

**MWS Tracker Spotlight:
Microsoft Corp. (NasdaqGS:MSFT) to acquire Skype Global S.à.r.l.**

May 10, 2011

Deal Overview:

Microsoft Corporation (NasdaqGS: MSFT) has entered into a definitive agreement to acquire Skype Global S.à.r.l. for \$8.5B in cash from a group of investors led by Silver Lake Partners and including eBay International AG, CPP Investment Board, Joltid Limited in partnership with Europlay Capital Advisors; and Andreessen Horowitz.

The agreement has been approved by the boards of directors of both Microsoft and Skype, and is subject to customary regulatory approvals and closing conditions. The parties hope to obtain all required regulatory clearances in 2011.

Skype is communications software that can be downloaded onto computers, mobile phones and other connected devices for free. It provides free messaging, voice and video on Internet-connected devices and low-cost calls to landlines or mobile phones virtually anywhere in the world. It also offers Skype Connect, a business solution that enables IP-enabled private branch exchange (PBX) or unified communications (UC) systems to connect to Skype. Skype was founded in 2003 and was acquired by eBay in September 2005 for \$2.6B in cash and stock. In November 2009, eBay sold a 70% stake in Skype to an investment group led by Silver Lake at an enterprise value of \$2.75B.

MWS Intelligence:

Overview

Our perspective, particularly for our clients in the Channel and IT Services spaces, is that Microsoft's acquisition of Skype is its most aggressive move yet toward expanding into the converging worlds of communication and information. Microsoft has invested in real-time communications across its platforms including Lync, Outlook, Messenger, Hotmail and XBOX Live. Microsoft plans to use Skype to support and enhance these platforms, but will continue to invest in and support Skype clients on non-Microsoft platforms as well. On the consumer side, by integrating Skype into its current offering, Microsoft hopes to be able to challenge Apple's Facetime service and Google Voice, while generating significant new business and revenue opportunities.

Unified Communications

A major component of this expanded focus will be Unified Communications (UC) solutions for the enterprise. UC solutions bring together live communications (i.e., video, phone and chat), messaging (i.e., voicemail, email, SMS and fax), contact information and availability directories. This unified information is presented to the user via the right device and media that is appropriate for the user's requirements. The established players in the UC space are Cisco, Avaya, and Microsoft.

We believe that Microsoft will use Skype, which has traditionally been a consumer focused communications platform, to develop an enterprise driven platform for use in business communications. This will present an opportunity for managed services providers to experience future growth by offering remotely hosted managed services or cloud computing solutions. Microsoft has generally been channel friendly, so companies in the space may benefit by establishing or acquiring firms with Microsoft partnerships in order to enter this space.

Skype

Skype has experienced a 40 percent user growth year over year, 20 percent revenue growth year over year, and its share of the world's international calls has grown from roughly 12% in 2009 to 20% in 2010. Despite these impressive numbers, Skype has had a mixed history as an operating business. Since its founding eight years ago, it has produced relatively little in net profit. Microsoft's challenge will be to leverage Skype's communications strengths into its existing platforms in order to make this acquisition a fruitful one.

Telecom Carriers

Microsoft must walk a fine line with telecom companies, however, particularly in integrating Skype into its mobile software. Users could make cheap phone calls over the internet through the data connection, without paying the higher mobile rates to the carriers. Microsoft needs the carriers to sell its Windows Phone 7 handsets.

Martin Wolf Securities was not a financial advisor in this transaction. To learn more about this transaction or Martin Wolf Securities, please contact Yousif Abudra at yabudra@martinwolf.com or (925) 215-2760.

About Martin Wolf Securities

Based in the San Francisco Bay Area, Martin Wolf Securities is a leading middle market investment bank focused on companies with services-based business models. Since 1997, our team has completed over 100 transactions in 6 countries. We are a 5 year member of the Merrill Lynch PS Referral Network, and effective June 25, 2010, have been selected as ICICI Bank's (India's leading private bank) exclusive strategic partner for acquiring U.S. IT companies. For more information, visit www.martinwolf.com.

On March 11, SS&C Technologies Holdings, Inc. (NASDAQ: SSNC) announced that it had acquired Glastonbury, Connecticut-based BenefitsXML. BenefitsXML is a leading provider of enterprise software and SAAS solutions for employee benefit service providers. Martin Wolf Securities advised the seller in this transaction. Please [click here](#) to read more.

On March 17, PC Connection, Inc. (NASDAQ: PCCC) announced that it had acquired Chicago, Illinois-based Valcom Technology. Valcom Technology delivers infrastructure management and onsite managed services utilizing its proprietary cloud-based IT service management software, WebSPOC™. Martin Wolf Securities advised the seller in this transaction. Please [click here](#) to read more.