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Wall Street turns quickly on hot Internet stocks

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The Yelp booth at the Nightclub & Bar Convention and Trade Show at the Las Vegas Convention Center on March 20, 2013 in Las Vegas, Nevada

Wall Street on Thursday toasted Yelp, but threw tomatoes at Twitter and Pandora after mixed earnings results prompted big swings in the valuations of a trio of hot Internet stocks.

The market's abrupt shifts highlighted just how quickly sentiment can change in the fast-moving sector.

Yelp is gaining in the contest for new users, while doubts are growing about growth for the other two companies. All three stocks rose in 2013, with Twitter soaring after its November initial public offering.

Yelp, an Internet consumers listings and reviews site, was the biggest winner in the market's sometimes-fickle assessment.

"There was a lot of concern with the amount of competition coming to market whether Yelp could prevail," said Rob Enderle, a Silicon valley analyst. "And these numbers suggest they will."

Yelp shares rose 18.9 percent to close at $89.46, with investors overlooking a bigger-than-expected quarterly loss of $2.1 million.

Instead, investors focused on Yelp's 2014 outlook, which said revenues could climb more than 50 percent to as high as $358 million as more users tap into Yelp's listings of map-based restaurants and shops.

"If you can overcome a negative perception and replace it with a positive one, you're going to get a nice bump," Enderle said.

Pandora Media continued to attract an audience, with active listeners growing 12 percent to 73.4 million in January, according to the company's latest metrics. Also, Pandora's results for the fourth quarter bested expectations—it boosted net profit to $23 million on revenue of $200 million.

But investors frowned on the company's 2014 forecast, which calls for a loss in the first quarter and lackluster revenue growth.

"The listeners aren't translating into revenue," Enderle said of Pandora.

Pandora shares sank 10 percent to $32.23.

Like Pandora, Twitter reported financial results that bested expectations. But investors pummelled the micoblogging site for tepid growth of new users.

The number of worldwide users was up just nine million from the figure of 232 million when Twitter went public in November, suggesting only modest growth at a time when investors were looking for a surge. Twitter lost $511 million in the quarter, even as revenues grew at a fast clip.

Twitter sank 24.2 percent to $50.03, a decline that was especially notable given the broader market's rise of more than one percent.

One saving grace: Thursday's swings are a snap judgment, analysts say. Market sentiment can shift if results improve, as they did with Facebook.

"Twitter has all of a sudden become a show-me story in the same way Facebook was challenged to prove its mobile credentials over a year ago," said Cantor Fitzgerald analyst Youssef Squali.

"We now know how Facebook turned out, but we won't know how Twitter will fare for at least several quarters."

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