

Alphabet posts lower Q4 profit amid ad squeeze, competition

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In this Feb. 14, 2018, file photo the logo for Alphabet appears on a screen at the Nasdaq MarketSite in New York. Alphabet Inc. reports financial earnings on Thursday, Feb. 2, 2023. Credit: AP Photo/Richard Drew, File

Google's parent company Alphabet on Thursday posted lower profit and

a small revenue increase for last year's fourth quarter, as a decline in online ad spending and competition from rivals weigh on the search giant.

While overall revenue grew, advertising revenue fell by nearly 4% and revenue at YouTube declined 8% year-over-year. That appeared to spook investors, who sent the company's stock lower in after-hours trading.

The company based in Mountain View, California, said it earned \$13.62 billion, or \$1.05 per share, in the October-December quarter. That's down 34% from \$20.64 billion, or \$1.53 per share, in the same period a year earlier.

Revenue inched 1% higher to \$76.05 billion from \$75.33 billion.

Analysts expected Alphabet to post earnings of \$1.18 per share on revenue of \$76.2 billion for period, according to FactSet Research.

Alphabet, like Facebook parent Meta, Amazon and other [tech companies](#), is navigating a rough economic patch that's especially hurting the online advertising market.

Last month, Alphabet announced it was cutting 12,000 jobs, or about 6% of its workforce. It was the company's biggest-yet round of layoffs and [adds to tens of thousands of other job losses](#) recently announced by Microsoft, Amazon, Meta and other tech companies that are tightening their belts in the face of a darkening outlook for the industry.

In response to the layoffs, Google's unionized workers, members of the Alphabet Workers Union-CWA rallied outside of the company's New York City office during the company's earnings call.

"Alphabet is one of the most profitable companies in the world, and well positioned to weather any economic storm. Yet instead our executives decided to layoff 12,000 of our coworkers, including many on medical or [parental leave](#), as well as many with over a decade of loyal service," the union said in a statement.

Alphabet is contending with a "challenging" [economic climate](#) and is working to reengineer its cost structure to build "financially sustainable, vibrant growing businesses" across the company, CEO Sundar Pichai said.

"Our long-term investments in deep computer science make us extremely well-positioned as AI reaches an inflection point, and I'm excited by the AI-driven leaps we're about to unveil in search and beyond," Pichai said in a statement.

Google is facing some competition in [artificial intelligence](#) from Microsoft, which last month announced it is [making a "multiyear, multibillion dollar investment"](#) in the artificial intelligence startup OpenAI, the maker of the wildly popular ChatGPT and other tools that can write readable text and generate new images.

The technology could help Microsoft's own search engine, Bing, compete with Google in answering search queries with more complete answers instead of just links.

Pichai also touted "great momentum" in Cloud, YouTube subscriptions, and Pixel devices, signaling to investors that Alphabet has plenty revenue sources outside of advertising to grow its business.

Nonetheless, advertising still makes up the bulk of Alphabet's [revenue](#).

Beyond the economic squeeze, Google is also facing regulatory pressure.

Last month, the Justice Department and eight states [filed an antitrust suit against Google](#), seeking to shatter its alleged monopoly on the entire ecosystem of online advertising as a hurtful burden to advertisers, consumers and even the U.S. government.

The government alleged in the complaint that Google is looking to "neutralize or eliminate" rivals in the online ad marketplace through acquisitions and to force advertisers to use its products by making it difficult to use competitors' offerings.

Shares in Alphabet Inc. fell about 4% in extended trading after the company's earnings report came out.

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