

EBay 2Q profit rises 26 pct on PayPal, marketplace

July 21 2010, By RACHEL METZ , AP Technology Writer

(AP) -- EBay Inc. reported healthy second-quarter earnings Wednesday as more people transferred money through its PayPal payment service and shopped on its main website.

The online auction site operator also gave lower-than-expected guidance for the current quarter, predicting that a strengthening dollar will cut into overseas revenue because sales convert back into fewer dollars. That didn't seem to weigh on its shares, though, which rose in after-hours trading.

For the April-June quarter, eBay Inc. earned \$412 million, or 31 cents per share. That compares with \$327 million, or 25 cents per share, in the same quarter a year ago.

When excluding one-time items, eBay earned 40 cents per share - 2 cents higher than what analysts polled by Thomson Reuters expected.

Overall, revenue increased 6 percent to \$2.2 billion, matching analyst predictions. It was \$2.1 billion in the same period last year.

The company's growth came mainly from its second-biggest business, online payments, which includes PayPal and short-term credit service Bill Me Later. The unit's revenue rose 22 percent to \$817 million, while total payment volume jumped 28 percent to \$21.4 billion.

The payments business has grown swiftly as an ever-larger amount of

consumers and merchants use it to send money online, on eBay and on other websites: In the second quarter alone, PayPal gained 3 million accounts, eBay said, to 87.2 million by the end of June.

EBay CEO John Donahoe believes that in the next few years that business' revenue will surpass that of eBay's marketplaces segment, which includes the flagship eBay.com and other e-commerce sites.

In a phone interview, Donahoe said that PayPal is growing on "all fronts and in all geographies."

Revenue from marketplaces rose 11 percent to \$1.4 billion. The increase was helped by growth in eBay's European business, though the company also said growth in the U.S. was slower than expected.

"We still have work to do in the U.S. - our toughest and most competitive market - and we are not satisfied," Donahoe said during a conference call with analysts to discuss eBay's results.

The company's gross merchandise volume, which counts the value of everything sold on eBay, excluding vehicles, rose 13 percent to \$12.5 billion. EBay had 91.8 million active users at the end of the quarter, compared with 88.4 million in the same quarter last year.

EBay, which is based in San Jose, has been working on improving its main site to lure and retain more shoppers, by doing things such as altering its search and feedback systems and lowering the upfront fees it charges sellers. Donahoe said Wednesday that he expects efforts to turn around the site will make "a lot more progress" in the next six to 18 months.

The company has also been focused on its mobile offerings, which let smart phone owners shop on eBay or transfer money through PayPal

right from their small screens. It now has a slew of applications for Apple Inc.'s iPhone and phones running Google Inc.'s Android operating software, among others, and an app for Apple's iPad.

For the current quarter, eBay forecast an adjusted profit of 35 cents to 37 cents per share on \$2.13 billion to \$2.18 billion in revenue. Analysts have been looking for adjusted earnings of 39 cents per share on \$2.2 billion in revenue.

The company also lowered its full-year outlook slightly, saying it now expects adjusted earnings of \$1.60 to \$1.65 per share on \$8.8 billion to \$9 billion in revenue. EBay had previously predicted adjusted earnings of \$1.63 to \$1.68 per share on \$8.8 billion to \$9.1 billion in revenue.

EBay shares rose 68 cents, or 3.4 percent, to \$20.85 in after-hours trading. Before the release of results, it finished regular trading down 62 cents, or 3 percent, at \$20.17.

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Citation: EBay 2Q profit rises 26 pct on PayPal, marketplace (2010, July 21) retrieved 26 April 2024 from <https://phys.org/news/2010-07-ebay-2q-profit-pct-paypal.html>

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