

Alphabet hails ‘once-in-a-generation’ AI opportunity as revenue rises

Publication Date: 2024-04-25

Author: Nick Robins-Early

Section: Technology

Tags: Technology, Google, Alphabet, Artificial intelligence (AI), Quarterly results, news

Article URL: <https://www.theguardian.com/technology/2024/apr/25/google-revenue-quarter-one>



Shares in Alphabet, the owner of Google and YouTube, surged after it issued its first ever dividend and revealed that profits had surged in the last quarter. Sundar Pichai, CEO, hailed the transition to artificial intelligence as a “once-in-a-generation opportunity” as his company races to integrate the technology across its business. Investors cheered the firm’s earnings, and news of a \$70bn stock buyback. Google posted \$80.5bn in revenue for the first quarter of 2024, up 15% on the same period last year, and reported \$1.89 in earnings per share, up from \$1.17 – surpassing analysts’ expectations on both counts. Shares in Alphabet were up roughly 15% in after-hours trading. The company also announced its first dividend, of \$0.20 per share, and said the payout would become quarterly. “Our results in the first quarter reflect strong performance from Search, YouTube and Cloud. We are well under way with our Gemini era and there’s great momentum across the company,” Pichai said in a press release. Ruth Porat, Alphabet CFO, said revenue from ads on Google Search as well as revenue from Google Cloud fuelled overall positive growth. Revenue from YouTube and Google Cloud exceeded Wall Street’s expectations, with Cloud’s operating income quadrupling to \$900m. Traffic acquisition costs – one of Alphabet’s main expenses – rose as well, increasing by 10%. Like Google, Meta issued its first-ever dividend in February. “Alphabet’s better-than-expected quarter was buoyed by strong search and YouTube ad revenue, signaling that uncertainty about how to monetise conversational search and brand media’s measurement challenges aren’t yet impacting Alphabet’s bottom line,” said Nikhil Lai, a senior analyst at Forrester Research. Internal and external turmoil have rocked Google in recent weeks. The earnings report comes amid protests by employees over Google Cloud’s contract with the Israeli government that led to 48 workers being fired. An antitrust decision over its business practices and role in the digital ad market also looms large. The company botched the rollout of its new Gemini AI tools in February, leading to a steep loss in stock value, which the tech giant seems to have shaken off. Long regarded as a workplace full of jobs that paid well and were difficult to lose, Google laid off 1,000 workers in January as it continues to shift its resources to generative artificial intelligence projects. Alphabet’s stock has continued to rise during this period, however, and reached all-time highs this year. The company’s stock price has continued to rise even as it awaits judgment in a landmark antitrust trial that began last year, in which the Department of Justice accused Google of illegally monopolizing internet search and the digital ad market. During a weeks-long trial, Google defended its business practices and argued that its search platform was simply a superior product to its competitors. The verdict is expected at some point this year and it is unclear what punitive measures Google may incur if it is found guilty. Google is facing a number of other legal challenges, including a \$2.3bn lawsuit from European media companies over its digital advertising practices. The European Commission levied a \$2.7bn antitrust fine against Google that the

company is appealing after a court upheld the penalty in January. The company's stock dipped earlier this year due to investor fears over a haphazard and hasty rollout of its Gemini AI tools, leading to a multibillion-dollar sell off and widespread criticism. Pichai was put on the defensive in February after Gemini's image generator created ahistorical images that included people of color as German second world war soldiers, resulting in the company suspending public access to the tool. In recent weeks, Google has also faced scrutiny and protests over its \$1.2bn contract with the Israeli government to provide cloud computing services. Google fired four dozen workers for protesting the program, with demonstrators accusing Google of being complicit in Israel's war on Gaza. Employees held a sit-in at Google's offices in Sunnyvale and New York offices in protest of the program, resulting in arrests and the terminations. Pichai addressed the firings in an email last week, stating that Google was not the place to "fight over disruptive issues or debate politics". He also announced that some of Google's divisions would go through a restructuring. Google announced additional cuts to its workforce around the same time, laying off an unspecified number of people.