

# Q4-22

# Investor Update

February 9, 2023



# Non-GAAP Financial Measures; Forward-Looking Statements

This presentation contains non-GAAP measures relating to our performance. These measures 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, and beginning with the fourth quarter of 2022, certain cash flows were reclassified related to collateral security arrangements for derivative instruments 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," "continue," "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 first quarter and full year 2023; our capital return program; the impact and timing of product launches and 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: our ability to compete in markets that are highly competitive and subject to rapid technological change, and to develop and deliver new or enhanced products and services on a timely basis; cyberattacks and security vulnerabilities, and associated impacts; the effect of global and regional political, economic, market and trade conditions, supply chain issues and related events that affect payments or commerce activity, including inflation and rising interest rates; the impact of catastrophic events, such as the COVID-19 pandemic, that may disrupt our business, as well as our customers, suppliers, vendors and other business partners; the stability, security and performance of our payments platform; the effect of extensive government regulation and oversight related to our business, products and services in a variety of areas, including, but not limited to, laws covering payments, lending and consumer protection; the impact of complex and changing laws and regulations worldwide, including, but not limited to, laws covering privacy, data protection, and cybersecurity, which expose us to potential liabilities, increased costs, and other adverse effects on our business; the impact of payment card, bank, or other network rules or practices; changes in how consumers fund transactions; our ability to effectively detect and prevent the use of our services for fraud, abusive behaviors, illegal activities, or improper purposes; our ability to manage regulatory and litigation risks, and the outcome of legal and regulatory proceedings; our reliance on third parties in many aspects of our business; damage to our reputation or brands; 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 develop and upgrade our technology systems, infrastructure and customer service capabilities; the impact of proposed or completed acquisitions, divestitures, strategic investments, or entries into new businesses or markets; and our ability to attract, hire, and retain talented employees. 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 February 9, 2023. 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

## Operating discipline drives return to non-GAAP EPS growth in Q4-22 continuing into FY-23

### Q4-22: Return to operating margin expansion and non-GAAP EPS growth

- Non-GAAP operating margin expansion of ~115bps, driven by solid revenue growth and operating expense leverage
  - Non-transaction related expenses declined 6% vs. Q4-21
- Non-GAAP EPS of \$1.24, ~\$0.05 above the midpoint of guidance range
- Free Cash Flow (FCF) of \$1.4B<sup>(1)</sup>, representing 19% of revenue
- Returned \$1B to stockholders through share repurchases
- Revenue growth: 3-year spot CAGR of 14%, and 19% ex-eBay<sup>(2)</sup>

### FY-22: FCF of \$5.1B and share repurchases of \$4.2B

- FCF of \$5.1B, growing 4% and representing 19% of revenue
- Returned \$4.2B to stockholders through share repurchases, 82% of FCF
- Non-GAAP EPS of \$4.13, representing a 5-year CAGR of ~17%
- Revenue growth: 3-year spot CAGR of 16%, and 21% ex-eBay

### FY-23: Raising non-GAAP EPS and operating margin expectations<sup>(3)</sup>

- FY-23 non-GAAP operating margin expected to expand ~125 bps and non-GAAP EPS expected to grow ~18% to ~\$4.87
- FY-23 share repurchases expected to represent ~75% of FCF
- Q1-23 non-GAAP EPS expected to be \$1.08-\$1.10, growing ~24% at the midpoint of the range
- Q1-23 revenue expected to grow ~7.5% at spot and ~9% FXN<sup>(4)</sup>

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.

(1) Certain cash flows were reclassified beginning in the fourth quarter of 2022. See the section titled "Reclassification of Certain Cash Flows" within Supplemental Information. (2) All references to eBay in this presentation refer to eBay Marketplaces on our payments platform.

(3) See the section titled "FY-23 Guidance" for additional detail. (4) Foreign currency-neutral

# Full Year 2022 Summary

Delivered double-digit revenue growth (FXN) and generated >\$5B of Free Cash Flow

## Active Accounts

**435M**

Includes **35M** active merchant accounts

**2%** increase y/y

**8.6M**

Net new active accounts (NNAs)

## Transactions & Engagement

**51.4**

Payment transactions per active account (TPA)

**13%** increase y/y, driven primarily by Braintree transaction growth

PayPal core daily active accounts increased **~12%** on a 3-year CAGR basis

## Total Payment Volume

**\$1.36T**

**9%** spot and **13%** FXN y/y growth

**11%** spot and **14%** FXN y/y growth ex-eBay

5-year spot CAGR of **24%**

5-year ex-eBay spot CAGR of **28%**

## Revenue

**\$27.5B**

**8%** spot and **10%** FXN y/y growth

**12%** spot and **13%** FXN y/y growth ex-eBay

5-year spot CAGR of **16%**

5-year ex-eBay spot CAGR of **21%**

## Non-GAAP EPS

**\$4.13**

**10%** decrease y/y

FY-21 EPS included ~\$0.21 benefit from credit loss reserve releases

5-year CAGR of **17%**

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

**\$5.1B**

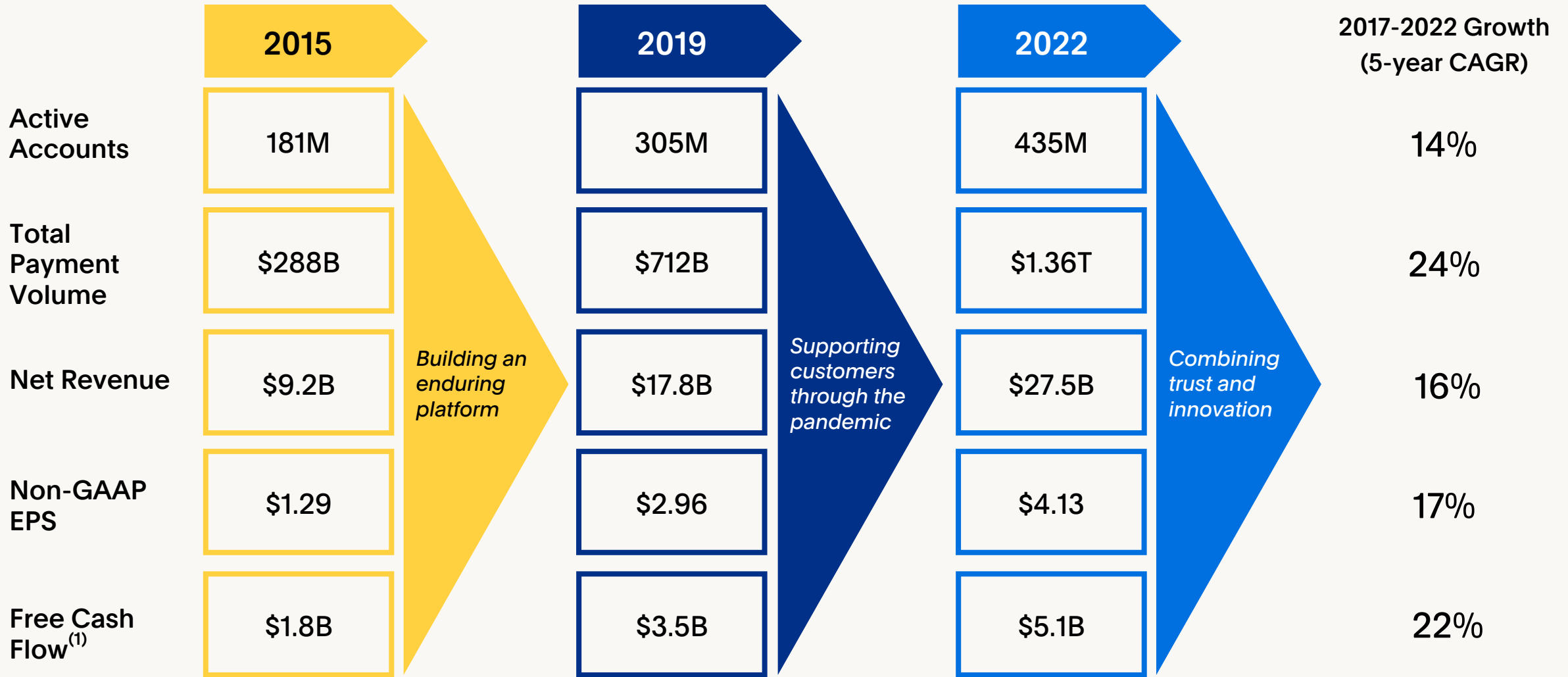
**4%** increase y/y

**19%** of revenue

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.

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# PayPal delivers results at massive scale



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# Innovating at scale in 2022

Products and services launched to advance PayPal's leadership in digital commerce



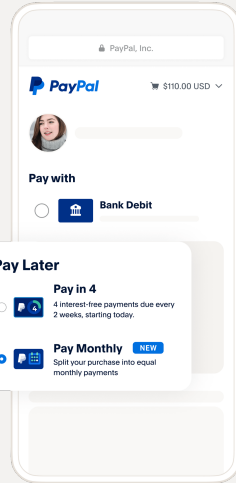
## Continued to advance Branded Checkout

**Broadened** Pay Later offerings, including Pay Monthly in the U.S.

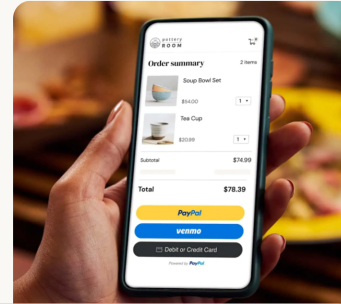
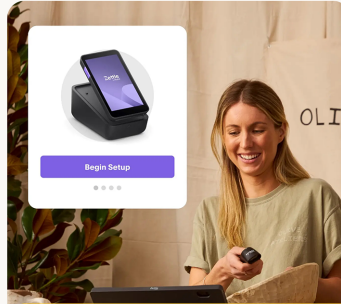
**Released** updated native software developer kit (SDK) that allows seamless in-app PayPal checkout experience

**Added** Venmo as payment method on Amazon

**Enabled** passkeys on iOS and Android to reduce friction at checkout



**venmo**



## Enhanced Digital Wallet value proposition



**Introduced** PayPal Savings and PayPal Rewards

**Revamped** PayPal Cashback Mastercard

**Expanded** Honey browser extension to iOS Safari for mobile



**Launched** Venmo Charity Profiles

## Introduced more ways to accelerate merchant growth



**Expanded** PayPal Working Capital to France and Netherlands



**Provided** complimentary access to Happy Returns for PayPal Checkout merchants



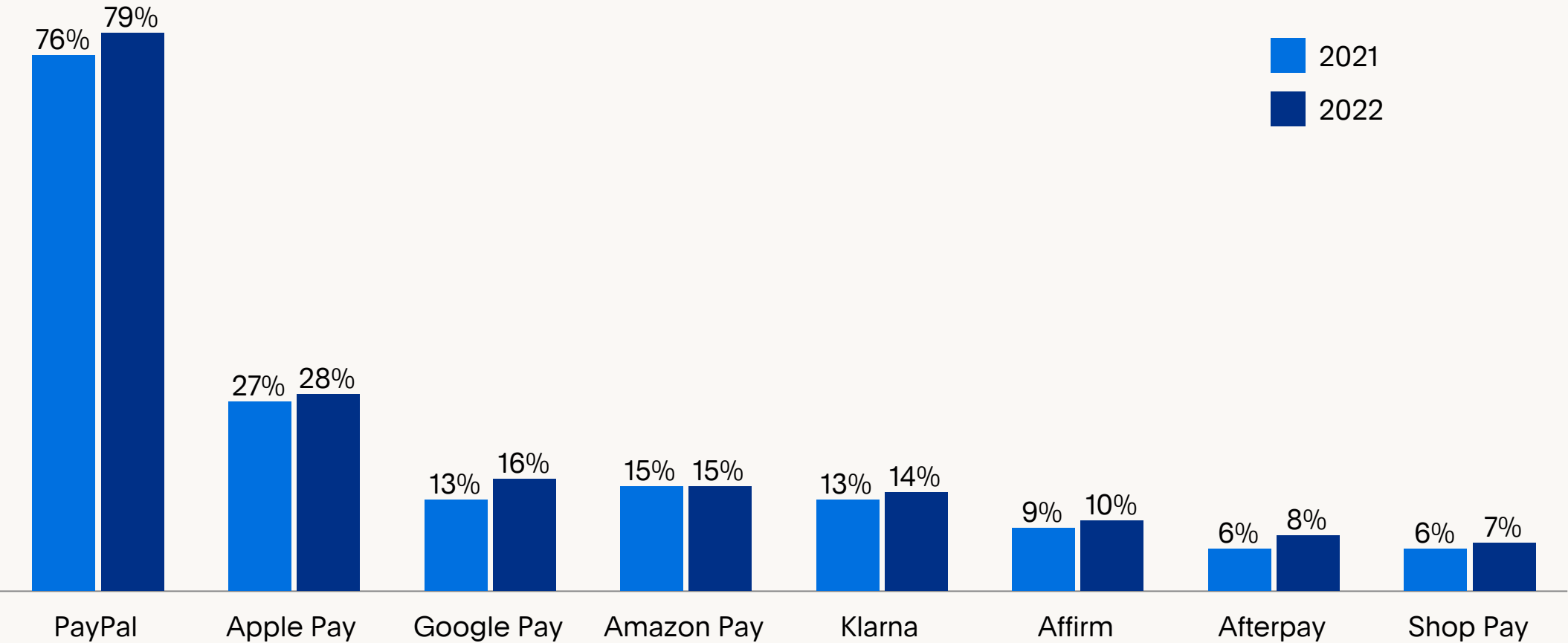
**Introduced** Business Credit Card with 2% cashback



**Launched** Tap to Pay for SMBs in the Netherlands, Sweden and UK

# PayPal continues to increase acceptance and ubiquity

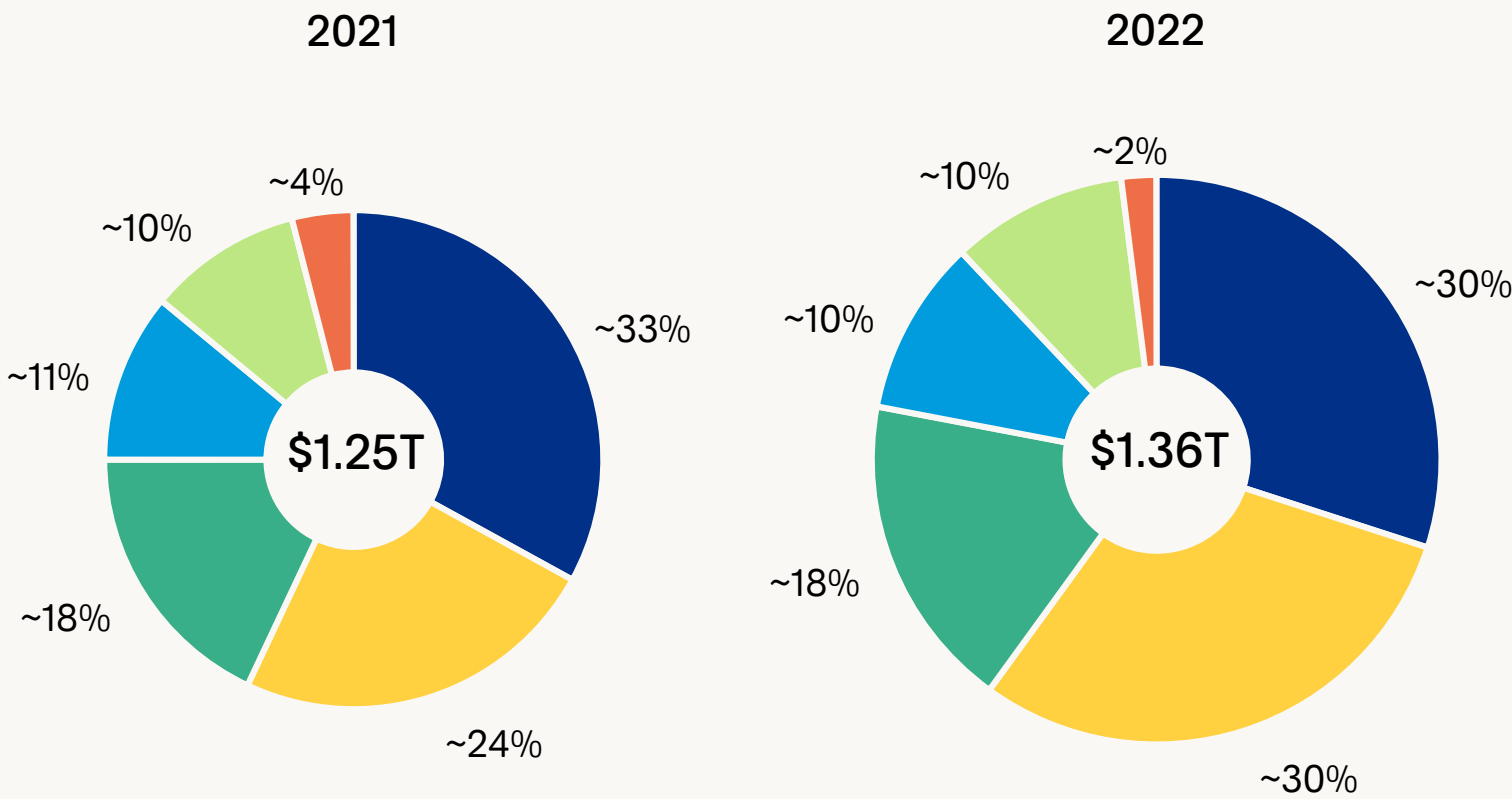
Digital wallet acceptance among 1,500 largest retailers across North America and Europe



Source: Digital Commerce 360 - 2021 and 2022 North America Top 1000 and Europe Top 500 databases

# Diverse growth drivers across PayPal's global payments platform

Global TPV mix



FX-neutral growth







	3-year CAGR (2018-2021)	2022 y/y growth
PayPal Branded Checkout <sup>(1)</sup>	26%	5%
Unbranded Processing <sup>(2)</sup>	40%	40%
Venmo	55%	7%
P2P ex-Venmo <sup>(3)</sup>	20%	(1%)
Other Merchant Services <sup>(4)</sup>	27%	15%
eBay	(11%)	(31%)
Total	29%	13%

(1) PayPal Branded Checkout does not include volume associated with eBay or PayPal P2P  
(2) Unbranded Card Processing is primarily comprised of Braintree full-stack volume and does not include gateway-exclusive volume. Unbranded processing also includes unbranded credit and debit card processing on the PayPal platform  
(3) P2P ex-Venmo is primarily comprised of PayPal P2P volume, with some contribution from Xoom  
(4) Other Merchant Services includes volumes associated with invoicing, Paidy, payouts (including Hyperwallet), point-of-sale solutions (including Zettle), QR code, etc., and benefits from acquisitions in the period



# PayPal’s Buy Now Pay Later products maintain strong momentum

Responsible growth at scale: >\$20B BNPL TPV in FY-22

					
Since launching Buy Now Pay Later (BNPL) in 2020, PayPal has issued over 200M loans to nearly 30M customers	Nine different Pay Later product offerings available in seven markets + Paidy in Japan	PayPal consumers who adopt BNPL solutions spend >30% more with PayPal and are 10% less likely to churn	More than 90% of PayPal BNPL first-time users are existing PayPal customers	Nearly 90% of PayPal BNPL users select ready funds—bank withdrawal (ACH) or debit card—as their repayment method	No late fees charged to consumers for BNPL products

FY-22 Results <sup>(1)</sup>				
~\$20.3B ~160% y/y	~147M ~200% y/y	~25M ~105% y/y	~2M ~60% y/y	~300K ~200% y/y
Transaction volume	BNPL transactions	Customers	Merchants with PayPal BNPL transactions	Merchants with upstream presentment

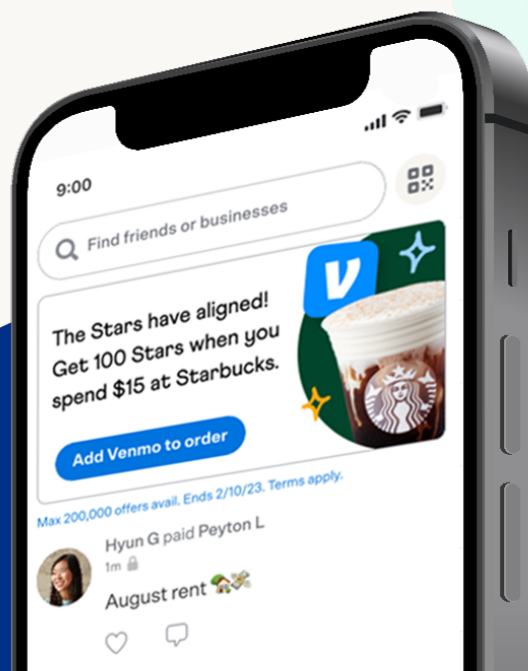
(1) Does not include Paidy

# Partnering with merchants to provide engaging checkout offers

## Starbucks Rewards members can now pay with Venmo

Customers can save their Venmo account in the Starbucks app to pay directly – either in-store or ordering ahead using the Starbucks app. Starbucks Rewards members can use their Venmo account to reload and auto-reload their Starbucks Card saved in the Starbucks app or at [Starbucks.com/card](https://www.starbucks.com/card).

To celebrate the launch, from February 1 through February 10, Starbucks Rewards members will receive 100 bonus Stars when reloading their Starbucks Card with \$15 or more using Venmo, or making a purchase of \$15 or more using Venmo as the payment method on the Starbucks app.



**venmo**

**STARBUCKS®**  
REWARDS



# Simplifying checkout and increasing conversion online and on mobile

## PayPal helps Speedway Motors accelerate checkout

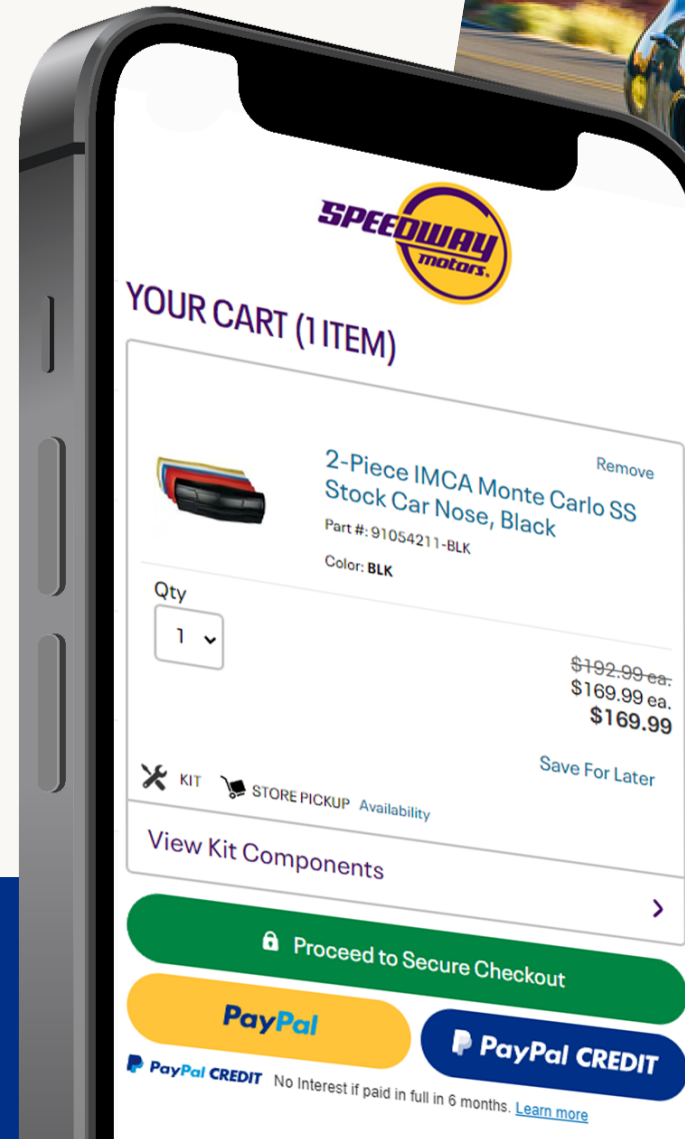
As the world's largest manufacturer, distributor and retailer of street rod and automotive racing products for more than 70 years, it's critical for Speedway Motors to stay on top of evolving customer needs. Recently, Speedway completely overhauled their website and mobile experience, leveraging PayPal to kick the checkout process into high gear and increase conversion.

Speedway Motors turned to PayPal to drive efficiencies in online checkout that can only come from having one, integrated solution. PayPal removed friction to provide Speedway customers with a simpler and quicker online checkout experience, thus increasing conversion and reducing cart abandonment. Customers now have 20% fewer steps to complete checkout online, with 40% faster load times<sup>(1)</sup>.

PayPal has also helped Speedway stay ahead of the curve with a turbo-charged mobile checkout experience that leverages PayPal Express Checkout (ECS) and Braintree's vaulting capability for returning customers. Speedway has seen checkout completion rates rise to >70% with ECS, compared to ~44% with other payment methods<sup>(1,2)</sup>, and customers have experienced a 10x reduction in clicks during checkout<sup>(1)</sup>.

(1) Data based on Speedway Motors' own internal data from 2020

(2) For new users in checkout if they used PayPal Express Checkout versus other methods of payment



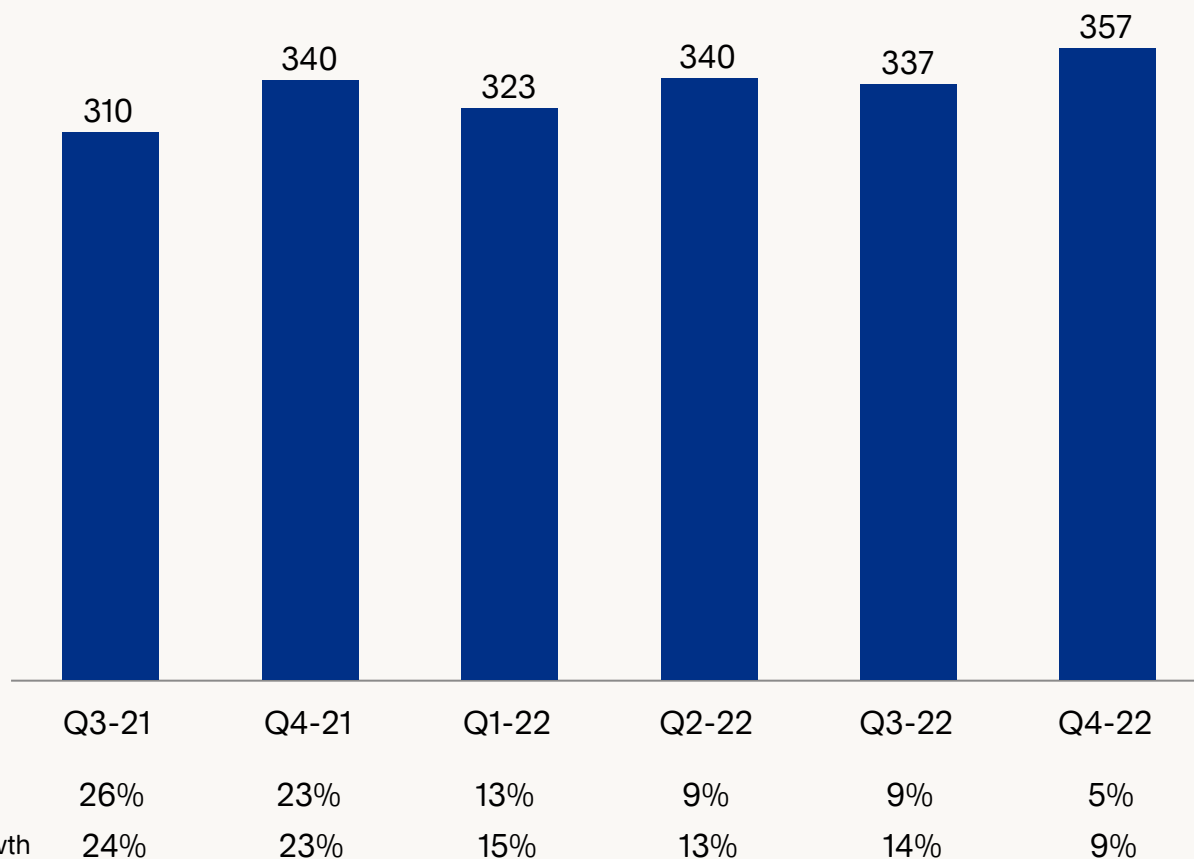
# Business Update

Q4-22

# Q4-22 Total Payment Volume (TPV)

FY-22 TPV of \$1.36T, 3-year spot CAGR of 24% and 27% excluding eBay

Total Payment Volume (TPV) (\$B)



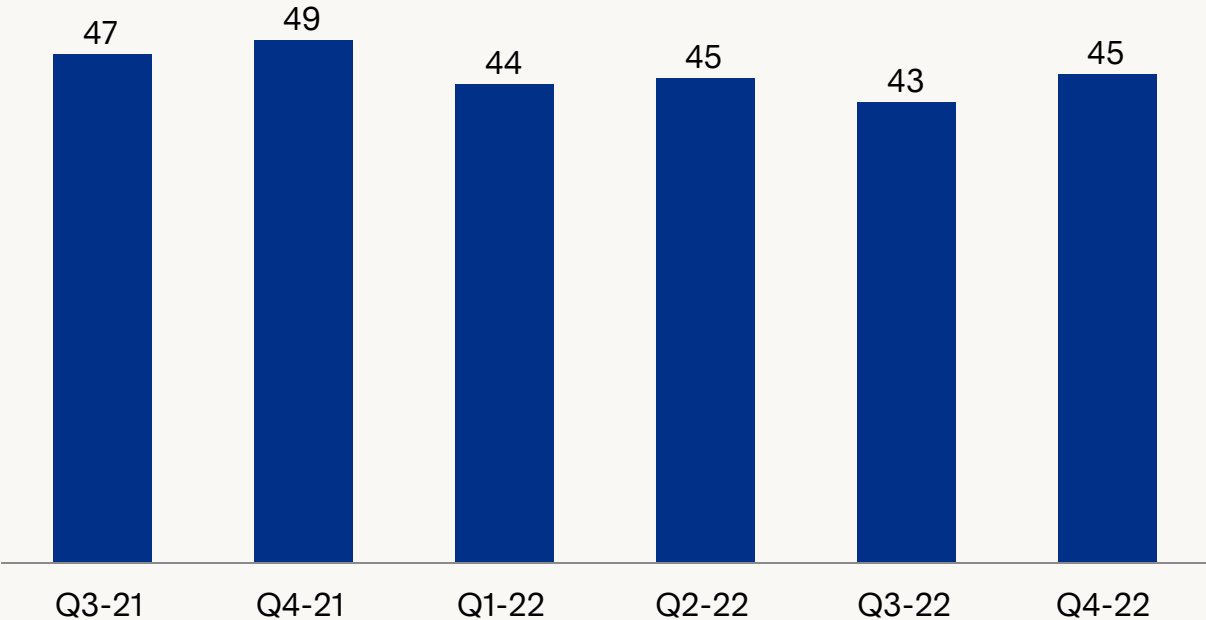
- TPV increased 5% on a spot basis and 9% FXN to \$357B
- P2P TPV (PayPal, Venmo, and Xoom) declined 2% to \$91B, following 19% growth in Q4-21, and represented 25% of TPV; 3-year spot CAGR of 20%
- Venmo TPV increased 3% to \$62.5B, on top of 29% growth in Q4-21; 3-year spot CAGR of 29%



# Q4-22 TPV: Cross-Border Trade (CBT)

Currency-neutral CBT volumes showed signs of stabilization in Q4

Cross-Border Trade TPV (\$B)



Y/Y Growth	19%	5%	(7%)	(12%)	(9%)	(7%)
FXN Y/Y Growth	17%	7%	(4%)	(6%)	(1%)	—%
Share of Total TPV	15%	14%	14%	13%	13%	13%
Ex-eBay FXN Y/Y Growth	19%	14%	4%	2%	5%	2%

- CBT TPV was \$45B, flat on an FXN basis, driven by intra-European corridors, partly offset by softness in EU-UK and U.S.-China corridors, with PayPal ex-eBay volume offsetting lower eBay volume
  - CBT TPV 3-year spot CAGR of 10%
  - Ex-eBay CBT TPV increased 2% FXN
  - CBT TPV represented 13% of TPV, compared to 14% in Q4-21
  - Cross-border trade primarily comprises e-commerce goods-related activity and has limited exposure to the recovery of travel

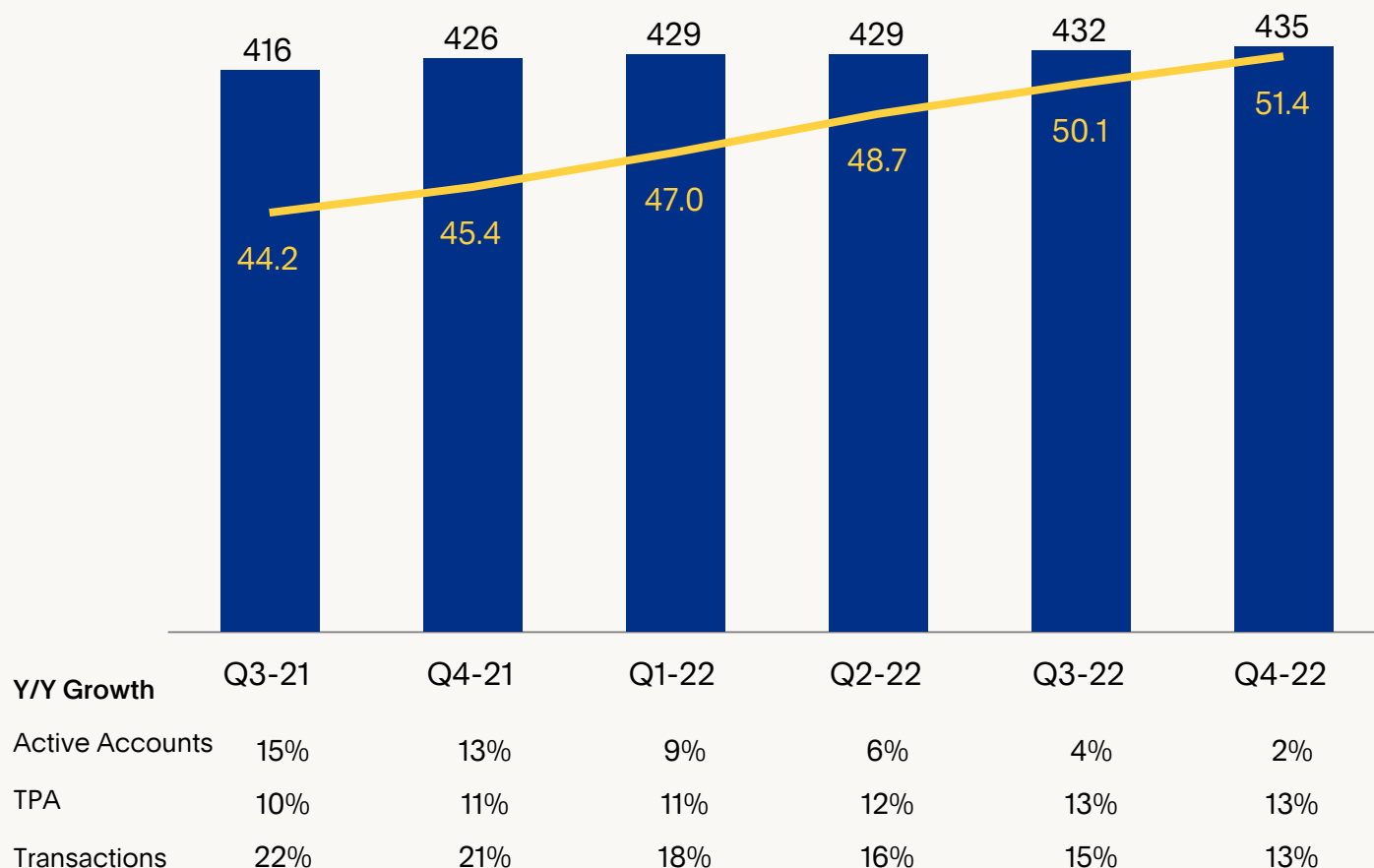
Note: In a typical purchase transaction, cross border TPV is counted in the region where the merchant is located. For example, in the case of a U.S. seller and a German buyer, the TPV is counted in the U.S.



# Q4-22 Transactions and Engagement

Transactions per active account (TPA) reached 51.4, growing 13%

Active Accounts (M) and TPA

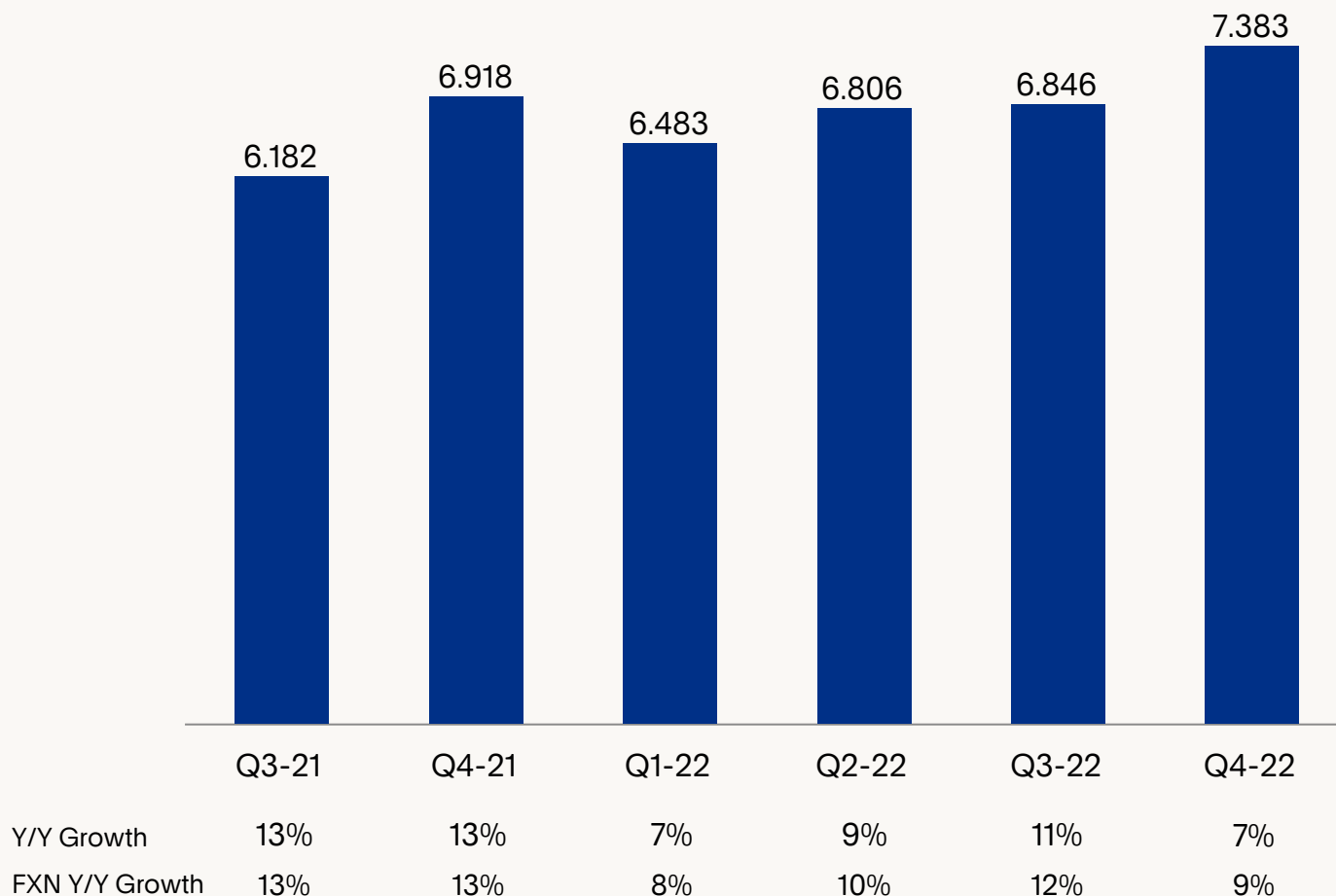


- Processed 6.0B payment transactions, up 13%
  - On a 3-year CAGR basis, transactions grew 20% and 25% ex-eBay
- Ended the year with 435M active accounts, up 2%, including 35M merchant accounts
- Added 8.6M net new active accounts in FY-22, including 2.9M net new active accounts in Q4, with contribution from Venmo and Hyperwallet
- 13% growth in TPA was predominantly driven by transaction growth from Braintree
- PayPal core daily active accounts increased ~10% on a 3-year CAGR basis in Q4-22, demonstrating elevated activity and engagement relative to pre-pandemic period

# Q4-22 Revenue

3-year spot CAGR of 14% and 19% excluding eBay

Total Revenue (\$B)

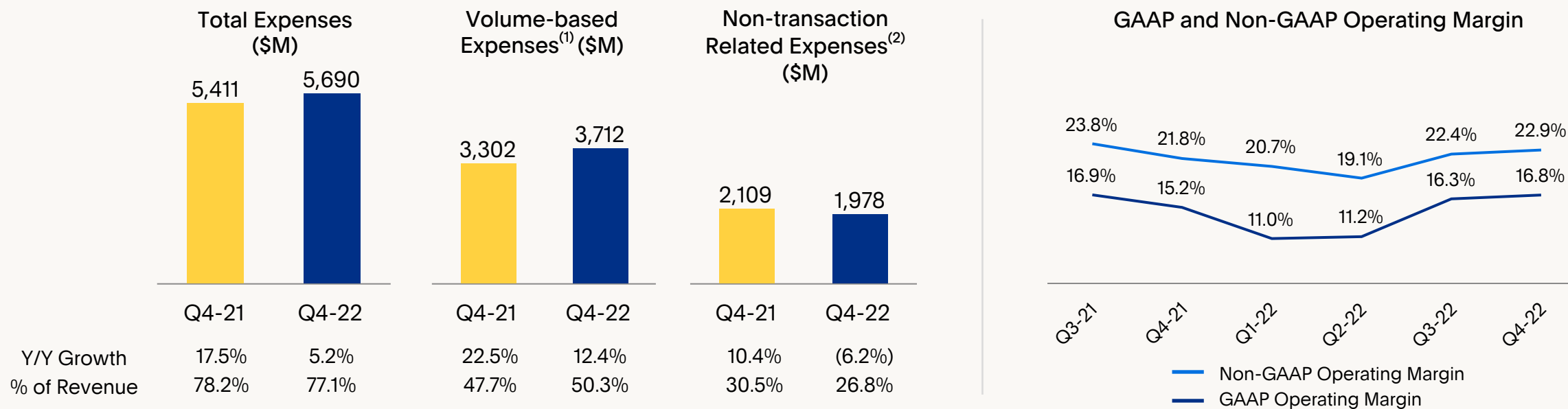


- Total revenue grew 7% at spot and 9% FXN; 3-year spot CAGR of 14%
  - Ex-eBay revenue grew 8% at spot and 10% FXN; 3-year spot CAGR of 19%
  - Transaction revenue grew 5%, driven primarily by Braintree. Ex-eBay transaction revenue grew 6%
  - Other Value Added Services (OVAS) revenue increased 26%, driven by interest on customer balances and credit
- Hedging gains, recognized in international transaction revenue, were \$152M in Q4-22 vs. hedging gains of \$2M in Q4-21
- Exiting Q4, at exchange rates as of December 31, 2022, our derivative positions are estimated to result in the recognition of \$110M of hedging gains in international transaction revenue over the next 12 months



# Q4-22 Return to Operating Margin Expansion

Non-GAAP operating margin expansion of ~115bps, driven by expense leverage



- Volume-based expenses grew 12.4%, driven by volume and funding mix (unbranded processing growth)
- Non-transaction related expenses declined 6% vs. Q4-21, driven by an increased focus on cost control with leverage across customer support & operations, general & administrative, sales & marketing, and technology & development
- Non-GAAP operating margin expanded ~115bps vs. Q4-21
- Non-GAAP operating income grew 12% vs. Q4-21, reaching \$1.7B and accelerating 8pts from Q3-22

Non-GAAP operating margin and expenses presented on a non-GAAP basis 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.

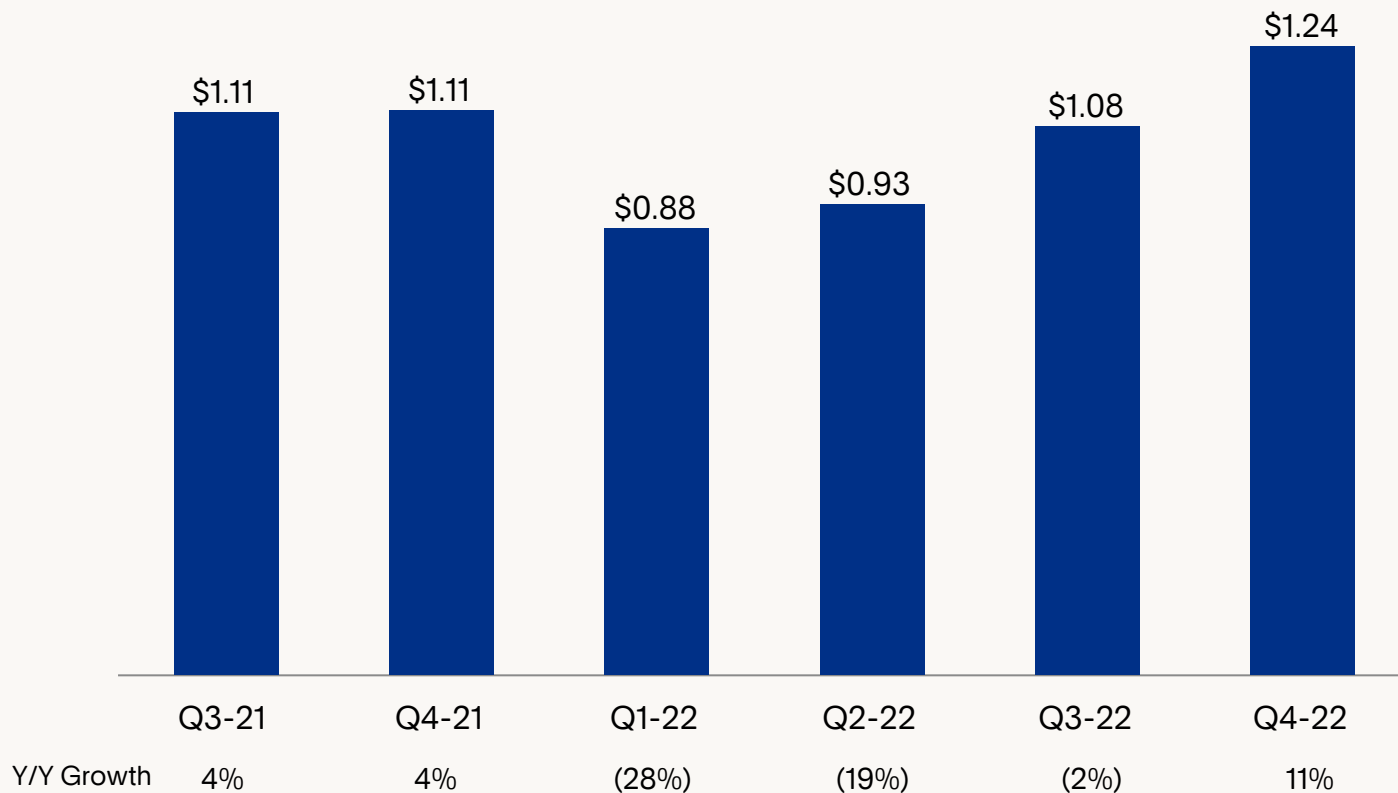
(1) Volume-based expenses include transaction expense and transaction and credit losses.

(2) Non-transaction related expenses include customer support & operations, sales & marketing, technology & development, and general & administrative.

# Q4-22 EPS

Non-GAAP EPS grew 11%, first quarter of growth since Q4-21

## Non-GAAP EPS



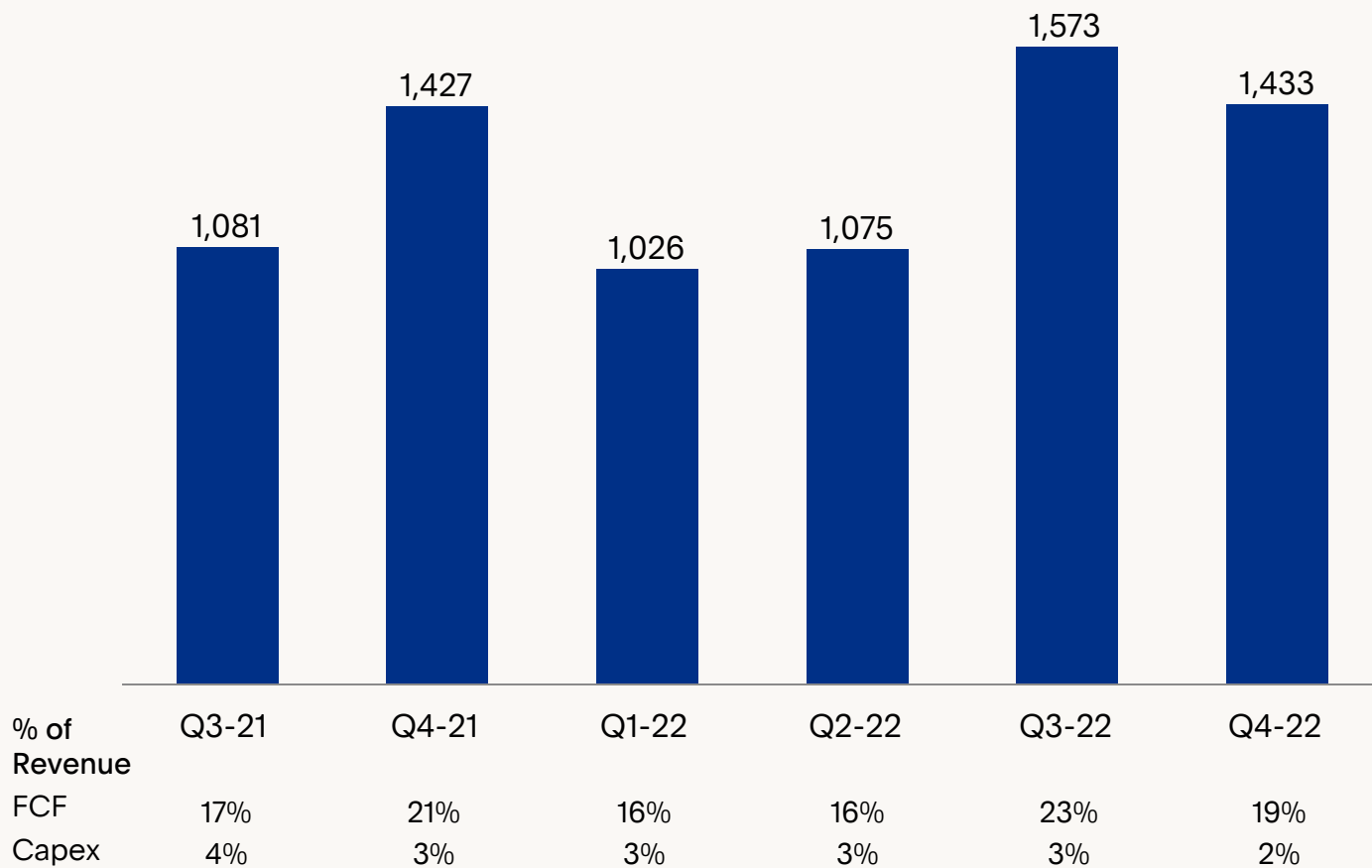
- FY-22 non-GAAP EPS of \$4.13, declining 10% y/y and growing 12% on a 3-year CAGR basis
- Q4-22 non-GAAP EPS increased 11% y/y and accelerated 13 pts from Q3-22
- Q4-22 GAAP EPS of \$0.81 included a negative impact of ~\$0.11 related to strategic investments compared to a negative impact of ~\$0.18 in Q4-21

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

# Q4-22 Free Cash Flow

Q4 FCF of \$1.4B brings full-year FCF to \$5.1B

Free Cash Flow (\$M)

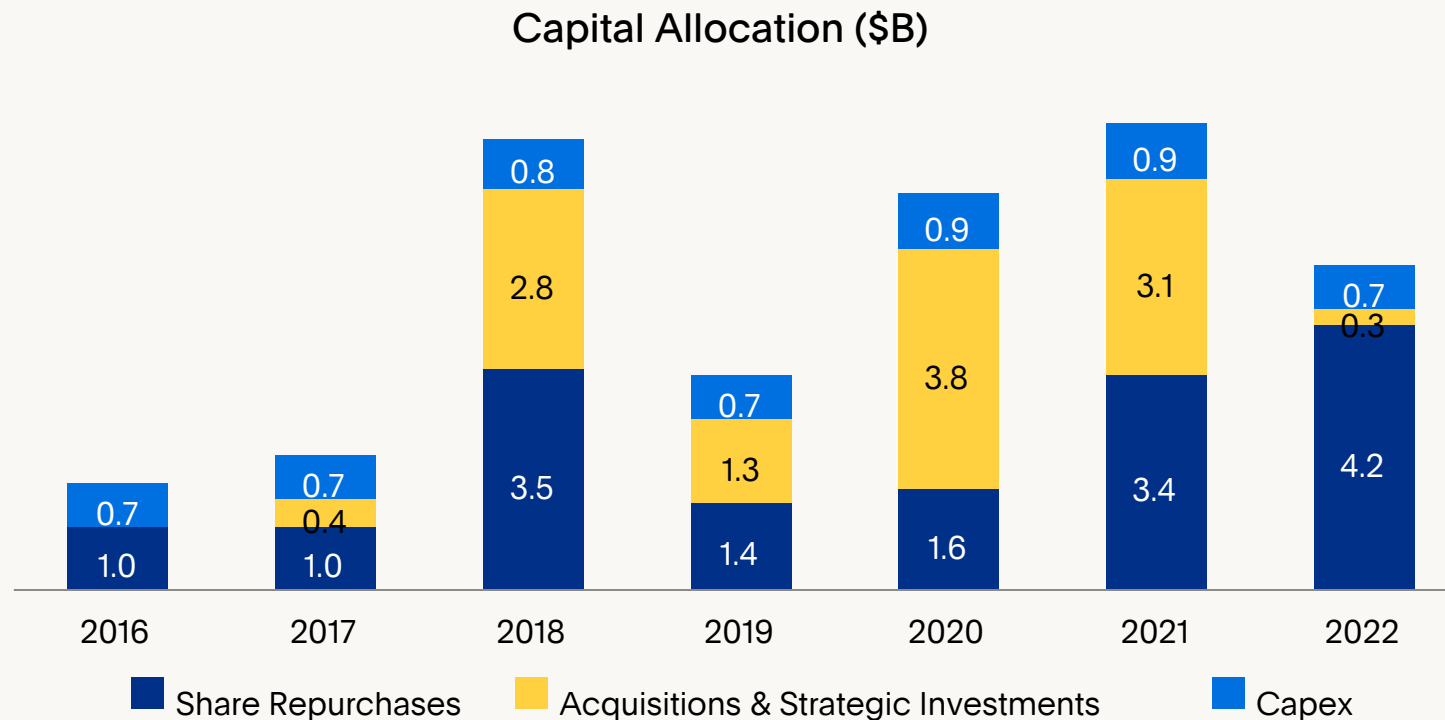


- FY-22 FCF of \$5.1B, growing 4%
- Q4-22 FCF of \$1.4B, flat vs. Q4-21 driven by higher cash earnings, offset by cash taxes of \$212M vs. cash taxes of \$38M in Q4-21
- In Q4-22, for every \$1 of revenue, PayPal generated 19 cents of FCF
- \$15.9B in cash and cash equivalents (\$7.8B), short-term (\$3.1B) and long-term investments (\$5.0B) as of December 31, 2022
- Long-term debt of ~\$10.4B and short-term debt of ~\$400M as of December 31, 2022

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. Certain cash flows were reclassified beginning in the fourth quarter of 2022. See the section titled "Reclassification of Certain Cash Flows" within Supplemental Information.

# Q4-22 Capital Allocation

Allocated a higher percentage of free cash flow to share repurchases in 2022



- Generated ~\$29B in FCF since becoming an independent company in July 2015
- Returned \$4.2B to stockholders through share repurchases in FY-22, >80% of FCF
- In Q4-22, returned \$1B in capital to stockholders by repurchasing ~12M shares at an average price of \$85.69 per share
- Since separation, allocated \$16B to share repurchases and \$13B to acquisitions and strategic investments

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# FY-23 Guidance

Raising guidance for non-GAAP EPS growth to ~18% and non-GAAP operating margin expansion to ~125bps, supported by cost savings and capital return program

Non-GAAP EPS Growth	~18%
Non-GAAP EPS	~\$4.87
Non-GAAP Op Margin Expansion	~125bps
Free Cash Flow (\$B)	~\$5.0

- GAAP EPS: ~\$3.27
  - Includes estimated restructuring charge of ~\$100M in Q1-23 related to a global workforce reduction initiated in January 2023
- Non-GAAP EPS: Growth of ~18% to ~\$4.87, compared to the prior outlook of >15% growth
  - Includes benefit from additional cost savings, higher interest income, and ~\$0.13 related to the shift of a portion of annual incentive plan (AIP) compensation from cash back to stock
  - Includes headwind from higher expected tax rate and expected credit externalization
- Non-GAAP Operating Margin: Raising expectation to ~125bps of expansion, compared to the prior outlook of >100bps, with benefit from cost savings initiatives
- Free Cash Flow: ~\$5.0B, reflects headwind from higher expected cash taxes
- Share Repurchases: ~75% of FCF
- Non-GAAP effective tax rate: ~17%-19%
- Capex: ~3% of revenue

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.

# Q1-23 Guidance

Expense discipline driving 23%-25% non-GAAP earnings growth

Net Revenue Growth (FXN)	~9%
Non-GAAP EPS Growth	23%-25%
Non-GAAP EPS	\$1.08-\$1.10

- Revenue: Growth of ~7.5% at spot and ~9% FXN
- Non-GAAP Operating Margin: ~22%
- Non-GAAP EPS: \$1.08-\$1.10, growing ~24% at the midpoint of the range
- GAAP EPS: \$0.62-\$0.64, compared to \$0.43 in Q1-22
  - GAAP EPS includes estimated restructuring charge of ~\$100M related to a global workforce reduction initiated in January 2023

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.

# Supplemental Information

# Q4-22 PayPal Metrics<sup>(1)</sup>

(in millions, except %)

	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
<b>Active Accounts</b>	<b>416</b>	<b>426</b>	<b>429</b>	<b>429</b>	<b>432</b>	<b>435</b>
Y/Y Growth	15%	13%	9%	6%	4%	2%
<b>Net New Active Accounts</b>	<b>13.3</b>	<b>9.8</b>	<b>2.4</b>	<b>0.4</b>	<b>2.9</b>	<b>2.9</b>
<b>Number of Payment Transactions</b>	<b>4,900</b>	<b>5,343</b>	<b>5,161</b>	<b>5,513</b>	<b>5,643</b>	<b>6,032</b>
Y/Y Growth	22%	21%	18%	16%	15%	13%
<b>Total Payment Volume</b>	<b>\$309,910</b>	<b>\$339,530</b>	<b>\$322,981</b>	<b>\$339,791</b>	<b>\$336,973</b>	<b>\$357,378</b>
Y/Y Growth	26%	23%	13%	9%	9%	5%
FXN Y/Y Growth	24%	23%	15%	13%	14%	9%
<b>US TPV</b>	<b>\$192,428</b>	<b>\$211,323</b>	<b>\$207,845</b>	<b>\$219,307</b>	<b>\$221,198</b>	<b>\$232,553</b>
Y/Y Growth	29%	30%	21%	16%	15%	10%
<b>International TPV</b>	<b>\$117,482</b>	<b>\$128,207</b>	<b>\$115,136</b>	<b>\$120,484</b>	<b>\$115,774</b>	<b>\$124,825</b>
Y/Y Growth	21%	12%	1%	(2)%	(1)%	(3)%
FXN Y/Y Growth	18%	14%	5%	8%	11%	8%
<b>Total Take Rate</b>	<b>1.99%</b>	<b>2.04%</b>	<b>2.01%</b>	<b>2.00%</b>	<b>2.03%</b>	<b>2.07%</b>
<b>Transaction Take Rate</b>	<b>1.81%</b>	<b>1.88%</b>	<b>1.86%</b>	<b>1.85%</b>	<b>1.85%</b>	<b>1.88%</b>
Transaction Expense Rate	0.83%	0.87%	0.87%	0.90%	0.89%	0.93%
Transaction and Credit Loss Rate	0.09%	0.10%	0.11%	0.13%	0.11%	0.11%
<b>Transaction Margin</b>	<b>54.2%</b>	<b>52.3%</b>	<b>50.9%</b>	<b>48.7%</b>	<b>51.0%</b>	<b>49.7%</b>

- 45% of active accounts were outside the U.S. as of December 31, 2022
- Average Payment Volume (APV) was \$59, down 7% y/y, driven by continued FX translation impact
- Transaction take rate was flat vs. Q4-21 and total take rate expanded ~3bps vs. Q4-21, both benefiting from FX hedge gains. Total take rate also benefited from interest income on customer balances
- Transaction expense rate increase of ~6bps driven primarily by volume mix (e.g., higher unbranded share) and funding mix effects
- Transaction loss rate of ~6bps improved vs. ~9bps in Q4-21, benefiting from the release of a portion of reserves originally taken in Q2-22 related to recoveries from a merchant insolvency

(1) Definitions included in Supplemental Information.



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## Q4-22 Financial Detail

(in millions, except %)

	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
Transaction Revenue	\$5,607	\$6,377	\$5,998	\$6,272	\$6,234	\$6,702
Y/Y Growth	10%	12%	7%	8%	11%	5%
Other Value Added Services (OVAS)	\$575	\$541	\$485	\$534	\$612	\$681
Y/Y Growth	50%	25%	18%	21%	6%	26%
<b>Total Revenue</b>	<b>\$6,182</b>	<b>\$6,918</b>	<b>\$6,483</b>	<b>\$6,806</b>	<b>\$6,846</b>	<b>\$7,383</b>
Y/Y Growth	13%	13%	7%	9%	11%	7%
FXN Y/Y Growth	13%	13%	8%	10%	12%	9%
US Revenue Y/Y Growth	23%	27%	20%	18%	14%	10%
International Revenue FXN Y/Y Growth	2%	(1%)	(5%)	1%	9%	6%
% International	44%	44%	43%	43%	42%	42%
Transaction expense	\$2,564	\$2,952	\$2,817	\$3,044	\$2,988	\$3,324
Transaction and credit loss	\$268	\$350	\$369	\$448	\$367	\$388
<b>Volume-based expenses</b>	<b>\$2,832</b>	<b>\$3,302</b>	<b>\$3,186</b>	<b>\$3,492</b>	<b>\$3,355</b>	<b>\$3,712</b>
Customer support and operations	\$447	\$472	\$455	\$469	\$453	\$468
Sales and marketing	\$470	\$573	\$491	\$499	\$463	\$432
Technology and development	\$574	\$624	\$610	\$626	\$628	\$632
General and administrative	\$389	\$440	\$398	\$418	\$415	\$446
<b>Non-transaction related expenses</b>	<b>\$1,880</b>	<b>\$2,109</b>	<b>\$1,954</b>	<b>\$2,012</b>	<b>\$1,959</b>	<b>\$1,978</b>
<b>Total Operating Expenses<sup>(1)</sup></b>	<b>\$4,712</b>	<b>\$5,411</b>	<b>\$5,140</b>	<b>\$5,504</b>	<b>\$5,314</b>	<b>\$5,690</b>
Y/Y Growth	19%	17%	18%	20%	13%	5%
<b>Non-GAAP Op. Income<sup>(1)</sup></b>	<b>\$1,470</b>	<b>\$1,507</b>	<b>\$1,343</b>	<b>\$1,302</b>	<b>\$1,532</b>	<b>\$1,693</b>
<b>Non-GAAP Op. Margin %<sup>(1)</sup></b>	<b>24%</b>	<b>22%</b>	<b>21%</b>	<b>19%</b>	<b>22%</b>	<b>23%</b>
<b>Non-GAAP EPS<sup>(1)</sup></b>	<b>\$1.11</b>	<b>\$1.11</b>	<b>\$0.88</b>	<b>\$0.93</b>	<b>\$1.08</b>	<b>\$1.24</b>
Y/Y Growth	4%	4%	(28%)	(19%)	(2%)	11%
CAPEX	\$227	\$213	\$191	\$175	\$182	\$158
<b>Free Cash Flow<sup>(1,2)</sup></b>	<b>\$1,081</b>	<b>\$1,427</b>	<b>\$1,026</b>	<b>\$1,075</b>	<b>\$1,573</b>	<b>\$1,433</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.

(2) Certain cash flows were reclassified beginning in the fourth quarter of 2022. See the section titled "Reclassification of Certain Cash Flows" within Supplemental Information



## Q4-22 Hedging impacts and credit reserve builds and releases

(in millions, except %)

### Hedging Impacts<sup>(1)</sup>

Favorable (unfavorable) impact to net revenues (exclusive of hedging impact)

Hedging impact

Favorable (unfavorable) impact to net revenues

Favorable (unfavorable) impact to operating expense

Net favorable (unfavorable) impact to operating income

	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
\$	61	\$ (48)	\$ (123)	\$ (242)	\$ (307)	\$ (277)
	(44)	2	47	107	156	152
	17	(46)	(76)	(135)	(151)	(125)
	(29)	22	57	131	162	142
\$	(12)	\$ (24)	\$ (19)	\$ (4)	\$ 11	\$ 17

### Credit net charge-offs, reserve builds (releases) and credit losses

Net charge-offs<sup>(2)</sup>

Reserve build (release)<sup>(3)</sup>

Credit Losses

\$	38	\$ 53	\$ 52	\$ 60	\$ 69	\$ 86
	(63)	(9)	(5)	8	44	88
\$	(25)	\$ 44	\$ 47	\$ 68	\$ 113	\$ 174

(1) Foreign currency movements relative to the US dollar. We calculate the year-over-year impact of foreign currency movements on our business using prior period foreign currency exchange rates applied to current period transactional currency amounts.

(2) Net charge-offs includes the principal charge-offs partially offset by recoveries for consumer and merchant receivables.

(3) Reserve build (release) represents change in allowance for principal receivables excluding foreign currency remeasurement.

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

(In Millions/Unaudited)	Note	Three Months Ended										Year Ended December 31,				
		December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	2022	2021	2020		
GAAP operating expenses:																
Transaction expense		\$ 3,324	\$ 2,988	\$ 3,044	\$ 2,817	\$ 2,952	\$ 2,564	\$ 2,524	\$ 2,275	\$ 2,330	\$ 2,022	\$ 12,173	\$ 10,315	\$ 7,934	(a)	Stock-based compensation expense.
Transaction and credit losses		388	367	448	369	350	268	169	273	366	344	1,572	1,060	1,741		
Customer support and operations		541	509	536	534	532	504	521	518	507	449	2,120	2,075	1,778	(b)	Employer payroll taxes on stock-based compensation.
Sales and marketing		524	544	595	594	666	549	628	602	605	471	2,257	2,445	1,861		
Technology and development		822	801	815	815	796	755	746	741	732	674	3,253	3,038	2,642	(c)	Amortization of acquired intangible assets.
General administrative		515	463	514	607	570	498	522	524	569	503	2,099	2,114	2,070		
Restructuring and other changes		25	56	90	36	2	1	1	58	44	19	207	62	139		
Total operating expenses		\$ 6,139	\$ 5,728	\$ 6,042	\$ 5,772	\$ 5,868	\$ 5,139	\$ 5,111	\$ 4,991	\$ 5,153	\$ 4,482	\$ 23,681	\$ 21,109	\$ 18,165	(d)	Restructuring.
Non-GAAP operating expense adjustments:																
Customer support and operations	(a)	(73)	(56)	(67)	(73)	(58)	(56)	(77)	(72)	(71)	(63)	(269)	(263)	(250)	(e)	Acquisition-related transaction expense.
	(b)	—	—	—	(6)	(2)	(1)	(3)	(16)	(1)	—	(6)	(22)	(9)	(f)	Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company.
Sales and marketing	(a)	(37)	(27)	(42)	(45)	(41)	(38)	(48)	(48)	(41)	(45)	(151)	(175)	(172)		
	(b)	—	—	(1)	(5)	(1)	(2)	(5)	(13)	(1)	(1)	(6)	(21)	(12)		
	(c)	(55)	(54)	(53)	(53)	(51)	(39)	(39)	(38)	(40)	(43)	(215)	(167)	(170)		
Technology and development	(a)	(132)	(115)	(129)	(136)	(112)	(117)	(147)	(139)	(145)	(138)	(512)	(515)	(529)	(g)	Asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties, charges associated with early lease termination, and a charge associated with exiting a leased property.
	(b)	—	—	(1)	(12)	(2)	—	(5)	(34)	(2)	(1)	(13)	(41)	(21)		
	(c)	(58)	(58)	(59)	(57)	(58)	(64)	(63)	(61)	(61)	(63)	(232)	(246)	(252)		
General administrative	(a)	(66)	(41)	(88)	(188)	(120)	(100)	(129)	(119)	(130)	(127)	(383)	(468)	(460)		
	(b)	—	—	(1)	(14)	(3)	(2)	(3)	(26)	(4)	(1)	(15)	(34)	(19)		
	(c)	(3)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(24)	(28)	(28)		
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(20)		
	(f)	—	—	—	—	—	—	—	—	—	—	—	—	(18)		
Restructuring and other charges	(d)	(8)	(23)	(71)	(20)	—	—	5	(32)	(35)	(19)	(122)	(27)	(109)		
	(g)	(17)	(33)	(19)	(16)	(2)	(1)	(6)	(26)	(9)	—	(85)	(35)	(30)		
Total operating expenses		\$ (449)	\$ (414)	\$ (538)	\$ (632)	\$ (457)	\$ (427)	\$ (527)	\$ (631)	\$ (547)	\$ (508)	\$ (2,033)	\$ (2,042)	\$ (2,099)		
Non-GAAP operating expenses:																
Transaction expense		3,324	2,988	3,044	2,817	2,952	2,564	2,524	2,275	2,330	2,022	\$ 12,173	\$ 10,315	\$ 7,934		
Transaction and credit losses		388	367	448	369	350	268	169	273	366	344	1,572	1,060	1,741		
Customer support and operations		468	453	469	455	472	447	441	430	435	386	1,845	1,790	1,519		
Sales and marketing		432	463	499	491	573	470	536	503	523	382	1,885	2,082	1,507		
Technology and development		632	628	626	610	624	574	531	507	524	472	2,496	2,236	1,840		
General and administrative		446	415	418	398	440	389	383	372	428	368	1,677	1,584	1,525		
Total operating expenses		\$ 5,690	\$ 5,314	\$ 5,504	\$ 5,140	\$ 5,411	\$ 4,712	\$ 4,584	\$ 4,360	\$ 4,606	\$ 3,974	\$ 21,648	\$ 19,067	\$ 16,066		

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

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	2022	2021	2020
GAAP net revenues	\$ 7,383	\$ 6,846	\$ 6,806	\$ 6,483	\$ 6,918	\$ 6,182	\$ 6,238	\$ 6,033	\$ 6,116	\$ 5,459	\$ 27,518	\$ 25,371	\$ 21,454
GAAP operating income	1,244	1,118	764	711	1,050	1,043	1,127	1,042	963	977	3,837	4,262	3,289
Stock-based compensation expense and related employer payroll taxes	308	239	329	479	339	316	417	467	395	376	1,355	1,539	1,472
Amortization of acquired intangible assets	116	119	119	117	116	110	109	106	108	113	471	441	450
Restructuring	8	23	71	20	—	—	(5)	32	35	19	122	27	109
Other	17	33	19	16	2	1	6	26	9	—	85	35	48
Acquisition-related transaction expense	—	—	—	—	—	—	—	—	—	—	—	—	20
Total non-GAAP operating income adjustments	449	414	538	632	457	427	527	631	547	508	2,033	2,042	2,099
Non-GAAP operating income	\$ 1,693	\$ 1,532	\$ 1,302	\$ 1,343	\$ 1,507	\$ 1,470	\$ 1,654	\$ 1,673	\$ 1,510	\$ 1,485	\$ 5,870	\$ 6,304	\$ 5,388
GAAP operating margin	16.8 %	16.3 %	11.2 %	11.0 %	15.2 %	16.9 %	18.1 %	17.3 %	15.7 %	17.9 %	13.9 %	16.8 %	15.3 %
Non-GAAP operating margin	22.9 %	22.4 %	19.1 %	20.7 %	21.8 %	23.8 %	26.5 %	27.7 %	24.7 %	27.2 %	21.3 %	24.8 %	25.1 %

# Reconciliation of GAAP Net Income (Loss) 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,		
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	2022	2021	2020
GAAP income before income taxes	\$ 1,110	\$ 1,578	\$ 49	\$ 629	\$ 706	\$ 1,165	\$ 1,356	\$ 872	\$ 1,859	\$ 1,144	\$ 3,366	\$ 4,099	\$ 5,065
GAAP income tax expense (benefit)	189	248	390	120	(95)	78	172	(225)	292	123	947	(70)	863
GAAP net income (loss)	921	1,330	(341)	509	801	1,087	1,184	1,097	1,567	1,021	2,419	4,169	4,202
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	449	414	538	632	457	427	527	631	547	508	2,033	2,042	2,099
(Gains) losses on strategic investments	141	(495)	672	(14)	290	(173)	(283)	120	(941)	(209)	304	(46)	(1,914)
Other certain significant gains, losses, or charges	(21)	—	431	—	—	43	(7)	—	—	—	410	36	242
Tax effect of non-GAAP adjustments	(73)	5	(221)	(95)	(229)	(65)	(59)	(393)	108	(45)	(384)	(746)	(24)
Non-GAAP net income	\$ 1,417	\$ 1,254	\$ 1,079	\$ 1,032	\$ 1,319	\$ 1,319	\$ 1,362	\$ 1,455	\$ 1,281	\$ 1,275	\$ 4,782	\$ 5,455	\$ 4,605
Shares used in diluted share calculation:													
GAAP	1,144	1,157	1,158	1,172	1,183	1,187	1,186	1,190	1,191	1,190	1,158	1,186	1,187
Non-GAAP	1,144	1,157	1,160	1,172	1,183	1,187	1,186	1,190	1,191	1,190	1,158	1,186	1,187
Net income (loss) per diluted share:													
GAAP	\$ 0.81	\$ 1.15	\$ (0.29)	\$ 0.43	\$ 0.68	\$ 0.92	\$ 1.00	\$ 0.92	\$ 1.32	\$ 0.86	\$ 2.09	\$ 3.52	\$ 3.54
Non-GAAP	\$ 1.24	\$ 1.08	\$ 0.93	\$ 0.88	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.22	\$ 1.08	\$ 1.07	\$ 4.13	\$ 4.60	\$ 3.88
GAAP effective tax rate	17 %	16 %	796 %	19 %	(13)%	7 %	13 %	(26)%	16 %	11 %	28 %	(2)%	17 %
Tax effect of non-GAAP adjustments to net income	— %	— %	(782)%	(2)%	22 %	— %	2 %	36 %	(3)%	1 %	(12)%	13 %	(5)%
Non-GAAP effective tax rate	17 %	16 %	14 %	17 %	9 %	7 %	15 %	10 %	13 %	12 %	16 %	11 %	12 %

# Reconciliation of Operating Cash Flow to Free Cash Flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	2022	2021	2020	2017	2015
Net cash provided by operating activities <sup>(1)</sup>	\$ 1,591	\$ 1,755	\$ 1,250	\$ 1,217	\$ 1,640	\$ 1,308	\$ 1,277	\$ 1,572	\$ 1,575	\$ 1,486	\$ 5,813	\$ 5,797	\$ 6,219	\$ 2,569	\$ 2,546
Less: Purchases of property and equipment	(158)	(182)	(175)	(191)	(213)	(227)	(247)	(221)	(226)	(241)	(706)	(908)	(866)	(667)	(722)
Free cash flow	1,433	1,573	1,075	1,026	1,427	1,081	1,030	1,351	1,349	1,245	5,107	4,889	5,353	1,902	1,824

(1) Beginning in the fourth quarter of 2022, we reclassified certain cash flows related to derivative collateral for foreign currency hedging from cash flows from operating activities to cash flows from financing activities and cash flows from investing activities. See "Reclassification of Certain Cash Flows" in this presentation for further details.

# Reclassification of Certain Cash Flows

Beginning in Q4-22, we reclassified certain cash flows related to derivative collateral for foreign currency hedging

## What is changing

Cash flows reflecting collateral posted and collateral received related to derivative instruments were previously classified as cash flows from operating activities, and have been reclassified as cash flows from investing activities and financing activities.

## Rationale

Changes in derivative collateral posted and received have been significant in some historical periods resulting in volatility in operating cash flow that did not optimally correlate to our operating activities. We believe reclassifying these cash flows to investing and financing activities provides a more meaningful representation of cash flows from operating activities in a given period.

## What is not changing

The reclassification of these cash flows does not impact our previously reported consolidated net income, financial position, net change in cash, cash equivalents, and restricted cash, or total cash, cash equivalents, and restricted cash.

## Impact on Q1-Q3'22 operating cash flow

Based on the previous methodology, Q1-Q3'22 operating cash flow totaled \$4.66B, growing ~2% year over year. Under the reclassified presentation, Q1-Q3'22 operating cash flow totals \$4.22B, also growing ~2% year over year.

*The below summary highlights the impact from reclassifying operating cash flows for each quarter's statement of cash flows as presented in prior filings:*

	Three Months Ended									Year Ended December 31,	
(In Millions/Unaudited)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	2021	2020
Operating cash flows, as previously reported	\$ 1,948	\$ 1,466	\$ 1,242	\$ 1,763	\$ 1,513	\$ 1,306	\$ 1,758	\$ 1,347	\$ 1,314	\$ 6,340	\$ 5,854
Reclassification	(193)	(216)	(25)	(123)	(205)	(29)	(186)	228	172	(543)	365
Revised operating cash flows	1,755	1,250	1,217	1,640	1,308	1,277	1,572	1,575	1,486	5,797	6,219

## Q1-23 and FY-23 GAAP and Non-GAAP Guidance

	Three Months Ending March 31, 2023	
	GAAP	Non-GAAP <sup>(a)</sup>
Revenue Growth Rate (Spot)	~7.5%	~7.5%
Revenue Growth Rate (FXN)	N/A	~9%
Diluted EPS \$	\$0.62-\$0.64	\$1.08-\$1.10
	Twelve Months Ending December 31, 2023	
	GAAP	Non-GAAP <sup>(b)</sup>
Diluted EPS \$	~\$3.27	~\$4.87

(a) Estimated non-GAAP amounts for the three months ended March 31, 2023, reflect adjustments of approximately \$550 million, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$400 million, and estimated restructuring charges of approximately \$100 million

(b) Estimated non-GAAP amounts for the twelve months ended December 31, 2023, reflect adjustments of approximately \$2.0 billion, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$1.7 billion, and estimated restructuring charges of approximately \$100 million



# Definitions

Our key metrics are calculated using internal company data based on the activity we measure on our payments platform and compiled from multiple systems, including systems that are internally developed or acquired through business combinations. While the measurement of our key metrics is based on what we believe to be reasonable methodologies and estimates, there are inherent challenges and limitations in measuring our key metrics globally at our scale. The methodologies used to calculate our key metrics require judgment.

We regularly review our processes for calculating these key metrics, and from time to time we may make adjustments to improve the accuracy or relevance of our metrics. For example, we continuously apply models, processes, and practices designed to detect and prevent fraudulent account creation on our platforms, and work to improve and enhance those capabilities. When we detect a significant volume of illegitimate activity, we generally remove the activity identified from our key metrics. Although such adjustments may impact key metrics reported in prior periods, we generally do not update previously reported key metrics to reflect these subsequent adjustments unless the retrospective impact of process improvements or enhancements is determined by management to be material.

**Active Accounts:** An active account is an account registered directly with PayPal or a platform access partner that has completed a transaction on our platform, not including gateway-exclusive transactions, within the past 12 months. A platform access partner is a third party whose customers are provided access to PayPal's platform or services through such third party's login credentials, including individuals and entities that utilize Hyperwallet's payout capabilities. A user may register on our platform to access different products and may register more than one account to access a product. Accordingly, a user may have more than one active account. The number of active accounts provides management with additional perspective on the overall scale of our platform, but may not have a direct relationship to our operating results.

**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:** Number of 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. The number of payment transactions per active account provides management with insight into the average number of times an account engages in payments activity on our payments platform in a given period. The number of times a consumer account or a merchant account transacts on our platform may vary significantly from the average number of payment transactions per active account.

**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 transaction expense divided by TPV.

**Transaction and Credit Loss Rate:** Transaction and credit loss rate is transaction and credit losses divided by TPV.

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

