

Google ready to open wallet again after stellar 3Q

October 16 2009, By MICHAEL LIEDTKE , AP Technology Writer



A sign is seen at Google headquarters in Mountain View, Calif., Wednesday, Oct. 14, 2009. Google Inc. is scheduled to report quarterly earnings after the market close Thursday. (AP Photo/Paul Sakuma)

(AP) -- Google Inc.'s earnings and stock price are soaring again - and so is the Internet search leader's optimism.

The reason: A third-quarter profit that was the largest yet in the company's 11-year history combined with revenue growth accelerating for the first time since the U.S. recession began in December 2007.

The results released Thursday are the best indication yet that the [Internet advertising](#) market is emerging from its worst funk since the dot-com bubble burst at the start of the decade.

It's still a matter of technical debate whether the worst [recession](#) in 70 years is over. But Google executives left little doubt about their read on the economy as they raved about their third-quarter results.

Google is gearing up for even better days, a shift that will involve hiring a couple thousand new employees after paring its payroll in each of the past two quarters. The Mountain View, Calif.-based company also intends to increase spending on computers and acquisitions of mostly small technology startups. Money won't be a problem, given that Google ended September with \$22 billion in cash.

"There is a real wind of optimism and a real wind of confidence around here right now," Patrick Pichette, Google's chief financial officer, said in a Thursday interview.

The strong third-quarter performance and bullish sentiment were just what investors wanted after propelling Google shares to a succession of 52-week highs earlier this week. The shares gained \$17.09, or 3.2 percent, to \$547 in Thursday's extending trading. The stock remains well below its peak of nearly \$750 reached almost two years ago, but has more than doubled from its 52-week low of \$247.30.

Although Google is sizzling again, it remains unclear whether it will turn out to be an economic anomaly. Is this just an extraordinary company that thrives because it has built a highly effective way for budget-conscious advertisers to connect with penny-pinching consumers?

Google makes virtually all its money by showing ads tied to search requests and other Web content.

Advertisers like the system because their sales pitches tend to be presented to consumers searching for something related to their products or services. What's more, the ads only cost money when someone clicks

on the link. Consumers have embraced Google as a way to find what they're looking for at the lowest price.

It works so well that Google earned \$1.64 billion, or \$5.13 per share, in the three months ended in September. That represented a 27 percent increase from \$1.29 billion, or \$4.06 per share, at the same time last year.

Excluding expenses for employee stock compensation, [Google](#) said it would have made \$5.89 per share - above the average estimate of \$5.42 per share among analysts polled by Thomson Reuters.

Revenue for the quarter climbed 7 percent to \$5.94 billion. That is Google's fastest growth rate so far this year.

And in a telling sign that things are picking up again, Google's third-quarter revenue rose 8 percent from the second quarter. That's the biggest sequential quarterly increase since the end of 2007.

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