

PART II: FINANCIAL INFORMATION

Item 8: Financial Statements

eBay Inc.

CONSOLIDATED BALANCE SHEET

	December 31,	
	2017	2016
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,120	\$ 1,816
Short-term investments	3,743	5,333
Accounts receivable, net	695	592
Other current assets	1,185	1,134
Total current assets	7,743	8,875
Long-term investments	6,331	3,969
Property and equipment, net	1,597	1,516
Goodwill	4,773	4,501
Intangible assets, net	69	102
Deferred tax assets	5,195	4,608
Other assets	273	276
Total assets	\$ 25,981	\$23,847
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 781	\$ 1,451
Accounts payable	330	283
Accrued expenses and other current liabilities	2,134	1,893
Deferred revenue	117	110
Income taxes payable	177	110
Total current liabilities	3,539	3,847
Deferred tax liabilities	3,425	1,453
Long-term debt	9,234	7,509
Other liabilities	1,720	499
Total liabilities	17,918	13,308
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.001 par value; 3,580 shares authorized; 1,029 and 1,087 shares outstanding	2	2
Additional paid-in capital	15,293	14,907
Treasury stock at cost, 632 and 557 shares	(21,892)	(19,205)
Retained earnings	13,943	14,959
Accumulated other comprehensive income (loss)	717	(124)
Total stockholders' equity	8,063	10,539
Total liabilities and stockholders' equity	\$ 25,981	\$23,847

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

eBay Inc.
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,		
	2017	2016	2015
	(In millions, except per share amounts)		
Net revenues	\$ 9,567	\$8,979	\$8,592
Cost of net revenues	2,222	2,007	1,771
Gross profit	7,345	6,972	6,821
Operating expenses:			
Sales and marketing	2,515	2,368	2,267
Product development	1,224	1,114	923
General and administrative	1,031	900	1,122
Provision for transaction losses	272	231	271
Amortization of acquired intangible assets	38	34	41
Total operating expenses	5,080	4,647	4,624
Income from operations	2,265	2,325	2,197
Interest and other, net	11	1,326	209
Income from continuing operations before income taxes	2,276	3,651	2,406
Income tax benefit (provision)	(3,288)	3,634	(459)
Income (loss) from continuing operations	\$ (1,012)	\$7,285	\$ 1,947
Income (loss) from discontinued operations, net of income taxes	(4)	(19)	(222)
Net income (loss)	<u>\$ (1,016)</u>	<u>\$7,266</u>	<u>\$ 1,725</u>
Income (loss) per share – basic:			
Continuing operations	\$ (0.95)	\$ 6.43	\$ 1.61
Discontinued operations	–	(0.02)	(0.18)
Net income (loss) per share – basic	<u>\$ (0.95)</u>	<u>\$ 6.41</u>	<u>\$ 1.43</u>
Income (loss) per share – diluted:			
Continuing operations	\$ (0.95)	\$ 6.37	\$ 1.60
Discontinued operations	–	(0.02)	(0.18)
Net income (loss) per share – diluted	<u>\$ (0.95)</u>	<u>\$ 6.35</u>	<u>\$ 1.42</u>
Weighted average shares:			
Basic	1,064	1,133	1,208
Diluted	<u>1,064</u>	<u>1,144</u>	<u>1,220</u>

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

eBay Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(In millions)		
Cash flows from operating activities:			
Net income (loss)	\$ (1,016)	\$ 7,266	\$ 1,725
(Income) loss from discontinued operations, net of income taxes	4	19	222
Adjustments:			
Provision for transaction losses	272	231	271
Depreciation and amortization	676	682	687
Stock-based compensation	483	416	379
Gain on sale of business	(167)	—	—
Deferred income taxes	1,729	(4,556)	(32)
Loss (gain) on sale of investments and other, net	49	(1,236)	(195)
Excess tax benefits from stock-based compensation	—	(15)	(74)
Changes in assets and liabilities, net of acquisition effects			
Accounts receivable	(195)	(48)	(105)
Other current assets	(148)	23	(143)
Other non-current assets	19	94	143
Accounts payable	19	(28)	226
Accrued expenses and other liabilities	206	(130)	(202)
Deferred revenue	6	4	9
Income taxes payable and other tax liabilities	1,209	105	(34)
Net cash provided by continuing operating activities	3,146	2,827	2,877
Net cash provided by (used in) discontinued operating activities	—	(1)	1,156
Net cash provided by operating activities	3,146	2,826	4,033
Cash flows from investing activities:			
Purchases of property and equipment	(666)	(626)	(668)
Purchases of investments	(14,599)	(11,212)	(6,744)
Equity investment in Flipkart	(514)	—	—
Maturities and sales of investments	14,520	10,063	6,781
Acquisitions, net of cash acquired	(34)	(212)	(24)
Other	(3)	(21)	(18)
Net cash used in continuing investing activities	(1,296)	(2,008)	(673)
Net cash used in discontinued investing activities	—	—	(2,938)
Net cash used in investing activities	(1,296)	(2,008)	(3,611)
Cash flows from financing activities:			
Proceeds from issuance of common stock	120	102	221
Repurchases of common stock	(2,746)	(2,943)	(2,149)
Tax withholdings related to net share settlements of restricted stock awards and units	(219)	(121)	(245)
Proceeds from issuance of long-term debt, net	2,484	2,216	—
Repayment of debt	(1,452)	(20)	(850)
Other	29	22	63
Net cash used in continuing financing activities	(1,784)	(744)	(2,960)
Net cash provided by (used in) discontinued financing activities	—	—	(1,594)
Net cash used in financing activities	(1,784)	(744)	(4,554)
Effect of exchange rate changes on cash and cash equivalents	238	(90)	(364)
Net increase (decrease) in cash and cash equivalents	304	(16)	(4,496)
Cash and cash equivalents at beginning of period	1,816	1,832	6,328
Cash and cash equivalents at end of period	\$ 2,120	\$ 1,816	\$ 1,832
Supplemental cash flow disclosures:			
Cash paid for:			
Interest	\$ 285	\$ 220	\$ 175
Income taxes	\$ 308	\$ 492	\$ 256
Noncash investing activities:			
Sale of business in exchange for ownership interest in Flipkart	\$ 211	\$ —	\$ —

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