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Yahoo! Investor Presentation: A Better Plan For Yahoo Shareholders

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Executive Summary

Section I

Yahoo! and “Core Business” Overview

Financial Snapshot (12/09/15)

(\$ in millions, except per share data)

| | |
|--------------------------|-------------------|
| Current Price | \$33.99 |
| 52-Week High | \$51.68 |
| 52-Week Low | \$27.20 |
| LTM Revenue (ex-TAC) | \$4,268 |
| LTM EBITDA, Adj | \$477.1 |
| LTM Net Income | \$392.7 |
| Market Cap | \$33,370 |
| Net Cash | \$5,500 |
| Total Debt | \$1,217 |
| Enterprise Value | \$25,600 |
| EV/Revenue | 6.0x |
| EV/EBITDA | 53.7x |
| EV/EBITDA Ex-Asia Stakes | 2.2x ¹ |
| F P/E | 57.8 |
| P/FCF | Negative |
| Total Debt/EBITDA | 2.6x |

Note: As of 12/09/2015

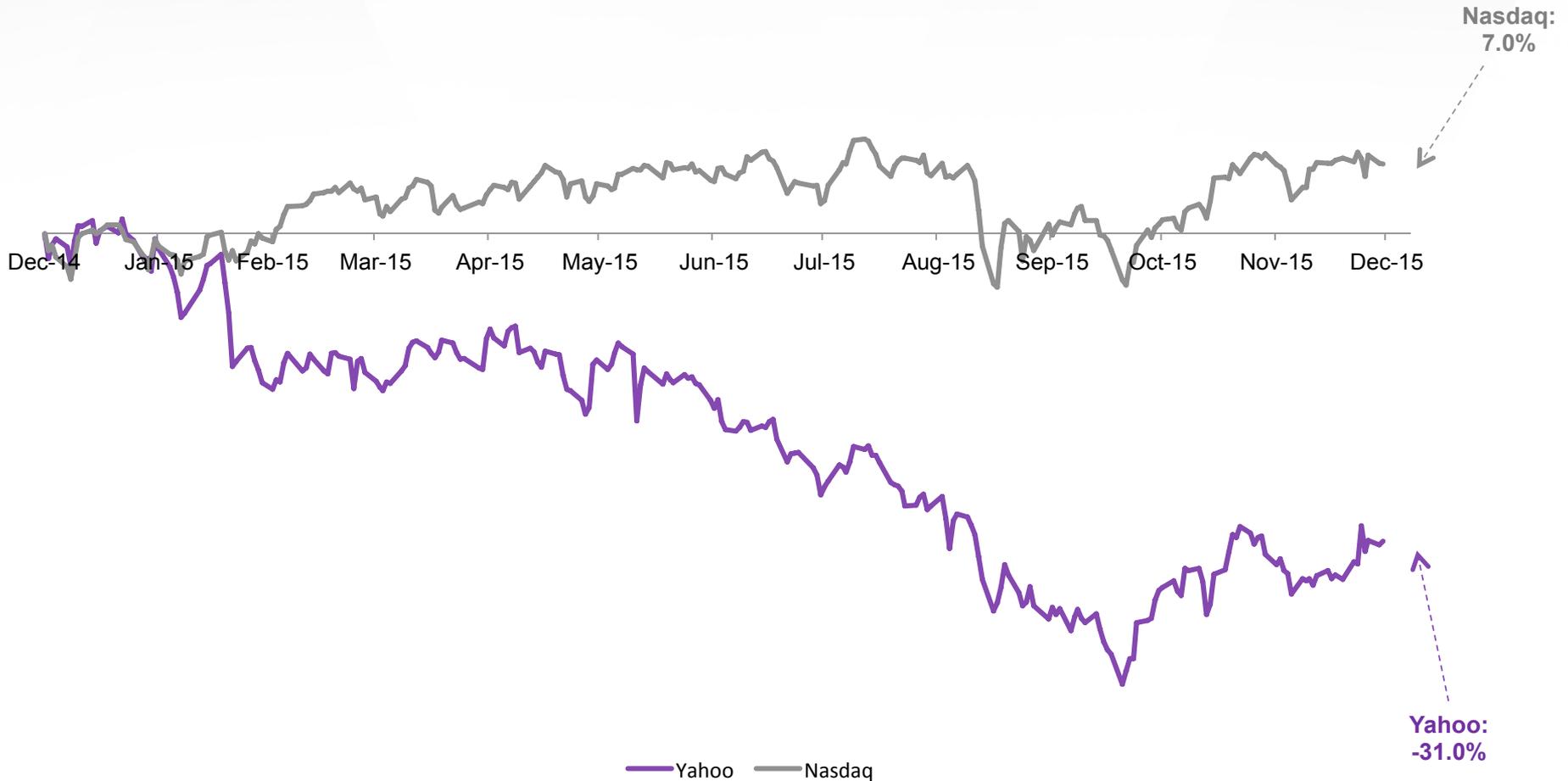
Source: Public Data; ISS Proxy Advisory Services

¹ Assumes Asian Stakes taxed at 38%

What is YAHOO! What is the “Core Business”?

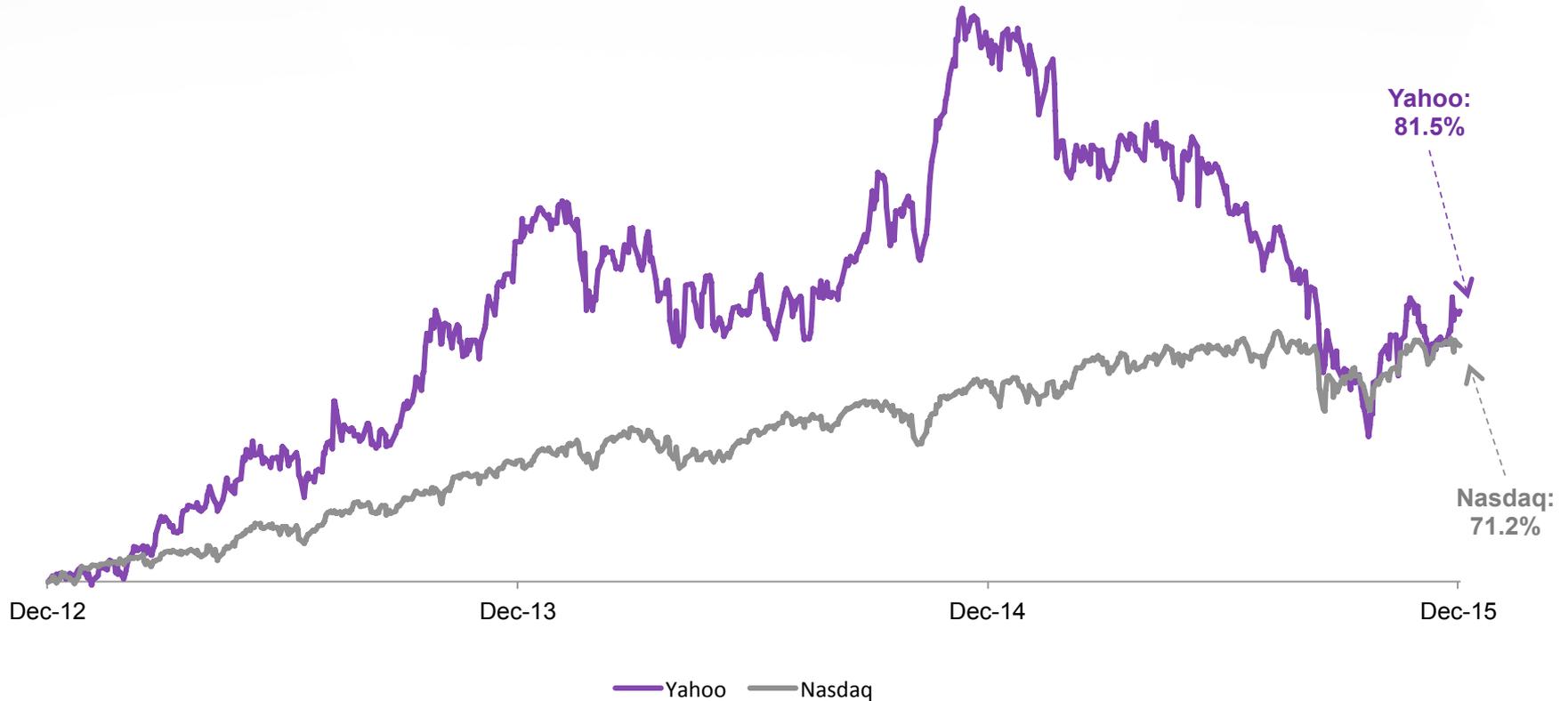
Yahoo! Inc. is a technology company. Its “Core” is engaged in providing Internet search, communication and digital content. The Company manages its business geographically: the Americas; Europe, the Middle East and Africa (EMEA), and Asia Pacific. The Company's products include Search, Communications, Digital content, Flickr, and Tumblr. Yahoo Search is a search engine which serves as a starting point to navigate the Internet and discover information, which is ranked and organized -based on their relevance to the query. Yahoo Mail connects users across mobile phones, tablets and PC. Yahoo.com offers news and information, including Yahoo original content and partner content. Flickr is a Web and mobile photo management and sharing service. Tumblr offers a Web platform and mobile applications (particularly on the iOS and Android platforms) that allow users to create, share and curate content. Yahoo is also a digital publisher and advertising technology provider.

Yahoo 1-Year Historical Chart



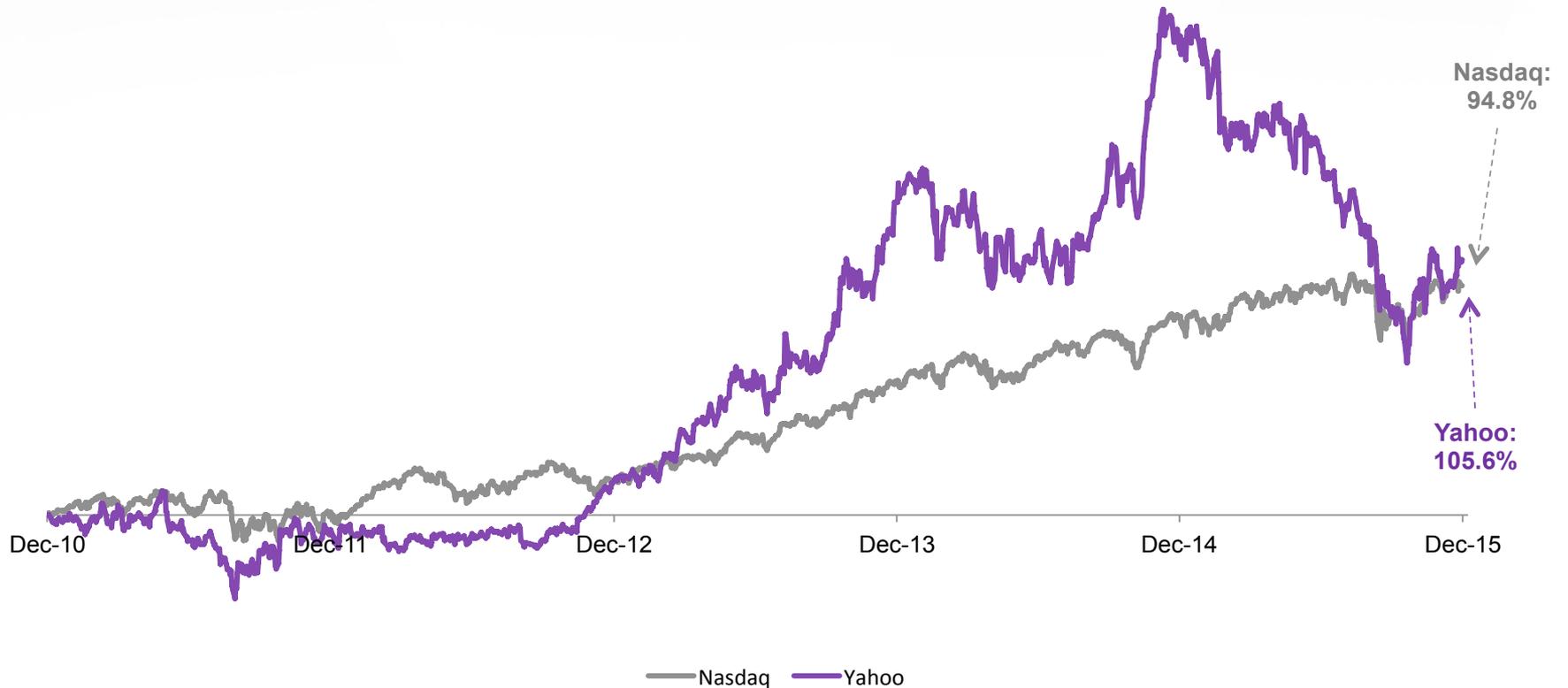
Note: As of 12/09/2015
Source: Bloomberg (1-Year Daily Price Chart)

Yahoo 3-Year Historical Chart



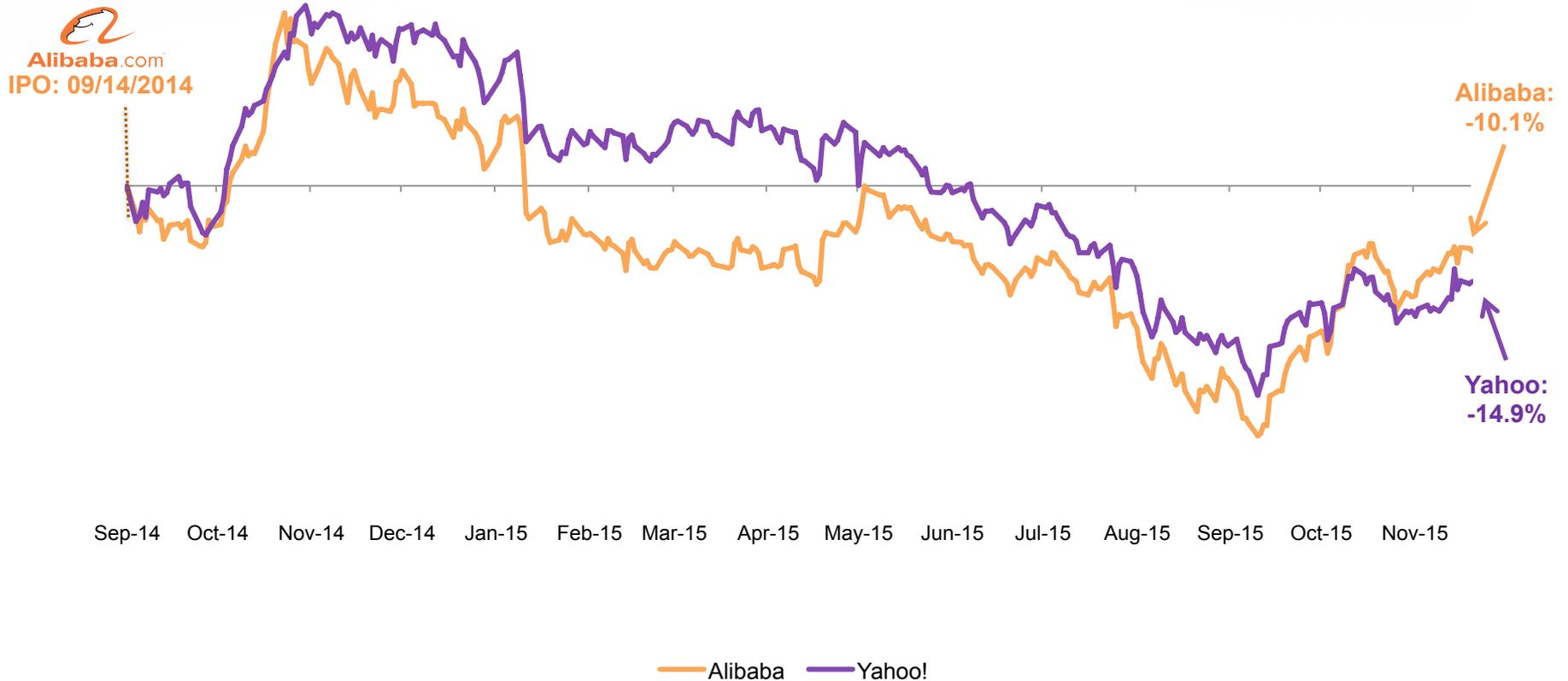
Note: As of 12/09/2015
Source: Bloomberg (3-Year Daily Price Chart)

Yahoo 5-Year Historical Chart



Note: As of 12/09/2015
Source: Bloomberg (5-Year Daily Price Chart)

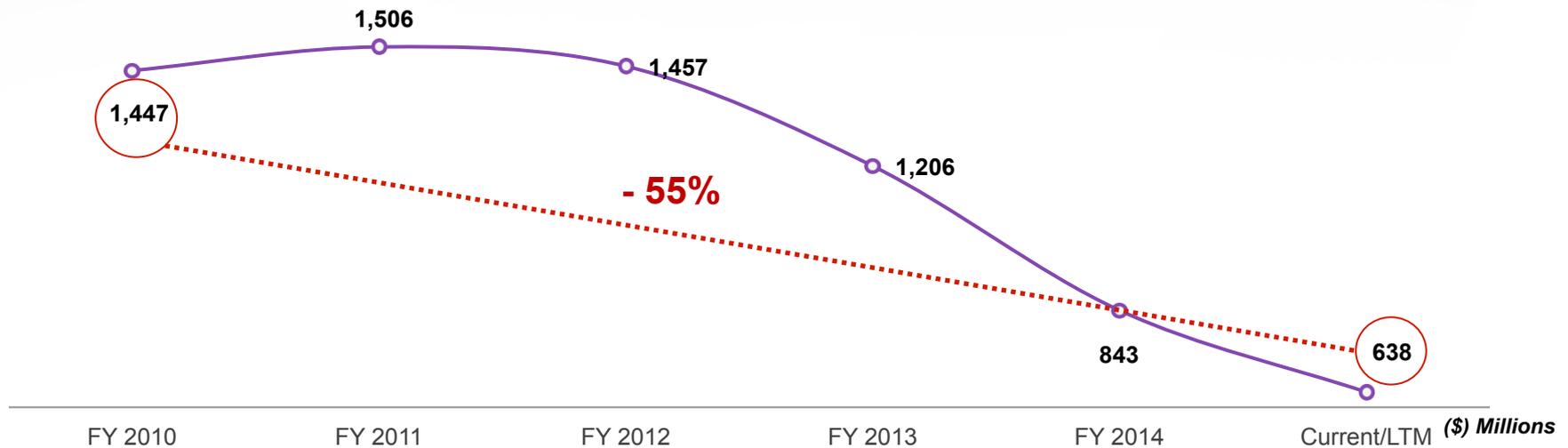
But Yahoo's Stock Has Recently Only Been A Tracking Stock For Alibaba:



Note: As of 12/09/2015
Source: Bloomberg (1-Year Daily Price Chart)

Yahoo's Core Business Is In Need Of A Turnaround:

5-Year Yahoo EBITDA Trend

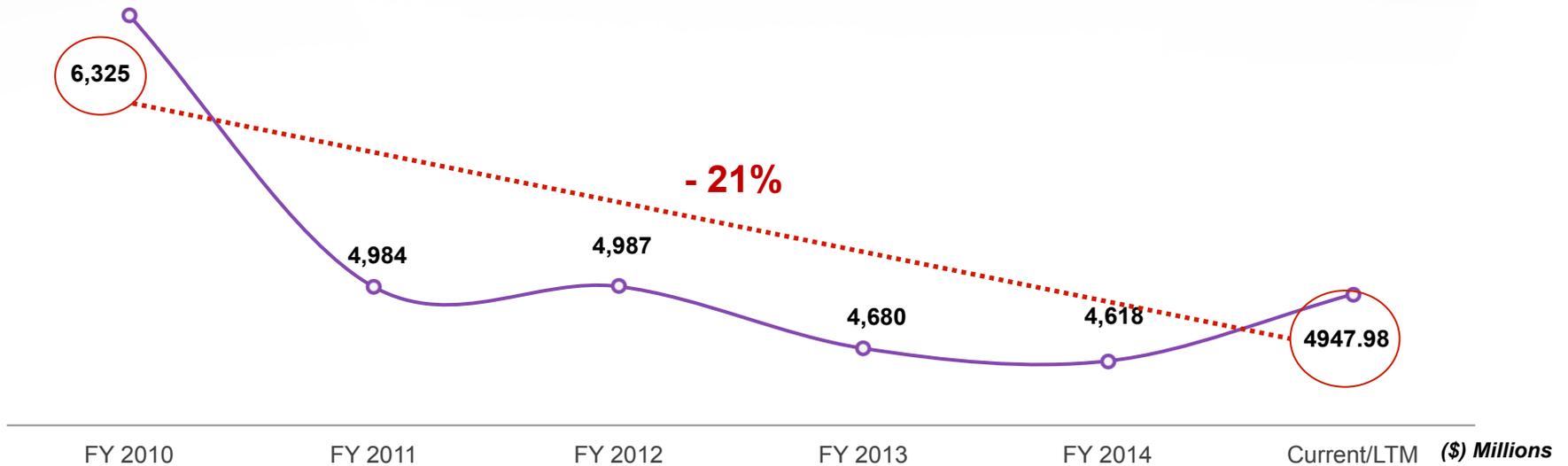


| Company | AOL | GOOG | FB | TWTR | Avg. |
|----------------------|------|------|-------|------|--------------|
| 5-Year EBITDA Growth | -40% | +97% | +444% | -86% | +100% |

Note: Current LTM as of (09/30/2015)
Source: Bloomberg

Yahoo's Core Business Is In Need Of A Turnaround:

5-Year Yahoo Revenue Trend (Including Traffic Acquisition Costs)

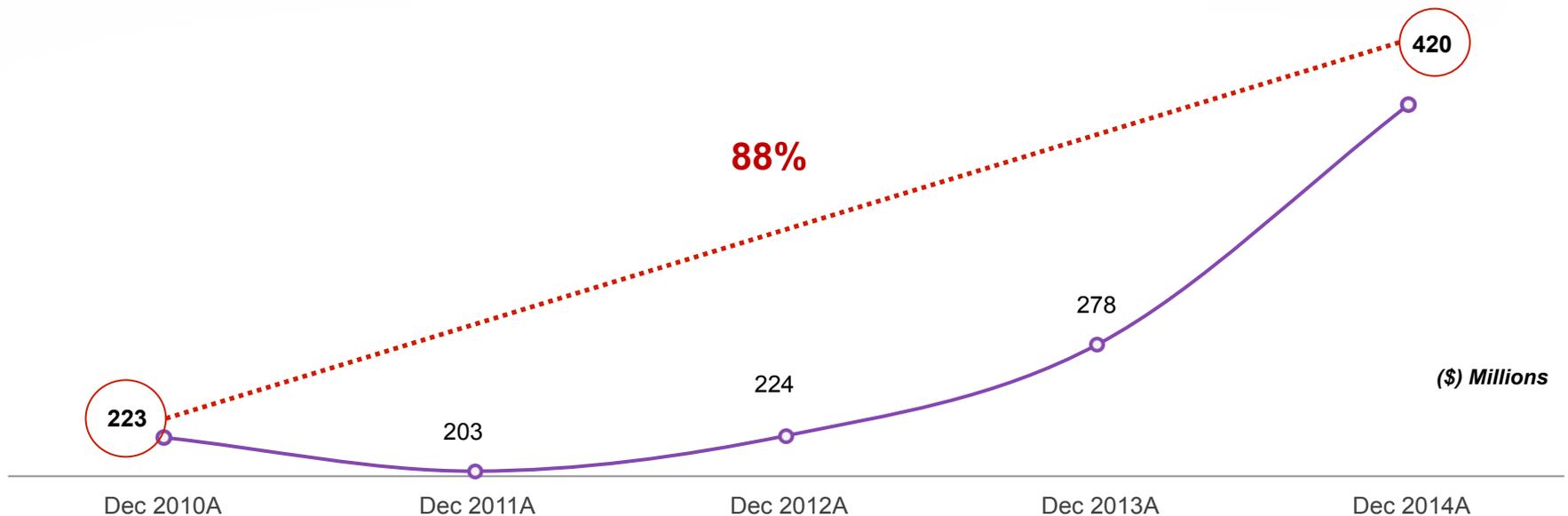


| Company | AOL | GOOG | FB | TWTR | Avg. |
|-----------------------|-----|-------|-------|-------|--------------|
| 5-Year Revenue Growth | +6% | +144% | +640% | +690% | +370% |

Note: Current LTM as of (09/30/2015)
Source: Bloomberg

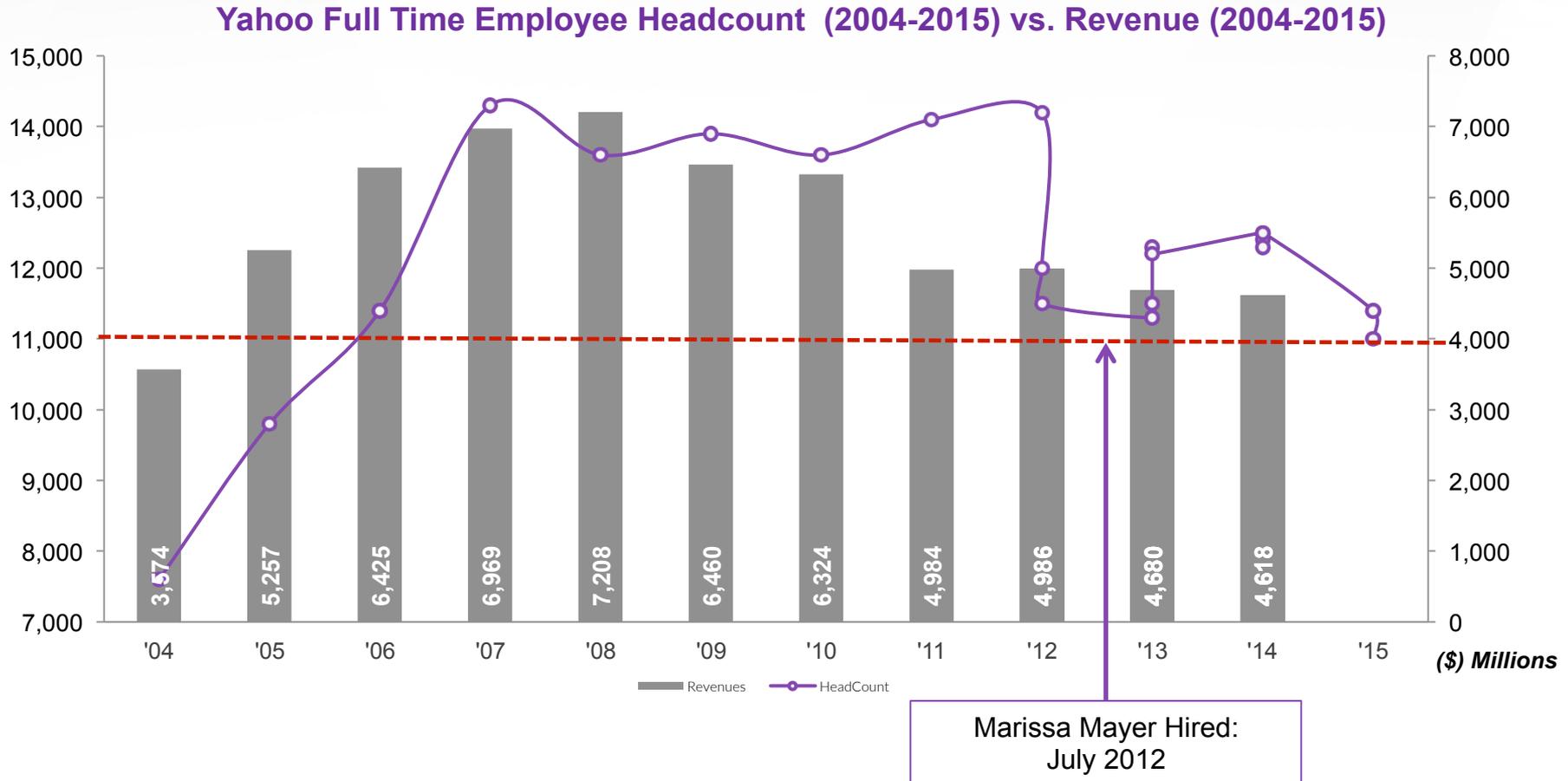
Yahoo's Core Business Is In Need Of A Turnaround:

4-Year Yahoo Stock-Based Compensation Expenses



Source: Company Filings (DEF14A)

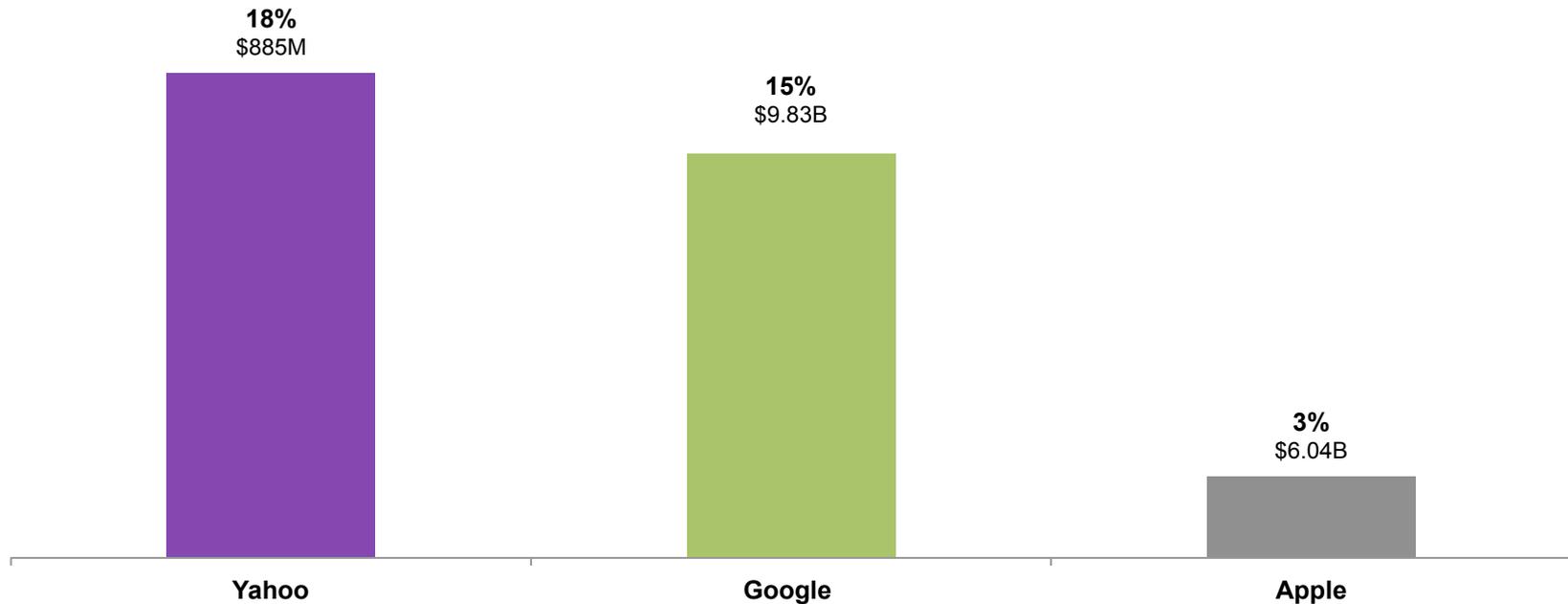
Yahoo's Headcount Still Excessively High Given Revenues:



Source: Company Filings (10K), Analyst calls

Product Development Expenses Have Yet To Pan Out

2014 R&D/Product Development Expenses as a % of Revenue



Note: As of 10/22/2015
Source: Company Filings (10K)

Selected Peer Group Comparison

| Company | Enterprise Value (\$M) | Total Revenue (\$M with TAC) | TTM EBITDA (\$M) | EV/EBITDA (Trailing) | Total Debt / EBITDA |
|---------|------------------------|------------------------------|------------------|-----------------------------------|---------------------|
| AOL | 3,920 | 2,569 | 433 | 7x | 1.0x |
| GOOG | 461,890 | 71,763 | 23,305 | 19.82x | 0.4x |
| FB | 285,450 | 15,940 | 6,600 | 42.9x | 0.01X |
| TWTR | 15,010 | 1,990 | -208 | -72.0x | -7.6x |
| YHOO | 25,600 | 4,948 | 477 | 2.2x ex-Asian Stakes Taxed at 38% | 2.6x |

Note: As of 12/09/2015
Source: Bloomberg

Private Equity Has Tried To Buy Yahoo For Cheap Before

- In 2011, before Dan Loeb announced Third Point's stake, it was reported that Silver Lake and Marc Andreessen wanted to buy Yahoo for \$16.50/share or \$18 billion¹
- Many commentators on CNBC at the time said this price sounded like a “good deal” for Yahoo shareholders because Yahoo was too hard to turn around
- If Silver Lake/Andreessen had been successful, they would have received not only Yahoo's Core Business, its \$9 billion stake in Yahoo Japan, but also its then 44% stake in Alibaba which today would be worth \$89 billion
- When you hear people say that “Yahoo should be chopped up” by private equity because Yahoo is “hopeless”, what they're really saying is that Yahoo's public market shareholders should do a wealth transfer to some private equity LPs or public holders of companies like Verizon

It's nonsense to think Yahoo can't be turned around as a public company

Source: 1. <http://allthingsd.com/20111130/yahoo-bidders-come-in-at-16-50-to-17-50-with-plan-to-keep-jerry-yang-staying-on-board/>

Starboard's "Sell At the Lows" Plan Isn't Attractive

- Starboard – a Yahoo shareholder – on Nov. 19/15 argued that Yahoo not spin off the Alibaba stake but instead sell the core business

We Disagree With Starboard's Suggestion Because:

- We don't think their "sell at the lows" argument will be compelling to either the Yahoo board or other Yahoo shareholders
- Yahoo's stock didn't increase at all the day after the letter was revealed; we believe that's because Yahoo investors don't believe Starboard's plan will work and/or won't be adopted
- We think Starboard's credibility has been substantially weakened in taking this "sell at the lows" approach
- We disagree with their projected cost savings estimates of \$370 - \$500M/year; we think at least \$2B in annual savings are possible from headcount reductions and cost cuts
- While we agree with their estimates about the deterioration of the Core, we can't understand why they would then conclude that now is the time to sell off the core business at its lowest possible value
- Starboard's plan – at best – will get Yahoo shareholders an extra \$3-4/share for their investment (Selling the core at \$6B)
- Our plan will deliver at least an additional \$30/share of value to all Yahoo shareholders

What Needs to Happen Now?

- The right turnaround plan and the right partner to help unlock the full value of Yahoo embedded in its current assets
- A turnaround for public shareholders, not a fire sale for a return and strategies wanting to buy a great asset on the cheap

Source:

1. http://www.starboardvalue.com/publications/Starboard_Value_LP_Letter_to_YHOO_08.10.15.pdf
2. http://www.starboardvalue.com/publications/Starboard_Value_LP_Letter_to_YHOO_11.19.15.pdf

The Downside Risk of Selling/Spinning The Core

- Yahoo's board announced on December 9th, 2015 that it won't continue with the planned spinoff of its Alibaba stake, as the potential tax bill for proceeding was too great a risk for the directors to assume that responsibility.
- Instead, Yahoo's board said it would be working on a plan to spin off the core business and the Yahoo Japan stake
- This would leave just the Alibaba stake as part of the Yahoo stock; the core Yahoo business and Yahoo Japan stake would trade under another ticker
- Some shareholders think Yahoo's board is now simply going to sell the core

The Problem With Simply Selling Or Spinning The Core¹:

- There is a risk – not a certainty – that if Yahoo Core is sold or spun, the stake in Alibaba would become taxable on the gains from the time of Yahoo's investment in 2005 to today under the Investment Company Act of 1940²
- Therefore, Yahoo shareholders would owe a tax bill on the gains of the Core as well as the BABA stake
- Why not instead:
 - Start the real turnaround of the Core with new management and a new board to create \$20 – 30/share in value for current shareholders?
 - Study the tax issues in more detail with the help of a partner like a Liberty?

Yahoo Shareholders Want \$30/Share More – Not \$3/Share And Full Tax On BABA

Source: 1 <http://www.thestreet.com/story/13391744/1/yahoo-shareholders-need-a-better-solution-than-the-one-just-proposed.html> 2. <https://www.sec.gov/about/laws/ica40.pdf>

A Better Plan For Yahoo Shareholders

- Rather than “sell the core at the lows,” we believe a new realistic plan and an augmented board with relevant financial and operating experience can turn around and unlock the true value embedded within Yahoo
- The notion that some in the media – who usually have no specific knowledge about Yahoo – have recklessly put forward that Yahoo is “unfixable” and that it should be simply “chopped up” and handed over for nothing to private equity or strategies is insulting to all long-term public shareholders
- Every public shareholder knows that Yahoo can do much better with the right plan and better governance
- **Selling the core for scrap value is not the answer**

If all aspects of our value creation plan are implemented by the company, and if Alibaba continues to recover, we believe that Yahoo’s shares may trade over \$100/share

A Better Plan For Yahoo Shareholders

- Re-cast Yahoo management and the board to have a clear focus on properly operating the business
- Bring In Someone Like a Liberty as a Partner through a PIPE with board representation to advise on tax and operating an Internet business for a 14x multiple
- Aggressively cut costs across the Core the way Private equity surely will
- Cut Non-Performing Businesses & Internal Search Plans
- Focus on Best Bets Moving Forward including Finance and Sports
- Milk The PC Business Longer Than Anyone Expects (a la AOL)
- Build Back The Company Day by Day and Not Through Hail Mary Expensive Acquisitions
- Reduce the share count as a sign of confidence in our plan which will benefit all shareholders

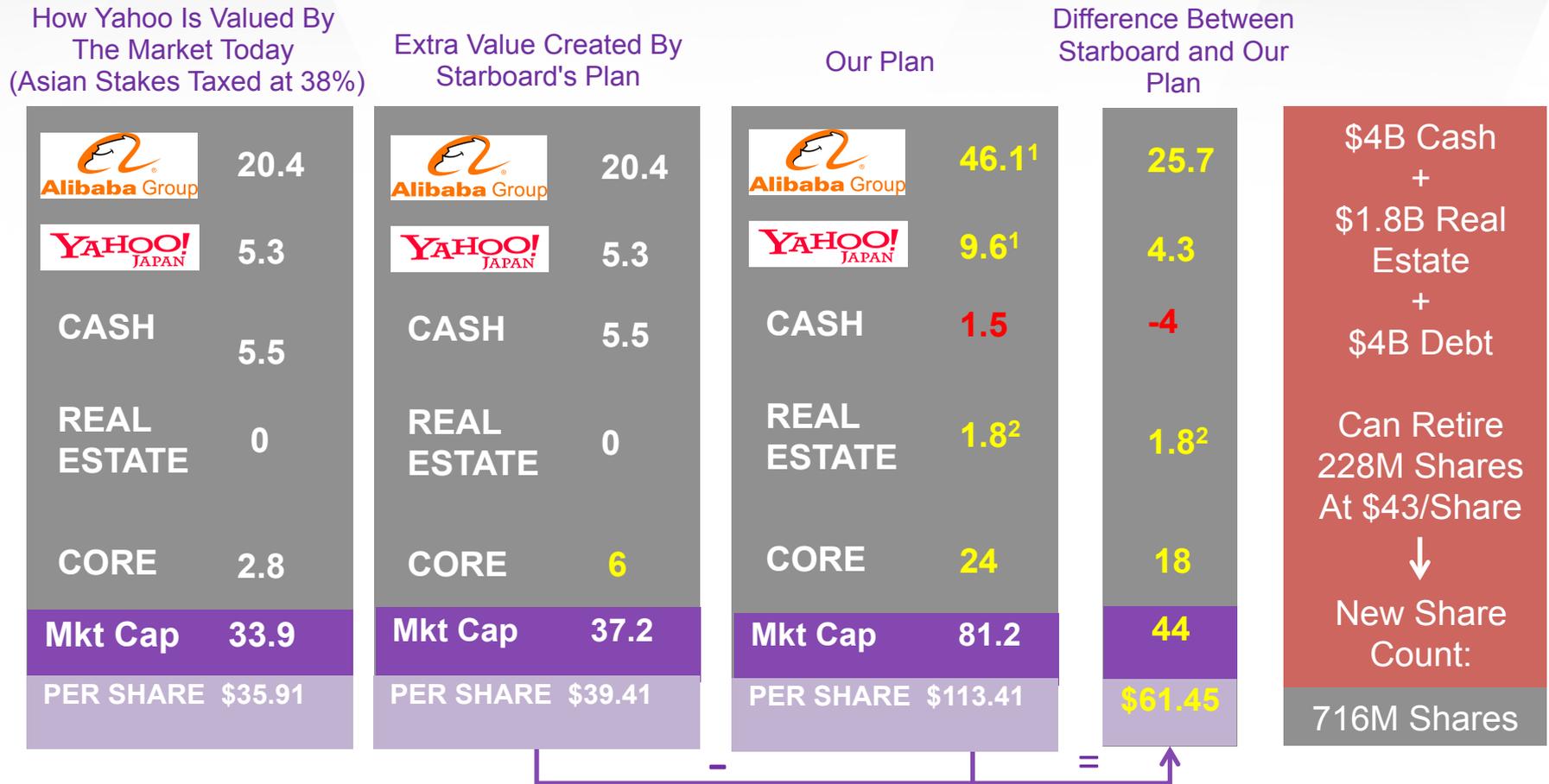
Image: Google Images

Key Drivers to Unlocking Value In Yahoo's Share Price

- Getting The Core Business EBITDA back to \$2-3B a year
 - Reducing 9,000 employees as well as free food and other expensive sponsorships would generate at least \$2B a year in EBITDA
 - The existing core business is generating \$600 million a year in EBITDA and can hopefully get back to its more historical levels of \$1B a year
 - With new operator-focused management and someone like a Liberty as a partner, we expect the core business would receive an 8x multiple on that EBITDA rather than the current 2x
 - This change would lead to an incremental \$18B in value over the current implied value of the core beyond the value for which the core could be sold today following Starboard's "sell at the lows" plan
 - Finding an optimal solution to the 384 million Alibaba shares while Alibaba tracks back to \$120/share → \$25.7B in incremental value
- Finding an optimal solution for the 35% stake in Yahoo Japan → \$4.3B in incremental value
- Optimizing the value of the Sunnyvale real estate → \$1.8B in incremental value
- Reducing the share count
- Just reorganizing the core business through cost cuts could create an extra \$30/share in value above a Starboard sell it now outcome; with a recovery in BABA shares and tax efficiencies, Yahoo could break \$100/share

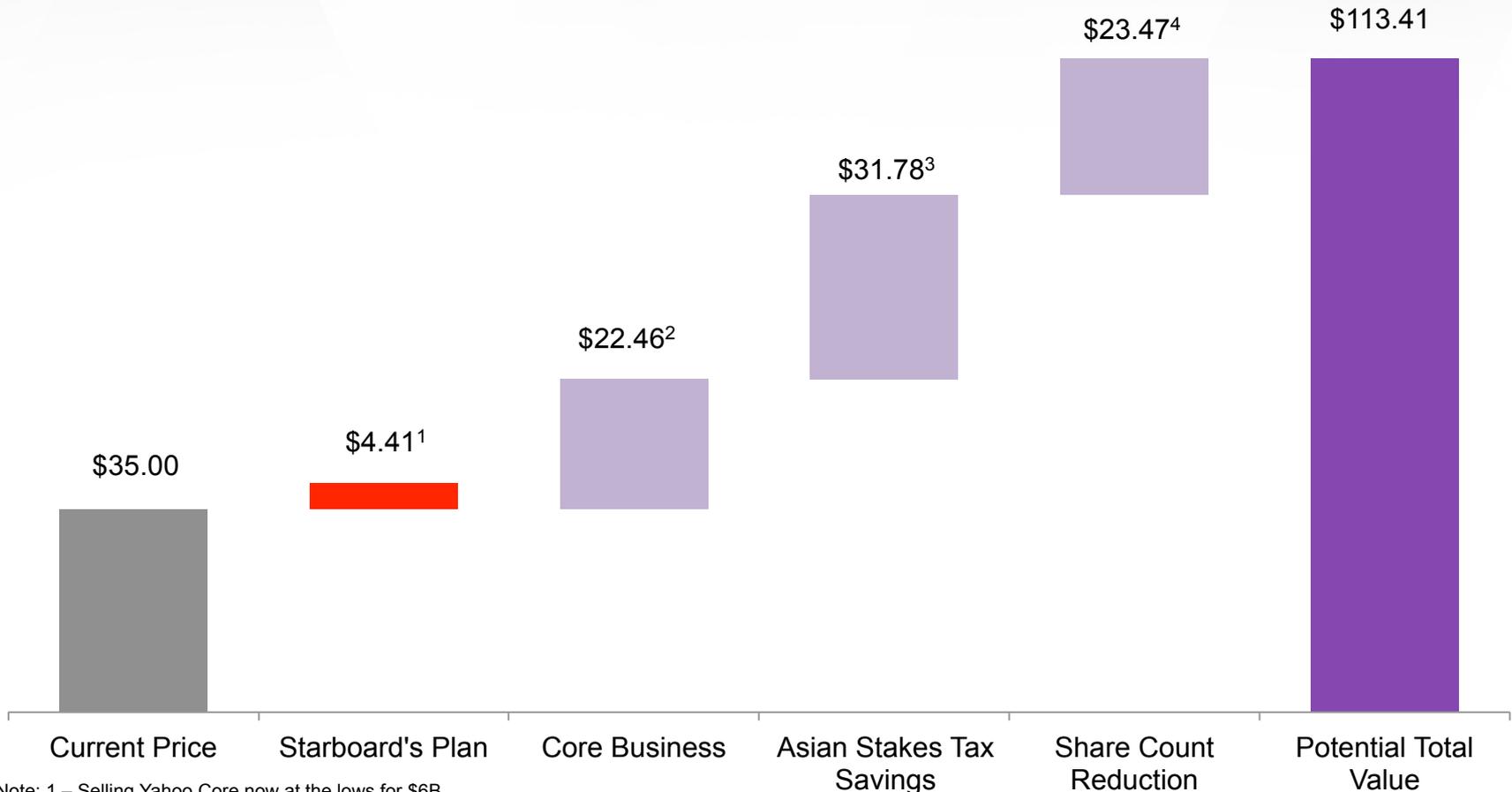
Source: SpringOwl Asset Management LLC

Key Drivers to Unlocking Value In Yahoo's Share Price (\$B Unless Noted)



If our plan is implemented by the company and just the core business is fixed (with no additional improvement in the value of the Alibaba and YJ stakes), we believe that Yahoo's stock would trade about \$60/share or more than \$30/share higher than the plan advocated by Starboard.

Starboard's Plan Sells Yahoo At The Lows; Our Plan Unlocks Meaningful Upside for Shareholders



Note: 1 – Selling Yahoo Core now at the lows for \$6B

2 – 8x EV/EBITDA Multiple for Core Doing \$3B EBITDA (\$750M Normalized EBITDA plus \$2.25B in Headcount Reductions)

3 – Through working with a Liberty-like partner to realize tax efficiencies with BABA returning to \$120/share and YJ increasing in value by 12%

4 – Retiring 228 million shares at \$43/share from \$4B cash, \$1.8B in real estate sales, and \$4B in debt

Source: SpringOwl Asset Management LLC

How Yahoo Lost Its Way

Section II

Yahoo Was Once The King Of The Internet

- When Yahoo took public shareholders' money in 1996 in their IPO, the Internet was just getting started
- The Internet was a wild and woolly place and Yahoo was there to help you make sense of it
- Consumers gravitated to Yahoo's quirky branding and trusted that the company would help them find interesting content that was meaningful to them
- They pioneered the Internet portal concept which let you come to one destination and get the bulk of the information needed

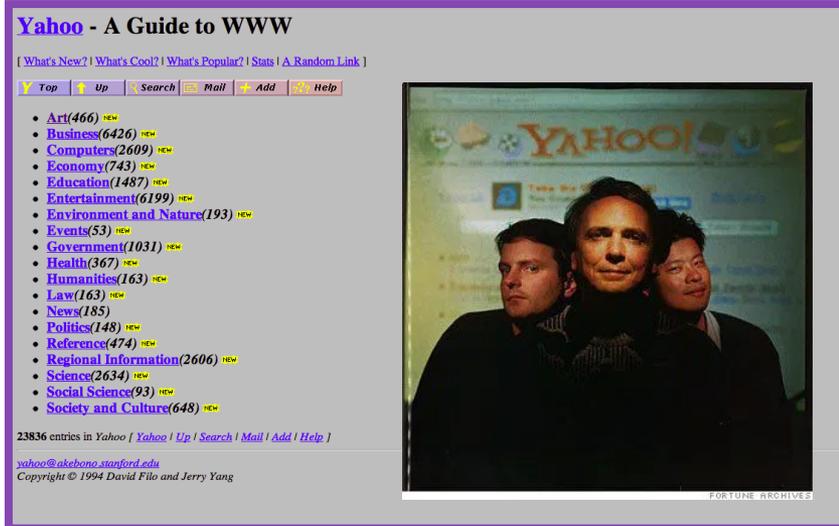


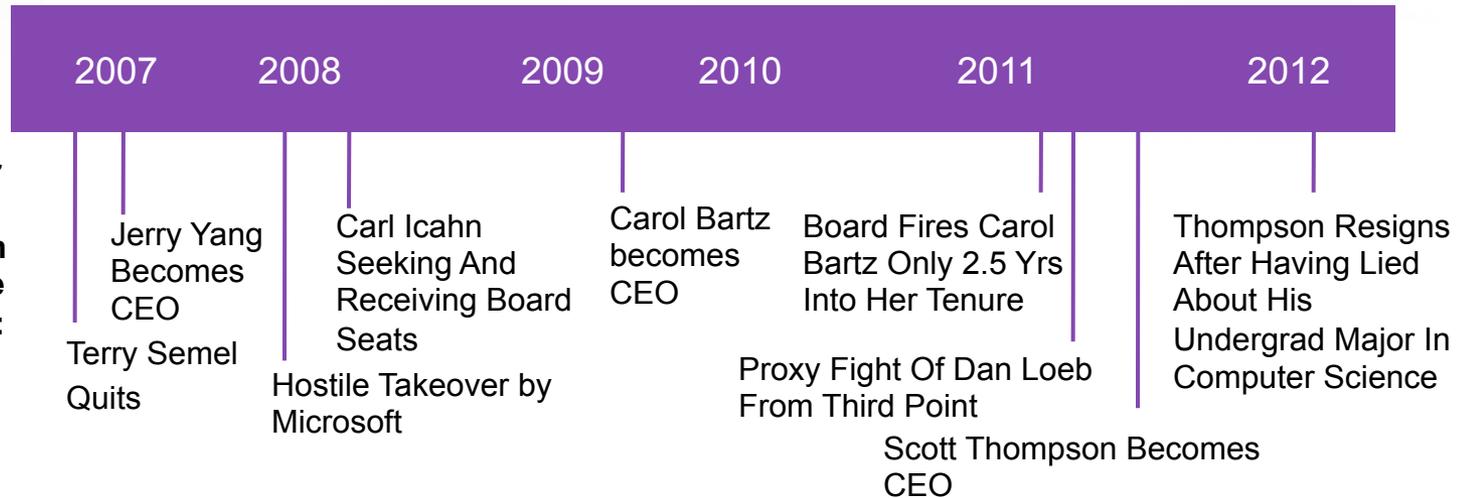
Image: Google Images



Image: Google Images

Constantly Changing Yahoo Leadership

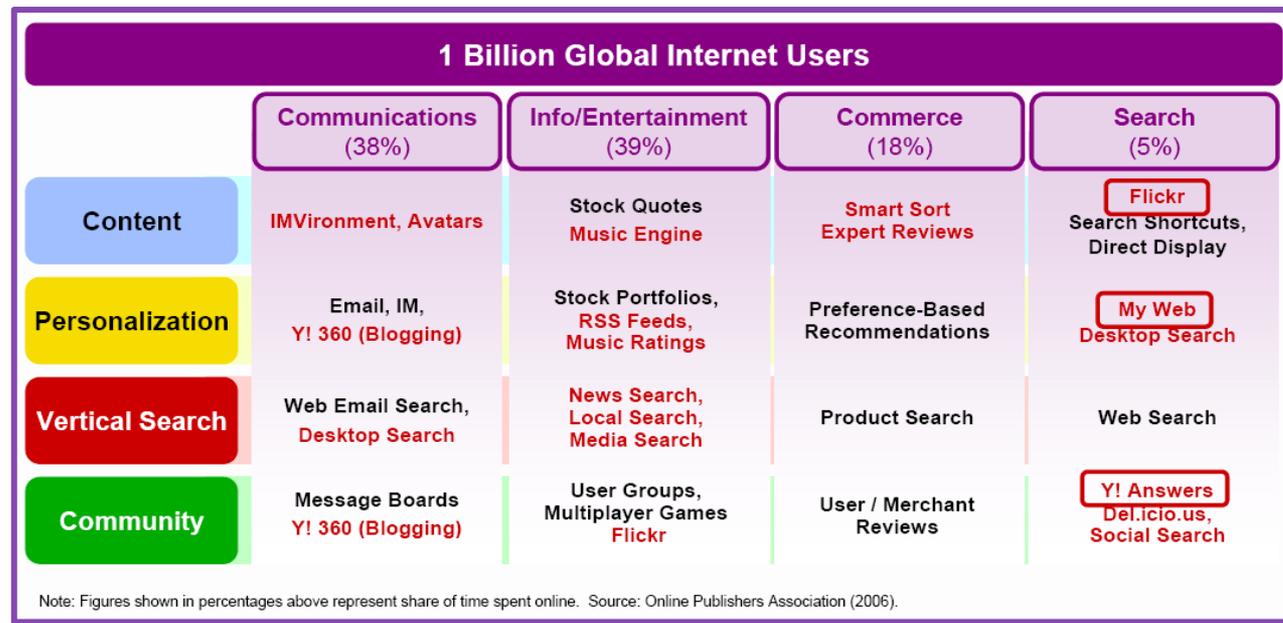
While the world has shifted from desktop revenues to mobile ones, Yahoo has experienced a number of changes in leadership, changes in the board, and outside distractions including:



Source: SpringOwl Asset Management LLC

How Yahoo Used To Make Money

- Yahoo tries to get people to get into the habit of showing up on one of their properties every day in the hope that they can a) get them on other Yahoo properties and b) show ads.
- Historically, a lot of users show up every day to check their email, the Yahoo homepage, check their portfolio on Finance, check scores and playing fantasy on Sports, and do a few searches (all boosted by search/toolbar/homepage deals)
- In the really old days, Yahoo even ventured into commerce by trying to sell people stuff
- An example of all their product categories from a decade ago is below



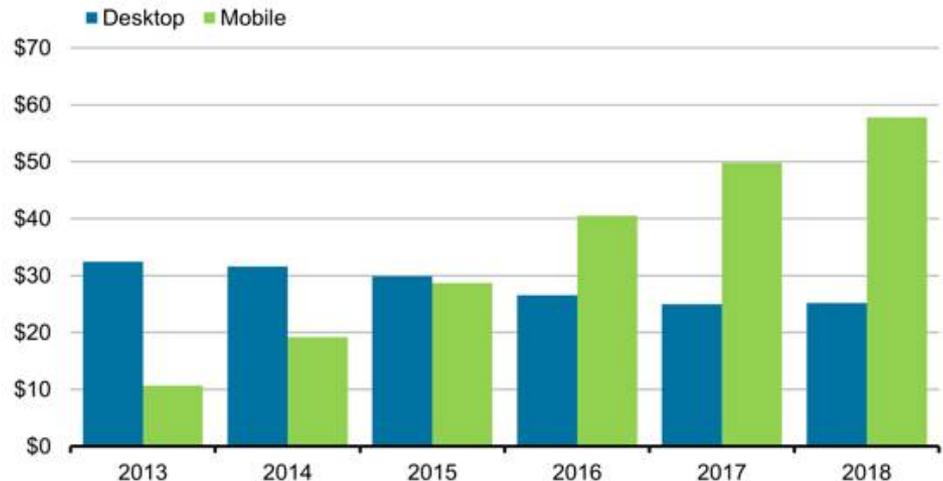
Source: Yahoo Investor Presentation, 2006

How Money On The Internet Is Made Today

- But with the transition from desktop to mobile, the reasons to come to Yahoo Properties have either atrophied or the audiences have churned.
- Yahoo mail isn't as competitive with the rise of Gmail and Apple mail
- People are messaging more via iMessage, Messenger, WhatsApp, Snapchat, Kik and others instead of emailing
- Users spend a lot of time these days on social media like Facebook and Twitter
- Yahoo has under-invested in Sports and Finance, given their size and popularity
- Users don't go to the homepage as much as they used to; therefore, they don't look at display ads or do searches as much
- These trends are only likely to increase, further hurting Yahoo

Mobile Migration

Estimated ad spending (billions)



Source: eMarketer | WSJ.com

Source: Wall Street Journal

Yahoo Hasn't Made Shift To Mobile From Desktop

YAHOO! facebook. twitter

| | YAHOO! | facebook. | twitter |
|--------|--|--|--|
| 1H2013 | "Not Material" Yahoo's Mobile Revenue | \$1,024M Facebook's Mobile Revenue | \$165M Twitter's Mobile Revenue |
| 1H2014 | \$308M Yahoo's Mobile Revenue | \$2,965M Facebook's Mobile Revenue 9.6x Bigger Than Yahoo | \$406M Twitter's Mobile Revenue 1.3x Bigger Than Yahoo |
| 1H2015 | \$485M Yahoo's Mobile Revenue | \$5,287M Facebook's Mobile Revenue 10.9x Bigger Than Yahoo | \$744M Twitter's Mobile Revenue 1.5x Bigger Than Yahoo |



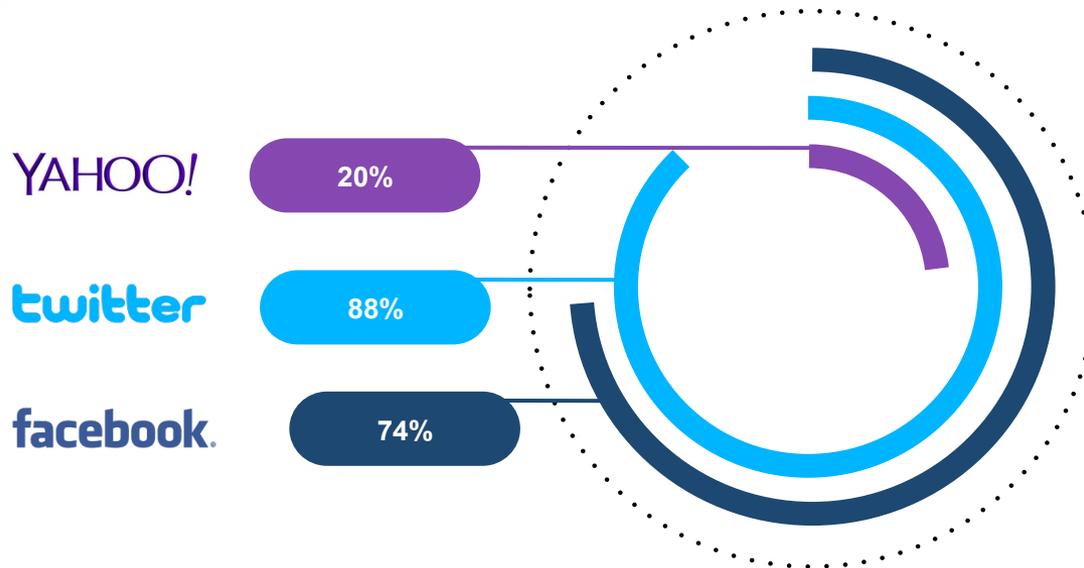
In Q315, Facebook's mobile revenue grew to 12.5x Bigger than Yahoo's¹

Source:

- <http://www.wsj.com/articles/yahoo-be-careful-playing-in-traffic-1449425043>
- Company Filings (10K)

Yahoo Says They're Doing Great In Mobile, But They Aren't On A Relative Basis

1H2015 Mobile Revenue As % Of Total Revenue¹



Source:

1. Company Filings (10K)

2. <http://www.emarketer.com/Article/Facebook-Twitter-Will-Take-33-Share-of-US-Digital-Display-Market-by-2017/1012274>

The Status Quo at Yahoo Isn't Working

Section III

Why Was Marissa Mayer Picked To Run Yahoo 4 Years Ago?



Image: Google Images

The Old Yahoo Board Thought Product-Focused Mayer Would Create More Value Long-Term Than Levinsohn



Marissa Mayer

- New Products
- More long-term value created for shareholders
- Star name
- Transformative M&A

VS.

Ross Levinsohn

- Job Cuts
- More deals with media partners like ABC, CNBC & Katie Couric like he had negotiated
- Media M&A



Tech Royalty Expected Significant Yahoo Job Cuts And Still Expects It



July 2012: “Yahoo has 18,000 employees, and on paper it should have closer to 6,000 to 8,000, [Silicon Valley tech investor legend Marc] Andreessen argues. Every analyst has noted pretty much the same thing, and to date no CEO has had the guts to cut that deeply, even as each of them have been vilified for making cuts. Will Mayer be able to do what most outside observers say is necessary?”

December 2015: “My view is that [Yahoo is] dramatically overstaffed”

Source: <https://pando.com/2012/07/16/andreessens-advice-to-marissa-mayer-cut-10000-plus-jobs/>;
<https://twitter.com/pmarca/status/673646979277131776>

What Yahoo Investors Got Instead



Marissa Mayer

- New Products
- More long-term value created for shareholders
- Star name
- Transformative M&A

Ross Levinsohn

- Job Cuts
- More deals with media partners like ABC, CNBC & Katie Couric like he had negotiated

VS: Media M&A



The Result?



- No new products
- Less value ascribed to the Core Business
- Ineffective M&A
- Job Increases Before Voluntary Attrition
- More deals with media partners like ABC, CNBC & Katie Couric like he had negotiated
- Essentially, Yahoo shareholders got a watered down version of the Media strategy and a less valuable Yahoo

\$10 Billion in Misallocated Capital Is A Poor Choice

“We’re really proud of our record on capital allocation”
– Marissa Mayer, 12/09/15¹

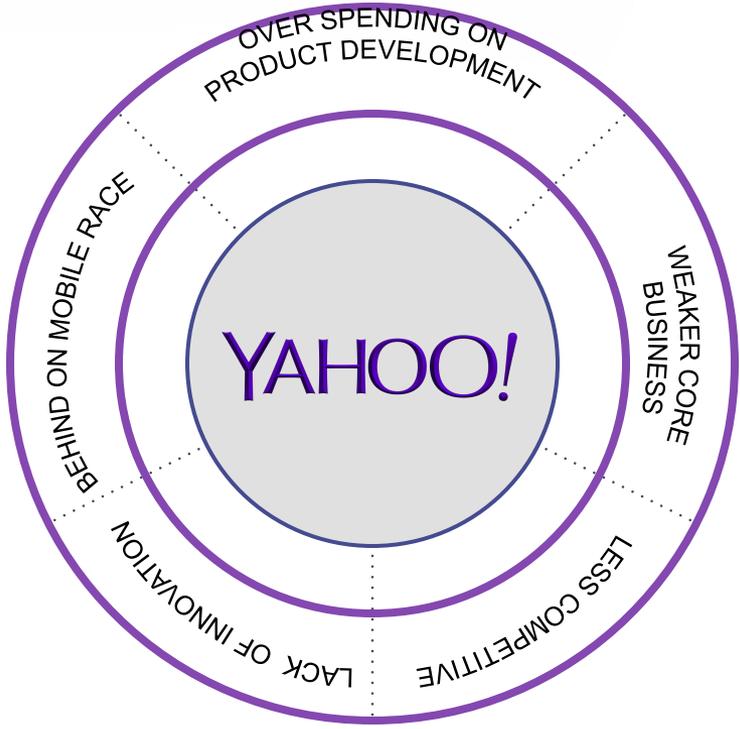
-\$2.5B
in value destroyed on Under-water
Stock Purchases Made Since Dan
Loeb left the board in July 2013

-\$3B
spent on M&A Valued at Zero Today
By Investors

-\$4B
spent on Product Development/R&D
leading to No New Successful
Products



-\$9.5B
in Misallocated Capital
Since 2012



Source: Company Filings (10K) / 1. <http://video.cnn.com/gallery/?video=3000464388>

\$3B In Recent M&A Is Valued By Investors at Zero In Yahoo's Current Stock Price

Acquisitions at Yahoo Over the Past 4 Years:



This M&A has resulted in Zero Additional Value Implied in the Core Business For Yahoo Shareholders

Source: SpringOwl Asset Management LLC

Accounting for the \$3 Billion In Mayer M&A

| Acquisition Date | Company | Business | Value |
|------------------|------------------------|---------------------------------|----------|
| Oct-12 | Stamped | Social recommendation | \$3M |
| Dec-12 | OnTheAir | OnTheAir | \$4M |
| Jan-13 | Snip.it | Social network | \$10M |
| Feb-13 | Alike | Social recommendation | \$1M |
| Mar-13 | Jybe | Social recommendation | \$1M |
| Mar-13 | Summly | News aggregation, summarization | \$30M |
| May-13 | Astrid | Productivity | \$2M |
| May-13 | GoPollGo | Real-time surveys | \$1M |
| May-13 | MileWise | Flight rewards management | \$2.5M |
| May-13 | Loki Studios | Mobile gaming | \$1M |
| May-13 | Tumblr | Blogging | \$1,100M |
| May-13 | PlayerScale | Online gaming | \$1M |
| Jun-13 | GhostBird Software | Mobile Photography Apps | \$1M |
| Jun-13 | Rondee | Video Conferencing | \$1M |
| Jul-13 | Bignoggins Productions | Fantasy Sports | \$1M |
| Jul-13 | Qwiki | Automated Video Production | \$50M |
| Jul-13 | Xobni | CRM | \$60M |
| Jul-13 | Ztelic | Social Analytics | \$1M |
| Jul-13 | Lexity | ecommerce Analytics | \$35M |
| Aug-13 | Rockmelt | News Aggregator | \$70M |
| Aug-13 | IQ Engines | Image Recognition | \$4M |
| Sep-13 | Hitpost | Sports | \$2M |

Source: Wikipedia; public reports; 10-K filings; Crunchbase VC \$ raised

Accounting for the \$3 Billion In Mayer M&A (Cont.)

| Acquisition Date | Company | Business | Value |
|------------------|-----------------|---|--------|
| Oct-13 | Bread | Advertising | \$3.5M |
| Oct-13 | LookFlow | Image Recognition | \$1M |
| Dec-13 | SkyPhrase | Natural Language Processing | \$1M |
| Dec-13 | Ptch | Video sharing | \$7M |
| Dec-13 | EvtLive | Live and on demand music playing | \$2.3M |
| Dec-13 | Quik.io | Cross Platform Video Streaming | \$1.3M |
| Dec-13 | PeerCDN | Content Delivery Network | \$1M |
| Jan-14 | Aviate | Intelligent homescreen for the Android OS | \$80M |
| Jan-14 | SPARQ | Mobile Marketing | \$1.7M |
| Jan-14 | Cloud Party | Virtual world gaming | \$1M |
| Jan-14 | Tomfoolery | Conversation platform | \$16M |
| Jan-14 | Incredible Labs | Time Management App | \$1M |
| Feb-14 | Wander | Social Diary | \$1.2M |
| Feb-14 | Distill | Technical Recruiting | \$1.3M |
| Mar-14 | Vizify | Social media information transformation | \$1.5M |
| May-14 | Blink | Mobile Messaging | \$1M |
| Jun-14 | PhotoDrive | Photo Management | \$1M |
| Jul-14 | RayV | Video Streaming Platform | \$16M |
| Jul-14 | Flurry | Mobile Analytics | \$300M |
| Aug-14 | ClarityRay | Ad Security | \$1M |
| Sep-14 | Luminate | Advertising | \$30M |
| Sep-14 | Bookpad | Document Handling | \$15M |
| Oct-14 | LittleInc | Messaging App | \$1M |
| Nov-14 | BrightRoll | Online Video Advertising | \$715M |
| Nov-14 | Cooliris | Photo Viewing | \$28M |
| Dec-14 | Media Group One | Advertising and online video | \$1M |
| Jul-15 | Polyvore | Clothing E-commerce website | \$230M |

Total: \$2.8 Billion

Source: Wikipedia ; public reports; 10-K filings; Crunchbase VC \$ raised

A Tale Of Two Acquisitions: Instagram vs. Tumblr

Instagram

| | |
|-------------------------------------|----------------------------------|
| Price Paid: | \$1B¹ |
| When: | April , 2012¹ |
| Users (Date of Acquisition): | +30M (2012)¹ |
| Current Users: | +400M³ |
| Estimated Revenue Today: | \$110m (2015)² |
| Estimated Value Today: | \$35B (2014)³ |

tumblr.

| | |
|-------------------------------------|----------------------------------|
| Price Paid: | \$1.1B⁴ |
| When: | May, 2013⁴ |
| Users (Date of Acquisition): | ≈260M (2013)⁴ |
| Current Users: | ≈400M⁴ |
| Estimated Revenue Today: | \$100M (2015)⁵ |
| Estimated Value Today: | \$0 Implied |

Source:

1.WSJ, Insta-Rich: \$1 Billion for Instagram, 2012.

2.Market Watch, Instagram Revenue Forecast To Triple, 2015

3. Citi Group; <http://www.wired.com/2015/09/instagram-now-tops-400-million-users-40-billion-photos/>

4. Fortune, Was Yahoo's Tumblr acquisition a flop?, 2014

5. The Guardian, Tumblr audience up to 420m as Yahoo predicts \$100m revenues in 2015

A Tale Of Two Acquisitions: Instagram vs. Tumblr

Instagram

| | |
|-------------------------|---------------------|
| Current App Store Rank: | #3 |
| Highest App Store Rank: | #1 |
| Date of Highest Rank: | Dec 26, 2014 |
| How Long Ago? | Day after Christmas |

tumblr.

| | |
|-------------------------|---------------------------|
| Current App Store Rank: | #104 |
| Highest App Store Rank: | #12 |
| Date of Highest Rank: | June 21, 2013 |
| How Long Ago? | 1 Month Post-Yahoo Buying |

The Day Yahoo Bought Tumblr Was Virtually The Day Tumblr Started To Plummet In the App Store Rankings

Mayer Has a History Of Buying Companies Run By Former Google APM Members

- In 2003, Marissa Mayer started a program at Google called Associate Product Manager (APM)
- The two-year rotational program was designed to flag the “best and brightest” at Google and give them increased responsibilities as well as many travel opportunities and perks
- Mayer oversaw the program while at Google and many considered her their mentor
- And she’s created a similar program at Yahoo: <http://yahooapms.tumblr.com/what-is-the-apm-program>
- A decade later, Mayer now has used Yahoo’s shareholders’ cash to buy companies run by former APM members including:



Jess Lee of Polyvore
(standing in a tree):

a fashion website for \$230 million



Paul Montoy-Wilson of Aviate:
a Google Now knock-off for \$80 million



Enrique Munoz Torres:
was an early direct hire by Mayer and is now SVP of Search (even though Yahoo exited the Search biz in 2009)

Source: www.nytimes.com/2015/05/fashion/will-the-met-gala-make-fashion-love-yahoo.html

It's Not Acceptable To Pay \$230M For Zombie Companies Run By Former APM Members

- Polyvore was an 8 year old company which has gone through multiple pivots
- It raised \$22M over 3 rounds and was widely seen as a failure or part of the Silicon Valley “walking dead”
- Its CEO, Jess Lee, had known Mayer since she joined Google’s APM program more than 10 years ago and used Mayer as a mentor
- Anonymous sources have told us that no Yahoo employees beyond Mayer wanted to do this deal through Yahoo’s “deal review” process
- Mayer pushed for this deal at \$230M even though there’s no belief that Polyvore deserves that valuation; Yahoo should show its shareholders the Polyvore financials and justification for this price paid

YAHOO!



Google



polyvore™

Source:

1. <http://www.businessinsider.com/polyvore-ceo-jess-lee-influenced-by-marissa-mayer-2015>
2. <http://www.bloomberg.com/news/articles/2015-08-03/yahoo-said-to-pay-230-million-for-shopping-site-polyvore>

No New Yahoo Products: The Livetext Fiasco

- The Livetext app was described by some at Yahoo as their Snapchat- and Instagram-killer
 - The app allowed you to text with someone and see their faces but not hear them
 - It was released on July 30, 2015
 - The day after its release, Livetext was ranked #132 on the App Store overall rankings but then quickly fell off the list
-
- It is no longer on any App Store ranking list
 - It's unclear how much of this year's nearly \$1 billion product development budget at Yahoo went towards launching Livetext but it was clearly unsuccessful



Image: Google Images

Source: www.nytimes.com/2015/05/fashion/will-the-met-gala-make-fashion-love-yahoo.html

Yahoo's Product on Snapchat Discover Was So Bad, Snapchat Fired Yahoo 6 months After Launch

- Snapchat Discover is one of the hottest new platforms for consuming news
- Yahoo was one of a precious few launch partners on Discover on January 27, 2015
- Inexplicably, Yahoo decided to make Katie Couric the face of their Discover channel
- Jay Yarow of Business Insider immediately knew something was wrong¹
- 10 days after the launch, Eric Jackson pointed out in Forbes that this was a terrible decision by Yahoo²
- 5 months later, Snapchat dropped Yahoo from Discover because the traffic was so low³
- All the more embarrassing, the partner who replaced Yahoo on Discover – BuzzFeed – now gets 21% of its content traffic from Snapchat Discover⁴



"This is not rocket science. What market research was done by Yahoo to determine Katie Couric should be the face of them on Snapchat?"

- Eric Jackson, Feb 7, 2015, Forbes



Image: Google Images

Source:

1. <https://twitter.com/jyarow/status/560097969475977216>
2. <http://www.forbes.com/sites/ericjackson/2015/02/07/why-is-katie-couric-doing-yahoo-news-on-snapchat-discover>
3. <http://adage.com/article/digital/snapchat-drops-yahoo-warner-music-discover/299682/>
4. <http://www.businessinsider.com/buzzfeed-gets-21-of-its-traffic-from-snapchat-2015-9>

Digital Magazines: OK But Not Moving The Needle

- Mayer has constantly pushed the idea of Yahoo's 'digital magazines' as an example of a new Yahoo product which would lead the company back to relevance. Yet, 4 years later the results are underwhelming
- "It's not something that's been on the radar" – Alan Smith, Chief Digital Officer at Media Agency Assembly
- Yahoo recently put Martha Nelson, previously longtime Time Inc. senior editorial, in charge of its overall media strategy in August²

An Average of

12.7M

Monthly Unique Viewers Vertical

THE
HUFFINGTON
POST

200M Monthly Visitors³

BuzzFeed

180M Monthly Visitors⁴

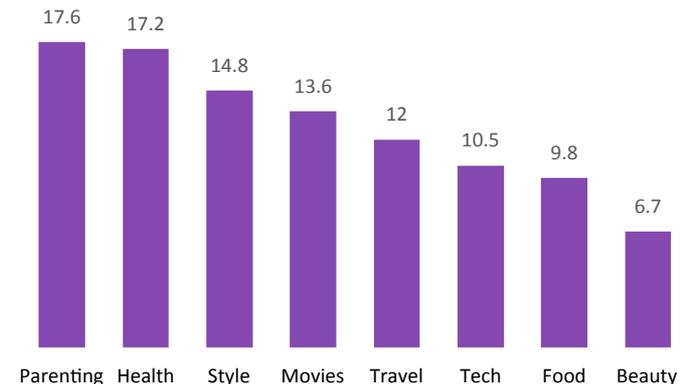
BUSINESS INSIDER

72M Monthly Visitors⁵

ESPN

17M Monthly Visitors⁶

Traffic of Yahoo's digital verticals¹



Monthly unique, in millions

Source:

1. <http://digiday.com/publishers/yahoo-fails-impress-digital-magazines/>
2. <http://variety.com/2015/digital/news/yahoo-martha-nelson-media-1201626127/>
3. <http://adage.com/article/media/huffington-post-broke-146-million-revenue/299293/>
4. http://www.buzzfeed.com/buzzfeedpress/buzzfeed-reaches-more-than-130-million-unique-visitors-in-no#_nuMOMZWDp
5. <http://fortune.com/2015/09/29/facts-business-insider/>
6. <http://espnmediazone.com/us/espn-inc-fact-sheet/>

Gemini: Still A Work In Progress

Gemini: What Is It?

In 2013, Yahoo introduced the world to “Stream Ads”. This was Yahoo’s first step towards creating its own native advertising solution. Yahoo Stream Ads, which are designed to blend seamlessly into the content around it, are used in personalized content streams across the Yahoo run sites

Yahoo said on December 9th that Gemini is now at a \$500 million revenue run rate but has never given any financial details to demonstrate this product's success and hasn't said how much of the \$500 million run rate comes from cannibalizing other Yahoo revenues

What People Familiar With the Gemini Product are Saying About It:

- “It’s 3 years behind Facebook and Google”
- “Why are they investing in Search and making search part of it?” “They don’t understand search”
- “Until they reverse their user and engagement trends, their ad products don’t matter”
- “They need to consolidate one ad tech platform like Google has AdWords. Cross-integrate it.”
- “They have all the data they need but they don’t employ people to understand how to analyze it”
- “The revenue they claim to have here replaced Display ads which were higher margin.”
- “Flurry people are great at analytics but don’t understand how to monetize”
- “We don’t understand why they recently renegotiated the Microsoft search deal the way they did”
- “Why aren’t they building a Syndication Team to sell display ads for others?”
- “For employing so many people, they don’t know a lot”

Source: SpringOwl Asset Management LLC

Yahoo Has Promised To Re-create Mobile Search

- Yahoo has said that it thinks it can do mobile search better than Google
- Yahoo's search efforts are led by a former Googler: 34 year old Enrique Munoz Torres
- Munoz is the SVP of Search even though ex-Yahoo CEO Carol Bartz outsourced Search to Microsoft in 2009 and all Yahoo search staff left the company
- Yet now, Munoz's Search group is "one of the largest groups within the company"¹
- Munoz said his large group is trying to "figure out what search ought to mean"
- Yet, his group has only been working on it since August
- The product also reportedly will not be ready until 2017
- If this search group is 3,000 people and it will take until mid-2017 to launch this product, it will cost the company shareholders \$1.5 Billion
- We believe this is an inefficient use of shareholders' capital

Source: 1. <http://www.ozy.com/rising-stars/is-yahoo-really-trying-to-beat-google/65377>

The Shift to Mobile: Current Yahoo Apps In App Store Rankings

Only 2 Apps in Top 100 Overall:



Yahoo Mail



Tumblr

- Except for Tumblr, all apps pre-date Mayer
- According to TheInformation, Mail, Tumblr & Search have 10 million DAUs to its apps and mobile web properties; and Fantasy and Sports crack 10 million DAUs in the Fall and Winter

App Store Rankings For iPhone:

Reference Apps Rankings



Yahoo Search

Photography Apps Rankings



Flickr

Finance Apps Rankings



Yahoo Finance

Sports Apps Rankings



Yahoo Sports

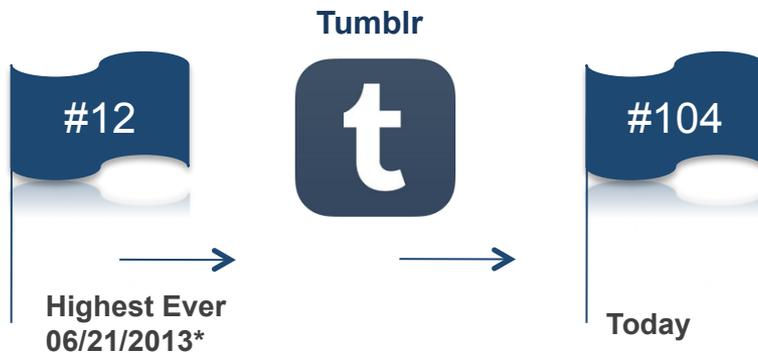
Sports Apps Rankings



Yahoo Fantasy

Source: App Store Rankings for iPhone as of 10/27/15; <https://www.theinformation.com/whats-left-at-yahoo?shared=19695e>

And The Yahoo Apps Are Dropping Fast In iPhone App Store Rankings



Note: * One month after Yahoo paid \$1.1B for it
As of 10/27/2015
Source: Apple App Store

And The Yahoo Apps Are Dropping Fast In iPhone App Store Rankings



Note: As of 10/27/2015
Source: Apple App Store

Yahoo Hasn't Made Shift To Mobile From Desktop

YAHOO! facebook. twitter

| Period | YAHOO! | facebook. | twitter |
|--------|--|--|--|
| 1H2013 | "Not Material" Yahoo's Mobile Revenue | \$1,024M Facebook's Mobile Revenue | \$165M Twitter's Mobile Revenue |
| 1H2014 | \$308M Yahoo's Mobile Revenue | \$2,965M Facebook's Mobile Revenue 9.6x Bigger Than Yahoo | \$406M Twitter's Mobile Revenue 1.3x Bigger Than Yahoo |
| 1H2015 | \$485M Yahoo's Mobile Revenue | \$5,287M Facebook's Mobile Revenue 10.9x Bigger Than Yahoo | \$744M Twitter's Mobile Revenue 1.5x Bigger Than Yahoo |

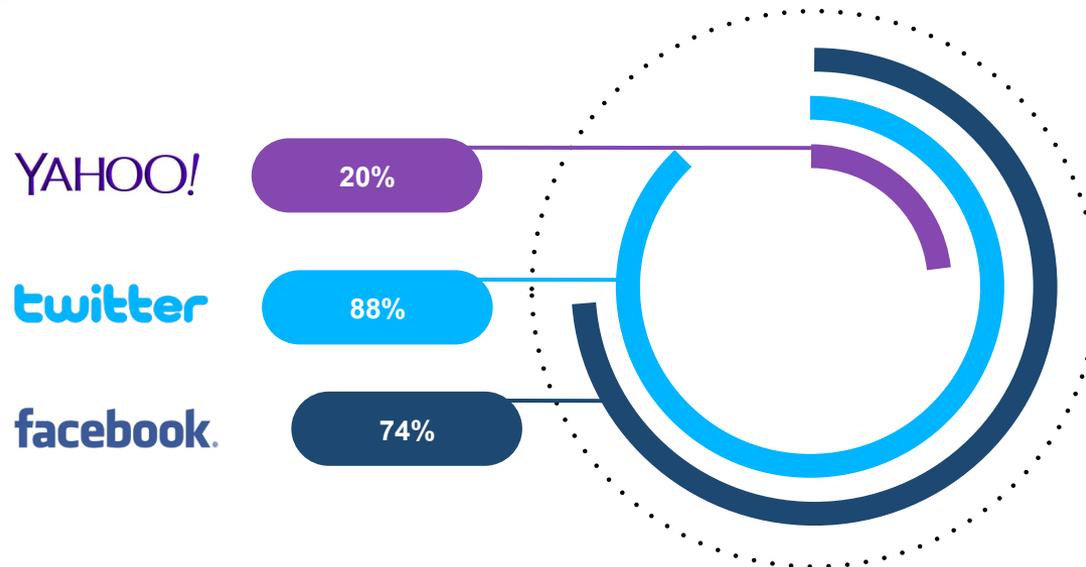


In Q315, Facebook's mobile revenue grew to 12.5x Bigger than Yahoo's¹

Source: Company Filings (10K) – 1- <http://www.wsj.com/articles/yahoo-be-careful-playing-in-traffic-1449425043>

Yahoo Still Lags Far Behind Its Peers In Mobile

1H2015 Mobile Revenue As % Of Total Revenue



Source:

1. Company Filings (10K)
2. <http://www.emarketer.com/Article/Facebook-Twitter-Will-Take-33-Share-of-US-Digital-Display-Market-by-2017/1012274>

Mayer's Executive Compensation Package:

- **Mayer is on track to receive \$365 million for 5 years of work at Yahoo** if she stays on for another year and a half (including her “Make Whole” payments for leaving Google) and the stock ends those 5 years at \$40.34
- The vast majority of that total compensation is based on Yahoo's stock price which is effectively a proxy for the value of Alibaba
- The only component of her total compensation tied to Yahoo performance is the annual target bonus of \$2 million or \$12 million over the 5 years or 3.3% of the \$365 million total

Source:

1. <http://www.forbes.com/sites/ericjackson/2014/08/17/marissa-mayers-compensation-and-stock-selling-not-linked-to-performance/>
2. Company filings (10K & DEFA14)

Mayer's Executive Compensation Package:

Components of Mayer's Expected 5 Year Compensation assuming stock price at \$40.34/share:

- Base Salary: \$1M annually = \$5M
- Incentive Compensation: \$4M for first year and \$2M thereafter = \$12M
- Annual Equity Awards:
 - ½ in the form of RSUs = \$77.2M
 - ½ in the form of stock options = \$26.1M already sold + \$68.7M still held + \$63.2M still to be granted = \$148M
- Make Whole RSUs: \$36M
- One-Time Retention Equity Award: \$77.2M
- Other Perks:
 - \$25K for Mayer's lawyers negotiating against Yahoo's Compensation Committee
 - \$50K annually for personal security

Grand Total for 5 years: \$365M

Source:

1. <http://www.forbes.com/sites/ericjackson/2014/08/17/marissa-mayers-compensation-and-stock-selling-not-linked-to-performance/>
2. <http://www.sec.gov/Archives/edgar/data/1011006/000119312512307595/d384719dex101.htm>
3. Company filings (10K, DEFA14, and Employment Contract)

Mayer's Recent Stock Selling:

- 7 months after Dan Loeb left the Yahoo board, Mayer started using her stock options, selling over \$26 million worth of Yahoo Stock Options

- She characterized this selling internally at an all-hands meeting as an example of “good governance” because it was part of a 10b5-1 plan, according to someone at the meeting we spoke to

- Selling is selling**

| Non-Derivative Securities Disposed (10B5-1Plan) ¹ | | | | | | |
|--|---------------|--------------|-------------|---------------|------------------------|--|
| Date | Amount Bought | Buying Price | Amount Sold | Selling Price | Profit (\$) | |
| 2/7/2014 | 36000 | \$18.87 | 36000 | \$36.83 | \$646,588.80 | |
| 3/4/2014 | 36000 | \$18.87 | 36000 | \$39.53 | \$743,929.20 | |
| 4/1/2014 | 36000 | \$18.87 | 36000 | \$36.34 | \$628,750.80 | |
| 4/15/2014 | 36000 | \$18.87 | 36000 | \$33.69 | \$533,566.80 | |
| 4/30/2014 | 36000 | \$18.87 | 36000 | \$35.86 | \$611,636.40 | |
| 5/15/2014 | 36000 | \$18.87 | 36000 | \$33.79 | \$537,044.40 | |
| 5/30/2014 | 36000 | \$18.87 | 36000 | \$34.56 | \$564,811.20 | |
| 6/10/2014 | 36000 | \$18.87 | 36000 | \$36.04 | \$618,141.60 | |
| 6/26/2014 | 36000 | \$18.87 | 36000 | \$33.60 | \$530,200.80 | |
| 7/10/2014 | 36000 | \$18.87 | 36000 | \$34.86 | \$575,550.00 | |
| 8/5/2014 | 36000 | \$18.87 | 36000 | \$36.10 | \$620,409.60 | |
| 8/18/2014 | 36000 | \$19.87 | 36000 | \$37.51 | \$634,989.60 | |
| 9/5/2014 | 36000 | \$18.87 | 36000 | \$39.37 | \$738,036.00 | |
| 9/15/2014 | 36000 | \$18.87 | 36000 | \$42.44 | \$848,469.60 | |
| 10/2/2014 | 36000 | \$18.87 | 36000 | \$40.00 | \$760,536.00 | |
| 10/16/2014 | 36000 | \$18.87 | 36000 | \$37.77 | \$680,536.80 | |
| 10/31/2014 | 36000 | \$18.87 | 36000 | \$45.89 | \$972,716.40 | |
| 11/12/2014 | 36000 | \$18.87 | 36000 | \$50.55 | \$1,140,418.80 | |
| 11/25/2014 | 36000 | \$18.87 | 36000 | \$51.79 | \$1,185,246.00 | |
| 12/8/2014 | 36000 | \$18.87 | 36000 | \$49.45 | \$1,101,031.20 | |
| 12/22/2014 | 36000 | \$18.87 | 36000 | \$51.16 | \$1,162,537.20 | |
| 1/8/2015 | 36000 | \$18.87 | 36000 | \$49.64 | \$1,107,795.60 | |
| 1/20/2015 | 36000 | \$18.87 | 36000 | \$47.62 | \$1,035,093.60 | |
| 4/9/2015 | 250000 | \$18.87 | 200000 | \$46.00 | \$5,426,000.00 | |
| 4/16/2015 | 125000 | \$18.87 | 100000 | \$46.00 | \$2,713,000.00 | |
| Total | | | | | \$26,117,036.40 | |

Source:

1. Company Filings (Form 4)

2. <http://www.bloomberg.com/news/articles/2015-08-19/softbank-s-arora-to-buy-483-million-of-stock-as-personal-bet>

When Executives Buy Stock, Shareholders Win

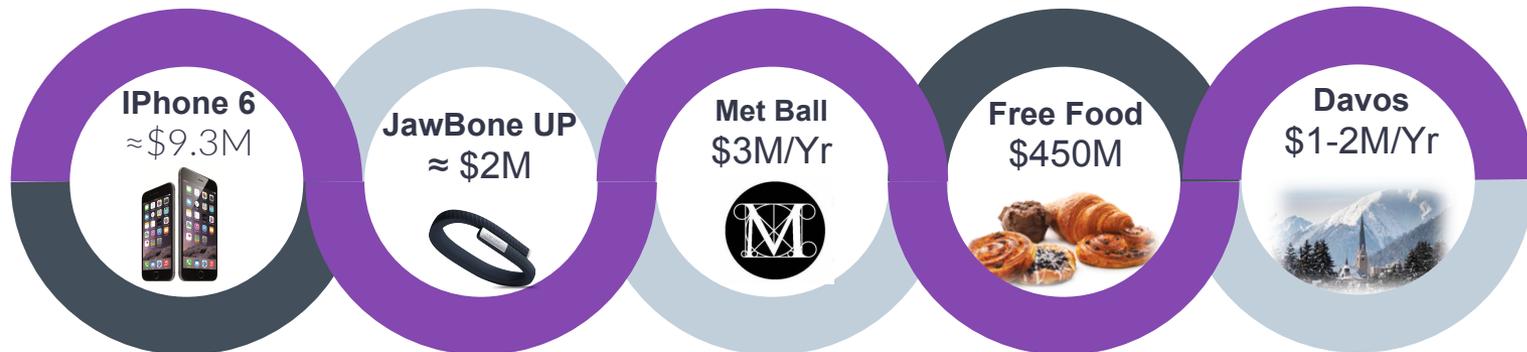
- Tim Armstrong invested \$30 million of his own money in AOL stock
- Nikesh Arora invested \$483 million of his own money in SoftBank stock
- Henrique De Castro was fired by Mayer 15 months after she hired him to be Yahoo's COO; the total cost to Yahoo shareholders was \$109 million¹
- **Neither Mayer nor De Castro has ever dug into his/her own pockets to purchase any Yahoo stock on the open market**



Source: 1. <http://www.businessinsider.com/henrique-de-castros-compensation-2014-1>
<http://www.bloomberg.com/news/articles/2015-08-19/softbank-s-arora-to-buy-483-million-of-stock-as-personal-bet->

Unnecessary Yahoo Perks Total Half An Instagram

- All Yahoo Employee's receive a free iPhone
- For Marissa Mayer's one year anniversary at the company, she gave away 12,500 Jawbone UPs (where she is a board member)
- Earlier this year, Yahoo was the main sponsor of the Met Ball Gala for \$3M to which only Mayer and a couple of Yahoo executives attended¹



- Yahoo also sent Mayer by NetJets with a handful of Yahoo execs to attend Davos. Yahoo was a major sponsor. The only other Internet company sponsors were Google and Facebook which are 100x the size of Yahoo's core business. Total costs were estimated between \$1 – 2 million. What was the business case for the Met and Davos?
- Mayer provides free food for Yahoo's workforce. In Sunnyvale, it's catered by the Uber-Luxe and organic Bon Appetit. At 1.5 meals a day per employee, Mayer's perk has cost \$450M over 4 years. That's half an Instagram right there.
- The world's largest start-up? What start-up do you know that would spend \$108 million a year of free food?

Source:

1. www.nytimes.com/2015/05/fashion/will-the-met-gala-make-fashion-love-yahoo.html

2. SpringOwl Asset Management LLC

The Party Is Still Going On...

December 2014



Wizard of Oz Party Cost For
Just This Photo Shoot: \$70K

December 2015



Great Gatsby Holiday Party at Pier
48 in San Francisco Cost: \$7M

Image: Twitter & Google Images

Source: <http://recode.net/2015/11/11/marissa-mayers-convoluted-yahoo-strategy-theres-no-place-like-home> and Confidential Sources`

According to One Report, 15% of Yahoo's Top Performers Quit in 2015

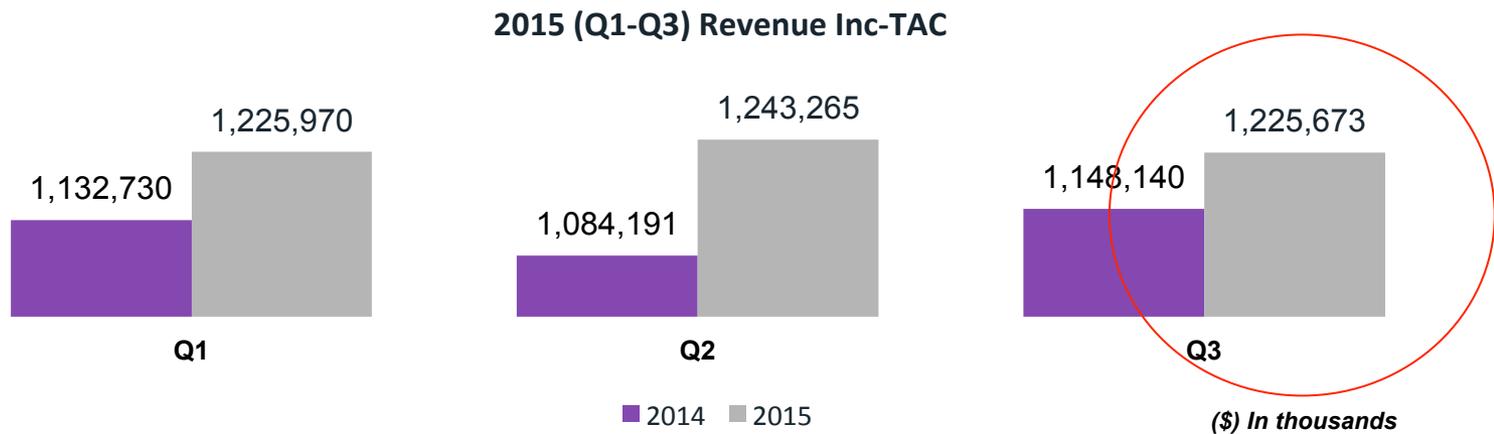
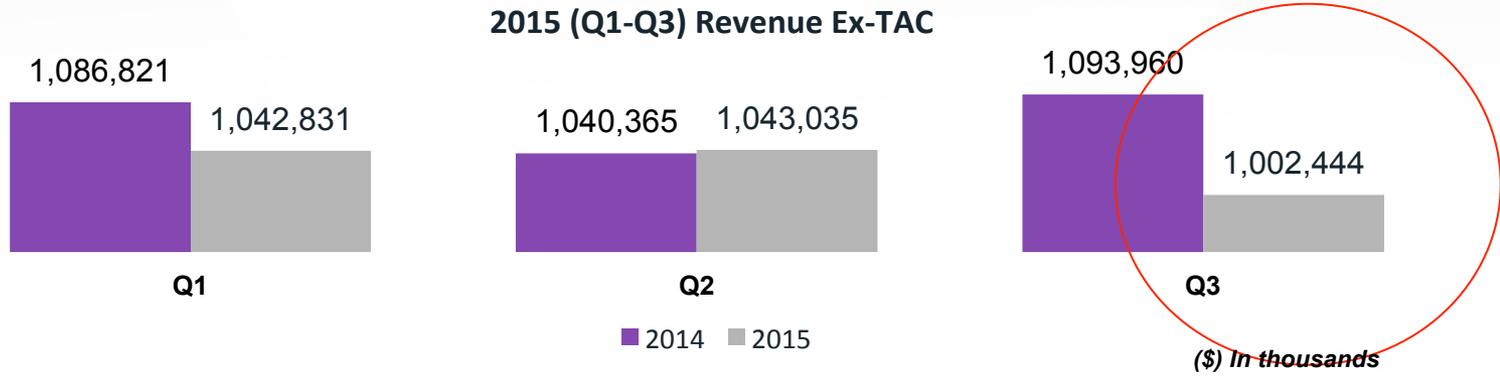
- TheInformation: 15% of Yahoo's top performers this year have quit of their own volition¹
- These aren't the bottom performers leaving as a result of stack-ranking
- These are the best and brightest at Yahoo voluntarily quitting
- This is virtually unprecedented in the history of business and speaks to how poorly Mayer's leadership must be perceived internally
- This is not sustainable; a change in CEO must be made now before the rest of Yahoo's workforce votes with its feet
- Yet, Mayer portrays these quits as if she and Ken Goldman orchestrated them:

I'd like to now speak about our Q3 results in the context of the key drivers of our business: people, products, traffic, and revenue. Starting with people, we ended the quarter with 10,700 full-time employees and just under 800 contractors, bringing our overall head count down 14% year over year and down 32% over the current management's tenure. We will continue to be disciplined on our head count and our thoughtful work on this area has helped appreciably on expenses. – Mayer on Q315 Earnings Call

- If Mayer wants to be measured on people, products, traffic, and revenue, she has failed miserably on all 4 over her nearly 4 years

Source: 1. <https://www.theinformation.com/whats-left-at-yahoo>

Search Traffic Mozilla and Oracle Deals Have Helped Gross Revenues But Not Net Revenues



Source: Company Filings (10Q)

And \$2.5 Billion Is Under-water on Stock Buybacks From The Last 2 Years:

- Since Dan Loeb left the Yahoo Board in July 2013, all of Mayer's \$2.5 billion in stock buybacks are under-water

| Total Buybacks | | | |
|---------------------|----------------------|------------------------|------------------|
| <u>Year</u> | <u>Shares</u> | <u>Value</u> | <u>AVG Price</u> |
| 2010 | 119,000,000 | 1,749,000,000 | 14.69 |
| 2011 | 27,476,742 | 416,272,641 | 15.15 |
| 2012 | 79,585,394 | 1,451,637,587 | 18.24 |
| 2013 | 6,350,973 | 231,302,437 | 36.42 |
| 2014 | 46,471,212 | 2,103,287,055 | 45.26 |
| <u>Total</u> | \$278,884,321 | \$5,951,499,720 | 25.952 |

Current \$YHOO Stock Price: 33.2

Value Destruction Per Share: 8.44

Total Value Destruction: \$2,353,783,669.24

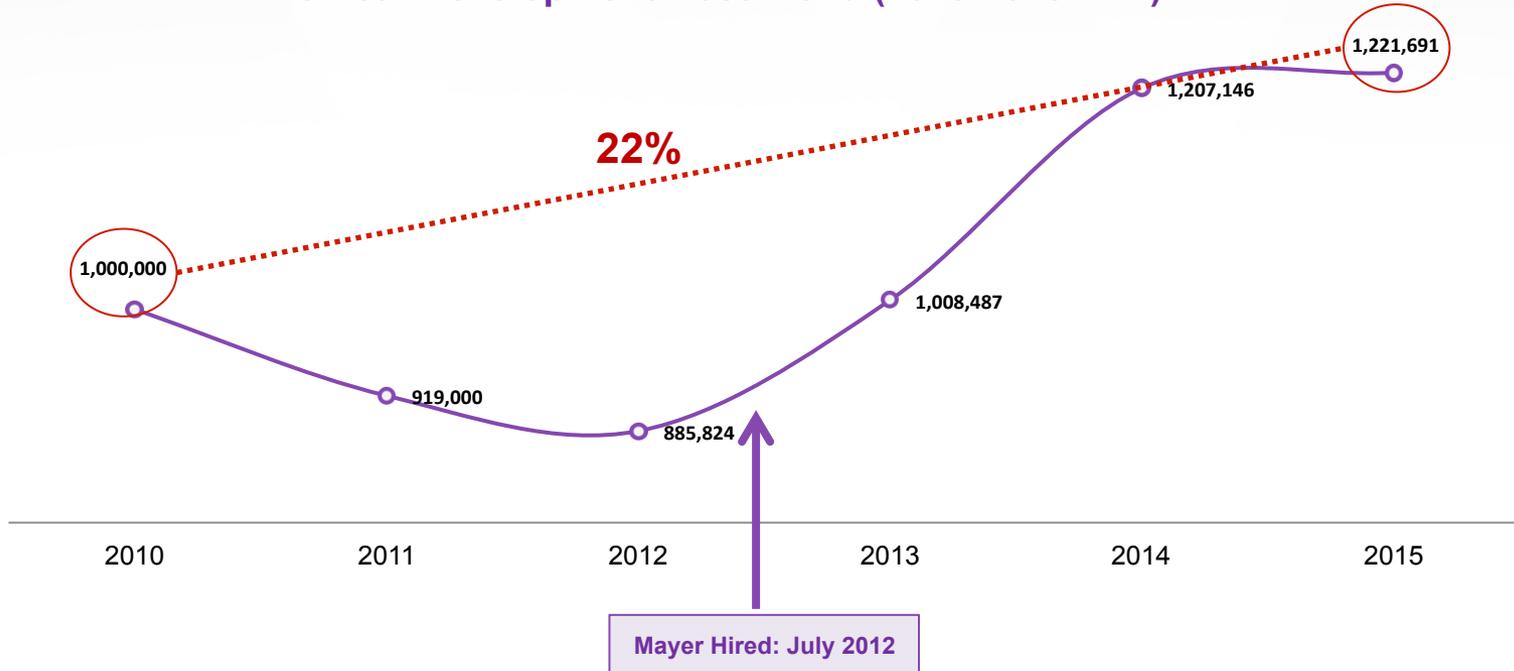
As of 10/25/2015

Note: Dan Loeb (Third Point LLC) quit Yahoo's board on July 22, 2013- Since then, all of Yahoo's stock buybacks are under-water.
Source: SpringOwl Asset Management LLC

Marissa Mayer Should Only Be Judged on The Performance Of Yahoo's Core Business

In thousands

5-Year Development Cost Trend (2010-2015 LTM)



We will continue to be disciplined on our head count and our thoughtful work on this area has helped appreciably on expenses.
– Marissa Mayer, Q315 Earnings Call

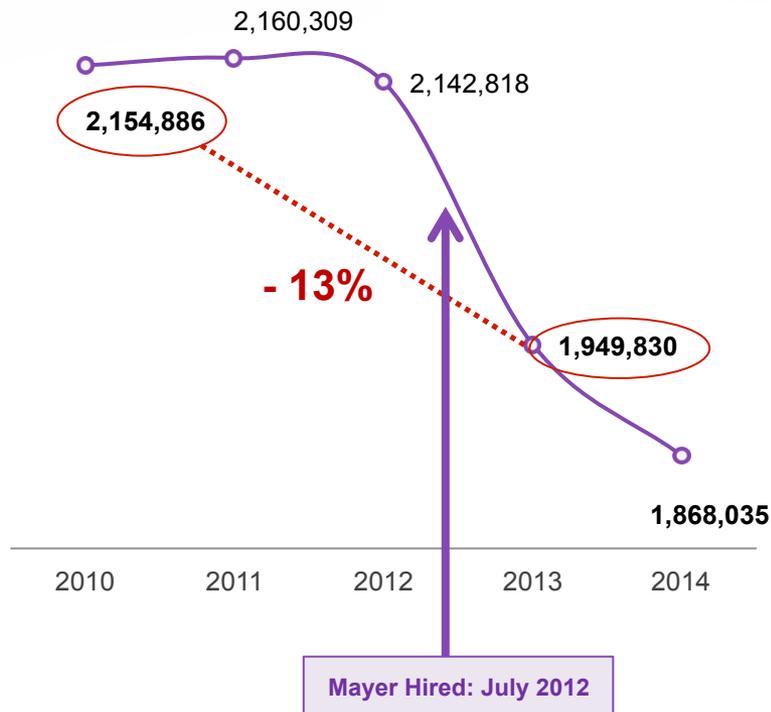


Note: As of 10/22/2015
Source: ISS Proxy Advisory Services

Marissa Mayer Should Only Be Judged on The Performance Of Yahoo's Core Business

Total Display Revenues (2011-2015)

(\$) In thousands



Total Search Revenues (2011-2015)

(\$) In thousands

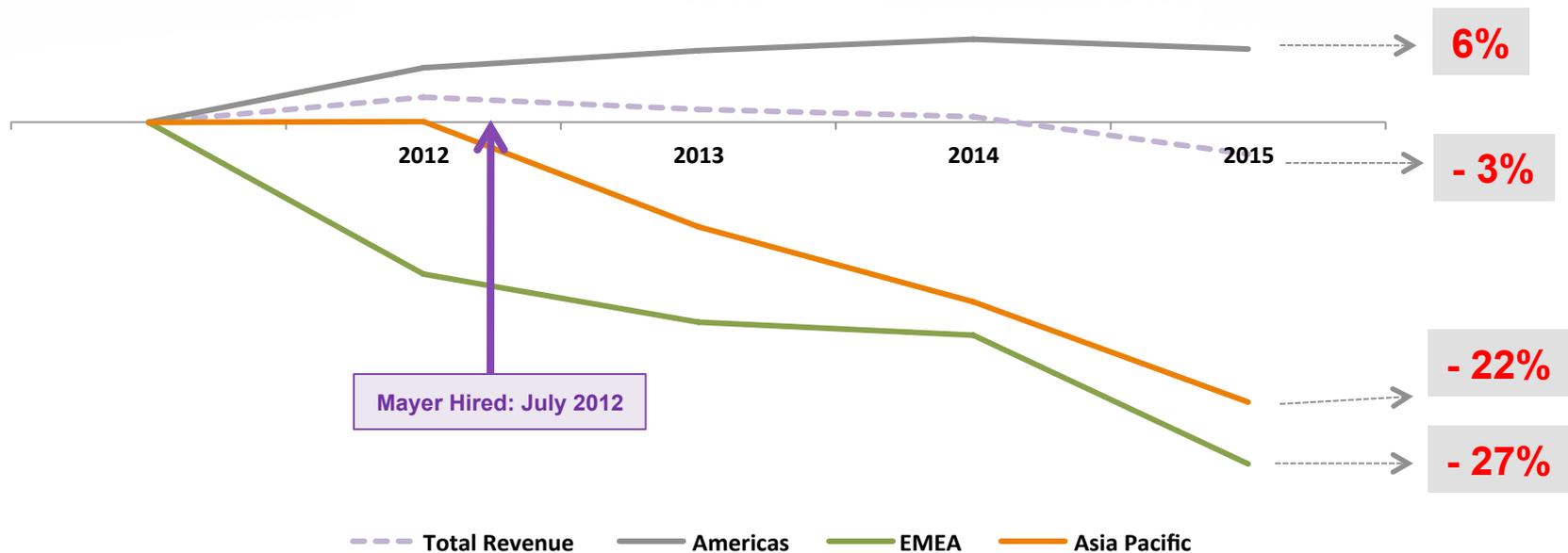


Note: As of 10/22/2015
Source: Company Filings (10K)

Marissa Mayer Should Only Be Judged on The Performance Of Yahoo's Core Business

In thousands

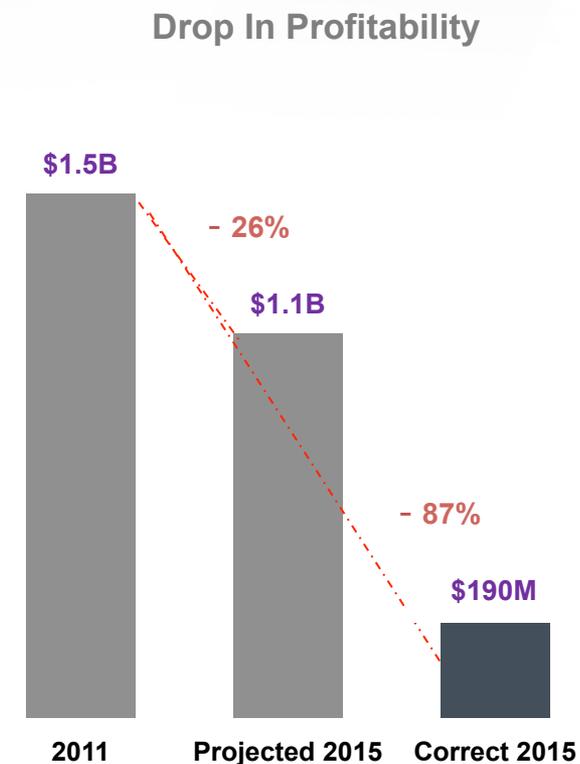
4-Year ex-TAC Revenue Trend (2011-2015 LTM)



Note: As of 10/22/2015
Source: Company Filings (10K)

Yahoo Makes its Adjusted EBITDA Look Better With the Aid of IP Asset Sales

- Over the years, Yahoo has struck a number of IP-related sales with Alibaba and Yahoo Japan which it has been recognizing as high margin adjusted EBITDA.
- If those gains are removed, the profitability of the core business is far less.
- Yahoo's termination of past partnerships in the next few months (TIPLA Deal, Sales of Patents, and other IP asset Sales) will bring its adjusted EBITDA back to reality this year – with virtually no profits left.



Source: SpringOwl Asset Management LLC and Company Filings (10K)

Starboard's “Sell At The Lows” Plan

Section IV

The Starboard Plan

- Although Starboard previously advised that Yahoo spin-off its Alibaba stake, it recently suggested maintaining its Alibaba and Yahoo Japan stakes and, instead, selling its core business:
 - **“The proposed spin-off of Aabaco Holdings, Inc. ("Aabaco Holdings") is not Yahoo's best alternative. Instead, you should be exploring a sale of Yahoo's core Search and Display advertising businesses ("Core Business") and leave Yahoo's ownership stakes in Alibaba Group and Yahoo Japan in the existing corporate entity.”**
 - Starboard argues that the market is currently valuing Yahoo’s core business at 2.2x trailing Enterprise Value to EBITDA
 - **“...we believe Yahoo should hire a financial advisor to sell the Core Business as a taxable asset sale...”**
 - **“We believe the current net cash of Yahoo and the cash generated from the Core Business sale can be returned to shareholders in a tax efficient manner in some combination of share buybacks, returns of capital, and dividends.”**

Source: <http://www.prnewswire.com/news-releases/starboard-delivers-letter-to-yahoos-chairman-ceo-and-board-of-directors-300181776.html>

The Problems With Starboard's Plan

- Why sell the core business asset now when, by Starboard's own admission, it is trading at an all-time low valuation?
- We would prefer a buy low and sell high approach rather than the reverse.
- While Starboard's current stake in Yahoo is about \$200 million, half of this stake was bought in Q315 likely when the stock crashed below \$28/share
- Starboard's most recently acquired stake in Yahoo is likely already well in the money; therefore, they are incented to see a quick sale of the company for another \$2 – 4/share
- Longer tenured Yahoo shareholders would be better served with a plan to unlock \$30/share in value and not \$3/share

Private Equity Has Tried To Buy Yahoo For Cheap Before

- In 2011, before Dan Loeb announced Third Point's stake, it was reported that Silver Lake and Marc Andreessen wanted to buy Yahoo for \$16.50/share or \$18 billion¹
- Many commentators on CNBC at the time said this price sounded like a “good deal” for Yahoo shareholders because Yahoo was too hard to turn around
- If Silver Lake/Andreessen had been successful, they would have received not only Yahoo's Core Business, its \$9 billion stake in Yahoo Japan, but also its then 44% stake in Alibaba which today would be worth \$89 billion
- When you hear people say that “Yahoo should be chopped up” by private equity because Yahoo is “hopeless”, what they're really saying is that Yahoo's public market shareholders should do a wealth transfer to some private equity LPs or public holders of companies like Verizon

It's nonsense to think Yahoo can't be turned around as a public company

Source: 1. <http://allthingsd.com/20111130/yahoo-bidders-come-in-at-16-50-to-17-50-with-plan-to-keep-jerry-yang-staying-on-board/>

Starboard's "Sell At the Lows" Plan Isn't Attractive

- Starboard – a Yahoo shareholder – on Nov. 19/15 argued that Yahoo not spin off the Alibaba stake but instead sell the core business

We Disagree With Starboard's Suggestion Because:

- We don't think their "sell at the lows" argument will be compelling to either the Yahoo board or other Yahoo shareholders
- Yahoo's stock didn't increase at all the day after the letter was revealed; we believe that's because Yahoo investors don't believe Starboard's plan will work and/or won't be adopted
- We think Starboard's credibility has been substantially weakened in taking this "sell at the lows" approach
- We disagree with their projected cost savings estimates of \$370 - \$500M/year; we think at least \$2B in annual savings are possible from headcount reductions and cost cuts
- While we agree with their estimates about the deterioration of the Core, we can't understand why they would then conclude that now is the time to sell off the core business at its lowest possible value
- Starboard's plan – at best – will get Yahoo shareholders an extra \$3-4/share for their investment (Selling the core at \$6B)
- Our plan will deliver at least an additional \$30/share of value to all Yahoo shareholders

What Needs to Happen Now?

- The right turnaround plan and the right partner to help unlock the full value of Yahoo embedded in its current assets
- A turnaround for public shareholders, not a fire sale for a return and strategies wanting to buy a great asset on the cheap

Source:

1. http://www.starboardvalue.com/publications/Starboard_Value_LP_Letter_to_YHOO_08.10.15.pdf
2. http://www.starboardvalue.com/publications/Starboard_Value_LP_Letter_to_YHOO_11.19.15.pdf

The Downside Risk of Selling/Spinning The Core

- Yahoo's board announced on December 9th, 2015 that it won't continue with the planned spinoff of its Alibaba stake, as the potential tax bill for proceeding was too great a risk for the directors to assume that responsibility.
- Instead, Yahoo's board said it would be working on a plan to spin off the core business and the Yahoo Japan stake
- This would leave just the Alibaba stake as part of the Yahoo stock; the core Yahoo business and Yahoo Japan stake would trade under another ticker
- Some shareholders think Yahoo's board is now simply going to sell the core

The Problem With Simply Selling Or Spinning The Core¹:

- There is a risk – not a certainty – that if Yahoo Core is sold or spun, the stake in Alibaba would become taxable on the gains from the time of Yahoo's investment in 2005 to today under the Investment Company Act of 1940²
- Therefore, Yahoo shareholders would owe a tax bill on the gains of the Core as well as the BABA stake
- Why not instead:
 - Start the real turnaround of the Core with new management and a new board to create \$20 – 30/share in value for current shareholders?
 - Study the tax issues in more detail with the help of a partner like a Liberty?

Yahoo Shareholders Want \$30/Share More – Not \$3/Share And Full Tax On BABA

Source: 1 <http://www.thestreet.com/story/13391744/1/yahoo-shareholders-need-a-better-solution-than-the-one-just-proposed.html> 2. <https://www.sec.gov/about/laws/ica40.pdf>

A Better Plan For Yahoo Shareholders

Section V

A Yahoo Turnaround for Yahoo's Public Shareholders

- When Jerry Yang and David Filo agreed to take public shareholders' money in 1996, they made a compact: any future gains created by Yahoo would be shared with those public market investors
- When you hear people say that "Yahoo should be chopped up" by private equity because Yahoo is "hopeless", what they're really saying is that Yahoo's public market shareholders should do a wealth transfer to some private equity LPs or strategies.
- It's nonsense to think Yahoo can't be turned around in public just because they haven't for the past 4 years

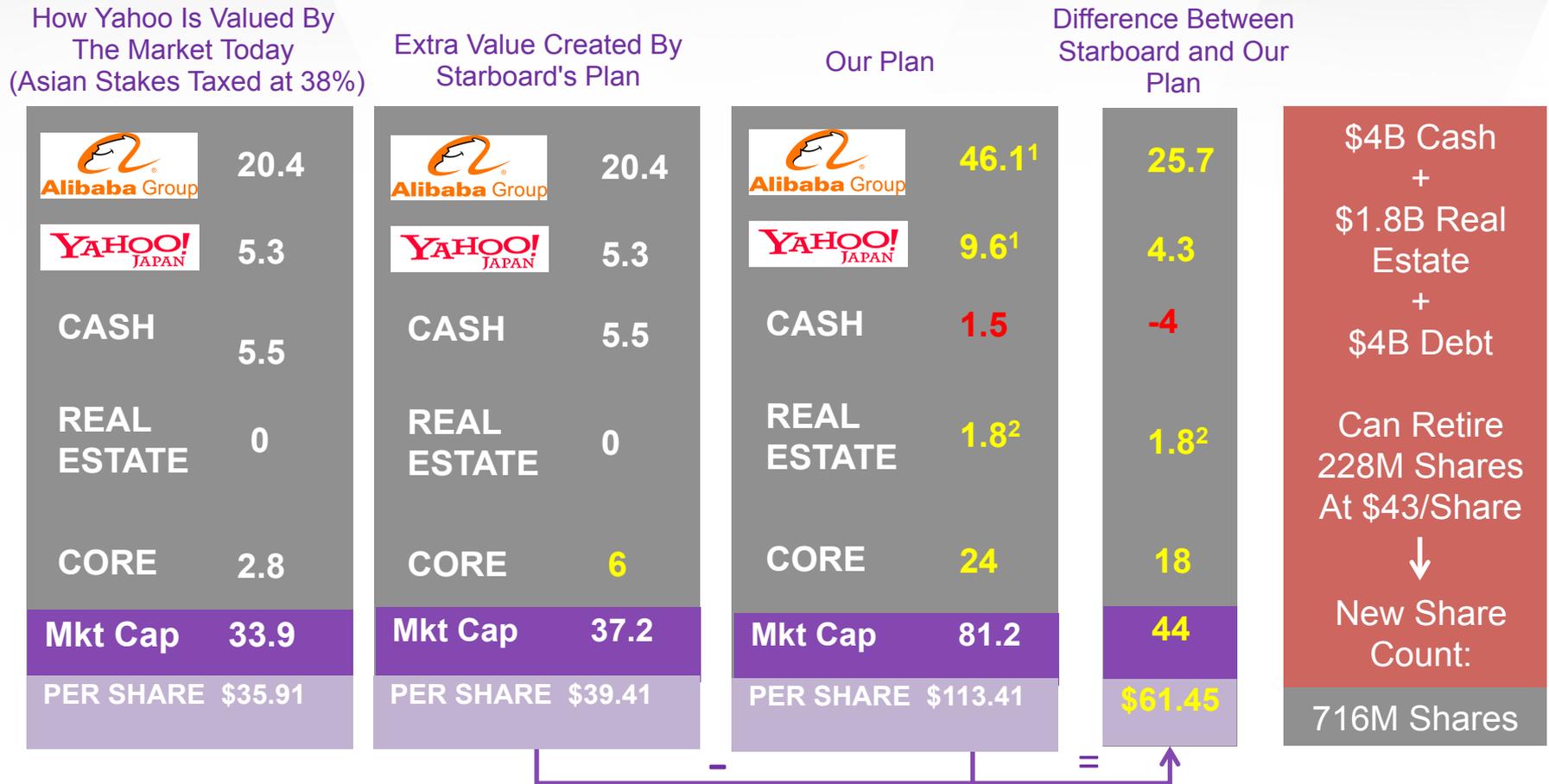
"She tried. It's impossible. It's not her fault"

- @jonsteinberg, CEO of DailyMail.com North America on Mayer's efforts to turn Yahoo around on CNBC, October 21, 2015¹

- It's not impossible at all, Jon. That's like watching Shaq shoot a few free throws and concluding it's impossible for all NBA players to make free throws

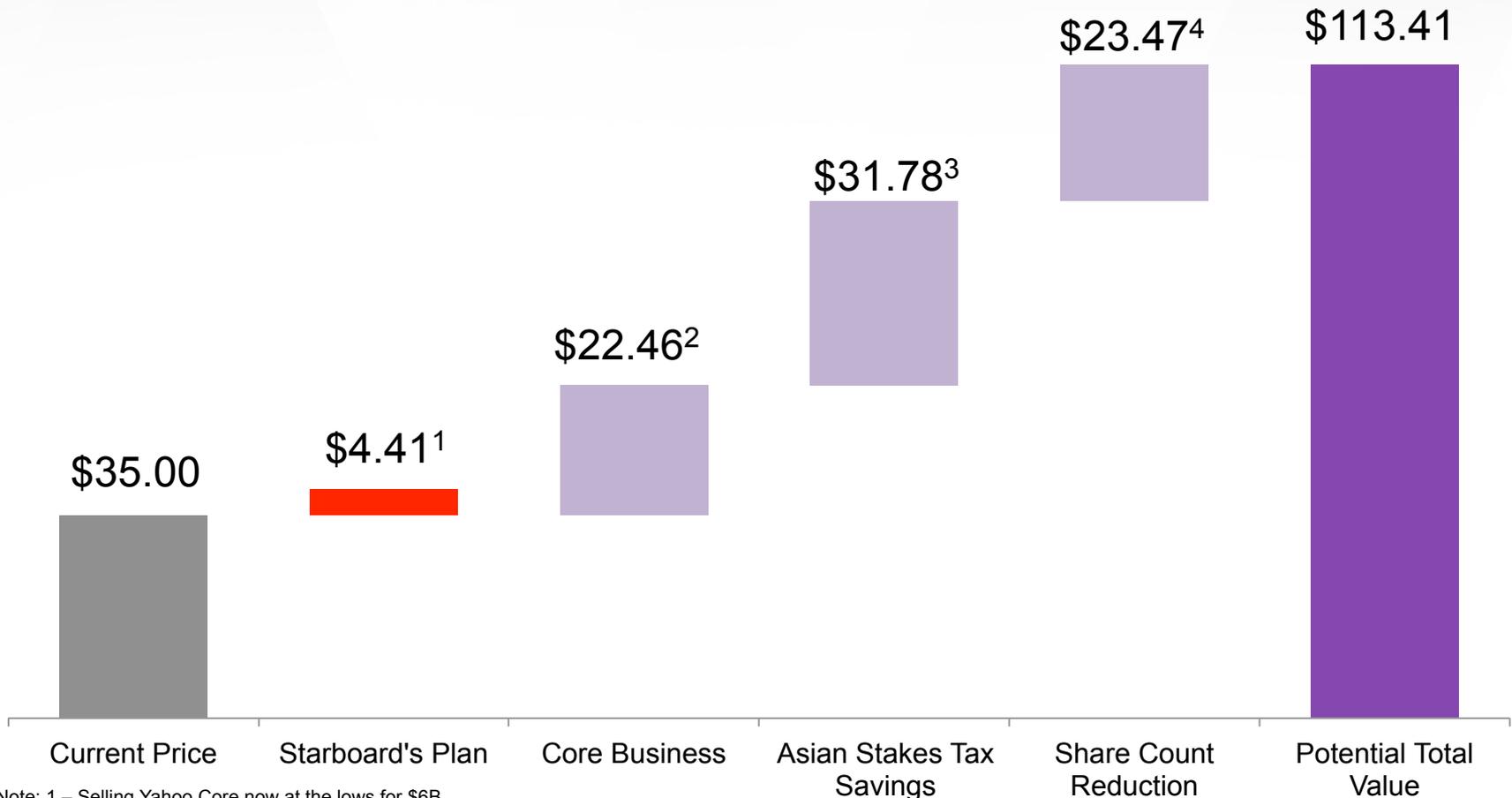
Source: 1. <https://twitter.com/carlquintanilla/status/656852009094615040>

Key Drivers to Unlocking Value In Yahoo's Share Price (\$B Unless Noted)



If our plan is implemented by the company and just the core business is fixed (with no additional improvement in the value of the Alibaba and YJ stakes), we believe that Yahoo's stock would trade about \$60/share or more than \$30/share higher than the plan advocated by Starboard.

Starboard's Plan Sells Yahoo At The Lows; Our Plan Unlocks Meaningful Upside for Shareholders



Note: 1 – Selling Yahoo Core now at the lows for \$6B

2 – 8x EV/EBITDA Multiple for Core Doing \$3B EBITDA (\$750M Normalized EBITDA plus \$2.25B in Headcount Reductions)

3 – Through working with a Liberty-like partner to realize tax efficiencies with BABA returning to \$120/share and YJ increasing in value by 12%

4 – Retiring 228 million shares at \$43/share from \$4B cash, \$1.8B in real estate sales, and \$4B in debt

Source: SpringOwl Asset Management LLC

Step One: Bring In An Operator As CEO

- The status quo is not an option for Yahoo shareholders
- \$10 Billion in capital has been misallocated over the past 4 years
- The board likely feels compelled to keep the current CEO because of the high compensation plan they previously granted to her but new leadership is needed
- The quickest way to increase the value of Yahoo's shares is to do what should have been done 4 years ago and dramatically reduce the headcount and costs of the company to something sustainable matching current revenues and EBITDA
- Such a move would help create the returns which Private Equity firms are counting on when they bid for the company
- Why shouldn't Yahoo shareholders hire the operator CEO who Private Equity will hire themselves when they buy the core business on the cheap?

Source: SpringOwl Asset Management LLC

Step Two: Replace A Number Of The Directors

- This board lacks sufficient experience in tech and mobile
- They have not exhibited enough “duty of care” to the shareholders for which they are supposed to be fiduciaries
- They have not shown sufficient oversight and monitoring responsibility
- They seem not to care that upper executives are leaving the company in droves; have they done exit interviews with any of these departing executives? If so, they should immediately produce their notes to show shareholders for whom they are working
- Directors need to use the Yahoo products and be able to critique Katie Couric on Snapchat Discover
- There needs to be a new board of directors selected to pick the next CEO; this new board needs sufficient experience in the important areas of media, technology, digital, mobile and OTT

Source: SpringOwl Asset Management LLC

Step Three: Bring In Someone Like a Liberty As A Partner

- We would like to see someone like a Liberty Media come on to the Yahoo board as a partner for two reasons:
 - (1) We believe the board and shareholders could greatly benefit from tax advice relating to the sizable Alibaba and Yahoo Japan stakes; We believe someone with the expertise like a Liberty would be able to aid in this analysis and, over time, better unlock the value of these stakes rather than the current board making a quick decision
 - (2) Liberty Media gets a 14x Enterprise Value to EBITDA multiple rather than the 2x which Yahoo currently receives on its core business; We think having a partner like a Liberty on the Yahoo board would result in a much higher multiple being given to Yahoo's core business from the market
- Someone like a Liberty would likely want to come on to the board through some sort of PIPE transaction and expect to receive board representation
- The potential tax advice benefits as well as a likely re-rating upwards in value to the Yahoo core business would still make such an outside partner very attractive to Yahoo shareholders

Source: SpringOwl Asset Management LLC

Step Four: Take Headcount Down to 3,000

- Marc Andreessen said on December 6, 2015 that Yahoo is still “dramatically overstaffed”
- At present, the company admits it has just under 12,000 full-time employees and fixed term contractors
- We suspect that with variable term contractors, this number is much higher
- Its annual revenue ex-TAC is around \$4 billion
- Facebook has \$15 Billion of revenue in the last year with 11,000 employees
 - Doing Yahoo-like revenue numbers would necessitate 2,900 employees.
- Twitter had 3,700 employees and just announced they should fire 300 people because they had become bloated
 - They’re doing \$2 billion in revenues now
- Yahoo grew its headcount significantly in the mid- to late-00s when revenue was exploding
- It then added to this headcount even after revenues started contracting
- It needs to pull the band-aid off quickly and take headcount down to the appropriate levels given that it should get out of search

Source: SpringOwl Asset Management LLC

Step Five: Milk the PC Biz But Focus on Finance, Sports

- Companies don't die from too much focus; they die from too little
- The last four years has seen Yahoo trying to do a little bit of everything
- Yahoo should still milk its PC-based revenues (which still account for 80% of its revenues and more of its unfortunately now non-existent profits) coming from Home Page/Mail for as long as it can; just as Tim Armstrong milked AOL's dial-up; but this should be done with the bare minimum of headcount required
- However, more of an effort should be made to double down on the winners it possesses in Finance and Sports and help invest in growing traffic
- Yahoo needs more usable mobile apps for Finance and Sports; they also need to continue to invest in unique content they can syndicate to others (like BuzzFeed does), show off partner content, and develop more helpful portfolio tools

Source: SpringOwl Asset Management LLC

Step Six: End All Search Investment, Write Off Mayer M&A, Cut Product Development Budget Dramatically

- After 4 years of wasted investment and nothing to show for it, Mayer has recently promised to make a major investment in reinventing mobile search
- It's another maddeningly wasteful use of shareholders' cash
- There's a very low probability that Yahoo is going to recreate how people search on a mobile device
 - Google and Bing have won that war; Yahoo lost
 - It would be nice if history had gone differently for Yahoo, but it didn't; and we all must live in reality now
- The next CEO should focus on:
 - Laying off all Yahoo staff trying to create a new type of search and simply relying on Yahoo outsourced search deals with Bing and to some extent Google
 - Writing off Mayer's \$3 billion in misguided M&A – According to Mayer and Goldman, it's beneficial to Yahoo to write off \$42 million for content shows; therefore, it must be 72x more beneficial to Yahoo to write off \$3 billion of worthless M&A
 - Mayer has increased product development costs significantly during her tenure and she's now spent \$4 billion total over her tenure - but for what?

Source: SpringOwl Asset Management LLC

Step Seven: \$10 Billion For Additional Buybacks

- Buybacks for the sake of buybacks don't create value
- Yet, in the past 4 years, Yahoo has spent \$3 billion on M&A, \$4 billion on product development, and lost \$2.5 billion on stock buybacks since 2013 on prices higher than the current stock price
- That's a grand total of \$10 billion spent for which Yahoo has little to show
- Had they spent that money on buybacks in the first two years' of Mayer's tenure at an average cost basis of \$20/share, Yahoo could have retired 450 million shares or approximately half its total shares outstanding
- That would mean that, even at today's currently depressed market cap levels, Yahoo shares would trade above \$65/share instead of \$35/share.
- At present, Yahoo has net cash of \$5.5 billion; we favor seeing them taking this cash level down to their historically normalized cash on hand levels of \$1.5 billion and using the additional \$4 billion, plus another \$4 billion in debt, and \$1.8 billion realized from real estate sales on additional buybacks under \$45/share
- This would reduce Yahoo's share count by 24% to 716 million shares outstanding and potentially increase the value of Yahoo's stock by \$23/share

Source: SpringOwl Asset Management LLC

Step Eight: Sale and Partial Leaseback of Sunnyvale

- Sunnyvale is a campus with 1 million square feet of office space
- Yahoo owns the property outright
- Comparable office space in the area leases for \$80 – 100 per square foot
- The underlying value of the land and office space is between \$1.5 -1.8 billion
- Yahoo could sell the space and lease back only the office space needed for a sharply reduced workforce
- This step is by no means the most important for Yahoo's future; to be clear, Yahoo must fix the problem of having a bloated company and scattered and poorly articulated strategy
 - However, \$1.5 – 1.8 billion is real money and shareholders deserve to have their management team fighting on their behalf at all times
 - This additional capital can be used to retire additional shares

Source: SpringOwl Asset Management LLC

Step Nine: Look for Other Value Creation Opportunities

- No more free food to the tune of \$450 million over 4 years
 - Yahoo is like a start-up and start-ups can't afford luxurious caterers like Bon Appetit
 - No more lavish parties for employees like the Great Gatsby themed one in December 2015 costing \$7M
- No more wealth transfers of cash from Yahoo shareholders to boost the coffers of failed zombie companies on whose boards the CEO sits
- No more Met Ball or Davos sponsorships
- Stomp out the practice of referring traffic off of the Yahoo homepage to external sites with no chance for them to return; it's great for the other sites sucking up Yahoo traffic and not so great for Yahoo shareholders
- Build out a syndication display ad business
- Syndicate Yahoo unique content
- Properly finish Ad Tech offerings or outsource to Facebook or Google
- Go back to the old logo and raise the old Yahoo billboard on the 101 into San Francisco to send a message that the era of Marissa Mayer is now over



Source: Confidential Interviews

The Needed Traits of the Next Yahoo CEO

- Relevant Industry Experience in Tech/Digital/Media
- A Willingness to go in and mercilessly cut costs to take it down to the studs and build it back up again
- Sales Experience and an understanding of who to hire to build a performance-based sales culture
- A willingness to fly to New York and Cannes and meet with advertising executives
- An understanding of where the world is moving in OTT
- Ad tech experience
- An understanding of what Wall Street investors expect from management teams (i.e., the antiquated notion of earning more than you spend)
- No snobbery when understanding and embracing Yahoo's core audience who lives in "fly over" country and not in the bubbles of high society San Francisco and New York

Key Questions For Yahoo's Next CEO

- How do we culturally build in **"Audience Growth"** as part of the fabric of this organization?
 - BuzzFeed has this engrained
 - Yahoo doesn't today
 - Do we have the right content-analytics feedback loop in place?
 - How do we get massive distribution for all our content?
- Are we really going to build up **Ad Tech** or are we going to outsource it?
 - If we're going to build it, then let's have a plan that can succeed and make us the 3rd largest player:
 - We have a large audience
 - We have some analytics from Flurry but we need much better monetization
 - Let's fill out the ad tech assets with a credible plan (so we don't miss out buying future Drawbridge's before they're too big)
 - Let's cross-integrate Gemini so we have one Ad Tech platform
 - If we're going to outsource it, fire people and pick someone to outsource it to (Google or Facebook)
- Are we going to shut down, spin off or reinvest in **Tumblr**?
 - The dreams of increased traffic being monetized didn't pan out because of too much NSFW content
 - Yet Yahoo could do much more with the asset than it has
 - It can't keep on in its current state of limbo

Source: SpringOwl Asset Management LLC

What The Next Yahoo CEO Shouldn't Do

- A Hail-Mary Expensive Acquisition That Won't Be Successful
 - Mayer's big one was Tumblr; she bought it at the top and didn't properly invest in the asset to make the most of it
 - It would be a huge mistake if any CEO made a "bet the company" decision on buying an expensive property like Pinterest and thinking that this one move will "save" Yahoo → This would be an expensive recipe for failure
 - Big brands and flashy acquisitions won't save Yahoo; Yahoo must save Yahoo
 - Instead, Yahoo simply needs to focus on:
 - Small, incremental changes that compound over time
 - Grow the audience/stack organically
 - Supplement this with very small acquisitions which make sense

Source: SpringOwl Asset Management LLC

Potential Buyers Of Yahoo Core?

- We strongly believe in the future of Yahoo Core as a stand-alone business
- If private equity is interested in buying it, you know that there is going to be an immediate wealth transfer from public market investors to private equity LPs or strategics
- That said, if necessary, we believe there would be a long list of strategic buyers for Yahoo Core, as the recent buy of AOL by Verizon shows
- We believe the list of potential buyers eager to buy the last remaining beachfront property available among digital assets would include:
 - AT&T
 - Comcast
 - Verizon
 - Disney
 - Fox
- Any of these discussions will have to be held in concert with SoftBank and Alibaba, which is partly why we believe someone like a Liberty would be a particularly helpful advisor here

Source: SpringOwl Asset Management LLC

Softbank Has \$5.5B Reasons To Help Retire Yahoo's 35% Stake In Yahoo Japan

Current Yahoo Japan EPS

| | |
|---|---------|
| Net Income | 133,933 |
| Preferred Stock Dividends | 8.86 |
| Basic Weighted Average Shares Outstanding | 5,693 |
| EPS (Basic) | 23.5 |

Values in Millions (Except for per share items)

Yahoo Japan EPS if Retired 35% Shares Yahoo Owns

| | |
|---|---------|
| Net Income | 133,933 |
| Preferred Stock Dividends | 8.86 |
| Basic Weighted Average Shares Outstanding | 3,700 |
| EPS (Basic) | 36.2 |

Values in Millions (Except for per share items)

*By retiring Yahoo's stake, YJ Shares would go from Yen 500 to Yen 770 overnight
Softbank's 43% stake would immediately jump in value from \$9.5B to \$15B*

Summary of Yahoo Action Plan

Re-Invest In:

1

1. Sports
2. Finance
3. A New Audience Growth-Focused Culture
4. A New CEO
5. A New Product-Focused Board
6. Smart small acquisitions

Milk:

2

1. PC biz (Home Page & Mail)
2. Search (Maximize MSFT relationship)

Decide On:

3

1. Ad Tech / Gemini
2. Tumblr

Kill:

4

1. In House Mobile Search
2. Flickr
3. Long tail of Yahoo properties no one uses anymore
4. Davos & Met Ball Sponsorships
5. Unprofitable Digital Magazines
6. The New Logo
7. Free Food & Perks
8. Bloated Headcount
9. Dumb Expensive M&A

Further Study:

5

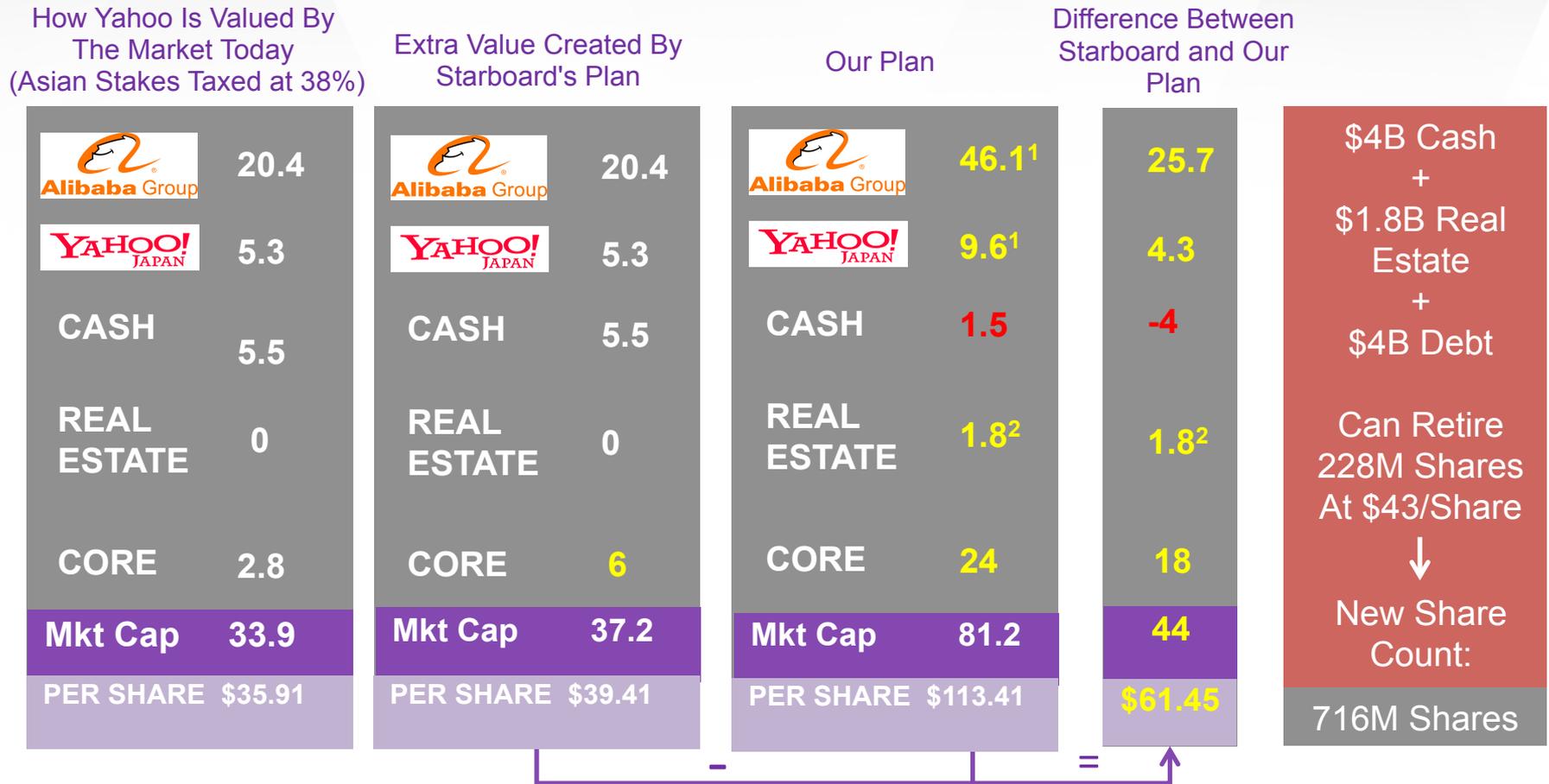
1. Spin off of Asian stakes with help of a Liberty like partner

Bring Back:

6

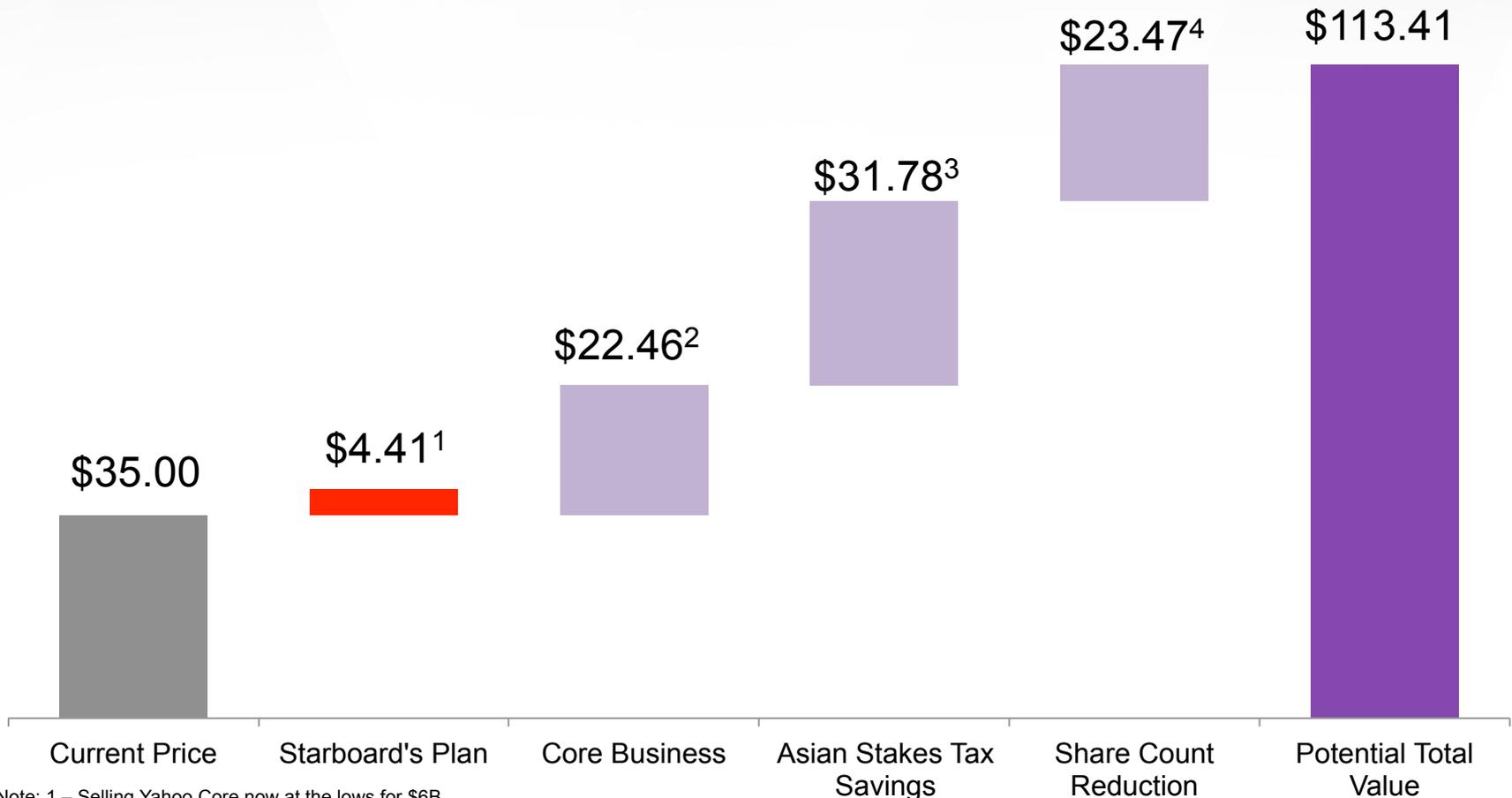
1. The Old Logo

Key Drivers to Unlocking Value In Yahoo's Share Price (\$B Unless Noted)



If our plan is implemented by the company and just the core business is fixed (with no additional improvement in the value of the Alibaba and YJ stakes), we believe that Yahoo's stock would trade about \$60/share or more than \$30/share higher than the plan advocated by Starboard.

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Note: 1 – Selling Yahoo Core now at the lows for \$6B

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3 – Through working with a Liberty-like partner to realize tax efficiencies with BABA returning to \$120/share and YJ increasing in value by 12%

4 – Retiring 228 million shares at \$43/share from \$4B cash, \$1.8B in real estate sales, and \$4B in debt

Source: SpringOwl Asset Management LLC

Appendix

Section VI

Corporate Governance

Board & Committee Summary

| | Independence | Members | Meetings |
|---|--------------|----------------------|----------|
| Full Board | 78% | 9 | 22 |
| Audit | 100% | 3 | 13 |
| Compensation | 100% | 2 | 13 |
| Nominating | 100% | 2 | 10 |
| | | | |
| Chairman classification | | Independent Outsider | |
| Separate chair/CEO | | Yes | |
| Independent lead director | | N/A | |
| Voting standard | | Majority | |
| Plurality carveout for contested elections | | Yes | |
| Resignation policy | | Yes | |
| Total director ownership (000 shares) | | 74,515 | |
| Total director ownership (%) | | 7.5 | |
| Percentage of directors owning stock | | 100% | |
| Number of directors attending < 75% of meetings | | 1 | |
| Number of directors on excessive number of outside boards | | 0 | |
| Average director age | | 58 years | |
| Average director tenure | | 2 years | |
| Percentage of women on board | | 33% | |

Shareholder Rights Summary

| | |
|---|----------|
| Controlled company | No |
| Classified board | No |
| Dual-class stock | No |
| Vote standard for mergers/acquisitions | Majority |
| Vote standard for charter/bylaw amendment | Majority |
| Shareholder right to call special meetings | Yes, 25% |
| Material restrictions on right to call special meetings | Yes |
| Shareholder right to act by written consent | No |
| Cumulative voting | No |
| Board authorized to issue blank-check preferred stock | Yes |
| Poison pill | No |

Note: As of: 01 Apr 2015
Source: ISS Proxy Advisory Services

Board Profile

Director Independence & Affiliations

Executive Directors

| On Ballot | Name | Affiliation | Independence Classification | | Attend <75% | Gender | Age | Tenure | Term Ends | Outside | | Key Committees | | | | |
|-----------|------------------|-------------|-----------------------------|---------|-------------|--------|-----|--------|-----------|---------|-----|----------------|------|-----|-----|--|
| | | | Company | ISS | | | | | | Boards | CEO | Audit | Comp | Nom | Gov | |
| ✓ | Marissa A. Mayer | CEO | Non-Independent | Insider | | F | 39 | 2 | 2016 | 1 | | | | | | |
| ✓ | David Filo | | Non-Independent | Insider | | M | 48 | 1 | 2016 | 0 | | | | | | |

Non-Executive Directors

| On Ballot | Name | Affiliation | Independence Classification | | Attend <75% | Gender | Age | Tenure | Term Ends | Outside | | Key Committees | | | | |
|-----------|---------------------|-------------|-----------------------------|----------------------|-------------|--------|-----|--------|-----------|---------|-----|----------------|------|-----|-----|---|
| | | | Company | ISS | | | | | | Boards | CEO | Audit | Comp | Nom | Gov | |
| ✓ | Maynard G. Webb Jr. | Chair | Independent | Independent Outsider | | M | 59 | 3 | 2016 | 2 | | | | M | | |
| ✓ | Susan M. James | | Independent | Independent Outsider | | F | 69 | 5 | 2016 | 2 | | C | F | | M | M |
| ✓ | Max R. Levchin | | Independent | Independent Outsider | | M | 39 | 2 | 2016 | 1 | | | | | | |
| ✓ | Thomas J. McInerney | | Independent | Independent Outsider | | M | 50 | 3 | 2016 | 2 | | | F | | | |
| ✓ | Charles R. Schwab | | Independent | Independent Outsider | ✓ | M | 77 | 1 | 2016 | 1 | | | F | | | |
| ✓ | H. Lee Scott Jr. | | Independent | Independent Outsider | | M | 66 | 1 | 2016 | 0 | | | | | C | C |
| ✓ | Jane E. Shaw | | Independent | Independent Outsider | | F | 76 | 1 | 2016 | 0 | | | | | C | |

M = Member | C = Chair | F = Financial Expert

*Indicates director not previously submitted to shareholders for election.

Note: As of: 01 Apr 2015
Source: ISS Proxy Advisory Services

Board Compensation Profile

Director Employment, Compensation & Ownership

| Name | Primary Employment | Outside Boards | Total Compensation* | Shares Held | 60-day Options | Total | Voting Power (%) |
|---------------------|---|--|---------------------|-------------|----------------|------------|------------------|
| Maynard G. Webb Jr. | Financial Services | Visa Inc., salesforce.com, inc. | 476,776 | 39,533 | 61,679 | 101,212 | <1 |
| Marissa A. Mayer | CEO, President - Yahoo! Inc. | Wal-Mart Stores, Inc. | ** | 1,039,003 | 2,135,531 | 3,174,534 | <1 |
| David Filo | Chief Yahoo - Yahoo! Inc. | | ** | 70,761,390 | 0 | 70,761,390 | 7.50 |
| Susan M. James | Other | Applied Materials, Inc., Coherent, Inc. | 334,982 | 47,756 | 0 | 47,756 | <1 |
| Max R. Levchin | Other | YELP INC. | 288,661 | 20,691 | 15,848 | 36,539 | <1 |
| Thomas J. McInerney | Financial Services | HSN, Inc., Interval Leisure Group, Inc. | 309,982 | 31,957 | 0 | 31,957 | <1 |
| Charles R. Schwab | Chairman - The Charles Schwab Corporation | The Charles Schwab Corporation, The Charles Schwab Family of Funds | 257,951 | 320,355 | 3,118 | 323,473 | <1 |
| H. Lee Scott Jr. | Retired | | 260,057 | 30,383 | 3,291 | 33,674 | <1 |
| Jane E. Shaw | Retired | | 262,442 | 4,962 | 0 | 4,962 | <1 |

*Local market currency

**For executive director data, please refer to Executive Pay Overview.

Compensation Profile Executive Pay Overview

| Executive | Title | Base Salary | Change in Pension, Deferred Comp, All Other Comp | Bonus & Non-equity Incentives | Restricted Stock | Option Grant | Total |
|-----------------------|--------------------------------|-------------|--|-------------------------------|------------------|--------------|---------------|
| M. Mayer | Chief Executive Officer | 1,000 | 28 | 1,109 | 11,752 | 28,507 | 42,396 |
| K. Goldman | Chief Financial Officer | 600 | 5 | 300 | 2,813 | 9,431 | 13,148 |
| R. Bell | General Counsel | 600 | 5 | 300 | 3,282 | 0 | 4,187 |
| D. Filo | Co-Founder and Chief Yahoo | 0 | 0 | 0 | 0 | 0 | 0 |
| H. de Castro | Former Chief Operating Officer | 27 | 1,177 | 0 | 0 | 0 | 1,204 |
| Median CEO Pay | ISS Selected Peer Group | 996 | 44 | 1,662 | 2,849 | 3,059 | 13,666 |
| | Company Defined Peers | 908 | 28 | 1,056 | 1,167 | 920 | 11,910 |

Source: ISS. Pay in \$thousands. Total pay is sum of all reported pay elements, using ISS' Black-Scholes estimate for option grant-date values. Note: Median total pay will not equal sum of pay elements medians. Company Defined Peers are as disclosed. More information on ISS' peer group methodology at www.issgovernance.com/policy-gateway/us-compensation-policy-guidance/.

Note: As of: 01 Apr 2015
Source: ISS Proxy Advisory Services

Equity Ownership Profile

| Type | Votes per share | Issued |
|--------------|-----------------|-------------|
| Common Stock | 1.00 | 938,193,314 |

| Ownership - Common Stock | Number of Shares | % of Class |
|--|------------------|------------|
| FILO DAVID | 70,761,390 | 7.56 |
| The Vanguard Group, Inc. | 48,125,493 | 5.14 |
| Fidelity Management & Research Co. | 41,556,028 | 4.44 |
| SSgA Funds Management, Inc. | 35,791,945 | 3.82 |
| BlackRock Fund Advisors | 33,601,168 | 3.59 |
| Capital Research & Management Co. (Global Investors) | 28,750,998 | 3.07 |
| OZ Management LP | 14,647,989 | 1.57 |
| D. E. Shaw & Co. LP | 12,434,375 | 1.33 |
| TIAA-CREF Investment Management LLC | 12,172,975 | 1.30 |
| Luxor Capital Group LP | 10,635,575 | 1.14 |
| Northern Trust Investments, Inc. | 10,631,174 | 1.14 |
| Owl Creek Asset Management LP | 10,393,426 | 1.11 |
| Invesco PowerShares Capital Management LLC | 8,837,779 | 0.94 |
| Goldman Sachs & Co. (Private Banking) | 8,484,901 | 0.91 |
| Norges Bank Investment Management | 7,164,024 | 0.77 |
| Janus Capital Management LLC | 7,143,019 | 0.76 |
| Geode Capital Management LLC | 7,041,987 | 0.75 |
| Starboard Value LP | 6,824,420 | 0.73 |
| Susquehanna Financial Group LLLP | 6,807,665 | 0.73 |
| JAT Capital Management LP | 6,706,079 | 0.72 |

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Note: As of: 01 Apr 2015
Source: ISS Proxy Advisory Services

ISS Peer Groups

Peer Groups

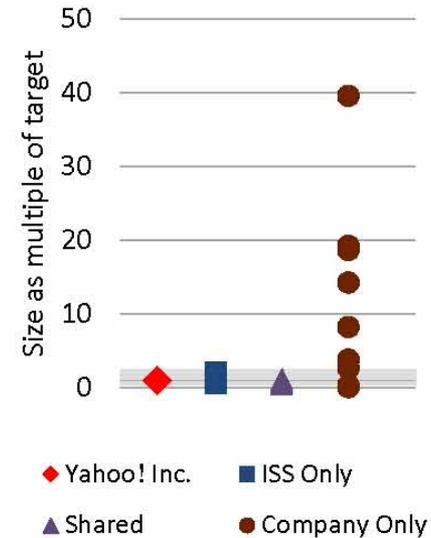
ISS And Company Disclosed Peer Groups

| | | |
|------------------------------------|-------------------------------|----------------------------|
| ISS- Selected Peers (7) | Activision Blizzard, Inc. | Fidelity National |
| | IAC/InterActiveCorp | Information Services, Inc. |
| Shared Peers (7) | Symantec Corporation | MasterCard Incorporated |
| | VMware, Inc. | The Priceline Group Inc. |
| | Adobe Systems Incorporated | AOL Inc. |
| | Electronic Arts Inc. | Groupon, Inc. |
| | Intuit Inc. | LinkedIn Corporation |
| | salesforce.com, inc. | |
| | Amazon.com, Inc. | Apple Inc. |
| Company- Disclosed Peers (9) | eBay Inc. | Facebook, Inc. |
| | Google Inc. | Microsoft Corporation |
| | Oracle Corporation | Twitter, Inc. |
| | Zynga Inc. | |

The shaded area represents the overlap group of companies that are in both ISS' comparison group and the company's disclosed CEO compensation benchmarking peer group. Excludes company peers for which financial data is not available. For more information on the ISS peer group methodology, visit www.issgovernance.com/policy/USCompensation

Peer Group Size Analysis

Size (by revenue) of the ISS, company and overlap peer groups. Gray indicates 0.4- 2.5 times the company's revenue.



Note: As of: 01 Apr 2015
Source: ISS Proxy Advisory Services