

Alphabet Inc. (GOOGL)

Monte Carlo Valuation Summary | 3 / 5 / 7 / 10-year horizons | June 19, 2026 | Spot \$368.00

The only one of the three that screens RICH. Best fundamentals (rev +22%, Cloud +63%) but already re-rated +74% in a year, so the margin of safety is the thinnest of the trio. A pure earnings-growth bet, not a mispricing bet - and the verdict is fragile.

RICH (PV -6% to -7% vs spot at an 11% required return)

Current snapshot

Market cap	~\$4.50T
TTM revenue	\$422B (+22% YoY, Q1 FY26)
TTM diluted EPS	\$13.11 (core ~\$11.3 ex investment gains)
P/E reported / core	~28x / ~32x
Operating margin	33%
Google Cloud (backlog \$462B)	+63% YoY (AI solutions +800%)
CY2026 capex guide	\$180-190B
Free cash flow (FY25)	\$73.3B (stalled)
DOJ antitrust	no Chrome/Android breakup; appeal pending
Net cash / dividend	~\$50B / ~0.22% + buybacks
Realized vol / max DD / 1-yr price	30% / -44% / +74%

Monte Carlo framework

500,000 paths. Required return 11% (CAPM 10.25% + thin-margin-of-safety premium). Forward vol 30%. Sortino MAR 4.5%. Terminal value = EPS grown x terminal P/E + dividends. Adversarial fixes: EPS-CAGR trimmed for non-cash investment gains; terminal P/E capped (no re-rating an already-re-rated name).

Regime	Prob	EPS CAGR	Terminal P/E
Search erosion / regulatory drag	30%	-1 - 6.5%	19 - 24.5x
Balanced growth / moat holds	42%	8 - 14.5%	25 - 30x
Full-stack AI winner	28%	10 - 17%	28 - 35x

Distribution of terminal value by horizon

Yr	E[price]	Median	P5	P95	E[CAGR]	P(loss)	Sortino	Med. max DD
3	\$472	\$474	\$263	\$707	7.6%	27.3%	0.49	-34%
5	\$578	\$590	\$280	\$911	8.3%	22.0%	0.94	-41%
7	\$712	\$733	\$297	\$1,178	8.7%	17.3%	1.35	-46%
10	\$979	\$1,014	\$324	\$1,746	8.9%	10.8%	1.89	-52%

Fundamental scenarios (regime-conditional median price)

Case	3-year	10-year
Downside - Search erosion (30%)	\$306 (-5.6%/yr)	\$377 (+0.7%/yr)
Base - Balanced growth (42%)	\$485 (+9.9%/yr)	\$1,018 (+10.9%/yr)

Upside - Full-stack winner (28%)	\$596 (+17.6%/yr)	\$1,428 (+14.7%/yr)
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Investment assessment

Main upside drivers. Cloud sustains 50%+ on the \$462B backlog; Gemini converts to consumer-subscription + agentic revenue; TPU vertical cost edge; Search defends via AI Overviews monetization.

Main downside drivers. AI-search query/CPC erosion of the ~56%-of-revenue Search engine; \$190B capex ROI unproven; live DOJ appeal; the multiple simply holds (no re-rate) while depreciation drags EPS.

What would change the conclusion. Decisive kill-signal: AI-Overview monetization inflects down or ChatGPT query share accelerates. Also watch FCF recovery and the DOJ appeal outcome (heard late-2026/early-2027).

Notes. Expected CAGR 7.6-8.9% sits below the 11% hurdle at every horizon. Only an outright bull tilt flips to cheap at 5yr+; the bear tilt and the Search-erosion overlay are decisively rich. The verdict is the most assumption-sensitive of the three - a great business at a fully-paid price, not a bargain.

Cross-name context: across ADBE, MSFT and GOOGL the margin of safety runs inverse to market affection - ADBE (+21%, most disliked) > MSFT (+14%) > GOOGL (-7%, most loved). The less the market loves a name, the cheaper it is.

Disclaimer: educational / illustrative model output, NOT investment advice. A fundamentals-driven Monte Carlo (500,000 paths) anchored to live market data as of June 18-19, 2026 (Polygon), with assumptions calibrated by a six-lens adversarial review. These are probabilistic estimates conditioned on stated assumptions, not forecasts; there is no 'true' future value. Figures are internal-consistency outputs only. Past performance and modeled scenarios do not guarantee future results. Do your own research.