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PRESENTATION

Lisa Ellis

Alright it's the top of the hour, Lisa Ellis here from MoffettNathanson. I'm sure we still have some folks dialing in as there's always a big turnout for these calls, but since we've got a large amount of content to get through today, I wanted to go ahead and introduce and get started. We are joined today by John Rainey, Chief Financial Officer and EVP, Global Customer Operations at PayPal. As well as Gabrielle Rabinovitch, Head of Corporate Finance and Investor Relations, who you all know very well, and a few members of Gabrielle's team. John, thank you for joining us for this customary post earnings buy side call.

John Rainey

It's a pleasure to be on the call with you Lisa, thanks for hosting.

Lisa Ellis

All right, terrific okay, we will dive in. Thanks to everyone on the call for funneling in your questions to us, we had pretty overwhelming response, this time around, and we have curated these down to the greatest hits list here of questions for John. John I'm going to start with, certainly the most frequently requested question which is around take rates. Can you just walk through the detailed attribution of the take rate compression that we saw into 2Q? As well as comment on your expectations for how take rates will evolve going forward.

John Rainey

Sure, I'd be happy to, Lisa. So we'll start with you know we're talking about a 37 basis point decline, which is obviously larger than what we normally experienced. Fully a third of that 37 bps is related to the transition of eBay to managed payments and I should include in that the performance of their underlying business as well. And so, you know that that is somewhat anomalous to what we've been experiencing over the last several years, but that that is transitory and will go away.

There's an equal amount that is composed of probably three other things that I would start with probably FX fees. The way that we price our cross border cross currency products. We are able to monetize the delta between the high and the low on an FX spread each day and as currency volatility was reduced year over year that inhibits our ability to monetize that, so that's in that second bucket as well. All these I'm getting ready to talk about think of them as five to six basis points in terms of the impact on take rate. The second area is hedge losses, we had a hedge loss this year, relative to a gain last year, the delta there was $122 million and so that impacts our take rate as well. You all follow us along and know that you long enough that you know that vacillates between a positive contribution to a negative contribution dependent upon what's happening and currency markets. The third area, I would say is Braintree and specifically what we experienced in the second quarter was much more pronounced growth in the travel and events vertical than what we had expected and Braintree does most of that processing, for us. That tends to carry a lower take rate and so as the mix of revenue and TPV changed year over year to be more of that unbranded processing. I'd also include Paymentus [bill pay vertical] in Braintree, which carries a lower take rate, but also carries a lower transaction expense. Those three areas that I described really have an equal representation in terms of the eBay impact, so you know that fully describes over two thirds of the decline and take rate.

Beyond that it's kind of the normal dogs and cats, you know more P2P, Venmo things like that, but the takeaway that I would want everyone to have on take rate is that we're not seeing any degradation in same store sales declines in take rate. That still is holding up very strong. Getting to the second part of your question around expectations for the back half of the year, we would expect the compression in take rate to decline from what we saw in the second quarter, it'll be a little bit less than the third quarter and even less than that in the fourth quarter.

Lisa Ellis

And then over the longer term just following up on that question once we're through the eBay transition is the way to think about it, I think you called it out, yesterday, on the call like the delta between your long-term guidance of 25% TPV growth and 20% revenue growth that that kind of dimension realizes your longer-term expectations.

John Rainey

That's exactly correct, given the various parts of our business, the diversification of our platform and the mix effect of that that will contribute to some take rate decline. Once we get past some of these issues around this transition with eBay it'll be much more normalized and really only subject to some of these anomalous things like hedge losses and things like that or hedge changes from one period to the next.

But again, I'll remind everybody that while I know there's a lot of focus on it and, perhaps, for good reason, this quarter, we don't manage our business to maximize take rate. We look at transaction margin and operating margin. And we want to grow those margin dollars that's the thing that's most important to us. You know the addition of bill payment is a great example there. Knowing that's going to make take rate go down, but that it also carries a low transaction expense. If we can expand margins and grow those transaction and operating margin dollars, then we think that that is the thing that most closely correlates to the creation of shareholder value versus simply trying to maximize take rate in one period.

Lisa Ellis

Okay well on a somewhat related point let's talk a little bit about the eBay migration can you just give a little bit more, I don't know transparency, or sort of what's been going on behind the scenes, because it has felt a bit like the timeline and magnitude of that roll off has been a bit difficult to predict. Can you discuss a bit where we are, your confidence level in the outlook over the next couple quarters of the eBay headwind and the fact that that will be completed I think now by the end of the third quarter and also sort of where you think you'll level out in terms of share of checkout within eBay.

John Rainey

Sure, well first I'd like to pull back just a little bit here and talk about bigger picture, because in January of 2018 when eBay made the announcement that they were going to go down this path. I think everyone probably remembers there was a precipitous decline in our stock price. That began all the planning towards okay what's going to happen in this year of transition. To be sitting here in 2021 and reporting 19% revenue growth at the peak of this transition, I think, is something that we feel very good about and we feel very good about it because the underlying business is performing so well.

I noted on the call yesterday, but I think it's a very important point to really illustrate that and that we reported 19% revenue growth, with over 800 basis points of pressure from eBay. So imagine what that would be if we didn't have that, and so you know I think it's fortuitous that we're performing as well as we are. The transition itself, when we first started off down this path and planning for this what's actually happened is not too far from what we initially expected. But if you remember Lisa when they transitioned to their first two markets Germany and the US it was a very slow, migration. Even their own comments on some of their earnings calls provided expectations that the ramp would take much longer than what we're actually seeing right now. It was those two points that caused us to sort of reset expectations and assume that the longer tail of merchant transition would take longer than what we've experienced.

More recently, they've really accelerated that transition and somewhat to our surprise, but appreciate the more of their volume that they transition over to managed payments, the less visibility that we have into the performance of their business, and so it gets more difficult to predict. and particularly when we're talking about something that at the end of the day we don't control. And so that's what's happened this year, and if you just take the second quarter, we expected about 700 basis points of pressure and it came in over 100 basis points higher than that. And so that's what we're experiencing right now, and we expect to have something similar in the third quarter. The good thing is this, after this year this is largely past us. By the end of the year, our expectation is that both from a TPV and a revenue perspective that eBay will be about 3% of our business. So the transition is largely done and so next year is really only dealing with comparing to known results in 2020, which makes that a little bit easier.

When we look at our share of checkout we're still maintaining a share of checkout north of 50% in most markets. Even much higher than that in certain markets and so that's always been consistent with our initial expectations. I think going forward just becomes something that is much easier to plan around much easier to guide around and hopefully doesn't prompt as many questions from investors about what's going on there, and our business.

Lisa Ellis

Yes, I think we'll all be happy when it's over. To pricing, we know this pricing change that you announced a few weeks ago. One of the first real major price restructurings, since you know, in the past 20 years since PayPal has been around. Can you give some color to why now? So why did you choose to do this now and what gave you the confidence around the magnitude and the timing of the price change? And then also what type of feedback you've been getting from merchants around their receptivity to the change in your pricing structure.

John Rainey

Sure, so I'll start with you'll remember, we started talking about pricing about six years ago, when we spun off from eBay and we made some changes at that point in time. There were some questions about okay, is that it. Is there anything else you can do, and our response consistently has been pricing as a discipline that we'll continue to evolve and get better at and always try to price to the value that we create. And this is yet another extension of that. Our headline pricing hasn't been changed in two decades. And I think it was a little bit behind the times for some of the products that we're providing and the value that we provide to our customer base. We felt it was time to make a change, both on the branded and the unbranded pricing to be more competitive in some cases to drive more volume, but also to price to the multifaceted product features that we provide to our customer base that, in many cases well exceed what else is offered out there in the market from our competitors. This, for us, provided transparency and clarity to our merchant base. At the same time you know we offer features like Buy Now, Pay Later for free. And when you consider the suite of services and risk protections and things like that that we provide our customers, we felt like relative to where the market was there was an opportunity with branded pricing to increase that to the 3.49% plus 49 cents.

With respect to the feedback we're getting from merchants, to be fair, anytime there's a price increase we hear a little bit of feedback from merchants. At the same time, you know those are the same merchants that recognize that their customer base is 60% more likely to purchase something when PayPal is present at checkout or that all of the various features that show higher conversion rates and things like that, when someone uses PayPal. At the end of the day bottom line sales are what matter to them and they're willing to pay a little bit more if they can increase conversion versus really just trying to optimize for their payment processing costs.

I would say, relative to other price changes that we've made, there's been probably less feedback and less consternation around this. To be fair, that feedback comes in two instances; one is at the announcement of the price change and the second is that the implementation of that. We still have to wait for the latter. With any price change we do put a lot of rigor into understanding what the churn could be from merchants, and what the effect is there. And that informs our point of view about how we go after a future pricing or expand that pricing to other geographies around the world. We'll spend the next six to nine months closely looking at the effect of this and learn from it and then have that inform our actions from there.

Lisa Ellis

All right, we also had a number of questions related to NNAs and specifically whether or not you can give some commentary on what's going on with gross adds vs churn. If I'm thinking about the fact that, when asked about your sources of NNA growth you and Dan are both consistently said that a lot of your NNA growth is coming from reducing churn in the existing base. Can you just talk about kind of trajectory on gross adds vs. trajectory on churn. Thanks.

John Rainey

Sure, so for background, the way that we compute net new actives is we take activations in a period plus re-activations less churn. With a customer group our size churn can be a material factor in that equation. We are seeing really strong growth across activations and re-activations as well. We cited churn as an opportunity, going forward in part because, when we look at some of the additional features that we're hoping to provide to our customers, we want that to drive engagement. The more engagement that we drive, then you know that, obviously, reduces churn as well.

The real progress that I think we're looking forward to on churn is still to come. Now that said, our churn rates, right now, today are better than they were pre COVID and so we're quite excited about that. If you pull back on the second quarter of 11.4 million net new actives and granted that is not as great as what it was in the first quarter or the hyper growth that we saw last year but recognizing that adding over 20 million customers in the second quarter last year and coming up on the anniversary of that churn is a bigger factor for us in the second quarter. Now that said, thinking about that equation, activations plus reactivation less churn and knowing that churn is greater in the second quarter. The fact that we had 11.4 million net new actives in in the historical context of what we've done is actually quite amazing. We are very excited about what's happening there, we knew the second quarter was going to be the quarter that we had the most pressure on that but let me talk a little bit about what we're doing there to drive some of those improvements, both in gross activations as well as reducing churn.

One of the things that we've really been able to use as a lever historically is spending marketing dollars to go after customers and really looking at customer acquisition cost versus customer lifetime value. What we've not done a great job of historically is adding net new actives through our product experiences. As an example of that Lisa if someone goes to guest check out and they don't want to use PayPal and we just allow them to go through that without ever trying to convert them to a customer that's a missed opportunity for us. We're tweaking some of our product experiences right now to have that as another lever in our tool set to be able to acquire net new actives. Doing that will help with activations but as we add these additional experiences some of which we've talked about, some of which are contemplated, you know further down the road all of these things will drive further engagement which will help support this. This goal that we have of getting to 750 million customers in the next five years.

Lisa Ellis

All right, everyone's favorite topic, margins. Can you tease apart a bit, you did make an adjustment to your full year margin guidance in 2Q, can you parse apart, how much of that change was related to the incremental eBay headwind that you're seeing versus investments and choices you've made to increase investments or any other factors?

John Rainey

I'm going to be a little imprecise here, somewhat intentionally and somewhat, because I don't have the numbers right in front of me but I'll describe it at a high level as probably a little more than half to two-thirds of the impact of margin is related to what's going on with eBay. And then the balance falls into two other categories. One is, we noted that the travel events vertical accelerated sharply in the second quarter, we expect some of that to continue to the third. That tends to be a lot more of the unbranded processing, which also carries a lower margin. And so the mix change in our business is slightly different than what we first contemplated there. The last area is we've also invested more heavily than what we originally anticipated. We have a lot of rigor in the way that we approach our investments, and we want to make sure that when we're spending $1 that you know we're getting $1.20 in return or whatever it is. The more clarity that we have on that the more that it actually sort of argues for the case that we should spend those dollars. I noted on the call yesterday, investments are not something that we want to shy away from because we believe that this is a very important moment in our history to invest for the future, given the acceleration of ecommerce, given what we're seeing around the ubiquity of digital payments, given what we believe about the primacy of digital wallets over the next several years, all those things warrant investment but smart investment.

Now I think if you're looking at year-over-year growth numbers certainly those have been, and I'm talking about related to like our operating expenses, those were more eye popping in the quarter. As we begin to lap some of those investments that we started making last year. Those growth rates will come back more in line overall with what we've done historically sort of mid to high single digits of spend. But I think that this is a level of spend overall in terms of the absolute dollars that should persist, because we think there's good opportunity to spend that money to create shareholder value for the longer term.

Lisa Ellis

And you have, of course, driven a meaningful amount of margin expansion over the last few years, once the dust settles from the eBay transition in some of these lapping dynamics with the pandemic. Given the mix shift in the business as well as your new investment areas, how are you thinking about margin expansion going forward? Is that still a major opportunity or are we leveling out at this point?

John Rainey

No, I would not describe margins as leveling out at all. The margins in our business want to go up. Structurally that's the way our business is and as we begin to monetize things that have been more of a drag on margin like Venmo that gives us opportunity going forward. There's puts and takes here that's an opportunity for us, but if we're doing more unbranded processing with the large merchant that might put pressure there, but when we take the totality of that, the margins are going to go up in our business, and you know what I suggested yesterday is what we expect to happen over the next several years, but from one quarter to the next, you know margins may go down if we think the appropriate thing for our business and the best way to create value is to invest more heavily in a certain period. It's not to say that every single quarter margins are going to go up, but when you think about the structure of our business over an investment horizon spanning two to five years absolutely the margins are going up in our business.

Lisa Ellis

All right, let's put a spotlight on the credit business bouncing back nicely now that were emerging from the pandemic. What's a normal loan loss rate for PayPal going forward? And then I'll just add the second one right with that which is how much credit exposure are you willing to take on Buy Now, Pay Later.

John Rainey

So what is normal today anyway, right? You know normal credit losses prior to the adoption of CECL at the beginning of last year we're hovering in the three to five basis points for us. But since then we've added a new product, Buy Now, Pay Later, and we also had to adopt the accounting standard for expected losses, CECL. Right at the adoption of CECL is when we saw COVID hit and so I don't think we've experienced what is normal since then.

I think probably a way to a good way to think about our business longer term when we get past COVID and some of the volatility that we've seen in the credit environment is probably slightly higher than what we saw prior to COVID, so slightly higher than the three to five basis points. Sitting here today I'd probably say that's five to eight basis points in that range so not a lot higher.

In terms of the credit exposure, we are willing to take on with Buy Now, Pay Later, the way I'd like to answer that question Lisa is the way that I think about the exposure that we have to credit, overall, not just BNPL. We've got $3.9 almost $4 billion of receivables on our balance sheet today but half of that is in the consumer international book with the other half composed of our merchant lending and BNPL is about [$875] million of receivables today. The way that we think about the totality of that credit business is we don't want it to become too capital intensive, you know so much of our revenue that if we get into a credit cycle, we see disruptions to the durability of our revenue growth stream.

We also want to look at the size of that from a balance sheet perspective and we have internal guardrails for each of those, you can think of it as a yellow flag or red flag that when we hit a certain level we've got to start thinking about other options here that may include externalizing. If we were to externalize and what I'm referring to is doing an off balance-sheet transaction, an asset light like transaction. The merchant lending book and the international consumer portfolio lend themselves more to doing that, than say BNPL because of the short duration nature of that business. I think we are a ways out given the size of that relative to our overall portfolio. Remember that when we did the transaction with Synchrony a few years ago the US consumer book was about $6 billion dollars [of receivables] for us that point in time. We would still need ~50% growth to get to that point from where we are today. And even then, you know we were a much smaller company when we did that transaction, so I think we've got ample runway there before we need to think about doing some asset light transaction there.

Lisa Ellis

A couple of quick numbers questions. Given the recent acquisitions is there any incremental M&A impact in guidance for fiscal 2021.

John Rainey

No, no material impact to call out the acquisitions that we've done are relatively small.

Lisa Ellis

Okay. And then, a free cash flow question. Why are you expecting about a billion dollars less in free cash flow in fiscal 2021, ~$6 billion reduced to >$5 billion?

John Rainey

Well, to start with, we start with, we're not. This is one of those areas where you can second guess the way that you've described things, but our prior guidance had suggested that we were expecting free cash flow to be about $6 billion, and that could be a little bit less than $6 billion as well, and now we're saying more than $5 billion and so we're explaining something that is more in the hundreds of millions versus taking the bookends of those two numbers. It's not as if we've had a precipitous decline in our expectations around free cash flow. I would definitely describe it as more marginal and it really just reflects some of the other things that we've talked about in our business. Around composition of some of our volume, notably travel and events, as well as the steeper decline that we've seen in in eBay's business that they do on our platform.

Lisa Ellis

All right, one of the hot topics de jour, Buy Now, Pay Later. A couple questions and I'll kind of ask them together on BNPL, given that this is a pretty crowded competitive market do you expect take rate compression over the next few years, with merchants, and then also can you talk a bit about what your unit economics are like for the BNPL volume compared to say your normal typical checkout volume.

John Rainey

Sure, so I'll remind everyone that for BNPL that's a service that we provide for free. So I don't expect any take rate compression for us because we're not going to pay people to take it. Certainly when you look at the other price points in the market that some other competitors are charging, upwards of 5% in some cases, it would stand to reason that you know, maybe over time there's compression there, that's a competitive space and it's tough to compete when you've got a company that's got 400 million customers, providing that service for free to those merchants, and so, you can speculate on what others will do, but certainly if you look at the history of industries that have operated environments like that it would suggest that there should be pressure there over time. What was the second part of that question Lisa?

Lisa Ellis

If a consumer was doing just typical checkout transaction versus instead, they select Pay in 4, what are the unit economic differences.

John Rainey

We don't directly monetize that by charging for it so to start with that so there's if you're thinking about unit economics there there's not a direct revenue element to that. From a funding cost perspective about 80% of the funding mix here is debit and that carries whatever your assumption is around debit cost. Our loss experience has been exceptional in this category, in part because it's a known customer base. The other thing to consider, though, is that, when someone uses BNPL, at least on our platform, our experience that it has about twice the average order value of a standard transaction. For us, where it becomes very appealing, from an economic perspective, is where we see that 15% lift in payment volume when someone uses this and their willingness to increase their share of checkout or what they're choosing to do is checkout with PayPal versus someone else. That's a more indirect benefit here as we're talking about unit economics, but that is something that we are happy to realize the benefit of that in that way, because we think that's better for overall value proposition for our customers longer term.

Lisa Ellis

Yeah and that statistic that you just quoted that's payouts share of checkout that goes up is that what you were saying?

John Rainey

Well, not the percentage that I shared. The 15% is that we see when a customer uses by now pay later that there's about a 15% lift in payment volume, but your other point is correct, as well, although I didn't provide a statistic on it. When PayPal is offered as a as an installment pay option we see our share of checkout go up. That is the north star for us here, that is what we are going after. So said differently, we monetize that, through our traditional take rate model that we charge the merchant so we're not charging for BNPL, but we are charging our standard take rate with that merchant.

Lisa Ellis

And the merchant is getting the extra 15%, the lift you a seeing.

John Rainey

Yes.

Lisa Ellis

Okay Venmo. Let's switch gears over to Venmo, you had a number of call outs on Venmo in quarter. You know you had initially expected $900 million in revenue from Venmo in fiscal 2021. Any change to that outlook given the strong performance this quarter? And then maybe just talk a little more holistically about how the strategy for Venmo monetization has evolved and what you're seeing in the business.

John Rainey

So no change to the prior indication that we gave around our expectation of $900 million revenue for the year, we are on track there and it's performing according to our plan. Stepping back for a second it's quite amazing to think about what Venmo is doing today and the size that it is. >75 million customers doing almost $60 billion in TPV for the quarter and growing at a similar rate [+58% y/y]. And when you put that in context of the size that that PayPal was when we spun off of eBay and certainly even think about Venmo being U.S. only. This is much bigger than PayPal's U.S. business when we spun off six years ago. This is a precious opportunity that we have and we're quite excited about it.

Moving forward we're excited to launch a lot of these new experiences that we've talked about not only on the PayPal platform, but also on Venmo as well and begin to monetize this in some of the more traditional ways, i.e., having Venmo as a payment option to check out at merchants. The receptivity there from merchants has been fantastic and we're actually quite excited to demonstrate to all of you over the coming months and quarters, where you'll see Venmo in new places.

Lisa Ellis

Okay, and we'll talk a little bit more about the super app in a minute, but since we're already talking about Venmo. When can you give an update on just the timeline for the super app related updates or meeting the feature functionality updates to Venmo as well.

John Rainey

I'm not a huge fan of the term super App I think it conjures this image that is difficult to live up to. You know, maybe a destination app is a better way to think of it. This is something that we're very excited about as Dan noted yesterday on the call. We've accomplished some major milestones internally to be able to begin to roll this out. It will happen in phases, and this is both with PayPal and Venmo. Some of this is just getting the operating system or the platform, such that it's more nimble so that we can append some of these new experiences and services to it and roll it out more quickly than you know, having to overall overhaul the App as we might have in the past. Then a lot of the features that we've talked about be it savings accounts or investments things like that will come over the coming quarters and years. This is really like a first step, and what will be a foundation to add experiences to our apps over time that create opportunities for customers to engage with us in ways other than just paying for something online. It could be rewards management, it could be savings account, it could be investments, it could be things that are further far afield that I've intimated in other settings that you know, maybe you're not strictly what we think of as payments but provide engagement opportunities and use the core assets that we have around risk and managing a two-sided transaction very well. All this will come over time, but it's arguably overdue. Both of our Apps are a little bit dated, if you will, and so we're excited about this and look forward to sharing it to you in the coming months and quarters.

Lisa Ellis

All right, and then one final one on Venmo the $900 million. I think you've given some rough splits in the past, or at least kind of the rank ordering of services that are generating that revenue can you just give a quick update on. Meaning is it mostly pay with Venmo is it mostly instant transfer? What's driving the revenue at this point?

John Rainey

Yeah, still with the $900 million, probably the single largest component of that will still be instant transfer. But with business profiles, pay with Venmo, some of the other features we're doing, even crypto, those began to add to that. But as we move in the next year and the year after that to more of a steady state pay with Venmo will get will have a larger and larger contribution to that and don't forget as well that we've got both the card portfolio that complements that as well.

Lisa Ellis

Okay. All right, shifting over to in-store. Another big hot topic this quarter, can you focus first on the on the QR rollout can you talk a bit about where you're seeing the most demand for QR. Is this mostly SMB, is it is it larger merchants, and then also how are you thinking about driving not only the merchant adoption of QR but also getting the consumer to use PayPal when you're in the store.

John Rainey

What we've seen thus far the best traction that we've had is in the SMB segment. And it's obviously particularly attractive where maybe that is the only form of payment that an SMB may be accepting and so we get huge traction there. But we believe it's important for the longer-term success of this to saturate the market with large enterprises as well. We've had some early lessons there and I've talked about some of these in the past. Certainly, consumer awareness is very important, but also the employee knowledge of the product is very important. If you've tried to experience or use one of these products at a place like a CVS where we offer this it's very important that the person behind the checkout counter understands how it can be used and can inform the customer of that. We put a little more emphasis into employee training and some of this and the money that we're spending around go to market a lot of it is around just consumer awareness. To be clear here Lisa, we went into this eyes wide open, knowing that this is going to be a multi-year effort, where it's not something that we're going to be able to gauge the success of in the next quarter or two maybe not even in the next year or two, but we also believe in the ascendancy of digital wallets. You can see this in other geographies like China, where it is ubiquitous. The way that you check out whether you're buying a sandwich on a street corner or you're paying for something in the vending machine or going to a grocery store. My belief is that we will have it eventually get to something like that in our core markets as well. I think it will take longer and in part because the ubiquity of card acceptance and the lack of difficulty around you know paying with a credit card today. Consumers clearly, I think, recognize that there's a value there over time and we're going to continue to invest in this and we believe that we've got a value proposition that will allow us to be one of the leading players in the space.

Lisa Ellis

Another in-store initiative is related to Zettle. Can you just discuss a bit how the Zettle roll out in the US is going, and specifically how Zettle is sort of competitively positioned relative to some of the other big prominent players in the US?

John Rainey

We're really excited to be rolling out Zettle in the US right now. You know what Zettle provides that is different than some of the other platforms is the ability to integrate. Easily and seamlessly into some of the other systems that they may be using, Quickbooks is an example of that. You know some of the common tools and systems that SMBs gravitate towards. The compatibility with Zettle is, I think, as good as anything out there and so we're quite excited about that. We're targeting a customer base initially, that is not the standard customer base of PayPal customer base today. There is a remarkable number of SMBs in the United States that don't have an online presence, and this is where we believe that we can get a head start with Zettle, start processing payments there and then bring them over to help them have an omni-channel experience, where PayPal can help them with online sales as well.

Lisa Ellis

Okay. All right. Okay, we talked a bit briefly about the rollout of the entity formerly known as the super app. A couple of additional kind of color questions there though. Yesterday, Dan talked about a whole range of feature functionality that's going to be in the new PayPal app. Is most of the features going to be your direct offering or will some of it be coming in through third parties like, what's the vision for how consumers are engaging with the new version of the app?

John Rainey

Generally speaking, it will be our offering. There may be opportunities to partner, and an example would be like what we're doing around crypto and partnering with Paxos. When we partner, we want it to be a robust experience that where the customer doesn't recognize that the partner is facilitating that transaction. Protecting the experience is of paramount importance to us. But, generally speaking, the things that we're contemplating will be PayPal experiences.

Lisa Ellis

Okay got it. All right two quick ones, I know that we are running up against the back end of our time with you did want to ask you a couple of quick ones first one online platforms. We've talked a lot about online platforms in the context of the eBay roll off and then your ramp of other major platforms like Alibaba announced last quarter. What is your overall strategy for making sure that you're very visible and have high share of check out in the platform environment, particularly when some alternatives are trying to do like exclusive deals and just recognizing the dynamics are bit different when you're dealing with platforms?

John Rainey

Well, we maintain a high share of check out on these platforms today. That's been consistent, even in the face of a lot of competition and new entrants into this market. I think our value proposition really resonates with these platforms and, in some cases, the merchants that they serve where that's applicable. When we bring over 400 million customers and we have a frictionless experience that we've shown time and again that customers have a greater propensity to checkout when PayPal is present there, it's a very compelling proposition to either the operator of the that platform or the merchants themselves that may be providing their services on there. We're not going to just rely on those facts and sit on our hands, we want to continue to improve our checkout. We think checkout is one of the most important things for us as we look into the next five years. There are opportunities for us to improve there and so we're certainly going to focus on that a lot. We've been fortunate to enjoy the share of checkout that we had when we were to continue to improve our value proposition to make sure that that stands the test of time.

Lisa Ellis

Okay. All right, and then I'll end just on a competitive question, I suppose kind of tying a bow around everything that that PayPal has been doing in terms of adding feature functionality to both the consumer value proposition and the merchant value proposition. How are you thinking about positioning PayPal relative to some of these other checkout buttons like that have gotten a lot of visibility recently like ShopPay for example or Apple Pay what they do within their ecosystem. Kind of maybe at a higher level more holistically, how do you think about that.

John Rainey

Well, competition is something that is not foreign to us we've been doing that, with this for a number of years and Lisa you followed us, obviously, from the very onset when we spun off of eBay and you know back in the questions were around Apple Pay and many others. We continue to demonstrate that we are growing faster than the overall market. I think that goes back to some of the reasons in my in my previous answer, but you know we obviously have a brand that stands for trust and security. That matters in a world where commerce is taking place across borders in many cases with merchants that maybe a customer has never heard of before. That's why you see the data that I've shared earlier around the likelihood of someone to check out when PayPal is present. In some cases, even if they don't use PayPal there's still a greater likelihood is they're going to check out there because of that trust that stands behind our brand. I think that that's very important as we look forward over the next several years, I think you start there with trust, but you also you want to have ubiquity and payments. You know it's important to have both sides of that network at scale. You can look at what some of the others are doing in the space and frankly, you know our numbers are just eye popping relative to them, when you consider that you know we've got 32 million merchants on our platform. You look at the number of consumers that we're adding each period and you recognize the network effects of our business. We're going to continue to expand that, leverage the opportunities that we have, and we believe that we're going to be one of the premier digital wallets going forward.

Lisa Ellis

All right. Good, well I think, John, we will wrap it up there. We've covered a lot of ground, so I think before we close out the call I just want to leave it up to you if you've gotten any sort of final words or any call outs from the quarter that you wanted to just reiterate for folks as they're still trying to kind of parse through all the numbers from last night.

John Rainey

Well, first, I just want to thank you Lisa for hosting this call and for the great Q&A session. I hope this is helpful for the audience in the investor community. I'll close by saying that we are just exceptionally excited about the strength of the franchise. I think you can look at some of the numbers and the impact from the eBay and maybe it's harder to parse that out in a quarter like this, but the underlying business is performing as well as it ever has. When you combine that with the opportunities that we believe we have in front of us over the next several years it generates a level of excitement here that you know is really unmatched in our history. We appreciate the opportunity to share some of our thoughts and comments with you, but quite excited about what the business is doing and look forward to talking to all of you in more detail over the coming weeks.

Lisa Ellis

Wonderful, terrific. Folks, if we didn't get to your questions on the call we will get back out to you or feel free to either follow up with me and the team from MoffettNathanson or with Gabrielle and her team from PayPal and we will end will get back to you. All right. Wonderful. Thanks everyone for joining and have a great day, and thanks again John and Gabrielle.

John Rainey

Okay, thank you. Bye.