

**Street Takeaways - Yahoo! Q4 Earnings**  
**Tuesday, January 24, 2017 01:54:10 PM (GMT)**

- **Overview:**

- Shares are trading +3.1% this morning following the Q4 print as Yahoo! beat consensus for both the top-line and EBITDA, but the largest takeaway seemed to be how there were no signs of any significant change in engagement numbers following the second announced data breach.
- The closing of the Verizon deal still looms over YHOO, as the deal was pushed back until 2Q, but analysts still expect it to be completed, as most notes highlighted the engagement data as providing some comfort. Firms differ on how the final deal will look though, as some see it closing as is, while others see the price of the transaction being reduced, and some are thinking that VZ will require YHOO to put some cash aside to cover any potential liabilities instead of lowering the price tag. In the meantime VZ is continuing to do its due diligence on the data breaches, which is what caused the deal to get delayed a quarter.
- A quick look at sell-side sentiment shows that 37% of firms have a buy-equivalent rating, with the remaining 63% having a hold-equivalent. Average target of \$46.65 implies +6.8% upside.

- **Analyst Commentary:**

- **Pivotal** analyst Brian Wieser
  - Notes how results were better vs. guidance, but acknowledges there is limited impact as the bulk of value is embedded in the company's stake in Alibaba and Yahoo Japan.
  - Talks on how given flattish growth trends for the digital advertising industry outside of Google and Facebook, Yahoo can highlight a modest positive with display revenues growing +5% ex-TAC basis.
  - Mentions how the sale to VZ was pushed back to Q2 and states how there are still risks of fines from regulators, lawsuits, and changes in consumer usage of Yahoo that could be beyond the scope of data provided in the release.
  - Assumes the transaction will close, but assumes a \$1B reduction in the transaction and now a \$3.8B valuation on the operating business.
  - Maintains Hold and \$41 target.
- **Mizuho** analyst Neil Doshi
  - Touches on how revenue and EBITDA were nicely ahead of expectations, but top-line fundamentals continue to deteriorate.
  - Highlights how user engagement trends seem to indicate the December data breach notification had little impact on Yahoo Mail activity, providing them comfort that the VZ deal should still close.
  - Believes the deal was postponed to Q2 due to additional due diligence on the 2013 and 2014 data breaches and states how VZ may require YHOO to set some cash aside for any potential liabilities, rather than lowering the purchase price.
  - Maintains Neutral and \$42 target.
- **Jefferies** analyst Brian Fitzgerald
  - Sees the quarter being good and the company continues to ready itself for the acquisition.
  - Mentions how the terms of the deal have not changed and management remains confident that the deal will close by 24-April.
  - Talks on how questions remain around how Alibaba will look to maximize shareholder value by monetizing assets of Alibaba, Yahoo Japan, and the Excalibur patent portfolio.
  - Comments on how the core operating business continues to execute on its 2016 strategic plan.
  - Maintains Hold and \$48 target.
- **JMP** analyst Ronald Josey
  - Views results as positive vs consensus projections for EBITDA and revenue.
  - Points out the one quarter delay in the closing of the VZ deal and it likely being due to the second data breach.
  - Notes that engagement rates look to be holding steady across the digital properties, eMail, and search as 90% of users have now reset their passwords.
  - Is encouraged by the mail stabilization, as it grew by +31% y/y and mobile monetization

- is improving; sees Mail as one of YHOO's most valuable assets.
- Maintains Market Perform.
- **Needham** analyst Laura Martin
  - Comments on how despite management not holding a call, they were still able to get their questions answered.
  - Highlights how the VZ deal is still on track and assumes YHOO will indemnify VZ for the security breaches reported to date.
  - Touches on how ex-TAC revenue and EBITDA both beat their estimates.
  - Maintains Hold.

**Industries:** Communications Services, Computer & Internet Services

**Primary Identifiers:** VZ-US, LBTA.XX1-US

**Related Identifiers:** VZ-US, LBTA.XX1-US

**Subjects:** Street Takeaways, Street Takeaways - Earnings

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