Written by

Stone Fox Capital
Marketplace
Author of Out Fox The Street. Out Fox the market with misunderstood, high reward opportunities

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BKNG	2,323.53	2.41%
BRK.A	387,995.00	2.45%
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eBay: No Longer Sleepy

Mar. 17, 2021 5:29 PM ET | **eBay Inc. (EBAY)** | 60 Comments | 8 Likes

Summary

- eBay forecasts massive Q1 growth.
- The company is now benefitting from certifiable products via internal work and third-party services.
- The platform saw trading card transactions surge over 140% in 2020.
- The stock is exceptionally cheap now at 12.5x 2022 EPS estimates.
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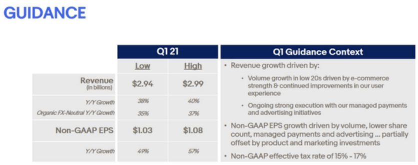
Photo by JHVEPhoto/iStock Editorial via Getty Images

While COVID-19 damaged most retail properties, **eBay** (EBAY) was one online marketplace to really benefit from the higher online demand. The company faces tough comps starting in Q2 which makes the business difficult to evaluate, providing an opportunity for alert investors. My investment thesis remains very bullish on the stock as new management pushes forward with aggressive initiatives.

Booming Business

Despite the end of many virus lockdowns and travel perking up, eBay still predicted Q1 revenues to surge by up to 40% on an organic basis. The company predicts revenues approaching the $3 billion range bolstered by managed payments and advertising, leading to the EPS topping $1.



GUIDANCE

	Q1 21		Q1 Guidance Context
	Low	High	
Revenue (in billions)	$2.94	$2.99	• Revenue growth driven by: • Volume growth in low 20s driven by e-commerce strength & continued improvements in our user experience • Ongoing strong execution with our managed payments and advertising initiatives
Y/Y Growth	38%	40%	
Organic FX-Neutral Y/Y Growth	35%	37%	
Non-GAAP EPS	$1.03	$1.08	• Non-GAAP EPS growth driven by volume, lower share count, managed payments and advertising ... partially offset by product and marketing investments
Y/Y Growth	49%	57%	• Non-GAAP effective tax rate of 15% - 17%

Source: eBay Q4'20 presentation

The online marketplace had recently become a stagnant place to sell goods, but eBay has recently seen a surge in usage of their auction system to trade certifiable assets. As an example, the trading card category grew 142% during the year as investors and collectors rediscovered cards during the lockdowns and sold 4 million more cards during 2020.

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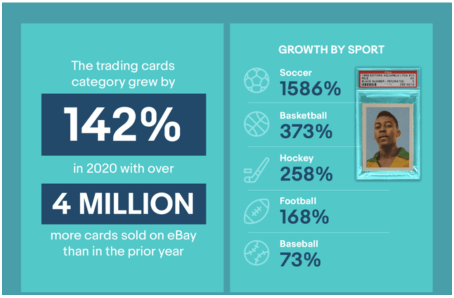


Source: *State of Trading Cards report*

eBay offers the perfect auction system for the sale of assets such as trading cards and sneakers. Other auction sites exist for premium items, but eBay offers the biggest platform of buyers and the ease of use. Not to mention, the website was easily able to sell multiple cards selling for in excess of $500K such as the 1996 Topps Chrome Refractor Kobe Bryant rookie card.

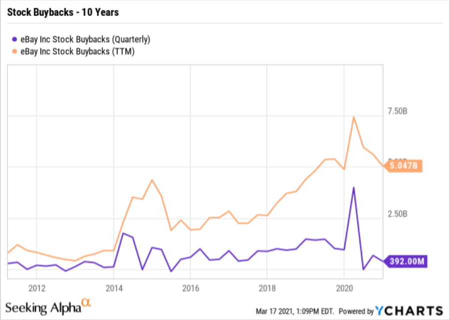
Whether via authentication services for watches and sneakers and certified refurbished items on the platform or third-party grading services such as PSA for sports cards, eBay now benefits from verifiable item quality allowing the easier flow of substantial auction amounts. In the trading card world, eBay allows for raw cards to easily transact in a buyer beware environment while also allowing for higher dollar volumes on cards with official grades. The gross merchandise volumes surge once moving to certifiable goods.

These higher end products also perfectly funnel into the promoted listing advertising product. The company saw promoted listing revenues soar to $215 million in the quarter, up 60% from last Q4. The product allows these high-end collectible products stand out from the crowd making the platform just as attractive as high-end auction houses such as Goldin Auctions. Not to mention, most eBay trading card sellers utilize social media as a way to ensure listings aren't lost in the crowd.

On the earnings call, the company discussed how the benefits of these categories spread beyond purchases for the certified products. For sneakers, buyers purchased on average $2,500 worth of goods on the platform with only 20% coming from the sneakers category. Similar to the sports cards, the ability to attract a buyer with an item where eBay is the category leader builds the whole platform.

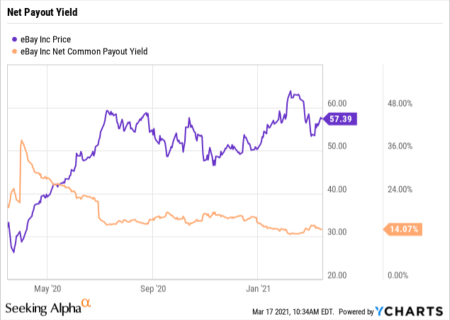
Buyback Machine

While the market was complaining about ill-timed stock buybacks in other areas such as airlines and banks, eBay successfully repurchased billions worth of shares when the stock traded much lower. Going back to 2014, the online marketplace has consistently spent as much as $2.5 billion annually to repurchase shares of a stock that traded below $40 for the whole period until recently.



Data by YCharts

The company spent $5.1 billion on share buybacks last year at an average price of $41.31 amounting to over 10% of the outstanding stock. When combined with a current dividend yield of 2.6%, eBay has a net payout yield of 14%. The yield combines the dividend yield and the net stock buyback yield.



Data by YCharts

Whether lucky or not, the BOD agreed to repurchase tons of stock heading into the big boom of COVID-19 lockdowns when everybody went online to buy/sell goods including sneakers and sports cards. The company has another $6 billion authorized for share buybacks.

In addition, the closing of the Classifieds sale to **Adevinta** (OTCPK:ADEVF) will bring in $2 billion in net cash plus 540 million shares in the company for a value approaching $11 billion now. eBay will own a nearly $9 billion stake in the company after the close.

Takeaway

The key investor takeaway is that eBay faces tough comps this year starting in Q2. Over the long term, the company is now on a different growth trajectory by working to improve the main function of the platform by allowing buyers/sellers to now transact with confidence.

At $60, the stock only trades at 12.5x 2022 EPS estimate. Ultimately, eBay heads higher as the company is no longer the sleepy marketplace of the last decade.

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Disclosure: I am/we are long EBAY. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

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Comments (60)

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oldtoyguy 21 Mar. 2021, 5:40 PM

Comments (7) | + Follow

I have been a successful eBay seller for over 20 years. I have sold over $4,000,000 on the site. Problems along the way have always been addressed. I have experimented with Amazon and Etsy but they don't compare at all. eBay is a pleasurable site to sell on. I look forward to the next 20 years. I own the stock as well. Positive articles on eBay always bring out a few "sour grapes" types- eBay isn't Amazon, and I'm glad it is not!

Reply Like (5)

Stone Fox Capital 19 Mar. 2021, 11:56 PM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply Selling $100 sneakers for no selling fees is a sign that the new CEO understands that fees are just too high to attract volume sellers. Next, they need to lower fees on trading cards over $1K.

pages.ebay.com/...

Reply Like (2)

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punyhuman 19 Mar. 2021, 4:36 PM

Comments (19) | + Follow

I've been buying and selling on Ebay since 2002. It's nothing but a headache. Constant policy changes, unstoppable scams, and complete reliance on a third party for mailing options = risky business. There were a lot of buyers this year. When those buyers decide to sell, they'll be blood in the water.

Reply Like (3)

Stone Fox Capital 19 Mar. 2021, 11:49 PM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @punyhuman
The whole investment thesis is based on a new day at $EBAY with the new CEO. Iannone stated last April 27. Why you talking about 2002 still?

Reply Like (3)

punyhuman 24 Mar. 2021, 4:08 PM

Comments (19) | + Follow

@Stone Fox Capital Buying and selling SINCE 2002. That's 19 years of Ebay incompetency, lol.

Reply Like

pace306 Yesterday, 9:56 AM

Comments (141) | + Follow

@Stone Fox Capital

" the new CEO. Iannone" Mr ex Walmart has done nothing positive for eBay so far - not sure why you are using HIM as an example.

Trading Cards? eBay only REacted because they were getting their behinds kicked (HARD) by other sites.

The fault? eBay themselves with their bad policies, refusal to remove fakes/bad listings, ZERO seller protection and super high FVF and shipping costs.

PLEASE dont tout Iannone's new shipping idea for cards - its already failed. And wouldnt you know - it MAGICALLY lets eBay give strikes to sellers which ups eBays take .... sounds magical to me!

As for sneakers - same thing - too many fakes/copies from China - that they refuse to police. Crack the whip on a seller thats a day late in shipping - but tell the guy that buys an expensive pair of sneakers that its gonna take a week extra to ship to an authenticator and then to the buyer - see when eBay delays things then its ok ... sellers ... not so much.

ALL these things (including the NEXT "triumph" for Iannone) aka the "new super duper Refurbished section" are all games that Wall Street eats. (this new gimmick is a pay for play game that excludes %99 of all other sellers).

Stock wise - percentage wise - eBay cant get higher then 60$ a share and probably never will. Compared to Amazon, Posh, Etsy - eBays numbers stink - but dont tell the stock analysts here!

Yes blah blah Covid, great 10k numbers ...... you guys will believe ANYTHING eBay tells you ..... (and yes the 10k numbers are GREATLY exaggerated. If you were a long time seller - then you'de know)

Reply Like

Peter Combs 19 Mar. 2021, 8:39 AM

Comments (2) | + Follow

Articles like this have been touting eBay in some form or fashion now for over a decade. The simple fact is ETSY has risen over 3,000% in the last five years for a reason, Amazon has risen massively as well, eBay has been floundering relatively speaking since 2005 when it was selling for $24, (now at around $59).

Stock Buy-Backs, increased Fees, selling off Assets and so forth is no substitute for good growth management. eBay could easily become the GE of online selling.

Reply Like (1)

Stone Fox Capital 19 Mar. 2021, 12:17 PM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @Peter Combs
Not sure what the point is to ignore the present just b/c of the recent past. What about the current growth?

Reply Like (3)

Dumpebay 18 Mar. 2021, 9:55 PM

Comments (1) | + Follow

Ebay is just horrible after managed Payments, just greedy. Sellers dropping like crazy. I wouldn't buy ebay syock, I'd short the heck out of it. I think it will nose dive when more people catch on to what going on. Seller pulling out, selections drop, buyer lose interest as there are way more options these days.

Reply Like (4)

Stone Fox Capital 19 Mar. 2021, 12:18 PM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @Dumpebay
You have no clue what you're talking about so go ahead and short the stock. More action, less talk!

Reply Like (7)

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grahlfsgp 18 Mar. 2021, 12:17 PM

Comments (19) | + Follow

I'm not convinced. The purpose of a business is to serve it's customers. They don't seem to be doing a good job of it.

Reply Like (1)

Stone Fox Capital 19 Mar. 2021, 12:19 PM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @grahlfsgp
why not? elaborate.

Reply Like (2)

Stone Fox Capital 18 Mar. 2021, 10:38 AM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply Anybody invest in sports cards? Liking some of the vintage cards, especially trying to snap up raw cards and get them graded to flip. If one can actually get them graded these days.

Reply Like

MNSW 18 Mar. 2021, 1:03 PM

Comments (195) | + Follow

@Stone Fox Capital Good luck. Rumor has it that PSA is running up to 12 months for grading with their backlog!

Reply Like (1)

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clrodrick 18 Mar. 2021, 4:43 PM

Comments (11,019) | + Follow

@Stone Fox Capital - care for a non-graded Dan Marino card? I'm looking to sell as well as some of his autographed stuff I got. :-)

Reply Like

Stone Fox Capital 18 Mar. 2021, 5:43 PM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @MNSW
Yes, my understanding is a massive backlog exists, though they've hired a ton of people. PSA has built up such a great marketing program that other graders don't attract the same prices.

Reply Like

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Ken Archbold 17 Mar. 2021, 11:45 PM

Comments (17) | + Follow

The recent stimulus package included the requirement for ebay to report all earnings to IRS over $600. Currently sales are only reported if over both $20,000 and 200 transactions. I think a lot of small sellers are going away next year.

Reply Like (6)

SLOutlier 18 Mar. 2021, 12:47 AM

Comments (383) | + Follow

@Ken Archbold wow if that is true, gonna shake out about 50% of sellers.

Reply Like (2)

Stone Fox Capital 18 Mar. 2021, 10:28 AM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @Ken Archbold
So somebody selling $5K worth of good is just going to stop? Don't think so!

Reply Like (2)

Ken Archbold 18 Mar. 2021, 2:49 PM

Comments (17) | + Follow

@Stone Fox Capital the average small seller is intimidated by tax law and does not believe they are capable of understanding it. We will see....

Reply Like

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scroogely 17 Mar. 2021, 11:10 PM

Comments (6) | + Follow

I sold some stereo stuff recently; first time I'd sold stuff in years. couldn't believe that their fees hosed me to the tune of 14%. They are greedy now, for sure. probably time to buy some stock, as they will milk the cow for a few years before the ill will comes home to roost.

Reply Like (1)

MNSW 18 Mar. 2021, 7:43 AM

Comments (195) | + Follow

@scroogely I think you need to research other companies better. Please look at Amazon, StockX, Poshmark, etc. selling fees. All higher than eBay. And essentially every major online sports auction site (Goldin, Heritage, etc) have fees around 20%. I know you think you should be able to see for free, but that's not reality.

Reply Like (5)

ECOMMERCE 18 Mar. 2021, 7:51 AM

Comments (19) | + Follow

@scroogely Isn't 14% fee quite reasonable? I think Poshmark charge close to 35%, and it's not much different at other ecommerce portals.

I believe ebay has the lowest fees of the lot, which I think could be a great way of attracting new sellers.

Reply Like (5)

MNSW 18 Mar. 2021, 9:53 AM

Comments (195) | + Follow

@scroogely also, ebays fee also includes payment. In the past, you paid a fee to eBay AND PayPal. Now it is combined. The take rate on payment is actually slightly lower.

Reply Like (2)

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outcast_tech 17 Mar. 2021, 7:26 PM

Comments (54) | + Follow

I think eBay taking payment processing in house is an under looked growth catalyst.

Reply Like (4)

SLOutlier 18 Mar. 2021, 12:44 AM

Comments (383) | + Follow

@outcast_tech it has been a mess since they took over

Reply Like (5)

MNSW 18 Mar. 2021, 7:44 AM

Comments (195) | + Follow

@SLOutlier Actually, I think it has worked very smoothly. And many buyers appreciate the additional funding options.

Reply Like (4)

outcast_tech 18 Mar. 2021, 9:17 PM

Comments (54) | + Follow

@SLOutlier Interesting feedback. I just sold something for the first time on the new payment system and it was as simple as could be. Paying shipping fees from proceeds before transfer was pretty slick too. Had payment in my account in 2 days.

Reply Like (3)

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mlhewitt2002 17 Mar. 2021, 6:54 PM

Comments (372) | + Follow

Who the hell still uses Ebay? 🤣😅😂

Reply Like (4)

Stone Fox Capital 18 Mar. 2021, 10:32 AM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @mlhewitt2002
hadn't used eBay for over a decade until recently buying some vintage sports cards. Actually tried to buy something maybe 5 years ago and my account was locked out so gave up and went somewhere else.

Reply Like (1)

jcat90 20 Mar. 2021, 6:53 AM

Comments (429) | + Follow

@mlhewitt2002 I often see the same sellers on eBay and Amazon selling the same items except the price is lower on eBay (probably due to lower fees).

Reply Like (1)

Stone Fox Capital 20 Mar. 2021, 10:30 AM

Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @jcat90
Can't imagine people that still sell on a toxic site like Amazon. Though, eBay was really meant for businesses like sneaker and trading card auctions.

Reply Like (1)

Paul Franke 17 Mar. 2021, 5:55 PM
Contributor Premium Comments (1,617) | + Follow

Thanks for the article.

EBay is crazy cheap using growth-based valuation models, especially if you subtract out the Adevinta shares. Worth at least $80 today, likely rising above $100 next year.

Reply Like (7)

Stone Fox Capital 18 Mar. 2021, 10:33 AM
Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @Paul Franke
think once $EBAY gets past the tough comps, the stock is off to the races.

Reply Like (2)

Mandingo 17 Mar. 2021, 5:50 PM
Premium Comments (106) | + Follow

Ebay will be trading at $100 by the summer.

Reply Like (4)

Stone Fox Capital 18 Mar. 2021, 10:34 AM
Marketplace Contributor Premium Comments (35,899) | + Follow

Author's Reply @Mandingo
tough comps will dampen the stock over the Summer.

Reply Like

SLOutlier 17 Mar. 2021, 5:38 PM
Comments (383) | + Follow

Funny the timing of this article. I just spent almost 4 hours with Ebay today as a seller with issues with their system. They are totally disorganized, non sensical, and now cannot talk to a human to discuss issues. Everything done by chat. Got dished around to 5 different reps to solve some simple issues. I generate a lot of sales. So I am ready to ditch them because of ever increasing fees, bad seller support, just bad organization all the way around. I have two kids who were selling with them also and they quit for same reasons. One sells on ETSY and the other on Depop and say it is much easier and much lower fees. I think Ebay is going to have a huge issue with thread.com and also with people getting fed up with their BS and just go back to regular work now that pandemic numbers are dropping. I'm selling my $5K worth of stock as soon as it gets in the green again. Oh, also sales for me down 40% over last month even with lots more listings of the same items that sold great for the last year. So I would imagine sales dropping significantly for others as well. I don't see much upside overall with these trends.

Reply Like (8)

Paul Franke 17 Mar. 2021, 5:57 PM
Contributor Premium Comments (1,617) | + Follow

@SLOutlier I have a cousin that was an early eBay seller. He made similar complaints to me in 2001. The stock hasn't done poorly the last 20 years.

Reply Like (4)

30542 17 Mar. 2021, 6:59 PM
Comments (17) | + Follow

@SLOutlier I've been selling on ebay for 18 years and will be leaving at the end of this year. I agree and have experienced everything you discussed. their fees are becoming ludicrous. I not only pay a store fee I now pay a final value fee on the price of the item, the shipping and the Sales Tax! In addition there is a .30 per item transaction fee and a new fee on International sales. Small sellers, like myself are getting tired of working for Ebay instead of the other way around And there is no real customer service. Other sites have caught up to ebay and are much more reasonable.

Reply Like (5)

Seeking more alpha than you 17 Mar. 2021, 8:24 PM
Marketplace Comments (1,382) | + Follow

@30542 if it is that bad, why wait to leave at the end of this year? Why not leave now?

Reply Like (4)

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Add A Comment

Disagree with this article? Submit your own. To report a factual error in this article, click here. Your feedback matters to us!

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