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GOOGLE PROFIT SOARS ON AD STRENGTH

Revenue Roughly Doubles Amid Stiffer Competition From Yahoo and Microsoft

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Google continued to exploit the boom in online advertising, reporting that profit rose almost eightfold and revenue roughly doubled in the fourth quarter, exceeding even investors' built-up expectations.

The company posted net income of \$204 million, or 71 cents a share, up from \$27 million, or 10 cents a share, a year earlier. Revenue about doubled, to \$1.03 billion from \$512 million. The mean estimate of analysts polled by Thomson First Call was earnings of 77 cents a share, when certain stock-based compensation is included. Analysts said Google's per-share earnings on the same basis were about 90 cents, significantly higher than expected. Google's revenue excluding commissions it pays to marketing partners was \$654 million, compared with analysts' consensus estimate of \$591 million. The results cheered Wall Street. At 4 p.m. in Nasdaq Stock Market composite trading, Google shares were at \$191.90...In afterhours trading following the announcement, the stock was at \$209.47.



Eric Schmidt

Despite increased competition from **Microsoft** Corp. and **Yahoo** Inc., Google continued to wow investors with its robust financial performance. "You already started with the highest growth rates and the highest margins in the Internet space," said Mark Mahaney, an analyst at American Technology Research. "And the growth rates and margins just got stronger."

The company's largest source of income evolves from sales of advertisements targeted by keywords that are displayed alongside Web search results and other Web content. It is the top Web-search site in the world, according to the number of search queries handled, ahead of Yahoo. But Microsoft and Yahoo have intensified efforts to compete with Google over the past year, with Microsoft yesterday expanding the release of its new search-engine technology.

Google's large international footprint recently has given it a boost, thanks to growth in search-related advertising abroad. "We've prioritized international expansion for 2005 extremely highly," Mr. Schmidt said. He said Google's international push would consist primarily of building up its own operations rather than acquiring companies.

Google's strong performance comes amid a broader boom in online advertising, as big advertisers shift some of their spending away from traditional media...the demand for buying online ads by companies of all sizes was largely untapped!, said Schmidt.