

Yahoo shares up on report that Alibaba is preparing bid

Written by BBC

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Shares in Yahoo rose on reports that China's Alibaba Group was preparing a takeover bid with private equity firms Blackstone and Bain Capital.

Yahoo shares ended Thursday trading on the Nasdaq tech exchange 3.3% higher, having been 4.8% up at one point.

Unconfirmed reports said the consortium may pay up to \$20 per share - well above Thursday's close of \$16.23 - valuing Yahoo at \$25bn (£16bn).

Alibaba, one of China's top internet firms, said it was weighing options.

"Alibaba Group has not made a decision to be part of a whole company bid for Yahoo," said John Spelich, spokesman of Alibaba Group.

Buying back stake?

Alibaba has had a long association with Yahoo, but relations have taken a turn for the worse in recent years.

The two companies came together after Yahoo bought a 43% stake in Alibaba in 2005 for \$1bn.

However, things between the two have not worked out as planned, prompting Alibaba to try and buy back its stake.

The relations hit a turning point earlier this year after Alibaba spun off its online payment business, Alipay, effectively putting it out of the reach of Yahoo.

Yahoo accused the Chinese company of hiding the switch from it, saying the change had been made in August 2010, but it only found out about it in March this year.

Analysts said Alibaba's interest in bidding for Yahoo was being dictated in part by its efforts to get back full control of its own company.

"Alibaba definitely wants to get its stake back from Yahoo, so whatever can make that happen, they will try for it," said Dick Wei of JP Morgan in Hong Kong.

Contrasting fortunes

Yahoo has been struggling to keep hold of its market share amid growing competition from the likes of Google and Facebook.

Its failure to do so resulted in chief executive Carol Bartz being fired earlier this year, and the company launching a strategic review of its operations.

While Yahoo has seen its fortunes fall, Alibaba Group has been growing robustly, helped by a boom in the Chinese internet market.

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With more than 500 million users, China is the world's biggest online market and it is expanding at a rapid pace.

Alibaba has cashed in on the growth. The group's online shopping website Taobao is the largest in China and boasts 50 million unique visitors a day.

It has become the top destination for almost three-quarters of the country's online shoppers.

It hosts 30,000 online stores, and about 53,000 items are sold on the Taobao website every minute.