Alphabet Posts $41.2 Billion Q1 Revenue Amid ‘Significant Slowdown’

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16 hours ago

Alphabet, the parent company of Google, today reported revenues of $41.2 billion for the opening quarter of 2020, a period when the global economic impact of Covid-19 was beginning to make itself felt.

Total revenue for the period was up 13% year over year, down from the 17% revenue growth the online advertising behemoth recorded during the opening quarter of 2019 when revenue for the quarter was $36.3 billion.

Earlier today, the company posted its latest quarterly earnings update with Alphabet and Google CEO Sundar Pichai describing the quarter as an “urgent moment.”

Total advertising revenues for the quarter were $33.8 billion compared to $30.6 billion 12 months earlier. Its core search ads offering generated $24.5 billion in Q1, up from $22.5 billion 12 months earlier.

Meanwhile, revenue from YouTube ads topped $4 billion, an increase of $1 billion compared to 12 months earlier, while its network properties generated $5.2 billion, up slightly from the $5 billion during the opening quarter of 2019.

Earlier this year, Alphabet was tipped to become the first majority ad-funded corporation to strike a $1 trillion valuation. However, the economic impact of Covid-19 has wreaked havoc on the entire advertising economy with nearly a

quarter (24%) of all respondents in an IAB survey of media buyers claiming to have paused all advertising spend for the first half of 2020.

Additionally, the report indicated that 74% of respondents believed Covid-19's impact on ad spend will be much more severe this year and next, compared to the financial crisis during 2008-2009.

Google, by far the biggest recipient of online ad spend with a 37% market share last year, has attempted to spearhead several initiatives to ease the subsequent impact the media industry is facing, such as the temporary suspension of ad serving fees for publishers. In addition, it has also committed $800 million to help fund small and midsized businesses—the businesses that make up the bulk of its advertisers—during the current economic crisis.

However, the online behemoth itself is not immune to the impact, with the company reportedly cutting its marketing spend in the second half of this year as well as toning down its recruitment plans.

'A tale of two quarters'

In the subsequent earnings call, Alphabet's C-suite characterized the period as "a tale of two quarters" with an abrupt disruption to ad spend in the final month of the period.

Overall, revenue from search and other ads was up 9% year over year but spend during March slowed as uncertainty over the economic impact of the Covid-19 pandemic began to spread across the globe.

Last month search ad spend slowed to the extent where there was "mid-teen percentage decline" compared to 12 months earlier as advertisers pressed pause on spend due to economic uncertainty.

Porat went on to tell analysts, consumers' search activity actually increased during the period, but that "interest shifted to less commercial topics."

Pichai further explained that the sudden slowdown in ad spend in March was due to advertisers' ability to easily switch off their search ad spend.

Performance budgets held while brand spend faltered

Meanwhile, YouTube's ad revenues—a sector of the business Alphabet only started breaking out since its previous earnings report—were up 33% year over year during the period.

According to Porat, brand advertising budgets on the video-sharing network began to falter in March, while direct response spend maintained the acceler ation levels experienced in January and February. "As a result, by the end of March, total YouTube ads revenue growth had decelerated to a year on year growth rate in the high single digits," she added.

Similarly, revenue from Google's ad network properties grew 4% year over year during the period with growth rates seeing a "low double-digit decline" in terms of percentage.

"For the second quarter so far, I think it's premature to gauge given the uncertainty in the environment, and a few weeks is not a quarter," she said when asked about the prospects of a recovery in ad spend in Q2.

"So, in such an unprecedented crisis, I would not want you to extrapolate for just a couple of weeks."

https://www.adweek.com/digital/alphabet-posts-41-2-billion-q1-revenue-amid-significant-slowdown/