

# Raider Icahn takes aim at eBay

February 24 2014, by Paul Handley

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Corporate raider Carl Icahn took aim at eBay Monday, calling it to hive off payments unit PayPal while blasting its directors for conflicts of interest and its CEO as "asleep".

In a harsh attack on the online marketplace and auction site, Icahn said eBay needs to unleash PayPal to allow it to grow more aggressively to compete better in the online payments sector.

"We believe creating two dedicated and highly focused independent businesses would provide employees and stockholders the best opportunity to remain competitive over the long term," Icahn wrote in an open letter to the company.

"We hope that all eBay stockholders recognize that PayPal is at a critical point in its development and that the payments market is rapidly evolving around it."

Icahn's letter said his investment units, including Icahn Partners, Icahn Master and High River, have acquired 27.8 million shares of eBay, 2.15 percent of those outstanding.

He savaged the company's board, particularly directors Marc Andreessen and Scott Cook, as not working in the interest of shareholders, and said chief executive John Donahoe "seems to be completely asleep".

"How can Mr. Donahoe be the right person to make the strategic decisions necessary to achieve long-term value creation when he relies

on his 'world-class board of directors' with competing interests that challenge their fiduciary responsibility to eBay stockholders?" Icahn said.

He cited private gains Andreessen made on former eBay subsidiary Skype to the detriment of eBay shareholders after having allegedly resisted spinning off Skype in a public offering.

And he said that Cook, holding \$1 billion of stock in financial software and payments firm Intuit and serving on that company's board, had strong interest in a direct competitor of PayPal.

Icahn nominated two of his employees to join the eBay board and called on other shareholders to support them.

## **eBay condemns 'mudslinging'**

eBay quickly rebutted the letter, rejecting all of Icahn's arguments and criticisms as "mudslinging".

"As we are sure our other shareholders would agree, we prefer to engage in more constructive and substantive discussions of why, in our view, PayPal and eBay are better together," it said.

The company defended Donahoe as "widely respected" for engineering eBay's turnaround and Silicon Valley veterans Andreessen and Cook as "impeccably qualified" for their positions.

It said the nominating committee of the eBay board would review Icahn's nominations "in due course".

"Even if our board does not support the nominations, ultimately shareholders will decide whether they believe Mr. Icahn's employees are

better qualified" than directors like Cook or Andreessen, who was already slated to step down this year, eBay said.

eBay shares were up 3.0 percent at \$56.24 in early trade.

Veteran wall Street activist investor Icahn, 78, is coming off a series of proxy attacks on companies which he declared "victories" for shareholders and which, on paper, have brought him hundreds of millions of dollars in profits.

In pushes against Dell and Apple, he credits himself with driving up share prices, as well as convincing Apple's board to increase its share buyback program by \$50 billion.

And he took partial credit for the \$25 billion Actavis takeover last week of fellow pharmaceutical company Forest Laboratories, in which he held a stake.

"Great result for all... Forest Labs shareholders—proves again that activism works," he tweeted last week.

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