

# AOL says 1Q profit fell; ad, subscriptions down

May 4 2011, By BARBARA ORTUTAY , AP Technology Writer

---



In this Friday, April 22 2011 photo, AOL CEO Tim Armstrong gestures during an interview with the Associated Press in the 100% room at AOL headquarters in New York. AOL Inc. said Wednesday, May 4, 2011, its first-quarter net income dropped sharply as the Internet company continued to see a drop in advertising and subscription revenue. (AP Photo/Mary Altaffer)

(AP) -- AOL's first-quarter net income fell sharply as advertising and subscription revenue declined.

Even so, the company sought to reassure investors that its turnaround

was progressing by pointing to a growth in display advertising sales for the first time since 2007. CEO Tim Armstrong called the quarter a milestone for AOL.

"I think I have very happy expectations for the company and even our (first quarter) beat my expectations of where we were going to end up," Armstrong said in a conference call with analysts.

AOL has been struggling to boost its online advertising business as subscribers steadily abandon the Internet access business that made it a household name in the 1990s.

AOL Inc. said Wednesday that it earned \$4.7 million, or 4 cents per share, in the latest quarter, down from \$34.7 million, or 32 cents per share, a year earlier.

Revenue fell 17 percent to \$551 million from \$664 million, above the \$534 million that analysts polled by FactSet were expecting.

AOL shares rose 70 cents, or 3.4 percent, to \$21.10 in premarket trading Wednesday.

AOL said its ad revenue would have been flat if not for changes associated with shutting down European businesses and shifting focus away from services with lower profit margins.

The New York -based company, which bought The Huffington Post news hub during the quarter, said revenue for display ads - billboard-like ads on websites - grew 4 percent to \$130.5 million. This was the first time since the fourth quarter of 2007 that AOL's display advertising grew from the previous year.

Still, research firm eMarketer expects AOL to hold just 4 percent of the

U.S. display ad market by revenue this year, behind Facebook, Yahoo and Google. And for all U.S. ads, eMarketer expects AOL's share to be less than 3 percent.

Search and contextual ad revenue, which is a smaller part of AOL's business, fell 21 percent to \$95.8 million.

AOL's subscription revenue dropped 24 percent to \$215 million as AOL continued to lose dial-up customers who upgraded to speedier Internet service from cable TV and phone companies.

AOL said in March it would cut 900 jobs, or about 20 percent of its work force, many from its offices in India where workers mainly provide back-office support to the U.S.

©2011 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: AOL says 1Q profit fell; ad, subscriptions down (2011, May 4) retrieved 19 April 2024 from <https://phys.org/news/2011-05-aol-1q-net-income-revenue.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.