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Yahoo's 3Q earnings may shed light on CEO firing

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(AP) -- Yahoo's third-quarter earnings report may shed some light on why the Internet company abruptly fired Carol Bartz as CEO last month.

The numbers, due out after the stock market closes Tuesday, are unlikely to be impressive, considering that Bartz was unceremoniously sacked in a phone call from Yahoo Inc. Chairman Roy Bostock on Sept. 6.

WHAT TO WATCH FOR: Another lackluster quarter might not be viewed negatively by many investors. That's because Yahoo is now seen as a likely takeover target. The company may be more receptive to bidders if it looks like it can't revive its revenue growth - and lift its stock price - on its own.

Bartz spent 2 1/2 years trying to engineer a turnaround, with little success. Her biggest achievement was cutting Yahoo's expenses to the point that the company began to make more money. Those improvements occurred even as the company's revenue continued to slide while more online advertising shifted to rivals Google Inc. and Facebook.

Now that Bartz is gone, Yahoo's board is evaluating whether it makes more sense to sell all or part of the company instead of hiring a new CEO. Tim Morse, Yahoo's chief financial officer, has been running the company on an interim basis since Bartz's ouster.

Yahoo's board has said it may take several months reviewing its options.

In the meantime, speculation has been flying about who might buy Yahoo.

The list of prospective bidders bandied about in the media and blogs include buyout firms KKR & Co., the Blackstone Group, and Silver Lake. Silicon Valley venture capital firm Andreessen Horowitz's name also has popped up, as well as another long-struggling Internet company, AOL Corp., and a former Yahoo suitor, Microsoft Corp. There has even been some chatter about Yahoo co-founder Jerry Yang trying to team with one of the buyout firms to take Yahoo private.

Of all the potential buyers, Microsoft is the most tantalizing to investors because the software maker offered $47.5 billion, or $33 per share, for Yahoo in May 2008, only to withdraw the bid when Yahoo balked.

The only company that has publicly said it may make a bid for Yahoo this time around is the Alibaba Group, a Chinese Internet giant that has a testy relationship with Yahoo. The two companies are already linked through a 43 percent stake that Yahoo owns in Alibaba, but Alibaba CEO Jack Ma wants to find a way to turn the tables. Ma recently told a Silicon Valley audience that he is very interested in buying Yahoo. But even if Yahoo and Alibaba could agree on a price, they would still have to persuade U.S. regulators to allow a Chinese-owned company to buy a high-profile American company involved in communications.

Yahoo shareholders had urged Bartz to sell the company's stake in Alibaba, but she refused because she didn't want to relinquish the company's toehold in China. Analysts have estimated that Yahoo's stake in Alibaba could be worth anywhere from $6 billion to $11 billion. Yahoo, as a whole, ended last week with a market value of $20 billion.

The potential for some kind of sale has helped lift Yahoo's stock price by more than 20 percent since Bartz's firing. The shares closed last week at $15.91.

WHY IT MATTERS: Although Yahoo has been overshadowed and outmaneuvered by Google and Facebook, the company still has the resources to bounce back. Its website still attracts about 680 million users worldwide and is among the online leaders in news, sports, finance and entertainment.

Yahoo, which is based Sunnyvale, Calif., also employs 13,400 workers whose fortunes are tied to the company's fate.

WHAT'S EXPECTED: Analysts polled by FactSet expect earnings of 17 cents per share on revenue of $1.09 billion, after subtracting Yahoo's ad commissions.

LAST YEAR'S QUARTER: Yahoo earned $396 million, or 29 cents per share, on net revenue of $1.12 billion at the same time last year. The results included a one-time gain of $186 million, or 13 cents per share, from Yahoo's sale of its online help-wanted service HotJobs.