Google Rises As Mobile Advertising Concerns Ease

Reuters

Shares of Google Inc rose 6 percent in early trading on Wednesday as an improvement in the company's core search business in the fourth quarter allayed concerns that its growth would slow as advertising moves on to smartphones and tablets.

Google does not break down revenue for mobile advertising but its average cost-per-click, which measures the price advertisers pay Google, declined 6 percent from a year earlier, a big improvement over the third quarter's 15 percent slide.

"We come out of the fourth quarter feeling better about Google's mobile transition and segment growth rate going forward," J.P. Morgan Securities analyst Doug Anmuth said in a note to clients.

"As the business continues to shift toward mobile and advertisers think holistically about clicks rather than about which devices they're coming from ... the Street will as well," said Anmuth, who raised his share price target by $58 to $860.

Google shares were trading at $747.39 in early trade. The stock hit a high of $759.43 in October, before retreating 9 percent on worries about slow advertising growth and losses at its Motorola business.

The company's better-than-expected results triggered a rush of stock price target upgrades on Wednesday, with analysts saying the company's mobile advertisement business would boost revenue in the longer term.

At least 12 brokerages raised their price targets on Google's stock.

"Long term, Google will be able to tie offline activity/purchases to online/mobile ads, which will better demonstrate the value of mobile and could encourage advertisers to spend more," said Piper Jaffray analyst Gene Munster, who raised his price target to $828 from $775.

On an average, the 12 analysts including J.P. Morgan, Raymond James, Morgan Stanley, Barclays, RBC Capital Markets and Piper Jaffray, raised their targets by $40. Cantor Fitzgerald was the most bullish, raising its target by $80 to $900.

"Fourth-quarter results highlight very healthy performances in both search and display, confirming Google's position as one of the best global plays on secular growth in online advertising and e-commerce," Cantor Fitzgerald analysts said.

"Motorola remains a show-me story, but one that seems on track for a turnaround,

with only modest expectations."

Google bought the Motorola Mobility mobile phone business in 2011 to gain control of important mobile patents that would arm it better in its rivalry against Apple Inc and other large technology companies. (r.reuters.com/hut45t [1])

The business has been losing money but Google has said the acquisition will ultimately position it better in a changing technology landscape defined by mobile gadgets and social networking.

The company sold the television set-top box business that came along with the Motorola Mobility purchase in December.

Motorola Mobility posted an operating loss of $353 million for the fourth quarter.

(Additional reporting by Neha Alawadhi in Bangalore; Editing by Saumyadeb Chakrabarty)

Source URL (retrieved on *08/21/2014 - 6:49pm*):
http://www.wirelessdesignmag.com/news/2013/01/google-rises-mobile-advertising-concerns-ease?qt-blogs=0&qt-digital_editions=0

Links:
[1] http://r.reuters.com/hut45t