

# Google Q4 earnings soar, but ad revenues fall short of expectations

## Article

**The news:** Google's Q4 earnings report paints a promising picture of the tech giant's foothold in the digital advertising arena.

- Advertising revenues were up 11% YoY to **\$65.52 billion** but fell short of the \$65.94 billion forecast. **YouTube** ad revenues narrowly missed the mark, coming in at \$9.2 billion versus the

anticipated \$9.21 billion.

- Still, the company generated total quarterly revenues of \$86.31 billion, surpassing the \$85.33 billion analysts anticipated and up 13% from last year, as its cloud segment outperformed expectations.
- Despite this miss, Google's ad revenues are on an upward trajectory; we expect worldwide search ad revenues to grow 10.5% to \$157.12 billion in 2024, followed by an 8.7% increase to \$170.77 billion in 2025.

Alphabet shares were down 5% to \$143.17 on Wednesday. They have risen about 47% in the past year.

**What's going well:** On the product innovation front, Google has made significant strides with its **Performance Max ad product** by incorporating generative AI. This enhancement marks a pivotal shift in digital advertising, empowering advertisers to create personalized and high-quality campaign elements efficiently.

- Google's recent introduction of the **Gemini AI chatbot** represents a major advancement in its AI tools. It provides advertisers a seamless solution to generate ad copy and visuals, further democratizing ad creation.
- The search giant has benefited from **intensified competition** due to aggressive ad spending by Chinese retailers like **Temu** and **Shein**. Their substantial increase in ad expenditure has notably boosted revenues for tech giants and heightened the competitiveness of Google's ad auctions. This surge highlights the delicate interplay between robust marketing and sustainable business growth.
- Our forecast has Google benefiting from a significant spike in political ad revenues in 2024, **increasing by 215%** from 2020's \$175.6 million to \$553.2 million—thanks, of course, to the US election cycle.

**What could be better:** Google is **restructuring**, including layoffs in its ad sales division, to refocus its 30,000-person workforce on medium-level clients and AI-driven solutions. This shift toward generative AI and automation suggests a broader industry transformation, aiming for enhanced efficiency and perhaps less hand-holding.

- A recent Adalytics' study exposed **significant issues** in Google's Search Partner Network, with ads appearing on controversial and sanctioned sites. Though Google called the study flawed,

the findings show the need for enhanced oversight and transparency in ad placements to ensure brand integrity and regulatory compliance.

- "Google, itself facing what could be its most challenging year yet, has placed a huge hurdle in front of the rest of the digital ad market with the deprecation of third-party cookies," says Insider Intelligence senior analyst [Evelyn Mitchell-Wolf](#). The company's [Q3 timetable for the phaseout](#) and transition to Privacy Sandbox is one potential obstacle on the horizon.

**The final word:** Despite its challenges, Google remains the undisputed digital ad leader with expected 2024 US ad revenues [of \\$77.39 billion](#). Its closest competitors, Meta and Amazon, trail behind with \$62.70 billion and \$44.26 billion, respectively.

# Key US Advertising Players, by Company

US, 2024, billions

Google

\$77.39

Meta\*

\$62.70

Amazon

\$44.26

Microsoft

\$11.00

TikTok

\$8.66

Apple

\$6.17

Walmart

\$4.45

*Note: 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; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; \*includes Instagram advertising revenues; \*\*data for 2016-2021 is included under ad revenue for Microsoft; \*\*\*excludes non-advertising revenues (e.g. Reddit Premium, Reddit Coins)*

*Source: Insider Intelligence | eMarketer, October 2023*

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