

Microsoft, Google beat earnings expectations amid AI frenzy

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Microsoft CEO Satya Nadella speaks during a February 2023 keynote address announcing ChatGPT integration into the company's Bing search engine.

Tech titans Google and Microsoft announced better-than-expected earnings on Tuesday as the frenzy over artificial intelligence stokes

investor excitement and breathes a new life into the sector.

The release of ChatGPT last year landed as technology giants were embarking on major layoffs and cost-cutting plans, with share prices hammered after flying high during the coronavirus pandemic.

For the second consecutive quarter, Microsoft has more than reversed the trend, seeing profits and sales soaring to the highest levels ever for the 48-year-old [company](#) co-founded by Bill Gates.

An earnings statement reported that [net profit](#) for Microsoft was \$20.1 billion in the April to June period, up 20 percent year-on-year and above expectations.

The company posted \$56.2 billion in sales, which also beat expectations, though the growth slowed from the previous quarter.

And even though its [share price](#) slipped in after-hours trading, the Windows-maker remains the world's second most valuable company after Apple, with a market capitalization of \$2.6 trillion.

Once again, business in the latest quarter was driven by the cloud, which relies heavily on [artificial intelligence](#) and accounts for more than half of the company's sales.

Cloud sales grew by 21 percent year-on-year.

Microsoft shares lifted off last week when the company said it would charge \$30 extra per user to turbocharge its Microsoft 365 product—which includes Word, Excel and Teams—with AI powers.

"Every customer I speak with is asking not only how, but how fast they can apply next generation AI to address the biggest opportunities and

challenges they face and to do so safely and responsibly," said Microsoft CEO Satya Nadella.

Google parent Alphabet on Tuesday also reported profits that beat market forecasts as digital advertising revenue revived and its cloud business grew.

The search engine giant reported net income of \$18.7 billion on revenue of \$74.6 billion in the recently ended quarter.

"There's exciting momentum across our products and the company, which drove strong results this quarter," Alphabet chief executive Sundar Pichai said in an earnings release.

Alphabet shares jumped more than six percent to \$129.57 in after-market trades following the results.



Google co-founder Sergey Brin is reported to be back at the internet giant's Silicon Valley campus helping with its artificial intelligence efforts.

Microsoft saw its share price slip more than three percent to \$337.99 as earnings showed it will take a bit of time and investment to fulfill its AI visions.

"I think people got overly excited by AI, but now the reality is that it is not going to be instant," said independent analyst Rob Enderle of Enderle Group.

"We are talking a few years before the full benefit starts to materialize."

Brin is back

While the latest talk has surrounded AI, what matters most for Google earnings currently is digital advertising—where it gets the bulk of its revenue.

The company said that advertising revenue hit \$58.1 billion, which outshined analysts' expectations of \$57.45 billion.

Google is also a player in the cloud computing industry, where revenue came in at \$8 billion, compared with \$6.3 billion the unit took in during the same period a year earlier.

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

Google has played a close second to the partnership between Microsoft and OpenAI in rolling out its AI products following the release of ChatGPT.

The company has largely been seen as playing catch up with Microsoft, with questions over whether the mighty Google search engine will withstand developments in AI.

Microsoft was quick to beef up its Bing search engine with AI powers, but Google's search has yet to see a real threat to its dominance—which remains about 90 percent of the market worldwide.

Google, though not as dramatically as Microsoft, has seen its share price rise steeply in 2023 as investors expect AI to generate new revenue and open new markets.

According to The Wall Street Journal, Google co-founder Sergey Brin is back at the company headquarters in California helping teams develop even more AI products.

He and co-founder Larry Page stepped down from active roles at Google in 2019 when Pichai was chosen to replace them as chief executive.

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