

Internet/e-Commerce

4Q'23 preview: Online taking more B&M share but trends soften post Nov accel

Price Objective Change

Online furnishings trend above total industry in 4Q

We preview 4Q'23 earnings and 1Q'24 outlook for Wayfair (W), Etsy (ETSY) and Beyond (BYON), as well as highlight recent industry trends. Online furnishings softened in Jan to -11.1% YoY vs. -9.7% in 4Q'23, per BAC aggregated credit and debit card data (though above B&M declining 15.9/13.4%). This is consistent with trends called out in our recent [home furnishings expert call \(see takeaways\)](#) with sales down 10-25% YoY in Jan for US brands (and less incl. Chinese brands) and marking a decel from a strong Nov/Dec that was supported by high promo activity. Per the expert call, MTD data in Feb improved to down half the rate of Jan. We continue to expect an improvement in furnishings through '24 with a possible return to YoY growth in 2H driven by a housing rebound. Headcount reductions from W/ETSY/BYON suggest bottom-line improvement is a key theme for '24 but could also signal some caution on YTD revenues.

Wayfair: Lower 1Q but positive on margins & mkt share

Wayfair (W) reports on 2/22 BMO with a call at 8:00am ET. We est 4Q'23 rev/EBITDA of \$3.10bn/\$95mn, -0.2/+4.8% vs. Street and factoring another quarter of outperformance to the industry (we est. 12ppts above industry vs. 18ppts in 3Q). We lower our 1Q'24 rev to \$2.68bn (from \$2.80bn) on January industry trends and a decel in web traffic. Our 1Q EBITDA goes to \$84mn and we lower '24 to \$612mn given guide of \$600mn+ if revenue is flat (we est. 1.6% YoY). We lower our PO to \$75 from \$85 (see pg. 2). Based on investor conversations, we think the market is pricing in softer Wayfair topline vs. Street ests, in the (1)-(2)% YoY range for 4Q23 (Street is flat) and in the negative MSD range for 1Q24 (Street is +0.8%). W remains a top pick as we are positive on share gains and the potential for accelerated margin expansion when the industry returns to growth.

Etsy: 1QTD has some green shoots, web trends still soft

Etsy (ETSY) reports earnings on 2/21 after market close with a call following at 5pm ET. We project 4Q GMS/rev/EBITDA of \$3.97bn/\$828mn/\$230mn (inline/+0.1%/+1.4% vs. consensus). BAC aggregated card data indicates trends for Etsy's top categories (Online furnishings, clothing, and jewelry) decelerated slightly in 4Q, though a January uptick in trends (driven by Online jewelry) could be constructive for Etsy's 1Q outlook. That said, web traffic was weak in 4Q (and 1QTD), potentially reflecting headwinds to paid marketing channels due to Chinese competitors, and pressures could extend into 2024. Constructively, Elliott's stake and new Board seat could be a catalyst for improvement.

Beyond: Expect rev beat but focused on margin discipline

Beyond (BYON) reports after market on 2/20, followed by a call at 8:30am ET on 2/21. We forecast 4Q revenue/EBITDA of \$351mn/(\$27)mn, above Street's \$347mn/(\$34)mn. We believe investors are looking for strong revenue trends (web traffic accelerated in Nov/Dec) though results could be perceived negative if at the expense of margins. Web traffic also decel'd by 50% in January MoM, which raises questions on the need for continuous promotions. Under Chairman Marcus Lemonis, Beyond has taken a harder stance on expenses, cutting 12.5% of fixed costs, but investors may be looking for clarity on when Beyond can pull back on promotions and return to positive EBITDA.

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See the [BofA on USA](#) note for an explanation of the methodology, disclaimers and limitations with BAC aggregated credit and debit card data.

OPEX – operating expenses

GM – gross margin

LSD – low-single digit

MSD – mid-single-digit

BMO – before market open

GMS – gross merchandise sales

Wayfair: shares gains should continue in 4Q and 2024

Wayfair (W) reports 4Q'23 earnings on Thursday, 2/22 before market open with a call at 8:00am ET. We project rev/EBITDA of \$3.10bn/\$95mn (vs. Street at \$3.11bn/\$90mn) and factor in another strong quarter of solid outperformance to the industry (we project 4Q rev. outpaced the Online furnishings industry by 12ppts in 4Q vs. 18ppts in 3Q, per BAC aggregated card data). We lower our 1Q'24 revenue by 4.3% to \$2.68bn (and Street at \$2.80bn) and lower our '24 revenue by 2.7% to \$12.18bn (Street at \$12.34bn) on softer industry spend and web traffic in January. Based on investor conversations, we think the market is pricing in softer Wayfair topline vs. Street ests, in the (1)-(2)% YoY range for 4Q'23 (Street is flat) and in the negative MSD range for 1Q'24 (Street is +0.8%). We now project \$612mn in 2024 EBITDA (from \$614mn), which is still above Wayfair's guidance for \$600mn+ in EBITDA if revenue is flat (we project 1.6% growth).

Wayfair remains a top pick for 2024 despite a soft start to the year as we believe the Street (1) continues to underappreciate the potential for further margin expansion when the industry returns to growth, (2) Wayfair leverages \$125mn in [new OPEX reductions](#) (see [summary note](#)), and (3) GM initiatives potentially add several hundred bps to gross margin. We lower our PO to \$75 (from \$85), now based on 0.8x 2025 EV/Sales (from 0.9x) on a lower growth outlook. This compares to Wayfair's historical average multiple of approx. 1.1x.

Positives for the quarter could include: 1) better-than-expected share gains; 2) another gross margin beat on ongoing cost efficiencies, mix shift towards higher margin items, and Wayfair's profit-sorting algorithm; 3) reiterating \$600mn in EBITDA vs. Street at \$560mn; 4) commentary that mgmt. expects an improvement in industry trends in 2024 and return to growth in '25. **Negatives** for the quarter include: 1) 1Q outlook suggesting softer-than-expected start to the year; 2) increased need for promotions to drive sales, which is margin-neutral for Wayfair but a headwind to average order values; 3) a 400bps tougher sales comparisons for Wayfair in 4Q could cause meaningful deceleration; 4) softer demand outlook given 10-year rates have climbed approx. 30bps YTD, a potential headwind to housing volumes; and 5) shipping delays from recent Red Sea disruptions (see [eCommerce implications](#)), though we think W's relatively low European exposure at 12%E and the company's sophisticated supply chain may help mitigate sourcing issues from Asia.

Exhibit 1: BofA estimates versus the Street

We are 0.2% below the Street on total sales for 4Q23.

Metrics	4Q23			1Q24			FY24			FY25		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Active customers	22.7	22.3	1.7%	22.9	22.4	2.0%	23.8	22.5	5.7%	24.7	23.4	5.5%
Number of orders	12.2	12.1	1.0%	10.3	10.3	-0.1%	45.0	44.2	1.7%	49.1	47.1	4.4%
Average Order Value	\$253	\$257	-1.5%	\$260	\$272	-4.6%	\$272	\$280	-2.9%	\$277	\$283	-2.2%
Total sales	3,103	3,110	-0.2%	2,677	2,797	-4.3%	12,180	12,339	-1.3%	13,613	13,221	3.0%
US sales	2,740	2,742	-0.1%	2,367	2,470	-4.2%	10,822	10,893	-0.6%	11,796	11,628	1.4%
Int'l sales	363	369	-1.6%	310	334	-7.4%	1,357	1,453	-6.6%	1,817	1,596	13.8%
Gross profit	962	958	0.4%	843	867	-2.8%	3,868	3,842	0.7%	4,397	4,145	6.1%
% margin	31.0%	30.8%	20	31.5%	31.0%	50	31.8%	31.1%	60	32.3%	31.4%	90
EBITDA	95	90	4.8%	84	84	-0.9%	612	560	9.4%	869	709	22.5%
% margin	3.1%	2.9%	10	3.1%	3.0%	10	5.0%	4.5%	50	6.4%	5.4%	100
Non-GAAP EPS	(\$0.13)	(\$0.17)	25.8%	(\$0.79)	(\$0.32)	NM	\$0.68	\$0.77	12.0%	\$3.26	\$1.95	-67.1%

Source: BofA Global Research Estimates, Visible Alpha

BofA GLOBAL RESEARCH

For 1Q'24, we project revenue/EBITDA of \$2.68bn/\$84mn vs. Street at \$2.80bn/\$84mn. BAC card data indicates January trends declined 11.1% YoY for Online furnishings, a 90bps improvement vs. December (but below -9.7% for all of 4Q'23) and compared to total furnishings declining 15.9% YoY (270bps decel). The spread between Online and total furnishings trends is now 4.8ppts, more in line with Oct/Nov levels, after a soft December for Online spend.

Exhibit 2: W estimate changes

We slightly lower revenue estimates YTD soft trends.

	4Q23E			1Q24			2024E			2025E		
(\$mn except per share data)	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Total Revenue	3,103	3,103	0	2,677	2,796	(120)	12,180	12,517	(337)	13,613	13,762	(149)
Y/Y	0.1%	0.1%	0.0%	-3.5%	0.8%	-4.3%	1.6%	4.4%	-2.8%	11.8%	9.9%	1.8%
Q/Q	5.4%	5.4%	0.0%	-13.7%	-9.9%	-3.9%	0.0%	0.0%	0.0%	11.8%	9.9%	1.8%
Cost of revenue	2,141	2,141	0	1,833	1,915	(82)	8,311	8,551	(240)	9,216	9,317	(101)
As a % of revenue	69.0%	69.0%	0.0%	68.5%	68.5%	0.0%	68.2%	68.3%	-0.1%	67.7%	67.7%	0.0%
Gross Profit	962	962	0	843	881	(38)	3,868	3,966	(97)	4,397	4,445	(48)
Gross Margin	31.0%	31.0%	0.0%	31.5%	31.5%	0.0%	31.8%	31.7%	0.1%	32.3%	32.3%	0.0%
Total Sales & Marketing	512	512	0	428	447	(19)	1,941	1,995	(54)	2,151	2,174	(24)
As a % of revenue	16.5%	16.5%	0.0%	16.0%	16.0%	0.0%	15.9%	15.9%	0.0%	15.8%	15.8%	0.0%
Ops, Tech and G&A	456	456	0	501	514	(14)	1,809	1,851	(42)	1,797	1,817	(20)
As a % of revenue	14.7%	14.7%	0.0%	18.7%	18.4%	0.3%	14.9%	14.8%	0.1%	13.2%	13.2%	0.0%
Amortization of Intangibles	0	0	0	0	0	0	0	0	0	0	0	0
As a % of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SBC	150	150	0	145	145	0	556	556	0	580	580	0
As a % of revenue	4.8%	4.8%	0.0%	5.4%	5.2%	0.2%	4.6%	4.4%	0.1%	4.3%	4.2%	0.0%
Total Operating Expenses	1,118	1,118	0	1,074	1,107	(33)	4,306	4,402	(96)	4,528	4,571	(43)
As a % of revenue	36.0%	36.0%	0.0%	40.1%	39.6%	0.5%	35.4%	35.2%	0.2%	33.3%	33.2%	0.0%
Oper. Income - GAAP	(156)	(156)	0	(231)	(226)	(5)	(438)	(436)	(2)	(131)	(126)	(5)
Margin	-5.0%	-5.0%	0.0%	-8.6%	-8.1%	-0.5%	-3.6%	-3.5%	-0.1%	-1.0%	-0.9%	0.0%
Earnings Before Tax	(165)	(165)	0	(239)	(234)	(5)	(471)	(469)	(2)	(164)	(159)	(5)
Income Tax Expense (Benefit)	0	0	0	0	0	0	0	0	0	0	0	0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
GAAP Net Income (Loss)	(165)	(165)	0	(239)	(234)	(5)	(471)	(469)	(2)	(164)	(159)	(5)
GAAP EPS	(\$1.40)	(\$1.40)	\$0.00	(\$2.00)	(\$1.96)	(\$0.04)	(\$3.90)	(\$3.88)	(\$0.01)	(\$1.34)	(\$1.30)	(\$0.04)
Net Loss	(165)	(165)	0	(239)	(234)	(5)	(471)	(469)	(2)	(164)	(159)	(5)
Stock based compensation	150	150	0	145	145	0	556	556	0	580	580	0
% of revenue	4.8%	4.8%	0.0%	5.4%	5.2%	0.2%	4.6%	4.4%	0.1%	4.3%	4.2%	0.0%
Depreciation & Amortization	105	105	0	105	105	0	420	420	0	420	420	0
% of revenue	3.4%	3.4%	0.0%	3.9%	3.8%	0.2%	3.4%	3.4%	0.1%	3.1%	3.1%	0.0%
Interest Income	5	5	0	8	8	0	33	33	0	33	33	0
EBITDA	95	95	0	84	88	(5)	612	614	(2)	869	874	(5)
EBITDA Margin	3.1%	3.1%	0.0%	3.1%	3.2%	0.0%	5.0%	4.9%	0.1%	6.4%	6.4%	0.0%
Operating Metrics												
Orders Delivered	12	12	0	10	11	(0)	45	46	(1)	49	49	0
Y/Y Growth	11.4%	11.4%	0.0%	6.2%	9.2%	-2.9%	6.7%	8.3%	-1.6%	9.2%	7.6%	1.6%
AOV	253	\$253	\$0	260	\$264	(\$4)	272	\$275	(\$3)	277	\$280	(\$3)
Y/Y Growth	-10.5%	-10.5%	0.0%	-9.5%	-8.0%	-1.5%	-5.0%	-4.0%	-1.0%	2.0%	2.0%	0.0%
Active Customers	23	23	0	23	23	0	24	24	0	25	25	0
Y/Y Growth	2.5%	2.5%	0.0%	5.5%	5.5%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%

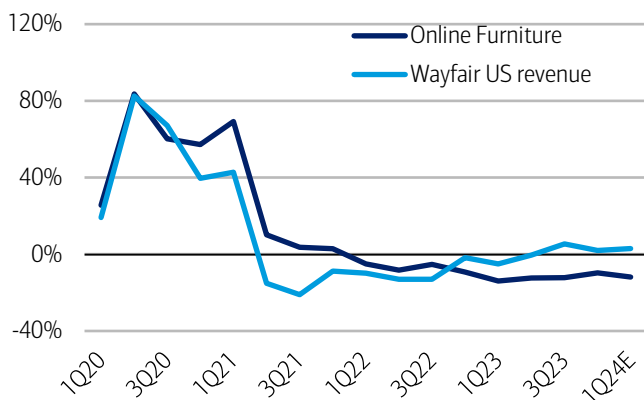
Source: BofA Global Research Estimates

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Wayfair US web traffic decelerated in January by 12pts to -3.8% (vs. +7.9% in January), although is still trending well above the industry which declined 9.4% YoY (down 1.7pts from Dec). In general, web traffic for the last few months appears weak, but we note that recent trends have been volatile, and data suggests the overall category is directionally still improving.

Exhibit 3: Wayfair revenues vs. quarterly BAC card data at online furniture retailers (YoY%)*

Industry trends remain negative, with Wayfair outperforming

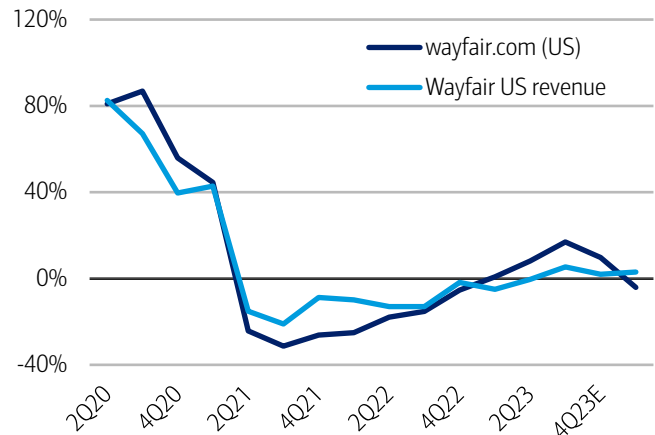


Source: BAC internal data, BofA Global Research | *1Q'24 through January

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Exhibit 4: Wayfair US revenues vs. web traffic (YoY%)*

Wayfair Web traffic is highly correlated with revenues



Source: SimilarWeb, BofA Global Research | *1Q'24 through January

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Etsy: 4Q projecting revenue/EBITDA in line with Street

Etsy (ETSY) reports earnings on Wednesday, 2/21 after market close with a call following at 5pm ET. We project GMS/revenue/EBITDA of \$3.97bn/ \$828mn/\$230mn (inline/+0.1%/+1.4% vs. consensus). BAC aggregated card data indicates trends for Etsy's top categories (Online furnishings, clothing, and jewelry) decelerated slightly in 4Q to -5.0% YoY. Etsy global web traffic also declined 4% YoY in 4Q, the first time trends inflected negatively since 2Q'22. In 3Q'23, Etsy's CFO called out potential headwinds to paid marketing channels due to Chinese competitors, which could be reflected in Similarweb data. We do note particular strength in Depop, which increased 44% YoY in 4Q (vs. 19% YoY in 3Q), a standout in Etsy's portfolio of brands.

Positives for the quarter include: 1) operational efficiencies and updates from restructuring efforts (see [December note](#)); 2) color on objectives from Elliott's 13% stake in Etsy (and a Board seat), which could be a catalyst for operational improvements; and 3) early commentary on Etsy's new AI service, Gift Mode, which should drive incremental GMS on the platform around gifting events (like Valentine's Day, Mother's & Father's Day, birthdays, etc.). **Negatives could** include: 1) elevated ad costs from Chinese competition limiting paid traffic or increasing marketing expenses; 2) soft macro outlook for discretionary goods limiting opex leverage; and 3) commentary suggesting Chinese competition is directly impacting GMV, rather than marketing trends (or market dollars as previously commented by ETSY mgmt.).

We also ran a qualitative-based SKU comparison for similar products on Etsy and Temu. To determine pricing differences, we selected comparable items from a wide array of categories with top reviews in both quantity & rating. In our view, it is difficult to assess the product overlap given the breadth of the products on Etsy (with approx. 110mn listings from 6.7mn active sellers, selling mostly unbranded/unique items), but we found prices were significantly lower on Temu for similarly reviewed items. Overlap for top items also appear limited as we believe core Etsy customers generally seek higher quality, more unique products, not mass produced and inexpensive goods found on Temu.

Exhibit 5: BofA estimates versus the Street

We are 1.4% above the Street on EBITDA for 4Q23.

	4Q23			1Q24			FY24			FY25		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Total GMS	3,973	3,973	0.0%	3,101	3,106	-0.1%	13,267	13,517	-1.8%	14,907	14,442	3.2%
US GMS	2,185	2,163	1.0%	1,687	1,681	0.3%	7,212	7,301	-1.2%	7,931	7,732	2.6%
Int'l GMS	1,788	1,805	-1.0%	1,414	1,429	-1.0%	6,055	6,229	-2.8%	6,976	6,773	3.0%
ETSY GMS	3,645	3,605	1.1%	2,714	2,701	0.5%	11,837	11,910	-0.6%	13,267	12,637	5.0%
Non-ETSY GMS	328	369	-11.2%	388	414	-6.4%	1,430	1,621	-11.8%	1,640	1,769	-7.3%
Total revenues	828	828	0.1%	651	655	-0.5%	2,799	2,863	-2.2%	3,198	3,105	3.0%
Marketplace revenues	604	601	0.5%	471	473	-0.3%	2,024	2,060	-1.8%	2,303	2,218	3.8%
Services revenues	224	227	-1.0%	180	182	-1.3%	776	805	-3.6%	894	888	0.7%
EBITDA	230	227	1.4%	175	179	-2.3%	746	793	-5.9%	896	879	1.9%
EBITDA margin	27.8%	27.4%	38	26.8%	27.3%	(49)	26.6%	27.7%	(106)	28.0%	28.3%	(31)
GAAP EPS	\$0.69	\$0.78	-11.1%	\$0.44	\$0.53	-16.8%	\$2.15	\$2.57	-16.6%	\$2.79	\$2.97	-6.3%
Active buyers	97	98	-1.3%	97	98	-1.3%	98	101	-2.5%	107	105	2.5%
Active sellers	8.8	8.8	0.5%	8.9	9.0	-0.7%	9.2	9.4	-2.9%	10.1	10.1	0.4%

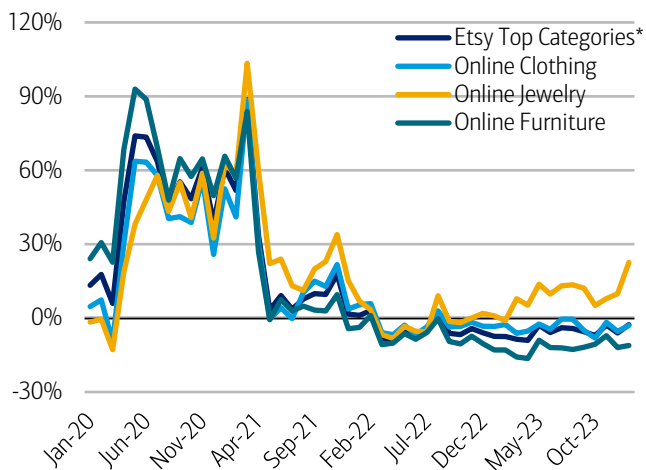
Source: BofA Global Research Estimates, Visible Alpha

BofA GLOBAL RESEARCH

For 1Q'24, we estimate GMS/revenue/EBITDA of \$3.10bn/\$651mn/\$175mn, slightly below Street at \$3.11bn/\$655mn/\$179mn. According to BAC aggregated card data, Etsy top categories accelerated 340bps in January to -2.7% YoY, primarily driven by Online jewelry (+22.6% YoY in Jan, 12.7ppt accel). Etsy US web traffic in January decelerated 260bps to -8.9% YoY vs. -6.3% YoY in Dec, while International web traffic decel'd 2.1ppts to -6.1% YoY.

Exhibit 6: Monthly online spending growth for top Etsy categories
YoY% change according to BAC aggregated credit & debit card data

Online Jewelry is outperforming other top categories for Etsy

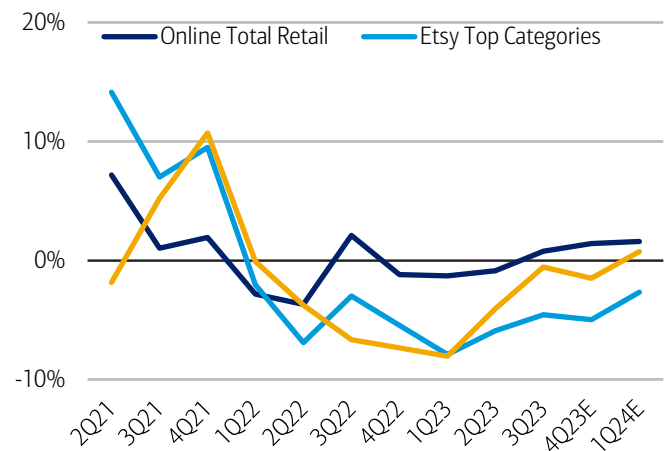


Source: BAC internal data | *avg. of online furnishings, clothing and jewelry BAC data
Online spending = card not present

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Exhibit 7: Quarterly online spending growth for top Etsy categories
YoY% change according to BAC aggregated credit & debit card data

Etsy top category trends are improving faster than overall eCommerce

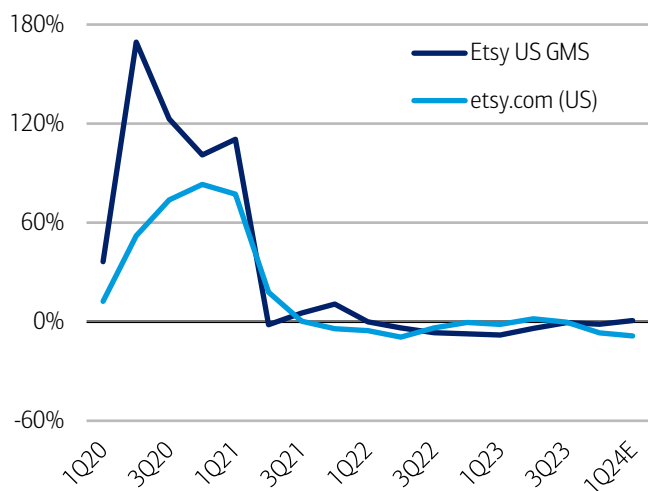


Source: BAC internal data | *avg. of online furnishings, clothing and jewelry BAC data | *1Q24 through January Online spending = card not present

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Exhibit 8: Etsy US web traffic vs. GMS (YoY % change)

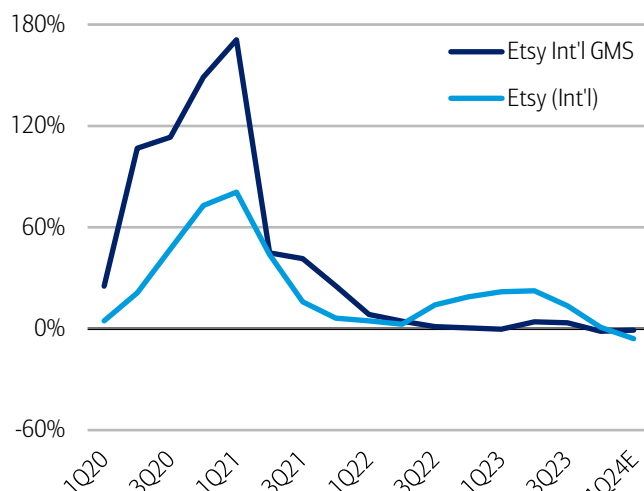
Etsy US web traffic decelerated to -8.9% 1Q'24E in Jan (vs. -6.3% in Dec)



Source: SimilarWeb, company reports, BofA Global Research | *1Q'24 through January
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Exhibit 9: Etsy Int'l web traffic vs. GMS (YoY % change)

Int'l Web traffic decelerated to -6.1% in Jan (vs. -4.0% in Dec)



Source: SimilarWeb, company reports, BofA Global Research | *1Q'24 through January
BofA GLOBAL RESEARCH

Beyond: investors looking for cost discipline in 2024

Beyond reports after market on 2/20, followed by a call at 8:30am ET the next day. We forecast 4Q revenue/EBITDA of \$351mn/(\$27)mn, above Street's \$347mn/(\$34)mn. Street estimates imply a 5ppt acceleration in revenues from 3Q to 4Q. Based on our conversations with investors and a sharp acceleration in Nov/Dec web traffic, we believe the market is pricing in higher Beyond revenues. However, results could be perceived negative if revenue upside is at the expense of margins. Web traffic also decelerated by about 50% MoM in January, which raises questions about the potential, ongoing need for promotions. Constructively, the company is taking a harder stance on expenses under Chairman Marcus Lemonis, with Beyond implementing a 12.5% cut to fixed costs (see [note on cost cuts](#)). In our view, investors will be looking for clarify on when promotional spend can pullback and a clearer pathway to positive EBITDA margins.

Positives for the quarter could include 1) commentary on expense discipline for 2024 and potential path to EBITDA profitability by the end of 2024; 2) strong sales acceleration, particularly if not at the expense of gross margin or higher marketing; 3) inflection in customer count; and 4) outlook for improving industry trends. **Negatives** could include 1) high rate of customer churn; 2) gross margin deleverage does not improve vs. 3Q; and 3) elevated marketing expense.

Exhibit 10: BofA vs. Street estimates for Beyond

We are 1.0% above the street on total sales for 4Q23.

	4Q23			1Q24			FY24			FY25		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Total sales (\$mn)	351	347	1.0%	375	366	2.6%	1,728	1,617	6.9%	1,959	1,890	3.6%
Gross profit (\$mn)	65	64	1.0%	68	69	-2.2%	350	319	9.6%	439	411	6.8%
Gross margin	18.5%	18.5%	(1)	18.0%	18.9%	(87)	20.3%	19.8%	50	22.4%	21.7%	67
EBITDA (\$mn)	(27)	(34)	NM	(20)	(29)	NM	(26)	(71)	-63.9%	62	43	43.5%
EBITDA margin	-7.6%	-9.9%	NM	-5.3%	-7.8%	NM	-1.5%	-4.4%	290	3.2%	2.3%	88
Non-GAAP EPS	(\$0.61)	(\$0.77)	-20.6%	(\$0.66)	(\$0.73)	-9.2%	(\$1.23)	(\$2.07)	-40.7%	\$0.30	\$0.07	342.1%
Metrics	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Active customers	5,301	5,239	1.2%	5,500	5,401	1.8%	6,256	5,734	9.1%	6,615	6,401	3.3%
Number of orders	2,067	2,140	-3.4%	2,085	2,112	-1.3%	9,156	8,934	2.5%	10,393	10,122	2.7%
Average Order Value	\$170	\$164	3.4%	\$180	\$174	3.3%	\$188	\$182	3.8%	\$188	\$185	1.7%

Source: BofA Global Research, Visible Alpha

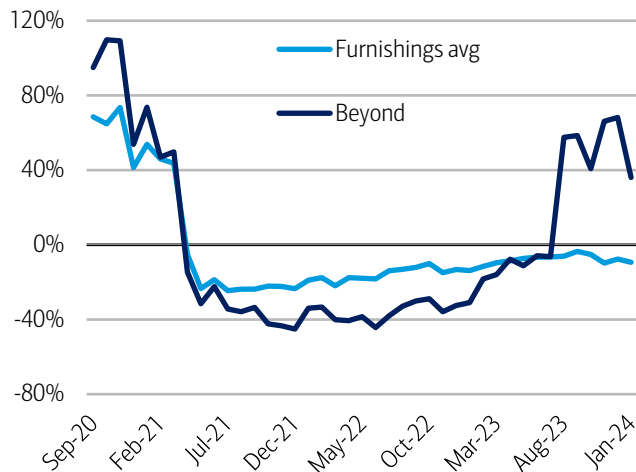
BofA GLOBAL RESEARCH



For 1Q'24, we project revenue/EBITDA of \$375mn/(\$20)mn vs. Street at \$366mn/(\$29)mn. We are constructive on Beyond's ability to accelerate YoY sales trends in 2024 above industry given recent web traffic data, but we think investors will be more closely watching cost discipline to determine the quality of sales. Also, Jan web traffic growth at half the rate of December may raise questions on the need for continuous promotions

Exhibit 11: Monthly online home furnishings web traffic (YoY % growth)

Beyond web traffic grew 36% YoY in Jan (vs. 68% in Dec)

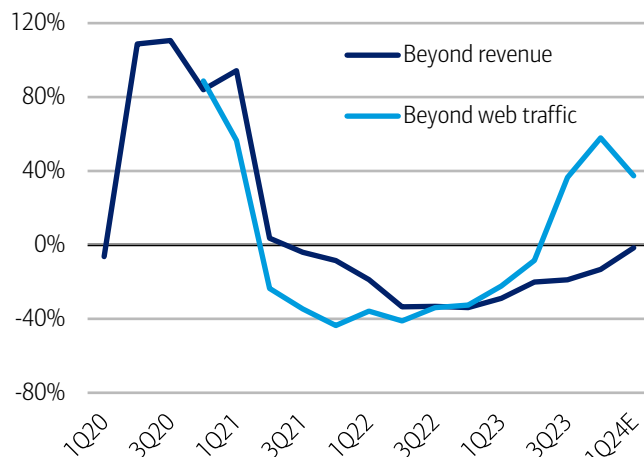


Source: SimilarWeb

BofA GLOBAL RESEARCH

Exhibit 12: Beyond revenues vs. web traffic (YoY%)*

The relaunch and rebranding of Beyond drove an initial spike in traffic

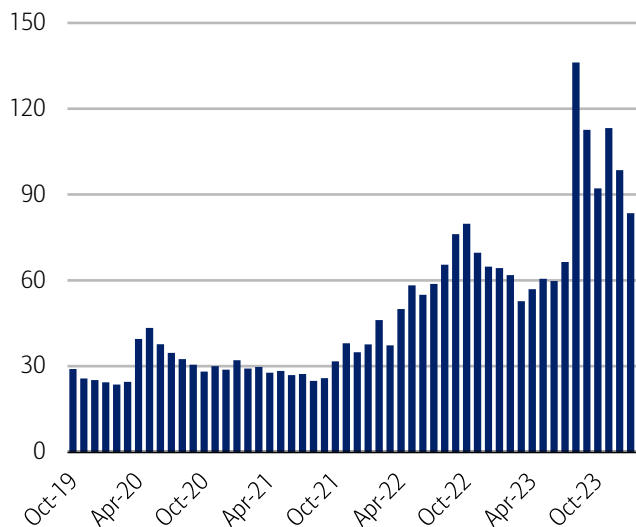


Source: SimilarWeb, Company Filings, BofA Global Research | *1Q'24 through January **including Bed Bath as of August '23

BofA GLOBAL RESEARCH

Exhibit 13: Beyond daily active users in (000s)

User trends are moderating after a surge in August

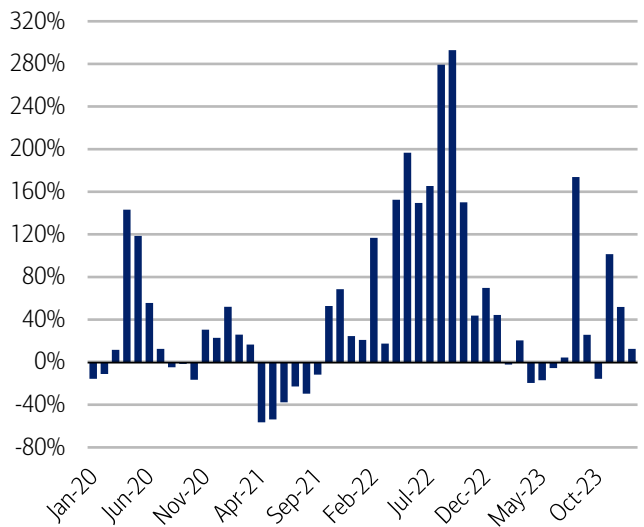


Source: Sensor Tower

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Exhibit 14: Beyond app downloads (YoY%)

Download growth peaked in August & September



Source: Sensor Tower

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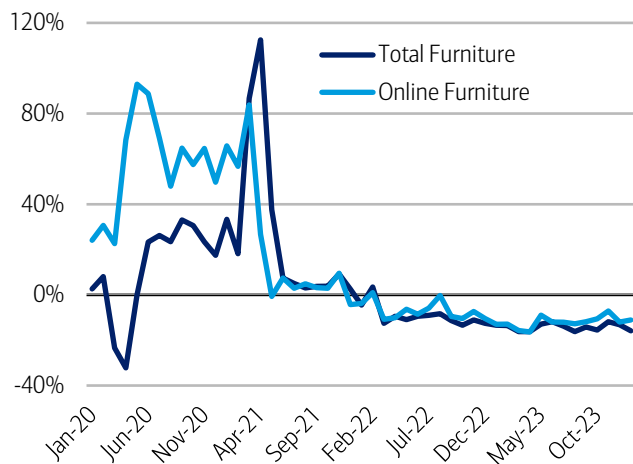
Home furnishings spend trends

Total home furnishings spending trends

For the month of January, furniture spending was down 15.9% YoY (vs. -13.2% in Dec), while Online furnishings accelerated 90bps to -11.1% (vs. -12.0% prior) according to BAC aggregated credit and debit card data.

Exhibit 15: Monthly furniture spending growth, YoY % change according to BAC aggregated credit and debit card data

Online spend has been trending above total furnishings

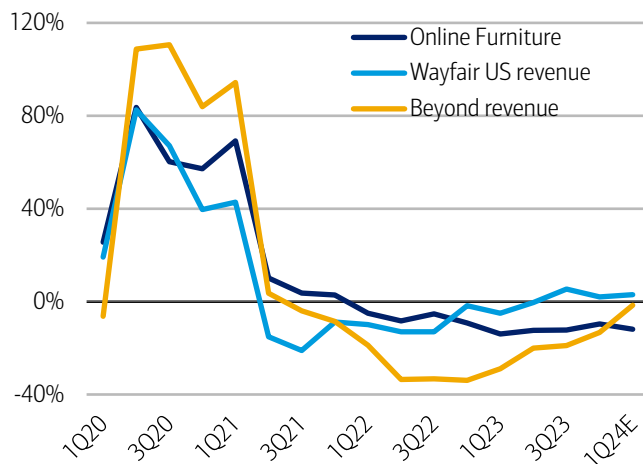


Source: BAC Internal data

BofA GLOBAL RESEARCH

Exhibit 16: Wayfair and Beyond revenues vs. quarterly BAC card data at online furniture retailers (YoY%)*

Industry trends remain negative, with Wayfair outperforming



Source: BAC internal data, BofA Global Research | *1Q'24 through January

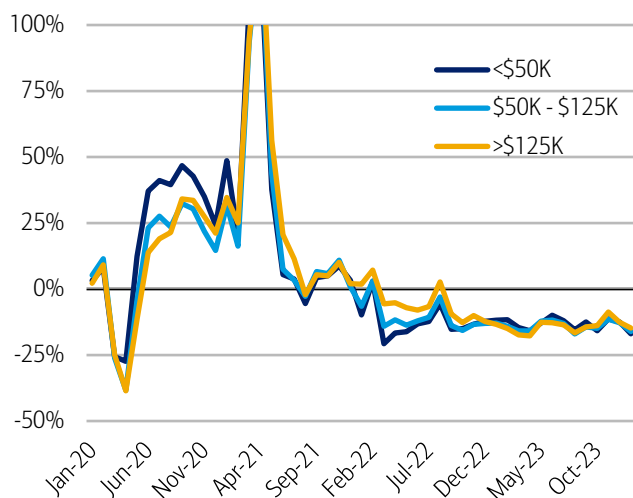
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Monthly trends by low, middle, and high incomes

For January, total furniture spending for higher-income cohorts (>\$125k) decreased 14.8% YoY, middle-income (\$50K->\$125K) decreased 16.1%, and lower income (<\$50K) decreased 17.0%. For Online Furniture, higher-income cohorts (>\$125k) decreased spend by 9.4% YoY, middle-income (\$50K->\$125K) decreased 10.8%, and lower-income (<\$50K) decreased 11.7%.

Exhibit 17: YoY growth in Total Furniture by income level

High-income (H) spend was slightly above low- (L) and middle-income (M) brackets

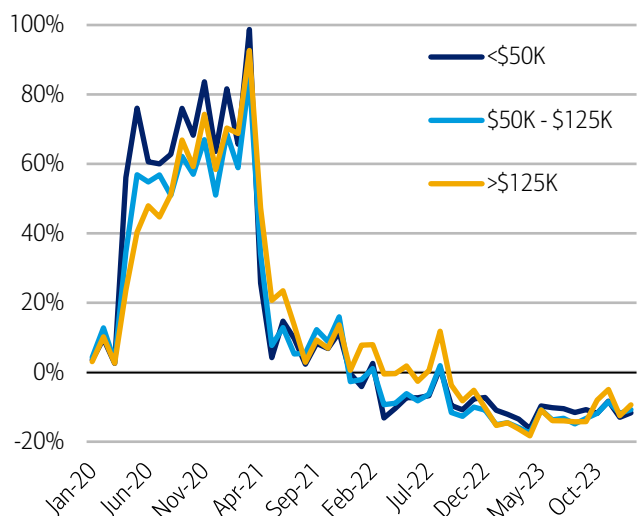


Source: BAC internal data

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Exhibit 18: YoY growth in Online Furniture by income level

High-income (H) spend was slightly above low- (L) and middle-income (M) brackets



Source: BAC internal data

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Disclaimer

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households only. Spending from corporate cards are excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %yoy growth, the 2-year and 3-year %change by matching calendar days (Jan 1 '22 matched to Jan 1 '21, Jan1, 2020 and Jan1, 2019, respectively). The % change is calculated based on the 7-day moving average of spending levels.

Unless otherwise noted, the monthly subsector data are adjusted to control for seasonality and other factors.

The payroll and tax direct deposit data based on the BAC internal data is derived by anonymizing and aggregating direct deposit data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Additional information about the methodology used to aggregate the data is available upon request.

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BYON	BYON US	Beyond Inc	US\$ 26.12	C-2-9
ETSY	ETSY US	Etsy, Inc.	US\$ 77.76	C-2-9
W	W US	Wayfair	US\$ 52.22	C-1-9

Price objective basis & risk

Beyond Inc (BYON)

Our \$27 PO is based on 14x 2025E EV/EBITDA, which compares to a e-commerce median of approx. 15x. We believe that a lower multiple is justified given growth and margins that are below the e-commerce group average.

Downside risks to our PO are that secular tailwinds may fade with slower growth in home furnishings sales, lower than expected gains from the Bed Bath & Beyond acquisition, a greater focus on value and promotions vs. Wayfair, which limit the pace of margin expansion near term, significantly smaller logistical and distribution scale, customer base, and supplier network versus Wayfair, which are competitive



disadvantages.

Upside risks to our PO are greater-than-expected home furnishings industry growth in the US, larger than expected gains from Bed Bath & Beyond, a continued shift of offline sales to online retailers, and upside from company-specific initiatives to improve customer count, order frequency, and average order value.

Etsy, Inc. (ETSY)

Our \$90 price objective is based on 14x 2025E EV/EBITDA. This is a discount to Etsy's 5-year average of 25x (ranging from 11x to 50x). We believe a discount is warranted given lower gross merchandise sales and total revenue growth relative to Etsy's historic average and less potential upside for EBITDA margins. We believe that Etsy should trade at a slight discount to overall eCommerce and marketplaces due to lower revenue growth, offset partially by higher margins and competitive barriers.

Upside risks to our PO are higher-than-expected order frequency and average order value due to improvements in search functionality, greater than expected shares gains across underpenetrated customer demographics, regions, and products and increase take rates from new services and higher fees.

Downside risks to our PO are that weakness in discretionary spending or a recession would likely have an outsized impact on the discretionary products sold on Etsy's marketplaces, continued pressure on GMS growth from lapping tough-COVID related comparisons over the next several quarters and softer-than-anticipated performance from non-Etsy marketplaces.

Wayfair (W)

Our PO of \$75 is based on 0.8x 2025E EV/sales, which is below the historical average multiple of approx. 1x. We believe this is warranted given a significant improvement in EBITDA and a return to revenue YoY growth, though below prior periods of expansion. If Wayfair were to achieve its target of mid-single digit EBITDA margins over the next few years, this would likely drive additional multiple expansion in our view.

Upside risks are 1) a larger-than-expected acceleration in sales post tough COVID compares in 2022, 2) better inventory availability as supply chain disruptions eases, 3) higher-than-forecast online growth for the industry as a whole, 4) stronger growth from newer initiatives including Wayfair Professional and, 5) EBITDA margin upside from COGS efficiencies, OPEX reductions and fixed cost leverage.

Downside risks are 1) High industry competition which could drive higher than expected investment in marketing or promotions, 2) brand complexity (five brands), 3) weaker than expected international segment performance, and 4) A softer than anticipated recovery in US furnishings in 2024/25.

Analyst Certification

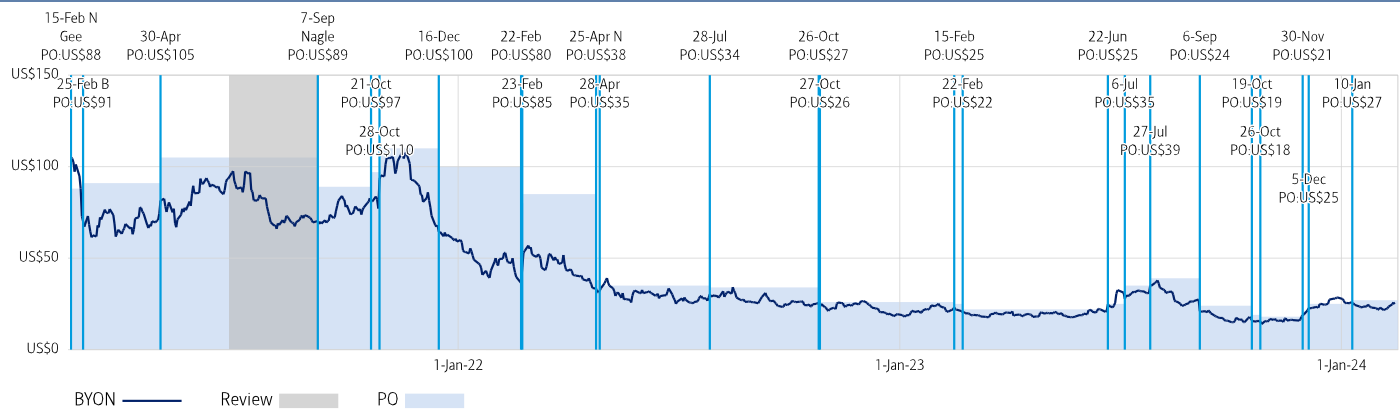
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US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

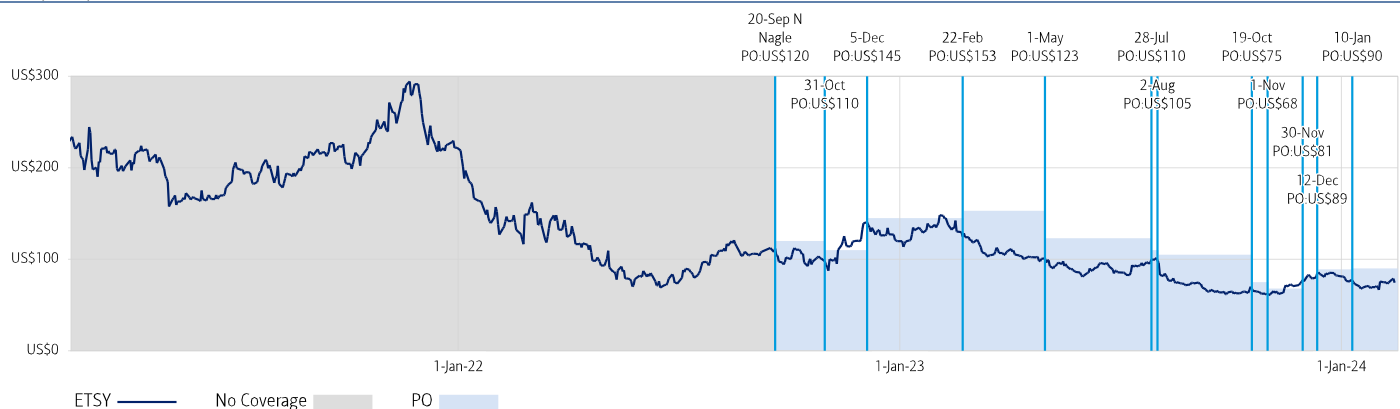
Disclosures

Important Disclosures

Beyond Inc (BYON) Price Chart

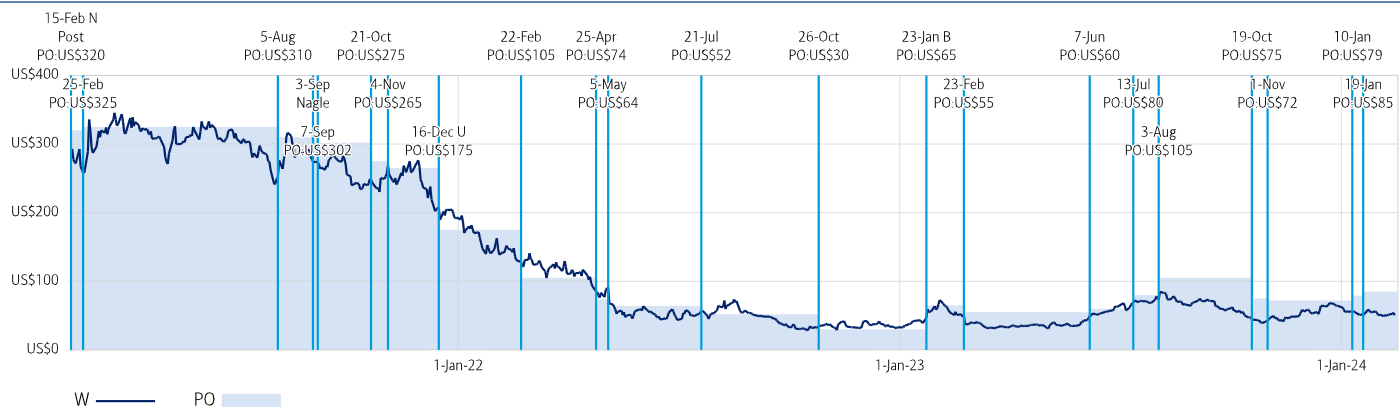
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Etsy, Inc. (ETSY) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Wayfair (W) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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