

Yahoo Dangled \$27M Pay Package to Get New CEO

Michael Liedtke, AP Technology Writer

SAN FRANCISCO (AP) — Yahoo dangled a \$27 million pay package to lure its newly hired CEO Scott Thompson away from PayPal.

The struggling Internet company disclosed the details of Thompson's compensation in a regulatory filing late Friday. Thompson starts his new job Monday after spending the past four years running eBay's PayPal service, where revenue more than doubled during his tenure. PayPal took in an estimated \$4.4 billion last year.

That kind of robust growth is a fuzzy memory for Yahoo Inc., a one-time Internet star whose revenue has sagged as online advertising flowed increasingly to rivals Google and Facebook.

Yahoo has promised better times under three new CEOs in less than five years, only to frustrate investors each time. They've been especially disenchanted since the company squandered an opportunity to sell itself to Microsoft Corp. for \$47.5 billion, or \$33 per share, in May 2008. The stock hasn't traded above \$20 in more than three years, with the shares closing Friday at \$15.52. The last time it closed above \$33 was 2006.

Thompson, 54, is highly regarded in Internet circles, although some analysts question whether he is the right fit for Yahoo because he has no experience in online content or advertising, the company's financial lifeblood.

Yahoo offered Thompson a deal that includes a \$1 million salary and a bonus of up to \$2 million this year. Yahoo is guaranteeing to pay him \$1 million of the bonus; the remaining \$1 million will hinge on Yahoo's financial results this year.

Thompson also will receive stock incentives valued at \$22.5 million. The stock awards could be worth more or less, depending how Yahoo's long-slumping shares fare under Thompson's leadership.

To top it off, Yahoo is paying Thompson \$1.5 million to offset money he forfeited by leaving PayPal. A \$6.5 million chunk of the stock awards are also meant to offset some of the compensation Thompson would have gotten at PayPal, according to the filing.

Thompson received a \$10.4 million compensation package at PayPal in 2010. It included a \$645,000 salary. EBay hasn't yet revealed how much it paid Thompson last year.

Unless more money and stock is added later in the year, Yahoo won't be paying

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Thompson as much as his predecessor, Carol Bartz, who was hired three years ago and fired four months ago. Tim Morse, Yahoo's chief financial officer, had been running Yahoo since Bartz's ouster.

Bartz's compensation package during her first year on the job was valued at \$47.2 million. Much of that, though, included stock incentives that haven't become as valuable as the original calculations envisioned because the company's shares remained in a funk during Bartz's regime. Bartz's salary was \$1 million, like Thompson's.

Now that Yahoo has a new CEO, it may be looking to replace some of the directors on its 10-member board to placate unhappy shareholders. The company, which is based in Sunnyvale, Calif., has hired the executive search firm Heidrick & Struggles International Inc. to hunt for possible replacements, according to a story published Friday on The Wall Street Journal's website. The story quoted unnamed people familiar with the matter.

Much of the shareholder anger has been aimed at Yahoo Chairman Roy Bostock and co-founder Jerry Yang, who both played central roles in rebuffing Microsoft's takeover attempt. The Journal's story didn't identify which Yahoo board members might be replaced.

The board approved Thompson's hiring and pay package. He is also joining the board.

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