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January 22, 2019

The Board of Directors
eBay Inc.
2025 Hamilton Avenue
San Jose, CA 95125
Attn: Chairman Thomas Tierney
Attn: CEO Devin Wenig

Dear Members of the Board:

I am writing to you on behalf of Elliott Associates, L.P. and Elliott International, L.P. (together, “Elliott” or “we”). Elliott beneficially owns over 4% of eBay Inc. (the “Company” or “eBay”), making us one of the Company’s largest investors. At approximately \$1.4 billion in market value, this sizeable investment demonstrates our strong belief in the value opportunity at eBay.

The purpose of this letter is to share our perspectives as a large shareholder and provide our specific thoughts on how eBay can become a better and more valuable company. Elliott believes that by taking steps to unlock strategic value, refocus on the core Marketplace and improve execution – a plan we call “Enhancing eBay” – the Company will grow faster and deliver meaningful operational improvements. As a more focused and efficiently run business, we believe eBay can achieve a value of **\$55 to \$63+ per share by the end of 2020, representing upside of more than 75% to 100% within the next two years.**

Our letter today is organized around the following themes:

- **eBay as a Public Company:** We review the Company’s remarkable history as well as its need for substantive change to remedy its prolonged underperformance.
- **The Enhancing eBay Plan:** We analyze the opportunities for the Company to create significant upside and detail an actionable set of initiatives to unlock trapped value, improve execution and enhance oversight.
- **A Unique Value Opportunity:** We quantify the significant value these steps will create.

Elliott has an enormous amount of respect for eBay as an organization, for its history, and for the community that comes to work, sell and shop on eBay each day. We appreciate the hard work of the entire eBay organization and believe we are completely aligned in wanting eBay to become a faster-growing, better positioned and more valuable platform.

We look forward to working collaboratively with the entire eBay team. We are making this letter public today to draw attention to the uniquely compelling value opportunity at eBay. As a next step, we respectfully request a meeting with the Board in the near term to discuss our thoughts and to listen to yours.

Elliott's Approach to eBay

Elliott is an investment firm founded in 1977 that today manages approximately \$34 billion of capital for both institutional and individual investors. We are a multi-strategy firm, and investing in the technology sector is one of our most active and successful efforts.

Elliott's approach to all of its investments is distinguished by our extensive due diligence, and our efforts on eBay have followed this same approach. We have enlisted consultants, investment bankers, accountants, lawyers and former executives to analyze the e-commerce landscape as well as eBay and its component businesses. For the core Marketplace, this included surveys of more than 10,000 buyers and 700 sellers across the U.S., U.K. and Germany. Similarly, for StubHub we surveyed more than 1,250 buyers and 400 resellers of tickets, and for the Classifieds portfolio we surveyed roughly 6,500 users across Germany, the Netherlands, the U.K., Canada and Australia. We supplemented our diligence by consulting with a collection of experienced technology and retail leaders, including more than 100 former eBay employees and e-commerce executives.

We believe this time- and resource-intensive exercise has given us a thorough understanding of the Company's strengths and challenges. We are convinced that the resulting recommendations will not only maximize shareholder value, but also best position the platform underpinning the entire eBay community to enjoy long-term success.

eBay as a Public Company

eBay was the original online marketplace, starting more than 20 years ago as a simple place for buyers and sellers to connect. Over the following two decades, eBay evolved into one of the world's largest e-commerce platforms – a global marketplace facilitating nearly \$100 billion of transactions between roughly 180 million users and 25 million sellers.

As a successful third-party marketplace, eBay thrived through the dot-com crash, the 2008-2009 recession and the more recent retail challenges because it has demonstrated resilience in the face of changing market demands. This includes long ago shedding its original reliance on used goods or auctions. While surprising to many, only 10% of items sold on eBay today are sold via auction, and fewer than 20% of items sold are used goods. As a result of its ability to successfully evolve and grow with the broader e-commerce market, eBay today is the world's second largest online retailer outside of mainland China, with #1 or #2 market positions in most major geographies. Furthermore, eBay owns two other leading franchises – the premier online secondary ticket marketplace (StubHub), and a portfolio of best-in-class international classifieds websites.

While there are numerous explanations for how and why eBay has succeeded where almost all others have failed, we want to highlight the thoughtful stewardship of its founder, management team and all eBay employees, past and present. Perhaps even more important is the community itself: as with any successful two-sided marketplace, the users – buyers and sellers – power the platform. eBay has created something special which very few other businesses can ever hope to replicate. In addition to providing a forum for shopping, it also provides a workplace for millions of sellers to earn a living. The marketplace is powered by these sellers, one of whom I'm proud to say is my mother, who has built a successful business selling jewelry on eBay for over a decade.

Despite its platform value and asset base, however, eBay as a public company investment has underperformed its peers and the market for a prolonged period of time. This underperformance

has been disappointing for both shareholders as well as eBay’s employees, who rely on share-based compensation as a meaningful component of their remuneration. eBay’s underperformance has been especially pronounced in recent periods. Over the past five years, eBay’s total return has been more than 100% lower than peers and ~35% to ~65% lower than the technology indices. Moreover, eBay has declined 20% over the past year alone relative to a roughly flat equity market.

Relative Total Shareholder Return										
eBay's TSR Relative to:	Period Ending January 18, 2019									
	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
1. Proxy Peer Group ⁽¹⁾	(33%)	(68%)	(75%)	(53%)	(107%)	(213%)	(153%)	(193%)	(259%)	(371%)
2. NASDAQ	(19%)	(30%)	(43%)	(15%)	(33%)	(101%)	(23%)	(19%)	1%	66%
3. S&P500 Information Technology	(19%)	(39%)	(60%)	(34%)	(63%)	(121%)	(37%)	(36%)	(2%)	18%
4. S&P500	(17%)	(20%)	(28%)	3%	(13%)	(58%)	23%	24%	67%	206%

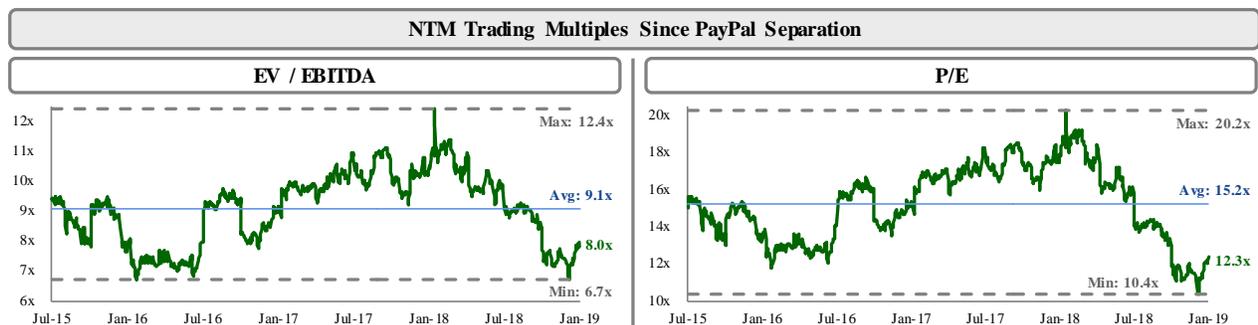
Note: TSR methodology represents eBay's stated methodology per public disclosures. Assumes distribution of PayPal is treated as a non-taxable cash dividend of \$41.46, equal to the opening price of PayPal on July 20, 2015 which was deemed reinvested in eBay common stock at the opening price on July 20, 2015.

Source: Bloomberg and Capital IQ as of January 18, 2019. Assumes dividends are reinvested.

(1) Reflects median of ADBE, GOOGL, AMZN, CSCO, EA, EXPE, FB, INTC, INTU, MSFT, NFLX, PYPL, CRM, SYMC, BKNG, TWTR.

Most disappointing, however, is that this significant underperformance has occurred despite strong end-market performance. As the broader internet universe has flourished, especially e-commerce peers, eBay’s stock has floundered. This is particularly evident in eBay’s performance relative to its proxy peer group. Over the last five years, eBay has underperformed 13 out of its 15 proxy peers, besting only Symantec and Twitter.

In addition to eBay’s share price underperformance, the rapid deterioration in its valuation reflects a profound loss of confidence by investors. As shown below, eBay’s valuation multiples have declined by more than 30% over the past year and the Company now trades at nearly its lowest levels since separating from PayPal in July 2015.



Source: Bloomberg and CapitalIQ as of January 18, 2019.

eBay today trades at just 12x forward P/E, a level that we believe reflects a belief among investors – incorrect, in our view – that the Company will be unable to maintain any level of sustained revenue or earnings growth. This public misperception, shaped by both the obvious successes of Amazon as well as self-inflicted failures at eBay, misses the tremendous value of the Company’s platform. eBay is one of only two truly global e-commerce companies which continues to enjoy sustained user and revenue growth. Despite its mid-single-digit top-line performance and outlook in line with the broader market, eBay trades at a roughly four-multiple-turn discount to the S&P500 and six-multiple-turn discount to the NASDAQ. Put in simpler and starker terms, eBay is valued less by investors than many brick-and-mortar retailers that are not growing at all.

While we believe that execution missteps and unclear focus have impaired value, eBay is far from broken, and its future should be bright. eBay's inimitable Marketplace continues to enjoy sustained growth in both Gross Merchandise Volume ("GMV") and users while StubHub and eBay Classifieds are thriving. However, change is urgently needed to address real business issues, which we believe will unlock long-term shareholder value.

The Enhancing eBay Plan

The share price underperformance and loss of investor confidence highlighted above are severe, and the facts clearly demonstrate that substantial and immediate change is required. Fortunately for eBay, its employees, its users and its shareholders, the Company possesses all the tools to right its ship: strong assets, an invaluable community of loyal users and the ability to fix its operational issues. We made our substantial investment with the confidence that greater value and a stronger company for all stakeholders are achievable.

The necessary actions, which we refer to as the Enhancing eBay Plan (the "Plan"), have been informed by an extensive amount of research and diligence. This Plan was assembled with the help of a full team of operating partners, industry executives and top-tier consultants and advisors.

The guiding philosophy of the Plan is that eBay can unlock substantial value today by refocusing on its core business, emphasizing the right strategic initiatives, improving operations and enhancing oversight. Management's time, the Company's capital and the Board's direction must be focused on growing Marketplace, running efficiently, and better serving the community of buyers and sellers that made eBay great historically and that will drive its growth in the future.

The Enhancing eBay Plan is based upon the following five pillars:

- I. A Comprehensive Portfolio Review:** StubHub and eBay's portfolio of Classifieds properties represent high-value, strategic assets that are worth meaningfully more than the value currently being ascribed to them as part of eBay. In addition to unlocking substantial value, separating these assets would allow eBay's management team to refocus its efforts solely on the core Marketplace business.
- II. Revitalizing Marketplace:** eBay's Marketplace is a strategically valuable asset that has weathered prolonged, self-inflicted misexecution. Management should turn its singular attention to growing and strengthening Marketplace.
- III. Operational Improvements and Margin Expansion:** Today eBay suffers from an inefficient organizational structure, wasteful spend and a misallocation of resources. By increasing operational efficiency, eBay can free up capital to invest in capability- and revenue-enhancing activities.
- IV. Appropriate Capital Allocation:** eBay is a mature and highly profitable business that should continue to return substantial capital to shareholders, especially given the significant earnings growth contemplated under the Plan.
- V. Effective Leadership and Oversight:** eBay must ensure that it has the right, most experienced talent in place to oversee the portfolio review and operational improvements. Management buy-in and Board oversight of the Plan will be paramount to its success.

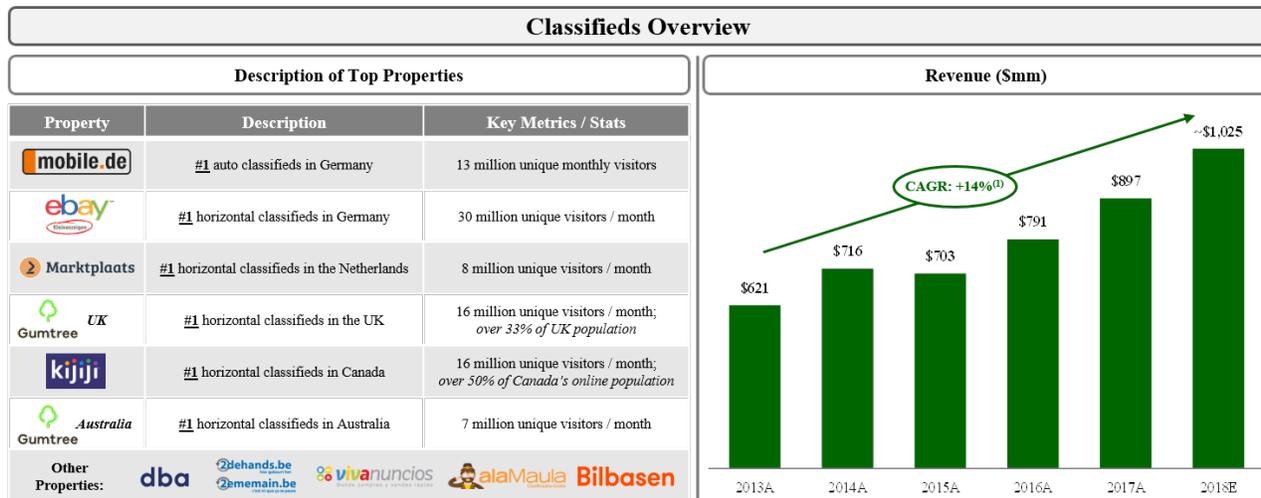
I. A Comprehensive Portfolio Review

While eBay is often associated exclusively with its eponymous Marketplace, the Company is also the owner of two other market-leading franchises – eBay Classifieds Group and StubHub. These are both premier, strategic assets, and we believe that substantial value can be created by separating them from the core Marketplace.

The potential value of these divestitures is significant, as has been widely speculated. However, the value is far greater than just financial. These separations would enable eBay and its management team to focus exclusively on improving the Company’s execution in Marketplace. Rather than having to decide where to allocate resources – both capital and mindshare – eBay would be free to devote the entirety of its attention to Marketplace, while a separate Classifieds Group and StubHub would be run in a manner best aligned with their outlook and investment needs.

eBay Classifieds Group

eBay Classifieds Group is one of the world’s largest and most successful collections of online classifieds properties, which are often overlooked because the sites operate under their own local brands.⁽¹⁾ eBay’s current portfolio has been assembled over many years through a combination of acquisitions and organic efforts and today includes leading sites in Germany, the Netherlands, Canada, the U.K., Australia, Denmark, Belgium, South Africa and many others. This portfolio of properties generates more than \$1 billion in revenue and has consistently delivered double-digit, constant currency growth.



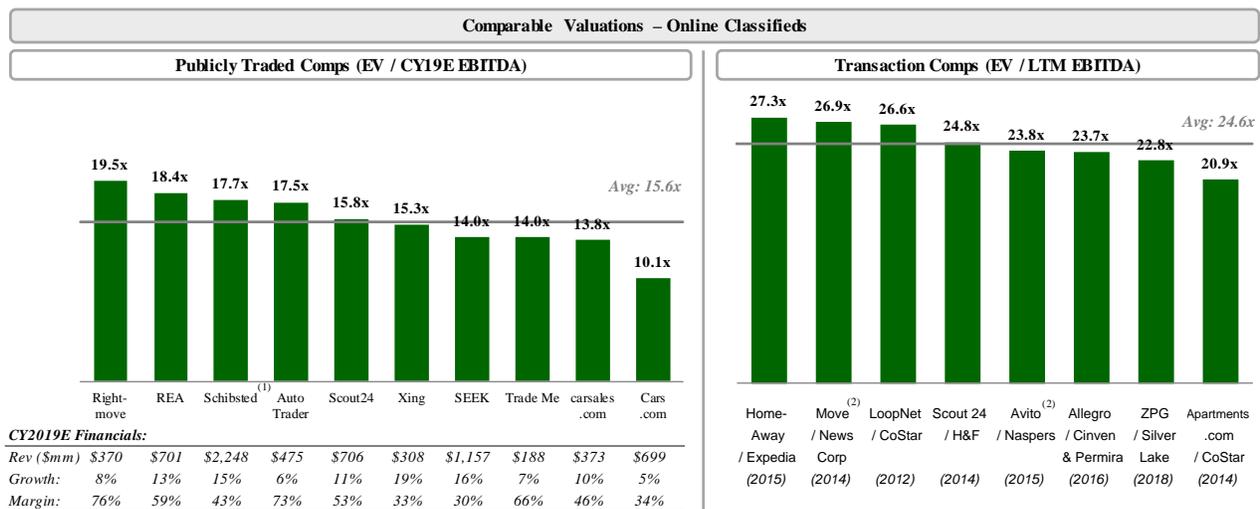
Source: Company websites, company financials, consensus estimates.
 (1) CAGR based on constant currency growth.

Online classifieds is a fast growing industry that has benefited from a stark shift from print to online channels. Against this positive macro backdrop, the usage of online classifieds platforms continues to grow rapidly. As with all network-driven businesses, online classifieds is an industry where scale matters and success is driven by establishing a strong leadership position. In any given geography and vertical, one to two competitors generally take the majority of the market and enjoy compelling economics. Many leading classifieds platforms operate with EBITDA margins

¹ In our survey of 6,453 Classifieds users, only ~20% of users per property knew of any affiliation with eBay (excluding eBay Kleinanzeigen).

in the 40% to 60% range, with some as high as 75%. Based on our review of comparable businesses, conversations with former employees and research on the sector, we believe that eBay Classifieds Group currently operates at a much higher level of profitability than the core Marketplace, with estimated EBITDA margins that should be in the range of 45% to 55%.

As a result of these strong market tailwinds, attractive economics and significant incumbency advantages, leading classifieds businesses garner extremely attractive valuations. The average publicly traded classifieds business trades at a mid-to-high-teens forward EBITDA multiple. Furthermore, there has recently been significant acquisition interest in this space from both strategic and financial acquirers, resulting in transactions all valued at more than 20x EBITDA over the past several years.



Source: Company financials and presentations; CapitalIQ and Bloomberg as of January 18, 2019. Margins represent adjusted EBITDA margins.
 (1) Growth and margins reflect CY17 metrics for Schibsted's Developed Phase Classifieds portfolio.
 (2) Move and Avito reflect NTM multiples.

Since eBay's classifieds properties are each uniquely focused on their distinct markets, they already operate independently with their own geographic operations, organizational structures and strategic priorities. In addition to being readily separable from eBay as a whole, these sites can often be competitive with the core Marketplace insofar as they can compete for the same buyers and sellers. Particularly as it relates to its horizontal properties, eBay is at times forced to decide between further enhancing its classifieds sites in specific markets or directing more traffic to the eBay Marketplace itself.

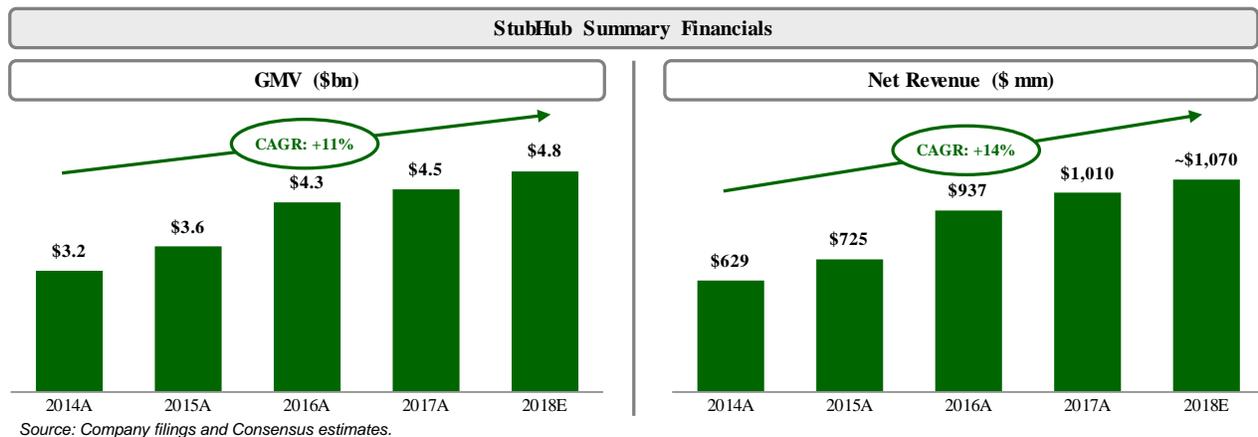
From a valuation standpoint, the eBay Classifieds Group includes many market-leading properties and, as a group, represents one of the largest, most diversified and highest value collections of properties, growing at double digits and operating at highly attractive margins. These attributes compare favorably to publicly traded and previously acquired classifieds businesses. Given its attractive financial profile and strategic positioning, we are confident that eBay Classifieds Group can realize significant value through several alternative transaction structures, including a sale or a spin. Accordingly, we believe that eBay Classifieds Group represents \$8 – \$12 billion of value⁽²⁾, relative to a value of just ~\$4.5 billion if capitalized at eBay's consolidated valuation multiple today.

² Estimated based on: \$1.1bn FY2019E revenue per consensus forecasts; estimated ~50% EBITDA margin in line with scale Classifieds peers; 15x – 22x NTM EBITDA multiple in line with range of comparables and precedent transactions.

StubHub

StubHub is not only the market leader in online secondary ticket sales, but in fact created the category as an online ticket exchange start-up in the early 2000s and has led the market ever since. The business was acquired by eBay in 2007 and has evolved under eBay's corporate ownership. StubHub continues to be the best-in-class player in online ticket resale with leading market share and an unmatched brand perception as the "go-to" destination for online tickets.

As the leading player in a high value business with competitive barriers to entry, StubHub enjoys an attractive economic model. Today, StubHub enables the transaction of more than \$4.5 billion in ticket value, up roughly 50% over the past four years. Benefiting from its market-leading position, revenue growth has surpassed GMV growth with sales up nearly 70% over the same time.



While StubHub is indeed a "marketplace" for tickets, the very nature of tickets makes this platform and the features required highly distinct from the core eBay Marketplace. Despite efforts over the years to better integrate the two platforms through initiatives such as cross-promoting tickets and merchandise, eBay has never succeeded in extracting meaningful strategic synergies. Instead, StubHub, which was a standalone company before its acquisition by eBay, continues to function autonomously and operates from a separate office in San Francisco.

StubHub is non-core to the eBay Marketplace but would command significant value as a market-leading, scale business. The second-largest player in StubHub's market, VividSeats, has been acquired by private equity firms twice in the past three years. The most recent acquisition came in 2017, when it was acquired for ~16x EBITDA. The third-largest player is Ticketmaster, a competitor which is part of the larger LiveNation that conducts not only secondary ticket sales, but also primary ticketing and the production and promotion of live music events. While LiveNation's other businesses have varying economic profiles, LiveNation currently trades at ~14.5x EBITDA.

StubHub remains the market leader with a dominant consumer mindshare. Based on StubHub's strong performance, attractive growth outlook, healthy economics and market-leading position, **we believe that StubHub represents \$3.5 – \$4.5 billion of value**⁽³⁾, relative to a value of just ~\$2.2 billion if capitalized at eBay's consolidated valuation multiple today.

³ Estimated based on: \$1.1bn FY2019E revenue per consensus forecasts; ~25% EBITDA margin in line with analyst estimates; 12x – 16x NTM EBITDA multiple range in line with the current trading valuation of TicketMaster parent Live Nation and VividSeat's acquisition multiple.

A Deeply Undervalued Marketplace

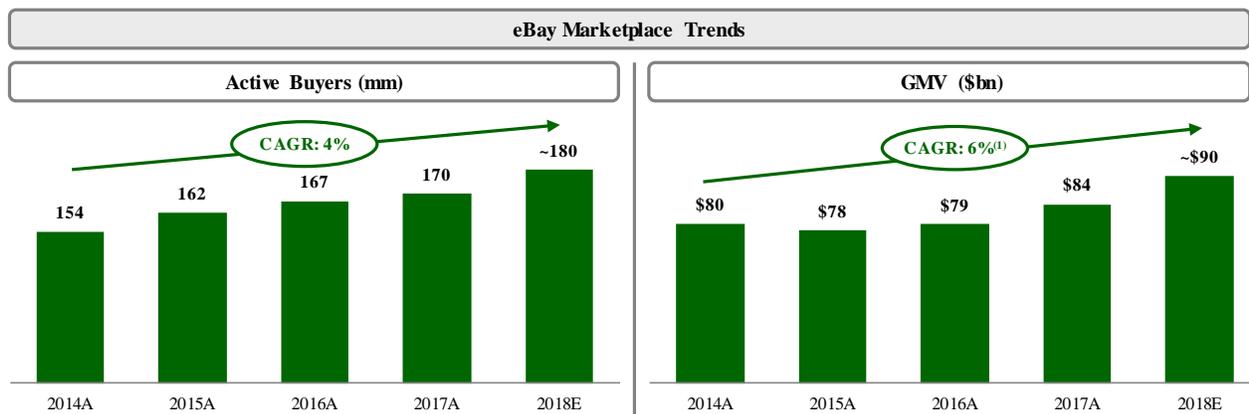
We believe eBay's core Marketplace is deeply undervalued. Adjusting for what we believe to be the appropriate valuations of Classifieds and StubHub, the implied value of the core business is just 5.7x EBITDA, rendering it cheaper than many companies in terminal decline or operating in secularly challenged industries.

Implied Core Marketplace Valuation @ Various Classifieds and StubHub Values						
Implied Marketplace Multiple		Sensitivity Analysis				
(\$ in billions)						
Current Enterprise Value	\$31.2					
(-) Classifieds Value	(10.0)					
(-) StubHub Value	(4.0)					
Core Marketplace Value	\$17.2					
(/) Remaining Marketplace '19E EBITDA	\$3.0					
Implied Marketplace Valuation	5.7x					
		Classifieds Value				
		\$8,000	\$9,000	\$10,000	\$11,000	\$12,000
StubHub Value	\$3,500	6.6x	6.2x	5.9x	5.6x	5.2x
	\$3,750	6.5x	6.2x	5.8x	5.5x	5.2x
	\$4,000	6.4x	6.1x	5.7x	5.4x	5.1x
	\$4,250	6.3x	6.0x	5.7x	5.3x	5.0x
	\$4,500	6.2x	5.9x	5.6x	5.2x	4.9x

Source: Company filings, Bloomberg, CapitalIQ as of January 18, 2019.

Note: Assumes consensus 2019E revenue estimates for eBay, Classifieds and StubHub. Assumes illustrative 50% EBITDA margin for Classifieds and 25% for StubHub.

The implied valuation is deeply depressed – even assuming a taxable sale for both businesses with maximum tax leakage, a scenario we believe is readily avoidable, Marketplace is still valued at less than 7x EBITDA. Such levels are extremely low for any technology business, let alone one that runs a profitable and growing platform with significant strategic value. While Marketplace has suffered from misexecution and is vastly underperforming its potential, it continues to enjoy consistent growth in users, GMV and revenue.



Source: Company filings, consensus estimates. User count methodology reflects company changes in 2017. GMV CAGR represents constant currency growth.

(1) GMV CAGR represents constant currency growth.

Moreover, eBay's core Marketplace is a strategically attractive asset. As mentioned previously, eBay is the world's second-largest e-commerce retailer outside of China and, along with Amazon, one of only two truly global players. It is the largest online retailer in South Korea, Australia and Italy and second-largest in the U.S., U.K., Germany and Canada. eBay benefits from a long-cultivated community that drives a virtuous cycle: Buyers invite sellers to list more, and sellers attract greater purchase activity. This self-reinforcement is powerful and has made eBay a highly defensible platform that would be nearly impossible to replicate.

Top 5 E-Commerce Leaders by Country															
	China	US	UK	Japan	S. Korea	Germany	France	Canada	India	Brazil	Russia	Spain	Italy	Australia	Netherlands
Size (\$bn)	\$1,500	\$525	\$125	\$110	\$80	\$75	\$60	\$45	\$35	\$25	\$25	\$25	\$20	\$15	\$10
#1	Alibaba Group	amazon	amazon	amazon	ebay	amazon	amazon	amazon	Flipkart	LOJAS AMERICANAS	Alibaba Group	amazon	ebay	ebay	Alid Dealz
#2	JD.COM	ebay	ebay	Rakuten	11ST	ebay	Casino	ebay	amazon	mercado libre	WILDBERRIES	El Corte Inglés	amazon	Woolworths	Costa Group
#3	Suning B2B	Walmart	TESCO	SoftBank	COUPANG	otto group	E.Leclerc	Apple	DELL	Casino	AL. Express	INDITEX	Apple	Woolworths	zalando
#4	电商平台	Apple	Sainsbury's	Apple	WEMAKEPRICE	Apple	vente-privee	Walmart	snapeal	magasinluta	CERESKON	vente-privee	vente-privee	Apple	ITC
#5	拼多多	macy's	ASDA	ZOZO	LOTTE	zalando	Ruchan	NETBUY	NYKAA	NETSHOES	ebay	ebay	CECONOMY	amazon	Apple

Source: Euromonitor (2018), eMarketer (2018).

Note: Market sizes are expressed in USD and are rounded approximates. South Korea Market and India Market exclude media-only and/or payments platforms (e.g., Google Play, PayTM).

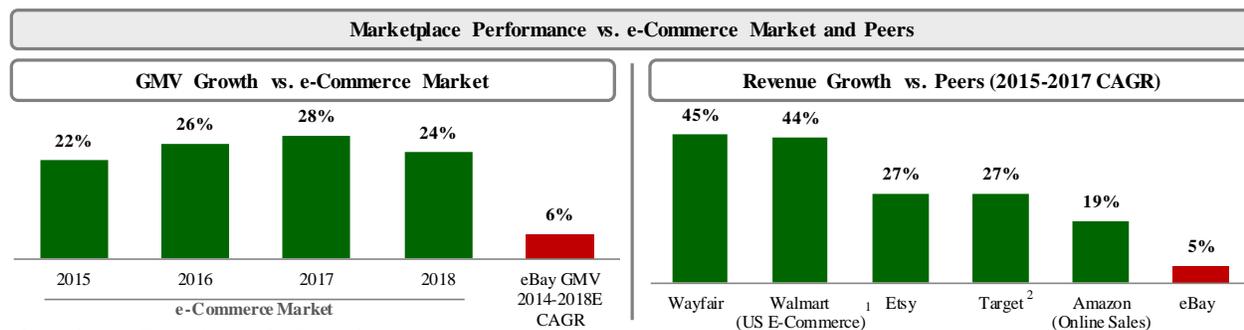
(1) Represents former eBay investments that have since been monetized.

As e-commerce penetration accelerates, it is clear that eBay's unique buyer, seller and geographic breadth make **Marketplace a highly attractive acquisition target** for both financial and strategic buyers. Particularly if separated from Classifieds and StubHub, a smaller, pure-play Marketplace would provide a unique and financially compelling opportunity for an acquirer to immediately establish a leading e-commerce foothold in many of the world's largest markets.

II. Revitalizing Marketplace

Online commerce is one of the most robust secular growth industries in the world with sustained mid-20% growth even as global sales approach \$3 trillion. Moreover, despite the pervasiveness of online shopping today, e-commerce remains an industry in its relative infancy, with penetration likely continuing to accelerate in the coming years as consumer spending continues to shift from brick-and-mortar to online. At just over 10% penetration, global e-commerce remains poised for sustained growth with a long-term runway.

Despite this robust end-market and its strong strategic positioning highlighted above, eBay has consistently underperformed its potential. While the market and peers are growing well into the double-digits, eBay has been stuck in a lower gear of low-to-mid-single-digit growth. This underperformance has been driven by a series of self-inflicted execution missteps (discussed further below) and a lack of strategic focus on the core business.



Source: Company filings, eMarketer. eBay figures reflect constant-currency, Marketplace statistics.

(1) Walmart US E-Commerce growth rate representative of Walmart's FY18 (1/31/18) growth.

(2) Represents Target's comparable digital channel sales growth.

Fortunately, eBay has the franchise, scale, employee talent and community to do better. Successful execution in eBay's core business is the **single most important driver of its future value** and the reason that the Plan requires exclusive focus on this business. Success in Marketplace will require both a commitment to operational and technical excellence as well as a strategic focus on growth and innovation in the core.

Demonstrate Operational and Technical Excellence in Marketplace

As an online marketplace that provides a critical forum for millions of buyers and sellers, the efficient and effective functioning of the platform is paramount. Unfortunately, eBay has been plagued by technical problems and operational challenges for years. In 2014, there was a highly visible password hack, which was damaging on its own and exacerbated by a bungled communication strategy and technical response. At the same time, eBay was caught off-guard by changes in Google's search algorithm, resulting in a material decline in traffic. Then, in 2015, eBay suffered from a failed mobile application overhaul which was quickly rolled back.

Fast forward to recent years and the platform still faces issues. In 2018, eBay sellers complained about countless technical issues including incorrect billing, lost photos, warped titles and many others. On this month's end of year podcast, eBay senior management apologized to sellers and admitted, *"This is a 2018 that we don't want to repeat on a number of levels. And the technology issues that we have had with the platform is top of the list."* We agree: The consistent reliability of the platform is central to eBay's success, and management must do all that it takes to achieve it. While innovative endeavors in new pursuits like machine learning and augmented reality are promising future technologies, eBay's publicly touted initiatives in these areas will add little value if the core platform continues to have critical functionality failures.

Moreover, strong technical execution is particularly necessary today as eBay is undertaking several mission-critical initiatives, including the rapid growth of Promoted Listings and the move to intermediate payments. These represent tremendous upside opportunities as Promoted Listings has the ability to dramatically scale from its current size while Managed Payments will develop into a multi-billion dollar revenue opportunity with substantial profits. So far, eBay's execution of these initiatives has been inconsistent from the onset, with issues ranging from a lack of PayPal support for Managed Payments to the inadequate reporting and analytics functionalities on Promoted Listings. Fortunately, all of these issues are fixable and through an aggressive emphasis on operational execution and continued enhancements to the platform, eBay will be able to successfully capture these significant and near-term value-creation opportunities.

Defend the Core and Expand the Opportunity

It is critical to recognize that eBay's sustained underperformance is not due to a lack of potential or a poor end-market. Instead we believe that eBay has missed a number of actionable growth opportunities while distracted by non-core endeavors. The lack of focus on the Marketplace is most clearly evidenced by eBay's expansive portfolio and prior pursuits of non-strategic areas like unified communications (Skype), enterprise software (Magento), apartment rentals (Rent.com), e-commerce operations (GSI) and many others. These have been meaningful financial disappointments in their own right, but the larger cost was the diversion of attention from Marketplace. Moreover, this distraction and lack of focus is not just confined to M&A. eBay's major initiatives have also changed repeatedly over time, with strategic priorities evolving from big brands and retailers to structured data and now to payments and advertising.

Meanwhile, competitors were able to build high-growth businesses in areas where eBay should have been successful. eBay has not only lost share to Amazon in the horizontal e-commerce space, but also to a number of smaller, new challengers and point solutions in specific verticals. eBay

was the original online marketplace whose size, scale and first-mover advantage provided it with a “right to win” in key adjacencies. This was proven 20 years ago when eBay Motors showed that cars could be successfully sold online, which was far from obvious at the time. Its success was evidence that eBay was a natural platform for continued, innovative expansion into new and growing markets. That same innovative energy has not kept pace in recent years. Other successful, niche category marketplaces, including Etsy (~\$7 billion market cap), Wayfair (~\$9 billion market cap), Reverb, LetGo, OfferUp, The RealReal, and countless others, have succeeded where eBay was well-positioned to win. Interestingly, many of these were started by or are currently run by former eBay executives – accomplishments that should have been achieved within eBay.

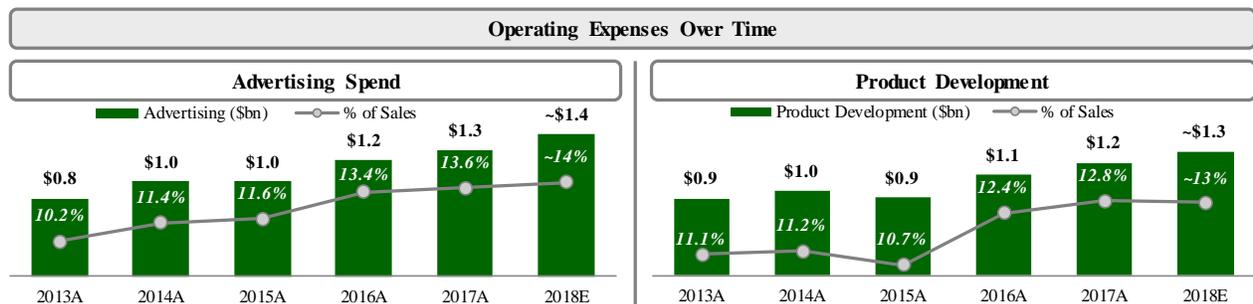
We highlight these missed opportunities as a strong indication that significant market potential remains. eBay’s platform provides a truly unique forum for innovation which can and should be leveraged to expand the universe of what is transacted on its Marketplace. While we have no doubt that eBay is focused on this, we believe that more needs to be done given the stakes. We suggest that this be a Board-level priority, with key directors working alongside Management on a plan to invest and win in new products and verticals. We believe eBay should engage in a full operational review of how it spends its development funds and undertake rigorous analysis of the ROI of the investments to ensure it is best allocating its investment – both internal development spend as well as the potential for targeted M&A. With the scale of its resources, fewer distractions and proper attention on the matter, eBay can succeed in new growth vectors.

III. Operational Improvements and Margin Expansion

eBay’s operational execution and financial underperformance have weighed heavily on the Company in recent years. Operating margins have declined as the Company has layered excessive expenses into the cost structure and neglected operational best practices. Today, eBay is suffering from severe inefficiency. To address this issue, we have developed an achievable set of initiatives to sustainably improve eBay’s operational performance and yield a more profitable and faster-growing company.

Operational and Financial Underperformance

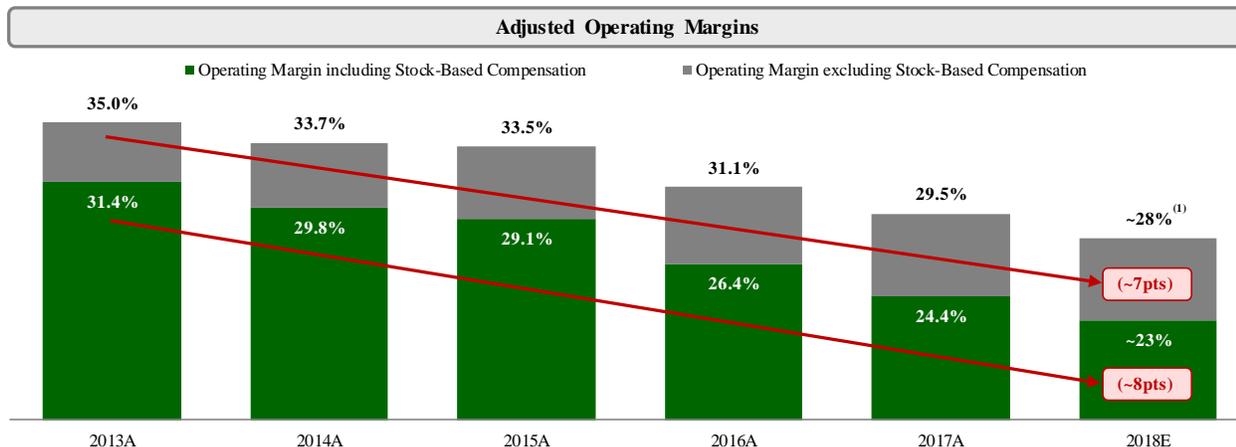
Over the past five years, eBay has aggressively spent capital and resources in an attempt to reaccelerate growth. Since 2013, eBay’s spend on advertising has increased by ~70% and its spend on product development has increased by ~45%, both vastly exceeding its cumulative revenue growth of ~25% over the same period and leading to material margin decline.



Source: Company filings, CapitalIQ, Bloomberg.

Note: 2018E represents consensus estimates and % of sales calculated using comparable ASC605 revenue for consistency. Figures include SBC.

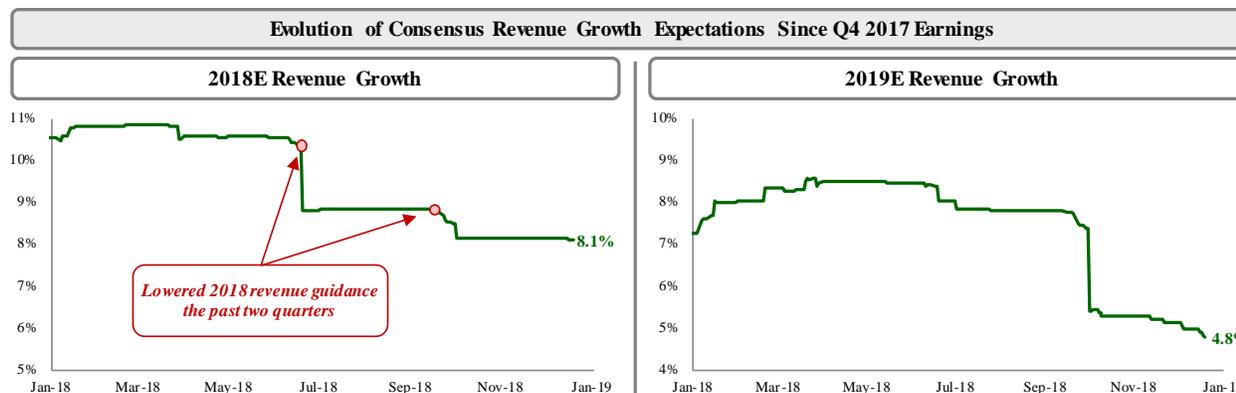
As a result of this deliberate decision to increase spending, eBay has seen a significant decline in profitability, with the Company’s operating margins for this year being more than 500bps below 2015 levels. **EBITDA margins have now in fact declined year-over-year for 12 consecutive quarters.** Moreover, we highlight the effect of stock-based compensation (SBC) because it has grown markedly faster than revenue every year for the past five, increasing from ~\$300 million (or 3.5% of sales) to ~\$550 million (or more than 5% of sales). Today, eBay’s SBC expense of more than 5% of sales is dramatically out-of-line with peers. The three closest internet peers in terms of revenue are Netflix, Booking Holdings and Expedia. All three are growing far faster than eBay and yet spend roughly half as much on SBC on a relative basis.



Source: Company filings and consensus estimates.

(1) 2018E margins adjusted to ASC 605 to reconcile with prior periods using 1.1% impact, consistent with the ASC 605 vs. ASC 606 impacts in 2016 and 2017.

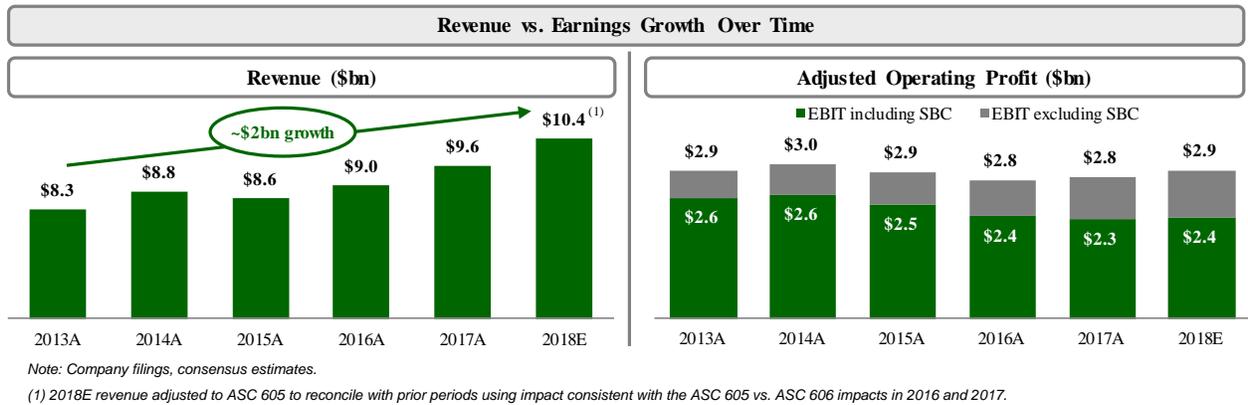
The problem with eBay’s increased spending is that these investments have failed to deliver the level of sustainable re-acceleration that eBay was projecting. The Company had been consistently communicating a path to double-digit revenue growth and, following a strong 2017 holiday season, was guiding investors towards a continued turnaround in 2018. eBay’s initial guidance for 2018 called for 7% – 9% constant currency growth; however, that was cut to 6% – 7% after Q2 and then again to 6% in Q3. This downward revision continues for next year as well. After a prolonged period of guiding investors towards long-term double-digit growth, today eBay is guiding for 2019 revenue growth in the low to mid-single digits.



Source: Bloomberg, CapitalIQ as of January 18, 2019.

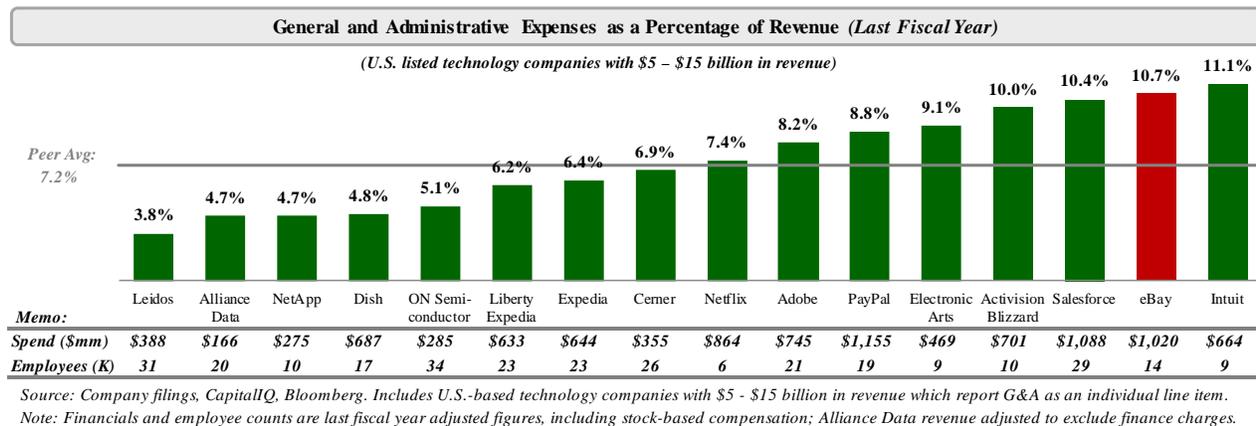
Note: 2018E revenue growth relative to comparable ASC606 revenue for 2017.

As a result of this disappointing growth and substantial decline in margins, eBay’s earnings growth has flatlined. From 2015 to 2018, eBay’s revenues have grown by nearly \$2 billion, while adjusted operating income is flat (and even declining after accounting for SBC).



The pattern here – spending more to grow faster, externally projecting faster growth and then failing to deliver and reversing course – is clearly problematic. For investors, a critical element of any public company’s value proposition is consistency and credibility, and abrupt changes to long-term intentions create significant confusion. Specifically, on the Company’s most recent quarterly announcement, management seemed to have abandoned some of its recent investments for growth (possibly realizing they were not working) and to have shifted to targeting lower growth and modest margin expansion. While we are entirely supportive of ceasing wasteful spending, the announcement strikes us as reactionary and yet another example of missed targets and misexecution.

To be clear, eBay’s opportunity to expand margins is not limited to ceasing unsuccessful investments. Like many technology businesses we have invested in previously, the Company has simply not been focused on operational rigor. As a result, eBay’s existing complex organization is inefficient with respect to costs and ineffective with respect to maximizing growth. This is perhaps most noticeable in G&A, where eBay vastly outspends peers on a relative basis. The only technology peer with between \$5 and \$15 billion of revenue that spends a greater percentage on G&A is nearly 40% smaller in revenue than eBay and therefore spends nowhere near as much on an absolute basis. In fact, eBay spends almost the same absolute amount on G&A as Salesforce.com, a company with over twice the number of employees and growing 5x as fast.



Operational Improvements

Our Plan is premised on our strong conviction that eBay can continue to achieve growth, but that it can achieve this goal while simultaneously delivering long-overdue margin improvement. We strongly believe that eBay is not in an “either-or” situation as it relates to growth and margins.

We have identified numerous opportunities throughout the organization for significant improvement, which we believe will result in a more efficient use of resources. We have been through this exercise many times (and our operational consultants many more times than that), and we have found that **by reprioritizing wasteful spend and focusing the organization, companies grow faster**. The Plan calls for a nearly \$250 million increase in operating expenses from 2018 to 2021, allowing the Company to grow spending, but at a rate slower than that of revenue growth, achieving greater levels of operating leverage.

With the help of our operational consultants and technology executives, we developed a granular cost baseline to help determine what an appropriate cost structure for eBay should look like. Our carefully targeted evaluation focuses solely on opportunities that will result in a more efficient use of resources without affecting growth. In total, **the Enhancing eBay Plan calls for a 32% core adjusted operating margin in 2021** ⁽⁴⁾, or 33% on an ASC 605 basis as compared to a 29.5% margin last year (2017), ~31% margin two years ago (2016) and ~33.5% margin in prior years (2014 and 2015).

This target is squarely consistent with eBay’s prior goals – when eBay separated from PayPal, it promised investors a long-term operating margin of 31% to 35%. As shown in the previous chart, merely achieving peer average levels of G&A spending alone would realize more than three points of margin improvement and contribute nearly 75% of this targeted margin expansion.

We have identified the following areas for improvement and possess vastly more detail, which we are happy to share with the Board in the future:

- **General and Administrative:** eBay’s G&A organization is operating at a much higher expense level and size compared to industry peers. We have identified multiple opportunities to improve organizational effectiveness by collapsing inefficient layers, improving spans of control and right-sizing unnecessarily large support functions.
- **Sales and Marketing:** There are opportunities to improve efficiency within sales and marketing, particularly as spend has increased at a much faster rate than sales in recent years. Shifting to more cost-effective advertising formats, rationalizing vendor and agency activity, and improving organizational efficiency through reducing layers are all areas for potential improvement. Further, deploying best practices across digital marketing and increasing the governance on contra-revenue spending will yield improvement.
- **Product Development:** Product Development is being run inefficiently, primarily in high-cost locations and with poor spans and layers. Moreover, it is being pulled in a number of directions, working on myriad non-core and speculative technology initiatives. We believe that a review of ongoing projects and streamlining of development backlog would free up the Company’s talented engineers to focus on the most promising projects.

⁴ Margin target based upon core revenue excluding incremental revenue uplift from payment intermediation.

- **Cost of Net Revenue:** eBay has several opportunities to streamline the way in which it delivers the platform and supports users. Reviewing outsourced vendor relationships, reducing layers within the customer support and operations divisions, and indexing more towards lower-cost locations could yield substantial savings to redeploy in investments to enhance the customer experience.
- **Facilities:** eBay has a broad global footprint with more than 60 offices across 30+ countries. In the U.S. alone, the Company has at least 18 locations, seven of which are in California. There is opportunity for eBay to consolidate by conducting a comprehensive real estate portfolio review and streamlined procurement effort for facilities costs.

Earlier in its history, eBay was renowned for rejecting the spendthrift ways of flashier start-ups and living by founder Pierre Omidyar’s guiding principle to “Spend the money like it’s your own.” A return to this principle would not only be welcomed by shareholders, but would free up significant resources to reinvest in the core platform and new value-creation initiatives.

IV. Appropriate Capital Allocation

As part of the above-outlined efforts to improve operational efficiency, eBay will be generating meaningful earnings growth over the next three years as well as yielding substantially more cash flow. Additionally, eBay’s current valuation is near its lowest level since separating from PayPal. This combination of a depressed valuation and upcoming earnings acceleration make today a uniquely opportune time to accelerate share repurchases.

We recognize that eBay already consistently repurchases a large volume of stock, that management has communicated it intends to continue repurchasing shares in 2019 at the same pace as 2018 (~\$1 billion per quarter), and that the Company is comfortable moving to a net debt position while remaining Investment Grade rated. Operating entirely within this framework and in light of the significant earnings growth contemplated by the Plan, we would recommend improving the return on such buybacks by accelerating them in 2019, followed by a more moderate return of capital thereafter with a balanced tradeoff between investment and returning capital to shareholders.

- **Accelerated Repurchases – 2019:** eBay’s guidance calls for repurchasing \$3.5 to \$4.0 billion per year over 2018 and 2019 and a significant return of capital thereafter. This Plan calls for a slight acceleration to Company guidance with \$5 billion of share repurchases in 2019, funded with earnings generation throughout the year and cash on hand.
- **Ongoing Capital Return:** The Enhancing eBay Plan calls for a long-term capital return program with a commitment to return 80% of free cash flow to shareholders beyond 2019.
 - **Implement a 1.5% Dividend Yield:** Given eBay’s highly cash-flow-generative model, we believe the Company can easily sustain a modest dividend. Providing a fixed return to shareholders has numerous benefits, including reducing volatility and broadening the universe of potential investors interested in eBay. Moreover, at ~5% growth, eBay is the slowest-growing large-cap technology company without a dividend. ⁽⁵⁾

⁵ Includes all U.S. technology companies, excluding semiconductor manufacturers, with greater than \$20 billion in market capitalization. Growth based on 2019E revenue growth. Excludes Dell due to recent IPO.

- **Ongoing Share Repurchases:** Under the commitment to return 80% of free cash flow beginning in 2020, eBay should use all remaining proceeds after dividend payments to repurchase shares on an ongoing basis.
- **M&A:** We believe that there are substantial investments the Company can and should be making to better position itself for growth and long-term sustainability. Under the Enhancing eBay Plan, we have earmarked 20% of free cash flow on an ongoing basis to be allocated towards M&A. Given the meaningful growth in earnings envisioned by the Plan over the next several years, this amounts to \$600 to \$700 million of annual investment that can be used on acquisitions (of companies or technologies) to bolster the core Marketplace and expand the breadth of eBay's current product offerings. Such investments will help eBay sustain its long-term outlook by investing in the future.

V. Effective Leadership and Oversight

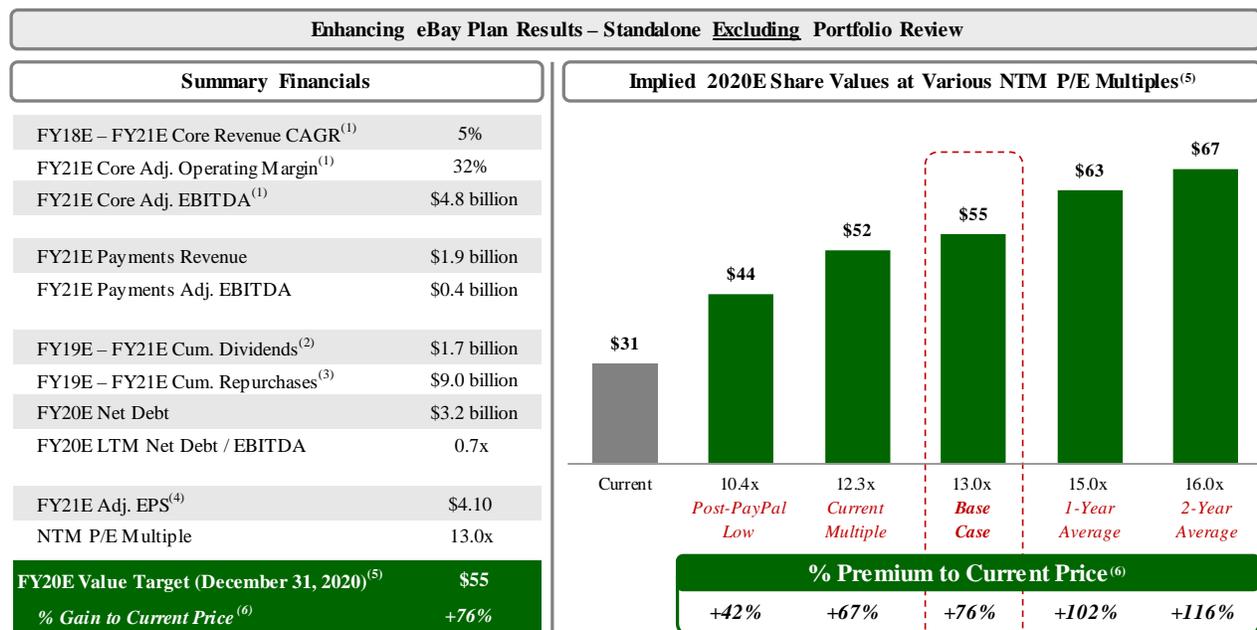
The changes we have highlighted previously require a strategic and operational focus that eBay has not shown in recent years. In addition to the issues raised above, the Company's leadership team has suffered an alarming degree of turnover recently. eBay needs stable and experienced leadership to implement the Enhancing eBay Plan. As the Board is well aware, working across a 14,000-employee organization to improve operations while refocusing on the core and driving growth will require a level of excellence eBay has not exhibited in years. It would be well worth the Board's time to do a full evaluation of the skills required to effectively execute the Plan and manage the business for long-term success. Fortunately, eBay has the scale and growth opportunity to attract any necessary top-flight talent that could help increase the likelihood of execution success and instill confidence in the organization, its shareholders and its community.

Getting leadership right is only one part of the picture: the Board must also be well positioned to provide accountability and oversight. eBay is fortunate to have a Board that includes individuals who have decades of collective experience running industry-leading businesses. Nevertheless, given eBay's challenges and the changes required to meet them, it is worth considering whether the Board as currently constituted is best equipped to maximize the probability of success.

Finally, given the amount of work to be done, we believe that the knowledge and guidance of the Board is best leveraged through the establishment of a Strategy and Operations Committee. This committee would have a clear, singular mandate: to successfully execute the Enhancing eBay Plan. Our experience has given us a high degree of conviction that the establishment of such a committee at eBay will empower directors to get more involved in every aspect of the Plan, with more frequent meetings and discussions, to ensure accountability and success.

A Unique Value Opportunity

The Enhancing eBay Plan can create significant value for shareholders while resulting in a better and more focused eBay. We believe that eBay can achieve a value of \$55 per share by the end of 2020, prior to any value creation from the divestitures of Classifieds and StubHub. With improved strategic direction, focused execution, prudent margin expansion, enhanced capital allocation and effective leadership, eBay has the potential to deliver substantial upside for shareholders.



(1) Core financials exclude the impact of payment intermediation.

(2) Assumes 1.5% dividend yield.

(3) Assumes \$5bn of repurchases in FY2019E funded with FCF and cash on hand; 80% of annual FCF returned thereafter through dividends and repurchases.

(4) EPS rounded to the nearest \$0.05.

(5) Value target rounded to the nearest \$1.00 per share. FY20E value target includes cumulative dividends received.

(6) Relative to current share price of \$31.00 as of January 18, 2019.

This is achievable despite our standalone case assuming a highly conservative NTM P/E multiple of 13.0x, which is several turns below the 1- and 2-year averages of 15.0x and 16.0x, respectively. However, we believe that successfully executing the Enhancing eBay Plan will reward shareholders with a higher valuation multiple relative to today's currently depressed levels and more in-line with historical precedent as it will give investors greater confidence in eBay's future. As highlighted above, the result would be value creation substantially above our Base Case returns if eBay can return to its average multiple over the last 1-year and 2-year periods.

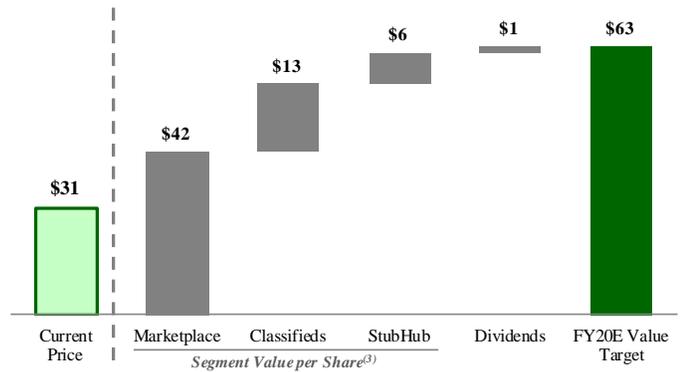
The separation of the Classifieds portfolio and StubHub will unlock even more value while allowing management to refocus on the core. By undertaking a comprehensive strategic review and pursuing a separation of these assets, we believe that eBay can unlock an incremental ~\$5 to ~\$10 per share. Applying the midpoint of our valuation ranges for each business and a 9x EBITDA multiple to the Marketplace, which is in line with its post-PayPal trading history despite the significantly improved financial profile contemplated herein, we believe that eBay would be able to realize incremental upside to \$63 per share. Even applying the most punitive scenario of maximum leakage from a fully taxable sale of both assets, a scenario we think is eminently avoidable through a number of transaction alternatives, eBay would still be able to realize a \$58 value.

Enhancing eBay Plan Upside from Portfolio Review

Summary Financials (as of December 31, 2020)

(\$ in billions)	FY21E EBITDA	NTM EBITDA Multiple	FY20E Value
Marketplace	\$4.2	9.0x	\$37.4
Classifieds	\$0.6	18.5x	\$11.9
StubHub	\$0.4	14.5x	\$5.4
Enterprise Value			\$54.7
(-) FY20E Net Debt			(\$3.2)
Equity Value			\$51.5
(/) FY20E Shares Outstanding			837
Share Price			\$61.49
(+) FY19E – FY20E Cum. Dividends Received			\$1.30
FY20E Value Target (December 31, 2020)⁽¹⁾			\$63
% Gain to Current Price⁽²⁾			+103%

FY2020E Value Per Share⁽¹⁾



Note: Financials assume Enhancing eBay Plan operating and capital return assumptions. Represents illustrative valuation ranges based on component multiples.
 (1) Value target rounded to the nearest \$1.00 per share. FY20E value target includes cumulative dividends received.
 (2) Relative to current share price of \$31.00 as of January 18, 2019.
 (3) Per share value assumes net debt allocated based on enterprise value contribution to total.

The path forward requires a commitment to a number of steps the Company has not undertaken in years. However, the opportunity exists to better position eBay for future success while delivering significant and enduring value for all stakeholders. We look forward to working constructively and collaboratively with eBay to realize this opportunity.

Next Steps

eBay today is at a critical moment, embarking on several major platform initiatives while grappling with inconsistent execution, a loss of investor confidence and a rapidly evolving e-commerce landscape. While there are many substantial upside opportunities to pursue, including the already underway Managed Payments and Promoted Listings efforts, successful execution of these important strategic initiatives will require a far more focused and efficient eBay. We firmly believe that now is the time to undertake the necessary actions detailed in the Enhancing eBay Plan and to establish the right foundation for a streamlined eBay to be successful in these efforts.

Elliott greatly appreciates the Board’s time in considering our thoughts. We have dedicated significant resources to this analysis, and we strongly believe in the merits of the opportunity. Above all else, as shareholders, we believe that the changes we advocate – a strategic portfolio review, a renewed focus on execution within Marketplace and increased financial and managerial investment – will make eBay better for its community, its employees and its shareholders.

We hope you agree with our views, and we are looking forward to hearing yours as well. As a next step, we respectfully request a meeting to work together to pursue this opportunity.

Best regards,

Jesse Cohn
Partner