

Microsoft Swipes Skype

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Well, it wasn't Facebook or Google that ended up with Skype, as had been rumored earlier in the week, but rather Microsoft. The company today announced that an \$8.5 billion cash purchase of the VoIP carrier has been approved by the boards of directors of both Microsoft and Skype. Silver Lake investment group, which purchased Skype in 2009 from eBay, oversaw the transaction.

Skype will become a new business division within Microsoft, and Skype CEO Tony Bates will assume the title of president of the Microsoft Skype Division, reporting directly to CEO Steve Ballmer.

Microsoft said the acquisition will increase the accessibility of real-time video and voice communications, bringing benefits to both consumers and enterprise users and generating significant new business and revenue opportunities.

Skype reported 170 million connected users in 2010 and over 207 billion of voice and video conversations. Microsoft said it has a long-standing focus and investment in real-time communications across its various platforms, including Lync (which saw 30 percent revenue growth in Q3), Outlook, Messenger, Hotmail and Xbox LIVE.

Microsoft said it plans to see Skype support its flagship products like Xbox and Kinect, Windows Phone and a wide array of Windows devices.

Rumors had been flying recently regarding a possible suitor for the company, with Reuters suggesting in a May 5 report that it was **Facebook** [1] that wanted Skype most. Skype's postponement of a planned IPO was a red flag for many, suggesting the company was in talks about a possible buyout.

While Skype's base is huge, the company has been criticized because so few of its customers actually pay to use the service. At the end of 2010, Skype reported that just over 6 percent of its users were actually paying users, resulting in ARPU of \$97 per paying user.

Skype was founded in 2003 and was later acquired by eBay in September 2005. eBay sold the company to the investment group led by Silver Lake in November 2009.

Microsoft was trading down 1.6 percent to \$25.41 early this morning.

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