

Yahoo to cut 1,700 workers as CEO tries to save her own job (Update)

February 2 2016, by Michael Liedtke



In this Jan. 7, 2014, file photo, Yahoo president and CEO Marissa Mayer speaks during the International Consumer Electronics Show in Las Vegas. Yahoo reports financial earnings on Tuesday, Feb. 2, 2016. (AP Photo/Julie Jacobson, File)

Yahoo is laying off about 1,700 employees and shedding some of its excess baggage in a shake-up likely to determine whether CEO Marissa Mayer can save her own job.

The long-anticipated purge, announced Tuesday, will jettison about 15 percent of Yahoo's workforce along with an assortment of services that Mayer decided aren't worth the time and money that the Internet company has been putting into them.

The cost-cutting is designed to save about \$400 million annually to help offset a steep decline in net revenue this year.

Mayer also hopes to sell some of Yahoo's patents, real estate and other holdings for \$1 billion to \$3 billion.

Products to be dumped include Yahoo Games, Yahoo TV and some of the digital magazines that Mayer started as CEO. She will also close offices in Dubai, United Arab Emirates; Mexico City; Buenos Aires, Argentina; Madrid and Milan.

In an apparent concession to frustrated shareholders, Mayer also said Yahoo's board will mull "strategic alternatives" that could result in the sale of all the company's Internet operations. Analysts have speculated that Verizon, AT&T and Comcast might be interested in buying Yahoo's main business, despite years of deterioration.

Mayer expressed confidence that her plan to run Yahoo as a smaller, more focused company "will dramatically brighten our future and improve our competitiveness, and attractiveness to users, advertisers, and partners."

Shareholders have questioned whether she has figured out how to revive the Internet company's growth after three-and-half years of futility. Yahoo's stock shed 34 cents to \$28.72 extended trading after details of Mayer's latest turnaround attempt came out. The stock has fallen by more than 40 percent since the end of 2014 as investors' confidence in Mayer has faded.

"The investment community has given up on this becoming a resurrection story," said Douglas Melsheimer, managing director of Bulger Partners, a technology banking and consulting firm. "At this point, it needs to be managed for maintenance or very slow growth. Marissa is more of a visionary whose background lends itself to a more ambitious strategy. I don't think she is the one to navigate the company through job cuts or a restructuring."

Ken Goldman, Yahoo's chief financial officer, said he got a "neutral" reaction after talking to some investors following Mayer's presentation. He also acknowledged that both Mayer and he had made some mistakes that they are now trying to correct with this overhaul.

"None of us are perfect in all of our decision making, but I feel good about the plan that we put in place and believe it's the right one," Goldman told The Associated Press.

Some of Yahoo's most outspoken shareholders, such as SpringOwl Asset Management, already have concluded that Mayer should be laid off, too.

Mayer, a former rising star at Google who helped that company eclipse Yahoo, defended her performance.

"Yahoo is a far stronger, more modern company than it was three-and-half years ago," she said in a video presentation Tuesday.

She also lashed out at reports that Yahoo spent \$7 million on its holiday parties in December, labeling the figure as an "untruth" that is more than three times the actual cost of the festivities.

Even after the mass firings are completed by the end of March, Yahoo will still have about 9,000 workers—three times the roughly 3,000 people that SpringOwl believes the company should be employing, based

on its steadily declining revenue.

"We would like to see a higher stock price, and we think Marissa and her current management team have become a hindrance to that," said Eric Jackson, SpringOwl's managing director. He declined to disclose the size of SpringOwl's Yahoo investment.

Yahoo's revenue has been shrinking through most of Mayer's reign, even though she has spent more than \$3 billion buying more than 40 companies, while bringing in new talent and developing mobile applications and other services designed to attract more traffic and advertisers.

The decline has persisted while advertisers have been steadily increasing their digital marketing efforts. Most of that money has been flowing to Google and Facebook—two companies once far smaller than the now 20-year-old Yahoo Inc.

Yahoo's fourth-quarter report provided fresh evidence of the company's deterioration. After subtracting ad commissions, revenue plunged 15 percent to \$1 billion compared with the previous year—the biggest drop since Mayer became CEO in July 2012. Things continue to look bleak, as Yahoo forecast a net revenue decline of 12 to 17 percent this year.

The Sunnyvale, California, company reported a fourth-quarter loss of \$4.4 billion, reflecting the eroding value of its services. The amount included a \$1.2 billion hit for acquisitions made under Mayer, including a \$230 million decrease in the value of blogging service Tumblr, which the company bought for \$1.1 billion in 2013.

© 2016 The Associated Press. All rights reserved.

Citation: Yahoo to cut 1,700 workers as CEO tries to save her own job (Update) (2016, February

2) retrieved 3 May 2024 from <https://phys.org/news/2016-02-yahoo-workers-ceo-job.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.