profit		17%	
Success: extra Cloud and API revenue, FY27, at a 30% incremental operating margin		+\$5bn	
Failure: API and Cloud revenue lost to price competition, at a 60% margin		-\$3bn	

Outcome	EPS effect	Share of forward EPS	Fair value (scenario weights)
Success: broad release, adoption visible by Q4	+\$0.10	+0.7%	\$438 (bull 32%, bear 18%)
Base: phased rollout, no pricing damage	\$0	0%	\$428 (28 / 50 / 22, held)
Failure: stays gated, price war	-\$0.12	-0.9%	\$419 (bull 24%, bear 26%)

Our calculation, inputs shown. Alphabet does not disclose Gemini API revenue, so the revenue inputs are stated assumptions, not company figures.

What the price already assumes. The earnings effect is small either way. Where the launch shows is the multiple: each turn of forward P/E is worth about \$13 a share, or 3.9%. The shares rose about 2% before the open on 1 October and then closed 1.7% lower at \$338.24 as the gated release sank in, so the market has so far given the launch very little credit. If it fails, the direct EPS loss is under 1%, but a further de-rating of one or two turns, roughly \$13 to \$27 a share, is the larger risk.

Effect on this report. No factor score moves on the launch alone. Competitive Advantage already sits at 9, Management stays at 7 because the model arrived late and only in part, and Growth Potential stays at 9. The scenario weights do not move either, because the evidence is vendor benchmarks and a gated release. The launch does change the scenario wording and widens the fair value to a \$419 to \$438 range. The verdict and trade levels would be the same without it. The entry range is meant for use now, before the general release and Q3.

Still unknown. The general-availability date, independent benchmark confirmation, and whether Q3 shows any Cloud or subscription lift. The Q3 call is the next place management can answer all three.

Growth drivers

Driver	Status and date	Likelihood	Impact	Comment
Google Cloud backlog conversion	Cloud +82% in Q2; backlog last reported \$514bn	High	High	Tested again at Q3 results
Gemini 4 Argon rollout	Announced 30 Sep; general release undated	Medium	Medium-High	Multiple, more than EPS
External TPU sales	Blackstone expansion still reported only	Medium	High	Bull-case precondition
Search monetisation through AI Mode	Search +17% in Q2	High	High	Q3 search line is the test against rival assistants
Gemini distribution (Android, Googlebook)	Googlebook shipping from 4 Oct	High	Medium	Defends the agent layer

Company releases and our assessment.

Financials

The most recent quarter, reported on 22 July, showed revenue of \$119.8bn, up 24%, with Search up 17%, YouTube advertising up 13% and Google Cloud up 82% to \$24.8bn. Operating income was \$40.8bn, a 34% margin. Reported diluted EPS of \$9.11 is not an operating figure: it includes a \$98.0bn net gain, mostly unrealised gains on equity securities, and the valuation in this report rests on consensus operating EPS instead. Capital spending of \$44.9bn exceeded operating cash flow of \$39.1bn, so free cash flow was negative \$5.9bn in the quarter. Cash and securities of \$242.5bn against about \$120.8bn of debt leave net cash of roughly \$122bn.

Metric	Q2 2026	Q2 2025	Comment
Revenue	\$119.8bn	\$96.4bn	+24%
Google Cloud revenue	\$24.8bn	\$13.6bn	+82%
Operating margin	34%	n/a	Operating income \$40.8bn
Diluted EPS (reported)	\$9.11	\$2.31	Includes a \$98.0bn net gain on equity securities
Capex / operating cash flow	\$44.9bn / \$39.1bn	n/a	Free cash flow -\$5.9bn
Net cash	~\$122bn	n/a	\$242.5bn cash and securities, ~\$120.8bn debt

Alphabet Q2 2026 earnings release (Form 8-K, Exhibit 99.1); balance sheet as of 30 June 2026.

Valuation

At \$346.47 the shares trade on 25.8 times forward earnings and 23.0 times consensus FY27 EPS of \$15.07. The multiple is slightly higher than a fortnight ago only because the price rose; estimates are unchanged. The scenario-weighted fair value of \$428 sits beside the consensus target of \$429.36 from 61 analysts, derived independently. Upside to fair value is 23.5%.

Two macro variables matter for this business. Advertising demand follows consumer spending and business confidence, and the latest readings are soft: September payrolls rose 29,000 against a 98,000 forecast, unemployment reached 4.2% and consumer confidence fell to 81.9, a 12-year low. Search revenue has so far grown through that, at 17% in Q2, which is why this report treats the soft data as a watch item rather than a cut. The second variable is the cost of debt for a capital programme now partly funded in the bond market: the ten-year Treasury closed at 5.31% on 5 October, up from 5.11% at the last report, as services and manufacturing price indices stayed hot.

Measure	Value	Comment
Forward P/E	25.8x	From 25.2x on 24 September, on price
P/E on FY27 consensus EPS (\$15.07)	23.0x	FY26 consensus EPS \$11.81
Consensus target	\$429.36	61 analysts, Strong Buy; range \$340 to \$515
Scenario-weighted fair value	\$428	28 / 50 / 22 weights held; computed at \$428.45
Fair value range on the Argon outcome	\$419 to \$438	Our calculation, see the development section

Market and consensus data retrieved 6 October 2026. Fair value is our calculation.

Sentiment

Broker actions in the period were supportive and mostly reaffirmations. Citi held Buy with a \$447 target, Jefferies Buy at \$445, Wells Fargo Buy at \$411 and BofA Buy; Piper Sandler raised its target to \$400 from \$395, and Bernstein held a Hold rating at \$385. One broker argued that Argon's pricing could force rivals to cut prices. Deutsche Bank's advertising checks for the period were described as strongest for Meta and Google. Short interest is about 0.7% of shares outstanding. Institutional positioning from the latest quarterly filings is left out of this report: the read is mixed and the net change rests on a single holder, so it adds nothing to the thesis.

Technicals

Indicator	Value	Reading
Price vs SMA 20 / 50	\$343.02 / \$344.90	1.0% and 0.5% above
SMA 100	\$354.80	2.3% below; the next resistance
SMA 200 / 40-week	\$339.12 / \$340.67	2.2% and 1.7% above; both near the bottom of the buy range
RSI (14)	52.4	Neutral
MACD (12,26,9)	-0.22 vs signal -0.36	Histogram +0.14, positive
ATR (14)	\$8.77	2.5% of price; the \$310 stop is 4.2 ATR away
Volume	20-day 27.5m vs 50-day 26.5m	Participation rising 3.9%
Support / resistance	\$339, \$335.51, \$327.74 / \$354.80, \$364.17	200-day, 1 Oct low, 10 Sep low / 100-day, 22 Sep high

Computed from 300 completed daily sessions to 5 October 2026; 40-week average from weekly closes. RSI and ATR use Wilder smoothing. Distances measured against the \$346.47 close.

Both averages the trade plan uses were recomputed. The 200-day moved up to \$339.12 from \$337.95 and the 40-week to \$340.67 from \$338.99, so the bottom of the buy range still sits on long-term support. The stop has more room than before (4.2 times the average true range against 3.0) only because the price rose; it was not moved. The 1 October session ranged from \$353.22 to \$335.51 on the launch and closed weak, and the price has since recovered above the 20- and 50-day averages with MACD positive, which lifts the technical score to 5.

Risks

Risk	Probability	Severity	Comment
DOJ antitrust appeal	Medium	High	Cross-appeal seeking Chrome divestiture unresolved; the largest binary risk
Unproven capex cycle	High	Medium	Q2 capex \$44.9bn exceeded operating cash flow; returns on the build-out not yet shown

Risk	Probability	Severity	Comment
Interface competition from AI agents	Medium	High	Rival assistants are gaining visibility; Argon answers on capability, not yet on usage
Model pricing pressure	Medium	Medium	Introductory \$2 / \$10 pricing matches OpenAI; may become the market rate
Rising cost of debt	High	Medium	Ten-year at 5.31%, up 20bp since the last report
Publisher ad-tech damages	Medium	Low	About \$3.2bn of claims cleared toward trial; under 3% of net cash
Soft consumer and labour data	Medium	Medium	Confidence at a 12-year low; advertising has not yet slowed

Our assessment.

Scorecard

Criterion	Score	Weight	Change	Basis
Business Quality	9/10	16%	0	Held. Search auction economics and distribution
Financial Strength	7/10	12%	0	Held. About \$122bn net cash; debt cost rising
Competitive Advantage	9/10	16%	0	Held. Argon claims a benchmark lead; release gated
Management	7/10	9%	0	Held. Gemini 4 delivered late and only in part
Growth Potential	9/10	14%	0	Held. Cloud +82%; TPU sales still undisclosed
Valuation	6/10	16%	0	Held. 25.8x forward, 23.0x FY27
Risk (10 = lowest risk)	5/10	12%	0	Held. Second legal front and higher yields offset by Gemini progress
Technical Setup	5/10	5%	+1	Back above the 20-, 50- and 200-day; MACD positive
Investment score	74.2 / 100	100%	+0.5	Previous 73.7

Scored 1–10, where 10 is always best, including Risk. Investment score = sum of score × weight, computed in code.

Recommendation and trade plan

The rating stays at **Buy**. The reasoning is the same as on 24 September with one addition: the model launch that this coverage treated as the main open question has happened, in part. That removes some of the bear case's 'Gemini slips' path without yet earning the bull case's 'lands well', so the levels stay put.

Item	Level	Change
Recommended entry	At market, inside the buy range	Unchanged
Ideal buy range	\$340 to \$365; add near the 200-day at \$339	200-day recomputed
Cut-loss	\$310 weekly close; or Cloud growth below 40% for two quarters	Unchanged
Take-profit 1	\$430	Unchanged
Take-profit 2	\$490; needs capex plateau visibility and a favourable appeal	Unchanged
Expected upside	+24.1% to target 1; +41.4% to target 2	Was +27.3% / +45.0%
Expected downside	-10.5% to the stop	Was -8.2%
Risk / reward	2.3 : 1 to target 1; 3.9 : 1 to target 2	Lower, on price
Holding horizon	18 to 24 months	Unchanged
Position size / allocation	4% to 6% of portfolio	Unchanged

Our levels. A gap through the stop on a legal ruling is possible, so size for that.

What would change the view

Trigger	Direction
A general release of Gemini 4 Argon with independent benchmarks confirming the lead; a favourable D.C. Circuit outcome; capex plateauing with free cash flow turning up; or disclosed external TPU revenue at material scale	Upgrade to Strong Buy
Q3 results, expected late October or early November (date not yet announced): search growth, Cloud growth and backlog, any Argon adoption data	The key test of the thesis
Argon access still gated by the Q3 call, or introductory pricing made permanent	Negative for the multiple
Cloud growth below 40% for two quarters; an adverse appellate ruling; operating margin below 30%; a weekly close below \$310	Downgrade
A sustained rise in yields alongside softer advertising checks	Raises the cost of the capital programme

Scenarios

Scenario	Prob.	What has to happen	Fair value
Bull	28%	Argon succeeds: broad release and visible adoption; backlog converts at the Q2 pace; external TPU sales become a material 2027 line; appeal fails; capex plateaus in 2027. Multiple toward 30x.	\$500 to \$560
Base	50%	Argon base: phased rollout, no pricing damage; growth eases from the Q2 pace; capex stays high through 2027, partly debt-funded; agent competition limits but does not reverse search growth. Multiple 25 to 28x.	\$415 to \$450
Bear	22%	Argon fails: release stays gated or a price war sets in; AI demand normalises as depreciation lands; agent assistants take query share; adverse appellate ruling. Multiple 18 to 20x.	\$270 to \$310

Probabilities sum to 100%. Weighted fair value from range midpoints, computed in code: $0.28 \times 530 + 0.50 \times 432.5 + 0.22 \times 290 = \$428.45$, rounded to \$428. Our calculation.

Final verdict

Yes, at \$346.47. The price sits inside the buy range, the first target is 24% away and the stop 10.5% away, and the one development that mattered most since the last report went the right way, if not all the way. Gemini 4 Argon answers the question of whether Google can still build a frontier model; it does not yet answer whether customers will use it at a price that pays. That is why the levels do not move.

What would invalidate the thesis is unchanged: Cloud growth falling below 40% for two quarters, an adverse appellate ruling that reopens structural remedies, or a weekly close below \$310. The next test is Q3, where the search line, Cloud growth and the first word on Argon adoption arrive together. The launch shaped the scenarios and the fair value range, not the verdict.

Sources

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This report is for informational purposes only and is not financial advice. Figures labelled as our calculation are estimates built from stated inputs. Past performance does not predict future returns.