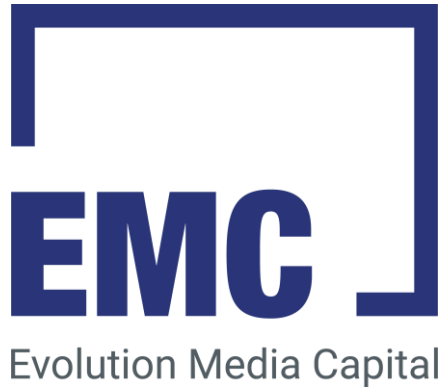


Google (GOOG) 2020 Q1 Earnings Summary

April 2020

Sign Up For Additional Research From Evolution Media Capital



Google (GOOG) 2020 Q1 Earnings Summary

April 2020

Google Advertising Revenue Declined In March As Their Largest Customers Swiftly Reduced Their Spending

ADVERTISING

- **In March, experienced a significant and sudden slowdown in ad revenues correlated to locations and sectors impacted by COVID**
 - Delayed some ad launches and prioritized supporting their customers as many adjusted their strategies
 - Having active conversations with their large advertisers to help them understand the demand shifts and how they can respond
- **See very early signs of recovery in commercial search behavior by users, but it is not clear how durable this behavior will be**
 - People respond to changes in search faster, so brand is maybe slower to change, both on the downside and the upside

YOUTUBE

- **Significant revenue growth persisted until late in Q1, with different trajectories for brand and direct response components**
 - Direct response had substantial growth throughout the quarter, while brand advertising experienced a sizable headwind starting in mid-March
- **Working on iterating and making direct response formats work better so that it applies to more context as well.**
 - It's a journey and people who have been investing are seeing that it is cost effective, and over time, more people are looking at it
 - Made app campaigns easier by bring a simple holistic solution rather than having to think about trying to do this across Search or YouTube

CLOUD

- **See overall momentum across GCP and G Suite and offerings are getting better as they help customers from a deeper standpoint**
 - At a CEO level, companies are thinking about the shift to digital in a deeper way and that's a longer-term trend they are excited about
- **SMB is going to be a continued focus, especially scaling this up and making sure it works well internationally**
 - Focus has been simplifying it, making it one cohesive, easy experience, that also works well from mobile
 - Over time, bringing technologies like AI to make it all much simpler and seamless for customers

OPERATIONS

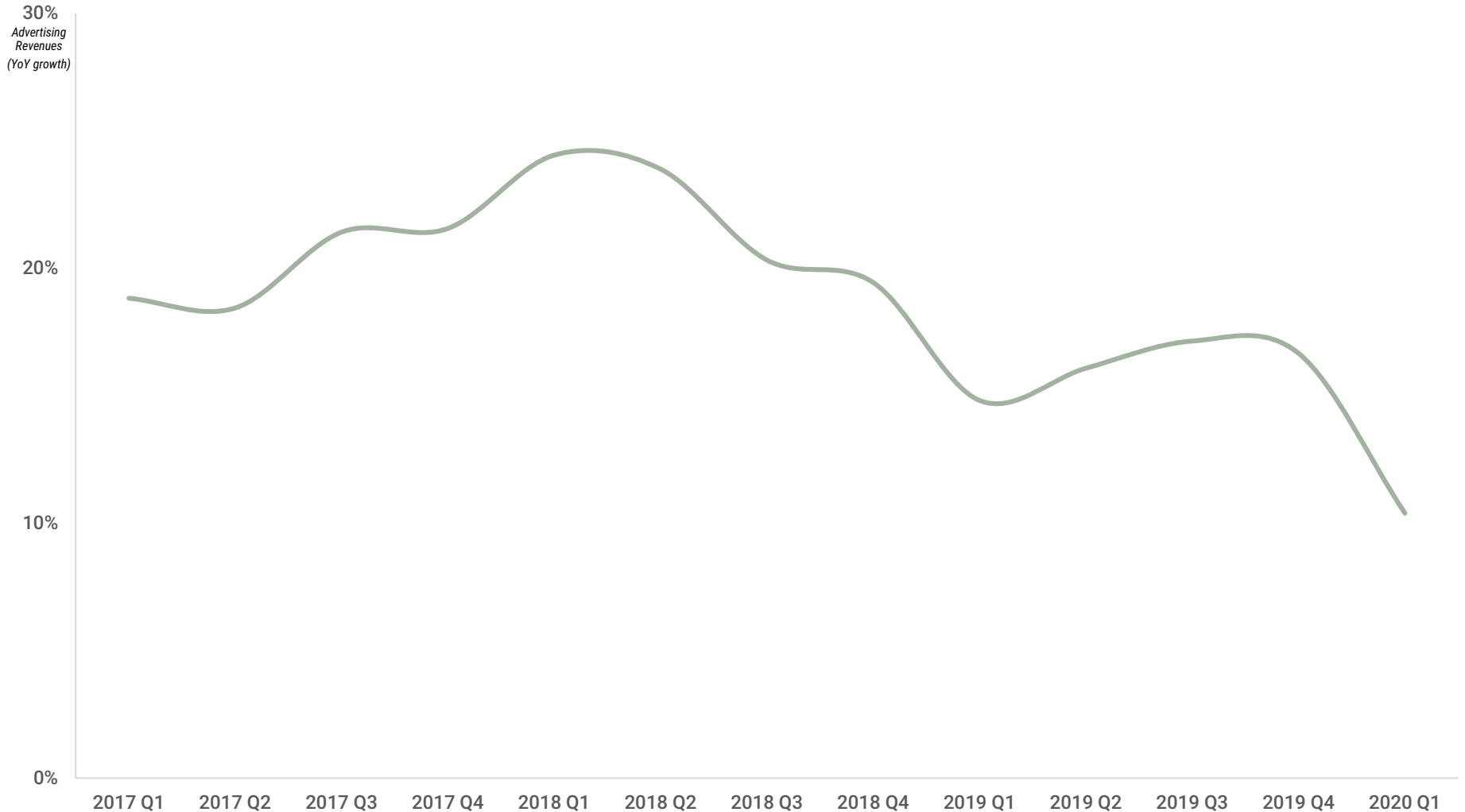
- **After a decade of growth, they have been focused on taking steps to enhance efficiency**
 - Anticipate a deceleration in head count growth that should start to be visible in the third quarter and continue into the fourth quarter
 - Remain committed to long-term opportunities and will continue to invest in these areas, including Search, machine learning and Google Cloud
- **Reduced marketing components, but continue to have a healthy budget, particularly in digital, to support many business areas**
 - As with the other areas of investment, they are really focused on optimizing across products and services

Cloud services stand to benefit as businesses reinvent their operations and think deeper about shifting to digital services

Advertising Revenue



There Hasn't Been A Further Deterioration In Ad Revenue Growth In April, But Expect Q2 To Be Challenging

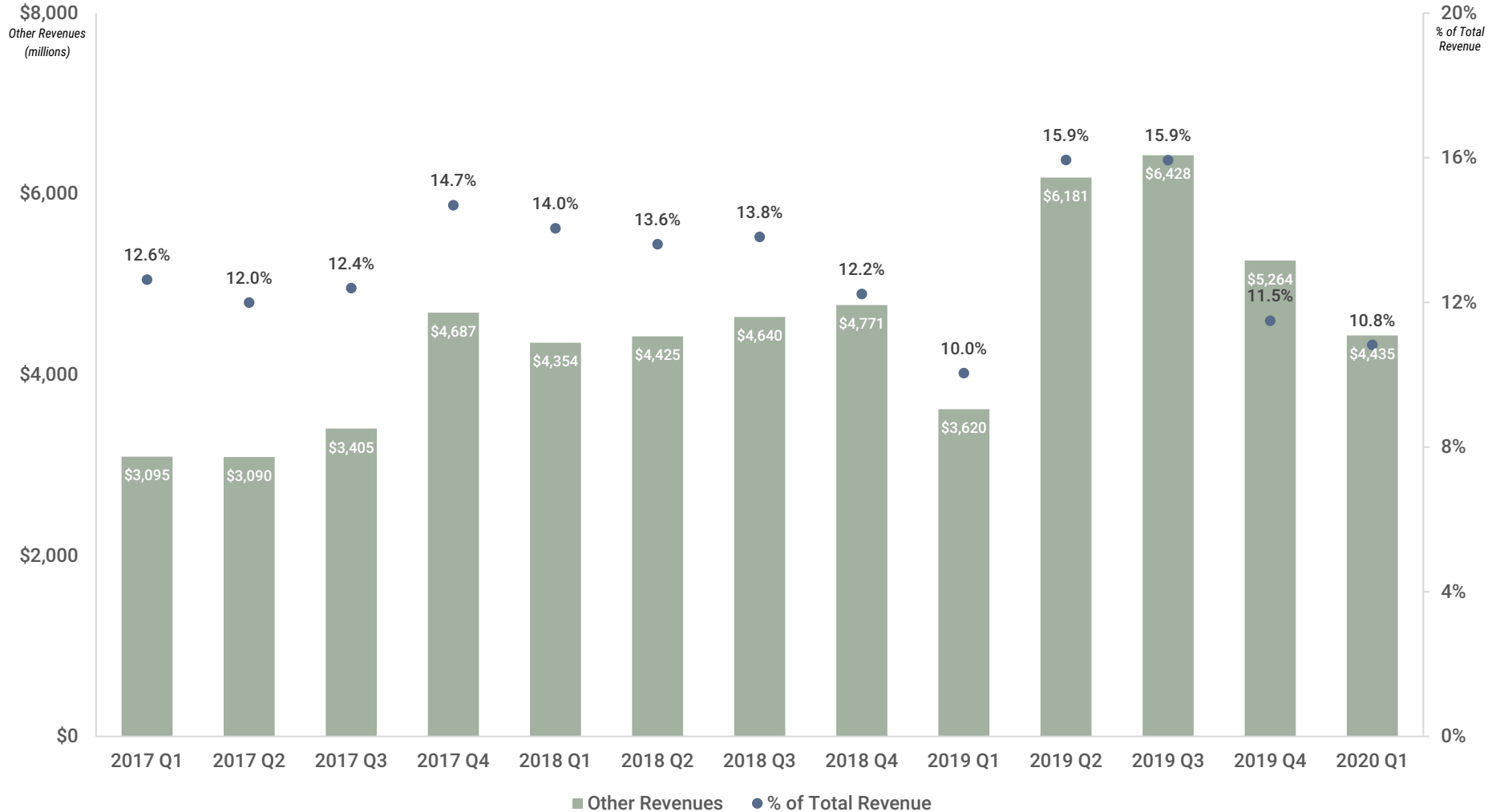


Monitoring macroeconomic performance closely as that is a key signal that tends to be correlated with advertising spend

Other Revenues



Expanding Partnerships, Especially Around Payments, To Improve The Quality Of Shopping Experiences



Watch time on YouTube has increased in the past month as people discover new types of content on the platform

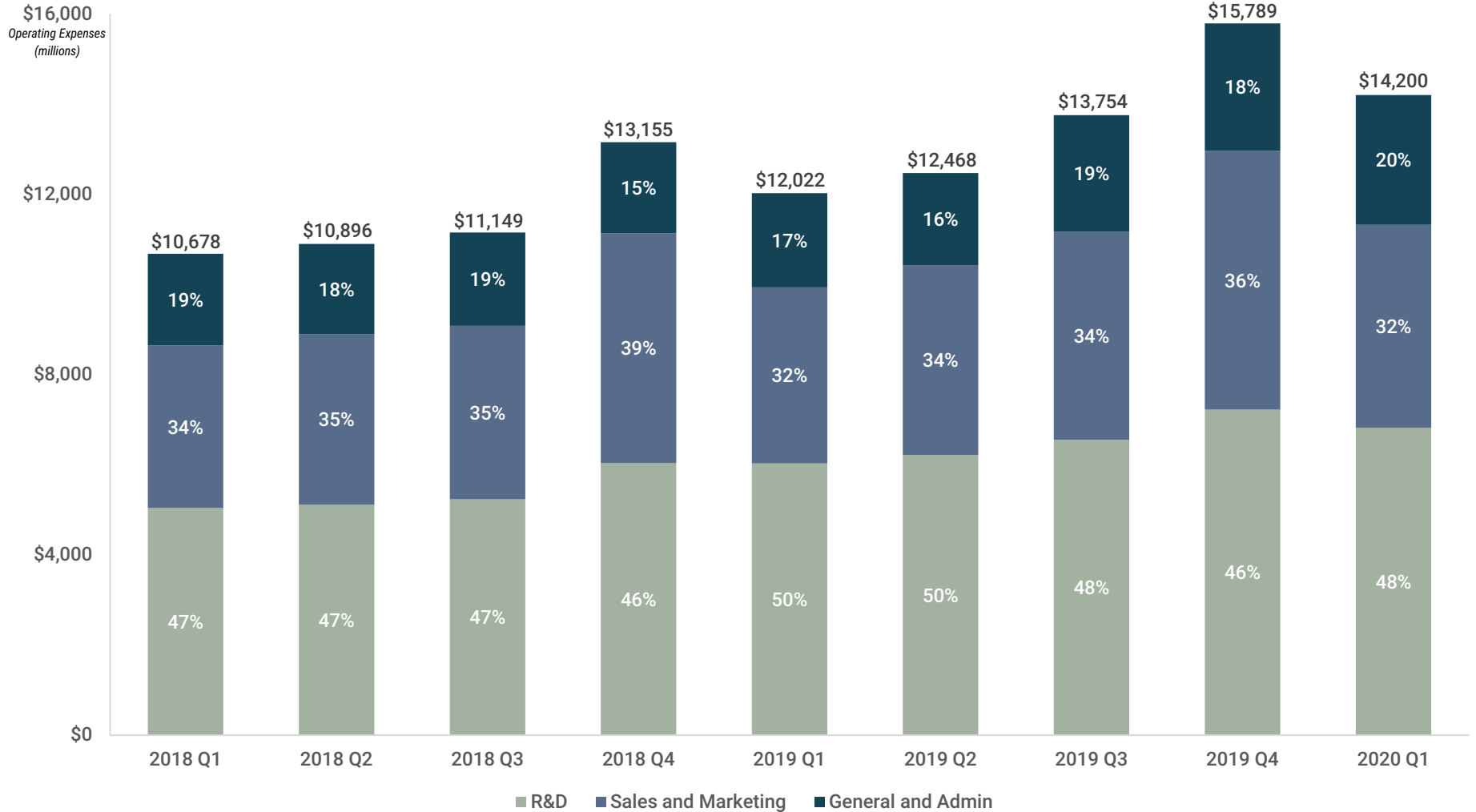
Note: Other Revenues consist primarily of Google Play, hardware, and YouTube subscriptions



Operating Expenses



Cautiously Approaching Growth Initiatives As Majority Of Operating Expenses Aren't Correlated To Revenue



There will be a continued focus on AI and ambient computing as they maintain their long-term view on the future