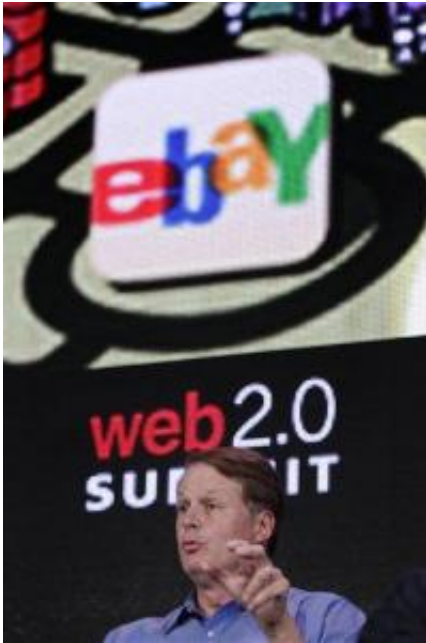


EBay holiday forecast disappoints investors

October 20 2011, By RACHEL METZ , AP Technology Writer



In this Oct. 17, 2011 file photo, John Donahoe, President and CEO of eBay, speaks at the Web. 2.0 Conference in San Francisco. EBay Inc., releases quarterly financial results Wednesday, Oct. 19, 2011, after the market close. (AP Photo/Paul Sakuma, File)

(AP) -- EBay left investors unimpressed with its predictions for the holiday season even as its namesake site and PayPal online payment service showed healthy growth in the latest quarter.

The company's stock fell more than 4 percent even though eBay said [net income](#) grew 14 percent in the third quarter - thanks partly to consumers

shopping and transferring funds using the company's smartphone and tablet apps.

In a conference call with analysts, CEO John Donahoe said the company is looking for an "OK to solid" holiday season. EBay did well during the holidays over the past two years despite the weak economy. Its tempered expectations could signal a generally not-so-jolly [holiday season](#) on the horizon for all types of retailers.

For the July-September quarter, eBay said earned \$491 million, or 37 cents per share. This compares with \$432 million, or 33 cents per share, a year earlier.

Excluding special items, the company earned 48 cents per share, which is what analysts polled by FactSet were expecting.

Revenue increased 32 percent to \$3 billion, beating [analyst expectations](#) for \$2.9 billion.

In eBay Inc.'s marketplaces business, which includes eBay.com and a slew of other e-commerce sites and businesses, revenue rose 17 percent to \$1.65 billion. The company has been working to improve the experiences that buyers and sellers have on the site, doing such things as tweaking its search engine and cutting the upfront fees it charges sellers.

EBay had 98.7 million registered users at the end of the quarter, up 6 percent from last year.

Marketplaces' gross merchandise volume - an important metric that measures the value of all items sold on eBay, excluding vehicles - rose 16 percent to \$14.7 billion.

Revenue from [PayPal](#) jumped 32 percent to \$1.11 billion as more buyers

and sellers used it to complete transactions both on and off eBay.com: The business processed \$29.3 billion worth of payments during the quarter, which is up 31 percent from last year. EBay said PayPal had 103 million active registered users by the end of September - growth of 14 percent compared with a year ago.

For both businesses, eBay said a growth in the number of mobile users helped. Though still a small part of its business, the company's [smartphone](#) and tablet apps have been downloaded more than 50 million times since eBay began rolling them out in 2008. EBay expects the volume of merchandise sold through eBay.com using mobile devices to total nearly \$5 billion this year, and the amount of money transferred through PayPal on mobile devices to be larger than \$3.5 billion.

Looking at the current quarter, which includes the busy holiday shopping season, eBay predicted net income of \$1.47 to \$1.53 per share on \$3.20 billion to \$3.35 billion in revenue. Excluding items such as a gain from remaining equity in Internet phone service Skype, which [eBay](#) sold in 2009 and was recently acquired by Microsoft Corp., the San Jose, Calif.-based company expects net income of 55 cents to 58 cents per share.

The estimates raise eBay's previous full-year forecast a bit, but they aren't much different from what analysts already expected: adjusted net income of 58 cents per share on \$3.31 billion in revenue.

EBay's stock fell \$1.27, or 3.8 percent, to \$31.91 in after-hours trading. Before the results came out, the stock finished regular trading down 69 cents, or 2 percent, at \$33.18.

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