

Holiday shopping, PayPal help eBay 4Q profit rise

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Toys are seen on display at The eBay Shop at eBay headquarters in San Jose, Calif., Tuesday, Jan. 19, 2010. EBay Inc. said Wednesday its fourth-quarter profit more than tripled, largely because of the sale of its Skype telecommunications business. (AP Photo/Paul Sakuma)

(AP) -- EBay Inc. said Wednesday its fourth-quarter earnings climbed, bolstered by growth in its PayPal payments business and a holiday shopping season that was healthier than the year before. The company also logged a large gain from the November sale of its Skype telecommunications business.

The fourth-quarter results, combined with eBay's forecast for a first quarter generally in line with or better than what analysts have expected, helped eBay shares rise nearly 9 percent in extended trading.

EBay, which runs online auctions and e-commerce sites, has been working to improve the shopping experience on its main site. During the holiday season, it tried to attract customers by focusing on deals from sellers who included free shipping and guaranteed returns on new items. It also promoted products that were new but not the latest model, emphasizing another way shoppers could get name-brand products at steep savings.

Its strategy appears to have worked, despite stiff competition from retailers on and off the Web: In the fourth quarter, eBay's earnings, excluding one-time items such as a \$1.4 billion gain from the Skype sale, totaled 44 cents per share - 4 cents more than what analysts polled by Thomson Reuters expected.

Including those one-time items, eBay earned \$1.36 billion, or \$1.02 per share, compared with \$367 million, or 29 cents per share, in the year-ago quarter.

EBay, which is based in San Jose, said revenue rose 16 percent to \$2.37 billion, slightly above the \$2.29 billion that analysts were expecting.

In eBay's biggest segment - which includes eBay.com, Shopping.com and other e-commerce sites - revenue rose 15 percent to \$1.46 billion, helped by more sales of fixed-price items and an increase in international sales.

The number of active registered eBay users rose 3 percent from the year-ago period to 90.1 million.

Its gross merchandise volume, which is a metric that reflects the value of all the items sold on eBay, excluding vehicles, also rose, gaining 24 percent to \$14.2 billion.

Although eBay's main business of auctions and "Buy It Now" offerings

has faltered over the past several years, PayPal has thrived as an increasing number of consumers and merchants use it to send money online, both on and off eBay. eBay CEO John Donahoe expects PayPal's revenue to surpass that of eBay's marketplace in the next few years.

In eBay's payments segment, which includes PayPal and short-term credit service Bill Me Later, revenue rose 28 percent to \$796 million.

For the full year, eBay earned \$2.4 billion, or \$1.83 per share, on \$8.7 billion in revenue.

Looking ahead, the company predicted first-quarter adjusted earnings of 39 cents to 41 cents per share. Analysts were expecting a profit at the bottom of that range. The company also forecast \$2.1 billion to \$2.2 billion in revenue, in line with the \$2.16 billion that analysts were expecting.

eBay shares rose \$1.96 after the release of the results. Earlier, eBay had finished regular trading down \$1.03, or 4.4 percent, at \$22.23.

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