

Yahoo plans "reverse spinoff" instead of Alibaba sale

WASHINGTON - Yahoo said Thursday it would seek a "reverse spinoff" that would separate the Internet company's core operations from its holdings in China's online giant Alibaba.



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The internet pioneer said the move would create two separately publicly traded companies including one with the Yahoo core which has been struggling.

Yahoo said it was suspending its previous plan to create a new entity that would hold its multibillion-dollar stake in Alibaba. That deal was envisioned to be tax-free but US officials said they could not guarantee this in advance.

The new plan would transfer Yahoo's assets and liabilities other than the Alibaba stake to a newly formed company, the stock of which would be distributed to Yahoo shareholders.

It was not immediately clear what the deal would mean for the core Yahoo operations. Analysts believe that Yahoo would need to vastly scale back some operations or sell the company.

The company has been seeking to revive its fortunes under chief executive Marissa Mayer but the core operations are seen as having little or no value.

Yahoo's market value based on its share price is more than \$32 billion, but most of that is based on the value of its Alibaba holdings. The core business includes the company's Internet search component and a range of online advertising and digital media operations.

Yahoo bought a 40 percent stake in Alibaba in 2005 for \$1 billion. The current stake of some 15 percent is now worth around \$30 billion. Last month, a hedge fund with a stake in Yahoo called on the company to sell its core business as a way to unlock more value for shareholders and end uncertainty about a big tax bill.

Yahoo board chairman Maynard Webb said the company believed the earlier plan would eventually be ruled tax free but added that "we were concerned about the market's perception of tax risk, which would have impaired the value" of the new entity.

Yahoo said the new plan would be beneficial for its shareholders. "In addition to our efforts to increase value and diminish uncertainty for investors, the ultimate separation of our Alibaba stake will be important to our continued business transformation," said Mayer.

"In 2016, we will tighten our focus and prioritize investments to drive profitability and long-term growth. A separation from our Alibaba stake, via the reverse spin, will provide more transparency into the value of Yahoo's business."

Some reports suggested that telecom group Verizon or others could be interested in buying some of Yahoo's assets. The reverse spinoff accomplishes essentially the same thing as the older plan by separating the Alibaba stake from the rest of Yahoo.

While the new plan appears to resolve uncertainty over a tax bill, "it also means Marissa Mayer is not ready to let go of the core Yahoo assets without a fight," said Roger Kay, analyst and consultant with Endpoint Technologies Associates.

Kay said that even though Yahoo's portal model appears outdated, "there's still a lot of value there" with a vast global audience and expertise in online media and advertising.

"I don't know if Marissa Mayer is the right person to lead to company out of the desert but it can be done," Kay told AFP. "I think after the spinoff it will establish its own level of value."

Source: AFP

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