

# Yahoo snubs activist shareholder with two new directors

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In this Feb. 19, 2015, file photo, Yahoo President and CEO Marissa Mayer delivers the keynote address at the first-ever Yahoo Mobile Developer's Conference, in San Francisco. In a decision announced Thursday, March 10, 2016, Yahoo set up a battle for control of its board by appointing two directors likely to further agitate an activist shareholder threatening to lead an investor mutiny aimed at ousting Mayer unless she bows to demands to sell the company's Internet operations. (AP Photo/Eric Risberg, File)

Yahoo has set up a battle for control of its board by appointing two directors likely to further agitate an activist shareholder threatening an attempt to oust CEO Marissa Mayer unless she bows to demands to sell the company's Internet operations.

The decision announced Thursday increases the likelihood that the unhappy shareholder, Starboard Value, will nominate an opposing slate to run against Yahoo's board of nine directors in a proxy fight.

If the confrontation occurs, it would escalate the challenges already facing Mayer and the rest of Yahoo's board as they try to reverse a prolonged decline in the company's revenue and figure out a way to avoid paying taxes on the gains from a roughly \$28 billion stake that it holds in China's e-commerce leader, Alibaba Group.

Starboard had been seeking seats on Yahoo's board without a proxy fight, but that seems unlikely to happen now that Yahoo has filled two vacancies that recently opened up with the resignations of PayPal co-founder Max Levchin and discount stock brokerage pioneer Charles Schwab.

Yahoo Inc. named former Morgan Stanley investment banker, Catherine Friedman, and Eric Brandt, [chief financial officer](#) of computer chipmaker Broadcom Corp., to fill those positions.

"It's like they are giving the middle finger to Starboard," said Eric Jackson, managing director of SpringOwl Asset Management, another Yahoo shareholder critical of Mayer's leadership. Jackson declined to say how much stock SpringOwl owns.



This Jan. 14, 2015, file photo shows a sign outside Yahoo's headquarters in Sunnyvale, Calif. In a decision announced Thursday, March 10, 2016, Yahoo set up a battle for control of its board by appointing two directors likely to further agitate an activist shareholder threatening to lead an investor mutiny aimed at ousting CEO Marissa Mayer unless she bows to demands to sell the company's Internet operations. (AP Photo/Marcio Jose Sanchez, File)

Starboard Value didn't respond to a request for comment. The firm has until March 26 to nominate its own candidates to take over Yahoo's board. If Starboard Value seized control of Yahoo's board, it could then fire Mayer, who has been the company's CEO since July 2012.

Mayer wants to pursue a plan that calls for Yahoo to lay off 15 percent of its workforce and shed unprofitable services to reduce expenses and sharpen the company's focus on mobile, digital video and its most popular specialties, such as sports and finance. At the same time, Mayer is trying to pull off a complicated spin-off that would break off Yahoo's

Internet operations into a newly formed company to shield the Alibaba stake from taxes.

Starboard and other shareholders want Yahoo to sell its Internet operations as soon as possible. That demand is based largely on the belief that Yahoo's revenue is bound to fall even further as more digital advertising flows to the industry leaders, Alphabet Inc.'s Google and Facebook Inc.

Yahoo's board says it is still backing Mayer, but it also signaled that it is receptive to selling the Internet operations last month by hiring three investment banks to solicit offers. Analysts believe the most likely bidders are Verizon Communications Inc., AT&T Inc., Comcast Corp. and a private equity firms that specialize in buying troubled companies.

Yahoo's stock slipped 69 cents to close Thursday at \$32.82. That's more than twice its price since Mayer became CEO, but most of those gains stemmed from a run-up in Alibaba's value during the early years of her reign. The shares have fallen 35 percent since the end of 2014, reflecting decline in Alibaba's value and waning investor confidence in Mayer.

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