

# As PayPal split looms, eBay plans to think small

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This July 16, 2013 file photo shows an eBay sign at eBay headquarters in San Jose, Calif. EBay plans to grow by thinking small as it prepares for life apart from PayPal. CEO John Donahoe said Wednesday, April 22, 2015, the company says it is moving toward the spinoff with "clarity and speed." (AP Photo/Ben Margot, File)

EBay plans to grow by thinking small as it prepares for life apart from PayPal.

The company says it is focusing on getting more people, as well as small- to mid-size businesses, to buy and sell items on its popular online

marketplace.

The effort comes as it attempts to address investor concerns about how it will fare later this year after it spins off its PayPal payments division, which has long been EBay's fastest-growing segment.

CEO John Donahoe said Wednesday the company is moving toward the spinoff with "clarity and speed."

EBay's first-quarter earnings may have mitigated investors' concern somewhat. The results beat expectations and revenue, excluding the impact of the stronger dollar, grew in both segments. A stronger dollar cuts into revenue generated overseas when it's translated back into dollars.

"We are deeply committed to setting up eBay and PayPal to succeed and to deliver sustainable value to our shareholders," Donahoe said.

The e-commerce company is seeking to reinvigorate its marketplace business, which includes the e-commerce arm of eBay. It stumbled last year when it had to deal with a change in Google's algorithms that made eBay products come up in search results less often. It was also hit by a data breach that led to all its users being required to change their password.

For the quarter ending March 31, marketplaces revenue fell 4 percent to \$2.07 billion, hurt by the stronger dollar. But the company said it sees signs of stabilization in active buyers and gross merchandise volume, or the total amount of goods sold, excluding the impact of the stronger dollar.

"Our quarter one results are encouraging," said Devin Wenig, who will be CEO of eBay after the spinoff, in a call with investors. "We are

certainly not ready to declare victory over last year's (Google algorithm) and password reset challenges but we are making progress."

Wenig said eBay will focus on growing its 25 million sellers and 157 million active buyers by focusing on small- and medium-size merchants that make of 70 percent of the global retail market. He said eBay is a "partner, not a competitor," to those businesses, perhaps a nod to online retailer Amazon, which is eBay's biggest competitor in the third-party seller area.

Individual consumers are another focus.

"There is \$100 billion of value trapped in people's closets and garages, and that's just in the U.S.," Wenig said.

Earlier this month eBay and PayPal agreed in an SEC filing that PayPal will still process at least 80 percent of transactions on eBay after the splitoff, even though both can work with new partners. The agreement lasts five years with a one-year transition period. The companies will continue to share data and will not build competing products during the agreement period.

Shares of eBay Inc., which is based in San Jose, California, rose \$3.01, or 5.3 percent, to \$59.76 in aftermarket trading. The stock had been up about 1 percent since the beginning of the year.

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