

## **AOL posts profit, but subscribers dwindle**

(Reuters) - AOL Inc beat Wall Street's profit and revenue expectations for the fourth quarter, but its top officers said that revenue from subscriptions and online search-related advertising would fall further in coming months.

AOL, which became an independent company once again in December after Time Warner Inc spun it off, is trying to reshape itself as an online content and advertising company under chief executive Tim Armstrong, a former Google Inc executive.

AOL executives said on Wednesday the company will exit some international markets as it invests in the creation and distribution of blogs, videos, photos and other online programming. It is also building its related Web search and advertising business.

The company said it is likely to sell assets outside its focus, even as it buys up businesses in its chosen markets.

Last month's \$36.5-million acquisition of StudioNow Inc, a video production company, is an example of the types of deals in which AOL is interested, Armstrong said on an earnings call.

### **NET INCOME, REVENUE**

Net income for AOL's fourth quarter was \$1.4 million, or a penny a share, compared with a loss of \$1.9 billion, or \$18.52 a share, a year ago when Time Warner wrote down its value through a \$2.2 billion charge.

Excluding per-share restructuring and other costs, AOL earned 71 cents per share, beating the Wall Street consensus estimate of 62 cents per share, according to Thomson Reuters I/B/E/S.

Revenue fell 17 percent to \$809.7 million as it lost subscribers in its dial-up access business, and earned less revenue per search query in its online advertising business.

Wall Street analysts were expecting AOL to earn revenue of \$763.5 million, according to Thomson Reuters I/B/E/S.

Fourth-quarter advertising revenue fell 8 percent to \$471.6 million and subscription revenue fell 28 percent from the year-earlier quarter to \$307.4 million. AOL subscribers make up the bulk of visitors to AOL websites.

Credit Suisse analyst John Blackledge said in a research note that the results were

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"encouraging" for AOL's new management, but added that the company's performance in 2010 would be key to its turnaround story. Blackhedge has an "underperform" rating on AOL.

AOL's shares rose 52 cents to \$25.17 on the New York Stock Exchange.

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