

Ebay 3Q net income falls, but revenue rises

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FILE - In this April 21, 2009 file photo, a display advertising the eBay application for iPhone and iPod is shown at an Apple store in Palo Alto, Calif. eBay Inc. on Tuesday, Oct. 21, 2009 said that even as third-quarter net income dipped 29 percent, its revenue rose largely because more people and merchants are using PayPal to pay for things online. (AP Photo/Paul Sakuma, file)

(AP) -- Despite a 29 percent decline in third-quarter net income, eBay Inc. saw stronger revenue in its marketplaces businesses, suggesting that efforts to revitalize its main Web site are gaining traction among bargain-hungry shoppers.

Revenue in that unit dipped just 1 percent to \$1.4 billion, compared with the year-ago period. That's better than the 18 percent year-over-year drop in the first quarter and 14 percent in the second.

San Jose-based eBay has been trying to improve buyers' trust and the look and feel of its site since last year. And to encourage more listings,

eBay has changed some policies to emphasize fees for items that users actually sell rather than merely list.

The company blamed unfavorable foreign exchange differences for the decline in revenue. A majority of marketplaces revenue comes from outside the United States, and deals done in other currencies translate into fewer dollars when the dollar is strong.

EBay said that the number of active users on its marketplace rose 2 percent year-over-year to 89.2 million, showing that it is continuing to attract new buyers and sellers.

Its gross merchandise volume, which is a metric that indicates the value of all the items sold on eBay, excluding vehicles, rose as well, gaining 7 percent to \$12.2 billion.

In a conference call with analysts Wednesday, eBay CEO John Donahoe said the results indicate that eBay's efforts to revitalize its marketplace are beginning to work.

He also said consumers are continuing to "trade down" - that is, buy a cheaper item than they might have had they felt more confident in the economy.

"Where they might have bought a new BlackBerry, they're buying a refurbished BlackBerry," he said, referring to the popular smart phone.

Despite the drop in marketplaces revenue, EBay's total revenue rose 6 percent to \$2.24 billion, largely because more people and merchants are using PayPal to pay for things online.

EBay's payments business, which includes online payments service PayPal and short-term credit service Bill Me Later, saw revenue jump 15

percent to \$688.1 million. This was helped by a 19 percent climb in the number of active user accounts, which rose to 78 million compared with a year earlier.

Overall, eBay's third-quarter net income fell because of factors like strength in the dollar and a one-time tax benefit that eBay reported in the third quarter of last year. eBay earned \$350 million, or 27 cents per share, compared with net income of \$492 million, or 38 cents per share, in the year-ago quarter.

For the quarter that ends in December, eBay expects earnings of 28 cents to 30 cents per share, or 38 cents to 40 cents per share when excluding one-time items. The company expects revenue of \$2.2 billion to \$2.3 billion. That's in line with analysts' expectations for adjusted earnings of 40 cents per share on \$2.26 billion in revenue, according to a Thomson Reuters survey.

"We're cautiously optimistic about consumer spending going into the holiday season," Donahoe said.

Shares in eBay fell \$1.30, or 5.2 percent, in after-hours trading. The shares had finished regular trading down 3 cents at \$25.03.

Donahoe reiterated that the company still expects to close the sale of a majority stake in Internet communications service Skype during the current quarter, despite ongoing litigation with Skype's founders.

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