Yahoo's new CEO undergoing review that may change plans for windfall from Alibaba deal

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SAN FRANCISCO (AP) -- Recently hired Yahoo CEO Marissa Mayer may scrap the Internet company's plan to reward its long-tormented shareholders with a multibillion-dollar payout later this year, underscoring the uncertainty accompanying new leadership.

The unexpected twist disclosed in regulatory documents filed Thursday after the stock market closed caused Yahoo shares to drop more than 3 percent in extended trading.

Mayer is mulling a shift in direction as part of a sweeping review that she is conducting in an attempt to revive Yahoo's revenue growth, spur more product innovation and boost the company's stock price. Those goals have eluded her recent predecessors.

Yahoo Inc. lured Mayer away from rival Google Inc. three weeks ago to become its fifth CEO in the past five years.

Given Yahoo's persistent headaches, shareholders presumably want Mayer to shake things up.

Even so Mayer will risk alienating Wall Street if she decides to do something differently with a windfall that will pour into Yahoo after it completes an agreement to sell half its stake in thriving Chinese Internet company Alibaba Group for $7.1 billion toward the end of the year.

Yahoo pledged to distribute most of the anticipated after-tax proceeds - an estimated $4.2 billion - to shareholders. The company, which is based in Sunnyvale, Calif., reiterated that in a conference call held the after Mayer's hiring was announced.

Since then, though, Mayer has decided to reassess Yahoo's strategy in an effort "to enhance long-term shareholder value," according to the company's quarterly report filed with the Securities and Exchange Commission. Her review will include potential acquisitions, a restructuring plan that eliminated 1,500 jobs during the second quarter and the plans for the Alibaba proceeds, the documents said.

Mayer's analysis could culminate in a complete about-face from the previous plans or less dramatic changes, according to Yahoo. The documents didn't specify a timetable for completing Mayer's review.

If Mayer decides to chart a completely new direction, she will need the approval of

Yahoo's board. The directors include a major shareholder, New York hedge fund manager Daniel Loeb, who stands to be one of the biggest winners from an Alibaba payday. Loeb's fund, Third Point LLC, owns a 5.8 percent stake in Yahoo.

Yahoo shareholders have grown increasingly frustrated as the company's revenue and stock price have flagged, even as advertisers shifted more of their marketing budgets to the Internet. Most of that money, though, has been flowing to Google, the Internet's search and video leader, and online social networking leader Facebook Inc.

To compound investor exasperation, Yahoo squandered an opportunity to sell itself to Microsoft Corp. for $33 per share in May 2008. Yahoo shares fell 55 cents, or 3.4 percent, to $15.46 in extending trading Thursday, leaving them slightly below their level before Mayer was hired. The stock hasn't traded above $20 in nearly four years.