Yahoo takes hit after Alibaba IPO filing

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The US Internet giant saw a 6.6 percent drop in its shares to $34.07 at the close of trade as the market digested details in Alibaba's initial public offering documents filed on Tuesday.

Colin Gillis at BGC Partners said the IPO showed Yahoo's stake at 22.6 percent, not the 24 percent which had been previously estimated.

Gillis told AFP that the valuation suggested in the Alibaba filing was $116 billion and added, "that's less than investors were thinking."

"Of course that's a private company mark, and not necessarily reflecting what the public will bring, but that's also something that has weighed a little bit" on Yahoo, said Gillis.

Gillis said the sheer size of Alibaba was taking a toll on the rest of the tech sector.

"Alibaba's IPO is going to suck a lot of oxygen out of the stock market for stocks like Amazon, Google, eBay and even Facebook and things like that as investors swap out of one stock to another," he said.

Some investors were expecting Alibaba's market value to be around $150 billion or more.

One of the more optimistic values came from the private company research firm PrivCo, estimating the "fair valuation" at $195 billion for the Chinese firm. But another research firm, Trefis, pegged Alibaba's worth at $95 billion on Wednesday.

Yahoo chief executive Marissa Mayer told a New York tech conference that the US firm would maintain its plan to cut its stake by 40 percent when the Chinese firm makes its market debut, but declined to comment on valuation.

Still, Yahoo could be pressured as a result of the IPO because "there's no need to own Yahoo as a proxy for Alibaba," Gillis said. "You'll be able to buy Alibaba itself."

Alibaba—often described as a Chinese version of Amazon or eBay—indicates $1 billion will be raised in the public offering, but that amount is expected to be greatly boosted with later amendments.

The IPO is part of efforts by the world's largest online retailer to expand globally.

Analysts say the listing is expected to raise somewhere around $15 billion, which would make it the technology industry's largest IPO since Facebook's in 2012.

Talks between Alibaba and the Hong Kong Stock Exchange broke down last year, in part because the city's listing rules prevented Alibaba founder Jack Ma and senior management retaining some control over the board of directors.

Alibaba wanted an alternative class share structure to give selected minority shareholders extra control over the board, but the Hong Kong bourse declined to change its rules.

Alibaba operates China's most popular e-shopping platform, Taobao, which has more than 90 percent of the online market for consumer-to-consumer transactions. Taobao has more than 800 million product listings and over 500 million users.

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