

244 Fifth Ave., 2<sup>nd</sup> Fl., Ste. 2801 • New York, NY 10001 • Tel: (212) 726 1408 • Fax: (413) 215 0880**Yahoo! Inc. (NASDAQ: YHOO)****Update: Diversifying revenues to maintain competitive advantage in the portal sector**  
**Rating: HOLD**

February 2, 2001

**KEY CONSIDERATIONS**

- Yahoo! is maintaining its competitive advantage of brand recognition by offering its services to a global market and constantly expanding its global outreach
- Yahoo! is diversifying its revenue by charging listing fees for its Auction site and customizing portal solutions for corporate clients
- Yahoo! drew 52 million unique visitors for the month of December making it No. 1 visited site for unique visitors
- The current AOL Time Warner merger has increased competition for media services offered by Yahoo! which may prompt the company to seek a media conglomerate to partner with
- Yahoo! is offering more services through its portal site and offering services to wireless services providers

**ONE-YEAR PRICE AND VOLUME GRAPH**

Recent Price	\$37.16
52WK Low	\$24.13
52WK High	\$205.63
P/E	376.88
P/Book	3.39
P/Sales	20.40
Market Capitalization	\$21,045.85 M
Shares Outstanding	558 M
Float	256.9 M
Daily Volume (3-month Average)	16.69
<b>EPS</b>	
1998A	-0.01
1999A	0.19
2000E	0.14
2001E (1 <sup>st</sup> )	0.05
Current Ratio	5.18
Total Debt to Equity	0.00
LT Debt	0.00
Total Cash	522 mil

**COMPANY PROFILE**

Yahoo! Inc. is a global Internet communications, commerce and media company that offers a comprehensive branded network of services to more than 180 million individuals each month worldwide. As the first online navigational guide to the Web, Yahoo! is the leading guide to traffic, advertising, household and business users, and is one of most recognized brands associated with the Internet. The company provides online business services designed to enhance the Web presence of its' clients, including audio and video streaming, store hosting and management, and Web site tools and services. The company's global Web network includes 24 World properties. Yahoo! has offices in Europe, the Asia Pacific, Latin America, Canada and the United States, and is headquartered in Santa Clara, California.

This report was prepared by Allison Lind and Priya Mehrotra.

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## THE COMPANY

Yahoo Inc. ("Yahoo!" or the "Company") is a global Internet communications commerce and media company offering a complete branded network of information, communication and shopping services. As of January 2001 Yahoo! Offered its' services to more than 180 million individuals each month worldwide. The Yahoo! brand is now ranked the No. 38 (Interbrand, July 2000) leading consumer brand in the world and is valued at more than \$6.3 billion. In addition, Yahoo! is ranked No. 1 among the top five Web sites in average combined time spent by home and work users, which was one hour and 37 minutes in November 2000 (Nielsen//NetRatings).

Yahoo! launched a range of services including Corporate Yahoo!, a customized enterprise portal solution; Yahoo! Website Services, a turnkey service enabling companies to manage their Web presence; and most recently, Yahoo! Webcast Studio, which allows business customers to easily create and stream their own corporate events. Corporate Yahoo! is increasing client base by offering a comprehensive package of Yahoo! services. Yahoo! has 18 major corporate clients licensed to make Corporate Yahoo! available to more than 800,000 of their employees, customers and business partners. In addition, Yahoo! Broadcast hosted and distributed 1,067 streamed audio and video corporate events for clients. Yahoo! brought in Yahoo! ShoppingVision, a rich media service enabling consumers to view streaming video content and simultaneously purchase contextually relevant merchandise from one interface. Yahoo! introduced several new free voice-enabled services, including Yahoo! By Phone, which provides access to My Yahoo! content over the telephone. And, an updated version of Yahoo! Messenger gives consumers the ability to place PC-to-phone calls to anywhere within the continental United States. Yahoo! launched the Yahoo! Buzz Index, an interactive market research system developed by Yahoo! to measure public engagement with brands, products, people and technologies on the Internet. Part of Yahoo!'s Fusion Marketing suite of services, the Yahoo! Buzz Index leverages the speed of the Internet by capturing trends nearly immediately and provides in sight into the interests of the world's largest connected audience, helping marketers to continually ensure the effectiveness of their online and offline campaigns. Yahoo! also introduced Yahoo! Full Service, an interactive suite of data-driven tools and services, which enhances a media program and enables marketers to more easily achieve their objectives.

In an attempt to diversify Yahoo!'s revenue based on advertisements and sponsorships, Yahoo! introduced listing fees for Yahoo! Auctions. The listing fees along with the recently implemented Buyer Protection Program will improve the quality of the Auctions site and will increase consumer confidence. Approximately 3,700 clients advertise on Yahoo!'s site.

Yahoo! maintains a competitive advantage in two major areas: global outreach and new services. Yahoo! continued to add new services and to broaden its global base. The company strengthened its reach and position across Greater China and acquired Kimo.com, the leading Web portal in Taiwan. In addition, Yahoo! made an investment in Australia's carsales.com Ltd, a provider comprehensive car listings to users of Yahoo! Australia & New Zealand. Yahoo! started Yahoo! Canada en francais, an Internet guide designed specifically for Quebecois and Francophones in Canada.

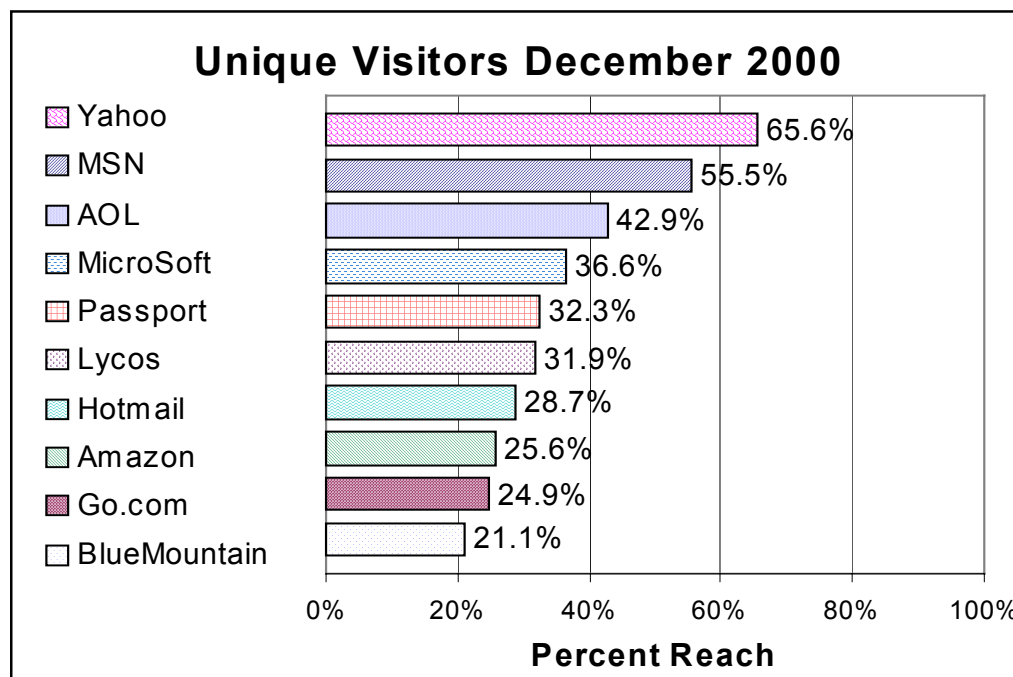
## INDUSTRY

Yahoo!'s primary function as a portal is keeping the Yahoo! brand competitive in a highly competitive industry. In addition to being a portal to the world wide web, Yahoo! is a recognizable search engine. With the Internet market in a downward trend, Yahoo! has been providing more services to market itself to a broader range of user groups. The company is tailoring more services to the corporate environment, providing intranet sites and media exposure through their site. Yahoo!'s competitors are providing more than search engine services or world wide web access, they are becoming media conglomerates, banks, auction houses, malls, news providers and, most importantly, solution providers. Yahoo! has been the forerunner to a major of the services it provides today, but to maintain its' highly competitive edge, it must keep thinking creatively.

The company has turned to new media, global outreach and corporate internet solutions to help gain other sources of revenue still heavily dependent on advertisements. By developing other services, Yahoo! is becoming more than a portal or search engine, and the big competition are following the same trend. Therefore the demand for the industry for recognized brands to provide more services than ever before is growing. While expanding services Yahoo! provides, it will, at the same time, need to keep its competitive advantage by outreaching to global consumers where it already holds a strong position.

The AOL-Time Warner merger, although plagued with many restrictions, is considered the future of internet media. Many analysts are looking at Yahoo! to follow AOL's example. We believe Yahoo! should consider a partnership with a major media company, while still maintaining its identity as a internet technology company. Yahoo!'s top executives in a recent interview did not give any indication of a future partnership with a media company, but did reveal that Yahoo! is looking to globalization and wireless communication to be the future of its business. If Yahoo! is looking to be a global internet portal, then the next step will be to provide mobile access to the services it provides around the world.

Media Metrix



## COMPETITION

The industry Yahoo! competes in is highly competitive. Yahoo!'s main function as a portal has allowed the company to expand into every aspect of the internet developed, and offer these services to its customers efficiently and easily. The AOL/Time Warner merger has changed the outlook of the competition Yahoo! contends with. Although the restrictions placed upon the merger give the open the doors of Time Warner cable access to any ISP, AOL has the advantage of forward looking media and content.

Yahoo! Shopping, the Internet's No. 1 shopping portal (Nielsen//NetRatings, December 2000) enabled 13,000 merchants to sell directly to Yahoo!'s audience during December Yahoo! continues to be the No. 1 ranked network worldwide, with the highest reach globally. With a 51 percent reach of home users, Yahoo! is a clear leader among all Internet companies (Nielsen//NetRatings, November 2000).

The Yahoo! network reaches 62.6 percent of the combined U.S. home/work audience, and is ranked No. 1 among work users (69.4 percent reach) and No. 2 among home users (55.4 percent reach) according to Nielsen//NetRatings (November 2000). Yahoo! is ranked No. 1 among the top five Web sites in average combined time spent by home and work users, which was one hour and 37 minutes in November 2000 (Nielsen//NetRatings). And, according to Media Metrix's custom research, Yahoo! is ranked No. 1 in month-to-month visitor retention (79.1 percent) among the top six Web domains (October-November 2000).

The following table briefly compares Yahoo to its principal competitors:

	Yahoo	AOL Time Warner	MSN	TerraLycos, Inc.
Brand Recognition	Highly Recognized	Highly Recognized	Highly Recognized	Recognized
Ease of Use	Very Easy	Very Easy	Easy	Easy
Variety of Products	Many	Many	Limited	Very Limited
Accessibility	Not linked to metasearch engines, but building global base	Mostly to subscribers	Accessible	Accessible

#### **AOL TIME WARNER**

AutoTrader.com and AOL issued a press release announcing an expanded multi-year alliance under which AutoTrader.com will become the exclusive provider of used car classified listings and search capability across several key AOL brands, including the AOL service.

AOL is emerging into the world marketplace y announcing its partnership with Brazilian bank Itau for the supply of internet and home banking access services for 8 million of the bank's clients

After the AOL Time Warner Inc. completed its merger the company Ray Oglethorpe president of America Online Inc. Mr. Oglethorpe will be responsible for the CompuServe service, the Netscape.com portal and Netscape browsers, software development for the AOL client and AOL products and finally the data and network operations. Most of the AOL management team are taking new and expanded roles as a result of the merger. The new organization leverages AOL's proven management team, fully utilizing the company's talent across the Company's multiple brands and further refines.

Trying to contend in the mobile arena, AOL has forged an agreement with mobile communications giant Nokia to develop a Web browser for cell phones. It will develop a Netscape-branded version of Nokia's microbrowser, enhanced with AOL features for use on a variety of mobile devices. This is the deal AOL-owned Netscape in the microbrowser market which is a part of the "AOL anywhere" strategy. AOL also formed an alliance with Psion to offer instant messaging and email services on handheld computers from Psion.

A new product as been developed named AOL Home Extensions. It will provide AOL access throughout your home and extend AOL's email and Internet services with the Gateway Connected Touch Pad with instant AOL already installed. At present, the product is lacking printing and expanded networking options. The broadband application for AOL is not yet in service and there were some screen calibration problems.

The FCC approved the AOL Time Warner merger with a few constraints. One being the company must work more diligently to develop an industry-wide Instant Messaging standard for broadband technologies, such for streaming video. Other conditions were set on the company's cable infrastructure and to allow it to open up those lines to other internet service providers. Restrictions were not placed on the interactive television

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market, but the FCC left an option to place regulations if or when needed. The various conditions attached to the deal by the FCC appear to put safeguards in place that will protect consumers but still allow the combined company to capitalize on its content and distribution might. The world is looking forward to the applications that will be developed by the power of AOL Time Warner.

### **MSN**

The MSN Portal business provides services on the Internet, encompassing the home page as well as vertical services, and includes the Microsoft CarPoint online automotive service, Microsoft HomeAdvisor online real estate service, Expedia, Inc., MSNBC, Microsoft Passport and TransPoint. MSN is broadening the services offered by its company, trying to compete with other portal competitors by offering an extensive number of services.

Microsoft Corporation and Starbucks announced a strategic relationship to create a high-speed, connected environment in Starbucks locations across North America using MobileStar Network Corp.'s wireless broadband network. The relationship combines the Starbucks coffeehouse experience with Microsoft's technologies and MSN content and services. Microsoft has formed an alliance with Dell Computer Corp. producing DellNet by MSN, a new Internet access service to be included with the purchase of all new Dell consumer desktop and notebook PCs in the United States. The new DellNet by MSN provides customers with fast access to the Web; to MSN and to Dell's service and support.

Globalizing its services to a major population of people, Microsoft hopes to get brand recognition in China. Microsoft Corporation announced that its MSN Hotmail service is now available in Korean, Traditional Chinese and Simplified Chinese.

Pioneering the wireless web front, Microsoft Corporation released MSN Mobile 3.0, the newest version of the MSN wireless service. Available free of charge, MSN Mobile 3.0 supports and integrates MSN Hotmail, Expedia.com, and now MSN Messenger, MSN Calendar and Citysearch localized content. Sprint PCS and MSN, announced a relationship that bring will content and services from MSN to Internet-ready Sprint PCS Phones. With this announcement, Sprint PCS customers will have access to services available on MSN now from their Sprint PCS Internet-ready Phone.

### **TERRA LYCOS, INC.**

Terra Lycos, the internet venture resulting from a merger between Spanish internet company Terra Networks and US search engine Lycos Inc. has signed an agreement with Digitas, the US company specializing in the integration of internet ventures, to develop a strategic plan for e-commerce operations in the Spanish and Portuguese speaking world. US Internet firms have been carrying out efforts outside the US in an effort to obtain market share. TerraLycos, which was set up by Terra Networks' (Spain) recent purchase of Lycos, is already considered among the "first tier" of worldwide Internet brands, according to Media Metrix's president Doug McFarland. Terra is ahead of Yahoo! Espana in popularity among Spanish Internet users due to its marketing budget and having Telefonica as its majority owner, according to Yahoo! Espana's Noelia Fernandez. Yahoo! Espana was set up in 11/98 mainly with a Spanish staff.

Lycos Inc. has significantly changed its stock options plan aimed at giving its employees an advantageous stake in the company and inspiring loyalty. The company's first stock options plan offered share options at 11.81 euros (Pta1,965) per share, but now they must be exercised at 19.78 euros, 67 per cent more than the initial price. This doesn't only represent a loss in potential profits for employees but could even lose them money.

Despite a promising start, the year 2000 was a difficult year for internet ventures. In Spain a number of technology and telecommunications stocks, led by Spanish telecommunications giant Telefonica SA, began the year with spectacular gains. Venture capital firms were only too happy to finance fledgling internet ventures on the understanding that considerable capital gains could be reaped from subsequent IPOs. However many investors became discouraged by the absence of profits, leading to a sharp drop in value of new technology stocks.

Playboy said its online unit, Playboy.com, is slated to unveil a strategic alliance with Lycos, Inc. under which Lycos will put a Playboy section on its portal Web site. Lycos is using a different marketing strategy to gain brand recognition. Lycos features its logo and message on coasters and glasses in 170 bars in Seattle, WA; New York, NY; San Francisco, CA; Boston, MA; and Chicago, IL, in an effort to attract Web-savvy young people.

Lycos has started providing free digital video hosting through its portal site. This trend that other major Internet portal sites are following allows the portal site to gain brand recognition by providing a service that can be used by private and corporate clients.



## STRATEGIES FOR GROWTH

Yahoo!'s main strategy is to diversify its revenue sources. Currently 80 percent of its revenue is coming from advertising deals. In order to create a good balance of revenue source, Yahoo has been starting to charge for some of the services it provides through its platform. Yahoo! Auctions has started to charge listing fees to provide a better, more efficient experience for Auction users. The revenue generated from the listing fees are projected to account up to 15 percent of 2001 revenue.

Corporate Yahoo! creates portal solutions for enterprises and is increasing its client base by offering a comprehensive package of Yahoo! services. Yahoo! Broadcast also launched Yahoo! Webcast Studio, a new Webcast production platform that streamlines delivery of rich, interactive events, enabling business services customers to easily stream their own corporate events. Yahoo! launched the Yahoo! Buzz Index, an interactive market research system developed by Yahoo! to measure public engagement with brands, products, people and technologies on the Internet. Part of Yahoo!'s Fusion Marketing suite of services, the Yahoo! Buzz Index leverages the speed of the Internet by capturing trends nearly immediately and provides in sight into the interests of the world's largest connected audience, helping marketers to continually ensure the effectiveness of their online and offline campaigns.

Yahoo! also introduced Yahoo! Full Service, an interactive suite of data-driven tools and services, which enhances a media program and enables marketers to more easily achieve their objectives. Many of Yahoo!'s clients are taking advantage of Yahoo! Full Service's unparalleled media targeting, advanced analysis and measurement capabilities, including Ford Motor Company, Honda and Weblink Wireless.

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We believe Yahoo! will keep broadening its services to corporate and private clients. Assisting the client with portal solutions, constructing intranets and providing market research, Yahoo! will obtain the revenue diversification it is looking for. Yahoo! will continue its breadth throughout the globe giving brand recognition in populated areas.

## **ALLIANCES**

Yahoo! and the National Football League (NFL) entered a multi-faceted content and distribution agreement, including live audio play-by-play Webcasts of virtually all of this season's regular season NFL games via Yahoo! Sports, the No. 1 ranked sports site on the Web (Media Metrix custom report, November 2000). The agreement marks the first time football fans can access live NFL game audio for free on the Internet at NFL.com and includes access to NFL content.

Yahoo! signed a number of strategic agreements extending the growth of key business areas globally, and launched several new services with device and wireless providers in the United States and across Europe, Asia and Latin America such as the following:

- Yahoo! Europe and Packard Bell, the Consumer Division of NEC Computers International and the leader in the European home personal computer (PC) market, entered an agreement to deliver Yahoo! content and services through one-touch access on more than one million Packard Bell PCs in Germany, France, Spain, Italy, Sweden, Denmark and Norway.
- Yahoo! launched mobile commerce services on Web-enabled phones, including Yahoo! Shopping, Yahoo! PayDirect and Yahoo! Local Sales.
- The company teamed with Motient and WebLink Wireless to deliver Web content and services to two-way messaging devices.
- Yahoo! entered wireless agreements with Telesp Celular in Brazil, Shinsegi Telecom in Korea, and Hutchinson/Orange in Hong Kong.
- In Turkey, Yahoo! and SuperOnline, Turkey's largest Internet service provider, teamed to provide SuperOnline users with access to Yahoo! personal information management content and services in Turkish through a Yahoo! module on SuperOnline's homepage, which also will include links to [www.yahoo.com](http://www.yahoo.com).

Andersen Consulting renamed Accenture as of January 1, 2001 and Yahoo! Inc. formed an alliance to deliver customized corporate portal solutions leveraging Yahoo!'s enterprise information portal, Corporate Yahoo!. Accenture delivers customized knowledge management solutions to clients in virtually every industry. This new alliance will help Accenture to offer Corporate Yahoo! as a component of select knowledge management solutions to clients that want to meet the information needs and enhance the capabilities of their employees in the digital economy. Corporate Yahoo! enterprise solutions deployed under the alliance will help large-scale organizations and start-ups alike accelerate their ability to respond to customer and business needs by giving their employees instant access to tailored knowledge and information from both internal and external sources. The alliance will enhance Accenture's ability to deliver portal integration delivery services and help Yahoo! expand its enterprise services and accelerate installation and deployment for its customers.

Yahoo! had broadcast agreements for several key events, including the post-premiere party for The Grinch; Yahoo! Sports Invitational - Division I Basketball; live nationwide coverage of Election Night 2000; and the Webcast launch of Disney's Touchstone Pictures movie Unbreakable. Yahoo! also entered an agreement to stream ABCNews.com content.

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Recently, Yahoo! entered into an agreement with LayerOne, Inc. a provider of layer one optical transport exchanges and connectivity services. Yahoo! plans to connect several Yahoo! Internet Exchange points within LayerOne's NEXUS Optical Distribution Exchanges. Yahoo!, through these connects, will be able to provide easy access to Yahoo! Broadcast streaming media programming, eliminating the need for costly and complex network entrance facilities. Establishing a direct connection to a LayerOne Exchange, will enable the Yahoo! carriers to a cost-effective, high quality broadcast.

## **KEY RISK FACTORS**

- Yahoo! is expanding its Internet services, therefore, will be competing directly with a greater number of Internet sites, media companies, and companies providing business services across a wide range of different online services
- Yahoo!'s strategy to generate revenue through sponsored services may not meet the expected goals resulting in non-renewed agreements, defaulted payments and downward adjusted fees.
- Acquisitions of eGroups and VivaSmart, Inc. might provide Yahoo! with a broader user group base, but the Company will be liable for outstanding expenses and inefficiencies.
- Considerable resources have been spent on development of new products and services; for example, Webcast Studio may not gain market acceptance.
- Yahoo! depends on other companies for services to provide its users with more options.
- Competition providing Internet access or computer hardware to Yahoo! customer base which could make it difficult for Yahoo! customers to access its services.
- Access of Yahoo!'s services through Non-PC devices may not be developed fully to gain widespread adoption.
- Depends upon the supply of critical elements from other companies for streaming media software where there is no guarantee these services will continue to be reasonably provided.
- Costs for content acquisition and broadcasts will increase as Yahoo! provides more audio and video content (especially music)
- Increased demand for multicasting network means Yahoo! must enhance broadcast technology capabilities currently provided.
- Management of Yahoo! with almost 1/2 of employees working outside headquarters will be difficult to streamline

The risk factors Yahoo! confronts are expected in the business it is attempting to build upon. Emphasis on Yahoo!'s expanding global services and introducing new services should be looked into at greater depth because of the business strategy. Yahoo! may be "spreading itself to thin" by growing into portal providing every service to consumers and corporate clients. While providing more services may be a big task, it will provide more exposure of Yahoo! to more people daily which could build its consumer base.



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## FINANCIALS

**Revenue.** Yahoo! generates its revenues primarily from the advertising. Revenue from the advertising source is expected to fall due to the increase in the number and size of contract engagements and the growth of the industry practice groups. Yahoo! will try to supplement that revenue by other means, ei. Listing fees, and becoming a corporate solution provider. Revenues will increase slightly, but there will not be a major change despite Yahoo!'s efforts.

**Gross Profit.** The Gross Profit is expected to stay the same for the company. Yahoo! will have to increase the effort it puts into its' services to keep its current customers while it expands its business. The effort will be the same, but the user groups will fluctuate.

**Research and Development.** The R&D expenses are expected to increase as the company continues to develop wireless website access, create new services for corporate clients and evolve into the media mainstream. Yahoo! will have to increase R&D to stay competitive with the new media and media devices out on the market. As Yahoo!'s main competitors are focusing on wireless communication, instant messaging and multi-media, Yahoo! will have to do the same.

**Sales and Marketing Margin.** Sales and marketing will continue to increase especially with the slow down in the economy. Yahoo! will have to generate more interest into its sites for advertisers and corporate sponsors. The wireless web, which will continue to grow in popularity, will be a key strategy for Yahoo! to market its' services. The margin will increase significantly for Yahoo! to maintain the worldwide brand recognition it has created.

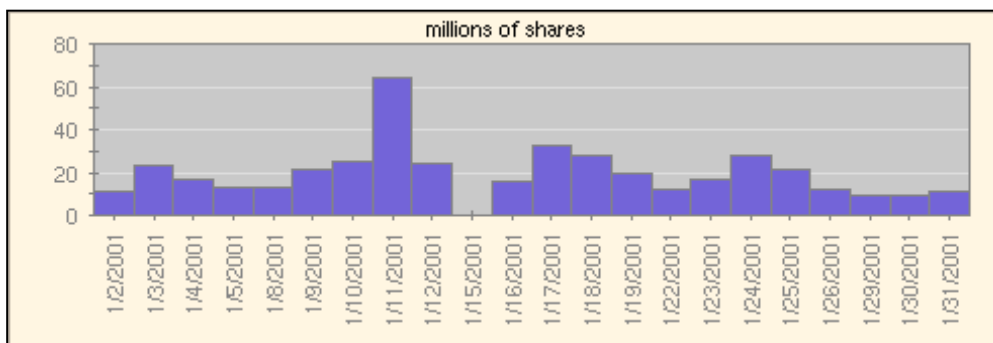
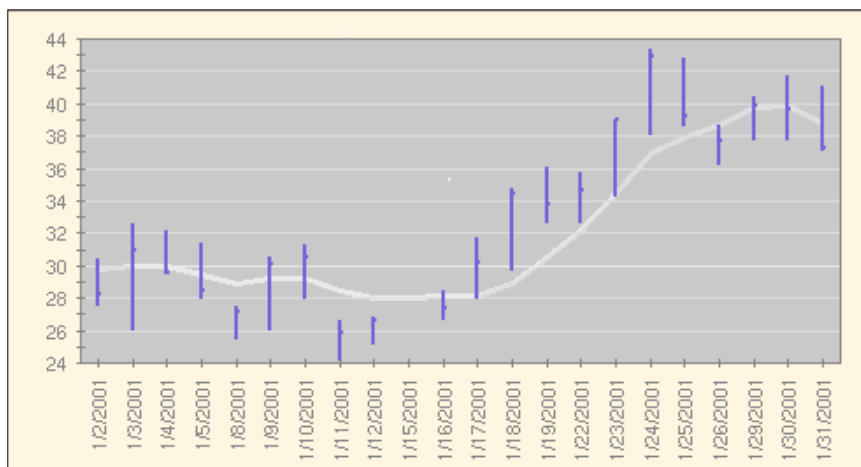
**General and Administrative Margin.** The general and administrative margin will continue to increase because the company is increasing its size and breadth throughout the world. The new offices that have been opened and new offices to be opened will continue as the company expands. New employees will have to be brought in to keep the Yahoo! portal systems operable at all times and all areas.

**Net Income.** Yahoo!'s net income has been growing since its inception. We feel the net income will slightly decrease because of the state of the internet industry. The net income will stay in a positive position.

## VALUATION

Yahoo! is keeping up with the competitive Internet market and proving that it can survive the hardest of downward trends ever to be seen in the NASDAQ. While the stock itself is highly volatile due to the recent market trends in the internet industry, Yahoo! is keeping its value and maintaining profitability.

Yahoo! Price per share fluctuation for the past year



Value Comparison 2/2/01					
	<b>\$ Price</b>	<b>Market Cap. In millions</b>	<b>Trailing 12 Month Sales in millions</b>	<b>P/S</b>	<b>Gross Margin % (TTM)</b>
Yahoo!.	34 <sup>5</sup> / <sub>16</sub>	201000	11100	19.52	85.73
Microsoft MSN	61 <sup>41</sup> / <sub>64</sub>	332600	23800	14.52	86.19
AOL Time Warner, Inc.	47.95	212700	7830	18.12	51.38
Terra Lycos, Inc.	14 <sup>1</sup> / <sub>4</sub>	798	116.7	37.13	22.85

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**Margins.** Yahoo! has the second highest Gross Margin % proving that Yahoo! will continue to be a key player in the internet industry. We expect this margin to go slightly down with the downward trend of the internet industry over the fiscal year of 2001.

**Price to Sales.** In comparison with its competitors, Yahoo! has the second highest P/S ratio. We believe that this value represents the hold Yahoo! has on the portal industry. Even with the market continuing in a downward trend, Yahoo!'s performance is the same. We expect for yahoo! to continue to perform well.

**Cash.** Yahoo! has consistently kept large amounts cash. The company currently has no debt. The cash generated through operating activities was equal to \$509.7 million. The existing cash will help the company while its goes through this downward trend in the market.

**Investment Opinion**

We believe that Yahoo! demonstrates excellent growth and is attempting to diversify revenue and broadening its global base. At this point in time, it is apparent that the internet industry is at a crossroads and although Yahoo! has demonstrated in the past that it can survive the ups and downs of the market it is risky to say that it will be a good buy. In the long term, Yahoo! will still maintain its competitive advantage by providing services to global customers, but with competition from AOL Time-Warner and Microsoft the advantage is tightening. We therefore believe that Yahoo's business is maintaining its strength, and continuing growth. It maintains a reasonable valuation despite the current weakness of the market. We thus give its stock a HOLD recommendation.

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(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,					
	1996A	1997A	1998A	1999A	2000E	2001E
Net revenues	21490	70450	203270	588608	1110200	1198640
Cost of revenues	4722	10885	26742	101799	158400	245520
Gross Profit	16768	59565	176528	486809	951800	953120
Operating expenses:						
Sales and Marketing	16168	45778	92380	214887	400000	800000
Product Development	5700	12082	22742	67511	102400	179200
General Administrative	5834	7392	11210	36321	73876	150261
Amortization of Intangibles			2028	13815	42400	87731
Other non-recurring costs		25095	19400	87542	35800	50000
Total Operating Expenses	27702	90347	147760	420076	812400	1571129
Income (loss) from operations	-10934	-30782	28768	66733	-33700	-50000
Investment income, net	3967	4535	14579	37699	134086	250000
Minority Interests in Operations of consolidated subsidiaries	540	727	68	2542	6922	11926
Income (loss) before Income taxes	-6427	-25520	43415	101890	434180	900000
Provision for income taxes			17827	40757	193205	386410
Net income (loss)	-6427	-25520	25588	61133	70800	60000
Weighted average shares outstanding-basic	157300	174672	184060	515948	610680	555807
Weighted average shares outstanding-diluted	157300	174672	224100	596790	610680	612971
Net income (loss) per share - basic	-0.04	-0.15	0.14	0.12	0.09	0.09
Net income (loss) per share - diluted	-0.04	-0.15	0.11	0.1	0.08	0.07
<b><u>Margin Analysis (% of revenue)</u></b>						
Gross Margin	0.78027	0.845493	0.868441	0.827051	0.857323	0.795168
Sales & Marketing	0.75235	0.649794	0.454469	0.365077	0.360295	0.667423
General & Administrative	0.271475	0.104925	0.055148	0.061707	0.066543	0.12536
Research & Development	0.26524	0.171498	0.111881	0.114696	0.092236	0.149503
Operating Margin	-0.508795	-0.436934	0.141526	0.113374	-0.030355	-0.041714
Net Margin	-0.299069	-0.362243	0.213583	0.173103	0.391083	0.750851
<b><u>Growth</u></b>						
Total Revenue		2.278269	1.885309	1.895695	0.886145	0.079661
Gross Profit		2.552302	1.96362	1.757687	0.955182	0.001387
Operating Expenses		2.261389	0.635472	1.842962	0.933936	0.933935
Operating Income		1.815255	-1.934572	1.319695	-1.504998	0.48368
Net Income		-2.970748	2.002665	-1.389128	-0.158131	0.152542
Fully Diluted EPS		2.75	-1.733333	-0.090909	-0.2	-0.125