

Yahoo! profit dips, but stays ahead of forecasts (Update 2)

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Yahoo! headquarters in Sunnyvale, California. Yahoo! said Tuesday its profit in the past quarter fell modestly as one-time gains helped the struggling Internet firm offset flat revenues.

Yahoo! said Tuesday its profit in the past quarter fell modestly in results reflecting upheaval at the struggling Internet pioneer, which named a new top executive this week.

The company, which appointed Marissa Mayer of Google as its new chief executive on Monday, said profit fell four percent to \$226.6 million, in a report that was better than expected.

That translated to 27 cents per share excluding special items, ahead of analyst expectations of 23 cents a share.

Revenues excluding traffic acquisition costs, the key barometer for the Web giant, were flat at \$1.08 billion, below most forecasts. Total revenues were virtually unchanged at \$1.2 billion.

The results underscored the turmoil at the California tech firm, which is undergoing major restructuring and forced out its top executive in May over an inflated resume.

Chief financial officer Tim Morse said the results beat consensus forecasts in areas including display and search advertising, where Yahoo! has been pounded by Google.

Over the past quarter, Yahoo! "moved aggressively with new strategic agreements" and unveiled new partnerships, he said, as the pioneering Internet search firm continued a quest to re-invent itself.

Yahoo! shares dropped 0.32 percent in after-hours trade to \$15.55 after a small drop during the regular session on Wall Street.

Douglas McIntyre at 24/7 Wall Street said Yahoo!'s results were "within expectations."

Many analysts were focused on the new CEO and future strategy instead of the past quarter.

"Her background should certainly benefit Yahoo's mobile strategy in addition to news and search verticals," said Susquehanna Financial Group's Herman Leung.

"Three CEOs in less than a year does not spell confidence for investors despite a strong hire, but the good news is that she will likely have a few quarters of runway before investors gauge progress."

Morse pointed out that display revenues rose one percent and search revenue increased four percent. But that was well below the 23.8 percent growth pace of online advertising in the quarter, according to the research firm eMarketer.

Yahoo!'s share of overall US online ad revenues, at 15.7 percent in 2009, fell to just 9.5 percent last year, according to eMarketer.

The results came a day after the 37-year-old Mayer -- one of Google's first employees -- was named CEO.

Mayer subsequently revealed she is pregnant and expecting the baby in October. She is arguably the most high-profile woman in Silicon Valley and a rare female CEO at one of America's largest firms.

Mayer was Google's 20th employee and its first female engineer, and is widely credited with developing the user-friendly interfaces used by Google's search engine, Gmail, Google Maps and Google News.

Yahoo! has been trying to reinvent itself as a "premier digital media" company since the once-flourishing Internet search service found itself withering in Google's shadow.

Mayer did not take part in the quarterly earnings call with analysts eager to learn her plan for reviving the company.

"Since this is Marissa's first day on the job she will not be joining us," said Morse, who handled the call. "You will be hearing from her soon."

He did away with the usual step of providing guidance into Yahoo! performance expectations in the months ahead.

"We are very happy to have such a top-notch CEO in place," Morse said.

"We are just going to take a little time to work out what that means when it comes to direction."

He outlined priorities for Yahoo! that included online video, partnerships with major digital media companies, and reaching users on smartphones and tablet computers.

Morse said that the deal to have Alibaba buy back half of the 40 percent stake Yahoo! has in the Chinese e-commerce titan is on pace to close in fewer than six months.

Return on the Alibaba investment contributed significantly to Yahoo! earnings.

The approximately \$4 billion Yahoo! expects to net from the deal will be "returned to shareholders," perhaps in the form of stock buy-backs.

Yahoo! spent about \$465 million buying back shares in the recently ended quarter in what Morse described as a "nice down payment" to stock holders.

Yahoo! said that it has yet to see revenue results envisioned from a deal made three years ago with Microsoft to have Bing power search queries at Yahoo! online venues.

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