

EU fine on Google weighs on parent Alphabet profits

April 29 2019



Google's parent company Alphabet took a hit on disappointing revenue growth as profits were dented by a big EU antitrust fine

Google parent Alphabet on Monday reported that profit in the first three months of this year sagged under the weight of a hefty antitrust fine in the European Union.

Alphabet said that profit in the first-quarter fell 29 percent to \$6.7 billion on revenue that climbed 17 percent to \$36.3 billion.

The earnings took a hit from a European Commission fine that amounted to \$1.7 billion at the end of March, according to the quarterly update.

Google shares were down 7.2 percent to \$1,202.39 in after-market trades that followed release of the earnings report.

Though profits excluding the one-time costs were better than expected, revenue growth was below forecasts for the technology colossus which is the dominant internet search company and operator of the ubiquitous Android mobile operating system.

Chief financial officer Ruth Porat said in the release the results showed "robust growth" led by mobile search, ad revenues from YouTube videos and cloud computing.

"We remain focused on, and excited by, the significant growth opportunities across our businesses," she said.

Google's lucrative advertising platform remained the largest revenue driver for Alphabet, delivering more than \$30 billion of revenues, but costs rose sharply as well.

Investors seemed concerned that earnings figures showed the growth rate of ad clicks slowed while the trend toward lower-priced mobile ads continued.

Rising cloud

The California giant showed widening losses for its "other bets"

including the Waymo self-driving car project, Verily life sciences and services for internet for remote parts of the world and drone delivery.

"Other bets" showed an operating loss of \$858 million, up from \$571 million a year ago while revenues rose modestly to \$170 million.



Google has been accused by EU authorities of abusing its dominant position and by US President Donald Trump of "bias" in search results

Some of the projects are moving closer to fruition: Wing became the first drone delivery company to receive air carrier certification from the US Federal Aviation Administration. Waymo has begun a limited rollout of its robotaxis in Arizona in partnership with automakers.

And, while the company's Pixel smartphones have seen traction slowed by heavy competition in the premium handset market, it was pleased with momentum for Home devices infused with digital assistant software.

Porat teased a hardware announcement along those lines at Google's annual developers conference next week in its home town of Mountain View, California.

It is seeing growth in cloud computing for businesses, a market where Google is competing against Amazon, Microsoft and others.

"Google Cloud Platform remains one of the fastest growing businesses in Alphabet with strong customer momentum reflected in particular in demand for our compute and data analytics products," Porat said in a call with analysts.

Google planned to continue investing heavily in data centers, engineers, and digital content for streaming video offerings at YouTube.

Google and 'techlash'

But Google continues to face pressure around the world from regulators, notably in Europe amid multiple investigations over alleged abuse of its dominance in internet search, advertising and its mobile system.

The latest fine imposed by Brussels cited Google's AdSense advertising service, saying it illegally restricted client websites from displaying messages from ad service rivals.

Google is separately working to satisfy EU regulators investigating its hugely popular Android devices following a \$5 billion fine last year.

This month, Google said it would offer smartphone users five browsers and search engines as part of the company's effort to meet EU competition concerns.

Brussels accused Google of using the Android system's dominance of smartphones and tablets to promote the use of its own Google search engine and Chrome browser and shut out rivals.

In the United States, Google has been a target of President Donald Trump and his allies, accusing the search giant of "bias" and silencing conservative voices, claims denied by the Silicon Valley firm.

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