

Google/Alphabet profit falls short of forecasts (Update)

April 21 2016



Eric Schmidt, the executive chairman of Google owner Alphabet, speaks during a press conference in Seoul on March 8, 2016

Google parent Alphabet on Thursday reported profit climbed 20 percent, but the rise fell short of investor expectations, sending shares sharply lower.

Alphabet said that net income hit \$4.2 billion in the first three months of

this year, but shares sank five percent to \$721.89 in after-market trades that followed release of the report.

Revenue in the quarter rose to nearly \$20.3 billion compared to \$17.26 billion in the same period a year earlier.

The results "represent a tremendous start to the year," said Alphabet chief financial officer Ruth Porat.

"We're thoughtfully pursuing big bets and building exciting new technologies, in Google and our Other Bets, that position us well for long-term growth."

In the financial report, Alphabet separates its money-making engine Google from "other bets," a category that covers the California-based company's investments in diversifying into areas such as self-driving cars, high-speed Internet and smart homes.

Revenue from Other Bets more than doubled in the recently ended quarter to \$166 million, but an overall loss of \$802 million was booked, according to the earnings report.

The earnings came a day after the European Union opened a new antitrust battle with Google, charging the US tech giant with abusing the dominance of its Android mobile phone operating system.

The charges, a year after Brussels took on Google over its search engine, come as a huge blow to one of the company's most strategic businesses and could change the face of the global smartphone sector.

EU Competition Commissioner Margrethe Vestager said Google had used practices such as making manufacturers pre-install its market-leading search engine as the default in phones.

Google said it would work with the EU to show that consumers benefitted from Android.

Alphabet earlier this year briefly vaulted past Apple as the world's most valuable company, but on Thursday the iPhone maker was well ahead of its Silicon Valley rival in market capitalization.

The reorganization last year under Alphabet was aimed at providing more transparency to investors as the company moved into new sectors which may not deliver profits, and led to expectations that some of these "moonshot" operations could be discontinued or spun off.

Alphabet subsidiaries include Google, Nest Labs, and Google X labs devoted to big-vision new technologies such as self-driving cars, along with such projects as smart "Google Glass" spectacles, drones, health care and Google TV—none of which has become a major source of income.

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