

Google shows renewed vigor with robust 4Q results

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In this Jan. 14, 2010 file photo, a computer screen shows the company logo at Google's office in Hong Kong. Google Inc. releases fourth-quarter financial results Thursday, Jan. 21, 2010. (AP Photo/Kin Cheung, File)

(AP) -- Google Inc. appears to have regained its financial stride after wobbling through most of 2009.

The Internet search leader strutted its stuff in the fourth quarter, producing a profit that blew past analyst estimates while revenue growth accelerated from a leisurely stroll to a quickening gallop.

The results released late Thursday were driven by an upturn in Internet advertising, the main source of Google's income. More marketing generally coincides with an improving economy, or at least a feeling that things are getting better.

Google also is benefiting from media trends that are shifting more advertising from newspapers and broadcasters to the Internet.

"We are clearly not in a recession right now, but the pace of recovery is different in different markets," Patrick Pichette, Google's chief financial officer, said in a Thursday interview.

The United States so far appears to be bouncing back from the recession quicker than Europe, Pichette said.

Investors seemed disappointed with Google's fourth quarter, largely because the revenue only matched analyst forecasts instead of topping the predictions.

But the pendulum swung once the market had more time to digest the results.

By late Thursday, the company's shares were only 40 cents below their closing price of \$582.98 after initially sagging by as much as \$33.98, or nearly 6 percent, in extended trading. The shares have doubled in value since the stock market hit its lows last March.

Google made \$1.97 billion, or \$6.13 per share, in the final three months of 2009. That was up dramatically from income of \$382 million at the same time in 2008, when Google's earnings were deflated by charges to reflect the eroding value of some investments.

Fourth-quarter revenue totaled \$6.7 billion, a 17 percent increase from a year ago. It also marked the second consecutive quarter in which Google's year-over-year revenue growth has increased, returning the company to the trajectory it had been on before bogging down in the U.S. recession began in December 2007.

"There's some sense of normalcy," Pichette said.

Analysts think Google's revenue could rise by about 20 percent this year - up from about 9 percent in 2009.

The brightening outlook has encouraged Google to loosen its pursestrings to hire more employees, make more acquisitions and mine new business opportunities such as mobile phones. Investors aren't thrilled with that commitment because Google won't say how much it's prepared to spend, raising worries that its profit margins might not expand as much as its revenue this year.

Google added 170 workers in the fourth quarter, bringing its payroll to 19,835 employees. If it can find enough qualified candidates, Google would like to hire about 2,000 workers this year, with an emphasis on engineering and ad sales, Pichette said.

Eric Schmidt, Google's chief executive, told investors in the conference call that the company will likely make at least one acquisition per month, "some big, more small." The company's biggest pending acquisition is a proposed deal to buy AdMob, a mobile advertising service, for \$750 million.

Google's recent decision to sell a mobile phone, called Nexus One, has been particularly vexing for investors because the costs to promote and support the device could be greater than the revenue it brings in for the foreseeable future, said Signal Hill Group analyst Todd Greenwald.

If nothing else, the fourth-quarter performance is likely to give people something to talk about other than Google's threat to shut down its China-based search engine and perhaps pull out of the world's most populous country in a dispute over censorship and computer security.

Schmidt didn't say anything new about Google's uncertain future in China during a conference call with analysts. He reiterated that Google hopes to find a way to maintain a presence in China while emphasizing the company intends to stop censoring search results in the country within "a reasonably short time." That plan conflicts with China's restrictions against showing content that the government deems subversive or pornographic.

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