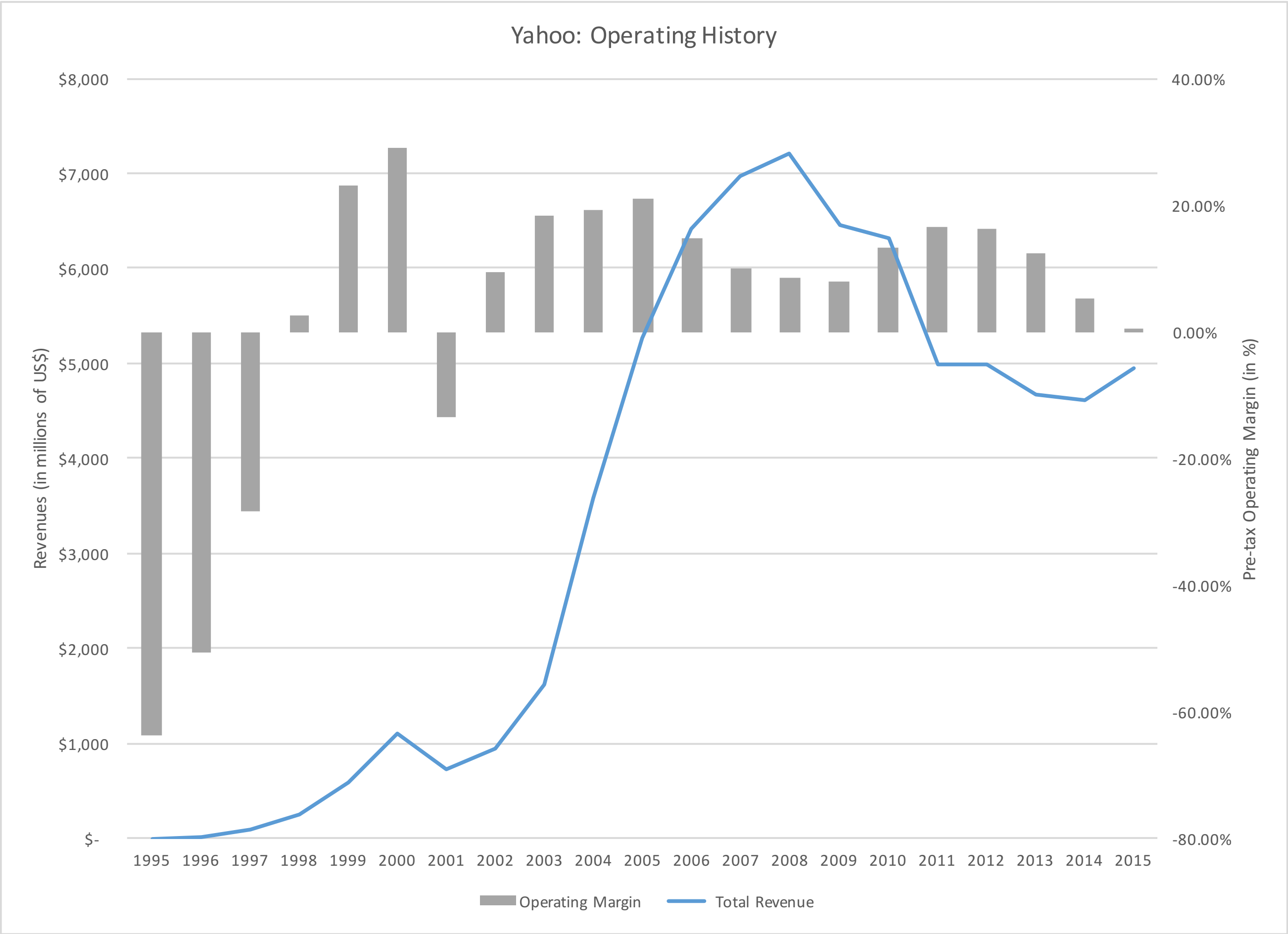
THE YAHOO END GAME

Ashes to Ashes, Dust to Dust

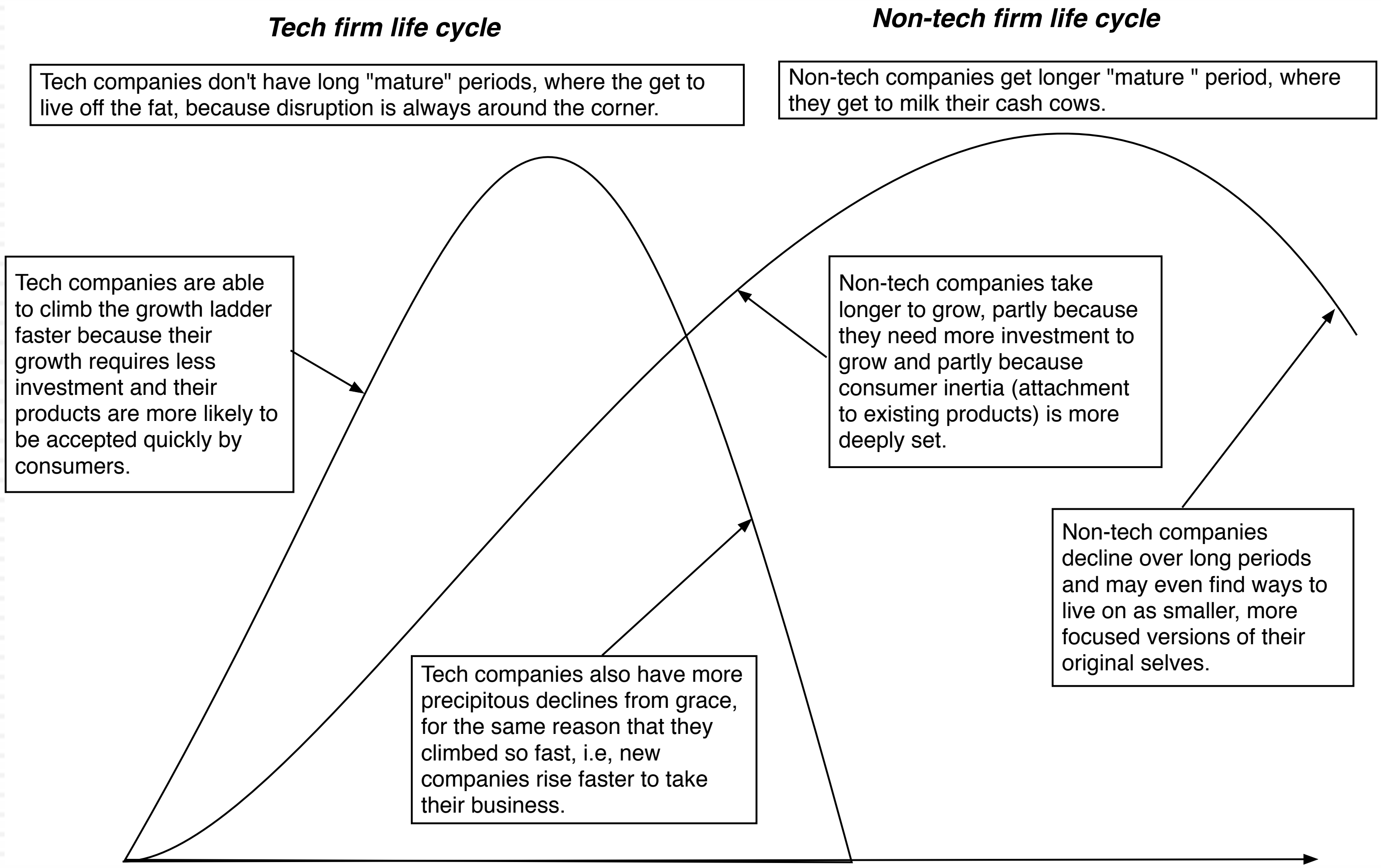
Yahoo's History



Yahoo’s Value Pieces

100% of Yahoo! US Equity	*+ 35% of Yahoo! Japan Equity*	*+ 17% of Alibaba Equity*	*+ Alibaba Proceeds* =	**The End Number**
Operating assets =$3,560	Operating assets = $16,789	Operating assets=$161,739	Proceeds from IPO sale 124.57*$68 = $8471	**Equity value= $46,188 Per share = $46.44**
+ Cash = $4,311	+ Cash = $4,683	+ Cash = $34,417	Taxes due on sale $3,263	
- Debt = $1,497	- Debt = $0	- Debt = $10,068	*- Loose Ends*	
=Parent Equity = $6,375	Equity = $21,472 35% of value = $7,515	Equity = $161,739 17% of value = $27,490	- Yahoo options = $400	

Ms. Mayer's Challenge



Should she have bet the farm?

- It’s not her farm to bet. She is the CEO of a publicly traded company and she would be betting the shareholders’ farm.
- Even if they had agreed to the bet, she controlled only a “barn” on the farm, with much of the farmland off limits to her.
- Betting the farm suggests taking long odds for a big payoff. That might be a good idea if you are a young start- up with nothing to lose, but Yahoo’s stockholders did.

The Steve Jobs Syndrome

- Ever since Steve Jobs made it possible for CEOs to become celebrities, CEOs aspire for his status, and are egged on by an entire eco system of enablers including strategists, consultants, academics and journalists.
- To be the next Steve Jobs, you have to make a small company into a really big one, and the way to do that is to take dangerous risks or to "bet the farm".
- The end results reflect the laws of probability, and the stockholders in their firms end up paying for a CEO's play for celebrity status.

If you are an aging company, here is who you need at the helm..

My advice to Yahoo's Board: Sell the operating business

1. Rather than talk about Yahoo's businesses (their search engine, advertising), which will draw the attention of potential buyers to the operating statistics (which are a downer), talk about the number of Yahoo users (the billion that you have overall and the 250 million who use Yahoo Mail).
2. Look for a buyer with an ambitious CEO (i.e., with Steve Jobs syndrome) who wants to bet the farm and pay a premium price (using shareholder money) for stardom.

Then..

- Return the cash to the stockholders, including cash built in prior years.
- Remake Yahoo as a closed-end mutual fund, a holding company with two holdings, Yahoo Japan and Alibaba, and announce your intent to keep these holdings for the long term.
- Reduce Yahoo’s staff to one, give that person two computer displays with strict instructions that all he or she should do is watch Alibaba’s price on one terminal and Yahoo Japan’s on the other.

And here is why..

	Market Cap	*Yahoo's share*	*Value of holding*
Yahoo! Japan (12/4/15)	$ 23,900	35.00%	$ 8,365
Alibaba (12/4/15)	$ 207,500	15.40%	$ 31,955
			$ 40,320
+ Yahoo Cash (Sept 2015)			$ 5,882
- Yahoo Debt (Sept 2015)			$ 2,161
+ Yahoo Operating Assets			$ -
Value of Yahoo Equity			**$ 44,041**
Yahoo Market Cap (12/4/15)			**$ 32,390**
Discount on holdings			**28.90%**