PayPal

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Lisa Ellis, *MoffettNathanson*

Sanjay Sakhrani, *Keefe, Bruyette & Woods, Inc.*

Ashwin Shirvaikar, *Citigroup*

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Jamie Friedman, *Susquehanna International Group*

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Brett Huff, *Stephens, Inc.*

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to PayPal's Fourth Quarter 2020 Analyst Call-Back.

After some introductory remarks, there will be a question-and-answer session. To ask a question during the session, you'll need to press star, one on your telephone keypad. To withdraw your question, press the pound key. Please be advised today's conference is being recorded, and if you require any assistance, press star, zero for the Operator.

It's now my pleasure to hand the conference over to PayPal's Chief Financial Officer, John Rainey. Please go ahead, sir.

John Rainey

Thank you, Holly, and thanks, everyone, for joining us this evening.

I'm joined on today's call by Erica Gessert, who is our Senior Vice President of Finance, as well as Gabrielle, who heads up Investor Relations and Corporate Finance. The three of us will be answering your questions, and Holly, we'll just jump straight into Q&A. Thank you.

Operator

All right. Once again, to ask a question, press star, one.

Our first question is going to come from the line of George Mihalos with Cowen.

George Mihalos

Hey guys, thanks again for doing this, and congrats on the quarter; again, nice to see the momentum.

John Rainey

Thanks, George.

George Mihalos

Two quick questions if I may. As it relates to the first quarter and the 26% FX-neutral growth, John, just wonder if you can talk a little bit about the trends that you've seen through January. Has growth been somewhat more elevated than that, given that there was some stimulus, and is the expectation that that slows a little bit?

Then just a point of clarification, the full-year guide of 17% FX-neutral growth, that assumes no additional stimulus at this point. Is that correct?

John Rainey

We have an assumption on stimulus about what's been bantered about in Congress right now, but the effect from that is not going to be a huge driver in those numbers, George. With respect to the first quarter, we've certainly started the year strong, but if you think about the trajectory of growth over the three months of January, February, March, March is when we really were impacted last year, when the world locked down travel and everyone went to shelter-in-place. Despite starting the year strong, we would expect the largest year-over-year growth in revenue to come in March.

George Mihalos

Okay, thanks, appreciate that color. Congrats again.

John Rainey

Thanks, George.

Operator

Our next question is going to come from the line of Lisa Ellis with MoffettNathanson.

Lisa Ellis

Hey, John and team. Quick question on digital currency; can you give a sense—well, I guess, first question, to what extent is Crypto Buy, Sell, Hold incorporated in guidance for 2021? Then second one is, can you give any sense for the user adoption of crypto so far?

John Rainey

Thanks, Lisa. It's good to speak with you.

We certainly do have some assumptions around Buy, Sell, Hold in our projections for this year, and as Dan, I think, made quite clear on the Earnings call, we're exceedingly pleased with this. I do think it's worth noting though that, I've seen some reports where people are maybe conflating a little bit, the volumes that they're seeing on other platforms like itBit, with our volumes. While we certainly contribute to that, we are by no means the majority of that.

That's not really a good proxy to use for PayPal's business on that. All that said, this has been a very successful product launch. One of the things that I particularly am most excited about is what we're seeing around the levels of engagement of these users. They're coming to the wallet much more frequently, much more engaged with the platform. This really fits with this thesis that we have around, as we add additional products and services that are attractive to our consumer base, it creates a stickiness to our platform where we really are going towards this everyday financial app, and we're quite excited about that.

But crypto, for us to see an outsized impact on our business, certainly to the point where it's starting to move the dial on the overall growth numbers of our business, we're a little bit of a ways out on that right now.

Lisa Ellis

Okay, I should have asked this upfront, a quick clarification just on the economics or how it's flowing through, I guess. First question, are you generating revenue both on the transaction fees that kicked in on Jan 1, as well as on spread? Then second, how should we think about the operating margin or operating profit contribution?

John Rainey

Yes is the answer to your first question, in terms of where we're generating revenue, the margin is pretty attractive in this business. I think, again, if you pull back and you think of this at a big picture level, when we allow our customers to use crypto to go shop at our merchants, our network of [nearly] 30 million merchants around the world, that's where this halo effect or indirect benefit, that's where it gets really attractive on a margin basis, because the funding cost of that being so low.

Lisa Ellis

So low, mm-hmm, yes. Okay, got it. Thank you.

Operator

Our next question is going to come from the line of Sanjay Sakhrani with KBW.

Sanjay Sakhrani

Thanks. Good evening and congrats on the results.

I guess just, John, to clarify some of your comments on the beyond 2021 growth trends, I know you want to save a lot for next week but just wanted to make sure. As we think about the beyond 2021 numbers, it would seem like there's an accelerating trend, and that's with these new products building momentum on top of the core accelerating, or kind of maintaining this level of growth?

John Rainey

Sanjay, it's good to speak with you, and you're right. I don't want to front-run what we're going to talk about at Investor Day too much, but let's just talk bigger picture.

One is, I think let's isolate the impact to eBay. Two-thousand twenty-one will be the most pronounced impact, but we will still lap some of that in 2022, so there'll still be some impact in 2022. That said, as we're launching these additional products, that all products take time to ramp-up and mature. That bodes well for our business longer-term. You take both of those combined and, eBay being a smaller part of our business beyond 2021, we do expect accelerating trends.

Sanjay Sakhrani

Okay. Just a follow-up on the crypto; I guess, just in terms of the use case right now, is it people that are just buying and selling and storing value on the currency, or is there more to the use case, in your mind?

Then, is there anywhere we can get a good volume number for you guys? I know you mentioned some of the other places aren't very accurate.

John Rainey

Yes. As it becomes more meaningful, perhaps at a later date we'll provide some volume numbers around that. I would describe the type of user on our platform right now as more of the crypto-curious. The users that we're attracting, in part because of some of the volume limits that we have imposed on our platform, we're not getting these heavy day traders in crypto. That's not the kind of volumes that we're getting right now. It's more a casual customer that is somewhat intrigued by this and now has a trusted digital platform where they can go out and buy this and hold this, and then eventually be able to use this as a form of payment.

Sanjay Sakhrani

Got it, thank you.

Operator

Our next question will come from the line of Ashwin Shirvaikar with Citi.

Ashwin Shirvaikar

Hey, John, how are you?

John Rainey

Hey, Ashwin.

Ashwin Shirvaikar

By the way, Happy New Year to you guys, as long as the…

John Rainey

Thank you.

Ashwin Shirvaikar

…statute of limitations on that hasn't expired. I guess two questions. I appreciate the progression of quarterly info that you provided. If you could maybe take it down a level and frame this trend line for the various, maybe OVAS component and overall sizing?

Then the second unrelated question is, as travel comes back, what is the size of travel that you… How meaningful of an overall impact is there going to be, I guess?

John Rainey

Sure. I'll start here, and I may need Erica to jump in and correct me and help me. But the trend line on OVAS, we're, I would say, a little encouraged by some of what we're seeing in the credit trends right now. That seems to be improving. That will build throughout the year.

I think it's worth spending a moment on this, too, because we emphasized Buy Now, Pay Later so much. That doesn't necessarily have that big of an effect on OVAS revenue. We pick up late fees there, but that's not a product that we're charging our merchants for. The benefit from that really comes through increased share of checkout and increased engagement, increased TPV, all of which are really recognized in transaction revenue. Despite Buy Now, Pay Later growing, you won't see the effect of that, by any material amount, in other value-added services revenue.

The other components worth pointing out there are interest income, just given the forward curve for interest rates right now. I expect, on an absolute amount, that's going to be about the same each quarter. Then last is Honey. As Honey continues to grow and we add those experiences, and we'll integrate them into the PayPal product, I would expect that to mute those pressures that we see on the other side of that. That's kind of how we're thinking about OVAS. I hope that addressed that.

With respect to—and Erica, please jump in if there's anything you would add on that.

Erica Gessert

Sure.

John Rainey

With respect to travel, in terms of sizing it, it's a little more than 10% of our volume. Depending upon the quarter, it vacillates around a little bit, but— I think just for general purposes let's call it 10%, and we saw a 50% decrease in that vertical this year. As that begins to rebound—this requires a little bit, sort of projecting what's going to happen with consumer behavior, but certainly in my household, and I would expect yours, Ashwin, there's some pent-up demand for travel. I don't think we expect business travel to rebound like it was, but quite frankly, that wasn't where a lot of our volume came from.

The leisure travel element I would expect to see begin to rebound in the second quarter, as people start to have vaccines and they're less concerned about catching COVID and are willing to travel. Kind of consistent with what Airbnb has said and what they're seeing in their business, this starts regionally and then expands out from there. Even if you think about air travel, domestic travel, likely, will have a lot less friction around it than travelling to another country right now. We expect a gradual buildup there.

Erica, is there anything that you'd want to add to that, either one of those?

Erica Gessert

No, no, I think it's good, you covered the gradual buildup. I mean, it's going to come through on travel throughout the year, and so I wouldn't expect an outsized lift in Q2. I think we're expecting it to move as vaccines roll out.

The other thing on OVAS that I would highlight, and just for people to remember is, within the credit trajectory, we greatly reduced our originations in 2020. It's important for people to remember that that's going to take a while to come back, so that's part of the dynamic of 2021 as well as we think about that OVAS line.

John Rainey

That's a good point, thank you.

Ashwin Shirvaikar

Thank you.

Operator

Our next question is going to come from the line of Heath Terry with Goldman Sachs.

Heath Terry

Great, thank you very much.

John, I was wondering, you touched on this a little bit on the call, but you guys are seeing such stability or even leverage in transaction expenses as the business is growing, and it certainly, at least sounded like, from the comments that you made, that that's something that we should expect to be sustainable. Can you give us a bit—it's always been kind of an area that some people have focused on, and to see it going the opposite direction of what they expected. Can you give us a sense of how much of this is shifting funding mix versus just volume, given your leverage here? How should we be thinking about that?

John Rainey

Sure, Heath, it's good to speak with you. There are probably three things, I think, that are worth speaking about here. First is just the mix of our business. We talked about, on the last question from Ashwin, travel and event vertical. That tends to be more unbranded processing, which skews towards higher funding instruments like credit. As that rebounds, we'll see some pressure on transaction expense. But that said, just given the sustainable trends that we see in our core PayPal business, which come at a lower funding mix or lower cost, we would expect that transaction expense stays below a level prior to what we saw—or what we saw prior to the pandemic. That's the first thing.

The second this is debit trends; we've certainly seen an increase in debit mix this year. As I've noted on the call, in the fourth quarter at least, not at the level that we saw in the second quarter, but still at a higher mix than what we've seen historically.

Then lastly, the outsized growth that we're seeing around P2P, and again, we get asked about take rate a lot, but you really have to think about the margin on that. Part of what depresses take rate is P2P volume. We saw 46% growth in P2P volume in the fourth quarter, but that has an effect on transaction expense as well. As we continue to have customers that really are using digital payments to displace cash, that's going to depress that number also.

Gabrielle Rabinovitch

Yes, John, I think the only thing I would add would be on Paymentus and our bill payment volumes. That's an area of growth for us which has really become incremental starting in Q3 of 2020, and bill payment is typically funded with low-cost funding instruments, so that too is contributing to the transaction expense rate profile.

John Rainey

Exactly right.

Heath Terry

Got it, that's really helpful. Thank you.

Operator

Our next question is going to come from the line of Craig Maurer with Autonomous Research.

Craig Maurer

Hi, thanks everybody for taking the time to do this call.

Look, I wanted to maybe ask a question that goes in a different direction which is, in the back half of the year, hopefully as the economy is recovering coming out of the malaise it's been in, where do you expect your business to actually lose some momentum? Because we can see the efforts you're taking with brick-and-mortar and other areas to try to replace, perhaps, some lost momentum in e-commerce. But I'm curious, even with, obviously a bullish background, just where you think the business might shift or slow?

John Rainey

Craig, it's good to speak with you. I would expect that as people regain mobility and they have the ability to go to a restaurant and put down a credit card that is not a PayPal or Venmo credit card, and instead of ordering something to go or ordering groceries online, I think those are the intuitive changes that will impact our business that is going to result in some reduction in the level of e-commerce from where we are at the peak. But again, I would emphasize that we believe—and this is not just PayPal prognosticating. You hear merchant after merchant talk about their belief that they will see sustained levels of e-commerce activity, higher than what they saw prior to the pandemic.

Craig Maurer

Okay. Just one follow-up; how are you investing in awareness around the brick-and-mortar opportunity, because the numbers sounded good, but when I, for instance, go to my local CVS, the cashier doesn't know what I'm talking about and there's not a lot of signage.

John Rainey

You actually hit on, I think, a very important point. The investments that we're making or have made in the second half of last year are largely driven around what we broadly refer to as go-to-market and consumer and merchant awareness. There are a couple findings that we've seen already with the launch of contactless payments in store, but one important one is what you just mentioned: it's employee knowledge. It's important that employees understand the product. We're learning each day from this, and the next dollar that we spend on go-to-market will be different than the last dollar because we'll take those learnings and invest more around things like signage or employee awareness and things like that.

This is going to be a long trek, and we don't have a delusion that we can change consumer behavior completely overnight, but we certainly believe that this is the beginning of a movement or a trend, and want to continue to invest into this.

Craig Maurer

Appreciate it.

Erica Gessert

Hey, it's Erica, I just wanted to make one quick point on this question regarding the slowdown in our business. I just want to remind people too that, honestly, in our core business, all-in, we're not really expecting things to slow down very much. We certainly are expecting a little bit of mix shift back away from, perhaps a little bit from digital back into in-store as things open up, of course, but we do expect some of the travel and events to offset that.

What we're really looking at in the back half of the year is, we are projecting, on a year-over-year basis, about a 4-point headwind from eBay intermediation that's coming in this year, and that's having an outsized effect on this particular year. But overall, I would say we're not really projecting a slowdown in our total business.

Craig Maurer

Thank you.

Operator

Our next question is going to come from the line of Jamie Friedman with Susquehanna.

Jamie Friedman

Hi, thank you guys for doing this call, good evening.

Any comments on international growth for 2021; perhaps that's unknown, related to COVID. How should we think about what was outsized performance in international, especially in the second half of '20, as we go into '21? Thank you, John.

John Rainey

Sure, Jamie, it's good to speak with you. There are two elements to that. The first is the effect that we saw last year, if you just take the fourth quarter, of lockdowns. It sounds like such an extreme term, but the inability for people to freely move through their cities and purchase things in-store. You saw that in France, you saw it in other places in Europe, and that had some impact that contributed to the 29% international revenue growth in the quarter.

But the other thing that we saw, which I'm quite encouraged about it and I think is pretty sustainable, is around cross-border activity. Cross-border, on an FX and neutral basis, grew 31% in the quarter. Those are trends that I think, certainly, the strength of the dollar and weakness of the dollar has some impact to that, but the cross-border trends we would expect to continue. It's coming through verticals like fashion and things like that, that really are very different than the way maybe a network may be impacted by travel where it involves a business traveller going to a foreign country and spending money while they're physically there.

I think the relative relationship between international and U.S. revenue should be pretty consistent into 2021. Keep in mind, too, though, when you look at U.S. revenue, that's heavily impacted by some of the items in other value-added services. If you just think of it in terms of the transaction revenue, pretty good, pretty consistent.

Jamie Friedman

Great, thank you for the color.

John Rainey

You bet.

Operator

Our next question is going to come from the line of James Faucette with Morgan Stanley.

John Rainey

Hey, James.

James Faucette

Thanks a lot. Hey, thanks for the follow-up.

I wanted to ask, as you think about the success that we were just talking internally about, the success you've seen with Buy Now, Pay Later, and obviously you're seeing good uplift, etc., but how does that extend, I guess more broadly, or is there an opportunity to extend that into what has traditionally been more the PayPal Credit product and provide incremental opportunities for your partner in Synchrony or in other markets, etc.? Just trying to think more broadly about that engagement and opportunity that seems to be materializing already.

John Rainey

Well, there's a lot to that. Looking into a crystal ball on that a little bit, James, but for us, the way that we think about that is, it's another payment option for our customers. Clearly, by just looking at the number of alternative products that are in the market on this, this is something that certain demographics want. This is the way they want to pay. They don't necessarily—they're not attracted to that revolving credit relationship with some of the traditional issuers. For us, it's a complementary product offering to what we already provide today around revolving credit, like with the international consumer or what we're doing with Synchrony here in the U.S.

Again, if you think about the way that we've gone to market here, and basically giving a product like this to merchants for free, this is really designed for us to capture share of checkout. Certainly, we see, particularly when we're further up in presentment, we see that movement where we get that increase in share of checkout. Longer-term it remains to be seen what else we can do with this in terms of integrating it with some of our other products, but it certainly complements what we're doing today.

James Faucette

Great. Thanks, John.

John Rainey

Mm-hmm.

Operator

Our next question will come from the line of Bob Napoli with William Blair.

Robert Napoli

Thank you very much for the question, and good evening.

John Rainey

Hey, Bob.

Robert Napoli

Hey, John, how's everything?

John Rainey

Good, good, hope you're doing well.

Robert Napoli

Doing well, thank you.

Just on the Buy Now, Pay Later, still the revenue model isn't clear to me, so I was just trying to get a little clarity there. But my real question was on Venmo and approaching the $900 million of revenue in 2021 and just some color on the pieces. Which of the services are going to be the biggest drivers of that $900 million of revenue, and then what's the trajectory of that revenue as you look into 2022 and 2023?

John Rainey

Sure. I'm going to ask Erica to address the Venmo piece and then, if we have a little bit of time, I'm going to come back and spend just a second on the revenue model for Buy Now, Pay Later.

Erica Gessert

Yes, sure. On Venmo, we've had pretty rapid growth in 2020 on revenue, so we're feeling pretty good about the exit rate as we come into 2021. But we do have a number of new products coming to market; obviously the credit card, which is doing really well and there's a lot of pent-up demand there, and then we have a number of other products coming to market including business profiles and other things. We do expect some contribution from Pay With Venmo and we expect that to ramp throughout the year.

Just on the Buy Now, Pay Later revenue model, as John said, we're giving that away for free, in essence, and it's not an interest-bearing product on the short-term installment. We're essentially getting revenue on the incremental take rate that we get from additional Buy Now, Pay Later transactions. We do also have the ability to, I would say—speaking a little bit to the previous question, we also have the ability to experiment a little bit with various structures on Buy Now, Pay Later and installments, so we'll be looking at that as we go to market in the future.

Robert Napoli

This is an investment piece where you're not really, in the initial stages, looking to generate earnings? I mean, you're making money off the discount fee from the merchant…?

John Rainey

Yes, so Bob, let me explain it this way. When we go head-to-head with other installment payment products that are out there, we actually see some impact on our share of checkout. It's one of the few cases that that's actually the result. That informs our strategy here, and the way that we monetize this is by increasing our share of checkout. We're happy to go head-to-head with any of the other products out there because I truly believe we have the best value proposition.

Let me just put it like this. If you're a merchant and you are getting this product for free, you've got a company that has 350 million users that have access to this and there's virtually no integration required. That's like a win-win-win for you, and they bear no risk on this in addition to that. We'll see the benefit by people using it and increasing our share of checkout versus alternative payment methods.

Erica Gessert

I'll just add, we already are seeing, when merchants are bringing forward the presentment of this product, we're already seeing a lift in our share of checkout by about 10%, so it's bearing out even in our early results.

Robert Napoli

Thank you, appreciate it.

Gabrielle Rabinovitch

Then, Bob, just one more piece on Venmo; we will be launching the Buy, Hold, Sell crypto experience with Venmo in the first half of the year, and then the QR code program on the Venmo side, which was complementary for casual sellers, through the end of 2020, now has fees associated with it, so that's another monetization area.

Robert Napoli

You're just showing the 2% take rate on crypto, it seems to be the standard take rate on trading on crypto. You're going to show just a net 2% as opposed to showing it the way Square does with the gross revenue?

Gabrielle Rabinovitch

The crypto model is net revenue; what we've stated is the expectation of about a 50 basis point spread on those transactions, so that's sort of the spread that's built-in that we would recognize. Then in addition to that, starting January 1 of this year, we also started assessing a transaction fee that's on a sliding scale that's disclosed in our User Agreement and online, and that's by virtue of the amount of volume of crypto someone's transacting and in each transaction.

Robert Napoli

Thank you. Appreciate it.

Operator

Our next question is going to come from the line of Trevor Williams with Jefferies.

Trevor Williams

Hey guys, good afternoon, appreciate you taking the question. Sorry for piling on the Buy Now, Pay Later; there were just a couple things I was curious on, just to follow-up on some of the comments there and the prepared remarks on the call. I forget, John, if it was you or Dan who made the comment that you're seeing about a 15% bump in TPV from those who adopt. Is that because you're seeing higher average ticket sizes or just a higher number of overall transactions from those customers?

Then the second part would just be around how you're thinking about the loss profile of those transactions. I mean, clearly now, we're in a backdrop where consumer credit's performing really well, so we'd love to hear how you're thinking about what the risk-adjusted yield should look like on that volume over time, especially if it's at least at a gross level, coming on just at your standard take rate. Thanks.

John Rainey

Sure, so two very good questions, Trevor. To answer your first one, it's both. It's increased engagement as well as increased transaction size, and certainly the latter is consistent with many credit products that are put out there, as people have the ability to pay over installments, oftentimes they'll upsize their purchase.

On the risk side, again, I hate to drone on about where I think we've got so many assets in this new product, but for us, we have relationships with most of these customers that are coming to us to use this. We have that risk profile in advance. This is something that we deem to be pretty low-risk, and then further to add to that, when we look at the funding mix of this, it skews heavily towards debit. This is something that we think we really have our hands around on the risk side and there's not any outsized risk to us.

Trevor Williams

Okay, got it, so you're thinking kind of, especially just the experience that you've got on the consumer credit side, you think that's a pretty good framework for how you're thinking about credit performing domestically with Buy Now, Pay Later?

Gabrielle Rabinovitch

Well, first off, remember these are relatively short-term duration. They're fixed dollar amounts, it's $30 to $600, so when we think about even the adoption of CECL, given the nature of those loans and the short-term nature of them, the actual risk profile on them is a lot less than our traditional consumer revolve product. It's a pretty attractive to us, and I think to John's point, both the debit funding of it as well as the idea that all of these customers actually are existing customers that we can risk-decision them pretty effectively, gives us a lot of comfort around what that risk profile is, even in an evolving credit cycle.

Trevor Williams

Got it, okay. That all makes sense, thank you, guys.

Operator

Once again, to ask a question, press star, on your telephone keypad. To withdraw a question, press the pound key.

Our next question is going to come from the line of Brett Huff with Stephens, Incorporated.

Brett Huff

John, Gabrielle, Erica, good evening and hope you all are staying safe and your families too.

John Rainey

Same to you, Brett.

Brett Huff

Two questions, one on in-store, to change the topic a little bit. It sounded, last quarter, that you were talking about a pretty major investment as you headed into '21, and then you said $20 billion and 10 million users, which was a bigger number that we thought. What do we know about those folks who are doing the 54 additional transactions, and what does that mean for you all as you think about the opportunity and kind of grinding away at that?

John Rainey

Well, so the numbers that Dan quoted were inclusive of all of our in-store products, which also include physical cards. Just to be very clear about that; I don't want to overstate the impact of QR codes.

What we look at is where we can easily do A-B tests where we see, when someone has used us in an offline setting—and I'm speaking more to QR codes right now, or contactless payments, what their engagement with us is in other areas, versus similar cohorts that aren't doing that. There is a meaningful uplift in the level of engagement and the number of transactions when someone is using us in an in-store setting. That is confirmatory in terms of what we expected, and really where we expect, quite frankly, to derive the vast majority of the benefit related to this, is by the halo effect of people using us all the time.

It just stands to reason, if you're using us when you go to a gas station or a grocery store, you're much more likely to use us when you have the opportunity to do it online. It really kind of goes to this whole idea of having a super-app around financial services or digital payments, so that's where, I think, a lot of the appeal is.

That said, again, I emphasize, this is going to be a long haul. This is not something that we're going to see a dramatic impact around overnight; it's going to require continued investment and continued learnings. Progress will be measured in years rather than quarters. But it's something that we're quite excited about, because we do believe, and perhaps you see this in your own behavior, Brett, that people are moving towards digital wallets and displacing cash.

Brett Huff

Okay, great. Second question; the $19 billion cash number is just remarkable. It sounded like you're evaluating both organic, which you've got a lot of opportunities, but also some maybe more limited M&A. Is there a risk, given payments are changing so quickly, of not deploying that capital more aggressively? How do you think about the, I don't know, missed opportunities or that kind of thing?

John Rainey

Well, it's a good point. The world is moving at warp speed, certainly in this sector right now, and we don't want to miss any opportunities. That said, when we look at our platform, we don't really view acquisitions or M&A as something that we need to do defensively. We feel very good about the product offerings that we have today. We have the luxury of being a little more opportunistic and acquiring companies that really fit into the categories that Dan mentioned on the call.

I'll remind you, when you look at that $19+ billion of cash, we also have a lot more debt now than we used to. Remember, right after the initial stage of the lockdown and COVID last year here in the U.S., we went out and did a bond offering. As you look at our maturity profile, that debt skyline over the next five to 10 years, we've got a billion dollars of debt that we need to pay back each year as you get out a couple years out. Those are other uses of that cash.

But again, we're operating from the offense here. We feel like we've got a great balance sheet, we continue to generate tremendous cash flow and we'll continue to put that to work like we have in the past.

Brett Huff

Great, thank you. You all stay safe.

Operator

All right. Our next question will come from the line of Ramsey El-Assal with Barclays.

Ramsey El-Assal

Hi guys, thanks for squeezing me in here.

I wanted to ask about the in-store push, the QR code push, and obviously the early results sound encouraging. I know it's early days so it's probably not a fair question, but do you have any preliminary read on usage patterns or whether the product is being used for more discretionary versus non-discretionary spend, or industry verticals? I know you're in CVS, but I think you also called out some clothing retailers. I'm just curious if there's any additional color in terms of the usage patterns there.

Then also, wanted to just better understand how Honey can be brought to bear in that QR code environment. I completely get how Honey works in a browser, but I'm just trying to get a tighter idea of how you can bring that asset to bear to drive that program.

John Rainey

Sure, Ramsey, it's good to speak with you.

Ramsey El-Assal

You too.

John Rainey

The question that you asked, those findings are ones that we're learning each day from. Probably the most notable thing that's worth talking about on this call right now is that we see a lot better performance or engagement, if you will, where there's more of a network effect in a certain geography. What I mean by that is, if CVS offers it in Manhattan, and there's also several other restaurants close-by that offer that, and one can use QR codes to pay at a suite of different merchants at which they shop, we see a lot more adoption of it versus just being the casual, "Oh, I can go into CVS and they have that now." That's actually informed our go-to-market approach, where its' very geographic-centric in terms of the approach that we're taking.

On Honey, we certainly expect to incorporate all of what we're doing with Honey in both the online and the offline world. Gabrielle, do you want to…?

Gabrielle Rabinovitch

Yes, I mean, I'd say one of the most exciting things about QR code is the ability to integrate more data into those codes and the ability to integrate rewards and offers into the way we think about QR code programs. The integration of Honey Rewards, which we'll be looking to do in the PayPal digital wallet in 2021, I think is an important component of how we think about integrating Honey into the broader commerce experience.

John Rainey

Yes.

Erica Gessert

I'd just say—this is Erica—is QR code isn't just an offline experience. You should use your PayPal app a little bit more, because you can do P2P with it, you can do lots of things with it. There are plenty of use cases.

Ramsey El-Assal

Okay, terrific, I appreciate it. Thanks.

Operator

Our next question will come from the line of Timothy Chiodo with Credit Suisse.

Timothy Chiodo

Thanks a lot for taking the question, just a couple small modeling ones here, a lot of other things have been covered quite well.

On Bill Pay, Paymentus, I wasn't sure if we caught a number for Q4 volume; if you're able to disclose that, that'd be great. Then broadly thinking about that, though, assuming it's a pretty fast growth business, we should be thinking about continuing to grow quarter-over-quarter and continuing to ramp.

Then a follow-up around the $287 million in [currency] hedge losses, in terms of the cadence of how we should spread that out and think about take rates?

John Rainey

Sure, good to speak with you, Tim. Bill Pay, it ramped up pretty meaningfully in the fourth quarter. I certainly wouldn't suggest that it's the size of a Braintree or Credit or Venmo or anything like that, but it's… I'm sorry, there's a little feedback there.

Timothy Chiodo

(Cross-talking).

John Rainey

But it certainly is… If everyone can mute their phones, that might help, we're getting a little feedback. It is something that we expect to continue to contribute to our growth as we continue to launch new experiences around that.

With respect to the hedge losses, they're pretty balanced throughout the next 12 months. I think the way to think of the impact is probably pretty similar to what we saw in the fourth quarter.

Holly, I believe we are right at the end of our time. I want to thank everyone for participating in today's call. Hopefully we were able to address most of the questions, but certainly look forward to speaking with you over the coming days to address any other questions that you may have.

I hope everyone stays safe and well, and we'll speak with you soon.

Operator

Once again, we'd like to thank you for dialing in for today's PayPal Conference Call. You may now disconnect.