

Google snaps up mobile ad startup for \$750 million (Update)

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(AP) -- Google Inc. is buying mobile advertising network AdMob for \$750 million, underscoring the Internet search leader's determination to ensure its marketing machine reaches the growing number of people surfing the Web on phones.

The all-stock deal announced Monday also represents the latest sign that Google's leaders are feeling better about the economy's direction, encouraging them to spend more freely after clamping down through much of this year.

Once it closes within the next few months, the AdMob acquisition would become Google's most expensive purchase since it bought online ad service DoubleClick for \$3.2 billion in March 2008.

AdMob shares at least one similarity with DoubleClick: AdMob's system specializes in delivering more visual messages, known as display advertising. Google makes most of its money from text-based ads connected to search requests, but has been trying to become a bigger player in display ads - a format that tends to be favored by big-spending companies trying to promote their brands.

With the increasing sophistication of handheld computing devices such as Apple Inc.'s iPhone and Motorola Inc.'s just-released Droid, millions of people are regularly connecting to their favorite Internet services when they are away from their home or office computers.

The trend is opening new opportunities for advertisers to peddle their wares.

Research firm eMarketer Inc. expects U.S. mobile advertising to approach \$1.6 billion by 2013, up from an estimated \$416 million this year.

Although the traditional online ad market is far larger - estimated at about \$23 billion this year - Google and rivals such as Yahoo Inc. and Microsoft Corp. have all been jockeying to get an early start in mobile marketing.

Yahoo, Microsoft and AOL all have made acquisitions in the field since 2007. Meanwhile, Google has been building a mobile operating system, Android, to make phones more Web-friendly, largely because it hopes to plumb a new advertising channel.

Google's decision to pay such a rich price for AdMob is bound to trigger more acquisitions and investments in the mobile ad niche, predicted eMarketer analyst Noah Elkin. Other emerging mobile ad networks include JumpTap, Millennial, Mojiva, Mobclix and Quattro Wireless.

"I think Google once again is trying to step out in front of the rest of the market and take hold of it," said Bob Davis, general partner with Highland Capital, a venture capital fund that has invested in Quattro Wireless.

AdMob Chief Executive Omar Hamoui, 32, started AdMob less than four years ago while he was trying to get a master's degree at the University of Pennsylvania's Wharton School. He was frustrated because he couldn't find an easy way to display ads on a mobile Web site that he was trying to develop.

Now AdMob serves up hundreds of millions of ads each across roughly 15,000 sites accessible over mobile phones. Its advertisers include Coca-Cola Co, Ford Motor Co. and Procter & Gamble Co.

Investors seemed excited about the deal's potential as Google shares gained \$11.41, or 2.1 percent, to close Monday at \$562.51.

AdMob's revenue this year probably won't exceed \$60 million, estimated JP. Morgan analyst Imran Khan. Hamoui declined to reveal his company's revenue in a Monday interview.

Hamoui said he and the rest of AdMob's 140 employees plan to join Google, which is based in Mountain View, Calif. AdMob is located about 20 miles to the north in San Mateo.

In a research note, Broadpoint AmTech analyst Benjamin Schachter expressed surprise that Google didn't try to develop more of its own mobile ad technology internally, given the market is still incubating.

Google, though, didn't want to wait for its own engineers to develop a system as good as AdMob's, said Susan Wojcicki, the company's vice president of product management. "This helps us supercharge our products and really helps us accelerate them."

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