

# **Google's Founders Larry Page And Sergey Brin Lost \$7B Overnight; Here's Why**

Google's parent company Alphabet Inc. came up short of projected expectations leading to a cumulative loss of about \$7 billion for founders and shareholders Larry Page and Sergey Brin.

Alphabet Inc., which released its first quarter earnings on Monday, saw its shares fall approximately 7% in after-hours trading from 5%. The company revealed revenues of \$36.33 billion, up by 17% but missed projections of \$37.34 billion.

Profits fell 29% to \$6.66 billion while income was held back by a \$1.7 billion fine by the European Union for Google's AdSense product infringing European law. CEO Sundar Pichai mentioned continuous changes as part of the plan for short-term growth, "with a focus on the long-term best interest of users and advertisers".

Currency exchange rates were identified as another contributing factor for slower growth, but company executives said they don't intend to reduce expenditure plans. "Based on the continued strengthening of the U.S. dollar relative to key currencies, we expect to continue to see headwinds to our revenues and operating income again in the second quarter," said Chief Financial Officer Ruth Porat.

Despite a heavy promotional budget, Google's Pixel smartphone received disappointing lower year-on-year sales, after facing pressures in the competitive smartphone industry. Nevertheless, the introduction of 5G and long-term prospects of Google's hardware business has Pichai hopeful. New hardware products are expected in the first week of May.

Besides Google revenue, Google Advertising and non-Google businesses also contribute to Alphabet's core operations. With first quarter category sales totaling to \$30.72 billion, the advertising division is the most significant, owing to its role in a large chunk of the revenues. Google's cost per click declined by 19% year-over-year, mostly driven by decrease in rate of clicks on YouTube ads.

Google said its paid clicks are up 39% year-over-year. However, this is a noteworthy drop from the 66% growth in Q4 2018, highlighting that growth in traffic isn't compensating quickly enough for the fall in advertising prices.

But it is not all bad news for Alphabet. Uber and Lyft- in which Alphabet have shares in- were some of the market's most awaited stocks this year after they announced intentions to list. Lyft, which is already public, had a debut valuation of \$24 billion while Uber is expected to have a valuation of \$120 billion when it lists.

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