Google admits AI search makes less money, but it’s fixing that with more ads

Google parent Alphabet reported its Q3 financial results on Wednesday afternoon, showing a healthy rise in revenue for the months of July to September. But the company’s stock price has taken a beating, marking one of the largest post-earnings drops in its history. It comes down to several troubling aspects of the new report, including an admission by the company that AI search isn’t earning as much as organic search, and despite that, Google expects to spend even more on AI next year.

The company took in almost $128 billion in Q3 2026, earning more than $26 billion in net income. These may sound like good numbers, but financial markets are not impressed. While revenue is up 25 percent versus last year, net income is almost $9 billion lower. As of this story’s publication, the stock price is down almost 12 percent, and it was down about 13 percent earlier in the day.

While revenue was up 25 percent year over year, analysts expected more. Google reported earnings per share of $2.12, but the consensus projection ahead of Wednesday was $3.02. Google’s Cloud products actually beat expectations, crossing $30 billion in revenue. That’s about a billion more than analyst guesses.

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