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Microsoft - Yahoo

\$44.6 Billion Bid Not Enough, Microsoft Presents Yahoo with Ultimatum

Trying to squeeze out an "I do"

Microsoft is gearing up for the decisive move against Yahoo. The Redmond company has given the Sunnyvale Internet giant a heads-up the past weekend, courtesy of a new letter sent to the Yahoo Board of Directors and signed by Steve Ballmer, Microsoft Chief Executive Officer. The original \$44.6 billion unsolicited acquisition proposal in February 2008 has failed so far to budge Yahoo in Microsoft's way, but the Redmond company's priorities and focus have not shifted. Ballmer warned Yahoo that they have but three weeks to debut negotiations, after which Microsoft plans to go over the Board of Directors, straight to the shareholders. "While there has been some limited interaction between management of our two companies, there has been no meaningful negotiation to conclude an agreement. We understand that you have been meeting to consider and assess your alternatives, including alternative transactions with others in the industry, but we've seen no indication that you have authorized Yahoo! management to negotiate with Microsoft. This is despite the fact that our proposal is the only alternative put forward that offers your shareholders full and fair value for their shares, gives every shareholder a vote on the future of the company, and enhances choice for content creators, advertisers, and consumers," Ballmer said. In February, Microsoft offered a 62% premium to the closing price of Yahoo shares on January 31, 2008. In light of the offer, the Redmond company expected Yahoo to debut negotiations. The Sunnyvale Internet company replied that the \$44.6 billion bid undervalued Yahoo and said no. Ballmer cataloged the failure to debut negotiations as unfortunate, and stressed that Yahoo!'s search and page view shares are on a downward spiral, a context in which Yahoo is worth less than what Microsoft is offering for it. In this manner, Ballmer confirms reports that Microsoft was considering reducing its bid, rather than sweetening it. "If we have not concluded an agreement within the next three weeks, we will be compelled to take our case directly to your shareholders, including the initiation of a proxy contest to elect an alternative slate of directors for the Yahoo! board. The substantial premium reflected in our initial proposal anticipated a friendly transaction with you. If we are forced to take an offer directly to your shareholders, that action will have an undesirable impact on the value of your company from our perspective which will be reflected in the terms of our proposal," Ballmer threatened.