

Google announces stellar Q1 results on the backs of strong search, YouTube, and cloud revenues

Article

The news: Google parent **Alphabet** reported strong Q1 financial results, with revenues of \$80.5 billion (Wall Street had projected \$78.7 billion), up 15% year over year, and operating

margin expanding to 32%.

- The company reported diluted earnings per share of \$1.89 (\$1.51 had been expected), up from \$1.17 in Q1 2023.
- Alphabet's performance was driven by strength in Search (\$46.16 billion), YouTube (\$8.1 billion), and Cloud (\$9.6 billion), benefiting from the company's leadership in AI research and infrastructure.
- The company said it would **pay a dividend for the first time**, joining **Meta**, which **initiated a dividend** earlier this year.
- Its Services revenues grew 14% YoY to \$70.4 billion.

Zoom out: Google this week **delayed cookie deprecation yet again**.

- The digital ad industry is frustrated by Google's repeated delays in eliminating third-party tracking cookies, which were initially planned for 2020 but have been postponed three times to early 2025.
- Amid those delays, the company is **looking to cut costs**. The company consolidated its AI development teams; its workforce also decreased to 180,895 employees as of March 31, down from 190,711 a year earlier.

Analyst insight: “Things are looking good for Google,” said senior analyst **Evelyn Mitchell-Wolf**. “Google Network shows continued weakness, but Google's other advertising units, which are higher margin than Network, are growing healthily.”

- Mitchell-Wolf notes that **YouTube’s revenue rise of more than 20%** amounts to its most robust growth in two years, thanks to strategic investments in live sports broadcasting, stringent actions against ad blockers, and enhancements in the monetization of its Shorts feature.

Regulatory concerns: Regulators like the US Department of Justice, European Commission, and **UK's Competition and Markets Authority** are investigating Google's potential monopolization of the digital ad market and monitoring its Privacy Sandbox proposals to ensure they don't provide an unfair advantage.

- Critics argue that Google's proposed cookie replacement technologies could further increase its dominance and limit competition, despite Google stating the delay aims to allow for more

industry evaluation and CMA review.

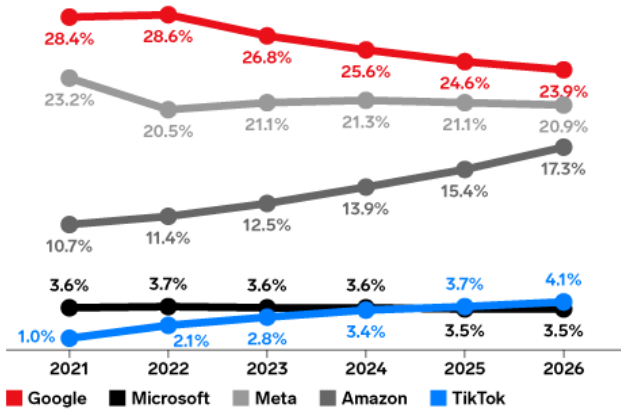
- The UK's CMA and privacy regulator, ICO, are worried about Google potentially using Privacy Sandbox tools to favor its own advertising services and whether its proposed cookie replacement adequately protects consumer privacy from tracking across websites.

The bottom line: Google delivered a strong financial performance, with robust revenue growth, improved profitability, and a renewed focus on AI development.

- The company's initiatives, such as the dividend program and share repurchases, demonstrate confidence in its prospects.
- With its diversified product portfolio and bets on AI, Alphabet appears well-positioned for continued growth.

Share of US Digital Ad Spending Among Select Companies, 2021-2026

% of digital ad spending



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

Source: EMARKETER Forecast, March 2024

285437

EMARKETER