



The \$10 Billion Decision

Why Berkshire is right about Google



**I feel like a horse's ass
for not identifying Google.
We screwed up.**

— Charlie Munger

\$10B

Berkshire's commitment to Alphabet at ~\$350 per share.



\$190B

Alphabet's concurrent massive capital expenditure
(paired with an \$80B stock sale).



The Freesurfer

Inside the Moat

Search is a natural wave of growth
compounding at zero cost.
Free growth.



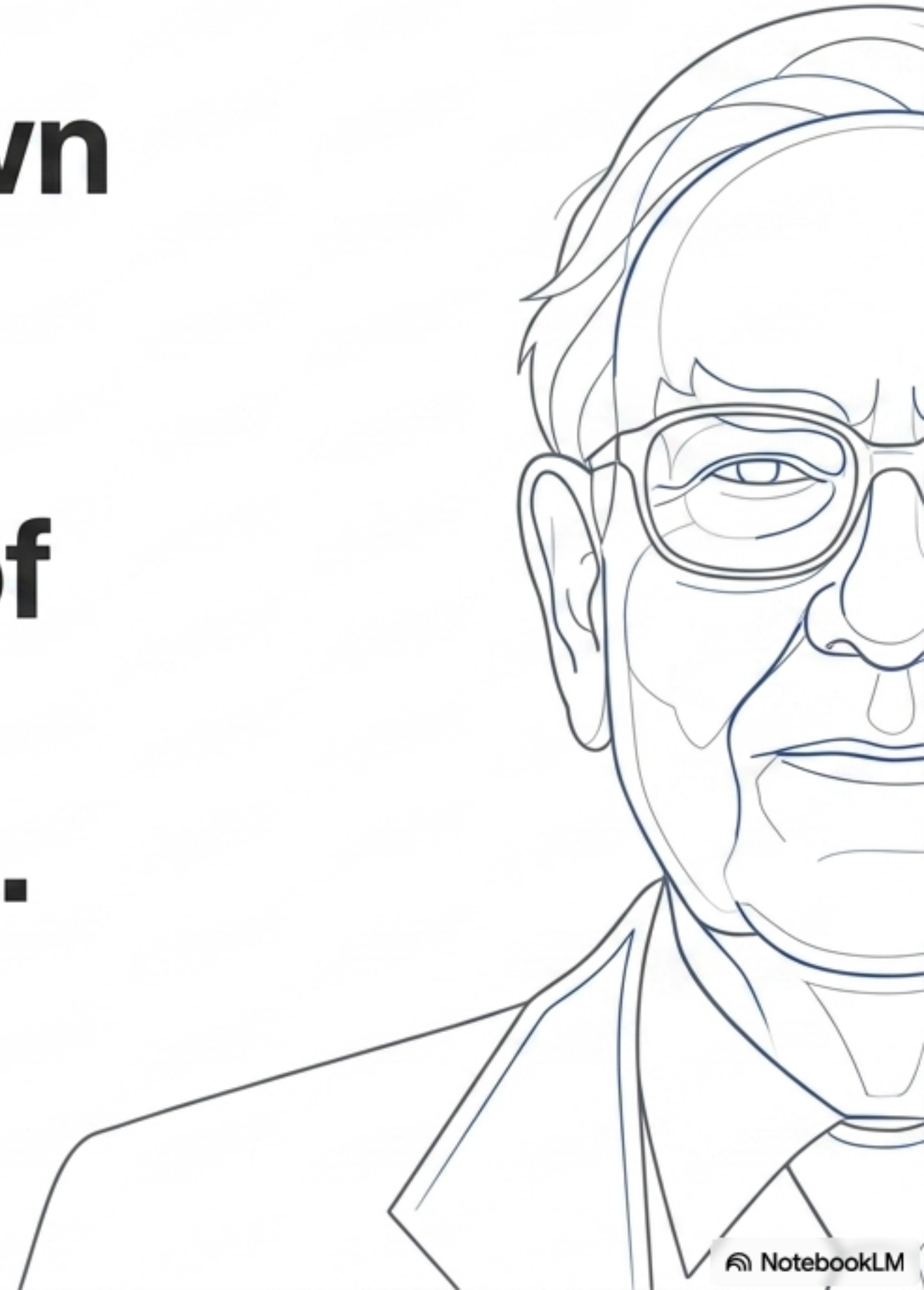
The Imperfect B

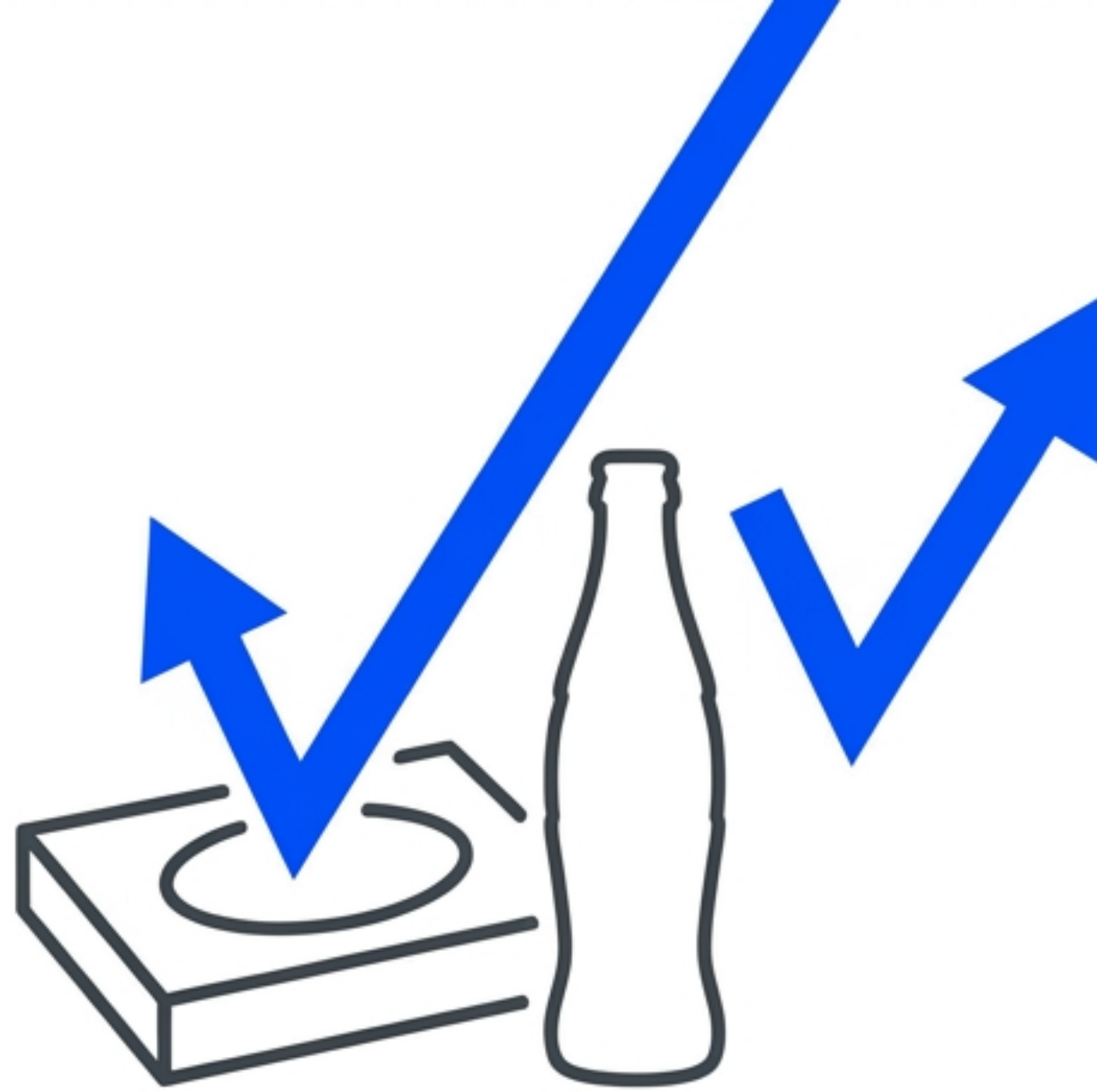
Outside the Moat

AI & Cloud ambitions require
massive capital and effort.
Mechanical growth.

The best business to own is one that over an extended period can employ large amounts of incremental capital at very high rates of return.

– Warren Buffett

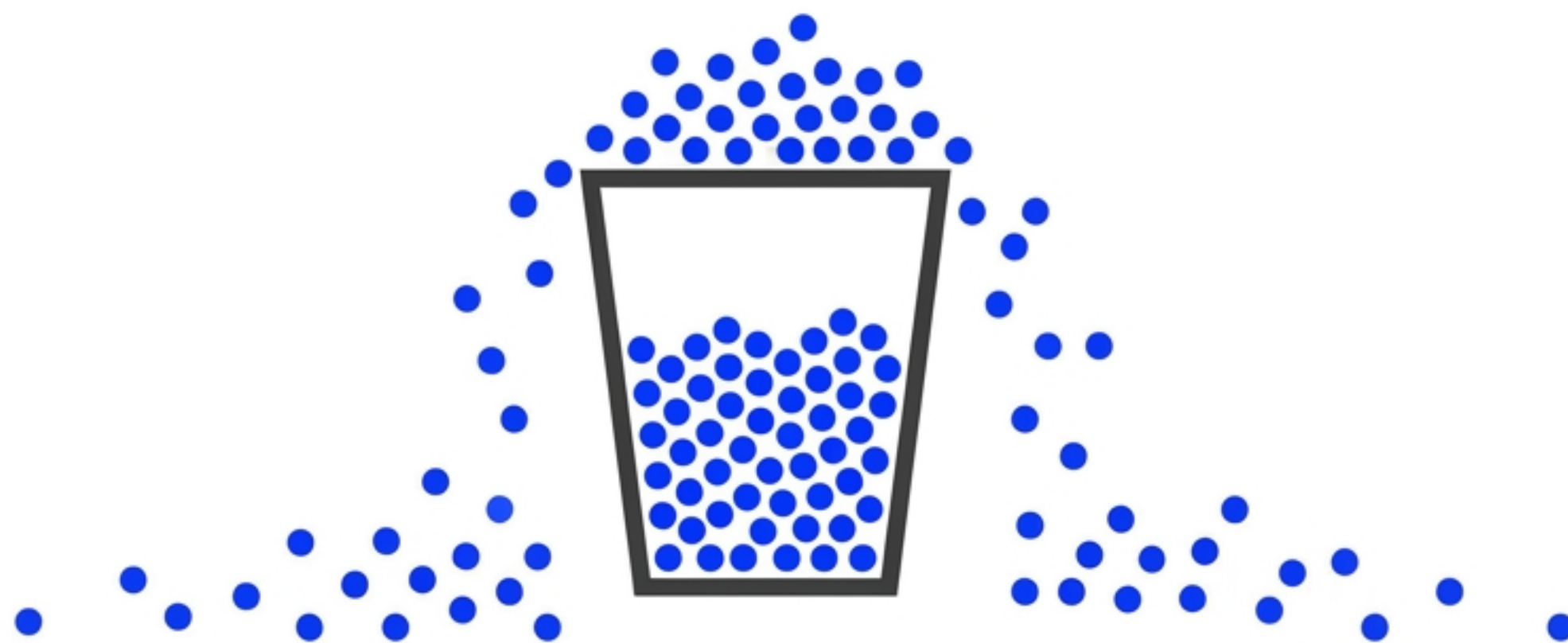




The Capital-Light Illusion.

Magnificent returns. Zero capacity to absorb new capital.

The Reinvestment Problem.



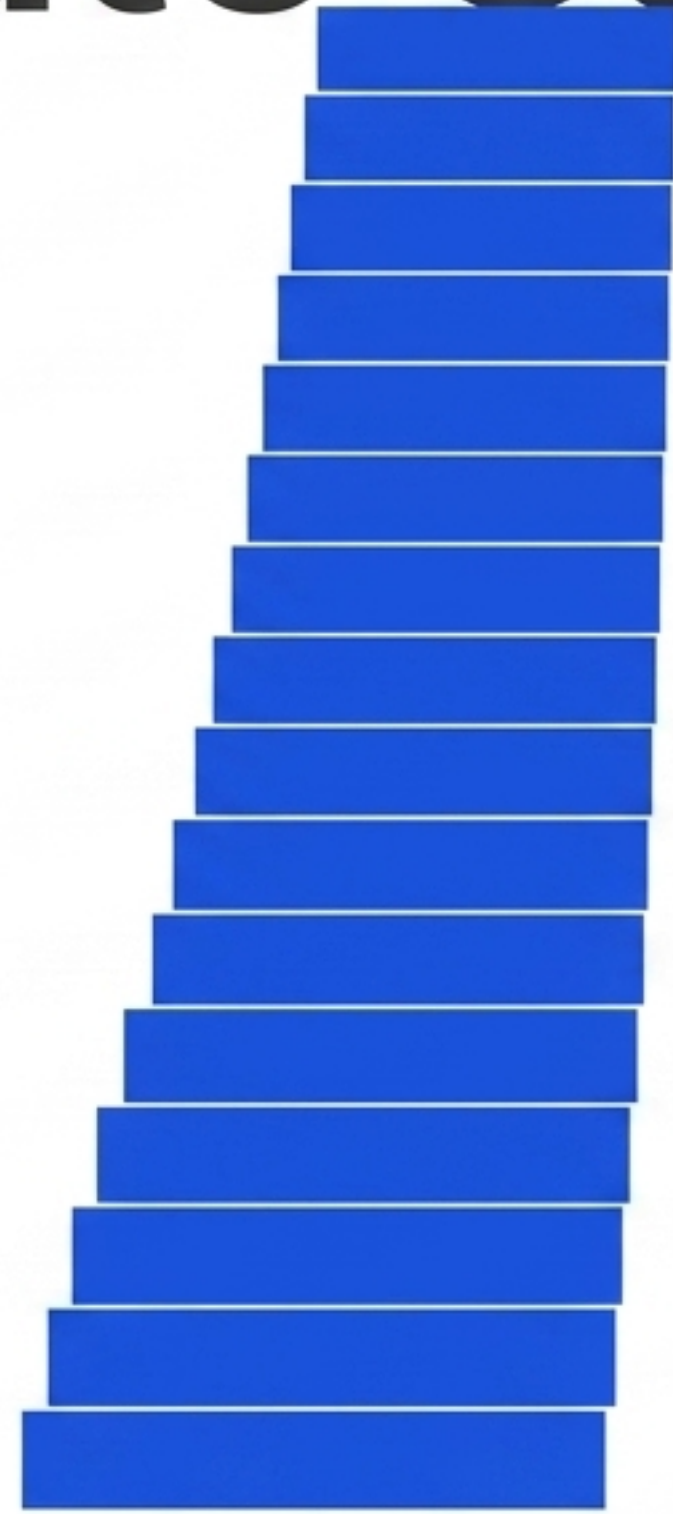
The hidden cost: the business hands the hardest part of compounding back to you. The shareholder must find a new home for the cash.

The Rarest Architecture.

High Returns + Infinite Absorption.
The business itself is the home.



The Ultimate Capital Sink



GOOGLE

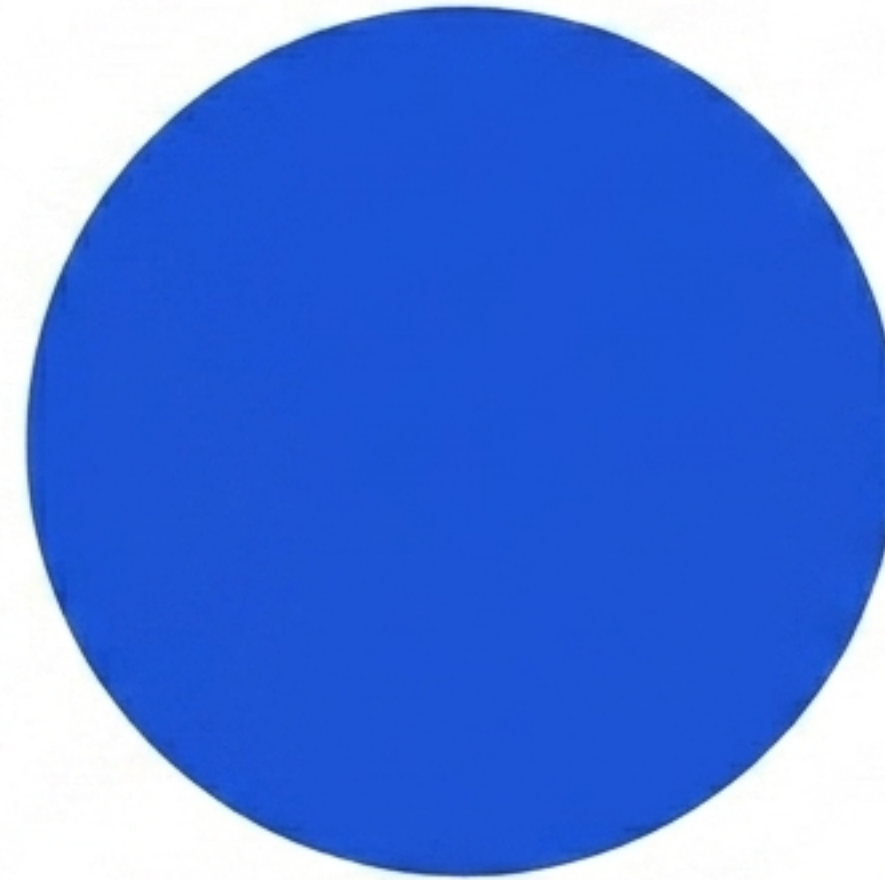
The compute layer of
the next paradigm.

AI Infrastructure &
Cloud Computing

30%



13%



Percentages do not build fortunes. Absolute dollars do.

13% of **\$190B** **>** **30%**
of a small base

Nearly \$25 billion produced every year, growing continuously.
The capital-light business runs out of room. The capital-absorbing giant wins.

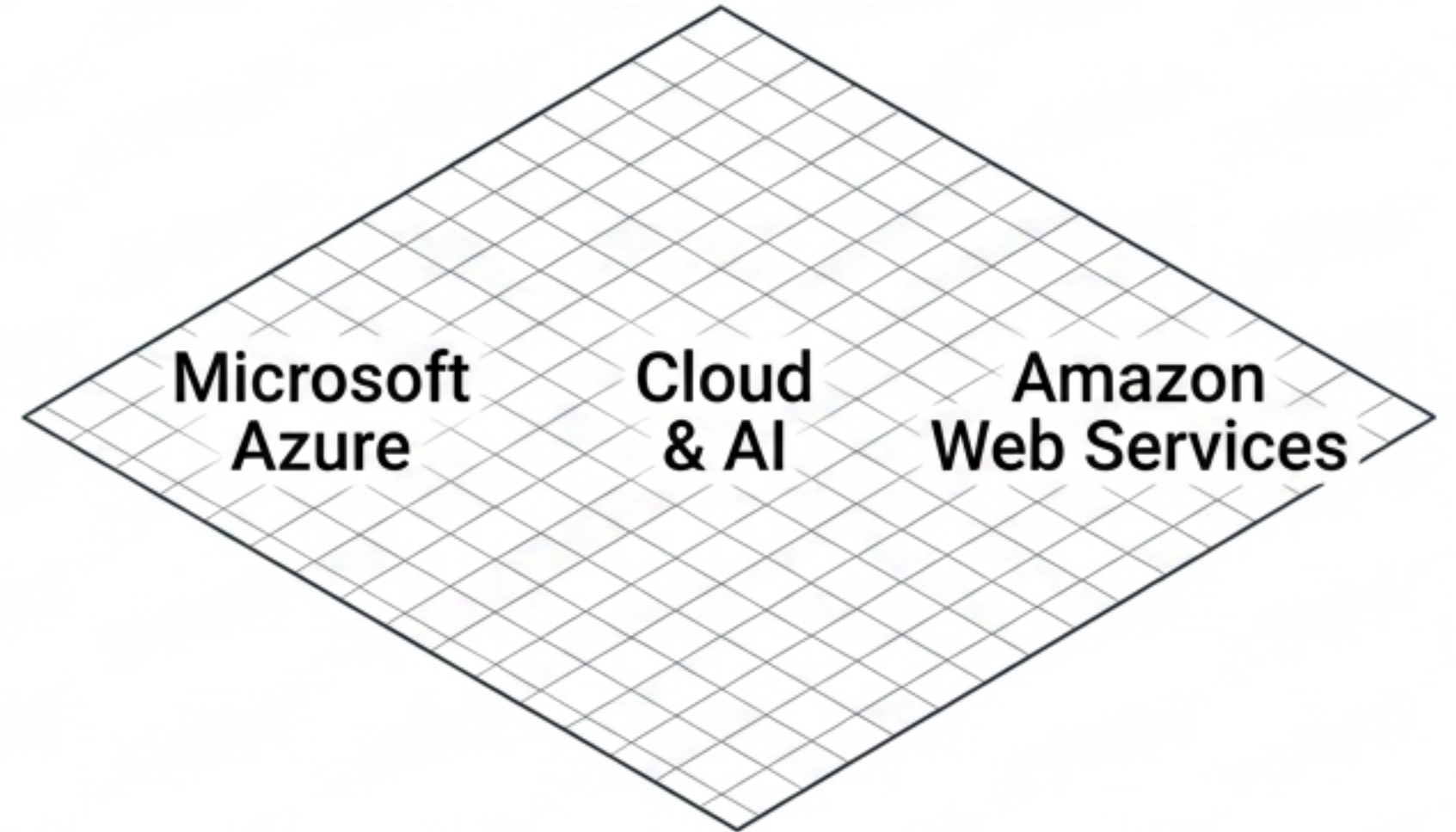
Very High Rates of Return

The Critical Condition: Can the returns endure outside the moat?

Entrenched Competition

PROTECTED FRANCHISE

LEVEL PLAYING FIELD



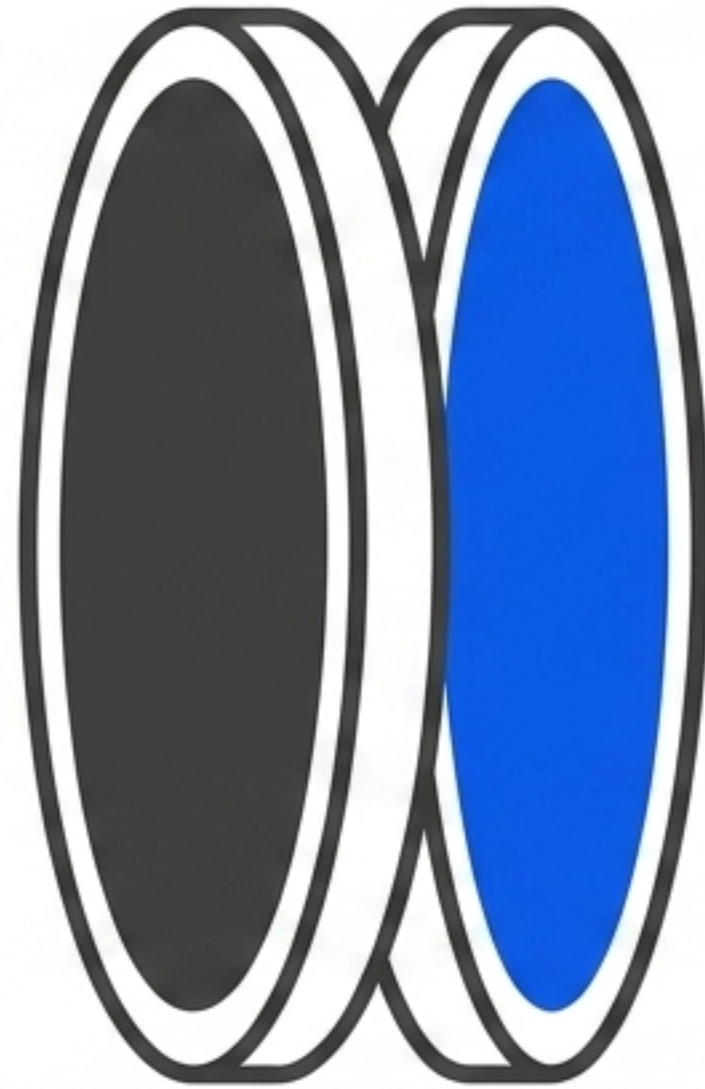
Search is a protected franchise.
No competitor can compete the returns away.

Cloud is a level playing field.
Gravity pulls returns toward the cost of capital.

The Asymmetric Bet

TAILS: Merely Very Good.

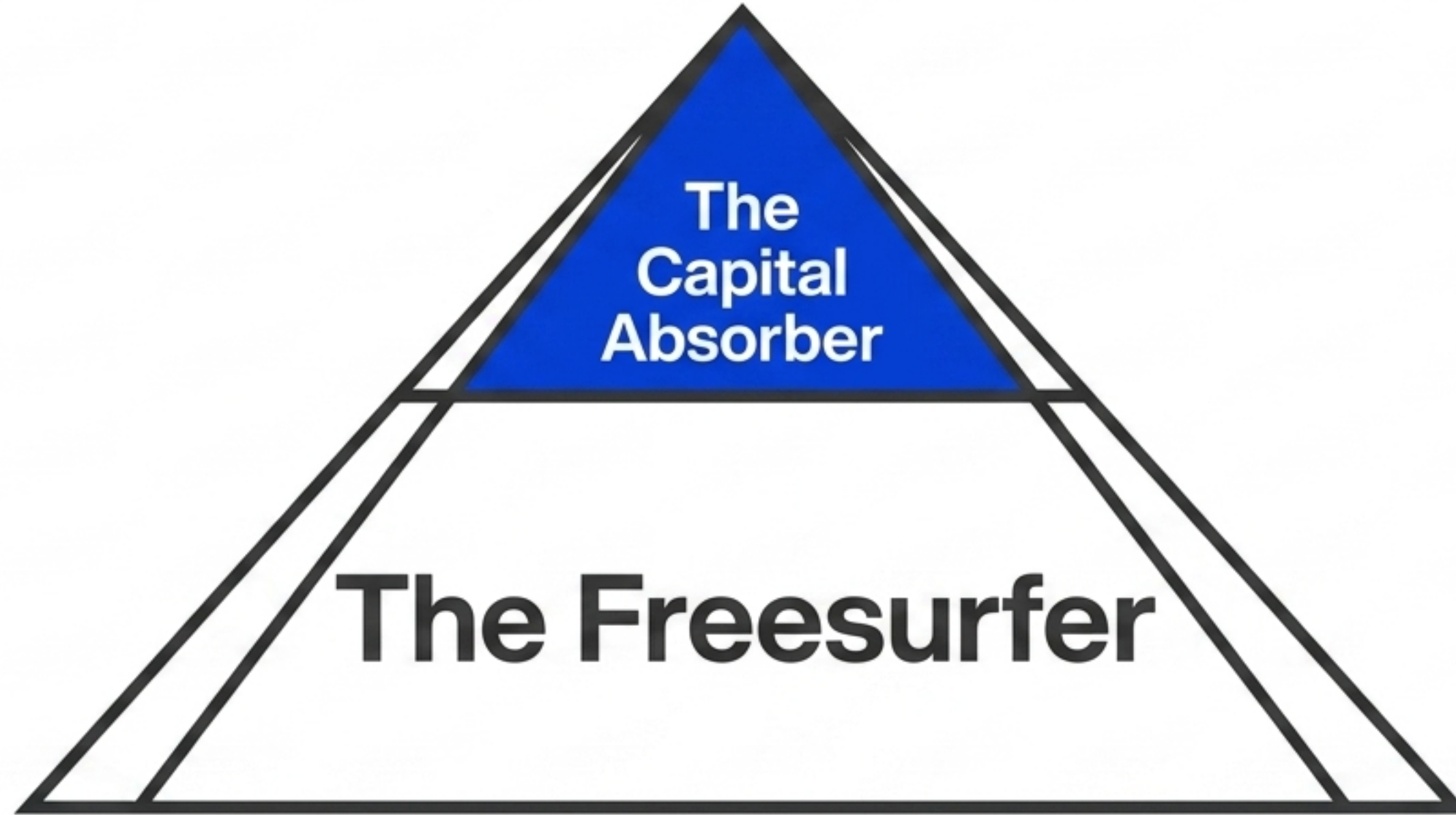
AI returns are competed away.
The Search moat still anchors the
investment at a fair ~\$350/share.



HEADS: Extraordinary.

Scale and data convert the level
playing field into an edge. Search
funds the ultimate AI option for free.

The Hierarchy Preserved



A sure bet on architecture, funding a probable bet on scale.
Berkshire holds both.