



July 17, 2013

eBay Inc. Reports Strong Second Quarter 2013 Results

Double-digit growth in revenue and net income, with customer growth accelerating at Marketplaces and PayPal

Total Company Enabled Commerce Volume Up 21% Year over Year

SAN JOSE, Calif.--(BUSINESS WIRE)-- Global commerce platform and payments leader eBay Inc. (Nasdaq: EBAY) today reported that revenue for the second quarter ended June 30, 2013, increased 14% to \$3.9 billion, compared to the same period of 2012. The company reported second quarter net income on a GAAP basis of \$640 million, or \$0.49 per diluted share, and non-GAAP net income of \$822 million, or \$0.63 per diluted share. The year-over-year increase in second quarter non-GAAP earnings per diluted share was driven primarily by strong top-line growth. GAAP earnings per diluted share declined on a year-over-year basis due to a gain on the divestiture of a business in 2012.

Total company Enabled Commerce Volume (ECV) grew 21% for the quarter, to \$51 billion. The growth demonstrates the power of the company's global commerce platforms. Marketplaces, PayPal and eBay Enterprise connect merchants, retailers and brands of all sizes with consumers everywhere. Cross-border trade in the second quarter was \$11 billion, representing 22% of the company's total ECV. The company's mobile commerce leadership is also driving an efficient channel for growth and engagement, with mobile attracting 3 million new customers in the quarter and growing more than 90%. eBay Inc.'s mobile assets and capabilities are delivering innovative, seamless commerce experiences for merchants and consumers across multiscreen shopping environments.

"We had a strong second quarter, with \$51 billion of enabled commerce volume across Marketplaces, PayPal and eBay Enterprise driving double-digit revenue and earnings growth," said eBay Inc. President and CEO John Donahoe.

"Macroeconomic headwinds in Europe and Korea will continue to be a challenge in the second half of the year. But our core businesses are strong and we continue to attract millions of new customers each quarter through mobile innovation. We remain confident in our ability to meet our goals and drive global commerce innovation and leadership."

PayPal delivered a strong second quarter performance with revenue increasing 20% to \$1.6 billion. PayPal gained 4.7 million active registered accounts in the period and ended the quarter with 132 million, a 17% increase. PayPal's net total payment volume (TPV) grew 24% to \$43 billion driven by consumer and merchant use of PayPal both on and off eBay. PayPal continues to invest in growing its addressable market, product development, and consumer awareness. Payment velocity increased with a sequential acceleration of both the number of transactions and payment volume. PayPal made strides offline with PayPal Here now live in six countries while growing domestic merchant coverage by signing agreements with more than 50 merchant acquirers to facilitate usage of PayPal over the Discover network.

Marketplaces delivered a strong second quarter performance with revenue of \$2.0 billion, increasing 10%, or 12% excluding the gain from the resolution of an indirect tax dispute in 2012. Marketplaces gained 3.5 million active users in the period and ended the quarter with 120 million, a 14% increase. Gross merchandise volume (GMV), excluding vehicles, increased 13% to \$18 billion. Fixed price GMV grew 17% globally and represented 69% of total GMV. U.S. GMV, excluding vehicles, increased 16% to \$7.3 billion driven by mobile and momentum in the parts & accessories and home & garden categories. International GMV, excluding vehicles, increased 11% to \$11 billion, showing stable growth while facing a tougher macroeconomic environment. Marketplace's new search engine, which went live in North America in the second quarter, will help to enable smarter, faster and more intuitive search experiences.

GSI Commerce was renamed eBay Enterprise, reflecting the partnership that the business offers to retailers and brands through its comprehensive technology solutions and marketing services. eBay Enterprise contributed \$246 million in revenue for the second quarter, an 11% increase. Its enterprise commerce platform generated \$815 million in global ecommerce (GeC) Merchandise Sales, a 21% increase. eBay Enterprise enabled its clients to grow faster than the ecommerce market as measured by the 19% same store sales growth, but revenue was pressured by a reduction in take rate. The company expects its omnichannel product portfolio, including complementary eBay Inc. assets, to be increasingly adopted by merchants seeking opportunities to grow their businesses while seamlessly meeting the needs of their customers.

Second Quarter 2013 Financial Highlights (presented in millions, except per share data and percentages)

Second Quarter

	2013	2012	Change	
eBay Inc.				
Net revenue	\$3,877	\$3,398	\$479	14%
Enabled commerce volume (ECV)	\$50,597	\$41,906	\$8,691	21%
GAAP				
Net income	\$640	\$692	\$(52)	(8%)
Earnings per diluted share	\$0.49	\$0.53	\$(0.04)	(8%)
Non-GAAP				
Net income	\$822	\$730	\$92	13%
Earnings per diluted share	\$0.63	\$0.56	\$0.07	13%
	Second Quarter			
	2013	2012	Change	
Business Units				
Payments				
Net revenue	\$1,624	\$1,357	\$267	20%
Net total payment volume	\$42,813	\$34,451	\$8,362	24%
Marketplaces				
Net revenue	\$2,001	\$1,814	\$187	10%
Gross merchandise volume (GMV), excl. vehicles	\$18,292	\$16,171	\$2,121	13%
Enterprise				
Net revenue	\$246	\$221	\$25	11%
GeC Merchandise Sales	\$815	\$674	\$141	21%

Other Selected Financial Results

- Operating margin — GAAP operating margin decreased to 19.3% for the second quarter of 2013, compared to 20.5% for the same period last year. Non-GAAP operating margin decreased to 26.3% in the second quarter, compared to 27.3% for the same period last year.
- Taxes — The GAAP effective tax rate for the second quarter of 2013 was 15%, compared to 19% for the second quarter of 2012. For the second quarter of 2013 and 2012, the non-GAAP effective tax rate was 19% and 24%, respectively. The decrease in the company's GAAP and non-GAAP effective tax rates was due primarily to discrete items recorded in 2012 related to uncertain tax positions.
- Cash flow — The company generated \$1.0 billion of operating cash flow and \$658 million of free cash flow during the second quarter of 2013.
- Stock repurchase program — The company repurchased approximately \$466 million of its common stock in the second quarter of 2013.
- Cash and cash equivalents and non-equity investments — The company's cash and cash equivalents and non-equity investments portfolio totaled \$11.7 billion at June 30, 2013 up from \$11.5 billion at December 31, 2012.

Business Outlook

- Third quarter 2013 — the company expects net revenues in the range of \$3,850 - \$3,950 million with GAAP earnings per diluted share in the range of \$0.49 - \$0.51 and non-GAAP earnings per diluted share in the range of \$0.61 - \$0.63.
- Full year 2013 — the company expects net revenues in the range of \$16,000 - \$16,500 million with GAAP earnings per diluted share in the range of \$2.21 - \$2.26 and non-GAAP earnings per diluted share in the range of \$2.70 - \$2.75.

Quarterly Conference Call

eBay Inc. will host a conference call to discuss second quarter 2013 results at 2:00 p.m. Pacific Time today. A live webcast of the conference call, together with a slide presentation that includes supplemental financial information and reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, can be accessed through the company's Investor Relations website at <http://investor.ebayinc.com>. In addition, an archive of the webcast will be accessible for 90 days through the same link.

About eBay Inc.

eBay Inc. (NASDAQ: EBAY) is a global commerce and payments leader, providing a robust platform where merchants of all sizes can compete and win. Founded in 1995 in San Jose, Calif., eBay Inc. connects millions of buyers and sellers and enabled \$175 billion of commerce volume in 2012. We do so through eBay, the world's largest online marketplace, which allows users to buy and sell in nearly every country on earth; through PayPal, which enables individuals and businesses to securely, easily and quickly send and receive digital payments; and through eBay Enterprise, which enables omnichannel commerce, multichannel retailing and digital marketing for global enterprises in the U.S. and internationally. We also reach millions through specialized marketplaces such as StubHub, the world's largest ticket marketplace, and eBay classifieds sites, which together have a presence in more than 1,000 cities around the world. For more information about the company and its global portfolio of online brands, visit www.ebayinc.com.

Presentation

All growth rates represent year over year comparisons, except as otherwise noted. All amounts in tables are presented in U.S. dollars, rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not sum or recalculate using the rounded dollar amounts provided.

Non-GAAP Financial Measures

This press release includes the following financial measures defined as "non-GAAP financial measures" by the Securities and Exchange Commission (SEC): non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin, non-GAAP effective tax rate and free cash flow. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles (GAAP). For a reconciliation of these non-GAAP financial measures to the nearest comparable GAAP measures, see "Business Outlook," "Non-GAAP Measures of Financial Performance," "Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin," "Reconciliation of GAAP Net Income to Non-GAAP Net Income and Reconciliation of GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate" and "Reconciliation of Operating Cash Flow to Free Cash Flow" included in this press release.

Forward-Looking Statements

This press release contains forward-looking statements relating to, among other things, the future performance of eBay Inc. and its consolidated subsidiaries that are based on the company's current expectations, forecasts and assumptions and involve risks and uncertainties. These statements include, but are not limited to, statements regarding expected financial results for the third quarter and full year 2013, and the future growth in the Payments, Marketplaces and Enterprise businesses, mobile payments and mobile commerce. The company's actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of future performance. Factors that could cause or contribute to such differences include, but are not limited to: changes in political, business and economic conditions, including any European or general economic downturn or crisis and any conditions that affect ecommerce growth; fluctuations in foreign currency exchange rates; the company's need to successfully react to the increasing importance of mobile payments and mobile commerce and the increasing social aspect of commerce; the company's ability to deal with the increasingly competitive ecommerce environment, including competition for its sellers from other trading sites and other means of selling, and competition for its buyers from other merchants, online and offline; the company's need to manage an increasingly large enterprise with a broad range of businesses of varying degrees of maturity and in many different geographies; the effect of management changes and business initiatives; the company's need and ability to manage other regulatory, tax and litigation risks as its services are offered in more jurisdictions and applicable laws become more restrictive; any changes the company may make to its product offerings; the competitive, regulatory, credit card association-related and other risks specific to PayPal and Bill Me Later, especially as PayPal continues to expand geographically and introduce new products and as new laws and regulations related to financial services companies come into effect; the company's ability to timely upgrade and develop its technology systems, infrastructure and customer service capabilities, including Enterprise's commerce platform, at reasonable cost; the company's ability to maintain site stability and performance on all of its sites while adding new products and features in a timely fashion; and the company's ability to profitably integrate, manage and grow businesses that have been acquired or may be acquired in the future. The forward-looking statements in this release 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 the company's operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company's Investor Relations website at <http://investor.ebayinc.com> or the SEC's website at www.sec.gov. Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to the company on the date hereof. The company assumes no obligation to update such statements.

eBay Inc.
Unaudited Condensed Consolidated Balance Sheet

June 30, December 31,
2013 2012
(In millions)

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,855	\$ 6,817
Short-term investments	3,581	2,591
Accounts receivable, net	743	822
Loans and interest receivable, net	2,273	2,160
Funds receivable and customer accounts	9,012	8,094
Other current assets	982	914
Total current assets	23,446	21,398

Long-term investments	2,506	3,044
Property and equipment, net	2,697	2,491
Goodwill	8,394	8,537
Intangible assets, net	926	1,128
Other assets	581	476
Total assets	<u>\$ 38,550</u>	<u>\$ 37,074</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Short-term debt	\$ 410	\$ 413
Accounts payable	313	301
Funds payable and amounts due to customers	9,012	8,094
Accrued expenses and other current liabilities	1,711	1,916
Deferred revenue	154	137
Income taxes payable	70	63
Total current liabilities	11,670	10,924

Deferred and other tax liabilities, net	889	972
Long-term debt	4,123	4,106
Other liabilities	217	207
Total liabilities	<u>16,899</u>	<u>16,209</u>

Total stockholders' equity	<u>21,651</u>	<u>20,865</u>
Total liabilities and stockholders' equity	<u>\$ 38,550</u>	<u>\$ 37,074</u>

eBay Inc.
Unaudited Condensed Consolidated Statement of Income

Three Months Ended June 30, Six Months Ended June 30,
2013 2012 2013 2012
(In millions, except per share amounts)

Net revenues	\$ 3,877	\$ 3,398	\$ 7,625	\$ 6,675
Cost of net revenues (1)	<u>1,211</u>	<u>987</u>	<u>2,363</u>	<u>1,970</u>
Gross profit	<u>2,666</u>	<u>2,411</u>	<u>5,262</u>	<u>4,705</u>
Operating expenses:				
Sales and marketing (1)	771	717	1,468	1,394
Product development (1)	451	394	885	768
General and administrative (1)	419	390	827	762
Provision for transaction and loan losses	193	131	368	265
Amortization of acquired intangible assets	82	84	164	168
Total operating expenses	<u>1,916</u>	<u>1,716</u>	<u>3,712</u>	<u>3,357</u>
Income from operations	<u>750</u>	<u>695</u>	<u>1,550</u>	<u>1,348</u>

Interest and other, net	6	38	15	69
Gain on divested business	—	118	—	118
Income before income taxes	756	851	1,565	1,535
Provision for income taxes	(116)	(159)	(248)	(273)
Net income	<u>\$ 640</u>	<u>\$ 692</u>	<u>\$ 1,317</u>	<u>\$ 1,262</u>
Net income per share:				
Basic	<u>\$ 0.49</u>	<u>\$ 0.54</u>	<u>\$ 1.02</u>	<u>\$ 0.98</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.53</u>	<u>\$ 1.00</u>	<u>\$ 0.96</u>
Weighted average shares:				
Basic	<u>1,297</u>	<u>1,291</u>	<u>1,296</u>	<u>1,290</u>
Diluted	<u>1,313</u>	<u>1,309</u>	<u>1,316</u>	<u>1,309</u>
(1) Includes stock-based compensation as follows:				
Cost of net revenues	\$ 23	\$ 14	\$ 36	\$ 28
Sales and marketing	41	34	74	64
Product development	46	37	78	67
General and administrative	51	42	84	79
	<u>\$ 161</u>	<u>\$ 127</u>	<u>\$ 272</u>	<u>\$ 238</u>

eBay Inc.
Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In millions)			
Cash flows from operating activities:				
Net income	\$ 640	\$ 692	\$ 1,317	\$ 1,262
Adjustments:				
Provision for transaction and loan losses	193	131	368	265
Depreciation and amortization	347	290	676	571
Gain on divested business	—	(118)	—	(118)
Stock-based compensation	161	127	272	238
Changes in assets and liabilities, net of acquisition effects	(330)	(354)	(685)	(919)
Net cash provided by operating activities	<u>1,011</u>	<u>768</u>	<u>1,948</u>	<u>1,299</u>
Cash flows from investing activities:				
Purchases of property and equipment	(353)	(357)	(652)	(599)
Changes in principal loans receivable, net	(154)	(120)	(183)	(155)
Purchases of investments	(598)	(328)	(2,024)	(1,344)
Maturities and sales of investments	750	221	1,798	629
Acquisitions, net of cash acquired	(7)	(130)	(15)	(133)
Proceeds from divested business, net of cash disposed	—	144	—	144
Other	(9)	(11)	(14)	(16)
Net cash used in investing activities	<u>(371)</u>	<u>(581)</u>	<u>(1,090)</u>	<u>(1,474)</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock	142	140	244	225
Repurchases of common stock	(466)	(355)	(942)	(595)
Excess tax benefits from stock-based compensation	45	14	161	68
Tax withholdings related to net share settlements of restricted stock units and awards	(73)	(14)	(226)	(132)
Funds receivable and customer accounts, net	(115)	45	(918)	(328)
Funds payable and amounts due to customers, net	115	(45)	918	328
Net cash (used in) provided by financing activities	<u>(352)</u>	<u>(215)</u>	<u>(763)</u>	<u>(434)</u>
Effect of exchange rate changes on cash and cash equivalents	37	(98)	(57)	(44)
Net (decrease) increase in cash and cash equivalents	<u>325</u>	<u>(126)</u>	<u>38</u>	<u>(653)</u>

Cash and cash equivalents at beginning of period	6,530	4,164	6,817	4,691
Cash and cash equivalents at end of period	<u>\$ 6,855</u>	<u>\$ 4,038</u>	<u>\$ 6,855</u>	<u>\$ 4,038</u>

eBay Inc.
Unaudited Summary of Consolidated Net Revenues

Net Revenues by Type

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Net transaction revenues	(In millions, except percentages)				
Marketplaces	\$1,637	\$ 1,608	\$ 1,672	\$ 1,490	\$1,491
<i>Current quarter vs prior quarter</i>	2%	(4)%	12%	—%	5%
<i>Current quarter vs prior year quarter</i>	10%	13%	16%	10%	10%
<i>Percent of Marketplaces revenue from international</i>	55%	55%	56%	55%	57%
Payments	1,475	1,435	1,432	1,264	1,234
<i>Current quarter vs prior quarter</i>	3%	—%	13%	2%	1%
<i>Current quarter vs prior year quarter</i>	20%	18%	24%	22%	25%
<i>Percent of Payments revenue from international</i>	56%	55%	56%	55%	55%
Enterprise	194	186	333	170	164
<i>Current quarter vs prior quarter</i>	4%	(44)%	97%	3%	(10)%
<i>Current quarter vs prior year quarter</i>	18%	2%	13%	14%	N/A
<i>Percent of Enterprise revenue from international</i>	5%	5%	3%	3%	4%
Total net transaction revenues	3,306	3,229	3,437	2,925	2,889
<i>Current quarter vs prior quarter</i>	2%	(6)%	17%	1%	2%
<i>Current quarter vs prior year quarter</i>	14%	14%	19%	15%	23%
Marketing services and other revenues					
Marketplaces	364	349	378	316	323
<i>Current quarter vs prior quarter</i>	4%	(8)%	20%	(2)%	7%
<i>Current quarter vs prior year quarter</i>	13%	15%	15%	5%	3%
<i>Percent of Marketplaces revenue from international</i>	75%	75%	72%	75%	74%
Payments	149	113	109	102	123
<i>Current quarter vs prior quarter</i>	32%	4%	7%	(17)%	32%
<i>Current quarter vs prior year quarter</i>	21%	22%	32%	37%	50%
<i>Percent of Payments revenue from international</i>	3%	4%	5%	6%	4%
Enterprise	52	50	65	57	57
<i>Current quarter vs prior quarter</i>	4%	(23)%	14%	—%	3%
<i>Current quarter vs prior year quarter</i>	(9)%	(9)%	(6)%	4%	N/A
<i>Percent of Enterprise revenue from international</i>	—%	—%	—%	—%	—%
Corporate and other	14	12	12	11	10
Total marketing services and other revenues	579	524	564	485	513
<i>Current quarter vs prior quarter</i>	10%	(7)%	16%	(5)%	12%
<i>Current quarter vs prior year quarter</i>	13%	15%	16%	13%	27%
Elimination of inter-segment net revenue and other (1)	(8)	(5)	(9)	\$ (6)	\$ (4)
Total net revenues	<u>\$3,877</u>	<u>\$ 3,748</u>	<u>\$ 3,992</u>	<u>\$ 3,404</u>	<u>\$3,398</u>
<i>Current quarter vs prior quarter</i>	3%	(6)%	17%	—%	4%
<i>Current quarter vs prior year quarter</i>	14%	14%	18%	15%	23%

(1) Represents revenue generated between our reportable segments.

Net Revenues by Geography (1)

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	(In millions, except percentages)				
U.S. net revenues	\$1,870	\$ 1,789	\$ 1,949	\$ 1,637	\$1,611
Current quarter vs prior quarter	5%	(8)%	19%	2%	2%
Current quarter vs prior year quarter	16%	13%	17%	15%	29%
Percent of total	48%	48%	49%	48%	47%
International net revenues	2,007	1,959	2,043	1,767	1,787
Current quarter vs prior quarter	2%	(4)%	16%	(1)%	5%
Current quarter vs prior year quarter	12%	16%	19%	15%	18%
Percent of total	52%	52%	51%	52%	53%
Total net revenues	<u>\$3,877</u>	<u>\$ 3,748</u>	<u>\$ 3,992</u>	<u>\$ 3,404</u>	<u>\$3,398</u>
Current quarter vs prior quarter	3%	(6)%	17%	—%	4%
Current quarter vs prior year quarter	14%	14%	18%	15%	23%

(1) Revenues are attributed to U.S. and international geographies primarily based upon the country in which the seller, payment recipient, customer, website that displays advertising, or other service provider, as the case may be, is located.

eBay Inc.
Unaudited eBay Inc. Supplemental Operating Data

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	(In millions, except percentages)				
ECV (1)	\$50,597	\$48,795	\$ 50,186	\$ 42,593	\$41,906
Current quarter vs prior quarter	4%	(3)%	18%	2%	2%
Current quarter vs prior year quarter	21%	19%	N/A	N/A	N/A

(1) Represents the total commerce and payment volume across all three business units consisting of Marketplaces GMV, PayPal Merchant Services TPV and Enterprise GeC Merchandise Sales not earned on eBay or paid for via PayPal or Bill Me Later during the period. Excludes volume transacted through the Magento platform. PayPal Merchant Services TPV is the total dollar volume of payments, net of payment reversals, successfully completed through our Payments networks, Bill Me Later accounts and Zong during the period, excluding PayPal's payment gateway business and payments for transactions on our Marketplaces and Enterprise platforms.

eBay Inc.
Unaudited Payments Supplemental Operating Data

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	(In millions, except percentages)				
Active registered accounts (1)	132.4	127.7	122.7	117.4	113.2
Current quarter vs prior quarter	4%	4%	5%	4%	3%
Current quarter vs prior year quarter	17%	16%	15%	14%	13%
Net number of payments (2)	700.6	681.6	691.7	589.2	564.8
Current quarter vs prior quarter	3%	(1)%	17%	4%	2%
Current quarter vs prior year quarter	24%	23%	26%	28%	31%
Net total payment volume (3)	\$42,813	\$41,040	\$ 41,471	\$ 35,159	\$34,451
Current quarter vs prior quarter	4%	(1)%	18%	2%	2%
Current quarter vs prior year quarter	24%	21%	24%	20%	20%

On eBay net total payment volume as % of net total payment volume	30%	32%	32%	33%	33%
Merchant Services net total payment volume as % of net total payment volume	70%	68%	68%	67%	67%

Transaction rates

Take rate	3.79%	3.77%	3.72%	3.89%	3.94%
Transaction expense	1.04%	1.05%	1.03%	1.07%	1.07%
Loss rate	0.31%	0.29%	0.28%	0.30%	0.26%
Transaction margin (4)	64.4%	64.4%	64.7%	64.8%	66.3%

Loan portfolio rates

Risk adjusted margin (5)	16.2%	15.8%	15.6%	16.5%	15.5%
Net charge-off rate (6)	5.6%	5.3%	5.3%	4.9%	4.6%
90-day delinquency rate (7)	2.7%	2.7%	2.7%	2.9%	2.5%

- (1) All registered accounts that successfully sent or received at least one payment or payment reversal through the PayPal system or Bill Me Later accounts that are currently able to transact and that received a statement within the last 12 months.
- (2) Number of payments, net of payment reversals, successfully completed through our Payments networks, Bill Me Later accounts and Zong during the quarter, excluding PayPal's payments gateway business.
- (3) Total dollar volume of payments, net of payment reversals, successfully completed through our Payments networks, Bill Me Later accounts and Zong during the quarter, excluding PayPal's payment gateway business.
- (4) Transaction margin calculation has been adjusted to include total revenues (including revenue from credit) less transaction expense (including credit cost of funds) less transaction loss (including credit loan losses), divided by global take rate (based on global total revenues divided by total TPV).
- (5) The risk adjusted margin represents the annualized ratio of Bill Me Later revenue, excluding contra-revenue incentives to customers or merchants, less cost of funds, and less net credit and fraud losses relative to average loans receivable for the quarter.
- (6) Net charge-off rate represents the annualized ratio of Bill Me Later net credit losses relative to average loans receivable for the quarter.
- (7) 90-day delinquency rate is the ratio of Bill Me Later end of period account balances that have missed three or more consecutive payments relative to total ending loan receivables.

eBay Inc.

Unaudited Marketplaces Supplemental Operating Data

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	(In millions, except percentages)				
Active Users (1)	119.7	116.2	112.3	108.3	104.8
Current quarter vs prior quarter	3%	3%	4%	3%	2%
Current quarter vs prior year quarter	14%	13%	12%	10%	8%
Gross Merchandise Volume (excluding vehicles) (2)	\$18,292	\$18,326	\$ 19,105	\$ 16,281	\$16,171
Current quarter vs prior quarter	—%	(4)%	17%	1%	—%
Current quarter vs prior year quarter	13%	13%	16%	11%	10%
U.S. GMV as % of total GMV	40%	40%	38%	40%	39%
International GMV as % of total GMV	60%	60%	62%	60%	61%
Vehicles Gross Merchandise Volume (3)	\$ 1,805	\$ 1,686	\$ 1,727	\$ 1,994	\$ 2,021
Current quarter vs prior quarter	7%	(2)%	(13)%	(1)%	8%
Current quarter vs prior year quarter	(11)%	(10)%	(7)%	(7)%	(10)%
Fixed Price Trading (4) as % of total gross merchandise volume	69%	68%	68%	66%	65%

eBay's classifieds websites, brands4friends and Shopping.com are not included in these metrics.

- (1) All users, excluding users of Half.com, StubHub, and our Korean subsidiary, who bid on, bought, listed or sold an item

within the previous 12-month period. Users may register more than once, and as a result, may have more than one account.

- (2) Total value of all successfully closed items between users on Marketplaces trading platforms during the quarter, regardless of whether the buyer and seller actually consummated the transaction, excluding vehicles gross merchandise volume.
- (3) Total value of all successfully closed vehicle transactions between users on Marketplaces trading platforms during the quarter, regardless of whether the buyer and seller actually consummated the transaction.
- (4) Primarily, total gross merchandise volume related to eBay's "Buy It Now" feature on Marketplaces trading platforms relative to total gross merchandise volume during the quarter.

eBay Inc.

Unaudited Enterprise Supplemental Operating Data

	Three Months Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	(In millions, except percentages)				
GeC Merchandise Sales (1)	\$ 815	\$ 807	\$ 1,595	\$ 698	\$ 674
<i>Current quarter vs prior quarter</i>	1%	(49%)	129%	4%	(6%)
<i>Current quarter vs prior year quarter</i>	21%	13%	17%	16%	N/A

- (1) Represents the retail value of all sales transactions, inclusive of freight charges and net of allowance for returns and discounts, which flow through the Enterprise ecommerce services platform, whether we record the full amount of such transaction as a product sale or a percentage of such transaction as a service fee.

eBay Inc.

Business Outlook

(In Millions, Except Per Share Amounts)

The guidance figures provided below and elsewhere in this press release are forward-looking statements, reflect a number of estimates, assumptions and other uncertainties, and are approximate in nature because the company's future performance is difficult to predict. Such guidance is based on information available on the date of this press release, and the company assumes no obligation to update it.

The company's future performance involves risks and uncertainties, and the company's actual results could differ materially from the information below and elsewhere in this press release. Some of the factors that could affect the company's operating results are set forth under the caption "Forward-Looking Statements" above in this press release. More information about factors that could affect the company's operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company's investor relations website at <http://investor.ebayinc.com> or the SEC's website at www.sec.gov.

(In millions, except per share amounts)	Three Months Ending September 30, 2013	
	GAAP	Non-GAAP (a)
Net Revenue	\$3,850 - \$3,950	\$3,850 - \$3,950
Diluted EPS	\$0.49 - \$0.51	\$0.61 - \$0.63

(In millions, except per share amounts)	Twelve Months Ending December 31, 2013	
	GAAP	Non-GAAP (b)
Net Revenue	\$16,000 - \$16,500	\$16,000 - \$16,500
Diluted EPS	\$2.21 - \$2.26	\$2.70 - \$2.75

- (a) Estimated non-GAAP amounts above for the three months ending September 30, 2013, reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$95-\$105 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$145-\$155 million, and the accretion of a note receivable of approximately \$15 million as well as the related tax impact.

- (b) Estimated non-GAAP amounts above for the 12 months ending December 31, 2013, reflect adjustments that exclude the estimated amortization of acquired intangible assets of approximately \$380-\$400 million, estimated stock-based compensation expense and employer payroll taxes on stock-based compensation expense of approximately \$580-\$620 million, and the accretion of a note receivable of approximately \$25 million as well as the related tax impact.

eBay Inc.
Non-GAAP Measures of Financial Performance

To supplement the company's condensed consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, the company uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin, non-GAAP effective tax rate, and free cash flow.

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 the company's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures.

Reconciliation to the nearest GAAP measure of all non-GAAP measures included in this press release can be found in the tables included in this press release.

These non-GAAP measures are provided to enhance investors' overall understanding of the company's current financial performance and its prospects for the future. Specifically, the company believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses or net purchases of property and equipment, as the case may be, that may not be indicative of its core operating results and business outlook. In addition, because the company has historically reported certain non-GAAP results to investors, the company believes that the inclusion of non-GAAP measures provides consistency in the company's financial reporting.

For its internal budgeting process, and as discussed further below, the company's management uses financial measures that do not include stock-based compensation expense, employer payroll taxes on stock-based compensation, amortization or impairment of acquired intangible assets, impairment of goodwill, significant gains or losses from the disposal/acquisition of a business, restructuring-related charges and the income taxes associated with the foregoing. In addition to the corresponding GAAP measures, the company's management also uses the foregoing non-GAAP measures in reviewing the financial results of the company.

The company excludes the following items from non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating margin and non-GAAP effective tax rate:

Stock-based compensation expense and related employer payroll taxes. This expense consists of expenses for stock options, restricted stock and employee stock purchases. The company excludes stock-based compensation expense from its non-GAAP measures primarily because they are non-cash expenses that management does not believe are reflective of ongoing operating results. The related employer payroll taxes is dependent on the company's stock price and the timing and size of exercises by employees of their stock options and the vesting of their restricted stock, over which management has limited to no control, and as such management does not believe it correlates to the company's operation of the business.

Amortization or impairment of acquired intangible assets, impairment of goodwill, significant gains or losses and transaction expenses from the acquisition or disposal of a business and certain gains or losses on investments. The company incurs amortization or impairment of acquired intangible assets and goodwill in connection with acquisitions and may incur significant gains or losses from the acquisition or disposal of a business and therefore excludes these amounts from its non-GAAP measures. The company also excludes certain gains and losses on investments. In addition, the company's results are also impacted by hedge transactions related to unique movements of cash from significant business acquisitions or dispositions. The company excludes the impact of the accretion of a note receivable associated with the disposal of certain businesses. The company excludes these items because management does not believe they correlate to the ongoing operating results of the company's business.

Restructuring. These charges consist of expenses for employee severance and other exit and disposal costs. The company excludes significant restructuring charges primarily because management does not believe they are reflective of ongoing operating results.

Tax effect of non-GAAP adjustments. This amount is used to present stock-based compensation and the other amounts described above on an after-tax basis consistent with the presentation of non-GAAP net income.

In addition to the non-GAAP measures discussed above, the company also uses free cash flow. Free cash flow represents operating cash flows less purchases of property and equipment. The company considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property, buildings, and equipment, which can then be used to, among other things, invest in the company's business, make strategic acquisitions, and repurchase stock. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period.

eBay Inc.

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

	Three Months Ended	
	June 30, 2013	June 30, 2012
	(In millions, except percentages)	
GAAP operating income	\$ 750	\$ 695
Stock-based compensation expense and related employer payroll taxes	168	129
Amortization of acquired intangible assets within cost of net revenues	19	19
Amortization of acquired intangible assets within operating expenses	82	84
Total non-GAAP operating income adjustments	269	232
Non-GAAP operating income	\$ 1,019	\$ 927
Non-GAAP operating margin	26.3%	27.3%

**Reconciliation of GAAP Net Income to Non-GAAP Net Income and
GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate**

	Three Months Ended	
	June 30, 2013	June 30, 2012
	(In millions, except per share amounts)	
GAAP income before income taxes	\$ 756	\$ 851
GAAP provision for income taxes	(116)	(159)
GAAP net income	\$ 640	\$ 692
Non-GAAP adjustments to net income:		
Non-GAAP operating income adjustments (see table above)	269	232
Accretion of note receivable	(5)	(5)
Amortization of intangibles of investments	2	—
Gain on investment	(5)	—
Gain on divested business	—	(118)
Tax effect of non-GAAP adjustments	(79)	(71)
Non-GAAP net income	\$ 822	\$ 730
Diluted net income per share:		
GAAP	\$ 0.49	\$ 0.53
Non-GAAP	\$ 0.63	\$ 0.56
Shares used in GAAP and non-GAAP diluted net income per-share calculation	1,313	1,309
GAAP effective tax rate	15%	19%
Tax effect of non-GAAP adjustments to net income	4%	5%
Non-GAAP effective tax rate	19%	24%

Reconciliation of Operating Cash Flow to Free Cash Flow

Three Months Ended

	June 30, 2013	June 30, 2012
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(In millions)

Net cash provided by operating activities	\$ 1,011	\$ 768
Less: Purchases of property and equipment	(353)	(357)
Free cash flow	<u>\$ 658</u>	<u>\$ 411</u>

eBay Inc.

Investor Relations Contact:

Tracey Ford

tford@ebay.com

Tom Hudson

thudson@ebay.com

or

Media Relations Contact:

Amanda Miller

press@ebay.com

or

Investor Information Request:

408-376-7493

or

Company News:

<http://www.ebayinc.com/news>

or

Investor Relations website:

<http://investor.ebayinc.com>

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