

# Yahoo! shares bounce as profit tops expectations

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Yahoo! shares bounced in after-hours trading Monday as the struggling Internet pioneer topped Wall Street expectations despite a slip in quarterly profit.

Yahoo! reported profit of \$272 million, an eight percent drop from a year earlier, but the earnings figures were enough to make its stock jump before setting more than three percent above the regular trading day closing price.

The first full fiscal quarter overseen by CEO Marissa Mayer show double-digit revenue gain on ads in online search, where Yahoo! ruled supreme before being overthrown by Mayer's former employer Google.

"It's been an incredibly busy six months," Mayer said during an earnings call with analysts. "We've got a lot of work ahead of us, but we are seeing key positive trends."

Those trends included ebbing attrition of Yahoo! employees around the world; better talent competing for jobs, and buoyed worker confidence in the future of the California-based company, according to Mayer.

Some of the attitude improvement is likely to Mayer implementing benefits such as free smartphones and food.

For the second-quarter running, revenue from ads placed with results of searched search results at Yahoo! pages climbed.

Yahoo! made a deal with Microsoft in 2009 to have Bing power queries at its online properties, retaining control to personalize results while letting Bing do the "heavy lifting" of indexing and sifting Web content in the background.

The companies have been working to bolster search revenue, which they split under terms of the 10-year contract.

"There is a big push we want to make on search," said Mayer, who was a high-level engineer at Google before leaving to take the Yahoo! helm in July.

"We have lost some share and want to regain that share."

In 2012, Yahoo! saw its revenue rise for the first time in four years, according to Mayer. The company reported 2012 annual revenue of \$4.98 billion in a two percent increase from the prior year.

"During the quarter we made progress by growing our executive team, signing key partnerships and launching terrific mobile experiences for Yahoo! Mail and Flickr," Mayer said.

"At the same time, we achieved tremendous internal transformation in the culture, energy and execution of the company."

Mayer expressed anew her intent to tune the company's popular online properties and services to better connect with smartphones and tablet computers at the center of Internet Age lifestyles.

Yahoo! planned to invest in its platform in coming months and begin reaping returns in the second half of this year, according to chief financial officer Ken Goldman.

"To put it simply, we expect to increase engagement; drive revenue growth and profitability," Goldman said.

Yahoo! last year sold back billions of dollars worth of stock it held in Chinese e-commerce giant Alibaba, getting an infusion of cash to use to buy back its own shares as well as make bets on the company's future.

Yahoo! said that it ended last year with nearly \$9 billion in total equity in Alibaba and a share in Yahoo! Japan valued at \$6.6 billion.

Yahoo! reported that it bought back \$1.45 billion worth of stock in the final three months of last year.

Mayer said that the company's top business challenges this year are to increase use of its properties, improve its popularity outside the United States, and have broader demographic appeal "in roughly that order of priority."

"Yahoo! helped define the consumer Internet as a daily habit," Mayer said. "We are returning to these roots. The future of Yahoo! will be a multi-year march toward growth."

Mayer appeared to be "on track" by working on the structure of the company while spotlighting upbeat aspects of Yahoo! earnings to build investor confidence, according to analyst Rob Enderle of Enderle Group in Silicon Valley.

"It is like doing an overhaul on an engine while you are driving the car," Enderle said of the challenge faced by Mayer. "She wants to highlight positive news to buy time to for a turn-around."

Goldman told analysts that Yahoo! has appealed a November ruling by a Mexican court that the company should pay \$2.7 billion in a lawsuit

alleging breach of contract and lost profits related to a yellow pages listing service.

He described the lawsuit as contract dispute "without merit" and expressed confidence winning on appeal.

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