PayPal Q2-20 Earnings Buyside Call Transcript

July 30, 2020

Operator

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George Mihalos

Great. Thank you. Good afternoon, or good morning everyone. I think we're just about ready to kick things off. I'm George Mihalos, the fintech analyst here at Cowen. On behalf of Cowen, thank you for joining us for PayPal's Q2 buyside call. Very pleased to have from the PayPal team with us today, CFO John Rainey, Senior Vice President of Financial Planning and Analytics, Erica Gessert, and from Investor Relations, Gabrielle Rabinovitch, and Akila Moorthy. Guys, welcome. Thanks for doing this, and thanks for giving us the opportunity to host. Always appreciated. Just quickly, before we get into the Q&A, the format is going to be a fireside chat. We're going to go for about 40, 45 minutes. Anyone who'd like to ask a question, please shoot me an email at george.mihalos@cowen.com, and I will ask that question on your behalf. And with that, John if you're ready, why don't we dive right in?
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Hey, John. Welcome. Thank you. Why don't we get right into... Why don't we start with TPV. Obviously very impressive growth in the second quarter of 30% on a constant currency basis. Now, if I'm not mistaken, I think the growth in April was 22% and so a very clear acceleration, well above 30% as we went through the quarter. Should we be thinking about... As we're thinking about the June exit rate, is it safe to assume that it was somewhere sort of in the mid-30s and that you are prudently assuming some level of moderation over the second half of the year?

John Rainey

So June was our highest month for TPV in the quarter. But we also have to recognize that there's a couple of other factors in play here. One is I think worth noting, is just the overall macroeconomic backdrop, but second is the eBay managed payments migration, and so we called out some of the headwind related to that. And so yeah, I think it would be too optimistic to take that June run rate and run that through as what we would expect in the third and fourth quarter, which is why we provided the guidance the way that we did. So it's worth noting that it's exceedingly difficult to forecast in this environment. There's a lot of moving pieces and still, I think some question about how sustainable all of these trends are. But we did accelerate as we went through the quarter, but I don't think it's probably fair to assume that's the run rate for the back half of the year.

George Mihalos

Okay. Appreciate that color. And then the next question, John, I promise we'll leave the algebra portion of the call today, and then we can move on to some other stuff. But just sort of disaggregating that strong TPV growth, and if we remove the P2P growth rate of 38%, and I think that was approximately 30% of the volume, and then we adjust for the 10% of the volume from the travel and entertainment vertical that was down 60%, it seems to suggest that the remainder of your business is running sort of in the 40-ish range. Is that the right way to think about it, and how much of a benefit was Paymentus to that growth?

John Rainey

So that is the right way to think about it. Paymentus will have much more of an effect in the third and fourth quarter. So there wasn't much of an impact in the second quarter. But if you step back and you think about that level of growth on our core business, it's one of the more exciting things that we see going on, just this overall level of eCommerce growth as people are moving from what has traditionally been sort of purchasing things in-store in the physical setting to buying things online. And the question that everyone has is what is the sustainability of that trend, particularly when people once again return to their normal levels of mobility and shelter in place measures have been relaxed?

And so we've kept a close eye on what's been going on state by state in the US, as well as country by country. And there's some really revealing data points, particularly when you look at a country like say, Germany, where they're returning to restaurants and they're interacting socially again in the physical world, and we still see an elevated level of eCommerce which is much, much higher than what we entered this pandemic era or this time period with. And so, I think that's quite exciting, but I also want to note that we don't just want to be on the receiving end of these trends that are happening to us. We recognize that there's a lot of things that are happening right now like aversion to cash, like aversion to touching the keypad on a point of sale device that really make us want to invest into this to help shape some of these trends longer term.

George Mihalos

Okay, appreciate that color. Just want to shift gears a little bit to that very strong account growth that you saw in Q2. I think you almost did two quarters in one, if I'm not mistaken. But how are you thinking about account growth versus increased engagement over the second half of the year, as those are obviously drivers for TPV growth?

John Rainey

Sure, George. So I apologize that I was late. I don't know if you had the opportunity to introduce Erica Gessert who is also on the call, but she's our Senior Vice President of Finance, and she's going to tackle that question. This is right up her alley.

Erica Gessert

Thanks, John and George. Yeah. So in terms of new account growth, I mean, obviously we're seeing, as you pointed out George, really truly outsized growth of people coming into the network. But one of the more remarkable things, and it sort of speaks to John's last point about some of the persistence of people's activities as we've observed some of the shelter in place start to lighten is, we look not just at the activity obviously of the new customers coming on, but really at the increase in activity of our mature cohorts, if you will, or older customers. And this is what really, truly speaks to us as a change in behavior because we're seeing actually the highest growth from a DAU [daily active user] point of view come from these older, more mature customers which points to a true behavioral shift.

And we're seeing that persist as we start to observe states and countries come out of the shelter in place. So this is something we're watching every single day. I joked with John and Dan that 2020 is going to go down in history as one of the most forecasted years in all of our lifetimes, but we're seeing those trends persist and so that's where the TPV growth is coming from in the future. And then we have to challenge ourselves with creating the kind of engagement moments and activities to make sure that this huge swath of new customers that are coming on are engaged.

George Mihalos

Okay. Appreciate that, Erica. Just next question, kind of moving on. John, Erica, can you help us, if we look at these sort of strong net new actives, can you just help us with where that growth is coming from, maybe geographically and then by solution? PayPal Wallet, Venmo, Xoom, Hyperwallet. I mean, it just seems like everything was operating at a higher level.

Erica Gessert

Yeah, maybe I'll jump in, and then John can add. So it is remarkable that we're seeing... I would say, certainly the PayPal core consumer, the growth has been tremendous, as well as Venmo. We're seeing heightened growth rates in activations there as well. Xoom is another place where from a growth rate point of view... It's obviously a smaller part of our business, but from a growth rate point of view, we're talking multiples of kind of pre-COVID NNA rates, and that really does again point to the shift to digital in some of these experiences.

We're seeing the biggest growth in our core markets, and that's where we have the most diverse set of products and services for people to utilize. And so that's where they have the most context to come in and then to use our products. And that's one of the things, the impetus behind our push for new investment as well because we want to make sure that we're bringing as many points of engagement out to our current customers and to the new customers coming on so that we persist with this shift into the future. So anything you want to add there, John?

John Rainey

No. I think you covered it. Thanks, Erica.

George Mihalos

And again, as we look at these net new actives, and obviously they're coming in with a higher rate of engagement, but just curious from a funding perspective, are the net new actives skewing a lot more to debit versus credit compared to what we've seen? And if so, I'm just curious what you would attribute that to.

John Rainey

Sure. So we are seeing that, both new customers coming in and electing to fall to ACH or debit cards as their primary funding instrument, or even existing customers, what payment method they're selecting to pay with. And I think there's a couple things that are impacting that. One, and this has been noted by some of the others in the ecosystem, but there's just an aversion to cash. So some of it is just cannibalization of cash transactions. People aren't going to ATMs. I think two is that there's probably, consistent with historical time periods, maybe a preference for owned versus owed money during periods of heightened concern about recession perhaps. And then thirdly, I think there's an impact from stimulus checks. As stimulus checks are sitting in people's bank accounts, they're likely to spend that versus going to maybe credit, as they might have in the past.
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George Mihalos

Related to that last question, the transaction expense rate, generally comfortably below what we were looking for was 83 basis points (as a rate of TPV) – that declined sequentially and year-over-year. John, it really sounded on the call that you sort of feel that this lower level is sustainable. Just curious, what gives you that confidence?

John Rainey

Well, I think it's sustainable for the period of time that we're in. A big piece that's impacting that on our business is the decline that we've seen in the travel and events vertical. So that's primarily card-based processing for us, which obviously carries a higher transaction expense. As that vertical returns to some level that approximates what it was prior to the pandemic, we would expect to see our transaction expense eke back up some. But as we do have elevated levels of eCommerce spend or the use of the PayPal branded button when people are checking out, that's going to help keep that lower as well. So there's a mix of things that are going there. Some of it is just the overall level of growth in verticals in our business, and then some of it is just more people using PayPal to check out online which... That has a lot of ACH and balance and debit card mix in that. So maybe just to round that out, George. 83 basis points is a pretty low level. I would expect it to stay low, but probably eke up a little bit from there.

George Mihalos

That makes sense. That makes sense. Shifting just a little bit to Honey, if we go back to the fourth quarter '19 call, I think you talked about Honey contributing, call it 1.5 points of incremental revenue in 2020. Is that still a good number to use for the year? And any color you can provide from an integration standpoint or any additional metrics to kind of help investors gauge that process.

John Rainey

Yeah. So that is still a good number. We called out in the quarter, the $61 million of revenue related to Honey. But Honey is accelerating quite rapidly through the year, even the quarter on quarter growth that we would expect as we get to the back half of the year to be more pronounced. And also underscores why we purchased them at such an exciting time in their history and what they're doing. In terms of some of the experiences, obviously one, we're very focused on making signup seamless and across those platforms, and we've been very successful at that. We're now looking to integrate more of the experiences to where PayPal can be a checkout option in the Honey browser, as well as having

Honey in the PayPal and Venmo apps. And those are on slate for the back half of the year, and again, quite excited about what the opportunity is for Honey.

George Mihalos

Okay. Outside of Paymentus, you're ramping several partnerships. MercadoLibre comes to mind, Uber Brazil and the likes. Just curious, where are we with respect to those engagements and how should we be thinking about them from a TPV contribution standpoint in '20 or '21?

John Rainey

Sure. Well, so we talked about a couple of these at the end of last year, and expanding our footprint with Uber internationally is already happening, and that's built into our guidance. With Mercado Pago or MercadoLibre, again, we talked a little bit about this on the call, but we're launching an experience where PayPal will be a payment option within the Mercado Pago wallet for persons in Brazil and Mexico right now, as well as cross border. And that allows PayPal customers to shop at thousands of new merchants.

And we'll also have consumers from Brazil and Mexico that can pay with PayPal for their cross-border purchases in the MercadoLibre marketplace. And so stepping back from that, Latin America broadly was an area where we were less strong when you looked at our footprint globally. So to be able to partner with the largest and most relevant marketplace down there, and expand our value proposition to their customers and allow their customers to use us at our 26 million-plus merchants around the world is a pretty promising opportunity for us, and so we're pretty excited about that.

But our partnership strategy clearly doesn't just extend to Latin America, or as the case may be, Mercado Pago or MercadoLibre. We obviously made the announcement of the acquisition of GoPay in China. And notwithstanding all of the political tensions that may exist between the two countries, that is an enormous addressable market for us, and one in which we have a very low penetration among digital users there right now. And so the similar idea of what I talked about with consumers in Brazil and Mexico with MercadoLibre, we can do the same thing in China to really facilitate much more cross-border commerce. And then just again, even stepping back further from there, partnerships like we've recently announced like the extension of our partnership with Google here in the US really speak to the relevance that we provide and what we can do by being an open digital payments platform and partner with anyone.

George Mihalos

Yeah. All those sound very promising. Sticking to the partnership theme here, obviously you have partnerships with big tech. Facebook, Google certainly come to mind. Just curious, the regulatory scrutiny that those companies seem to find themselves under, has that had any sort of impact, positive or negative, on your partnerships?

John Rainey

That's a good question and certainly, they've been under a fair amount of that scrutiny here in the last day or so, but I actually think that in some ways, it's a benefit to us because payments is one of, if not the most regulated, industries that's out there. And if you're a company that is facing any amount of scrutiny around, or perhaps more regulation of core business, I would think that working with a partner that has demonstrated the ability to navigate regulatory environments across 200 different markets around the world and do it very effectively, is exactly the type of partnership that you'd want to look to. If you're one of these companies, why sort of draw further attraction from regulators by getting into again, what is a very regulated space when you can partner with an open digital payments platform that can help them advance their initiatives, but do it while it's a benefit to us as well?

George Mihalos

Yep. One of the questions that keeps coming in, John, from a modeling perspective is just how should we think about that OVAS line going forward? It was down 26% I think in Q2, a number of moving parts there. Some grow overs and the like. How should we be thinking about modeling OVAS over the second half of the year?

John Rainey

Sure. So there's two or three factors that are I think most important to consider. The first is as we move to the third quarter, we will no longer be lapping the payments that we've received, [from Synchrony] which was $58 million in the second quarter related to servicing the Synchrony portfolio [on a transitional basis]. And so from a year-over-year perspective, that goes away. The other I think main relevant point is that OVAS, or other value added services revenue line item, is where we recognize the revenue from Honey. And as I noted in my previous answer, we expect an acceleration of that going throughout the year. And then we'll have continued pressure from just lower interest rates globally, and the interest income that we receive on customer balances. And so that's a line item that will probably see some improvement in the year-over-year growth rates in the third and fourth quarter, but given what's happening with the overall credit environment, which is the single largest item in that line item, we'll still probably see depressed levels throughout the year.

George Mihalos

Okay. That's helpful. Question on margins, which is another area where we're getting some imbalance here. Obviously margins have ascended nicely in Q2, up 500 basis points. How are you guys thinking about managing margins going forward? What's sort of the long-term margin trajectory that you think about for PayPal, and should the expectation be when we see quarters like Q2 with that significant upside, that you will be reinvesting a substantial portion of that in some of these new initiatives that you talked about on the call?

John Rainey

The way that we view investments like this is very much opportunistic. And when we have an opportunity to invest into our business and we see strong returns around that, we'll absolutely do it. We don't want to be a prisoner to margin expansion every single quarter. We want to do what's best for the business long-term. So it's hard to have a rule of thumb in terms of how we think about spending into some of the margin improvement. What I will tell you is that, as we demonstrated from the incremental margins in our business this quarter, which I'll come back to, our margins want to go up. That's a result of the scalability of our model. And just to put a finer point on that, I often talk about a growth company like ours, we don't want to just grow for growth's sake. We want to do it profitably. And so that's why I have that hyper focus on incremental margins.

And if you look at our incremental operating margin in the quarter, it was 50%, but that actually really obscures what's happening to our core business because that number is weighted down by both the increased reserve we had related to credit losses, as well as acquisitions. If we were to strip out those two things and just kind of focus on an apples to apples basis, our incremental margin was 70%, 7-0 percent for the quarter, which I think really demonstrates the scalability of our model. And so with our operating discipline, the scalability of our model, we're going to see margins continue to increase. The extent to which we invest into them is, again, it's hard to say that there's a rule of thumb, but we're always going to make decision which we think are going to drive the greatest shareholder value long-term versus maybe what happens to margins in any particular quarter.

George Mihalos

Okay, appreciate that. Maybe moving on a little bit to the omnichannel opportunity, or even that offline opportunity where obviously you're going to be investing some more capital. Clearly there's momentum there based on the work that we've done. Consumers are definitely interested in being able to use PayPal or Venmo at the point of sale. Can you just bring us up to speed on the QR rollout and really the timing around how you're targeting some of these different subsegments? So for example, micro merchants, enterprise customers, and then kind of more the different opportunities that we hear a lot of the merchant acquirers talk about, just kind of a timeline of going through those subsegments?

John Rainey

Sure. So there's a couple different approaches there with QR code. And with a micro or even small to medium-sized merchants where we effectively act as the acquirer, we can launch this rapidly, as we've done in 28 markets around the world. And we think that there's a lot of application around that. If you're a fitness instructor or you're selling goods at a farmer's market, this is something that you can provide right now so customers don't have to handle cash. With large enterprises, the approach is to integrate into their existing point of sales, and that requires more effort, not only on our part, but on the part of the merchants. And so there's a longer timeline to success there, but to be very clear, this is not something that we're just sitting around and postulating that there's a demand for.

We have conversations with merchants. We've got a pipeline in excess of 100 large enterprise merchants that want to launch our product and we're excited to have a great cornerstone in having CVS be that launch partner where, by the end of the year, we expect to have full rollout into their 8,000-plus stores across the US. I think it's also important to target those everyday use case type items, and so, restaurants would be an example of something that if we can saturate regional restaurant markets... Imagine getting in with every restaurant in San Francisco or Houston, Texas. Those are everyday items. Food is not something that people think about once a week. They're dealing with that several times a day. And so we think that's one of the vehicles to really get habituation in this area.

But just talking about this trend in general, there's a fair amount of cynicism about will this be successful? And look, probably that's very fair because if it were so easy, it would have already happened, but I think we probably all would agree that paying with contactless payments, so paying with a QR code or some other contactless method, it's not a question of if. It's always been a question of when. And there's good examples, if you just look at the China market where you've got ubiquity with that. But it's always been a solution in search of a problem up until now.

But now with an aversion to cash and aversion to touching point of sale devices, we believe that now is the time to capitalize on this heightened anxiety around this, and really double down on our investment. And we're committed to this. We know that this is a secular trend that is going to take place, and we believe it's going to start taking place right now. We've always said that our single largest competitor is not company X or company Y, but it’s cash. And we're getting ready to see that take place in the battlefield right now.

George Mihalos

Yeah. I don't think there's any doubt that that's an enormous opportunity. You guys are as best positioned as I think you've ever been to make a move there. Bit of a tougher question to kind of answer here, but just, John, this isn't going to happen overnight, this sort of penetrating the offline world. When do you think we'll really start to see something in the top line numbers that might be meaningful or noticeable from this initiative over the course of the next couple of years?

John Rainey

So this is something that is going to take a while to play out. Success will not be measured in quarters. I think you're probably looking at 18 months before there's any sort of real meaningful impact where externally people could be able to factor that in our numbers. But let me peel that back a little bit because everyone probably recognizes that the unit economics are maybe less appealing in the offline world. There's this introductory time period where we're going to have complimentary or free pricing to try to get habituation. But the intent of this is very consistent with something that we've talked about for five years, and that's increasing the level of engagement of our customers to where we can be an everyday part of their financial lives.

And so if someone is using this at a CVS, at a big box retailer, at the restaurants where they eat, they're much more likely to use us in an online setting as well. And that's where the unit economics really work. And so this is the halo effect if you will, related to this effort. And that too will take some time, but we think it's such a promising opportunity. And if we can increase that level of engagement, it also helps us address our share of checkout because as we have talked about, just as a rough rule of thumb, a customer will use us about half the time they actually have the opportunity to today. But if we're there every day and they're using us in that digital wallet, even in an offline setting, they're much more likely to use us more than half the time when that have that opportunity to. So it really increases the growth opportunities for us going forward.

Erica Gessert

Hey, John. I'll just add another point here which is we're pairing this push into QR... Because I think that what you brought up in there on digital wallet is really important, which is we're pairing the investment in the push into QR code with a series of digital wallet enhancements in app, as well as online which go hand-in-hand with this. And so what we really envision through the QR code push and the offline push is the broader use of our digital wallet. And we want people using our products every single day, and that's what this is intended to do, as well as the experience enhancements that people will see coming down the line in the next couple quarters.

John Rainey

That's an excellent point. And George, I think it would be incorrect read into our statements around [incremental] investment of the $300 million in the back half of the year to be just QR code. That's not the case. In fact, while QR code may be the single greatest area of investment, as Erica mentioned, digital wallet is a big piece of that as well.

George Mihalos

Okay. We'll touch on that digital wallet initiative in just a second, but just one more thing as it relates to the QR rollout. Obviously yesterday you announced that partnership with CVS. Clearly that non-discretionary category, pharmacies, groceries and the like, that's historically been an area where PayPal's been under represented. I'm just curious, what does the pipeline look like for additional non-discretionary retailers coming on board? And how much of this is them needing to come to you versus you going to them and saying, "Hey. Wouldn't it be nice if you accepted PayPal or Venmo?"

John Rainey

Well, there is a push and a pull there. I mean, certainly, we've gone to some merchants and it's been like, "Yeah. That's a great solution for what we need." And others have actually come to us where perhaps we already had a partnership with them where we were an online payment option. So the pipeline is very strong. I think the challenge is how quickly we can integrate with some of these larger enterprises where there is work involved, but it's a pretty promising opportunity. And again, in a world where you walk into a retailer and they've got some divider up between the person at the checkout counter and the customer because of concern about COVID-19, to be able to allow their customer base to pay in a contactless way is exactly what they want as well. So I think that's why this time period is so important because it's a time period where not only does PayPal want to do this, not only do customers want to do this or consumers want to do this, merchants want it as well, and so that's why we're capitalizing on this.

George Mihalos

Okay. That makes a world of sense. Let's just gaze a little bit to the digital wallet side. There's certainly been a lot of questions that have been focused on that. Maybe I'll sort of ask it this way. It seems to some extent, you're moving along the path of what Square maybe has been doing with Cash App, adding more functionality and services around kind of core payments and P2P. They recently were approved for a bank charter. I'm curious. Is that something that you guys would ever consider? And do you think not having FDIC insurance hinders your ability at all to win direct deposit business?

John Rainey

So we do have a bank charter in Europe, in Luxembourg, that is passported through the member states there. In the US, we can do everything that we need to do with money transmitter licenses and I don't anticipate that changing. And so we have no aspirations at this point of obtaining a banking license. I don't think that FDIC insurance is an enormous impediment to the direct deposit business. We think that based upon the feedback we've received and what we're seeing, there's demand for that irrespective of it.

Erica Gessert

I would just say you can look at the billions of dollars of customer balances that we hold today to point to the fact that we don't think that that's necessarily something that is necessary.

John Rainey

Yeah. We've got over $30 billion of stored balance of our customers money, so that's a pretty telling statistic in terms of what merchant and consumer behavior is.

George Mihalos

That's a pretty large number there. And just last point on that. It does sound like we should expect you to add more functionality and services around the wallet, right? You'll be able to provide more functionality beyond payments and P2P and the like.

John Rainey

You're exactly correct, and Erica alluded to that. I think that's really important and look, we learn lessons from competition and consumer feedback and other things as well, and we know that there is more utility that we can provide to enhance the value and the functionality of that digital wallet. And it could be things like the ability to pay your bills, your utility bill. It could be things like a subscription service where you can vault PayPal as a payment option through all of the various subscriptions that you have so that when you do have a card expire or your credentials compromised, you don't have to go change that in each one of those services. Even additional services that delve into the financial area. There are things that we very clearly see there's a demand for and we believe that we can not only add that functionality to the wallet, we can improve the existing functionality of the wallet. If we're going to be that everyday digital wallet for customers, we've got to make it as frictionless and easy to use as they expect.

George Mihalos

Appreciate that color. And then just moving on, have to get an eBay question in before time runs out. I think the last time we did it, it was all about eBay so it's nice that this is sort of close to the end of this event. But just tell us, John, it sounds like you're still very comfortable with seeing that one point of top line impact from the eBay roll off in 2020. But just wondering if you can make any sort of high level comments about how you think about that headwind playing out in 2022 and beyond?

John Rainey

Sure. So I'm not going to be... I'm going to be a little evasive here or coy with talking about beyond this year just simply because we haven't talked about that anywhere else, but suffice it to say that we're very comfortable about this transition. This has been five years in the works, and this is not a surprise to anybody. And it is an interesting contrast because when you last hosted this call in January of 2018, it was that moment when eBay announced that they were launching their own managed payments and partnering with someone else. And what we said at that call is exactly holding true today, is that when given the choice, customers will choose to pay with PayPal more than half the time. And that's exactly what we've seen in Germany and the US, and in fact we've even seen our share of checkout increase there.

So we expect to retain a significant amount of that branded volume and as a reminder, that's the majority of our business and the most profitable part of our business with them today. eBay has suggested, I believe, that their migration is going to bleed all the way into the end of 2021 or maybe even 2022. I can't remember their latest comments. This meters out this transition for us to where it's not that big of an impact to our financials. We put a couple slides in our investor update yesterday which I think really zero in on where our focus is. So despite the very good quarter that eBay had from a growth perspective, growing over 30%, the other top 15 marketplaces which are, in aggregate, larger than our eBay business today, grew 3X that. They almost grew at 100%. And that's where we're tying our boat to going forward.

We want to partner with the largest, fastest growing, most relevant marketplaces in the world. And for those customers that we have the fortunate opportunity to process their payments if you're a merchant, we want to allow those customers to be able to seamlessly move across platform to platform without any friction with their payments. And this is precisely what we announced with Google, where Google can bring merchants to their marketplace, and if they elect to use PayPal to process their payments, they can do that versus being forced into some experience that they don't desire. And so that very much plays into what our philosophy is with a very customer centric focus.

George Mihalos

Very helpful. Just if I could squeeze one more in, as I know we're coming up on time.

John Rainey

You bet.

George Mihalos

But something that didn't really come up on the call, and I suspect didn't have much of an impact, but I'm just curious. The 2 billion of PPP [Paycheck Protection Program] loans that you facilitated in the quarter, what impact did that have on the top and bottom line? And to the extent there's an additional program, is that sort of a meaningful driver for PayPal in your opinion?

John Rainey

It's not that meaningful. We did receive some bit of money, kind of double-digit millions of dollars but nothing that we expect to continue or that is outsized. But offsetting that though, is we electively provided relief measures to our customers that more than offset that because that was the right thing to do. So I kind of view those in aggregate. Yes, we were compensated to an extent for the PPP loans, but by the same token, we basically turned around and gave all that back to our customers and then some.

George Mihalos

Okay. That's helpful. John, and everyone, I know we're coming up on time, so I think we'll end it here. I want to thank the whole PayPal team for arranging this and for allowing us the opportunity. So guys, thanks again, and look forward to talking soon.

John Rainey

All right. Thank you, George. And thanks everyone for being on the call, and again apologies that I had the technical difficulties that required me being late. Take care.

Erica Gessert

Thanks a lot, George.

George Mihalos

Thank you everyone. Feel free to disconnect.

Operator

That concludes the PayPal second quarter buyside conference call. Enjoy the rest of your day.