

Internet

Amazon / eBay / Google: September Same-Store-Sales Update

Key Takeaway

ChannelAdvisor's September same store sales (SSS) report showed solid growth from Amazon and Google (another strong month for PLAs) and a rebound in eBay growth (albeit still below overall eCommerce). We continue to favor GOOG and AMZN as top large cap plays in the eCommerce space along with small cap SALE.

Google's PLAs keep gaining traction: Since 2H12, 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 in 18 out of 25 total months 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. And as mobile continues to grow faster than desktop, starting to create headwinds for conversion rates, increasing average order value is offsetting the impact. Conversion rates have improved Y/Y in 4 of the last 6 months (by +7.0% on average) with AOV up +34% Y/Y in September and +25% Y/Y in August. Our latest proprietary PLA study (see a summary on pages 2-3 of this note) shows increasing adoption of PLAs by advertisers and stable penetration levels. According to ChannelAdvisor, Google Shopping / PLAs SSS were up +45% Y/Y in September, +54% Y/Y in August, and +41% Y/Y in July. After some deceleration in SSS (as the program matured), we are seeing some reacceleration in 2Q and 3Q14. Solid PLAs SSS growth remains a key tailwind for Google and bodes well for 3Q14 results.

Amazon market share gains continue: According to ChannelAdvisor, SSS for third-party sellers on the Amazon platform were up +38% Y/Y in September, +45% Y/Y in August, and +40% Y/Y in July. This compares to n/a, +12% Y/Y, and +14% 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 2-3x faster than overall eCommerce and 6-8x faster than overall retail. SSS for the 12 US chains reporting monthly results are expected to grow +5.1% Y/Y in September, up from +4.5% Y/Y in August and +4.7% Y/Y in July (excluding drugstores, SSS are expected to grow +4.1% Y/Y in September, down from +5.0% Y/Y in August and +4.4% Y/Y in July) as consumer confidence improved and cool weather drove some incremental demand for fall merchandise. Longer term we expect Amazon unit growth to reaccelerate on various initiatives including same-day delivery, digital content, and optimized fulfillment.

eBay Marketplaces growth bounces back: According to ChannelAdvisor, SSS growth for eBay merchants was +9% Y/Y in September, up from +6% Y/Y in August and slightly below the +10% Y/Y in July. This compares to n/a, +12% Y/Y, and +14% Y/Y, respectively, for US eCommerce growth (excluding Travel), per comScore. Sales growth in eBay's Fixed-Price format also rebounded but not that meaningfully (+8% Y/Y in September, +7% Y/Y in August, +13% Y/Y in July) and remained below overall eCommerce growth. While eBay seems to be recovering from the growth deceleration we saw in the previous five months (partly caused by external triggers such as the May data breach and Google Panda update), we expect internal changes (new seller performance evaluation measure introduced in Aug) will take some time to clear through the system. The new measure - a transaction Defect Rate - rewards sellers who provide great service and penalizes transaction-related defects which are the top predictors that a buyer would leave eBay or buy less. One of the policy change's initial impacts, observed by ChannelAdvisor, is sellers of used / refurbished golf and electronics products significantly reducing their inventory (it's important to note here that ChannelAdvisor's customer base over-indexes for this category of sellers). We believe that short-term headwinds for Marketplaces will keep growth in line with to slightly below overall eCommerce growth over the next couple of quarters.

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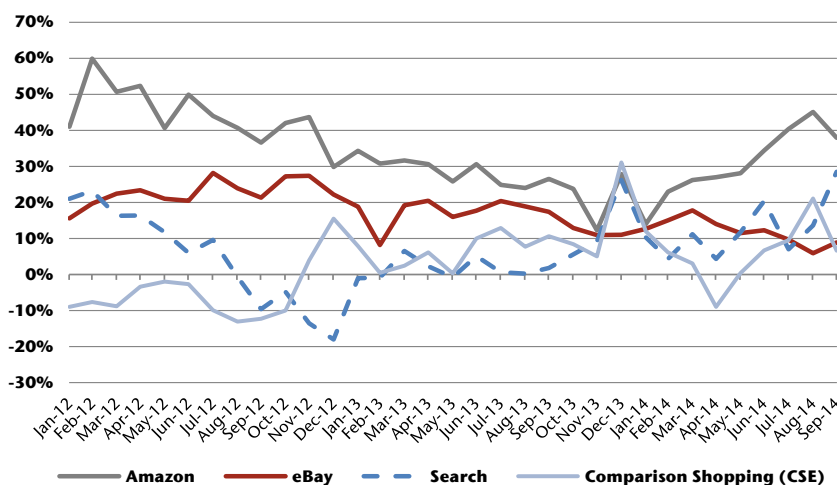
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Exhibit 1: ChannelAdvisor Same Store Sales (SSS) Growth



Source: ChannelAdvisor, Jefferies

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

Top Google Product Listing Ad (PLA) Verticals	Number of Keywords	Keywords with a PLA	% of Keywords with a PLA
1 Home & Garden	12,043	8,139	68%
2 Clothing / Shoes	8,404	5,553	66%
3 Beauty / Personal Care	5,760	3,060	53%
4 Food / Restaurants	2,602	864	33%
5 Sports & Recreation	4,424	1,341	30%
Top 5 Sum	33,233	18,957	
Top 5 Weighted Average			57%
6 Computers / Electronics	10,272	3,081	30%
7 Animals	1,340	344	26%
8 Vehicles & Autos	4,273	1,005	24%
9 Health & Wellness	7,613	1,668	22%
10 Science / Social_Sciences / Humanities	2,719	597	22%
11 Other	3,303	703	21%
12 Arts / Entertainment	8,454	1,480	18%
13 Business	4,203	772	18%
14 Society / Culture	2,837	332	12%
15 Families & Relationships	2,814	287	10%
16 Travel / Lodging	7,028	576	8%
17 Education / Instruction	3,194	132	4%
Aggregate Sum	91,283	29,934	
Aggregate Weighted Average			33%

Source: Jefferies

Exhibit 3: List of Top 50 Google PLA Advertisers in the US (September 2014 Snapshot)

Top US PLA Advertisers	Number of PLA Ads Deployed	% of Total PLA Ads	Cumulative Advertisers		
			Top 5 Advertisers	Top 10 Advertisers	Top 20 Advertisers
1 xg4ken.com (Kenshoo)	15323	12%	} 31%	} 40%	} 47%
2 dartsearch.net (DoubleClick - Google)	11055	9%			
3 ebay.com	5132	4%			
4 adlucent.com	4754	4%			
5 rkdm.com (Rimm Kaufman)	4017	3%			
6 everesttech.net (Adobe Efficient Frontier)	3600	3%			
7 walmart.com	2796	2%			
8 channelintelligence.com (Google)	2190	2%			
9 macys.com	1691	1%			
10 bizrate.com	1297	1%			
11 mercent.com	1217	1%			
12 zoro.com	1158	1%			
13 offeredby.net (PM Digital)	985	1%			
14 wayfair.com	978	1%			
15 sephora.com	875	1%			
16 webrestaurantstore.com	817	1%			
17 dermstore.com	752	1%			
18 hm.com	747	1%			
19 fragrancenet.com	719	1%			
20 northerntool.com	665	1%			
21 netmng.com (InnovationInteractive)	621	0%			
22 allheart.com	602	0%			
23 vitacost.com	594	0%			
24 lbean.com	581	0%			
25 marinsm.com (Marin)	556	0%			
26 swansonvitamins.com	536	0%			
27 voltagesearch.com	500	0%			
28 signaturehardware.com	498	0%			
29 chewy.com	485	0%			
30 pgpartner.com	468	0%			
31 bhphotovideo.com	445	0%			
32 PersonalizationMall.com	427	0%			
33 loccitane.com	403	0%			
34 JJsHouse.com	360	0%			
35 norwall.com	355	0%			
36 weddingshoppeinc.com	335	0%			
37 memoryamerica.com	325	0%			
38 did-it.com	321	0%			
39 filtersfast.com	315	0%			
40 vintagetub.com	285	0%			
41 globalgolf.com	284	0%			
42 wisesales.com	284	0%			
43 4alldeals.com	267	0%			
44 aliexpress.com	263	0%			
45 simplisafe.com	263	0%			
46 fromyouflowers.com	261	0%			
47 hayneedle.com	255	0%			
48 homedepot.com	253	0%			
49 happycheuniforms.com	252	0%			
50 thebeautyplace.com	251	0%			

Source: Jefferies

Table 1: Jefferies Internet & Interactive Entertainment Comp Sheet - Estimates

Company	Ticker	Rating	Market Cap 10/7/2014 (\$MM)	Revenue (\$MM)				EBITDA (\$MM)				EPS ¹ (\$)				FCF ² (\$MM)		2014E Margin (%)	
				Jefferies Estimate		Consensus		Jefferies Estimate		Consensus		Jefferies Estimate		Consensus		2014E	2015E	Gross	Operating
				2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E				
Interactive Entertainment																			
Activision	ATVI	Buy	\$15,487	4,705	4,694	4,770	4,828	1,747	1,925	1,625	1,732	1.37	1.58	1.32	1.43	1,075	1,088	68.6	35.5
Electronic Arts	EA	Hold	10,748	4,121	4,592	4,163	4,476	1,012	1,101	1,029	1,194	1.87	2.30	1.92	2.26	1,221	844	68.4	19.3
Zynga	ZNGA	Hold	2,254	678	950	712	875	46	118	54	108	(0.01)	0.03	(0.01)	0.04	(41)	198	68.0	(16.1)
GameStop	GME	NC	4,395	--	--	9,987	10,910	--	--	823	933	--	--	3.64	4.33	447	513	--	--
TakeTwo	TTWO	Hold	2,604	1,438	1,550	1,443	1,548	140	192	178	242	1.02	1.25	1.08	1.40	(141)	136	44.3	8.5
Advertising & Internet Services																			
Google	GOOG	Buy	389,021	53,163	63,363	53,025	63,366	26,514	32,613	26,240	31,188	27.01	32.97	26.48	31.61	10,353	19,531	78.7	42.6
Facebook	FB	Buy	214,896	11,993	15,748	12,256	16,520	7,678	10,573	8,028	10,632	1.45	1.76	1.63	2.04	3,381	3,779	82.1	54.3
Yahoo!	YHOO	Buy	41,741	4,216	4,407	4,349	4,431	1,130	1,288	1,237	1,265	1.07	0.82	1.38	1.30	416	340	74.5	13.7
Twitter	TWTR	NC	32,933	--	--	1,361	2,272	--	--	244	531	--	--	0.10	0.36	(62)	126	--	--
LinkedIn	LNKD	Buy	25,766	2,202	3,032	2,170	2,906	587	917	561	795	2.03	3.35	1.89	2.76	282	536	87.8	16.3
IAC / InterActiveCorp	IACI	Hold	5,588	3,057	3,399	3,036	3,329	513	683	522	671	2.45	4.54	2.11	3.73	255	346	71.4	11.2
AOL	AOL	Buy	3,563	2,568	2,885	2,541	2,770	508	571	509	554	1.87	2.61	2.07	2.52	309	218	33.9	15.6
Conversant	CNVR	Hold	2,292	619	661	620	670	213	238	210	233	1.82	2.10	1.76	1.97	113	210	68.3	32.1
Yelp	YELP	Buy	5,247	377	539	375	546	68	128	69	123	0.69	1.27	0.09	0.41	78	76	93.6	14.4
WebMD	WBMD	NC	1,498	--	--	579	646	--	--	157	189	--	--	1.36	1.61	--	--	--	--
Criteo	CRTO	Buy	2,186	363	454	358	475	68	138	73	123	0.51	1.06	0.50	0.92	37	99	36.3	11.4
Rocket Fuel	FUEL	NC	612	--	--	404	608	--	--	(9)	14	--	--	(0.61)	(0.28)	(62)	(33)	--	--
Demand Media	DMD	Hold	161	170	173	257	163	36	32	41	34	(0.20)	0.19	(0.16)	(0.12)	20	14	62.4	(12.6)
Millennial Media	MM	NC	198	--	--	295	347	--	--	(21)	(1)	--	--	(0.34)	(0.11)	(30)	(20)	--	--
Zillow	Z	NC	3,737	--	--	324	441	--	--	54	92	--	--	0.37	0.91	30	60	--	--
Trulia	TRLA	NC	1,716	--	--	259	340	--	--	23	55	--	--	(0.28)	0.26	(4)	4	--	--
EarthLink	ELNK	UNPF	337	1,127	1,058	1,174	1,136	189	178	194	186	(0.87)	(0.71)	(0.83)	(0.65)	5	20	51.1	(3.0)
comScore	SCOR	NC	1,219	--	--	327	377	--	--	67	82	--	--	1.33	1.63	51	52	--	--
Blucora	BCOR	Hold	625	591	623	600	611	101	103	103	103	1.89	2.14	1.91	1.97	30	66	--	19.7
TechTarget	TTGT	Buy	328	101	118	102	119	17	26	17	26	0.28	0.48	0.24	0.39	20	26	72.1	4.3
Quinstreet	QNST	NC	187	--	--	281	285	--	--	18	21	--	--	0.22	0.29	--	--	--	--
United Online	UNTD	NC	151	--	--	218	217	--	--	33	35	--	--	0.65	0.89	14	21	--	--
Tremor Video	TRMR	Hold	113.9	163	207	163	203	(11)	(1)	(12)	(4)	(0.36)	(0.12)	(0.44)	(0.28)	--	--	33.9	(11.0)
Marchex	MCHX	NC	147	--	--	184	142	--	--	18	15	--	--	0.19	0.15	16	16	--	--
Online Travel																			
Priceline	PCLN	Buy	59,372	8,532	10,371	8,525	10,408	3,428	4,468	3,406	4,229	52.55	66.10	52.56	64.69	2,851	3,461	89.3	38.4
Expedia	EXPE	Hold	12,163	5,751	6,575	5,751	6,494	1,044	1,238	1,045	1,201	3.95	4.88	3.98	4.88	746	1,000	78.8	12.3
TripAdvisor	TRIP	Hold	12,920	1,247	1,570	1,244	1,564	490	719	488	635	2.11	3.06	2.13	2.80	221	486	97.0	34.3
Orbitz	OWW	Hold	890.9	937	992	937	991	154	172	157	174	0.37	0.58	0.23	0.44	118	93	80.7	10.0
HomeAway	AWAY	NC	3,231	--	--	448	543	--	--	121	143	--	--	0.59	0.74	131	178	--	--
Travelzoo	TZOO	NC	227	--	--	149	161	--	--	24	27	--	--	0.93	1.09	18	24	--	--
eCommerce																			
Amazon.com	AMZN	Buy	149,008	92,280	113,285	90,894	109,337	6,739	7,332	6,330	8,335	0.67	1.99	(0.16)	1.83	3,654	4,151	29.3	1.7
eBay	EBAY	Hold	69,312	18,185	20,751	18,160	20,678	5,943	6,957	5,899	6,606	2.96	3.40	2.97	3.38	1,895	5,166	68.9	26.2
JD.com	JD	Buy	30,491	18,374	26,803	18,287	27,223	(41)	118	(405)	(43)	(0.01)	(0.03)	(0.07)	0.03	(555)	119	11.4	(5.4)
Groupm	GRPN	Hold	4,530	3,192	3,572	3,184	3,646	272	392	271	360	0.08	0.28	0.08	0.20	358	291	51.7	5.7
Shutterstock	SSTK	Buy	2,805	328	429	326	421	70	111	69	99	0.94	1.42	1.02	1.48	59	68	60.9	18.7
Vistaprint	VPRT	Hold	1,847	1,504	1,703	1,270	1,494	244	277	191	236	3.51	4.61	2.95	3.68	107	127	61.6	9.5
Shutterstock	SFLY	Hold	1,899	920	1,068	918	1,059	174	220	172	215	0.23	0.72	(0.16)	0.44	44	87	53.8	12.3
RetailMeNot	SALE	Buy	872	269	323	268	322	94	121	88	110	0.92	1.22	0.86	1.17	59	61	93.5	29.1
Coupons.com	COUP	NC	993	--	--	222	294	--	--	16	47	--	--	0.33	--	--	--	--	--
Endurance	EIGI	Buy	2,092	640	718	643	735	192	215	232	282	0.93	1.06	0.92	1.22	181	222	62.5	29.8
Web.com Group	WWWV	NC	1,005	--	--	577	623	--	--	167	182	--	--	2.46	2.70	105	119	--	--
Wix.com	WIX	NC	640	--	--	137	194	--	--	(36)	(11)	--	--	(1.23)	(0.57)	(12)	20	--	--
Chegg	CHGG	Buy	552.6	315	403	312	383	60	64	(15)	89	(0.22)	(0.08)	(0.30)	0.15	8	11	29.6	(8.0)
Digital River	DRIV	NC	476	--	--	379	405	--	--	53	55	--	--	0.45	0.57	29	40	--	--
BlueNile	NILE	NC	338	--	--	481	525	--	--	23	26	--	--	0.85	1.00	20	22	--	--
CafePress	PRSS	Hold	54.74	250	273	245	263	8	9	6	10	(0.11)	(0.05)	(0.16)	(0.02)	(2)	0	37.8	(2.7)
Overstock	OSTK	NC	377	--	--	1,441	1,564	--	--	34	43	--	--	0.53	0.82	--	--	--	--
PFS Web	PFSW	NC	179	--	--	240	256	--	--	13	19	--	--	(0.04)	0.27	6	12	--	--
Online Entertainment																			
Netflix	NFLX	UNPF	27,417	5,496	6,869	5,515	6,874	589	887	609	909	4.53	7.89	3.80	6.40	286	580	31.9	5.1
SFX Entertainment	SFXE	Buy	382	426	551	416	515	36	133	27	107	(0.45)	0.90	(1.11)	(0.16)	65	36	39.4	(9.3)
Rovi Corp	ROVI	NC	1,816	--	--	543	560	--	--	229	241	--	--	1.72	1.90	163	159	--	--
Pandora	P	NC	4,892	--	--	913	1,196	--	--	60	136	--	--	0.18	0.50	29	90	--	--
TiVo Inc.	TIVO	Buy	1,667	357	407	447	472	115	138	116	130	0.30	0.41	0.42	0.40	107	150	63.4	22.4
Rentrak Corp	RENT	NC	786	--	--	97	140	--	--	11	25	--	--	(0.08)	0.77	2	13	--	--

(1) All figures represent "Operating EPS", defined to exclude SBC and 1x items as per Mgmt, except the following companies which are GAAP: AMZN, AOL, NFLX, TIVO, VCLK

(2) FCF for non-covered companies are FactSet means

Source: Jefferies estimates, FactSet for NC companies

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

Company	Ticker	Rating	Price	Price	Upside to	YTD	Firm Value ¹	Firm Value /		14-17E	Price / Earnings		14-17E	2014E	Price / FCF / share		14-17E	2015E	
			10/7/2014	Target	Target	Performance		(\$MMs)	EBITDA	EBITDA	CAGR	2014E	2015E	EPS	P/E to	2014E	2015E	FCF	FCF
			(\$)	(\$)	(%)	(%)		2014E	2015E		2014E	2015E	CAGR (%)	Growth	2014E	2015E	CAGR (%)	Yield (%)	
Interactive Entertainment																			
Activision	ATVI	Buy	\$20.13	26	28	12.9	15,536	9	8	10	15	13	12	1.3	14	14	9	7.0	
Electronic Arts	EA	Hold	\$34.92	34	-3	52.2	8,517	8	8	8	19	15	14	1.3	9	13	(1)	7.8	
Zynga	ZNGA	Hold	\$2.56	4.50	76	(32.6)	1,105	21	10	44	--	80	(297)	--	--	11	(269)	8.8	
GameStop	GME	NC	\$39.01	--	--	(20.8)	4,480	5	5	--	11	9	--	--	10	9	--	11.7	
TakeTwo	TTWO	Hold	\$22.10	21	(5)	27.2	1,782	13	9	19	22	18	14	1.5	--	19	(204)	5.2	
<i>weighted average</i>						1.8		9	8		15.1	16	(0.1)	1.1	10.9	13.20	(17)	7.9	
<i>mean</i>						8		11	8		16	27	(64.3)	1.4	11	13.21	(116)	8.1	
Advertising & Internet Services																			
Google	GOOG	Buy	\$574.10	700	22	2.4	328,634	12	10	18	21	17	17	1.2	38	20	35	5.0	
Facebook	FB	Buy	\$76.29	100	31	39.6	200,940	26	19	33	53	43	28	1.9	64	57	36	1.8	
Yahoo!	YHOO	Buy	\$40.93	47	14	1.2	27,785	25	22	13	38	50	(8)	(4.8)	100	123	19	0.8	
Twitter	TWTR	NC	\$53.53	--	--	(15.9)	29,987	--	56	--	544	150	--	--	--	262	--	0.4	
LinkedIn	LNKD	Buy	\$204.39	300	47	(5.7)	23,076	39	25	50	101	61	60	1.7	91	48	66	2.1	
IAC / InterActiveCorp	IACI	Hold	\$61.70	66	7	(10.1)	5,505	11	8	18	25	14	32	0.8	22	16	19	6.2	
AOL	AOL	Buy	\$43.34	70	61	(7.0)	3,665	7	6	9	23	17	28	0.8	12	16	2	6.1	
Conversant	CNVR	Hold	\$33.97	35	3	45.4	2,273	11	10	8	19	16	10	1.8	20	11	15	9.1	
Yelp	YELP	Buy	\$68.32	105	54	(0.9)	4,841	71	38	68	99	54	61	1.6	67	69	37	1.5	
WebMD	WBMD	NC	\$37.84	--	--	(4.2)	1,904	12	10	--	28	23	--	--	--	--	--	--	
Criteo	CRTO	Buy	\$34.12	56	64	(0.2)	1,877	28	14	53	67	32	51	1.3	59	22	60	4.5	
Rocket Fuel	FUEL	NC	\$17.06	--	--	(72.3)	431	--	31	--	--	--	--	--	--	--	--	--	
Demand Media	DMD	Hold	\$8.33	12	41	(27.1)	121	3	4	(1)	--	44	(206)	--	8	12	(16)	8.6	
Millennial Media	MM	NC	\$1.84	--	--	(74.7)	104	--	--	--	--	--	--	--	--	--	--	--	
Zillow	Z	NC	\$109.52	--	--	34.0	4,001	75	43	--	293	120	--	--	124	62	--	1.6	
Trulia	TRLA	NC	\$45.99	--	--	30.4	1,720	74	31	--	--	178	--	--	--	--	--	--	
EarthLink	ELNK	UNPF	\$3.30	3.50	--	(34.9)	847	4	5	--	--	--	--	--	63	17	--	5.8	
comScore	SCOR	NC	\$35.66	--	--	24.6	1,188	18	14	--	27	22	--	--	24	23	--	4.3	
Blucora	BCOR	Hold	\$15.19	17	13	(47.9)	624	6	6	5	8	7	7	1.2	20	9	(16)	11.2	
TechTarget	TTGT	Buy	\$9.52	12	25	38.8	296	18	11	36	34	20	42	0.8	17	13	25	7.8	
QuinStreet	QNST	NC	\$4.22	--	--	(51.4)	138	8	7	--	19	14	--	--	--	--	--	--	
United Online	UNTD	NC	\$10.65	--	--	(22.6)	80	2	2	--	17	12	--	--	10	7	--	13.7	
Tremor Video	TRMR	Hold	\$2.24	6	185	(61.4)	30	--	--	--	--	--	--	--	--	--	--	--	
Marchem	MCHX	NC	\$3.92	--	--	(54.7)	116	6	8	--	21	25	--	--	10	9	--	10.9	
<i>weighted average</i>						1.3		19	17		62	36	20.5	1.1	49	49	33.2	3.5	
<i>mean</i>						(10)		22	17		77	45	10.2	0.8	42	42	23.5	6.0	
Online Travel																			
Priceline	PCLN	Buy	\$1,109.15	1,545	39	(4.6)	53,973	16	12	25	21	17	20	1.1	21	17	18	5.8	
Expedia	EXPE	Hold	\$84.73	85	0	21.6	12,298	12	10	14	21	17	18	1.2	16	12	11	8.2	
TripAdvisor	TRIP	Hold	\$86.96	90	3	5.0	12,552	26	17	32	41	28	34	1.2	59	27	51	3.8	
Orbitz	OWW	Hold	\$8.00	9.00	13	11.4	1,076	7	6	10	22	14	31	0.7	8	10	(2)	10.4	
HomeAway	AWAY	NC	\$34.38	--	--	(15.9)	2,825	23	20	--	58	46	--	--	25	18	--	5.5	
Travelzoo	TZOO	NC	\$15.44	--	--	(27.6)	168	7	6	--	17	14	--	--	12	10	--	10.5	
<i>weighted average</i>						7		17	13		25	20	21.0	1.1	26	18	21.2	5.9	
<i>mean</i>						(2)		15	12		30	23	25.7	1.0	23	16	19.6	7.4	
eCommerce																			
Amazon.com	AMZN	Buy	\$316.98	435	37	(20.5)	145,001	22	20	21	473	160	49	9.6	41	36	39	2.8	
eBay	EBAY	Hold	\$52.97	59	11	(3.5)	61,047	10	9	14	18	16	14	1.2	37	13	50	7.5	
JD.com	JD	Buy	\$25.35	38	50	NA	25,600	--	218	--	--	--	(489)	--	--	256	(246)	0.4	
Groupon	GRPN	Hold	\$6.42	7.00	9	(45.4)	3,636	13	9	26	79	23	73	1.1	13	16	0	6.4	
Shutterstock	SSTK	Buy	\$69.75	110	58	(16.6)	2,550	37	23	48	75	49	48	1.6	47	41	33	2.4	
Vistaprint	VPRT	Hold	\$54.84	51	-7	(3.5)	2,230	9	8	11	16	12	20	0.8	17	15	17	6.9	
Shutterstock	SFTY	Hold	\$47.80	55	15	(6.1)	1,807	10	8	18	204	66	93	2.2	0	22	33	4.6	
RetailMeNot	SALE	Buy	\$15.41	36	131	(46.5)	694	7	6	25	17	13	26	0.6	15	14	17	7.0	
Coupons.com	COUP	NC	\$12.79	--	--	(20.1)	793	50	17	--	--	39	--	--	--	--	--	--	
Endurance	EIGI	Buy	\$16.19	23	40	14.2	3,171	17	15	19	17	15	25	0.7	12	9	20	10.6	
Web.com Group	WWWV	NC	\$19.15	--	--	(39.8)	1,486	9	8	--	8	7	--	--	10	8	--	11.9	
Wix.com	WIX	NC	\$16.80	--	--	(37.4)	533	--	--	--	--	--	--	--	--	33	--	3.1	
Chegg	CHGG	Buy	\$6.10	14	130	(28.3)	474.1	8	7	21	--	--	(202)	--	72	51	68	1.9	
Digital River	DRIV	NC	\$14.87	--	--	(19.5)	187	4	3	--	33	26	--	--	16	12	--	8.4	
BlueNile	NILE	NC	\$28.57	--	--	(39.3)	308	13	12	--	34	29	--	--	17	15	--	6.6	
CafePress	PRSS	Hold	\$3.17	5.00	58	(49.9)	35	5	4	18	--	--	(200)	--	--	130	(212)	0.8	
Overstock	OSTK	NC	\$15.69	--	--	(49.0)	276	8	6	--	30	19	--	--	--	--	--	--	
PFS Web	PFSW	NC	\$10.70	--	--	18.0	166	13	9	--	--	40	--	--	28	15	--	6.8	
<i>weighted average</i>						(14)		16	37		283	98	(15.5)	5.9	34	52	10.6	3.9	
<i>mean</i>						(23)		15	22		83	37	(49.2)	2.2	25	43	(16.5)	5.5	
Online Entertainment																			
Netflix	NFLX	UNPF	\$456.25	350	-23	23.9	26,602	45	30	42	101	58	52	1.9	102	50	56	2.0	
SFX Entertainment	SFXE	Buy	\$4.28	12	191	(64.3)	598	17	4	92	--	5	(254)	--	7	12	36	8.3	
Rovi Corp	ROVI	NC	\$19.14	--	--	(2.8)	2,444	11	10	--	11	10	--	--	11	11	--	8.8	
Pandora	P	NC	\$23.69	--	--	(10.9)	4,549	76	33	--	131	47	--	--	167	54	--	1.8	
TiVo Inc.	TIVO	Buy	\$12.58	16	27	(4.1)	867	8	6	17	42	31	26	1.6	16	11	8	9.0	
Rentrak Corp	RENT	NC	\$63.89	--	--	68.6	780	70	31	--	--	83	--	--	361	61	--	1.7	
<i>weighted average</i>						16		46	28		93	52	34.9	1.5	106	47	42.4	2.7	
<i>mean</i>						2		38	19		71	39	(58.7)	2	110	33	33.5	5	

(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 4: Amazon - Income Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Net Sales	\$16,070,000	\$15,704,000	\$17,092,000	\$25,587,000	\$19,741,000	\$19,340,000	\$21,141,132	\$32,058,075	\$74,453,000	\$92,280,207	\$113,284,541
North America Net Sales	9,391,000	9,495,000	10,301,000	15,331,000	11,858,000	11,998,000	13,189,522	19,723,775	44,518,000	56,769,297	70,550,527
International Net Sales	6,679,000	6,209,000	6,791,000	10,256,000	7,883,000	7,342,000	7,951,610	12,334,300	29,935,000	35,510,910	42,734,015
% Y/Y Growth	22%	22%	24%	20%	23%	23%	24%	25%	22%	24%	23%
% Q/Q Growth	(24)	(2)	9	50	(23)	(2)	9	52	--	--	--
Cost of Sales	11,801,000	11,209,000	12,366,000	18,806,000	14,055,000	13,399,000	14,900,388	22,906,529	54,182,000	65,260,916	79,584,374
Total Gross Profit	\$4,269,000	\$4,495,000	\$4,726,000	\$6,781,000	\$5,686,000	\$5,941,000	\$6,240,744	\$9,151,546	\$20,271,000	\$27,019,291	\$33,700,168
% Margin	26.6%	28.6%	27.7%	26.5%	28.8%	30.7%	29.5%	28.5%	27.2%	29.3%	29.7%
Fulfillment	1,735,000	1,756,000	1,964,000	2,837,000	2,236,000	2,278,000	2,566,693	3,730,810	8,292,000	10,811,504	13,555,572
Marketing	616,000	651,000	671,000	1,108,000	843,000	911,000	950,466	1,522,862	3,046,000	4,227,328	5,302,815
Technology & Content	1,263,000	1,431,000	1,580,000	1,687,000	1,822,000	2,020,000	2,350,000	2,165,000	5,961,000	8,357,000	9,837,000
General & Administrative	214,000	248,000	244,000	273,000	283,000	328,000	354,000	335,000	979,000	1,300,000	1,520,000
GAAP Operating Income / (Loss) incl Stoc	181,000	79,000	(25,000)	\$10,000	146,000	(15,000)	(389,765)	927,773	745,000	669,009	1,454,468
% Margin	1.1%	0.5%	(0.1%)	2.0%	0.7%	(0.1%)	(1.8%)	2.9%	1.0%	0.7%	1.3%
% Y/Y Growth	(6)	(26)	--	26	(19)	(119)	--	82	10	(10)	117
% Q/Q Growth	(55)	(56)	(132)	--	(71)	(110)	--	--	--	--	--
EBITDA	\$1,141,000	\$1,165,000	\$1,101,000	\$1,839,000	\$1,512,000	\$1,513,000	\$1,204,448	\$2,509,304	\$5,246,000	\$6,738,752	\$7,332,157
% Margin	7.1%	7.4%	6.4%	7.2%	7.7%	7.8%	5.7%	7.8%	7.0%	7.3%	6.5%
% Y/Y Growth	33	38	40	37	33	30	9	36	37	28	9
% Q/Q Growth	(15)	2	(5)	67	(18)	0	(20)	108	--	--	--
Net Interest (Income) and Other (Income)	100,000	62,000	18,000	59,000	26,000	12,000	34,507	25,235	239,000	97,742	64,659
Adjusted Pre-Tax Profit / (Loss)	\$341,000	\$347,000	\$249,000	\$817,000	\$476,000	\$392,000	(\$14,922)	\$1,372,638	\$1,754,000	\$2,225,717	\$3,420,121
% Effective Tax Rate	14%	28%	24%	33%	34%	51%	423%	34%	27%	34%	31%
Provision / (Benefit) for Income Taxes	(18,000)	13,000	(12,000)	179,000	73,000	94,000	(165,466)	351,990	162,000	353,524	542,025
Tax Adjustments for Non-GAAP Items	65,000	82,500	73,000	91,500	89,000	104,750	102,338	117,525	312,000	413,613	507,578
Minority Interest	17,000	11,000	10,000	33,000	(61,000)	5,000	(9,000)	(29,700)	71,000	(94,700)	(85,230)
Operating Net Income / (Loss)	\$277,000	\$240,500	\$178,000	\$513,500	\$375,000	\$188,250	\$57,207	\$932,823	\$1,209,000	\$1,553,280	\$2,455,748
% Margin	1.7%	1.5%	1.0%	2.0%	1.9%	1.0%	0.3%	2.9%	1.6%	1.7%	2.2%
% Y/Y Growth	(3)	22	--	70	35	(22)	(68)	82	72	28	58
% Q/Q Growth	(8)	(13)	(26)	188	(27)	(50)	(70)	1,531	--	--	--
Other Operating Expense/Amortization of Intar	31,000	32,000	11,000	40,000	35,000	28,000	30,000	30,000	114,000	123,000	116,000
Stock-Based Compensation	229,000	298,000	281,000	326,000	321,000	391,000	379,350	440,100	1,134,000	1,531,450	1,914,313
Tax Effect of Non-GAAP Entries	(65,000)	(82,500)	(73,000)	(91,500)	(89,000)	(104,750)	(102,338)	(117,525)	(312,000)	(413,613)	(507,578)
Reported GAAP Net Income / (Loss)	\$82,000	(\$7,000)	(\$41,000)	\$239,000	\$108,000	(\$126,000)	(\$249,806)	\$580,248	\$273,000	\$312,443	\$933,013
% Margin	0.5%	(0.0%)	(0.2%)	0.9%	0.5%	(0.7%)	(1.2%)	1.8%	0.4%	0.3%	0.8%
% Y/Y Growth	(37)	(200)	--	146	32	--	--	143	--	14	199
% Q/Q Growth	(15)	(109)	--	--	(55)	(217)	--	--	--	--	--
Weighted Avg. Diluted Shares Outstanding	463,000	456,000	457,000	467,000	468,000	461,000	461,648	469,728	465,000	465,094	468,620
Operating EPS	\$0.60	\$0.53	\$0.39	\$1.10	\$0.80	\$0.41	\$0.12	\$1.99	\$2.60	\$3.34	\$5.24
% Y/Y Growth	(3%)	23%	--	68%	34%	(23%)	(68%)	81%	67%	28%	57%
% Q/Q Growth	(9)	(12)	(26)	182	(27)	(49)	(70)	1,503	--	--	--
Reported GAAP EPS	\$0.18	(\$0.02)	(\$0.09)	\$0.51	\$0.23	(\$0.27)	(\$0.54)	\$1.24	\$0.59	\$0.67	\$1.99
% Y/Y Growth	(37%)	(200%)	--	143%	30%	--	--	141%	--	14%	196%
% Q/Q Growth	(16)	(109)	--	--	(55)	(218)	--	--	--	--	--

Source: Company data, Jefferies

Exhibit 5: Amazon - Revenue Build (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Total Revenue	\$16,070,000	\$15,704,000	\$17,092,000	\$25,587,000	\$19,741,000	\$19,340,000	\$21,141,132	\$32,058,075	\$74,453,000	\$92,280,207	\$113,284,541
% Y/Y Growth	22%	22%	24%	20%	23%	23%	24%	25%	22%	22%	23%
% Q/Q Growth	(24)	(2)	9	50	(23)	(2)	9	52	--	--	--
Ex-FX Total Revenue	16,358,180	16,096,000	17,407,400	25,787,950	19,739,220	19,076,260	20,898,167	31,944,844	75,649,530	91,658,491	
% Y/Y Growth ex-FX	24%	25%	26%	21%	23%	21%	22%	25%	24%	23%	
Media	\$5,058,000	\$4,397,000	\$5,033,000	\$7,227,000	\$5,467,000	\$4,844,000	\$5,545,550	\$8,129,859	\$21,715,000	\$23,986,409	\$26,421,212
% Y/Y Growth	7%	7%	9%	11%	8%	10%	10%	12%	9%	10%	10%
% of Total Revenue	31	28	29	28	28	25	26	25	29	26	23
Electronics and Other General Merchandise	\$10,214,000	\$10,415,000	\$11,048,000	\$17,126,000	\$13,017,000	\$13,278,000	\$14,264,212	\$22,362,136	\$48,803,000	\$62,921,348	\$79,613,310
% Y/Y Growth	28%	28%	29%	23%	27%	27%	29%	31%	26%	29%	27%
% of Total Revenue	64	66	65	67	66	69	67	70	66	68	70
Other	\$798,000	\$892,000	\$1,011,000	\$1,234,000	\$1,257,000	\$1,218,000	\$1,331,370	\$1,566,080	\$3,935,000	\$5,372,450	\$7,250,020
% Y/Y Growth	60%	61%	56%	50%	58%	37%	32%	27%	56%	37%	35%
% of Total Revenue	5	6	6	5	6	6	6	5	5	6	6
Total North America Revenue	\$9,391,000	\$9,495,000	\$10,301,000	\$15,331,000	\$11,858,000	\$11,998,000	\$13,189,522	\$19,723,775	\$44,518,000	\$56,769,297	\$70,550,527
% Y/Y Growth	26%	30%	31%	26%	26%	26%	28%	29%	28%	28%	24%
% Q/Q Growth	(23)	1	8	49	(23)	1	10	50	--	--	--
% of Total Revenue	58	60	60	60	60	62	62	62	60	62	62
Media	\$2,513,000	\$2,173,000	\$2,609,000	\$3,513,000	\$2,825,000	\$2,464,000	\$3,000,350	\$4,155,879	\$10,808,000	\$12,445,229	\$14,187,561
% Y/Y Growth	14.4%	16.0%	17.8%	21.0%	12.4%	13.4%	15.0%	18.3%	18%	15%	14%
% of North America Revenue	27	23	25	23	24	21	23	21	24	22	20
Electronics and Other General Merchandise	\$6,128,000	\$6,478,000	\$6,732,000	\$10,648,000	\$7,829,000	\$8,366,000	\$8,912,372	\$14,070,296	\$29,986,000	\$39,177,668	\$49,363,862
% Y/Y Growth	28.4%	31.2%	33.0%	25.2%	27.8%	29.1%	32.4%	32.1%	29%	31%	26%
% of Total Revenue (Organic)	20.5%	22.5%	23.1%	17.6%	20.2%	21.0%	23.2%	24.6%	20%	23%	26%
% of North America Revenue	65	68	65	69	66	70	68	71	67	69	70
Zappos contribution	\$379,229	\$428,487	\$502,885	\$647,490	\$462,660	\$527,039	\$618,548	\$802,888	\$1,958,091	\$2,411,134	
% Y/Y Growth	23%	21%	22%	21%	22%	23%	23%	24%	22%	23%	
Other	\$750,000	\$844,000	\$960,000	\$1,170,000	\$1,204,000	\$1,168,000	\$1,276,800	\$1,497,600	\$3,724,000	\$5,146,400	\$6,999,104
% Y/Y Growth	63.8%	63.9%	57.9%	52.1%	60.5%	38.4%	33.0%	28.0%	58%	38%	36%
% of North America Revenue	8	9	9	8	10	10	10	8	8	9	10
AWS	\$675,000	\$759,600	\$864,000	\$1,053,000	\$1,095,640	\$1,062,880	\$1,174,656	\$1,377,792	\$3,351,600	\$4,710,968	\$6,509,167
% Y/Y Growth	64%	64%	58%	52%	62%	40%	36%	31%	58%	41%	38%
% Q/Q Growth	(2)	13	14	22	4	(3)	11	17	--	--	--
Total International Revenue	\$6,679,000	\$6,209,000	\$6,791,000	\$10,256,000	\$7,883,000	\$7,342,000	\$7,951,610	\$12,334,300	\$29,935,000	\$35,510,910	\$42,734,015
% Y/Y Growth	16.0%	12.7%	14.7%	12.8%	18.0%	18.2%	17.1%	20.3%	14%	19%	20%
% of Total Revenue	42	40	40	40	40	38	38	38	40	38	38
Ex-FX International Revenue	\$6,967,180	\$6,601,000	\$7,106,400	\$10,456,950	\$7,881,220	\$7,078,260	\$7,708,645	\$12,221,069	\$31,131,530	\$34,889,194	
% Y/Y Growth ex-FX	21%	20%	20%	15%	18%	14%	14%	19%	18%	17%	
FX Growth	-4%	-6%	-4%	-2%	0%	4%	3%	1%	-4%	2%	
Media	\$2,545,000	\$2,224,000	\$2,424,000	\$3,714,000	\$2,642,000	\$2,380,000	\$2,545,200	\$3,973,980	\$10,907,000	\$11,541,180	\$12,233,651
% Y/Y Growth	1.3%	(0.9%)	1.6%	2.9%	3.8%	7.0%	8.3%	8.0%	1%	6%	6%
% Y/Y Growth ex-FX	7%	7%	9%	6%	4%	4%	5%	7%	5%	4%	
% of International Revenue	38	36	36	36	34	32	32	32	36	33	29
Electronics and Other General Merchandise	\$4,086,000	\$3,937,000	\$4,316,000	\$6,478,000	\$5,188,000	\$4,912,000	\$5,351,840	\$8,291,840	\$18,817,000	\$23,743,680	\$30,249,448
% Y/Y Growth	27.6%	22.1%	23.4%	19.3%	27.0%	24.8%	27.9%	29.2%	23%	26%	27%
% Y/Y Growth ex-FX	32%	29%	28%	25%	26%	20%	24%	28%	27%	24%	
% of International Revenue	61	63	64	63	66	67	67	67	63	67	71
Other	\$48,000	\$48,000	\$51,000	\$64,000	\$53,000	\$50,000	\$54,700	\$68,480	\$211,000	\$226,050	\$250,916
% Y/Y Growth	14%	23%	28%	25%	10%	4%	7%	7%	23%	7%	11%
% of International Revenue	1	1	1	1	1	1	1	1	1	1	1

Source: Company data, Jefferies

Exhibit 6: Amazon - Balance Sheet (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Cash & Cash Equivalents	\$4,481,000	\$3,704,000	\$3,872,000	\$8,658,000	\$5,074,000	\$5,057,000	\$5,425,861	\$11,419,967	\$8,658,000	\$11,419,967	\$13,013,447
Short-Term Marketable Securities	3,414,000	3,759,000	3,817,000	3,789,000	3,592,000	2,929,000	2,929,000	2,929,000	3,789,000	2,929,000	2,929,000
Accounts Receivable	2,516,000	2,861,000	3,057,000	4,152,000	3,320,000	3,490,000	3,776,443	4,546,617	4,152,000	4,546,617	5,581,493
Inventories	5,395,000	5,420,000	6,068,000	7,411,000	6,716,000	6,644,000	7,299,149	9,037,096	7,411,000	9,037,096	11,020,557
Other Current Assets	507,000	541,000	520,000	615,000	625,000	635,000	721,654	743,102	615,000	743,102	909,186
Current Assets	\$16,313,000	\$16,285,000	\$17,334,000	\$24,625,000	\$19,327,000	\$18,755,000	\$20,152,108	\$28,675,782	\$24,625,000	\$28,675,782	\$33,453,684
Property and Equipment	7,674,000	8,789,000	9,991,000	10,949,000	12,267,000	14,089,000	14,104,137	14,092,707	10,949,000	14,092,707	15,382,330
Goodwill	2,535,000	2,614,000	2,635,000	2,655,000	2,653,000	2,677,000	2,677,000	2,677,000	2,655,000	2,677,000	2,677,000
Deferred Tax Assets	123,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000
Other Assets	1,732,000	1,807,000	1,773,000	1,802,000	1,989,000	2,249,000	2,463,579	2,472,693	1,802,000	2,472,693	3,025,343
Total Assets	\$28,377,000	\$29,623,000	\$31,861,000	\$40,159,000	\$36,364,000	\$37,898,000	\$39,524,824	\$48,046,182	\$40,159,000	\$48,046,182	\$54,666,358
Accounts Payable	\$8,916,000	\$8,990,000	\$10,037,000	\$15,133,000	\$10,590,000	\$10,457,000	\$11,430,434	\$17,321,101	\$15,133,000	\$17,321,101	\$19,378,419
Accrued Expenses & Other Liabilities	4,532,250	4,769,500	4,350,750	6,688,000	6,251,000	6,688,000	6,470,005	7,753,673	6,688,000	7,753,673	7,975,861
Unearned Revenue	883,750	975,500	1,067,250	1,159,000	1,516,000	1,606,000	1,706,550	2,175,509	1,159,000	2,175,509	5,055,669
Short-Term Debt	652,000	691,000	680,000	753,000	784,000	784,000	627,000	1,045,000	753,000	1,045,000	2,288,000
Total Current Liabilities	\$14,984,000	\$15,426,000	\$16,135,000	\$23,733,000	\$19,141,000	\$19,535,000	\$20,233,990	\$28,295,283	\$23,733,000	\$28,295,283	\$32,637,949
Long-Term Debt	3,040,000	3,042,000	3,273,000	3,191,000	3,147,000	3,119,000	3,119,000	2,369,000	3,191,000	2,369,000	2,369,000
Other LT Liabilities	1,921,000	2,422,000	2,916,000	3,489,000	3,748,000	4,642,000	4,603,658	5,117,424	3,489,000	5,117,424	5,807,945
Total Liabilities	\$19,945,000	\$20,890,000	\$22,774,000	\$30,413,000	\$26,036,000	\$27,296,000	\$27,956,648	\$35,781,707	\$30,413,000	\$35,781,707	\$40,814,894
Additional Paid-In Capital	8,590,000	8,898,000	9,180,000	9,578,000	10,024,000	10,410,000	11,625,982	11,742,033	9,578,000	11,742,033	12,396,008
Retained Earnings (Accumulated Deficit)	1,998,000	1,991,000	1,950,000	2,190,000	2,298,000	2,172,000	1,922,194	2,502,443	2,190,000	2,502,443	3,435,456
Treasury Stock	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)	(1,837,000)
Accumulated Other Comprehensive Income	(319,000)	(319,000)	(206,000)	(185,000)	(157,000)	(143,000)	(143,000)	(143,000)	(185,000)	(143,000)	(143,000)
Shareholders' Equity	\$8,432,000	\$8,733,000	\$9,087,000	\$9,746,000	\$10,328,000	\$10,602,000	\$11,568,176	\$12,264,475	\$9,746,000	\$12,264,475	\$13,851,464
Liabilities & Shareholders' Equity	\$28,377,000	\$29,623,000	\$31,861,000	\$40,159,000	\$36,364,000	\$37,898,000	\$39,524,824	\$48,046,182	\$40,159,000	\$48,046,182	\$54,666,358

Source: Company data, Jefferies

Exhibit 7: Amazon - Cash Flow Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Net Income	\$82,000	(\$7,000)	(\$41,000)	\$239,000	\$108,000	(\$126,000)	(\$249,806)	\$580,248	\$273,000	\$312,443	\$933,013
Depreciation	700,000	756,000	834,000	963,000	1,010,000	1,109,000	1,184,863	1,111,430	3,253,000	4,415,293	3,847,377
Tax Benefit from Stock Options	0	0	0	(78,000)	(121,000)	0	1,199,884	99,920	(78,000)	1,178,804	485,324
Stock-Based Compensation	229,000	298,000	281,000	326,000	321,000	391,000	379,350	440,100	1,134,000	1,531,450	1,914,313
Deferred Taxes	(80,000)	21,000	11,000	(109,000)	(185,000)	(49,000)	0	0	(157,000)	(234,000)	0
(Gain) / Loss on Sale of Securities	0	0	1,000	0	0	(1,000)	0	0	1,000	(1,000)	0
Other Non-Cash Charges	99,000	74,000	16,000	91,000	(15,000)	20,000	0	0	280,000	5,000	0
Funds From Operations	\$1,030,000	\$1,142,000	\$1,102,000	\$1,432,000	\$1,118,000	\$1,344,000	\$2,514,291	\$2,231,699	\$4,706,000	\$7,207,990	\$7,180,027
(Inc.) Dec. in Accounts Receivable and Other	729,000	(211,000)	(125,000)	(1,239,000)	727,000	(299,000)	(587,677)	(800,734)	(846,000)	(960,411)	(1,753,612)
(Inc.) Dec. in Inventories	535,000	(30,000)	(586,000)	(1,330,000)	699,000	92,000	(655,149)	(1,737,947)	(1,411,000)	(1,602,096)	(1,983,461)
Inc. (Dec.) in Accounts Payable	(4,187,000)	0	947,000	5,128,000	(4,675,000)	(344,000)	973,434	5,890,667	1,888,000	1,845,101	2,057,318
Inc. (Dec.) in Accrued Expenses and Other	(703,000)	(77,000)	(72,000)	1,589,000	(731,000)	(15,000)	(256,337)	1,797,434	737,000	795,097	912,709
Addition to Unearned Revenue	684,000	516,000	672,000	819,000	1,092,000	894,000	860,915	1,327,083	2,691,000	4,173,998	6,369,663
Amortization of Unearned Revenue	(460,000)	(460,000)	(550,000)	(821,000)	(732,000)	(810,000)	(760,364)	(858,125)	(2,291,000)	(3,160,489)	(3,489,503)
Change in Net Working Capital	(\$3,402,000)	(\$262,000)	\$286,000	\$4,146,000	(\$3,620,000)	(\$482,000)	(\$425,178)	\$5,618,377	\$768,000	\$1,091,199	\$2,113,115
Cash Flow from Operations	(\$2,372,000)	\$880,000	\$1,388,000	\$5,578,000	(\$2,502,000)	\$862,000	\$2,089,113	\$7,850,076	\$5,474,000	\$8,299,189	\$9,293,142
Capital Expenditures	(670,000)	(855,000)	(1,038,000)	(880,000)	(1,080,000)	(1,290,000)	(1,200,000)	(1,100,000)	(3,443,000)	(4,670,000)	(5,137,000)
Acquisitions, Net of Cash Acquired	(103,000)	(148,000)	(1,000)	(59,000)	0	(67,000)	0	0	(311,000)	(67,000)	0
Purchases of Securities and Investments	(776,000)	(1,113,000)	(518,000)	(419,000)	(437,000)	(336,000)	0	0	(2,826,000)	(773,000)	0
Proceeds from Sales of Securities and Investments	599,000	696,000	494,000	515,000	593,000	962,000	0	0	2,304,000	1,555,000	0
Net Cash Used in Investing Activities	(\$950,000)	(\$1,420,000)	(\$1,063,000)	(\$843,000)	(\$924,000)	(\$731,000)	(\$1,200,000)	(\$1,100,000)	(\$4,276,000)	(\$3,955,000)	(\$5,137,000)
Debt Issuance / (Repayment)	(157,000)	(209,000)	(230,000)	(21,000)	(296,000)	(189,000)	(157,000)	(332,000)	(617,000)	(974,000)	(817,000)
Proceeds from / (Repurchase of) Common Stock	0	0	0	0	0	0	(363,252)	(423,970)	0	(787,222)	(1,745,662)
Excess Tax Benefit from Stock Options	0	0	0	78,000	121,000	0	0	0	78,000	121,000	0
Net Cash Provided by Financing Activities	(\$157,000)	(\$209,000)	(\$230,000)	\$57,000	(\$175,000)	(\$189,000)	(\$520,252)	(\$755,970)	(\$539,000)	(\$1,640,222)	(\$2,562,662)
Effect of Exchange Rate Changes	(124,000)	(28,000)	73,000	(6,000)	17,000	41,000	0	0	(85,000)	58,000	0
Inc. (Dec.) in Cash and Cash Equivalents	(\$3,603,000)	(\$777,000)	\$168,000	\$4,786,000	(\$3,584,000)	(\$17,000)	\$368,861	\$5,994,106	\$574,000	\$2,761,967	\$1,593,480
Beginning Cash and Cash Equivalents	8,084,000	4,481,000	3,704,000	3,872,000	8,658,000	5,074,000	5,057,000	5,425,861	8,084,000	8,658,000	11,419,967
Ending Cash and Cash Equivalents	\$4,481,000	\$3,704,000	\$3,872,000	\$8,658,000	\$5,074,000	\$5,057,000	\$5,425,861	\$11,419,967	\$8,658,000	\$11,419,967	\$13,013,447

Source: Company data, Jefferies

Exhibit 8: Amazon - DCF Analysis (\$MM)

	2013A	2014				2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
		Q1 14A	Q2 14A	Q3 14E	Q4 14E									
Revenue	\$74,453	\$19,741	\$19,340	\$21,141	\$32,058	\$113,285	\$136,361	\$160,670	\$185,641	\$210,286	\$234,404	\$257,732	\$282,014	\$308,500
% Y/Y Growth	22%	23%	23%	24%	25%	23%	20%	18%	16%	13%	11%	10%	9%	9%
EBITDA	\$5,246	\$1,512	\$1,513	\$1,204	\$2,509	\$7,332	\$9,424	\$11,918	\$14,644	\$17,341	\$20,048	\$22,910	\$25,852	\$29,092
% Margin	7%	8%	8%	6%	8%	6%	7%	7%	8%	8%	9%	9%	9%	9%
% Y/Y Growth	37	33	30	9	36	9	29	26	23	18	16	14	13	13
Implied Taxes on Operations	(\$1,418)	(\$515)	(\$767)	(\$5,096)	(\$858)	(\$2,250)	(\$3,049)	(\$3,937)	(\$4,847)	(\$5,678)	(\$6,456)	(\$7,233)	(\$7,979)	(\$9,008)
% Effective Tax Rate	27%	34%	51%	423%	34%	31%	32%	33%	33%	32%	32%	32%	31%	31%
Capital Expenditures	(\$3,443)	(\$1,080)	(\$1,290)	(\$1,200)	(\$1,100)	(\$5,137)	(\$5,599)	(\$6,047)	(\$6,471)	(\$6,859)	(\$7,202)	(\$7,490)	(\$7,715)	(\$7,869)
% Y/Y Growth	(9%)	61%	51%	16%	25%	10%	9%	8%	7%	6%	5%	4%	3%	2%
Change in Net Working Capital	\$768	(\$3,620)	(\$482)	(\$425)	\$5,618	\$2,113	\$3,939	\$6,040	\$8,673	\$11,111	\$13,101	\$14,727	\$16,055	\$17,167
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
Unlevered Free Cash Flow	\$1,153	(\$3,703)	(\$1,026)	(\$5,516)	\$6,169	\$2,058	\$4,714	\$7,974	\$11,999	\$15,916	\$19,492	\$22,915	\$26,213	\$29,382
NPV at 6/30/14 Valuation Date and 12.0% WACC	--	--	--	(\$5,361)	\$5,827	\$1,837	\$3,755	\$5,671	\$7,619	\$9,024	\$9,864	\$10,354	\$10,576	\$10,584

Perpetuity Growth Rate / Terminal Value at 12.0% WACC				
3.0%	3.5%	4.0%	4.5%	5.0%
\$358,105	\$381,011	\$406,780	\$435,984	\$469,361

Implied Terminal Value / Terminal EBITDA Multiple				
12.3x	13.1x	14.0x	15.0x	16.1x
\$358,105	\$381,011	\$406,780	\$435,984	\$469,361

Median DCF Valuation at 6/30/14 Valuation Date	
NPV of Cash Flows and Terminal Value	\$200,540
Plus: Net Cash	4,083
Implied Equity Value	\$204,623
Implied Fully Diluted Shares Outstanding (MM)	470
Implied Equity Value per Share	\$435

WACC	Equity Value per Share				
	10%	\$467	\$486	\$507	\$531
11%	433	450	469	491	516
12%	402	417	435	455	478
13%	373	388	404	422	443
14%	347	361	375	392	411

Source: Jefferies

EBAY Model

Exhibit 9: eBay - Income Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Net Revenues	\$3,748,000	\$3,877,000	\$3,892,000	\$4,530,000	\$4,262,000	\$4,366,000	\$4,370,204	\$5,186,969	\$16,047,000	\$18,185,173	\$20,750,526
% Y/Y Growth	14%	14%	14%	13%	14%	13%	12%	15%	14%	13%	14%
Cost of Net Revenues	1,121,000	1,169,000	1,196,000	1,394,000	1,310,000	1,350,000	1,359,557	1,637,662	4,880,000	5,657,220	6,507,151
Total Gross Profit	\$2,627,000	\$2,708,000	\$2,696,000	\$3,136,000	\$2,952,000	\$3,016,000	\$3,010,647	\$3,549,307	\$11,167,000	\$12,527,953	\$14,243,375
% Margin	70.1%	69.8%	69.3%	69.2%	69.3%	69.1%	68.9%	68.4%	69.6%	68.9%	68.6%
Sales and Marketing	664,000	730,000	717,000	790,000	763,000	869,000	857,539	917,538	2,901,000	3,407,077	3,918,834
Product Development	402,000	405,000	391,000	383,000	429,000	441,000	446,000	482,000	1,581,000	1,798,000	2,028,000
General and Administrative	361,000	361,000	363,000	410,000	411,000	408,000	410,000	415,000	1,495,000	1,644,000	1,839,000
Provision for Transaction & Loan Losses	175,000	193,000	185,000	238,000	204,000	232,000	222,880	259,348	791,000	918,229	975,275
Adjusted Operating Income / (Loss)	\$1,025,000	\$1,019,000	\$1,040,000	\$1,315,000	\$1,145,000	\$1,066,000	\$1,074,227	\$1,475,420	\$4,399,000	\$4,760,647	\$5,482,266
% Margin	27.3%	26.3%	26.7%	29.0%	26.9%	24.4%	24.6%	28.4%	27.4%	26.2%	26.4%
% Y/Y Growth	(7)	(1)	2	26	(13)	(7)	1	37	15	8	15
EBITDA	\$1,254,000	\$1,265,000	\$1,297,000	\$1,588,000	\$1,424,000	\$1,344,000	\$1,377,142	\$1,797,677	\$5,404,000	\$5,942,819	\$6,956,537
% Margin	33.5%	32.6%	33.3%	35.1%	33.4%	30.8%	31.5%	34.7%	33.7%	32.7%	33.5%
% Y/Y Growth	(5)	1	3	22	(10)	(6)	2	31	18	10	17
Net Interest (Income) and Other (Income)	(6,000)	2,000	4,000	(14,000)	4,000	(11,000)	23,427	20,625	(14,000)	37,052	68,371
Adjusted Pre-Tax Profit / (Loss)	\$1,031,000	\$1,017,000	\$1,036,000	\$1,329,000	\$1,141,000	\$1,077,000	\$1,050,801	\$1,454,795	\$4,413,000	\$4,723,595	\$5,413,896
% Effective Tax Rate	20%	19%	19%	20%	21%	19%	19%	22%	19%	21%	21%
Provision / (Benefit) for Income Taxes	132,000	116,000	184,000	178,000	160,000	127,000	158,465	267,275	610,000	712,740	923,002
Tax Adjustments for Non-GAAP Items	70,000	79,000	15,000	84,000	82,000	82,000	45,638	53,619	248,000	263,257	195,964
Operating Net Income / (Loss)	\$829,000	\$822,000	\$837,000	\$1,067,000	\$899,000	\$868,000	\$846,697	\$1,133,901	\$3,555,000	\$3,747,599	\$4,294,930
% Margin	22%	21%	22%	24%	21%	20%	19%	22%	22%	21%	21%
% Y/Y Growth	(11)	(1)	2	27	(16)	(3)	(2)	34	15	5	15
Amortization of Acquired Intangible Assets	100,000	101,000	100,000	94,000	103,000	95,000	75,000	75,000	395,000	348,000	265,000
Stock-Based Compensation	111,000	161,000	140,000	197,000	149,000	166,000	158,200	171,390	609,000	644,590	676,820
Employer Payroll Taxes on Stock Option:	14,000	7,000	1,000	2,000	15,000	11,000	7,000	3,000	24,000	36,000	38,000
1x Charges	0	(5,000)	(73,000)	8,000	3,039,000	0	0	0	(70,000)	3,039,000	0
(Gain) / Loss on Sale of Investments	(3,000)	(3,000)	(5,000)	0	1,000	2,000	(9,000)	(108,000)	(11,000)	(114,000)	(60,000)
Tax Effect of Non-GAAP Entries	(70,000)	(79,000)	(15,000)	(84,000)	(82,000)	(82,000)	(45,638)	(53,619)	(248,000)	(263,257)	(195,964)
Reported GAAP Net Income / (Loss)	\$677,000	\$640,000	\$689,000	\$850,000	(\$2,326,000)	\$676,000	\$661,135	\$1,046,130	\$2,856,000	\$5,726,000	\$3,571,074
% Margin	18%	17%	18%	19%	(55%)	15%	15%	20%	18%	0%	17%
% Y/Y Growth	(10)	(5)	8	23	(374)	--	(2)	58	9	(98)	6,136
Weighted Avg. Diluted Shares Outstanding	1,319,000	1,313,000	1,310,000	1,310,000	1,276,000	1,267,000	1,257,158	1,258,078	1,313,000	1,264,559	1,264,416
Operating EPS	\$0.63	\$0.63	\$0.64	\$0.81	\$0.70	\$0.69	\$0.67	\$0.90	\$2.71	\$2.96	\$3.40
% Q/Q Growth	(11%)	(0%)	2%	27%	(14%)	(3%)	(2%)	34%	15%	9%	15%
Reported GAAP EPS	\$0.51	\$0.49	\$0.53	\$0.65	(\$1.82)	\$0.53	\$0.53	\$0.83	\$2.18	\$0.05	\$2.82
% Q/Q Growth	(10%)	(5%)	8%	23%	(381%)	--	(1%)	58%	9%	(98%)	6,137%

Source: Company data, Jefferies

Exhibit 10: eBay - Revenue Build (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Total Net Revenues	\$3,748,000	\$3,877,000	\$3,892,000	\$4,530,000	\$4,262,000	\$4,366,000	\$4,370,204	\$5,186,969	\$16,047,000	\$18,185,173	\$20,750,526
% Y/Y Growth	14.4%	14.1%	14.3%	13.5%	13.7%	12.6%	12.3%	14.5%	14.0%	13.3%	14.1%
Marketplaces	1,957,000	2,001,000	2,027,000	2,299,000	2,155,000	2,174,000	2,186,108	2,527,925	8,284,000	9,043,033	9,930,300
% Y/Y Growth	13.3%	10.3%	12.2%	12.1%	10.1%	8.6%	7.8%	10.0%	12.0%	9.2%	9.8%
% of Total Net Revenues	52.2%	51.6%	52.1%	50.8%	50.6%	49.8%	50.0%	48.7%	51.6%	49.7%	47.9%
Transaction Revenues	1,554,000	1,578,000	1,609,000	1,828,000	1,727,000	1,722,000	1,740,938	2,027,252	6,569,000	7,217,190	7,989,429
% Y/Y Growth	13.8%	10.7%	12.8%	13.1%	11.1%	9.1%	8.2%	10.9%	12.6%	9.9%	10.7%
Marketing Services & Other Rev	403,000	423,000	418,000	471,000	428,000	452,000	445,170	500,673	1,715,000	1,825,843	1,940,871
% Y/Y Growth	11.0%	9.0%	10.3%	8.5%	6.2%	6.9%	6.5%	6.3%	9.7%	6.5%	6.3%
Payments	1,548,000	1,624,000	1,620,000	1,836,000	1,845,000	1,946,000	1,931,096	2,231,044	6,628,000	7,953,140	9,578,425
% Y/Y Growth	18.3%	19.7%	18.5%	19.1%	19.2%	19.8%	19.2%	21.5%	18.9%	20.0%	20.4%
% of Total Net Revenues	41.3%	41.9%	41.6%	40.5%	43.3%	44.6%	44.2%	43.0%	41.3%	43.7%	46.2%
Transaction Revenues	1,435,000	1,475,000	1,493,000	1,693,000	1,700,000	1,741,000	1,764,726	2,045,144	6,096,000	7,250,870	8,686,542
% Y/Y Growth	18.0%	19.5%	18.1%	18.2%	18.5%	18.0%	18.2%	20.8%	18.5%	18.9%	19.8%
Marketing Services & Other Rev	113,000	149,000	127,000	143,000	145,000	205,000	166,370	185,900	532,000	702,270	891,883
% Y/Y Growth	21.3%	21.1%	24.3%	31.2%	28.3%	37.6%	31.0%	30.0%	24.5%	32.0%	27.0%
eBay Enterprise	248,000	260,000	252,000	407,000	269,000	267,000	260,000	440,000	1,167,000	1,236,000	1,291,620
% Y/Y Growth	2.1%	12.6%	5.9%	-0.7%	8.5%	2.7%	3.2%	8.1%	4.0%	5.9%	4.5%
% of Total Net Revenues	6.6%	6.7%	6.5%	9.0%	6.3%	6.1%	5.9%	8.5%	7.3%	6.8%	6.2%
Inter-Segment Eliminations	(5,000)	(8,000)	(7,000)	(12,000)	(7,000)	(21,000)	(7,000)	(12,000)	(32,000)	(47,000)	(49,820)
% Y/Y Growth	66.7%	100.0%	6.1%	33.3%	40.0%	162.5%	0.0%	0.0%	41.6%	46.9%	6.0%

Source: Company data, Jefferies

Exhibit 11: eBay - Metrics (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Marketplaces Metrics											
Gross Merchandise Volume (GMV)	\$18,307,000	\$18,276,000	\$18,345,000	\$21,503,000	\$20,545,000	\$20,485,000	\$20,564,745	\$24,104,863	\$76,431,000	\$85,699,608	\$95,983,561
% Y/Y Growth	13.1%	13.1%	12.8%	12.6%	12.2%	12.1%	12.1%	12.1%	12.9%	12.1%	12.0%
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	20.8%	22.7%	29.7%	38.6%	27.3%	28.3%	34.0%	43.6%	28.4%	33.7%	37.6%
Fixed-Price GMV (excl Vehicles)	\$13,100,000	\$13,400,000	\$13,900,000	\$16,300,000	\$15,593,655	\$15,937,330	\$16,040,501	\$18,801,793	\$56,700,000	\$66,373,279	\$74,387,260
% Y/Y Growth	18.0%	18.6%	18.8%	19.0%	19.0%	18.9%	15.4%	15.3%	18.6%	17.1%	12.1%
Fixed-Price as % of Total GMV	72%	73%	76%	76%	76%	78%	78%	78%	74.2%	77.4%	77.5%
Transaction Revenue Take Rate	8.49%	8.63%	8.77%	8.50%	8.41%	8.41%	8.47%	8.41%	8.59%	8.42%	8.32%
Transaction Revenue per Listing	\$1.20	\$1.18	\$1.19	\$1.11	\$1.20	\$1.16	\$1.16	\$1.10	\$1.17	\$1.15	\$1.14
% Y/Y Growth	3.0%	0.1%	1.9%	2.9%	0.0%	-1.8%	-2.5%	-0.4%	2.0%	-1.1%	-1.2%
Average Selling Price (ASP)	\$37.73	\$35.69	\$37.40	\$35.82	\$38.01	\$36.54	\$38.04	\$36.04	\$36.60	\$37.09	\$37.12
% Y/Y Growth	1.3%	1.7%	1.3%	1.3%	0.7%	2.4%	1.7%	0.6%	1.4%	1.3%	0.1%
Marketplaces Transaction Revenue	\$1,554,000	\$1,578,000	\$1,609,000	\$1,828,000	\$1,727,000	\$1,722,000	\$1,740,938	\$2,027,252	\$6,569,000	\$7,217,190	\$7,989,429
% Y/Y Growth	13.8%	10.7%	12.8%	13.1%	11.1%	9.1%	8.2%	10.9%	12.6%	9.9%	10.7%
US GMV	7,349,000	7,253,000	7,408,000	8,342,000	8,141,000	7,972,000	8,326,592	9,359,724	\$30,352,000	\$33,799,316	\$37,922,833
Y/Y Growth	16.0%	17.0%	15.0%	13.9%	10.8%	9.9%	12.4%	12.2%	15.4%	11.4%	12.2%
Q/Q Growth	0.3%	-1.3%	2.1%	12.6%	-2.4%	-2.1%	4.4%	12.4%	--	--	--
% of Total	40.1%	39.7%	40.4%	38.8%	39.6%	38.9%	40.5%	38.8%	39.7%	39.4%	39.5%
International GMV	10,958,000	11,023,000	10,937,000	13,162,000	12,404,000	12,513,000	12,238,153	14,745,139	\$46,080,000	\$51,900,292	\$58,060,728
Y/Y Growth	11.4%	11.0%	11.6%	11.9%	13.2%	13.5%	11.9%	12.0%	11.5%	12.6%	11.9%
FX-neutral Y/Y Growth	11.0%	11.0%	11.0%	10.0%	11.0%	8.0%	11.9%	12.0%	11.5%	12.6%	11.9%
Q/Q Growth	-6.9%	0.6%	-0.8%	20.3%	-5.8%	0.9%	-2.2%	20.5%	--	--	--
% of Total	59.9%	60.3%	59.6%	61.2%	60.4%	61.1%	59.5%	61.2%	60.3%	60.6%	60.5%
Active Buyers ('000)	127,300	130,800	134,900	140,300	145,100	148,900	151,088	157,136	140,300	157,136	157,136
% Y/Y Growth	12.7%	12.9%	12.9%	13.6%	14.0%	13.8%	12.0%	12.0%	14%	12%	12%
Payments Metrics											
Total Payment Volume (\$'000)	\$41,040,000	\$42,813,000	\$43,837,000	\$51,973,000	\$52,006,000	\$55,046,000	\$54,684,466	\$64,674,292	\$179,663,000	\$226,410,757	\$271,454,446
% Y/Y Growth	21.2%	24.3%	24.7%	25.3%	26.7%	28.6%	24.7%	24.4%	24.0%	26.0%	19.9%
On-eBay Volume	\$12,953,000	\$13,006,000	\$13,112,000	\$15,311,000	\$14,844,000	\$14,675,000	\$14,704,653	\$17,534,800	\$54,382,000	\$61,758,453	\$67,863,611
% Y/Y Growth	13.4%	14.7%	14.5%	13.9%	14.6%	12.8%	12.1%	14.5%	14.1%	13.6%	9.9%
% Y/Y Growth (FX-Neutral)	14.0%	15.0%	15.0%	13.0%	13.0%	10.0%	13.0%	14.5%	14.1%	13.6%	9.9%
% of Total Payment Volume	31.6%	30.4%	29.9%	29.5%	28.5%	26.7%	26.9%	27.1%	30.3%	27.3%	25.0%
Merchant Services (Off-eBay) Volume	\$28,087,000	\$29,807,000	\$30,725,000	\$36,662,000	\$37,162,000	\$40,371,000	\$39,979,813	\$47,139,492	\$125,281,000	\$164,652,305	\$203,590,834
% Y/Y Growth	25.2%	29.0%	29.6%	30.8%	32.3%	35.4%	30.1%	28.6%	28.8%	31.4%	23.6%
% Y/Y Growth (FX-Neutral)	26.0%	29.0%	30.0%	31.0%	32.0%	33.0%	30.1%	28.6%	28.8%	31.4%	23.6%
Bill Me Later TPV	\$849,000	\$934,000	\$1,009,000	\$1,314,000	\$1,092,000	\$1,252,000	\$1,391,411	\$1,686,123	\$4,106,000	\$5,421,534	\$6,668,487
% Y/Y Growth	30.6%	34.2%	30.2%	27.1%	28.6%	34.0%	37.9%	28.3%	30.1%	32.0%	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%	16.3%	16.0%	16.6%	16.1%	14.9%	16.3%	17.6%
Transaction Take Rate	3.77%	3.79%	3.70%	3.53%	3.55%	3.53%	3.53%	3.53%	3.59%	3.42%	3.32%
Transaction Expense Rate	1.05%	1.04%	1.05%	0.97%	0.99%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%
Transaction Loss Rate	0.29%	0.31%	0.30%	0.32%	0.27%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%
Transaction Margin	64.4%	64.4%	63.4%	63.5%	64.6%	65.1%	65.1%	65.1%	65.1%	65.1%	65.1%
Active Registered Accounts ('000)	127,700	132,400	137,400	142,600	148,400	152,500	151,827	157,573	142,600	157,573	173,173
% Y/Y Growth	16.3%	17.0%	17.0%	16.2%	16.2%	15.2%	10.5%	10.5%	16.2%	10.5%	9.9%
Net Number of Payments ('000)	681,600	700,600	729,400	846,100	834,400	850,200	889,868	1,029,704	2,957,700	3,604,172	4,240,638
% Y/Y Growth	22.7%	24.0%	23.8%	22.3%	22.4%	21.4%	22.0%	21.7%	23.2%	21.9%	17.7%
Transaction Average Size	\$60.21	\$61.11	\$60.10	\$61.43	\$62.33	\$64.74	\$61.45	\$62.81	\$60.74	\$62.82	\$64.01
% Y/Y Growth	-1.2%	0.2%	0.7%	2.5%	3.5%	5.9%	2.3%	2.3%	0.6%	3.4%	1.9%
Payments Transaction Revenue (\$	\$1,435,000	\$1,475,000	\$1,493,000	\$1,693,000	\$1,700,000	\$1,741,000	\$1,764,726	\$2,045,144	\$6,096,000	\$7,250,870	\$8,686,542
% Y/Y Growth	18.0%	19.5%	18.1%	18.2%	18.5%	18.0%	18.2%	20.8%	18.5%	18.9%	19.8%
Payments Take Rate	3.50%	3.45%	3.41%	3.26%	3.27%	3.16%	3.23%	3.16%	3.39%	3.20%	3.20%

Source: Company data, Jefferies

Exhibit 12: eBay - Balance Sheet (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Cash & Cash Equivalents	\$6,530,000	\$6,855,000	\$5,280,000	\$4,494,000	\$4,415,000	\$3,834,000	\$2,243,855	\$3,238,188	\$4,494,000	\$3,238,188	\$6,979,212
Short-Term Marketable Securities	2,872,000	3,581,000	4,991,000	4,531,000	3,429,000	3,535,000	3,535,000	3,535,000	4,531,000	3,535,000	3,535,000
Accounts Receivable	743,000	743,000	772,000	899,000	810,000	765,000	893,351	1,060,313	899,000	1,060,313	1,209,890
Funds Receivable	11,047,000	11,285,000	11,507,000	12,049,000	12,392,000	12,976,000	8,494,561	10,082,144	12,049,000	10,082,144	11,504,416
Other Current Assets	1,144,000	982,000	926,000	1,310,000	1,313,000	1,268,000	808,755	866,169	1,310,000	866,169	976,993
Current Assets	\$22,336,000	\$23,446,000	\$23,476,000	\$23,283,000	\$22,359,000	\$22,378,000	\$15,975,523	\$18,781,814	\$23,283,000	\$18,781,814	\$24,205,511
Property and Equipment	2,575,000	2,697,000	2,763,000	2,760,000	2,686,000	2,685,000	2,810,365	2,991,244	2,760,000	2,991,244	3,080,289
Long-Term Investments	3,172,000	2,506,000	4,138,000	4,971,000	5,211,000	6,217,000	6,213,000	6,209,000	4,971,000	6,209,000	6,269,000
Goodwill	8,455,000	8,394,000	8,566,000	9,267,000	9,257,000	9,367,000	9,367,000	9,367,000	9,267,000	9,367,000	9,367,000
Other Intangibles	1,023,000	926,000	863,000	941,000	805,000	714,000	639,000	564,000	941,000	564,000	299,000
Other Assets	439,000	581,000	261,000	266,000	227,000	279,000	599,219	641,757	266,000	641,757	723,868
Total Assets	\$38,000,000	\$38,550,000	\$40,067,000	\$41,488,000	\$40,545,000	\$41,640,000	\$35,604,106	\$38,554,815	\$41,488,000	\$38,554,815	\$43,944,668
Accounts Payable	\$308,000	\$313,000	\$288,000	\$309,000	\$277,000	\$312,000	\$374,535	\$450,587	\$309,000	\$450,587	\$518,282
Funds Payable & Amounts Due to Customers	8,897,000	9,012,000	9,073,000	9,260,000	9,648,000	10,037,000	6,185,847	7,344,274	9,260,000	7,344,274	8,380,319
Accrued Expenses & Other Liabilities	1,885,000	1,711,000	2,008,000	2,799,000	5,523,000	5,693,000	2,495,573	2,698,776	2,799,000	2,698,776	3,044,076
Deferred Revenue	149,000	154,000	164,000	158,000	169,000	183,000	169,690	201,673	158,000	201,673	230,123
Short-Term Debt	411,000	410,000	408,000	6,000	4,000	1,203,000	1,453,000	2,051,000	6,000	2,051,000	1,203,000
Income Taxes Payable	70,000	70,000	87,000	107,000	120,000	110,000	221,938	357,993	107,000	357,993	410,434
Total Current Liabilities	\$11,720,000	\$11,670,000	\$12,028,000	\$12,639,000	\$15,741,000	\$17,538,000	\$10,900,583	\$13,104,304	\$12,639,000	\$13,104,304	\$13,786,234
Long-Term Debt	4,105,000	4,123,000	4,123,000	4,117,000	4,124,000	4,118,000	3,868,000	3,270,000	4,117,000	3,270,000	3,270,000
Deferred Tax Liabilities	832,000	889,000	914,000	841,000	828,000	774,000	774,000	774,000	841,000	774,000	774,000
Other Liabilities	231,000	217,000	235,000	244,000	243,000	240,000	186,939	200,210	244,000	200,210	224,826
Total Liabilities	\$16,888,000	\$16,899,000	\$17,300,000	\$17,841,000	\$20,936,000	\$22,670,000	\$15,729,521	\$17,348,513	\$17,841,000	\$17,348,513	\$18,056,060
Additional Paid-In Capital	12,242,000	12,505,000	12,699,000	13,033,000	13,204,000	13,204,000	13,224,569	13,250,808	13,033,000	13,250,808	13,386,764
Retained Earnings (Accumulated Deficit)	16,675,000	17,315,000	18,004,000	18,854,000	16,528,000	17,582,000	18,466,016	19,771,494	18,854,000	19,771,494	24,317,843
Treasury Stock	(8,529,000)	(8,995,000)	(9,141,000)	(9,396,000)	(11,207,000)	(12,900,000)	(12,900,000)	(12,900,000)	(9,396,000)	(12,900,000)	(12,900,000)
Accumulated Other Comprehensive Income	724,000	826,000	1,205,000	1,156,000	1,084,000	1,084,000	1,084,000	1,084,000	1,156,000	1,084,000	1,084,000
Shareholders' Equity	\$21,112,000	\$21,651,000	\$22,767,000	\$23,647,000	\$19,609,000	\$18,970,000	\$19,874,585	\$21,206,302	\$23,647,000	\$21,206,302	\$25,888,608
Liabilities & Shareholders' Equity	\$38,000,000	\$38,550,000	\$40,067,000	\$41,488,000	\$40,545,000	\$41,640,000	\$35,604,106	\$38,554,815	\$41,488,000	\$38,554,815	\$43,944,668

Source: Company data, Jefferies

Exhibit 13: eBay - Cash Flow Statement (\$000s)

	F2013				F2014				F2013A	F2014E	F2015E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Net Income	\$677,000	\$640,000	\$689,000	\$850,000	(\$2,326,000)	\$676,000	\$661,135	\$1,046,130	\$2,856,000	\$57,265	\$3,571,074
Depreciation	229,000	246,000	257,000	273,000	279,000	278,000	302,915	322,257	1,005,000	1,182,172	1,474,271
Amortization	100,000	101,000	100,000	94,000	103,000	95,000	75,000	75,000	395,000	348,000	265,000
Tax Benefit from Stock Options	0	0	0	0	0	0	7,265	7,344	0	14,609	36,652
Stock-Based Compensation	111,000	161,000	140,000	197,000	149,000	166,000	158,200	171,390	609,000	644,590	676,820
Earnings in Unconsolidated Equity Interests	0	0	0	0	0	0	4,000	4,000	0	8,000	(60,000)
Provision for Transaction & Loan Losses	175,000	193,000	185,000	238,000	204,000	232,000	222,880	259,348	791,000	918,229	975,275
Other Non-Cash Charges	0	0	0	0	0	0	0	0	0	0	0
Funds From Operations	\$1,292,000	\$1,341,000	\$1,296,000	\$1,652,000	\$1,517,000	\$1,399,000	\$1,431,396	\$1,885,470	\$5,581,000	\$6,232,866	\$6,939,092
(Inc.) Dec. in Accounts Receivable	0	0	0	0	0	0	(128,351)	(166,962)	0	(295,313)	(149,577)
(Inc.) Dec. in Funds Receivable	0	0	0	0	0	0	4,481,439	(1,587,583)	0	2,893,856	(1,422,272)
(Inc.) Dec. in Other Current Assets	0	0	0	0	0	0	459,245	(57,414)	0	401,831	(110,824)
(Inc.) Dec. in Other Long-Term Assets	0	0	0	0	0	0	(320,219)	(42,539)	0	(362,757)	(82,111)
Inc. (Dec.) in Accounts Payable	0	0	0	0	0	0	62,535	76,052	0	138,587	67,695
Inc. (Dec.) in Funds Payable	0	0	0	0	0	0	(3,851,153)	1,158,428	0	(2,692,726)	1,036,045
Inc. (Dec.) in Accrued and Other Liabilities	0	0	0	0	0	0	(3,250,488)	216,473	0	(3,034,014)	370,916
Inc. (Dec.) in Deferred Revenue	0	0	0	0	0	0	(13,310)	31,983	0	18,673	28,450
Inc. (Dec.) in Income Taxes Payable	0	0	0	0	0	0	111,938	136,055	0	247,993	52,441
Change in Net Working Capital	(\$355,000)	(\$330,000)	\$38,000	\$61,000	(\$343,000)	\$95,000	(\$2,448,365)	(\$235,506)	(\$586,000)	(\$2,931,871)	(\$209,236)
Cash Flow from Operations	\$937,000	\$1,011,000	\$1,334,000	\$1,713,000	\$1,174,000	\$1,494,000	(\$1,016,969)	\$1,649,964	\$4,995,000	\$3,300,995	\$6,729,856
Capital Expenditures	(299,000)	(353,000)	(317,000)	(281,000)	(206,000)	(269,000)	(428,280)	(503,136)	(1,250,000)	(1,406,416)	(1,563,316)
Acquisitions, Net of Cash Acquired	(8,000)	(7,000)	(70,000)	(784,000)	(4,000)	(35,000)	0	0	(869,000)	(39,000)	0
Purchases of Securities and Investments	(1,455,000)	(598,000)	(3,702,000)	(1,779,000)	(1,263,000)	(2,380,000)	0	0	(7,534,000)	(3,643,000)	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	2,006,000	1,258,000	0	0	3,943,000	3,264,000	0
Other	(5,000)	(163,000)	(212,000)	(407,000)	(1,000)	(235,000)	0	0	(787,000)	(236,000)	0
Net Cash Used in Investing Activities	(\$719,000)	(\$371,000)	(\$2,904,000)	(\$2,018,000)	\$532,000	(\$1,661,000)	(\$428,280)	(\$503,136)	(\$6,012,000)	(\$2,060,416)	(\$1,563,316)
Debt Issuance / (Repayment)	0	0	0	(400,000)	0	1,200,000	0	0	(400,000)	1,200,000	(848,000)
Proceeds from / (Repurchase of) Common Stock	(374,000)	(324,000)	(89,000)	(118,000)	(1,756,000)	(1,558,000)	(144,896)	(152,496)	(905,000)	(3,611,392)	(577,515)
Excess Tax Benefit from Stock Options	116,000	45,000	19,000	21,000	60,000	26,000	0	0	201,000	86,000	0
Other	(153,000)	(73,000)	(21,000)	(3,000)	(97,000)	(113,000)	0	0	(250,000)	(210,000)	0
Net Cash Provided by Financing Activities	(\$411,000)	(\$352,000)	(\$91,000)	(\$500,000)	(\$1,793,000)	(\$445,000)	(\$144,896)	(\$152,496)	(\$1,354,000)	(\$2,535,392)	(\$1,425,515)
Effect of Exchange Rate Changes	(94,000)	37,000	86,000	19,000	8,000	31,000	0	0	48,000	39,000	0
Inc. (Dec.) in Cash and Cash Equivalents	(\$287,000)	\$325,000	(\$1,575,000)	(\$786,000)	(\$79,000)	(\$581,000)	(\$1,590,145)	\$994,332	(\$2,323,000)	(\$1,255,812)	\$3,741,025
Beginning Cash and Cash Equivalents	6,817,000	6,530,000	6,855,000	5,280,000	4,494,000	4,415,000	3,834,000	2,243,855	6,817,000	4,494,000	3,238,188
Ending Cash and Cash Equivalents	\$6,530,000	\$6,855,000	\$5,280,000	\$4,494,000	\$4,415,000	\$3,834,000	\$2,243,855	\$3,238,188	\$4,494,000	\$3,238,188	\$6,979,212

Source: Company data, Jefferies

Exhibit 14: eBay - DCF Analysis (\$MM)

	2014													
	2013A	Q1 14A	Q2 14A	Q3 14E	Q4 14E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenue	\$16,047	\$4,262	\$4,366	\$4,370	\$5,187	\$20,751	\$23,506	\$26,429	\$29,483	\$32,616	\$35,617	\$38,212	\$40,457	\$42,499
% Y/Y Growth	14%	14%	13%	12%	15%	14%	13%	12%	12%	11%	9%	7%	6%	5%
EBITDA	\$5,404	\$1,424	\$1,344	\$1,377	\$1,798	\$6,957	\$7,800	\$8,865	\$10,096	\$11,467	\$12,887	\$14,206	\$15,423	\$16,559
% Margin	34%	33%	31%	32%	35%	34%	33%	34%	34%	35%	36%	37%	38%	39%
% Y/Y Growth	18	14	6	6	13	17	12	14	14	14	12	10	9	7
Implied Taxes on Operations	(\$1,051)	(\$302)	(\$261)	(\$267)	(\$397)	(\$1,438)	(\$1,705)	(\$2,021)	(\$2,299)	(\$2,653)	(\$2,980)	(\$3,278)	(\$3,618)	(\$3,876)
% Effective Tax Rate	19%	21%	19%	19%	22%	21%	22%	23%	23%	23%	23%	23%	23%	23%
Capital Expenditures	(\$1,250)	(\$206)	(\$269)	(\$428)	(\$503)	(\$1,563)	(\$1,724)	(\$1,885)	(\$2,044)	(\$2,196)	(\$2,327)	(\$2,420)	(\$2,482)	(\$2,522)
% Y/Y Growth	(1%)	(31%)	(24%)	35%	79%	11%	10%	9%	8%	7%	6%	4%	3%	2%
Change in Net Working Capital	(\$586)	(\$343)	\$95	(\$2,448)	(\$236)	(\$209)	(\$195)	(\$220)	(\$256)	(\$254)	(\$265)	(\$236)	(\$189)	(\$193)
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
Unlevered Free Cash Flow	\$2,517	\$573	\$909	(\$1,767)	\$663	\$3,746	\$4,176	\$4,739	\$5,496	\$6,363	\$7,315	\$8,272	\$9,135	\$9,968
NPV at 6/30/14 Valuation Date and 12.5% WACC	--	--	--	(\$1,715)	\$624	\$3,330	\$3,300	\$3,329	\$3,434	\$3,535	\$3,612	\$3,632	\$3,567	\$3,461
Perpetuity Growth Rate / Terminal Value at 12.5% WACC														
3.0%														
3.5%														
4.0%														
4.5%														
5.0%														
\$112,231														
\$119,070														
\$126,717														
\$135,325														
\$145,088														
Implied Terminal Value / Terminal EBITDA Multiple														
6.8x														
7.2x														
7.7x														
8.2x														
8.8x														
\$112,231														
\$119,070														
\$126,717														
\$135,325														
\$145,088														
Median DCF Valuation at 6/30/14 Valuation Date														
NPV of Cash Flows and Terminal Value														
\$69,215														
Plus: Cash and Equivalents														
8,265														
Implied Equity Value														
\$77,480														
Implied Fully Diluted Shares Outstanding (MM)														
1,313														
Implied Equity Value per Share														
\$59														
WACC														
10%														
\$63														
11%														
59														
12%														
56														
13%														
53														
14%														
50														
Equity Value per Share														
\$65														
\$67														
\$69														
\$72														
61														
63														
57														
59														
65														
61														
54														
56														
57														
59														
51														
52														
54														
56														

Source: Jefferies

GOOG Model

Exhibit 15: Google Income Statement (\$ 000s)

	F2014						
	Q1 14A	Q2 14A	Q3 14E	Q4 14E	F2014E	F2015E	F2016E
Reported Gross Revenue (incl. TAC)	\$15,420,000	\$15,955,000	\$16,665,373	\$18,719,224	\$66,759,597	\$78,645,100	\$90,194,421
% Y/Y Growth	19%	22%	21%	19%	19%	18%	15%
% Q/Q Growth	(2)	3	4	12	--	--	--
Cost of Revenue	5,866,000	6,014,000	6,163,224	6,880,797	24,924,021	28,271,195	31,647,044
Traffic Acquisition Costs (TAC)	3,230,000	3,290,000	3,371,513	3,705,366	13,596,879	15,281,697	16,549,922
% of Advertising Gross Revenue	23.3%	22.9%	22.6%	22.6%	22.8%	22.1%	21.0%
Net Revenue (excl. TAC)	\$12,190,000	\$12,665,000	\$13,293,860	\$15,013,858	\$53,162,718	\$63,363,403	\$73,644,498
% Y/Y Growth	22%	25%	23%	21%	23%	19%	16%
% Q/Q Growth	(2)	4	5	13	--	--	--
Consensus	12,190	(0)	12,981	14,771	52,249	61,886	
Additional Cost of Net Revenue	2,636,000	2,724,000	2,791,711	3,175,431	11,327,142	12,989,498	15,097,122
Total Gross Profit	\$9,554,000	\$9,941,000	\$10,502,149	\$11,838,427	\$41,835,576	\$50,373,905	\$58,547,376
% Margin	78.4%	78.5%	79.0%	78.9%	78.7%	79.5%	79.5%
Research and Development (ex-Mot)	1,670,000	1,791,000	1,801,000	1,861,000	7,123,000	7,948,000	8,773,000
Sales and Marketing (ex-Mot)	1,582,000	1,783,000	1,682,040	1,923,013	6,970,053	8,415,161	9,904,075
General and Administrative (ex-Mot)	1,348,000	1,229,000	1,244,000	1,279,000	5,100,000	5,375,000	5,650,000
Total Stock Compensation Expense	839,000	880,000	974,600	992,200	3,685,800	3,833,232	3,986,561
Adjusted Operating Income (excl. st	\$4,954,000	\$5,138,000	\$5,775,109	\$6,775,414	\$22,642,523	\$28,635,744	\$34,220,302
% Margin	41%	41%	43%	45%	43%	45%	46%
% Y/Y Growth	36	52	57	58	51	26	20
% Q/Q Growth	16	4	12	17	--	--	--
% Margin	34%	34%	36%	39%	36%	39%	41%
EBITDA	\$6,040,000	\$6,217,000	\$6,690,580	\$7,566,055	\$26,513,635	\$32,612,612	\$38,396,013
% Margin	50%	49%	50%	50%	50%	51%	52%
% Y/Y Growth	33	41	44	42	40	23	18
% Q/Q Growth	13	3	8	13	--	--	--
Net Interest (Income) and Other (Income)	(357,000)	(145,000)	(77,724)	(75,241)	(654,965)	(325,407)	(410,737)
Adjusted Pre-Tax Profit / (Loss)	\$5,311,000	\$5,283,000	\$5,852,833	\$6,850,655	\$23,297,488	\$28,961,151	\$34,631,039
% Effective Tax Rate	19.1%	21.0%	19.0%	19.0%	20%	19%	20%
Provision / (Benefit) for Income Taxes	822,000	913,000	1,034,196	1,210,511	3,979,706	5,357,813	6,926,208
Tax Adjustments for Non-GAAP Items	190,000	195,000	185,174	188,518	758,692	709,148	797,312
Minority Interest	0	0	0	0	0	0	0
Operating Net Income / (Loss)	\$4,299,000	\$4,175,000	\$4,633,463	\$5,451,627	\$18,559,090	\$22,894,190	\$26,907,519
% Margin	35%	33%	35%	36%	35%	36%	37%
% Y/Y Growth	28	55	57	53	48	23	18
% Q/Q Growth	21	(3)	11	18	--	--	--
Stock-Based Compensation	839,000	880,000	974,600	992,200	3,685,800	3,833,232	3,986,561
Tax Effect of Non-GAAP Entries	(190,000)	(195,000)	(185,174)	(188,518)	(758,692)	(709,148)	(797,312)
Reported GAAP Net Income / (Loss)	\$3,650,000	\$3,490,000	\$3,844,037	\$4,647,945	\$15,631,982	\$19,770,106	\$23,718,270
% Margin	30%	28%	29%	31%	29%	31%	32%
% Y/Y Growth	30	29	68	64	47	26	20
% Q/Q Growth	29	(4)	10	21	--	--	--
Weighted Avg. Diluted Shares Outstanding	685,212	686,363	686,362	691,810	687,187	694,405	701,332
Operating EPS	\$6.27	\$6.08	\$6.75	\$7.88	\$27.01	\$32.97	\$38.37
% Y/Y Growth	(37%)	(24%)	(23%)	(24%)	(27%)	22%	16%
% Q/Q Growth	(40)	(3)	11	17	--	--	--
Reported GAAP EPS	\$5.33	\$5.09	\$5.60	\$6.72	\$22.75	\$28.47	\$33.82
% Y/Y Growth	(36%)	(36%)	(17%)	(19%)	(27%)	25%	19%
% Q/Q Growth	(36)	(4)	10	20	--	--	--

Source: Company, Jefferies

Exhibit 16: Google Balance Sheet (\$ 000s)

	F2013				F2014				F2014E	F2015E	F2016E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Cash & Cash Equivalents	\$15,375,000	\$16,164,000	\$15,242,000	\$18,898,000	\$16,639,000	\$19,620,000	\$21,575,433	\$15,648,611	\$15,648,611	\$31,346,365	\$49,780,396
Short-Term Marketable Securities	34,723,000	38,268,000	41,281,000	39,819,000	42,740,000	41,584,000	41,584,000	41,584,000	41,584,000	41,584,000	41,584,000
Accounts Receivable	7,612,000	8,091,000	7,921,000	8,882,000	7,827,000	8,321,000	8,691,480	9,762,624	9,762,624	11,500,706	13,189,627
Current Deferred Taxes	1,017,000	1,148,000	1,154,000	1,526,000	1,166,000	1,158,000	1,280,563	1,496,140	1,496,140	1,845,373	2,189,337
Other Current Assets	4,081,000	3,190,000	3,260,000	3,761,000	6,942,000	7,222,000	7,079,421	7,552,210	7,552,210	8,455,855	9,353,436
Current Assets	\$62,808,000	\$66,861,000	\$68,858,000	\$72,886,000	\$75,314,000	\$77,905,000	\$80,210,897	\$76,043,584	\$76,043,584	\$94,732,300	\$116,096,796
Property and Equipment	12,300,000	12,912,000	14,867,000	16,524,000	17,877,000	19,486,000	21,320,335	23,587,577	23,587,577	27,688,769	32,680,556
Long-Term Equity and Other Investments	1,470,000	1,564,000	1,843,000	1,976,000	2,123,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000
Goodwill	10,595,000	11,396,000	11,426,000	11,492,000	14,177,000	14,586,000	14,586,000	14,586,000	14,586,000	14,586,000	14,586,000
Other Intangibles	7,324,000	6,558,000	6,290,000	6,066,000	5,317,000	5,234,000	4,984,000	4,734,000	4,734,000	3,734,000	2,684,000
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	1,718,000	1,982,000	2,031,106	2,232,230	2,232,230	2,485,907	2,667,387
Total Assets	\$96,692,000	\$101,182,000	\$105,068,000	\$110,920,000	\$116,526,000	\$121,608,000	\$125,547,338	\$123,598,391	\$123,598,391	\$145,641,976	\$171,129,739
Accounts Payable	\$2,094,000	\$1,758,000	\$2,124,000	\$2,453,000	\$1,623,000	\$1,345,000	\$1,541,804	\$1,630,084	\$1,630,084	\$1,848,997	\$2,069,784
Accrued Compensation & Benefits	1,445,000	1,803,000	1,999,000	2,502,000	1,531,000	2,102,000	2,068,757	2,215,793	2,215,793	2,498,750	2,784,176
Accrued Expenses & Other Liabilities	3,007,000	3,300,000	3,071,000	3,755,000	3,305,000	3,683,000	3,510,514	3,821,202	3,821,202	4,848,873	5,134,850
Accrued Revenue Share	1,437,000	1,458,000	1,472,000	1,729,000	1,674,000	1,686,000	1,785,132	1,991,617	1,991,617	2,385,516	2,780,935
Deferred Revenue	882,000	799,000	907,000	1,062,000	947,000	882,000	734,891	829,973	829,973	914,478	1,210,146
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	7,190,000	7,399,000	7,399,000	7,399,000	7,399,999	7,399,000	7,399,000
Total Current Liabilities	\$13,252,000	\$15,329,000	\$14,475,000	\$15,908,000	\$16,270,000	\$17,097,000	\$17,040,099	\$17,887,670	\$17,887,669	\$19,895,614	\$21,378,893
Long-Term Debt & Capital Lease Obligations	2,989,000	1,989,000	2,238,000	2,236,000	3,234,000	3,232,000	3,232,000	3,232,000	3,232,000	3,232,000	3,232,000
Long-Term Deferred Revenue	79,000	132,000	125,000	139,000	103,000	93,000	77,488	87,514	87,514	209,789	391,117
Deferred Income Taxes	4,162,000	4,176,000	4,531,000	4,585,000	4,674,000	4,627,000	4,627,000	4,627,000	4,627,000	4,627,000	4,627,000
Other Long-Term Liabilities	737,000	704,000	710,000	743,000	534,000	810,000	797,190	853,850	853,850	1,014,800	1,108,954
Total Liabilities	\$21,219,000	\$22,330,000	\$22,079,000	\$23,611,000	\$24,815,000	\$25,859,000	\$25,773,777	\$26,688,034	\$26,724,891	\$28,998,369	\$30,767,863
Additional Paid-In Capital	23,429,000	24,334,000	25,004,000	25,922,000	26,652,000	27,111,000	27,291,524	19,780,376	19,780,376	19,739,600	19,739,600
Retained Earnings (Accumulated Deficit)	51,688,000	54,916,000	57,886,000	61,262,000	64,714,000	68,136,000	71,980,037	76,627,982	76,627,982	96,398,088	120,116,358
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	345,000	502,000	502,000	502,000	502,000	502,000	502,000
Shareholders' Equity	\$75,473,000	\$78,852,000	\$82,989,000	\$87,309,000	\$91,711,000	\$95,749,000	\$99,773,561	\$96,910,358	\$96,910,358	\$116,639,688	\$140,357,958
Liabilities & Shareholders' Equity	\$96,692,000	\$101,182,000	\$105,068,000	\$110,920,000	\$116,526,000	\$121,608,000	\$125,547,338	\$123,598,391	\$123,598,391	\$145,638,058	\$171,125,821

Source: Company, Jefferies

Exhibit 17: Google Cash Flow Statement (\$ 000s)

	F2013				F2014				F2014E	F2015E	F2016E
	Q1 13A	Q2 13A	Q3 13A	Q4 13A	Q1 14A	Q2 14A	Q3 14E	Q4 14E			
Net Income	\$3,346,000	\$3,228,000	\$2,970,000	\$3,376,000	\$3,452,000	\$3,422,000	\$3,844,037	\$4,647,945	\$15,365,982	\$19,770,106	\$23,718,270
Depreciation	584,000	747,000	693,000	757,000	816,000	813,000	665,471	540,641	2,835,112	2,976,868	3,125,711
Amortization of Intangibles and Warrant	315,000	283,000	281,000	279,000	270,000	266,000	250,000	250,000	1,036,000	1,000,000	1,050,000
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)	(155,000)	(137,000)	0	0	(292,000)	0	0
Stock-Based Compensation	708,000	847,000	886,000	902,000	887,000	915,000	974,600	992,200	3,768,800	3,833,232	3,986,561
Deferred Taxes	202,000	63,000	(140,000)	(562,000)	144,000	(282,000)	0	0	(138,000)	0	0
Other / Charges	37,000	(781,000)	83,000	67,000	(234,000)	(40,000)	0	0	(274,000)	0	0
Funds From Operations	\$5,098,000	\$4,283,000	\$4,669,000	\$4,640,000	\$5,180,000	\$4,957,000	\$5,734,109	\$6,430,785	\$22,301,894	\$27,580,206	\$31,880,542
(Inc.) Dec. in Accounts Receivable	256,000	(194,000)	(516,000)	(853,000)	267,000	(721,000)	(370,480)	(1,071,143)	(1,895,624)	(1,738,083)	(1,688,921)
(Inc.) Dec. in Income Taxes	(335,000)	179,000	77,000	480,000	201,000	(263,000)	(122,563)	(215,577)	(400,140)	(349,234)	(343,964)
(Inc.) Dec. in Prepaid Revenue and Oth	(354,000)	(152,000)	311,000	(735,000)	(308,000)	827,000	93,473	(673,912)	(61,440)	(1,157,322)	(1,079,061)
Inc. (Dec.) in Accounts Payable	87,000	(159,000)	357,000	320,000	177,000	(163,000)	196,804	88,280	299,084	218,912	220,788
Inc. (Dec.) in Accrued Expenses and Oth	(1,059,000)	696,000	93,000	983,000	(1,079,000)	1,011,000	(218,539)	514,384	227,844	1,453,887	676,290
Inc. (Dec.) in Accrued Revenue	(27,000)	35,000	0	246,000	(70,000)	2,000	99,132	206,485	237,617	393,899	395,419
Inc. (Dec.) in Deferred Revenue	(33,000)	17,000	92,000	157,000	23,000	(23,000)	(162,621)	105,108	(57,513)	206,779	476,997
Change in Net Working Capital	(\$1,465,000)	\$422,000	\$414,000	\$598,000	(\$789,000)	\$670,000	(\$484,794)	(\$1,046,376)	(\$1,650,170)	(\$971,161)	(\$1,342,452)
Cash Flow from Operations	\$3,633,000	\$4,705,000	\$5,083,000	\$5,238,000	\$4,391,000	\$5,627,000	\$5,249,315	\$5,384,409	\$20,651,724	\$26,609,045	\$30,538,090
Capital Expenditures	(1,203,000)	(1,611,000)	(2,289,000)	(2,255,000)	(2,345,000)	(2,646,000)	(2,499,806)	(2,807,884)	(10,298,690)	(7,078,059)	(8,117,498)
Acquisitions, Net of Cash Acquired	(251,000)	(1,012,000)	(27,000)	(120,000)	(2,947,000)	(543,000)	0	0	(3,490,000)	0	0
Purchases of Securities and Investments	(7,870,000)	(15,084,000)	(8,964,000)	(13,698,000)	(12,082,000)	(13,074,000)	0	0	(25,156,000)	0	0
Proceeds from Sales of Securities and Inv	6,319,000	10,687,000	6,235,000	15,073,000	9,406,000	14,199,000	0	0	23,605,000	0	0
Other	564,000	3,217,000	(773,000)	(617,000)	661,000	884,000	0	0	1,545,000	0	0
Net Cash Used in Investing Activities	(\$2,441,000)	(\$3,803,000)	(\$5,818,000)	(\$1,617,000)	(\$7,307,000)	(\$1,180,000)	(\$2,499,806)	(\$2,807,884)	(\$13,794,690)	(\$7,078,059)	(\$8,117,498)
Debt Issuance / (Repayment)	(401,000)	(58,000)	(2,000)	(3,000)	993,000	(595,000)	0	0	398,000	0	0
Proceeds from / (Repurchase of) Commo	(210,000)	(151,000)	(369,000)	(144,000)	(326,000)	(1,004,000)	(779,680)	(8,502,996)	(10,612,676)	(3,833,232)	(3,986,561)
Excess Tax Benefit from Stock Options	94,000	104,000	104,000	179,000	155,000	137,000	(14,396)	(352)	277,252	0	0
Net Cash Provided by Financing Activ	(\$517,000)	(\$105,000)	(\$267,000)	\$32,000	\$822,000	(\$1,462,000)	(\$794,076)	(\$8,503,348)	(\$9,937,424)	(\$3,833,232)	(\$3,986,561)
Effect of Exchange Rate Changes	(78,000)	(8,000)	80,000	3,000	(5,000)	(4,000)	0	0	(9,000)	0	0
Inc. (Dec.) in Cash and Cash Equival	\$597,000	\$789,000	(\$922,000)	\$3,656,000	(\$2,099,000)	\$2,981,000	\$1,955,433	(\$5,926,822)	(\$3,089,389)	\$15,697,754	\$18,434,031
Beginning Cash and Cash Equivalents	14,778,000	15,375,000	16,164,000	15,242,000	18,738,000	16,639,000	19,620,000	21,575,433	18,898,000	15,648,611	31,346,365
Ending Cash and Cash Equivalents	\$15,375,000	\$16,164,000	\$15,242,000	\$18,898,000	\$16,639,000	\$19,620,000	\$21,575,433	\$15,648,611	\$15,808,611	\$31,346,365	\$49,780,396

Source: Company, Jefferies

Exhibit 18: Google DCF (\$MM)

	2014													
	2013A	Q1 14A	Q2 14A	Q3 14E	Q4 14E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenue	\$43,269	\$12,190	\$12,665	\$13,294	\$15,014	\$63,363	\$73,644	\$81,951	\$88,030	\$93,400	\$98,730	\$103,474	\$108,426	\$113,616
% Y/Y Growth	23%	22%	25%	23%	21%	19%	16%	11%	7%	6%	6%	5%	5%	5%
EBITDA	\$18,910	\$6,040	\$6,217	\$6,691	\$7,566	\$32,613	\$38,396	\$43,364	\$46,911	\$50,034	\$53,458	\$56,549	\$59,300	\$62,227
% Margin	44%	50%	49%	50%	50%	51%	52%	53%	53%	54%	54%	55%	55%	55%
% Y/Y Growth	28	33	41	44	42	23	18	13	8	7	7	6	5	5
Implied Taxes on Operations	(\$4,239)	(\$1,148)	(\$1,181)	(\$1,271)	(\$1,438)	(\$6,033)	(\$7,679)	(\$8,673)	(\$9,382)	(\$10,007)	(\$10,692)	(\$11,310)	(\$11,860)	(\$12,445)
% Effective Tax Rate	22%	19%	19%	19%	19%	19%	20%	20%	20%	20%	20%	20%	20%	20%
Capital Expenditures	(\$7,358)	(\$2,345)	(\$2,646)	(\$2,500)	(\$2,808)	(\$7,078)	(\$8,117)	(\$8,976)	(\$9,624)	(\$10,197)	(\$10,759)	(\$11,273)	(\$11,809)	(\$12,371)
% Y/Y Growth	125%	95%	64%	9%	25%	(31%)	15%	11%	7%	6%	6%	5%	5%	5%
Change in Net Working Capital	(\$31)	(\$789)	\$670	(\$485)	(\$1,046)	(\$971)	(\$1,342)	(\$591)	(\$468)	(\$163)	(\$167)	(\$19)	\$57	\$100
Tax Benefit from NOL Carryforwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions Not Reflected on Balance Sheet	--	--	--	0	0	0	0	0	0	0	0	0	0	0
Unlevered Free Cash Flow	\$7,282	\$1,758	\$3,060	\$2,435	\$2,274	\$18,530	\$21,257	\$25,124	\$27,437	\$29,667	\$31,840	\$33,947	\$35,687	\$37,510
NPV at 6/30/14 Valuation Date and 10.1% WACC	--	--	--	\$2,376	\$2,167	\$16,825	\$17,528	\$18,818	\$18,667	\$18,335	\$17,870	\$17,306	\$16,527	\$15,779
Perpetuity Growth Rate / Terminal Value at 10.1% WACC					Implied Terminal Value / Terminal EBITDA Multiple									
	2.0%	2.5%	3.0%	3.5%	4.0%		9.2x	9.9x	10.6x	11.5x	12.5x			
	\$573,573	\$614,362	\$660,906	\$714,515	\$776,928		\$573,573	\$614,362	\$660,906	\$714,515	\$776,928			
Median DCF Valuation at 6/30/14 Valuation Date					WACC					Equity Value per Share				
NPV of Cash Flows and Terminal Value					414,669	8%	\$739	\$766	\$797	\$834	\$876			
Plus: Net Cash					60,387	9%	693	718	747	780	818			
Implied Equity Value					\$475,056	10%	652	674	700	731	766			
Implied Fully Diluted Shares Outstanding (MM)					678	11%	614	634	658	686	718			
Implied Equity Value per Share					\$700	12%	579	598	620	645	674			

Source: Company, Jefferies

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- CafePress, Inc. (PRSS: \$3.22, HOLD)
- Chegg Inc. (CHGG: \$6.14, BUY)
- Conversant (CNVR: \$34.09, HOLD)
- Criteo S.A. (CRTO: \$33.81, BUY)
- Demand Media, Inc. (DMD: \$8.42, HOLD)
- EarthLink, Inc. (ELNK: \$3.43, UNDERPERFORM)
- eBay, Inc. (EBAY: \$54.51, HOLD)
- Electronic Arts Inc. (EA: \$35.28, HOLD)
- Endurance International Group (EIG: \$16.70, BUY)
- Expedia, Inc (EXPE: \$85.38, HOLD)
- Facebook, Inc. (FB: \$77.52, BUY)
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- Groupon (GRPN: \$6.48, HOLD)
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- LinkedIn Corporation (LNKD: \$207.07, BUY)
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- RetailMeNot Inc. (SALE: \$15.56, BUY)
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- Shutterstock (SSTK: \$70.22, BUY)
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- TechTarget, Inc. (TTGT: \$9.65, BUY)
- The Priceline Group Inc. (PCLN: \$1,126.92, BUY)
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- TripAdvisor (TRIP: \$88.54, HOLD)
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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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