

Yahoo 3Q profit doubles, revenue still lackluster

October 19 2010, By MICHAEL LIEDTKE , AP Technology Writer



Yahoo Inc. shuffled through another quarter of sluggish growth, a performance that may further test the patience of the Internet company's already restless shareholders.

The third-quarter results announced Tuesday also seem likely to intensify the pressure on CEO Carol Bartz to end a four-year financial funk amid speculation that the company could become a takeover target because of its slumping stock price.

Yahoo made some progress on the earnings front, thanks largely to cost-cutting moves since Yahoo hired Bartz to orchestrate a turnaround 21 months ago.

Net income totaled \$396 million, or 29 cents per share, in the three

months ending in September. That was more than double earnings of \$186 million, or 13 cents per share, at the same time last year.

But this year's figures included a hefty one-time gain from Yahoo's sale of its help-wanted site, Hot Jobs, to Monster Worldwide Inc. If not for that boost, Yahoo's earnings would have been 16 cents per share, a penny above the average estimate among analysts surveyed by Thomson Reuters.

Revenue for the quarter totaled \$1.6 billion, up by less than 2 percent from \$1.58 billion at the same time last year. The paltry gain contrasted with a 23 percent revenue increase at Google Inc., which competes against Yahoo for online advertisers.

After subtracting advertising commissions, Yahoo's third-quarter revenue was \$1.12 billion - about \$10 million below analyst estimates.

Yahoo shares crept up 3 cents after the third-quarter numbers came out. The stock finished Tuesday's regular trading session at \$15.49, down 44 cents.

Yahoo spent \$868 million during the quarter buying back its own shares. While that helped lift earnings per share, the company's [stock price](#) remains down by 8 percent so far this year. And the stock remains far below the \$33 per share that Microsoft offered to buy the company in its entirety in May 2008, only to have Yahoo balk at the price.

The third-quarter showing is the latest indication that Bartz's efforts to shake up Yahoo haven't been enough to win back advertisers who are increasingly spending more of their money at [Google](#) and trendier online hangouts such as Facebook.

Yahoo has been trying to piggyback on Facebook's rising popularity by

connecting more of its services to the social network, but so far the strategy isn't producing a big jump in advertising.

As part of its effort to save money, Yahoo is now relying on Microsoft Corp.'s technology to deliver most of the search results on its U.S. website. In the next phase of the two companies' 10-year partnership, Microsoft will take over the search advertising chores for Yahoo by the end of this month.

"We continue to make a lot of progress," Tim Morse, Yahoo's chief financial officer, said in a Tuesday interview. "We are still in the business of transforming our business."

With work still to be done, Yahoo offered a conservative forecast for the holiday shopping season that typically brings in the most money of the year for companies dependent on advertising. [Yahoo](#) expects its fourth-quarter revenue, excluding ad commissions, to range from \$1.13 billion to \$1.23 billion. That's slightly below the average analyst estimate of \$1.26 billion, according to Thomson Reuters.

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