

A large, stylized graphic of the PayPal logo, featuring a blue 'P' with a yellow-orange upper curve and a teal lower curve, set against a dark blue background.

***PayPal***

Q2-21

Investor Update

July 28, 2021

# Non-GAAP Financial Measures; Forward-Looking Statements

This presentation contains non-GAAP measures relating to our performance. These measures may include adjustments attributable to the reclassification of the U.S. consumer credit receivable portfolio as held for sale from November 2017 and may exclude certain expenses, gains and losses that may not be indicative of our core operating results and business outlook, and, in each case, may be different from the non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles. You can find the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures in the Supplemental Information at the end of this presentation.

As previously disclosed, beginning with the first quarter of 2020, we modified the presentation of our non-GAAP results to exclude the impact of all gains and losses on our strategic investments. In addition, beginning with the fourth quarter of 2020, we have reclassified certain cash flows related to customer balances from cash flows from operating activities to cash flows from investing activities or financing activities within the consolidated statements of cash flows. Prior period amounts have been reclassified to conform to the current period presentation.

All growth rates represent year-over-year comparisons, except as otherwise noted. FX-Neutral (which we also refer to as FXN or currency-neutral) results are calculated by translating the current period's local currency results by the prior period's exchange rate. FX-Neutral growth rates are calculated by comparing the current period's FX-Neutral results with the prior period's results, excluding the impact from currency hedging activities.

This presentation contains forward-looking statements relating to, among other things, the future results of operations, financial condition, expectations and plans of PayPal Holdings, Inc. and its consolidated subsidiaries that reflect PayPal's current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "strategy," "future," "opportunity," "plan," "project," "forecast" and other similar expressions. Forward-looking statements may include, but are not limited to, statements regarding our guidance and projected financial results for third quarter and full year 2021, the impact and timing of acquisitions and the projected future growth of PayPal's businesses. Forward-looking statements are based upon various estimates and assumptions, as well as information known to PayPal as of the date of this presentation and are inherently subject to numerous risks and uncertainties. Our actual results could differ materially from those estimated or implied by forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the impact of the COVID-19 pandemic, natural disasters or other business interruptions on our business and financial condition, as well as our customers, suppliers, vendors and other business partners; the effect of global and regional political, economic, market, trade and related conditions that affect payments or commerce growth; our ability to compete in markets that are highly competitive and subject to rapid technological change, and to develop new or enhanced products and services on a timely basis; cyberattacks and security vulnerabilities in our products and services and associated impacts; the stability, security and performance of our Payments Platform and Honey Platform; regulatory, antitrust, payment card association-related and other risks specific to our business, products and services; our ability to detect and prevent fraud; the impact of complex and changing laws and regulations worldwide, which expose us to potential liabilities, increased costs, and other adverse effects on our business, our ability to manage regulatory and litigation risks, and the outcome of legal and regulatory proceedings; fluctuations in foreign currency exchange rates; changes in tax rates and exposure to additional tax liabilities; changes to our capital allocation, management of operating cash or incurrence of indebtedness; our ability to timely upgrade and develop our technology systems, infrastructure and customer service capabilities; our ability to successfully identify, manage, and integrate any existing and potential acquisitions; and our ability to attract, hire, and retain highly qualified personnel. The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or contemplated after the date of this presentation.

More information about factors that could adversely affect PayPal's results of operations, financial condition and prospects or that could cause actual results to differ from those expressed or implied in forward-looking statements is included under the captions "Risk Factors", "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in PayPal's most recent annual report on Form 10-K, and its subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting PayPal's Investor Relations website at <https://investor.pypl.com> or the SEC's website at [www.sec.gov](http://www.sec.gov). All information in this presentation is as of July 28, 2021. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this presentation. PayPal assumes no obligation to update such forward-looking statements.

# Highlights

## Q2-21: TPV reaches \$311B and active accounts >400M

- TPV growth: 40% at spot / 36% FXN<sup>(1)</sup>, to \$311B
  - Merchant Services growth: 48% at spot / 43% FXN<sup>(1)</sup>
  - eBay Marketplaces<sup>(2)</sup> decline: (37%) at spot / (41%) FXN<sup>(1)</sup>
- Revenue growth: 19% at spot / 17% FXN<sup>(1)</sup>, to \$6.24B
  - Revenue growth ex-eBay Marketplaces<sup>(2)</sup>: 32% at spot
  - eBay Marketplaces<sup>(2)</sup> revenue decline: (51%) at spot
- 16% growth in active accounts to 403M; 11.4M net new active accounts (NNAs)
  - +1.5M merchant accounts
  - +1.5 NNAs added every second of Q2-21
- 43.5 transactions per active account, 11% growth
  - 27% growth in transactions to 4.74B
  - Last twelve months (LTM) transactions: 17.5B
- Non-GAAP operating margin of 26.5%
- \$1.15 non-GAAP EPS, 8% growth
  - 27% on a 2-year CAGR basis<sup>(3)</sup>
  - Includes 27 cents headwind related to reduced transaction margin dollars from eBay Marketplaces
- \$1.1B in free cash flow

## FY-21: Raising TPV outlook on strong volume trends

- TPV outlook raised to ~33%-35% at spot and FXN<sup>(1)</sup>
  - +3-5 points vs. prior guidance of ~30% on the same basis
  - ~10 points higher than average pre-pandemic levels
- Reaffirming revenue outlook of ~\$25.75B, ~20% growth at spot / ~18.5% FXN<sup>(1)</sup>
  - eBay Marketplaces<sup>(2)</sup> expected to be a ~7 point drag to revenue growth
  - Lapping 22% FXN<sup>(1)</sup> growth in 2020 for a 2-year CAGR of ~20%<sup>(4)</sup>
- Reaffirming +52-55M NNAs expected in 2021
  - On track to end 2021 with ~430M active accounts
- Expect flat to modest expansion of non-GAAP operating margin on top of 187bps expansion in FY-20
- Non-GAAP EPS expected growth of ~21%
- Expect to generate >\$5B in free cash flow

Non-GAAP operating margin and expenses, non-GAAP EPS, and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

(1) Foreign currency-neutral

(2) All references to eBay Marketplaces in this presentation refer to eBay Marketplaces on our Payments Platform

(3) 2-year CAGR from Q2-19 EPS (\$0.71) to Q2-21 EPS (\$1.15) = ~27%

(4) 2-year CAGR from FY-19 revenue (\$17.77B) to FY-21 expected revenue (~\$25.75B) = ~20%

# Second Quarter 2021 Summary

## Strong performance across key performance metrics

### Active Accounts

**403M**

Includes **32M** active merchant accounts

↑ **16%** increase y/y

**11.4M**

Net new active accounts (NNAs)

### Customer Engagement

**43.5**

Payment transactions per active account (TPA)

↑ **11%** increase y/y

~**6%** increase y/y in daily active accounts using PayPal core experiences on top of 37% increase in Q2-20

### Total Payment Volume

**\$311B**

>**\$1.1T** on a trailing 12-month basis

↑ **40%** spot and **36%** FX-neutral y/y growth

**48%** spot and **43%** FX-neutral y/y growth ex-eBay Marketplaces

2-year CAGR of **34%**<sup>(2)</sup>

### Revenue

**\$6.24B**

↑ **19%** spot and **17%** FX-neutral y/y growth

**32%** y/y growth ex-eBay Marketplaces

2-year CAGR of **20%**<sup>(3)</sup>

### Non-GAAP EPS<sup>(1)</sup>

**\$1.15**

↑ **8%** increase y/y

Includes **27 cent per share** headwind from lower eBay Marketplaces transaction margin dollars

2-year CAGR of **27%**<sup>(4)</sup>

### Free Cash Flow<sup>(1)</sup>

**\$1.1B**

↓ **33%** decrease y/y driven by cash taxes and capital expenditures

**17%** as % of revenue

(1) Non-GAAP earnings per share and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

(2) 2-year CAGR from Q2-19 TPV (\$172B) to Q2-21 TPV (\$311B) = ~34% (3) 2-year CAGR from Q2-19 revenue (\$4.305B) to Q2-21 revenue (\$6.24B) = ~20% (4) 2-year CAGR from Q2-19 EPS (\$0.71) to Q2-21 EPS (\$1.15) = ~27%



# Strategic Initiatives



## GLOBAL PAY LATER INITIATIVES

**Launched in Australia:** Pay in 4 is now available to eligible customers across 9+ million active accounts in Australia

- Available for use at millions of online stores – nearly everywhere customers see the PayPal ‘button’
- The new no-fee<sup>(1)</sup> Buy Now, Pay Later (BNPL) solution is designed to give consumers greater choice and flexibility in how they pay

**Announced upcoming expansion of offering in Germany:** Flexible installment terms (3, 6, 12, and 24 months)

### Q2-21 Results<sup>(2)</sup>

**\$1.5B+**

Volume

↑ 49% vs. \$1B+ in Q1-21

**425K+**

Unique Merchants

↑ 28% vs. ~330K in Q1-21

**~4.2M**

Unique Consumers

↑ 29% vs. ~3.3M in Q1-21

**40K+**

Merchants with Upstream Presentment

↑ 38% vs. ~30K in Q1-21

(1) Subject only to currency conversion fees on international purchases if applicable.

(2) Q2-21 results include Pay in 4 (U.S.), Pay in 3 (U.K.), PayPal Ratenzahlung (Germany) and Paiement en 4X (France)



## IN-STORE INITIATIVES

### PayPal's QR code adoption continues to grow

- Approximately 1.3M casual sellers now accept PayPal's QR codes and every minute 3 casual sellers are signing up to offer PayPal's QR codes
- People who use QR codes are more engaged, driving 19% more TPV on PayPal
- Top merchant categories include Food & Drink, Fashion, and Travel

### PayPal Rewards Card launched in Australia

- Introduced our first consumer credit card for the Australian market – the PayPal Rewards Card, which provides consumers with zero annual fees and a flexible rewards program

### PayPal Zettle launched in the U.S.

- Announced the launch of PayPal Zettle in the U.S., a digital point-of-sale solution that enables small businesses to seamlessly sell across in-person and online channels



# PayPal's commitment to Racial Equity and Social Justice

In 2020, we introduced a \$535M commitment to address economic inequality and drive transformative change. Here is what we have been able to accomplish over the last year:

## INVESTING IN MINORITY-FOCUSED FINANCIAL INSTITUTIONS & FUNDS

\$500M to invest in minority-focused financial institutions and venture capital funds to support Black and underserved communities over the long-term, helping drive financial health, access and generational wealth creation. To date, we have allocated \$485M of these funds, and we expect to deploy more funds throughout this year.

## STABILIZING BLACK-OWNED SMALL BUSINESSES

\$15M provided in Empowerment Grants to Black-owned small businesses to help them stabilize and reopen, in partnership with the Association for Enterprise Opportunity (AEO).

## EXPANDING DIE&B AT PAYPAL AND BEYOND

\$15M to strengthen PayPal's internal Diversity, Inclusion, Equity and Belonging (DIE&B) programming, broaden diverse talent pipelines and advance advocacy to support racial and social justice. To date, we have allocated \$5M to employee resource groups, professional development initiatives and talent partnerships, as well as racial equity research.

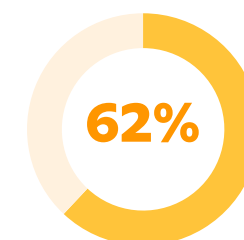
## CREATING AN ECOSYSTEM OF SUPPORT WITH NONPROFIT PARTNERS

\$5M in grants provided to 20 leading nonprofit community partners working to sustain Black-owned businesses across the U.S. in their recovery. These organizations offer businesses a variety of services and support – from lending to technical assistance to leadership development.

## PAYPAL EMPOWERMENT GRANT PROGRAM TO SUPPORT BLACK-OWNED BUSINESSES

1,391

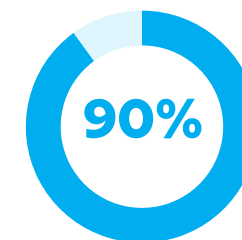
TOTAL  
AWARDEES



WOMEN



SOLE PROPRIETORS



STILL OPERATING IN  
Q1 2021

## FINANCIAL INSTITUTIONS AND FUNDS



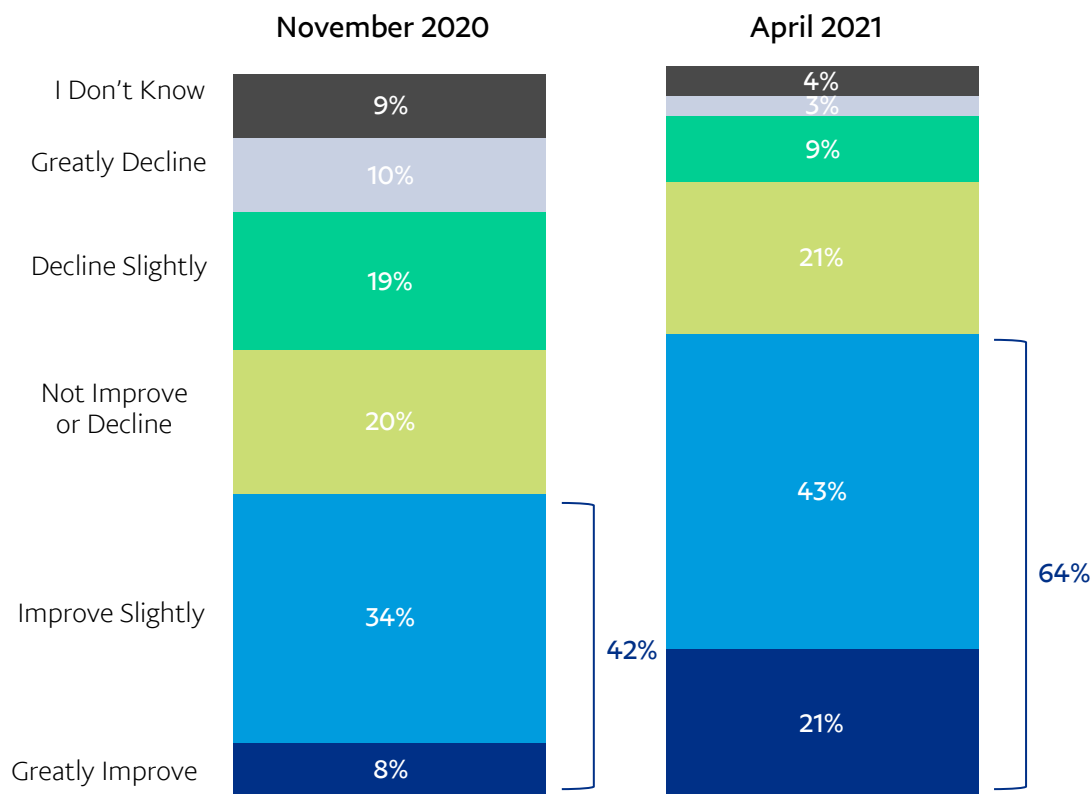
## PayPal's \$100M+ Commitment to Advance Financial Inclusion and Economic Empowerment of Women and Girls

PayPal made a more than \$100M commitment to advance financial inclusion and economic empowerment for women and girls around the world over the next five years as part of our participation in the UN Women Generation Equality Forum. This commitment includes a series of concrete, ambitious and transformative actions to achieve real progress towards gender equality across the globe. As a first step, PayPal will deposit \$100M into investment funds and depository institutions that are led by women or focused on serving women.

# PayPal-Morning Consult Small Business Confidence Index

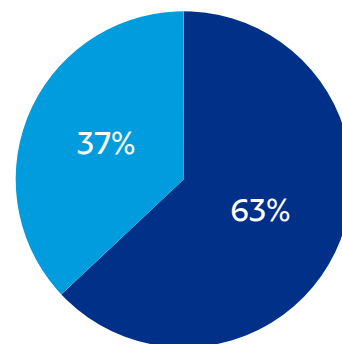
## SMBs are increasingly optimistic about the future

### VIEWS ON ECONOMIC CONDITIONS IMPACTING THE BUSINESS IN THE NEXT 12 MONTHS

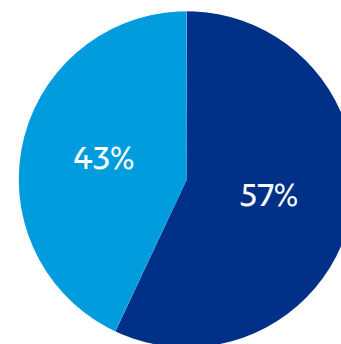


- The PayPal Small Business Confidence Index by Morning Consult improved **29 points** from November 2020 to April 2021, showing that small businesses are increasingly optimistic about the future
- In April 2021, **22% more small business owners felt increased optimism** about economic conditions impacting their businesses in the next year, compared to November 2020
- In both November 2020 and April 2021, **small businesses that sell online-only or across channels scored higher** on the confidence index compared to those who sell only in-person
- SMBs expect **43% of their business will be online** when the pandemic ends, up 6% compared to before the pandemic:

Prior to the Pandemic



When Pandemic Ends (expectation)

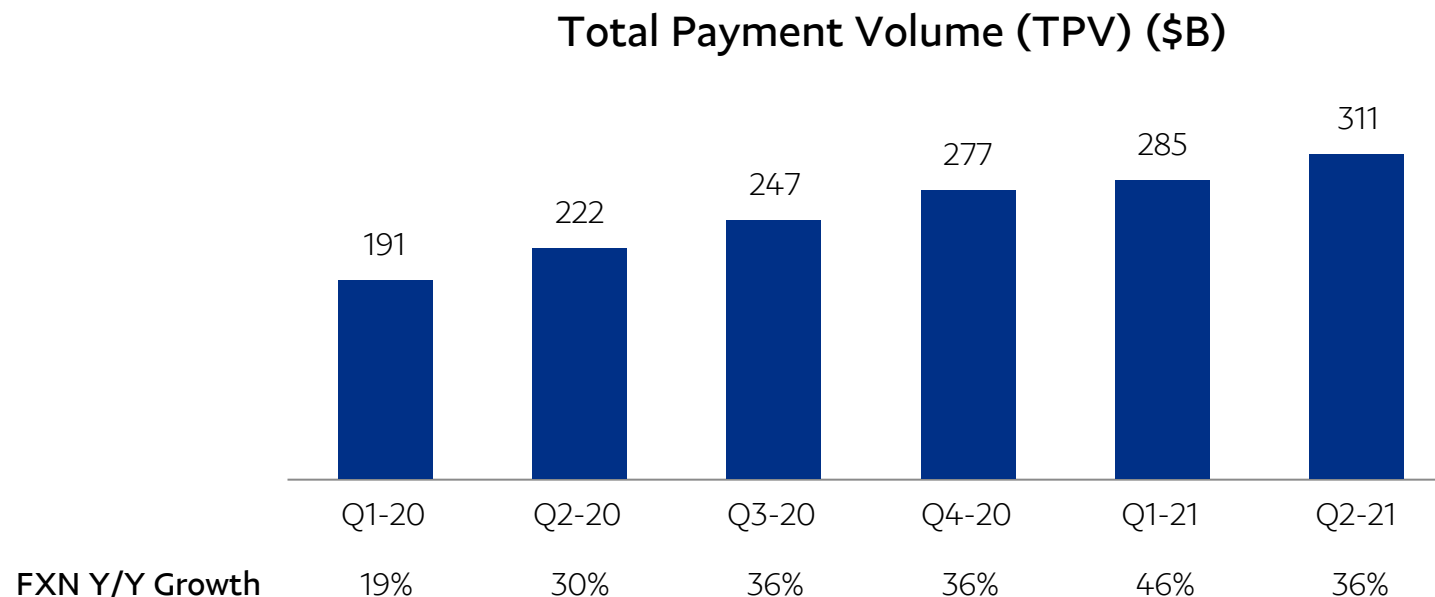


■ Online ■ In-store

# Q2-21 Business Updates

# Q2-21 Total Payment Volume (TPV)

Last twelve months TPV >\$1.1T

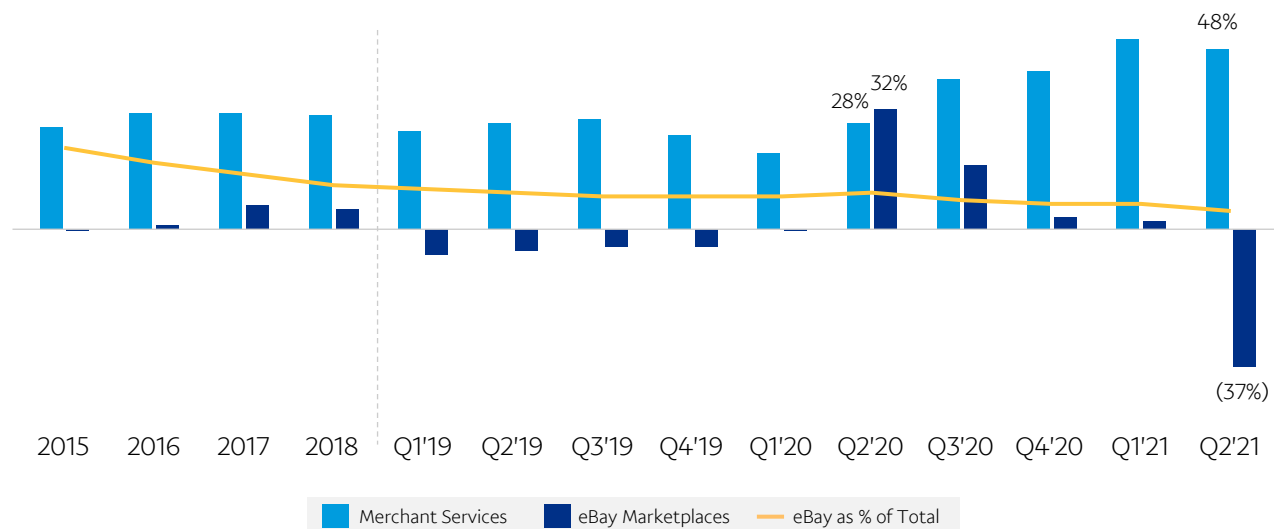


- \$311 billion of TPV; grew 40% on a spot basis and 36% on an FX-neutral basis. On a 2-year CAGR basis, TPV grew 34%, accelerating from 33% in Q1-21<sup>(1)</sup>
- P2P volume, which includes PayPal, Venmo and Xoom, increased 41% to \$90B and represented 29% of TPV
- Venmo volume increased 58% to \$58B
- eBay Marketplaces TPV declined 41% on an FX-neutral basis and represented 4% of TPV
- Merchant Services TPV, which excludes eBay Marketplaces, grew by 48% on a spot basis and 43% on an FX-neutral basis

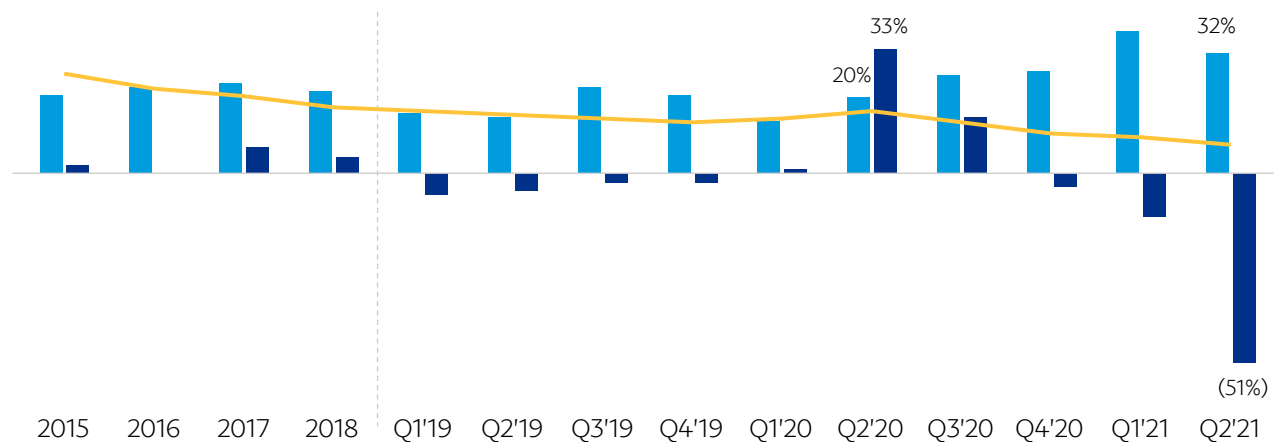
(1) 2-year CAGR from Q2-19 TPV (\$172B) to Q2-21 TPV (\$311B) = ~34%; from Q1-19 TPV (\$161B) to Q1-21 TPV (\$285B) = ~33%

# Merchant Services offsets ~\$1.4B revenue headwind from eBay Marketplaces in 2021

Merchant Services & eBay Marketplaces TPV Growth



Merchant Services & eBay Marketplaces Revenue Growth



## eBay Marketplaces is a headwind to PayPal's growth in 2021:

- Managed payments migration and the lapping impact from eBay's significant 2020 COVID benefits are expected to result in headwinds of:
  - ~7pts to revenue growth or a decline of ~\$1.4B
  - ~85 cents per share earnings impact from lower transaction margin dollars

## Q2-21 eBay effect:

- ~8pts headwind to revenue growth
- ~27 cent per share earnings impact

## eBay Marketplaces historical performance:

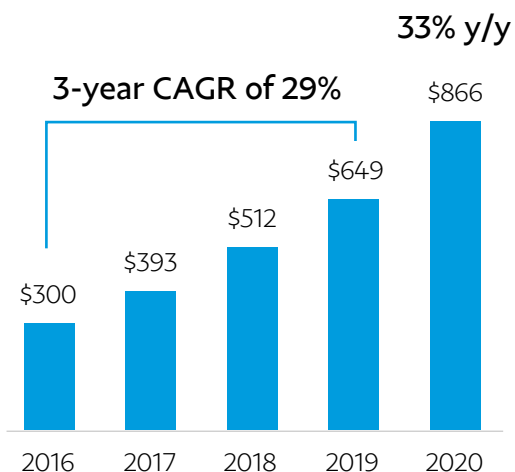
- 2016–2019 eBay Marketplaces TPV CAGR: **1.5%**
- 2020 eBay Marketplaces TPV growth: **13%** or **9x** average historical growth
- 2016–2019 eBay Marketplaces revenue CAGR: **2.3%**
- 2020 eBay Marketplaces revenue growth: **11%** or **5x** average historical growth

**Exiting 2021, PayPal expects eBay Marketplaces to represent <3% of total TPV and revenue**

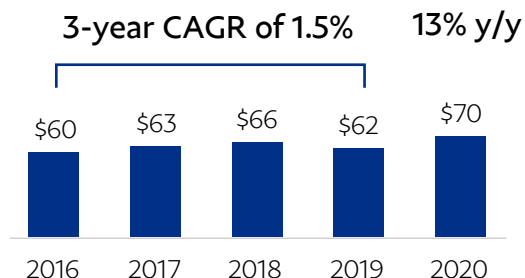
# Merchant Services growth outpacing eBay Marketplaces

Continuing to expand and diversify our platform

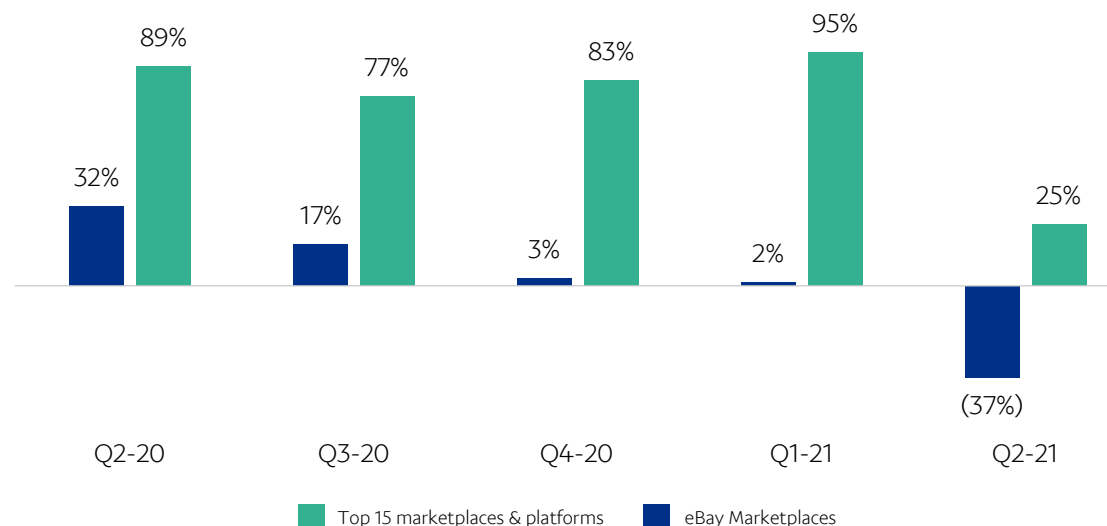
Merchant Services TPV (\$B)



eBay Marketplaces TPV (\$B)



Top 15 marketplaces and platforms TPV growth vs. eBay Marketplaces TPV growth



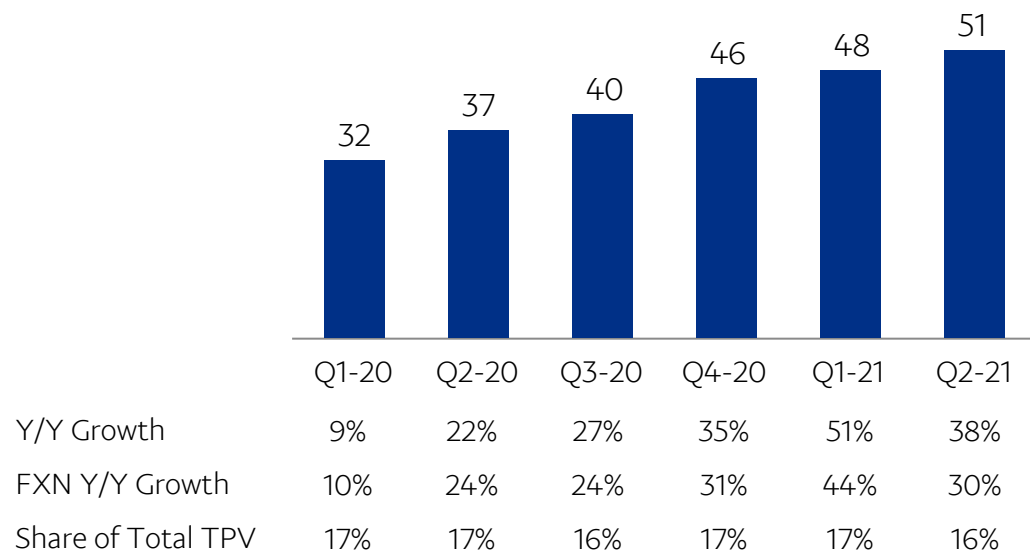
- FY-16 to FY-19 TPV CAGR of 26%
  - Merchant Services TPV CAGR of 29%
  - eBay Marketplaces TPV CAGR of 1.5%
- eBay Marketplaces represented 4% of TPV in Q2-21 vs. 17% in Q2-16

- In the last twelve months, PayPal's top 15 marketplaces and platforms volume grew 64% to ~\$118 billion compared to eBay Marketplaces volumes, which declined 6%
- PayPal's top 15 marketplaces and platforms TPV grew 25% in Q2-21 while eBay Marketplaces TPV declined 37% relative to Q2-20

# Q2-21 TPV: Cross-Border Trade (CBT)

CBT TPV of \$51B, 30% FX-neutral y/y growth

Cross-Border Trade TPV<sup>(1)</sup> (\$B)



## Fastest Growing CBT Categories

Q2-20



Fashion



Auto Parts



Electronics

Q2-21



Travel & Events



Fashion



Cosmetics

- CBT TPV was ~\$51 billion in Q2-21, up 30% on an FX-neutral basis
  - Key corridors in Q2-21 include intra-European corridors, U.K. to EU and U.S. to China, Canada and U.K.
  - CBT TPV represented 16% of TPV in Q2-21, compared to 17% in Q2-20

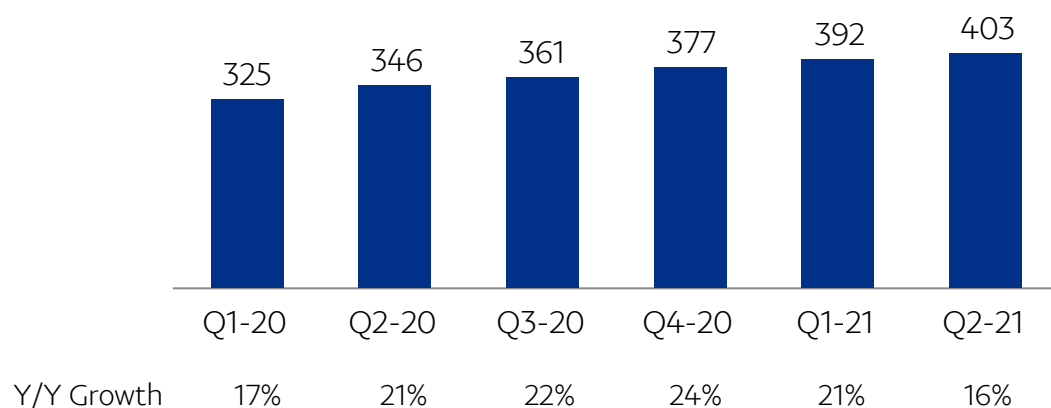
(1) In a typical purchase transaction, cross border TPV is counted in the region where the merchant is located. For example, in the case of a U.S. seller and a German buyer, the TPV is counted in the U.S.



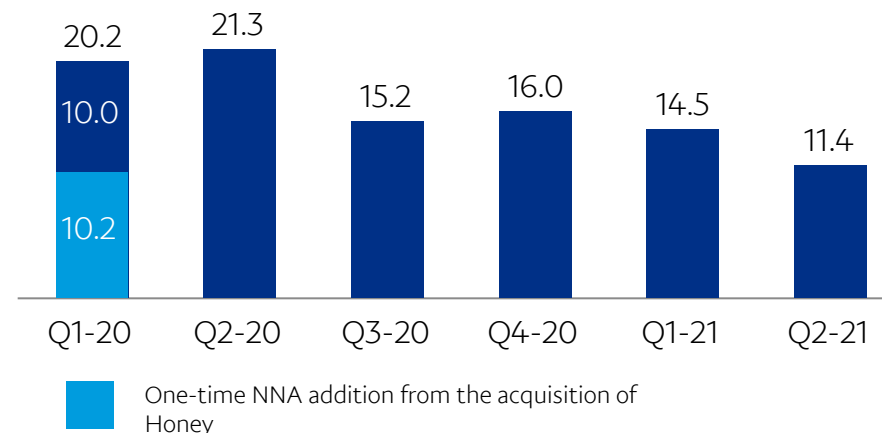
# Q2-21 Active Accounts

Surpassed 400M active accounts; added 1.5M merchant accounts

Active Accounts (M)



Net New Active Accounts (M)

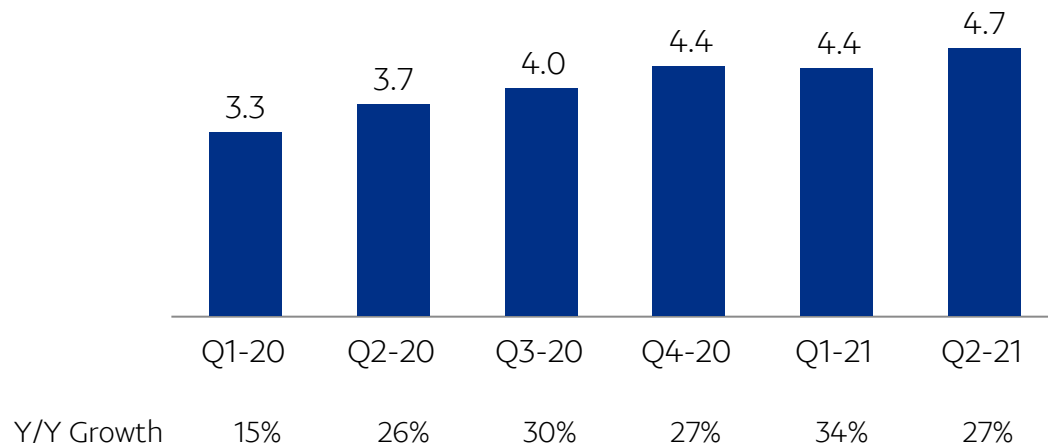


- Ended the quarter with 403 million active accounts, up 16%, including ~32 million merchant accounts
- Added 11.4 million active accounts in Q2-21, with strength across PayPal, Venmo, and Honey
  - Includes 1.5 million merchant accounts added in Q2-21
- Added a consumer NNA every second and a merchant NNA every ~5 seconds during Q2-21

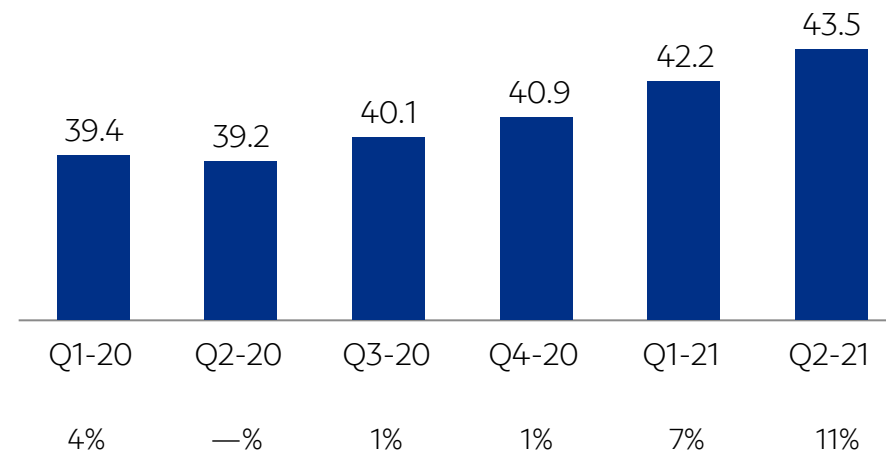
# Q2-21 Customer Engagement<sup>(1)</sup>

TPA of 43.5, 11% y/y increase - highest in 4 years

Number of Payment Transactions (B)



Customer Engagement (TPA)

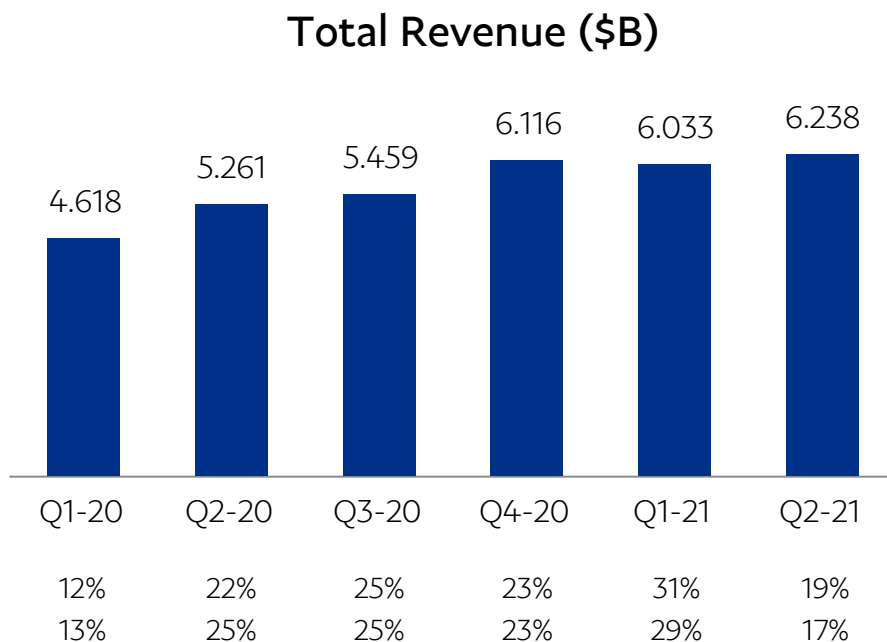


- Processed ~4.7 billion payment transactions during Q2-21, up 27%, while eBay Marketplaces transactions declined 50%
- In Q2-21, growth in TPA was driven by reacceleration of Braintree transaction growth and PayPal core growth
- ~6% y/y growth in daily active accounts using PayPal core experiences. Together with ~37% y/y growth in Q2-20, this demonstrates that daily customer volume continues to grow even as economies reopen

(1) Customer Engagement or engagement is defined as number of payment transactions per active account

# Q2-21 Revenue

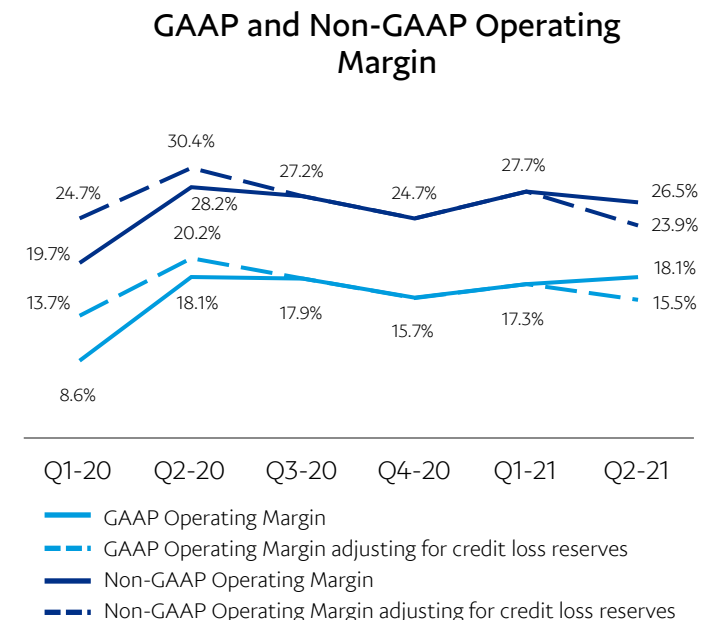
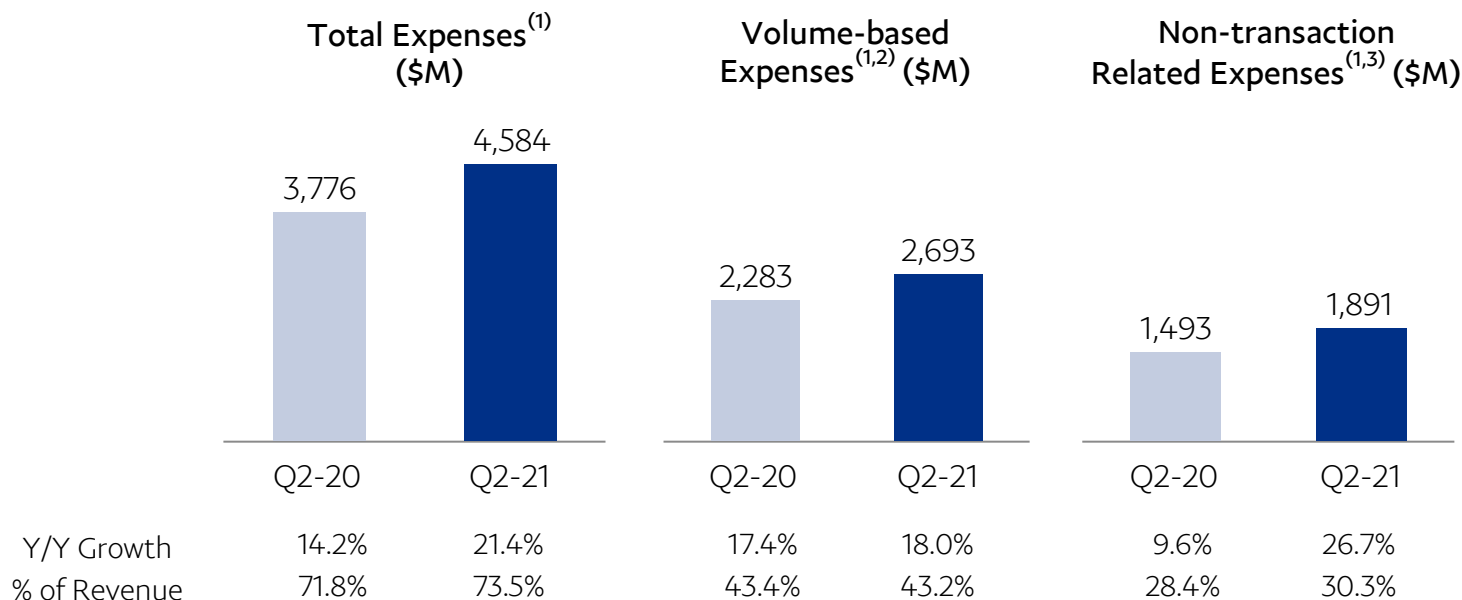
Spot growth rate of 19% y/y in Q2



- Total revenue grew 19% at spot rates
- Transaction revenue grew 17% at spot rates, driven by Braintree acceleration as travel and events began to return
- Merchant Services revenue, which excludes eBay Marketplaces, grew 32%, accelerating ~11 points on a y/y basis. Pressure from eBay Marketplaces resulted in an ~8 point headwind to total revenue growth in Q2-21
- Hedging losses, which are recognized in international transaction revenue, were \$89 million in Q2-21 versus hedging gains of \$33 million in Q2-20
- Exiting Q2, at exchange rates as of June 30, 2021, we estimate that our derivative positions would result in the recognition of \$107 million of hedging losses in international transaction revenue over the next 12 months
- Other Value Added Services (OVAS) revenue increased 40% at spot rates driven by strengthening credit performance

# Q2-21 Non-GAAP Expense Detail

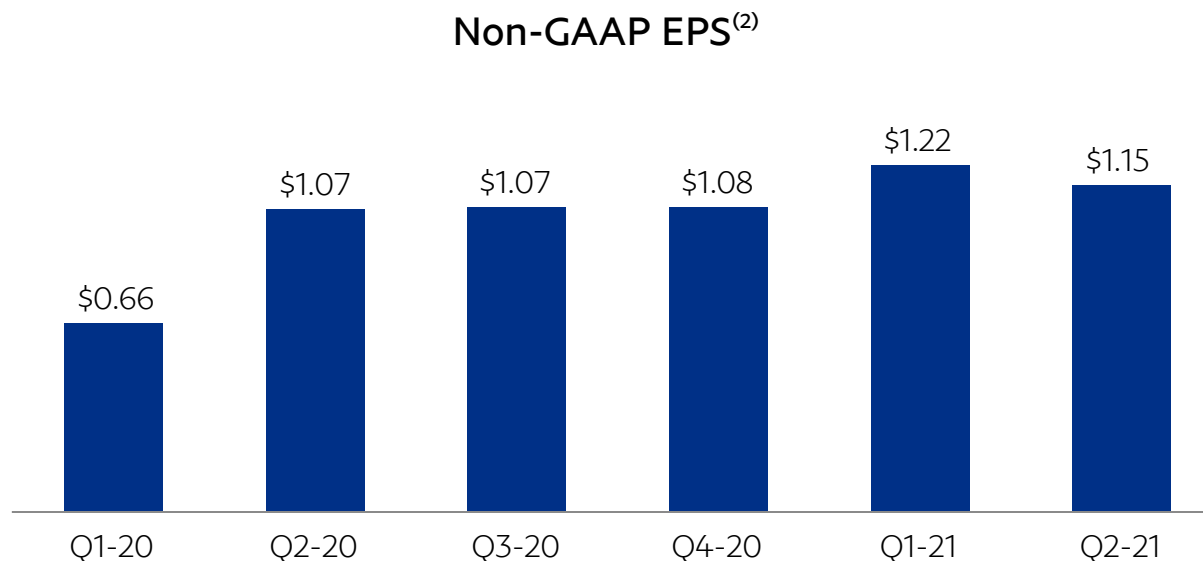
## Non-GAAP operating margin of 26.5%



- Volume-based expenses grew 18.0% and non-transaction related expenses grew 26.7%
  - Sales and marketing expenses increased 67.5% and technology and development increased 22.6%
- Non-GAAP operating margin of 26.5%, ~170bps of contraction while lapping strongest ever non-GAAP operating margin performance in Q2-20 of 28.2%
  - In Q2-20, increase in credit loss reserves due to revisions in macroeconomic projections negatively impacted GAAP and non-GAAP EPS by \$0.07<sup>(4)</sup>
  - In Q2-21, the release of \$156M in principal reserves benefited GAAP and non-GAAP EPS by approximately \$0.11

# Q2-21 EPS

Non-GAAP EPS of \$1.15, 8% y/y growth and 2-year CAGR of 27%<sup>(1)</sup>



- Q2-21 GAAP EPS of \$1.00, including the impact of net gains related to strategic investments
- Q2-21 non-GAAP other income & expense (OI&E)<sup>(3)</sup> for the quarter was \$(54)M, \$14M lower vs. Q2-20 primarily driven by reduced interest income from lower interest rates and a partial quarter of higher interest expense from our debt issuance last May
- GAAP and non-GAAP EPS include an approximate \$0.11 benefit from the release of credit reserves compared to an approximate \$0.07 negative impact from increased credit provisioning in Q2-20
- Q2-21 non-GAAP effective tax rate increased to 14.9% from 12.6% in Q2-20

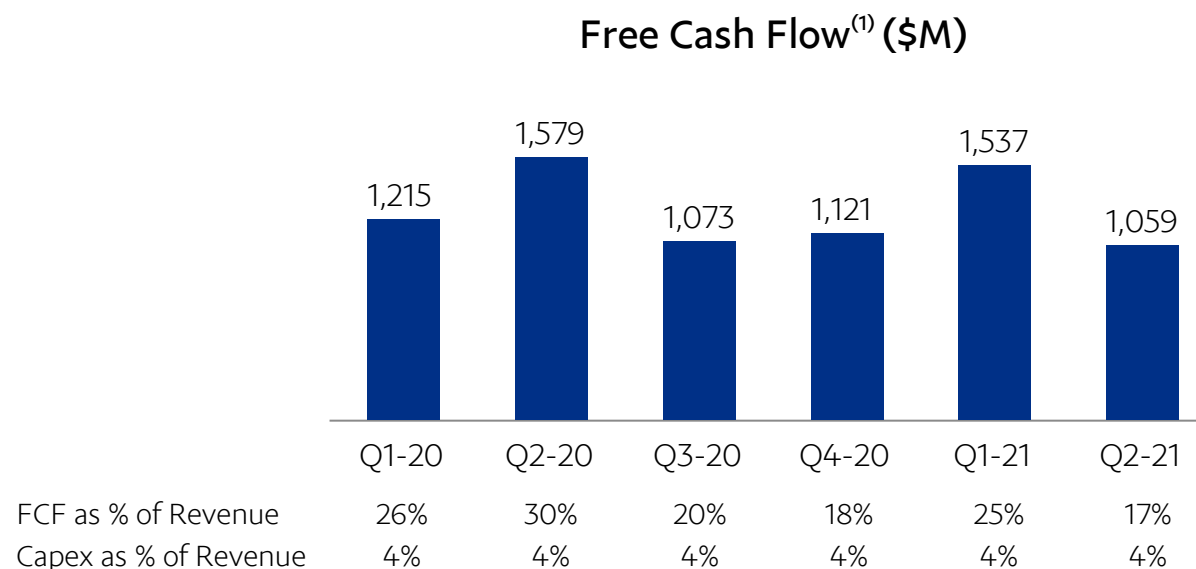
(1) 2-year CAGR from Q2-19 EPS (\$0.71) to Q2-21 EPS (\$1.15) = ~27%

(2) Non-GAAP EPS is a non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

(3) GAAP OI&E of \$229M less net gains from strategic investments of \$283M

# Q2-21 Free Cash Flow

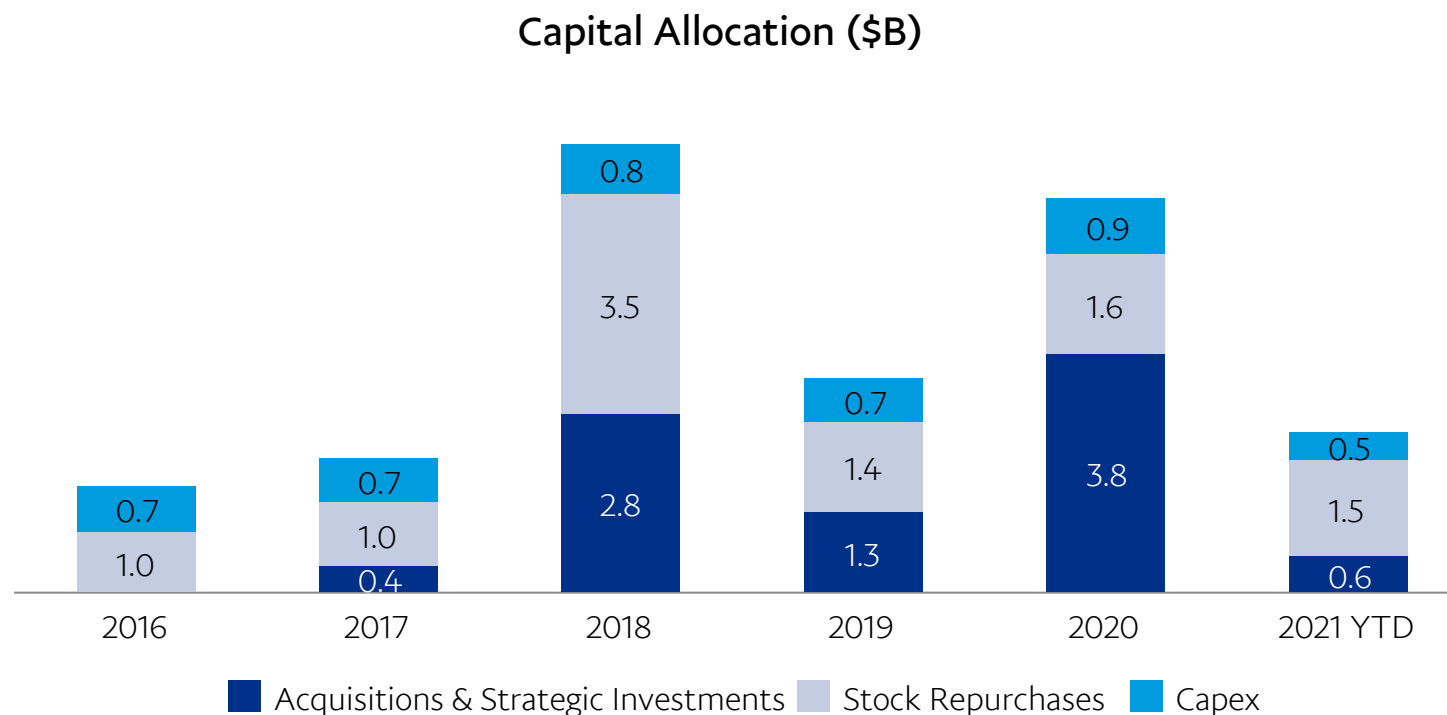
FCF of \$1.06 billion, (33%) y/y decrease



- Free Cash Flow (FCF) of \$1.06 billion in Q2-21, decreasing 33%, driven by cash taxes and capital expenditures
- In the first half of 2021, for every \$1 of revenue, PayPal generated 21 cents of FCF
- \$19.4 billion in cash and cash equivalents (\$5.7B), short-term (\$6.7B) and long-term investments (\$7.0B)
- Long-term debt of \$8.9 billion

(1) Free cash flow is a non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

# Q2-21 Capital Allocation



- In Q2-21, returned \$200 million in capital to shareholders by repurchasing ~765,000 shares at an average price of \$261.82 per share
- Since separation, repurchased ~123 million shares of common stock, returning \$10.1 billion in capital to shareholders at an average price of \$82.26 per share

# FY-21 Guidance

## Raising TPV and reaffirming revenue outlook

Net Revenue (\$B)	~\$25.75
Net Revenue Growth (Spot)	~20%
Non-GAAP EPS Growth	~21%
Free Cash Flow (\$B)	>\$5.0

Percentages shown are year-on-year growth rates

- Non-GAAP effective tax rate of ~12%-14%
- Capex of ~3% of revenue
- GAAP EPS of ~\$3.49

- **NNAs:** Expect to add 52-55 million NNAs in FY-21
- **TPV:** Expect TPV growth to be in the range of ~33%-35% on a spot and FXN basis
  - +3-5 points vs. prior guidance of ~30% on the same basis
- **Revenue:** Expect revenue growth of ~20% at spot and ~18.5% FXN
  - Includes an expected ~7 point drag to growth from eBay Marketplaces
- **Non-GAAP Operating Margin:** Expect flat to modest expansion
- **EPS:** Expect non-GAAP EPS growth of ~21% to ~\$4.70
  - GAAP EPS guidance includes a net gain of ~\$0.11 on PayPal's strategic investment portfolio
  - In 2020, GAAP EPS included a net gain of ~\$1.24 on PayPal's strategic investment portfolio

Non-GAAP EPS, non-GAAP operating margin and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.



# Q3-21 Guidance

Reflects 2-year CAGRs of ~19% for revenue and non-GAAP EPS

Net Revenue (\$B)	~\$6.15-\$6.25
Non-GAAP EPS	~\$1.07
GAAP EPS	~\$0.68

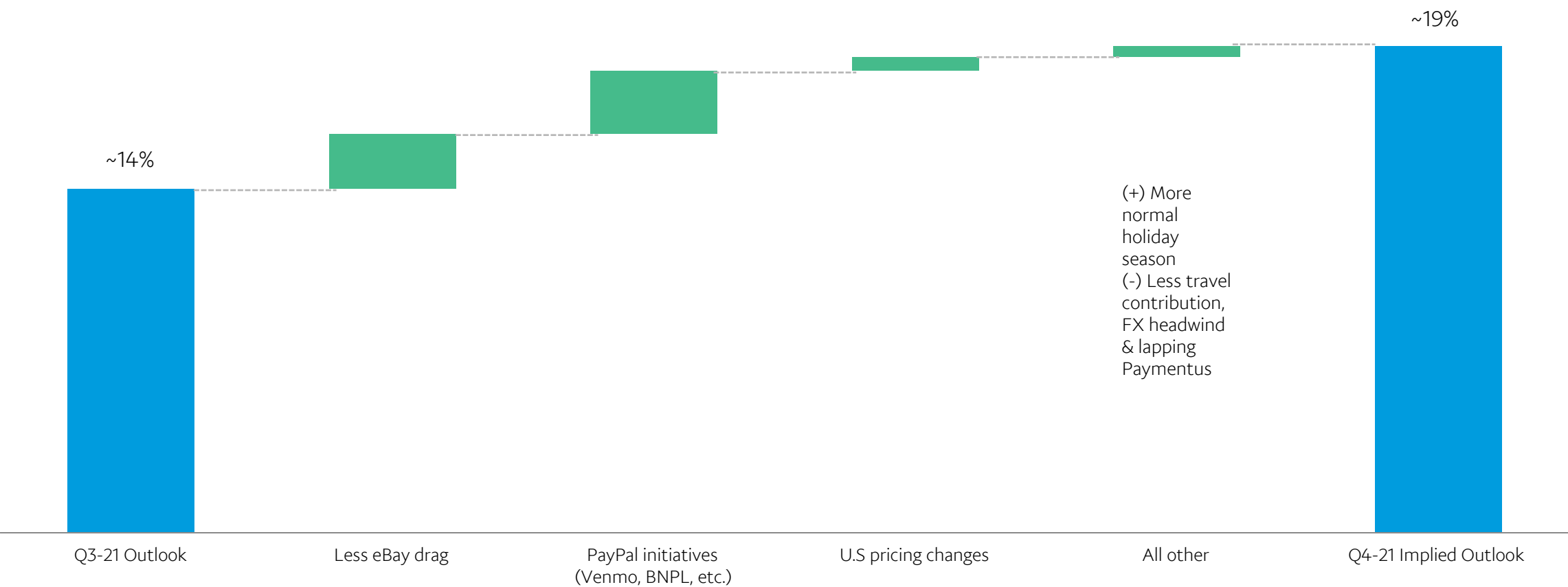
- **Revenue:** Expect revenue to be in the range of ~\$6.15 billion to ~\$6.25 billion, representing growth of ~13% to ~14% at current spot rates and ~12% to ~14% FX-neutral
  - Lapping 38% TPV and 25% revenue growth at spot in Q3-20
  - Includes an expected ~8.5 point headwind to growth from eBay Marketplaces
  - ~19% on a 2-year CAGR basis
- **EPS:** Expect non-GAAP EPS of ~\$1.07, in-line with the prior year period
  - In Q3-20, GAAP EPS included a net gain of \$0.13 on PayPal's strategic investment portfolio
  - GAAP EPS guidance does not include any expectation of net realized and unrealized gains and losses on PayPal's strategic investment portfolio

Non-GAAP EPS and non-GAAP operating margin are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measure to the most directly comparable GAAP financial measures.

# Revenue growth expected to accelerate from Q3 to Q4

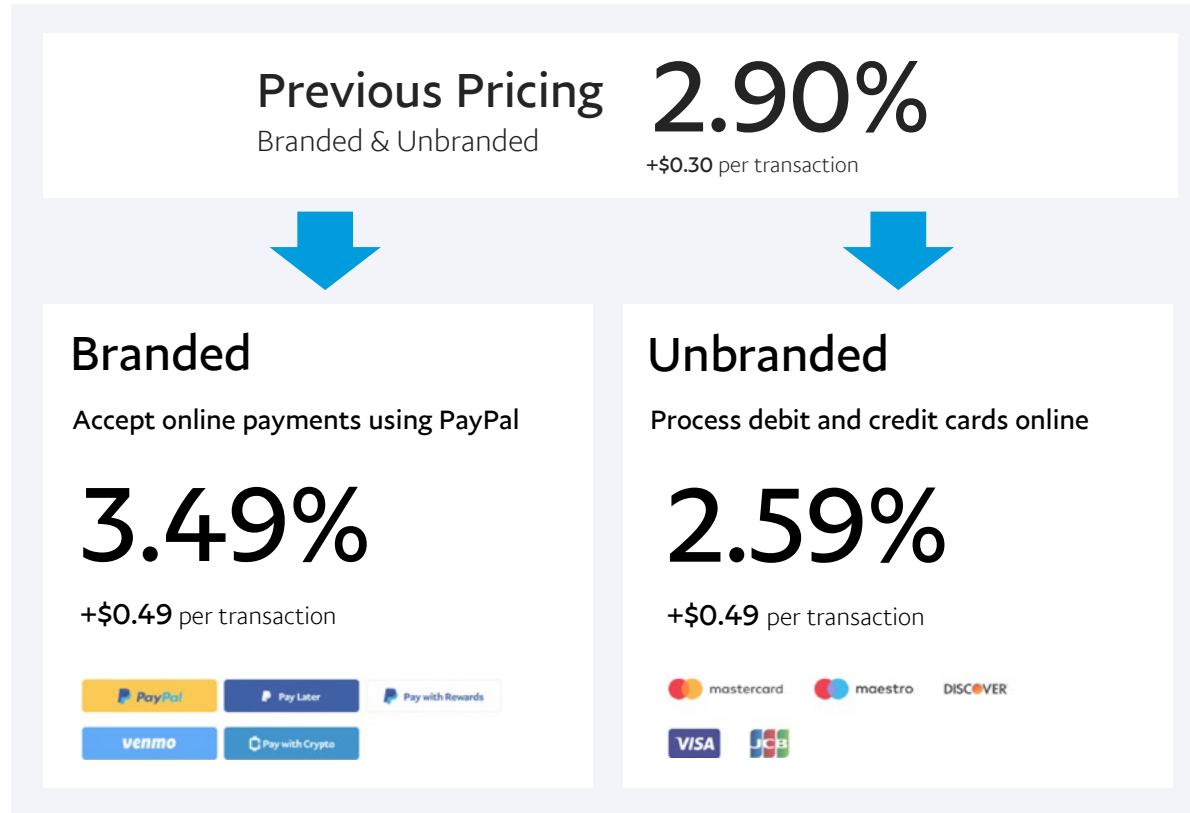
~5 pts acceleration from initiatives and reduced eBay headwind

Revenue y/y growth rate



# First headline pricing change in 20 years

Contemplated by previously provided FY-21 and medium-term guidance



**Timing:** goes into effect on August 2, 2021

**Scope:** U.S. merchants subject to our User Agreement; pricing remains unchanged for every merchant with a negotiated contract

**Materiality:** incorporated in our prior FY-21 and medium-term guidance; immaterial for 2021

## Strategic Rationale

- Our branded wallet is best-in-class with a differentiated value proposition for merchants and consumers
  - Consumers are nearly 3x more likely to complete their purchase when PayPal is available at checkout<sup>(1)</sup>
  - Buy Now, Pay Later solutions have resulted in a 15% lift in payment volume for businesses<sup>(2)</sup>
  - Includes seller protections on eligible transactions
- Updated pricing construct is consistent with this differentiation between our branded wallet and unbranded processing, which has become commoditized
- Allows for stronger go-to-market positioning relative to competitors
- Separating branded and basic card processing pricing provides more transparency and clarity to our merchants

(1) Nielsen, Commissioned by PayPal, A Study to understand and measure the impact that PayPal has for U.S.-based LE merchants across different verticals (e.g., health & beauty, travel, fashion) by Nielsen Behavioral Panel of desktop transactions from 15,144 U.S. consumers between July 2020 to September 2020.

(2) Early results continue to show a significant 15% engagement lift in transactions and TPV. Our full blog post on the announcement is available [here](#).

# Supplemental Information

## Q2-21 PayPal Metrics<sup>(1)</sup>

(in millions, except %)

	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
<b>Active Accounts</b>	<b>325</b>	<b>346</b>	<b>361</b>	<b>377</b>	<b>392</b>	<b>403</b>
Y/Y Growth	17%	21%	22%	24%	21%	16%
<b>Net New Active Accounts</b>	<b>20.2*</b>	<b>21.3</b>	<b>15.2</b>	<b>16.0</b>	<b>14.5</b>	<b>11.4</b>
<b>Number of Payment Transactions</b>	<b>3,261</b>	<b>3,742</b>	<b>4,013</b>	<b>4,408</b>	<b>4,371</b>	<b>4,735</b>
Y/Y Growth	15%	26%	30%	27%	34%	27%
<b>Total Payment Volume</b>	<b>\$190,567</b>	<b>\$221,731</b>	<b>\$246,691</b>	<b>\$277,072</b>	<b>\$285,447</b>	<b>\$310,992</b>
Y/Y Growth	18%	29%	38%	39%	50%	40%
FXN Y/Y Growth	19%	30%	36%	36%	46%	36%
US TPV	\$117,056	\$132,673	\$149,618	\$162,931	\$171,124	\$188,506
Y/Y Growth	22%	30%	40%	37%	46%	42%
International TPV	\$73,511	\$89,058	\$97,074	\$114,141	\$114,323	\$122,486
Y/Y Growth	12%	27%	35%	41%	56%	38%
FXN Y/Y Growth	14%	30%	30%	35%	45%	26%
<b>Total Take Rate</b>	<b>2.42%</b>	<b>2.37%</b>	<b>2.21%</b>	<b>2.21%</b>	<b>2.11%</b>	<b>2.01%</b>
<b>Transaction Take Rate</b>	<b>2.21%</b>	<b>2.23%</b>	<b>2.06%</b>	<b>2.05%</b>	<b>1.97%</b>	<b>1.86%</b>
Transaction Expense Rate	0.91%	0.83%	0.82%	0.84%	0.80%	0.81%
Transaction and Loan Loss Rate	0.31%	0.20%	0.14%	0.13%	0.10%	0.05%
<b>Transaction Margin</b>	<b>49.5%</b>	<b>56.6%</b>	<b>56.7%</b>	<b>55.9%</b>	<b>57.8%</b>	<b>56.8%</b>

- TPV growth of 40% on a spot basis, accelerating ~11pts on a y/y basis and decelerating ~10pts on a sequential basis
- Transaction growth of 27%, accelerating ~1pts on y/y basis and decelerating ~7pts on a sequential basis. Increased volumes from Braintree transactions and strength across PayPal checkout experiences contributed to transaction growth
- Cross-border trade (CBT) was 16% of TPV in the quarter, growing 30% on an FX-neutral basis
- 44% of active accounts were outside the U.S. as of June 30, 2021
- Average Payment Volume (APV) was \$66, up 11% y/y
- Transaction take rate down 37 bps year over year. Decline driven by lower eBay volumes, higher Braintree share (including increased bill pay volumes) and y/y reduction in hedge revenue

\*Includes 10.2 million active accounts that were included from the acquisition of Honey in January 2020

(1) Definitions included in Supplemental Information.



## Q2-21 Financial Detail

(in millions, except %)

	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
Transaction Revenue	\$4,215	\$4,945	\$5,076	\$5,682	\$5,621	\$5,797
Y/Y Growth	13%	28%	28%	25%	33%	17%
Other Value Added Services (OVAS)	\$403	\$316	\$383	\$434	\$412	\$441
Y/Y Growth	2%	(26%)	(9%)	2%	2%	40%
<b>Total Revenue</b>	<b>\$4,618</b>	<b>\$5,261</b>	<b>\$5,459</b>	<b>\$6,116</b>	<b>\$6,033</b>	<b>\$6,238</b>
Y/Y Growth	12%	22%	25%	23%	31%	19%
FXN Y/Y Growth	13%	25%	25%	23%	29%	17%
US Revenue Y/Y Growth	13%	15%	21%	18%	24%	23%
International Revenue FXN Y/Y Growth	14%	36%	30%	29%	35%	10%
% International	47%	50%	48%	50%	49%	48%
Volume-based expenses	\$2,330	\$2,283	\$2,366	\$2,696	\$2,548	\$2,693
Non-transaction related expenses	\$1,380	\$1,493	\$1,608	\$1,910	\$1,812	\$1,891
<b>Total Operating Expenses<sup>(1)</sup></b>	<b>\$3,710</b>	<b>\$3,776</b>	<b>\$3,974</b>	<b>\$4,606</b>	<b>\$4,360</b>	<b>\$4,584</b>
Y/Y Growth	16%	14%	19%	22%	18%	21%
<b>Non-GAAP Op. Income<sup>(1)</sup></b>	<b>\$908</b>	<b>\$1,485</b>	<b>\$1,485</b>	<b>\$1,510</b>	<b>\$1,673</b>	<b>\$1,654</b>
<b>Non-GAAP Op. Margin %<sup>(1)</sup></b>	<b>20%</b>	<b>28%</b>	<b>27%</b>	<b>25%</b>	<b>28%</b>	<b>27%</b>
<b>Non-GAAP EPS<sup>(1)</sup></b>	<b>\$0.66</b>	<b>\$1.07</b>	<b>\$1.07</b>	<b>\$1.08</b>	<b>\$1.22</b>	<b>\$1.15</b>
Y/Y Growth	0%	49%	41%	29%	84%	8%
CAPEX	\$206	\$193	\$241	\$226	\$221	\$247
<b>Free Cash Flow<sup>(1)</sup></b>	<b>\$1,215</b>	<b>\$1,579</b>	<b>\$1,073</b>	<b>\$1,121</b>	<b>\$1,537</b>	<b>\$1,059</b>

(1) Non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP EPS, and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

# Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended										Year Ended December 31,		
		June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	2020	2019	2018
<b>GAAP operating expenses:</b>														
Transaction expense		\$ 2,524	\$ 2,275	\$ 2,330	\$ 2,022	\$ 1,843	\$ 1,739	\$ 1,913	\$ 1,701	\$ 1,627	\$ 1,549	\$ 7,934	\$ 6,790	\$ 5,581
Transaction and credit losses		169	273	366	344	440	591	381	340	318	341	1,741	1,380	1,274
Customer support and operations		521	518	507	449	423	399	438	390	399	388	1,778	1,615	1,407
Sales and marketing		628	602	605	471	414	371	400	316	356	329	1,861	1,401	1,314
Technology and development		746	741	732	674	631	605	558	533	483	511	2,642	2,085	1,831
General administrative		522	524	569	503	512	486	472	401	419	419	2,070	1,711	1,541
Restructuring and other changes		1	58	44	19	47	29	—	—	(2)	73	139	71	309
Total operating expenses		\$ 5,111	\$ 4,991	\$ 5,153	\$ 4,482	\$ 4,310	\$ 4,220	\$ 4,162	\$ 3,681	\$ 3,600	\$ 3,610	\$ 18,165	\$ 15,053	\$ 13,257
<b>Non-GAAP operating expense adjustments:</b>														
Customer support and operations	(a)	(77)	(72)	(71)	(63)	(64)	(52)	(54)	(51)	(45)	(48)	(250)	(198)	(174)
	(b)	(3)	(16)	(1)	—	(1)	(7)	(1)	(1)	(2)	(5)	(9)	(9)	(9)
Sales and marketing	(a)	(48)	(48)	(41)	(45)	(47)	(39)	(32)	(31)	(32)	(32)	(172)	(127)	(125)
	(b)	(5)	(13)	(1)	(1)	(3)	(7)	(1)	(1)	(5)	(5)	(12)	(12)	(7)
	(c)	(39)	(38)	(40)	(43)	(44)	(43)	(32)	(34)	(33)	(36)	(170)	(135)	(92)
Technology and development	(a)	(147)	(139)	(145)	(138)	(133)	(113)	(128)	(119)	(80)	(93)	(529)	(420)	(303)
	(b)	(5)	(34)	(2)	(1)	(1)	(17)	(1)	(1)	(3)	(12)	(21)	(17)	(20)
	(c)	(63)	(61)	(61)	(63)	(64)	(64)	(18)	(18)	(18)	(21)	(252)	(75)	(54)
General administrative	(a)	(129)	(119)	(130)	(127)	(116)	(87)	(79)	(72)	(73)	(81)	(460)	(305)	(269)
	(b)	(3)	(26)	(4)	(1)	—	(14)	(1)	(1)	(4)	(10)	(19)	(16)	(13)
	(c)	(7)	(7)	(7)	(7)	(7)	(7)	(1)	—	—	—	(28)	(1)	—
	(e)	—	—	—	—	—	(20)	(3)	—	—	—	(20)	(3)	(24)
	(g)	—	—	—	—	(7)	(11)	(23)	—	—	—	(18)	(23)	—
Restructuring and other charges	(d)	5	(32)	(35)	(19)	(26)	(29)	—	—	—	(78)	(109)	(78)	(25)
	(f)	—	—	—	—	—	—	—	—	2	5	—	7	(40)
	(h)	(6)	(26)	(9)	—	(21)	—	—	—	—	—	(30)	—	—
Total operating expenses		\$ (527)	\$ (631)	\$ (547)	\$ (508)	\$ (534)	\$ (510)	\$ (374)	\$ (329)	\$ (293)	\$ (416)	\$ (2,099)	\$ (1,412)	\$ (1,155)
<b>Non-GAAP operating expenses:</b>														
Transaction expense		2,524	2,275	2,330	2,022	1,843	1,739	1,913	1,701	1,627	1,549	\$ 7,934	\$ 6,790	\$ 5,581
Transaction and credit losses		169	273	366	344	440	591	381	340	318	341	1,741	1,380	1,274
Customer support and operations		441	430	435	386	358	340	383	338	352	335	1,519	1,408	1,224
Sales and marketing		536	503	523	382	320	282	335	250	286	256	1,507	1,127	1,090
Technology and development		531	507	524	472	433	411	411	395	382	385	1,840	1,573	1,454
General and administrative		383	372	428	368	382	347	365	328	342	328	1,525	1,363	1,235
Restructuring and other charges		—	—	—	—	—	—	—	—	—	—	—	—	244
Total operating expenses		\$ 4,584	\$ 4,360	\$ 4,606	\$ 3,974	\$ 3,776	\$ 3,710	\$ 3,788	\$ 3,352	\$ 3,307	\$ 3,194	\$ 16,066	\$ 13,641	\$ 12,102

- (a) Stock-based compensation expense.
- (b) Employer payroll taxes on stock-based compensation.
- (c) Amortization and impairment of acquired intangible assets.
- (d) Restructuring.
- (e) Acquisition related transaction expense.
- (f) Net gain (loss) related to the sale of our U.S. Consumer Credit receivables portfolio.
- (g) Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company.
- (h) Asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties and charges associated with early lease termination.

# Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	2020	2019	2018
GAAP net revenues	\$ 6,238	\$ 6,033	\$ 6,116	\$ 5,459	\$ 5,261	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 21,454	\$ 17,772	\$ 15,451
GAAP operating income	1,127	1,042	963	977	951	398	799	697	705	518	3,289	2,719	2,194
Stock-based compensation expense and related employer payroll taxes	417	467	395	376	365	336	297	277	244	286	1,472	1,104	920
Amortization of acquired intangible assets	109	106	108	113	115	114	51	52	51	57	450	211	146
Restructuring	(5)	32	35	19	26	29	—	—	—	78	109	78	25
Other	6	26	9	—	28	11	23	—	(2)	(5)	48	16	40
Acquisition related transaction expense	—	—	—	—	—	20	3	—	—	—	20	3	24
Total non-GAAP operating income adjustments	527	631	547	508	534	510	374	329	293	416	2,099	1,412	1,155
Non-GAAP operating income	\$ 1,654	\$ 1,673	\$ 1,510	\$ 1,485	\$ 1,485	\$ 908	\$ 1,173	\$ 1,026	\$ 998	\$ 934	\$ 5,388	\$ 4,131	\$ 3,349
GAAP operating margin	18.1 %	17.3 %	15.7 %	17.9 %	18.1 %	8.6 %	16.1 %	15.9 %	16.4 %	12.5 %	15.3 %	15.3 %	14.2 %
Non-GAAP operating margin	26.5 %	27.7 %	24.7 %	27.2 %	28.2 %	19.7 %	23.6 %	23.4 %	23.2 %	22.6 %	25.1 %	23.2 %	21.7 %



# Reconciliation of GAAP Net Income to Non-GAAP Net Income, GAAP Diluted EPS to Non-GAAP Diluted EPS, and GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate

(In Millions, Except Percentages and Per Share Amount/ Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	2020	2019	2018
GAAP income before income taxes	\$ 1,356	\$ 872	\$ 1,859	\$ 1,144	\$ 1,799	\$ 263	\$ 854	\$ 484	\$ 943	\$ 717	\$ 5,065	\$ 2,998	\$ 2,376
GAAP income tax expense (benefit)	172	(225)	292	123	269	179	347	22	120	50	863	539	319
GAAP net income	1,184	1,097	1,567	1,021	1,530	84	507	462	823	667	4,202	2,459	2,057
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	527	631	547	508	534	510	374	329	293	416	2,099	1,412	1,155
(Gains) losses on strategic investments	(283)	120	(941)	(209)	(888)	124	(38)	228	(218)	(180)	(1,914)	(208)	(87)
Other certain significant gains, losses, or charges	(7)	—	—	—	(17)	259	230	—	—	—	242	230	43
Tax effect of non-GAAP adjustments	(59)	(393)	108	(45)	104	(191)	(85)	(119)	(50)	(117)	(24)	(371)	(322)
Non-GAAP net income	\$ 1,362	\$ 1,455	\$ 1,281	\$ 1,275	\$ 1,263	\$ 786	\$ 988	\$ 900	\$ 848	\$ 786	\$ 4,605	\$ 3,522	\$ 2,846
Shares used in diluted share calculation	1,186	1,190	1,191	1,190	1,184	1,185	1,187	1,188	1,187	1,188	1,187	1,188	1,203
Net income per diluted share:													
GAAP	\$ 1.00	\$ 0.92	\$ 1.32	\$ 0.86	\$ 1.29	\$ 0.07	\$ 0.43	\$ 0.39	\$ 0.69	\$ 0.56	\$ 3.54	\$ 2.07	\$ 1.71
Non-GAAP	\$ 1.15	\$ 1.22	\$ 1.08	\$ 1.07	\$ 1.07	\$ 0.66	\$ 0.83	\$ 0.76	\$ 0.71	\$ 0.66	\$ 3.88	\$ 2.96	\$ 2.37
GAAP effective tax rate	13 %	(26)%	16 %	11 %	15 %	68 %	41 %	5 %	13 %	7 %	17 %	18 %	13 %
Tax effect of non-GAAP adjustments to net income	2 %	36 %	(3)%	1 %	(2)%	(56)%	(24)%	9 %	4 %	11 %	(5)%	(2)%	4 %
Non-GAAP effective tax rate	15 %	10 %	13 %	12 %	13 %	12 %	17 %	14 %	17 %	18 %	12 %	16 %	17 %

# Reconciliation of Operating Cash Flow to Free Cash Flow and Adjusted Free Cash Flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	2020	2019	2018
Net cash provided by operating activities <sup>(1)</sup>	\$ 1,306	\$ 1,758	\$ 1,347	\$ 1,314	\$ 1,772	\$ 1,421	\$ 922	\$ 1,253	\$ 980	\$ 916	\$ 5,854	\$ 4,071	\$ 5,480
Less: Purchases of property and equipment	(247)	(221)	(226)	(241)	(193)	(206)	(174)	(173)	(139)	(218)	(866)	(704)	(823)
Free cash flow	1,059	1,537	1,121	1,073	1,579	1,215	748	1,080	841	698	4,988	3,367	4,657
Impact of held for sale accounting presentation related to our U.S. consumer credit receivables portfolio on cash flow from operating activities	—	—	—	—	—	—	—	—	—	—	—	—	(1,508)
Adjusted free cash flow	\$ 1,059	\$ 1,537	\$ 1,121	\$ 1,073	\$ 1,579	\$ 1,215	\$ 748	\$ 1,080	\$ 841	\$ 698	\$ 4,988	\$ 3,367	\$ 3,149

<sup>(1)</sup> Reflects the impact of reclassification as described in our Form 8-K filed with the SEC on February 3, 2021.

## Q3-21 and FY-21 GAAP and Non-GAAP Guidance

	<b>Three Months Ending September 30, 2021</b>	
	<b>GAAP</b>	<b>Non-GAAP<sup>(a)</sup></b>
Revenue Growth Rate (Spot)	~13% to ~14%	~13% to ~14%
Revenue Growth Rate (FXN)	~12% to ~14%	~12% to ~14%
Diluted EPS \$	~\$0.68	~\$1.07

	<b>Twelve Months Ending December 31, 2021</b>	
	<b>GAAP</b>	<b>Non-GAAP<sup>(b)</sup></b>
Revenue Growth Rate (Spot)	~20%	~20%
Revenue Growth Rate (FXN)	~18.5%	~18.5%
Diluted EPS \$	~\$3.49	~\$4.70

- (a) Estimated non-GAAP amounts for the three months ended September 30, 2021, reflect adjustments of approximately \$510 million, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$400 million.
- (b) Estimated non-GAAP amounts for the twelve months ended December 31, 2021, reflect adjustments of approximately \$2.18 billion, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$1.70 billion.

## Definitions

**Active Accounts:** An active account is an account registered directly with PayPal or a platform access partner that has completed a transaction on our Payments Platform or through our Honey Platform, not including gateway-exclusive transactions, within the past 12 months.

**Daily Active Accounts:** Daily Active Accounts “DAA” represent the number of Active Accounts that have completed a transaction using our core PayPal payments products and services, including person-to-person payments transfers and checkout transactions, on a given day. DAA is presented as the average daily active accounts during the designated period.

**Number of Payment Transactions:** Payment transactions are the total number of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

**Number of Payment Transactions per Active Account:** Number of payment transactions per active account or “TPA” reflects the total number of payment transactions within the previous 12-month period, divided by active accounts at the end of the period.

**Total Payment Volume:** Total Payment Volume or “TPV” is the value of payments, net of payment reversals, successfully completed on our Payments Platform, or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

**Total Take Rate:** Total take rate is total revenue divided by TPV.

**Transaction Take Rate:** Transaction take rate is transaction revenue divided by TPV.

**Transaction Expense Rate:** Transaction expense rate is calculated by dividing transaction expense by TPV.

**Transaction and Credit Loss Rate:** Transaction and credit loss rate is calculated by dividing transaction and credit loss by TPV.

**Transaction Margin:** Transaction margin is total revenue less transaction expense and transaction and credit loss, divided by total revenue.

