This transcript includes a clarification on page 24 in respect of a response to an analyst question.

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PRESENTATION

Ryan Wallace
All right. Good afternoon. Welcome.

My name is Ryan Wallace, Head of Investor Relations for PayPal. We're live here from our office in New York City.

I just want to thank you all for being here in person with us as well as everyone else that's tuned in to the audio webcast. So the plan for today is spend about an hour on some remarks presentations. We'll follow that up with Q&A.

Our lineup is going to include Dan Schulman, President and CEO; Peggy Alford, EVP, Global Sales and Merchant Services; John Kim, EVP, Chief Product Officer; and Gabrielle Rabinovitch, SVP, acting Chief Financial Officer, who will join in for Q&A. We're also excited to have a few members of the Board of Directors in the audience here with us today as well as other leaders across PayPal's business. They're all looking forward to speaking with you at the reception after the event.

Before we get started, some quick disclosures.

Today's presentations may include forward-looking statements that are based on our current expectations, forecasts and assumptions.

These statements involve risks and uncertainties that we described in our Forms 10-K and 10-Q filed with the SEC.

Our actual results may differ materially.

You should not place undue reliance on any forward-looking statements, and we assume no obligation to update them.

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You can find the reconciliation of non-GAAP to GAAP measures on our Investor Relations website.

All right. With that, I'd like to turn the stage over to our President and CEO, Dan Schulman.

Daniel Schulman

Hi, everybody. Welcome. So good to see everyone.

Since this might be one of the last times I'm standing in front of all of you as PayPal's CEO, I did want to thank everyone because over the last numerous years, you provided me with a lot of messaging, a lot of counsel, a lot of guidance and definitely a lot of words of encouragement. So I wanted to thank you for that.
I’ve had the privilege to lead PayPal for the past 9 years, and I think if we’re all honest with ourselves and we look back 9 years ago, I don’t think we would have ever expected that we would have the market leadership position we have in payments today and the scale we have today.

I remember distinctly coming in to campus and having a lot of friends saying to me like, why are you taking this job? PayPal is a dinosaur. Payments is commoditizing. There’s a very brittle infrastructure there that you’re going to have to modernize. You’ve got a ton of regulatory scrutiny right now with very little regulatory compliance folks in place. And there’s going to be competitors all over the place.

There’s going to be Apple Pay, which, by the way, welcomed me into my job by announcing Apple Pay the same day I joined PayPal, so we’ve been competing against them for the past 9 years. If you remember all the wireless carriers got together to take on mobile payments. You had all the big merchants come together with MCX to take on mobile payments. You had all of the banks come in to try and put their checkout on merchants. Yes, the networks do that, then the networks came together to try and do that. And through all of that, we've basically tripled our size.

When I came in 9 years ago, we were a little over $8 billion of revenues. We're $30 billion-ish this year of revenues. Our profits, even though, during this time frame, when we spun out from eBay, about 40% of our profits came from eBay. Today, less than 2% of them come from eBay. When we spun out, our tax rate was like 10% to 11%. Our tax rate now is like 17% to 19%.

Even through that, we tripled our profits in that time frame, we more than tripled our free cash flow from $1.5 billion to over $5 billion, almost tripled our customer count, and more than tripled our transactions per active account. And so here we are today, really one of the market leaders in payments across the globe with substantial scale.

But I would say this. As I look back at what we’ve accomplished over the last 9 years or so and I look ahead to the next 3 to 5 years, I hope you'll come away today with a sense of the same excitement we have in terms of what that next chapter for PayPal will bring.

There is a tremendous amount of innovation going on inside the company today. I think that both Peggy and John will kind of tell you a little bit about and serve our strategic intent, what our product road map looks like, what we are doing now and iterating off of, and I think you'll walk away with the same sense of excitement that we have today.

And so without any further ado, I want to introduce Peggy Alford to all of you, and welcome her on stage.

**Peggy Alford**

Well, hello, everyone. I'm excited to be here today with all of you. And I want to tell you just a couple of things about myself so you know why I'm here. I'm the EVP of Global Sales and Merchant Services at PayPal, and have actually been at PayPal for a very long time. I joined eBay in 2002 within the same month that PayPal was acquired, and over that time, I've held a number
of roles in finance, cross-border trade, HR and now sales. I’m responsible now for delivering all of the revenue for PayPal.

I’m also on the Board of Meta and Macerich, which is one of the large shopping mall REITs [real estate investment trusts]. And so I spend a lot of time thinking about the payments ecosystem, the evolution of the payments ecosystem and what that’s going to do to consumer behavior. So I come to you with a perspective not just on all of the work we’re doing internally for PayPal, but more importantly, the perspective of our merchants that we serve with our products and services.

I’m not going to dwell on this slide. You know our stats, but there's 2 messages I'd love you to take away from this slide. The first is about our scale. Across many metrics, we have true scale. Dan talked to you about a few of those. And we're going to walk through some of the product experiences that we’re developing. And those only work though with the scale that we have. So size matters. The second is that the cornerstone of PayPal is trust. The strength comes from trust. We are the most trusted brand, not only in fintech but also in payments.

I thought this slide was a good way to talk about the breadth and the quality of our value proposition. And you’ll see on this slide, we have 3 businesses. And we have the scale to compete in each one of these, but we are the only global player that has all 3 of these reinforcing businesses at scale. So let’s walk through them.

If you look on the right, our payment service provider, PSP, [solutions]. This is all about Merchant Services. And the go-to-market motion here is serving merchants. And there’s way more than just processing here. We have, obviously, our Braintree and our PayPal Complete Payments platforms that are for payment processing, but we also have in-store in the form of Zettle as well as on our PayPal Complete Payments platform.

We have merchant lending. We serve with invoicing. We have payouts in 2 forms. We have it on the PayPal brand as well as in Hyperwallet. And here, we have massive scale. You see it in the volumes that we’re delivering, but the focus now is about margins.

And I’ll talk about this in detail, but the 3 things that we’re doing to grow margins in our PSP business, number one, going down market to sell to SMBs [small- and medium-sized businesses]; number two, to sell outside of the U.S. in markets like Europe, Asia, where the margin profile is much more favorable; and three, to enhance the value-added services that we can offer on both of our processing platforms.

On the left, we have our wallet and commerce. And this is about the consumer services that we serve, and it’s the offerings in our wallet. JK is going to talk a lot about how we’re going to enhance these, but there's many things here in the wallet. We have P2P [peer to peer] friends and family, remittances, debit and credit on both Venmo and PayPal.

I don't know how many of you may have a Venmo or PayPal credit card. If you don't have one, you should check it out because not only can you get cash back, but you can also manage all of your activity right in the app. We have savings, bill pay and crypto. And so there's lots to come here. We’re going to walk through some of it, but the best is yet to come here.
But then in the middle, we have our network business. And this is about our global checkout services. It’s the key to our 2-sided network. And the value here is about engaging both the consumer side and the merchant side because in order to get scale, you have to have that traction on both sides of the network.

We have a strong value prop in each of these businesses. But we are the only global brand that has all 3 at scale, and they are reinforcing to each other. I talked about what we're going to be doing in Merchant Services and our plans to improve the margins, but we also will get data that’s going to fuel great experiences from the scaled branded and unbranded business, and JK [John Kim, Chief Product Officer] is going to share more of that in his presentation.

Before JK walks you through the product experiences that we’re thinking about, I wanted to share the strategic themes of our growth strategy. Number one, branded checkout. Branded checkout is our core, and our goal here is about a frictionless experience for consumers. Number two, a scaled Merchant Services business with runway to grow the top line, but at much more attractive margins. And number three, the vast data assets from both branded and unbranded that can enrich commerce experiences to create the next generation of checkout that only someone with the data assets that we have can deliver.

And by doing this, we’re going to impact 3 metrics. The first, we're going to increase consumer engagement; the second is we're going to grow commerce share from both branded and unbranded; and number three, we're going to grow our transaction margin through driving consumer engagement, leading to a greater high-margin branded business.

When we think about advancing Checkout, we think branded Checkout. We think about supporting merchants across the commerce journey. Until now, we were primarily playing as a payment mark in this payment part of the funnel. But what we realized is that with our rich data assets, we actually can provide value across the commerce journey. Everything from traffic generation to the shopping experience, of course, creating a frictionless checkout payment experience and even in post purchase with things like returns.

So often when you're trying to create a checkout experience, you're often having to trade between frictionless and security. If you think about when you come across in a merchant’s checkout, CAPTCHAs, where you have to identify all of the bridges and line them up or you have to find all of the crosswalks, it adds friction, it adds time, and it’s super annoying.

And so what we’ve set out to do is really not only think about a frictionless experience, but also think about a secure experience. And we’re able to do this by offering 2 things: one, passkeys in our log-in experiences, and device credentials in our checkout experiences. This enables us to deliver secure experience that are as seamless as the best in the industry, and JK is going to walk us through that in detail in his.

PayPal has massive scale, and we’ve built the scale over the years. And with that, it comes at a price because we have merchants that we’ve integrated years and years ago that have old integrations, and we have merchants that we’ve integrated most recently with our best-in-class technology. But what that does is it creates inconsistent consumer experiences as our consumers work across our network.
And so our goal is to make improvements to provide consistently optimized experiences for all merchants across all flows so that it feels the same and it feels good on all merchants that we serve. How are we going to do that? So when I first sat down with JK when he joined, he was talking to me a lot about his approach to product development and this concept of rapid iteration and rapid experimentation.

And that's how it's going to be done. It's about testing multiple iteration of experiences until you find a best-in-class consistent checkout experience. And that's the goal. Lots and lots of testing to make sure that we come out with one best-in-class, consistent checkout experience across everything.

I talked to you about improving latency and improving our integrations. Those are very important. But also, we're working on services, continuing to add services that increase consumer selection and engagement. Let's walk through a few examples.

So first, subscriptions. I love the PayPal subscriptions products because in the wallet, you can manage everything from your Hulu, your Spotify, your Netflix. It's easy setup and it's easy management. You can see them all right in the wallet. But in addition, you can discover additional subscriptions that you may be interested in and see them all in one place.

Buy Now, Pay Later. This has been an extremely successful product in just a short amount of time. We are one of the top 3 [Buy Now, Pay Later (BNPL) providers] globally, and that's happened very quickly even though we weren't first to market. JK is going to walk through this in detail, but the additional enhancement that we're making is about providing consumers the transparency of their buying power through upfront pre-approval, so that you know as a consumer what you can spend as you're making those purchasing decisions.

A few other examples across the commerce journey. I talked about wanting to play in all of the pieces. In the app, consumers can earn, manage and burn rewards. They can also seamlessly save multiple offers. And even in post purchase, they can do package tracking and returns. This is about creating experiences that enhance the whole funnel, not just payments. What the app becomes is not just a container for financial services but a hub for consumer experiences. And all of these by design will drive more consumer engagement and therefore, more branded share.

So that's our branded business, but let's talk a little bit about our PSP business. So our PSP business today is a strong strategic asset. Why? Because when we sell our processing solutions, we deepen the relationship with merchants. And as I mentioned earlier, our Merchant Services, this is a full merchant service offering. It's not just processing. So let's peel the onion.

2 years ago, we set out to build a winning product, and we doubled our market share in the last 3 years, resulting in volumes that are equal to either of our 2 strongest competitors in the space. And those wins have been across all segments and all geographies. We've got large enterprise, we have through channel partners and also SMB.

I'm going to give you an example of someone who's using our Braintree platform and why they were so attracted to Braintree. First is Live Nation. Live Nation has multiple brands. They're global. They're complex, and they were setting out to build a digitized fan experience. And what
attracted them to PayPal first were things that we consider table stakes: our 5.99 reliability [99.999%]; our global reach and our breadth of payment options; our superior servicing; our leading authentication rates and the lowest loss rates; in addition, the one-stop shop for both branded and our processing offerings.

But what we could offer was even more valuable, with things like Venmo, which not only allows them to reach a very important demographic but also create these beautiful experiences where you can buy group tickets and then all your friends can reimburse for their ticket right in the Venmo app. Buy Now, Pay Later, those expensive Taylor Swift tickets that you can now pay for over time. And all of these experiences in one seamless integration, creating a digitized fan experience with the payments in the background type experience.

We're going to continue to win deals like this, leading to further top line growth, but now it's all about the margins. And as I mentioned, the way we're going to increase margins in this business, the way we are increasing margins in this business is, number one, selling at scale to SMBs; number two, expanding our geographies outside of the U.S., countries in Europe, Asia, Brazil, where the margin profile is much more profitable, much more favorable; and third, cross-selling our value-added services such as Payouts and risk as a service.

The foundation of any PSP is payment processing. And we've been selling payment processing for many years in all of the segments, and we had multiple ways and multiple product types of our processing products. We are going from many to a 2-platform strategy: Braintree and PayPal Complete Payments.

Braintree is best suited for customers that are large, complex, typically global, requiring a lot of customization. Uber, Airbnb, these are 2 merchants that are on our Braintree platform. And when our sales teams are out talking to these merchants about our Braintree products, we're often talking to payment expert teams within these merchants.

But with the introduction of PayPal Complete Payments, what we're able to offer is a product, a platform that is much better designed for SMBs as well as LEs [large enterprises] that are not in need of customization. It's out of the box, it's a simple integration, and it enables us to go down market as well as outside of the U.S. Both Braintree and PayPal Complete Payments represent our latest integration paths.

Current and future high-margin branded products like Pay with PayPal, Pay with Venmo, Buy Now, Pay Later, can all be utilized with little additional integration work. It's all through the APIs. And it gives us access to consumers and data, which will power the next generation of checkout that JK will cover later.

Let me just go into a little more detail as to what you get with PayPal Complete Payments. So first, you get any payment method that consumers and merchants want, even including Google Pay and Apple Pay. You get an improved integration experience, enabling not only all of these current branded products that I mentioned, but also all future innovation, any new products, with no further integration. And by default, you get the latest optimized Checkout to enable branded margin acceleration.
So you're probably wondering, all right, how long is it going to take you to get this in market? How are you going to scale it? Well, the reality is we have many levers to scale PayPal Complete Payments quickly. We have sales teams in most of our markets that sell directly. We have our website, we have developers, and we have distribution through channel partners.

And today, PayPal has global reach through the largest channel partners, well represented across all the regions, giving us an accelerated path for the distribution of PayPal Complete Payments. Today, 50% of SMBs use PayPal services through channel partners. And this year, many of our largest partners have already completed the integration work necessary to have PayPal Complete Payments on their platform.

And this is already a reality. WooCommerce is a great example. WooCommerce is a global channel partner that has many SMBs. They're currently using PayPal Complete Payments. They're present in all of the regions. And since integrating PayPal Complete Payments, they've seen a 40% increase in conversion and a 10% boost in pay later activations through PayPal. They've been so excited about this product, this platform that they are marketing PayPal through their own channels to drive more SMBs to their platform to realize these benefits.

Our third action, we're integrating value-added services on both of our platforms, Braintree and PayPal Complete Payments, to enable end-to-end solution selling. All of these products, payouts, invoicing, merchant lending, in-store, risk as a service, FX as a service, are high-margin products that currently have low penetration. So the white space is there. But this integrated solution enables end-to-end solution selling, which drives greater penetration and therefore, increases the margin of the PSP business.

Everything that I talked about today enables a scaled branded and unbranded, our PSP, business. It gives us valuable consumer behavior, identity and transaction data to reinforce the value of our 2-sided network. How is that? Because we power personalized experiences and offers for consumers, which fuels our high-margin branded merchant business. And this will create a checkout experience that no one else can replicate.

Now JK is going to walk us through how we're going to use these data assets to enrich commerce and create the next generation of checkout that I mentioned earlier. Thanks so much.

John Kim

I love Peggy's presentation. Great story about growth, about our success with different merchants, the success in the field. When we get to talk to clients, which we did at 360 [PayPal Commerce 360], they're unrelenting. They'll tell you the truth. And so I love the fact that we've invested in Braintree. We've gotten stability to be one of our core assets that we have the trust. It's a great story, and I'm glad to be able to continue and get into some details.

My name is John Kim. I'm the Chief Product Officer at PayPal. I'm a former merchant, former President of Expedia Marketplace and former President of Vrbo, the leading alternative accommodation site on the web.

As a former merchant, I can tell you that checkout is everything. When I was at Expedia and we wanted to revitalize that business, we invested in checkout. That was a key to basically turning
around that business. When we wanted to get Vrbo to be a leading e-commerce player, we invested heavily in checkout. So I know the power of checkout. I know the power of payments. It’s one of the reasons why I’m here.

As a long time and loyal PayPal and Venmo user, I’ve always loved these products, but I’ve always felt like it needs a fresh perspective. So now in my current role, I get to impact both, and I’m excited as heck that I have a chance to be able to impact both products.

Now as a former merchant, I can tell you the e-commerce industry is going through tremendous pressure to evolve. The disappearance of cookies, the disruption of supply chains, the emergence of new consumer services, the fragmentation of channels and the rise of AI are things that are on merchants’ minds. This is all in addition to their day job, which is to acquire traffic, drive people through the shopping process and ultimately lead to a conversion as well as servicing post purchase.

The next generation of winners will require strong partnerships. PayPal has the networking capabilities to be a premier partner to these merchants. Our goal is to make it easy for merchants to enable experiences that simplify the buying experience and improve their overall unit economics.

From a consumer perspective, consumers are seeking greater simplicity, more flexibility, more protections and better ways to stretch your dollars, especially in multiple years of high inflation. Now this is not new, but consumer expectations every year continue to rise. So it’s our job to make sure that we can deliver against these consumer needs and evolve our services to meet those rising expectations.

So we’re bringing the data from our 2-sided network to power better commerce experiences for both the merchants and the consumers. There’s a couple of numbers here that I’d like to point out. 5 billion vaulted instruments. I’ll talk a little bit about the scale of this asset. 23 billion payment transactions on the platform, leading to $1.4 trillion in payment volume. Now this is remarkable when you consider that the entire e-commerce industry is about $5.4 trillion.

Our products are going to better focus on how we connect the 2 sides of the marketplace. Data is going to be the key for unlocking value on both sides. We’re going to innovate at massive global scale with the intention of transforming the industry. And then our experience is we’re going to close the loop between merchants and consumers so that everything is designed to drive compounded growth by design.

I want to talk about a specific product and how it will revolutionize commerce starting with Checkout. So we have a network vault. The network vault is a connected vault between participating merchants. As I mentioned earlier, we have 5 billion instruments that are vaulted on PayPal today. To give you some context, there’s about 21 billion cards out in the Western world. That includes prepaid cards, credit cards and debit cards. So about 25% of those cards that are in circulation are on PayPal, in our vault.

Our intention and what we wanted to do with that vault is to enable one-click buying against our 35 million merchants. Let me show you how. Now as a first-time visitor, you can imagine – we’re just picking a site. We’re going to call it the Pottery Room. I’ve done some shopping. I found
some soup bowl sets that I really love. Now instead of choosing PayPal as my wallet and as my payment vehicle, I’m going to go through the merchant’s guest checkout, which means that I click the [guest] checkout button. I fill out my e-mail information, perhaps my phone number. I fill out my shipping information, and then I put in my credit card credentials, and then I save it.

But instead of just saving it to the merchant vault, they're saving it to a network vault. So what that means is the next time they come back to Pottery Room or in this example, they're going to a new site that's on the network, in this example, it's called LOTUS Organics, they find 2 pairs of shoes that they love. They, again, don't choose PayPal as the wallet, they click [guest] checkout, they give us their e-mail address, we SMS verify them, we pre-fill their shipping information, we pick a financial instrument, and then we enable a one-click buying experience. So imagine this is the experience that we would have at 35 million merchants.

Now merchants today, they already vault their payment credentials to streamline the consumer buying. But here's the issue. When you save your information to a merchant, if that information gets stale, it leads to a subpar checkout experience. What ends up happening is a consumer comes to the merchant checkout, they look at the information, and if it's incorrect, they have to erase it and then reenter all the correct credentials. That means friction in the checkout process, and it means lost sales.

So imagine if that merchant had access to all of the PayPal data and instruments in the PayPal vault. Along with our partnerships with issuers, they could get the freshest information and improve the chances that the data won't be stale but up-to-date, enabling a simplified checkout experience. And then imagine that every new merchant can access this entire network simply by joining the network.

And the reason why we would need AI to power that is because we'll have a bunch of redundancy, information that conflicts. Many of you may have different shipping addresses for different contexts, for different types of use cases. You may use different financial instruments. You need something that predicts the right combination for any particular merchant. That's the power of AI.

And then this is how we revolutionize checkout for both consumers and for merchants. Whether they're using branded checkout or guest checkout, we're trying to enable one-click buying regardless of how they want to pay across the 35 million merchants. When consumers come to a checkout today and they pick PayPal, we typically see a conversion rate that's nearly 90%. When a consumer decides that they want to use a guest checkout, we see a massive erosion, typically around 50% to 60% conversion.

So imagine, if you will, that with this product, you can apply the conversion rates on PayPal Checkout and apply it to the entire checkout. That dramatically changes the economics of checkout for the merchant, making it easier to buy, increasing sales, allowing merchants to focus on what they do best, which is shopping experiences and discovery.

Now there's nearly 1 billion users of guest checkout today, so we'll need to create an easy path for those consumers to become full PayPal accounts. Let me show you some examples of things that we would do to drive users into becoming PayPal users. One example is package tracking.
The value from the consumer is they get to track their packages from order all the way through delivery.

For the merchant, it does 2 things. One is that we've reduced the number of contacts for where is my package; and number 2 is we actually decreased the chargebacks related to nondelivered items. So whether they are a PayPal customer or a non-PayPal customer, we get to offer value-added features and make it all available through the PayPal app.

A second example is smart receipts. With smart receipts, we're going to detail the items that are purchased, and then consumers can save these receipts to their PayPal Wallet for easy discovery, to track their history, to manage all of their finances. And within the wallet, what we'll do is we'll provide a surface. So it's very easy for merchants to cross-sell and upsell, giving merchants an ability to double the value of every given transaction, again changing the economics of using PayPal.

A second product that I want to talk to you about that Peggy alluded to was Buy Now, Pay Later. It's been incredibly successful in the first 2.5 years. Over this time frame, we've already had 32.2 million users of Buy Now, Pay Later. This is across 7 countries, and we've enabled this product through our merchant implementations, which has enabled 2.7 million merchants to access Buy Now, Pay Later, and then 300,000 of those have actually put it upstream onto their actual product detail pages.

This has led to some outstanding results from merchants, including a 12% lift in sales and a 55% increase in average order value. Again, we're helping the merchant with the economics of their business. Consumers absolutely love this product. We have an 81.6% Net Promoter Score. For those of you who are familiar, this is among the highest in consumer tech as well as financial services. So it's no surprise that when JPMorgan did a survey asking, who is your favorite and preferred BNPL provider, we came out on top with 43%. Now this was equal to our next 3 competitors combined.

We're also proud that in the recent week, we saw an announcement from Consumer Reports that PayPal came out on top in terms of the areas of privacy, transparency and security. And we had the top score of 5 of the 12 categories, and no other company scored the top score more than once in any of the categories.

So now is the time for us to take BNPL to the next level. So to do that, we want to address 3 issues. Now when I was a merchant, the thing that I did not like and consumers did not like is that they're finishing their shopping process, and usually, they're typically introduced to BNPL in the checkout process and in the checkout space. That means sending people away from their buying experience onto an application. Now sometimes, they would go to that application and come back. Other times, they would not. All of that loss means lost sales for the merchants.

Number two is that even if they filled out the application, quite a few of them were rejected. So not only does the rejection cause that transaction to fail, it actually means a lost customer for the merchant. I have a number of hate mails from many consumers in regards to me not understanding that they're a long-time customer of this merchant, and there's no way that we should be rejecting them for their application.
And then third, even if they were approved, a lot of times, the amount that they were approved for would not match the dollar amount for that basket. To solve all of this, we’re going to proactively communicate to 110 million users that they’re preapproved with exactly their spending amounts.

And so we’ve already started that process. We’ve already communicated this to 60 million users. Our plan is to communicate this in the new feed, the new PayPal feed, which is designed to drive consumer engagement and rapid experimentation. And as a reminder for all of you, when we drive consumer engagement, that leads to usage of branded checkout.

Our rate of innovation on PayPal is really compounding. In the last quarter, Q1, we did 83 experiments. Now that’s double from Q1 of 2022. You can think of every experiment as an innovation. We’re trying to figure out, with every experiment, what is the ideal way that we should engage our users and drive them to their objective to make sure that we’re reducing friction, that we’re communicating our value proposition in clear ways and we’re giving them actions that make sense that lead to value for them and sometimes for the merchant.

We’ve already seen some great results. By the way, in Q2, we think that we’re going to double the amount in Q1. So you can just see the growth, the experimentation keeps rapidly accelerating, and our plan is to compound this over time. It’s already led to some great results in Q1 of this year. For new cohorts and new users that joined this year, we saw in their first month a 9% increase in transactions per account. Even more exciting, we’ve seen that these accounts produce a 28% higher average revenue per account. So we know that the hard work is paying off, but there’s more to come.

Now I just want to point out one example, which is we did this test, and the experiment in the hypothesis was the following. If we use Google Smart Lock on Android, we can pre-fill a lot of information on the sign-up form. By doing that, we could actually increase conversion rates and yield. It turns out that experiment was a great success, a 12% lift in sign-ups.

Now with our scale, what you should know is that means millions of new accounts from this one small optimization, means that these small changes can have massive implications. As a future example, we’re going to combine BNPL with cashback offers to drive basically enablement, awareness and incentive. And we’ll turn it on and basically drive people through marketing and to feed back to merchants who accept BNPL.

So for the rest of the year, we have a lot of innovations and capabilities in our plan. I won’t have time to go through all of them today. I want to point out a couple of things. Number one is that we’re scaling this summer. And one of the things that we’re super excited about is our passkey and device biometrics experience.

We’ve already started to roll this out in the U.S., but our plan is to go big this summer to make sure that everyone is enabled with the same capability. If you haven’t experienced it yourself, this is what it will feel like and look like. You’ll use your face to sign in, you’ll get your pay sheet, you place your order. And voila, it will be that easy.

Our goal is to be the industry best. We’re going to simplify. Passkey is a perfect example, but there’s even more that we can do. We’re going to add value. We talked about a couple of those
capabilities, package tracking, smart receipts BNPL, cash-back offers, among many other things that we’ve got planned. And then we will iterate and we will iterate. Why? Because we want a modern experience that makes a lot of sense in the context of the new products and features that we’re coming out with. We’re going to simplify the navigation, making sure that we can lead consumers to higher engagement and success within branded checkout.

Now I love this passkey experience so much, I thought I would just show it again, just in case you missed the first time. Now there is way more to come this summer and fall. In addition to driving passkey and device biometrics, we’re going to be coming out with a feature called early fraud detection. I think it’s the same level as AI checkout. It’s going to be massive.

Venmo Commerce, I am so excited about what we’ve got planned here. It’s going to be a completely new experience within Venmo that only Venmo can do. And then I’m very excited that we’ve got a new partnership that we are currently in the process of implementing, which is a Gen AI partnership.

I’m going to tell you a lot more about these capabilities after we roll it out and we have some results. But if you wanted to understand the key themes on our road map, you’ll understand the following 4 things: number one is that we’re going to connect all of the experiences. So we have a lot of assets, and as PayPal users or investors, sometimes you might feel like these assets aren’t connected. When we connect it, just as an example, it feels magical when you do it, so we know that there’s tons of opportunity to drive better experiences just by connecting the dots.

Number two is you’ve seen 2 examples of what our data can do. In AI checkout with –the network vault, we’re going to be able to empower one-click buying across the industry. And then with our data, we’ve been able to pre-approve over 100 million users without pulling any credit bureau information using our own data. There’s more that we can do here.

Third is that we’re innovating at global scale with the goal and the objective to transform the industry, transform how things are done, simplify radically the experiences that people have in commerce. And last but not least is that we’re going to make sure that we connect the dots and we have closed loops between the merchants and consumers so that we drive compound growth for both the merchants and for PayPal by design.

So I’d like to thank you for all of your time today. I’m going to turn it back to Ryan to close it out.

Ryan Wallace

Thanks, JK. All right. We’re going to just transition into the Q&A portion of the program. So we’ll take a minute, reset the stage. And then Dan, Peggy, JK and Gabz will all be up here to field your questions. Come on up.

We’re going to have Allison and Lizzie in the audience with mics. And so we’ll ask if you do have a question, if you could raise your hand in advance, I’ll call on you, and they’ll get you a mic. And then for the benefit of everybody listening in at home, if you could just wait until you have a mic to ask your question and then also just state your name and your firm, that would be perfect.

Why don’t we start with Ashwin and then maybe we could go to Tien-Tsin.
Ashwin Shirvaikar

It's Ashwin Shirvaikar from Citi. I guess my first question is, I think, John, in one of your stats, you said that you have a little bit more than 25% of e-commerce share as measured by TPV [Total Payment Volume]. At that point, do you think you can grow much faster than market because you're pretty large relative to the market? That's kind of the first question.

And then the second question is on credit. And the credit question is many of us expect sort of credit tightening later this year. So what's your approach to credit later this year and beyond. Can you talk about that, given it's important to driving growth?

John Kim

Yes, absolutely. So I'll start with the TPV. When you start to look at some of the products that we're coming out with, I think they're going to have massive impacts. And so the focus is how do we create value for merchants and for consumers? How do we continue to do that? And as long as we're doing that, I feel like our growth trajectory is awesome. It may not only just be TPV but other products that we're able to cross sell to consumers and merchants.

And then on the credit question that you asked, the way to think about it is all of these users who we're preapproving would have been approved if they had applied. And so we're just letting them know ahead of time and then giving them their credit limits. And then the plan has to be, after they're using it, that we continue to revise how much that they are actually qualified for. And then Gabz, I don't know if you have anything to add to that.

Gabrielle Rabinovitch

Yes. Look, we've been exceedingly pleased with the growth of the Buy Now, Pay Later program overall. I'd say our loss rates are best-in-class, and the performance continues to be beyond our expectations in terms of strong performance. We'll manage the box according to what we're seeing in terms of our consumer behavior.

What we see in our platform is slightly different in part because not only do we see data from all their other types of purchase activity, we also see peer-to-peer data, we see stored balance activity. So we're able to score customers very much in real time based upon what we're seeing in terms of the holistic customer profile.

About 85% of the funding on our Buy Now, Pay Later portfolio is either ACH or debit. I'm talking about ready funds. In terms of how we manage the book, short duration, these are sort of 6-, 8-week loans for the most part. And so to the extent that we see tightening in the environment, we can obviously move pretty quickly to tighten the box, but we've been so pleased with what we've seen so far.

Tien-Tsin Huang

Great. It's Tien-Tsin from JP Morgan. I like the way how you organized, right, the go-to-market and how you are restructuring the business across the consumer and the merchant side. I'm
curious on the PPCP [PayPal Complete Payments] front, as I've been doing some work around that and talking to different players, it seems like the market is bracing for what the pricing strategy is going to be around PPCP because it makes sense to go down market given where you sit in the food chain. So I'm just curious how you're thinking about pricing on that side. I think we've seen or observed some pricing that's pretty competitive in the past, but are you going to do that differently from here?

**Peggy Alford**

Yes. I mean we have plans to make sure that we're being competitive. Obviously, the pricing is going to differ by market, by type. The way we think about pricing strategy generally is the more volume, the lower your price. And so the actual processing cost will be based on market and we'll try and be attractive there. And the margin profile being more attractive, both in the SMB space and outside of the U.S. for small merchants, it's because they don't have the pricing power of the very largest merchants.

Outside of the U.S., it's more about interchange and the fact that the cost is lower, and so we end up driving higher margins. But in addition to that, as I mentioned, the PSP business is more than just processing. So where we're able to actually grow the margins the most is going to be through all of these other services that we can sell in the same integration.

**Daniel Schulman**

I'd just point out one more thing, as you know, Tien-Tsin, that when we do integrate PPCP into channel partners or directly into a merchant, it comes with the latest checkout integrations as well. And to me, one of the more powerful slides that Peggy put up was the extent of our channel partnerships that we have right now.

And you could see the example through WooCommerce of the increase in conversions and increase in checkout that goes on. 50% of our [small business] merchants go through that [channel partners], but more of the TPV goes through that because those are slightly larger small businesses. And so we have the opportunity to quite rapidly close the gap in terms of those legacy integrations, moving to our best-in-class integrations.

And Ashwin asked a question about what do we think we can do with share of checkout and branded growth that we have. When you're on our latest integrations, they just do more transactions and they grow faster. And so the fact that we grew our branded checkout in Q1 at 6.5% [FXN], that was an acceleration. It's before a lot of these things that you're seeing here, and so our anticipation is that we'll accelerate our growth going forward from here.

**Ryan Wallace**

We could go to David. And then, David, maybe you could pass back to Lisa.

**David Togut**

David Togut with Evercore ISI. I'm intrigued by some of the initiatives you laid out, Peggy, to expand margin. Could you talk about, number one, possible time line? How should we think
about how long essentially this is going to take? Are there milestones that we can track in terms of operating milestones and when might those start to show up in margin?

And then if you could talk about how you go to market between both Braintree and the branded PayPal Wallet. When we talk to your customers, they say they see a really sort of a joint selling approach. So when you go down market more with PPCP and you go international, how will you work with the branded wallet side of the business to make that successful?

Peggy Alford

Absolutely. So first, on your first question, a lot of the value-added services that I outlined on the page are already ready. And so with the rollout of PayPal Complete Payments, it's about the selling motion of getting that moving, and the selling motion is a lot easier when you can sell with one integration, right?

Because a lot of times, the blocker is actually, well, I don't have the product resources to be able to do in another integration. And so this gives our customers a reason to take this one-stop-shop type platform, and the majority of these services are already ready. And so it's about ramping them.

On your second question, PayPal Complete Payments is, like I mentioned, the one platform that has the processing solution. A number of our customers are looking for those processing solutions, and maybe they already have our PayPal button, but they don't have – in the U.S., they might not have Venmo or they might not have Buy Now, Pay Later.

And suddenly, you can not only cross-sell processing, which is typically the thing that they don't have, but they can also take some of our newer products for marketplaces. And as an example, being able to have an integrated pay-in and pay-out solution with either Hyperwallet or our PayPal Payout solutions is incredibly beneficial.

And so we see the ability to be able to just quickly scale this, as Dan mentioned, through a partner, but also directly. A lot of our sales teams outside of the U.S. will be selling PayPal Complete Payments for processing because the majority of the merchants that they're serving maybe don't have a global presence or they don't have this complexity that they need customization with Braintree. And so they will quickly start selling processing and the amount of volume that you get and the higher margin suddenly [can be] extremely additive to our financials.

Lisa Ellis

All right. It's Lisa Ellis from MoffettNathanson. JK, this one might be for you. I guess I just wanted to follow up and understand the vision behind one-click checkout a little bit more. Just a couple of specific questions. When we're thinking about the applicability of that, would that really be primarily for Braintree or unbranded PSP customers? Or can it be broader than that? That's kind of question one.

And then two, how are you thinking about leveraging and driving one-click checkout into the PayPal brand? I guess I've always thought of the PayPal brand as being your differentiator with
checkout. And I know start-ups that have tried to this kind of unbranded approach have struggled, partly, I think, because consumers may find it a little creepy and wondering like where someone is storing their payment credentials. So sort of how do you think about embedding or leveraging the PayPal brand to make that successful and maybe even drive those consumers to your wallet?

**John Kim**

Thank you, Lisa. That’s a great question. I'll start with unbranded. I think one of the things that we just want to point out is that for unbranded to have all that capability to drive one-click checkout, you need the branded credentials. So this is how branded helps unbranded because it's about the data.

And as much as we'd like everybody to click the PayPal button, it doesn't happen all the time. It happens 15%, 20% of the time. So what about everybody else? And so we have this elegant solution that if you're partnering with us using Braintree, using PPCP, you now can have a remarkably better experience. So whether or not you're using PayPal or using unbranded, we want to make sure that we simplify it.

Then as people use the unbranded checkout, we feel that we have this really competitive advantage with our trust. So going back to your question, hey, who is this player who saved my credentials? When you see the PayPal name, you're not as worried. And we've tested this. We know that users who are not PayPal users, there's still familiarity. They understand we're not going to take their credentials and do something weird with it. And so there's a familiarity with that.

And then we feel like this just gives us an opportunity to talk to all of the users who don't use PayPal regularly and introduce them to the wallet and all the features that are available there. And again, it's the things that makes sense, package tracking, smart receipts.

There's just a slew of things that we can offer. And I think that over time, you just say, well, maybe I should just get all of these capabilities. I'm already halfway there. And so we feel like this will be an easy glide path and then that will drive branded checkout. So we think it all works together in a loop.

**Daniel Schulman**

And I guess the other thing, Lisa, just to think about is the amount of data that we're collecting right now through unbranded, we're serving probably well in excess of 1 billion customers. Most people think about the 400 million [active consumer accounts] that we have today, but you've got 1 billion-plus customers working through those FIs that are vaulted through Braintree and others.

When you've got that kind of scale and then all of a sudden, you can be a customer going to any one of the 30 million-plus merchants and having a one-click checkout experience across either PayPal or the other 80% of checkout, that is so compelling for merchants because as JK was saying, if you're just putting in all of your credit [or debit] card information, you've got a 50% to 60% conversion. PayPal, you've got closer to a 90% conversion.
We think we could take that other 80% [of checkout] and convert it, maybe not to the same as PayPal, but up, say, 80% plus. That radically redefines checkout for merchants, way better economics for them, and we can charge for that, and way less friction for a consumer. And nobody else can do that right now. Nobody has the scale to do it. If somebody has like 30 million consumers out there, which you think typically, that will be a lot of scale, that’s nothing because you can’t really go from one merchant to another with that kind of vault and have that same seamless experience.

And so I think this will redefine checkout for merchants, for sure, and for consumers. And then as JK was saying, once you have that guest checkout, who has now gone through guest checkout at that high conversion rate, we’ll then immediately drive them into the PayPal app, through package tracking, whatever it may be, and then start to convert them into a full PayPal account. And the amount of growth we can have through that and the amount of new margin structure that we can drive from that could be game-changing for us.

**Ryan Wallace**

Lizzie, maybe we could go to the back and get Ramsey and followed by Mike.

**Ramsey El-Assal**

[Ramsey El-Assal, Barclays.] I wanted to ask about unbranded margins, and you reiterated some things you brought up on the earnings calls, selling at scaled SMBs, geographic expansion, VAS [value-added services], et cetera. Could you help us think through the sort of timing and magnitude of those levers? Is this something that you expect to close that gap between branded and unbranded quickly? Or will it be a sort of a more gradual process? And can you fully close the gap? Or what should we expect?

**Gabrielle Rabinovitch**

Yes. So maybe just taking a step back and you think about our transaction margin dollar growth historically, for the past 5 years on average, it grew about 13% each year, and that was while absorbing what we all appreciate was a pretty meaningful drag from eBay as those volumes were coming out. Structurally, between the PSP side of the business and the branded side of the business, there are always going to be some differences, right?

And so we start at the LE side with our Braintree PSP business that obviously serves the very largest of the merchants globally. And that’s a place where take rate is determined by the amount of volume that we’re processing, and we happen to be very fortunate to have these very large enterprises that we work with. And so that results in a margin structure that is slightly lower on that side of the business.

Peggy talked a lot as did JK about how we’re thinking about continuing to build on this on the Braintree side, but how we’re also launching PayPal Complete Payments, which will help us enter the SMB side and channel partner side, which will grow that margin over time.
Our margin structure this year, we’ve talked about some of the pressures we’re facing just from discretionary e-commerce spending, a little softer this year as it was last year. In addition, continuing to see some pressure on the cross-border side. So when we think about the long-term margin performance of the business, we expect to see it improve over time.

Everything that we’ve talked about today, both on the branded side as well as on the PSP side, will serve to improve that performance. And so we expect to see improvement over time. But from just a structural standpoint, I’m not sure you’ll see convergence of branded versus PSP only because branded continues to be so very profitable for us.

Michael Ng

Great. Mike Ng from Goldman Sachs. PayPal is gaining a lot of momentum in Buy Now, Pay Later, and you talked about investing in this next level Buy Now, Pay Later with the pre-approvals. I was just wondering if you could offer a little bit more detail on the mid- and long-term vision of BNPL. Are there going to be efforts to charge an additional MDR [merchant discount rate] for the Pay in 4? Is it more of a product to drive interest-bearing loans? Is it part of the platform to drive more share in PPCP and Braintree? Any thoughts there would be really helpful.

John Kim

Yes. So BNPL, I think this first phase is just making sure that we can have usage across our portfolio of customers, making sure that they’re aware. Not all of our consumers are aware. Not all of our consumers understand that they have buying power through BNPL. So I think that will be our first phase.

It has one objective, and that objective is to make sure that you’re using our branded wallet because that’s where we empower you, this is where we enable you. And so from that perspective, it’s a pretty simple product. And then over time, what you want to do is you want to add a little bit more flexibility. And that flexibility might come with different models, but pay monthly, pay long term.

There’s a number of things we can do. But the direction I always give my team, let’s not worry about down the road. Let’s worry about the problem we have at hand because it’s enormous. And so we’re going to be super lightning focused on making sure that people know, that they’re using it, they have a good experience, they express the same NPS [Net Promoter Score], if not higher, and that we actually provide a return for the merchants. And if we do that really, really well, then we have the right to take it to the next level.

Ryan Wallace

Allison, maybe we could go to Trevor right there and then come back down on here to Darrin.

Trevor Williams
Great. Trevor Williams from Jefferies. I want to go back to Braintree for a second and the piece on international expansion, it sounds like being a strategic initiative. If you could give us an update just today on what the geographic mix is today between U.S. and ex-U.S.?

And then the second piece of that, for regions like Europe and Asia, is it predominantly taking the existing large enterprise customers that you have? Maybe you’re just doing U.S.-based unbranded processing for today and then trying to cross-sell into Europe and Asia and other geographies with the existing merchant base? Or if it’s more de novo, new merchants in the other geographies?

**Peggy Alford**

Sure. I'll start. It depends on country. There's a little bit of all of that in there. So we have a lot of white space to just sell processing. We are winning deals from our 2 largest competitors. And so the ability to have PayPal Complete Payments enables us to just accelerate those wins.

In addition, in some countries, we have products that aren't the best technology where we’re actually migrating them from suboptimal processing products to this one platform that enables all of the integrated experiences. And even with that migration, we see incremental branded volume just because of just the better experience that our branded products are performing on that platform.

And then we also have lots of ability to continue to grow Braintree with global players, right? So most of the time, if it’s a global, complex, they require a customized solution, in that case, Braintree is usually the better fit. For the large global [merchants] that, whether they're based in Europe or whether they're based in Asia or whether they're based in the U.S., we're continuing to win those deals to be able to sell Braintree processing in addition to incremental branded products on top of that.

**Gabrielle Rabinovitch**

And then, Trevor, just to address the question of where Braintree sits today relative to how we see it evolving into the future. Today, it is still predominantly a U.S. business. We have volume processing in Europe. We have Australia as well as some Brazil. But today, it really is predominantly a U.S. LE type of business.

**Peggy Alford**

And that's why we're so excited about the opportunity for the margins because most of our Braintree business today and most of our processing business overall is large enterprise in the U.S.

**Darrin Peller**

It's Darrin Peller from Wolfe. It sounds like a lot of what you guys are describing is great for the merchant base and for your merchant customers to have a better experience on their side. I think a lot of investors in the market seem to think there's probably a need to put a little fire
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underneath your consumers to make sure they know that some of these opportunities are getting better because there's been a lot of competition that they're using now.

And so what's the game plan strategically to get that going? Remind everybody on the consumer side, the 200 million monthly or 400 million annual that you guys have such great tech, and it's even better today than it was a year ago. And then the second part would maybe be a little bit of just an update on more concrete time lines, if at all possible, especially on things like the Braintree margin improvement potential would be great.

John Kim

I'll start with the consumer experience. If you want to revitalize consumer, almost every product strategist will tell you, you have to start at one place: onboarding. You got to make sure your onboarding is awesome because this is where they figure out if they want to use you or not. And by the way, they decide on the first day if they're going to use it or not.

So if you don't get them on that first day, you don't introduce them to all the capabilities that you have, then it's a tough road to win them back. It's a tough road to reengage them. And so you can imagine, we're already radically changing onboarding. You saw some of the stats in regards to new cohorts are way more productive than last year.

We've got a lot more to do. And so some of the capabilities that we're coming out with, I think it's going to be very unique and very special, the type of experiences that they have. And then we're under leveraging some of the assets we have like cashback offers. And so as we introduce that to the onboarding flow, we will see day-over-day improvements in regards to that repeat rate. And then the strategy that we're coming back with to say, well, what about the rest of the days?

We call that re-onboarding which is what does that look like? And you can imagine like a new app release. You have a chance to say, hey, we're updating the app. We want to re-onboard you. You can't ask them all the questions again, but you might introduce them the cashback offers. You may introduce them to BNPL. You may introduce them to some of the new capabilities we're coming out with.

So that will be the game plan, and we're already seeing results. But it's a passion of mine. We will get the consumer experience to be awesome. And then it will be a test and learn day by day, how do we iterate against this? How do we learn? How do we drive insights? And then how do we make sure we market all of these things under one umbrella so it all makes sense.

So this is all of work in progress, but we're making great progress. And this summer, I think it's going to be a great summer. And so I look forward to talking to you in the fall after we drive a lot of these innovations to get your perspective.

Peggy Alford

The other thing I'd just add is that the thing that I'm so excited about with all of this sort of accelerated innovation and customization and -- is that all of this is in the wallet. To your question around like how do you actually increase the consumer awareness, when you've got
experiences that are sort of all over the place, it’s really hard to get the consumer to know how would I actually use these and to get the awareness and the habituation up.

But as I was talking about in my presentation, the wallet is becoming something that is not just a place where all the consumer products are but a commerce experience for consumers. And so I think that creates an environment that makes it much easier for us to start to build that awareness and habituation. And do you want to -- on the margin question?

**Gabrielle Rabinovitch**

I think we see a path to expanding our operating margin over time in a really sustainable way. A tremendous amount of what we’re doing in terms of streamlining the business, taking out redundancies, consolidating pieces, but also all the innovation we’re driving will help us grow more efficiently over time. We haven’t given sort of an update on an operating margin guidance, but I think our view is that as we do this and we start to see the benefits of what we’re doing on the scaling innovation, we’ll see the margin improvement.

**Ryan Wallace**

Do you want to go to Jamie and then Craig?

**James Friedman**

Jamie Friedman from Susquehanna. Dan, when I think back over your tenure, clearly choice was a landmark event for the company. And I’m just wondering, and it was a landmark event, especially for core PayPal. And I’m just wondering, is there a similar opportunity on the distribution and partnership side for PPCP? I think Peggy, you alluded to this to some degree, but how should we be thinking about the distribution opportunities there?

**Daniel Schulman**

Well, clearly, I mean, that was probably one of the most existential threats we faced. I mean I think people refer to us as frenemy, but they definitely put the emphasis on the second syllable more than the first. And choice enabled that to turn completely around where the FIs were now marketing us because we were their biggest digital distribution channel.

And I think everybody was worried about margin pressure as a result of that because we were optimizing for the instrument that was best for our margin, not necessarily the instrument best for the consumer and what they wanted to do. And that proved to be probably one of our biggest, most important strategic decisions.

I do think we have 2 really big things that are coming up right now. One is the distribution of PPCP through channel partners. And Peggy’s example of what Woo is doing right now in marketing us very aggressively out into their base because of conversion lift is something that we will leverage and leverage hard through our channel partners. And those go all the way from Woo to Shopify to the biggest out there. And we’re working with all of them, and they’re all quite excited about the new capabilities we’re bringing out.
And I think the second big thing right now is this next -- this AI checkout that we're talking about, which is leveraging the network vault. You have got one merchant after another right now clamoring for us to put that out. We will start to roll that out even later this year, so we're not talking about things that are way out into the future. We unveiled this at our Commerce 360 event where we bring our largest customers together for a couple of days. We give them a sneak preview, and they are chomping at the bit for us to do that.

Because as I was talking to Lisa, it changes checkout completely. And they get that, that only we can do that, that only we can keep all the FIs [funding instruments] fresh because, to your point about partnerships, the FIs [financial institutions] now refresh all their FIs into our vault. So you don't have expiration dates that have gotten stale, any of that kind of thing. They are putting it in.

There's probably no larger vault in the Western world of FIs than what we have right now. And we are going to press hard on that piece of it because it will change checkout completely. And it means that we are not just working with a merchant on their 15% to 20% of their checkout through Venmo or PayPal or Buy Now, Pay Later, but 100% of their checkout. We'll take over 100% of the checkout solution for them.

**Peggy Alford**

I'll add one thing on the channel partner question that you had. We have aligned incentives with channel partners for distribution, and I always think that works best. So 2 things, rev share. When they drive volume, they get paid. And in addition to that, they're competing with each other. And so they want the very best experiences so that they can attract the SMBs and the midsized merchants and even the large enterprises to use their platform. So I think that works really well also in terms of a distribution strategy.

**Craig Maurer**

Craig Maurer with FT Partners. I wanted to ask about the broader ecosystem. You have 2 very powerful consumer brands in PayPal and Venmo. So looking back, why were they not more tightly integrated? It seemed -- you told us year after year how much volume was flowing over Venmo. Why were you not able to expose that volume to the PayPal ecosystem directly?

And taking that further, the Visa+ announcement seems strange in that why did Visa have to connect those platforms for you guys when I would have thought that, that would have been a huge opportunity over time, like I said, to keep that volume on platform?

**Daniel Schulman**

I'm going to go first on this, because it's something that I've been very focused on since I got here. So Venmo came with the Braintree acquisition, separate platform, separate processing, separate payment stack as PayPal had 4 legacy payment stacks, some C++ libraries in there, a number of things, and Braintree had its own payment stack as well.

So the goal, starting 8 years ago, was to bring all of these together onto a single modern payment platform. And we have been working -- it's like open heart surgery on us while we're
running a marathon because it's our payment processing stack. It can't go down for a second. It really can't go down for a second.

And if we don't upgrade it though, you've got 6 payment stacks with massive legacy in there. You can't scale efficiently. You've got a tremendous number of engineering talent just focused on fixing everything, your cyber defenses are lower. And so we went about a massive planned upgrade.

And one of the reasons I'm jumping on this right now is that literally a month ago, we finished completely. We fully deprecated every one of our old payment stacks, all of them, and we have PayPal, Venmo and Braintree all running on a modern payment stack behind everything together today.

Therefore, we can start to do a ton of things that we could not do with that legacy infrastructure that we had in place before, including things like interoperability between Venmo, PayPal as well. And so we can use Visa+ as a supplement, but we can do that internally now as well. And it's been a long, hard slog, honestly, on that but we are finished.

[Note of clarification: PayPal has made significant progress in its migration to a new unified payments stack, including the elimination of all C++ libraries, which has brought and will continue to bring significant benefits to its merchants and consumers and enable it to continue to innovate at a faster pace. Progress to date includes 100% completion in the migration of multiple legacy PayPal branded payment platforms and PPCP to this unified payments stack. Additionally, this new unified payments stack already processes the majority of Venmo payments, with both Braintree and Xoom migrations currently underway.]

John Kim

Let me add to that. When I first got here, that was my first question, which is why aren't we trying to bring them together? When you actually start to study the communities, you study the use cases, you study what the different audiences want, it becomes less obvious that outside of the interoperability of sending each other money that you actually want to converge 2 products.

They have their special sauce. They want to have different road maps. It's not the teams that are asking for it. It's the customers that are asking for it. So we really believe that it will be the portfolio of solutions for a long time, not because we can't do it, because we shouldn't do it. The audiences definitely want something different, and we want to encourage that so that we then have a portfolio approach to payments.

There'll be PayPal, which is definitely one of the keystone products that we have. And then we'll have Venmo, which has a different audience, different vibe, different communication style, and we'll be enabling different solutions from that. And then where it makes sense, we'll just go ahead and say, let's use the same platform.

I'll give you one example. Pay with Venmo. We incubated that in Venmo. But it makes way more sense to use PayPal everywhere else. And so we've actually moved that part of the organization to the right leader, and then now we're basically enabling Pay with Venmo using PayPal infrastructure.
So we'll be able to rapidly say, hey, how does this evolve? It doesn't look that different. And so we should have the same monitoring, same expertise to be able to execute against that product. So there's a lot more to come, but I would say that we'll have -- we'll look smart in regards to how we make those decisions.

Daniel Schulman

The reason our loss rates are coming down is because we have a common risk system across everything. Venmo was always higher losses because we weren't able to leverage the data of PayPal. Now we can leverage it across everything. That's powerful. Should we go to cocktails?

Ryan Wallace

Let's do it.

Daniel Schulman

Yes. Okay. I think that's a really good thing. By the way, thank you, everybody, for coming. I think like the next hour where we go into cocktails, which would be one of our favorite parts of this, you'll have a chance to talk to all of the PayPal people who look better than I've ever seen them before. If they're wearing a jacket, they're with PayPal now. They all have these yellow lanyards on, and so please reach out. We've got several Board members here, too, Rod, Belinda, Ann are all here. Thank you for coming today. And again, thanks, everybody, for joining us. Appreciate it. Thank you.