

## Internet

### Amazon / eBay / Google: March Same-Store-Sales Update

#### Key Takeaway

**ChannelAdvisor's March same store sales (SSS) report shows continuation of the positive eCommerce trends we saw in February (which benefited from a spell of bad weather across the US). Overall, we saw continuing growth acceleration from Amazon and eBay while Google's PLAs remained strong. We continue to favor GOOG and AMZN as top large cap plays in the eCommerce space, as well as small cap SALE, as we cross into the final stretch of 1H14.**

**Google's PLAs still gaining traction:** Since mid-2012, when Google transitioned its Google Shopping program to a paid service based on Product Listing Ads (PLAs), clicks to regular paid-search "right rail" ads have declined every single month (except in Dec'13 and Mar'14 when they were flat Y/Y) for ChannelAdvisor clients. While there has been some concern that PLAs are cannibalizing traditional AdWords search ads, our channel checks indicate PLA budgets are actually additive. PLAs generate higher revenue than text ads for Google due to much higher click-thru & conversion rates which more than offset lower CPCs. In fact, conversion rates have improved Y/Y in 8 of the last 12 months by 4.9% on average and in each of the last three months (+13.2% on average). Google Shopping/PLA SSS were up +35% Y/Y in March, +48% Y/Y in February, and +63% Y/Y in January. The deceleration in SSS growth is natural as the program matures and growth remains well above overall eCommerce growth. Still solid PLA SSS remain a key tailwind for Google and bode well for 1Q14 results (see our latest proprietary PLA report [here](#) for more details).

**Amazon market share gains continue:** According to ChannelAdvisor, SSS for third-party sellers on the Amazon platform were up +26% Y/Y in March, +23% Y/Y in February, and +14% Y/Y in January. This compares to n/a, +12% Y/Y, and +10% Y/Y, respectively, for US eCommerce growth (excluding Travel), per comScore. As before, we believe these numbers clearly support our thesis that Amazon continues growing roughly 2x faster than overall eCommerce and 7-8x faster than overall retail. Noticeably affected by the bad weather in early 2014, SSS for the 12 US chains still reporting monthly results grew +1.8% Y/Y in February, +3.1% Y/Y in January, and +3.8% Y/Y in December (excluding drugstores, SSS grew +0.3% Y/Y in February, +3.6% Y/Y in January, and +2.4% Y/Y in December). Longer term we expect Amazon unit growth to reaccelerate on various initiatives including digital content, further expansion into new verticals, and improving / optimized fulfillment dynamics.

**eBay Marketplaces growth remains solid:** With continuing improvements in the user experience, eBay's Marketplaces keep attracting new users, evidenced by double-digit growth in active users and items sold (+14% Y/Y and +11% Y/Y, respectively, in 4Q13). According to ChannelAdvisor, SSS growth for eBay merchants kept accelerating in March to +18% Y/Y from +15% Y/Y in February and +13% Y/Y in January. This compares to n/a, +12% Y/Y, and +10% Y/Y, respectively, for US eCommerce growth (excluding Travel), per comScore. Sales growth in eBay's Fixed-Price format accelerated nicely too (to +22% Y/Y in March from +16% Y/Y in February and +15% Y/Y in January). We believe these results support our thesis that Marketplaces is growing in line to modestly faster than overall eCommerce but we will continue to watch these metrics closely to make sure the trends remain positive going forward.

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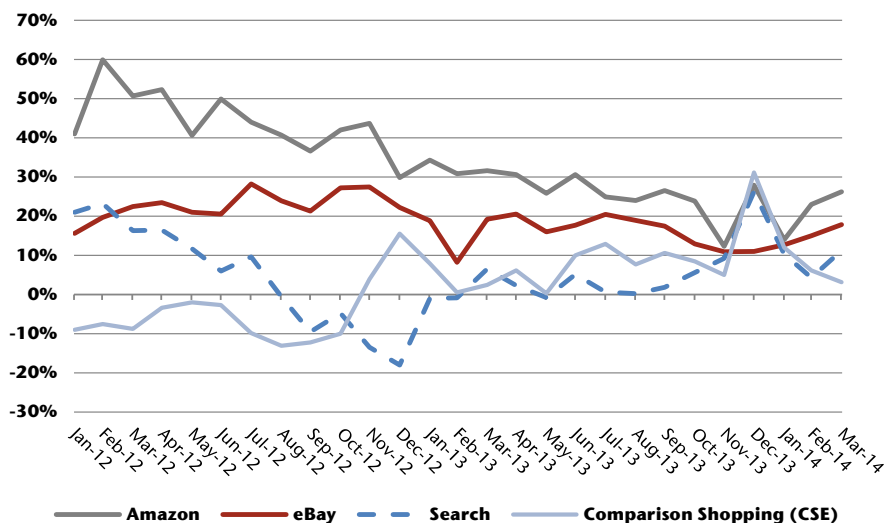
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## Exhibit 1: ChannelAdvisor Same Store Sales (SSS) Growth



Source: ChannelAdvisor, Jefferies

## Exhibit 2: Top Categories for US Product Listing Ads (March 2014 Snapshot)

Top US Google Product Listing Ad (PLA) Verticals	Number of Keywords	Keywords with a PLA	% of Keywords with a PLA
1 Home & Garden	12,056	8,149	68%
2 Clothing / Shoes	8,495	5,742	68%
3 Beauty / Personal Care	5,760	3,148	55%
4 Sports & Recreation	4,878	1,698	35%
5 Food / Restaurants	2,606	893	34%
<b>Top 5 Sum</b>	<b>33,795</b>	<b>19,630</b>	
<b>Top 5 Weighted Average</b>			<b>58%</b>
6 Computers / Electronics	10,295	3,222	31%
7 Animals	1,339	341	25%
8 Vehicles & Autos	4,291	1,064	25%
9 Health & Wellness	7,617	1,764	23%
10 Other	3,330	726	22%
11 Science / Social_Sciences / Humanities	2,726	579	21%
12 Arts / Entertainment	8,482	1,629	19%
13 Business	4,204	773	18%
14 Society / Culture	2,838	356	13%
15 Families & Relationships	2,848	303	11%
16 Travel / Lodging	7,113	588	8%
17 Education / Instruction	3,215	131	4%
<b>Aggregate Sum</b>	<b>92,093</b>	<b>31,106</b>	
<b>Aggregate Weighted Average</b>			<b>34%</b>

Source: Jefferies

## Exhibit 3: Top Categories for UK Product Listing Ads (March 2014 Snapshot)

Top UK Google Product Listing Ad (PLA) Verticals	Number of Keywords	Keywords with a PLA	% of Keywords with a PLA
1 Home & Garden	12,059	7,124	59%
2 Clothing / Shoes	8,498	4,693	55%
3 Beauty / Personal Care	5,760	2,601	45%
4 Sports & Recreation	4,878	1,519	31%
5 Food / Restaurants	2,606	754	29%
<b>Top 5 Sum</b>	<b>33,801</b>	<b>16,691</b>	
<b>Top 5 Weighted Average</b>			<b>49%</b>
6 Computers / Electronics	10,295	2,879	28%
7 Animals	1,336	308	23%
8 Vehicles & Autos	4,291	934	22%
9 Health & Wellness	7,617	1,623	21%
10 Science / Social_Sciences / Humanities	2,726	502	18%
11 Other	3,321	535	16%
12 Arts / Entertainment	8,482	1,301	15%
13 Business	4,204	580	14%
14 Society / Culture	2,838	320	11%
15 Families & Relationships	2,848	245	9%
16 Travel / Lodging	7,113	522	7%
17 Education / Instruction	3,215	95	3%
<b>Aggregate Sum</b>	<b>92,087</b>	<b>26,535</b>	
<b>Aggregate Weighted Average</b>			<b>29%</b>

Source: Jefferies

### Exhibit 4: List of Top 35 Google PLA Advertisers in the US (March 2014 Snapshot)

Top US PLA Advertisers	Number of PLA Ads Deployed	% of Total PLA Ads	Top 5 Advertisers	Top 10 Advertisers	Top 20 Advertisers
1 xg4ken.com (Kenshoo)	11856	9%	27%	38%	46%
2 rakuten.com	7741	6%			
3 ebay.com	6362	5%			
4 dartsearch.net (DoubleClick)	5059	4%			
5 everesttech.net (Adobe Efficient Frontier)	4365	3%			
6 rkdm.com (Rimm Kaufman)	4243	3%			
7 walmart.com	3897	3%			
8 Amazon Sites	3240	2%			
(soap.com)	992				
(yoyo.com)	589				
(diapers.com)	488				
(casa.com)	444				
(wag.com)	253				
(beautybar.com)	194				
(afterschool.com)	147				
(bookworm.com)	60				
(shopbop.com)	37				
(look.com)	13				
(audible.com)	10				
(eastdane.com)	8				
(vine.com)	4				
(bookdepository.com)	1				
9 macys.com	2156	2%			
10 channelintelligence.com (Google)	1886	1%			
11 adlucent.com	1672	1%			
12 bizrate.com	1572	1%			
13 globalindustrial.com	1235	1%			
14 mercent.com	1170	1%			
15 offeredby.net	896	1%			
16 pgpartner.com	832	1%			
17 webstaurantstore.com	762	1%			
18 sephora.com	750	1%			
19 marism.com (Marin Software)	697	1%			
20 etsy.com	692	1%			
21 wholesalehalloweencostumes.com	691	1%			
22 swansonvitamins.com	601	0%			
23 homedepot.com	594	0%			
24 northerntool.com	583	0%			
25 halloweencostumes.com	490	0%			
26 PersonalizationMall.com	482	0%			
27 did-it.com	479	0%			
28 jcpenny.com	470	0%			
29 allheart.com	461	0%			
30 uline.com	450	0%			
31 wayfair.com	440	0%			
32 dermstore.com	408	0%			
33 zorotools.com	404	0%			
34 hayneedle.com	394	0%			
35 peperet.com	390	0%			

Source: Jefferies

### Exhibit 5: List of Top 35 Google PLA Advertisers in the UK (March 2014 Snapshot)

Top UK PLA Advertisers	Number of PLA Ads Deployed	% of Total PLA Ads	Top 5 Advertisers	Top 10 Advertisers	Top 20 Advertisers	
1 ebay.com	30061	27%	39%	44%	48%	
2 xg4ken.com (Kenshoo)	5562	5%				
3 dartsearch.net (DoubleClick - Google)	3944	4%				
4 everesttech.net (Adobe Efficient Frontier)	3336	3%				
5 marism.com (Marin Software)	1464	1%				
6 argos.co.uk	1375	1%				
7 etsy.com	1103	1%				
8 macys.com	771	1%				
9 lookfantastic.com	657	1%				
10 rakuten.com	610	1%				
11 peperet.com	609	1%				
12 partydelights.co.uk	597	1%				
13 walmart.com	551	0%				
14 channelintelligence.com (Google)	550	0%				
15 onefeed.co.uk	505	0%				
16 rkdm.com (Rimm Kaufman)	487	0%				
17 fragranceshop.com	465	0%				
18 joke.co.uk	461	0%				
19 Amazon Sites	409	0%				
(soap.com)	129					
(diapers.com)	78					
(casa.com)	74					
(yoyo.com)	47					
(afterschool.com)	28					
(beautybar.com)	17					
(shopbop.com)	17					
(wag.com)	11					
(audible.com)	4					
(look.com)	3					
(bookworm.com)	1					
20 fitness-superstore.co.uk	365	0%				
21 allfancydress.com	401	0%				
22 selfridges.com	382	0%				
23 officefurnitureonline.co.uk	352	0%				
24 lightinthebox.com	329	0%				
25 victorianplumbing.co.uk	303	0%				
26 overstock.com	295	0%				
27 loccittane.com	294	0%				
28 escapade.co.uk	282	0%				
29 allbeauty.com	263	0%				
30 powerhouse-fitness.co.uk	260	0%				
31 direct-golf.co.uk	254	0%				
32 viovet.co.uk	252	0%				
33 discount-supplements.co.uk	239	0%				
34 debenhams.com	237	0%				
35 medisave.co.uk	235	0%				

Source: Jefferies



Table 2: Jefferies Internet &amp; Interactive Entertainment Comp Sheet - Valuations

Company	Ticker	Rating	Price	Price	Upside to	YTD	Firm	Firm Value /		14-17E	Price / Earnings				Price / FCF / share			14-17E	2014E
			4/7/2014	Target	Target	Performance		Value <sup>1</sup>	EBITDA	EBITDA	2014E	2015E	CAGR	2014E	2015E	CAGR (%)	P/E to	2014E	2015E
			(\$)	(\$)	(%)	(%)	(\$MMs)	2014E	2015E	CAGR	2014E	2015E	CAGR (%)	Growth	2014E	2015E	CAGR (%)	Yield (%)	
<b>Interactive Entertainment</b>																			
Activision	ATVI	Buy	\$19.43	25	27	9.0	15,573	9	8	7	14	12	10	1.5	12	17	(3)	26.5	
Electronic Arts	EA	Hold	\$28.34	25	-10	23.5	6,646	9	8	12	22	19	19	1.1	127	14	100	1.8	
Zynga	ZNGA	Hold	\$4.19	4.00	-5	10.3	1,783	19	12	17	171	211	40	4.3	42	11	56	9.2	
GameStop	GME	NC	\$43.52	--	--	(11.7)	4,621	6	5	--	12	10	--	--	12	10	--	--	
TakeTwo	TTWO	Hold	\$20.83	21	2	19.9	1,976	4	11	(27)	5	18	(33)	(0.2)	5	19	(37)	24.7	
<i>weighted average</i>						10	9			8	24.0	25	9.2	1.2	38.4	15.39	21	16.0	
<i>mean</i>						10	9			9	45	54	9.0	1.7	40	14.47	29	15.6	
<b>Advertising &amp; Internet Services</b>																			
Google	GOOG	Buy	\$538.15	650	21	--	306,288	11	9	16	20	17	14	1.4	21	17	18	6.0	
Facebook	FB	Buy	\$56.95	80	40	4.2	143,128	22	15	32	49	36	33	1.5	95	44	29	2.3	
Yahoo!	YHOO	Restricted	\$33.07	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
LinkedIn	LNKD	Buy	\$159.65	280	75	(26.4)	16,822	31	18	52	73	45	47	1.6	49	50	39	2.0	
IAC / InterActiveCorp	IACI	Hold	\$70.03	63	-10	2.0	6,218	10	8	12	18	17	9	1.9	18	21	6	4.8	
AOL	AOL	Buy	\$40.58	66	62	(13.0)	3,156	6	7	(2)	21	14	13	1.6	22	9	35	11.0	
Conversant	CNVR	Buy	\$26.04	28	9	11.4	1,836	7	7	8	12	11	7	1.7	10	8	1	12.7	
Yelp	YELP	Buy	\$66.00	100	51	(4.3)	4,658	73	40	66	95	56	53	1.8	75	58	39	1.7	
WebMD	WBMD	NC	\$37.82	--	--	(4.3)	1,958	13	11	--	30	23	--	--	--	--	--	--	
Criteo	CRTO	Buy	\$36.18	46	27	5.8	1,787	26	16	47	78	38	59	1.3	783	64	214	1.6	
Rocket Fuel	FUEL	NC	\$41.13	--	--	(33.1)	538	120	14	--	--	109	--	--	--	--	--	--	
Demand Media	DMD	Hold	\$4.67	5	16	(19.1)	377	6	6	10	261	45	148	1.8	--	5	(199)	19.7	
Millennial Media	MM	NC	\$6.42	--	--	(11.7)	440	23	9	--	90	26	--	--	--	41	--	2.4	
Zillow	Z	NC	\$89.07	--	--	9.0	2,914	71	36	--	1,890	141	--	--	132	49	--	2.0	
Trulia	TRLA	NC	\$32.76	--	--	(7.1)	1,090	55	21	--	--	98	--	--	193	64	--	1.6	
EarthLink	ELNK	UNPF	\$3.48	3.50	1	(31.3)	848	5	5	--	--	--	--	--	--	--	--	--	
comScore	SCOR	NC	\$31.60	--	--	10.5	1,044	16	13	--	27	20	--	--	30	20	--	4.9	
Blucora	BCOR	Hold	\$18.47	25	33	(36.7)	772	6	6	10	8	6	13	0.6	8	9	(199)	10.8	
QuinStreet	QNST	NC	\$6.08	--	--	(30.0)	227	7	6	--	15	12	--	--	--	--	--	--	
United Online	UNTD	NC	\$11.03	--	--	(19.8)	78	3	2	--	13	12	--	--	16	9	--	11.7	
Tremor Video	TRMR	Hold	\$3.99	6	62	(31.2)	30	--	--	--	--	--	--	--	--	--	--	--	
Marchem	MCHX	NC	\$10.25	--	--	18.5	439	28	22	--	58	42	--	--	31	21	--	4.8	
<i>weighted average</i>						(0)	16			12	42	25	20.6	1.4	47	27	21.3	4.7	
<i>mean</i>						(10)	25			13	147	38	36.7	1.6	96	30	(1.9)	6.5	
<b>Online Travel</b>																			
Priceline	PCLN	Buy	\$1,169.73	1,500	28	0.6	57,207	17	13	26	23	18	20	1.2	23	18	20	5.5	
Expedia	EXPE	Hold	\$68.55	70	2	(1.6)	10,345	10	9	12	17	15	12	1.4	13	11	5	9.0	
TripAdvisor	TRIP	Hold	\$83.36	80	-4	0.6	12,005	25	18	31	41	29	32	1.3	53	27	45	3.7	
Orbitz	OWW	Hold	\$7.61	9.50	25	6.0	1,168	7	7	10	18	14	20	0.9	11	10	10	9.8	
HomeAway	AWAY	NC	\$34.01	--	--	(16.8)	2,619	21	17	--	48	38	--	--	24	18	--	5.7	
Travelzoo	TZOO	NC	\$22.37	--	--	4.9	275	8	8	--	19	17	--	--	14	12	--	8.6	
<i>weighted average</i>						(0)	17			13	25	20	19.8	1.2	26	18	21.0	5.8	
<i>mean</i>						(1)	15			12	28	22	21.1	1.2	23	16	20.1	7.1	
<b>eCommerce</b>																			
Amazon.com	AMZN	Buy	\$317.76	450	42	(20.3)	136,770	19	16	21	125	72	37	3.4	26	17	32	5.9	
eBay	EBAY	Buy	\$52.95	66	25	(3.5)	61,537	10	9	15	18	15	16	1.1	15	14	11	7.2	
Groupon	GRPN	Hold	\$7.45	9.50	28	(36.7)	3,949	14	9	32	72	27	71	1.0	13	16	3	6.1	
Shutterstock	SSTK	Buy	\$67.03	100	49	(19.8)	2,562	36	24	46	60	40	45	1.3	52	29	40	3.4	
Vistaprint	VPRT	Hold	\$49.91	53	6	(12.2)	1,903	10	9	14	17	13	18	1.0	169	17	141	5.9	
OpenTable Inc.	OPEN	NC	\$74.95	--	--	(5.6)	1,682	19	15	--	41	33	--	--	30	22	--	4.5	
Shutterstock	SFTY	Hold	\$40.80	52	27	(19.9)	1,472	9	6	22	16	18	11	1.5	0	19	(213)	5.2	
RetailMeNot	SALE	Buy	\$32.14	47	46	11.6	1,650	16	12	30	29	21	32	0.9	28	24	25	4.1	
Coupons.com	COUP	NC	\$20.41	--	--	27.6	1,515	--	--	--	--	64	--	--	--	--	--	--	
Endurance	EIGI	Buy	\$12.42	22	80	(12.4)	2,608	13	11	18	13	10	24	0.5	7	5	15	21.4	
Web.com Group	WWWV	NC	\$31.02	--	--	(2.4)	2,068	12	11	--	12	10	--	--	12	10	--	10.2	
Wix.com	WIX	NC	\$21.01	--	--	(21.8)	139	--	--	--	--	--	--	--	--	426	--	0.2	
Chegg	CHGG	Buy	\$6.52	14	115	(23.4)	355	5	4	24	--	--	(189)	--	770	451	67	0.2	
Digital River	DRIV	NC	\$17.34	--	--	(6.1)	259	6	5	--	42	24	--	--	39	24	--	4.2	
BlueNile	NILE	NC	\$33.59	--	--	(28.7)	313	12	11	--	37	30	--	--	15	15	--	6.8	
CafePress	PRSS	Hold	\$6.00	5.50	-8	(5.2)	67	7	6	15	--	42	(276)	--	45	13	46	7.5	
Overstock	OSTK	NC	\$18.37	--	--	(40.3)	296	6	7	--	16	20	--	--	--	--	--	--	
PFS Web	PFSW	NC	\$8.36	--	--	(7.8)	114	9	6	--	--	26	--	--	--	--	--	--	
<i>weighted average</i>						(15)	16			13	86	52	29.7	2.5	25	17	23.9	6.4	
<i>mean</i>						(13)	13			10	38	29	(21.1)	1.3	87	73	16.7	6.2	
<b>Online Entertainment</b>																			
Neflix	NFLX	UNPF	\$338.00	250	-26	(8.2)	20,860	35	23	33	69	41	38	1.8	28	37	6	2.7	
SFX Entertainment	SFXE	Buy	\$7.21	17	136	(39.9)	694	9	5	53	7	6	28	0.3	6	6	21	17.2	
Rovi Corp	ROVI	NC	\$23.26	--	--	18.1	2,969	13	12	--	13	12	--	--	15	14	--	7.3	
Pandora	P	NC	\$26.99	--	--	1.5	4,540	88	39	--	162	58	--	--	283	75	--	1.3	
Tivo Inc.	TIVO	Buy	\$12.42	16	29	(5.3)	682	6	4	19	38	26	26	1.5	12	10	1	9.9	
Rentrak Corp	RENT	NC	\$53.87	--	--	42.2	630	37	20	--	145	54	--	--	72	39	--	2.6	
<i>weighted average</i>						(4)	40			23	77	40	27.3	1.3	65	39	4.4	3.5	
<i>mean</i>						1	31			17	72	33	30.8	1	69	30	9.2	7	

(1) Firm Value equal to Equity Value plus straight and convertible debt, straight and convertible preferred stock, and minority interest less cash and cash equivalents, marketable securities, and equity in unconsolidated affiliates.

Valuation metrics of non-covered companies are based on FactSet mean estimates

Source: Jefferies estimates, FactSet for NC companies

## AMZN Model

## Exhibit 6: Amazon - Income Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
<b>Net Sales</b>	<b>\$16,070,000</b>	<b>\$15,704,000</b>	<b>\$17,092,000</b>	<b>\$25,587,000</b>	<b>\$19,731,078</b>	<b>\$19,317,612</b>	<b>\$20,928,464</b>	<b>\$31,904,870</b>	<b>\$74,453,000</b>	<b>\$91,882,024</b>	<b>\$112,447,645</b>
North America Net Sales	9,391,000	9,495,000	10,301,000	15,331,000	11,850,782	11,961,078	12,842,910	19,395,934	44,518,000	56,050,704	68,705,164
International Net Sales	6,679,000	6,209,000	6,791,000	10,256,000	7,880,296	7,356,534	8,085,554	12,508,936	29,935,000	35,831,320	43,742,481
% Y/Y Growth	22%	22%	24%	20%	23%	23%	22%	25%	22%	23%	22%
% Q/Q Growth	(24)	(2)	9	50	(23)	(2)	8	52	--	--	--
Cost of Sales	11,801,000	11,209,000	12,366,000	18,806,000	14,339,390	13,663,923	14,985,346	23,194,164	54,182,000	66,182,823	80,578,674
<b>Total Gross Profit</b>	<b>\$4,269,000</b>	<b>\$4,495,000</b>	<b>\$4,726,000</b>	<b>\$6,781,000</b>	<b>\$5,391,688</b>	<b>\$5,653,689</b>	<b>\$5,943,119</b>	<b>\$8,710,705</b>	<b>\$20,271,000</b>	<b>\$25,699,201</b>	<b>\$31,868,971</b>
% Margin	26.6%	28.6%	27.7%	26.5%	27.3%	29.3%	28.4%	27.3%	27.2%	28.0%	28.3%
Fulfillment	1,735,000	1,756,000	1,964,000	2,837,000	2,150,000	2,171,660	2,415,303	3,543,885	8,292,000	10,280,848	12,638,196
Marketing	616,000	651,000	671,000	1,108,000	778,042	810,459	838,355	1,381,584	3,046,000	3,808,440	4,717,093
Technology & Content	1,263,000	1,431,000	1,580,000	1,687,000	1,524,500	1,606,000	1,717,500	1,921,000	5,961,000	6,769,000	7,849,000
General & Administrative	214,000	248,000	244,000	273,000	285,300	298,800	302,300	298,000	979,000	1,184,400	1,404,400
<b>GAAP Operating Income / (Loss) incl Stoc</b>	<b>181,000</b>	<b>79,000</b>	<b>(25,000)</b>	<b>\$10,000</b>	<b>313,856</b>	<b>353,291</b>	<b>288,030</b>	<b>1,140,036</b>	<b>745,000</b>	<b>2,095,214</b>	<b>3,478,014</b>
% Margin	1.1%	0.5%	(0.1%)	2.0%	1.6%	1.8%	1.4%	3.6%	1.0%	2.3%	3.1%
% Y/Y Growth	(6)	(26)	--	26	73	347	--	124	10	181	66
% Q/Q Growth	(55)	(56)	(132)	--	(38)	13	(18)	296	--	--	--
<b>EBITDA</b>	<b>\$1,141,000</b>	<b>\$1,165,000</b>	<b>\$1,101,000</b>	<b>\$1,839,000</b>	<b>\$1,647,554</b>	<b>\$1,687,065</b>	<b>\$1,531,352</b>	<b>\$2,380,765</b>	<b>\$5,246,000</b>	<b>\$7,246,736</b>	<b>\$8,499,742</b>
% Margin	7.1%	7.4%	6.4%	7.2%	8.4%	8.7%	7.3%	7.5%	7.0%	7.9%	7.6%
% Y/Y Growth	33	38	40	37	44	45	39	29	37	38	17
% Q/Q Growth	(15)	2	(5)	67	(10)	2	(9)	55	--	--	--
Net Interest (Income) and Other (Income)	100,000	62,000	18,000	59,000	12,474	(1,342)	(9,439)	10,204	239,000	11,897	5,086
<b>Adjusted Pre-Tax Profit / (Loss)</b>	<b>\$341,000</b>	<b>\$347,000</b>	<b>\$249,000</b>	<b>\$817,000</b>	<b>\$641,373</b>	<b>\$768,112</b>	<b>\$679,099</b>	<b>\$1,556,033</b>	<b>\$1,754,000</b>	<b>\$3,644,617</b>	<b>\$5,255,195</b>
% Effective Tax Rate	14%	28%	24%	33%	32.0%	31.9%	31.6%	35.9%	27%	34%	34%
Provision / (Benefit) for Income Taxes	(18,000)	13,000	(12,000)	179,000	120,553	141,853	118,988	451,933	162,000	833,327	1,354,442
Tax Adjustments for Non-GAAP Items	65,000	82,500	73,000	91,500	84,998	103,370	95,408	106,550	312,000	390,325	445,567
Minority Interest	17,000	11,000	10,000	33,000	15,300	9,900	9,000	29,700	71,000	63,900	57,510
<b>Operating Net Income / (Loss)</b>	<b>\$277,000</b>	<b>\$240,500</b>	<b>\$178,000</b>	<b>\$513,500</b>	<b>\$420,522</b>	<b>\$512,989</b>	<b>\$455,704</b>	<b>\$967,850</b>	<b>\$1,209,000</b>	<b>\$2,357,065</b>	<b>\$3,397,677</b>
% Margin	1.7%	1.5%	1.0%	2.0%	2.1%	2.7%	2.2%	3.0%	1.6%	2.6%	3.0%
% Y/Y Growth	(3)	22	--	70	52	113	156	88	72	95	44
% Q/Q Growth	(8)	(13)	(26)	188	(18)	22	(11)	112	--	--	--
Other Operating Expense/Amortization of Intar	31,000	32,000	11,000	40,000	40,000	38,000	36,000	35,000	114,000	149,000	144,000
Stock-Based Compensation	229,000	298,000	281,000	326,000	299,990	375,480	345,630	391,200	1,134,000	1,412,300	1,638,268
Tax Effect of Non-GAAP Entries	(65,000)	(82,500)	(73,000)	(91,500)	(84,998)	(103,370)	(95,408)	(106,550)	(312,000)	(390,325)	(445,567)
<b>Reported GAAP Net Income / (Loss)</b>	<b>\$82,000</b>	<b>(\$7,000)</b>	<b>(\$41,000)</b>	<b>\$239,000</b>	<b>\$165,530</b>	<b>\$202,879</b>	<b>\$169,481</b>	<b>\$648,200</b>	<b>\$273,000</b>	<b>\$1,186,090</b>	<b>\$2,060,976</b>
% Margin	0.5%	(0.0%)	(0.2%)	0.9%	0.8%	1.1%	0.8%	2.0%	0.4%	1.3%	1.8%
% Y/Y Growth	(37)	(200)	--	146	102	--	--	171	--	334	74
% Q/Q Growth	(15)	(109)	--	--	(31)	23	(16)	282	--	--	--
Weighted Avg. Diluted Shares Outstanding	463,000	456,000	457,000	467,000	466,803	466,875	467,062	467,434	465,000	467,043	467,697
<b>Operating EPS</b>	<b>\$0.60</b>	<b>\$0.53</b>	<b>\$0.39</b>	<b>\$1.10</b>	<b>\$0.90</b>	<b>\$1.10</b>	<b>\$0.98</b>	<b>\$2.07</b>	<b>\$2.60</b>	<b>\$5.05</b>	<b>\$7.26</b>
% Y/Y Growth	(3%)	23%	--	68%	51%	108%	150%	88%	67%	94%	44%
% Q/Q Growth	(9)	(12)	(26)	182	(18)	22	(11)	112	--	--	--
<b>Reported GAAP EPS</b>	<b>\$0.18</b>	<b>(\$0.02)</b>	<b>(\$0.09)</b>	<b>\$0.51</b>	<b>\$0.35</b>	<b>\$0.43</b>	<b>\$0.36</b>	<b>\$1.39</b>	<b>\$0.59</b>	<b>\$2.54</b>	<b>\$4.41</b>
% Y/Y Growth	(37%)	(200%)	--	143%	100%	--	--	171%	--	333%	74%
% Q/Q Growth	(16)	(109)	--	--	(31)	23	(16)	282	--	--	--

Source: Company data, Jefferies



### Exhibit 9: Amazon - Cash Flow Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
Net Income	\$82,000	(\$7,000)	(\$41,000)	\$239,000	\$165,530	\$202,879	\$169,481	\$648,200	\$273,000	\$1,186,090	\$2,060,976
Depreciation	700,000	756,000	834,000	963,000	993,708	920,294	861,692	814,529	3,253,000	3,590,223	3,239,460
Tax Benefit from Stock Options	0	0	0	(78,000)	103,126	105,901	102,829	120,219	(78,000)	432,074	534,574
Stock-Based Compensation	229,000	298,000	281,000	326,000	299,990	375,480	345,630	391,200	1,134,000	1,412,300	1,638,268
Deferred Taxes	(80,000)	21,000	11,000	(109,000)	0	0	0	0	(157,000)	0	0
(Gain) / Loss on Sale of Securities	0	0	1,000	0	0	0	0	0	1,000	0	0
Other Non-Cash Charges	99,000	74,000	16,000	91,000	0	0	0	0	280,000	0	0
<b>Funds From Operations</b>	<b>\$1,030,000</b>	<b>\$1,142,000</b>	<b>\$1,102,000</b>	<b>\$1,432,000</b>	<b>\$1,577,653</b>	<b>\$1,614,455</b>	<b>\$1,488,632</b>	<b>\$2,003,847</b>	<b>\$4,706,000</b>	<b>\$6,684,587</b>	<b>\$7,530,788</b>
(Inc.) Dec. in Accounts Receivable and Other	729,000	(211,000)	(125,000)	(1,239,000)	709,997	(450,533)	(128,930)	(1,049,554)	(846,000)	(919,019)	(1,626,583)
(Inc.) Dec. in Inventories	535,000	(30,000)	(586,000)	(1,330,000)	858,095	(50,701)	(737,161)	(1,182,486)	(1,411,000)	(1,112,253)	(1,853,947)
Inc. (Dec.) in Accounts Payable	(4,187,000)	0	947,000	5,128,000	(4,305,779)	118,891	1,206,387	5,571,473	1,888,000	2,590,972	3,855,255
Inc. (Dec.) in Accrued Expenses and Other	(703,000)	(77,000)	(72,000)	1,589,000	(1,247,338)	701,630	878,659	934,925	737,000	1,267,876	2,566,277
Addition to Unearned Revenue	684,000	516,000	672,000	819,000	773,008	699,805	791,169	1,161,570	2,691,000	3,425,552	5,017,694
Amortization of Unearned Revenue	(460,000)	(460,000)	(550,000)	(821,000)	(607,876)	(647,602)	(687,498)	(764,569)	(2,291,000)	(2,707,544)	(2,803,848)
<b>Change in Net Working Capital</b>	<b>(\$3,402,000)</b>	<b>(\$262,000)</b>	<b>\$286,000</b>	<b>\$4,146,000</b>	<b>(\$3,819,892)</b>	<b>\$371,492</b>	<b>\$1,322,626</b>	<b>\$4,671,358</b>	<b>\$768,000</b>	<b>\$2,545,584</b>	<b>\$5,154,848</b>
<b>Cash Flow from Operations</b>	<b>(\$2,372,000)</b>	<b>\$880,000</b>	<b>\$1,388,000</b>	<b>\$5,578,000</b>	<b>(\$2,242,239)</b>	<b>\$1,985,946</b>	<b>\$2,811,258</b>	<b>\$6,675,206</b>	<b>\$5,474,000</b>	<b>\$9,230,171</b>	<b>\$12,685,635</b>
Capital Expenditures	(670,000)	(855,000)	(1,038,000)	(880,000)	(640,000)	(830,000)	(1,100,000)	(1,000,000)	(3,443,000)	(3,570,000)	(3,927,000)
Acquisitions, Net of Cash Acquired	(103,000)	(148,000)	(1,000)	(59,000)	0	0	0	0	(311,000)	0	0
Purchases of Securities and Investments	(776,000)	(1,113,000)	(518,000)	(419,000)	0	0	0	0	(2,826,000)	0	0
Proceeds from Sales of Securities and Investments	599,000	696,000	494,000	515,000	0	0	0	0	2,304,000	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(\$950,000)</b>	<b>(\$1,420,000)</b>	<b>(\$1,063,000)</b>	<b>(\$843,000)</b>	<b>(\$640,000)</b>	<b>(\$830,000)</b>	<b>(\$1,100,000)</b>	<b>(\$1,000,000)</b>	<b>(\$4,276,000)</b>	<b>(\$3,570,000)</b>	<b>(\$3,927,000)</b>
Debt Issuance / (Repayment)	(157,000)	(209,000)	(230,000)	(21,000)	0	0	0	0	(617,000)	0	(750,000)
Proceeds from / (Repurchase of) Common Stock	0	0	0	0	(283,997)	(359,455)	(313,339)	(357,583)	0	(1,314,374)	(1,449,822)
Excess Tax Benefit from Stock Options	0	0	0	78,000	0	0	0	0	78,000	0	0
<b>Net Cash Provided by Financing Activities</b>	<b>(\$157,000)</b>	<b>(\$209,000)</b>	<b>(\$230,000)</b>	<b>\$57,000</b>	<b>(\$283,997)</b>	<b>(\$359,455)</b>	<b>(\$313,339)</b>	<b>(\$357,583)</b>	<b>(\$539,000)</b>	<b>(\$1,314,374)</b>	<b>(\$2,199,822)</b>
Effect of Exchange Rate Changes	(124,000)	(28,000)	73,000	(6,000)	0	0	0	0	(85,000)	0	0
<b>Inc. (Dec.) in Cash and Cash Equivalents</b>	<b>(\$3,603,000)</b>	<b>(\$777,000)</b>	<b>\$168,000</b>	<b>\$4,786,000</b>	<b>(\$3,166,236)</b>	<b>\$796,492</b>	<b>\$1,397,919</b>	<b>\$5,317,622</b>	<b>\$574,000</b>	<b>\$4,345,797</b>	<b>\$6,558,813</b>
Beginning Cash and Cash Equivalents	8,084,000	4,481,000	3,704,000	3,872,000	8,658,000	5,491,764	6,288,256	7,686,175	8,084,000	8,658,000	13,003,797
<b>Ending Cash and Cash Equivalents</b>	<b>\$4,481,000</b>	<b>\$3,704,000</b>	<b>\$3,872,000</b>	<b>\$8,658,000</b>	<b>\$5,491,764</b>	<b>\$6,288,256</b>	<b>\$7,686,175</b>	<b>\$13,003,797</b>	<b>\$8,658,000</b>	<b>\$13,003,797</b>	<b>\$19,562,610</b>

Source: Company data, Jefferies

### Exhibit 10: Amazon - DCF Analysis (\$MM)

	2013A	2014				2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
		Q1 14E	Q2 14E	Q3 14E	Q4 14E									
Revenue	\$74,453	\$19,731	\$19,318	\$20,928	\$31,905	\$112,448	\$134,556	\$157,982	\$181,608	\$205,428	\$228,465	\$250,509	\$273,590	\$298,934
% Y/Y Growth	22%	23%	23%	22%	25%	22%	20%	17%	15%	13%	11%	10%	9%	9%
EBITDA	\$5,246	\$1,648	\$1,687	\$1,531	\$2,381	\$8,500	\$10,473	\$12,703	\$15,194	\$17,679	\$20,140	\$22,694	\$25,362	\$28,349
% Margin	7%	8%	9%	7%	7%	8%	8%	8%	8%	9%	9%	9%	9%	9%
% Y/Y Growth	37	44	45	39	29	17	23	21	20	16	14	13	12	12
Implied Taxes on Operations	(\$1,418)	(\$528)	(\$539)	(\$483)	(\$854)	(\$2,911)	(\$3,594)	(\$4,358)	(\$5,152)	(\$5,892)	(\$6,575)	(\$7,240)	(\$7,891)	(\$8,840)
% Effective Tax Rate	27%	32%	32%	32%	36%	34%	34%	34%	34%	33%	33%	32%	31%	31%
Capital Expenditures	(\$3,443)	(\$640)	(\$830)	(\$1,100)	(\$1,000)	(\$3,927)	(\$4,280)	(\$4,623)	(\$4,946)	(\$5,243)	(\$5,505)	(\$5,726)	(\$5,897)	(\$6,015)
% Y/Y Growth	(9%)	(4%)	(3%)	6%	14%	10%	9%	8%	7%	6%	5%	4%	3%	2%
Change in Net Working Capital	\$768	(\$3,820)	\$371	\$1,323	\$4,671	\$5,155	\$6,386	\$7,910	\$9,494	\$11,043	\$12,294	\$13,158	\$14,181	\$15,190
Tax Benefit from NOL Carryforwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions Not Yet Reflected on Balanc	--	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Unlevered Free Cash Flow</b>	<b>\$1,153</b>	<b>(\$3,340)</b>	<b>\$690</b>	<b>\$1,271</b>	<b>\$5,198</b>	<b>\$6,816</b>	<b>\$8,984</b>	<b>\$11,632</b>	<b>\$14,590</b>	<b>\$17,588</b>	<b>\$20,354</b>	<b>\$22,886</b>	<b>\$25,754</b>	<b>\$28,684</b>
<i>NPV at 12/31/13 Valuation Date and 12.0% WACC</i>	<i>\$343,383</i>	<i>(\$3,248)</i>	<i>\$652</i>	<i>\$1,167</i>	<i>\$4,641</i>	<i>\$5,751</i>	<i>\$6,765</i>	<i>\$7,821</i>	<i>\$8,758</i>	<i>\$9,427</i>	<i>\$9,738</i>	<i>\$9,776</i>	<i>\$9,823</i>	<i>\$9,768</i>

Perpetuity Growth Rate / Terminal Value at 12.0% WACC				
3.0%	3.5%	4.0%	4.5%	5.0%
\$343,383	\$365,347	\$390,057	\$418,061	\$450,065

Implied Terminal Value / Terminal EBITDA Multiple				
12.1x	12.9x	13.8x	14.7x	15.9x
\$343,383	\$365,347	\$390,057	\$418,061	\$450,065

Median DCF Valuation at 12/31/13 Valuation Date	
NPV of Cash Flows and Terminal Value	\$199,397
Plus: Net Cash	10,947
<b>Implied Equity Value</b>	<b>\$210,344</b>
Implied Fully Diluted Shares Outstanding (MM)	467
<b>Implied Equity Value per Share</b>	<b>\$450</b>

WACC	Equity Value per Share				
	10%	\$485	\$502	\$522	\$544
11%	451	467	484	504	527
12%	420	434	450	468	489
13%	391	404	419	435	454
14%	365	377	391	406	423

Source: Jefferies



## EBAY Model

## Exhibit 11: eBay - Income Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
<b>Net Revenues</b>	<b>\$3,748,000</b>	<b>\$3,877,000</b>	<b>\$3,892,000</b>	<b>\$4,530,000</b>	<b>\$4,241,312</b>	<b>\$4,412,864</b>	<b>\$4,466,595</b>	<b>\$5,250,145</b>	<b>\$16,047,000</b>	<b>\$18,370,916</b>	<b>\$21,240,285</b>
% Y/Y Growth	14%	14%	14%	13%	13%	14%	15%	16%	14%	14%	16%
Cost of Net Revenues	1,121,000	1,169,000	1,196,000	1,394,000	1,299,084	1,337,194	1,389,544	1,657,609	4,880,000	5,683,431	6,624,231
<b>Total Gross Profit</b>	<b>\$2,627,000</b>	<b>\$2,708,000</b>	<b>\$2,696,000</b>	<b>\$3,136,000</b>	<b>\$2,942,228</b>	<b>\$3,075,670</b>	<b>\$3,077,051</b>	<b>\$3,592,536</b>	<b>\$11,167,000</b>	<b>\$12,687,485</b>	<b>\$14,616,054</b>
% Margin	70.1%	69.8%	69.3%	69.2%	69.4%	69.7%	68.9%	68.4%	69.6%	69.1%	68.8%
Sales and Marketing	664,000	730,000	717,000	790,000	774,723	833,104	831,787	928,714	2,901,000	3,368,328	3,926,291
Product Development	402,000	405,000	391,000	383,000	423,000	433,000	438,000	474,000	1,581,000	1,768,000	1,998,000
General and Administrative	361,000	361,000	363,000	410,000	408,000	420,000	421,000	426,000	1,495,000	1,675,000	1,870,000
Provision for Transaction & Loan Losses	175,000	193,000	185,000	238,000	199,342	211,817	218,863	246,757	791,000	876,779	998,293
<b>Adjusted Operating Income / (Loss)</b>	<b>\$1,025,000</b>	<b>\$1,019,000</b>	<b>\$1,040,000</b>	<b>\$1,315,000</b>	<b>\$1,137,164</b>	<b>\$1,177,748</b>	<b>\$1,167,400</b>	<b>\$1,517,066</b>	<b>\$4,399,000</b>	<b>\$4,999,378</b>	<b>\$5,823,470</b>
% Margin	27.3%	26.3%	26.7%	29.0%	26.8%	26.7%	26.1%	28.9%	27.4%	27.2%	27.4%
% Y/Y Growth	(7)	(1)	2	26	(14)	4	(1)	30	15	14	16
<b>EBITDA</b>	<b>\$1,254,000</b>	<b>\$1,265,000</b>	<b>\$1,297,000</b>	<b>\$1,588,000</b>	<b>\$1,414,390</b>	<b>\$1,467,961</b>	<b>\$1,470,135</b>	<b>\$1,833,896</b>	<b>\$5,404,000</b>	<b>\$6,186,382</b>	<b>\$7,170,914</b>
% Margin	33.5%	32.6%	33.3%	35.1%	33.3%	33.3%	32.9%	34.9%	33.7%	33.7%	33.8%
% Y/Y Growth	(5)	1	3	22	(11)	4	0	25	18	14	16
Net Interest (Income) and Other (Income)	(6,000)	2,000	4,000	(14,000)	6,196	4,732	(1,792)	(36,176)	(14,000)	(27,040)	(36,145)
<b>Adjusted Pre-Tax Profit / (Loss)</b>	<b>\$1,031,000</b>	<b>\$1,017,000</b>	<b>\$1,036,000</b>	<b>\$1,329,000</b>	<b>\$1,130,968</b>	<b>\$1,173,016</b>	<b>\$1,169,192</b>	<b>\$1,553,242</b>	<b>\$4,413,000</b>	<b>\$5,026,419</b>	<b>\$5,859,615</b>
% Effective Tax Rate	20%	19%	19%	20%	23%	22%	22%	21%	19%	22%	22%
Provision / (Benefit) for Income Taxes	132,000	116,000	184,000	178,000	210,745	202,859	207,592	273,294	610,000	894,491	1,098,867
Tax Adjustments for Non-GAAP Items	70,000	79,000	15,000	84,000	44,176	51,132	44,760	54,964	248,000	195,032	165,724
<b>Operating Net Income / (Loss)</b>	<b>\$829,000</b>	<b>\$822,000</b>	<b>\$837,000</b>	<b>\$1,067,000</b>	<b>\$876,047</b>	<b>\$919,025</b>	<b>\$916,840</b>	<b>\$1,224,984</b>	<b>\$3,555,000</b>	<b>\$3,936,896</b>	<b>\$4,595,024</b>
% Margin	22%	21%	22%	24%	21%	21%	21%	23%	22%	21%	22%
% Y/Y Growth	(11)	(1)	2	27	(18)	5	(0)	34	15	11	17
Amortization of Acquired Intangible Assets	100,000	101,000	100,000	94,000	87,000	79,000	71,000	63,000	395,000	300,000	120,000
Stock-Based Compensation	111,000	161,000	140,000	197,000	119,880	170,660	149,800	208,820	609,000	649,160	681,618
Employer Payroll Taxes on Stock Option:	14,000	7,000	1,000	2,000	14,000	6,000	3,000	3,000	24,000	26,000	27,000
1x Charges	0	(5,000)	(73,000)	8,000	0	0	0	0	(70,000)	0	0
(Gain) / Loss on Sale of Investments	(3,000)	(3,000)	(5,000)	0	0	(15,000)	(15,000)	0	(11,000)	(30,000)	(60,000)
Tax Effect of Non-GAAP Entries	(70,000)	(79,000)	(15,000)	(84,000)	(44,176)	(51,132)	(44,760)	(54,964)	(248,000)	(195,032)	(165,724)
<b>Reported GAAP Net Income / (Loss)</b>	<b>\$677,000</b>	<b>\$640,000</b>	<b>\$689,000</b>	<b>\$850,000</b>	<b>\$699,343</b>	<b>\$729,497</b>	<b>\$752,800</b>	<b>\$1,005,128</b>	<b>\$2,856,000</b>	<b>\$3,186,768</b>	<b>\$3,992,130</b>
% Margin	18%	17%	18%	19%	16%	17%	17%	19%	18%	17%	19%
% Y/Y Growth	(10)	(5)	8	23	(18)	4	3	34	9	12	25
Weighted Avg. Diluted Shares Outstanding	1,319,000	1,313,000	1,310,000	1,310,000	1,312,108	1,313,282	1,314,664	1,316,771	1,313,000	1,314,206	1,328,750
<b>Operating EPS</b>	<b>\$0.63</b>	<b>\$0.63</b>	<b>\$0.64</b>	<b>\$0.81</b>	<b>\$0.67</b>	<b>\$0.70</b>	<b>\$0.70</b>	<b>\$0.93</b>	<b>\$2.71</b>	<b>\$3.00</b>	<b>\$3.46</b>
% Q/Q Growth	(11%)	(0%)	2%	27%	(18%)	5%	(0%)	33%	15%	11%	15%
<b>Reported GAAP EPS</b>	<b>\$0.51</b>	<b>\$0.49</b>	<b>\$0.53</b>	<b>\$0.65</b>	<b>\$0.53</b>	<b>\$0.56</b>	<b>\$0.57</b>	<b>\$0.76</b>	<b>\$2.18</b>	<b>\$2.42</b>	<b>\$3.00</b>
% Q/Q Growth	(10%)	(5%)	8%	23%	(18%)	4%	3%	33%	9%	11%	24%

Source: Company data, Jefferies

## Exhibit 12: eBay - Revenue Build (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
<b>Total Net Revenues</b>	<b>\$3,748,000</b>	<b>\$3,877,000</b>	<b>\$3,892,000</b>	<b>\$4,530,000</b>	<b>\$4,241,312</b>	<b>\$4,412,864</b>	<b>\$4,466,595</b>	<b>\$5,250,145</b>	<b>\$16,047,000</b>	<b>\$18,370,916</b>	<b>\$21,240,285</b>
% Y/Y Growth	14.4%	14.1%	14.3%	13.5%	13.2%	13.8%	14.8%	15.9%	14.0%	14.5%	15.6%
<b>Marketplaces</b>	<b>1,957,000</b>	<b>2,001,000</b>	<b>2,027,000</b>	<b>2,299,000</b>	<b>2,186,742</b>	<b>2,252,034</b>	<b>2,285,020</b>	<b>2,588,471</b>	<b>8,284,000</b>	<b>9,312,267</b>	<b>10,522,457</b>
% Y/Y Growth	13.3%	10.3%	12.2%	12.1%	11.7%	12.5%	12.7%	12.6%	12.0%	12.4%	13.0%
% of Total Net Revenues	52.2%	51.6%	52.1%	50.8%	51.6%	51.0%	51.2%	49.3%	51.6%	50.7%	49.5%
Transaction Revenues	1,608,000	1,637,000	1,668,000	1,882,000	1,799,352	1,843,262	1,881,504	2,121,014	6,795,000	7,645,132	8,661,935
% Y/Y Growth	12.8%	9.8%	11.9%	12.6%	11.9%	12.6%	12.8%	12.7%	11.8%	12.5%	13.3%
Marketing Services & Other Rev	349,000	364,000	359,000	417,000	387,390	408,772	403,516	467,457	1,489,000	1,667,135	1,860,523
% Y/Y Growth	15.2%	12.7%	13.6%	10.3%	11.0%	12.3%	12.4%	12.1%	12.8%	12.0%	11.6%
<b>Payments</b>	<b>1,548,000</b>	<b>1,624,000</b>	<b>1,620,000</b>	<b>1,836,000</b>	<b>1,807,070</b>	<b>1,919,330</b>	<b>1,939,075</b>	<b>2,218,174</b>	<b>6,628,000</b>	<b>7,883,649</b>	<b>9,489,327</b>
% Y/Y Growth	18.3%	19.7%	18.5%	19.1%	16.7%	18.2%	19.7%	20.8%	18.9%	18.9%	20.4%
% of Total Net Revenues	41.3%	41.9%	41.6%	40.5%	42.6%	43.5%	43.4%	42.2%	41.3%	42.9%	44.7%
Transaction Revenues	1,435,000	1,475,000	1,493,000	1,693,000	1,670,340	1,737,550	1,784,135	2,045,144	6,096,000	7,237,169	8,713,551
% Y/Y Growth	18.0%	19.5%	18.1%	18.2%	16.4%	17.8%	19.5%	20.8%	18.5%	18.7%	20.4%
Marketing Services & Other Rev	113,000	149,000	127,000	143,000	136,730	181,780	154,940	173,030	532,000	646,480	775,776
% Y/Y Growth	21.3%	21.1%	24.3%	31.2%	21.0%	22.0%	22.0%	21.0%	24.5%	21.5%	20.0%
<b>Other Revenue</b>	<b>7,000</b>	<b>6,000</b>	<b>7,000</b>	<b>3,000</b>	<b>7,500</b>	<b>6,500</b>	<b>7,500</b>	<b>3,500</b>	<b>23,000</b>	<b>25,000</b>	<b>26,750</b>
% Y/Y Growth	133.3%	0.0%	29.6%	0.0%	7.1%	8.3%	7.1%	16.7%	32.2%	8.7%	7.0%
<b>eBay Enterprise</b>	<b>236,000</b>	<b>246,000</b>	<b>238,000</b>	<b>392,000</b>	<b>240,000</b>	<b>235,000</b>	<b>235,000</b>	<b>440,000</b>	<b>1,112,000</b>	<b>1,150,000</b>	<b>1,201,750</b>
% Y/Y Growth	-0.4%	11.3%	5.3%	-1.5%	1.7%	-4.5%	-1.3%	12.2%	2.8%	3.4%	4.5%
% of Total Net Revenues	6.3%	6.3%	6.1%	8.7%	5.7%	5.3%	5.3%	8.4%	6.9%	6.3%	5.7%

Source: Company data, Jefferies

## Exhibit 13: eBay - Metrics (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
<b>Marketplaces Metrics</b>											
<b>Gross Merchandise Volume (GMV)</b>	<b>\$20,012,000</b>	<b>\$20,097,000</b>	<b>\$20,125,000</b>	<b>\$23,098,000</b>	<b>\$22,503,494</b>	<b>\$22,619,174</b>	<b>\$22,684,900</b>	<b>\$25,939,054</b>	<b>\$83,332,000</b>	<b>\$93,746,622</b>	<b>\$106,871,149</b>
% Y/Y Growth	10.7%	10.5%	10.1%	10.9%	12.5%	12.6%	12.7%	12.3%	10.6%	12.5%	14.0%
US GMV	\$8,485,088	\$8,440,740	\$8,653,750	\$9,701,160	\$9,581,988	\$9,540,767	\$9,799,877	\$10,825,986	\$35,280,738	\$39,748,618	\$43,817,171
% Y/Y Growth	11.5%	11.3%	10.9%	14.1%	12.9%	13.0%	13.2%	11.6%	12.0%	12.7%	10.2%
% of Total GMV	42%	42%	43%	42%	43%	42%	43%	42%	42%	42%	41%
International GMV	\$11,526,912	\$11,656,260	\$11,471,250	\$13,396,840	\$12,921,506	\$13,078,406	\$12,885,023	\$15,113,068	\$48,051,262	\$53,998,004	\$63,053,978
% Y/Y Growth	10.1%	9.9%	9.5%	8.6%	12.1%	12.2%	12.3%	12.8%	9.5%	12.4%	16.8%
Mobile GMV	\$3,800,000	\$4,150,000	\$5,450,000	\$8,300,000	\$5,600,000	\$5,800,000	\$7,000,000	\$10,500,000	\$21,700,000	\$28,900,000	\$36,125,000
% Y/Y Growth	94.9%	76.6%	67.7%	55.1%	47.4%	39.8%	28.4%	26.5%	68.2%	33.2%	25.0%
Mobile as % of Total	19.0%	20.6%	27.1%	35.9%	24.9%	25.6%	30.9%	40.5%	26.0%	30.8%	33.8%
Fixed-Price GMV (excl Vehicles)	\$13,100,000	\$13,400,000	\$13,900,000	\$16,300,000	\$15,000,829	\$15,307,105	\$15,865,139	\$18,511,925	\$56,700,000	\$64,684,997	\$74,275,448
% Y/Y Growth	18.0%	18.6%	18.8%	19.0%	14.5%	14.2%	14.1%	13.6%	18.6%	14.1%	14.8%
Fixed-Price as % of Total GMV	66%	67%	69%	71%	67%	68%	70%	71%	68.0%	69.0%	69.5%
Fixed-Price as % of Non-Vehicle GMV	71%	73%	76%	76%	71%	73%	75%	75%	74%	73%	73%
Transaction Revenue Take Rate	8.04%	8.15%	8.29%	8.15%	8.00%	8.15%	8.29%	8.18%	8.15%	8.16%	8.11%
<b>Marketplaces Transaction Revenue</b>	<b>\$1,608,000</b>	<b>\$1,637,000</b>	<b>\$1,668,000</b>	<b>\$1,882,000</b>	<b>\$1,799,352</b>	<b>\$1,843,262</b>	<b>\$1,881,504</b>	<b>\$2,121,014</b>	<b>\$6,795,000</b>	<b>\$7,645,132</b>	<b>\$8,661,935</b>
% Y/Y Growth	12.8%	9.8%	11.9%	12.6%	11.9%	12.6%	12.8%	12.7%	11.8%	12.5%	13.3%
<b>US Marketplaces, ex-Vehicles</b>											
US GMV ex-Vehicles	7,364,000	7,266,000	7,420,000	8,353,000	8,494,374	8,355,336	8,602,006	9,663,586	\$30,403,000	\$35,115,302	\$40,628,405
Y/Y Growth	15.7%	16.4%	14.5%	13.8%	15.4%	15.0%	15.9%	15.7%	15.1%	15.5%	15.7%
Q/Q Growth	0.4%	-1.3%	2.1%	12.6%	1.7%	-1.6%	3.0%	12.3%	--	--	--
% of Total	36.8%	36.2%	36.9%	36.2%	37.7%	36.9%	37.9%	37.3%	36.5%	37.5%	38.0%
<b>International Marketplaces, ex-Vehicles</b>											
Int'l GMV ex-Vehicles	10,962,000	11,026,000	10,940,000	13,165,000	12,584,376	12,677,695	12,547,086	15,105,581	\$46,093,000	\$52,914,737	\$61,195,894
Y/Y Growth	11.4%	11.0%	11.6%	11.9%	14.8%	15.0%	14.7%	14.7%	11.5%	14.8%	15.7%
FX-neutral Y/Y Growth	11.0%	11.0%	11.0%	10.0%	-4.4%	0.7%	-1.0%	20.4%	--	--	--
Q/Q Growth	-6.8%	0.6%	-0.8%	20.3%	-4.4%	0.7%	-1.0%	20.4%	--	--	--
% of Total	54.8%	54.9%	54.4%	57.0%	55.9%	56.0%	55.3%	58.2%	55.3%	56.4%	57.3%
<b>Global Marketplaces, Vehicles</b>											
Vehicles GMV	1,686,000	1,805,000	1,765,000	1,580,000	1,424,744	1,586,142	1,535,808	1,169,888	\$6,836,000	\$5,716,582	\$5,046,850
Y/Y Growth	-9.9%	-10.7%	-11.5%	-8.5%	-15.5%	-12.1%	-13.0%	-26.0%	-10.2%	-16.4%	-11.7%
FX-neutral Y/Y Growth	-9.9%	-10.7%	-11.5%	-8.5%	-15.5%	-12.1%	-13.0%	-26.0%	-10.2%	-16.4%	-11.7%
Q/Q Growth	-2.4%	7.1%	-2.2%	-10.5%	-9.8%	11.3%	-3.2%	-23.8%	--	--	--
% of Total	8.4%	9.0%	8.8%	6.8%	6.3%	7.0%	6.8%	4.5%	8.2%	6.1%	4.7%
Active Users ('000)	116,200	119,700	123,600	128,100	130,144	134,064	138,432	143,472	128,100	143,472	
% Y/Y Growth	13.5%	14.2%	14.1%	14.1%	12.0%	12.0%	12.0%	12.0%	14%	12%	
<b>Payments Metrics</b>											
<b>Total Payment Volume (\$'000)</b>	<b>\$41,040,000</b>	<b>\$42,813,000</b>	<b>\$43,837,000</b>	<b>\$51,973,000</b>	<b>\$51,237,311</b>	<b>\$53,407,077</b>	<b>\$54,684,466</b>	<b>\$64,674,292</b>	<b>\$179,663,000</b>	<b>\$224,003,146</b>	<b>\$269,769,396</b>
% Y/Y Growth	21.2%	24.3%	24.7%	25.3%	24.8%	24.7%	24.7%	24.4%	24.0%	24.7%	20.4%
On-eBay Volume	\$12,953,000	\$13,006,000	\$13,112,000	\$15,311,000	\$14,577,015	\$14,553,428	\$14,704,653	\$17,534,800	\$54,382,000	\$61,369,896	\$67,442,349
% Y/Y Growth	13.4%	14.7%	14.5%	13.9%	12.5%	11.9%	12.1%	14.5%	14.1%	12.8%	9.9%
% Y/Y Growth (FX-Neutral)	14.0%	15.0%	15.0%	13.0%							
% of Total Payment Volume	31.6%	30.4%	29.9%	29.5%	28.5%	27.3%	26.9%	27.1%	30.3%	27.4%	25.0%
Merchant Services (Off-eBay) Volume	\$28,087,000	\$29,807,000	\$30,725,000	\$36,662,000	\$36,660,296	\$38,853,648	\$39,979,813	\$47,139,492	\$125,281,000	\$162,633,249	\$202,327,047
% Y/Y Growth	25.2%	29.0%	29.6%	30.8%	30.5%	30.4%	30.1%	28.6%	28.8%	29.8%	24.4%
% Y/Y Growth (FX-Neutral)	26.0%	29.0%	30.0%	31.0%							
Bill Me Later TPV	\$849,000	\$934,000	\$1,009,000	\$1,314,000	\$1,169,073	\$1,269,306	\$1,391,411	\$1,686,123	\$4,106,000	\$5,515,913	\$6,784,573
% Y/Y Growth	30.6%	34.2%	30.2%	27.1%	37.7%	35.9%	37.9%	28.3%	30.1%	34.3%	23.0%
Mobile TPV	\$5,500,000	\$5,850,000	\$6,600,000	\$8,772,500	\$8,500,000	\$8,800,000	\$9,100,000	\$10,400,000	\$26,722,500	\$36,800,000	\$47,840,000
% Y/Y Growth	201.4%	122.9%	87.2%	52.6%	54.5%	50.4%	37.9%	18.6%	94.7%	37.7%	30.0%
Mobile as % of Total	13.4%	13.7%	15.1%	16.9%	16.6%	16.5%	16.6%	16.1%	14.9%	16.4%	17.7%
Transaction Take Rate	3.77%	3.79%	3.70%	3.53%							
Transaction Expense Rate	1.05%	1.04%	1.05%	0.97%							
Transaction Loss Rate	0.29%	0.31%	0.30%	0.32%							
Transaction Margin	64.4%	64.4%	63.4%	63.5%							
Active Registered Accounts ('000)	127,700	132,400	137,400	142,600	141,109	146,302	151,827	157,573	142,600	157,573	173,173
% Y/Y Growth	16.3%	17.0%	17.0%	16.2%	10.5%	10.5%	10.5%	10.5%	16.2%	10.5%	9.9%
Net Number of Payments ('000)	681,600	700,600	729,400	846,100	832,234	854,732	889,868	1,029,704	2,957,700	3,606,537	4,262,406
% Y/Y Growth	22.7%	24.0%	23.8%	22.3%	22.1%	22.0%	22.0%	21.7%	23.2%	21.9%	18.2%
Transaction Average Size	\$60.21	\$61.11	\$60.10	\$61.43	\$61.57	\$62.48	\$61.45	\$62.81	\$60.74	\$62.11	\$63.29
% Y/Y Growth	-1.2%	0.2%	0.7%	2.5%	2.3%	2.3%	2.3%	2.3%	0.6%	2.2%	1.9%
<b>Payments Transaction Revenue (\$</b>	<b>\$1,435,000</b>	<b>\$1,475,000</b>	<b>\$1,493,000</b>	<b>\$1,693,000</b>	<b>\$1,670,340</b>	<b>\$1,737,550</b>	<b>\$1,784,135</b>	<b>\$2,045,144</b>	<b>\$6,096,000</b>	<b>\$7,237,169</b>	<b>\$8,713,551</b>
% Y/Y Growth	18.0%	19.5%	18.1%	18.2%	16.4%	17.8%	19.5%	20.8%	18.5%	18.7%	20.4%
Payments Take Rate	3.50%	3.45%	3.41%	3.26%	3.26%	3.25%	3.26%	3.16%	3.39%	3.23%	3.23%

Source: Company data, Jefferies

## Exhibit 14: eBay - Balance Sheet (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
Cash & Cash Equivalents	\$6,530,000	\$6,855,000	\$5,280,000	\$4,494,000	\$5,911,769	\$6,835,906	\$7,827,980	\$8,771,578	\$4,494,000	\$8,771,578	\$12,520,034
Short-Term Marketable Securities	2,872,000	3,581,000	4,991,000	4,531,000	4,531,000	4,531,000	4,531,000	4,531,000	4,531,000	4,531,000	4,531,000
Accounts Receivable	743,000	743,000	772,000	899,000	899,000	902,072	913,055	1,073,228	899,000	1,073,228	1,240,856
Funds Receivable	11,047,000	11,285,000	11,507,000	12,049,000	8,244,028	8,577,481	8,681,921	10,204,942	12,049,000	10,204,942	11,798,861
Other Current Assets	1,144,000	982,000	926,000	1,310,000	753,894	792,676	797,575	866,830	1,310,000	866,830	991,360
<b>Current Assets</b>	<b>\$22,336,000</b>	<b>\$23,446,000</b>	<b>\$23,476,000</b>	<b>\$23,283,000</b>	<b>\$20,307,695</b>	<b>\$21,639,136</b>	<b>\$22,751,531</b>	<b>\$25,447,579</b>	<b>\$23,283,000</b>	<b>\$25,447,579</b>	<b>\$31,082,111</b>
Property and Equipment	2,575,000	2,697,000	2,763,000	2,760,000	2,830,561	2,911,030	2,979,022	3,091,602	2,760,000	3,091,602	3,457,476
Long-Term Investments	3,172,000	2,506,000	4,138,000	4,971,000	4,980,000	4,989,000	5,002,000	5,045,000	4,971,000	5,045,000	5,105,000
Goodwill	8,455,000	8,394,000	8,566,000	9,267,000	9,267,000	9,267,000	9,267,000	9,267,000	9,267,000	9,267,000	9,267,000
Other Intangibles	1,023,000	926,000	863,000	941,000	854,000	775,000	704,000	641,000	941,000	641,000	521,000
Other Assets	439,000	581,000	261,000	266,000	558,571	587,306	590,935	642,247	266,000	642,247	734,513
<b>Total Assets</b>	<b>\$38,000,000</b>	<b>\$38,550,000</b>	<b>\$40,067,000</b>	<b>\$41,488,000</b>	<b>\$38,797,827</b>	<b>\$40,168,471</b>	<b>\$41,294,488</b>	<b>\$44,134,428</b>	<b>\$41,488,000</b>	<b>\$44,134,428</b>	<b>\$50,167,100</b>
Accounts Payable	\$308,000	\$313,000	\$288,000	\$309,000	\$359,014	\$368,960	\$382,796	\$456,075	\$309,000	\$456,075	\$531,571
Funds Payable & Amounts Due to Customers	8,879,000	9,012,000	9,073,000	9,260,000	5,999,334	6,244,112	6,322,284	7,433,726	9,260,000	7,433,726	8,594,806
Accrued Expenses & Other Liabilities	1,885,000	1,711,000	2,008,000	2,799,000	2,308,482	2,434,392	2,460,138	2,688,047	2,799,000	2,688,047	3,074,213
Deferred Revenue	149,000	154,000	164,000	158,000	164,686	171,347	173,433	204,130	158,000	204,130	236,013
Short-Term Debt	411,000	410,000	408,000	6,000	6,000	6,000	256,000	854,000	6,000	854,000	6,000
Income Taxes Payable	70,000	70,000	87,000	107,000	262,717	268,972	274,403	366,209	107,000	366,209	425,053
<b>Total Current Liabilities</b>	<b>\$11,720,000</b>	<b>\$11,670,000</b>	<b>\$12,028,000</b>	<b>\$12,639,000</b>	<b>\$9,100,233</b>	<b>\$9,493,783</b>	<b>\$9,869,054</b>	<b>\$12,002,187</b>	<b>\$12,639,000</b>	<b>\$12,002,187</b>	<b>\$12,867,655</b>
Long-Term Debt	4,105,000	4,123,000	4,123,000	4,117,000	4,117,000	3,867,000	3,867,000	3,269,000	4,117,000	3,269,000	3,269,000
Deferred Tax Liabilities	832,000	889,000	914,000	841,000	841,000	841,000	841,000	841,000	841,000	841,000	841,000
Other Liabilities	231,000	217,000	235,000	244,000	174,258	183,222	184,355	200,363	244,000	200,363	229,147
<b>Total Liabilities</b>	<b>\$16,888,000</b>	<b>\$16,899,000</b>	<b>\$17,300,000</b>	<b>\$17,841,000</b>	<b>\$14,232,491</b>	<b>\$14,635,006</b>	<b>\$14,761,408</b>	<b>\$16,312,549</b>	<b>\$17,841,000</b>	<b>\$16,312,549</b>	<b>\$17,206,802</b>
Additional Paid-In Capital	12,242,000	12,505,000	12,699,000	12,700,000	12,719,652	12,746,467	12,774,417	12,811,332	12,700,000	12,811,332	12,959,328
Retained Earnings (Accumulated Deficit)	16,675,000	17,315,000	18,004,000	18,883,000	19,781,685	20,722,999	21,694,663	22,946,547	18,883,000	22,946,547	27,936,970
Treasury Stock	(8,529,000)	(8,995,000)	(9,141,000)	(9,141,000)	(9,141,000)	(9,141,000)	(9,141,000)	(9,141,000)	(9,141,000)	(9,141,000)	(9,141,000)
Accumulated Other Comprehensive Income	724,000	826,000	1,205,000	1,205,000	1,205,000	1,205,000	1,205,000	1,205,000	1,205,000	1,205,000	1,205,000
<b>Shareholders' Equity</b>	<b>\$21,112,000</b>	<b>\$21,651,000</b>	<b>\$22,767,000</b>	<b>\$23,647,000</b>	<b>\$24,565,337</b>	<b>\$25,533,466</b>	<b>\$26,533,080</b>	<b>\$27,821,879</b>	<b>\$23,647,000</b>	<b>\$27,821,879</b>	<b>\$32,960,298</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>\$38,000,000</b>	<b>\$38,550,000</b>	<b>\$40,067,000</b>	<b>\$41,488,000</b>	<b>\$38,797,827</b>	<b>\$40,168,471</b>	<b>\$41,294,488</b>	<b>\$44,134,428</b>	<b>\$41,488,000</b>	<b>\$44,134,428</b>	<b>\$50,167,100</b>

Source: Company data, Jefferies

## Exhibit 15: eBay - Cash Flow Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
Net Income	\$677,000	\$640,000	\$689,000	\$850,000	\$699,343	\$729,497	\$752,800	\$1,005,128	\$2,856,000	\$3,186,768	\$3,992,130
Depreciation	229,000	246,000	257,000	273,000	277,226	290,212	302,735	316,830	1,005,000	1,187,004	1,347,444
Amortization	100,000	101,000	100,000	94,000	87,000	79,000	71,000	63,000	395,000	300,000	120,000
Tax Benefit from Stock Options	0	0	0	0	8,871	7,674	7,179	5,944	0	29,669	38,886
Stock-Based Compensation	111,000	161,000	140,000	197,000	119,880	170,660	149,800	208,820	609,000	649,160	681,618
Earnings in Unconsolidated Equity Interests	0	0	0	0	(9,000)	(9,000)	(13,000)	(43,000)	0	(74,000)	(60,000)
Provision for Transaction & Loan Losses	175,000	193,000	185,000	238,000	199,342	211,817	218,863	246,757	791,000	876,779	998,293
Other Non-Cash Charges	0	0	0	0	0	0	0	0	0	0	0
<b>Funds From Operations</b>	<b>\$1,292,000</b>	<b>\$1,341,000</b>	<b>\$1,296,000</b>	<b>\$1,652,000</b>	<b>\$1,382,662</b>	<b>\$1,479,861</b>	<b>\$1,489,378</b>	<b>\$1,803,479</b>	<b>\$5,581,000</b>	<b>\$6,155,380</b>	<b>\$7,118,371</b>
(Inc.) Dec. in Accounts Receivable	0	0	0	0	31,997	(35,068)	(10,984)	(160,172)	0	(174,228)	(167,628)
(Inc.) Dec. in Funds Receivable	0	0	0	0	3,804,972	(333,453)	(104,439)	(1,523,021)	0	1,844,058	(1,593,918)
(Inc.) Dec. in Other Current Assets	0	0	0	0	556,106	(38,782)	(4,899)	(69,255)	0	443,170	(124,529)
(Inc.) Dec. in Other Long-Term Assets	0	0	0	0	(292,571)	(28,734)	(3,629)	(51,312)	0	(376,247)	(92,266)
Inc. (Dec.) in Accounts Payable	0	0	0	0	50,014	9,946	13,835	73,279	0	147,075	75,496
Inc. (Dec.) in Funds Payable	0	0	0	0	(3,260,666)	244,778	78,172	1,111,442	0	(1,826,274)	1,161,080
Inc. (Dec.) in Accrued and Other Liabilities	0	0	0	0	(560,259)	134,874	26,878	243,917	0	(154,590)	414,950
Inc. (Dec.) in Deferred Revenue	0	0	0	0	6,686	6,661	2,086	30,697	0	46,130	31,883
Inc. (Dec.) in Income Taxes Payable	0	0	0	0	155,717	6,255	5,431	91,806	0	259,209	58,844
<b>Change in Net Working Capital</b>	<b>(\$355,000)</b>	<b>(\$330,000)</b>	<b>\$38,000</b>	<b>\$61,000</b>	<b>\$491,994</b>	<b>(\$33,523)</b>	<b>\$2,452</b>	<b>(\$252,620)</b>	<b>(\$586,000)</b>	<b>\$208,302</b>	<b>(\$236,089)</b>
<b>Cash Flow from Operations</b>	<b>\$937,000</b>	<b>\$1,011,000</b>	<b>\$1,334,000</b>	<b>\$1,713,000</b>	<b>\$1,874,656</b>	<b>\$1,446,337</b>	<b>\$1,491,830</b>	<b>\$1,550,858</b>	<b>\$4,995,000</b>	<b>\$6,363,681</b>	<b>\$6,882,282</b>
Capital Expenditures	(299,000)	(353,000)	(317,000)	(281,000)	(347,788)	(370,681)	(370,727)	(429,411)	(1,250,000)	(1,518,606)	(1,713,318)
Acquisitions, Net of Cash Acquired	(8,000)	(7,000)	(70,000)	(784,000)	0	0	0	0	(869,000)	0	0
Purchases of Securities and Investments	(1,455,000)	(598,000)	(3,702,000)	(1,779,000)	0	0	0	0	(7,534,000)	0	0
Proceeds from Divested Business / Sales of PP&E	0	0	485,000	0	0	0	0	0	485,000	0	0
Proceeds from Sales of Securities and Investments	1,048,000	750,000	912,000	1,233,000	0	0	0	0	3,943,000	0	0
Other	(5,000)	(163,000)	(212,000)	(407,000)	0	0	0	0	(787,000)	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(\$719,000)</b>	<b>(\$371,000)</b>	<b>(\$2,904,000)</b>	<b>(\$2,018,000)</b>	<b>(\$347,788)</b>	<b>(\$370,681)</b>	<b>(\$370,727)</b>	<b>(\$429,411)</b>	<b>(\$6,012,000)</b>	<b>(\$1,518,606)</b>	<b>(\$1,713,318)</b>
Debt Issuance / (Repayment)	0	0	0	(400,000)	0	0	0	0	(400,000)	0	(848,000)
Proceeds from / (Repurchase of) Common Stock	(374,000)	(324,000)	(89,000)	(118,000)	(109,099)	(151,519)	(129,029)	(177,849)	(905,000)	(567,497)	(572,508)
Excess Tax Benefit from Stock Options	116,000	45,000	19,000	21,000	0	0	0	0	201,000	0	0
Other	(153,000)	(73,000)	(21,000)	(3,000)	0	0	0	0	(250,000)	0	0
<b>Net Cash Provided by Financing Activities</b>	<b>(\$411,000)</b>	<b>(\$352,000)</b>	<b>(\$91,000)</b>	<b>(\$500,000)</b>	<b>(\$109,099)</b>	<b>(\$151,519)</b>	<b>(\$129,029)</b>	<b>(\$177,849)</b>	<b>(\$1,354,000)</b>	<b>(\$567,497)</b>	<b>(\$1,420,508)</b>
Effect of Exchange Rate Changes	(94,000)	37,000	86,000	19,000	0	0	0	0	48,000	0	0
<b>Inc. (Dec.) in Cash and Cash Equivalents</b>	<b>(\$287,000)</b>	<b>\$325,000</b>	<b>(\$1,575,000)</b>	<b>(\$786,000)</b>	<b>\$1,417,769</b>	<b>\$924,138</b>	<b>\$992,074</b>	<b>\$943,598</b>	<b>(\$2,323,000)</b>	<b>\$4,277,578</b>	<b>\$3,748,456</b>
Beginning Cash and Cash Equivalents	6,817,000	6,530,000	6,855,000	5,280,000	4,494,000	5,911,769	6,835,906	7,827,980	6,817,000	4,494,000	8,771,578
<b>Ending Cash and Cash Equivalents</b>	<b>\$6,530,000</b>	<b>\$6,855,000</b>	<b>\$5,280,000</b>	<b>\$4,494,000</b>	<b>\$5,911,769</b>	<b>\$6,835,906</b>	<b>\$7,827,980</b>	<b>\$8,771,578</b>	<b>\$4,494,000</b>	<b>\$8,771,578</b>	<b>\$12,520,034</b>

Source: Company data, Jefferies

**Exhibit 16: eBay - DCF Analysis (\$MM)**

	2013A	2014				2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
		Q1 14E	Q2 14E	Q3 14E	Q4 14E									
Revenue	\$16,047	\$4,241	\$4,413	\$4,467	\$5,250	\$21,240	\$24,316	\$27,555	\$30,823	\$34,107	\$37,221	\$39,779	\$41,962	\$44,070
% Y/Y Growth	14%	13%	14%	15%	16%	16%	14%	13%	12%	11%	9%	7%	5%	5%
EBITDA	\$5,404	\$1,414	\$1,468	\$1,470	\$1,834	\$7,171	\$8,228	\$9,491	\$10,870	\$12,357	\$13,876	\$15,221	\$16,450	\$17,660
% Margin	34%	33%	33%	33%	35%	34%	34%	34%	35%	36%	37%	38%	39%	40%
% Y/Y Growth	18	13	16	13	15	16	15	15	15	14	12	10	8	7
Implied Taxes on Operations	(\$1,051)	(\$319)	(\$318)	(\$317)	(\$388)	(\$1,548)	(\$1,845)	(\$2,128)	(\$2,435)	(\$2,767)	(\$3,103)	(\$3,395)	(\$3,660)	(\$3,923)
% Effective Tax Rate	19%	23%	22%	22%	21%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Capital Expenditures	(\$1,250)	(\$348)	(\$371)	(\$371)	(\$429)	(\$1,713)	(\$1,913)	(\$2,112)	(\$2,301)	(\$2,478)	(\$2,630)	(\$2,731)	(\$2,797)	(\$2,850)
% Y/Y Growth	(7%)	16%	5%	17%	53%	13%	12%	10%	9%	8%	6%	4%	2%	2%
Change in Net Working Capital	(\$586)	\$492	(\$34)	\$2	(\$253)	(\$236)	(\$242)	(\$280)	(\$289)	(\$298)	(\$292)	(\$247)	(\$217)	(\$213)
Tax Benefit from NOL Carryforwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions Not Yet Reflected on Balan	--	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Unlevered Free Cash Flow</b>	<b>\$2,517</b>	<b>\$1,240</b>	<b>\$746</b>	<b>\$785</b>	<b>\$764</b>	<b>\$3,674</b>	<b>\$4,228</b>	<b>\$4,971</b>	<b>\$5,845</b>	<b>\$6,815</b>	<b>\$7,852</b>	<b>\$8,848</b>	<b>\$9,775</b>	<b>\$10,675</b>
NPV at 12/31/13 Valuation Date and 12.0% WACC	\$1,206	\$705	\$721	\$682	\$3,100	\$3,184	\$3,342	\$3,509	\$3,653	\$3,757	\$3,780	\$3,728	\$3,635	
<b>Perpetuity Growth Rate / Terminal Value at 12.0% WACC</b>														
	3.0%	3.5%	4.0%	4.5%	5.0%									
	\$128,642	\$136,870	\$146,127	\$156,618	\$168,608									
<b>Implied Terminal Value / Terminal EBITDA Multiple</b>														
	7.3x	7.8x	8.3x	8.9x	9.5x									
	\$128,642	\$136,870	\$146,127	\$156,618	\$168,608									
<b>Median DCF Valuation at 12/31/13 Valuation Date</b>														
NPV of Cash Flows and Terminal Value					\$79,416									
Plus: Cash and Equivalents					9,873									
<b>Implied Equity Value</b>					<b>\$89,289</b>									
Implied Fully Diluted Shares Outstanding (MM)					1,354									
<b>Implied Equity Value per Share</b>					<b>\$66</b>									
<b>WACC Equity Value per Share</b>														
10%	\$70	\$73	\$75	\$78	\$81									
11%	66	68	70	73	76									
12%	62	64	66	68	71									
13%	58	60	62	64	66									
14%	55	57	58	60	62									

Source: Jefferies

## GOOG Model

## Exhibit 17: Google Income Statement (\$ 000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
<b>Reported Gross Revenue (incl. TAC)</b>	<b>\$13,969,000</b>	<b>\$14,105,000</b>	<b>\$14,893,000</b>	<b>\$16,858,000</b>	<b>\$16,688,541</b>	<b>\$17,094,992</b>	<b>\$17,840,937</b>	<b>\$20,302,611</b>	<b>\$59,825,000</b>	<b>\$71,927,081</b>	<b>\$80,514,907</b>
% Y/Y Growth	31%	15%	6%	17%	19%	21%	20%	20%	16%	20%	12%
% Q/Q Growth	(3)	1	6	13	(1)	2	4	14	--	--	--
Cost of Revenue	5,840,000	5,948,000	6,276,000	7,307,000	6,659,273	6,745,501	7,026,739	7,956,545	24,284,840	28,388,058	30,711,664
Traffic Acquisition Costs (TAC)	2,960,000	3,010,000	2,970,000	3,310,000	3,341,422	3,345,858	3,346,039	3,999,562	12,250,000	14,032,880	15,150,108
% of Advertising Gross Revenue	24.9%	25.0%	23.7%	23.5%	24.1%	23.8%	23.1%	24.2%	24.2%	23.8%	23.0%
<b>Net Revenue (excl. TAC)</b>	<b>\$11,009,000</b>	<b>\$11,095,000</b>	<b>\$11,923,000</b>	<b>\$13,548,000</b>	<b>\$13,332,118</b>	<b>\$13,734,132</b>	<b>\$14,479,896</b>	<b>\$16,288,045</b>	<b>\$47,575,000</b>	<b>\$57,834,191</b>	<b>\$65,364,798</b>
% Y/Y Growth	33%	13%	5%	19%	21%	24%	21%	20%	18%	22%	13%
% Q/Q Growth	(3)	1	7	14	(2)	3	5	12	--	--	--
<b>Consensus</b>	--	--	--	--	(0)	-	-	-	<b>47,575</b>	--	--
Additional Cost of Net Revenue	2,880,000	2,938,000	3,282,000	3,997,000	4,160,646	4,392,438	4,823,497	5,249,780	13,097,000	18,626,361	19,860,595
<b>Total Gross Profit</b>	<b>\$8,129,000</b>	<b>\$8,157,000</b>	<b>\$8,641,000</b>	<b>\$9,551,000</b>	<b>\$9,171,472</b>	<b>\$9,341,694</b>	<b>\$9,656,399</b>	<b>\$11,038,266</b>	<b>\$34,478,000</b>	<b>\$39,207,830</b>	<b>\$45,504,203</b>
% Margin	73.8%	73.5%	72.5%	70.5%	68.8%	68.0%	66.7%	67.8%	72.5%	67.8%	69.6%
Research and Development	1,476,000	1,566,000	1,564,000	1,629,000	1,504,000	1,439,000	1,389,000	1,424,000	6,235,000	5,756,000	6,556,000
Sales and Marketing	1,461,000	1,601,000	1,646,000	1,967,000	1,502,658	1,638,471	1,564,589	2,079,779	6,675,000	6,785,498	7,815,041
General and Administrative	1,018,000	1,084,000	1,077,000	1,131,000	1,056,000	981,000	931,000	956,000	4,310,000	3,924,000	4,224,000
Total Stock Compensation Expense	697,000	783,000	886,000	902,000	940,950	955,260	1,080,920	1,100,440	3,268,000	4,077,570	4,240,673
<b>Adjusted Operating Income (excl. st)</b>	<b>\$4,174,000</b>	<b>\$3,906,000</b>	<b>\$4,354,000</b>	<b>\$4,824,000</b>	<b>\$5,108,814</b>	<b>\$5,283,222</b>	<b>\$5,771,810</b>	<b>\$6,578,486</b>	<b>\$17,258,000</b>	<b>\$22,742,333</b>	<b>\$26,909,162</b>
% Margin	38%	35%	37%	36%	38%	38%	40%	40%	36%	39%	41%
% Y/Y Growth	6	1	24	18	22	35	33	36	12	32	18
% Q/Q Growth	2	(6)	11	11	6	3	9	14	--	--	--
% Margin	32%	28%	29%	29%	31%	32%	32%	34%	29%	32%	35%
<b>EBITDA</b>	<b>\$5,073,000</b>	<b>\$4,936,000</b>	<b>\$5,328,000</b>	<b>\$5,860,000</b>	<b>\$6,209,460</b>	<b>\$6,415,660</b>	<b>\$7,135,307</b>	<b>\$8,168,266</b>	<b>\$21,197,000</b>	<b>\$27,928,693</b>	<b>\$32,551,902</b>
% Margin	46%	44%	45%	43%	47%	47%	49%	50%	45%	48%	50%
% Y/Y Growth	14	9	23	16	22	30	34	39	16	32	17
% Q/Q Growth	7	(3)	8	10	6	3	11	14	--	--	--
Net Interest (Income) and Other (Income)	(156,000)	(921,000)	(39,000)	(120,000)	(74,934)	(78,751)	(83,359)	(88,248)	(1,236,000)	(325,292)	(407,069)
<b>Adjusted Pre-Tax Profit / (Loss)</b>	<b>\$4,330,000</b>	<b>\$4,827,000</b>	<b>\$4,393,000</b>	<b>\$4,944,000</b>	<b>\$5,183,748</b>	<b>\$5,361,973</b>	<b>\$5,855,169</b>	<b>\$6,666,734</b>	<b>\$18,494,000</b>	<b>\$23,067,625</b>	<b>\$27,316,231</b>
% Effective Tax Rate	10.0%	33.2%	17.1%	17.2%	16.4%	16.4%	16.4%	16.5%	20%	18%	19%
Provision / (Benefit) for Income Taxes	287,000	816,000	513,000	666,000	790,625	817,808	893,030	1,023,010	2,282,000	3,524,474	5,053,503
Tax Adjustments for Non-GAAP Items	144,000	788,000	237,000	182,000	154,316	156,663	177,271	181,573	1,351,000	669,822	784,524
Minority Interest	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Net Income / (Loss)</b>	<b>\$3,899,000</b>	<b>\$3,223,000</b>	<b>\$3,643,000</b>	<b>\$4,096,000</b>	<b>\$4,238,807</b>	<b>\$4,387,502</b>	<b>\$4,784,868</b>	<b>\$5,462,151</b>	<b>\$14,861,000</b>	<b>\$18,873,328</b>	<b>\$21,478,204</b>
% Margin	33%	29%	31%	30%	32%	32%	33%	34%	31%	33%	33%
% Y/Y Growth	17	(4)	21	15	9	36	31	33	12	27	14
% Q/Q Growth	9	(17)	13	12	3	4	9	14	--	--	--
Stock-Based Compensation	697,000	783,000	886,000	902,000	940,950	955,260	1,080,920	1,100,440	3,268,000	4,077,570	4,240,673
Tax Effect of Non-GAAP Entries	(144,000)	(788,000)	(237,000)	(182,000)	(154,316)	(156,663)	(177,271)	(181,573)	(1,351,000)	(669,822)	(784,524)
<b>Reported GAAP Net Income / (Loss)</b>	<b>\$3,346,000</b>	<b>\$3,228,000</b>	<b>\$2,970,000</b>	<b>\$3,376,000</b>	<b>\$3,452,173</b>	<b>\$3,588,905</b>	<b>\$3,881,219</b>	<b>\$4,543,284</b>	<b>\$12,920,000</b>	<b>\$15,465,580</b>	<b>\$18,022,056</b>
% Margin	30%	29%	25%	25%	26%	26%	27%	28%	27%	27%	28%
% Y/Y Growth	16	16	36	17	3	11	31	35	20	20	17
% Q/Q Growth	16	(4)	(8)	14	2	4	8	17	--	--	--
Weighted Avg. Diluted Shares Outstanding	336,663	338,337	339,235	341,003	342,456	344,621	346,105	348,024	341,534	345,302	348,750
<b>Operating EPS</b>	<b>\$11.58</b>	<b>\$9.53</b>	<b>\$10.74</b>	<b>\$12.01</b>	<b>\$12.38</b>	<b>\$12.73</b>	<b>\$13.82</b>	<b>\$15.69</b>	<b>\$43.51</b>	<b>\$54.66</b>	<b>\$61.59</b>
% Y/Y Growth	15%	(6%)	19%	13%	7%	34%	29%	31%	9%	26%	13%
% Q/Q Growth	9	(18)	13	12	3	3	9	14	--	--	--
<b>Reported GAAP EPS</b>	<b>\$9.94</b>	<b>\$9.54</b>	<b>\$8.75</b>	<b>\$9.90</b>	<b>\$10.08</b>	<b>\$10.41</b>	<b>\$11.21</b>	<b>\$13.05</b>	<b>\$37.83</b>	<b>\$44.79</b>	<b>\$51.68</b>
% Y/Y Growth	14%	13%	34%	15%	1%	9%	28%	32%	17%	18%	15%
% Q/Q Growth	15	(4)	(8)	13	2	3	8	16	--	--	--

Source: Company, Jefferies

## Exhibit 18: Google Balance Sheet (\$ 000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
Cash & Cash Equivalents	\$15,375,000	\$16,164,000	\$15,242,000	\$18,898,000	\$21,360,573	\$25,005,638	\$28,734,849	\$32,830,971	\$18,898,000	\$32,830,971	\$50,358,734
Short-Term Marketable Securities	34,723,000	38,268,000	41,281,000	39,819,000	39,819,000	39,819,000	39,819,000	39,819,000	39,819,000	39,819,000	39,819,000
Accounts Receivable	7,612,000	8,091,000	7,921,000	8,882,000	8,792,717	9,006,864	9,399,882	10,696,867	8,882,000	10,696,867	11,974,033
Current Deferred Taxes	1,017,000	1,148,000	1,154,000	1,526,000	1,597,926	1,650,721	1,800,212	2,047,067	1,526,000	2,047,067	2,410,439
Other Current Assets	4,081,000	3,190,000	3,260,000	3,761,000	3,208,045	3,180,389	3,020,820	3,441,353	3,761,000	3,441,353	3,802,759
<b>Current Assets</b>	<b>\$62,808,000</b>	<b>\$66,861,000</b>	<b>\$68,858,000</b>	<b>\$72,886,000</b>	<b>\$74,778,262</b>	<b>\$78,662,612</b>	<b>\$82,774,763</b>	<b>\$88,835,258</b>	<b>\$72,886,000</b>	<b>\$88,835,258</b>	<b>\$108,364,965</b>
Property and Equipment	12,300,000	12,912,000	14,867,000	16,524,000	16,971,551	17,415,763	17,681,132	17,892,535	16,524,000	17,892,535	18,885,839
Long-Term Equity and Other Investments	1,470,000	1,564,000	1,843,000	1,976,000	1,976,000	1,976,000	1,976,000	1,976,000	1,976,000	1,976,000	1,976,000
Goodwill	10,595,000	11,396,000	11,426,000	11,492,000	11,492,000	11,492,000	11,492,000	11,492,000	11,492,000	11,492,000	11,492,000
Other Intangibles	7,324,000	6,558,000	6,290,000	6,066,000	5,686,000	5,306,000	4,926,000	4,546,000	6,066,000	4,546,000	3,546,000
Long-Term Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0
Prepaid Revenue Share, Expenses and Other As	2,195,000	1,891,000	1,784,000	1,976,000	1,994,758	1,997,407	1,997,514	2,387,654	1,976,000	2,387,654	2,555,022
<b>Total Assets</b>	<b>\$96,692,000</b>	<b>\$101,182,000</b>	<b>\$105,068,000</b>	<b>\$110,920,000</b>	<b>\$112,898,572</b>	<b>\$116,849,781</b>	<b>\$120,847,409</b>	<b>\$127,129,447</b>	<b>\$110,920,000</b>	<b>\$127,129,447</b>	<b>\$146,819,825</b>
Accounts Payable	\$2,094,000	\$1,758,000	\$2,124,000	\$2,453,000	\$2,244,633	\$2,269,100	\$2,366,100	\$2,677,835	2,453,000	2,677,835	\$2,999,595
Accrued Compensation & Benefits	1,445,000	1,803,000	1,999,000	2,502,000	2,150,364	2,148,148	2,056,112	2,360,560	2,502,000	2,360,560	2,656,563
Accrued Expenses & Other Liabilities	3,007,000	3,300,000	3,071,000	3,755,000	3,068,778	3,144,778	2,972,157	3,433,991	3,755,000	3,433,991	3,966,482
Accrued Revenue Share	1,437,000	1,458,000	1,472,000	1,729,000	1,737,390	1,680,544	1,737,390	2,058,660	1,729,000	2,058,660	2,344,713
Deferred Revenue	882,000	799,000	907,000	1,062,000	839,881	865,206	912,187	1,026,095	1,062,000	1,026,095	1,063,208
Current Income Taxes	0	0	0	0	0	0	0	0	0	0	0
Short-Term Debt & Capital Lease Obligations	4,387,000	6,211,000	4,902,000	4,407,000	4,407,000	4,407,000	4,407,000	4,407,000	4,407,000	4,406,999	4,407,000
<b>Total Current Liabilities</b>	<b>\$13,252,000</b>	<b>\$15,329,000</b>	<b>\$14,475,000</b>	<b>\$15,908,000</b>	<b>\$14,391,200</b>	<b>\$14,571,622</b>	<b>\$14,518,452</b>	<b>\$15,964,141</b>	<b>\$15,908,000</b>	<b>\$15,964,141</b>	<b>\$17,437,562</b>
Long-Term Debt & Capital Lease Obligations	2,989,000	1,989,000	2,238,000	2,236,000	2,236,000	2,236,000	2,236,000	2,236,000	2,236,000	2,236,000	2,236,000
Long-Term Deferred Revenue	79,000	132,000	125,000	139,000	109,928	113,243	119,392	134,301	139,000	134,301	252,777
Deferred Income Taxes	4,162,000	4,176,000	4,531,000	4,585,000	4,585,000	4,585,000	4,585,000	4,585,000	4,585,000	4,585,000	4,585,000
Other Long-Term Liabilities	737,000	704,000	710,000	743,000	638,577	637,919	610,588	700,998	743,000	700,998	796,995
<b>Total Liabilities</b>	<b>\$21,219,000</b>	<b>\$22,330,000</b>	<b>\$22,079,000</b>	<b>\$23,611,000</b>	<b>\$21,960,705</b>	<b>\$22,143,784</b>	<b>\$22,069,432</b>	<b>\$23,620,439</b>	<b>\$23,611,000</b>	<b>\$23,661,214</b>	<b>\$25,329,537</b>
Additional Paid-In Capital	23,429,000	24,334,000	25,004,000	25,923,000	26,098,694	26,277,920	26,468,681	26,656,428	25,923,000	26,656,428	26,615,652
Retained Earnings (Accumulated Deficit)	51,888,000	54,916,000	57,886,000	61,262,000	64,714,173	68,303,078	72,184,296	76,727,580	61,262,000	76,727,580	94,749,636
Treasury Stock	0	0	0	0	0	0	0	0	0	0	0
Accumulated Other Comprehensive Income	356,000	(398,000)	99,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
<b>Shareholders' Equity</b>	<b>\$75,473,000</b>	<b>\$78,852,000</b>	<b>\$82,989,000</b>	<b>\$87,309,000</b>	<b>\$90,937,867</b>	<b>\$94,705,998</b>	<b>\$98,777,978</b>	<b>\$103,509,008</b>	<b>\$87,309,000</b>	<b>\$103,509,008</b>	<b>\$121,490,288</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>\$96,692,000</b>	<b>\$101,182,000</b>	<b>\$105,068,000</b>	<b>\$110,920,000</b>	<b>\$112,898,572</b>	<b>\$116,849,781</b>	<b>\$120,847,409</b>	<b>\$127,129,447</b>	<b>\$110,920,000</b>	<b>\$127,129,447</b>	<b>\$146,819,825</b>

Source: Company, Jefferies

## Exhibit 19: Google Cash Flow Statement (\$ 000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14E	Q2 14E	Q3 14E	Q4 14E			
Net Income	\$3,346,000	\$3,228,000	\$2,970,000	\$3,376,000	\$3,452,173	\$3,588,905	\$3,881,219	\$4,543,284	\$12,920,000	\$15,465,580	\$18,022,056
Depreciation	584,000	747,000	693,000	757,000	720,646	752,438	983,497	1,209,780	2,781,000	3,666,361	4,642,739
Amortization of Intangibles and Warrant	315,000	283,000	281,000	279,000	380,000	380,000	380,000	380,000	1,158,000	1,520,000	1,000,000
In-process research and development	0	0	0	0	0	0	0	0	0	0	0
Tax Benefit from Stock Options	(94,000)	(104,000)	(104,000)	(179,000)	0	0	0	0	(481,000)	0	0
Stock-Based Compensation	708,000	847,000	886,000	902,000	940,950	955,260	1,080,920	1,100,440	3,343,000	4,077,570	4,240,673
Deferred Taxes	202,000	63,000	(140,000)	(562,000)	0	0	0	0	(437,000)	0	0
Other / Charges	37,000	(781,000)	83,000	67,000	0	0	0	0	(594,000)	0	0
<b>Funds From Operations</b>	<b>\$5,098,000</b>	<b>\$4,283,000</b>	<b>\$4,669,000</b>	<b>\$4,640,000</b>	<b>\$5,493,769</b>	<b>\$5,676,603</b>	<b>\$6,325,635</b>	<b>\$7,233,504</b>	<b>\$18,690,000</b>	<b>\$24,729,511</b>	<b>\$27,905,468</b>
(Inc.) Dec. in Accounts Receivable	256,000	(194,000)	(516,000)	(853,000)	89,283	(214,148)	(393,017)	(1,296,986)	(1,307,000)	(1,814,867)	(1,277,166)
(Inc.) Dec. in Income Taxes	(335,000)	179,000	77,000	480,000	(71,926)	(52,794)	(149,492)	(246,855)	401,000	(521,067)	(363,372)
(Inc.) Dec. in Prepaid Revenue and Othe	(354,000)	(152,000)	311,000	(735,000)	534,196	25,008	159,462	(810,673)	(930,000)	(92,007)	(528,773)
Inc. (Dec.) in Accounts Payable	87,000	(159,000)	357,000	320,000	(208,367)	24,467	97,000	311,736	605,000	224,835	321,760
Inc. (Dec.) in Accrued Expenses and Oth	(1,059,000)	696,000	93,000	983,000	(1,142,281)	73,125	(291,988)	856,692	713,000	(504,451)	904,918
Inc. (Dec.) in Accrued Revenue	(27,000)	35,000	0	246,000	(48,456)	56,846	67,506	253,763	254,000	329,660	286,054
Inc. (Dec.) in Deferred Revenue	(33,000)	17,000	92,000	157,000	(251,191)	28,640	53,130	128,816	233,000	(40,605)	155,590
<b>Change in Net Working Capital</b>	<b>(\$1,465,000)</b>	<b>\$422,000</b>	<b>\$414,000</b>	<b>\$598,000</b>	<b>(\$1,098,742)</b>	<b>(\$58,855)</b>	<b>(\$457,399)</b>	<b>(\$803,506)</b>	<b>(\$31,000)</b>	<b>(\$2,418,502)</b>	<b>(\$500,989)</b>
<b>Cash Flow from Operations</b>	<b>\$3,633,000</b>	<b>\$4,705,000</b>	<b>\$5,083,000</b>	<b>\$5,238,000</b>	<b>\$4,395,027</b>	<b>\$5,617,748</b>	<b>\$5,868,236</b>	<b>\$6,429,998</b>	<b>\$18,659,000</b>	<b>\$22,311,009</b>	<b>\$27,404,479</b>
Capital Expenditures	(1,203,000)	(1,611,000)	(2,289,000)	(2,255,000)	(1,168,198)	(1,196,649)	(1,248,866)	(1,421,183)	(7,358,000)	(5,034,896)	(5,636,043)
Acquisitions, Net of Cash Acquired	(251,000)	(1,012,000)	(27,000)	(120,000)	0	0	0	0	(1,410,000)	0	0
Purchases of Securities and Investments	(7,870,000)	(15,084,000)	(8,964,000)	(13,698,000)	0	0	0	0	(45,616,000)	0	0
Proceeds from Sales of Securities and Inv	6,319,000	10,687,000	6,235,000	15,073,000	0	0	0	0	38,314,000	0	0
Other	564,000	3,217,000	(773,000)	(617,000)	0	0	0	0	2,391,000	0	0
<b>Net Cash Used in Investing Activities</b>	<b>(\$2,441,000)</b>	<b>(\$3,803,000)</b>	<b>(\$5,818,000)</b>	<b>(\$1,617,000)</b>	<b>(\$1,168,198)</b>	<b>(\$1,196,649)</b>	<b>(\$1,248,866)</b>	<b>(\$1,421,183)</b>	<b>(\$13,679,000)</b>	<b>(\$5,034,896)</b>	<b>(\$5,636,043)</b>
Debt Issuance / (Repayment)	(401,000)	(58,000)	(2,000)	(3,000)	0	0	0	0	(464,000)	0	0
Proceeds from / (Repurchase of) Commo	(210,000)	(151,000)	(369,000)	(144,000)	(752,760)	(764,208)	(864,736)	(880,352)	(874,000)	(3,262,056)	(4,240,673)
Excess Tax Benefit from Stock Options	94,000	104,000	104,000	179,000	(11,496)	(11,826)	(25,423)	(32,342)	481,000	(81,086)	0
<b>Net Cash Provided by Financing Activ</b>	<b>(\$517,000)</b>	<b>(\$105,000)</b>	<b>(\$267,000)</b>	<b>\$32,000</b>	<b>(\$764,256)</b>	<b>(\$776,034)</b>	<b>(\$890,159)</b>	<b>(\$912,694)</b>	<b>(\$857,000)</b>	<b>(\$3,343,142)</b>	<b>(\$4,240,673)</b>
Effect of Exchange Rate Changes	(78,000)	(8,000)	80,000	3,000	0	0	0	0	(3,000)	0	0
<b>Inc. (Dec.) in Cash and Cash Equivale</b>	<b>\$597,000</b>	<b>\$789,000</b>	<b>(\$922,000)</b>	<b>\$3,656,000</b>	<b>\$2,462,573</b>	<b>\$3,645,065</b>	<b>\$3,729,212</b>	<b>\$4,096,121</b>	<b>\$4,120,000</b>	<b>\$13,932,971</b>	<b>\$17,527,763</b>
Beginning Cash and Cash Equivalents	14,778,000	15,375,000	16,164,000	15,242,000	18,898,000	21,360,573	25,005,638	28,734,849	14,778,000	18,898,000	32,830,971
<b>Ending Cash and Cash Equivalents</b>	<b>\$15,375,000</b>	<b>\$16,164,000</b>	<b>\$15,242,000</b>	<b>\$18,898,000</b>	<b>\$21,360,573</b>	<b>\$25,005,638</b>	<b>\$28,734,849</b>	<b>\$32,830,971</b>	<b>\$18,898,000</b>	<b>\$32,830,971</b>	<b>\$50,358,734</b>

Source: Company, Jefferies

## Exhibit 20: Google DCF (\$MM)

	2013A	2014				2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
		Q1 14E	Q2 14E	Q3 14E	Q4 14E									
Revenue	\$47,575	\$13,332	\$13,734	\$14,480	\$16,288	\$65,365	\$73,281	\$81,080	\$86,902	\$92,109	\$97,304	\$101,998	\$106,901	\$112,042
% Y/Y Growth	18%	21%	24%	21%	20%	13%	12%	11%	7%	6%	6%	5%	5%	5%
EBITDA	\$21,197	\$6,209	\$6,416	\$7,135	\$8,168	\$32,552	\$38,083	\$43,579	\$47,313	\$50,485	\$53,901	\$56,873	\$60,022	\$63,372
% Margin	45%	47%	47%	49%	50%	50%	52%	54%	54%	55%	55%	56%	56%	57%
% Y/Y Growth	16	22	30	34	39	17	17	14	9	7	7	6	6	6
Implied Taxes on Operations	(\$4,164)	(\$1,025)	(\$1,059)	(\$1,177)	(\$1,348)	(\$6,022)	(\$7,617)	(\$8,716)	(\$9,463)	(\$10,097)	(\$10,780)	(\$11,375)	(\$12,004)	(\$12,674)
% Effective Tax Rate	20%	17%	17%	17%	17%	19%	20%	20%	20%	20%	20%	20%	20%	20%
Capital Expenditures	(\$7,358)	(\$1,168)	(\$1,197)	(\$1,249)	(\$1,421)	(\$5,636)	(\$6,267)	(\$6,896)	(\$7,380)	(\$7,813)	(\$8,239)	(\$8,633)	(\$9,045)	(\$9,477)
% Y/Y Growth	125%	(3%)	(26%)	(45%)	(37%)	12%	11%	10%	7%	6%	5%	5%	5%	5%
Change in Net Working Capital	(\$31)	(\$1,099)	(\$59)	(\$457)	(\$804)	(\$501)	(\$507)	(\$451)	(\$58)	\$95	\$92	\$200	\$217	\$237
Tax Benefit from NOL Carryforwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions Not Reflected on Balance Shee	--	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Unlevered Free Cash Flow</b>	<b>\$9,644</b>	<b>\$2,918</b>	<b>\$4,102</b>	<b>\$4,252</b>	<b>\$4,596</b>	<b>\$20,393</b>	<b>\$23,693</b>	<b>\$27,516</b>	<b>\$30,412</b>	<b>\$32,671</b>	<b>\$34,974</b>	<b>\$37,065</b>	<b>\$39,189</b>	<b>\$41,458</b>
NPV at 12/31/13 Valuation Date and 10.7% WACC	\$2,846	\$3,901	\$3,942	\$4,153	\$17,519	\$18,388	\$19,299	\$19,276	\$18,713	\$18,098	\$17,333	\$16,561	\$15,833	
<b>Perpetuity Growth Rate / Terminal Value at 10.7% WACC</b>					<b>Implied Terminal Value / Terminal EBITDA Multiple</b>									
	2.0%	2.5%	3.0%	3.5%	4.0%		8.3x	8.8x	9.4x	10.2x	11.0x			
	\$524,420	\$559,291	\$598,717	\$643,652	\$695,335		\$524,420	\$559,291	\$598,717	\$643,652	\$695,335			
<b>Median DCF Valuation at 12/31/13 Valuation Date</b>					<b>WACC</b>					<b>Equity Value per Share</b>				
NPV of Cash Flows and Terminal Value					9%					\$1,387				
Plus: Net Cash					10%					1,302				
<b>Implied Equity Value</b>					11%					1,225				
Implied Fully Diluted Shares Outstanding (MM)					12%					1,154				
<b>Implied Equity Value per Share</b>					13%					1,090				
										1,430				
										1,478				
										1,533				
										1,597				
										1,492				
										1,398				
										1,312				
										1,233				

Source: Company, Jefferies

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- Activision Blizzard, Inc. (ATVI: \$19.74, BUY)
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- AOL, Inc. (AOL: \$42.39, BUY)
- Blucora Inc. (BCOR: \$18.77, HOLD)
- CafePress, Inc. (PRSS: \$6.00, HOLD)
- CapitalSource Inc. (CSE: \$15.50, BUY)
- Chegg Inc. (CHGG: \$6.54, BUY)
- Conversant (CNVR: \$26.17, BUY)
- Criteo S.A. (CRTO: \$37.26, Restricted)
- Demand Media, Inc. (DMD: \$4.68, HOLD)
- EarthLink, Inc. (ELNK: \$3.46, UNDERPERFORM)
- eBay, Inc. (EBAY: \$54.80, BUY)
- Electronic Arts Inc. (EA: \$28.73, HOLD)
- Endurance International Group (EIG: \$13.16, BUY)
- Expedia, Inc (EXPE: \$70.02, HOLD)
- Facebook, Inc. (FB: \$58.19, BUY)
- Google, Inc. (GOOG: \$554.90, BUY)
- Groupon (GRPN: \$7.37, HOLD)
- IAC / InterActiveCorp (IACI: \$69.35, HOLD)
- LinkedIn Corporation (LNKD: \$169.10, BUY)
- Netflix, Inc. (NFLX: \$348.89, UNDERPERFORM)
- Orbitz Worldwide, Inc. (OWW: \$7.98, HOLD)
- Priceline.com, Inc. (PCLN: \$1,187.54, BUY)
- RetailMeNot Inc. (SALE: \$34.41, BUY)
- SFX Entertainment, Inc. (SFEX: \$7.37, BUY)
- Shutterfly, Inc (SFLY: \$41.81, HOLD)
- Shutterstock (SSTK: \$71.15, BUY)
- Take-Two Interactive Software, Inc. (TTWO: \$21.17, HOLD)
- TiVo Inc. (TIVO: \$12.37, BUY)
- Tremor Video, Inc. (TRMR: \$4.07, HOLD)
- TripAdvisor (TRIP: \$86.07, HOLD)
- Vistaprint N.V. (VPRT: \$50.72, HOLD)
- Yahoo!, Inc. (YHOO: \$33.83, Restricted)
- Yelp, Inc. (YELP: \$67.25, BUY)
- Zynga, Inc. (ZNGA: \$4.30, HOLD)

## Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	893	49.20%	231	25.87%
HOLD	772	42.53%	134	17.36%
UNDERPERFORM	150	8.26%	5	3.33%

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