

Yahoo's 4Q report shows more signs of progress

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In this Friday, Jan. 25, 2013, file photo, Marissa Mayer, CEO of Yahoo!, listens during the 43rd Annual Meeting of the World Economic Forum, in Davos, Switzerland. Yahoo showed more signs of progress during the fourth quarter of 2012m, as the Internet company took advantage of higher ad prices and rising earnings from its international investments to deliver numbers that exceeded analyst forecasts. The results announced Monday, Jan 28, 2013, covered Yahoo's first full quarter under Mayer. (AP Photo/Keystone, Laurent Gillieron)

Yahoo got a little healthier during the last three months of 2012 as the

long-suffering Internet company took advantage of higher ad prices and more money coming in from overseas investments to deliver numbers that exceeded analyst forecasts.

The results [announced](#) Monday covered Yahoo's first full quarter under CEO [Marissa Mayer](#). Yahoo Inc. lured Mayer away from [Google Inc.](#) in mid-July in its latest attempt to snap out of a funk that had depressed its revenue and stock price.

Although Yahoo still isn't keeping pace with the overall growth of the [Internet ad market](#), the company fared well enough during the fourth quarter to produce its first full-year gain in revenue since 2008. It was a scant revenue increase: just \$2.4 million higher than 2011's total of nearly \$5 billion.

Yahoo is now being run by its fifth permanent or interim CEO since 2008.

Mayer, 37, has raised hopes among investors and employees with her [Google](#) pedigree and her pledge to transform Yahoo's website into a mesmerizing destination that attracts Web surfers and advertisers. During her first six months on the job, she has primarily focused on boosting employee morale and building better mobile and social networking services so Yahoo can make more money from two of technology's hottest trends.

"The future of Yahoo will be about innovation, execution and continued progress on a multi-year march toward growth, delighting users and driving shareholder value," Mayer assured analysts in a Monday conference call.

Investors seem convinced Mayer is headed in the right direction. Yahoo's stock added 39 cents, or nearly 2 percent, to \$20.70 in extended

trading. The shares are up by more than 30 percent since Mayer joined the Sunnyvale, California, company.

Yahoo has been feeding the rally by using part of a \$7.6 billion windfall that it received from selling half its stake in [Chinese Internet](#) company Alibaba Group. The company spent \$1.5 billion buying back nearly 80 million of its shares at an average price of \$18.24 in the fourth quarter. Buybacks help boost the [stock price](#) for remaining shareholders.

Mayer highlighted some of the company's recent strides during the conference call. She said internal surveys show 95 percent of Yahoo's 11,500 employees optimistic about the company's future. Mayer also touted the potential of a recent redesign of Yahoo's email, saying the number of daily users has increased by 10 percent since the changes were unveiled last month.

Yet Mayer's efforts haven't made a huge difference in Yahoo's ad sales—the company's main way of making money.

For instance, during the final three months of last year, Yahoo's ad revenue was \$1.07 billion, roughly the same as a year earlier. By contrast, fourth-quarter ad revenue at Google surged by 19 percent from the previous year. Another rival, Facebook Inc., is expected to post much stronger ad growth Wednesday when the Internet [social networking](#) leader is scheduled to release its fourth-quarter report.

Overall, Yahoo's fourth-quarter earnings dipped 8 percent to \$272 million, or 23 cents per share, down from \$296 million, or 24 cents per share. The earnings would have been higher than the previous year, if not for a charge to close its South Korea operations and other one-time accounting items.

If not for those charges, Yahoo said it would have earned 32 cents per

share. On that basis, Yahoo topped the average estimate of 27 cents per share among analysts surveyed by FactSet.

Yahoo's fourth-quarter revenue increased 2 percent from the previous year to \$1.35 billion.

After subtracting advertising commissions, Yahoo's fourth-quarter revenue stood at \$1.22 billion—about \$10 million above analyst forecasts.

Yahoo apparently isn't expecting a big upturn this year. The company predicted its revenue, minus commissions, will range from \$1.07 billion to \$1.1 billion in the current quarter. That's slightly below analysts' average estimate of \$1.12 billion.

In an encouraging sign, Yahoo's average price for display advertising on its website during the fourth quarter rose 7 percent from the previous year. Meanwhile, the average price for Yahoo's search ads increased by 1 percent from the previous year. This marked the first time that Yahoo has detailed the changes in its ad rates from the previous year. The fourth-quarter improvement could be an indication that advertisers believe Mayer's changes are starting to pay off.

Yahoo still needs to work on increasing the volume of display advertising, which declined by 10 percent from the previous year. The number of revenue-generating search ads, though, increased 11 percent from the previous year. That improvement provided proof that Yahoo is harvesting better returns from its Internet search partnership with Microsoft Corp. The alliance has allowed Yahoo to lower its expenses by relying on Microsoft's technology for most of its search results, but the arrangement had been producing disappointing returns on the advertising front until recently.

Yahoo is still benefiting from its remaining holdings in Alibaba, as well as a roughly 35 percent in Yahoo Japan. Yahoo's fourth-quarter income from its investments increased 17 percent from the previous year to nearly \$149 million. Because of a lag in how Yahoo books income from international revenue, the company's results still don't fully reflect the reduced stake in Alibaba. That will occur this year, reducing Yahoo's overseas earnings.

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