

Yahoo delivers another listless performance in 4Q (Update)

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Ailing Internet giant Yahoo! said Tuesday its fourth-quarter net earnings slid 5.3 percent from a year earlier, as revenues dropped 13 percent.

Yahoo slipped further behind in the online advertising race during the fourth quarter as the Internet company entered the fourth year of a revenue slump.

The results announced Tuesday marked the latest in a succession of disappointing performances. The persisting malaise led to the firing of Carol Bartz as CEO four months ago.

Yahoo Inc. recently replaced Bartz with PayPal executive Scott Thompson, anointing him as the fourth CEO in less than five years to try to snap the company out of a funk that has depressed its stock. Thompson, who was hired just three weeks ago, promised to move

quickly to fix the problems.

"There is no question we need to do better and we will," Thompson assured analysts in a Tuesday conference call.

The company earned \$296 million, or 24 cents per share, in the October-to-December period. That is down 5 percent from \$312 million, or 24 cents per share, a year earlier.

The earnings matched analysts' estimates, but the company missed Wall Street's revenue target.

Fourth-quarter revenue dropped 13 percent from the previous year to \$1.32 billion. After subtracting advertising commissions, Yahoo's revenue totaled \$1.17 billion, or \$20 million below analyst projections. It's the 13th straight quarter that Yahoo's net revenue has declined from the prior year.

Although Thompson said it was still too early to share precise details about his turnaround strategy, he said he will close some Yahoo services. That could mean layoffs. Yahoo added 400 employees in the fourth quarter to end the year with 14,100 workers. It lost one of its co-founders last week when Jerry Yang resigned from the company's board and gave up his role as "Chief Yahoo."

Bartz had also closed or sold some of Yahoo's less popular services while jettisoning jobs to cut costs and sharpen the company's focus. Those moves, though, didn't increase Yahoo's revenue or stock price, leading the company's board to fire her in September with more than 15 months remaining on her contract.

"This company has been through such a rotating cast of characters that it's reached the point where it needs action, not words," BGC Financial

analyst Colin Gillis said.

Besides closing services, Thompson said Yahoo will expand into some fields where he sees opportunities to make money. He didn't elaborate on that or on which services to close.

Thompson also pledged to develop more innovative products to keep Yahoo's audience of 700 million users on its websites for longer periods. Accomplishing that could make Yahoo more attractive to online advertisers. Thompson said he hopes to harness the data that Yahoo collects about its audience to help advertisers do a better job of putting their marketing messages in front of the people most likely to buy their products.

"I'll always ask a lot of questions and I'll immerse myself in the details but when it comes to making decisions, I make them quickly and then push to move fast, fast, fast," Thompson said.

But Yahoo isn't promising a quick start under Thompson's leadership. Yahoo predicted its net revenue in the current quarter will range from \$1.02 billion to \$1.1 billion. The mid-point of that target works out to \$1.06 billion, unchanged from last year's first quarter.

Investors appear to be taking a wait-and-see attitude with Thompson. Yahoo's stock shed 14 cents to \$15.55 in extended trading after the report came out. The stock price has fallen by about 40 percent from five years ago.

Yahoo's downturn in revenue has occurred as advertisers are shifting more of their budgets to the Internet as people spend more of their time on the Web. The biggest beneficiaries of this boom so far have been Internet search leader Google Inc. and Facebook, the owner of the largest online social network.

While Yahoo continued to struggle during the final three months of last year, Google's revenue rose 25 percent from the same period in 2010. As a privately held company, Facebook doesn't disclose its financial results, but data compiled by independent research firms show that its website has been luring advertisers away from Yahoo.

Google has become so dominant in Internet search that Yahoo teamed up with another rival, Microsoft Corp., in an effort to become more competitive and save money. Yahoo's search engine now relies on Microsoft's technology to handle most requests. The alliance, forged in mid-2009, hasn't generated as much revenue so far as Yahoo had hoped, although there were signs of progress in the fourth quarter.

Net revenue from search totaled \$376 million in the fourth quarter, a 3 percent decrease from a year earlier. The company, which is based in Sunnyvale, Calif., had been suffering year-over-year declines of more than 10 percent in previous quarters.

As it tries to boost its revenue and lift its stock price, Yahoo is considering selling its stakes in China's Alibaba Group and Yahoo Japan. Yahoo is pursuing those negotiations with "great enthusiasm," according to Tim Morse, the company's chief financial officer. Neither Morse nor Thompson elaborated on when a deal might be reached.

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