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EBAY INC

Form 10-Q

April 24, 2019

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us-gaap:InterestRateSwapMember us-gaap:FairValueHedgingMember

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

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number 001-37713

eBay Inc.

(Exact
name of
registrant as
specified in
its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0430924

(I.R.S. Employer
Identification Number)

2025 Hamilton Avenue

San Jose, California

(Address of principal executive offices) (Zip Code)

(408) 376-7008

(Registrant's telephone number, including area code)

95125

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1 — The Company and Summary of Significant Accounting Policies

The Company

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

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

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

Use of Estimates

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

Principles of Consolidation and Basis of Presentation

The accompanying condensed financial statements are consolidated and include the financial statements of eBay Inc., our wholly and majority-owned subsidiaries and variable interest entities (“VIE”) where we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. Minority interests are recorded as a noncontrolling interest. A qualitative approach is applied to assess the consolidation requirement for VIEs. Investments in entities where we hold at least a 20% ownership interest

and have the ability to exercise significant influence, but not control, over the investee are accounted for using the equity method of accounting. For such investments, our share of the investees' results of operations is included in interest and other, net and our investment balance is included in long-term investments. Investments in entities where we hold less than a 20% ownership interest are generally accounted for as equity investments to be measured at fair value or, under an election, at cost if it does not have readily determinable fair value, in which case the carrying value would be adjusted upon the occurrence of an observable price change in an orderly transaction for identical or similar instruments or impairment.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2018. We have evaluated all subsequent events through the date these condensed consolidated financial statements were issued. In the opinion of management, these condensed

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the condensed consolidated financial position, results of operations and cash flows for these interim periods.

Significant Accounting Policies

Notwithstanding the additions of policies below for leases, there were no significant changes to our significant accounting policies disclosed in “Note 1 – The Company and Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended December 31, 2018.

Leases

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

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

Recently Adopted Accounting Pronouncements

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

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

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

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

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

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

Recent Accounting Pronouncements Not Yet Adopted

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

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

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

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

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 2 — Net Income Per Share

Basic net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted net income (loss) per share by application of the treasury stock method. The calculation of diluted net income (loss) per share excludes all anti-dilutive common shares. The following table sets forth the computation of basic and diluted net income (loss) per share for the three months ended March 31, 2019 and 2018 (in millions, except per share amounts):

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

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

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

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

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

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

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

Note 4 — Goodwill and Intangible Assets*Goodwill*

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

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

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

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

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

	March 31, 2019				December 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Intangible assets:								
Customer lists and user base	\$ 537	\$ (452)	\$ 85	5	\$ 519	\$ (445)	\$ 74	5
Marketing related	584	(575)	9	5	584	(578)	6	5
Developed technologies	282	(271)	11	3	278	(269)	9	3
All other	160	(157)	3	4	160	(157)	3	4
Total	\$ 1,563	\$ (1,455)	\$ 108		\$ 1,541	\$ (1,449)	\$ 92	

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

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

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

Note 5 — Segments

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

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

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

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

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

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

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

(2) Represents revenue generated between our reportable segments.

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

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

Net revenues, inclusive of the effects of foreign exchange during each period, are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located.

eBay Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 6 — Investments