

EBAY AND PAYPAL SPLIT TO UNLOCK VALUE



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EVERY TIME SOMEONE CATCHES AN UBER, PAYPAL GETS PAID.

Uber is a prime example of a service that has expanded the digital frontier. Where once there was a clear delineation between being online and offline, in today's world with the proliferation of smartphones most consumers are effectively always online. We've benefited from this trend through our position in eBay, which until recently owned 100% of PayPal.

It was back in 2002 when eBay acquired PayPal. eBay had a rapidly growing online auction platform at the time, while PayPal was the most popular payment method used by those transacting on eBay. The combination allowed eBay to embed PayPal in the auction process, increasing security and reducing friction for the site's users, while PayPal benefited from eBay's existing user base and scale which helped cement its position as the leading payment platform.

PayPal has enjoyed stunning growth under eBay's ownership. Today it processes almost 12 million payments per day, a 27x increase from the 440,000 payments it was processing each day when eBay acquired the company. After 13 years of a successful union, eBay spun off PayPal into a separately listed company last week, with existing shareholders each receiving shares in PayPal.

Our current position in eBay was first bought in 2013. We were attracted to both the 'Marketplaces' (mostly ebay.com) business, which is one of only two leading

ecommerce platforms in the USA, along with the PayPal business, which is one of the only payment platforms businesses in the world that has scale on both the consumer side (with 169 million active accounts) and the merchant side (with 10 million merchants). This characteristic strengthens PayPal as a payment platform, and is incredibly difficult to replicate.

With its separation from eBay, PayPal becomes one of the only payment platforms with scale that is truly independent – independent from merchants, from payment providers, and from device manufacturers. This positioning places PayPal in an excellent position to benefit from the ongoing rise of digital payments.

PayPal processes Uber transactions through its Braintree subsidiary. Shell in the UK now allows you to pay for petrol with your mobile phone through PayPal. Subway in the US now allows ordering and payment via your mobile phone, with PayPal providing this functionality. This trend will continue to increase the addressable market for PayPal, and you're seeing it in their results – while payment volume was up 27% in the most recent quarter, mobile transactions were up 42% and represented 30% of the total.

The separation has also unlocked financial value for investors. When PayPal was part of eBay, we felt the market undervalued the business and underappreciated its quality and growth potential. A separate listing helps remove this bias, which we saw in the strong performance leading up to its separation, and the subsequent price action in both stocks.

We continue to hold our positions in both eBay and PayPal post separation in the [Perpetual Global Share Fund](#).