

# Yahoo set to drop spinoff of Alibaba stake: report

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Yahoo has abandoned plans to spin off its large stake in Chinese online giant Alibaba, CNBC television reported Tuesday, citing unnamed sources.

The report said Yahoo had changed its position in light of uncertainty about the possible tax consequences of the transaction—a complex deal in which Yahoo would establish a new entity to hold the Alibaba shares.

The California Internet pioneer is now exploring a different strategy that would sell off its "core" operations, according to CNBC.

But such a plan would be more radical and likely end Yahoo in its present form, some three years into a turnaround effort by chief executive Marissa Mayer.

There was no immediate comment on the report from Yahoo.

Yahoo's [market value](#) based on its share price is more than \$32 billion, but most of that is based on the value of its Alibaba holdings.

The core business—which includes the company's Internet search component and a range of online advertising and digital media operations—are essentially worthless based on Yahoo's market value.

Last month, a hedge fund with a stake in Yahoo called on the company to sell its core business as a way to unlock more value for shareholders.

Earlier Tuesday, Verizon's top executive left open the possibility that the US telecom giant could make a bid for Yahoo.

Verizon chief executive Lowell McAdam said his firm, which recently acquired the faded online star AOL, sees some potential for some of Yahoo's assets.

"Once they make a decision, there might be assets that would fit together with AOL," McAdam told CNBC.

He added that Yahoo has "world-class ad tech capability," along with "some content assets and some other platforms on the Internet that might be worth looking at."

But McAdam said there were no active discussions and that the Yahoo board "is going to have to make some decisions long before we would have any interest."

Verizon is seeking to boost its presence as an Internet company, following its \$4.4 billion acquisition this year of AOL.

Some activist shareholders had previously pressed for a tie-up of Yahoo and AOL, suggesting that a merger of the two struggling Internet pioneers could produce some synergies.

Yahoo bought a 40 percent stake in Alibaba in 2005 for \$1 billion. The current stake of some 15 percent is now worth around \$30 billion.

Yahoo had hoped that its spinoff would be treated as tax-free, but US authorities said they could not guarantee this in advance. Without tax-free status, the spinoff could generate a hefty tax bill for shareholders.

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