

# Pandora reports profit, but stock is hammered

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Traders on the floor of the New York Stock Exchange walk near an insignia for Pandora Media Inc., in 2011 in New York City. US Internet radio firm Pandora Media came under pressure after reporting a modest profit and strong revenue growth, but offering disappointing guidance for the coming quarter.

US Internet radio firm Pandora Media came under pressure Tuesday after reporting a modest profit and strong revenue growth, but offering disappointing guidance for the coming quarter.

Shares in the California-based Web radio leader slid as much as 20 percent in after-hours trade after it released its earnings for the third quarter.

Pandora reported a profit of \$2.05 million. The earnings excluding special items amounted to five cents a share, better than most forecasts, and revenues beat expectations with 60 percent year-over-year growth to \$120 million.

Advertising revenue was \$106.3 million, a 61 percent year-over-year increase while subscription and other revenue rose 52 percent to \$13.7 million.

"This quarter exceeded our expectations as we monetized mobile at record levels and grew total mobile revenue 112 percent," said Joe Kennedy, chairman and chief executive.

"During the quarter we launched Pandora 4.0, the biggest redesign on the iOS and Android platforms ever, bringing new, innovative and enhanced functionality to mobile devices for the first time for both users and advertisers."

But Pandora appeared to take a hit from its fourth quarter guidance, saying revenue is expected to be in the range of \$120 million to \$123 million and forecasting an operating loss of six to nine cents a share.

Pandora has been hurt by rumors in recent weeks that Apple is in talks to license music for a rival online radio service.

Some reports have said Apple was studying a launch of a streaming music service which could be pre-installed on its popular devices like the iPhone and iPad.

"The real problem for Pandora, though, is that its revenue stream is not growing fast enough, even without Apple as a competitor," said Paul Ausick at 24/7 Wall Street. "This is not a good day for Pandora."

Pandora went public last year at \$16 a share, one of several Internet companies to make their debut on Wall Street in 2011.

The company is urging Congress to pass an overhaul of a law governing music royalties, claiming it pays a higher percentage of its revenues for song rights than its satellite radio rival.

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