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Microsoft - Yahoo
Microsoft

[Yahoo Wanted \\$55 Billion, Microsoft Offered Only \\$50 Billion](#) *And Steve Ballmer said pass*

What's \$5 billion among friends? Well, nothing more than a deal breaker. \$5 billion were more than enough for Microsoft to walk away from Yahoo. Microsoft Chief Executive Officer Steve Ballmer revealed the Redmond company's decision this past weekend following the final round of failed negotiations with the Sunnyvale-based Internet giant. The acquisition ballet debuted at the start of February 1, 2008, ended on May 3 with Microsoft withdrawing its unsolicited takeover proposal. Saturday May 3, Microsoft CEO Steve Ballmer sent a letter to Yahoo CEO Jerry Yang explaining Microsoft's decision. "In our conversations this week, we conveyed our willingness to raise our offer to \$33.00 per share, reflecting again our belief in this collective opportunity. This increase would have added approximately another \$5 billion of value to your shareholders, compared to the current value of our initial offer. It also would have reflected a premium of over 70 percent compared to the price at which your stock closed on January 31. Yet it has proven insufficient, as your final position insisted on Microsoft paying yet another \$5 billion or more, or at least another \$4 per share above our \$33.00 offer," Ballmer stated. Yang is reported to have initially requested no less than \$40 per share for Yahoo in order to agree to the deal. However, during the various stages of negotiations, the Sunnyvale Internet company indicated that it would agree to an amicable deal at \$37 per share, which would have taken the value of the transaction at no less than \$55 billion. Steve Ballmer replied that he wasn't ready to go a single dime over \$50 billion. "Also, after giving this week's conversations further thought, it is clear to me that it is not sensible for Microsoft to take our offer directly to your shareholders. This approach would necessarily involve a protracted proxy contest and eventually an exchange offer. Our discussions with you have led us to conclude that, in the interim, you would take steps that would make Yahoo! undesirable as an acquisition for Microsoft," Ballmer added. Microsoft was indeed considering initiating a proxy fight and replace Yahoo's Board of Directors with members that would support the acquisition at no more than \$50 billion. This strategy proved a no go for Microsoft as Yahoo threatened to partner with Google in order to protect itself. "We regard with particular concern your apparent planning to respond to a "hostile" bid by pursuing a new arrangement that would involve or lead to the outsourcing to Google of key paid Internet search terms offered by Yahoo! today. In our view, such an arrangement with the dominant search provider would make an acquisition of Yahoo! undesirable to us," Ballmer explained.