

Microsoft due to confirm takeover of Skype

Written by bad_brain

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source: BBC

Microsoft will confirm later that it has agreed to buy internet phone service Skype, the BBC has learned.

According to some reports, the deal could be worth as much as \$8.5bn (£5.2bn), which would make it Microsoft's largest acquisition.

Both Microsoft and Skype have declined to comment.

Luxembourg-based Skype has 663 million global users. In August last year it announced plans for a share flotation, but this was subsequently put on hold.

Internet auction house eBay bought Skype for \$2.6bn in 2006, before selling 70% of it in 2009 for \$2bn.

Skype is now majority-owned by a group of investors, led by private equity firms Silver Lake and Andreessen Horowitz.

Price concerns

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Analysts say Microsoft wants to buy Skype to improve its video conferencing services.

Although the reported price tag of \$8.5bn would not stretch the US giant, some experts have questioned whether it is planning to pay too much for a company that has struggled to turn a profit.

Michael Clendenin, managing director of consulting firm RedTech Advisors, said: *"If you consider [Skype] was just valued at about \$2.5bn 18 months ago when a chunk was sold off, then \$8.5bn seems generous."*

"[It] means Microsoft has a high wall to climb to prove to investors that Skype is a necessary linchpin for the company's online and mobile strategy."

This view was echoed by Ben Woods, head of research group CCS Insight.

"The big unanswered question is how do Skype assets work for Microsoft... how do you justify the price?" he said.

Skype was founded in 1993.

Calls to other Skype users are free, while the company charges for those made to both traditional landline phones and mobiles.