

INSTANT VIEW: Google, IBM beat expectations

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LOS ANGELES/SAN FRANCISCO/NEW YORK (Reuters) - Google Inc's quarterly profit beat Wall Street expectations but its revenue growth was not as stellar as some investors had hoped, sending shares down 2 percent.

Also on Thursday, IBM reported a 13 percent slide in revenue as corporate spending fell, but cost cuts and a shift to more profitable businesses helped it trump earnings expectations.

The company raised its profit outlook for the full year, helping send its shares higher.

COMMENTARY:

GOOGLE

LAXMI PORURI, ANALYST, PRIMARY GLOBAL RESEARCH

"They did decently, but obviously it's not high enough for the Street. We expected some slowness for a couple of reasons: one is that in the first quarter, we saw some click-through rates go down a bit, and there is definitely a bit of lag time between when that happens and what advertisers do.

"And the other thing is, there was definitely some weakness in pharma spending earlier in the quarter because some of the pharma companies got punished (by regulators) a bit in their search practices. They had to cut down on search spending and some of the companies haven't ramped up again."

MIKE HOLLAND, CHAIRMAN, HOLLAND & CO

"There was outperformance on the bottom line, but the top line was also solid. The stock seems to be trading down here. But they were in line with heightened expectations that I had.

"In a challenging world, I am happy to be an owner here."

RICHARD FETYKO, MANAGING DIRECTOR, MERRIMAN CURHAN FORD

"The top line is in line with consensus. But on the bottom-line they seem to have crushed" expectations.

"The unspoken anticipation (on revenue) was perhaps slightly better than that.

"It doesn't seem like things are turning around per se. But the revenue per click -- an indication of advertisers' appetite for clicks and for advertising -- was up sequentially, so you can assume that in terms of ad budgets out there, we probably reached a bottom some time in the first quarter.

"What we need now is rebound in consumer spending."

SAMEET SINHA, ANALYST, JMP SECURITIES

"The numbers are good. Revenue was in line with expectations, and strong operating efficiencies were brought about by the new CEO.

"It definitely shows that Google is a best-of-breed company for online advertising, and it's a must buy.

"In my opinion, Google is gaining market share. My guess is that Google will gain share over the others. If Google is doing well, then others will not be doing as well.

"The whisper number for revenue growth was probably much higher and they came in a little lower."

ROSS SANDLER, ANALYST, RBC CAPITAL MARKETS

"Google's results were mixed. They consensus numbers which came up a bit in the last few days. The EPS was boosted by 30 cents by a lower tax rate and offsetting that was negative interest income.

"We're talking about 23 cents of lift from below the line items. If you take a step back, the top line was a bit light of where the raised expectations were, but in line with the Street. Margins were in line. Performance in the U.S. was in line and international was where the upside came from.

"Overall, the focus is on what's going to happen in the back half. The tone of this call will be important, and whether they're talking about stabilization and potentially a pickup in paid search."

IBM

FRED WEISS, PORTFOLIO MANAGER, ATLANTIC TRUST

"They did very well on the cost side of the ledger. That was quite important. In terms of revenues, they pretty much came in line, at 23 and a quarter billion.

"Revenues were down as expected, about 13 percent. About half of that is currency. Half of that is non-currency. Business is slow. Customers are buying less because their budgets are tight, but the question is, can you control costs? The company was successful at managing the costs well. This was a pretty good challenge at minus 13 percent.

"If it was revenue growth, then you could say it was more broad-based. If revenues were coming in better than expected, then probably everyone's revenues were going to come in somewhat better than expected.

"This was the ability of IBM to manage the business more than generically, 'business is healthy and improving dramatically in technology.' Revenues were down 13 percent, about 7 percent without currency, which is not good. Seven percent down is not good, but it was no worse than expected, so what you have here is margin improvement, which is IBM-specific."

STEPHEN MASSOCCA, MANAGING DIRECTOR, WEDBUSH MORGAN

"IBM was pretty big. The revenues weren't, but the guidance I think was a surprise. Google's numbers were fine, but the stock had moved up so much, it needed to be more than fine.

"When you have these dramatic moves (in stocks), you start needing bigger and bigger surprises.

"But I think this will keep IBM higher, and I think (the stock) will do well."

MIKE HOLLAND, CHAIRMAN, HOLLAND & CO

"Big blue blockbuster. I expected good numbers. I was shocked by how good these were.

"The full-year guidance for \$9.70 was incredible. I have never seen anything like that in the years I have been following IBM. In an unpleasant economic and financial world, these are incredible results."

"There is still some vitality in the world. There is some growth left. It is not only in China, there are some other places in the world. As Steve Ballmer said, we have reset to a lower position.

"From that lower position we are able to make some profit and progress. That is what IBM and Intel have done."

PETER MISEK, ANALYST, CANACCORD ADAMS

"They are very impressive on cost containment, on margins, on signings. It should alleviate a lot of people's concerns. They also raised guidance, which I think is reflective of how good they've been at really showing their value proposition.

"Revenues still were weak. I think a lot of this cost containment was really IBM execution so I wouldn't go crazy on" implications for broader tech industry.

KEITH WIRTZ, PRESIDENT AND CHIEF INVESTMENT OFFICER, FIFTH THIRD ASSET MANAGEMENT

"At first blush this is all good news.

"We were hoping to see discipline in their cost structure and they maintained their discipline."

Wirtz holds shares in IBM.

KIM CAUGHEY, SENIOR ANALYST, FORT PITT CAPITAL GROUP

"They were a little light on the revenue, but super strong on the EPS."

The guidance "is a pretty good hike. They're concentrating very, very hard on costs, which I have to tell you, as somebody who's followed this stock for a decade now, I'm impressed. To me, this says they really know how to run their business.

"This, combined with Intel's results, is pushing me to be more optimistic (about the technology sector)... Seeing they made it on the bottom line, and were pretty darned close on the top line, it gives me confidence looking at technology in general."

ZACH ROSENSTOCK, ANALYST, WAYNE HUMMER WEALTH MANAGEMENT

"It's another great quarter. They've raised their full year guidance by 50 cents and the Street was below their full year guidance anyway. It seems analysts continue to underestimate the company's ability to generate earnings.

"Their earnings power is very much underestimated despite the fact that revenues continue to be weak. I imagine there will be a pretty positive response to this.

"It's up just a couple of percent so far in after hours trading, but it seems like the whole thought process that services are going to be late-cycle and IBM is going to lag just doesn't seem to make sense.

"It can't be used as justification for their discount in valuation anymore in my opinion. They come out and they say they are on pace to be past \$10 or \$11 next year. If they're \$11, they're about 10 times earnings right now and the market's at, what 14 or 15. So it doesn't seem like a company that is growing that consistently and so solidly should be at a discount to the market PE.

"The earnings power is there... Until the revenues come back, it's tough to extrapolate to the wider tech industry."

Rosenstock holds a buy rating on the stock.

(Reporting by Clare Baldwin in San Francisco, Bill Rigby in Seattle, Robert MacMillan and Edward Krudy in New York, Jim Finkle in Boston, Sue Zeidler and Laura Isensee in Los Angeles; Compiled by Edwin Chan)