

Yahoo! vows not to ruin Tumblr after \$1.1 bn takeover

May 21 2013, by Veronique Dupont



Yahoo! CEO Marissa Mayer announces Yahoo!'s acquisition of Tumblr at a press conference in New York on May 20, 2013. Mayer has made her boldest move to date as chief of Yahoo! with the billion-dollar purchase of Tumblr, a popular blogging platform she vowed not to ruin after protests from youthful users.

Marissa Mayer has made her boldest move to date as chief of Yahoo! with the billion-dollar purchase of Tumblr, a popular blogging platform she vowed not to ruin after protests from youthful users.

The two companies, one an aging [Internet pioneer](#) and the other a young [smartphone](#)-era startup, on Monday confirmed the deal, which keeps fast-growing [Tumblr](#) largely independent while integrating [Yahoo!](#)'s technology and ad tools.

"We promise not to screw it up," Mayer said in a blog post on Tumblr, as Yahoo! moved its official company blog to the new platform.

"The product roadmap, their team, their wit and irreverence will all remain the same as will their mission to empower creators to make their best work and get it in front of the audience they deserve."

Reaction was swift as the youthful user base of Tumblr put the California company on notice that they would hold it to the promise.

A Tumblr user posted an animated cartoon that showed Homer Simpson wearing a sandwich board sign bearing the message "The end is near" as he strode repeatedly past a Yahoo! logo altered to feature a giant "T."

A petition titled "Stop Yahoo! from buying Tumblr" at website [ipetitions.com](#) topped 168,000 online signatures by midday.

Many Tumblr fans expressed fear that Yahoo! would clamp down on content in an effort to make Tumblr more family friendly, but Mayer was adamant that Yahoo! would not meddle.

"Tumblr is one of the fastest-growing [media networks](#) in the world," and "brings a significant new community of users to Yahoo!" she added.

The companies said the deal is worth \$1.1 billion, "substantially all of which is payable in cash." Yahoo! [chief financial officer](#) Ken Goldman said it includes a "small amount of stock" for Tumblr founder and CEO David Karp.

Mayer said Tumblr would operate independently but that the groups would "work together to create advertising opportunities."

Karp, in his own blog post, said he was "elated" about the agreement and sought to allay concerns about any changes.



Tumblr founder David Karp at a press conference announcing the Yahoo acquisition in New York, May 20, 2013. Some analysts have criticized the \$1.1 billion Tumblr deal as overpriced given that the company has a scant \$13 million in revenues and no profits.

"We're not turning purple," he wrote. "Our headquarters isn't moving."

Our team isn't changing. Our roadmap isn't changing... Simply, Tumblr gets better faster."

The deal is expected to close in the second half of the year.

Yahoo! has been looking at a range of possible acquisitions since Mayer took the helm 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.

"Tumblr has a good thing going," Mayer said at a press conference in New York City to show off a revamped Flickr photo service.

A chat between Karp and Mayer last year led to the deal, she said.

While Tumblr generates very little cash, joining with Yahoo! could generate new advertising and other revenue sources.

Yahoo!

Share price performance



Source: Yahoo Finance



Graphic charting Yahoo! share price in the past year. Yahoo!'s board has approved a deal to purchase the popular blogging platform Tumblr for \$1.1 billion in cash.

"We hope this significantly contributes to our growth story," Mayer said, envisioning benefits of combining online content as well as user demographics.

She noted that Yahoo! could integrate some Tumblr "streams" in its news and mobile feeds and could help the blogging platform develop better ads.

Yahoo! shares rose 0.83 percent to \$26.80 in after-market trades. Analyst reaction was mixed.

Roger Kay at Endpoint Technologies said the deal "brings a social element that Yahoo! is missing and a set of new users."

But Kay added that "paying \$1.1 billion for a company with \$13 million in revenue seems a little nuts to me... Those numbers aren't even earnings, which are surely negative.

"So, even if Tumblr survives intact, Yahoo is unlikely to get its \$1.1 billion back over any interval that falls within a human lifetime."

Jordan Rohan at Stifel Nicolaus said Tumblr is "an under-monetized blogging platform" but that it "doesn't solve Yahoo's strategic issues."

"There may be a debate about the sustainability of blogging platforms and the competitive advantages of Tumblr specifically," Rohan added.

Analyst Rob Enderle of Enderle Group was also skeptical.

"I have no evidence that Meyer knows how to do an acquisition like this," he said. "The chances this will end badly are very high."

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.

© 2013 AFP

Citation: Yahoo! vows not to ruin Tumblr after \$1.1 bn takeover (2013, May 21) retrieved 25 April 2024 from <https://phys.org/news/2013-05-yahoo-vows-tumblr-bn-takeover.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.