

Q2-23

Investor Update

August 2, 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, certain cash flows related to customer balances were reclassified 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 related to collateral security arrangements for derivative instruments were reclassified 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. All financial and operating data in this presentation for July 2023 is preliminary. Actual results may differ materially from these preliminary results, including as a result of normal quarter-end accounting procedures and adjustments, and the subsequent occurrence or identification of events prior to the filing of our third quarter 2023 financial results on Form 10-Q with the Securities and Exchange Commission ("SEC").

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 third 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 global pandemics, 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; the impact of payment card, bank, or other network rules or practices; risks related to our credit products, including customer default rates and the ability to realize benefits from our agreements with third parties, such as our agreement to sell our European loan receivables; 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. All information in this presentation is as of August 2, 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

Solid performance with disciplined execution driving 8% FXN revenue growth & 24% EPS growth

Q2-23: Revenue at the high end of guidance with double-digit TPV growth and 24% non-GAAP EPS growth

- Revenue of \$7.3B, growing 7% at spot and 8% FXN¹; total payment volume (TPV) of \$377B, growing 11% at spot and FXN
 - Branded checkout TPV growing mid-single digits FXN, accelerating to ~6.5% FXN in June
 - PSP² TPV (unbranded processing) growing nearly 30% FXN, maintaining strong momentum
- Non-GAAP operating margin expansion of ~230bps to 21.4%, with non-transaction related expenses -11% y/y
- Non-GAAP EPS of \$1.16, growing 24%; H1-23 non-GAAP EPS growth of 28%
- Returned \$1.5B to stockholders through share repurchases and \$4.9B on a trailing 12-month basis, reducing shares outstanding by 4% y/y
- Announced multi-year agreement to sell European buy now, pay later (BNPL) receivables to KKR³, expect ~\$1.8B of proceeds at close

Q3-23: Off to a strong start, with accelerating revenue and TPV growth in July⁴

- Revenue growth accelerating to ~9% FXN in July, with low-teens FXN TPV growth including ~8% FXN branded checkout growth
- Q3-23 revenue expected to reach ~\$7.4B based on current exchange rates, growing ~8% at spot and FXN
- Q3-23 non-GAAP EPS expected to be \$1.22-\$1.24, growing 13%-14%

FY-23: Reiterating non-GAAP operating margin, EPS and FCF guidance

- Reiterating FY-23 guidance of at least ~100bps of non-GAAP operating margin expansion and ~20% non-GAAP EPS growth to ~\$4.95
- FY-23 share repurchases now expected to reach ~\$5B, with ~\$5B of free cash flow (FCF)



Second quarter 2023 summary

Revenue at the high end of guidance with 24% non-GAAP EPS growth

Transactions

6.1B

Transactions
10% increase

54.7

Transactions per active account (TPA)
12% increase, driven primarily by
Braintree transaction growth

Total payment volume

\$377B

11% spot and FXN growth, driven by
Braintree, PayPal branded checkout
and Venmo

Revenue

\$7.3B

7% spot and 8% FXN growth
High end of guidance range

Non-GAAP operating income¹

\$1.6B

20% increase

21.4%

Operating margin expansion of ~230bps

Non-GAAP EPS¹

\$1.16

24% increase

Midpoint of guidance range

H1-23 non-GAAP EPS growth of 28%

Free cash flow¹

(\$0.4B)

Includes a \$1.2B negative impact from
European BNPL loans originated as
held for sale (HFS), expected to be sold
in H2-23

\$4.9B FCF on a trailing 12-month basis
excluding the impact of HFS in Q2-23

PayPal has a global, two-sided network at scale and is one of the world's most trusted brands

Scale

~400M

Active consumer accounts¹

~35M

Active merchant accounts¹

\$1.4T

Total payment volume²

24B

Payment transactions²

Reach

200+

Global markets

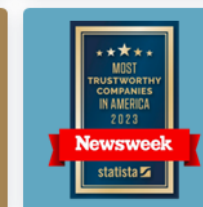
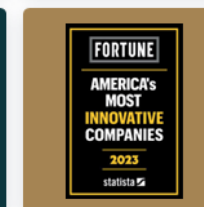
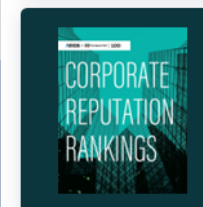
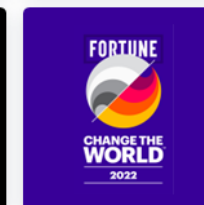
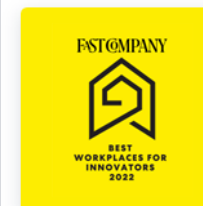
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Send currencies

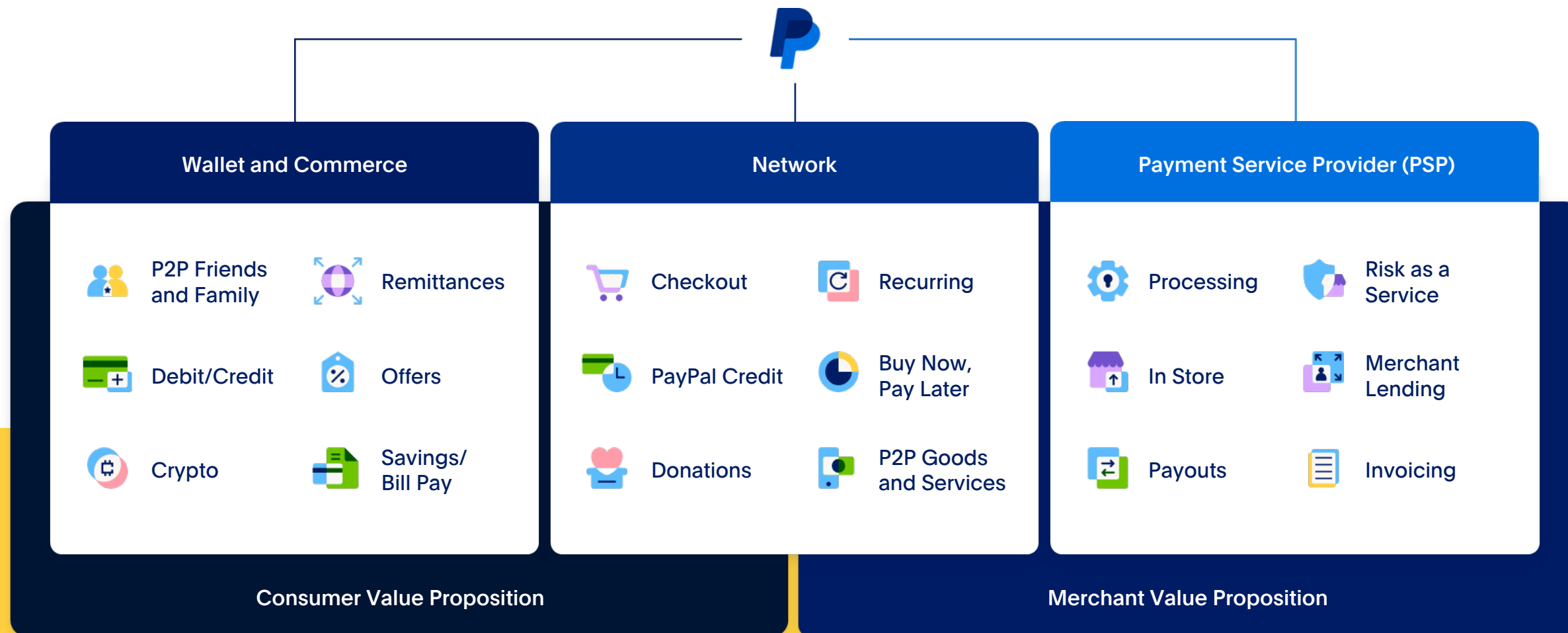
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Hold currencies

Trust



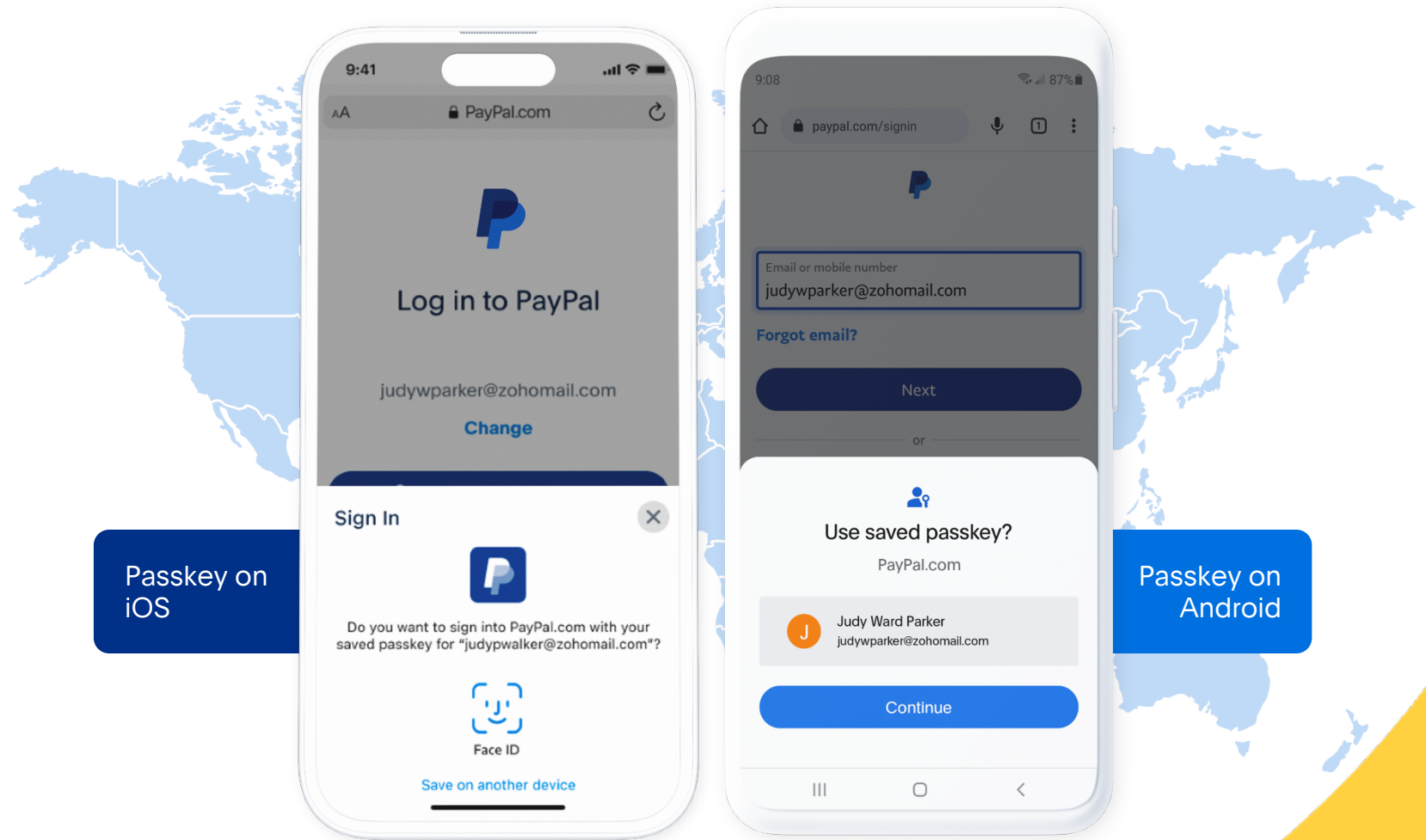
PayPal has a diversified and complementary portfolio of assets



PayPal expands passkeys globally

Passkeys offer an easy and secure way to sign in and check out with PayPal

- PayPal introduced passkeys in the U.S. in 2022 and is expanding passkeys globally this year
- A passkey allows users to securely log in to PayPal without entering a password
- User identity is verified with biometrics or a device password enabling users to log in and check out seamlessly and securely



Rolling out Tap to Pay and Teen Accounts on Venmo

Tap to Pay for Venmo

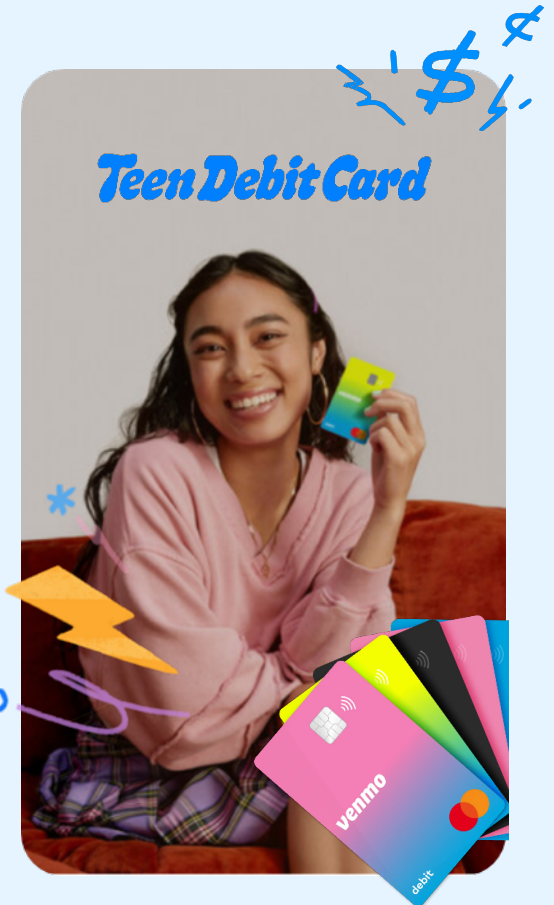
Merchants can now accept contactless credit and debit cards, Apple Pay®, and other digital wallets using the Venmo app on their iPhone or Android device without any additional hardware¹



-\$44.30

Venmo Teen Accounts

Parents and legal guardians can now open a Venmo account for their teens aged 13-17 years old to send and receive money with the Venmo app and Venmo Teen Debit Card



European pay later receivables sale to KKR

Optimizing PayPal's balance sheet, unlocking free cash flow for strategic initiatives

- Announced on June 20, 2023 and expected to close in H2-23
- Exclusive, multi-year agreement for a €3B replenishing loan commitment under which private credit funds and accounts managed by KKR will purchase up to €40B of buy now, pay later (BNPL) loan receivables originated by PayPal in France, Germany, Italy, Spain, and the UK
- PayPal will remain responsible for all customer-facing activities, including underwriting and servicing
- The transaction is expected to generate \$1.8B of proceeds upon closing
- PayPal now expects to allocate ~\$1B to incremental share repurchases in 2023, bringing total expected FY-23 share repurchases to \$5B
- PayPal has issued more than 300M loans to over 35M customers in eight markets around the world since launching BNPL offerings in 2020. In 2022, PayPal processed more than \$20B of BNPL payment volume globally, up 160% from 2021

See slide 23 for financial details →



KKR

"We are thrilled to deepen our footprint in consumer finance through this transaction and to work with one of the leading players in this space.

We believe that PayPal Pay Later offers a differentiated experience that positions PayPal to capture additional share in this growing market."

Vaibhav Piplapure

Managing Director at KKR

Expanding key merchant relationships in international markets

Multi-year agreement establishes PayPal as one of Booking.com's strategic card processors globally

Booking.com ×  PayPal Braintree

PayPal and Booking.com have had a longstanding branded checkout relationship since 2016 in the U.S. and internationally. Since then, we have expanded our relationship in the U.S. with the introduction of Venmo at checkout, unbranded card processing through Braintree and Hyperwallet to facilitate payouts.

In March, we deepened our relationship, establishing PayPal as one of Booking.com's strategic card processors globally. We migrated international processing to the Braintree platform in only one month, minimizing the disruption that is usually involved with changing providers. Since transitioning to the Braintree platform, Booking.com has seen strong performance in authorization rates in the regions where we partner together.



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Our new agreement with Booking.com builds on exciting wins in the U.S. with a leading European merchant. Booking.com has been leveraging PayPal for processing in the U.S. for many years, and we are thrilled to expand our processing support to them globally.

Peggy Alford

EVP, Global Sales and Merchant Services

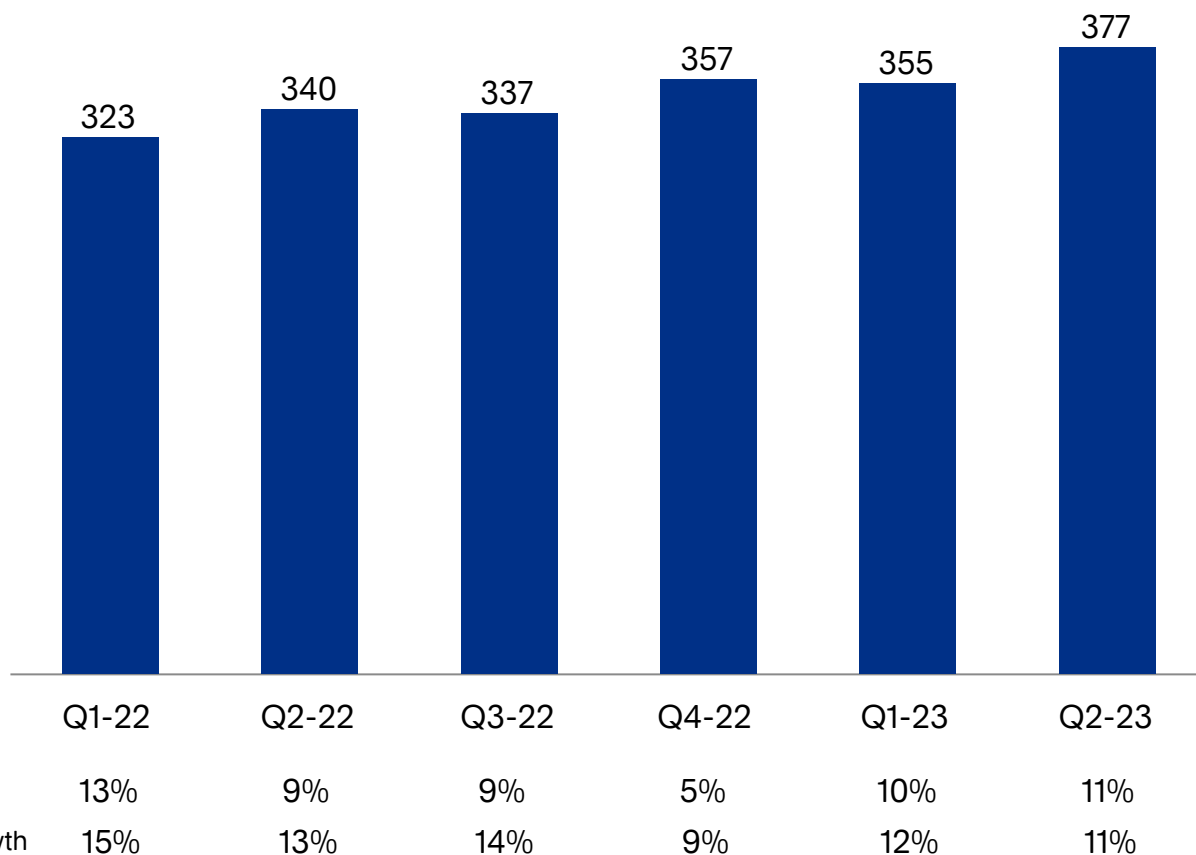
Business Update

Q2-23

Total payment volume (TPV)

TPV growth of 11% FXN

Total payment volume (\$B)

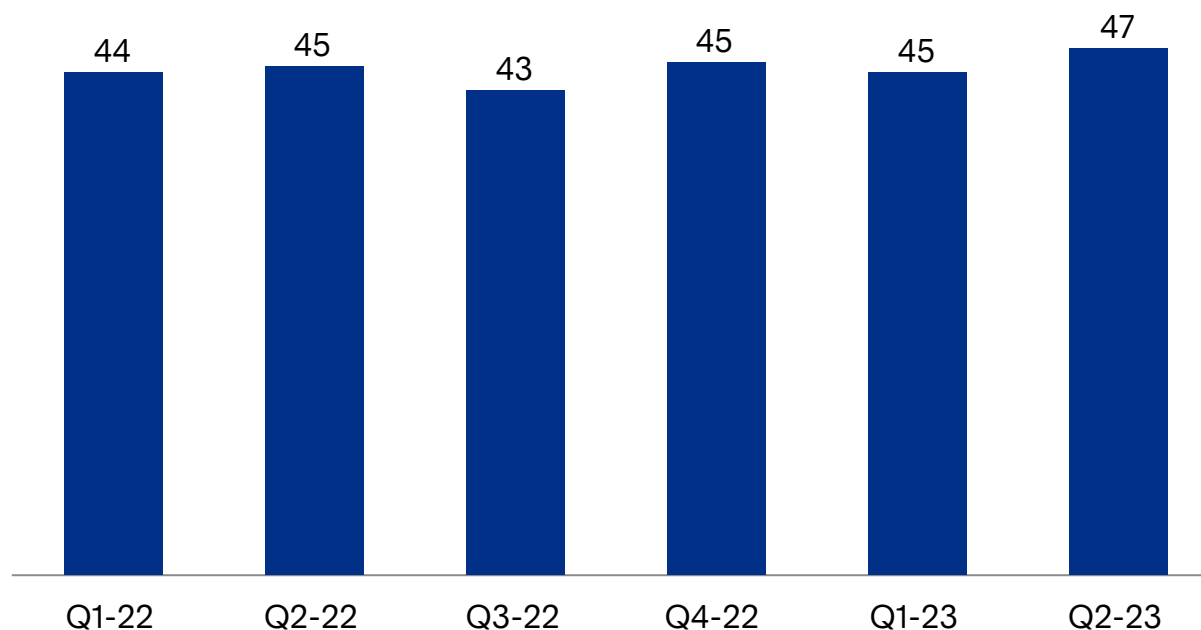


- TPV increased 11% on a spot and FXN basis to \$377B
- P2P TPV (PayPal, Venmo, and Xoom) increased 2% to \$95B, and represented 25% of TPV
- Venmo TPV increased 8% to \$67B

Cross-border trade (CBT)

CBT volumes return to growth, up 3% spot and FXN

Cross-border trade TPV (\$B)



Y/Y Growth	(7%)	(12%)	(9%)	(7%)	—%	3%
FXN Y/Y Growth	(4%)	(6%)	(1%)	—%	4%	3%
Share of Total TPV	14%	13%	13%	13%	13%	12%

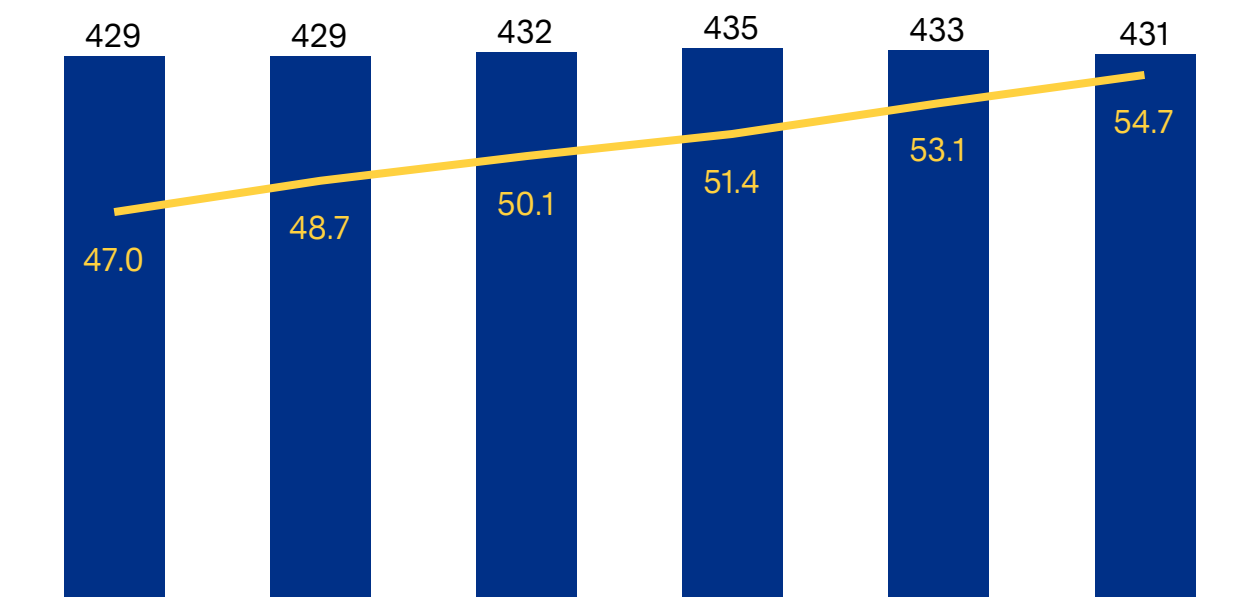
- CBT TPV was \$47B, growing 3% on a spot and FXN basis, driven by intra-European corridors, partly offset by softness in EU-UK activity
 - CBT TPV represented 12% of TPV, compared to 13% in Q2-22
 - Cross-border trade primarily comprises e-commerce goods-related activity and has limited exposure to 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.

Transactions and engagement

Transactions per active account (TPA) reached 54.7, growing 12%

Active accounts (M) and TPA



- Processed 6.1B payment transactions, up 10%
- 12% growth in TPA was predominantly driven by transaction growth from Braintree, with contribution from core PayPal
- Ended the quarter with 431M active accounts, up 0.4%, including 35M merchant accounts
- Active accounts declined 0.6%, or by 2.5M, relative to Q1-23 reflecting churn of minimally engaged accounts and the strategic decision to focus on driving higher activity levels with existing active accounts

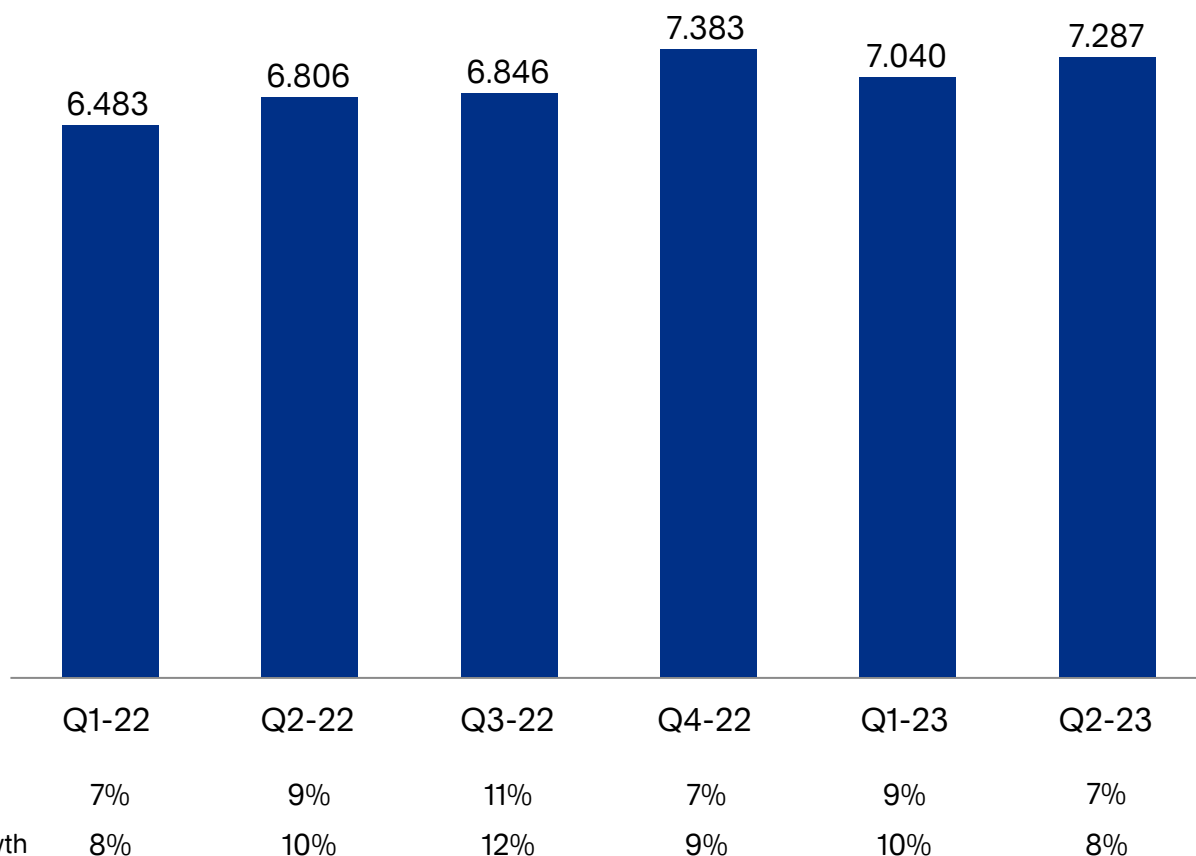
Y/Y Growth	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
Active Accounts	9%	6%	4%	2%	1%	—%
TPA	11%	12%	13%	13%	13%	12%
Transactions	18%	16%	15%	13%	13%	10%



Revenue

Revenue at the high end of guidance, growing 7% spot and 8% FXN

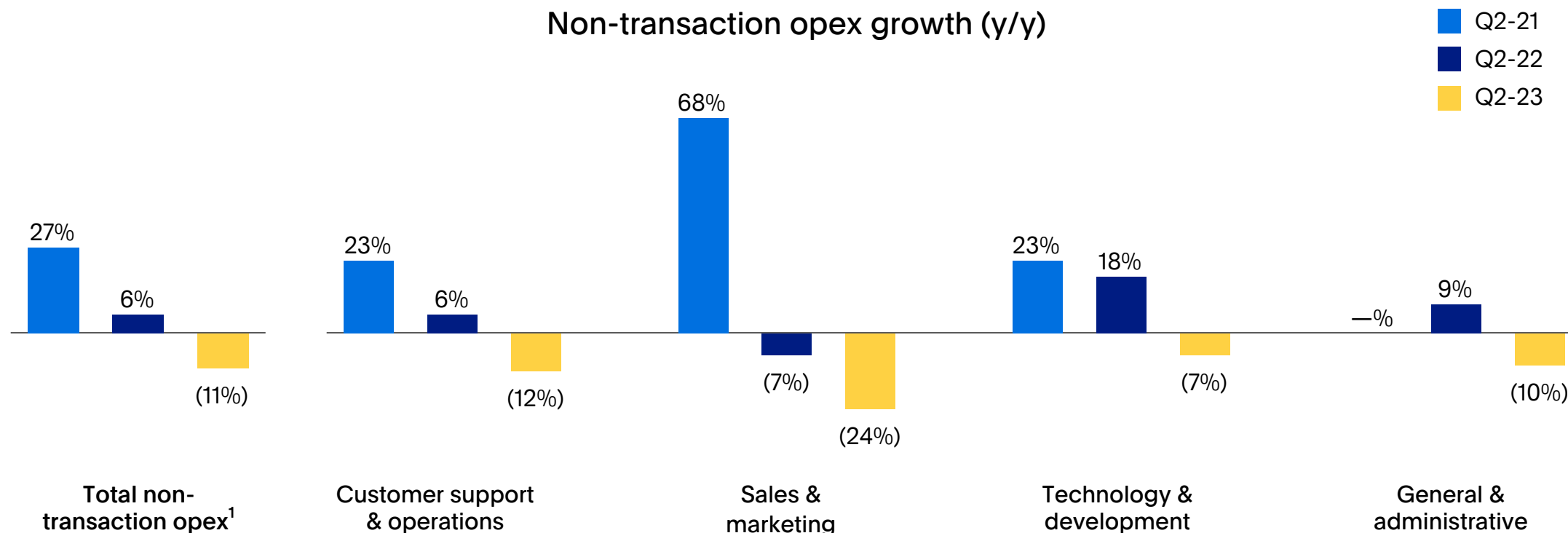
Total revenue (\$B)



- Total revenue grew 7% at spot and 8% FXN
 - Transaction revenue grew 5%
 - Other value added services (OVAS) revenue increased 37%, driven by interest on customer balances
- Hedging gains, recognized in international transaction revenue, were \$34M in Q2-23 vs. hedging gains of \$107M in Q2-22
- Exiting Q2, at exchange rates as of June 30, 2023, our derivative positions are estimated to result in the recognition of \$23M of hedging losses in international transaction revenue over the next 12 months

Non-transaction operating expenses declined 11%

Spend optimization and efficiency across all areas



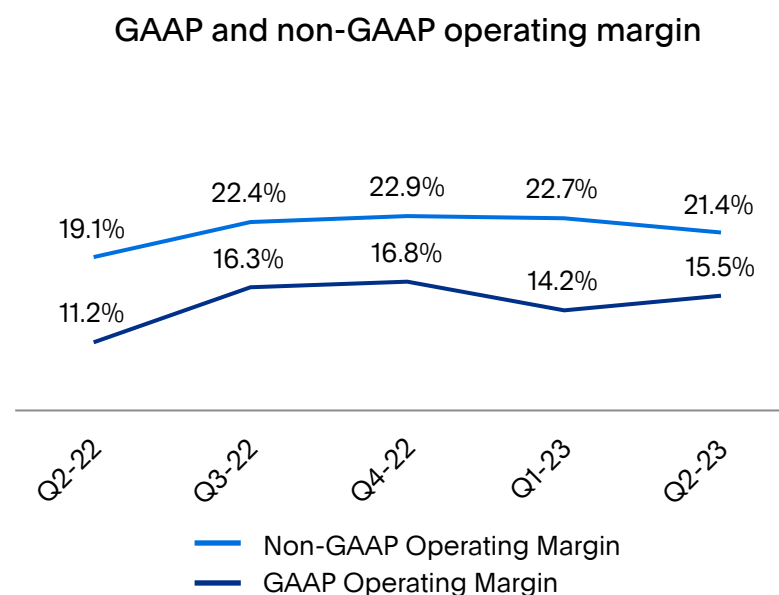
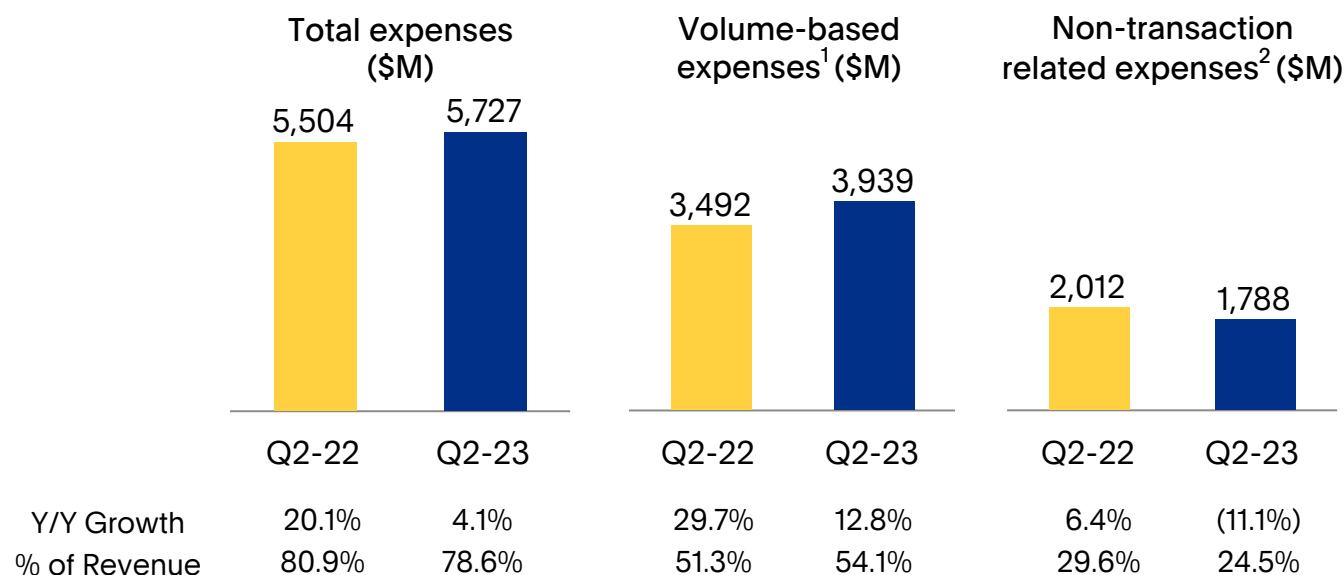
- Non-transaction related expenses declined 11% vs. Q2-22, driven by an increased focus on cost control with leverage across sales & marketing (-24%), customer support & operations (-12%), general & administrative (-10%) and technology & development (-7%)

Non-GAAP 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) Non-transaction related expenses include customer support & operations, sales & marketing, technology & development, general & administrative, and restructuring & other charges. In Q2-23, approximately \$34M of losses were recorded in restructuring & other charges in order to measure loans and interest receivable, held for sale, at the lower of cost or fair value.

Continued operating margin expansion

Non-GAAP operating margin expansion of ~230bps

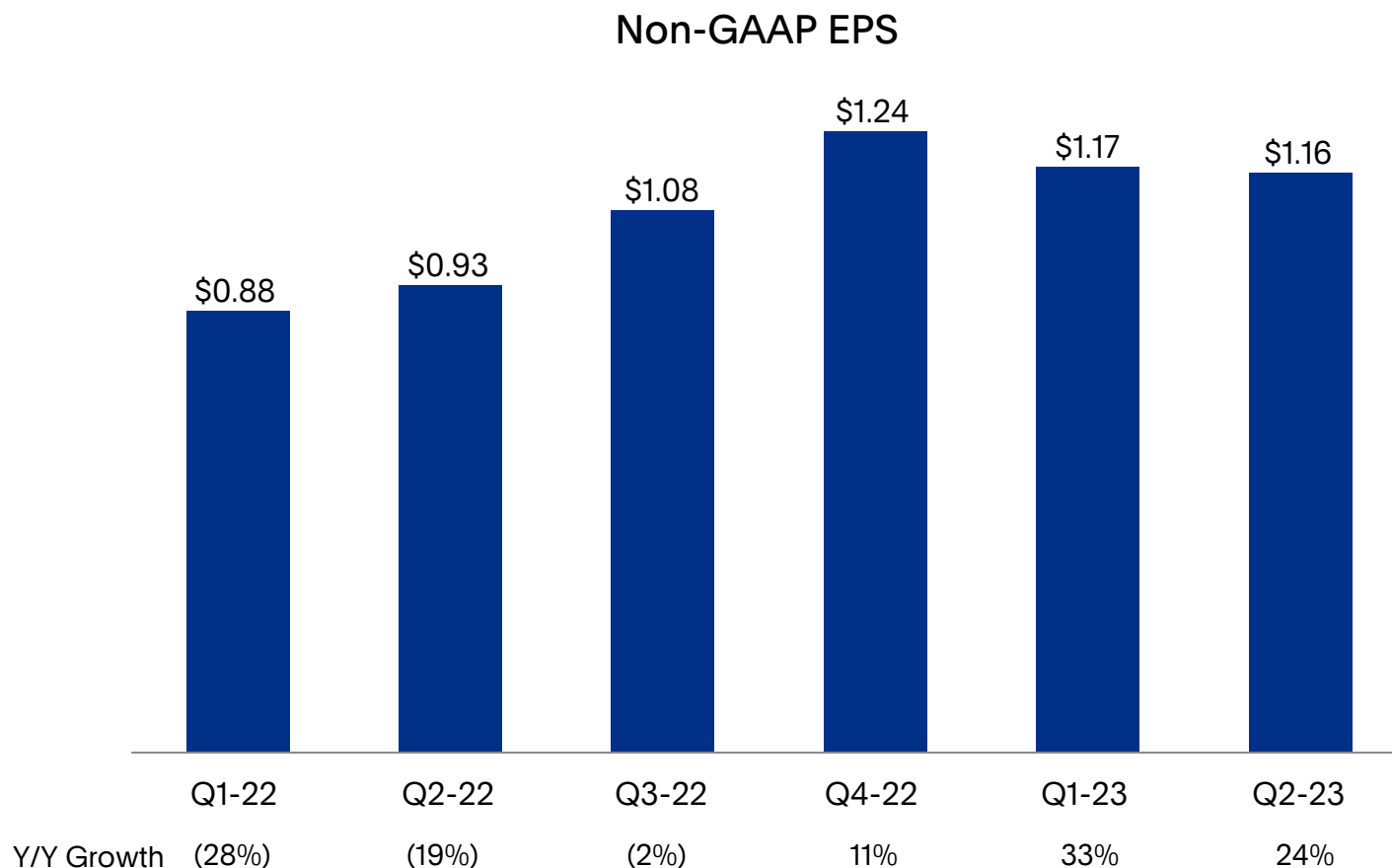


- Volume-based expenses grew 12.8%, driven by volume and funding mix (unbranded processing growth)
- Non-transaction related expenses declined 11.1%, driven by cost and productivity initiatives
- Non-GAAP operating margin expanded ~230bps to 21.4% and non-GAAP operating income grew 20%, reaching \$1.6B
 - Lower-than-expected credit revenue and increased provisioning in the merchant lending portfolio pressured operating margin in Q2
 - Tightened underwriting is resulting in better performance of newer cohorts
 - Reiterating at least ~100bps of FY-23 non-GAAP operating margin expansion, with strength across business offsetting merchant credit performance



Earnings per share (EPS)

Non-GAAP EPS grew 24%, contributing to H1-23 EPS growth of 28%



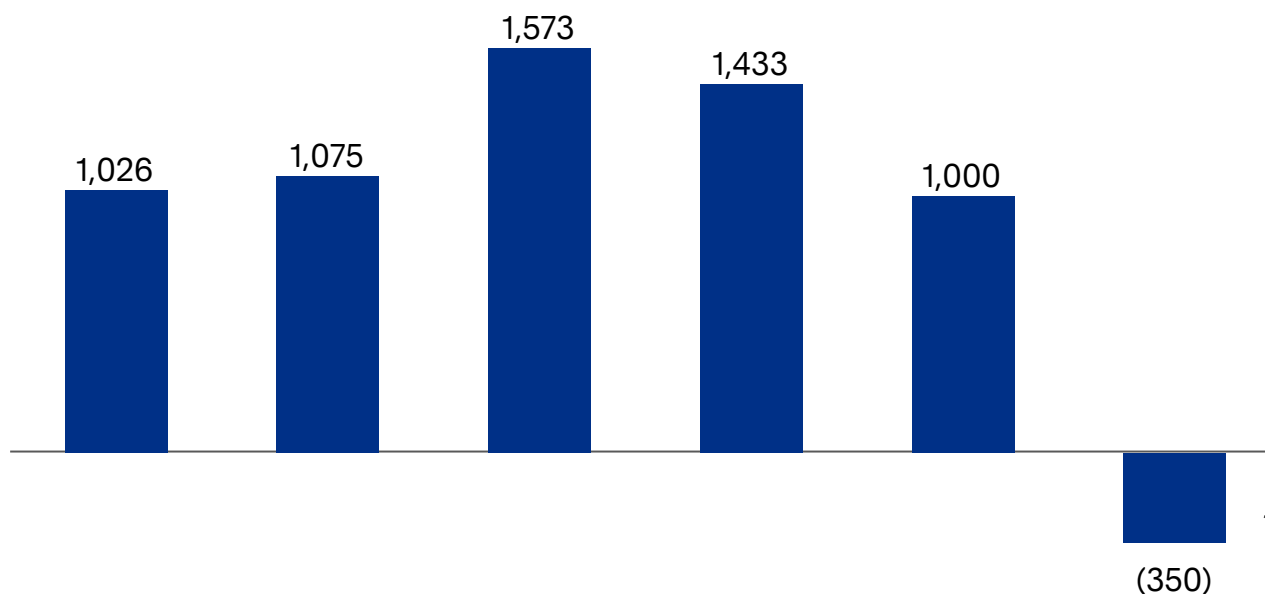
- Non-GAAP EPS increased 24%
- GAAP EPS of \$0.92 included a positive impact of ~\$0.09 related to strategic investments compared to a negative impact of ~\$0.45 in Q2-22

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

Free cash flow (FCF)

Reiterating FY-23 guidance of ~\$5B, ~\$4.9B of FCF on a trailing 12-month basis excluding HFS impact

Free cash flow (\$M)



% of Revenue	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
FCF	16%	16%	23%	19%	14%	**
Capex	3%	3%	3%	2%	2%	2%

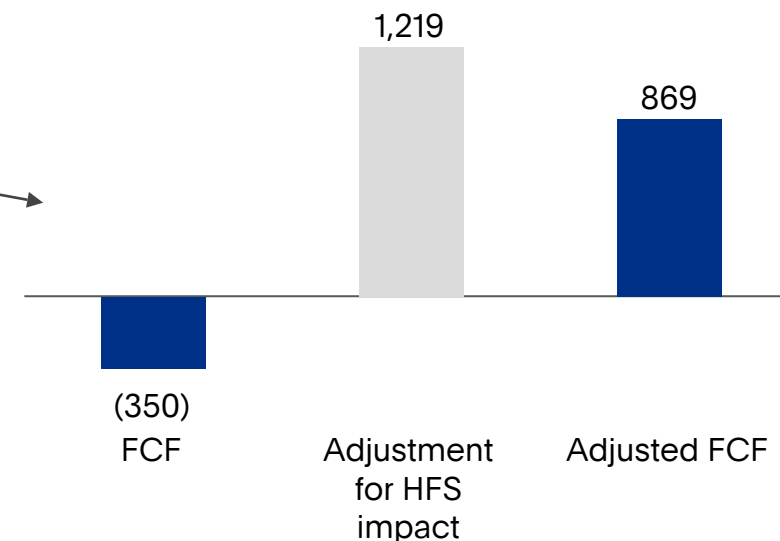
Free cash flow and adjusted free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure.

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

** Not meaningful

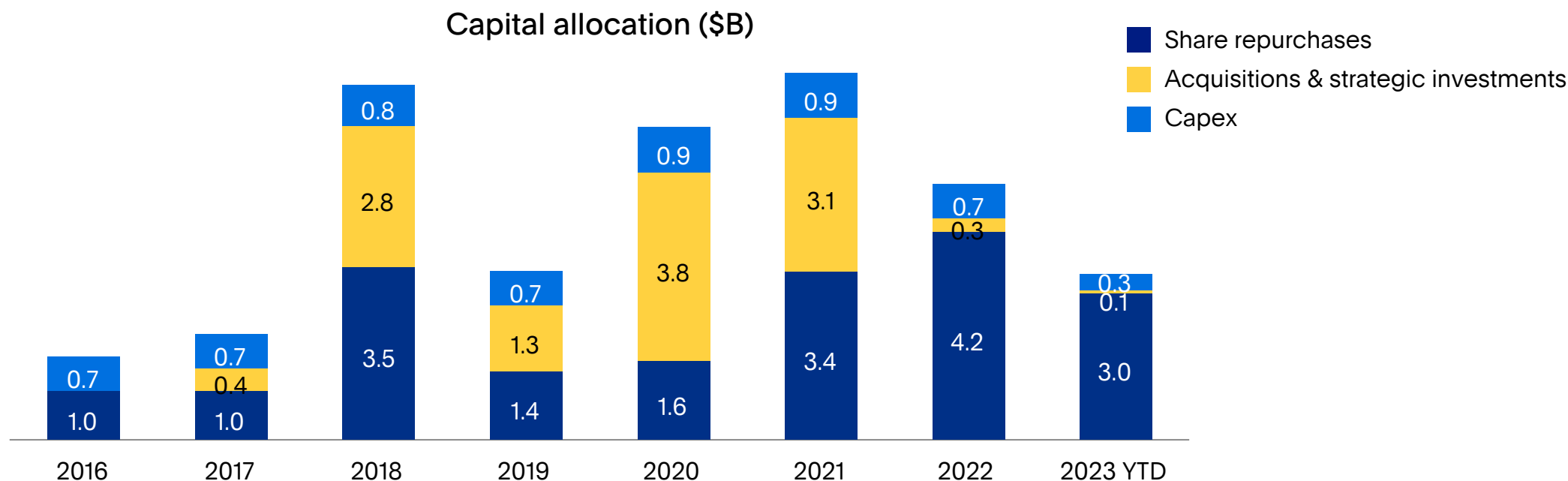
- FCF of (\$0.4B), which includes a ~\$1.2B negative impact from European BNPL loans originated as HFS, as well as changes in working capital
- Q2 impact on FCF of net originations classified as HFS to be offset by sale proceeds once BNPL externalization transaction closes

Q2-23 HFS impact (\$M)



Capital allocation

Returned \$4.9B to stockholders through share repurchases on a trailing 12-month basis



- Generated ~\$29B in FCF since becoming an independent company in July 2015
- In Q2-23, returned \$1.5B in capital to stockholders by repurchasing ~22M shares at an average price of \$68.89 per share
- On a trailing 12-month basis, returned \$4.9B to stockholders by repurchasing ~63M shares
- Since separation, allocated \$19B to share repurchases and \$13B to acquisitions and strategic investments

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.

FY-23 Guidance

Reiterating non-GAAP EPS growth of ~20%

Non-GAAP EPS growth	~20%
Non-GAAP EPS	~\$4.95
Non-GAAP operating margin expansion	>100bps
Free cash flow (\$B)	~\$5

- GAAP EPS: ~\$3.49
 - Includes restructuring charge of \$117M in Q1-23

- Revenue: H2-23 revenue growth expected to be at least in line with H1-23
- Non-GAAP EPS: Growth of ~20% to ~\$4.95
- Non-GAAP operating margin: At least ~100bps of expansion
- Free cash flow: ~\$5B, reflects headwind from higher expected cash taxes
- Share repurchases: ~\$5B
- Non-GAAP effective tax rate: ~17%-19%
- Capex: ~3% of revenue

Non-GAAP EPS, non-GAAP operating margin, free cash flow, and non-GAAP effective tax rate 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.

Q3-23 Guidance

Expense discipline driving 13%-14% non-GAAP earnings growth

Net revenue growth (FXN)	~8%
Net revenue (\$B)	~\$7.4
Non-GAAP EPS growth	13%-14%
Non-GAAP EPS	\$1.22-\$1.24

- Revenue: ~\$7.4 billion based on current exchange rates, growing ~8% at spot and FXN
- Q3-23 off to a strong start with July¹ revenue growing ~9% FXN, TPV growing in the low teens FXN and branded checkout TPV growing ~8% FXN
- Non-GAAP EPS: \$1.22-\$1.24, growing 13%-14%
- GAAP EPS: \$0.85-\$0.87, compared to \$1.15 in Q3-22
- Non-GAAP effective tax rate: ~17%-18%

Non-GAAP EPS and non-GAAP effective tax rate 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) July 2023 data is preliminary.

Impact of European pay later receivables sale to KKR

	Held for sale (HFS) impact on Q2 results	Impact from externalization and future forward flow sales
Revenue	Immaterial	Not material to our overall business
Credit loss	~\$33M benefit to credit loss	Benefit of no longer needing to provision for expected losses from sold loans
Non-transaction related expenses	~\$34M expense within "Restructuring and Other"	Discount to face value of loans when sold recorded as expense within "Restructuring and Other"
Non-GAAP operating income	Net (\$1M) impact	Expense from forward flow sales largely offset by no longer provisioning for expected losses from sold loans
Non-GAAP EPS	Immaterial	Share repurchase and interest income earned on corporate cash to help offset dilution
Free cash flow	(\$1.2B) impact from net outflows of loans originated as HFS	Cash proceeds at transaction close offset HFS impact; FY-23 FCF outlook of ~\$5B unchanged
Balance sheet	~\$1.9B of loans classified to "Loans and Interest Receivable - Held for Sale"	Cash proceeds of ~\$1.8B associated with the sale recognized upon close Post close, future sales of new originations will occur on a weekly basis

Note: The (\$1.2B) HFS impact on Operating and Free Cash Flow in Q2 is based on the difference in timing between the agreement with KKR and transaction closing date. At closing, cash proceeds will benefit Operating and Free Cash Flow, offsetting the negative impact from the classification of loans being HFS.

After closing, future forward flow sales will take place on a weekly basis and the impact to Operating and Free Cash Flow will be limited to approximately a week's worth of originations that have been classified as Held for Sale but not yet sold.

A portion of the ~\$1.9B of loans classified to HFS were deemed as Held for Investment based on when they were originated, which impacted Investing Cash Flow and does not impact Operating Cash Flow or Free Cash Flow.

Supplemental Information

PayPal metrics¹

(in millions, except %)

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
Active Accounts	429	429	432	435	433	431
Y/Y Growth	9%	6%	4%	2%	1%	—%
Number of Payment Transactions	5,161	5,513	5,643	6,032	5,835	6,074
Y/Y Growth	18%	16%	15%	13%	13%	10%
Total Payment Volume	\$322,981	\$339,791	\$336,973	\$357,378	\$354,508	\$376,538
Y/Y Growth	13%	9%	9%	5%	10%	11%
FXN Y/Y Growth	15%	13%	14%	9%	12%	11%
US TPV	\$207,845	\$219,307	\$221,198	\$232,553	\$231,975	\$238,893
Y/Y Growth	21%	16%	15%	10%	12%	9%
International TPV	\$115,136	\$120,484	\$115,774	\$124,825	\$122,533	\$137,645
Y/Y Growth	1%	(2)%	(1)%	(3)%	6%	14%
FXN Y/Y Growth	5%	8%	11%	8%	12%	14%
Total Take Rate	2.01%	2.00%	2.03%	2.07%	1.99%	1.94%
Transaction Take Rate	1.86%	1.85%	1.85%	1.88%	1.80%	1.74%
Transaction Expense Rate	0.87%	0.90%	0.89%	0.93%	0.93%	0.94%
Transaction and Credit Loss Rate	0.11%	0.13%	0.11%	0.11%	0.12%	0.11%
Transaction Margin	50.9%	48.7%	51.0%	49.7%	47.1%	45.9%

- 45% of active accounts were outside the U.S. as of June 30, 2023
- Average Payment Volume (APV) was \$62, up 1% y/y, driven by FX translation
- Transaction take rate was down ~11bps vs. Q2-22, with approximately two-thirds of the decline driven by lower FX fees, lower gains from FX hedges and lapping elevated contractual compensation from merchants last year
- Total take rate was down ~6bps vs. Q2-22
- Transaction expense rate increase of ~4bps driven primarily by volume mix (e.g., higher unbranded share)
- Transaction loss rate improved to ~8bps vs. ~11bps in Q2-22, benefiting from lapping a merchant insolvency last year

(1) Definitions included in Supplemental Information.



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Financial detail

(in millions, except %)	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
Transaction Revenue	\$5,998	\$6,272	\$6,234	\$6,702	\$6,364	\$6,556
Y/Y Growth	7%	8%	11%	5%	6%	5%
Other Value Added Services (OVAS)	\$485	\$534	\$612	\$681	\$676	\$731
Y/Y Growth	18%	21%	6%	26%	39%	37%
Total Revenue	\$6,483	\$6,806	\$6,846	\$7,383	\$7,040	\$7,287
Y/Y Growth	*7%	9%	11%	7%	9%	7%
FXN Y/Y Growth	8%	10%	12%	9%	10%	8%
US Revenue Y/Y Growth	20%	18%	14%	10%	13%	9%
International Revenue FXN Y/Y Growth	(5%)	1%	9%	6%	7%	7%
% International	43%	43%	42%	42%	41%	42%
Transaction expense	\$2,817	\$3,044	\$2,988	\$3,324	\$3,283	\$3,541
Transaction and credit loss	\$369	\$448	\$367	\$388	\$442	\$398
Volume-based expenses	\$3,186	\$3,492	\$3,355	\$3,712	\$3,725	\$3,939
Customer support and operations	\$455	\$469	\$453	\$468	\$412	\$415
Sales and marketing	\$491	\$499	\$463	\$432	\$348	\$378
Technology and development	\$610	\$626	\$628	\$632	\$557	\$584
General and administrative	\$398	\$418	\$415	\$446	\$398	\$377
Restructuring and other charges	\$—	\$—	\$—	\$—	\$—	\$34
Non-transaction related expenses	\$1,954	\$2,012	\$1,959	\$1,978	\$1,715	\$1,788
Total Operating Expenses⁽¹⁾	\$5,140	\$5,504	\$5,314	\$5,690	\$5,440	\$5,727
Y/Y Growth	18%	20%	13%	5%	6%	4%
Non-GAAP Op. Income⁽¹⁾	\$1,343	\$1,302	\$1,532	\$1,693	\$1,600	\$1,560
Non-GAAP Op. Margin %⁽¹⁾	21%	19%	22%	23%	23%	21%
Non-GAAP EPS⁽¹⁾	\$0.88	\$0.93	\$1.08	\$1.24	\$1.17	\$1.16
Y/Y Growth	(28%)	(19%)	(2%)	11%	33%	24%
CAPEX	\$191	\$175	\$182	\$158	\$170	\$150
Free Cash Flow^(1,2,3)	\$1,026	\$1,075	\$1,573	\$1,433	\$1,000	(\$350)

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

(3) Q2-23 includes a ~\$1.2 billion negative impact from European BNPL loans originated as held for sale, expected to be sold in H2-23.

Hedging impacts and credit reserve builds and releases

(in millions, except %)

Hedging Impacts⁽¹⁾

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

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
\$	(123)	\$ (242)	\$ (307)	\$ (277)	\$ (139)	6
	47	107	156	152	76	34
	(76)	(135)	(151)	(125)	(63)	40
	57	131	162	142	78	7
\$	(19)	\$ (4)	11	\$ 17	\$ 15	47

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

Net charge-offs⁽²⁾

Reserve build (release)^(3,4)

Credit Losses

\$	52	\$ 60	\$ 69	\$ 86	\$ 110	134
	(5)	8	44	88	32	(22)
\$	47	\$ 68	\$ 113	\$ 174	\$ 142	112

(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.

(4) Q2-23 includes the reversal of allowance associated with the reclassification of certain loans to held for sale.

Reconciliation of GAAP operating expenses to non-GAAP operating expenses

(In Millions/Unaudited)	Note	Three Months Ended								Year Ended December 31,							
		June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2022	2021	2020			
GAAP operating expenses:																	
Transaction expense		\$ 3,541	\$ 3,283	\$ 3,324	\$ 2,988	\$ 3,044	\$ 2,817	\$ 2,952	\$ 2,564	\$ 2,524	\$ 2,275	\$ 12,173	\$ 10,315	\$ 7,934	(a)	Stock-based compensation expense.	
Transaction and credit losses		398	442	388	367	448	369	350	268	169	273	1,572	1,060	1,741			
Customer support and operations		492	488	541	509	536	534	532	504	521	518	2,120	2,075	1,778			
Sales and marketing		465	436	524	544	595	594	666	549	628	602	2,257	2,445	1,861	(b)	Employer payroll taxes on stock-based compensation.	
Technology and development		743	721	822	801	815	815	796	755	746	741	3,253	3,038	2,642			
General administrative		491	507	515	463	514	607	570	498	522	524	2,099	2,114	2,070			
Restructuring and other changes		24	164	25	56	90	36	2	1	1	58	207	62	139	(c)	Amortization of acquired intangible assets.	
Total operating expenses		\$ 6,154	\$ 6,041	\$ 6,139	\$ 5,728	\$ 6,042	\$ 5,772	\$ 5,868	\$ 5,139	\$ 5,111	\$ 4,991	\$ 23,681	\$ 21,109	\$ 18,165			
Non-GAAP operating expense adjustments:																	
Customer support and operations	(a)	(76)	(72)	(73)	(56)	(67)	(73)	(58)	(56)	(77)	(72)	(269)	(263)	(250)	(e)	Acquisition-related transaction expense.	
	(b)	(1)	(4)	—	—	—	(6)	(2)	(1)	(3)	(16)	(6)	(22)	(9)			
Sales and marketing	(a)	(45)	(43)	(37)	(27)	(42)	(45)	(41)	(38)	(48)	(48)	(151)	(175)	(172)	(f)	Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company.	
	(b)	—	(4)	—	—	(1)	(5)	(1)	(2)	(5)	(13)	(6)	(21)	(12)			
	(c)	(42)	(41)	(55)	(54)	(53)	(53)	(51)	(39)	(39)	(38)	(215)	(167)	(170)			
Technology and development	(a)	(149)	(148)	(132)	(115)	(129)	(136)	(112)	(117)	(147)	(139)	(512)	(515)	(529)	(g)	Right-of-use asset impairment and other charges associated with exiting certain leased properties as well as gains and losses associated with early lease terminations and owned property held for sale or sold.	
	(b)	(1)	(7)	—	—	(1)	(12)	(2)	—	(5)	(34)	(13)	(41)	(21)			
	(c)	(9)	(9)	(58)	(58)	(59)	(57)	(58)	(64)	(63)	(61)	(232)	(246)	(252)			
General administrative	(a)	(106)	(94)	(66)	(41)	(88)	(188)	(120)	(100)	(129)	(119)	(383)	(468)	(460)			
	(b)	(1)	(8)	—	—	(1)	(14)	(3)	(2)	(3)	(26)	(15)	(34)	(19)			
	(c)	(7)	(7)	(3)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(24)	(28)	(28)			
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(20)			
	(f)	—	—	—	—	—	—	—	—	—	—	—	—	(18)			
Restructuring and other charges	(d)	—	(117)	(8)	(23)	(71)	(20)	—	—	5	(32)	(122)	(27)	(109)			
	(g)	10	(47)	(17)	(33)	(19)	(16)	(2)	(1)	(6)	(26)	(85)	(35)	(30)			
Total operating expenses		\$ (427)	\$ (601)	\$ (449)	\$ (414)	\$ (538)	\$ (632)	\$ (457)	\$ (427)	\$ (527)	\$ (631)	\$ (2,033)	\$ (2,042)	\$ (2,099)			
Non-GAAP operating expenses:																	
Transaction expense		3,541	3,283	3,324	2,988	3,044	2,817	2,952	2,564	2,524	2,275	\$ 12,173	\$ 10,315	\$ 7,934			
Transaction and credit losses		398	442	388	367	448	369	350	268	169	273	1,572	1,060	1,741			
Customer support and operations		415	412	468	453	469	455	472	447	441	430	1,845	1,790	1,519			
Sales and marketing		378	348	432	463	499	491	573	470	536	503	1,885	2,082	1,507			
Technology and development		584	557	632	628	626	610	624	574	531	507	2,496	2,236	1,840			
General and administrative		377	398	446	415	418	398	440	389	383	372	1,677	1,584	1,525			
Restructuring and other charges		34	—	—	—	—	—	—	—	—	—	—	—	—			
Total operating expenses		\$ 5,727	\$ 5,440	\$ 5,690	\$ 5,314	\$ 5,504	\$ 5,140	\$ 5,411	\$ 4,712	\$ 4,584	\$ 4,360	\$ 21,648	\$ 19,067	\$ 16,066			

Reconciliation of GAAP operating income to non-GAAP operating income, and GAAP operating margin to non-GAAP operating margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2022	2021	2020
GAAP net revenues	\$ 7,287	\$ 7,040	\$ 7,383	\$ 6,846	\$ 6,806	\$ 6,483	\$ 6,918	\$ 6,182	\$ 6,238	\$ 6,033	\$ 27,518	\$ 25,371	\$ 21,454
GAAP operating income	1,133	999	1,244	1,118	764	711	1,050	1,043	1,127	1,042	3,837	4,262	3,289
Stock-based compensation expense and related employer payroll taxes	379	380	308	239	329	479	339	316	417	467	1,355	1,539	1,472
Amortization of acquired intangible assets	58	57	116	119	119	117	116	110	109	106	471	441	450
Restructuring	—	117	8	23	71	20	—	—	(5)	32	122	27	109
Other	(10)	47	17	33	19	16	2	1	6	26	85	35	48
Acquisition-related transaction expense	—	—	—	—	—	—	—	—	—	—	—	—	20
Total non-GAAP operating income adjustments	427	601	449	414	538	632	457	427	527	631	2,033	2,042	2,099
Non-GAAP operating income	\$ 1,560	\$ 1,600	\$ 1,693	\$ 1,532	\$ 1,302	\$ 1,343	\$ 1,507	\$ 1,470	\$ 1,654	\$ 1,673	\$ 5,870	\$ 6,304	\$ 5,388
GAAP operating margin	15.5 %	14.2 %	16.8 %	16.3 %	11.2 %	11.0 %	15.2 %	16.9 %	18.1 %	17.3 %	13.9 %	16.8 %	15.3 %
Non-GAAP operating margin	21.4 %	22.7 %	22.9 %	22.4 %	19.1 %	20.7 %	21.8 %	23.8 %	26.5 %	27.7 %	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,				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2022	2021	2020
GAAP income before income taxes	\$ 1,303	\$ 1,074	\$ 1,110	\$ 1,578	\$ 49	\$ 629	\$ 706	\$ 1,165	\$ 1,356	\$ 872	\$ 3,366	\$ 4,099	\$ 5,065
GAAP income tax expense (benefit)	274	279	189	248	390	120	(95)	78	172	(225)	947	(70)	863
GAAP net income (loss)	1,029	795	921	1,330	(341)	509	801	1,087	1,184	1,097	2,419	4,169	4,202
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	427	601	449	414	538	632	457	427	527	631	2,033	2,042	2,099
(Gains) losses on strategic investments	(133)	(48)	141	(495)	672	(14)	290	(173)	(283)	120	304	(46)	(1,914)
Other certain significant gains, losses, or charges	—	18	(21)	—	431	—	—	43	(7)	—	410	36	242
Tax effect of non-GAAP adjustments	(34)	(40)	(73)	5	(221)	(95)	(229)	(65)	(59)	(393)	(384)	(746)	(24)
Non-GAAP net income	\$ 1,289	\$ 1,326	\$ 1,417	\$ 1,254	\$ 1,079	\$ 1,032	\$ 1,319	\$ 1,319	\$ 1,362	\$ 1,455	\$ 4,782	\$ 5,455	\$ 4,605
Shares used in diluted share calculation:													
GAAP	1,114	1,134	1,144	1,157	1,158	1,172	1,183	1,187	1,186	1,190	1,158	1,186	1,187
Non-GAAP	1,114	1,134	1,144	1,157	1,160	1,172	1,183	1,187	1,186	1,190	1,158	1,186	1,187
Net income (loss) per diluted share:													
GAAP	\$ 0.92	\$ 0.70	\$ 0.81	\$ 1.15	\$ (0.29)	\$ 0.43	\$ 0.68	\$ 0.92	\$ 1.00	\$ 0.92	\$ 2.09	\$ 3.52	\$ 3.54
Non-GAAP	\$ 1.16	\$ 1.17	\$ 1.24	\$ 1.08	\$ 0.93	\$ 0.88	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.22	\$ 4.13	\$ 4.60	\$ 3.88
GAAP effective tax rate	21 %	26 %	17 %	16 %	796 %	19 %	(13)%	7 %	13 %	(26)%	28 %	(2)%	17 %
Tax effect of non-GAAP adjustments to net income	(2)%	(7)%	— %	— %	(782)%	(2)%	22 %	— %	2 %	36 %	(12)%	13 %	(5)%
Non-GAAP effective tax rate	19 %	19 %	17 %	16 %	14 %	17 %	9 %	7 %	15 %	10 %	16 %	11 %	12 %

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, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2022	2021	2020
Net cash provided by operating activities ⁽¹⁾	\$ (200)	\$ 1,170	\$ 1,591	\$ 1,755	\$ 1,250	\$ 1,217	\$ 1,640	\$ 1,308	\$ 1,277	\$ 1,572	\$ 5,813	\$ 5,797	\$ 6,219
Less: Purchases of property and equipment	(150)	(170)	(158)	(182)	(175)	(191)	(213)	(227)	(247)	(221)	(706)	(908)	(866)
Free cash flow	(350)	1,000	1,433	1,573	1,075	1,026	1,427	1,081	1,030	1,351	5,107	4,889	5,353
Impact of net outflows for European BNPL receivables originated as HFS	1,219	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted free cash flow	869	1,000	1,433	1,573	1,075	1,026	1,427	1,081	1,030	1,351	5,107	4,889	5,353

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

Q3-23 and FY-23 GAAP and non-GAAP guidance

	Three Months Ending September 30, 2023	
	GAAP	Non-GAAP ^(a)
Revenue Growth Rate (Spot)	~8%	~8%
Revenue Growth Rate (FXN)	N/A	~8%
Diluted EPS \$	\$0.85-\$0.87	\$1.22-\$1.24

	Twelve Months Ending December 31, 2023	
	GAAP	Non-GAAP ^(b)
Diluted EPS \$	~\$3.49	~\$4.95

(a) Estimated non-GAAP amounts for the three months ended September 30, 2023, reflect adjustments of approximately \$490 million, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$410 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 \$1.6 billion, and restructuring charges of approximately \$117 million that occurred in Q1-23

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.



