



eBay Inc.

EBAY

Post The Price Increase

eBay's August 22nd price increase seems to be having the intended effect. By our count, US store listings have declined roughly 25% from peak levels and now constitute 28% of total US listings, down from 37% at its peak. As expected, overall Q3 listings are up 27% y/y, down from +35% last quarter. eBay has seen over 1500 stores close since the increase was announced according to management's comments at a recent investor conference.

Core auction listings in the US are up 17% y/y following the price increase vs +16% last quarter. With the growth in auction format listings and the higher listing fees being collected in the store format, we expect revenue per listing to show a slight increase this quarter to \$2.30 up from \$2.23 last quarter.

eBay Express, launched in Q2, has also been off to a good start. Since late August, comScore results show weekly unique views growing from 700k to 1.7M the week of 9/17. While these results are still dwarfed by eBay's overall weekly unique views of 35M, they have continued to climb since the launch of the Express focused ad campaign.

Agreements with Yahoo and Google will also benefit eBay. Though management does not expect any meaningful impact until 2007, sponsored search ad are already running on select pages. We continue to believe that there are significant revenue and cost saving opportunities for eBay as a result of these deals as they are more fully implemented.

We believe that eBay will come out of this transition period stronger from both a buyer and seller perspective. By reducing site clutter, eliminating marginal sellers, and improving buyer satisfaction, we believe this price increase should result in better conversion rates, ASP's and ultimately growth. Should the company also rationalize its Asian investments, as has been reported, we could see margin expansion in 07, something not currently reflected in consensus. We continue to believe that at 26.6x 07 EPS, EBAY is a compelling investment for those willing to ride out this transition.

eBay is the world's largest online marketplace.

research team

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Rating	OUTPERFORM*
Price (27 Sep 06)	27.12 (US\$)
Target price (12 months)	45.00 (US\$)
52 week high - low	46.77 - 22.99
Market cap. (US\$ m)	38,385.48
Region / Country	Americas / United States
Sector	Consumer Internet
Analyst's Coverage Universe	Consumer Internet
Weighting (vs. broad market)	OVERWEIGHT
Date	28 September 2006

* Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.



On 09/26/06 the S&P 500 index closed at 1,336.34

Year	12/05A	12/06E	12/07E
EPS (CS adj., US\$)	0.53	0.72	1.02
Prev. EPS (US\$)			
P/E (x)	51.4	37.7	26.6
P/E rel. (%)	316.4	264.0	205.5
Q1 EPS	0.12	0.17	
Q2	0.15	0.17	
Q3	0.12	0.17	
Q4	0.13	0.20	

Number of shares (m)	1,415.39	Price/Sales (x)	6.7
BV/share (current, US\$)	7.86	P/BVPS (x)	3.5
Net debt (current, US\$ m)	-3,354.5	Dividend (current, US\$)	—
		Dividend yield	—

Year	12/05A	12/06E	12/07E
Revenue (US\$ m)	4,552.4	5,844.1	7,692.0
EBITDA (US\$ m)	1,832.9	2,222.4	3,126.2
Net debt (12/05A, US\$ m)	-2088.2	-4457.2	-7285.3
OCFPS (US\$)	1.66	2.10	2.61
P/OCF (x)	26.0	12.9	10.4

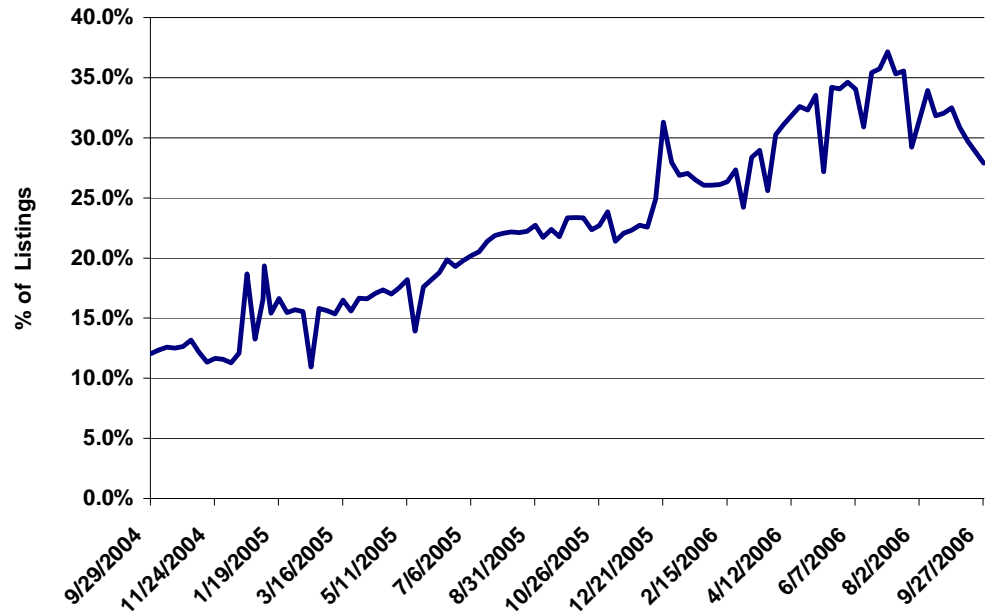
Source: Company data, Credit Suisse estimates

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Investment Summary

Exhibit 1 demonstrates the recent trend in US stores listings in recent years. Since the format was introduced, it has been gaining in popularity and constituted as much as 37% of total eBay US listings earlier in Q3. However, since management's announced fee increase for US stores, US stores listings have declined on both a relative and absolute basis. eBay has seen over 1500 stores close since the increase was announced according to management's comments at a recent investor conference.

Exhibit 1: eBay US Stores Listings as a Percentage of Total Listings



Source: Company data, Credit Suisse estimates.

Examining US store listings through Q3 on a weekly basis confirms this trend more clearly. Since the implementation of the higher fee structure, US store listings have dropped off sequentially (week-on-week) each of the last 5 weeks of the quarter. As a result, qtd y/y growth for these store listings also decelerated throughout Q3. Meanwhile, as Exhibit 2 demonstrates, qtd y/y growth for core US listings has remained fairly steady each week in the quarter.

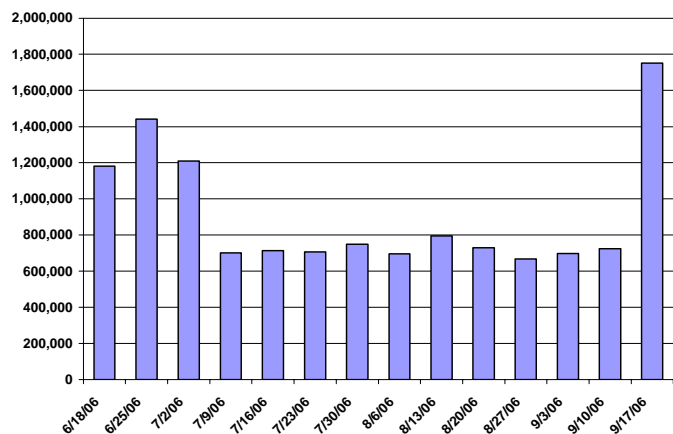
Exhibit 2: eBay US Listings in Q3

Week of	US Core Listings	wk/wk chg	QTD y/y chg	US Store Listings	wk/wk chg	QTD y/y chg
7/5/06	12,366,685	-7%	11%	6,647,250	4%	17%
7/12/06	13,523,303	9%	12%	6,715,487	1%	13%
7/19/06	13,409,990	-1%	12%	6,731,590	0%	10%
7/26/06	17,580,351	31%	21%	6,602,366	-2%	7%
8/2/06	15,536,121	-12%	23%	6,519,978	-1%	5%
8/9/06	13,797,852	-11%	21%	6,447,714	-1%	3%
8/16/06	14,629,205	6%	21%	6,212,983	-4%	1%
8/23/06	14,464,761	-1%	20%	6,205,524	0%	-1%
8/30/06	13,658,297	-6%	19%	5,980,466	-4%	-3%
9/6/06	13,968,577	2%	19%	5,668,385	-5%	-4%
9/13/06	14,127,599	1%	18%	5,439,397	-4%	-7%
9/20/06	14,204,318	1%	18%	5,222,505	-4%	-8%
9/27/06	14,411,456	1%	17%	5,072,768	-3%	-11%

Source: Company data, Credit Suisse estimates.

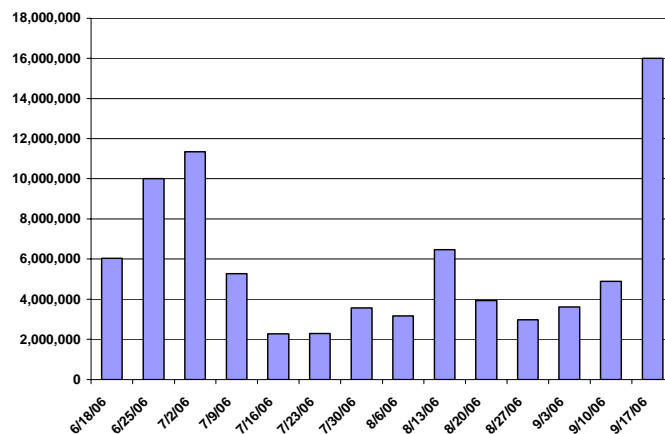
eBay Express, launched in Q2, has also been off to a strong start. Since late August, comScore results shows weekly unique views growing from 700k to 1.7M the week of 9/17. We believe these are due to eBay's current Express focused marketing campaign intended to attract more visitors to the site. eBay Express results are still dwarfed by eBay's overall weekly unique and total page views of 35M and 2.4B respectively but demonstrate good potential to grow. The company's German eBay Express launch should also help spur growth. The following two exhibits show unique visitors and total page views to eBay Express domestically.

Exhibit 3: eBay Express Weekly Unique Visitors



Source: comScore.

Exhibit 4: eBay Express Weekly Total Page Views



Source: comScore.

Weekly eBay Listings

Through the last week of Q3, total eBay listings are up 27% qtd y/y at 44.7M. US listings totaled 19.5M, +7% qtd y/y and flat qtd q/q. International listings totaled 25.2M, up 50% qtd y/y and down 4% ytd q/q. Listings are tracking inline versus our estimates and are down from the 35% y/y growth posted in Q2. Total Q3 listings of 582M are also roughly inline with our 587M estimate.

Exhibit 5: eBay Q3 Listings

September 27, 2006			
	Total Listings	QTD Q/Q Growth	QTD Y/Y Growth
Week 13	44,674,356	-2%	27%
	US Listings	QTD Q/Q growth	QTD Y/Y growth
Week 13	19,484,224	0%	7%
	Int'l Listings	QTD Q/Q growth	QTD Y/Y growth
Week 13	25,190,132	-4%	50%
	Q3 2006 (estimate)	Q2 2006 (estimate)	Q3 2005
Total Listings	587,008,000	596,000,000	458,600,000
QTD Count % of Total	99%	100%	100%

Source: Company data, Credit Suisse estimates.

Exhibit 6: eBay Income Statement

US\$ in millions, unless otherwise stated

FY-DEC	2003 FY	2004 FY	2005				2005 FY	2006				2006 FYE	2007 FYE
			Q1	Q2	Q3	Q4		Q1	Q2	Q3E	Q4E		
Last Updated: 4/19/06													
REVENUES	2,165.10	3,271.3	1,031.7	1,086.3	1,105.5	1,328.9	4,552.4	1,390.4	1,410.8	1,431.7	1,611.2	5,844.1	7,692.0
Y/Y growth	78.3%	51.1%	36.4%	40.5%	37.2%	42.0%	39.2%	34.8%	29.9%	29.5%	21.2%	28.4%	31.6%
Costs of sales	416.06	614.42	186.37	191.84	200.38	239.52	818.10	278.57	292.48	292.07	322.24	1,185.35	1,515.22
% of sales	19.2%	18.8%	18.1%	17.7%	18.1%	18.0%	18.0%	20.0%	20.7%	20.4%	20.0%	20.3%	19.7%
GROSS PROFIT	1,749.04	2,656.9	845.4	894.5	905.1	1,089.3	3,734.3	1,111.9	1,118.3	1,139.6	1,288.9	4,658.7	6,176.5
Gross margin	80.8%	81.2%	81.9%	82.3%	81.9%	82.0%	82.0%	80.0%	79.3%	79.6%	80.0%	79.7%	80.3%
Sales & marketing	567.57	857.87	271.35	287.14	293.75	378.49	1,230.73	400.56	398.00	410.90	459.19	1,668.64	2,184.53
% sales	26.2%	26.2%	26.3%	26.4%	26.6%	28.5%	27.0%	28.8%	28.2%	28.7%	28.5%	28.6%	28.4%
Y/Y growth	62.3%	51.1%	40.8%	51.8%	41.8%	40.8%	43.5%	47.6%	38.6%	39.9%	21.3%	35.6%	30.9%
Product Development	159.32	240.65	73.79	71.64	78.88	103.88	328.19	119.07	123.97	124.56	133.73	501.33	630.40
% sales	7.4%	7.4%	7.2%	6.6%	7.1%	7.8%	7.2%	8.6%	8.8%	8.7%	8.3%	8.6%	8.2%
Y/Y growth	52.3%	51.1%	40.0%	19.4%	24.4%	60.9%	36.4%	61.4%	73.1%	57.9%	28.7%	52.8%	25.7%
General & administrative	302.70	415.73	136.39	129.34	144.29	181.70	591.72	215.35	221.31	206.16	232.01	874.84	1,092.82
% sales	14.0%	12.7%	13.2%	11.9%	13.1%	13.7%	13.0%	15.5%	15.7%	14.4%	14.4%	15.0%	14.2%
Y/Y growth	76.2%	37.3%	50.5%	25.6%	36.3%	56.3%	42.3%	57.9%	71.1%	42.9%	27.7%	47.8%	24.9%
One-Time Merger Costs	29.97	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes On Option Exercise	9.59	17.48	5.73	1.56	2.29	3.43	13.02	2.32	1.61	6.48	6.48	16.89	6.27
Amortization of Acquisition	50.66	65.93	22.52	25.79	29.20	51.43	128.94	51.92	62.00	62.56	62.56	239.03	255.32
% of Sales	2.3%	2.0%	2.2%	2.4%	2.6%	3.9%	2.8%	3.7%	4.4%	4.4%	3.9%	4.1%	3.3%
Total operating expenses	1,119.80	1,597.65	509.78	515.48	548.40	718.93	2,292.59	789.23	806.89	810.65	893.96	3,300.74	4,169.35
As a % of sales	51.7%	48.8%	49.4%	47.5%	49.6%	54.1%	50.4%	56.8%	57.2%	56.6%	55.5%	56.5%	54.2%
PRO FORMA OP PROFIT	689.49	1,142.6	363.8	406.3	388.2	425.3	1,583.7	460.7	460.4	478.0	544.0	1,943.1	2,720.7
Pro Forma Operating Margin	31.8%	34.9%	35.3%	37.4%	35.1%	32.0%	34.8%	33.1%	32.6%	33.4%	33.8%	33.2%	35.4%
OPERATING PROFIT	629.24	1,059.2	335.6	379.0	356.7	370.4	1,441.7	322.6	311.4	329.0	395.0	1,358.0	2,007.1
Operating Margin	29.1%	32.4%	32.5%	34.9%	32.3%	27.9%	31.7%	23.2%	22.1%	23.0%	24.5%	23.2%	26.1%
Other Income	35.82	77.87	22.40	32.53	30.66	25.56	111.15	25.76	25.63	25.00	25.00	101.39	82.54
Interest Expense	(3.34)	(8.88)	(1.72)	(0.41)	(0.43)	(0.92)	(3.48)	(0.75)	(0.93)	-	-	(1.68)	-
123R Adjustment	293.13	274.59	120.66	122.39	131.75	122.82	497.62	83.82	85.41	80.00	80.00	329.23	452.00
Impairment of certain equity investments	(0.23)	-	-	-	-	-	-	-	-	-	-	-	-
PRETAX INCOME	368.37	853.6	235.60	288.71	255.21	272.23	1,051.8	347.64	336.12	353.97	419.98	1,457.7	2,089.7
Pretax Margin	17.0%	26.1%	22.8%	26.6%	23.1%	20.5%	23.1%	25.0%	23.8%	24.7%	26.1%	24.9%	27.2%
Taxes	115.39	260.23	66.10	83.94	87.05	79.82	316.90	99.35	86.12	106.90	126.83	419.21	601.82
Tax rate	31.3%	30.5%	28.1%	29.1%	34.1%	29.3%	30.1%	28.6%	25.6%	30.2%	30.2%	28.8%	28.8%
Cumulative effect of acctg change, net of tax	(5.41)	-	-	-	-	-	-	-	-	-	-	-	-
Minority Interests	(7.58)	(6.12)	(0.02)	(0.03)	-	(0.00)	-	(0.00)	(0.00)	-	-	(0.00)	-
NET INCOME	250.90	589.0	169.5	204.8	168.2	192.4	734.8	248.3	250.0	247.1	293.1	1,038.5	1,487.8
Add-Backs[1]	255	242	106	102	112	148	468	95	101	109	109	413	486
PRO FORMA NET INCOME	499.99	829.5	275.5	307.2	280.2	340.1	1,203.0	342.9	350.7	356.1	402.1	1,451.9	1,973.8
Net Margin	23.1%	25.4%	26.7%	28.3%	25.3%	25.6%	26.4%	24.7%	24.9%	24.9%	25.0%	24.8%	25.7%
GAAP EPS	0.19	0.43	0.12	0.15	0.12	0.13	0.53	0.17	0.17	0.17	0.20	0.72	1.02
Pro Forma EPS	0.38	0.61	0.20	0.22	0.20	0.24	0.86	0.24	0.24	0.25	0.28	1.01	1.35
Diluted Shares	1,312	1,367	1,382	1,379	1,387	1,426	1,394	1,438	1,436	1,446	1,456	1,444	1,458

Source: Company data, Credit Suisse estimates.

Companies Mentioned (Price as of 27 Sep 06)

eBay Inc. (EBAY, \$27.12, OUTPERFORM, TP \$45.00, OVERWEIGHT)

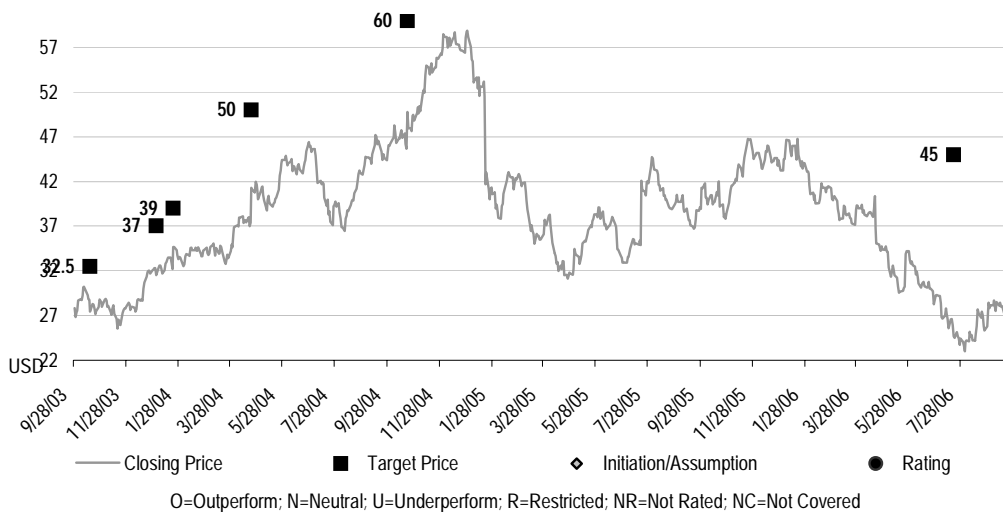
Google, Inc. (GOOG, \$402.92, OUTPERFORM, TP \$500.00, OVERWEIGHT)

Yahoo Inc. (YHOO, \$24.65, OUTPERFORM, TP \$45.00, OVERWEIGHT)

Disclosure Appendix**Important Global Disclosures**

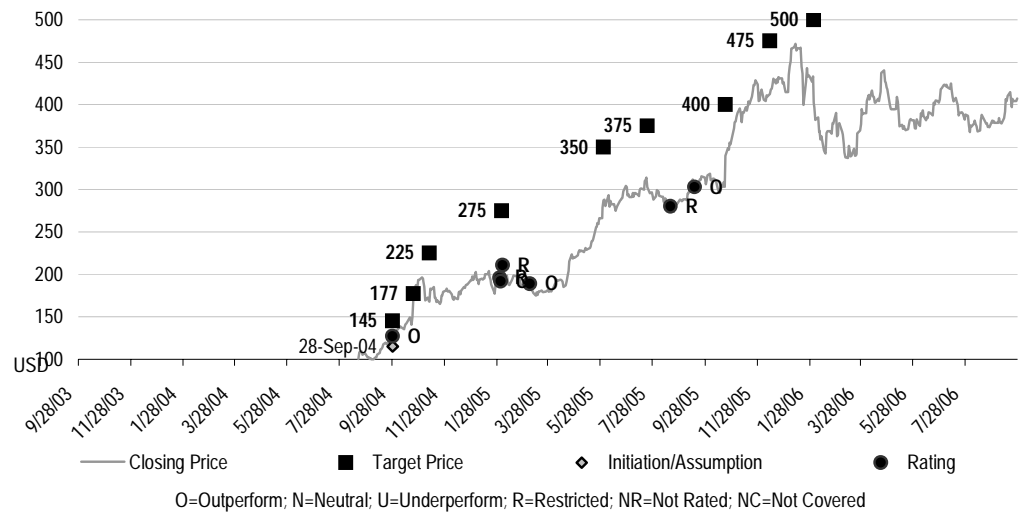
I, Heath P. Terry, CFA, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the *Companies Mentioned* section for full company names.

3-Year Price, Target Price and Rating Change History Chart for EBAY

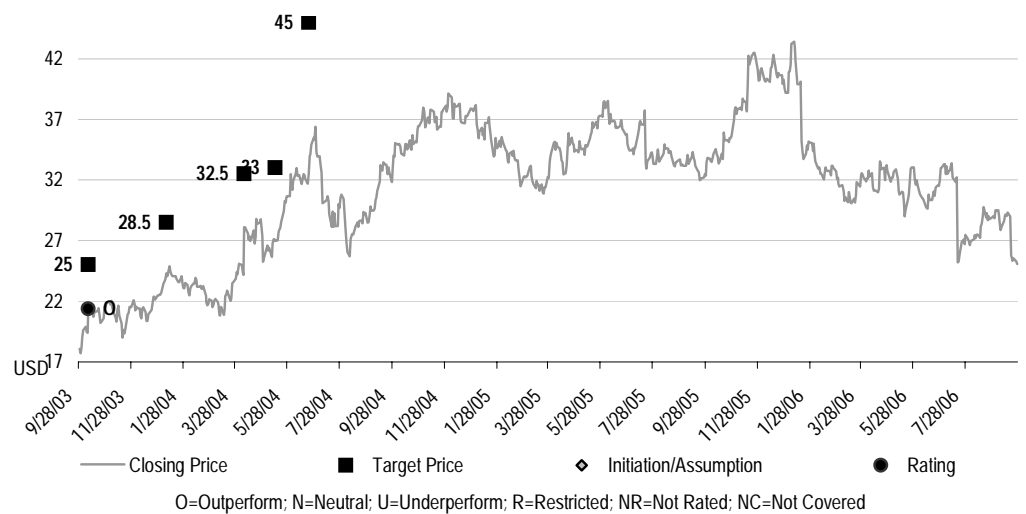
EBAY Date	Closing Price Price (US\$)	Target Price Price (US\$)	Rating	Initiation/ Assumption
10/17/03	27.43	32.5		
1/2/04	31.5	37		
1/22/04	34.66	39		
4/22/04	41.295	50		
10/21/04	49.795	60		
7/20/06	24.66	45		

3-Year Price, Target Price and Rating Change History Chart for GOOG



GOOG Date	Closing Price Price (US\$)	Target Price Price (US\$)	Rating	Initiation/Assumption
9/28/04	126.86	145	OUTPERFORM	X
10/22/04	172.43	177		
11/10/04	167.86	225		
1/31/05	195.63		RESTRICTED	
2/1/05	191.9		OUTPERFORM	
2/2/05	205.97	275		
2/3/05	210.78		RESTRICTED	
3/7/05	188.81		OUTPERFORM	
6/1/05	287.23	350		
7/22/05	302.4	375		
8/18/05	279.99		RESTRICTED	
9/15/05	302.8		OUTPERFORM	
10/21/05	339.9	400		
12/12/05	412.54	475		
2/1/06	402	500		

3-Year Price, Target Price and Rating Change History Chart for YHOO



YHOO Date	Closing Price Price (US\$)	Target Price Price (US\$)	Rating	Initiation/ Assumption
10/9/03	21.37	25	OUTPERFORM	
1/8/04	24.29	28.5		
4/8/04	28.1	32.5		
5/14/04	26.97	33		
6/22/04	32.54	45		

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Neutral: The stock's total return is expected to be in line with the industry average* (range of $\pm 10\%$) over the next 12 months.

Underperform:** The stock's total return is expected to underperform the industry average* by 10-15% or more over the next 12 months.

**The industry average refers to the average total return of the analyst's industry coverage universe (except with respect to Asia/Pacific, Latin America and Emerging Markets, where stock ratings are relative to the relevant country index, and Credit Suisse Small and Mid-Cap Advisor stocks, where stock ratings are relative to the regional Credit Suisse Small and Mid-Cap Advisor investment universe.*

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****The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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Restricted	2%	

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See the Companies Mentioned section for full company names.

Price Target: (12 months) for (EBAY)

Method: Our discounted cash flow (DCF) analysis, based on an estimated 11.0% cost of capital and a 5.0% terminal growth rate, supports our \$45 target price for EBAY. At \$45, EBAY would trade at 18.7 times our 2007 enterprise value to earnings before interest, taxes, depreciation, and amortization estimates.

Risks: The following risks could impede achievement of our \$45 target price for EBAY: 1) The General Internet: New technologies and new business models are being created daily, making for a less than stable operating environment. In addition to the threat of new technologies, the internet is prone to criminal attacks in the form of viruses, denial of service attacks, and other malicious acts that could threaten Internet usage. 2) EBAY faces competition from companies pursuing online retail dollars in general and more specifically competitors in the online auction industry.

Price Target: (12 months) for (GOOG)

Method: Our discounted cash flow (DCF) analysis, based on an estimated 10.0% cost of capital and a 5.8% terminal growth rate, supports our \$500 target price for GOOG. At \$500, GOOG would trade at 24.6 times our 2007 enterprise value to earnings before interest, taxes, depreciation, and amortization estimates. The default scenario produced by the Credit Suisse HOLT valuation model (see "Important Credit Suisse HOLT Disclosures" below) implies a warranted share price for GOOG of \$164.93. We believe this is a worst-case scenario that fails to capture GOOG's growth sustainability.

Risks: The following risks could impede achievement of our target price of \$500 for GOOG: 1) The General Internet: New technologies and new business models are being created daily, making for a less than stable operating environment. In addition to the threat of new technologies, the Internet is prone to criminal attacks in the form of viruses, denial of service attacks, and other malicious acts that could threaten Internet usage. 2) GOOG faces heavy and growing competition from companies pursuing advertising dollars in general and more specifically competitors in the online search industry. 3) Almost all of GOOG's revenue is generated through the sale of online advertisements and a disruption in the trend of online advertising would prove detrimental to the business. The amount advertisers are willing to spend online directly correlates with the health of the economy; therefore, a downturn in the economy will result in less advertising dollars being spent. 4) Google currently plans to give no forward guidance and provide little to no operating metrics beyond what is required by the SEC. This could result in wide variations in analyst and market expectations and limit investors' ability to fully understand the company and its growth potential.

Price Target: (12 months) for (YHOO)

Method: Our discounted cash flow (DCF) analysis, based on an estimated 10.0% cost of capital and a 5.3% terminal growth rate, supports our \$45 target price for YHOO. At \$45, YHOO would trade at 29.6 times our 2006 enterprise value to earnings before interest, taxes, depreciation, and amortization estimates.

Risks: The following risks could impede achievement of our target price of \$45 for YHOO: 1) The General Internet: New technologies and new business models are being created daily, making for a less than stable operating environment. In addition to the threat of new technologies, the internet is prone to criminal attacks in the form of viruses, denial of service attacks, and other malicious acts that could threaten Internet usage. 2) YHOO faces heavy and growing competition from companies pursuing advertising dollars in both search and branded advertising. 3) The amount advertisers are willing to spend online directly correlates with the health of the economy; therefore, a downturn in the economy will result in less advertising dollars being spent.

See the Companies Mentioned section for full company names.

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