

Yahoo Shareholder Urges Sale of Search to Microsoft

Reuters

Ivory Investment Management LP, which owns 1.5 percent of shares of Yahoo Inc, urged the Internet company to sell its search business to Microsoft Corp, saying such a deal could more than double Yahoo's value.

Ivory proposed in a letter to Yahoo's board that it salvage a deal with Microsoft, which had failed earlier this year to buy Yahoo after offering as much as \$33 a share. The software company had also tried to buy Yahoo's search business, but was turned down.

Yahoo shares were trading at \$12.67 pre-market on Wednesday, up 4 percent from their Nasdaq close on Tuesday.

"We believe a search deal with Microsoft could deliver value to Yahoo shareholders of \$24-29 per share, or more than double yesterday's closing price of \$12.19," Ivory Managing Partner Curtis Macnguyen wrote in the letter.

"We envision a deal whereby Microsoft would acquire all of Yahoo's search assets and enter into a perpetual agreement for Microsoft to be the search provider for all Yahoo properties," the letter said.

A Yahoo spokeswoman declined to comment. Microsoft has repeatedly said it was no longer interested in buying all of Yahoo but has left open the possibility of a search deal.

Ivory, which has 21.4 million shares of Yahoo, said Yahoo could get an upfront payment of more than \$15 billion from Microsoft for the search business, and retain 80 percent of the advertising revenue generated through searches on its sites.

The deal could increase Yahoo's earnings before interest, tax, depreciation and amortization (EBITDA) by more than \$500 million a year, Ivory said.

Yahoo and Microsoft could also save \$800 million by combining their search operations and getting rid of duplicate costs, Ivory said.

The company urged immediate action in the face of Google's dominance in the Web search market.

"This deal would offer Microsoft the unique opportunity to immediately gain critical mass to better level the playing field with Google, while it would simultaneously allow Yahoo to both receive a sizable upfront cash payment and increase its prospective cash flow," Ivory said.

New York Times, New York, 9 dez. 2008, Companies, online. Disponivel em <www.nytimes.com>. Acesso em: 11 dez. 2008.