

# Invisible Infrastructure

How PayPal transformed from a checkout button into a \$1.79 trillion embedded finance platform.

A strategic case study on platform economics, monetization, and the evolving payments landscape.



# Global Scale and Profitability in 2025

Net Revenue

**\$333.2B**

(Up to \$6B in Free Cash Flow)

Total Payment Volume

**\$1.79T**

(Processed across 200+ markets)

Active Accounts

**439M**

(~35M Merchant Accounts)

Operating Margin

**19.4%**

(GAAP EPS \$5.41, up 35% YoY)

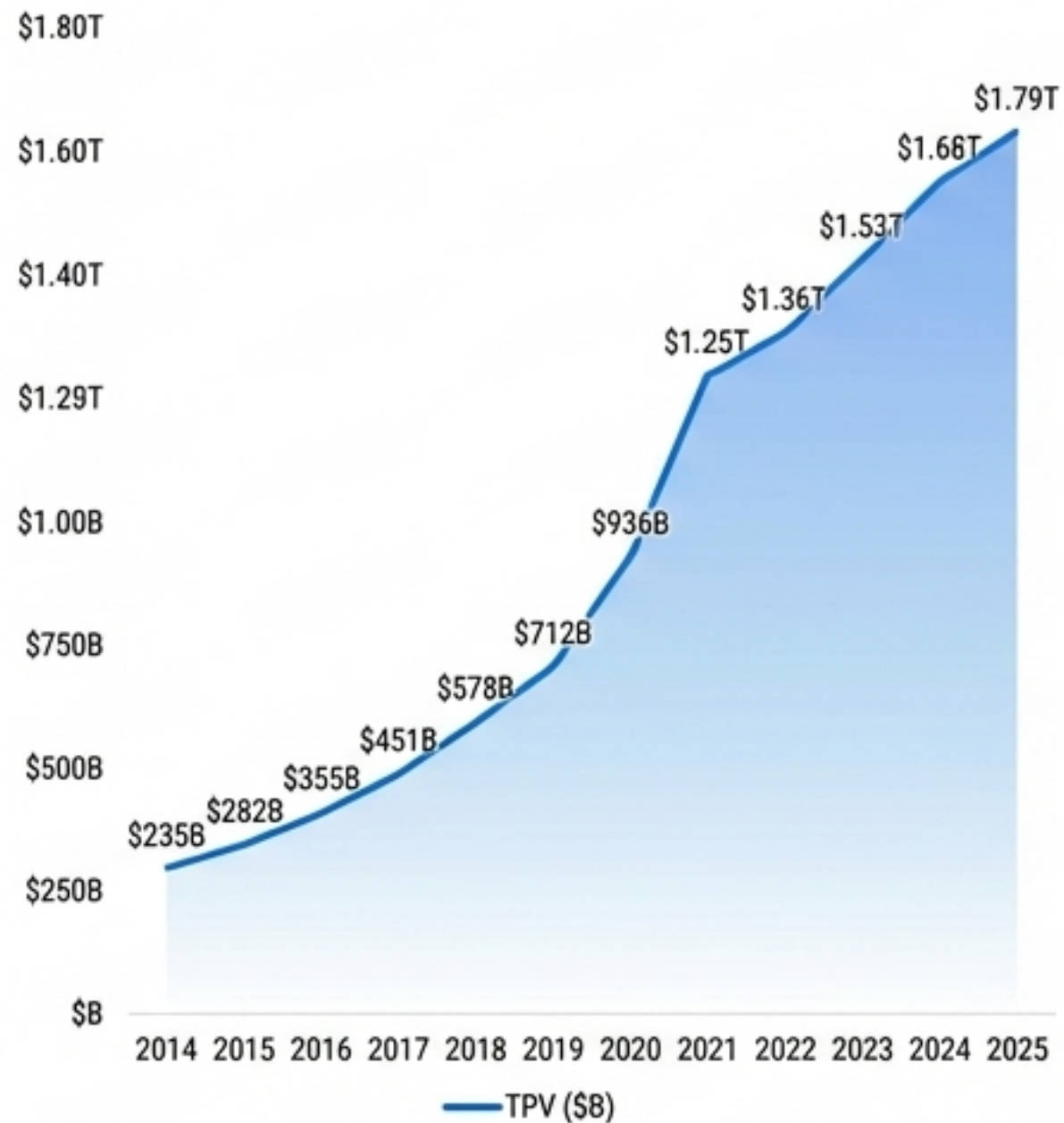
PayPal operates a two-sided platform connecting consumers and merchants, generating **91% of revenue** from transaction fees and **9%** from value-added services.

# Four-Fold Revenue Growth Over a Decade

## PayPal Revenue Growth (2014–2025)



## PayPal Total Payment Volume (2014–2025)



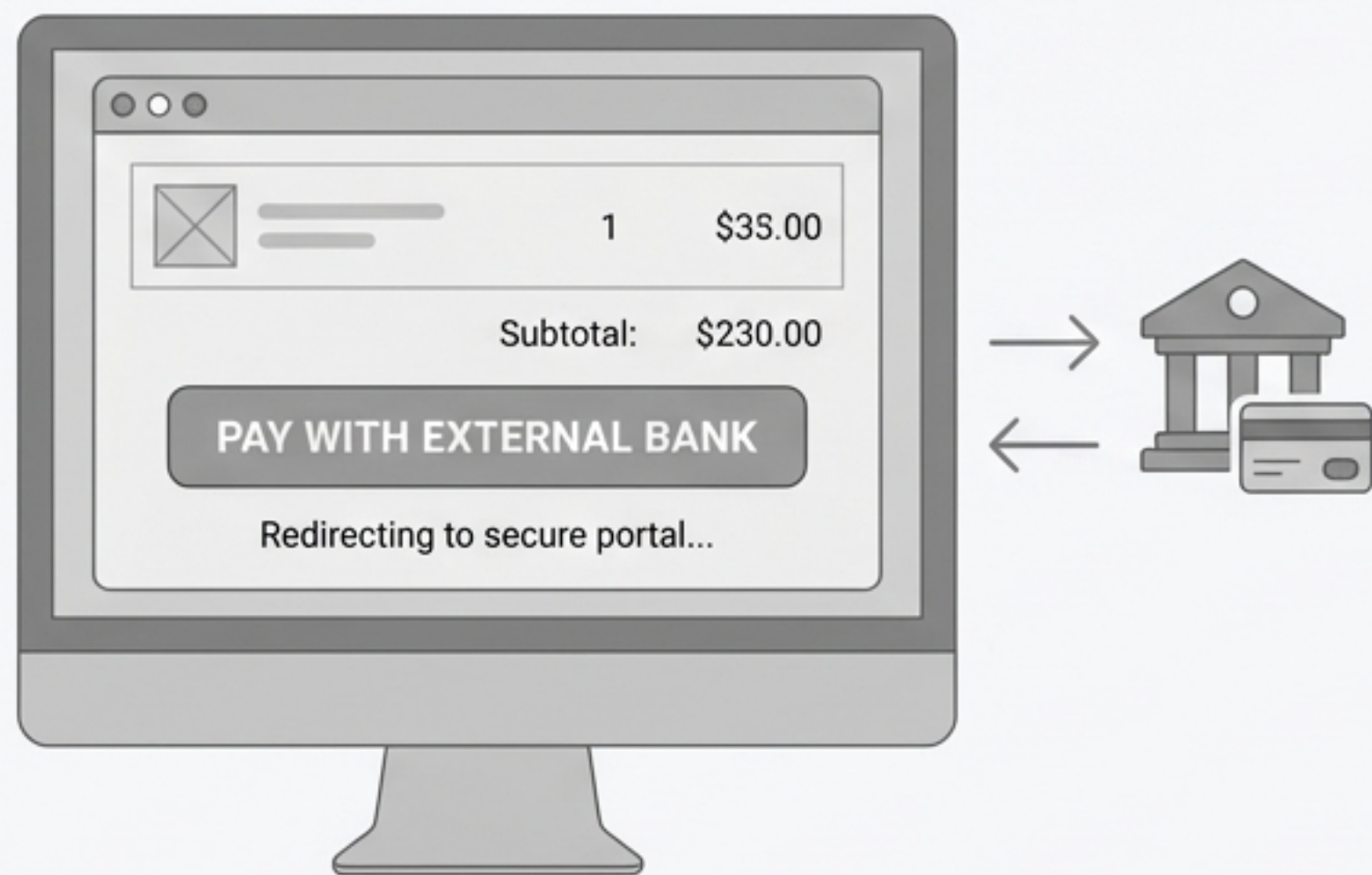
## Key Insight

Growth occurred in two phases: pandemic-accelerated double-digit expansion (peaking at 20.7% in 2020), followed by a deliberate strategic pivot toward "profitable growth" over volume-at-all-costs under CEO Alex Chriss.

# The Paradigm Shift to Embedded Finance

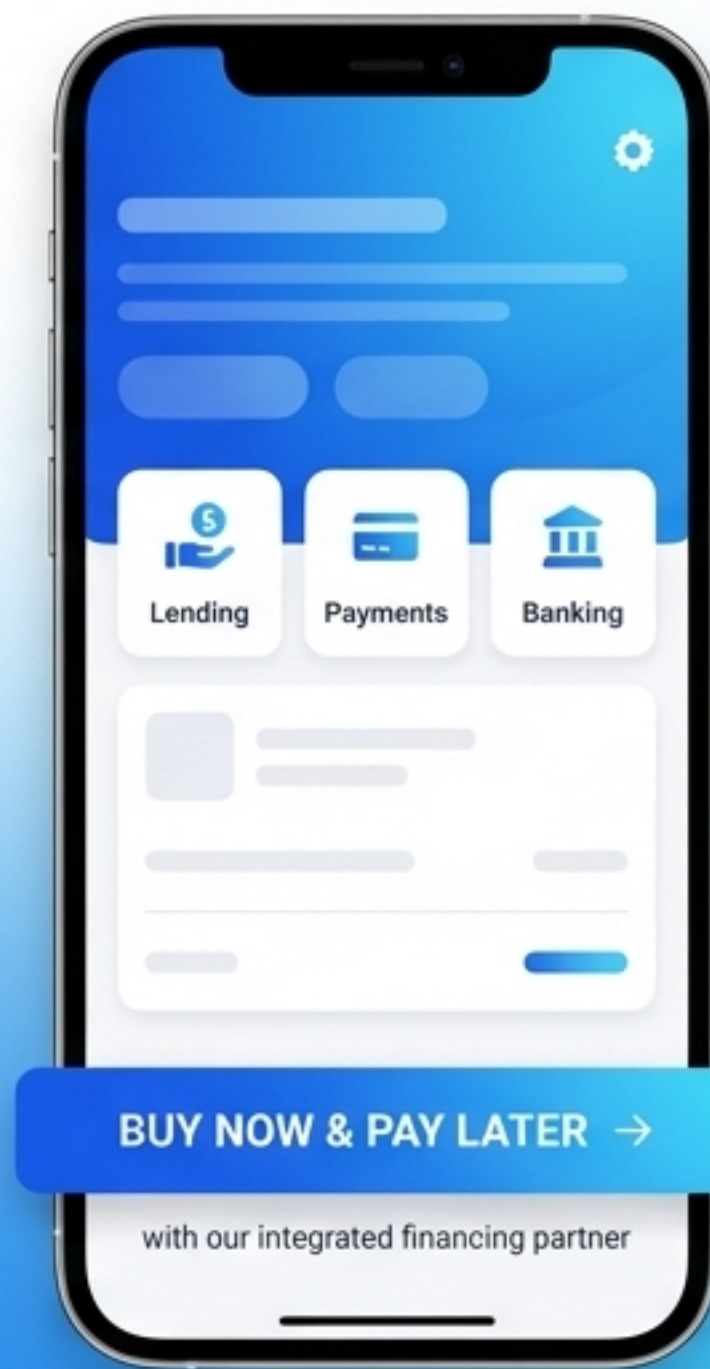
## The Past: Standalone Finance

Consumers are redirected to a separate financial institution or actively choose a specific 'button' at checkout. Friction is high.

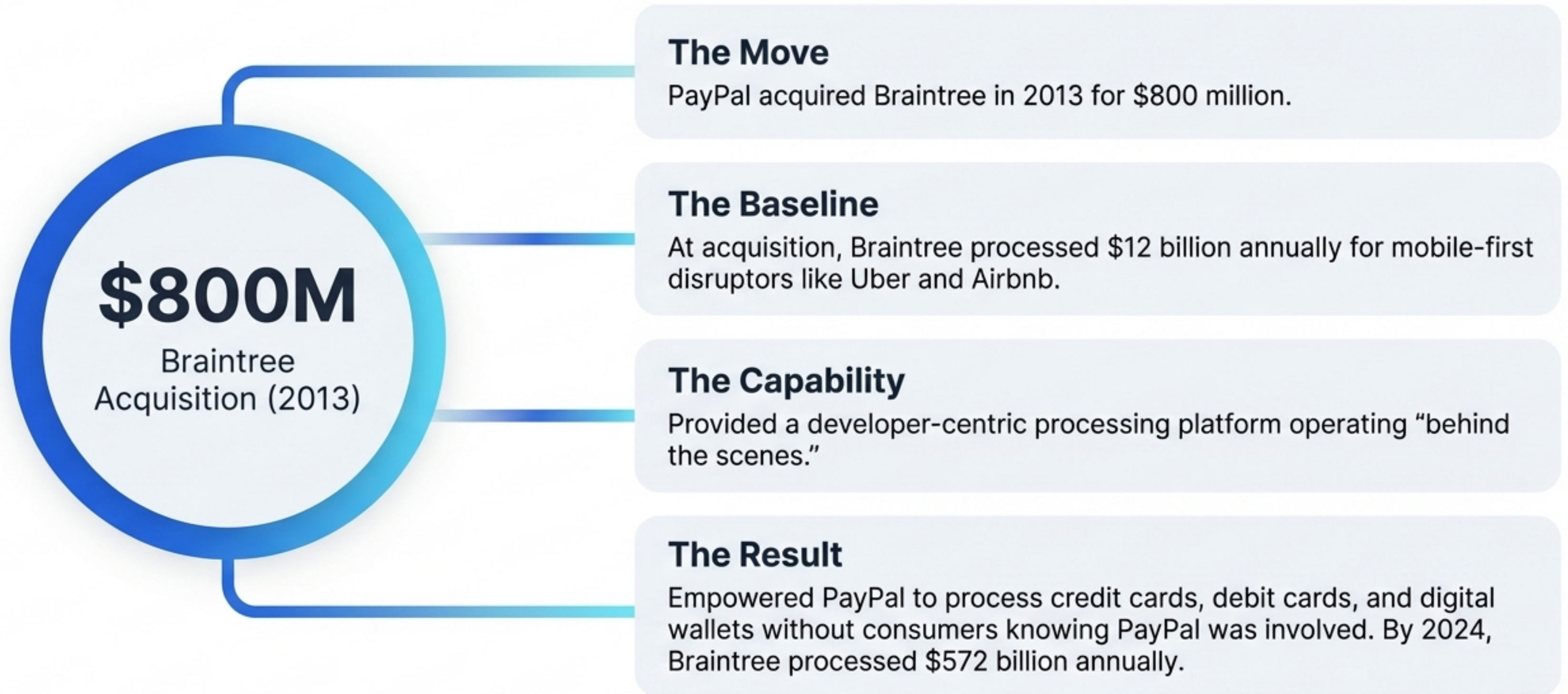


## The Present: Embedded Finance

Payments, lending, and banking integrate directly into non-financial platforms, software, and merchant workflows. Invisible, contextual, and frictionless.



# The \$800 Million Catalyst



# A Fundamentally Reconfigured Revenue Mix

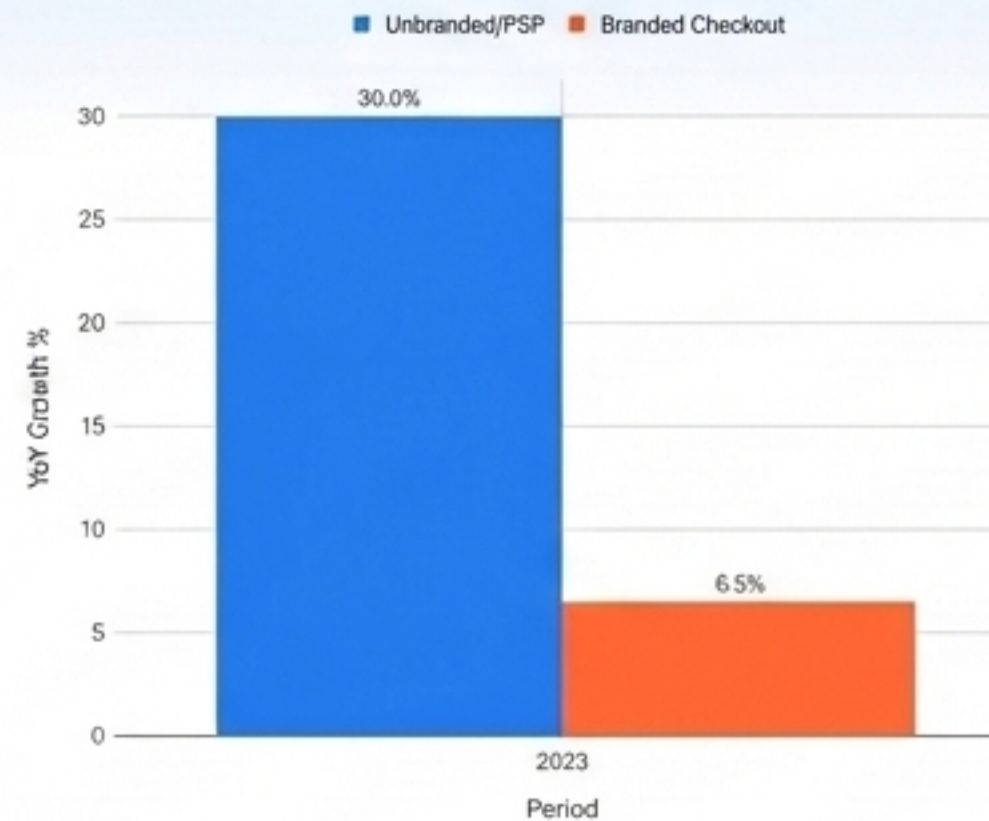
PayPal TPV Mix by Segment (2024)

Source: PayPal filings, analyst estimates | Total: \$1.68T



■ Braintree/PSP (Unbranded) ■ Branded Checkout ■ P2P (Venmo+PayPal) ■ Other Merchant Srcs ■ In-Person

Branded vs Unbranded Volume Growth



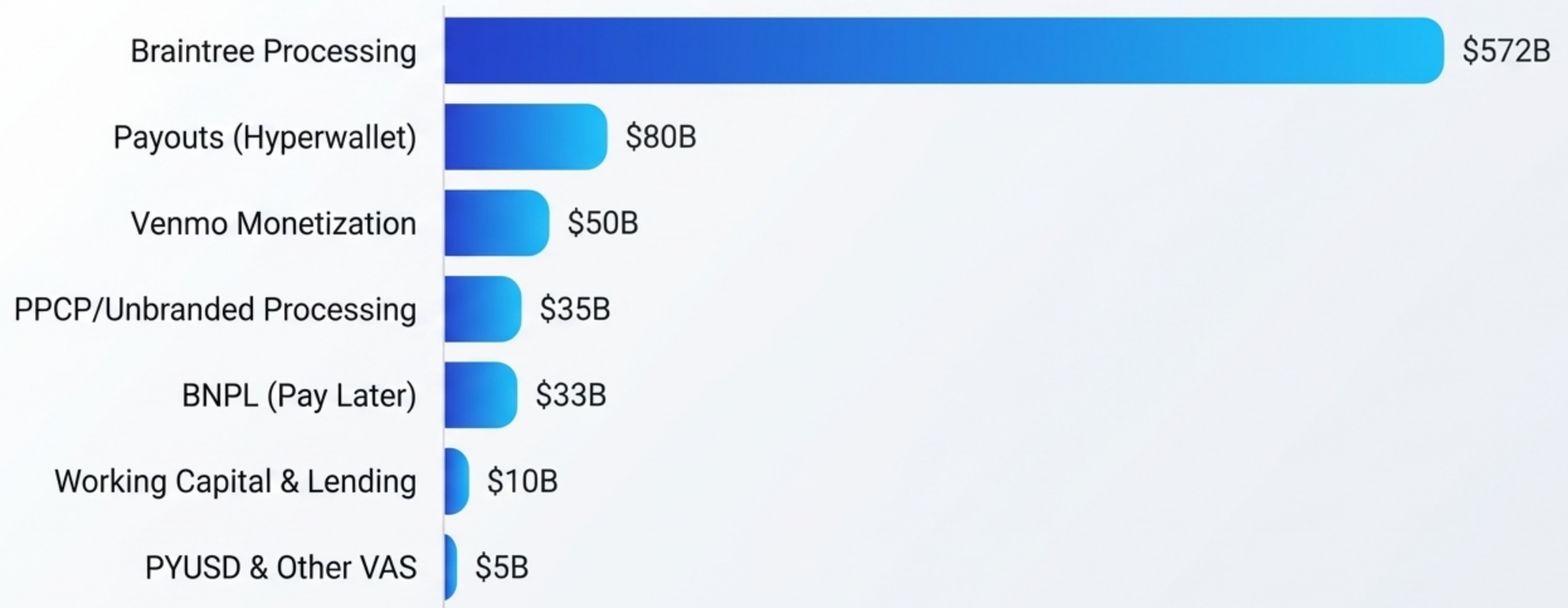
## 2015 vs. 2024 Comparison:

- **Branded Checkout:** Dropped from ~70%+ dominance in 2015 to ~35-40% share in 2024.
- **Unbranded (Braintree/PSP):** Grew from ~5-10% in 2015 to ~33% today (\$607B in TPV).
- **BNPL & Venmo:** Scaled from near 0% to ~10% combined share.
- **Other Services:** Grew to ~18-20%.

The overall take rate compressed from 2.07% to 0.87%, but absolute transaction margin dollars continue to grow as total volume scales.

# The Embedded Finance Product Arsenal

2024 Estimated Volume by Product



# Braintree: Enterprise Payment Infrastructure

## Scale

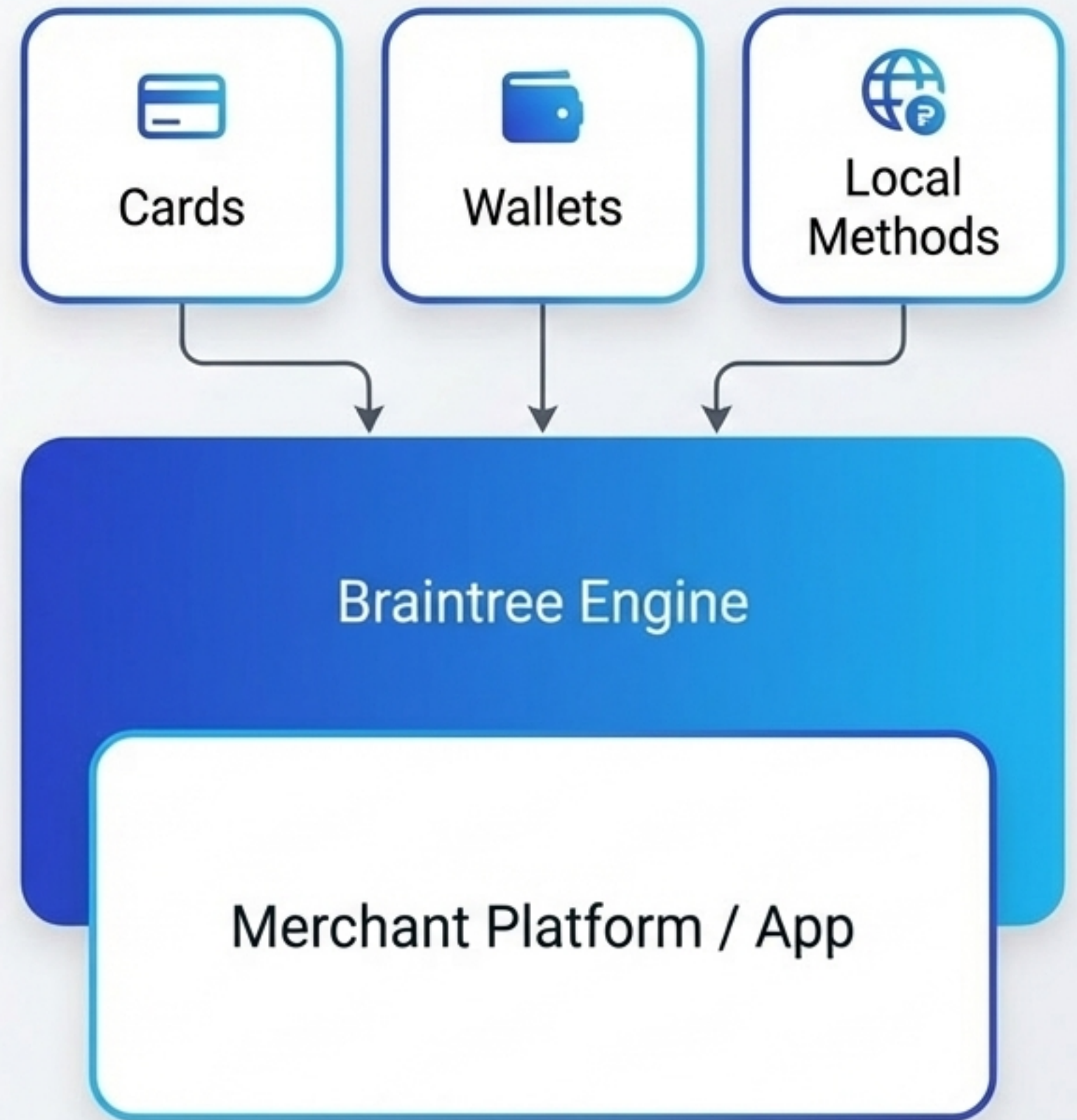
Processes \$572 billion annually. Returned to mid-single-digit growth by Q3 2025 with improved margins.

## Mechanics

Developer-first SDKs and APIs enabling end-to-end payment acceptance across 130+ currencies and 45+ countries.

## The Embedded Value

Merchants get network intelligence, fraud protection, and access to PayPal/Venmo user bases without being locked into a branded checkout UI.



# PayPal Complete Payments (PPCP)



## Target

The massive SMB market, directly countering Square and Shopify.



## Features

Single integration for PayPal, Venmo, Apple Pay, Google Pay, and cards. Handles PCI compliance and fraud natively.



## Performance

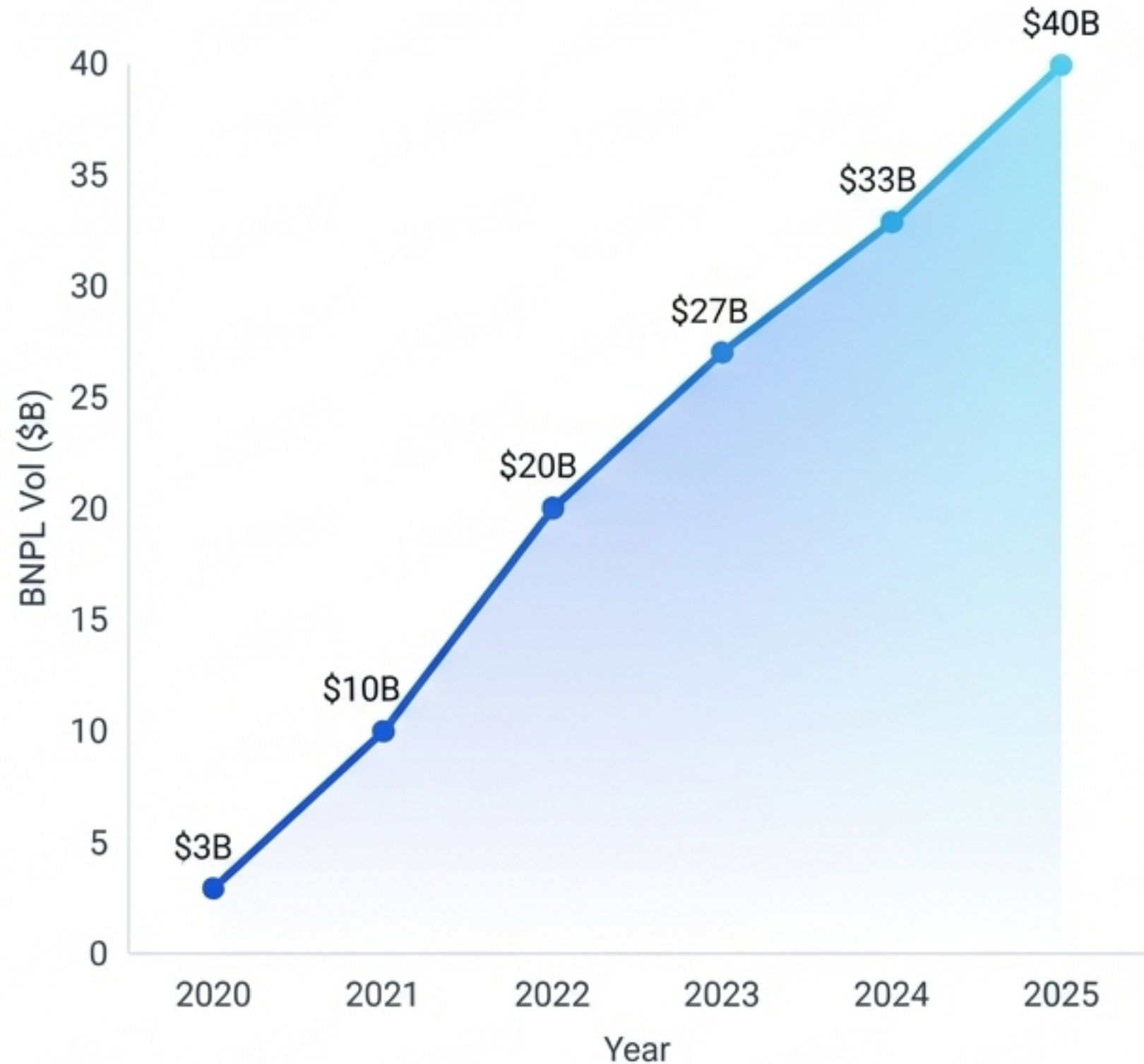
Increases card authorization rates by an average of 4.7 percentage points. Offers rapid settlement in minutes.



## Margin Impact

Provides more attractive take rates and gross margins than enterprise processing.

## PayPal BNPL Volume Growth (2020–2025)



# \$40 billion volume in 2025 (up 20% YoY).

## Buy Now, Pay Later (BNPL)



### The Embedded Advantage

Zero additional integration required by merchants. It appears automatically alongside standard PayPal checkout.



### Merchant ROI

Consumers choosing BNPL drive an average order value (AOV) more than 80% higher than standard checkout.



### Asset-Light Strategy

Supported by a \$7 billion purchase agreement with Blue Owl Capital for U.S. "Pay in 4" loans.

# Contextual Working Capital and Lending



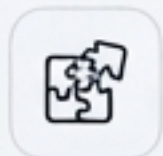
## Milestone

Over \$30 billion provided to 420,000+ business accounts worldwide since 2013.



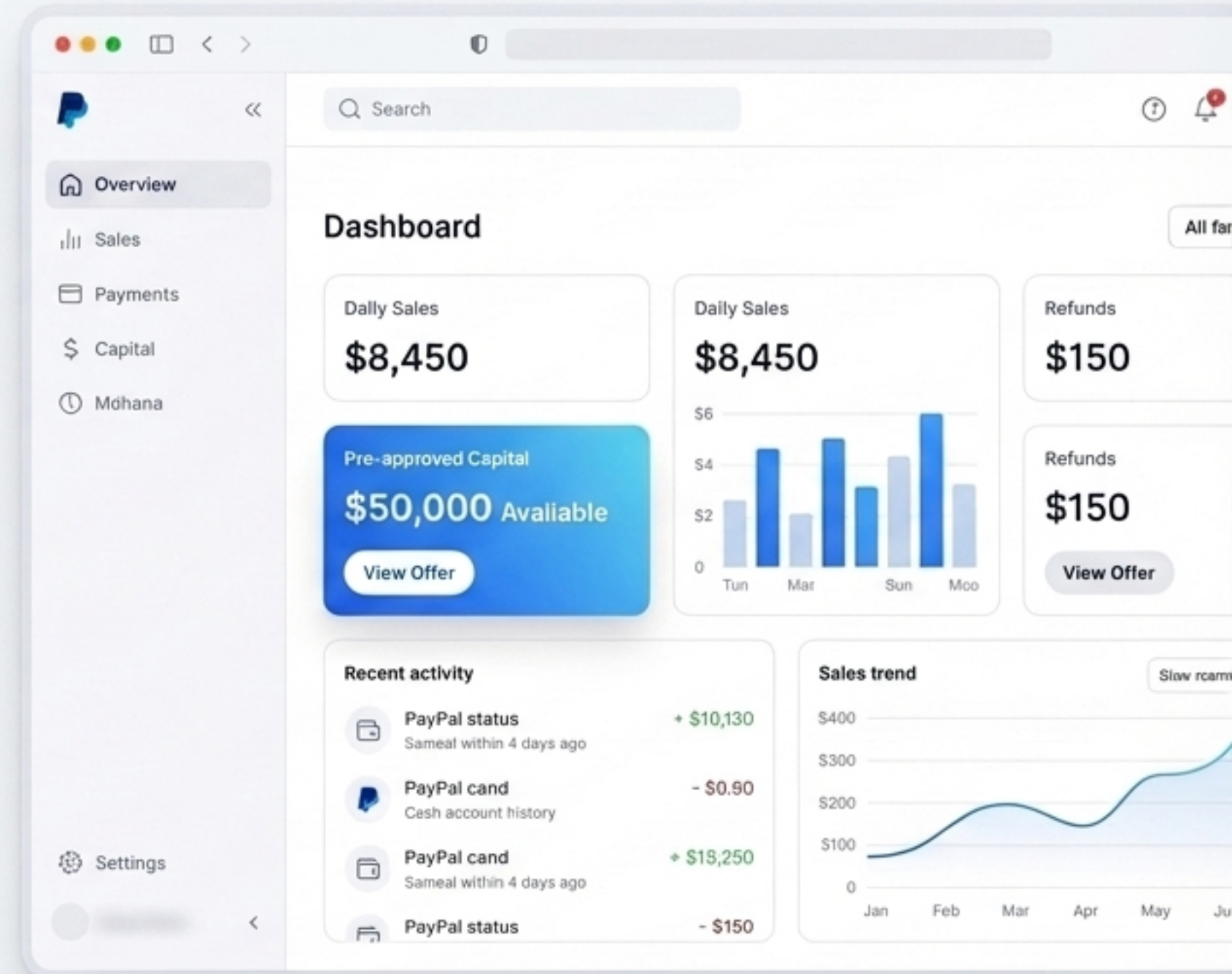
## The Mechanic

Cash advances based on PayPal account history, with automatic repayment tied to a percentage of future sales. No periodic interest.



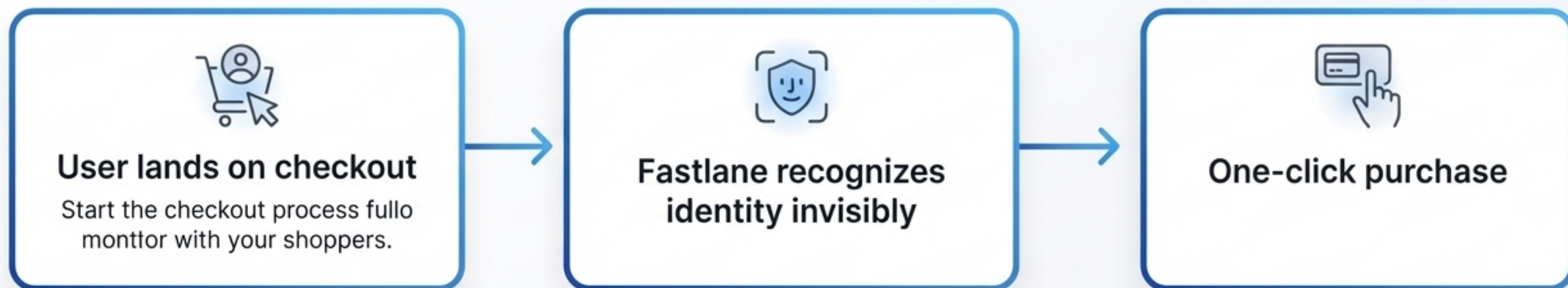
## The Embedded Advantage

Capital access is positioned within the merchant's daily operational dashboard. It functions as a product feature rather than a separate financial transaction, serving as a powerful retention tool.



## Premium B2B fintech Case Study

# Fastlane: Accelerated Guest Checkout



### The Concept

Auto-fills payment and shipping for guest shoppers without requiring a PayPal account login.

### The Network

Taps into 171 million eligible accounts and over 264 million cards.

### The Results

Conversions increase approximately 50%. Checkout is 35% faster. Total guest checkout conversion hits ~80%.

### Strategic Value

Merchant gets enhanced infrastructure and conversion; branding friction is completely removed.

# PYUSD: Programmable Settlement

Premium B2B fintech Case Study



## The Asset

A U.S. dollar-backed stablecoin available on Ethereum, Solana, and Stellar.



## Utility

Enables real-time cross-border settlement (reducing times from 3-5 days to instant) and cuts costs by ~60%.



## Incentives

Users earn a 3.7% annual yield on holdings.



## The Future

Built for the next era of agentic commerce—enabling micropayments, conditional logic, and machine-speed escrow.

# Closing the Loop: Payouts and Consumer Ecosystems

Premium B2B fintech Case Study



## Hyperwallet (Embedded Payouts)

Enables mass marketplace payouts in 50+ currencies across 200+ markets via a single integration API.



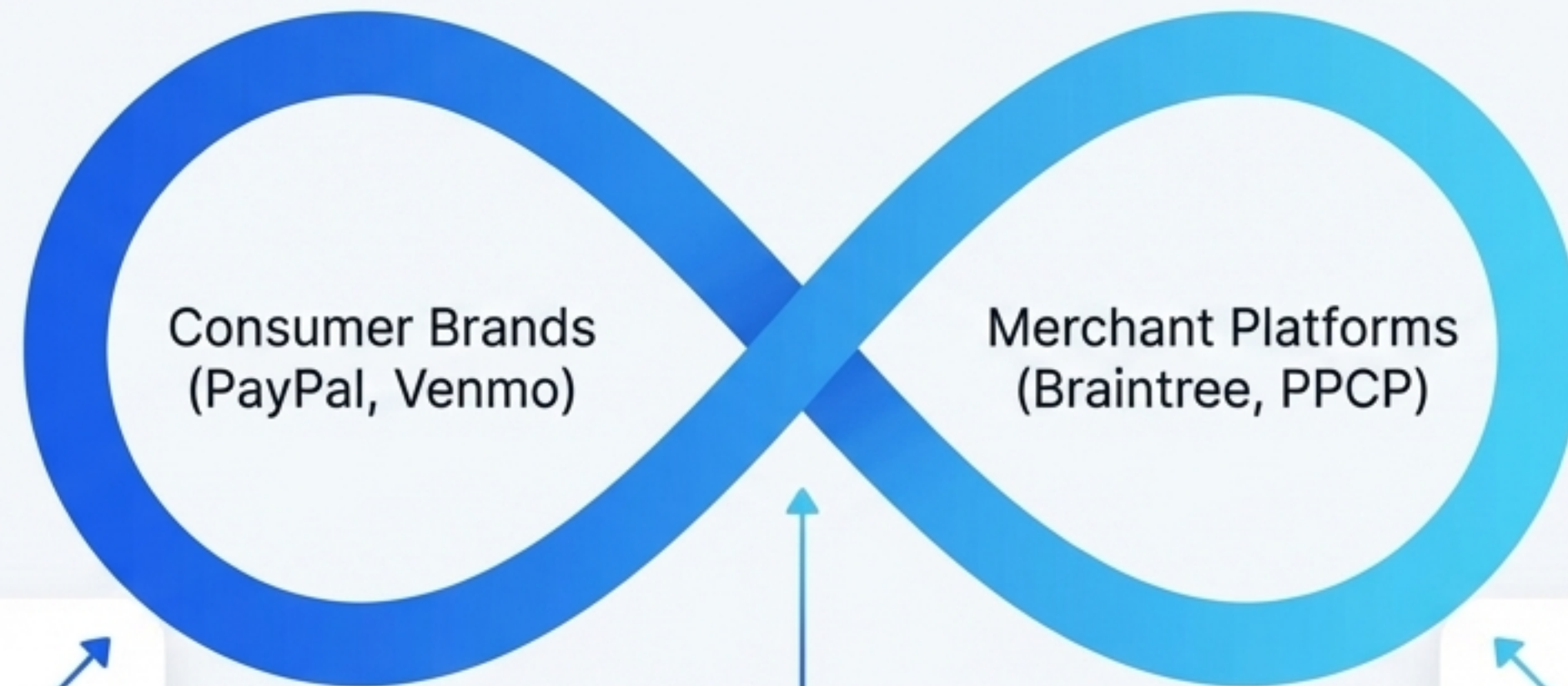
## Venmo (Consumer Embedded Finance)

67 million MAUs generating \$1.7 billion in annual revenue.

- Monetized via embedded debit cards (TPV up 50% in 2025), BNPL, and crypto.
- Over \$10 billion of funds received via P2P are subsequently spent at merchants.

# The Defensive Moat: Two-Sided Network Effects

Premium B2B fintech Case Study



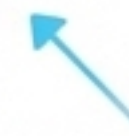
## The Flywheel Mechanism

Consumer adoption drives merchant acceptance; merchant acceptance drives consumer engagement.

## Ecosystem Stickiness



Merchants bundling Braintree processing, Working Capital, fraud tools, and BNPL experience significantly lower churn than those using pure-play competitors.



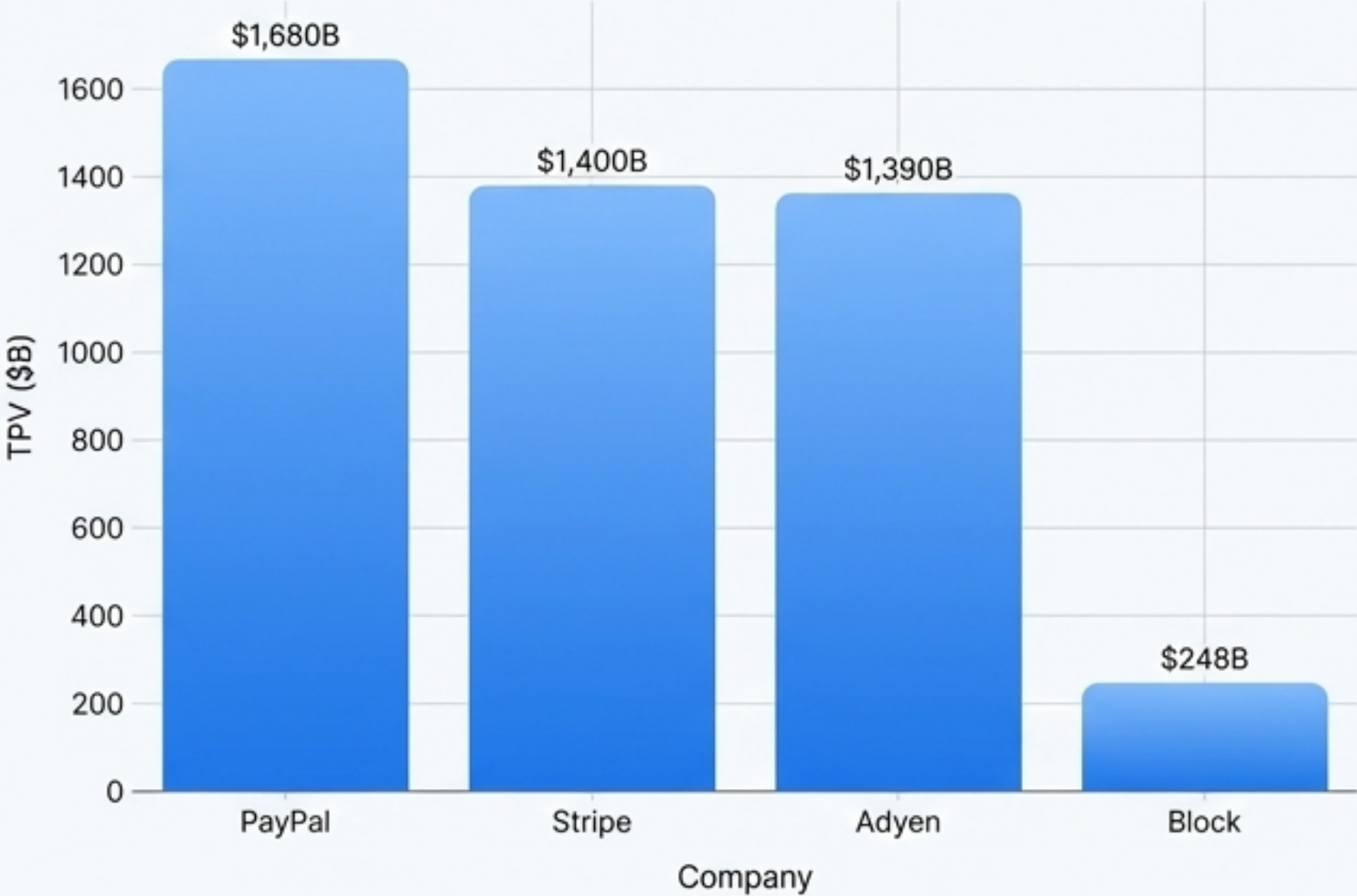
## Identity Advantage

An identity graph of 430+ million verified accounts provides years of cross-border transaction history and proprietary fraud data.

# The Battlefield: Payment Volume Comparison

## Payment Volume Comparison (2024)

Source: Company filings | Total Payment/Processed Volume



Company	Revenue & Volume (Est.)	Key Strength
PayPal	<b>\$33.2B</b> Rev (2025)   <b>\$1.68T</b> TPV (2024)   <b>~19.4%</b> Margin	Two-sided network
Stripe	~\$18.9B Rev   ~\$1.4T TPV   ~12.2% Margin	Developer tools
Adyen	~\$2.8B Rev   ~\$1.4T TPV   ~53% EBITDA	Unified commerce
Block	\$24.2B Rev   ~\$248B GPV   ~10% Margin	Square + Cash App

# Clear and Present Competitive Threats

## Premium B2B fintech Case Study

### Stripe



Captured the developer mindset. Powers 78% of subscription SaaS and 92% of Fortune 100. Outpaced PayPal's 2024 TPV growth (38% vs 10%).

### Shopify



Dominating SMB commerce. Grew GMV 48% (2022-2024) to \$292B, while PayPal's SMB TPV slightly declined.

### Apple Pay



Matched/exceeded active users with superior, frictionless device-level hardware integration.

### Adyen



Highly profitable (53% EBITDA margin) and successfully won eBay volume away from PayPal.

# The Embedded Finance Playbook (Part I)



## 1. Acquire Infrastructure First

Braintree provided developer APIs and enterprise scale; additional services were layered on top.



## 2. Leverage Unbranded Processing

Trading brand visibility for massive infrastructure scale enables cross-selling of high-margin products.



## 3. Embed in Existing Workflows

Successful finance eliminates friction. Capital offers belong in operational dashboards; BNPL belongs instantly at checkout.



## 4. Build Two-Sided Defensibility

Control both consumer acquisition and merchant infrastructure to create an interlocking network effect.

# The Embedded Finance Playbook (Part II)



## 5. Maintain Pricing Discipline

Volume without margin is a liability. PayPal deliberately shed unprofitable Braintree volume to restore operating leverage.



## 6. Diversify Beyond the Payment

Core processing is commoditizing. Margins reside in adjacent services—BNPL, identity, fraud, and lending.



## 7. Prepare for Programmable Money

Blockchain and stablecoins offer fundamental cost reductions and new transaction types (micropayments, smart contracts).



## 8. Prevent M&A Silos

Fragmented identity layers and merchant integrations stall innovation. Deep platform integration is non-negotiable.

# Strategic Priorities for 2026 and Beyond



## Winning Checkout

Scaling Fastlane globally and modernizing branded checkout with biometric authentication.

## Agentic Commerce

Building AI-ready transaction infrastructure via partnerships with OpenAI, Google, Microsoft, and Perplexity.

## Venmo Monetization

Closing the ARPU gap (\$26 Venmo vs. \$84 Cash App) via debit cards and expanded financial services.

## Omnichannel Expansion

Growing the \$45 billion in-person payment volume through Tap to Pay and unified online-to-offline data.

# The Defensibility of Invisible Infrastructure

## \$6 Billion

Annual free cash flow, returning \$6 billion to shareholders via buybacks in 2025.

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While the market applies a modest **~7.5x forward earnings** multiple, the underlying assets—an **embedded infrastructure** processing **\$1.79 trillion**, an **identity graph** of **439 million users**, and **deep ecosystem stickiness**—form a foundational layer of global commerce that no competitor can rapidly replicate.