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United States of America

Internet & Media

Internet

## eBay, Inc (EBAY - US\$ 26.08) 2-Equal weight

Company Update

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Key Takeaways from PESA Summit

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### Investment Conclusion

- We remain cautious on the N-T fundamentals of eBay due to: 1) the natural evolution of e-commerce toward multi-channel buying and selling; 2) lack of evidence of a material pick-up in Core listings since the recent SIF fees change; 3) decelerating growth in core mkt; and 4) increased competition from both GOOG and local country e-commerce players such as Gmarket and TaoBao.

### Summary

- We recently attended the Professional eBay Sellers Alliance (PESA) Fall Summit in SF. PESA's more than 1,000 members represent over \$1B in annual eBay GMV.
- We believe the key theme was the continued shift toward multi-channel selling, as evidenced by the heavy presence of Google and Amazon.
- Virtually all sellers we spoke to pointed to increasing buyer demand and improving trust and safety as the keys to strengthening eBay.
- We believe AMZN's new products, WebStores and Fulfillment, provide compelling platform and distribution options and could shift sellers closer to AMZN.
- Through Wk 11, we track 477M total listings. Wk 12 is trending up on promos, but eBay could come in slightly below our 597M estimate for the qtr.

### Stock Rating

### Target Price

New: 2-Equal weight      New: US\$ 33.00  
 Old: 2-Equal weight      Old: US\$ 33.00

Sector View: 2-Neutral

### EPS (US\$) (FY Dec)

	2005		2006		2007		% Change		
	Actual	Old	New	St. Est.	Old	New	2006	2007	
1Q	0.20A	0.24A	0.24A	0.24A	N/A	N/A	0.29E	20%	N/A
2Q	0.22A	0.24A	0.24A	0.24A	N/A	N/A	0.29E	9%	N/A
3Q	0.20A	0.24E	0.24E	0.24E	N/A	N/A	0.30E	20%	N/A
4Q	0.24A	0.30E	0.30E	0.29E	N/A	N/A	0.36E	25%	N/A
Year	0.86A	1.02E	1.02E	1.00E	1.26E	1.26E	1.25E	19%	24%
P/E			25.6			20.7			

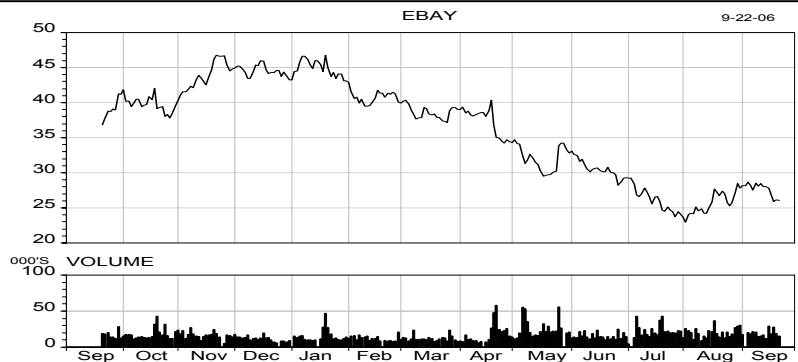
### Market Data

Market Cap (Mil.)	37445
Shares Outstanding (Mil.)	1435.76
Float (%)	80
Dividend Yield	0.00
Convertible	No
52 Week Range	47.86 - 22.83

### Financial Summary

Revenue FY06 (Mil.)	5912.5
Five-Year EPS CAGR	20.0
Return on Equity	N/A
Current BVPS	7.86
Debt To Capital (%)	N/A

### Stock Overview



### SUMMARY VIEW

We remain cautious on the near-term fundamentals of eBay's business due to: 1) the natural evolution of e-commerce toward multi-channel buying and selling; 2) lack of evidence of a material pick-up in Core listings since the recent SIF fees change; 3) decelerating growth in core markets; and 4) increased competition from both Google and local country e-commerce players such as Gmarket and TaoBao.

Based on our 2007 PF EPS estimate of \$1.26, eBay shares are trading at 21x next year's earnings. Our 2007 estimates currently project 26% revenue growth and 40 bps of PF operating margin expansion from 2006 to 2007. Many of our concerns may already be in the stock price, but we believe 2007 estimates could still move lower. We expect eBay to provide 2007 guidance when it reports 3Q numbers in October, but we believe the company will likely be quite conservative in its first look at next year. eBay may not yet have strong visibility into how the SIF fees increase is impacting the overall business, nor to what degree its extensive advertising campaign in 4Q is increasing buyer

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demand. We continue to believe, however, that an update on the company's repurchase activity could serve as a potential positive at 3Q earnings. As a reminder, eBay announced a \$2 billion repurchase authorization over 24 months at 2Q earnings in July. Given eBay's \$4 billion cash balance and continued strong free cash flow generation, we believe the company could complete a significant portion of the authorization during 3Q. We maintain our 2-Equal weight rating and our \$33 price target which is based on 26x 2007E PF EPS of \$1.26.

### Key Takeaways from PESA Summit

We recently attended the Professional eBay Sellers Alliance (PESA) Fall Summit in San Francisco. PESA's more than 1,000 members represent over \$1 billion in eBay's annual GMV. Our key takeaways are below:

- We believe the key theme, similar to recent eBay Live conferences, was the continued shift toward multi-channel selling. **eBay remains the single-most effective platform for sellers in terms of volume, velocity, and absolute returns, but we believe sellers are increasingly using eBay and other 3<sup>rd</sup>-party platforms as customer acquisition vehicles, with the intention of steering customers toward repeat-shopping directly at seller URLs.** At the same time, online shoppers have become increasingly savvy, and seem more willing than ever to shop at a variety of different sites as long as pricing is attractive and they have confidence in fulfillment. As a result, we believe eBay is becoming a smaller portion of many sellers' businesses, making it extremely difficult for eBay to outpace overall e-commerce growth. **We note that both Amazon and Google had a heavy presence at the PESA conference as they look to extend their products toward small businesses.**
- eBay's advertising campaign, which kicked off after Labor Day, is being met with mixed reviews by sellers. While sellers are optimistic that eBay will likely advertise aggressively into year-end, many believe the Express and It campaigns should have started earlier to capture more of the back-to-school season. Increasing buyer demand and improving trust and safety were focal points for virtually all sellers we spoke to.
- As at eBay Live in June, we believe sellers remain uncomfortable with the company's ability to remove listings for excessive shipping charges and the lack of communication around guidelines for shipping charges. **Multiple sellers suggested that eBay should shift toward showing listings based on their overall price, including shipping.** Additionally, several sellers we spoke to believe that eBay is focusing too much on policing instances of minor excess shipping charges rather than doing a better job of verifying sellers and stamping out more sophisticated fraud.
- As noted above, eBay Express advertising has only recently kicked off in earnest, but we believe sellers are seeing very few sales from the new platform. Additionally, we continue to hear that the Express seller threshold (100 feedback ratings with a 98% positive score) is too low.
- As expected, sellers in media categories were hit hardest by the SIF fees increase given their high number of SKUs and heavy exposure to SIF. We believe at least some small and mid-sized media sellers have shut down their eBay stores, while larger sellers appear to be simply cutting back on their overall listings rather than moving them into core.
- Ahead of the conference, Amazon released two new tools for small businesses that we find compelling: WebStore by Amazon and Fulfillment by Amazon. We include details on both below:
  - **WebStore by Amazon:**
    - Enables sellers to create their own e-commerce sites using Amazon's technology
    - Fees include 7% commission, including credit card fees, plus a \$59.95 monthly subscription fee regardless of the number of WebStores a seller has.
    - Sellers with WebStores must already sell through the Amazon Marketplace; Seller Central integrates the inventory management for both channels
    - WebStores use Amazon's payment platform so no merchant account is required; PayPal and Google Checkout cannot be incorporated into WebStores
    - Customers shopping on WebStores use their existing Amazon accounts to log in, providing WebStores with greater access to Amazon's 59 million active customers.
    - WebStores will benefit from Amazon's automated product recommendations for cross-selling and Amazon's existing community features such as customer reviews.
    - WebStores can also feature Amazon-sold products and WebStore sellers will receive a referral fee for each transaction, similar to the Amazon's Associates program.
    - WebStores also benefit from keyword search recommendations based on Amazon's knowledgebase.
    - We note that Amazon currently has around 1.1 million sellers.
    - Many sellers we spoke to were intrigued by the pricing of WebStores and the additional features it provides.
    - **Our Take: We believe some eBay sellers are already having good success on Amazon's 3<sup>rd</sup>-party platform and WebStores is an aggressive attempt to shift more small business activity toward Amazon by capitalizing on the company's already existing technology.**

- **Fulfillment by Amazon:**
  - Enables sellers to use Amazon’s fulfillment capabilities and customer service
  - FBA is targeted toward sellers looking to expand their business, those that want less back-end time commitment, manufacturers seeking a direct channel to consumers, and those that want a potentially more cost-effective solution.
  - **Fulfillment by Amazon (FBA) can currently only be used in conjunction with Amazon Marketplace and WebStores. However, we believe FBA will ultimately be compatible with other seller channels, including potentially eBay.**
  - FBA buyers will benefit from Amazon Prime and Free Super Saver Shipping.
  - Sellers ship their products to Amazon and pay inbound shipping charges.
  - Amazon does all picking, packing, and outbound shipping.
  - Amazon handles post-order customer service and returns.
  - Amazon charges handling fees as low as \$0.50 per item plus \$0.40 per pound, in addition to a storage fee of \$0.45 per cubic foot per month.
  - We believe FBA is currently in beta with less than 20 merchants across multiple categories.
  - FBA will be available in the UK and Germany by the end of the year.
  - **Our Take: FBA may become a viable solution for certain sellers looking to outsource their distribution given Amazon’s expertise in this area and its ability to fulfill through multiple distribution centers. The combination of WebStore and FBA could move eBay sellers closer to Amazon.**

**3Q06 LISTINGS**

Through 11 weeks of the third quarter, **our tracking suggests there have been approximately 477 million listings on eBay worldwide, up 21% Y/Y**. If 3Q06 distribution is similar to that of our 3Q05 tracking, we believe eBay would come in slightly below our estimate of 597 million listings (+30%). We believe consensus calls for listings of approximately 595-600 million, or 30-31% growth Y/Y. Based on our tracking, QTD Store listings have represented 24% of U.S. listings and 17% of total eBay worldwide listings. For the period July 1-August 22, Stores represented 27% of U.S. listings, with a spike in Store listings immediately prior to the fee increase. Since the August 22 fee increase, Store listings have accounted for approximately 17% of listings. **On a worldwide basis, Store listings were 19% leading up to the fee change in 3Q, and have declined to 15% of total listings since the change. However, we have not seen a material pick-up in domestic core listings since the fee change.** Figure 1 provides QTD listing counts compared to our estimates for the full quarter 3Q06. We note that September 21 marked 30 days since the implementation of the fee change, and all of the listings which sellers put into Store Inventory format on the final day before the Aug 22 fee change have now expired—any new Store listings will be at the higher fees. We expect the number of active Store listings on the eBay to decline due to the fact that many of these Store listings will likely not be re-listed. We note that week 12, which has 2 days left in our tracking, is set to come in above our Week 11 estimate of 35.2 million. Week 12 has benefited from a \$0.50 vehicle parts and accessories promotion in the U.S. and a 0.05p Buy it Now listings day in the UK on 9/20.

**Figure 1: eBay Quarter-to-date Listings, Through Week 11**

	3Q06 QTD Listings (As of 9/16/06)			Lehman
	Core Listings	Store Listings	Total Listings	3Q06 Estimate
<b>U.S.</b>	174,696,008	55,170,231	229,866,239	275,753,887
<i>Y/Y Growth</i>	3%	68%	14%	21%
United Kingdom	67,611,940	7,679,184	75,291,124	-
<i>Y/Y Growth</i>	20%	289%	29%	
Germany	89,144,708	11,283,667	100,428,375	-
<i>Y/Y Growth</i>	32%	164%	39%	
France, Italy & Australia	28,429,344	4,363,244	32,792,588	-
<i>Y/Y Growth</i>	40%	201%	51%	
Other International	38,519,236	1,641,184	40,160,420	-
<i>Y/Y Growth</i>	-3%	NA	-3%	
<b>Total International</b>	222,537,700	24,967,279	247,504,980	321,662,040
<i>Y/Y Growth</i>	21%	210%	29%	40%
<b>Total Listings</b>	397,233,708	80,137,510	<b>477,371,219</b>	597,415,927
<i>Y/Y Growth</i>	13%	96%	<b>21%</b>	30%

Source: Lehman Brothers estimates, eBay websites

**Figure 2: eBay Income Statement 2004A – 2007E (\$ in thousands except per share)**

(\$ in thousands except per-share data)

	2004A	3/05A	6/05A	9/05A	12/05A	2005A	3/06A	6/06A	9/06E	12/06E	2006E	2007E
<b>Net revenues</b>	<b>3,271,309</b>	<b>1,031,724</b>	<b>1,086,303</b>	<b>1,105,515</b>	<b>1,328,859</b>	<b>4,552,401</b>	<b>1,390,419</b>	<b>1,410,784</b>	<b>1,428,028</b>	<b>1,683,248</b>	<b>5,912,479</b>	<b>7,433,641</b>
Cost of net revenues	614,415	186,369	191,840	200,375	239,520	818,104	278,568	292,479	271,325	297,935	1,140,307	1,412,392
<b>Gross profit</b>	<b>2,656,894</b>	<b>845,355</b>	<b>894,463</b>	<b>905,140</b>	<b>1,089,339</b>	<b>3,734,297</b>	<b>1,111,851</b>	<b>1,118,305</b>	<b>1,156,703</b>	<b>1,385,313</b>	<b>4,772,172</b>	<b>6,021,249</b>
<b>Operating expenses</b>												
Sales and marketing	857,874	271,349	287,144	293,746	378,489	1,230,728	375,841	370,937	395,564	481,409	1,623,751	2,021,950
Product development	240,647	73,789	71,639	78,881	103,882	328,191	98,369	100,981	104,246	122,877	426,473	542,656
General and administrative	415,725	136,389	129,340	144,287	181,699	591,715	186,430	195,200	199,924	218,822	800,376	981,241
Payroll expense on employee stock options	17,479	5,731	1,560	2,291	3,433	13,015	2,324	-	7,000	7,000	16,324	30,000
Patent litigation expense	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of acquired intangible assets	65,927	22,523	25,794	29,199	51,425	128,941	51,921	61,996	58,000	58,000	229,917	175,000
Incremental non-cash stock-based comp (FAS123)	-	-	-	-	-	-	74,342	77,777	90,000	92,000	334,119	317,413
Total operating expenses	1,597,652	509,781	515,477	548,404	718,928	2,292,590	789,227	806,891	854,734	980,108	3,430,960	4,068,260
<b>Operating income</b>	<b>1,059,242</b>	<b>335,574</b>	<b>378,986</b>	<b>356,736</b>	<b>370,411</b>	<b>1,441,707</b>	<b>322,624</b>	<b>311,414</b>	<b>301,969</b>	<b>405,205</b>	<b>1,341,212</b>	<b>1,952,989</b>
<b>PF Operating income</b>	<b>1,148,480</b>	<b>367,424</b>	<b>406,390</b>	<b>393,551</b>	<b>448,070</b>	<b>1,615,435</b>	<b>460,687</b>	<b>460,427</b>	<b>461,969</b>	<b>567,205</b>	<b>1,950,288</b>	<b>2,483,402</b>
Interest and other income, net	77,867	22,403	32,525	30,657	25,563	111,148	25,760	25,630	35,083	41,317	127,790	139,838
Interest expense	(8,879)	(1,720)	(405)	(431)	(922)	(3,478)	(747)	(929)	-	-	(1,676)	-
Impairment of certain equity investments	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating expenses, net	68,988	20,683	32,120	30,226	24,641	107,670	25,013	24,701	35,083	41,317	126,114	139,838
Income (loss) before income taxes and minority interests	1,128,230	356,257	411,106	386,962	395,052	1,549,377	347,637	336,115	337,052	446,522	1,467,325	2,092,827
Provision for income taxes	(343,885)	(99,948)	(119,518)	(131,989)	(115,830)	(467,285)	(99,354)	(86,120)	(101,116)	(133,956)	(420,546)	(606,920)
Tax Rate	30.5%	28.1%	29.1%	34.1%	29.3%	30.2%	28.6%	25.6%	30.0%	30.0%	28.7%	29.0%
Minority interests in consolidated companies	(6,122)	(18)	(28)	(2)	(1)	(49)	(1)	(1)	-	-	(2)	-
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	-	-	-
<b>GAAP Net income (loss)</b>	<b>778,223</b>	<b>256,291</b>	<b>291,560</b>	<b>254,971</b>	<b>279,221</b>	<b>1,082,043</b>	<b>248,282</b>	<b>249,994</b>	<b>235,936</b>	<b>312,565</b>	<b>1,046,777</b>	<b>1,485,907</b>
Basic income (loss) per share	\$0.59	\$0.19	\$0.22	\$0.19	\$0.20	\$0.79	\$0.18	\$0.18	\$0.17	\$0.22	\$0.74	\$1.02
Diluted income (loss) per share	\$0.57	\$0.19	\$0.21	\$0.18	\$0.20	\$0.78	\$0.17	\$0.17	\$0.16	\$0.21	\$0.73	\$1.01
Basic shares outstanding	1,319,443	1,343,442	1,351,375	1,357,239	1,394,566	1,361,656	1,406,309	1,411,925	1,421,925	1,431,925	1,418,021	1,451,925
Diluted shares outstanding	1,367,001	1,382,150	1,379,088	1,387,038	1,426,475	1,393,688	1,437,581	1,435,757	1,445,757	1,455,757	1,443,713	1,475,757
<b>Non-recurring items:</b>												
Payroll expense on employee stock options	17,479	5,731	1,560	2,291	3,433	13,015	2,324	1,609	7,000	7,000	16,324	30,000
Amortization of acquired intangible assets	65,927	22,523	25,794	29,199	51,425	128,941	51,921	61,996	58,000	58,000	229,917	175,000
Impairment of certain equity investments	-	-	-	-	-	-	-	-	-	-	-	-
Opex adj. for non-cash stock based comp.	5,623	3,596	50	5,325	21,199	30,170	74,342	77,777	90,000	92,000	334,119	317,413
Cost of net revenues adjustment	209	-	-	-	1,602	1,602	9,476	7,631	5,000	5,000	27,107	8,000
Interest and other income adjustment	(6,485)	-	(2,260)	-	-	(2,260)	-	-	-	-	-	-
Tax adjustment	(31,520)	(12,603)	(9,468)	(11,629)	(16,817)	(50,517)	(43,442)	(48,260)	(43,029)	(42,515)	(177,246)	(153,820)
Other one-time items	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-
<b>PF Net income (loss)</b>	<b>829,456</b>	<b>275,538</b>	<b>307,236</b>	<b>280,157</b>	<b>340,063</b>	<b>1,202,994</b>	<b>342,903</b>	<b>350,747</b>	<b>352,907</b>	<b>432,050</b>	<b>1,476,998</b>	<b>1,862,501</b>
PF basic income (loss) per share	\$0.63	\$0.21	\$0.23	\$0.21	\$0.24	\$0.88	\$0.24	\$0.25	\$0.25	\$0.30	\$1.04	\$1.28
PF diluted income (loss) per share	\$0.61	\$0.20	\$0.22	\$0.20	\$0.24	\$0.86	\$0.24	\$0.24	\$0.24	\$0.30	\$1.02	\$1.26
Basic shares outstanding	1,319,443	1,343,442	1,351,375	1,357,239	1,394,566	1,361,656	1,406,309	1,411,925	1,421,925	1,431,925	1,418,021	1,451,925
Diluted shares outstanding	1,367,001	1,382,150	1,379,088	1,387,038	1,426,475	1,393,688	1,437,581	1,435,757	1,445,757	1,455,757	1,443,713	1,475,757
<b>EBITDA Reconciliation</b>												
PF Operating income	1,148,480	367,424	406,390	393,551	448,070	1,615,435	460,687	460,427	461,969	567,205	1,950,288	2,483,402
Depreciation	187,763	57,137	59,511	62,703	69,873	249,224	71,365	80,430	62,000	57,000	270,795	250,000
<b>EBITDA</b>	<b>1,336,243</b>	<b>424,561</b>	<b>465,901</b>	<b>456,254</b>	<b>517,943</b>	<b>1,864,659</b>	<b>532,052</b>	<b>540,857</b>	<b>523,969</b>	<b>624,205</b>	<b>2,221,083</b>	<b>2,733,402</b>
	<b>2004A</b>	<b>3/05A</b>	<b>6/05A</b>	<b>9/05A</b>	<b>12/05A</b>	<b>2005A</b>	<b>3/06A</b>	<b>6/06A</b>	<b>9/06E</b>	<b>12/06E</b>	<b>2006E</b>	<b>2007E</b>
<b>Y/Y Growth</b>												
Net sales	51.1%	36.4%	40.5%	37.2%	42.0%	39.2%	34.8%	29.9%	29.2%	26.7%	29.9%	25.7%
Total operating expenses	42.7%	43.5%	38.2%	38.9%	51.5%	43.5%	54.8%	56.5%	55.9%	36.3%	49.7%	18.6%
Operating income	68.3%	25.8%	49.3%	40.5%	30.1%	36.1%	-3.9%	-17.8%	-15.4%	9.4%	-7.0%	45.6%
<b>PF Operating income</b>	<b>65.3%</b>	<b>28.3%</b>	<b>47.4%</b>	<b>44.4%</b>	<b>42.8%</b>	<b>40.7%</b>	<b>25.4%</b>	<b>13.3%</b>	<b>17.4%</b>	<b>26.6%</b>	<b>20.7%</b>	<b>27.3%</b>
GAAP Net income	76.2%	28.1%	53.1%	39.8%	36.0%	39.0%	-3.1%	-14.3%	-7.5%	11.9%	-3.3%	42.0%
PF Net income	67.7%	30.7%	55.4%	43.7%	50.4%	45.0%	24.4%	14.2%	26.0%	27.1%	22.8%	26.1%
EBITDA	66.3%	29.4%	45.9%	41.8%	41.1%	39.5%	25.3%	16.1%	14.8%	20.5%	19.1%	23.1%
<b>Sequential Growth</b>												
Net sales	-	10.3%	5.3%	1.8%	20.2%	-	4.6%	1.5%	1.2%	17.9%	-	-
<b>% of Revenues</b>												
Sales and marketing	26.2%	26.3%	26.4%	26.6%	28.5%	27.0%	27.0%	26.3%	27.7%	28.6%	27.5%	27.2%
Product development	7.4%	7.2%	6.6%	7.1%	7.8%	7.2%	7.1%	7.2%	7.3%	7.3%	7.2%	7.3%
General and administrative	12.7%	13.2%	11.9%	13.1%	13.7%	13.0%	13.4%	13.8%	14.0%	13.0%	13.5%	13.2%
Total operating expenses	48.8%	49.4%	47.5%	49.6%	54.1%	50.4%	56.8%	57.2%	59.9%	58.2%	58.0%	54.7%
<b>Margins</b>												
Gross margin	81.2%	81.9%	82.3%	81.9%	82.0%	82.0%	80.0%	79.3%	81.0%	82.3%	80.7%	81.0%
Operating margin	32.4%	32.5%	34.9%	32.3%	27.9%	31.7%	23.2%	22.1%	21.1%	24.1%	22.7%	26.3%
<b>PF Operating margin</b>	<b>35.1%</b>	<b>35.6%</b>	<b>37.4%</b>	<b>35.6%</b>	<b>33.7%</b>	<b>35.5%</b>	<b>33.1%</b>	<b>32.6%</b>	<b>32.4%</b>	<b>33.7%</b>	<b>33.0%</b>	<b>33.4%</b>
EBITDA margin	40.8%	41.2%	42.9%	41.3%	39.0%	41.0%	38.3%	38.3%	36.7%	37.1%	37.6%	36.8%
Operating Leverage ( $\Delta$ in PF op inc / $\Delta$ in revenues)	41.0%	29.4%	41.8%	40.4%	34.1%	36.4%	26.0%	16.7%	21.2%	33.6%	24.6%	35.0%

Source: Corporate Reports, Lehman Brothers Estimates

**Figure 3: eBay Segment Breakdown 2004A – 2007E (\$ in thousands except per share)**

	2004A	3/05A	6/05A	9/05A	12/05A	2005A	3/06A	6/06A	9/06E	12/06E	2006E	2007E
<b>TOTAL LISTINGS</b>	1,412,600	431,800	440,100	458,600	546,300	1,876,800	575,400	596,000	597,416	690,021	2,458,837	3,022,404
Y/Y growth	45%	32%	32%	32%	35%	33%	33%	35%	30%	26%	31%	23%
Q/Q growth		7%	2%	4%	19%		5%	4%	0%	16%		
Conversion Rate	49.8%	50.5%	50.7%	48.3%	45.3%	48.5%	46.0%	45.4%	45.6%	44.6%	45.4%	45.2%
Y/Y growth	-3%	0%	2%	-2%	-9%	-3%	-9%	-10%	-5%	-1%	-6%	0%
Average Selling Price (ASP)	\$48.56	\$48.60	\$48.75	\$48.80	\$48.59	\$48.69	\$47.25	\$47.64	\$47.48	\$47.59	\$47.49	\$46.68
Y/Y growth	2%	0%	1%	1%	0%	0%	-3%	-2%	-3%	-2%	-2%	-2%
<b>TOTAL GMV</b>	34,168,000	10,802,000	10,884,000	10,800,000	12,013,000	44,299,000	12,504,000	12,896,000	12,939,160	14,637,116	52,976,275	63,817,279
Y/Y growth	44%	32%	36%	30%	22%	30%	18%	18%	20%	22%	20%	20%
eBay Merchandise Take Rate	7.31%	7.32%	7.54%	7.75%	8.07%	7.68%	7.92%	7.73%	7.74%	7.87%	7.82%	7.80%
<b>TOTAL EBAY TRANSACTION REVENUE (non-PayPal)</b>	2,496,187	775,946	820,123	836,820	969,412	3,402,301	990,527	997,121	1,001,508	1,151,260	4,140,416	4,975,891
Total Transaction Revenue Per Listing	\$1.77	\$1.80	\$1.86	\$1.82	\$1.77	\$1.81	\$1.72	\$1.67	\$1.68	\$1.67	\$1.68	\$1.65
Y/Y growth	2%	1%	4%	4%	2%	3%	-4%	-10%	-8%	-6%	-7%	-2%
Q/Q growth		3%	4%	-2%	-3%		-3%	-3%	0%	0%		
<b>US LISTINGS</b>	781,403	222,593	223,219	228,841	261,131	935,784	273,789	275,229	275,754	310,746	1,135,518	1,328,556
Y/Y growth	31%	19%	20%	20%	21%	20%	23%	23%	21%	19%	21%	17%
Q/Q growth		3%	0%	3%	14%		5%	1%	0%	13%		
% of total listings	55.3%	51.6%	50.7%	49.9%	47.8%	49.9%	47.6%	46.2%	46.2%	45.0%	46.2%	44.0%
Conversion Rate	48.9%	49.4%	49.5%	48.5%	46.3%	48.3%	47.7%	46.9%	47.5%	46.5%	47.1%	46.8%
Y/Y growth	-5%	-2%	1%	-1%	-4%	-1%	-3%	-5%	-2%	1%	-2%	-1%
Average Selling Price (ASP)	\$48.33	\$48.40	\$48.55	\$48.65	\$48.95	\$48.64	\$47.50	\$47.25	\$48.00	\$48.25	\$47.75	\$47.50
Y/Y growth	2%	0%	1%	1%	1%	1%	-2%	-3%	-1%	-1%	-2%	-1%
<b>US GMV</b>	18,463,000	5,317,000	5,364,000	5,405,000	5,913,000	21,999,000	6,204,000	6,096,000	6,287,189	6,971,983	25,559,172	29,533,806
Y/Y growth	27%	17%	22%	21%	17%	19%	17%	14%	16%	16%	16%	16%
% of total GMV	54%	50%	49%	49%	49%	50%	47%	47%	48%	48%	48%	46%
Take Rate	7.3%	7.3%	7.6%	8.0%	8.5%	7.9%	8.2%	8.0%	8.1%	8.3%	8.2%	8.2%
<b>US TRANSACTION REVENUE</b>	1,338,715	388,759	408,452	434,937	504,891	1,737,039	507,312	490,440	509,262	578,675	2,085,689	2,421,772
US Transaction Revenue Per Listing	\$1.71	\$1.75	\$1.83	\$1.90	\$1.93	\$1.86	\$1.85	\$1.78	\$1.85	\$1.86	\$1.84	\$1.82
Y/Y growth	-1%	0%	7%	10%	15%	8%	6%	-3%	-3%	-4%	-1%	-1%
Q/Q growth		4%	5%	4%	2%		-4%	-4%	4%	1%		
<b>INTERNATIONAL LISTINGS</b>	631,197	209,207	216,881	229,759	285,169	941,016	301,611	320,771	321,662	379,274	1,323,318	1,693,847
Y/Y growth	68%	48%	49%	47%	52%	49%	44%	48%	40%	33%	41%	28%
Q/Q growth		11%	4%	6%	24%		6%	6%	0%	18%		
% of total listings	44.7%	48.5%	49.3%	50.1%	52.2%	50.1%	52.4%	53.8%	53.8%	55.0%	53.8%	56.0%
Conversion Rate	50.9%	51.8%	52.0%	48.0%	44.3%	48.6%	44.4%	44.2%	44.0%	43.0%	43.8%	44.0%
Y/Y growth	-1%	2%	2%	-5%	-14%	-5%	-14%	-15%	-8%	-3%	-10%	0%
Average Selling Price (ASP)	\$48.84	\$48.80	\$48.95	\$48.95	\$48.25	\$48.74	\$47.00	\$48.00	\$47.00	\$47.00	\$47.25	\$46.00
Y/Y growth	2%	0%	1%	0%	-2%	0%	-4%	-2%	-4%	-3%	-3%	-3%
<b>INTERNATIONAL GMV</b>	15,705,000	5,285,000	5,520,000	5,395,000	6,100,000	22,300,000	6,300,000	6,800,000	6,651,971	7,665,132	27,417,103	34,283,473
Y/Y growth	69%	51%	53%	40%	28%	42%	19%	23%	23%	26%	23%	25%
% of total GMV	46%	50%	51%	50%	51%	50%	50%	53%	51%	52%	52%	54%
Take Rate	7.4%	7.3%	7.5%	7.4%	7.6%	7.4%	7.7%	7.5%	7.4%	7.5%	7.5%	7.5%
<b>INTERNATIONAL TRANSACTION REVENUE</b>	1,157,472	387,187	411,671	401,883	464,521	1,665,262	483,215	506,681	492,246	572,585	2,054,727	2,554,119
INTERNATIONAL Transaction Revenue Per Listing	\$1.83	\$1.85	\$1.90	\$1.75	\$1.63	\$1.77	\$1.60	\$1.58	\$1.53	\$1.51	\$1.55	\$1.51
Y/Y growth	5%	1%	1%	-3%	-11%	-3%	-13%	-17%	-13%	-7%	-12%	-3%
Q/Q growth		1%	3%	-8%	-7%		-2%	-4%	4%	1%		

### Segment Breakdown

	2004A	3/05A	6/05A	9/05A	12/05A	2005A	3/06A	6/06A	9/06E	12/06E	2006E	2007E
<b>NET REVENUE BY TYPE</b>												
<b>Transaction</b>												
U.S.	1,338,715	388,759	408,452	434,937	504,891	1,737,039	507,312	490,440	509,262	578,675	2,085,689	2,421,772
Y/Y growth	31%	19%	28%	32%	39%	30%	30%	20%	17%	15%	20%	16%
Q/Q growth		7%	5%	6%	16%		0%	-3%	4%	14%		
% of transaction revenue	42%	39%	39%	40%	40%	39%	38%	37%	38%	37%	38%	35%
International	1,157,472	387,187	411,671	401,883	464,521	1,665,262	483,215	506,681	492,246	572,585	2,054,727	2,554,119
Y/Y growth	76%	51%	50%	42%	35%	44%	23%	22%	23%	23%	23%	24%
Q/Q growth		12%	6%	-2%	16%		4%	5%	-3%	16%		
% of transaction revenue	36%	39%	39%	37%	37%	38%	37%	38%	37%	37%	37%	37%
Payments	680,813	227,097	237,217	239,922	297,679	1,001,915	328,150	330,684	333,115	413,941	1,405,891	1,846,046
Y/Y growth	59%	46%	49%	44%	49%	47%	44%	39%	39%	39%	40%	31%
Q/Q growth		13%	4%	1%	24%		10%	1%	1%	24%		
% of transaction revenue	21%	23%	22%	22%	23%	23%	25%	25%	25%	26%	25%	27%
<b>Total Transaction revenue</b>	<b>3,177,000</b>	<b>1,003,043</b>	<b>1,057,340</b>	<b>1,076,742</b>	<b>1,267,091</b>	<b>4,404,216</b>	<b>1,318,677</b>	<b>1,327,805</b>	<b>1,334,623</b>	<b>1,565,201</b>	<b>5,546,307</b>	<b>6,821,937</b>
Y/Y growth	50%	36%	41%	38%	40%	39%	31%	26%	24%	24%	26%	23%
Q/Q growth		11%	5%	2%	18%		4%	1%	1%	17%		
% of transaction revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Total Advertising &amp; other non-transaction rev</b>	<b>94,309</b>	<b>28,681</b>	<b>28,963</b>	<b>28,773</b>	<b>36,959</b>	<b>123,376</b>	<b>36,582</b>	<b>38,821</b>	<b>37,405</b>	<b>48,047</b>	<b>160,855</b>	<b>201,068</b>
Y/Y growth	78%	65%	33%	8%	30%	31%	28%	34%	30%	30%	30%	25%
Q/Q growth		1%	1%	-1%	28%		-1%	6%	-4%	28%		
<b>Skype Revenue (closed 10/14/05)</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>NA</b>	<b>60,000</b>	<b>35,160</b>	<b>44,158</b>	<b>56,000</b>	<b>70,000</b>	<b>205,318</b>	<b>410,636</b>
Y/Y growth	NA	NA	NA	NA	NA	857%	NA	NA	NA	182%	242%	100%
Q/Q growth		NA	NA	NA	NA		42%	26%	27%	25%		
Skype revenue contribution to eBay	-	-	-	-	24,809	24,809	35,160	44,158	56,000	70,000	205,318	410,636
<b>Total Net Revenue</b>	<b>3,271,309</b>	<b>1,031,724</b>	<b>1,086,303</b>	<b>1,105,515</b>	<b>1,328,859</b>	<b>4,552,401</b>	<b>1,390,419</b>	<b>1,410,784</b>	<b>1,428,028</b>	<b>1,683,248</b>	<b>5,912,479</b>	<b>7,433,641</b>
Y/Y growth	51%	36%	40%	37%	42%	39%	35%	30%	29%	27%	30%	26%
Q/Q growth		10%	5%	2%	20%		5%	1%	1%	18%		
<b>TYPE AS % OF TOTAL NET REVENUE</b>												
Transaction	97%	97%	97%	97%	95%	97%	95%	94%	93%	93%	94%	92%
Total Advertising and other non-transaction rev	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Skype	-	-	-	-	2%	1%	3%	3%	4%	4%	3%	5.5%
<b>Total Net Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Corporate Reports, Lehman Brothers Estimates

**Figure 4: eBay Cash Flow Statement 2004A – 2007E (\$ in thousands except per share)**

(\$ thousands)	2004A	3/05A	6/05A	9/05A	12/05A	2005A	3/06A	6/06A	9/06E	12/06E	2006E	2007E
<b>Cash Flows from Operating Activities</b>												
Net income (loss)	778,223	256,291	291,560	254,971	279,221	1,082,043	248,282	249,994	235,936	312,565	1,046,777	1,485,907
Provision for doubtful accounts and authorized credits	90,941	22,024	22,697	20,932	23,846	89,499	27,047	24,827	30,000	35,816	117,690	141,228
Provision for transaction losses	50,459	18,579	12,556	15,821	26,817	73,773	25,627	24,279	12,000	18,000	79,906	54,000
Depreciation and amortization	253,690	79,660	85,305	91,902	121,298	378,165	123,286	142,426	120,000	115,000	500,712	425,000
Stock based compensation expense related to stock options	5,833	3,596	50	5,325	22,801	31,772	83,818	85,408	95,000	97,000	361,226	325,413
Tax benefit on the exercise of employee stock options	261,983	84,992	25,607	61,565	94,978	267,142	37,442	53,082	40,000	40,000	170,524	165,000
Excess tax benefits from stock-based compensation	-	-	-	-	-	-	(23,372)	(37,601)	(25,000)	(25,000)	(110,973)	(100,000)
Impairment of certain equity investments	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests and other	6,122	18	10	(28)	49	49	1	1	-	-	2	-
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Changes in working capital:												
Accounts receivable	(105,540)	(54,162)	(17,220)	(11,853)	(68,758)	(151,993)	(22,901)	(14,697)	6,082	(22,939)	(54,456)	(116,090)
Funds receivable	(44,751)	(77,333)	3,179	(10,538)	(47,914)	(132,606)	29,748	4,062	(36,986)	(20,019)	(23,195)	11,386
Other current assets	(312,756)	1,203	(13,759)	(11,111)	(25,705)	(43,373)	(117,726)	(15,765)	-	-	(133,491)	-
Other non-current assets	(309)	(6,361)	(389)	2,186	1,953	(4,611)	7,263	1,514	-	-	8,777	-
Deferred tax assets	28,652	2,240	65,188	62,396	(38,134)	91,690	(7,500)	(5,800)	-	-	(13,300)	-
Accounts payable	(33,975)	20,909	(17,910)	(8,237)	5,802	564	51,956	23,336	(69,059)	16,590	22,823	1,336
Due to customers and funds payable	216,967	168,928	12,897	11,052	58,993	251,870	74,331	5,684	36,939	43,361	160,316	202,739
Accrued expenses and other liabilities	39,618	(21,838)	8,107	10,455	20,288	17,012	(18,761)	(6,963)	19,962	129,129	123,368	(51,266)
Deferred revenue and customer advances	20,061	(6,975)	380	2,201	8,040	3,646	9,023	15,641	(20,400)	(1,519)	2,744	8,758
Income taxes payable	30,096	5,648	18,274	(5,336)	42,662	61,248	56,640	(33,915)	-	-	22,725	-
Net cash provided by (used in) operating activities	1,285,315	495,419	496,532	491,703	526,237	2,009,891	584,204	515,513	444,474	737,984	2,282,175	2,553,412
<b>Cash Flows from Investing Activities</b>												
Purchases of property and equipment	(292,838)	(79,584)	(90,479)	(70,471)	(97,747)	(338,281)	(133,576)	(148,432)	(125,000)	(110,000)	(517,008)	(594,559)
Proceeds from sale of corporate aircraft	-	-	-	28,290	-	28,290	-	-	-	-	-	-
Purchases of investments	(1,754,808)	(368,094)	(286,527)	(195,230)	(474,502)	(1,324,353)	(378,087)	(113,137)	-	-	(491,224)	-
Maturities and sales of investments	1,079,548	245,665	547,975	541,488	593,412	1,928,540	365,777	395,382	-	-	761,159	-
Proceeds from sale of property and equipment	-	-	-	-	-	(622)	-	-	-	-	-	-
Acquisitions, net of cash acquired	(1,036,476)	(445,008)	(81,606)	(592,130)	(1,613,485)	(2,732,229)	-	(45,505)	-	-	(45,505)	-
Payments on notes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of other non-current assets	(8,646)	-	(1,953)	-	(12,123)	(14,076)	-	(1,245)	-	-	(1,245)	-
Net cash provided by (used in) investing activities	(2,013,220)	(647,021)	87,410	(288,675)	(1,604,445)	(2,452,731)	(145,886)	87,063	(125,000)	(110,000)	(293,823)	(594,559)
<b>Cash Flows from Financing Activities</b>												
Proceeds from issuance of common stock, net	650,638	179,279	80,387	124,718	215,460	599,844	80,606	94,395	-	-	175,001	-
Payment of headquarter facility lease obligation	-	(126,390)	-	-	-	(126,390)	-	-	-	-	-	-
Proceeds from (principal payments on) long-term debt	(2,969)	(1,849)	-	-	-	(1,849)	-	-	-	-	-	-
Proceeds from issuance of common stock by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from notes payable	-	-	-	-	-	-	-	-	-	-	-	-
Partnership contributions	-	-	-	-	-	-	-	-	-	-	-	-
Partnership distributions	-	-	-	-	-	-	-	-	-	-	-	-
Excess tax benefits from stock-based compensation	-	-	-	-	-	-	23,372	37,601	25,000	25,000	110,973	100,000
Net cash provided by (used in) financing activities	647,669	51,040	80,387	124,718	215,460	471,605	103,978	131,996	25,000	25,000	285,974	100,000
Effect of exchange-rate on cash and equivalents	28,768	(12,711)	(25,452)	(2,797)	(4,270)	(45,230)	20,558	23,375	-	-	43,933	-
Net change in cash	(51,468)	(113,273)	638,877	324,949	(867,018)	(16,465)	562,854	757,947	344,474	652,984	2,318,259	2,058,852
Cash & equivalents - BOP	1,381,513	1,330,045	1,216,772	1,855,649	2,180,598	1,330,045	1,313,580	1,876,434	2,634,381	2,978,855	1,313,580	3,631,839
Cash & equivalents - EOP	1,330,045	1,216,772	1,855,649	2,180,598	1,313,580	1,313,580	1,876,434	2,634,381	2,978,855	3,631,839	3,631,839	5,690,691
<b>Free Cash Flow Calculation</b>												
Net cash provided by operating activities	1,285,315	495,419	496,532	491,703	526,237	2,009,891	584,204	515,513	444,474	737,984	2,282,175	2,553,412
Payment of headquarter facility lease obligation	-	(126,390)	-	-	-	(126,390)	-	-	-	-	-	-
Purchases of fixed assets (net)	(292,838)	(79,584)	(90,479)	(42,181)	(97,747)	(309,991)	(133,576)	(148,432)	(125,000)	(110,000)	(517,008)	(594,559)
<b>Free Cash Flow</b>	<b>992,477</b>	<b>289,445</b>	<b>406,053</b>	<b>449,522</b>	<b>428,490</b>	<b>1,573,510</b>	<b>450,628</b>	<b>367,081</b>	<b>319,474</b>	<b>627,984</b>	<b>1,765,167</b>	<b>1,958,852</b>
Cumulative Free Cash Flow last four quarters	-	986,589	1,195,195	1,443,339	1,573,510	-	1,734,693	1,695,721	1,565,673	1,765,167	-	-
Operating Cash Flow Growth												
Y/Y Growth	47%	35%	89%	79%	38%	56%	18%	4%	-10%	40%	14%	12%
Q/Q Growth	-	30%	0%	-1%	7%	-	11%	-12%	-14%	66%	-	-
<b>Free Cash Flow Growth</b>												
Y/Y Growth	95%	-2%	106%	123%	44%	59%	56%	-10%	-29%	47%	12%	11%
Q/Q Growth	-	-3%	40%	11%	-5%	-	5%	-19%	-13%	97%	-	-

Source: Corporate Reports, Lehman Brothers Estimates

**Figure 5: eBay Balance Sheet 2004A – 2007E (\$ in thousands except per share)**

(\$ thousands)	3/04A	6/04A	9/04A	12/04A	3/05A	6/05A	9/05A	12/05A	3/06A	6/06A	9/06E	12/06E	12/07E
<b>Assets</b>													
Current Assets													
Cash and cash equivalents	1,501,708	1,588,713	1,435,910	1,330,045	1,216,772	1,855,649	2,180,598	1,313,580	1,876,434	2,634,381	2,978,855	3,631,839	5,690,691
Short-term investments	418,677	548,924	641,710	682,004	799,037	896,951	888,783	774,650	828,049	720,115	720,115	720,115	720,115
Accounts receivable, net	225,050	242,287	306,671	240,856	270,435	269,641	274,238	322,788	318,878	310,039	303,957	326,897	442,986
Funds receivable	142,655	143,297	156,356	123,424	209,379	200,171	210,593	255,282	225,295	219,864	256,850	276,869	265,484
Other current assets	370,270	364,847	388,376	534,820	452,429	467,416	436,781	516,937	651,587	661,830	661,830	661,830	661,830
<b>Total current assets</b>	<b>2,658,360</b>	<b>2,888,068</b>	<b>2,929,023</b>	<b>2,911,149</b>	<b>2,948,052</b>	<b>3,689,828</b>	<b>3,990,993</b>	<b>3,183,237</b>	<b>3,900,243</b>	<b>4,546,229</b>	<b>4,921,608</b>	<b>5,617,550</b>	<b>7,781,106</b>
Long-term investments	1,166,674	1,175,098	981,095	1,266,289	1,417,576	1,064,260	827,191	825,667	793,497	622,862	622,862	622,862	622,862
Restricted cash and investments	1,114	1,335	1,280	1,418	1,076	-	-	-	-	-	-	-	-
Property and equipment, net	628,086	639,140	682,022	709,773	693,460	745,257	762,413	801,602	860,493	942,437	1,005,437	1,058,437	1,402,996
Goodwill, net	1,721,794	1,834,662	2,296,423	2,709,794	3,078,177	3,119,969	3,529,895	6,120,079	6,205,075	6,355,466	6,355,466	6,355,466	6,355,466
Intangible assets, net	260,053	274,642	326,343	362,909	402,864	387,366	490,245	823,280	781,988	758,521	758,521	758,521	758,521
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22,165	19,552	25,415	29,719	47,953	26,442	25,306	35,121	27,239	24,736	24,736	24,736	24,736
<b>Total Assets</b>	<b>6,458,246</b>	<b>6,832,497</b>	<b>7,241,601</b>	<b>7,991,051</b>	<b>8,589,158</b>	<b>9,033,122</b>	<b>9,626,043</b>	<b>11,788,986</b>	<b>12,568,535</b>	<b>13,250,251</b>	<b>13,688,630</b>	<b>14,437,572</b>	<b>16,945,688</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>													
Current Liabilities													
Accounts payable	107,480	68,194	80,014	37,958	58,766	41,686	42,726	55,692	101,157	134,193	65,134	81,724	83,060
Funds payable and amounts due to customers	247,436	233,042	252,792	331,805	484,623	507,731	517,309	586,651	660,838	665,117	702,056	745,418	948,156
Accrued expenses and other current liab.	344,669	329,833	381,616	421,969	440,220	454,186	523,584	578,557	589,665	608,370	628,332	757,462	706,196
Deferred revenue and customer advances	36,886	39,643	43,377	50,439	42,806	42,079	44,222	81,940	90,965	106,082	85,682	84,162	92,921
Short-term debt	124,838	124,274	124,273	124,272	-	-	-	-	-	-	-	-	-
Income taxes payable	95,856	102,056	94,350	118,427	122,691	141,136	138,951	182,095	238,883	205,643	205,643	205,643	205,643
<b>Total current liabilities</b>	<b>957,165</b>	<b>897,042</b>	<b>976,422</b>	<b>1,084,870</b>	<b>1,149,106</b>	<b>1,186,818</b>	<b>1,266,792</b>	<b>1,484,935</b>	<b>1,681,508</b>	<b>1,719,405</b>	<b>1,686,847</b>	<b>1,874,409</b>	<b>2,035,976</b>
Long-term debt	1,330	887	443	75	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	84,745	62,397	133,513	135,971	170,434	242,697	298,197	215,682	220,430	206,822	206,822	206,822	206,822
Other liabilities	18,896	32,356	36,519	37,698	34,761	34,425	33,657	40,388	39,797	40,552	275,552	524,368	1,385,009
Minority interests	41,469	43,730	4,400	4,096	51	61	33	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,103,605</b>	<b>1,036,412</b>	<b>1,151,297</b>	<b>1,262,710</b>	<b>1,354,352</b>	<b>1,464,001</b>	<b>1,598,679</b>	<b>1,741,005</b>	<b>1,941,735</b>	<b>1,966,779</b>	<b>2,169,221</b>	<b>2,605,599</b>	<b>3,627,807</b>
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	655	661	663	1,339	1,349	1,354	1,360	1,404	1,404	1,404	1,404	1,404	1,404
Additional paid-in capital	4,188,037	4,453,444	4,556,913	4,855,717	5,121,108	5,224,526	5,453,627	7,272,476	7,429,377	7,836,060	7,836,060	7,836,060	7,836,060
Unearned stock-based compensation	(1,578)	(1,289)	(5,422)	(4,825)	(4,275)	(1,363)	(11,862)	(45,540)	-	-	-	-	-
Retained earnings	1,056,345	1,246,740	1,429,089	1,634,468	1,890,759	2,182,319	2,437,290	2,716,511	2,964,793	3,214,787	3,450,723	3,763,288	5,249,196
Accumulated other comprehensive income	111,182	96,529	109,061	241,642	225,865	162,285	146,949	103,130	231,221	231,221	231,221	231,221	231,221
<b>Total Shareholders' Equity</b>	<b>5,354,641</b>	<b>5,796,085</b>	<b>6,090,304</b>	<b>6,728,341</b>	<b>7,234,806</b>	<b>7,569,121</b>	<b>8,027,364</b>	<b>10,047,981</b>	<b>10,626,795</b>	<b>11,283,472</b>	<b>11,519,408</b>	<b>11,831,973</b>	<b>13,317,881</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>6,458,246</b>	<b>6,832,497</b>	<b>7,241,601</b>	<b>7,991,051</b>	<b>8,589,158</b>	<b>9,033,122</b>	<b>9,626,043</b>	<b>11,788,986</b>	<b>12,568,530</b>	<b>13,250,251</b>	<b>13,688,630</b>	<b>14,437,572</b>	<b>16,945,688</b>

Source: Corporate Reports, Lehman Brothers Estimates

**Analyst Certification:**

I, Douglas Anmuth, hereby certify (1) that the views expressed in this research Company Note accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Company Note and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Company Note.

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**Company Description:**

eBay is a leading online marketplace for the sale of goods and services by a diverse community of individuals and businesses.

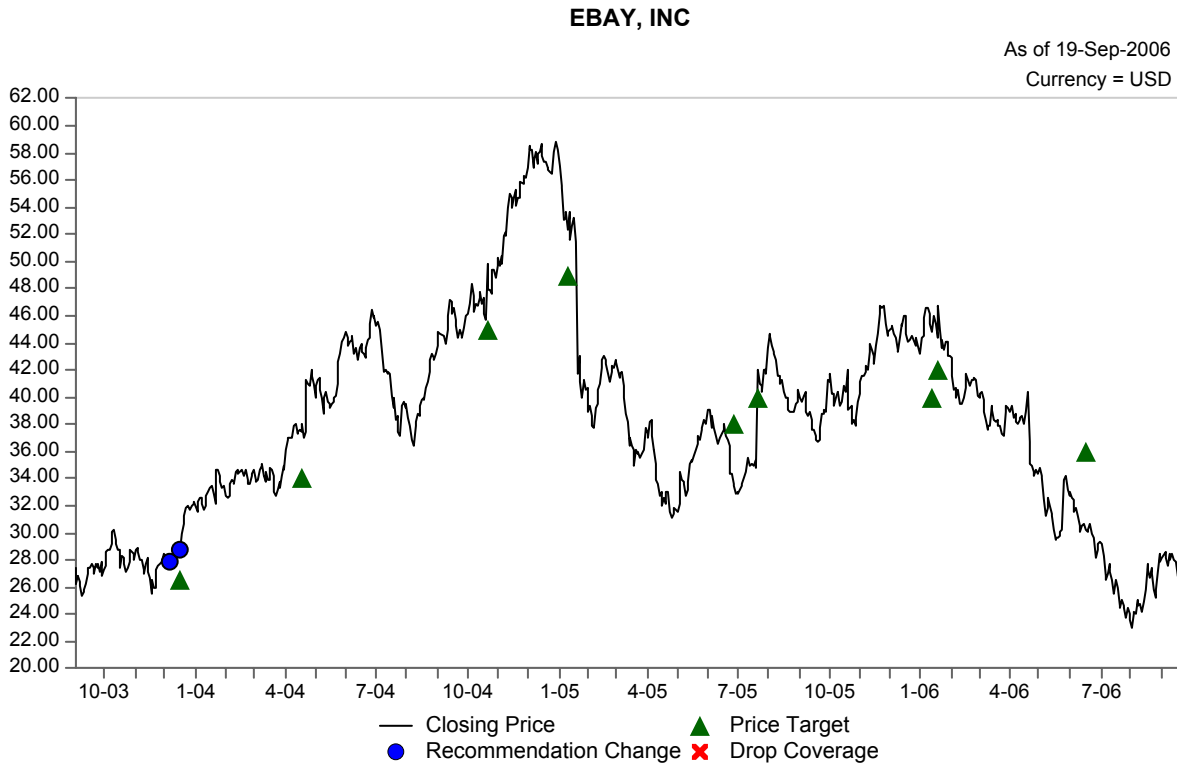
Important Disclosures:

**eBay, Inc (EBAY)**

**US\$ 26.08 (21-Sep-2006)**

**2-Equal weight / 2-Neutral**

**Rating and Price Target Chart:**



Source: FactSet

Currency=US\$

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Lehman Brothers Inc. has received non-investment banking related compensation from eBay, Inc within the last 12 months.

eBay, Inc is or during the last 12 months has been a non-investment banking client (securities related services) of Lehman Brothers Inc.

**Valuation Methodology:** Our \$33 price target is based on 26x our 2007E PF EPS of \$1.26.

**Risks Which May Impede the Achievement of the Price Target:** eBay is facing increased competition from portals, search providers, and e-tailers. As eBay grows, the risk of fraudulent activity impacting its community increases. Seasonality within eBay's business is becoming more pronounced.

Important Disclosures Continued:

Amazon.com, Inc (AMZN)

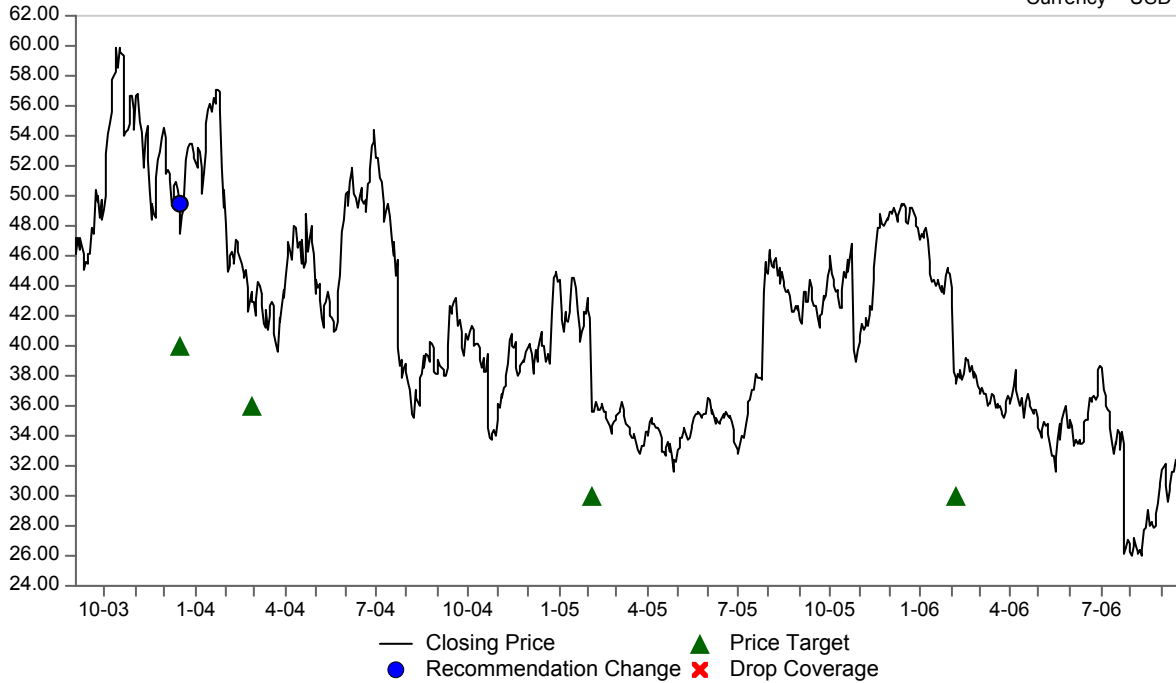
US\$ 30.22 (21-Sep-2006)

3-Underweight / 2-Neutral

Rating and Price Target Chart:

AMAZON.COM, INC

As of 19-Sep-2006  
Currency = USD



Source: FactSet

Currency=US\$

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**Risks Which May Impede the Achievement of the Price Target:** As Amazon opens more stores and extends its third-party platform, focus could be shifted from the core retail business. Amazon faces increased competition from search providers, portals, and other e-tailers. Amazon is vulnerable to shifts in consumer spending habits.

**Important Disclosures Continued:**

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by investment banking activities

Company Name	Ticker	Price (21-Sep-2006)	Stock / Sector Rating
eBay, Inc	EBAY	US\$ 26.08	2-Equal weight / 2-Neutral

Related Stocks	Ticker	Price (21-Sep-2006)	Stock / Sector Rating
Amazon.com, Inc	AMZN	US\$ 30.22	3-Underweight / 2-Neutral

**Sector Coverage Universe**

Below is the list of companies that constitute the sector coverage universe against which the primary stock, eBay, Inc, is rated:

Alloy, Inc (ALOY)	Amazon.com, Inc (AMZN)
Blue Nile (NILE)	eBay, Inc (EBAY)
Expedia, Inc. (EXPE)	Google Inc. (GOOG)
Greenfield Online (SRVY)	Harris Interactive (HPOL)
IAC/InterActiveCorp (IACI)	Netflix Inc. (NFLX)
Overstock.com (OSTK)	Yahoo! Inc (YHOO)

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

**Stock Rating**

**1-Overweight** - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

**2-Equal weight** - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

**3-Underweight** - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

**RS-Rating Suspended** - The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Lehman Brothers is acting in an advisory capacity in a merger or strategic transaction involving the company.

**Sector View**

**1-Positive** - sector coverage universe fundamentals/valuations are improving.

**2-Neutral** - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

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