Yahoo's 4Q earnings double, revenue falls 12 pct

MICHAEL LIEDTKE - AP Technology Writer - Associated Press

Yahoo Inc.'s fourth-quarter earnings more than doubled, but the Internet company's crumbling revenue made it clear that it's still struggling to cash in on the online advertising boom.

The results announced Tuesday show why many investors are wondering if Yahoo CEO Carol Bartz is the right person for the job as she enters the second half of a four-year contract she signed in January 2009.

Although Bartz has boosted Yahoo's earnings through layoffs and other cost-cutting measures, the company's revenue has fallen from its levels before her arrival.

The financial pressure has prompted Yahoo to lay off more than 700 workers in the past two months. In the latest cutbacks Tuesday, Yahoo is laying off 100 to 150 employees, roughly 1 percent from a work force that totaled 13,600 people at the end of December.

"We are on the right path," Tim Morse, Yahoo's chief financial officer, said in a Tuesday interview. "We are transitioning into a different company, and that is going to take some time."

Signaling the financial funk will persist into this year, Yahoo forecast its net revenue during the first quarter will decline by 4 percent to 10 percent from last year. The net revenue figure strips out commissions that Yahoo pays its advertising partners. The company, based in Sunnyvale, California, didn't provide a full-year outlook.

Yahoo earned $312 million, or 24 cents per share, in the October-December period. That compared with net income of $153 million, or 11 cents per share, at the same time in 2009.

If not for charges incurred from 600 layoffs made last month, Yahoo said it would have earned 26 cents per share. Analysts surveyed by FactSet had predicted Yahoo would earn 23 cents per share

Revenue for the period fell 12 percent to $1.53 billion, from $1.73 billion a year earlier.

After subtracting commissions, Yahoo's revenue totaled $1.2 billion — about $10 million above analysts' estimates.

Net revenue was slightly below Yahoo's total of $1.38 billion in the fourth quarter of 2008, the final reporting period before Bartz was hired to turn the company around.

The downturn has been driven in part by an Internet search partnership that Bartz forged with Microsoft Corp. to lower Yahoo's overhead and free up employees to work on other products. The alliance requires Yahoo to pay Microsoft $12 of every $100 in ad revenue flowing from searches on its website.

Yahoo also sold its help-wanted service, HotJobs, last year and pruned other revenue-generating services from its operations since Bartz arrived.

If not the cutbacks and Microsoft partnership, Morse said Yahoo's fourth-quarter revenue would have increased by 2 percent to 3 percent from the prior year.

That would still be a meager growth rate compared with other websites that have assembled more compelling services and better methods for reaching audiences that appeal to marketers.

Google Inc. and Facebook, in particular, have been outmaneuvering Yahoo in the chase for online advertising dollars.

Propelled by the Internet's dominant search engine, Google's revenue rose 26 percent in the fourth quarter to $8.4 billion — surpassing Yahoo's total of $6.3 billion for the entire year. Google is doing so well that it plans to hire more than 6,200 employees this year in what will be the biggest expansion in its 12-year history.

Facebook is privately held, but disclosed some of its results while raising $1.5 billion in a deal put together by Goldman Sachs Group Inc. Those figures indicated that Facebook's 2010 revenue would more than double from $777 million in previous year.

Yahoo shares fell 50 cents, or 3.1 percent, to $15.52 in extended trading Tuesday after the results were released. In regular trading earlier, shares dipped 7 cent to $16.02.