

# Yahoo names PayPal exec as its CEO

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In this Nov. 15, 2010 file photo, PayPal president Scott Thompson speaks at the Web 2.0 Summit in San Francisco. Yahoo Inc., confirmed Wednesday, Jan. 4, 2012, it has picked PayPal chief Scott Thompson as its next CEO. (AP Photo/Paul Sakuma, File)

Yahoo's previous turnaround attempts have flopped under three different leaders with dramatically different backgrounds - former movie mogul Terry Semel, beloved Yahoo co-founder Jerry Yang and profanity-spewing Silicon Valley veteran Carol Bartz.

Now, the struggling Internet company is making yet another unorthodox

choice with Wednesday's announcement that it has lured away Scott Thompson from a lower-profile job running eBay's thriving PayPal service to step into the pressure-packed position as Yahoo's fourth CEO in less than five years.

The appointment raised questions among analysts, since Thompson, 54, has no experience in online content and advertising, Yahoo's chief sources of revenue. The timing of Thompson's hiring also came as a surprise, given that Yahoo's board has been considering a sale of all or part of the company since firing Bartz four months ago.

With Thompson's selection, Yahoo's board is signaling that it believes the company can still rebound, despite several years of losing ground to Google and Facebook in product innovation and online advertising.

Even so, a sale of Yahoo's most prized assets - its investments in Yahoo Japan and China's Alibaba Group - is likely. Softbank Corp., Yahoo Japan's largest shareholder, and Alibaba Group have proposed buying back most of Yahoo's holdings in the Asian companies in a deal valued at \$17 billion, according to published reports.

Yahoo Chairman Roy Bostock dismissed recent speculation that Yahoo might team up with buyout firms to take the company private.

"It has not been on our radar screen," he said Wednesday. "I think it's a moot issue from my point of view."

Thompson's job will be to revive Yahoo's revenue growth and repair the company's fractured relationship with investors fed up with a litany of broken turnaround promises.

Yahoo's stock hasn't traded above \$20 in more than three years. On Wednesday, it dropped 51 cents, or 3 percent, to close at \$15.78. Those

are difficult numbers for stockholders to stomach, given that Microsoft Corp. offered to buy Yahoo in its entirety for \$33 per share, or \$47.5 billion, in May 2008.

"There is no shareholder or investor who will be less patient than me," Thompson, a Boston native who still has his hometown accent 18 years after moving to California, said in an interview. "We have got to be able to grow this business. There is no question that is priority No. 1."

Thompson's predecessors embraced a similar agenda with mostly dismal results.

Analysts estimate Yahoo's revenue last year totaled about \$5 billion, down from nearly \$7 billion in 2007. During the same span, Google's revenue soared from \$17 billion to an estimated \$38 billion. Privately held Facebook doesn't disclose its finances, but

Thanks largely to cost-cutting measures imposed by Bartz, Yahoo has become more profitable. Last year, it earned an estimated \$1.1 billion, up from \$660 million in 2007.

Still, investors are disappointed with the downturn in revenue at a time when advertisers are spending more money on the Internet.

Yahoo was attracted by Thompson's impressive track record at PayPal, where he was chief technology officer for three years before becoming the online payment service's top executive in 2008. PayPal's annual revenue more than doubled from \$1.9 billion when Thompson took over the division to an estimated \$4.4 billion last year.

In a conference call, Thompson said it is too early to offer details on how he intends to revive Yahoo's revenue growth. But he indicated that one of the keys to success will be Yahoo's ability to decipher the

information that it gathers on the preferences of its 700 million users so it can help advertisers target their commercial pitches.

"Diving into the data, we are going to find ways to compete and innovate in ways the world hasn't seen yet," he said.

Thompson also will have to lift Yahoo's employee morale, which has deteriorated along with the company's fortunes.

His departure from PayPal threatens to hurt eBay Inc., where the payments service has emerged as the fastest-growing part of a company best known for running online auctions.

EBay CEO John Donahoe said in a companywide email Wednesday: "There is one thing I am certain of: PayPal has an enormous opportunity in front of it and we will not slow down. We will not miss a beat."

Investors weren't as confident. EBay stock fell \$1.18, or nearly 4 percent, to close at \$30.16.

Thompson received a compensation package valued at \$10.4 million, including a \$645,000 salary, from eBay in 2010, according to regulatory documents. Yahoo did not disclose how much it offered to lure him away.

Those figures are likely to emerge in a regulatory filing in the next few days.

Yahoo awarded Bartz a compensation package valued at \$47.2 million during her first year on the job in 2009. The pay, which included a \$1 million salary, consisted most of stock incentives that didn't become as valuable as Yahoo projected because the company's stock remained in a funk during Bartz's tenure.

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