

SOHU COM INC
Form 10-Q
August 08, 2005
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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 June 30, 2005

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)

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

Level 12, Vision International Center
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 is an accelerated filer (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:

<u>Class</u>	<u>Outstanding at July 29, 2005</u>
Common stock, \$.001 par value	36,306,194

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	As of	
	June 30, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 109,118	\$ 122,384
Accounts receivable, net (including \$0 and \$199 from related parties, respectively)	21,496	19,901
Prepaid and other current assets	3,173	4,894
Current portion of long-term investments in marketable debt securities	1,501	4,494
	<u>135,288</u>	<u>151,673</u>
Total current assets	135,288	151,673
Long-term investments in marketable debt securities	14,214	14,444
Investment in an associate	1,037	995
Fixed assets, net	15,234	12,175
Goodwill	50,700	44,502
Intangible assets, net	7,499	7,503
Other assets, net	6,554	3,475
	<u>\$ 230,526</u>	<u>\$ 234,767</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (including \$206 and \$110 to related parties, respectively)	\$ 1,643	\$ 2,273
Accrued liabilities	29,509	33,995
	<u>31,152</u>	<u>36,268</u>
Total current liabilities	31,152	36,268
Zero coupon convertible senior notes	90,000	90,000
	<u>121,152</u>	<u>126,268</u>
Total liabilities	121,152	126,268
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock: \$0.001 par value per share (75,400 authorized, 36,235 and 36,537 shares issued and outstanding, respectively)	39	38
Additional paid-in capital	147,465	145,481

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Treasury stock (3,446 shares and 2,561 shares, respectively)	(39,686)	(25,839)
Deferred compensation		(2)
Accumulated other comprehensive (loss)/ income	(65)	14
Retained earnings/ (accumulated deficit)	1,621	(11,193)
	<u> </u>	<u> </u>
Total shareholders' equity	109,374	108,499
	<u> </u>	<u> </u>
	\$ 230,526	\$ 234,767
	<u> </u>	<u> </u>

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

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	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2005	2004	2005	2004
Revenues:				
Advertising:				
Brand advertising (including \$6, \$121, \$6 and \$245 from related parties, respectively)	\$ 13,859	\$ 10,950	\$ 25,983	\$ 19,943
Sponsored search	3,105	2,432	5,836	4,453
Subtotal of advertising revenues	16,964	13,382	31,819	24,396
Non-advertising:				
Wireless	6,360	11,316	12,319	23,561
E-commerce	841	1,370	2,106	2,689
Others	1,714	1,199	3,360	2,556
Subtotal of non-advertising revenues	8,915	13,885	17,785	28,806
Total revenues	25,879	27,267	49,604	53,202
Cost of revenues:				
Advertising:				
Brand advertising	3,835	3,128	7,064	5,788
Sponsored search	453	244	746	372
Subtotal of advertising cost of revenues	4,288	3,372	7,810	6,160
Non-advertising:				
Wireless	2,781	4,132	4,986	8,313
E-commerce (including \$33, \$31, \$64 and \$66 from related parties, respectively)	783	1,346	2,014	2,632
Others (including \$296, \$0, \$580 and \$0 from related parties, respectively)	594	386	1,166	754
Subtotal of non-advertising cost of revenues	4,158	5,864	8,166	11,699
Total cost of revenues	8,446	9,236	15,976	17,859
Gross profit	17,433	18,031	33,628	35,343
Operating expenses:				
Product development	3,594	2,091	6,736	3,971
Sales and marketing	4,269	4,261	9,003	7,382
General and administrative	2,399	1,752	4,811	3,324
Amortization of intangibles	474	360	930	537
Total operating expenses	10,736	8,464	21,480	15,214

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Operating profit	6,697	9,567	12,148	20,129
Other expense	(102)	(196)	(350)	(404)
Interest income	555	578	1,128	1,208
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income tax expense	7,150	9,949	12,926	20,933
Income tax expense	(50)	(70)	(112)	(124)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 7,100	\$ 9,879	\$ 12,814	\$ 20,809
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic net income per share	\$ 0.20	\$ 0.27	\$ 0.36	\$ 0.57
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Shares used in computing basic net income per share	36,015	36,349	36,093	36,302
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted net income per share	\$ 0.18	\$ 0.25	\$ 0.33	\$ 0.52
	<u> </u>	<u> </u>	<u> </u>	<u> </u>