

# Q3 2019 FINANCIAL HIGHLIGHTS

October 23, 2019



# DISCLOSURES

This presentation contains non-GAAP measures relating to our performance. You can find the reconciliation of these measures, except for FX-Neutral basis, to the nearest comparable GAAP measures in the appendix at the end of this presentation. All growth rates represent year-over-year comparisons, except as otherwise noted. We calculate the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts.

This presentation contains forward-looking statements relating to, among other things, the future performance of eBay Inc., and its consolidated subsidiaries that are based on our current expectations, forecasts and assumptions and involve risks and uncertainties. These statements include, but are not limited to, statements regarding the future performance of eBay Inc. and its consolidated subsidiaries, including expected financial results for the fourth quarter and full year 2019 and the future growth in our business, operating efficiency and margins, reinvestments, dividends, share repurchases and the expected timing of the announcements regarding the company's strategic portfolio review.

Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of future performance. Other factors that could cause or contribute to such differences include, but are not limited to: changes in political, business and economic conditions, any regional or general economic downturn or crisis and any conditions that affect ecommerce growth or cross-border trade; the company's ability to realize expected growth opportunities in payments intermediation and advertising; the outcome of the strategic portfolio review; fluctuations in foreign currency exchange rates; our need to successfully react to the increasing importance of mobile commerce and the increasing social aspect of commerce; an increasingly competitive environment for our business; changes to our capital allocation, including the timing, declaration, amount and payment of any future dividends or levels of the company's share repurchases, or management of operating cash; our ability to increase operating efficiency to drive margin improvements and enable reinvestments; our ability to manage indebtedness, including managing exposure to interest rates and maintaining credit ratings; our need to manage an increasingly large enterprise with a broad range of businesses of varying degrees of maturity and in many different geographies; our ability to successfully intermediate payments on our marketplace platform; our need and ability to manage regulatory, tax, data security and litigation risks; whether the operational, marketing and strategic benefits of the separation of the eBay and PayPal businesses can be achieved; our ability to timely upgrade and develop technology systems, infrastructure and customer service capabilities at reasonable cost while maintaining site stability and performance and adding new products and features; and our ability to integrate, manage and grow businesses that have been acquired or may be acquired in the future.

The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or completed after the date hereof.

More information about factors that could affect our operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K and subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting our Investor Relations website at <https://investors.ebayinc.com> or the SEC's website at [www.sec.gov](http://www.sec.gov). All information in this presentation is as of October 23, 2019. Undue reliance should not be placed on the forward-looking statements in this presentation, which are based on information available to us on the date hereof. We assume no obligation to update such statements.

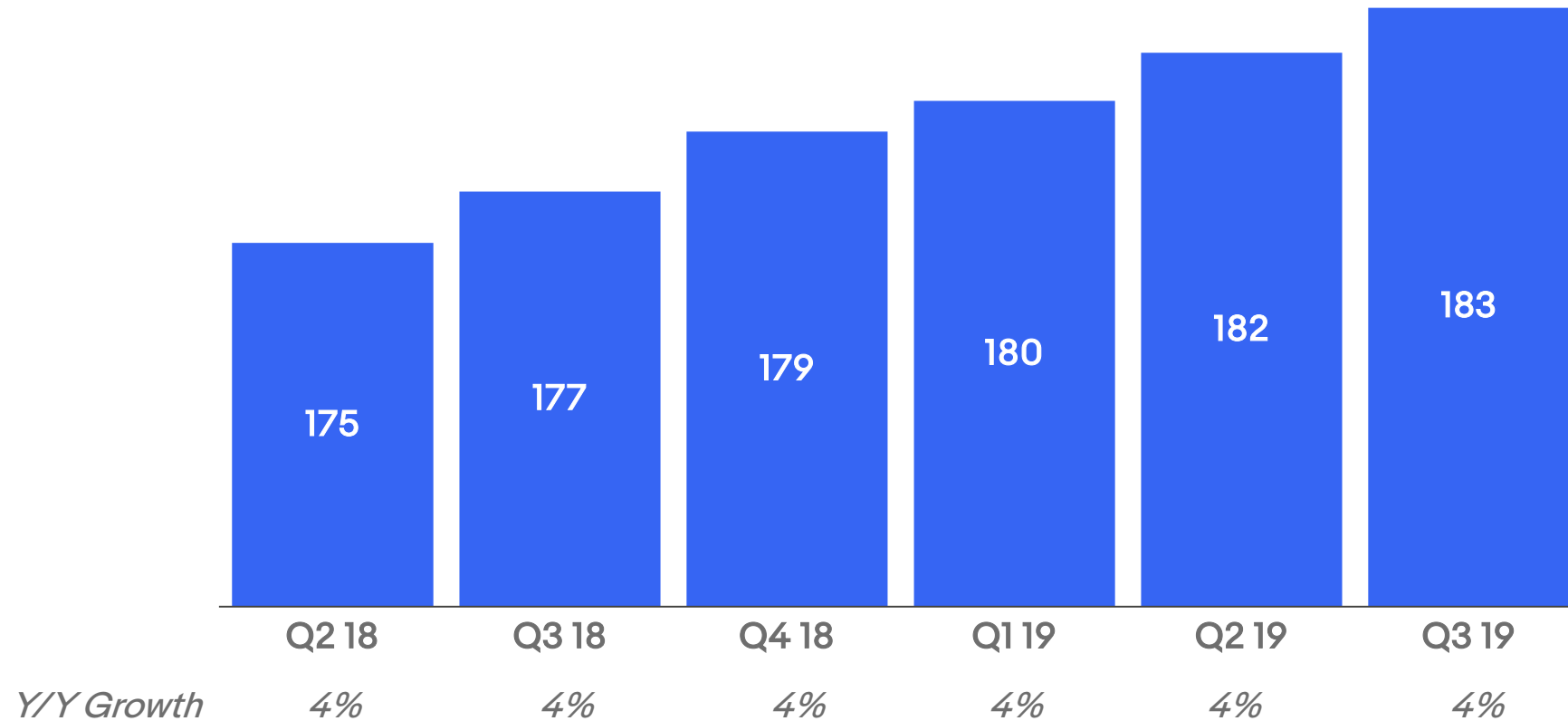
# CFO COMMENTS

# Q3 HIGHLIGHTS

- Revenue of \$2.6B, flat Y/Y (up 2% FX-Neutral)
- GAAP EPS of \$0.37 and Non-GAAP EPS of \$0.67
- GAAP operating margin of 20%, down 1pt Y/Y
- Non-GAAP operating margin of 27%, flat Y/Y
- Generated \$1.0B of Operating Cash Flow and \$913M of Free Cash Flow
- Returned \$1.1B to shareholders through share repurchases and cash dividends
- Repaid \$1.6B of debt

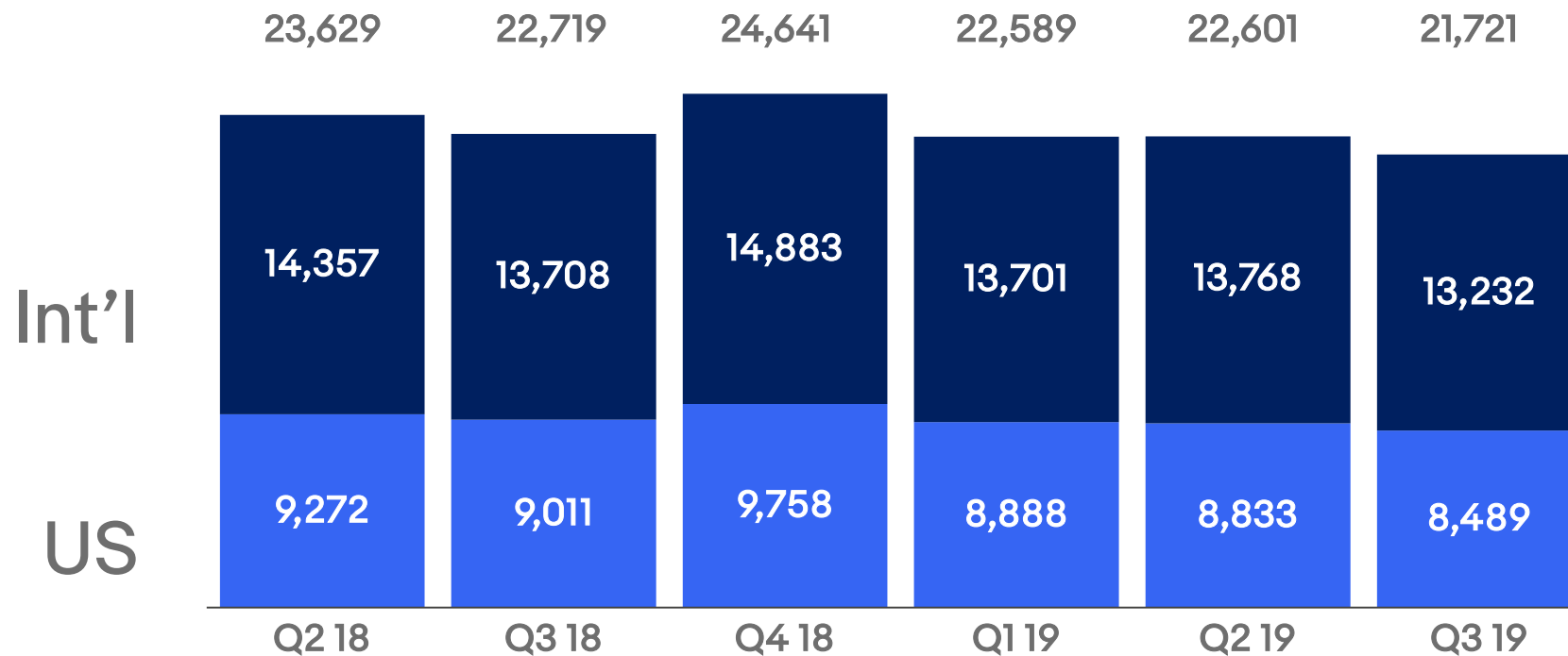
# TRAILING 12-MONTH ACTIVE BUYERS

(millions)



# GMV

(\$ millions)



*US Y/Y Growth*

5%

3%

(1)%

(6)%

(5)%

(6)%

*Int'l FX-Neutral Y/Y Growth*

7%

7%

5%

3%

2%

1%

*Total FX-Neutral Y/Y Growth*

7%

5%

2%

(1)%

0%

(2)%

*Sold Items Y/Y Growth*

0%

0%

0%

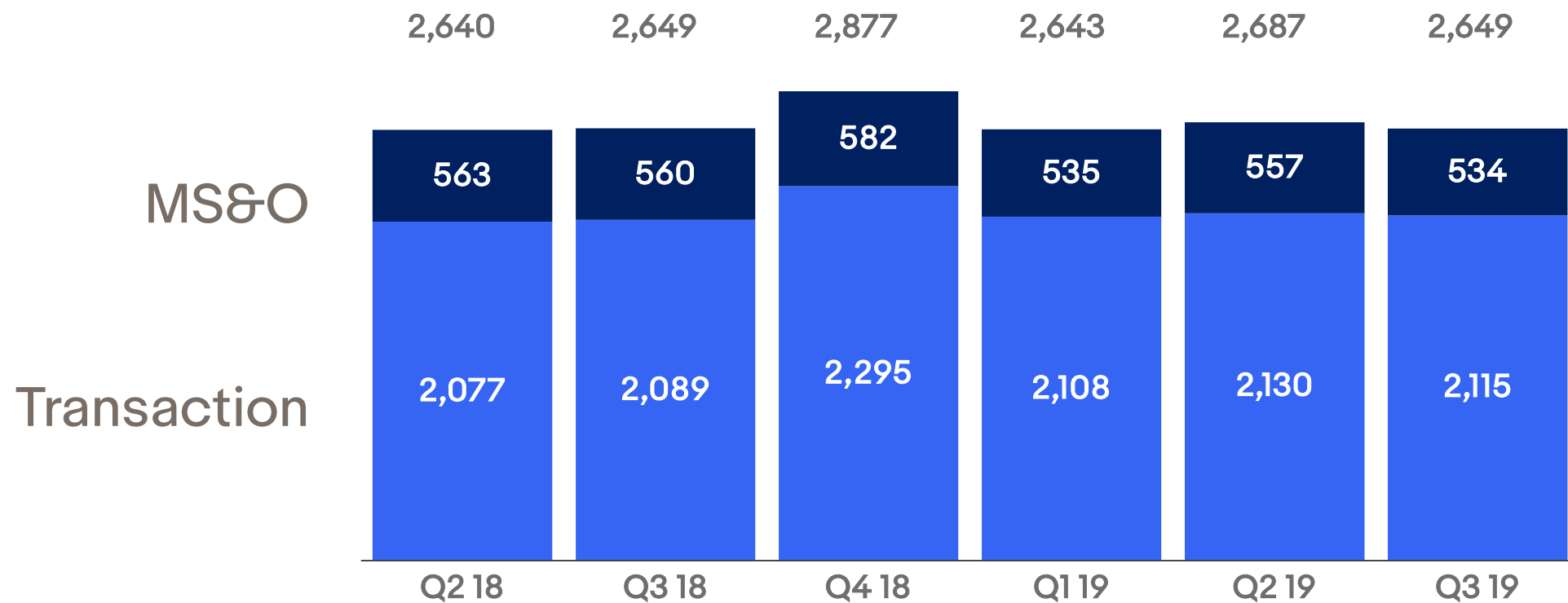
0%

0%

(3)%

# REVENUE

(\$ millions)

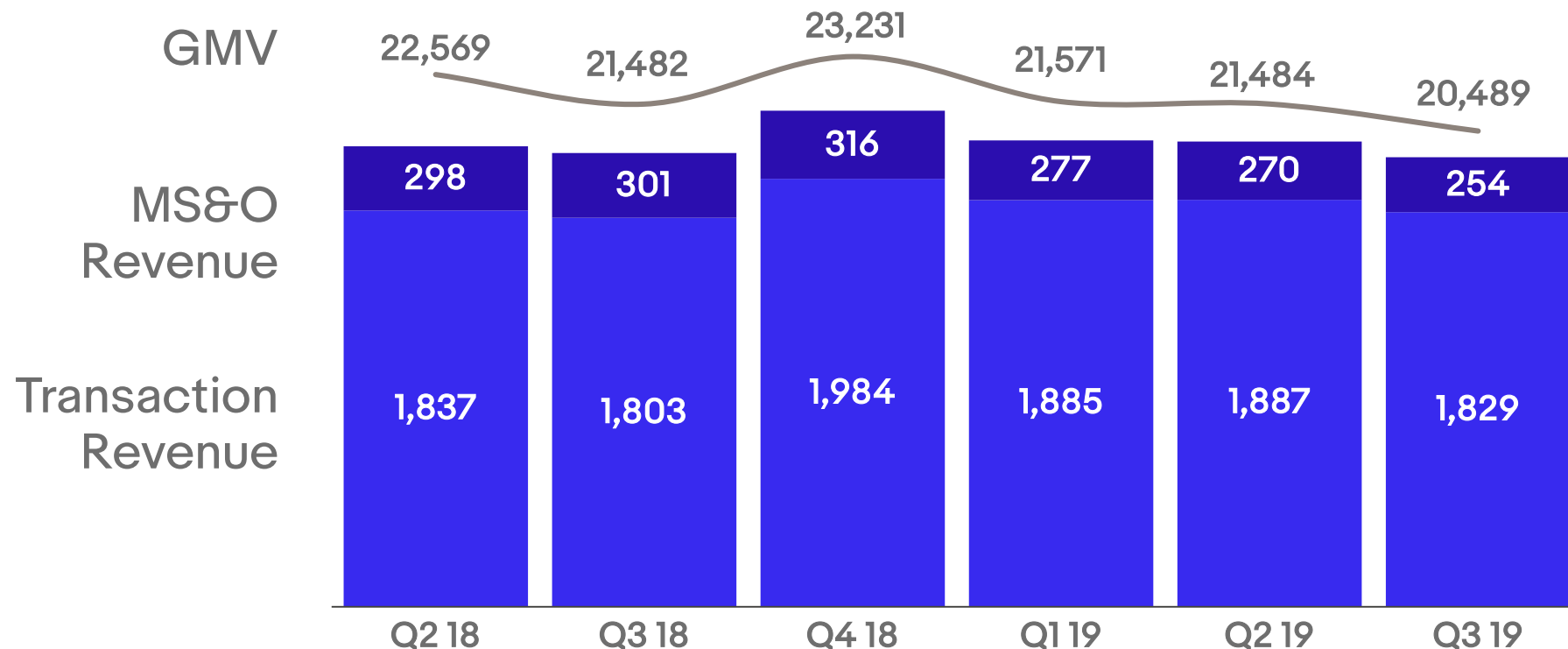


- Q3 FX-Neutral Transaction Revenue up 3% Y/Y ... down 1pt Q/Q
- Q3 FX-Neutral MS&O Revenue down 2% Y/Y ... down 6pts Q/Q, with 2pts driven by asset disposition

<i>Y/Y Growth</i>	9%	6%	6%	2%	2%	0%
<i>FX-Neutral Y/Y Growth</i>	6%	6%	6%	4%	4%	2%
<i>Organic FX-Neutral Y/Y Growth</i>	6%	5%	5%	3%	4%	3%
<i>Trxn Take Rate</i>	8.8%	9.2%	9.3%	9.3%	9.4%	9.7%

# MARKETPLACE GMV & REVENUE

(\$ millions)

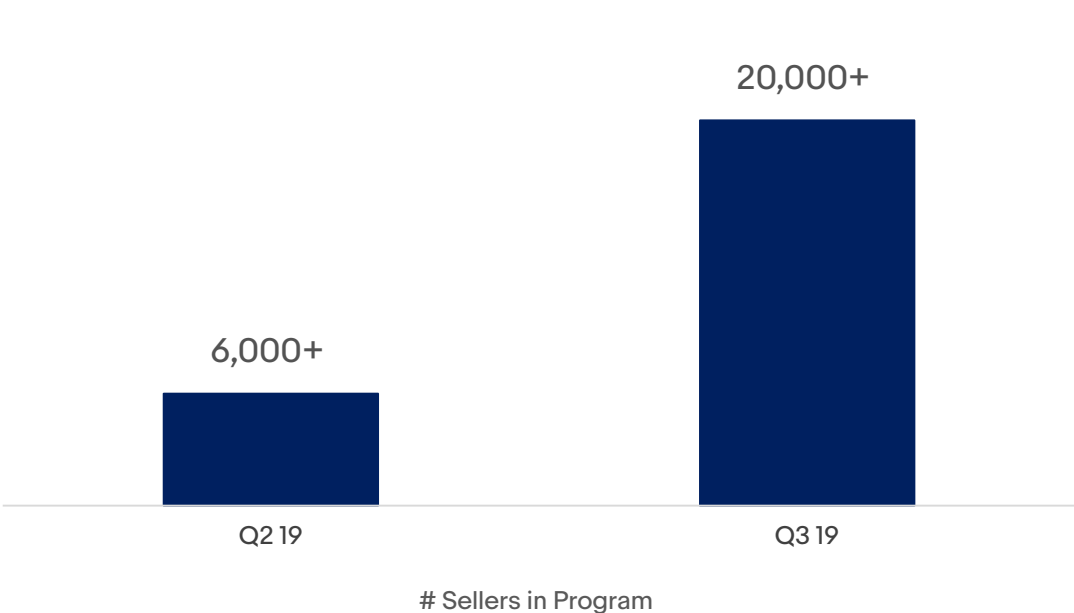


- Q3 FX-Neutral B2C GMV down 2% Y/Y and FX-Neutral C2C GMV down 2% Y/Y
- Q3 FX-Neutral Transaction Revenue up 4% Y/Y, down 1pt Q/Q
- Q3 FX-Neutral MS&O Revenue down 13% Y/Y, down 7pts Q/Q
- Segment Margin up Y/Y primarily due to continued cost leverage and reduced marketing, partially offset by payments and advertising investments

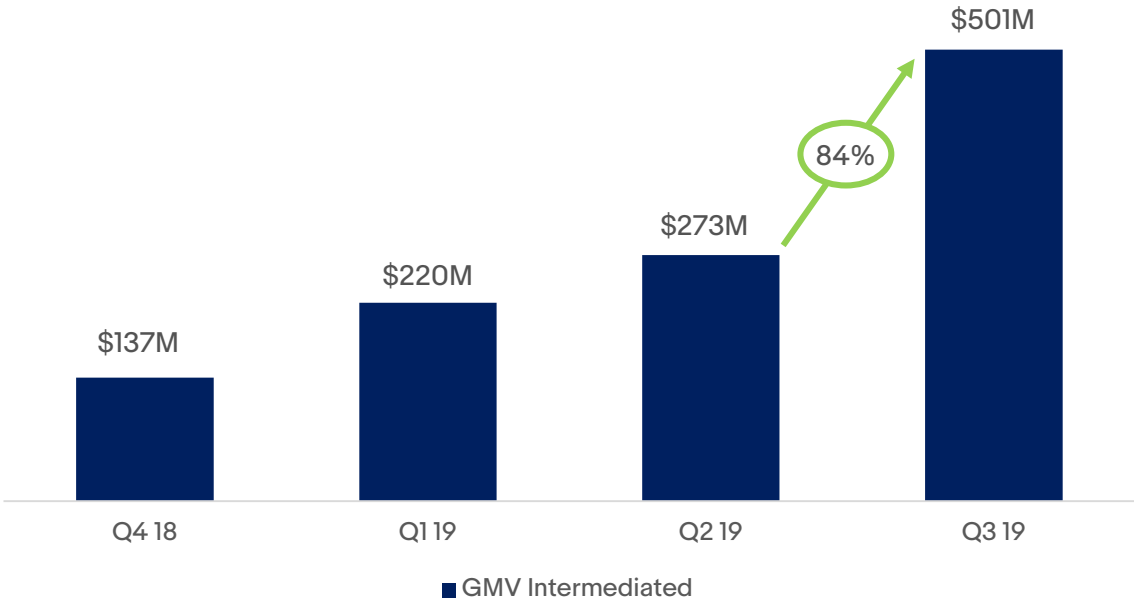
<i>FX-Neutral GMV Y/Y Growth</i>	7%	5%	3%	(1)%	(1)%	(2)%
<i>FX-Neutral Rev Y/Y Growth</i>	6%	5%	6%	4%	3%	1%
<i>Trxn Take Rate</i>	8.1%	8.4%	8.5%	8.7%	8.8%	8.9%
<i>Segment Margin</i>	30%	30%	31%	36%	32%	31%



# PAYMENTS PROGRESS



Grew total sellers in the program by nearly 260% Q/Q

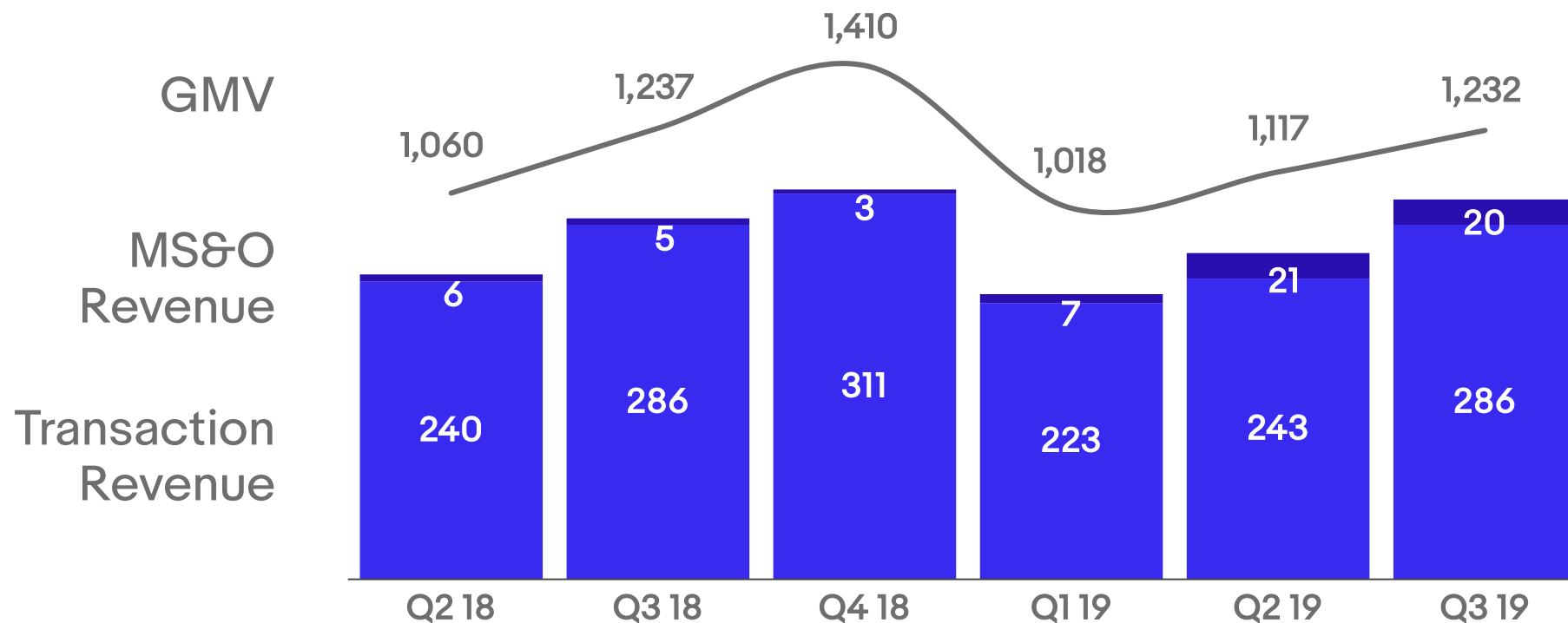


GMV intermediated to date = \$1.1B

Q3 US GMV exit\* penetration = 9.4%

# STUBHUB GMV & REVENUE

(\$ millions)

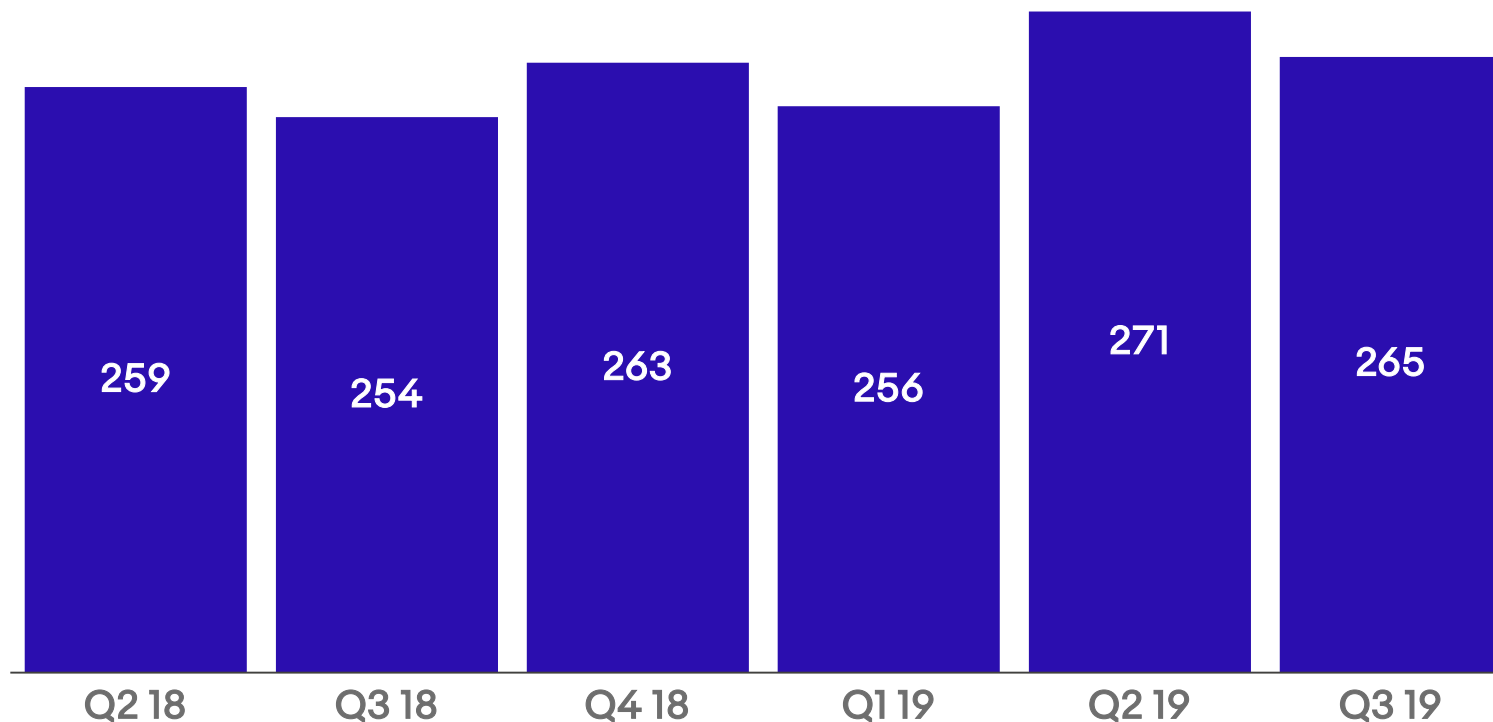


- Q3 FX-Neutral GMV flat Y/Y, down 6pts Q/Q, on a softer concerts and theater event landscape
- Q3 FX-Neutral Transaction Revenue flat Y/Y
- Q3 FX-Neutral MS&O Revenue up 286% Y/Y due to IP inventory
- Segment Margin flat Y/Y

<i>GMV FX-Neutral Y/Y Growth</i>	5%	7%	(1)%	(2)%	6%	0%
<i>Rev FX-Neutral Y/Y Growth</i>	3%	7%	2%	0%	7%	5%
<i>Trxn Take Rate</i>	22.7%	23.1%	22.1%	22.0%	21.7%	23.2%
<i>Segment Margin</i>	2%	10%	26%	11%	4%	10%

# CLASSIFIEDS REVENUE

(\$ millions)



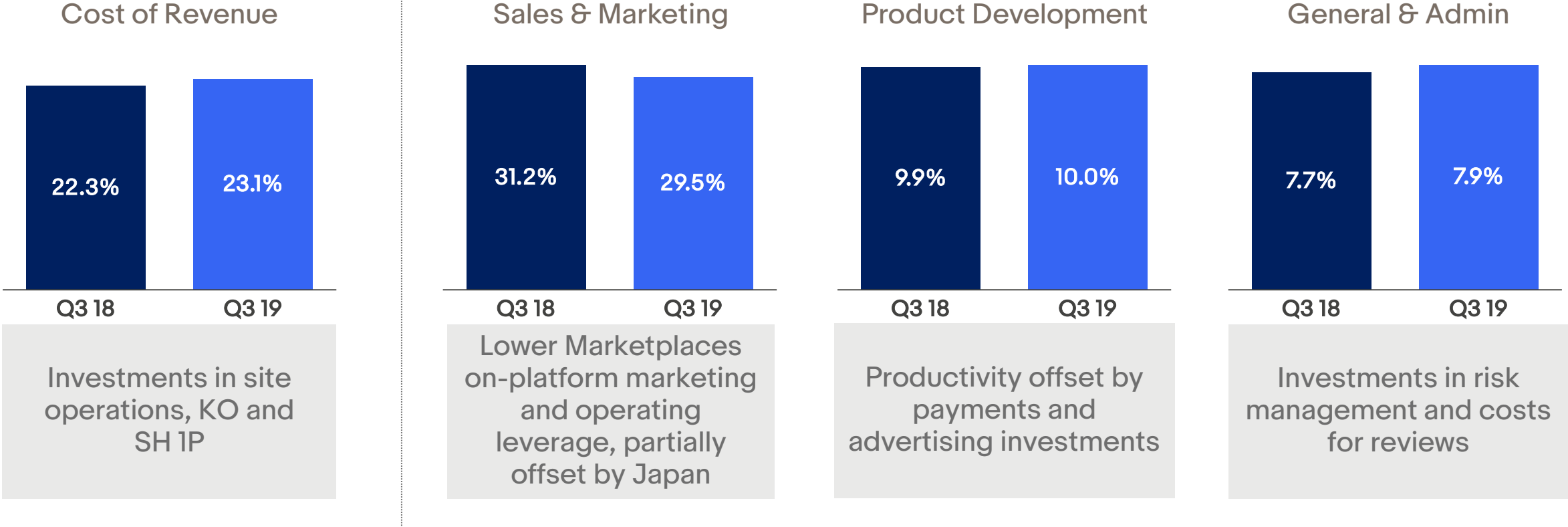
- Q3 FX-Neutral Revenue up 8% Y/Y, down 4pts Q/Q, driven by display advertising headwinds
- Segment Margin up 2pts Y/Y driven by operating leverage and marketing reductions

	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
<i>Rev Y/Y Growth</i>	18%	8%	8%	4%	5%	4%
<i>FX-Neutral Rev Y/Y Growth</i>	10%	11%	11%	12%	12%	8%
<i>Segment Margin</i>	38%	39%	44%	36%	38%	41%

# NON-GAAP EXPENSES

(% of revenue)

## Operating Expense at 50.3%, down ~1pt Y/Y



# NON-GAAP EPS

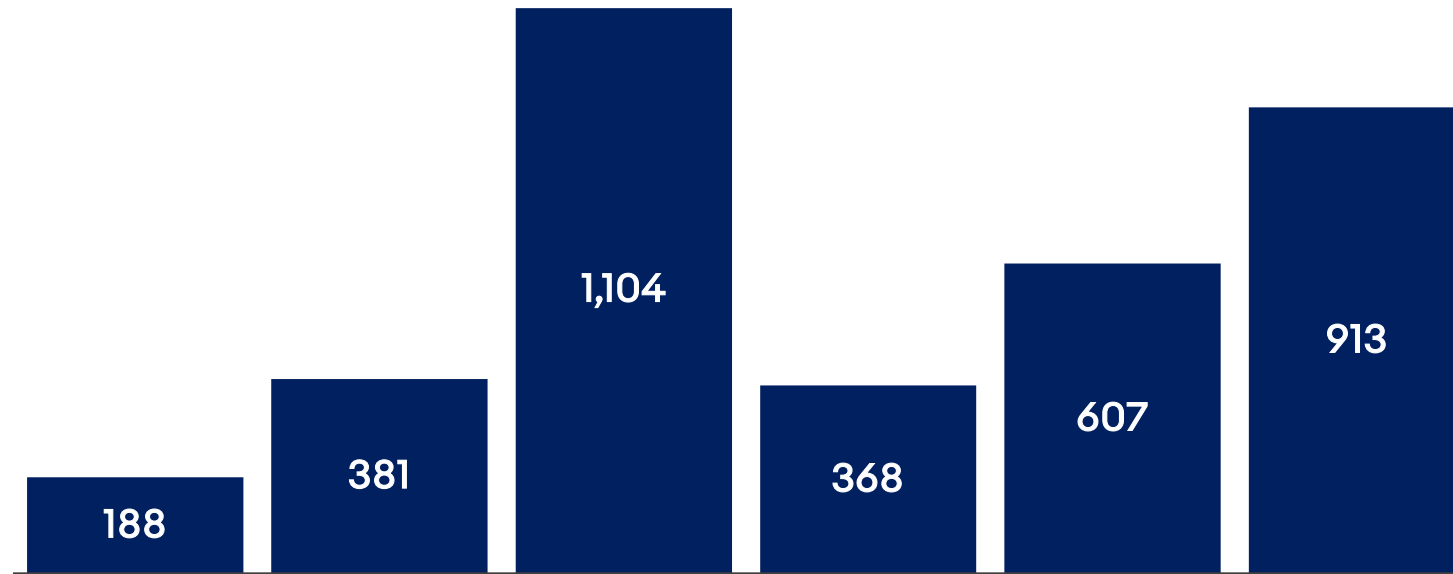


- Q3 Non-GAAP Operating Margin up 20bps Y/Y, more than offsetting 20bps of FX pressure
- Q3 Non-GAAP EPS Y/Y growth driven by net benefit of share repurchases and improved cost control, partially offset by payments investments

	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
<i>Non-GAAP EPS Y/Y Growth</i>	17%	19%	20%	26%	28%	19%
<i>Non-GAAP Operating Margin</i>	25.2%	26.4%	29.2%	29.8%	26.9%	26.6%
<i>GAAP EPS</i>	\$0.64	\$0.73	\$0.80	\$0.57	\$0.46	\$0.37
<i>GAAP EPS Y/Y Growth</i>	**	52%	**	45%	(27)%	(50)%

# FREE CASH FLOW

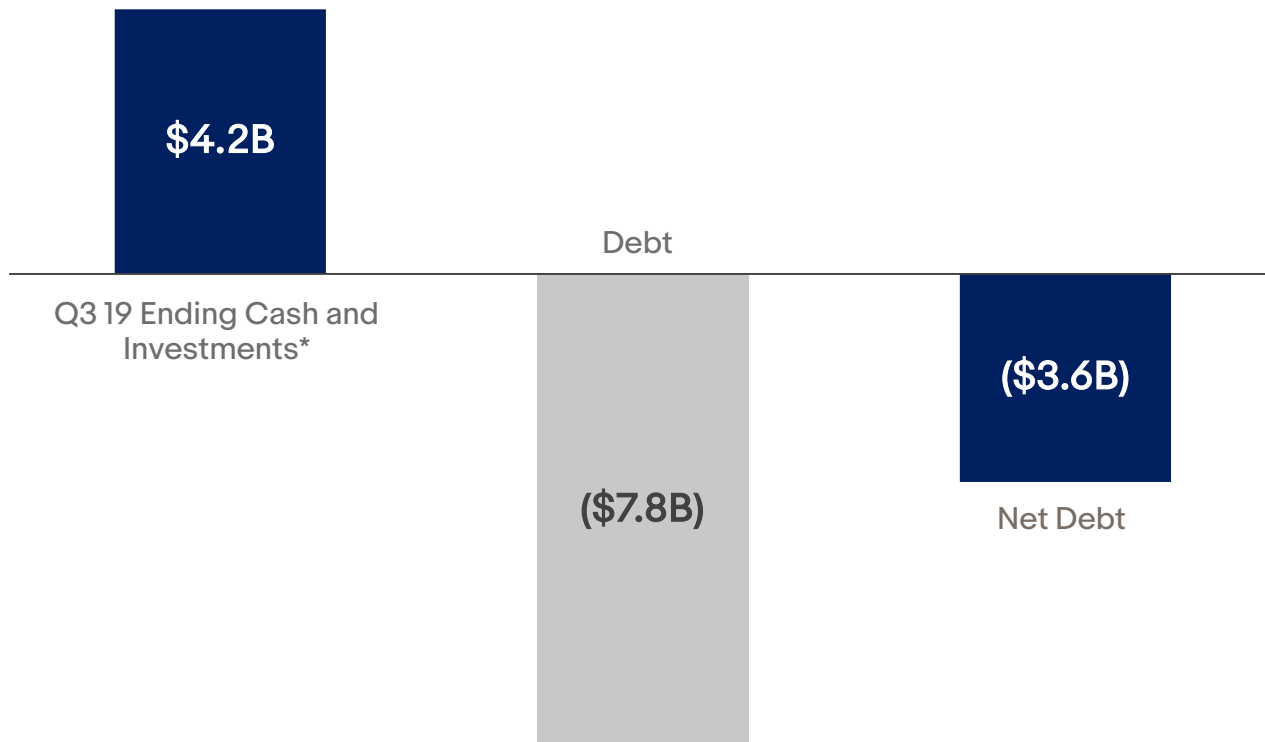
(\$ millions)



- Q3 FCF up 140% Y/Y driven by lower cash taxes, working capital timing and lower CapEx

	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
<i>Y/Y Growth</i>	(64)%	(47)%	39%	9%	223%	140%
<i>CapEx % of Revenue</i>	7%	7%	5%	7%	5%	4%
<i>FCF % of Revenue</i>	7%	14%	38%	14%	23%	34%

# 2019 CASH & DEBT



## Capital Allocation Tenets

- Preserve financial flexibility to execute on strategy and drive long-term value creation
- Drive organic growth while balancing profitability
- Supplement organic growth with disciplined acquisitions and investments
- Optimize financial flexibility, access to debt and cost of capital
- Meaningful returns to shareholders through share repurchases and dividends

Repurchased \$1.0B of shares and paid cash dividend of \$115M in Q3  
\$3.2B Authorization Remaining\*\*

# GUIDANCE

	Q4 19		Q4 Guidance Context
	Low	High	
<b>Revenue</b> (in billions)	<b>\$2.77</b>	<b>\$2.82</b>	<ul style="list-style-type: none"> <li>• Non-GAAP EPS growth driven by:               <ul style="list-style-type: none"> <li>• Net benefit of share repurchase program ~11pts</li> <li>• Operational productivity more than offset by investment in payments and FX</li> </ul> </li> <li>• Non-GAAP effective tax rate of 14% - 16%</li> </ul>
<i>Y/Y Growth</i>	<i>(4)%</i>	<i>(2)%</i>	
<i>Organic FX-Neutral Y/Y Growth</i>	<i>(1)%</i>	<i>1%</i>	
<b>Non-GAAP EPS</b>	<b>\$0.73</b>	<b>\$0.76</b>	
<i>Y/Y Growth</i>	<i>3%</i>	<i>8%</i>	

## Full Year Guidance

- Revenue of \$10.75 - \$10.80 billion, maintaining Organic FX-Neutral growth of 2-3%
- Non-GAAP Operating Margin of approximately ~28% ... Non-GAAP effective tax rate of 15% to 16%
- Raising Non-GAAP EPS to \$2.75 - \$2.78
- Free Cash Flow of \$2.25B to \$2.35B ... CapEx 5-6% of Revenue



**Q&A**

# RECONCILIATIONS

# GAAP TO NON-GAAP QUARTERLY RECONCILIATIONS

## OPERATING MARGIN

	Three months ended					
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
	(in millions, except percentages)					
GAAP operating income	\$ 406	\$ 556	\$ 681	\$ 609	\$ 561	\$ 532
Stock-based compensation expense and related employer payroll taxes	158	127	143	126	145	119
Amortization of acquired intangible assets within cost of net revenues	4	3	1	2	2	1
Amortization of acquired intangible assets within operating expenses	13	13	13	13	12	12
Other significant gains, losses or charges	84	2	1	38	3	41
Non-GAAP operating income	<u>\$ 665</u>	<u>\$ 701</u>	<u>\$ 839</u>	<u>\$ 788</u>	<u>\$ 723</u>	<u>\$ 705</u>
Revenues	\$ 2,640	\$ 2,649	\$ 2,877	\$ 2,643	\$ 2,687	\$ 2,649
GAAP operating margin	15.4 %	21.0 %	23.7 %	23.0 %	20.9 %	20.1 %
Non-GAAP operating margin	25.2 %	26.4 %	29.2 %	29.8 %	26.9 %	26.6 %

# GAAP TO NON-GAAP QUARTERLY RECONCILIATIONS

## NET INCOME / EPS

	Three months ended					
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
	(in millions, except per share data)					
GAAP Income from continuing operations	\$ 638	\$ 720	\$ 763	\$ 521	\$ 403	\$ 310
Stock-based compensation expense and related employer payroll taxes	158	127	143	126	145	119
Amortization of acquired intangible assets within cost of net revenues	4	3	1	2	2	1
Amortization of acquired intangible assets within operating expenses	13	13	13	13	12	12
Other significant gains, losses or charges	84	2	1	38	3	41
Gains or losses on investments and sale of business	(246)	(313)	–	–	–	52
Change in fair market value of warrant	(106)	(126)	128	(113)	8	49
Tax Effects of US Tax Reform	–	–	(463)	–	–	–
Tax effect of step-up of intangible assets basis	–	–	(9)	–	199	–
Tax effect of non-GAAP adjustments	(12)	128	93	21	(183)	(21)
Non-GAAP net income from continuing operations	\$ 533	\$ 554	\$ 670	\$ 608	\$ 589	\$ 563
Non-GAAP net income from continuing operations per diluted share	\$ 0.53	\$ 0.56	\$ 0.71	\$ 0.67	\$ 0.68	\$ 0.67
Shares used in non-GAAP diluted share calculation	1,004	983	950	908	867	837

# GAAP TO NON-GAAP QUARTERLY RECONCILIATIONS

## STATEMENT OF INCOME

	September 30, 2019			September 30, 2018		
	Reported	Non-GAAP Entries	Non-GAAP	Reported	Non-GAAP Entries	Non-GAAP
	(in millions, except per share data and percentages)					
Net revenues	\$ 2,649	\$ –	\$ 2,649	\$ 2,649	\$ –	\$ 2,649
Cost of net revenues	627	(15)	612	608	(17)	591
Gross Profit	2,022	15	2,037	2,041	17	2,058
Operating expenses:						
Sales and marketing	806	(24)	782	852	(26)	826
Product development	313	(49)	264	307	(45)	262
General and administrative	283	(73)	210	248	(44)	204
Provision for transaction losses	76	–	76	65	–	65
Amortization of acquired intangible assets	12	(12)	–	13	(13)	–
Total operating expense	1,490	(158)	1,332	1,485	(128)	1,357
Income from operations	532	173	705	556	145	701
Interest and other income, net	(142)	101	(41)	392	(439)	(47)
Income from continuing operations before income taxes	390	274	664	948	(294)	654
Provision for income taxes	(80)	(21)	(101)	(228)	128	(100)
Income from continuing operations	\$ 310	\$ 253	\$ 563	\$ 720	\$ (166)	\$ 554
<b>Net income (loss) from continuing operations per share:</b>						
Basic	\$ 0.37		\$ 0.68	\$ 0.74		\$ 0.57
Diluted	\$ 0.37		\$ 0.67	\$ 0.73		\$ 0.56
Weighted average shares:						
Basic	830		830	974		974
Diluted	837		837	983		983
Operating margin	20.1 %	6.5 %	26.6 %	21.0 %	5.4 %	26.4 %
Effective tax rate	20.7 %	(5.4)%	15.3 %	24.1 %	(8.7)%	15.4 %

### Notes:

- (a) Stock-based compensation expense and related employer payroll taxes
- (b) Amortization of acquired intangible assets
- (c) Income taxes associated with certain non-GAAP entries
- (d) Other significant gains, losses or charges
- (e) Gains or losses on investments
- (f) Change in fair market value of warrant

# CALCULATION OF FREE CASH FLOW

	Three months ended					
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
	(in millions)					
Net cash provided by continuing operating activities	\$ 372	\$ 560	\$ 1,234	\$ 550	\$ 744	\$ 1,009
Less: Purchases of property and equipment, net	(184)	(179)	(130)	(182)	(137)	(96)
Free cash flow from continuing operations	\$ 188	\$ 381	\$ 1,104	\$ 368	\$ 607	\$ 913

# RECONCILIATION OF TOTAL REVENUE

	Three months ended					
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
<b>Net Revenues by Type</b>	(in millions)					
Net Transaction Revenues:						
Marketplace (2)	\$ 1,837	\$ 1,803	\$ 1,984	\$ 1,885	\$ 1,887	\$ 1,829
StubHub	240	286	311	223	243	286
<b>Total net transaction revenues</b>	<b>\$ 2,077</b>	<b>\$ 2,089</b>	<b>\$ 2,295</b>	<b>\$ 2,108</b>	<b>\$ 2,130</b>	<b>\$ 2,115</b>
Marketing services and other revenues:						
Marketplace	\$ 298	\$ 301	\$ 316	\$ 277	\$ 270	\$ 254
Classifieds	259	254	263	256	271	265
StubHub	6	5	3	7	21	20
Elimination of intersegment revenue	—	—	—	(5)	(5)	(5)
<b>Total marketing and other revenues</b>	<b>\$ 563</b>	<b>\$ 560</b>	<b>\$ 582</b>	<b>\$ 535</b>	<b>\$ 557</b>	<b>\$ 534</b>
<b>Total net revenues (1)</b>	<b>\$ 2,640</b>	<b>\$ 2,649</b>	<b>\$ 2,877</b>	<b>\$ 2,643</b>	<b>\$ 2,687</b>	<b>\$ 2,649</b>
(1) Foreign currency impact	\$ 70	\$ 4	\$ (9)	\$ (68)	\$ (86)	\$ (43)
(2) Hedge gain/(loss)	\$ (21)	\$ 12	\$ 29	\$ 20	\$ 13	\$ 19

# RECONCILIATION OF ORGANIC REVENUE

	Three months ended					
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
As Reported Revenue Growth	9%	6%	6%	2%	2%	0%
Acquisition/Disposition Impact	(0)%	(1)%	(1)%	(1)%	(0)%	1%
Foreign Currency Impact	(3)%	(0)%	(1)%	2%	2%	2%
<b>Organic FX-Neutral Revenue Growth</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>

*Organic FX-Neutral Revenue Growth.* The company defines Organic FX-Neutral Revenue Growth as As Reported Revenue Growth excluding incremental revenue from acquisitions or dispositions for the twelve-month period following such acquisitions or dispositions and foreign exchange rate effects. The company believes this measure provides useful supplemental information regarding the company's underlying revenue trends by presenting revenue growth exclusive of these effects.



# GAAP TO NON-GAAP RECONCILIATIONS GUIDANCE

	<b>Three Months Ending December 31, 2019</b>	
(in billions, except per share amounts)	<b>GAAP</b>	<b>Non-GAAP (a)</b>
Net Revenue	\$2.77 - \$2.82	\$2.77 - \$2.82
Diluted EPS	\$0.55 - \$0.60	\$0.73 - \$0.76

	<b>Twelve Months Ending December 31, 2019</b>	
(in billions, except per share amounts)	<b>GAAP</b>	<b>Non-GAAP (b)</b>
Net Revenue	\$10.75 - \$10.80	\$10.75 - \$10.80
Diluted EPS	\$1.97 - \$2.02	\$2.75 - \$2.78

	<b>Twelve Months Ending December 31, 2019</b>	
(in billions)		
Net cash provided by continuing operations	\$2.8 - \$3.0	
Less: Purchase of property and equipment, net	\$(0.55) - \$(0.65)	
Free cash flow	\$2.25 - \$2.35	

(a) Estimated non-GAAP amounts above for the three months ending December 31, 2019 reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$13-\$18 million, estimated stock-based compensation expense and associated employer payroll tax expense of approximately \$125-\$135 million and an adjustment that excludes the net deferred tax impact related to the step-up in the tax basis of intangible assets of approximately \$40 - \$50 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2019 reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$55-\$60 million, estimated stock-based compensation expense and associated employer payroll tax expense of approximately \$515-\$525 million and an adjustment that excludes the net deferred tax impact related to the step-up in the tax basis of intangible assets of approximately \$160 - \$170 million.



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