



May 20, 2012

## **Yahoo! and Alibaba Reach Agreement on Comprehensive Plan for Alibaba Stake**

*Agreement Realizes Significant Value, Immediate Liquidity and Path to Future Monetization*

### ***Yahoo! Board Increases Share Repurchase Plan by US\$5 Billion***

SUNNYVALE, Calif. & HANGZHOU, China--(BUSINESS WIRE)-- Yahoo! Inc. (NASDAQ:YHOO) and Alibaba Group Holding Limited today announced they have entered into a definitive agreement for a staged and comprehensive value realization plan for Yahoo!'s stake in Alibaba.

The first step is the repurchase by Alibaba of up to one-half of Yahoo!'s stake, or approximately 20% of Alibaba's fully-diluted shares. The purchase price will be based on a valuation of Alibaba to be established through equity financings that Alibaba intends to undertake to finance the transaction, subject to a floor valuation of approximately US\$35 billion. The agreement includes substantial financial incentives for Alibaba to raise the additional equity at a valuation higher than US\$35 billion. At the minimum price and assuming the initial repurchase of the full 20% stake, Yahoo! would receive from Alibaba consideration of approximately US\$7.1 billion, composed of at least US\$6.3 billion in cash proceeds and up to US\$800 million in newly-issued Alibaba preferred stock.

The agreement also establishes a framework for Yahoo! to monetize its remaining interest in Alibaba in stages. First, at the time of an initial public offering (IPO) of Alibaba in the future, Alibaba will be required either to repurchase one-quarter of Yahoo!'s current stake at the IPO price or allow Yahoo! to sell those shares in the IPO. Second, following such an IPO, Yahoo! has registration rights and rights to marketing support from Alibaba to enable Yahoo! to dispose of its remaining shares, at times of Yahoo!'s choosing following a customary lock-up period.

This agreement is a result of extensive discussions between the two parties and a comprehensive review of both taxable and tax-efficient alternatives. Yahoo! and Alibaba believe this agreement to be the best path to align incentives and maximize value for shareholders of both companies and it paves the way for Alibaba to achieve future public market liquidity for all of Alibaba's shareholders. For Yahoo!, the agreement provides for a staged exit over time, balancing near-term liquidity and return of cash to shareholders with the opportunity to participate in future value appreciation of Alibaba.

"Today's agreement provides clarity for our shareholders on a substantial component of Yahoo!'s value and reaffirms the significance of our relationship with Alibaba," said Ross Levinsohn, Interim CEO of Yahoo!. "We look forward to continued collaboration with the Alibaba team on business initiatives as we explore joint opportunities for growth and benefit from Alibaba's future. I want to thank Jack Ma, Joe Tsai and the Alibaba team, as well as Tim Morse, Michael Callahan and our Yahoo! team for their dedication in achieving this successful outcome."

"This transaction opens a new chapter in our relationship with Yahoo!," said Jack Ma, Chairman and Chief Executive Officer of Alibaba Group. "I look forward to working with Ross Levinsohn and the Yahoo! team as Alibaba builds China's leading e-commerce company. Yahoo!'s global audience reach will provide attractive partnership opportunities for Alibaba to explore markets outside of China. The transaction will establish a balanced ownership structure that enables Alibaba to take our business to the next level as a public company in the future."

"We look forward to delivering the proceeds of the near-term transaction to our shareholders, and to the further enhancement of value and the additional monetization in the future that this agreement enables," said Timothy R. Morse, Executive Vice President and Chief Financial Officer of Yahoo!.

In addition to the share repurchase, the companies have also agreed to amend their existing technology and intellectual property licensing agreement. Among other things, this amendment will result in Yahoo! granting Alibaba a transitional license to continue to operate Yahoo! China under the Yahoo! brand for up to four years, while restrictions on Yahoo!'s ability to make other investments in China will be terminated. Alibaba will make an upfront lump sum royalty payment of US\$550 million to Yahoo! and continuing royalty payments for up to four years. In addition, Alibaba will license certain patents to Yahoo!. Upon closing of the repurchase transaction, the Alibaba shareholders' agreement will be amended so that the parties' respective rights will be commensurate with the parties' post-closing level of ownership in Alibaba. Yahoo! will continue to be represented on Alibaba's board of directors with the right to appoint one of four existing directors.

Yahoo! intends to return substantially all of the after-tax cash proceeds to shareholders following the closing of the transaction. While the form of the return of capital to shareholders has not yet been finalized, Yahoo!'s board has increased Yahoo!'s share

buyback authorization by US \$5 billion concurrently with this transaction.

The transaction is subject to customary closing conditions. Alibaba will be required to close the repurchase with respect to at least one-quarter of Yahoo!'s current stake in Alibaba regardless of the amount of financing raised, and up to one-half of Yahoo!'s current stake if it obtains the requisite financing. Alibaba intends to finance the repurchase through a combination of its own cash resources, debt, equity and equity-linked financing. The transaction is expected to close within approximately six months.

UBS Investment Bank acted as lead financial advisor to Yahoo! and Allen & Company LLC and Goldman Sachs & Co. also served as financial advisors. Skadden, Arps, Slate, Meagher & Flom LLP acted as lead legal counsel to Yahoo! and Weil, Gotshal & Manges LLP also acted as legal counsel. Munger, Tolles, & Olson LLP acted as legal counsel to the Yahoo! Board of Directors. Credit Suisse acted as lead financial advisor to Alibaba and Wachtell, Lipton, Rosen & Katz acted as lead legal counsel to Alibaba. Freshfields Bruckhaus Deringer LLP acted as counsel to Alibaba on certain financing and Hong Kong legal matters and Fenwick & West LLP acted as counsel to Alibaba on intellectual property matters.

## Conference Call and Webcast Information

Yahoo! will host a conference call to discuss today's announcement at 5:45 a.m. Pacific Time / 8:45 a.m. Eastern Time Monday, May 21, 2012. A live webcast of the conference call, together with a supplemental presentation concerning the transaction, can be accessed through the Company's Investor Relations website at <http://investor.yahoo.net/>. The dial-in number for the live conference call is (866) 659-9165. Participants calling from outside the United States may dial (617) 399-5178. The passcode 73540611# is required to access the call. In addition, an archive of the webcast can be accessed through the same link. An audio replay of the call will be available for one week following the conference call by calling (888) 286-8010 or (617) 801-6888, passcode: 35326266.

## About Yahoo!

Yahoo! is the premier digital media company, creating deeply personal digital experiences that keep more than half a billion people connected to what matters most to them, across devices and around the globe. And Yahoo!'s unique combination of Science + Art + Scale connects advertisers to the consumers who build their businesses. Yahoo! is headquartered in Sunnyvale, California. For more information, visit the pressroom ([pressroom.yahoo.net](http://pressroom.yahoo.net)) or the company's blog, Yodel Anecdotal ([yodel.yahoo.com](http://yodel.yahoo.com)).

## About Alibaba Group

Alibaba Group is a leading e-commerce company based in China. Since it was founded in 1999, Alibaba Group has grown to include the following core businesses: [Alibaba.com](http://Alibaba.com) (HKSE: 1688; 1688.HK), Alibaba Group's flagship company and a global e-commerce platform for small businesses; Taobao Marketplace, China's leading C2C online shopping destination; [Tmall.com](http://Tmall.com), a popular B2C online marketplace in China for quality, brand name goods; eTao, a comprehensive shopping search engine; Alibaba Cloud Computing, a developer of advanced distributed cloud computing services; and China Yahoo!, one of China's leading Internet portals. Alipay, a leading third-party online payment service in China, is an affiliate of Alibaba Group.

## Forward-Looking Statements

This press release contains forward-looking statements (including in the quotations in this press release) concerning the agreement entered into by Yahoo! with Alibaba Group Holding Limited, including, without limitation, statements about the expected timing of closing of the transactions contemplated by the agreement, the ability of Yahoo! to monetize its holdings in Alibaba in both the near-term and in the future, potential future actions by Yahoo! and Alibaba concerning future business initiatives between Yahoo! and Alibaba and the potential for an initial public offering of Alibaba shares, and other expected benefits of the agreement and related agreements. Risks and uncertainties may cause actual results and benefits of the transactions contemplated by the agreement and related agreements to differ materially from management expectations. The potential risks and uncertainties include, among others, the failure to consummate or delays in consummating the transactions contemplated by the agreement; uncertainty regarding the future valuation of Alibaba; uncertainty regarding the financing of the transactions; uncertainty regarding if and when there will be an initial public offering of Alibaba shares; uncertainty regarding any future business initiatives with Alibaba; general economic and market conditions; and the possibility that some or all of the expected benefits of the agreement and related agreements may not be realized. All information set forth in this press release is as of May 20, 2012. Yahoo! does not intend, and undertakes no duty, to update this information to reflect subsequent events or circumstances. More information about potential factors that could affect Yahoo!'s business and financial results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Yahoo!'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as amended, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, which are on file with the Securities and Exchange Commission ("SEC") and available at the SEC's website at [www.sec.gov](http://www.sec.gov).

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**Yahoo! Media Relations:**

Yahoo! Inc.

Dana Lengkeek, 408-349-1130

[danal@yahoo-inc.com](mailto:danal@yahoo-inc.com)

or

Sard Verbinnen & Co

Charles Sipkins, 310-201-2040

[csipkins@sardverb.com](mailto:csipkins@sardverb.com)

or

**Yahoo! Investor Relations:**

Yahoo! Inc.

Joon Huh, 408-349-3382

[jhuh@yahoo-inc.com](mailto:jhuh@yahoo-inc.com)

or

**Alibaba Group Contact:**

International

Alibaba Group

John Spelich, +852 9017-7444

[johnspelich@hk.alibaba-inc.com](mailto:johnspelich@hk.alibaba-inc.com)

or

U.S.

Sard Verbinnen & Co

Paul Kranhold/Jenny Gore, 415-618-8750

[pkranhold@sardverb.com](mailto:pkranhold@sardverb.com)

[jgore@sardverb.com](mailto:jgore@sardverb.com)

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