EBay 3Q profit rises 23 percent

The Associated Press

SAN FRANCISCO (AP) -- EBay Inc. on Wednesday said its third-quarter profit climbed 23 percent, helped by its growing PayPal business.

The online marketplace operator also predicted results for the current quarter that were better than analysts had been expecting, sending its shares up more than 7 percent in after-hours trading.

EBay earned $432 million, or 33 cents per share, in the July-September period, compared with a profit of $350 million, or 27 cents per share, in the year-ago quarter.

When excluding one-time items, eBay earned 40 cents per share, beating the average expectation of analysts polled by Thomson Reuters by 3 cents.

Revenue rose 1 percent to $2.25 billion. Analysts were expecting revenue to dip slightly to $2.18 billion, in part because eBay sold its Skype Internet calling business late last year.

Excluding Skype, eBay said its revenue jumped 10 percent.

San Jose-based eBay's second-largest business, online payments, reported $838 million in revenue, up 22 percent from last year. The unit includes PayPal and short-term credit service Bill Me Later.

EBay said total payment volume jumped 26 percent to $22.37 billion.

This business has grown rapidly even as eBay's main business - its online marketplace - has faltered, as more merchants and consumers use PayPal to transfer money on and off eBay. 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.

Marketplace revenue rose 3 percent to $1.41 billion, as more people used eBay to buy and sell.

Gross merchandise volume, which is a measure of the value of everything sold on eBay, excluding vehicles, rose 3 percent to $12.59 billion. There were 93.2 million active eBay users at the end of the third quarter, up 4 percent from 89.2 million in the third quarter of 2009.

The company has been working to improve eBay.com by cutting upfront listing fees and tweaking search results to make it to find the right merchandise.

For the current quarter, eBay expects a profit of 37 cents to 40 cents per share, or 45 cents to 48 cents per share when excluding one-time items, on $2.39 billion to $2.49 billion in revenue. This is more optimistic than the 44 cents per share in adjusted earnings and $2.40 billion in revenue analysts were looking for.

In an interview, Donahoe said the company is "cautiously optimistic" about the holiday season. He said he expects shoppers to use eBay's mobile applications more, especially for comparison shopping when at bricks-and-mortar stores.

EBay offers a slew of eBay.com and PayPal apps for smart phones and Apple's iPad that allow people to shop online and transfer money. The company also owns RedLaser, a barcode-scanning app that it bought earlier this year, that lets you scan an actual product and see its price at online stores and on eBay.

EBay shares rose $1.92, or 7.5 percent, to $27.58 in after-hours trading. The stock had finished regular trading up 13 cents at $25.66.

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