Loeb to sell 40M Yahoo shares as he leaves board

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This Oct. 17, 2012, photo, shows a sign in front of Yahoo! headquarters in Sunnyvale, Calif. Activist investor Dan Loeb and two other directors nominated by his hedge fund are leaving Yahoo's board after big gains in the Internet company's stock price over the past year. Yahoo is also buying back 40 million shares of its common stock from Third Point LLC, Loeb's hedge fund. Shares hit a 5-year high of $29.83 on Thursday, July 18, 2013. (AP Photo/Marcio Jose Sanchez, File)

(AP)—Activist investor Dan Loeb is leaving Yahoo's board with a windfall after a 15-month stint that vindicated his crusade to shake up the long-slumping company under new leadership.

Yahoo Inc. is spending $1.16 billion to buy back 40 million of the shares that Loeb's hedge fund, Third Point LLC, began buying in 2011 around the same time Yahoo was ushering out Carol Bartz as its CEO.

Third Point is being paid $29.11 per share, more than double the average of $13.77 per share that it paid while accumulating a 5.8 percent stake in Yahoo. Based on that price, Loeb and his New York hedge fund will realize a pretax gain of about $610 million from the sale.

Loeb, who already has an estimated fortune of $1.5 billion, will retain a stake of less than 2 percent in Yahoo.

Yahoo was mired in a prolonged financial funk and management turmoil when Loeb bought his stake. He forced the departure of former Yahoo CEO Scott Thompson in 2012 by revealing that Thompson did not have a computer science degree, as the company had previously stated. When Thompson stepped down that May, Loeb joined the Yahoo board along with two of his hand-picked choices, turnaround specialist Harry Wilson and former MTV executive Michael Wolfe. Wilson and Wolfe are leaving Yahoo's board along with Loeb.

Loeb also helped prod the Sunnyvale, California, company to sell nearly half its stake in Chinese Internet company Alibaba Group in a $7.6 billion deal. Yahoo still retains a 24 percent stake in Alibaba, whose success is the main reason that Yahoo's stock has done so well during the past year.

The shares have risen about 80 percent since Yahoo named longtime Google Inc. executive Marissa Mayer as CEO two months after Loeb joined the board. Loeb helped persuade Mayer to defect from Google after she had spent 13 years at that company.

Since Mayer's arrival, Yahoo has shown modest growth in most quarters, although the company is still losing ground to Google and Facebook Inc. in the online advertising market that generates most of their revenue.

"Daniel Loeb had the vision to see Yahoo for its immense potential—the potential to return to greatness as a company and the potential to deliver significant shareholder value," Mayer said in a statement.

Investors seemed to interpret Loeb's decision to sell most of his holdings in the company as a sign that he thinks the shares may have peaked for a while. The shares fell $1.17, or 4 percent, to $27.94 in Monday's afternoon trading. The stock touched a five-year high of $29.83 last week after Yahoo disclosed Alibaba's earnings and revenue are still soaring.

After buying Loeb's stock, Yahoo will have about $700 million remaining under an existing $5 billion buyback announced last year. The company said it still plans to spend the remainder of the money on its stock.

The departure of Loeb, Wilson and Wolf continues the rapid changeover of Yahoo's board. Eleven directors have left Yahoo's board since early last year.

Yahoo now has seven directors, including PayPal co-founder Max Levchin, who was named to the board last year upon mutual agreement between the board and Third Point. Yahoo's remaining directors plan to review the board's size and composition to determine whether other changes should be made. The company didn't set a timetable for completing the board's review.