

## APPLE EXECUTIVE MEETING

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### DRAFT MATERIALS FOR 12/19 Sundar/Tim Meeting (main note [here](#))

Finance questions from Apple and Google's POV

#### Apple's Position:

- Apple is concerned about Safari Revenue growth deceleration in 2018 ( <sup>Redacted</sup> YoY in Jan'18 vs <sup>Redacted</sup> YoY in Nov'18)
  - Apple has provided this chart when raising their concerns and notes that our publicly reported Google Sites revenue has not seen the same growth deceleration.

#### Apple v. Google: Gross Revenue Y/Y Growth

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- For reference, we have re-created this same comparison, only with the latest data that extends through Q3'18 (Apple's FQ4'18).

Ex. No.

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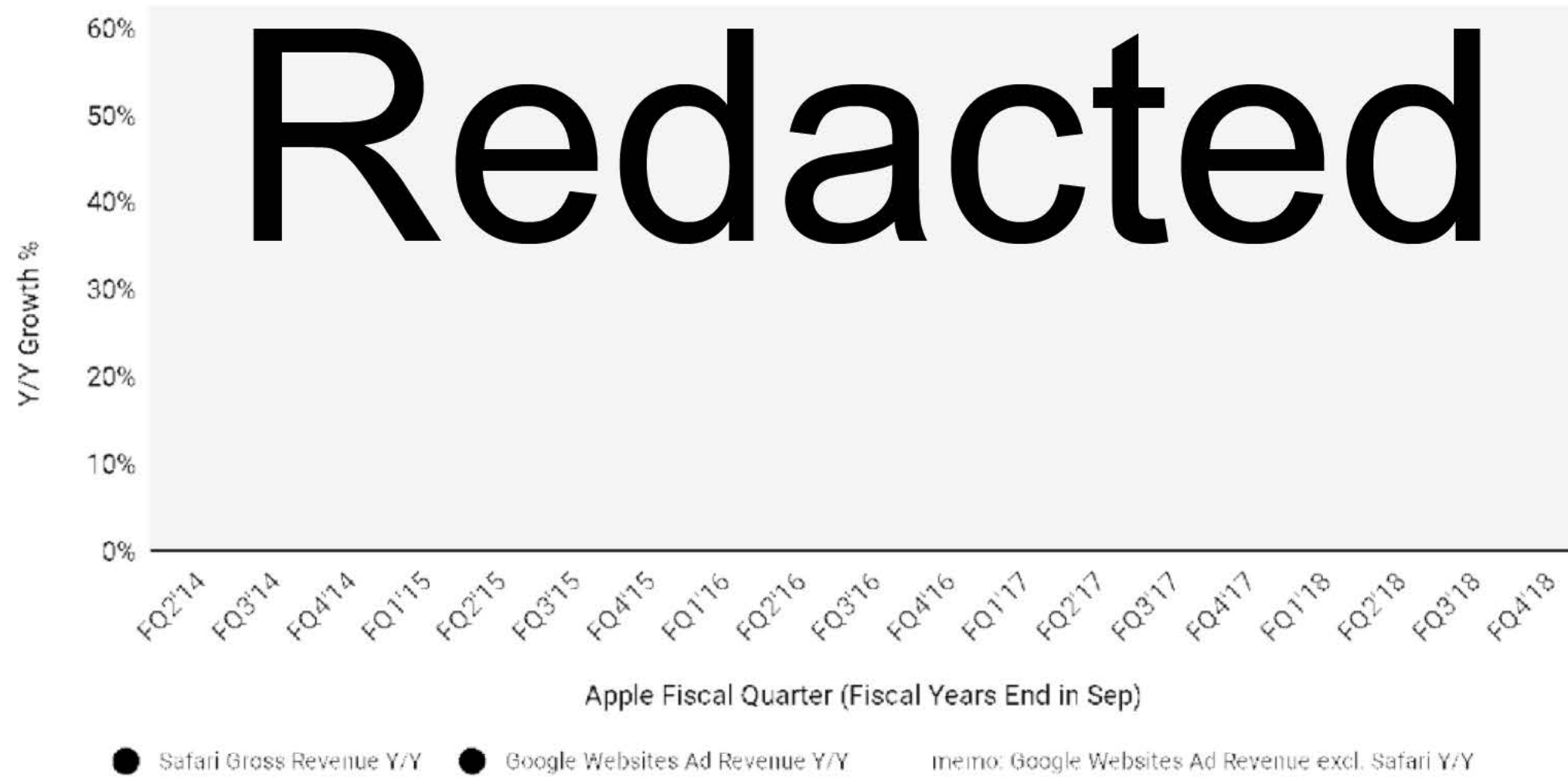
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### Apple v. Google: Gross Revenue Y/Y Growth



- We have messaged to Apple that this is not an appropriate comparison as Google Sites includes non-Search revenue streams, e.g. YouTube, Play, Gmail, Maps, and instead have focused our messaging on:
  - Drivers for Safari's revenue performance
  - Comparison of Safari Search to the rest of Google Search to show they are performing similarly, though note the latter is Material Non-Public Information (MNPI)
- Apple continues to be unsatisfied with the explanation for Safari revenue trends from Google, despite an unprecedented amount of MNPI shared with Apple for this exercise.
  - Key factors of revenue deceleration are FX and "User Enhancements" (latter is external term for Ad launches).
  - Another consideration is the secular trend of the saturation / slowing growth of mobile.
- Apple continues to be focused on measuring Safari Search performance compared to Google Sites revenue. Even though we have made the point many times that this is not an appropriate comparison (not only due to Product mix but also due to geo mix, device mix, hedging), Tim is still focused on digging into Google's trends in Sites.

#### Recommended Response:

One of the **Agreement Purposes** is to "increase the revenue performance of each party".

- Google carries responsibility for monetizing the traffic received from Safari
  - We have consistently demonstrated this throughout the partnership, through our contributions to increasing revenue via user enhancement (RPM) improvements.
- Google is not in control of the amount or type of traffic received via Safari; *Apple is*.
- We have been concerned for some time that search traffic cannibalization may be occurring on Apple devices via a few factors, primarily by Safari "Suggest" but possibly also through Siri
- Google has been vocal to Apple about query cannibalization concerns for the past two years
  - We even included a provision in the most recent agreement to protect against further cannibalization
  - We have discussed and met with Apple several times over the past 2 yrs on this subject.
- In the past Apple has tended not to be interested in exploring Product changes in this area to increase traffic/revenue, but have expressed more interest in this recently in the light of the most recent revenue growth trends.
  - [[placeholder for Eddy and Peter have both explicitly stated interest in Product experiments]]

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