Google

Cloud doubled. The cash flow went negative.

Alphabet's Q3 2026 revenue rose 25% to $127.58B and Google Cloud more than doubled to $30.71B at a 36.2% operating margin. The same quarter spent $51.36B on capex against $42.29B of operating cash flow, printed free cash flow of negative $9.07B for a second straight quarter, and carried an $8.7B equity loss that cut GAAP EPS to $2.12. The market sold the cash statement, not the cloud: on Oct 29 the stock fell 12.64% to $283.82 on 139.7M shares, through the starter rung and into the second rung of our staged ladder. The Q3 Form 10-Q, filed the same day, confirmed the release.

BUY · STAGED

THE CALL

BUY / STAGE

Starter inside the $270 to $295 zone. The Oct 29 close sits in the second rung ($270 to $285); the starter rung was traded through on the reaction day. Adds stage lower, never chased above the zone.

CLOSE · 29 OCT 2026

$283.82

Down 12.64% on the day (Nasdaq official close), on 139.7M shares, more than double the prior session. Session low $280.36. The pre-print close was $324.89.

BUY ZONE

$270 to $295

Brackets the March 2026 low closes at $273.50 to $274.34, above the 52-week low close. The Oct 29 close sits inside it, in the second rung.

INVALIDATION

$267.47

A weekly close below the 52-week low close (Oct 28, 2025, close basis) ends the setup. No averaging below it.

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KEY TAKEAWAYS · READ THIS FIRST

Five things that decide this stock.

01 Cloud is now a second engine, not a side bet.

Google Cloud revenue rose 103% to $30.71B and beat the $29.15B to $29.57B street range carried by Investor's Business Daily and Reuters (LSEG). Cloud operating income tripled to $11.12B and the margin widened from 23.7% to 36.2% in a year. Management said TPU systems sales were a meaningful contributor, and the Cloud backlog rose to $561B from $514B in Q2 (call color via Investor's Business Daily). At $30.71B a quarter, Cloud is 24% of Alphabet's revenue, up from 15% a year ago.

02 Search is still growing. It is growing slower.

Search and other revenue rose 12% to $63.35B, a second straight deceleration (19% in Q1, 17% in Q2, per Investor's Business Daily) and below the $64.87B estimate. The release's own counterweight: the year-over-year Search query growth rate was the highest in five years, and management credits AI investment, including commercial queries. Volume is accelerating while monetization per query is not keeping pace. That gap is the debate in this stock now.

03 The EPS miss is two stories, and only one is a mark.

GAAP diluted EPS was $2.12 against a $3.03 FactSet consensus. An $8.66B loss on equity securities, driven by the fall in the SpaceX stake during the quarter (Investor's Business Daily), cost $0.55 of EPS per the release's own disclosure, which puts a scenario EPS ex that mark at $2.67. The rest of the miss is real cost: depreciation rose 49% to $8.37B, research and development rose 36% to $20.64B, and operating income of $40.58B missed the $43.19B FactSet estimate. Keep the reported and scenario lines separate; page 5 does.

04 Capex has outrun operating cash flow, and outside money fills the gap.

Q3 capex of $51.36B against operating cash flow of $42.29B made free cash flow negative $9.07B, worse than Q2's negative $5.86B and far below the LSEG estimate of a $0.04B burn (Reuters). Year to date, capex of $131.95B exceeds operating cash flow of $127.15B. The funding flipped in 2026: buybacks were zero in Q3 and zero year to date, the company issued $12.37B of stock under its at-the-market program in Q3 alone, $28.70B of senior notes in the quarter, and long-term debt reached $125.10B from $46.55B at year-end. The Q3 Form 10-Q, filed Oct 29, 2026, confirms these figures in the filed statements.

05 The guide holds 2026 and defers 2027, on purpose.

On the call, Alphabet reaffirmed 2026 capex guidance of $195B to $205B (post-call coverage, Crypto Briefing) and said 2027 capex will increase significantly, with the number held for the Q4 call (CNBC via post-call coverage; Investor's Business Daily confirms no 2027 figure was signaled). The $300B-plus figure in circulation is a FactSet consensus expectation, not guidance. CFO Anat Ashkenazi told analysts the TPU inventory build and technical infrastructure will keep pressure on free cash flow (Investor's Business Daily). Nothing on the call retired the spending question; it scheduled it for January.

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01 · THE DECISION

The reset prices the burn. It does not price a broken cloud.

Grade the quarter on operations and it is the strongest hyperscaler print of the season: revenue up 25%, Cloud up 103% with margins expanding, and a $561B backlog. Grade it on cash and it is a funding story: negative free cash flow, zero buybacks, and equity and debt issuance filling the gap. At the Oct 29 close of $283.82 the stock trades at about 6.8x Q3 annualized sales, down from 7.8x before the print, with the 2027 capex number still unsaid. The street's first response was to cut targets, not ratings: 18 of 21 analyst updates on Oct 29 lowered price targets while most ratings held. We buy that gap in stages, sized for the January guide to hurt.

3-MONTH SCENARIO

$340 to $365

A reclaim of the 20, 50, and 200-day averages, all clustered at $337.09 to $340.94, and extension toward the September highs. Worth +20% to +29% from the Oct 29 close.

6-MONTH SCENARIO

$375 to $403

Needs the Q4 print to hold Cloud growth near triple digits and a 2027 capex guide the market can fund. Top of range is the all-time high close of $402.62 (May 13, 2026).

INVALIDATION

$267.47

A weekly close below the 52-week low close breaks the base. Next reference below is open air to the 2025 spring lows; we do not average into it.

Why own it

- **Cloud growth is monetizing, not just scaling.** Revenue +103%, operating income +209%, margin 36.2%, backlog $561B. The capex is visibly buying revenue at a rising margin.
- **Search volume is accelerating.** Query growth is the fastest in five years per the release. A 12% revenue print against that volume is a monetization lag, not a demand loss, until proven otherwise.
- **The balance sheet pre-funded the build.** Cash and marketable securities of $265.10B at Sep 30 against $125.10B of long-term debt. The burn is a choice made from a fortress, financed while markets were open to it.

How to own it

Starter, $285 to $295 · traded through Oct 29	35%
Add, $270 to $285 fade · the close sits here	35%
Add, weekly close over $340.94	20%
Reserve, Q4 print	10%

Zone discipline: the starter rung was traded through on the Oct 29 reaction day and the close sits in the second rung, above the March 2026 low closes. No averaging below the $267.47 invalidation. The full plan is on the Verdict page. The technical add trigger is re-anchored in this revision to the 200-day average at $340.94 (it was the 50-day at $341.51 in the Oct 28 build); the zone, weights, and invalidation are unchanged.

> The bet is that a business adding $15.55B of Cloud revenue in a year at a 36.2% margin is worth funding through two or three negative free cash flow quarters. This quarter, the revenue side of that bet got stronger and the funding side got louder.

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02 · THE COMPANY IN PLAIN ENGLISH

Alphabet rents the world's questions. Now it sells the machines that answer them.

Search, YouTube, and the ad network still produce three quarters of revenue and nearly all of the operating profit inside Google Services. Google Cloud, once the challenger, now adds more incremental revenue in a year than most companies book in total. Other Bets stays small. What changed in 2026 is not the mix; it is the cost of feeding the mix, carried in Alphabet-level activities and the capex line.

01 · GOOGLE SERVICES

The machine that pays for everything

Q3 2026 revenue of $96.30B, up 11%, with operating income of $39.16B, a 40.7% margin (computed). Inside it: Search and other $63.35B (+12%), YouTube ads $11.21B (+9%), Google Network $7.46B (+1%), and subscriptions, platforms, and devices $14.29B (+11%). Total traffic acquisition costs were $16.37B.

02 · GOOGLE CLOUD

The second engine, at full throttle

Q3 revenue of $30.71B, up 103%, with operating income of $11.12B and a 36.2% margin. The release credits enterprise AI infrastructure, enterprise AI solutions, core platform services, and TPU systems sales. First-party model APIs now process nearly 32 billion tokens per minute, more than four times a year ago, and the Gemini app reached one billion users (release).

03 · OTHER BETS

Small, and priced that way

Revenue of $372M against an operating loss of $2.05B in Q3. Autonomous transport and internet services carry the segment. At 0.3% of revenue it is an option the market can ignore until it cannot; nothing in this print changes that.

04 · ALPHABET-LEVEL ACTIVITIES

Where the AI bill is parked

An operating loss of $7.66B in Q3, up from $4.47B a year ago. The release defines this bucket as shared AI research and development, corporate initiatives, and shared corporate costs. It is the fastest-growing cost line in the company, and it is deliberately not allocated to the segments it feeds.

Why the moat holds

- Default search distribution plus YouTube's audience is a demand asset no rival can buy; query growth at a five-year high says the habit is strengthening.
- Owning the full stack, from TPUs to Gemini to Cloud, lets Alphabet price AI capacity from its own silicon cost curve.
- $265.10B of cash and marketable securities means the buildout survives a closed capital market; most rivals cannot say that.

What to monitor

- **Search monetization:** revenue growth of 12% against record query growth. If the gap widens, the AI answer layer is eating the ad layer.
- **Alphabet-level costs:** up 71% year over year. Unallocated growth at that rate eventually gets allocated by analysts, harshly.
- **Headcount:** 204,757 employees, up 8% year over year, with stock-based compensation of $8.63B in the quarter. Efficiency is not the current setting.

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03 · THE NUMBERS: THE PRINT

Revenue up 25%. EPS down 26%. Both lines are telling the truth.

Q3 2026 snapshot (earnings release Ex-99.1, Oct 28, 2026)

METRIC	ACTUAL	CHECK
Revenue	$127,577M	+25% YoY; roughly in line with the $127.9B FactSet view (IBD)
Operating income	$40,576M · 31.8% margin	Missed the $43.19B FactSet estimate; margin up from 30.5% a year ago
Diluted EPS (GAAP, reported)	$2.12	Against a $3.03 FactSet consensus (IBD). Down 26% YoY
Scenario EPS ex equity mark	$2.67	Scenario only: $2.12 plus the $0.55 equity-loss effect disclosed in the release. Not a company figure
Net income available to common	$26,170M	After $298M of preferred dividends; total net income $26,468M
Other income (expense), net	-$8,221M	From +$12,759M a year ago: a $20,980M swing, mostly the equity mark
Free cash flow	-$9,065M	Operating cash flow $42,290M less capex $51,355M. LSEG expected a $0.04B burn (Reuters)

The equity line, exactly as filed: gain (loss) on equity securities, net, was negative $8,664M in Q3 2026. The release states the net effect of the $8.7B loss decreased net income by $6.7B and diluted EPS by $0.55. Investor's Business Daily attributes the mark primarily to Alphabet's SpaceX stake falling during the quarter. Internal consistency check: diluted shares of 12,368M times $2.12 equals $26.2B, matching net income available to common of $26,170M.

What frames it

At the Oct 29 close of $283.82, market value is about $3.49 trillion on 12,294M shares outstanding at Sep 30 (all classes, per the release balance sheet). That is about 6.8x Q3 annualized sales of $510.3B, down from 7.8x at the pre-print close of $324.89. A trailing GAAP price-to-earnings multiple is quoted nowhere in this dive on purpose: trailing earnings carry over $120B of year-to-date equity-security gains in other income, which makes the GAAP multiple an artifact, not a valuation.

The cost lines that moved

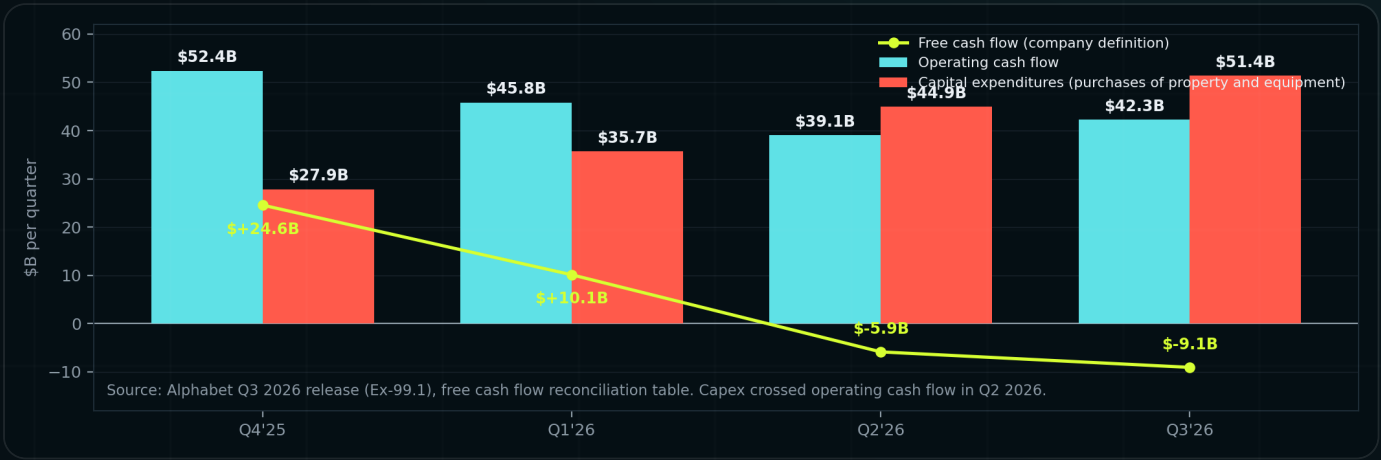
Depreciation $8,369M, up 49% year over year. Research and development $20,640M, up 36%. Cost of revenues $51,419M, up 24%. General and administrative fell to $6,138M from $7,393M. Total costs and expenses rose 22% against revenue growth of 25%: the operating leverage is still positive, by about three points, before the depreciation wave fully lands.

Read the miss precisely: $0.55 of it is a paper mark on a private stake. The remainder is the real price of the buildout arriving in the income statement, depreciation first. That part does not reverse next quarter.

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03 · THE NUMBERS: CASH AND THE BUILDOUT

The quarter the buildout started paying with outside money.



Scale and guidance ($)

Operating cash flow, trailing 12 months	$179,551M
Capital expenditures, trailing 12 months	$159,804M
Free cash flow, trailing 12 months	$19,747M
Capex, first nine months of 2026	$131,953M
Operating cash flow, first nine months of 2026	$127,149M
2026 capex guidance (reaffirmed on the call)	$195B to $205B
Implied Q4 2026 capex at guidance	$63B to $73B

The implied Q4 range is arithmetic from the reaffirmed full-year guide less nine-month actuals of $131,953M. It is not company guidance for the quarter, and it says Q4 capex steps up hard from Q3's $51,355M if the guide holds.

The balance sheet moved ($)

ITEM	SEP 30, 2026	CHANGE
Cash and marketable securities	$265,098M	$126,843M at Dec 31, 2025
Long-term debt	$125,102M	$46,547M at Dec 31, 2025
Senior notes issued in Q3	$28.7B net	Per the release narrative
Stock issued via ATM in Q3	$12.4B net	12M Class A shares plus 24M Class C shares
Buybacks, Q3 and year to date	$0	Repurchases line is zero in the filed cash flow statement
Inventory	$13,308M	$2,439M at Dec 31, 2025: the TPU build
Shares outstanding, all classes	12,294M	12,088M at Dec 31, 2025: issuance, not buyback

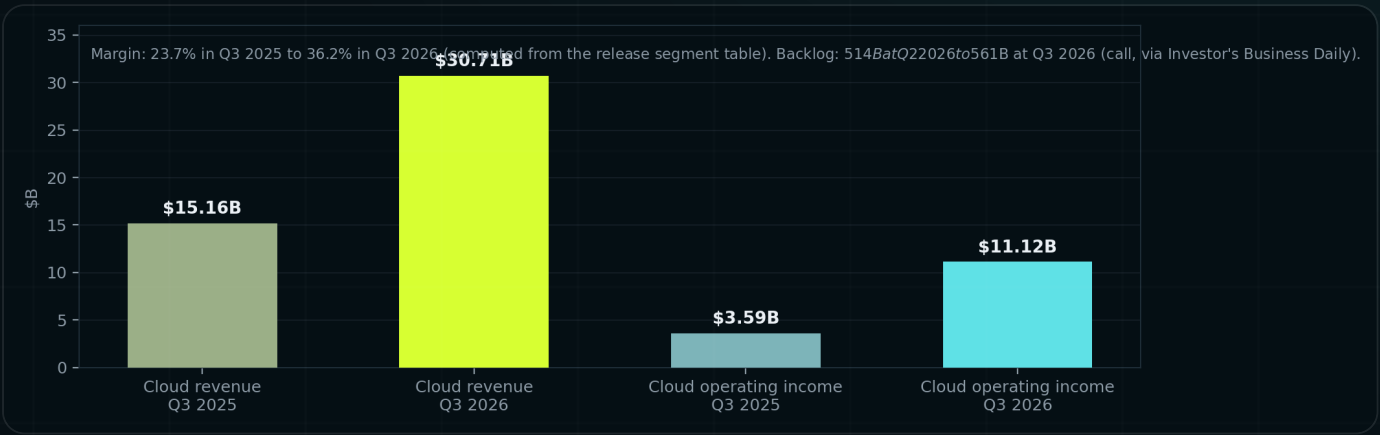
Total assets crossed $1,003,312M. Non-marketable securities rose to $135,230M from $68,687M at year-end, the bucket that carries the private stakes whose marks now swing EPS by half a dollar a quarter.

Call color, labeled: CFO Anat Ashkenazi told analysts that sizable investments in technical infrastructure and the inventory build of TPU systems will put pressure on free cash flows (Investor's Business Daily, post-call). She did not say when free cash flow turns positive, and the company did not signal a 2027 capex figure (Investor's Business Daily). The January call is the next scheduled answer.

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04 · GOOGLE CLOUD: THE SECOND ENGINE

Cloud added $15.55B of revenue in a year.
At a wider margin.



THE DEMAND EVIDENCE

Backlog and tokens

Cloud backlog rose to $561B from $514B in Q2 2026 (call color via Investor's Business Daily). The backlog converts to revenue as data centers come online. First-party model APIs process nearly 32 billion tokens per minute, over four times the year-ago rate (release). TPU systems sales were a meaningful revenue contributor in the quarter (release), which also means part of this growth is hardware, with hardware's lumpiness: most revenue from current TPU agreements is expected in 2027 (CFO commentary on the Q2 call, carried in post-call coverage).

THE QUALITY QUESTION

What could make 103% a peak print

Three honest caveats. One, the comparison base was small: Q3 2025 Cloud revenue of $15.16B makes triple digits arithmetically easier. Two, TPU systems revenue is recognized on delivery, so quarterly Cloud growth will swing with shipments. Three, capacity is the governor: management has said demand outruns supply, so reported growth is partly a construction schedule. None of these caveats explains a margin expanding 12.5 points while revenue doubles. That part is operating leverage, and it is the strongest single fact in the print.

CLOUD REVENUE

$30.71B

Up 103% year over year, against street estimates of $29.15B to $29.57B (Investor's Business Daily; Reuters via LSEG).

CLOUD OPERATING MARGIN

36.2%

$11,121M of operating income on $30,709M of revenue, computed from the release. A year ago: 23.7%.

CLOUD BACKLOG

$561B

Up from $514B at Q2 2026 (call, via Investor's Business Daily). Contracted, not yet recognized.

The desk's read: Cloud is no longer valued as an option inside Alphabet. At a $122.8B annualized revenue run rate and a 36.2% margin, it is a second core business, and the capex debate should be graded against its backlog conversion, not against Search's maturity.

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05 · SEARCH AND THE AI TRANSITION

More questions than ever. Fewer dollars per question, for now.

Search and other revenue grew 19% in Q1 2026, 17% in Q2, and 12% in Q3 (quarterly prints, via Investor's Business Daily), printing $63.35B against a $64.87B estimate. In the same release, Alphabet says the year-over-year Search query growth rate is the highest in five years and credits its AI investments, including growth in commercial queries. Both can be true at once if the AI answer layer expands usage faster than the ad layer monetizes it. That is exactly the transition the next four quarters grade.

THE BULL READING

Volume first, pricing follows

Every prior Google transition, desktop to mobile most famously, monetized late and then completely. Query growth at a five-year high, commercial queries growing, one billion Gemini app users, and 150 million YouTube Music and Premium subscribers (release) describe a funnel getting wider at the top. YouTube ads grew 9% to $11.21B and subscriptions, platforms, and devices grew 11% to $14.29B: the non-Search consumer lines are compounding underneath.

THE BEAR READING

The answer eats the auction

AI Overviews place conversational summaries above results, AI Mode offers a chat-first tab, and ads do not yet run inside the stand-alone Gemini app (Investor's Business Daily, post-print analysis). Agentic shopping tools from rivals threaten the commercial query itself, the most valuable kind. A 12% print against a tougher comparison is explainable; a fourth straight deceleration in Q4 would be a trend with a name.

What we are watching, dated

- **Q4 2026 print (late Jan to early Feb 2027):** Search growth against the Q4 2025 base. Holding 12% or better keeps the monetization-lag story alive; single digits breaks it.
- **Ad formats in AI surfaces:** any disclosure of ads inside AI Mode or the Gemini app changes the monetization math directly.
- **Query growth language:** the five-year-high claim is falsifiable each quarter in the release text itself.

The CEO's framing, from the release

Sundar Pichai: AI investments are driving overall Search query growth, including commercial queries; Gemini 4 Argon and Carbon are leading at the frontier; the Gemini app reached one billion users, the fastest-growing product in Google's history; Alphabet is now on a half-trillion dollar revenue run rate. The desk notes the run-rate claim checks out arithmetically: Q3 revenue of $127.58B annualizes to $510.3B.

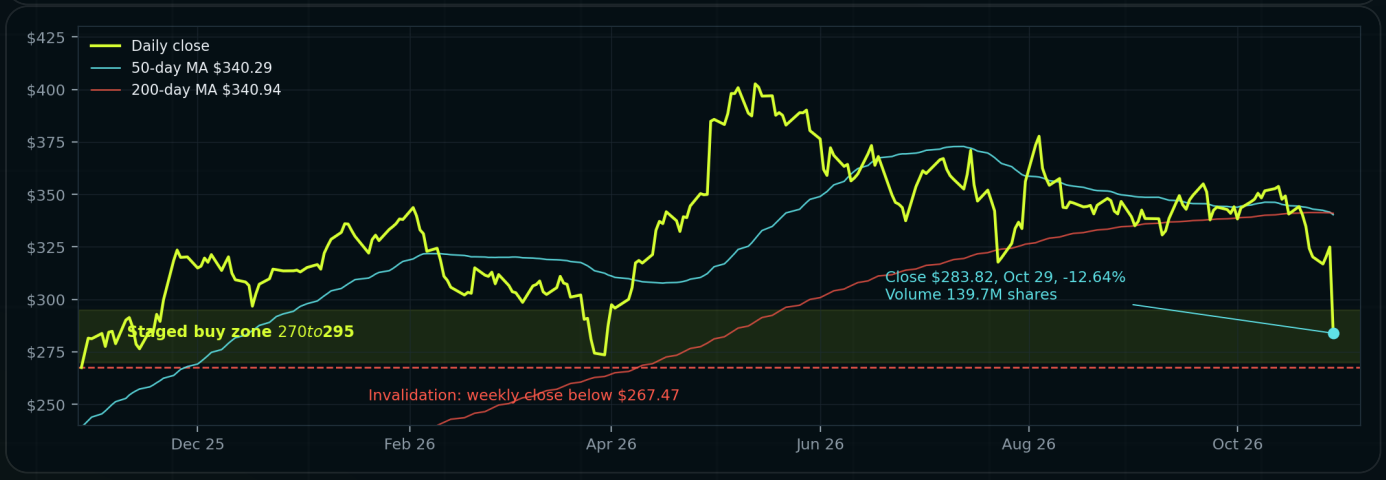
Position consequence: Search deceleration is why this is a staged buy and not a full position at the reset. The zone pays us to wait for the Q4 Search print; the invalidation sits below the level where waiting stops being cheap.

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06 · THE CHART

A ten-year compounder, reset to its rising base.





AVERAGES AT THE OCT 29 CLOSE

$337 to $341

20-day $337.09, 50-day $340.29, 200-day $340.94 (computed from Nasdaq daily closes). The 50-day average closed below the 200-day on Oct 29, a death cross, with the stock about 16% below the cluster. The averages are resistance now, not support.

MOMENTUM

RSI 15.6

14-day RSI computed on daily closes through Oct 29 (30.8 through Oct 28, same method). The Oct 29 fall of 12.64% came on 139.7M shares, more than double the prior session's volume. This is capitulation-grade oversold, not ordinary weakness.

TEN-YEAR RECORD

21.4% CAGR

Geometric CAGR on daily closes from $40.87 on Oct 27, 2016 to $283.82 on Oct 29, 2026, a window ending at a real close. Calendar returns: 2021 +65.3%, 2022 -39.1%, 2023 +58.3%, 2024 +35.5%, 2025 +65.3%, 2026 year to date -9.3%.

All chart figures are daily closes from Nasdaq (api.nasdaq.com historical, pulled Oct 29, 2026, including the Oct 29 official close of $283.82 from the same endpoint). One-year return to the close: +6.1%. 52-week range on a close basis: $267.47 to $402.62.

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07 · THE DEBATE, GRADED IN THE OPEN

Five questions.
Four are scheduled, not argued.

PENDING

Q1 · Does Cloud growth survive its own base?

Q3 printed +103% on a $15.16B base. The backlog at $561B and TPU deliveries weighted to 2027 argue the run continues; arithmetic argues the percentage falls. Grade: the Q4 2026 print. Cloud growth holding above 70% with margin at or above 33% answers it for the bulls.

PENDING

Q2 · Is Search in monetization lag or structural decline?

Query growth is at a five-year high while Search revenue growth halved from 19% to 12% across 2026. Lag says the ad formats catch up; decline says the answer layer permanently reprices the query. Grade: Q4 Search growth and any AI-surface ad disclosure, late Jan to early Feb 2027.

PENDING

Q3 · What is the 2027 capex number, and who funds it?

Management confirmed a significant 2027 increase and held the figure for the Q4 call (CNBC via post-call coverage; Investor's Business Daily confirms no figure was given Oct 28). FactSet consensus sits above $300B. Grade: the Q4 call. A guide at or under consensus with backlog conversion intact is the de-risking event; a guide above it reopens the funding question, ATM first.

PENDING

Q4 · When does free cash flow turn positive?

Two negative quarters, trailing twelve-month free cash flow still positive at $19.75B, and a CFO statement that pressure continues, with no date given (Investor's Business Daily). The implied Q4 capex of $63B to $73B at the reaffirmed guide makes Q4 the deepest test. Grade: the Q4 cash flow statement, not the commentary.

ANSWERED FOR Q3

Q5 · How loud do private marks get in reported EPS?

Very loud: an $8.66B equity loss cost $0.55 of EPS and drove the headline miss optics, with non-marketable securities now at $135.23B on the balance sheet. The desk's rule going forward: grade Alphabet on operating income and the scenario EPS ex the disclosed mark effect, and expect the GAAP line to swing with the SpaceX stake and the rest of the private book.

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08 · THE PEER READ: MICROSOFT, SAME NIGHT

Same night, other cloud: Microsoft got paid for restraint.

Microsoft reported fiscal Q1 2027 the same evening (release Ex-99.1 to its Oct 28, 2026 Form 8-K, accession 0001193125-26-436122). The contrast explains the tape: Microsoft's capex came in under expectations and its stock rose after hours, while Alphabet's burn came in deeper than expected and its stock fell. Same AI buildout, opposite cash optics.

MICROSOFT · THE FILED PRINT

Beat, with cash left over

- **Revenue $92,279M, up 19%**; operating income $45,915M, up 21% (release).
- **Adjusted diluted EPS $4.89** (non-GAAP, ex OpenAI investment effects); GAAP EPS $4.92 (release).
- **Azure revenue $33,165M, up 48%**, disclosed in dollars for the first time under the fiscal 2027 reporting recast, and Microsoft Cloud revenue $63.9B, up 30% (release).
- **Cash capex $39,367M** (additions to property and equipment, cash flow statement). Total capex including finance leases was $45.2B per Barron's post-print coverage.
- **Commercial remaining performance obligation $677B**, up 73% (release).

MICROSOFT · THE CALL (BARRON'S COVERAGE)

Guidance the market wanted

- **December-quarter Azure growth guided to 49%**, above the 44.6% analyst expectation (CFO Amy Hood on the call, via Barron's).
- **Q2 capex guided above $50B**, in line with estimates, with second-half acceleration expected (Barron's).
- **Free cash flow $18.6B** in the quarter (Barron's), positive against Alphabet's negative $9.07B.
- **After hours:** MSFT $546.35, up 2.89% at 6:47 PM ET on Oct 28 (Nasdaq), against GOOGL down 9.85% at the same pull.

What it means for GOOGL

- Azure at +48% with a 49% guide sets the bar Alphabet's Cloud is clearing on growth (+103%) and failing on cash optics. The market is grading funding, not demand.
- Microsoft's RPO of $677B against Google Cloud's $561B backlog: the two contracted books are now the same order of magnitude, a sentence that was not true two years ago.

What it does not mean

- It does not make Alphabet the loser of the buildout. Cloud growth of 103% at a 36.2% margin is the faster compounding asset; the question is the funding cost of the next $300B, not the demand for it.
- Thursday's session kept the distinction: Microsoft closed essentially flat at $530.14 while GOOGL fell 12.64%.
- Amazon reported Thursday, Oct 29: AWS grew 39.3% with guidance above 40% for 2027 and 2028, and Amazon's stock still fell on its own cash burn. The third leg confirmed the week's rule: demand is not the argument anywhere; funding is.

Peer discipline: if the market keeps paying for capex restraint, Alphabet's January guide is a valuation event, not a footnote. Our staging reserves 10% for exactly that print.

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09 · CATALYST TAPE

What we are watching, with dates attached.

WHEN	EVENT	WHY IT MOVES THE CALL
Oct 29, 2026	The reaction day and the 10-Q	GOOGL fell 12.64% to $283.82 on 139.7M shares. The Q3 Form 10-Q was filed the same day (accession 0001652044-26-000084), confirming the release. 18 of 21 analyst updates cut price targets while ratings mostly held; MoffettNathanson raised its target to $345.
Oct 30, 2026	Weekly close and the flow tell	Friday's close is the week's verdict against the $267.47 invalidation. Separately, the open interest print on the Nov 6 $295 calls settles whether Thursday's $1.53M of dip-buying premium (6,092 contracts against open interest of 3) was opening size or churn.
Nov 15, 2026	Preferred dividend payable	$15.63 per preferred share declared Oct 2026 (release). A reminder the funding stack now has a preferred layer.
Dec 14, 2026	Common dividend payable	$0.22 per share on Class A, B, and C, record date Dec 7, 2026 (release).
Late Jan to early Feb 2027	Q4 2026 print and call	The scheduled events: Q4 Search growth, Q4 free cash flow against implied capex of $63B to $73B, and the 2027 capex figure management held back on Oct 28.
Through 2027	TPU systems revenue recognition	Most revenue from current TPU agreements is expected in 2027 (CFO commentary). Watch the inventory line, $13.31B at Sep 30, convert.
Ongoing	ATM program	$27.6B remained available at Sep 30 (release). Usage each quarter is the dilution tell; buybacks were $0 in Q3.

Upgrade triggers

- Q4 Search growth holds at 12% or better while Cloud holds above 70%.
- 2027 capex guided at or under the FactSet consensus above $300B, with backlog still rising.
- A weekly close above $340.94, the 200-day average at the Oct 29 close: the technical add in the plan.

Downgrade triggers

- Single-digit Q4 Search growth, or ads confirmed absent from AI surfaces through 2027.
- 2027 capex guided materially above consensus with ATM usage accelerating.
- A weekly close below $267.47: the invalidation. The position exits; the thesis re-underwrites from zero.

Every checkpoint above is dated and falsifiable. The verdict on the next page stands until one of them fires.

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10 · THE VERDICT

Verdict: BUY, staged. The zone is $270 to $295.

Alphabet just printed the strongest cloud quarter in its history and the market cut the stock 12.64% in the first full session because the cash flow statement, not the income statement, is now the argument. We side with the backlog: $561B of contracted cloud demand, a 36.2% cloud margin, and query growth at a five-year high are worth funding through a negative free cash flow stretch that the balance sheet was explicitly pre-funded to carry. We do not side with it at any price, and we do not pretend the January capex guide cannot hurt. Stage it.

The plan



Scenarios from the Oct 29 close: 3-month $340 to $365 (+20% to +29%), 6-month $375 to $403 (+32% to +42%). Downside to the invalidation at $267.47 is about 6% from the close. The asymmetry improved with the flush; it is still not extreme, which is why the position stages.

The kill conditions

- **Price:** a weekly close below $267.47, the 52-week low close. Exit, no averaging.
- **Search:** single-digit growth in the Q4 print ends the monetization-lag defense.
- **Funding:** a 2027 capex guide materially above the FactSet consensus with accelerating ATM issuance and no backlog growth to match.
- **Cloud:** margin compressing below 30% while growth halves would say the TPU mix is diluting the engine, not extending it.

THE CALL

BUY / STAGE

Own it in tranches inside the zone. The full position is earned by the Q4 print, not assumed tonight.

REFERENCE LEVELS

$283.82

Official close, Oct 29, 2026 (Nasdaq). Session low $280.36, on 139.7M shares. The pre-print close of $324.89 is the level the scenarios reclaim toward.

INVALIDATION

$267.47

Weekly close below the 52-week low close (Oct 28, 2025, close basis).

> Prove it, then size it. Tonight the proof is in the cloud segment and the backlog. The size waits for January.

Research and education only. Not investment advice.

11 · SOURCES, METHOD, LIMITATIONS

Source map and honest limitations.

Primary sources

- **Alphabet Q3 2026 earnings release**, Exhibit 99.1 to Form 8-K filed Oct 28, 2026, SEC accession 0001652044-26-000080 (quarter ended Sep 30, 2026). Every financial figure in this dive traces to this filing unless labeled otherwise. Local copies in the build folder: q3/release.htm and q3/release.txt.
- **Microsoft fiscal Q1 2027 release**, Exhibit 99.1 to Form 8-K filed Oct 28, 2026, SEC accession 0001193125-26-436122.
- **Alphabet Q3 2026 Form 10-Q**, filed Oct 29, 2026, SEC accession 0001652044-26-000084. Confirms the release's cash flow and balance sheet figures; year-to-date capex, operating cash flow, repurchases, and the Sep 30 long-term debt balance were cross-checked against EDGAR company facts on Oct 29, 2026.
- **Prices:** Nasdaq api.nasdaq.com. Official closes from the quote record (secondary data) and the historical endpoint, pulled Oct 28 to Oct 29, 2026. After-hours levels are last trades at the stated times, never described as closes.
- **Brand assets:** Google logo, Wikimedia Commons (Google 2015 logo, public domain), unaltered, composited directly on the cover field at natural proportions. ZeroGamma primary lockup on every page.

Call color and consensus, labeled in text

- Investor's Business Daily, post-print and post-call report, Oct 28, 2026: backlog $561B, consensus figures, CFO free cash flow quote, no 2027 capex figure signaled, SpaceX attribution for the equity mark.
- Reuters, Oct 28, 2026: LSEG free cash flow estimate and Cloud estimate range.
- Barron's, Oct 28, 2026: Microsoft call guidance (Azure 49% December-quarter guide, Q2 capex above $50B, total capex $45.2B).
- Crypto Briefing, Oct 28, 2026: 2026 capex guidance reaffirmed at $195B to $205B. CNBC via post-call coverage: 2027 detail due on the Q4 call. FactSet consensus above $300B for 2027 is an expectation, not guidance, and is labeled as such wherever used.
- Finbold, Oct 29, 2026: tally of the day's analyst updates (18 of 21 lowered price targets; Bank of America to $380, Morgan Stanley to $375, Barclays to $405, Scotiabank to $375, DA Davidson to $300, ratings mostly held). TipRanks (TheFly), Oct 29, 2026: Bernstein to $325. Stockmarketloop, Oct 29, 2026: MoffettNathanson raised its target to $345. The options flow figures are Unusual Whales contract data captured Oct 29, 2026.

Limitations, stated plainly

- This revision (Oct 29, 2026) incorporates the Q3 2026 Form 10-Q, filed Oct 29, 2026. The original Oct 28 build relied on the unaudited release; no figure this dive uses changed between the release and the 10-Q.
- No official earnings-call transcript was available at build time. Call color comes from the named post-call reports above, opened and read for this build, not from a transcript.
- The scenario EPS of $2.67 is desk arithmetic from the release's disclosed $0.55 equity-mark effect. It is not a company non-GAAP figure and is never mixed with reported figures in any table.
- This revision is priced at the Oct 29, 2026 close. Friday's weekly close, the first full-week verdict against the $267.47 invalidation, had not printed at build time.
- Amazon reported Oct 29, 2026, after the original build; its AWS print (revenue up 39.3%) is reflected in the peer read in this revision.

Method: figures were re-verified against the filed release text; internal consistency was checked on EPS (diluted shares times EPS against net income available to common), segment margins, and the free cash flow reconciliation. Charts plot the full daily close series only; the CAGR window ends at the Oct 29, 2026 close. This document is research and education only. Not investment advice. It is not an offer or a solicitation, and it does not account for any reader's objectives or finances. Verify figures against the primary filing before acting.