

Q3 2020 Earnings Call

Company Participants

- Jim Friedland, Director of Investor Relations
- Ruth M. Porat, Senior Vice President and Chief Financial Officer, Alphabet and Google
- Sundar Pichai, Chief Executive Officer, Google

Other Participants

- Brent Thill, Analyst
- Brian Nowak, Analyst
- Colin Sebastian, Analyst
- Dan Salmon, Analyst
- Doug Anmuth, Analyst
- Eric Sheridan, Analyst
- Heather Bellini, Analyst
- Justin Post, Analyst
- Mark Mahaney, Analyst
- Ross Sandler, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Alphabet Third Quarter 2020 Earnings Conference call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session.
(Operator Instructions)

I'd now like to hand the conference over to your speaker today, Jim Friedland, Director of Investor Relations. Please go ahead.

Jim Friedland {BIO 22252778 <GO>}

Thank you. Good afternoon, everyone, and welcome to Alphabet's third quarter 2020 earnings conference call. With us today are Sundar Pichai and Ruth Porat. Now, I'll quickly cover the Safe Harbor.

Some of the statements that we make today regarding our business operations and financial performance, including the effect of the COVID-19 pandemic on those areas, may be considered forward-looking and such statements involve a number of risks and uncertainties that could cause actual results to differ materially.

For more information, please refer to the risk factors discussed in our most recent Form 10-K filed with the SEC and in our Form 10-Q for the quarter ended September 30th, 2020 expected to be filed with the SEC later today.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of non-GAAP to GAAP measures is included in today's earnings press release, which is distributed and available to the public through our Investor Relations website located at abc.xyz/investor.

Given the busy schedule this afternoon, we've shortened our opening remarks so that we can move more quickly to take your questions. And now, I'll turn the call over to Sundar.

Sundar Pichai {BIO 15004624 <GO>}

Thank you, Jim, and good afternoon, everyone. Thanks for joining us today. This quarter, our performance was consistent with the broader online environment. It's also a testament to the investment we have made to improve search and deliver a highly relevant experience that people turn to for help in moments, big and small. We saw an improvement in advertiser spend across all geographies and most of our verticals.

With the world accelerating its transition to online and digital services, in Q3, we also saw strength in Google Cloud, Play and YouTube subscriptions. This is the third quarter we are reporting earnings during the COVID-19 pandemic.

Access to information has never been more important. This year, including this quarter, showed how valuable Google's founding product, Search, has been to people. And importantly, our products and investments are making a real difference as businesses work to recover and get back on their feet.

Whether it's finding the latest information on COVID-19 cases in their area, which local businesses are open, or what online courses will help them prepare for new jobs, people continue to turn to Google Search. You can now find useful information about offerings like no-contact delivery or curbside pickup for 2 million businesses on Search and Maps.

And we have used Google's Duplex AI technology to make calls to businesses and confirm things like temporary closures. This has enabled us to make 3 million updates to business information globally. We know that people's expectations for instant perfect search results are high. That's why we continue to invest deeply in AI and other technologies to ensure the most helpful Search experience possible.

Two weeks ago, we announced a number of Search improvements, including our biggest advancement in our spelling systems in over a decade. A new approach to identifying key moments in videos and one of people's favorites, Hum to Search, which will identify a song and artist based only on humming.

We also announced that BERT, a huge breakthrough in natural language understanding that we introduced last year, now improves results for almost every English search query.

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We are also investing in improving the shopping experience in Search, to help people find the best products and prices available from a wide range of merchants.

We recently added easy-to-see price comparisons to help consumers know if they are getting a good deal. We've also improved our features like price tracking so people can request an alert if there is a discount on a product they are following. These investments are also benefiting merchants and advertisers and helping them recover.

As of today, merchants can list products for free on our shopping tab in 48 countries around the world. For advertisers, we recently announced a new insights page in Google Ads to help businesses better understand consumer trends and track current Search demand for products and services.

We are also investing to create improved search experiences that provide additional value to news publishers. We recently committed \$1 billion in investments that include licensing content from national, regional and local news publishers for Google News Showcase, a new product that features the editorial curation of award-winning newsrooms.

We have signed partnerships with nearly 200 publications around the world with more to come. We know our success in Search is not guaranteed. We are proud that people choose Google Search not because they have to, but because it's helpful. We remain committed to investing to build the most helpful, most trusted search experience, just we have for the last 22 years.

On that note, regarding the DOJ's lawsuit, we believe that our products are creating significant consumer benefits and we'll confidently make our case. Our company's focus remains on continuing our work to build a search product that people love and value.

Moving on to other parts of our business this quarter. In hardware, we highlighted some great new products available for the holidays. Our new Pixel phones bring together the very best of Google's hardware, software and AI at an affordable price with new camera and Assistant features.

And our latest Chromecast now comes with Google TV, which brings together movies, shows, and live TV from across apps and subscriptions and organizes them for you. We are pleased with the positive reviews and we have a terrific product roadmap ahead.

On to YouTube. People come to YouTube for entertainment, information and opportunities to learn something new. As a sign of the times, views of guided meditation videos are up 40% since mid-March, while DIY face mask tutorials have been viewed over 1 billion times. YouTube subscriptions also continued to grow. YouTube now has over 30 million Music and premium paid subscribers and over 35 million, including those on free trials. YouTube TV now has more than 3 million paid subscribers.

Next, Cloud. Three trends are driving the continued momentum of our Cloud business. First, as the shift to digital accelerates, Google Cloud continues to provide a foundation

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for data processing and analytics, one of the fastest growing segments of the market. BigQuery, which provides real-time and predictive analytics, is winning retailers like Best Buy, helping them create better experiences for shoppers.

Customers value our differentiated AI ML-based industry-specific solutions. This is leading to significant wins with brands like Unilever, Amwell and Reckitt Benckiser. Additionally, we are working with government agencies like the U.S. Navy to modernize maintenance operations for vessels and facilities. We are also partnering with the defense innovation unit, part of the U.S. Department of Defense, to help military doctors with cancer detection Research. And recently, we signed an enterprise agreement with the U.S. Department of Energy to help scale research efforts and innovate across national labs and field sites.

Second, customers are increasingly moving to the cloud to drive efficiencies and lower IT costs. Our strength in multi-cloud is an advantage here. This is helping us win large data center and IT transformation deals like Nokia, which recently announced its migrating and modernizing approximately 30 data centers across 12 countries onto Google Cloud.

And third, the future of work is creating a more collaborative world. Customers are looking to support hybrid work environments and we are seeing significant growth in demand. Earlier this month, we announced Google Workspace, which brings together all of our communication and collaboration apps and ensures they work better together. This is helping organizations like the State of West Virginia and shipping company Ocean Network Express improve collaboration and productivity for their employees.

Google Workspace continues to grow. For example, Google Meet saw a peak in Q3 of 235 million daily meeting participants and more than 7.5 billion daily video call minutes.

Finally, in our Other Bets, Waymo announced that its fully autonomous ride-hailing service in suburban Phoenix will open to the public, making it the only company to offer a fully autonomous service for riders. Waymo also entered into a strategic global partnership with Daimler Trucks to enable fully autonomous trucking.

Before I close, I want to reiterate our four key areas of focus, which you've heard me talk about all year. First, creating the most helpful products for everyone. Our investments in Search, Maps and Shopping that I discussed earlier, as well as YouTube, are prime examples. Second, providing the most trusted experiences for our users. We continue to work hard to keep users safe and put them in control of their information. Every day, Gmail blocks more than 100 million phishing attempts and Google Play protects scams over 100 billion apps for malware and other issues. Third, executing at scale productively, securely and collaboratively. And finally, creating sustainable value, which means creating financially viable and self-sustaining products.

Before I hand over to Ruth, one important update. Starting with the results for the fourth quarter of 2020, we'll breakout Google Cloud as a separate reporting segment. I'm working with Ruth and Thomas Kurian to make investment decisions to drive progress here.

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As we have told you on these calls, given the progress we are making and the opportunity for Google Cloud in this growing global market, we continue to invest aggressively to build our go-to-market capabilities, execute against our product roadmap and extend the global footprint of our infrastructure.

With this segmentation, you'll additionally see information about the scale of our investments, which should help you gauge the progress we are making on the multi-year path ahead to create sustainable value. Thanks to all the Googlers around the world for everything you're doing to help our users and partners. I hope everyone stays safe and let me reiterate my gratitude to essential workers, healthcare providers, first responders, teachers, and scientists everywhere.

With that, I'll now turn it over to Ruth.

Ruth M. Porat {BIO 2536317 <GO>}

Thank you, Sundar. We are very pleased by our results in the third quarter, which reflect both broad-based increases in advertiser spending in Search and YouTube, as well as ongoing strength in our non-advertising revenue lines, in particular, Google Cloud and Play.

Starting with consolidated Alphabet results, our total revenues in the quarter were \$46.2 billion, up 14% year-on-year and up 15% in constant currency. Our total cost of revenues was \$21.1 billion, up 20% year-on-year, primarily driven by other cost of revenues, which was \$13 billion and up 29% year-over-year.

The biggest factors here, again, this quarter, were costs associated with our data centers and other operations, including depreciation, and then content acquisition costs, primarily driven by costs for YouTube's advertising supported content, followed by costs for subscription service content.

Operating expenses were \$13.8 billion, up 1% year-on-year, reflecting both the impact of actions taken earlier in the year as a result of COVID as well as lapping a \$554 million legal settlement in the third quarter of 2019.

In terms of the three component parts of OpEx, first, the deceleration in R&D growth was due primarily to slower headcount; second, the year-on-year decline in sales and marketing expenses reflects the planned reduction in advertising and promotional spend that we implemented toward the end of the first quarter; third, G&A growth reflects the lapping of the settlement. All three categories benefited from lower T&E expenses due to COVID.

Headcount was up 4,623 from the second quarter. Again, the majority of new hires were engineers and product managers. In terms of product areas, the most sizable headcount increases were, again, in Google Cloud for both technical and sales roles.

Operating income was \$11.2 billion, up 22% year-over-year and our operating margin in the quarter was 24%. Other income and expense was \$2.1 billion, which primarily reflects unrealized gains in the value of investments in equity securities.

Net income was \$11.2 billion. Operating cash flow was \$17 billion, with free cash flow of \$11.6 billion in the quarter and \$34 billion in the trailing 12-months. We ended the third quarter with \$133 billion in cash and marketable securities.

Let me now turn to our segment financial results. Starting with our Google segment. Total Google revenues were \$46 billion, up 14% year-over-year. Google Search and other advertising revenues were \$26.3 billion in the quarter, up 6% year-over-year as advertiser spend began to pick up in August.

YouTube advertising revenues were \$5 billion, up 32% year-on-year, driven by ongoing substantial growth in direct response, followed by a rebound in brand advertising from increased spending by advertisers. Network advertising revenues were \$5.7 billion, up 9% year-on-year.

Turning to Google Cloud, including GCP and Google Workspace, which was previously known as G Suite. Revenues were \$3.4 billion for the third quarter, up 45% year-over-year. GCP maintained the very strong level of revenue growth it delivered in the second quarter and its revenue growth rate was, again, meaningfully above Cloud overall. Growth in Google Workspace revenues was driven by seat growth followed by growth in average revenue per seat.

Other revenues were \$5.5 billion, up 35% year-over-year, primarily driven by growth in Play and YouTube non-advertising revenues. Within Play, app revenues in the third quarter benefited primarily from an increase in the number of active buyers as well as increased spend per buyer.

Within YouTube subscription revenues, we continued to benefit from subscriber growth across its various offerings. Google operating income was \$12.6 billion, up 17% versus last year and the operating margin was 27%. As to our Other Bets, revenues in the third quarter were \$178 million. The operating loss was \$1.1 billion.

Let me end with our outlook. Regarding revenues, in the third quarter, we benefited from a broad-based improvement in advertiser spend across all geographies and nearly all verticals. This is reflected in both Search results as well as the rebound in brand advertising spend on YouTube.

While we're pleased with our performance in the third quarter, there is obviously uncertainty in the external environment. In terms of Google Cloud, we're pleased with the consistent strong revenue growth that you saw again this quarter, reflecting the extraordinary secular trend under way.

And with respect to other revenues, the primary driver of growth was Play, where revenue growth reflected elevated engagement during the pandemic, on top of strong underlying growth. There are signs that user behavior is beginning to return to normalized levels.

Moving on to profitability. We are pleased with the improvement in profitability versus the prior quarter, reflecting both the revenue performance versus Q2 as well as the tactical adjustments we made to slow down certain categories of spend in response to COVID.

In particular, the deceleration in headcount growth this quarter reflects the actions we took at the outset of the pandemic to focus hiring on our highest priority areas like Google Cloud. Excluding the impact of closing the pending Fitbit acquisition, we expect a moderate further deceleration in the pace of headcount growth in the fourth quarter.

We also saw the impact of steps we took to slow down some categories of marketing spend. In the third quarter, sales and marketing expenses declined year-on-year, primarily due to a planned slowdown in ads and promo. We expect a more moderated year-on-year decline in sales and marketing in the fourth quarter as we increase spend sequentially to support product launches and the holiday season.

Turning to CapEx. Once again this quarter, we had a year-on-year decline in investments, primarily due to a reduced pace of real estate acquisitions, which we implemented at the outset of the pandemic. Servers continue to be the largest driver of investment in the third quarter followed by data centers. Our CapEx outlook for the full year has not changed as we continue to expect a modest decrease in 2020 compared with last year.

Looking ahead, we remain focused on making the right investments to support growth. As Sundar said in his opening comments, we continue to invest where we see the potential to create long-term sustainable financial value, including investing aggressively to support growth in Cloud.

In addition, given the acceleration in digital transformation, we are focused on ensuring that we remain well positioned to deliver for users and advertisers in this evolving environment.

Thank you. Sundar and I will now take your questions.

Questions And Answers

Operator

Thank you. (Operator Instructions)

And our first question comes from Eric Sheridan from UBS. Your line is now open.

Q - Eric Sheridan {BIO 22465717 <GO>}

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Question, maybe I could ask two, Sundar, on a high level. You called out some of the innovation you're aiming for over the medium to long term with respect to Search. Could you take a step back and maybe give us your sense of how Search is going to evolve from a product it is today, where there's a lot of the input by the user, to sort of the push dynamic with the Discover Feed and Discovery Ads and things that could drive both engagement and monetization across your platform?

And the second part of the question was, it seems like you're taking a little bit of a different tactic with your hardware strategy this year. There was a little bit less of it and it was more on the mid to lower end of the price range of hardware. How does hardware and broadly tying the Assistant into the hardware strategy fit broadly, Sundar, into your view for where Search is going for the medium to long term? Thanks so much.

A - Sundar Pichai {BIO 15004624 <GO>}

Thanks, Eric. Good questions. On Search, you're right. Today, particularly with mobile and with ambient computing, that is you having access to computing across other form factors, I think information, both you go looking for it and there are times it's important that you have relevant information at your fingertips.

So, I do think about it as a holistic user journey. And obviously in Search, we'll continue to evolve. Discover has been very good in terms of -- Discover and YouTube, both play a role in making sure people are getting relevant information and I think, for us, it's important, holistically, we are meeting user's information needs and out of which the monetization opportunity also works as well. So long -- this is why, be it Discover or be it how we pick up on YouTube, all of that matters for us.

On your second question, on Hardware, I'm excited about the -- we are doing some deeper investments in hardware, which are -- some of it takes two to three years to come together and so I'm excited at the terrific roadmap ahead.

I think we have definitely shown with Pixel 4A, Pixel 5, clear value proposition and we'll build on that. Our portfolio, we are thoughtfully thinking about what are the important form factors which matters and we do think about it with the view of where Search and Assistant will be important as well.

So in many ways, Hardware is there to strategically benefit both how we guide the Android ecosystem, how do we make sure information is right there at user's fingertips? And so, those are both strategic views we take into it as well. But I'm excited about the roadmap ahead. And next year, you will see us lean more into -- some of our deeper investments will come into play there.

Operator

Thank you. And our next question comes from Doug Anmuth from J.P. Morgan. Your line is now open.

Q - Doug Anmuth

Thanks for taking the question. Ruth, we appreciate the incremental color on 3Q and 4Q expenses. Was just hoping that you could help us understand the cost structure a little bit more, kind of as we're coming out of this, and just whether you're anticipating any more notable changes, just coming out of the pandemic, kind of around the sustainability of the margin improvements that you saw in this quarter? Thanks.

A - Ruth M. Porat {BIO 2536317 <GO>}

Thanks for that, Doug. So, as I said, as a result of COVID, we did make tactical adjustments to slow the pace of spend in certain categories, and that started late in the first quarter and in part that's what you see here, plus the impact from the improvements in revenue performance. And we do remain focused on optimizing efficiency where we can.

We've said that on many prior calls, but as we've also discussed with you on prior calls, as well as Sundar and I noted today, we are committed to making the right investments to support long-term profitable growth. And I think what's exciting in this environment, there appears to be an acceleration in digital transformation that underscores the importance of the products and services that we provide and the longer-term opportunities that we will continue to invest to best position us for the long-term opportunity.

An obvious example is Cloud. We do intend to maintain a high level of investment, given the opportunity we see. That includes the ongoing increases in our go-to-market organization, our engineering organization, as well as the investments to support the necessary CapEx. So, hopefully that gives you a bit more color there.

Q - Doug Anmuth

Thank you.

Operator

Thank you. And our next question comes from Heather Bellini from Goldman Sachs. Your line is now open.

Q - Heather Bellini {BIO 2268229 <GO>}

Great, thank you very much for taking the question. Sundar, I had a question for you. Just - Thomas has been the head of Google Cloud now for around two years, if I remember correctly. I'm just wondering, what do you see as the biggest changes he has put into place that has allowed the business to start gaining what appears to be materially more share? And as you look ahead to 2021 and what's going on with digital transformation, what would you say his top strategic priorities would be? Thank you.

A - Sundar Pichai {BIO 15004624 <GO>}

Thanks, Heather. A couple of things stand out for me. I think it's been a very consistent, focused strategy. So, the focus on the five major geographies; the four customer segments; and the six priority industries, healthcare, retail, financial services, media and entertainment, manufacturing, and public sector; that focus and going deeper and scaling our go-to-market both in terms of our people, our partners, I think that's been key.

The second thing I would say is, some of the key differentiators are playing out, particularly as we have taken them deeper as unique industry solutions. So going deeper and having solutions, and in some of those cases where we are now pricing based on value, I think that kind of deep -- deeper play is something I'm very excited about.

Definitely have strength in -- just based on our underlying technologies, so we do have differentiation in areas like data analytics, AI, et cetera. So, that's been huge as well.

But I'm pleased with the execution. Obviously, in this -- there is a time lag between when you hire the sales and when we train and when you enable them to be more productive. And that's investments Ruth has been talking about, and I can see it ramping and I can see the results come into play. So, credit towards that focus and execution and so looking forward to the next phase.

Q - Heather Bellini {BIO 2268229 <GO>}

Great. Thank you very much.

A - Sundar Pichai {BIO 15004624 <GO>}

Thanks for covering and best wishes.

Q - Heather Bellini {BIO 2268229 <GO>}

Thank you.

Operator

Thank you. And our next question comes from Brian Nowak from Morgan Stanley. Your line is now open.

Q - Brian Nowak {BIO 16819013 <GO>}

Thanks for taking my question. Sundar, I wanted to ask one about e-commerce specifically. It seems to become increasingly competitive within the e-commerce funnel. So maybe talk to us about, one, what types of consumer behavior changes are you seeing within e-commerce Search on the platform? And then, in your mind, what are the key priorities of investment you need to really execute on to ensure you stay at the top of the funnel within e-commerce? Thanks.

A - Sundar Pichai {BIO 15004624 <GO>}

I think things that stand out; first of all, I'm excited at the set of announcements in progress we have had in the last few months. And obviously, we're really focused on the user experience and we want to make sure, as a consumer, a wide, comprehensive, high quality inventory and offerings and experience on the platform.

Our free shopping listings, which we launched in the U.S., is now available in 48 countries around the world. Additionally, we eliminated commission fees. So, for the buy on Google

checkout option opened the platform up to PayPal, Shopify for integration as well. So, that gives rise to comprehensiveness and we are focused on quality there.

In terms of the funnel and behavior, to me, what's interesting is, obviously, Search captures the intent at the moment and the breadth of Search, I think, has been a real asset and both -- as users adapt, advertisers adapt, too. So, you can see the dynamic play in real-time. But you do see, I would say, YouTube is an important platform for e-commerce as well.

I can see advertisers in YouTube at the mid funnel level, even currently, if that's not the intent at that moment, invest to create demand, create interest and so on. So, for us, we see commerce working across the platform and I think that's an opportunity and then making sure the rest of the experience is good for users is something we are deeply focused on.

Q - Brian Nowak {BIO 16819013 <GO>}

Thanks, Sundar.

Operator

Thank you. And our next question comes from Brent Thill from Jefferies. Your line is now open.

Q - Brent Thill {BIO 1556691 <GO>}

Good afternoon. Ruth, you called out brand advertisers coming back to YouTube. I'm just curious if you could give us a sense of where you're seeing that strength and kind of where you're at relative to pre-COVID levels with those advertisers?

A - Ruth M. Porat {BIO 2536317 <GO>}

So, overall, we're pleased at the degree to which advertisers really have reactivated their budgets this -- in the third quarter. And they're reacting in part to, I think, evidence that consumers are showing strong demand across nearly all verticals. It's everything from home and garden to computer to work from home. And so, very helpful there.

And then YouTube's strong watch time growth enables advertisers to reach audience that they can't reach on TV, as we've often talked about. And so, they are increasingly looking to us to help them reach people who are going to YouTube to learn new topics and engage with fresh entertaining content, great unique content. So, it's been an opportunity. We're pleased to have seen the performance in the third quarter here.

Q - Brent Thill {BIO 1556691 <GO>}

Thank you.

Operator

Thank you. And our next question comes from the line of Justin Post from Bank of America. Your line is now open.

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Q - Justin Post {BIO 3469195 <GO>}

Great, thank you so much. Maybe one for Sundar and one for Ruth. Sundar, thanks for the update on the DOJ. As you think about all the regulators all over the world, is there any hope of coming to a middle ground here? How are you thinking about how far apart you guys are in different regions?

And then maybe for Ruth, on the YouTube opportunity, if you assume about 2 billion users, you're on a run rate of maybe \$10 per user. Just wondering how you're thinking about the monetization. Are you still very early? And if you can give us any help on what the margins might look like? Thank you.

A - Sundar Pichai {BIO 15004624 <GO>}

Ruth, why don't you go ahead?

A - Ruth M. Porat {BIO 2536317 <GO>}

So, look, in terms of YouTube, as I said, we are pleased with the ongoing momentum that you see in the revenue line. I think, as we've talked to you about quite frequently, in our ad-supported business within YouTube, we do pay out a majority of revenues to all of our content creators. We pay all of the infrastructure and networking costs that's for storing, for serving video, otherwise for running YouTube and that includes marketing, supporting content creators.

There is quite a bit more that we think is invaluable for creators in the overall ecosystem to make sure we're creating not only great experiences for users and creators, but really the right overall ecosystem and we've talked about that in the context of how we invest to protect the content that people are seeing, content moderation investments we view as really an invaluable part of what we're doing and critically important.

So, we are continuing to support that, do view the experience that both creators and end users have has just really differentiated its results. And then on the subscription side, we're continuing to build it out. As Sundar noted in his opening comments, both YouTube Music Premium and YouTube TV do have higher content acquisition costs as a percentage of revenues than YouTube ads and we are early there, continuing to build out that subscriber base.

A - Sundar Pichai {BIO 15004624 <GO>}

And Justin, on the regulatory front, scrutiny is not new for us. And in some ways, it's now sector wide and not surprisingly so. We will engage constructively where possible. And as we have shown through some of the past cases, when there is -- we're confident about the benefits we bring to our users. We'll make our case where there is feedback or rulings. We'll be flexible and adapt. And so, we are building that into it.

I think while there is a lot on the legislative and regulatory front, as some of this gets resolved, it also creates certainty and in some cases, clarity and opportunities as well. And

so, that's the framework with which we approach it and we'll take a long-term view towards it.

And -- but at the end of the day, what's in our control is our ability to relentlessly focus on users and build great products and that's where most of our energy will go into.

Q - Justin Post {BIO 3469195 <GO>}

Great, thank you.

Operator

Thank you. And our next question comes from the line of Mark Mahaney from RBC. Your line is now open.

Q - Mark Mahaney {BIO 3027058 <GO>}

Thanks. Two questions please. It sounds like you're going to provide more disclosure on Google Cloud in the fourth quarter. Will that also be on the profitability of Google Cloud, or could you address the question of whether Google Cloud has reached a point of scale where it's no longer dilutive to overall margins?

And then briefly, two new revenue opportunities or growing revenue opportunities of the year, Google Maps and the Discover tab, any update or any new data points that suggest a monetization opportunity with those two assets? Thank you.

A - Ruth M. Porat {BIO 2536317 <GO>}

So, thanks for that, Mark. And when we break out Cloud, we will be also reporting not just the fourth quarter results, but we'll be providing full year results for 2018, '19 and '20. We'll be providing not just the revenue disaggregation data that we expanded earlier this year, but we will be adding operating income for each of our segments, which we think is the most relevant data.

And the point that both Sundar and I have underscored is that we are investing aggressively in Cloud, given the opportunity that we see. And frankly, the fact that we were later relative to peers, we're encouraged -- very encouraged by the pace of customer wins and the very strong revenue growth in both GCP and Workspace. But we do intend to maintain a high level of investment to best position ourselves. And I kind of went through some of those items, the go-to-market team, the engineering team and CapEx. And so, we describe this as a multi-year path, because we do believe we're still early in this journey.

A - Sundar Pichai {BIO 15004624 <GO>}

On Maps and Discover, et cetera, again, I think I spoke a little bit earlier about thinking it through more holistically. An example where we, I think, worked well is, as developers, we're looking to promote apps with our universal app campaigns you could really reach across. And it's a good model to think about, recently, for example, to serve small and medium businesses. We expanded Smart campaigns to 150 countries and if you're a small

business owner, you can set up your first campaign, create your first ad in 15 minutes from your mobile device.

So for me, thinking about these surfaces as -- we'll do the hard work to make sure the most relevant information gets and thinking about it more holistically and, I think, gives us a chance to also engage users in the way they want us to, sometimes when they come looking for it and sometimes when they proactively want information given to them. And so, that's the overall view and I think the opportunity is very exciting ahead.

Q - Mark Mahaney {BIO 3027058 <GO>}

Okay, thank you very much.

Operator

Thank you. And our next question comes from the line of Dan Salmon from BMO Capital Markets. Your line is now open.

Q - Dan Salmon {BIO 16010491 <GO>}

Great, thanks, and good afternoon, everyone. Sundar, in his response to the DOJ's lawsuit, Kent Walker compared to your Search partnerships to how a cereal brand might pay a supermarket to be at the end of the row or at eye level. We've also heard Philipp Schindler talk about your addressable market being potentially twice as large as commonly viewed and maybe that includes things like those payments inside supermarket.

So, my question is two part. Firstly, is it fair to tie those two types of comments together and assume that they're related to each other? And then second, could you maybe talk about how that might matter to your bigger picture, thinking about the advertising and commerce opportunity for Google and, in particular, the competitive environment that you face.

A - Sundar Pichai {BIO 15004624 <GO>}

Yeah, Dan. At a high level, stepping back from it all, we are -- our mission is to provide information. So, the competitive environment we face is particularly with mobile. And users are looking for information, there's so many choices they have. And so the question is, making sure Google is a relevant way by which they get that information and you can imagine when people are looking to buy products, all the competitors that exist; travel, booking hotels, or any category you take. And so for us, that's why I talk about holistically competing and making sure we can provide relevant information is both the competition we face for mindshare and that's the opportunity we have ahead.

In terms of specifics of the DOJ case and stuff, I'm confident we have approached everything both with a view of making sure we create the best user experience; and B, we really want -- we have always built Google for everyone. So, we wanted to be available on all platforms and be convenient for users to access our services and as part of that, partner with other companies in doing so. And so, look forward to making our case there, but it's definitely early days and we are still reviewing and understanding it all, and I'm sure we'll update more as time goes by.

Q - Dan Salmon {BIO 16010491 <GO>}

Okay, thank you.

Operator

Thank you. And our next question comes from the line of Colin Sebastian from Baird. Your line is now open.

Q - Colin Sebastian {BIO 6373379 <GO>}

Thanks. I have a couple here as well. Maybe just to follow up on the shopping question, specifically on YouTube. If you could expand on the role that shopping and shopping ads are now playing in the growth strategy there? And on Google Workspace, it seem like this is a unique opportunity with work from home to really drive adoption and monetization of these services, including Meet, as well as bundling with Cloud services. So, I wonder if you could provide any more detail on levels of usage and engagement you're seeing with those applications and how you plan to monetize those, going forward. Thank you.

A - Sundar Pichai {BIO 15004624 <GO>}

Great. On shopping and YouTube, definitely say we are on the earlier part of the journey. But we have seen the strength in YouTube for direct response and on a few other categories. And I think the experiences we see there, I think, can directly carryover to commerce and -- as we build out the experience. So, I see that as an opportunity.

I earlier also mentioned about, while Search is currently capturing the intent at that given time, YouTube advertisers can take a longer-term view, create brand awareness, create interest and so on. So, that also offers opportunity.

So, we today in many, many categories have creators with very compelling content and I've always felt things work well if you match user interest and it's very relevant to users. And so I think commerce, there is a lot of commercial activity on YouTube organically. And so, I see it as a long-term opportunity.

On Google Workspace, I'm very excited at the -- we both have strong growth, I mentioned Meet metrics earlier that we saw a peak of 235 million daily meeting participants in Q3 and more than 7.5 billion daily video call minutes. Definitely significant growth in Meet as well as our other products like Docs, Drive and Chat. But Google Workspace also now creates that unified experience. And I think we are definitely seeing a lot of interest and demand there.

I do think COVID is really accelerating the future of work and many of the trends there are -- will last through time. And I think it gives all of us a chance to re-imagine this -- re-imagine what does collaboration and productivity at scale, including people working remotely, looks like. And we plan to be at the forefront of it and so, I'm excited for the opportunity there.

Q - Colin Sebastian {BIO 6373379 <GO>}

Great, thank you.

Operator

Thank you. And our final question comes from the line of Ross Sandler from Barclays. Your line is now open.

Q - Ross Sandler {BIO 15948659 <GO>}

Hi, just two questions. If we look at Search, your growth rates in January and February compared to today, so pre-COVID versus today, I guess how many categories are above the Jan, Feb growth rate? Is travel the only large category at this stage that's running below your pre-COVID growth rates in Search?

And then the second question is on the topic of the Apple Search agreement. So, as you guys said in your blog post, based on other agreements where you've seen things change hands, you didn't really lose a lot of query volume after the change. So, what do you think the recapture rate of queries on Safari toolbar would be, if that deal were to change hands? Is this really a code red situation, or is it something that we should be able to manage through? Thanks a lot.

A - Ruth M. Porat {BIO 2536317 <GO>}

So, in terms of your first question, as we've often said, we have a very diverse business globally and that's across sectors, customer size, geographies. And with respect to sectors, we saw broad-based improvement across virtually all -- it basically mirrors what you see in the broader economy and we don't break out more than that, but it was quite broad-based. In terms of your second question, Sundar, do you want to take that?

A - Sundar Pichai {BIO 15004624 <GO>}

On Search, as I've said for a long time, we work hard to make sure users can conveniently access us. Most of our partners choose us because we are the best search provider, users find us having the highest search quality and so there is organic demand for it. And we believe in investing in our experience across all our platforms. And so, we are definitely committed to making sure we can serve our users everywhere and we are really focused on it.

Operator

Thank you. And that concludes our question-and-answer session. I'd like to turn the conference back over to Jim Friedland for any closing remarks.

A - Jim Friedland {BIO 22252778 <GO>}

Thanks, everyone, for joining us today. We know you all have a busy evening. We look forward to speaking with you again on our fourth quarter 2020 call. Thank you, and have a good evening.

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Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.

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