

Google, Microsoft Are Spending Massively on AI, Quarterly Earnings Show (apnews.com)

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This week Alphabet CEO Sundar Pichai assured investors that their long-term AI focus and investment (and a "commitment to innovation") "are paying off," [reports the Associated Press](#). Alphabet's stock has already soared 20% this year, and it's "still thriving" as the company "navigates through a pivotal shift to AI and battles regulators..."

Alphabet earned \$26.3 billion, or \$2.12 per share during the most recent quarter, a 34% increase from a year ago. Revenue rose 15% from the same time last year to \$88.27 billion... The profits would have been even higher if Google wasn't pouring so much money into building up its AI arsenal in a technological arms race that includes other industry heavyweights Microsoft, Amazon, Apple, Facebook parent Meta Platforms and rising star OpenAI. The AI investments are the primary reason Google's capital expenditures in the past quarter soared 62% from the same time last year to \$13.1 billion. The AI spending will likely stay at roughly the same level during the current October-December period, and the rise even higher next year, according to Anat Ashkenazi, Alphabet's chief financial officer.

But Ashkenazi also emphasized the Mountain View, California, company will act on cost-cutting opportunities in other areas to help boost profits. Alphabet already has trimmed its payroll from more than 190,000 worldwide employees early last year to about 181,000 workers now. In an example of how AI can perform tasks that once required human brainpower, Pichai said the technology is now **writing more than 25% of the company's new computer coding**.

After the results, investors sent Alphabet's stock price up 5% in extended trading, the article points out. "Both Alphabet's profit and revenue increased at a brisker pace than industry analysts anticipated, thanks primarily to a moneymaking machine powered by Google's ubiquitous search engine... [Google's digital search-engine ads earned \$49.39 billion, 12% more than the same quarter of 2023.] And Google's cloud division is growing at an even more robust rate, thanks to demand for AI services. The cloud division generated \$11.35 billion in revenue during the past quarter, a 35% increase from last year."

And meanwhile over at Microsoft, quarterly sales surged 16% to \$65.6 billion, [reports the Associated Press](#). But again, "the company sought to assure investors its huge spending on artificial intelligence is paying off."

The company has spent billions of dollars to expand its global network of data centers and other physical infrastructure required to develop AI technology... As a result, AI-related products are now on track to contribute about \$10 billion to the company's annual revenue, the "fastest business in our history to reach this milestone," CEO Satya Nadella said on a call with analysts Wednesday. [Though Microsoft "hasn't yet formally reported revenue specifically from AI products," the article notes later, with Microsoft instead saying it's infused AI and Copilot into all its business segments.]

Just in the last quarter, Microsoft spent \$20 billion "mostly for its cloud computing and AI needs," the article points out.

But there's still making plenty of money...

The software maker also reported an 11% increase in quarterly profit to \$24.7 billion, or \$3.30 per share, which beat Wall Street expectations for the July-September period... Leading in sales for the quarter was Microsoft's productivity business segment, which includes its Office suite of email and other workplace products, growing 12% to \$28.3 billion. Microsoft's cloud-focused business segment grew 20% from the same time last year to \$24.1 billion for the three months ending Sept. 30. Its personal computing business, led by its Windows division, grew 17% to \$13.2 billion. A big part of that growth came from Microsoft's Xbox video game business, which was boosted by its purchase of game publishing giant Activision Blizzard a year ago.