

## Opendoor Technologies

## 3Q topline miss &amp; soft outlook as tough macro weighs on demand; Reit UP

Reiterate Rating: UNDERPERFORM | PO: 1.80 USD | Price: 2.20 USD

## 3Q topline miss given lower than expected home sales

3Q Rev/EBITDA of \$980mn/(\$49mn) was mixed compared to Street at \$1,005mn/(\$62mn). Revenue miss was driven by lower than expected homes sales while EBITDA benefited from better gross margin performance on “new cohort” homes, which have higher spreads, and shift in timing of expenses to 4Q. 3Q contribution profit at \$43mn (4.4% margin) was above Street at \$27mn (2.7%). In 3Q, Open sold 2,687 homes (vs Street at 2,797), purchased 3,136 homes (vs Street at 2,997) and ended the quarter with \$1.3bn inventory representing 4,007 homes (up 449 q/q vs 3,558 in 2Q).

## 4Q outlook disappoints; we see potential inventory risk

4Q revenue outlook of \$800-\$850mn, contribution profit of \$15-25mn and EBITDA of (\$105mn)-(\$95mn) was below Street at \$1,120mn, \$35mn and (\$60mn) respectively. 4Q outlook was adversely impacted by 1) slower market clearance rates (high rates have softened buyer demand amplifying 4Q seasonal decline), 2) Reduced home level list prices in order to meet clearance objectives, 3) Shift in timing of some old cohort homes (low margin) to 4Q. Opendoor plans to acquire ~3,000 homes (flat q/q) in 4Q. We see growing inventory risk for the company given very weak housing demand, persistently high rates, declining clearance rates & potentially lower prices in 2024.

## Lowering revenue but raising margins on better spreads

We lower our revenue estimates reflecting tough macro conditions and lower inventory turnaround but slightly raise gross margin and adjusted EBITDA on better spread performance. However, we expect negative adjusted EBITDA and Adj. net income will continue through next year. For 2024, we lower revenues by 6% to \$6.06bn. We raise gross profit, key for valuation, by 2% to \$455mn (8% margin vs 7% previously) and EBITDA by \$34mn to (\$264mn).

## Cautious on profitability prospects &amp; '24 goal; Reit. U/P

Opendoor has shown strong focus on expense management (increasing spreads, cutting headcount, lower home holding costs, etc.) and leveraging new avenues to promote its services. However, we continue to see significant risk to company's business model and 2024 goal of \$10bn revenue. Given high mortgage rates, declining clearance rates and low inventories, we believe inventory turnover will remain constrained over the next several quarters, driving Opex deleverage. We reit Underperform and maintain \$1.80 PO.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.20)	(0.91)	(1.24)	(0.60)	(0.53)
GAAP EPS	(1.12)	(2.14)	(0.53)	(0.77)	(0.70)
EPS Change (YoY)	79.6%	-355.0%	-36.3%	51.6%	11.7%
Consensus EPS (Bloomberg)			(1.14)	(0.49)	(0.35)
DPS	0	0	0	0	0
<b>Valuation (Dec)</b>					
EV / EBITDA*	40.5x	NM	NM	NM	NM
Free Cash Flow Yield*	-396.2%	47.1%	167.3%	-50.3%	-43.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 8.

02 November 2023

## Equity

## Key Changes

(US\$)	Previous	Current
2023E Rev (m)	7,226.9	6,917.4
2024E Rev (m)	6,473.8	6,061.2
2025E Rev (m)	7,334.9	6,992.2
2023E EPS	-1.21	-1.24
2024E EPS	-0.63	-0.60
2025E EPS	-0.52	-0.53

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## Stock Data

Price	2.20 USD
Price Objective	1.80 USD
Date Established	3-Aug-2023
Investment Opinion	C-3-9
52-Week Range	0.92 USD - 5.41 USD
Mrkt Val (mn) / Shares Out (mn)	1,471 USD / 668.6
Average Daily Value (mn)	33.69 USD
BofA Ticker / Exchange	OPEN / NAS
Bloomberg / Reuters	OPEN US / OPEN.OQ
ROE (2023E)	-51.4%
Net Dbt to Eqty (Dec-2022A)	300.1%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

CP: Contrintion Profiy

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# iQprofile<sup>SM</sup> Opendoor Technologies

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-8.9%	-10.6%	-6.7%	-8.1%	-7.0%
Return on Equity	-6.1%	-34.4%	-51.4%	-22.0%	-25.0%
Operating Margin	-7.1%	-6.0%	-5.8%	-6.2%	-4.6%
Free Cash Flow	(5,827)	693	2,460	(740)	(645)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.7x	0.4x	0.6x	0.7x	0.3x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	194.4%	300.1%	16.7%	63.7%	125.4%
Interest Cover	-4.0x	-2.4x	-1.9x	-2.3x	-1.8x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	8,021	15,567	6,917	6,061	6,992
% Change	210.5%	94.1%	-55.6%	-12.4%	15.4%
Gross Profit	730	667	484	455	572
% Change	232.3%	-8.7%	-27.5%	-5.8%	25.7%
EBITDA	58	(168)	(660)	(264)	(175)
% Change	NM	NM	-292.6%	60.0%	33.6%
Net Interest & Other Income	(106)	(420)	(56)	(163)	(182)
<b>Net Income (Adjusted)</b>	<b>(116)</b>	<b>(574)</b>	<b>(819)</b>	<b>(419)</b>	<b>(386)</b>
<b>% Change</b>	<b>33.9%</b>	<b>-396.3%</b>	<b>-42.7%</b>	<b>48.8%</b>	<b>7.9%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(662)	(1,353)	(352)	(539)	(506)
Depreciation & Amortization	47	83	61	44	88
Change in Working Capital	(5,724)	956	2,768	(363)	(324)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	545	1,044	19	148	128
Capital Expenditure	(33)	(37)	(36)	(30)	(30)
<b>Free Cash Flow</b>	<b>-5,827</b>	<b>693</b>	<b>2,460</b>	<b>-740</b>	<b>-645</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>255.0%</b>	<b>NM</b>	<b>12.9%</b>

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,731	1,137	1,206	844	517
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	7,609	5,329	2,889	3,288	3,617
Property, Plant & Equipment	45	58	68	68	68
Other Non-Current Assets	121	84	45	42	42
<b>Total Assets</b>	<b>9,506</b>	<b>6,608</b>	<b>4,208</b>	<b>4,242</b>	<b>4,245</b>
Short-Term Debt	4,240	1,376	0	0	0
Other Current Liabilities	160	129	30	74	87
Long-Term Debt	1,862	3,020	1,555	1,934	2,251
Other Non-Current Liabilities	996	997	523	523	523
<b>Total Liabilities</b>	<b>7,258</b>	<b>5,522</b>	<b>2,108</b>	<b>2,531</b>	<b>2,862</b>
<b>Total Equity</b>	<b>2,248</b>	<b>1,086</b>	<b>2,099</b>	<b>1,711</b>	<b>1,383</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,506</b>	<b>6,608</b>	<b>4,208</b>	<b>4,242</b>	<b>4,245</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

## Company Sector

Internet/e-Commerce

## Company Description

Opendoor is a digital real estate platform allows consumers to conveniently and quickly buy and sell homes as well as adjacent services such as title & escrow and financing. OPEN was founded in 2014 by CEO Eric Wu and is headquartered in Tempe Arizona. The company primarily competes with traditional real estate brokerages as well as other online-based "iBuyers". OPEN is currently in 53 markets and we expect the company to generate over \$7bn in revenue in 2023.

## Investment Rationale

Opendoor (OPEN) is a high growth digital real estate platform that buys and sells home (an "iBuyer"). We see the potential for share gains as high given a large underlying market and industry fragmentation. However we believe this is outweighed by the underlying risk, low margins and high capital use of the iBuyer model. In our view this is magnified by a significant increase in OPEN's inventory through 2022 just as the US real estate market is expected to slow

## Stock Data

Average Daily Volume 15,315,066

## Quarterly Earnings Estimates

	2022	2023
Q1	0.15A	-0.64A
Q2	0.20A	-0.30A
Q3	-0.52A	-0.11A
Q4	-0.74A	-0.20A

### 3Q Positives:

- **3Q EBITDA above Street:** 3Q EBITDA of (\$49mn) was above Street estimates at (\$69mn) due to continued focus on expense management and shifting in timing of some expenses to 4Q'23.
- **3Q gross margin above Street:** 3Q gross margin of 9.8% was above Street estimates at 6.7% driven by higher mix of new book of homes. In 3Q, new book of homes generated gross margins of 12% and contribution margin of 9.2%.
- **Homes acquisition above Street:** In 3Q, Opendoor purchased 3,136 homes (up 17% q/q) and above Street expectations at 2,997. Higher than expected growth in homes acquisitions was driven by spread reductions due to improvement in cost structure and pricing accuracy. Management expressed confidence that spreads improvements combined with growing partnership channels and increase ad spend in 1H'24 should allow Opendoor to accelerate home acquisitions next year.
- **Expanding partnership channels:** In 3Q, acquisitions from Opendoor's partnership channels increased 33% q/q and were up over 76% vs 1Q'23. Management noted continued focus on expanding partnership channels across online real estate platforms, agents and homebuilders and including a new arrangement with eXp Realty.
- **Potential lower buyer commission:** On the potential implication from the Sitzer/Burnett verdict, management noted that buyer broker commission represents approximately 2.5% of Opendoor's cost structure and any potential reduction in buy-side fees could be tailwind to profitability. We also see risk to OPEN's 5% transaction fee which would be an offset.

### 3Q Negatives:

- **3Q Revenue below Street:** 3Q Revenue of \$980mn was below Street estimates at \$1,005mn driven by less than expected homes sold. In 3Q, Opendoor sold 2,687 homes below Street expectations at 2,797.
- **4Q Outlook below Street:** 4Q Revenue outlook of \$800-\$850mn, contribution profit of \$15-25mn and EBITDA of (\$105mn)-(\$95mn) was below Street estimates at \$1,120mn, (\$60mn) and \$35mn respectively. 4Q outlook was adversely impacted by 1) slower market clearance rates (high rates have softened buyer demand amplifying 4Q seasonal decline), 2) Reduced home level list prices in order to meet clearance objectives, 3) Shift in timing of some old cohort homes (low margin) to 4Q, which will impact margins.
- **Growing inventory Risk:** Management noted market clearance have declined more than expected with higher rates depressing buyer demand. Despite tough macro conditions, in 4Q, Opendoor plans to acquire ~3,000 homes (flat q/q). We see potential inventory risk given very weak housing demand, persistently high rates and potentially lower prices into 2024.



# Actual vs Estimates

## Exhibit 1: OPEN Actual vs. Estimates 3Q23

Opendoor reported revenue of \$980mn, below our estimates of \$1,010mn.

Opendoor (\$000's \$ except per share data)	3Q23		
	Actual	Estimate	Diff
Homes Sold	2,687	2,726	(39)
Average Revenue per Home Sold	\$365	\$371	(\$6)
<b>Revenue</b>	<b>\$980,000</b>	<b>\$1,010,989</b>	<b>(\$30,989)</b>
y/y %	-71%	-70%	-1%
q/q %	-50%	-49%	-2%
<b>Cost of revenue</b>	<b>\$884,000</b>	<b>\$929,278</b>	<b>(\$45,278)</b>
As a % of revenue	90%	92%	-2%
<b>Gross profit</b>	<b>\$96,000</b>	<b>\$81,711</b>	<b>\$14,289</b>
Gross margin	9.8%	8%	2%
Operating Expenses			
Sales, marketing and advertising	\$81,000	\$71,780	\$9,220
% of revenue	8%	7%	1%
General and Administrative	\$33,000	\$39,429	(\$6,429)
% of revenue	3%	4%	-1%
Technology and Development	\$30,000	\$35,385	(\$5,385)
% of revenue	3%	4%	0%
SBC	\$31,000	\$35,000	(\$4,000)
Operating expenses (GAAP)	\$144,000	\$146,593	(\$2,593)
% of revenue	15%	15%	0%
<b>Operating income (GAAP)</b>	<b>(\$79,000)</b>	<b>(\$99,882)</b>	<b>\$20,882</b>
Operating margin (GAAP)	-8.1%	-9.9%	1.8%
<b>GAAP Basic EPS</b>	<b>(\$0.16)</b>	<b>(\$0.21)</b>	<b>\$0.05</b>
<b>GAAP Diluted EPS</b>	<b>(\$0.16)</b>	<b>(\$0.20)</b>	<b>\$0.04</b>
Non-GAAP Net Income	(106,000)	(133,896)	27,896
Depreciation and amortization	9,000	8,500	500
Property financing	38,000	25,014	12,986
Other interest expense	9,000	9,000	0
Interest income	(30,000)	(9,917)	(20,083)
Income tax expense	0	0	0
<b>Adjusted EBITDA</b>	<b>(49,000)</b>	<b>(66,299)</b>	<b>17,299</b>
EBITDA margin	-5%	-7%	2%
y/y %	-77%	-69%	-8%
Adjustments to Net Income			
Stock-based compensation	31,000	35,000	(4,000)
Non-GAAP Net Income	(75,000)	(98,896)	23,896
Non-GAAP Diluted EPS	(\$0.11)	(\$0.15)	\$0.03

Source: BofA Global Research Estimates, Company Financials

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# Estimate Changes

We lower our revenue estimate reflecting tough macro conditions and lower inventory turnaround but slightly raise gross margin and adjusted EBITDA on better spread performance. However, we expect negative adjusted EBITDA and Adj. net income will continue through next year. For 2024, we lower revenue by 6% to \$6.06bn. We raise gross profit, key for valuation by 2% to \$455mn and EBITDA by \$34mn to (\$264mn).

## Exhibit 2: Estimate Changes

We are lowering 2024 revenue by 6% to \$6bn but slightly raising gross profits on better spread performance.

Opendoor (\$'000's \$ except per share data)	4Q23E			2023E			2024E		
	New	Old	Diff	New	Old	Diff	New	Old	Diff
Homes Sold	2,329	3,005	(676)	18,673	19,388	(715)	16,171	17,049	(878)
Average Revenue per Home Sold	\$361	\$373	(\$11)	\$370	\$373	(\$2)	\$375	\$380	(\$5)
<b>Revenue</b>	<b>\$841,387</b>	<b>\$1,119,944</b>	<b>(\$278,558)</b>	<b>\$6,917,387</b>	<b>\$7,226,933</b>	<b>(\$309,546)</b>	<b>\$6,061,235</b>	<b>\$6,473,835</b>	<b>(\$412,600)</b>
y/y %	-71%	-61%	-10%	-56%	-54%	-2%	-12%	-10%	-2%
q/q %	-14%	11%	-25%	0%	0%	0%	0%	0%	0%
<b>Cost of revenue</b>	<b>\$772,770</b>	<b>\$1,034,314</b>	<b>(\$261,544)</b>	<b>\$6,433,770</b>	<b>\$6,740,591</b>	<b>(\$306,822)</b>	<b>\$5,605,848</b>	<b>\$6,026,923</b>	<b>(\$421,074)</b>
As a % of revenue	92%	92%	-1%	93%	93%	0%	92%	93%	-1%
<b>Gross profit</b>	<b>\$68,617</b>	<b>\$85,630</b>	<b>(\$17,013)</b>	<b>\$483,617</b>	<b>\$486,341</b>	<b>(\$2,724)</b>	<b>\$455,387</b>	<b>\$446,913</b>	<b>\$8,474</b>
Gross margin	8%	8%	1%	7%	7%	0%	8%	7%	1%
Operating Expenses									
Sales, marketing and advertising	\$103,070	\$76,156	\$26,914	\$488,070	\$453,936	\$34,133	\$424,556	\$427,556	(\$3,000)
% of revenue	12%	7%	5%	7%	6%	1%	7%	7%	0%
General and Administrative	\$33,655	\$40,318	(\$6,663)	\$152,655	\$156,247	(\$3,591)	\$149,579	\$166,797	(\$17,219)
% of revenue	4%	4%	0%	2%	2%	0%	2%	3%	0%
Technology and Development	\$29,869	\$35,838	(\$5,969)	\$117,869	\$136,723	(\$18,854)	\$137,456	\$154,458	(\$17,002)
% of revenue	4%	3%	0%	2%	2%	0%	2%	2%	0%
SBC	\$30,000	\$30,000	\$0	\$124,000	\$128,000	(\$4,000)	\$120,000	\$120,000	\$0
Operating expenses (GAAP)	\$166,595	\$152,312	\$14,282	\$758,595	\$746,906	\$11,689	\$711,591	\$748,812	(\$37,221)
% of revenue	20%	14%	6%	11%	10%	1%	12%	12%	0%
<b>Operating income (GAAP)</b>	<b>(\$127,978)</b>	<b>(\$96,682)</b>	<b>(\$31,295)</b>	<b>(\$398,978)</b>	<b>(\$388,564)</b>	<b>(\$10,413)</b>	<b>(\$376,204)</b>	<b>(\$421,899)</b>	<b>\$45,695</b>
Operating margin (GAAP)	-15.2%	-8.6%	-6.6%	-5.8%	-5.4%	-0.4%	-6.2%	-6.5%	0.3%
<b>GAAP Basic EPS</b>	<b>(\$0.25)</b>	<b>(\$0.20)</b>	<b>(\$0.05)</b>	<b>(\$0.54)</b>	<b>(\$0.53)</b>	<b>(\$0.01)</b>	<b>(\$0.78)</b>	<b>(\$0.82)</b>	<b>\$0.04</b>
<b>GAAP Diluted EPS</b>	<b>(\$0.25)</b>	<b>(\$0.19)</b>	<b>(\$0.06)</b>	<b>(\$0.53)</b>	<b>(\$0.51)</b>	<b>(\$0.02)</b>	<b>(\$0.77)</b>	<b>(\$0.80)</b>	<b>\$0.03</b>
Shares Outstanding									
Basic	668,149	658,062	10,087	654,569	649,526	5,044	693,149	683,062	10,087
Diluted	674,593	679,159	(4,566)	663,065	665,348	(2,283)	699,593	704,159	(4,566)
Non-GAAP Net Income	(168,083)	(130,474)	(37,609)	(352,083)	(342,370)	(9,713)	(539,380)	(560,799)	21,418
Depreciation and amortization	5,500	8,500	(3,000)	35,500	38,000	(2,500)	22,000	34,000	(12,000)
Property financing	31,105	24,792	6,313	173,105	153,805	19,300	127,176	102,900	24,277
Other interest expense	9,000	9,000	-	41,000	41,000	-	36,000	36,000	-
Interest income	(9,043)	(9,221)	178	(91,043)	(71,138)	(19,905)	(29,908)	(30,482)	574
Income tax expense	-	-	-	1,000	1,000	-	-	-	-
<b>Adjusted EBITDA</b>	<b>(101,521)</b>	<b>(67,404)</b>	<b>(34,117)</b>	<b>(659,521)</b>	<b>(642,702)</b>	<b>(16,818)</b>	<b>(264,112)</b>	<b>(298,381)</b>	<b>34,269</b>
EBITDA margin	-12%	-6%	-6%	-10%	-9%	-1%	-4%	-5%	0%
y/y %	-71%	-81%	10%	293%	283%	10%	-60%	-54%	-6%
Adjustments to Net Income									
Stock-based compensation	30,000	30,000	0	124,000	128,000	(4,000)	120,000	120,000	0
Non-GAAP Net Income	(138,083)	(100,474)	(37,609)	(819,083)	(805,370)	(13,713)	(419,380)	(440,799)	21,418
Non-GAAP Diluted EPS	(\$0.20)	(\$0.15)	(0)	(\$1.24)	(\$1.21)	(0)	(\$0.60)	(\$0.63)	0

Source: BofA Global Research Estimates

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## Price objective basis & risk

### Opendoor Technologies (OPEN)

Our \$1.80 price objective is based on 1.25x 2024E EV/gross profit. This is below other low margin online companies including real estate fintech peers. We believe a discount is warranted given much lower gross margins which limits long-term profit potential and the high cyclical nature of OPEN's underlying industry.

Downside risks to our PO are: slower than expected conversion of home inventory, weaker gross margins on slowing home price appreciation and limited home service attachment and a softer than expected housing market.

Upside risks to our PO are: greater than expected shares gains as OPEN expands into new markets, better than expected pricing spreads as OPEN improves its pricing models, higher growth post Zillow's exit of the iBuying market and stronger attachment of high margin home services.

## Analyst Certification

I, Curtis Nagle, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	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
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	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
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
<b>NEUTRAL</b>				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	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
	Instacart	CART	CART US	Justin Post
	Overstock.com Inc	OSTK	OSTK US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post



## US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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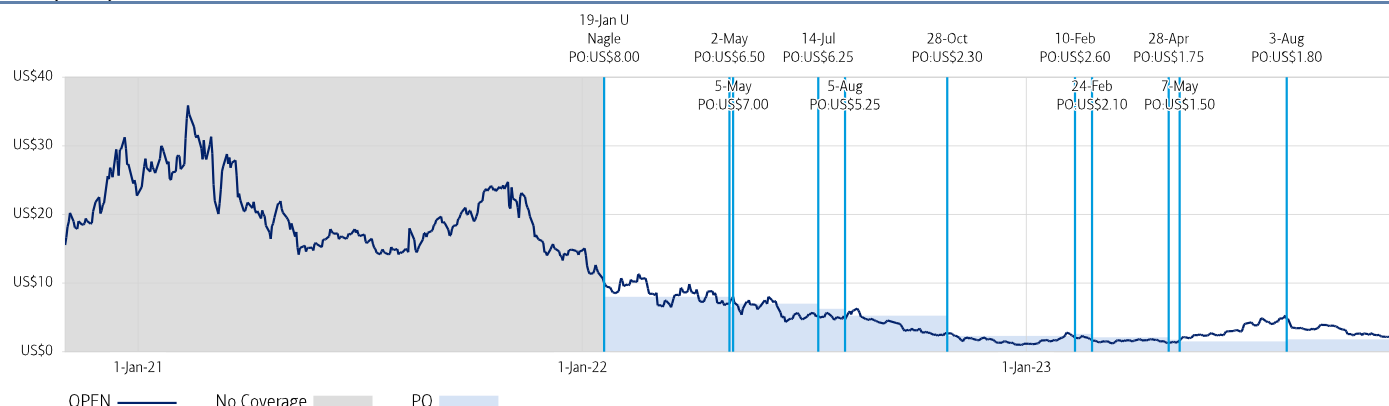
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	204	51.52%	Buy	104	50.98%
Hold	95	23.99%	Hold	45	47.37%
Sell	97	24.49%	Sell	27	27.84%

### Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

<sup>R1</sup> 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.

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

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