Investing Course Exam (Robin Niemann)

1. Choose a stock, and write down which one you have chosen

eBay: A company operating marketplace platforms that connects buyers and sellers in many countries. They make money mostly through fees on purchases and first party advertising on their platform.

2. How did you find the stock? What method and parameters did you use?

I follow a German finance podcast, the Doppelgänger Tech Talk. They discuss tech stocks and provide a big google sheet where they hold the numbers of a lot companies.
I took all stock tickers from the first sheet, filled them into the infinite watchlist from this investing course. Then I filtered for P/E<=15 and Golden Cross "YES".
The results were eBay and HomeToGo. I chose eBay because I know this better and found it more interesting.

3. What is the stock worth? When? How did you calculate the value? (using multiples, DCF, yield, CAGR etc.?)

(My sources are Koyfin, Doppelgänger Sheet about eBay and the eBay annual reports)

Let's start with some data that I found relevant during my analysis.

- P/E = 10,6. In November 2023 P/E dropped from 16 to 8 and is recovering since then.
- Dividend yield = 2,05% (moving between 1% and 2% over the last 5 years)
- Number of shares: 506,44M. In the beginning of 2020 it was 815M shares; eBay regulary bought some stocks back. In 2023 they bought back 23M shares.
- eBay made some relevant strategy changes during the last 3-4 years. 2021 they sold their "classified business" to Adevinta. I know this included the platform "eBay Kleinanzeigen" which is quite popular in Germany. On their marketplace ebay.com they noticed that they derived "a majority of GMV [Gross merchandise volume] in 2023 from the following product categories: parts & accessories, collectibles, fashion, electronics, and home & garden." (see annual report 2023). So they made these their "focus categories" and focused on improving the customer experience, satisfaction and trust in those categories.
- Overall Price history:

- Peer analysis: Amazon (P/E=53), ETSY (P/E=30) and Zalando (P/E=56) all seem to overpriced to be interesting

Scenario 1: Everything stays the same

I'm still quite insecure about reasoning what might change, how much and why. So my base scenario is assuming that everything stays about the same.
(Dividend =~ 2%, Net debt =~ 2500M $, Sales growth =~ 3%, Margin =~ 30%, P/E=10, share buyback 23M/year)

							Forecasts 4 years into the future
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Sales	10420,0	9795,0	10112,0	10415,4	10727,8	11049,7	11381,1
Earnings	13608,0	-1268,0	2767,0	3124,6	3218,3	3314,9	3414,3
Sales growth		-6,0%	3,2%	3,0%	3,0%	3,0%	3,0%
Margin	130,6%	-12,9%	27,4%	30,0%	30,0%	30,0%	30,0%
Share price	53,08						
# shares	506 000 000						415 000 000
Market cap	**26858,5**						
Cash	1985						
Debt	4520						
Net debt	2535						2500
Enterprise value	**29393,5**						
Current P/E		-21,2	9,7	8,6	8,3	8,1	7,9
Current EV/S		3,0	2,9	2,8	2,7	2,7	2,6
Warranted future valuation multiples							
P/E							10,0
EV/S							3,0

1. **Enter historical values for *Fundam***
   Sales growth and margins are
2. **Enter forecasts for *sales growth an***
   Future sales and earnings are
3. **Enter current values for *share pric***
   Market Cap, Net debt and EV
   P/Earnings and EV/Sales are
4. **Enter future estimates for *number***
5. **Enter a reasonable forecast for *fut***
   Future market cap and EV ar
6. **Enter the future share price *date***
   CAGR (annual average share

			CAGR	Share price date	years
Projected future market cap based on P/E (P = F x V)	34143				
per share	***82,3***	**=>**	**13%**	2027-12-31	3,6
Projected future *EV* based on EV/S (P = F x V)	34143				
Projected future *market cap* based on EV/S	31643				
per share	***76,2***	**=>**	**11%**	2027-12-31	3,6

The RANGEr analysis comes to a CAGR of 11-13% over the next 3,5 years. Including the dividend yield of 2% that would be 13-15%

Alternative Scenarios

- If P/E would go to the market average of 15 the CAGR would increase to 27% (+2% dividend)
- If Sales growth would increase by 1 percentage point per year and stay at 6%, CAGR would increase to 14-16% (+2% dividend)
- If the share price would fall to 50$ the CAGR would increase to 13-15% (+2% dividend)
- If only half as much shares would be bought back CAGR would decrease to 8-10% (+2%)

4. Would you actually buy the stock if you had the money? Why wouldn't you? Are you lacking some information?

Risk assesment: On the one hand eBay has been there for almost 30 years now and is unlikely to be a total loss. On the other hand despite the long term positive trend it had several significant decreases in stock price; this volatility makes it feel more risky. With a 13-15% CAGR in my base scenario it's not in the >20% area that I was looking for. However I was insecure making those forecasts. I'd also assume that the strategy changes (sell some parts of the business, focus on categories with most revenue) makes it likely that eBay will perform better than this scenario, thus get closer to or break the 20% CAGR line and be worth the risk.

I buy the stock carefully with 5% instead of 10% of my value investing portfolio. If the price would fall below 47$ without the quarterly reports indicating significant deviations from my forecasts I would increase the position to 10%.
It might not be a perfect (15% risk, 20% CAGR) stock but probably better than staying cash and it'll motivate me to continiously look at its reports and thus practise what this course is about.
If sales growth drops below 2% I'd take this as a sign that my assumtions are wrong at exit.

5. Are there any significant headwinds or tailwinds from TA or macro? Describe them.

High interest rates: if people can't get consumer credits as easily as a couple of years before, they can spend less money on platforms like eBay -> Headwind