

Google Shows Large Q4 Revenues Yet Stock Falls Overnight

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

Google released its fourth quarter results yesterday, posting revenues of \$1.919 billion for the three month period ending December 31, 2005.

"We are very pleased with our results for the fourth quarter as we achieved excellent performance across our businesses," said Eric Schmidt, CEO of Google in a press release issued late yesterday. "We generated significant revenue growth in our core search and advertising business, driven by continued strength in traffic and monetization. We will continue to invest significantly as we develop innovative new products and as we extend our core technologies to new user access points and to different channels."

Unfortunately for Google stock holders, record profits built on an increasingly diversified stable of products and services simply wasn't enough to please Wall St. analysts who had expected larger returns. Google's share prices dropped below \$400 in the largest drop in value since their initial public offering in August 2004. (Google shares closed slightly higher at \$401.78 by the end of the day at NASDAQ.)

Google's \$1.919 billion in revenues represents an 86% increase over revenues of \$1.032 billion reported in the same period of 2004. It is also a 22% increase in revenues Google enjoyed in the third quarter of 2005, \$1.578 billion.

Google continues to make most of its money from paid search advertising. 57% of Google's revenues (\$1.098 billion) were generated on Google owned properties such as Google.com, Gmail or Google Local, representing a 24% increase over revenues from the third quarter. 42% of total revenues (\$799 million) were generated from advertising partnerships through the AdSense program, an 18% increase over third quarter revenues.

Revenues generated outside the United States remained fairly constant with 38% of total revenues coming from non-US based entities. Google claims this share of its revenues would be slightly above 40% if the US dollar had not declined in value against other world currencies.

At the end of the Q4 balance sheet, Google saw an operating income of \$570 million which represents 29.7% of total revenues. The percentage of income is slightly lower than that of Q3 (\$529 million or 33.5% of revenues), however Google made a large donation of \$90 million to the Google Foundation, an outlay it does not expect to make again in the foreseeable future.

Investors had anticipated higher earnings over the Christmas season and appear to have been disappointed. Part of the problem might have been a similar Q4 report issued by Yahoo last week that was met with lackluster enthusiasm by analysts.

Google also released financial reports for the entire 2005 fiscal year. Showing revenues of \$6.139 billion, Google saw growth of over 92% over its 2004 year-end reported revenue of \$3.189 billion. Google's operating income in 2005 was \$2.017 billion, up substantially from the \$640 million earned in 2004.

All in all, Google had an amazing fourth quarter and fiscal year in 2005. The temporary drop in Google share prices appears to be balancing itself and Google appears to be on a strong course heading into 2006.