

Yahoo shares rise on buyout talk

October 14 2010, By ANDREW VANACORE , AP Business Writer



This file photo made June 7, 2010, shows a sign for Yahoo! in New York. Investors are running up the price of Yahoo shares Thursday, Oct. 14, 2010, after a report saying AOL and a group of private equity firms may bid for the Web company. (AP Photo/Mark Lennihan, file)

(AP) -- Investors are running up the price of Yahoo Inc. shares after a [report saying](#) AOL Inc. and a group of private equity firms may bid for the Web company.

The stock climbed 68 cents, or 4.5 percent, to \$15.93 in afternoon trading after rising as high as \$16.76 earlier in the session. The stock has ranged from \$12.94 to \$19.12 over the past 52 weeks.

The Wall Street Journal reported on its website after the close of trading Wednesday that [AOL](#), Silver Lake Partners and Blackstone Group LP are exploring a bid. The report said two or three other firms could also

be interested in the deal but that Yahoo hasn't been involved in the talks yet.

Both AOL and Yahoo have declined to comment. Representatives for Silver Lake and Blackstone did not respond to calls seeking comment Thursday.

A deal would marry two companies that haven't been able to gain much traction in relentless competition with other online destinations like [Google](#), [Facebook](#) and [Twitter](#).

And even if they teamed up "it would still be a struggle to turn around both Yahoo and AOL," said ThinkEquity LLC analyst Aaron Kessler.

He said a deal could help them cut costs by eliminating redundant operations, but putting together two companies that both run search sites and other Web properties won't necessarily generate more revenue.

Nevertheless, if a deal does happen Yahoo is likely to ask for a big premium given that management feels the company's stock is underpriced, said UBS analyst Brian Pitz. He pegged the lowest per-share offer that Yahoo would accept at \$22, which would be a 44 percent premium over Yahoo's closing price of \$15.25 on Wednesday.

That would value the company at just under \$30 billion, compared with its current market value of about \$22 billion.

Jordan Rohan, an analyst at Stifel Nicolaus, doesn't think AOL or its partners can come up with the cash. In a report Thursday on the potential deal, he said credit markets are probably too tight for a group of private equity firms to raise the money.

Yahoo resisted a takeover attempt in 2008, when Microsoft Corp.

offered to pay as much as \$47.5 billion. But shareholders were so upset at the company for balking that then-CEO Jerry Yang decided to step down. He was replaced by Carol Bartz at the beginning of 2009, but she hasn't been able to get revenue growing again.

[Yahoo](#) will report quarterly results on Tuesday after the market closes.

Shares of AOL fell 39 cents, or 1.5 percent, to \$24.73 in afternoon trading Thursday.

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Citation: Yahoo shares rise on buyout talk (2010, October 14) retrieved 20 April 2024 from <https://phys.org/news/2010-10-yahoo-buyout.html>

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