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# EDITED TRANSCRIPT

AABA - Altaba Inc Corporate Update Call

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### Andrew Baker

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## PRESENTATION

### Operator

Good morning, and welcome to the Altaba Strategic Update Conference Call.

(Operator Instructions) Please note this event is being recorded. I would now like to turn the conference over to Alan Oshiki, Investor Relations. Mr. Oshiki, please go ahead.

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### Alan Oshiki

Thank you, operator, and good morning, everyone, and welcome to the Altaba financial and strategy update. Joining us this morning from Altaba are: CEO, Tom McInerney; CFO, Alexi Wellman; Chief Compliance Officer, DeAnn Work; and General Counsel, Art Chong.

Before we begin, I want to remind everyone that this conference call and webcast may contain forward-looking statements concerning the proposed liquidation and dissolution of Altaba pursuant to the plan of liquidation and dissolution. Without limiting the foregoing, words or phrases such as will likely result, are expected to, will continue, anticipate, estimate, project, believe, intend or similar expressions are intended to identify forward-looking statements. These statements are not statements of historical facts and do not reflect historical information.

Forward-looking statements are subject to numerous risks and uncertain and actual events may differ materially from those statements. Such risks and uncertainties relate to, among other things, the availability, timing and amount of liquidating distributions, including prior to filing of a certificate of dissolution; the amounts that will need to be set aside by Altaba; the adequacy of such reserves to satisfy Altaba's obligations; the ability of Altaba to favorably resolve certain potential tax claims, litigation matters and other unresolved contingent liabilities of Altaba; the amount of proceeds that might be realized from the sale or other disposition of Altaba's primary asset, its shares of Alibaba Group Holding Limited; the application of and any changes in applicable tax laws, regulations, administrative practices, principles and interpretations; the incurrence by Altaba of expenses relating to the proposed liquidation and dissolution; and ability of the Board of Directors to abandon, modify or delay implementation of the plan of liquidation and dissolution even after stockholder approval.

Further information regarding the risks, uncertainties and other factors that could cause actual results to differ from the results in these forward-looking statements will be discussed under the section Risk Factors in the definitive proxy statement that will be filed with the SEC in connection with the proposed liquidation and dissolution pursuant to the plan of liquidation and dissolution when it becomes available.

Please carefully consider these factors as well as other information contained in the definitive proxy statement, when it becomes available, and in our periodic reports and documents filed with the SEC. The forward-looking statements set forth in this call are made only as of the date hereof,



Wednesday, April 3, 2019. Altaba does not undertake any obligation to update or supplement such forward-looking statements to reflect events or circumstances after the date hereof, except as required by law.

Because the fund is an investment company, the forward-looking statements and projections in this call are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities and Exchange Act of 1934, as amended.

I would like now to introduce Tom McInerney. Tom?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Thank you, Alan. Good morning, everyone, and thank you for joining us. As you've seen obviously, yesterday, we announced that the Board has -- our Board has unanimously adopted a plan of liquidation and dissolution, which I'll refer to simply as the plan hereafter. While it would take a period of time to carry out, this plan, if approved by shareholders, represents the latest and final action in what has been a successful, nearly 3-year process to increase Altaba's shareholder value relative to the value of its underlying assets.

We have filed with the SEC a proxy statement relating to the plan. This document contains a lot of important information about our decision and the anticipated process and will answer many of the questions you all have. So we encourage you to review it in detail. Not surprisingly, everything we say today is fully qualified, as Alan articulated, by the more detailed disclosures in the proxy statement.

That said, knowing it will take some time for people to get through that document, we'll give you an overview today of the plan and answer what we expect will be some of your most important questions. In addition to taking live questions at the end, we'll also invite you to e-mail questions during the call to [altaba@abmac.com](mailto:altaba@abmac.com). And we will do our best to answer them.

So to the plan. Our Board has adopted and shareholders will be asked to approve a plan of liquidation and dissolution, whereby pursuant to a process I'll describe further, we'll distribute over time to our shareholders all of the net assets of the company, either in a form of cash and/or in shares of Alibaba, which would only be distributed in the form publicly tradable ADSs. And hereinafter, if I refer to Alibaba shares, please assume I'm referring to ADSs.

The distribution of Alibaba shares and/or the sale of Alibaba's shares in anticipation of the distribution of cash will be fully taxable to Altaba at the corporate level. From a shareholder perspective, the plan is designed such that U.S. shareholders will generally recognize income or loss as a capital gain or loss. And obviously, there's a more detailed discussion of the relevant tax issues in the proxy. The plan represents the outcome of an extensive review by management and the Board, spanning nearly 2 years in total. This review has included regular consultation with outside financial, legal and tax advisers and valuable input from a number of our shareholders.

Since our inception, we have endeavored to create value for shareholders through a series of transactions, including regular share repurchases, the exchange offer we executed last summer and the overall simplification of the company, including importantly the sale of our Yahoo Japan stake and the resolution of certain actual and contingent liabilities. We've been thorough and rigorous in our decision-making and have strived to leave no stone unturned in our analysis of this option as well as other alternatives available to us.

Following this review, we feel strongly that this plan is the best course for shareholders at this time for a few reasons. First, it's the fastest, most efficient and most certain way to increase shareholder value relative to our underlying assets. The actions to taken -- the actions we've taken to date have largely been successful in narrowing the discount in which we trade relative to the value of our underlying assets. And at this point, this is the right step for shareholders to capture the remaining discount.

Second, it's really the only feasible way to return all of the net assets of the company to our shareholders while covering all actual and potential liabilities in a manner that protects the company, the shareholders and the Board. Possible interim -- third, possible interim strategies, such as another exchange offer, similar to what we did last summer, would materially push out the timing of our capital return to shareholders for questionable benefit.

Fourth, the liability resolution process we commenced with the strategic transactions we executed last summer has progressed well generally. And while there is still much to do in this regard, the process will continue as part of and we think ultimately will be aided by the liquidation and dissolution process itself. Hence, we believe it is prudent to initiate the liquidation and dissolution process now.

As to the timing and execution, again there's a significant amount of detail in the proxy, but to hit the most salient points. As noted, we filed the preliminary proxy statement. While there are no guarantees as to how long that process might take, we'd hope to get to a shareholder vote somewhere in late summer. Assuming shareholders approve the plan, we would intend to make an initial distribution of cash and/or Alibaba shares shortly thereafter. So we would estimate that to occur in the fourth quarter of this year. And I'll get to estimated amounts in a moment.

Following that distribution, we would expect to promptly file a certificate of dissolution in the state of Delaware. And this would initiate a winding-up process, which we intend to conduct pursuant to certain safe harbor provisions under that the DGCL, the Delaware Corporate Law, specifically Section 280 and 281(a). When we file the certificate of dissolution, we will close our stock transfer books and our shares will cease being traded on NASDAQ. While we can't be certain, we expect that a trading market will develop in the rights to receive future distributions. And we plan to request that DTC take certain actions to track transfers of such rights. And we expect certain market makers will facilitate trading of such rights.

The Delaware safe harbor dissolution procedures involve notifying actual and potential creditors in a prescribed manner. And following that, we would petition the court with the recommendation from our Board to determine the amount and form of reserves that will be reasonably likely to satisfy known, contingent and future claims upon final determination. I'm obviously paraphrasing here. And the procedures we'll be following are quite specific. And a detailed summary of them are in the proxy statement.

The court will then issue an order specifying a holdback amount, an amount which could be in excess of the company's recommendation. Following such an order, assets in excess of the court-prescribed holdback amount will be distributed to shareholders. As a matter of statute, this process could take a little as 7 months from the filing of a certificate of dissolution. But we believe, given the size and potential complexity of this situation, a better estimate is 12 months, which would imply the court order and the subsequent distributions. And this would be the second distribution overall, would be estimated to occur in the fourth quarter of 2020.

Following that, the company will continue to wind up its affairs by resolving any open claims. And to the extent, those claims are resolved a level less than that assumed in the court order and assuming no new claims or increases to existing claims have arisen, excess amounts will be distributed. We would expect there could be multiple additional distributions. And it's quite difficult to estimate how long this final stage will take as it will most likely be governed by resolution of whatever open tax issues remain. As you know, these tax processes can take multiple years to resolve if they go through a normal file, audit, appeal-type process. But we certainly will continue to pursue opportunities to expedite the resolution of these matters into connection with the dissolution process.

With respect to the estimated magnitude of possible distributions, let me discuss philosophy and approach first, then we can get into the figures. First, all our numbers assume that we conclude our current 10b5-1 open market share repurchase program and specifically that we spend an additional \$1.2 billion or 17.1 million shares subsequent to the last figure we reported. So that's what it would take to conclude the program. Using an assumed average repurchase price, this would bring our pro forma shares outstanding to 519 million.

Second, the pre-dissolution distribution, estimated to be in the fourth quarter of this year, will be determined by the Board in a conservative manner just prior to making the actual distribution. Much can change between now and then, including importantly any new information or outcomes from the ongoing liability resolution discussions. The underlying philosophy in determining the size of the pre-dissolution distribution will be to make a conservative estimate of what the ensuing court process might yield in terms of a holdback amount.

In essence, we will be estimating what is the largest conceivable amount the court could require. By definition, this is a difficult judgment because we continue to be engaged in liability resolution discussions with various taxing authorities. And the information and determinations from that process could impact these judgments. The requirements prescribed by the Delaware safe harbor dissolution procedures for notifying and responding to actual and potential creditors will in itself yield information, which may affect these judgments. And three, the lack of relevant precedent leads to significant uncertainty as to how certain and potential creditors will respond to the process and how the court itself will form judgments in this context, hence the required conservatism.

Given that philosophy and to get to the figures, assuming an Alibaba share price of \$177, which is roughly where it was in the middle of last week, and making a number of other assumptions detailed in the proxy, we estimated a pre-dissolution distribution range of \$27.1 billion to \$31.0 billion or \$52.12 to \$59.63 per pro forma Alibaba share. This would be approximately 67% to 77% of NAV pro forma for that BABA share price and completion of our buyback program. While the absolute numbers are obviously very sensitive to the Alibaba share price assumption, the range in terms of percentage of pro forma NAV is not nearly as sensitive to movements in that price. Again, this is just an estimated range. The actual figure will be determined closer to the distribution itself. And it could be within or outside of that range.

Turning to our estimate of the ultimate total distributions. Using the same assumptions regarding the completion of our buyback program, an Alibaba share price of \$177.00 and other assumptions delineated in the proxy, we would estimate that ultimately \$39.8 billion to \$41.1 billion or \$76.62 to \$79.22 per pro forma Alibaba share will be distributed, including the pre-dissolution liquidating distribution. This would represent a range of a low end of approximately 1.5% -- or really 1.5 points less than NAV and on the high end, approximately 2% greater than NAV, NAV in both cases being pro forma for the assumptions.

The range assumes that no PRC taxes net of U.S. foreign tax credits will ultimately be owed. This view is supported by both the advice of our various tax advisers, and with respect to the 2018 transaction specifically, the conversations that we've had to date with various tax authorities in the PRC as well as the expectation that even if we had to pay PRC tax, we would be able to claim foreign tax credits for U.S. federal income tax purposes.

Next, let me turn to the important issue of whether we'll distribute cash, Alibaba shares or some combination thereof. First, the plan adopted by the Board and set forth in the proxy gives us the flexibility to do either. We think this flexibility is in shareholders' best interests. That said, at bare minimum, we intend to sell enough shares such that the pre-dissolution holdback amount, the amount not being distributed in the pre-dissolution distribution, is being held in cash. This will allow us to maximize, all other things being equal, the size of the pre-dissolution distribution as we will not need to allow for potential asset price volatility in determining the initial holdback amount.

Beyond that, we will continue to evaluate the alternatives with an eye towards simplifying execution; maximizing the pre-dissolution distribution; minimizing state and local taxes; minimizing transaction expenses; abiding by our agreements, including the Alibaba registration rights agreement; and to the extent we sell shares and distribute cash, maximizing transparency so that those shareholders who choose to replace their Alibaba exposure as we sell can do so. Toward that end, we intend to update shareholders on our intent and plans before we take definitive action.

In conclusion, we feel strongly that this plan of liquidation and dissolution is the best course for shareholders. Since early last year, coming on the heels of corporate tax reform, which allowed us to seriously entertain taxable alternatives for the Alibaba shares, we have been simultaneously studying all of the alternatives while also taking actions along the way to drive shareholder value.

Through hard work and good fortune, over 2018, we were able to completely simplify our asset base, return substantial capital to shareholders in an accretive matter and make great progress in resolving contingent liabilities while simultaneously engaging liability resolution discussions that will aid us going forward. Since inception, we have outperformed Alibaba by slightly more than 9% and a weighted composite of our initial assets by slightly more than 17%. And we believe today's announcement will ultimately add to that record of outperformance.

Before concluding, I want to thank our very dedicated Board, our entire team of 12 employees strong and our financial, legal and tax advisers for all of their wisdom, hard work and dedication. There is much work yet to be done. We will do it as wisely and as expeditiously as possible. And we will strive for as much transparency as we believe is in your ultimate interest. As always, thank you for your support.

And with that, operator, let's take questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) The first question today comes from [Olek Abashka] with VR Capital.



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**Unidentified Analyst**

Tom, I had a question with respect to -- in the proxy statement, I believe you mentioned that you would be transparent if you decide to sell shares of Alibaba in the future. You would basically indicate how and when you're going to be doing it. Could you be more specific on that? Like how would you -- would you basically give like 1-day notice before you decide to sell? Would you give the actual volume you're going to sell? How do you envision that happening?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

I can't be quite that specific, other than that is our intent. We recognize that shareholders, amongst the various reasons they may hold us, some hold us because they want the continued exposure to Alibaba and have found us a preferred mechanism for doing that. Some may have hedged some portion or all of the underlying Alibaba risk. People's motivations vary. But we realize that transparency is in our shareholders' interest, is likely in our shareholders' interest in this regard. And so that is our clear intent. I can't be specific because I simply don't know whether -- how many days it would be, what form it would take. The options are straightforward. We could -- in filing an amended proxy in response to SEC comments, we could put the details in there. We could file separately an 8-K or make some other announcements.

That could come in part or in whole. And what I mean by that is we could say we're intending to do X over the next period of time and the X may not be the full plan, it may be part 1 of the plan, pending further judgments, decisions, market factors, et cetera. So what I'm saying is I can't tell you when or exactly how we will tell you. But our current intent is to give you some warning with some specificity if we think that's in your interest. As I said, I indicated I understand why it's in your interest. There may be some countervailing factors which we would factor in. But our current intent is to give you notice in advance, so you could adjust your positions accordingly, should you choose to do so.

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**Unidentified Analyst**

Yes. Okay. I guess from my perspective, we are pretty much (inaudible), we would prefer to have in-kind distributions of Alibaba basic shares to -- is there any reason you wouldn't do it? Is it like tax reasons or stuff like that you would need actually to sell those?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Yes, let me address that because it's a good question. The most straightforward thing would be, but what we need to cover our taxes and our cushion if you will. That is a good reason to turn that into cash. But in terms of the distribution to shareholders, obviously the most straightforward thing would be to distribute stock. And the principal consideration against that may be, and this is something we're working through in our discussions, may be some tax considerations. And I realize the simplicity of that. Believe me, it would make life easier for me, too, if we would just hand you the shares and we don't have to manage the sell process.

So it's better on a number of dimensions but potentially for one. And if that one is material enough to affect overall economics in a material way, then we'll consider the alternative. We do think the alternative, based on our study and advice and all of that, of selling shares and distributing cash is quite manageable. We realize the transparency point that you made earlier. But we're dealing with a highly liquid stock, a highly liquid market for that stock. And we do think we can manage that process in a way that is fine for shareholders if, in fact, there's an economic reason to do that as opposed to the distribution.

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**Unidentified Analyst**

And the shareholder meeting is going to happen when because the proxy doesn't say the date?



**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Well, it's subject to the SEC review and distribution. So basically, the document will either be reviewed or not. One would expect yes with the SEC -- by the SEC. Typically, there's comments and response. And at some point, you're clear to distribute that proxy. And then it's the normal proxy solicitation rules, where it needs to be out a certain number of days before you can have the meeting and vote. So when you put off -- when you put the facts -- the procedures and the rules together with our experience, our guess would be late summer. But that could be earlier or later, depending on the result of that process.

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**Unidentified Analyst**

But you would still be selling some Alibaba shares before the shareholder meeting, right?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Yes, let me answer that and then we should give someone another chance. We have said, and it's again a good question, we very well could sell up to half the shares in advance of the shareholder meeting. We do not need the shareholder vote to make that decision. The shareholder vote is on the plan of liquidation and dissolution. And if we determine -- again, we'd likely sell at least some, depending on how much we sell and other timing considerations, it may make sense to start the sale process prior to the shareholder vote. And that could happen, again with an expectation that we'd provide notice of that.

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**Operator**

The next question comes from Christie Groves with Whitebox Advisors.

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**Christie Groves**

Tom, it's Christie. I just have a quick question on the PRC tax process. It sounds like you -- the work that you've done up-to-date only consents the 2018 share transfers and that you have to follow the same process once again for the 2019 share transfers. I'm just wondering if I'm reading that correctly. And if so, what sort of timing you expect in terms of that part of the process?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

You are reading it correctly. The notification procedures -- we could only notify for the transactions that were executed, which was the '18, obviously. As you may recall, it's one of the reasons amidst a few. I want -- we made the decision to do the tender last summer and the contemporaneous share sale because it allowed us to make that notification. And while it was only on the '18 transactions, there will be many facts that are comparable from one to the other. Not to go too deep into it, but as you know, the nature of that potential tax is unless you fall squarely into an exemption bucket or your taxable bucket, which we don't, is a facts and circumstances tax designed to get at whether the transaction was a tax avoidance scheme, if you will.

That's clearly not our case. As we all know, we're paying full U.S. taxes on both the '18 transaction and what we anticipate in '19. And a lot of the facts, if you get the substance of Alibaba's offshore operations, et cetera, that are relative to the termination, will be the same. So we will have to make notification. I think -- I don't think I'm going out on a limb to say we would hope that, that notification and that process would be greatly aided by all of the conversation facts that have been gathered, very constructive process on the '18 work because again a lot of it would be common. But there would still be that notification.

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**Christie Groves**

Okay. Great. And just one other thing on that tax. In the prospectus, you also talk about really old share transactions, like in 2012 and 2014. I'm just wondering if you've put those into sort of -- to be ultra-conservative or if you -- or is that something you've already had discussions with or if that again has to fall into new discussions with the PRC authorities?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Yes, I don't want to -- because they're so old, I don't want to get into too much detail on those. I think we've listed them because they were taxable transactions and they were subject to that tax possibility, I'll call it, or a predecessor rule. And there was a predecessor rule that, I think, affected the earlier of the two. And those were done -- one was a direct sale to Alibaba. The second was a sale in the shares of the IPO. They're listed there for completeness. They are part of our calculus when we're determining the pre-dissolution distribution amount, meaning we're holding back for that. I think because of the age on those transactions and being conducted under a prior regime, and in one case, at least a prior law, I don't want to get too much into the specifics of it. But we expect that resolution of those will be, in a sense, along with the others and/or the procedures of the liquidation and dissolution process.

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**Operator**

The next question comes from Andy Baker with Barclays.

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**Andrew Baker**

A couple of questions. Just I guess the first one is the timing of the clarity of the PRC taxes. I know you mentioned that in the proxy, anything you hear from them will be verbal rather than written. To the extent you get clarity on the 2018 transaction, would that possibly impact the first distribution to pay the pre-dissolution distribution? Or are you going to wait for the court order to sort of solidify that for you?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Our intent, unless there's some change which we don't anticipate, but our intent in the disclosure says that even if we received a verbal no tax judgment, if you will, on the 2018 transaction, it would not impact that first distribution. That first distribution assumes a full holdback for the issue regardless. That's why it's the same in the low and the high case, if you will. And the reason for it is in a sense what you said, which is it's a verbal. And this issue is unprecedented in its size, in its particular fact pattern, in the nature of the process. And for the protection of all of the company, the Board and shareholders, we have to be certain that the money that comes out of that pre-dissolution distribution is ready to come out. And while we hope to get that verbal indication, that would be a very good thing. And history has suggested over there that when that indication is made, it's complete, if you will. But it would still not impact that initial distribution in our current judgment.

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**Andrew Baker**

Okay. I thought I just wanted to confirm. Also you discussed the known claimants, the contingent claimants. Who are the claimants that we should be thinking about outside of the taxation authorities that you've discussed in the past?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

So you could think about -- it's a good question. You could think about -- and I'm doing this off the top of my head. And Art, you may want to jump in on this. I think of them as in three broad buckets, right? There's the taxing authorities, which we've spent some time talking about already. There's whatever is left over from the data breach and kind of the inherited, if you will, actual and contingent liabilities as we finish that process, which is not yet done. And then the third would be more routine, kind of anything that comes up, anybody you might owe money to in the ordinary course



of business or new litigation or things like that. But basically, you'd go through kind of an exhaustive process of saying, "Who do you know you owe money to, who might you owe money to, who thinks that you owe them money," and go through there. Art, would you add anything to that? Am I missing any buckets?

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**Arthur Chong** - *Altaba Inc. - General Counsel & Secretary*

I think that covers in broadbrush.

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**Andrew Baker**

Okay. And then just on timing, I mean, it seems to me you're being pretty conservative. The proxy shouldn't take that long. And then part of this is in your hands, right? I mean, so the 90 days you have to reject the claims, is it reasonable to assume that it's not going to take you 90 days to reject claims that come in? I mean you've just given all the work you've done over the past 6 months and more than that, to be frank, with all the authorities.

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

You should assume that we do everything as fast as we can. An example of that, I'll call it proof, is people ask me kind of as they thought this was one of the options we were studying, "Okay, once the Board makes the decision to go, how long will it take? Presumably, you can prepare a proxy in a few weeks, et cetera, et cetera." The minute the decision made, the proxy was ready to go. So we will parallel track everything we can parallel track. If that means we can respond to presented claims with a rejection, if that's our judgment, within a day, we will do that. You get into the specifics of promising that. I can't because I don't know exactly what will go out, what will come in, what's the form of the response. And part of what we've learned, and it makes sense when you think about it, is the success of this process, the integrity of this process, the ability to get to an outcome that is good and fair and reasonable, if I put my own subjective term on it, after you get through the court order is making sure that the process itself is good. Process rules.

And so we will run the process as best and as fast but without shortchanging the nature of it because that will help us get to, in our judgment, the right outcome coming out of the court order. But yes, we're not going to be -- there will be no reason to sit around if we can respond, react, reject, whatever it may be, more quickly, we will do that. That's why I said in my script, if you add up the statute, just because I've done it multiple times, you get to something that could be as short as 7 months from the effective date, the date of filing of certificate of dissolution, to the court order. But I also have to tell you, it is our absolute considered judgment of experts who have been through this, that given this fact pattern, that's not what it will be. A better estimate is 12 months. So all we can do is tell you what we believe.

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**Andrew Baker**

Fair enough. One last one, then I'll turn it over to everyone else. In your table on where you sort of break out your estimated liquidated distribution, the reserves for potential tax liabilities is quite a bit higher than it would be on your sort of 22.817%. Just wondering, does that table include the deferred and other tax liabilities as part of this overall reserves for potential tax liabilities?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

You're talking about the table in the proxy?

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**Andrew Baker**

Yes, Page 55.



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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Yes. So that is the range, estimated range because this is the table that estimates the total distribution. There's nothing in there for PRC-related taxes. So this would be federal, state and local taxes, including all taxes owed on either selling or distributing the BABA shares.

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**Andrew Baker**

But all those other taxes as well, the things that -- the \$1.1 billion deferred and other tax line item in your most recent financial -- I assume those are included there, too, the FIN 40 stuff?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Yes. Tax reserves would be included in there.

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**Operator**

(Operator Instructions) The next question comes from Joe Stauff with Susquehanna International Group.

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**Joseph Robert Stauff** - *Susquehanna Financial Group, LLLP, Research Division - Credit Analyst*

I just wanted to ask you, to the extent, what you can share with us that brought you to this ultimate decision? Obviously, you guys have spent a lot of time and done a lot of work. And the big (inaudible) was to possibly do a deal with Alibaba in the context of the stock deal and so forth. And I wonder basically what you can share with us, again just kind of getting to this point of making this decision to liquidate.

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Sure. I'll try to put a little color on it. And a lot of this is -- and I realize it's just out there, is in the proxy as well. But first, to Alibaba directly, let me just answer that. They have indicated, and this is noted in the proxy to us directly and publicly in different forums on more than one occasion, that they are not interested in pursuing a transaction. And they've been reasonably consistent -- not reasonably, they have been consistent in that statement again in different forums, in different ways. We continue to retain all our fiduciary obligations. And we've announced this plan. But if there were a proposal from them or someone else to do something differently, we could change course. So that -- those sorts of transactions are not off the table by this announcement. If somebody is interested in pursuing a transaction, then we would absolutely, consistent with our fiduciary obligations and it just makes sense, would consider that. More broadly, I think, look, we've considered -- and again, some of these are listed in the proxy, probably some have fallen by the wayside long ago. But through the years, really even going back to my days on the Yahoo Board, we have considered a long list of alternatives, some of which that are quite esoteric that were, in a sense, designed or attempted to figure out a restructure that would get value to shareholders' hands with either minimizing or eliminating corporate tax burden.

A couple of things happened. One is the tax rate dropped -- the corporate rate dropped from 35% to 21%. We got a basis step-up in connection with the Tax Reform Act that helped us to the point of another 1 point effectively or something like that. And so the bar that one had to get over -- because there was no simple, easy, straightforward thing. Anything we looked at had complexity and hair and may have, in some cases, required others to participate or not. And when the taxable alternatives got respectively better, then it was that much harder. And so look, at the end of the day, after literally years of looking at this from the brightest tax minds in the world candidly, not just our own advisers, but as you can imagine, there's been plenty of unsolicited ideas. And I've met personally with any banker, adviser who has an idea, I say, "Come on in. The door has been open." And the reality is there's no tax magic bullet, if you will. When you compare, that kind of covers that category of stuff. If you get to the issue of taxable alternatives, at the end of the day, the goal is to get to our shareholders the assets that are closer to NAV. And the only one way to do that to conclusion, if there's not a transaction solution, and that -- this way. There's no other way to sell the shares and buy back stock and ultimately



take the share count to 0, if you will, because that just doesn't work from a corporate law perspective, from a creditor perspective. You can do it only to a point. We have -- here's a fun fact, if you will. We have reduced our share count, pro forma for the completion of the buyback program currently going on, we will have reduced our share count from inception by 45%.

So we've significantly shrunk the capital of the company. But there's a limit to how much you can do that, just as a matter of practicality and law. And so if that's the only ultimate outcome amongst the taxable alternatives, then you could say, "Okay, is now the right time?" Or if you could do something else first. Last summer, we reached, in a sense, a different conclusion because we considered this amongst the many options last summer. And for the reasons I said at the time, we very much like the exchange offer. It allowed us to more quickly start the liability resolution discussions. It allowed us to give shareholders choice of liquidity sooner rather than later, et cetera. When we come back around to that decision and any other alternatives around the table right now, and that was, in a sense, the last one standing of the taxable alternatives, doing that would essentially just push off the ultimate capital return. You get a little bit of money more quickly perhaps. But on a time-weighted PV or IRR basis, you're worse off. And so since this is the only way to ultimately get all of the assets to shareholders in a NAV way and it's the ultimate outcome, then it made sense at the current time to pursue it. Hopefully, that helps.

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**Joseph Robert Stauff** - *Susquehanna Financial Group, LLLP, Research Division - Credit Analyst*

Yes, it does.

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**Operator**

The next question comes from Humaira Surve with Coronation Fund Managers.

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**Humaira Surve**

Tom, sorry, if I missed this. But I just wanted to clarify if shares are -- Alibaba shares are unbundled to shareholders, what is the current assumption about tax at the Altaba level?

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

So yes, this trend -- our assumption is that either the distribution of shares to our shareholders or the sale of shares to fund the cash distribution to our shareholders will be taxable at the Altaba corporate level. It will be taxable at the U.S. federal rate plus state taxes. The baseline assumption -- and there's some variability around it as we've been talking a little bit about. But the baseline assumption or the financial statement assumption, if you will, will be at similar sorts of rates to what we did -- what was in effect -- in effective, if you will, last summer when we did the exchange offer and the cash sale. And it would be taxable at that level at the corporate level.

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**Operator**

I would now like to turn the conference back over to Tom McInerney.

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**Thomas J. McInerney** - *Altaba Inc. - CEO & Director*

Okay. We have a couple of more e-mail questions. Why won't we do that? We'll take 5 or 10 more minutes and then we'll get people off to their day. So the first question is: Have you considered a plan to collar or hedge the stake in Alibaba to crystallize the value between now and distribution time?



Considered, yes. I don't think that's what we'll do. Our shareholders, at the risk of oversimplification, generally fall into a couple of categories. And probably, there's high risk in things like that. And there are certainly some that love and want the Alibaba exposure. They don't want to collar. There are others that have already put on their own hedges and shorted in part or in whole or hedged it some other way. And because we don't have any particular advantage, if you will, in terms of doing that versus our shareholders could do, we think that exposure and those decisions are best handled at the shareholder level, so the shareholders interest would clearly diverge there.

Next question. For those desiring only stock and no cash, do you expect there to be a stock option?

We do not expect there to be an option on the part of shareholders either way. This is a determination that the Board will make pursuant to the considerations I mentioned earlier. And I won't repeat them again. But the Board will determine whether the distribution is in stock, cash or some combination and then everybody will get the same thing. Obviously, to the extent, because it's a liquid security, to the extent we distribute cash, then people can turn around and replicate that position. And to the extent we distribute stock that they don't want, they could monetize that position. But that's obvious.

What is the likelihood, timing and amount of any estimated blockage discount?

We've taken a small -- small in our context because obviously it's a large fund. We've taken a small estimate of blockage discount in connection with the exchange offer we did last summer. And that's already reflected in our financials. To the extent we distribute additional shares and the shares are part of the distribution, then we will make that determination at the time as a function of the size of the distribution and the relevant facts, trading liquidity and advice of experts and things like that. We enlisted experts in making the determination last time. So to the extent there that shares represent a bigger portion of the distribution, then there could be some additional blockage discount. To the extent it's cash, then there would be 0. I will caution people not to really build in or assume it's an upside. And I say that because to the extent there are tax differences on the distribution versus the sale, then any blockage discount benefit you get on the distribution may be offset by higher taxes. But that would be in our calculus, if you will, in terms of choosing which path to go.

I'm going to do 2 or 3 more, so we can end inside an hour. What causes the difference between the 67% to 77%? Under what scenario would it be 67% and under? And those percentages, for those that maybe didn't hear or remember, catch the earlier remarks, those are the percentages of NAV, pro forma NAV that are estimate of the initial distribution range represents.

It's a good question. Look, we're making this estimate, as I said earlier, several months in advance. The assumption in both the low and the high end is that we (inaudible) the PRC taxes. So the biggest difference is, as we've done -- and this is a judgment that is made both in terms of determining the range now for proxy purposes and in making the judgments with the ultimate judgment when we make it, it's made in aggregate. It's not made line-by-line. Now we and our Board go through lots of line-by-line analyses in getting to that aggregate number. But it's not necessary automatic that, well, if you resolve this, then the formula changes this way or that -- this way or whatever. At the end of the day, the Board, in forming this initial estimate and ultimately making the judgment, is going to look at the totality. That said, the things that influence that certainly this far out, there is a higher general contingency expenses kind of bucket assumed that would get you to the lower end as opposed to the higher end. There are differences in state tax assumptions. And those are the principal differences, slight differences in federal taxes that tends to be a smaller amount. And so we will have more information when we get there. And it will be both a function of the liability resolution discussions that are ongoing and it may -- the nature of those discussions, even if things are not necessarily resolved or done or there's a pin in something, it may color and influence how much general cushion or excess we need.

The next -- let's see, why don't we do one more? I'm reading. If the PRC taxing authority doesn't file a claim with Delaware within the prospected time line, does that automatically preclude a tax liability and allow the chancery court to rule that no funds are needed to be held back for China taxes?

Okay. So let's separate here -- we'll end on a very technical question. If we separate here the Chinese law and the dissolution process as defined under the code. Under Chinese law, there's a 10-year statute of limitations on this particular tax. And again, the experience of our advisers has been quite clearly that if you're told there's no tax, then that's the decision. There's not a pattern or a history of 7 years later, someone makes a different determination. That said, there is that -- that is the legal framework. To the extent that we are told there is no tax or they don't respond or that sort

of thing, then we would recommend to the Board -- in fact -- to the court, sorry, the fact we stated that in the proxy that is our intent to recommend to the court based on currently available information that no tax is owed. If the court agrees with that assessment, and I'm not -- we can't predict exactly how that would play out and what judgments the court might make, if the court agrees with that judgment, then basically we would be free to distribute any amounts we were holding back at that time. And those assets would be distributed to shareholders.

With that, why don't we end it within nearly an hour? Very much appreciate your time. We are available through the normal channels for additional questions, although again there's much information in the proxy. And we are, as you know, limited in terms of what we can say to information consisted in there. But we appreciate your time, your interest and your support, and thank you for joining us.

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#### Operator

This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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