

Economy keeps hurting eBay as 2Q profit falls

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FILE - In this April 22, 2009 file photo, the exterior of eBay offices in San Jose, Calif., is shown. EBay Inc. will release quarterly earnings at the close of the market, Wednesday, July 22, 2009. (AP Photo/Paul Sakuma, file)

(AP) -- The recession continued to hurt eBay Inc. in the second quarter, as earnings and revenue fell amid a sales decline in the main online marketplace, overshadowing growth in the PayPal online payments and Skype communications units.

The pioneer of online auctions, which is now trying to revitalize its Web site, managed to beat Wall Street's expectations, though, and predicted third-quarter earnings and revenue that are largely in line with analysts' views.

Shares of San Jose, Calif.-based [eBay](#) rose 90 cents, or 4.6 percent, in

extended trading after the results were released Wednesday. It finished regular trading up 52 cents, or nearly 3 percent, at \$19.45.

EBay said it earned \$327.3 million, or 25 cents per share, in the April-June period, a 29 percent decrease from \$460.3 million, or 35 cents per share, a year earlier.

The company earned 37 cents per share after excluding one-time items, beating by a penny the predictions made by analysts polled by Thomson Reuters.

Revenue fell 5 percent to \$2.1 billion, slightly ahead of analysts' estimates of \$1.99 billion.

Revenue from eBay's marketplaces unit, which includes eBay, Shopping.com and other e-commerce Web sites, sank 14 percent to \$1.26 billion - a decline the company attributed to the weak economy and strength in the dollar. When the dollar is stronger, transactions in other currencies translate into fewer dollars.

The company's payments unit, which includes online payment service [PayPal](#) and short-term credit service Bill Me Later, saw revenue climb 11 percent to \$669.3 million.

Revenue from online telecommunications service [Skype](#) jumped 25 percent to \$170 million. EBay said in April that it plans to spin Skype off in the first half of 2010 through an initial public offering, undoing the \$2.6 billion acquisition it made in 2005. The company ended up taking a \$900 million write-down on Skype in 2007 - basically acknowledging it had significantly overvalued it.

The company is also trying to resolve a dispute with Joltid Ltd., which was founded by Skype founders Janus Friis and Niklas Zennstrom and

owns the peer-to-peer technology that Skype licenses for its software.

EBay's U.S. gross merchandise volume - which measures the value of all transactions on eBay, excluding vehicles - fell 10 percent to \$11.13 billion for the quarter. The number of active users, an indicator of how well the company is able to attract new buyers and sellers, inched up just 2 percent to 88.4 million.

The company continued to work on attracting and keeping buyers and sellers during the quarter, including eliminating some upfront selling fees to encourage greater use by casual sellers.

For the current quarter, eBay forecast a profit of 22 cents to 24 cents per share, or 34 cents to 36 cents on an adjusted basis, on \$2.05 billion to \$2.15 billion in revenue. Analysts were looking for a profit of 35 cents per share on \$2 billion in sales.

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