

PayPal Investor Day 2025

Win Checkout

Frank Keller, GM, Large Enterprise

Welcome back.

I hope you are all well caffeinated, so you don't fall asleep. I'm super excited to be here. You heard Alex, you heard Diego, you heard Sridhar. Diego spoke with you about the consumer side of our network.

I am here to discuss the merchant side. I'll cover three things. First, how we have reimagined our checkout experiences to drive growth.

Secondly, how we drive profitable growth in our enterprise processing business, also known as Braintree; and third, and finally, how we support our merchants as we look into the future.

So PayPal is not only the smartest way to pay but it's also, for merchants, the smartest way to get paid.

And that's why PayPal Checkout is at the core of our flywheel. Diego already talked about this. This is our branded checkout growth formula.

As you see, the checkout experience is at the center, connecting the merchant and the consumer side.

So for consumers, it needs to be fast, it needs to be easy, and it needs to be personalized. And for merchants, it needs to drive conversion.

Last year, we've been laser focused on reimagining our checkout experiences. So let me tell you what we have accomplished.

As you see here, there are essentially three core checkout experiences: vaulted, one-time and guest.

So Vaulted is our best-performing experience.

It is ideal for repeat purchases: think of ride share, food delivery, et cetera.

Then there's one-time. It provides the full flexibility every time you pay, like in traditional retail and on marketplaces.

Then there's guest checkout. That has a lot of friction.

But it's almost 40% of global ecommerce, often used in low-frequency scenarios. This is why we've innovated with Fastlane by PayPal. I want to double-click into each.



What is a vaulted payment? Imagine that you open a new ride share account. During setup, you need to choose a default payment method.

So when you ride, you're focusing on getting from A to B and the payment actually automatically happens in the back. This is when PayPal is vaulted.

We're having an outstanding conversion rate of 95%. That is because our wallets are powerful. We have multiple payment methods. So payments rarely fail.

But we had an opportunity to do even better during sign-up, log in and how fast it is. So let me take you through these.

When a merchant presents a user with payment options, they don't know what to prioritize. Alex called it, they're guessing. So this is where we've developed the payment-ready signal. It arms merchants with the information they need to prioritize our customers. They're PayPal, Venmo or Paylater users.

As an example that you see here, with the payment-ready signal, it moved from initially third place up to the top of the stack for a recognized PayPal customer.

Secondly, we took the friction out of login with biometrics. Log-in is painful, especially on mobile. Nobody enjoys typing in user names, remembering passwords. So biometrics eliminate the hassle and make it easy. As you see in this example.

Log-in success rates of the new experience are significantly higher. They're 96%. On top, it's even more secure. Our new log-in experience is fundamentally better, especially on mobile.

Third, we've dramatically increased the speed of our checkout experiences. Last year, we have completely rebuilt our 20-plus year-old checkout code base, making it faster and better. And as a result, latency is down by over 40%.

But we're not stopping there.

As Srini mentioned, we're moving to the cloud, which will further increase the checkout speed for our global customers. And let me tell you, we're very pleased with the results of our early adopters.

If you take it all together, consumers have less friction when they select and log in into PayPal. Merchants get higher converting customers, and PayPal is getting a bigger share. So I call that a win, win, win.

With that, let's look at one-time checkout. This is when a consumer actively selects PayPal for every purchase, like in classical retail.

It gives the consumer flexibility, especially on high order values, as they might want to pay over time, utilize credit, maximize their points, like when buying an airline ticket. When merchants offer our trusted brand at



checkout, they see a 33% conversion lift.

We, again here, saw further opportunity to make checkout even better, to make it more modern and streamlined.

We have completely redesigned the pay sheet to make it slick and take out the cognitive load for consumers. The new design guides the consumer through three simple decisions they need to make during checkout. When to pay: now or later? How to pay: with PayPal balance, bank account, debit or credit card? And last, the shipping details. And let me tell you, it works beautifully, especially on mobile.

We see an over 100 basis points conversion lift. That's a big deal.

And now this is actually different. We went one step further. We made the design modular so that the experience can adapt to the individual need of a consumer. With that, consumers not only get a slick checkout, they receive a personalized shopping experience.

And as you can see here in this Pay Later example, we can now show a consumer that they're clearly being preapproved. This drove a 20% lift in Pay Later usage, and it doubled the first-time Pay Later users.

So let's move over and talk how we have innovated guest checkout. When we stepped back, we saw an immense opportunity to bring more consumers into the PayPal ecosystem and ultimately, the branded checkout flywheel.

As mentioned, data entry is a key challenge for consumers, and it's painful for merchants. A staggering 54% of consumers drop out of the guest checkout, directly impacting merchant's bottom line. To seize that opportunity and to streamline guest checkout for consumers and for merchants, we have built Fastlane by PayPal.

We're well positioned to do so, thanks to our trusted brand halo. And Fastlane is showing excellent results. Consumers are opting in.

In fact, we already have in our network more than 170 million accounts in the U.S. that are Fastlane-ready. And merchants are seeing a significant conversion lift. Over 50% in the guest checkout. So for PayPal, it's a meaningful opportunity to increase our overall share of checkout.

We're now focused on rapidly scaling the merchant side with partners like Big Commerce, Adyen, Fiserv and more.

Now this is important. Fastlane fuels our branded flywheel with the second opportunity to bring consumers into our ecosystem. Let me tell you, we're watching Fastlane user cohorts extremely carefully.

And what we're seeing is interesting. 25% are new to PayPal. Over 50% are inactive, meaning they have a PayPal account they are no longer using. So it becomes a great channel for us to engage new or lapsed users with branded checkout.



So as you see, Fastlane is part of our holistic approach to growing PayPal branded checkout.

As these experiences are now delivering results for customers and for PayPal, we're now focused on bringing our new checkout experiences to a global scale.

Today we've already scaled to more than 30% coverage in the U.S. Soon, we'll start rolling out to the U.K., to Germany, followed by the rest of the world.

As we continue to drive results for our customers, we will phase out our old experiences. And that is important so that our consumers around the world get a consistent, modern and fast checkout experience wherever they shop.

You'll hear more about merchandise option from Suzan later.

So I know you're all interested in understanding our growth expectations for branded checkout.

Our plan is to accelerate [branded] TPV growth to between 8% and 10% by 2027.

We will measure success by growing our new experience share to over 80%, growing Pay Later usage by more than 20% and growing Pay with Venmo by more than 40%, as you heard in Diego's section.

So to summarize, we have a rigorous plan to drive checkout growth. We're reigniting consumer selection. We have reimaged our checkout experiences and innovated with Fastlane, and those are highly performing to exceed merchant and consumer needs.

And now we're laser-focused on scaling them across our global merchant base. When we talk to merchants, they are impressed by our new experiences, which opens stores for having much more holistic conversations about how we help them, driving their business.

With that, I'd like to turn to the second part, which is our enterprise payments business, which you all know as Braintree. I'm proud that we have made significant progress last year, by building this business, bringing this business back to profitability.

I am excited to tell you more about how we grow from here. Let me tell you, we have a leading enterprise payments platform.

It's scaled. We have processed over \$570 billion last year with leading authorization rates.

We're global. We're serving some of the largest brands around the world.

We have a strong suite of value-added services, which is for PayPal, [a] massively untapped opportunity.



For those of you in the room who are not familiar with the platform, I want to quickly walk you through.

So there's payment processing. This is processing debit and credit cards. These are alternative and local payment methods, and of course our own checkout options.

We have a suite of value-added services that are powered by the data from our network, and we have orchestration, which is critical to our open platform strategy. I want to explore with you our growth strategy that will drive accelerated and profitable growth.

I want to take you through the three pillars: expansion of our processing, how we're scaling our high-margin value-added services and how we're scaling our open architecture approach.

Let me start with a major leap for our payments business.

We're going to expand our total addressable market into omnichannel processing. We've announced this morning that we have enabled this with a strategic partnership with Verifone, a global leader in point of sale. With that, we will be able to serve omnichannel merchants around the world with a cost-effective and highly scalable approach.

I'm super excited to unlock this opportunity as it means many new possibilities for PayPal to seamlessly connect the online and the physical world.

In addition, we're laser-focused on geographic and vertical expansion. 70% of our business is currently concentrated in North America. Thus, we have a massive opportunity to grow internationally, where we see higher margins. To do so, we're strengthening our localized capabilities and our localized go-to-market.

We also see an opportunity to grow faster through a vertically-segmented approach with tailored offerings that address the unique needs of each vertical, all the way from product to sales.

The second pillar is about unlocking the margin opportunity of our strong suite of value-added services that are powered by the data of our two-sided network.

I want to give you a couple of examples.

So we have payouts. Think of gig economy. This is where we pay out to SMB sellers or solopreneurs in over 200 markets in many currencies.

This is also fueling our network. More than half of those funds actually go straight into PayPal or Venmo wallets. And Michelle later will talk more about our SMB strategy.

There's risk, fraud and payment optimization services. They are powered by AI and ML models that are trained on our global transactions across the network, which is saving our merchants dollars and time.



Then we've just externalized our FX services for our cross-border merchants to remove the complexity and headache while also saving them cost.

We're now focused on scaling them effectively across our customer base to enhance the margin profile of our payments business. And lastly, there's orchestration, which is at the core of our open architecture approach.

It allows our merchants to expand globally and quickly enable new use cases without the tech and organizational burden of doing everything themselves, which means merchants need to connect only once to us, to get access to the whole global ecosystem.

What you actually might not know is we're already a leading scaled orchestrator. We have orchestrated over \$66 billion [in payment volume] last year. We already have more than 100 connections to partners across PSP, fraud, loyalty, connected commerce. And finally, our open architecture strategy will also enable partners to grow with us.

So with all of that, we expect our enterprise payments business to grow transaction margin [dollars] twofold by 2027, while also growing volumes at ecommerce levels. To summarize, I want to leave you with three things about our Enterprise Payments business.

We will grow by expanding our total addressable market into omnichannel, targeted geographies and verticals.

We're laser-focused on unlocking our margin-rich opportunity with value-added services.

Third, we're building an open architecture, which gives merchants access to the full ecosystem through our platform connection.

Let's look at large enterprises. As large enterprises adopt more and more services, they become more profitable.

So we create compounding results, as you see here. Merchants typically enter into our ecosystem through branded checkout. Then they adopt processing and move to platform integration which allows us then to add higher-margin value-added services and new innovations.

As you can see down there, we have a lot of upside.

But listen, to achieve this, we must fundamentally change how we go to market.

So let me show you the future. This morning, we have announced PayPal Open. Our one platform for all business.

PayPal Open brings our legacy acquisition and product brands under one roof. The value proposition is structured in three core needs which we actually hear from every merchant, be it large, be it small.



It's power my payments, drive my growth, and help me operating smarter. And an important role of PayPal Open is also that it provides merchants access to our latest innovations.

So dovetailing into what Alex already said, I have one more thing to talk about, which is the PayPal Commerce API.

70% of consumers expect personalized experiences. But it's really hard to do and get it right. It's super hard to know what a consumer wants, especially when you have only limited information as a merchant.

This is where we are uniquely positioned to help. Consumers have always entrusted us with their financial information.

So it's no leap of faith that they also entrust us with their shopping preferences.

In fact, in the U.S., we already have the permission of 80 million customers—consumers—to do so.

With the PayPal Commerce API, we provide merchants with relevant product recommendations, and deals to personalize their experiences.

We will start testing this innovation with strategic partners later this year and merchants will get access through PayPal Open. And if you haven't done so, feel free to learn more about this in the demo space.

So as I wrap, I want to leave you with three takeaways.

We're raising the bar on branded checkout.

We have an end-to-end plan to accelerate growth.

Our new experiences are delightful for consumers and drive conversion and outcomes for merchants. We're laser-focused on scaling them globally and to drive consumer selection.

We are growing our enterprise payments business profitably and we're accelerating growth by expanding into omnichannel targeted geographies and verticals, and we're accelerating our value-added services adoption.

And finally, PayPal Open gives merchants of all sizes access to the full power of PayPal, including new innovations like the commerce API.

So, much of what I've talked about is not only relevant for large enterprises, but also for small businesses. Thus, I want to hand it over to Michelle, who will walk you through our SMB strategy.