

Google's gaffe reveals internal secrets Notes inadvertently offer a look at financial plans, future product

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Google Inc. told analysts more than it wanted last week.

The Internet search giant said Tuesday that it inadvertently disclosed its closely guarded financial projections and also said it let slip information about a personal, digital storage service that is in the works.

It all stems from an online slide show the company posted following its annual analyst day, held Thursday. The slides were intended to give anyone a peak at what the company told Wall Street. Inadvertently, the slides also contained attached "notes" that divulged more than Google wanted.

The Mountain View company acknowledged the financial gaffe in a regulatory filing with the Securities and Exchange Commission, saying the unintended notes revealed a projection that advertising revenue will grow to \$9.5 billion in 2006, up 58 percent from the previous year.

Google's mistake was especially embarrassing because the company, unlike most companies, refuses to give future financial guidance. As part of its filing, Google advised investors to disregard the numbers, saying that they were merely speaker notes prepared as much as six months ago for an internal presentation.

Sasa Zorovic, an analyst for Oppenheimer & Co., called the inadvertent release sloppy but added that the data was largely in line with what analysts were expecting. He criticized Google's policy against giving guidance, saying "it's not a best practice and does nothing but frustrate their investors."

Earlier, bloggers had found other hidden notes in the online postings that suggested Google was preparing to offer an online storage service that would give users an alternative to storing data on their personal computer hard drives. Such a service could allow users to get

access to their files wherever they are, whether from a laptop, cell phone or personal digital assistant.

Called GDrive, the service is part of a bigger ambition at Google to provide infinite storage, so far mentioned only in broad terms by company executives. If fully realized, users would be able to store all of their data online with the company, including e-mails, photographs and bookmarks.

No dates were given for any new products. Lynn Fox, a Google spokeswoman, said, "We are always working on new ways to enhance our products and services for our users."

Google acknowledged the high costs of infinite storage in the notes. Existing efforts, according to the company, face bandwidth and storage constraints.

Google called storage a great value to users and added that the theme fits into its strengths against rival Microsoft Corp. Left unsaid was that the more users who store files with Google, the less they would need Microsoft's desktop software.

The notion of online storage raise significant privacy concerns. Any user files kept by a company could be subpoenaed or hacked.

In its notes, Google responded to any potential worries by saying "we can make your online copy more secure than it would be on your own machine."

Accidentally releasing internal information is just one in series of recent speed bumps for Google. The company recently had to issue a clarification after its chief financial officer, George Reyes, said at an investor conference that the company's growth is slowing.

"We are in the strongest position that we have ever been," chief executive Eric Schmidt told analysts Thursday.

Tuesday's regulatory filing, made after the market closed, didn't cause much of a stir on Wall Street. In after-hours trading, Google's shares were down \$6.66, or nearly 2 percent, to \$357.79 in Nasdaq Stock Market trading.

In addition to the revenue numbers, Google's notes spoke of the company's efforts to exceed its projections. In one passage, the company said, "To really get down to brass tacks, we're going to: Execute well on our core ads projects to help us exceed the \$9.5 billion target."

A new version of the analyst day presentation has been made available on Google's Web site, excised of all the inadvertently released notes.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/03/08/GOOGLE.TMP>

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