

Ahead of the Bell: Google's 4Q to Give Ad Insights

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SAN FRANCISCO (AP) — Google's fourth-quarter earnings report should provide a barometer on how much more advertising shifted to the Internet during the holiday shopping season.

The results, due out after the stock market closes Tuesday, will also give investors a better sense on how the growing popularity of smartphones and tablet computers is affecting the prices in the digital advertising market.

Advertisers so far haven't been willing to pay as much to market their wares on mobile devices as they are on laptop and desktop computers because of the disparity in screen sizes. That factor has been cited as the main reason why Google's average ad prices have fallen from the previous year for four consecutive years, a streak that analysts believe will be extended when the company breaks down its results for the final three months of last year.

Despite the downturn in ad prices, Google's earnings have still been rising because the total number of clicks on the ads has been steadily climbing. Most of Google's advertising deals call for the company to get paid by the click.

Comparisons to Google's fourth-quarter performance in the previous year will be muddied by the company's \$12.4 billion acquisition of Motorola Mobility Holdings, which was completed eight months ago. Motorola has been losing money, so it will likely lower Google's fourth-quarter earnings compared to 2011 while boosting the total revenue substantially higher.

To complicate matters further, Google last month agreed to sell a Motorola division that makes cable-TV set-top boxes for \$2.35 billion. Although the deal won't be completed until later this year, Google says accounting rules require the company to classify the set-top box division as a discontinued operation that doesn't count in the fourth-quarter results.

Google Inc. suspects most analysts who follow the company still included the set-top box division when they were drawing up their fourth-quarter projections. If that's true, the analyst forecasts that steer investor expectations could be envisioning substantially more revenue than Google will report.

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In the third quarter of last year, the set-top box division generated an operating profit of \$25 million on revenue of \$797 million

Analysts, on average, foresee Google earning \$10.57 per share on revenue of nearly \$12.4 billion, according to a survey by FactSet. The earnings projections subtracts Google's expenses for employee stock compensation and the revenue forecast reflects how much the company has left after paying commissions to its advertising partners.

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