

Divesting Skype; Focusing to Create \$29bn in Value

2005

eBay Inc. acquires Skype for \$2.6 billion, expecting the communications business to strengthen its core commerce activities while also opening new lines of business and creating new monetization opportunities.

2007

eBay Inc. takes a \$1.4 billion write-down of Skype, acknowledging that the acquisition had not performed as expected.

2009

Decision to divest Skype

- Outlining the company's three-year growth strategy at a March investor meeting, CEO John Donahoe signals that the company may divest Skype. The company is focused on its core businesses — turning around performance at eBay Marketplaces and growing PayPal.
- Subsequent to that meeting, in April the company formally announces its intent to divest Skype because of a lack of synergies with its core businesses.

The Process

- A process is launched to divest Skype. Challenges are widely reported in media, including significant pending intellectual property litigation and other issues.
- eBay Inc. explores an IPO and a sale of Skype. It is, however, recognized that the feasibility of an IPO would be influenced by the uncertainties related to the IP litigation.
- In the sale process, eBay Inc. reaches out to 20 potential buyers, both strategic and financial, including Microsoft.
- The company sets up a due diligence process and data room for interested buyers.
- The company receives multiple bids, including bids from a consortium led by Silver Lake and a consortium consisting
 of an entity related to Skype's founders, General Atlantic, Elevation Partners and Technology Crossover Ventures. As a
 result, eBay Inc. board members Marc Andreessen, whose firm had a minority stake in the Silver Lake-led consortium,
 and Fred Anderson, who is a partner at Elevation, recused themselves from the eBay Inc. board deliberations related to
 the transaction.

The Result

- eBay Inc.'s board chooses to accept Silver Lake's bid, which was the highest bid received by a significant margin.
 The company announces that it is selling a majority stake in Skype to the Silver Lake-led consortium for \$1.9 billion in cash and a \$125 million note. Andreessen Horowitz holds a 3% stake in the consortium. Other investors in the consortium include the Canadian Pension Plan, with Silver Lake leading all negotiations.
- The deal values Skype at \$2.75 billion.
- eBay Inc. retains a significant stake in Skype, ensuring potential upside to any future value creation.
- The transaction is applauded as a good deal for eBay, Skype is sold at a higher-than-expected valuation, and the company is allowed to focus on growing its core business.
- Significant intellectual property litigation is settled, among other things. Internet valuations improve, and Skype undergoes management changes.

2011: Silver Lake's Sale of Skype

- All of the equity in Skype is sold to Microsoft for \$8.5 billion.
- Due to eBay Inc.'s 30% stake at the time, the company receives a total of \$4.1 billion for the sale, which results in a \$1.4 billion net gain.

The Final Conclusion

From the time eBay Inc. signaled its intent to divest Skype and focus on its core businesses - eBay and PayPal - until
the time Silver Lake announced the sale of Skype to Microsoft, eBay Inc.'s market cap increased \$29 billion,
or 195% - compared to the S&P (up 88%) and the NASDAQ (up 109%) over the same period. The company divested a
non-core business in a widely applauded transaction at the time, enabling it to focus on its core businesses and deliver
exceptional value creation for shareholders.

A Transaction Widely Applauded



The sale was "at a valuation higher than many analysts had thought possible" and a "partial redemption for a deal that many Internet analysts said was an awkward fit."





A portfolio manager at Thrivent Financial, an institutional eBay shareholder: "good deal" for eBay; "It shows management is focused back on the core business [of e-commerce], and that they're making the right moves."²



FOOTNOTES

- 1 "In a Sale, Skype Wins a Chance to Prosper," Brad Stone, The New York Times, 9/3/2009
- 2 "EBay Sells Skype to Investor Group," Geoffrey A. Fowler and Cassell Bryan-Low, The Wall Street Journal, 9/2/2009

LEGEND:

Important Additional Information

eBay Inc., its directors and certain of its executive officers are participants in the solicitation of proxies from stockholders in connection with eBay's 2014 Annual Meeting of Stockholders. eBay has filed a preliminary proxy statement and form of WHITE proxy card with the U.S. Securities and Exchange Commission (the "SEC") in connection with the 2014 Annual Meeting. EBAY STOCKHOLDERS ARE STRONGLY ENCOURAGED TO READ THE DEFINITIVE PROXY STATEMENT (INCLUDING ANY AMENDMENTS AND SUPPLEMENTS) AND ACCOMPANYING WHITE PROXY CARD WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION.

Information regarding the names of eBay's directors and executive officers and their respective interests in eBay by security holdings or otherwise is set forth in eBay's preliminary proxy statement for the 2014 Annual Meeting of Stockholders, filed with the SEC on March 10, 2014.

This document, in addition to any definitive proxy statement (and amendments or supplements thereto) and other documents filed by eBay with the SEC, are available for no charge at the SEC's website at http://www.sec.gov and at eBay's investor relations website at http://investor.ebayinc.com. Copies may also be obtained by contacting eBay Investor Relations by mail at 2065 Hamilton Avenue, San Jose, California 95125 or by telephone at 866-696-3229.

About eBay Inc.

eBay Inc. (NASDAQ: EBAY) is a global commerce and payments leader, providing a robust platform where merchants of all sizes can compete and win. Founded in 1995 in San Jose, Calif., eBay Inc. connects millions of buyers and sellers and enabled \$212 billion of commerce volume in 2013. We do so through eBay, one of the world's largest online marketplaces, which allows users to buy and sell in nearly every country on earth; through PayPal, which enables individuals and businesses to securely, easily and quickly send and receive digital payments; and through eBay Enterprise, which enables omnichannel commerce, multichannel retailing and digital marketing for global enterprises in the U.S. and internationally. We also reach millions through specialized marketplaces such as StubHub, the world's largest ticket marketplace, and eBay classifieds sites, which together have a presence in more than 1,000 cities around the world. For more information about the company and its global portfolio of online brands, visit www.ebayinc.com.

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