

YAHOO SALVAGES VERIZON DEAL WITH \$350M DISCOUNT

SAN FRANCISCO: Yahoo is taking a \$350 million hit on its previously announced \$4.8 billion sale to Verizon in a concession for security lapses that exposed personal information stored in more than 1 billion Yahoo user accounts. The revised agreement, announced Tuesday, eases investor worries that Verizon Communications Inc. would demand a discount of at least \$1 billion or cancel the deal entirely.

The hacking bombshells, disclosed after the two companies agreed on a sale, represent the two biggest security breaches in internet history. The breaches raised concerns that people might decrease their use of Yahoo email and other digital services that Verizon is buying. A smaller audience makes Yahoo's services less valuable because it reduces the opportunities to show ads - the main reason that Verizon struck the deal seven months ago.

Yahoo has maintained that its users have remained loyal, despite any mistrust that might have been caused by its lax security and the lengthy delay in discovering and disclosing the hacks. The separate attacks occurred in 2013 and 2014; Yahoo disclosed them this past September and December. The lower price, now pegged at \$4.48 billion, will cost Yahoo shareholders roughly 37 cents per share. But they may also be responsible for substantial legal costs.

After the Verizon deal closes, any future bills stemming from the hack will be shouldered by Altaba Inc. - a company that will become the caretaker of Yahoo's remains, which will include about \$7 billion in cash and lucrative stakes in Chinese e-commerce giant Alibaba Group and Yahoo Japan. Altaba will be responsible for all costs stemming from shareholder lawsuits and a Securities and Exchange Commission probe into how Yahoo handled the disclosure of the massive hacks. Verizon and Altaba will split costs from all other hack-related lawsuits and government investigations.

Mayer under fire

This agreement "provides protections for both sides" and should help the deal close by the end of June, Marni Walden, Verizon's head of product innovation and new businesses, said in a statement. Yahoo shareholders have to approve it. Avoiding an even larger reduction in the deal value represents a small victory for Yahoo CEO Marissa Mayer, who had already been under fire on Wall Street for her inability to turn around the company and then for the humiliating security lapses that came under her watch. "Yahoo had to get this deal done. There is no better fit for them than Verizon," said Doug Melsheimer, managing director for Bulger Partners, an investment banking firm specializing in technology. Mayer, 41, is widely expected to step down after Verizon takes over, although she hasn't spelled out her plans definitively. If she departs, Mayer will leave with a severance package that was valued at \$44 million last summer. The package is probably worth even more now because it primarily consists of Yahoo stock, which has risen by nearly 20 percent since last summer.

Yahoo shares rose 40 cents to close at \$45.50 while Verizon's stock added 24 cents to finish at \$49.43. Verizon's willingness to accept some of the lingering risks from Yahoo's security breaches underscores the wireless carrier's desire to become a bigger player in the digital advertising market. Google and Facebook currently dominate, but Verizon believes there's room to grow. Because most people already have smartphones, wireless carriers such as Verizon have turned to price cuts and promotions to lure customers from each other. — AP



SUNNYVALE: This Jan 14, 2015 file photo shows Yahoo's headquarters. — AP



This image provided by Apple shows the Steve Jobs Theater at Apple Park in Cupertino, Calif. Apple announced that its new headquarters will open for employees in the spring 2017 and will include the theater named for late company co-founder. — AP

TECH BREAKTHROUGHS TAKE BACKSEAT IN UPCOMING APPLE IPHONE LAUNCH

10TH ANNIVERSARY IPHONE WILL OFFER A LESSON IN HOW MUCH INDUSTRY HAS MATURED

SAN FRANCISCO: When Apple Inc launches its much-anticipated 10th anniversary iPhone this fall, it will offer an unwitting lesson in how much the smartphone industry it pioneered has matured. The new iPhone is expected to include new features such as high-resolution displays, wireless charging and 3-D sensors. Rather than representing major breakthroughs, however, most of the innovations have been available in competing phones for several years.

Apple's relatively slow adoption of new features both reflects and reinforces the fact smartphone customers are holding onto their phones longer. Timothy Arcuri, an analyst at Cowen & Co, believes upwards of 40 percent of iPhones on the market are more than two years old, a historical high. That is a big reason why investors have driven Apple shares to an all-time high. There is pent-up demand for a new iPhone, even if it does not offer breakthrough technologies.

Driven by marketing

It is not clear whether Apple deliberately held off on packing some of the new features into the current iPhone 7, which has been criticized for a lack of differentiation from its predecessor. Apple declined to comment on the upcoming product. Still, the development and roll-out of the anniversary iPhone suggest Apple's product strategy is driven less by technological innovation than by consumer upgrade cycles and Apple's own business and marketing needs.

"When a market gets saturated, the growth is all about refresh," said Bob O'Donnell of Technalysis

Research. "This is exactly what happened to PCs. It's exactly what happened to tablets. It's starting to happen to smartphones."

Apple is close-mouthed about upcoming product features, but analysts and reports from Asian component suppliers and others indicate that high-resolution displays based on OLED technology — possibly with curved edges—are likely to be part of the anniversary phone. A radical new design is not expected, according to analysts.

Some of the anticipated new technologies, notably wireless charging, remain messy. Samsung Electronics Co Ltd phones, for example, feature wireless charging but support two different sets of standards, one called Qi and the other AirFuel. Apple recently joined the group backing Qi. But there are still at least five different groups working on wireless charging technology within Apple, according to a person with knowledge of the matter.

As to 3-D sensors, there is already one hiding in the iPhone 7. The front camera features what is known as a time-of-flight sensor, which helps it autofocus and is used in numerous phones including the BlackBerry, according to TechInsights, a firm that examines the chips inside tech devices. That sensor could be upgraded to a higher-resolution version that could handle 3-D mapping for facial recognition, said Jim Morrison, vice president at TechInsights.

Some analysts also speculate the company could remove the phone's home button, placing it and a fingerprint sensor beneath the front display

glass, based on patents the company has filed.

Slow growth

Global smartphone sales were up only 2.3 percent to 1.47 billion units in 2016, according to IDC. Many carriers in the United States have stopped subsidizing phones, causing phone buyers to think harder about their next purchase.

Apple will likely make a heavy marketing push around the phone's 10th anniversary. "iPhone set the standard for mobile computing in its first decade and we are just getting started. The best is yet to come," Chief Executive Officer Tim Cook said in a statement Jan. 8, the date the iPhone was announced by then-CEO Steve Jobs in 2007.

In 2015, the last year it disclosed the figure, Apple spent \$1.8 billion on advertising, up 50 percent from the year before and nearly four times the \$467 million it spent in 2007 when it first released the iPhone. And the company continues to excel at selling higher-priced phones.

Chief Financial Officer Luca Maestri attributed the most recent quarter's record-setting 78.3 million iPhones sold to the iPhone 7 Plus, which for the first time included a new dual camera feature not found in other models. The iPhone 7 Plus tops out at \$969 with memory upgrades and a jet black finish. O'Donnell of Technalysis Research believes that with the next iPhone, Apple might even introduce a \$1,000-plus "ultra-premium device for the real Apple-crazed folks out there who want to stand out." — Reuters