

Google parent Alphabet sees growth despite pandemic; shares jump

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The earnings report of Google parent Alphabet eased fears the pandemic would devastate digital ad revenue that is the internet firm's income engine

Google parent Alphabet on Tuesday outshined dim earnings expectations, showing higher revenue and profits despite a coronavirus-induced slowdown in its core digital advertising operations in March.

Alphabet shares leapt more than eight percent in after-hours trades following release of earnings figures that eased fears the pandemic would stall the internet firm's income engine.

Alphabet reported a profit of \$6.8 billion in the first three months of the year, up nearly three percent from last year, on revenue that grew 13 percent to \$41 billion.

The Silicon Valley giant, the first of the big technology firms to report quarterly results, offered a mixed picture: a strong start to the year followed by an abrupt slowdown in advertising in March and some tentative signs the worst may be over.

Chief financial officer Ruth Porat pointed to "very

early signs of recovery in commercial search behavior by users" but added that "it is not clear how durable or monetizable this behavior will be."

Still, the report showed one of the major tech firms weathering the crisis and seeing some hopeful signs in advertising, which represents the lion's share of Alphabet revenue and is closely tied to economic conditions.

"In a quarter of bad news, this was really good news," said analyst Rob Enderle of Enderle Group, who predicted improvement in the digital ad market in May and June.

Baird analyst Colin Sebastian expected the current quarter to be "the bottom" of an online advertising trough at Alphabet, while noting growth in its YouTube and cloud computing revenues.

"This is probably exactly what technology needed at a time when many suspected FANG/Tech could be rolling over," Mark Newton of Newton Advisors said in a tweet, referring to the acronym for the big tech firms Facebook, Amazon, Netflix and Google.

Staying cautious

Alphabet executives remained cautious in their outlook, noting that the company is cutting back on hiring, marketing, office expansion and other expenses while continuing to invest in promising long-term trends like companies moving more aggressively to services hosted in the internet cloud.

"It is now clear that once the emergency has passed, the world will not look the same," Alphabet-Google chief Sundar Pichai said during an earnings call.

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