

Thoughts on Alphabet's Q3 2024 Earnings

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Alphabet delivered another solid quarter, with revenue growing 15% year-over-year to \$91.3 billion and operating margins hitting 32%. The results highlight how deeply AI is becoming embedded across their business, driving both product innovation and revenue growth.

One of the big takeaways is the continued success of Alphabet's AI initiatives. The integration of Gemini models into Search, YouTube, and Cloud is clearly paying off. AI Overviews in Search and tools like Lens are not just improving user engagement but also increasing the complexity and volume of queries, which is great for long-term monetization. On the Cloud side, a 35% YoY revenue growth rate and improving margins show that customers are finding real value in Google's AI-powered solutions.

YouTube continues to stand out, crossing \$50 billion in combined ad and subscription revenue over the last 12 months. Shorts, in particular, is gaining momentum, with growing watchtime and narrowing monetization gaps compared to long-form content.

On the challenges side, the DOJ antitrust trial could create uncertainty around search distribution agreements, particularly on iOS devices, but Alphabet's focus on innovation and improving user experience puts it in a strong position to adapt. Rising capital investments in data centers and AI infrastructure are worth watching, but these seem necessary to stay ahead in a competitive market.

Overall, Alphabet seems to be excelling in all areas, balancing growth in AI, Cloud, and advertising with operational discipline. It is leveraging its scale and expertise to stay ahead in a rapidly changing landscape.

Source: Alphabet Investor Relations