

I am recommending a Sell of eBay Inc. (EBAY) at their current price of ~\$109 with a scenario weighted-average price target of \$91. In order to sustain their current inflated multiple they would need to have consistent growth at a level they have only seen for the past few quarters. If you go back a few quarters further, you see almost zero growth with some mixed in declines after the Covid quarantine bump faded. Management is attempting to source growth from a mix of acquisitions, new products/ideas, and investment into existing categories, but I don't see their efforts as sustainable. My three key points for my position are listed below:

- 1. Growth Initiatives Don't Appear Sustainable:** eBay is looking to grow through a few avenues. They are doing acquisitions (Depop, a social fashion e-commerce company, in 3Q26), investing in "focus categories" (collectibles, automotive parts, fashion, refurbished electronics), and attempting to innovate with services like eBay Live and Agentic Search. Acquisitions can be fine, but they need to be gaining efficiencies to profit which limits this as a sustainable strategy. The organic growth is also speculative. Collectibles will be up and down in terms of interest, especially in the trading card segment. Maybe they make more gains in fashion or automotive, but I wouldn't bet the business on it. eBay Live is an interesting (and probably good) idea, but even during peak hours I am seeing stream viewers cap out in the 200s for a couple channels with most channels well below 100 viewers. Agentic Search value is up in the air, and I don't see that as a huge value gain for them when it could just as easily be detrimental to their success.
- 2. Valuation Is Pricing In Continued Success:** eBay is currently trading at over 20x 2026 P/E versus a historical P/E in the high single digits to low double digits. This has come on the back of strong GMV growth over the past year along with advertising revenue starting to come alive. I think the market has gotten carried away on the valuation over the past few months. They can easily revert back to a stagnant cash cow and have the multiple re-rate to previous levels. Just a few months ago, for example, they were sitting at my current price target in the low \$90s. I don't see a handful of quarters as being indicative of a full reinvigoration of the business and I think the market will bring them back to historical multiples.
- 3. Continue To Return Capital Instead Of Investing In The Business:** Adding to my growth concerns, eBay is returning \$2.5-\$3bn of capital to shareholders each year. Split between \$2bn of buybacks and \$500+mm of dividends, they are saying they have capped out on investment spend and have no additional use for the money. Very reasonable for an established cash cow business, but not as great of a sign for a company trying to sell itself as the new growth story.

Catalysts: I think the main catalyst for eBay to re-rate is a couple quarters of slowing growth. This could be in the form of downgraded guidance from management, or a quarter or two

coming in below guidance. They may be able to take one down quarter, but my thesis has them returning to low/flat growth, so I expect that continuing story to force a multiple re-rate from the market.

Bull Case: The Bull case has a few points. Management is solid and I expect them to make strong and rational decisions with the hand they have. That being said, I don't love their hand. They could see Agentic Search, eBay Live, or marketing revenue work out for them and lead to more sustained growth. That would be a multi-year story that requires limited misses and a bunch of AI and execution risk playing out in their favor. The share buyback story also has a positive spin in the sense that it helps the EPS number, and I am valuing them on P/E.

Conclusion: In summary, eBay has had a strong past 12 months, but I don't see their growth as sustainable in the long run, which is currently priced into the stock. I think the stock returns to its price from a few months ago of low \$90s on the back of slowing growth in coming quarters. The company's upside is sitting behind a lot of execution risk through new initiatives and AI uncertainty that I believe puts a damper on any enthusiasm you can reasonably hold. In order to be comfortable holding their stock, it would need to be a good 15-20% lower to take on the risk eBay has to face to achieve continued growth. I am short eBay with a price target in the low \$90s, and if it gets there, I will re-evaluate if I think they can continue to go lower as they have historically traded down to even the \$40 level.

Base Case P/E Multiple Sensitivity Analysis

Base Case	EPS by Year				
	2026	2027	2028	2029	2030
P/E Multiple	\$4.72	\$6.43	\$7.17	\$8.00	\$8.92
9	\$42.45	\$57.86	\$64.54	\$71.99	\$80.30
11	\$51.88	\$70.72	\$78.89	\$87.99	\$98.14
13	\$61.32	\$83.58	\$93.23	\$103.99	\$115.99
15	\$70.75	\$96.44	\$107.57	\$119.99	\$133.83
17	\$80.19	\$109.30	\$121.91	\$135.99	\$151.68
19	\$89.62	\$122.15	\$136.26	\$151.98	\$169.52
21	\$99.05	\$135.01	\$150.60	\$167.98	\$187.37

Downside/Base/Upside Case Analysis Including P/E Multiple Re-Rating

2027 P/E Multiple	Case Analysis		
	Price	Odds	Diff
Downside 9x	\$40.27	42.5%	(68.33)
Base 15x	\$96.44	32.5%	(12.16)
Upside 21x	\$172.06	25.0%	63.46

WA Target
91.47

WA % Change
-15.8%