

Restriction Lifted

We are no longer restricted on SHOP. During the restricted period, the company reported results roughly in line with our estimates. For Q1, total revenue was \$28.9 million, above our estimates of \$28.5 million. For pro forma earnings per share, SHOP reported \$0.14, in line with our estimates. We continue to believe that Shopping.com represents one of the most attractive small cap companies in the Internet space.

The company continues to focus its efforts on expansion. France was launched successfully a few weeks ago and nearly all of the top 50 merchants in France have signed on with the company and traffic to the site is already above plan. In addition, AOL France has chosen SHOP to power its online shopping platform in France. Germany is still expected to launch in the second half of the year. Also, new category additions are a focus for the company, with the company expanding its offerings from products to services, such as financial services (mortgages) and travel (hotels).

Management provided guidance for the rest of the year. For Q2, it anticipates revenue in the range of \$28 - \$29 million and EPS of \$0.07 - \$0.09. For the full year, it expects revenue of \$125M - \$132M, with earnings in the range of \$0.66 - \$0.72 per share.

We have updated our model to reflect the most recent quarter. For the second quarter, we have adjusted our estimates from revenue of \$26.9 million and EPS of \$0.10 to \$28.5 and \$0.08 to reflect the company's accelerated investment in international growth and new categories. For the full year, we are lowering our EPS estimate from \$0.77 to \$0.70. Our FY'06 estimates are unchanged at \$165 million in revenue and pro forma EPS of \$0.96. We are lowering our price target from \$33 to \$20 to reflect these adjustments to the model and the uncertainty surrounding the company's international efforts.

Shopping.com Ltd. is the leading comparison shopping search engine.

research team

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Rating	OUTPERFORM* [V]
Price (06 May 05)	13.34 (US\$)
Target price (12 months)	20.00 (US\$)
52 week high - low	32.33 - 13.00
Market cap. (US\$m)	421.68
Region / Country	Americas / United States
Sector	Consumer Internet
Analyst's Coverage Universe	Consumer Internet
Weighting (vs. broad market)	OVERWEIGHT
Date	09 May 2005

* Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.
[V] = Stock considered volatile (see Disclosure Appendix).



On 05/06/05 the NASDAQ index closed at 1,456.00

Year	12/04A	12/05E	12/06E
EPS (CSFB adj., US\$)	0.69	0.70	0.96
Prev. EPS (US\$)		0.77	1.01
P/E (x)	19.3	19.1	13.9
P/E rel. (%)	NM	NM	85.5
Q1 EPS	0.20	0.14	
Q2	0.10	0.08	
Q3	0.15	0.13	
Q4	0.31	0.33	

	Price/Sales (x)	
Number of shares (m)		4.3
31.61		
BV/Share (Current, US\$)	P/BVPS (x)	2.5
5.35		
Net Debt (Current, US\$m)	Dividend (Current, US\$m)	—
-142.85		
	Dividend yield	—

Year	12/04A	12/05E	12/06E
Revenues (US\$m)	99.0	130.5	165.2
EBITDA (US\$m)	22.0	24.8	37.4
OCFPS (US\$)	0.72	0.99	1.18
P/OCF (x)	18.5	13.5	11.3

Source: Company data, CREDIT SUISSE FIRST BOSTON (CSFB) estimates

Exhibit 1: Shopping.com - Income Statement

US\$ in millions, unless otherwise stated

FY-DEC Last Updated: 2/3/05	2001	2002	2003	2004				2004	2005				2005	2006
	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2E	Q3E	Q4E	FYE	FYE
REVENUES	12.70	29.06	67.04	20.99	21.35	22.98	33.64	98.95	28.87	28.52	29.22	43.88	130.49	165.19
Y/Y growth	91.1%	128.8%	130.7%	103.6%	45.5%	36.4%	33.4%	47.6%	37.6%	33.6%	27.2%	30.5%	31.9%	26.6%
Costs of sales	6.37	3.69	3.33	1.08	1.17	1.18	1.46	4.89	1.52	1.97	1.90	2.19	7.58	10.90
% of sales	50.2%	12.7%	5.0%	5.2%	5.5%	5.2%	4.3%	4.9%	5.3%	6.9%	6.5%	5.0%	5.8%	6.6%
Y/Y growth	66.5%	-42.2%	-9.6%	69.4%	43.5%	39.0%	42.1%	46.9%	40.4%	68.6%	60.4%	50.5%	55.0%	43.8%
GROSS PROFIT	6.33	25.37	63.71	19.90	20.19	21.79	32.18	94.06	27.34	26.56	27.32	41.69	122.90	154.28
Gross Margin	49.8%	87.3%	95.0%	94.8%	94.5%	94.8%	95.7%	95.1%	94.7%	93.1%	93.5%	95.0%	94.2%	93.4%
Sales & marketing	16.19	17.33	37.30	10.45	11.90	11.53	16.52	50.40	16.65	16.80	15.78	21.72	70.95	84.40
% sales	127.5%	59.6%	55.6%	49.8%	55.7%	50.2%	49.1%	50.9%	57.7%	58.9%	54.0%	49.5%	54.4%	51.1%
Y/Y growth	-57.8%	7.0%	115.3%	65.5%	65.7%	26.2%	12.6%	35.1%	59.4%	41.2%	36.8%	31.5%	40.8%	19.0%
Research & Development	11.10	4.64	7.15	2.50	2.69	2.69	2.78	10.66	3.05	3.45	3.45	3.55	13.51	17.51
% sales	87.4%	16.0%	10.7%	11.9%	12.6%	11.7%	8.3%	10.8%	10.6%	12.1%	11.8%	8.1%	10.4%	10.6%
Y/Y growth	14.4%	-58.2%	54.1%	90.3%	64.4%	47.4%	17.2%	49.2%	22.1%	28.3%	28.1%	28.0%	26.7%	29.6%
General & administrative	10.14	8.13	8.81	2.36	3.17	3.75	4.56	13.84	3.76	4.54	4.29	5.70	18.30	20.18
% sales	79.8%	28.0%	13.1%	11.3%	14.9%	16.3%	13.5%	14.0%	13.0%	15.9%	14.7%	13.0%	14.0%	12.2%
Y/Y growth	-32.7%	-19.8%	8.4%	59.9%	80.5%	78.2%	31.4%	57.2%	59.3%	42.9%	14.6%	25.2%	32.2%	10.3%
Total operating expenses	37.42	30.09	53.25	15.31	17.76	17.97	23.85	74.90	23.47	24.79	23.52	30.98	102.75	122.09
As a % of sales	295%	104%	79%	73%	83%	78%	71%	76%	81%	87%	81%	71%	79%	74%
OPERATING INCOME	(31.10)	(4.72)	10.45	4.59	2.42	3.83	8.32	19.16	3.88	1.77	3.80	10.71	20.15	32.19
Operating Margin	-244.9%	-16.2%	15.6%	21.9%	11.3%	16.7%	24.7%	19.4%	13.4%	6.2%	13.0%	24.4%	15.4%	19.5%
EBITDA	20.52	(2.15)	12.76	5.09	3.07	4.63	9.19	21.97	4.80	2.94	5.10	11.97	24.80	37.38
Non-cash stock compensation	0.11	0.01	2.50	2.01	0.35	1.33	2.51	6.21	0.40	0.50	0.60	0.70	2.20	4.00
Amortization	42.34	-	0.50	0.18	0.18	0.18	0.18	0.71	0.18	0.18	0.18	0.18	0.70	0.72
Restructuring/Other	0.04	-	1.02	0.32	0.30	-	-	0.62	-	-	-	-	-	-
Interest income (expense)	0.73	(0.35)	0.64	0.17	0.02	(0.27)	0.87	0.78	0.61	0.84	0.75	0.91	3.11	2.05
PRETAX INCOME	(72.85)	(5.08)	7.08	2.25	1.62	2.04	6.50	12.41	3.91	1.93	3.77	10.74	20.35	29.52
Pretax Margins	-573.7%	-17.5%	10.6%	10.7%	7.6%	8.9%	19.3%	12.5%	13.5%	6.8%	12.9%	24.5%	15.6%	17.9%
Taxes	-	-	0.16	0.01	0.01	0.01	0.22	0.25	0.05	0.05	0.05	0.05	0.20	-
Tax rate	0%	0%	2%	0%	1%	1%	3%	2%	1%	3%	1%	0%	1%	0%
NET INCOME	(72.85)	(5.08)	6.92	2.25	1.61	2.03	6.28	12.16	3.86	1.88	3.72	10.69	20.16	29.52
Net Margin	-573.7%	-17.5%	10.3%	10.7%	7.5%	8.8%	18.7%	12.3%	13.4%	6.6%	12.7%	24.4%	15.4%	17.9%
Deemed Dividend	-	-	-	-	(10.50)	-	(7.20)	(17.70)	-	-	-	-	-	-
GAAP diluted EPS	(18.50)	(0.42)	0.28	0.09	(0.37)	0.08	(0.03)	(0.19)	0.12	0.06	0.11	0.31	0.61	0.83
Pro Forma EPS	(7.71)	(0.42)	0.44	0.20	0.10	0.15	0.31	0.69	0.14	0.08	0.13	0.33	0.70	0.96
Common shares	3.94	12.07	21.04	5.56	5.77	6.02	10.79	10.79	29.56	30.16	31.66	33.25	31.16	34.09
Fully diluted shares	3.94	12.07	25.10	24.02	24.25	24.25	28.54	28.54	31.61	32.24	33.85	34.87	33.14	35.75

Source: Company data, CSFB estimates



Companies Mentioned (Price as of 06 May 05)

Shopping.com (SHOP, \$13.34, OUTPERFORM [V], TP \$20.00, OVERWEIGHT)
 Time Warner, Inc (TWX, \$17.12, OUTPERFORM, TP \$22.00, OVERWEIGHT)

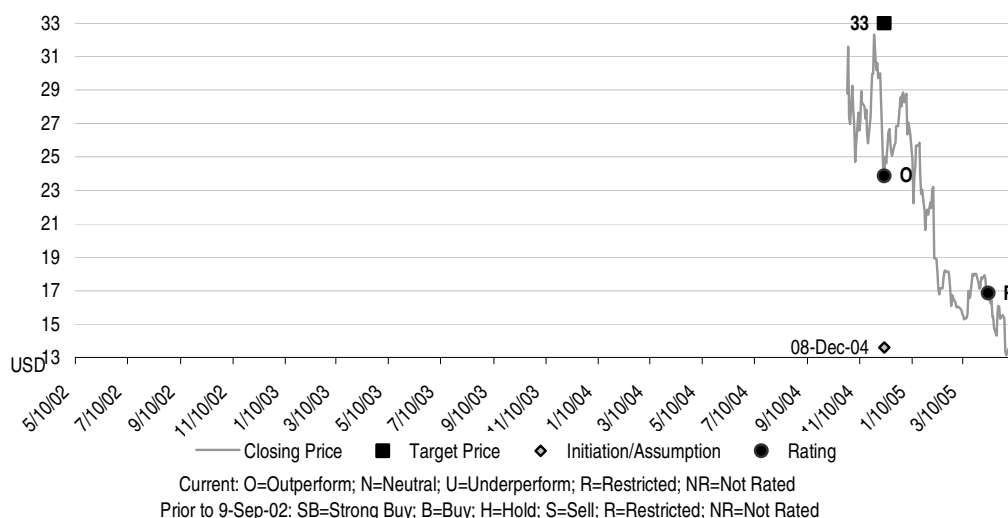
Disclosure Appendix

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3-Year Price, Target Price and Rating Change History Chart for SHOP



SHOP Date	Closing Price (US\$)	Target Price (US\$)	Rating	Initiation/Assumption
12/8/04	23.86	33	OUTPERFORM	X
4/8/05	16.85		RESTRICTED	

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Restricted	3%	

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See the Companies Mentioned section for full company names.

Price Target: (12 months) for (SHOP)

Method: Discounted cash flow model, relative multiple valuations

Risks: Competition, reliance on Google relationship

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