



## Stanford eCorner

### On the Verge of an Acquisition?

Sue Decker, *Yahoo! Inc.*

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Video URL: <http://ecorner.stanford.edu/videos/2016/On-the-Verge-of-an-Acquisition>

Microsoft came knocking, but they and Yahoo! could not agree on a price, says Sue Decker, president of the search engine and online community. Decker attributes the incomplete partnership to a difference of vision in the potential value of the company, and says that in its wake, Yahoo! is weighing a number of options for the future.



#### Transcript

Obviously the last two weeks have been very exciting at Yahoo! Can you give us sort of a little bit of backstory of the discussions and what's going on? Well I don't know that I could tell you anything that's not in the paper because our company leaks like a sieve. As does Microsoft and everyone else involved. You know it really just came down to price. I mean it was fundamental - we're a public company and our board ran a process. And we weren't planning to sell the company but Microsoft came knocking. It's not the first time. And, you know, they made it clear they wanted to buy the company. We felt, our board felt, that we are in the midst of this transformation. We actually published our three year plan which the board approved last December. Called for a relatively flat profit year this year and substantial growth in '09 and '10 because we're absorbing a lot of the development costs for some of the things I showed you today before the revenue ramps.

And so Microsoft's timing is really good. It was right at a low point. We were \$19 a share. We just put out our guidance for the year which we didn't have guidance before that. But analysts have to figure out how to value stocks so they had their own numbers. And they were higher than what we put out. And so there was kind of a moment there where we hadn't gotten out to the streets to talk to them about what we are doing. And the stock was reflecting a lack of understanding in that. In fact if you look at the projections that people were carrying, they were straightly lining out our growth rate in '08 which was our lowest growth rate and revenue for many years and our lowest margin. And so, if you're firing a missile and you're going a little off target, it gets farther away as the farther you go out.

And stocks are all valued based on the forward look not the past. But people are using the past as a guidance as a benchmark because they didn't have anything better. So our stock kind of got out of whack with what our board felt the real value was. And Microsoft has had, they've said this publicly. They've literally lost more in 10 years in money that we've made in 10 years. They've been trying very hard to invest in becoming a leading online company. And at the top of Microsoft, they said things even three or four years ago that how Google has proven that you can give away software for free and monetize it with advertising. So therefore they need to become the largest ad company in the world. And they just haven't been very successful because it's not about how much money can you throw at this. It's also not an industry necessarily that reverts to monopoly like what they're used to.

So it's about market places. And advertisers want choice. And in the case of search, there weren't really that many alternative choices that were as good as Google. I think we've made a lot of progress there. So it was a moment in time. It was an opportunity. They will say they offered a big premium based on where we were trading in the past. But it definitely was not a

premium to where our board thought the value was in the future. You know and this went on for a few months. And came down to the wire on Saturday basically.

I was in Omaha at the Berkshire Hathaway annual meeting. And sitting next to Bill Gates who's also on the board of Berkshire. I got there and I reached over to whisper in his ear. I said, "Should I kiss you hello?" And I said, "Or will people think we're getting married?" And he stood up stiffly and shook my hand. The 30,000 people at Quest Stadium were watching us on the floor of the stadium. But later that day, Jerry and David had been authorized by our board to go up there and deliver the price that they thought as a public company, what is it worth. There's always a price. And there was a bid and an ask of about \$4. I actually would have bet more even money or more that I thought Balmer would take it. We'd be having a different discussion this week but they made a choice that that was too much.

And we went back to work on Monday. So that's really where it is. I've had a lot of questions, a lot of interviews. It could come back. I'm not sure what their options are. I think we have a lot of options but we have to perform. We have to deliver. Some of the things I've talked about today have to change the industry in the ways that I've started to articulate or we probably will be a division of another company at some point. But I like that kind of pressure, the performance pressure. I want to play the game.

If we lose the game, fair and square, that's ok but we haven't had a chance to really do it. And we're just starting to launch it based on seeds we planted last year.