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LinkedIn Shares Drop as Forecast Disappoints

Stock falls 28% after hours on light earnings, revenue projections for 2016



LinkedIn's costs rose as it spent more to develop products, overhaul its app.

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Shares of [LinkedIn](#) Corp. fell 30% after the professional online network posted a fourth-quarter loss and forecast a much weaker-than-expected 2016 as it shifts gears on its advertising strategy.

The tepid outlook reflected a slowdown in its higher-margin online sales business, economic pressure overseas and its decision to shelve an advertising product launched last year, executives and analysts said.

Chief Executive Jeff Weiner told analysts that LinkedIn would increasingly narrow its focus to “high-value, high-impact initiatives” in 2016. Chief among those are content sponsored by advertisers that appear in LinkedIn users’ feeds. The “sponsored updates” ad product is LinkedIn’s fastest-growing and most profitable.

For the first quarter of 2016, the company forecast revenue of \$820 million and earnings per share, excluding certain expenses, of 55 cents. Analysts had been expecting revenue of \$867 million and earnings on the same basis of 74 cents a share, according to Thomson Reuters.

For the year, LinkedIn said it expects revenue of \$3.6 billion to \$3.65 billion and earnings excluding expenses of \$3.05 to \$3.20 a share. That is significantly below expectations of \$3.91 billion in revenue and adjusted earnings of \$3.67 a share.

LinkedIn shares fell after-hours to \$135, their lowest level since February 2013, and nearly 50% below their all-time high in February 2015. The after-hours drop wiped out more than \$7 billion in market value.

The weak forecast overshadowed an otherwise strong fourth-quarter report. LinkedIn hit 414 million members in the fourth quarter.

The company posted a loss of \$8.4 million, or 6 cents a share, for the last three months of 2015. A year earlier, the company eked out a profit of \$3 million, or 2 cents a share.

Excluding certain expenses, LinkedIn said it would have earned 94 cents a share, according to Thomson Reuters. That was significantly better than the 74 cents a share the company projected for the quarter, on the same basis.

Revenue of \$861.9 million, up 34%, topped analysts' projections of \$857.6 million.

Costs rose, too, as LinkedIn spent more to develop products, overhaul its mobile app and expand its sales force. In the fourth quarter, product-development spending jumped to \$217.3 million from \$150.3 million in the year-earlier quarter.

LinkedIn said it was discontinuing Lead Accelerator, an advertising tool it introduced last year that helped customers re-target visitors to their website. Executives said Lead Accelerator, the product of a 2014 acquisition, required more resources than expected to grow.

The product "fell flat" for LinkedIn customers because it was too similar to the tools already at their disposal, said Michael Balsam, analyst at Outsell Inc.

Prospects are brighter for native advertising, Mr. Weiner told analysts Thursday. Revenue from sponsored updates more than doubled in 2015, and Mr. Weiner said this type of content has the potential to attract readers on the company's redesigned mobile app.

The company will incorporate the tracking technology beneath Lead Accelerator into its native advertising products. It could help advertisers track and serve ads to users who interact with their sponsored content on LinkedIn, executives said.

LinkedIn now has 42,000 corporate customers, but said it would stop disclosing this figure in future earnings reports. Analysts have said this is the most critical component of the company's largest division Talent Solutions.

LinkedIn draws around 60% of its revenue from its largest division, Talent Solutions, which helps recruiters search for candidates. Most the unit's revenue comes from corporate clients.

LinkedIn's other divisions are Marketing Solutions, focused on advertising, and Premium Subscriptions, which each for about one-fifth of the company's revenue.

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Corrections & Amplifications

LinkedIn reported revenue of \$861.9 million for the fourth quarter. An earlier version of this article misstated the figure.