

EBAY Inc.
Ticker: EBAY
Sector: Consumer Discretionary
Industry: E-Commerce

Intrinsic Value: \$67.00
Current Price: \$53.90
Stop Loss: \$45.82
Upside Review: \$70.00

TTM P/E: 24.73
Forward P/E: 15.88
Beta: 0.91

Market Cap: \$69.94 BN
Dividend Yield: 0.0%
52 Wk Range: \$48.06 - \$58.04

Industry Trends: eBay operates in the E-Commerce / online shopping space within Consumer Discretionary and their main competitors are Amazon, Google, and Overstock. Online shopping continues to grow especially with the popularity of tablets, smart phones, and mobile shopping apps. E commerce as a % of total retail sales continues to grow and is estimated to reach 10% by 2017 (currently at 5.8%).

Investment Thesis: Strength in the marketplace segment, traditional auction business, PayPal, and other complimentary acquisitions has solidified eBay's position as key hub in the e-commerce industry. eBay's strong ability to benefit from network effects is unique amongst its competitors. As marketplace and traditional auction users increase so does users' switching costs and competitors' barriers to entry. eBay's willingness to partner with other merchants will likely drive growth as traditional retailers realize the importance of an online presence. eBay can add value through services such as platform delivery options, PayPal, ship from store, and other commerce solutions. A major driver for future growth is the widespread acceptance of mobile devices as 40% of new users in 2013 came from these platforms; this is especially true for international markets. eBay's strong market position, network effects, and growth potential make the company a strong buy.

Business Overview: eBay Inc. is a global technology company which enables commerce through three reportable segments: Marketplaces, Payments, and GSI. The Company provides online platforms, tools and services to help individuals and small, medium and merchants around the globe engage in online and mobile commerce and payments. eBay Inc. also generates revenue through marketing services, classifieds and advertising.

Pros:

- eBay's capital efficient e-commerce model will likely translate to further profits and earnings growth
- eBay has an excellent opportunity to grow international sales as 52% of revenues came from abroad in 2013

Risk Factors:

- Increasing competition from 3rd party sellers from Amazon and ecommerce market share loss
- PayPal market share loss from Google, Amazon, and traditional credit card companies
- Further economic slowdown in the US and Europe

Total Return Estimates:

3 Yr FV Reversion*: 7.5%
5 Yr FV Reversion*: 4.4%
 (* - From limit order price of \$00.00)

Key Valuation Assumptions:

Est. Revenue Growth: 16.0%
 WACC: 9.85%
 Expected Inflation: 3.0%
 Terminal Growth Rate: 3.0%
 10 yr. Risk Free Rate: 2.82%
 Equity Risk Premium: 5.9%
 Effective Tax Rate: 26.63%

Key Financial Data:

2013 EPS: \$2.18
 Est. 2014 EPS: \$2.98
 PEG (TTM): 1.24
 Credit Quality: A-

ROE: 12.83%
 ROA: 7.27%
 Price /Book: 2.94
 Current Ratio: 1.84
 Quick Ratio: 0.79

CSR Scores vs. Industry Average:

Human Rights: 0 / 0
 Business Ethics Policy: 1 / 1
 ESG Disclosure: 15.29 / 15.47
 Equal Opportunity: 1 / 1
 Emission Reduction: 0 / 0
 Environmental Disclosure Score: N/A / 8.26

Prepared By: George Cerwinski on Feb 12, 2014

5 year stock performance:



Direct Competitor Comparison

	EBAY	AMZN	GOOG	OSTK	Industry
Market Cap:	70.02B	166.33B	398.53B	447.30M	3.06B
Employees:	31,800	117,300	47,756	N/A	6.90K
Qtrly Rev Growth (yoy):	0.13	0.20	0.17	0.16	0.38
Revenue (ttm):	16.05B	74.45B	59.82B	1.30B	805.60M
Gross Margin (ttm):	0.69	0.27	0.57	0.19	0.42
EBITDA (ttm):	4.77B	3.55B	17.90B	30.62M	221.73M
Operating Margin (ttm):	0.21	0.01	0.23	0.01	0.02
Net Income (ttm):	2.86B	274.00M	12.21B	88.51M	N/A
EPS (ttm):	2.18	0.59	38.13	3.64	0.74
P/E (ttm):	24.77	611.86	31.13	5.16	29.21
PEG (5 yr expected):	1.24	4.09	1.34	-0.48	1.25
P/S (ttm):	4.34	2.23	6.58	0.35	3.80

AMZN = Amazon.com Inc.
 GOOG = Google Inc.
 OSTK = Overstock.com Inc.
 Industry = Specialty Retail, Other