

PayPal to split from eBay

NEW YORK, USA: US online auction company eBay announced plans to spin off PayPal in a move designed to help it compete in the fast-moving online payments segment.



eBay's President and Chief Executive John Donahoe says the plan to separate the company from PayPal makes strategic business sense, particularly in the longer term. Image: [TechWeek](#)

The plan, which will come into effect next year, comes after months of pressure from activist investor Carl Icahn, who has assailed eBay for poor management and claimed that keeping eBay tied to PayPal depressed the value of both units.

An eBay statement said: A board review concluded that the changing competitive landscape creates enormous opportunities for eBay and PayPal and separation will create sharper strategic focus for both units."

Company President and Chief Executive John Donahoe said that for more than a decade, eBay and PayPal have mutually benefited from being part of one company, but that the situation had now changed.

"A thorough strategic review shows that keeping eBay and PayPal together beyond 2015 becomes less advantageous to each business strategically and competitively,"

Donahoe said.

New payment channels

The move comes with the online payments segment facing new challenges from the likes of Apple, which introduced a mobile payments platform using its iPhones, along with newcomers to the banking sector such as Square.

"The pace of industry change and innovation in commerce and payments requires maximum flexibility to stay competitive and drive global leadership," the eBay statement said.

The company says the split will give shareholders more targeted investment opportunities and will increase the value of both companies over the long-term.

PayPal accounted for 41% of eBay's revenues last year and has more than 152m active users. Donahoe and Chief Financial Officer Bob Swan will lead the transition of both businesses. Neither one will hold executive management roles in the two new companies.

The "new" eBay will be led by Devin Wenig, current President of eBay Marketplaces. The independent PayPal will be headed by Dan Schulman, who comes from American Express after holding top jobs at AT&T, Priceline.com, and Virgin Mobile.



American Express' Dan Schulman will head the new PayPal division. Image: [Creative Currency](#)

Icahn welcomes the split

Icahn has welcomed the news, but said he wished the split had come sooner.

"We are happy that eBay's board and management have acted responsibly concerning the separation even though it is perhaps a little later than they should have, but earlier than we expected," he said in a statement.

"It is almost a 'no brainer' that these companies should be separated to increase their value and thus enhance shareholder



Investor Carl Icahn has been urging eBay to separate PayPal as he believes the two companies offer for value to shareholders as separate entities.
Image: [Mac Rumors](#)

Icahn also said that the payments sector needs consolidation either through acquisitions by PayPal or by merging it with "another strong performer in the industry."

eBay bought PayPal in 2002 for roughly \$1.5bn in shares, integrating the payment service that had already been widely used for online auctions. PayPal over the years has expanded beyond a simple payment mechanism for eBay auctions.

According to eBay, PayPal facilitates one in every six dollars spent online today, or about \$203bn spent over the past 12 months. And PayPal has moved into mobile payments with the purchase of payment processing group Braintree, boosting its own mobile platform called OneTouch.

Forrester Research's Denee Carrington said the plan makes sense because PayPal had outgrown eBay.

"The payments landscape is hyper-competitive, the pace of change is accelerating and everyone is gunning for PayPal," Carrington said.

Shebly Seyrafi, Analyst at FBN Securities, said the split could be a positive development for eBay as it creates more focused entities and as it allows investors to invest more directly in the faster-growing business (PayPal).

The plan also comes with eBay facing a potential threat from Alibaba, the Chinese online retail company which raised a record \$25bn in a stock offering to fuel global expansion plans.

Source: AFP via I-Net Bridge

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