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By: Marius Oiaga, Technology News Editor

Microsoft - Yahoo
Microsoft

[The \\$44.6 Billion for Yahoo Not Microsoft's Biggest Obstacle](#)

But should it be?

When it came out with a \$44.6 billion in cash and stock acquisition proposal for Yahoo, Microsoft called it a full and fair bid. The deal would end up paying \$31 per share, delivering no less than a 62% premium to the trading price for Yahoo, on February 1, 2008. The Redmond company faced criticism from every direction starting with Google, whose Senior Vice President, Corporate Development and Chief Legal Officer, David Drummond, characterized the move as a hostile takeover, to Yahoo which deemed the proposal unsolicited and to Microsoft's own shareholders that are lashing at the company for a multi-billion lost in market capitalization. Yahoo formally rejected Microsoft's offer on February 11, 2008, claiming that the proposal undervalues the Sunnyvale-based Internet giant. Reports indicated that Yahoo was in fact looking for \$40 per share, or closer in the vicinity of \$57 billion. In this context, some Microsoft shareholders urged the company not to increase the bid. The Redmond company's market capitalization has dropped by over \$34 billion since the Yahoo offer was presented with its stock down 11%. During his Q&A part of the Student Minority Day BAM 2008, on February 8, 2008, Microsoft Chief Executive Officer Steve Ballmer failed to point to the \$44.6 billion as the largest impediment in Microsoft's way for the acquisition of Yahoo. This despite the fact that the Redmond company will have to go into debt for the first time in its history, in order to cover the cash aspect of the deal. "What are the challenges? There's a group of 13,000 plus people who work at Yahoo!, and they have their goals and their ambitions and their desires and their thoughts and their software and their everything else, and we have to kind of mate up their goals, desires and ambitions with the goals, desire and ambition of people here, and that's generally referred to as the integration process. If we do that well, we get to -- that will be a very good thing for customers, our shareholders, et cetera; and if we do that poorly, we probably shouldn't have tried this acquisition. So, really doing that well is a high priority, and we're very focused in on it," Ballmer stated. Of course that even with Yahoo saying no to the initial Microsoft offer, the Redmond company is not backing down. Microsoft dubbed the rejection unfortunate and moved on to hire the proxy solicitation firm Innisfree, as the first move to replace Yahoo's Board of Directors. The Redmond company is also going after Yahoo's top shareholders to convince them of backing its offer. It is estimated that the top 100 Yahoo shareholders also own Microsoft stock. "You know, Microsoft, there's really three large players in the online world, and yet when you stop and look at it from a revenue perspective, increasingly there's just one strong player. And if you actually look at it, most of what people do online is very fragmented. It's not like people spend most of their time at MSN or Yahoo! or Google or anyplace else. So, the Web is kind of big, some things are a little concentrated, but from a revenue and sales standpoint of advertising, Google is really the big guy out there. What our goal is, is to provide, you know, what I would say great innovation and great competition, particularly in the search and advertising area to Google," Ballmer explained.