

EBAY INC
Form 10-Q
May 01, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission file number 000-24821

eBay Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0430924
(I.R.S. Employer
Identification Number)

2065 Hamilton Avenue
San Jose, California
(Address of principal executive offices)
(408) 376-7400

95125
(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 25, 2014, there were 1,267,342,622 shares of the registrant's common stock, \$0.001 par value, outstanding, which is the only class of common or voting stock of the registrant issued.

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

eBay Inc.

CONDENSED CONSOLIDATED BALANCE SHEET

| | March 31, 2014 | December 31, 2013 |
|--|--|----------------------|
| | (In millions, except par value amounts) (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$4,415 | \$4,494 |
| Short-term investments | 3,429 | 4,531 |
| Accounts receivable, net | 810 | 899 |
| Loans and interest receivable, net | 2,744 | 2,789 |
| Funds receivable and customer accounts | 9,648 | 9,260 |
| Other current assets | 1,313 | 1,310 |
| Total current assets | 22,359 | 23,283 |
| Long-term investments | 5,211 | 4,971 |
| Property and equipment, net | 2,686 | 2,760 |
| Goodwill | 9,257 | 9,267 |
| Intangible assets, net | 805 | 941 |
| Other assets | 227 | 266 |
| Total assets | \$40,545 | \$41,488 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$4 | \$6 |
| Accounts payable | 277 | 309 |
| Funds payable and amounts due to customers | 9,648 | 9,260 |
| Accrued expenses and other current liabilities | 5,523 | 2,799 |
| Deferred revenue | 169 | 158 |
| Income taxes payable | 120 | 107 |
| Total current liabilities | 15,741 | 12,639 |
| Deferred and other tax liabilities, net | 828 | 841 |
| Long-term debt | 4,124 | 4,117 |
| Other liabilities | 243 | 244 |
| Total liabilities | 20,936 | 17,841 |
| Commitments and contingencies (Note 8) | | |
| Stockholders' equity: | | |
| Common stock, \$0.001 par value; 3,580 shares authorized; 1,267 and 1,294 shares outstanding | 2 | 2 |
| Additional paid-in capital | 13,202 | 13,031 |
| Treasury stock at cost, 329 and 296 shares | (11,207 |) (9,396 |
| Retained earnings | 16,528 | 18,854 |
| Accumulated other comprehensive income | 1,084 | 1,156 |
| Total stockholders' equity | 19,609 | 23,647 |
| Total liabilities and stockholders' equity | \$40,545 | \$41,488 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

| | Three Months Ended March 31, | | |
|--|---|----------|---|
| | 2014 | 2013 | |
| | (In millions, except per share amounts) | | |
| | (Unaudited) | | |
| Net revenues | \$4,262 | \$3,748 | |
| Cost of net revenues | 1,351 | 1,152 | |
| Gross profit | 2,911 | 2,596 | |
| Operating expenses: | | | |
| Sales and marketing | 805 | 697 | |
| Product development | 480 | 434 | |
| General and administrative | 465 | 408 | |
| Provision for transaction and loan losses | 204 | 175 | |
| Amortization of acquired intangible assets | 79 | 82 | |
| Total operating expenses | 2,033 | 1,796 | |
| Income from operations | 878 | 800 | |
| Interest and other, net | (5 |) 9 | |
| Income before income taxes | 873 | 809 | |
| Provision for income taxes | (3,199 |) (132 |) |
| Net income (loss) | \$(2,326 |) \$677 | |
| Net income (loss) per share: | | | |
| Basic | \$(1.82 |) \$0.52 | |
| Diluted | \$(1.82 |) \$0.51 | |
| Weighted average shares: | | | |
| Basic | 1,276 | 1,295 | |
| Diluted | 1,276 | 1,319 | |

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2014 | 2013 |
| | (In millions) | |
| | (Unaudited) | |
| Net income (loss) | \$ (2,326) |) \$ 677 |
| Other comprehensive income (loss), net of reclassification adjustments: | | |
| Foreign currency translation | (29) |) (301) |
| Unrealized gains (losses) on investments, net | (97) |) 140 |
| Tax (expense) benefit on unrealized gains (losses) on investments, net | 42 |) (54) |
| Unrealized gains (losses) on hedging activities, net | 15 |) 86 |
| Tax (expense) benefit on unrealized gains (losses) on hedging activities, net | (3) |) (3) |
| Other comprehensive income (loss), net tax | (72) |) (132) |
| Comprehensive income (loss) | \$ (2,398) |) \$ 545 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three Months Ended March 31,