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## eBay Q3 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) We will begin with Mark Mahaney at Citi.

#### Mark Mahaney - Citi

Two questions -- first on the payments margins, can you talk about how we should think about those going forward? Once they anniversary, once you anniversary the acquisition of Bill Me Later, do they stabilize and start growing from there or is it uncertain? Could they just as likely they go up as down? And then marketplace, could you provide anymore color, anything on the linearity of the quarter, particularly products or areas or segments that seemed to have picked up better than others? Is there something that makes you think, particularly in the marketplace business, that Q4 should be materially better than just comps? Thanks.

#### Robert H. Swan

Yeah, Mark, first on PayPal operating margins, I'll give you a bit of a macro picture and then a path forward. We indicated earlier this year that we expect to roughly double the PayPal business from 2009 through 2011, and that operating margins will expand to 18% to 20%. This year, essentially each quarter Bill Me Later has impacted our margins by roughly 350 to 400 basis points and as we go forward, we expect Bill Me Later to gradually be accretive to earnings and then accretive to operating margins between now and 2011. We do not expect that to change dramatically in the fourth quarter. We are not expecting any dramatic growth from Bill Me Later as we continue to make the trade-offs of top line growth versus risk.

On the second question on marketplace, I'll make a couple of comments, John, and have you engage as well. I'd say a couple of things -- one, we saw continued trends overall throughout the quarter, so just timeline wise, the last time we spoke to you we had June and early July, a little bit better than earlier in the second quarter. Those trends kind of continued throughout the course of the quarter. On a geography basis, we saw great momentum in the U.K., good momentum in Asia, particularly in Korea with the combination of IAC and G-market. Good momentum in Germany and accelerating progress in the U.S. While we are still down in the U.S., we saw a five point improvement on GMV from Q2 to Q3 so we felt pretty good about relative to how the market performed in the quarter.

And that -- you know, both by geography and just timeline, we expect continued momentum going into the fourth quarter.

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