

# SECTOR

## Internet

### Analysis and Synthesis - World



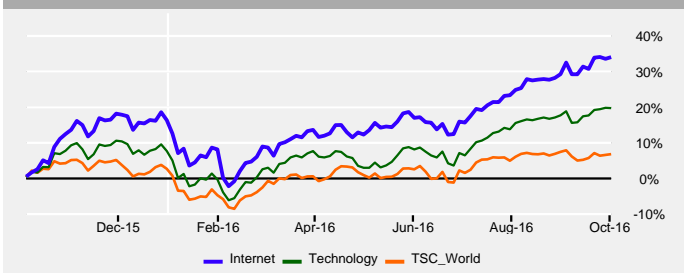
October 4, **2016**



# Internet (WO)

Closing price of October 4, 2016

Comparison [October 6, 2015 - October 4, 2016]



The sector Internet represents approximately 30% of the market capitalization of the group Technology and approximately 4% of the World market with 83 companies being regularly followed by theScreener.

The sector Internet is currently trading close to its 52 week high and 37% above its 52 week low (bi-weekly closing).

Performance since October 6, 2015: 33.5% vs. 19.4% for the group Technology and 6.5% for the TSC\_World.

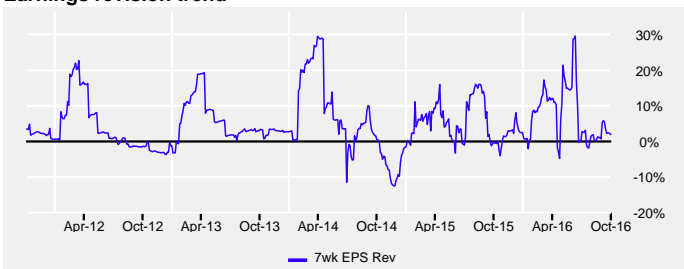
The current % of stocks over their Medium Term technical trend (MTT) is 63.9%.

	Market Value	Perf YtD	Nb of Stocks	Mkt Cap in \$bn	Stars	Risk Zone	G/PE Ratio	LT P/E	LT Growth	4wk Perf	% of Stocks in Uptrend
<b>Internet (WO)</b>	1,678.69	15.3%	83	2,533.60	★★★★★	📈	1.14	21.5	24.4%	2.2%	63.9%
Technology (WO)	223.90	11.2%	615	8,020.66	★★★★★	📈	1.09	15.8	15.8%	1.8%	54.6%
TSC_World (WO)	242.09	4.0%	6,371	59,171.28	★★★★☆	📈	1.21	15.5	15.9%	-1.0%	42.2%

### Price evaluation rating

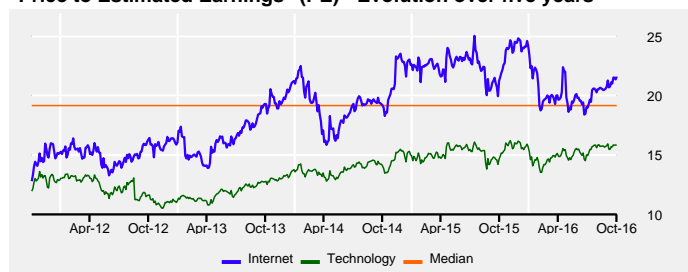
In order to assess whether an index is correctly valued, we focus on Peter Lynch's broadly accepted methodology of comparing the projected earnings growth and dividend with the estimated PE ratio. Based on this approach, we feel this sector is currently strongly undervalued. A "Forecasted Growth + Estimated Dividend Yield/ Estimated Price Earnings" ratio higher than 0.9 indicates that the index's price includes a discount to growth of -21.0%.

### Earnings revision trend



Compared to seven weeks ago, the analysts have raised (1.6%) their earnings estimates. This positive trend began August 2, 2016 at a price of 1,544.1.

### "Price to Estimated Earnings" (PE) - Evolution over five years

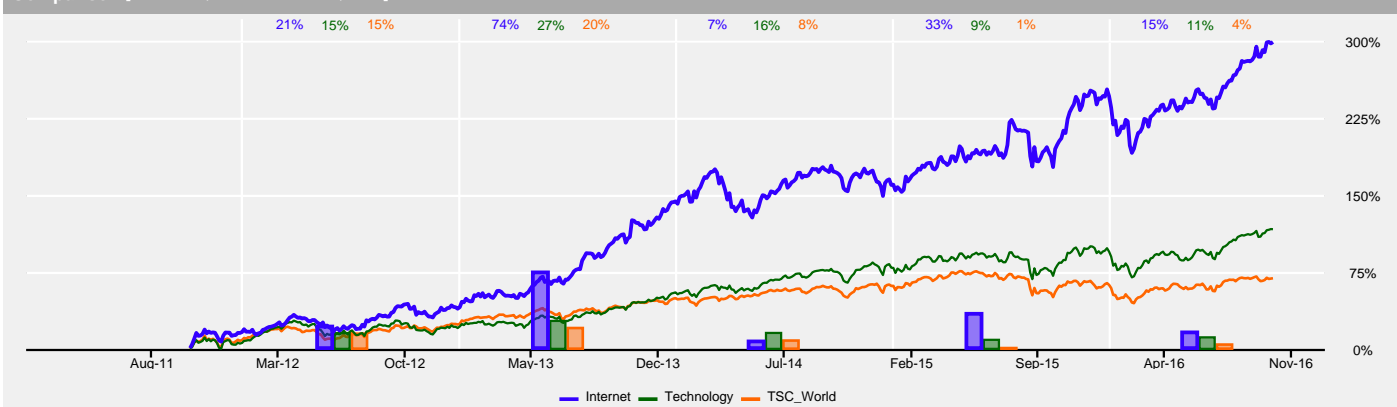


The estimated PE is calculated on the basis of the underlying stocks. While the PE of the sector Internet is 21.5, the PE of the group to which it belongs (Technology is markedly lower (15.8); this indicates that the sector is trading higher than its group. Historically speaking, this sector is currently trading above its median of 19.1.

### Technical trend

The 40-day Medium Term Technical Trend has been positive since July 8, 2016. The confirmed Technical Reverse point (Tech Reverse - 1.75%) is currently 5% lower. This positive technical trend is confirmed by the fact that 63.9% percent of stocks are trading above their average. This would indicate that a significant number of stocks in this sector are part of the current market rise.

Comparison [October 5, 2011 - October 4, 2016]



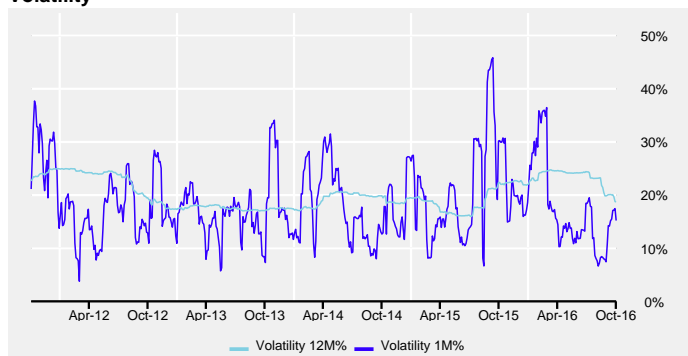
### Performance over 5 years

On a 5 year moving average, the performance of the sector Internet is 298.0%, vs. 116.5% for the group Technology and 68.6% for the TSC\_World. During this period, the high of 1,679.1 was reached on September 2016 and the low of 421.8 in the month of October 2011.



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Internet (WO)	1,678.69	15.3%	83	2,533.60	★★★★★		1.14	21.5	24.4%	2.2%	63.9%

## Volatility



The volatility is also used as a risk factor. It measures the magnitude of the high and low movements of a stock or index. The more the volatility is high, the more risky a sector is considered to be.

As of the last update, the monthly volatility of (15.1%) is lower than the last few years' average of (18.2%). The low magnitude of short term price fluctuations indicates a lull in the market.

On the other hand, long term volatility 18.6% of the sector is similar to that of the group Technology (15.2%), reflecting almost identical price variations between the sector and the group to which it belongs.

### The risk factor in declining markets

The "Bear Market Factor" measures the behavior of a sector in declining markets. In this context, the sector Internet has a tendency to drop in the same proportion as the index TSC\_World.

This behavior shows the sector can be somewhat risky during market corrections.

### The risk factor in rising markets

The "Bad News Factor" measures a sector's corrections in a rising market phase.

In this configuration, the market slightly sanctions the sector Internet when there is specific pressure in this particular economic activity.

When the sector declines in a rising market its average deviation is -0.98%.

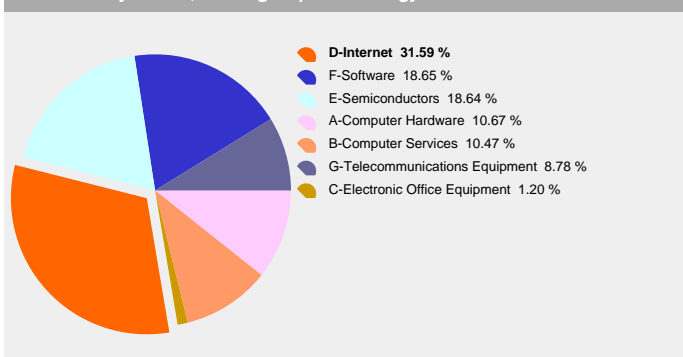
### Risk analysis summary

Generally speaking, an investment in the Internet sector carries an average risk because of the Bear Market factor, average risk.

## Checklist (Internet)

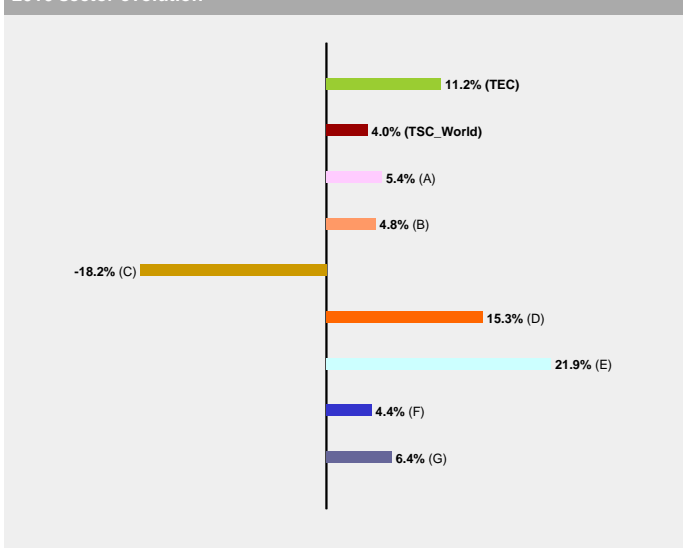
<b>Stars</b>	★★★★★	<b>Very strong interest since August 2, 2016.</b>
Earnings Rev Trend	★	Analysts positive since August 2, 2016
Valuation Rating	★	Strongly undervalued
MT Tech Trend	★	Market positive since July 8, 2016
4wk Rel Perf	2.2% ★	vs. TSC_World
<b>Risk Zone</b>		<b>The industry is classified in the medium-risk zone since September 20, 2016.</b>
Bear Mkt Factor		Average risk positioning during market declines
Bad News Factor		Slight market sanction in case of specific pressure

## Allocation by sector, of the group Technology



The largest sector in terms of market capitalization Internet represents 31.6% of the group Technology. These sectors follow, in size order, Software with 18.7% Semiconductors with 18.6%.

## 2016 sector evolution



From the beginning of the year, the sector Internet recorded a variation of 15.3%, while the group Technology evolved by 11.2%. This industry group is made up of 7 sectors, in which the extreme variations were from -18.2% to 21.9%.

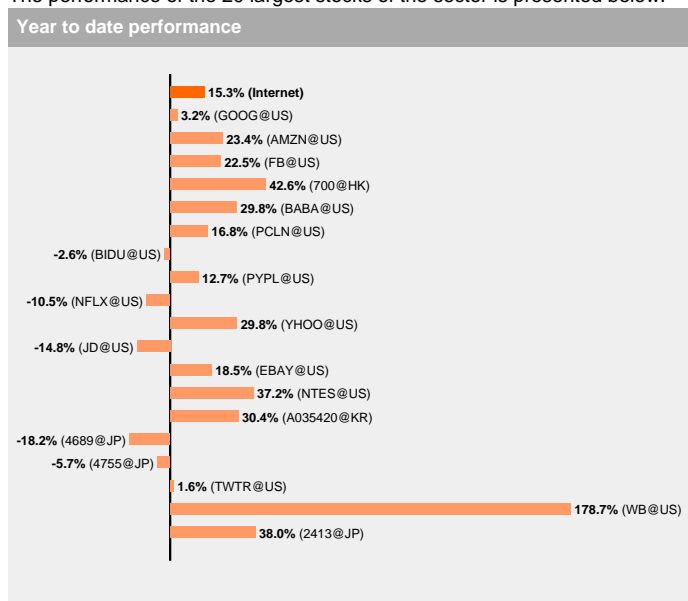


# Internet (WO)

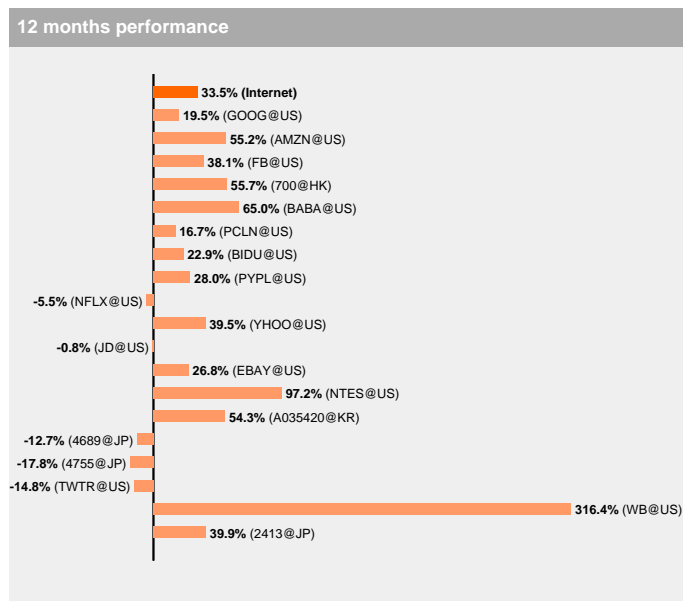
Closing price of October 4, 2016

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Internet (WO)	1,678.69	15.3%	83	2,533.60	★★★★		1.14	21.5	24.4%	2.2%	63.9%

The performance of the 20 largest stocks of the sector is presented below.

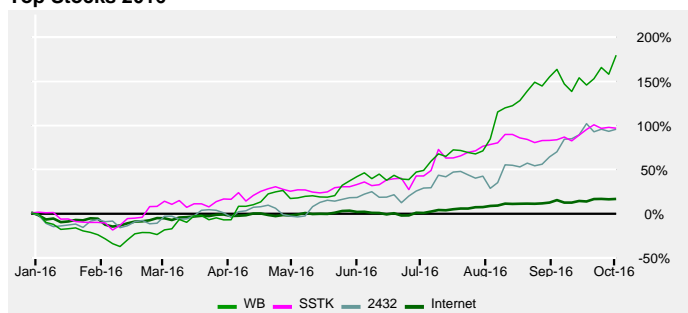


The analysis and details of the above stock can be found on page 6



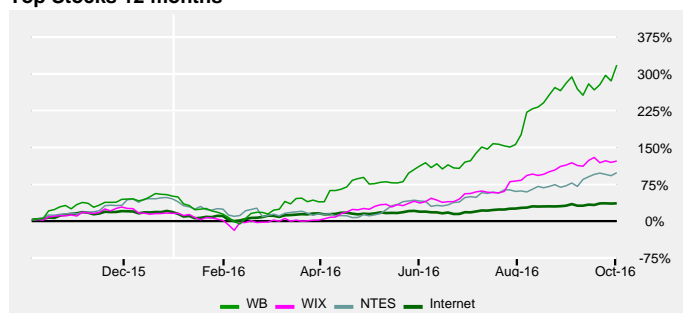
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### Top Stocks 2016



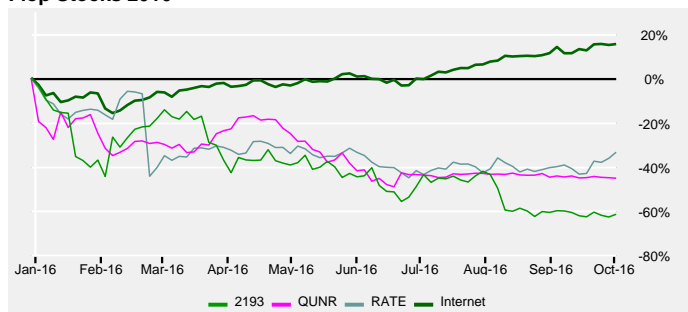
From the beginning of the year, the performance of the sector was 15.3%; as for the three best stocks, (WEIBO CORP. (WB), SHUTTERSTOCK INCO. (SSTK) and DENA COMPANY LTD. (2432)), their performance was 178.7%, 96.0% and 94.8% respectively.

### Top Stocks 12 months



Since 12 months ago, the performance of the sector has been 33.5%; the three best stocks, (WEIBO CORP. (WB), WIX COM LTD. (WIX) and NETEASE INCO. (NTES)) recorded a performances of 316.4%, 120.9% and 97.2% respectively.

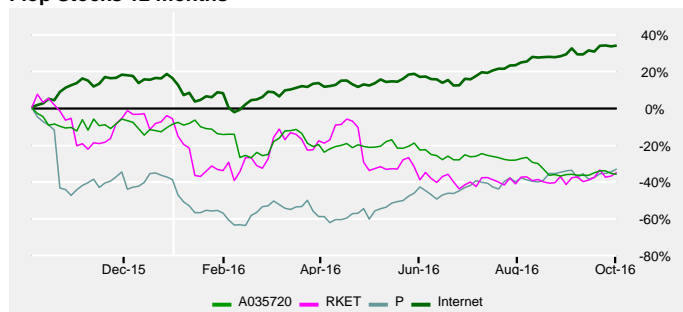
### Flop Stocks 2016



COOKPAD INCO. (2193), QUNAR CAYMAN ISLE.LTD. (QUNR) and BANKRATE INCO. (RATE) with -61.6%, -45.2% and -33.5% recorded the three worst performances from the beginning of the year. For the sector Internet, the variation was 15.3%.

Only companies with a market capitalization exceeding \$500 million are mentioned.

### Flop Stocks 12 months

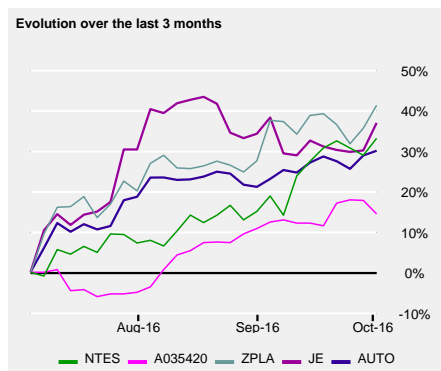


The three worst performances in 12 months were recorded by KAKAO CORP. (A035720), ROCKET INTERNET AG (RKET) and PANDORA MEDIA INCO. (P) with -36.2%, -35.2% and -33.3%. As for the sector Internet, it recorded a variation of 33.5%.

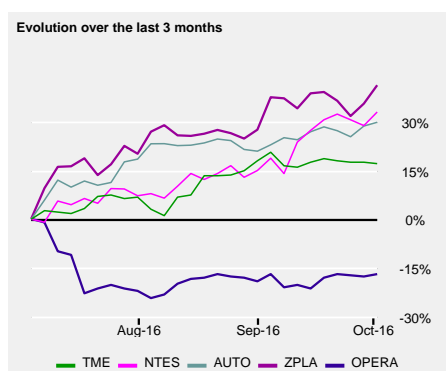


### Stocks with the best valuations

Symbol Market	Name Sector	Price Ccy	Mkt Cap in \$bn	7wk EPS Rev	Stars	Risk Zone	Global Evaluation
NTES US	NETEASE INCO. Internet	248.60 USD	32.69	28.1%	★★★★★	🟡	📈
A035420 KR	NAVER CORPORATION Internet	858,000.00 KRW	25.53	9.4%	★★★★★	🟡	📈
ZPLA GB	ZOOPLA PROPERTY GP.PLC. Internet	338.90 GBp	1.81	7.1%	★★★★★	🟡	📈
JE GB	JUST EAT PLC Internet	564.00 GBp	4.87	4.3%	★★★★★	🟡	📈
AUTO GB	AUTO TRADER GROUP PLC. Internet	409.20 GBp	5.16	3.6%	★★★★★	🟡	📈



The global rating (Global Evaluation) is a multi-criteria approach that identifies the stocks with the best evaluations. This assessment is the compilation of fundamental (PE, growth, earnings revisions, dividend, etc.), technical (moving average, relative performance), and risk (behavior in declining markets and sensitivity to bad news) factors. In order to present the best selection, only companies with a market capitalization greater than \$1bn and showing good earnings growth valuations, are listed. Furthermore, the eligible stocks must have a minimum rating of two stars; a neutral to positive valuation; a weak to average risk zone; and a minimum correlation of 0.66. When the global rankings are identical, the analysts' 7 week earnings per share revision (7 wk EPS rev) acts as the deciding classification element.



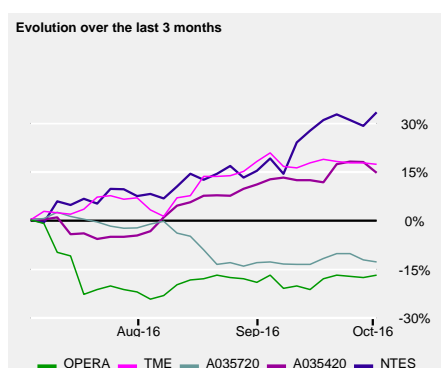
### The best defensive stocks

Symbol Market	Name Sector	Price Ccy	Mkt Cap in \$bn	Bear Mkt Factor	Stars	Risk Zone	Global Evaluation
TME AU	TRADE ME GROUP LTD. Internet	5.33 AUD	1.61	-141	★★★★★	🟡	📈
NTES US	NETEASE INCO. Internet	248.60 USD	32.69	-103	★★★★★	🟡	📈
AUTO GB	AUTO TRADER GROUP PLC. Internet	409.20 GBp	5.16	-102	★★★★★	🟡	📈
ZPLA GB	ZOOPLA PROPERTY GP.PLC. Internet	338.90 GBp	1.81	-94	★★★★★	🟡	📈
OPERA NO	OPERA SOFTWARE ASA Internet	56.00 NOK	1.03	-92	★★★★★	🟡	📈

The risk evaluation is based on essentially two criteria: the stock's "behavior in declining markets" (Bear Market Factor), and the stock's "sensitivity to bad news" (Bad News Factor). By positioning a stock according to the world averages, three risk levels can be attributed (weak, average, high). Combining these elements makes it possible to create a final ranking of the best defensive stocks in the market. To present the best selection, only companies with a market capitalization greater than \$1bn and showing good earnings growth valuations are listed. Furthermore, the eligible stocks must have a minimum rating of two stars; a neutral to positive valuation; a weak to average risk zone. In case of a tie, the stock's "behavior in declining markets" will act as the deciding classification element.

### The stocks with the lowest correlations

Symbol Market	Name Sector	Price Ccy	Mkt Cap in \$bn	Correlation	Stars	Risk Zone	Global Evaluation
OPERA NO	OPERA SOFTWARE ASA Internet	56.00 NOK	1.03	0.11	★★★★★	🟡	📈
TME AU	TRADE ME GROUP LTD. Internet	5.33 AUD	1.61	0.12	★★★★★	🟡	📈
A035720 KR	KAKAO CORP. Internet	81,200.00 KRW	4.95	0.18	★★★★★	🟡	📈
A035420 KR	NAVER CORPORATION Internet	858,000.00 KRW	25.53	0.26	★★★★★	🟡	📈
NTES US	NETEASE INCO. Internet	248.60 USD	32.69	0.29	★★★★★	🟡	📈



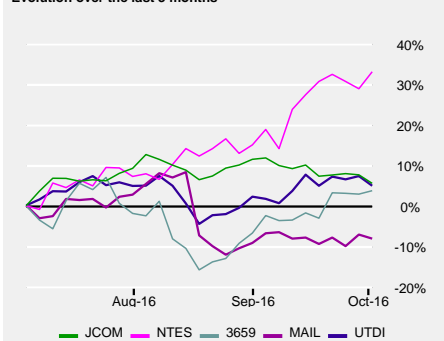
The correlation coefficient permits to identify the stocks of which the dependence on the market is the weakest. If this value is very low, less than 0.5, it signifies that less than 50% of the movements of the stock are explained by the movement of the market. On the contrary, a number close to 1 indicates that the value is very close to the evolutions of the market. In order to present the best selection, only the societies with a market capitalization higher than \$1bn and showing good earnings growth valuations are listed. Furthermore, the eligible stocks must have a minimum rating of two stars; a neutral to positive valuation; a weak to average risk zone; and a minimum correlation of 0.66. In the case of a tie in the ranking, the stock's "behavior in declining markets" (Bear Market Factor) acts as the deciding classification element.



# Internet (WO)

Closing price of October 4, 2016

Evolution over the last 3 months



## The stocks with the weakest PE

Symbol Market	Name Sector	Price Ccy	Mkt Cap in \$bn	LT P/E	Stars	Risk Zone	Global Evaluation
JCOM US	J2 GLOBAL INCO. Internet	65.31 USD	3.14	12.0	★★★★	Neutral	Positive
NTES US	NETEASE INCO. Internet	248.60 USD	32.69	12.6	★★★★	Neutral	Positive
3659 JP	NEXON COMPANY LTD. Internet	1,588.00 JPY	6.74	13.3	★★★★	Neutral	Positive
MAIL GB	MAILRU GROUP GDR LTD. Internet	17.35 USD	3.60	14.2	★★★★	Neutral	Positive
UTDI DE	UNITED INTERNET AG Internet	39.00 EUR	8.92	14.4	★★★★	Neutral	Positive

The price to earnings ratio (PE) helps to find undervalued stocks. It is commonly accepted that if the PE of a stock is lower than the PE of its reference market, the stock has upside price potential. In order to present the best selection, only companies with a market capitalization greater than \$1bn and showing good earnings growth valuations are listed. Furthermore, the eligible stocks must have: a minimum rating of two stars, a neutral to positive valuation, a risk zone weak to average. When the PE ratios are identical, the analysts' 7 week earnings per share revision (7 wk EPS rev) acts as the deciding classification element.

## The 20 top stocks classified by market capitalization

Symbol Market	Name Sector	Price Ccy	Perf YtD	Mkt Cap in \$bn	G/PE Ratio	LT P/E	LT Growth	4wk Rel Perf	Div	Volatility 1M	Stars	Risk Zone	Global Evaluation
GOOG US	ALPHABET INCO. Internet	802.79 USD	3.2%	542.68	1.01	17.0	17.0%	2.1%	0.0%	13.3%	★★★★	Neutral	Positive
AMZN US	AMAZON.COM INCO. Internet	834.03 USD	23.4%	395.39	1.44	45.7	65.7%	9.3%	0.0%	22.4%	★★★★	Neutral	Positive
FB US	FACEBOOK INCO. Internet	128.19 USD	22.5%	368.12	1.42	18.2	25.9%	2.7%	0.0%	10.2%	★★★★	Neutral	Positive
700 HK	TENCENT HOLDINGS LTD. Internet	217.40 HKD	42.6%	265.35	1.17	23.1	26.7%	5.9%	0.3%	22.6%	★★★★	Neutral	Positive
BABA US	ALIBABA GROUP HLDG.LTD. Internet	105.45 USD	29.8%	260.88	1.21	19.0	22.9%	7.6%	0.0%	35.8%	★★★★	Neutral	Positive
PCLN US	THE PRICELINE GP.INCO. Internet	1,489.02 USD	16.8%	73.60	0.97	16.2	15.7%	6.0%	0.0%	14.6%	★★★★	Neutral	Positive
BIDU US	BAIDU INCO. Internet	184.08 USD	-2.6%	63.80	1.22	24.5	29.9%	4.9%	0.0%	26.7%	★★★★	Neutral	Positive
PYPL US	PAYPAL HOLDINGS INCO. Internet	40.78 USD	12.7%	49.22	0.87	20.8	18.1%	11.4%	0.0%	22.7%	★★★★	Neutral	Positive
NFLX US	NETFLIX INCO. Internet	102.34 USD	-10.5%	43.88	1.54	66.9	103.3%	6.4%	0.0%	27.3%	★★★★	Neutral	Positive
YHOO US	YAHOO INCO. Internet	43.18 USD	29.8%	41.10	0.54	75.6	40.9%	1.1%	0.0%	18.8%	★★★★	Neutral	Positive
JD US	JD.COM Internet	27.49 USD	-14.8%	39.68	1.98	59.3	117.2%	8.9%	0.0%	27.1%	★★★★	Neutral	Positive
EBAY US	EBAY INCO. Internet	32.56 USD	18.5%	36.76	0.85	13.8	11.7%	2.2%	0.0%	17.0%	★★★★	Neutral	Positive
NTES US	NETEASE INCO. Internet	248.60 USD	37.2%	32.69	1.46	12.6	16.9%	17.0%	1.4%	38.0%	★★★★	Neutral	Positive
A035420 KR	NAVER CORPORATION Internet	858,000.00 KRW	30.4%	25.53	1.26	19.8	24.7%	2.1%	0.2%	24.1%	★★★★	Neutral	Positive
4689 JP	YAHOO JAPAN CORPORATION Internet	404.00 JPY	-18.2%	22.37	0.81	14.1	9.2%	-3.2%	2.2%	11.2%	★★★★	Neutral	Positive
4755 JP	RAKUTEN INCO. Internet	1,323.50 JPY	-5.7%	18.43	1.16	18.4	21.0%	1.2%	0.4%	29.8%	★★★★	Neutral	Positive
TWTR US	TWITTER INCO. Internet	23.52 USD	1.6%	16.65	0.77	37.9	29.3%	21.7%	0.0%	93.9%	★★★★	Neutral	Positive
FDC US	FIRST DATA CORP. Internet	13.03 USD	-18.7%	11.86	1.28	7.8	9.9%	-8.1%	0.0%	13.8%	★★★★	Neutral	Positive
WB US	WEIBO CORP. Internet	54.34 USD	178.7%	11.76	1.69	27.3	46.0%	11.0%	0.0%	55.4%	★★★★	Neutral	Positive
2413 JP	M3 INCORPORATED Internet	3,480.00 JPY	38.0%	10.95	0.75	48.2	35.7%	15.8%	0.4%	41.1%	★★★★	Neutral	Positive



**Number of Stocks**

This is the number of stocks in the index that can be analyzed.

**Mkt Cap in \$bn**

This number represents the Market Capitalization in USD bn. It is calculated by multiplying a firm's share price by the number of outstanding shares. For reasons of comparison, all results are in USD.

**Valuation Rating**

Our Valuation Rating indicates if a stock is "expensive" or "cheap" relative to its growth potential. This is used to determine whether or not the investor is paying a premium for anticipated growth.

To estimate a stock's value relative to its current price, our Valuation Rating combines:

- stock price
- projected earnings
- projected earnings growth
- dividends

We establish our rating by combining these elements.

There are five ratings, ranging from strongly undervalued 🟢🟢 to strongly overvalued 🟡🔴.

**Stars**

theScreener.com's star rating system is designed to enable you to identify high-quality stocks quickly and easily.

In this easy-to-use rating system, stars are earned for each element specified below:

- Earnings Rev Trend 🟢 = ★★★★★
- Valuation Rating 🟢, 🟢🟢, 🟢🟢🟢 = ★★★★★
- MT Tech Trend 🟢 = ★★★★★
- 4 week Relative Performance > 1% = ★★★★★

Therefore, a stock can earn a maximum of four stars.

The lowest rating a stock can have is no stars.

Once a stock has earned a star, it will keep it until:

- Earnings Rev Trend becomes negative 🟡
- Valuation Rating becomes negative 🟡, 🟡🔴, 🟡🔴🔴
- MT Tech Trend becomes negative 🟡
- 4 week Relative Performance drops below -1% (<-1%)

**Div**

This is the dividend in % for the next 12 months.

Even if the same number is shown, the dividend value can appear in one of four colors, depending on the earnings coverage:

- 0%, no dividend
- 4%, the dividends are covered (between 0% and 40% of earnings)
- 4%, the dividends represent between 40% and 70% of earnings
- 4%, the dividends are higher than 70% of earnings, which implies that the dividend coverage is not guaranteed.

**Earnings Rev. Trend**

The symbol 🟢 shows that compared with their earnings revisions of seven weeks ago, the analysts have now raised their estimates (7wk EPS Rev; > 1%); the symbol 🟡 indicates that compared with their earnings revisions of seven weeks ago, the analysts have now lowered their estimates (7wk EPS Rev < -1%).

When the earnings revisions (7wk EPS Rev) fall between +1% and -1%, the trend is considered to be neutral 🟢.

The symbol 🟢 indicates that the last significant revisions have been trending positive.

The symbol 🟡 indicates that the last significant revisions have been negative.

**7wk EPS Rev**

This is an abbreviation for 7 week Earnings Per Share Revision. This column indicates the value of these revised earnings. A figure of 2.8 signifies that compared with seven weeks ago, the analysts have now revised and raised their estimates by 2.8%. On the contrary, a negative number means that the earnings would have been revised lower.

**G/PE Ratio**

In order to establish our Valuation Rating, we calculate the estimated growth of future earnings (LT Growth) plus dividend in %, divided by the estimated future PE ratio (Long Term P/E).

**LT PE**

This is the relationship between the price (P) and the estimated long-term future earnings (E LT).

**LT Growth**

This is the estimated annual growth rate of future earnings, normally projected over the next two to three years.

**MT Tech Trend**

The MT Tech Trend indicates the current trend, positive 🟢 or negative 🟡, and the Tech Reverse indicates up to which price this trend will remain valid.

When a price falls to 1.75% above or below the Tech Reverse, the MT Tech Trend is considered neutral 🟢.

Once the price breaks out of the +1.75% neutral zone, the MT Tech Trend will change to positive.

The symbol 🟢 indicates that the previous MT Tech Trend was positive.

The symbol 🟡 indicates that the previous MT Tech Trend was negative.

**4wk (Rel) Perf.**

This figure measures the performance of a stock relative to its national or regional index (compared to four weeks ago). As for an Index, it measures the net performance over 4 weeks.

**Bad News Factor**

To determine the "Bad News Factor" we analyze a stock's declines in rising markets. In this purely objective analysis, the actual reasons for a stock's behavior are not important. If a stock price falls while its relative index goes up, it can be assumed that the stock's performance has been affected by bad news - hence the name, "Bad News Factor".

Here a stock's movements are measured on a bi-weekly basis, during a sliding 52 week period. Every time a stock drops while its reference index rises, the difference is calculated in %, integrated into a yearly average and expressed in basis points.

The higher the "Bad News Factor," the more a stock has proven to be sensitive to bad news. The lower the "Bad News Factor," the less the stock has proven to be sensitive to bad news.

**Bear Market Factor**

To determine the "Bear Market Factor" we analyze a stock's price movements in declining markets.

This is the analysis of the movements, in a bi-weekly intervals, during a sliding 52 week period.

The higher the "Bear Market Factor," the greater the probability a stock would drop when its relative index drops.

A "Bear Market Factor" that is strongly negative means the stock has been more resistant to losses in declining markets.

**Risk Zone**

The price developments of stocks are generally volatile and contain high risks that can result in a total loss. Based on a their historical behavior, stocks are classified by risk levels. These risk levels have to be considered solely in relative historic comparison to other stocks. Please note that even "Low Risk" stocks are equities and therefore high risk investments that can lose up to all of their value, and that based on the past no firm conclusions can be taken into the future.

Risk zones are determined by measuring the "Bear Market Factor" and the "Bad News Factor" against a world reference.

There are three types of risk ratings:

- Low Risk: The risk indicators fall below the world reference average.
- Medium Risk: The risk indicators are situated higher than the world reference average, but lower than one standard deviation.
- High Risk: The risk indicators are at levels higher than one standard deviation.

**Volatility 12 M**

Volatility is also used as a risk factor. It measures the magnitude of the high and low movements of a stock or index. The higher the volatility, the more risky a stock is considered to be.

**% of Stocks in Uptrend**

This is the percentage of stocks in a given list that have a positive Medium Term Technical Trend. If, for example, the aggregate of Technology / World, (which is made up of 458 stocks) has 8% "of stocks in Uptrend," it means that 38 of the stocks within that aggregate have a positive Medium Term Technical Trend.

**Beta**

Beta is often used as a measure of risk. Where a Beta is greater than 100, the stock is more volatile than its reference index and therefore more risky.

**Correlation**

Correlation is the degree of similarity (in %) in which a stock fluctuates in relation to its reference index.

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