

# Investor/Analyst Call

October 6, 2008



# Forward looking statements

This announcement contains forward-looking statements relating to eBay's future performance that are based on its current expectations, forecasts and assumptions. Those statements involve risks and uncertainties, and actual results may differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to, the receipt and timing of regulatory approval for the transaction; the possibility that the transaction may not close; the reaction of consumers and Bean's customers; downturns in the financial markets and the credit industry; the future growth of Bean; the reaction of competitors to the transaction; the possibility that integration following the transaction may be more difficult than expected; the increasing need to grow revenues from existing users in established markets; an increasingly competitive environment for eBay's businesses; the complexity of managing a growing company with a broad range of businesses; the company's need to manage regulatory, tax, IP and litigation risks (including risks specific to PayPal and the financial industry); the need to upgrade technology and customer service infrastructure at reasonable cost while adding new features and maintaining site stability; foreign-exchange-rate fluctuations; changes in political, business, and economic conditions; the company's ability to profitably expand its business model to new types of merchandise and sellers; and the impact and integration of recent and future acquisitions.

More information about factors that could affect eBay's operating results can be found in the company's most recent annual report on its Form 10-K and its subsequent quarterly reports on Form 10-Q (available at <http://investor.ebay.com>). All forward-looking statements are based on information available to eBay on the date hereof, and eBay assumes no obligation to update such statements.

# Priorities for the Year

**eBay is a remarkable company, with a strong set of assets**

- Make eBay easier and safer
- Improve value and selection
- Extend PayPal's leadership position, both on and off eBay

**Demonstrate strong discipline with operations and capital.  
Leverage our financial strength to capitalize on opportunities.**

# Today's announcements

## Organization Simplification

- Reducing headcount by ~10%, including ~1,000 full time employees plus temps, contractors and attrition
- Restructuring charge of ~\$70-80m, predominantly in Q4
- \$150m annualized cost savings
- Simplify and streamline to invest and compete

## Acquire dBA and BilBasen

- Acquired leading horizontal online classifieds site and leading online motors classifieds site in Denmark
- Strengthens leadership position in global online classifieds
- ~2.1B Danish krone cash acquisition (~\$390M)

## Acquire Bill Me Later

- Acquiring complementary transactional credit business with unique, proven capabilities and team
- Strengthens PayPal's appeal to consumers and merchants
- \$820 million purchase price in cash and approximately \$125 million worth of outstanding options, net of option exercise proceeds

**Extend our leadership and more competitively position our company for growth**

# Gary Marino – CEO of Bill Me Later

# Bill Me Later: A great business

## Unique Payments Model

- Real-time, transaction-based credit granting within Merchants' POS
- Deep data obtained through integration with shopping experience
- Enables sales growth by attracting high-value, convenience and security conscious consumers

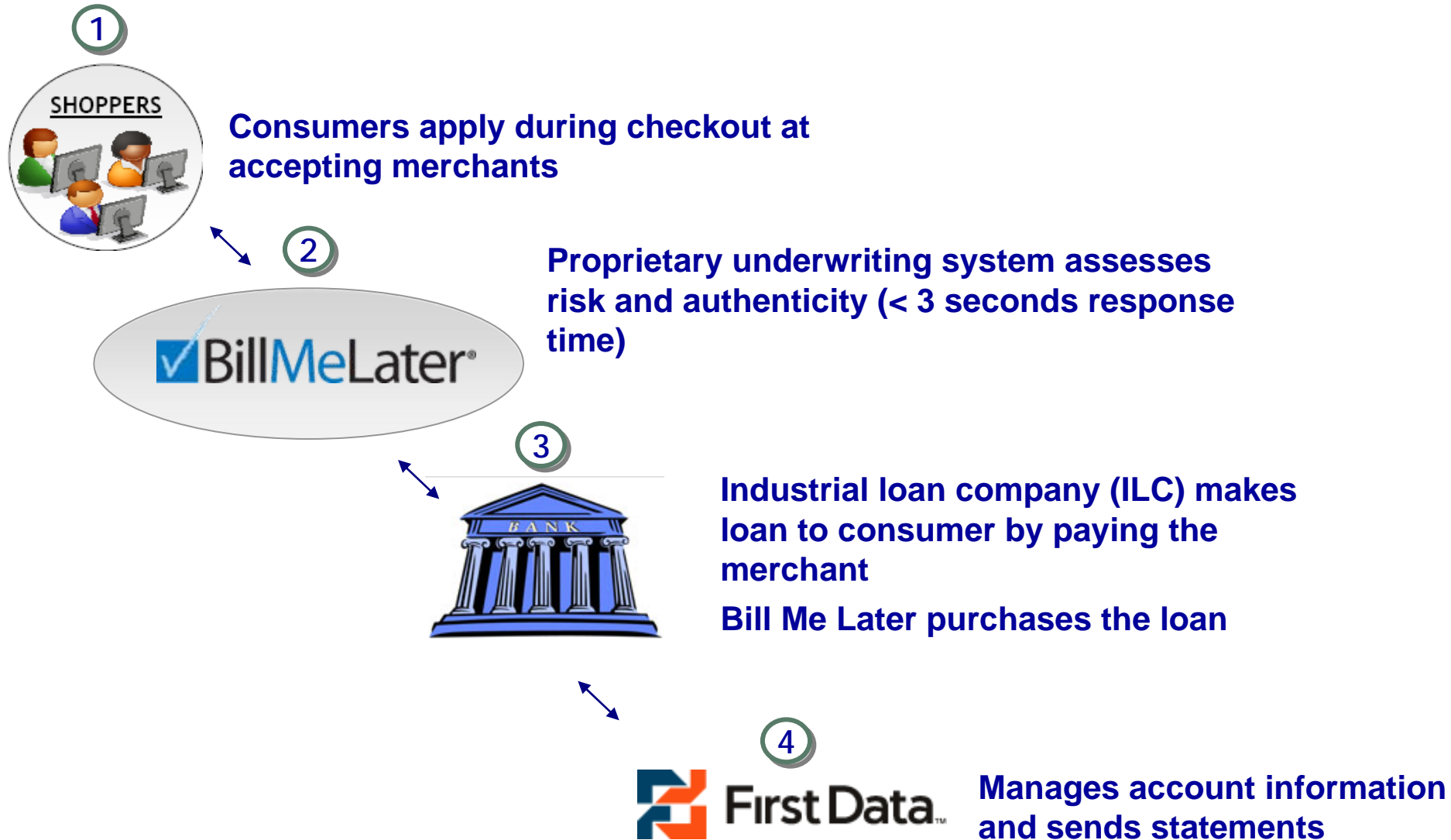
## Market proven product

- Big brand adoption: 30+% of top 100 online merchants, 75 of top 200
- Nearly 4 million consumers use Bill Me Later
- ~\$1 billion TPV in 2008, growing at 36% y/y

## Experienced team

- Core exec team has worked together for 15+ years
- Grew Citibank and First USA card businesses
- Founded Bill Me Later in 2000

# Bill Me Later: How it works



# Consumers love Bill Me Later...

## Consumers

- Convenient – no long application
- Fast – immediate decision
- Safe – no sensitive data required
- Empowering – incremental buying power

A seamless, simple product that consumers want

All transactions are safe and secure. [\(Details\)](#)

408-967-4312  
ldwight@paypal.com

Merchandise Subtotal: \$200.00  
Gift Wrapping: \$0.00  
Shipping & Processing: \$15.00  
Sales Tax: \$17.00  
Order Total: \$232.00

Please select your form of payment below.

A. Enter promotional code if available; hit "Apply."  
B. Enter gift card information if available; hit "Apply."  
C. Enter credit card information or select Bill Me Later®.

A. Enter promo code and hit Apply (optional)  
Use the 8-digit number found in the blue box on the back of your catalog or an offer code you may have received. Then hit the apply button.

B. Enter Gift Card Info and Hit Apply (optional)  
(Details)  
Gift Card Number:   
PIN Number (on back of card):

C. Credit Card Information (Details)  
Select Card Type:  VISA  
Credit Card Number:  (What is this?)  
Security Code:   
Expiration Date: Mar 2007  
To avoid processing delays when paying with a credit card, please make sure that your billing address information matches the name and address on your credit card statement.

Or

**BillMeLater** Buy Fast. Feel Secure.®  
What is Bill Me Later?  
 Yes, I'd like No Payments for up to 6 months!  
No Payments for 90 Days - purchases over \$99  
No Payments for 6 Months - purchases over \$500

Next to credit card in checkout

Name and address passed through from merchant

Only DOB and last 4 SSN required

**BillMeLater** Buy Fast. Feel Secure.®  
What is Bill Me Later? [What is Bill Me Later?®](#)

**Current Billing Address**  
Please verify that this is your current billing address.  
Full Name:   
Street Address:   
City, ST, Zip:   
Home Phone Number:  (example: 555555.1212)

**Data Verification**  
For verification purposes, please provide your date of birth and the last four digits of your social security number.  
Date of Birth: Month  Day  Year   
Social Security Number: XXX - XX -

**E-Sign Consent and Terms and Conditions**  
You must read the E-sign consent section of the [Terms and Conditions](#) prior to checking the box below.

# Merchants love Bill Me Later...

## Merchants

- Low cost – vs. card-not-present txns
- Incremental – brings new buyers
- Higher order value – sales uplift
- Easy integration – works in existing payment infrastructure

**A low cost offering that attracts new shoppers and creates upsell**



...and More

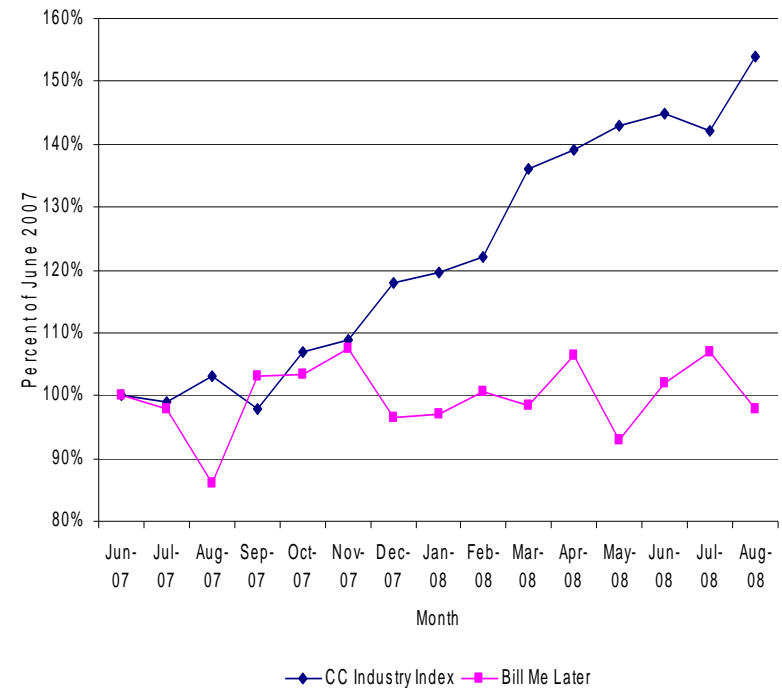
# Strong credit decision model and risk management

## Robust technology and credit model...

- Unique and proprietary real time data analysis technology
- Instant and accurate transaction decisioning
- Scalable, redundant architecture
- Experience and deep credit culture

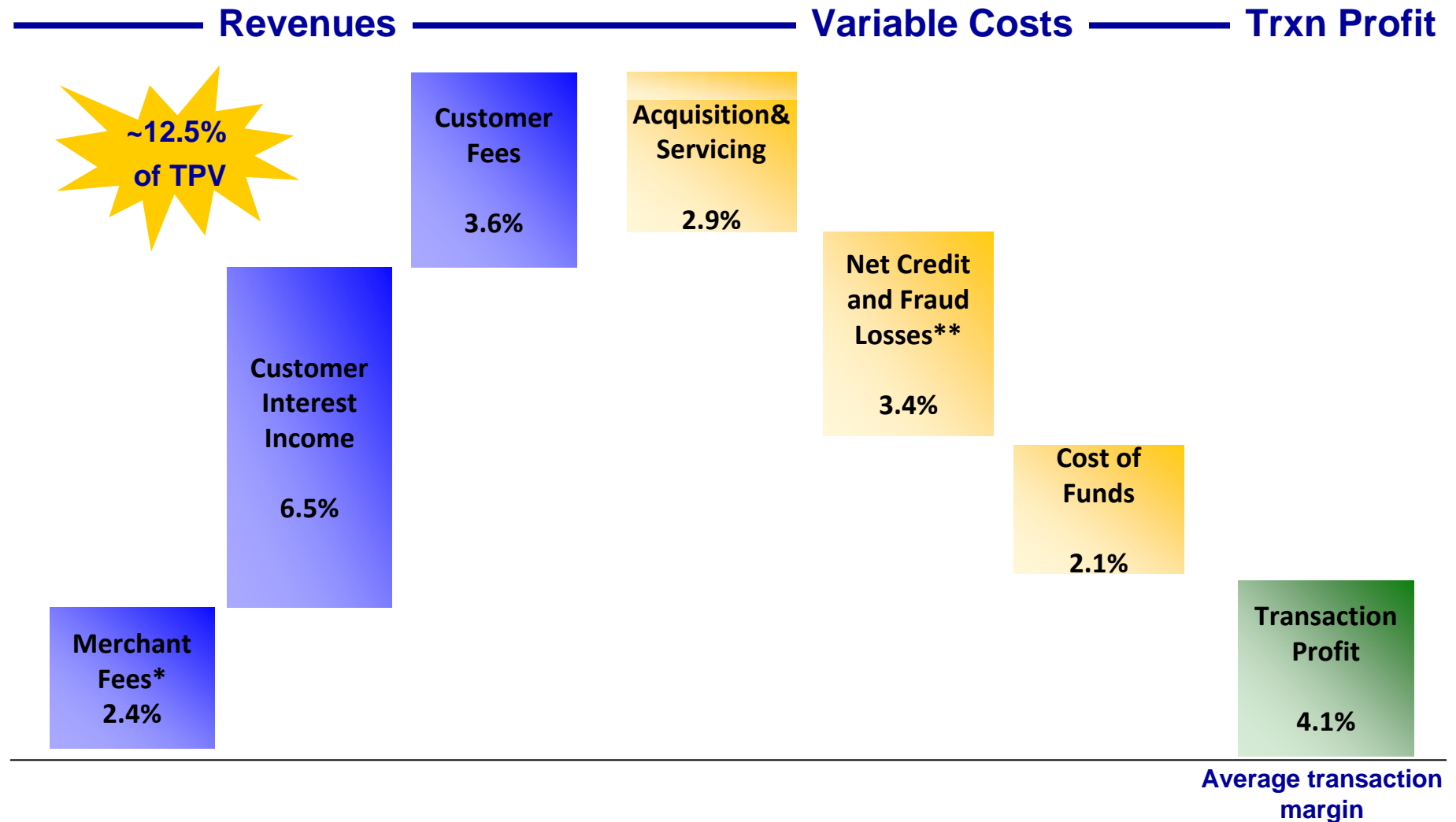


## ...Better than average<sup>(1)</sup> credit loss rates



**Bill Me Later credit model continues to perform well in the downturn**

# Bill Me Later Business Model

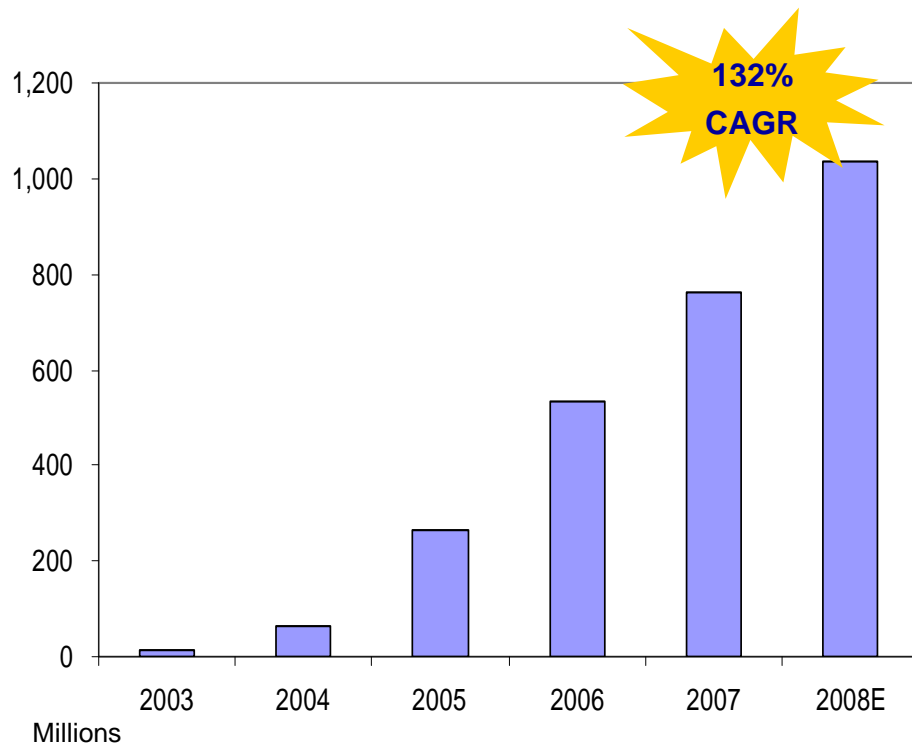


• \*Includes other affiliate revenue

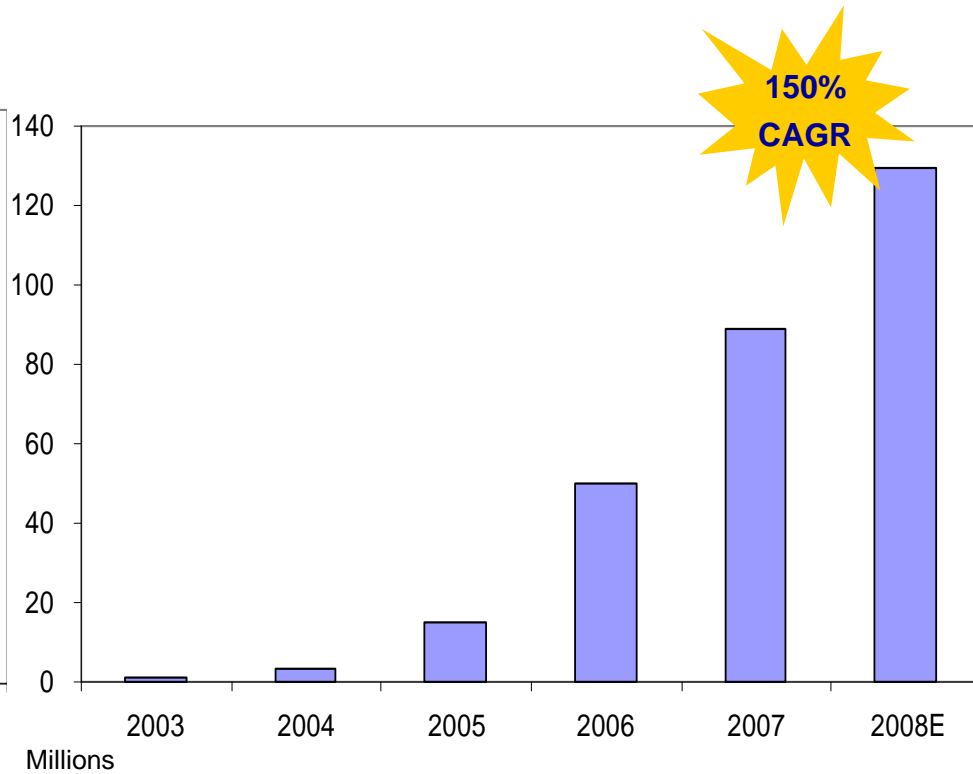
• \*\* Excludes provision for future losses

# Bill Me Later results

## Total Payment Volume



## Revenue



# Bill Me Later helps PayPal address untapped opportunities



- Accelerates merchant adoption
- Deepens relationship with consumers
- Lowers PayPal's transaction expense and monetizes consumers

**Accelerates Growth**

# PayPal + Bill Me Later value proposition

## For Consumers

- Secure
- Choice
- Fast
- Credit / purchasing power
- Ability to purchase higher ticket items

## For Merchants

- Increased sales
- Higher conversion rates
- New customers
- Low cost
- Higher order value

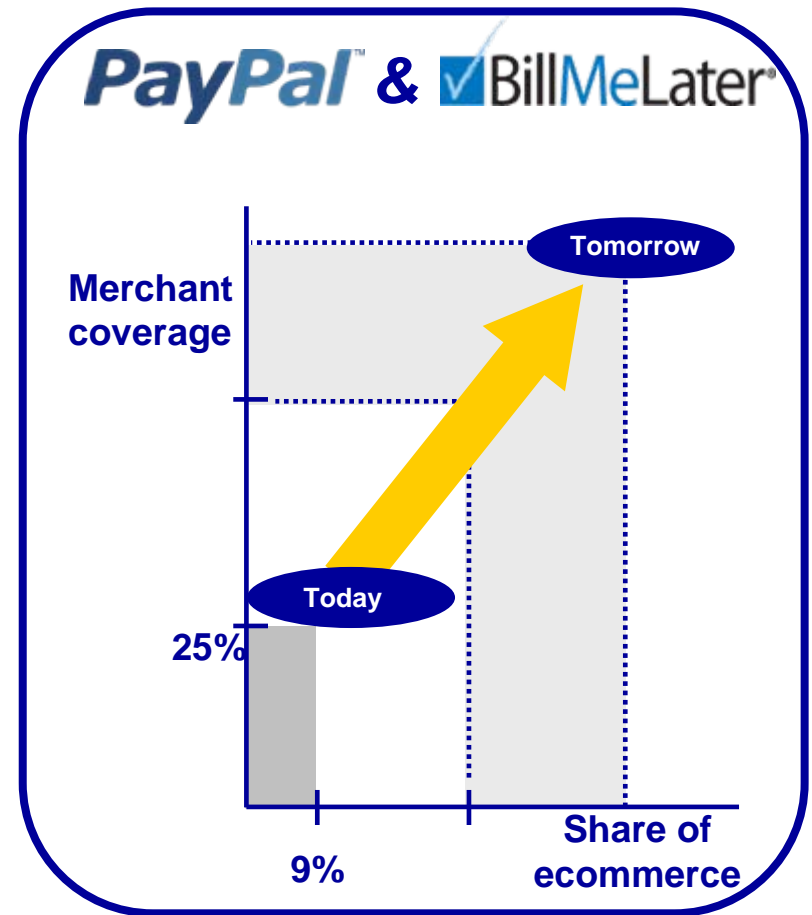
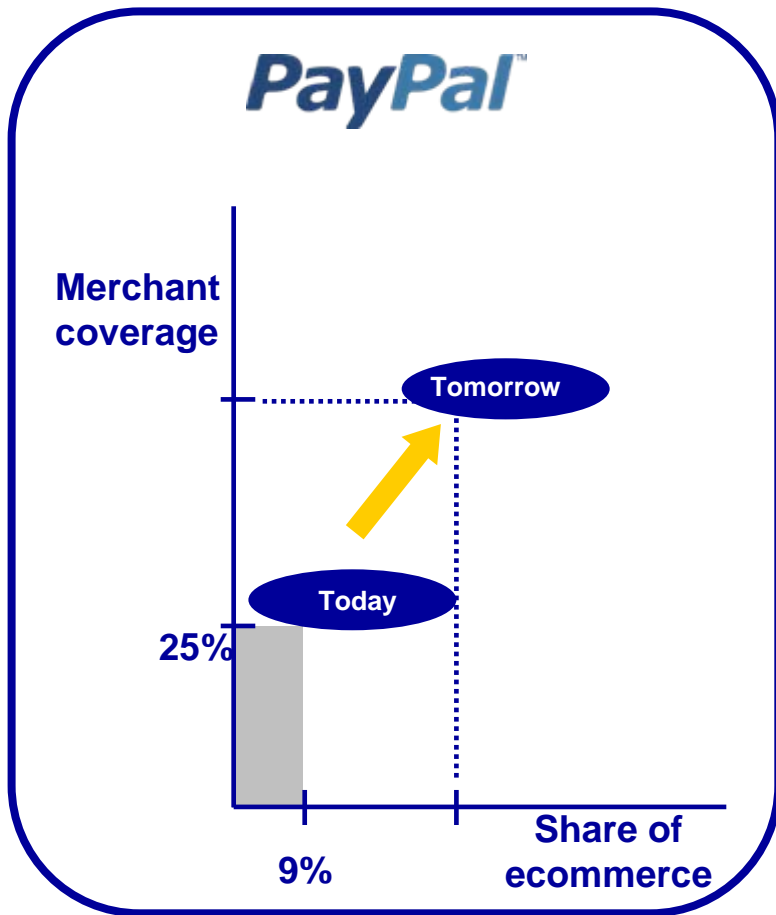


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# More powerful together

More merchants and greater share of ecommerce....



# PayPal and Bill Me Later: more powerful together

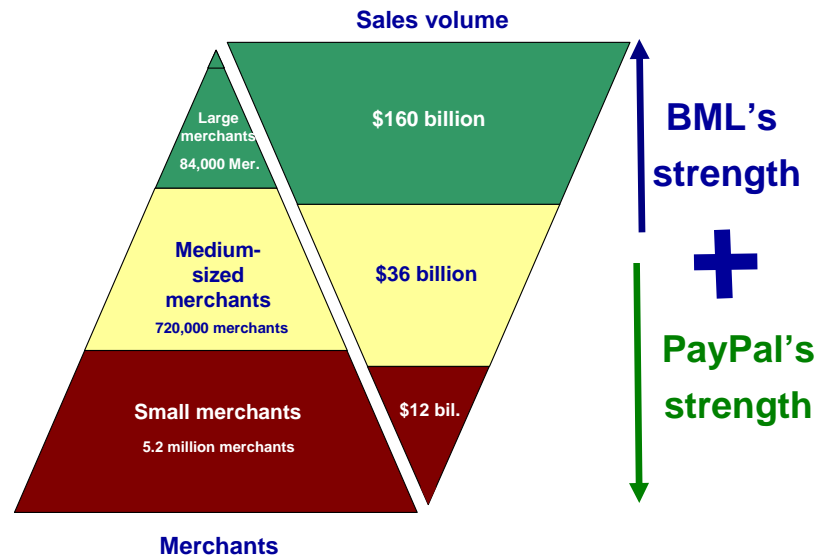
The combination builds a powerful ecosystem of consumers, merchants, technology platforms, and innovation

**Consumers**

**Merchants**

**Data**

**PayPal consumers get more funding choices, BML gets access to PayPal's massive user base**



**Enrich BML's credit and fraud capabilities with eBay and PayPal closed-loop data**

# Transaction summary: Bill Me Later

- \$945 million acquisition (\$820 cash + ~\$125 option assumption)
- Financing strategy:
  - Acquisition and receivables will be financed with a combination of cash and available financing resources, including our line of credit
- Book of receivables to be acquired: ~\$550m
- Q408 Implications:
  - Non-GAAP EPS impact \$0.03 dilution
  - GAAP EPS impact \$0.05 dilution
- 2009 Implications:
  - Top line - ~\$150m in revenue
  - Non-GAAP EPS impact \$0.06 dilution
  - GAAP EPS impact \$0.13 dilution
- Accretive in 2011

# How we think about valuation

- Bill Me Later is a great stand alone business...
  - TPV of ~\$1 billion in 2008, growing at 36%
  - Take rate (~12.5% of TPV)
  - Estimated present value between \$500 million and \$1.0 billion, depending on assumptions
- Bill Me Later is more powerful as part of PayPal
  - Network effects: accelerate consumer and merchant adoption
  - Low cost processing alternative...Lowers funding mix for PayPal
  - PayPal's data and fraud engine will lower BML's loss rates
  - eBay's strong balance sheet lowers bean's cost of funds
  - Estimated present value of synergies worth ~\$700million-\$1billion
- Significant opportunity to capture even more value for our stockholders in the future

# Financial impact: Summary

- Acquisition price:
  - BML: ~\$945m
  - dBA: ~\$390m
- Total: ~\$1,335m

- '09 Revenue impact:
  - BML: ~\$150m
  - dBA: ~\$55m
- Total: ~\$205m

## Non-GAAP

	<u>Q4</u>	<u>'09</u>
BML:	(~\$0.03)	(~\$0.06)
dBA:	<u>--</u>	<u>--</u>
Total:	(~\$0.03)	(~\$0.06)

- Org. simplification: \$70 - \$80m charge predominantly in Q4, annualized cost savings of \$150m

## GAAP

	<u>Q4</u>	<u>'09</u>
BML:	(~\$0.05)	(~\$0.13)
dBA:	<u>(~\$0.01)</u>	<u>(~\$0.02)</u>
Total:	(~\$0.06)	(~\$0.15)

- Org. simplification: \$70 - \$80m charge predominantly in Q4, annualized cost savings of \$150m

# Q3 Update

- We will meet guidance
  - Revenue at the low end...\$2,115-\$2,120 million
  - GAAP and non-GAAP EPS will exceed high end of the range
- Strengthening US\$ and a tough economic environment

**More on the Q3 earnings call next week...**

# Summary

- Extending our leadership positions and more competitively positioning our company for growth
  - PayPal has a strong leadership position with huge growth potential... acquisition of BML strengthens PayPal
  - The acquisition of dBA & BilBasen strengthens our leadership position in the high-growth online classifieds segment
  - We are simplifying our organization and aligning our cost structure to compete in a challenging environment