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PRESENTATION

Ramsey El-Assal

Welcome back, everybody, to the keynote lunchtime address. Very honored to have Cindy Turner, VP of Large Enterprise, with us from PayPal. Cindy, thank you so much for being here today.

Cindy Turner

Thank you so much, Ramsey, for having me.

Ramsey El-Assal

Cindy's responsible for Braintree and the Hyperwallet product organizations among other things. So, Cindy, not to steal a little bit of your thunder there, but maybe you can kick us off by telling us a little bit about your background, and then maybe we'll move on to your role at PayPal, what you do there?

Cindy Turner

Yeah, absolutely. So, like many of industry stalwarts, I stumbled into payments. I think payments found me rather than me seeking it out, but it's been 12 to 13 years now, so I'm definitely a full payments geek, I would call myself. I started as a generalist in strategy, ended up at KKR after business school and working full time in their portfolio companies. That was my introduction, getting dropped into First Data. I spent three or four years with them trying to drive profitability into that P&L and found myself just deeply knowledgeable about payments and the economics of what drives an acquiring P&L, and what drives the value chain.

So, I'd always gotten advice that you can't be a generalist forever, and so picking an industry that's up and to the right, represents 2% of the global economy, and has one of the most interesting value chains that I've ever seen, it felt like the right fit for me. So, now fully a payments person. Ever since that KKR First Data introduction, I spent a few years at Visa. That was where I started product, started in strategy there, launched network tokens for Apple Pay, and then seven years at JPMorgan. That culminated in running product and payment tech. I joined the PayPal Braintree organization about six months ago, in mid-October.

Ramsey El-Assal

Great.

Cindy Turner

What got me excited about PayPal, I think that when I got the call of this opportunity, first and foremost, I've been watching Braintree eat everyone's lunch for the last two years. So, from a growth perspective, winning large brands that I have a lot of respect for and want to serve as their provider, from Uber, Airbnb, Live Nation, the types of complex businesses that are really pushing the industry forward with a lot of pay ins and then also some complex payout problems. I watch those businesses migrate from using Braintree originally just as a gateway to be using as a full stack provider, and then PayPal's acquisition of Hyperwallet going along with that. So, the two together really started to represent a digital treasury and is a really compelling set of technology assets.

Ramsey El-Assal

That's great. Now that [you've been at] PayPal [for] six months, tell us about your role at PayPal. What are your roles and responsibilities at the company?

Cindy Turner

Yeah, absolutely. Today, I run product and solutions for enterprise business that gives me direct responsibility for both Braintree and Hyperwallet. Aside from the traditional product teams doing product development, I also have a commercial team of payment [subject matter experts] who are part of an extension of the sales organization, people who really pride themselves on being deep payments experts, and co-innovate with our clients all day long on lining up new use cases, figuring out how to leverage loyalty programs, new types of payment schemes, and be able to bring those live for our clients, new geographies and new customers on their most complex and challenging payments problems.

I also have indirect responsibility. My peers own the PayPal wallet, the Venmo wallet. So, the way in which we present those and sell them into our largest enterprise clients is indirectly under my responsibility.

Ramsey El-Assal

The Braintree business has been part of PayPal for a while, so I think since 2013. At times, we hear about certain key customers the business serves and some of the verticals Braintree touches. It's been a long time since we've had an update on Braintree. Can you tell us a little bit more about the business today, how it's positioned in the market, how it's differentiated from other processors, just an update on Braintree?

Cindy Turner

Yeah, absolutely. So, as I mentioned before, Braintree started life as a gateway. They were a submitter into traditional acquirers. They held the vaults. That was, I think, the most special part of the Braintree architecture and continues to be, is vaulting credentials, having a really smooth, simple interface that merchants can integrate into and then being able to facilitate taking those payments anywhere else, so, to an existing provider, to a new geography, to other use cases that are not payment specific, but need that identity and those credentials.

Over the last nine years, the business has really grown to tremendous upside growth from a revenue perspective and volume, but in particular, what we've really pivoted into is to be a full stack processor. Now, the vast majority of volume that we process is full stack.

So, it's on our paper, we price for it, and we use a network of traditional acquirers behind the scenes that we get that volume over to. That's really the fundamental change that we've made. Today, we process locally in more than 50 markets, more local in US, Europe, UK, Canada, Brazil, and Australia. We accept in more than 130 currencies, and we do it with a very robust set of complex enterprise payment offerings. So, our largest and most complex customers have expectations from pass through pricing, all of the features that let them optimize authorization, be able to facilitate routing, be able to facilitate retry so that they can maximize their auth [authorization] rate. We have that full robust set of capabilities plus the back end, so the treasury reconciliation.

I know that you all are familiar with the customer brands that Dan had spoken about in this last earnings call. I'll just quote that again. So, we're the exclusive or primary processor for Airbnb, Uber, DoorDash, Live Nation, Vineyard Vines, TikTok is a relatively new brand that's coming on from a full stack processing perspective. There's also many smaller brands that have been part of prior disclosure, so, Tradera, Speedway Motors, Sprout Social, Kiva, Pressed, which is a juicery. Ipiranga, in Brazil, is one of the largest gas station chains in the country. iFoods is the largest food delivery merchant in Brazil. The Brazil's story altogether is really very exciting. We're growing very rapidly there and have become really the primary processor of choice for eCommerce brands in that market.

One of the things that I think you probably know less about is the Hyperwallet business, but to me, it's really complementary to Braintree. It serves most of the same enterprise clients, so, a traditional offering that we'll go to a merchant with is [] Braintree and the pay-in, plus [] Hyperwallet – the payout.

Together, to me, coming from a bank background, those become a digital treasury. So, being able to facilitate both the pay-in and the payouts and have the fluidity of allowing the merchant to keep the funds wherever they want. We can do an FBO [For Benefit Of account], it can be on our balance sheet, it can be in their own accounts wherever they choose to bank, but in the Hyperwallet business, we move funds into 110 different countries. Our local footprint is actually even larger than the Braintree footprint – a proprietary bank network that's very special. We leverage both the traditional rails, but then also have all of the offerings of faster payments, whether that's facilitated by bank rails or by OCT [Original Credit Transaction] and Visa Direct. So, we find ourselves there, we're winning regularly against banks, as well as some of the more traditional or more FinTech brands that you would think of in that space.

Ramsey El-Assal

They're very complementary assets, the two.

Cindy Turner

Yeah. One of the things in that that just makes PayPal so unique is I think, inherently, we're an open ecosystem company. So, we play really well. A merchant can come to us and they can say, we already have these two or three relationships, but we'd like to add you and be able to simplify our front end, maybe, but keep our backend relationships.

So, I think of us as just playing really well in that ecosystem, and we allow our merchants to keep their bank partner of choice. They can keep a processor of choice if they want to do that, and then we can fill in around the edges and we'll compete to win every transaction that we can win. We always want to place our own brands, whether that's wallet or fraud, the Simility product, the Chargehound [product], but we allow that marketplace of offerings to all be accessed within our platforms.

Ramsey El-Assal

I see. Tell us more about Braintree, about the verticals that Braintree serves and the geographic reach and depth of the platform. Something you touched on is capabilities, maybe you could also tack on discussing

PayPal's broader unbranded processing business and how PayPal serves a lot of different customer sizes, customers of all sizes.

Cindy Turner

Yeah, absolutely. It's probably easier to talk about the verticals that we don't serve. We serve the largest leading players in every card not present, digital retail environment that I can think of with travel ticketing, grocery, digital goods, real money gaming. So, we're playing across the entire spectrum. It's hard to pull numbers on market share and eCommerce, but we really are up there from a leading perspective in each. We do a ton of subscription business, whether that's $3, $10, media subscriptions with food boxes, music, whatever subscriptions people are using on their regular wallet, and then we also go all the way up market to a thousand dollars plus high-ticket retail. We've got Wayfair and furniture retailers, so, serving really the entire spectrum of eCommerce.

Card-present is, of course, always the next frontier. When I look at it, I see that as pure opportunity. That's how we can continue to hit 50%, 60% growth rates. This is not me disclosing, but we want to be on a trajectory towards maintaining a high growth business, and the amount of white space in omnichannel is just absolutely incredible. That's where we can continue to grow.

Vineyard Vines, it's been part of our prior disclosures was the initial launch client of our card present product. We're now live processing their hundred plus stores for them, all their digital properties. We're doing full stack card present acquiring. We use a [Class A] fully certified VeriFone terminal.

It's the right product to have in market. We're not trying to force a PayPal device onto them. We're letting the leading devices and hardware that enterprises are choosing anyway, letting them select into that type of a platform, but have a fully integrated in-store and offline experience. So, every transaction can be vaulted. You can be able to facilitate a return, a removal of that transaction after the fact, whether that's through their call center, through their web environment or directly in store with a ton of fluidities, because it's the exact same reporting platform, the exact same servicing platform.

That's something that the traditional acquirers really can't do, and really excited to be out there with that product. I think there's an interesting vertical that it is what I call this squishy middle between these large enterprises and small business that don't operate as small businesses, but it really is an amalgamation of a lot of smaller entities.

We internally call it multilateral, which is just how the merchant shows up to us from a boarding perspective and at its simplest, that is a very large enterprise who makes the purchasing decision of where to send the payments. We sign the contract, the pricing at the highest level of a parent that's choosing the processor, but they don't want to be in the payments flow and they don't want to be in the flow of funds. So, when we go to board the merchants, we [on]board each of the smaller entities as their own. So, each one goes through a KYC and AML check, and the payout distribution happens directly to what I would call that sub [smaller entity within large enterprise]. This multilateral can be a marketplace, so any registered marketplace, Wish, marketplaces like that.

Our marketplaces franchise is actually multilateral. So, you have a parent making the purchasing decision, and then each of the properties underneath that is actually an independent business that gets contracted too separately. There's lots of other multilaterals, the alcohol delivery and pharmacy delivery that the Ubers and DoorDashes are going after. They don't want to be in the flow of funds on alcohol, so they end up boarding that as multilateral. This is an area that I actually think PayPal has really differentiated itself, largely because of Hyperwallet being part of our portfolio, but we're really able to serve these businesses throughout their entire growth life cycle, from coming up with this marketplace that they're trying to serve and then growing all the way up. So, I think we really have the best portfolio of technology assets that serve these types of bill pay, franchise, marketplace delivery businesses.

Ramsey El-Assal

Great. I want to ask you about – in terms of the pain points customers have that PayPal solves uniquely, it'd be great to hear some specific examples, maybe customer stories of how you're serving their needs, why customers move on to PayPal's platform for processing, why you think PayPal's processing specifically is resonating with customers.

Cindy Turner

Yeah, absolutely. I mentioned earlier, I think of ourselves as an open ecosystem, and so to me, that's the essential component of our business model. Our services and technology is inherently modular. So, we come to a merchant and let them select off of the menu of offerings that we have, which lets them have a lot more flexibility. While we can certainly commercially bundle our services, from a technology perspective, we allow our merchants to choose in and out of which elements of the total offering they want to leverage, which lets them choose us as a single source provider, but also have a multi-vendor payment stack if that's what they prefer. So, to me, when I look at the enterprise business broadly, most of those merchants are choosing into having multi PSP [payment service provider]. They might have a vendor on loyalty or a vendor on fraud that they have already chosen to work with.

They might choose that they want to vault their credentials in one place, or they might choose to vault their credentials with us. They might have a specific market that they're trying to process in locally, like in India, where they need to have a local provider there, which is different, but they want to have a common architecture in the front end. So, when I look at that modularity that it allows us to offer, this is really where we become this orchestration play. We let our merchants relax the more rigid model that some of our competitors have, where they hold a hundred percent of the transactions captive and the credentials captive and the 3DS [three-domain secure] captive within their environment. We let our merchants full stack process on us, but also if they want to take that credential and leverage it off of our platforms, they can do that as well and we make it really easy.

The pay-in and payout is a really good example of this, so [is] the marketplace play. So, one of our competitors there has this very rigid, fixed bundle of pay in, pay out that they use to service that marketplace. Because of their own balance sheet, they require three-day funds hold there because they can't facilitate the payouts until they get paid by their banking partners who have to get paid by Visa and MasterCard. So if you look at the major RFPs [request for proposals] over the last 18 months, all of these gig economy players, they hit a billion dollars of volume, $2 billion, and you have Instacart, GrubHub, DoorDash goPuff. All of them have started to really hit that scale, and they find that they need flexibility. They might want to have a Chase Net deal, so they want to send a piece of their volume over to Chase.

They might want a day of that cash flow back because they're growing at a rate that they really need a day more working capital. They might want to have a secondary PSP, or they might buy someone who has a different processing choice and they want to consolidate the vault, but leave two different contracts in place. That's where I find the merchants are all coming up for RFP, and differentially, we're really being able to earn that business. They like the value proposition of how we can simplify their integrations, but also allow them to have some choices.

Ramsey El-Assal

Very interesting. Something I've been thinking about, if PayPal were a merchant, it would be one of the largest global merchants. You guys are on track to process I think something like $1.4 trillion in payment volumes this year. How does that scale with the two-sided platform? How are you able to leverage that scale? How does it allow you to uniquely serve your customers?

Cindy Turner

Yeah. So, we do. We talk a lot about the two-sided platform and when I was choosing to join this business, I think it's one of the most compelling aspects. Checkout is really where that comes together. So, from a Braintree perspective, we can facilitate a hundred percent of the inbound payments as well as the value-added services, but we're always trying to drive 20% to 25% of that checkout to our own branded wallets, so PayPal and Venmo. A great use case to this, I was at a [quarterly business review] with one of our largest eComm merchants recently, and they asked us, it wasn't even our agenda item. They asked us if they could dedicate two to three [development] resources within their growth team to try to drive more volume to our PayPal wallet and our Venmo wallet. They wanted to test and learn what happens if we run a program with Venmo consumers, and we offer them a subscription to our premium product.

What happens if you change the placement of the buttons? What would happen if we do AIML [artificial intelligence / machine learning] in the background to anticipate whether this is a regular Venmo customer, a regular PayPal customer, and we're then able to move the buttons around dynamically within their checkout flow to offer that as the first option of checkout?

So, we've got our merchants trying to collaborate with us to drive two wallet methods that have a cost to payment that's compelling to them and also has a better checkout option, higher flow through rates, higher auth rates. We have a hundred percent alignment here between their business goals and then our own business goals. So, to me, that's just a real validation of the two sided [network] strategy.

Ramsey El-Assal

It seems like the new buzz term in online full stack acquiring is payment orchestration. Tell us what that means and how Braintree functions to provide additional services to merchants. I guess the bolt on question there is what is most differentiating about Braintree in that context?

Cindy Turner

Yeah. Exactly. So, orchestration, I think it is the buzzword. I've actually been doing a ton of presentations around it. I'm at MRC [Merchant Risk Council] in Berlin next week, talking about it. It's not a new concept. So, conveyance, gateway itself has been around since the beginning of payments.

At its simplest, it's why don't we help solve the integration, so the technology of a multi-vendor strategy, while allowing you to still be able to leverage the best of the ecosystem? So, to pull in small businesses that are optimized for your vertical, your segment, to locally process in a market that your primary processor might not have processing and to bring all of the different technology assets into one common integration. So, everybody today has an extremely tight backlog, whether that's our clients, their development queues. Trying to hire developers right now for everybody is a challenge.

Everybody wants the leading innovation, they want to light up new use cases as fast as possible, but they also want to do it with a really simplified integration, and they don't want to have to maintain those connection points, those end points, with more than a few partners. They also want to have trust in those partners from a security standpoint, from a resiliency, from an up-time [standpoint]. So, to us, what orchestration is, I think we're perfectly positioned to win in this space. I would guess that we're already probably one of the world's largest global orchestrators, if not the largest. We do that with a variety of technology assets. So, we do it from our old gateway. We send volume all day long to Chase, to Worldpay, to Adyen, to Stripe, four merchants that want 5%, 1% of their volume, because of a specific contractor, a specific market, to go to that processor.

We also though are doing some really exciting stuff in orchestration. So, we have a reversed API that lets third parties connect to us in a codified set of credentials that we tell them to use. So, we tell them, here's

how we store payment credentials. You use that instead of the other way around where they have their own API and we have to map into it. What this does is, we've got partners like Flutterwave, dLocal, Forage, eBanks, PPRO, those parties then are able to try to sell into some of these large global enterprises that we're both serving, and they don't have to have a new integration to do that. So, where we don't have local processing, so, India, China, some of the Southeast Asia countries, some of the longer tail of LATAM [Latin America], we're able to help our merchants be able to simplify them lighting up a new country like Chile, like Uruguay through one of those parties.

To me, the key to orchestration is you facilitate integrations that are simple. You do it with intelligence. You do it with routing intelligence that allows for the right credentials to get to the right processor that's going to maximize auth rate at lowest cost, and then you bring together the back ends. That's really, I think, where we differentiate ourselves is we take all of that settlement, all of that recon data, and we can pull it together from the merchant so they get one set of reporting that simplifies their back end. So, to me, this is a really exciting space. I think it's innovating really quickly, but it's also one that we're really well positioned to win in.

Ramsey El-Assal

Fantastic. I also wanted to ask you about the series of acquisitions that you guys have made over the past few years that have helped create a more comprehensive set of services for your merchants. Talk about the benefits of some of these acquisitions. Are there any in particular that you might highlight as having filtered into PayPal's offerings and transform the way you serve your customers?

Cindy Turner

Yeah. A couple that I get excited about every day, and of course my orientation is always to the large enterprise, Hyperwallet I spoke about. So, we just lapsed three years on the Hyperwallet [acquisition]. That is really the leading payout platform. The services that they're doing, the clients that they're serving every day is a phenomenal business for us and for them. It is a better tech stack to integrate with than a bank and has even more flexibility than a bank does. So, it really does end up competing more with the traditional banking, but it also doesn't have the reliance of cross border fees that many of the FinTechs are trying to jump on. We send volume to 110 different countries, but a lot of it also can stay domestic.

Hyperwallet also is a push payment vehicle effectively into our own wallet. So, we use Hyperwallet and we use some of the technology assets under Hyperwallet to facilitate payouts into PayPal accounts and into Venmo accounts. So, whether that's a small retailer in the gifting space, grabbed me a couple weeks ago and said, what if we wanted to do gifting? And I was like, well, we could use this Hyperwallet set of services and we can push funds into a Venmo [wallet]. If you buy a birthday card for somebody and you want to give them $20, you could actually bring it with a QR code that facilitates $20 going into their Venmo account. So, really interesting use cases that you can do on that side.

Our large businesses are doing the same. So if you think about in that multilateral space, travel or hosting, newer travel models, they're trying to get funds into their network of homeowners who are renting their properties. To be able to offer that in to go to PayPal accounts with one integration, you can pay into 110 different countries and PayPal account holders there. It's a great set of assets that are really complementary to the rest of our business.

Our risk as a service product, we haven't touched on much, but Simility and Chargehound, those were really critical for us. Simility is a leading fraud detection platform. So, at the point of transaction initiation, it runs through a set of queries and it's all AIML driven. It says, do we think that this is really the real customer? Is this the identity that we expect? Do we think it's likely to result in a chargeback after the fact? This puts the power back in the hand of the merchant. Our merchants are increasingly choosing our Simility product. It's rebranded internally and with our clients as [Fraud Protection Advanced], I believe. It's easy to migrate

the merchants over to it because it's got better top line performance than most of the fraud services that I've ever seen.

Then Chargehound is a great simplification of their backend. So, Chargehound takes on the service of dispute management for merchant and says, rather than you try to fight the disputes, figure out which ones to do a presentment on, how about we do that for you? That Chargehound business, the amount of white space that they can sell into within our existing portfolio is really transformational for them as a business.

Ramsey El-Assal

Great.

Cindy Turner

I'll add Happy Returns. Happy Returns is an incredibly happy experience. I don't know if you have returned anything with Happy Returns. I bought a bunch of M.M.LaFleur dresses the other day, as we all will go back to the office and had to return a few, and it is just a lovely, delightful consumer experience. You choose from dozens of local places that you'd want to drop off your dress.

You don't need to box it. You don't need anything printed. You get a QR code on your phone and you go drop it off at Big 5 Sporting Goods or at a FedEx store. They take it, they scan the QR code. They just drop that plastic bag into their boxes. So, it delights customers all day long because 20%, 30% of items are getting returned that are ordered in eCommerce. So, it's a huge logistical problem for our merchants. It delights customers. They're happy to have that type of simplicity, not have to box it, not have to print anything. That's one that's also just really complementary with our existing user base.

Ramsey El-Assal

Great. We only have a couple minutes left here. You mentioned something earlier that I thought was really intriguing, which was the omni strategy at Braintree. Could you just elaborate on that just a tiny bit? How are you guys getting to market with that omni strategy and any color you could provide there?

Cindy Turner

This is really card present for us. So, we already serve a lot of the omnichannel retailers on their card not present side, and it's really finishing the offering so that we can serve them across their entire business. Card present is hard and different. The traditional acquirers have been in it for a while. What I like is we've got the right assets here. So, we've got the right platform. It's 100% integrated from an omnichannel client experience. The integration's the same, the backend is the same, the certification is all within your existing Braintree set of services, and then we've got the right terminal. So, we're still in early days. We have two main clients live right now. We're selling some really big brands. So, really excited about the next five to 10 [clients].

We need to work on the totality of the service, which includes the distribution. When you're a card present processor, you get phone calls from your merchants that their Bluetooth is down and their wifi doesn't seem to be working. It's a very different servicing model than in eCommerce. The person who calls you tends to be the person behind the checkout counter who's an hourly worker. So, being able to serve that merchant, we need to scale up our operations. We need to be able to ship packages and inject keys into terminals and make sure that gets to the retailer. So, we have a little bit of work to do there. That's why it's more of a roadmap item for us, but we're in launch, not in full general availability yet. Two years from now, I hope I'm coming and telling you about the dozen Fortune 100 retailers that we're serving. So, we're certainly having those conversations already.

Ramsey El-Assal

I'm going to hold you to that. Unfortunately, we're out of time, but thank you so much for being here today. Super insightful comments. It was a great conversation. I really appreciate it.

Cindy Turner

Thank you, Ramsey. I appreciate you having us, so, thank you.