

TECH CHECK with Jim Goldman

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What a strange day for **Google**. First, some developments on the conference call. Tonight's call, unusually, didn't include CEO Eric Schmidt, Larry Page or Sergey Brin.

I can't remember a time when that's occurred, and in fact, Google confirms on its call tonight that Schmidt will no longer participate in these earnings calls. No real reason given except a "change in format."

And ahead of that call, Google execs have to be sitting around right now, wondering how they can add \$2 billion in cash on the balance sheet, soundly beat Wall Street expectations, along with various whisper numbers, and the stock takes a dive.

Investors have to be wondering the same thing as well.

Google reported \$6.76 a share in non-GAAP earnings against the \$6.60 anticipated by Wall Street, on \$5.06 billion in revenue, excluding traffic acquisition costs, when analysts were looking for \$4.95 billion.

Looking a little deeper into the balance sheet, Paid clicks were up 15 percent. Mark Mahaney at Citi was looking for something around 12 percent, and it's a key metric by which to measure Google's ongoing health and welfare. Same goes for Cost Per Click, which was up only 7 percent year over year, compared to Mahaney's expectation of 14 percent. Google Sites revenue reached \$4.44 billion, essentially in line; Same with Google Network revs of \$2.04 billion.

Google did report that it has \$26.4 billion in cash on the balance sheet now, up almost \$2 billion from the \$24.5 billion reported at the end of last quarter. That's pretty impressive. Another key metric is headcount. Google says it added 786 people during the quarter and now employs 20,621 workers.

That's a good news/bad news kinda thing with these guys. On the one hand, it should be a pretty good positive that Google is hiring again, but with this company's hiring past and a tendency to spend wildly, that might be a concern for some.

Laxmi Poruri at Primary Global Research calls the quarter "very solid," and sees the company as "fundamentally strong." Aaron Kessler at Kaufman also called the quarter solid, and says the stock drop might be a result of overly optimistic expectations, a kind of sell-on-the-news phenomenon.

Michael James from Wedbush Morgan agrees, saying "there were some overly optimistic expectations. Clearly, the numbers were good, but I think in this environment right now, the numbers have to be above some of the optimistic whispers around."

For the record, whispernumber.com was looking for \$6.74 a share; earningswhisper had \$6.80.

Meantime, what a sell-off it is. Google shares dropped \$15 on the news, but you gotta wonder how long they'll stay down here with fundamentals so strong. Google doesn't ever offer any meaningful guidance, but any hint of optimism, and a night for investors to sleep all this off might signal an uptick trend come Friday.