February 4, 2020

eBay Inc.
2025 Hamilton Avenue
San Jose, California 95125
Attn: Thomas Tierney, Chairman
Attn: Scott Schenkel, Interim Chief Executive Officer

cc: Board of Directors

Dear Tom and Scott,

Starboard Value LP, together with its affiliates ("Starboard" or "we"), currently owns more than 1% of the outstanding common stock of eBay Inc. ("eBay", or the "Company"). We appreciate the time management has spent with us over the last year as we have discussed the Company's current issues and opportunities.

Following our initial engagement with eBay in 2018, we were pleased with the announcement of cooperation agreements among Starboard, Elliott Management, and the Company in March 2019 that resulted in the immediate placement of two new directors on the Board of Directors ("the Board"), as well as the intended appointment of a third new director and the departure of one incumbent director. In conjunction with this announcement, eBay also announced an Operating Review to *"target operational excellence…in order to drive enhanced revenue and operating income growth"* and a Strategic Review *"of its asset portfolio, including but not limited to StubHub and eBay Classifieds Group."* It has been almost twelve months since these commitments, and there has not been enough progress. No clarity has been provided on a separation of Classifieds, the Operating Review targets anticipate only limited margin expansion while revenue growth has continued to decelerate, and the Company has neither added a new director nor announced the departure of an incumbent independent director.

While we hope and expect to continue an open and constructive dialogue regarding ways to create value at eBay, we feel it is important to share our views publicly in order to voice the concerns of the broader shareholder base and to ensure that both management and the Board are aware of these concerns. We continue to believe that eBay is deeply undervalued and that significant opportunities exist to create value for the benefit of all shareholders based on actions that are within the control of management and the Board.

We believe eBay has an opportunity to create significant shareholder value through the separation of eBay Classifieds Group ("Classifieds"), and that at peer trading levels, the implied valuation of the core Marketplace business ("Marketplace") is extremely attractive, with opportunities to improve revenue trends, execution, and profitability in the core business. <u>All of these factors were true when we first invested and are still true today.</u>

Frustration exists across the shareholder base as eBay's share price has drastically underperformed the broader markets over any time frame since the spin-off of PayPal, Inc. ("PayPal") in 2015. In fact, the share price has actually declined by almost 10% since the Company announced its agreements with Starboard and Elliott Management last year, despite broader markets trading up 19% to 39% during the same period, as shown in the table below.

Total Shareholder Return Since PayPal Spin-Off

	Since Agreements with Starboard & Elliott Management	1-Year	3-Year	Since Spin-Off of PYPL
S&P 500 Index - Total Return	19%	24%	53%	69%
NASDAQ Composite Index - Total Return	24%	29%	71%	88%
S&P 500 Information Technology Index - Total Return	39%	50%	113%	151%
eBay	**(9%)**	**1%**	**7%**	**19%**
Underperformance vs. S&P 500 Index	(28%)	(23%)	(46%)	(50%)
Underperformance vs. Nasdaq Composite Index	(33%)	(28%)	(64%)	(68%)
Underperformance vs. S&P 500 Information Technology Index	(49%)	(49%)	(106%)	(132%)

Source: Capital IQ. Market data as of January 31, 2020. Adjusted for dividends.

As we have discussed with you, we have tremendous respect for eBay and its role as a pioneer in the e-commerce and online marketplace industries. The Company has long been a standard-bearer in the industry and over time, eBay has served as an incubator for complementary and adjacent businesses. eBay has created significant value for shareholders through the separation and monetization of these assets, most notably through the spin-off of PayPal. We were pleased to see the announcement of the sale of StubHub, and we believe that eBay has an opportunity to create significant additional value for shareholders today through the separation of Classifieds.

In order to achieve the optimal outcome, we believe Classifieds must be separated, and a more comprehensive and aggressive operating plan must be put in place to drive profitable growth in the core Marketplace business.

We recognize that eBay is currently experiencing a period of ongoing change, with the recently announced sale of one business, the seemingly abrupt departure of the Company's former CEO in September 2019, and a search for a permanent CEO underway. However, we have been disappointed with the speed and lack of urgency with which the Operating and Strategic Reviews have been conducted since their commencement in March 2019.

Despite the lengthy duration of the process, we were pleased to see eBay announce the sale of StubHub to viagogo for $4.05 billion on November 25, 2019. We believe this represents an attractive value for the business, at more than 20x estimated 2019 Adj. EBITDA on a pre-tax basis. This is a positive first step in simplifying eBay's portfolio and creating value for shareholders through a separation of eBay's businesses. However, we believe the logical and needed next step is for eBay to separate its Classifieds business, and we have been disappointed by the Company's resistance to making this decision.

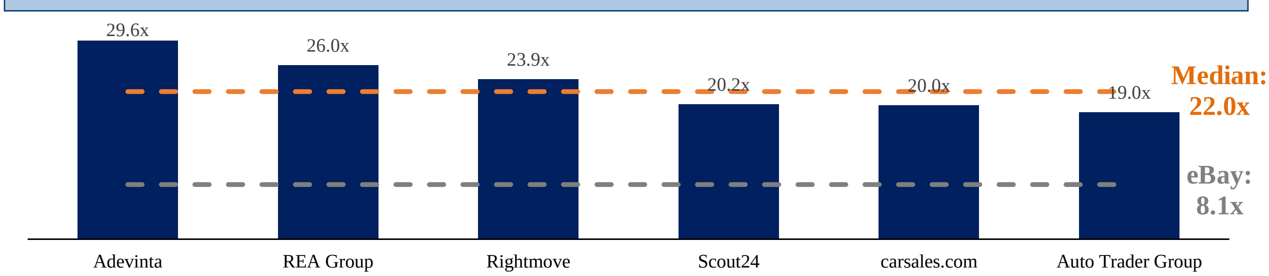
For much of the last year, the Company attempted to rationalize maintaining the current portfolio structure by alluding to the fact that eBay gains *"a few hundred million dollars' worth of trade"* by having Classifieds in the eBay portfolio. While that is a compelling soundbite, when we apply the core Marketplace take rate to that value, it becomes inconsequential, especially in comparison to the potential value creation opportunity. In fact, an argument could be made that in the current structure, Classifieds is actually owned by a competitive business, hindering both the core Marketplace business and Classifieds. In many markets, Marketplace and Classifieds are competing for the same customers and same product listings. If the businesses were separate, both would be better equipped to attempt to acquire customers and grow without this complication.

We also understand that part of the delay may have been caused by reluctance on the part of the former CEO. However, on the recent Q4 2019 earnings call, management stated that the Company *"anticipate[s] having an update to share about our Classifieds business by the middle of this year"*, which would extend the timeline for an announcement to at least nine months after the management change. In addition, more recent commentary from the Company indicates that at least part of the current rationale for the lengthy review process is focused on the complexity of separating Classifieds from the core Marketplace business.

While we do not doubt there are challenges in a separation, most companies that determine a separation of a large business makes sense and is in the best interests of shareholders have found ways to solve these problems through transition services agreements, partnerships, or other solutions. After more than eleven months of a Strategic Review process, **we believe management and the Board must drive the process to conclusion and commit to a separation of Classifieds**.

Given the high margins and attractive growth profile of classifieds businesses with leadership positions in winner-take-most markets, most public classifieds businesses trade at very high multiples. As seen in the table below, the median multiple of the below Classifieds businesses is approximately 22x 2020E EBITDA, compared to eBay's current consolidated multiple of 8.1x.

Classifieds Trading Multiples: EV / 2020E EBITDA



Source: Capital IQ, Bloomberg. Market data as of January 31, 2020.

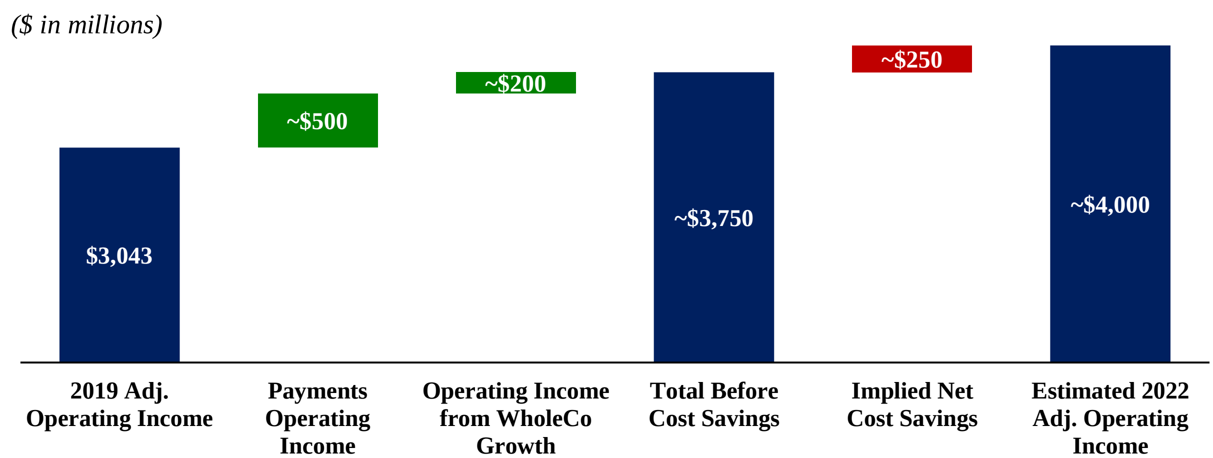
In our view, eBay's Classifieds business is similarly attractive to many of these companies and would trade at a similar valuation if it were a standalone public company. The Company has guided to high-single digit growth, and with the recent added disclosure of segment margins, we estimate that Classifieds Adj. EBITDA margins are in the low-mid-40% range. **Based on this financial profile and peer trading levels, we believe that a separation of Classifieds would unlock a tremendous amount of value for eBay's shareholders and create significant upside in the stock**.

We remain open-minded about the best way to pursue a separation of Classifieds, and we are, of course, open to a sale of the business. The Company should think about the sale proceeds on an after-tax basis and compare that to the value creation opportunity through a tax-free spin-off and the complexity of the spin-off. We believe either of these options has the potential to create significant value and are both far preferable to the status quo.

In conjunction with a public commitment to separate Classifieds, we believe the Company must commit to a more stringent review of costs in its core Marketplace business. We, as well as other shareholders, were disappointed that the Operating Review did not produce a more compelling result. The Company's stated plan calls for a meager 2% of operating margin expansion over 3 years on a base adjusted operating margin of approximately 28%. This target represents the level of margin expansion we would expect any company to strive to achieve in the normal course of business, not the result of a publicly announced Operating Review that took almost eight months to complete.

As shown in the chart below, this target implies approximately $250 million of net cost savings on a greater than $5 billion cost base[1], or less than 5% net cost savings. This amount clearly disappointed shareholders, as evidenced by the greater than 9% decline in eBay's share price the day after the target was announced, which erased almost $3 billion of market value. The Company has continued to see top-line deceleration, despite significant spending on research & development and sales & marketing initiatives. We believe eBay must do a better job of balancing growth and profitability to drive an improved overall financial profile.

Implied Net Cost Savings in Operating Review Target[1]



Over the past several years, eBay invested heavily in growth initiatives, which led to margin contraction in the core Marketplace business. Unfortunately, despite this significant spend, growth has continued to slow in the Marketplace business, with Marketplace GMV declining 5% in 2019 on a reported basis. We would expect eBay to continue to invest in opportunities for potential growth, but given historical challenges, a more stringent focus on profitability is also needed.

[1]Source: Company filings and transcripts, Starboard estimates. Payments Operating Income in-line with Company forecast, Operating Income from WholeCo growth assumes 45% incremental margin on revenue growth ex-Payments, Implied Net Cost Savings based on reaching 30% Adj. Operating Margins per Company forecast. Total cost base represents total 2019 non-GAAP operating expenses, including provision for transaction losses.

While eBay made some progress in driving margin expansion in 2019, we believe that significant further opportunity exists and the stated plan of 2% improvement over three years is unacceptable without a meaningful improvement in revenue trends in the core Marketplace business.

Furthermore, we believe that eBay has opportunities to improve its revenue trends. While we understand that the current rollout of Internet Sales Tax and reduction of low-ROI marketing spend are creating headwinds to reported GMV growth, we believe that the core Marketplace business should be able to achieve steady, modest growth over time, as evidenced by continued modest growth in eBay's active buyers. In addition, eBay can further improve revenue trends by executing on growth opportunities with its advertising initiative and Managed Payments. Managed Payments is expected to contribute more than $2 billion in revenue and $500 million in operating profit annually by 2022 and will drive meaningful growth for eBay's Marketplace, which generated approximately $8.6 billion in revenue in 2019.

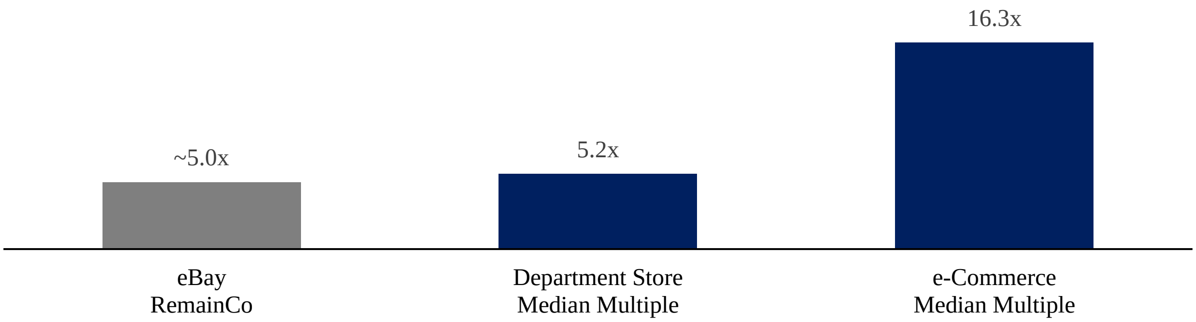
We also believe eBay should return to its roots in targeting its historical core buyer universe of "self-expressionists and treasure hunters", who are seeking unique, hard-to-find, or value-oriented items. In addition, we believe there is untapped market opportunity in bringing the eBay platform to existing marketplaces that have historically not utilized an online platform to drive commerce. We believe that these are areas in which eBay can find success as an online marketplace. This focus should also enable eBay to increase its assortment from product areas that have historically had higher take rates and continue de-emphasizing the lower quality GMV that eBay focused on as it began emphasizing its assortment of new, in-season merchandise over the previous few years.

In conclusion, we believe eBay is deeply undervalued, with opportunities to create significant value for shareholders that are directly within the control of management and the Board. Following the announced sale of StubHub, a separation of Classifieds at peer multiples would imply a pro forma EV / EBITDA multiple for eBay's remaining business that is lower than the valuation multiples of predominately brick & mortar department stores[2].

However, as a pure online marketplace, we believe eBay's core Marketplace business is fundamentally superior to these businesses and is capable of producing meaningful earnings growth, cash flow, and return of capital to shareholders over time. Well-performing e-commerce businesses trade at meaningfully higher multiples, with some higher-growth companies trading above 20x EV / EBITDA[2]. With improvements in fundamental performance and execution, we believe eBay's Marketplace business should trade at a much higher multiple than what is currently implied in its stock price, which would result in significant upside for shareholders.

[2] Source: Capital IQ, Bloomberg, Company filings, Starboard estimates. Market data as of January 31, 2020. Assumes after-tax proceeds for StubHub of ~$3.3 billion and a separation of Classifieds at 20x EBITDA. eBay RemainCo EBITDA includes full contribution from Managed Payments. Department Store and e-commrce multiple shown reflects median EV / 2020E EBITDA multiple for DDS, JWN, KSS and ETSY, ANGI, BKNG, respectively.

Implied Valuation of eBay RemainCo vs. Department Stores & e-Commerce Businesses[2]



As we have expressed to you consistently since our initial engagement, we are open to working together and continuing our constructive relationship. However, time is of the essence. It is time for the Company to display the sense of urgency it has unfortunately lacked since making commitments almost one year ago. Shareholders have grown frustrated with eBay's performance and its reluctance to execute on alternatives that would create significant value for shareholders. In order to continue the conversation and further our discussions, we again request a meeting with members of the Board in order to share our views, ahead of the Company's upcoming governance deadlines.

Best Regards,

Peter A. Feld
Managing Member
Starboard Value LP