

# Google going 'gangbusters' as 3Q wows investors (Update)

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File - In this Nov. 18, 2010 file photo, a magnifying glass is used to illustrate an excerpt from the Top Internet Service Goggle Maps, recorded in Bremen, Germany. Google Inc., releases quarterly financial results Thursday, Oct. 13, 2011, after the market close. (AP Photo/dapd, Joerg Sarbach, File)

Mounting worries about another global recession haven't shaken Google.

The online search and advertising leader's third-quarter earnings, released Thursday, are the latest reminder of how Google's position as the Internet's dominant gateway has spawned a business that endures economic turbulence better than most companies.

"When I look back at the last quarter, the word that springs to mind is, 'Gangbusters,' Google CEO Larry Page crowed during a Thursday conference call with analysts.

Investors quickly chimed in with their approval as Google's stock price surged more than 6 percent. The stock climbed \$35.94 to \$594.93 in extended trading after the release of results.

The third-quarter numbers painted a picture of a company operating in a bubble of prosperity amid a sputtering economy.

Even as a stubbornly high unemployment rate vexes the U.S., Google added nearly 2,600 more workers to its payroll to guarantee that 2011 will be the biggest hiring year in the company's 13-year history. Google ended September with more than 31,500 workers, an increase of 28 percent, or nearly 7,000 jobs, from the end of last year.

While the U.S. economy's growth is shrinking, Google's is accelerating. The company's third-quarter revenue of \$9.7 billion was 33 percent higher than the same time last year. It marked the fourth consecutive quarter that Google's year-over-year revenue growth has climbed.

Google earned \$2.7 billion, or \$8.33 per share, in the three months ending in September. That was up 26 percent from nearly \$2.2 billion, or \$6.72 per share, a year earlier.

If not for expenses covering employee stock compensation, Google would have earned \$9.72 per share. That figure easily beat the average estimate of \$8.77 per share among analysts surveyed by FactSet.

After subtracting the commissions that Google pays its advertising partners, Google's revenue stood at \$7.5 billion - about \$200 million above analyst projections.

Google is doing well because of the reach of its search engine and the effectiveness of its ads. Google processes about two out of three searches in the U.S. and an even higher percentage in Europe and other

parts of the world. Those searches provide Google with the traffic and marketing insights prized by advertisers.

Internet ads also are generally less expensive than print and broadcasting campaigns, making online promotions less susceptible to corporate cutbacks during tough times.

But not all online ad sellers do as good a job as Google. Yahoo Inc. and AOL Corp., a pair of Internet pioneers that started before Google, have been struggling mightily - something that isn't expected to change when those companies report their third-quarter results. Yahoo's numbers are out next month while AOL will release its results Nov. 2.

Google is also helped by its expansion into mobile phones with its popular Android software. The company's mobile revenue is now running at about \$625 million per quarter, Page said Thursday. He sounded confident that mobile will become an even bigger moneymaker with next week's scheduled release of updated Nexus phone from Samsung and Google's proposed \$12.5 billion acquisition of cell phone maker Motorola Mobility Inc.

Page is also bullish on Google's 3 1/2-month-old Plus service, a social networking alternative to Facebook's online hangout. With 800 million users, Facebook is widely seen the biggest threat to Google. Plus has more than 40 million users, Page said.

As well as Google is doing, it won't be immune if the economy tumbles into a recession. Google's growth slowed dramatically during the first half of 2009 as a financial crisis caused the deepest recession since World War II. But Google never cut back as dramatically as most companies during the last recession and bounced back much more quickly.

Many analysts are more concerned about Google's Motorola Mobility acquisition, which is still under review by the U.S. Justice Department. Google is buying Motorola primarily for about 17,000 patents, but it also plans to manufacture cell phones -an area of technology that's not as lucrative as Internet search. Owning Motorola also could alienate Samsung and other handset makers that currently use the Android software.

For now, Google's third-quarter should bolster Wall Street's faith in Page, who initially got a cool reception from investors when he replaced Eric Schmidt as CEO six months ago. Google has now blown past analyst forecasts with Page calling the shots in each of the past two quarters. Although the company has usually topped analyst projections since it went public seven years ago, Google has been clearing Wall Street's hurdles by a greater margin under Page.

Google would have made even more money, if not for Page's determination to invest heavily in projects, people and computers that he believes the company needs to become even more powerful.

Excluding employee stock compensation, Google's operating expenses rose by nearly 40 percent to \$6.1 billion.

Page has offset some of the higher spending by jettisoning Google services that haven't been paying off. He told investors he has dumped about 20 products so far, enabling Google employees can focus more on more promising areas like Plus and its Chrome Web browser, which now has more than 200 million users.

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