Internet/e-Commerce

Thoughts from the Road: Uphill battle for Internet sector sentiment

Industry Overview

12 October 2026

Equity
United States

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Takeaways from Midwest/East Coast meetings

We met with investors in the Midwest and East Coast last week. Google, Amazon, and Meta were top focus stocks, and we also had some interest in DoorDash and Airbnb. We noted fewer questions on rideshare or SMID cap Online media. Overall, Meta's Muse launch and sector implications from growing agentic usage was the top topic, there were questions on why the Gemini 4 launch had little impact on Google stock, and Amazon seemed well liked (we noted expectations for AWS 3Q upside) but investors are struggling with a stock catalyst given known AWS strength. Investors voiced many concerns on the sector (avg stock down 11% YTD on multiple compression), including:

AI disruption – Investors question if AI agent usage will crowd out usage of individual apps. All companies in the Internet sector are perceived to face risks that range from: 1) margin pressure from shift of free to paid traffic, 2) loss of ad revenue, 3) loss of transaction share, and 4) revenue and margin pressure from price comparison capabilities. Pressure on Google search monetization from a potential traffic shift to Gemini agentic use was also an area of focus, as was the value of social media advertising as a brand awareness tool.

Capex levels and need to raise capital – Renewed capex concerns included absolute capex dollar levels that could again go higher for 2027/2028 (based on recent semiconductor stock outlooks) and the need to raise capital. We think expectations are for capex spend above $200bn for Meta in 2027, and above $300bn for Amazon and Google, suggesting companies may need to raise $20-70bn next year. Investors would like clarity on both "peak" capex, and long-term capital intensity. Some indicated that stock performance could improve when FCF turns to positive.

Capacity value – While capacity has high value today, we had lot of questions on potential impact of future capacity supply increases, use of open-source models, and greater capacity competition in the sector. With P/Es relatively low vs growth rates, it seems there is limited confidence in the sustainability of Cloud growth and margins.

AI IPOs and flow of funds - Questions on the impact of future IPOs were continued. There were some concerns that AI related IPO roadshows could highlight competitive progress & buildout of in-house capacity. Also, listings could drive a flow of funds from Internet large caps. On the positive side, IPOs could enable access to capital to fund capex for select companies.

Economic uncertainty on higher gas prices - Ongoing concerns include pressure on discretionary consumer spending, higher shipping/Gig driver costs, and higher air fares. Topics included Amazon's shipping cost exposure (we estimate $1bn+ in added costs in 4Q assuming 3P shipping costs can be passed through) and potential DoorDash gas subsidies for drivers. We note that Online spend remained resilient in September per BAC card data (see note).

See our high-level views on the sector, & comments on Meta & DoorDash on next page...

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Agentic risk impacting investor sentiment

The Muse traffic ramp (and early transaction data points from Instinct) were top topics in recent meetings, and sector valuations suggest that the Street is starting to anticipate, and price in, future Agentic pressures that could include potential shift in free traffic to paid Agentic, competitive pricing driven by agents that impacts revenues/margins, and pressure on marketplace ad revenues. Perceived risk is broad based, impacting both large caps with perceived core consumer business risk (Amazon and Google) and all marketplace apps with direct traffic. Stock multiples on 2027 EBITDA have contracted 10% YTD, and stocks are valued below historical averages at 11x 2027 EBITDA vs a 15x 5-year average, and 17x 2027 EPS vs a 33x 5-year average. With growing agentic usage a top sector theme, we highlight two stocks that we expect to have solid 3Q results and as having relatively less core business agentic risk.

Meta

For Meta, we see incremental agentic opportunity with Muse outweighing potential the risk of agentic usage devaluating advertising returns. Also, we see relatively limited risk of Meta app traffic loss to agents. While stock is up ~30% since late August, we continue to see upside given: 1) Strength in core Ad business: AI-driven benefits to the core advertising business remain intact and should continue to accrue with deepening LLM integration across the ad stack and growing advertiser adoption of new AI tools, 2) Emerging AI opportunity: Street estimates embed limited contribution from emerging AI offerings (advertising, subscriptions or capacity leasing), successful monetization of incremental capacity (3GW+ in 2026, 6GW in 2027) could drive upside to 2027/28 estimates, 3) Potential enterprise deals: Announcements of enterprise deal could increase confidence in Meta's ability to build a meaningful enterprise AI business and help alleviate concerns around AI capex returns, and 4) Potential for multiple expansion: At stock price of ~$720, Meta is valued at ~21x 2027 GAAP EPS (~18x 2028 GAAP EPS) vs S&P 500 at 21x. Historically, Meta has traded at 2.5pts premium to the broader market (vs inline currently). Potential next catalyst: Watermelon LLM launch could further improve perceived AI execution and drive optimism on enterprise AI sales. Biggest risk: Slowdown in Muse downloads or activity, or competitive agentic launch by Google. Reiterate Buy.

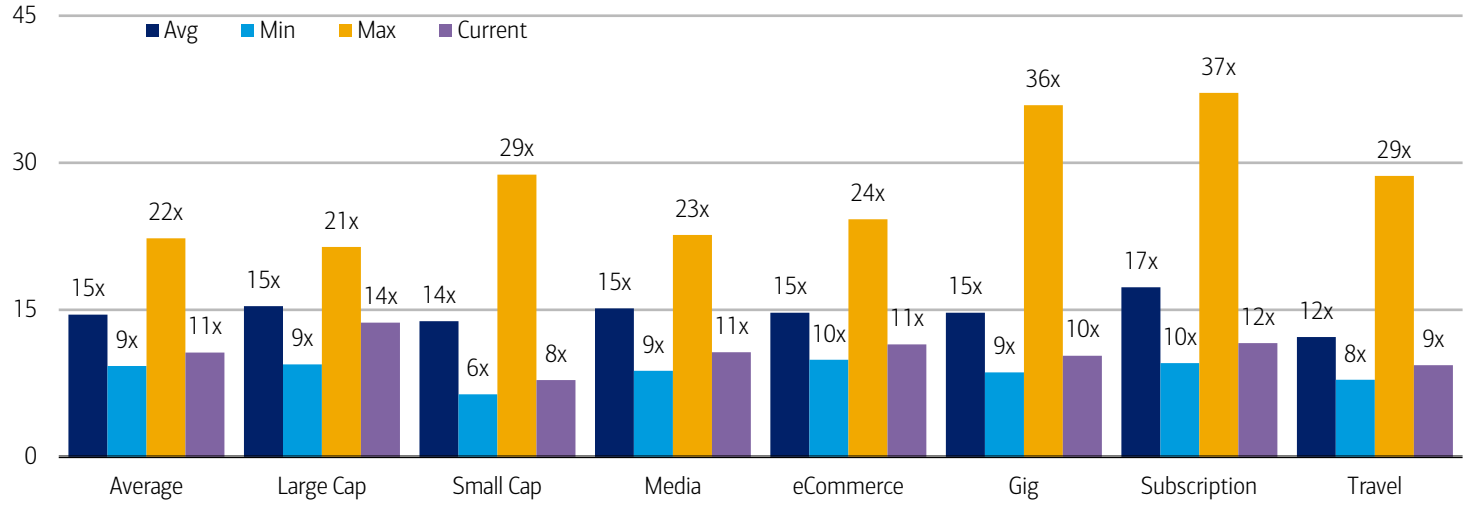
DoorDash

Stock has faced recent pressure on possible revenue/margin pressure from agentic traffic flows and price comparison, Walmart competition, and potential pressure on consumer spend. We think DoorDash is relatively well positioned for agentic usage for 4 reasons: 1) network effect advantages for delivery speeds and costs, which restaurants/merchants cannot replicate if they wanted to go direct to consumers, 2) strong consumer lock in with DashPass, 3) broad agentic distribution and strong consumer experience that be favored in agentic results, and 4) duopoly with Uber for restaurant orders and our view that competitors will behave rationally. Also, our BAC card data suggests a modest acceleration in US restaurant Online orders, in 3Q. Also, we continue to see a lot of cushion in DoorDash's margin outlook for 2026 and, looking forward to 2027, platform improvements should speed product velocity. Finally, both US G&R and Int'l are making progress toward profitability, and we see a $2.5bn in potential EBITDA profit improvement over 5 years as these businesses migrate toward Uber delivery margins at 4%. Potential next catalyst: Agentic partnership with Muse (in negotiations) or data on Ask DoorDash suggesting strong activity. Biggest agentic risk, in our view, is that agents reduce advertising opportunity and drive competition that limits the rate of margin improvement. Other risk is that higher gas prices require higher driver payouts and impact margins. Reiterate Buy.

Sector valued below historical averages

The Internet sector is valued at 11x 2027 EBITDA, below historical 5-yr. avg. at 15x. Large Cap stocks are valued at 14x 2027 EV/EBITDA on average, while Small Caps are trading at a lower 8x. All our subsectors are below their 5-year EBITDA valuation averages.

Exhibit 1: Internet stocks are valued at ~11x 2yr EV/EBITDA, below 5 year average at 15x.
Forward Year EV/EBITDA valuations by Sector (As of 10.09.26)

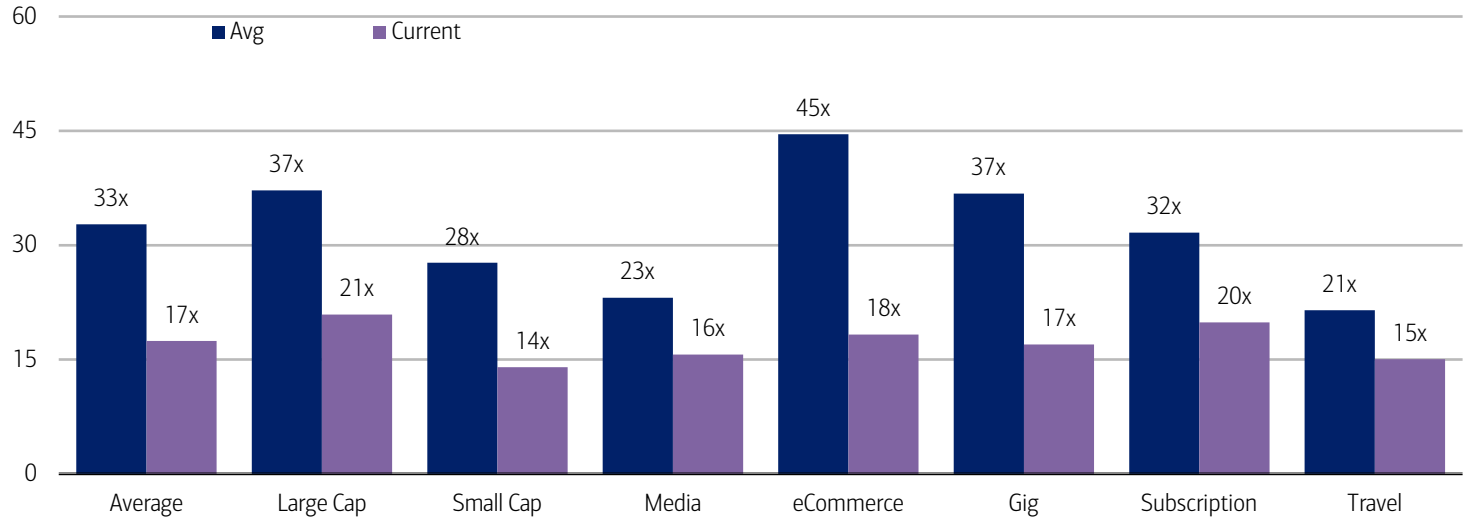


Source: BofA Global Research, Bloomberg, Large Cap stocks include: META, GOOG, RDDT, AMZN, EBAY, CVNA, DASH, UBER, NFLX, SPOT, EXPE, BKNG, and ABNB

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Sector average forward P/E at 17x is also below historical averages.

Exhibit 2: Internet stocks are valued at ~17x 2yr P/E, below 5 year average at 33x.
Forward Year P/E valuations by Sector (As of 10.09.26)



Source: BofA Global Research, Bloomberg, Large Cap stocks include: META, GOOG, RDDT, AMZN, EBAY, CVNA, DASH, UBER, NFLX, SPOT, EXPE, BKNG, and ABNB

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Stock performance reflects YTD multiple compression

The majority of stocks in our coverage (~70%) have had multiple compression since beginning of the year, with average 2027 revenue multiples down 12% and average 2027 EBITDA multiples down 10%. Ibotta, Magnite, and Etsy have been top YTD performers, while StubHub, Zillow, and AppLovin have lagged.

Exhibit 3: Stock performance vs '27 EV/Rev and EV/EBITDA multiple changes (between 1.02.26-10.09.26)
Stocks ranked by YTD performance

	YTD performance	YTD '27 EV/Rev multiple change	YTD '27 EV/EBITDA multiple change	Market Cap ($bn)
IBTA	88%	51%	38%	1.0
MGNI	58%	64%	56%	3.6
ETSY	34%	15%	-4%	7.0
MTCH	29%	18%	19%	9.4
EBAY	29%	14%	21%	49.9
ABNB	25%	7%	8%	99.3
AMZN	16%	-1%	-7%	2,830.7
GOOGL	12%	-8%	-7%	4,278.2
META	10%	3%	10%	1,830.8
CART	9%	-1%	-3%	11.1
U	6%	-11%	-27%	20.6
W	-1%	19%	19%	14.5
EXPE	-3%	-18%	-23%	32.9
DASH	-11%	-19%	-18%	85.1
UBER	-14%	-9%	-14%	146.1
DUOL	-15%	1%	20%	7.0
TTWO	-15%	-13%	-5%	39.9
PTON	-16%	-7%	-15%	2.2
LYFT	-18%	-31%	-33%	6.1
PINS	-19%	-30%	-26%	12.2
CVNA	-20%	-26%	-18%	67.5
SNAP	-23%	-37%	-51%	10.5
WIX	-24%	-42%	-31%	3.2
BKNG	-25%	-29%	-28%	120.5
COUR	-27%	-20%	-45%	1.4
BMBL	-30%	0%	-6%	0.4
LIF	-32%	-34%	-34%	3.5
RDDT	-34%	-33%	-35%	30.8
LZ	-38%	-44%	-42%	1.0
YELP	-38%	-43%	-37%	1.0
RBLX	-41%	-40%	-14%	34.5
TRIP	-41%	3%	39%	1.0
CHWY	-43%	-37%	-39%	7.6
APP	-55%	-62%	-62%	92.7
Z	-56%	-50%	-47%	6.7
STUB	-57%	25%	83%	2.3
Average	**-11%**	**-12%**	**-10%**	

Source: Bloomberg, excluding LIFE, NAVN, and CDLX from the table due to BBG data quality issues

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Price objective basis & risk

Airbnb (ABNB)

Our $195 price objective is based on 20x 2027E EBITDA (representing 19x our 2027 FCF). This multiple is at the higher end of our Marketplace comp group range reflects

strong direct traffic, alternative accommodation category leadership, new growth opportunities, and significantly higher margins and FCF generation than marketplace peers.

Risks are: 1) multiple compression given high relative valuation, 2) potential for increased competition for incremental bookings driving up marketing spend, 3) decelerating room night growth from higher penetration, and 4) regulatory limitations on market growth.

Alphabet (GOOGL / GOOG)
Our price objective of $430/$430 is based on 27x 2027E core Google GAAP EPS plus cash per share. Alphabet has traded at an average multiple of 22x GAAP P/E over the last ten years, and we think our target multiple is reasonable vs history given expectations for double-digit revenue growth, Cloud margin expansion, and opportunity to capitalize on strong AI assets.

Downside risks are 1) loss of search traffic to AI tools from competitors, 2) LLM integration in search may take longer than expected or negatively impact search revenues, 3) revenue pressure from compliance with the EU Digital Markets Act (DMA), and 4) potential for increasing Capex and lower FCF-given AI investments.

Amazon.com (AMZN)
Our $320 PO is based on our SOTP analysis that values AWS at 9x 2027E sales, 1P Retail at 1.0x, 3P Retail at 2.5x, and Advertising at 5.0x. Our 2027 sales multiples compare to 5.7x for SaaS comps, 1.3x for Retail comps, 2.4x for Marketplace comps, and 3.9x for Online Media comps. Our PO implies 3.6x blended 2027 P/Sales, 13x '27 EBITDA, and 31x '27 EPS.

Downside risks to our price objective are increasing competition from Cloud providers and big box retailers including Walmart, increasing AWS infrastructure costs that will pressure FCF, and Agentic AI usage that could pressure direct traffic and high-margin ad revenues. The stock has been subject to heavy volatility in the past, based on margin trends, and this volatility could increase due to economic uncertainty.

Booking Holdings Inc (BKNG)
Our price objective is $234, based on 19x our 2027E EPS, which compares to Booking's 10-year historical range of 10-24x. We think a forward P/E multiple premium to OTA peers is appropriate given higher quality of earnings, market share growth and strong FCF generation.

Risks to our PO are: 1) a global economic downturn or Global conflicts that reduce travel activity, 2) competition for traffic from Google lowering growth or margins, 3) hotels favoring their own distribution channels, 4) FX volatility, and 5) increased direct traffic competition from Agentic booking channels. The stock has been subject to heavy volatility in the past based on travel disruptions and this volatility could increase given rapid rate of AI transformation in the industry.

DoorDash (DASH)
Our PO of $275 is based on our SOTP valuation analysis for 1) profitable US Restaurant EBITDA and 2) still unprofitable combined new verticals and International asset gross order value (GOV). We apply a 15x 2027E EBITDA multiple to our $5.1bn in 2027E Restaurant EBITDA. Our 2027 Restaurant EBITDA multiple is above peers given our higher long-term EBITDA growth expectations for DASH's core restaurant business. With a much more nascent stage for New Verticals + Int'l, we apply a 0.8x GOV multiple to our $51bn in 2027E New Verticals GOV. Long term, we believe margins for New Verticals, especially the Int'l restaurant business, can be solidly profitable with benefit of a large ad business.

Downside risks are 1) slowing industry growth, which could put premium valuations at risk, 2) added platform, software and AV investments that pressure margins and earnings growth, 3) strong competition from Uber, and entrenched incumbents in adjacent categories, 4) Uncertainty on long term margins for non-US restaurant business.

Expedia (EXPE)
Our $358 PO is based on a 50-50 blend of P/E and sum-of-the-parts valuations based on 2027 estimates. Our EV/EBITDA valuation is based on a 9x EBITDA , and our P/E valuation is based on 17x GAAP EPS. Our PO multiples are within Expedia's historical valuation ranges and a discount compared to Airbnb and Booking.

Downside risks to our PO are: 1) economic downturn or prolonged macro headwinds leading to fewer travel bookings, 2) competition for traffic lowering the company's growth or margin opportunity, 3) more aggressive direct booking initiatives by hotels, and 4) Google Agentic traffic disintermediation.

Instacart (CART)
Our PO of $52 is based on an 8x 2027E EV/EBITDA multiple, slightly below our eCommerce and Gig Economy peer group average of 9x due to slower growth. While competitive concerns may limit multiple expansion, Instacart seems well entrenched with grocer partners (growing technology platform) and large basket ($75+) customers, and should benefit from growing Online grocery penetration.

Risks are: 1) Market share loss in the category given strong growth at Walmart and Amazon grocery, 2) loss of any grocery partners or changes in partner economics, 3) competition from Gig Economy leaders in the grocery category, 4) new investments needed in grocery technology to grow partnerships.

Lyft, Inc. (LYFT)
Our PO of $18 is based on 7x 2027E EBITDA + net cash. Our PO represents a discount to Gig Economy comps, due to lower bookings growth, higher SBC expense as a percent of EBITDA, and more competitive risk from AVs.

Upside risks are: 1) Execution on company's plan to grow margins to 4% of bookings, 2) AV partnership (or acquisition) opportunities given hybrid network advantages for the next 5 years, 3) possible multiple expansion with lower rates, and 4) Easing labor market leads to better driver supply.

Downside risks are: 1) AV competition fears drive valuation compression, 2) Market share losses to Uber or other AV entrants, and 3) Sentiment concerns on potential miss vs 2027 financial targets.

Meta Platforms Inc (META)
Our $810 price objective is based on 24x 2027E GAAP EPS. On a total company basis, including Metaverse investments, our valuation is at a slight premium to the S&P 500 given Meta's relatively high growth rate and AI opportunity. Historically, Meta has traded at an average premium of 3pts to the S&P 500.

Downside risks are (1) a significant dependence on digital advertising revenue, which remains highly sensitive to macroeconomic conditions, (2) elevated spend on AI initiatives that we expect to hurt margins, (3) a growing base of fixed assets that could reduce cost flexibility in a macro downturn, (4) intensifying competition for user engagement and advertising budgets from AI-native platforms, and (5) elevated regulatory overhang from new teen safety cases or unfavorable outcomes in ongoing litigation.

Pinterest (PINS)
Our $28 price objective is based on 9x 2027E EV/EBITDA, below historical averages and at the low end of Pinterest's historical range. Our valuation reflects a slight discount to the SMID peer group multiples given lower relative growth and more limited medium-term margin expansion potential.

Risks to our PO are: 1) Continued revenue share loss to sector, 2) seemingly high ad loads, could limit 3rd party partner benefits, 3) incremental competition for both general usage and shopping activity from AI platforms, and 4) growing costs for AI infrastructure to drive results.

Reddit (RDDT)
Our $190 PO is based on 17x 2027e EV/EBITDA multiple. Our multiple represents a modest premium to our comp group median given Reddit's higher revenue growth, upside potential with AI data licensing business, and significant long-term opportunity to grow ARPU.

Risks to our PO are high dependency on Google (40%-50% website traffic from Google search), slowing user growth, and macro driven slowdown in advertising sector growth.

Snap (SNAP)
Our $7.00 price objective is based on 8x 2027E EV/EBITDA. Our valuation reflects a modest discount to Online media peer group median at 12x given lower relative growth, high revenue volatility and lower FCF including SBC expense.

Risks to our PO are 1) deceleration in user growth that would raise concerns on long-term revenue opportunity, 2) pressure on usage due to competing services, 3) valuation that has less earnings-based support than peers and 4) high share-based compensation (SBC) expense that could lower valuation multiples.

StubHub Holdings (STUB)
Our PO of $7.50 is based on 7.8x 2027 EBITDA, less estimated net debt. Our PO is a discount to our Gig Economy/Entertainment sector comp group at 13x given a lower growth outlook.

Upside risks to Price Objective are: 1) Pressure on 3Q volumes could be a short-term World Cup related substitution impact and volume growth could accelerate over the next few months (NFL season is underway), 2) DI or Advertising initiatives (which have underperformed expectations) could start to gain traction, driving optimism on 2027 upside, and 3) strong FCF conversion could support a higher multiple on EBITDA.

Uber (UBER)
Our $101 PO is based on a 23x 2027E Adj. EPS multiple. We think a 23x multiple is reasonable vs. the FANG average (per Bloomberg) of 20x given Uber's strong EBITDA growth outlook and lower capex intensity vs FANG peers. Our PO represents 17x 2027e FCF, a large discount to FANG group due to lower capital intensity.

Downside risks are: 1) estimate risk given macro economic exposure, 2) slowing user & revenue growth due to competitive initiatives, 3) competitive concerns on potential Mobility share loss to Waymo and Tesla driving multiple compression, and 4) new regulations, fees, and/or minimum wages.

Analyst Certification

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Special Disclosures

BofA Securities is currently acting as financial advisor to Galgo & Migrante Holdings Ltd. in connection with its proposed sale of minority stake in company to Uber Technologies Inc, which was announced on August 12, 2026.

BofA Securities is currently acting as Financial Advisor to Uber Technologies Inc in connection with its proposed acquisition of Delivery Hero SE, which was announced on July 16, 2026.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Chewy Inc	CHWY	CHWY US	Michael McGovern
	DoorDash	DASH	DASH US	Justin Post
	Ethos	LIFE	LIFE US	Michael McGovern
	Etsy, Inc.	ETSY	ETSY US	Michael McGovern
	Expedia	EXPE	EXPE US	Justin Post
	LegalZoom	LZ	LZ US	Michael McGovern
	Life360	LIF	LIF US	Nitin Bansal, CFA
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Navan, Inc.	NAVN	NAVN US	Nafeesa Gupta
	Peloton	PTON	PTON US	Nafeesa Gupta
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Tripadvisor	TRIP	TRIP US	Nafeesa Gupta
	Uber	UBER	UBER US	Justin Post
	Unity	U	U US	Omar Dessouky, CFA
	Wayfair	W	W US	Michael McGovern
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	Airbnb	ABNB	ABNB US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	Carvana	CVNA	CVNA US	Michael McGovern
	Coursera Inc.	COUR	COUR US	Nafeesa Gupta
	eBay	EBAY	EBAY US	Michael McGovern
	Instacart	CART	CART US	Justin Post
	Match Group	MTCH	MTCH US	Omar Dessouky, CFA
	Pinterest	PINS	PINS US	Justin Post
	Reddit	RDDT	RDDT US	Justin Post
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Zillow	Z	Z US	Omar Dessouky, CFA
	Zillow Group	ZG	ZG US	Omar Dessouky, CFA
UNDERPERFORM				
	Bending Spoons SpA	BSP	BSP US	Omar Dessouky, CFA
	Bumble	BMBL	BMBL US	Omar Dessouky, CFA
	Cardlytics, Inc	CDLX	CDLX US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Omar Dessouky, CFA
	Ibotta	IBTA	IBTA US	Nitin Bansal, CFA
	Lyft, Inc.	LYFT	LYFT US	Justin Post
	StubHub Holdings	STUB	STUB US	Justin Post
	Yelp	YELP	YELP US	Nitin Bansal, CFA

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Media & Entertainment Group (as of 30 Sep 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	28	46.67%	Buy	17	60.71%
Hold	18	30.00%	Hold	10	55.56%
Sell	14	23.33%	Sell	7	50.00%

Equity Investment Rating Distribution: Technology Group (as of 30 Sep 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	255	62.04%	Buy	157	61.57%
Hold	82	19.95%	Hold	46	56.10%
Sell	74	18.00%	Sell	31	41.89%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	2057	57.03%	Buy	1386	67.38%
Hold	806	22.35%	Hold	563	69.85%
Sell	744	20.63%	Sell	446	59.95%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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