

Alphabet Announces First Quarter 2022 Results

MOUNTAIN VIEW, Calif. – April 26, 2022 – Alphabet Inc. (NASDAQ: GOOG, GOOGL) today announced financial results for the quarter ended March 31, 2022.

Sundar Pichai, CEO of Alphabet and Google, said: “Q1 saw strong growth in Search and Cloud, in particular, which are both helping people and businesses as the digital transformation continues. We’ll keep investing in great products and services, and creating opportunities for partners and local communities around the world.”

Ruth Porat, CFO of Alphabet and Google, said: “We are pleased with Q1 revenue growth of 23% year over year. We continue to make considered investments in Capex, R&D and talent to support long-term value creation for all stakeholders.”

Q1 2022 financial highlights

The following table summarizes our consolidated financial results for the quarters ended March 31, 2021 and 2022 (in millions, except for per share information and percentages; unaudited).

| | Quarter Ended March 31, | |
|--|-------------------------|------------|
| | 2021 | 2022 |
| Revenues | \$ 55,314 | \$ 68,011 |
| Change in revenues year over year | 34 % | 23 % |
| Change in constant currency revenues year over year ⁽¹⁾ | 32 % | 26 % |
| Operating income | \$ 16,437 | \$ 20,094 |
| Operating margin | 30 % | 30 % |
| Other income (expense), net | \$ 4,846 | \$ (1,160) |
| Net income | \$ 17,930 | \$ 16,436 |
| Diluted EPS | \$ 26.29 | \$ 24.62 |

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

Q1 2022 supplemental information (in millions, except for number of employees; unaudited)

Revenues, Traffic Acquisition Costs (TAC) and number of employees

| | Quarter Ended March 31, | |
|------------------------|-------------------------|-----------|
| | 2021 | 2022 |
| Google Search & other | \$ 31,879 | \$ 39,618 |
| YouTube ads | 6,005 | 6,869 |
| Google Network | 6,800 | 8,174 |
| Google advertising | 44,684 | 54,661 |
| Google other | 6,494 | 6,811 |
| Google Services total | 51,178 | 61,472 |
| Google Cloud | 4,047 | 5,821 |
| Other Bets | 198 | 440 |
| Hedging gains (losses) | (109) | 278 |
| Total revenues | \$ 55,314 | \$ 68,011 |
| Total TAC | \$ 9,712 | \$ 11,990 |
| Number of employees | 139,995 | 163,906 |

Segment Operating Results

| | Quarter Ended March 31, | |
|------------------------------|-------------------------|------------------|
| | 2021 | 2022 |
| Operating income (loss): | | |
| Google Services | \$ 19,546 | \$ 22,920 |
| Google Cloud | (974) | (931) |
| Other Bets | (1,145) | (1,155) |
| Corporate costs, unallocated | (990) | (740) |
| Total income from operations | <u>\$ 16,437</u> | <u>\$ 20,094</u> |

Stock Repurchase

On April 20, 2022, the Board of Directors of Alphabet authorized the company to repurchase up to an additional \$70.0 billion of its Class A and Class C shares in a manner deemed in the best interest of the company and its stockholders, taking into account the economic cost and prevailing market conditions, including the relative trading prices and volumes of the Class A and Class C shares. 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 2022 earnings release call will be available on YouTube at <https://youtu.be/6X1cAEVor1M>. 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, 2021, 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, 2022. All information provided in this release and in the attachments is as of April 26, 2022. 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, 2021 | As of March 31, 2022 (unaudited) |
|--|----------------------------|--|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 20,945 | \$ 20,886 |
| Marketable securities | 118,704 | 113,084 |
| Total cash, cash equivalents, and marketable securities | 139,649 | 133,970 |
| Accounts receivable, net | 39,304 | 34,703 |
| Income taxes receivable, net | 966 | 919 |
| Inventory | 1,170 | 1,369 |
| Other current assets | 7,054 | 6,892 |
| Total current assets | 188,143 | 177,853 |
| Non-marketable securities | 29,549 | 30,544 |
| Deferred income taxes | 1,284 | 1,388 |
| Property and equipment, net | 97,599 | 104,218 |
| Operating lease assets | 12,959 | 12,992 |
| Intangible assets, net | 1,417 | 1,313 |
| Goodwill | 22,956 | 23,010 |
| Other non-current assets | 5,361 | 5,778 |
| Total assets | <u>\$ 359,268</u> | <u>\$ 357,096</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,037 | \$ 3,436 |
| Accrued compensation and benefits | 13,889 | 9,803 |
| Accrued expenses and other current liabilities | 31,236 | 33,051 |
| Accrued revenue share | 8,996 | 8,116 |
| Deferred revenue | 3,288 | 3,198 |
| Income taxes payable, net | 808 | 4,344 |
| Total current liabilities | 64,254 | 61,948 |
| Long-term debt | 14,817 | 14,791 |
| Deferred revenue, non-current | 535 | 499 |
| Income taxes payable, non-current | 9,176 | 9,406 |
| Deferred income taxes | 5,257 | 2,843 |
| Operating lease liabilities | 11,389 | 11,363 |
| Other long-term liabilities | 2,205 | 2,242 |
| Total liabilities | 107,633 | 103,092 |
| Contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding | 0 | 0 |
| Class A, Class B, and Class C 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); 662,121 (Class A 300,737, Class B 44,665, Class C 316,719) and 658,763 (Class A 300,763, Class B 44,404, Class C 313,596) shares issued and outstanding | 61,774 | 62,832 |
| Accumulated other comprehensive income (loss) | (1,623) | (4,049) |
| Retained earnings | 191,484 | 195,221 |
| Total stockholders' equity | 251,635 | 254,004 |
| Total liabilities and stockholders' equity | <u>\$ 359,268</u> | <u>\$ 357,096</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, | |
|---|--------------------------------|-------------|
| | 2021 | 2022 |
| | (unaudited) | |
| Revenues | \$ 55,314 | \$ 68,011 |
| Costs and expenses: | | |
| Cost of revenues | 24,103 | 29,599 |
| Research and development | 7,485 | 9,119 |
| Sales and marketing | 4,516 | 5,825 |
| General and administrative | 2,773 | 3,374 |
| Total costs and expenses | 38,877 | 47,917 |
| Income from operations | 16,437 | 20,094 |
| Other income (expense), net | 4,846 | (1,160) |
| Income before income taxes | 21,283 | 18,934 |
| Provision for income taxes | 3,353 | 2,498 |
| Net income | \$ 17,930 | \$ 16,436 |
| Basic earnings per share of Class A, Class B, and Class C stock | \$ 26.63 | \$ 24.90 |
| Diluted earnings per share of Class A, Class B, and Class C stock | \$ 26.29 | \$ 24.62 |
| Number of shares used in basic earnings per share calculation | 673,220 | 660,171 |
| Number of shares used in diluted earnings per share calculation | 682,071 | 667,551 |

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

| | Quarter Ended March 31, | |
|--|-------------------------|-------------------------|
| | 2021 | 2022 |
| | (unaudited) | |
| Operating activities | | |
| Net income | \$ 17,930 | \$ 16,436 |
| Adjustments: | | |
| Depreciation and impairment of property and equipment | 2,525 | 3,591 |
| Amortization and impairment of intangible assets | 228 | 191 |
| Stock-based compensation expense | 3,745 | 4,504 |
| Deferred income taxes | 1,100 | (2,090) |
| (Gain) loss on debt and equity securities, net | (4,751) | 1,437 |
| Other | (255) | 140 |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | 2,794 | 4,364 |
| Income taxes, net | 785 | 3,820 |
| Other assets | 7 | (776) |
| Accounts payable | (982) | (2,373) |
| Accrued expenses and other liabilities | (3,530) | (3,216) |
| Accrued revenue share | (444) | (828) |
| Deferred revenue | 137 | (94) |
| Net cash provided by operating activities | <u>19,289</u> | <u>25,106</u> |
| Investing activities | | |
| Purchases of property and equipment | (5,942) | (9,786) |
| Purchases of marketable securities | (36,426) | (28,462) |
| Maturities and sales of marketable securities | 39,248 | 29,779 |
| Purchases of non-marketable securities | (646) | (776) |
| Maturities and sales of non-marketable securities | 19 | 12 |
| Acquisitions, net of cash acquired, and purchases of intangible assets | (1,666) | (173) |
| Other investing activities | 30 | 355 |
| Net cash used in investing activities | <u>(5,383)</u> | <u>(9,051)</u> |
| Financing activities | | |
| Net payments related to stock-based award activities | (2,184) | (2,916) |
| Repurchases of stock | (11,395) | (13,300) |
| Proceeds from issuance of debt, net of costs | 900 | 16,422 |
| Repayments of debt | (937) | (16,420) |
| Proceeds from sale of interest in consolidated entities, net | 10 | 0 |
| Net cash used in financing activities | <u>(13,606)</u> | <u>(16,214)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (143) | 100 |
| Net increase (decrease) in cash and cash equivalents | 157 | (59) |
| Cash and cash equivalents at beginning of period | 26,465 | 20,945 |
| Cash and cash equivalents at end of period | <u>\$ 26,622</u> | <u>\$ 20,886</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, 2022 |
|--|---|
| Net cash provided by operating activities | \$ 25,106 |
| Less: purchases of property and equipment | (9,786) |
| Free cash flow | <u>\$ 15,320</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.

Comparison from the Quarter Ended March 31, 2020 to the Quarter Ended March 31, 2021

| | <u>Quarter Ended</u> | | % Change from Prior Year |
|---|-----------------------|-----------------------|---|
| | <u>March 31, 2020</u> | <u>March 31, 2021</u> | |
| EMEA revenues | \$ 12,845 | \$ 17,031 | 33 % |
| EMEA constant currency revenues | | 16,102 | 25 % |
| APAC revenues | 7,238 | 10,455 | 44 % |
| APAC constant currency revenues | | 10,092 | 39 % |
| Other Americas revenues | 2,157 | 2,905 | 35 % |
| Other Americas constant currency revenues | | 3,096 | 44 % |
| United States revenues | 18,870 | 25,032 | 33 % |
| Hedging gains (losses) | 49 | (109) | |
| Total revenues | <u>\$ 41,159</u> | <u>\$ 55,314</u> | 34 % |
| Revenues, excluding hedging effect | \$ 41,110 | \$ 55,423 | |
| Exchange rate effect | | (1,101) | |
| Total constant currency revenues | | <u>\$ 54,322</u> | 32 % |

Comparison from the Quarter Ended March 31, 2021 to the Quarter Ended March 31, 2022

| | Quarter Ended | | % Change from Prior Year |
|---|----------------|----------------|--------------------------------|
| | March 31, 2021 | March 31, 2022 | |
| EMEA revenues | \$ 17,031 | \$ 20,317 | 19 % |
| EMEA constant currency revenues | | 21,628 | 27 % |
| APAC revenues | 10,455 | 11,841 | 13 % |
| APAC constant currency revenues | | 12,440 | 19 % |
| Other Americas revenues | 2,905 | 3,842 | 32 % |
| Other Americas constant currency revenues | | 3,923 | 35 % |
| United States revenues | 25,032 | 31,733 | 27 % |
| Hedging gains (losses) | (109) | 278 | |
| Total revenues | \$ 55,314 | \$ 68,011 | 23 % |
| Revenues, excluding hedging effect | \$ 55,423 | \$ 67,733 | |
| Exchange rate effect | | 1,991 | |
| Total constant currency revenues | | \$ 69,724 | 26 % |

Comparison from the Quarter Ended December 31, 2021 to the Quarter Ended March 31, 2022

| | Quarter Ended | | % Change from Prior Quarter |
|---|----------------------|----------------|-----------------------------------|
| | December 31, 2021 | March 31, 2022 | |
| EMEA revenues | \$ 23,153 | \$ 20,317 | (12)% |
| EMEA constant currency revenues | | 20,836 | (10)% |
| APAC revenues | 12,732 | 11,841 | (7)% |
| APAC constant currency revenues | | 11,975 | (6)% |
| Other Americas revenues | 4,447 | 3,842 | (14)% |
| Other Americas constant currency revenues | | 3,854 | (13)% |
| United States revenues | 34,790 | 31,733 | (9)% |
| Hedging gains (losses) | 203 | 278 | |
| Total revenues | \$ 75,325 | \$ 68,011 | (10)% |
| Revenues, excluding hedging effect | \$ 75,122 | \$ 67,733 | |
| Exchange rate effect | | 665 | |
| Total constant currency revenues | | \$ 68,398 | (9)% |

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, | |
|--|-------------------------|-------------------|
| | 2021 | 2022 |
| Interest income | \$ 345 | \$ 414 |
| Interest expense | (76) | (83) |
| Foreign currency exchange gain (loss), net | 113 | (73) |
| Gain (loss) on debt securities, net | (86) | (367) |
| Gain (loss) on equity securities, net ⁽¹⁾ | 4,837 | (1,070) |
| Performance fees | (665) | 233 |
| Income (loss) and impairment from equity method investments, net | 5 | (89) |
| Other | 373 | (125) |
| Other income (expense), net | <u>\$ 4,846</u> | <u>\$ (1,160)</u> |

⁽¹⁾ Includes all gains and losses, unrealized and realized, on equity investments. For Q1 2022, the net effect of the loss on equity securities of \$1,070 million and the \$233 million reversal of previously accrued performance fees related to certain investments decreased the provision for income tax, net income, and diluted EPS by \$176 million, \$661 million, and \$0.99, respectively. Fluctuations in the value of our investments may be affected by market dynamics and other factors 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, | |
|------------------------------|-------------------------|------------------|
| | 2021 | 2022 |
| Revenues: | | |
| Google Services | \$ 51,178 | \$ 61,472 |
| Google Cloud | 4,047 | 5,821 |
| Other Bets | 198 | 440 |
| Hedging gains (losses) | (109) | 278 |
| Total revenues | <u>\$ 55,314</u> | <u>\$ 68,011</u> |
| Operating income (loss): | | |
| Google Services | \$ 19,546 | \$ 22,920 |
| Google Cloud | (974) | (931) |
| Other Bets | (1,145) | (1,155) |
| Corporate costs, unallocated | (990) | (740) |
| Total income from operations | <u>\$ 16,437</u> | <u>\$ 20,094</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 and 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 platform services, collaboration tools, and other services for enterprise customers. Google Cloud generates revenues from fees received for Google Cloud Platform services, Google Workspace collaboration tools, and other enterprise services.
- Other Bets is a combination of multiple operating segments that are not individually material. Revenues from Other Bets are generated primarily from the sale of health technology and internet services.

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