Microsoft extends search guarantee in Yahoo deal

The Associated Press

Microsoft has extended a guarantee that provides Yahoo with financial protection as part of the two companies' Internet search partnership.

An arrangement requiring Microsoft Corp. to pay Yahoo Inc. a minimum amount per search on Yahoo's website expired March 31. That had raised concerns Yahoo might make less money from the Microsoft partnership.

Those worries eased Tuesday with a Yahoo regulatory filing that disclosed Microsoft is maintaining the revenue-per-search guarantee through March 2014.

Yahoo rose 90 cents, or 3.6 percent, to close Tuesday at $26.07. It's the first time the stock has closed above $26 in nearly five years, continuing an upturn that began after Yahoo hired former Google executive Marissa Mayer as its CEO nearly 10 months ago. The shares have surged by 67 percent since Mayer's arrival.

Yahoo, based in Sunnyvale, Calif., didn't reveal the minimum amount that it's likely to see under the Microsoft guarantee. But Yahoo Chief Financial Officer Ken Goldman told analysts last month that Yahoo's revenue would decline by about $50 million to $60 million during the rest of this year without the guaranteed Microsoft payments.

Microsoft extended the guarantee on April 30, retroactive to April 1, according to Yahoo's filing.

This is the second time that Microsoft has extended the guarantee since its 10-year search partnership with Yahoo began in 2010. The guarantee originally was supposed to expire in late 2011, but Microsoft agreed to protect Yahoo for a longer period because its technology hasn't been generating as much advertising revenue as the two sides anticipated.

The alliance calls for Microsoft to provide its search technology to Yahoo in exchange for 12 percent of the revenue from search ads on Yahoo's site.

The disappointing performance of the search partnership is one of the reasons that Yahoo fell into a financial funk that battered its stock. Yahoo posted modest revenue growth last year, the first gain since 2008.

Yahoo's filing contained other good news besides the extension of the Microsoft guarantee. The documents also provided more details about the robust growth at Alibaba Group, a Chinese Internet company in which Yahoo owns a 24 percent stake.

Alibaba's earnings during the final three months of last year more than doubled to $642 million while its revenue climbed 80 percent to $1.8 billion. That was illuminating information because Alibaba is still a privately held company. Alibaba is expected to go public within the next two years, giving Yahoo a chance to reap a huge windfall by selling its shares in the company.

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