

Google's growth accelerates as 3Q profit rises

15 October 2009, By MICHAEL LIEDTKE , AP Technology Writer



A sign is seen at Google headquarters in Mountain View, Calif., Wednesday, Oct. 14, 2009. Google Inc. is scheduled to report quarterly earnings after the market close Thursday. (AP Photo/Paul Sakuma)

(AP) -- Google Inc. shifted into a higher gear in the third quarter and began to leave the recession behind as the 11-year-old Internet search leader recorded its biggest profit yet.

Revenue growth also accelerated for the first time since the U.S. recession began in December 2007.

The results released Thursday are the strongest indication yet that the Internet advertising market is bouncing back from its worst funk since the dot-com bust at the start of the decade.

[Google](#) is considered a good barometer for the state of online commerce because its search engine serves as the hub of the Web's largest advertising network.

"The worst of the [recession](#) is clearly behind us and because of what we have seen, we now have the confidence to be optimistic about our future," Eric Schmidt, Google's chief executive, told analysts in a conference call.

Schmidt's optimism echoed his public remarks

leading up to the [earnings](#) release. That sentiment has helped propel Google to a succession of new 52-week highs this week, a rally that continued after the company put out its third-quarter numbers.

Google's shares rose \$17.13, or 3.2 percent, to \$547.04 in extended trading. In regular trading earlier, its shares fell \$5.41, or 1 percent, to close at \$529.91. The stock remains well below its peak of nearly \$750 reached almost two years ago, but has more than doubled from its 52-week low of \$247.30.

Google earned \$1.64 billion, or \$5.13 per share, in the three months ended in September. That represented a 27 percent increase from \$1.29 billion, or \$4.06 per share, at the same time last year.

Excluding expenses for employee stock compensation, Google said it would have made \$5.89 per share - above the average estimate of \$5.42 per share among analysts polled by Thomson Reuters.

[Revenue](#) for the three months ending in September climbed 7 percent to \$5.94 billion. That is Google's fastest growth rate so far this year.

In a telling sign that things are picking up again, Google's third-quarter revenue rose 8 percent from the second quarter. That's the biggest sequential quarterly increase since the end of 2007.

After subtracting commissions paid to Google's advertising partners, the company's revenue totaled \$4.38 billion - about \$140 million above analyst estimates.

Schmidt and other Google executives left no doubt that they believe the Mountain View-based company is poised to scale even greater financial heights in the next year or two. Among other things,

they said the company's popular video service, YouTube, is getting closer to making money three years after Google bought it for \$1.76 billion.

Feeling more emboldened, Schmidt said Google will start spending more liberally again after skimping on its expenses for the past year. The commitment includes hiring more employees after Google pruned its payroll for the past two quarters, paring its work force to 19,665 people at the end of September.

Google could be further along the comeback trail than other companies that depend on [Internet advertising](#).

Part of the reason is because Google is such a dominant force; it process nearly two-thirds of the Internet search requests in the U.S. Advertisers are more likely to invest in search marketing because it only costs them when Web surfers click on their commercial messages.

Spending on online billboards - the kind of visual advertising that's Yahoo Inc.'s specialty - isn't expected to pick up until the economy gets even healthier.

Yahoo is scheduled to report its third-quarter earnings next week.

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