

Mayer 'not satisfied' as Yahoo results disappoint (Update)

July 15 2014



Yahoo CEO Marissa Mayer speaks during her keynote address at the 2014 International CES in Las Vegas, Nevada, January 7, 2014

Yahoo on Tuesday reported quarterly earnings showing a revenue slump and prompting chief executive Marissa Mayer to declare "we are not satisfied."

Net profit in the second quarter dropped 19 percent from a year ago to \$270 million, in results weaker than expected.

Revenue meanwhile fell four percent to \$1.08 billion, also below analyst expectations.

"Our top priority is revenue growth and by that measure we are not satisfied with our Q2 results," Mayer said in a statement nearly two years after being named to head the Internet pioneer.

She noted that "several areas showed strength," but that other segments such as display advertising lagged.

These are trends "further highlighting the fact that we need to work faster to ameliorate the negative trends," Mayer said.

"I believe we can and will do better moving forward. Overall, I remain confident in Yahoo's future, our strategy, and our return to long-term growth."

Yahoo also said it had reached an agreement with Alibaba to sell fewer shares than anticipated when the Chinese online giant makes its market debut.

The deal reduced the number of shares Yahoo will sell from 208 million shares to 140 million.

Chief finance officer Ken Goldman said that the majority of the proceeds of the sale of Yahoo's stake would be returned to shareholders.

"We would like to take this opportunity to let our investors know that we are committed to return at least half of the after-tax IPO proceeds to shareholders, in line with our overarching commitment to maximizing shareholder value through prudent capital allocation," he said in the earnings statement.

Yahoo holds a stake of around 22 percent in the Chinese group, which has announced plans for a US initial public offering.

Losing momentum

Yahoo said that in the past quarter it made gains in search-related advertising and other online advertizing which helped offset the decline in display ad revenues.

But analysts have pointed out that Yahoo is losing momentum in key areas of online advertising, as the one-time Internet star seeks to redefine itself with new services such as video, music, blogs and more.

According to the research firm eMarketer, Microsoft is expected to overtake Yahoo for the first time in digital advertising revenues.

The survey by eMarketer represents a setback for Yahoo's effort to return to its glory days as an Internet pioneer.

The report said Google will extend its domination of the global digital ad market this year, with a 31.45 percent market share, while Facebook will see its share grow to 7.79 percent.

Yahoo's ad revenues will increase by around 2.7 percent to \$3.53 billion, but its growth will be slower than the rest of the fast-growing sector, eMarketer said.

Microsoft meanwhile is expected to see 20 percent growth in ad revenues to \$3.56 billion, for a 2.54 percent market share.

Yahoo users go mobile

"Yahoo experienced about five years of revenue declines," said Mayer, who took the helm of the Silicon Valley company in 2012.

"Reversing that historical trend takes time."

Mayer played up strong growth Yahoo saw in search and on mobile devices. The number of monthly active users connecting with Yahoo from mobile devices during the course of a single month hit 450 million during the quarter, hitting a new record high, according to Mayer.

Yahoo shares slipped less than a dollar to \$34.74 in trades after the close of market on Tuesday.

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