# Yang's Era at Yahoo Ends With a Loss.

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**SAN FRANCISCO** - Will Carol A. Bartz sell Yahoo's search business to Microsoft?

Analysts asked the question time and again after Ms. Bartz delivered Yahoo's financial results to Wall Street for the first time since becoming chief executive earlier this month.

Time and again, Ms. Bartz said she had not yet made up her mind. If anything, Ms. Bartz suggested that breaking off the search business would not be easy and that any decision would not come soon.

"It is my job to make sure that as a company we look at anything that makes sense long term for the company and creates shareholder value," Ms. Bartz said in a conference call with analysts on Tuesday. "So yes, everything is on the table."

But she added: "This is not a company that needs to be pulled apart and left for the chickens."

While Ms. Bartz delivered Yahoo's mixed financial results, the fourth quarter was the end of Jerry Yang's turbulent 18-month tenure as chief executive.

Yahoo swung to a loss during the quarter, as sales declined slightly because of weakness in the online display ad business. The company also recorded a number of one-time charges. But cost-cutting efforts, including sizable layoffs, helped Yahoo top analysts' expectations for profitability. And the results were in line with forecasts Yahoo had made three months earlier.

"Delivering on profitability expectations is a real achievement in this environment," Ms. Bartz said.

Yahoo reported a net loss of $303 million, or 22 cents a share, compared with a profit of $206 million, or 15 cents a share, a year ago. Yahoo said it incurred $108 million in charges related to severance of employees and $488 million in write-downs of some of its European assets.

After adjusting for those and other charges, Yahoo said it had a profit of $238 million, or 17 cents a share, up from 13 cents a share a year ago, and above the 12 cents a share expected by analysts.

Yahoo said that its revenue of $1.8 billion was down about 1 percent from $1.83 billion a year ago. Net revenue, which excludes commissions Yahoo pays to advertising partners, was $1.37 billion, down from $1.4 billion a year ago, and in line with analysts' estimates.

Some investors were bracing for worse, and Yahoo's shares rose about 5 percent in after-hours trading, after the company's report, to $11.93. Yahoo shares closed the regular trading session at $11.34, up 17 cents.

"They didn't bleed as much as the very bearish side feared," said Martin Pyykkonen, an analyst with Wunderlich Securities. "I don't think this is a quick fix and the economy is going to add headwinds to that."

Yahoo's results reflected the continued shift by marketers toward forms of advertising that deliver immediate and measurable results. Search advertising, which marketers use to attract customers to their sites, grew about 11 percent, while display advertising declined about 2 percent.

Those results suggest that other online publishers that rely heavily on display ads, including AOL, are likely to suffer as well.

"Yahoo's display business is very indicative of what is going on in the display advertising business," said Ross Sandler, an analyst with RBC Capital Markets.

Yahoo warned that it would continue to face tough times. Its outlook for the current quarter calls for revenue to fall 5 to 16 percent. The company did not provide forecasts for the full year, saying that the deepening recession made it too difficult to predict demand from advertisers.

"There is so little visibility on the long-term forecast for advertisers," Blake Jorgensen, Yahoo's chief financial officer, said in an interview. "We are really being cautious for the rest of the year."

The persistent questions about Ms. Bartz's willingness to sell Yahoo's search business made it clear that investors were likely to continue pressing her to consider more decisive measures to reverse Yahoo's slide and prop up its depressed share price.

Analysts also asked about her willingness to merge Yahoo with the AOL Internet unit of Time Warner or to sell certain assets. Ms. Bartz declined to answer.

"There may be some investor disappointment that we will not get a quick answer on all the big strategic questions," said Marianne Wolk, an analyst with the Susquehanna Financial Group. "I think those are all under consideration. If there is any insight at all, it is that it may not be easy to unplug parts of these businesses."

Ms. Bartz had time for a dig at her would-be partner, Microsoft, whose chief executive, Steven A. Ballmer, has repeatedly said he would like to reach a search deal with Yahoo. She said that Yahoo, while lagging far behind Google in search, had three times as much market share as the "next player," which is Microsoft.

That was a slight exaggeration. According to comScore, Yahoo accounted for 20.5 percent of all searches in the United States in December, while Microsoft accounted for 8.3 percent. Google leads the market with 63.5 percent of searches.

Last week, Google reported that its net revenue jumped 25 percent in the fourth quarter.

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