

# Yahoo closes \$7.6 billion deal with Alibaba Group

MICHAEL LIEDTKE - AP Technology Writer - Associated Press

Yahoo has completed a long-awaited \$7.6 billion deal with China's Alibaba Group, generating a windfall that either will be used to ease the pain of Yahoo's long-tormented shareholders or finance the turnaround plan of recently hired CEO Marissa Mayer.

Tuesday's resolution comes four months after Yahoo Inc. and Alibaba Group Holding Ltd. outlined the details of a complex transaction that took more than two years of on-again, off-again negotiations to hammer out. The deal will give Alibaba greater autonomy as it prepares to pursue an initial public offering of stock within the next three years and rewards Yahoo for one of the few moves that has gone right for the troubled company in the past few years.

Yahoo paid \$1 billion for a 40 percent stake in Alibaba in 2005 and is now reaping a huge return. Alibaba is paying \$7.1 billion in cash and stock to buy back half of Yahoo's holdings and another \$550 million under a revised technology and patent licensing agreement.

After paying taxes, Yahoo is expected to pocket at least \$4.2 billion to supplement the \$1.9 billion in cash the company had as of June 30.

Another big payoff looms for Yahoo when Alibaba goes public, an event expected by the end of 2015. Alibaba, which owns China's version of eBay and e-commerce sites, has the right to buy back half of Yahoo's remaining 20 percent stake before the IPO. Yahoo then could choose to sell its remaining Alibaba stock after the shares begin trading.

Alibaba currently has a market value of about \$40 billion, based on the prices paid for the stock that the company recently sold to raise enough money to finance the Yahoo deal. Yahoo, in contrast, has a market value of less than \$20 billion.

A big chunk of Yahoo's value remains locked up in Alibaba. Based on Alibaba's market value, Yahoo is still sitting on Alibaba stock worth about \$8 billion, an amount that will increase if Alibaba is able to continue to thrive in one of the world's most promising Internet markets.

"The completion of this transaction begins a new chapter in our relationship with Yahoo!," Alibaba CEO Jack Ma said in a statement.

Yahoo didn't immediately respond to requests for comment Tuesday.

While Alibaba has been growing, Yahoo has been shrinking in recent years. The contraction has occurred even as the advertisers that provide most of Yahoo's revenue have been spending more money on the Internet. Most of that online

## **Yahoo closes \$7.6 billion deal with Alibaba Group**

Published on Electronic Component News (<http://www.ecnmag.com>)

---

marketing has been flowing to Internet search leader Google Inc. and, to a lesser extent, Facebook's popular social network.

Yahoo's financial funk has depressed its stock for years, increasing the pressure on the company's management to extract money from its Alibaba investment to reward its shareholders.

Since beginning its discussions with Alibaba in 2010, Yahoo has replaced four CEOs, including two interim leaders. The deal was finally sealed in May while Yahoo was being run by Ross Levinsohn, who left shortly after the company hired longtime Google executive Marissa Mayer to be its CEO two months ago.

Before Mayer's arrival, Yahoo had pledged to distribute most of the proceeds from the Alibaba sale to its shareholders.

But the company wavered from that stance last month when it filed regulatory documents disclosing that Mayer was considering holding on to the money to help carry out her vision for Yahoo. Without providing specifics, the documents said Mayer's agenda included possible acquisitions.

Analysts have speculated that Mayer may try to make a big splash by trying to buy one of the Internet's hot websites, such as online scrapbook Pinterest or check-in service Foursquare.

If Mayer decides to hold on to the Alibaba windfall, it will increase the pressure on her to come up with a better way to boost Yahoo's stock price, which has been stuck below \$20 for the past four years. The stock was trading around \$35 when Yahoo invested in Alibaba seven years ago.

Yahoo shares added 44 cents, or 2.7 percent, to \$16.12 in afternoon trading Tuesday, a lukewarm response that may have reflected the uncertainty about Mayer's plans for the money.

**Source URL (retrieved on 10/30/2014 - 2:14pm):**

<http://www.ecnmag.com/news/2012/09/yahoo-closes-76-billion-deal-alibaba-group>