

EBAY INC

FORM 8-K

(Current report filing)

Filed 09/01/09 for the Period Ending 09/01/09

Address	2145 HAMILTON AVENUE SAN JOSE, CA 95125
Telephone	408-376-7400
CIK	0001065088
Symbol	EBAY
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): September 1, 2009

eBay Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of incorporation)

000-24821
(Commission File Number)

No. 77-0430924
(IRS Employer
Identification No.)

2145 Hamilton Avenue
San Jose, CA 95125
(Address of principal executive offices including Zip Code)

(408) 376-7400
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On September 1, 2009, eBay Inc., a Delaware corporation (“eBay”), eBay International AG, a company organized under the laws of Switzerland and a wholly owned subsidiary of eBay (“International”), and Sonorit Holding, AS, a Norwegian company and a wholly owned subsidiary of eBay (“Sonorit,” and together with eBay and International, the “Sellers”), and an entity organized and owned by an investment group led by Silver Lake and including the Canada Pension Plan (CPP) Investment Board, Index Ventures and Andreessen Horowitz (the “Buyer”), entered into a share purchase agreement (the “Purchase Agreement”) pursuant to which the Sellers agreed to sell the share capital of Skype Luxembourg Holdings S.a.r.l., Skype Inc., Camino Networks, Inc. and Sonorit (collectively with their respective subsidiaries, the “Skype Companies”) to the Buyer. The transaction values the Skype Companies at approximately \$2.75 billion and is expected to close in the fourth quarter of 2009.

Under the terms of the Purchase Agreement, the Sellers expect to receive (i) approximately \$1.9 billion in cash at closing, subject to adjustment, (ii) a subordinated note in the principal amount of \$125 million, and (iii) an equity stake of approximately 35% in the Buyer.

Consummation of the sale is subject to, among other conditions, (i) the continued accuracy of the warranties and the performance of covenants and obligations, except in each case for failures that would not reasonably be expected to result in a material adverse effect on the Skype Companies (subject to certain exceptions), (ii) receipt of required approvals or clearances pursuant to antitrust or competition laws, (iii) the absence of any change or development that would reasonably be expected to result in a material adverse effect on the Skype Companies, (iv) the absence of any injunctions relating to certain specified litigation matters, and (v) no settlement of the pending litigation with Joltid Limited having been effected without the consent of the Buyer (subject to certain limitations). The Buyer has committed debt financing from certain lenders, the proceeds of which would be used to finance a portion of the cash consideration payable to the Sellers. However, there is no financing condition to the obligations of the Buyer to consummate the transaction.

At the closing, the Sellers and the Buyer are expected to enter into certain ancillary agreements, including agreements relating to intellectual property cross-licenses, transitional services and office space. Skype is expected to enter into a new commercial agreement with PayPal, Inc. The Sellers and the Buyer are also expected to enter into a shareholders agreement at the closing relating to, among other things, the governance of the Buyer, the disposition or transfer of the equity of the Buyer, extraordinary transactions involving the Skype Companies and other customary provisions.

In the Purchase Agreement, the Sellers and the Buyer have made certain customary warranties. Claims made by the Buyer for inaccuracies in the warranties of the Sellers are generally subject to certain limitations, including a per claim threshold of €100,000, a deductible of 0.5% of the purchase price and a limitation on liability of \$300 million. The parties have also agreed to certain pre-closing and post-closing covenants. Among other things, the Sellers have agreed, subject to certain exceptions, to conduct the Skype Companies’ business prior to closing in the usual course consistent with past practice and not to engage in certain transactions or activities during such period. With respect to certain specified litigation matters, the Sellers have also agreed, among other things, to bear 50% of the cost of any monetary judgment that is rendered following the closing of the transaction.

The Purchase Agreement contains customary termination rights. If the Sellers terminate the Purchase Agreement for an uncured breach by the Buyer that would cause the failure of a closing condition to be satisfied or for a failure of the Buyer to close the transaction when all conditions to closing have been satisfied, the Buyer will owe the Sellers a termination fee in the amount of \$300 million (the “Reverse Termination Fee”). In addition, the Buyer has the right to terminate the Purchase Agreement at any time prior to closing upon payment to the Sellers of the Reverse Termination Fee.

Mr. Marc L. Andreessen, a member of the board of directors of eBay, is a general partner of Andreessen Horowitz, which will own less than 5% of the Buyer.

Item 8.01. Other Events.

On September 1, 2009, eBay issued a press release announcing its sale of the Skype Companies, a copy of which is filed as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release, issued by eBay Inc. on September 1, 2009

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 1, 2009

E B A Y I N C

By: /s/ Brian H. Levey
Brian H. Levey
Vice President, Deputy General Counsel, and
Assistant Secretary

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press Release, issued by eBay Inc. on September 1, 2009



**eBAY INC. SIGNS DEFINITIVE AGREEMENT TO SELL SKYPE
IN DEAL VALUING COMMUNICATIONS BUSINESS AT \$2.75 BILLION**

eBay to Receive Approximately \$1.9 Billion in Cash; Retain Approximately 35 Percent Stake

San Jose, Calif. – September 1, 2009 – eBay Inc. (NASDAQ: EBAY) today announced it has signed a definitive agreement to sell its Skype communications unit in a deal valuing the business at \$2.75 billion. The buyer, who will control an approximately 65 percent stake, is an investor group led by Silver Lake and includes Index Ventures, Andreessen Horowitz and the Canada Pension Plan (CPP) Investment Board. eBay is expected to receive approximately \$1.9 billion in cash upon the completion of the sale and a note from the buyer in the principal amount of \$125 million. The company will retain an approximately 35 percent equity investment in Skype. The transaction, which is not subject to a financing condition, is expected to close in the fourth quarter of 2009.

“This is a great deal, unlocking both immediate and long-term value for eBay and tremendous potential for Skype,” said eBay Inc. President and CEO John Donahoe. “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. Skype is a strong standalone business, but it does not have synergies with our e-commerce and online payments businesses. 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.”

Commenting on the deal, Egon Durban, managing director at Silver Lake, said: “Skype is an innovative, next-generation company that has changed how people and businesses communicate with each other. This transaction benefits all parties involved and will allow Skype the opportunity to accelerate the growth of its business by harnessing the deep technological and company development expertise that resides within the investor group. Josh Silverman has done a strong job leading the company and we look forward to working with Josh and his team to grow the Skype franchise.”

In April 2009, eBay announced plans to separate Skype from the company, beginning with an IPO in 2010. The decision followed a year-long review of Skype within eBay’s portfolio. As it prepared for an IPO, the company said it would naturally consider bids for Skype that offered an attractive valuation. Donahoe said the deal offered by the investor group achieved that.

“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,” Donahoe said. “Selling Skype now at this great valuation, while retaining an equity stake, makes sense for the company. And it allows us to focus all of our energies on the opportunities in front of PayPal and eBay.”

Acquired by eBay in 2005, Skype has strengthened considerably since early 2008 when Donahoe was named eBay’s CEO and tapped company executive Josh Silverman to lead Skype. Silverman has driven strong momentum while building a new management team and delivering a series of Skype innovations such as software upgrades with dramatically improved video and calling quality, the widely popular Skype iPhone app and mobile partnerships with companies such as Nokia and Hutchison. In 2008, Skype generated revenues of \$551 million, a 44 percent increase compared to 2007. Total eBay Inc. revenues for 2008 were \$8.5 billion. Registered Skype users reached 405 million by the end of 2008, a 47 percent increase from 2007. Skype is attracting hundreds of thousands of new users each week.

About eBay Inc.

Founded in 1995, eBay Inc. (NASDAQ: EBAY) connects hundreds of millions of people around the world every day, empowering them to explore new opportunities and innovate together. eBay does this by providing the Internet platforms of choice for global commerce, payments and communications. Since its inception, eBay has expanded to include some of the strongest brands in the world, including eBay, PayPal, Skype, StubHub, Shopping.com, and others. eBay is headquartered in San Jose, California. For more information, please visit www.ebay.com.

About Skype

Skype is software that enables the world's conversations. Millions of individuals and businesses use Skype to make free video and voice calls, send instant messages and share files with other Skype users. Every day, people everywhere also use Skype to make low-cost calls to landlines and mobiles.

About Silver Lake

Silver Lake is the leading investment firm focused on large scale investments in technology, technology-enabled, and related growth industries. Silver Lake's mission is to function as a value-added partner to the management teams of the world's leading technology franchises. Its portfolio includes or has included technology industry leaders such as Ameritrade, Avago, Business Objects, Gartner, Instinet, Intelsat, NASDAQ, Sabre / Travelocity, Seagate Technology, SunGard Data Systems and UGS. For more information, please visit www.silverlake.com.

About Index Ventures

Index Ventures is a leading European venture capital firm active in technology, biotech and clean tech venture investing since 1996. The firm is dedicated to helping top entrepreneurial teams in the Information Technology and Life Science sectors build their companies into market defining global leaders. The firm has offices in Geneva, London and Jersey and focuses on investments from seed through growth stage companies. Index's portfolio includes Lehigh Technologies Inc., Playfish and Weatherbill and exits of note include MySQL (the world's most popular open source database recently acquired by Sun), Last.fm (the world's largest social music platform, recently acquired by CBS) and BioXell (BIOX, floated on the SWX in 2007). Index Ventures was one of the original venture capital backers and owners of Skype. For more information, please visit www.indexventures.com.

About Andreessen Horowitz

Andreessen Horowitz was established in June 2009 by entrepreneurs and engineers Marc Andreessen and Ben Horowitz, based on their vision for a new, modern VC firm designed to support today's entrepreneurs. Andreessen and Horowitz have a track record of investing in, building and scaling highly successful businesses. Andreessen Horowitz is based on Sand Hill Road in Menlo Park, California. Mr. Andreessen is a member of eBay's board of directors.

About Canada Pension Plan (CPP) Investment Board

The CPP Investment Board is a professional investment management organization that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 17 million Canadian contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, the CPP Investment Board invests in public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in London and Hong Kong, the CPP Investment Board is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At June 30, 2009, the CPP Fund totaled \$116.6 billion. For more information about the CPP Investment Board, please visit www.cppib.ca.

Forward Looking Statements

This announcement contains forward-looking statements relating to eBay's future performance that are based on its current expectations, forecasts and assumptions. Those statements involve risks and uncertainties, and actual

results may differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to, the receipt and timing of regulatory approval for the transaction; the possibility that the transaction may not close; the reaction of Skype's users and commercial partners to the transaction; the reaction of competitors to the transaction; the anticipated continuation of Skype's growth; and the potential longer-term value of Skype.

More information about factors that could affect eBay's operating results can be found in the company's most recent annual report on its Form 10-K and its subsequent quarterly reports on Form 10-Q (available at <http://investor.ebay.com>). All forward-looking statements are based on information available to eBay on the date hereof, and eBay assumes no obligation to update such statements.

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