

Advertising slump sinks Google investor confidence despite overall high revenue

Publication Date: 2024-01-30

Author: Kari Paul

Section: Technology

Tags: Alphabet, Google, Quarterly results, news

Article URL: <https://www.theguardian.com/technology/2024/jan/30/alphabet-earning-report-advertising-layoffs>



Alphabet stock slid more than 5% in after-hours trading on Tuesday despite narrowly beating overall revenue predictions for quarter four of 2023 after the tech giant fell short in its key advertising sector. The Google parent company reported a miss on predicted advertising revenue at \$65.52bn compared with \$65.8bn, but beat predictions for overall revenue at \$86.31bn compared with \$85.36bn – up 13% year over year. Referencing the overall revenue beat, Alphabet's chief financial officer called the results "very strong". "We remain committed to our work to durably re-engineer our cost base as we invest to support our growth opportunities," she said. The lukewarm response to the report comes after the Google parent company laid off 1,000 employees in January, according to the Alphabet Workers Union. The chief executive, Sundar Pichai, said later in the month that more layoffs could be expected in 2024 as the company refocuses on "investing in our big priorities", most notably the artificial intelligence elements infusing Google's flagship products. Investors have been heartened by layoffs in recent months, analysts say, potentially seeing the downsizing as reflective of savvy cost-cutting amid rising interest rates. Layoffs have not been without impact, however, with Porat stating on an earnings call Tuesday that severance expenses are anticipated to be \$700m in first quarter of 2024. Alphabet recorded severance-related charges of \$2.1bn for 2023 and \$1.8bn in charges related to vacating office locations. Despite the overall advertising slump, Alphabet said that YouTube advertising revenue was \$9.2bn compared with approximately \$8bn the same time in 2022, beating analyst predictions of \$9.16bn. Pichai said in a statement accompanying the earnings that Alphabet was "pleased" with the "growing contribution from YouTube". He also stated that the company's digital subscription services, including YouTube and the cloud storage service Google One, reached \$15bn for the year. "The substantial increase in our subscription revenues over the past few years demonstrates the ability of our teams to deliver high-value add offerings, and provides a strong base on which to build," he said. Like many companies in the tech sphere, Alphabet has scrambled to capitalize on the boom in AI sparked by the popularity of ChatGPT, a tool offered by the Microsoft-backed firm OpenAI. The word "AI" was mentioned upwards of 70 times in Tuesday's earnings call. Pichai highlighted the company's plans to integrate its new AI model Gemini across a number of products, including search, advertising and cloud. Alphabet's focus on AI comes as the company seeks to diversify revenue streams, with its core search advertising business stagnating and the company facing growing threats in the form of antitrust lawsuits. The US justice department has sued Google for allegedly monopolizing digital advertising technologies. In January, a judge ruled that the company would be forced to stand trial over charges brought by multiple states alleging advertising market dominance. Last year, the company faced another antitrust trial that focused on its deals with other technology companies, including paying Apple some \$18bn per year to remain Safari's default search engine. "The threat of

antitrust regulation looms on the horizon, and as the death knell sounds for third-party cookies, Google must brace itself for what could be its most challenging year yet,” said the Insider Intelligence senior analyst Evelyn Mitchell-Wolf.