

Party like it's 1999? Beware a post Valentine's Day Google hangover

By Jim Hedger, StepForth News Editor, [StepForth Placement Inc.](#)

Just when we're getting used to the idea that money is about to flow like it did at the end of the 90's, dark clouds and volatility is visible on the horizon. Optimism springing from Google's fourth quarter financial report should be tempered with memories of the industry wide alcohol poisoning suffered in the days after the last time we partied like 1999.

On Monday February 14, 177-million shares of Google will be made available for sale as a time limit on shares held by Google employees expires. This doesn't necessarily mean that the market will see 177-million shares suddenly appear, but with Google's share prices slipping 12% over the past week, high trading volumes are easy to anticipate.

On February 2, Google's share prices peaked at \$216.80. Yesterday, Google share prices closed at \$187.98, a drop of \$4.23/share. (As of this hour shares are trading at \$191.32.)

Earlier this week, two key Google insiders sold blocks of shares. Venture Capitalist and early investor John Doerr sold approximately 150,000 shares for about \$30million. Co-founder Sergey Brin also sold off roughly 167,000 shares for about \$33million.

Google stock is not going to tank but share prices will likely decline in the coming week. Many of these shareholders waited years to cash-in on their options. Most of them will be transiting from being a paper-millionaire to being an honest to goodness real-money millionaire. Early Google employees are among the IT-world equivalents of rocket scientists and it doesn't take one to know that there will be a lot of quasi-rocket scientists dealing with intense pressure to sell their shares quickly lest they personally risk losing hundreds of thousands of dollars by week's end.

Regardless of the volumes expected on Monday, it is highly unlikely share prices will fall too far unless investors fall prey to panic as NASDAQ numbers are sure to be brought sharply lower next week. Investors can only appreciate that Google is currently a money machine and the market is large enough to support numerous contextual ad-delivery networks of differing types. Investors will also appreciate the fact that Google is leading the search field in expanding search related advertising to its growing network of search related services. It also counts about a quarter of the Fortune1000 companies as high market advertising clients.

While Google should continue to please investors, they still have something to learn about pleasing analysts. On Wednesday, Google held its first ever Analyst's day. From all reports, it was a weird day and not exactly a dog and pony show. They didn't have any hard number crunchers for analysts to analyze numbers with but they did have a speech delivered by their head-chef. The New York Times quoted one analyst, Mark S. Mahaney from American Technology Research who said, "They had a formal presentation by their chef but not their chief financial officer. I have never been to an investor day where the C.F.O. didn't speak." Apparently back on the East coast, CFO still stands for Chief Financial Officer. On the West Coast it means Chief Food Officer, hence the speech from head-chef Charlie Ayers. Actually, Google CFO George Reyes was at the event in the role of moderator but he did not give a formal presentation.

CEO Eric Schmidt did disclose that Google spends about 70% of its resources improving search and advertising services, 20% on search-related products such as Gmail, Froogle and Desktop, and about 10% developing experimental ideas like Keyhole. One rumoured experiment they are adamantly denying is an anticipated Google Browser. He also said that the BETA label currently wrapping services such as Google News, Gmail and Groups, and Desktop might stay in place for up to five years. For Google, being in Beta means significant improvements might still be made to the product.

Google is growing rapidly, a pattern that will likely accelerate if it can find enough qualified employees. Investors might be nervous about Monday but chances are Tuesday will be more of a light hangover as compared to the hemorrhage in 2000.

Google shares (yesterday):

Last: 187.98 Change: -3.60 (-1.91%) Time: 4:00pm Open: 192.21 High 192.21 Low: 185.25 Volume: 18984186