Operator: Please stand by. We’re about to begin. Good day and welcome to the Citi hosted post earnings call with PayPal. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Ashwin Shirvaikar. Please go ahead, sir.

Ashwin Shirvaikar: Thank you. Hi. This is Ashwin Shirvaikar, Citi’s payments, processors and IT services analyst. It’s my pleasure to welcome all of you to this call with PayPal CFO John Rainey and the IR team is available as well.

A couple of quick logistical things. First I want to point out that we did email our legal disclosures ahead of the call. And the second thing is to be clear this call is only for buy side investors. If you are a member of the media, you should hang up at this time.

John, welcome and thank you for doing this.

John Rainey: Thank you. Thank you, Ashwin. I appreciate the opportunity and I appreciate you hosting this call as well.

I do want to say as usual I'm flanked here by my investor relation cohorts, (Akila) and (Gabrielle). We also have our head of FP&A and analytics for PayPal Erica Gessert joining us today. So we're happy to field the questions that people have submitted to you.
Ashwin Shirvaikar: Yes, yes. Great. So let's get started. And one of the more frequent questions that I have gotten is about strategic investment portfolio. So can you help clarify the unrealized gains on strategic investments that are embedded in the outlook for 2Q and the remainder of the year?

That 1 cent of unrealized gains in the outlook, basically, does that reflect the private investment? And then it seems each quarter you will provide a separate update on MercadoLibre?

John Rainey: Yes. There is a lot to that question. I'm going to spend just a moment to try to clarify this. Let me start with just fundamentally.

As we think about her long-term earnings growth goal of 20% that is the growth in our core platform. That doesn't include any of these unrealized investments. I just want to make that clear right from the onset.

With respect to the first quarter, when we guided we had an assumption about two private investments that we had where there was some fundraising going on. And the expectation around that was we would benefit by 4 cents in the quarter and that was included in our Q1 guidance.

As we got into the quarter we completed the sale - or, I'm sorry, the investment in MercadoLibre and that resulted in 8 additional cents of below the line benefit.

As we look into the balance of the year in the second quarter we've got another private investment that we expect to be slightly less than 1 cent. And 1 cent for us is about $15 million so, you know, something less than that in terms of benefit. But we have nothing else in our updated guidance for the year assumed around future benefits or losses related to these investments.
Now to be clear, we will have some volatility, certainly with Mercado Libre, unless its stock price stays exactly where it was at the end of the quarter. And so what we’ve decided to do going forward is to provide investors that information promptly at the close of each quarter. We will issue an 8-K disclosing what the impact was or any mark to market changes in those investments prior to our release of the earnings for the quarter.

So that will give the analysts and investor community the ability to input that into their models before we release earnings. The question has also been raised as to going forward would we consider maybe changing our accounting on this to completely exclude this from non-GAAP earnings.

And, yes, we will consider that. I don't want to make a change mid-year. I think that makes it a little bit messy as we go throughout the year. And so the natural place to do that would be at the end of this year and going into 2020. we will evaluate it at that point in time and perhaps make a change if we deem this interim method of releasing 8-K is not adequate enough. Does that answer all of your questions, Ashwin?

Ashwin Shirvaikar: Yes, on that topic, yes, including a couple that I was going to ask as a follow-on so thank you for that.

John Rainey: Sure.

Ashwin Shirvaikar: I guess the next question is with regard to the revenue guide and, you know, when I kind of look historically back in Q1 2017, Q1 2018, you guys took up revenue guidance. You didn’t do so this year at the end of the first quarter.
So one of the questions I've gotten is how strong momentum in areas like Venmo, where you have new partnerships like Instagram, you know. So what are the concerns here? I mean, you have already taken into account eBay on the other side I would imagine.

So are there potential headwinds at this point of the year that are greater than in the past two years?

John Rainey: Sure. I would start with just the general macro environment is in a different place in 2019 than it has been in the previous years. So I think with that landscape you know it's a slightly different environment than we've been in.

But you cited the two reasons that, I think, represent the most pronounced headwinds for us. Certainly, the dollar appreciation has had an impact not only from a translation perspective but from a behavioral perspective of consumers that are purchasing from merchants in the U.S.

And that ebbs and flows and it can go the other direction as we move through the balance of the year. But that is one headwind. And I think that's generally being experienced by other companies that have cross border activity like ours.

The other one, though, that is, I think, very specific to PayPal is eBay. And, you know, we have our own estimates and forecasts about what eBay will do, but we also rely on their guidance quite a bit.

And you know I believe that you've seen a continued deterioration of their business. Their U.S. GMV declined 7% in the quarter. You know, that's a pretty rapid decline. And so I would say we're cautious. And we want to be measured as we go through the year because you know eBay, despite it being a declining part of our business, it still is almost 10% in terms of volume.
So I think it would be imprudent to go out right now and raise revenue given those headwinds even with some of the other things that are new and the impact of that like some of the new channels that we've announced like Instagram and the growth that we're seeing in Venmo.

So I guess to summarize that, I guess I would that we're still being a little cautious given that the environment is different than where we were in prior years.

Ashwin Shirvaikar: Got it. Got it. And a quick follow up on that, the eBay, and not to put too fine a point on it, but the eBay impact does have two parts. One is eBay itself is not doing as well. And that's reflected in what's going on with the GMV. And the second is progress eventually to the July 2020 cut over date.

Just to be clear what you're talking about here is the former not the latter because the latter should already be in the plan, right?

John Rainey: That is correct. And so let me put a finer point on that. In terms of their efforts to intermediate payments, I believe they disclosed that they did $220 million of volume in the quarter.

You know, our base of $161 billion in TPV, you can see that that's a fraction of a percent for us. So that's an immaterial impact to our results. But quite clearly they're moving there. And they talked about this on their earnings call.

We believe that given the profile of our business that we can continue to perform financially like we have and I would expect that there's a certain stickiness to consumer preferences in terms of their payments. And we will retain a certain portion of those payments going forward. As you know we
have an extension after the operating agreement that allows us to continue to be a branded form of payment on their checkout.

Ashwin Shirvaikar: Right. Yes, understood. Let's move to operating margin expansion. And the question is how should we think about operating margin expansion not just this year but also in out years? And in particular where I get a lot of questions is with regards to your ability to deliver operating margin expansion while at the same time investing for growth and absorbing eBay.

John Rainey: Sure. Well, so, I think at a high level, you know, we believe that we can expand operating margins and invest for growth appropriately in our business to allow us to continue to have the growth profile and profitability into future years that we've experienced in the past.

eBay will certainly have an impact when they transition over off of the operating agreement. But it's not something that's going to change the way that, you know, people think about our financial performance or the growth profile that we're on.

And in fact I would say that because they will be a lesser part of our business, you know, it won't be as much of a drag on the rest of our business in terms of growth. So maybe you can see that perform better.

But, you know, this is not something - I guess I appreciate the question because while the earnings growth in the most recent quarter was, you know, I guess arguably lesser quality because it came below the line, and that has prompted more questions than what I expected about our ability to expand margins.

But this is not really an issue for us. I think we've really demonstrated quite adequately the ability to scale our platform at a very low marginal cost.
You saw that through our operating expense performance in the quarter. And we had over 280 basis points so 280 basis points of operating leverage through that.

I think another good number that I like to throw out that gives people an indication of how we're growing at a very low marginal cost is when we look at the non-transaction related expenses that we have. We also refer to it as other operating expenses.

Those grew 13 cents for every dollar of incremental revenue growth, revenue that we had in the quarter. And as I said for us, like, I feel the right number is 10 to 15 cents. That allows us to scale our platform but yet still invest for growth in the future. And to be clear the number I quoted is on an organic basis.

And so, you know, I feel comfortable that we can continue to grow our margins and still invest appropriately in things like Venmo that will give us legs of profitability in the future.

Ashwin Shirvaikar: Got it. Got it. If I can ask a little bit more detail with regards to operating margin levels. You know, you’ve talked clearly on a number of occasions about what you’re doing with customer service. But are there other levels that you can also talk about, you know, maybe more cloud, maybe more efficient product development. I mean, can you talk about some of the other levels you have at your disposal?

John Rainey: Certainly. And I would start with the work that we do, and Erica’s team leads, is not really like a - it's not a finite process that has a beginning and an end. This is a part of the way that we operate every single year.
And so it’s not as if the opportunity is specific to one area of the business. It includes how we go to market. It includes how we market our product. It includes the very overhead functions that we have and how we’re structured regionally around the world. It includes, as you alluded to, the cost of our platform.

If you go back to our first investor day after our spinoff, we talked about the cost of our platform, the infrastructure cost, was 13 cents a transaction. We brought that down today to 8 or 9 cents. And we have an equal opportunity to improve going forward by a similar amount.

These are all things that demonstrate the scalability of our platform at a low marginal cost. And one, as you alluded to, that I’ve talked about a lot is just customer service and operations.

There is some really, I think, compelling datapoints around what we’ve done here in terms of, you know, we’ve added, you know, 70, 80 million customers over the last several years yet our overall call volume into our contact centers has declined. That is true scalability of the platform.

But even then when we look at the opportunity in front of us, let me give you a datapoint. Like today roughly 7% of our contacts come to us through chat. There are other companies, Chinese companies, where 95% of their contacts are handled through chat.

And so when you think about the ability to change the profile of our business going forward, there’s still a tremendous opportunity to grow but not have our operating costs go up commensurate with that growth.

So that’s what gives us the conviction around the margin performance at least on the cost side. And then when we look at the revenue generating opportunities, you know, new channels like Instagram are a great example.
But also, like, you know, we had the investment in MercadoLibre in the quarter. I think, you know, arguably Latin America is where we are less strong compared to other regions of the world. We're extremely excited about the opportunity that we have there to partner with what is the leading ecommerce provider in Latin America to jointly grow our businesses and give our mutual customers the opportunity to shop across border around the world.

Ashwin Shirvaikar: Got it. Yes. I want to turn my attention to M&A and one in particular iZettle. You know, you have been relatively quiet about iZettle since that acquisition closed. What specifically is in your guidance? Is there any update on integration and on the CMA review process?

John Rainey: Sure. So let me give a little bit of context here so it helps you understand the trajectory of our business. When we first gave our preliminary 2019 guidance in October of last year, we had an expectation that we would be implementing iZettle earlier in 2019.

Post that guidance is when a lot of the CMA review has taken place. And we've since basically - you know, we're not assuming any sort of benefit from that in 2019 or a very marginal amount of benefit yet we kept that guidance the same. So that does indicate that we do see some benefit coming from other parts of our business.

But this is - you know, for those that have worked the companies that have been involved in international acquisitions and mergers, going through the regulatory approval process is standard course.

And we want to work with the regulators to make sure that they understand that we don't think that this is anti-competitive in any way. And it certainly in no way changes the value proposition or the reasoning behind our purchase of iZettle.
iZettle is a great company that has demonstrated that it can scale on multiple markets across the world. And they've got a great, you know, mobile point of sale application for merchants, which will allow us to eventually provide omni solutions for them.

Gabrielle Rabinovitch: Yes, also just to quantify it a little bit. Both in Q4 and Q1 we had about a point and a half of growth in our revenue related to our acquisitions from 2018. That's predominantly iZettle. And Hyperwallet is in there as well, in addition to the other two we did. And that's what I would expect in terms of benefit both in Q2 and Q3 until we fully lap in Q4 of this year.

John Rainey: Yes. We're challenged with what we can do right now in gaining any synergistic benefits between the two companies. So this is basically iZettle just running independent of PayPal.


Let me go back to eBay and the question really is can your core business offset the eBay declines if those declines accelerate? I mean, so far you've shown the merchant service TPV, you know, has kind of over the last couple of quarters re-accelerated a little bit and that helps. But is there a level that can be problematic from an eBay decline perspective?

John Rainey: So, yes, our business can withstand the decline in eBay. But let me be clear about this because I don't want to mislead the investors to think that when we move into the post-operating agreement world that that quarter there is zero impact.

I mean, certainly there is an impact. But, you know, we're talking, you know, maybe a few percentage points of growth. We're not talking something that dramatically changes our profile.
And we feel very comfortable about the ability to backfill that volume. It doesn't work in a way though that 100% of that volume that is going to be backfilled is going to come in that very quarter.

And so we layer in things like Paymentus, like Instagram, like other things that we will announce in the future that will give investors a better understanding of where some of that other growth is coming from.

And very importantly that the growth that is backfilling eBay, this will be with the largest and fastest growing marketplace in the world. One of the things we talked about, which I think is a very important point -- we talked about it on the call yesterday -- is that if you look at the top 20 marketplaces in our business outside of eBay, that's roughly $90 billion of TPV.

And just using round math, that's about 50% more than what eBay is of our business. And those top 20 marketplaces are growing at almost 40% year on year. You contrast that to eBay which declined 4% for us. And, yes, eBay tends to carry a higher profit margin than all that business but I think everyone recognizes that the addressable market is enormous.

And with our decision to be an open digital payments platform, we now have an opportunity to partner with all of these large marketplaces in the world. And once we are completely unencumbered from the OA and can go out and partner with these marketplaces where we have restrictions today, we feel very comfortable with our ability to backfill any of that growth.

Ashwin Shirvaikar: Understood. Understood. So you know it's kind of surprising we went through 20 minutes of the call without mentioning Venmo monetization. So let me go to it now.
So obviously some very strong statistics this quarter as well as last quarter. Is this sort of organic in the sense that are you driving it word of mouth? Is it through promotions? Give us a little flavor for, you know, is this an inbound demand?

And then one very simple clarification type question, when you said the $300 million annualized revenue that was it basically $75 million in the quarter times four?

John Rainey: Yes. We didn't clarify exactly how we're doing that. But the run rate through the quarter in terms of all the various ways that we're monetizing that is $300 million on an annual basis. And that comes through, you know, the various ways that we talk about monetizing that which is pay with Venmo, the ability to use Venmo to shop any merchant.

It comes through the Venmo card and also the instant cash or instant withdrawal fee. As Venmo actually grows in size, we also benefit a little bit from just the interest on the stored balance, which is a smaller part. But to be comprehensive, those are the things that are included there.

And to the first part of your question, Ashwin, you know, the neat thing about Venmo is that we put little to no marketing effort around this. The 40 million customers we have have been obtained basically organically.

And if you're a Venmo customer then you understand sort of how that happens. But with Venmo being one of the top apps on every college campus, there's almost peer pressure to download the app and use that to pay your friends. And it's one of the top social apps that are out there.

And so, you know, when we are ready and the experience around pay with Venmo is where we want it to be, as we're kind of working out the kinks on that right now, we can direct marketing and
advertising dollars to really put our foot on the accelerator there. But we don't want to do that before
the experience is just right.

Ashwin Shirvaikar: Got it. Got it. And then, you know, you mentioned the three channels there. Are there
different monetizable experiences that you get from each of the channels? How are each of those
trending, you know, both in relative size and in relative growth?

John Rainey: Yes. So the way I would describe that right now is the bulk of the benefit that we receive
from monetization has been around the instant withdrawal followed by sort of equal amounts from
the debit card as well as Pay with Venmo.

But I think that's a point in time given where we are right now. We would expect long-term the
majority of the monetization efforts or benefit that we would receive would be very much like what
we experience with PayPal where it's a take rate model where merchants pay us when someone
uses Venmo to shop.

Ashwin Shirvaikar: Got it. Got it. And should Venmo expand to a credit card offering, that monetization,
would that be mostly interchange? I mean, is that kind of how you're thinking of it?

John Rainey: Yes. If we were to move down that path, that's the way that we would monetize that.

Gabrielle Rabinovitch: We also would see some bounty on new accounts, which is how our other co-
branded programs run.

John Rainey: Yes, exactly.
Ashwin Shirvaikar: Got it. Okay. Okay. Let's maybe shift gears and talk about pricing. So if you could discuss the pricing actions that you've taken recently, how meaningful those can be for growth and for margins, you know - yes.

John Rainey: Yes. So let me give some context here because I think based upon some other questions that I fielded around this over the last day, there is an expectation that because this change to our user agreement [UA] was something that just recently happened that it presents upside to our guidance that we previously provided.

So that's not the case. When we look at pricing opportunities, these are things that we evaluate months and sometimes years in advance. And so to the extent that there's benefit associated with this, it's included in our guidance.

But I also think if you just took the changes at face value, one could infer that the benefit is greater than what it is. And so let me expand on that. What we did around the recent UA changes was look at the competitive environment. And we saw that there were areas to where we really weren't in line with the market.

And so we decided to make some changes to our UA that actually, to be clear, even our own policy was a little bit confusing among our customer base. And so we did something that was more akin to what market is.

It doesn't mean that we need to go do that right away. It basically gives us optionality. It also if we elected to enact those changes, the flaw around this is to assume that that applies to the entirety of our customer base.
Very seldom do we ever make a price change that goes to our entire merchant base. And so we could decide, for example, to only do this on the front book with the customers or only do it to certain segments of customers. And those are things that we'll evaluate as we move through the year.

But it would not be correct to assume that we have announced an X percent price increase and then you can apply that to the entirety of our TPV or to the entirety of our 22 million merchants.

Ashwin Shirvaikar: Okay. And then the comments you made, would that apply regardless of where the pricing was being applied? What I mean by that is you made actually multiple pricing changes, didn't you? You had a change to how refunds worked. You had a change on the P2P as well.

So, I guess, do your comments apply to all of those pricing changes?

John Rainey: Yes. So I'm going to generalize here which is always a little bit dangerous. But generally speaking price changes that affect our merchants are much more segmented. Price changes that affect consumers are not. That tends to be more blanketly applied.

Gabrielle Rabinovitch: Geographically.

John Rainey: Geographically.

Gabrielle Rabinovitch: So we'll disclose the geographies that are affected and that will apply across all users of those P2P services there.

The distinction is also that there's an entire population of merchants that don't fall within our user agreement because they actually have separately negotiated pricing agreements with us as part of
their overall contract. And so that obviously would contemplate sort of medium-sized and much larger merchants that would fall completely out of a user agreement change.

John Rainey: Yes. That's a very good point.

Ashwin Shirvaikar: Got it. Okay. And while completely understanding that, you know, these kind of changes are planned well in advance and, you know, inherently because of that they're in your FY19 outlook, you know, we still get questions on how to size the ongoing benefit.

So is there any information you could potentially provide with regards to, you know, for refunds, for example, what's the average return rate for a PayPal transaction or what's the average cents amount on P2P, things like that?

John Rainey: Yes, Ashwin, I would really prefer not to get into quantifying discrete pricing actions for both, mainly for competitive reasons. And so what I would encourage investors to follow is sort of how we talked about our expectations around take rate and transaction margin and any pricing decisions are built into that.

We've talked for a long time that we have a lot of levers in price. And I think you've seen that we've exercised many of those. But this is not as if there is a basket of opportunities that is dwindling.

This is something that is a sophistication in most businesses that evolves over time and there are always opportunities to tweak pricing to either drive more market share in some cases or more bottom line benefit in other cases.

Ashwin Shirvaikar: Understood. Understood. Well, let me ask it this way then. Are there other potential areas of price optimization that are being contemplated and is this a sort of annual thing that
happens, you know, at a certain time of year or, you know, seasonally? Is there something to think about here?

John Rainey: So, yes, is the first part of the question. There are many opportunities that are out there. And it's not something that is an exercise that we do at a certain point in time. We have a pricing team that reports to Erica Gessert here that all they do is look at how we can better align the value proposition that we have and our customer's willingness to pay for it.

And that's something that, you know, we look at, at least is reviewed with senior management on at least a monthly basis if not more frequently.

Ashwin Shirvaikar: Understood. Okay. Let's switch gears again and talk about, you know, something that has been sort of a highlight over the last couple of earnings calls at least, and that's net new customer adds.

So I guess the first question there is if you divide up customer adds by cohort, so can you discuss - the user cohorts that you added over the last couple of years, what do those suggest about forward TPV growth?

John Rainey: Yes. So I'm going to start here with your question and then Erica will probably jump in because this is an area of expertise that she has. But generally what we see is the new cohorts that we're bringing on are more engaged. And Erica can elaborate on that.

But that's what gives us the conviction to sort of be able to withstand the headwinds that is the large portion the numbers show. We've demonstrated since we separated from eBay that despite growing 20 to 25% a year, we're still achieving those same growth rates.
We're, you know, a much, much larger company than we were four years ago when we separated from eBay. Yet we've seen our growth profile, at least the guidance that we've given externally over that period of time, increase.

And, you know, we have conviction that we can sustain that. And that's in the face of some of these headwinds that we covered earlier in the call. And that's in part because of what we're seeing around the engagement of the new cohorts.

And so I'll turn it over to Erica and she can add a little bit of color to that.

Erica Gessert: Yes. I'll just add, you know, I think that in terms of the newest cohorts that we're activating right now, you know, what we watch very closely is kind of how quickly we can see multiple transactions, you know, from an average new customer. And we see that trend as very, very healthy.

That makes us change - and I know the team has discussed this on previous calls. But, you know, we've seen the mix shift more to P2P from an activation point of view, which is actually a very high customer value for us.

And it happens to actually be a higher customer value on average in the kind of early years than just a plain merchant services activation. So that balance is how we think (the present) continues.

The other thing I would add is, you know, one of our high activators in the past, you know, few quarters has been in India as we've grown that business. And the values on average just from a currency value point of view are lower right now.
What we do see is some very healthy, you know, transaction frequency for a new business. And so that bodes well for us, you know, kind of down the line as we continue to grow that business and grow out the products up there.

John Rainey: Thanks, Erica.

Ashwin Shirvaikar: Got it. Okay. One other question on net new customer adds and that's the organic versus inorganic question. Of the acquisitions that you've made, so Hyperwallet, iZettle, Simility, can you break down, hopefully separately, but, you know, at least maybe put together what the contribution of those was?

Gabrielle Rabinovitch: The major step up was in Q4 where we had 2.9 million net new adds related to our acquisitions. I think it was about 500,000 related to iZettle and the remainder was predominantly Hyperwallet.

Ashwin Shirvaikar: Okay. Got it. The other thing I wanted to...

(Crosstalk)

Ashwin Shirvaikar: Yes. Go ahead.

John Rainey: Ashwin, I want to add one point because you're hitting on this right now but it actually addresses a previous question that you had and that's around our conviction on margins, on growth. And, you know, we have been asked for three years if we can sustain this level of net new active growth.
And we've demonstrated that quarter after quarter. You know, we've for the second time had over 9 million net new actives in the quarter and the fact that, as Erica mentioned, these net new actives are coming to us more engaged.

You're seeing our active base grow and we'll be at 300 million or higher by year-end. And you're seeing them still be more engaged. We grew engagement 9% in the quarter.

And so this is sort of the leading indicator of what our future financial performance will be. And so that's what gives us a lot of conviction around the growth prospects that we have.

Ashwin Shirvaikar: Got it. Thank you for that. On the same topic of just customer adds, I wanted to kind of combine it with the partnership question. You signed, you know, a number of very good named partnerships if you will. Are any of these partnerships, you know, particularly impactful for user growth?

John Rainey: For user growth?

Ashwin Shirvaikar: Yes.

John Rainey: I wouldn't call one out independently. I think it's the combination of all of them. We've had over 40 partnerships that we've announced since our decision of what we refer to as choice, becoming an open digital payment platform.

And it's the combined effect of all of those. And there's actually a synergistic benefit between them as well, the fact that there's so much less friction on our platform and so much more utility in the way that people can use it. And a great example is just something that we're launching right now around the opportunity to pay with points.
This is something that is very, very early on. But, you know, it provides a lot more utility to our wallet for customers. And when you have that ease of use in that utility, it makes the customers want to use us more and more.

So there’s not necessarily one that I would single out so much. It’s the combined effect of all of them.

Ashwin Shirvaikar: Understood. Okay. So a quick question here now on Synchrony and the credit portfolio.

The transition service agreement that you have with Synchrony expired at the end of June.

First of all, I want to clarify when it said June yesterday, did you mean end of June or beginning of June? And is it always a consistent of $55 million per quarter? Does it depend on usage? I mean, is there variability?

And then the second part of that is, you know, are there costs associated that go away simultaneously or, you know, reasonably simultaneously with that revenue going away?

John Rainey: Sure. So it’s not exactly, like, a knife’s edge cut over. It will transition through the month of June. But by the end of June, it will be completely transitioned to Synchrony.

It’s a roughly $55 million quarterly benefit that they have paid us during this interim period between the purchase of the portfolio and the end of the servicing that we’re doing for them. That will go away beginning in third quarter.

But at the same point in time as we announced this part of the restructuring charge that we took in the quarter, we will have a reduction in workforce for employees that serve that portfolio today. It’s
not a precise or an exact offset. But we do expect that we will be able to maintain the same margin profile going through the back half of the year.

Ashwin Shirvaikar: Okay. Got it. And then when you take that piece out, the rest of OVAS, what's the organic growth rate that's a good assumption for investor deals?

John Rainey: Yes. You know, we need to give a little better guidance on that probably because we've been asked that question a few times.

You know, let's talk about what's in there first of all. So if we still have - the majority of that is our credit business. So we have the profit sharing arrangement with Synchrony. We have the international consumer credit portfolio and we have the merchant credit portfolio and then there's some other stuff, but that's the bulk of it, the co-brand card.

But those are growing at a rate that is slightly higher than what we see on our platform just in general, sort of the 20 to 25% rate. And so when we get to the third quarter, we'll have more of an apples to apples comparison in terms of year-over-year comps.

Credit, again, the growth that we're seeing there is pretty promising. And so let us kind of take your question and think about, maybe, we give more specific guidance there in an FD appropriate way going forward.

But I feel comfortable saying that it's higher growth than what we see with the rest of our business.

Ashwin Shirvaikar: Okay. Understood. And, John, last question as we run out of time although we could probably spend another hour on the rest of the questions. But as we run out of time, my last
question is one that we do get quite frequently is about risk and cyclicality. And so what is the credit risk that remains with PayPal on both the consumer and merchant loans in a downturn?

John Rainey: Sure. So this is, as we have talked about even prior to the asset light transaction that we did with Synchrony, this is something that we constantly monitor. And as you know if you follow issuers that, you know, we can throttle this back and forth. If we want to grow revenue a lot more, we can certainly accept higher losses and the reverse of that is true as well.

And so we monitor that constantly, you know, based upon the regions that we operate, where we think we are in the cycle. And we don't think that there is any significant risk to our franchise by the small portion of our business that we have in credit.

So let me give you a datapoint that I think provides some substance to that. We have a profit sharing arrangement with Synchrony whereby above a certain return on asset threshold we participate in a percentage of the profits.

We back tested this agreement that we have with Synchrony in the last credit cycle. And even in the last credit cycle we would not have gone below that threshold where we participated in the profits above that.

So we feel - and obviously I'm not going to go out and predict the impact of, you know, what happens in the next recession that we experience. But I think that was a prudent exercise for us to get a real understanding of what is the cyclicality of our portfolio. And very importantly because it's a much smaller portion of our business we think that we can weather any type of a typical cycle without any material impact to our business.
So, Ashwin, I know that was the last question. I just want to say thank you for hosting this call. And thanks to the participants. I'm sure that we will follow up with many of you individually and we hope that you find this a valuable use of your time and informative in terms of the information that you're getting. So thank you.

Ashwin Shirvaikar: Thank you all for doing this. Thanks.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.