

eBay to sell Skype to investor group, to retain 35 pct stake (Update)

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Ebay logo at Ebay-France headquarters in Paris. US online auction giant eBay will announce a plan to sell its Web communication service Skype to an investment group, ending a troubled relationship, The New York Times reported.

Online auction giant eBay announced Tuesday it has agreed to sell 65 percent of its stake in Skype to a group of investors in a deal that values the Web communications service at 2.75 billion dollars.

EBay, which will retain a 35 percent equity investment in Skype, said it will receive 1.9 billion dollars in cash upon the completion of the sale and a note from the buyer for 125 million dollars.

The buyer group, which will control a 65 percent stake in Skype, is led by private equity firm Silver Lake Partners, whose portfolio includes Ameritrade, Intelsat, NASDAQ, Travelocity and Seagate Technology.

Its other members are London-based Index Ventures, an early investor in Skype, the Canada Pension Plan Investment Board and Andreessen Horowitz, a venture capital firm founded by Netscape co-founder Marc Andreessen.

Andreessen, whose investments include LinkedIn and Twitter, is a member of the boards of eBay and Facebook and is chairman of the board of Ning, an online platform for creating social networks.

The transaction is expected to close in the fourth quarter of the year.

eBay purchased Skype in 2005 for a price tag that eventually exceeded 3.1 billion dollars, including payouts to Web entrepreneurs Niklas Zennstrom of Sweden and Janus Friis of Denmark, who founded the company in 2003.

But the online auction powerhouse has acknowledged that Skype was not a good fit with its core business and announced plans in April to spin off the company with an initial public offering in 2010.

At the same time, the San Jose, California-based eBay said it would entertain offers for Skype.

"This deal achieves our goal of delivering short- and long-term value to eBay and its stockholders, without the possible delays and market risk of an IPO," eBay president and chief executive John Donahoe said in a statement.

"Selling Skype now at this great valuation, while retaining an equity stake, makes sense for the company," he said. "This is a great deal, unlocking both immediate and long-term value for eBay and tremendous potential for Skype."

"We've acted decisively on a deal that delivers a high valuation, gives us significant cash up-front and lets us retain a meaningful minority stake with talented partners," Donahoe said.

"Skype is a strong stand-alone business, but it does not have synergies with our e-commerce and online payments businesses," he said.

"As a separate company, we believe that Skype will have the focus required to compete effectively in online voice and video communications and accelerate its growth momentum," Donahoe said.

Silver Lake managing director Egon Durban said "this transaction benefits all parties involved and will allow Skype the opportunity to accelerate the growth of its business."

Skype, which has its headquarters in Luxembourg, bypasses the standard telephone network by channeling voice and video calls over the Internet.

Its allows users to call others free of charge and provides the ability to connect with land lines or mobile devices at low rates.

Skype's revenue rose by 44 percent in 2008 to 551 million dollars and its number of users increased by 47 percent to 405 million.

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