

Yahoo! to buy blog-maker Tumblr for \$1.1 bn (Update)

May 19 2013, by Veronique Dupont

Yahoo!'s board has approved a deal to purchase the popular blogging platform Tumblr for \$1.1 billion in cash, The Wall Street Journal reported Sunday.

The deal, if confirmed, would be the largest for Yahoo! since Marissa Mayer took over as chief executive last year and could help the struggling Internet pioneer regain traction with younger Internet users.

Neither Yahoo! nor Tumblr commented on the report. But Mayer has scheduled a news conference in New York on Monday at which the company said it will unveil "something special."

Yahoo! has been looking at a range of acquisitions since Mayer took over as chief executive last year and vowed to revive the company, which has faded in the face of competition from Google.

Tumblr could be key to Yahoo!'s strategy because of its popularity with younger Internet users. A survey this year conducted by the online data group Survata found Tumblr more popular than Facebook among those aged 13 to 25.

While Tumblr generates very little cash, bringing it in the Yahoo! family could offer the potential for new advertising and other revenue sources.

Douglas McIntyre, analyst at 24/7 Wall Street, said the deal "looks too rich" for a company that has only generated a reported \$15 million in

annual revenues.

"If Yahoo! cannot significantly lift Tumblr sales, the deal will be a bust," McIntyre said. "It is worth keeping in mind that Yahoo! is struggling to increase its own revenue."

Trip Chowdhry at Global Equities Research said the deal could make sense if Yahoo! creates incentives for the Tumblr team.

"They have a very difficult time recruiting smart engineers," Chowdhry said.

"They need the team committed to stay at least four years. So the deal should be cash and stock. Cash is bad because it creates no incentives for Tumblr employees. An asset means nothing if the talent leaves."

Founded in 2007 and headquartered in New York, Tumblr says it has more than 108 million blogs, 50 billion postings in 12 languages and 175 employees. The website ranking site Alexa lists Tumblr as number 32 in terms of global popularity.

The Journal said Yahoo's board unanimously approved the deal in a meeting by telephone on Friday and that it could be announced Monday.

According to the technology website AllThingsD, which is part of the Journal's parent company, Tumblr founder and chief executive David Karp will get a large cash windfall and also stay at Yahoo! for four years, retaining control over the service.

Yahoo! recently failed in a bid to take over the online video site Dailymotion after the French government, which owns a stake, quashed the deal. The California firm is now reported to be interested in another video website, Hulu.

Mayer is seeking to help Yahoo! regain its former glory, by emphasizing social media and mobile Internet.

Tumblr has grown into one of the most popular social media sites, but has also been dogged by copyright issues.

Tumblr got a round of funding in 2011 worth \$85 million that reportedly valued the operation at \$800 million.

Greylock Partners and Insight Venture Partners led the 2011 investment round, which included infusions of cash from former News Corp executive Peter Chernin's investment business and billionaire Richard Branson.

Karp is a New York native who dropped out of Bronx High School of Science at age 15, according to the technology website TechCrunch's Crunchbase. He is now 26.

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