Rumor - Microsoft to buy Yahoo for $20 Billion.

SAN FRANCISCO: It takes only a glimmer of hope to excite Yahoo shareholders these days.

Investors bid up shares in Yahoo by 7 percent on Tuesday after The Wall Street Journal reported that Jonathan Miller, the former chief executive of AOL, had been talking to private equity and sovereign wealth funds in an attempt to raise between $28 and $30 billion to buy Yahoo. That would work out to $20 to $22 a share; Yahoo's stock closed up 76 cents at $11.50.

People in private equity circles said Miller had indeed discussed possible options for Yahoo on and off since he left AOL two years ago. (Miller, now a partner at Velocity Interactive Group, a venture capital firm, did not respond to a request for comment.)

But they also said that a private buyout of Yahoo was highly unlikely, given the daunting environment for deal-making and the amount of debt that such a massive deal would almost certainly require.

"I would think this would be a very hard number to raise even in an effervescent financial market," said Roger McNamee, a co-founder of Elevation Partners, a private equity firm in Silicon Valley. "In the current market, where there does not appear to be any debt available for any cause, let alone Yahoo, I think this has to be viewed as a long shot."

This is not the first time in recent weeks that the ears of investors have perked up at the whisper of a possible conclusion to Yahoo's long and twisted corporate saga. There have been repeated rumors that Microsoft might rekindle efforts to buy some or all of Yahoo, but Microsoft has mostly debunked these.

Last weekend, The Times of London reported that Miller was working on a deal with Microsoft to purchase Yahoo's search business. All parties denied that report.

Jerry Yang, Yahoo's co-founder and chief executive, announced last month that he would step aside once a new chief is found. Yahoo has told at least one major shareholder that it hoped to conclude its search and announce Yang's replacement by the end of the year, but that is an ambitious goal.

A Yahoo spokesman, Brad Williams, would not discuss the timing of the search for a chief executive, and said of the report on Miller's efforts that the company would not comment on rumors.

Though Yahoo shareholders and analysts say that a private buyout of Yahoo remains unlikely, they do find elements of such a scenario appealing. Yahoo could easily sell off parts of itself, like its search business or its Japanese division, to immediately pay off debt.

Miller, who remains a popular and well-known figure in Internet circles, could probably marshal the support of large Yahoo shareholders, many of whom are desperate for a change in management. Miller was the principal architect of AOL's transformation from a dial-up Internet service provider to an online advertising company, which is generally considered to have been a success.

In the '90s, he was an executive at media outlets like USA Broadcasting, Nickelodeon and Paramount, which could give him the background to create a future for Yahoo in the rapidly changing media business.

One potential hitch is that Miller has a non-compete agreement with his former employer, Time Warner, that extends through March. Miller was forced to withdraw his name from consideration for Yahoo's board of directors over the summer after Time Warner indicated it would enforce the measure.

Sandeep Aggarwal, an Internet analyst at Collins Steward, said that even talk of Miller's involvement was good for Yahoo and might motivate Microsoft to get off the sidelines.

"Microsoft has had no reason to hurry up and make a move," Aggarwal said. "If Microsoft sees another strategic alternative developing, that might pressure them to move faster. It creates option value for Yahoo, and options never hurt."

But Yahoo continues to face challenges that could discourage anyone courageous enough to think about taking over the business. Though it has the most popular Web site on the Internet, it continues to lose market share in the profitable search business to Google, a relentless opponent. And the market for display advertisements, where Yahoo is strong, is suffering amid the general downturn in advertising.

All these factors, said McNamee of Elevation Partners, are poison to any potential Yahoo dealmakers. "Private equity investors hate uncertainty, and the business situation at Yahoo is uncertain enough that it is bound to scare off many deep pocketed investors," he said.

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