

# Google wins from end of Microsoft-Yahoo affair: analysts

**Microsoft's failed attempt to buy Yahoo will send it searching for new allies and likely see Yahoo's share price plummet, leaving Internet giant Google the big winner, analysts said.**

Microsoft announced Saturday that it had given up its quest for the struggling Internet pioneer Yahoo, which rejected Microsoft's offer even after it raised the original bid by five billion to more than 46 billion dollars.

The announcement ended three months of overtures by the software giant, which wanted to merge its Internet resources with Yahoo's worldwide offerings to gain ground on undisputed online advertising juggernaut Google.

Google meanwhile has increased its share of the Internet search engine market and multiplied its innovations. The firm recently also announced a way to refine its image searches, based on technology that recognizes images, not text.

Analysts believe moreover that the Microsoft-Yahoo talks have benefited Google, and suggest Microsoft did well to cut them short.

"Microsoft did the smart thing -- they walked," said Silicon Valley analyst Rob Enderle. "Yahoo's stock price is going to come down like a rock on Monday."

Experts were surprised that Yahoo did not accept what was considered a generous offer and predict that its stock price, bereft of the prop of Microsoft's bid, will plunge even further.

Before Microsoft's offer on February 1 to buy Yahoo for 31 dollars per share, Yahoo was trading at just 19 dollars and was on the decline, having lost 33 percent of its value since October 2007.

"Yahoo is going to have to convince the market they are worth more than they were before the Microsoft offer," Gartner analyst Van Baker told AFP.

Analysts are also questioning whether Microsoft is not banking on Yahoo's share price dropping so it can make another, possibly lower, offer.

"They could be betting Yahoo's stock price is going to collapse and they will be able to get it for even less," Baker said.

Others believe Microsoft will give up on Yahoo as it continues to lose ground to Google, and move its attention elsewhere. It could buy AOL, part of Time Warner, online marketing firm ValueClick or even social networking site MySpace.

"There are other acquisitions Microsoft can make which, when multiplied, could put them in a better position than buying Yahoo," Baker said.

In its statement Saturday, Microsoft raised the possibility of deals with "other business partners."

Despite its near-monopoly in the global computer market thanks to its Windows and Office software, Microsoft remains a dwarf on the Internet, with less than three percent of the search market.

Its core business is also facing competition from software available online and often for free, financed by

advertising, such as that provided by Google.

Google, Yahoo and Microsoft are fighting over the emerging online ad market, which is worth more than 40 billion dollars and is expected to double by 2010. Google has a 30-percent share, Yahoo 14 percent and Microsoft six percent.

Microsoft is losing money on its online services, and has increased its purchases in this area. Its chief executive Steve Ballmer said last year that 25 percent of its revenue would eventually come from online advertising.

In the last few months, the group has acquired Norwegian search engine Fast, marketing firm aQuantive, it has taken 1.6 percent of Facebook, and acquired ScreenTonic, which deals with mobile phone ads, and TellMe voice query services.

Yahoo is also on the search for a new strategy, and recently announced a limited test of Google's AdSense for Search service, which would deliver Google ads alongside Yahoo's own search results -- strengthening Google's hand further.

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