

Google rebounds from unprecedented drop in ad revenue with a resurgence that pushes stock higher

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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 reports earnings on Tuesday July 25, 2023. Credit: AP Photo/Richard Drew, File

Google snapped out of an unprecedented advertising slump during its latest quarter, signaling a return to growth cycle needed to fuel investments in artificial intelligence technology that expected to reshape the competitive landscape.

The results for the April-June period released Tuesday by Google's corporate parent, Alphabet Inc., reversed a financial downswing that had raised fears Google was losing its financial steam at the same time advances in artificial intelligence, or AI, threatened to undercut the dominant search engine that powers its digital ad empire.

But after Google's ad revenue suffered [year-over-year declines in consecutive quarters for the first time in its history](#), ad sales rose 3% from a year ago to \$58.1 billion during the second quarter. That was better than analysts had been anticipating, according to FactSet Research.

Those gains helped lift Alphabet's total revenue for the period by 7% from last year to \$74.6 billion. The company posted a profit of \$18.4 billion, or \$1.44 per share, a 15% increase from the same time last year. Both those numbers also surpassed the analyst estimates that steer investors.

The Mountain View, California, company also announced that Chief Financial Officer Ruth Porat will take on the newly created role of president and chief investment officer. Alphabet will seek a new CFO to take over a job that Porat, a former investment banker, has handled for the past eight years.

Alphabet's stock price surged nearly 8% in Tuesday's extended trading after the results came out. The shares have climbed nearly 50% so far this year, with much of the gains since Google provided a deeper dive into its [AI products and strategy during a May conference](#). That

presentation helped alleviate concerns that Google is being outmaneuvered [in a pivotal field of technology by Microsoft](#), which is backing and deploying some of the breakthroughs made by Open AI and its popular chatbot, ChatGPT.

The brewing battle for AI supremacy is expected to require billions of dollars in investments in the years to come—money that Alphabet should be able to get from Google's advertising machine, as long as it can continue the steady growth of the past 20 years. But Google has recently been facing more daunting challenges, not only from the ChatGPT-like technology that Microsoft has been embedding in its Bing search engine, but also from Amazon in shopping, and TikTok and Reddit in hot topics.

In the most recent quarter, though, Google showed signs of renewed vigor.

"Our continued leadership in AI and our excellence in engineering and innovation are driving the next evolution of Search, and improving all our services," Alphabet CEO Sundar Pichai said.

After YouTube saw its ad sales fall year-over-over in three straight quarters as TikTok's audience swelled, Google's popular video site also bounced back with a 4% increase in ad revenue from last year. Meanwhile, the Google Cloud division that provides the behind-the-scenes technology for a wide swath of websites. The Cloud division also posted its second consecutive profitable quarter in a development that has pleased investors.

Porat's promotion signaled Alphabet is looking to pare the losses in its long-unprofitable "Other Bets" division that includes self-driving car pioneer Waymo and other far-flung projects working on technology expected to take many years to yield a return. When she takes on her new role as Alphabet's president, Porat will oversee the Other Bets

portfolio as part of a commitment to "drive financial discipline and returns for shareholders, while spearheading investment to create sustainable, long-term value," Pichai said.

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