

# Yahoo's new path murky after Alibaba split

January 28 2015, by Rob Lever, Sophie Estienne In New York

---



Yahoo CEO Marissa Mayer speaks during her keynote address at the 2014 International CES in Las Vegas, Nevada, January 7, 2014

It's do-or-die time for Yahoo and Marissa Mayer.

After cutting the cord with China's Alibaba, the high-profile Yahoo chief executive faces more pressure than ever to reinvent the fading Internet star.

This week's tax-free spinoff of Yahoo's \$40 billion Alibaba stake leaves

the California tech group with a core of assets but no clear path or mission, analysts say.

Roger Kay of Endpoint Technologies Associates said the move allows Yahoo to "unlock the value" from its stake in the Chinese firm but fails to answer questions about Yahoo's future.

"It's got a clear brand identify and a lot of valuable assets," he told AFP.

"But it's a company from last year's business model and there isn't an obvious way to turn it into something to generate a lot of growth."

Mayer arrived at Yahoo's helm in July 2012 after rising through the ranks at Google to become one of the most prominent women in technology and corporate America.

Her "star quality" created new energy around the firm and fuelled hopes for a return to the glory days when Yahoo was the leading [search engine](#) and Internet portal.

She has made some positive steps, signing respected television anchor Katie Couric for Yahoo's news team and launching new services such as live online concerts.

But Kay warned any attempt by Yahoo to reclaim its role as a search engine would be "a dead end."

"Search is dead for Yahoo," he said. "Google has the search technology and Yahoo doesn't. I don't see any future in search for Yahoo, but content is interesting."

Kay said Yahoo has made some inroads as a destination for live music, video, news and other content but not enough to fundamentally change

its business model.



Yahoo has been in an unusual position of holding a valuable chunk of Alibaba worth around \$40 billion and a share of Yahoo Japan valued at some \$7 billion

"Yahoo needs to get something exclusively that's so important for people to have. They need a runaway hit," he said.

Colin Gillis, analyst at BGC Partners, said Mayer "has bought herself some more time to turn the business around, making shareholders happy with the Alibaba spin, not using that money for acquisitions but returning it to shareholders.

"But of course, once Yahoo is separated from that asset, the focus on the core businesses is going to intensify," he added.

## **Negative value of core?**

Yahoo has been in an unusual position of holding a valuable chunk of Alibaba worth around \$40 billion and a share of Yahoo Japan valued at some \$7 billion.

Take this away and, according to some analysts, you leave the rest of Yahoo virtually worthless, or even with a negative value.

Financial results released on Tuesday showed Yahoo revenue essentially flat over the past quarter, and the full year 2014.

The jump in profit for the year to \$7.5 billion came from the sale of part of its Alibaba stake.

Some analysts and activist shareholders have suggested that Yahoo merge with another first-generation Internet firm, AOL, to focus on content and media.

But Kay said he does not see that as an answer, joking that "two boat anchors doesn't make for a flotation device."

Victor Anthony, analyst at Topeka Capital Markets, called Yahoo's results "lackluster" and suggested that once the spinoff is complete "an acquisition scenario is likely to develop for core Yahoo."

Yahoo fended off a takeover bid from Microsoft in 2008 and has largely brushed aside talk of merging with AOL. But its future path remains unclear following the Alibaba split.

Trip Chowdhry at Global Equities Research said Yahoo needs to develop new products but has been "unable to innovate."

"The existing business is in a slow and declining pace." he said.

"And fixing this business just doesn't make sense, because the market is moving very fast. You need to do something dramatically different. and you don't need money for that, you need ideas."

© 2015 AFP

Citation: Yahoo's new path murky after Alibaba split (2015, January 28) retrieved 24 April 2024 from <https://phys.org/news/2015-01-yahoo-path-murky-alibaba.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.