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Google: Worst is behind us

Online search giant reports revenue and earnings that trump Wall Street's estimates, saying the worst of the recession is over.

By David Goldman, CNNMoney.com staff writer
Last Updated: October 15, 2009: 5:31 PM ET

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NEW YORK (CNNMoney.com) -- Google said Thursday the worst of the recession has passed, as it reported quarterly profit and sales that rose from year-earlier results and easily trounced Wall Street's forecasts.

"Google had a strong quarter -- we saw 7% year-over-year revenue growth despite the tough economic conditions," said Eric Schmidt, Google's chief executive, on a conference call with investors. "While there is a lot of uncertainty about the pace of economic recovery, we believe the worst of the recession is behind us and now feel confident about investing heavily in our future."

Google's strong third quarter could be a good sign for the economy, as the company's ad clicks serve as a kind of barometer of consumers' willingness to spend. The more people click on ads, the more willing they are to buy things.

"It's all good news from our perspective," said Schmidt. "I'm very proud of our management team in what could have been a very significant downturn for Google."

By the numbers: The Mountain View, Calif.-based search giant's net income was \$1.64 billion, or \$5.13 per share, in the third quarter, up 27% from the same period last year.

Excluding one-time charges, including \$95 million from a Google Books settlement with the Authors Guild, Google reported earnings of \$1.88 billion, or \$5.89 per share. Analysts polled by Thomson Reuters, who typically exclude

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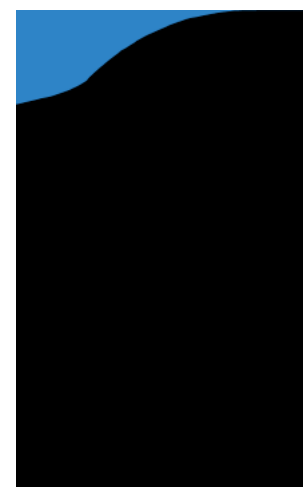
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one-time charges from their forecasts, expected earnings of \$5.42 per share.

Sales rose 7% to \$5.94 billion. Excluding advertising sales that Google shares with partners, a figure also known as traffic acquisition costs, the company reported revenue of \$4.38 billion, which beat analysts' forecast of \$4.24 billion.

Google makes the vast majority of its sales from online advertising, a market that has struggled over the past year. But two important indicators of advertising market health improved: The number of paid clicks, which include clicks on ads served on Google sites and its partners, rose 4% from the previous quarter and 14% from the same period last year.

The average amount paid to Google per click also increased about 5% from last quarter. That figure was down about 6% from the same period a year ago, but the company said that much of that discrepancy had to do with currency fluctuations.

Both measures improved from the second quarter, when paid clicks were down sequentially and cost-per-click was down by a double-digit percentage from a year earlier.

Shares of Google (GOOG, Fortune 500) rose more than 2% in after-hours trading.

Google searches for new revenue



Looking ahead: Schmidt said the companies new investment would come in the form of "people and innovation." He reiterated a statement that he made last week, saying that the advertising recession had ended, and the company has **ramped up its hiring** as a result. Last quarter, the company shed 121 employees.

The company hasn't quite returned to its typical purchase rate of about one company a month. But Schmidt said Google has many small, innovative companies in its sights, and the company plans on increasing the number of acquisitions it makes in the coming months.

The company also said another encouraging sign is that advertisers have expressed a desire to spend more money with Google. As a result, Google is continuing to develop new products to assist with that interest.

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For instance, the company said its new DoubleClick Ad Exchange will improve advertisers' ability to put display ads onto Web sites. Google also said it is making improvements to Google Maps, making it easier for companies to connect with customers online on a local level. ■



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Andy Vortex 4:36 pm

If my last comment makes you feel uncomfortable, well....it's supposed to.

The heart reaction is always true. The mind often rationalizes away anything it wants, even such major evils like what's happening in today's economy. Bailing out corporations with Billions (who then give their executives lavish bonuses) while we cannot help those in desperate need and misery --- this is the epitome of evil.



Andy Vortex 4:25 pm

Over 1.2 Billion humans – RIGHT NOW – are living in hunger ----- 24,000 people die every single day, day after day, needlessly from starvation in a world of abundant food! -----

How can anyone, especially with lots of money, say "the worst is behind"? -----
– Maitreya, the Christ or World Teacher, asks: "How can you watch these people die before your eyes, and call yourselves men?" He is here to wake humanity up, to inspire us to launch a crash program of aid to save people, then transform our economic system of greed and death into a totally new style where people trust each other, share together, and yet still have individual freedom. Sharing + Freedom + Justice = Peace: the new equation for happiness



Facebook User 4:23 pm

So all we have to do is click. and everything is OK, Really..... just click. Oh, And all this time I thought hard work was the answer. America, stay home and just click.



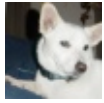
Ray Liptak 3:59 pm

Becky, behind my school: I am using their computers in the library during the day. Do not change the subject. So I have internet access and facebook: how many material positions do you have? The topic is people are down and out, I am down and out. Because I have some meager means of existence does not make my and others situation incredible. Rather than sarcasm, how about some prayer and encouragement



Becky Liston 3:45 pm

Ray your homeless with internet access and facebook? Where is this field located?



John Hillgartner 3:34 pm

It will not be over until jobs come back, and health care costs are controlled



Ray Liptak 3:33 pm

Yeah: I slept in a field in Dallas last night; certainly the people who make these comments were sleeping in a nice, comfortable, and safe place at that time. I have literally offered to clean people's toilets and can not even get a job doing that. Five months ago I had a \$24 an hour job, a 727 credit rating, and I am a Senior at Dallas Christian College. I am not homeless because I want to be. I do not care what terminology is used: for too very many people it is as bad or worse TODAY AND TONIGHT.



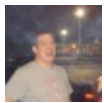
Class Act 3:24 pm

Tell that to the millions of unemployed and to the high price of commodities.



Roger Yates 2:27 pm

Hi Tony, they didn't use the words "recession is over", they stated "the worst... is behind us". RTFA. And when you're finished that, read up on the definition of hypocrisy before throwing it around. Leave those big words to us intelligent individuals, you stick with "na na-na-na-na" while sticking out your tongue and we're straight.



Tony Westover 1:53 pm

The recession is over?

Stick to searches, Google. And hypocrisy, you guys are pretty good at that too.

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