OCT 30
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Google ad growth bolsters Alphabet's Q3, despite regulatory challenges

Article

The news: **Google** parent **Alphabet** reported stronger-than-expected Q3 performance as its core advertising segments showed resilience amid rising competition and regulatory scrutiny.

By the numbers:

- **Revenues**: $88.27 billion, a 16% increase from $76.69 billion a year earlier and ahead of expectations.
- **Earnings per share (EPS)**: $2.16, up 37.2% year over year from $1.56.
- **Google advertising revenues**: $65.85 billion, marking a 10.4% increase as election-related ad spending contributed to Search demand.
- **YouTube advertising revenues**: $8.92 billion, a 12.2% YoY rise, showing strength despite increased competition from platforms like **Amazon Prime Video**.
- **Traffic acquisition costs (TAC)**: $13.72 billion, up due to Alphabet's efforts to maintain default search positions on devices like **Apple**'s iPhone and **Samsung**'s Android smartphones.

Why it matters: Although Google's share of search advertising revenues dropped below 50% for the first time this year, the company remains the ad goliath all challengers must contend with.

- Google's declining digital ad share is partly due to competitive pressures from the likes of **Amazon** and **TikTok**. This quarterly growth signals strong demand, but Alphabet's position in Search and YouTube could face more challenges as the video ad market becomes more crowded.
- The current US antitrust trial could reshape Google's core search business, affecting default placement agreements that have long driven Search ad revenues. Additionally, stricter limits on agreements with device makers could erode Alphabet's influence on how consumers access Search, posing a longer-term risk to ad revenues.

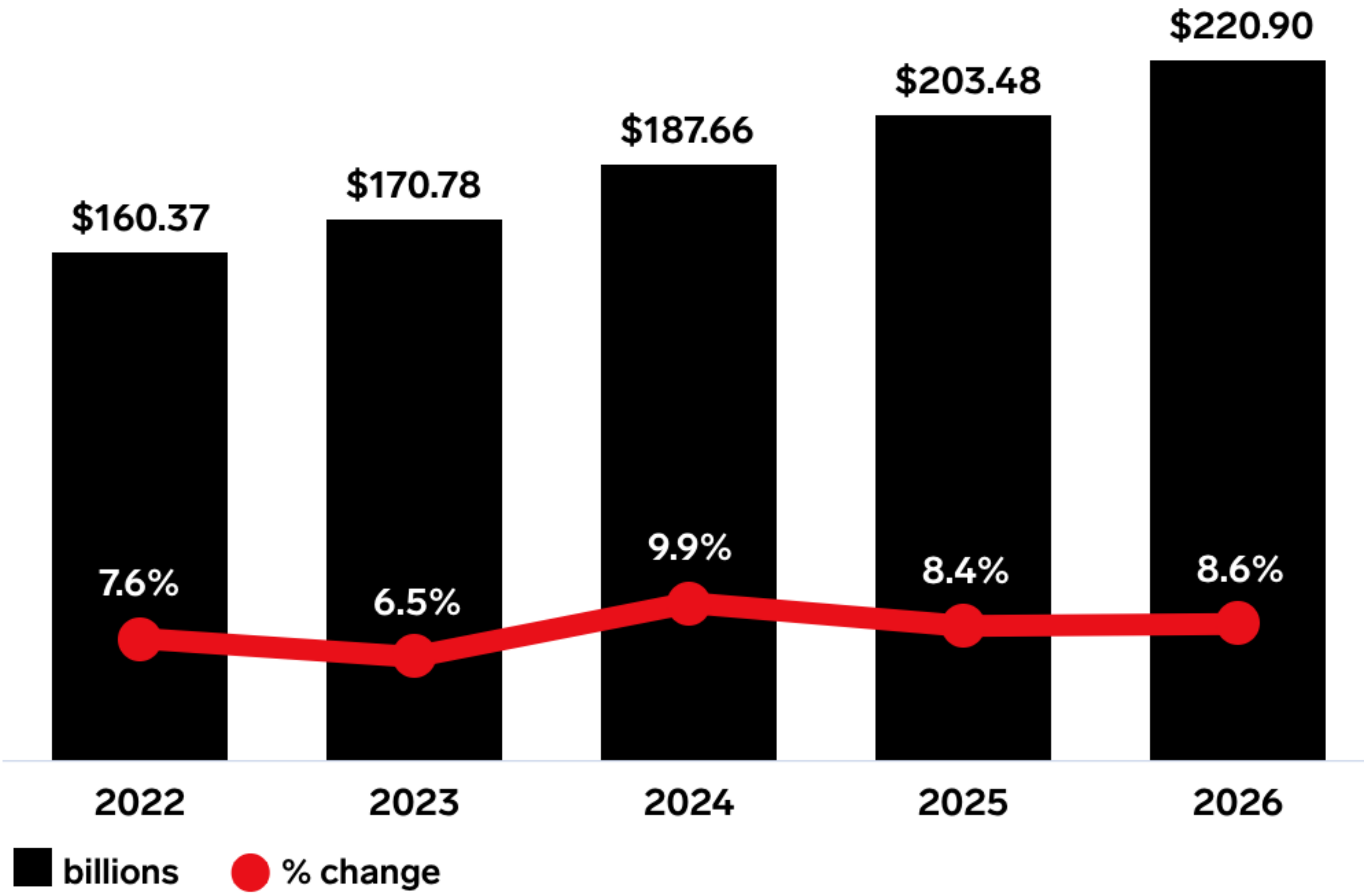
Our take: Alphabet's performance highlights Google's continued dominance in Search and digital advertising, even as legal and competitive pressures mount across markets, including the US, UK, and EU.

- "Google's results this quarter show that it can perform even in the midst of serious regulatory threats to its ads business," said EMARKETER senior analyst **Evelyn Mitchell-Wolf**. She noted that network revenues—dollars generated beyond Google-owned properties—continue to shrink, but at a slower rate than expected.

- Alphabet has kept its ad business expanding through a strategic focus on high-value placements across both Google Search and YouTube. However, the regulatory landscape is uncertain.
- If antitrust rulings alter Alphabet's ability to secure default placements on mobile devices or require it to break up core businesses like Chrome or Android, its revenue model would require a significant overhaul.
- The company's immediate focus will likely be defending its market position and navigating legal challenges, which could shape its competitive standing in digital ads in the near term.
- Alphabet remains a dominant force in digital advertising, but the long-term outlook depends on how it adapts to both competitive and regulatory shifts.

Google Ad Revenues

Worldwide, 2022-2026



Note: Exchange Rate; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; includes ad revenues from YouTube; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: EMARKETER Forecast, March 2024