Yelp's 2Q results, outlook disappoint as stock plunges

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Yelp is getting panned by investors after the online business review service sank to a second-quarter loss and dimmed its outlook amid a slowdown in its digital advertising sales.

The developments announced Tuesday raised more doubts about Yelp's ability to survive on its own, although CEO Jeremy Stoppelman told analysts in a conference company that he "is building the company to operate independently over the long-term." He predicted Yelp could be generating $1 billion in annual revenue by 2017, more than doubling from a projected $545 million to $550 million this year.

Those words did little to assuage investors as Yelp's stock plummeted $5.31, or nearly 16 percent, to $28.20 in extended trading. The sell-off means Yelp's shares are likely to fall to their lowest level in more than two years in Wednesday's regular trading.

In that scenario, Yelp will have lost about half of its value so far this year, potentially making it more attractive to a list of suitors that analysts believe could include Google, Yahoo, Facebook and Priceline Group Inc. Based on what the reaction in extended trading, Yelp's market value could be hovering around $2 billion on Wednesday.

Yelp will be moving ahead without one of its earliest backers, PayPal co-founder Max Levchin, who is resigning as the San Francisco company's chairman. Stoppelman attributed Levchin's decision to a busy schedule. Besides running a lending startup called Affirm, Levchin also is a member of Yahoo's board of directors.

"While this year hasn't gone as anticipated, I'm as confident as ever about our future," Stoppelman said.

Yelp's biggest problem has been recruiting enough talent to sell ads. That shortfall is especially troublesome for Yelp because it has fewer automated advertising sales tools than the much bigger digital marketing outlets run by Google and Facebook.

To get the most out of its salesforce, Yelp announced it will stop peddling ads to big brands and sharpen its focus on promoting the neighborhood merchants that are the focal points of its service's reviews. The company is also planning to spend about $20 million during the final half of this year promoting its own brand in an effort to attract more traffic to its service.

Yelp lost $1.3 million, or 2 cents per share, in the three months ending in June. That contrasted with a profit of $2.7 million, or 4 cents per share, at the same time last year.

Analysts polled by Zacks Investment Research had predicted Yelp would earn a penny per share in the latest quarter.

Revenue rose 51 percent from last year to nearly $134 million, a tick above analysts' forecasts.