

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2021

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)

2025 Hamilton Avenue

San Jose , California

(Address of principal executive offices)

77-0430924

(I.R.S. Employer
Identification No.)

95125

(Zip Code)

Registrant's telephone number, including area code:

(408) 376-7008

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

Title of each class

Common stock

Trading symbol

EBAY

Name of exchange on which registered

The Nasdaq Global Select Market

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

☒

Non-accelerated filer

☐

Accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

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

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

As of April 26, 2021, there were 681,261,636 shares of the registrant's common stock, \$0.001 par value, outstanding, which is the only class of common or voting stock of the registrant issued.

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

eBay Inc. CONDENSED CONSOLIDATED BALANCE SHEET

	March 31, 2021	December 31, 2020
	(In millions, except par value) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,667	\$ 1,428
Short-term investments	1,700	2,398
Accounts receivable, net of allowance for doubtful accounts of \$86 and \$97	348	412
Customer accounts and funds receivable	1,016	939
Other current assets	789	825
Current assets held for sale	1,171	1,188
Total current assets	6,691	7,190
Long-term investments	1,059	833
Property and equipment, net	1,321	1,358
Goodwill	4,591	4,675
Intangible assets, net	5	12
Operating lease right-of-use assets	477	509
Deferred tax assets	3,448	3,537
Warrant asset	1,015	1,051
Other assets	124	145
Total assets	\$ 18,731	\$ 19,310
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 1,172	\$ 18
Accounts payable	324	332
Customer accounts and funds payable	1,073	1,052
Accrued expenses and other current liabilities	1,849	1,858
Deferred revenue	114	110
Income taxes payable	135	180
Current liabilities held for sale	463	452
Total current liabilities	5,130	4,002
Operating lease liabilities	344	380
Deferred tax liabilities	2,381	2,359
Long-term debt	5,855	7,745
Other liabilities	1,251	1,263
Total liabilities	14,961	15,749
Commitments and Contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.001 par value; 3,580 shares authorized; 681 and 684 shares outstanding	2	2
Additional paid-in capital	16,546	16,497
Treasury stock at cost, 1,027 and 1,021 shares	(36,807)	(36,515)
Retained earnings	23,476	22,961
Accumulated other comprehensive income	553	616
Total stockholders' equity	3,770	3,561
Total liabilities and stockholders' equity	\$ 18,731	\$ 19,310

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

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended March 31,	
	2021	2020
	(In millions, except per share amounts) (Unaudited)	
Net revenues	\$ 3,023	\$ 2,129
Cost of net revenues	823	502
Gross profit	2,200	1,627
Operating expenses:		
Sales and marketing	687	520
Product development	318	232
General and administrative	258	207
Provision for transaction losses	88	96
Amortization of acquired intangible assets	7	7
Total operating expenses	1,358	1,062
Income from operations	842	565
Interest and other, net	(117)	1
Income from continuing operations before income taxes	725	566
Income tax provision	(156)	(135)
Income from continuing operations	569	431
Income from discontinued operations, net of income taxes	72	2,981
Net income	\$ 641	\$ 3,412
Income per share - basic:		
Continuing operations	\$ 0.84	\$ 0.57
Discontinued operations	0.10	3.96
Net income per share - basic	\$ 0.94	\$ 4.53
Income per share - diluted:		
Continuing operations	\$ 0.82	\$ 0.57
Discontinued operations	0.10	3.94
Net income per share - diluted	\$ 0.92	\$ 4.51
Weighted-average shares:		
Basic	681	753
Diluted	693	757

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

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2021	2020
	(In millions) (Unaudited)	
Net income	\$ 641	\$ 3,412
Other comprehensive income (loss), net of reclassification adjustments:		
Foreign currency translation gains (losses)	(117)	(113)
Unrealized gains (losses) on investments, net	(3)	(31)
Tax benefit (expense) on unrealized gains (losses) on investments, net	—	8
Unrealized gains (losses) on hedging activities, net	74	47
Tax benefit (expense) on unrealized gains (losses) on hedging activities, net	(17)	(10)
Other comprehensive income (loss), net of tax	(63)	(99)
Comprehensive income	<u>\$ 578</u>	<u>\$ 3,313</u>

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

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Three Months Ended March 31,	
	2021	2020
	(In millions, except per share amounts) (Unaudited)	
Common stock:		
Balance, beginning of period	\$ 2	\$ 2
Common stock issued	—	—
Common stock repurchased	—	—
Balance, end of period	2	2
Additional paid-in-capital:		
Balance, beginning of period	16,497	16,126
Common stock and stock-based awards issued	1	4
Tax withholdings related to net share settlements of restricted stock units and awards	(69)	(40)
Stock-based compensation	116	94
Forward contract for share repurchase	—	(450)
Other	1	(11)
Balance, end of period	16,546	15,723
Treasury stock at cost:		
Balance, beginning of period	(36,515)	(31,396)
Common stock repurchased	(292)	(3,550)
Balance, end of period	(36,807)	(34,946)
Retained earnings:		
Balance, beginning of period	22,961	17,754
Net income	641	3,412
Dividends and dividend equivalents declared	(126)	(115)
Balance, end of period	23,476	21,051
Accumulated other comprehensive income:		
Balance, beginning of period	616	384
Foreign currency translation adjustment	(117)	(113)
Change in unrealized gains (losses) on investments	(3)	(31)
Change in unrealized gains (losses) on derivative instruments	74	47
Tax benefit (provision) on above items	(17)	(2)
Balance, end of period	553	285
Total stockholders' equity	\$ 3,770	\$ 2,115
Dividends and dividend equivalents declared per share or restricted stock unit	\$ 0.18	\$ 0.16

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

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended March 31,	
	2021	2020
	(In millions) (Unaudited)	
Cash flows from operating activities:		
Net income	\$ 641	\$ 3,412
(Income) loss from discontinued operations, net of income taxes	(72)	(2,981)
Adjustments:		
Provision for transaction losses	88	96
Depreciation and amortization	140	141
Stock-based compensation	106	92
(Gain) loss on investments, net	(1)	(38)
Deferred income taxes	95	49
Change in fair value of warrant	36	(12)
(Gain) loss on extinguishment of debt	10	—
Changes in assets and liabilities, net of acquisition effects	(105)	(145)
Net cash provided by continuing operating activities	938	614
Net cash provided by (used in) discontinued operating activities	104	(22)
Net cash provided by operating activities	1,042	592
Cash flows from investing activities:		
Purchases of property and equipment	(83)	(97)
Purchases of investments	(3,424)	(10,705)
Maturities and sales of investments	3,772	9,195
Other	1	39
Net cash provided by (used in) continuing investing activities	266	(1,568)
Net cash provided by (used in) discontinued investing activities	(1)	4,074
Net cash provided by investing activities	265	2,506
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	5
Repurchases of common stock	(304)	(3,997)
Payments for taxes related to net share settlements of restricted stock units and awards	(20)	(40)
Payments for dividends	(122)	(114)
Proceeds from issuance of long-term debt, net	—	994
Repayment of debt	(1,156)	—
Net borrowings under commercial paper program	400	—
Net funds receivable and payable activity	32	—
Other	1	(7)
Net cash used in continuing financing activities	(1,169)	(3,159)
Net cash used in discontinued financing activities	—	(2)
Net cash used in financing activities	(1,169)	(3,161)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(11)	(34)
Net increase (decrease) in cash, cash equivalents and restricted cash	127	(97)
Cash, cash equivalents and restricted cash at beginning of period	1,594	996
Cash, cash equivalents and restricted cash at end of period	\$ 1,721	\$ 899
Less: Cash, cash equivalents and restricted cash of held for sale business	31	16
Cash, cash equivalents and restricted cash of continuing operations at end of period	\$ 1,690	\$ 883
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ 104	\$ 90
Interest on finance lease obligations	\$ —	\$ 3
Income taxes	\$ 93	\$ 42

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

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — The Company and Summary of Significant Accounting Policies

The Company

eBay Inc. is a global commerce leader, which includes our Marketplace 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 through our technology. Our technologies and services are designed to give buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

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

On July 20, 2020, we entered into a definitive agreement with Adevinata ASA (“Adevinta”) to transfer our Classifieds business to Adevinta for \$2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta. Together, the total consideration payable under the definitive agreement is valued at approximately \$9.2 billion, based on the closing trading price of Adevinta’s outstanding shares on the Oslo Stock Exchange on July 17, 2020. We believe the transaction will close in the second quarter of 2021. Completion of the transaction is subject to certain conditions, including receipt of certain regulatory approvals and other customary closing conditions. If the conditions to the closing of the transfer of Classifieds are neither satisfied nor, where permissible, waived on a timely basis or at all, we may be unable to complete the transfer of Classifieds or such completion may be delayed beyond our expected timeline. As a result of entering into a definitive agreement, we have classified the related assets and liabilities associated with our Classifieds business as held for sale in our condensed consolidated balance sheet. The results of our Classifieds business have been presented as discontinued operations in our condensed consolidated statement of income for all periods presented as the transfer represents a strategic shift in our business that has a major effect on our operations and financial results. See “Note 3 – Discontinued Operations” for additional information.

Use of Estimates

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

Principles of Consolidation and Basis of Presentation

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

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

adjusted upon the occurrence of an observable price change in an orderly transaction for identical or similar instruments or impairment.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2020. We have evaluated all subsequent events through the date these condensed consolidated financial statements were issued. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the condensed consolidated financial position, results of operations and cash flows for these interim periods.

Significant Accounting Policies

Notwithstanding the updates to our policies below to include intermediation of managed payments, there were no significant changes to our significant accounting policies disclosed in “Note 1 – The Company and Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended December 31, 2020.

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. 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, including payment processing activities. 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.

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.

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

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 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.

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.

Payment processor advances

Payment processor advances represent amounts prefunded to and held by payment processors in order to fund outflows in the normal course of the transaction lifecycle, including but not limited to payment processor fees, seller account payouts, and incentives such as coupons or gift cards. Payment processor advances are recorded within other current assets in our condensed consolidated balance sheet. Other accounts are used to collect and remit indirect taxes from the buyer to the local tax authorities and to transfer shipping label proceeds from the seller to the relevant shipping service providers. Generally, changes in balances that impact the determination of net income, such as payment processor fees and incentives are presented within operating activities in our condensed consolidated statement of cash flows. Changes in balances that pertain solely to payment intermediation activities (e.g. seller pay-out services) are presented within financing activities in our condensed consolidated statement of cash flows.

Customer accounts and funds receivable

These balances represent payments in transit and cash received and held by financial institutions and payment processors associated with marketplace activity and awaiting settlement or are installment collections from financial institutions.

We are exposed to credit losses from customer accounts and funds receivable balances held by third party financial institutions. We assess these balances for credit loss based on a review of the average period for which the funds are held, credit ratings of the financial institutions and by assessing the probability of default and loss given default models. At March 31, 2021, we did not record any credit-related loss.

Customer accounts and funds payable

These balances primarily represent the Company’s liability towards its customers to settle the funds from the completed transactions on the platform associated with marketplace activity.

Recently Adopted Accounting Pronouncements

In 2019, the Financial Accounting Standards Board (“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 is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those fiscal years. We adopted this guidance in the first quarter of 2021 with no material impact on our condensed consolidated financial statements.

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

In 2020, the FASB issued new guidance to decrease diversity in practice and increase comparability for the accounting of certain equity securities and investments under the equity method of accounting. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. We adopted this guidance in the first quarter of 2021 with no material impact on our condensed consolidated financial statements.

Note 2 — Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income 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 per share by application of the treasury stock method. The calculation of diluted net income per share excludes all anti-dilutive common shares. The following table sets forth the computation of basic and diluted net income per share for the three months ended March 31, 2021 and 2020 (in millions, except per share amounts):

	Three Months Ended March 31,	
	2021	2020
Numerator:		
Income from continuing operations	\$ 569	\$ 431
Income from discontinued operations, net of income taxes	72	2,981
Net income	<u>\$ 641</u>	<u>\$ 3,412</u>
Denominator:		
Weighted average shares of common stock - basic	681	753
Dilutive effect of equity incentive awards	12	4
Weighted average shares of common stock - diluted	<u>693</u>	<u>757</u>
Income per share - basic:		
Continuing operations	\$ 0.84	\$ 0.57
Discontinued operations	0.10	3.96
Net income per share - basic	<u>\$ 0.94</u>	<u>\$ 4.53</u>
Income per share - diluted:		
Continuing operations	\$ 0.82	\$ 0.57
Discontinued operations	0.10	3.94
Net income per share - diluted	<u>\$ 0.92</u>	<u>\$ 4.51</u>
Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive	<u>1</u>	<u>15</u>

Note 3 — Discontinued Operations

StubHub

On November 24, 2019, we entered into a stock purchase agreement with an affiliate of viagogo to sell our StubHub business. On February 13, 2020, we completed the sale of our StubHub business to an affiliate of viagogo for a purchase price of \$4.05 billion in cash, subject to certain adjustments specified in the purchase agreement, including adjustments for indebtedness, cash, working capital and transaction expenses of StubHub at the closing of the transaction. The sale was completed for \$4.1 billion in proceeds (\$3.2 billion, net of income taxes of approximately \$900 million) and a pre-tax gain of \$3.9 billion within income from discontinued operations, both subject to working capital adjustments.

In connection with the sale of StubHub, we entered into a transition service agreement ("TSA") with viagogo pursuant to which we are providing services, including, but not limited to, business support services for StubHub after the divestiture. These agreements commenced with the close of the transaction and have minimum initial

terms ranging from 12 to 18 months and can be extended by viagogo for a maximum of 12 months. The estimated related fees in 2021 are \$27 million for support services.

Classifieds

On July 20, 2020, we entered into a definitive agreement with Adevinta to transfer our Classifieds business to Adevinta for \$2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta. Together, the total consideration payable under the definitive agreement is valued at approximately \$9.2 billion, based on the closing trading price of Adevinta's outstanding shares on the Oslo Stock Exchange on July 17, 2020. We believe the transaction will close in the second quarter of 2021. Completion of the transaction is subject to certain conditions, including receipt of certain regulatory approvals and other customary closing conditions. We have classified the results of our Classifieds business as discontinued operations in our condensed consolidated statement of income for the periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale in our condensed consolidated balance sheet. The assets and liabilities as of March 31, 2021 are classified as current in our condensed consolidated balance sheet as we expect to close the transaction discussed above within one year.

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

	Three Months Ended March 31,	
	2021	2020 ⁽¹⁾
Classifieds income from discontinued operations, net of income taxes	\$ 72	\$ 54
StubHub income from discontinued operations, net of income taxes	—	2,928
PayPal and Enterprise (loss) from discontinued operations, net of income taxes	—	(1)
Income from discontinued operations, net of income taxes	\$ 72	\$ 2,981

⁽¹⁾ Includes StubHub financial results from January 1, 2020 to February 13, 2020, and includes the gain on sale recorded for the StubHub transaction.

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

	Three Months Ended March 31,	
	2021	2020 ⁽¹⁾
Classifieds net cash provided by discontinued operating activities	\$ 104	\$ 88
StubHub net cash provided by (used in) discontinued operating activities	—	(110)
Net cash provided by (used in) discontinued operating activities	\$ 104	\$ (22)
Classifieds net cash (used in) discontinued investing activities	\$ (1)	\$ (1)
StubHub net cash provided by (used in) discontinued investing activities	—	4,075
Net cash provided by (used in) discontinued investing activities	\$ (1)	\$ 4,074
Classifieds net cash (used in) discontinued financing activities	\$ —	\$ (2)
Net cash (used in) discontinued financing activities	\$ —	\$ (2)

⁽¹⁾ Includes StubHub financial results from January 1, 2020 to February 13, 2020, and includes the gain on sale recorded for the StubHub transaction.

The financial results of StubHub are presented as income from discontinued operations, net of income taxes on our condensed consolidated statement of income. The following table presents the financial results of StubHub (in millions):

	Three Months Ended March 31,	
	2021	2020 ⁽¹⁾
Net revenues	\$ —	\$ 100
Cost of net revenues	—	31
Gross profit	—	69
Operating expenses:		
Sales and marketing	—	51
Product development	—	29
General and administrative	—	33
Provision for transaction losses	—	3
Amortization of acquired intangible assets	—	1
Total operating expenses	—	117
Income (loss) from operations of discontinued operations	—	(48)
Pre-tax gain (loss) on sale	—	3,876
Income (loss) from discontinued operations before income taxes	—	3,828
Income tax benefit (provision)	—	(900)
Income (loss) from discontinued operations, net of income taxes	\$ —	\$ 2,928

⁽¹⁾ Includes StubHub financial results from January 1, 2020 to February 13, 2020, and includes the gain on sale recorded for the StubHub transaction.

The financial results of Classifieds are presented as income from discontinued operations, net of income taxes on our condensed consolidated statement of income. Each period presented below includes the impact of intercompany revenue agreements that will continue with eBay subsequent to the completion of the transfer of the Classifieds business. The impact of these intercompany revenue agreements to net revenues and cost of net revenues were \$2 million and \$4 million for the three months ended March 31, 2021 and 2020. The expected continuing cash flows are not considered to be significant. The following table presents the financial results of Classifieds (in millions):

	Three Months Ended March 31,	
	2021	2020
Net revenues	\$ 276	\$ 245
Cost of net revenues	30	24
Gross profit	246	221
Operating expenses:		
Sales and marketing	87	87
Product development	43	35
General and administrative	27	27
Provision for transaction losses	2	6
Amortization of acquired intangible assets	—	2
Total operating expenses	159	157
Income from operations of discontinued operations	87	64
Interest and other, net	1	1
Income from discontinued operations before income taxes	88	65
Income tax provision	(16)	(11)
Income from discontinued operations, net of income taxes	\$ 72	\$ 54

For the three months ended March 31, 2021 and 2020, the discontinued operations activity related to our former PayPal and Enterprise businesses was immaterial.

The following table presents the aggregate carrying amounts of held for sale assets and liabilities related to Classifieds in the condensed consolidated balance sheet (in millions):

	March 31, 2021	December 31, 2020
Carrying amounts of assets included as part of held for sale:		
Cash and cash equivalents	\$ 31	\$ 23
Accounts receivable, net	113	117
Other current assets	34	30
Long-term investments	32	32
Property and equipment, net	34	31
Goodwill	454	465
Intangible assets, net	35	35
Operating lease right-of-use assets	23	20
Deferred tax assets	415	435
Total assets classified as held for sale in the condensed consolidated balance sheet	<u>\$ 1,171</u>	<u>\$ 1,188</u>
Carrying amounts of liabilities included as part of held for sale:		
Accounts payable	\$ 37	\$ 18
Accrued expenses and other current liabilities	100	104
Deferred revenue	5	4
Income taxes payable	37	35
Operating lease liabilities	14	11
Deferred tax liabilities	268	278
Other liabilities	2	2
Total liabilities classified as held for sale in the condensed consolidated balance sheet	<u>\$ 463</u>	<u>\$ 452</u>

Note 4 — Goodwill

Goodwill

The following table presents goodwill activity during the three months ended March 31, 2021 (in millions):

	December 31, 2020	Goodwill Acquired	Adjustments	March 31, 2021
Goodwill	<u>\$ 4,675</u>	<u>\$ —</u>	<u>\$ (84)</u>	<u>\$ 4,591</u>

The adjustments to goodwill during the three months ended March 31, 2021 were primarily due to foreign currency translation.

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

Note 5 — Segments

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

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

	Three Months Ended March 31,	
	2021	2020
Net revenues by type		
Net transaction revenues	\$ 2,732	\$ 1,900
Marketing services and other revenues	291	229
Total net revenues	<u>\$ 3,023</u>	<u>\$ 2,129</u>

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

	Three Months Ended March 31,	
	2021	2020
U.S.	\$ 1,296	\$ 822
United Kingdom	503	327
South Korea	389	312
Germany	344	232
Rest of world	491	436
Total net revenues	<u>\$ 3,023</u>	<u>\$ 2,129</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.

Note 6 — Investments

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

	March 31, 2021			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Restricted cash	\$ 23	\$ —	\$ —	\$ 23
Corporate debt securities	1,650	2	—	1,652
Government and agency securities	25	—	—	25
	<u>\$ 1,698</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 1,700</u>
Long-term investments:				
Corporate debt securities	507	2	(1)	508
Government and agency securities	16	—	—	16
	<u>\$ 523</u>	<u>\$ 2</u>	<u>\$ (1)</u>	<u>\$ 524</u>

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

	December 31, 2020			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Restricted cash	\$ 143	\$ —	\$ —	\$ 143
Corporate debt securities	2,252	3	—	2,255
	<u>\$ 2,395</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 2,398</u>
Long-term investments:				
Corporate debt securities	284	2	—	286
	<u>\$ 284</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 286</u>

We consider cash to be restricted when withdrawal or general use is legally restricted. At December 31, 2020 our restricted cash balance primarily comprised of cash on deposit with banks restricted to safeguard seller payables.

Investments classified as available-for-sale are carried at fair value with changes reflected in other comprehensive income. Where there is an intention or a requirement to sell an impaired available-for-sale debt security, the entire impairment is recognized in earnings with a corresponding adjustment to the amortized cost basis of the security. 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.

We regularly review investment securities for credit impairment using both qualitative and quantitative criteria. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through interest and other, net for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. We did not recognize any credit-related impairment through an allowance for credit losses as of March 31, 2021.

Investment securities in a continuous loss position for less than 12 months had an estimated fair value of \$704 million and an immaterial amount of unrealized losses as of March 31, 2021, and an estimated fair value of \$261 million and an immaterial amount of unrealized losses as of December 31, 2020. As of March 31, 2021 and December 31, 2020 there were no investment securities in a continuous loss position for greater than 12 months. Refer to "Note 15 – 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 and restricted cash by date of contractual maturity as of March 31, 2021 are as follows (in millions):

	March 31, 2021
One year or less (including restricted cash of \$23)	\$ 1,700
One year through two years	292
Two years through three years	156
Three years through four years	44
Four years through five years	22
Five years through six years	10
	<u>\$ 2,224</u>

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

Equity Investments

Our equity investments are reported in long-term investments on our condensed consolidated balance sheet. The following table provides a summary of our equity investments (in millions):

	March 31, 2021	December 31, 2020
Equity investments without readily determinable fair values	\$ 528	\$ 539
Equity investments under the equity method of accounting	7	8
Total equity investments	<u>\$ 535</u>	<u>\$ 547</u>

The following table summarizes the change in total carrying value during the three months ended March 31, 2021 and 2020 related to equity investments without readily determinable fair values still held (in millions):

	Three Months Ended March 31,	
	2021	2020
Carrying value, beginning of period	\$ 539	\$ 307
Foreign currency translation and other	(11)	(11)
Carrying value, end of period	<u>\$ 528</u>	<u>\$ 296</u>

For such equity investments without readily determinable fair values still held at March 31, 2021, the cumulative upward adjustment for observable price changes were \$239 million and cumulative downward adjustments for observable price changes and impairments were \$121 million.

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.

During 2020, we began to hedge the variability of forecasted interest payments on anticipated debt issuance using forward-starting interest rate swaps. The total notional amount of these forward-starting interest rate swaps was \$700 million as of March 31, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. These interest rate swaps effectively fix the benchmark interest rate and have the economic effect of hedging the variability of forecasted interest payments for up to 10 years on an anticipated debt issuance likely within the next twelve months, and they will be terminated upon issuance of the debt. Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) until the anticipated debt issuance. Upon debt issuance and termination of the derivative instruments, their fair value will be amortized over the term of the new debt to interest expense. We evaluate the effectiveness of interest rate swaps designated as cash flow hedges on a quarterly basis.

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

During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our floating-rate debt that is based on London Interbank Offered Rate ("LIBOR") to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest rate swaps was \$400 million as of March 31, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) and their fair value will be amortized over the term of the debt to interest expense.

Cash Flow Hedges

For derivative instruments that are designated as cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income ("AOCI") and subsequently reclassified into earnings in the same period the forecasted hedged transaction affects earnings. Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Unrealized gains and losses in AOCI associated with such derivative instruments are immediately reclassified into earnings. As of March 31, 2021, we have estimated that approximately \$53 million of net derivative loss related to our foreign exchange cash flow hedges and \$1 million net derivative loss related to our interest rate 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 condensed 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.

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 condensed consolidated statement of cash flows.

Warrant

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant has a term of seven years and will vest in a series of four tranches, at a specified price per share (fixed for the first two tranches) upon meeting processing volume milestone targets on a calendar year basis. If and when a relevant milestone is reached, the warrant becomes exercisable with respect to the corresponding tranche of warrant shares up until the warrant expiration date of January 31, 2025. 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 warrant asset in our condensed consolidated balance sheets and changes in the fair value of the warrant are recognized in interest and other, net in our condensed consolidated statement of income. The day-one value attributable to the other side of the warrant, which was recorded as a deferred credit, is reported within other liabilities in our condensed consolidated balance sheets and will be amortized over the life of the commercial arrangement.

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

Fair Value of Derivative Contracts

The fair values of our outstanding derivative instruments were as follows (in millions):

	Balance Sheet Location	March 31, 2021	December 31, 2020
Derivative Assets:			
Foreign exchange contracts designated as cash flow hedges	Other Current Assets	\$ 22	\$ 12
Foreign exchange contracts designated as net investment hedges	Other Current Assets	1	—
Foreign exchange contracts not designated as hedging instruments	Other Current Assets	15	23
Interest rate contracts designated as cash flow hedges	Other Current Assets	56	—
Warrant	Warrant Asset	1,015	1,051
Foreign exchange contracts designated as cash flow hedges	Other Assets	20	14
Interest rate contracts designated as cash flow hedges	Other Assets	—	13
Total derivative assets		<u>\$ 1,129</u>	<u>\$ 1,113</u>
Derivative Liabilities:			
Foreign exchange contracts designated as cash flow hedges	Other Current Liabilities	\$ 15	\$ 17
Foreign exchange contracts designated as net investment hedges	Other Current Liabilities	—	2
Foreign exchange contracts not designated as hedging instruments	Other Current Liabilities	13	25
Interest rate contracts designated as cash flow hedges	Other Current Liabilities	1	1
Interest rate contracts designated as cash flow hedges	Other Liabilities	1	1
Total derivative liabilities		<u>\$ 30</u>	<u>\$ 46</u>
Total fair value of derivative instruments		<u>\$ 1,099</u>	<u>\$ 1,067</u>

Under the master netting agreements with the respective counterparties to our derivative contracts, subject to applicable requirements, we are allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis on our condensed consolidated balance sheet. As of March 31, 2021, the potential effect of rights of set-off associated with the foreign exchange contracts would be an offset to both assets and liabilities by \$22 million, resulting in net derivative assets of \$36 million and net derivative liabilities of \$6 million. As of March 31, 2020, the potential effect of rights of set-off associated with the interest rate contracts would be an offset to both assets and liabilities by \$1 million, resulting in net derivative assets of \$55 million and net derivative liabilities of \$1 million.

Effect of Derivative Contracts on Accumulated Other Comprehensive Income

The following tables present the activity of derivative instruments designated as cash flow hedges as of March 31, 2021 and December 31, 2020, and the impact of these derivative contracts on AOCI for the three months ended March 31, 2021 and 2020 (in millions):

	December 31, 2020	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings	March 31, 2021
Foreign exchange contracts designated as cash flow hedges	\$ (95)	\$ 3	\$ (27)	\$ (65)
Interest rate contracts designated as cash flow hedges	10	43	(1)	54
Total	<u>\$ (85)</u>	<u>\$ 46</u>	<u>\$ (28)</u>	<u>\$ (11)</u>

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

	December 31, 2019	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings	March 31, 2020
Foreign exchange contracts designated as cash flow hedges	\$ (9)	\$ 47	\$ —	\$ 38

Effect of Derivative Contracts on Condensed Consolidated Statement of Income

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

	Three Months Ended March 31,	
	2021	2020
Foreign exchange contracts designated as cash flow hedges recognized in net revenues	\$ (28)	\$ 1
Foreign exchange contracts designated as cash flow hedges recognized in cost of net revenues	1	—
Foreign exchange contracts not designated as hedging instruments recognized in interest and other, net	(6)	8
Total gain (loss) recognized from foreign exchange derivative contracts in the condensed consolidated statement of income	\$ (33)	\$ 9

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

	Three Months Ended March 31,	
	2021	2020
Gain (loss) from interest rate contracts designated as cash flow hedges recognized in interest and other, net	(1)	—

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

	Three Months Ended March 31,	
	2021	2020
Gain (loss) attributable to changes in the fair value of warrant recognized in interest and other, net	\$ (36)	\$ 12

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 (in millions):

	March 31, 2021	December 31, 2020
Foreign exchange contracts designated as cash flow hedges	\$ 2,362	\$ 2,305
Foreign exchange contracts designated as net investment hedges	106	134
Foreign exchange contracts not designated as hedging instruments	3,158	3,027
Interest rate contracts designated as cash flow hedges	1,100	1,100
Total	\$ 6,726	\$ 6,566

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

Credit Risk

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

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 (in millions):

	March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 1,667	\$ 1,667	\$ —	\$ —
Short-term investments:				
Restricted cash	23	23	—	—
Corporate debt securities	1,652	—	1,652	—
Government and agency securities	25	—	25	—
Total short-term investments	1,700	23	1,677	—
Derivatives	1,129	—	114	1,015
Long-term investments:				
Corporate debt securities	508	—	508	—
Government and agency securities	16	—	16	—
Total long-term investments	524	—	524	—
Total financial assets	\$ 5,020	\$ 1,690	\$ 2,315	\$ 1,015
Liabilities:				
Derivatives	\$ 30	\$ —	\$ 30	\$ —

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 1,428	\$ 1,217	\$ 211	\$ —
Short-term investments:				
Restricted cash	143	143	—	—
Corporate debt securities	2,255	—	2,255	—
Total short-term investments	2,398	143	2,255	—
Derivatives	1,113	—	62	1,051
Long-term investments:				
Corporate debt securities	286	—	286	—
Total long-term investments	286	—	286	—
Total financial assets	\$ 5,225	\$ 1,360	\$ 2,814	\$ 1,051
Liabilities:				
Derivatives	\$ 46	\$ —	\$ 46	\$ —

Our financial assets and liabilities are valued using market prices on both active markets (Level 1), less active markets (Level 2) and little or no market activity (Level 3). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments, identical instruments in less active markets, or models using market observable inputs. Level 3 instrument valuations typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. We did not have any transfers of financial instruments between valuation levels during the three months ended March 31, 2021.

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

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 tables present a reconciliation of the opening to closing balance of assets measured using significant unobservable inputs (Level 3) (in millions):

	March 31, 2021	December 31, 2020
Opening balance at beginning of period	\$ 1,051	\$ 281
Change in fair value	(36)	770
Closing balance at end of period	\$ 1,015	\$ 1,051

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

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the warrant as of March 31, 2021 (in millions):

	Fair value	Valuation technique	Unobservable Input	Range (weighted average) ⁽¹⁾
Warrant	\$ 1,015	Black-Scholes and Monte Carlo	Probability of vesting Equity volatility	0.0% - 95.0% (71%) 23.6% - 60.3% (40%)

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

Note 9 — Debt

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

	Coupon Rate	As of March 31, 2021	Effective Interest Rate	As of December 31, 2020	Effective Interest Rate
Long-Term Debt					
Floating Rate Notes:					
Senior notes due 2023	LIBOR plus 0.87%	\$ 400	1.184 %	\$ 400	1.187 %
Senior notes due 2022	3.800%	750	3.989 %	750	3.989 %
Senior notes due 2022	2.600%	605	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 2025	1.900%	800	1.803 %	800	1.803 %
Senior notes due 2027	3.600%	850	3.689 %	850	3.689 %
Senior notes due 2030	2.700%	950	2.623 %	950	2.623 %
Senior notes due 2042	4.000%	750	4.114 %	750	4.114 %
Senior notes due 2056	6.000%	—	— %	750	6.547 %
Total senior notes		6,605		7,750	
Hedge accounting fair value adjustments ⁽¹⁾		10		10	
Unamortized premium/(discount) and debt issuance costs		(12)		(20)	
Other long-term borrowings		2		5	
Less: Current portion of long-term debt		(750)		—	
Total long-term debt		5,855		7,745	
Short-Term Debt					
Current portion of long-term debt		750		—	
Commercial paper		400		—	
Other short-term borrowings		22		18	
Total short-term debt		1,172		18	
Total Debt		\$ 7,027		\$ 7,763	

⁽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

On January 29, 2021, the company announced that it issued a notice of redemption for the \$750 million aggregate principal amount of the 6.000% senior notes due 2056. The effective date of this redemption was March 1, 2021. Total cash consideration paid was \$750 million, as the redemption price was equal to 100% of the principal amount. In addition, we paid accrued and unpaid interest on the principal amount.

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

In March 2021, we settled cash tender offers with holders of approximately 39% of the total outstanding \$1 billion aggregate principal amount of the 2.600% senior fixed rate notes due 2022. Total cash consideration paid for these purchases was \$405 million and the carrying amount of the notes was \$395 million, resulting in a loss on extinguishment of \$10 million (including immaterial fees and other costs associated with the tender), which was recorded in interest and other, net in our condensed consolidated statement of income. In addition, we paid any accrued interest on the tendered notes up to, but not including the date of settlement.

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

If a change of control triggering event (as defined in the applicable senior notes) occurs with respect to the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 3.600% fixed rate notes due 2027 or the 2.700% fixed rate notes due 2030, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

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

To help achieve our interest rate risk management objectives, during the second quarter of 2020, we entered into interest rate swap agreements that effectively converted \$400 million of our LIBOR-based floating-rate debt to a fixed-rate basis. These swaps were designated as cash flow hedges and have maturity dates in 2023.

The effective interest rates for our senior notes include the interest payable, the amortization of debt issuance costs and the amortization of any original issue discount and premium on these senior notes. Interest on these senior notes is payable either quarterly or semiannually. Interest expense associated with these senior notes, including amortization of debt issuance costs, was approximately \$66 million and \$70 million during the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021 and December 31, 2020, the estimated fair value of these senior notes, using Level 2 inputs, was approximately \$6.9 billion and \$8.3 billion, respectively.

Commercial Paper

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to \$1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of March 31, 2021, there were \$400 million of commercial paper notes outstanding with a weighted average interest rate of 0.20% per annum, and a weighted average remaining term of 25 days.

Credit Agreement

In March 2020, we entered into a credit agreement that provides for an unsecured \$2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to \$1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The credit agreement replaced our prior \$2 billion unsecured revolving credit agreement dated November 2015, which was terminated effective March 2020.

As of March 31, 2021, no borrowings were outstanding under our \$2 billion credit agreement. However, as described above, we have an up to \$1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of \$1.5 billion. As of March 31, 2021, \$400 million borrowings were outstanding under our commercial paper program; therefore, \$1.6 billion of borrowing capacity was available for other purposes permitted by the credit agreement, subject to customary conditions to borrowing. The credit agreement includes a covenant limiting our consolidated

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

leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to customary exceptions. The credit agreement also contains customary representations and warranties.

We were in compliance with all financial covenants in our outstanding debt instruments during the three months ended March 31, 2021.

Note 10 — Balance Sheet Components

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment. The allowance for doubtful accounts and authorized credits is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions reasonable and supportable forecasts, and other factors that may affect our customers' ability to pay. The allowance for doubtful accounts and authorized credits was \$129 million and \$136 million as of March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021, we reported allowances for doubtful accounts of \$86 million reflecting a decrease of \$11 million, net of write-offs of \$38 million for the three months ended March 31, 2021.

Deferred revenue consists of fees received related to unsatisfied performance obligations at the end of the period. Due to the generally short-term duration of contracts, the majority of the performance obligations are satisfied in the following reporting period. The amount of revenue recognized for the three month period ended March 31, 2021 that was included in the deferred revenue balance at the beginning of the period was \$55 million. The amount of revenue recognized for the three month period ended March 31, 2020 that was included in the deferred revenue balance at the beginning of the period was \$75 million.

Cash, cash equivalents and restricted cash

	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 1,667	\$ 1,428
Customer accounts	—	—
Restricted cash included in short-term investments	23	143
Cash, cash equivalents and restricted cash	<u>\$ 1,690</u>	<u>\$ 1,571</u>

Customer accounts and funds receivable

	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ —	\$ —
Funds receivable	1,016	939
Customer accounts and funds receivable	<u>\$ 1,016</u>	<u>\$ 939</u>

Note 11 — Commitments and Contingencies

Off-Balance Sheet Arrangements

As of March 31, 2021, 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.

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

We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution ("Aggregate Cash Deposits"). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of March 31, 2021, we had a total of \$4.5 billion in aggregate cash deposits, partially offset by \$4.2 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 11, we are unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

Amounts accrued for legal and regulatory proceedings for which we believe a loss is probable were not material for the three months ended March 31, 2021. Except as otherwise noted for the proceedings described in this Note 11, 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.

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

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

Indemnification Provisions

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

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

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

Note 12 — Stockholders' Equity

Stock Repurchase Program

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

In January 2020, our Board authorized an additional \$5.0 billion stock repurchase program and in February 2021, our Board authorized an additional \$4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

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

The stock repurchase activity under our stock repurchase programs during the three months ended March 31, 2021 is summarized as follows (in millions, except per share amounts):

	Shares Repurchased ⁽¹⁾	Average Price per Share ⁽²⁾	Value of Shares Repurchased ⁽²⁾	Remaining Amount Authorized
Balance as of January 1, 2021				\$ 2,033
Authorization of additional plan in February 2021				4,000
Repurchase of shares of common stock	5	\$ 55.70	\$ 292	(292)
Balance as of March 31, 2021				<u>\$ 5,741</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.

Dividends

The Company paid a total of \$122 million and \$114 million in cash dividends during the three months ended March 31, 2021 and March 31, 2020, respectively. In April 2021, our Board of Directors declared a cash dividend of \$0.18 per share of common stock to be paid on June 18, 2021 to stockholders of record as of June 1, 2021.

Note 13 — Employee Benefit Plans

Restricted Stock Unit Activity

The following table presents restricted stock unit ("RSU") activity under our equity incentive plans as of and for the three months ended March 31, 2021 (in millions):

	Units ⁽¹⁾
Outstanding as of January 1, 2021	25
Awarded	2
Vested	(4)
Forfeited	(1)
Outstanding as of March 31, 2021	<u>22</u>

⁽¹⁾ Activity presented is inclusive of units granted to employees of our Classifieds business

The weighted average grant date fair value for RSUs awarded during the three months ended March 31, 2021 was \$59.75 per share.

Stock-Based Compensation Expense

The impact on our results of continuing operations of recording stock-based compensation expense was as follows (in millions):

	Three Months Ended March 31,	
	2021	2020
Cost of net revenues	\$ 10	\$ 10
Sales and marketing	22	16
Product development	43	36
General and administrative	31	30
Total stock-based compensation expense	<u>\$ 106</u>	<u>\$ 92</u>
Capitalized in product development	<u>\$ 3</u>	<u>\$ 4</u>

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

Note 14 — Income Taxes

We are subject to both direct and indirect taxation in the U.S. and various states and foreign jurisdictions. We are under examination by certain tax authorities for the 2010 to 2019 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these or other examinations. The material jurisdictions where we are subject to potential examination by tax authorities for tax years after 2009 include, among others, the U.S. (Federal and California), Germany, 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. However, given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

We have recognized the tax consequences of all foreign unremitted earnings and management has no specific plans to indefinitely reinvest the unremitted earnings of our foreign subsidiaries as of the balance sheet date. We have not provided for deferred taxes on outside basis differences in our investments in our foreign subsidiaries that are unrelated to unremitted earnings. With the exception of our Classifieds entities recognized in discontinued operations, 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. In connection with the intent to sell the Classifieds business as discussed in "Note 1 – The Company and Summary of Significant Accounting Policies", we assessed the outside basis differences relating to Classifieds and determined that no material deferred taxes need to be provided on the difference as of March 31, 2021.

Note 15 — Accumulated Other Comprehensive Income

The following tables summarize the changes in AOCI for the three months ended March 31, 2021 and 2020 (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, 2020	\$ (85)	\$ 5	\$ 654	\$ 42	\$ 616
Other comprehensive income (loss) before reclassifications	46	(3)	(117)	(11)	(85)
Less: Amount of gain (loss) reclassified from AOCI	(28)	—	—	6	(22)
Net current period other comprehensive income (loss)	74	(3)	(117)	(17)	(63)
Balance as of March 31, 2021	\$ (11)	\$ 2	\$ 537	\$ 25	\$ 553

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of December 31, 2019	\$ (9)	\$ 5	\$ 363	\$ 25	\$ 384
Other comprehensive income (loss) before reclassifications	47	(31)	(113)	(2)	(99)
Less: Amount of gain (loss) reclassified from AOCI	—	—	—	—	—
Net current period other comprehensive income (loss)	47	(31)	(113)	(2)	(99)
Balance as of March 31, 2020	\$ 38	\$ (26)	\$ 250	\$ 23	\$ 285

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

The following table provides a summary of reclassifications out of AOCI (in millions):

Details about AOCI Components	Affected Line Item in the Statement of Income	Amount of Gain (Loss) Reclassified From AOCI	
		Three Months Ended March 31,	
		2021	2020
Gains (losses) on cash flow hedges			
Foreign exchange contracts	Net Revenues	\$ (28)	\$ —
Foreign exchange contracts	Cost of net revenues	1	—
Interest rate contracts	Interest and other, net	(1)	—
	Total, from continuing operations before income taxes	(28)	—
	Provision for income taxes	6	—
	Total, net of income taxes	(22)	—
Total reclassifications for the period	Total, net of income taxes	\$ (22)	\$ —

Note 16 — Restructuring

The following table summarizes restructuring reserve activity during the three months ended March 31, 2021 (in millions):

	Employee Severance and Benefits
Accrued liability as of January 1, 2021	\$ —
Charges	33
Payments	(25)
Accrued liability as of March 31, 2021	\$ 8

During the first quarter of 2021, management approved plans that included the reduction in workforce and other exit costs. The reduction was substantially completed in the first quarter of 2021 and resulted in a pre-tax charge of \$33 million.

During the first quarter of 2020 we substantially completed the reduction in workforce that was approved by management during the fourth quarter of 2019. We incurred pre-tax restructuring charges of approximately \$7 million primarily during the first quarter of 2020 in connection with the action taken in the fourth quarter of 2019.

Restructuring charges are included in general and administrative expenses in the condensed consolidated statement of income.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, including with respect to the ongoing effects of COVID-19, new or planned features or services, or management strategies, including our portfolio review). You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Part I - Item 1A: Risk Factors" of the company's Annual Report on Form 10-K for the year ended December 31 2020 (the "2020 Form 10-K"), as well as in our unaudited condensed consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission ("SEC"). We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the unaudited condensed consolidated financial statements and the related notes included in this report.

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

OVERVIEW

Business

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

In 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic and continues to be widespread with uncertainty around its duration. As a result of COVID-19 mobility restrictions globally, there have been changes in consumer behavior that have resulted in more online shopping. We expect these changes in behavior to continue to evolve as the pandemic progresses. During the pandemic our Marketplace platforms experienced improved traffic and buyer acquisition due to the ongoing impact of measures taken globally to contain the spread of COVID-19. The Marketplace platforms also experienced improved acquisition of small business sellers. While the impact of COVID-19 has had a positive impact on our reported results, it's uncertain whether this consumer behavior will continue as mobility restrictions are eased or lifted. The impacts seen to date may continue to create volatility in our results and a wider range of outcomes as consumer behaviors and mobility restrictions continue to evolve. See "Results of Operations" below for impacts of COVID-19 on our results for the three months ended March 31, 2021. For additional information, see "— Liquidity and Capital Resource Requirements" below and "Item 1A: Risk Factors" under the caption "The global COVID-19 pandemic could harm our business and results of operations" in the 2020 Form 10-K.

On July 20, 2020, we entered into a definitive agreement to transfer our Classifieds business to Adevinta ASA ("Adevinta") for \$2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta. These shares would represent, approximately 44% of Adevinta's total outstanding shares and approximately 33% of Adevinta's outstanding voting shares, based on the number of Adevinta's outstanding shares as of June 30, 2020. Together, the total consideration payable under the definitive agreement is valued at

approximately \$9.2 billion, based on the closing trading price of Adevinta shares on the Oslo Stock Exchange on July 17, 2020. We believe the transaction will close in the second quarter of 2021. Completion of the transaction is subject to certain conditions, including receipt of certain regulatory approvals and other customary closing conditions. We have classified the results of our Classifieds business as discontinued operations in our condensed consolidated statement of income for the periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale in our condensed consolidated balance sheet. See "Note 3 – Discontinued Operations" in our condensed consolidated financial statements for additional information.

Presentation

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

Quarter Highlights

Net revenues increased 42% to \$3.0 billion during the three months ended March 31, 2021 compared to the same period in 2020. FX-Neutral net revenue increased 38% during the three months ended March 31, 2021 compared to the same period in 2020. Operating margin increased to 27.9% for the three months ended March 31, 2021 compared to 26.5% for the same period in 2020. Diluted earnings per share from continuing operations increased to \$0.82 during the three months ended March 31, 2021 compared to \$0.57 in the same period in 2020.

We generated cash flow from continuing operating activities of \$938 million during the three months ended March 31, 2021 compared to \$614 million in the same period in 2020.

During the three months ended March 31, 2021, we repaid approximately \$1.1 billion of debt comprising of \$750 million for the 6.000% senior notes due 2056 and \$395 million of the 2.600% senior fixed rates notes due 2022, paid \$292 million for repurchases of common stock and paid \$122 million in cash dividends.

RESULTS OF OPERATIONS

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

Net Revenues

Seasonality

We expect transaction activity patterns on our platforms to mirror general consumer buying patterns and expect that these trends will continue. As we introduce new products and platforms, such as managed payments, we expect net revenues to fluctuate. In addition, macroeconomic conditions, such as the ongoing COVID-19 pandemic, may also contribute to fluctuations in revenues and margins. The following table sets forth sequential quarterly movements of our total net revenues for the periods presented (in millions, except percentages):

	Quarter Ended			
	March 31	June 30	September 30	December 31
2019				
Net revenues	\$ 2,161	\$ 2,156	\$ 2,083	\$ 2,236
% change from prior quarter	(6)%	— %	(3)%	7 %
2020				
Net revenues	\$ 2,129	\$ 2,668	\$ 2,606	\$ 2,868
% change from prior quarter	(5)%	25 %	(2)%	10 %
2021				
Net revenues	\$ 3,023	\$ —	\$ —	\$ —
% change from prior quarter	5 %			

Net Revenues by Geography

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

	Three Months Ended March 31,		% Change As Reported
	2021	2020	
U.S.	\$ 1,296	\$ 822	58 %
Percentage of net revenues	43 %	39 %	
International	1,727	1,307	32 %
Percentage of net revenues	57 %	61 %	
Total net revenues	\$ 3,023	\$ 2,129	42 %

Our commerce platforms operate globally, resulting in certain revenues that are denominated in foreign currencies, including the British pound, euro and Korean won. In addition, as shown in the table above, we generate a majority of our net revenues internationally. Because of these factors, we are subject to the risks related to doing business in foreign countries as discussed in “Part I - Item 1A: Risk Factors” of the 2020 Form 10-K.

Net revenues included \$28 million of hedging losses during the three ended March 31, 2021, as compared to immaterial hedging gains during the same period in 2020. The hedging activity in net revenues specifically relates to hedges of net transaction revenues. Foreign currency movements relative to the U.S. dollar had a favorable impact of \$80 million on net revenues during the three months ended March 31, 2021 compared to an unfavorable impact of \$35 million during the same period in 2020.

The effect of foreign currency exchange rate movements during the three months ended March 31, 2021 compared to the same period in 2020 was primarily attributable to the weakening of the U.S. dollar against the euro, British pound and Korean won.

Net Revenues by Type

We generate two types of net revenues:

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

Marketing services and other (“MS&O”) revenues consist of revenues principally from the sale of advertisements, revenue sharing arrangements and first-party inventory programs.

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

	Three Months Ended March 31,		% Change
	2021	2020	
Net transaction revenue	\$ 2,732	\$ 1,900	44 %
Marketing services and other revenues	291	229	27 %
Total net revenues	<u>\$ 3,023</u>	<u>\$ 2,129</u>	<u>42 %</u>

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 platforms during the applicable period, regardless of whether the buyer and seller actually consummated the transaction. Despite GMV’s divergence from revenue, 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.

Net Transaction Revenues

	Three Months Ended March 31,		Change	
	2021	2020	As Reported	FX-Neutral
	(In millions, except percentages)			
Net transaction revenues ⁽¹⁾	\$ 2,732	\$ 1,900	44 %	40 %
Supplemental data:				
GMV	\$ 27,460	\$ 21,259	29 %	24 %
Take rate	9.95 %	8.93 %	1.02 %	

(1) Net transaction revenues were net of \$28 million hedging activity during the three months ended March 31, 2021 and immaterial hedging activity during the three months ended March 31, 2020, respectively.

Net transaction revenues increased during the three months ended March 31, 2021 compared to the same period in 2020 primarily due to an increase in GMV and take rate. GMV growth was due to improved traffic and buyer acquisition due to global restrictions implemented to contain the spread of COVID-19 which resulted in consumers engaging in more online shopping during the pandemic.

Transaction take rate was higher during the three months ended March 31, 2021 compared to the same period in 2020, due to the expansion of managed payments and promoted listings, which along with final value fees are calculated as a percentage of an item's sale price and category mix. The increase in take rate was partially offset by category mix and hedging activities.

Marketing Services and Other Revenues

	Three Months Ended March 31,		% Change	
	2021	2020	As Reported	FX-Neutral
	(In millions, except percentages)			
MS&O	\$ 291	\$ 229	27 %	22 %

The increase in MS&O revenues during the three months ended March 31, 2021 compared to the same period in 2020 was primarily attributable to our first-party inventory program in Korea and an increase in revenues from revenue sharing agreements for shipping arrangements.

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 program costs, bank transaction fees, credit card interchange and assessment fees and digital services tax. The following table presents cost of net revenues (in millions, except percentages):

	Three Months Ended March 31,		% Change
	2021	2020	
Cost of net revenues	\$ 823	\$ 502	64 %
Percentage of net revenues	27.2 %	23.6 %	

Cost of net revenues, net of immaterial hedging activities, was unfavorably impacted by \$26 million attributable to foreign currency movements relative to the U.S. dollar during the three months ended March 31, 2021 compared to the same period in 2020.

The increase in cost of net revenues during the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to an increase in payment processing costs as we continue to transition customers to our payments platform, an increase in cost of goods sold related to our first-party inventory program in Korea and an unfavorable impact from foreign currency movements relative to the U.S. dollar.

Operating Expenses

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

	Three Months Ended March 31,		% Change
	2021	2020	
Sales and marketing	\$ 687	\$ 520	32 %
Percentage of net revenues	23 %	24 %	
Product development	318	232	37 %
Percentage of net revenues	11 %	11 %	
General and administrative	258	207	24 %
Percentage of net revenues	9 %	10 %	
Provision for transaction losses	88	96	(8) %
Percentage of net revenues	3 %	5 %	
Amortization of acquired intangible assets	7	7	— %
Total operating expenses	<u>\$ 1,358</u>	<u>\$ 1,062</u>	28 %

Foreign currency movements relative to the U.S. dollar had an unfavorable impact of \$39 million on operating expenses during the three months ended March 31, 2021 compared to the same period in 2020. There was no hedging activity within operating expenses during the three months ended March 31, 2021.

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 increase in sales and marketing expense during the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to an increase in online and offline advertising expenses, an unfavorable impact from foreign currency movements relative to the U.S. dollar and employee related 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.

The increase in product development expenses during the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to an increase in employee-related costs.

Capitalized internal use and platform development costs were \$31 million in the three months ended March 31, 2021 and 2020, respectively. These costs are primarily reflected as a cost of net revenues when amortized in future periods.

General and Administrative

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

The increase in general and administrative expenses during the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to employee related costs and workforce reduction costs incurred in 2021.

Provision for Transaction Losses

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

The decrease in provision for transaction losses during the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to provisions recognized in 2020 related to COVID-19 and lower bad debt expense as a result of fees collection through the managed payments platform. These decreases were partially offset by higher customer protection program costs as a result of increased volume and chargeback losses incurred for managed payments as we scale the platform.

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):

	Three Months Ended March 31,		% Change	
	2021	2020		
Total interest and other, net	\$ (117)	\$ 1		**
Percentage of net revenues	(4)%	— %		

** Not meaningful

The decrease in interest and other, net during the three months ended March 31, 2021 compared to the same period in 2020 was primarily attributable to the change in the fair value of the Adyen warrant, a gain recorded in 2020 related to the receipt of proceeds that were held in escrow related to a long-term investment that was sold in 2018, foreign exchange losses and lower interest income.

Income Tax Provision

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

	Three Months Ended March 31,	
	2021	2020
Income tax provision	\$ 156	\$ 135
Effective tax rate	21.5 %	23.8 %

The decrease in our effective tax rate for the three months ended March 31, 2021 compared to the same period in 2020 was primarily due an increased tax benefit from stock-based compensation.

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

Discontinued Operations

On July 20, 2020, we entered into a definitive agreement with Adevinta ASA ("Adevinta") to transfer our Classifieds business to Adevinta for \$2.5 billion in cash, subject to certain adjustments, and approximately 540 million shares in Adevinta. Together, the total consideration payable under the definitive agreement is valued at approximately \$9.2 billion, based on the closing trading price of Adevinta's outstanding shares on the Oslo Stock Exchange on July 17, 2020. We believe the transaction will close in the second quarter of 2021. Completion of the transaction is subject to certain conditions, including receipt of certain regulatory approvals and other customary closing conditions. As a result, we have classified the results of our Classifieds business as discontinued operations in our condensed consolidated statement of income for the periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale in our condensed consolidated balance sheet. See "Note 3 – Discontinued Operations" in our condensed consolidated financial statements included elsewhere in this report for additional information.

Non-GAAP Measures of Financial Performance

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

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

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

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

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	As Reported	Exchange Rate Effect ⁽¹⁾⁽³⁾	FX-Neutral ⁽²⁾	As Reported	As Reported % Change	FX-Neutral % Change
GMV	\$ 27,460	\$ 1,149	\$ 26,311	\$ 21,259	29 %	24 %
Net Revenues:						
Net transaction revenues	\$ 2,732	\$ 69	\$ 2,663	\$ 1,900	44 %	40 %
Marketing services and other revenues	291	11	280	229	27 %	22 %
Total net revenues	<u>\$ 3,023</u>	<u>\$ 80</u>	<u>\$ 2,943</u>	<u>\$ 2,129</u>	<u>42 %</u>	<u>38 %</u>

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

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

(3) Net transaction revenues were net of \$28 million of hedging activity during the three months ended March 31, 2021, and net of immaterial hedging activity during the three months ended March 31, 2020.

Liquidity and Capital Resources

Cash Flows

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Net cash provided by (used in):		
Continuing operating activities	\$ 938	\$ 614
Continuing investing activities	266	(1,568)
Continuing financing activities	(1,169)	(3,159)
Effect of exchange rates on cash, cash equivalents and restricted cash	(11)	(34)
Net increase in cash, cash equivalents and restricted cash - discontinued operations	103	4,050
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 127</u>	<u>\$ (97)</u>

Continuing Operating Activities

Cash provided by continuing operating activities of \$938 million in the three months ended March 31, 2021 was primarily attributable to net income of \$641 million with adjustments for income from discontinued operations of \$72 million, \$140 million in depreciation and amortization, \$106 million in stock-based compensation, \$88 million in provision for transaction losses, \$95 million for deferred income taxes, adjustments of \$36 million for changes in the fair value of the Adyen warrant and \$10 million related to the loss extinguishment of debt, partially offset by \$105 million in changes in assets and liabilities, net of acquisition effects.

Continuing Investing Activities

Cash provided by continuing investing activities of \$266 million in the three months ended March 31, 2021 was primarily attributable to proceeds of \$3.8 billion from the maturities and sales of investments partially offset by cash paid for investments of \$3.4 billion and property and equipment of \$83 million.

Continuing Financing Activities

Cash used in continuing financing activities of \$1.2 billion in the three months ended March 31, 2021 was primarily attributable to debt repayments of \$1.2 billion, which was comprised of \$750 million related to our 6.000% senior fixed rate notes due 2056 that were redeemed and \$405 million related to our 2.600% senior fixed rate notes due 2022 that were repurchased pursuant to a tender offer, cash paid to repurchase \$304 million of common stock, paid \$122 million in cash dividends, partially offset by commercial paper issuances of \$400 million and net funds receivable and payable activity of \$32 million.

The negative effect of exchange rate movements on cash, cash equivalents and restricted cash was due to the strengthening of the U.S. dollar against other currencies, primarily the Korean won and Japanese yen during the three months ended March 31, 2021 compared to the 2020 year-end rate.

Stock Repurchases

In January 2020, our Board authorized a \$5.0 billion stock repurchase program and in February 2021, our Board authorized an additional \$4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

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

During the three months ended March 31, 2021, we repurchased approximately \$292 million of our common stock under our stock repurchase programs. As of March 31, 2021, a total of approximately \$5.7 billion remained available for future repurchases of our common stock under our stock repurchase programs.

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

Dividends

The Company paid a total of \$122 million and \$114 million in cash dividends during the three months ended March 31, 2021 and March 31, 2020, respectively. In April 2021, our Board of Directors declared a cash dividend of \$0.18 per share of common stock to be paid on June 18, 2021 to stockholders of record as of June 1, 2021.

Debt

Senior Notes

As of March 31, 2021, we had floating- and fixed-rate senior notes outstanding for an aggregate principal amount of \$6.6 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. 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 (as defined in the applicable senior notes) occurs with respect to the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 3.600% fixed rate notes due 2027 or the 2.700% fixed rate notes due 2030, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount plus accrued and unpaid interest. For additional details related to our senior notes, please see "Note 9 – Debt" to the condensed consolidated financial statements included in this report.

During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was \$400 million as of March 31, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023.

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

Commercial Paper

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to \$1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of March 31, 2021, there were \$400 million of commercial paper notes outstanding, with a weighted average interest rate of 0.20% per annum, and a weighted average remaining term of 25 days.

Credit Agreement

In March 2020, we entered into a credit agreement that provides for an unsecured \$2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to \$1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The credit agreement replaced our prior \$2 billion unsecured revolving credit agreement dated November 2015, which was terminated effective March 2020.

As of March 31, 2021, no borrowings were outstanding under our \$2 billion credit agreement. However, as described above, we have an up to \$1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of \$1.5 billion. As of March 31, 2021, \$400 million borrowings were outstanding under our commercial paper program; therefore, \$1.6 billion of borrowing capacity was available for other purposes permitted by the credit agreement. The credit agreement includes a covenant limiting our consolidated leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case,

subject to customary exceptions. The credit agreement also contains customary representations and warranties.

We were in compliance with all financial covenants in our outstanding debt instruments for the three months ended March 31, 2021.

Credit Ratings

As of March 31, 2021, 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 positive outlook). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Our borrowing costs depend, in part, on our credit ratings and any actions taken by these credit rating agencies to lower our credit ratings, as described above, will likely increase our borrowing costs.

Liquidity and Capital Resource Requirements

As of March 31, 2021 and December 31, 2020, we had assets classified as cash and cash equivalents, as well as short-term and long-term non-equity investments from continuing operations, in an aggregate amount of \$3.9 billion and \$4.1 billion, respectively. As of March 31, 2021, 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, including, without limitation, as a result of the impact of the COVID-19 pandemic. At any point in time we have funds in our operating accounts and customer accounts that are deposited and invested with third party financial institutions.

We believe that our existing cash, cash equivalents and short-term and long-term investments, together with cash expected to be generated from operations, borrowings available under our credit agreement and commercial paper program, and our access to capital markets, will be sufficient to fund our operating activities, anticipated capital expenditures, repayment of debt and stock repurchases for the foreseeable future. However, COVID-19 and related measures to contain its impact have caused material disruptions in both national and global financial markets and economies. The future impact of COVID-19 and these containment measures cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity, and we cannot assure that we will have access to external financing at times and on terms we consider acceptable, or at all, or that we will not experience other liquidity issues going forward.

Off-Balance Sheet Arrangements

As of March 31, 2021, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution ("Aggregate Cash Deposits"). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of March 31, 2021, we had a total of \$4.5 billion in aggregate

cash deposits, partially offset by \$4.2 billion in cash withdrawals, held within the financial institution under the cash pooling arrangement.

Indemnification Provisions

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

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

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

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

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

The primary objective of our investment activities is to preserve principal while at the same time improving yields without significantly increasing risk. To achieve this objective, we maintain our cash equivalents and short-term and long-term investments in a variety of asset types, including bank deposits, government bonds and corporate debt securities. As of March 31, 2021, approximately 38% of our total cash and investments was held in cash and cash equivalents. As such, changes in interest rates will impact interest income. As discussed below, the fair market values of our fixed rate securities may be adversely affected due to a rise in interest rates, and we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates.

As of March 31, 2021, the balance of our corporate debt and government bond securities was \$2.2 billion, which represented approximately 50% 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 \$5 million as of March 31, 2021 and December 31, 2020, respectively.

As of March 31, 2021, we had an aggregate principal amount of \$6.6 billion of outstanding senior notes, of which 94% bore interest at fixed rates. During 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was \$400 million as of March 31, 2021 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. At March 31, 2021, we did not have an unhedged balance on our floating-rate debt.

During 2020, we also began to hedge the variability of forecasted interest payments using forward-starting interest rate swaps. The notional amount of these swaps was \$700 million as of March 31, 2021, with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. These interest rate swaps effectively fix the benchmark interest rate on anticipated debt issuance likely within the next twelve months, and they will be terminated upon issuance of the debt. When entering into forward-starting interest rate swaps, we are subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward-starting interest rate swaps. We manage market risk by matching the terms of the swaps with the terms of the expected debt issuance. We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1% (100 basis points) decrease in interest rates would have resulted in a decrease in the fair values of our forward-starting and floating to fixed rate interest swaps of approximately \$56 million at March 31, 2021.

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

Equity Price Risk

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 March 31, 2021, our equity investments totaled \$535 million, which represented approximately 12% 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 March 31, 2021, 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 condensed consolidated financial statements included in this report.

Foreign Currency Risk

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

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

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

The following table illustrates the fair values of outstanding foreign exchange contracts designated as cash flow hedges and net investment hedges, and the before-tax effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed as of March 31, 2021. The sensitivity for foreign currency contracts is based on a 20% adverse change in foreign exchange rates, against relevant functional currencies.

	Fair Value Asset/(Liability)	Fair Value Sensitivity
	(In millions)	
Foreign exchange contracts - Cash flow hedges	\$ 27	\$ (238)
Foreign exchange contracts - Net investment hedges	\$ 1	\$ (42)

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 \$25 million as of March 31, 2021 taking into consideration the offsetting effect of foreign exchange forwards in place as of March 31, 2021.

Item 4: Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of March 31, 2021.

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

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

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

Item 1A: Risk Factors

Risk Factors:

We are subject to various risks and uncertainties that may affect our business, results of operations and financial condition including not limited to, those described in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020 (“2020 Form 10-K”). 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. There have been no material changes to the Company’s risk factors since the 2020 Form 10-K.

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

Stock repurchase activity during the three months ended March 31, 2021 was as follows:

Period Ended	Total Number of Shares Purchased	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value that May Yet be Purchased Under the Programs ⁽¹⁾
January 31, 2021	3,609,821	\$ 55.40	3,609,821	\$ 1,833,023,515
February 28, 2021	425,878	\$ 55.70	425,878	\$ 5,808,023,642
March 31, 2021	1,202,165	\$ 55.53	1,202,165	\$ 5,741,264,858
	<u>5,237,864</u>		<u>5,237,864</u>	

⁽¹⁾ In January 2020 our Board authorized a \$5.0 billion stock repurchase program and in February 2021 our Board authorized an additional \$4.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

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

During the three months ended March 31, 2021, we repurchased approximately \$292 million of our common stock under our stock repurchase programs. As of March 31, 2021, a total of approximately \$5.7 billion remained available for future repurchases of our common stock under our stock repurchase programs.

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

⁽²⁾ Excludes broker commissions.

Item 3: Defaults Upon Senior Securities

Not applicable.

Item 4: Mine Safety Disclosures

Not applicable.

Item 5: Other Information

Not applicable.

Item 6: Exhibits

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

INDEX TO EXHIBITS

Exhibit Number	Filed or furnished with this 10-Q	Description
31.01	X	<u>Certification of Registrant's Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.02	X	<u>Certification of Registrant's Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.01	X	<u>Certification of Registrant's Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.02	X	<u>Certification of Registrant's Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	X	Inline 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)
101.SCH	X	Inline XBRL Taxonomy Extension Schema Document
101.CAL	X	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	X	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	X	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	X	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	X	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

eBay Inc.
Principal Executive Officer:

By: /s/ Jamie Iannone
Jamie Iannone
Chief Executive Officer

Date: April 29, 2021

Principal Financial Officer:

By: /s/ Andy Cring
Andy Cring
Interim Chief Financial Officer

Date: April 29, 2021

Principal Accounting Officer:

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

Date: April 29, 2021

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

I, Jamie Iannone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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/ Jamie Iannone

Jamie Iannone

Chief Executive Officer

(Principal Executive Officer)

Date: April 29, 2021

**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 Quarterly Report on Form 10-Q 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

Andy Cring

Interim Chief Financial Officer

(Principal Financial Officer)

Date: April 29, 2021

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

I, Jamie Iannone, 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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/ Jamie Iannone

Jamie Iannone

Chief Executive Officer

(Principal Executive Officer)

Date: April 29, 2021

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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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

Andy Cring

Interim Chief Financial Officer

(Principal Financial Officer)

Date: April 29, 2021

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.