

## Activists

# Icahn vs. EBay: This Time It's Personal

► The billionaire attacks Andreessen, demanding a PayPal spinoff

► "I dispute all allegations that I have violated any of my duties"

If Silicon Valley were a bar, Marc Andreessen might be asking Carl Icahn to step outside. Icahn is targeting Andreessen, an **EBay** board member, along with Chief Executive Officer John Donahue and board member Scott Cook, as part of his campaign to persuade the auction company to sell its **PayPal** electronic payments unit. In open letters to EBay shareholders, Icahn has accused Andreessen of "clear and insurmountable" conflicts in two deals.

In 2009, Andreessen's firm, Andreessen Horowitz, was part of a group of investors that bought a majority stake in Internet calling service **Skype** from EBay in a deal that valued Skype at \$2.75 billion. Two years later, **Microsoft** bought Skype for \$8.5 billion. (Bloomberg LP, parent of *Bloomberg Businessweek*, is an investor in Andreessen Horowitz.)

The other deal involved **Kynetic**, an

e-commerce company that was part of GSI Commerce. EBay bought GSI in March 2011 and immediately spun Kynetic off to its founder. In June 2012, Andreessen's firm made a big investment in Kynetic. Icahn is suggesting that Andreessen, as an EBay board member, might have pushed for both companies to be sold for less than their true value, making it easier for his investment firm to swoop in and make a profit.

Andreessen, who co-wrote Mosaic, an early Web browser, and co-founded Netscape, says he recused himself from negotiations involving the Skype sale. "I dispute all accusations that I have violated any of my duties to EBay shareholders," he said in a statement. As for Kynetic, Andreessen said that because his firm bought into the company more than a year after EBay sold it, there was no conflict of interest. In a separate statement, EBay called Icahn's charges "false and misleading."

Icahn, who owns 2.2 percent of EBay's stock, has asked shareholders to vote Andreessen off the board at EBay's April annual meeting. He also wants to oust Cook, who is chairman of **Intuit**,

which Icahn calls an EBay rival.

Icahn has nominated two **Icahn Enterprises** employees for board seats to push for the spinoff of PayPal, which brings 40 percent of EBay's revenue. Icahn says EBay is trading at "a conglomerate discount." If the two businesses were independent, he says, they would be worth much more. EBay has responded that the two businesses are complementary and keeping PayPal is crucial to "reinforcing the connections between commerce and payments."

In the days after Icahn's campaign went public on Jan. 22, EBay stock rose as much as 9 percent. David Larcker, who teaches corporate governance at the Stanford Graduate School of Business, says the war of words is more heated than most activist forays. "It became quite personal quite quickly," he says. While activist investors rarely win proxy fights, he says, Icahn's agitation may be effective. "If you're on the board of EBay, you're clearly paying attention to this," Larcker says. "I'm sure you're doing due diligence on whether Icahn is right" about selling PayPal. —*Kyle Stock*

**The bottom line** Icahn argues that EBay shareholders would come out ahead if the auction giant sold its PayPal unit.

**B** Edited by Eric Gelman  
[Businessweek.com/markets-and-finance](http://Businessweek.com/markets-and-finance)

