

Yahoo! shares drop as Alibaba service spins off

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Shares dropped more than seven percent to \$17.18 a share in trading on the NASDAQ exchange through the day in the wake of the news.

California-based Yahoo! filed paperwork on Tuesday notifying the US [Securities and Exchange Commission](#) that ownership of the Alipay service was shifted to a Chinese company owned mostly by Alibaba chief executive Jack Ma.

The restructuring was done "to expedite obtaining an essential regulatory license," Yahoo! said in the filing.

The license purportedly at issue was one required by the People's Bank of China to offer financial services in that country, according to an investors note from Citi analyst Mark Mahaney.

The Chinese bank's deadline for obtaining the necessary license is reportedly September, prompting curiosity as to why Alibaba moved so quickly to get Alipay stock away from Yahoo!.

Yahoo! said that it and Alibaba investor [Softbank](#) were involved in discussions regarding the restructuring and "appropriate commercial arrangements" related to Alipay.

Those discussions likely involve how the investors should be paid or otherwise compensated for lost stakes in the online payment service, according to analysts.

"We view this as a negative for Yahoo!," Mahaney wrote. "We now see Yahoo! as potentially having become a forced seller of its [Chinese Internet](#) investments."

Yahoo! owns a 43 percent stake in [Alibaba](#) and an estimated 40 percent share of Alipay.

Some analysts saw the drop in Yahoo! stock as a buying opportunity, reasoning that the Alipay move was in response to government regulations and that Yahoo! would be compensated accordingly.

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