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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2022

**OR**

|  |  |  |  |  |  |
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|  |  |  |  |  |  |
| ☐ | | | **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 001-37713**

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**eBay Inc.**

(Exact name of registrant as specified in its charter)

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| **Delaware** | | | | | | | | |  | | | **77-0430924** | | |
| (State or other jurisdiction of incorporation or organization) | | | | | | | | |  | | | (I.R.S. Employer Identification No.) | | |
|  | | |  | | |  | | |  | | |  | | |
| **2025 Hamilton Avenue** | | | | | | | | |  | | |  | | |
| **San Jose** | | | **,** | | | **California** | | |  | | | **95125** | | |
| (Address of principal executive offices) | | | | | | | | |  | | | (Zip Code) | | |

Registrant’s telephone number, including area code:

**(408) 376-7108**

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**Securities registered pursuant to Section 12(b) of the Act:**

|  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |
| Title of each class | | | Trading symbol | | | Name of exchange on which registered | | |
| Common stock | | | EBAY | | | The Nasdaq Global Select Market | | |
|  | | |  | | |  | | |

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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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Large accelerated filer | | | ☒ | | |  | | | Accelerated filer | | | ☐ | | |
| Non-accelerated filer | | | ☐ | | |  | | | Smaller reporting company | | | ☐ | | |
|  | | |  | | |  | | | Emerging growth company | | | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 November 1, 2022, there were 542,659,087 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.

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**eBay Inc.**

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**PART I: FINANCIAL INFORMATION**

**Item 1:** **Financial Statements (unaudited)**

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**eBay Inc.**

**CONDENSED CONSOLIDATED BALANCE SHEET**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
|  | | | **(In millions, except par value)** | | | | | | | | |
|  | | | **(Unaudited)** | | | | | | | | |
| **ASSETS** | | |  | | |  | | |  | | |
| Current assets: | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 2,037 |  |  | | | $ | 1,379 |  |
| Short-term investments | | | 1,457 | |  |  | | | 5,944 | |  |
| Customer accounts and funds receivable | | | 633 | |  |  | | | 681 | |  |
| Other current assets | | | 1,162 | |  |  | | | 1,107 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Total current assets | | | 5,289 | |  |  | | | 9,111 | |  |
| Long-term investments | | | 1,971 | |  |  | | | 2,575 | |  |
| Property and equipment, net | | | 1,194 | |  |  | | | 1,236 | |  |
| Goodwill | | | 4,058 | |  |  | | | 4,178 | |  |
| Operating lease right-of-use assets | | | 527 | |  |  | | | 289 | |  |
| Deferred tax assets | | | 3,144 | |  |  | | | 3,255 | |  |
| Equity investment in Adevinta | | | 2,417 | |  |  | | | 5,391 | |  |
|  | | |  | | |  | | |  | | |
| Other assets | | | 497 | |  |  | | | 591 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Total assets | | | $ | 19,097 |  |  | | | $ | 26,626 |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |  | | |  | | |  | | |
| Current liabilities: | | |  | | |  | | |  | | |
| Short-term debt | | | $ | 1,150 |  |  | | | $ | 1,355 |  |
| Accounts payable | | | 224 | |  |  | | | 262 | |  |
| Customer accounts and funds payable | | | 649 | |  |  | | | 707 | |  |
| Accrued expenses and other current liabilities | | | 1,765 | |  |  | | | 1,927 | |  |
| Income taxes payable | | | 186 | |  |  | | | 371 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Total current liabilities | | | 3,974 | |  |  | | | 4,622 | |  |
| Operating lease liabilities | | | 432 | |  |  | | | 200 | |  |
| Deferred tax liabilities | | | 2,231 | |  |  | | | 3,116 | |  |
| Long-term debt | | | 6,579 | |  |  | | | 7,727 | |  |
| Other liabilities | | | 1,028 | |  |  | | | 1,183 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Total liabilities | | | 14,244 | |  |  | | | 16,848 | |  |
| Commitments and Contingencies (Note 11) | | |  | | |  | | |  | | |
| Stockholders’ equity: | | |  | | |  | | |  | | |
| Common stock, $0.001 par value; 3,580 shares authorized; 544 and 594 shares outstanding | | | 2 | |  |  | | | 2 | |  |
| Additional paid-in capital | | | 17,147 | |  |  | | | 16,659 | |  |
| Treasury stock at cost, 1,178 and 1,121 shares | | | (46,402) | |  |  | | | (43,371) | |  |
| Retained earnings | | | 33,766 | |  |  | | | 36,090 | |  |
| Accumulated other comprehensive income | | | 340 | |  |  | | | 398 | |  |
| Total stockholders’ equity | | | 4,853 | |  |  | | | 9,778 | |  |
| Total liabilities and stockholders’ equity | | | $ | 19,097 |  |  | | | $ | 26,626 |  |

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

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**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions, except per share amounts)** | | | | | | | | | | | | | | | | | | | | |
|  | | | **(Unaudited)** | | | | | | | | | | | | | | | | | | | | |
| Net revenues | | | $ | 2,380 |  |  | | | $ | 2,501 |  |  | | | $ | 7,285 |  |  | | | $ | 7,807 |  |
| Cost of net revenues | | | 647 | |  |  | | | 678 | |  |  | | | 1,999 | |  |  | | | 1,956 | |  |
| Gross profit | | | 1,733 | |  |  | | | 1,823 | |  |  | | | 5,286 | |  |  | | | 5,851 | |  |
| Operating expenses: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Sales and marketing | | | 538 | |  |  | | | 496 | |  |  | | | 1,582 | |  |  | | | 1,601 | |  |
| Product development | | | 345 | |  |  | | | 334 | |  |  | | | 990 | |  |  | | | 988 | |  |
| General and administrative | | | 212 | |  |  | | | 219 | |  |  | | | 675 | |  |  | | | 715 | |  |
| Provision for transaction losses | | | 69 | |  |  | | | 112 | |  |  | | | 251 | |  |  | | | 303 | |  |
| Amortization of acquired intangible assets | | | 1 | |  |  | | | — | |  |  | | | 3 | |  |  | | | 9 | |  |
| Total operating expenses | | | 1,165 | |  |  | | | 1,161 | |  |  | | | 3,501 | |  |  | | | 3,616 | |  |
| Income from operations | | | 568 | |  |  | | | 662 | |  |  | | | 1,785 | |  |  | | | 2,235 | |  |
| Gain (loss) on equity investments and warrant, net | | | (593) | |  |  | | | (181) | |  |  | | | (4,105) | |  |  | | | (490) | |  |
| Interest and other, net | | | (29) | |  |  | | | (47) | |  |  | | | (110) | |  |  | | | (186) | |  |
| Income (loss) from continuing operations before income taxes | | | (54) | |  |  | | | 434 | |  |  | | | (2,430) | |  |  | | | 1,559 | |  |
| Income tax benefit (provision) | | | (16) | |  |  | | | (151) | |  |  | | | 485 | |  |  | | | (414) | |  |
| Income (loss) from continuing operations | | | (70) | |  |  | | | 283 | |  |  | | | (1,945) | |  |  | | | 1,145 | |  |
| Income (loss) from discontinued operations, net of income taxes | | | 1 | |  |  | | | (19) | |  |  | | | 4 | |  |  | | | 10,494 | |  |
| Net income (loss) | | | $ | (69) |  |  | | | $ | 264 |  |  | | | $ | (1,941) |  |  | | | $ | 11,639 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) per share - basic: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Continuing operations | | | $ | (0.13) |  |  | | | $ | 0.44 |  |  | | | $ | (3.45) |  |  | | | $ | 1.72 |  |
| Discontinued operations | | | 0.00 | |  |  | | | (0.03) | |  |  | | | 0.01 | |  |  | | | 15.72 | |  |
| Net income (loss) per share - basic | | | $ | (0.13) |  |  | | | $ | 0.41 |  |  | | | $ | (3.44) |  |  | | | $ | 17.44 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) per share - diluted: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Continuing operations | | | $ | (0.13) |  |  | | | $ | 0.43 |  |  | | | $ | (3.45) |  |  | | | $ | 1.69 |  |
| Discontinued operations | | | 0.00 | |  |  | | | (0.03) | |  |  | | | 0.01 | |  |  | | | 15.47 | |  |
| Net income (loss) per share - diluted | | | $ | (0.13) |  |  | | | $ | 0.40 |  |  | | | $ | (3.44) |  |  | | | $ | 17.16 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Weighted-average shares: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | 548 | |  |  | | | 647 | |  |  | | | 563 | |  |  | | | 667 | |  |
| Diluted | | | 548 | |  |  | | | 658 | |  |  | | | 563 | |  |  | | | 678 | |  |

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

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**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions)** | | | | | | | | | | | | | | | | | | | | |
|  | | | **(Unaudited)** | | | | | | | | | | | | | | | | | | | | |
| Net income (loss) | | | $ | (69) |  |  | | | $ | 264 |  |  | | | $ | (1,941) |  |  | | | $ | 11,639 |  |
| Other comprehensive income (loss), net of reclassification adjustments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency translation gains (losses) | | | (77) | |  |  | | | (85) | |  |  | | | (196) | |  |  | | | (192) | |  |
| Unrealized gains (losses) on investments, net | | | (31) | |  |  | | | — | |  |  | | | (99) | |  |  | | | (4) | |  |
| Tax benefit (expense) on unrealized gains (losses) on investments, net | | | 7 | |  |  | | | — | |  |  | | | 22 | |  |  | | | 1 | |  |
| Unrealized gains (losses) on hedging activities, net | | | 151 | |  |  | | | 60 | |  |  | | | 275 | |  |  | | | 130 | |  |
| Tax benefit (expense) on unrealized gains (losses) on hedging activities, net | | | (33) | |  |  | | | (13) | |  |  | | | (60) | |  |  | | | (29) | |  |
| Other comprehensive income (loss), net of tax | | | 17 | |  |  | | | (38) | |  |  | | | (58) | |  |  | | | (94) | |  |
| Comprehensive income (loss) | | | $ | (52) |  |  | | | $ | 226 |  |  | | | $ | (1,999) |  |  | | | $ | 11,545 |  |

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

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**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS’ EQUITY**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions, except per share amounts)** | | | | | | | | | | | | | | | | | | | | |
|  | | | **(Unaudited)** | | | | | | | | | | | | | | | | | | | | |
| Common stock: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | 2 |  |  | | | $ | 2 |  |  | | | $ | 2 |  |  | | | $ | 2 |  |
| Common stock issued | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Common stock repurchased | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Balance, end of period | | | 2 | |  |  | | | 2 | |  |  | | | 2 | |  |  | | | 2 | |  |
| Additional paid-in-capital: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | 17,059 | |  |  | | | 16,676 | |  |  | | | 16,659 | |  |  | | | 16,497 | |  |
| Common stock and stock-based awards issued | | | — | |  |  | | | 1 | |  |  | | | 55 | |  |  | | | 59 | |  |
| Tax withholdings related to net share settlements of restricted stock units and awards | | | (32) | |  |  | | | (58) | |  |  | | | (130) | |  |  | | | (186) | |  |
| Stock-based compensation | | | 118 | |  |  | | | 130 | |  |  | | | 366 | |  |  | | | 386 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Forward contract for share repurchases | | | — | |  |  | | | — | |  |  | | | 188 | |  |  | | | — | |  |
| Other | | | 2 | |  |  | | | 1 | |  |  | | | 9 | |  |  | | | (6) | |  |
| Balance, end of period | | | 17,147 | |  |  | | | 16,750 | |  |  | | | 17,147 | |  |  | | | 16,750 | |  |
| Treasury stock at cost: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | (46,101) | |  |  | | | (38,308) | |  |  | | | (43,371) | |  |  | | | (36,515) | |  |
| Common stock repurchased | | | (301) | |  |  | | | (2,251) | |  |  | | | (3,031) | |  |  | | | (4,044) | |  |
| Balance, end of period | | | (46,402) | |  |  | | | (40,559) | |  |  | | | (46,402) | |  |  | | | (40,559) | |  |
| Retained earnings: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | 33,960 | |  |  | | | 34,086 | |  |  | | | 36,090 | |  |  | | | 22,961 | |  |
| Net income (loss) | | | (69) | |  |  | | | 264 | |  |  | | | (1,941) | |  |  | | | 11,639 | |  |
| Dividends and dividend equivalents declared | | | (125) | |  |  | | | (120) | |  |  | | | (383) | |  |  | | | (370) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, end of period | | | 33,766 | |  |  | | | 34,230 | |  |  | | | 33,766 | |  |  | | | 34,230 | |  |
| Accumulated other comprehensive income: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | 323 | |  |  | | | 560 | |  |  | | | 398 | |  |  | | | 616 | |  |
| Foreign currency translation adjustment | | | (77) | |  |  | | | (85) | |  |  | | | (196) | |  |  | | | (192) | |  |
| Change in unrealized gains (losses) on investments | | | (31) | |  |  | | | — | |  |  | | | (99) | |  |  | | | (4) | |  |
| Change in unrealized gains (losses) on derivative instruments | | | 151 | |  |  | | | 60 | |  |  | | | 275 | |  |  | | | 130 | |  |
| Tax benefit (provision) on above items | | | (26) | |  |  | | | (13) | |  |  | | | (38) | |  |  | | | (28) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, end of period | | | 340 | |  |  | | | 522 | |  |  | | | 340 | |  |  | | | 522 | |  |
| Total stockholders’ equity | | | $ | 4,853 |  |  | | | $ | 10,945 |  |  | | | $ | 4,853 |  |  | | | $ | 10,945 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Dividends and dividend equivalents declared per share or restricted stock unit | | | $ | 0.22 |  |  | | | $ | 0.18 |  |  | | | $ | 0.66 |  |  | | | $ | 0.54 |  |

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

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**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions)** | | | | | | | | |
|  | | | **(Unaudited)** | | | | | | | | |
| Cash flows from operating activities: | | |  | | |  | | |  | | |
| Net income (loss) | | | $ | (1,941) |  |  | | | $ | 11,639 |  |
| Income (loss) from discontinued operations, net of income taxes | | | (4) | |  |  | | | (10,494) | |  |
| Adjustments: | | |  | | |  | | |  | | |
| Provision for transaction losses | | | 251 | |  |  | | | 303 | |  |
| Depreciation and amortization | | | 335 | |  |  | | | 380 | |  |
| Stock-based compensation | | | 366 | |  |  | | | 365 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Loss (gain) on investments and other, net | | | 7 | |  |  | | | (39) | |  |
| Deferred income taxes | | | (807) | |  |  | | | 41 | |  |
| Change in fair value of warrant | | | 246 | |  |  | | | (383) | |  |
| Change in fair value of equity investment in Adevinta | | | 2,973 | |  |  | | | 1,497 | |  |
| Change in fair value of equity investment in Gmarket | | | 299 | |  |  | | | — | |  |
| Unrealized change in fair value of equity investment in KakaoBank | | | 246 | |  |  | | | (512) | |  |
| Unrealized change in fair value of equity investment in Adyen | | | 118 | |  |  | | | — | |  |
| Realized change in fair value of shares sold in Adyen | | | 143 | |  |  | | | — | |  |
| Realized change in fair value of shares sold in KakaoBank | | | 75 | |  |  | | | (83) | |  |
| Loss (gain) on extinguishment of debt | | | — | |  |  | | | 10 | |  |
| Changes in assets and liabilities, net of acquisition effects | | | (366) | |  |  | | | (106) | |  |
| Net cash provided by continuing operating activities | | | 1,941 | |  |  | | | 2,618 | |  |
| Net cash used in discontinued operating activities | | | (371) | |  |  | | | (254) | |  |
| Net cash provided by operating activities | | | 1,570 | |  |  | | | 2,364 | |  |
| Cash flows from investing activities: | | |  | | |  | | |  | | |
| Purchases of property and equipment | | | (296) | |  |  | | | (341) | |  |
| Purchases of investments | | | (15,223) | |  |  | | | (15,103) | |  |
| Maturities and sales of investments | | | 18,247 | |  |  | | | 13,752 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Proceeds from the sale of shares in Adyen | | | 800 | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
| Proceeds from the sale of shares in KakaoBank | | | 287 | |  |  | | | 114 | |  |
| Other | | | (62) | |  |  | | | 13 | |  |
| Net cash provided by (used in) continuing investing activities | | | 3,753 | |  |  | | | (1,565) | |  |
| Net cash provided by discontinued investing activities | | | 2 | |  |  | | | 2,443 | |  |
| Net cash provided by investing activities | | | 3,755 | |  |  | | | 878 | |  |
| Cash flows from financing activities: | | |  | | |  | | |  | | |
| Proceeds from issuance of common stock | | | 55 | |  |  | | | 57 | |  |
| Repurchases of common stock | | | (2,828) | |  |  | | | (3,966) | |  |
| Payments for taxes related to net share settlements of restricted stock units and awards | | | (130) | |  |  | | | (186) | |  |
| Payments for dividends | | | (370) | |  |  | | | (359) | |  |
| Proceeds from issuance of long-term debt, net | | | — | |  |  | | | 2,478 | |  |
| Repayment of debt | | | (1,355) | |  |  | | | (1,156) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Net funds receivable and payable activity | | | 92 | |  |  | | | (109) | |  |
| Other | | | — | |  |  | | | (6) | |  |
| Net cash used in continuing financing activities | | | (4,536) | |  |  | | | (3,247) | |  |
| Net cash provided by discontinued financing activities | | | — | |  |  | | | 2 | |  |
| Net cash used in financing activities | | | (4,536) | |  |  | | | (3,245) | |  |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | | | (89) | |  |  | | | 30 | |  |
| Net increase in cash, cash equivalents and restricted cash | | | 700 | |  |  | | | 27 | |  |
| Cash, cash equivalents and restricted cash at beginning of period | | | 1,406 | |  |  | | | 1,594 | |  |
| Cash, cash equivalents and restricted cash at end of period | | | $ | 2,106 |  |  | | | $ | 1,621 |  |
|  | | |  | | |  | | |  | | |
| Less: Cash, cash equivalents and restricted cash of discontinued operations | | | — | |  |  | | | 352 | |  |
| Cash, cash equivalents and restricted cash of continuing operations at end of period | | | $ | 2,106 |  |  | | | $ | 1,269 |  |

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**eBay Inc.**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS—(Continued)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions)** | | | | | | | | |
|  | | | **(Unaudited)** | | | | | | | | |
| Supplemental cash flow disclosures: | | |  | | |  | | |  | | |
| Cash paid for: | | |  | | |  | | |  | | |
| Interest | | | $ | 194 |  |  | | | $ | 203 |  |
|  | | |  | | |  | | |  | | |
| Income taxes | | | $ | 456 |  |  | | | $ | 435 |  |
| Non-cash investing activities: | | |  | | |  | | |  | | |
| Equity investment in Adevinta | | | $ | — |  |  | | | $ | 10,776 |  |

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

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1 — The Company and Summary of Significant Accounting Policies**

***The Company***

eBay Inc. is a global commerce leader, which includes our Marketplace platforms. Founded in 1995 in San Jose, California, eBay is one of the world’s largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity for all. Our technologies and services are designed to give buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

When we refer to “we,” “our,” “us,” the “Company” or “eBay” in this Quarterly Report on Form 10-Q, we mean the current Delaware corporation (eBay Inc.) and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to provisions for transaction losses, legal contingencies, income taxes, revenue recognition, stock-based compensation, investments including level 3 investments in Gmarket, warrants and the recoverability of goodwill and intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

***Principles of Consolidation and Basis of Presentation***

The accompanying condensed financial statements are consolidated and include the financial statements of eBay Inc., our wholly and majority-owned subsidiaries and variable interest entities (“VIE”) where we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. Minority interests are recorded as a noncontrolling interest. A qualitative approach is applied to assess the consolidation requirement for VIE’s. Equity investments in entities where we have not elected the fair value option and where we hold at least a 20% ownership interest or have the ability to exercise significant influence, but not control, over the investee are accounted for using the equity method of accounting. For such investments, our share of the investees’ results of operations is included in gain (loss) on equity investments and warrant, net and our equity investment balance is included in long-term investments. Equity investments in entities where we hold less than a 20% ownership interest are generally accounted for as equity investments to be measured at fair value or, under an election, at cost if it does not have readily determinable fair value, in which case the carrying value would be adjusted upon the occurrence of an observable price change in an orderly transaction for identical or similar instruments or impairment.

Upon the transfer of our Classifieds business to Adevinta ASA (“Adevinta”) on June 24, 2021, shares in Adevinta were included as part of total consideration received under the definitive agreement. The equity interest in Adevinta is accounted for under the fair value option. As of September 30, 2022, our ownership in Adevinta was 33%. Subsequent changes in fair value are included in gain (loss) on equity investments and warrant, net.

Additionally, upon completion of the sale of 80.01% of the outstanding equity interests of eBay Korea LLC, a limited liability company incorporated under the laws of Korea and a wholly owned subsidiary of eBay KTA (“eBay Korea”) to E-mart Inc. and one of its wholly owned subsidiaries (together, “Emart”) on November 14, 2021, we retained 19.99% of the outstanding equity interests of the new entity, Gmarket Global LLC (“Gmarket”) formerly known as Apollo Korea, which is accounted for under the fair value option. Subsequent changes in fair value are included in gain (loss) on equity investments and warrant, net and our equity investment balance is included in long-term investments.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. We have evaluated all subsequent events through the date these condensed consolidated financial statements were issued. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the condensed consolidated financial position, results of operations and cash flows for these interim periods.

***Significant Accounting Policies***

There were no significant changes to our significant accounting policies disclosed in “Note 1 — The Company and Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended December 31, 2021.

***Recent Accounting Pronouncements Not Yet Adopted***

In March 2022, the FASB issued new guidance to expand the scope of financial assets that can be included in a closed portfolio hedged using the portfolio layer method to allow consistent accounting for similar hedges. The expanded scope permits the application of the same portfolio hedging method to both prepayable and nonprepayable financial assets. The standard will be effective for annual reporting periods beginning after December 15, 2022, including interim reporting periods within those fiscal years. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In June 2022, the Financial Accounting Standards Board (“FASB”) issued new guidance to clarify the fair value measurement guidance for equity securities subject to contractual restrictions that prohibit the sale of an equity security. Further, the guidance introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value. The standard will be effective for annual reporting periods beginning after December 15, 2023, including interim reporting periods within those fiscal years. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 2 — Net Income (Loss) Per Share**

Basic net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted net income (loss) per share by application of the treasury stock method. The calculation of diluted net income (loss) per share excludes all anti-dilutive common shares.

The following table presents the computation of basic and diluted net income (loss) per share for the periods indicated (in millions, except per share amounts):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Numerator: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) from continuing operations | | | $ | (70) |  |  | | | $ | 283 |  |  | | | $ | (1,945) |  |  | | | $ | 1,145 |  |
| Income (loss) from discontinued operations, net of income taxes | | | 1 | |  |  | | | (19) | |  |  | | | 4 | |  |  | | | 10,494 | |  |
| Net income (loss) | | | $ | (69) |  |  | | | $ | 264 |  |  | | | $ | (1,941) |  |  | | | $ | 11,639 |  |
| Denominator: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Weighted average shares of common stock - basic | | | 548 | |  |  | | | 647 | |  |  | | | 563 | |  |  | | | 667 | |  |
| Dilutive effect of equity incentive awards | | | — | |  |  | | | 11 | |  |  | | | — | |  |  | | | 11 | |  |
| Weighted average shares of common stock - diluted | | | 548 | |  |  | | | 658 | |  |  | | | 563 | |  |  | | | 678 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) per share - basic: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Continuing operations | | | $ | (0.13) |  |  | | | $ | 0.44 |  |  | | | $ | (3.45) |  |  | | | $ | 1.72 |  |
| Discontinued operations | | | 0.00 | |  |  | | | (0.03) | |  |  | | | 0.01 | |  |  | | | 15.72 | |  |
| Net income (loss) per share - basic | | | $ | (0.13) |  |  | | | $ | 0.41 |  |  | | | $ | (3.44) |  |  | | | $ | 17.44 |  |
| Income (loss) per share - diluted: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Continuing operations | | | $ | (0.13) |  |  | | | $ | 0.43 |  |  | | | $ | (3.45) |  |  | | | $ | 1.69 |  |
| Discontinued operations | | | 0.00 | |  |  | | | (0.03) | |  |  | | | 0.01 | |  |  | | | 15.47 | |  |
| Net income (loss) per share - diluted | | | $ | (0.13) |  |  | | | $ | 0.40 |  |  | | | $ | (3.44) |  |  | | | $ | 17.16 |  |
| Common stock equivalents excluded from income (loss) per diluted share because their effect would have been anti-dilutive | | | 15 | |  |  | | | — | |  |  | | | 14 | |  |  | | | 9 | |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 3 — Discontinued Operations**

***Classifieds***

On June 24, 2021, we completed the previously announced transfer of our Classifieds business to Adevinta for $2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta which represented an equity interest of 44%. Together, the total consideration received under the definitive agreement was valued at approximately $13.3 billion, based on the closing trading price of Adevinta’s outstanding shares at the Oslo Stock Exchange on June 24, 2021. The transfer resulted in a pre-tax gain of $12.5 billion and related income tax expense of $2.1 billion, both within income from discontinued operations. The results of our Classifieds business have been presented as discontinued operations in our consolidated statement of income for all periods presented through June 24, 2021 as the transfer represented a strategic shift in our business that had a major effect on our operations and financial results.

In addition, upon closing we entered into a transition service agreement (“TSA”) with Adevinta to support the operations of Classifieds after the divestiture for fees of $29 million. This agreement terminated during the second quarter of 2022.

***eBay Korea***

On November 14, 2021, we completed the previously announced sale of 80.01% of the outstanding equity interests of eBay Korea to Emart, pursuant to the terms and conditions of the securities purchase agreement, in exchange for approximately $3.0 billion of gross cash proceeds as of the transaction close date, subject to certain adjustments. The sale resulted in a pre-tax gain of $3.2 billion inclusive of a $81 million currency translation adjustment and a $44 million gain on the net investment hedge settled in the fourth quarter of 2021, as well as income tax expense of $369 million. The results of our eBay Korea business have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented through November 14, 2021 as the transfer represented a strategic shift in our business that had a major effect on our operations and financial results.

In addition, upon closing we entered into a transition service agreement with eBay Korea to support the operations of eBay Korea after the divestiture for immaterial fees. This agreement commenced with the close of the transaction and is currently expected to terminate during the fourth quarter of 2022.

***Discontinued operations***

The following table presents financial results from discontinued operations, net of income taxes in our condensed consolidated statement of income for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021 (1)** | | |
| Classifieds income from discontinued operations, net of income taxes | | | $ | — |  |  | | | $ | (18) |  |  | | | $ | 5 |  |  | | | $ | 10,482 |  |
| eBay Korea income (loss) from discontinued operations, net of income taxes | | | 1 | |  |  | | | (1) | |  |  | | | (1) | |  |  | | | 3 | |  |
| StubHub income from discontinued operations, net of income taxes | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 9 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) from discontinued operations, net of income taxes | | | $ | 1 |  |  | | | $ | (19) |  |  | | | $ | 4 |  |  | | | $ | 10,494 |  |

(1) Includes Classifieds financial results through the transaction close on June 24, 2021 and includes the gain on sale recorded for the Classifieds transaction.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents cash flows for discontinued operations for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021 (1)** | | |
| Classifieds net cash used in discontinued operating activities | | | $ | — |  |  | | | $ | (428) |  |  | | | $ | (1) |  |  | | | $ | (283) |  |
| eBay Korea and other disposal activity net cash provided by (used in) discontinued operating activities | | | (6) | |  |  | | | 22 | |  |  | | | (370) | |  |  | | | 29 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net cash used in discontinued operating activities | | | $ | (6) |  |  | | | $ | (406) |  |  | | | $ | (371) |  |  | | | $ | (254) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Classifieds net cash provided by discontinued investing activities | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,453 |  |
| eBay Korea and other disposal activity net cash provided by (used in) discontinued investing activities | | | 2 | |  |  | | | (1) | |  |  | | | 2 | |  |  | | | (10) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net cash provided by (used in) discontinued investing activities | | | $ | 2 |  |  | | | $ | (1) |  |  | | | $ | 2 |  |  | | | $ | 2,443 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| eBay Korea and other disposal activity net cash provided by discontinued financing activities | | | $ | — |  |  | | | $ | 64 |  |  | | | $ | — |  |  | | | $ | 2 |  |
| Net cash provided by discontinued financing activities | | | $ | — |  |  | | | $ | 64 |  |  | | | $ | — |  |  | | | $ | 2 |  |

(1) Includes Classifieds financial results through the transaction close on June 24, 2021 and includes the gain on sale recorded for the Classifieds transaction.

During the nine months ended September 30, 2022, we paid income taxes of $348 million related to discontinued operating activities of eBay Korea.

***Classifieds***

The financial results of Classifieds were presented as income (loss) from discontinued operations, net of income taxes on our condensed consolidated statement of income through June 24, 2021, when the transfer of Classifieds was completed. The periods presented below include the impact of intercompany revenue agreements through June 24, 2021. The impact of these intercompany revenue agreements to net revenues and cost of net revenues was $5 million for the nine months ended September 30, 2021. The continuing revenue and cash flows are not considered to be material.

The following table presents the financial results of Classifieds for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021 (1)** | | |
| Net revenues | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 565 |  |
| Cost of net revenues | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 63 | |  |
| Gross profit | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 502 | |  |
| Operating expenses: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Sales and marketing | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 183 | |  |
| Product development | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 105 | |  |
| General and administrative | | | — | |  |  | | | 9 | |  |  | | | (7) | |  |  | | | 76 | |  |
| Provision for transaction losses | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 2 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total operating expenses | | | — | |  |  | | | 9 | |  |  | | | (7) | |  |  | | | 366 | |  |
| Income (loss) from operations of discontinued operations | | | — | |  |  | | | (9) | |  |  | | | 7 | |  |  | | | 136 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pre-tax gain on sale | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 12,524 | |  |
| Income (loss) from discontinued operations before income taxes | | | — | |  |  | | | (9) | |  |  | | | 7 | |  |  | | | 12,660 | |  |
| Income tax provision | | | — | |  |  | | | (9) | |  |  | | | (2) | |  |  | | | (2,178) | |  |
| Income (loss) from discontinued operations, net of income taxes | | | $ | — |  |  | | | $ | (18) |  |  | | | $ | 5 |  |  | | | $ | 10,482 |  |

(1) Includes Classifieds financial results through the transaction close on June 24, 2021 and includes the gain on sale recorded for the Classifieds transaction.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***eBay Korea***

The financial results of eBay Korea were presented as income (loss) from discontinued operations, net of income taxes on our condensed consolidated statement of income through November 14, 2021, when the sale of eBay Korea was completed. The following table presents the financial results of eBay Korea for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Net revenues | | | $ | — |  |  | | | $ | 374 |  |  | | | $ | — |  |  | | | $ | 1,157 |  |
| Cost of net revenues | | | — | |  |  | | | 217 | |  |  | | | — | |  |  | | | 663 | |  |
| Gross profit | | | — | |  |  | | | 157 | |  |  | | | — | |  |  | | | 494 | |  |
| Operating expenses: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Sales and marketing | | | — | |  |  | | | 136 | |  |  | | | — | |  |  | | | 418 | |  |
| Product development | | | — | |  |  | | | 14 | |  |  | | | — | |  |  | | | 43 | |  |
| General and administrative | | | — | |  |  | | | 8 | |  |  | | | 2 | |  |  | | | 29 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total operating expenses | | | — | |  |  | | | 158 | |  |  | | | 2 | |  |  | | | 490 | |  |
| Income (loss) from operations of discontinued operations | | | — | |  |  | | | (1) | |  |  | | | (2) | |  |  | | | 4 | |  |
| Interest and other, net | | | 1 | |  |  | | | 1 | |  |  | | | 1 | |  |  | | | 2 | |  |
| Income (loss) from discontinued operations before income taxes | | | 1 | |  |  | | | — | |  |  | | | (1) | |  |  | | | 6 | |  |
| Income tax benefit (provision) | | | — | |  |  | | | (1) | |  |  | | | — | |  |  | | | (3) | |  |
| Income (loss) from discontinued operations, net of income taxes | | | $ | 1 |  |  | | | $ | (1) |  |  | | | $ | (1) |  |  | | | $ | 3 |  |

***StubHub, PayPal and Enterprise***

For the three and nine months ended September 30, 2022 and 2021, the discontinued operations activity related to our former StubHub, PayPal and Enterprise businesses was immaterial.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 4 — Goodwill and Intangible Assets**

***Goodwill***

The following table presents goodwill activity for the period indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2021** | | |  | | | **Goodwill Acquired** | | |  | | | **Adjustments** | | |  | | | **September 30, 2022** | | |
| Goodwill | | | $ | 4,178 |  |  | | | $ | 51 |  |  | | | $ | (171) |  |  | | | $ | 4,058 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The adjustments to goodwill during the nine months ended September 30, 2022 were primarily due to foreign currency translation.

***Intangible Assets***

Intangible assets are reported within other assets in our condensed consolidated balance sheet. The following table presents components of identifiable intangible assets as of the dates indicated (in millions, except years):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | | | | | | | |  | | | **December 31, 2021** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Gross Carrying Amount** | | |  | | | **Accumulated Amortization** | | |  | | | **Net Carrying Amount** | | |  | | | **Weighted Average Useful Life (Years)** | | |  | | | **Gross Carrying Amount** | | |  | | | **Accumulated Amortization** | | |  | | | **Net Carrying Amount** | | |  | | | **Weighted Average Useful Life (Years)** | | |
| Intangible assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Customer lists and user base | | | $ | 183 |  |  | | | $ | (183) |  |  | | | $ | — |  |  | | | 0 | | |  | | | $ | 203 |  |  | | | $ | (203) |  |  | | | $ | — |  |  | | | 0 | | |
| Marketing related | | | 55 | |  |  | | | (52) | |  |  | | | 3 | |  |  | | | 2 | | |  | | | 57 | |  |  | | | (52) | |  |  | | | 5 | |  |  | | | 2 | | |
| Developed technologies | | | 186 | |  |  | | | (173) | |  |  | | | 13 | |  |  | | | 3 | | |  | | | 174 | |  |  | | | (174) | |  |  | | | — | |  |  | | | 3 | | |
| All other | | | 159 | |  |  | | | (157) | |  |  | | | 2 | |  |  | | | 0 | | |  | | | 159 | |  |  | | | (156) | |  |  | | | 3 | |  |  | | | 0 | | |
| Total | | | $ | 583 |  |  | | | $ | (565) |  |  | | | $ | 18 |  |  | | |  | | |  | | | $ | 593 |  |  | | | $ | (585) |  |  | | | $ | 8 |  |  | | |  | | |

Amortization expense for intangible assets was $2 million and immaterial for the three months ended September 30, 2022 and 2021, respectively, and $4 million and $9 million for the nine months ended September 30, 2022 and 2021, respectively.

The following table presents expected future intangible asset amortization as of the date indicated (in millions):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  | | |  | | | **September 30, 2022** | | |
| Remaining 2022 | | |  | | | $ | 2 |  |
| 2023 | | |  | | | 7 | |  |
| 2024 | | |  | | | 6 | |  |
| 2025 | | |  | | | 3 | |  |
|  | | |  | | |  | | |
|  | | |  | | |  | | |
| Total | | |  | | | $ | 18 |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Acquisition of TCGplayer***

On August 22, 2022, eBay and TCGplayer announced that we entered into an agreement for eBay to acquire TCGplayer and on October 31, 2022, we completed this acquisition for up to approximately $295 million in cash. TCGplayer is a trusted marketplace for collectible card game enthusiasts, making it easy to buy and sell collections of collectibles from one marketplace.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 5 — Segments**

We have one operating and reportable segment. Our reportable segment is Marketplace, which includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. Our management and our chief operating decision maker review financial information presented on a consolidated basis for purposes of allocating resources and evaluating performance and do not evaluate using asset information. The accounting policies of our segment are the same as those described in “Note 1 — The Company and Summary of Significant Accounting Policies.”

The following table summarizes net revenues by type for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Net revenues by type: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net transaction revenues | | | $ | 2,259 |  |  | | | $ | 2,350 |  |  | | | $ | 6,911 |  |  | | | $ | 7,322 |  |
| Marketing services and other revenues | | | 121 | |  |  | | | 151 | |  |  | | | 374 | |  |  | | | 485 | |  |
| Total net revenues | | | $ | 2,380 |  |  | | | $ | 2,501 |  |  | | | $ | 7,285 |  |  | | | $ | 7,807 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The following table summarizes the allocation of net revenues based on geography for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| U.S. | | | $ | 1,187 |  |  | | | $ | 1,198 |  |  | | | $ | 3,612 |  |  | | | $ | 3,798 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| United Kingdom | | | 378 | |  |  | | | 450 | |  |  | | | 1,206 | |  |  | | | 1,451 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Germany | | | 240 | |  |  | | | 272 | |  |  | | | 772 | |  |  | | | 953 | |  |
| Rest of world | | | 575 | |  |  | | | 581 | |  |  | | | 1,695 | |  |  | | | 1,605 | |  |
| Total net revenues | | | $ | 2,380 |  |  | | | $ | 2,501 |  |  | | | $ | 7,285 |  |  | | | $ | 7,807 |  |

Net revenues, inclusive of the effects of foreign exchange during each period, are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 6 — Investments**

The following tables summarize the unrealized gains and losses and estimated fair value of our investments classified as available-for-sale debt securities and restricted cash as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Gross Amortized Cost** | | |  | | | **Gross Unrealized Gains** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Estimated Fair Value** | | |
| Short-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted cash | | | $ | 28 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 28 |  |
| Corporate debt securities | | | 1,338 | |  |  | | | — | |  |  | | | (3) | |  |  | | | 1,335 | |  |
| Government and agency securities | | | 19 | |  |  | | | — | |  |  | | | (1) | |  |  | | | 18 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | $ | 1,385 |  |  | | | $ | — |  |  | | | $ | (4) |  |  | | | $ | 1,381 |  |
| Long-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted cash | | | $ | 2 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2 |  |
| Corporate debt securities | | | 766 | |  |  | | | — | |  |  | | | (46) | |  |  | | | 720 | |  |
| Government and agency securities | | | 726 | |  |  | | | — | |  |  | | | (56) | |  |  | | | 670 | |  |
|  | | | $ | 1,494 |  |  | | | $ | — |  |  | | | $ | (102) |  |  | | | $ | 1,392 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2021** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Gross Amortized Cost** | | |  | | | **Gross Unrealized Gains** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Estimated Fair Value** | | |
| Short-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted cash | | | $ | 22 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 22 |  |
| Corporate debt securities | | | 4,151 | |  |  | | | 1 | |  |  | | | — | |  |  | | | 4,152 | |  |
| Government and agency securities | | | 25 | |  |  | | | — | |  |  | | | — | |  |  | | | 25 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | $ | 4,198 |  |  | | | $ | 1 |  |  | | | $ | — |  |  | | | $ | 4,199 |  |
| Long-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate debt securities | | | $ | 954 |  |  | | | $ | 1 |  |  | | | $ | (5) |  |  | | | $ | 950 |  |
| Government and agency securities | | | 779 | |  |  | | | — | |  |  | | | (2) | |  |  | | | 777 | |  |
|  | | | $ | 1,733 |  |  | | | $ | 1 |  |  | | | $ | (7) |  |  | | | $ | 1,727 |  |

We consider cash to be restricted when withdrawal or general use is legally restricted. Restricted cash is held primarily in interest bearing accounts primarily related to our global sabbatical program. Our fixed-income investments consist of predominantly investment grade corporate debt securities and government and agency securities. The corporate debt and government and agency securities that we invest in are generally deemed to be low risk based on their credit ratings from the major rating agencies.

The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As interest rates increase, those securities purchased at a lower yield show a mark-to-market unrealized loss. The unrealized losses are due primarily to changes in credit spreads and interest rates. We regularly review investment securities for other-than-temporary impairment using both qualitative and quantitative criteria. Investments classified as available-for-sale debt securities are carried at fair value with changes reflected in other comprehensive income. Where there is an intention or a requirement to sell an impaired available-for-sale debt security, the entire impairment is recognized in earnings with a corresponding adjustment to the amortized cost basis of the security. From time to time, we sell available-for-sale debt securities in an unrealized loss position and recognize an immaterial loss.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

We regularly review investment securities for credit impairment using both qualitative and quantitative criteria. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through interest and other, net for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. We did not recognize any credit-related impairment through an allowance for credit losses as of September 30, 2022.

Investment securities in a continuous loss position for less than 12 months had an estimated fair value of $2.4 billion and unrealized losses of $92 million as of September 30, 2022, and an estimated fair value of $3.1 billion and an immaterial amount of unrealized losses as of December 31, 2021. Investment securities in a continuous loss position for greater than 12 months had an estimated fair value of $198 million and unrealized losses of $14 million as of September 30, 2022, and there were no investment securities in a continuous loss position for greater than 12 months as of December 31, 2021. Refer to “Note 15 — Accumulated Other Comprehensive Income” for amounts reclassified to earnings from unrealized gains and losses.

The following table presents estimated fair values of our short-term and long-term investments classified as available-for-sale debt securities and restricted cash by date of contractual maturity as of the date indicated (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |
| One year or less (including restricted cash of $28) | | | $ | 1,381 |  |
| One year through two years (including restricted cash of $2) | | | 568 | |  |
| Two years through three years | | | 674 | |  |
| Three years through four years | | | 96 | |  |
| Four years through five years | | | 54 | |  |
|  | | |  | | |
|  | | | $ | 2,773 |  |

**Equity Investments**

The following table summarizes our equity investments as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Balance Sheet Location** | | |  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Equity investments with readily determinable fair values | | | Short-term investments | | |  | | | $ | 76 |  |  | | | $ | 1,745 |  |
| Equity investment in Adevinta | | | Equity investment in Adevinta | | |  | | | 2,417 | |  |  | | | 5,391 | |  |
| Equity investments under the fair value option | | | Long-term investments | | |  | | | 467 | |  |  | | | 725 | |  |
| Equity investments without readily determinable fair values | | | Long-term investments | | |  | | | 79 | |  |  | | | 85 | |  |
| Equity investments under the equity method of accounting | | | Long-term investments | | |  | | | 33 | |  |  | | | 38 | |  |
| Total equity investments | | |  | | |  | | | $ | 3,072 |  |  | | | $ | 7,984 |  |

***Equity investment in Adevinta***

We account for equity investments through which we exercise significant influence but do not have control over the investee under the fair value option or under the equity method. Our equity investment in Adevinta is accounted for under the fair value option.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Upon completion of the transfer of our Classifieds business to Adevinta on June 24, 2021, we received an equity investment of 44% in Adevinta valued at $10.8 billion at the close of the transfer. On November 18, 2021, we completed the sale of approximately 135 million of our voting shares in Adevinta to Permira, inclusive of the option exercised by Permira to purchase additional voting shares, for total cash consideration of approximately $2.3 billion which reduced our ownership in Adevinta to 33%. Following the close of the share sale in November 2021, our equity investment in Adevinta is reported in the long-term assets section on the condensed consolidated balance sheet to reflect our contractual requirement to retain at least 25% of the total number of issued and outstanding equity securities of Adevinta until October 14, 2023, subject to certain exceptions specified in the agreement.

At the initial recognition of the equity investment, we elected the fair value option where subsequent changes in fair value are recognized in earnings. The investment is classified within Level 1 in the fair value hierarchy as the valuation can be obtained from real time quotes in active markets. The fair value of the equity investment is measured based on Adevinta’s closing stock price and prevailing foreign exchange rate at each balance sheet date and the changes in fair value are reflected in gain (loss) on equity investments and warrant, net in the condensed consolidated statement of income. We believe the fair value option election creates more transparency of the current value in the equity investment in Adevinta. Our non-voting shares are convertible to voting shares on a one-to-one basis, subject to a limitation of 33% voting interest.

For the three months ended September 30, 2022 and 2021, unrealized losses of $501 million and $1,075 million, respectively, were recorded related to the change in fair value of the investment, and for the nine months ended September 30, 2022 and 2021, unrealized losses of $2,973 million and $1,497 million, respectively, were recorded related to the change in fair value of the investment in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income. The fair value of the investment was $2,417 million and $5,391 million as of September 30, 2022 and December 31, 2021, respectively.

***Equity investments with readily determinable fair values***

Equity investments with readily determinable fair values are classified within Level 1 in the fair value hierarchy as the valuation can be obtained from real time quotes in active markets. Subsequent changes in fair value are reflected in gain (loss) on equity investments and warrant, net in the condensed consolidated statement of income.

In August 2021, one of our equity investments, KakaoBank Corp. (“KakaoBank”), which previously did not have a readily determinable fair value, completed its initial public offering which resulted in this investment having a readily determinable fair value. The fair value of the equity investment is measured based on KakaoBank’s closing stock price and prevailing foreign exchange rate at each balance sheet date. For the three and nine months ended September 30, 2022, unrealized losses of $50 million and $246 million, respectively, were recorded in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income related to the change in fair value of the investment. For both the three and nine months ended September 30, 2021, an unrealized gain of $512 million was recorded in gain (loss) on equity investments and warrant, net related to the change in fair value of the investment. During the nine months ended September 30, 2022, we sold a portion of our shares in KakaoBank for $287 million and recorded realized losses on the change in fair value of shares sold of $75 million in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income. During the nine months ended September 30, 2021, we sold a portion of our shares in KakaoBank for $114 million and recorded a realized gain on the change in fair value of shares sold of $83 million in gain (loss) on equity investments and warrant, net. The fair value of the investment was $76 million and $684 million as of September 30, 2022 and December 31, 2021, respectively and is reported within short-term investments in our condensed consolidated balance sheet.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that vests in a series of four tranches, at a specified price per share upon meeting processing volume milestone targets on a calendar year basis. When a relevant milestone is reached, the warrant becomes exercisable with respect to the corresponding tranche of warrant shares up until the warrant expiration date of January 31, 2025. In the fourth quarter of 2021, we met the processing volume milestone target to vest the first tranche of the warrant. Upon vesting of the first tranche, we exercised the option to purchase shares of Adyen valued at $1.1 billion in exchange for approximately $110 million in cash. The fair value of the equity investment is measured based on Adyen’s closing stock price and prevailing foreign exchange rate at each balance sheet date.

During the three and nine months ended September 30, 2022, we sold the remainder of our shares in Adyen for $120 million and $800 million, respectively, and recorded realized gains of $24 million and losses of $143 million on the change in fair value of shares sold in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income. As of December 31, 2021, the fair value of the investment was $1,061 million and is reported within short-term investments in our condensed consolidated balance sheet. Refer to “Note 7 —Derivative Instruments” for more information about the warrant.

***Equity investments under the fair value option***

We account for equity investments through which we exercise significant influence but do not have control over the investee under the fair value option or under the equity method. Our equity investment in Gmarket and certain other immaterial equity investments are accounted for under the fair value option.

On November 14, 2021, we completed the previously announced sale of 80.01% of the outstanding equity interests of eBay Korea to Emart. Upon completion of the sale, we retained 19.99% of the outstanding equity interest of the new entity, Gmarket, over whom we are able to exercise significant influence based on the terms of the securities purchase agreement, including through our board representation. Our equity investment in Gmarket was valued at $728 million as of the transaction close date. At the initial recognition of this equity investment, we elected the fair value option where subsequent changes in fair value are recognized in gain (loss) on equity investments and warrant, net in the condensed consolidated statement of income. We believe the fair value option election creates more transparency of the current value in the equity investment in Gmarket. Our retained investment in Gmarket is subject to a two year right held by Emart to purchase the remaining interest at the close price of the sale.

For the three and nine months ended September 30, 2022, unrealized losses of $40 million and $299 million, respectively, were recorded in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income related to the change in fair value of the investment. As of September 30, 2022 and December 31, 2021, the fair value of the investment was $426 million and $725 million, respectively and is reported within long-term investments in our condensed consolidated balance sheet.

The investment is classified as Level 3 in the fair value hierarchy as the valuation reflects management’s estimate of assumptions that market participants would use in pricing the equity investment. Certain other immaterial equity investments aggregating to $41 million as of September 30, 2022 are measured at fair value using the net asset value per share (or its equivalent) practical expedient, and have not been classified in the fair value hierarchy. Refer to “Note 8 — Fair Value Measurement of Assets and Liabilities” for more information.

***Other equity method investments***

We account for equity investments through which we exercise significant influence but do not have control over the investee under the fair value option or under the equity method. For equity investments accounted for under the equity method, our consolidated results of operations include, as a component of gain (loss) on equity investments and warrant, net, our share of the net income or loss of the equity investments accounted for under the equity method of accounting.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Equity investments without readily determinable fair values***

The following table summarizes the change in total carrying value related to equity investments without readily determinable fair values still held for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Carrying value, beginning of period | | | $ | 76 |  |  | | | $ | 571 |  |  | | | $ | 85 |  |  | | | $ | 539 |  |
| Additions | | | 5 | |  |  | | | — | |  |  | | | 5 | |  |  | | | 1 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Upward adjustments for observable price changes | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 41 | |  |
| Downward adjustments for observable price changes and impairment | | | — | |  |  | | | (10) | |  |  | | | (7) | |  |  | | | (10) | |  |
| Transfers out from investments without readily determinable fair values | | | — | |  |  | | | (312) | |  |  | | | — | |  |  | | | (312) | |  |
| Foreign currency translation and other | | | (2) | |  |  | | | (6) | |  |  | | | (4) | |  |  | | | (16) | |  |
| Carrying value, end of period | | | $ | 79 |  |  | | | $ | 243 |  |  | | | $ | 79 |  |  | | | $ | 243 |  |

For the nine months ended September 30, 2022, we recorded downward adjustments $7 million to the carrying value of a strategic investment in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income.

For such equity investments without readily determinable fair values still held at September 30, 2022, the cumulative upward adjustment for observable price changes was $41 million and cumulative downward adjustment for observable price changes and impairments was $298 million.

The following table summarizes unrealized gains and losses related to equity investments held at September 30, 2022 and presented within gain (loss) on equity investments and warrant, net for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Net gains/(losses) recognized during the period on equity investments | | | $ | (566) |  |  | | | $ | (492) |  |  | | | $ | (3,859) |  |  | | | $ | (873) |  |
| Less: Net gains/(losses) recognized during the period on equity investments sold during the period | | | 24 | |  |  | | | 83 | |  |  | | | (218) | |  |  | | | 83 | |  |
| Total unrealized gains/(losses) on equity investments held at September 30, 2022 | | | $ | (590) |  |  | | | $ | (575) |  |  | | | $ | (3,641) |  |  | | | $ | (956) |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 7 — Derivative Instruments**

Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign exchange rate and interest rate movements. We do not use any of our derivative instruments for trading purposes.

We use foreign currency exchange contracts to reduce the volatility of cash flows related to forecasted revenues, expenses, assets and liabilities, including intercompany balances denominated in foreign currencies. These contracts are generally one month to one year in duration but with maturities up to 24 months. The objective of the foreign exchange contracts is to ensure that ultimately the U.S. dollar-equivalent cash flows are not adversely affected by changes in the applicable U.S. dollar/foreign currency exchange rate. We evaluate the effectiveness of our foreign exchange contracts designated as cash flow or net investment hedges on a quarterly basis.

In the second quarter of 2022, we began to hedge the variability of forecasted interest payments on anticipated debt issuance using forward-starting interest rate swaps. The total notional amount of these forward-starting interest rate swaps was $250 million as of September 30, 2022 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. These interest rate swaps effectively fix the benchmark interest rate and have the economic effect of hedging the variability of forecasted interest payments for up to 10 years on an anticipated debt issuance by the first quarter of 2023, and they will be terminated upon issuance of the debt.

Additionally in 2020, we began to hedge the variability of forecasted interest payments on anticipated debt issuance using forward-starting interest rate swaps and recorded changes in the fair value of these interest rate swaps in AOCI until the anticipated debt issuance. In May 2021, we issued $2.5 billion of senior unsecured notes, which consisted of notes maturing in 2026, 2031 and 2051. As a result, we terminated the interest rate swaps and the gain associated with the termination of approximately $45 million is amortized to interest expense over the terms of our notes due in May 2026 and May 2031.

Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) (“AOCI”) until the anticipated debt issuance. Upon debt issuance and termination of the derivative instruments, their fair value will be amortized over the term of the new debt to interest expense. We evaluate the effectiveness of interest rate swaps designated as cash flow hedges on a quarterly basis.

During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our floating-rate debt that is based on London Interbank Offered Rate (“LIBOR”) to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest rate swaps was $650 million as of September 30, 2022 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in AOCI and their fair value is amortized over the term of the debt to interest expense.

***Cash Flow Hedges***

For derivative instruments that are designated as cash flow hedges, the derivative’s gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings in the same period the forecasted hedged transaction affects earnings. Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Unrealized gains and losses in AOCI associated with such derivative instruments are immediately reclassified into earnings. As of September 30, 2022, we have estimated that approximately $232 million of net derivative gains related to our foreign exchange cash flow hedges and $12 million net derivative gains related to our interest rate cash flow hedges included in AOCI will be reclassified into earnings within the next 12 months. We classify cash flows related to our cash flow hedges as operating activities in our condensed consolidated statement of cash flows.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Non-Designated Hedges***

Our derivatives not designated as hedging instruments consist of foreign currency forward contracts that we primarily use to hedge monetary assets or liabilities, including intercompany balances and equity investments denominated in non-functional currencies. The gains and losses on our derivatives not designated as hedging instruments are recorded in interest and other, net, which are offset by the foreign currency gains and losses on the related assets and liabilities that are also recorded in interest and other, net. We classify cash flows related to our non-designated hedging instruments in the same line item as the cash flows of the related assets or liabilities, which is generally within operating activities in our condensed consolidated statement of cash flows. Cash flows related to the settlement of non-designated hedging instruments related to equity investments are classified within investing activities in our condensed consolidated statement of cash flows.

***Warrant***

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen’s fully diluted issued and outstanding share capital at a specific date. The warrant has a term of seven years and vests in a series of four tranches, at a specified price per share (fixed for the first two tranches) upon meeting processing volume milestone targets on a calendar year basis. When or if a relevant milestone is reached, the warrant becomes exercisable with respect to the corresponding tranche of warrant shares up until the warrant expiration date of January 31, 2025. The maximum number of tranches that can vest in one calendar year is two.

In 2021, we met the processing volume milestone target to vest the first tranche of the warrant. Upon vesting of the first tranche, we exercised the option to purchase shares of Adyen valued at approximately $1.1 billion in exchange for approximately $110 million in cash. During the three and nine months ended September 30, 2022, we sold the remainder of our shares in Adyen for $120 million and $800 million, respectively, and recorded realized gains of $24 million and losses of $143 million on the change in fair value of shares sold in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income. Refer to “Note 6 —Investments” for more information about our equity investments.

The warrant is accounted for as a derivative under ASC Topic 815, *Derivatives and Hedging*. We report the warrant at fair value within warrant asset in our condensed consolidated balance sheets and changes in the fair value of the warrant are recognized in gain (loss) on equity investments and warrant, net in our condensed consolidated statement of income. The day-one value attributable to the other side of the warrant, which was recorded as a deferred credit, is reported within other liabilities in our condensed consolidated balance sheets and is amortized over the life of the commercial arrangement. See “Note 8 — Fair Value Measurements” for information about the fair value measurement of the warrant.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Fair Value of Derivative Contracts***

The following table presents fair values of our outstanding derivative instruments as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Balance Sheet Location** | | |  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| **Derivative Assets:** | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts designated as cash flow hedges | | | Other current assets | | |  | | | $ | 215 |  |  | | | $ | 63 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts not designated as hedging instruments | | | Other current assets | | |  | | | 38 | |  |  | | | 22 | |  |
| Interest rate contracts designated as cash flow hedges | | | Other current assets | | |  | | | 23 | |  |  | | | — | |  |
| Warrant | | | Other assets | | |  | | | 198 | |  |  | | | 444 | |  |
| Foreign exchange contracts designated as cash flow hedges | | | Other assets | | |  | | | 46 | |  |  | | | 24 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Total derivative assets | | |  | | |  | | | $ | 520 |  |  | | | $ | 553 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivative Liabilities:** | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts designated as cash flow hedges | | | Other current liabilities | | |  | | | $ | 23 |  |  | | | $ | — |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts not designated as hedging instruments | | | Other current liabilities | | |  | | | 1 | |  |  | | | 17 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Total derivative liabilities | | |  | | |  | | | $ | 24 |  |  | | | $ | 17 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Total fair value of derivative instruments | | |  | | |  | | | $ | 496 |  |  | | | $ | 536 |  |

Under the master netting agreements with the respective counterparties to our derivative contracts, subject to applicable requirements, we are allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis on our condensed consolidated balance sheet. As of September 30, 2022, the potential effect of rights of set-off associated with the foreign exchange contracts would be an offset to both assets and liabilities by $23 million, resulting in net derivative assets of $276 million and net derivative liabilities of $1 million. As of September 30, 2022, there was no potential effect of rights of set-off associated with the interest rate contracts, as there were only asset positions of $23 million.

***Effect of Derivative Contracts on Accumulated Other Comprehensive Income***

The following tables present the activity of derivative instruments designated as cash flow hedges as of September 30, 2022 and December 31, 2021, and the impact of these derivative contracts on AOCI for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2021** | | |  | | | **Amount of Gain (Loss) Recognized in Other Comprehensive Income** | | |  | | | **Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings** | | |  | | | **September 30, 2022** | | |
| Foreign exchange contracts designated as cash flow hedges | | | $ | 25 |  |  | | | $ | 310 |  |  | | | $ | 50 |  |  | | | $ | 285 |  |
| Interest rate contracts designated as cash flow hedges | | | 30 | |  |  | | | 17 | |  |  | | | 4 | |  |  | | | 43 | |  |
| Total | | | $ | 55 |  |  | | | $ | 327 |  |  | | | $ | 54 |  |  | | | $ | 328 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2020** | | |  | | | **Amount of Gain (Loss) Recognized in Other Comprehensive Income** | | |  | | | **Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings** | | |  | | | **September 30, 2021** | | |
| Foreign exchange contracts designated as cash flow hedges | | | $ | (95) |  |  | | | $ | 38 |  |  | | | $ | (62) |  |  | | | $ | 5 |  |
| Interest rate contracts designated as cash flow hedges | | | 10 | |  |  | | | 21 | |  |  | | | 1 | |  |  | | | 30 | |  |
| Total | | | $ | (85) |  |  | | | $ | 59 |  |  | | | $ | (61) |  |  | | | $ | 35 |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Effect of Derivative Contracts on Condensed Consolidated Statement of Income***

The following table summarizes the total gain (loss) recognized in the condensed consolidated statement of income from our foreign exchange derivative contracts by location for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Foreign exchange contracts designated as cash flow hedges recognized in net revenues | | | $ | 36 |  |  | | | $ | (19) |  |  | | | $ | 51 |  |  | | | $ | (65) |  |
| Foreign exchange contracts designated as cash flow hedges recognized in cost of net revenues | | | (1) | |  |  | | | 1 | |  |  | | | (1) | |  |  | | | 3 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts not designated as hedging instruments recognized in interest and other, net | | | 16 | |  |  | | | 2 | |  |  | | | 56 | |  |  | | | (4) | |  |
| Total gain (loss) recognized from foreign exchange derivative contracts in the condensed consolidated statement of income | | | $ | 51 |  |  | | | $ | (16) |  |  | | | $ | 106 |  |  | | | $ | (66) |  |

The following table summarizes the total gain (loss) recognized in the condensed consolidated statement of income from our interest rate derivative contracts by location for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Gain (loss) from interest rate contracts designated as cash flow hedges recognized in interest and other, net | | | $ | 2 |  |  | | | $ | 1 |  |  | | | $ | 4 |  |  | | | $ | 1 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The following table summarizes the total gain (loss) recognized in the condensed consolidated statement of income due to changes in the fair value of the warrant for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Gain (loss) attributable to changes in the fair value of warrant recognized in gain (loss) on equity investments and warrant, net | | | $ | (27) |  |  | | | $ | 311 |  |  | | | $ | (246) |  |  | | | $ | 383 |  |

***Notional Amounts of Derivative Contracts***

Derivative transactions are measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which the value of foreign exchange payments under these contracts are determined. The following table presents the notional amounts of our outstanding derivatives as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Foreign exchange contracts designated as cash flow hedges | | | $ | 1,790 |  |  | | | $ | 2,066 |  |
|  | | |  | | |  | | |  | | |
| Foreign exchange contracts not designated as hedging instruments | | | 1,547 | |  |  | | | 3,159 | |  |
| Interest rate contracts designated as cash flow hedges | | | 650 | |  |  | | | 400 | |  |
|  | | |  | | |  | | |  | | |
| Total | | | $ | 3,987 |  |  | | | $ | 5,625 |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Credit Risk***

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. We seek to mitigate such risk by limiting our counterparties to, and by spreading the risk across, major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. To further limit credit risk, we also enter into collateral security arrangements related to certain interest rate derivative instruments whereby collateral is posted between counterparties if the fair value of the derivative instrument exceeds certain thresholds. Additional collateral would be required in the event of a significant credit downgrade by either party. We are not required to pledge, nor are we entitled to receive, collateral related to our foreign exchange derivative transactions.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 8 — Fair Value Measurement of Assets and Liabilities**

The following tables present our financial assets and liabilities measured at fair value on a recurring basis as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **Quoted Prices in Active Markets for Identical Assets**  **(Level 1)** | | |  | | | **Significant Other Observable Inputs**  **(Level 2)** | | |  | | | **Significant Unobservable Inputs**  **(Level 3)** | | |
| ***Assets:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 2,037 |  |  | | | $ | 2,037 |  |  | | | $ | — |  |  | | | $ | — |  |
| Short-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted cash | | | 28 | |  |  | | | 28 | |  |  | | | — | |  |  | | | — | |  |
| Corporate debt securities | | | 1,335 | |  |  | | | — | |  |  | | | 1,335 | |  |  | | | — | |  |
| Government and agency securities | | | 18 | |  |  | | | — | |  |  | | | 18 | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity investments with readily determinable fair values | | | 76 | |  |  | | | 76 | |  |  | | | — | |  |  | | | — | |  |
| Total short-term investments | | | 1,457 | |  |  | | | 104 | |  |  | | | 1,353 | |  |  | | | — | |  |
| Equity investment in Adevinta | | | 2,417 | |  |  | | | 2,417 | |  |  | | | — | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivatives | | | 520 | |  |  | | | — | |  |  | | | 322 | |  |  | | | 198 | |  |
| Long-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted cash | | | 2 | |  |  | | | 2 | |  |  | | | — | |  |  | | | — | |  |
| Corporate debt securities | | | 720 | |  |  | | | — | |  |  | | | 720 | |  |  | | | — | |  |
| Government and agency securities | | | 670 | |  |  | | | — | |  |  | | | 670 | |  |  | | | — | |  |
| Equity investment under the fair value option | | | 467 | |  |  | | | — | |  |  | | | — | |  |  | | | 467 | |  |
| Total long-term investments | | | 1,859 | |  |  | | | 2 | |  |  | | | 1,390 | |  |  | | | 467 | |  |
| Total financial assets | | | $ | 8,290 |  |  | | | $ | 4,560 |  |  | | | $ | 3,065 |  |  | | | $ | 665 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| ***Liabilities:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivatives | | | $ | 24 |  |  | | | $ | — |  |  | | | $ | 24 |  |  | | | $ | — |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2021** | | |  | | | **Quoted Prices in Active Markets for Identical Assets**  **(Level 1)** | | |  | | | **Significant Other Observable Inputs (Level 2)** | | |  | | | **Significant Unobservable Inputs**  **(Level 3)** | | |
| ***Assets:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 1,379 |  |  | | | $ | 1,379 |  |  | | | $ | — |  |  | | | $ | — |  |
| Short-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted cash | | | 22 | |  |  | | | 22 | |  |  | | | — | |  |  | | | — | |  |
| Corporate debt securities | | | 4,152 | |  |  | | | — | |  |  | | | 4,152 | |  |  | | | — | |  |
| Government and agency securities | | | 25 | |  |  | | | — | |  |  | | | 25 | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity investments with readily determinable fair values | | | 1,745 | |  |  | | | 1,745 | |  |  | | | — | |  |  | | | — | |  |
| Total short-term investments | | | 5,944 | |  |  | | | 1,767 | |  |  | | | 4,177 | |  |  | | | — | |  |
| Equity investment in Adevinta | | | 5,391 | |  |  | | | 5,391 | |  |  | | | — | |  |  | | | — | |  |
| Derivatives | | | 553 | |  |  | | | — | |  |  | | | 109 | |  |  | | | 444 | |  |
| Long-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate debt securities | | | 950 | |  |  | | | — | |  |  | | | 950 | |  |  | | | — | |  |
| Government and agency securities | | | 777 | |  |  | | | — | |  |  | | | 777 | |  |  | | | — | |  |
| Equity investment under the fair value option | | | 725 | |  |  | | | — | |  |  | | | — | |  |  | | | 725 | |  |
| Total long-term investments | | | 2,452 | |  |  | | | — | |  |  | | | 1,727 | |  |  | | | 725 | |  |
| Total financial assets | | | $ | 15,719 |  |  | | | $ | 8,537 |  |  | | | $ | 6,013 |  |  | | | $ | 1,169 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| ***Liabilities:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivatives | | | $ | 17 |  |  | | | $ | — |  |  | | | $ | 17 |  |  | | | $ | — |  |

Our financial assets and liabilities are valued using market prices on both active markets (Level 1), less active markets (Level 2) and little or no market activity (Level 3). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments, identical instruments in less active markets, or models using market observable inputs. Level 3 instrument valuations typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability. We did not have any transfers of financial instruments between valuation levels during the three months ended September 30, 2022.

Other financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximates their fair value because of the short-term nature of these instruments.

*Fair value measurement of derivative instruments*

The majority of our derivative instruments are valued using pricing models that take into account the contract terms as well as multiple inputs where applicable, such as equity prices, interest rate yield curves, option volatility and currency rates. Our warrant, which is accounted for as a derivative instrument, is valued using a Black-Scholes model. Key assumptions used in the valuation include risk-free interest rates; Adyen’s common stock price, equity volatility and common stock outstanding; exercise price; and details specific to the warrant. The value is also probability adjusted for management’s assumptions with respect to vesting of the remaining three tranches which are each subject to meeting processing volume milestone targets. These assumptions and the probability of meeting processing volume milestone targets may have a significant impact on the value of the warrant. Refer to “Note 7 — Derivative Instruments” for further details on our derivative instruments.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents a reconciliation of the opening to closing balance of assets measured using significant unobservable inputs (Level 3) as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| Opening balance at beginning of period | | | $ | 444 |  |  | | | $ | 1,051 |  |
| Exercise of options under warrant | | | — | |  |  | | | (961) | |  |
| Change in fair value | | | (246) | |  |  | | | 354 | |  |
| Closing balance at end of period | | | $ | 198 |  |  | | | $ | 444 |  |

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the warrant as of September 30, 2022 (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Fair value** | | |  | | | **Valuation technique** | | |  | | | **Unobservable Input (1)** | | |  | | | **Range (weighted average)** | | |
| Warrant | | |  | | | $ | 198 |  |  | | | Black-Scholes and Monte Carlo | | |  | | | Probability of vesting | | |  | | | 0.0% - 55.0% (49%) | | |
|  | | |  | | |  | | |  | | |  | | |  | | | Equity volatility | | |  | | | (46%) | | |

(1) Probability of vesting was weighted by the unadjusted value of the tranches. For volatility, the average represents the arithmetic average of the points within the range and is not weighted by the relative fair value or notional amount.

*Fair value measurement of equity investments*

Certain of our equity investments are measured at fair value on a recurring basis, including our equity investment in Adevinta, equity investments with readily determinable fair values and equity investments under the fair value option.

Our equity investment in Adevinta is accounted for under the fair value option and classified within Level 1 in the fair value hierarchy as the fair value is measured based on Adevinta’s closing stock price and prevailing foreign exchange rate at each balance sheet date. Our equity investments with readily determinable fair values are also classified within Level 1 in the fair value hierarchy as the valuation can be obtained from real time quotes in active markets.

Our equity investment in Gmarket was initially recognized on November 14, 2021 in connection with the sale of 80.01% of the outstanding equity interests of eBay Korea to Emart. This equity investment is accounted for under the fair value option and its initial valuation of $728 million was based on the sale price of eBay Korea. Our investment in Gmarket is subject to a two year right held by Emart from the date of disposal to purchase the remaining interest at or near the close price of the sale.

The following table presents a reconciliation of the opening to closing balance of the equity investment in Gmarket measured using significant unobservable inputs (Level 3) as of the dates indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31,**  **2021 (1)** | | |
| Opening balance at beginning of period | | | $ | 725 |  |  | | | $ | — |  |
| Recognition of equity investment | | | — | |  |  | | | 728 | |  |
| Change in fair value | | | (299) | |  |  | | | (3) | |  |
| Closing balance at end of period | | | $ | 426 |  |  | | | $ | 725 |  |

(1) There were no indicators of a potential material change in fair value of the investment between the date of recognition and December 31, 2021. The fair value of the investment was $725 million as of December 31, 2021 due to foreign currency adjustments.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

This investment is classified within Level 3 in the fair value hierarchy as valuation of the investment reflects management’s estimate of assumptions that market participants would use in pricing the asset. The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the equity investment in Gmarket as of September 30, 2022 that may have a significant impact on the overall valuation (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Fair value** | | |  | | | **Valuation technique** | | |  | | | **Unobservable Input (1)** | | |  | | | **Range** | | |
| Equity investment in Gmarket | | |  | | | $ | 426 |  |  | | | Market multiples | | |  | | | Revenue multiple — GPC method | | |  | | | 1.1x — 2.0x | | |
|  | | |  | | |  | | |  | | |  | | |  | | | Revenue multiple — GMAC method | | |  | | | 1.3x — 4.1x | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

(1) The primary unobservable inputs used in the fair value measurement of our equity investment in Gmarket under the fair value option, when using the Guideline Public Company (GPC) method and the Guideline Merged and Acquired Company (GMAC) method under the market multiple approach, are the respective revenue multiples. Significant increases (decreases) in the revenue multiples in isolation would result in significantly higher (lower) fair value measurement. The market multiples are derived from respective groups of guideline public companies and guideline merged and acquired companies.

Certain other immaterial equity investments under the fair value option aggregating to $41 million as of September 30, 2022 are measured at fair value using the net asset value per share (or its equivalent) practical expedient, and have not been classified in the fair value hierarchy.

Refer to “Note 6 — Investments” for further details about our equity investments.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 9 — Debt**

The following table summarizes the carrying value of our outstanding debt as of the dates indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Coupon** | | |  | | | **As of** | | |  | | | **Effective** | | |  | | | **As of** | | |  | | | **Effective** | | |
|  | | |  | | | **Rate** | | |  | | | **September 30, 2022** | | |  | | | **Interest Rate** | | |  | | | **December 31, 2021** | | |  | | | **Interest Rate** | | |
| **Long-Term Debt** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Floating Rate Notes: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Senior notes due 2023 | | |  | | | LIBOR plus 0.87% | | |  | | | $ | 400 |  |  | | | 2.214 | | % |  | | | $ | 400 |  |  | | | 1.100 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Rate Notes: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Senior notes due 2022 | | |  | | | — | | % |  | | | — | |  |  | | | — | | % |  | | | 750 | |  |  | | | 3.989 | | % |
| Senior notes due 2022 | | |  | | | — | | % |  | | | — | |  |  | | | — | | % |  | | | 605 | |  |  | | | 2.678 | | % |
| Senior notes due 2023 | | |  | | | 2.750 | | % |  | | | 750 | |  |  | | | 3.989 | | % |  | | | 750 | |  |  | | | 2.866 | | % |
| Senior notes due 2024 | | |  | | | 3.450 | | % |  | | | 750 | |  |  | | | 3.531 | | % |  | | | 750 | |  |  | | | 3.531 | | % |
| Senior notes due 2025 | | |  | | | 1.900 | | % |  | | | 800 | |  |  | | | 1.803 | | % |  | | | 800 | |  |  | | | 1.803 | | % |
| Senior notes due 2026 | | |  | | | 1.400 | | % |  | | | 750 | |  |  | | | 1.252 | | % |  | | | 750 | |  |  | | | 1.252 | | % |
| Senior notes due 2027 | | |  | | | 3.600 | | % |  | | | 850 | |  |  | | | 3.689 | | % |  | | | 850 | |  |  | | | 3.689 | | % |
| Senior notes due 2030 | | |  | | | 2.700 | | % |  | | | 950 | |  |  | | | 2.623 | | % |  | | | 950 | |  |  | | | 2.623 | | % |
| Senior notes due 2031 | | |  | | | 2.600 | | % |  | | | 750 | |  |  | | | 2.186 | | % |  | | | 750 | |  |  | | | 2.186 | | % |
| Senior notes due 2042 | | |  | | | 4.000 | | % |  | | | 750 | |  |  | | | 4.114 | | % |  | | | 750 | |  |  | | | 4.114 | | % |
| Senior notes due 2051 | | |  | | | 3.650 | | % |  | | | 1,000 | |  |  | | | 2.517 | | % |  | | | 1,000 | |  |  | | | 2.517 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total senior notes | | |  | | |  | | |  | | | 7,750 | |  |  | | |  | | |  | | | 9,105 | |  |  | | |  | | |
| Hedge accounting fair value adjustments (1) | | |  | | |  | | |  | | | 4 | |  |  | | |  | | |  | | | 7 | |  |  | | |  | | |
| Unamortized premium/(discount) and debt issuance costs | | |  | | |  | | |  | | | (25) | |  |  | | |  | | |  | | | (30) | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Less: Current portion of long-term debt | | |  | | |  | | |  | | | (1,150) | |  |  | | |  | | |  | | | (1,355) | |  |  | | |  | | |
| Total long-term debt | | |  | | |  | | |  | | | 6,579 | |  |  | | |  | | |  | | | 7,727 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Short-Term Debt** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Current portion of long-term debt | | |  | | |  | | |  | | | 1,150 | |  |  | | |  | | |  | | | 1,355 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total short-term debt | | |  | | |  | | |  | | | 1,150 | |  |  | | |  | | |  | | | 1,355 | |  |  | | |  | | |
| **Total Debt** | | |  | | |  | | |  | | | $ | 7,729 |  |  | | |  | | |  | | | $ | 9,082 |  |  | | |  | | |

(1) Includes the fair value adjustments to debt associated with terminated interest rate swaps which are being recorded as a reduction to interest expense over the remaining term of the related notes.

***Senior Notes***

During the second quarter of 2022, the company redeemed the $605 million aggregate principal amount of the 2.600% senior notes due 2022. Total cash consideration paid was $605 million, as the redemption price was equal to 100% of the principal amount. In addition, we paid accrued and unpaid interest on the principal amount.

During the first quarter of 2022, the company redeemed the $750 million aggregate principal amount of the 3.800% senior notes due March 2022. Total cash consideration paid was $750 million, as the redemption price was equal to 100% of the principal amount. In addition, we paid accrued and unpaid interest on the principal amount.

None of the floating rate notes are redeemable prior to maturity. We may redeem some or all of the other fixed rate notes of each series at any time and from time to time prior to their maturity, generally at a make-whole redemption price, plus accrued and unpaid interest.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

If a change of control triggering event (as defined in the applicable senior notes) occurs with respect to the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 1.400% fixed rate notes due 2026, the 3.600% fixed rate notes due 2027, the 2.700% fixed rate notes due 2030, the 2.600% fixed rate notes due 2031 or the 3.650% fixed rate notes due 2051, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the senior notes were issued includes customary covenants that, among other things and subject to exceptions, limit our ability to incur, assume or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties, and also includes customary events of default with customary grace periods in certain circumstances, including payment defaults and bankruptcy-related defaults.

To help achieve our interest rate risk management objectives, during the second quarter of 2020, we entered into interest rate swap agreements that effectively converted $400 million of our LIBOR-based floating-rate debt to a fixed-rate basis. These swaps were designated as cash flow hedges and have maturity dates in 2023. During the second quarter of 2022, we began to hedge the variability of forecasted interest payments on anticipated debt issuance using forward-starting interest rate swaps. The total notional amount of these forward-starting interest rate swaps was $250 million as of September 30, 2022 and will be terminated upon issuance of the debt.

The effective interest rates for our senior notes include the interest payable, the amortization of debt issuance costs and the amortization of any original issue discount and premium on these senior notes. Interest on these senior notes is payable either quarterly or semiannually. Interest expense associated with these senior notes, including amortization of debt issuance costs, was approximately $54 million and $66 million during the three months ended September 30, 2022 and 2021, respectively, and $169 million and $191 million during the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022 and December 31, 2021, the estimated fair value of these senior notes, using Level 2 inputs, was approximately $6.7 billion and $9.5 billion, respectively.

***Commercial Paper***

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to $1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of September 30, 2022, there were no commercial paper notes outstanding.

***Credit Agreement***

In March 2020, we entered into a credit agreement that provides for an unsecured $2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to $1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes.

As of September 30, 2022, no borrowings were outstanding under our $2 billion credit agreement. However, as described above, we have an up to $1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of $1.5 billion. As of September 30, 2022, no borrowings were outstanding under our commercial paper program; therefore, $2 billion of borrowing capacity was available for other purposes permitted by the credit agreement, subject to customary conditions to borrowing. The credit agreement includes a covenant limiting our consolidated leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to customary exceptions. The credit agreement also contains customary representations and warranties.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

We were in compliance with all financial covenants in our outstanding debt instruments during the nine months ended September 30, 2022.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 10 — Supplemental Consolidated Financial Information**

***Contract Balances***

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment. The allowance for doubtful accounts and authorized credits is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions reasonable and supportable forecasts, and other factors that may affect our customers’ ability to pay. The allowance for doubtful accounts and authorized credits was $43 million and $74 million as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, we reported an allowance for doubtful accounts of $19 million reflecting a decrease of $23 million, net of write-offs of $38 million for the nine months ended September 30, 2022. As of December 31, 2021, we reported an allowance for doubtful accounts of $42 million.

Deferred revenue consists of fees received related to unsatisfied performance obligations at the end of the period. Due to the generally short-term duration of contracts, the majority of the performance obligations are satisfied in the following reporting period. The amount of revenue recognized for the nine month period ended September 30, 2022 that was included in the deferred revenue balance at the beginning of the period was $37 million. The amount of revenue recognized for the nine month period ended September 30, 2021 that was included in the deferred revenue balance at the beginning of the period was $47 million.

***Cash, cash equivalents and restricted cash***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
|  | | | **(In millions)** | | | | | | | | |
| Cash and cash equivalents | | | $ | 2,037 |  |  | | | $ | 1,379 |  |
| Customer accounts | | | 39 | |  |  | | | 5 | |  |
| Restricted cash included in short-term investments | | | 28 | |  |  | | | 22 | |  |
| Restricted cash included in long-term investments | | | 2 | |  |  | | | — | |  |
| Cash, cash equivalents and restricted cash | | | $ | 2,106 |  |  | | | $ | 1,406 |  |
|  | | |  | | |  | | |  | | |

***Customer accounts and funds receivable***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
|  | | | **(In millions)** | | | | | | | | |
| Cash and cash equivalents | | | $ | 39 |  |  | | | $ | 5 |  |
| Funds receivable | | | 594 | |  |  | | | 676 | |  |
| Customer accounts and funds receivable | | | $ | 633 |  |  | | | $ | 681 |  |

***Other current assets***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| **(In millions)** | | | | | | | | |
| Payment processor advances | | | $ | 327 |  |  | | | $ | 453 |  |
| Short-term derivative assets | | | 277 | |  |  | | | 86 | |  |
| Prepaid expenses | | | 105 | |  |  | | | 114 | |  |
| Income and other tax receivable | | | 126 | |  |  | | | 108 | |  |
| Accounts receivable, net | | | 84 | |  |  | | | 98 | |  |
| Other | | | 243 | |  |  | | | 248 | |  |
| Other current assets | | | $ | 1,162 |  |  | | | $ | 1,107 |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Accrued expenses and other current liabilities***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | **December 31, 2021** | | |
| **(In millions)** | | | | | | | | |
| Compensation and related benefits | | | $ | 436 |  |  | | | $ | 517 |  |
| Sales and use tax and VAT accruals | | | 314 | |  |  | | | 396 | |  |
| Advertising accruals | | | 208 | |  |  | | | 172 | |  |
| Operating lease liabilities | | | 141 | |  |  | | | 150 | |  |
| Transaction loss reserve | | | 97 | |  |  | | | 116 | |  |
| Uninvoiced general and administrative expenses | | | 110 | |  |  | | | 95 | |  |
| Accrued interest expense | | | 54 | |  |  | | | 74 | |  |
| Deferred revenue | | | 31 | |  |  | | | 79 | |  |
| Other | | | 374 | |  |  | | | 328 | |  |
| Accrued expenses and other current liabilities | | | $ | 1,765 |  |  | | | $ | 1,927 |  |

***Gain (loss) on equity investments and warrant, net***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions)** | | | | | | | | |  | | |  | | |  | | |  | | |
| Change in fair value of equity investment in Adevinta | | | $ | (501) |  |  | | | $ | (1,075) |  |  | | | $ | (2,973) |  |  | | | $ | (1,497) |  |
| Change in fair value of equity investment in Gmarket | | | (40) | |  |  | | | — | |  |  | | | (299) | |  |  | | | — | |  |
| Unrealized change in fair value of equity investment in KakaoBank | | | (50) | |  |  | | | 512 | |  |  | | | (246) | |  |  | | | 512 | |  |
| Unrealized change in fair value of equity investment in Adyen | | | — | |  |  | | | — | |  |  | | | (118) | |  |  | | | — | |  |
| Realized change in fair value of shares sold in Adyen | | | 24 | |  |  | | | — | |  |  | | | (143) | |  |  | | | — | |  |
| Realized change in fair value of shares sold in KakaoBank | | | — | |  |  | | | 83 | |  |  | | | (75) | |  |  | | | 83 | |  |
| Change in fair value of warrant | | | (27) | |  |  | | | 311 | |  |  | | | (246) | |  |  | | | 383 | |  |
| Gain (loss) on other investments | | | 1 | |  |  | | | (12) | |  |  | | | (5) | |  |  | | | 29 | |  |
| Total gain (loss) on equity investments and warrant, net | | | $ | (593) |  |  | | | $ | (181) |  |  | | | $ | (4,105) |  |  | | | $ | (490) |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 11 — Commitments and Contingencies**

***Off-Balance Sheet Arrangements***

As of September 30, 2022, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution (“Aggregate Cash Deposits”). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of September 30, 2022, we had a total of $247 million in aggregate cash deposits, partially offset by $60 million in cash withdrawals, held within the financial institution under the cash pooling arrangement.

***Litigation and Other Legal Matters***

*Overview*

We are involved in legal and regulatory proceedings on an ongoing basis. Many of these proceedings are in early stages and may seek an indeterminate amount of damages. If we believe that a loss arising from such matters is probable and can be reasonably estimated, we accrue the estimated liability in our financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For those proceedings in which an unfavorable outcome is reasonably possible but not probable, we have disclosed an estimate of the reasonably possible loss or range of losses or we have concluded that an estimate of the reasonably possible loss or range of losses arising directly from the proceeding (i.e., monetary damages or amounts paid in judgment or settlement) is not material. If we cannot estimate the probable or reasonably possible loss or range of losses arising from a proceeding, we have disclosed that fact. In assessing the materiality of a proceeding, we evaluate, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require us to change our business practices in a manner that could have a material adverse impact on our business. With respect to the matters disclosed in this Overview, we are unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

Amounts accrued for legal and regulatory proceedings for which we believe a loss is probable were not material for the three and nine months ended September 30, 2022. We have concluded, based on currently available information, that reasonably possible losses arising directly from the proceedings (i.e., monetary damages or amounts paid in judgment or settlement) in excess of our recorded accruals are also not material. However, legal and regulatory proceedings are inherently unpredictable and subject to significant uncertainties. If one or more matters were resolved against us in a reporting period for amounts in excess of management’s expectations, the impact on our operating results or financial condition for that reporting period could be material. Legal fees are expensed as incurred.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*General Matters*

Third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to patent disputes, and expect that we could be subject to additional patent infringement claims involving various aspects of our business as our products and services continue to expand in scope and complexity. Such claims may be brought directly or indirectly against us and/or against our customers (who may be entitled to contractual indemnification under their contracts with us), and we are subject to increased exposure to such claims as a result of our acquisitions and divestitures and in cases where we are entering new lines of business. We have in the past been forced to litigate such claims. We may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act, the Lanham Act and the Communications Decency Act are interpreted by the courts, and as we expand the scope of our business (both in terms of the range of products and services that we offer and our geographical operations) and become subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries like ourselves are either unclear or less favorable. We believe that additional lawsuits alleging that we have violated patent, copyright or trademark laws will be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and costly to defend and resolve, could require expensive changes in our methods of doing business or could require us to enter into costly royalty or licensing agreements on unfavorable terms.

From time to time, we are involved in other disputes or regulatory inquiries that arise in the ordinary course of business, including suits by our users (individually or as class actions) alleging, among other things, improper disclosure of our prices, rules or policies, that our practices, prices, rules, policies or customer/user agreements violate applicable law or that we have acted unfairly and/or not acted in conformity with such practices, prices, rules, policies or agreements. Further, the number and significance of these disputes and inquiries are increasing as the political and regulatory landscape changes and, as we have grown larger, our businesses have expanded in scope (both in terms of the range of products and services that we offer and our geographical operations) and our products and services have increased in complexity. Any claims or regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, damage awards (including statutory damages for certain causes of action in certain jurisdictions), injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm our business.

From time to time, the Company receives subpoenas or requests for information from various government agencies, typically for potential misconduct by sellers on the Company’s Marketplace platforms. More recently, the Company has received subpoenas or requests for information from government agencies related to potential liability of the Company for products sold by sellers on the Marketplace platforms. The Company generally responds to government subpoenas and requests in the ordinary course of business and in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company.

In this regard, the Company has responded to inquiries from the U.S. Department of Justice (“DOJ”) regarding products sold on the Marketplace platforms alleged to violate certain laws and regulations, including regulations of the Environmental Protection Agency (“EPA”) and, separately, regulations of the Drug Enforcement Agency. The inquiries relate to whether and to what extent the Company should be liable for the sale of regulated or illicit products manufactured and sold by others who listed such products on Marketplace platforms in a manner that evaded and/or was designed to evade detection by the Company. With respect to the inquiries regarding EPA regulations, the EPA, DOJ and the Company have begun discussions relating to allegations of noncompliance arising under the Clean Air Act, among other alleged violations, which discussions include a potential settlement. If the Company is found to be liable for such activities on the Marketplace, it could be subject to monetary damages, changes in our business practices, or other remedies that could have a material adverse impact on our business. At this time, we are unable to estimate the losses that may be incurred because the matters are still under investigation and involve novel legal questions relevant to the Company’s potential liability. Given the uncertainties involved, the ultimate resolution of these matters may be material to our operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of our net income or loss for that period.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Indemnification Provisions***

We entered into a separation and distribution agreement and various other agreements with PayPal to govern the separation and relationship of the two companies. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and PayPal, which may be significant. In addition, the indemnity rights we have against PayPal under the agreements may not be sufficient to protect us and our indemnity obligations to PayPal may be significant.

In addition, we have entered into indemnification agreements with each of our directors, executive officers and certain other officers. These agreements require us to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with us.

In the ordinary course of business, we have included limited indemnification provisions in certain of our agreements with parties with which we have commercial relations, including our standard marketing, promotions and application programming interface license agreements. Under these contracts, we generally indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by a third party with respect to our domain names, trademarks, logos and other branding elements to the extent that such marks are applicable to our performance under the subject agreement. In certain cases, we have agreed to provide indemnification for intellectual property infringement. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in our condensed consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 12 — Stockholders’ Equity**

***Stock Repurchase Program***

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, price and other market conditions and management’s determination as to the appropriate use of our cash.

In August 2021 our Board authorized an additional $3.0 billion stock repurchase program and in February 2022 our Board authorized an additional $4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

On October 29, 2021, we entered into accelerated share repurchase agreements (the “2021 ASR Agreements”) with two financial institutions (each a “2021 ASR Counterparty”), as part of our share repurchase program. Under the 2021 ASR Agreements, we paid an aggregate amount of $2.5 billion to the 2021 ASR Counterparties and received an initial delivery of approximately 29.3 million shares of our common stock, which were recorded as a $2.1 billion increase to treasury stock. In December 2021, the 2021 ASR Agreement with one of the 2021 ASR Counterparties settled and resulted in a delivery of approximately 3.4 million additional shares of our common stock, which were recorded as a $188 million increase to treasury stock. The remaining $188 million was evaluated as an unsettled forward contract indexed to our own stock, classified within stockholders’ equity as of December 31, 2021.

In January 2022, the 2021 ASR Agreement with the remaining 2021 ASR Counterparty settled and resulted in a delivery of approximately 3.3 million additional shares of our common stock. The related forward contract was settled and recorded as a $188 million increase to treasury stock during the nine months ended September 30, 2022. In total under the 2021 ASR Agreements, approximately 36.0 million shares were repurchased at an average price per share of $69.43.

The following table summarizes stock repurchase activity under our stock repurchase programs for the period indicated (in millions, except per share amounts):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Shares**  **Repurchased (1)** | | |  | | | **Average Price**  **per Share (2)** | | |  | | | **Value of Shares**  **Repurchased (2)** | | |  | | | **Remaining Amount Authorized** | | |
| Balance as of January 1, 2022 | | |  | | |  | | |  | | |  | | |  | | |  | | | $ | 1,991 |  |
| Authorization of additional plan in February 2022 | | |  | | |  | | |  | | |  | | |  | | |  | | | 4,000 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Repurchase of shares of common stock | | | 54 | |  |  | | | $ | 52.70 |  |  | | | $ | 2,843 |  |  | | | (2,843) | |  |
| Accelerated share repurchases (3) | | | 3 | |  |  | | |  | | |  | | | $ | — |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance as of September 30, 2022 | | |  | | |  | | |  | | |  | | |  | | |  | | | $ | 3,148 |  |

(1) These repurchased shares of common stock were recorded as treasury stock and were accounted for under the cost method. None of the repurchased shares of common stock have been retired.

(2) Excludes broker commissions.

(3) As indicated above, in January 2022, the 2021 ASR Agreement with the remaining ASR Counterparty settled and resulted in delivery of approximately 3.3 million additional shares.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

***Dividends***

The Company paid a total of $120 million and $116 million in cash dividends during the three months ended September 30, 2022 and 2021, respectively, and $370 million and $359 million in cash dividends during the nine months ended September 30, 2022 and 2021, respectively. In November 2022, our Board of Directors declared a cash dividend of $0.22 per share of common stock to be paid on December 16, 2022 to stockholders of record as of December 1, 2022.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 13 — Employee Benefit Plans**

***Restricted Stock Unit Activity***

The following table presents restricted stock unit (“RSU”) activity under our equity incentive plans for the period indicated (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | **Units** | | |
| Outstanding as of January 1, 2022 | | | 20 | |  |
| Awarded | | | 13 | |  |
| Vested | | | (8) | |  |
| Forfeited | | | (3) | |  |
| Outstanding as of September 30, 2022 | | | 22 | |  |

The weighted average grant date fair value for RSUs awarded during the nine months ended September 30, 2022 was $55.13 per share.

***Stock-Based Compensation Expense***

The following table presents the impact on our results of continuing operations of recording stock-based compensation expense for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Cost of net revenues | | | $ | 13 |  |  | | | $ | 12 |  |  | | | $ | 38 |  |  | | | $ | 35 |  |
| Sales and marketing | | | 17 | |  |  | | | 25 | |  |  | | | 57 | |  |  | | | 70 | |  |
| Product development | | | 53 | |  |  | | | 50 | |  |  | | | 160 | |  |  | | | 147 | |  |
| General and administrative | | | 35 | |  |  | | | 40 | |  |  | | | 111 | |  |  | | | 113 | |  |
| Total stock-based compensation expense | | | $ | 118 |  |  | | | $ | 127 |  |  | | | $ | 366 |  |  | | | $ | 365 |  |
| Capitalized in product development | | | $ | 3 |  |  | | | $ | 3 |  |  | | | $ | 10 |  |  | | | $ | 9 |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 14 — Income Taxes**

We are subject to both direct and indirect taxation in the U.S. and various states and foreign jurisdictions. We are under examination by certain tax authorities for the 2010 to 2020 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these or other examinations. The material jurisdictions where we are subject to potential examination by tax authorities for tax years after 2009 include, among others, the U.S. (Federal and California), Germany, Israel, Singapore, Switzerland and the United Kingdom.

Although the timing of the resolution and/or closure of audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. However, given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

We have recognized the tax consequences of all foreign unremitted earnings and management has no specific plans to indefinitely reinvest the unremitted earnings of our foreign subsidiaries as of the balance sheet date. We have not provided for deferred taxes on outside basis differences in our investments in our foreign subsidiaries that are unrelated to unremitted earnings. These basis differences will be indefinitely reinvested. A determination of the unrecognized deferred taxes related to these other components of our outside basis difference is not practicable.

On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law containing provisions effective January 1, 2023, including a 15% corporate minimum tax and a 1% excise tax on stock buybacks, both of which we expect to be immaterial to our consolidated financial statements. We will continue to evaluate its impact as further information becomes available.

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Note 15 — Accumulated Other Comprehensive Income**

The following tables summarize the changes in AOCI for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Unrealized Gains (Losses) on Derivative Instruments** | | |  | | | **Unrealized Gains (Losses) on Investments** | | |  | | | **Foreign Currency Translation** | | |  | | | **Estimated Tax (Expense) Benefit** | | |  | | | **Total** | | |
| Balance as of June 30, 2022 | | | $ | 190 |  |  | | | $ | (75) |  |  | | | $ | 209 |  |  | | | $ | (1) |  |  | | | $ | 323 |  |
| Other comprehensive income (loss) before reclassifications | | | 185 | |  |  | | | (30) | |  |  | | | (77) | |  |  | | | (17) | |  |  | | | 61 | |  |
| Less: Amount of gain (loss) reclassified from AOCI | | | 35 | |  |  | | | 1 | |  |  | | | — | |  |  | | | 8 | |  |  | | | 44 | |  |
| Net current period other comprehensive income (loss) | | | 150 | |  |  | | | (31) | |  |  | | | (77) | |  |  | | | (25) | |  |  | | | 17 | |  |
| Balance as of September 30, 2022 | | | $ | 340 |  |  | | | $ | (106) |  |  | | | $ | 132 |  |  | | | $ | (26) |  |  | | | $ | 340 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Unrealized Gains (Losses) on Derivative Instruments** | | |  | | | **Unrealized Gains (Losses) on Investments** | | |  | | | **Foreign Currency Translation** | | |  | | | **Estimated Tax (Expense) Benefit** | | |  | | | **Total** | | |
| Balance as of June 30, 2021 | | | $ | (15) |  |  | | | $ | 1 |  |  | | | $ | 547 |  |  | | | $ | 27 |  |  | | | $ | 560 |  |
| Other comprehensive income (loss) before reclassifications | | | 43 | |  |  | | | 1 | |  |  | | | (85) | |  |  | | | (9) | |  |  | | | (50) | |  |
| Less: Amount of gain (loss) reclassified from AOCI | | | (17) | |  |  | | | 1 | |  |  | | | — | |  |  | | | 4 | |  |  | | | (12) | |  |
| Net current period other comprehensive income (loss) | | | 60 | |  |  | | | — | |  |  | | | (85) | |  |  | | | (13) | |  |  | | | (38) | |  |
| Balance as of September 30, 2021 | | | $ | 45 |  |  | | | $ | 1 |  |  | | | $ | 462 |  |  | | | $ | 14 |  |  | | | $ | 522 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Unrealized Gains (Losses) on Derivative Instruments** | | |  | | | **Unrealized Gains (Losses) on Investments** | | |  | | | **Foreign Currency Translation** | | |  | | | **Estimated Tax (Expense) Benefit** | | |  | | | **Total** | | |
| Balance as of December 31, 2021 | | | $ | 65 |  |  | | | $ | (7) |  |  | | | $ | 328 |  |  | | | $ | 12 |  |  | | | $ | 398 |  |
| Other comprehensive income (loss) before reclassifications | | | 325 | |  |  | | | (100) | |  |  | | | (196) | |  |  | | | (35) | |  |  | | | (6) | |  |
| Less: Amount of gain (loss) reclassified from AOCI | | | 50 | |  |  | | | (1) | |  |  | | | — | |  |  | | | 3 | |  |  | | | 52 | |  |
| Net current period other comprehensive income (loss) | | | 275 | |  |  | | | (99) | |  |  | | | (196) | |  |  | | | (38) | |  |  | | | (58) | |  |
| Balance as of September 30, 2022 | | | $ | 340 |  |  | | | $ | (106) |  |  | | | $ | 132 |  |  | | | $ | (26) |  |  | | | $ | 340 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Unrealized Gains (Losses) on Derivative Instruments** | | |  | | | **Unrealized Gains (Losses) on Investments** | | |  | | | **Foreign Currency Translation** | | |  | | | **Estimated Tax (Expense) Benefit** | | |  | | | **Total** | | |
| Balance as of December 31, 2020 | | | $ | (85) |  |  | | | $ | 5 |  |  | | | $ | 654 |  |  | | | $ | 42 |  |  | | | $ | 616 |  |
| Other comprehensive income (loss) before reclassifications | | | 69 | |  |  | | | (3) | |  |  | | | (192) | |  |  | | | (14) | |  |  | | | (140) | |  |
| Less: Amount of gain (loss) reclassified from AOCI | | | (61) | |  |  | | | 1 | |  |  | | | — | |  |  | | | 14 | |  |  | | | (46) | |  |
| Net current period other comprehensive income (loss) | | | 130 | |  |  | | | (4) | |  |  | | | (192) | |  |  | | | (28) | |  |  | | | (94) | |  |
| Balance as of September 30, 2021 | | | $ | 45 |  |  | | | $ | 1 |  |  | | | $ | 462 |  |  | | | $ | 14 |  |  | | | $ | 522 |  |

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**eBay Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table summarizes the reclassifications out of AOCI for the periods indicated (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Details about AOCI Components** | | |  | | | **Affected Line Item in the Statement of Income** | | |  | | | **Amount of Gain (Loss) Reclassified From AOCI** | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | |  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | | |  | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
| Gains (losses) on cash flow hedges: | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts | | |  | | | Net revenues | | |  | | | $ | 36 |  |  | | | $ | (19) |  |  | | | $ | 51 |  |  | | | $ | (65) |  |
| Foreign exchange contracts | | |  | | | Cost of net revenues | | |  | | | (1) | |  |  | | | 1 | |  |  | | | (1) | |  |  | | | 3 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate contracts | | |  | | | Interest and other, net | | |  | | | 1 | |  |  | | | 1 | |  |  | | | (1) | |  |  | | | 1 | |  |
|  | | |  | | | Total, from continuing operations before income taxes | | |  | | | 36 | |  |  | | | (17) | |  |  | | | 49 | |  |  | | | (61) | |  |
|  | | |  | | | Provision for income taxes | | |  | | | 8 | |  |  | | | 4 | |  |  | | | 3 | |  |  | | | 14 | |  |
|  | | |  | | | Total, from continuing operations net of income taxes | | |  | | | 44 | |  |  | | | (13) | |  |  | | | 52 | |  |  | | | (47) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Unrealized gains (losses) on investments | | |  | | | Interest and other, net | | |  | | | — | |  |  | | | 1 | |  |  | | | — | |  |  | | | 1 | |  |
|  | | |  | | | Total, before income taxes | | |  | | | — | |  |  | | | 1 | |  |  | | | — | |  |  | | | 1 | |  |
|  | | |  | | | Provision for income taxes | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
|  | | |  | | | Total, net of income taxes | | |  | | | — | |  |  | | | 1 | |  |  | | | — | |  |  | | | 1 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total reclassifications for the period | | |  | | | Total, net of income taxes | | |  | | | $ | 44 |  |  | | | $ | (12) |  |  | | | $ | 52 |  |  | | | $ | (46) |  |

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**ITEM 2: *MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

**FORWARD-LOOKING STATEMENTS**

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, including with respect to the effects of COVID-19, inflationary pressure and geopolitical events, such as the ongoing war in Ukraine, new or planned features or services, or management strategies, including our portfolio review). You can generally identify these forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan” and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in “Part I – Item 1A: Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Form 10-K”), as well as in our unaudited condensed consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission (“SEC”). We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the following Management’s Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the unaudited condensed consolidated financial statements and the related notes included in this report.*

When we refer to “we,” “our,” “us” or “eBay” in this Quarterly Report on Form 10-Q, we mean the current Delaware corporation (eBay Inc.) and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

**OVERVIEW**

**Business**

eBay Inc. is a global commerce leader, which includes our Marketplace platforms. Founded in 1995 in San Jose, California, eBay is one of the world’s largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity. Our technologies and services are designed to provide buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere. In 2022, we are focused on our strategic playbook — to understand the customer and their needs; build experiences they will love, at scale; and tell our story in new and different ways.

In 2020 and extending into 2021, there were changes in consumer behavior that resulted in more online shopping driven by the outbreak of a coronavirus and its variants (“COVID-19”). Our Marketplace platforms experienced elevated traffic, acquisition of small sellers and buyer acquisition due to the impacts of measures taken globally to contain the spread of COVID-19, which were unprecedented and are not expected to recur. We also experienced softness in most markets during the first nine months in 2022 resulting from geopolitical events, inflationary pressure and lower consumer confidence. These factors are negatively impacting discretionary consumer spending and are uncertain in duration.

On June 24, 2021 we completed the transfer of our Classifieds business to Adevinta ASA (“Adevinta”), and on November 14, 2021 we completed the sale of 80.01% of the outstanding equity interests of eBay Korea LLC, a limited liability company incorporated under the laws of Korea and a wholly owned subsidiary of eBay KTA (“eBay Korea”) to E-mart Inc. and one of its wholly owned subsidiaries (together, “Emart”). The results of our eBay Korea and Classifieds businesses have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented through the respective transaction close dates as the transactions represented a strategic shift in our business that had a major effect on our operations and financial results.

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See “Note 3 — Discontinued Operations” in our condensed consolidated financial statements included elsewhere in this report for additional information.

**Presentation**

In addition to the corresponding measures under generally accepted accounting principles (“GAAP”), management uses non-GAAP measures in reviewing our financial results. The foreign exchange neutral (“FX-Neutral”), or constant currency, net revenue amounts discussed below are non-GAAP financial measures and are not in accordance with, or an alternative to, measures prepared in accordance with GAAP. Accordingly, the FX-Neutral information appearing in the following discussion of our results of operations should be read in conjunction with the information provided below in “*Non-GAAP Measures of Financial Performance*,” which includes reconciliations of FX-Neutral financial measures to the most directly comparable GAAP measures. We calculate the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts.

**Quarter Highlights**

Net revenues decreased 5% to $2,380 million primarily due to a decline in traffic resulting from the normalization of consumer behavior during the three months ended September 30, 2022 compared to the elevated traffic from the impact of COVID-19 during the same period in 2021. Net revenues were also impacted by softness in most markets resulting from geopolitical and inflationary pressure during the three months ended September 30, 2022 compared to the same period in 2021, which are uncertain in duration. FX-Neutral net revenues (as defined above) decreased 2% during the three months ended September 30, 2022 compared to the same period in 2021. Operating margin decreased to 23.9% for the three months ended September 30, 2022 compared to 26.5% for the same period in 2021.

We generated cash flow from continuing operating activities of $735 million during the three months ended September 30, 2022 compared to $661 million in the same period in 2021.

During the three months ended September 30, 2022 we received cash proceeds of $120 million in the aggregate from the sales of shares in Adyen. We recorded realized gains on the change in fair value of shares sold of $24 million in the aggregate in gain (loss) on equity investments and warrant, net on our condensed consolidated statement of income for the three months ended September 30, 2022.

During the three months ended September 30, 2022, we repurchased $286 million of common stock and paid $120 million in cash dividends.

On August 22, 2022, eBay and TCGplayer announced that we entered into an agreement for eBay to acquire TCGplayer and on October 31, 2022, we completed this acquisition for up to approximately $295 million in cash. TCGplayer is a trusted marketplace for collectible card game enthusiasts, making it easy to buy and sell collections of collectibles from one marketplace.

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**RESULTS OF OPERATIONS**

We have one reportable segment to reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. Our reportable segment is Marketplace, which includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. The accounting policies of our segment are the same as those described in “Note 1 — The Company and Summary of Significant Accounting Policies” in our condensed consolidated financial statements included elsewhere in this report.

**Net Revenues**

***Seasonality***

We expect transaction activity patterns on our platforms to mirror general consumer buying patterns and expect that these trends will continue. As we introduce new products and platforms, such as managed payments which was completed by the end of 2021, we expect net revenues to fluctuate. In addition, macroeconomic conditions including the impact of COVID-19, the war in Ukraine and global economic uncertainty also contributed to fluctuations in revenues and margins. The following table presents our total net revenues and the sequential quarterly movements of these net revenues for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | |
|  | | | **March 31** | | |  | | | **June 30** | | |  | | | **September 30** | | |  | | | **December 31** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **2020** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net revenues | | | $ | 1,821 |  |  | | | $ | 2,337 |  |  | | | $ | 2,258 |  |  | | | $ | 2,478 |  |
| *% change from prior quarter* | | | *(4)* | | *%* |  | | | *28* | | *%* |  | | | *(3)* | | *%* |  | | | *10* | | *%* |
| **2021** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net revenues | | | $ | 2,638 |  |  | | | $ | 2,668 |  |  | | | $ | 2,501 |  |  | | | $ | 2,613 |  |
| *% change from prior quarter* | | | *6* | | *%* |  | | | *1* | | *%* |  | | | *(6)* | | *%* |  | | | *4* | | *%* |
| **2022** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net revenues | | | $ | 2,483 |  |  | | | $ | 2,422 |  |  | | | $ | 2,380 |  |  | | | $ | — |  |
| *% change from prior quarter* | | | *(5)* | | *%* |  | | | *(2)* | | *%* |  | | | *(2)* | | *%* |  | | |  | | |

***Net Revenues by Geography***

Revenues are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located. The following table presents net revenues by geography for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |
| U.S. | | | $ | 1,187 |  |  | | | $ | 1,198 |  |  | | | (1) | | % |  | | | $ | 3,612 |  |  | | | $ | 3,798 |  |  | | | (5) | | % |
| *Percentage of net revenues* | | | *50* | | *%* |  | | | *48* | | *%* |  | | |  | | |  | | | *50* | | *%* |  | | | *49* | | *%* |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| International | | | 1,193 | |  |  | | | 1,303 | |  |  | | | (8) | | % |  | | | 3,673 | |  |  | | | 4,009 | |  |  | | | (8) | | % |
| *Percentage of net revenues* | | | *50* | | *%* |  | | | *52* | | *%* |  | | |  | | |  | | | *50* | | *%* |  | | | *51* | | *%* |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total net revenues | | | $ | 2,380 |  |  | | | $ | 2,501 |  |  | | | (5) | | % |  | | | $ | 7,285 |  |  | | | $ | 7,807 |  |  | | | (7) | | % |

Our commerce platforms operate globally, resulting in certain revenues that are denominated in foreign currencies, primarily the British pound and euro. The recent appreciation of the U.S. dollar may have a material impact to our financial results, and we could see elevated foreign currency volatility in the future. Through our hedging programs, we actively monitor foreign currency volatility and attempt to mitigate the risk. As shown in the table above, we generate approximately half of our net revenues internationally. Because of these factors, we are subject to the risks related to doing business in foreign countries as discussed in “Part I - Item 1A: Risk Factors” of

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the 2021 Form 10-K.

Net revenues included $36 million and $51 million of hedging gains during the three and nine months ended September 30, 2022, respectively, as compared to $19 million and $65 million of hedging losses during the same periods in 2021. The hedging activity in net revenues specifically relates to hedges of net transaction revenues. Foreign currency movements relative to the U.S. dollar had an unfavorable impact of $100 million and $253 million on net revenues during the three and nine months ended September 30, 2022, respectively, compared to a favorable impact of $32 million and $181 million on net revenues during the same periods in 2021.

The effect of foreign currency exchange rate movements during the three and nine months ended September 30, 2022 compared to the same periods in 2021 was primarily attributable to the strengthening of the U.S. dollar against the British pound and euro.

***Net Revenues by Type***

We generate two types of net revenues:

**Net transaction revenues** primarily include final value fees, feature fees, including fees to promote listings and listing fees from sellers on our platforms. Our net transaction revenues also include store subscription and other fees, often from large enterprise sellers. Our net transaction revenues are reduced by incentives, including discounts, coupons and rewards, provided to our customers.

**Marketing services and other (“MS&O”)** **revenues** consist of revenues principally from the sale of revenue sharing arrangements and advertisements.

The following table presents net revenues by type for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |
| Net transaction revenues | | | $ | 2,259 |  |  | | | $ | 2,350 |  |  | | | (4) | | % |  | | | $ | 6,911 |  |  | | | $ | 7,322 |  |  | | | (6) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| MS&O revenues | | | 121 | |  |  | | | 151 | |  |  | | | (20) | | % |  | | | 374 | |  |  | | | 485 | |  |  | | | (23) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total net revenues | | | $ | 2,380 |  |  | | | $ | 2,501 |  |  | | | (5) | | % |  | | | $ | 7,285 |  |  | | | $ | 7,807 |  |  | | | (7) | | % |

***Net Transaction Revenues***

*Key Operating Metrics*

Gross Merchandise Volume (“GMV”) and take rate are significant factors that we believe affect our net transaction revenues.

**GMV** consists of the total value of all paid transactions between users on our platforms during the applicable period inclusive of shipping fees and taxes. Despite GMV’s divergence from revenue, we still believe that GMV provides a useful measure of the overall volume of paid transactions that flow through our platforms in a given period.

**Take rate** is defined as net transaction revenues divided by GMV and represents net transaction revenue as a percentage of overall volume on our platforms. We believe that take rate provides a useful measure of our ability to monetize volume through marketplace services on our platforms in a given period. We use take rate to identify key revenue drivers on our marketplace.

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*Net Transaction Revenues*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **% Change** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | | **Change** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **As Reported** | | |  | | | **FX-Neutral** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **As Reported** | | |  | | | **FX-Neutral** | | |
|  | | | **(In millions, except percentages)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net transaction revenues (1) | | | $ | 2,259 | |  | | | $ | 2,350 | |  | | | (4) | | % |  | | | (1) | | % |  | | | $ | 6,911 | |  | | | $ | 7,322 | |  | | | (6) | | % |  | | | (3) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Supplemental data: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| GMV (2) | | | $ | 17,715 | |  | | | $ | 19,925 | |  | | | (11) | | % |  | | | (5) | | % |  | | | $ | 55,673 | |  | | | $ | 66,639 | |  | | | (16) | | % |  | | | (13) | | % |
| Take rate (2) | | | 12.75 | | % |  | | | 11.79 | | % |  | | | 0.96 | | % |  | | |  | | |  | | | 12.41 | | % |  | | | 10.99 | | % |  | | | 1.42 | | % |  | | |  | | |

(1) Net transaction revenues were net of $36 million and $51 million of hedging gains during the three and nine months ended September 30, 2022, respectively, as compared to $19 million and $65 million of hedging losses during the same periods in 2021.

(2) GMV and take rate for the three and nine months ended September 30, 2021 has been retrospectively recast to reflect the new definition of GMV announced in December 2021.

Net transaction revenues decreased $91 million and GMV decreased across major categories primarily due to geopolitical events, inflationary pressure and lower consumer confidence which are negatively impacting discretionary consumer spending during the three months ended September 30, 2022 compared to the same period in 2021.

Net transaction revenues decreased $411 million and GMV decreased across major categories primarily due to a decline in traffic resulting from the normalization of consumer behavior during the nine months ended September 30, 2022 compared to the elevated traffic experienced on our Marketplace platforms from the impact of COVID-19 during the same period in 2021. Net transaction revenues were also impacted by softness in most markets resulting from geopolitical events, inflationary pressure and lower consumer confidence which are negatively impacting discretionary consumer spending during the nine months ended September 30, 2022 compared to the same period in 2021. The decrease in net transaction revenues was partially offset by the migration to managed payments on a global basis and the associated higher take rate during the nine months ended September 30, 2022 compared to the same period in 2021. The migration to managed payments was completed in all markets by the end of 2021.

Transaction take rate was higher during the three and nine months ended September 30, 2022 compared to the same periods in 2021 as a result of revenue initiatives such as global payments and promoted listings.

Net transaction revenues decreased at a lower rate than GMV during the three and nine months ended September 30, 2022 compared to the same periods in 2021 primarily due to the benefit of a higher take rate during the same periods, as discussed above. We expect that the divergence between net transaction revenues and GMV to continue through the remainder of 2022 and beyond, to a lesser extent. Despite GMV’s divergence from net transaction revenues, we still believe the metric provides a useful measure of overall volume of paid transactions that flow through the platform in a given period.

***Marketing Services and Other Revenues***

The following table presents MS&O revenues for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **% Change** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | | **% Change** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **As Reported** | | |  | | | **FX-Neutral** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **As Reported** | | |  | | | **FX-Neutral** | | |
| MS&O revenues | | | $ | 121 |  |  | | | $ | 151 |  |  | | | (20) | | % |  | | | (18) | | % |  | | | $ | 374 |  |  | | | $ | 485 |  |  | | | (23) | | % |  | | | (21) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

MS&O revenues decreased during the three and nine months ended September 30, 2022 compared to the same periods in 2021 primarily due to a decrease in revenues from revenue sharing arrangements for shipping agreements and advertising revenues.

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***Cost of Net Revenues***

Cost of net revenues represents costs associated with customer support, site operations and payment processing. Significant components of these costs primarily consist of employee compensation including stock-based compensation, contractor costs, facilities costs, depreciation of equipment and amortization expense, bank transaction fees, credit card interchange and assessment fees, authentication costs and digital services tax. The following table presents cost of net revenues for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |
| Cost of net revenues | | | $ | 647 |  |  | | | $ | 678 |  |  | | | (5) | | % |  | | | $ | 1,999 |  |  | | | $ | 1,956 |  |  | | | 2 | | % |
| *Percentage of net revenues* | | | *27* | | *%* |  | | | *27* | | *%* |  | | |  | | |  | | | *27* | | *%* |  | | | *25* | | *%* |  | | |  | | |

Cost of net revenues, net of immaterial hedging activities, was favorably impacted by $23 million and $58 million attributable to foreign currency movements relative to the U.S. dollar during the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021.

The decrease in cost of net revenues during the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to lower payment processing costs incurred for managed payments.

The increase in cost of net revenues during the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to higher payment processing costs incurred for managed payments, partially offset by the favorable impact of foreign currency movements described above. The migration to managed payments was completed in all markets by the end of 2021.

***Operating Expenses***

The following table presents operating expenses for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |
| Sales and marketing | | | $ | 538 |  |  | | | $ | 496 |  |  | | | 8 | | % |  | | | $ | 1,582 |  |  | | | $ | 1,601 |  |  | | | (1) | | % |
| *Percentage of net revenues* | | | *23* | | *%* |  | | | *20* | | *%* |  | | |  | | |  | | | *22* | | *%* |  | | | *21* | | *%* |  | | |  | | |
| Product development | | | 345 | |  |  | | | 334 | |  |  | | | 3 | | % |  | | | 990 | |  |  | | | 988 | |  |  | | | — | | % |
| *Percentage of net revenues* | | | *15* | | *%* |  | | | *13* | | *%* |  | | |  | | |  | | | *14* | | *%* |  | | | *13* | | *%* |  | | |  | | |
| General and administrative | | | 212 | |  |  | | | 219 | |  |  | | | (3) | | % |  | | | 675 | |  |  | | | 715 | |  |  | | | (6) | | % |
| *Percentage of net revenues* | | | *9* | | *%* |  | | | *9* | | *%* |  | | |  | | |  | | | *9* | | *%* |  | | | *9* | | *%* |  | | |  | | |
| Provision for transaction losses | | | 69 | |  |  | | | 112 | |  |  | | | (38) | | % |  | | | 251 | |  |  | | | 303 | |  |  | | | (17) | | % |
| *Percentage of net revenues* | | | *3* | | *%* |  | | | *4* | | *%* |  | | |  | | |  | | | *3* | | *%* |  | | | *4* | | *%* |  | | |  | | |
| Amortization of acquired intangible assets | | | 1 | |  |  | | | — | |  |  | | | 100 | | % |  | | | 3 | |  |  | | | 9 | |  |  | | | (67) | | % |
| Total operating expenses | | | $ | 1,165 |  |  | | | $ | 1,161 |  |  | | | — | | % |  | | | $ | 3,501 |  |  | | | $ | 3,616 |  |  | | | (3) | | % |

Foreign currency movements relative to the U.S. dollar had a favorable impact of $50 million and $131 million on operating expenses during the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. There was no hedging activity within operating expenses.

*Sales and Marketing*

Sales and marketing expenses primarily consist of advertising and marketing program costs (both online and offline), employee compensation including stock-based compensation, certain user coupons and rewards, contractor costs, facilities costs and depreciation on equipment. Online marketing expenses represent traffic acquisition costs in various channels such as paid search, affiliates marketing and display advertising. Offline advertising primarily includes brand campaigns and buyer/seller communications.

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The increase in sales and marketing expenses during the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to an $83 million increase in online and offline advertising expenses, brand campaigns and paid search, partially offset by the favorable impact of foreign currency movements of $35 million.

The decrease in sales and marketing expenses during the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to the favorable impact of foreign currency movements of $85 million and a decrease in certain user coupons and rewards of $24 million, partially offset by an increase in online and offline advertising expense of $91 million.

*Product Development*

Product development expenses primarily consist of employee compensation including stock-based compensation, contractor costs, facilities costs and depreciation on equipment. Product development expenses are net of required capitalization of major platform and other product development efforts, including the development and maintenance of our technology platform. Our top technology priorities include the implementation of our strategic plan including payment intermediation capabilities, improved seller tools and buyer experiences.

The increase in product development expenses during the three and nine months ended September 30, 2022 compared to the same periods in 2021 was primarily due to an increase in employee related costs.

Capitalized internal use and platform development costs were $38 million and $100 million in the three and nine months ended September 30, 2022, respectively, compared to $33 million and $96 million in the same periods in 2021. These costs are primarily reflected as a cost of net revenues when amortized in future periods.

*General and Administrative*

General and administrative expenses primarily consist of employee compensation including stock-based compensation, contractor costs, facilities costs, depreciation of equipment, employer payroll taxes on stock-based compensation, legal expenses, restructuring, insurance premiums and professional fees. Our legal expenses, including those related to various ongoing legal proceedings, may fluctuate substantially from period to period.

The decrease in general and administrative expenses during the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to a decrease in employee related costs and the favorable impact of foreign currency movements.

The decrease in general and administrative expenses during the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to restructuring costs of $33 million that did not occur in 2022, decrease in employee related costs of $19 million, and the favorable impact of foreign currency movements of $16 million, partially offset by an increase in charitable contributions of $18 million and exit costs of $13 million related to the announcement to close our marketplace in Turkey.

*Provision for Transaction Losses*

Provision for transaction losses primarily consists of transaction loss expense associated with our buyer protection programs, losses from our managed payments services, fraud and bad debt expense associated with our accounts receivable balance. We expect our provision for transaction losses to fluctuate depending on many factors, including changes to our protection programs and the impact of regulatory changes.

The decrease in provision for transaction losses during the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to lower bad debt expense as a result of fees collected through the managed payments platform of $25 million and lower customer protection program costs of $11 million.

The decrease in provision for transaction losses during the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to lower bad debt expense as a result of fees collected through the managed payments platform of $56 million, partially offset by higher chargeback losses of $14 million.

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***Gain (Loss) on Equity Investments and Warrant, Net***

Gain (loss) on equity investments and warrant, net primarily consists of realized and unrealized gains and losses related to our various types of equity investments, including our equity investments in Adevinta, Adyen, KakaoBank and Gmarket, and gains and losses due to changes in fair value of the warrant received from Adyen. The following table presents gain (loss) on equity investments and warrant, net for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |
| Change in fair value of equity investment in Adevinta | | | $ | (501) |  |  | | | $ | (1,075) |  |  | | | 53 | | % |  | | | $ | (2,973) |  |  | | | $ | (1,497) |  |  | | | (99) | | % |
| Change in fair value of equity investment in Gmarket | | | (40) | |  |  | | | — | |  |  | | | \*\* | | |  | | | (299) | |  |  | | | — | |  |  | | | \*\* | | |
| Unrealized change in fair value of equity investment in KakaoBank | | | (50) | |  |  | | | 512 | |  |  | | | (110) | | % |  | | | (246) | |  |  | | | 512 | |  |  | | | (148) | | % |
| Unrealized change in fair value of equity investment in Adyen | | | — | |  |  | | | — | |  |  | | | \*\* | | |  | | | (118) | |  |  | | | — | |  |  | | | \*\* | | |
| Realized change in fair value of shares sold in Adyen | | | 24 | |  |  | | | — | |  |  | | | \*\* | | |  | | | (143) | |  |  | | | — | |  |  | | | \*\* | | |
| Realized change in fair value of shares sold in KakaoBank | | | — | |  |  | | | 83 | |  |  | | | \*\* | | |  | | | (75) | |  |  | | | 83 | |  |  | | | \*\* | | |
| Change in fair value of warrant | | | (27) | |  |  | | | 311 | |  |  | | | (109) | | % |  | | | (246) | |  |  | | | 383 | |  |  | | | (164) | | % |
| Gain (loss) on other investments | | | 1 | |  |  | | | (12) | |  |  | | | \*\* | | |  | | | (5) | |  |  | | | 29 | |  |  | | | \*\* | | |
| Total gain (loss) on equity investments and warrant, net | | | $ | (593) |  |  | | | $ | (181) |  |  | | | \*\* | | |  | | | $ | (4,105) |  |  | | | $ | (490) |  |  | | | \*\* | | |
| *Percentage of net revenues* | | | *(25)* | | *%* |  | | | *(7)* | | *%* |  | | |  | | |  | | | *(56)* | | *%* |  | | | *(6)* | | *%* |  | | |  | | |

\*\* Not meaningful

The increase in loss on equity method investments and warrant, net during the three months ended September 30, 2022 compared to the same period in 2021 was primarily driven by a $562 million change in the loss recorded from the change in fair value of our equity investment in KakaoBank and a $338 million change in the loss recorded from the change in fair value of the warrant, partially offset by a $574 million change in the loss recorded from the change in fair value of our equity investment in Adevinta.

The increase in loss on equity method investments and warrant, net during the nine months ended September 30, 2022 compared to the same period in 2021 was primarily driven by a $1.5 billion change in the loss recorded from the change in fair value of our equity investment in Adevinta, a $758 million change in the loss recorded from the change in fair value of our equity investment in KakaoBank and a $629 million change in fair value of the warrant.

***Interest and Other, Net***

Interest and other, net primarily consists of interest earned on cash, cash equivalents and investments, as well as foreign exchange transaction gains and losses, gain/loss on acquisitions or disposals and interest expense, consisting of interest charges on any amounts borrowed and commitment fees on unborrowed amounts under our credit agreement and interest expense on our outstanding debt securities and commercial paper, if any. The following table presents interest and other, net for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |  | | | **2022** | | |  | | | **2021** | | |  | | | **% Change** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total interest and other, net | | | $ | (29) |  |  | | | $ | (47) |  |  | | | (38) | | % |  | | | $ | (110) |  |  | | | $ | (186) |  |  | | | (41) | | % |
| *Percentage of net revenues* | | | *(1)* | | *%* |  | | | *(2)* | | *%* |  | | |  | | |  | | | *(2)* | | *%* |  | | | *(2)* | | *%* |  | | |  | | |

The decrease in loss within interest and other, net expense during the three and nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to foreign exchange transaction gains and an increase in interest income.

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***Income Tax Provision***

The following table presents provision for income taxes for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income tax provision (benefit) | | | $ | 16 | |  | | | $ | 151 | |  | | | $ | (485) | |  | | | $ | 414 | |
| *Effective tax rate* | | | *(29.9)* | | *%* |  | | | *34.7* | | *%* |  | | | *20.0* | | *%* |  | | | *26.5* | | *%* |

The decrease in our effective tax rate for the three and nine months ended September 30, 2022 compared to the same periods in 2021 was primarily due to unrealized losses on our investments. In 2021, our rates were higher primarily due to non-deductible unrealized losses partially offset by the tax benefit of stock based compensation.

We are regularly under examination by tax authorities both domestically and internationally. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations, although we cannot assure you that this will be the case given the inherent uncertainties in these examinations. Due to the ongoing tax examinations, we believe it is impractical to determine the amount and timing of these adjustments.

On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law containing provisions effective January 1, 2023, including a 15% corporate minimum tax and a 1% excise tax on stock buybacks, both of which we expect to be immaterial to our consolidated financial statements. We will continue to evaluate its impact as further information becomes available.

***Discontinued Operations***

On November 14, 2021, we completed the previously announced sale of 80.01% of the outstanding equity interests of eBay Korea to Emart. We classified the results of our eBay Korea business as discontinued operations in our condensed consolidated statement of income for the periods presented through November 14, 2021.

On June 24, 2021, we completed the previously announced transfer of our Classifieds business to Adevinta. We classified the results of our Classifieds business as discontinued operations in our condensed consolidated statement of income for the periods presented through June 24, 2021.

See “Note 3 — Discontinued Operations” in our condensed consolidated financial statements included elsewhere in this report for additional information.

***Non-GAAP Measures of Financial Performance***

To supplement our condensed consolidated financial statements presented in accordance with generally accepted accounting principles, we use FX-Neutral net revenues, which are non-GAAP financial measures. Management uses the foregoing non-GAAP measures in reviewing our financial results. We define FX-Neutral net revenues as net revenues minus the exchange rate effect. We define exchange rate effect as the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts, excluding hedging activity.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

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These non-GAAP measures are provided to enhance investors’ overall understanding of our current financial performance and its prospects for the future. Specifically, we believe these non-GAAP measures provide useful information to both management and investors by excluding the foreign currency exchange rate impact that may not be indicative of our core operating results and business outlook. In addition, because we have historically reported certain non-GAAP results to investors, we believe that the inclusion of these non-GAAP measures provide consistency in our financial reporting.

The following tables present a reconciliation of FX-Neutral GMV and FX-Neutral net revenues (each as defined below) to our reported GMV and net revenues for the periods indicated (in millions, except percentages):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30, 2022** | | | | | | | | | | | | | | |  | | | **Three Months Ended September 30, 2021** | | |  | | | **% Change** | | | | | | | | |
|  | | | **As Reported** | | |  | | | **Exchange Rate**  **Effect (1)(3)** | | |  | | | **FX-Neutral (2)** | | |  | | | **As Reported (4)** | | |  | | | **As Reported** | | |  | | | **FX-Neutral** | | |
| **GMV** | | | $ | 17,715 |  |  | | | $ | (1,131) |  |  | | | $ | 18,846 |  |  | | | $ | 19,925 |  |  | | | (11) | | % |  | | | (5) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net Revenues:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net transaction revenues | | | $ | 2,259 |  |  | | | $ | (97) |  |  | | | $ | 2,356 |  |  | | | $ | 2,350 |  |  | | | (4) | | % |  | | | (1) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| MS&O revenues | | | 121 | |  |  | | | (3) | |  |  | | | 124 | |  |  | | | 151 | |  |  | | | (20) | | % |  | | | (18) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total net revenues | | | $ | 2,380 |  |  | | | $ | (100) |  |  | | | $ | 2,480 |  |  | | | $ | 2,501 |  |  | | | (5) | | % |  | | | (2) | | % |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30, 2022** | | | | | | | | | | | | | | |  | | | **Nine Months Ended September 30, 2021** | | |  | | | **% Change** | | | | | | | | |
|  | | | **As Reported** | | |  | | | **Exchange Rate**  **Effect (1)(3)** | | |  | | | **FX-Neutral (2)** | | |  | | | **As Reported (4)** | | |  | | | **As Reported** | | |  | | | **FX-Neutral** | | |
| **GMV** | | | $ | 55,673 |  |  | | | $ | (2,562) |  |  | | | $ | 58,235 |  |  | | | $ | 66,639 |  |  | | | (16) | | % |  | | | (13) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net Revenues:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net transaction revenues | | | $ | 6,911 |  |  | | | $ | (244) |  |  | | | $ | 7,155 |  |  | | | $ | 7,322 |  |  | | | (6) | | % |  | | | (3) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| MS&O revenues | | | 374 | |  |  | | | (9) | |  |  | | | 383 | |  |  | | | 485 | |  |  | | | (23) | | % |  | | | (21) | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total net revenues | | | $ | 7,285 |  |  | | | $ | (253) |  |  | | | $ | 7,538 |  |  | | | $ | 7,807 |  |  | | | (7) | | % |  | | | (4) | | % |

(1) We define exchange rate effect as the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts excluding hedging activity.

(2) We define FX-Neutral GMV as GMV minus the exchange rate effect. We define the non-GAAP financial measures of FX-Neutral net revenues as net revenues minus the exchange rate effect.

(3) Net transaction revenues were net of $36 million and $51 million of hedging gains during the three and nine months ended September 30, 2022, respectively, as compared to $19 million and $65 million of hedging losses during the same periods in 2021.

(4) GMV for the three and nine months ended September 30, 2021 has been retrospectively recast to reflect the new definition of GMV announced in December 2021.

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**Liquidity and Capital Resources**

***Cash Flows***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(In millions)** | | | | | | | | |
| Net cash provided by (used in): | | |  | | |  | | |  | | |
| Continuing operating activities | | | $ | 1,941 |  |  | | | $ | 2,618 |  |
| Continuing investing activities | | | 3,753 | |  |  | | | (1,565) | |  |
| Continuing financing activities | | | (4,536) | |  |  | | | (3,247) | |  |
| Effect of exchange rates on cash, cash equivalents and restricted cash | | | (89) | |  |  | | | 30 | |  |
| Net increase in cash, cash equivalents and restricted cash - discontinued operations | | | (369) | |  |  | | | 2,191 | |  |
| Net increase (decrease) in cash, cash equivalents and restricted cash | | | $ | 700 |  |  | | | $ | 27 |  |

*Continuing Operating Activities*

Our operating cash flows arise primarily from cash received from our customers on our platforms offset by cash payments for sales and marketing, employee compensation and payment processing expenses.

Cash provided by continuing operating activities of $1.9 billion in the nine months ended September 30, 2022 compared to cash provided by continuing operating activities of $2.6 billion in the nine months ended September 30, 2021 was primarily attributable to a decrease in operating income from continuing operations of $450 million. The decrease in operating income was driven by a decrease in net revenues during the nine months ended September 30, 2022 compared to the elevated traffic from the impact of COVID-19 during the same period in 2021, as noted in our comments on “Net Transaction Revenues.” The remaining changes in continuing operating cash flows are attributable to working capital movements and changes in non-cash items.

*Continuing Investing Activities*

Cash provided by continuing investing activities of $3.8 billion in the nine months ended September 30, 2022 was primarily attributable to proceeds of $18.2 billion from the maturities and sales of investments and proceeds of $1.1 billion in the aggregate from the sales of shares in Adyen and KakaoBank, partially offset by cash paid for investments of $15.2 billion and property and equipment of $296 million.

The largely offsetting effects of purchases of investments and maturities and sale of investments results from the management of our investments. As our immediate cash needs change, purchase and sale activity will fluctuate.

*Continuing Financing Activities*

Cash used in continuing financing activities of $4.5 billion in the nine months ended September 30, 2022 was primarily attributable to cash paid to repurchase $2.8 billion of common stock, debt repayments of $1.4 billion related to the redemption of our 3.800% senior fixed rate notes due 2022 and our 2.600% senior notes due 2022 and $370 million paid in cash dividends.

The negative effect of exchange rate movements on cash, cash equivalents and restricted cash was due to the strengthening of the U.S. dollar against other currencies during the nine months ended September 30, 2022 compared to the 2021 year-end rate.

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***Liquidity and Capital Resource Requirements***

As of September 30, 2022 and December 31, 2021, we had assets classified as cash and cash equivalents, as well as short-term and long-term non-equity investments from continuing operations, in an aggregate amount of $4.8 billion and $7.3 billion, respectively. We believe that our cash, cash equivalents and short-term and long-term investments, together with cash expected to be generated from operations, borrowings available under our credit agreement and commercial paper program, and our access to capital markets, will be sufficient to satisfy our material cash requirements over the next 12 months and for the foreseeable future.

However, geopolitical and macroeconomic events including the impact of COVID-19, the war in Ukraine and global economic uncertainty have caused material disruptions in both U.S. and international financial markets and economies and are uncertain in duration. The future impact of these events cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity, and we cannot assure that we will have access to external financing at times and on terms we consider acceptable, or at all, or that we will not experience other liquidity issues going forward.

On August 22, 2022, eBay and TCGplayer announced that we entered into an agreement for eBay to acquire TCGplayer and on October 31, 2022, we completed this acquisition for up to approximately $295 million in cash. TCGplayer is a trusted marketplace for collectible card game enthusiasts, making it easy to buy and sell collections of collectibles from one marketplace.

*Senior Notes*

As of September 30, 2022, we had floating- and fixed-rate senior notes outstanding for an aggregate principal amount of $7.8 billion, with $1.2 billion payable within 12 months. The net proceeds from the issuances of these senior notes are used for general corporate purposes, including, among other things, capital expenditures, share repurchases, repayment of indebtedness and possible acquisitions.

*Commercial Paper*

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to $1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of September 30, 2022, there were no commercial paper notes outstanding.

*Credit Agreement*

In March 2020, we entered into a credit agreement that provides for an unsecured $2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to $1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. As of September 30, 2022, no borrowings were outstanding under our $2 billion credit agreement.

*Credit Ratings*

As of September 30, 2022, we were rated investment grade by Standard and Poor’s Financial Services, LLC (long-term rated BBB+, short-term rated A-2, with a stable outlook) and Moody’s Investor Service (long-term rated Baa1, short-term rated P-2, with a stable outlook). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Our borrowing costs depend, in part, on our credit ratings and any actions taken by these credit rating agencies to lower our credit ratings, as described above, will likely increase our borrowing costs.

We were in compliance with all financial covenants in our outstanding debt instruments for the nine months ended September 30, 2022. For additional details related to our debt, please see “Note 9 — Debt” to the condensed consolidated financial statements included in this report.

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*Income Taxes*

As of September 30, 2022, our assets classified as cash and cash equivalents, and short-term and long-term non-equity investments from continuing operations included assets held in certain of our foreign operations totaling approximately $2.4 billion. As we repatriate these funds to the U.S., we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes on those amounts during the period when such repatriation occurs. We have accrued deferred taxes for the tax effect of repatriating the funds to the U.S.

On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law containing provisions effective January 1, 2023, including a 15% corporate minimum tax and a 1% excise tax on stock buybacks, both of which we expect to be immaterial to our consolidated financial statements. We will continue to evaluate its impact as further information becomes available.

For additional details related to our income taxes, please see “Income Tax Provision” in our Results of Operations above and “Note 14 — Income Taxes” to the condensed consolidated financial statements included in this report.

***Stock Repurchases***

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives.

We expect, subject to market conditions and other uncertainties, to continue making opportunistic and programmatic repurchases of our common stock. However, our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, the impacts of the COVID-19 pandemic, price and other market conditions and management’s determination as to the appropriate use of our cash.

During the nine months ended September 30, 2022, we repurchased approximately $2.8 billion of our common stock under our stock repurchase programs. In February 2022 our Board authorized an additional $4.0 billion stock repurchase program, with no expiration from the date of authorization. As of September 30, 2022, a total of approximately $3.1 billion remained available for future repurchases of our common stock under our stock repurchase programs. See “Note 12 — Stockholders’ Equity” to the condensed consolidated financial statements included in this report for more information about our stock repurchase programs.

***Dividends***

The Company paid a total of $120 million and $116 million in cash dividends during the three months ended September 30, 2022 and 2021, respectively, and $370 million and $359 million in cash dividends during the nine months ended September 30, 2022 and 2021, respectively. In November 2022, our Board of Directors declared a cash dividend of $0.22 per share of common stock to be paid on December 16, 2022 to stockholders of record as of December 1, 2022.

***Other Capital Resource Requirements***

We actively monitor all counterparties that hold our cash and cash equivalents and non-equity investments, focusing primarily on the safety of principal and secondarily on improving yield on these assets. We diversify our cash and cash equivalents and investments among various counterparties in order to reduce our exposure should any one of these counterparties fail or encounter difficulties. To date, we have not experienced any material loss or lack of access to our invested cash, cash equivalents or short-term investments; however, we can provide no assurances that access to our invested cash, cash equivalents or short-term investments will not be impacted by adverse conditions in the financial markets, including, without limitation, as a result of the impact of the COVID-19

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pandemic. At any point in time we have funds in our operating accounts and customer accounts that are deposited and invested with third party financial institutions.

We have a cash pooling arrangement with a financial institution for cash management purposes. As of September 30, 2022, we had a total of $247 million in aggregate cash deposits, partially offset by $60 million in cash withdrawals, held within the financial institution under the cash pooling arrangement. See “Note 11 — Commitments and Contingencies” to the condensed consolidated financial statements included in this report for more information about our cash pooling arrangement.

We have entered into various indemnification agreements and, in the ordinary course of business, we have included limited indemnification provisions in certain of our agreements with parties with which we have commercial relations. It is not possible to determine the maximum potential loss under these various indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in our condensed consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively. See “Note 11 — Commitments and Contingencies” to the condensed consolidated financial statements included in this report for more information about our indemnification provisions.

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**Item 3: Quantitative and Qualitative Disclosures About Market Risk**

***Interest Rate Risk***

We are exposed to interest rate risk relating to our investments and outstanding debt. In addition, adverse economic conditions and events (including volatility or distress in the equity and/or debt or credit markets) may impact regional and global financial markets. These events and conditions could cause us to write down our assets or investments. We seek to reduce earnings volatility that may result from adverse economic conditions and events or changes in interest rates.

The primary objective of our investment activities is to preserve principal while at the same time improving yields without significantly increasing risk. To achieve this objective, we maintain our cash equivalents and short-term and long-term investments in a variety of asset types, including bank deposits, government bonds and corporate debt securities. As of September 30, 2022, approximately 26% of our total cash and investments was held in cash and cash equivalents. As such, changes in interest rates will impact interest income. As discussed below, the fair market values of our fixed rate securities may be adversely affected due to a rise in interest rates, and we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates.

As of September 30, 2022, the balance of our corporate debt and government bond securities was $2.7 billion, which represented approximately 36% of our total cash and investments. Investments in both fixed-rate and floating-rate interest-earning instruments carry varying degrees of interest rate risk. The fair market value of our fixed-rate investment securities may be adversely impacted due to a rise in interest rates. In general, fixed-rate securities with longer maturities are subject to greater interest rate risk than those with shorter maturities. While floating rate securities generally are subject to less interest rate risk than fixed-rate securities, floating-rate securities may produce less income than expected if interest rates decrease and may also suffer a decline in market value if interest rates increase. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if we sell securities that have declined in market value due to changes in interest rates. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease in the fair value of our investments of $20 million and $4 million as of September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022, we had an aggregate principal amount of $7.8 billion of outstanding senior notes, of which 95% bore interest at fixed rates. During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was $650 million as of September 30, 2022 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. At September 30, 2022, we did not have an unhedged balance on our floating-rate debt. Additionally during the second quarter of 2022, we began to hedge the variability of forecasted interest payments using forward-starting interest rate swaps. The notional amount of these swaps was $250 million as of September 30, 2022, with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. These interest rate swaps effectively fix the benchmark interest rate up to 10 years on an anticipated debt issuance by the first quarter of 2023, and they will be terminated upon issuance of the debt. When entering into forward-starting interest rate swaps, we are subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward-starting interest rate swaps. We manage market risk by matching the terms of the swaps with the terms of the expected debt issuance. We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1% (100 basis points) decrease in interest rates would have resulted in a decrease in the fair values of our floating to fixed rate interest swaps and forward-starting interest rate swaps of approximately $20 million at September 30, 2022.

Further changes in interest rates will impact interest expense on any borrowings under our revolving credit facility, which bear interest at floating rates, and the interest rate on any commercial paper borrowings we make and any debt securities we may issue in the future and, accordingly, will impact interest expense. For additional details related to our debt, see “Note 9 — Debt” to the condensed consolidated financial statements included in this report.

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***Equity Price Risk***

*Equity investments*

On June 24, 2021, we completed the transfer of our Classifieds business to Adevinta. Upon completion of the transfer we received an equity interest in Adevinta. The equity investment is accounted for under the fair value option and changes in Adevinta’s stock price and equity volatility may have a significant impact on the value of our equity investment in Adevinta. As of September 30, 2022, a one dollar change in Adevinta’s common stock, holding other factors constant, would increase or decrease the fair value of the investment by approximately $405 million.

In August 2021, KakaoBank completed its initial public offering which resulted in this investment having a readily determinable fair value. Previously this investment was accounted for as an equity investment without a readily determinable fair value. Valuation of equity investments with readily determinable fair values can be obtained from real time quotes in active markets. Changes in KakaoBank’s stock price and equity volatility may have a significant impact on the value of our equity investment in KakaoBank. As of September 30, 2022, a one dollar change in KakaoBank’s common stock, holding other factors constant, would increase or decrease the fair value of the investment by approximately $5 million.

As further described in the “Warrant” section below, we entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen’s fully diluted issued and outstanding share capital at a specific date. In 2021, we met the processing volume milestone target to vest the first tranche of the warrant. Upon vesting of the first tranche, we exercised the option to purchase shares of Adyen. Our equity investment in Adyen is accounted for as an equity investment with a readily determinable fair value. Changes in Adyen’s common stock price and equity volatility may have a significant impact on the value of the investment. As of September 30, 2022, a one dollar change in Adyen’s common stock, holding other factors constant, would increase or decrease the fair value of the investment by less than $0.2 million.

Our remaining equity investments are primarily investments in privately-held companies, including equity method investments, equity investments under the fair value option and equity investments without readily determinable fair values. Our consolidated results of operations include, as a component of gain (loss) on equity investments and warrant, net, our share of the net income or loss of the equity investments accounted for under the equity method of accounting and the change in fair value of the equity investments under the fair value option. Equity investments without readily determinable fair values are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Such changes in the basis of the equity investment are recognized in gain (loss) on equity investments and warrant, net.

As of September 30, 2022, our equity investments totaled $3.1 billion, which represented approximately 39% of our total cash and investments, and primarily related to our equity investment in Adevinta.

For additional details related to these investments, please see “Note 6 — Investments” to our condensed consolidated financial statements included in this report.

*Warrant*

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen’s fully diluted issued and outstanding share capital at a specific date. As discussed above, in 2021 we met the processing volume milestone target to vest the first tranche of the warrant, and we exercised the option to purchase shares of Adyen. The remaining tranches of the warrant are accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*. Changes in Adyen’s common stock price and equity volatility may have a significant impact on the value of the warrant. As of September 30, 2022, a one dollar change in Adyen’s common stock, holding other factors constant, would increase or decrease the fair value of the warrant by approximately $0.2 million. For additional details related to the warrant, please see “Note 7 — Derivative Instruments” to our condensed consolidated financial statements included in this report.

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***Foreign Currency Risk***

Our commerce platforms operate globally, resulting in certain revenues and costs that are denominated in foreign currencies, primarily the British pound and euro, subjecting us to foreign currency risk, which may adversely impact our financial results. We transact business in various foreign currencies and have significant international revenues as well as costs. In addition, we charge our international subsidiaries for their use of intellectual property and technology and for certain corporate services we provide. Our cash flow and results of operations that are exposed to foreign exchange rate fluctuations may differ materially from expectations and we may record significant gains or losses due to foreign currency fluctuations and related hedging activities.

We have a foreign exchange exposure management program designed to identify material foreign currency exposures, manage these exposures and reduce the potential effects of currency fluctuations on our reported condensed consolidated cash flows and results of operations through the purchase of foreign currency exchange contracts. The effectiveness of the program and resulting usage of foreign exchange derivative contracts is at times limited by our ability to achieve cash flow hedge accounting or net investment hedge accounting, as applicable. For additional details related to our derivative instruments, please see “Note 7 — Derivative Instruments” to our condensed consolidated financial statements included in this report.

We use foreign exchange derivative contracts to help protect our forecasted U.S. dollar-equivalent earnings from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse currency exchange rate movements. Most of these contracts are designated as cash flow hedges for accounting purposes. For qualifying cash flow hedges, the derivative’s gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings in the same period the forecasted transaction affects earnings. For contracts not designated for hedge accounting, the derivative’s gain or loss is recognized immediately in earnings in our condensed consolidated statement of income. However, only certain revenue and costs are eligible for cash flow hedge accounting.

The following table illustrates the fair values of outstanding foreign exchange contracts designated as cash flow hedges and foreign exchange contracts not designated for hedge accounting and the before-tax effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed as of September 30, 2022. The sensitivity for foreign currency contracts is based on a 20% adverse change in foreign exchange rates, against relevant functional currencies.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Fair Value Asset/(Liability)** | | |  | | | **Fair Value Sensitivity** | | |
|  | | | **(In millions)** | | | | | | | | |
| Foreign exchange contracts - Cash flow hedges | | | $ | 238 |  |  | | | $ | (228) |  |
| Foreign exchange contracts - Not designated for hedge accounting | | | $ | 37 |  |  | | | $ | (106) |  |

Since our risk management programs are highly effective, the potential loss in value described above would be largely offset by changes in the value of the underlying exposure.

We also use foreign exchange contracts to offset the foreign exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. These contracts reduce, but do not entirely eliminate, the impact of currency exchange rate movements on our assets and liabilities. The foreign currency gains and losses on the assets and liabilities are recorded in interest and other, net, which are offset by the gains and losses on the foreign exchange contracts.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 20% for all currencies could be experienced in the near term. These changes would have resulted in an adverse impact on income before income taxes of approximately $1 million as of September 30, 2022 taking into consideration the offsetting effect of foreign exchange forwards in place as of September 30, 2022.

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**Item 4: Controls and Procedures**

(a) *Evaluation of disclosure controls and procedures.* Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2022.

(b) *Changes in internal controls.* There were no changes in our internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II: OTHER INFORMATION**

**Item 1: Legal Proceedings**

The information set forth under “Note 11 — Commitments and Contingencies — Litigation and Other Legal Matters” to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

**Item 1A:** **Risk Factors**

***Risk Factors:***

We are subject to various risks and uncertainties that may affect our business, results of operations and financial condition including not limited to, those described in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021 (“2021 Form 10-K”). Current global economic and geopolitical events and conditions may amplify many of these risks. These risks are not the only risks that may affect us. Additional risks that we are not aware of or do not believe are material at the time of this filing may also become important factors that adversely affect our business. There have been no material changes to the Company’s risk factors since the 2021 Form 10-K.

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**Item 2:** **Unregistered Sales of Equity Securities and Use of Proceeds**

Stock repurchase activity during the three months ended September 30, 2022 was as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Period Ended** | | |  | | | **Total Number of Shares Purchased** | | |  | | | **Average Price Paid per Share (2)** | | |  | | | **Total Number of Shares Purchased as Part of Publicly Announced Programs** | | |  | | | **Maximum Dollar Value that May Yet be Purchased Under the Programs (1)** | | |
| July 31, 2022 | | |  | | | — | |  |  | | | $ | — |  |  | | | — | |  |  | | | $ | 3,449,639,372 |  |
| August 31, 2022 | | |  | | | 3,071,713 | |  |  | | | $ | 46.97 |  |  | | | 3,071,713 | |  |  | | | $ | 3,305,364,172 |  |
| September 30, 2022 | | |  | | | 3,808,496 | |  |  | | | $ | 41.21 |  |  | | | 3,808,496 | |  |  | | | $ | 3,148,413,711 |  |
|  | | |  | | | 6,880,209 | |  |  | | |  | | |  | | | 6,880,209 | |  |  | | |  | | |

(1)In August 2021 our Board authorized an additional $3.0 billion stock repurchase program and in February 2022 our Board authorized an additional $4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives.

During the three months ended September 30, 2022, we repurchased approximately $301 million of our common stock under our stock repurchase programs. As of September 30, 2022, a total of approximately $3.1 billion remained available for future repurchases of our common stock under our stock repurchase programs.

We expect, subject to market conditions and other uncertainties, to continue making opportunistic and programmatic repurchases of our common stock. However, our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, price and other market conditions and management’s determination as to the appropriate use of our cash.

(2)Excludes broker commissions.

**Item 3:** **Defaults Upon Senior Securities**

Not applicable.

**Item 4:** **Mine Safety Disclosures**

Not applicable.

**Item 5:** **Other Information**

Not applicable.

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**Item 6:** **Exhibits**

The information required by this Item is set forth in the Index to Exhibits of this Quarterly Report.

**INDEX TO EXHIBITS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Exhibit Number** | | |  | | | **Filed or furnished with this 10-Q** | | |  | | | **Description** | | |
| 10.01+ | | |  | | | X | | |  | | | [Offer Letter dated January 4, 2021 and amended on August 22, 2022, between Registrant and Cornelius Boone.](https://www.sec.gov/Archives/edgar/data/0001065088/000106508822000030/ex1001-corneliusbooneoffer.htm) | | |
| 10.02+ | | |  | | | X | | |  | | | [Offer Letter dated November 16, 2020 and amended on August 22, 2022, between Registrant and Julie Loeger.](https://www.sec.gov/Archives/edgar/data/0001065088/000106508822000030/ex1002-julieloegerofferlet.htm) | | |
| 31.01 | | |  | | | X | | |  | | | [Certification of Registrant’s Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.](https://www.sec.gov/Archives/edgar/data/0001065088/000106508822000030/ebay093022ex3101.htm) | | |
| 31.02 | | |  | | | X | | |  | | | [Certification of Registrant’s Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.](https://www.sec.gov/Archives/edgar/data/0001065088/000106508822000030/ebay093022ex3102.htm) | | |
| 32.01 | | |  | | | X | | |  | | | [Certification of Registrant’s Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.](https://www.sec.gov/Archives/edgar/data/0001065088/000106508822000030/ebay093022ex3201.htm) | | |
| 32.02 | | |  | | | X | | |  | | | [Certification of Registrant’s Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.](https://www.sec.gov/Archives/edgar/data/0001065088/000106508822000030/ebay093022ex3202.htm) | | |
| 101 | | |  | | | X | | |  | | | The following materials from the Company’s Quarterly Report on Form 10-Q for the periods ended September 30, 2022 were formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet, (ii) Condensed Consolidated Statement of Income, (iii) Condensed Consolidated Statement of Comprehensive Income (iv) Condensed Consolidated Statement of Stockholders’ Equity and (v) Condensed Consolidated Statement of Cash Flows. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | |
| 104 | | |  | | | X | | |  | | | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. | | |

+ Indicates a management contract or compensatory plan or arrangement

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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|  | | |  | | | eBay Inc. | | | | | |
|  | | |  | | | Principal Executive Officer: | | | | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | | By: | | | /s/ Jamie Iannone | | |
|  | | |  | | |  | | | **Jamie Iannone** | | |
|  | | |  | | |  | | | **Chief Executive Officer** | | |
| Date: | | | November 3, 2022 | | |  | | | | | |
|  | | |  | | | Principal Financial Officer: | | | | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | | By: | | | /s/ Steve Priest | | |
|  | | |  | | |  | | | **Steve Priest** | | |
|  | | |  | | |  | | | **Chief Financial Officer** | | |
| Date: | | | November 3, 2022 | | |  | | | | | |
|  | | |  | | | Principal Accounting Officer: | | | | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | | By: | | | /s/ Brian J. Doerger | | |
|  | | |  | | |  | | | **Brian J. Doerger** | | |
|  | | |  | | |  | | | **Vice President, Chief Accounting Officer** | | |
| Date: | | | November 3, 2022 | | |  | | |  | | |

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