

Morgan Stanley Technology, Media & Telecom Conference

Company Participants

- Brian Nowak, Analyst
- Ruth Porat, CFO

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Brian Nowak {BIO 16819013 <GO>}

Good afternoon, everyone. Thank you for joining us. We are delighted to have Ruth Porat this afternoon for our afternoon keynote. We have a series of disclosures I have to read. So we'll get through those first.

Please note that any important disclosures, including my personal holdings disclosures and Morgan Stanley's disclosures, all appear in the handout available in the registration area and on the Morgan Stanley public website. The safe harbor -- some of the statements that Ms. Porat will make today may be considered forward-looking. These statements involve a number of risks and uncertainty that could cause actual results to differ materially. Any forward-looking statements that Ms. Porat makes are based on assumptions as of today. And Alphabet undertakes no obligation to update them. Please refer to Alphabet's Form 10-K for a discussion of the risk factors that may affect those results.

Ruth Porat is the CFO of Alphabet. Prior to joining Alphabet, she was the CFO of Morgan Stanley. She has an undergraduate degree from Stanford, a graduate degree from the London School of Economics and Political Science. And an MBA from the Wharton School at the University of Pennsylvania, we are so delighted to have you here. And thank you so much, Ruth.

Ruth Porat {BIO 2536317 <GO>}

Thank you. It's great to be back.

Brian Nowak {BIO 16819013 <GO>}

A lot of questions, always a lot of things going on with Alphabet. I wanted to start with a high-level one just to take us back a little bit over the last couple of years.

Starting a new job is always a challenge. You almost have two years now in the role at Alphabet. And I guess I'd be curious to hear about how your perspective, your daily role. And your responsibilities and kind of how your outlook have changed from year 1 to year 2.

Ruth Porat {BIO 2536317 <GO>}

So Google has always been about innovation. And I would say if there's anything that defined year 1, it was about putting in place a structure that really helped us push the frontier. And as we've talked about a lot, the benefit of this structure is it really supported greater focus within each of Google and Other Bets. And along with that focus, we did a lot of work to really build out the set of data available for our leaders that enabled them to make better decisions, faster decisions. It gave them a better sense of all of the resources associated with any one of the products, projects, efforts that they were approaching. And within Other Bets, year 1 was really about, again, focusing the portfolio. We brought in a number of great leaders and we set up milestones for the various businesses.

So if you shift to year 2, we're really building on a lot of the process and insights from that data as we look at what are the strategic priorities within each of Google and Other Bets. And how do we best allocate resources to ensure that we continue to push the frontier, with a lens to how do we use those resources most appropriately.

I would say one of the things that may sound a bit geeky. But was actually, I think, really, really insightful was the shift in focus to GAAP reporting versus non-GAAP, because what that really captured was a lot of the work done over that year and a half to 2-year period to push a view of resources down to business leaders as they're assessing how much are they consuming for each of the efforts. And so that's sort of been the journey. And we're moving on.

Brian Nowak {BIO 16819013 <GO>}

We've been pushing that GAAP drumbeat as well. So hopefully, we'll get there. Another one, I guess. So last year when we were sitting here, we talked a little bit about what surprised you most since joining. And you mentioned what really struck you is when you first started working at Alphabet, how early stage it was for the Company. And that was for online advertising, that was for cloud, that was for machine learning, that was for virtual reality. And a lot of areas, it was really early. Which of those areas would you say you've really made the most progress on, a year ago versus now?

Ruth Porat {BIO 2536317 <GO>}

Well I think that what still surprises me is how early we are. And I would say that the data from last year underscores that that was a really fair assessment. When you think about it, we had 24% revenue growth in 2016 on a fixed FX basis, from \$75 billion in revenues up to \$90 billion in revenues. And sitting here today as we look out, I would say we almost have greater confidence about the upside across the various areas.

So Mobile Search continues to grow. The Assistant, we feel we've just started to scratch the surface of what the Assistant can do for you. YouTube, again, increasing user consumption. If you look at what machine learning is doing, not just within the Assistant and recommendations on YouTube. But really across the Alphabet portfolio of businesses, it's absolutely extraordinary and accelerating. If we then talk about some of the biggest bets within Google, as you look at what's going on with the Cloud, I think the work that Diane has led over the past year, building out the organization and some of the functional gaps, really sets us up well for a large and accelerating market.

Similarly, in Hardware, we're very early. We're pleased with the Fourth Quarter results with our expanded family of products. But I think it's pretty evident we've only scratched the surface there. Then when you look at the Other Bets, we're really focusing on large addressable markets. If you think about, for example, what Waymo can accomplish, again building on machine learning. But a very large addressable market. And we're early days. Pleased with the progress on technology, pleased with the progress of FCA. But very early days.

Or if you look at Verily, we talked last year about the work we're doing in diabetes management with Novartis and Sanofi. We've added a partnership with GSK, with Glaxo. And we've also changed the way we're looking at executing some of these steps. Bringing in Temasek as a minority investor with their \$800 million investment really underscores that what we're trying to do is focus on the best way to maximize value over the long term. And what's attractive to us about them is their experience in life sciences and the depth they have in Asia. So again, very early there.

So across the portfolio, to us it's early days. And to us, that's the exciting thing. I listed a host of items. But it's pretty remarkable. And I would say that if there's one point we take away from it, it is that notwithstanding market cap or revenues or the number of employees we have, that isn't necessarily a proxy for level of maturity when you're addressing markets as large as the ones that we're talking about here and given their stage of development.

Brian Nowak {BIO 16819013 <GO>}

Yes. To that point of size not mattering, on Google Websites, your largest business, in 2010, Google Websites was a \$20 billion business, growing a little over 20% constant currency. Then in 2016, it's a little over a \$60 billion business, growing, we think, around 25% constant currency. Pretty impressive. So could you just talk about two or three of the biggest factors that are driving that, both consistency and then the recent acceleration? And how deep is the pipeline for that to continue going forward?

Ruth Porat {BIO 2536317 <GO>}

That's a great question, because it really does go to how early we are. And that's, the Sites revenue growth, is obviously driven by Mobile Search and YouTube as we've talked about quarter after quarter. And so if you try and focus in on the biggest

drivers of that, I would say one is we're riding a secular wave here, just the addressable market continues to grow when you look, in particular, at mobile usage.

And the second is no question, our maniacal focus on innovation. And so as it relates to the addressable market, obviously, increasing penetration of smartphones. But more to that, the utility of these devices. We talk a lot about micro-moments, how we're all on and off the phone constantly because of the ability to get actionable, relevant material wherever you are when you want it, a lot of that benefiting from machine learning. I think more to come with the Assistant.

Then when you look at what we're layering on top of it, whether it's voice recognition or AMP or user formats, ad formats, analytics, it's one thing after the other that makes these devices more usable for the user and for the advertiser. And so those are the two. It's the backdrop of riding a secular wave and then adding through innovation.

Brian Nowak {BIO 16819013 <GO>}

Through innovation. On voice search, one of my favorite topics, last year at Google I/O, you said that 20% of searches on the Google App on Android smartphones in the US were voice search now. That's a lot. It's more than we thought. And you also have the Google Home now. That's a great device that, as we were talking about, my 2-year-old has to say goodnight to you every day. So the Google Home is becoming part of my home.

Ruth Porat {BIO 2536317 <GO>}

Hopefully, that's true for everyone out there.

Brian Nowak {BIO 16819013 <GO>}

Okay, Google, goodnight, has to happen every day. So talk about Alphabet's voice search strategy for the next 3 to five years. And how do you ensure that you continue to lead search as consumer behavior migrates over to voice?

Ruth Porat {BIO 2536317 <GO>}

So we are excited about the Assistant. I think one of the extraordinary elements of it, we started on Pixel, we've gone to Home, we've gone to Android Wear. And hopefully, you've seen that we're now on millions of Android devices so that if you have Marshmallow or Nougat, you can use the Assistant. And what's really extraordinary about what we're seeing users do is people are increasingly moving seamlessly across different surfaces. And that's probably best illustrated. And partly by your kid. But what we're seeing with YouTube video is when you couple that with Chromecast, the fastest-growing segment is actually the living room. And so what people are doing is moving quickly from voice into other surfaces. And our view is that having the ability to move seamlessly across all of these various areas will continue to be a critical determinant.

And when you take what we bring to bear, again going back to machine learning, with our natural language capabilities and you layer on top of that image recognition or location, user context, you're bringing together a whole host of things which are increasingly valuable for voice search.

Brian Nowak {BIO 16819013 <GO>}

Yes. Makes a lot of sense. So on the topic of the living room. And I want to move to YouTube, because advertisers and agencies that we speak with continue to say that YouTube is still destination number 1 when it comes to online video to talk about viewability, love the TrueView ad format. Competition does seem to be increasing a little bit in the video side. Talk about main priorities for YouTube in 2017 on both the advertiser side as well as the core user side.

Ruth Porat {BIO 2536317 <GO>}

So we are excited about YouTube and what it does. We've talked a lot about having more than a billion users. Hopefully, you all saw that we now have over a billion hours of daily watch time, which we're really proud of. I think it's a rather staggering number. But 60% of that is on mobile and tablet. And that number is continuing to grow. So we do think that we're early in the cycle for YouTube with respect to both ad formats, that use the best ad formats. And the experience for users. And you asked about what drives each.

So on the ad side, we've always had a lot of success with TrueView and then moving to Google Preferred. We're very excited about what the Bumper ads can do, the 6-second Bumper ads, what it means for advertisers and what it means for users. So again, it's continuing to evolve what the opportunity is on this platform.

Then when you asked me about the priorities for users, one of them is continuing to build out Red, YouTube Red. I think as we talked about on a number of calls, the opportunity to offer a subscription service to those who want that type of format, we view as an attractive add-on to all that we're doing. We're continuing to develop content for YouTube Red. We have 28 original shows now and continuing to build there. And we're also extending to kids' content. So that is clearly one very important area.

The other important area is Community. We've talked a lot about that this year already. What's valuable there is not only are we connecting content creators to users. But users to one another. And just the ability to be able to stay closely connected on all of the things that one loves on YouTube has been really important. And much of this -- I keep coming back to machine learning. But machine learning continues to be a really valuable component of the offering, making sure that we're serving you and what you want, building off of the types of things that you consume.

Brian Nowak {BIO 16819013 <GO>}

As part of what I consume, on the last conference call, Sundar mentioned that you already work with TV networks, individual shows, sports leagues to bring premium content to YouTube. I guess I'd be curious to hear how important is having more premium content on YouTube part of the go-forward strategy?

Ruth Porat {BIO 2536317 <GO>}

Well as he said, as we've repeatedly said, premium content, we do view as very valuable. It's what we like to consume. It goes back in part to my comment about micro-moments. It's how many times can you pop on and off and watch, whether it's SNL or Colbert or Ellen or a sports snippet or a news snippet. Like whatever it is, people are increasingly, as evidenced by the billion hours daily watched, picking their time when they want to see something, go deeper into something. And that content is highly valued by our community.

I think the other point, though, that I view as really key, is Nielsen data suggests that if you watched a YouTube video, you are 33% more likely to then go and watch that program on television. And so overall, for the entire ecosystem, this is mutually reinforcing.

Brian Nowak {BIO 16819013 <GO>}

Yes. A question on margins. Core margins, typically they seem to be a pretty hot-button topic among investors. Over the past few quarters, we get a lot of questions around Alphabet and really core Google margins have started to compress a bit year on year, in 3Q and 4Q. A couple of questions for you. One, if we peel back the layers, what's driving that core Google margin compression? Then two, could your continued cost-focus cause that to reverse as we go throughout the year?

Ruth Porat {BIO 2536317 <GO>}

So that's sort of an age-old Google question. I know I've been asked it a bunch, as have others at Google and Alphabet. And it all starts with the extraordinary valuable desktop business that was our heritage. When you're starting with something like that, as we've often said, anything you add, from a margin perspective, is likely -- or will; I should not say is likely -- will put pressure on margins.

But as we repeatedly said, what we're focused on is revenue growth, earnings growth. And profit dollars. And we will continue to invest to make sure that we continue to address the other things you've already asked about -- user experience, advertiser experience, the opportunity set. We'll continue to invest in those to extend our growth rate. And this is very much about looking for long-term revenue and earnings growth. And even though businesses other than desktop will compress margins, when you look at what's the long-term revenue growth, the earnings growth. And profit dollars, that's what we will keep coming back to. And we're excited about the opportunities that we have out there.

That's sort of the long-term view. There is one thing just to note, which I did comment on in the Fourth Quarter call, as you're looking at your First Quarter modeling. I did mention that we've shifted our stock-based comp refresh cycle. Historically, it was always in the Third Quarter of the year. And I indicated we're moving it to the First Quarter. And the reason for that is we're putting all the components of comp into one period rather than sprinkling them throughout the year. So this is not an increase in stock-based comp or a change in philosophy. We're just moving it to the First Quarter. And I call it out only because that means that the step-up that you typically see in the Third Quarter, it's going to be in the First Quarter. It's a half-grant.

Brian Nowak {BIO 16819013 <GO>}

One of my favorite topics is -- yes, small change. One of my favorite topics that we talked about last year was gating when it comes to budgeting. And you're tightening the reins a little bit on the budget. I guess I'd be curious to hear about how the gating process is going now and just how you think about the successes and milestones and big hurdles that you see going on right now inside of Alphabet to make sure that the budget and gating process are staying tight.

Ruth Porat {BIO 2536317 <GO>}

So I think it has served us, is serving us well. We start again with the notion that we're focused on driving innovation. And it's about long-term revenue growth. But to achieve moonshots, you want to have markers along the way. You want to have leaders who are truly visionary and have huge ambition and then markers along the way.

I would say as a banker to tech companies in my prior life, I certainly saw a lot of people who had huge ambition and couldn't get to the finish line. And what we're looking at with milestones is the ability to really have markers along the way. And it starts with technology and the improvements in technology and some of the operational elements. It's financial elements.

And this enables us to really mid-course correct, gauge where we are. I would say that it's serving us really well. We work closely with the leaders to articulate what are those milestones along the way. For example, with Waymo, we start with safety, safety, safety. So it's all about technology and testing. There's been a lot of data that I commented on in the Fourth Quarter call. A recent report that came out on testing. But there's a whole series of work we do as we're going through the technology portion of it which precedes, then, what's the pace of investment as you're going into a broader execution.

We obviously have talked also about driving down hardware costs and some of the progress on cars. But each one of these elements is a marker along the way to what we view as really sizable opportunities.

Brian Nowak {BIO 16819013 <GO>}

Makes sense. Google Cloud, GCP, one of the big opportunities that's still in the core of Google. You made several high-profile hires over the last year. You continue to roll out new products. Had a couple of big account wins, Snapchat being one of them. What are the biggest learnings so far around GCP. And just talk about both the biggest challenges you see you need to overcome. And then what are the strategic priorities for this year?

Ruth Porat {BIO 2536317 <GO>}

So it is a huge strategic priority for us. We start with the notion that we are a very demanding client ourselves -- \$90 billion in revenues, very demanding. And we're in the cloud and really thrilled with all that Diane is leading here, building out, as I said, the organization and filling in some of the key areas.

The key things. And she's talked about this at a recent conference. Enterprises are clearly moving to the cloud at an accelerating rate. And we're very well positioned for that. And as we're seeing the take-up, really gratified with the progress that we've been making. And the other thing is that we're increasingly seeing large enterprise customers adopting G Suite, given the strength that that provides and the functionality.

In terms of her priorities, she's articulated five of them. One is ongoing investments in sales, marketing. And engineering talent. The second is deep integration with our customers on an ongoing basis, from proof of concept to first deployment to ongoing development, optimization. And new workload additions. Third is building out partnerships. Fourth is the ongoing investment to give our customers an ongoing technology advantage. I mean, this really goes to what we've been talking about. Everything that we're doing in data analytics and machine learning and security and developer productivity and automation. Then finally, we're continuing to push the footprint globally. And that to us is an important part of it, including all the compliance and other related work. So we view it as one of the most important opportunities we have and one that's moving at an accelerating pace.

Brian Nowak {BIO 16819013 <GO>}

Accelerating pace. It's a big opportunity. There's often press speculation around Alphabet trying to really accelerate its cloud strategy through M&A. You don't have to talk specifically about cloud M&A; you can if you like. But maybe at a higher level, can you just talk philosophically about how Alphabet tries to think about the decision of whether it wants to buy or build when it addresses big opportunities like this?

Ruth Porat {BIO 2536317 <GO>}

Well so Diane has been very strategic and targeted in using M&A, filling in, in certain places. But more broadly, we view M&A as a very valuable complement to all that we do organically. It's not lost on us that three of our seven properties with over a billion users came to us through acquisition -- YouTube, Android. And Geo. Then on top of that, DoubleClick has been and continues to be a really important centerpiece for all

that we're doing in programmatic. So we look at what we've been able to accomplish through M&A and, as I said, view it as a great complement to what we're able to do organically.

We do have a high bar. We want to make sure that we are making moves that do drive long-term shareholder value. So we do have a high bar. But certainly are very open to it, as we've been very active with smaller deals. But continue to look.

Brian Nowak {BIO 16819013 <GO>}

Got it. On the Pixel -- you mentioned it earlier as one of the opportunities. So by core Google Other Revenue, it accelerated over 60% growth in the Fourth Quarter. I think part of that is because of Pixel and Hardware. We can see the advertising and the brand push around Pixel. So could you just talk about why Pixel is an important part of the Alphabet strategy?

Ruth Porat {BIO 2536317 <GO>}

Well Sundar commented quite a bit on this on the earnings call. In our view, having Pixel enables us to bring, really, a seamless Google experience to users. It brings what we view as the best of hardware and software working together, whether that's security updates or what we're doing with the Assistant. So we're pleased. We started with the Assistant on Pixel. And now moving it, as I said, on to M&N. But it's enabling us to bring those two together in an integrated, seamless fashion.

It also enables us to present the experience the way we think we'd like to see it presented through sales, marketing. And in-store placement. And we're working with our retail partners to make sure that we're presenting, again, the overall experience. So we continue to view it as early and complementing a lot of the other things that we're doing.

Brian Nowak {BIO 16819013 <GO>}

Got it. Understood. Moving on to Other Bets, I want to start with Waymo. You mentioned earlier, safety, safety, safety. One of the things that happened with Waymo is it recently graduated from X to become a standalone entity. Talk about, what does that mean for Waymo and how it gets capitalized, how it operates. And how it really continues to move into the driverless car space.

Ruth Porat {BIO 2536317 <GO>}

So what graduation means is it evidences a level of development across many elements of the business. It started with safety continues to be the key driver, the key thing we remain focused on. But when you look at the incredible progress that the team has made, the level of disengagement and again, all reflected in the safety report, we're really pleased with the work they've done there. Our CEO, John Krafcik, has spoken about hardware costs and the amount of expense there and driving expenses down. So that was another element of it, has made tremendous progress

with FCA and continuing to push the opportunity with the car. So we just kind of looked across the set and say it's reached a certain level of development where it's time to graduate them from X, very similar to what we did with Verily when they reached a certain point in their execution, building out the team and certain elements of the business.

When we graduate someone from X, they're still reported in Other Bets, Verily is, as Waymo will continue to be. But really, it's a codification. And understand it's very exciting for the team, because it underscores that they've really hit a host of these milestones and they're moving down the path.

Brian Nowak {BIO 16819013 <GO>}

Graduation. Fiber. There's been a lot of debate about Fiber strategy throughout 2016. So I have a few questions for you. Investors often debate, with myself and some of my colleagues, the strategy may have changed. So I guess a few questions. Did the strategy change? And if so, how has it changed and how do you think about the strategic vision for Fiber in the next couple of years?

Ruth Porat {BIO 2536317 <GO>}

So we announced on the Third Quarter call that we were pausing some of the work that we were doing in Fiber in order to give ourselves time to continue to progress from the engineering work we're doing on both deployments and delivery. We're continuing to support our existing subscribers. And we're adding new subscribers. And we're continuing to go into a number of additional cities. But we have paused a number of additional cities. And the view is we're making ample progress on the engineering front. We want to make sure that as we continue to deploy this broadly, we're doing it as effectively and efficiently as possible. And that's what the pause that we talked about in the Third Quarter meant.

We are continuing to build out the business. We remain excited about the long-term opportunities as, hopefully, you saw we brought in a new CEO. We're excited about him and the opportunity, given his industry experience. In addition, we've made some changes on sizing of the operation. We didn't need quite the centralized organization, given we're pausing. But we had a lot of people with tremendous technical expertise, whether in hardware or in content. So there was ample opportunity within Google. But we are continuing to move forward with it and excited about the opportunity. We thought this was the most effective way to execute on what is a long-term growth plan.

Brian Nowak {BIO 16819013 <GO>}

Alphabet has a very strong balance sheet and cash balance. You've authorized about \$7 billion in share repurchases. How are you thinking about capital allocation strategy going forward? And talk about the potential or the idea of either increasing debt capacity or maybe eventually doing a dividend.

Ruth Porat {BIO 2536317 <GO>}

Well the approach to capital allocation hasn't changed since I articulated it on our call back in 2015. It really is, again, I start with we remain committed to long-term revenue and earnings growth and investing in the types of things that will continue to propel our performance.

So it starts with organic growth and the types of investments necessary to support organic growth. What we then do is a sensitivity analysis around M&A on the one hand. And CapEx and investments on the other hand. And look at what does that mean for the type of reserve that we've built in. Given the markets we operate in are large, dynamic. And highly competitive, we like the financial flexibility that comes with having a decent buffer. But given our cash balance, our view was we could initiate a share repurchase. And we did. And I was very pleased when we came back and were able to start on a second share repurchase program.

In our most recent K, we did indicate that we haven't paid a dividend and don't intend to in the foreseeable future. And again, that goes to the flexibility that we see in the approach that we're taking. We continue to review it with the Board and in that framework.

Brian Nowak {BIO 16819013 <GO>}

Understood. We are going to open it up to audience Q&A in a couple of minutes. If you do have any questions, feel free to raise your hand. And the mic runners are out running.

Measurability is something that comes up quite a bit, in particular over the past six months when you talk to advertisers, when you talk to agencies, just making sure that they're really getting the return for their advertising dollars. Can you talk about what Alphabet is doing to really make sure that the transparency is there for the advertisers? Is there anything, really, to come over the next 12 to 18 months to improve that?

Ruth Porat {BIO 2536317 <GO>}

Yes. So we completely agree. Effective measurement tools are absolutely imperative and are a key part of ongoing growth in the industry. And that's why we continue to invest as much as we do in measurement tools across our products.

We do also work with a number of third-party measurement partners. Nielsen and comScore are obviously at the front of that. And that's really just validating all that we're doing. We maintain over 30 MRC accreditations, including AdWords, YouTube. And DoubleClick. And we're currently in the process of accrediting and auditing third-party viewability integrations on YouTube via the MRC. And we think that's going to add further assurance to all that we're doing. We do set a high bar on all the metrics that we provide to advertisers. And we're continuing to invest here.

Brian Nowak {BIO 16819013 <GO>}

Got it. One of the businesses that doesn't really get a lot of light is the Network business. And the Network business is actually -- it was better than we thought, at least, in the Fourth Quarter. I think it accelerated to 7% growth. You talked about programmatic and AdMob. Is there any further light, or can you peel back the onion a little bit more on what's going on in the programmatic space that's driving Alphabet gains in this market?

Ruth Porat {BIO 2536317 <GO>}

Well I tried to be clear on the earnings call. But as we've talked about repeatedly, the Network business consists of, well as you know, of a lot of different businesses. In the Fourth Quarter, a lot of things just went well and rounded to the positive. And what I tried to call out was that we didn't view that acceleration as an inflection point or something that we would extrapolate from. The programmatic side of the business continues to grow well. We're thrilled that we have made the investments over the years to be well positioned there. But we continue to have headwinds from the more legacy business. So a lot went well. But don't extrapolate from it.

Brian Nowak {BIO 16819013 <GO>}

Understood. We have time for a couple of questions. Questions in the audience? No questions in the audience? One?

Questions And Answers

Q - Unidentified Participant

Could you elaborate a little bit more on what you said earlier about the shift from non-GAAP to GAAP being helpful?

A - Ruth Porat

 {BIO 2536317 <GO>}

I think it's been really useful when we look at planning for all of our leaders to have a full picture of all of the resources that they're using for any particular product or project. So again, the shift has been moving from one where headcount was viewed as numbers of people rather than the OpEx associated with those people. Any decision on planning and prioritization, you start with what's the strategic priority and what's the addressable market, what's our differentiated advantage, why do we want to be in it? But I think that it's very potent to be able to see across a whole host of different things that we're doing, what types of resources you're applying against it.

And some of the opportunities that kind of pop up where there may be nice projects or products and you start to see the fully loaded costs and the question is, over the near to long term, is that the highest and best use of resources? Are there other places that we should be applying them? And my view, very strongly -- our view, very strongly -- is anchor decisions in data. And you're going to make sharper decisions.

And so that's what this enables us to do. And you can see, as you give people data, they want more data because it enables them to figure out exactly within all of the things that they're looking at, how do you make the best trade-offs.

A - Brian Nowak {BIO 16819013 <GO>}

It's a much fuller representation of the costs, too.

Q - Unidentified Participant

As we think about the increased transparency with Other Bets and the losses that Other Bets had, is there any future thoughts about how to give even more transparency since the market capitalizes those losses? And when you think about graduating from the X program, is Alphabet just the technology holding company, with Google the first public subsidiary of their graduation (inaudible)?

A - Ruth Porat {BIO 2536317 <GO>}

Yes. It's a great question and one we've spent a lot of time thinking about and weigh a whole host of different elements. I think it was helpful when we moved to Alphabet and we were able to highlight how much is going into Other Bets. And we've seen over the year, we spent a lot of time shaping that portfolio. So even though the investment in Other Bets has been pretty constant year on year, there's been a lot of movement within the various portfolio. And I think that therefore your question is a very fair question.

Breaking it out, I think, addressed some of the concern that we had that we were maybe going -- we're unrestrained there. And this was giving you a sense that we're making bets, we're going to continue to make big bets because we think that we're attacking big opportunities that will drive long-term growth. But it addressed a question. I appreciate every time we address a question. It wisely raises other questions. And we continue to add to what we're doing. We're thinking about all sort of things, adding -- the shift to GAAP was one of the helpful things. But appreciate the question. Nothing to add today.

A - Brian Nowak {BIO 16819013 <GO>}

And probably one more.

Q - Unidentified Participant

Yes, how do you think about, given the growing size of cash balance of the business and just the absolute huge scale of the Company, how do you just think about large acquisitions going forward?

A - Ruth Porat {BIO 2536317 <GO>}

Again, I'm not sure I have much to add other than what I said. I think that we are open to making smart moves that support growth in the business and that are consistent with core competencies so that we're actually adding value to anything that we bring on or it fits elegantly within what we're doing. Acquisitions have been

an important part of our success, as I've already said. Some of our anchor tenants came through acquisitions. So we've got a great team that looks at them when they cross the platform and are open. But we think that it's appropriate, just because we have cash doesn't mean we'd be applying it in one step into something really large. We want to make sure that it fits, that it's strategically smart. And that we can deliver the kind of return that you should all expect of us.

A - Brian Nowak {BIO 16819013 <GO>}

Okay, Ruth thank you so much.

A - Ruth Porat {BIO 2536317 <GO>}

Great to be involved. Thank you.

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