

# Google takes hit on growth disappointment (Update)

April 16 2014, by Sophie Estienne

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The Google offices in Brussels on February 5, 2014

Google lost some of its luster Wednesday as quarterly results failed to meet lofty Wall Street expectations, sending its shares down sharply.

The California tech giant said its first quarter profit rose 32 percent from a year ago to \$3.45 billion.

Chief executive Larry Page hailed "another great quarter" for Google, with revenue of \$15.4 billion, up 19 percent year on year.

"We got lots of product improvements done, especially on mobile. I'm also excited with progress on our emerging businesses," Page said in a statement.

But Google shares tumbled 2.8 percent in after-hours trade to \$540.49.

Earnings per share amounted to \$6.27 compared with analyst projections of \$6.40. Analysts also expected a higher revenue figure of \$15.5 billion.

Google remains the world's most important search engine, which generates large amounts of advertising revenues. But it is increasingly focusing on the Android mobile system and new technologies, highlighted by its recent acquisitions of the home automation firm Nest Labs and drone maker Titan Aerospace.

The earnings report showed a 26 percent rise in "paid clicks," a key figure for Google's advertising and revenues—growth slightly lower than the 29 percent expected by analysts.

The price per click fell one percent in the quarter and nine percent over the past year. Analysts say this reflects a growing move to smartphones, where clicks produce lower revenues than on traditional PCs.

"It's costing Google more to acquire content and maintain its data centers," said Paul Ausick at 24/7 Wall Street.

"This state of affairs is going to weigh down the stock price."

Google's chief financial officer Patrick Pichette said the results were impacted to some degree by some major acquisitions and the spin-off of

its Motorola smartphone unit, which is being sold to China's Lenovo.

But he added that the expenses in the quarter "were completely in line with our objectives."

Pichette noted that Google broke off the results from Motorola as it prepares to sell the division, but that the 3,700 employees remained in the Google headcount of nearly 50,000 employees.

Google ended the quarter with \$59.4 billion in cash, up from \$58.7 billion at the close of the prior quarter.

Google has plans that include smart home thermostats, Internet connected eyewear, and making Android smartphones and tablets with partners.

"Our business is growing well," said Google senior vice president and chief business officer Nikesh Arora during the company's earnings call.

Arora said Google is trying to position itself for a "multiscreen" environment where people use various devices to access the Internet.

"People are always online and they want a seamless experience as they move from screen to screen," he said.

Earlier this year, Google announced a deal for smart thermostat start-up Nest in an accord valued at \$3.2 billion. It also bought drone maker Titan for an undisclosed price, and gaming startup Green Throttle.

It agreed to sell Motorola to Lenovo for \$2.91 billion, after a lackluster two-year effort to turn around the smartphone maker it bought for \$12.5 billion.

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