



eBay, Inc.

Marketplace - Where You Want To Be

The Key Takeaway: EBAY shares have underperformed the NASDAQ over the past 12-months (down 2% vs. NASDAQ up 6%), despite activist involvement, timely asset divestitures, steady FCF and strong capital returns. EBAY should benefit greatly from the dislocation in brick and mortar retail in 2020, and to a lesser degree the near-term shift of GMV at Amazon to grocery and essentials. EBAY's marketplace has the widest SKU variety online, most of which can be delivered in under a week, which in the current environment should allow for share gains. GMV growth in late March suggests a modest improvement in trend in the US (to flat), which for EBAY is a good sign. We acknowledge that the ECG sale could be on ice for now, and that the business should have a sharp deceleration in growth in 2020, consistent with other classifieds business, but we don't think this derails the long-term value of the franchise. As we approach 2H, the Payment revenue tailwind will start to kick in and marketplace will be lapping the worst of the IST hit, so we would accumulate ahead of these catalysts.

Key Metrics In 1Q:

Strategic Review: Stubhub proceeds are being used to buy back shares, and EBAY generates nearly \$2B in FCF per year, so we doubt the company changes its philosophy on buybacks. ECG will likely see revenue decline 40% Y/Y in 2Q (after a slight decline 1Q), as display advertising weakens and increased mix of free listings. Market conditions likely pushes out any ECG private equity sale near term, but we'd note that most of the peers have bounced 40% from recent lows, so either a delay in the process or a spin, are likely in consideration. Korea could also be in play and fetch up to \$4B in proceeds (see: *Korea Asset Sale Would Be Upside To SOTPs*).

GMV and Active Buyers: We are modeling US GMV -3% and International +1% Y/Y ex-fx for 1Q, and expect growth to flatten out in 2Q. Similar to other e-commerce companies, growth was steady in Jan/Feb, likely dipped a bit in early March during the grocery surge, but has picked up since. (Continued on page 3)

EBAY: Quarterly and Annual EPS (USD)

	2019	2020		2021		Change y/y			
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2020	2021
Q1	0.65A	0.72E	0.74E	0.73E	0.82E	0.84E	0.84E	14%	14%
Q2	0.66A	0.71E	0.69E	0.71E	0.76E	0.70E	0.80E	5%	1%
Q3	0.64A	0.74E	0.75E	0.72E	0.94E	0.83E	0.83E	17%	11%
Q4	0.74A	0.85E	0.86E	0.85E	1.10E	0.91E	1.00E	16%	6%
Year	2.69A	3.03E	3.03E	2.96E	3.62E	3.28E	3.30E	13%	8%
P/E	13.5		11.9			11.0			

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 15-Apr-2020; 12:50 GMT

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Equity Research

Internet & Media | U.S. Internet

16 April 2020

Stock Rating **OVERWEIGHT**
Unchanged

Industry View **POSITIVE**
Unchanged

Price Target **USD 48.00**
lowered -2% from USD 49.00

Price (15-Apr-2020) USD 36.19
Potential Upside/Downside +32.6%
Tickers EBAY

Market Cap (USD mn) 28810
Shares Outstanding (mn) 796.08
Free Float (%) 95.45
52 Wk Avg Daily Volume (mn) 9.6
Dividend Yield (%) 1.77
Return on Equity TTM (%) 39.03
Current BVPS (USD) 3.61

Source: Bloomberg

Price Performance Exchange-Nasdaq
52 Week range USD 42.00-26.02



Source: IDC; Link to Barclays Live for interactive charting

U.S. Internet

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U.S. Internet						Industry View: POSITIVE		
eBay, Inc. (EBAY)						Stock Rating: OVERWEIGHT		
Income statement (\$mn)	2019A	2020E	2021E	2022E	CAGR	Price (15-Apr-2020)	USD 36.19	
Revenue	9,679	9,679	10,996	12,041	7.5%	Price Target	USD 48.00	
Gross profit	7,514	7,388	7,907	8,343	3.6%	Why Overweight? The company is well into its replatforming initiatives and financials should start to see benefit as more traffic is exposed to structured data pages.		
EBITDA (adj)	3,543	3,550	3,954	4,267	6.4%			
EBIT (adj)	2,887	2,891	3,318	3,687	8.5%			
Pre-tax income (adj)	2,604	2,518	2,705	2,914	3.8%			
Net income (adj)	2,299	2,314	2,303	2,478	2.5%			
EPS (adj) (\$)	2.69	3.03	3.28	3.74	11.7%	Upside case	USD 58.00	
Diluted shares (mn)	856.0	764.5	703.0	661.8	-8.2%	Our upside case is based on 20% upside to our FY20 estimates.		
DPS (\$)	0.00	0.00	0.00	0.00	N/A			
Margin and return data					Average	Downside case USD 29.00		
EBITDA (adj) margin (%)	36.6	36.7	36.0	35.4	36.2	Our downside case is based on 40% downside to our FY20 estimates.		
EBIT (adj) margin (%)	29.8	29.9	30.2	30.6	30.1			
Pre-tax (adj) margin (%)	26.9	26.0	24.6	24.2	25.4			
Net (adj) margin (%)	23.8	23.9	20.9	20.6	22.3			
ROIC (%)	14.2	17.9	18.5	19.1	17.4			
ROE (%)	40.8	52.9	41.8	35.9	42.9			
Balance sheet and cash flow (\$mn)					CAGR	<p>Price History Prior 12 months High</p> <p>Price Target Next 12 months Upside</p> <p>42.00</p> <p>58.00</p> <p>Target 48.00</p> <p>Current 36.19</p> <p>26.02</p> <p>29.00</p> <p>Low</p> <p>Downside</p>		
Tangible fixed assets	1,484	1,406	1,429	1,572	1.9%			
Intangible fixed assets	62	62	62	62	0.0%			
Cash and equivalents	923	1,795	2,606	3,353	53.7%			
Total assets	17,727	18,637	19,659	20,951	5.7%			
Short and long-term debt	7,760	7,760	7,760	7,760	0.0%			
Other long-term liabilities	1,828	1,828	1,828	1,828	0.0%			
Total liabilities	15,019	14,884	14,883	14,952	-0.1%			
Shareholders' equity	2,708	3,701	4,723	5,947	30.0%			
Net debt/(funds)	6,837	5,965	5,154	4,407	-13.6%			
Change in working capital	-170	-251	-188	-334	N/A			
Cash flow from operations	3,114	2,901	3,070	3,070	-0.5%			
Capital expenditure	-544	-581	-660	-722	N/A			
Free cash flow	2,570	2,320	2,410	2,347	-3.0%			
Valuation and leverage metrics					Average			
P/E (adj) (x)	13.5	11.9	11.0	9.7	11.5			
EV/sales (x)	7.9	7.9	6.9	6.3	7.2			
EV/EBITDA (adj) (x)	21.5	21.5	19.3	17.9	20.0			
FCF yield (%)	3.4	3.0	3.2	3.1	3.2			
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0			
Net debt/EBITDA (adj) (x)	1.9	1.7	1.3	1.0	1.5			
Selected operating metrics					CAGR			
U.S. GMV	N/A	N/A	N/A	N/A	N/A			
International GMV	N/A	N/A	N/A	N/A	N/A			

Source: Company data, Bloomberg, Barclays Research

Note: FY End Dec

Key Metrics In 1Q (continued)

GMV and Active Buyers: We are modeling US GMV -3% and International +1% Y/Y ex-fx for 1Q, and expect growth to flatten out in 2Q. Similar to other e-commerce companies, growth was steady in Jan/Feb, likely dipped a bit in early March during the grocery surge, but has picked up since. Marketplace selection and resilience for e-commerce should help EBAY in 2020 relative to brick and mortar. We expect active buyers to be flattish for 1Q, but may have picked up a bit into 2Q. eBay is lapping quarters that had heavy impact from couponing last year, but not yet the peak of the IST hit (2H20).

Revenue: We think revenue may decline a bit on lower sponsored listings, but generally trend in line with GMV growth. We are modelling take rate to increase 15bps in the US and to increase 5bps for international in 1Q which could prove conservative. Noted above, ECG is likely to weaken materially in late 1Q and 2Q on slower display ads and sponsored listings. Payments should provide a nice revenue bump but not until we get into 3Q and roll off the PP agreement. For 1Q we are modeling overall revenue of \$2.3B for 1Q. We have updated our model to remove Stubhub from historicals.

EPS and Margins: We are modeling \$0.74 in EPS and \$974m in adj. EBITDA. 1H is usually the seasonal low for margin expansion, but we continue to view the ~70bps annual goal (200bps over 3 years) as conservative.

Estimate Changes

FIGURE 1 Summary of Estimate Changes

Past Est. Adjusted for SH	1Q20E			2020E			2021E		
	New Est.	Old Est.	Delta	New Est.	Old Est.	Delta	New Est.	Old Est.	Delta
Marketplace GMV ex-SH	\$20,971	\$20,300	3.3%	\$84,586	\$83,213	1.7%	\$85,374	\$83,999	1.6%
Marketplace revenue ex-SH	\$2,326	\$2,322	0.2%	\$9,395	\$9,504	-1.1%	\$9,655	\$9,728	-0.7%
Cost of goods	\$490	\$516	-5.1%	\$2,290	\$2,545	-10.0%	\$3,089	\$2,265	36.4%
Gross profit	\$1,862	\$1,830	1.7%	\$7,388	\$8,327	-11.3%	\$7,907	\$7,520	5.1%
Margin	79.2%	78.0%	116 bps	76.3%	76.6%	-25 bps	71.9%	76.9%	-495 bps
Sales and Marketing	\$569	\$590	-3.6%	\$2,508	\$2,956	-15.2%	\$2,497	\$2,499	-0.1%
Product Development	\$223	\$223	0.3%	\$953	\$1,027	-7.2%	\$1,030	\$943	9.3%
General and Administrative	\$189	\$201	-5.6%	\$773	\$893	-13.4%	\$759	\$730	4.1%
Transaction and Loan Losses	\$65	\$65	0.2%	\$278	\$302	-8.2%	\$316	\$281	12.7%
Interest & Other Income, net	-\$160	-\$160	0.0%	-\$320	-\$490	-34.7%	-\$560	-\$490	14.3%
Tax Rate	15.5%	15.5%	0.0%	15.1%	15.5%	-2.4%	18.5%	15.1%	22.4%
Pro Forma Operating Income	\$817	\$754	8.3%	\$2,891	\$3,153	-8.3%	\$3,318	\$3,081	7.7%
Margin	34.7%	32.1%	260 bps	29.9%	29.0%	86 bps	30.2%	31.5%	-132 bps
Company defined Adj. EPS	\$0.74	\$0.68	8.1%	\$3.03	\$3.03	0.2%	\$3.28	\$2.95	11.1%

Source: Company Reports, Barclays Research. \$ in millions, except per share data

Valuation

We are decreasing our price target to \$48 from \$49 (with our methodology unchanged) based on a blended average of 20x P/E, 10x EBITDA and 5% FCF Yield on our FY20 estimates.

FIGURE 2 eBay Valuation

eBay Inc. -- Valuation Worksheet (Base Scenario)
(\$ in Millions, except per share amounts)

Current Price	\$36.19
Diluted Shares Outstanding	812
Current Market Cap	29,386
Less Cash & ST Investments	4,078
Plus Debt	7,760
Adjusted Enterprise Value	33,068

Price to Earnings	2018A	2019A	2020E
GAAP EPS	\$2.55	\$2.09	\$2.22
Current P/E Multiple	14.2x	17.3x	16.3x
Company Defined Pro Forma EPS	\$2.19	\$2.69	\$3.03
Current P/E Multiple	16.5x	13.5x	11.9x
Target Multiple For GAAP	20.0x	20.0x	20.0x
Implied Stock Price on Forward EPS	\$51	\$42	\$44

EV to EBITDA	2018A	2019A	2020E
Adjusted EBITDA	3,424	3,543	3,550
Current EV/EBITDA Multiple	9.7x	9.3x	9.3x
Target Multiple	10.0x	10.0x	10.0x
Enterprise Value	34,240	35,430	35,495
Plus FY End & ST Investments	4,828	2,773	3,645
Less Debt	9,231	7,760	7,760
Equity Market Capitalization	29,837	30,443	31,381
FY End Projected Sharecount	992	856	765
Implied Stock Price on Forward EBITDA	\$30	\$36	\$41

FCF Yield	2018A	2019A	2020E
FCF per Share	\$2.04	\$3.00	\$3.04
Current FCF Yield	5.6%	8.3%	8.4%
Target Yield	5.0%	5.0%	5.0%
Implied Stock Price on Forward FCF	\$41	\$60	\$61

Price Target	\$48
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Source: Barclays Research

FIGURE 3 EBAY Income Statement

eBay Inc. -- Quarterly Income Statement	2017A	2018A	2019A	2020E				2020E	2021E	2022E
(\$ in Millions, except per share amounts)				Mar E	Jun E	Sep E	Dec E			
	2017A	2018A	2019A	1QE	2QE	3QE	4QE	2020E	2021E	2022E
Net Revenue	9926.0	9663.0	9679.0	2351.2	2310.9	2409.6	2606.9	9678.6	10996.1	12041.0
Cost of Net Revenues	2149.0	2059.0	2165.0	489.7	535.0	607.4	658.1	2290.1	3089.4	3697.6
Gross Profit	7777.0	7604.0	7514.0	1861.5	1776.0	1802.2	1948.8	7388.4	7906.7	8343.4
Operating Expenses:										
Sales and Marketing	2783.0	2800.0	2612.0	568.9	634.1	618.8	686.4	2508.2	2496.7	2527.2
Product Development	1046.0	1004.0	944.0	223.4	231.5	244.5	253.1	952.5	1030.3	1026.0
General and Administrative	867.0	789.0	794.0	189.4	196.1	186.2	201.6	773.3	759.3	772.0
Total Operating Expenses	5030.0	4885.0	4666.0	1058.0	1131.8	1132.6	1228.3	4550.7	4641.7	4709.2
Reported Income from Operations	2264.0	2122.0	2252.0	686.0	505.5	549.1	577.1	2317.7	2718.8	3073.0
Pro Forma Income from Operations	2820.0	2758.0	2887.0	816.6	658.1	682.6	733.5	2890.8	3318.0	3687.2
Adjusted EBITDA	3496.0	3424.0	3543.0	974.4	819.9	852.2	903.0	3549.5	3954.3	4266.9
Reported Net Income	(1013.0)	2450.0	1733.0	444.5	387.2	415.7	448.1	1695.4	1759.4	1917.7
Pro Forma Net Income	2162.0	2164.0	2299.0	590.0	532.9	561.6	629.2	2313.6	2302.9	2477.6
<u>Diluted Earnings per Share:</u>										
Reported Earnings per Share	(\$0.94)	\$2.55	\$2.09	\$0.56	\$0.50	\$0.55	\$0.61	\$2.22	\$2.50	\$2.90
Peer defined PF EPS	\$2.01	\$2.14	\$2.64	\$0.74	\$0.69	\$0.75	\$0.86	\$3.03	\$3.28	\$3.74
PF EPS	\$2.00	\$2.19	\$2.69	\$0.74	\$0.69	\$0.75	\$0.86	\$3.03	\$3.28	\$3.74
Diluted Shares Outstanding	1076.5	991.5	856.0	799.8	775.8	752.6	730.0	764.5	703.0	661.8
<u>Margin Analysis</u>										
Gross Margin	78.3%	78.7%	77.6%	79.2%	76.8%	74.8%	74.8%	76.3%	71.9%	69.3%
Sales and Marketing as % of Net Revenue	28.0%	29.0%	27.0%	24.2%	27.4%	25.7%	26.3%	25.9%	22.7%	21.0%
Product Development as % of Net Revenue	10.5%	10.4%	9.8%	9.5%	10.0%	10.1%	9.7%	9.8%	9.4%	8.5%
General and Administrative as % of Net Revenue	8.7%	8.2%	8.2%	8.1%	8.5%	7.7%	7.7%	8.0%	6.9%	6.4%
Pro Forma Operating Margin	28.4%	28.5%	29.8%	34.7%	28.5%	28.3%	28.1%	29.9%	30.2%	30.6%
Adjusted EBITDA Margin	35.2%	35.4%	36.6%	41.4%	35.5%	35.4%	34.6%	36.7%	36.0%	35.4%
Effective Pro Forma Tax Rate	36.0%	16.5%	14.6%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
Pro Forma Net Income	21.8%	22.4%	23.8%	25.1%	23.1%	23.3%	24.1%	23.9%	20.9%	20.6%
<u>Year Over Year Growth</u>										
Net Revenue	6.8%	-2.6%	0.2%	-2.6%	-4.6%	2.8%	4.3%	0.0%	13.6%	9.5%
Gross Profit	5.7%	-2.2%	-1.2%	-1.4%	-5.7%	-0.2%	0.6%	-1.7%	7.0%	5.5%
Pro Forma Operating Income	1.1%	-2.2%	4.7%	7.3%	-7.0%	1.4%	-1.5%	0.1%	14.8%	11.1%
Adjusted EBITDA	0.7%	-2.1%	3.5%	5.6%	-6.4%	1.7%	-0.3%	0.2%	11.4%	7.9%
Pro Forma Net Income	0.3%	0.1%	6.2%	0.0%	-7.5%	5.4%	4.9%	0.6%	-0.5%	7.6%
Pro Forma Diluted Earnings per Share	6.3%	9.2%	22.9%	13.5%	3.4%	17.2%	16.6%	12.7%	8.1%	14.2%

Source: Company Reports, Barclays Research

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eBay, Inc. (EBAY, 15-Apr-2020, USD 36.19), Overweight/Positive, CD/CE/I/K/M/N

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Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

U.S. Internet

Activision Blizzard, Inc. (ATVI)	Alibaba Group Holding Ltd. (BABA)	Alphabet Inc. (GOOGL)
Amazon.com, Inc. (AMZN)	Baidu, Inc. (BIDU)	Booking Holdings Inc. (BKNG)
Chewy, Inc. (CHWY)	eBay, Inc. (EBAY)	Electronic Arts, Inc. (EA)
Expedia Inc. (EXPE)	Facebook, Inc. (FB)	GoDaddy Inc. (GDDY)
Groupon, Inc. (GRPN)	GrubHub, Inc. (GRUB)	GSX Techedu Inc. (GSX)
IAC/InterActiveCorp (IAC)	JD.com, Inc. (JD)	Lyft, Inc. (LYFT)
Match Group, Inc. (MTCH)	MercadoLibre (MELI)	NetEase, Inc. (NTES)
Peloton Interactive, Inc. (PTON)	Pinduoduo Inc. (PDD)	Pinterest, Inc. (PINS)

IMPORTANT DISCLOSURES CONTINUED

Revolve (RVLV)	Shopify (SHOP)	Snap, Inc (SNAP)
Spotify Technology S.A. (SPOT)	Stitch Fix (SFIX)	Take-Two Interactive Software (TTWO)
Tencent Holdings Ltd. (TCEHY)	Trip.com Group Ltd. (TCOM)	Tripadvisor Inc. (TRIP)
Twitter, Inc. (TWTR)	Uber Technologies Inc. (UBER)	Weibo Corporation (WB)
Wix.com Ltd. (WIX)	Yelp, Inc. (YELP)	Zillow, Inc. (ZG)
Zynga Inc. (ZNGA)		

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Barclays Equity Research has 1589 companies under coverage.

45% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 49% of companies with this rating are investment banking clients of the Firm; 74% of the issuers with this rating have received financial services from the Firm.

37% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 42% of companies with this rating are investment banking clients of the Firm; 68% of the issuers with this rating have received financial services from the Firm.

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To see a list of companies that comprise a particular industry coverage universe, please go to <https://publicresearch.barclays.com>.

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IMPORTANT DISCLOSURES CONTINUED

eBay, Inc. (EBAY / EBAY)

USD 36.19 (15-Apr-2020)

Stock Rating

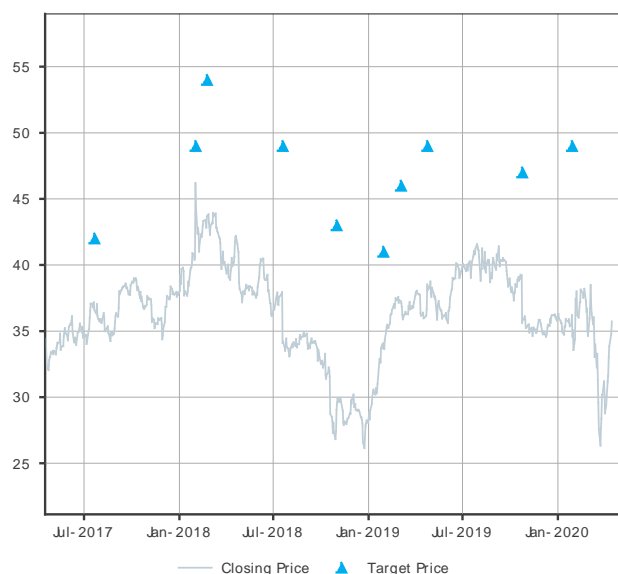
OVERWEIGHT

Industry View

POSITIVE

Rating and Price Target Chart - USD (as of 15-Apr-2020)

Currency=USD



Publication Date	Closing Price	Rating	Adjusted Price Target
28-Jan-2020	36.21		49.00
24-Oct-2019	35.62		47.00
24-Apr-2019	38.52		49.00
04-Mar-2019	37.25		46.00
29-Jan-2019	33.69		41.00
31-Oct-2018	29.03		43.00
19-Jul-2018	34.11		49.00
23-Feb-2018	43.68		54.00
01-Feb-2018	46.19		49.00
21-Jul-2017	36.61		42.00

On 15-Apr-2017, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 41.00.

Source: Bloomberg, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our \$48 PT is based on a blended average of 20x PE, 10x EBITDA and 5% FCF Yield on our FY20 estimates.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks include: market share losses to Amazon, no growth in active buyers from structured data initiatives, and impact to traffic from external factors such as SEO algorithm changes,

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