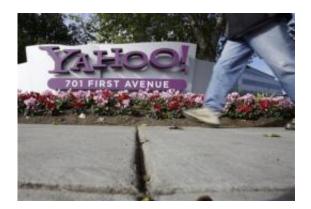


## Yahoo's 1Q results show progress under new CEO (Update)

## April 17 2012, By MICHAEL LIEDTKE, AP Technology Writer



In this Dec. 1, 2010 file photo, a person walks by Yahoo! headquarters in Sunnyvale, Calif. Investors will be tuning into Yahoo Inc.'s first-quarter earnings call after the market close Tuesday to hear more details about CEO Scott Thompson's plans for turning around the beleaguered Internet company. (AP Photo/Paul Sakuma, file)

(AP) -- Yahoo's first-quarter results showed signs of progress that may help boost the credibility of recently hired CEO Scott Thompson as he tries to turn around the long-sputtering Internet company.

The strides announced Tuesday were small compared with the huge gains that rivals such as Google Inc. and Facebook Inc. have been reaping as advertisers shift more of their budgets to the Internet.

Nevertheless, Yahoo's showing for the first three months of the year



included an elusive breakthrough. The company's revenue increased from the prior year for the first time since the U.S. economy was sinking into the depths of the Great Recession in the autumn of 2008. It broke a streak of 13 consecutive quarterly declines in Yahoo's net revenue - the amount of money that the company keeps after paying commissions to its ad partners.

"We still have a lot of work to do, but it's an important milestone for us," Tim Morse, Yahoo's chief financial officer, said in an interview.

Yahoo's earnings also rose in the first quarter, but that's not a new phenomenon. The company's net income had also been rising under Thompson's predecessor, tough-talking Carol Bartz, mostly because of cost cutting.

But Bartz never could produce a year-over-year increase in Yahoo's quarterly revenue before she was fired last September. Yahoo lured Thompson away from eBay Inc.'s online payment service, PayPal, three months ago.

In Thompson's first full quarter as CEO, Yahoo earned \$286 million, or 23 cents per share. That represented a 28 percent increase from net income of \$223 million, or 17 cents per share, at the same time last year.

The earnings for this year's quarter exceeded the average estimate of 17 cents per share among analysts surveyed by FactSet.

Thompson didn't spend much time crowing about the first-quarter revenue increase, probably because it was such a small gain. Net revenue totaled \$1.08 billion, an increase of \$13 million, or 1 percent, from the same time last year.

Google's first quarter net revenue, in contrast, soared by 24 percent from



last year to \$8.14 billion. The overall Internet ad market in the U.S. increased by about 23 percent, according to the research firm eMarketer.

In a Tuesday conference call, Thompson assured analysts he won't be happy until Yahoo's revenue is keeping pace with the rest of the Internet ad market.

"Yahoo must be nimble, responsive and act with a real sense of urgency," Thompson said on the call. "We have to think and to move like a growth company."

Investors evidently liked what they saw in the numbers and what they heard from Thompson. Yahoo shares rose 43 cents, or nearly 3 percent, to \$15.44 in Tuesday's extended trading. The stock hasn't traded above \$20 since the third quarter of 2008 - the last time Yahoo's revenue climbed from the previous year.

The vote of confidence comes as Thompson tries to ward off a rebellion from one of Yahoo's largest shareholders, Daniel Loeb, who is waging a campaign to gain four seats on the company's board of directors.

Yahoo is trying to bring in more money with fewer workers and products. Earlier this month, Thompson announced the largest layoffs in Yahoo's 17-year history in a cost-cutting move that will save the company about \$375 million annually. The housecleaning will jettison 2,000 employees, or 14 percent of Yahoo's workforce.

Thompson told analysts Tuesday that the cuts needed to be made because Yahoo had grown too unwieldy. He also said he is in the process of trying to sell about 50 Yahoo products and services that weren't attracting enough traffic to the company's website or producing enough revenue.



If Thompson's vision pans out, the company will do a better job of mining the information that it collects about the nearly 700 million people who visit its website each month so it can do a better job of showing them online advertising and other content that appeals to their personal interests. If Yahoo can achieve that goal, he reasons Web surfers will come back to Yahoo more frequently and advertisers will increase their spending on the website.

As Thompson overhauls Yahoo's operations, he is also trying to appease shareholders by selling a portion of the company's roughly 40 percent stake in the China's Alibaba Group. Yahoo was nearing a deal to sell most of its stake in Alibaba earlier this year, but the complex deal that had been on the table fell apart shortly after Thompson took over as CEO. Thompson told analysts Tuesday that the two sides are now talking about a simpler deal that would enable Yahoo to pay most of the proceeds to shareholders.

As of March 31, Yahoo estimated its holdings in Alibaba were worth \$14 billion, before taxes. Thompson didn't specify how much of the Alibaba stake that he is looking to sell.

©2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Yahoo's 1Q results show progress under new CEO (Update) (2012, April 17) retrieved 6 May 2024 from <u>https://phys.org/news/2012-04-yahoo-1q-pct-street-view.html</u>

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.