Q&A Session | February 11, 2021

Dan Schulman, *President and CEO*

John Rainey, *CFO and EVP of Global Customer Operations*

Call Operator

Good afternoon. My name is Denise, and I'll be your conference operator today. At this time, I'd like to welcome everyone. Welcome back. Thanks again for being here today. I'd like to turn the call over to Dan Schulman and John Rainey.

John Rainey

Welcome back, and thank you for joining us here today. Virtually Dan and I are here together, socially distanced, which is a sign of the times. We are entering the Q&A portion of our show today, and Denise is going to lead us through that. So Denise, I'll turn it back over to you for the first questions.

Call Operator

All lines have been placed on mute to prevent any background noise. If you'd like to ask a question, simply press star followed by the number one on your telephone keypad. If you'd like to withdraw your question, press the pound key. We asked that analysts limit themselves to one question, and then return to the queue for any additional questions. If you're also tuned into our webcast, please mute the webcast before you ask your questions. Thank you. Your first question comes from Colin Sebastian from Baird, your line is open.

Colin Sebastian

Great, good morning, and thanks for taking my question. Exciting presentation guys. I was hoping to drill down a little bit more into Venmo, including the key priorities for this year, and then how much of the medium term NNA [net new active] guide is dependent on Venmo? And likewise, how much of a contributor should we expect that to be to the 2025 revenue outlook? Thank you.

Dan Schulman

Hey Colin, it's Dan. I think I'll start off, then maybe John, you can come in. I think Darrell did a good job in terms of explaining what our roadmap is for this year. I think we're excited about the business profiles that's coming out. We're excited about the credit card, very excited about Pay With Venmo, that will start to come out in Q2, and that will obviously ramp quite substantially over time. And then obviously Crypto comes on to Venmo. And as Jonathan and Darrell were talking about, the Venmo product roadmap going forward will also include a lot of the functionality that we talked about in the PayPal app around our super app financial services, payments and shopping as well. And so, they're both going to move along a similar path, in their unique ways, but on a similar path.

And then obviously as we look forward, we'll see Venmo move into international markets. As Darrell mentioned, because Venmo is now riding on a lot of the back-office platforms of PayPal, they can expand wherever PayPal is, and so it's just a matter of market fit, and then making sure we're in language and expanding those capabilities. John, do you want to take the second part?

John Rainey

Sure. So, as Dan said, Venmo is certainly one of the more exciting things that we're talking about in terms of the next five years. And we've long been asked questions about, "When are you going to expand that internationally?" And that's in our plans for the next five years, and we're really excited to take some of the experiences that so many enjoy with the social features of that app, and bring them into new markets. So certainly, there's a large assumption around net new actives that come with that. But I think very key, if you focus on the last part of my presentation, we have the opportunity to appreciably increase the average revenue per user of Venmo today, much more so even than what we do on PayPal. So there's sort of a combination of two factors. One is net new active growth, but also almost exponentially increasing the amount of revenue that we get from each new Venmo user, as we roll out some of these experiences to the Venmo platform that we've talked about today.

Call Operator

Thank you. Your next question comes from Tien-Tsin Huang from JP Morgan. Your line is open.

Tien-Tsin Huang

Thank you so much. Good show today. I'm just thinking you guys have really come a long way from, from wanting to be more than a buy button, I guess what five years ago to now being this super app covering shopping and financial services. I wanted to ask on the digital wallet, really a lot of ways to ask it, but I'll ask it this way. Just the timeline on when we'll see these products introduced. And of course, what is the consumer experience going to be like? I know it's not easy because you need to minimize clutter, and make sure consumers can find and use what's relevant for them. So just want to get a better understanding of the timeline experienced, so we can track this. And then I have to ask guys, on financial services, how do you manage the conflict of which financial services partners to feature, and do you become more bank-like? What's and where's the line, maybe, that you won't cross in terms of products, like mortgage, auto loans? What's on and what's off the table. Thanks.

Dan Schulman

Yeah, I think I'll take a first crack at that, and then turn it over to John for anything else. So look, I think, we've laid out pretty clearly what the vision is for this super app, and it crosses payments, which we're obviously deep in now, but we're going to expand dramatically, goes into financial services, and then importantly, into shopping tool sets, and wishlists as well. And the reason I think those are all important is because they're all interrelated. They're all features that are necessary if somebody is going to live their digital, transactional life on our platform, on our super app, and one feeds into another. For instance, if you are doing bill pay with us, and we can see just how well you're keeping up with those bills, then our ability to [provide] credit, and to do other things plays off from that. If we see savings accounts in place, then our ability to do other things like Jim Magats was talking about like this trust, and always make sure that your transactions go through, can happen.

So all of these feature functionality need to ride on a common platform; they need to share data. We need to look across them, look at that data, use all of our machine learning capabilities and our AI capabilities, which have been growing tremendously over the past several years, to take that and to do personalized recommendations. Because to your point, you don't want to have a cluttered app; you want to have a very clean app. And we've been spending the last year in market research, working with consumers that, when we unveil the next iteration of our digital wallet, which will be in the next several months, it's going to be a really different, clean look and feel.

And so, what we've been talking about, we intend to roll out fully over the next 18 to 24 months, and you'll see a large chunk of that happen this year alone. And the way that I think about financial services, the way that I think about all of our partnerships that we've had is, those partnerships will continue to flourish. I think they will continue to maybe even get closer than ever before. We are already one of the largest digital distribution channels for all of our partners, whether they be FIs (financial institutions) across the world, or the networks. We're increasingly a large part of their volumes, we add substantially to their growth rates, going forward. And we think that we will, with this super app, and as you can see from John's presentation at the end, we are looking at basically tripling our TPV over the next five years. We're going to generate a ton of volume, and a ton of that volume is going to accrue to our partners as well.

And so, we're really excited about the possibility of deepening our partnerships, creating this super app and enabling, not just our financial institution partners and our network partners, but our partners, to tap into those demand curves. I mean, the other really important thing is when you have 750 million active accounts on your platform, that's a ton of demand that can be generated for our merchants to tap into, and so all of this kind of feeds into each other. It's a cumulative effect that builds, and I don't think we could be any more excited about the potential of building our digital wallet into a super app and all the partnerships and benefits that, that accrues for both us, our customers, and our partners.

John Rainey

I'll just add to that Tien-Tsin that if you think about the last five years, I would characterize the growth that we've had is really increasing our distribution. And that's, in part, because of the partnerships that we had, and we've done this in a way that's good for our customers, good for our partners, and good for us, as Dan said, and we are a digital distribution channel for those partners. The next five years will be more characterized by increasing the experiences that we provide to our customers, but at the same time, we'll do that by partnering, by continuing with the partnerships that we have to enable those experiences. So this is something that I think accrues to our benefit, as well as the rest of the ecosystem, because there's such a large addressable market here.

Call Operator

Your next question comes from Jason Kupferberg, from Bank of America. Your line is open.

Jason Kupferberg

Hey, thanks guys, for all the detail today, I wanted to talk a little bit about the geographic expansion strategy here. You highlighted a number of regions and countries, I wanted to get a better sense of how much of the penetration strategy will be driven by organic investment, versus partnerships, versus acquisitions. And I was also curious by, unless I missed it, I don't think India was mentioned, just given the low e-com penetration there. Thank you.

Dan Schulman

You want me to start?

John Rainey

Go ahead, yeah.

Dan Schulman

Thanks for that question, Jason. So, we've talked about this quite a number of times. We are really in seven to 10 core markets today, and in many parts of the world, our market share is like one to 5%. And so, these geographies of the world offer tremendous opportunity for us. And as the panels before, both on the consumer and the merchant side talked about, we are increasing our product capabilities and our platform capabilities into many parts of the world.

We think countries like China have tremendous opportunity for us, Japan, which may be for some people, but it's the number three e-commerce market in the world holds opportunity for us. Brazil, Mexico, certain countries in Southeast Asia are all target markets for us. And as we think about the net new actives that we're going to be bringing on over the next five years, there are a couple of things that give us great confidence in that number. First of all, all the engagement that we're seeing right now with the new products that we've launched is very, very encouraging. We're seeing our bending of historic engagement curves, and that's accelerating. John mentioned in his presentation, things like Crypto people are opening up the app two times as much. And when we look at engagement, we've typically we measure that by TPA, transactions per active. But there are so many ways to look at engagement.

Like how many times is somebody checking their wallet, opening their wallet? How many times will they look at their balance? How many times will they look at deals and offers that we can do in the shopping tab? And so the more engagement that there is, two things happen from that. First of all, the average revenue per user goes up quite dramatically over the next five years. And our churn rate comes down. We are already seeing our churn rate come down quite meaningfully, for instance in Q4 of last year. And you think about that when you're as big as we are, churn matters a ton. I mean you reduce churn by 10, 20 basis points. You could reduce the number of people coming out of the bottom of the funnel by five, 10, 15, 20 million.

And so as our churn starts to reduce and our engagement goes up, our cohorts start to go up as well, our net new active cohorts. And so that's one place we'll get it. And the other place is obviously from geographic expansion as well. We have a ton of room there and between those three things, we feel very comfortable with that 750 million number that we put out there.

John Rainey

Yeah. And Jason, perhaps I'll address the other part of your question. So first with India. India is still a very important market to us, but our focus going forward is cross border. And it's really a matter of prioritization. When we look at all of the opportunities that we have around the world and where we can invest for the best return, we simply see that there are other markets that create a higher return for us. But India is a big market for us in cross border and will remain so going forward.

In terms of the part of your question referring to organic versus inorganic, the plan that we put in front of you today is entirely organic. So the 20% revenue growth, the 22% earnings growth, the free cash flow generation, that's all organic. And so to the extent that we go out with the maybe $40 billion of free cashflow that we'll have over the next five years and use that to acquire other capabilities, other companies and geographies, maybe where there's some white space for us, that's simply additive to that. And that's the fortunate thing for a company like ourselves in that we not only enjoy a very high growth rate, but we also generate a ton of cash. And as I said in my presentation, that's an arrow in our quiver as we look across the competitive landscape and compete with others. It gives us another asset to go out and compete in that field.

Call Operator

Your next question comes from David Togut with Evercore ISI. our line is open.

David Togut

Thank you very much. Appreciate the great content today. As your business grows and diversifies over the next five years, looking at the 40 billion free cash flow you expect to generate over that time is there anything you can tell us about assumptions around free cash flow margin, how capital intensity might be changing with the diversification of your business? And then the follow-up question is if I take your math on capital return, John, 30 to 40% to share buyback, you still have 24 to 28 billion leftover for other uses.

And I'm curious how you rank other uses for allocating that capital and potentially as a dividend at some point in PayPal's future.

John Rainey

David, you jammed in a lot in that question. So I took some notes, I'll try to address all of it. So, generally we expect our free cash flow margins to remain in the same area that they have been. And again as I just said to my answer to Jason, I think that's one of the great things about our business. In terms of capital intensity certainly credit remains one of the parts of our business that is more capital intensive. And we've now introduced yet another credit line with buy now pay later, albeit much less capital intensive than some of the other aspects of our business. But as we've demonstrated in the past, if we get to a point where we think that we are too capital intensive on credit, we can externalize that. We can go out and do something very similar to what we did with Synchrony. Where we sold our $6 billion US consumer credit receivable portfolio and partnered with them and do it in a very asset light like way.

And so we can certainly avail ourselves of those options in the future because we want to remain nimble and we want to continue to not be a capital intensive business. In terms of the free cash flow generation and what we do from a capital allocation perspective, we earmarked that 30 to 40% can be returned to investors. That's a minimum and certainly as we look at the various options that we have to return that capital or spend it acquiring companies or investing in ourselves, we always view it from the standpoint that every dollar of capital has to compete against all those various alternatives. And we seek to invest where we have the highest return. In terms of a dividend, it's something that we look at a lot in terms of our capital allocation and how best to use that. It's not something that's currently in our plans, but we've discussed it and it might be in the future.

Dan Schulman

If I can add onto all that, I think it's important to kind of contextualize a little bit about what we said three years ago and what we just said. Three years ago we gave revenue guidance of 17 to 18% and about one and a half points of that was due to acquisition. So normalize from an organic perspective our guidance last time was 16% revenue growth with one and a half points of growth from acquisitions. This time as we were thinking about what we were going to do from guidance, there are so many different potential acquisition targets for us. Both tuck-ins, small and some larger looking at different geographies. And we are clearly going to be a consolidator in the industry. We are clearly going to use the strength of our balance sheet to continue to grow.

But it was difficult for us to put it into that forecast. And we thought it'd be more conservative and maybe just to look at what we could generate organically, because the difference in terms of what we're now seeing in the market with these digital trends and the opportunities that have opened to us enabled us to put in front of you a revenue growth target that's fully organic. But clearly we are looking across the ecosystem at potential targets and we will clearly do acquisitions every single year. Some will be tuck in, some will be to acquire talent, some will be to get capabilities that we just don't have the room in our roadmap to go and do. And some will be for us to enter into a geography in a more robust way than building up over time. And those will all be additive to what we put in front of you. And so I think our balance sheet is a weapon.

We're very disciplined in the way that we think about capital allocation. I think John pushes us in all the right ways to think about each dollar of capital and how valuable that is in the different use cases we have. But we clearly know that this is an industry that is growing tremendously. We are in a unique position right now both the capabilities we have internally and with the firepower we have from our cash generation. And so you can expect us to look at that capital that we have that free cash flow and deploy it wisely.

David Togut

Understood. Thanks so much.

John Rainey

Thanks, David.

Call Operator

Our next question comes from Lisa Ellis with MoffettNathanson. Your line is open.

Lisa Ellis

Hi Dan and John, thanks for putting this event together like the $50 billion, good stuff. Of course I can't resist a question on crypto. So would it be possible at first to provide any additional metrics on some of the success you're seeing with the initial crypto buy, sell, hold launch in the US? And then second, articulate a little more specifics on your longer-term aspirations for digital currencies and broader investment services. So are you expanding buy, sell, hold offerings into other asset classes? How are you tracking on launching the commerce offering? And then I know you're pretty heavily involved also with government backed digital currencies. Thank you.

Dan Schulman

Okay. I mean I think I'll try to answer some of those questions Lisa. That was a multi-part question, but all of them really, really good. I think and I tried to say this in my remarks that buy-sell-hold is step number one moving into sort of this whole digital currencies arena. Obviously, we're tapping into a tremendous market that in which we're seeing demand and growing demand from our customers to have the ability to simply and easily buy cryptocurrencies, hold it or sell it. And as I think Jonathan mentioned, we are seeing just first-time users flock every single day to that. So the results that we saw that kind of surprised us to the upside continue to do the same thing to this day. But that's just the beginning of what we're really thinking about it. If I take a step back, I really do think that over the next five to 10 years that the architecture of the financial system is going to have to change. First of all, it's pretty antiquated. It can take days to complete a transaction to have your money actually get to you. It's very expensive. And by the way, it's very expensive from a take rate overall. But if you have lower income levels that take rate can be six, eight, 10% versus the most affluent who can have take rates of half a percent to 1%. So it's skewed in terms and it basically is very exclusionary. It's not inclusive, it doesn't bring in all of the world's population. [We] still have 2 billion people outside the financial system. And so I think as we move to a much more modern infrastructure, modern technology, it could be distributed ledgers, it could be other technologies that you're going to see a shift in the way that digital forms of value are moved throughout the world.

And we think as central banks start to seriously consider the direct issuance of digital currencies and most of them are thinking about it right now and many of them are moving forward and are talking about launching that over the next several years, that is a natural complement to digital wallets. And if you think about how many digital wallets we're going to have over the next two, three, five years, going up to 750 million, we're a perfect complement to central banks to governments to distribute those digitized Fiat forms of currency in a very modern way so that transactions can be instantaneous so that more and more of the population can access the digital economy.

And we think that really is kind of the focus area of this new business unit that we've put into. What's that architecture going to look like, how can we shape it? But in the interim, you've got all the things that are happening with digital forms of currency right now, which are called crypto. And they run on distributed ledger technology. And we think we can add more and more utility to those cryptocurrencies. Step number one is allowing cryptocurrencies to be used as a funding instrument so that somebody can invest in crypto, if that runs up or runs down, whichever way it goes, but they can instantaneously access that amount of money they've invested and use it to make a purchase at any of our merchants. So, that's step one and that's going to happen in the next couple of months.

After that, if you think about some of the utility inherent within blockchain, things like smart contracts, you talked about digitizing other assets and maybe having people be able to invest in those digitized assets that can be broken down into smaller piece parts. That's clearly things that we are looking at and have on our roadmap. We'll expand internationally as well, as Jonathan mentioned in his presentation. And so, our roadmap around cryptocurrency, enhancing the utility of that, not just the buy-sell-hold, but the fundamental utility of cryptocurrencies. And then really thinking about the long-term, like what does the new financial system look like? And what's our role in helping to shape that? And how do we work hand-in-hand with central banks, with governments and with regulators to go and do that? So, it's quite expansive. We're investing heavily here, but this is a once in a multi-decade opportunity where the fundamental rails of the system are going to be redefined and we have a chance to help shape that.

Lisa Ellis

Very exciting. Thank you.

Call Operator

Your next question comes from Dan Dolev from Mizuho. Your line is open.

Dan Dolev

Hi, good afternoon. Thank you for taking my questions. Dan, you historically shied away from doing a large transformational acquisition. And I know the [revenue] target of $50 billion is all organic, seems to be some significant upside to that from an M&A perspective. Can you tell us a little bit, what is on your wishlist? Do you see yourself doing some transformational acquisition and do you see yourself doing something that's more than say 10 billion? Thank you very much.

Dan Schulman

Yeah, it's a good question. Want me to take first crack at it, John, and then turn it over to you?

John Rainey

Go ahead.

Dan Schulman

Look, we look at potential acquisition targets that are small and some that are more transformative. The numbers that we put out in front of you today involve no transformative M&A. We clearly see a lot of winds at our back right now, and a lot of trends that frankly are falling our way and we need to execute extremely well internally to take advantage of those, but we are doing better than we've ever done before on that.

And as I mentioned in a previous question, we're going to be acquisitive. There's no question about it. We've got a lot of firepower and we're a very different company than we were three years ago or five years ago. We are a 300-billion-plus market cap company. Acquisitions that might have seemed bigger three years ago, honestly, are tuck-ins right now.

Might we look at larger acquisitions? Of course, we're going to look at larger acquisitions, but what we really try to do when we look at those larger acquisitions is what is the degree of difficulty in terms of integrating that into our platforms? What exactly does that get us? And we are very disciplined in that. We always want to have a breakeven that is no longer than three years. We aspire for two years on that. And so, we put strict filters on all of our acquisitions, but I will say, when we do our reviews, we do it at my senior team level every single month, looking at the landscape. We are looking at targets that are tuck-ins to more substantial acquisitions, but that wouldn't really posit on my wishlist around that right now, or the likelihood or unlikelihood of us doing a transformative transaction. We'll look at these things the same way we always have, with a ton of discipline and a ton of understanding on how it fits in strategically with the vision and with our roadmap. Anything to add?

John Rainey

The only thing I'd add is that the last 12 months have really emboldened our thinking around how we bring things to market. And in particularly, organically. The team has done a better job than we've ever seen in terms of bringing new products, new experiences to market, and doing it in a way that's fast and really meets the consumer needs. And so, as we think about the future, we're not in a position where we need to react defensively and go acquire some other company to provide these capabilities. We're really on our front foot here. And it allows us to be very selective and disciplined as we look at the landscape out there of opportunities.

Dan Dolev

Thank you, Dan. And thank you, John, for a great performance.

Dan Schulman

Thank you, Dan.

Call Operator

Your next question comes from Sanjay Sakhrani with KBW. Your line is open.

Sanjay Sahkrani

Thank you. First off, congratulations on everything you guys have accomplished. Very impressive. I guess, on the outlook, you guys have obviously a number of different irons in the fire in terms of product pipeline, but what's specifically giving you the competence to provide a five-year outlook? You know what I mean? There's a lot there inside of that, I assume. And maybe you could just talk about how even you expect that growth to be over the next five years? Thanks.

John Rainey

Sure. Let me take that?

Dan Schulman

Yeah, go ahead, John.

John Rainey

So Sanjay, I'll take the last part of your question first. It's a fairly linear trajectory in terms of the outlook over the next five years. In terms of what provides our confidence, the acceleration that we saw in 2020 around e-commerce and digital payments are really the undercurrents of what our plan is over the next five years. We certainly, once we get past coronavirus and people regain mobility and can go back to restaurants and stores in a more normal fashion, we'll likely see some drop down from the elevated levels of e-commerce activity that we see right now. But I think very importantly, we don't expect a reversal in trends. We don't expect what's happening with cash displacement to turn the other direction. Look, among the many things that I look forward to doing after the pandemic, going to an ATM machine is not one of them. And so, we believe that the trends that we're seeing are going to continue into the future. And look, with any outlook, there's some degree of risk, whether it's one quarter out or five years out, but myself and this management team have never had more conviction and more confidence in the plan that we put out in front of you. And we're looking forward to executing on it.

Dan Schulman

Yeah. I'm just going to build on that, John. I completely agree with you. I think we have more conviction in our business than we've ever had before. There are more opportunities available to us than we've ever had before. And honestly, we put forth a plan in front of you that is not like an optimistic plan for, it's not like putting our best foot forward. This is a realistic plan that we think we are going to deliver against, and we have a track record against doing that.

I would say, to John's point, trends have accelerated. There's no turning back from this new digital era that we're going into, for so many reasons, both from a merchant perspective and a consumer perspective. Our real addressable TAM [total addressable market] has grown six times with the new products and services we're putting out and intend to put out. And so, we have a lot more room to grow and we're executing better than we ever had before.

Look, all of the investments we've put into our business over the last five years, and they've totaled not just hundreds and hundreds of millions of dollars, but billions-plus dollars of investment while expanding our margins, by the way, have been in the foundational capabilities of the company, having a tech stack that was antiquated, to now as a modern tech stack. I mean, the difference is night and day when you do that, having actually now risk function, risk management, compliance, we've put in multiple hundreds of millions of dollars. That is a huge competitive differentiation for us now. It allows us to deploy product faster than ever before. And so, when I look at sort of the sum cumulative effect of where we are today, the scale we have today, the platform capabilities, our ability to put out more product, more software, the trends behind us, a larger addressable TAM, and frankly, some of the great results we're seeing from just some of the early products we're putting out. And we've put out, it's like the tip of the iceberg right now of what we put out. The vast majority of what we plan to do is ahead of us. And so, I think we have a strong degree of conviction in what we put out. That doesn't mean that things can't go wrong one way or another, but we've been very thoughtful and very disciplined about the numbers that we put out in front of you.

John Rainey

I'd add one more thing if I can, Dan, Sanjay. And certainly, we operate in a dynamic marketplace and we're subject to the trends and the vagaries of that marketplace. But here's the important thing to understand is we're not just sitting back on our heels, being a recipient of this trend. We are on our toes investing into this and taking this by the horns to help shape this outcome over the next five years.

Dan Schulman

I would say the whole team feels that way, not just our senior team, but throughout the company.

John Rainey

Yep.

Sanjay Sahkrani

Okay.

Call Operator

Your next question comes from Bryan Keane from Deutsche Bank. Your line is open.

Bryan Keane

Hi guys. Thanks for the day. I also wanted to follow up on the guidance. On the revenue, it is 400 basis points stronger and organic from the last outlook. And so, just trying to think about the pieces there, John, maybe, the eBay headwind obviously is going to be going away, thinking about new products, increase in engagement, which has been a highlight today. And then obviously that acceleration of new user growth. I wonder how much of a component is that to the increase in your organic growth.

And then secondly, just on operating margin expansion to get to that 22% [non-GAAP] EPS gross, should we expect a steady increase? I don't know if 50 basis points is the right metric or what should we think about annual margin expansion? Thanks so much.

John Rainey

Sure, I'll take that. So Bryan, certainly, there are headwinds and tailwinds in our guidance. You noted eBay. I think it's important to understand that we are so much more diversified as a platform than we were five years ago. And that inures to our benefit as we look forward. If you decompose the growth over the next couple years, the next five years, well, you can see from the numbers we put in front of you, we're expecting our net new actives or our total actives to double. So, if you think about that, there's a maturity curve that comes in terms of the engagement level and the revenue and income contribution from those new actives. And so, those actives will be contribute less relative to the existing PayPal base five years from now. So, I would, to use rough math, say a third of that growth comes from the customer acquisition. Two-thirds comes from the cohort of customers that we have today by increasing their engagement. All of the things that we talked about and you heard from everybody today. If we can double that cohort, double the revenue per user of that cohort over the next five years, that'll contribute about two-thirds to that growth. In terms of operating margin expansion, look, here's the thing to understand. As I said in my answer to Sanjay, we really think this is sort of a once-in-a-lifetime opportunity. And we want to invest into this and we're investing heavily in this plan that we put in front of you today. It just so happens that as you've seen over the last five years, the scalability of our business, the ability to grow at a low marginal cost, that enables our margins to go up. And so they will go up over time, but how much happens one year versus the next will be heavily dependent upon the level of investment in that particular year. And so we think that this is a plan that balances good margin expansion while investing into this opportunity to be ready for the five years that follow this plan.

Bryan Keane

Got it. Thanks so much.

Dan Schulman

Maybe if I can just add on to that. I think one great point is what's happening with eBay. Like eBay for the last four quarters or so, I'll probably get these numbers slightly wrong, but it's been about 1% TPV growth for us. The rest of our business is growing at about 30% or so. And as you think about eBay becoming a much smaller percentage of our business, and we anticipate most of that will happen through this year, maybe a little into next year, then a large part of our base that is much slower growing, we now have other marketplaces that are replacing that that are growing anywhere from seven to 15 times that of eBay.

In fact, we're working with a number of new marketplaces right now that we hope to be able to announce over the next several months that we're really excited about that we believe can add incremental growth on top of that. And so I think eBay is a depressant to our growth this year, and then as we start to lap over that, it's an accelerant going forward. And all of that's built into our plans and it's why we feel so comfortable about the revenue growth targets. So I think that's it. Do we have time for one more question, two more questions? Okay, I think that's not it and we have time for two more questions. Operator.

Call Operator

Your next question comes from George Mihalos from Cowen. Your line is open.

George Mihalos

Hey, thanks. Thanks for squeezing me in guys and congrats on putting this all together. Just had a partnership or maybe more aptly, a frenemy question. Five years ago, you partnered with the networks and became a collaborator or part of the traditional financial payments ecosystem. I'm just curious now as you fast forward the next three to five years, do you see more opportunities on the partnership side with those constituents, those peers of yours, or do you think you start to maybe bump heads a little bit more as maybe you encroach in some of the areas that you're both playing in? And frankly, you've outgrown a lot of these collaborators. Just curious how you're thinking about that in your market positioning going forward.

Dan Schulman

I'll take a first crack at that and then John could come in. I think our partnerships are going to strengthen over the course of the next three to five years. Why is that? One, we're going to be generating a ton of a value and volume for our partners. When I look at the amount of volume that we drive being probably the largest digital distribution channel for many, many of our partners, that's just going to accelerate going forward. And then on top of that, we're going to be partnering with some or several of them as we go more deeply into financial services. And so not only are we going to continue to drive the growth that we have for our partners, but with many of them, we'll go deeper into partnerships.

I think American Express is a good example of that. We started off with one or two things and then we are now moving into using our peer-to-peer platform to help enable peer-to-peer movement for American Express customers. They're obviously doing some of their rewards capabilities to encourage people to use PayPal, and that relationship is just deepening over time. I could go through one partner after another. As I look to our partnership with the networks, they've been fantastic over the last three to five years. And we're excited about the next three to five years, and I know they're excited about the potential that we can do together. And so I think clearly there are always some places where you bump into each other, but when I look at the totality of what we plan to do and the potential of our partnerships around the world, I think they grow in numerous ways.

Call Operator

I think your last question is from Darrin Peller from Wolfe. Your line is open.

Darrin Peller

Hey, thanks guys. Nice job. When you're calling for doubling your users, it's fairly a big doubler, 15% CAGR versus the last five years of also 15% or 15%, 16%, despite obviously a much higher base. I think even more important is the tripling the TPV in the next five years clearly just underscores expectations for increases, serial increases in engagement per user from let's call it roughly 40 to 50 times per year today. So John, if you can just first touch on that. And then on a related basis, Dan, when we look at 24, 25, maybe just more holistically, if you can give us a sense of what you see the PayPal customer doing, like how many attach... What's the attach rate? How many products and offerings you actually see these customers using down the road? Thanks again, guys, and nice job today.

John Rainey

So I'll start. As I noted earlier, Darrin, and thank you for your question, a big part of the growth comes from increases in engagement from the experiences that we're offering. And I think fundamental to our outlook over the next five years is a belief in the ascendancy of digital wallets, the primacy of digital wallets. We don't believe that there's going to be a winner take all and certainly don't think that everyone is only going to use PayPal, but we do believe that consumers are going to continue to move towards digital wallets. And we think that the experiences that we're adding now and we'll continue to add into the future are going to make that digital wallet as good as anyone that's out there.

And as you have those experiences to go out and use crypto, to use buy now pay later, to use a QR code offline, to shop online, to compliment that with things like shopping and offers and rewards, those are the very kinds of things that are going to drive that engagement that doubles that average revenue per user over the next several years. And so that's what underpins the assumptions that we have in this plan.

Dan Schulman

Yeah, I'll just add on top of that. Obviously you can do the math and divide at the end of the time, but that actually doesn't really even give you a full picture because of people who come in later take some time for their usage to come up. And so, when we look at the base of our customers, we're so excited about the amount of usage that they could do. John mentioned like when somebody uses us in store, they have 50 more incremental transactions on top of their online transactions. And what excites me about becoming a super app going forward, and again, like we've outlined the next 12 to 24 months for you in terms of our product aspirations, but there's a whole other roadmap behind that in terms of things that we want to go do.

And what I love about it is these build on each other. When somebody uses us offline, they tend to use us more online. When somebody uses us more and more, they tend to put more money onto the platform. When people put more money on the platform, they tend to want to do other things on the platform like bill pay. When they do more bill pay, then we can look at maybe how much more credit can we give them because we see whether we can responsibly lend to them. When we started thinking about shopping on top of that and the rewards that people can have, the demand curves that can build up, this could be a massive ecosystem that builds upon itself. And we try to be realistic about what we want to put out in front of you, but certainly, you know what our aspirations are. Our aspirations are a billion users on the platform using it every single day. And we don't get there in these next five years, but that is our aspiration and that is what we're going to be building towards.

Darrin Peller

Thanks guys.

John Rainey

Thanks Darrin.

Dan Schulman

Do we have one more question in line? No. Okay. So let me do this then. Let me thank all of you for your time over the last couple of hours. I hope it was informative for you. We spent a lot of time planning and thinking about this. We were very excited to lay out our overall vision for you and to put that out there and then for you to see us execute against that. Hopefully, the next time we do this we'll all be able to see each other in-person. And I really want to, again, thank you for joining us in our investor day. Hope that all of you stay well, stay safe. I hope that everybody gets vaccinated shortly. And until then, we look forward to staying in touch. And again, thank you for your time. Bye bye.

John Rainey

Thank you.