

Yahoo's feeble 1Q triggers nearly 700 more layoffs

April 21 2009



Yahoo advertising is shown in New York's Times Square Tuesday, April 21, 2009. Yahoo Inc. is expected to report lower first-quarter earnings and revenue after the stock market closes Tuesday. (AP Photo/Mark Lennihan)

(AP) -- Yahoo Inc.'s first-quarter results tread familiar ground as the Internet company's financial erosion triggered another round of layoffs and management promised better days ahead.

With its three-year slump worsening, [Yahoo](#) said Tuesday that it will lay off nearly 700 workers. It's the first significant payroll purge since Yahoo hired Carol Bartz as its new chief executive in January, but marks the Sunnyvale-based company's third round of job cuts during the past 14 months.

Meanwhile, investors are hoping that the challenges still facing Yahoo

will persuade the company it's finally time to work out an Internet advertising partnership with Microsoft Corp. after more than two years of intermittent talks. Both companies would like to lessen Internet search leader Google Inc.'s dominance of the online ad market.

In a Tuesday conference call with analysts, Bartz refused to comment on recent media reports about the Microsoft negotiations heating up again.

But the possibility of a Microsoft alliance, coupled with potential savings from the upcoming job cuts, helped lift Yahoo shares by 61 cents, or more than 4 percent, in Tuesday's extended trading after finishing the regular session at \$14.38, up 72 cents.

"I believe Yahoo is a strong company, and we will continue to invest with the goal of becoming even stronger in the future," Bartz assured analysts.

Neither the lackluster [first-quarter](#) results nor the latest layoffs came as a surprise.

Analysts had already predicted Yahoo's earnings and revenue would sag as the [recession](#) made it more difficult to sell Internet ads. And hints about job cuts were leaked to the media last week.

The planned layoffs will affect 5 percent of Yahoo's 13,500 workers. The estimated 675 people losing their jobs this time around will be notified during the next two weeks.

In remarks elaborating on the layoffs, Bartz indicated she is trying to focus Yahoo more on its strengths in online news, finance, sports, e-mail and Internet search, where it ranks a distant second to Google.

In the process, she thinks Yahoo can free up more money to expand

those products around the world and possibly hire more workers in those areas.

Yahoo product managers, in particular, appear to be among the most likely to receive pink slips, based on Bartz's blunt comments.

"We sort of had one product management person for every three engineers, so we had a lot of people running around and telling people what to do, but nobody was doing anything," Bartz said.

Yahoo dumped about 1,000 jobs in February 2008 and another 1,500 or so late last year while co-founder Jerry Yang was still running the company. Yang stepped down, largely because he wasn't able to snap the company out of its financial funk during his 18-month tenure as CEO.

Although it remains one of the most popular destinations on the Internet, Yahoo's fortunes have been declining since 2005 as Google sucked up more advertising revenue and trendy new online hangouts like Facebook and MySpace lured away younger Web surfers.

Yahoo earned \$118 million, or 8 cents per share, during the first three months of the year. That represents a 78 percent drop from net income of \$537 million, or 37 cents per share, in the year-ago period.

Last year's results included a non-cash gain of \$401 million. But Yahoo's [profit](#) this year still would have been lower even after subtracting last year's one-time boost.

The latest earnings matched the modest expectations among analysts surveyed by Thomson Reuters.

Revenue fell 13 percent to \$1.58 billion. If not for the stronger dollar, the sale of an e-commerce site in Europe and the loss of some fees,

Yahoo said its revenue would have been down by just 3 percent.

After subtracting commissions paid to its ad partners, Yahoo's revenue stood at \$1.16 billion - about \$50 million below analyst estimates.

Management indicated that Yahoo's results will erode again the second quarter, with total revenue expected to range from \$1.42 billion and \$1.63 billion. Yahoo's revenue totaled \$1.8 billion in last year's second quarter.

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Citation: Yahoo's feeble 1Q triggers nearly 700 more layoffs (2009, April 21) retrieved 3 May 2024 from <https://phys.org/news/2009-04-yahoo-feeble-1q-triggers-layoffs.html>

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