

3-Forbes-EBay

eBay

users, CEO John Donahoe did little to sugarcoat the damages to his company's operations and performance *[Hope, Rebuild]*.

On Wednesday during eBay's second-quarter earnings call, the chief of the San Jose, Calif. online commerce platform admitted that the company-wide password reset—a safety measure as a result of the hack—affected the company's commerce volume and put the firm's marketplace business in a hole.

“The focus is now on recovery,” said Donahoe *[Rebuild]*, who referred to the cyberattack and unexpected departure of PayPal head David Marcus as “body blows” during a second quarter earnings call.

Despite the tribulations, eBay's sales were in line with forecasts with the company reporting \$4.37 billion in second quarter revenue, up 13% from last year. The company had previously estimated that sales for the period would be in the range of \$4.33 billion to \$4.43 billion.

Earnings in that period excluding one-time items beat analysts' expectations, coming in at \$868 million, or 69 cents per share, up about 6% from the \$822 million, or 63 cents per share, in the second quarter of 2013. Analysts polled by Factset estimated earnings of 68 cents per share.

After navigating a highly-publicized proxy fight with Carl Icahn that defined eBay's first quarter, Donahoe could have been forgiven if he was expecting a smoother three months to close out the first half of 2014. Any hopes for a break, however, were dashed in early May when the company discovered a breach on its servers that occurred between late February and March of this year. Though the company stressed that no financial data was compromised, it decided to make users reset their passwords, a precaution

the company knew would have direct impacts on website commerce.
[Rebuild, Reinforce]

Donahoe said that 85% of buyer accounts have already reset their passwords, but that some had to yet to return to the previous activity levels seen prior to the hack revelations. That decline in activity showed on the balance sheet, as quarterly net revenue generated from marketplace activities grew 9% year-over-year to \$2.17 billion. That increase paled in comparison to that of the company's PayPal unit, which had 20% year-over-year growth to net sales of \$1.95 billion.

In addressing a replacement for former PayPal president Marcus, who jumped ship to lead messaging at Facebook last month, the eBay CEO commended his team for keeping payments operations running smoothly. Donahoe provided little comment [Disappointment] on whether they had lined up a replacement and only said that he and the PayPal executive team are working to determine the characteristics needed to lead the fastest-growing unit within the company. [Rebuild]

Due to the cyberattack and subsequent obstruction to commerce, the company lowered its annual sales targets by \$200 million and now expects 2014 revenues to fall between \$18 billion to \$18.3 billion. Company CFO Bob Swan also forecasted third-quarter revenues to be between \$4.3 billion to \$4.4 billion.

Following the company's earning announcement shares were up less than 1% in after-hours trading to \$50.97 as of 6:15 pm in New York.

[Hope]

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