



Stanford eCorner

What is the Right Time to Sell?

Elon Musk, *SpaceX*

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Video URL: <http://ecorner.stanford.edu/videos/396/What-is-the-Right-Time-to-Sell>

Musk talks about how PayPal had a number of offers but they undervalued the companies and so they went public to get an objective valuation of the company. eBay had made a good offer after the IPO, says Musk. Another reason to sell to eBay was the long term risk of losing to the eBay payment platform, he adds.



Transcript

We had several offers actually from a number of different entities for Paypal and in fact the closer we got to IPO, the more offers we got but we always felt that those undervalued the company and subsequently when we went public, I think the public markets kind of indicated the value of the company. That's one of the good things about public markets. It's that they're an objective valuer of companies. When you're a private company it's very hard to say how much you're worth because you have to basically think of some metric. Are you going to go for multiple of future earnings? Are you going to go off something of revenue? What are your comparables going to be? There are all sorts of questions. It's really up for debate what sort of value your company is. When you're public, it's what the market says you're worth, that's what you're worth. Yes. eBay made a number of offers prior to going public that would substantially blow the value once we went post public and that kind of cleared up the disagreement and then we sold them. What else? Actually you had a second part to the question.

I'm just wondering if you were concerned on getting any traction to a solution. Yes. eBay had initially Billpoint and then there was eBay Payments and it was a really pretty tough long running battle of Paypal versus eBay's payment system. It was certainly very challenging. I think there were times when it felt like we were trying to win a land war on Asia and they kind of set the ground rules or trying to beat Microsoft in their own operating system. It's really pretty hard. That took a lot of our effort to actually beat eBay on their own system. One of the long-term risks certainly for the company was that eBay would one day prevail and one way to retire that risk obviously was to sell to eBay.