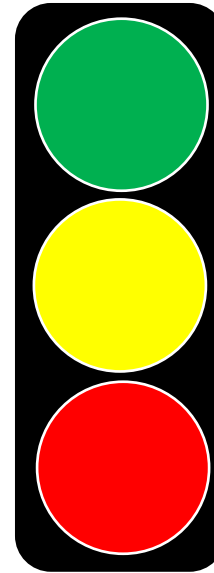


February 26, 2020



PYPL

**PayPal Holdings Inc.:**  
**PayPal Extending Merchant**  
**Footprint on Strong Product,**  
**Service Pipeline**

**PYPL, SHOP**

Secondary: AAPL, AMZN, FB, PINS, SPT, V  
Private: AfterPay Limited, BigCommerce Inc.,  
Klarna Bank AB (KLAR)\*, Stripe Inc.  
*\*Klarna Bank is currently pre-IPO*

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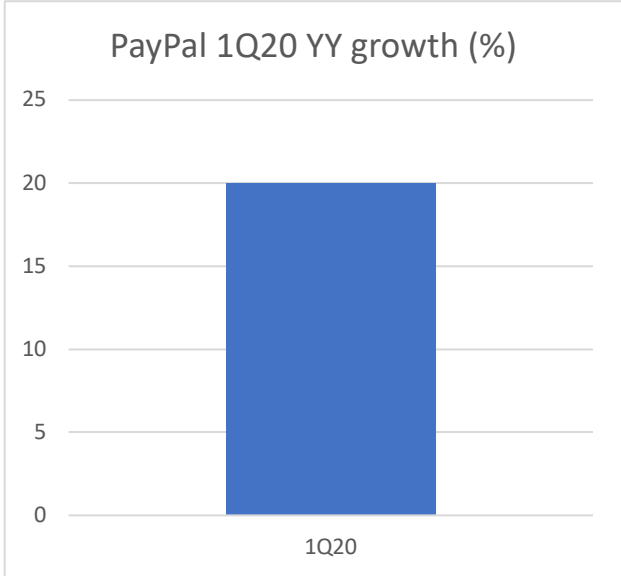
**Usage of PayPal for in-store and in-app checkouts and sales continues to expand, with added functionality and acquisitions paving the way for continued strong YY growth.**

- PayPal yy TPV at merchant checkouts increased in range of 15%-25%\*\* during 1Q20, with yy growth expected to remain stable to slightly accelerating in 2Q20 and full year 2020.
- PayPal's superior size, scale and consumer loyalty driving increasing share of merchant checkout sales, though merchant concerns about security persist.
- Merchant interest in Venmo based payment solutions like Pay with Venmo and Venmo Rewards growing; PayPal also making progress in enhancing the platform for SMB businesses.
- ATW: Ecommerce merchants see major potential for Honey to help boost sales further in 2020 and beyond.
- ATW: Though PayPal is making strides at moving beyond payments, Shopify remains the dominant ecommerce platform and a tighter Shopify-Stripe integration could become a major competitive barrier for PayPal.

*\*\*Data collected from merchant sources measuring in-store and in-app payments and does not include Venmo P2P growth.*

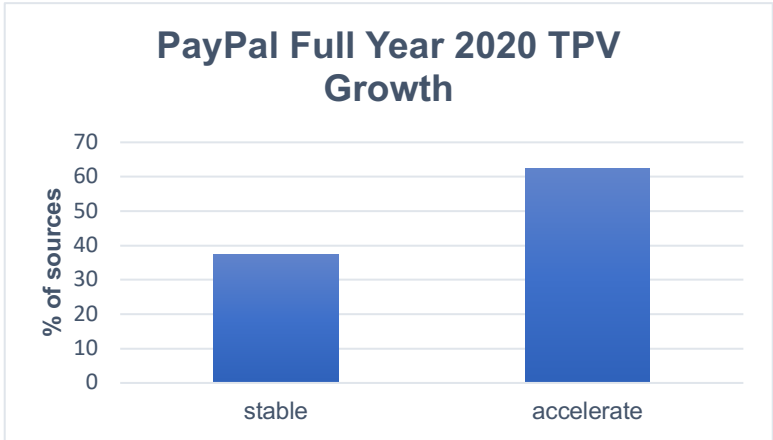
### Solid TPV Growth Momentum

**PayPal Holdings Inc.** maintained its lead in 1Q20 versus competitive mobile wallet platforms, with ecommerce and brick and mortar merchant sources reporting their PayPal yy TPV growth increasing by an average of 15%-25%.



*Note: 20% is the midpoint of the 15%-25% sources reported for YY growth in 1Q20  
source: VMI interviews with 8 ecommerce merchants and consultants*

Merchants expect point of sale checkout TPV yy growth to remain steady or even accelerate in 2Q20 and full year 2020. “Mobile payment processing is a big market segment and it will continue to grow despite newcomers entering the U.S. market. There is still more share to be had in the U.S.,” said a source.



*source: VMI interviews with 8 ecommerce merchants and consultants*

Sources said PayPal has become a company with vision and a company that is more agile, responding quickly to the needs of their merchants. “Since Daniel Schulman came on as CEO a few years ago, I’ve seen a lot more vision coming from the company. They

are expanding into other areas that make sense and they are really working on new alliances and strengthening current ones,” said a source. Sources said that for merchants offering multiple payment processors, PayPal payment processing accounts for anywhere from 5%-30% of processed payments.

Sources said PayPal take-rates in 1Q20 have declined slightly yy, and remained stable qq. Some, however, note that hidden costs related to implementation have historically put pressure ROI for some SMB’s using the payment processor. “It’s difficult to compare apples-to-apples for different payment options as the implementations can differ and the average order value can also play into it,” said a source.

### **PayPal Well-Positioned in Mobile Wallet Share Competition**

Sources said PayPal has a better growth trajectory and a solid business plan now that they have spun out of eBay, and with the acquisition of Braintree, PayPal has enabled Apple Inc.’s **Apple Pay** and **Visa Inc.’s** Visa Checkout. As a payment aggregator PayPal competes with Stripe and Square. But PayPal’s recent launch of PayPal Credit, their new buy-now-pay-later program has put them in competition with **Splitit Ltd.**, **AfterPay Ltd.** and **Klarna Bank AB**. “PayPal has the ability and freedom to innovate and I think they are on a good track for growth,” said a source.

One source said **Amazon.com Inc.’s** Amazon Pay is pressuring PayPal’s Touch Payment for market share, but other sources said they don’t see Amazon trying very hard to take over that market, and only making Amazon Pay available off the Amazon platform to gain consumer behavior data. While Amazon took a minimal amount of market share by entering the market, sources said they don’t expect Amazon Pay to take additional share. “Amazon Pay is available, but Amazon is not really pushing it. From a consumer perspective, Amazon Pay is very easy to use, but so is PayPal,” said a source.

PayPal’s Braintree competes in the larger international enterprise space against **Stripe Inc.** and sources said PayPal has an edge over Stripe currently as PayPal is available in more countries.

### **Venmo Consumer to Business (CTB) Gaining Traction**

Venmo has been one of the most successful P2P payment applications and PayPal is benefitting from Venmo’s success. While there is still runway left in the U.S. P2P segment, successful expansion of Venmo into the online marketplace and in-store point of sale transaction segments as well as the introduction of Venmo Rewards is helping to secure the millennial consumer segment. Online payment using Venmo is available at limited online merchants, but the payment process is slightly more complicated than the PayPal payment process and take-rates for Venmo payments are slightly higher than PayPal take-rates. Both PayPal and Venmo have had security issues in the past, and while both platforms have addressed the issues, concerns among users and merchants persist.

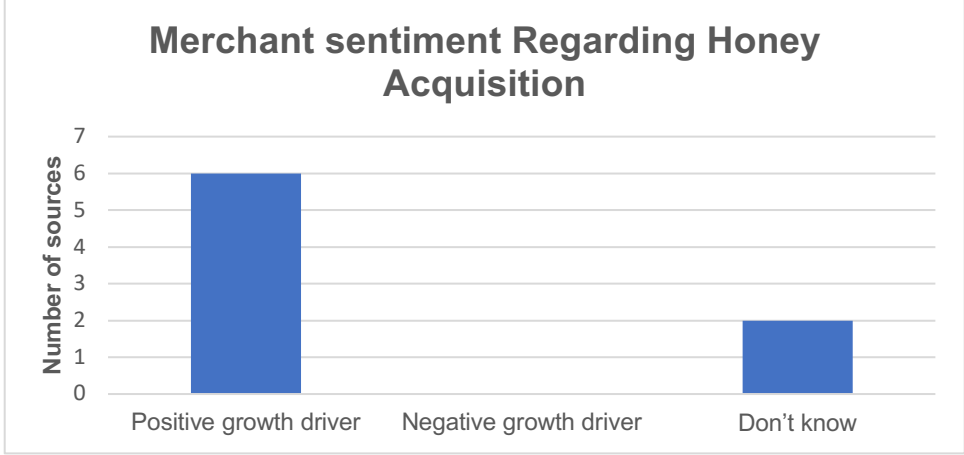
Sources anticipate PayPal will open Venmo to international regions, further extending the potential for growth. “Venmo is one of PayPal’s better acquisitions, and one of their more profitable arms. The P2P segment is huge and it’s still growing, especially cross-border, so there is a lot of potential for Venmo to continue their growth trajectory. PayPal is becoming more about moving money and not just taking money,” said a source.

### PayPal Making Strong Play for SMB Market

PayPal’s Venmo P2P fund transfer and payment traction in the U.S. is helping extend its footprint and appeal among small and medium-sized businesses who are looking to attract the millennial consumer base. Though, as noted above, SMBs have had some friction historically in implementing and using PayPal as a payment solution, several said PayPal has introduced more toolsets for the SMB market and more recently has broadened their platform functionality to appeal to the mid-tier enterprise market, offering a buy-now-pay-later option via PayPal Credit where payments can be made over a five month period and they offer payments via **Facebook Inc.**, **Pinterest Inc.**, and more than likely will soon be on Instagram. “We’ve seen an uplift in sales since we started using PayPal. They have the size and the scale now that allows them to adapt as the landscape changes,” said a source.

### Merchants Enthusiastic about Honey

Sources see consumer loyalty as a big focus for PayPal, and their acquisition of Honey is a big step in the right direction. “PayPal saw the potential of how they could use Honey to scale their business, attract consumers via Honey that they didn’t already have and offering a whole solution, not only processing payments, but also making sure the consumer is getting the best price,” said a source.



Source: VMI interviews with 8 ecommerce merchants and consultants

Sources said in-store PayPal payment that allows consumers to use their PayPal balance is another step towards gaining loyal consumers. “The loyalty programs are becoming more and more important because they are competing for the consumers,

and when you can go into Home Depot and can use your PayPal balance, that's how you opt to pay rather than pulling out your credit card. And with that you gain consumer loyalty," said a source.

**PayPal Going After Ecommerce Space, but Shopify Moat Wide**

PayPal has partnered with **BigCommerce Inc.** to move beyond payments and offer a full-scale ecommerce merchant services platform, offering competitive take rates that decline as sales increase. And through PayPal Working Capital small and medium sized ecommerce businesses can get a line of credit, a space that often finds traditional credit difficult to obtain.

But Shopify remains a dominant player in the ecommerce segment, and their partnership with Stripe has strengthened that position. Sources sing the praises of Shopify, saying the platform is very easy to use and the company is very focused, very transparent and very approachable. "When it comes to starting a new business, you can't beat Shopify. It's fast and easy to get up and running, has everything you need, and their customer service is excellent," said a source. And while the platform is designed primarily for drop-shipping, they are now moving into order fulfillment and delivery, making it easy for the SMB's that need that added service, a service that is not currently offered by PayPal or BigCommerce.

**Ecommerce Product Offerings: PayPal vs. Shopify**

|                | Payment gateway | Ecommerce platform | Buy-now, Pay-later | Order Fulfillment | Business loans | Branded POS hardware | POS via partner |
|----------------|-----------------|--------------------|--------------------|-------------------|----------------|----------------------|-----------------|
| <b>PayPal</b>  | X               | X                  | X                  |                   | X              |                      | X               |
| <b>Shopify</b> | X               | X                  | X                  | X                 |                | X                    | X               |

Source: VMI aggregated from PayPal and Shopify websites

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