

SOHU COM INC
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

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 0-30961

Sohu.com Inc.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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Delaware
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)
Level 12, Sohu.com Internet Plaza

98-0204667
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

No. 1 Unit Zhongguancun East Road, Haidian District

Beijing 100084

People's Republic of China

(011) 8610-6272-6666

(Address, including zip code, of registrant's principal executive offices
and registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at March 31, 2013
Common stock, \$.001 par value	38,238,498

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SOHU.COM INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)****(In thousands, except par value)**

	As of	
	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 798,330	\$ 833,535
Restricted time deposits	116,448	116,140
Short-term investments	73,580	54,901
Investments in debt securities	79,759	79,548
Accounts receivable, net	116,187	98,398
Prepaid and other current assets	61,828	49,256
Total current assets	1,246,132	1,231,778
Fixed assets, net	319,027	178,951
Goodwill	159,551	159,215
Intangible assets, net	70,818	70,054
Restricted time deposits	170,831	130,699
Prepaid non-current assets	167,872	291,643
Other assets	13,224	13,792
Total assets	\$ 2,147,455	\$ 2,076,132
LIABILITIES		
Current liabilities:		
Accounts payable (including accounts payable of consolidated variable interest entities (VIEs) without recourse to the Company of \$1,663 and \$6,958, respectively, as of March 31, 2013 and December 31, 2012)	\$ 63,264	\$ 61,429
Accrued liabilities (including accrued liabilities of consolidated VIEs without recourse to the Company of \$44,730 and \$53,034, respectively, as of March 31, 2013 and December 31, 2012)	114,946	117,029
Receipts in advance and deferred revenue (including receipts in advance and deferred revenue of consolidated VIEs without recourse to the Company of \$46,965 and \$54,150, respectively, as of March 31, 2013 and December 31, 2012)	81,931	89,687
Accrued salary and benefits (including accrued salary and benefits of consolidated VIEs without recourse to the Company of \$2,646 and \$4,940, respectively, as of March 31, 2013 and December 31, 2012)	58,458	61,722
Taxes payable (including taxes payable of consolidated VIEs without recourse to the Company of \$13,574 and \$14,191, respectively, as of March 31, 2013 and December 31, 2012)	37,476	33,897
Deferred tax liabilities (including deferred tax liabilities of consolidated VIEs without recourse to the Company of \$53 and \$83, respectively, as of March 31, 2013 and December 31, 2012)	13,551	11,878
Short-term bank loans (including short-term bank loans of consolidated VIEs without recourse to the Company of nil as of both March 31, 2013 and December 31, 2012)	113,000	113,000
Other short-term liabilities (including other short-term liabilities of consolidated VIEs without recourse to the Company of \$14,071 and \$33,074, respectively, as of March 31, 2013 and December 31, 2012)	45,300	63,352
Contingent consideration (including contingent consideration of consolidated VIEs without recourse to the Company of nil as of both March 31, 2013 and December 31, 2012)	0	76
Total current liabilities	527,926	552,070
Long-term accounts payable (including long-term accounts payable of the consolidated VIEs without recourse to the Company of nil as of both March 31, 2013 and December 31, 2012)	11,274	12,684

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Long-term bank loans (including long-term bank loans of the consolidated VIEs without recourse to the Company of nil as of both March 31, 2013 and December 31, 2012)	157,496	126,353
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs without recourse to the Company of \$3,682 and \$3,846, respectively, as of March 31, 2013 and December 31, 2012)	7,797	7,998
Total long-term liabilities	176,567	147,035
Total liabilities	704,493	699,105
Commitments and contingencies		
MEZZANINE EQUITY	72,606	61,810
SHAREHOLDERS' EQUITY		
Sohu.com Inc. shareholders' equity:		
Common stock: \$0.001 par value per share (75,400 shares authorized; 38,238 shares and 38,089 shares, respectively, issued and outstanding)	44	44
Additional paid-in capital	371,252	364,092
Treasury stock (5,889 shares)	(143,858)	(143,858)
Accumulated other comprehensive income	83,279	79,542
Retained earnings	808,834	784,403
Total Sohu.com Inc. shareholders' equity	1,119,551	1,084,223
Noncontrolling interest	250,805	230,994
Total shareholders' equity	1,370,356	1,315,217
Total liabilities, mezzanine equity and shareholders' equity	\$ 2,147,455	\$ 2,076,132

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

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	Three Months Ended March 31,	
	2013	2012
Revenues:		
Online advertising:		
Brand advertising	\$ 80,237	\$ 60,968
Search and others	36,052	21,637
Subtotal of online advertising revenues	116,289	82,605
Online games	167,421	125,968
Wireless	13,773	13,351
Others	10,113	4,680
Total revenues	307,596	226,604
Cost of revenues:		
Online advertising:		
Brand advertising	44,878	36,892
Search and others	20,792	13,128
Subtotal of cost of online advertising revenues	65,670	50,020
Online games	22,650	15,831
Wireless	9,271	8,853
Others	5,938	4,818
Total cost of revenues	103,529	79,522
Gross profit	204,067	147,082
Operating expenses:		
Product development	51,819	38,593
Sales and marketing	58,723	38,654
General and administrative	22,589	17,794
Total operating expenses	133,131	95,041
Operating profit	70,936	52,041
Other income	2,531	1,613
Interest income	6,701	6,495
Exchange difference	(1,985)	(643)
Income before income tax expense	78,183	59,506
Income tax expense	20,018	18,687
Net income	58,165	40,819

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Less: Net income attributable to the mezzanine classified noncontrolling interest shareholders	10,668	1,111
Net income attributable to the noncontrolling interest shareholders	23,066	16,600
Net income attributable to Sohu.com Inc.	\$ 24,431	\$ 23,108
Net income	\$ 58,165	\$ 40,819
Other comprehensive income: Foreign currency translation adjustment, net of tax	4,803	1,787
Comprehensive income	62,968	42,606
Less: Comprehensive income attributable to the mezzanine classified noncontrolling interest shareholders	10,668	1,111
Comprehensive income attributable to noncontrolling interest shareholders	24,132	16,925
Comprehensive income attributable to Sohu.com Inc.	28,168	24,570
Basic net income per share attributable to Sohu.com Inc.	\$ 0.64	\$ 0.61
Shares used in computing basic net income per share attributable to Sohu.com Inc.	38,169	38,084
Diluted net income per share attributable to Sohu.com Inc.	\$ 0.60	\$ 0.53
Shares used in computing diluted net income per share attributable to Sohu.com Inc.	38,429	38,485

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

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SOHU.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In thousands)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		