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Operator

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Jason Kupferberg

Hello everyone. Thank you for joining us today. We're very excited to have Dan Schulman, CEO of PayPal, as well as John Rainey CFO at PayPal, and Gabrielle Rabinovitch who runs investor relations at PayPal to have a post analyst day conversation after all the tremendous content that we've heard from the management team yesterday. So, we're going to dive right into a bunch of questions. Many of you did send in some questions, which I've tried to incorporate into the list, and we'll get through as many as we can. So, thank you guys for joining us today. We appreciate it.

John Rainey

Thanks for hosting us Jason, I want to thank everybody for calling in and we are excited about the information that we all collectively shared yesterday and hope that this audience is as well, and we are looking forward to the questions to get into more detail.

Jason Kupferberg

Great. Well, let's jump right in. We thought one of the more interesting metrics you provided yesterday was that three times as many consumers moved from the quote unquote 'medium engaged bucket' into the 'highly engaged bucket' as compared to 2019. And PayPal, highly engaged users you indicated generate more than 2x the ARPU [average revenue per user] of the medium engaged, and that figure actually jumps to 10x for Venmo. So, hoping you can tell us how you define medium engaged versus highly engaged users, and how long does it take for a cohort of users typically to become highly engaged?

John Rainey

Sure. Happy to do that, Jason. We have a pretty standard customer segmentation, RFM customer segmentation model that focuses on recency, frequency and monetary, but we complement that with two other metrics that we think are relevant to our customer base that include both a merchant breadth as well as consistency and we stratify that in Quintiles. When we look at our various cohorts or segments of customers and a medium or mid engaged customer, one that scores in the upper quintile of each of those measurements.

And a medium engaged customer typically has about 2x the level of engagement that an average customer does. But as an example, the high-engaged has 2x a medium-engaged [customer]. In terms of how long it takes to get to that level it's about 12 months, a little over 12 months, actually. There's a very consistent maturity curve in terms of when a customer comes to us and gets to that level of engagement. Now, that said, part of the exponential increase that we saw last year, and the movement of mid engaged to highly engaged is because we're influencing a lot of this with our new products, the very marketing efforts that we're making towards customers. And so, those are all things that we anticipate will continue and we'll get even better at, as we move forward and as thus driving some of the increase there that we're calling out for the next five years.

Jason Kupferberg

Right. Right. Okay. Well, yeah, no, that's a great segue to my next question. I know you're guiding to 50 million new users this year, and that implies that over the subsequent four years, you'll average just over 80 million per year to get to that 2025 target of 750 million. Can you talk about the future distribution of net new actives, particularly on the consumer side over that five-year forecast period, whether it's by geography or demographic or any other way you might segment the market?

John Rainey

Sure. I'll start and Dan might want to jump in, but there are two or three areas to call out there. I think one being the most significant is a large part of our growth in actives, over the next five years, we anticipate will come through reduced churn. And so, by definition those customer growths will be in our core markets where we have a lot of customers today. So that's one thing worth noting. The other thing we talked about and Dan talked about this, I believe during the Q&A yesterday is the focus that we have on certain international markets and look, in those markets, we are vastly under-penetrated. We have between 1% and 5% digital penetration in what are some large and very fast-growing markets. So, if we were to outperform there, that's even more upside. The last area that I'd call out in terms of the demographic mix is we're focusing a lot on value seekers.

It's a demographic that we target that we see we're under-penetrated in that segment. Certainly, when we look at like millennials today, they tend to be - I'm sorry, when we look at Venmo customers today, they tend to be millennials or actually more affluent. And so, if you think about a lot of the financial services that we're talking about rolling out, they actually play right into that value seeker demographic. And so, we expect that that's something that will be a bigger proportion of our active base going forward than what it represents today.

Jason Kupferberg

Okay. Is there any way to quantify how much contribution you'll get to these targets from the reduced churn?

John Rainey

It's not something that we share. We don't talk about our churn numbers publicly, but we've certainly seen in the last year, an appreciable decline in our churn rates. And again, it goes back to the point I made on the first question that if this is a result of a lot of the initiatives that we're implementing and introducing to actually affect those numbers. And so, it's difficult for me to sort of generalize or give you a rule of thumb on this, but that will be one of the key drivers going forward.

Jason Kupferberg

Okay. Understood. Maybe we can talk about the redesigned PayPal and Venmo apps. You had a pretty cool slide showing some of the screenshots there. And I think you mentioned yesterday, it'll likely take 12 to 18 months with these new experiences to fully roll out. Wanted to see if you can clarify which parts of the new experiences will roll out first this year, and then which ones take longer just as we try and think about what to expect as you iterate through.

Dan Schulman

Yeah. Maybe I'll jump in and take that because I had nothing to add to John's comments on questions 1 and 2, those were great. I would say honestly, the majority of what we showed will be done in the next 12 months. We're well underway. We're not just talking about this, we're ready to start deploying a lot of things. We spent a ton of time on the new UX because that is really important. We don't want this just to be a list of capabilities that somebody has to search in the app. It should be a pretty beautiful, intuitive design. What we'll do is, post 12 months and even in the interim, we'll constantly iterate on the app, constantly. You know we did something like 60,000 software releases last year and those include config releases and those are really a lot of the config stuff is a lot of different AB testing, testing on small parts of the proposition.

I want to ensure that we are utilizing all of the data that comes out of every one of those unique functions so that our machine learning capabilities, which we really haven't talked a lot about, but we've got a ton of data scientists and machine learning experts and experts in AI who have done tremendous work for us on areas like risk and fraud, but have now really moved into our marketing front, because we do want to start to do personalized recommendations. What is the optimal next transaction for you? And so, those will take a little bit longer for us to get together, but in general, most of the product capabilities, the demand curves will build out over time that I talked about on the shopping side, but we hope to get most of this done in the next 12 months.

Jason Kupferberg

Okay. So, would that include things like the savings accounts and potentially asset trading?

Dan Schulman

Yep.

Jason Kupferberg

Okay. Great. Wanted to ask a question on partnership. And when I think back to 2016, which is hard to believe it's almost five years ago when you made the Visa and MasterCard announcements, I think it was around mid-year 2016, which was obviously a bit of a real seminal moment for PayPal. Can you just update us on how those relationships have evolved with Visa and MasterCard and how you could potentially expand your collaboration with them going forward?

Dan Schulman

Yep. It's obviously evolved substantially since then. I mean, back then Charlie was running Visa, Ajay was running MasterCard.

Both of those things have changed right now. And just to give you like a sense of how far those relationships moved. When Charlie moved to Mellon, we had conversations whether I would come onto his board or not. It was just a good friendship and I have a very close friendship with Al Kelly as well as Ajay. Michael Miebach and I are getting to know each other. The teams work together every single day. We're a huge part of their volumes now where we must be like volumes growing up to 5% of their volumes, we’re a big part of their growth in their numbers going forward.

And we are looking at now all sorts of new avenues of growth, like in-store is a big one that we want to work hand in hand with them on. And I think the other thing, Jason, and for everybody on the call to realize is we really are on the cusp of some significant shifts in the financial infrastructure around the world. I don't think there's any question, you know, that the use of cash is dissipating, but there's also going to be no question that whether it be over the next five or 10 years, the use of card as a form factor is also going to dissipate. That's going to move to mobile, and that's just inevitable because there's just more functionality when you tap or you scan a QR code, you can surface up deals and offers and loyalty, and other things you might consider when you're in store is seamless across your online and offline experiences. And so, as that form factor moves towards mobile, that plays right into our strengths as a digital wallet. And so, the conversations are about how we take advantage of those trends, both with our FI partners, as well as with networks are pretty expansive. I think there's a lot of opportunity for us to partner even more comprehensively than we did initially, and so, we couldn't be more pleased with the partnerships.

Jason Kupferberg

Great. To hear, maybe just picking up on your point around in-store, you showed some numbers yesterday that the in-store retail TAM [total addressable market] is 4x online. I think in-store is maybe 2% or so of your payment volume today. Where do you think that could realistically go by the end of your five-year forecast period?

John Rainey

I'll jump in on this one, Jason, as we've said, we've got well, this is not something in terms of in-store, this is not something that we're going to be able to do overnight. It's taken a long time to even get to where we are and we certainly have a lot of conviction in the secular trends around this, but this is a multi-year journey. And so, I say that only to characterize that what we shared yesterday has pretty modest expectations about the amount of TPV that we will have in-store.

Now, we're certainly hoping that we will see much more engagement from customers online from those that are using our products in-store, but the actual percentage of TPV that we're assuming in our five-year plan that comes from in-store is still relatively small when you think about the other diversified products that we provide. And so, to the extent that we were to see a sharp acceleration there from customers in the movement to paying with mobile devices, QR codes, contactless pay in-store, that that could be some upside in our TPV expectations.

Dan Schulman

What I will say, and what is exciting right now on the in-store side, and we're seeing this with the major retailers we're rolling out with, is they're really seeing our QR code as a way of complementing their engagement with their customers. We're doing things like one touch sign up for their loyalty programs and combining their loyalty programs into our shopping capabilities. And so, we'll have to see how all of this plays out, we're certainly getting good traction in terms of large merchants and small merchants and partners. We do think millions of locations will accept PayPal in-store at the end of this year, but to John's point before putting a lot into our plan, let's see how it works and we can update that as the year goes on.

Jason Kupferberg

Right. Yep. No, that makes sense. Let's talk a little bit about the new five-year guidance calls for 20% organic revenue CAGR through 2025. So that'll get you to $53 billion in revenue in 2025. It also calls for 15% CAGR in new user growth. So, just looking at those two numbers, the 20% versus the 15% at first time, it doesn't necessarily seem to assume a lot in terms of ARPU growth. But I think at the meeting yesterday, you did indicate that the current cohort of users is expected to see a doubling of ARPU over the five-year forecast period. So, if that is the case, can you just clarify how you're thinking about ARPU of future cohorts and just want to make sure we kind of have the ARPU thought process, correct in the context of the guidance you gave yesterday.

John Rainey

Sure. And I understand the confusion on that and that's my fault. So, the doubling of ARPU among users pertains to our mid engaged customer base. And so that's, you can do the math, it's about $60 today, and we're assuming that by 2025, that mid engaged customer base, because of all these products and experiences that we're providing, that that will double over that period of time. And then you complement that with bringing on new users, which again, will have a lower ARPU because of where they are in the maturity cycle. That gets us to something greater than $50 billion in 2025.

Jason Kupferberg

Okay. Yeah, no, thanks for clearing that up. If we look at the new five-year guide and we look at the spread between the 20% revenue growth CAGR and the 25% TPV growth, that 5% spread is smaller than what we had in the prior medium-term guidance. And it's quite a bit smaller than what we've been seeing the last couple of years or so. So that would seem to just mathematically have some positive implications for your outlook on take rate. Now we understand obviously the eBay, lapping the eBay roll-off will help, but can you talk about the drivers of this narrowing spread, for example, Venmo ARPU contributing, and other factors you might highlight?

John Rainey

Sure. Jason, so again, there's probably two or three things here I'd call out as well. One you noted, seeing the acceleration in Venmo ARPU, because today that contributes a lot of TPV, but we're not monetizing that proportionately to the rest of the PayPal platform. So that's one thing I'd call out. The second, is that a lot of the experiences and products that we're launching really drive a lot of what we refer to as branded or core volume that tends to have a higher revenue contribution relative to the TPV. The last thing I'd point to is that there's a number of products that we've added and we'll be adding that actually don't account for any TPV. So, an example would be crypto, for example. So, as we're picking up the net revenue aspect of that, we recognize revenue, but there's no TPV associated with that.

Another example would be Honey as we pick that up in our other value-added services line, but there's no TPV that contributes to that. So, if you take a very broad definition of TPV, that would include things like crypto, and I know others account for it that way, then the TPV growth would be even much higher, but in the way that we account for it, that spread that you've seen historically closes. But it's really because of the things that we mentioned, the higher revenue contribution from new products, as well as just certain elements of our growth, we don't account for under the strict definition that we have for TPV today.

Jason Kupferberg

That makes sense. Yep. So, kind of some favorable mixed trends in a way. The other aspect of the long-term guide I wanted to delve into a little bit was just in terms of implications for margin expansion. So, on the surface, we see the 20% organic revenue CAGR, we see the 22% on EPS and we see the intention to buy back or use 30 to 40%, call it of free cash flow to buy back stock. So, it doesn't seem like there's really much at all baked in there. So, is that a fair characterization? And if so, why wouldn't there be some more margin opportunity and maybe as part of the answer, can you just weave in any commentary on your thought process around interest rates and tax rate assumptions, just to kind of round out your views on that, that 22% EPS growth number? Because we did get a lot of questions on that in the last 24 hours.

John Rainey

Sure. Jason, let me start before I get into some of the specifics of your question with a retrospective over sort of our last medium-term outlook. So, if you compare our results of the last three years versus what we said we would do in 2018, we've exceeded revenue growth by 100 basis points at the midpoint of our range, we've expanded our operating margin 340 basis points. And our earnings or our EPS growth exceeded what we guided by 800 basis points, and so, we certainly - I'm not gonna characterize our guidance yesterday as conservative, but by the same token we have a strong track record here of exceeding what we've done historically. And that's the mindset that we all have, that we want to be able to come back to you and the next investor day and talk about how we've outperformed that, that's what motivates us each day.

And so, I think that's just important context as we think about some of the very important questions that you asked, but on free cashflow, for example, I guess you could say that despite what I just said, that maybe you characterize that as conservative in so far as, we assume an interest rate environment that is where we are today. So, meaning that - that the yield curve does not increase into the future. Now, obviously that bodes well for us given that we recognize revenue from interest income on customer balances. Now there's a modest offset considering we have debt, but that's a net benefit to us if interest rates go up in the future. By the same token, when we look at like the tax environment, I think it's reasonable to assume, and it's assumed in our plan that tax rates will go up. Cash tax rates will go up over time. Certainly, when you look at the landscape around, or I guess the posture around taxes and importantly digital taxes internationally, but also, even considering the elements of our business.

So, if Venmo is going to contribute more to our bottom line in the future, and that's predominantly, what's entirely US today will be predominantly US in the future. That's our highest tax rate environment. So, there's some puts and takes there but again, I would just go back to we have a history of outperforming here. I think the free cash flow margins in our business you should think of is kind of where they are today, pretty constant given all the puts and takes, and again, like the headline number we've got $40 billion or we'll have $40 billion of free cash flow to put to work, to find more value, to increase shareholder value even further going forward.

Jason Kupferberg

Right. Yeah. And from what I heard you say last night, it sounds like you're not planning to use any of that to put crypto on your balance sheet, but we will come back to a couple of crypto questions in a minute or two. Before we do that, I did want to ask a little bit about Pay in 4, obviously some really nice traction out of the gate that you highlighted on the earnings call, the $750 million of volume there in the fourth quarter and understanding that it's very early days. Can you comment on what you saw in terms of average ticket size versus the corporate average and which types of merchants are you seeing Pay in 4 used at most commonly to-date?

John Rainey

So, we do see candidly with all of our credit products a higher average ticket size when compared to just PayPal in general, and the same is true for the buy now pay later. We talked about a 13% increase in TPV and transactions where our customers have used this product. Some of that is in the actual transaction. Some of it is in subsequent transactions, and so, this is one of those things that is good for the merchant, allows the customer to upsize what they're doing and not have to bear any additional fees related to paying for that installments and it's good for us because of the level of engagement that we continue to see on our platform. So, it is a higher ticket size and in terms of the merchants it's a fairly a broad cross-section of our existing merchants today. I don't think I would point to any one vertical that we see outsized growth in that area. Dan, anything?

Dan Schulman

We have hundreds of thousands of merchants already. I mean, if you look at other buy now, pay later providers, our platform dwarfs them, and we already have ten to twenty thousand merchants who have upstream presentment already. There are a couple of things on top of what John said. One, our cost of that transaction is lower. So we're seeing cost reductions in those transactions. And then the other thing that may not be as apparent or appreciated is, we know every one of those consumers that come in, we've already done credit models against every single one of them. We basically score our base almost every single day to look at credit worthiness. So, approval rates for buy now pay later are higher.

There's lower losses, our losses are lower because we know that. So, it's a really, and as John mentioned yesterday, and I thought he did a really good job of this. The value proposition I think is second to none, and it's a product that's pretty much of a home run for us and we're going to continue to see good growth and good engagement around that.

John Rainey

And Jason, we'll probably, because of the emphasis that we place on this, you could expect us to continue to update you with some of the numbers we're seeing in our business around this, both in terms of TPV, as well as number of users. Again, there are benchmarks out there some as recent as today that give you sort of a comparison how we're doing, but to have the number of customers that have already used this product and to have the level of TPV in just the first three months and only in three or four geographies. We're quite excited about it.

Jason Kupferberg

Yeah, no, understandably. So, I mean, $3 billion annualized run rate already. I'm curious, Dan, you mentioned the upstream presentment. How much of the 750 million in that in Q4 came from merchants that were using the upstream presentment?

John Rainey

Well, if I can jump in here Jason, we talked about having 200,000 merchants that have launched this product and roughly 10% of them have the upstream presentment. That's one way to look at it, but obviously we get a larger share of checkout where we have that upstream presentiment, so it skews more towards greater than that 10% for those merchants.

Jason Kupferberg

Make sense.

Dan Schulman

Remember we launched this in October or something like that in the U.S. so there'll be more and more of that upfront.

Jason Kupferberg

Yep. I'm sure. Let's talk a little bit about crypto and just on the topic specifically of crypto trading. It seems that PayPal is earning a pretty healthy take rate on these transactions. And so, I'm just wondering, based on the kind of trading volume that you think is realistic in crypto on your platform. Will the crypto initiatives move the needle on revenue this year, especially if we include the halo engagement effect among the crypto users, as well as the potential uptake of the pay with crypto service that you'll be launching later this quarter?

Dan Schulman

I'll take that, just at a higher level and then maybe John can come in. First of all, we're just at the very beginning of this right now, obviously we've tapped into a real vein of demand and engagement with our customer base. We just started charging transaction fees for it in January. Interestingly, we saw pretty much zero fall off in demand when that happened. Some of this depends on where crypto prices are and what goes on in the market, but what's exciting to me is, we've got a ton of stuff that we're putting out, just stuff that we've talked to you about, even stuff we haven't talked to you about, like around crypto, as a funding source buy-hold-sell, coming on to Venmo, which we think will have huge demand there. And then the expansion into international markets. All that's coming. I think we couldn't be more pleased with what we're seeing so far, but a lot of that we'll build over the year and come into next year and you can be pretty sure that's not all we're thinking about when it comes to things we can do with our base in and around crypto as well. So, John did you want to –

John Rainey

Yeah. And maybe just getting to your question around volatility in the P&L. I don't see that as an outsized risk today, Jason, I think for a couple of reasons. First, we should acknowledge that given the virality that's occurred with Bitcoin and some of the other cryptocurrencies, there's certainly a correlation with volume on our platform as prices go up. We do see that, but the points that I would mention in which I think allay some of the concerns around volatility, one, is that we're just recognizing this on a net revenue basis. So, it's not as if we have these huge swings because it's recognized on a gross revenue basis like I believe some others do. The other is that we've characterized the customer base that's using this on PayPal as Crypto curious.

And in part, we have limits that are put in place that have certain restrictions around the amount of volume that you can trade over, defined time periods. And so, some of the extreme swings that you see with the volatility of people that are heavily trading this, that's really not on the PayPal platform. And so, I think that this is a well-contained risk. And if look, if it ever does get to a point where it presents more volatility, that's a different set of problems, not altogether bad in some cases given the amount of revenue that it could be driving, but we'll deal with that appropriately.

Dan Schulman

We didn't go into this to take advantage of this sort of trading thing that was going on. We went in, we knew our customers wanted to buy a hold and sell cryptocurrencies. I think we did it in a very responsible way, but the real thing and the real value add, I think we can provide is open up a two-sided network to be able to use crypto and add utility to it, going forward so that when people do buy crypto, that they can use it in a number of different ways. And we've got a whole host of things planned around that. And I think that's what adds to what I think the true underlying value of some of these cryptocurrencies, because we're going to add real utility to it. And so, that's our play in this, we'll obviously, benefit from all of the buy-hold-sell, but our real play is to add fundamental utility to payments by adding more utility to crypto and other forms of digital currencies.

Jason Kupferberg

Right. Yeah. And I wanted to ask you about that, because you touched on it yesterday Dan, to some extent. But just your view on the ability of cryptocurrencies and central bank, digital currencies to co-exist. I mean, do you see that happening over the long-term or might some of the cryptocurrencies be vulnerable if central bank digital currencies start to become a lot more prevalent, especially from larger countries.

Dan Schulman

Yeah. So, there's a long and a short answer to that, but I'm just going to give the short answer. Just because those of us who have been studying this for three or four years and are seeped in it there's a lot of underlying sophistication around it, but part of the answer of that depends on what underlying technology central banks decide to use when they issue their digitized fiat. If it does go over distributed ledger, technology then in many of the core markets, more developed markets, I think that does play into what will happen with crypto. I think the big crypto Ethereum, Bitcoin they're - I think they're going to stick around, I think they're going to be a real utility because, you're going to build on top of that, you're going to have smart contracts.

You're going to have payments that will go beyond what payments is today and we're quite excited about that potential. If central banks go with different technologies and we're talking about a host of those with them right now, then there may be more of the longer tail of cryptos will be fine. I also think though, as you look into developing countries, it's possible there'll be successful stablecoins because there's real need for that, where you don't have real central banks that are potentially going to issue digitize fiat it's I think there's going to be a host of things. Both regulators, bankers, governments we're in conversations at the highest levels on that are all thinking about the interplay of those three things. And so, let me just leave it there as I could go on forever on this topic.

Jason Kupferberg

No, that's great perspective. Appreciate you sharing that. I wanted to also ask a bit about Venmo you're expecting that Venmo revenues will approach $900 million this year. So, wanted to get your view on which leg of the monetization stool do you think has the most upside potential relative to your internal expectations that could in theory, lift you above the 900 and on the flip side, where in theory, could there be a risk to this target?

John Rainey

I'll take that. It's always a risk here when I come up with an answer and I'm wondering if Dan thinks the same thing. I'll give it a run here.

Now I can think of number of things that could excite to the upside. Pay with Venmo probably stands out as number one to me, but business profiles and what we could see around QR code, particularly given that so much of Venmo is used in a social context. I think those probably stand out to me as the opportunities that have the most room to exceed our expectations. On the downside perhaps something over time, I don't know if it happens in the next five years, but the fee for instant withdrawal is certainly something that could be competed away over time. It would not be unreasonable to assume that that's a loss leader in our business to try to drive other forms of engagement and growth. You see that in other industries historically and so, that's not necessarily contemplated in our five-year plans and you know what I'm talking about here maybe outside of five years, but if you just think from a very broad macro perspective across many industries, that that could be something over time.

Dan Schulman

I'll add on to John's answer. First of all, we're pretty confident in the $900 million or we wouldn't have put it out there. So, there's a lot of things that are going well on the Venmo side. I think Darrell yesterday said it well, putting out more product this year than we did in all of Venmo's history. So doing really well. They've got new product engineering leads, and then they're just - they are kicking ass and taking names right now. They're really doing a good job. I agree with John, I think Pay with Venmo is clearly the thing that has a lot of upside, we have so many merchants and marketplaces that want to tap into that base and accentuate Venmo. And we have not had the experience that we've needed to have there and we will have that. We're trying to design a best in class pay with Venmo experience. We've stumbled on that honestly, and I am really happy with what I'm seeing right now, and I think there's going to be probably some pretty good upside from that as I think about it.

Jason Kupferberg

Okay. Well, let's look forward to that. You mentioned the business profiles and I know that's where you'll have small businesses setting up a Venmo account using the social feed feature of Venmo to attract new customers. I'm just wondering if this is something you spoke about yesterday, but could there at some point in time be an opportunity for PayPal to generate advertising related revenue streams since your platform can obviously enable really targeted marketing say to a Venmo user who mentioned a specific small business in their social feed, and then giving that small business the opportunity to target that consumer.

Dan Schulman

First of all, getting a lot of traction on the business profiles, it's just going GA [General Availability], I'm quite pleased with the traction and the numbers of people that are already signing up from a small business perspective. Second, I actually never want to be in the place where our model is based on selling our consumers data or even aggregating it and any of those privacy issues, I think privacy is central to our brand trust and I want to be very, very careful to that. That is not to say though, by the way that these businesses on Venmo that are setting up shop may not want to do some advertising and or promotion in some way in which we might be able to monetize, but it's not going to be I want to target this segment right here and that's not our model. But connecting businesses and consumers together is very much our model and we think we can do that in a very modern, a way that respects the privacy of our consumers and enables even more engagement from our merchants with our consumers. So, there are all sorts of different ways of looking at additional avenues of monetization, but I want to be really upfront that this privacy element matters a lot and its core to our brand trust.

John Rainey

And maybe just add a finer point on that Jason is, it's maybe not best to think of us doing advertising in the traditional way that we're discussing right now. But if we can provide merchants a better way, a higher ROI method to spend their advertising dollars through things like our Honey acquisition in technology, and there's, you've got the lineage to see, okay, for certain amount of money that you spend that you can get a certain return and target that customer and provide things that that customer wants. That's an alternative to going out and spending money on banner ads on a Facebook or a Google website or something like that. That's maybe more where our head is in the future.

Dan Schulman

Totally. I think we want to basically be able to have a merchant through self-service tools, by the way, not even us going out there. Be able to tap into real demand curves and say, if I spend $50 million right now on that, I'm going to generate for sure, $120 million of demand. And by the way, because they're actually just saying, here's the consumer saying, here's what I want, the merchant coming back, not having to discount everything off by 20%. They know exactly what that demand curve is. They know exactly when they put in that amount of promotion, how much sales they're going to get. And we instantaneously do a checkout on that. So, that to me is a very exciting way of thinking about the power of our platform. That's sort of that contextual shopping that I talked about yesterday in my opening remarks. There's a lot to like about that.

Jason Kupferberg

Yeah. Maybe I can just wrap up with a question on iZettle. We, haven't heard a ton about it since the acquisition a few years ago, but certainly yesterday you did highlight it a bit mentioned that it will be coming to the U S this summer. So, should we assume it will be initially targeted at your existing base of US merchants? And I'm wondering, are there any analogues just with other countries where iZettle has been introduced…I PayPal that might suggest how the U S launch will go. And if you can just talk a little bit about how you might plan to differentiate, and what's obviously a pretty crowded part of the market.

John Rainey

Sure. Jason, I'll jump in here. Yes, of course, we're going to target our existing merchant base for quick and easy access to iZettle, but we're going to have pretty concerted efforts to directly address offline sellers that don't have that PayPal presence today, and do it really at an unprecedented scale. We're very excited about the US launch of this. And so, we're going to target physical first merchants. You still have close to 50% of SMBs, don't have a digital presence, and so, we think this is a big opportunity for us and the target audience will be really what we describe as sort of the backbone of economies. Its hair salons, restaurants, main street retailers think of it that way. In terms of the analog, this goes back to the very thesis for our wanting to purchase iZettle.

The real appeal about it is the interoperability of the platform. The fact that it integrates so easily with existing tools that SMBs have like QuickBooks or big commerce. It's so seamless and easy to do that, and that's what most of these companies are operating on. And so, it gives them a fully integrated suite of our digital offerings that include things like QRC and Venmo and things like that within a single integration point. And so, it's something that we're quite excited about. It's a big addressable market for us given that it's offline and so back to your question, yes, we're targeting those merchants that are existing PayPal customers today, but there's a big effort that's going to go into that white space that we have that are those SMBs that don't have a digital presence.

Jason Kupferberg

Excellent. Well, really appreciate the time guys. Thank you so much for your thoughts and commentary as well as again, all the content yesterday and thanks to everyone who dialed in and wishing everyone a great weekend.

John Rainey

Well, thank you, Jason. Thanks to everyone for dialing in and listening today. Obviously, we'll be following up with many of you over the coming days and weeks, but we're very excited about what we shared yesterday and excited to go execute on that and look forward to what the next five years brings for PayPal and all of its investors. Thank you.

Jason Kupferberg

Excellent. Thanks again. Take care.

Operator

And once again, ladies and gentlemen, that does conclude today's conference. We appreciate your participation today.