

EBay's 4Q Performance Caps Company's Best Year Yet

Michael Liedtke, AP Technology Writer

SAN FRANCISCO (AP) — EBay finished last year with a flourish as bargain-hunting holiday shoppers flocked to its Internet shopping mall and digital payment service to help lift the company's fourth-quarter earnings above analyst projections.

The results announced Wednesday served as the exclamation point on the best year yet for eBay Inc., an e-commerce pioneer founded in 1995 when the concept of buying merchandise online seemed absurd.

Online shopping has since become a staple for hordes of consumers, turning eBay into a thriving business and a Wall Street favorite.

But the growing popularity of smartphones and tablet computers is once again changing the way many people shop. EBay is trying to remain at the forefront of the shift by retooling its online bazaar and popular payment service, PayPal, to work better with mobile devices.

The company, based in San Jose, Calif., says its mobile applications have been downloaded on to more than 120 million devices, putting its services in easy reach of consumers even as they peruse the aisle of brick-and-mortar stores.

"Mobile is quickly becoming the new normal, and we are leading this new way consumers shop and pay," eBay CEO John Donahoe told investors during a Wednesday conference call. He predicted that PayPal and eBay's marketplaces division, where most of eBay's shopping activity occurs, will each process more than \$20 billion in mobile transactions this year.

EBay doesn't keep all the revenue that passes through its services. PayPal charges merchants a fee to deliver payments from customers, and eBay collects fees for products listed and sold online.

The strides that eBay has made in the mobile market have impressed investors, helping to propel the company's stock price to a 68 percent gain last year.

The company's fourth-quarter performance provided another boost as eBay's stock edged up 62 cents to \$53.52 in Wednesday's after-hours trading. The market's reaction was tempered by a management forecast for the current quarter that was

EBay's 4Q Performance Caps Company's Best Year Yet

Published on Wireless Week (<http://www.wirelessweek.com>)

slightly below analysts' expectations.

The stock isn't far from its split-adjusted peak of \$59.21 reached at the end of 2004 when Meg Whitman, now the CEO of Hewlett-Packard Co., was still running eBay. By the time Whitman stepped down in 2008, eBay's stock had slipped below \$30 as the company's growth tapered off.

Donahoe, though, has engineered a turnaround by de-emphasizing the online auctions that were once eBay's foundations and, in the past two years, intensifying the focus on the rapidly growing mobile market.

"EBay is back in a big way now," Donahoe said during a Wednesday interview.

EBay earned \$757 million, or 57 cents per share, during the final three months of last year. That represented a 62 percent decrease from net income of \$2 billion, or \$1.51 per share, at the same time in 2011.

The 2011 numbers were inflated by a windfall from eBay's \$8.5 billion sale of online communications service Skype to Microsoft Corp.

If not for certain one-time items, eBay said it would have earned 70 cents a share. That figure was a penny above the average forecast among analysts surveyed by FactSet. The most recent quarter's earnings were up by 17 percent from 2011, on an adjusted basis.

Revenue climbed 18 percent from the previous year to nearly \$4 billion, in line with what analysts forecast.

As has been the case for some time, PayPal generated the greatest growth. Fourth-quarter revenue from the payment service totaled \$1.54 billion, a 24 percent increase from the previous year.

PayPal, which eBay bought a decade ago, added 5 million more accountholders in the fourth quarter, its biggest three-month gain in eight years. The service now has about 123 million accountholders, many of whom contributed to the roughly 700 million payments processed by PayPal during the fourth quarter.

EBay is now trying to extend PayPal's reach offline. The company already has struck agreements with 23 retailers, including Abercrombie & Fitch, Barnes & Noble, RadioShack and Home Depot, to accept PayPal in their stores. Beginning this spring, PayPal also will be accepted at retailers that take the Discover card.

The marketplaces division produced fourth-quarter revenue of \$2.05 billion, up 16 percent from the previous year.

EBay's 4Q Performance Caps Company's Best Year Yet

Published on Wireless Week (<http://www.wirelessweek.com>)

To start this year, eBay expects adjusted first-quarter earnings of 60 cents to 62 cents per share on revenue ranging from \$3.65 billion to \$3.75 billion.

Those figures are below analysts' predictions calling for adjusted earnings of 64 cents per share on revenue of \$3.8 billion. Donahoe said he believes some analysts neglected to consider that there will be one less day in this year's first quarter coming off of 2012's leap year and that online shopping is always sluggish on Easter Sunday, which is falling in March this year instead of April as it did last year.

For all of 2012, eBay earned \$2.6 billion, or \$1.99 per share, on revenue of \$14.1 billion. With the Skype sale, eBay earned \$3.2 billion, or \$2.46 per share, in 2011. Revenue for that year totaled \$11.7 billion.

Source URL (retrieved on 01/29/2015 - 1:43pm):

<http://www.wirelessweek.com/news/2013/01/ebays-4q-performance-caps-companys-best-year-yet>