

## EBay plans IPO for Skype, undoing \$2.6B-plus deal

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(AP) -- EBay Inc. plans to spin off its Internet communications service Skype through an initial public offering, undoing a \$2.6 billion acquisition that puzzled analysts and eBay struggled to justify.

San Jose, Calif.-based eBay said Tuesday it expects to complete the IPO in the first half of next year, though it said the timing will be based on market conditions.

EBay bought [Skype](#) for \$2.6 billion in 2005 - and later had to pay some of Skype's investors \$530 million because the division met certain targets for profit and growth. Many analysts questioned the high price because it was unclear why eBay needed to own a service that lets people make free or cheap voice and video calls on computers and cell phones.

Skype was founded by Niklas Zennstrom and Janus Friis, creators of the music downloading service Kazaa, which had riled the recording industry.

EBay had hoped that buyers and sellers on its online marketplace would use Skype to communicate. That didn't catch on, and eBay took a \$900 million write-down on the business in 2007, essentially acknowledging it had drastically overvalued it.

When John Donahoe replaced Meg Whitman as [chief executive](#) in April 2008, eBay said it would re-evaluate Skype's role in the company. In a statement Tuesday, Donahoe said it's clear Skype has "limited synergies" with eBay and its payment service, PayPal.

Despite eBay's inability to fully integrate Skype with its core businesses, the unit has posted rapid growth: At the end of 2008, Skype had 405 million registered users, up 47 percent from 2007. Revenue totaled \$551 million in 2008, up 44 percent from 2007. EBay expects Skype to post more than \$1 billion in revenue by 2011.

EBay spokesman Alan Marks said that Skype's management, including its president, Josh Silverman, is expected to stay in place.

Lazard Capital Markets analyst Colin Sebastian called eBay's plan to spin off Skype a "good move" because it fits with eBay's broader plans to focus on improving its marketplace and keeping pace with e-commerce rivals.

"It's all consistent with their effort to produce a long-term turnaround," Sebastian said.

The announcement about Skype came a day after two founders of Web content recommendation service StumbleUpon said they had bought the

company back from eBay, which had purchased it two years ago for \$75 million. The price the founders paid eBay to regain the company was not disclosed.

eBay's plans for Skype could be hampered by the economy. The number of companies that have priced IPOs has dried up: According to Renaissance Capital's IPOHome.com, there were 43 IPOs in 2008, compared with 272 in 2007. There were only two in the first quarter of this year.

Earlier Tuesday, eBay announced it would change some of the ways sellers list items on its site. Beginning in June, eBay will let sellers charge various prices for similar products sold under one listing, like shirts of different sizes.

[eBay](#) shares rose 46 cents, or 3.2 percent, in after-hours trading, after finishing regular trading down 25 cents at \$14.38.

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