

Report: Microsoft near deal to buy Skype

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Microsoft Corp. is nearing a deal to buy the popular Internet telephone service Skype in what could be the biggest deal in the software maker's 36-year history, according to a published report.

If [Microsoft](#) does buy [Skype](#), The [Wall Street Journal](#) reported that the deal could be valued at \$8.5 billion, including assumed debt. At that price, a Skype takeover would top Microsoft's biggest previous acquisition - a \$6 billion purchase of the online ad service aQuantive in 2007.

Update: Microsoft agrees to buy Skype for \$8.5B:

www.physorg.com/news224234296.html

Citing unnamed people familiar with the matter, the Journal said

Microsoft could announce an agreement with Skype as early as Tuesday. The newspaper reported the same people also cautioned the talks could fall apart.

Spokesmen for Microsoft and Skype declined comment on the report late Monday.

Buying Skype would give Microsoft a potentially valuable communications tool as it tries to make a bigger splash on the Internet and become a bigger force in the increasingly important smartphone market.

Skype boasts about 663 million users worldwide who make voice and video calls over the Internet. The amount of calling on Skype's network totaled 207 billion minutes last year, according to regulatory documents.

Most people use Skype's free calling services, a penchant that has made it difficult for the service to make money since entrepreneurs Niklas Zennstrom and Janus Friis started the Luxembourg company in 2003.

Skype lost \$7 million on revenue of \$860 million last year, according to papers that the company has filed since announcing its intentions last summer to launch an [initial public offering](#) of stock. The IPO, however, has been in a holding pattern. An average of about 8.8 million customers per month pay to use Skype services.

Although it makes billions from its computer software, Microsoft has been accustomed to losing money on the Internet in a mostly futile attempt to catch up to [Google](#) Inc. in the lucrative online [search market](#). Microsoft got so desperate that it made a \$47.5 billion bid to buy Yahoo Inc. three years ago, but withdrew the offer after Yahoo balked. Yahoo is now worth about half of what Microsoft offered

Since hiring former Cisco Systems Inc. executive Tony Bates as its CEO last year, Skype has explored joint ventures or an outright sale with Google Inc. and Facebook, according to unverified reports in newspapers and blogs.

If Skype does sell to Microsoft, it would mark its second go-around under the ownership of a large company. Ebay Inc. bought Skype for \$2.6 billion in 2005, but its attempt to unite the phone service with its online shopping bazaar never worked out. It would up selling a 70 percent stake in Skype to a group of investors led by private equity firms Silver Lake and Andreessen Horowitz for \$2 billion 18 months ago.

Besides eBay, Silver Lake and Andreessen Horowitz, Skype's other major shareholders are Joltid and Canada Pension Plan Investment Board.

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