

As Yahoo Turns: What's next in its decade-long soap opera?

November 25 2015, by Michael Liedtke

Yahoo has starred in a decade-long soap opera during which it's run through five CEOs, fended off a hostile takeover bid from Microsoft and sparred (often unsuccessfully) with activist investors who muscled their way on to the Internet company's board.

Expect more drama next year. Yahoo CEO Marissa Mayer wants to buy more time for the turnaround she promised after the Sunnyvale, California, [company](#) lured her away from Google three-and-half years ago.

Here's what Yahoo's next chapter could look like based on what we know now:

—

THE CONQUERING HEROINE

This is, of course, the story line that Mayer, 40, has envisioned all along. She has pledged that Yahoo's revenue will eventually increase at the same clip as overall digital advertising revenue, something that the company hasn't come close to doing yet.

It still might happen if Mayer's big bets on mobile applications and online video pay off and Yahoo gets the all-clear from the feds to use Google's search technology to attract more traffic and sell more advertising. Mayer also has indicated that Yahoo is working on products

that could draw people to use its services more frequently. Some unsubstantiated reports suggest that Yahoo plans to unveil a digital assistant to compete against Apple's Siri, Google Now and Microsoft's Cortana.

THE BIG PURGE

Many investors believe Yahoo remains bloated, given that its net revenue has fallen from \$5.4 billion in 2008 to a projected \$4 billion this year.

In an apparent attempt to placate Wall Street, Mayer plans to jettison an unspecified number of services that have either been losing money or are barely money. Depending on how deep she cuts, hundreds of Yahoo workers could lose their jobs. Yahoo ended September with 11,500 employees and contractors, down 32 percent from when Mayer was hired in July 2012.

TAXING SITUATION

Yahoo is planning to spin off its \$30 billion stake in Chinese e-commerce bazaar Alibaba Group into a separate company called Aabaco either next month or in January. The maneuver is designed to dodge a huge tax bill Yahoo would face if it sold the Alibaba stock itself, but it might not work. The IRS has refused to clear the plan in advance for a tax exemption.

Based on preliminary feedback from tax lawyers, Yahoo believes the spin-off will qualify for tax-free status. That opinion still doesn't guarantee that Yahoo won't be saddled with a tax bill of more than \$10

billion. The tax uncertainty hanging over the Alibaba spin-off is among the reasons that Yahoo's stock has fallen 35 percent so far this year.

SELL OR ELSE

Activist investor Starboard Value is so worried about the tax problem that it wants Mayer to scrap that idea and sell Yahoo's Internet business—that is, everything that most people associate with the Yahoo brand—instead.

If Mayer doesn't back down, Starboard is threatening to gather enough shareholder votes to toss out Yahoo's board of directors, which includes Mayer. It probably couldn't stage that mutiny until the summer, if then.

Yahoo has faced two other shareholder rebellions since 2008, one by led by Carl Icahn and the other led by Daniel Loeb. Both Icahn and Loeb wound up with seats on the company's board. Neither investor remains a director now.

Under the Starboard plan, Yahoo might end up as nothing but a holding company that owns stakes in Alibaba and Yahoo Japan. Yahoo Mail, its websites and other services still used by hundreds of millions of people would belong to a new owner—assuming anyone wants them.

THROWING IN THE TOWEL

Some investors want Yahoo's board to replace Mayer. The directors have given no indication that they have lost faith in Mayer and she seems intent on finishing the job she started.

Mayer, 40, is about to take on another challenge at home; she is due to give birth to twin girls in December. If things continue to deteriorate at Yahoo and more shareholders clamor for a new CEO, it doesn't take much imagination to envision Mayer deciding to step down to spend more time with her children at some point next year.

© 2015 The Associated Press. All rights reserved.

Citation: As Yahoo Turns: What's next in its decade-long soap opera? (2015, November 25)
retrieved 23 April 2024 from <https://phys.org/news/2015-11-yahoo-decade-long-soap-opera.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.