

EBay profit falls on charges, results beat Street

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In this April 22, 2011 photo, the eBay logo is displayed outside of eBay headquarters in San Jose, Calif. EBay Inc. reports quarterly financial results Wednesday, July 20, 2011, after the market close. (AP Photo/Paul Sakuma)

EBay Inc.'s PayPal online payment service and marketplaces business grew swiftly during the second quarter, helping its results beat analyst expectations, although charges from its recent purchase of retail website operator GSI Commerce cut its profit.

For the quarter that ended June 30, eBay said Wednesday that it earned

\$283.4 million, or 22 cents per share, down 31 percent from \$412 million, or 31 cents per share, a year earlier.

The company finished its acquisition of GSI in June in a deal valued at \$2.4 billion. This contributed largely to its operating expenses rising 32 percent to \$1.5 billion.

Excluding one-time items, eBay earned 48 cents per share - 2 cents more than what analysts polled by FactSet expected.

"Simply put, we're playing offense, and I feel good about our performance, our momentum and our opportunities," eBay CEO John Donahoe said during a conference call with analysts.

Revenue climbed 25 percent to \$2.76 billion from \$2.22 billion a year earlier, as the number of people using PayPal and eBay.com rose. Analysts forecast \$2.60 billion.

San Jose, Calif.-based eBay said revenue from its marketplaces business, which is its largest unit and includes the eBay.com website, climbed 19 percent to \$1.66 billion.

eBay has been working to improve the buying and selling experience on eBay.com by doing things such as removing duplicate item listings and adding products that users can buy locally to search results. The company is also slowly rolling out a feature called eBay Shopping Cart that works like the digital shopping carts at many online retailers, allowing consumers to put several items in an online "cart" and pay for them all at once.

The value of all goods sold during the quarter on eBay, excluding vehicles, climbed 17 percent to \$14.68 billion. Though eBay's roots are in the online auction business, more than half of the transactions on the

site these days are fixed-price sales.

Revenue from eBay's second-largest business, PayPal, shot up 31 percent to \$1.07 billion - the first time the business has reported over \$1 billion in revenue. This business, which includes the PayPal instant payment service and a short-term credit service called Bill Me Later, has grown rapidly over the past several years as merchants and consumers use it both on eBay and elsewhere.

The company expects revenue from the PayPal unit to surpass that from the marketplaces unit within several years. The amount of money processed through PayPal climbed 34 percent to \$28.74 billion. PayPal also passed a milestone during the quarter, with more than 100 million active accounts.

eBay's results included \$23.8 million in revenue from GSI.

The company also benefited from its still-small but swiftly growing mobile business, which consumers have been contributing to by downloading and using various eBay and PayPal apps for smartphones and tablet computers. The various eBay.com apps have been downloaded 45 million times since 2008, and eBay expects PayPal to process more than \$3 billion in mobile payments in 2011. That's up from \$750 million processed by PayPal last year. And it expects the value of goods sold through marketplaces, including vehicles, to top \$4 billion - double last year's amount.

For the current quarter, eBay expects net income of 37 or 38 cents per share, or 46 or 47 cents per share excluding items. It expects revenue of about \$2.9 to \$3.0 billion. Analysts are looking for 47 cents per share on \$2.7 billion in revenue.

For all of 2011, eBay predicted net income of \$2.41 to \$2.44 per share -

\$1.97 to \$2 per share excluding items - on \$11.3 billion to \$11.6 billion in revenue. Analysts expect an adjusted profit of \$1.97 per share on \$10.8 billion in revenue.

EBay shares dipped 86 cents, or 2.6 percent, to \$32.31 in extended trading. The stock finished regular trading down 59 cents at \$33.17.

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