

TMT

October 31, 2026
Global Equity Research

Internet Search and AI Platforms

Initiation of Coverage

Wrong Culprit, Real Problem: Initiating Neutral on Alphabet and Overweight on Reddit

GOOGL: Neutral, PT \$305. Reddit did not sink Alphabet; Alphabet did. The stock fell 12.6% on 29 October, the session after its own 3Q26 results and before Reddit had reported. Search and other revenue grew 12% against about 15% expected, paid clicks slowed from 13% to 8%, and free cash flow was -\$9.1bn on \$51.4bn of capex. Management tied part of the miss to lower monetisation of AI Mode queries. Search is not dying: it added \$6.8bn of revenue year on year, and query growth is the fastest in five years. Each query is earning less, though. Our 2027E EPS of \$12.44 is 19% below the pre-results consensus of \$15.36, and the stock trades on 22.5x our number. PT \$305 (+9%).

RDDT: Overweight, PT \$130. The call was not a "complete disaster". Revenue rose 53% to \$895M, ahead of guidance and consensus, the adjusted EBITDA margin reached 44.9% and free cash flow doubled. Users broke: search referrals fell by more than 1M a week in October, and Reddit warned that daily uniques could fall by a low-double-digit percentage in 4Q. Most of that loss is logged-out traffic, while logged-in and app users carry over 80% of monetisation. At 10.3x 2026E adjusted EBITDA and 16.8x GAAP EPS, with \$3.0bn of cash and no debt, a 29% fall prices a bigger revenue hit than the user loss implies. High risk: our bear case is \$67.

NBIS: Overweight, PT \$207 (unchanged). Nebius is a good stock but a poor hedge against Google. It fell 15.5% in the two sessions after Alphabet's and Microsoft's capex came in below expectations. Over the past year it has had 2.9x the Nasdaq-100 beta and 3.3x Alphabet's volatility.

Key Points

Google fell first

Alphabet reported on 28 October after the close; Reddit a day later. On Reddit's day, Alphabet fell 1.4%, beating the Nasdaq-100 (-3.5%) by 2.1pp. Across 10 Reddit results since 2024, Alphabet's abnormal return averaged +0.3% (t 0.4) and moved against Reddit's (correlation -0.42). On the 6 Reddit prints that disappointed, Alphabet beat the index 4 times.

Volume, not price, has carried Search

The claim that search growth is "inorganic" fit the first half of 2025, when cost per click rose 7-8% and clicks only 2-4%. Since 4Q25, paid clicks supplied 65-81% of the growth and cost per click only 3-5% (Exhibit 4). The 3Q26 slowdown was in clicks. Growth with flat users and rising prices describes Reddit better: US revenue +50% on US daily uniques -2%.

What trades, and what does not

Outside AI-search headlines cost Alphabet 1.5% on day 0 (t -2.2); the bounce afterwards is real but statistically weak. Drops on Alphabet's own results have not reversed within 20 days. This week was the second kind, so we would wait for 4Q results in early February and the 2027 capex figure.

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Symbol	PT (Previous)	Rating (Previous)	Price
GOOGL	• \$305.00 (NA)	Neutral (NA)	\$279.84
RDDT	• \$130.00 (NA)	Overweight (NA)	\$91.73
NBIS	— \$207.00 (\$207.00)	Overweight (Overweight)	\$154.14

Source: Yahoo Finance and K2 Capital. Prices at 30-Oct-26 close; Dec-27 PTs.

Price action	Mkt cap	Week	YTD	From high
GOOGL	\$3.44tn	(12.6%)	(10.4%)	(30.4%)
RDDT	\$18.5bn	(36.4%)	(60.1%)	(64.6%)
NBIS	\$44.3bn	(2.9%)	84.1%	(46.2%)
QQQ	-	(2.0%)	12.8%	-

Week: 23 to 30 Oct. From high: 52-week closing high. Alphabet's market cap uses all share classes (12.29bn shares).

K2 estimates	2026E	2027E	2028E
GOOGL EPS*	\$11.18	\$12.44	\$15.12
GOOGL P/E	25.0x	22.5x	18.5x
RDDT revenue (\$bn)	3.38	4.12	4.86
RDDT EV/EBITDA	10.3x	8.3x	6.9x

*Excluding gains and losses on equity securities (mainly SpaceX). Reddit EBITDA is adjusted.

Strategy	Verdict
Sell GOOGL on AI-search headlines	Avoid
Buy GOOGL after headline scares	Use selectively
Buy GOOGL after its own misses	Avoid
Trade GOOGL off Reddit's results	Avoid
Switch GOOGL into NBIS as a hedge	Avoid
Buy RDDT after traffic scares	Use selectively

See Exhibit 15 for the evidence behind each verdict.

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This time the scare is in Alphabet's own numbers

The quarter. 3Q26 revenue rose 25% to \$127.6bn, short of the \$128.2bn consensus, and EPS excluding the SpaceX mark was \$2.67 against \$3.02, the first miss on both lines in nearly four years. Search and other grew 12% after 19% in 1Q and 17% in 2Q. Management gave several reasons: lower monetisation of fast-growing AI Mode queries, which it says are mostly incremental; about 3pp from lapping last year's acceleration, with "a couple" more in 4Q; foreign exchange, which it called the largest single driver; and weaker Asian retail advertising. Cloud was the bright spot: revenue up 103% to \$30.7bn, a 36.2% margin and a \$561bn backlog, just over half due within 24 months.

The cash. Capex of \$51.4bn was \$4bn below consensus but still more than double a year ago. Free cash flow was negative for a second quarter running. The 2026 capex guide is unchanged at \$195-205bn, and 2027 will "increase significantly", with the figure due on the 4Q call. Alphabet has funded the gap with \$85bn of bond issuance in 2026 and the June equity package (up to \$84.75bn, including a \$40bn at-the-market programme with \$27.6bn left). It has bought back no stock this year, and the share count has risen 1.7% since December. Our 4Q26E Search growth of 9.5% and 2027E of 8% sit below the pre-results consensus.

Traffic is leaving publishers, not Google

The data on clicks is consistent: when an AI summary appears, users click a traditional link in 8% of visits versus 15% without one (Pew Research); 68% of US Google searches now end without a click (SparkToro, 2026); and search fell from 21% to 12% of North American publisher pageviews in a year (Chartbeat). Google's own share has not moved: 89.9% of worldwide searches in September, against 90.4% a year earlier (StatCounter). AI answers keep users on Google but, for now, earn less per query. That hurts Reddit's traffic and Alphabet's revenue growth at the same time. It does not mean search is dying. Courts have not helped publishers either: the Penske Media and Chegg suits over AI Overviews were dismissed on 30 September.

Reddit: users fell, revenue has not

US daily uniques fell 2% and logged-out US users 4%, while logged-in US users rose 1%. US revenue still grew 50% because US ARPU rose 53%. The 4Q guide of \$1.00-1.03bn (+38-42%) was about 3% below consensus at the midpoint. If logged-out users fell 20%, the direct revenue hit would be under 4%, since they account for less than 20% of monetisation. The bigger risks are slower logged-in growth, because logged-out visitors are the sign-up funnel, and the Google data licence (about \$60M a year), which is up for renewal in 1Q27.

Nebius is long Alphabet's capex

On Alphabet's six capex raises since 2025, Nebius averaged +1.0% against the Nasdaq-100 over two sessions. On the two prints without a raise it fell 2.5% and 11.2% (Exhibit 12). Selling Alphabet to buy Nebius swaps a search-monetisation risk for a capex-cycle risk, at 3.3x the volatility. A dollar-neutral long Nebius, short Alphabet pair returned +19% over the past year, with 109% volatility and a 52% drawdown.

Exhibit 1 - The Week, in Order

Session	Reacting to	GOOGL	RDDT	NBIS	QQQ
Mon 26	Anthropic S-1	(1.1%)	(4.0%)	(3.4%)	1.1%
Tue 27	No company news	1.2%	(1.4%)	11.2%	1.3%
Wed 28	Pre-results (report after close)	1.3%	(1.3%)	7.0%	0.6%
Thu 29	Alphabet's miss; Reddit reports after close	(12.6%)	(3.8%)	(5.7%)	(1.4%)
Fri 30	Reddit's warning; Amazon, Intel	(1.4%)	(29.2%)	(10.4%)	(3.5%)
Week	23 to 30 Oct	(12.6%)	(36.4%)	(2.9%)	(2.0%)

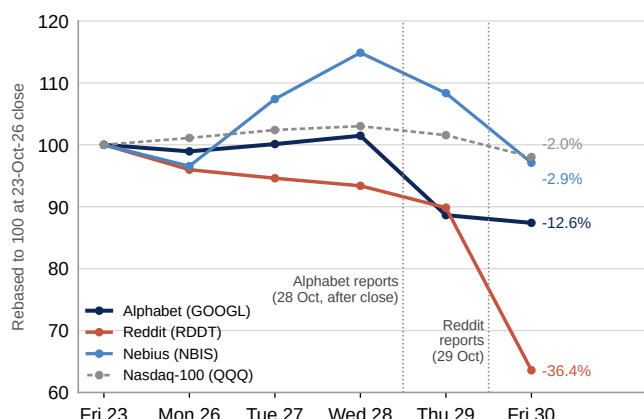
Source: Company releases and 8-K acceptance times, Yahoo Finance, K2 Capital. Daily close-to-close returns.

Exhibit 2 - Price Target Scenarios (Dec-27)

Ticker	Base	Bull	Bear	PT	Upside	Rating
GOOGL	\$315	\$458	\$179	\$305	+9%	Neutral
RDDT	\$133	\$216	\$67	\$130	+42%	Overweight
NBIS	\$218	\$470	\$13	\$207	+34%	Overweight

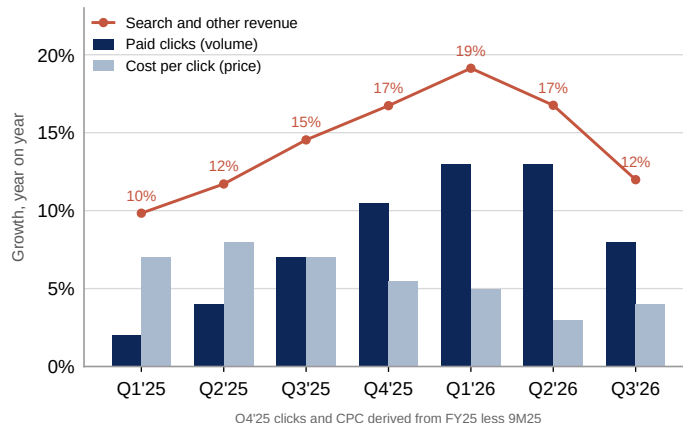
Source: K2 Capital estimates; Nebius from our 28 Oct 2026 report. Weights: base 50%, bull 20%, bear 30%. Alphabet's weighted value of \$303 is rounded to \$305.

Exhibit 3 - Alphabet Fell Before Reddit Reported



Source: Yahoo Finance, company 8-K acceptance times, K2 Capital.

Exhibit 4 - Search Growth: Clicks, Not Prices



Source: Alphabet 10-Q filings (Google properties monetisation metrics) and releases, K2 Capital.

Exhibit 5 - Alphabet Select Financials

Quarterly Segments, Margins, Monetisation Metrics and Balance Sheet (\$bn unless stated)

	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Q3'26
Search and other	54.19	56.57	63.07	60.40	63.27	63.35
% growth	11.7%	14.5%	16.7%	19.1%	16.8%	12.0%
YouTube ads	9.80	10.26	11.38	9.88	11.06	11.21
Network	7.35	7.35	7.83	6.97	7.30	7.46
Subscriptions, platforms and devices	11.20	12.87	13.58	12.38	12.91	14.29
Google Cloud	13.62	15.16	17.66	20.03	24.77	30.71
% growth	31.7%	33.5%	47.8%	63.4%	81.8%	102.6%
Total revenue	96.43	102.35	113.83	109.90	119.80	127.58
Cloud operating margin	20.7%	23.7%	30.1%	32.9%	35.6%	36.2%
Operating margin	32.4%	30.5%	31.6%	36.1%	34.0%	31.8%
EPS excl. equity gains (\$)	n.d.	n.d.	2.67	2.76	2.85	2.67
Paid clicks, y/y	4%	7%	~10%	13%	13%	8%
Cost per click, y/y	8%	7%	~6%	5%	3%	4%
Capex	22.45	23.95	27.85	35.67	44.92	51.36
Free cash flow	5.30	24.46	24.55	10.12	(5.86)	(9.07)
Cash and marketable securities*	95.1	98.5	126.8	126.8	242.5	265.1
Long-term debt	23.6	21.6	46.5	77.5	98.2	125.1

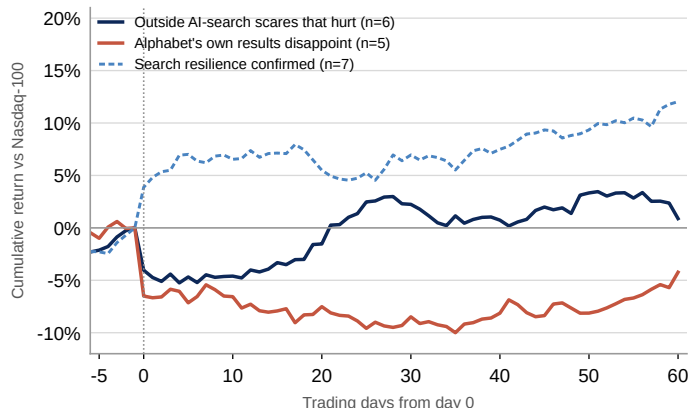
Source: Alphabet earnings releases and 10-Q filings. Q3'25 operating margin includes a \$3.5bn EC fine; Q4'25 a \$2.1bn Waymo charge. Q4'25 clicks and CPC derived from full-year figures.
*Includes \$90.4bn of marketable equity at Q3'26, of which \$75.2bn is SpaceX stock.

Exhibit 6 - Clicks Fall, Google's Share Holds

Source	Measure	Reading
Pew Research (Mar-25 searches)	Click a traditional result: with AI summary / without	8% / 15%
SparkToro, Similarweb panel (2026)	US Google searches ending with no click	68% (2024: 60%)
Chartbeat (3Q26)	Search share of N. American publisher pageviews	12% (3Q25: 21%)
StatCounter (Sep-26)	Google share of searches: worldwide / US	89.9% / 85.2%
StatCounter (Sep-25)	Google share of searches: worldwide / US	90.4% / 85.0%
Alphabet (3Q26 call)	Query growth	Fastest in 5 years
Reddit (Oct-26 letter)	Search referrals in October	Down >1M a week

Source: Pew Research (Jul-25), SparkToro (Jun-26), Chartbeat (Oct-26), StatCounter, Alphabet and Reddit 3Q26 documents.

Exhibit 7 - After the Scare: Average Paths



Source: Yahoo Finance, K2 Capital. Events with a full 60-day window. Cumulative from the close before day 0.

Exhibit 8 - AI-Scare Event Statistics

vs QQQ	Headlines	Hurt >2%	Own miss	Resilience
Day 0: mean	(1.5%)	(3.9%)	(6.5%)	3.9%
positive	5 of 17	0 of 7	0 of 5	7 of 7
t-statistic	-2.2	-5.0	-13.6	2.9
+1 to +5: mean	(0.7%)	(0.3%)	(0.6%)	3.1%
positive	10 of 16	5 of 7	2 of 5	5 of 7
t-statistic	-0.7	-0.2	-0.3	2.0
+1 to +20: mean	(0.5%)	2.3%	(1.0%)	1.6%
positive	7 of 16	4 of 7	2 of 5	5 of 7
t-statistic	-0.3	0.9	-0.6	0.6
+1 to +60: mean	2.3%	4.9%	2.3%	8.2%
positive	8 of 15	4 of 6	2 of 5	5 of 7
t-statistic	0.7	0.7	0.5	1.5

GOOGL minus QQQ, summed over the window (trading days). Day 0 is the first session able to react. Hurt: day-0 abnormal return below -2%.

Source: K2 Capital calculations.

Exhibit 9 - Alphabet Around AI-Search Events, November 2022 to October 2026

Day 0	Event	GOOGL	vs QQQ	+1 to +5	+1 to +20	+1 to +60
Outside AI-search headlines (all 17 we identified)						
30-Nov-22	ChatGPT public launch	6.1%	1.5%	(1.7%)	(3.8%)	(10.7%)
21-Dec-22	Press: Google declares "code red"	0.6%	(0.8%)	1.4%	5.4%	4.2%
23-Jan-23	Microsoft extends OpenAI investment	1.8%	(0.4%)	(3.3%)	(9.3%)	(4.4%)
07-Feb-23	Microsoft unveils ChatGPT-powered Bing	4.6%	2.5%	(11.4%)	(8.9%)	(4.1%)
08-Feb-23	Bard demo answers wrongly	(7.7%)	(5.9%)	(3.9%)	(3.3%)	0.6%
17-Apr-23	Press: Samsung weighs Bing as default	(2.7%)	(2.7%)	0.9%	7.2%	(0.8%)
15-Feb-24	Press: OpenAI building a search product	(2.2%)	(2.5%)	0.3%	(0.8%)	15.8%
25-Jul-24	OpenAI announces SearchGPT	(3.1%)	(2.0%)	1.7%	(5.7%)	(9.9%)
31-Oct-24	ChatGPT search launches	(1.9%)	0.6%	(0.4%)	(6.2%)	9.0%
25-Feb-25	Chegg sues Google over AI Overviews	(2.1%)	(0.9%)	0.9%	1.2%	(3.8%)
07-May-25	Apple: Safari searches fell in April	(7.3%)	(7.7%)	1.8%	2.5%	10.4%
09-Jul-25	Perplexity Comet browser launches	1.3%	0.6%	3.4%	8.6%	25.2%
21-Oct-25	OpenAI Atlas browser launches	(2.4%)	(2.3%)	3.2%	15.5%	26.6%
16-Jan-26	OpenAI to test ads in ChatGPT	(0.8%)	(0.8%)	0.3%	(5.5%)	0.0%
05-Aug-26	People Inc: Google traffic down 40%	(4.0%)	(3.1%)	(6.2%)	(6.0%)	(23.0%)
23-Sep-26	Meta assistant tops App Store; AI price cuts	(3.8%)	(3.0%)	2.0%	1.3%	-
30-Oct-26	Reddit 3Q26: search referrals fall	(1.4%)	2.1%	-	-	-
Alphabet results with a day-0 abnormal return below -3%						
26-Oct-22	3Q22: Search slows to 4%	(9.1%)	(6.9%)	(4.1%)	0.2%	(0.3%)
25-Oct-23	3Q23: Cloud misses	(9.5%)	(7.1%)	(1.2%)	(1.0%)	(3.2%)
31-Jan-24	4Q23: advertising misses	(7.5%)	(5.5%)	0.3%	(6.2%)	17.9%
05-Feb-25	4Q24: Cloud misses; capex \$75bn	(7.3%)	(7.7%)	(4.3%)	(2.8%)	(8.1%)
23-Jul-26	2Q26: capex raised to \$195-205bn	(7.1%)	(5.2%)	6.1%	4.7%	5.0%
29-Oct-26	3Q26: Search +12%, clicks +8% (not in averages)	(12.6%)	(11.2%)	-	-	-
Search resilience confirmed						
10-May-23	Google I/O: generative search	4.1%	3.0%	6.1%	0.8%	2.5%
24-Jul-25	2Q25 results: Search +12%	1.0%	0.8%	(0.1%)	4.3%	21.7%
03-Sep-25	Search remedies: no break-up	9.1%	8.3%	1.9%	0.5%	26.0%
30-Oct-25	3Q25 results: Search +15%	2.5%	4.0%	3.5%	14.4%	17.1%
18-Nov-25	Gemini 3 launch	(0.3%)	1.0%	11.1%	4.0%	5.6%
12-Jan-26	Apple picks Gemini for Siri	1.0%	0.9%	0.1%	(1.5%)	(1.0%)
30-Apr-26	1Q26 results: Search +19%	10.0%	9.0%	(0.6%)	(11.1%)	(14.8%)

GOOGL: raw day-0 return. Other columns: return versus QQQ. Headline events: every outside AI-search scare we could date; none removed for its outcome. Some overlap other news (30-Nov-22 Fed rally; 25-Jul-24 post-results selling; 31-Oct-24 sector sell-off).

Source: Company releases, press reports as dated, court records, Yahoo Finance, K2 Capital.

Exhibit 10 - Reddit's Results Do Not Move Alphabet

Reddit day 0	RDDT vs QQQ	GOOGL vs QQQ	Same sign?
08-May-24	4.1%	(1.0%)	No
07-Aug-24	(5.7%)	1.5%	No
13-Feb-25	(6.8%)	(0.1%)	Yes
02-May-25	(5.7%)	0.2%	No
01-Aug-25	19.4%	0.5%	Yes
31-Oct-25	7.0%	(0.6%)	No
06-Feb-26	(9.5%)	(4.6%)	Yes
01-May-26	12.1%	(0.7%)	No
31-Jul-26	(21.6%)	6.1%	No
30-Oct-26	(25.7%)	2.1%	No
GOOGL mean / t		0.3% / 0.4	3 of 10
Correlation		-0.42	

Abnormal returns vs QQQ on day 0. Shaded: Reddit disappointed (below -5%). Excludes 30-Oct-24, when both reported the same evening. Reverse test, RDDT on Alphabet's results days: mean +0.1%, correlation 0.11.

Source: Yahoo Finance, K2 Capital.

Exhibit 11 - The Switch: Risk, Not a Hedge

Past 12 months (251 sessions)	GOOGL	NBIS	RDDT
Return	(0.3%)	24.1%	(52.8%)
Annualised volatility	34%	110%	75%
Beta to Nasdaq-100	0.80	2.91	1.35
Worst 5% of days	(2.9%)	(10.2%)	-
Correlation with GOOGL	1.00	0.18	0.26

Long \$1 NBIS / short \$1 GOOGL	Return	Vol	Max DD
Daily rebalanced	18.5%	109%	(52%)

Daily returns, 31 Oct 2025 to 30 Oct 2026. Worst 5%: 5th percentile daily return.

Source: Yahoo Finance, K2 Capital calculations.

Exhibit 12 - Nebius Trades on Alphabet's Capex

Day 0	Alphabet capex guidance	GOOGL vs QQQ	NBIS vs QQQ, day 0	NBIS vs QQQ, days 0 to +1
05-Feb-25	2025 guide \$75bn (2024: \$53bn)	(7.7%)	(2.1%)	(0.8%)
25-Apr-25	\$75bn reaffirmed	0.6%	(1.0%)	(2.5%)
24-Jul-25	Raised to \$85bn	0.8%	0.3%	(1.4%)
30-Oct-25	Raised to \$91-93bn	4.0%	0.8%	5.7%
05-Feb-26	2026 guide \$175-185bn	0.9%	(8.9%)	5.5%
30-Apr-26	Raised to \$180-190bn	9.0%	(3.0%)	7.8%
23-Jul-26	Raised to \$195-205bn	(5.2%)	3.2%	(10.7%)
29-Oct-26	Unchanged; 3Q \$4bn below consensus	(11.2%)	(4.3%)	(11.2%)

Shaded: no raise. 29 Oct 2026 also carried Microsoft's capex shortfall (\$45.2bn vs \$50.7bn expected). Eight events; illustrative only.

Source: Alphabet results releases and calls, 24/7 Wall St. (29 Oct 2026), Yahoo Finance, K2 Capital.

Exhibit 13 - Reddit 3Q26: Users Down, Revenue Up

Reddit	3Q26	3Q25	y/y
Revenue (\$M)	895	585	+53%
Advertising / other (\$M)	847 / 48	549 / 36	+54% / +35%
DAUq, global (M)	130.3	116.0	+12%
DAUq, US (M)	50.7	51.6	-2%
Logged-in, US (M)	23.4	23.1	+1%
Logged-out, US (M)	27.3	28.5	-4%
Logged-out, international (M)	49.5	37.3	+33%
ARPU, US (\$)	13.82	9.04	+53%
Adj. EBITDA margin	44.9%	40.3%	+4.6pp
Free cash flow (\$M)	363	183	+98%
4Q26 guide: revenue (\$M)	1,000-1,030	~725	+38-42%

Source: Reddit 3Q26 shareholder letter, release and 10-Q. DAUq: daily active uniques. 4Q25 revenue implied by the guided growth rate.

Exhibit 14 - Reddit After Traffic Scores

Day 0	Traffic score	Day 0	+1-5	+1-20	+1-60
13-Feb-25	4Q24: Google algorithm change	(6.8%)	(18.4%)	(29.9%)	(43.6%)
10-Mar-25	Traffic data; market sell-off	(16.0%)	15.1%	1.1%	8.2%
21-May-25	Broker cuts on AI search	(7.9%)	11.7%	36.1%	85.3%
01-Oct-25	ChatGPT citations fall	(12.4%)	(1.4%)	(0.4%)	11.5%
06-Feb-26	4Q25: logged-in growth slows	(9.5%)	1.9%	1.0%	13.9%
22-Jul-26	Press: may cut off Google AI	(7.8%)	10.9%	(8.4%)	(3.3%)
31-Jul-26	2Q26: referrals "choppy"	(21.6%)	9.7%	6.7%	(1.0%)
30-Oct-26	3Q26: DAUq warning	(25.7%)	-	-	-
Mean		(13.5%)	4.2%	0.9%	10.2%
Median		(11.0%)	9.7%	1.0%	8.2%

RDDT minus QQQ, summed. The 13-Feb-25 window includes the April 2025 tariff sell-off, 21-May-25 the subsequent recovery.

Source: Company releases, press reports as dated, Yahoo Finance, K2 Capital.

Price Target Calculation and Key Risks

Alphabet Inc. (GOOGL)

Investment Thesis

We initiate on Alphabet at Neutral. The franchise is intact: Search and other revenue was \$63.4bn in 3Q26, up 12%, Google's share of searches is steady at about 90%, and the Gemini app has about 1bn users. Cloud has become a second engine, with revenue doubling, a 36.2% margin, a \$561bn backlog and a growing business selling TPUs to customers including Anthropic, whose S-1 shows at least \$114.5bn of commitments to Google through 2033. The problem is per-query economics and cash. AI Mode answers longer queries for fewer clicks, and management says it monetises below traditional search for now. Capex of \$195-205bn this year, rising "significantly" in 2027, has turned free cash flow negative, and Alphabet is funding itself with debt (\$125bn of long-term debt, up from \$47bn in December) and new shares, not buying them back. The stock is down 30% from its May high and below every published price target we found, but on our estimates it is not yet cheap at 22.5x 2027E EPS.

Base Case/PT

4Q26E revenue of \$140.0bn (Search +9.5%, Cloud \$35.0bn) gives 2026E revenue of \$497.2bn, a 33.1% operating margin and EPS excluding equity gains of \$11.18. For 2027E we assume Search +8%, YouTube +9%, subscriptions +11% and Cloud +55%, for revenue of \$588.4bn (+18%). Cloud earns a 38% margin and the rest of Alphabet, after Other Bets and central AI costs, 29.5% (2026E: 32.4%), as depreciation absorbs the capex. That gives a 32.0% group margin and EPS of \$12.44 on 12.47bn shares, after preferred dividends and the rest of the at-the-market programme. For 2028E: revenue \$686.6bn, a 33.5% margin and EPS of \$15.12. At 20x 2028E EPS (\$302) plus equity stakes at 70% of their \$219bn carrying value (\$12 a share; mainly SpaceX and non-marketable holdings), the base case is \$315. Weighting base 50%, bull 20% and bear 30% gives \$303; our Dec-27 PT is \$305.

Bull Case/PT

AI Mode ads close the monetisation gap and Search grows 12% in 2027 and 11% in 2028; Cloud grows 70% and 50% at a 43% margin. 2028E EPS \$18.45 at 24x, stakes at 85%. Bull case value \$458.

Bear Case/PT

Clicks keep slowing and Search grows 3% in 2027 and 0% in 2028; Cloud slows to 38% and 25% as third-party compute squeezes its margin to 32%. 2028E EPS \$10.66 at 16x, stakes at 50%. Bear case value \$179.

Risks

Upside risks: (1) faster AI Mode ad monetisation; (2) faster conversion of the Cloud backlog and TPU system sales; (3) a higher mark on the Anthropic stake at its listing, reportedly targeted for the week of 16 November; (4) a lower 2027 capex figure or a restart of buybacks. Downside risks: (1) paid clicks growing below 5%; (2) 2027 capex above \$300bn; (3) the DOJ's cross-appeal in the search case, seeking a ban on default payments to Apple and others; (4) EU Digital Markets Act penalties of up to 5% of daily turnover.

Reddit, Inc. (RDDT)

Investment Thesis

We initiate on Reddit at Overweight, with high risk. The 3Q26 loss of search referrals is real and may get worse: Reddit's CEO said AI Mode "does not drive traffic", and the company expects daily uniques to fall in 4Q. But Reddit's revenue comes from logged-in and app users, who carry more than 80% of monetisation and grew in 3Q. Revenue rose 53% with a 44.9% adjusted EBITDA margin, free cash flow was \$363M in the quarter, and Reddit has \$3.0bn of cash, no debt and \$660M left on its buyback. After a 36% fall this week, the stock trades on 10.3x 2026E adjusted EBITDA.

Base Case/PT

2026E revenue of \$3.38bn (+53%) and adjusted EBITDA of \$1.51bn, using the 4Q guidance midpoints. Revenue growth slows to 22% in 2027E (\$4.12bn) and 18% in 2028E (\$4.86bn), as falling logged-out reach slows sign-ups and ARPU gains moderate. EBITDA margins of 45% and 46% give 2028E EBITDA of \$2.24bn. At 10x, plus \$4.4bn of year-end 2027 cash, on 202M diluted shares, the base case is \$133. Weighting base 50%, bull 20% and bear 30% gives our Dec-27 PT of \$130.

Bull Case/PT

Logged-in growth recovers, the Google licence renews on better terms and international ARPU keeps compounding: revenue +32% and +25%, margins 48% and 50%, 14x 2028E EBITDA. Bull case value \$216.

Bear Case/PT

The traffic loss spreads to logged-in users and the licence lapses: revenue +8% and +3%, margins 38% and 36%, 7x. Bear case value \$67.

Risks

Downside risks: (1) more Google changes, such as making AI Mode the default search experience; (2) a 4Q decline in daily uniques worse than low double digits; (3) the Google data licence renewal in 1Q27; (4) lost reach if Reddit moves to logged-in-only access (testing starts in select non-US markets in 4Q); (5) stock-based compensation (\$322M in 9M26).

Nebius Group N.V. (NBIS)

We reiterate Overweight and our \$207 Dec-27 PT from our 28 October report (base \$218, bull \$470, bear \$13). The stock is 15% lower since then, mostly on Microsoft's and Alphabet's capex coming in below expectations on 29 October, which raises the upside to our PT to +34%. Nothing in this week's news changes our thesis on its own funding and capacity. Investors should treat it as a separate, higher-volatility position, not as an alternative to Alphabet. Downside risks are unchanged: capital markets, customer concentration (three customers were 59% of 2Q26 revenue), execution on more than 1 GW a year and dilution. 3Q26 results are due around 10-12 November.

What Would Make Us Wrong?

We would revisit our ratings if any of the following occur:

- 1. Search re-accelerates.** If Alphabet's 4Q26 Search and other revenue grows 12% or more with paid clicks up 10% or more, AI Mode is not diluting monetisation as we assume, and we would move to Overweight.
- 2. Capex discipline returns.** If Alphabet guides 2027 capex below \$230bn, or restarts buybacks before mid-2027, our bear-case weight on GOOGL is too high.
- 3. Search does break.** If Search and other growth falls below 5% in any 2027 quarter, or Google's US share of searches (StatCounter) falls below 80%, the bearish case is right and our Neutral is too generous.
- 4. Reddit's monetised base shrinks.** If Reddit's US logged-in DAUq falls year on year in 4Q26 or 1Q27, or 4Q26 revenue is below \$1.00bn, our Overweight is wrong.
- 5. The licence lapses.** If the Google data licence is not renewed by the end of 1Q27 and Reddit's other revenue falls below \$35M a quarter, our bull case is gone.
- 6. The read-across becomes real.** If GOOGL's abnormal return on Reddit's next two results days moves in the same direction as RDDT's by more than 2pp each time, Reddit has become a signal for Alphabet.

Signposts

Around 10-12 Nov: Nebius 3Q26 results. Week of 16 Nov: Anthropic's reported listing target, a mark for Alphabet's stake. 9 Dec: earliest date requested for oral argument in the search case appeal. Early February 2027: Alphabet 4Q26 results, with Search growth after the lapping headwind and the 2027 capex figure; Reddit 4Q26 results, with the first full quarter of the traffic decline. 1Q27: Google and Reddit data licence renewal. Through 2027: the rest of Alphabet's \$27.6bn at-the-market programme.

Exhibit 15 - Strategy Scorecard

Strategy	Evidence	Verdict
Sell GOOGL on AI-search headlines	The damage is done on day 0 (-1.5%, t -2.2); over the next 60 days GOOGL averaged +2.3% vs QQQ	Avoid
Buy GOOGL after headline scares	After scares that cost more than 2%: +2.3% over 20 days and +4.9% over 60, 4 of 6 positive; t below 1	Use selectively
Buy GOOGL after its own misses	Days +1 to +20 averaged -1.0%, 2 of 5 positive; this week's fall is of this kind	Avoid
Trade GOOGL off Reddit's results	GOOGL averaged +0.3% on Reddit's results days; correlation -0.42	Avoid
Switch GOOGL into NBIS as a hedge	NBIS beta 2.9, 3.3x GOOGL's volatility; pair drawdown 52%; fell 15% on this week's capex news	Avoid
Buy RDDT after traffic scares	Days +1 to +5 averaged +4.2% (5 of 7 positive); 60-day outcomes ranged from -44% to +85%	Use selectively

Verdicts: Implement (we expect the strategy to add value after costs), Use selectively (in defined circumstances only), Avoid. Small samples throughout.

Exhibit 16 - This Week's Claims, Checked

Claim circulating this week	Verdict	Evidence
Reddit's call was a complete disaster	Overstated	Revenue +53% beat; EPS, EBITDA and FCF beat. Users and the 4Q guide missed.
Reddit fell about 30% on the day	Confirmed	-29.2% on 30 Oct, its largest one-day fall since listing.
Reddit's CEO said Google's AI sends no traffic and nobody clicks	Overstated	He said AI Mode "does not drive traffic"; referrals are down, not gone (76.8M logged-out DAUq). He also cited lower ranking of machine-translated pages.
Google sold off this week because of Reddit	Wrong	GOOGL fell 12.6% on 29 Oct on its own results; Reddit reported that evening. On 30 Oct GOOGL beat QQQ.
Search growth is inorganic, squeezing existing customers	Wrong since 4Q25	Clicks (volume) supplied 65-81% of growth; CPC +3-5%. It fit 1H25 (CPC +7-8%, clicks +2-4%).
Search is dying	Overstated	Search +12% (\$6.8bn added y/y); query growth fastest in five years; share about 90%. Monetisation per query is falling.
Pure-play AI like Nebius is the better place	Not a hedge	NBIS fell 15% on the same capex news; 3.3x GOOGL's volatility.

Source: Reddit and Alphabet 3Q26 releases, letters, 10-Qs and call transcripts; 8-K acceptance times; Yahoo Finance; K2 Capital.

Important Disclosures

Analyst Certification

The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject companies and their securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific ratings or views expressed in this report.

Rating Definitions

Overweight: over the duration of the price target, we expect the stock to outperform the total return of the relevant benchmark, which for Alphabet and Reddit is the S&P 500. **Neutral:** we expect the stock to perform in line with it. **Underweight:** we expect the stock to underperform it. Nebius is rated against the unweighted average expected total return of our neocloud coverage, as set out in our report of 28 October 2026. Price targets are set for the period stated and are based on the methodology and risks described in this report. Strategy verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs).

Rating Distribution

(As of October 31)	% of coverage	Companies
Overweight	66.67%	2
Neutral	33.33%	1
Underweight	0.00%	0

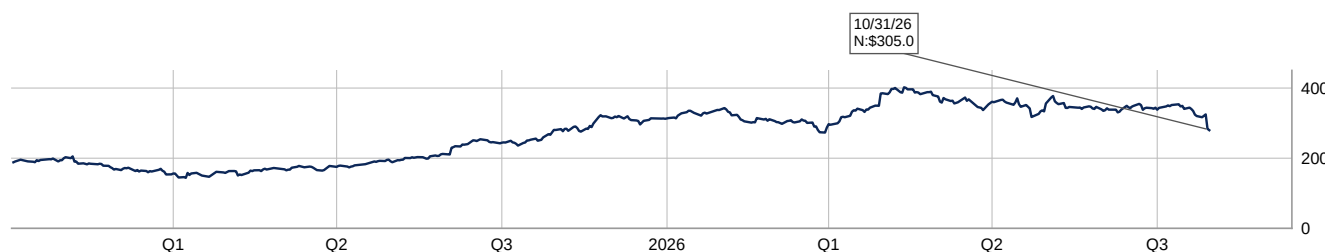
Rating History

Date	Company	Rating	Price (\$)	Price Target (\$)
28-Oct-26	Nebius (NBIS)	Overweight (initiation)	182.34	207.00
31-Oct-26	Nebius (NBIS)	Overweight	154.14	207.00
31-Oct-26	Alphabet (GOOGL)	Neutral (initiation)	279.84	305.00
31-Oct-26	Reddit (RDDT)	Overweight (initiation)	91.73	130.00

Positions and Conflicts

K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the companies discussed in this report or related instruments, including positions inconsistent with its ratings.

Rating and Price Target History for: Alphabet Inc. (GOOGL) as of 10-31-2026



Created by: K2 Capital

Rating and Price Target History for: Reddit, Inc. (RDDT) as of 10-31-2026



Created by: K2 Capital

Rating and Price Target History for: Nebius Group N.V. (NBIS) as of 10-31-2026



Created by: K2 Capital

Sources and Methodology

Prices are as of the close on 30 October 2026 unless stated. Daily prices for Alphabet, Reddit, Nebius and the Nasdaq-100 (QQQ) are from Yahoo Finance. Company information is from SEC filings and company documents: Alphabet's 3Q26 Form 10-Q and Exhibit 99.1 (28 October 2026), earlier 2025-26 results releases, 10-Q filings and call transcripts, and its June 2026 offering releases; Reddit's 3Q26 shareholder letter, results release, Form 10-Q and call transcript (29 October 2026), earlier results releases and its 2024 Form S-1; Anthropic's Form S-1 (26 October 2026); and Nebius's filings as cited in our 28 October 2026 report. Release times are from EDGAR acceptance records. Third-party traffic data are from Pew Research (July 2025), SparkToro using Similarweb panel data (June 2026), Chartbeat (October 2026) and StatCounter. Court and regulatory information is from court records as reported and European Commission releases. Consensus estimates and analyst actions are from LSEG, FactSet, MarketBeat and press reports (Reuters, CNBC, Investing.com, Yahoo Finance, 24/7 Wall St.) as dated. Event-study returns are stock returns less Nasdaq-100 (QQQ) returns, close to close, with day 0 the first session able to react; windows are summed. Paid-click and cost-per-click growth for 4Q25 is derived from full-year and nine-month disclosures. Earnings estimates, scenarios and price targets are K2 calculations using the stated assumptions. Estimates are K2 Capital's and are subject to change without notice.

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