

Aaron M. Kessler, CFA, Sr Research Analyst
650 838-1434, aaron.m.kessler@pjc.com
Judy C. Tzeng, Research Analyst
650 838-1348, judith.c.tzeng@pjc.com
Paul J. Bieber, Research Analyst
650 838-1378, paul.j.bieber@pjc.com

Piper Jaffray & Co.

Reason for Report:

Company Update

Changes	Previous	Current
Rating	--	Market Perform
Price Tgt	--	\$34.00
FY07E Rev (mil)	--	\$7,485.0
FY08E Rev (mil)	--	\$8,946.0
FY07E EPS	--	\$1.10
FY08E EPS	--	\$1.34

Price:	\$31.48
52 Week High:	\$35.41
52 Week Low:	\$22.83
12-Month Price Target:	\$34.00
<i>(22x 2008E PF EPS)</i>	

Shares Out (mil):	1,384.0
Market Cap. (mil):	\$43,568.3
Avg Daily Vol (000):	14,667
Book Value/Share:	\$8.10
Cash Per Share:	\$2.14
Est LT EPS Growth:	16%
P/E to LT EPS Growth (FY07):	1.8x
Est Next Rep Date:	07/18/2007
Fiscal Year End:	Dec

Rev (mil)	2006A	2007E	2008E
Mar	\$1,390.4A	\$1,768.0A	\$2,121.0E
Jun	\$1,410.8A	\$1,796.0E	\$2,151.0E
Sep	\$1,448.6A	\$1,824.0E	\$2,190.0E
Dec	\$1,719.9A	\$2,097.0E	\$2,484.0E
FY	\$5,969.7A	\$7,485.0E	\$8,946.0E
CY	\$5,969.7A	\$7,485.0E	\$8,946.0E

FY RM	7.3x	5.8x	4.9x
CY RM	7.3x	5.8x	4.9x

EPS	2006A	2007E	2008E
Mar	\$0.17A	\$0.27A	\$0.32E
Jun	\$0.17A	\$0.26E	\$0.32E
Sep	\$0.20A	\$0.26E	\$0.32E
Dec	\$0.25A	\$0.31E	\$0.38E
FY	\$0.79A	\$1.10E	\$1.34E
CY	\$0.79A	\$1.10E	\$1.34E

FY P/E	39.8x	28.6x	23.5x
CY P/E	39.8x	28.6x	23.5x

EPS estimates are GAAP. PF EPS for 2007 and 2008 are \$1.36 and \$1.61.

**eBay Inc.
Market Perform**

**(EBAY - \$31.48)
Volatility: Medium**

Professional eBay Sellers Alliance Publishes Harsh Critique of eBay

KEY POINTS:

- PeSA position statement points to "unhealthy" eBay marketplace, seller migration to alternate channels, and lack of investment in core marketplace

The Professional eBay Sellers Alliance (PeSA) published a position statement this morning that articulates several Powerseller concerns about the health of the eBay marketplace. We note that PeSA is the largest trade association dedicated to eBay sellers with approximately 600 members. Below we highlight key quotes from the PeSA position statement which many be found under the news tab at: www.gopesa.org.

Marketplace Efficiency

- "It is the opinion of PeSA, that the eBay marketplace has continued to degrade and the current state is unhealthy."
- "It is of great concern to the members of PeSA that eBay's slow recognition and even slower response to important issues will result in the permanent decline of the eBay marketplace as a channel for merchants."
- "Buyer experience, or more specifically, poor buyer experience, has had a much stronger negative impact on the marketplace than eBay acknowledges."

Seller Behavior

- "Trends in average selling prices and conversion rates have compressed margins for sellers on the platform and now eBay no longer holds an efficiency advantage over the other channels on the web."
- "From a seller's view, it appears that eBay is enforcing rules without understanding the effect on seller behavior and the marketplace."
- "Many sellers now have new sales channels and view the eBay marketplace as a channel of last resort, using eBay as purely a liquidation/cost recovery channel."

Distracted By Acquisitions

- "Shopping.com and Skype still do not have significant cross-over even though the deals were accompanied by promises of marketplace synergies. The lack of investment in the core marketplace is clearly starting to show."

PeSA Recommendations

- "eBay should reward positive contributors in their marketplace. Sellers that have shown outstanding contribution to the marketplace should be rewarded with better placement in search."
- "The finding mechanism needs to be improved."
- eBay needs to address the unique needs of each category when implementing fees, setting best practices, and optimizing search.

INVESTMENT RECOMMENDATION:

We maintain our Market Perform rating and our \$34 (22x 2008E PF EPS).

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Risks include multiple expansion, reacceleration in growth, and decreasing customer acquisition costs.

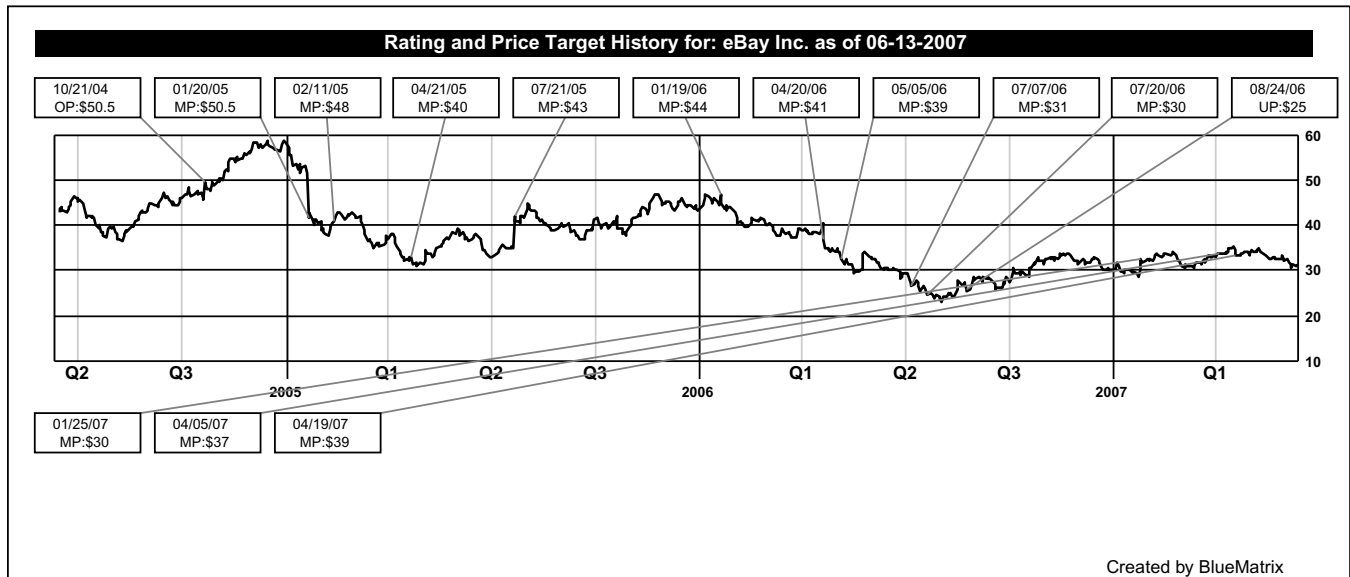
COMPANY DESCRIPTION:

eBay Inc. is the world's largest online trading community.

Piper Jaffray does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions. This report should be read in conjunction with important disclosure information, including an attestation under Regulation Analyst certification, found on pages 3 - 5 of this report or at the following site: <http://www.piperjaffray.com/researchdisclosures>.

Customers of Piper Jaffray in the United States can receive independent, third-party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research by visiting piperjaffray.com or can call 800 747-5128 to request a copy of this research.

Important Research Disclosures



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

- I: Initiating Coverage
- D: Discontinuing Coverage
- S: Suspending Coverage
- R: Resuming Coverage
- T: Transferring Coverage
- SB: Strong Buy (effective 01/12/04, Equity Research eliminated the SB rating)
- OP: Outperform
- MP: Market Perform
- UP: Underperform
- NA: Not Available
- UR: Under Review
- GP On: Listed on one of the Guided Portfolios maintained by Piper Jaffray
- GP Off: Removed from the Guided Portfolios maintained by Piper Jaffray

Distribution of Ratings/IB Services				
Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OP]	351	57.64	98	27.92
HOLD [MP]	238	39.08	24	10.08
SELL [UP]	20	3.28	0	0.00

Note: Distribution of Ratings/IB Services shows the number of companies in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. NASD and NYSE rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Accordingly, Outperform corresponds most closely with buy, Market Perform with hold, and Underperform with sell. Outperform, Market Perform and Underperform, however, are not the equivalent of buy, hold or sell, but instead represent indications of relative performance. See Rating Definitions below. An investor's decision to buy or sell a security must depend on individual circumstances.

Important Research Disclosures

Analyst Certification — Aaron M. Kessler, CFA, Sr Research Analyst

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Research Disclosures

Piper Jaffray was making a market in the securities of eBay Inc. at the time this research report was published. Piper Jaffray will buy and sell eBay Inc. securities on a principal basis.

Affiliate Disclosures: This report has been prepared by Piper Jaffray & Co. or its affiliate Piper Jaffray Ltd., both of which are subsidiaries of Piper Jaffray Companies (collectively Piper Jaffray). Piper Jaffray & Co. is regulated by the NYSE, NASD and the United States Securities and Exchange Commission, and its headquarters is located at 800 Nicollet Mall, Minneapolis, MN 55402. Piper Jaffray Ltd. is registered in England, no. 3846990, and its registered office is 7 Pilgrim St., London, EC4V 6LB. Piper Jaffray Ltd. is authorised and regulated by the UK Financial Services Authority, entered on the [FSA's register](#), no. 191657 and is a member of the London Stock Exchange, and its headquarters is located at One South Place, London, EC2M 2RB. **Disclosures in this section and in the Other Important Information section referencing Piper Jaffray include all affiliated entities unless otherwise specified.**

Piper Jaffray research analysts receive compensation that is based, in part, on overall firm revenues, which include investment banking revenues.

Rating Definitions

Investment Opinion: Investment opinions are based on each stock's return potential relative to broader market indices, not on an absolute return. The relevant market indices are the S&P 500 and Russell 2000 for U.S. Companies and the FTSE Techmark Mediscience index for European companies.

- **Outperform (OP):** Expected to outperform the relevant broader market index over the next 12 months.
- **Market Perform (MP):** Expected to perform in line with the relevant broader market index over the next 12 months.
- **Underperform (UP):** Expected to underperform the relevant broader market index over the next 12 months.
- **Suspended (SUS):** No active analyst opinion or no active analyst coverage; however, an analyst investment opinion or analyst coverage is expected to resume.

- **Volatility Rating:** Our focus on growth companies implies that the stocks we recommend are typically more volatile than the overall stock market. We are not recommending the "suitability" of a particular stock for an individual investor. Rather, it identifies the volatility of a particular stock.
- **Low:** The stock price has moved up or down by more than 10% in a month in fewer than 8 of the past 24 months.
- **Medium:** The stock price has moved up or down by more than 20% in a month in fewer than 8 of the past 24 months.
- **High:** The stock price has moved up or down by more than 20% in a month in at least 8 of the past 24 months. All IPO stocks automatically get this volatility rating for the first 12 months of trading.

Other Important Information

The material regarding the subject company is based on data obtained from sources we deem to be reliable; it is not guaranteed as to accuracy and does not purport to be complete. This report is solely for informational purposes and is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it is not, and it should not be construed as, advice designed to meet the particular investment needs of any investor. This report is not an offer or the solicitation of an offer to sell or buy any security. Unless otherwise noted, the price of a security mentioned in this report is the market closing price as of the end of the prior business day. Piper Jaffray does not maintain a predetermined schedule for publication of research and will not necessarily update this report. Piper Jaffray policy generally prohibits research analysts from sending draft research reports to subject companies; however, it should be presumed that the analyst(s) who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication, and has had assistance from the company in conducting diligence, including visits to company sites and meetings with company management and other representatives.

This report is published in accordance with a conflicts management policy, which is available at <http://www.piperjaffray.com/researchdisclosures>.

Notice to customers in Europe: This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e. persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom, or persons who have been categorised by Piper Jaffray Ltd. as intermediate customers under the rules of the Financial Services Authority.

Notice to customers in the United States: This report is distributed in the United States by Piper Jaffray & Co., member SIPC and NYSE, Inc., which accepts responsibility for its contents. The securities described in this report may not have been registered under the U.S. Securities Act of 1933 and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been so registered, or an exemption from the registration requirements is available. Customers in the United States who wish to effect a transaction in the securities discussed in this report should contact their Piper Jaffray & Co. sales representative.

This material is not directed to, or intended for distribution to or use by, any person or entity if Piper Jaffray is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to such person or entity.

This report may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Piper Jaffray & Co.

Additional information is available upon request.

Copyright 2007 Piper Jaffray & Co. and/or Piper Jaffray Ltd. All rights reserved.