Yahoo Answers Microsoft With Yet Another No
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After their top executives traded recriminations in an exchange of letters, Microsoft and Yahoo continued their stalemate, with Yahoo shareholders expected to play an increasingly large role in the takeover battle.
In a letter to Microsoft early Monday, Jerry Yang, the chief executive of Yahoo, and Roy Bostock, its chairman, once again rejected Microsoft's bid for their company, saying it undervalues Yahoo. But they made it clear that Yahoo remained open to a deal, as long as Microsoft sweetened its bid.

The two Yahoo officials also said that the company was continuing to explore alternatives to Microsoft's offer.

People briefed on the situation said Yahoo was still in conversations with Time Warner about a deal to merge that company's AOL unit into Yahoo.

A Time Warner spokesman declined to comment.

"We are not opposed to a transaction with Microsoft if it is in the best interests of our stockholders," Mr. Yang and Mr. Bostock wrote. "Our position is simply that any transaction must be at a value that fully reflects the value of Yahoo, including any strategic benefits to Microsoft, and on terms that provide certainty to our stockholders."

Yahoo's statements were in response to a letter on Saturday from Steven A. Ballmer, the chief executive of Microsoft, threatening to begin a proxy fight to oust Yahoo's directors if the two companies had not reached a negotiated deal in three weeks.

Mr. Ballmer also warned that a proxy fight would probably be accompanied by a lower offer for Yahoo.

Microsoft's offer on Jan. 31 was initially valued at $44.6 billion, or $31 a share, but has fallen to just over $42 billion, or $29.36 a share, after a decline in the price of Microsoft's shares.

Shares of Yahoo fell 66 cents on Monday, to $27.70.

With the threat of a proxy fight looming, the two companies are expected to increasingly court shareholders, whose views will prove decisive.

In its letter, Yahoo said that shareholders owning "a significant portion of our outstanding shares" supported the company's position.

For his part, Mr. Ballmer said in his letter that Yahoo's business appeared to have weakened in the last two months. As a result, he said, Microsoft's bid offered Yahoo shareholders an even larger premium than when it was first made. Mr. Ballmer said he believed that a majority of Yahoo shareholders shared that view.

Yahoo rejects the notion that its business has weakened and has recently reaffirmed its forecast for the first quarter, which calls for revenue to grow 8 percent to 17 percent from a year earlier. Wall Street analysts, on average, have pegged the company's growth at about 12 percent.

"The first quarter is absolutely crucial to the credibility of Yahoo's management," said Youssef H. Squali, an analyst with Jefferies & Company. "If they expect Microsoft to sweeten its offer, they need to come in at 12 percent or better. Coming in at the low end of the range won't cut it."

Yahoo is expected to report first-quarter results on April 22, less than a week before the deadline imposed by Microsoft.

In its letter, Yahoo also said that it had raised with Microsoft executives a number of antitrust concerns related to a merger of the two companies, and it complained that Microsoft had failed to respond to those concerns. “To date, you have still not provided any of the requested information,” the company said.

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