

SOHU COM INC  
Form 10-Q  
November 08, 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 SEPTEMBER 30, 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 18, SOHU.com Media Plaza**  
**Block 3, No. 2 Kexueyuan South Road, Haidian District**  
**Beijing 100190**  
**People's Republic of China**  
**(011) 8610-6272-6666**

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

(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 June 30, 2013
Common stock, \$.001 par value	38,292,919

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****SOHU.COM INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)****(In thousands, except par value)**

	As of	
	September 30, 2013	December 31, 2012 (Revised)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,240,842	\$ 833,535
Restricted time deposits	314,836	116,140
Short-term investments	24,369	54,901
Investments in debt securities	81,327	79,548
Accounts receivable, net	153,284	98,398
Prepaid and other current assets	95,501	55,761
<b>Total current assets</b>	<b>1,910,159</b>	<b>1,238,283</b>
Fixed assets, net	546,228	178,951
Goodwill	164,461	159,215
Intangible assets, net	81,255	70,054
Restricted time deposits	60,151	130,699
Prepaid non-current assets	9,844	291,643
Other assets	16,249	13,792
<b>Total assets</b>	<b>\$ 2,788,347</b>	<b>\$ 2,082,637</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable (including accounts payable of consolidated variable interest entities ( VIEs ) without recourse to the Company of \$11,067 and \$6,958, respectively, as of September 30, 2013 and December 31, 2012)	\$ 96,171	\$ 67,934
Accrued liabilities (including accrued liabilities of consolidated VIEs without recourse to the Company of \$51,937 and \$53,034, respectively, as of September 30, 2013 and December 31, 2012)	209,463	117,029
Receipts in advance and deferred revenue (including receipts in advance and deferred revenue of consolidated VIEs without recourse to the Company of \$64,765 and \$54,150, respectively, as of September 30, 2013 and December 31, 2012)	112,805	89,687
	76,108	61,722

Accrued salary and benefits (including accrued salary and benefits of consolidated VIEs without recourse to the Company of \$2,985 and \$4,940, respectively, as of September 30, 2013 and December 31, 2012)

Taxes payable (including taxes payable of consolidated VIEs without recourse to the Company of \$14,091 and \$14,191, respectively, as of September 30, 2013 and December 31, 2012)	56,672	33,897
Deferred tax liabilities (including deferred tax liabilities of consolidated VIEs without recourse to the Company of \$3 and \$83, respectively, as of September 30, 2013 and December 31, 2012)	16,806	11,878
Short-term bank loans (including short-term bank loans of consolidated VIEs without recourse to the Company of nil as of both September 30, 2013 and December 31, 2012)	354,002	113,000

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Other short-term liabilities (including other short-term liabilities of consolidated VIEs without recourse to the Company of \$132,111 and \$33,074, respectively, as of September 30, 2013 and December 31, 2012)	63,298	63,352
Contingent consideration (including contingent consideration of consolidated VIEs without recourse to the Company of nil as of both September 30, 2013 and December 31, 2012)	0	76
<b>Total current liabilities</b>	<b>985,325</b>	<b>558,575</b>
Long-term accounts payable (including long-term accounts payable of consolidated VIEs without recourse to the Company of \$1,294 and nil, respectively, as of September 30, 2013 and December 31, 2012)	7,333	12,684
Long-term bank loans (including long-term bank loans of consolidated VIEs without recourse to the Company of nil as of both September 30, 2013 and December 31, 2012)	0	126,353
Deferred tax liabilities (including deferred tax liabilities of consolidated VIEs without recourse to the Company of \$3,310 and \$3,846, respectively, as of September 30, 2013 and December 31, 2012)	7,350	7,998
<b>Total long-term liabilities</b>	<b>14,683</b>	<b>147,035</b>
<b>Total liabilities</b>	<b>1,000,008</b>	<b>705,610</b>
<b>Commitments and contingencies</b>		
<b>MEZZANINE EQUITY</b>	0	61,810
<b>SHAREHOLDERS EQUITY</b>		
Sohu.com Inc. shareholders' equity:		
Common stock: \$0.001 par value per share (75,400 shares authorized; 38,293 shares and 38,089 shares, respectively, issued and outstanding as of September 30, 2013 and December 31, 2012)	44	44
Additional paid-in capital	594,812	378,311
Treasury stock (5,889 shares as of September 30, 2013 and December 31, 2012)	(143,858)	(143,858)
Accumulated other comprehensive income	105,768	79,542
Retained earnings	749,748	770,184
<b>Total Sohu.com Inc. shareholders' equity</b>	<b>1,306,514</b>	<b>1,084,223</b>
<b>Noncontrolling interest</b>	<b>481,825</b>	<b>230,994</b>
<b>Total shareholders' equity</b>	<b>1,788,339</b>	<b>1,315,217</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>\$ 2,788,347</b>	<b>\$ 2,082,637</b>

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

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## SOHU.COM INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30, 2012	
	2013	2012	2013	(Revised)
Revenues:				
Online advertising:				
Brand advertising	\$ 124,780	\$ 77,874	\$ 305,208	\$ 208,154
Search and others	52,305	35,284	134,528	85,684
Subtotal of online advertising revenues	177,085	113,158	439,736	293,838
Online games	161,494	150,263	497,210	412,187
Mobile	14,524	14,312	43,610	43,261
Others	15,220	7,645	34,267	18,423
Total revenues	368,323	285,378	1,014,823	767,709
Cost of revenues:				
Online advertising:				
Brand advertising	63,780	37,476	160,214	125,331
Search and others	26,785	19,736	72,075	49,056
Subtotal of cost of online advertising revenues	90,565	57,212	232,289	174,387
Online games	21,750	20,753	67,381	54,475
Mobile	8,108	9,474	26,342	28,535
Others	5,067	9,310	16,652	18,718
Total cost of revenues	125,490	96,749	342,664	276,115
Gross profit	242,833	188,629	672,159	491,594
Operating expenses:				
Product development	70,551	46,994	185,731	128,927
Sales and marketing	90,728	58,250	221,129	145,903
General and administrative	29,365	19,666	77,726	54,968
Impairment of intangible assets via acquisition of businesses	0	0	0	2,906
Total operating expenses	190,644	124,910	484,586	332,704

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Operating profit	52,189	63,719	187,573	158,890
Other income /(expense)	1,533	(111)	5,596	3,320
Interest income	7,595	5,974	19,794	19,692
Exchange difference	(1,305)	667	(5,274)	69
Income before income tax expense	60,012	70,249	207,689	181,971
Income tax expense	18,923	18,727	55,192	55,881
Net income	41,089	51,522	152,497	126,090
Less: Net income attributable to the mezzanine-classified noncontrolling interest shareholders	0	4,495	17,780	6,701
Net income attributable to the noncontrolling interest shareholders	22,855	21,146	70,426	57,618
Dividend or deemed dividend to noncontrolling Sogou series A preferred shareholders	82,423	0	82,423	14,219
Net income /(loss) attributable to Sohu.com Inc.	\$ (64,189)	\$ 25,881	\$ (18,132)	\$ 47,552

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Net income	41,089	51,522	152,497	126,090
Other comprehensive income /(loss): Foreign currency translation adjustment, net of tax	8,249	(3,447)	33,481	(7,115)
Comprehensive income	49,338	48,075	185,978	118,975
Less: Comprehensive income attributable to the mezzanine-classified noncontrolling interest shareholders	0	4,495	17,780	6,701
Comprehensive income attributable to noncontrolling interest shareholders	24,749	20,540	77,681	56,510
Dividend or deemed dividend to noncontrolling Sogou series A preferred shareholders	82,423	0	82,423	14,219
Comprehensive income /(loss) attributable to Sohu.com Inc.	\$ (57,834)	\$ 23,040	\$ 8,094	\$ 41,545
Basic net income /(loss) per share attributable to Sohu.com Inc.	\$ (1.68)	\$ 0.68	\$ (0.47)	\$ 1.25
Shares used in computing basic net income /(loss) per share attributable to Sohu.com Inc.	38,288	38,022	38,239	38,036