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LinkedIn's 4Q gets rave reviews from investors (Update)

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In this Monday, May 9, 2011 file photo, LinkedIn Corp., the professional networking Web site, displays its logo outside of headquarters in Mountain View, Calif. Linkedin is reporting their fourth quarter 2012 earnings on Thursday, Feb. 7, 2013. (AP Photo/Paul Sakuma, File)

Online professional-networking service LinkedIn's fourth-quarter performance added another line to its sterling resume as a public company.

The results announced Thursday extended LinkedIn Corp.'s uninterrupted streak of exceeding analysts' projections for both earnings and revenue. It marked the seventh consecutive quarter since LinkedIn's May 2011 IPO that the company has pulled that off, to the delight of investors.

The run of pleasant surprises is one of the reasons that LinkedIn's stock has tripled from its initial public offering price of $45. The shares surged $11.71, or 9.4 percent, to $135.80 in extended trading after the numbers came out.

Besides a 66 percent increase in earnings from the previous year, the latest quarter was highlighted by an influx of 15 million accounts to propel LinkedIn's total membership beyond 200 million. Visitors to LinkedIn's website also viewed 67 percent more pages than the previous year, an indication that the company's efforts to add more business news and career tips from top business executives are paying off.

Wall Street's embrace of LinkedIn contrasts with the cold response given to other Internet services that have gone public during the past few years. Most of them are trading below their IPO prices. The most notable is Facebook Inc., whose stock is worth about 25 percent less than it was when it made its market debut in May.

Although both run websites devoted to connecting people with common interests, LinkedIn and Facebook are targeting different audiences. Facebook focuses mostly on letting friends and family share good times and swap stories, while LinkedIn concentrates on helping people advance their careers and helping companies fill jobs.

Facebook, which is based in Menlo Park, is the larger of the two services, with more than 1 billion active users and $5.1 billion in revenue last year. LinkedIn, which is based in Mountain View, California, has 202 million accountholders and revenue of $972 million in 2012.

But LinkedIn is growing more quickly, partly because it's less dependent on advertising than Facebook and most Internet services. In the fourth quarter, advertising accounted for 27 percent of LinkedIn's revenue. The remainder comes from various tools that it sells to help recruit workers and glean more insights from the information that its users post on its website.

Reflecting its belief that the member data are becoming increasingly valuable, LinkedIn said Thursday that it intends to raise some prices this year. Setting up a member profile remains free. The price increase reflects the additional information that the company has accumulated as its membership has more than doubled in less than two years, according to Steve Sordello, LinkedIn's chief financial officer. The company provided no specifics on the increases.

LinkedIn earned $11.5 million, or 10 cents per share, during the final three months of last year. That compared to $6.9 million, or 6 cents per share, a year earlier.

If not for the costs of employee stock compensation and certain other charges, LinkedIn said it would have earned 35 cents per share. That was far above the average estimates of 19 cents per share among analysts surveyed by FactSet.

Revenue soared 81 percent from the previous year to $304 million—about $24 million above analyst forecasts.

LinkedIn's revenue outlook for the current quarter and all of 2013 were roughly in line with analyst estimates, setting the stage for the company to clear those financial hurdles once again.

Management's forecast for annual revenue of $1.4 billion this year appears conservative, given that it would translate into an increase of about 45 percent from last year. In 2012, LinkedIn's annual revenue rose 86 percent.

"We are trying to utilize a prudent approach to year-over-year growth," Sordello told analysts during an analyst conference call.