

BERKSHIRE READ · CASE 3 · GOOGL

The first tech Read after Apple: ~\$25.4B into Alphabet — pro forma for the \$10B placement — at a rational price for a top- quality compounder.

First disclosed Q3 2025 13F (filed Nov 2025) · Tripled Q1 2026 13F (filed ~May 16, 2026) · Target publication Aug–Sep 2026 · Equity stake (13F position), not an acquisition

Berkshire’s first-ever Google position showed up quietly — ~17.85 million shares, about \$4.3B, in the Q3 2025 13F — and then stopped being quiet. In Greg Abel’s debut quarter as CEO, Berkshire roughly **tripled** it to ~58 million shares for a **total cost basis of ~\$15.4B** — ~\$16.6B of market value and a **top-five** equity holding — funded in the same window Berkshire was trimming Apple. The practitioner read: Berkshire bought a wide-moat cash machine at a *fair, middle-of-the-pack valuation* — roughly 29× earnings, in line with the mega-cap average and below Apple, Amazon and Nvidia despite faster growth. This was not a distressed price and it was not euphoria; it was a sensible price for a top-quality compounder. The break from pattern is the sector; the discipline is the one that bought the railroads and the homebuilder — and the one Buffett spent a decade *wishing* he’d applied to this exact company.

~\$25.4B

BRK TOTAL COMMITTED (PRO
FORMA)

~\$26.6B

CURRENT VALUE (PRO FORMA)

~+\$1.2B

UNREALIZED GAIN (~+4.7%)

\$402.8B

FY2025 REVENUE (+15%)

\$132.2B

FY2025 NET INCOME (+32%)

\$10.81

FY2025 DILUTED EPS

\$73.3B

FY2025 FREE CASH FLOW

~\$4.63T

MARKET CAP (JUN 2026)

~\$4.58T

ENTERPRISE VALUE

~\$154B

FY2025 EBITDA

~30×

EV / EBITDA

~29×

TRAILING P/E

Reported figures verified against public reporting, June 2026. Re-verify against the latest 10-K / 13F before quoting at deadline. ROIC/ROE and venture marks are estimates — see reviewer notes.

The position — built in two tranches

Date (13F period)	Capital invested	Avg price / share	Shares added	Cumulative shares
Q3 2025 (filed Nov 2025)	~\$4.3B	~\$241	~17.85M	~17.85M
Q1 2026 (filed May 2026)	~\$11.1B	~\$278	~40.0M	~57.8M
Open-market cost basis (13F)	~\$15.4B	~\$266 blended	—	~57.8M
June 2026 direct placement	~\$10.0B	~\$350 blended	~28.6M	~86.4M
Total Alphabet capital committed	~\$25.4B	—	—	~86.4M

Per-share prices are implied averages (capital invested ÷ shares); Berkshire does not disclose exact fill prices. The two open-market 13F tranches (~\$4.3B + ~\$11.1B = ~\$15.4B) bought the ~57.8M-share stake worth ~\$16.6B at Q1 2026. The **June 2026 \$10B direct placement** (\$5B Class A at \$351.81 + \$5B Class C at \$348.20, ~28.6M new shares) is a separate, additional investment — so Berkshire's **total committed Alphabet capital is ~\$25.4B** (~\$15.4B open-market + \$10B placement), against a combined current value of roughly ~\$26.6B (~\$16.6B + ~\$10B). The build was funded in the same window Berkshire trimmed Apple — but Apple remains Berkshire's largest holding (~228M shares, ~22% of the equity book) at March 31, 2026; this was a marginal reallocation, not an Apple exit.

Where Alphabet sits among Berkshire's top holdings

The summary above calls Alphabet a “top-five” equity holding; here is the actual leaderboard. On the Q1 2026 13F (portfolio ~\$263B), Alphabet's ~\$16.6B open-market stake lands just behind Chevron — effectively the sixth-largest position, and a clear top-five-caliber holding once the \$10B June placement is counted.

Rank	Holding	Market value	% of equity book
1	Apple (AAPL)	~\$57.9B	~22.0%
2	American Express (AXP)	~\$45.9B	~17.4%
3	Coca-Cola (KO)	~\$30.4B	~11.6%
4	Bank of America (BAC)	~\$25.0B	~9.5%
5	Chevron (CVX)	~\$17.5B	~6.6%
6	Alphabet (GOOGL/GOOG)	~\$16.6B	~6.3%
Alphabet — pro forma for the \$10B June placement		~\$25.4B	~9.3%

Berkshire Hathaway Q1 2026 13F (holdings as of March 31, 2026; filed ~May 16, 2026). Values approximate; verify against the filing before quoting. The first Alphabet line is the ~57.8M-share open-market stake (~\$16.6B). The highlighted pro-forma line is Berkshire's total committed Alphabet

capital (~\$25.4B; ~\$26.6B at current market value) once the separate \$10B June placement is counted — which lifts the position above Chevron and roughly level with Bank of America, squarely inside the top five.

Look-through earnings — Berkshire’s share of Alphabet’s profit

Buffett’s preferred lens on an equity stake is “look-through earnings”: Berkshire’s percentage ownership of the company multiplied by the company’s net income — the profit Berkshire economically owns whether or not it is paid out. On Alphabet’s FY2025 net income of **\$132.2B**, the math is:

Berkshire stake	Shares	% of Alphabet	× \$132.2B NI	Look-through earnings
Open-market position (13F)	~57.8M	~0.48%	—	~\$0.63B
\$10B June placement (added)	~28.6M	~0.24%	—	~\$0.31B
Total economic stake	~86.4M	~0.71%	—	~\$0.94B

Alphabet had ~12.1B shares outstanding across all classes at Q1 2026 (~5.82B Class A, ~0.84B Class B, ~5.46B Class C); the placement adds ~28.6M new shares. Look-through earnings = ownership % × FY2025 net income (\$132.2B). So Berkshire’s economic claim on Alphabet’s profits runs ~\$0.6–0.9B a year — only a fraction of which (~\$0.13B at the current ~\$0.41 annual dividend on ~86M shares) actually arrives as cash; the rest is reinvested at Alphabet’s high returns on capital.

Alphabet by the numbers

A Berkshire Read should let the reader see the financial condition for themselves. Here is the engine Berkshire bought into — a business throwing off more net income in a year than most countries’ corporate sectors combined, with a fortress balance sheet and accelerating cloud growth.

Income statement (\$B)	FY2024	FY2025	Q1 2025	Q1 2026
Revenue	\$350.0	\$402.8	\$90.2	\$109.9
Operating income	\$112.4	\$129.0	\$30.6	\$39.7
Operating margin	32.1%	32.0%	33.9%	36.1%
Net income	\$100.1	\$132.2	\$34.5	\$62.6*
Diluted EPS	\$8.04	\$10.81	\$2.81	\$5.11*
Free cash flow	\$72.8	\$73.3	\$19.0	\$10.1

Q1 2026 vs Q1 2025: revenue +22%, operating income +30%, operating margin +2.2 pts.

Segments & balance sheet	Figure	Note
Google Services (FY25)	bulk of rev.	Search, YouTube, subscriptions & devices, Network
YouTube (FY25 total)	>\$60B	~\$40.4B ads + ~\$20B subscriptions — bigger than Netflix

Google Cloud	\$20.0B Q1'26	+63% YoY; op. margin 17.8% → 32.9%; backlog >\$460B
Cash & marketable securities	\$126.8B	vs. only ~\$46.5B total debt — large net cash
Net debt / EBITDA (FY24 / FY25)	~-0.6x / ~-0.5x	Negative = net cash; Alphabet carries no net leverage in either period
Buybacks (FY25 / Q1'26)	\$45.7B / \$0	Paused in Q1 2026 (vs \$15.1B Q1'25) to fund AI capex; dividend kept & raised 5%
Return on equity (est.)	~35–40%	Net income on ~\$345B equity — <i>estimate, verify</i>

FY2024 comparatives shown for context. Cloud full-year total not asserted (Q4'25 was \$17.7B, +48%; Q1'26 \$20.0B, +63%). ROE/ROIC are illustrative estimates pending exact equity/invested-capital figures from the 10-K.

Valuation in context — how the entry price compares to big tech

The key point for a practitioner is that Berkshire paid neither a distressed price nor a euphoric one. At roughly **29× trailing earnings**, Alphabet sits squarely mid-pack among the mega-caps — cheaper than Apple, Amazon and Nvidia, modestly above Microsoft and Meta — while growing revenue faster than most (+22% in Q1'26) and carrying a net-cash balance sheet. For a ~40%-ROIC compounder, a market-average multiple is a rational entry, not a bargain and not an overpayment.

Company	Market cap	Trailing P/E	EV / EBITDA	Rev. growth
Nvidia (NVDA)	~\$5.09T	~32x	~30x	very high
Apple (AAPL)	~\$4.53T	~36x	~27x	low single
Alphabet (GOOGL)	~\$4.63T	~29x	~30x	~+22%
Amazon (AMZN)	~\$2.87T	~35x	~18x	~+11%
Microsoft (MSFT)	~\$3.11T	~23x	~17x	~+14%
Meta (META)	~\$1.70T	~25x	~16x	~+16%

Approximate June 2026 market data; verify against live quotes before publishing. Alphabet row highlighted. The entry multiple is mid-pack for the group and below the most expensive names, despite faster growth and a stronger balance sheet. See the companion model's "Valuation vs Big Tech" tab.

*Read that Q1 2026 net income with care. The reported **\$62.6B (+81% YoY)** is flattered by a **~\$36.8B pre-tax unrealized gain on equity investments** — a mark-to-market accounting entry (largely the now-public SpaceX and other holdings), not cash earned from operations. Strip it out and the clean read is **operating income of \$39.7B, up ~30% YoY** — still excellent, and a far more honest picture of the underlying business than the headline. It is exactly the kind of line a careful reader should normalize before drawing conclusions.

Nine quarters of cash flow — the engine running

The clearest way to see the business Berkshire bought is nine quarters of cash flow side by side. Operating cash flow has grown strongly while free cash flow has compressed — not from weakness, but because AI/data-center capex exploded from ~\$12B/quarter to ~\$36B/quarter. The same table tells the bull story (the business self-funds a record capex cycle out of operating cash) and the bear story (capex now eats most of operating cash).

Quarter	Operating CF	Capex	Free CF	Buybacks	Dividends
Q1 2024	\$28.8	\$12.0	\$16.8	\$15.7	—
Q2 2024	\$26.7	\$13.2	\$13.5	\$15.7	\$2.5
Q3 2024	\$30.7	\$13.1	\$17.6	\$15.3	\$2.5
Q4 2024	\$39.1	\$14.3	\$24.8	\$15.5	\$2.4
Q1 2025	\$36.2	\$17.2	\$19.0	\$15.1	\$2.4
Q2 2025	\$27.7	\$22.4	\$5.3	\$13.6	\$2.5
Q3 2025	\$48.4	\$23.9	\$24.5	\$8.5	\$2.5
Q4 2025	\$52.4	\$27.9	\$24.6	\$8.5	\$2.5
Q1 2026	\$45.8	\$35.7	\$10.1	\$0.0	\$2.7
9-quarter total	\$335.8	\$179.7	\$156.2	\$107.9	\$20.0

Use of cash (9 quarters)	Amount	Purpose
Capital expenditure	~\$179.7B	AI compute & data-center buildout — the largest single use
Share buybacks	~\$108B	~\$62.2B FY24 + ~\$45.7B FY25; \$0 in Q1'26 — paused
Dividends	~\$20B	Initiated Q2 2024 (~\$7.4B FY24, ~\$10B FY25, ~\$2.7B Q1'26); raised 5%
Returned to shareholders	~\$128B	Buybacks + dividends combined over the period
Net retained	balance	Builds the ~\$80B net-cash fortress and securities book

All flow figures \$B. FCF = operating cash flow less capex; ties to FY24 (OCF \$125.3 / capex \$52.5 / FCF \$72.8), FY25 (OCF \$164.7 / capex \$91.4 / FCF \$73.3) and Q1'26. Buyback/dividend figures calibrated to reported annual cash-flow-statement totals — verify against the 10-K financing section before publishing.

The capital-allocation pivot — buybacks paused, capex doubled

The single most important capital-allocation fact of this year is that Alphabet **stopped buying back stock in Q1 2026** — zero repurchases against \$15.1B in the year-ago quarter — while raising 2026 capex guidance to **\$180–190B** and flagging 2027 as “significantly higher.” It kept (and raised, by 5%) the dividend, but the buyback — long

the main channel for returning cash — was switched off to fund the build. At a ~\$4.5T market cap, ~\$50B of annual buybacks barely moved the share count anyway; redeploying that cash into AI infrastructure that earns Alphabet's returns on capital is, on the numbers, the higher-value use. The honest read for an investor: this is a multi-year reallocation *away* from shareholder returns and *toward* physical buildout — bullish if the AI capex earns its keep, a genuine free-cash-flow risk if it doesn't.

Worth being precise about how the Q1 build was financed: it was **debt-funded, not equity-funded**. Alphabet issued roughly \$31B of new debt in the quarter (funding the ~\$33.6B Wiz + Intersect acquisitions and the capex surge) while repurchasing *zero* stock — the equity raise came later, in June. So the sequence is debt first (Q1), then a record equity raise (June): the balance sheet is being deliberately re-gearred to fund the AI cycle.

Subsequent event — the June 2026 equity raise (and Berkshire adds \$10B more)

One more fact belongs in any honest read, and it lands *after* the March 31 balance sheet above: on **June 1, 2026** Alphabet announced a roughly **\$80B equity capital raise — upsized to ~\$84.75B at pricing on June 2** — the largest in its history, explicitly to fund the AI/data-center buildout. The structure: ~\$30B underwritten (split between common stock and a mandatory convertible preferred), a \$40B at-the-market program beginning in Q3 2026, and a **\$10B private placement to Berkshire Hathaway** (~\$5B Class A at \$351.81 and ~\$5B Class C at \$348.20). The underwritten and Berkshire tranches are expected to close within days of the early-June pricing; the at-the-market piece sells gradually from Q3 2026.

The Berkshire angle is too on-the-nose to skip: the same Berkshire that spent a decade *regretting* Google bought ~\$15.4B in the open market through Q1 2026 and then, in June, took another **\$10B directly from the company** — converting from latecomer to anchor investor in the AI build it once watched from the sidelines. Two cautions for the reader: this raise is a **post-quarter event** and is *not* reflected in the financial model or balance sheet in this piece; and it confirms the capital-allocation story above — Alphabet paused its buyback, leaned on debt in Q1, and is now raising fresh equity, all to feed a capex cycle it is signaling will run for years.

The business — and why the returns are extraordinary

Alphabet is, at its core, the most efficient toll booth ever built. Search monetizes intent at **near-zero marginal cost**: the index is already built, the data centers are already running, and each incremental query that returns an ad is almost pure contribution margin. That is the structural reason the business earns the returns it does — and the exact economics Buffett watched first-hand through GEICO (more below).

- **Capital-light cash generation.** A 32% operating margin on \$400B+ of revenue, \$73B of free cash flow, and a balance sheet with more cash than debt. The business funds its own growth out of operating cash.
- **Return on capital.** Outside the heavy AI-infrastructure build, the core advertising engine earns extraordinary returns on tangible capital — the moat is brand, data, and distribution, not factories. Blended return on equity runs in the mid-to-high-30s percent. (*Precise ROIC pending 10-K invested-capital figures — flagged for verification.*)

- **Two more compounding engines.** Google Cloud has flipped from margin drag to a structurally profitable, 60%-growth business; YouTube has quietly become a >\$60B media franchise larger than Netflix. Both were “free options” inside the stock when Berkshire bought.
- **The AI full stack.** Model (Gemini), custom silicon (TPUs), cloud (GCP), and consumer distribution (Search, Android, Chrome) — Alphabet monetizes AI at every layer rather than renting it.

Why the whole industry is spending record sums on data centers

The biggest swing in Alphabet’s cash flow — capex roughly tripling from ~\$12B to ~\$36B a quarter — is not company-specific. Every hyperscaler is racing to build AI compute at once: the “Big Four” (Alphabet, Microsoft, Amazon, Meta) are collectively guiding to roughly **\$630–725B of capex in 2026**, up from ~\$230B two years earlier, with each signaling 2027 will be higher still. Alphabet alone guides to **\$180–190B**. The reason they are all doing it simultaneously is structural: frontier AI is compute-bound, GPUs and custom silicon (Google’s TPUs) are the scarce input, and whoever owns the most efficient compute footprint controls both the cost curve and the pace of model improvement. No hyperscaler can afford to under-build and cede the AI platform layer — so each funds a multi-year buildout that depresses near-term free cash flow to own the infrastructure of the next computing cycle. For Alphabet, that is why FCF compressed even as operating cash flow grew, and why it paused the buyback and raised equity.

Alphabet’s share of digital advertising

Alphabet is one of the two dominant forces in global digital advertising. On 2025 figures Google captured roughly **26–27%** of worldwide digital ad spending, with Meta (Facebook/Instagram) the other giant at a comparable **~27%** — together more than half of every digital ad dollar spent globally. Amazon is the fast-rising third (retail media, high-teens share and climbing), but the top of the market is a durable duopoly: Google owns search-intent monetization and YouTube, Meta owns social feeds. That advertising dominance is the cash engine that funds the data-center buildout, the venture book, and the buybacks. The bear worry is that generative-AI answer engines disintermediate search advertising; the bull response is that Google is the best-positioned incumbent to fold AI into its own ad stack — and Q1’26 search-ad revenue still grew.

The hidden venture portfolio

One under-appreciated reason to own Alphabet: it is also a pre-IPO venture fund the market hands you for free. Through direct stakes, GV (Google Ventures), and CapitalG, Alphabet holds positions in several of the most valuable private (and newly public) companies on earth. Reported marks:

Holding	Alphabet stake	Co. valuation	Implied value	Note
SpaceX (entered 2015, \$900M)	~6.1%	~\$2,430B	~\$148B	Now public (Nasdaq: SPCX); marked daily
Anthropic		~\$965B	~\$135B	

	~14% (cap 15%)			\$965B Series H (Apr 2026); unrealized
Waymo (consolidated)	~80%	~\$126B	~\$101B	Subsidiary, not a VC minority stake
AST SpaceMobile	minority	strategic	n/a	Space-based broadband
Planet Labs	minority	strategic	n/a	Earth-imaging satellites
Apptronik	minority	strategic	n/a	Humanoid robotics
GV + CapitalG (venture arms)	portfolio	book	n/a	GV: Harvey, Synthesia; CapitalG: Stripe, Databricks
SpaceX + Anthropic + Waymo	—	—	~\$384B	Three largest stakes, implied value combined

Reported, pre-IPO/private marks (SpaceX now public, marked daily) — volatile and largely unrealized. Important: these are largely not carried at these values on Alphabet's balance sheet (non-marketable equity securities held near cost; Waymo is consolidated, not marked-to-market). **Correction to the brief:** Alphabet is not an investor in OpenAI — OpenAI is backed by Microsoft and is a direct Gemini competitor. Alphabet's comparable AI bet is Anthropic.

What Buffett said when they missed it

The richest irony of this position is that Berkshire spent years openly regretting *not* owning Google — and the evidence was sitting inside their own insurance subsidiary the whole time. At the 2017 Berkshire annual meeting, asked about missing Google, Buffett and Munger were unusually direct.

“We did have some insight into [Google’s economics] because we were using them at GEICO ... we were paying \$10 a click, or whatever it might have been, for something that at a marginal cost to them was exactly zero. And we just sat there sucking our thumbs.”

— Warren Buffett and Charlie Munger, Berkshire Hathaway 2017 Annual Meeting. Munger’s verdict: “We screwed up ... We’re ashamed. We atone. We’re trying to atone.” (*verify exact wording/transcript before publishing*)

That is the whole thesis in two sentences from the men who missed it: a business with near-zero marginal cost on every incremental sale, observed from *inside* their own subsidiary, and they let it go. The 2025–26 purchase — and the June 2026 follow-on — is Berkshire finally buying the toll booth it had been feeding for twenty years.

The Berkshire read

Stripped to its essentials, this is a textbook Berkshire purchase wearing an unfamiliar jacket. The jacket is the sector — big tech, the one corner of the market Buffett spent most of his career avoiding. Underneath it is the discipline that bought BNSF and Clayton Homes: a wide-moat, capital-light cash machine, bought at a fair, middle-of-the-pack valuation — roughly 29× earnings, in line with the mega-cap group and below Apple and Amazon — for a business of clearly top-tier quality. This was not a fire-sale; it was paying a reasonable price for one of the best compounders in the market. Alphabet’s own AI full stack (Gemini, TPUs, Cloud, and consumer distribution) is the evidence that the franchise can defend those returns rather than be displaced by AI.

There is also a tell from inside Berkshire itself. At the May 2026 annual meeting, Greg Abel signaled that Berkshire is already *using* artificial intelligence across its operating businesses — even if the companies don’t label it “AI” — deploying it where it improves efficiency, safety, and decision-making (he pointed to work underway at BNSF Railway) rather than “doing AI for the sake of AI.” That posture matters for reading the Alphabet buy: the same leadership now allocating capital toward a wide-moat AI platform is watching AI prove its worth, quietly, in railroads, insurance, and energy — the practitioner’s view that AI is a tool that has to earn its return, not a theme to chase.

WHAT TO WATCH

Does the AI capex earn its keep?

The single variable that decides whether this Read ages well is return on the AI buildout. Capex of \$180–190B in 2026 (“significantly higher” in 2027), a paused buyback, fresh debt, and an \$84.75B equity raise are all bets on the same thing: that compute earns Alphabet’s historic returns on capital. If it does, free cash flow re-accelerates and a fair entry price ages very well. If it doesn’t, the returns on capital that justified the valuation erode. Berkshire, on the evidence, is betting it does.

Sources & verification notes

Position sizing from Berkshire Hathaway 13F filings (Q3 2025, filed Nov 2025; Q1 2026, filed ~May 16, 2026). Financials from Alphabet FY2025 results and the Q1 2026 10-Q (period ended March 31, 2026). Equity-raise details from Alphabet’s June 1, 2026 announcement and June 2, 2026 pricing (SEC 8-K). Venture marks are reported third-party valuations and are largely unrealized. Before publication, re-verify against primary sources: exact 13F share counts and cost basis, 10-K invested-capital figures (for ROIC/ROE), the Buffett/Munger 2017 transcript wording, and the final closing terms of the June 2026 raise.

THE BARATELLI INSTITUTE · BERKSHIRE READ · INVESTMENT COMMITTEE
MEMORANDUM

Alphabet Inc. (NASDAQ: GOOGL / GOOG)

Analysis of Berkshire Hathaway's Position

TO: Investment Committee · **FROM:** Phil Baratelli, The Baratelli Institute · **DATE:** June 2026
RE: Why the Berkshire investment in Alphabet makes sense · **CLASSIFICATION:** Educational analysis — not investment advice

ANALYTICAL VERDICT

A wide-moat compounder, bought at a rational price — the position is well-founded.

Berkshire's decision to build a top-five position in Alphabet rests on a simple combination this Committee finds compelling: a durable, capital-light cash machine earning ~40% returns on invested capital, a net-cash balance sheet, and an entry made at a **fair, middle-of-the-pack valuation** for a business of this quality — roughly 29× earnings, in line with the mega-cap average and below Apple, Amazon and Nvidia despite faster growth. This was not a distressed price; it was a reasonable price for a top-quality compounder. The quality is exceptional; the entry price was sensible; and Berkshire was, by its own admission, correcting its single most-confessed mistake.

~\$15.4B BRK COST BASIS (13F)	~\$16.6B MARKET VALUE (Q1 2026)	~+\$1.2B UNREALIZED GAIN (~+8%)
\$402.8B FY2025 REVENUE (+15%)	\$132.2B FY2025 NET INCOME (+32%)	\$10.81 FY2025 DILUTED EPS
\$73.3B FY2025 FREE CASH FLOW	~\$4.63T MARKET CAP (JUN 2026)	~\$4.58T ENTERPRISE VALUE
~\$154B FY2025 EBITDA	~30× EV / EBITDA	~29× TRAILING P/E

1. The position

Berkshire built the position in two tranches. The first-ever Alphabet stake appeared in the Q3 2025 13F (filed November 2025): roughly 17.85 million shares for about **\$4.3 billion**. In Greg Abel’s debut quarter as CEO (Q1 2026, filed May 2026), Berkshire roughly **tripled** it — adding about **\$10–11 billion** to reach approximately 58 million shares — for a **total cost basis of roughly \$15.4 billion**, now a top-five equity holding worth about \$16.6 billion of market value at Q1 2026. The build was funded in the same window Berkshire was trimming Apple — but this was a reallocation at the margin, not a swap: Apple remains Berkshire’s **largest single holding**, with roughly **228 million shares (~22% of the equity portfolio)** still held at March 31, 2026, and Greg Abel did *not* cut the Apple stake in his debut quarter. Alphabet was funded from the broader portfolio and cash, not a wholesale Apple exit. This is an equity position, not an acquisition, so the analysis below reads the public financials rather than deal terms.

Date (13F period)	Capital invested	Avg price / share	Shares added	Cumulative shares
Q3 2025 (filed Nov 2025)	~\$4.3B	~\$241	~17.85M	~17.85M
Q1 2026 (filed May 2026)	~\$11.1B	~\$278	~40.0M	~57.8M
Open-market cost basis (13F)	~\$15.4B	~\$266 blended	—	~57.8M
June 2026 direct placement	~\$10.0B	~\$350 blended	~28.6M	~86.4M
Total Alphabet capital committed	~\$25.4B	—	—	~86.4M

Per-share prices are implied averages (capital invested ÷ shares); Berkshire does not disclose exact fill prices. The two open-market 13F tranches (~\$4.3B + ~\$11.1B) total ~\$15.4B of cost basis for the ~57.8M-share stake worth ~\$16.6B at Q1 2026. The June 2026 \$10B direct placement (detailed below) is a separate, additional investment, so Berkshire’s total committed Alphabet capital is ~\$25.4B (~\$15.4B open-market + \$10B placement) against roughly ~\$26.6B of combined current value (~\$16.6B + ~\$10B).

The separate \$10B direct placement — two tranches, Class A and Class C

Distinct from the 13F build above, on **June 1, 2026** — *after* the March-quarter close, so a post-Q1 subsequent event — Berkshire agreed to buy **\$10 billion of newly issued Alphabet stock directly from the company**, in two separate tranches at different prices, as part of Alphabet’s ~\$80B capital raise. The two tranches are **Class A and Class C** (not Class B — Class B is the founders’ super-voting class and is not sold to outside investors):

Tranche	Amount	Share class	Price / share
Tranche 1	\$5.0B	Class A (GOOGL, 1 vote)	\$351.81
Tranche 2	\$5.0B	Class C (GOOG, non-voting)	\$348.20
Total direct placement	\$10.0B	—	~\$350 blended

Keeping the two ~\$10B events straight: the ~\$10–11B that tripled the 13F position was open-market buying in Q1 2026 (disclosed May 2026). This \$10B direct placement is a separate, later transaction — announced June 1, 2026 (Q2 2026) and expected to close within days. The broader raise

also includes a \$40B at-the-market sleeve — Alphabet selling its own stock over time — that does not begin until Q3 2026. So the placement itself is a June (Q2) event; only the company's ATM program runs from Q3. Full terms appear in section 3's subsequent-events note.

Where Alphabet ranks among Berkshire's top holdings

For context on the “top-five” framing: on the Q1 2026 13F (equity book ~\$263B), Alphabet's ~\$16.6B open-market stake sits just behind Chevron — the sixth-largest position, and squarely top-five-caliber once the \$10B June placement is counted.

Rank	Holding	Market value	% of equity book
1	Apple (AAPL)	~\$57.9B	~22.0%
2	American Express (AXP)	~\$45.9B	~17.4%
3	Coca-Cola (KO)	~\$30.4B	~11.6%
4	Bank of America (BAC)	~\$25.0B	~9.5%
5	Chevron (CVX)	~\$17.5B	~6.6%
6	Alphabet (GOOGL/GOOG)	~\$16.6B	~6.3%

Berkshire Hathaway Q1 2026 13F (as of March 31, 2026). Values approximate; verify against the filing before quoting. Alphabet figure is the ~57.8M-share open-market stake and excludes the \$10B June placement, which lifts Berkshire's Alphabet exposure above Chevron and into the top five outright.

Look-through earnings — Berkshire's share of Alphabet's profit

Applying Buffett's “look-through earnings” lens — Berkshire's ownership percentage times the company's net income — to Alphabet's FY2025 net income of **\$132.2B**:

Berkshire stake	Shares	% of Alphabet	Look-through earnings
Open-market position (13F)	~57.8M	~0.48%	~\$0.63B
Incl. \$10B June placement	~86.4M	~0.71%	~\$0.94B

Alphabet had ~12.1B shares outstanding across all classes at Q1 2026; the placement adds ~28.6M new shares. Look-through earnings = ownership % × FY2025 net income (\$132.2B). Berkshire's economic claim on Alphabet's profit runs ~\$0.6–0.9B/year; only a small fraction arrives as cash dividends, the rest reinvested at Alphabet's high returns on capital.

2. Investment thesis

The position makes sense on four legs, each of which the accompanying financial model documents:

- **A near-zero-marginal-cost toll booth.** Search monetizes purchase intent at almost pure contribution margin — the index is built and the data centers are running, so each incremental monetized query is nearly all profit. That single fact explains the 32% operating margin on \$400B+ of revenue.

- **Fortress financial condition.** ~\$127B of cash and marketable securities against ~\$47B of debt — roughly \$80B of net cash — even after record AI capex. The business funds its own growth and still returns ~\$50–60B a year to shareholders.
- **Two more compounding engines, bought as free options.** Google Cloud has flipped from margin drag to a structurally profitable business growing ~60% (Q1'26 revenue ~\$20.0B, +63%); YouTube is a >\$60B media franchise larger than Netflix.
- **Bought at a rational, mid-pack price.** The entry was made at roughly 29× trailing earnings — in line with the mega-cap average, below Apple, Amazon and Nvidia, and modestly above Microsoft and Meta — despite Alphabet growing faster and carrying a net-cash balance sheet. For a ~40%-ROIC compounder, a market-average multiple is a sensible price to pay, not a distressed bargain.

3. Financial condition — the engine Berkshire bought

Alphabet by the numbers (\$B)	FY2024	FY2025	Q1 2025	Q1 2026
Revenue	\$350.0	\$402.8	\$90.2	\$109.9
Operating income	\$112.4	\$129.0	\$30.6	\$39.7
Operating margin	32.1%	32.0%	33.9%	36.1%
Net income	\$100.1	\$132.2	\$34.5	\$62.6*
Diluted EPS	\$8.04	\$10.81	\$2.81	\$5.11*
Free cash flow	\$72.8	\$73.3	\$19.0	\$10.1

Q1 2026 vs Q1 2025: revenue +22%, operating income +30%, operating margin +2.2 pts. ***Read Q1 2026 net income and EPS with care.** The reported \$62.6B net income / \$5.11 diluted EPS (+81% YoY) is inflated by a ~\$36.8B pre-tax unrealized gain on equity investments (mark-ups of stakes such as Anthropic) that runs through other income. The clean read of operating performance is **operating income of \$39.7B, up ~30% YoY** — the +81% net-income headline is not a repeatable earnings run-rate.

Balance sheet & returns	Figure	Note
Cash & marketable securities	\$126.8B	The core of the fortress
Total debt	\$46.5B	Net cash position ~\$80.3B
Net debt / EBITDA (FY24 / FY25)	~-0.6x / ~-0.5x	Negative across periods presented — net cash, no net leverage
ROIC (est.)	~39%	NOPAT on invested capital — <i>estimate, verify vs 10-K</i>
ROE (est.)	~37%	Net income on ~\$360B equity — <i>estimate</i>
FCF margin	~18%	\$73.3B FCF on \$402.8B revenue
Capital returned (FY25)	~\$56B	~\$45.7B buybacks + ~\$10B dividends; buyback paused (\$0 in Q1'26)

Some sub-lines and the FY2025 expense split are estimates calibrated to reported totals; ROIC/ROE use an estimated equity and tax base. See the companion model (Income Statement, Balance Sheet, Cash Flow, Returns & Capital Quality tabs) for the full build, and replace estimates with exact 10-K figures before publishing.

Valuation in context — how the entry price compares to big tech

The single most important point for this Committee is that Berkshire did not pay a distressed price or a euphoric one. At roughly **29× trailing earnings** Alphabet sits squarely in the middle of the mega-cap pack — cheaper than Apple, Amazon and Nvidia, modestly above Microsoft and Meta, and doing so while growing revenue faster (+22% in Q1'26) than most of them. For a business earning ~40% on capital with a net-cash balance sheet, a market-average multiple is a rational entry, not a bargain and not an overpayment.

Company	Market cap	Trailing P/E	EV / EBITDA	Rev. growth
Nvidia (NVDA)	~\$5.09T	~32x	~30x	very high
Apple (AAPL)	~\$4.53T	~36x	~27x	~low single
Alphabet (GOOGL)	~\$4.63T	~29x	~30x	~+22%
Amazon (AMZN)	~\$2.87T	~35x	~18x	~+11%
Microsoft (MSFT)	~\$3.11T	~23x	~17x	~+14%
Meta (META)	~\$1.70T	~25x	~16x	~+16%

Multiples and market caps are approximate June 2026 figures gathered from public market data; verify against live quotes before publishing. Alphabet row highlighted. The takeaway: the entry multiple is mid-pack for the group and below the most expensive names, despite Alphabet's faster growth and superior balance sheet. See the model's &ldq

Alphabet (GOOGL) — Full Financial Model

Case 3 companion · \$ in billions unless noted · 2026 edition

Tabs in this workbook

Income Statement	Revenue, margins, EBITDA, net income — FY2023-FY2025 + Q1'26
Balance Sheet	Fortress balance sheet: ~\$127B cash vs ~\$47B debt = ~\$80B net cash
Cash Flow Statement	Operating cash flow, capex, free cash flow, buybacks & dividends
Segments	Google Services, Google Cloud, Other Bets — FY2025 10-K
Valuation vs Big Tech	P/E and EV/EBITDA vs NVDA, AAPL, AMZN, MSFT, META
Returns & Capital Quality	ROIC, ROE, FCF margin — why a quality buyer pays up
Venture Stakes	SpaceX (now public), Anthropic, Waymo, GV/CapitalG
Position vs BRK	Berkshire's stake against its Q1'26 cash engine

Blue = input · Black = formula · Green = cross-sheet link · Yellow = key assumption. Reported figures from Alphabet 8-K/earnings releases & SEC filings (FY2023-FY2025, Q1 2026). Some balance-sheet sub-lines and the FY2025 expense split are estimates that tie to reported totals (flagged 'est.'); replace with exact 10-K lines before publishing. ROE/ROIC use an estimated equity/tax base. Educational analysis, not investment advice. © 2026 The Baratelli Institute.

Income Statement

\$ in billions. FY2023-FY2025 reported; Q1 2026 reported. Margins & EBITDA computed.

(\$B)	FY2023	FY2024	FY2025	Q1 2026
Revenue	\$307.4	\$350.0	\$402.8	\$109.9
Cost of revenues	\$133.3	\$146.3	\$162.5	
Gross profit	\$174.1	\$203.7	\$240.3	
Research & development	\$45.4	\$49.3	\$61.1	
Sales & marketing (est.)	\$27.9	\$27.8	\$30.0	
General & administrative (est.)	\$16.4	\$14.2	\$20.2	
Total operating expenses	\$89.7	\$91.3	\$111.3	
Operating income	\$84.4	\$112.4	\$129.0	\$39.7
Other income / (expense), net	\$1.4	\$7.4	\$28.4	
Pre-tax income	\$85.8	\$119.8	\$157.4	
Income tax expense	\$11.9	\$19.7	\$25.2	
Net income	\$73.9	\$100.1	\$132.2	
Depreciation & amortization	\$11.9	\$15.3	\$25.0	
EBITDA (op income + D&A)	\$96.3	\$127.7	\$154.0	
Operating margin	27.5%	32.1%	32.0%	36.1%
Net margin	24.0%	28.6%	32.8%	
EBITDA margin	31.3%	36.5%	38.2%	
Effective tax rate	13.9%	16.4%	16.0%	
Revenue growth YoY		13.9%	15.1%	

Q1 2026 revenue \$109.9B (+22% YoY); operating margin ~36.1%. FY2025: revenue \$402.8B (+15%), operating income \$129.0B, net income \$132.2B (+32%). S&M, G&A and D&A are estimates that tie to reported gross/operating income; replace with exact 10-K lines before publishing. Sources: Alphabet FY2024 & FY2025 8-K earnings releases; Q1 2026 release.

Balance Sheet (Condensed)

\$ in billions. Reported cash, debt & net cash; sub-lines est. to reported totals.

(\$B)	FY2024	FY2025	Note
ASSETS			
Cash & marketable securities	\$95.7	\$126.8	Reported; core of the fortress
Accounts receivable, net (est.)	\$52.3	\$58.0	est.
Other current assets (est.)	\$13.4	\$15.0	est.
Property & equipment, net (est.)	\$171.0	\$232.0	Surging on AI data-center capex
Non-marketable investments (est.)	\$41.0	\$48.0	Incl. venture stakes at/near cost
Goodwill, intangibles & other (est.)	\$60.0	\$65.0	est.
Total assets	\$433.4	\$544.8	
LIABILITIES & EQUITY			
Accounts payable & accrued (est.)	\$75.0	\$85.0	est.
Total debt	\$13.2	\$46.5	Reported; bond issuance lifted 2025
Other long-term liabilities (est.)	\$40.0	\$45.0	Leases, deferred tax, etc. (est.)
Total liabilities	\$128.2	\$176.5	
Stockholders' equity (plug)	\$305.2	\$368.3	(total assets less total liabilities)
Net cash (cash & securities - total debt)	\$82.5	\$80.3	The fortress: still ~\$80B net cash despite record capex
Net debt (total debt - cash & securities)	(\$82.5)	(\$80.3)	Negative = net cash position (debt below cash)
Net debt / EBITDA (leverage)	-0.6x	-0.5x	Negative leverage = net cash; Alphabet carries no net debt

Only cash & marketable securities (\$126.8B) and total debt (\$46.5B) — and therefore net cash (~\$80.3B) — are reported figures. Net debt / EBITDA is negative in both years because cash & securities exceed total debt: Alphabet runs with negative net leverage (i.e. net cash). Receivables, PP&E, payables, other lines and the equity plug are estimates calibrated to reported totals; replace with exact FY2025 10-K balance sheet before publishing. The point stands on the reported lines: Alphabet runs a net-cash balance sheet at ~\$4.5T market value.

Cash Flow Statement (Condensed)

\$ in billions. FY2023-FY2025. Free cash flow & capital returns.

(\$B)	FY2023	FY2024	FY2025
Net income	\$73.8	\$100.1	\$132.2
D&A	\$11.9	\$15.3	\$25.0
Stock-based compensation (est.)	\$22.5	\$24.4	\$26.0
Other non-cash & working capital (est.)	(\$6.5)	(\$14.5)	(\$20.2)
Operating cash flow	\$101.7	\$125.3	\$163.0
Capital expenditures	(\$32.3)	(\$52.5)	(\$89.7)
Free cash flow	\$69.4	\$72.8	\$73.3
Share repurchases	(\$61.5)	(\$62.2)	(\$45.7)
Dividends paid	-	(\$7.4)	(\$10.0)
Total capital returned	\$61.5	\$69.6	\$55.7
FCF margin (FCF / revenue)	22.6%	20.8%	18.2%
Capital returned / FCF	88.6%	95.6%	76.0%

Reported anchors: operating cash flow \$101.7B / \$125.3B / ~\$163B; capex \$32.3B / \$52.5B / ~\$89.7B; free cash flow ~\$69-73B across the period — capex is consuming a rising share of OCF as AI infrastructure scales. SBC, working capital and FY2025 OCF/capex are estimates that tie to reported FCF; replace with 10-K cash-flow statement before publishing. Sources: Alphabet 10-K FY2023/FY2024, FY2025 earnings release.

Segments — FY2025 revenue by reportable segment (10-K)

\$ in billions. The three reportable segments Alphabet discloses in its FY2025 Form 10-K.

Segment	FY2025 rev	FY2024 rev	YoY	Note
Google Services	\$342.7	\$304.9	12.4%	Search, YouTube ads, subscriptions/platforms/devices, Network — bulk o
- of which YouTube ads	\$40.4	\$36.1		YouTube advertising only; +12%
- of which subscriptions, platforms & devices	\$58.0	\$49.1		YouTube/Google One/Play/Pixel; YouTube total (ads+subs) >\$60B
Google Cloud	\$58.7	\$43.2	35.9%	+36% FY25; Q1'26 ~\$20.0B (+63%); operating margin ~33%
Other Bets	\$1.5	\$1.7	-11.8%	Pre-revenue moonshots; Waymo the standout (-7% YoY)
Hedging gains / other	\$1.9	\$0.2	850.0%	Foreign-exchange hedging gains
Total Alphabet revenue	\$404.8	\$350.0	15.7%	<i>Sum of Google Services + Google Cloud + Other Bets + hedging</i>

Alphabet reports three reportable segments in its FY2025 Form 10-K: Google Services (~\$342.7B), Google Cloud (~\$58.7B), and Other Bets (~\$1.5B), plus hedging gains, totaling ~\$402.8B. The YouTube ad and subscriptions/platforms/devices lines are sub-components of Google Services (not separate reportable segments), shown for the reader. FY2024 comparatives shown for growth. Re-tie to the exact 10-K segment footnote before publishing.

Valuation vs Big Tech

Approx. June 2026 market data. P/E and EV/EBITDA — how Alphabet's entry multiple compares.

Company	Market cap (\$T)	Trailing P/E	EV / EBITDA	Rev. growth	Note
Nvidia (NVDA)	\$5.09T	32.0x	30.0x	very high	AI hardware cycle
Apple (AAPL)	\$4.53T	36.0x	27.0x	low single	Slow growth, premium multiple
Alphabet (GOOGL/GOOG)	\$4.63T	29.0x	30.0x	~+22%	Net cash, ~40% ROIC, faster growth
Amazon (AMZN)	\$2.87T	35.0x	18.0x	~+11%	Retail + AWS
Microsoft (MSFT)	\$3.11T	23.0x	17.0x	~+14%	Azure + Copilot
Meta (META)	\$1.70T	25.0x	16.0x	~+16%	Ad-duopoly peer

Mega-cap average (ex-Alphabet)

30.2x	21.6x
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Alphabet sits mid-pack on P/E and EV/EBITDA

The read: at ~29x trailing earnings and ~30x EV/EBITDA, Alphabet's entry multiple is squarely mid-pack — cheaper than Apple and Nvidia on P/E, in line on EV/EBITDA — while it grows revenue faster (+22% in Q1'26) and carries a net-cash balance sheet. For a ~40%-ROIC compounder a market-average multiple is a rational entry, not a bargain and not an overpayment. EV/EBITDA varies by capex intensity: ad-only peers (MSFT, META) screen lower; heavy-capex AI builders (GOOGL, NVDA) screen higher. Approx. June 2026 figures — verify against live quotes before publishing.

Returns on Capital & Capital Quality

\$ in billions. Why a quality buyer pays up — the Berkshire read.

FY2025 operating income	\$129.0	
Assumed cash tax rate	16.0%	
NOPAT (op income x (1 - tax))	\$108.4	
Stockholders' equity (FY2025, est.)	\$360.0	
Total debt (FY2025)	\$46.5	
Cash & marketable securities (FY2025)	\$126.8	
Invested capital (equity + debt - cash)	\$279.7	
ROIC (NOPAT / invested capital)	38.7%	Capital-light core earns exceptional returns
FY2025 net income	\$132.2	
ROE (net income / equity)	36.7%	
FY2025 free cash flow	\$73.3	
FCF margin (FCF / revenue \$402.8B)	18.2%	
Net cash position	\$80.3	Net-cash balance sheet at ~\$4.5T market value

The read

Alphabet pairs ~40% returns on invested capital and ~37% return on equity with a net-cash balance sheet and ~18% free-cash-flow margins. The core advertising and search franchise needs little tangible capital, so incremental dollars compound at high rates while the company still returns ~\$50-60B a year to shareholders. For a quality-focused, scale-tolerant buyer like Berkshire, that combination — durable moat, exceptional returns on capital, fortress balance sheet — is exactly the profile worth paying a full price for. ROIC/ROE use an estimated equity and tax base; replace with exact 10-K figures before publishing.

Venture & Equity Stakes

Reported third-party marks — largely unrealized and mostly not carried at these values on the balance sheet. SpaceX now public (mark-to-market).

Holding	Alphabet stake	Company valuation	Implied value	Note
SpaceX (entered 2015, \$900M)	~6.1%	~\$2,430B	~\$148B	Now public (Nasdaq: SPCX); marked daily
Anthropic	~14% (cap 15%)	~\$965B	~\$135B	\$965B Series H (Apr 2026); unrealized
Waymo (consolidated)	~80%	~\$126B	~\$101B	Subsidiary, not a VC minority stake
AST SpaceMobile	minority	strategic	n/a	Space-based broadband
Planet Labs	minority	strategic	n/a	Earth-imaging satellites
Apptronik	minority	strategic	n/a	Humanoid robotics
GV + CapitalG (venture arms)	portfolio	book	n/a	GV: Harvey, Synthesia; CapitalG: Stripe, Databricks
SpaceX + Anthropic + Waymo	—	—	~\$384B	Three largest stakes, implied value combined

Reported, pre-IPO/private marks (SpaceX now public, marked daily) — volatile and largely unrealized. Important: these are largely NOT carried at these values on Alphabet's balance sheet (non-marketable equity securities held near cost; Waymo is consolidated, not marked-to-market). Alphabet is NOT an investor in OpenAI — OpenAI is backed by Microsoft and is a direct Gemini competitor; Alphabet's comparable AI bet is Anthropic.

Berkshire's Alphabet stake vs its cash engine

\$ in billions unless noted. Cost basis is apples-to-apples (open-market 13F tranches), with the separate June 2026 direct placement shown additively. Includes

THE POSITION

Q3 2025 13F tranche	\$4.3	First disclosed (filed Nov 2025)
Q1 2026 13F tranche	\$11.1	Tripled the stake (filed ~May 16, 2026)
Open-market cost basis (13F)	\$15.4	Apples-to-apples cost of the ~57.8M-share stake
Market value (Q1 2026)	\$16.6	~57.8M shares at March 31, 2026
Unrealized gain	\$1.2	Open-market position only
June 2026 direct placement	\$10.0	\$5B Class A @ \$351.81 + \$5B Class C @ \$348.20 (~28.6M new shares)
Total Alphabet capital committed	\$25.4	Open-market \$15.4B + \$10B placement
Total current value	\$26.6	~\$16.6B market + ~\$10B placement

BERKSHIRE'S ENGINE (Q1 2026)

Operating cash flow (quarter)	\$10.4	Berkshire Q1 2026 operating cash flow
Cash & short-term investments	\$397.4	~\$400B cash pile
Deployable cash (above ~\$30B buffer)	\$381.0	Cash less insurance-float minimum buffer

SCALE OF THE BET

Total committed / deployable cash	6.7%	Even the full ~\$25.4B is a small slice of the war chest
Market value / total cash	4.2%	The open-market stake vs the ~\$400B cash pile
Total committed / quarterly OCF	2.4x	~2.4x a single quarter's operating cash flow

LOOK-THROUGH EARNINGS

Alphabet FY2025 net income	\$132.2	Reported FY2025
Alphabet shares outstanding (B)	12.12	All classes (~5.82B A + ~0.84B B + ~5.46B C)
BRK shares — open-market (M)	57.8	13F position
BRK shares — incl. placement (M)	86.4	+~28.6M from June placement
Ownership — open-market	0.5%	Share of all Alphabet stock
Ownership — incl. placement	0.7%	
Look-through earnings — open-market	\$0.6	Ownership % x FY2025 net income
Look-through earnings — incl. placement	\$0.9	Berkshire's economic share of Alphabet's profit

The cost basis is stated apples-to-apples: the ~\$15.4B open-market 13F tranches (Q3'25 \$4.3B + Q1'26 \$11.1B) bought the ~57.8M-share stake worth ~\$16.6B. The June 2026 \$10B direct placement is a separate, additional investment, so total committed Alphabet capital is ~\$25.4B against ~\$26.6B current value. Look through

BERKSHIRE READ • CASE 3 • GOOGL

The first tech Read after Apple

~\$25.4B into Alphabet (pro forma) — a fair price for a top-quality compounder.

Berkshire's first technology position bought as a technology platform — and the company Warren Buffett spent a decade publicly regretting that he missed.

THE THESIS

What Berkshire bought, and why it's a Berkshire move

A fair price for top-tier quality. Alphabet traded at ~29× earnings — mid-pack among the mega-caps, below Apple and Amazon. Berkshire paid a sensible, market-average multiple for one of the best compounders in tech, not a distressed price.

A wide-moat cash machine. \$402.8B revenue, 32% operating margin, \$73B free cash flow, more cash than debt — and two more compounding engines (Cloud, YouTube) thrown in.

The pattern, in tech clothing. The break is the sector; the discipline — durable economics at a fair price — is the one that bought the railroads and the homebuilder.

“At ~29× earnings Alphabet was priced like an average mega-cap. Berkshire saw a clearly above-average business — and paid a fair price for it. Cloud growing 63% says the quality is real.”

From a quiet \$4.3B entry to a top-five holding

~\$4.3B

Initial stake · Q3 2025 (~17.85M sh)

~\$11.1B

Added in Q1 2026 — the big buy

~\$15.4B

Total cost basis · top-five holding

~\$16.6B

Q1 2026 market value (~58M sh)

The signal is the conviction. Berkshire roughly tripled Alphabet in Greg Abel's debut quarter as CEO, then added \$10B more directly in June — building a top-five-caliber position. And it did so without needing to sell anything: with roughly \$400B of cash on hand, this was a deliberate, high-conviction deployment of fresh capital into a compounding search-and-cloud franchise — not a toe-in-the-water experiment, and not a forced rotation out of Apple.

And there is more to come. On June 1, 2026 Alphabet announced a \$10B private placement to Berkshire — ~\$5B Class A (at \$351.81) and ~\$5B Class C — on top of the open-market stake above. Counting it, Berkshire's committed Alphabet exposure runs well past \$25B.

The financial condition, in six figures

\$402.8B

Revenue (+15% YoY)

\$132.2B

Net income (+32% YoY)

\$129.0B

Operating income (32% margin)

\$73.3B

Free cash flow

\$126.8B

Cash & securities (vs \$46.5B debt)

\$45.7B

Buybacks (13th straight year)

Q1 2026 carried the momentum: revenue \$109.9B (+22%), operating margin 36.1% — the 11th straight quarter of double-digit growth.

A fair, middle-of-the-pack multiple

Company	Market cap	P/E (TTM)	Note
Nvidia	~\$5.09T	~32×	AI hardware cycle
Apple	~\$4.53T	~36×	slow growth, premium multiple
Amazon	~\$2.87T	~35×	retail + AWS
Alphabet (GOOGL)	~\$4.63T	~29×	+22% rev, net cash, ~40% ROIC
Microsoft	~\$3.11T	~23×	Azure + Copilot
Meta	~\$1.70T	~25×	ad duopoly peer

The read: At ~29× trailing earnings Alphabet sits squarely mid-pack — cheaper than Apple, Amazon and Nvidia, modestly above Microsoft and Meta — while growing revenue faster than most and carrying a net-cash balance sheet. For a ~40%-ROIC compounder, a market-average multiple is a rational entry, not a bargain.

One cash cow, two compounders

Google Services

Bulk of profit

Search + the ad engine: the widest distribution moat in consumer tech. Default placement, Chrome, Android, the ad-tech stack, billions of daily queries — monetized at near-zero marginal cost.

YouTube

>\$60B FY25

~\$40.4B advertising + ~\$20B subscriptions — now a media franchise bigger than Netflix. A 'free option' hiding inside the stock.

Google Cloud

\$20.0B Q1'26

Up 63% YoY; operating margin flipped from 17.8% to 32.9%; backlog nearly doubled to >\$460B. A former drag is now a high-growth, structurally profitable second engine.

Why the returns are extraordinary

The most efficient toll booth ever built.

Search monetizes intent at near-zero marginal cost — the index is built, the data centers are running, and each incremental query that returns an ad is almost pure contribution margin. That single fact explains the 32% operating margin.

Capital-light by design.

The moat is brand, data, and distribution — not factories. The business funds its own AI build out of operating cash and still returns ~\$46B/year to shareholders.

~40%

Return on invested capital (est.)

~38%

Return on equity (est.)

\$80.3B

Net cash (cash – debt)

A pre-IPO fund the market hands you for free

Holding	Alphabet stake	Co. valuation (reported)	Implied / committed
SpaceX — now public (Nasdaq: SPCX)	~6.1% (2015 \$900M)	~\$2.43T today (Jun 20); ~\$1.77T IPO	~\$148B today — marked daily
Anthropic	~13–14%	~\$965B–\$1T	~\$40B committed (~\$10B deployed)
AST SpaceMobile · Planet Labs · Apptironik	minority	—	strategic adjacencies
Waymo (consolidated subsidiary)	~80%	~\$126B (Feb 2026)	~\$100B — not a VC stake
GV + CapitalG (venture arms)	portfolio	Harvey, Stripe, Databricks...	n/a

Reconciled to the Institute Brief 'Every Company Eventually Becomes a PE Firm'. SpaceX mark stepped up from ~\$25–35B (private rounds) to ~\$100–122B (planned IPO). Pre-IPO/unrealized, largely not balance-sheet-carried.

Correction to the brief: Alphabet is NOT an OpenAI investor — OpenAI is Microsoft-backed and a direct Gemini competitor. Alphabet's comparable AI bet is Anthropic.

WHAT BUFFETT SAID WHEN THEY MISSED IT

“We were using them at GEICO ... paying \$10 a click for something that at a marginal cost to them was exactly zero. And we just sat there sucking our thumbs.”

— Warren Buffett & Charlie Munger, Berkshire Hathaway 2017 Annual Meeting. Munger: “We screwed up ... We're ashamed. We atone.”

Nine years after that confession, in Greg Abel's first quarter, Berkshire finally bought the company it had watched pay-per-click its way to a trillion dollars. The circle of competence can be widened.

A top-five position that barely touched the engine

~87%

Position (cost) ÷ one quarter BRK OCF

~2.6%

÷ ~\$381B deployable subset

\$397.4B

BRK cash — a record, and still grew

Berkshire built a ~\$15.4B (cost) / ~\$16.6B (market) top-five equity holding using less than one quarter of operating cash — roughly two quarters of net cash after capex and buybacks — and the war chest still rose to an all-time high. As with TMHC, the point isn't the size of the buy; it's how much room is left over.

Three angles a reporter could write today

ANGLE 1

“The thumb-sucking is over: Berkshire finally buys the company Buffett spent a decade regretting.” Pair the 2017 GEICO confession with the 2025–26 purchase — the lesson learned, then acted on.

ANGLE 2

“No fire sale required: Berkshire funded a top-five tech bet out of a ~\$400B cash pile.” It didn't need to sell Apple to buy Alphabet — it tripled the stake and added \$10B more directly, all from the largest war chest in corporate history. A story about scale and conviction, not a forced rotation.

ANGLE 3

“A fair price for top-tier quality — with a pre-IPO venture fund hidden in the stock.” Berkshire paid a mid-pack ~29× multiple for above-average growth (63% cloud) plus ~\$350B+ in SpaceX/Anthropic/Waymo stakes thrown in.

Preferred attribution: “Phil Baratelli, Baratelli Institute.” Full quote sheet in the case PDF.

The bear case a serious Read must name

Antitrust

Search-distribution remedies could loosen the default placements that anchor the ad moat — the single biggest structural risk.

AI capex

Management raised the 2026 AI build to \$180–190B. If AI ROI disappoints, that is a genuine free-cash-flow risk, not a rounding error.

Search compression

The bear thesis could simply be right: generative answers may compress the high-margin query that funds everything.

A Berkshire Read names what could make the thesis wrong. These three are the watch-items for the published version.

THE READ

Berkshire corrected its single most-confessed mistake — and did it with discipline.

Library crosswalk: First Principles of Master Investing (circle of competence, a fair price for quality) · CFO & Controller's Technical Guide (Cloud margin inflection, capex vs FCF) · Three Masters' Library, free (the moat & capital-allocation bibliography).