

Alphabet Announces First Quarter 2021 Results

MOUNTAIN VIEW, Calif. – April 27, 2021 – Alphabet Inc. (NASDAQ: GOOG, GOOGL) today announced financial results for the quarter ended March 31, 2021.

Sundar Pichai, CEO of Google and Alphabet, said: “Over the last year, people have turned to Google Search and many online services to stay informed, connected and entertained. We’ve continued our focus on delivering trusted services to help people around the world. Our Cloud services are helping businesses, big and small, accelerate their digital transformations.”

Ruth Porat, CFO of Google and Alphabet, said: “Total revenues of \$55.3 billion in the first quarter reflect elevated consumer activity online and broad based growth in advertiser revenue. We’re very pleased with the ongoing momentum in Google Cloud, with revenues of \$4.0 billion in the quarter reflecting strength and opportunity in both GCP and Workspace.”

Q1 2021 financial highlights

The following table summarizes our consolidated financial results for the quarters ended March 31, 2020 and 2021 (in millions, except for per share information and percentages; unaudited).

| | Quarter Ended March 31, | |
|--|-------------------------|-----------|
| | 2020 | 2021 |
| Revenues | \$ 41,159 | \$ 55,314 |
| Increase in revenues year over year | 13 % | 34 % |
| Increase in constant currency revenues year over year ⁽¹⁾ | 15 % | 32 % |
| Operating income | \$ 7,977 | \$ 16,437 |
| Operating margin | 19 % | 30 % |
| Other income (expense), net | \$ (220) | \$ 4,846 |
| Net income | \$ 6,836 | \$ 17,930 |
| Diluted EPS | \$ 9.87 | \$ 26.29 |

⁽¹⁾ Non-GAAP measure. See the table captioned “Reconciliation from GAAP revenues to non-GAAP constant currency revenues” for more details.

Q1 2021 supplemental information (in millions, except for number of employees; unaudited)**Revenues, Traffic Acquisition Costs (TAC) and number of employees**

| | Quarter Ended March 31, | |
|------------------------|--------------------------------|------------------|
| | 2020 | 2021 |
| Google Search & other | \$ 24,502 | \$ 31,879 |
| YouTube ads | 4,038 | 6,005 |
| Google Network | 5,223 | 6,800 |
| Google advertising | 33,763 | 44,684 |
| Google other | 4,435 | 6,494 |
| Google Services total | 38,198 | 51,178 |
| Google Cloud | 2,777 | 4,047 |
| Other Bets | 135 | 198 |
| Hedging gains (losses) | 49 | (109) |
| Total revenues | <u>\$ 41,159</u> | <u>\$ 55,314</u> |
| Total TAC | \$ 7,452 | \$ 9,712 |
| Number of employees | 123,048 | 139,995 |

Segment Operating Results

| | Quarter Ended March 31, | |
|------------------------------|--------------------------------|------------------|
| | 2020 | 2021 |
| Operating income (loss): | | |
| Google Services | \$ 11,548 | \$ 19,546 |
| Google Cloud | (1,730) | (974) |
| Other Bets | (1,121) | (1,145) |
| Corporate costs, unallocated | (720) | (990) |
| Total income from operations | <u>\$ 7,977</u> | <u>\$ 16,437</u> |

Change in the useful lives of our server and network equipment (unaudited)

In January 2021, we completed an assessment of the useful lives of our servers and network equipment and adjusted the estimated useful life of our servers from three years to four years and the estimated useful life of certain network equipment from three years to five years. This change in accounting estimate was effective beginning in fiscal year 2021 and the effect for the three months ended March 31, 2021, was a reduction in depreciation expense of \$835 million and an increase in net income of \$650 million, or \$0.97 per basic and \$0.95 per diluted share.

Stock Repurchase

On April 23, 2021, the Board of Directors of Alphabet authorized the company to repurchase up to an additional \$50.0 billion of its Class C capital stock. The repurchases are expected to be executed from time to time, subject to general business and market conditions and other investment opportunities, through open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans.

Webcast and conference call information

A live audio webcast of our first quarter 2021 earnings release call will be available on YouTube at <https://youtu.be/B4VgDDIOaEc>. The call begins today at 2:00 PM (PT) / 5:00 PM (ET). This press release, including the reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, is also available at <http://abc.xyz/investor>.

We also provide announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs, on our investor relations website (<http://abc.xyz/investor>).

We also share Google news and product updates on Google's Keyword blog at <https://www.blog.google/>, which may be of interest or material to our investors.

Forward-looking statements

This press release may contain forward-looking statements that involve risks and uncertainties. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020, which is on file with the SEC and is available on our investor relations website at <http://abc.xyz/investor> and on the SEC website at www.sec.gov. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. All information provided in this release and in the attachments is as of April 27, 2021. Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

About non-GAAP financial measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: free cash flow; constant currency revenues; and percentage change in constant currency revenues. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain items that may not be indicative of our recurring core business operating results, such as our revenues excluding the effect of foreign exchange rate movements and hedging activities. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management’s internal comparisons to our historical performance and liquidity as well as comparisons to our competitors’ operating results. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

There are a number of limitations related to the use of non-GAAP financial measures. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures and evaluating these non-GAAP financial measures together with their relevant financial measures in accordance with GAAP.

For more information on these non-GAAP financial measures, please see the tables captioned “Reconciliation from net cash provided by operating activities to free cash flow” and “Reconciliation from GAAP revenues to non-GAAP constant currency revenues” included at the end of this release.

Contact

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Alphabet Inc.
CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts which are reflected in thousands and par value per share amounts)

| | As of December 31, 2020 | As of March 31, 2021 (unaudited) |
|--|-------------------------------|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 26,465 | \$ 26,622 |
| Marketable securities | 110,229 | 108,482 |
| Total cash, cash equivalents, and marketable securities | <u>136,694</u> | <u>135,104</u> |
| Accounts receivable, net | 30,930 | 28,006 |
| Income taxes receivable, net | 454 | 493 |
| Inventory | 728 | 888 |
| Other current assets | 5,490 | 7,646 |
| Total current assets | <u>174,296</u> | <u>172,137</u> |
| Non-marketable investments | 20,703 | 25,294 |
| Deferred income taxes | 1,084 | 1,129 |
| Property and equipment, net | 84,749 | 87,606 |
| Operating lease assets | 12,211 | 12,598 |
| Intangible assets, net | 1,445 | 1,823 |
| Goodwill | 21,175 | 22,341 |
| Other non-current assets | 3,953 | 4,167 |
| Total assets | <u>\$ 319,616</u> | <u>\$ 327,095</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 5,589 | \$ 4,801 |
| Accrued compensation and benefits | 11,086 | 8,375 |
| Accrued expenses and other current liabilities | 28,631 | 30,732 |
| Accrued revenue share | 7,500 | 6,962 |
| Deferred revenue | 2,543 | 2,690 |
| Income taxes payable, net | 1,485 | 1,893 |
| Total current liabilities | <u>56,834</u> | <u>55,453</u> |
| Long-term debt | 13,932 | 13,887 |
| Deferred revenue, non-current | 481 | 530 |
| Income taxes payable, non-current | 8,849 | 9,278 |
| Deferred income taxes | 3,561 | 4,406 |
| Operating lease liabilities | 11,146 | 11,382 |
| Other long-term liabilities | 2,269 | 2,146 |
| Total liabilities | <u>97,072</u> | <u>97,082</u> |
| Contingencies | | |
| Stockholders' equity: | | |
| Convertible preferred stock, \$0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding | 0 | 0 |
| Class A and Class B common stock, and Class C capital stock and additional paid-in capital, \$0.001 par value per share: 15,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000, Class C 3,000,000); 675,222 (Class A 300,730, Class B 45,843, Class C 328,649) and 671,094 (Class A 300,747, Class B 45,836, Class C 324,511) shares issued and outstanding | 58,510 | 59,436 |
| Accumulated other comprehensive income (loss) | 633 | (3) |
| Retained earnings | 163,401 | 170,580 |
| Total stockholders' equity | <u>222,544</u> | <u>230,013</u> |
| Total liabilities and stockholders' equity | <u>\$ 319,616</u> | <u>\$ 327,095</u> |

Alphabet Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except share amounts which are reflected in thousands and per share amounts)

| | Quarter Ended March 31, | |
|--|-------------------------|-----------|
| | 2020 | 2021 |
| | (unaudited) | |
| Revenues | \$ 41,159 | \$ 55,314 |
| Costs and expenses: | | |
| Cost of revenues | 18,982 | 24,103 |
| Research and development | 6,820 | 7,485 |
| Sales and marketing | 4,500 | 4,516 |
| General and administrative | 2,880 | 2,773 |
| Total costs and expenses | 33,182 | 38,877 |
| Income from operations | 7,977 | 16,437 |
| Other income (expense), net | (220) | 4,846 |
| Income before income taxes | 7,757 | 21,283 |
| Provision for income taxes | 921 | 3,353 |
| Net income | \$ 6,836 | \$ 17,930 |
| Basic earnings per share of Class A and B common stock and Class C capital stock | \$ 9.96 | \$ 26.63 |
| Diluted earnings per share of Class A and B common stock and Class C capital stock | \$ 9.87 | \$ 26.29 |
| Number of shares used in basic earnings per share calculation | 686,465 | 673,220 |
| Number of shares used in diluted earnings per share calculation | 692,267 | 682,071 |

Alphabet Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Quarter Ended March 31,
2020 2021
(unaudited)

| Operating activities | | | | |
|--|-----------|----------------------|-----------|----------------------|
| Net income | \$ | 6,836 | \$ | 17,930 |
| Adjustments: | | | | |
| Depreciation and impairment of property and equipment | | 2,899 | | 2,525 |
| Amortization and impairment of intangible assets | | 209 | | 228 |
| Stock-based compensation expense | | 3,191 | | 3,745 |
| Deferred income taxes | | 175 | | 1,100 |
| (Gain) loss on debt and equity securities, net | | 802 | | (4,751) |
| Other | | 297 | | (255) |
| Changes in assets and liabilities, net of effects of acquisitions: | | | | |
| Accounts receivable | | 2,602 | | 2,794 |
| Income taxes, net | | (245) | | 785 |
| Other assets | | (115) | | 7 |
| Accounts payable | | (835) | | (982) |
| Accrued expenses and other liabilities | | (3,531) | | (3,530) |
| Accrued revenue share | | (871) | | (444) |
| Deferred revenue | | 37 | | 137 |
| Net cash provided by operating activities | | <u>11,451</u> | | <u>19,289</u> |
| Investing activities | | | | |
| Purchases of property and equipment | | (6,005) | | (5,942) |
| Purchases of marketable securities | | (37,563) | | (36,426) |
| Maturities and sales of marketable securities | | 41,811 | | 39,248 |
| Purchases of non-marketable investments | | (572) | | (646) |
| Maturities and sales of non-marketable investments | | 260 | | 19 |
| Acquisitions, net of cash acquired, and purchases of intangible assets | | (190) | | (1,666) |
| Other investing activities | | 412 | | 30 |
| Net cash used in investing activities | | <u>(1,847)</u> | | <u>(5,383)</u> |
| Financing activities | | | | |
| Net payments related to stock-based award activities | | (1,241) | | (2,184) |
| Repurchases of capital stock | | (8,496) | | (11,395) |
| Proceeds from issuance of debt, net of costs | | 1,898 | | 900 |
| Repayments of debt | | (1,947) | | (937) |
| Proceeds from sale of interest in consolidated entities, net | | 1,600 | | 10 |
| Net cash used in financing activities | | <u>(8,186)</u> | | <u>(13,606)</u> |
| Effect of exchange rate changes on cash and cash equivalents | | (272) | | (143) |
| Net increase in cash and cash equivalents | | 1,146 | | 157 |
| Cash and cash equivalents at beginning of period | | 18,498 | | 26,465 |
| Cash and cash equivalents at end of period | \$ | <u>19,644</u> | \$ | <u>26,622</u> |

Reconciliation from net cash provided by operating activities to free cash flow (in millions; unaudited):

We provide free cash flow because it is a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can be used for strategic opportunities, including investing in our business and acquisitions, and to strengthen our balance sheet.

| | Quarter Ended March 31, 2021 |
|--|---|
| Net cash provided by operating activities | \$ 19,289 |
| Less: purchases of property and equipment | (5,942) |
| Free cash flow | <u>\$ 13,347</u> |

Free cash flow: We define free cash flow as net cash provided by operating activities less capital expenditures.

Reconciliation from GAAP revenues to non-GAAP constant currency revenues (in millions, except percentages; unaudited):

We provide non-GAAP constant currency revenues and the non-GAAP percentage change in constant currency revenues because they facilitate the comparison of current results to historic performance by excluding the effect of foreign exchange rate movements and hedging activities, which are not indicative of our core operating results.

| | Quarter Ended March 31, 2021 | |
|---|-------------------------------------|---------------------------------|
| | YoY (using Q1'20's FX rates) | QoQ (using Q4'20's FX rates) |
| EMEA revenues (GAAP) | \$ 17,031 | \$ 17,031 |
| Exclude foreign exchange effect on Q1'21 revenues using Q1'20 rates | (929) | N/A |
| Exclude foreign exchange effect on Q1'21 revenues using Q4'20 rates | N/A | (550) |
| EMEA constant currency revenues (non-GAAP) | \$ 16,102 | \$ 16,481 |
| Prior period EMEA revenues (GAAP) | \$ 12,845 | \$ 17,238 |
| EMEA revenue percentage change (GAAP) | 33 % | (1)% |
| EMEA constant currency revenue percentage change (non-GAAP) | 25 % | (4)% |
| APAC revenues (GAAP) | \$ 10,455 | \$ 10,455 |
| Exclude foreign exchange effect on Q1'21 revenues using Q1'20 rates | (363) | N/A |
| Exclude foreign exchange effect on Q1'21 revenues using Q4'20 rates | N/A | (155) |
| APAC constant currency revenues (non-GAAP) | \$ 10,092 | \$ 10,300 |
| Prior period APAC revenues (GAAP) | \$ 7,238 | \$ 9,909 |
| APAC revenue percentage change (GAAP) | 44 % | 6 % |
| APAC constant currency revenue percentage change (non-GAAP) | 39 % | 4 % |
| Other Americas revenues (GAAP) | \$ 2,905 | \$ 2,905 |
| Exclude foreign exchange effect on Q1'21 revenues using Q1'20 rates | 191 | N/A |
| Exclude foreign exchange effect on Q1'21 revenues using Q4'20 rates | N/A | (77) |
| Other Americas constant currency revenues (non-GAAP) | \$ 3,096 | \$ 2,828 |
| Prior period Other Americas revenues (GAAP) | \$ 2,157 | \$ 3,050 |
| Other Americas revenue percentage change (GAAP) | 35 % | (5)% |
| Other Americas constant currency revenue percentage change (non-GAAP) | 44 % | (7)% |
| United States revenues (GAAP) | \$ 25,032 | \$ 25,032 |
| United States revenue percentage change (GAAP) | 33 % | (6)% |
| Hedging gains (losses) | \$ (109) | \$ (109) |
| Revenues (GAAP) | \$ 55,314 | \$ 55,314 |
| Constant currency revenues (non-GAAP) | \$ 54,322 | \$ 54,641 |
| Prior period revenues, excluding hedging effect (non-GAAP) ⁽¹⁾ | \$ 41,110 | \$ 56,900 |
| Revenue percentage change (GAAP) | 34 % | (3)% |
| Constant currency revenue percentage change (non-GAAP) | 32 % | (4)% |

⁽¹⁾ Total revenues and hedging gains (losses) for the quarter ended March 31, 2020 were \$41,159 million and \$49 million, respectively. Total revenues and hedging gains (losses) for the quarter ended December 31, 2020 were \$56,898 million and \$(2) million, respectively.

Non-GAAP constant currency revenues and percentage change: We define non-GAAP constant currency revenues as total revenues excluding the effect of foreign exchange rate movements and hedging activities, and we use it to determine the constant currency revenue percentage change on year-on-year and quarter-on-quarter basis. Non-GAAP constant currency revenues are calculated by translating current quarter revenues using prior period exchange rates and excluding any hedging effect recognized in the current quarter. Constant currency revenue percentage change is calculated by determining the increase in current quarter non-GAAP constant currency revenues over prior period revenues, excluding any hedging effect recognized in the prior period.

Other income (expense), net

The following table presents our other income (expense), net (in millions; unaudited):

| | Quarter Ended March 31, | |
|--|----------------------------|-----------------|
| | 2020 | 2021 |
| Interest income | \$ 586 | \$ 345 |
| Interest expense | (21) | (76) |
| Foreign currency exchange gain (loss), net | (81) | 113 |
| Gain (loss) on debt securities, net | 12 | (86) |
| Gain (loss) on equity securities, net ⁽¹⁾ | (814) | 4,837 |
| Performance fees | 6 | (665) |
| Income (loss) and impairment from equity method investments, net | 74 | 5 |
| Other | 18 | 373 |
| Other income (expense), net | <u>\$ (220)</u> | <u>\$ 4,846</u> |

⁽¹⁾ Includes all gains and losses, unrealized and realized, on equity investments that we hold. For Q1 2021, the net effect of the gain on equity securities of \$4,837 million and the performance fees of \$665 million increased the provision for income tax, net income, and diluted EPS by \$876 million, \$3,296 million, and \$4.83, respectively. Fluctuations in the value of our investments may be affected by market dynamics and other factors, such as operating and financial performance of the companies we invest in, and could significantly contribute to the volatility of OI&E in future periods.

Segment results

The following table presents our revenues and operating income (loss) (in millions; unaudited):

| | Quarter Ended March 31, | |
|------------------------------|-------------------------|------------------|
| | 2020 | 2021 |
| Revenues: | | |
| Google Services | \$ 38,198 | \$ 51,178 |
| Google Cloud | 2,777 | 4,047 |
| Other Bets | 135 | 198 |
| Hedging gains (losses) | 49 | (109) |
| Total revenues | <u>\$ 41,159</u> | <u>\$ 55,314</u> |
| | | |
| | Quarter Ended March 31, | |
| | 2020 | 2021 |
| Operating income (loss): | | |
| Google Services | \$ 11,548 | \$ 19,546 |
| Google Cloud | (1,730) | (974) |
| Other Bets | (1,121) | (1,145) |
| Corporate costs, unallocated | (720) | (990) |
| Total income from operations | <u>\$ 7,977</u> | <u>\$ 16,437</u> |

We report our segment results as Google Services, Google Cloud, and Other Bets:

- Google Services includes products and services such as ads, Android, Chrome, hardware, Google Maps, Google Play, Search, and YouTube. Google Services generates revenues primarily from advertising; sales of apps, in-app purchases, digital content products, and hardware; and fees received for subscription-based products such as YouTube Premium and YouTube TV.
- Google Cloud includes Google's infrastructure and data analytics platforms, collaboration tools, and other services for enterprise customers. Google Cloud generates revenues primarily from fees received for Google Cloud Platform services and Google Workspace (formerly known as G Suite) collaboration tools.
- Other Bets is a combination of multiple operating segments that are not individually material. Revenues from the Other Bets are derived primarily through the sale of internet services as well as licensing and R&D services.

Unallocated corporate costs primarily include corporate initiatives, corporate shared costs, such as finance and legal, including fines and settlements, as well as costs associated with certain shared research and development activities. Additionally, hedging gains (losses) related to revenue are included in corporate costs.