Hi everyone, and welcome to our 2021 Investor Day. So glad to be here with you. I wish we could all be in person, but obviously that's not doable. And so I hope all of you are well and healthy. And this format, I think, is going to be quite engaging and informative.

The last time we were together was almost three years ago in 2018, and at that point in time, we put a three-year vision together for you and we put in place metrics associated with that. And here we are today, and I'm pleased to announce that all of the guidance that we gave three years ago, we've exceeded, whether it be revenues, whether it be earnings, whether it be margin expansion, all of those we've exceeded. And today we're going to talk about what our journey looks like over the next three to five years.

And obviously the world has changed dramatically. We've leapfrogged into a new digital era and these trends all greatly benefit PayPal. We need to execute to ensure that we take advantage of all of those trends. But if we do, we have a very exciting plan in place. John will share with you most of those metrics, and we feel very comfortable, and we've spent a lot of time thinking about that, so that you can take those metrics and incorporate those into your thinking about the PayPal of the next generation.

Any presentation needs to start off with an acknowledgement that everything we do involves our employees. I am so proud of what our employees have done over the last five years. And they are led by this management team. Now this is my senior team. I've handpicked pretty much every single one of them, and they are all as individually talented as can be.

But what sets this team apart is how much they respect each other, how aligned we all are in our vision and our go-to-market activities. And when we say we are going to do something, we do it. We really hit our stride in 2020, and I'm so excited about what we plan to deliver and what we are going to deliver this year and in the years to come.

Now, John will spend a lot of time talking about really kind of all of our metrics and what we've accomplished the last five years. But I want to spend some time and quickly flip through some slides on what we've accomplished, because I think it sets the foundation for everything we want to do in the next five years. And so the first thing that I would point out is obviously we've grown our scale substantially. We've gone from 180 or so million active accounts in 2015 to 377 million exiting 2020.

This is the first time we're going to talk about a metric, but I'm very excited that over the next five years, we believe we can grow this 377 million to 750 million active accounts on our platform. And the reason we feel so confident about that is that we are seeing engagement levels increase dramatically throughout our base, especially with the new products that we've put out. Over the past five years, we've seen engagement levels grow by one and a half times, but given the success we've seen with the introduction of things like cryptocurrency, our offline or in-store strategies, our buy now, pay later capabilities, we are seeing historic engagement curves start to bend and accelerate.
And that's especially important because those do two things. One, they obviously increase the average revenue per user, and we expect that to grow substantially over the next five years. And at the same time, it also reduces our churn rate. And as we get larger and larger, the more our churn rate reduces, the more our net new active cohorts can grow. And so that combination of scale and engagement is very exciting for us as we look forward.

The reason that that's been happening and the reason we've had such dramatic increases in the past five years, and expect even more going forward, is the breadth of our product portfolio. When we were together five years ago at our very first investor meeting and I showed our product portfolio, it basically consisted of PayPal checkout and our P2P capabilities, our peer-to-peer capabilities. Five years later, due to the tremendous performance of our product teams and our engineering teams, as well as all the acquisitions we've made, we have a robust portfolio of products and services across our consumer and merchant portfolios.

And this is just the beginning. We introduced more product than ever before in 2020. We intend to increase that pace in 2021. And part of the reason why we can increase the pace of our product development is that we've invested in foundational capabilities. Our risk management and our compliance teams are now world-class. When I first came to PayPal some six and a half years ago, we had only a couple of hundred people in our risk management and compliance functions. Today, we have almost 4,000 people in our risk management and compliance functions, and I consider that investment to be a competitive advantage. If you look at some of these headlines, you can see the things that we've been able to accomplish. And we are now able to work hand-in-hand with our product teams, our risk teams, our compliance teams, to rapidly deploy products and capabilities, working hand-in-hand with the regulators across the world.

The other thing that we've done is we've put out hundreds and hundreds of millions of dollars into our tech platform. We've taken that from being a C++ monolithic platform to be a service-oriented architecture with modern programming language that allows us now to vastly accelerate the amount of software releases we've had from, what were hundreds a year, to now, what are tens of thousands of software releases each and every year. We can now scale our platform seamlessly. That's been especially important this past year. With availability levels at all-time records, this past year our availability was over 99.99%, our highest level ever. And interestingly this year, as you can see from this chart, in our peak minutes during the holiday period, we were transacting over 1000 transactions per second. And that is the scale that we operate at now.

We're also clearly expanding internationally, whether it be the 100% acquisition of GoPay in China, that allows us to own a domestic payments license in that country, working hand in hand with the PBOC. Our partnerships with Mercado Libre in South America, Central America, and Mexico. Our partnership with Gojek in Southeast Asia. And hundreds of other partnerships around the world.

We think that we have a large opportunity to scale our business well beyond the core markets that we serve today. Importantly, all of this stands on a foundation of brand trust. The most important thing we have is the trust that consumers and merchants have in us. And they believe that not only do we have privacy capabilities that protect them, security that ensures that their transactions and their financial services are safe and secure, but also just trust that our service works for them.
If you look at some of these market research quotes, that people are 54% more willing to buy when a business accepts PayPal, and almost 60% of PayPal users will not complete a transaction if the PayPal button isn't available, because they are afraid of that transaction, they may not trust it. And so this is foundational for us, especially as we start to move into more capabilities like super apps and digital wallets.

Importantly, we're a company that stands for values. That has a mission. That inspires to democratize financial services. That has values that we act upon. We put our employees front and center, because I believe that our employees are our single biggest competitive advantage. We know we operate within our communities and that the communities are so important. We don't operate isolated as a company. And whether it be one study after another, like Fortune's Change the World, we were ranked number three in the world this past year. Very important that our ESG metrics reflect that, and if you look at the S in the E, S and G, we are a leader across the world.

Finally, and obviously, over the past five years, we've delivered for all of our shareholders. Since our separation from eBay, our market capitalization has grown by at least seven times. All of our metrics, whether it be our revenues, or our operating margin, or our EPS, our free cash flow, have accelerated dramatically.

But the really exciting thing is I think that the past five years, as proud as I am of those, as proud as I am of what every employee in PayPal has accomplished, but the next five years offer us even more opportunity, because we are moving into a digital paradigm and this digital paradigm is going to change the way that we live, the way that we work, the way that we play, the way that we pay, and the way that we shop, the way that we stay healthy, the way we bank, the way we travel, and the way we're entertained. It's going to change pretty much every element of our lives.

The lines between physical and digital are not just blurring, but they're actually disappearing, and this is going to reshape business, it's going to reshape business models, how business is conducted. And what's going to happen is that physical will become digital and previously distinct channels like online versus offline are collapsing and converging together. You've got stores that are closing physical locations, but are expanding dramatically because they're now doing digital commerce.

I think that digital is going to define a consumer's commerce journey, including their experience and their engagement. And digital is obviously going to be the front door for a merchant to get, and keep, a customer relationship. It's clear that retail strategies have changed. Every retailer I've talk to right now is thinking less about how do they attract consumers to their physical storefront and how instead do they optimize for home delivery or in store pickup.

That's because consumers have become habituated to online shopping during the pandemic. It simply affords more benefits to a consumer. There's time-savings, convenience, ease, choice, deals, all of that is what a consumer has, and there's no going back from that. And as you think about that consumer who's now operating in the digital era, things like digital wallets or what's referred to as super apps are clearly going to emerge. And these super apps are going to intermediate dozens of other apps across multiple verticals.

We all have like 30, 40, 50 apps on our phones, but we really only use 8-10 of them every day or every week, and nobody wants to remember 40 or 50 different passwords or 40 or 50 different navigation
systems. Nobody wants to put in all their payment details across every single one of those apps. And really what a digital wallet wants to do, what a super app wants to do, is turn all of those separate apps into a connected ecosystem where you can streamline and control data and information between those apps, between the act of shopping, the act of paying for that, all of your financial services can all come together where you create a simple way, through this super app, to enable, to pay, and to track transactions across all touch points. Then you have this common platform and common data that allows machine learning and artificial intelligence to kick in and give personalized recommendations to those consumers.

The next interesting thing that’s happening clearly right now is as consumers turn away from going to a physical storefront, commerce is going to be done in new spaces and end points, and merchants now need to figure out how to get the attention of a consumer when they’re not coming into their storefront. In fact, merchants are now trying to figure out, how can we be where the buyer is? And that’s really what contextual commerce is all about. It’s how can you not only be where the buyer is, but provide relevant and tailored offers that need to be personalized to attract the attention of that consumer.

I bought an item recently from a retailer and ever since then I get two or three email messages per day from that retailer. Add that to all of the other emails and I’m just inundated and it’s hard for a merchant to break through and gain my attention. And this is where we’re so excited about the shopping component of our digital wallet, where we will have hundreds and hundreds of millions of consumers building up their own personalized wishlists, really in effect their own demand curves that retailers will be able to come to our platform and address, and do all that in a way where on our platform, we can provide a universal checkout experience.

And finally, there’s no question in my mind that in this new digital era, we're going to see a new financial system emerge. The technology that is in place right now is antiquated. It takes days to clear a transaction. It's expensive. Many elements of our populations are excluded from our financial system. People no longer want to handle cash and financials, basic financial services are just going to be a part of any platform that has hundreds of millions of consumers, because it's all tied into the everyday transactions that we're going to see. And so I think you’re going to see a new system evolve, new rails, payment rails evolve, and PayPal can be a large part of helping to shape that future financial system. All of those trends naturally lead to our deployment of our digital wallet, which is such an important element of our strategy looking forward. And it’s just our natural evolution as consumers navigate a new digital landscape. Our digital wallet can bring together previously disparate capabilities that range from payments to shopping to financial services, and even new forms of digital identification into one super app. I think that all of these capabilities need to be linked by a common platform that shares data and machine learning, and those together can drive personalized recommendations in order to maximize a consumer’s financial health in order to maximize the transactions they do in the digital era.

And obviously, this is a huge step to everyday usage, and it leverages the power of the PayPal brand. That trust, security and privacy is essential if one is going to be trusted when they put out a super app. And it also requires scale, scale both on a consumer side and a merchant side. When I think about those three different elements, payments, shopping, financial services, I think about payments first because payments is what we’re known for and those payments, well, obviously albeit digital, they will be both online and offline, and they will also encompass not just any financial institution, credit card, debit card,
ACH, but will also include things like rewards points redemption, utilizing cryptocurrency as a funding instrument, utilizing central bank issued digital currencies when that becomes a reality, and all of those transactions need to be instantaneous. They need to be secure and tokenized, and they need to be easy to use across our entire global network of merchants.

When I think about financial services, here we’re likely going to partner with different financial institutions. There may be some of these financial services we do organically internally, but a lot of these will be done in partnership, but importantly, even when they're done in partnership, it will be a seamless PayPal experience across all of our financial services, which could include things like high yield savings accounts, direct deposit and check cashing, investment capabilities, because if somebody is going to be putting their money onto our platform, we want them to be able to grow that money, to invest that money in not just things like crypto, but in individual stocks and other assets that we can digitize and allow people to invest in. We’re obviously going to continue to enhance our bill payment capabilities, our subscription management, so that all those monthly services, those streaming services you sign up can be managed in one place and all of that, together with budgeting tools.

And finally, we'll have a full tab on shopping. We will have hundreds of millions of consumers building their own wishlist, their own demand curves that merchants can access so that they can give them customized, personalized offers and deals. We will provide the ability for consumers to do price monitoring, to get rewards and for our platform to be a universal checkout so that you don't as a consumer need to go from one website to another, figure out different payment instruments, but do everything from one place. This is clearly going to be a multi-year journey for us, but it is so exciting to be able to create this super app that is going to enable our consumers to get the most out of their digital life.

At the same time, we have a two-sided network. We have tens of millions of merchants that are looking to us to help them not just survive, but thrive in the digital era. And the PayPal commerce platform is to our merchants what the PayPal digital wallet is to our consumers. It's going to enable a merchant to embrace a digital-first commerce strategy across all of their channels and back office systems, where we are now evolving from being a pure payments platform really to a digital commerce enablement engine. The great thing is we are now seen as a strategic partner to our merchants, and our conversations have moved from how do we improve checkout conversion, which by the way, we'll always do, but really now, how can we use our platform capabilities across a merchant's full customer experience from engagement to loyalty and help them drive incremental sales in the digital era.

We are working hard to integrate all of our solutions into one platform where a business can integrate once and get access to the full suite of our capabilities. We're also creating an open platform where merchants can integrate their back office systems right into their platform so they don't have to rip and replace if they're going to implement the PayPal commerce platform. And finally, we are going to provide a robust set of marketing tools that will allow merchants to take full advantage of the fact that we have a two-sided network, that we have a platform with hundreds of millions of consumers that are basically telling the merchant here’s what I want and allow merchants to tap into those demand curves. And we clearly believe we can be a differentiated and compelling partner to merchants of all sizes. And finally, I want to take a moment to talk about our efforts related to blockchain, to crypto, and to digital currencies. As I mentioned, there's no question that digital currencies and the underlying technology
have the potential to drive the next wave in financial services, and I think those technologies can help solve some of the fundamental problems of the system.

The fact that there's this huge prevalence and cost of cash, that there's lack of access for so many parts of the population into the system, that there's limited liquidity, there's high friction in commerce and payments. And I think that distributed ledgers can form the new foundation of a new way to manage and move money, to really create new rails, a new way of thinking about how we manage, how we move money in the digital era. And I think our platform is uniquely situated to help enable this vision to provide both broad access, increasing utility, and very importantly, to work hand in hand with governments, regulators, and central banks.

At our last investor day, I put up this slide, which basically talked about the huge opportunity that PayPal has as we look ahead, that we operate in a $110 trillion addressable market, and that we really only enjoy maybe 1% market share of that. But the truth of the matter is several years ago, when we looked at really of that addressable market, where did we compete? It was only an online retail, P2P remittances, and digital services. Today, because we’re seeing a collapsing of financial services, shopping tools, payments, we’re now able to move into more parts of the world through partnerships and through acquisitions.

We believe that we operate in all of the colored in sections of our addressable market. In fact, we have increased the part of our addressable market that we play in by over six times in the last three years, and that gives us a tremendous amount of opportunity. I believe we are entering into the next chapter of PayPal’s growth and that the opportunities over the next five years will dwarf the opportunities that we saw in the past five years. The new digital paradigm is opening up so many venues of growth for us and these emerging trends and the capabilities that we now have inherent within PayPal provide an enormous opportunity for us. The impact we can have for our consumers and for our merchants can truly be meaningful and allow everyone to have access to the digital economy.

It is for all of those reasons that I believe PayPal is entering into this next chapter. Clearly our opportunities to grow and increase our relevance to become an essential every day app for consumers and to provide a comprehensive platform for merchants to move into the digital economy have never been more apparent, and I think there are few companies in the world who can even aspire to this vision. And why is that? It’s because it requires capabilities that cross industries, from financial services, to payments, to shopping to technology. And it requires that you have a tech forward company that basically can do massive numbers of software releases, that has platforms that can scale, that has relationships with governments and regulators around the world and has a brand that consumers can trust.

All of those things need to be in place to aspire to this vision. We can be that company. We’ve invested, over the last five years, to have the capabilities, to have the tech platform, to have the skills and the employees that are so necessary to take advantage of all of those trends that are clearly playing in our favor. And we are so excited to help consumers and merchants navigate and thrive in the next generation of the digital age.

So I want to thank all of you for this. We are really looking forward to the rest of the program with you, and at the end of the day, John and I will be together to answer any of their questions. Thank you very much.