

Milner's DST Said to Be in Yahoo Bid Deal

By [The Moscow Times](#)

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Private-equity firm Silver Lake, Alibaba Group Holding and Digital Sky Technologies, the Internet investment company founded and headed by Yury Milner, are discussing a possible joint bid for Yahoo, said three people with direct knowledge of the matter.

The group contacted Yahoo and its advisers in recent weeks to inform them of a possible offer, said one of the people, who declined to be identified because the talks are private. The discussions are still at an early stage, and it is not certain that the group will agree to make a bid, the people said.

Alibaba Chairman Jack Ma said last week that he is "very interested" in buying Yahoo, six years after selling a 40 percent stake in China's biggest e-commerce company to the owner of the most-visited U.S. web portal. Yahoo is reviewing its strategy to revive growth and attract more users after firing chief executive Carol Bartz last month.

"One of the major motivations for Jack Ma to buy Yahoo is for him to increase his ownership of Alibaba," said Muzhi Li, an analyst at Mizuho Securities in Hong Kong. "If Yahoo is being taken over by an international consortium from China and Russia, the deal will be scrutinized by U.S. agencies very seriously."

Ma had discussions with Yahoo, as well as other potential buyers, without identifying them, he said Sept. 30.

"We are very interested in Yahoo because our Alibaba Group is so important to Yahoo, and Yahoo is also very important to us," Ma said at the time. "There are so many people who are interested in that, and we are also talking to them."

Silver Lake, Alibaba and DST are girding for potential opposition from U.S. regulators to foreign ownership of a company that handles communications, one person said.

Regulators may oppose foreign ownership of a company such as Yahoo, which plays a crucial role in U.S. communications through the delivery of e-mail and instant messaging. The company also serves as the second-largest U.S. search engine, through a partnership with Microsoft. The deal would face tax implications as well because of Yahoo's stakes in Alibaba and Yahoo Japan, one person said.

Yahoo advisers are receiving inquiries from "multiple parties" interested in various unspecified strategic options, according to a memo to employees from co-founder Jerry Yang last month.

"Our advisers are working with us to develop ideas that we will pursue proactively," the memo said. "They are fielding inquiries from multiple parties that have already expressed interest in a number of potential options."

People involved in the deliberations said last month that Silver Lake was considering a bid for Yahoo. As part of a deal, the private-equity firm would sell off Yahoo's Asian assets and then attempt to turn around the main operations or find a buyer for that business, the people said.

As chief executive, Bartz rankled investors with her handling of Yahoo's assets in Asia, including the Alibaba stake. She feuded publicly with Ma, who spun off one of his company's most valuable assets, the Alipay payment business, without compensating Yahoo shareholders until later.

When Yang was chief executive in 2008, Yahoo spurned a \$47.5 billion offer by Microsoft. The two companies later struck an agreement to outsource Yahoo's search technology to Microsoft, diminishing the chance of a takeover. Yahoo now has a market value of \$17.1 billion.

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