

Internet firms flourishing, but no boom yet

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Business has been booming for some of the biggest names on the Internet in recent months, but a return to a tech-buying frenzy of the late 1990s seems unlikely anytime soon.

"There's more realism in the market," said David Edwards, an Internet analyst for American Technology Research in San Francisco. He said corporate management in the three hottest Internet companies -- Google, Yahoo! and eBay -- were likely to take a "more measured" approach to business because they have become more mature companies. The three companies have become household names, having survived the storm of the dot-com bubble in 2001. Their latest earnings results announced this week left Wall Street investors very content as well. Online auction house eBay said its second-quarter earnings soared 53 percent from a year ago to \$291.6 million, and it revised upward its revenue forecast for 2005 to \$4.4 billion from \$4.3 billion. Meanwhile, Internet search engine Yahoo! this week reported its earnings for the three-month period ended June 30 reached \$754.7 million, up from \$112.5 million in the second quarter of 2004. As for Yahoo! rival

Google, it reported quarterly profits that more than quadrupled, to \$343 million from \$79 million, while revenue nearly doubled to \$1.38 billion.

Still, Edwards told United Press International that expectations for the three companies in the third quarter remain "reasonable," rather than anticipating earnings to maintain their robust pace of the past three months. Furthermore, there is no denying there are a number of downside risks looming ahead, including the possibility of higher energy prices and interest rates, which could hurt most businesses. Granted, such risks are faced not only by the Internet giants, but by all industries both within and outside the United States, but one of the biggest macroeconomic factors that could hurt Google, Yahoo! and eBay is a stronger dollar, Edwards said. "So much of eBay's growth comes from Europe now -- Britain, Germany, Italy, Spain," Edwards said, noting that a weaker dollar against the euro had been one key factor for the company's strong financial performances in the latest quarter. At the same time, Edwards acknowledged eBay took into account a stronger dollar in preparing its forecast for the full year, so it should be more likely to reach its target. A stronger dollar not only makes U.S. exports more expensive and less competitive in overseas markets, it also reduces the profits made overseas by U.S. companies when that money is brought back into the country. Another risk for Internet companies in the July-to-September quarter is a slow season for the industry in general. George Reyes, Google's chief financial officer, commented during a teleconference with industry analysts and financial reporters that people "won't be in front of computers" as much during the hot summer season.

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