



eBay Bullish Positions Accumulate into Market Driven Weakness

Ticker/Price: EBAY (\$29.55)

Analysis:

eBay (EBAY) with buyers of more than 11,000 October \$36 calls this morning up to \$1.45. Today's flows follow 2,500 April \$28 puts sold to open recently as well as sellers in the May \$26 puts and June \$29 puts last week. The May \$35 and \$36 calls also with size buyers on 3/17. EBAY shares pulled back to the 2018 lows recently around \$26 and bouncing with a volume gap back to \$34 and the prior breakdown level. Longer-term, EBAY continues to form a series of higher lows since 2011. The \$23.88B company trades 8.4X earnings, 2.2X sales, and 11.4X FCF with a 2.25% yield. EBAY estimates have called for mid-teens EPS growth and mid-single digit revenue growth in FY21 and may be one of few companies that can maintain longer-term views given the attractiveness of their core platform for the stay-at-home environment. EBAY is an activist situation on multiple fronts at this time. The company seemingly has reached an agreement with Elliott Management after disposing of their Stub Hub business in November for over \$4B, opportune timing given the chaos expected in the live events/ticket market in 2020 with COVID-19. But, recently, EBAY has come under fire from Starboard Value who has nominated four directors to the board and wants a more proactive role in finding a new CEO as well as ongoing, active discussions to sell Classifieds. In early March, Sky News reported that private equity firm Permira was in talks for a joint bid for the unit. Analysts have an average target for shares of \$41. Baird checks on 3-16 were positive noting that eBay volume transactions appear pretty solid through the early part of the month. RBC positive in late February noting that while Marketplace trends may remain muted, their Payments and Promoted Listings initiatives will be key growth opportunities this year. Short interest is 5.9% and up from around 2.5% in mid-2019. Hedge fund ownership rose 1.4% in Q4, Elliott with 9.9M shares while Baupost has 19.9M. Starboard Value with 7.45M shares. In August, a director bought \$232k in stock at \$38.79.

Hawk Vision:



Hawk's Perspective: EBAY held key trend support and obviously remains an event-driven name with some clear value and big guns supporting it, relatively safer than many peers.

Confidence Ranking: \$\$