

Yahoo shutting down China office in latest cost-cutting move (Update)

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Yahoo is closing its research and development center in China as CEO Marissa Mayer tries to placate shareholders pressuring the Internet company to cut costs while it struggles to bring in more revenue.

The Beijing operation's responsibilities will be shifted to other Yahoo Inc. offices, according to a company statement released late Wednesday. Yahoo didn't specify how many people will lose their jobs in China, but pledged to treat all the workers "with respect and fairness."

The closure will mark Yahoo's exit from China, where the Sunnyvale, California, company has been winding down since turning over its operations to Alibaba Group in 2005.

That \$1 billion deal gave Yahoo a lucrative stake in Alibaba that is currently worth \$33 billion. Yahoo is preparing to spin off its Alibaba holdings into a separately traded company later this year, removing an asset that deflected attention from the challenges facing Yahoo's own businesses.

Yahoo hired Mayer in July 2012 to engineer a turnaround, but so far she hasn't been able to boost the company's revenue even though advertisers have been shifting more of their spending to the Internet and mobile devices. Yahoo's revenue declined by 1 percent to \$4.6 billion last year.

New York hedge fund Starboard Value, an activist investor that owns a 0.8 percent stake in Yahoo, is among the shareholders who believe Mayer needs to trim expenses. In an open letter released earlier this month, Starboard Value Managing Member Jeffrey Smith urged Mayer to cut costs by about \$450 million annually. Smith is also among the Yahoo shareholders who called upon Mayer to spin off the Alibaba stake to avoid triggering a huge tax bill from sale of the stake.

In a January conference call, Mayer emphasized that Yahoo's payroll has remained roughly the same size since she arrived, even though the company had inherited more than 1,000 employees through acquisitions completed during her reign. She also pointed out that Yahoo had closed about a dozen offices while phasing out about 75 products during her tenure.

"We will continue to seek and execute on efficiencies that we find on an ongoing basis as an effort to better align our resources with our strategy and growth opportunities," Mayer pledged.

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