

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

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 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 No.)

**2025 Hamilton Avenue**  
**San Jose , California**  
(Address of principal executive offices)

**95125**  
(Zip Code)

Registrant's telephone number, including area code:  
**(408) 376-7008**

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

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of exchange on which registered</u>
Common stock	EBAY	The Nasdaq Global Select Market
6.00% Notes due 2056	EBAYL	The Nasdaq Global Select Market

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

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 Act). Yes  No

As of June 30, 2019, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$31,354,367,947 based on the closing sale price as reported on The Nasdaq Global Select Market.

796,080,826 shares of common stock issued and outstanding as of January 27, 2020.

#### DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the registrant's Annual Meeting of Stockholders expected to be held on June 16, 2020.

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**eBay Inc.**  
**Form 10-K**  
**For the Fiscal Year Ended December 31, 2019**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>Part I</b>	
Item 1. Business	<a href="#">4</a>
Item 1A. Risk Factors	<a href="#">10</a>
Item 1B. Unresolved Staff Comments	<a href="#">29</a>
Item 2. Properties	<a href="#">30</a>
Item 3. Legal Proceedings	<a href="#">31</a>
Item 4. Mine Safety Disclosures	<a href="#">32</a>
<b>Part II</b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<a href="#">33</a>
Item 6. Selected Financial Data	<a href="#">35</a>
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<a href="#">37</a>
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	<a href="#">57</a>
Item 8. Financial Statements and Supplementary Data	<a href="#">59</a>
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	<a href="#">59</a>
Item 9A. Controls and Procedures	<a href="#">59</a>
Item 9B. Other Information	<a href="#">59</a>
<b>Part III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	<a href="#">60</a>
Item 11. Executive Compensation	<a href="#">60</a>
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<a href="#">60</a>
Item 13. Certain Relationships and Related Transactions, and Director Independence	<a href="#">60</a>
Item 14. Principal Accountant Fees and Services	<a href="#">60</a>
<b>Part IV</b>	
Item 15. Exhibits and Financial Statement Schedule	<a href="#">61</a>
Item 16. Form 10-K Summary	<a href="#">61</a>

## PART I

### FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K 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, management strategies or timing and other expectations regarding our sale of StubHub to viagogo). 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 “Item 1A: Risk Factors” of this Annual Report on Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or the 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.*

### ITEM 1: BUSINESS

#### Overview

eBay Inc. was formed as a sole proprietorship in September 1995 and was incorporated in California in May 1996. In April 1998, we reincorporated in Delaware, and in September 1998, we completed the initial public offering of our common stock. Our principal executive offices are located at 2025 Hamilton Avenue, San Jose, California 95125, and our telephone number is (408) 376-7008. Unless otherwise expressly stated or the context otherwise requires, when we refer to “we,” “our,” “us” or “eBay” in this Annual Report on Form 10-K, we mean eBay Inc. and its consolidated subsidiaries. When we refer to “eBay Inc.” we mean our Marketplace, StubHub and Classifieds platforms. On November 24, 2019, we entered into a definitive agreement for eBay to sell StubHub to viagogo, with closing of the transaction expected to occur in the first quarter of 2020.

eBay Inc. is a global commerce leader, which includes our Marketplace, StubHub and Classifieds platforms. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity. 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. Our Marketplace platforms include our online marketplace located at [www.ebay.com](http://www.ebay.com), its localized counterparts, including off-platform businesses in Korea, Japan and Turkey and the eBay suite of mobile apps. We believe that these are among the world’s largest and most vibrant marketplaces for discovering great value and unique selection. StubHub platforms include the online ticket platform located at [www.stubhub.com](http://www.stubhub.com), its localized counterparts and the StubHub mobile apps. These platforms connect fans with their favorite sporting events, shows and artists and enable them to buy and sell millions of tickets annually, whenever and wherever they want. Our Classifieds platforms include a collection of brands such as [mobile.de](http://mobile.de), [Kijiji](http://Kijiji), [Gumtree](http://Gumtree), [Marktplaats](http://Marktplaats), [eBay Kleinanzeigen](http://eBay Kleinanzeigen) and others. Offering online classifieds around the world, these platforms help people find what they are looking for in their local communities.

Our platforms are accessible through a traditional online experience (e.g., desktop and laptop computers), mobile devices (e.g., smartphones and tablets) and our application programming interfaces or APIs (platform access for third party software developers). Our multi-screen approach offers downloadable, easy-to-use applications for iOS and Android mobile devices that allow access to [ebay.com](http://ebay.com) and some of our other websites and vertical shopping experiences. Our platform is increasingly based on open source technologies that provide industry-standard ways for software developers and merchants to access our APIs and develop software and solutions for commerce. In 2019, we launched new API capabilities to give third-party developers access to eBay programs like managed payments.

#### Agreement to Sell StubHub

On November 24, 2019, following a strategic review of our assets, we entered into a definitive agreement to sell StubHub to viagogo for a purchase price of \$4.05 billion in cash. Please see the information in “Item 1A: Risk Factors” under the caption “The closing of the proposed sale of StubHub is subject to various risks and uncertainties, may not be completed in accordance with expected plans or on the currently contemplated timeline, or at all, and the pending sale may be disruptive to StubHub.”

## **Our Strategy**

### *Delivering the best choice, the most relevance and the most powerful selling platform*

Our strategy is to drive the best choice, the most relevance and the most powerful selling platform for our buyers and sellers. We focus on connecting buyers and sellers through simplified experiences to make it easier for users to list, buy and sell items, and we are working to serve our customers in an authentically eBay way.

On our Marketplace platform, our strategy is to drive the best choice by attracting and retaining sellers and brands that bring differentiated inventory to eBay and provide our consumers with great selection and value. This includes new, everyday items as well as rare and unique goods, many of which are available with free shipping and delivery in three business days or less. Our vision is to provide buyers with value and selection through the spectrum of value of the inventory. We continue to invest in product and initiatives to evolve the customer experience, making it easier for buyers to find inventory on the platform.

As a trusted ticket marketplace, StubHub brings the joy of live events to fans globally. In 2019, over 268 million visitors came to StubHub to buy or sell tickets to live sports, music, theater and other events. StubHub business partners include more than 100 leagues, teams, venues, events or other major third-party companies in the U.S. and internationally across major sports leagues such as the NFL, MLB, MLS, NBA, NHL, and the NCAA. StubHub is a leader in mobile innovation, with roughly 60% of its orders coming from mobile in 2019.

A world leader in online classifieds, eBay Classifieds is designed to help people list their products and services, generally for free, find what they are looking for in their local communities and trade at a local level. eBay Classifieds Group's brands offer both horizontal and vertical experiences, such as motors, real estate and jobs. We offer a personalized classifieds experience and focus on expanding our value proposition by leveraging data and analytics to improve customer relevance and grow the classifieds opportunity on mobile.

### *Business model and pricing*

On eBay and StubHub, our business model and pricing are designed so that our business is successful primarily when our sellers are successful. We make money primarily through fees collected on successfully closed sales. On our Classifieds platform, we monetize our business primarily through advertising.

In 2019, managed payments adoption accelerated in the U.S. and the service launched in Germany. Since we began intermediating payments in 2018, we processed over \$2.0 billion in payments for nearly 25,000 sellers through December 31, 2019. Our advertising business remains focused on growing our promoted listing fees (first-party advertising business) while reducing non-strategic third-party advertising in a manner that is conducive to growth in our core Marketplace; over 1 million sellers used the product, promoting over 320 million live listings in 2019.

### *Our offerings for buyers and sellers*

We provide a number of features for our buyers and sellers that are designed to build trust, help users feel more comfortable buying and selling on our platforms and reward our top sellers for their loyalty. We believe that, through our sellers, eBay offers some of the best value and deals available for a number of consumer products. Buyers seek out eBay because they can find an enormous breadth of inventory and a spectrum of value from the brand new to the hard-to-find.

On the Marketplace platform, we continue to explore new tools and features that are intended to create a better buying experience on eBay, including Visual Shopping via Computer Vision, Right Offer at the Right Time, and Buy Again.

In order to remain competitive and create a vibrant seller experience, eBay continuously invests in tools and programs to grow the seller ecosystem because we only win when our sellers succeed. In 2019, we added analytics and merchandising tools to our Seller Hub that are designed so that sellers know what to sell, when to sell it and at what price. The 2019 additions of Multi-User Account Access, along with the Terapeak integration, enable sellers to better manage their business and add additional analytics insights into the platform. We also established new seller protections, including two new financial protections for top-rated sellers located in the U.S. who offer 30-day returns. First, eBay will issue a seller invoice credit to cover return label cost if a buyer makes a false "item not as described"

claim. Second, eBay now allows these sellers to issue partial refunds for all items that are returned damaged. eBay also has processes that allow sellers to report buyers who violate policies.

eBay is committed to maintaining a safe and trusted marketplace. In order to further strengthen our buyers' confidence and trust in our services, we offer eBay Money Back Guarantee, which allows buyers to get their money back if the item they ordered does not arrive, is faulty or damaged, or if it does not match the listing. eBay Money Back Guarantee covers most items purchased on the eBay platform in a number of countries, including the U.S., the U.K., Germany and Australia, through a qualifying payment method. Some purchases, including some vehicles, are not covered. We also offer eBay Authenticate, through which sellers can have their high-end handbags, luxury watches and jewelry authenticated. The program is available in the United States as well as in the U.K. and Germany. We also provide our customers with a Best Price Guarantee, which offers buyers in the United States 110 percent of the price difference if they find an item for less on a competitor's website within 48 hours of making a purchase. In Australia, Best Price Guarantee beats deals from approved retailers by 5%, and in U.K., offers price matching.

For buyers, we want to create greater confidence in our ability to meet their delivery and buying expectations and to improve the reliability of our shipping times and tracking. The majority of our transactions on the eBay Marketplace in the U.S., the U.K., and Germany include free shipping, and we encourage sellers to offer free returns. Through eBay Guaranteed Delivery, we provide faster and more precise delivery dates on millions of eligible items.

## **Our Impact and Responsibility**

eBay's purpose is to empower people and create economic opportunity for all. Every day, people build businesses on eBay, and we are driven to support them. Both in our community and through our technology, we work to create economic opportunity. Our impact efforts are divided into four programs that align with our purpose: eBay for Charity, eBay Foundation, Retail Revival, and Responsible Business.

eBay for Charity empowers eBay buyers and sellers to support charities around the world. Since its inception, eBay for Charity has raised more than \$1 billion for more than 83,000 charities.

eBay's Foundation helps build economically vibrant and thriving communities through several key initiatives like Global Give, which is an annual employee-led grantmaking program that deploys the talents and passions of eBay employees. Through the program, employees come together to create teams, partner with local nonprofits, and develop projects that support small businesses and entrepreneurs in their communities. In 2019, the eBay Foundation awarded approximately \$1 million through Global Give.

Retail Revival, which launched in early 2018, also demonstrates eBay's commitment to economic development and entrepreneurialism. Retail Revival empowers local businesses to compete on a global scale and thrive in an online economy. In close partnership with local governments and stakeholders, eBay onboards cohorts of small businesses and supports their growth through months of in-depth training, individual coaching, and promotional support, all provided at no cost to the participants or partner cities. Since launch, eBay has welcomed new U.S. cities to the Retail Revival program, including: Lansing, Michigan; Greensboro, North Carolina; and Baton Rouge, Louisiana; and scaled the program internationally to Canada, the UK, Ireland, Italy, Israel, Russia, and Bulgaria.

Finally, as a part of the company's Responsible Business efforts, eBay strives to operate in an environmentally and socially sustainable way - creating a safe, trusted, and diverse environment in which our employees, buyers, sellers, suppliers, and partners can thrive. In 2019, eBay made several partnership announcements, working to reach its goal of 100% renewable energy by 2025. This includes two local renewable energy programs with energy providers in Draper, Utah, and San Jose, California. These two locations join Dreilinden, Germany; Dublin, Ireland; and Portland, Oregon in 100% renewable energy sourcing.

## Financial Information

We measure our footprint in our addressable market according to Gross Merchandise Volume (“GMV”). 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 completed the transaction. In 2019, we generated over \$90 billion in GMV, of which approximately 60 percent was generated outside the U.S. Despite GMV’s divergence from revenue during 2019, we still 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.

At the end of 2019, our Marketplace and StubHub platforms had more than 180 million active buyers and over one billion live listings globally. The term “active buyer” means, as of any date, all buyer accounts that successfully closed a transaction on our Marketplace or StubHub platforms within the previous 12-month period. Buyers may register more than once and, as a result, may have more than one account.

We generate revenue primarily from the transactions we successfully enable and through marketing services, including classifieds and our growth initiatives of payments and advertising. The majority of our revenue comes from a take rate on the GMV of transactions closed on our Marketplace and StubHub platforms. We define “take rate” as net transaction revenues divided by GMV.

The size and scale of our platforms are designed to enable our buyers and sellers to leverage our economies of scale and capital investments, such as in sales and marketing, mobile, customer acquisition, technology innovation and customer service.

## Notable Business Transactions in 2019

We regularly review and manage our investments to ensure that they support eBay’s strategic direction and complement our disciplined approach to value creation, profitability and capital allocation. In the first quarter of 2019, we completed the acquisition of Motors.co.uk, a U.K.-based classifieds site, for \$93 million. The Motors.co.uk team joined Gumtree UK, an eBay Classifieds business. In the second quarter of 2019, we invested \$160 million in Paytm Mall, an eCommerce marketplace in India. In the fourth quarter of 2019, we entered into a definitive agreement to sell StubHub; see “Agreement to Sell StubHub” section for more details.

## Competition

We encounter vigorous competition in our business from numerous sources. Our users can list, sell, buy, and pay for similar items through a variety of competing online, mobile and offline channels. These include, but are not limited to, retailers, distributors, liquidators, import and export companies, auctioneers, catalog and mail-order companies, classifieds, directories, search engines, commerce participants (consumer-to-consumer, business-to-consumer and business-to-business), shopping channels and networks. As our product offerings continue to broaden into new categories of items and new commerce formats, we expect to face additional competition from other online, mobile and offline channels for those new offerings. We compete on the basis of price, product selection and services, and global scale.

For more information regarding risks of competition, see the information in “Item 1A: Risk Factors” under the captions “Substantial and increasingly intense competition worldwide in ecommerce may harm our business” and “We are subject to regulatory activity and antitrust litigation under competition laws that could adversely impact our business.”

To compete effectively, we will need to continue to expend significant resources in technology and marketing. These efforts require substantial expenditures, which could reduce our margins and have a material adverse effect on our business, financial position, operating results and cash flows and reduce the market price of our common stock and outstanding debt securities. Despite our efforts to preserve and expand the size, diversity and transaction activity of our buyers and sellers and to enhance the user experience, we may not be able to effectively manage our operating expenses, to increase or maintain our revenue or to avoid a decline in our consolidated net income or a net loss.

## Government Regulation

Government regulation impacts key aspects of our business. In particular, we are subject to laws and regulations that affect the ecommerce industry in many countries where we operate. With the continued state adoption of Internet

sales tax laws in 2019, more buyers across the U.S. are encountering sales tax for the first time on the eBay platform. To date, more than 30 states have implemented Internet sales tax and digital service tax legislation. Tax 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.

For more information regarding regulatory risks, see the information in “Item 1A: Risk Factors” under the caption “Our business is subject to extensive government regulation and oversight” and “Our business and its users are subject to Internet sales tax and sales reporting and record-keeping obligations.”

### **Seasonality**

We expect transaction activity patterns on our platforms to mirror general consumer buying patterns. Please see the additional information in “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Seasonality.”

### **Technology**

eBay Inc.’s platforms use a combination of proprietary technologies and services as well as technologies and services provided by others. We have developed intuitive user interfaces, buyer, seller and developer tools and transaction processing, database and network applications that help enable our users to reliably and securely complete transactions on our sites. Our technology infrastructure simplifies the storage and processing of large amounts of data, eases the deployment and operation of large-scale global products and services and automates much of the administration of large-scale clusters of computers. Our infrastructure has been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences.

For information regarding technology-related risks, see the information in “Item 1A: Risk Factors” under the captions “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” and “Regulation in the areas of privacy and protection of user data could harm our business.”

In support of our ongoing commitment to innovation and a better customer experience, we have been on a multi-year evolution to modernize our marketplace. Through technologies like artificial intelligence, which is woven into all aspects of the eBay marketplace, we are anticipating the needs of buyers, sellers and developers empowering entrepreneurs looking to grow their business, and making the platform more accessible to everyone. We aim to create highly personalized and inspiring shopping experiences powered by advanced technologies.

### **Intellectual Property**

We regard the protection of our intellectual property, including our trademarks (particularly those covering the eBay name), patents, copyrights, domain names, trade dress and trade secrets as critical to our success. We aggressively protect our intellectual property rights by relying on federal, state and common law rights in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights in products and services. We routinely enter into confidentiality and invention assignment agreements with our employees and contractors and nondisclosure agreements with parties with whom we conduct business to limit access to and disclosure of our proprietary information.

We pursue the registration of our domain names, trademarks and service marks in the U.S. and internationally. Additionally, we have filed U.S. and international patent applications covering certain aspects of our proprietary technology. Effective trademark, copyright, patent, domain name, trade dress and trade secret protection is typically 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.

We have registered our core brands as trademarks and domain names in the U.S. and a large number of other jurisdictions and have in place an active program to continue to secure trademarks and domain names that correspond to our brands in markets of interest. If we are unable to register or protect our trademarks or domain names, we could be adversely affected in any jurisdiction in which our trademarks or domain names are not registered or protected. 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.

From time to time, third parties have claimed - and others will likely claim in the future - that we have infringed their intellectual property rights. We are typically involved in a number of such legal proceedings at any time. Please see the information in "Item 3: Legal Proceedings" and in "Item 1A: Risk Factors" under the captions "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," and "We may be unable to adequately protect or enforce our intellectual property rights and face ongoing risk from patent litigation and allegations by third parties that we are infringing their intellectual property rights."

## **Employees**

As of December 31, 2019, we employed approximately 13,300 people globally. Approximately 6,600 of our employees were located in the U.S.

## **Available Information**

Our Internet address is [www.ebay.com](http://www.ebay.com). Our investor relations website is located at [investors.ebayinc.com](http://investors.ebayinc.com). We make available free of charge on our investor relations website under the heading "Financial Information - SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs on our investor relations website. Company sustainability information for investors is available on our investor relations website under the heading "ESG Investors." Corporate governance information, including our governance guidelines for our Board of Directors ("Board"), Board committee charters and code of conduct, is also available on our investor relations website under the heading "Corporate Governance."

The contents of our websites and webcasts and information that can be accessed through our websites and webcasts are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with (or furnish to) the SEC, and any references to our websites and webcasts are intended to be inactive textual references only.

## 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 consolidated financial statements and notes thereto and the other information appearing in this report, for important information regarding risks that affect us. Current global economic events and conditions may amplify many of these risks. These risks are not the only risks that may affect us. Additional risks that we are not aware of or do not believe are material at the time of this filing may also become important factors that adversely affect our business.

### ***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 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 and the other risks set forth in this “Risk Factors” section.

*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, but are not limited to, Amazon, Facebook, Google, Walmart, Target, Macy's, Etsy, Shopify, Wayfair, Costco, Rakuten, QVC and HSN, 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 websites operated by Schibsted ASA or Naspers Limited and others such as craigslist, Oodle.com, Facebook. 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, Zalando and Coupang 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 may increasingly 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. Economic conditions, including inflation, recession, or other adverse economic events or changes, could have a negative and adverse impact on companies and customers with which we do business and could have a material adverse effect on our business, including a reduction in the volume and prices of transactions on our commerce platforms. 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 (known as "Brexit") 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. Because we have global operations, including in the United Kingdom and the European Union, we face risks due to the uncertainty and the potential disruptions surrounding Brexit, including potential financial, legal, tax and trade implications.

*We are exposed to fluctuations in foreign currency exchange rates, which could negatively impact our financial results.*

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;
- payment intermediation regulations;
- 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 or the effects of climate change (such as drought, flooding, wildfires, increased storm severity, and sea level rise); 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 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 will depend 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 the continued development and expansion of our 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. In addition, compliance with these laws may restrict our ability to provide services to our customers that they may find to be valuable. For example, the General Data Protection Regulation (“GDPR”) became effective in May 2018. The GDPR, which applies to all of our activities conducted from an establishment in the European Union or related to products and services offered in the European Union, imposes a range of new compliance obligations regarding the handling of personal data. The GDPR imposes significant new obligations and compliance with these obligations depends in part on how particular regulators interpret and apply them. If we fail to comply with the GDPR, or if regulators assert we have failed to comply with the GDPR, it may lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, private lawsuits, or reputational damage. In the U.S., California has adopted the California Consumer Privacy Act of 2018 (“CCPA”), which became effective January 1, 2020 and which provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allow consumers to opt out of certain data sharing with third parties. In addition to the CCPA, several other U.S. states are considering adopting laws and regulations imposing obligations regarding the handling of personal data. Compliance with the GDPR, the CCPA, and other current and future applicable international and U.S. privacy, cybersecurity and related laws can be costly and time-consuming. Complying with these varying national and international 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.

A determination that there have been violations of laws relating to our practices under communications-based laws could also 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, including the GDPR and the CCPA, 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 other 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 and other proceedings 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 that could adversely impact our business.*

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 Union 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.

*Fluctuations in interest rates, and changes in regulatory guidance related to such interest rates, could adversely impact our financial results.*

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 expand our 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 sorts 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.

*Development of our payments system requires ongoing investment, is subject to evolving laws, regulations, rules, and standards, and involves risk, including risks related to our dependence on third-party providers.*

We have invested and plan to continue to invest internal resources into our payments tools in order to maintain existing availability, expand into additional markets and offer new payment methods and tools to our buyers and sellers. If we fail to invest adequate resources into payments on our platform, or if our investment efforts are unsuccessful or unreliable, our payments services may not function properly or keep pace with competitive offerings, which could negatively impact their usage and our marketplaces. Further, our ability to expand our payments services into additional countries is dependent upon the third-party providers we use to support this service. As we expand the availability of our payments services to additional markets or offer new payment methods to our sellers and buyers in the future, we may become subject to additional regulations and compliance requirements, and exposed to heightened fraud risk, which could lead to an increase in our operating expenses.

We rely on third-party service providers to perform services related to compliance, credit card processing, payment disbursements, currency exchange, identity verification, sanctions screening, and fraud analysis and detection. As a result, we are subject to a number of risks related to our dependence on third-party service providers. If any or some of these service providers fail to perform adequately or if any such service provider were to terminate or modify its relationship with us unexpectedly, our sellers' ability to use our platform to receive orders or payments could be adversely affected, which would increase costs, drive sellers away from our marketplaces, result in potential legal liability, and harm our business. In addition, we and our third-party service providers may experience service outages from time to time that could adversely impact payments made on our platform. Additionally, any unexpected termination or modification of those third-party services could lead to a lapse in the effectiveness of certain fraud prevention and detection tools.

Our third-party service providers may increase the fees they charge us in the future, which would increase our operating expenses. This could, in turn, require us to increase the fees we charge to sellers and cause some sellers to reduce listings on our marketplaces or to leave our platform altogether by closing their accounts.

Payments are governed by complex and continuously evolving laws and regulations that are subject to change and vary across different jurisdictions in the United States and globally. As a result, we are required to spend significant time and effort to determine whether various licensing and registration laws relating to payments apply to us and to comply with applicable laws and licensing and registration regulations. In addition, there can be no assurance that we will be able to obtain or retain any necessary licenses or registrations. Any failure or claim of failure on the part of the Company or its third-party service providers to comply with applicable laws and regulations relating to payments could require us to expend significant resources, result in liabilities, limit or preclude our ability to enter certain markets and harm our reputation. In addition, changes in payment regulations, including changes to the credit or debit card interchange rates in the United States or other markets, could adversely affect payments on our platform and make our payments systems less profitable.

Further, we are indirectly subject to payment card association operating rules and certification requirements pursuant to agreements with our third-party payment processors. These rules and requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, are subject to change or reinterpretation, making it difficult for us to comply. Any failure to comply with these rules and certification requirements could impact our ability to meet our contractual obligations to our third-party payment processors and could result in potential fines. In addition, changes in these rules and requirements, including any change in our designation by major payment card providers, could require a change in our business operations and could result in limitations on or loss of our ability to accept payment cards, any of which could negatively impact our business. Such changes could also increase our costs of compliance, which could lead to increased fees for us or our sellers and adversely affect payments on our platform or usage of our payments services and marketplaces.

*We may be unable to adequately protect or enforce our intellectual property rights and face ongoing risks from patent litigation and allegations by third parties 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.

Additionally, 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 licenses; 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.

As the number of patent owners and products in the software industry increases and the functionality of these products further overlap, and as we acquire technology through acquisitions or licenses, litigation may be necessary to determine the validity and scope of the intellectual property rights of others and we may become increasingly subject to patent suits and other infringement claims, including copyright, and trademark infringement claims. 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.

The ultimate outcome of any allegation or litigation is uncertain and, regardless of the outcome, any of the claims described above, 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, dividends, share repurchases, 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.

These risks increase as the level of our debt increases. 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.*

The credit ratings assigned to our debt securities could change based upon, among other things, our results of operations, financial condition or dispositions and acquisitions. 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. 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 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 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 allows 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. Moreover, the application of such taxes on our commerce platforms could cause a marketplace to be less attractive to current and prospective buyers, which could adversely impact our business, financial

performance, and growth. The majority of 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.

Similar laws imposing tax collection responsibility on foreign sellers are being considered in other countries as well. We are now jointly liable for U.K. VAT and German VAT for certain sellers who fail to fulfill their VAT obligations unless we suspend their eBay activity until the seller resolves the matter with the corresponding 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. The European Union has also adopted a VAT reform package which starting in 2021 requires marketplaces such as eBay to collect and remit VAT on most imports from outside the European Union.

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. 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 or, in certain cases, third-party service providers utilized in our payment services. 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, or those of our third-party service providers, 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 usernames, 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 dismissed with leave to amend. In addition, we have received requests for information and became 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, 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, including our payments services. 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 or payments services 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.

*The closing of the proposed sale of StubHub is subject to various risks and uncertainties, may not be completed in accordance with expected plans or on the currently contemplated timeline, or at all, and the pending sale may be disruptive to StubHub.*

As previously announced, on November 24, 2019, we entered into a stock purchase agreement with an affiliate of viagogo to sell StubHub.

The sale is expected to close by the end of the first quarter of 2020. The completion, on our expected timeline, of the proposed sale of StubHub is subject to closing conditions and viagogo's ability to obtain debt and equity financing on a timely basis. If the conditions to the closing of the sale of StubHub are neither satisfied nor, where permissible, waived on a timely basis or at all, we may be unable to complete the sale of StubHub or such completion may be delayed beyond our expected timeline. We are also subject to risks regarding the failure of the buyer to obtain the necessary financing to complete the transactions contemplated by the stock purchase agreement and risks related to the equity and debt financing and related guarantee arrangements entered in connection with the stock purchase agreement.

Whether or not the proposed sale of StubHub is completed, the announcement and pendency of the StubHub sale may be disruptive to StubHub and may adversely affect StubHub's relationships with current and prospective employees and business partners and buyers and sellers on its platform. Uncertainties related to the pending sale of

StubHub may impair StubHub's ability to attract, retain and motivate key personnel and could divert the attention of StubHub's management and other employees from its day-to-day business and operations in preparation for and during the sale. If we are unable to effectively manage these risks, StubHub's business, results of operations, financial condition and prospects would be adversely affected.

If the proposed sale of StubHub is delayed or not completed for any reason, including due to the inability to satisfy the closing conditions or due to the buyer's inability to obtain the necessary financing or industry or economic conditions outside of our control, investor confidence could decline and we could face negative publicity and possible litigation. In addition, in the event of a failed transaction, we will have expended significant management resources in an effort to complete the sale and, although in some circumstances the buyer may be obligated to pay us a termination fee of \$200 million, will have incurred significant transaction costs. Accordingly, if the proposed sale of StubHub is not completed on the terms set forth in the stock purchase agreement or at all, our business, results of operations, financial condition, cash flows and stock price may be adversely affected.

*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, disposed of significant businesses (including PayPal and our Enterprise business in 2015), and in November 2019 we have entered into an agreement to sell our StubHub business to viagogo. We 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 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 Adyen that entitles us to acquire a fixed number of shares of the Adyen'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 Adyen'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 consolidated balance sheets, and changes in the fair value of this warrant are recognized in our consolidated statement of income. Fluctuations in Adyen's common stock or other changes in assumptions could result in material changes in the fair value that we report in our consolidated balance sheets and our 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 the execution of our plan for operating efficiency.*

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. In November 2019, as an outcome of our strategic review, we entered into an agreement to sell our StubHub business to viagogo. Our strategic review efforts continue, however, there can be no assurance that the strategic review will result in any further sale, spin-off or other business combination involving our assets. We will incur expenses in connection with the review 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 this review is ongoing, we are exposed to certain risks and uncertainties, including retaining and attracting employees during the review process; the diversion of management's time to the review; 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, 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.

In addition, we announced that our operating review has resulted in a three-year plan for operating efficiency, which is expected to enhance our operating margins and create capacity for reinvestment initiatives. The execution of this plan is subject to various risks and uncertainties, and there can be no assurance that we will be able to achieve the anticipated results of this plan.

*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.

On September 25, 2019, we announced the appointment of an interim Chief Executive Officer. Our Board of Directors is actively undertaking a search for our next Chief Executive Officer. This search and any eventual transition to a Chief Executive Officer may result in disruptions to our business and uncertainty among investors, employees and others concerning our future direction and performance. Any such disruptions and uncertainty, as well as a delay or failure in successfully identifying, attracting or retaining a permanent Chief Executive Officer, could have an adverse effect on our business and financial results.

*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 provide assurance 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 stockholders 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 stockholders 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 1B: UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2: PROPERTIES**

We own and lease various properties in the U.S. and 31 other countries around the world. We use the properties for executive and administrative offices, data centers, product development offices, fulfillment centers and customer service offices. Our headquarters are located in San Jose, California and occupies approximately 0.5 million square feet. Our owned data centers are solely located in Utah. As of December 31, 2019, our owned and leased properties provided us with aggregate square footage as follows (in millions):

	<b>United States</b>	<b>Other Countries</b>	<b>Total</b>
Owned facilities	1.3	—	1.3
Leased facilities	0.8	3.9	4.7
<b>Total facilities</b>	<b>2.1</b>	<b>3.9</b>	<b>6.0</b>

From time to time we consider various alternatives related to our long-term facilities needs. While we believe that our existing facilities, which are used by all of our reportable segments, are adequate to meet our immediate needs, it may become necessary to develop and improve land that we own or lease or acquire additional or alternative space to accommodate any future growth.

## ITEM 3: LEGAL PROCEEDINGS

### 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 Item 3, 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 year ended December 31, 2019. Except as otherwise noted for the proceedings described in this Item 3, 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. 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 consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

## **ITEM 4: MINE SAFETY DISCLOSURES**

Not applicable.

PART II

**ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Common Stock**

Our common stock has been traded on The Nasdaq Global Select Market under the symbol "EBAY" since September 24, 1998. As of January 27, 2020, there were approximately 3,524 holders of record of our common stock, although we believe that there are a significantly larger number of beneficial owners of our common stock.

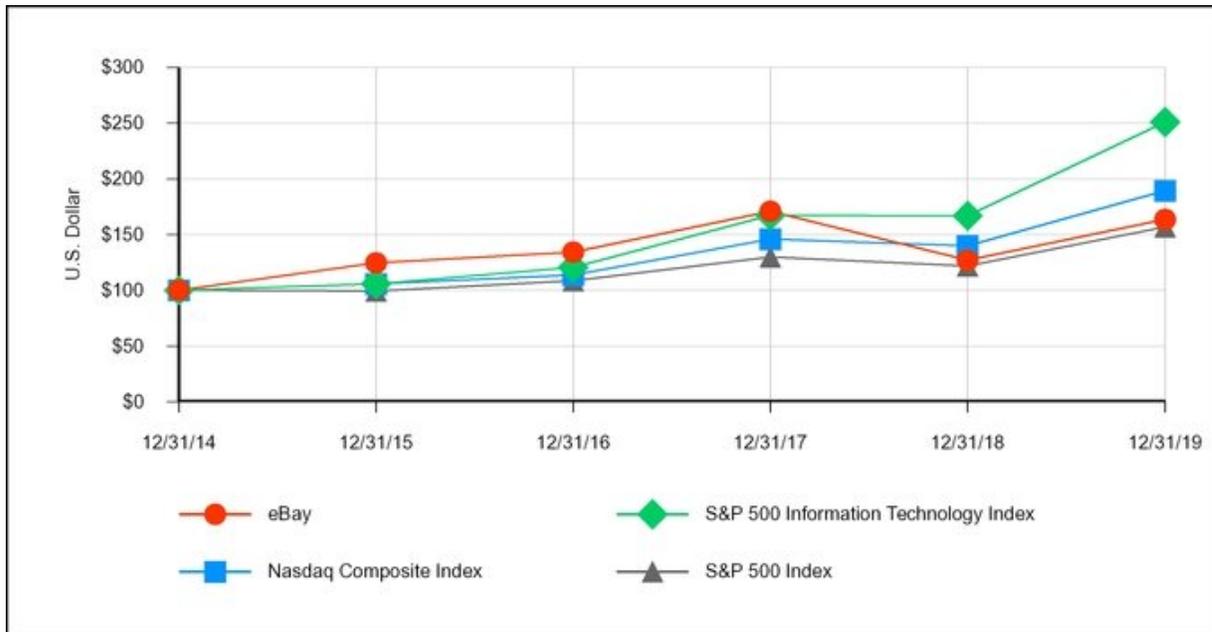
**Dividend Policy**

During 2019, the company paid a total of \$473 million in cash dividends. In January 2020, we declared a quarterly cash dividend of \$0.16 per share of common stock to be paid on March 20, 2020 to stockholders of record as of March 2, 2020. The timing, declaration, amount and payment of any future cash dividends are at the discretion of the 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 credit agreement, applicable law and other business considerations that our Board of Directors considers relevant. See "We cannot provide assurance that we will continue to pay dividends on our common stock" under "Item 1A. Risk Factors."

**Performance Measurement Comparison**

The graph below shows the cumulative total stockholder return of an investment of \$100 (and the reinvestment of any dividends thereafter) on December 31, 2014 (the last trading day for the year ended December 31, 2014) in (i) our common stock, (ii) the Nasdaq Composite Index, (iii) the S&P 500 Index and (iv) the S&P 500 Information Technology Index. For the purpose of this graph, the distribution of 100% of the outstanding common stock of PayPal Holdings, Inc. ("PayPal") to our stockholders, pursuant to which PayPal became an independent company, is treated as a non-taxable cash dividend of \$41.46, an amount equal to the opening price of PayPal common stock on July 20, 2015 which was deemed reinvested in eBay common stock at the opening price on July 20, 2015.

Our stock price performance shown in the graph below is not indicative of future stock price performance. The graph and related information shall not be deemed "soliciting material" or be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any past or future filing with the SEC, except to the extent that such filing specifically states that such graph and related information are incorporated by reference into such filing.



## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended December 31, 2019 was as follows:

Period Ended	Total Number of Shares Purchased	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value that May Yet be Purchased Under the Programs <sup>(1)</sup>
October 31, 2019	9,212,301	\$ 37.77	9,212,301	\$ 2,803,012,054
November 30, 2019	8,942,446	\$ 35.29	8,942,446	\$ 2,487,397,753
December 31, 2019	9,475,674	\$ 35.50	9,475,674	\$ 2,150,987,394
	<u>27,630,421</u>		<u>27,630,421</u>	

- (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 December 31, 2019, we repurchased approximately \$1.0 billion of our common stock under our stock repurchase program. As of December 31, 2019, a total of approximately \$2.2 billion remained available for future repurchases of our common stock under our stock repurchase program. During January 2020, our Board authorized an additional \$5.0 billion stock repurchase program, with no expiration from the date of authorization.

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 6: SELECTED FINANCIAL DATA**

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this Annual Report on Form 10-K. The consolidated statement of income data for the years ended December 31, 2019, 2018, 2017 and 2016 are derived from our audited consolidated financial statements. The consolidated balance sheet data as of December 31, 2019 and 2018 are derived from our audited consolidated financial statements. The consolidated balance sheet data as of December 31, 2017 and 2016 has been derived from our audited consolidated financial statements adjusted for the adoption of the ASC 606, *Revenue from Contracts with Customers* (ASC 606). The consolidated statement of income data and consolidated balance sheet data as of and for the year ended December 31, 2015 is derived from our audited consolidated financial statements, which have not been adjusted for ASC 606.

	Year Ended December 31,				
	2019	2018 <sup>(6)</sup>	2017 <sup>(4)(7)</sup>	2016 <sup>(4)(8)</sup>	2015
(In millions, except per share amounts)					
<b>Consolidated Statement of Income Data: <sup>(1)</sup></b>					
Net revenues	\$ 10,800	\$ 10,746	\$ 9,927	\$ 9,298	\$ 8,592
Gross profit	8,292	8,364	7,706	7,294	6,821
Income from operations	2,321	2,222	2,264	2,325	2,197
Income from continuing operations before income taxes	2,207	2,718	2,275	3,651	2,406
Income (loss) from continuing operations	1,792	2,528	(1,013)	7,285	1,947
Income (loss) per share from continuing operations:					
Basic	\$ 2.11	\$ 2.58	\$ (0.95)	\$ 6.43	\$ 1.61
Diluted	\$ 2.10	\$ 2.55	\$ (0.95)	\$ 6.37	\$ 1.60
Weighted average shares:					
Basic	849	980	1,064	1,133	1,208
Diluted	856	991	1,064	1,144	1,220

**As of December 31,**

	<b>2019</b>	<b>2018 <sup>(6)</sup></b>	<b>2017 <sup>(4) (7)</sup></b>	<b>2016 <sup>(4) (8)</sup></b>	<b>2015</b>
	<b>(In millions)</b>				
<b>Consolidated Balance Sheet Data: <sup>(1)</sup></b>					
Cash and cash equivalents	\$ 975	\$ 2,202	\$ 2,120	\$ 1,816	\$ 1,832
Short-term investments	1,850	2,713	3,743	5,333	4,299
Long-term investments	1,316	3,778	6,331	3,969	3,391
Working capital - continuing operations	640	2,672	4,185	5,010	5,641
Working capital total <sup>(2)(3)</sup>	640	2,672	4,185	5,010	5,641
Total assets - continuing operations	18,174	22,819	25,986	23,851	17,785
Total assets	18,174	22,819	25,986	23,851	17,785
Short-term debt	1,022	1,546	781	1,451	—
Long-term debt	6,738	7,685	9,234	7,509	6,779
Total stockholders' equity <sup>(5)</sup>	2,870	6,281	8,049	10,526	6,576
Dividends declared per share:	\$ 0.56	\$ —	\$ —	\$ —	\$ —

- (1) Includes the impact of acquisitions and dispositions. For a summary of recent significant acquisitions and dispositions, please see "Note 3 - Business Combinations" to the consolidated financial statements included in this report.
- (2) Working capital is calculated as the difference between total current assets and total current liabilities.
- (3) Reflects the impact of the adoption of the new lease accounting standard in 2019 which was adopted prospectively.
- (4) Reflects the impact of the adoption of the new revenue recognition accounting standard in 2018. Periods prior to 2016 have not been revised.
- (5) Includes the impact of the Distribution of PayPal on July 17, 2015.
- (6) The consolidated balance sheet data as of December 31, 2018 includes the impact of a \$463 million reduction to the provisional current and deferred tax liabilities recorded in the fourth quarter of 2017 and a \$120 million reduction in 2018 to the deferred tax asset recognized in 2017 as a result of a tax rate change. The consolidated statement of income data for the year ended December 31, 2018 includes a \$463 million income tax benefit and \$120 million tax expense associated with such current and deferred tax liabilities and assets, respectively.
- (7) The consolidated balance sheet data as of December 31, 2017 includes the impact of a \$695 million deferred tax asset recognized in 2017 as a result of our voluntary domiciling our Classifieds intangible assets into a new jurisdiction. The consolidated statement of income data for the year ended December 31, 2017 includes a \$695 million income tax benefit associated with such deferred tax asset, \$376 million caused by the foreign exchange remeasurement of our deferred tax assets and a \$3.1 billion provisional tax expense associated with the enactment of the Tax Cuts and Jobs Act.
- (8) The consolidated balance sheet data for the year ended December 31, 2016 includes the impact of a \$4.6 billion deferred tax asset recognized in 2016 as a result of our election to terminate an existing tax ruling and finalize a new agreement with the foreign tax authority. The consolidated statement of income data for the year ended December 31, 2016 includes a \$4.6 billion income tax benefit associated with such deferred tax asset.

## ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K 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, management strategies or timing and other expectations regarding our sale of StubHub to viagogo). 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 "Item 1A: Risk Factors" of this Annual Report on Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission. 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 consolidated financial statements and the related notes included in this report.*

### OVERVIEW

#### **Business**

eBay Inc., a global commerce leader, includes Marketplace, StubHub and Classifieds platforms. Collectively, eBay connects millions of buyers and sellers around the world, empowering people and creating opportunity for all. Founded in 1995 in San Jose, California, eBay is one of the world's largest and most vibrant marketplaces for discovering great value and unique selection. 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. In 2019, eBay enabled over \$90 billion of Gross Merchandise Volume.

#### **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.

Our commerce platforms operate globally, resulting in certain revenues that are denominated in foreign currencies, primarily the euro, British pound, Korean won and Australian dollar, subjecting us to foreign currency risk which may impact our financial results. Because of this and the fact that we generate a majority of our net revenues internationally, including during the years ended December 31, 2019, 2018 and 2017, we are subject to the risks related to doing business in foreign countries as discussed under "Item 1A: Risk Factors."

The effect of foreign currency exchange rate movements during 2019 was primarily attributable to the strengthening of the U.S. dollar against the euro, British pound and Korean won.

#### **Fiscal Year Highlights**

Net revenues increased 1% to \$10.8 billion in 2019 compared to 2018, primarily driven by Marketplace net transaction revenues and Classifieds marketing services and other revenues. FX-Neutral net revenue (as defined above) increased 2% in 2019 compared to 2018. Operating margin increased to 21.5% in 2019 compared to 20.7% in 2018.

We generated cash flow from continuing operating activities of \$3.1 billion in 2019 compared to \$2.7 billion in 2018, ending the year with cash, cash equivalents and non-equity investments of \$3.8 billion.

In the first quarter of 2019, we completed the acquisition of the U.K. based classifieds site, Motors.co.uk for \$93 million in cash. During the third quarter of 2019, \$400 million of floating rate notes and \$1.15 billion of 2.200% fixed rate notes matured and were repaid. During the year ended December 31, 2019 we paid \$473 million in cash dividends.

In the fourth quarter of 2019, we entered into a definitive agreement to sell StubHub to viagogo for a purchase price of \$4.05 billion in cash. The sale is expected to close in the first quarter of 2020, subject to regulatory approval and closing conditions.

Diluted earnings per share from continuing operations was \$2.10 in 2019 compared to diluted earnings per share of \$2.55 in 2018. In January 2020, we declared a quarterly cash dividend of \$0.16 per share of common stock to be paid on March 20, 2020 to stockholders of record as of March 2, 2020.

## 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. The following table sets forth, for the periods presented, our total net revenues and the sequential quarterly movements of these net revenues (in millions, except percentages):

	Quarter Ended			
	March 31	June 30	September 30	December 31
<b>2017</b>				
Net revenues	\$ 2,303	\$ 2,419	\$ 2,498	\$ 2,707
Percent change from prior quarter	(7)%	5%	3%	8%
<b>2018</b>				
Net revenues	\$ 2,580	\$ 2,640	\$ 2,649	\$ 2,877
Percent change from prior quarter	(5)%	2%	0%	9%
<b>2019</b>				
Net revenues	\$ 2,643	\$ 2,687	\$ 2,649	\$ 2,821
Percent change from prior quarter	(8)%	2%	(1)%	7%

#### 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):

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
U.S.	\$ 4,337	(1)%	4,373	4%	\$ 4,187
<i>Percentage of net revenues</i>	40%		41%		42%
International	6,463	1%	6,373	11%	5,740
<i>Percentage of net revenues</i>	60%		59%		58%
Total net revenues	<u>\$ 10,800</u>	1%	<u>\$ 10,746</u>	8%	<u>\$ 9,927</u>

Net revenues included \$81 million of hedging gains and \$8 million and \$28 million of hedging losses during the years ended December 31, 2019, 2018 and 2017, respectively. 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 \$211 million, a favorable impact of \$174 million and unfavorable impact of \$39 million on net revenues for the years December 31, 2019, 2018 and 2017, respectively. The effect of foreign currency exchange rate movements in 2019 compared to 2018 was primarily attributable to the strengthening of the U.S. dollar against the euro, British pound and Korean won. The effect of foreign currency exchange rate movements in 2018 compared to 2017 was primarily attributable to the weakening 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 net revenues by type and segment (in millions, except percentages):

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
<b>Net transaction revenues:</b>					
Marketplace	\$ 7,578	2 %	\$ 7,416	9 %	\$ 6,809
StubHub	1,057	(1)%	1,068	6 %	1,011
Total net transaction revenues	8,635	2 %	8,484	8 %	7,820
<b>Marketing services and other revenues:</b>					
Marketplace	1,060	(13)%	1,225	3 %	1,192
Classifieds	1,061	4 %	1,022	14 %	897
StubHub	64	**	15	(17)%	18
Elimination of inter-segment net revenues	(20)	**	—	— %	—
Total marketing services and other revenues	2,165	(4)%	2,262	7 %	2,107
Total net revenues	\$ 10,800	1 %	\$ 10,746	8 %	\$ 9,927

\*\* 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. Despite GMV's divergence from revenue during 2019, we still 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):

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
<b>GMV:</b>					
Marketplace	\$ 85,510	(5)%	\$ 89,829	7%	\$ 83,883
StubHub	4,700	(1)%	4,751	5%	4,520
Total	<u>\$ 90,210</u>	<u>(5)%</u>	<u>\$ 94,580</u>	<u>7%</u>	<u>\$ 88,403</u>
<b>Transaction take rate:</b>					
Marketplace	8.86%	0.61 %	8.25%	0.13%	8.12%
StubHub	22.49%	0.01 %	22.48%	0.11%	22.37%
Total transaction take rate	<u>9.57%</u>	<u>0.60 %</u>	<u>8.97%</u>	<u>0.12%</u>	<u>8.85%</u>

### Marketplace Net Transaction Revenues

	Year Ended December 31,		% Change		Year Ended December 31,		% Change	
	2019	2018	As Reported	FX-Neutral	2018	2017	As Reported	FX-Neutral
Marketplace net transaction revenues <sup>(1)</sup>	7,578	7,416	2 %	4 %	7,416	6,809	9%	7%
Marketplace GMV	85,510	89,829	(5)%	(2)%	89,829	83,883	7%	5%
Marketplace take rate	8.86%	8.25%	0.61 %		8.25%	8.12%	0.13%	

(1) Marketplace net transaction revenues were net of \$81 million, \$8 million and \$28 million hedging activity during the years ended December 31, 2019, 2018 and 2017 respectively.

Marketplace net transaction revenues increased in 2019 compared to 2018 primarily due to growth in promoted listing fees and a higher take rate. Marketplace transaction take rate was higher in 2019 compared to 2018, primarily due to growth in promoted listing fees, which along with final value fees are calculated as a percentage of an item's sale price, and category mix. The increase in Marketplace net transaction revenues in 2019 compared to 2018 was due to take rate considerations discussed above, despite declining Marketplace GMV. We expect that the divergence between Marketplace net transaction revenues and Marketplace GMV will continue. Despite GMV's divergence from net transaction revenues during the year, we still believe the metric provides a useful measure of overall volume of closed transactions that flow through the platform in a given period.

The increase in Marketplace net transaction revenues in 2018 compared to 2017 was primarily due to an increase in Marketplace GMV and a favorable impact from foreign currency movements relative to the U.S. dollar. Marketplace transaction take rate was higher in 2018 compared to 2017, primarily due to 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, partially offset by a decrease in revenues from final value fees attributable to pricing and category mix.

### StubHub Net Transaction Revenues

The following table presents StubHub net transaction revenues and supplemental operating data (in millions, except percentages):

	Year Ended December 31,		% Change		Year Ended December 31,		% Change	
	2019	2018	As Reported	FX-Neutral	2018	2017	As Reported	FX-Neutral
StubHub net transaction revenues	1,057	1,068	(1)%	(1)%	1,068	1,011	6%	6%
StubHub GMV	4,700	4,751	(1)%	(1)%	4,751	4,520	5%	5%
StubHub take rate	22.49%	22.48%	0.01 %		22.48%	22.37%	0.11%	

StubHub net transaction revenues in 2019 compared to 2018 decreased slightly primarily driven by lower GMV from concerts and theater, partially offset by an increase in sporting events and a slightly higher take rate. The slight increase in StubHub transaction take rate in 2019 compared to 2018 was primarily due to pricing changes partially offset by event mix.

The increase in StubHub net transaction revenues in 2018 compared to 2017 was primarily due to an increase in StubHub GMV. The increase in StubHub GMV in 2018 compared to 2017 was primarily driven by concerts and sporting events. The increase in StubHub transaction take rate in 2018 compared to 2017 was primarily due to pricing changes on the platform.

### Marketing Services and Other Revenues

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

	Year Ended December 31,		% Change		Year Ended December 31,		% Change	
	2019	2018	As Reported	FX-Neutral	2018	2017	As Reported	FX-Neutral
Marketplace	\$ 1,060	\$ 1,225	(13)%	(11)%	\$ 1,225	\$ 1,192	3 %	1 %
Classifieds	1,061	1,022	4 %	9 %	1,022	897	14 %	10 %
StubHub	64	15	**	**	15	18	(17)%	(18)%
Elimination of inter-segment net revenues	\$ (20)	\$ —	**	**	\$ —	\$ —	— %	— %
Total MS&O revenues	\$ 2,165	\$ 2,262	(4)%	(1)%	\$ 2,262	\$ 2,107	7 %	5 %
Percentage of net revenues	20%	21%			21%	21%		

\*\* Not meaningful

#### Marketplace MS&O Revenues

The decrease in Marketplace MS&O revenues during 2019 compared to 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 and lower revenues resulting from the sale of brands4friends. These decreases were partially offset by increases in first-party inventory program in Korea in 2019 compared to 2018.

The increase in Marketplace MS&O revenues in 2018 compared to 2017 was primarily driven by an increase in revenues attributable to our first-party inventory program in Korea and revenue sharing arrangements, particularly shipping, partially offset by 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 increases in Classifieds MS&O revenues in 2019 compared to 2018 and in 2018 compared to 2017 was primarily driven by increased revenue from our Classifieds horizontal and vertical motors platforms primarily in Germany.

#### StubHub MS&O Revenues

The increase in StubHub MS&O revenues in 2019 compared to 2018 primarily related to growth in revenues from first-party inventory sales from sporting events. The change in StubHub MS&O revenue in 2018 compared to 2017 was relatively flat.

## 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, first party inventory costs, bank transaction fees, and credit card interchange and assessment fees. The following table presents cost of net revenues (in millions, except percentages):

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
Cost of net revenues	\$ 2,508	5%	\$ 2,382	7%	\$ 2,221
As a percentage of net revenues	23.2%		22.2%		22.4%

The increase in cost of net revenues in 2019 compared to 2018 and 2018 compared to 2017 was primarily due to an increase in site operation and payment processing costs as we increased our investments in our business, and an increase in costs of goods sold driven by our first-party inventory program in Korea.

Cost of net revenues, net of immaterial hedging activities, was favorably impacted by \$56 million attributable to foreign currency movements relative to the U.S. dollar in 2019 compared to 2018. Cost of net revenues was unfavorably impacted by \$34 million attributable to foreign currency movements relative to the U.S. dollar in 2018. There was no hedging activity within cost of net revenues in 2018.

## Operating Expenses

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

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
Sales and marketing	\$ 3,194	(6)%	\$ 3,391	18%	\$ 2,878
<i>Percentage of net revenues</i>	30%		32%		29%
Product development	1,240	(4)%	1,285	5%	1,224
<i>Percentage of net revenues</i>	11%		12%		12%
General and administrative	1,189	5 %	1,131	10%	1,030
<i>Percentage of net revenues</i>	11%		11%		10%
Provision for transaction losses	300	5 %	286	5%	272
<i>Percentage of net revenues</i>	3%		3%		3%
Amortization of acquired intangible assets	48	(1)%	49	27%	38
Total operating expenses	<u>\$ 5,971</u>	<u>(3)%</u>	<u>\$ 6,142</u>	<u>13%</u>	<u>\$ 5,442</u>

Foreign currency movements relative to the U.S. dollar had a favorable impact of \$118 million on operating expenses in 2019 compared to 2018. Operating expenses were unfavorably impacted by \$68 million attributable to foreign currency movements relative to the U.S. dollar in 2018 compared to 2017. There was no hedging activity within operating expenses in 2019 and 2018.

### *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 in 2019 compared to 2018 was primarily due to a favorable impact from foreign currency movements relative to the U.S. dollar and decreases in offline advertising spend and employee-related costs. These costs were partially offset by online marketing spend and user coupons and rewards largely driven by our Japan platform acquired in the second quarter of 2018.

The increase in sales and marketing expense in 2018 compared to 2017 was primarily due to an increase in user coupons and rewards and traffic acquisition costs.

### *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.

Capitalized internal use and platform development costs were \$137 million and \$147 million in 2019 and 2018, respectively, and are primarily reflected as a cost of net revenues when amortized in future periods.

The decrease in product development expenses in 2019 compared to 2018 was primarily due to decreases in employee-related costs, foreign currency movement relative to the U.S. dollar and depreciation on equipment. The increase in product development expenses in 2018 compared to 2017 was primarily due to an increase in employee-related costs, partially offset by a decrease in depreciation on equipment.

### *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 in 2019 compared to 2018 was primarily due to severance costs incurred in 2019 related to our CEO transition.

The increase in general and administrative expenses in 2018 compared to 2017 was primarily due to restructuring costs related to our global workforce reduction and an increase in employee-related costs. For additional details related to the restructuring, refer to "Note 18 – Restructuring" to the 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 increase in provision for transaction losses in 2019 compared to 2018 was primarily due to an increase in bad debt expense. The increase in provision for transaction losses in 2018 compared to 2017 was not significant.

## Income from Operations

The following table presents income from operations (in millions, except percentages):

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
Income from operations	\$ 2,321	4%	\$ 2,222	(2)%	\$ 2,264
Operating margin	21.5%		20.7%		22.8%

The increase in income from operations in 2019 compared 2018 was primarily due to an increase in income from our Marketplace segment. Income from our StubHub and Classifieds segments was not a significant contributor to the increase in total income from operations in 2019 compared to 2018. The decrease in income from operations in 2018 compared to 2017 was primarily due to global workforce reduction and an increase in employee related costs, partially offset by an increase in income from our Marketplace and Classifieds segments.

## 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 Adyen, 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):

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
Interest income	\$ 120	(32)%	\$ 176	(1)%	\$ 177
Interest expense	(311)	(5)%	(326)	12 %	(292)
Gains on investments and sale of business	80	**	663	**	115
Other	(3)	**	(17)	**	11
Total interest and other, net	\$ (114)	**	\$ 496	**	\$ 11

The decrease in interest and other, net in 2019 compared to 2018 was primarily attributable to the gain recognized on the sale of our investment in Flipkart of \$313 million and the relinquishment of our existing equity method investment in Giosis of \$266 million that did not occur in 2019, the loss recorded upon the divestiture of brands4friends of \$52 million partially offset by the gain recognized due to the change in fair value of the Adyen warrant of \$133 million that occurred in 2019.

The increase in interest and other, net in 2018 compared to 2017 was primarily attributable to the \$313 million gain recognized on the sale of our investment in Flipkart and \$266 million gain recognized upon relinquishment of our existing equity method investment in Giosis and \$104 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):

	Year Ended December 31,		
	2019	2018	2017
Income tax provision (benefit)	\$ 415	\$ 190	\$ 3,288
<i>Effective tax rate</i>	<i>18.8%</i>	<i>7.0%</i>	<i>144.5%</i>

The increase in our effective tax rate in 2019 compared to 2018 was primarily due to a reduction in 2018 to the provisional tax amounts recorded in 2017 related to the Tax Cuts and Jobs Act and the gain recognized from the relinquishment of our existing equity method investment in Giosis that was not subject to U.S. federal income tax on a current basis that did not recur in 2019, and certain expenses in 2019 including a negotiated reduction in the tax basis of the intangible assets in our Classifieds platforms. These impacts were partially offset in 2019 by the effective settlements of audits, reduction in the U.S. deferred tax liability for minimum tax on foreign earnings, related to the above reduction in tax basis of intangible assets, and a benefit due to the enacted New York state legislation regarding the taxability of foreign earnings.

The decrease in our effective tax rate in 2018 compared to 2017 was primarily due to the \$3.1 billion provisional tax charge related to the Tax Cuts and Jobs Act (the "Act" or "U.S. tax reform") recorded in 2017. In 2018, as we completed our analysis of U.S. tax reform, we recorded a \$463 million reduction to the provisional tax amounts recorded in 2017. Further, the 2018 effective tax rate was favorably impacted by U.S. tax reform and the gain recognized from the relinquishment of our existing equity method investment in Giosis in the second quarter 2018 that is not subject to U.S. federal income tax on a current basis.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted. U.S. tax reform, among other things, reduced the U.S. federal income tax rate from 35% to 21% beginning in 2018, instituted a dividends received deduction for foreign earnings with a related tax for the deemed repatriation of unremitted foreign earnings in 2017 and created a new U.S. minimum tax on earnings of foreign subsidiaries. We recognized a provisional income tax charge of \$3.1 billion in the fourth quarter of 2017, which was included as a component of the income tax provision on our consolidated statement of income. We completed our analysis of the impacts of U.S. tax reform in the fourth quarter of 2018 and recognized a \$463 million reduction to the provisional tax amounts recorded in the fourth quarter of 2017, which is included as a component of income tax expense from continuing operations in 2018.

Included in the 2017 provisional amount was \$1.4 billion for the income tax on the deemed repatriation of unremitted foreign earnings. We completed the computation of this amount as part of the 2017 income tax return filing and reduced the provisional amount by \$18 million and we utilized \$213 million of foreign tax credits to reduce the net liability, both in 2018.

The remaining provisional amount of \$1.7 billion was for the deferred income tax effects of the Act, primarily the impact of the new U.S. minimum tax on foreign earnings, partially offset by the reversal of our existing deferred tax liability associated with repatriation of unremitted foreign earnings. We completed our analysis of the components of the deferred tax computation in the fourth quarter of 2018 and recognized a tax benefit of \$445 million as a reduction to the provisional amounts recorded in the fourth quarter of 2017 for the deferred income tax effects of the Act. This amount includes a \$389 million tax benefit as a result of clarification by Swiss tax authorities regarding the applicability of withholding tax to repatriated earnings in October 2018.

As a result of U.S. tax reform, our earnings in foreign jurisdictions are taxed at substantially the same rate as the U.S. federal statutory tax rate of 21%. In 2017, our provision for income taxes differed from the provision computed by applying the U.S. federal statutory rate of 35% primarily due to lower tax rates associated with certain earnings from our operations in jurisdictions outside the U.S. The impact on our provision for income taxes of foreign income being taxed at different rates than the U.S. federal statutory rate was a benefit of approximately \$217 million in 2017. The foreign jurisdictions with lower tax rates that had the most significant impact on our provision for income taxes in 2017 include Switzerland. See "Note 15 - Income Taxes" to the consolidated financial statements included in this report for more information on our tax rate reconciliation.

From time to time we engage in certain intercompany transactions. We consider many factors when evaluating these transactions. These transactions may impact our tax rate and/or result in additional cash tax payments. The impact in any period may be significant. These transactions are complex and the impact of such transactions on future periods may be difficult to estimate.

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, it is generally impractical to determine the amount and timing of these adjustments. However, we expect several tax examinations to close within the next twelve months. See "Note 15 – Income Taxes" to the consolidated financial statements included in this report for more information on estimated settlements within the next twelve months.

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

To supplement our 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):

	Year Ended December 31, 2019			Year Ended December 31, 2018		FX-Neutral % Change
	As Reported	Exchange Rate Effect (1)	FX-Neutral (2)	As Reported	As Reported % Change	
<b>GMV:</b>						
Marketplace	\$ 85,510	\$ (2,745)	\$ 88,255	\$ 89,829	(5)%	(2)%
StubHub	4,700	(17)	4,717	4,751	(1)%	(1)%
Total GMV	\$ 90,210	\$ (2,762)	\$ 92,972	\$ 94,580	(5)%	(2)%

#### Net Revenues

##### Net transaction revenues:

Marketplace <sup>(3)</sup>	\$ 7,578	\$ (123)	\$ 7,701	\$ 7,416	2 %	4 %
StubHub	1,057	(3)	1,060	1,068	(1)%	(1)%
Total	8,635	(126)	8,761	8,484	2 %	3 %

##### Marketing services and other revenues:

Marketplace	1,060	(30)	1,090	1,225	(13)%	(11)%
Classifieds	1,061	(55)	1,116	1,022	4 %	9 %
StubHub	64	—	64	15	**	**
Elimination of inter-segment net revenue	(20)	—	(20)	—	**	**
Total	2,165	(85)	2,250	2,262	(4)%	(1)%
Total net revenues	\$ 10,800	\$ (211)	\$ 11,011	\$ 10,746	1 %	2 %

	Year Ended December 31, 2018			Year Ended December 31, 2017		FX-Neutral % Change
	As Reported	Exchange Rate Effect (1)	FX-Neutral (2)	As Reported	As Reported % Change	
<b>GMV:</b>						
Marketplace	\$ 89,829	\$ 1,659	\$ 88,170	\$ 83,883	7 %	5 %
StubHub	4,751	5	4,746	4,520	5 %	5 %
Total GMV	\$ 94,580	\$ 1,664	\$ 92,916	\$ 88,403	7 %	5 %

#### Net Revenues

##### Net transaction revenues:

Marketplace <sup>(3)</sup>	\$ 7,416	\$ 118	\$ 7,298	\$ 6,809	9 %	7 %
StubHub	1,068	1	1,067	1,011	6 %	6 %
Total	8,484	119	8,365	7,820	8 %	7 %

##### Marketing services and other revenues:

Marketplace	1,225	22	1,203	1,192	3 %	1 %
Classifieds	1,022	33	989	897	14 %	10 %
StubHub	15	—	15	18	(17)%	(18)%
Total	2,262	55	2,207	2,107	7 %	5 %
Total net revenues	\$ 10,746	\$ 174	\$ 10,572	\$ 9,927	8 %	6 %

\*\* Not meaningful

- (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 net transaction revenues were net of \$81 million and \$8 million of hedging activity in 2019 and 2018, respectively.

## Liquidity and Capital Resources

### Cash Flows

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
Net cash provided by (used in):			
Continuing operating activities	\$ 3,114	\$ 2,661	\$ 3,146
Investing activities	2,787	2,894	(1,295)
Financing activities	(7,091)	(5,398)	(1,784)
Effect of exchange rates on cash, cash equivalents and restricted cash	(33)	(75)	238
Net increase (decrease) in cash, cash equivalents - discontinued operations	—	(3)	—
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ (1,223)	\$ 79	\$ 305

### Continuing Operating Activities

Cash provided by continuing operating activities of \$3.1 billion in 2019 was primarily attributable to net income of \$1.8 billion with adjustments of \$681 million in depreciation and amortization, \$505 million in stock-based compensation, \$300 million in provision for transaction losses, \$117 million for deferred income taxes, \$52 million loss on the sale of a business, partially offset by a decrease of \$200 million in changes in assets and liabilities, net of acquisition effects, and \$133 million for changes in the fair value of the Adyen warrant.

Cash provided by continuing operating activities of \$2.7 billion in 2018 was primarily attributable to net income of \$2.5 billion with adjustments of \$696 million in depreciation and amortization, \$538 million in stock-based compensation and \$286 million in provision for transaction losses, partially offset by a decrease of \$577 million in changes in assets and liabilities, net of acquisition effects, and adjustments of \$572 million for gain on investments, \$153 million for deferred income taxes and \$104 million for changes in fair value of the Adyen warrant.

The net cash provided by continuing operating activities of \$3.1 billion in 2017 was primarily due to \$1.1 billion of changes in assets and liabilities, net of acquisition effects, and a net loss of \$1.0 billion offset by adjustments of \$1.7 billion in deferred income taxes, \$676 million in depreciation and amortization and \$483 million in stock-based compensation.

Cash paid for income taxes in 2019, 2018 and 2017 was \$333 million, \$597 million and \$308 million, respectively. Cash paid for income taxes in 2018 included tax payments related to our liability for deemed repatriation of foreign earnings under U.S. tax reform of \$168 million, including a prepayment of \$72 million.

### Investing Activities

Cash provided by investing activities of \$2.8 billion in 2019 was primarily attributable to proceeds of \$50.5 billion from the maturities and sales of investments, partially offset by cash paid for purchases of investments of \$47.0 billion, property and equipment of \$554 million, equity investment in Paytm Mall of \$160 million and acquisitions of \$93 million.

Cash provided by investing activities of \$2.9 billion in 2018 was primarily attributable to proceeds of \$30.9 billion from the maturities and sales of investments and \$1.0 billion from the sale of equity investment in Flipkart, partially offset by cash paid for purchases of investments of \$28.1 billion, property and equipment of \$651 million and acquisitions of \$302 million.

The net cash used in investing activities of \$1.3 billion in 2017 was primarily due to cash paid for property and equipment of \$666 million and cash paid for our equity investment in Flipkart of \$514 million.

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

## ***Financing Activities***

Cash used in financing activities of \$7.1 billion in 2019 was primarily used to repurchase \$5.0 billion of common stock, repay outstanding debt of \$1.6 billion and pay \$473 million of cash dividends.

Cash used in financing activities of \$5.4 billion in 2018 was primarily used to repurchase \$4.5 billion of common stock and repay \$750 million of our outstanding senior notes.

The net cash used in financing activities of \$1.8 billion in 2017 was primarily due to \$2.7 billion of cash used to repurchase common stock and \$1.5 billion of cash used to repay outstanding debt, partially offset by \$2.5 billion of cash proceeds from debt issuances.

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, euro and British pound during 2019. 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 euro, Korean won and British pound, during 2018. The positive effect of exchange rate movements on cash, cash equivalents and restricted cash was due to the weakening of the U.S. dollar against other currencies, primarily the euro and Korean won, during 2017.

### ***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 2019, we repurchased approximately \$5.0 billion of our common stock under our stock repurchase programs. As of December 31, 2019, a total of approximately \$2.2 billion remained available for future repurchases of our common stock under our stock repurchase programs. In January 2020, our Board authorized an additional \$5.0 billion stock repurchase program, with no expiration from the date of authorization.

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 \$473 million in cash dividends during the year ended December 31, 2019. No cash dividends were paid in 2018 and 2017. In January 2020, we declared a cash dividend of \$0.16 per share of common stock to be paid on March 20, 2020 to stockholders of record as of March 2, 2020.

### ***Shelf Registration Statement and Debt***

As of December 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, depositary 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 December 31, 2019, we had floating- and fixed-rate senior notes outstanding for an aggregate principal amount of \$7.8 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 10 – Debt" to the 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. As of December 31, 2019, we had no interest rate swaps outstanding as \$1.15 billion related to our 2.200% senior notes of the \$2.4 billion aggregate notional amount matured. In addition, during the year ended December 31, 2019, we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024. As a result of the early termination, hedge accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the year ended December 31, 2019 was immaterial. For additional details related to the interest rate swap termination, please see, "Note 10 – Debt" to the consolidated financial statements included in this report.

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

### *Credit Agreement*

In November 2015, we entered into a credit agreement that provides for an unsecured \$2 billion five-year revolving credit facility. We may also, subject to the agreement of the applicable lenders, increase the commitments under the revolving credit facility by up to an aggregate amount of \$1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, dividends, acquisitions and other general corporate purposes.

As of December 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 December 31, 2019 for other purposes permitted by the credit agreement.

Loans under the credit agreement bear interest at either (i) LIBOR plus a margin (based on our public debt credit ratings) ranging from 0.875 percent to 1.5 percent or (ii) a formula based on the agent bank's prime rate, the federal funds effective rate plus 0.5 percent or LIBOR plus 1.0 percent, plus a margin (based on our public debt credit ratings) ranging from zero percent to 0.5 percent. The credit agreement will terminate and all amounts owing thereunder will be due and payable on November 9, 2020, unless (a) the commitments are terminated earlier, either at our request

or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events of default), or (b) the maturity date is extended upon our request, subject to the agreement of the lenders. 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 period ended December 31, 2019.

#### *Credit Ratings*

As of December 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 actions taken by these credit rating agencies to lower our credit ratings will likely increase our borrowing costs.

#### *Commitments and Contingencies*

We have certain fixed contractual obligations and commitments that include future estimated payments for general operating purposes. Changes in our business needs, contractual cancellation provisions, fluctuating interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of these payments. The following table summarizes our fixed contractual obligations and commitments (in millions):

<b>Payments Due During the Year Ending December 31,</b>	<b>Debt</b>	<b>Leases</b>	<b>Purchase Obligations</b>	<b>Total</b>
2020	\$ 1,257	\$ 200	\$ 140	\$ 1,597
2021	980	174	82	1,236
2022	1,933	151	69	2,153
2023	1,284	98	1	1,383
2024	871	45	1	917
Thereafter	4,349	78	3	4,430
	<u>\$ 10,674</u>	<u>\$ 746</u>	<u>\$ 296</u>	<u>\$ 11,716</u>

The significant assumptions used in our determination of amounts presented in the above table are as follows:

- Debt amounts include the principal and interest amounts of the respective debt instruments. For additional details related to our debt, please see "Note 10 – Debt" to the consolidated financial statements included in this report. This table does not reflect any amounts payable under our \$2 billion revolving credit facility or \$1.5 billion commercial paper program, for which no borrowings were outstanding as of December 31, 2019.
- Lease amounts include payments for our operating and finance leases for office space, data centers, as well as fulfillment centers and other corporate assets that we utilize under lease arrangements. The amounts presented are consistent with contractual terms and are not expected to differ significantly from actual results under our existing leases, unless a substantial change in our headcount needs requires us to expand our occupied space or exit an office facility early.
- Purchase obligation amounts include minimum purchase commitments for advertising, capital expenditures (computer equipment, software applications, engineering development services, construction contracts) and other goods and services entered into in the ordinary course of business.

As we are unable to reasonably predict the timing of settlement of liabilities related to unrecognized tax benefits, net, the table does not include \$285 million of such non-current liabilities included in other liabilities on our consolidated

balance sheet as of December 31, 2019. The gross amount of unrecognized tax benefits expected to be reduced within the next twelve months is approximately \$19 million. See “Note 15 – Income Taxes” to the consolidated financial statements included in this report for more information on unrecognized tax benefits.

#### *Liquidity and Capital Resource Requirements*

As of December 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 \$3.8 billion and \$8.6 billion, respectively. As of December 31, 2019, this amount included assets held in certain of our foreign operations totaling approximately \$3.4 billion. As we repatriate these funds to the U.S., we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes on those amounts during the period when such repatriation occurs. We have accrued deferred taxes for the tax effect of repatriating the funds to the U.S.

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, stock repurchases and dividends for the foreseeable future.

#### *Off-Balance Sheet Arrangements*

As of December 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 December 31, 2019, we had a total of \$4.8 billion in aggregate cash deposits, partially offset by \$4.7 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 consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

### ***Critical Accounting Policies, Judgments and Estimates***

#### *General*

The preparation of our consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and related notes and other disclosures included in this report.

#### *Revenue Recognition*

We may enter into certain revenue contracts that include promises to transfer multiple goods or services including discounts on future services. We also may enter into arrangements to purchase services from certain customers. As a result, significant interpretation and judgment is sometimes required to determine the appropriate accounting for these transactions including: (1) whether services are considered distinct performance obligations that should be accounted for separately or combined; (2) developing an estimate of the stand-alone selling price of each distinct performance obligation; (3) whether revenue should be reported gross (as eBay is acting as a principal), or net (as eBay is acting as an agent); (4) evaluating whether a promotion or incentive is a payment to a customer; and (5) whether the arrangement would be characterized as revenue or reimbursement of costs incurred. Changes in judgments with respect to these assumptions and estimates could impact the timing or amount of revenue recognition.

#### *Income Taxes*

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective government taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties and the complexity of taxes on foreign earnings. We review our tax positions quarterly and adjust the balances as new information becomes available. Tax positions are evaluated for potential reserves for uncertainty based on the estimated probability of sustaining the position under examination. Our income tax rate is affected by the tax rates that apply to our foreign earnings including U.S. minimum taxes on foreign earnings. The deferred tax benefit derived from the amortization of our intellectual property is based on the fair value, which has been agreed with foreign tax authorities. The deferred tax benefit may from time to time change based on changes in tax rates. As a result of U.S. tax reform and the current U.S. taxation of deemed repatriated earnings, management has no specific plans to indefinitely reinvest the undistributed earnings of our foreign subsidiaries at the balance sheet date.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources,

including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates that are based on a number of factors, including our historical experience and short-range and long-range business forecasts. As of December 31, 2019, we had a valuation allowance on certain net operating loss and tax credit carryforwards based on our assessment that it is more likely than not that the deferred tax asset will not be realized.

We recognize and measure uncertain tax positions in accordance with generally accepted accounting principles in the U.S., or GAAP, pursuant to which we only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. GAAP further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the quarter in which such change occurs. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

We file annual income tax returns in multiple taxing jurisdictions around the world. A number of years may elapse before an uncertain tax position is audited by the relevant tax authorities and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our reserves for income taxes reflect the most likely outcome. We adjust these reserves, as well as the related interest, where appropriate in light of changing facts and circumstances. Settlement of any particular position could require the use of cash.

The following table illustrates our effective tax rates for 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
	(In millions, except percentages)		
Income tax provision (benefit)	\$ 415	\$ 190	\$ 3,288
<i>Effective tax rate</i>	18.8%	7.0%	144.5%

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets or liabilities, or by changes or interpretations in tax laws, regulations or accounting principles. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service, as well as various state and foreign tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Based on our results for the year ended December 31, 2019, a one-percentage point change in our provision for income taxes as a percentage of income before taxes would have resulted in an increase or decrease in the provision of approximately \$22 million, resulting in an approximate \$0.03 change in diluted earnings per share.

#### *Goodwill and Intangible Assets*

The purchase price of an acquired company is allocated between intangible assets and the net tangible assets of the acquired business with the residual of the purchase price recorded as goodwill. The determination of the value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

As of December 31, 2019, our goodwill totaled \$5.2 billion and our identifiable intangible assets, net totaled \$67 million. We assess the impairment of goodwill of our reporting units annually, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. The market

approach uses comparable company information to determine revenue and earnings multiples to value our reporting units. Failure to achieve these expected results or market multiples may cause a future impairment of goodwill at the reporting unit. We conducted our annual impairment test of goodwill as of August 31, 2019 and 2018. As of December 31, 2019, we determined that no impairment of the carrying value of goodwill for any reporting units was required. See "Note 4 – Goodwill and Intangible Assets" to the consolidated financial statements included in this report.

#### *Legal Contingencies*

In connection with certain pending litigation and other claims, we have estimated the range of probable loss, net of expected recoveries, and provided for such losses through charges to our consolidated statement of income. These estimates have been based on our assessment of the facts and circumstances at each balance sheet date and are subject to change based upon new information and future events.

From time to time, we are involved in disputes and regulatory inquiries that arise in the ordinary course of business. We are currently involved in legal proceedings, some of which are discussed in "Item 1A: Risk Factors," "Item 3: Legal Proceedings" and "Note 12 – Commitments and Contingencies" to the consolidated financial statements included in this report. We believe that we have meritorious defenses to the claims against us, and we intend to defend ourselves vigorously. However, even if successful, our defense against certain actions will be costly and could require significant amounts of management's time and result in the diversion of significant operational resources. If the plaintiffs were to prevail on certain claims, we might be forced to pay significant damages and licensing fees, modify our business practices or even be prohibited from conducting a significant part of our business. Any such results could materially harm our business and could result in a material adverse impact on the financial position, results of operations or cash flows.

#### *Recent Accounting Pronouncements*

See "Note 1 – The Company and Summary of Significant Accounting Policies" to the consolidated financial statements included in this report, regarding the impact of certain recent accounting pronouncements on our consolidated financial statements.

## **ITEM 7A: 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.

The primary objective of our investments 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 investments in a variety of asset types, including bank deposits, government bonds and corporate debt securities. As of December 31, 2019, approximately 24% 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 December 31, 2019, the balance of our corporate debt and government bond securities was \$2.8 billion, which represented approximately 67% 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 \$8 million and \$44 million as of December 31, 2019 and 2018, respectively.

As of December 31, 2019, we had an aggregate principal amount of \$7.8 billion of outstanding senior notes, of which 95% bore interest at fixed rates. In 2014, we entered into \$2.4 billion of interest rate swap agreements that had an 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. In July 2019, \$1.15 billion of the \$2.4 billion aggregate notional amount matured. In addition, during the third quarter of 2019, we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024, which were designated as fair value hedges. As a result of the early termination hedge, accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the year ended December 31, 2019 was immaterial.

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 10 – Debt" to the consolidated financial statements included in this report.

### ***Equity Price Risk***

#### ***Equity Investments***

Our equity investments are primarily investments in privately-held companies. Our consolidated results of operations include, as a component of interest and other, net, our share of the net income or loss of the equity investments accounted for under the equity method of accounting. Equity investments without readily determinable fair values are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Such changes in the basis of the equity investment are recognized in interest and other, net. As of December 31, 2019, our equity

investments totaled \$355 million, which represented approximately 9% of our total cash and investments, and were primarily related to equity investments without readily determinable fair values.

### *Warrant*

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant is accounted for as a derivative instrument under ASC Topic 815, Derivatives and Hedging. Changes in Adyen's common stock price and equity volatility may have a significant impact on the value of the warrant. As of December 31, 2019, a one dollar change in Adyen's common stock, holding other factors constant, would increase or decrease the fair value of the warrant by approximately \$1 million. For additional details related to the warrant, please see "Note 7 – Derivative Instruments" to our 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 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 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 ("AOCI") 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 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 December 31, 2019. The sensitivity for foreign currency contracts is based on a 20% adverse change in foreign exchange rates, against relevant functional currencies.

	<b>Fair Value Asset/(Liability)</b>	<b>Fair Value Sensitivity</b>
	<b>(In millions)</b>	
Foreign exchange contracts - Cash flow hedges	\$ 49	\$ (88)
Foreign exchange contracts - Net investment hedges	\$ (2)	\$ (40)

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

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

gains and losses on the assets and liabilities are recorded in interest and other, net, which are offset by the gains and losses on the foreign exchange contracts.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 20% for all currencies could be experienced in the near term. These changes would have resulted in an adverse impact on income before income taxes of approximately \$18 million as of December 31, 2019 taking into consideration the offsetting effect of foreign exchange forwards in place as of December 31, 2019.

**ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements and accompanying notes listed in Part IV, Item 15(a)(1) of this Annual Report on Form 10-K are included elsewhere in this Annual Report on Form 10-K.

**ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A: CONTROLS AND PROCEDURES**

*Evaluation of disclosure controls and procedures:* Based on the evaluation of our disclosure controls and procedures (as defined in the 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 December 31, 2019.

*Changes in internal controls:* There were no changes in our internal control over financial reporting as defined in Exchange Act Rule 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.

*Management's annual report on internal control over financial reporting:* Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15(a) of this Annual Report on Form 10-K.

**ITEM 9B: OTHER INFORMATION**

Not applicable.

## PART III

### **ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Incorporated by reference from our Proxy Statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2019.

#### ***Code of Ethics, Governance Guidelines and Committee Charters***

We have adopted a *Code of Business Conduct and Ethics* that applies to all eBay employees and directors. The *Code of Business Conduct and Ethics* is posted on our website at <https://investors.ebayinc.com/corporate-governance/governance-documents/>. We will post any amendments to or waivers from the *Code of Business Conduct and Ethics* at that location.

We have also adopted *Governance Guidelines for the Board of Directors* and a written committee charter for each of our Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee. Each of these documents is available on our website at <https://investors.ebayinc.com/corporate-governance/governance-documents/>.

### **ITEM 11: EXECUTIVE COMPENSATION**

Incorporated by reference from our Proxy Statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2019.

### **ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Incorporated by reference from our Proxy Statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2019.

### **ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Incorporated by reference from our Proxy Statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2019.

### **ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Incorporated by reference from our Proxy Statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year ended December 31, 2019.

## PART IV

### ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) The following documents are filed as part of this report:

#### 1. Consolidated Financial Statements:

	<b>Page Number</b>
Report of Independent Registered Public Accounting Firm	<a href="#">F-1</a>
Consolidated Balance Sheet	<a href="#">F-3</a>
Consolidated Statement of Income	<a href="#">F-4</a>
Consolidated Statement of Comprehensive Income	<a href="#">F-5</a>
Consolidated Statement of Stockholders' Equity	<a href="#">F-6</a>
Consolidated Statement of Cash Flows	<a href="#">F-7</a>
Notes to Consolidated Financial Statements	<a href="#">F-9</a>

#### 2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts	<a href="#">F-46</a>
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All other schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

#### 3. Exhibits Required by Item 601 of Regulation S-K

The information required by this Item is set forth in the Index to Exhibits that precedes the signature page of this Annual Report. [F-47](#)

### ITEM 16: FORM 10-K SUMMARY

None.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of eBay Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of eBay Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2019 appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Income Taxes*

As described in Notes 1 and 15 to the consolidated financial statements, significant judgment is required in determining the Company's tax expense and in evaluating management's tax positions, including evaluating uncertainties and the complexity of taxes on foreign earnings. As disclosed by management, the Company's income tax rate is affected by the tax rates that apply to their foreign earnings including U.S. minimum taxes on foreign earnings. The deferred tax benefit derived from the amortization of the Company's intellectual property is based on the fair value, which has been agreed with foreign tax authorities. The deferred tax benefit may from time to time change based on changes in tax rates. Management recognizes and measures uncertain tax positions in accordance with generally accepted accounting principles in the U.S., or GAAP, pursuant to which management only recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The total provision for income taxes for the year ended December 31, 2019 was \$415 million, and the effective tax rate was 18.8%.

The principal considerations for our determination that performing procedures relating to income taxes is a critical audit matter are there is significant judgment applied by management when determining the tax expense and in evaluating management's tax positions, including analyzing uncertain tax positions and taxes on foreign earnings, which in turn led to a high degree of auditor judgment, effort, and subjectivity in performing audit procedures and evaluating audit evidence relating to income taxes.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to income taxes, including controls over uncertain tax positions and the provision for income taxes. These procedures also included, among others, evaluating tax positions taken by management, including evaluating the reasonableness of management's determination of the probability of sustaining the position under tax examination, evaluating communications with the relevant tax authorities, testing applicable tax rates applied by management, and evaluating the impact of taxes on foreign earnings.

/s/ PricewaterhouseCoopers LLP  
San Jose, California  
January 31, 2020

We have served as the Company's auditor since 1997.

**PART II: FINANCIAL INFORMATION**

**ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**eBay Inc.  
CONSOLIDATED BALANCE SHEET**

	December 31,	
	2019	2018
	(In millions, except par value)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 975	\$ 2,202
Short-term investments	1,850	2,713
Accounts receivable, net	700	712
Other current assets	1,181	1,499
Total current assets	4,706	7,126
Long-term investments	1,316	3,778
Property and equipment, net	1,510	1,597
Goodwill	5,153	5,160
Intangible assets, net	67	92
Operating lease right-of-use assets	628	—
Deferred tax assets	4,377	4,792
Other assets	417	274
Total assets	\$ 18,174	\$ 22,819
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 1,022	\$ 1,546
Accounts payable	270	286
Accrued expenses and other current liabilities	2,404	2,335
Deferred revenue	158	170
Income taxes payable	212	117
Total current liabilities	4,066	4,454
Operating lease liabilities	492	—
Deferred tax liabilities	2,646	2,925
Long-term debt	6,738	7,685
Other liabilities	1,362	1,474
Total liabilities	15,304	16,538
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.001 par value; 3,580 shares authorized; 796 and 915 shares outstanding	2	2
Additional paid-in capital	16,126	15,716
Treasury stock at cost, 897 and 763 shares	(31,396)	(26,394)
Retained earnings	17,754	16,459
Accumulated other comprehensive income	384	498
Total stockholders' equity	2,870	6,281
Total liabilities and stockholders' equity	\$ 18,174	\$ 22,819

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

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

	Year Ended December 31,		
	2019	2018	2017
	(In millions, except per share amounts)		
Net revenues	\$ 10,800	\$ 10,746	\$ 9,927
Cost of net revenues	2,508	2,382	2,221
Gross profit	8,292	8,364	7,706
Operating expenses:			
Sales and marketing	3,194	3,391	2,878
Product development	1,240	1,285	1,224
General and administrative	1,189	1,131	1,030
Provision for transaction losses	300	286	272
Amortization of acquired intangible assets	48	49	38
Total operating expenses	5,971	6,142	5,442
Income from operations	2,321	2,222	2,264
Interest and other, net	(114)	496	11
Income from continuing operations before income taxes	2,207	2,718	2,275
Income tax provision	(415)	(190)	(3,288)
Income (loss) from continuing operations	\$ 1,792	\$ 2,528	\$ (1,013)
Income (loss) from discontinued operations, net of income taxes	(6)	2	(4)
Net income (loss)	\$ 1,786	\$ 2,530	\$ (1,017)
Income (loss) per share - basic:			
Continuing operations	\$ 2.11	\$ 2.58	\$ (0.95)
Discontinued operations	(0.01)	—	—
Net income (loss) per share - basic	\$ 2.10	\$ 2.58	\$ (0.95)
Income (loss) per share - diluted:			
Continuing operations	\$ 2.10	\$ 2.55	\$ (0.95)
Discontinued operations	(0.01)	—	—
Net income (loss) per share - diluted	\$ 2.09	\$ 2.55	\$ (0.95)
Weighted average shares:			
Basic	849	980	1,064
Diluted	856	991	1,064

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

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

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
Net income (loss)	\$ 1,786	\$ 2,530	\$ (1,017)
Other comprehensive income (loss), net of reclassification adjustments:			
Foreign currency translation adjustment	(99)	(286)	978
Unrealized gains (losses) on investments, net	61	(41)	(66)
Tax benefit (expense) on unrealized gains (losses) on investments, net	(16)	10	23
Unrealized gains (losses) on hedging activities, net	(77)	125	(111)
Tax benefit (expense) on unrealized gains (losses) on hedging activities, net	17	(27)	17
Other comprehensive income (loss), net of tax	(114)	(219)	841
Comprehensive income (loss)	\$ 1,672	\$ 2,311	\$ (176)

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

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

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
<b>Common stock:</b>			
Balance, beginning of year	\$ 2	\$ 2	\$ 2
Common stock issued	—	—	—
Common stock repurchased/forfeited	—	—	—
Balance, end of year	<u>2</u>	<u>2</u>	<u>2</u>
<b>Additional paid-in-capital:</b>			
Balance, beginning of year	15,716	15,293	14,907
Common stock and stock-based awards issued	104	109	120
Tax withholdings related to net share settlements of restricted stock awards and units	(202)	(225)	(219)
Stock-based compensation	505	538	484
Other	3	1	1
Balance, end of year	<u>16,126</u>	<u>15,716</u>	<u>15,293</u>
<b>Treasury stock at cost:</b>			
Balance, beginning of year	(26,394)	(21,892)	(19,205)
Common stock repurchased	(5,002)	(4,502)	(2,687)
Balance, end of year	<u>(31,396)</u>	<u>(26,394)</u>	<u>(21,892)</u>
<b>Retained earnings:</b>			
Balance, beginning of year	16,459	13,929	14,946
Net income (loss)	1,786	2,530	(1,017)
Dividends and dividend equivalents declared	(491)	—	—
Balance, end of year	<u>17,754</u>	<u>16,459</u>	<u>13,929</u>
<b>Accumulated other comprehensive income (loss):</b>			
Balance, beginning of year	498	717	(124)
Change in unrealized gains (losses) on investments	61	(41)	(66)
Change in unrealized gains (losses) on derivative instruments	(77)	125	(111)
Foreign currency translation adjustment	(99)	(286)	978
Tax benefit (provision) on above items	1	(17)	40
Balance, end of year	<u>384</u>	<u>498</u>	<u>717</u>
<b>Total stockholders' equity</b>	<b><u>\$ 2,870</u></b>	<b><u>\$ 6,281</u></b>	<b><u>\$ 8,049</u></b>
<b>Number of shares:</b>			
<b>Common stock - shares outstanding:</b>			
Balance, beginning of year	915	1,029	1,087
Common stock issued	15	17	24
Common stock repurchased/forfeited	(134)	(131)	(82)
Balance, end of year	<u>796</u>	<u>915</u>	<u>1,029</u>
<b>Dividends and dividend equivalents declared per share or restricted stock unit</b>	<b>\$ 0.56</b>	<b>\$ —</b>	<b>\$ —</b>

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

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

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 1,786	\$ 2,530	\$ (1,017)
(Income) loss from discontinued operations, net of income taxes	6	(2)	4
<b>Adjustments:</b>			
Provision for transaction losses	300	286	272
Depreciation and amortization	681	696	676
Stock-based compensation	505	538	483
(Gain) loss on investments, net	—	(572)	49
(Gain) loss on sale of business	52	—	(167)
Deferred income taxes	117	(153)	1,728
Change in fair value of warrant	(133)	(104)	—
Other	—	19	—
<b>Changes in assets and liabilities, net of acquisition effects</b>			
Accounts receivable	(124)	(98)	(195)
Other current assets	177	(143)	(148)
Other non-current assets	222	108	19
Accounts payable	4	(47)	19
Accrued expenses and other liabilities	(391)	(437)	206
Deferred revenue	—	33	8
Income taxes payable and other tax liabilities	(88)	7	1,209
<b>Net cash provided by continuing operating activities</b>	<b>3,114</b>	<b>2,661</b>	<b>3,146</b>
<b>Net cash used in discontinued operating activities</b>	<b>—</b>	<b>(3)</b>	<b>—</b>
<b>Net cash provided by operating activities</b>	<b>3,114</b>	<b>2,658</b>	<b>3,146</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(554)	(651)	(666)
Purchases of investments	(46,977)	(28,115)	(14,599)
Maturities and sales of investments	50,548	30,901	14,520
Equity investment in Flipkart	—	—	(514)
Equity investment in Paytm Mall	(160)	—	—
Proceeds from sale of equity investment in Flipkart	—	1,029	—
Acquisitions, net of cash acquired	(93)	(302)	(34)
Other	23	32	(2)
<b>Net cash provided by (used in) investing activities</b>	<b>2,787</b>	<b>2,894</b>	<b>(1,295)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock	106	109	120
Repurchases of common stock	(4,973)	(4,502)	(2,746)
Tax withholdings related to net share settlements of restricted stock awards and units	(202)	(225)	(219)
Proceeds from issuance of long-term debt, net	—	—	2,484
Payments for dividends	(473)	—	—
Repayment of debt	(1,550)	(750)	(1,452)
Other	1	(30)	29
<b>Net cash used in financing activities</b>	<b>(7,091)</b>	<b>(5,398)</b>	<b>(1,784)</b>
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>	<b>(33)</b>	<b>(75)</b>	<b>238</b>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(1,223)</b>	<b>79</b>	<b>305</b>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<b>2,219</b>	<b>2,140</b>	<b>1,835</b>
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 996</b>	<b>\$ 2,219</b>	<b>\$ 2,140</b>



Supplemental cash flow disclosures:

Cash paid for:					
Interest	\$	304	\$	314	\$ 285
Interest on finance lease obligations	\$	1	\$	—	\$ —
Income taxes	\$	333	\$	597	\$ 308
Noncash investing activities:					
Relinquishment of equity method investment	\$	—	\$	266	\$ —
Sale of business in exchange for ownership interest in Flipkart	\$	—	\$	—	\$ 211

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****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, California, eBay is one of the world's largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity for all. Our technologies and services are designed to give buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

When we refer to "we," "our," "us" or "eBay" in this Annual Report on Form 10-K, 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](http://www.ebay.com), its localized counterparts and the eBay suite of mobile apps. StubHub includes our online ticket platform located at [www.stubhub.com](http://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 consolidated financial statements included in this report.

On November 24, 2019, we entered into a stock purchase agreement with an affiliate of viagogo to sell StubHub for \$4.05 billion, subject to certain adjustments. The completion, on our expected timeline, of the proposed sale of StubHub is subject to closing conditions and viagogo's ability to obtain debt and equity financing on a timely basis, both of which have not been met as of December 31, 2019. If the conditions to the closing of the sale of StubHub are neither satisfied nor, where permissible, waived on a timely basis or at all, we may be unable to complete the sale of StubHub or such completion may be delayed beyond our expected timeline. Given the uncertainty, we have determined as of December 31, 2019 the transaction is not considered probable to close. As such, StubHub continues to be classified as held for use in our December 31, 2019 consolidated financial statements.

***Use of Estimates***

The preparation of 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 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 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

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

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.

***Significant Accounting Policies***

***Revenue recognition***

We recognize revenue when we transfer control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue is recognized net of any taxes collected, which are subsequently remitted to governmental authorities.

***Net transaction revenues***

Our net transaction revenues primarily include final value fees, feature fees, including fees to promote listings, and listing fees from sellers in our Marketplace 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 provided to our customers.

We identified one performance obligation to sellers on our Marketplace platform, which is to connect buyers and sellers on our secure and trusted Marketplace platforms. Final value fees are recognized when an item is sold on a Marketplace platform, satisfying this performance obligation. There may be additional services available to Marketplace sellers, mainly to promote or feature listings, that are not distinct within the context of the contract. Accordingly, fees for these additional services are recognized when the single performance obligation is satisfied. Promoted listing fees are recognized when the item is sold and feature and listing fees are recognized when an item is sold, or when the contract expires. On our StubHub platform, our performance obligation extends to both buyers and sellers. We made the policy election to consider delivery of tickets in our StubHub platform to be fulfillment activities and, consequently, the performance obligation is satisfied, and final value fees are recognized, upon payment to sellers.

Store subscription and other nonstandard listing contracts may contain multiple performance obligations, including discounts on future services. Determining whether performance obligations should be accounted for separately or combined may require significant judgment. The transaction price is allocated to each performance obligation based on its stand-alone selling price (“SSP”). In instances where SSP is not directly observable, we generally estimate selling prices based on when they are sold to customers of a similar nature and geography. These estimates are generally based on pricing strategies, market factors, strategic objectives and observable inputs. Store subscription revenues are recognized over the subscription period, and discounts offered through store subscription or nonstandard listing contracts are recognized when the options are exercised or when the options expire.

Further, to drive traffic to our platforms, we provide incentives to buyers and sellers in various forms including discounts on fees, discounts on items sold, coupons and rewards. Evaluating whether a promotion or incentive is a payment to a customer may require significant judgment. Promotions and incentives which are consideration payable to a customer are recognized as a reduction of revenue at the later of when revenue is recognized or when we pay or promise to pay the incentive. Promotions and incentives to most buyers on our Marketplace platforms, to whom we have no performance obligation, are recognized as sales and marketing expense. In addition, we may provide credits to customers when we refund certain fees. Credits are accounted for as variable consideration at contract inception when estimating the amount of revenue to be recognized when a performance obligation is satisfied to the extent that it is probable that a significant reversal of revenue will not occur and updated as additional information becomes available.

***Marketing services and other revenues***

Our marketing services and other revenues are derived principally from the sale of advertisements, classifieds fees, and revenue sharing arrangements. Advertising revenue is derived principally from the sale of online advertisements which are based on “impressions” (i.e., the number of times that an advertisement appears in pages viewed by users of our platforms) or “clicks” (which are generated each time users on our platforms click through our advertisements to an advertiser’s designated website) delivered to advertisers. We use the output method and apply the practical expedient to recognize advertising revenue in the amount to which we have a right to invoice. For contracts

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

with target advertising commitments with rebates, estimated payout is accounted for as a variable consideration to the extent it is probable that a significant reversal of revenue will not occur.

We generate net revenues related to fees for listing items on our Classifieds platforms, which are recognized over the estimated period of the classifieds listing and fees to feature the listing that are recognized over the feature period or a point in time depending on the nature of the feature purchased. Discounts offered through purchase of packages of multiple services are allocated based on the SSP of each respective feature.

Revenues related to revenue sharing arrangements are recognized based on whether we are the principal and are responsible for fulfilling the promise to provide the specified services or whether we are an agent arranging for those services to be provided by our partners. Determining whether we are a principal or agent in these contracts may require significant judgment. If we are the principal, we recognize revenue in the gross amount of consideration received from the customer, whereas if we are an agent, we recognize revenue net of the consideration due to our partners at a point in time when the services are provided. Our most significant revenue share arrangements are with shipping service providers. We are primarily acting as an agent in these contracts and revenues are recognized at a point in time when we have satisfied our promise of connecting the shipping service provider to our customer.

Refer to “Note 5 – Segments” for further information, including revenue by types and geographical markets.

***Contract balances***

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment. The allowance for doubtful accounts and authorized credits is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect our customers' ability to pay. The allowance for doubtful accounts and authorized credits was \$128 million and \$106 million as of December 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 twelve months ended December 31, 2019 that was included in the deferred revenue balance at the beginning of the period was \$93 million. The amount of revenue recognized for the twelve months ended December 31, 2018 that was included in the deferred revenue balance at the beginning of the period was \$96 million.

***Internal use software and platform development costs***

Direct costs incurred to develop software for internal use and platform development costs are capitalized and amortized over an estimated useful life of one to five years. During the years ended December 31, 2019 and 2018, we capitalized costs, primarily related to labor and stock-based compensation, of \$137 million and \$147 million, respectively. Amortization of previously capitalized amounts was \$150 million, \$160 million and \$156 million for 2019, 2018 and 2017, respectively. Costs related to the design or maintenance of internal use software and platform development are expensed as incurred.

***Advertising expense***

We expense the costs of producing advertisements at the time production occurs and expense the cost of communicating advertisements in the period during which the advertising space or airtime is used, in each case as sales and marketing expense. Internet advertising expenses are recognized based on the terms of the individual agreements, which are generally over the greater of the ratio of the number of impressions delivered over the total number of contracted impressions, on a pay-per-click basis, or on a straight-line basis over the term of the contract. Advertising expense totaled \$1.4 billion, \$1.4 billion and \$1.3 billion for the years ended December 31, 2019, 2018 and 2017, respectively.

### ***Stock-based compensation***

We have equity incentive plans under which we grant equity awards, including stock options, restricted stock units (“RSUs”), performance-based restricted stock units, and performance share units, to our directors, officers and employees. We primarily issue RSUs. We determine compensation expense associated with RSUs based on the fair value of our common stock on the date of grant. We determine compensation expense associated with stock options based on the estimated grant date fair value method using the Black-Scholes valuation model. We generally recognize compensation expense using a straight-line amortization method over the respective vesting period for awards that are ultimately expected to vest. Accordingly, stock-based compensation expense for 2019, 2018 and 2017 has been reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors as well as trends of actual option forfeitures. We recognize a benefit or provision from stock-based compensation in earnings as a component of income tax expense to the extent that an incremental tax benefit or deficiency is realized by following the ordering provisions of the tax law.

### ***Provision for transaction losses***

Provision for transaction losses consists primarily of losses resulting from our buyer protection programs, fraud and bad debt expense associated with our accounts receivable balance. Provisions for these items represent our estimate of actual losses based on our historical experience and many other factors including changes to our protection programs, the impact of regulatory changes as well as economic conditions.

### ***Income taxes***

Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties and the complexity of taxes on foreign earnings. We review our tax positions quarterly and adjust the balances as new information becomes available. Tax positions are evaluated for potential reserves for uncertainty based on the estimated probability of sustaining the position under examination. Our income tax rate is affected by the tax rates that apply to our foreign earnings including U.S. minimum taxes on foreign earnings. The deferred tax benefit derived from the amortization of our intellectual property is based on the fair value, which has been agreed with foreign tax authorities. The deferred tax benefit may from time to time change based on changes in tax rates.

We account for income taxes using an asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. The measurement of current and deferred tax assets and liabilities is based on provisions of enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. If necessary, the measurement of deferred tax assets is reduced by the amount of any tax benefits that are not expected to be realized based on available evidence.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

### ***Cash and cash equivalents***

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less when purchased, which may include bank deposits, US Treasury securities, time deposits, and certificates of deposit.

### ***Investments***

Short-term investments are investments with original maturities of less than one year when purchased, are classified as available-for-sale and are reported at fair value using the specific identification method. Short-term investments are primarily comprised of corporate debt securities, commercial paper, and agency securities.

Long-term investments are primarily comprised of corporate debt securities, agency securities, and equity investments. Debt securities are classified as available-for-sale and are reported at fair value using the specific identification method.

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

Unrealized gains and losses on our available-for-sale debt securities are excluded from earnings and reported as a component of other comprehensive income (loss), net of related estimated income tax provisions or benefits.

Our equity investments are primarily investments in privately-held companies. We account for equity investments through which we exercise significant influence but do not have control over the investee under the equity method. Our consolidated results of operations include, as a component of interest and other, net, our share of the net income or loss of the equity investments accounted for under the equity method of accounting. Our share of investees' results of operations is not significant for any period presented. Our equity investments not accounted for under the equity method are carried at under the measurement alternative. Under the measurement alternative, the carrying value is measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Such changes in the basis of the equity investment are recognized in interest & other, net.

We periodically perform impairment assessment review of our debt and equity investments. For debt securities, this assessment takes into account the severity and duration of the decline in value, our intent to sell the security, whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, and whether we expect to recover the entire amortized cost basis of the security (that is, whether a credit loss exists). If any impairment is considered other-than-temporary, we will write down the security to its fair value and record the corresponding charge as interest & other, net. For equity investments we perform a qualitative assessment on a quarterly basis and recognize an impairment if there are sufficient indicators that the fair value of the investment is less than carrying value. Changes in value are recorded in interest & other, net.

**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 consolidated balance sheets. Finance leases are included in property and equipment, net, short-term debt, and long-term debt on our consolidated balance sheet.

**Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation for equipment, buildings and leasehold improvements commences once they are ready for our intended use. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally, one to three years for computer equipment and software, up to thirty years for buildings and building improvements, the shorter of five years or the term of the lease for leasehold improvements and three years for furniture, fixtures and vehicles. Land is not depreciated.

**Goodwill and intangible assets**

Goodwill is tested for impairment at a minimum on an annual basis at the reporting unit level. A qualitative assessment can be performed to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using income and market approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow method, a form of the income approach, uses expected future operating results and a market participant discount rate. The market approach uses comparable company prices and other relevant information generated by market transactions (either publicly traded entities or mergers and acquisitions) to develop pricing metrics to be applied to historical and expected future operating results of our reporting units. Failure to achieve these expected results, changes in the discount rate or market pricing metrics may cause a future impairment of goodwill at the reporting unit. We conducted our annual impairment test of goodwill as of August 31, 2019 and 2018 and determined that no adjustment to the carrying value of goodwill for any reporting units was required.

Intangible assets consist of purchased customer lists and user base, marketing related, developed technologies and other intangible assets, including patents and contractual agreements. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to five years. No significant residual value is estimated for intangible assets.

**Impairment of long-lived assets**

We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate. In 2019, 2018 and 2017, no impairment was noted.

**Foreign currency**

Most of our foreign subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities are translated into U.S. dollars using exchange rates prevailing at the balance sheet date, while revenues and expenses are translated at average exchange rates during the year. Gains and losses resulting from the translation of our consolidated balance sheet are recorded as a component of accumulated other comprehensive income.

Gains and losses from foreign currency transactions are recognized as interest and other, net.

**Derivative instruments**

We use derivative financial instruments, primarily forwards, options and swaps, to hedge certain foreign currency and interest rate exposures. We may also use other derivative instruments not designated as hedges, such as forwards to hedge foreign currency balance sheet exposures. We do not use derivative financial instruments for trading purposes.

We also entered into a warrant agreement in addition to a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant is accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*.

See "Note 7 – Derivative Instruments" for a full description of our derivative instrument activities and related accounting policies.

**Concentration of credit risk**

Our cash, cash equivalents, accounts receivable and derivative instruments are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that management believes are of high credit quality. Our accounts receivable are derived from revenue earned from customers. In each of the years ended December 31, 2019, 2018 and 2017, no customer accounted for more than 10% of net revenues. Our derivative instruments expose us to credit risk to the extent that our counterparties may be unable to meet the terms of the agreements.

**Recently Adopted Accounting Pronouncements**

In 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance related to accounting for leases. The new guidance requires the recognition of right-of-use (“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.

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. This standard impacts the Company’s accounting for allowances for doubtful accounts, available-for-sale securities and other assets subject to credit risk. In preparation for the adoption of this standard, we will update our credit loss models as needed. The Company has completed its analysis of the impact of this guidance and the adoption of this standard will not have a material impact on our consolidated financial statements.

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

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. 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 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 is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those fiscal years. The adoption of this standard will not 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. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In 2019, the FASB issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles and also simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The standard will be effective for our annual reporting periods beginning after December 15, 2020, including interim reporting periods within those fiscal years. We are evaluating the impact of adopting this new accounting guidance on our consolidated financial statements.

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

**Note 2 – Net Income (loss) Per Share**

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

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

	Year Ended December 31,		
	2019	2018	2017
Numerator:			
Income (loss) from continuing operations	\$ 1,792	\$ 2,528	\$ (1,013)
Income (loss) from discontinued operations, net of income taxes	(6)	2	(4)
<b>Net income (loss)</b>	<b>\$ 1,786</b>	<b>\$ 2,530</b>	<b>\$ (1,017)</b>
Denominator:			
Weighted average shares of common stock - basic	849	980	1,064
Dilutive effect of equity incentive awards	7	11	—
<b>Weighted average shares of common stock - diluted</b>	<b>856</b>	<b>991</b>	<b>1,064</b>
Income (loss) per share - basic:			
Continuing operations	\$ 2.11	\$ 2.58	\$ (0.95)
Discontinued operations	(0.01)	—	—
<b>Net income (loss) per share - basic</b>	<b>\$ 2.10</b>	<b>\$ 2.58</b>	<b>\$ (0.95)</b>
Income (loss) per share - diluted:			
Continuing operations	\$ 2.10	\$ 2.55	\$ (0.95)
Discontinued operations	(0.01)	—	—
<b>Net income (loss) per share - diluted</b>	<b>\$ 2.09</b>	<b>\$ 2.55</b>	<b>\$ (0.95)</b>
Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive	18	12	46

### 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):

	<b>Motors.co.uk</b>
Goodwill	\$ 65
Purchased intangible assets	30
Net liabilities	(2)
Total	<u>\$ 93</u>

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.

In 2018, we completed the acquisition of 100% of Giosis Pte. Ltd.'s ("Giosis") Japan business, including the Qoo10.jp platform, in exchange for \$306 million in cash and the relinquishment of our existing equity method investment in Giosis. We believe the acquisition allows us to offer Japanese consumers more inventory and grow our international presence. Refer to "Note 6 – Investments" for further details on the relinquishment of our equity method investment in Giosis' non-Japanese business. The aggregate purchase consideration was allocated as follows (in millions):

	<b>Giosis</b>
Goodwill	\$ 532
Purchased intangible assets	91
Net liabilities	(50)
Total	<u>\$ 573</u>

The goodwill recognized is primarily attributable to expected synergies and the assembled workforce of Giosis. We have assigned the goodwill to our Marketplace segment. We generally do not expect goodwill to be deductible for income tax purposes.

Acquisition activity in 2017 was immaterial.

Our consolidated financial statements include the operating results of acquired businesses from the date of acquisition. Separate operating results and pro forma results of operations for the acquisition above have not been presented as the effect of these acquisitions is not material to our financial results.

### Note 4 – Goodwill and Intangible Assets

#### Goodwill

The following table presents goodwill activity by reportable segment for the years ended December 31, 2019 and 2018 (in millions):

	<b>December 31, 2017</b>	<b>Goodwill Acquired</b>	<b>Adjustments</b>	<b>December 31, 2018</b>	<b>Goodwill Acquired</b>	<b>Adjustments</b>	<b>December 31, 2019</b>
Marketplace	\$ 4,186	\$ 532	\$ (124)	\$ 4,594	\$ —	\$ (60)	\$ 4,534
StubHub	233	—	(6)	227	—	(4)	223
Classifieds	354	—	(15)	339	65	(8)	396
Total	<u>\$ 4,773</u>	<u>\$ 532</u>	<u>\$ (145)</u>	<u>\$ 5,160</u>	<u>\$ 65</u>	<u>\$ (72)</u>	<u>\$ 5,153</u>

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

The adjustments to goodwill during the years ended December 31, 2019 and 2018 were primarily due to foreign currency translation. There were no impairments to goodwill in 2019 and 2018.

**Intangible Assets**

The components of identifiable intangible assets are as follows (in millions, except years):

	December 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	\$ 502	\$ (448)	\$ 54	5	\$ 519	\$ (445)	\$ 74	5
Marketing-related	540	(535)	5	5	584	(578)	6	5
Developed technologies	272	(267)	5	3	278	(269)	9	3
All other	161	(158)	3	4	160	(157)	3	4
Total	<u>\$ 1,475</u>	<u>\$ (1,408)</u>	<u>\$ 67</u>		<u>\$ 1,541</u>	<u>\$ (1,449)</u>	<u>\$ 92</u>	

Amortization expense for intangible assets was \$55 million, \$63 million and \$64 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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

**Fiscal year:**

2020	\$ 45
2021	18
2022	2
2023	2
2024	—
Total	<u>\$ 67</u>

**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 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 CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Segment net revenue and operating income for the years ended 2019, 2018 and 2017 were as follows (in millions):

	Year ended December 31,		
	2019	2018	2017
<b>Net Revenues</b>			
<b>Marketplace</b>			
Net transaction revenues	\$ 7,578	\$ 7,416	\$ 6,809
Marketing services and other revenues	1,060	1,225	1,192
Total Marketplace	<u>8,638</u>	<u>8,641</u>	<u>8,001</u>
<b>StubHub</b>			
Net transaction revenues	1,057	1,068	1,011
Marketing services and other revenues	64	15	18
Total StubHub	<u>1,121</u>	<u>1,083</u>	<u>1,029</u>
Classifieds <sup>(1)</sup>	<u>1,061</u>	<u>1,022</u>	<u>897</u>
Elimination of inter-segment net revenue <sup>(2)</sup>	(20)	—	—
Total consolidated net revenue	<u>\$ 10,800</u>	<u>\$ 10,746</u>	<u>\$ 9,927</u>
<b>Operating income (loss)</b>			
Marketplace	\$ 2,814	\$ 2,673	\$ 2,626
StubHub	139	149	161
Classifieds	420	401	314
Corporate and other costs	(1,052)	(1,001)	(837)
Total operating income	<u>2,321</u>	<u>2,222</u>	<u>2,264</u>
Interest and other, net	(114)	496	11
Income before income taxes	<u>\$ 2,207</u>	<u>\$ 2,718</u>	<u>\$ 2,275</u>

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

(2) Represents revenue generated between our reportable segments.

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

The following tables summarize the allocation of net revenues and long-lived tangible assets based on geography (in millions):

	Year Ended December 31,		
	2019	2018	2017
Net revenues by geography:			
U.S.	\$ 4,337	\$ 4,373	\$ 4,187
Germany	1,506	1,591	1,464
United Kingdom	1,441	1,481	1,368
South Korea	1,221	1,195	1,061
Rest of world	2,295	2,106	1,847
Total net revenues	<u>\$ 10,800</u>	<u>\$ 10,746</u>	<u>\$ 9,927</u>

	December 31,	
	2019	2018
Long-lived tangible assets by geography:		
U.S.	\$ 1,786	\$ 1,661
International	352	151
Total long-lived tangible assets	<u>\$ 2,138</u>	<u>\$ 1,812</u>

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. Long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned. Depreciation and amortization expense was primarily recorded in the Marketplace segment.

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

	December 31, 2019			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Restricted cash	\$ 21	\$ —	\$ —	\$ 21
Corporate debt securities	1,653	1	—	1,654
Government and agency securities	175	—	—	175
	<u>\$ 1,849</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1,850</u>
Long-term investments:				
Corporate debt securities	957	4	—	961
	<u>\$ 957</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 961</u>

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

	December 31, 2018			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
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

Restricted cash is held primarily in interest bearing accounts for letters of credit primarily related to our global sabbatical program and various lease arrangements. Our fixed-income investments consist of predominantly investment grade corporate debt securities and government and agency securities. The corporate debt and government and agency securities that we invest in are generally deemed to be low risk based on their credit ratings from the major rating agencies.

The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As interest rates increase, those securities purchased at a lower yield show a mark-to-market unrealized loss. The unrealized losses are due primarily to changes in credit spreads and interest rates. We regularly review investment securities for other-than-temporary impairment using both qualitative and quantitative criteria. We presently do not intend to sell any of the securities in an unrealized loss position and expect to realize the full value of all these investments upon maturity or sale.

Investment securities in a continuous loss position for less than 12 months had an estimated fair value of \$774 million and an immaterial amount of unrealized losses as of December 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 \$92 million and an immaterial amount of unrealized losses as of December 31, 2019 and an estimated fair value of \$2.7 billion and unrealized losses of \$41 million December 31, 2018. As of December 31, 2019, these securities had a weighted average remaining maturity of approximately 2 months. Refer to "Note 17 – 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 December 31, 2019 are as follows (in millions):

	December 31, 2019
One year or less (including restricted cash of \$21)	\$ 1,850
One year through two years	676
Two years through three years	198
Three years through four years	87
Total	\$ 2,811

**Equity Investments**

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

	December 31, 2019	December 31, 2018
Equity investments without readily determinable fair values	\$ 337	\$ 137
Equity investments under the equity method of accounting	18	6
Total equity investments	\$ 355	\$ 143

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

In 2019, we invested \$160 million in cash in exchange for an equity interest in Paytm Mall and \$40 million in other investments. These investments are accounted for as equity investments without readily determinable fair value.

In 2018, we sold our investment in Flipkart and relinquished our existing equity method investment in Giosis as part of the exchange for the acquisition of Giosis' Japan business. The \$313 million gain upon sale of our investment in Flipkart and the \$266 million gain upon relinquishment of our equity method investment in Giosis were recorded in interest and other, net on our consolidated statement of income. Refer to "Note 3 – Business Combinations" for further details on the Giosis acquisition.

In 2017, we made a cost method investment of \$50 million. In addition, we received a 5.44% ownership interest in Flipkart in exchange for our eBay India business and a \$500 million cash investment, resulting in an investment of \$725 million accounted for as an equity investment without readily determinable fair value. The gain on disposal of our eBay India business of \$167 million was recorded in interest and other, net on our consolidated statement of income. In addition, we recorded a \$61 million impairment charge to write-down our cost method investment in Jasper Infotech Private Limited ("Snapdeal"). The investment was measured at fair value due to events and circumstances that we identified as having significant impact on its fair value. The fair value measurement of the impaired investment was measured using significant unobservable inputs. The impairment charge, representing the difference between the net book value and the fair value, was recorded to interest and other, net.

The following table summarizes the total carrying value of equity investments without readily determinable fair values during the twelve months ended December 31, 2019 and December 31, 2018 (in millions):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Carrying value, beginning of period	\$ 137	\$ 872
Additions	200	23
Sales	—	(718)
Downward adjustments for observable price changes and impairment	—	(20)
Foreign currency translation and other	—	(20)
Carrying value, end of period	<u>\$ 337</u>	<u>\$ 137</u>

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

**Note 7 – Derivative Instruments**

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

We use foreign currency exchange contracts to reduce the volatility of cash flows related to forecasted revenues, expenses, assets and liabilities, including intercompany balances denominated in foreign currencies. These contracts are generally one month to one year in duration, but with maturities up to 24 months. The objective of the foreign exchange contracts is to 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 used 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 LIBOR plus a spread. There were no interest rate swaps outstanding as of December 31, 2019.

### **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 December 31, 2019, we have estimated that approximately \$2 million of net derivative loss related to our cash flow hedges included in accumulated other comprehensive income will be reclassified into earnings within the next 12 months. We classify cash flows related to our cash flow hedges as operating activities in our consolidated statement of cash flows.

### **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 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 accounted for them as fair value hedges. These transactions were designated as fair value hedges for financial accounting purposes because they protected us against changes in the fair value of certain of our fixed rate borrowings due to benchmark interest rate movements. In 2019, \$1.15 billion related to our 2.200% senior notes due 2019 of the \$2.4 billion aggregate notional amount matured. In addition, during the three months ended September 30, 2019, we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024. As a result of the early termination, hedge accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the year ended December 31, 2019 was immaterial.

### **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. We classify cash flows related to our non-designated hedging instruments as operating activities in our consolidated statement of cash flows.

### **Warrant**

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant has a term of seven years and 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 consolidated balance sheets and changes in the fair value of the warrant are recognized in interest and other, net in our 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 consolidated balance sheets and will be amortized over the life of the commercial arrangement.

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

**Fair Value of Derivative Contracts**

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

	Balance Sheet Location	December 31, 2019	December 31, 2018
<b>Derivative Assets:</b>			
Foreign exchange contracts designated as cash flow hedges	Other Current Assets	\$ 36	\$ 72
Foreign exchange contracts not designated as hedging instruments	Other Current Assets	17	38
Warrant	Other Assets	281	148
Foreign exchange contracts designated as cash flow hedges	Other Assets	15	4
Total derivative assets		\$ 349	\$ 262
<b>Derivative Liabilities:</b>			
Foreign exchange contracts designated as cash flow hedges	Other Current Liabilities	\$ 2	\$ —
Foreign exchange contracts designated as net investment hedges	Other Current Liabilities	2	1
Interest rate contracts designated as fair value hedges	Other Current Liabilities	—	7
Foreign exchange contracts not designated as hedging instruments	Other Current Liabilities	21	30
Interest rate contracts designated as fair value hedges	Other Liabilities	—	10
Total derivative liabilities		\$ 25	\$ 48
Total fair value of derivative instruments		\$ 324	\$ 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 consolidated balance sheet. As of December 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 \$25 million, resulting in net derivative assets of \$43 million and net derivative liabilities of less than \$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 December 31, 2019 and 2018, and the impact of these derivative contracts on AOCI for the years ended December 31, 2019 and 2018 (in millions):

	December 31, 2018	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings	December 31, 2019
Foreign exchange contracts designated as cash flow hedges	\$ 68	4	81	\$ (9)

	December 31, 2017	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings	December 31, 2018
Foreign exchange contracts designated as cash flow hedges	\$ (57)	117	(8)	\$ 68

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

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

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

	Year Ended December 31,		
	2019	2018	2017
Foreign exchange contracts designated as cash flow hedges recognized in net revenues	\$ 81	\$ (8)	\$ (28)
Foreign exchange contracts designated as cash flow hedges recognized in cost of net revenues	—	—	11
Foreign exchange contracts designated as cash flow hedges recognized in interest and other, net	—	—	24
Foreign exchange contracts not designated as hedging instruments recognized in interest and other, net	(11)	9	(16)
Total gain (loss) recognized from foreign exchange derivative contracts in the consolidated statement of income	<u>\$ 70</u>	<u>\$ 1</u>	<u>\$ (9)</u>

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

	Year Ended December 31,		
	2019	2018	2017
Gain (loss) from interest rate contracts designated as fair value hedges recognized in interest and other, net	\$ 34	\$ (19)	\$ (21)
Gain (loss) from hedged items attributable to hedged risk recognized in interest and other, net	(34)	19	21
Total gain (loss) recognized from interest rate derivative contracts in the consolidated statement of income	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

	Year Ended December 31,		
	2019	2018	2017
Gain attributable to changes in the fair value of warrant recognized in interest and other, net	\$ 133	\$ 104	\$ —

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

	December 31,	
	2019	2018
Foreign exchange contracts designated as cash flow hedges	\$ 1,983	\$ 1,510
Foreign exchange contracts designated as net investment hedges	200	804
Foreign exchange contracts not designated as hedging instruments	2,710	3,517
Interest rate contracts designated as fair value hedges	—	2,400
Total	<u>\$ 4,893</u>	<u>\$ 8,231</u>

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

**Credit Risk**

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

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

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents	\$ 975	\$ 975	\$ —	\$ —
<b>Short-term investments:</b>				
Restricted cash	21	21	—	—
Corporate debt securities	1,654	—	1,654	—
Government and agency securities	175	—	175	—
Total short-term investments	1,850	21	1,829	—
Derivatives	349	—	68	281
<b>Long-term investments:</b>				
Corporate debt securities	961	—	961	—
Total long-term investments	961	—	961	—
Total financial assets	\$ 4,135	\$ 996	\$ 2,858	\$ 281
<b>Liabilities:</b>				
Derivatives	\$ 25	\$ —	\$ 25	\$ —

**eBay Inc.**  
**NOTES TO 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)
<b>Assets:</b>				
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
<b>Liabilities:</b>				
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 2019 or 2018.

The majority of our derivative instruments are valued using pricing models that take into account the contract terms as well as multiple inputs where applicable, such as equity prices, interest rate yield curves, option volatility and currency rates. Our warrant, which is accounted for as a derivative instrument, is valued using a Black-Scholes model. Key assumptions used in the valuation include risk-free interest rates; Adyen's common stock price, equity volatility and common stock outstanding; exercise price; and details specific to the warrant. The value is also probability adjusted for management 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 December 31, 2019 (in millions):

	December 31, 2019	December 31, 2018
Opening balance as of January 1, 2019	\$ 148	\$ —
Recognition of warrant	—	44
Change in fair value	133	104
Closing balance as of December 31, 2019	\$ 281	\$ 148

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

**Note 9 – Balance Sheet Components**

***Other Current Assets***

	December 31,	
	2019	2018
	(In millions)	
Customer accounts and funds receivable	\$ 632	\$ 670
Other	549	829
Other current assets	<u>\$ 1,181</u>	<u>\$ 1,499</u>

***Property and Equipment, Net***

	December 31,	
	2019	2018
	(In millions)	
Computer equipment and software	\$ 5,029	\$ 4,933
Land and buildings, including building improvements	740	713
Leasehold improvements	421	399
Furniture and fixtures	175	169
Construction in progress and other	104	130
Property and equipment, gross	6,469	6,344
Accumulated depreciation	(4,959)	(4,747)
Property and equipment, net	<u>\$ 1,510</u>	<u>\$ 1,597</u>

Total depreciation expense on our property and equipment for the years ended December 31, 2019, 2018 and 2017 totaled \$628 million, \$626 million and \$612 million, respectively.

***Accrued Expenses and Other Current Liabilities***

	December 31,	
	2019	2018
	(In millions)	
Customer accounts and funds payable	\$ 736	\$ 681
Compensation and related benefits	500	410
Advertising accruals	195	264
Other current tax liabilities	38	229
Other	935	751
Accrued expenses and other current liabilities	<u>\$ 2,404</u>	<u>\$ 2,335</u>

## Note 10 – Debt

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

	Coupon Rate	As of December 31, 2019	Effective Interest Rate	As of December 31, 2018	Effective Interest Rate
<b>Long-Term Debt</b>					
Floating Rate Notes:					
Senior notes due 2019	LIBOR plus 0.48%	\$ —	—%	\$ 400	3.123%
Senior notes due 2023	LIBOR plus 0.87%	400	2.913%	400	3.499%
Fixed Rate Notes:					
Senior notes due 2019	2.200%	—	—%	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		7,750		9,300	
Hedge accounting fair value adjustments <sup>(1)</sup>		15		(10)	
Unamortized discount and debt issuance costs		(44)		(55)	
Other long-term borrowings		17		—	
Less: Current portion of long-term debt		(1,000)		(1,550)	
Total long-term debt		6,738		7,685	
<b>Short-Term Debt</b>					
Current portion of long-term debt		1,000		1,550	
Hedge accounting fair value adjustments <sup>(1)</sup>		—		(7)	
Unamortized discount and debt issuance costs		(1)		(1)	
Other short-term borrowings		23		4	
Total short-term debt		1,022		1,546	
<b>Total Debt</b>		<u>\$ 7,760</u>		<u>\$ 9,231</u>	

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

## **Senior Notes**

In 2019, \$400 million of floating rate notes and \$1.15 billion of 2.200% fixed rate notes matured and were repaid. In 2018, \$750 million of 2.500% fixed rate notes due 2018 matured and were repaid.

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.

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. In 2019, \$1.15 billion related to our 2.200% senior notes of the \$2.4 billion aggregate notional amount matured. In addition, during the three months ended September 30, 2019, we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024. As a result of the early termination, hedge accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the year ended December 31, 2019 was immaterial.

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, during the years ended December 31, 2019, 2018 and 2017 was approximately \$301 million, \$318 million and \$307 million, respectively. As of December 31, 2019 and 2018, the estimated fair value of these senior notes, using Level 2 inputs, was approximately \$7.9 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 December 31, 2019 and 2018, there were no commercial paper notes outstanding.

## **Credit Agreement**

In November 2015, we entered into a credit agreement that provides for an unsecured \$2 billion five-year revolving credit facility. We may also, subject to the agreement of the applicable lenders, increase the commitments under the revolving credit facility by up to an aggregate amount of \$1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, dividends, acquisitions and other general corporate purposes.

As of December 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 December 31, 2019 for other purposes permitted by the credit agreement.

Loans under the credit agreement bear interest at either (i) LIBOR plus a margin (based on our public debt credit ratings) ranging from 0.875 percent to 1.5 percent or (ii) a formula based on the agent bank's prime rate, the federal funds effective rate plus 0.5 percent or LIBOR plus 1.0 percent, plus a margin (based on our public debt credit ratings) ranging from zero percent to 0.5 percent. The credit agreement will terminate and all amounts owing thereunder will be due and payable on November 9, 2020, unless (a) the commitments are terminated earlier, either at our request or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events of default), or (b) the maturity date is extended upon our request, subject to the agreement of the lenders. 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 period ended December 31, 2019.

#### Future Maturities

Expected future principal maturities as of December 31, 2019 are as follows (in millions):

Fiscal Years:	
2020	\$ 1,000
2021	750
2022	1,750
2023	1,150
2024	750
Thereafter	2,350
Total future maturities	<u>\$ 7,750</u>

#### Note 11 – Leases

We have operating and finance 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 December 31, 2019 (in millions):

	Balance Sheet Location	As of December 31, 2019
<b>Assets</b>		
Operating	Operating lease right-of-use assets	\$ 628
Finance	Property and equipment, net <sup>(1)</sup>	31
Total leased assets		<u>\$ 659</u>
<b>Liabilities</b>		
Operating - current	Accrued expenses and other current liabilities	\$ 170
Finance - current	Short-term debt	11
Operating - noncurrent	Operating lease liabilities	492
Finance - noncurrent	Long-term debt	16
Total lease liabilities		<u>\$ 689</u>

(1) Recorded net of accumulated amortization of \$2 million as of December 31, 2019.

The components of lease expense for the year ended December 31, 2019 were as follows (in millions):

Lease Costs	Statement of Income Location	Year Ended December 31, 2019	
Finance lease cost:			
Amortization of right-of-use assets	Cost of net revenues	\$	2
Interest on lease liabilities	Interest and other, net		1
Operating lease cost <sup>(2)</sup>	Cost of net revenues, Sales and marketing, Product development and General and administrative expenses		214
<b>Total lease cost</b>		<b>\$</b>	<b>217</b>

(2) Includes variable lease payments and sublease income that were immaterial during the year ended December 31, 2019.

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

	Operating	Finance
2020	\$ 188	\$ 12
2021	162	12
2022	146	5
2023	98	—
2024	45	—
Thereafter	78	—
<b>Total lease payments</b>	<b>717</b>	<b>29</b>
Less interest	(56)	(2)
<b>Present value of lease liabilities</b>	<b>\$ 661</b>	<b>\$ 27</b>

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

	Leases <sup>(3)</sup>
2019	\$ 136
2020	104
2021	91
2022	76
2023	51
Thereafter	119
<b>Total minimum lease payments</b>	<b>\$ 577</b>

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

Rent expense for the years ended December 31, 2019, 2018 and 2017 totaled \$233 million, \$118 million and \$105 million, respectively. Rent expense includes operating lease costs as well as expense for non-lease components such as common area maintenance.

The following table provides a summary of our lease terms and discount rates for the year ended December 31, 2019:

	<b>Year Ended December 31, 2019</b>
<b>Weighted Average Remaining Lease Term</b>	
Operating leases	4.66 years
<b>Weighted Average Discount Rate</b>	
Operating leases	3.11%

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

	<b>Year Ended December 31, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
Operating cash flows from operating leases	\$ 196
Operating cash flows from finance leases	\$ 1
Financing cash flows from finance leases	\$ 6
<b>Right-of-use assets obtained in exchange for new lease obligations:</b>	
Operating leases	\$ 99
Finance leases	\$ 34

## Note 12 – Commitments and Contingencies

### **Commitments**

#### *Off-Balance Sheet Arrangements*

As of December 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 December 31, 2019, we had a total of \$4.8 billion in aggregate cash deposits, partially offset by \$4.7 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 twelve months ended December 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. 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 consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

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

**Note 13 – Stockholders’ Equity**

***Preferred Stock***

We are authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series; to establish the number of shares included within each series; to fix the rights, preferences and privileges of the shares of each wholly unissued series and any related qualifications, limitations or restrictions; and to increase or decrease the number of shares of any series (but not below the number of shares of a series then outstanding) without any further vote or action by our stockholders. As of December 31, 2019 and 2018, there were 10 million shares of \$0.001 par value preferred stock authorized for issuance, and no shares issued or outstanding.

***Common Stock***

Our Amended and Restated Certificate of Incorporation authorizes us to issue 3.6 billion shares of common stock.

***Stock Repurchase Programs***

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

In January 2018, our Board of Directors (“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 2019 was as follows (in millions, except per share amounts):

	Shares Repurchased <sup>(1)</sup>	Average Price per Share <sup>(2)</sup>	Value of Shares Repurchased <sup>(2)</sup>	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	134	\$ 37.26	\$ 5,000	(5,000)
Balance as of December 31, 2019				<u>\$ 2,151</u>

(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.

In January 2020, our Board authorized an additional \$5.0 billion stock repurchase program, with no expiration from the date of authorization.

***Dividends***

The company paid a total of \$473 million in cash dividends during the year ended December 31, 2019. In January 2020, we declared a cash dividend of \$0.16 per share of common stock to be paid on March 20, 2020 to stockholders of record as of March 2, 2020.

## Note 14 – Employee Benefit Plans

### *Equity Incentive Plans*

We have equity incentive plans under which we grant equity awards, including stock options, restricted stock units (“RSUs”), performance-based restricted stock units (“PBRUs”), stock payment awards and performance share units, to our directors, officers and employees. As of December 31, 2019, 755 million shares were authorized under our equity incentive plans and 55 million shares were available for future grant.

Stock options granted under these plans generally vest 12.5% six months from the date of grant (or 25% one year from the date of grant for grants to new employees) with the remainder vesting at a rate of 2.08% per month thereafter, and generally expire seven to ten years from the date of grant. RSU awards granted to eligible employees under our equity incentive plans generally vest in annual or quarterly installments over a period of three to five years, are subject to the employees’ continuing service to us and do not have an expiration date.

In 2019, 2018 and 2017, certain executives were eligible to receive PBRUs. PBRU awards are subject to performance and time-based vesting requirements. The target number of shares subject to the PBRU award are adjusted based on our business performance measured against the performance goals approved by the Compensation Committee at the beginning of the performance period. Generally, if the performance criteria are satisfied, one-half of the award vests in March following the end of the performance period and the other half of the award vests in March of the following year.

### *Deferred Stock Units*

Prior to December 31, 2016, we granted deferred stock units to each non-employee director (other than Mr. Omidyar) at the time of our annual meeting of stockholders and to new non-employee directors upon their election to the Board. Each deferred stock unit award granted to a new non-employee director upon election to the Board vests 25% one year from the date of grant, and at a rate of 2.08% per month thereafter. In addition, directors were permitted to elect to receive, in lieu of annual retainer and committee chair fees and at the time these fees would otherwise be payable, fully vested deferred stock units with an initial value equal to the amount based on the fair market value of common stock at the date of grant. Following termination of a non-employee director’s service on the Board, deferred stock units granted prior to August 1, 2013 are payable in stock or cash (at our election), while deferred stock units granted on or after August 1, 2013 are payable solely in stock. As of December 31, 2019, there were approximately 207,179 deferred stock units outstanding, which are included in our restricted stock unit activity below. As of December 31, 2016, we no longer grant deferred stock units.

### *Employee Stock Purchase Plan*

We have an Employee Stock Purchase Plan (“ESPP”) for all eligible employees. Under the plan, shares of our common stock may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period. Employees may purchase shares having a value not exceeding 10% of their eligible compensation during an offering period. During 2019, 2018, and 2017, employees purchased approximately 3 million, 4 million and 4 million shares under this plan at average prices of \$25.24, \$23.82 and \$22.32 per share, respectively. As of December 31, 2019, approximately 9 million shares of common stock were reserved for future issuance.

### *Stock Option Activity*

No stock options were granted in 2019, 2018 and 2017.

During 2019, 2018 and 2017, the aggregate intrinsic value of options exercised under our equity incentive plans was \$20 million, \$18 million and \$26 million, respectively, determined as of the date of option exercise. As of December 31, 2019, options to purchase approximately 800 thousand shares of our common stock were outstanding and in-the-money.

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

**Restricted Stock Unit Activity**

The following table presents RSU activity (including PBRsUs that have been earned) under our equity incentive plans as of and for the year ended December 31, 2019 (in millions except per share amounts):

	Units	Weighted Average Grant-Date Fair Value (per share)
Outstanding as of January 1, 2019	34	\$ 33.59
Awarded and assumed	19	\$ 37.61
Vested	(17)	\$ 31.67
Forfeited	(8)	\$ 35.50
Outstanding as of December 31, 2019	28	\$ 36.82
Expected to vest as of December 31, 2019	23	

During 2019, 2018 and 2017, the aggregate intrinsic value of RSUs vested under our equity incentive plans was \$609 million, \$684 million and \$635 million, respectively.

**Stock-Based Compensation Expense**

The following table presents stock-based compensation expense for the years ended December 31, 2019, 2018 and 2017 (in millions):

	Year Ended December 31,		
	2019	2018	2017
Cost of net revenues	\$ 55	\$ 59	\$ 53
Sales and marketing	97	111	94
Product development	198	197	178
General and administrative	155	171	158
Total stock-based compensation expense	\$ 505	\$ 538	\$ 483
Capitalized in product development	\$ 14	\$ 14	\$ 14

As of December 31, 2019, there was approximately \$768 million of unearned stock-based compensation that will be expensed from 2020 through 2023. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned stock-based compensation expense. Future unearned stock-based compensation will increase to the extent we grant additional equity awards, change the mix of grants between stock options and restricted stock units or assume unvested equity awards in connection with acquisitions.

**Employee Savings Plans**

We have a defined contribution plan, which is qualified under Section 401(k) of the Internal Revenue Code. Participating employees may contribute up to 50% of their eligible compensation, but not more than statutory limits. In 2019, 2018 and 2017, we contributed one dollar for each dollar a participant contributed, with a maximum contribution of 4% of each employee's eligible compensation, subject to a maximum employer contribution of \$11,200, \$11,000 and \$10,800 per employee for each period, respectively. Our non-U.S. employees are covered by various other savings plans. Total expense for these plans was \$64 million, \$60 million and \$57 million in 2019, 2018 and 2017, respectively.

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

**Note 15 – Income Taxes**

The components of pretax income for the years ended December 31, 2019, 2018 and 2017 are as follows (in millions):

	Year Ended December 31,		
	2019	2018	2017
United States	\$ 358	\$ 299	\$ 417
International	1,849	2,419	1,858
	<u>\$ 2,207</u>	<u>\$ 2,718</u>	<u>\$ 2,275</u>

The provision (benefit) for income taxes is comprised of the following (in millions):

	Year Ended December 31,		
	2019	2018	2017
<b>Current:</b>			
Federal	\$ 51	\$ 73	\$ 1,426
State and local	26	25	(17)
Foreign	221	245	151
	<u>\$ 298</u>	<u>\$ 343</u>	<u>\$ 1,560</u>
<b>Deferred:</b>			
Federal	\$ (269)	\$ (488)	\$ 1,788
State and local	(45)	(10)	4
Foreign	431	345	(64)
	<u>117</u>	<u>(153)</u>	<u>1,728</u>
	<u>\$ 415</u>	<u>\$ 190</u>	<u>\$ 3,288</u>

The following is a reconciliation of the difference between the actual provision for income taxes and the provision computed by applying the federal statutory rate of 21% for 2019 and 2018 and 35% for 2017 to income before income taxes (in millions):

	Year Ended December 31,		
	2019	2018	2017
Provision at statutory rate	\$ 463	\$ 571	\$ 797
Foreign income taxed at different rates	31	(16)	(217)
Other taxes on foreign operations	(155)	26	330
Stock-based compensation	3	(3)	(33)
State taxes, net of federal benefit	(20)	13	(13)
Research and other tax credits	(33)	(30)	(35)
Tax basis step-up resulting from realignment	199	(9)	(695)
Impact of tax rate change	(19)	108	—
U.S. tax reform	—	(463)	3,142
Effective settlement of audits	(71)	—	—
Other	17	(7)	12
	<u>\$ 415</u>	<u>\$ 190</u>	<u>\$ 3,288</u>

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

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to be reversed. Significant deferred tax assets and liabilities consist of the following (in millions):

	As of December 31,	
	2019	2018
<b>Deferred tax assets:</b>		
Net operating loss, capital loss and credits	\$ 158	\$ 136
Accruals and allowances	214	168
Stock-based compensation	15	22
Amortizable tax basis in intangibles	4,287	4,757
Net deferred tax assets	4,674	5,083
Valuation allowance	(102)	(65)
	<u>\$ 4,572</u>	<u>\$ 5,018</u>
<b>Deferred tax liabilities:</b>		
Unremitted foreign earnings	\$ (2,610)	\$ (2,930)
Acquisition-related intangibles	(37)	(46)
Depreciation and amortization	(131)	(132)
Net unrealized gain	(2)	(27)
Available-for-sale securities	(61)	(15)
	<u>(2,841)</u>	<u>(3,150)</u>
	<u>\$ 1,731</u>	<u>\$ 1,868</u>

As of December 31, 2019, our federal, state and foreign net operating loss carryforwards for income tax purposes were approximately \$11 million, \$55 million and \$361 million, respectively. The federal and state net operating loss carryforwards are subject to various limitations under Section 382 of the Internal Revenue Code and applicable state tax laws. If not utilized, the federal and state net operating loss carryforwards will begin to expire in 2021 and 2020, respectively. The carryforward periods on our foreign net operating loss carryforwards are as follows: \$12 million do not expire, \$246 million are subject to valuation allowance and begin to expire in 2020, and \$104 million are not subject to valuation allowance but will begin to expire in 2024. As of December 31, 2019, state tax credit carryforwards for income tax purposes were approximately \$140 million. Most of the state tax credits carry forward indefinitely.

As of December 31, 2019 and 2018, we maintained a valuation allowance with respect to certain of our deferred tax assets relating primarily to operating losses in certain non-U.S. jurisdictions and certain state tax credits that we believe are not likely to be realized.

During the first half of 2017, we recognized a noncash income tax charge of \$376 million caused by the foreign exchange remeasurement of a deferred tax asset related to intangible assets in our foreign eBay platforms. In the first quarter of 2017, we achieved a step-up in the tax basis of the intangible assets in our foreign Classifieds platforms as a result of voluntary domiciling our Classifieds intangible assets into a new jurisdiction and recognized a tax benefit of \$695 million.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted. U.S. tax reform, among other things, reduced the U.S. federal income tax rate from 35% to 21% beginning in 2018, instituted a dividends received deduction for foreign earnings with a related tax for the deemed repatriation of unremitted foreign earnings in 2017 and created a new U.S. minimum tax on earnings of foreign subsidiaries. We recognized a provisional income tax charge of \$3.1 billion in the fourth quarter of 2017, which was included as a component of the income tax provision on our consolidated statement of income. We completed our analysis of the impacts of U.S. tax reform in the fourth quarter of 2018 and recognized a \$463 million reduction to the provisional tax amounts recorded in the fourth quarter of 2017, which is included as a component of income tax expense from continuing operations in 2018.

Included in the 2017 provisional amount was \$1.4 billion for the income tax on the deemed repatriation of unremitted foreign earnings. We completed the computation of this amount as part of the 2017 income tax return filing and reduced the provisional amount by \$18 million and we utilized \$213 million of foreign tax credits to reduce the net

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

liability, both in 2018. We elected to pay the liability for the deemed repatriation of foreign earnings in installments, as specified by the Act. Accordingly, as of December 31, 2019 and 2018, \$884 million and \$968 million of our liability for deemed repatriation of foreign earnings was included in other liabilities on our consolidated balance sheet.

The remaining provisional amount of \$1.7 billion was for the deferred income tax effects of the Act, primarily the impact of the new U.S. minimum tax on foreign earnings, partially offset by the reversal of our existing deferred tax liability associated with repatriation of unremitted foreign earnings. We completed our analysis of the components of the deferred tax computation in the fourth quarter of 2018 and recognized a tax benefit of \$445 million as a reduction to the provisional amounts recorded in the fourth quarter of 2017 for the deferred income tax effects of the Act. This amount includes a \$389 million tax benefit as a result of clarification by Swiss tax authorities regarding the applicability of withholding tax to repatriated earnings in October 2018.

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

The following table reflects changes in unrecognized tax benefits for the years ended December 31, 2019, 2018 and 2017 (in millions):

	2019	2018	2017
Gross amounts of unrecognized tax benefits as of the beginning of the period	\$ 551	\$ 487	\$ 458
Increases related to prior period tax positions	44	64	37
Decreases related to prior period tax positions	(114)	(10)	(28)
Increases related to current period tax positions	28	28	58
Settlements	(122)	(18)	(38)
Gross amounts of unrecognized tax benefits as of the end of the period	<u>\$ 387</u>	<u>\$ 551</u>	<u>\$ 487</u>

Included within our gross amounts of unrecognized tax benefits of \$387 million as of December 31, 2019 is \$55 million of unrecognized tax benefits indemnified by PayPal. If total unrecognized tax benefits were realized in a future period, it would result in a tax benefit of \$285 million. Of this amount, approximately \$51 million of unrecognized tax benefit is indemnified by PayPal and a corresponding receivable would be reduced upon a future realization. As of December 31, 2019, our liabilities for unrecognized tax benefits were included in other liabilities on our consolidated balance sheet.

We recognize interest and/or penalties related to uncertain tax positions in income tax expense. In 2019, \$8 million was included in tax expense for interest and penalties. The amount of interest and penalties accrued as of December 31, 2019 and 2018 was approximately \$46 million and \$61 million, respectively.

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 2018 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 expect the gross amount of unrecognized tax benefits to be reduced within the next twelve months by at least \$19 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

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

reconstituted panel has conferred on the appeal. On June 7, 2019, the Ninth Circuit Federal Court upheld the cost-sharing regulations and on November 11, 2019 the U.S. Tax Court of Appeals for the Ninth Circuit released a court order denying an *en banc* rehearing of the case *Altera Corp. v Commissioner* following Altera's petition filed on July 22, 2019. It has not been determined if this ruling will be further appealed as of the date of our filing. 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 December 31, 2019. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

**Note 16 – Interest and Other, Net**

The components of interest and other, net for the years ended December 31, 2019, 2018 and 2017 are as follows (in millions):

	Year Ended December 31,		
	2019	2018	2017
Interest income	\$ 120	\$ 176	\$ 177
Interest expense	(311)	(326)	(292)
Gains on investments and sale of business <sup>(1)</sup>	80	663	115
Other	(3)	(17)	11
Total interest and other, net	<u>\$ (114)</u>	<u>\$ 496</u>	<u>\$ 11</u>

(1) Gains on investments and sale of business includes: (i) 2019 included a \$52 million loss recorded on the divestiture of brands4friends and a \$133 million gain recognized due to the change in fair value of the Adyen warrant; (ii) 2018 included a \$313 million gain on the sale of our equity investment in Flipkart, a \$266 million gain recognized upon the relinquishment of our equity investment in Giosio and a \$104 million gain recognized due to the change in fair value of the Adyen warrant; and (iii) 2017 included a \$167 million gain on disposal of our eBay India business.

**Note 17 – Accumulated Other Comprehensive Income**

The following tables summarize the changes in AOCI for the years ended December 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	4	61	(99)	(16)	(50)
Less: Amount of gain (loss) reclassified from AOCI	81	—	—	(17)	64
Net current period other comprehensive income (loss)	(77)	61	(99)	1	(114)
Balance as of December 31, 2019	<u>\$ (9)</u>	<u>\$ 5</u>	<u>\$ 363</u>	<u>\$ 25</u>	<u>\$ 384</u>

	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
Other comprehensive income (loss) before reclassifications	117	(42)	(286)	(15)	(226)
Less: Amount of gain (loss) reclassified from AOCI	(8)	(1)	—	2	(7)
Net current period other comprehensive income (loss)	125	(41)	(286)	(17)	(219)
Balance as of December 31, 2018	<u>\$ 68</u>	<u>\$ (56)</u>	<u>\$ 462</u>	<u>\$ 24</u>	<u>\$ 498</u>

The following table provides a summary of reclassifications out of AOCI for the years ended December 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	
		2019	2018
Gains (losses) on cash flow hedges - foreign exchange contracts	Net Revenues	\$ 81	\$ (8)
	Total, from continuing operations before income taxes	81	(8)
	Income tax provision	(17)	2
	Total, from continuing operations net of income taxes	64	(6)
	Total, from discontinued operations net of income taxes	—	—
	Total, net of income taxes	64	(6)
Unrealized gains (losses) on investments	Interest and other, net	—	(1)
	Total, before income taxes	—	(1)
	Income tax provision	—	—
	Total, net of income taxes	—	(1)
Total reclassifications for the period	Total, net of income taxes	\$ 64	\$ (7)

#### Note 18 — Restructuring

The following table summarizes restructuring reserve activity during 2019 (in millions):

	Employee Severance and Benefits
Accrued liability as of January 1, 2019	\$ 8
Charges	77
Payments	(49)
Accrued liability as of December 31, 2019	\$ 36

During the first quarter of 2019, management approved a plan to drive operational improvement that included the reduction of workforce, primarily in our Marketplace segment. The reduction was substantially completed in the first quarter of 2019 and resulted in pre-tax restructuring charges of approximately \$41 million. During the fourth quarter of 2019, management approved a plan to drive operational improvement that included the reduction of workforce, primarily in our Marketplace segment. We incurred a pre-tax charge of \$36 million, which was primarily related to employee severance and benefits.

In June 2018, management approved a plan to implement a strategic reduction of our existing global workforce, primarily in our Marketplace segment. The reduction was substantially completed in the second quarter of 2018 and resulted in pre-tax restructuring charges of approximately \$86 million.

No restructuring charges were recognized in 2017.

The restructuring charges incurred in 2019 and 2018 were aggregated in general and administrative expenses in the consolidated statement of income.

**Supplementary Data — Quarterly Financial Data — Unaudited**

The following tables present certain unaudited consolidated quarterly financial information for each of the eight quarters in the two year period ended December 31, 2019. This quarterly information has been prepared on the same basis as the Consolidated Financial Statements and includes all adjustments necessary to state fairly the information for the periods presented.

**Quarterly Financial Data  
(Unaudited, in millions, except per share amounts)**

	Quarter Ended			
	March 31	June 30	September 30	December 31
<b>2019</b>				
Net revenues	\$ 2,643	\$ 2,687	\$ 2,649	\$ 2,821
Gross profit	\$ 2,042	\$ 2,057	\$ 2,022	\$ 2,171
Income from continuing operations	\$ 521	\$ 403	\$ 310	\$ 558
Income (loss) from discontinued operations, net of income taxes	(3)	(1)	—	(2)
Net income (loss)	\$ 518	\$ 402	\$ 310	\$ 556
Income (loss) per share - basic:				
Continuing operations	\$ 0.58	\$ 0.47	\$ 0.37	\$ 0.69
Discontinued operations	—	—	—	—
Net income (loss) per share - basic	\$ 0.58	\$ 0.47	\$ 0.37	\$ 0.69
Income (loss) per share - diluted:				
Continuing operations	\$ 0.57	\$ 0.46	\$ 0.37	\$ 0.69
Discontinued operations	—	—	—	—
Net income (loss) per share - diluted	\$ 0.57	\$ 0.46	\$ 0.37	\$ 0.69
Weighted-average shares:				
Basic	900	860	830	807
Diluted	908	867	837	812

	Quarter Ended			
	March 31	June 30	September 30	December 31
<b>2018</b>				
Net revenues	\$ 2,580	\$ 2,640	\$ 2,649	\$ 2,877
Gross profit	\$ 2,021	\$ 2,043	\$ 2,041	\$ 2,259
Income from continuing operations	\$ 407	\$ 638	\$ 720	\$ 763
Income (loss) from discontinued operations, net of income taxes	—	4	1	(3)
Net income (loss)	\$ 407	\$ 642	\$ 721	\$ 760
Income per share - basic:				
Continuing operations	\$ 0.40	\$ 0.64	\$ 0.74	\$ 0.81
Discontinued operations	—	—	—	—
Net income (loss) per share - basic	\$ 0.40	\$ 0.64	\$ 0.74	\$ 0.81
Income (loss) per share - diluted:				
Continuing operations	\$ 0.40	\$ 0.64	\$ 0.73	\$ 0.80
Discontinued operations	—	—	—	—
Net income (loss) per share - diluted	\$ 0.40	\$ 0.64	\$ 0.73	\$ 0.80
Weighted-average shares:				
Basic	1,010	992	974	945
Diluted	1,029	1,004	983	950

## FINANCIAL STATEMENT SCHEDULE

The Financial Statement Schedule II — VALUATION AND QUALIFYING ACCOUNTS as of and for the years ended December 31, 2019, 2018 and 2017.

	Balance at Beginning of Period		Charged/Credited to Net Income		Charged to Other Account		Charges Utilized/Write-offs		Balance at End of Period	
(In millions)										
<b>Allowances for Doubtful Accounts and Authorized Credits</b>										
Year Ended December 31, 2017	\$	81	\$	91	\$	—	\$	(70)	\$	102
Year Ended December 31, 2018		102		92		—		(88)		106
Year Ended December 31, 2019	\$	106	\$	122	\$	—	\$	(100)	\$	128
<b>Allowance for Transaction Losses</b>										
Year Ended December 31, 2017	\$	23	\$	181	\$	—	\$	(179)	\$	25
Year Ended December 31, 2018		25		194		—		(191)		28
Year Ended December 31, 2019	\$	28	\$	178	\$	—	\$	(179)	\$	27
<b>Tax Valuation Allowance</b>										
Year Ended December 31, 2017	\$	37	\$	(20)	\$	2	\$	—	\$	19
Year Ended December 31, 2018		19		33		13		—		65
Year Ended December 31, 2019	\$	65	\$	45	\$	(1)	\$	(7)	\$	102

## INDEX TO EXHIBITS

No.	Exhibit Description	Filed or Furnished with this 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
2.01	<a href="#">Separation and Distribution Agreement by and between Registrant and PayPal Holdings, Inc. dated as of June 26, 2015.</a>		8-K	000-24821	6/30/2015
2.02*	<a href="#">Stock Purchase Agreement, dated as of November 24, 2019 by and among eBay Inc., eBay International AG, PUG LLC, and solely for the purposes set forth therein, Pugnacious Endeavors, Inc.</a>		8-K	001-37713	11/25/2019
3.01	<a href="#">Registrant's Amended and Restated Certificate of Incorporation.</a>		10-Q	001-37713	7/18/2019
3.02	<a href="#">Registrant's Amended and Restated Bylaws.</a>		10-Q	001-37713	7/18/2019
4.01	<a href="#">Form of Specimen Certificate for Registrant's Common Stock.</a>		S-1	333-59097	8/19/1998
4.02	<a href="#">Indenture dated as of October 28, 2010 between Registrant and Wells Fargo Bank, National Association, as trustee.</a>		8-K	000-24821	10/28/2010
4.03	<a href="#">Supplemental Indenture dated as of October 28, 2010 between Registrant and Wells Fargo Bank, National Association, as trustee.</a>		8-K	000-24821	10/28/2010
4.04	<a href="#">Form of 3.250% Note due 2020 (included in Exhibit 4.03).</a>		8-K	000-24821	10/28/2010
4.05	<a href="#">Officer's Certificate dated July 24, 2012.</a>		8-K	000-24821	7/24/2012
4.06	<a href="#">Forms of 2.600% Note due 2022 and 4.000% Note due 2042 (included in Exhibit 4.05).</a>		8-K	000-24821	7/24/2012
4.07	<a href="#">Officer's Certificate dated July 28, 2014.</a>		8-K	000-24821	7/28/2014
4.08	<a href="#">Forms of 2.875% Note due 2021 and 3.450% Note due 2024 (included in Exhibit 4.07).</a>		8-K	000-24821	7/28/2014
4.09	<a href="#">Officer's Certificate dated February 29, 2016.</a>		8-K	000-24821	2/29/2016
4.10	<a href="#">Form of 6.00% Note due 2056 (included in Exhibit 4.09).</a>		8-K	000-24821	2/29/2016
4.11	<a href="#">Officer's Certificate dated March 9, 2016.</a>		8-K	001-37713	3/9/2016
4.12	<a href="#">Form of 3.800% Note due 2022 (included in Exhibit 4.11).</a>		8-K	001-37713	3/9/2016
4.13	<a href="#">Officer's Certificate dated June 6, 2017.</a>		8-K	001-37713	6/6/2017
4.14	<a href="#">Form of Floating Rate Note due 2023, 2.150% Note due 2020, 2.750% Note due 2023 and 3.600% Note due 2027 (included in Exhibit 4.13).</a>		8-K	001-37713	6/6/2017
4.15	<a href="#">Description of Securities.</a>	X	10-K	001-37713	1/31/2020
10.01+	<a href="#">Form of Indemnity Agreement entered into by Registrant with each of its directors and executive officers.</a>		S-1	333-59097	7/15/1998
10.02+	<a href="#">Registrant's 2003 Deferred Stock Unit Plan, as amended.</a>		10-K	000-24821	2/28/2007
10.03+	<a href="#">Amendment to Registrant's 2003 Deferred Stock Unit Plan, effective April 2, 2012.</a>		10-Q	000-24821	7/19/2012
10.04+	<a href="#">Form of Director Award Agreement under Registrant's 2003 Deferred Stock Unit Plan.</a>		10-Q	000-24821	7/19/2012
10.05+	<a href="#">Form of Electing Director Award Agreement under Registrant's 2003 Deferred Stock Unit Plan.</a>		10-Q	000-24821	7/19/2012
10.06+	<a href="#">Form of New Director Award Agreement under Registrant's 2003 Deferred Stock Unit Plan.</a>		10-Q	000-24821	7/19/2012

No.	Exhibit Description	Filed or Furnished with this 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.07+	<a href="#">Form of 2003 Deferred Stock Unit Plan Restricted Stock Unit Grant Notice and Agreement.</a>		10-Q/A	000-24821	4/24/2008
10.08+	<a href="#">Registrant's 2008 Equity Incentive Award Plan, as amended and restated.</a>		8-K	001-37713	4/27/2016
10.09+	<a href="#">Form of Restricted Stock Unit Award Agreement under Registrant's 2003 Deferred Stock Unit Plan and Registrant's 2008 Equity Incentive Plan.</a>		10-Q	000-24821	7/19/2012
10.10+	<a href="#">Form of Restricted Stock Unit Award Agreement (with Modified Vesting) under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	7/19/2012
10.11+	<a href="#">Form of Stock Option Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	7/19/2012
10.12+	<a href="#">Form of Stock Option Agreement (with Modified Vesting) under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	7/19/2012
10.13+	<a href="#">Form of Director Deferred Stock Unit Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	7/19/2012
10.14+	<a href="#">Amended and Restated eBay Incentive Plan.</a>		8-K	000-24821	5/5/2015
10.15+	<a href="#">eBay Inc. Deferred Compensation Plan, as amended and restated effective April 1, 2018.</a>		10-K	001-37713	1/30/2019
10.16+	<a href="#">eBay Inc. Employee Stock Purchase Plan.</a>		DEF 14A	000-24821	3/19/2012
10.17	<a href="#">Credit Agreement, dated as of November 9, 2015, by and among Registrant, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other parties thereto.</a>		8-K	000-24821	11/12/2015
10.18+	<a href="#">Form of New Director Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	4/19/2013
10.19+	<a href="#">Form of Director Annual Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	4/19/2013
10.20+	<a href="#">Form of Electing Director Quarterly Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	4/19/2013
10.21+	<a href="#">Form of Performance Share Unit Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	4/19/2013
10.22+	<a href="#">Form of Global Stock Option Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	7/18/2014
10.23+	<a href="#">Form of Global Restricted Stock Unit Agreement (and Performance-Based Restricted Stock Unit Agreement) under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	000-24821	7/18/2014
10.24+	<a href="#">Form of Performance Based Restricted Stock Unit Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	001-37713	4/27/2016
10.25+	<a href="#">Form of Stock Payment Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	001-37713	7/21/2016
10.26+	<a href="#">Form of Director Restricted Stock Unit Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-Q	001-37713	7/21/2016
10.27+	<a href="#">Form of Performance Based Restricted Stock Unit Award Grant Notice and Performance Based Restricted Stock Unit Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-K	001-37713	1/30/2019
10.28+	<a href="#">Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under Registrant's 2008 Equity Incentive Award Plan.</a>		10-K	001-37713	1/30/2019

No.	Exhibit Description	Filed or Furnished with this 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.29+	<a href="#">Notice Regarding Payment of Dividend Equivalents on Restricted Stock Units and Performance-Based Restricted Stock Units under Registrant's 2008 Equity Incentive Award Plan.</a>		10-K	001-37713	1/30/2019
10.30+	<a href="#">Letter Agreement dated September 29, 2014 between Registrant and Devin Wenig.</a>		10-Q	000-24821	10/16/2014
10.31+	<a href="#">Amended and Restated eBay Inc. Change in Control Severance Plan for Key Employees, effective January 1, 2016.</a>		10-Q	001-37713	4/27/2016
10.32	<a href="#">Amendment dated June 30, 2016, to the Operating Agreement by and among Registrant, eBay International AG, PayPal Holdings, Inc., PayPal, Inc., PayPal Pte. Ltd. and PayPal Payments Pte. Holdings S.C.S.</a>		10-Q	001-37713	7/21/2016
10.33+	<a href="#">Operating Agreement, dated as of July 17, 2015, by and among Registrant, eBay International AG, PayPal Holdings, Inc., PayPal, Inc., PayPal Pte. Ltd. and PayPal Payments Pte. Holdings S.C.S.</a>		8-K	000-24821	7/20/2015
10.34	<a href="#">Transition Services Agreement, dated as of July 17, 2015, by and between Registrant and PayPal Holdings, Inc.</a>		8-K	000-24821	7/20/2015
10.35+	<a href="#">Tax Matters Agreement, dated as of July 17, 2015, by and between Registrant and PayPal Holdings, Inc.</a>		8-K	000-24821	7/20/2015
10.36+	<a href="#">Employee Matters Agreement, dated as of July 17, 2015, by and between Registrant and PayPal Holdings, Inc.</a>		8-K	000-24821	7/20/2015
10.37+	<a href="#">Intellectual Property Matters Agreement, dated as of July 17, 2015, by and among Registrant, eBay International AG, PayPal Holdings, Inc., PayPal, Inc., PayPal Pte. Ltd. and PayPal Payments Pte. Holdings S.C.S.</a>		8-K	000-24821	7/20/2015
10.38+	<a href="#">Letter dated September 30, 2014 from Registrant to Scott Schenkel.</a>		10-Q	000-24821	7/21/2015
10.39+	<a href="#">Offer Letter dated April 2, 2015 between Registrant and Marie Oh Huber.</a>		10-Q	001-37713	4/27/2016
10.40	<a href="#">Cooperation Agreement, dated February 28, 2019, by and among Elliott Associates, L.P., Elliott International, L.P., Elliott International Capital Advisors Inc. and Registrant.</a>		8-K	001-37713	2/28/2019
10.41	<a href="#">Agreement, dated February 28, 2019 by and among Starboard Value LP and affiliates and Registrant.</a>		8-K	001-37713	2/28/2019
10.42+	<a href="#">Offer Letter dated February 1, 2017, between Registrant and Wendy Jones.</a>		10-Q	001-37713	7/18/2019
10.43+	<a href="#">Offer Letter dated July 3, 2018, between Registrant and Wendy Jones.</a>		10-Q	001-37713	7/18/2019
10.44+	<a href="#">Amended and Restated eBay Inc. SVP and Above Standard Severance Plan, effective September 18, 2019.</a>		10-Q	001-37713	10/24/2019
10.45+	<a href="#">Letter Agreement between Devin N. Wenig and eBay Inc., dated September 24, 2019.</a>		8-K	001-37713	9/25/2019
10.46+	<a href="#">Letter Agreement between Scott Schenkel and eBay Inc., dated October 11, 2019.</a>		8-K	001-37713	10/16/2019
10.47+	<a href="#">Letter Agreement between Andrew Cring and eBay Inc., dated October 11, 2019.</a>		8-K	001-37713	10/16/2019
10.48+	<a href="#">Offer Letter dated June 25, 2019 between Registrant and Jae Hyun Lee.</a>		10-Q	001-37713	10/24/2019
21.01	<a href="#">List of Subsidiaries.</a>	X			
23.01	<a href="#">PricewaterhouseCoopers LLP consent.</a>	X			

No.	Exhibit Description	Filed or Furnished with this 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
24.01	Power of Attorney (see signature page).	X			
31.01	<a href="#">Certification of Registrant's Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</a>	X			
31.02	<a href="#">Certification of Registrant's Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</a>	X			
32.01	<a href="#">Certification of Registrant's Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.</a>	X			
32.02	<a href="#">Certification of Registrant's Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.</a>	X			
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	X			

\* Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the U.S. Securities and Exchange Commission upon request.

+ Indicates a management contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on January 31, 2020.

**eBay Inc.**

By: /s/ Scott F. Schenkel

**Scott F. Schenkel**  
**Interim Chief Executive Officer**

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Scott F. Schenkel, Andy Cring, Brian J. Doerger and Marie Oh Huber and each or any one of them, each with the power of substitution, his or her attorney-in-fact, to sign any amendments to this report, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 31, 2020.

**Principal Executive Officer and Director:**

By: /s/ Scott F. Schenkel

**Scott F. Schenkel**  
**Interim Chief Executive Officer**

**Principal Financial Officer:**

By: /s/ Andy Cring

**Andy Cring**  
**Interim Chief Financial Officer**

**Principal Accounting Officer:**

By: /s/ Brian J. Doerger

**Brian J. Doerger**  
**Vice President, Chief Accounting Officer**

**Additional Directors**

By: /s/ Pierre M. Omidyar  
**Pierre M. Omidyar**  
**Founder and Director**

By: /s/ Fred D. Anderson  
**Fred D. Anderson**  
**Director**

By: /s/ Adriane Brown  
**Adriane Brown**  
**Director**

By: /s/ Diana Farrell  
**Diana Farrell**  
**Director**

By: /s/ Bonnie S. Hammer  
**Bonnie S. Hammer**  
**Director**

By: /s/ Matthew J. Murphy  
**Matthew J. Murphy**  
**Director**

By: /s/ Robert H. Swan  
**Robert H. Swan**  
**Director**

By: /s/ Thomas J. Tierney  
**Thomas J. Tierney**  
**Chairman of the Board and Director**

By: /s/ Anthony J. Bates  
**Anthony J. Bates**  
**Director**

By: /s/ Jesse A. Cohn  
**Jesse A. Cohn**  
**Director**

By: /s/ Logan D. Green  
**Logan D. Green**  
**Director**

By: /s/ Kathleen C. Mitic  
**Kathleen C. Mitic**  
**Director**

By: /s/ Paul S. Pressler  
**Paul S. Pressler**  
**Director**

By: /s/ Perry M. Traquina  
**Perry M. Traquina**  
**Director**

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES  
EXCHANGE ACT OF 1934**

As of December 31, 2019, eBay Inc. had the following two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) its common stock, \$0.001 par value per share ("common stock"), and (ii) its 6.00% Notes due 2056.

References in the following discussion to "eBay," "eBay Inc.," "we," "our" and "us" and similar references mean eBay Inc. excluding, unless the context otherwise requires or otherwise expressly stated, its subsidiaries.

**DESCRIPTION OF COMMON STOCK**

The following is a description of some of the terms of our common stock, our amended and restated certificate of incorporation (the "charter"), our amended and restated bylaws (the "bylaws") and certain provisions of the Delaware General Corporation Law (the "DGCL"). The following description is not complete and is subject to, and qualified in its entirety by reference to, our charter and bylaws, each of which is filed or incorporated by reference as an exhibit to our Annual Report on Form 10-K of which this Exhibit is a part, and the DGCL. You should read our charter and bylaws and the applicable provisions of the DGCL for a complete statement of the provisions described under this caption "Description of Common Stock" and for other provisions that may be important to you.

**Common Stock**

Under our charter, the total number of shares of all classes of capital stock which we are authorized to issue is 3,590,000,000 shares, consisting of two classes: 3,580,000,000 shares of common stock and 10,000,000 shares of preferred stock, \$0.001 par value per share ("preferred stock").

Each share of our common stock is entitled to one vote per share on all matters submitted to a vote of our common stockholders. Our charter does not entitle the holders of our common stock to cumulative voting rights with respect to the election of our directors. This means that the holders of a majority of the outstanding shares of our common stock can elect all of the directors then standing for election by our common stockholders (assuming there are no outstanding shares of our preferred stock entitled to vote as a single class with our common stock in such election).

Nominees for election as directors at an annual meeting of stockholders shall stand for election to a one-year term expiring at the next annual meeting of stockholders and until their respective successors are duly elected and qualified, subject to earlier death, resignation, retirement or removal. Pursuant to our bylaws and subject to the rights of any series of our preferred stock that may be outstanding, each member of our board of directors shall be elected by the affirmative vote of a majority of the votes cast with respect to such director (excluding abstentions) by the shares represented and entitled to vote at a meeting of stockholders at which a quorum is present; provided, however, that if our board of directors determines that the number of nominees for director exceeds the number of directors to be elected at such meeting (a "Contested Election") and has not rescinded that determination as provided in our bylaws, each of the directors to be elected at such meeting shall be elected by the affirmative vote of a plurality of the votes cast by the shares represented and entitled to vote at such meeting with respect to the election of such director. If an incumbent director fails to receive the affirmative vote of a majority of the votes cast at a meeting for the election of directors

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(other than a Contested Election), either our Corporate Governance and Nominating Committee or a committee of independent directors shall determine whether to accept or reject any resignation that may have been previously tendered by such incumbent director or whether other action should be taken (including whether to request the incumbent director to resign from the board of directors if no resignation has previously been tendered).

Unless otherwise provided by applicable law, the rules or regulations of any applicable stock exchange, or our charter or bylaws, every matter to be voted on by our stockholders, other than the election of directors, shall be decided by the affirmative vote of the holders of a majority in voting power of the shares of our stock entitled to vote thereon that are present in person or represented by proxy at the applicable meeting.

Our bylaws require us to include in our proxy materials for an annual meeting of stockholders the name of any person nominated for election to our board of directors by a stockholder or group of up to 20 stockholders who own and have owned, or are acting on behalf of up to 20 beneficial owners who own and have owned, in each case continuously for at least three years, at least 3% (determined as provided in our bylaws) of the aggregate voting power of our outstanding common stock and any other capital stock entitled to vote generally in the election of directors; provided that such stockholders give us written notice of such request within the time period set forth in our bylaws and such stockholders and their nominees satisfy the other requirements specified in our bylaws; and provided, further, that the number of such nominees whose names appear in our proxy materials shall not exceed the greater of (x) two nominees and (y) the largest whole number of nominees that does not exceed 20% of the number of our directors then in office, subject to possible reduction as provided in our bylaws.

Subject to any preferential rights of any outstanding shares of our preferred stock to receive dividends before any dividends may be paid on our common stock, the holders of our common stock will be entitled to share ratably in any dividends payable on our common stock that may be declared by our board of directors out of funds legally available for the payment of dividends.

Upon our voluntary or involuntary liquidation, dissolution or winding-up, the holders of our common stock will be entitled to share ratably in any of our assets remaining for distribution to our common stockholders after payment of or provision for our debts and other liabilities and subject to any preferential rights of any outstanding shares of our preferred stock to receive distributions in the event of our liquidation, dissolution or winding-up before distributions are made to holders of our common stock.

Our common stock is not entitled to preemptive rights.

Under our charter, our board of directors is authorized, without vote or other action by our stockholders, to cause the issuance of up to 10,000,000 shares of our preferred stock in one or more series from time to time, to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series (which may include, without limitation, voting rights, dividend rights and preferences, liquidation rights and preferences, redemption provisions and rights to convert the preferred stock of such series into other securities or property) and any qualifications, limitations or restrictions thereof, and to increase or decrease the number of shares of any such series (but not below the number of shares of such series then outstanding). Our board of directors may authorize the issuance of preferred stock with voting, dividend, liquidation, conversion or other rights (which may include, without limitation, rights of one or more series of preferred stock, voting as a separate class, to elect one or more directors, rights of one or more series of preferred stock to vote with our common stock in the election of directors, and rights to receive dividends and to receive distributions in the event of our liquidation,

dissolution or winding-up before any dividends or distributions may be paid to holders of our common stock) that could dilute or otherwise adversely affect the voting power or the dividend, liquidation or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, financings and other corporate purposes, could, among other things, have the effect of delaying, deterring or preventing a merger, change of control or other takeover of our company that our stockholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market price of our common stock, and may also adversely affect the market price of our common stock and any other securities that we may issue and the voting, dividend, liquidation and other rights of the holders of our common stock.

### **Anti-Takeover Provisions of Delaware Law**

We are subject to Section 203 of the DGCL (“Section 203”). In general, Section 203 prohibits a publicly held Delaware corporation from engaging in “business combination” transactions with any “interested stockholder” for a period of three years following the time that the stockholder became an interested stockholder, unless:

- prior to the time the stockholder became an interested stockholder, the corporation’s board of directors approved either the applicable business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the voting stock owned by the interested stockholder) shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which the employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time that the stockholder became an interested stockholder, the business combination is approved by the corporation’s board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

A “business combination” is defined to include, among other things and in general and subject to exceptions, a merger of the corporation with the interested stockholder; a sale of 10% or more of the market value of the corporation’s consolidated assets to the interested stockholder; certain transactions that result in the issuance of the corporation’s stock to the interested stockholder; a transaction that has the effect of increasing the proportionate share of the corporation’s stock owned by the interested stockholder; and any receipt by the interested stockholder of loans, guarantees or other financial benefits provided by the corporation. An “interested stockholder” is defined to include, in general and subject to exceptions, a person that (1) owns 15% or more of the outstanding voting stock of the corporation or (2) is an “affiliate” or “associate” (as defined in Section 203) of the corporation and was the owner of 15% or more of the corporation’s outstanding voting stock at any time within the prior three year period.

A Delaware corporation may opt out of Section 203 with an express provision in its original certificate of incorporation or by an amendment to its certificate of incorporation or bylaws expressly electing not to be governed by Section 203 and approved by a majority of its outstanding voting shares. We have not opted out of Section 203. As a result, Section 203 could delay, deter or prevent a merger, change of control or other takeover of our company that our stockholders might consider to be in their best interests, including

transactions that might result in a premium being paid over the market price of our common stock, and may also adversely affect the market price of our common stock and any other securities that we may issue.

### **Anti-Takeover Provisions of Our Charter and Bylaws**

Certain provisions of our charter and bylaws could have the effect of delaying, deterring or preventing another party from acquiring or seeking to acquire control of us. For example, our charter and bylaws include anti-takeover provisions that:

- authorize our board of directors, without vote or other action by our stockholders, to cause the issuance of preferred stock in one or more series from time to time and, with respect to each series, to establish the number of shares constituting that series and to fix the rights and other terms of that series, which may include, without limitation, voting rights, dividend rights and preferences, liquidation rights and preferences and rights to convert the preferred stock of such series into other securities or property;
- provide that, subject to the rights of any series of our preferred stock that may be outstanding, vacancies on our board of directors or newly created directorships resulting from an increase in the number of our directors may be filled only by a majority of directors then in office, even though less than a quorum, or by the sole remaining director;
- provide that the number of directors constituting our board of directors shall be fixed from time to time by resolution adopted by our board of directors;
- require that actions to be taken by our stockholders must be taken at an annual or special meeting of our stockholders and not by written consent;
- establish advance notice procedures and other requirements for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting;
- provide that, subject to the rights of any series of preferred stock that may be outstanding and except as may be required by law, special meetings of stockholders may be called only by (1) our board of directors; (2) our Chairman of the Board; (3) our Chief Executive Officer; or (4) our Secretary upon the written request of one or more of our stockholders that have continuously held, for their own account or on behalf of others, at least a 20% aggregate “net long position” (as defined and determined as provided in our bylaws) of our outstanding common stock for at least 30 days as of the date such request is delivered to us and that have complied with the other requirements set forth in our bylaws; and
- do not give the holders of our common stock cumulative voting rights with respect to the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all directors standing for election by our common stockholders.

The provisions described above are intended to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage anyone seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may also delay, deter or prevent a merger, change of control or other takeover of our company that our stockholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market price of our common stock,

and may also adversely affect the market price of our common stock and any other securities that we may issue. These provisions may also have the effect of preventing changes in our management.

### **Limitation on Liability of Directors; Indemnification of Directors and Officers**

Our charter provides that, to the fullest extent permitted by law, none of our directors shall be personally liable for monetary damages for breach of fiduciary duty as a director. Our bylaws provide that we will indemnify our officers and directors to the fullest extent permitted by the DGCL. We believe that these limitations of liability and indemnification provisions are useful to attract and retain qualified directors and officers.

### **Nasdaq Global Select Market Listing**

Our common stock is listed on The Nasdaq Global Select Market under the symbol “EBAY”.

## **DESCRIPTION OF NOTES**

Our 6.00% Notes due 2056 (the “notes”) were issued under an indenture dated as of October 28, 2010 (the “base indenture”), as amended and supplemented by a supplemental indenture dated as of October 28, 2010 (the “supplemental indenture;” the base indenture, as amended and supplemented by the supplemental indenture, is hereinafter called the “indenture”), each between us and Wells Fargo Bank, National Association, as trustee. The description of the notes is contained in two parts. The first part, contained under this caption “Description of Notes,” describes some of the specific terms of the notes and some of the specific terms of the indenture that are applicable to the notes. The second part, contained under the caption “Description of Indenture” below, provides a more general description of some of the terms of the indenture and the debt securities (the “debt securities”) issuable by us under the indenture. The discussion of some of the terms of the notes and the indenture contained under this caption “Description of Notes” supplements, and to the extent inconsistent replaces, the description of some of the general terms of the indenture and the debt securities contained below under the caption “Description of Indenture.” To the extent the discussion of some of the terms of the notes and the indenture appearing under this caption “Description of Notes” differs from the discussion of some of the terms of the indenture and the debt securities appearing under the caption “Description of Indenture,” you should rely on the discussion under this caption “Description of Notes.” Certain terms used but not defined under this caption “Description of Notes” have the meanings specified below under the caption “Description of Indenture—Covenants.”

We may issue our debt securities under the indenture from time to time in one or more series. The notes are a separate series of our debt securities issued and outstanding under the indenture, which means that, for purposes of giving any consent, notice or waiver or taking any other action under the indenture, the registered holders of the notes will act separately from the registered holders of each other series of our debt securities that may be outstanding under the indenture from time to time. Unless otherwise expressly stated or the context otherwise requires, references to “debt securities” under this caption “Description of Notes” and the caption “Description of Indenture” below shall include the notes.

The description of some of the terms of the notes and the indenture contained under this caption “Description of Notes” and under the caption “Description of Indenture” are not complete and are subject to, and qualified in their entirety by reference to, the indenture and the form of the notes, which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit is a part. You should read the indenture and the form of the notes for a complete statement of the provisions described under this caption “Description of Notes” and under the caption “Description of Indenture” and other provisions that may be important to you.

## **General**

The notes were originally issued on February 29, 2016. The notes constitute a separate series of debt securities under the indenture, were issued in the initial aggregate principal amount of \$750,000,000 and will mature on February 1, 2056.

We may from time to time, without giving notice to or obtaining the consent of the holders or beneficial owners of the notes, issue additional notes having the same terms (except for the issue date, public offering price, sale price, the first interest payment date and the date from which interest shall begin to accrue) as, and ranking equally in right of payment with, the notes then outstanding. Any such additional notes, together with the notes then outstanding, will constitute a single series of debt securities under the indenture.

The notes are listed on The Nasdaq Global Select Market under the symbol “EBAYL.”

The notes are issuable in fully registered form without coupons in denominations of \$25 in principal amount and in integral multiples of \$25 in principal amount in excess thereof. The notes are in book-entry form and are evidenced by one or more notes in global form (“global notes”), registered in the name of The Depository Trust Company (“DTC”), as depository (the “Depository”) for the global notes, or its nominee. Beneficial owners of interests in the global notes are not entitled to receive physical certificates registered in their names except in the limited circumstances described below under “Description of Indenture — Book-Entry Form and Transfer” and, unless physical certificates registered in their names are issued, beneficial owners will not be considered “holders” of notes under the indenture.

The notes are not entitled to the benefit of any sinking fund. Except as described below under “—Change of Control Triggering Event,” the indenture does not contain any provisions which are intended to protect holders of notes in the event of a change of control of eBay or a highly leveraged transaction (whether or not relating to a change of control) involving eBay. The indenture does not limit the incurrence of unsecured debt by us or any of our subsidiaries.

We may at our option, at any time or from time to time, repurchase notes at any price in the open market or otherwise, and may hold or resell such notes or surrender such notes to the trustee for cancellation.

## **Ranking**

The notes are our senior unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured indebtedness. The notes are effectively subordinated in right of payment to all of our existing and future secured indebtedness to the extent of the collateral securing that indebtedness. In addition, the notes are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our subsidiaries, which are separate legal entities from us and have no obligation to pay any amounts due pursuant to the notes or to make funds available for such purpose.

## **Interest**

The notes bear interest at a rate of 6.00% per year, accruing from the most recent date to which we have paid or provided for interest on the notes. Interest on the notes is payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year (each, an “interest payment date”). Interest paid on the notes on any interest payment date is payable to the persons who were the registered holders of the notes at the close of business on the January 15, April 15, July 15 or October 15, as the case may be, whether or not a business day, immediately preceding the applicable interest payment date.

Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months. The amount of interest payable on the notes on any interest payment date, redemption date, Change of Control Payment Date (as defined below), maturity date or other date on which interest on the notes is due will be the amount of interest accrued to, but excluding, such interest payment date, redemption date, Change of Control Payment Date, maturity date or other date, as the case may be. If an interest payment date, redemption date, Change of Control Payment Date, maturity date or other date on which any payment on the notes is due falls on a day that is not a business day, then payment of principal, premium, if any, and interest, as the case may be, due on such interest payment date, redemption date, Change of Control Payment Date, maturity date or other date, as the case may be, need not be made on such interest payment date, redemption date, Change of Control Payment Date, maturity date or other date as the case may be, but may be made on the next succeeding business day, and no interest on such payment shall accrue for the period from and after such interest payment date, redemption date, Change of Control Payment Date, maturity date or other date, as the case may be. As used in this paragraph and the immediately preceding paragraph, the term “business day” means any day except a Saturday, Sunday or other day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to close (a “New York business day”); provided that such term shall mean, with respect to any place of payment of principal of or premium, if any, or interest on the notes, any day (a) which is not a Saturday, Sunday or other day on which banking institutions in such place of payment are authorized or obligated by law, regulation or executive order to close and (b) which is also a New York business day.

### **Optional Redemption**

On and after March 1, 2021, we may at our option redeem the notes, at any time in whole or from time to time in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, on the principal amount of the notes being redeemed to the applicable redemption date.

Notwithstanding the foregoing, payments of interest on the notes that are due and payable on any interest payment dates falling on or prior to a date fixed for redemption of the notes will be payable to the holders of the notes registered as such at the close of business on the relevant record dates according to their terms and the terms and provisions of the indenture.

If less than all of the notes are to be redeemed, then, if the notes are evidenced by one or more global notes, the notes to be redeemed will be selected in accordance with the procedures of the Depository, or, if the notes are evidenced by notes in definitive, physical form issued under the limited circumstances described below under “Description of Indenture — Book-Entry Form and Transfer,” the trustee shall select the notes (or portions thereof) to be redeemed in any manner that the trustee deems fair and appropriate. Notes may be selected for redemption in whole or in part in a minimum of \$25 in principal amount and integral multiples of \$25 in principal amount in excess thereof, provided that the remaining principal amount of any note redeemed in part is \$25 or an integral multiple of \$25 in excess thereof.

Notice of any redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date interest shall cease to accrue on the notes or portions thereof called for redemption.

## **Change of Control Triggering Event**

If a Change of Control Triggering Event (as defined below) occurs with respect to the notes, then, unless we give notice of our election to redeem all of the notes as described above under “—Optional Redemption” and such notice is given by the date specified below, we will be required to make an offer (a “Change of Control Offer”) to each holder of notes to repurchase (at such holder’s option and on the terms described below) all or any part (in a principal amount of \$25 or an integral multiple of \$25 in excess thereof, provided that any remaining principal amount of any note repurchased in part is \$25 or an integral multiple of \$25 in excess thereof) of such holder’s notes at a purchase price in cash equal to 101% of the principal amount of the notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased to the Change of Control Payment Date (as defined below) (the “Change of Control Payment”); provided that, notwithstanding the foregoing, payments of interest on notes that are due and payable on any interest payment dates falling on or prior to such Change of Control Payment Date will be payable to the holders of the notes registered as such at the close of business on the relevant record dates according to their terms and the terms and provisions of the indenture.

No later than 30 days following the date on which a Change of Control Triggering Event shall have occurred with respect to the notes or, at our option, prior to any Change of Control (as defined below) but after the public announcement of the transaction that constitutes or may constitute the Change of Control, we will, unless we give notice of our election to redeem all of the notes as described above under “—Optional Redemption” and such notice is given by the date specified below, mail or cause to be mailed (or, in the case of notes evidenced by one or more global notes, give or cause to be given in accordance with the Depository’s procedures) a notice (the “Change of Control Purchase Notice”) to all holders of notes (with a copy to the trustee), which notice shall govern the terms of such Change of Control Offer. In such Change of Control Purchase Notice, we will generally describe the transaction or transactions that constitute or may constitute the Change of Control and offer to repurchase the notes on the date specified in such notice, which date will be no earlier than 30 days and no later than 60 days after the date such notice is mailed (or given, as the case may be), except as may be required by applicable law or regulation (the “Change of Control Payment Date”). The Change of Control Purchase Notice shall, if mailed (or given, as the case may be) prior to occurrence of the applicable Change of Control, state that the Change of Control Offer for the notes and our obligation to purchase the notes pursuant to such Change of Control Offer are conditioned on such Change of Control and the related Change of Control Triggering Event with respect to the notes occurring on or prior to the applicable Change of Control Payment Date specified in such notice.

Holders electing to have a note or portion thereof repurchased pursuant to a Change of Control Offer with respect to the notes will be required to surrender the note (which, in the case of notes evidenced by one or more global notes, must be made in accordance with the procedures of the Depository), together with a duly completed and executed notice of holder to elect repurchase in the form attached to the notes (which may, in the case of notes evidenced by one or more global notes, be given in accordance with the Depository’s procedures), to the trustee under the indenture (or to such other person as may be designated by us for such purpose) as provided in the applicable Change of Control Purchase Notice prior to the close of business on the third business day immediately preceding the applicable Change of Control Payment Date and to comply with other procedures and requirements set forth in such Change of Control Purchase Notice. As used in the preceding sentence, the term “business day” means any day except a Saturday, Sunday or other day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to close.

On any Change of Control Payment Date with respect to the notes, we shall be required, to the extent lawful, to:

- accept for payment all notes or portions of notes properly tendered pursuant to the applicable Change of Control Offer;
- deposit with a paying agent for the notes an amount equal to the aggregate Change of Control Payment in respect of all notes or portions of notes properly tendered pursuant to the applicable Change of Control Offer; and
- deliver or cause to be delivered (including by book-entry transfer, if applicable) the repurchased notes or portions of notes to the trustee, accompanied by an officers' certificate stating the aggregate principal amount of notes accepted by us for repurchase.

Interest on notes and portions of notes properly tendered for repurchase pursuant to a Change of Control Offer will cease to accrue on and after the applicable Change of Control Payment Date, unless we shall have failed to accept such notes and such portions of notes for payment or failed to deposit the Change of Control Payment in respect thereof in accordance with the immediately preceding paragraph. We will promptly pay, or cause the trustee or a paying agent for the notes to promptly pay (by application of funds deposited by us as aforesaid), to each holder of notes (or portions thereof) properly tendered and accepted for payment by us pursuant to such Change of Control Offer, the Change of Control Payment for such notes. In the case of any note repurchased in part, the trustee will promptly authenticate and mail (or cause to be delivered by book-entry transfer) to the holder of such note a new note equal in principal amount to any unreleased portion of the note repurchased in part.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of notes pursuant to a Change of Control Offer. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Triggering Event provisions of the notes or the indenture, we shall comply with those securities laws and regulations and shall not be deemed to have breached our obligations under the Change of Control Triggering Event provisions of the notes or the indenture by virtue thereof.

Notwithstanding anything to the contrary in the indenture or the Change of Control Triggering Event provisions of the notes, we will not be required to make a Change of Control Offer for the notes or repurchase any notes pursuant to any Change of Control Offer for such notes if (a) a third party agrees to make such Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party repurchases all notes properly tendered by the holders pursuant to such Change of Control Offer or (b) we give notice of redemption of all of the notes no later than 30 days after the applicable Change of Control Triggering Event with respect to the notes. In addition, notwithstanding anything to the contrary in the indenture or the Change of Control Triggering Event provisions of the notes, we will not be required to, and we will not, repurchase notes pursuant to a Change of Control Offer with respect to the notes if there has occurred and is continuing on the applicable Change of Control Payment Date an event of default (as defined under "Description of Indenture—Events of Default" below) with respect to the notes or the debt securities of any other series outstanding under the indenture.

"Change of Control" means the occurrence of any of the following:

(a) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) (other than us or any of our Subsidiaries (as defined under "Description of Indenture — Covenants — Certain Definitions" below)) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our

outstanding Voting Stock (measured by voting power rather than number of shares), provided, however, that a person shall not be deemed the beneficial owner of, or to own beneficially, (1) any securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's affiliates (as defined in the indenture) until such tendered securities are accepted for purchase or exchange thereunder or (2) any securities if such beneficial ownership arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act;

(b) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one transaction or a series of related transactions, of all or substantially all of the properties and assets of us and our Subsidiaries, taken as a whole, to any person (other than us or any of our Subsidiaries);

(c) the first day on which a majority of the members of our board of directors (which term, as used in this definition, means our full board of directors and not any committees thereof) are not Continuing Directors;

(d) the adoption of a plan by our board of directors relating to our liquidation or dissolution; or

(e) we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or the outstanding Voting Stock of such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the outstanding Voting Stock (measured by voting power rather than number of shares) of the surviving person, or any direct or indirect parent of the surviving person, immediately after giving effect to such transaction.

Except as otherwise expressly provided in clause (a) of the first sentence of this definition, the term "person," as used in this definition, has the meaning set forth in the indenture.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Event with respect to the notes. For purposes of clarity, it is understood and agreed that no Change of Control Triggering Event shall be deemed to have occurred with respect to the notes in connection with any particular Change of Control unless and until such Change of Control has actually occurred.

"Continuing Directors" means, as of any date of determination, any member of our board of directors (which term, as used in this definition, means our full board of directors and not any committees thereof) who (a) was a member of our board of directors on the date the notes were first issued or (b) was nominated for election, elected or appointed to our board of directors with the approval of or by a majority of the Continuing Directors who were members of our board of directors at the time of such nomination, election or appointment (either by vote or written consent or by approval of our proxy statement in which such member was named as a nominee for election as a director without written objection to such nomination).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor thereto, in each case as amended or supplemented from time to time.

“Investment Grade Rating” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P, and a rating equal to or higher than the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by us.

“Moody’s” means Moody’s Investors Service, Inc.

“Rating Agencies” means (a) each of Moody’s and S&P; and (b) if Moody’s or S&P or, if applicable, any replacement Rating Agency ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a “nationally recognized statistical rating organization” (as defined in Section 3(a)(62) of the Exchange Act) selected by us as a replacement for Moody’s, S&P or any such replacement Rating Agency, as the case may be.

“Rating Event” means the rating on the notes is lowered by both of the Rating Agencies and as a result the notes are rated below an Investment Grade Rating by both of the Rating Agencies, in each case on any day during the period (the “Measurement Period”) commencing on the date of the first public announcement of an arrangement that results in a Change of Control and ending on the 60th day following the first public announcement of the occurrence of such Change of Control (which Measurement Period shall be extended (subject to the proviso below) if on such 60th day (x) the rating of the notes is under publicly announced consideration for a possible downgrade by either Rating Agency and (y) the rating on the notes by such Rating Agency is an Investment Grade Rating, such extension to continue until the day on which each such Rating Agency considering such possible downgrade either rates the notes below an Investment Grade Rating or publicly announces that it is no longer considering the notes for a possible downgrade; provided that, notwithstanding the foregoing, no such extension will occur if on such 60th day, and any such extension will terminate if at any time after such 60th day, the notes have an Investment Grade Rating from at least one Rating Agency and are not under publicly announced consideration for a possible downgrade by such Rating Agency).

“S&P” means Standard & Poor’s Rating Group, Inc.

“Voting Stock” means, with respect to any person, any Capital Stock (as defined under “Description of Indenture – Covenants – Certain Definitions” below) of such person that is normally entitled (without regard to the occurrence of any contingency) to vote generally in the election of directors, managers, trustees or similar persons, as applicable, of such person.

As used under this caption “—Change of Control Triggering Event,” all references to rules and regulations under the Exchange Act shall include any successor provisions thereto; and all references to “the Change of Control Triggering Event covenant,” “the Change of Control Triggering Event provisions” and other similar references mean all of the terms and provisions set forth above under this caption “—Change of Control Triggering Event.”

If we are required to make a Change of Control Offer with respect to the notes, we cannot assure you that we will have sufficient financial resources available, or that we will be able to arrange sufficient financing, to satisfy our obligation to repurchase the notes. Moreover, any such failure to repurchase the notes following the occurrence of a Change of Control Triggering Event could constitute an event of default under other debt instruments of ours and our subsidiaries resulting in the acceleration and required repayment of that other indebtedness. Any of these events could have a material adverse effect on our liquidity and financial condition and on the market value of the notes.

The Change of Control Triggering Event provisions of the notes may not provide holders of notes protection in the event of highly leveraged transactions, reorganizations, restructurings, mergers or similar

transactions involving us that might adversely affect holders of notes. In particular, any such transaction may not give rise to a Change of Control Triggering Event with respect to the notes, in which case we would not be required to make a Change of Control Offer with respect to the notes. Except as described above with respect to a Change of Control Triggering Event, neither the notes nor the indenture contain provisions that permit holders of notes to require us to repurchase or repay the notes in the event of a reorganization, restructuring, merger or similar transaction involving us or any of our subsidiaries.

In addition, clause (b) of the definition of “Change of Control” appearing above includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) of “all or substantially all” of the properties and assets of us and our Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, our obligation to make an offer to repurchase the notes as a result of a sale, transfer, conveyance or other disposition of less than all of the properties and assets of us and our Subsidiaries, taken as a whole, may be uncertain.

Moreover, under clause (c) of the definition of Change of Control appearing above, a Change of Control will occur when a majority of the members of our board of directors are not “Continuing Directors” (as defined above). In a decision in connection with a proxy contest, a Delaware court held that the existing directors could approve a dissident slate of director nominees (who would constitute a majority of the new board of directors) as “continuing directors” under a similar indenture provision and avoid triggering a change of control under such indenture, provided the incumbent directors give their approval in the good faith exercise of their fiduciary duties. Therefore, in certain circumstances involving a significant change in the composition of our board of directors, including in connection with a proxy contest where our board of directors does not endorse a dissident slate of directors but approves them as “Continuing Directors” for purposes of the Change of Control Triggering Event provisions, holders of the notes may not be entitled to require us to make a Change of Control Offer with respect to the notes.

### **Covenant Defeasance, Legal Defeasance and Satisfaction and Discharge**

The provisions described below under “Description of Indenture— Defeasance of Debt Securities and Certain Covenants” and “Description of Indenture —Satisfaction and Discharge” are applicable with respect to the notes. In that regard, the covenants described below under “Description of Indenture—Covenants,” insofar as they apply to the notes, are subject to covenant defeasance as described below under “Description of Indenture— Defeasance of Debt Securities and Certain Covenants.” However, the provisions described above under “– Change of Control Triggering Event” will not be subject to covenant defeasance.

### **DESCRIPTION OF INDENTURE**

The information under this caption describes certain general terms and provisions of the indenture dated as of October 28, 2010 (the “base indenture”), as amended and supplemented by a supplemental indenture dated as of October 28, 2010 (the “supplemental indenture;” the base indenture, as amended and supplemented by the supplemental indenture, is hereinafter called the “indenture”), each between us and Wells Fargo Bank, National Association, as trustee (the “trustee”), and our debt securities (the “debt securities”) that are issuable under the indenture. Unless otherwise expressly stated or the context otherwise requires, references to “debt securities” under this caption “Description of Indenture” include our 6.00% Notes due 2056 (the “notes”), which are a series of our debt securities under the indenture. The following description is not complete and is subject to, and qualified in its entirety by reference to, the indenture, which is incorporated by reference as an exhibit to our Annual Report on Form 10-K of which this Exhibit is a part. You should read the indenture for a complete statement of the provisions described under this caption and

for other provisions that may be important to you. The indenture is subject to and governed by the Trust Indenture Act of 1939, as amended. In the following description, we have included references to some of the section numbers of the base indenture and the supplemental indenture so that you can easily locate those provisions.

## **General**

The terms of each series of debt securities will be established by or pursuant to a resolution of our board of directors or a committee thereof, and set forth or determined in the manner provided in a resolution of our board of directors or a committee thereof, an officers' certificate or a supplemental indenture. (Section 2.2 of the base indenture)

An unlimited aggregate principal amount of debt securities may be issued under the indenture. We may issue debt securities under the indenture from time to time in one or more series with the same or various maturities, interest rates, public offering prices and other terms and provisions. We need not issue all debt securities of one series at the same time. In addition, unless otherwise provided with respect to any series of debt securities, we may, without the consent of the holders or beneficial owners of the debt securities of any series, reopen a series of debt securities and issue additional debt securities of that series from time to time. Any such additional debt securities of any series, together with the debt securities of that series previously issued, will constitute a single series of debt securities under the indenture.

Without limitation to the foregoing, the terms of the debt securities of any series may modify, supplement or supersede any of the terms of the indenture described under this caption.

## **Transfer and Exchange**

Debt securities may be surrendered for registration of transfer or exchange at any office we maintain for this purpose in accordance with the terms of the indenture. No service charge will be made for any transfer or exchange of debt securities (except as otherwise expressly provided by the indenture), but we may (subject to limited exceptions) require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with a transfer or exchange. (Section 2.7 of the base indenture)

The indenture provides that neither we nor any registrar for the debt securities will be required (a) to issue, register the transfer of or exchange debt securities of any series during the period beginning at the opening of business 15 days preceding the mailing of a notice of redemption of debt securities of that series and ending at the close of business on the day of that mailing or (b) to register the transfer of or exchange debt securities (or portions thereof) selected, called or being called for redemption or, if applicable, surrendered for repurchase by us at the option of the holder, except any portion thereof not so selected, called or being called or so surrendered. (Section 2.7 of the base indenture)

The indenture provides that, prior to due presentment of a debt security for registration of transfer, we, the trustee and any agent of ours or the trustee may treat the person in whose name such debt security is registered in the register maintained for that purpose as the owner of such debt security for the purpose of receiving payment of the principal of and premium and interest, if any, on such debt security and for all other purposes whatsoever, whether or not any payment with respect to such debt security shall be overdue, and neither we, the trustee nor any agent of ours or the trustee shall be affected by notice to the contrary. (Section 2.16 of the base indenture)

## Covenants

The following covenants apply to the notes. The following covenants also apply to the debt securities of each other series that may be outstanding from time to time under the indenture, unless otherwise specified in a resolution of our board of directors (or a committee thereof), supplemental indenture or officers' certificate establishing the terms of the debt securities of such series as provided in the indenture.

### *Limitation on Liens*

In the indenture, we covenant and agree, for the benefit of the holders of the debt securities of each series, that we will not, nor will we permit any Significant Subsidiary to, issue, incur, create, assume or guarantee any debt for borrowed money (including debt for borrowed money evidenced by bonds, debentures, notes or similar instruments) (collectively, "Debt") secured by a mortgage, deed of trust, security interest, pledge, lien, charge or similar encumbrance (each, a "Lien") upon any Principal Property, shares of Capital Stock of any Significant Subsidiary or intercompany Debt owed by any Significant Subsidiary to us or any of our other Subsidiaries ("Intercompany Debt") (whether such Principal Property, shares of Capital Stock or Intercompany Debt is existing or owed on the date the debt securities of such series are first issued or thereafter created or acquired), without in any such case effectively providing, substantially concurrently with or prior to the issuance, incurrence, creation, assumption or guarantee of any such secured Debt or the grant of such Lien securing any such secured Debt, that the debt securities of such series (together with, if we shall so determine, any other indebtedness or other obligations (including, without limitation, debt securities of other series issued under the indenture) of or guarantees by us or any Significant Subsidiary ranking equally in right of payment with the debt securities of such series or any such guarantee) shall be secured equally and ratably with (or, at our option, prior to) such secured Debt (but only so long as such secured Debt is so secured). The foregoing restriction, however, will not apply to any of the following:

- (1) Liens on property, Capital Stock, Debt or other assets of any person existing at the time such person becomes a Subsidiary of ours, provided that such Liens are not incurred in anticipation of such person becoming a Subsidiary of ours and do not extend to any assets other than those of such person;
- (2) Liens on property, Capital Stock, Debt or other assets existing at the time of acquisition thereof (including, without limitation, by merger, consolidation or acquisition of Capital Stock) by us or a Subsidiary of ours, or Liens thereon to secure the payment of all or any part of the purchase price thereof, or Liens on property, Capital Stock, Debt or other assets to secure any Debt incurred prior to, at the time of, or within 18 months after, the latest of the acquisition (including, without limitation, by merger, consolidation or acquisition of Capital Stock) thereof or, in the case of property, the completion of construction, the completion of improvements or the commencement of substantial commercial operation of such property for the purpose of financing all or any part of the purchase price thereof, such construction or the making of such improvements, as the case may be;
- (3) Liens in favor of, or which secure Debt owing to, us or any of our Subsidiaries;
- (4) Liens existing on the date the debt securities of such series were first issued;
- (5) Liens on property of a person existing at the time such person is merged with or into, or consolidated with, us or a Subsidiary of ours or otherwise acquired by us or a Subsidiary of ours or at the time of a sale, lease or other disposition of the properties of any person as an entirety or substantially as an entirety to us or a Subsidiary of ours, provided that such Liens were not incurred

in anticipation of such merger, consolidation, sale, lease or other disposition and do not extend to any assets other than those of the person merged with or into, or consolidated with, us or a Subsidiary of ours or such property sold, leased or disposed of;

(6) Liens in favor of the United States of America or any state, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of the United States of America or any state, territory or possession thereof (or the District of Columbia), to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred for the purpose of financing all or any part of the purchase price of or the cost of constructing or improving the property subject to such Liens;

(7) Liens securing the debt securities of such series;

(8) Liens created in connection with a project financed with, or created to secure, Non-recourse Obligations;

(9) Liens to secure bonds, notes, debentures or similar instruments on which the interest is exempt from federal income tax; and

(10) extensions, renewals, refinancings or replacements (in whole or in part) of any Liens or Debt which is secured by Liens that were permitted to be incurred by the indenture; provided, however, that (a) the principal or accreted amount of any Debt of ours or any of our Significant Subsidiaries secured by such Lien immediately after such extension, renewal, refinancing or replacement shall not exceed the sum of the principal or accreted amount, as the case may be, of any Debt of ours or any of our Significant Subsidiaries so secured immediately prior to such extension, renewal, refinancing or replacement plus any costs and expenses (including, without limitation, any fees, premiums and penalties) related to such extension, renewal, refinancing or replacement and (b) such extension, renewal, refinancing or replacement Liens are limited to all or part of the same Principal Property (and any improvements thereon), shares of Capital Stock of any Significant Subsidiary or Intercompany Debt which secured any Debt of ours or any of our Significant Subsidiaries immediately prior to such extension, renewal, refinancing or replacement.

Notwithstanding the foregoing, we and our Significant Subsidiaries may, without securing the debt securities of such series or any other debt securities issued under the indenture, issue, incur, create, assume or guarantee Debt secured by any Liens which would otherwise be subject to the restrictions set forth in the immediately preceding paragraph if, immediately after giving effect thereto and, if applicable, to the application of any proceeds therefrom to repay Debt on a pro forma basis, our Aggregate Debt does not exceed the greater of (1) 20% of our Consolidated Net Tangible Assets, determined as of the date of such issuance, incurrence, creation, assumption or guarantee, and (2) \$500 million. (Section 4.1 of the supplemental indenture)

#### ***Limitation on Sale and Lease-Back Transactions***

In the indenture, we covenant and agree, for the benefit of the holders of the debt securities of each series, that we will not, nor will we permit any Significant Subsidiary to, enter into any Sale and Lease-Back Transaction with respect to any Principal Property, unless:

(1) such Sale and Lease-Back Transaction involves a lease for a term of not more than three years;

(2) such Sale and Lease-Back Transaction is between us and one of our Subsidiaries or between any Subsidiaries of ours;

(3) we or such Significant Subsidiary would be entitled, at the time of such Sale and Lease-Back Transaction, to incur Debt secured by a Lien on the Principal Property involved in such Sale and Lease-Back Transaction at least equal in amount to the Attributable Debt with respect to such Sale and Lease-Back Transaction, without equally and ratably securing the debt securities of such series, pursuant to the first paragraph under “—Limitation on Liens” above;

(4) we or any of our Subsidiaries applies an amount equal to the net proceeds of such Sale and Lease-Back Transaction within 365 days after such Sale and Lease-Back Transaction to any of (or a combination of) (i) the prepayment or retirement of the debt securities of such series, (ii) the prepayment or retirement of other bonds, notes, debentures or similar instruments (including, without limitation, debt securities of any other series issued under the indenture) or Debt of ours or a Subsidiary of ours (other than bonds, notes, debentures, similar instruments or Debt of ours that is by its terms subordinated in right of payment to the debt securities of such series) that by its terms matures more than 12 months after its creation or (iii) the purchase, construction, development, expansion or improvement of properties or facilities that are used in or useful to our business or the business of any of our Subsidiaries; or

(5) such Sale and Lease-Back Transaction was entered into on or prior to the date the debt securities of such series were first issued.

Notwithstanding the foregoing, we and our Significant Subsidiaries may, without securing the debt securities of such series or any other debt securities issued under the indenture, enter into a Sale and Lease-Back Transaction which would otherwise be subject to the restrictions set forth in the immediately preceding paragraph if, immediately after giving effect thereto and, if applicable, to the application of any proceeds therefrom to repay Debt on a pro forma basis, our Aggregate Debt does not exceed the greater of (1) 20% of our Consolidated Net Tangible Assets, determined as of the date of such Sale and Lease-Back Transaction, and (2) \$500 million. (Section 4.1 of the supplemental indenture)

### ***Consolidation, Merger and Sale of Assets***

In the indenture, we covenant and agree, for the benefit of the holders of the debt securities of each series, that we will not consolidate with or merge into, or convey, transfer or lease all or substantially all of our properties and assets to, any person (a “successor person”) unless:

- we are the surviving person or the successor person (if other than us) is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and expressly assumes our obligations under the debt securities of each series and the indenture;
- immediately after giving effect to the transaction, no event of default (as defined below), and no event which, after notice or lapse of time or both, would be an event of default, shall have occurred and be continuing under the indenture; and
- certain other conditions are met.

Notwithstanding the above, any Subsidiary of eBay Inc. may consolidate with, merge into or convey, transfer or lease all or part of its properties or assets to eBay Inc. or any other Subsidiary of eBay Inc.

Upon compliance with the provisions above, the successor person (if other than eBay) will succeed to and be substituted for and may exercise every right and power of us under the debt securities and the indenture with the same effect as if such successor person had been the original obligor under the debt securities and the indenture, and thereafter (except in the case of a lease) we will be released from all obligations and covenants under the debt securities and the indenture. (Section 5.1 of the base indenture)

### ***Certain Definitions***

As used in this “Description of Indenture” section, the following terms have the meanings set forth below.

“Aggregate Debt” means, with respect to the debt securities of any series, the sum of the following, calculated as of the date of determination on a consolidated basis in accordance with GAAP:

- (1) the aggregate amount of then outstanding Debt of us and our Significant Subsidiaries incurred after the date the debt securities of such series were first issued and secured by Liens not permitted under the first paragraph under “—Limitation on Liens” above, and
- (2) the aggregate amount of Attributable Debt of us and our Significant Subsidiaries then outstanding in respect of Sale and Lease-Back Transactions entered into by us and our Significant Subsidiaries after the date the debt securities of such series were first issued pursuant to the second paragraph under “—Limitation on Sale and Lease-Back Transactions” above.

“Attributable Debt” with regard to a Sale and Lease-Back Transaction with respect to any Principal Property means, at the time of determination, the lesser of:

- (1) the fair market value (as determined in good faith by our board of directors, which term, as defined in the indenture, includes committees thereof) of the Principal Property subject to such Sale and Lease-Back Transaction; and
- (2) the present value of the total net amount of rent required to be paid under the applicable lease during the remaining contractual term thereof (including any period for which such lease has been extended but subject to the last sentence of this subparagraph), discounted at the rate of interest per annum set forth or implicit in the terms of such lease (or, if not practicable to determine such rate, the weighted average interest rate per annum borne (at the time of determination) by the debt securities then outstanding under the indenture) compounded semi-annually (assuming a 360-day year consisting of twelve 30 day months). For purposes of clarity, it is understood and agreed that (a) the total net amount of rent required to be paid under, and the term of, the applicable lease shall be determined upon the basis of the contractual terms of such lease and shall not be affected by the fact that all or any portion of such rent may, under GAAP, be characterized as interest or some other amount or that the amount of such rent or the term of such lease, as determined under GAAP, may be different from the amount of rent or the term specified by the contractual terms of such lease and (b) the total net amount of rent shall exclude any amounts required to be paid by the lessee, whether or not designated as rent or additional rent, on account of maintenance, repairs, insurance, taxes, assessments, water rates or similar charges or any amounts required to be paid by such lessee contingent upon the amount of sales or similar contingent amounts. In the case of any lease that is terminable by the lessee upon the payment of a penalty, such total net amount of rent shall be the lesser of (1) the net amount determined assuming

termination upon the first date such lease may be terminated (in which case the net amount shall also include the present value, calculated as provided above, of the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or (2) the net amount determined assuming no such termination, in each case determined in accordance with the contractual terms of such lease.

“Capital Stock” of any person means any and all shares, interests, participations or other equivalents (however designated) in the equity of such person.

“Consolidated Net Tangible Assets” means, as of any date on which we effect a transaction requiring such Consolidated Net Tangible Assets to be measured under the indenture, the aggregate amount of assets (less applicable reserves) after deducting therefrom (a) all current liabilities, except for current maturities of long-term debt and obligations under capital leases, and (b) all intangible assets (including goodwill), to the extent included in said aggregate amount of assets, all as set forth in the most recent consolidated balance sheet of us and our consolidated Subsidiaries prepared in accordance with GAAP contained in an annual report on Form 10-K or a quarterly report on Form 10-Q (in each case as amended, if applicable) filed by us with the Securities and Exchange Commission (or any successor thereto) or if, at such date, we shall have ceased filing such reports with the Securities and Exchange Commission (or any successor thereto), our then most recent consolidated annual or quarterly balance sheet prepared in accordance with GAAP.

“GAAP” means accounting principles generally accepted in the United States of America, which are in effect as of the date of application thereof.

“holder” means any person in whose name a debt security is registered.

“Non-recourse Obligation” means indebtedness or other obligations substantially related to (1) the acquisition of assets not previously owned by us or any of our Subsidiaries or (2) the financing of a project involving the development or expansion of properties of ours or any of our Subsidiaries, as to which the obligee with respect to such indebtedness or obligation has no recourse to us or any Subsidiary of ours or to our or any such Subsidiary’s assets other than the assets which were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof).

“person” means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or any other entity, including any government or any agency or political subdivision thereof.

“Principal Property” means (1) our principal corporate office (whether owned on the date of the indenture or thereafter acquired, and including any leasehold interest therein) and (2) each data center, service and support facility or research and development facility (in each case, whether owned on the date of the indenture or thereafter acquired) which is owned by or leased to us or any of our Subsidiaries and is located within the United States of America, unless, with respect to clause (2), our board of directors (which term, as defined in the indenture, includes committees thereof) has determined in good faith that such center or facility is not of material importance to the total business conducted by us and our Subsidiaries, taken as a whole; *provided, however*, that any such center or facility (a) owned by us or any of our Subsidiaries for which the book value (less accumulated depreciation) on the date as of which the determination is being made is equal to or less than 1.0% of our Consolidated Net Tangible Assets as of such date, all determined in accordance with GAAP, or (b) leased by us or any of our Subsidiaries for which the annual lease obligation on the date as of which the determination is being made is equal to or less than \$2.0 million shall in no event be deemed a Principal Property.

“Sale and Lease-Back Transaction” means any arrangement with any person providing for the leasing by us or any Significant Subsidiary of ours of any Principal Property, whether owned on the date of the indenture or thereafter acquired, which Principal Property has been or is to be sold or transferred by us or such Significant Subsidiary of ours to such person with the intention of taking back a lease of such Principal Property.

“Significant Subsidiary” means any Subsidiary of ours that is a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X as promulgated by the Securities and Exchange Commission (or any successor thereto) or any successor to such Rule.

“Subsidiary” of any specified person means any corporation, partnership, limited liability company or other entity of which more than 50% of the total voting power of outstanding shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) is at the time owned (and, in the case of a partnership, more than 50% of whose total general partnership interests then outstanding is at the time owned), directly or indirectly, by such person or other Subsidiaries of such person or a combination thereof and, in the case of an entity other than a corporation or a partnership, such person has the power to direct, directly or indirectly, the policies, management and affairs of such entity.

## **Events of Default**

The term “event of default” means, with respect to the notes, any of the events described in the first four bullet points below. The term “event of default” means, with respect to the debt securities of any other series, unless otherwise specified in a resolution of our board of directors (or a committee thereof), supplemental indenture or officers’ certificate establishing the terms of the debt securities of such series as provided in the indenture, any of the following:

- default in the payment of any interest on any debt security of that series when it becomes due and payable, and continuance of that default for a period of 30 days (unless the entire amount of such payment is deposited by us with the trustee or with a paying agent prior to the expiration of such 30-day period); or
- default in the payment of principal of or premium (if any) on any debt security of that series when due and payable; or
- default in the performance or breach of any covenant or warranty of ours in the indenture (other than a covenant or warranty for which the consequences of nonperformance or breach are addressed by another event of default applicable to debt securities of that series and other than a covenant or warranty that has been included in the indenture solely for the benefit of a series of debt securities other than that series), which default or breach continues uncured for a period of 90 days after there has been given, by registered or certified mail, to us by the trustee or to us and the trustee by the holders of at least 25% in principal amount of the outstanding debt securities of that series, a written notice containing the statements required by the indenture; or
- certain events of bankruptcy, insolvency or reorganization of eBay; or
- any other event of default with respect to the debt securities of that series that is specified in a resolution of our board of directors (or a committee thereof), supplemental indenture

or officer's certificate establishing the terms of the debt securities of that series as provided in the indenture. (Section 6.1 of the base indenture)

No event of default with respect to a particular series of debt securities necessarily constitutes an event of default with respect to any other series of debt securities. The occurrence of certain events of default or an acceleration of the debt securities of one or more series under the indenture may constitute an event of default under certain of our other indebtedness outstanding from time to time.

If an event of default with respect to the debt securities of any series at the time outstanding occurs and is continuing (other than an event of default relating to certain events of bankruptcy, insolvency or reorganization of eBay), then the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may declare the principal of and accrued and unpaid interest, if any, on all of the debt securities of that series to be due and payable immediately, by a notice in writing to us (and to the trustee if given by the holders). If an event of default resulting from certain events of bankruptcy, insolvency or reorganization of eBay occurs and is continuing with respect to the debt securities of any series, the principal of and accrued and unpaid interest, if any, on all outstanding debt securities of such series will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of debt securities of such series. At any time after acceleration with respect to debt securities of any series has occurred and before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul such acceleration and its consequences if all events of default with respect to the debt securities of such series, other than non-payment of the principal and interest, if any, of the debt securities of such series which have become due solely by such acceleration, have been cured or waived as provided in the indenture. (Section 6.2 of the base indenture).

The indenture provides that the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of debt securities of any series unless such holders shall have offered to the trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. (Section 7.2(f) of the base indenture) Subject to certain rights of the trustee and to certain conditions specified in the indenture, the holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of that series. (Section 6.12 of the base indenture)

No holder of any debt security of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture or the debt securities of such series, or for the appointment of a receiver, trustee or similar official, or for any other remedy under the indenture, unless:

- that holder has previously given written notice to the trustee of a continuing event of default with respect to debt securities of that series;
- the holders of at least a majority in principal amount of the outstanding debt securities of that series have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee under the indenture;
- such holder or holders have offered to the trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

- the trustee for 90 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the trustee during such 90-day period by holders of a majority in principal amount of the outstanding debt securities of that series. (Section 6.7 of the base indenture)

Notwithstanding the foregoing, the holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and premium and interest, if any, on that debt security on the due dates expressed in that debt security and to institute suit for the enforcement of any such payment. (Section 6.8 of the base indenture)

The indenture requires that we deliver to the trustee, within 120 days after the end of each of our fiscal years, an officers' certificate stating whether or not, to the knowledge of the signers thereof, we are in default in the performance or observance of any of the terms, provisions and conditions of the indenture and, if we are in default, specifying all such defaults and the nature and status thereof of which the signers may have knowledge. The indenture also requires that, so long as any debt securities are outstanding, we deliver to the trustee promptly upon becoming aware of any default or event of default under the indenture, an officers' certificate specifying such default or event of default and what action we are taking or propose to take with respect thereto. (Section 4.3 of the base indenture) The indenture provides that the trustee may withhold notice to the holders of debt securities of any series of any default or event of default with respect to debt securities of that series (except a default in payment of principal of or premium or interest, if any, on any debt securities of that series) if it in good faith determines that withholding notice is in the interest of the holders of the debt securities of that series. (Section 7.5 of the base indenture)

### **Modification and Waiver**

We and the trustee may enter into a supplemental indenture in order to amend or supplement the indenture with respect to the debt securities of one or more series or amend or supplement the debt securities of one or more series, without notice to or the consent of any holders of any debt securities, to:

- cure any ambiguity, defect or inconsistency;
- make any change that does not adversely affect the rights of any holder of debt securities in any material respect;
- comply with the provisions described above under “—Covenants—Consolidation, Merger and Sale of Assets;”
- provide for the issuance of uncertificated debt securities in addition to or in place of certificated debt securities or reflect any changes in the rules or procedures of any depository for global securities (as defined below);
- add to the covenants or the events of default for the benefit of holders of all or any series of debt securities or surrender any right or power conferred on us by the indenture with respect to the debt securities of one or more series or to secure the debt securities of one or more series or to provide guarantees for the benefit of one or more series of debt securities;
- amend or supplement any of the provisions of the indenture in respect of one or more series of debt securities, provided, however, that any such amendment or supplement either

(A) shall not apply to any outstanding debt security of any series issued prior to the date of such amendment or supplement and entitled to the benefit of such provision or (B) shall become effective only if or when, as the case may be, there is no outstanding debt security of any series issued prior to the date of such amendment or supplement and entitled to the benefit of such provision;

- establish the form and terms of any series of debt securities as permitted by the indenture;
- evidence and provide for the acceptance of appointment under the indenture by a successor trustee with respect to the debt securities of one or more series and add to or change any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one trustee;
- supplement any provisions of the indenture as is necessary to permit or facilitate the legal defeasance, covenant defeasance or satisfaction and discharge of any debt securities as described below under “—Defeasance of Debt Securities and Certain Covenants” or “—Satisfaction and Discharge;” and
- comply with the requirements of the Securities and Exchange Commission or any applicable law or regulation in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended, or conform the indenture with any other mandatory provision of law or regulation, or conform the indenture or the debt securities of any series to the description thereof contained in any applicable prospectus, prospectus supplement, free writing prospectus, offering memorandum, term sheet or other offering document. (Section 9.1 of the base indenture)

We and the trustee may enter into supplemental indentures for the purpose of supplementing or amending in any manner the indenture with respect to the debt securities of any series or supplementing or amending the debt securities of any series with the consent of the holders of at least a majority in principal amount of the outstanding debt securities of such series; provided that no such consent of holders of debt securities shall be required for any amendment or supplement described in the immediately preceding paragraph. In addition, the holders of at least a majority in principal amount of the outstanding debt securities of any series may, on behalf of the holders of all debt securities of that series, waive compliance by us with any covenants or other provisions of the indenture and the debt securities of such series.

However, the indenture provides that, subject to the provisions described in the next succeeding paragraph, an amendment, supplement or waiver described in the immediately preceding paragraph affecting the debt securities of any series may not, without the consent of the holder of each debt security of such series then outstanding:

- reduce the rate of or extend the time for payment of interest (including default interest, if any) on any debt security of that series;
- reduce the principal of or premium on or change the stated maturity of any debt security of that series or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation with respect to any debt securities of that series;
- reduce the principal amount of any discount securities of that series payable upon acceleration of its maturity;

- waive a default or event of default in the payment of the principal of or premium or interest, if any, on any debt security of that series (except a rescission of acceleration of the debt securities of such series by the holders of at least a majority in aggregate principal amount of the outstanding debt securities of such series and a waiver of the payment default that resulted from such acceleration);
- make the principal of or premium or interest, if any, on any debt security of such series payable in a currency other than that stated in such debt security;
- make any change, insofar as relates to the debt securities of that series, to the provisions of the indenture relating to, among other things, the right of holders of debt securities of that series to receive payment of the principal of, and premium and interest, if any, on, the debt securities of that series when due and to institute suit for the enforcement of any such payment or relating to waivers of past defaults and events of default with respect to the debt securities of that series;
- reduce the amount payable upon the redemption of any debt security of that series at our option or the repayment of any debt security of that series at the option of the holder; or
- reduce the percentage in principal amount of debt securities of that series, the consent of the holders of which is required for any of the foregoing modifications or otherwise necessary to supplement or amend the indenture with respect to the debt securities of that series, or to waive any past default or event of default with respect to the debt securities of that series. (Section 9.3 of the base indenture)

The indenture provides that any amendment, supplement or waiver shall bind every holder of debt securities of each series affected by such amendment, supplement or waiver unless it is of the type, or relates to any of the matters, described in any of the bullet points in the immediately preceding paragraph. In that case then, anything in the indenture to the contrary notwithstanding, the amendment, supplement or waiver shall bind every holder of a debt security who has consented to it and every subsequent holder of a debt security or portion of a debt security that evidences the same debt as the consenting holder's debt security. (Section 9.5 of the base indenture)

The holders of a majority in principal amount of the outstanding debt securities of any series may, on behalf of the holders of all debt securities of such series, waive any past default or event of default under the indenture with respect to that series and its consequences, except a default or event of default in the payment of the principal of, or premium or interest, if any, on, any debt security of that series; provided, however, that the holders of a majority in principal amount of the outstanding debt securities of any series may rescind an acceleration of the debt securities of that series and its consequences, including any related payment default that resulted from the acceleration. (Section 6.13 of the base indenture)

### **Defeasance of Debt Securities and Certain Covenants**

The indenture provides that, upon satisfaction of the conditions specified in the indenture, we shall be deemed to have paid and discharged the entire indebtedness on all outstanding debt securities of any series on the 91st day after the date of the deposit referred to in clause (a) under “—Conditions to Legal Defeasance and Covenant Defeasance” below with respect to the debt securities of such series and the provisions of the indenture, as it relates to the outstanding debt securities of such series, shall no longer be in effect except for:

- the rights of holders of debt securities of such series to receive, solely from the funds described in clause (a) under “—Conditions to Legal Defeasance and Covenant Defeasance” below, payment of the principal of and premium and interest, if any, on the outstanding debt securities of such series when due; and
- a limited number of other provisions of the indenture, including provisions relating to transfers and exchanges of, and the maintenance of a registrar and paying agent for, the debt securities of such series and the replacement of stolen, lost or mutilated debt securities of such series.

We sometimes refer to this as “legal defeasance.” Upon the legal defeasance of the debt securities of any series, we will be discharged from our obligations to make payments on the debt securities of such series and (subject to the exceptions as described above) all of our other obligations under the indenture with respect to the debt securities of such series.

The indenture further provides that, upon satisfaction of the conditions specified in the indenture, we will be released from our obligations under, and may omit to comply with, the covenants described under the heading “—Covenants” above and certain other covenants in the indenture with respect to the debt securities of any series, as well as any additional covenants applicable to the debt securities of such series which may be identified in a resolution of our board of directors (or committee thereof), supplemental indenture or officers’ certificate establishing the terms of the debt securities of such series as provided in the indenture as being subject to covenant defeasance, and the failure to comply with any such covenants shall not constitute a default or event of default with respect to any debt securities of such series. We sometimes refer to this as “covenant defeasance.”

*Conditions to Legal Defeasance and Covenant Defeasance.* In order to effect legal defeasance or covenant defeasance of the debt securities of any series, we must, among other things:

- (a) deposit with the trustee money and/or U.S. government obligations or, in the case of debt securities of any series denominated in a currency other than U.S. dollars, money and/or foreign government obligations, that, through the payment of interest and principal in accordance with their terms, will provide an amount in cash sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge each installment of principal of, premium and interest, if any, on and any mandatory sinking fund payments in respect of the debt securities of that series on the dates those payments are due or, if applicable, any redemption date;
- (b) in the case of legal defeasance, deliver to the trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling or, since the date of the indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the debt securities of that series will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit, legal defeasance and discharge and will be subject to United States federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, legal defeasance and discharge had not occurred; and
- (c) in the case of covenant defeasance, deliver to the trustee an opinion of counsel to the effect that the holders of the debt securities of that series will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit and covenant

defeasance and will be subject to United States federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and covenant defeasance had not occurred. (Sections 8.3 and 8.4 of the base indenture)

In the event we exercise our option to effect covenant defeasance with respect to any series of debt securities and the debt securities of that series are declared due and payable because of the occurrence of an event of default (including an event of default due to our failure to comply with any covenant that remains in effect following such covenant defeasance), the amount of money and/or U.S. government obligations or foreign government obligations, as the case may be, on deposit with the trustee will be sufficient to pay amounts due on the debt securities of that series on the dates those payments are due or, if applicable, a redemption date, but may not be sufficient to pay amounts due on the debt securities of that series at the time of the acceleration resulting from the event of default. However, we shall remain liable for those payments.

When we use the term “U.S. government obligations,” we mean:

- securities which are (a) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (b) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and which in the case of (a) and (b) are not callable or redeemable at the option of the issuer thereof; and
- depository receipts issued by a bank or trust company as custodian with respect to any such U.S. government obligations or a specific payment of interest on, or principal of or other amount payable with respect to, such U.S. government obligations held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. government obligation or the specific payment of interest on or principal of or other amount payable with respect to the U.S. government obligation evidenced by such depository receipt.

### **Satisfaction and Discharge**

The indenture will cease to be of any further effect with respect to any series of debt securities if:

- all outstanding debt securities of such series have (subject to certain exceptions) been delivered to the trustee for cancellation; or
- all outstanding debt securities of such series not previously delivered to the trustee for cancellation have become due and payable, will become due and payable at their stated maturity within one year, have been called for redemption or are to be called for redemption within one year, or have been legally defeased as described above under “—Defeasance of Debt Securities and Certain Covenants,” and (except in the case of debt securities that have been legally defeased) we have deposited with the trustee an amount sufficient to pay the principal of, and premium and interest, if any, on, such debt securities to the date of such deposit (in the case of debt securities which have become due and payable on or prior to the date of such deposit) or to the stated maturity or redemption date, as the case may be;

and, in either case, we also pay or cause to be paid all other sums payable under the indenture by us with respect to the debt securities of that series and satisfy certain other conditions specified in the indenture. We sometime refer to this as “satisfaction and discharge.” (Section 8.1 of the base indenture)

Notwithstanding the satisfaction and discharge of the indenture with respect to the debt securities of any series, a limited number of provisions of the indenture shall remain in effect, including provisions relating to transfers and exchanges of, and the maintenance of a registrar and paying agent for, debt securities, and the replacement of stolen, lost or mutilated debt securities.

### **Repayment of Unclaimed Funds**

The indenture provides that the trustee and any paying agent shall pay to us upon request any money, U.S. government obligations or foreign government obligations held by them for payment of principal, interest or premium, if any, or any sinking fund payment on any debt securities that remain unclaimed for two years after the respective dates such principal, interest or premium, if any, or sinking fund payment shall have become due and payable. Thereafter, holders of debt securities entitled to those payments must look to us for payment as general creditors unless an applicable abandoned property law designates another person. (Section 8.5 of the base indenture)

### **Governing Law**

The indenture and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

### **No Recourse Against Others**

The indenture provides that a director, officer, employee or stockholder, as such, of ours shall not have any liability for any of our obligations under the debt securities or the indenture or for any claim based on, in respect of or by reason of such obligations or their creation. The indenture further provides that each holder of debt securities, by accepting a debt security, waives and releases all such liability and that such waiver and release are part of the consideration for the issuance of the debt securities.

### **Book-Entry Form and Transfer**

The debt securities of any series may be issued in the form of one or more debt securities in global, fully registered form (“global securities”), without interest coupons. Each such global security will be deposited with or on behalf of a depository for the global securities of such series (the “Depository”) and registered in the name of the Depository or a nominee of the Depository. The following discussion assumes that The Depository Trust Company (“DTC”) will be the Depository.

Investors may hold their interests in a global security directly through the Depository if they are direct participants (as defined below) or indirectly through organizations that are participants (as defined below) in the Depository. Except in the limited circumstances described below, holders of beneficial interests in the global securities of any series will not be entitled to receive debt securities of such series in definitive, certificated form (“certificated securities”) or to have debt securities of such series registered in their names.

The Depository holds securities of institutions that have accounts with the Depository (“direct participants”) to facilitate the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of such participants, thereby eliminating the need for

physical movement of securities certificates. The Depository's direct participants include brokers, dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the Depository's book-entry system is also available to other organizations ("indirect participants" and, together with direct participants, "participants"), such as brokers, dealers, banks, trust companies and clearing corporations, that clear through or maintain a custodial relationship with a direct participant, whether directly or indirectly. The rules applicable to the Depository and its direct participants are on file with the Securities and Exchange Commission.

So long as the Depository or its nominee is the registered holder of a global security of any series, the Depository or such nominee, as the case may be, will be considered the sole holder and owner of the debt securities represented by such global security for all purposes under the indenture and such debt securities. Owners of beneficial interests in a global security of any series will not be considered the owners or holders of the debt securities of such series under the indenture, will not be able to transfer those beneficial interests except in accordance with the procedures of the Depository and its participants and, except under the limited circumstances set forth below, will not be entitled to receive certificated securities or to have debt securities registered in their names. Accordingly, each owner of a beneficial interest in a global security of any series must rely on the procedures of the Depository and, if such person is not a direct participant, on the procedures of the participants through which it owns its beneficial interest to exercise any rights of a holder of debt securities of such series under the indenture. We understand that, under existing industry practice, in the event owners of beneficial interests in global securities of any series wish to take any action that DTC or its nominee, as the holder of such global securities, is entitled to take, DTC would authorize the applicable participants to take such action, and that such participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of such beneficial owners. Because DTC can only act on behalf of direct participants, who in turn act on behalf of others, the ability of a person having a beneficial interest in a global security to pledge that interest to persons that do not participate in the DTC system, or otherwise to take actions in respect of that interest, may be impaired by the lack of a physical certificate representing that interest.

All payments on the debt securities of any series represented by a global security registered in the name of the Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered holder of the global security. We expect that the Depository or its nominee, upon receipt of any payment of principal of, or premium or interest, if any, on, a global security of any series, will credit the applicable direct participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown on the records of the Depository. We also expect that payments by participants to owners of beneficial interests in the global security held through such participants will be governed by standing instructions and customary practices as is now the case with securities held for accounts for customers registered in "street name"; those payments will be the responsibility of such participants. Neither we, the trustee nor any agent of ours or of the trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in any global security or for maintaining, supervising or reviewing any records relating to such beneficial interests or for any other aspect of the relationship between the Depository and its participants or the relationship between such participants and the owners of beneficial interests in the global securities.

Unless and until it is exchanged in whole or in part for certificated securities under the limited circumstances described below, a global security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

The indenture provides that the global securities of any series will be exchanged for debt securities of the same series in certificated form only in the following limited circumstances:

- (1) we receive notice from the Depositary that it is unwilling or unable to continue as depository for the global securities of such series or if the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, in either case, we fail to appoint a successor Depositary for the global securities of such series registered as clearing agency under the Exchange Act within 90 days after the date we receive such notice or learn that the Depositary has ceased to be so registered;
- (2) we in our sole discretion determine that the global securities of such series shall be exchanged (in whole but not in part) for debt securities of such series in certificated form and we deliver to the trustee an officers’ certificate to such effect; or
- (3) an event of default with respect to the debt securities of such series shall have occurred and shall be continuing.

Any global security of any series that is exchanged for certificated securities as provided above will be exchanged for an equal aggregate principal amount of certificated securities of the same series, in authorized denominations and registered in such names as the Depositary instructs the trustee. It is expected that such instructions will be based upon directions received by the Depositary from participants with respect to ownership of beneficial interests in global securities.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for this information. This information has been provided solely as a matter of convenience. The rules and procedures of DTC are solely within its control and could change at any time. Neither we nor the trustee nor any agent of ours or of the trustee has any control over DTC and none of us takes any responsibility for their activities. In addition, DTC is under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. Neither we nor the trustee nor any agent of ours or of the trustee has any responsibility for the performance or nonperformance by DTC or any other Depositary or their respective participants of these or any other rules or procedures governing their respective operations.

**LIST OF SUBSIDIARIES**

The following is a list of our subsidiaries as of December 31, 2019 that are required to be disclosed pursuant to Item 601(b)(21) of Regulation S-K.

**DOMESTIC SUBSIDIARIES****Name**

StubHub, Inc., a Delaware corporation

**INTERNATIONAL SUBSIDIARIES**

<b><u>Name</u></b>	<b><u>Jurisdiction of Incorporation</u></b>	<b><u>Percent Ownership If Less Than 100%</u></b>
mobile.de GmbH	Germany	
eBay GmbH	Germany	
eBay International Treasury Center Sarl	Luxembourg	
eBay Korea Co., Ltd.	Korea	
eBay International Holding GmbH	Switzerland	
eBay International AG	Switzerland	
eBay Korea Holding GmbH	Switzerland	
eBay Marketplaces GmbH	Switzerland	
Marktplaats B.V.	The Netherlands	
eBay Classifieds Holding B.V.	The Netherlands	
eBay KTA (UK) Limited	United Kingdom	
eBay (UK) Limited	United Kingdom	

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-215919), Form S-4 (No. 333-117914), and Form S-8 (Nos. 333-64179, 333-87593, 333-41944, 333-58046, 333-97729, 333-100426, 333-107832, 333-117913, 333-127971, 333-129072, 333-136118, 333-140942, 333-143880, 333-149131, 333-149132, 333-151851, 333-155314, 333-159778, 333-165438, 333-168295, 333-171154, 333-174242, 333-175416, 333-175417, 333-176477, 333-176663, 333-178369, 333-181535, 333-181539, 333-192514, 333-193299, 333-195987, 333-203546, 333-213340) of eBay Inc. of our report dated January 31, 2020 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California  
January 31, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,  
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Scott F. Schenkel, certify that:

1. I have reviewed this Annual Report on Form 10-K of eBay Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Scott F. Schenkel

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Scott F. Schenkel

*Interim Chief Executive Officer*

*(Principal Executive Officer)*

Date: January 31, 2020

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,  
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Andy Cring, certify that:

1. I have reviewed this Annual Report on Form 10-K of eBay Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ Andy Cring*

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Andy Cring

*Interim Chief Financial Officer*

*(Principal Financial Officer)*

Date: January 31, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,  
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Scott F. Schenkel, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying Annual Report on Form 10-K for the year ended December 31, 2019 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of eBay Inc.

/s/ Scott F. Schenkel

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Scott F. Schenkel

*Interim Chief Executive Officer*

*(Principal Executive Officer)*

Date: January 31, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,  
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Andy Cring, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying Annual Report on Form 10-K for the year ended December 31, 2019 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of eBay Inc.

/s/ Andy Cring

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Andy Cring

*Interim Chief Financial Officer*

*(Principal Financial Officer)*

Date: January 31, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.