

First Quarter 2023 Results

San Jose, California • May 8, 2023

Q1'23: Strong start to the year with revenue and EPS outperformance

- Total Payment Volume (TPV) of \$354.5 billion, growing 10% and 12% on an FX-neutral basis (FXN)
- Net revenues of \$7.04 billion, growing 9% and 10% FXN
- GAAP operating income of \$1.0B, growing 41%; non-GAAP operating income of \$1.6B, growing 19%
- GAAP EPS of \$0.70 compared to \$0.43 in Q1'22, growing 61%; non-GAAP EPS of \$1.17 compared to \$0.88 in Q1'22, growing 33%
- Operating cash flow of \$1.2 billion; free cash flow of \$1.0 billion

FY'23: Raising EPS guidance to reflect Q1'23 momentum and cost initiatives

- Q2'23 net revenues expected to grow ~6.5%-7% on a spot basis and ~7.5%-8% FXN
- Q2'23 GAAP EPS expected to be \$0.81-\$0.83; non-GAAP EPS expected to grow 24%-26% to \$1.15-\$1.17
- FY'23 GAAP EPS now expected to be ~\$3.42 compared to \$2.09 in FY'22; non-GAAP EPS now expected to grow ~20% to ~\$4.95
- FY'23 share repurchases expected to reach ~\$4 billion

Q1'23 Highlights

	GAAP		Non-GAAP	
	USD \$	YoY Change	USD \$	YoY Change
Net Revenues	\$7.04B	9%	\$7.04B	10% ¹
Operating Income	\$1.0B	41%	\$1.6B	19%
EPS	\$0.70	61%	\$1.17	33%

“PayPal had a very good start to 2023 and delivered stronger than expected performance in the first quarter. We’re working hard to continually improve our already popular checkout and digital wallet experiences, and it is beginning to pay off. We are confident in our momentum and are raising our full-year EPS guidance as a result.”

Dan Schulman
President and CEO

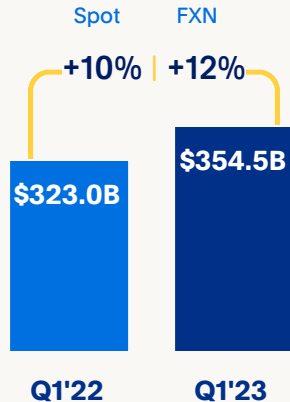


For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the section titled “Non-GAAP Measures of Financial Performance” and the subsequent tables at the end of this press release.

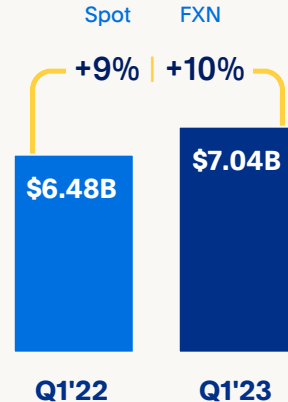
1. On an FXN basis.

Key Operating and Financial Metrics

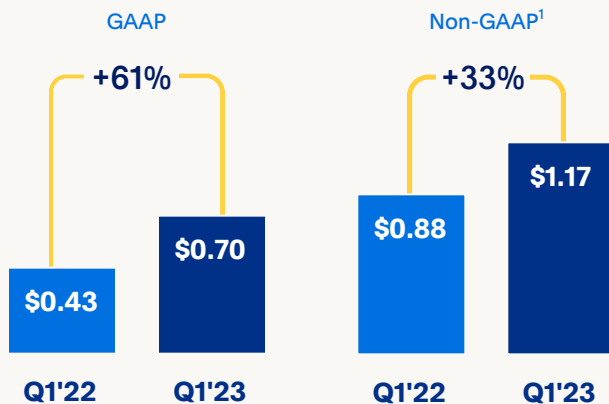
Total Payment Volume



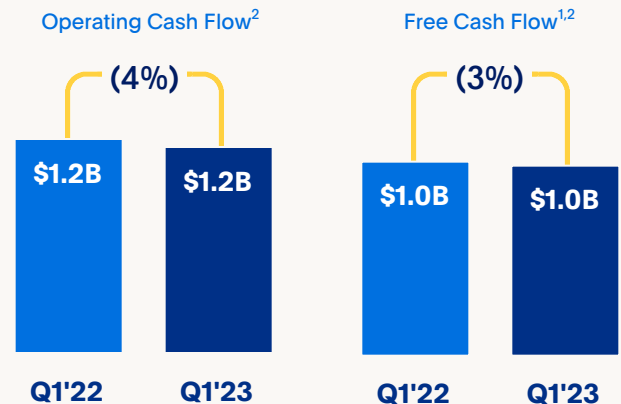
Net Revenues



EPS



Cash Flow



Financial Highlights

Net revenues increased 9% and 10% FXN

- Net revenues of \$7.04 billion, growing 9% and 10% FXN
- GAAP operating income of \$1.0B, growing 41%; non-GAAP operating income of \$1.6B, growing 19%
- GAAP operating margin of 14.2%, expanding 322 basis points; non-GAAP operating margin of 22.7%, expanding 201 basis points
- GAAP EPS of \$0.70, compared to \$0.43 in Q1'22; non-GAAP EPS of \$1.17, compared to \$0.88 in Q1'22
 - GAAP EPS includes a positive impact of ~\$0.03 on PayPal's strategic investment portfolio, compared to a positive impact of ~\$0.02 in Q1'22

"We are proud of our first quarter results which reflect both the diversification of PayPal's platform and ongoing benefits from productivity initiatives.

We remain focused on advancing our strategic priorities while operating with discipline in what remains a dynamic environment."

Gabrielle Rabinovitch

Acting CFO and SVP, Investor Relations and Treasurer



1. For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the section titled "Non-GAAP Measures of Financial Performance" and the subsequent tables at the end of this press release.
 2. Reflects the impact of reclassification as described in our earnings press release dated February 9, 2023.

Operating Highlights

Double digit volume and transaction growth year-over-year

- \$354.5 billion in TPV, growing 10% and 12% FXN
 - 5.8 billion payment transactions, up 13%
 - 53.1 payment transactions per active account on a trailing twelve month basis, up 13%
 - 433 million total active accounts, up 1%
-

Balance Sheet and Liquidity

Strong balance sheet and cash flow generation, continued commitment to capital return

- Cash, cash equivalents, and investments totaled \$15.3 billion as of March 31, 2023
- Debt totaled \$10.9 billion as of March 31, 2023
- In Q1'23, generated cash flow from operations of \$1.2 billion, and free cash flow of \$1.0 billion
 - Cash flow from operations and free cash flow impacted by higher cash taxes compared to Q1'22
 - On a trailing twelve month basis, generated cash flow from operations of \$5.8 billion, and free cash flow of \$5.1 billion
- In Q1'23, repurchased approximately 19 million shares of common stock, returning \$1.4 billion to stockholders
 - On a trailing twelve month basis, repurchased approximately 48 million shares of common stock, returning \$4.1 billion to stockholders



Q1'23 Financial and Operating Highlights

Presented in millions, except per share data and percentages		Q1 2023	Q1 2022	YoY Growth		FXN YoY Growth
Total Payment Volume (TPV)		\$354,508	\$322,981	\$31,527	10%	12%
GAAP	Net revenues	\$7,040	\$6,483	\$557	9%	N/A
	Operating margin	14.2%	11.0%	**	322bps	N/A
	Effective tax rate	26.0%	19.1%	**	6.9pts	N/A
	Net income (loss)	\$795	\$509	\$286	56%	N/A
	Earnings per diluted share	\$0.70	\$0.43	\$0.27	61%	N/A
	Net cash provided by operating activities¹	\$1,170	\$1,217	(\$47)	(4%)	N/A
Non-GAAP	Net revenues	\$7,040	\$6,483	\$557	9%	10%
	Operating margin	22.7%	20.7%	**	201bps	N/A
	Effective tax rate	18.5%	17.2%	**	1.3pts	N/A
	Net income	\$1,326	\$1,032	\$294	28%	N/A
	Earnings per diluted share	\$1.17	\$0.88	\$0.29	33%	N/A
	Free cash flow¹	\$1,000	\$1,026	(\$26)	(3%)	N/A



1. Reflects the impact of reclassification as described in our earnings press release dated February 9, 2023.
 ** Not meaningful

Financial Guidance

Q2'23 Guidance

- Net revenues expected to grow ~6.5%-7% on a spot basis and ~7.5%-8% FXN
- GAAP earnings per diluted share expected to be \$0.81-\$0.83, compared to (\$0.29) in the prior year period, and non-GAAP earnings per diluted share expected to grow 24%-26% to \$1.15-\$1.17, compared to \$0.93 in the prior year period
 - In the second quarter of 2022, GAAP EPS included a negative impact of approximately \$0.45 on PayPal's strategic investment portfolio
 - Estimated non-GAAP amounts for the three months ending June 30, 2023 reflect adjustments of approximately \$450 million, including estimated stock-based compensation expense and related payroll taxes of approximately \$390 million

FY'23 Guidance

- GAAP earnings per diluted share expected to be ~\$3.42, compared to \$2.09 in FY'22, and non-GAAP earnings per diluted share expected to grow ~20% to ~\$4.95, compared to \$4.13 in FY'22
 - In 2022, GAAP EPS included a negative impact of approximately \$0.20 on PayPal's strategic investment portfolio
 - Estimated non-GAAP amounts for the twelve months ending December 31, 2023 reflect adjustments of approximately \$2.0 billion, including estimated stock-based compensation expense and related payroll taxes of approximately \$1.6 billion and a restructuring charge of approximately \$117 million that occurred in Q1'23

Please see "Non-GAAP Financial Measures" and "Non-GAAP Measures of Financial Performance" for important additional information.

Conference Call & Webcast

PayPal Holdings, Inc. will host a conference call to discuss first quarter 2023 results at 2:00 p.m. Pacific Time today. A live webcast of the conference call, together with a slide presentation that includes supplemental financial information and reconciliations of certain non-GAAP measures to their most directly comparable GAAP measures, can be accessed through the company's Investor Relations website at <https://investor.pypl.com>. In addition, an archive of the webcast will be accessible for 90 days through the same link.



Presentation

All growth rates represent year-over-year comparisons, except as otherwise noted. FXN results are calculated by translating the current period local currency results by the prior period exchange rate. FXN growth rates are calculated by comparing the current period FXN results with the prior period results, excluding the impact from hedging activities. All amounts in tables are presented in U.S. dollars, rounded to the nearest millions, except as otherwise noted. As a result, certain amounts and rates may not sum or recalculate using the rounded dollar amounts provided.

Non-GAAP Financial Measures

This press release includes financial measures defined as “non-GAAP financial measures” by the SEC including: non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate and free cash flow. For an explanation of the foregoing non-GAAP measures, please see “Non-GAAP Measures of Financial Performance” included in this press release. These measures may be different from 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 (GAAP). For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see “Non-GAAP Measures of Financial Performance,” “Reconciliation of GAAP Operating Income to Non-GAAP Operating Income and GAAP Operating Margin to Non-GAAP Operating Margin,” “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,” and “Reconciliation of Operating Cash Flow to Free Cash Flow.”



Forward-Looking Statements

This press release 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 second 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 press release, 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 highly talented employees. The forward-looking statements in this release do not include the potential impact of any acquisitions or divestitures that may be announced and/ or contemplated after the date hereof. 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. All information in this release is as of May 8, 2023. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this press release. PayPal assumes no obligation to update such forward-looking statements.



Disclosure Channels

PayPal Holdings, Inc. uses the following channels as means of disclosing information about the company and for complying with its disclosure obligations under Regulation FD:

- Investor Relations website (<https://investor.pypl.com>)
- PayPal Newsroom (<https://newsroom.paypal-corp.com/>)
- PayPal Corporate website (<https://about.pypl.com>)
- Twitter handles (@PayPal and @PayPalNews)
- LinkedIn page (<https://www.linkedin.com/company/paypal>),
- Facebook page (<https://www.facebook.com/PayPalUSA/>)
- YouTube channel (<https://www.youtube.com/paypal>)
- Dan Schulman's LinkedIn profile (<https://www.linkedin.com/in/dan-schulman/>)
- Dan Schulman's Facebook page (<https://www.facebook.com/DanSchulmanPayPal/>)
- Dan Schulman's Instagram page (https://www.instagram.com/dan_schulman/)
- Gabrielle Rabinovitch's LinkedIn profile (<https://www.linkedin.com/in/gabriellerabinovitch/>)

The information that is posted through these channels may be deemed material.

Accordingly, investors should monitor these channels in addition to PayPal's press releases, filings with the SEC, public conference calls, and webcasts.



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PayPal Holdings, Inc.
Unaudited Condensed Consolidated Balance Sheets

**March 31,
2023** **December 31,
2022**

(In millions, except par value)

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,101	\$ 7,776
Short-term investments	3,559	3,092
Accounts receivable, net	967	963
Loans and interest receivable, net	7,495	7,431
Funds receivable and customer accounts	35,276	36,357
Prepaid expenses and other current assets	2,162	1,898
Total current assets	<u>56,560</u>	<u>57,517</u>
Long-term investments	4,632	5,018
Property and equipment, net	1,633	1,730
Goodwill	11,195	11,209
Intangible assets, net	730	788
Other assets	2,436	2,455
Total assets	<u>\$ 77,186</u>	<u>\$ 78,717</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 142	\$ 126
Funds payable and amounts due to customers	39,026	40,107
Accrued expenses and other current liabilities	4,164	4,055
Income taxes payable	577	813
Total current liabilities	43,909	45,101
Deferred tax liability and other long-term liabilities	2,938	2,925
Long-term debt	10,481	10,417
Total liabilities	<u>57,328</u>	<u>58,443</u>
Equity:		
Common stock, \$0.0001 par value; 4,000 shares authorized; 1,122 and 1,136 shares outstanding as of March 31, 2023 and December 31, 2022, respectively	—	—
Preferred stock, \$0.0001 par value; 100 shares authorized, unissued	—	—
Treasury stock at cost, 192 and 173 shares as of March 31, 2023 and December 31, 2022, respectively	(17,522)	(16,079)
Additional paid-in-capital	18,529	18,327
Retained earnings	19,749	18,954
Accumulated other comprehensive income (loss)	(898)	(928)
Total equity	<u>19,858</u>	<u>20,274</u>
Total liabilities and equity	<u>\$ 77,186</u>	<u>\$ 78,717</u>



PayPal Holdings, Inc.
Unaudited Condensed Consolidated Statements of Income (Loss)

	Three Months Ended March 31,	
	2023	2022
(In millions, except per share data)		
Net revenues	\$ 7,040	\$ 6,483
Operating expenses:		
Transaction expense	3,283	2,817
Transaction and credit losses	442	369
Customer support and operations ⁽¹⁾	488	534
Sales and marketing ⁽¹⁾	436	594
Technology and development ⁽¹⁾	721	815
General and administrative ⁽¹⁾	507	607
Restructuring and other charges	164	36
Total operating expenses	<u>6,041</u>	<u>5,772</u>
Operating income	999	711
Other income (expense), net	75	(82)
Income before income taxes	<u>1,074</u>	<u>629</u>
Income tax expense	279	120
Net income (loss)	<u>\$ 795</u>	<u>\$ 509</u>
Net income (loss) per share:		
Basic	\$ 0.70	\$ 0.44
Diluted	\$ 0.70	\$ 0.43
Weighted average shares:		
Basic	1,129	1,163
Diluted	1,134	1,172
<hr/>		
⁽¹⁾ Includes stock-based compensation as follows:		
Customer support and operations	\$ 72	\$ 73
Sales and marketing	43	45
Technology and development	148	136
General and administrative	94	188
	<u>\$ 357</u>	<u>\$ 442</u>



PayPal Holdings, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31,

2023 2022

(In millions)

Cash flows from operating activities ⁽¹⁾ :		
Net income (loss)	\$ 795	\$ 509
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Transaction and credit losses	442	369
Depreciation and amortization	270	328
Stock-based compensation	345	429
Deferred income taxes	(67)	(16)
Net (gains) losses on strategic investments	(48)	(14)
Other	(92)	65
Changes in assets and liabilities:		
Accounts receivable	(3)	(50)
Accounts payable	3	(29)
Income taxes payable	(235)	17
Other assets and liabilities	(240)	(391)
Net cash provided by operating activities	<u>1,170</u>	<u>1,217</u>
Cash flows from investing activities ⁽¹⁾ :		
Purchases of property and equipment	(170)	(191)
Proceeds from sales of property and equipment	1	3
Purchases and originations of loans receivable	(8,267)	(5,525)
Principal repayment of loans receivable	8,063	5,054
Purchases of investments	(6,100)	(8,604)
Maturities and sales of investments	5,445	8,751
Funds receivable	1,076	(239)
Collateral posted related to derivative instruments, net	(22)	(1)
Other investing activities	8	—
Net cash provided by (used in) investing activities	<u>34</u>	<u>(752)</u>
Cash flows from financing activities ⁽¹⁾ :		
Proceeds from issuance of common stock	1	3
Purchases of treasury stock	(1,432)	(1,500)
Tax withholdings related to net share settlements of equity awards	(149)	(244)
Borrowings under financing arrangements	72	286
Repayments under financing arrangements	(5)	(104)
Funds payable and amounts due to customers	(1,020)	863
Collateral received related to derivative instruments, net	(129)	26
Other financing activities	—	1
Net cash used in financing activities	<u>(2,662)</u>	<u>(669)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(4)	18
Net change in cash, cash equivalents, and restricted cash	(1,462)	(186)
Cash, cash equivalents, and restricted cash at beginning of period	19,156	18,029
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 17,694</u>	<u>\$ 17,843</u>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 2	\$ 12
Cash paid for income taxes, net	\$ 495	\$ 47

⁽¹⁾ Reflects the impact of reclassification as described in our earnings press release dated February 9, 2023.



PayPal Holdings, Inc.
Unaudited Summary of Consolidated Net Revenues

Our revenues are classified into the following two categories:

- *Transaction revenues*: Net transaction fees charged to merchants and consumers on a transaction basis based on the Total Payment Volume (“TPV”) completed on our payments platform. TPV growth is directly impacted by the number of payment transactions that we enable on our payments platform. We earn additional fees from merchants and consumers: on transactions where we perform currency conversion, when we enable cross-border transactions (i.e., transactions where the merchant and consumer are in different countries), to facilitate the instant transfer of funds for our customers from their PayPal or Venmo account to their bank account or debit card, to facilitate the purchase and sale of cryptocurrencies, as contractual compensation from sellers that violate our contractual terms (for example, through fraud or counterfeiting), and other miscellaneous fees.
- *Revenues from other value added services*: Net revenues derived primarily from revenue earned through partnerships, referral fees, subscription fees, gateway fees, and other services we provide to our merchants and consumers. We also earn revenues from interest and fees earned on our portfolio of loans receivable and interest earned on certain assets underlying customer balances.

Net Revenues by Type

	Three Months Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	(In millions, except percentages)				
Transaction revenues	\$ 6,364	\$ 6,702	\$ 6,234	\$ 6,272	\$ 5,998
<i>Current quarter vs prior quarter</i>	(5)%	8 %	(1)%	5 %	(6)%
<i>Current quarter vs prior year quarter</i>	6 %	5 %	11 %	8 %	7 %
<i>Percentage of total</i>	90 %	91 %	91 %	92 %	93 %
Revenues from other value added services	676	681	612	534	485
<i>Current quarter vs prior quarter</i>	(1)%	11 %	15 %	10 %	(10)%
<i>Current quarter vs prior year quarter</i>	39 %	26 %	6 %	21 %	18 %
<i>Percentage of total</i>	10 %	9 %	9 %	8 %	7 %
Total net revenues	\$ 7,040	\$ 7,383	\$ 6,846	\$ 6,806	\$ 6,483
<i>Current quarter vs prior quarter</i>	(5)%	8 %	1 %	5 %	(6)%
<i>Current quarter vs prior year quarter</i>	9 %	7 %	11 %	9 %	7 %

Net Revenues by Geography

	Three Months Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	(In millions, except percentages)				
U.S. net revenues	\$ 4,147	\$ 4,295	\$ 3,978	\$ 3,863	\$ 3,671
<i>Current quarter vs prior quarter</i>	(3)%	8 %	3 %	5 %	(6)%
<i>Current quarter vs prior year quarter</i>	13 %	10 %	14 %	18 %	20 %
<i>Percentage of total</i>	59 %	58 %	58 %	57 %	57 %
International net revenues	2,893	3,088	2,868	2,943	2,812
<i>Current quarter vs prior quarter</i>	(6)%	8 %	(3)%	5 %	(7)%
<i>Current quarter vs prior year quarter</i>	3 %	2 %	6 %	(1)%	(5)%
<i>(FXN) Current quarter vs prior year quarter</i>	7 %	6 %	9 %	1 %	(5)%
<i>Percentage of total</i>	41 %	42 %	42 %	43 %	43 %
Total net revenues	\$ 7,040	\$ 7,383	\$ 6,846	\$ 6,806	\$ 6,483
<i>Current quarter vs prior quarter</i>	(5)%	8 %	1 %	5 %	(6)%
<i>Current quarter vs prior year quarter</i>	9 %	7 %	11 %	9 %	7 %
<i>(FXN) Current quarter vs prior year quarter</i>	10 %	9 %	12 %	10 %	8 %



PayPal Holdings, Inc.
Unaudited Supplemental Operating Data

	Three Months Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	(In millions, except percentages)				
Active accounts⁽¹⁾	433	435	432	429	429
<i>Current quarter vs prior quarter</i>	— %	1 %	1 %	— %	1 %
<i>Current quarter vs prior year quarter</i>	1 %	2 %	4 %	6 %	9 %
Number of payment transactions⁽²⁾	5,835	6,032	5,643	5,513	5,161
<i>Current quarter vs prior quarter</i>	(3)%	7 %	2 %	7 %	(3)%
<i>Current quarter vs prior year quarter</i>	13 %	13 %	15 %	16 %	18 %
Payment transactions per active account⁽³⁾	53.1	51.4	50.1	48.7	47.0
<i>Current quarter vs prior quarter</i>	3 %	2 %	3 %	4 %	3 %
<i>Current quarter vs prior year quarter</i>	13 %	13 %	13 %	12 %	11 %
TPV⁽⁴⁾	\$ 354,508	\$ 357,378	\$ 336,973	\$ 339,791	\$ 322,981
<i>Current quarter vs prior quarter</i>	(1)%	6 %	(1)%	5 %	(5)%
<i>Current quarter vs prior year quarter</i>	10 %	5 %	9 %	9 %	13 %
<i>(FXN) Current quarter vs prior year quarter</i>	12 %	9 %	14 %	13 %	15 %
Transaction Expense Rate ⁽⁵⁾	0.93 %	0.93 %	0.89 %	0.90 %	0.87 %
Transaction and Credit Loss Rate ⁽⁶⁾	0.12 %	0.11 %	0.11 %	0.13 %	0.11 %
Transaction Margin ⁽⁷⁾	47.1 %	49.7 %	51.0 %	48.7 %	50.9 %

Amounts in the table are rounded to the nearest million, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ Number of payment transactions per active account 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.

⁽⁴⁾ 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.

⁽⁵⁾ Transaction expense rate is transaction expense divided by TPV.

⁽⁶⁾ Transaction and credit loss rate is transaction and credit losses divided by TPV.

⁽⁷⁾ Transaction margin is net revenues less transaction expense and transaction and credit losses, divided by net revenues.



PayPal Holdings, Inc. Non-GAAP Measures of Financial Performance

To supplement the company's condensed consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, the company uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, and free cash flow.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures.

Reconciliation of all non-GAAP measures to the most directly comparable GAAP measures can be found in the subsequent tables included in this press release.

These non-GAAP measures are provided to enhance investors' overall understanding of the company's current financial performance and its prospects for the future. Specifically, the company believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of its core operating results and business outlook. In addition, because the company has historically reported certain non-GAAP results to investors, the company believes that the inclusion of non-GAAP measures provides consistency in the company's financial reporting.

For its internal budgeting process, and as discussed further below, the company's management uses financial measures that do not include stock-based compensation expense, employer payroll taxes on stock-based compensation, amortization or impairment of acquired intangible assets, impairment of goodwill, restructuring-related charges, certain other gains, losses, benefits, or charges that are not indicative of the company's core operating results, and the income taxes associated with the foregoing. In addition to the corresponding GAAP measures, the company's management also uses the foregoing non-GAAP measures in reviewing the financial results of the company.

The company excludes the following items from non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating income, non-GAAP operating margin, and non-GAAP effective tax rate:

Stock-based compensation expense and related employer payroll taxes. This consists of expenses for equity awards under our equity incentive plans. We exclude stock-based compensation expense from our non-GAAP measures primarily because they are non-cash expenses. The related employer payroll taxes are dependent on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe it correlates to the operation of our business.

Amortization or impairment of acquired intangible assets, impairment of goodwill, and transaction expenses from the acquisition or disposal of a business. We incur amortization or impairment of acquired intangible assets and goodwill in connection with acquisitions and may incur significant gains or losses or transactional expenses from the acquisition or disposal of a business and therefore exclude these amounts from our non-GAAP measures. We exclude these items because management does not believe they are reflective of our ongoing operating results.

Restructuring. These consist of expenses for employee severance and other exit and disposal costs. The company excludes significant restructuring charges primarily because management does not believe they are reflective of ongoing operating results.

Gains and losses on strategic investments. The gains and losses we record on our strategic investments are tied to the performance of the companies that we invest in. We exclude such gains and losses in full because the operations of the investee and the related gains and losses are not indicative of our ongoing operating results.

Certain other significant gains, losses, benefits, or charges that are not indicative of the company's core operating results. These are significant gains, losses, benefits, or charges during a period that are the result of isolated events or transactions which have not occurred frequently in the past and are not expected to occur regularly in the future. The company excludes these amounts from its non-GAAP results because management does not believe they are indicative of our current or ongoing operating results.

Tax effect of non-GAAP adjustments. This adjustment is made to present stock-based compensation and the other amounts described above on an after-tax basis consistent with the presentation of non-GAAP net income.

Free cash flow represents operating cash flows less purchases of property and equipment. The company uses free cash flow as a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property, buildings, and equipment, which can then be used to, among other things, invest in the company's business, make strategic acquisitions and investments, and repurchase stock. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period.

In addition to the non-GAAP measures discussed above, the company also analyzes certain measures, including net revenues and operating expenses, on an FX-neutral basis to better measure the comparability of operating results between periods. The company believes that changes in foreign currency exchange rates are not indicative of the company's operations and evaluating growth in net revenues and operating expenses on an FX-neutral basis provides an additional meaningful and comparable assessment of these measures to both management and investors. FX-neutral results are calculated by translating the current period's local currency results with the prior period's exchange rate. FX-neutral growth rates are calculated by comparing the current period's FX-neutral results by the prior period's results, excluding the impact from hedging activities.



PayPal Holdings, Inc.
**Reconciliation of GAAP Operating Income to Non-GAAP Operating Income and
GAAP Operating Margin to Non-GAAP Operating Margin**

	Three Months Ended March 31,	
	2023	2022
	(In millions, except percentages) (unaudited)	
GAAP net revenues	\$ 7,040	\$ 6,483
GAAP operating income	999	711
Stock-based compensation expense and related employer payroll taxes	380	479
Amortization of acquired intangible assets	57	117
Restructuring	117	20
Other ⁽¹⁾	47	16
Total non-GAAP operating income adjustments	601	632
Non-GAAP operating income	<u>\$ 1,600</u>	<u>\$ 1,343</u>
GAAP operating margin	14 %	11 %
Non-GAAP operating margin	23 %	21 %

⁽¹⁾ The three months ended March 31, 2023 and 2022 include \$39 million and \$16 million, respectively, in asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties. Additionally, the three months ended March 31, 2023 includes a loss of \$8 million from the designation of an owned property as held for sale.

**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**

	Three Months Ended March 31,	
	2023	2022
	(In millions, except per share data and percentages) (unaudited)	
GAAP income before income taxes	\$ 1,074	\$ 629
GAAP income tax expense	279	120
GAAP net income (loss)	795	509
Non-GAAP adjustments to net income (loss):		
Non-GAAP operating income adjustments (see table above)	601	632
Net (gains) losses on strategic investments	(48)	(14)
Other ⁽¹⁾	18	—
Tax effect of non-GAAP adjustments	(40)	(95)
Non-GAAP net income	<u>\$ 1,326</u>	<u>\$ 1,032</u>
Diluted net income (loss) per share:		
GAAP	\$ 0.70	\$ 0.43
Non-GAAP	\$ 1.17	\$ 0.88
Shares used in GAAP diluted share calculation	1,134	1,172
Shares used in non-GAAP diluted share calculation	1,134	1,172
GAAP effective tax rate	26 %	19 %
Tax effect of non-GAAP adjustments to net income (loss)	(7)%	(2)%
Non-GAAP effective tax rate	<u>19 %</u>	<u>17 %</u>

⁽¹⁾ The three months ended March 31, 2023 consists primarily of tax expense related to the intra-group transfer of intellectual property.



PayPal Holdings, Inc.
Reconciliation of Operating Cash Flow to Free Cash Flow⁽¹⁾

	Three Months Ended	
	2023	2022
(In millions/unaudited)		
Net cash provided by operating activities	\$ 1,170	\$ 1,217
Less: Purchases of property and equipment	(170)	(191)
Free cash flow	<u>\$ 1,000</u>	<u>\$ 1,026</u>

⁽¹⁾ Reflects the impact of reclassification as described in our earnings press release dated February 9, 2023.

