

Alphabet's Acquisition of Intersect

Alphabet's Power Move: A New Chapter With \$4.75bn Intersect Deal

Transaction Highlights: On December 22, 2025, Alphabet announced that it would be acquiring data center and energy infrastructure company Intersect Power for \$4.75 billion. Alphabet will pay in all cash, along with the assumption of debt, for Intersect's ongoing data center projects, multiple gigawatts of energy, and the Intersect team. The deal is expected to close in the first half of 2026.

Intersect's operations will remain separate, under its own brand and chief executive, while grid assets contracted to other customers in Texas and California will remain outside of the purchase. A portion of Intersect's assets will be bought out by existing investors and operated as a separate company.

Alphabet established a strategic partnership with Intersect through a minority stake in a strategic seed funding round in December 2024 for roughly \$800 million, alongside TPG Rise Climate. This partnership was focused on co-located clean energy, setting a multi-year investment target of approximately ~\$20 billion in related infrastructure.

Morgan Stanley acted as the lead sell-side advisor to Intersect Power, and was co-advised by JP Morgan and Bank of America. Alphabet used its internal corporate development team to facilitate the transaction.

Rationale:

In contrast to the minority stake, where Alphabet only benefited from co-located clean energy sources that were attached to its data centers, this acquisition provides Alphabet with structured access and preferential rights to a majority of Intersect's power and infrastructure pipeline, including both in-progress and completed projects. This allows for faster data center build-out, synchronizing new power plants with new data-center loads and enabling "more data center and generation capacity to come online, faster."

This is especially important as Google has plans to improve its AI model and chatbot Gemini while increasing spending on computing power for AI in 2026, with capital expenditures increasing to \$91 billion to \$93 billion this year from \$52.5 billion in 2024.

Alphabet now secures long-term access to several gigawatts of largely clean energy assets, and this vertical integration enables Alphabet to manage power costs and volatility, rather than relying solely on utility tariffs and PPAs. Drastic increases in AI workloads have greatly strained the electric grid, allowing Alphabet to sidestep any grid bottlenecks.

Especially as competitors such as OpenAI are rapidly scaling data center infrastructure, this acquisition provides Google with reliable access to clean sources of energy that power its data centers and increase capacity that serve as an edge over competitors.

Valuation: Following this transaction, we expect the accretion of 3.20%.



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Energy | Renewable Energy
Development
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Transaction value:	\$4.75bn
EPS Target:	\$10.45

Current EPS:	\$10.13
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Potential Accretion:	3.2%
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Ticker:	SGOOG
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Company Overviews

Acquirer (Alphabet): Alphabet is a large multinational technology conglomerate headquartered in Mountain View, CA. It is commonly known as Google's parent company, and its subsidiaries are classified into 3 different segments: Google Services (its core search and advertising business, along with Android, Chrome, Google Maps, Google Play, YouTube, and Gemini), Google Cloud, and Other Bets (emerging-stage businesses, including Waymo, Nest, and DeepMind).

Over the last 12 months, Alphabet raked in \$385.5 billion of revenue and boasted a strong EBITDA margin of 37.7%, making it the third largest tech company in the world. It crossed \$100 billion in quarterly revenue for the first time in Q3 2025, with net income up 35% YoY as of Q3 2025. LTM cash flow around Q3 was roughly \$73-73 billion, underscoring strong cash generation, which is used to fund AI and infrastructure expansion as well as other emerging business areas, particularly other bets. Alphabet shares rallied 65% to mark its best year since 2009, beating all eight tech companies valued at over \$1 trillion and serving as a testament to Google's continued momentum with its various AI products and announcements. Google increased its capital expenditure guidance from ~\$85 billion to \$91-93 billion, and seeks to accelerate search revenue in Q4 2025.

Target (Intersect Power): Intersect is a clean energy company established in 2016 and headquartered in San Francisco, CA that specializes in developing, owning, and operating large-scale renewable energy infrastructure focused on integrating power generation and storage solutions for large-scale industrial applications, primarily data centers. It develops grid-tied clean energy sources (e.g., solar PV, battery storage) and co-located facilities for energy-intensive loads like data centers and e-fuels. Intersect particularly combines wind, solar, battery storage, and flexible gas generation to deliver low-cost power at scale, operating 2.2 GW of solar PV and 2.4 GWh of battery storage across projects in operation or in construction, representing ~\$4 billion in capital expenditure.

Intersect had expansion targets of 4 GW of solar PV and 10 GWh of battery storage in 2025. Texas and California serve as Intersect's core markets, with various battery storage and solar facilities in these states, among co-located facilities across the country.

Intersect's total asset base stands at \$15 billion of energy assets currently in operation or under construction across the U.S. It has raised more than \$2.1 billion in corporate equity from major investors, including Alphabet, TPG Rise, Climate Adaptive Infrastructure, and Greenbelt Partners. Given that Intersect is private, there is limited publicly available information on its financial performance; however, it garnered \$35 million in revenue for the 12 months ending July 2025.

Investment Theses

We believe this is a good deal for Alphabet, with strong strategic rationale and a 3.2% potential accretion of its EPS.

Sustainability Spike: Given that companies are scrambling in an "AI race" to continuously train and develop new models, the power grid is significantly strained. Goldman Sachs forecasts data centers' demand for power to accelerate 175% by 2030 (relative to 2023 levels). While an obvious upside from this acquisition is that Google has complete control over Intersect's assets and can use them to fuel its own infrastructure expansion and AI workloads, Alphabet can reap the benefits of Intersect's assets serving as sustainable energy sources. Fast-growing AI and cloud data centers add large, concentrated loads faster than the grid can build new

generations and wires, which risks congestion, higher prices, and reliability problems. This greatly affects AI capacity ramps and revenue for cloud providers, and compute costs greatly increase as these firms source power from expensive or high-emissions peakers. Fossil-based grids, which include grids powered by coal and natural gas (the best alternative), expose data centers to fuel price swings, which can raise operating expenses and make long-term AI and compute economics less stable. Intersect's co-located energy parks mean that a big share of a data center's consumption is served by nearby renewables and batteries, so less power must be pulled through congested regional transmission lines at peak times. It also allows for cheaper power, faster capacity, and a cleaner footprint that allows Google to quickly scale its infrastructure compared to its competitors.

Location, Location, Location: Investors may be skeptical given that Alphabet does not gain control over Intersect's already operating assets, including operating solar/storage sites in Texas, and its operating and in-development projects in California that make up ~\$4B in investment. However, Alphabet will gain control over Intersect's project pipeline, including the company's inaugural co-located data center and power site in Haskell County, TX. Alphabet significantly benefits from the location of Intersect's projects, specifically that they are situated in rural areas (as seen with its existing Texas and California projects). Alphabet's competitors rely on quick utility connections, such as Microsoft, where its Iowa data center customers had to pay billions in upgrade costs, as per state regulators, and had projects stalled. Similarly, Apple's North Carolina data hub drew strong criticism, with Charlotte utilities asking Apple to offset shortfalls. This provides Alphabet with a strong advantage against public policy risk that has stalled competitors, especially due to recent outrage among consumers as utility companies have passed on the high energy costs to power data centers to them (as seen in Virginia earlier in 2025).

Projections

Acquirer Financial Profile	
Fully Diluted Shares Outstanding	12,086.0
Current Share Price	\$313.00
Equity Value	\$3,782,918
EPS (TTM)	\$10.13
P/E Multiple	30.9x

Transaction Assumptions	
Offer Price Per Share	\$4,750.00
% Offer Premium	--
Offer Value (1)	\$4,750

Pro Forma Financials	
Consolidated EBT	\$153,148
Less: Interest Expense and Financing Fees	--
Less: Transaction Fees	(119)
Plus: Synergies, net	5,000
Less: Incremental Depreciation	(114)
Pro Forma Adjusted EBT	\$157,915
Less: Taxes	(31,583)
Pro Forma Net Income	\$126,332

Target Financial Profile	
Fully Diluted Shares Outstanding	1
Current Share Price	\$4,750.00
Equity Value	\$4,750
EPS Estimate (2)	\$87.50
P/E Multiple	54.3x

Form of Consideration	
% Stock	--
% Cash	100.0%

Pro Forma EPS	
Pro Forma Net Income	\$126,332
Pre-Deal Acquirer Shares Outstanding	12,086
Plus: New Shares Issuances	--
Pro Forma Diluted Shares	12,086

Pro Forma EPS	\$10.45
% Accretion / (Dilution)	3.2%

Post-Merger Outlook

Short-term: Alphabet is paying \$4.75 billion in cash and assuming Intersect's project-level and corporate debt, meaning consolidated gross debt and interest expense will rise modestly against a very strong balance sheet. However, given Alphabet's sizable cash and low net leverage pre-deal, the impact on credit metrics should be limited and manageable. Additionally, Intersect has historically financed its 1.2 GW+ of operating solar and multi-GWh storage with construction debt, tax equity, term debt and a revolving credit facility of up to \$800

million, meaning that Intersect already operates with high, asset-backed leverage typical of mature infrastructure assets rather than relying primarily on equity. Given that these liabilities are usually non-recourse, this shouldn't impact Alphabet's core businesses. Intersect's multiple gigawatts of energy and data center projects will add to Alphabet's near-term capex and execution load. Integration will focus on aligning Intersect with Google's technical infrastructure team while keeping it as a distinct brand under founder Sheldon Kimber, which should help retain development talent and project continuity. The acquisition has the immediate upside of reducing power-related delays, propelling Alphabet's top-line growth in its AI-adjacent segments.

Long-term: Alphabet is effectively internalizing portions of power-purchase obligations into owned or controlled generation and storage assets, which changes the mix of off-balance-sheet PPA commitments versus on-balance-sheet infrastructure debt. If Alphabet continues to scale this model, consolidated leverage may increase, but it would be supported by long-lived assets and contracted cash flows that provide stable, predictable earnings. This strategy reduces Alphabet's dependency on congested transmission networks and external utilities by co-locating renewables, storage and flexible gas with data centers, lowering long-term operational and security risk around grid bottlenecks and curtailment. Over time, stable, asset-backed cash flows from these energy projects could partially offset the higher capital intensity and support robust investment-grade credit quality. Intersect's large pipeline of clean energy and data center-adjacent projects, including 10+ GW of operating and in-development capacity by 2028, gives Alphabet a multi-year runway of power capacity tailored to AI and cloud growth. This deal also directly advances Alphabet's carbon-free energy goals while securing cost-competitive renewable power, which supports both regulatory positioning and long-term margin preservation as electricity costs become a larger share of AI workloads. Intersect's expertise in innovative financing and offtake structures also gives Alphabet more flexibility to monetize or hedge energy output, potentially creating new earnings streams adjacent to its core tech business over time.

Risks

Regulatory Risks: Intersect sits at the nexus of U.S. energy infrastructure, grid access, and data center deployment, which positions the transaction for high scrutiny from antitrust and energy security regulators. Concentrating large-scale generation and co-located data centers under a dominant cloud and AI provider raises concerns about competitive foreclosure, particularly whether Alphabet could restrict rival hyperscalers' access to scarce transmission capacity in high-demand regions like Texas, the Southeast, and other data center hotspots. This acquisition also introduces policy risk around federal and state incentives, including IRA-driven tax credits, grid interconnection rules, and environmental permitting, as Alphabet transitions to an active energy asset owner. Adverse outcomes could include extended review timelines, behavioral remedies such as open-access requirements for certain sites or capacity, or constraints on future energy platform acquisitions, which would dilute the strategic rationale underpinning this acquisition.

Conflicting Visions: Integrating Intersect as an independent subsidiary with its own management poses integration risk. There are possibilities for misalignment on fundamental trade-offs, such as risk appetite (merchant vs fully contracted power and grid-scale vs behind-the-meter), project selection, and return thresholds. Furthermore, Alphabet's Big Tech processes (multi-layer approvals and internal competition for capital) could risk delays, missed CODs, and key development talent leaving if imposed on Intersect's operations, which would undermine the synergies that justify this acquisition. While Alphabet has a strong balance sheet, conflicting priorities could erode returns and delay strategic benefits. Slippage in permitting, interconnection, supply chain, or construction could delay AI capacity at a time that is critical for Alphabet against its competitors. While Alphabet is not as vulnerable to volatile gas prices, its costs can vary with

weather, load, and outages, but Alphabet could push more into PPAs and let the project manager absorb the fluctuations.

About \$GOOG and Intersect

Alphabet Inc. (\$GOOG), founded in 2015, operates as a multinational technology holding company. Through subsidiaries such as Google, YouTube, Android, and Google Cloud, Alphabet delivers products and services spanning search, digital advertising, cloud infrastructure, consumer hardware, and AI-driven software. Its business is organized across Google Services, Google Cloud, and “Other Bets” (including Waymo and Verily), with a global footprint and a unique ability to fund long-horizon innovation using cash flows from its core advertising engine. Alphabet’s key goal is to organize the world’s information and advance transformative technologies, particularly AI, at a global scale.

Intersect Power (Private), founded in 2016, operates as a clean energy infrastructure and power generation company. The firm develops, owns, and operates large-scale renewable energy assets, including solar, wind, and energy storage projects, increasingly focused on power solutions for data centers and industrial-scale customers. Intersect Power operates primarily across the United States and differentiates itself through vertically integrated development capabilities and its ability to pair renewable generation with storage to deliver reliable, low-carbon power at scale. Its core objective is to accelerate the transition to a decarbonized energy system by delivering flexible, cost-competitive clean power solutions.

Disclosures & Ratings

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Appendix

Merger Model			
(\$ in millions except per share figures)			
Acquirer Financial Profile		Target Financial Profile	
Fully Diluted Shares Outstanding	12,086.0	Fully Diluted Shares Outstanding	1
Current Share Price	\$313.00	Current Share Price	\$4,750.00
Equity Value	\$3,782,918	Equity Value	\$4,750
EPS (TTM)	\$10.13	EPS Estimate (2)	\$87.50
P/E Multiple	30.9x	P/E Multiple	54.3x
Transaction Assumptions		Form of Consideration	
Offer Price Per Share	\$4,750.00	% Stock	—
% Offer Premium	—	% Cash	100.0%
Offer Value (1)	\$4,750	Cash/ Debt Toggle	—
Cash Consideration (All-Debt Funded)		Stock Consideration	
Offer Value	\$4,750	Offer Value	\$4,750
% Cash	100.0%	% Stock	—
Total Debt Financing	\$4,750	Stock Consideration	
Financing Fee	—	Number of Acquirer Shares Issued	
Financing Fee % Total Debt	—		
Borrowing Term	—	Deal Assumptions	
Financing Fee Amortization	#DIV/0!	Synergies, net (4)	\$5,000
% Interest Rate (3)	5.4%	Transaction Fees	\$119
Annual Interest Expense	—	Transaction Fees % Offer Value	2.5%
Purchase Price Accounting		Asset Write-Ups	
Offer Value	\$4,750	% Allocation to PP&E (6)	72.1%
Less: Net Tangible Book Value (5)	45	Useful Life Assumption	35 Years
Purchase Premium	\$4,795	Incremental Depreciation	
Less: PP&E Write-Up	(3,457)		
Less: Intangibles Write-Up	(153)	% Allocation to Intangibles (6)	3.2%
Plus: Deferred Tax Liability (DTL)	722	Useful Life Assumption	10 Years
Goodwill Created	\$1,906	Incremental Amortization	
Accretion/Dilution Analysis			
Acquirer Standalone Net Income	\$122,431	Target Standalone Net Income	\$88
% Tax Rate	20.0%	% Tax Rate	20.0%
Earnings Before Taxes (EBT)	\$153,039	Earnings Before Taxes (EBT)	\$109
Pro Forma Financials		Pro Forma EPS	
Consolidated EBT	\$153,148	Pro Forma Net Income	\$126,332
Less: Interest Expense and Financing Fees	—	Pre-Deal Acquirer Shares Outstanding	12,086
Less: Transaction Fees	(119)	Plus: New Shares Issuances	—
Plus: Synergies, net	5,000	Pro Forma Diluted Shares	
Less: Incremental Depreciation	(114)		
Pro Forma Adjusted EBT	\$157,915	Pro Forma EPS	\$10.45
Less: Taxes	(31,583)	% Accretion / (Dilution)	
Pro Forma Net Income	\$126,332		

Commentary:

1) Announced acquisition price

2) Independent data providers estimate current annual revenue at ~\$100-190M; Given \$15B of assets operating/under construction, can assume 2-2.5x growth → \$300-400M forward revenue. Assuming NI margin of 25% yields roughly \$87.5M NI

3) GOOG 15-yr Bond YTM

4) Mostly large cost synergies from the ability to attach power plants to new data center buildout, and specifically that these are large, sustainable energy sources

5) Used public comps (Intersect is similar in size to NextEra Energy and Duke Energy, so its NBTV will likely fall between this range)

6) Based on Public Comp: NextEra Energy