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EBAY INC
Form 10-Q
April 24, 2019

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us-gaap:InterestRateSwapMember us-gaap:FairValueHedgingMember

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us-gaap:DesignatedAsHedgingInstrumentMember 2019-03-31 0001065088 us-gaap:SeniorNotesMember 2018-12-31 0001065088 us-gaap:CommercialPaperMember 2019-03-31 0001065088 us-gaap:SeniorNotesMember 2017-10-01 2017-12-31 0001065088 us-gaap:SeniorNotesMember 2019-03-31 0001065088
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us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-03-31 0001065088

us-gaap:ForeignExchangeContractMember
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2019-02-28 xbrli:pure ebay:segment iso4217:USD ebay:tranche xbrli:shares iso4217:USD xbrli:shares

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number 001-37713

eBay Inc.

(Exact
name of
registrant as
specified in
its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0430924

(I.R.S. Employer
Identification Number)

2025 Hamilton Avenue

San Jose, California

(Address of principal executive offices) (Zip Code)

(408) 376-7008

(Registrant's telephone number, including area code)

95125

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, if any, 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

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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.

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 April 22, 2019, there were 871,527,401 shares of the registrant's common stock, \$0.001 par value, outstanding, which is the only class of common or voting stock of the registrant issued.

PART I: FINANCIAL INFORMATION**Item 1: Financial Statements****eBay Inc.****CONDENSED CONSOLIDATED BALANCE SHEET**

	March 31, 2019	December 31, 2018
	(In millions, except par value) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,695	\$ 2,202
Short-term investments	2,746	2,713
Accounts receivable, net	716	712
Other current assets	1,508	1,499
Total current assets	6,665	7,126
Long-term investments	2,969	3,778
Property and equipment, net	1,582	1,597
Goodwill	5,208	5,160
Intangible assets, net	108	92
Operating lease right-of-use assets	696	—
Deferred tax assets	4,710	4,792
Other assets	391	274
Total assets	\$ 22,329	\$ 22,819
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 1,550	\$ 1,546
Accounts payable	251	286
Accrued expenses and other current liabilities	2,418	2,335
Deferred revenue	174	170
Income taxes payable	107	117
Total current liabilities	4,500	4,454
Operating lease liabilities	547	—
Deferred tax liabilities	2,893	2,925
Long-term debt	7,700	7,685
Other liabilities	1,486	1,474
Total liabilities	17,126	16,538
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.001 par value; 3,580 shares authorized; 876 and 915 shares outstanding	2	2
Additional paid-in capital	15,785	15,716
Treasury stock at cost, 805 and 763 shares	(27,895)	(26,394)
Retained earnings	16,847	16,459
Accumulated other comprehensive income	464	498
Total stockholders' equity	5,203	6,281
Total liabilities and stockholders' equity	\$ 22,329	\$ 22,819

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

eBay Inc.**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

	Three Months Ended March 31,	
	2019	2018
	(In millions, except per share amounts) (Unaudited)	
Net revenues	\$2,643	\$2,580
Cost of net revenues	601	559
Gross profit	2,042	2,021
Operating expenses:		
Sales and marketing	742	756
Product development	297	334
General and administrative	309	270
Provision for transaction losses	72	72
Amortization of acquired intangible assets	13	10
Total operating expenses	1,433	1,442
Income from operations	609	579
Interest and other, net	64	(32)
Income before income taxes	673	547
Income tax provision	(152)	(140)
Income from continuing operations	521	407
Loss from discontinued operations, net of income taxes	(3)	—
Net income	\$518	\$407
Income per share - basic:		
Continuing operations	\$0.58	\$0.40
Discontinued operations	—	—
Net income per share - basic	\$0.58	\$0.40
Income per share - diluted:		
Continuing operations	\$0.57	\$0.40
Discontinued operations	—	—
Net income per share - diluted	\$0.57	\$0.40
Weighted-average shares:		
Basic	900	1,010
Diluted	908	1,029

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

eBay Inc.**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Three Months Ended March 31, 2019 2018 (In millions) (Unaudited)	
Net income	\$518	\$407
Other comprehensive income, net of reclassification adjustments:		
Foreign currency translation gain (loss)	(32)	132
Unrealized gains (losses) on investments, net	40	(36)
Tax benefit (expense) on unrealized gains (losses) on investments, net	(10)	10
Unrealized gains (losses) on hedging activities, net	(41)	(29)
Tax benefit (expense) on unrealized gains (losses) on hedging activities, net	9	6
Other comprehensive income/(loss), net of tax	(34)	83
Comprehensive income	\$484	\$490

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

eBay Inc.**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

	Three Months Ended March 31, 2019 2018 (In millions) (Unaudited)	
Common stock:		
Balance, beginning of period	\$2	\$2
Common stock issued	—	—
Common stock repurchased/forfeited	—	—
Balance, end of period	2	2
Additional paid-in-capital:		
Balance, beginning of period	15,716	15,293
Common stock and stock-based awards issued	3	9
Tax withholdings related to net share settlements of restricted stock units and awards	(54)	(60)
Stock-based compensation	121	120
Other	(1)	—
Balance, end of period	15,785	15,362
Treasury stock at cost:		
Balance, beginning of period	(26,394)	(21,892)
Common stock repurchased	(1,501)	(1,011)
Balance, end of period	(27,895)	(22,903)
Retained earnings:		
Balance, beginning of period	16,459	13,929
Net income	518	407
Dividends and dividend equivalents declared	(130)	—
Other	—	(1)
Balance, end of period	16,847	14,335
Accumulated other comprehensive income:		
Balance, beginning of period	498	717
Foreign currency translation adjustment	(32)	132
Change in unrealized gains (losses) on investments	40	(36)
Change in unrealized gains (losses) on derivative instruments	(41)	(29)
Tax benefit (provision) on above items	(1)	16
Balance, end of period	464	800
Total stockholders' equity	\$5,203	\$7,596
Dividends and dividend equivalents declared per share or restricted stock unit	\$0.14	\$—

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

eBay Inc.**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Three Months Ended March 31, 2019 2018 (In millions) (Unaudited)	
Cash flows from operating activities:		
Net income	\$ 518	\$ 407
Loss from discontinued operations, net of income taxes	3	—
Adjustments:		
Provision for transaction losses	72	72
Depreciation and amortization	169	179
Stock-based compensation	121	120
Loss on investments, net	1	3
Deferred income taxes	36	(29)
Change in fair value of warrant	(113)	—
Changes in assets and liabilities, net of acquisition effects	(257)	(257)
Net cash provided by operating activities	550	495
Cash flows from investing activities:		
Purchases of property and equipment	(182)	(158)
Purchases of investments	(11,926)	(4,794)
Maturities and sales of investments	12,747	6,650
Acquisitions, net of cash acquired	(93)	—
Other	12	—
Net cash provided by investing activities	558	1,698
Cash flows from financing activities:		
Proceeds from issuance of common stock	5	9
Repurchases of common stock	(1,431)	(1,009)
Payments for taxes related to net share settlements of restricted stock units and awards	(54)	(60)
Payments for dividends	(125)	—
Repayment of debt	—	(750)
Other	—	(15)
Net cash used in financing activities	(1,605)	(1,825)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10)	38
Net increase (decrease) in cash, cash equivalents and restricted cash	(507)	406
Cash, cash equivalents and restricted cash at beginning of period	2,219	2,140
Cash, cash equivalents and restricted cash at end of period	\$ 1,712	\$ 2,546
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ 107	\$ 117
Income taxes	\$ 93	\$ 77

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

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, StubHub and Classifieds platforms. Founded in 1995 in San Jose, Calif., 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” 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.

In the first quarter of 2019, we announced several organizational changes, including bringing our Marketplace geographic regions together under one global leadership team. We changed from one reportable segment to three reportable segments to reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. Our three reportable segments are Marketplace, StubHub and Classifieds. Marketplace includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. StubHub includes our online ticket platform located at www.stubhub.com, its localized counterparts and the StubHub mobile apps. Classifieds includes a collection of brands such as Mobile.de, Kijiji, Gumtree, Marktplaats, eBay Kleinanzeigen and others. Prior period information has been reclassified to conform to the current period segment presentation. For further information on our segments, refer to “Note 5 - Segments” to our condensed consolidated financial statements included in this report.

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, goodwill and the recoverability of 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 VIEs. Investments in entities where we hold at least a 20% ownership interest

and 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 interest and other, net and our investment balance is included in long-term investments. 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.

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, 2018. We have evaluated all subsequent events through the date these condensed consolidated financial statements were issued. In the opinion of management, these condensed

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Notwithstanding the additions of policies below for leases, 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, 2018.

Leases

We determine if an arrangement is a lease or contains a lease at inception. Operating and finance lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the discount rate for the lease at the commencement date. As the rate implicit in the lease is not readily determinable for our operating leases, we generally use an incremental borrowing rate based on information available at the commencement date to determine the present value of future lease payments. Operating right-of-use (“ROU”) assets and finance lease assets are generally recognized based on the amount of the initial measurement of the lease liability. Our leases have remaining lease terms of up to ten years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. Lease expense is recognized on a straight-line basis over the lease term. We account for lease and non-lease components as a single lease component for our data center leases. Lease and non-lease components for all other leases are accounted for separately.

Operating leases are included in operating lease right-of-use assets, other current liabilities and operating lease liabilities on our condensed consolidated balance sheets. Finance leases are included in property and equipment, net, short-term debt, and long-term debt on our condensed consolidated balance sheet.

Recently Adopted Accounting Pronouncements

In 2016, the FASB issued new guidance related to accounting for leases. The new guidance requires the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. We adopted this guidance in the first quarter of 2019 using the modified retrospective approach, electing the package of practical expedients, and the practical expedient to not separate lease and nonlease components for data center operating leases. We also elected the optional transition method that permits adoption of the new standard prospectively, as of the effective date, without adjusting comparative periods presented. Adoption of the standard resulted in the recognition of \$728 million of ROU assets and \$744 million of lease liabilities on our consolidated balance sheet at adoption related to office space, data and fulfillment centers, and other corporate assets. The difference of \$16 million represented deferred rent for leases that existed as of the date of adoption, which was an offset to the opening balance of right-of-use assets. The adoption of the standard on January 1, 2019 did not have a material impact on our consolidated statements of income, stockholders’ equity and cash flows.

In 2017, the FASB issued new guidance that will shorten the amortization period for certain callable debt securities held at a premium to the earliest call date to more closely align with expectations incorporated in market pricing. The new guidance will not impact debt securities held at a discount. Adoption of this standard was made on a modified retrospective basis through a cumulative-effect adjustment directly to

retained earnings as of the beginning of the period of adoption. This standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods. The adoption of the standard in the first quarter of 2019 did not have a material impact on our consolidated financial statements at adoption.

In 2018, the FASB issued new guidance to simplify the accounting for nonemployee share-based payment transactions by expanding the scope of ASC Topic 718, *Compensation - Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees. Under the new standard, most of the guidance on stock compensation payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. This standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods. The adoption of the standard in the first quarter of 2019 did not have an impact on our consolidated financial statements.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In 2018, the FASB issued guidance to permit use of the Overnight Index Swap (“OIS”) rate as a U.S. benchmark interest rate for hedge accounting purposes in addition to the UST, the London InterBank Offered Rate (“LIBOR”) swap rate, the OIS rate based on the Fed Funds Effective Rate, and the Securities Industry and Financial Market Association Municipal Swap Rate. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods. The adoption of the standard in the first quarter of 2019 did not have a material impact on our consolidated financial statements at adoption.

Recent Accounting Pronouncements Not Yet Adopted

In 2016, the FASB issued new guidance that requires credit losses on financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, not based on incurred losses. Further, credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited to the amount by which fair value is below amortized cost. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. We are evaluating the impact of adopting this new accounting guidance on our consolidated financial statements.

In 2017, the FASB issued new guidance to simplify the subsequent measurement of goodwill by removing the requirement to perform a hypothetical purchase price allocation to compute the implied fair value of goodwill to measure impairment. Instead, any goodwill impairment will equal the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Further, the guidance eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. This standard is effective for annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019, with early adoption permitted for impairment tests performed after January 1, 2017. We are evaluating the impact of adopting this new accounting guidance on our consolidated financial statements.

In 2018, the FASB issued new guidance on a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement that is hosted by the vendor (i.e., a service contract). Under the new guidance, customers will apply the same criteria for capitalizing implementation costs as they would for an arrangement that has a software license. This standard will be effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those fiscal years, with early adoption permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In 2018, the FASB issued new guidance to clarify the interaction between Collaborative Arrangements and Revenue from Contracts with Customers standards. The guidance (1) clarifies that certain transactions between collaborative arrangement participants should be accounted under revenue guidance; (2) adds unit of account guidance to the collaborative arrangement guidance to align with the revenue standard; and (3) clarifies presentation guidance for transactions with a collaborative arrangement participant that is not accounted for under the revenue standard. The guidance is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual reporting periods, with early adoption permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Note 2 — Net Income 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 sets forth the computation of basic and diluted net income (loss) per share for the three months ended March 31, 2019 and 2018 (in millions, except per share amounts):

	Three Months Ended March 31,	
	2019	2018
Numerator:		
Income from continuing operations	\$521	\$407
Loss from discontinued operations, net of income taxes	(3)	—
Net income	\$518	\$407
Denominator:		
Weighted average shares of common stock - basic	900	1,010
Dilutive effect of equity incentive awards	8	19
Weighted average shares of common stock - diluted	908	1,029
Income per share - basic:		
Continuing operations	\$0.58	\$0.40
Discontinued operations	—	—
Net income per share - basic	\$0.58	\$0.40
Income per share - diluted:		
Continuing operations	\$0.57	\$0.40
Discontinued operations	—	—
Net income per share - diluted	\$0.57	\$0.40
Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive	11	1

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Note 3 – Business Combinations***Business Combinations*

In February 2019, we completed our acquisition of the U.K.-based classifieds site, Motors.co.uk for \$93 million in cash. We believe the acquisition will increase our international presence and give buyers access to more listings.

The aggregate purchase consideration was allocated as follows (in millions):

	Motors.co.uk
Goodwill	\$ 65
Purchased intangible assets	30
Net liabilities	(2)
Total	\$ 93

These allocations were prepared on a preliminary basis and changes to these allocations may occur as additional information becomes available. We assigned the goodwill to our Classifieds segment. The goodwill recognized is primarily attributable to expected synergies and the assembled workforce of Motors.co.uk. We generally do not expect goodwill to be deductible for income tax purposes.

Our condensed consolidated financial statements include the operating results of Motors.co.uk from the date of acquisition. Separate post acquisition operating results and pro forma results of operations for this acquisition have not been presented as the effect of the acquisition is not material to our financial results.

Note 4 — Goodwill and Intangible Assets*Goodwill*

The following table presents goodwill activity by reportable segment during the three months ended March 31, 2019 (in millions):

	December 31, 2018	Goodwill Acquired	Adjustments	March 31, 2019
Marketplace	\$ 4,594	\$ —	\$ (12)	\$ 4,582
StubHub	227	—	(2)	225
Classifieds	339	65	(3)	401
Total	\$ 5,160	\$ 65	\$ (17)	\$ 5,208

The adjustments to goodwill during the three months ended March 31, 2019 were primarily due to foreign currency translation.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Intangible Assets**

The components of identifiable intangible assets as of March 31, 2019 and December 31, 2018 are as follows (in millions, except years):

	March 31, 2019				December 31, 2018			
	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	\$ 537	\$ (452)	\$ 85	5	\$ 519	\$ (445)	\$ 74	5
Marketing related	584	(575)	9	5	584	(578)	6	5
Developed technologies	282	(271)	11	3	278	(269)	9	3
All other	160	(157)	3	4	160	(157)	3	4
Total	\$ 1,563	\$ (1,455)	\$ 108		\$ 1,541	\$ (1,449)	\$ 92	

Amortization expense for intangible assets was \$15 million and \$16 million for the three months ended March 31, 2019 and 2018, respectively.

Expected future intangible asset amortization as of March 31, 2019 is as follows (in millions):

Remaining 2019	\$ 43
2020	44
2021	18
2022	2
2023	1
Total	\$ 108

Note 5 — Segments

In the first quarter of 2019, we announced several organizational changes, including bringing our Marketplace geographic regions together under one global leadership team. We changed from one reportable segment to three reportable segments to reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. Our three reportable segments are Marketplace, StubHub and Classifieds. Marketplace includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. StubHub includes our online ticket platform located at www.stubhub.com, its localized counterparts and the StubHub mobile apps. Classifieds includes a collection of brands such as mobile.de, Kijiji, Gumtree, Marktplaats, eBay Kleinanzeigen and others. The accounting policies of our segments are the same as those described in *Note 1. The Company and Summary of Significant Accounting Policies*. Prior period segment information has been reclassified to conform to the current period segment presentation.

Our reportable segments reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. Our CODM reviews revenue and operating income (loss) for each reportable segment. Our CODM does not evaluate reportable segments using asset information. Corporate and other costs includes: (i) corporate management costs, such as human resources, finance

and legal, that are not allocated to our segments; (ii) amortization of intangible assets; (iii) restructuring charges; (iv) stock-based compensation; and (v) results of operations of various initiatives that support all of our reportable segments.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Segment net revenue and operating income for the three months ended March 31, 2019 and 2018 were as follows (in millions):

	Three Months Ended March 31,	
	2019	2018
Net Revenues		
Marketplace		
Net transaction revenues	\$1,885	\$1,792
Marketing services and other revenues	277	310
Total Marketplace	2,162	2,102
StubHub		
Net transaction revenues	223	231
Marketing services and other revenues	7	1
Total StubHub	230	232
Classifieds ⁽¹⁾	256	246
Elimination of inter-segment net revenue ⁽²⁾	(5)	—
Total consolidated net revenue	\$2,643	\$2,580
Operating income (loss)		
Marketplace	\$772	\$688
StubHub	26	31
Classifieds	92	87
Corporate and other costs	(281)	(227)
Total operating income	609	579
Interest and other, net	64	(32)
Income before income taxes	\$673	\$547

(1) Classifieds net revenues consists entirely of marketing services and other revenue.

(2) Represents revenue generated between our reportable segments.

The following table summarizes the allocation of net revenues based on geography for the three months ended March 31, 2019 and 2018 (in millions):

	Three Months Ended March 31,	
	2019	2018
U.S.	\$1,058	\$1,074
Germany	384	392
United Kingdom	356	356
South Korea	298	283
Rest of world	547	475
Total net revenues	\$2,643	\$2,580

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.

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 as of March 31, 2019 and December 31, 2018 (in millions):

	March 31, 2019			Estimated Fair Value
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Short-term investments:				
Restricted cash	\$ 17	\$ —	\$ —	\$ 17
Corporate debt securities	2,733	1	(5)	2,729
	\$ 2,750	\$ 1	\$ (5)	\$ 2,746
Long-term investments:				
Corporate debt securities	2,827	3	(15)	2,815
	\$ 2,827	\$ 3	\$ (15)	\$ 2,815
	December 31, 2018			Estimated Fair Value
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Short-term investments:				
Restricted cash	\$ 17	\$ —	\$ —	\$ 17
Corporate debt securities	2,615	—	(9)	2,606
Government and agency securities	90	—	—	90
	\$ 2,722	\$ —	\$ (9)	\$ 2,713
Long-term investments:				
Corporate debt securities	3,682	1	(48)	3,635
	\$ 3,682	\$ 1	\$ (48)	\$ 3,635

Investment securities in a continuous loss position for less than 12 months had an estimated fair value of \$1.3 billion and an immaterial amount of unrealized losses of as of March 31, 2019, and an estimated fair value of \$2.9 billion and an immaterial amount of unrealized losses as of December 31, 2018. Investment securities in a continuous loss position for greater than 12 months had an estimated fair value of \$2.6 billion and an immaterial amount of unrealized losses as of March 31, 2019 and an estimated fair value of \$2.7 billion and unrealized losses of \$41 million as of December 31, 2018. Refer to “Note 16 - Accumulated Other Comprehensive Income” for amounts reclassified to earnings from unrealized gains and losses.

The estimated fair values of our short-term and long-term investments classified as available-for-sale by date of contractual maturity as of March 31, 2019 are as follows (in millions):

	March 31, 2019
One year or less (including restricted cash of \$17)	\$ 2,746
One year through two years	1,597
Two years through three years	792
Three years through four years	426
	\$ 5,561

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)*****Equity investments***

Our equity investments are reported in long-term investments on our condensed consolidated balance sheet. The following table provides a summary of our equity investments as of March 31, 2019 and December 31, 2018 (in millions):

	March 31, 2019	December 31, 2018
Equity investments without readily determinable fair values	\$ 137	\$ 137
Equity investments under the equity method of accounting	17	6
Total equity investments	\$ 154	\$ 143

The following table summarizes the change in total carrying value during the three months ended March 31, 2019 and 2018 related to equity investments without readily determinable fair values still held at March 31, 2019 and 2018 (in millions):

	Three Months Ended March 31, 2019 2018	
Carrying value, beginning of period	\$137	\$872
Foreign currency translation and other	—	18
Carrying value, end of period	\$137	\$890

For such equity investments without readily determinable fair values still held at March 31, 2019, cumulative downward adjustments for price changes and impairment was \$81 million. There have been no upward adjustments for price changes to our equity investments without readily determinable fair values still held at March 31, 2019.

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 18 months. The objective of the foreign exchange contracts is to better 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.

We use interest rate swaps to manage interest rate risk on our fixed rate notes issued in July 2014 and maturing in 2019, 2021 and 2024. These interest rate swaps had the economic effect of modifying the fixed

interest obligations associated with \$2.4 billion of these notes so that the interest payable on these senior notes effectively became variable based on London InterBank Offered Rate (“LIBOR”) plus a spread. The duration of these interest rate contracts matches the duration of the fixed rate notes due 2019, 2021 and 2024.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)*****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 accumulated other comprehensive income ("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 March 31, 2019, we have estimated that approximately \$29 million of net derivative gain related to our cash flow hedges included in accumulated other comprehensive income will be reclassified into earnings within the next 12 months.

Net Investment Hedges

For derivative instruments that are designated as net investment hedges, the derivative's gain or loss is initially reported in the translation adjustments component of AOCI and is reclassified to net earnings in the period in which the hedged subsidiary is either sold or substantially liquidated.

Fair Value Hedges

We have designated the interest rate swaps used to manage interest rate risk on our fixed rate notes issued in July 2014 and maturing in 2019, 2021 and 2024 as qualifying hedging instruments and are accounting for them as fair value hedges. These transactions are designated as fair value hedges for financial accounting purposes because they protect us against changes in the fair value of certain of our fixed rate borrowings due to benchmark interest rate movements. Changes in the fair values of these interest rate swap agreements are recognized in other assets or other liabilities with a corresponding increase or decrease in long-term debt. Each quarter we pay interest based on LIBOR plus a spread to the counterparty and on a semi-annual basis receive interest from the counterparty per the fixed rate of these senior notes. The net amount is recognized as interest expense in interest and other, net.

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 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.

Warrant

We entered into a warrant agreement in conjunction with a commercial agreement with a service provider that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of the service provider's fully diluted issued and outstanding share capital at a specific date. The warrant has a term of seven years and will vest in a series of four tranches, at a specified price per share upon meeting significant processing volume milestone targets on a calendar year basis. If and when the 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.

The warrant is accounted for as a derivative under ASC Topic 815, *Derivatives and Hedging*. We report the warrant at fair value within other assets in our condensed consolidated balance sheets and changes in the fair value of the warrant are recognized in interest and other, 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 will be amortized over the life of the commercial arrangement.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value of Derivative Contracts

The fair values of our outstanding derivative instruments as of March 31, 2019 and December 31, 2018 were as follows (in millions):

	Balance Sheet Location	March 31, 2019	December 31, 2018
Derivative Assets:			
Foreign exchange contracts designated as cash flow hedges	Other Current Assets	\$ 37	\$ 72
Foreign exchange contracts designated as net investment hedges	Other Current Assets	5	—
Foreign exchange contracts not designated as hedging instruments	Other Current Assets	16	38
Warrant	Other Assets	261	148
Foreign exchange contracts designated as cash flow hedges	Other Assets	8	4
Interest rate contracts designated as fair value hedges	Other Assets	7	—
Total derivative assets		\$ 334	\$ 262
Derivative Liabilities:			
Foreign exchange contracts designated as cash flow hedges	Other Current Liabilities	\$ 1	\$ —
Foreign exchange contracts designated as net investment hedges	Other Current Liabilities	—	1
Interest rate contracts designated as fair value hedges	Other Current Liabilities	4	7
Foreign exchange contracts not designated as hedging instruments	Other Current Liabilities	17	30
Interest rate contracts designated as fair value hedges	Other Liabilities	5	10
Total derivative liabilities		\$ 27	\$ 48
Total fair value of derivative instruments		\$ 307	\$ 214

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 March 31, 2019, the potential effect of rights of set-off associated with the foreign exchange contracts would be an offset to both assets and liabilities by \$17 million, resulting in net derivative assets of \$49 million and net derivative liabilities of \$1 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 March 31, 2019 and December 31, 2018, and the impact of these derivative contracts on AOCI for the three months ended March 31, 2019 and 2018 (in millions):

	December 31, 2018	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Amount of Gain (Loss) Reclassified From AOCI to Earnings	March 31, 2019
Foreign exchange contracts designated as cash flow hedges	\$ 68	\$ (21)	\$ 20	\$ 27

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2017	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Amount of Gain (Loss) Reclassified From AOCI to Earnings	March 31, 2018
Foreign exchange contracts designated as cash flow hedges	\$ (57)	\$ (57)	\$ (28)	\$ (86)

Effect of Derivative Contracts on Condensed Consolidated Statement of Income

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income from our foreign exchange derivative contracts by location (in millions):

	Three Months Ended March 31, 2019 2018	
Foreign exchange contracts designated as cash flow hedges recognized in net revenues	\$20	\$(28)
Foreign exchange contracts not designated as hedging instruments recognized in interest and other, net	(5)	(2)
Total gain (loss) recognized from foreign exchange derivative contracts in the condensed consolidated statement of income	\$15	\$(30)

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income from our interest rate derivative contracts by location (in millions):

	Three Months Ended March 31, 2019 2018	
Gain (loss) from interest rate contracts designated as fair value hedges recognized in interest and other, net	\$15	\$(30)
Gain (loss) from hedged items attributable to hedged risk recognized in interest and other, net	(15)	30
Total gain (loss) recognized from interest rate derivative contracts in the condensed consolidated statement of income	\$—	\$—

The following table provides a summary of the total gain recognized in the condensed consolidated statement of income due to changes in the fair value of the warrant (in millions):

	Three Months Ended March 31, 2019 2018	
Gain attributable to changes in the fair value of warrant recognized in interest and other, net	\$113	\$ —

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)*****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 provides the notional amounts of our outstanding derivatives as of March 31, 2019 and December 31, 2018 (in millions):

	March 31,	December 31,
	2019	2018
Foreign exchange contracts designated as cash flow hedges	\$ 1,678	\$ 1,510
Foreign exchange contracts designated as net investment hedges	300	804
Foreign exchange contracts not designated as hedging instruments	2,698	3,517
Interest rate contracts designated as fair value hedges	2,400	2,400
Total	\$ 7,076	\$ 8,231

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. As of March 31, 2019, we had neither pledged nor received collateral related to our interest rate derivative transactions.

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 March 31, 2019 and December 31, 2018 (in millions):

	March 31,	Quoted Prices in	Significant Other	Significant
	2019	Active Markets for	Observable Inputs	Unobservable Inputs
		Identical Assets	(Level 2)	(Level 3)
		(Level 1)		
Assets:				
Cash and cash equivalents	\$ 1,695	\$ 1,630	\$ 65	\$ —
Short-term investments:				
Restricted cash	17	17	—	—
Corporate debt securities	2,729	—	2,729	—
Total short-term investments	2,746	17	2,729	—
Derivatives	334	—	73	261
Long-term investments:				
Corporate debt securities	2,815	—	2,815	—

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Total long-term investments	2,815	—	2,815	—
Total financial assets	\$ 7,590	\$ 1,647	\$ 5,682	\$ 261
Liabilities:				
Derivatives	\$ 27	\$ —	\$ 27	\$ —

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2018	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	\$ 2,202	\$ 2,052	\$ 150	\$ —
Short-term investments:				
Restricted cash	17	17	—	—
Corporate debt securities	2,606	—	2,606	—
Government and agency securities	90	—	90	—
Total short-term investments	2,713	17	2,696	—
Derivatives	262	—	114	148
Long-term investments:				
Corporate debt securities	3,635	—	3,635	—
Total long-term investments	3,635	—	3,635	—
Total financial assets	\$ 8,812	\$ 2,069	\$ 6,595	\$ 148
Liabilities:				
Derivatives	\$ 48	\$ —	\$ 48	\$ —

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 March 31, 2019.

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; the service provider'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 assumptions with respect to meeting the 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.

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.

The following table presents a reconciliation of the opening to closing balance of assets measured using significant unobservable inputs (Level 3) as of March 31, 2019 (in millions):

	March 31, 2019
Opening balance as of January 1, 2019	\$ 148

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Change in fair value	113
Closing balance as of March 31, 2019	\$ 261

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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 (in millions, except percentages):

	Coupon Rate	As of March 31, 2019	Effective Interest Rate	As of December 31, 2018	Effective Interest Rate
Long-Term Debt					
Floating Rate Notes:					
Senior notes due 2019	LIBOR plus 0.48%	\$ 400	3.319 %	\$ 400	3.123 %
Senior notes due 2023	LIBOR plus 0.87%	400	3.730 %	400	3.499 %
Fixed Rate Notes:					
Senior notes due 2019	2.200%	1,150	2.346 %	1,150	2.346 %
Senior notes due 2020	3.250%	500	3.389 %	500	3.389 %
Senior notes due 2020	2.150%	500	2.344 %	500	2.344 %
Senior notes due 2021	2.875%	750	2.993 %	750	2.993 %
Senior notes due 2022	3.800%	750	3.989 %	750	3.989 %
Senior notes due 2022	2.600%	1,000	2.678 %	1,000	2.678 %
Senior notes due 2023	2.750%	750	2.866 %	750	2.866 %
Senior notes due 2024	3.450%	750	3.531 %	750	3.531 %
Senior notes due 2027	3.600%	850	3.689 %	850	3.689 %
Senior notes due 2042	4.000%	750	4.114 %	750	4.114 %
Senior notes due 2056	6.000%	750	6.547 %	750	6.547 %
Total senior notes		9,300		9,300	
Hedge accounting fair value adjustments		2		(10))
Unamortized discount and debt issuance costs		(52)	)	(55))
Less: Current portion of long-term debt		(1,550)	)	(1,550))
Total long-term debt		7,700		7,685	
Short-Term Debt					
Current portion of long-term debt		1,550		1,550	
Hedge accounting fair value adjustments		(4)	)	(7))
Unamortized discount and debt issuance costs		(1)	)	(1))
Other short-term borrowings		5		4	
Total short-term debt		1,550		1,546	
Total Debt		\$ 9,250		\$ 9,231	

Senior Notes

None of the floating rate notes are redeemable prior to maturity. On and after March 1, 2021, we may redeem some or all of the 6.000% fixed rate notes due 2056 at any time and from time to time prior to their maturity at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. 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.

If a change of control triggering event occurs with respect to the 2.150% fixed rate notes due 2020, the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 3.600% fixed rate notes due 2027 or the 6.000% fixed rate notes due 2056, 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.

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

To help achieve our interest rate risk management objectives, in connection with the previous issuance of certain senior notes, we entered into interest rate swap agreements that effectively converted \$2.4 billion of our fixed rate notes to floating rate debt based on LIBOR plus a spread. These swaps were designated as fair value hedges against changes in the fair value of certain fixed rate senior notes resulting from changes in interest rates. The gains and losses related to changes in the fair value of interest rate swaps substantially offset changes in the fair value of the hedged portion of the underlying debt that are attributable to changes in market interest rates.

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 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 \$80 million and \$81 million during the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019 and December 31, 2018, the estimated fair value of these senior notes, using Level 2 inputs, was approximately \$9.2 billion and \$9.0 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 March 31, 2019, there were no commercial paper notes outstanding.

Credit Agreement

As of March 31, 2019, 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 therefore maintain \$1.5 billion of 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. As a result, \$500 million of borrowing capacity was available as of March 31, 2019 for other purposes permitted by the credit agreement. The credit agreement includes customary representations, warranties, affirmative and negative covenants, including financial covenants, events of default and indemnification provisions in favor of the banks. The negative covenants include restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to certain exceptions. The financial covenants require us to meet a quarterly financial test with respect to a minimum consolidated interest coverage ratio and a maximum consolidated leverage ratio. The events of default include the occurrence of a change of control (as defined in the credit agreement) with respect to us.

We were in compliance with all covenants in our outstanding debt instruments during the three months ended March 31, 2019.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Note 10 — Leases**

We have operating leases for office space, data and fulfillment centers, and other corporate assets that we utilize under lease arrangements.

The following table provides a summary of leases by balance sheet location as of March 31, 2019 (in millions):

	Balance Sheet Location	As of March 31, 2019
Assets		
Operating	Operating lease right-of-use assets	\$ 696
Total leased assets		\$ 696
Liabilities		
Operating - current	Accrued expenses and other current liabilities	\$ 169
Operating - noncurrent	Operating lease liabilities	547
Total lease liabilities		\$ 716

The components of lease expense for the three months ended March 31, 2019 were as follows (in millions):

Lease Costs	Statement of Income Location	Three Months Ended March 31, 2019
Operating lease cost ⁽¹⁾	Cost of net revenues, Sales and marketing, Product development and General and administrative expenses	\$ 52
Total lease cost		\$ 52

(1) Includes variable lease payments and sublease income that were immaterial during the three months ended March 31, 2019.

Maturity of lease liabilities under our non-cancelable operating leases as of March 31, 2019 are as follows (in millions):

	Operating
Remaining 2019	\$ 149
2020	157
2021	146
2022	131
2023	89
Thereafter	119
Total lease payments	791
Less interest	(75)
Present value of lease liabilities	\$ 716

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Future minimum rental payments under our non-cancelable operating leases as of December 31, 2018 were as follows (in millions):

	Leases (1)
2019	\$ 136
2020	104
2021	91
2022	76
2023	51
Thereafter	119
Total minimum lease payments	\$ 577

(1) Amounts are based on ASC 840, *Leases* that was superseded upon our adoption of ASC 842, *Leases* on January 1, 2019.

Following table provides a summary of our lease terms and discount rates for the three months ended March 31, 2019:

	Three Months Ended March 31, 2019
Weighted Average Remaining Lease Term	
Operating leases	5.14 years
Weighted Average Discount Rate	
Operating leases	3.50 %

Supplemental information related to our leases for the three months ended March 31, 2019 is as follows (in millions):

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 50
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	\$ 18

Note 11 – Balance Sheet Components***Contract Balances***

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 and other factors that may affect our customers' ability to pay. The allowance for doubtful accounts and authorized credits was \$113 million and \$106 million as of March 31, 2019 and December 31, 2018, respectively.

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 three month period ended March 31, 2019 that was included in the deferred revenue balance at the beginning of the period was \$86 million. The amount of revenue recognized for the three month period ended March 31, 2018 that was included in the deferred revenue balance at the beginning of the period was \$86 million.

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 12 — Commitments and Contingencies

Off-Balance Sheet Arrangements

As of March 31, 2019, 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 March 31, 2019, we had a total of \$3.2 billion in aggregate cash deposits, partially offset by \$3.1 billion 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 Note 12, 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 months ended March 31, 2019. Except as otherwise noted for the proceedings described in this Note 12, 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.

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.

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

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.

Note 13 — 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.

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In January 2018, our Board authorized a \$6.0 billion stock repurchase program and in January 2019, our Board authorized an additional \$4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization. The stock repurchase activity under our stock repurchase programs during the three months ended March 31, 2019 is summarized as follows (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, 2019				\$ 3,151
Authorization of additional plan in January 2019				4,000
Repurchase of shares of common stock	42	\$ 35.90	\$ 1,500	(1,500)
Balance as of March 31, 2019				\$ 5,651

(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.

Dividends

The company paid a total of \$125 million in cash dividends during the three months ended March 31, 2019. In April 2019, our Board of Directors declared a cash dividend of \$0.14 per share of common stock to be paid on June 20, 2019 to shareholders of record as of June 1, 2019.

Note 14 — Employee Benefit Plans**Restricted Stock Unit Activity**

The following table presents restricted stock unit (“RSU”) activity (including performance-based RSUs that have been earned) under our equity incentive plans as of and for the three months ended March 31, 2019 (in millions):

	Units
Outstanding as of January 1, 2019	34
Awarded	1
Vested	(4)
Forfeited	(3)
Outstanding as of March 31, 2019	28

The weighted average grant date fair value for RSUs awarded during the three months ended March 31, 2019 was \$34.78 per share.

Stock-Based Compensation Expense

The impact on our results of operations of recording stock-based compensation expense for the three months ended March 31, 2019 and 2018 was as follows (in millions):

	Three Months Ended March 31, 2019 2018	
Cost of net revenues	\$14	\$13
Sales and marketing	23	25
Product development	45	45
General and administrative	39	37
Total stock-based compensation expense	\$121	\$120
Capitalized in product development	\$3	\$3

eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Note 15 — 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 2008 to 2016 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 2007 include, among others, the U.S. (Federal and California), Germany, Korea, Israel, 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. 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 do expect the gross amount of unrecognized tax benefits to be reduced within the next twelve months by at least \$191 million.

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion invalidating the regulations relating to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. A final decision was issued by the Tax Court in December 2015. The IRS appealed the decision in June 2016. On July 24, 2018, the Ninth Circuit Federal Court issued a decision that was subsequently withdrawn and a reconstituted panel has conferred on the appeal. No decision had been made at the time of the release of these financial statements. Due to the uncertainty surrounding the status of the current regulations, questions related to the scope of potential benefits or obligations, and the risk of the Tax Court's decision being overturned upon appeal, we have not recorded any benefit or expense as of March 31, 2019. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

Note 16 — Accumulated Other Comprehensive Income

The following tables summarize the changes in AOCI for the three months ended March 31, 2019 and 2018 (in millions):

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of December 31, 2018	\$ 68	\$ (56)	\$ 462	\$ 24	\$ 498
Other comprehensive income (loss) before reclassifications	(21)	40	(32)	(5)	(18)
Less: Amount of gain (loss) reclassified from AOCI	20	—	—	(4)	16
Net current period other comprehensive income (loss)	(41)	40	(32)	(1)	(34)
Balance as of March 31, 2019	\$ 27	\$ (16)	\$ 430	\$ 23	\$ 464

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of December 31, 2017	\$ (57)	\$ (15)	\$ 748	\$ 41	\$ 717

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Other comprehensive income (loss) before reclassifications	(57)	(37)	132	22	60
Less: Amount of gain (loss) reclassified from AOCI	(28	)	(1	)	—	6	(23)
Net current period other comprehensive income (loss)	(29)	(36)	132	16	83
Balance as of March 31, 2018	\$ (86)	\$ (51)	\$ 880	\$ 57	\$800

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eBay Inc.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table provides a summary of reclassifications out of AOCI for the three months ended March 31, 2019 and 2018 (in millions):

Details about AOCI Components	Affected Line Item in the Statement of Income	Amount of Gain (Loss) Reclassified From AOCI Three Months Ended March 31,	
		2019	2018
Gains (losses) on cash flow hedges - foreign exchange contracts	Net Revenues	\$ 20	\$(28)
	Total, from continuing operations before income taxes	20	(28)
	Provision for income taxes	(4)	6
	Total, net of income taxes	16	(22)
Unrealized gains (losses) on investments	Interest and other, net	—	(1)
	Total, net of income taxes	—	(1)
Total reclassifications for the period	Total, net of income taxes	\$ 16	\$(23)

Note 17 — Restructuring

The following table summarizes restructuring reserve activity during the three months ended March 31, 2019 (in millions):

	Employee Severance and Benefits
Accrued liability as of January 1, 2019	\$ 8
Charges	38
Payments	(29)
Accrued liability as of March 31, 2019	\$ 17

In February 2019, management approved a plan to drive operational improvement that included the reduction of workforce, primarily in our Marketplace segment. We incurred pre-tax restructuring charges of approximately \$38 million, which were primarily related to employee severance and benefits. The reduction was substantially completed in the first quarter of 2019. Restructuring charges are included in general and administrative expenses in the condensed consolidated statement of income.

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, new or planned features or services, or management strategies). You can 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 II - Item 1A: Risk Factors” of this Quarterly Report on Form 10-Q 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.

OVERVIEW

Business

eBay Inc. is a global commerce leader, which includes our Marketplace, StubHub and Classifieds platforms. Founded in 1995 in San Jose, Calif., 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” 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.

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 increased 2% to \$2.6 billion during the three months ended March 31, 2019 compared to the same period in 2018. FX-Neutral net revenue increased 4% during the three months ended March 31, 2019 compared to the same period in 2018. Operating margin increased to 23.0% for the three months ended March 31, 2019 compared to 22.5% for the same period in 2018. Diluted earnings per share increased to \$0.57 during the three months ended March 31, 2019 compared to \$0.40 in the same period in 2018.

We generated cash flow from continuing operating activities of \$550 million during the three months ended March 31, 2019 compared to \$495 million in the same period in 2018. During the three months ended March 31, 2019, we also completed the acquisition of the U.K.-based classifieds site, Motors.co.uk for \$93 million in cash and paid \$125 million in cash dividends.

In the first quarter of 2019, we announced several organizational changes, including bringing our Marketplace geographic regions together under one global leadership team. We changed from one reportable segment to three reportable segments to reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. Our three reportable segments are Marketplace, StubHub and Classifieds. Marketplace includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. StubHub includes our online ticket platform located at www.stubhub.com, its localized counterparts and the StubHub mobile apps. Classifieds includes a collection of brands such as Mobile.de, Kijiji, Gumtree, Marktplaats, eBay Kleinanzeigen and others. Prior period segment information has been reclassified to conform to the current period segment presentation. Refer to “Note 5 - Segments” for further information on our segments.

We also announced several new initiatives with the goal of positioning eBay for ongoing success and value creation. These initiatives include an operating review and the commencement of a strategic review of our portfolio of assets, including StubHub and Classifieds.

RESULTS OF OPERATIONS

Net Revenues

Seasonality

We expect transaction activity patterns on our platforms to mirror general consumer buying patterns and expect that these trends will continue. All of our segments have seasonal cadences that impact their revenues and margins. The following table sets forth sequential quarterly movements of our total net revenues for the periods presented (in millions, except percentages):

	Quarter Ended			
	March 31	June 30	September 30	December 31
2017				
Net revenues	\$2,303	\$2,419	\$2,498	\$2,707
% change from prior quarter	(7)	)% 5	% 3	% 8
	%		%	%
2018				
Net revenues	\$2,580	\$2,640	\$2,649	\$2,877
% change from prior quarter	(5))% 2	% 0	% 9
	%		%	%
2019				

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Net revenues \$2,643
% change from prior quarter (8)%

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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 presented (in millions, except percentages):

	Three Months Ended March 31,		% Change
	2019	2018	As Reported
U.S.	\$1,058	\$1,074	(2)%
<i>Percentage of net revenues</i>	<i>40</i>	<i>% 42</i>	<i>%</i>
International	1,585	1,506	5%
<i>Percentage of net revenues</i>	<i>60</i>	<i>% 58</i>	<i>%</i>
Total net revenues	\$2,643	\$2,580	2%

Our commerce platforms operate globally, resulting in certain revenues that are denominated in foreign currencies, including the euro, British pound, Korean won and Australian dollar. In addition, as shown in the table above, we generate a majority of our net revenues internationally. Because of these factors, we are subject to the risks related to doing business in foreign countries as discussed under “Part II - Item 1A: Risk Factors.”

Net revenues included \$20 million of hedging gains during the three months ended March 31, 2019 as compared to \$28 million of hedging losses during the same period in 2018. The hedging activity in net revenues specifically relates to hedges of net transaction revenues generated by our Marketplace segment. Foreign currency movements relative to the U.S. dollar had an unfavorable impact of \$68 million on net revenues during the three months ended March 31, 2019 compared to a favorable impact of \$109 million during the same period in 2018. The effect of foreign currency exchange rate movements during the three months ended March 31, 2019 compared to the same period in 2018 was primarily attributable to the strengthening of the U.S. dollar against the euro, British pound and Korean won.

Net Revenues by Type and Segment

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 Marketplace platforms and final value fees from sellers and buyers on our StubHub 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 Marketplace, StubHub and Classifieds revenues principally from the sale of advertisements, classifieds fees, revenue sharing arrangements and first party inventory programs.

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

	Three Months Ended March 31,			% Change
	2019	2018		
Net transaction revenues:				
Marketplace	\$1,885	\$1,792	5	%
StubHub	223	231	(3))%
Total	2,108	2,023	4	%
Marketing services and other revenues:				
Marketplace	277	310	(11))%
Classifieds	256	246	4	%
StubHub	7	1	**	
Elimination of inter-segment net revenues	(5) —	**	
Total	535	557	(4))%
Total net revenues	\$2,643	\$2,580	2	%

** Not meaningful

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 successfully closed transactions between users on our Marketplace or StubHub platforms during the applicable period, regardless of whether the buyer and seller actually consummated the transaction. We believe that GMV provides a useful measure of the overall volume of closed transactions that flow through our platforms in a given period, notwithstanding the inclusion in GMV of closed transactions that are not ultimately consummated.

Take rate is defined as net transaction revenues divided by GMV.

The following table presents GMV and take rate by segment for the periods presented (in millions, except percentages):

	Three Months Ended March 31,			Change
	2019	2018		
GMV:				
Marketplace	\$21,571	\$22,547	(4))%
StubHub	1,018	1,044	(3))%
Total	\$22,589	\$23,591	(4))%
Transaction take rate:				
Marketplace	8.74	% 7.95	% 0.79	%
StubHub	21.97	% 22.08	% (0.11))%
Total	9.33	% 8.57	% 0.76	%

Marketplace Net Transaction Revenues

	Three Months Ended March 31,		Change	
	2019	2018	As Reported	FX-Neutral
	(In millions, except percentages)			
Marketplace net transaction revenues ⁽¹⁾	\$1,885	\$1,792	5 %	6 %
Supplemental data:				
Marketplace GMV	\$21,571	\$22,547	(4)%	(1)%
Marketplace take rate	8.74 %	7.95 %	0.79 %	

⁽¹⁾ Marketplace net transaction revenues were net of \$20 million and \$28 million hedging activity during the three months ended March 31, 2019 and 2018, respectively.

The increase in Marketplace net transaction revenues during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to growth in promoted listing fees, higher take rate and our acquisition of Giosis in the second quarter of 2018. Marketplace transaction take rate was higher during the three months ended March 31, 2019 compared to the same period in 2018, primarily due to category mix, growth in promoted listing fees, which along with final value fees are calculated as a percentage of an items sale price, and a decrease in seller incentives, which are accounted for as a reduction of Marketplace net transaction revenues. Marketplace net transaction revenues increased during the three months ended March 31, 2019 compared to the same period in 2018, despite the decrease in Marketplace GMV for the same period due to take rate considerations discussed above. We expect that the divergence between Marketplace net transaction revenues and Marketplace GMV to continue throughout 2019.

StubHub Net Transaction Revenues

	Three Months Ended March 31,		Change	
	2019	2018	As Reported	FX-Neutral
	(In millions, except percentages)			
StubHub net transaction revenues	\$223	\$231	(3)%	(3)%
Supplemental data:				
StubHub GMV	\$1,018	\$1,044	(3)%	(2)%
StubHub take rate	21.97 %	22.08 %	(0.11)%	

The decrease in StubHub net transaction revenues during the three months ended March 31, 2019 compared to the same period in 2018 was primarily driven by a decrease in the GMV of sporting events. The decrease in StubHub transaction take rate during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to an increase in buyer incentives, which are accounted for as a reduction of StubHub net transaction revenues, partially offset by pricing changes on the platform.

Marketing Services and Other Revenues

Three Months Ended March 31,	% Change
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	2019	2018	As Reported	FX-Neutral
	(In millions, except percentages)			
Marketplace	\$277	\$310	(11)%	(8)%
Classifieds	256	246	4 %	12 %
StubHub	7	1	**	**
Elimination of inter-segment net revenues	(5)	—	**	**
Total MS&O revenues	\$535	\$557	(4)%	1 %

Marketplace MS&O Revenues

The decrease in Marketplace MS&O revenues during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to a decrease in advertising revenues that was driven by our ongoing shift to promoted listing fees, which are recognized in net transaction revenues.

Classifieds MS&O Revenues

The increase in Classifieds MS&O revenues during the three months ended March 31, 2019 compared to the same period in 2018 was primarily driven by increased revenues from our Classifieds horizontal and vertical motors platforms primarily in Germany.

StubHub MS&O Revenues

The increase in StubHub MS&O revenues during the three months ended March 31, 2019 compared to the same period in 2018 was primarily related to growth in revenues from first party inventory sales.

Cost of Net Revenues

Cost of net revenues primarily consists of costs associated with customer support, site operations, costs of goods sold and payment processing. Significant components of these costs include employee compensation, contractor costs, facilities costs, depreciation of equipment and amortization expense, inventory program costs, bank transaction fees, and credit card interchange and assessment fees. The following table presents cost of net revenues (in millions, except percentages):

	Three Months Ended March 31,		
	2019	2018	% Change
Cost of net revenues	\$601	\$559	8 %
<i>Percentage of net revenues</i>	<i>22.8 %</i>	<i>21.7 %</i>	

Cost of net revenues, net of immaterial hedging activities, was favorably impacted by \$15 million attributable to foreign currency movements relative to the U.S. dollar during the three months ended March 31, 2019 compared to the same period in 2018.

The increase in cost of net revenues during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to an increase in site operations and payment processing as we continue to increase investments in these areas.

Operating Expenses

The following table presents operating expenses (in millions, except percentages):

	Three Months Ended March 31,		
	2019	2018	% Change
Sales and marketing	\$742	\$756	(2)%
<i>Percentage of net revenues</i>	<i>28</i>	<i>% 29</i>	<i>%</i>
Product development	297	334	(11)%

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<i>Percentage of net revenues</i>	11	% 13	%
General and administrative	309	270	15 %
<i>Percentage of net revenues</i>	12	% 10	%
Provision for transaction losses	72	72	— %
<i>Percentage of net revenues</i>	3	% 3	%
Amortization of acquired intangible assets	13	10	31 %
Total operating expenses	\$ 1,433	\$ 1,442	(1)%

Foreign currency movements relative to the U.S. dollar had a favorable impact of \$36 million on operating expenses during the three months ended March 31, 2019 compared to the same period in 2018. There was no hedging activity within operating expenses during the three months ended March 31, 2019.

Sales and Marketing

Sales and marketing expenses primarily consist of advertising and marketing program costs (both online and offline), employee 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.

The decrease in sales and marketing expense during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due a favorable impact from foreign currency movements relative to the U.S. dollar and a decrease in employee-related cost, partially offset by user coupons and rewards largely driven by our Japan platform acquired in the second quarter of 2018.

Product Development

Product development expenses primarily consist of employee 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 payment intermediation capabilities and improved seller tools and buyer experiences built on a foundation of structured data and leveraging artificial intelligence and computer vision.

The decrease in product development expenses during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to decreases in employee-related costs and depreciation on equipment.

Capitalized internal use and platform development costs were \$38 million in the three months ended March 31, 2019 compared to \$37 million for the same period in 2018. 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, 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 increase in general and administrative expenses during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to restructuring costs related to our global workforce reduction. For additional details related to the restructuring, refer to “Note 17 – Restructuring” to the condensed consolidated financial statements included in this report.

Provision for Transaction Losses

Provision for transaction losses primarily consists of transaction loss expense associated with our buyer protection programs, 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 change in provision for transaction losses was not significant during the three months ended March 31, 2019 compared to the same period in 2018.

Income from Operations

	Three Months Ended March 31,		
	2019	2018	% Change
Income from operations	\$ 609	\$ 579	5 %
<i>Operating margin</i>	<i>23.0 %</i>	<i>22.5 %</i>	

The increase in income from operations during the three months ended March 31, 2019 compared to the same period in 2018 was primarily due to an increase in income from our Marketplace segment, partially offset by an increase in corporate and other costs, largely related to restructuring and employee compensation. The increase in income from our Marketplace segment was primarily due to a decrease in Marketplace's operating expenses that was largely attributable to a decrease in employee-related costs. Income from our StubHub and Classifieds segments was not a significant contributor to the increase in total income from operations during the three months ended March 31, 2019 as compared to the same period in 2018.

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, gains and losses due to changes in fair value of the warrant received from a service provider, our portion of operating results from investments accounted for under the equity method of accounting, investment 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 (in millions, except percentages):

	Three Months Ended March 31,		
	2019	2018	% Change
Total interest and other, net	\$ 64	\$ (32)	**
<i>Percentage of net revenues</i>	<i>2 %</i>	<i>(1)%</i>	

The increase in interest and other, net during the three months ended March 31, 2019 compared to the same period in 2018 was primarily attributable to the \$113 million gain recognized due to the change in fair value of the warrant.

Income Tax Provision

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

	Three Months Ended March 31,	
	2019	2018
Income tax provision	\$ 152	\$ 140
Effective tax rate	22.6 %	25.6 %

The decrease in our effective tax rate for the three months ended March 31, 2019 compared to the same period in 2018 was primarily related to the impact of a favorable tax ruling received in October 2018 and the remeasurement of our deferred taxes associated with the U.S. minimum tax on foreign earnings, partially offset by a lower tax benefit from stock-based compensation.

As a result of the realignment of our legal structure in 2016 and 2017, we no longer benefit from tax rulings previously concluded in several different jurisdictions. Without the benefit of the rulings, the noncash tax impacts of the realignment in our foreign eBay and Classifieds platforms have increased our income tax rate in certain foreign jurisdictions, most significantly Switzerland. The higher rate results from eBay being subject to a higher enacted tax rate for the foreseeable future.

While our tax rate is higher, the realignment allows us to achieve certain foreign cash tax benefits due to the step-up in tax basis achieved in certain foreign jurisdictions. We expect these cash tax benefits to remain consistent, subject to the performance of our foreign platforms, for a period in excess of 10 years. The realignment was substantially completed in 2018 and primarily impacted our international entities. However, U.S. tax reform and the new U.S. minimum tax on foreign earnings will reduce our expected consolidated cash tax benefits.

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.

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.

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 set forth 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 presented (in millions, except percentages):

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018			
	As Reported	Exchange Rate Effect ⁽¹⁾⁽³⁾	FX-Neutral ⁽²⁾	As Reported	As Reported %	FX-Neutral % Change	
GMV:							
Marketplace	\$21,571	\$ (783)	\$ 22,354	\$ 22,547	(4)%	(1)%	
StubHub	1,018	(4)	1,022	1,044	(3)%	(2)%	
Total GMV	\$22,589	\$ (787)	\$ 23,376	\$ 23,591	(4)%	(1)%	
Net Revenues							
Net transaction revenues:							
Marketplace	\$1,885	\$ (39)	\$ 1,924	\$ 1,792	5 %	6 %	
StubHub	223	(2)	225	231	(3)%	(3)%	
Total	2,108	(41)	2,149	2,023	4 %	5 %	
Marketing services and other revenues:							
Marketplace	277	(8)	285	310	(11)%	(8)%	
Classifieds	256	(19)	275	246	4 %	12 %	
StubHub	7	—	7	1	**	**	
Elimination of inter-segment net revenue	(5)	—	(5)	—	**	**	
Total	535	(27)	562	557	(4)%	1 %	
Total net revenues	\$2,643	\$ (68)	\$ 2,711	\$ 2,580	2 %	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) Marketplace exchange rate effect was net of \$20 million and \$28 million of hedging activity during the three months ended March 31, 2019 and 2018, respectively.

Liquidity and Capital Resources

Cash Flows

	Three Months Ended March 31, 2019 2018	
	(In millions)	
Net cash provided by (used in):		
Operating activities	\$ 550	\$ 495
Investing activities	558	1,698
Financing activities	(1,605)	(1,825)
Effect of exchange rates on cash, cash equivalents and restricted cash	(10)	38
Net increase (decrease) in cash, cash equivalents and restricted cash	\$(507)	\$ 406

Operating Activities

Cash provided by operating activities of \$550 million in the three months ended March 31, 2019 was primarily attributable to net income of \$518 million with adjustments of \$169 million in depreciation and amortization, \$121 million in stock-based compensation, \$72 million in provision for transaction losses, \$36 million for deferred income taxes, partially offset by a decrease of \$257 million in changes in assets and liabilities, net of acquisition effects, and an adjustment to net income of \$113 million for changes in the fair value of the warrant.

Investing Activities

Cash provided by investing activities of \$558 million in the three months ended March 31, 2019 was primarily attributable to proceeds of \$12.7 billion from the maturities and sales of investments, partially offset by cash paid for investments of \$11.9 billion, property and equipment of \$182 million and acquisitions of \$93 million.

Financing Activities

Cash used in financing activities of \$1.6 billion in the three months ended March 31, 2019 was primarily attributable to cash paid to repurchase \$1.4 billion of common stock and pay \$125 million of 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, primarily the Korean won and euro during the three months ended March 31, 2019 compared to the 2018 year-end rate.

Stock Repurchases

In January 2018, our Board authorized a \$6.0 billion stock repurchase program and in January 2019, 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 March 31, 2019, we repurchased approximately \$1.5 billion of our common stock under our stock repurchase programs. As of March 31, 2019, a total of approximately \$5.7 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.

Dividends

The company paid a total of \$125 million in cash dividends during the three months ended March 31, 2019. In April 2019, our Board of Directors declared a cash dividend of \$0.14 per share of common stock to be paid on June 20, 2019 to shareholders of record as of June 1, 2019.

Shelf Registration Statement and Debt

Shelf Registration

As of March 31, 2019, we had an effective shelf registration statement on file with the Securities and Exchange Commission that allows us to issue various types of debt securities, as well as common stock, preferred stock, warrants, depository shares representing fractional interest in shares of preferred stock, purchase contracts and units from time to time in one or more offerings. Each issuance under the shelf registration statement will require the filing of a prospectus supplement identifying the amount and terms of the securities to be issued. The registration statement does not limit the amount of securities that may be issued thereunder. Our ability to issue securities is subject to market conditions and other factors including, in the case of our debt securities, our credit ratings and compliance with the covenants in our credit agreement.

Senior Notes

As of March 31, 2019, we had floating- and fixed-rate senior notes outstanding for an aggregate principal amount of \$9.3 billion. 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. The floating rate notes are not redeemable prior to maturity. On and after March 1, 2021, we may redeem some or all of the 6.000% fixed rate notes due 2056 at any time and from time to time prior to their maturity, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. 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. If a change of control triggering event occurs with respect to the 2.150% fixed rate notes due 2020, the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 3.600% fixed rate notes due 2027 or the 6.000% fixed rate notes due 2056, 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. For additional details related to our senior notes, please see “Note 9 – Debt” to the condensed consolidated financial statements included in this report.

To help achieve our interest rate risk management objectives, in connection with the previous issuance of certain senior notes, we entered into interest rate swap agreements that effectively converted \$2.4 billion of the fixed rate notes to floating rate debt based on the London InterBank Offered Rate (“LIBOR”) plus a spread. These swaps were designated as fair value hedges against changes in the fair value of certain fixed rate senior notes resulting from changes in interest rates.

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.

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 March 31, 2019, there were no commercial paper notes outstanding.

Credit Agreement

As of March 31, 2019, 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 therefore maintain \$1.5 billion of 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. As a result, \$500 million of borrowing capacity was available as of March 31, 2019 for other purposes permitted by the credit agreement. The credit agreement includes customary representations, warranties, affirmative and negative covenants, including financial covenants, events of default and indemnification provisions in favor of the banks. The negative covenants include restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to certain exceptions. The financial covenants require us to meet a quarterly financial test with respect to a minimum consolidated interest coverage ratio and a maximum consolidated leverage ratio. The events of default include the occurrence of a change of control (as defined in the credit agreement) with respect to us.

We were in compliance with all covenants in our outstanding debt instruments for the three months ended March 31, 2019.

Credit Ratings

As of March 31, 2019, 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), Moody's Investor Service (long-term rated Baa1, short-term rated P-2, with a stable outlook), and Fitch Ratings, Inc. (long-term rated BBB, short-term rated F-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 further actions taken by these credit rating agencies to lower our credit ratings, as described above, will likely increase our borrowing costs.

Liquidity and Capital Resource Requirements

As of March 31, 2019 and December 31, 2018, we had assets classified as cash and cash equivalents, as well as short-term and long-term non-equity investments, in an aggregate amount of \$7.3 billion and \$8.6 billion, respectively. As of March 31, 2019, this amount included assets held in certain of our foreign operations totaling approximately \$6.7 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.

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. 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 believe that our existing 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 fund our operating activities, anticipated capital expenditures, repayment of debt and stock repurchases for the foreseeable future.

Off-Balance Sheet Arrangements

As of March 31, 2019, 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 March 31, 2019, we had a total of \$3.2 billion in aggregate cash deposits, partially offset by \$3.1 billion in cash withdrawals, held within the financial institution under the cash pooling arrangement.

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.

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, including uncertainties and instability in economic and market conditions caused by the United Kingdom's vote to exit the European Union and any outcomes resulting from that vote, 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.

As of March 31, 2019, approximately 23% 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 March 31, 2019, the balance of our corporate debt and government bond securities was \$5.5 billion, which represented approximately 75% 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 \$35 million and \$44 million as of March 31, 2019 and December 31, 2018, respectively.

As of March 31, 2019, we had an aggregate principal amount of \$9.3 billion of outstanding senior notes, of which 91% bore interest at fixed rates. We entered into \$2.4 billion of interest rate swap agreements that have the economic effect of modifying the fixed interest obligations associated with \$1.15 billion of our 2.200% senior notes due July 2019, \$750 million of our 2.875% senior notes due July 2021, and \$500 million of our 3.450% senior notes due July 2024 so that the interest payable on those notes effectively became variable based on LIBOR plus a spread. 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.

Equity Price Risk

Investments

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 March 31, 2019, our equity investments totaled \$154 million, which represented approximately 2% of our total cash and investments, and were primarily related to equity investments without readily determinable fair values. We review our equity investments for impairment when events and circumstances indicate a decline in fair value of such assets below carrying value and for observable transactions for identical or similar investments issued by the same investee. We account for these investments 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. Our analysis includes a review of recent operating results and trends, recent sales/acquisitions of the securities in which we have invested and other publicly available data.

Warrant

We entered into a warrant agreement in conjunction with a commercial agreement with a service provider that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of the service provider's fully diluted issued and outstanding share capital at a specific date. The warrant is accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*. Changes in the service provider's common stock price and equity volatility may have a significant impact on the value of the warrant. As of March 31, 2019, a one dollar change in the service provider's common stock, holding other factors constant, would increase or decrease the fair value of the warrant by approximately \$1 million. For additional details related to the warrant, please see "Note 7 – Derivative Instruments" to our condensed consolidated financial statements included in this report.

Foreign Currency Risk

Our commerce platforms operate globally, resulting in certain revenues and costs that are denominated in foreign currencies, primarily the euro, British pound, Korean won and Australian dollar, 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, results of operations and certain of our intercompany balances 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. 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 as cash flow hedges for accounting purposes, 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 net investment hedges, and the before-tax effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed as of March 31, 2019. The sensitivity for foreign currency contracts is based on a 20% adverse change in foreign exchange rates, against relevant functional currencies.

Fair Value	Fair Value	Sensitivity
Asset/(Liability)		
(In millions)		

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Foreign exchange contracts - Cash flow hedges	\$ 44	\$ (122)
Foreign exchange contracts - Net investment hedges	\$ 5	\$ (58)

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.

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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 \$31 million as of March 31, 2019 taking into consideration the offsetting effect of foreign exchange forwards in place as of March 31, 2019.

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 March 31, 2019.

(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. On January 1, 2019, we adopted Accounting Standards Codification 842, *Leases*. We implemented internal controls and a new lease accounting information system to enable the preparation of financial information as part of the adoption. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

The information set forth under “*Note 12 — 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

You should carefully review the following discussion of the risks that may affect our business, results of operations and financial condition, as well as our condensed consolidated financial statements and notes thereto and the other information appearing in this report, for important information regarding risks that affect us.

Risk Factors That May Affect our Business, Results of Operations and Financial Condition

Our operating and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations and cash flows, as well as the trading price of our common stock and debt securities.

Our operating and financial results have varied on a quarterly basis during our operating history and may continue to fluctuate significantly as a result of a variety of factors, including as a result of the risks set forth in this “Risk Factors” section. It is difficult for us to forecast the level or source of our revenues or earnings (loss) accurately. In view of the rapidly evolving nature of our business, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. We do not have backlog, and substantially all of our net revenues each quarter come from transactions involving sales during that quarter. Due to the inherent difficulty in forecasting revenues, it is also difficult to forecast expenses as a percentage of net revenues. Quarterly and annual expenses as a percentage of net revenues reflected in our condensed consolidated financial statements may be significantly different from historical or projected percentages. Our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. The trading price of our common stock and debt securities could decline, perhaps substantially, as a result of the factors described in this paragraph.

Substantial and increasingly intense competition worldwide in ecommerce may harm our business.

The businesses and markets in which we operate are intensely competitive. We currently and potentially compete with a wide variety of online and offline companies providing goods and services to consumers and merchants. The Internet and mobile networks provide new, rapidly evolving and intensely competitive channels for the sale of all types of goods and services. We compete in two-sided markets, and must attract both buyers and sellers to use our platforms. Consumers who purchase or sell goods and services through us have more and more alternatives, and merchants have more channels to reach consumers. We expect competition to continue to intensify. Online and offline businesses increasingly are competing with each other and our competitors include a number of online and offline retailers with significant resources, large user communities and well-established brands. Moreover, the barriers to entry into these channels can be low, and businesses easily can launch online sites or mobile platforms and applications at nominal cost by using commercially available software or partnering with any of a number of successful ecommerce

companies. As we respond to changes in the competitive environment, we may, from time to time, make pricing, service or marketing decisions or acquisitions that may be controversial with and lead to dissatisfaction among sellers, which could reduce activity on our platform and harm our profitability.

We face increased competitive pressure online and offline. In particular, the competitive norm for, and the expected level of service from, ecommerce and mobile commerce has significantly increased, due to, among other factors, improved user experience, greater ease of buying goods, lower (or no) shipping costs, faster shipping times and more favorable return policies. In addition, certain platform businesses, such as Alibaba, Amazon, Apple, Facebook and Google, many of whom are larger than us or have greater capitalization, have a dominant and secure position in other industries or certain significant markets, and offer other goods and services to consumers and merchants that we do not offer. If we are unable to change our products, offerings and services in ways that reflect the changing demands of ecommerce and mobile commerce marketplaces, particularly the higher growth of sales of fixed-price items and higher expected service levels (some of which depend on services provided by sellers on our platforms), or compete effectively with and adapt to changes in larger platform businesses, our business will suffer.

Competitors with other revenue sources may also be able to devote more resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote more resources to website, mobile platforms and applications and systems development than we can. Other competitors may offer or continue to offer faster and/or free shipping, delivery on Sunday, same-day delivery, favorable return policies or other transaction-related services which improve the user experience on their sites and which could be impractical or inefficient for our sellers to match. Competitors may be able to innovate faster and more efficiently, and new technologies may increase the competitive pressures by enabling competitors to offer more efficient or lower-cost services.

Some of our competitors control other products and services that are important to our success, including credit card interchange, Internet search, and mobile operating systems. Such competitors could manipulate pricing, availability, terms or operation of service related to their products and services in a manner that impacts our competitive offerings. For example, Google, which operates a shopping platform service, has from time to time made changes to its search algorithms that reduced the amount of search traffic directed to us from searches on Google. If we are unable to use or adapt to operational changes in such services, we may face higher costs for such services, face integration or technological barriers or lose customers, which could cause our business to suffer.

Consumers who might use our sites to buy goods have a wide variety of alternatives, including traditional department, warehouse, boutique, discount and general merchandise stores (as well as the online and mobile operations of these traditional retailers), online retailers and their related mobile offerings, online and offline classified services and other shopping channels, such as offline and online home shopping networks. In the United States, these include Amazon.com, Facebook, Google, Wal-Mart, Target, Macy's, JC Penney, Costco, Office Depot/OfficeMax, Staples, Sam's Club, Rakuten, MSN, QVC and Home Shopping Network, among others. In addition, consumers have a large number of online and offline channels focused on one or more of the categories of products offered on our site.

Consumers also can turn to many companies that offer a variety of services that provide other channels for buyers to find and buy items from sellers of all sizes, including social media, online aggregation and classifieds platforms, such as craigslist, Oodle.com and a number of international websites operated by Schibsted ASA or Naspers Limited. Consumers also can turn to shopping-comparison sites, such as Google Shopping. In certain markets, our fixed-price listing and traditional auction-style listing formats increasingly are being challenged by other formats, such as classifieds.

Our Classifieds platforms offer classifieds listings in a variety of international markets. In many markets in which they operate, our Classifieds platforms compete for customers and for advertisers against more established online and offline classifieds platforms or other competing websites.

We use product search engines and paid search advertising to help users find our sites, but these services also have the potential to divert users to other online shopping destinations. Consumers may choose to search for products and services with a horizontal search engine or shopping comparison website, and such sites may also send users to other shopping destinations. In addition, sellers are increasingly utilizing multiple sales channels, including the acquisition of new customers by paying for search-related advertisements on horizontal search engine sites, such as Google, Naver and Baidu.

Consumers and merchants who might use our sites to sell goods also have many alternatives, including general ecommerce sites, such as Amazon, Alibaba and 11Street, and more specialized sites, such as Etsy. Our international sites also compete for sellers with general and specialized ecommerce sites. Sellers may also choose to sell their goods through other channels, such as classifieds platforms. Consumers and merchants also can create and sell through their own sites, and may choose to purchase online advertising instead of using our services. In some countries, there are online sites that have larger customer bases and greater brand recognition, as well as competitors that may have a better understanding of local culture and commerce. We increasingly may compete with local competitors in developing countries that have unique advantages, such as a greater ability to operate under local regulatory authorities.

In addition, certain manufacturers may limit or cease distribution of their products through online channels, such as our sites. Manufacturers may attempt to use contractual obligations or existing or future government regulation to prohibit or limit ecommerce in certain categories of goods or services. Manufacturers may also attempt to enforce minimum resale price maintenance or minimum advertised price arrangements to prevent distributors from selling on our platforms or on the Internet generally, or drive distributors to sell at prices that would make us less attractive relative to other alternatives. The adoption by manufacturers of policies, or their use of laws or regulations, in each case discouraging or restricting the sales of goods or services over the Internet, could force our users to stop selling certain products on our platforms, which could adversely affect our results of operations and result in loss of market share and diminished value of our brands.

The principal competitive factors for us include the following:

- ability to attract, retain and engage buyers and sellers;
- volume of transactions and price and selection of goods;
- trust in the seller and the transaction;
- customer service;
- brand recognition;
- community cohesion, interaction and size;
- website, mobile platform and application ease-of-use and accessibility;
- system reliability and security;
- reliability of delivery and payment, including customer preference for fast delivery and free shipping and returns;
- level of service fees; and
- quality of search tools.

We may be unable to compete successfully against current and future competitors. Some current and potential competitors have longer operating histories, larger customer bases and greater brand recognition in other business and Internet sectors than we do.

Global and regional economic conditions could harm our business.

Our operations and performance depend significantly on global and regional economic conditions. Adverse economic conditions and events (including volatility or distress in the equity and/or debt or credit markets) have in the past negatively impacted regional and global financial markets and will likely continue to do so from time to time in the future. These events and conditions, including uncertainties and instability in economic and market conditions caused by the United Kingdom's vote to exit the European Union and any outcomes resulting from that vote, could have a negative and adverse impact on companies and customers with which we do business or cause us to write down our assets or investments. In addition, financial

turmoil affecting the banking system or financial markets could cause additional consolidation of the financial services industry, or significant financial service institution failures, new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed income, credit, currency, and equity markets. Adverse impacts to the companies and customers with which we do business, the banking system, or financial markets could have a material adverse effect on our business, including a reduction in the volume and prices of transactions on our commerce platforms.

We are exposed to fluctuations in foreign currency exchange rates.

Because we generate the majority of our revenues outside the United States but report our financial results in U.S. dollars, our financial results are impacted by fluctuations in foreign currency exchange rates, or foreign exchange rates. The results of operations of many of our internationally focused platforms are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into U.S. dollars for financial reporting purposes. If the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated revenues or expenses will result in increased U.S. dollar denominated revenues and expenses. Similarly, if the U.S. dollar strengthens against foreign currencies, particularly the euro, British pound, Korean won or Australian dollar, our translation of foreign currency denominated revenues or expenses will result in lower U.S. dollar denominated net revenues and expenses. In addition to this translation effect, a strengthening U.S. dollar will typically adversely affect the volume of goods being sold by U.S. sellers to Europe and Australia more than it positively affects the volume of goods being sold by sellers in those geographies to buyers in the United States, thereby further negatively impacting our financial results.

While from time to time we enter into transactions to hedge portions of our foreign currency translation exposure, it is impossible to predict or eliminate the effects of this exposure. Fluctuations in foreign exchange rates could significantly impact our financial results, which may have a significant impact on the trading price of our common stock and debt securities.

Our international operations are subject to increased risks, which could harm our business.

Our international businesses, especially in the United Kingdom, Germany, Australia and Korea, and cross-border business from greater China, have generated a majority of our net revenues in recent years. In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- uncertainties and instability in economic and market conditions caused by the United Kingdom's vote to exit the European Union and any outcomes resulting from that vote;
- uncertainty regarding how the United Kingdom's access to the European Union Single Market and the wider trading, legal, regulatory and labor environments, especially in the United Kingdom and European Union, will be impacted by the United Kingdom's vote to exit the European Union and any outcomes resulting from that vote, including the resulting impact on our business and that of our clients;
- expenses associated with localizing our products and services and customer data, including offering customers the ability to transact business in the local currency and adapting our products and services to local preferences (e.g., payment methods) with which we may have limited or no experience;
- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, foreign currency exchange restrictions or extreme fluctuations in foreign currency exchange rates for a particular currency;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, public health issues, acts of war, and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and foreign laws prohibiting corrupt payments to government officials, as well as U.S. and foreign laws designed to combat money laundering

and the financing of terrorist activities;
antitrust and competition regulations;
potentially adverse tax developments and consequences;
economic uncertainties relating to sovereign and other debt;
different, uncertain, or more stringent user protection, data protection, privacy, and other laws;
risks related to other government regulation or required compliance with local laws;
national or regional differences in macroeconomic growth rates;
local licensing and reporting obligations; and
increased difficulties in collecting accounts receivable.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions, or sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and could harm our business.

Any factors that reduce cross-border trade or make such trade more difficult could harm our business.

Cross-border trade is an important source of both revenue and profits for us. Cross-border trade also represents our primary (or in some cases, only) presence in certain important markets, such as Brazil/Latin America, China, and various other countries. In addition, our cross-border trade is also subject to, and may be impacted by, foreign exchange rate fluctuations.

The interpretation and application of specific national or regional laws, such as those related to intellectual property rights of authentic products, selective distribution networks, and sellers in other countries listing items on the Internet, and the potential interpretation and application of laws of multiple jurisdictions (e.g., the jurisdiction of the buyer, the seller, and/or the location of the item being sold) are often extremely complicated in the context of cross-border trade. The interpretation and/or application of such laws could impose restrictions on, or increase the costs of, purchasing, selling, shipping, or returning goods across national borders.

The shipping of goods across national borders is often more expensive and complicated than domestic shipping. Customs and duty procedures and reviews, including duty-free thresholds in various key markets, the interaction of national postal systems, and security related governmental processes at international borders, may increase costs, discourage cross-border purchases, delay transit and create shipping uncertainties. Any factors that increase the costs of cross-border trade or restrict, delay, or make cross-border trade more difficult or impractical would lower our revenues and profits and could harm our business.

Our business may be adversely affected by geopolitical events, natural disasters, seasonal factors and other factors that cause our users to spend less time on our websites or mobile platforms and applications, including increased usage of other websites.

Our users may spend less time on our websites and our applications for mobile devices as a result of a variety of diversions, including: geopolitical events, such as war, the threat of war, or terrorist activity; natural disasters; power shortages or outages, major public health issues, including pandemics; social networking or other entertainment websites or mobile applications; significant local, national or global events capturing the attention of a large part of the population; and seasonal fluctuations due to a variety of factors. If any of these, or any other factors, divert our users from using of our websites or mobile applications, our business could be materially adversely affected.

Our success depends to a large degree on our ability to successfully address the rapidly evolving market for transactions on mobile devices.

Mobile devices are increasingly used for ecommerce transactions. A significant and growing portion of our users access our platforms through mobile devices. We may lose users if we are not able to continue to

meet our users' mobile and multi-screen experience expectations. The variety of technical and other configurations across different mobile devices and platforms increases the challenges associated with this environment. In addition, a number of other companies with significant resources and a number of innovative startups have introduced products and services focusing on mobile markets.

Our ability to successfully address the challenges posed by the rapidly evolving market for mobile transactions is crucial to our continued success, and any failure to continuously increase the volume of mobile transactions effected through our platforms could harm our business.

If we cannot keep pace with rapid technological developments or continue to innovate and create new initiatives to provide new programs, products and services, the use of our products and our revenues could decline.

Rapid, significant technological changes continue to confront the industries in which we operate and we cannot predict the effect of technological changes on our business. We also continuously strive to create new initiatives and innovations that offer growth opportunities, such as our new payments and advertising offerings. In addition to our own initiatives and innovations, we rely in part on third parties, including some of our competitors, for the development of and access to new technologies. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge. These new services and technologies may be superior to, or render obsolete, the technologies we currently use in our products and services. Incorporating new technologies into our products and services may require substantial expenditures and take considerable time, and ultimately may not be successful. In addition, our ability to adopt new services and develop new technologies may be inhibited by industry-wide standards, new laws and regulations, resistance to change from our users, clients or merchants, or third parties' intellectual property rights. Our success depends on our ability to develop new technologies and adapt to technological changes and evolving industry standards.

Our business is subject to extensive government regulation and oversight.

We are subject to laws and regulations affecting our domestic and international operations in a number of areas, including consumer protection, data privacy requirements, intellectual property ownership and infringement, prohibited items and stolen goods, resale of event tickets, tax, antitrust and anti-competition, export requirements, anti-corruption, labor, advertising, digital content, real estate, billing, ecommerce, promotions, quality of services, telecommunications, mobile communications and media, environmental, and health and safety regulations, as well as laws and regulations intended to combat money laundering and the financing of terrorist activities. In addition, we are, or may become, subject to further regulation in some of the above-mentioned areas or new areas as a result of our new payments capabilities.

Compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products or services in one or more regions, or cause us to change or limit our business practices. We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations or our policies and procedures.

Regulation in the areas of privacy and protection of user data could harm our business.

We are subject to laws relating to the collection, use, retention, security, and transfer of personally identifiable information about our users around the world. Much of the personal information that we collect, especially financial information, is regulated by multiple laws. User data protection laws may be interpreted and applied inconsistently from country to country. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between or among ourselves, our subsidiaries, and other parties with which we have commercial relations. These laws continue to develop in ways we cannot predict and that may harm our business.

Regulatory scrutiny of privacy, user data protection, use of data and data collection is increasing on a global basis. We are subject to a number of privacy and similar laws and regulations in the countries in which we operate and these laws and regulations will likely continue to evolve over time, both through regulatory and legislative action and judicial decisions. For example, the General Data Protection Regulation (“GDPR”) was approved by the European Union Parliament in April 2016 and became effective in May 2018. The GDPR was designed to harmonize and enhance data privacy laws across Europe. Some of these laws impose requirements that are inconsistent with one another, yet regulators may claim that both apply. Complying with these varying national requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and violations of privacy-related laws can result in significant penalties. In addition, compliance with these laws may restrict our ability to provide services to our customers that they may find to be valuable. A determination that there have been violations of laws relating to our practices under communications-based laws could expose us to significant damage awards, fines and other penalties that could, individually or in the aggregate, materially harm our business. In particular, because

of the enormous number of texts, emails and other communications we send to our users, communications laws that provide a specified monetary damage award or fine for each violation (such as those described below) could result in particularly large awards or fines.

For example, the Federal Communications Commission amended certain of its regulations under the Telephone Consumer Protection Act, or TCPA, in 2012 and 2013 in a manner that could increase our exposure to liability for certain types of telephonic communication with customers, including but not limited to text messages to mobile phones. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. We are regularly subject to class-action lawsuits, as well as individual lawsuits, containing allegations that our businesses violated the TCPA. These lawsuits, and other private lawsuits not currently alleged as class actions, seek damages (including statutory damages) and injunctive relief, among other remedies. Given the enormous number of communications we send to our users, a determination that there have been violations of the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business.

We post on our websites our privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state or international privacy or consumer protection-related laws and regulations could result in proceedings or actions against us by governmental entities or others (e.g., class action privacy litigation), subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and adversely affect our business. Data collection, privacy and security have become the subject of increasing public concern. If Internet and mobile users were to reduce their use of our websites, mobile platforms, products, and services as a result of these concerns, our business could be harmed. As noted above, we are also subject to the possibility of security breaches, which themselves may result in a violation of these laws.

Other laws and regulations could harm our business.

It is not always clear how laws and regulations governing matters relevant to our business, such as property ownership, copyrights, trademarks, and other intellectual property issues, parallel imports and distribution controls, taxation, libel and defamation, and obscenity apply to our businesses. Many of these laws were adopted prior to the advent of the Internet, mobile, and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies. Many of these laws, including some of those that do reference the Internet are subject to interpretation by the courts on an ongoing basis and the resulting uncertainty in the scope and application of these laws and regulations increases the risk that we will be subject to private claims and governmental actions alleging violations of those laws and regulations.

As our activities, the products and services we offer, and our geographical scope continue to expand, regulatory agencies or courts may claim or hold that we or our users are subject to additional requirements (including licensure) or prohibited from conducting our business in their jurisdiction, either generally or with respect to certain actions. Financial and political events have increased the level of regulatory scrutiny on large companies, and regulatory agencies may view matters or interpret laws and regulations differently than they have in the past and in a manner adverse to our businesses. Our success and increased visibility have driven some existing businesses that perceive us to be a threat to their businesses to raise concerns about our business models to policymakers and regulators. These businesses and their trade association groups employ significant resources in their efforts to shape the legal and regulatory regimes in countries

where we have significant operations. They may employ these resources in an effort to change the legal and regulatory regimes in ways intended to reduce the effectiveness of our businesses and the ability of users to use our products and services. These established businesses have raised concerns relating to pricing, parallel imports, professional seller obligations, selective distribution networks, stolen goods, copyrights, trademarks and other intellectual property rights and the liability of the provider of an Internet marketplace for the conduct of its users related to those and other issues. Any changes to the legal or regulatory regimes in a manner that would increase our liability for third-party listings could negatively impact our business.

Numerous U.S. states and foreign jurisdictions, including the State of California, have regulations regarding “auctions” and the handling of property by “secondhand dealers” or “pawnbrokers.” Several states and some foreign jurisdictions have attempted to impose such regulations upon us or our users, and others may attempt to do so in the future. Attempted enforcement of these laws against some of our users appears to be increasing and we could be required to change the way we or our users do business in ways that increase costs or reduce revenues, such as

forcing us to prohibit listings of certain items or restrict certain listing formats in some locations. We could also be subject to fines or other penalties, and any of these outcomes could harm our business.

A number of the lawsuits against us relating to trademark issues seek to have our platforms subject to unfavorable local laws. For example, “trademark exhaustion” principles provide trademark owners with certain rights to control the sale of a branded authentic product until it has been placed on the market by the trademark holder or with the holder’s consent. The application of “trademark exhaustion” principles is largely unsettled in the context of the Internet, and if trademark owners are able to force us to prohibit listings of certain items in one or more locations, our business could be harmed.

As we expand and localize our international activities, we are increasingly becoming obligated to comply with the laws of the countries or markets in which we operate. In addition, because our services are accessible worldwide and we facilitate sales of goods and provide services to users worldwide, one or more jurisdictions may claim that we or our users are required to comply with their laws based on the location of our servers or one or more of our users, or the location of the product or service being sold or provided in an ecommerce transaction. For example, we were found liable in France, under French law, for transactions on some of our websites worldwide that did not involve French buyers or sellers. Laws regulating Internet, mobile and ecommerce technologies outside of the United States are generally less favorable to us than those in the United States. Compliance may be more costly or may require us to change our business practices or restrict our service offerings, and the imposition of any regulations on us or our users may harm our business. In addition, we may be subject to multiple overlapping legal or regulatory regimes that impose conflicting requirements on us (e.g., in cross-border trade). Our alleged failure to comply with foreign laws could subject us to penalties ranging from criminal prosecution to significant fines to bans on our services, in addition to the significant costs we may incur in defending against such actions.

We are regularly subject to general litigation, regulatory disputes, and government inquiries.

We are regularly subject to claims, lawsuits (including class actions and individual lawsuits), government investigations, and other proceedings involving competition and antitrust, intellectual property, privacy, consumer protection, accessibility claims, securities, tax, labor and employment, commercial disputes, content generated by our users, services and other matters. The number and significance of these disputes and inquiries have increased as our company has grown larger, our businesses have expanded in scope and geographic reach, and our products and services have increased in complexity.

The outcome and impact of such claims, lawsuits, government investigations, and proceedings cannot be predicted with certainty. Regardless of the outcome, such investigations and proceedings can have an adverse impact on us because of legal costs, diversion of management resources, and other factors. Determining reserves for our pending litigation is a complex, fact-intensive process that is subject to judgment calls. It is possible that a resolution of one or more such proceedings could require us to make substantial payments to satisfy judgments, fines or penalties or to settle claims or proceedings, any of which could harm our business. These proceedings could also result in reputational harm, criminal sanctions, consent decrees, or orders preventing us from offering certain products, or services, or requiring a change in our business practices in costly ways, or requiring development of non-infringing or otherwise altered products or technologies. Any of these consequences could harm our business.

We are subject to regulatory activity and antitrust litigation under competition laws.

We are subject to scrutiny by various government agencies under U.S. and foreign laws and regulations, including antitrust and competition laws. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anti-competitive conduct. Other companies and government agencies have in the past and may in the future allege that our actions violate the antitrust or competition laws of the United States, individual states, the European Commission or other countries, or otherwise constitute unfair competition. An increasing number of governments are regulating competition law activities, including increased scrutiny in large markets such as China. Our business partnerships or agreements or arrangements with customers or other companies could give rise to regulatory action or antitrust litigation. Some regulators, particularly those outside of the United States, may perceive our business to be used so broadly that otherwise uncontroversial business practices could be deemed anticompetitive. Certain competition authorities have conducted market studies of our industries. Such claims and investigations, even if without foundation, may be very expensive to defend, involve negative publicity and substantial diversion of

management time and effort and could result in significant judgments against us or require us to change our business practices.

We are subject to patent litigation.

We have repeatedly been sued for allegedly infringing other parties' patents. We are a defendant in a number of patent suits and have been notified of several other potential patent disputes. We expect that we will increasingly be subject to patent infringement claims because, among other reasons:

our products and services continue to expand in scope and complexity;
we continue to expand into new businesses, including through acquisitions; and
the universe of patent owners who may claim that we, any of the companies that we have acquired, or our customers infringe their patents, and the aggregate number of patents controlled by such patent owners, continues to increase.

Such claims may be brought directly against us and/or against our customers whom we may indemnify either because we are contractually obligated to do so or we choose to do so as a business matter. We believe that an increasing number of these claims against us and other technology companies have been, and continue to be, initiated by third parties whose sole or primary business is to assert such claims. In addition, we have seen significant patent disputes between operating companies in some technology industries. Patent claims, whether meritorious or not, are time-consuming and costly to defend and resolve, and could require us to make expensive changes in our methods of doing business, enter into costly royalty or licensing agreements, make substantial payments to satisfy adverse judgments or settle claims or proceedings, or cease conducting certain operations, which would harm our business.

We are exposed to fluctuations in interest rates.

Some of our borrowings bear interest at floating rates and we have entered into agreements intended to convert the interest rate on some of our fixed rate debt instruments to floating rates. To the extent that prevailing rates increase, our interest expense under these debt instruments will increase.

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 decline or we may suffer losses in principal if securities are sold that have declined in market value due to changes in interest rates. In addition, relatively low interest rates limit our investment income. Fluctuations in interest rates that increase the cost of our current or future indebtedness, cause the market value of our assets to decline or reduce our investment income could adversely affect our financial results.

Our tickets business is subject to regulatory, competitive and other risks that could harm this business.

Our tickets business, which includes StubHub, is subject to numerous risks, including:

Some jurisdictions, in particular jurisdictions outside the United States, prohibit the resale of event tickets (anti-scalping laws) at prices above the face value of the tickets or at all, or highly regulate the resale of

tickets, and new laws and regulations or changes to existing laws and regulations imposing these or other restrictions could limit or inhibit our ability to operate, or our users' ability to continue to use, our tickets business.

Regulatory agencies or courts may claim or hold that we are responsible for ensuring that our users comply with these laws and regulations.

In many jurisdictions, our tickets business depends on commercial partnerships with event organizers or licensed ticket vendors, which we must develop and maintain on acceptable terms for our tickets business to be successful.

Our tickets business is subject to seasonal fluctuations and the general economic and business conditions that impact the sporting events and live entertainment industries.

A portion of the tickets inventory sold by sellers on the StubHub platform is processed by StubHub in digital form. Systems failures, security breaches, theft or other disruptions that result in the loss of such sellers' tickets inventory, could result in significant costs and a loss of consumer confidence in our tickets business. Lawsuits alleging a variety of causes of actions have in the past, and may in the future, be filed against StubHub and eBay by venue owners, competitors, ticket buyers, and unsuccessful ticket buyers. Such lawsuits could result in significant costs and require us to change our business practices in ways that negatively affect our tickets business.

Our tickets business also faces significant competition from a number of sources, including ticketing service companies, event organizers, ticket brokers, and online and offline ticket resellers. Some ticketing service companies, event organizers, and professional sports teams have begun to issue event tickets through various forms of electronic ticketing systems that are designed to restrict or prohibit the transferability (and by extension, the resale) of such event tickets either to favor their own resale affiliates or to discourage resale or restrict resale of season tickets to a preferred, designated website. Ticketing service companies have also begun to use market-based pricing strategies or dynamic pricing to charge much higher prices, and impose additional restrictions on transferability, for premium tickets.

- Some sports teams have threatened to revoke the privileges of season ticket owners if they resell their tickets through a platform that is not affiliated with, or approved by, such sports teams.

To the extent that StubHub holds ticket inventory, we may be exposed to losses associated with such inventory.

The listing or sale by our users of items that allegedly infringe the intellectual property rights of rights owners, including pirated or counterfeit items, may harm our business.

The listing or sale by our users of unlawful, counterfeit or stolen goods or unlawful services, or sale of goods or services in an unlawful manner, has resulted and may continue to result in allegations of civil or criminal liability for unlawful activities against us (including the employees and directors of our various entities) involving activities carried out by users through our services. In a number of circumstances, third parties, including government regulators and law enforcement officials, have alleged that our services aid and abet violations of certain laws, including laws regarding the sale of counterfeit items, laws restricting or prohibiting the transferability (and by extension, the resale) of digital goods (e.g., event tickets, books, music and software), the fencing of stolen goods, selective distribution channel laws, customs laws, distance selling laws, anti-scalping laws with respect to the resale of tickets, and the sale of items outside of the United States that are regulated by U.S. export controls.

In addition, allegations of infringement of intellectual property rights, including but not limited to counterfeit items, have resulted in threatened and actual litigation from time to time by rights owners, including the following luxury brand owners: Tiffany & Co. in the United States; Rolex S.A. and Coty Prestige Lancaster Group GmbH in Germany; Louis Vuitton Malletier and Christian Dior Couture in France; and L'Oréal SA, Lancôme Parfums et Beauté & Cie, and Laboratoire Garnier & Cie in several European countries. Plaintiffs in these and similar suits seek, among other remedies, injunctive relief and damages. Statutory damages for copyright or trademark violations could range up to \$150,000 per copyright violation and \$2,000,000 per trademark violation in the United States, and may be even higher in other jurisdictions. In the past, we have paid substantial amounts in connection with resolving certain trademark and copyright suits. These and similar suits may also force us to modify our business practices in a manner that increases costs, lowers revenue, makes our websites and mobile platforms less convenient to customers, and requires us to spend substantial resources to take additional protective measures or discontinue certain service offerings in order to combat these practices. In addition, we have received significant media attention relating to the listing or sale of illegal or counterfeit goods, which could damage our reputation, diminish the value of our brand names, and make users reluctant to use our products and services.

We are subject to risks associated with information disseminated through our services.

Online services companies may be subject to claims relating to information disseminated through their services, including claims alleging defamation, libel, breach of contract, invasion of privacy, negligence, copyright or trademark infringement, among other things. The laws relating to the liability of online services companies for information disseminated through their services are subject to frequent challenges both in the United States and foreign jurisdictions. Any liabilities incurred as a result of these matters could require us to incur additional costs and harm our reputation and our business.

Our potential liability to third parties for the user-provided content on our sites, particularly in jurisdictions outside the United States where laws governing Internet transactions are unsettled, may increase. If we become liable for information provided by our users and carried on our service in any jurisdiction in which we operate, we could be directly harmed and we may be forced to implement new measures to reduce our exposure to this liability, including expending substantial resources or discontinuing certain service offerings, which could harm our business.

Changes to our programs to protect buyers and sellers could increase our costs and loss rate.

Our eBay Money Back Guarantee program represents the means by which we compensate users who believe that they have been defrauded, have not received the item that they purchased or have received an item different from what was described. In addition, as we roll out our new payments capabilities, we may be exposed to losses associated with compensating our sellers for fraudulent payments. We expect to continue to receive communications from users requesting reimbursement or threatening or commencing legal action against us if no reimbursement is made. Our liability for these sort of claims is slowly beginning to be clarified in some jurisdictions and may be higher in some non-U.S. jurisdictions than it is in the United States. Litigation involving liability for any such third-party actions could be costly and time consuming for us, divert management attention, result in increased costs of doing business, lead to adverse judgments or settlements or otherwise harm our business. In addition, affected users will likely complain to regulatory agencies that could take action against us, including imposing fines or seeking injunctions.

We may be unable to adequately protect or enforce our intellectual property rights, or third parties may allege that we are infringing their intellectual property rights.

We believe the protection of our intellectual property, including our trademarks, patents, copyrights, domain names, trade dress, and trade secrets, is critical to our success. We seek to protect our intellectual property rights by relying on applicable laws and regulations in the United States and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights when offering or procuring products and services, including confidentiality and invention assignment agreements entered into with our employees and contractors and confidentiality agreements with parties with whom we conduct business.

However, effective intellectual property protection may not be available in every country in which our products and services are made available, and contractual arrangements and other steps we have taken to protect our intellectual property may not prevent third parties from infringing or misappropriating our intellectual property or deter independent development of equivalent or superior intellectual property rights by others. Trademark, copyright, patent, domain name, trade dress and trade secret protection is very expensive to maintain and may require litigation. We must protect our intellectual property rights and other proprietary rights in an increasing number of jurisdictions, a process that is expensive and time consuming and may not be successful in every jurisdiction. Also, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to others. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation. Any failure to adequately protect or enforce our intellectual property rights, or significant costs incurred in doing so, could materially harm our business.

As the number of products in the software industry increases and the functionality of these products further overlap, and as we acquire technology through acquisitions or licenses, we may become increasingly subject to infringement claims, including patent, copyright, and trademark infringement claims. Litigation

may be necessary to determine the validity and scope of the patent and other intellectual property rights of others. The ultimate outcome of any allegation is uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay roll-out, or redesign our products, or require us to pay substantial amounts to satisfy judgments or settle claims or lawsuits or to pay substantial royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation or claims arising out of intellectual property matters, may harm our business.

Failure to deal effectively with fraudulent activities on our platforms would increase our loss rate and harm our business, and could severely diminish merchant and consumer confidence in and use of our services.

We face risks with respect to fraudulent activities on our platforms and periodically receive complaints from buyers and sellers who may not have received the goods that they had contracted to purchase or payment for the goods that a buyer had contracted to purchase. In some European and Asian jurisdictions, buyers may also have the right to withdraw from a sale made by a professional seller within a specified time period. While we can, in some cases, suspend the accounts of users who fail to fulfill their payment or delivery obligations to other users, we do not have the ability to require users to make payment or deliver goods, or otherwise make users whole other than through our buyer protection program, which in the United States we refer to as the eBay Money Back Guarantee, or as we roll out our new payments capabilities, by compensating our sellers for fraudulent payments. Although we have implemented measures to detect and reduce the occurrence of fraudulent activities, combat bad buyer experiences and increase buyer satisfaction, including evaluating sellers on the basis of their transaction history and restricting or suspending their activity, there can be no assurance that these measures will be effective in combating fraudulent transactions or improving overall satisfaction among sellers, buyers, and other participants. Additional measures to address fraud could negatively affect the attractiveness of our services to buyers or sellers, resulting in a reduction in the ability to attract new users or retain current users, damage to our reputation, or a diminution in the value of our brand names.

We have substantial indebtedness, and we may incur substantial additional indebtedness in the future, and we may not generate sufficient cash flow from our business to service our indebtedness. Failure to comply with the terms of our indebtedness could result in the acceleration of our indebtedness, which could have an adverse effect on our cash flow and liquidity.

We have a substantial amount of outstanding indebtedness and we may incur substantial additional indebtedness in the future, including under our commercial paper program and revolving credit facility or through public or private offerings of debt securities. Our outstanding indebtedness and any additional indebtedness we incur may have significant consequences, including, without limitation, any of the following:

- requiring us to use a significant portion of our cash flow from operations and other available cash to service our indebtedness, thereby reducing the amount of cash available for other purposes, including capital expenditures and acquisitions;
- our indebtedness and leverage may increase our vulnerability to downturns in our business, to competitive pressures, and to adverse changes in general economic and industry conditions;
- adverse changes in the ratings assigned to our debt securities by credit rating agencies will likely increase our borrowing costs;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, share repurchases, dividends or other general corporate and other purposes may be limited; and
- our flexibility in planning for, or reacting to, changes in our business and our industry may be limited.

Our ability to make payments of principal of and interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our results of operations and financial condition, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things:

- incur the tax cost of repatriating funds to the United States;
- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness;
- sell selected assets; or

reduce or delay planned capital or operating expenditures.

Such measures might not be sufficient to enable us to service our debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms or at all.

Our revolving credit facility and the indenture pursuant to which certain of our outstanding debt securities were issued contain, and any debt instruments we enter into in the future may contain, financial and other covenants that restrict or could restrict, among other things, our business and operations. If we fail to pay amounts due under, or breach any of the covenants in, a debt instrument, then the lenders would typically have the right to demand immediate repayment of all borrowings thereunder (subject in certain cases to grace or cure period). Moreover, any such acceleration and required repayment of or default in respect of any of our indebtedness could, in turn, constitute an

event of default under other debt instruments, thereby resulting in the acceleration and required repayment of that other indebtedness. Any of these events could materially adversely affect our liquidity and financial condition.

A downgrade in our credit ratings could materially adversely affect our business.

Some of our outstanding indebtedness has received credit ratings from certain rating agencies. Such ratings are limited in scope and do not purport to address all risks relating to an investment in those debt securities, but rather reflect only the view of each rating agency at the time the rating was issued. The credit ratings assigned to our debt securities could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and there can be no assurance that such ratings will not be lowered, suspended or withdrawn entirely by a rating agency or placed on a so-called “watch list” for a possible downgrade or assigned a negative ratings outlook if, in any rating agency’s judgment, circumstances so warrant. Moreover, these credit ratings are not recommendations to buy, sell or hold any of our debt securities. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade or have been assigned a negative outlook, would likely increase our borrowing costs, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows and could harm our business.

Our credit ratings were downgraded as a result of the distribution of 100% of the outstanding common stock of PayPal to our stockholders (the “Distribution”), pursuant to which PayPal became an independent company. As of January 1, 2014, our long-term debt and short-term funding were rated investment grade by Standard and Poor’s Financial Services, LLC (long-term rated A, short-term rated A-1, with a stable outlook), Moody’s Investor Service (long-term rated A2, short-term rated P-1, with a stable outlook), and Fitch Ratings, Inc. (long-term rated A, short-term rated F-1, with a stable outlook). All of these credit rating agencies lowered their ratings in connection with the Distribution, which occurred on July 17, 2015. Since July 20, 2015, we have been rated investment grade by Standard and Poor’s Financial Services, LLC (long-term rated BBB+, short-term rated A-2, with a stable outlook), Moody’s Investor Service (long-term rated Baa1, short-term rated P-2, with a stable outlook), and Fitch Ratings, Inc. (long-term rated BBB, short-term rated F-2, with a stable outlook). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of these ratings on our costs of funds. Our borrowing costs depend, in part, on our credit ratings and any further actions taken by these credit rating agencies to lower our credit ratings, as described above, will likely increase our borrowing costs.

Our business may be subject to sales and other taxes.

The application of indirect taxes (such as sales and use tax, value-added tax (“VAT”), goods and services tax (including the “digital services tax”), business tax and gross receipt tax) to ecommerce businesses is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and ecommerce. In many cases, it is not clear how existing statutes apply to ecommerce services. In addition, many state and foreign governments are increasingly looking for ways to increase revenues, which has resulted in legislative action, including new taxes on services and gross revenues and through other indirect taxes. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain.

From time to time, some taxing authorities in the United States have notified us that they believe we owe them certain taxes imposed on our services. These notifications have not resulted in any significant tax liabilities to date, but there is a risk that some jurisdiction may be successful in the future, which would harm our business.

Similar issues exist outside of the United States, where the application of VAT or other indirect taxes on ecommerce providers is complex and evolving. While we attempt to comply in those jurisdictions where it is clear that a tax is due, some of our subsidiaries have, from time to time, received claims relating to the applicability of indirect taxes to our fees. Additionally, we pay input VAT on applicable taxable purchases within the various countries in which we operate. In most cases, we are entitled to reclaim this input VAT from the various countries. However, because of our unique business model, the application of the laws and rules that allow such reclamation is sometimes uncertain. A successful assertion by one or more countries that we are not entitled to reclaim VAT could harm our business.

In certain jurisdictions, we collect and remit indirect taxes on our fees and pay taxes on our purchases of goods and services. However, tax authorities may raise questions about our calculation, reporting and collection of these

taxes and may ask us to remit additional taxes. Should any new taxes become applicable to our services or if the taxes we pay are found to be deficient, our business could be harmed.

We may have exposure to greater than anticipated tax liabilities.

The determination of our worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, we are subject to tax in multiple U.S. and foreign jurisdictions and have structured our operations to reduce our effective tax rate. Our determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities, and we are currently undergoing a number of investigations, audits and reviews by taxing authorities throughout the world, including with respect to our business structure. Any adverse outcome of any such audit or review could harm our business, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove to be insufficient.

In addition, our future income taxes could be adversely affected by a shift in our jurisdictional earning mix, by changes in the valuation of our deferred tax assets and liabilities, as a result of gains on our foreign exchange risk management program, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

In light of continuing fiscal challenges in certain U.S. states and in many countries in Europe, various levels of government are increasingly focused on tax reform and other legislative action to increase tax revenue, including corporate income taxes. A number of U.S. states have attempted to increase corporate tax revenues by taking an expansive view of corporate presence to attempt to impose corporate income taxes and other direct business taxes on companies that have no physical presence in their state, and taxing authorities in foreign jurisdictions may take similar actions. Many U.S. states are also altering their apportionment formulas to increase the amount of taxable income or loss attributable to their state from certain out-of-state businesses. Similarly, in Europe, and elsewhere in the world, there are various tax reform efforts underway designed to ensure that corporate entities are taxed on a larger percentage of their earnings. Companies that operate over the Internet, such as eBay, are a target of some of these efforts. If more taxing authorities are successful in applying direct taxes to Internet companies that do not have a physical presence in their respective jurisdictions, this could increase our effective tax rate.

Our business and its users are subject to Internet sales tax and sales reporting and record-keeping obligations.

The application of sales tax and other indirect taxes on cross border sales by remote sellers is continuing to change and evolve. On June 21, 2018, the U.S. Supreme Court decided *South Dakota v. Wayfair, Inc. et al*, a case challenging the current law under which online retailers are not required to collect sales and use tax unless they have a physical presence in the buyer's state. This decision will now allow states to adopt new or enforce existing laws requiring sellers to collect and remit sales and use tax, even in states in which the seller has no presence. The adoption or enforcement of any such legislation could result in a sales and use tax collection responsibility for certain of our sellers. This collection responsibility and the additional costs associated with complex sales and use tax collection, remittance and audit requirements could create additional burdens for buyers and sellers on our websites and mobile platforms and could harm our business. Similar laws imposing tax collection responsibility on foreign sellers are being consider in other

countries as well. We are now jointly liable for U.K. VAT for certain non-U.K. sellers who fail to fulfill their U.K. VAT obligations unless we suspend their eBay activity until the seller resolves the matter with the U.K. VAT authority. Other jurisdictions are considering similar legislation.

Multiple jurisdictions have enacted laws which require marketplaces to report user activity or collect and remit taxes on certain items sold on the marketplace. For example, we are collecting Australian GST on certain imports into Australia and remitting the GST to the Australian Tax Office. Increasingly, U.S. states have enacted laws or have pending legislation that require marketplace facilitators to collect and remit sales tax for some or all sellers using these marketplaces. The cost of complying with these new rules and the addition of taxes on certain items may harm our business.

One or more states, the U.S. federal government or foreign countries may seek to impose reporting or record-keeping obligations on companies that engage in or facilitate ecommerce. Such an obligation could be imposed by legislation intended to improve tax compliance or if one of our companies was ever deemed to be the legal agent of

the users of our services by a jurisdiction in which it operates. Certain of our companies are required to report to the Internal Revenue Service (the "IRS") and most states on customers subject to U.S. income tax if they reach certain payment thresholds. As a result, we are required to request tax identification numbers from certain payees, track payments by tax identification number and, under certain conditions, withhold a portion of payments and forward such withholding to the IRS. Our systems are able to meet these requirements. These obligations can increase operational costs and change our user experience. Any failure by us to meet these requirements could result in substantial monetary penalties and other sanctions and could harm our business. Imposition of an information reporting requirement could decrease seller or buyer activity on our sites and would harm our business.

We have periodically received requests from tax authorities for information regarding the transactions of large classes of sellers on our sites, and in some cases we have been legally obligated to provide this data. The imposition of any requirements on us to disclose transaction records for all or a class of sellers to tax or other regulatory authorities or to file tax forms on behalf of any sellers, especially requirements that are imposed on us but not on alternative means of ecommerce, and any use of those records to investigate, collect taxes from or prosecute sellers or buyers, could decrease activity on our sites and harm our business.

Our business is subject to online security risks, including security breaches and cyberattacks.

Our businesses involve the storage and transmission of users' personal financial information. In addition, a significant number of our users authorize us to bill their payment card accounts directly for all transaction and other fees charged by us. An increasing number of websites, including those owned by several other large Internet and offline companies, have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their websites or infrastructure. The techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems, change frequently, may be difficult to detect for a long time, and often are not recognized until launched against a target. Certain efforts may be state sponsored and supported by significant financial and technological resources and therefore may be even more difficult to detect. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. Unauthorized parties may also attempt to gain access to our systems or facilities through various means, including hacking into our systems or facilities, fraud, trickery or other means of deceiving our employees, contractors and temporary staff. A party that is able to circumvent our security measures could misappropriate our or our users' personal information, cause interruption or degradations in our operations, damage our computers or those of our users, or otherwise damage our reputation. In addition, our users have been and likely will continue to be targeted by parties using fraudulent "spoof" and "phishing" emails to misappropriate user names, passwords, payment card numbers, or other personal information or to introduce viruses or other malware through "trojan horse" programs to our users' computers. Our information technology and infrastructure may be vulnerable to cyberattacks or security incidents and third parties may be able to access our users' proprietary information and payment card data that are stored on or accessible through our systems. Any security breach at a company providing services to us or our users could have similar effects.

In May 2014, we publicly announced that criminals were able to penetrate and steal certain data, including user names, encrypted user passwords and other non-financial user data. Upon making this announcement, we required all buyers and sellers on our platform to reset their passwords in order to log into their account. The breach and subsequent password reset have negatively impacted the business. In July 2014, a putative class action lawsuit was filed against us for alleged violations and harm resulting from the breach. The lawsuit was recently dismissed with leave to amend. In addition, we have received requests for information and are subject to investigations regarding this incident from numerous regulatory

and other government agencies across the world.

We may also need to expend significant additional resources to protect against security breaches or to redress problems caused by breaches. These issues are likely to become more difficult and costly as we expand the number of markets where we operate. Additionally, our insurance policies carry low coverage limits, which may not be adequate to reimburse us for losses caused by security breaches and we may not be able to fully collect, if at all, under these insurance policies.

Systems failures or cyberattacks and resulting interruptions in the availability of or degradation in the performance of our websites, applications, products or services could harm our business.

Our systems may experience service interruptions or degradation due to of hardware and software defects or malfunctions, computer denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires,

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natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, or other events. Our systems are also subject to break-ins, sabotage and intentional acts of vandalism. Some of our systems are not fully redundant and our disaster recovery planning is not sufficient for all eventualities.

We have experienced and will likely continue to experience system failures, denial of service attacks and other events or conditions from time to time that interrupt the availability or reduce the speed or functionality of our websites and mobile applications. These events have resulted and likely will result in loss of revenue. A prolonged interruption in the availability or reduction in the speed or other functionality of our websites and mobile applications could materially harm our business. Frequent or persistent interruptions in our services could cause current or potential users to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our sites, and could permanently harm our reputation and brands. Moreover, to the extent that any system failure or similar event results in damages to our customers or their businesses, these customers could seek significant compensation from us for their losses and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address. We also rely on facilities, components and services supplied by third parties and our business may be materially adversely affected to the extent these components or services do not meet our expectations or these third parties cease to provide the services or facilities. In particular, a decision by any of our third party hosting providers to close a facility that we use could cause system interruptions and delays, result in loss of critical data and cause lengthy interruptions in our services. We do not carry business interruption insurance sufficient to compensate us for losses that may result from interruptions in our service as a result of systems failures and similar events.

Acquisitions, dispositions, joint ventures, strategic partnerships and strategic investments could result in operating difficulties and could harm our business or impact our financial results.

We have acquired a significant number of businesses of varying size and scope, technologies, services, and products and have in July 2015 distributed 100% of the outstanding common stock of PayPal to our stockholders, pursuant to which PayPal became an independent company, and sold our Enterprise business in November 2015. We also expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions, and dispositions of businesses, technologies, services, products, and other assets, as well as strategic investments and joint ventures.

These transactions may involve significant challenges and risks, including:

- the potential loss of key customers, merchants, vendors and other key business partners of the companies we acquire, or dispose of, following and continuing after announcement of our transaction plans;
- declining employee morale and retention issues affecting employees of companies that we acquire or dispose of, which may result from changes in compensation, or changes in management, reporting relationships, future prospects or the direction of the acquired or disposed business;
- difficulty making new and strategic hires of new employees;
- diversion of management time and a shift of focus from operating the businesses to the transaction, and in the case of an acquisition, integration and administration;
- the need to provide transition services to a disposed of company, which may result in the diversion of resources and focus;
- the need to integrate the operations, systems (including accounting, management, information, human resource and other administrative systems), technologies, products and personnel of each acquired company, which is an inherently risky and potentially lengthy and costly process;

the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise as a result;

the need to implement or improve controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition may have lacked such controls, procedures and policies or whose controls, procedures and policies did not meet applicable legal and other standards;

risks associated with our expansion into new international markets;

derivative lawsuits resulting from the acquisition or disposition;

liability for activities of the acquired or disposed of company before the transaction, including intellectual property and other litigation claims or disputes, violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities and, in the case of dispositions, liabilities to the acquirors of those businesses under contractual provisions such as representations, warranties and indemnities;

the potential loss of key employees following the transaction; the acquisition of new customer and employee personal information by us or a third party acquiring assets or businesses from us, which in and of itself may require regulatory approval and or additional controls, policies and procedures and subject us to additional exposure; and our dependence on the acquired business' accounting, financial reporting, operating metrics and similar systems, controls and processes and the risk that errors or irregularities in those systems, controls and processes will lead to errors in our condensed consolidated financial statements or make it more difficult to manage the acquired business.

At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions and any of these transactions could be material to our financial condition and results of operations. In addition, it may take us longer than expected to fully realize the anticipated benefits of these transactions, and those benefits may ultimately be smaller than anticipated or may not be realized at all, which could adversely affect our business and operating results. Any acquisitions or dispositions may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), liabilities, and amortization expenses related to intangible assets or write-offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders.

We have made certain investments, including through joint ventures, in which we have a minority equity interest and/or lack management and operational control. The controlling joint venture partner in a joint venture may have business interests, strategies, or goals that are inconsistent with ours, and business decisions or other actions or omissions of the controlling joint venture partner or the joint venture company may result in harm to our reputation or adversely affect the value of our investment in the joint venture. Our strategic investments may also expose us to additional risks. Any circumstances, which may be out of our control, that adversely affect the value of our investments, or cost resulting from regulatory action or lawsuits in connection with our investments, could harm our business or negatively impact our financial results.

We entered into a warrant agreement in conjunction with a commercial agreement with a service provider that entitles us to acquire a fixed number of shares of the service provider's common stock subject to certain milestones being met. This warrant is accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*. Changes in the service provider's common stock price and equity volatility may have a significant impact on the value of this warrant. We report this warrant on a quarterly basis at fair value in our condensed consolidated balance sheets, and changes in the fair value of this warrant are recognized in our condensed consolidated statement of income. Fluctuations in the service provider's common stock or other changes in assumptions could result in material changes in the fair value that we report in our condensed consolidated balance sheets and our condensed consolidated statement of income, which could have a material impact on our financial results.

We are subject to risks and uncertainties related to the strategic review of our asset portfolio, as well as our operating review.

In March 2019, we announced that we initiated, with the assistance of external financial advisors, a strategic review of our asset portfolio, including but not limited to StubHub and eBay Classifieds Group. There can be no assurance that the strategic review will result in a sale, spin-off or other business combination involving our assets. We also announced the initiation of an operating review to target operational excellence and build upon the recently announced reorganization and restructuring measures. We will incur expenses in connection with the reviews and our future results may be affected by the pursuit

or consummation of any specific transaction or other strategic alternative resulting from the strategic review. While these reviews are ongoing, we are exposed to certain risks and uncertainties, including potential risks and uncertainties in retaining and attracting employees during the review process; the diversion of management's time to the reviews; and exposure to potential litigation in connection with the review process or any specific transaction or other strategic alternative resulting therefrom, all of which could disrupt and negatively affect our business. Speculation regarding any developments related to the review of strategic alternatives and perceived uncertainties related to the future of the Company could cause our stock price to fluctuate significantly. There is no finite timetable for completion of the strategic review or the operating review, and we can provide no assurance that any transaction or other strategic alternative we pursue will have a positive impact on our results of operations or financial condition. Furthermore, the operating review may not be successful in driving enhanced revenue and operating income growth.

Our success largely depends on key personnel. Because competition for our key employees is intense, we may not be able to attract, retain, and develop the highly skilled employees we need to support our business. The loss of senior management or other key personnel could harm our business.

Our future performance depends substantially on the continued services of our senior management and other key personnel, including key engineering and product development personnel, and our ability to attract, retain, and motivate key personnel. Competition for key personnel is intense, especially in the Silicon Valley where our corporate headquarters are located, and we may be unable to successfully attract, integrate, or retain sufficiently qualified key personnel. In making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the equity awards they would receive in connection with their employment and fluctuations in our stock price may make it more difficult to attract, retain, and motivate employees. In addition, we do not have long-term employment agreements with any of our key personnel and do not maintain any “key person” life insurance policies. The loss of the services of any of our senior management or other key personnel, or our inability to attract highly qualified senior management and other key personnel, could harm our business.

Problems with or price increases by third parties who provide services to us or to our sellers could harm our business.

A number of third parties provide services to us or to our sellers. Such services include seller tools that automate and manage listings, merchant tools that manage listings and interface with inventory management software, storefronts that help our sellers list items and shipping providers that deliver goods sold on our platform, among others. Financial or regulatory issues, labor issues (e.g., strikes, lockouts, or work stoppages), or other problems that prevent these companies from providing services to us or our sellers could harm our business.

Price increases by, or service terminations, disruptions or interruptions at, companies that provide services to us and our sellers and clients could also reduce the number of listings on our platforms or make it more difficult for our sellers to complete transactions, thereby harming our business. Some third parties who provide services to us or our sellers may have or gain market power and be able to increase their prices to us without competitive constraint. While we continue to work with global carriers to offer our sellers a variety of shipping options and to enhance their shipping experience, postal rate increases may reduce the competitiveness of certain sellers’ offerings, and postal service changes could require certain sellers to utilize alternatives which could be more expensive or inconvenient, which could in turn decrease the number of transactions on our sites, thereby harming our business.

We have outsourced certain functions to third-party providers, including some customer support and product development functions, which are critical to our operations. If our service providers do not perform satisfactorily, our operations could be disrupted, which could result in user dissatisfaction and could harm our business.

There can be no assurance that third parties who provide services directly to us or our sellers will continue to do so on acceptable terms, or at all. If any third parties were to stop providing services to us or our sellers on acceptable terms, including as a result of bankruptcy, we may be unable to procure alternatives from other third parties in a timely and efficient manner and on acceptable terms, or at all.

Our developer platforms, which are open to merchants and third-party developers, subject us to additional risks.

We provide third-party developers with access to application programming interfaces, software development kits and other tools designed to allow them to produce applications for use, with a particular focus on mobile applications. There can be no assurance that merchants or third-party developers will develop and maintain applications and services on our open platforms on a timely basis or at all, and a number of factors could cause such third-party developers to curtail or stop development for our platforms. In addition, our business is subject to many regulatory restrictions. It is possible that merchants and third-party developers who utilize our development platforms or tools could violate these regulatory restrictions and we may be held responsible for such violations, which could harm our business.

We cannot assure that we will continue to pay dividends on our common stock.

In January 2019, we initiated a quarterly cash dividend on our common stock. The timing, declaration, amount and payment of any future dividends fall within the discretion of our Board of Directors and will depend on many factors, including our available cash, working capital, financial condition, results of operations, capital requirements, covenants

in our debt instruments, applicable law and other considerations that our Board of Directors considers relevant. A reduction in the amount of cash dividends on our common stock, the suspension of those dividends or a failure to meet market expectations regarding potential dividend increases could have a material adverse effect on the market price of our common stock. If we do not pay cash dividends on our common stock in the future, realization of a gain on an investment in our common stock will depend entirely on the appreciation of the price of our common stock, which may not occur.

We could incur significant liability if the Distribution is determined to be a taxable transaction.

We have received an opinion from outside tax counsel to the effect that our Distribution of 100% of the outstanding common stock of PayPal to our stockholders on July 17, 2015 (the "Distribution") qualifies as a transaction that is described in Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. The opinion relies on certain facts, assumptions, representations and undertakings from PayPal and us regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our shareholders and we may not be able to rely on the opinion of tax counsel and could be subject to significant tax liabilities.

Notwithstanding the opinion of tax counsel we have received, the IRS could determine on audit that the Distribution is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion. If the Distribution is determined to be taxable for U.S. federal income tax purposes, our shareholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

We may be exposed to claims and liabilities as a result of the Distribution.

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

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

Stock repurchase activity during the three months ended March 31, 2019 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⁾
January 31, 2019	3,893,605	\$ 30.13	3,893,605	\$ 3,033,785,018
February 28, 2019	18,321,566	\$ 36.26	18,321,566	\$ 6,369,485,791
March 31, 2019	19,567,294	\$ 36.72	19,567,294	\$ 5,650,977,425
	41,782,465		41,782,465	

(1) In January 2018 our Board authorized a \$6.0 billion stock repurchase program and in January 2019 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 March 31, 2019, we repurchased approximately \$1.5 billion of our common stock under our stock repurchase program. As of March 31, 2019, a total of approximately \$5.7 billion remained available for future repurchases of our common stock under our stock repurchase program.

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.

Item 6: Exhibits

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

INDEX TO EXHIBITS

Exhibit Number	Filed or furnished with this 10-Q	Description
10.01+	X	<u>Offer Letter, dated November 5, 2018, between Registrant and Steve Fisher.</u>
10.03*		<u>Cooperation Agreement, dated February 28, 2019, by and among Elliott Associates, L.P., Elliott International, L.P., Elliott International Capital Advisors Inc. and Registrant.</u>
10.04*		<u>Agreement, dated February 28, 2019, by and among Starboard Value LP and affiliates and Registrant.</u>
31.01	X	<u>Certification of Registrant's Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.02	X	<u>Certification of Registrant's Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.01	X	<u>Certification of Registrant's Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.02	X	<u>Certification of Registrant's Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	X	XBRL Instance Document
101.SCH	X	XBRL Taxonomy Extension Schema Document
101.CAL	X	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	X	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	X	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	X	XBRL Taxonomy Extension Presentation Linkbase Document

+ Indicates a management contract or compensatory plan or arrangement.

* Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2019.

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.

eBay Inc.
Principal Executive Officer:

By: /s/ Devin N. Wenig
Devin N. Wenig
President and Chief Executive Officer

Date: April 24, 2019

Principal Financial Officer:

By: /s/ Scott F. Schenkel
Scott F. Schenkel
Senior Vice President, Chief Financial Officer

Date: April 24, 2019

Principal Accounting Officer:

By: /s/ Brian J. Doerger
Brian J. Doerger
Vice President, Chief Accounting Officer

Date: April 24, 2019