

# AOL posts higher 3Q net income on gains, cost cuts

November 3 2010

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In this Oct. 14, 2010 photo a woman pushes a stroller past the AOL offices in Palo Alto, Calif. AOL said Wednesday, Nov. 3, 2010, its profit more than doubled in the third quarter thanks to gains on investments it sold during the quarter. But its revenue fell 26 percent sharply as online ad sales fell and its dial-up Internet access business continued to falter. (AP Photo/Paul Sakuma)

(AP) -- AOL Inc.'s profit grew in the third quarter thanks to gains on investments it sold during the quarter, but revenue declined sharply as online ad sales fell and its dial-up Internet access business continued to falter.

The troubled Internet company has struggled since before its split from [Time Warner](#) Inc. late last year. Led by CEO Tim Armstrong, a former [Google](#) executive, it is trying to revitalize itself to rely on online advertising as subscribers steadily abandon the Internet access business that made it famous in the 1990s.

[AOL](#) said Wednesday its [net income](#) rose to \$171.6 million, or \$1.60 per share, in the July-September quarter, up from \$74 million, or 70 cents per share, a year earlier.

But much of the growth was from cost cuts and gains from the company's sale of its investments in the travel website Kayak and the instant messaging business ICQ.

AOL had shown few signs of progress in the first half of the year, though Armstrong said in August that the company has "moved the needle from 'survive' to 'thrive.'"

On Wednesday, Armstrong said the company "continued on the path towards better health" through acquisitions, dispositions, product improvements and site relaunches.

The latest report underscores the work that still lies ahead for the company

AOL's revenue dropped 26 percent to \$563.5 million from \$763.9 million. The latest figure was slightly above Wall Street estimates of \$557 million, according to a Thomson Reuters poll.

[Advertising revenue](#) dropped 27 percent to \$292.8 million - a change AOL attributed in large part to changes it is making to reduce operations in Europe, the absence Bebo, which it sold in the second quarter, and overall declines in search and display ad revenue. The company is working to shed unprofitable businesses even if they contribute to higher revenue.

Competitors have been faring better: so far this quarter, Google Inc., Yahoo Inc. and IAC/InterActiveCorp all reported growth in online advertising.

Revenue from AOL's dial-up Internet business declined 26 percent to \$244.8 million. This business has been dwindling for years due to the rise of faster Internet services.

At the end of the quarter, the dial-up business had 4.1 million subscribers - a drop of 24 percent from last year. At its peak in 2002, AOL had 26.7 million subscribers.

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