

SOHU COM INC
Form 10-Q
August 07, 2017
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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 JUNE 30, 2017

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)

Delaware
(STATE OR OTHER JURISDICTION OF

98-0204667
(I.R.S. EMPLOYER

INCORPORATION OR ORGANIZATION)

IDENTIFICATION NUMBER)

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

(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, 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. (Check one):

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

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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, 2017
Common stock, \$.001 par value	38,867,032

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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	
	December 31, 2016	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,050,957	\$ 933,711
Short-term investments	247,926	308,928
Accounts receivable, net	189,167	252,551
Assets held for sale	103,079	0
Prepaid and other current assets (including \$29,019 and \$30,290, respectively, due from a related party as of December 31, 2016 and June 30, 2017)	260,133	239,854
Total current assets	1,851,262	1,735,044
Fixed assets, net	503,631	517,565
Goodwill	68,290	153,643
Long-term investments, net	74,273	74,724
Intangible assets, net	32,131	32,956
Restricted time deposits	269	269
Prepaid non-current assets	4,734	4,362
Other assets	29,100	25,707
Total assets	\$ 2,563,690	\$ 2,544,270
LIABILITIES		
Current liabilities:		
Accounts payable (including accounts payable of consolidated variable interest entities (VIEs) without recourse to the Company of \$15,824 and \$33,767, respectively, as of December 31, 2016 and June 30, 2017)	\$ 193,209	\$ 246,680
Accrued liabilities (including accrued liabilities of consolidated VIEs without recourse to the Company of \$96,695 and \$72,944, respectively, as of December 31, 2016 and June 30, 2017)	324,876	321,441
Receipts in advance and deferred revenue (including receipts in advance and deferred revenue of consolidated VIEs without recourse to the Company of \$44,797 and \$43,613, respectively, as of December 31, 2016 and June 30, 2017)	118,951	118,016
	92,475	75,552

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Accrued salary and benefits (including accrued salary and benefits of consolidated VIEs without recourse to the Company of \$10,306 and \$8,648, respectively, as of December 31, 2016 and June 30, 2017)		
Taxes payable (including taxes payable of consolidated VIEs without recourse to the Company of \$11,475 and \$12,678, respectively, as of December 31, 2016 and June 30, 2017)	40,014	57,216
Short-term bank loans (including short-term bank loans of consolidated VIEs without recourse to the Company of nil and \$6,309, respectively, as of December 31, 2016 and June 30, 2017)	0	7,516
Liabilities held for sale (including liabilities held for sale of consolidated VIEs without recourse to the Company of \$3,232 and nil, respectively, as of December 31, 2016 and June 30, 2017)	3,902	0
Other short-term liabilities (including other short-term liabilities of consolidated VIEs without recourse to the Company of \$89,994 and \$83,278, respectively, as of December 31, 2016 and June 30, 2017, and due to a related party of \$28,678 and \$29,724, respectively, as of December 31, 2016 and June 30, 2017)	159,315	150,547
Total current liabilities	932,742	976,968
Long-term accounts payable (including long-term accounts payable of consolidated VIEs without recourse to the Company of nil as of both December 31, 2016 and June 30, 2017)	744	1,060
Long-term taxes payable (including long-term taxes payable of consolidated VIEs without recourse to the Company of \$13,463 and \$13,787, respectively, as of December 31, 2016 and June 30, 2017)	32,625	30,601
Deferred tax liabilities (including deferred tax liabilities of consolidated VIEs without recourse to the Company of \$1,273 and \$1,253, respectively, as of December 31, 2016 and June 30, 2017)	39,784	42,054
Total long-term liabilities	73,153	73,715
Total liabilities	1,005,895	1,050,683
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Sohu.com Inc. shareholders equity:		
Common stock: \$0.001 par value per share (75,400 shares authorized; 38,742 shares and 38,867 shares, respectively, issued and outstanding as of December 31, 2016 and June 30, 2017)	45	45
Additional paid-in capital	821,867	834,160
Treasury stock (5,889 shares as of both December 31, 2016 and June 30, 2017)	(143,858)	(143,858)
Accumulated other comprehensive income	3,220	11,550
Retained earnings	312,306	155,875
Total Sohu.com Inc. shareholders equity	993,580	857,772
Noncontrolling interest	564,215	635,815
Total shareholders equity	1,557,795	1,493,587
Total liabilities and shareholders equity	\$ 2,563,690	\$ 2,544,270

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
Revenues:				
Online advertising:				
Brand advertising (including revenues generated from a related party of \$10 and nil, respectively, for the three months ended June 30, 2016 and 2017, and of \$862 and nil, respectively, for the six months ended June 30, 2016 and 2017)	\$ 112,887	\$ 86,071	\$ 238,390	\$ 167,483
Search and search-related advertising	160,152	186,747	293,966	328,782
Subtotal of online advertising revenues	273,039	272,818	532,356	496,265
Online games	99,227	122,398	201,756	207,723
Others	47,872	65,952	93,978	131,283
Total revenues	420,138	461,168	828,090	835,271
Cost of revenues:				
Online advertising:				
Brand advertising	93,654	124,730	179,290	204,927
Search and search-related advertising	71,998	96,692	134,090	178,799
Subtotal of cost of online advertising revenues	165,652	221,422	313,380	383,726
Online games	25,380	11,613	51,513	28,118
Others	21,226	45,159	40,212	85,229
Total cost of revenues	212,258	278,194	405,105	497,073
Gross profit	207,880	182,974	422,985	338,198
Operating expenses:				
Product development	88,959	100,146	171,638	184,244
Sales and marketing (including expenses generated from a related party of \$202 and nil, respectively, for the three months ended June 30, 2016 and 2017, and of \$216 and nil, respectively, for the six months ended June 30, 2016 and 2017)	117,966	94,845	208,013	184,931
General and administrative	29,650	27,657	57,257	56,007

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Total operating expenses	236,575	222,648	436,908	425,182
Operating loss	(28,695)	(39,674)	(13,923)	(86,984)
Other income /(loss)	(24,573)	3,306	(20,649)	7,405
Interest income (including interest income generated from a related party of \$442 and \$284, respectively, for the three months ended June 30, 2016 and 2017, and \$663 and \$563, respectively, for the six months ended June 30, 2016 and 2017)	5,284	5,813	11,121	10,284
Interest expense (including interest expense generated from a related party of \$218 and \$178, respectively, for the three months ended June 30, 2016 and 2017, and \$299 and \$353, respectively, for the six months ended June 30, 2016 and 2017)	(244)	(205)	(942)	(380)
Exchange difference	3,866	(4,528)	2,844	(5,294)
Loss before income tax expense	(44,362)	(35,288)	(21,549)	(74,969)
Income tax expense	2,430	12,764	14,298	23,436
Net loss	(46,792)	(48,052)	(35,847)	(98,405)
Less: Net income attributable to the noncontrolling interest shareholders	16,232	40,131	47,463	58,026
Net loss attributable to Sohu.com Inc.	\$ (63,024)	\$ (88,183)	\$ (83,310)	\$ (156,431)
Net loss	(46,792)	(48,052)	(35,847)	(98,405)
Foreign currency translation adjustments	(28,831)	17,169	(27,412)	22,137
Change in unrealized loss for available-for-sale securities	(1,384)	(573)	(1,428)	(1,251)
Other comprehensive income /(loss)	(30,215)	16,596	(28,840)	20,886
Comprehensive loss	(77,007)	(31,456)	(64,687)	(77,519)
Less: Comprehensive income attributable to noncontrolling interest shareholders	5,420	50,003	37,551	70,582
Comprehensive loss attributable to Sohu.com Inc.	(82,427)	(81,459)	(102,238)	(148,101)
Basic net loss per share attributable to Sohu.com Inc.	\$ (1.63)	\$ (2.27)	\$ (2.15)	\$ (4.03)
Shares used in computing basic net loss per share attributable to Sohu.com Inc.	38,691	38,855	38,678	38,833
Diluted net loss per share attributable to Sohu.com Inc.	\$ (1.64)	\$ (2.28)	\$ (2.17)	\$ (4.05)
Shares used in computing diluted net loss per share attributable to Sohu.com Inc.	38,691	38,855	38,678	38,833

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)