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YOUR BEST SOURCE FOR DEPENDABLE, AUTHORITATIVE BUSINESS INTELLIGENCE

The first of its kind, *Business & Company Resource Center* brings together a wide variety of global business information, enabling users to efficiently research business case studies, competitive intelligence, and career and investment opportunities.

Business & Company Resource Center is customizable with your choice of specialty modules — including the *PROMT*® and *Newsletters ASAP* modules — to bring you the information you need most.

BROAD COVERAGE OF GLOBAL BUSINESS INFORMATION

Business & Company Resource Center is the ideal resource for researchers who want to know more than just the basic information on any given company.

This innovative database includes millions of records covering:

- Company profiles, including corporate parent/sibling relationships
- Industry rankings
- Products and brands
- Company performance ratings
- Investment reports
- Industry statistics
- Current investment ratings
- Comprehensive financial overviews
- Pricing momentum and key ratio measures
- Financial ratios
- Coverage of major business events and trends from 1980 to the present
- Industry newsletter news and analysis



▲ *Business & Company Resource Center* allows researchers to quickly locate company profiles and history, periodical articles, financial data and much more.



SINGLE-SOURCE ACCESS FOR ALL YOUR USERS' BUSINESS RESEARCH NEEDS

Business & Company Resource Center meets core curriculum requirements in undergraduate and graduate case study work in finance, economics and marketing, as well as provides a wealth of information for anyone searching prospective employers. Whether your users are graduate students, business professionals or casual investors, *Business & Company Resource Center*, will answer every business query.

BUSINESS INTELLIGENCE YOU CAN DEPEND ON

This comprehensive database provides highly respected information sources, featuring content from Reuters and other partners. The variety of resources included in this database not only allows users to research individual companies, but also supports research that compares companies within the context of their peers and industry. Unlike other business databases, *Business & Company Resource Center* offers integrated access to:

- Reuters Research on Demand reports
- Fifteen-minute delayed stock quotes
- Financial podcasts
- Reuters consensus estimates
- Original SEC filings (with insider buying and selling activity, etc.)
- Corporate chronologies and history
- Consumer marketing data
- Emerging technology reports
- Business journal news and analysis
- Press releases
- And more

PROMT® — PREDICAST'S OVERVIEW OF MARKETS AND TECHNOLOGY

For more than 20 years, *Predicast's Overview of Markets and Technology* has been recognized as the world's leading multi-industry database for business research applications. *PROMT* is noted for its comprehensive, reliable and international coverage of companies, products, markets and technologies. An ideal database for conducting first-stop and retrospective searches that answer fundamen-

tal and complex business questions, *PROMT* addresses a spectrum of business and industry applications. *PROMT* features a wide selection of abstracts and full text from international trade and business journals, industry newsletters and newspapers. *PROMT* is ideal for locating information on:

- Company activities
- Competitive opportunities
- Economic policies
- Emerging technologies
- Facilities and resources
- Financial performance/analysis
- Government policies
- Industry trends
- Joint ventures
- Licensing agreements
- Market size and share
- Mergers and acquisitions
- Personnel changes
- Product announcements
- Product/consumption patterns
- Regulation/legislation
- Sales statistics
- Taxation
- Trade opportunities



SIG
SUSQUEHANNA
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Member FINRA

Monday, February 25, 2008
Refer to Appendix for important disclosure information

Susquehanna Financial Group, L.L.P., Member FINRA

Internet

Marianne Wolk
212-514-4779 - Marianne.Wolk@sig.com

Yahoo! Inc.
YHOO \$28.42
Rating Neutral

52-Week Range	\$34-19
Shrs Out (mil)	1,395
Avg Daily Vol (1000)	40,774
Market Cap (\$mil)	39,636
Ent Value (\$mil)	38,022
Debt/Cap	7%
Net Cash/Shr	\$1.16
Y1 Japan/Shr (20% Dist)	\$3.92
Alibaba/Shr (40% Dist)	\$1.63
C2007 EBITDA	1927
C2008E EBITDA	1845
C2009E EBITDA	2217
EV / C2008E EBITDA	16.4x
EV / C2009E EBITDA	13.7x
2008E FCF	1346
FCF Yield	4%
2009E FCF	1714
FCF Yield	6%

Fiscal Year: December

	2006A	2007	2008E	2009E	2006E	Prior
1Q	0.15	0.17A	0.15	0.15	0.17	
2Q	0.16	0.17A	0.16	0.16	0.19	
3Q	0.16	0.17A	0.16	0.20	0.20	
4Q	0.20	0.20A	0.19	0.25	0.25	
PF EPS*	0.67	0.71	0.66	0.81	0.81	
P/E	NMF	35.2x	39.4x	32.2x		
1Q	0.11	0.10A	0.09	0.11	0.11	
2Q	0.11	0.11A	0.10	0.10	0.12	
3Q	0.11	0.11A	0.11	0.14	0.14	
4Q	0.16	0.16A	0.15	0.18	0.18	
GAAP EPS*	0.49	0.47	0.43	0.56	0.56	
P/E	NMF	55.8x	65.4x	49.7x		
Rev (\$M) 1Q	1,088	1,183A	1,200	1,459	1,459	
2Q	1,122	1,246A	1,242	1,525	1,525	
3Q	1,121	1,283A	1,282	1,594	1,594	
4Q	1,229	1,403A	1,520	1,769	1,769	
Rev (\$M)	4,559	5,113	5,534	6,347	6,347	
EV/Rev	NMF	5.9x	5.5x	4.8x		

* Valuation ex Y1 Japan (discounted 30%) and Alibaba (discounted 67%). PF EPS ex stock comp. & 1x items. GAAP ex 1x items.

Yahoo! Inc.
YHOO: \$28.42
Rating: Neutral


What's Next for YHOO?

We expect to move closer to a resolution in the Microsoft-Yahoo! merger over the next few weeks. If Microsoft is going to pursue the company via a proxy fight, we should see it propose a slate of Directors for Yahoo!'s Board by March 13. This looming date may also trigger any alternative offers for YHOO, although we continue to look at this as a low 25% probability. Regardless, the distraction of the proposed merger should benefit Google. We estimate a protracted proxy fight could mean Google has an 18-24 month window to press its lead in search advertising, develop a greater presence in branded advertising (thanks to a likely 2Q08 close of its DoubleClick deal), and establish early gains in emerging markets such as video and mobile advertising.

HIGHLIGHTS

- **We see four potential next steps for Yahoo!, with most possibilities pointing to an ultimate merger with Microsoft.** Over the next 2-3 weeks, we should move closer to a resolution in the stand-off between Microsoft and Yahoo!. **Positive Factor**
- **First possibility: we could see Microsoft and Yahoo! make a deal.** On the surface, Yahoo!'s quick rebuff of Microsoft's proposed merger does not make this transaction look likely. Nor does Bill Gates's comments on February 19, which indicated no sweetened offer was imminent. However, we believe there remains a possibility that the two companies might ultimately agree to combine Microsoft's ODS with Yahoo! into an independent entity that Microsoft could own, all or in part (and possibly trade as YHOO). **Positive Factor**
- **Second possibility: we could see Microsoft go down the path of a proxy fight, proposing its own slate of YHOO Directors.** On February 19, DealBook reported that Microsoft is prepared to authorize a proxy fight. Others report Microsoft has hired proxy solicitation group Inisfree M&A Inc. If true, the deadline to nominate its own slate of Directors to Yahoo!'s Board is March 13 – less than three weeks away. To this end, D/All Things Digital reports Microsoft has been approaching prominent Silicon Valley insiders to join its proposed slate of new Directors. Yahoo! does not have a staggered Board, and its Bylaws suggest only a plurality of votes is required to win in a contested election. We expect Microsoft to win a proxy fight, if one is waged, as much of the shareholder base has likely shifted toward speculators and arbitrageurs that would vote for the Microsoft slate of Directors. To ward off a hostile acquisition by Microsoft (and retain employees), Yahoo!'s Directors recently voted to award rich severance packages to employees terminated without cause within two years of completion of any merger. This move was aimed at thwarting a proxy fight, making it challenging for Microsoft to achieve its target of \$1 bn in synergies in the first year of an acquisition. **Positive Factor**
- **Third possibility: an alternative offer could emerge for Yahoo!, a probability we see as low or roughly 25% . . .** In our February 12 report, "MSFT Likely to Prevail with YHOO, and along with GOOG-DCLK Change Online Industry Dynamics," we detailed our views of the likelihood of several alternative suitors, including News Corp., Time Warner, and private equity (in conjunction with Dan Rosensweig, Yahoo!'s former COO). In our view, there is only a 25% probability one of these alternatives emerges for Yahoo!. **Neutral Factor**
- **. . . And we rule out a transaction with Google.** While outsourcing search advertising to Google would add immediately to Yahoo!'s bottom-line – perhaps as much as 20% (raising revenue per query by 30-50% and reducing operating and capital expenditures), this would cede Yahoo!'s key advertiser relationships to Google. Long term, outsourcing search ad sales to Google would damage Yahoo!'s branded advertising franchise, because it would: (a) provide Google with meaningful insight to Yahoo!'s user base, their behavior and proprietary company data; and (b) enable Google to target Yahoo!'s users anywhere on the web with its own branded advertising, potentially cannibalizing the premium Yahoo! receives for aggregating significant pools of targetable users on its home page and other high-scale destinations. If Yahoo! proceeds in this direction, it would be mandatory for Yahoo! to invest more significantly into media and content, knowing that it has relinquished its position as an advertising technology and marketing company. Finally, we believe any partnership between Google and Yahoo! would face significant regulatory scrutiny. Together, Google and

YHOO Share Price (LTM)



Source: SFG Research and company reports

▲ **New! Investment-grade research reports from the Reuters Research on Demand collection include reports from investment banks, independent research houses and from Reuters itself. More than 1.5 million reports are in the collection.**

NEWSLETTERS ASAP

Newsletters ASAP provides library researchers with the timely information and expert perspectives found in today's most well-read and respected business and industry newsletters. Updated daily, *Newsletters ASAP* gives users instant access to hundreds of business and industry newsletters, containing more than 400 titles, with 100% containing full text covering a broad range of topics. *Newsletters ASAP* also provides specialized interpretation and analysis of current events. Users are given an added perspective that may not be commonly found among other sources of information. Some of the many industries covered include:

- Advertising, marketing and public relations
- Biotechnology
- Computers and office automation
- Food, beverages and nutrition
- General business
- Government and law
- Health and medicine
- Pharmaceuticals and cosmetics
- And many others

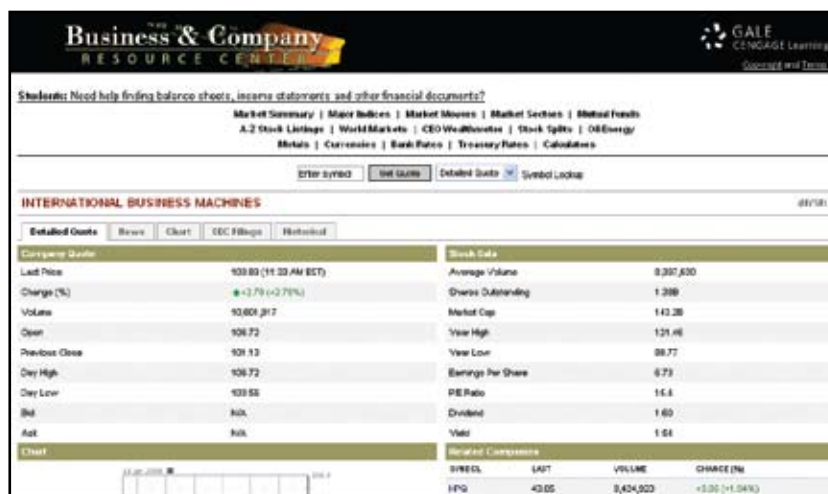
TARGETED SEARCHING AND ORGANIZED RESULTS

Search forms are designed to help the user find information quickly. Company, industry, article or advanced search options provide powerful yet easy-to-use access.

CONTENT-SPECIFIC TAB NAVIGATION

Once an initial search has been executed, *Business & Company Resource Center* provides a handy at-a-glance results tab bar. Simply click on a labeled tab and instantly view:

- Company Profile — containing detailed contact and company information
- News/Magazines — featuring relevant periodical articles
- Histories — providing a detailed history and chronology of the company
- Investment Reports — Full-text reports from Reuters Research on Demand
- Financials — providing in-depth detail on the company's financial standing in a **new Financials Dashboard**
- Rankings — showing various company rankings within their industry and market share
- Suits and Claims — featuring civil claims filed against the company in the area of human resources
- Products — offering a complete listing of products and/or brands that a company owns or sells



The screenshot displays the Business & Company Resource Center interface. At the top, there is a navigation menu with links for Market Summary, Major Indices, Market Movers, Market Section, Market Focus, A-Z Stock Listings, World Markets, CEO Wealth/Net Worth, Stock Splits, Oil/Energy, Metals, Currencies, Bank Rates, Treasury Rates, and Calculators. Below the navigation is a search bar with a dropdown menu set to 'Detailed Quote' and a 'Symbol Lookup' button. The main content area is titled 'INTERNATIONAL BUSINESS MACHINES' and shows a 'Detailed Quote' for the company. The quote includes a table of stock data and a table of financial ratios.

Company Quote		Stock Data	
Last Price	108.80 (11:20 AM EDT)	Average Volume	8,337,630
Change (%)	+1.79 (+1.71%)	Shares Outstanding	1,388
Volume	10,604,317	Market Cap	143.28
Open	106.72	Year High	121.46
Previous Close	101.13	Year Low	88.77
Day High	108.72	Earnings Per Share	6.73
Day Low	103.55	PE Ratio	16.1
Div	N/A	Dividend	1.60
Adj	N/A	Yield	1.64

Special Dividends			
SYMBOL	LAST	VOLUME	CHANGE (%)
IBM	43.05	8,624,023	+0.20 (+1.06%)

▲ Data includes extensive, up-to-date stock and financial information.



FREE TRIAL

Business & Company Resource Center is available for a free trial.

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and Sales Offices.

- Industry Overviews — detailed essays from Gale's *Encyclopedia of American Industries*, *Encyclopedia of Global Industries* and *Encyclopedia of Emerging Industries*. Additional market research reports on most industries from Datamonitor International
- Associations — featuring contact information on relevant associations within the company's industry

INFOMARKS®

An added feature included in *Business & Company Resource Center* is *InfoMarks* — the most advanced online research tool ever created! *InfoMarks* lets you save and relaunch searches and embed them on Web pages, e-mail, word processing documents and more. With a click of the mouse, your users can access a comprehensive knowledge base that you have designed. *InfoMarks* is the premier tool for creating reading lists, course packs, study guides, content services, guidelines for special projects, bibliographies, training sites, electronic journal directories and so much more.

Part II - Financial Information

ITEM 1. Consolidated Financial Statements

INTERNATIONAL BUSINESS MACHINES CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS
(IN \$ MILLIONS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue				
Hardware	\$ 11,077	\$ 12,034	\$ 34,152	\$ 37,367
Software	8,318	8,394	24,814	27,812
Services	855	961	2,805	3,779
Total revenue	\$ 20,250	\$ 21,389	\$ 61,771	\$ 69,058
Costs				
Hardware	\$ 6,219	\$ 6,361	\$ 19,356	\$ 20,217
Software	2,969	3,031	8,827	9,079
Services	143	154	437	587
Total costs	\$ 9,331	\$ 9,546	\$ 28,620	\$ 29,883
Gross profit	\$ 10,919	\$ 11,843	\$ 33,151	\$ 39,175
Expenses and other income				
Research, general and administrative	\$ 1,134	\$ 1,271	\$ 3,366	\$ 4,819
Depreciation, amortization and impairment	1,219	1,242	3,589	4,029
Goodwill impairment and other intangible assets	175	243	773	852
Other (income) and expenses	(89)	(140)	(176)	(283)
Interest expense	122	78	369	257
Total expenses and other income	\$ 2,561	\$ 2,774	\$ 7,971	\$ 10,739
Income from continuing operations before income taxes	\$ 8,358	\$ 9,069	\$ 25,180	\$ 28,436
Provision for income taxes	211	252	620	711
Income from continuing operations	\$ 8,147	\$ 8,817	\$ 24,560	\$ 27,725

▲ Financial statements provide in-depth profiles of a company's financial standing.