

EARNINGS

Google Parent Posts Weak Earnings but Unveils YouTube, Cloud Results

Alphabet posts \$46.1 billion in revenue in latest quarter, missing analyst expectations amid efforts to boost transparency



Competitors including Amazon are chipping away at Google's online-advertising business. Attendees gather at a Google event during CES in Las Vegas on Jan. 7. PHOTO: STEVE MARCUS/REUTERS

By Rob Copeland

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Google pulled back the curtain on several of its important businesses, but not everyone loved what was revealed.

In a surprise move Monday, Google's parent, Alphabet Inc., [GOOG 3.61% ▲](#) provided financial information on some of its operations, for the first time disclosing revenue results in areas like YouTube and cloud computing.

The new data didn't distract from disappointing results in its core online-advertising operation.

Operating income, a measure of Alphabet's profit from central bets like search, was \$9.3 billion, much lower than the consensus projection of \$9.9 billion. This marks the ninth time in 10 quarters that the company missed on that metric, according to FactSet.

Revenue of \$46.1 billion for the fourth quarter also fell short of analyst expectations of

Alphabet shares dropped 4.7% in after-hours trading. At the close Monday, the shares were up 11% this year.

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The results punctuate 21-year-old Google's stop-and-go efforts to mature from Silicon Valley adolescence into adulthood. For years, it managed to cram ever more advertising into its established search and maps platforms, among others. It is still doing that, but the company's growth increasingly depends on newer areas like digital video powerhouse YouTube and bets in less flashy areas like cloud storage.

The new disclosures, meanwhile, reflect a shift in strategy in the C-suite.



Alphabet's moves to boost transparency come as investors are watching to see whether Sundar Pichai, appointed CEO in December, will make meaningful changes. PHOTO: GIAN EHRENZELLER/SHUTTERSTOCK

Analysts and investors have howled for years for more details on Alphabet's operations, with little success. Chief Financial Officer Ruth Porat said that the new data were intended "to provide further insight into our business and the opportunities ahead."

The earnings report was Alphabet's first since Sundar Pichai was promoted to chief executive in December, succeeding Google co-founders Sergey Brin and Larry Page. Messrs. Brin and Page are still on Alphabet's board—Mr. Page is chairman of the executive committee—and hold a supermajority of voting shares, giving them effective control of decision making at Google that remains unchanged.

Mr. Pichai was formerly CEO of Google since 2015.

Alphabet said YouTube exceeded \$15 billion in annual revenue in 2019. That would be on the lower end of projections for the video business, which has been the subject of educated guesses for years, and suggests that YouTube pulls in less than \$8 a year from each of its 2 billion users. On a call with analysts, Mr. Pichai said he believes there is “significantly more room” to make money off YouTube’s users.

Cloud, on the other hand, is on track for \$10 billion in revenue this year, Alphabet said, representing better-than-expected figures for a business that operates in the long shadow of competitors Amazon.com Inc. and Microsoft Corp. By comparison, Google’s search unit pulled in \$27.2 billion in the last quarter alone.

The company didn’t disclose profits or losses for either of those businesses, but some analysts were jubilant at any new data. Heather Bellini of Goldman Sachs said “thank you” four times during the question-and-answer session of the company’s earnings call. “I think this is the best Alphabet call I’ve been on,” she said.

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Alphabet’s move toward greater transparency is notable in part because analysts and investors are watching closely to see whether Mr. Pichai will make meaningful changes at the company. Mr. Pichai hinted Monday that he expected some of what Alphabet calls

its “other bets,” which include its self-driving car division, to take on outside investors soon.

Despite any slowdown in overall growth, the conglomerate holds an enviable competitive position. In a sign of its heft, Alphabet last month became only the third U.S. company to close above \$1 trillion in market value.

Alphabet’s results were an outlier in Silicon Valley, where fourth-quarter earnings have been strong from fellow tech giants including Facebook Inc., Apple Inc. and Amazon.

Google faces a fierce array of threats this year. Competitors including Amazon are chipping away at its online-advertising business, while state and federal regulators are beginning broad

investigations of purported anticompetitive behavior. Google has said it would cooperate with the inquiries.

In November, federal health regulators opened an inquiry into Google's access to personal patient data from the giant health system Ascension, after The Wall Street Journal reported on a partnership dubbed "Project Nightingale."

Mr. Pichai, who has seldom discussed Google Health publicly, defended such arrangements near the start of his prepared remarks on Monday. He said patient data are "much more secure" with Google "than in paper records or on premises."

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Corrections & Amplifications

Larry Page is chairman of Alphabet's executive committee. An earlier version of this article incorrectly stated he was chairman of the board.

The first name of Sergey Brin was incorrectly given as Sergei in an earlier version of this article. (Feb. 3, 2020)

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