



Yahool! was developed in 1994 by David Filo and Jerry Yang while they were attending graduate school at Stanford University. The company was incorporated on March 5, 1995 in California, and began selling Web-page advertisements and recognizing revenues in August of the same year. Yahoo!'s initial public offering was completed in April 1996. The company offered 17,940,000 shares of common stock at a price of \$0.54 (split adjusted). All outstanding Convertible Preferred Stock and Mandatorily Redeemable Convertible Preferred Stock were converted into shares of common stock at that time.

**CAPITAL STRUCTURE as of 6/30/12**  
**Total Debt \$130.1 mill. Due in 5 Yrs \$80.0 Mill.**  
**LT Debt \$130.1 mill. LT Interest \$5.0 mill.**  
 (capitalized leases) (1% of Cap'l)  
**Leases, Uncapitalized \$158.0 mill.**  
**No Defined Benefit Pension Plan**

**Common Stock 1,218,696,911 shs.**  
**as of 4/30/12**  
**MARKET CAP: \$19.8 billion (Large Cap)**

CURRENT POSITION	2010	2011	6/30/12
Cash Assets	2884.1	2055.6	1910.5
Receivables	1028.9	1037.4	1040.9
Other	432.5	359.5	318.9
Current Assets	4345.5	3452.5	3270.3
Accts Payable	162.4	166.6	132.1
Debt Due	-	-	-
Other	1463.4	1040.8	945.0
Current Liab.	1625.8	1207.4	1077.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	20.0%	5.0%	3.0%
"Cash Flow"	22.0%	10.0%	9.0%
Earnings	18.5%	8.0%	12.0%
Dividends	-	-	Nil
Book Value	20.5%	10.5%	7.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.) <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	1580.0	1573.0	1575.0	1732.0	6460.0
2010	1597.0	1601.4	1601.2	1525.1	6324.7
2011	1214.4	1229.0	1216.7	1324.1	4984.2
2012	1221.2	1217.8	1250	1361.0	5050
2013	1250	1270	1310	1420	5250

Cal-endar	EARNINGS PER SHARE <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	.08	.10	.10	.15	.43
2010	.22	.15	.29	.24	.90
2011	.17	.18	.23	.24	.82
2012	.23	.18	.24	.27	.92
2013	.25	.24	.26	.30	1.05

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008					
2009					
2010					
2011					
2012					

NO CASH DIVIDENDS BEING PAID

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC 15-17
Revenues per sh <sup>A</sup>	.80	1.23	2.58	3.68	4.49	5.12	5.18	4.59	4.83	4.19	4.15	4.40	5.40
"Cash Flow" per sh	.18	.26	.61	.88	.90	.97	1.04	.96	1.46	1.43	1.45	1.65	2.15
Earnings per sh <sup>B</sup>	.09	.19	.37	.58	.52	.47	.47	.43	.90	.82	.92	1.05	1.40
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Nil
Cap'l Spending per sh	.04	.09	.18	.29	.48	.44	.49	.31	.55	.50	.40	.55	.75
Book Value per sh	1.90	3.30	5.13	5.99	6.40	7.01	8.09	8.90	9.62	10.57	11.15	12.10	14.85
Common Shs Outst'g <sup>C</sup>	1189.7	1321.4	1383.6	1430.2	1430.2	1360.2	1391.6	1406.1	1308.8	1190.0	1210	1200	1180
Avg Ann'l P/E Ratio	84.6	83.1	80.7	61.1	57.5	58.5	45.0	34.5	17.3	19.0	Bold figures are Value Line estimates		22.0
Relative P/E Ratio	4.62	4.74	4.26	3.25	3.10	3.11	2.71	2.30	1.10	1.20			1.45
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Nil
Revenues (\$mill) <sup>A</sup>	953.1	1625.1	3574.5	5257.7	6425.7	6969.3	7208.5	6460.0	6324.7	4984.2	5050	5250	6400
Operating Margin	20.7%	28.0%	27.9%	28.6%	23.0%	19.4%	20.5%	17.0%	23.0%	29.6%	30.0%	32.0%	34.0%
Depreciation (\$mill)	109.4	105.3	311.0	397.1	540.0	659.2	790.0	738.9	682.5	648.2	660	700	850
Net Profit (\$mill)	106.9	237.9	534.6	862.0	751.4	660.0	652.1	605.3	1231.7	1048.8	1120	1270	1665
Income Tax Rate	40.0%	38.2%	49.8%	44.3%	41.7%	39.7%	43.0%	38.2%	20.7%	29.2%	33.0%	35.0%	35.0%
Net Profit Margin	11.2%	14.6%	15.0%	16.4%	11.7%	9.5%	9.0%	9.4%	19.5%	21.0%	22.2%	24.2%	26.0%
Working Cap'l (\$mill)	558.2	1013.9	2909.8	2245.4	2276.1	937.2	3040.5	2877.1	2719.7	2245.1	2500	3000	4500
Long-Term Debt (\$mill)	--	750.0	750.0	750.0	749.9	--	77.1	83.0	142.8	134.9	125	115	100
Shr. Equity (\$mill)	2262.3	4363.5	7101.4	8566.4	9159.6	9532.8	11251	12519	12596	12581	13500	14500	17500
Return on Total Cap'l	4.7%	4.7%	6.8%	9.3%	7.6%	6.9%	5.8%	4.8%	9.7%	8.3%	8.0%	8.5%	9.5%
Return on Shr. Equity	4.7%	5.5%	7.5%	10.1%	8.2%	6.9%	5.8%	4.8%	9.8%	8.3%	8.5%	9.0%	9.5%
Retained to Com Eq	4.7%	5.5%	7.5%	10.1%	8.2%	6.9%	5.8%	4.8%	9.8%	8.3%	8.5%	9.0%	9.5%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Nil

**BUSINESS:** Yahoo! Inc. is one of the leading online suppliers of aggregated proprietary and third-party content, search, and navigational services. Also has shopping, auction, and community and personalization features, such as yellow pages, maps, email, and calendar features. Has about 14,100 empl. Acq'd: Overture (\$1.6b), 10/03; Inktom, 3/03; HotJobs, 1/02 (\$400m); GeoCities (\$3.0b),

5/99; Broadcast.com (\$4.3b), 4/99. Sold HotJobs, 2/10 (\$225m). Owns 35% of Yahoo! Japan. Officers and directors own 11.9% of common stock; Capital Research Global Investors, 5.8%; Daniel S. Loeb and Third Point LLC, 5.8% (6/12 proxy). CEO: Marissa Mayer. Inc.: DE. Address: 701 First Avenue, Sunnyvale, CA 94089. Telephone: 408-349-3300. Internet: www.yahoo.com.

**Yahoo! has concluded its search for a new chief executive officer.** The company has appointed Marissa Mayer as President and CEO. Ms. Mayer is a leading consumer Internet executive. She joined Google in 1999, and led efforts for many of its most recognizable products for over a decade. She was most recently vice president of Local, Maps, and Location Services. The addition of Ms. Mayer is only one of several important changes that have occurred at Yahoo! in recent months. The company is in the midst of a significant transition. It has been increasing focus on its core operations and prioritizing resources. We expect Ms. Mayer will continue with these efforts in the coming quarters.

**Yahoo! posted a modest top-line decline for the second quarter,** including traffic acquisition costs. A modest advance in Display revenue was more than offset by a slight decrease in Search and a reduction in Other revenue. Operating expenses increased, but share net was helped by earnings from equity interests, a lower tax rate, and a decrease in the number of shares outstanding. Overall, earnings per share of \$0.18 matched the prior-year figure.

**The company has resolved a recent dispute with Facebook.** The deal settles litigation based on accusations of patent infringement begun several months back. In addition, the two companies have formed a strategic agreement that expands an existing multiyear partnership. The deal also includes the cross-licensing of patents and collaboration on advertising offerings.

**These shares are favorably ranked for year-ahead relative price performance.** Looking further out, this equity has good recovery potential for the coming years. This assumes solid improvement in revenues and share net over the pull to 2015-2017. Efforts to transform its operations are encouraging, and may well bear fruit down the line. Investors seeking a potential turnaround play may find something to like here. That said, success is by no means assured, and our view of the future remains somewhat clouded. Thus, conservative accounts are probably better served elsewhere.  
 Michael Napoli, CFA August 17, 2012

(A) Gross revenues. (B) Primary EPS through 1996, diluted thereafter. Excludes goodwill amortization; Excludes nonrecurring losses: '04, 21¢; '05, 70¢. Excludes extraordinary losses: '02, (11¢). Next earnings report due late October. (C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	55
Growth Persistence	25
Earnings Predictability	70