

Yahoo Co-Founder Jerry Yang Leaving Company

Michael Liedtke, AP Technology Writer

SAN FRANCISCO (AP) — Yahoo co-founder Jerry Yang is leaving the struggling Internet company as it tries to revive its revenue growth and win over disgruntled shareholders under a new leader.

The departure, announced Tuesday, punctuates the end of an era at Yahoo, a tarnished Internet icon that has spent much of the last decade scrambling to catch up to Internet search leader Google — a company that got early encouragement and advice from Yang. It comes just two weeks after Yahoo hired former PayPal executive Scott Thompson as its CEO.

Thompson is the fourth CEO in less than five years to try to turn around Yahoo. It's a daunting assignment that Yang was unable to pull off during his own tumultuous 18-month reign as the company's CEO in 2007 and 2008.

Yang, 43, endorsed Thompson in his resignation from Yahoo's board of directors. He had been on Yahoo's board since the company's 1995 inception.

"My time at Yahoo, from its founding to the present, has encompassed some of the most exciting and rewarding experiences of my life," Yang wrote in a letter to Yahoo Chairman Roy Bostock. "However, the time has come for me to pursue other interests outside of Yahoo."

The letter didn't say what Yang plans to do next. He doesn't need to work, thanks to the fortune he has amassed since he began working on Yahoo in a trailer at Stanford University with fellow graduate student David Filo. Yang is worth about \$1.1 billion, according to Forbes magazine's latest estimates.

Yang is also stepping down from the boards of China's Alibaba Group and Yahoo Japan. Yahoo is negotiating to sell its stakes in both of the Asian companies as part of its efforts to placate investors. The deal could be worth as much as \$17 billion, but it still faces a series of potential stumbling blocks.

Besides surrendering the board seats, Yang is giving up his position as "Chief Yahoo," an honorary title he held as he mingled among workers, while keeping tabs on various company projects.

Thompson could have an easier time overhauling Yahoo without Yang looking over his shoulder and possibly second guessing his decisions, said BGC Financial analyst Colin Gillis.

"This has the fingerprints of frustration on it," Gillis said. "It's one of those situations where it looks like (Yang) is losing the battle to control the company's direction and now he is saying, 'That's it, I'm out.'"

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Although a popular figure among Yahoo employees, Yang had alienated the company's shareholders by turning down a chance to sell Yahoo in its entirety to Microsoft Corp. for \$47.5 billion, or \$33 per share, in May 2008. Yahoo shares haven't topped \$20 for more than three years. The stock gained 44 cents to \$15.87 in extended trading after Yang's decision was announced.

The slump in Yahoo's stock has diminished Yang's wealth. He still owns a 3.6 percent stake in the company.

Yang conceivably could leverage those holdings to attempt to buy Yahoo's U.S. business after the Asian investments are sold. That is, if he can line up additional financing, Macquarie Securities analyst Ben Schachter wrote in a research note late Tuesday. Several buyout firms have already expressed interest in buying a substantial stake in Yahoo, spurring speculation that Yang might work with them to acquire a controlling interest in what remains of the company if the Asian assets are sold.

When he announced Thompson's hiring earlier this month, Bostock stressed that Yahoo intended to remain an independent, publicly traded company.

Yang had been someone more interested in preserving the company that he created than dismantling parts of its to boost the stock price, analysts said. "Investors tend to want to keep trying to fix the company than carve it apart," Gillis said.

Now that he is out of the way, investors are likely to conclude the sale of the Asian investments will eventually be completed, Schachter wrote.

Investor anger over Yang's handling of the Microsoft negotiations led to his resignation as CEO in late 2008 and the hiring of Silicon Valley veteran Carol Bartz to replace him. Bartz and Yang had gotten to know each other as part of Cisco Systems' board of directors.

After initially hailing Bartz as the solution to Yahoo's problems, Yang and the rest of Yahoo's board fired her as CEO in September.

Yahoo's revenue has been falling in recent years even as advertisers have poured more money into the Internet. Much of the money, though, has been going to Google and Facebook's online social network, as Yahoo has fallen further behind in the race to innovate and develop products that attract Web traffic.

Despite its struggles, Yahoo remains profitable and still boasts a worldwide audience of 700 million people.

But visitors aren't sticking around Yahoo's services as much as they once did, depriving the company of more opportunities to sell ads — the main source of its revenue.

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It has been a jarring comedown for Yahoo, which emerged as one of the Internet's first stars after Yang and Filo expanded the service beyond its roots as a hand-picked directory of websites.

Yahoo's early success turned it into a Wall Street darling and landed Yang on the covers of leading business magazines. At the height of the dot-com bubble 12 years ago, Yahoo's stock was trading above a split-adjusted \$100 amid talk that the company might eventually try to buy a long-established media franchise such as the Walt Disney Co.

But now investors widely regard Yahoo as a misguided company that can't come up with a cohesive plan to define itself for Web surfers and advertisers.

Yang and Bostock have been the focal point for much of the criticism, partly because of their key roles in the Microsoft talks in 2008. After buying a 5.2 percent stake in Yahoo last autumn, hedge fund manager Daniel Loeb demanded that both Bostock and Yang step down from the company's board. If they refused, Loeb indicated he would finance a shareholder rebellion to oust both men from the board.

Loeb's fund, Third Point LLC, didn't immediately return phone calls seeking comment late Tuesday.

Bostock, Yahoo's chairman for the past four years, has given no indication that he plans to step down.

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