



As reported in: ABC News "Money," eWeek, The New York Times, Portfolio.com, The Washington Post and elsewhere

Yahoo sees possible Q1 rev growth as ads recover

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- * Q4 net revenue \$1.26 bln vs Street's \$1.23 bln
- * Q4 EPS 11 cents, matching Street view
- * Sees Q1 revenue \$1.575 bln to \$1.675 bln
- * Shares up 2.2 percent post-market (Recasts; adds analyst comment and CFO interview, byline)

By Alexei Oreskovic

SAN FRANCISCO, Jan 26 (Reuters) - Yahoo Inc (YHOO.O: [Quote](#), [Profile](#), [Research](#)) said revenue could grow for the first time in six quarters in the first quarter of 2010, noting that demand for premium display advertising had improved significantly.

The Internet company, whose shares rose 2.2 percent in after-hours trading on Tuesday, gave the outlook after posting fourth-quarter results that were broadly in line with Wall Street expectations.

"For Yahoo, they're going to rise with the tide if the tide rises in terms of spending online. I think Q4 was probably a decent quarter for them," said **Laxmi Poruri, analyst at Primary Global Research.**

"The larger advertisers are starting to spend more money on display, and then also their time horizon for planning has grown, which is a good thing."

Yahoo said revenue in the current quarter would range from \$1.575 billion to \$1.675 billion. That compared with \$1.58 billion in the first quarter of 2009.

"Our business has positive momentum and we feel good as we head into 2010," Yahoo Chief Executive Carol Bartz said in a statement. "We're pleased that the midpoint of our Q1 revenue outlook marks the first quarter of year-over-year growth in six quarters."

Sunnyvale, California-based Yahoo reported net income of \$153 million in the fourth quarter, or 11 cents a share, matching the average analyst per-share forecast, according to Thomson Reuters I/B/E/S.

In the year-ago period, Yahoo posted a net loss of \$303 million, or 22 cents per share, after more than \$500 million of write-downs and restructuring charges.

Fourth-quarter revenue fell 4 percent from a year earlier to \$1.73 billion.

Excluding traffic acquisition costs, Yahoo said revenue was \$1.26 billion, a hair above analysts' average expectation of \$1.23 billion, according to Thomson Reuters I/B/E/S.

Yahoo said display advertising revenue grew 26 percent in the fourth quarter from the third quarter, and was up 16 percent from the year-ago period.

But in search, where Yahoo continues to be a distant second to Google Inc (GOOG.O: [Quote](#), [Profile](#), [Research](#)), revenue rose only 4 percent from the third quarter, though that was the first sequential increase since the third quarter of 2008.

Yahoo has agreed to partner with Microsoft Corp (MSFT.O: [Quote](#), [Profile](#), [Research](#)) on search advertising, in a deal undergoing regulatory review. Yahoo Chief Financial Officer Tim Morse told Reuters the company still expects approval early this year. [ID:nWNA2607]

He said the recovery in advertising is "definitely underway" and that Yahoo was in the market for mergers and acquisitions, saying it was "actively looking at the best fits for Yahoo going forward."

But not everyone was convinced.

"The Street is not convinced of their longer term story in terms of concentrating on branding and the display market," **Poruri** said. "It's yet to be seen whether there's going to be a differentiator there in terms of what they offer advertisers in the long run, and I think that's why you're not seeing as much interest in the company."

Shares of Yahoo rose to \$16.35 in after-hours trading, from their Nasdaq close of \$15.99. (Reporting by Alexei Oreskovic; Additional reporting by Gabriel Madway and Tiffany Wu; Editing by Ted Kerr and Richard Chang)