



## LoopNet

### Analyst Highlights

<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	\$21.01
<b>Target Price:</b>	\$25.00
<b>Forecast Stock Return:</b>	19.0%
<b>2-yr Est. CAGR:</b>	35.6%

### Street Estimates

	<u>2006A</u>	<u>2007E</u>	<u>2008E</u>
<b>EPS</b>	\$0.40	\$0.48	\$0.59
<b>P/E</b>	52.5	43.8	35.6
<b>Revenue</b>	\$48	\$69	\$89
<b>P/S</b>	16.8	11.8	9.1

### Price History



### Company Information

<b>Ticker:</b>	LOOP
<b>Industry:</b>	Commercial Real Estate
<b>Insider Ownership:</b>	0%
<b>Cash &amp; Equiv (000's):</b>	\$105
<b>Debt (000's):</b>	\$0

### Key Stock Statistics

<b>Average Volume (000's):</b>	618
<b>52-Week High:</b>	\$26.37
<b>52-Week Low:</b>	\$10.48
<b>Market Capitalization:</b>	\$814
<b>Shares Outstanding:</b>	38.74

<b>Contents</b>	<b>page</b>
Company Overview	3
Investment Thesis	4
Valuation Analysis	4
Peer Group	5
Price-Earnings Valuation	6
Disclosures	7

## Company Overview

LoopNet, Inc. operates an online marketplace for commercial real estate in the United States. Its online marketplace, LoopNet.com enables commercial real estate agents working on behalf of property owners and landlords to list properties for sale or for lease by submitting detailed property listing information, including descriptions, financial and tenant information, photographs, and property characteristics in order to find a buyer or tenant. As of December 31, 2006, the LoopNet online marketplace contained approximately 460,000 listings. The company also operates BizBuySell, an online marketplace for operating businesses for sale. As of December 31, 2006, BizBuySell contained approximately 43,000 listings of operating businesses for sale. LoopNet also provides LoopLink, an online real estate marketing and database services suite that enables commercial real estate firms to showcase their available properties both on the LoopNet marketplace and on the brokerage firm's own website using the company's hosted search software. The company was incorporated in 1997 and is headquartered in San Francisco, California.

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**LoopNet** #1 in Commercial Real Estate Online  
 \$440 billion of properties for sale • 3.4 billion sq. ft. of properties for lease • 2.2 million members

**Find a Property For Sale or For Lease**  
 Over 515,000 commercial properties For Sale and For Lease. Search for Land, Office, Retail, Industrial, Apartments, Hotels and other types of property.  
[Search Properties](#)

**FEATURED PROPERTIES** Feature Your Listing

**Court Ordered Sale Hotel -370 Guest Rooms-21 Suites-55,000 SF of Convention/conference Space**  
 Decatur, IL  
 Rick Levin & Associates, Inc.  
[View Details](#)

**AUCTION-Aug. 14th-Modern 54,100 SF Office Bldg on 10.5 AC Minimum Bid \$2.25 Million**  
 Long Grove, IL  
 Inland Real Estate Auctions  
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**Existing Members Log In**  
 Email Address:   
 Password:   
 Remember Me [LOG IN](#)

**Add a Property For Sale or Lease**  
 Thousands of buyers and tenants are matched with sellers and landlords daily

**Search Recent Sales**  
 Search hundreds of thousands of closed commercial real estate sales

**Advertise a Property or Service**  
 Targeted advertising to over 2.2 million commercial real estate professionals

[Become a Free Member](#)

“ LoopNet is my partner for buying and selling properties and for generating repeat business.  
 Carlos Silva of International Real Estate Services in Upland, CA [Read More](#) | [Submit Testimonial](#) ”

**Get a Loan for Your Commercial Property or Business**  
 • Shop quotes from different lenders  
 • Get advice on the best loan programs  
 • Loan qualifications in as few as 48 hours  
[EXPLORE LOAN OPTIONS](#)

**Commercial Real Estate News and Resources**  
 • Stay on top of the latest news in your region  
 • Follow the trends impacting the industry  
 • Learn about investing in commercial property  
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**The LoopNet Big Board**  
 What LoopNet's 2.2 million Members Want... or Are Offering!  
[VIEW THE BIG BOARD](#)

**DEVELOPER/ INVESTOR LOOKING FOR LAND IN THE SOUTH TO DEVELOP LLC W/ OTHER DEVELOPER**  
 I AM LOOKING TO TEAM UP WITH A DEVELOPER/BUILDER THAT NEEDS HEAVY EQUIPMENT ON DEVELOPMENT SITE. I WOULD LIKE ...  
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**Buildings Suffering from Moisture Problems? We have the solution!**  
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## Investment Thesis

### 1. Strong balance sheet

With over \$100M in cash and no debt, LoopNet is well-positioned to weather any downturn in their business.

### 2. Market opportunity

With current penetration rates estimated to be in the single digits, LOOP has significant expansion opportunities in the \$26B commercial real estate market.

### 3. Pricing Power

Even with the recent price increase (from \$69.95 to 89.95 per month) for unlimited listings, we feel that there is significant upward mobility in LoopNet's pricing structure with the possibility of even going to a per-listing pricing model.

### 4. The "eBay" effect

Sellers go where the buyers are and vice versa. Since LoopNet offers a strong value proposition to both buyers and sellers, a viral effect should continue to propel LoopNet towards an eBay-like critical mass.

### 5. Highly visible revenue stream

Almost half of LoopNet's premium members pay up-front giving the company both significant visibility into future period revenues as well as generating large amounts of cash on hand earning interest that can be used to fund future growth.

### 6. Secular shift online

The secular shift in online advertising to the internet is expected to be one of the primary drivers of LoopNet's growth in the near term. According to Borrell Associates, currently only 18% of the \$11.6 billion spent in real estate advertising occurs online.

## Valuation

We are initiating research coverage of LoopNet, Inc. (LOOP) with a BUY rating and a \$25 price target. Our \$25 price target is based on a 42.4x P/E multiple on the consensus 2008 EPS estimates. This is comparable to LoopNet's peer group which currently trades at a 42.5x P/E multiple for 2008. This is a conservative valuation that builds in no premium which we feel LoopNet will warrant as they develop their membership base.

## Sector - Internet Content

### Peer Group

Ticker	Company	Current Price	P/E Valuation			P/S Valuation		
			2006	2007	2008	2006	2007	2008
LOOP	LoopNet	\$23.00	57.5	47.9	39.0	18.4	13.0	10.0
RATE	Bankrate	\$46.14	82.4	34.4	28.8	10.6	8.5	7.0
MOVE	Housevalues	\$3.55	35.5	177.5	25.4	1.9	1.8	1.6
MNST	Monster	\$40.16	34.3	26.8	20.9	4.7	3.8	3.2
CSGP	Costar	\$51.32	79.0	96.8	50.8	6.2	5.1	4.2
ZIPR	zipRealty	\$7.24	N/A	N/A	120.7	1.7	1.5	1.1
CBG	CB Richard Ellis	\$35.40	23.9	16.8	14.2	2.0	1.4	1.3

<i>Average</i>	<i>52.1</i>	<i>66.7</i>	<i>42.8</i>	<i>6.5</i>	<i>5.0</i>	<i>4.1</i>
<i>Median</i>	<i>46.5</i>	<i>41.2</i>	<i>28.8</i>	<i>4.7</i>	<i>3.8</i>	<i>3.2</i>
<i>Average excl High &amp; Low</i>	<i>41.3</i>	<i>41.2</i>	<i>33.0</i>	<i>5.1</i>	<i>4.2</i>	<i>3.5</i>

### Consensus Estimates

Ticker	EPS			Revenue			Shares
	2006A	2007E	2008E	2006A	2007E	2008E	Outstanding
LOOP	\$0.40	\$0.48	\$0.59	\$48	\$69	\$89	38.74
RATE	\$0.56	\$1.34	\$1.60	\$80	\$99	\$120	18.27
MOVE	\$0.10	\$0.02	\$0.14	\$290	\$305	\$347	154.98
MNST	\$1.17	\$1.50	\$1.92	\$1,117	\$1,370	\$1,630	130.59
CSGP	\$0.65	\$0.53	\$1.01	\$159	\$194	\$232	19.19
ZIPR	(\$0.12)	(\$0.32)	\$0.06	\$95	\$106	\$144	22.49
CBG	\$1.48	\$2.11	\$2.50	\$4,030	\$5,680	\$6,220	228.66

## Price-Earnings Valuation

### 2006

		Price Multiple						
		49.1	50.1	51.1	52.1	53.1	54.1	55.1
E P S	\$ 0.37	\$18.17	\$18.54	\$18.91	\$19.28	\$19.65	\$20.02	\$20.39
	\$ 0.38	\$18.66	\$19.04	\$19.42	\$19.80	\$20.18	\$20.56	\$20.94
	\$ 0.39	\$19.15	\$19.54	\$19.93	\$20.32	\$20.71	\$21.10	\$21.49
	\$ 0.40	\$19.64	\$20.04	\$20.44	\$20.84	\$21.24	\$21.64	\$22.04
	\$ 0.41	\$20.13	\$20.54	\$20.95	\$21.36	\$21.77	\$22.18	\$22.59
	\$ 0.42	\$20.62	\$21.04	\$21.46	\$21.88	\$22.30	\$22.72	\$23.14
	\$ 0.43	\$21.11	\$21.54	\$21.97	\$22.40	\$22.83	\$23.26	\$23.69

### 2007

		Price Multiple						
		63.7	64.7	65.7	66.7	67.7	68.7	69.7
E P S	\$ 0.45	\$28.67	\$29.12	\$29.57	\$30.02	\$30.47	\$30.92	\$31.37
	\$ 0.46	\$29.30	\$29.76	\$30.22	\$30.68	\$31.14	\$31.60	\$32.06
	\$ 0.47	\$29.94	\$30.41	\$30.88	\$31.35	\$31.82	\$32.29	\$32.76
	\$ 0.48	\$30.58	\$31.06	\$31.54	\$32.02	\$32.50	\$32.98	\$33.46
	\$ 0.49	\$31.22	\$31.71	\$32.20	\$32.69	\$33.18	\$33.67	\$34.16
	\$ 0.50	\$31.85	\$32.35	\$32.85	\$33.35	\$33.85	\$34.35	\$34.85
	\$ 0.51	\$32.49	\$33.00	\$33.51	\$34.02	\$34.53	\$35.04	\$35.55

### 2008

		Price Multiple						
		39.8	40.8	41.8	42.8	43.8	44.8	45.8
E P S	\$ 0.56	\$22.30	\$22.86	\$23.42	\$23.98	\$24.54	\$25.10	\$25.66
	\$ 0.57	\$22.70	\$23.27	\$23.84	\$24.41	\$24.98	\$25.55	\$26.12
	\$ 0.58	\$23.10	\$23.68	\$24.26	\$24.84	\$25.42	\$26.00	\$26.58
	\$ 0.59	\$23.49	\$24.08	\$24.67	\$25.26	\$25.85	\$26.44	\$27.03
	\$ 0.60	\$23.89	\$24.49	\$25.09	\$25.69	\$26.29	\$26.89	\$27.49
	\$ 0.61	\$24.29	\$24.90	\$25.51	\$26.12	\$26.73	\$27.34	\$27.95
	\$ 0.62	\$24.69	\$25.31	\$25.93	\$26.55	\$27.17	\$27.79	\$28.41

## Analyst Certification

I, Josh Goodwin, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## Rating Methodology

Our investment rating system is three tiered, defined as follows:

- Buy** We expect this stock to outperform the S&P 500 by more than 10% over the next 12-18 months.
- Hold** We expect this stock's total return will be in line with the average total return of the S&P 500 over the next 12-18 months.
- Sell** We expect this stock to underperform the S&P 500 by more than 10% of the S&P 500 over the next 12-18 months and believe the stock could decline in value.

## Disclosures

The ratings reflect the opinion of the individual analyst and are subject to change at any time.

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