27-Oct-2026

PayPal Holdings, Inc. (PYPL)

Q3 2026 Earnings Call

Copyright © 2001-2026 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

OTHER PARTICIPANTS

Andrew Schmidt
Analyst, KeyBanc Capital Markets, Inc.

Dan Dolev
Analyst, Mizuho Securities USA LLC

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Timothy E. Chiodo
Analyst, UBS Securities LLC

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Bryan Keane
Analyst, Citigroup Global Markets, Inc.

Andrew Bauch
Analyst, BMO Capital Markets Corp.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Darrin Peller
Analyst, Wolfe Research LLC

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Jason Kupferberg
Analyst, Wells Fargo Securities LLC

Copyright © 2001-2026 FactSet CallStreet, LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to PayPal's Second (sic) [Third] Quarter 2026 Earnings Conference Call. My name is Alexandra, and I will be your conference operator today. As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Steve Winoker, PayPal's Chief Investor Relations Officer. Please go ahead.

Steven Winoker

Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.

Thanks, Alexandra. Welcome to PayPal's third quarter 2026 earnings call. I'm joined by CEO Enrique Lores; and Chief Financial and Operating Officer, Jamie Miller. Our remarks today include forward-looking statements that involve risks and uncertainties. Actual results may differ materially from these statements. Our commentary is based on our best view of the world and our businesses as we see them today. As described in our earnings press release, SEC filings, and on our website, those elements may change as the world changes.

Over to you, Enrique.

Enrique Lores

President, Chief Executive Officer & Director, PayPal Holdings, Inc.

Thank you, Steve, and good morning. Today, I will discuss our third quarter progress, our multiple growth engines across PayPal, and how our work on cost, technology, and AI is helping us move faster and deliver for our customers. We are building on PayPal's unique strengths, the trust in our brands, our global scale, and the power of our two-sided network, while expanding beyond checkout into financial services. This is an increasingly important part of our value proposition and a larger driver of our growth.

Financial services expand our total addressable market, deepen customer relationships, increase lifetime value, and allow us to become a more relevant financial partner in consumers' everyday lives.

Over the past several months, we have moved quickly to simplify PayPal, clarify accountability across our three businesses, and improve our cost structure and productivity. We now have greater clarity on where our biggest opportunities are and how we will capture them. This quarter we are beginning to see our strategy translate into financial results.

We delivered a solid quarter with transaction margin dollars growing approximately 2% and non-GAAP earnings per share growing 8%. We also delivered $2 billion of adjusted free cash flow and returned over $1.6 billion through buybacks and dividends.

Our key growth areas continue to perform well. We saw strong momentum across financial services, including buy now, pay later, credit, and debit.

Venmo and Braintree each delivered double-digit TPV growth and are making important contributions to transaction margin dollar growth.

Copyright © 2001-2026 FactSet CallStreet, LLC

Branded checkout TPV growth has remained relatively stable in the 1% to 2% range for four quarters despite various headwinds. While there is more work to do, we're encouraged by the improvement relative to the market, continued momentum in the US, and strength in BNPL and Pay with Venmo. These results show that our financial performance is increasingly coming from multiple parts of the business.

Last quarter, I outlined five changes we're making to build a stronger, more diversified PayPal. We have made good progress, and today each of our businesses has a clear plan for how it will contribute to durable, profitable growth.

First, financial services are becoming a much more important part of our business. They already represent more than 20% of transaction margin dollars in 2026 and are growing double digits. For example, we continue to see good momentum in pay later with broader distribution this quarter through leading merchants like Amazon in Germany and Austria, American Eagle, Aerie, and Dick's Sporting Goods, and the momentum extends beyond pay later with strong growth across consumer offerings like credit, debit, and tap to pay, as well as merchant lending.

Second, we continue to build momentum in Venmo and PSP. We are building on the strength of the Venmo brand to broaden adoption of financial services, deepen customer relationships, and increase ARPA.

The Venmo debit card reached 6.7 million monthly active accounts, up more than 55%, with a record 1.6 million first-time users in the third quarter. We also relaunched the Venmo credit card with a differentiated value proposition that rewards customers for splitting purchases with friends.

In PSP, we're strengthening our position with large enterprises and leading commerce partners through unified processing and a broader portfolio of premium value-added services such as Risk as a Service, payouts, and merchant lending. PSP volume grew 8%, while value-added services attach increased to 6% from 5% a year ago.

Third, we remain convinced that a consumer-led approach is the right catalyst for durable, profitable growth. We have done significant work to understand who our highest-value consumers are, what they need from PayPal, and how we can deepen our relationships with them and become more relevant in their everyday lives.

Transaction margin dollar growth is our North Star. To drive that growth, we're placing greater emphasis on monthly active accounts and ARPA among this consumer. That means increasing adoption of financial services and improving retention while also making PayPal easier to find and use at the merchants where these consumers shop.

Over time, our opportunity is to serve more of their financial needs, with checkout increasingly just one part of a broader relationship. This consumer-led approach also informs how we work with merchants.

As you can see on slide 5, across many of our largest US merchants, we are improving the checkout experience, strengthening presentment, and partnering on consumer marketing to drive PayPal selection. While we have implemented multiple elements of this playbook, we are beginning to see improvement in our checkout performance. We're scaling this approach merchant by merchant and country by country.

Fourth, we're changing how we operate to drive better execution. We have clearer accountability, faster decision-making, and simpler ways of working. We have reduced head count by more than 2,000 and removed three organizational layers across most areas of the company.

Copyright © 2001-2026 FactSet CallStreet, LLC

We're also using AI and automation to drive productivity. For example, our AI chat agents now support customer service across 190 countries and six languages and have resolved more than 24 million contacts year-to-date. Actions like this are creating capacity to reinvest in our highest-return opportunities. We're on track to achieve our target of at least $1.5 billion in gross run-rate cost savings over two to three years, including more than $700 million exiting the fourth quarter.

Fifth, we are modernizing our technology and leveraging AI to innovate faster and at scale for our customers. We are making solid progress. This quarter we migrated 7.5 billion customer records to cloud infrastructure. Our new modular risk platform is using real-time data and AI to cut credit decision times nearly in half in Canada, Italy, and Spain.

Venmo has started processing select payments on PayPal rails and Venmo authentication now runs entirely on PayPal's identity platform. These are important steps toward a more unified technology foundation.

We completed the global rollout of our new PayPal mobile app built on modern architecture that will enable faster, data-driven innovation, and we're building for what comes next, collaborating with Meta and other AI companies to integrate PayPal into AI personal agents and bring our trusted value proposition to agentic commerce.

We are still early in these changes. This is a multiyear transformation and there is much more work to do. But the progress we're seeing reinforces our conviction in the strategy.

As I look further ahead, I'm increasingly confident in PayPal's earnings growth potential. Over time, we believe the changes I have described can drive sustainable total company transaction margin dollar growth in the mid-single-digit range. Combined with operating leverage and disciplined capital allocation, including share repurchases, this should enable us to deliver solid double-digit EPS growth.

Importantly, we're building the business to make that growth durable. The key is a more diversified contribution across the business.

We expect financial services, Venmo, and payment services to contribute a significantly greater share of transaction margin dollar growth over time, with each growing double-digits.

While we expect branded checkout TPV to improve, this algorithm does not require it to return fully to historical growth rates. The increasing contribution from the rest of the business can drive total company transaction margin dollar growth in the mid-single-digit range.

We also have a significant cost opportunity. The at least $1.5 billion in savings we have identified gives us the capacity to both reinvest and drive operating leverage over time. And PayPal remains a strong cash-generating business, giving us the flexibility to invest where we see the greatest potential while continuing to return capital to shareholders.

Getting there will require investment. Our US playbook is showing encouraging early results, and in 2027, we plan to scale what is working across more merchants in the US and internationally. We plan to invest further in both transaction margin dollars and operating expenses.

We are targeting 2027 non-GAAP EPS growth similar to this year as we position the business for faster, more durable growth over time. What gives me confidence is that many of the changes we're making are structural. We

Copyright © 2001-2026 FactSet CallStreet, LLC

have a clear strategy, a simpler operating model, and we are improving execution, and we have started to see the results.

Thank you to the PayPal team for your hard work and continued focus.

Jamie, over to you.

Jamie S. Miller

Chief Financial & Operating Officer, PayPal Holdings, Inc.

Thanks, Enrique. Let me start with the financial performance in the quarter. At a high-level, transaction margin dollars came in above our expectations while operating expenses were below our forecast, resulting in non-GAAP EPS above our guidance.

One point I'd highlight is the tangible progress we're seeing from our transformation. That's showing up not only in the cost structure, but also in technology modernization and in the growth areas Enrique discussed, including financial services and Venmo.

Importantly, the savings are creating capacity to self-fund more of our growth investments, such as improving the consumer experience, strengthening merchant presentment, and building and scaling our financial services products. And as we learn what's working, we're being deliberate about where we invest more and where we pull back. With that context, turning to the next slide, let me give you some additional color across the business.

Starting with branded checkout, TPV growth remained relatively stable with continued improvement in the US for the third consecutive quarter and stabilization in Germany. As we communicated in September, the removal of the EU de minimis tax exemption impacted select merchants and created about 70 basis points of headwind in total.

In US branded checkout, we're seeing encouraging evidence that the work on experience, presentment, and selection focused largely on our high-value consumers and the merchants where they shop is having an impact. Over the last four quarters, we have seen a significant improvement in relative share of checkout at the cohorts of merchants where we have implemented our full playbook.

We also maintained strong momentum in buy now, pay later and Pay with Venmo, which outpaced the market, growing 25% and 43% respectively. We're still early, but what we're learning is increasing our confidence in the playbook and helping us be more targeted about where we invest in 2027.

On Venmo, TPV sustained double-digit growth for our eighth consecutive quarter. More importantly, engagement and monetization continue to deepen, with ARPA also growing double-digits, driven by strong adoption of our monetized products. We're also seeing newer cohorts ramp their product usage faster, with a record number of new users activating the Venmo debit card within their first 30 days.

Monthly active accounts using both the debit card and Pay with Venmo nearly doubled year-over-year, building on similarly robust growth in this cohort last year. At the same time, we're also broadening the places where consumers can use Pay with Venmo, from travel and college tuition to prediction markets, while maintaining strong retention across our established merchant base. That combination of greater utility, deeper product adoption, and higher engagement is the model we're building toward with Venmo.

Copyright © 2001-2026 FactSet CallStreet, LLC

In PSP, our focus is on profitable growth, not simply volume. Braintree's TPV grew 10%, supported by profitable front-book wins, high retention and expansion with existing merchants. We're also driving higher attachment of value-added services to our processing relationships, which we expect to support margin expansion over time.

Third quarter revenue grew 2% on a spot basis and 1% currency-neutral, with growth in Braintree and Venmo growth, as well as FX favorability contributing to performance, offset in part by higher contra revenue investments made in the quarter and the de minimis headwinds mentioned earlier.

We benefited from a lower transaction expense rate due largely to mix and partner incentives, lower transaction loss reflecting our team's ongoing work to improve and strengthen onboarding, fraud prevention and risk management capabilities and lower credit loss driven by a reserve release related to expected credit externalization and supported by disciplined underwriting.

Transaction margin dollars grew 2%, or 3% excluding interest on customer balances. What's important is that we're increasingly seeing contribution from multiple areas of the portfolio, while continuing to fund both transaction margin and OpEx investments required to strengthen branded checkout and grow financial services, Venmo monetization, and PSP value-added services attach. That's the more diversified growth model we're building.

Moving down the P&L on operating expenses, we're beginning to see tangible benefits from the operating rigor we've put in place and faster progress on the transformation, including increasing spans of control, reducing management roles by more than a quarter, and rightsizing procurement spend.

Non-transaction operating expenses grew just 1% in the quarter and helped drive non-GAAP operating income growth of 3%. That said, I would not simply annualize the third quarter expense performance. We intend to remain disciplined on costs while investing where we are seeing results in places such as financial services, product growth, consumer lifecycle marketing, and specialized sales teams.

The combination of stronger transaction margin performance and lower operating expenses resulted in non-GAAP earnings per share growth of 8% to $1.45, above our guidance.

Our cash generation remains a strategic advantage. Adjusted free cash flow, which excludes the timing impact from the origination and sale of pay later receivables, was $2 billion. We completed $1.5 billion in share repurchases, bringing the trailing 12-month total to $6 billion.

More broadly, our strong liquidity and cash generation give us the flexibility to invest in the business without sacrificing our ability to return significant capital to shareholders. That's particularly important as we look toward 2027 and selectively increase investment behind the opportunities where we're building the greatest conviction.

Turning to guidance for the fourth quarter and the full year 2026, our year-to-date performance demonstrates continued progress across PayPal, even as we execute significant organizational change with increasing clarity and confidence in the growth plans for each of our three businesses.

With that as a backdrop, we are raising guidance for the full year. We now expect transaction margin dollars to increase to approximately $15.7 billion, or $14.6 billion excluding interest on customer balances, mid-single-digit growth in non-transaction operating expenses, and non-GAAP EPS to increase to approximately $5.60.

Our guidance now includes at least $6.5 billion of adjusted free cash flow and continues to incorporate approximately $6 billion in share repurchases.

Copyright © 2001-2026 FactSet CallStreet, LLC

For online branded checkout, we continue to expect low-single-digit TPV growth on a currency-neutral basis for the full year, in line with our prior expectations. This assumes that headwinds in Europe, including the impact from the removal of the de minimis exemption, continue to persist and result in similar 1% to 2% online branded growth throughout the fourth quarter.

We remain on track to achieve at least $1.5 billion in gross run-rate cost savings over the next two to three years and are increasing our expectations exiting the fourth quarter to a run rate of more than $700 million. As we've shared, we intend to reinvest a significant portion of these savings into our highest-priority growth initiatives while improving operating leverage over time.

For the fourth quarter, we expect low-single-digit revenue growth on a currency-neutral basis, slightly positive growth in transaction margin dollars, TM dollars excluding interest on customer balance to be slightly positive, and flat to low-single-digit growth in non-transaction operating expenses, and non-GAAP EPS of approximately $1.43.

In summary, we're seeing encouraging signs that the changes we're making are translating into better performance across the business. We have more work ahead of us, but we're operating with greater clarity and discipline, and we're building a stronger foundation for more durable growth and stronger financial performance over time.

I'd like to wrap up by thanking the PayPal team for everything they've accomplished this quarter.

With that, Steve, let's go to Q&A.

Steven Winoker

Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.

Before we open the lines for Q&A, I'd like to ask everyone to limit themselves to one question, so we can get to as many of your fellow analysts as possible.

Alexandra, please open the line.

Copyright © 2001-2026 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Andrew Schmidt of KeyBanc Capital Markets. Your line is now open. Please go ahead.

Andrew Schmidt
Analyst, KeyBanc Capital Markets, Inc.

Q

Hi, Enrique. Hi, Jamie. Thank you for taking the question this morning. Maybe to start a little bit higher level. Just given your prior comments about strategic alternatives, you and the board obviously see more value than whatever offers were on the table. If you could just talk about what's driving your view of intrinsic value and then of course the confidence in achieving that, that'd be helpful. Thank you so much.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

A

Sure, Andrew. Thank you. Thank you for the question. So let me share that we have strong conviction in our ability to execute the plan that we have outlined in our prepared remarks and to achieve sustainable double-digit EPS growth in the midterm. And this will be driven by first, sustainable mid-single-digit transaction margin growth driven by Venmo, processing, and more modestly by branded checkout, all supported by the growth of financial services that we have highlighted how critical we think that part of the business is.

We expect also to see operating leverage as we drive the cost reduction program, and of course we will continue to utilize our strong free cash flow to drive share buybacks and in some cases selective M&A that will help us accelerate our plan. But as you said, the board and the management team have a clear objective to maximize shareholder value, and we have been and we will be open to analyze objectively any option that is presented to us, and we will always choose the alternative that will create more shareholder value. And at this point, that alternative is to execute our plan, and the team is fully focused on driving the progress that we have outlined in the call.

Andrew Schmidt
Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you very much.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

A

Thank you.

Operator: Your next question comes from the line of Dan Dolev with Mizuho. Your line is open. Please go ahead.

Dan Dolev
Analyst, Mizuho Securities USA LLC

Q

Hey guys. Hey Enrique. Hey Jamie. Really nice work here on the OpEx and the guide raise. Congratulations. I wanted to talk about Venmo. It keeps growing and it looks really strong, I think in the double digits. I mean, how

Copyright © 2001-2026 FactSet CallStreet, LLC

can we make this a bigger part of the portfolio, and obviously the usual question on monetization? And great work again. Thanks.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.
A

Sure. Thank you. I'll take the question. So, our goal, as I briefly mentioned in the prepared remarks, is to make Venmo increasingly central to our customers' everyday financial lives, and we are doing that by building from the strength that we see today in the business and expanding into financial services. The growth that we see today is driven by three things. New experiences – and for example, this quarter we launched the ability for our customers to do P2P transfer by scanning and splitting receipts, which is having very well reception by continuing to invest in financial services that help us to monetize better our customers. And just to mention, only 23% of our customers are using today some of the financial services we have today, and this quarter we saw very strong growth of the debit card with more than 60% growth year-on-year.

And finally, we are seeing also very good progress on Pay with Venmo, and Pay with Venmo TPV grew more than 40% this quarter. So the growth in the future will be driven by continuing to drive these areas, and we expect to continue to see double-digit TPV growth for Venmo in the coming years.

What is very exciting for us is, when we look at ARPA that is going to become one of the key metrics of the business going forward. And we look at – and we benchmark ourselves with other companies in our space, we have a 4x to 5x opportunity to increase ARPA, which gives us both the conviction about the opportunity and shows us where we need to invest and where we need to build. So we expect Venmo to continue to grow, and the result this quarter just shows the potential that this business continues to have.

Dan Dolev
Analyst, Mizuho Securities USA LLC
Q

Great job again. Thanks.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.
A

Thanks Dan.

Operator: Your next question comes from the line of Tien-Tsin Huang with JPMorgan. Your line is now open. Please go ahead.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

Hi, thank you. Good morning. Just there was good color here on financial services. I was hoping maybe you can update us on the product roadmap here for financial services. How do you see financial services adding to transaction margin dollars in the near term or even the midterm, and is the bias still to stay balance sheet light?

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.
A

Yeah. So let me start and then maybe Jamie wants to complement some of the comments. So yes, we see – we continue to see financial services as a key driver of future transaction margin dollar growth, and this is why we highlighted it during the call. And this is true for all segments, so it's true for consumers and merchants, but also

Copyright © 2001-2026 FactSet CallStreet, LLC

for the three businesses, both for Braintree, for Venmo, and for PayPal itself. And within financial services, we include things like buy now, pay later, debit and credit.

Today and in the future, these businesses or these products offer attractive economics. They open a larger TAM and help us to complement our value proposition to customers. In fact, as I was mentioning before, ARPA is going to become a key metric for us going forward. And we see that when consumers use financial services, their ARPA is between 2 and 5 times bigger than for those consumers that don't.

You are going to see us continue to invest in this space. For example, with buy now, pay later, we are going to be extending the portfolio of offerings that we have, both in terms of products and also in terms of geography, to continue to complement our offering in that space. We will be offering cards that will have the flexibility of buy now, pay later so we can extend the value proposition from online to stores, and you will see us expanding the portfolio of different credit offerings that we have. So again, a very important business for us where we see a lot of momentum and a lot of demand from our customers to offer.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.
A

Yeah, and I'd just chime in on the funding question. We have had a balance sheet light strategy towards credit funding over the last couple of years, and what I'd say about the next few years is we'll continue to take a balanced approach between on-balance sheet and off-balance sheet growth. We have a lot of flexibility in our funding sources and we've demonstrated that through the European buy now, pay later, the US revolve partnership we have, the US Pay in 4 funding program that we have underway that we started last year.

And I think what underpins that, which is really important, is that we've got really strong credit underwriting and very attractive paper. So while we'll continue to use the balanced approach with both on and off, in some cases retain the economics, in some cases share those, I think what's important is we have the flexibility going forward to manage that and navigate that depending on what we're doing.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

That's clear. Thank you.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.
A

Thanks, Tien-Tsin.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.
A

Thank you, Tien-Tsin.

Operator: Your next question comes from the line of Timothy Chiodo with UBS. Your line is now open. Please go ahead.

Timothy E. Chiodo
Analyst, UBS Securities LLC
Q

Copyright © 2001-2026 FactSet CallStreet, LLC

Great. Thank you for taking the question. I want to touch on the comments you made around collaborating with Meta and some of the other AI agents. I know from prior discussions some of the advantages that PayPal might have would relate to the transaction history that you bring to the table and then also the fact that PayPal does provide both consumer and merchant protections. I was hoping you could expand upon those or maybe other reasons why PayPal may be well positioned for agentic commerce?

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.
A

Yes, I'll take that one. We really see agentic commerce as a great opportunity for the company. So, we really are making this a priority for us, both in terms of the internal work that we do and in terms of partnering with other companies as Meta. The key advantage that we have is really driven by our core value proposition to consumers and merchants. PayPal – when PayPal started, the key value proposition was around trust and security. This was needed in e-commerce; this will be even more – needed more in agentic commerce.

And what we are doing is translating that value proposition into the new world. If you think about consumer agents that will be buying from agents, from merchants, both will have to validate that this is a real consumer that can pay, this is a real merchant that has the product, and that's the value that we see PayPal playing going forward. So, it's really all about trust and about the security that we will be providing both to merchants and to consumers.

And this is why we are working with all the key leaders in this space on the – for personal agents to make sure that consumers can transact using PayPal and using that as kind of the key vehicle to make sure that these transactions are real. And we look at this as just the beginning, because what is true for commerce will be expanded to other types of the portfolio of activities that we provide to customers like peer-to-peer transfers. All this is part of the value proposition we bring to customers, and this is why we are so excited about the opportunity that AI brings to PayPal.

Timothy E. Chiodo
Analyst, UBS Securities LLC
Q

Thank you.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.
A

Thanks, Tim.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.
A

Thank you.

Operator: Your next question comes from the line of Harshita Rawat with Bernstein. Your line is now open. Please go ahead.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC
Q

Hi, good morning. Can you maybe expand upon the market dynamics in Europe? You have the de minimis drags and competitive pressures in certain markets, but then you're also investing in the consumer value proposition, things like buy now, pay later. So what's your confidence level with respect to improving branded growth in

Copyright © 2001-2026 FactSet CallStreet, LLC

Europe? And also Jamie, what's the expectation on the de minimis for the fourth quarter? I know you said headwinds will persist, but I just wanted to double-check that. Thank you.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Sure. And maybe I'll start with the last part of that first. Our expectation on the EU de minimis tariff impacts is that they'll persist into the fourth quarter. When that happened in the US last year, it tended to dissipate within a few months. Actually, this – we're still seeing the impacts from the tariff policy change into October, and we do expect that to last through the fourth quarter.

If I pull back and really look at the market dynamics in Europe, and maybe I'll talk through that and then Enrique, maybe you want to talk about the investment side of it. The core European markets outside of de minimis really are, I would say, relatively consistent this year and to a degree stabilizing, and in some cases improving. You look at Germany, for example, that has been stable all year for us, and I would say as we're moving through the third quarter, I would call it slightly improving.

We launched buy now, pay later in Germany and Austria over the last couple months and that's off to – with Amazon, and that's off to a really nice start. The UK continues to be challenging, but it's been consistent this year, and Italy and France are stable and good growers. So I think what's important is exactly your question though: we've spent a lot of time in the last six months with Enrique focusing on our country-to-country approach and really strengthening our consumer teams in Europe, and are now actively positioning to take the playbook that we talked about on the call with merchants into Europe next year. And all of this is really important to our continued transition in branded checkout. But Enrique, you may want to comment a little bit more on the investment side of it.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

A

Yes. I think what we have done in Europe is really to invest, to create the right local infrastructure, especially to manage our consumer business. We didn't have teams – local teams that understood the local trends that were able to create the right programs and activities to drive consumer demand. And this is what we have been building during the last two, three – three, four months, and we are starting to see the results.

As Jamie mentioned, our relative performance in Europe has improved. This doesn't mean that we don't have more room to – for improvement which we do, and we will continue to do, but we are positive about the progress that we have seen.

And especially as we see the progress that we have made in the US, and we highlighted in the call, the progress that we have made with some of our key merchants, applying that same playbook in Europe will help us to drive growth and to continue to improve the performance in those countries.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

Thank you.

Operator: Your next question comes from the line of Bryan Keane with Citi. Your line is now open. Please go ahead.

Copyright © 2001-2026 FactSet CallStreet, LLC

Bryan Keane
Analyst, Citigroup Global Markets, Inc.

Q

Hi, good morning. Thanks for taking the question. I just also want to follow up on international. It looks like the TPV is relatively flat growth on FX neutral, but the revenue growth slipped to negative 4% growth on an FX neutral basis. Sounds like there's a lot of stability in Germany and Italy and some of the European markets. What's dragging, I guess, international down further? Is there Asia markets that are weakening, and then how long will it take to get back to normalized positive growth in international as we get into next year? Thanks.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah. So the TPV side of things, we saw some translation minor impacts there, but when you start to look at revenue, and in particular international, that's where you're seeing the impact of the EU tariffs in branded checkout. And you have to remember that the number I gave you on impact from the tariffs, which is 70 bps to branded checkout, that's a global number. It's not the international-specific number. So that number is bigger when you start to apply it just to international revenue. But that's really the primary difference there.

And then when you start to look at international going into next year, we've been encouraged by some of the growth that we've seen and I mentioned before across Germany, Italy, France, and a few other parts of Europe. But I think more importantly, the playbook that we started rolling out really over a year ago around not only experience, presentment, and selection, but also around buy now, pay later and really reaching into the consumer and greater penetration. While we started that in the US, that is moving to Europe. And you're seeing some of that with the actions we've talked about with expansion of the buy now, pay later portfolio across Europe and across other places, and with respect to increasing levels of penetration around the merchant playbook as well.

Bryan Keane
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.

A

Thanks Bryan.

Operator: Your next question comes from the line of Andrew Bauch with BMO Capital Markets. Your line is now open. Please go ahead.

Andrew Bauch
Analyst, BMO Capital Markets Corp.

Q

Hey, thanks for taking the question. I just wanted to hone in on the 2027 transaction margin dollar algorithm. I know you outlined the eventual path to mid-single digits growth, but then you also said that 2027 was going to be an investment year. I guess, what should we expect for the TM dollar growth to look like in 2027 specifically, and what are the – like the biggest bridges between the 2% growth you're at today and the mid-single digit target?

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Okay. So let's first talk about the mid-single digit point of view, it's really around our medium-term, so it's an over-time point of view. And if I start with that, as Enrique talked about before, we expect stronger transaction margin

Copyright © 2001-2026 FactSet CallStreet, LLC

dollar growth over the next coming years, a more balanced composition with Venmo, PSP, and financial services increasing growth over time.

And I think importantly, it doesn't require branded checkout to get back to historical growth levels to really see that mid-single digit growth. But when I look to 2027, I think what I'd say first is it's a little too early for us to give 2027 guidance, we'll do that at our next call in February. But you've seen from us this year nice performance across multiple areas: so we've seen branded checkout stabilization, we've seen Venmo, we've seen processing growth, and we do expect further transaction margin dollar and OpEx investment in 2027.

But if I level up, what we're really targeting as a profile is similar non-GAAP earnings per share growth next year as what we are guiding to this year. So that's probably how I would talk about it, and 2027 being relatively consistent with how we've operated in 2026. We are making good progress. Our focus is on building momentum and looking at 2028 and beyond as well.

Enrique Lores A
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

And maybe just let me emphasize these last two comments. We think we have an opportunity to continue to invest in the areas where we are seeing progress, whether it's transaction margin and OpEx. This is what we are planning to do in 2027. We think will be critical to drive stronger growth in 2028 and beyond. And despite of that, we expect and we are targeting to grow EPS at the same rate as we did this – as we will this year.

Andrew Bauch Q
Analyst, BMO Capital Markets Corp.

Great. Thank you and good work on OpEx.

Jamie S. Miller A
Chief Financial & Operating Officer, PayPal Holdings, Inc.

Thank you.

Enrique Lores A
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

Thank you.

Operator: Your next question comes from the line of Sanjay Sakhrani with KBW. Your line is now open. Please go ahead.

Sanjay Sakhrani Q
Analyst, Keefe, Bruyette & Woods, Inc.

Thank you. Good morning. I guess when I look at slide 5 and those cohorts that seemingly are headed in the right direction, when we look at the difference between like the first one and the last one, there seems to be a bifurcation between when you apply it to a direct merchant versus a marketplace, right? So I'm just curious like what are the nuances, because it seems like a lot of the technologies are implemented there. So I'm just curious, is it because the marketplace has other options for payment and that merchant doesn't? I'm just curious as we think about the opportunity ahead and how you implement these changes like, where are the opportunities most significant?

Copyright © 2001-2026 FactSet CallStreet, LLC

And then just a quick follow-up, Jamie. As we think about the comparisons this year versus next year, it seems like the comps are much easier next year, so shouldn't we expect a little bit of an acceleration in TMD growth because the comps are easier? Maybe you could just explain of how we should think about it. Thank you.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

A

So let me take the first part of the question on North America. When we look at our playbook, the playbook has different elements. One element is to improve the experience and to get the merchants to use the latest checkout pages. Another element is to integrate in the offer buy now, pay later, and some of the other financial services. Another element is to build co-marketing activities with the merchant. What you see in the graph and we don't have the same – exactly the same formula applied to every merchant, it depends on specific conditions of the merchant. And what are the economic situation and the interest that we work with.

And this is what is driving the variation. Variation across the different customers that you have in the chart. We thought it was important to share this chart because it shows the trend. And yes, there are differences [ph] between certain merchant (00:45:52), but the important thing is how the overall TPV growth is growing and how we're also starting to grow our relative share in these accounts.

And we have great examples of the progress that we are making. We don't specifically mention them in the call, but for example with one of the leader US sports entertainment platform, where we drove and we renewed our partnership at the beginning of the year, we are seeing more than 40% growth in the last six months, with Venmo as well growing more than 50%.

With one of the leading US omnichannel retailers, we expanded our pay later offering to them, and growth of BNPL grew from 7% to 20% with significant growth of monthly active users. So, we have many examples where we see that the impact of the playbook that we have implemented is really starting to gain traction. And again, this is why we think continuing the investment and continuing the work is going to be so critical for us going forward.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

And Sanjay, when you look at in particular fourth quarter 2027, I would just echo what Enrique is saying, we're really encouraged by the results we're seeing, but it's early. And we've got more work to do. And one of the things I would mention is that in the US in particular, we saw nice sequential growth over the past few quarters in US branded checkout TPV growth. So we're seeing good signs. But we also don't want to get ahead of ourselves. We are underwriting these investments generally in branded checkout to about a two- to three-year time horizon, and on the largest merchants, it really is more like three years. So, it's going to take some time for these to come through. And as we've said before, we're beginning that process in Europe and we're excited to see where it goes and go from there.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.

A

Thanks, Sanjay.

Operator: Your next question comes from the line of Darrin Peller with Wolfe Research. Your line is now open. Please go ahead.

Copyright © 2001-2026 FactSet CallStreet, LLC

Darrin Peller
Analyst, Wolfe Research LLC

Q

Thanks guys. Just a quick two-part on investments in general. First for Enrique on M&A, just if you can give us an update again, you touched on it earlier, but your appetite for M&A in terms of size, timing, and type, what you're seeing. And then really Jamie, when we think about the investments you're talking about for next year, I mean again you came in strong last – better at about 1% growth, I think a little below what we had thought for OpEx expectations. But how should we think about margins for next year in terms of what you're building into that similar EPS profile?

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

A

So, let me start on the M&A side. And I want to start by saying that our plan is to maintain our approach to significantly return capital to shareholders through share buybacks and dividends. But that over time, we believe that M&A should also play a role in value creation. Any M&A action that we will do will have to go through what I call three filters. Filter number one is strategy. It will have to support the strategies that we have outlined. For example, to drive growth of financial services or accelerate the growth of Venmo or of processing that's really aligned to the strategy that we have explained.

Second, it needs to have a strong financial case and a strong financial return. And given that share buybacks that we believe that our share is undervalued, the minimum value of course will have to be, provide more value than just buying shares. It compares to versus the model that we have.

And third, and very important, we need to also have a very strong operational plan. And we'll have to have the conviction and the plan that will know how to integrate the company and how to extract the value that the financial case will bring.

So, these are the three filters that we will apply. In any case, we will remain very disciplined. But we think that with M&A, we can accelerate the plan that we have been discussing today.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Great. And then Darrin, with respect to 2027 investment, I guess what I'd say is we had nice performance in the third quarter. And it was much better than we expected, and we expect to have a good profile on this in the fourth quarter as well. But I would not run rate the second half OpEx across 2027. While we're off to a really strong start, we are ramping investment along the lines of a lot of the things that Enrique and I talked about here: product build, go-to-market build, marketing, and other things like that.

And I think one of the things you're going to see is it's hard to fully synchronize the pace of the cost-out with the pace of the investment, and you are going to see some mismatch across the quarters. But overall, if I look at the 2027 profile, when you look at transaction margin, when you look at OpEx, when you look at EPS, like I said before, we expect a roughly consistent profile, and we'll unpack that and get into more specifics on the call in February.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Thank you.

Copyright © 2001-2026 FactSet CallStreet, LLC

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.
A

Thanks, Darrin.

Operator: Your next question comes from the line of Dan Perlin with RBC Capital Markets. Your line is now open. Please go ahead.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Thanks. Good morning. I wanted to just hit on PSP for a second. It sounds like part of that strategy is to continue to drive higher attach rates for value-added services. So, I guess the first part is just what does that sales motion look like as we sit here today and how do you have to invest in that going forward, or are you kind of where you want and just need to push it harder? And then I thought I heard you say the percentage of that was high-single-digits, so if there's any clarification on that, that would be great. Thank you.

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.
A

So, let me take the first part. So, in PSP, what we need to do and where we see the biggest opportunity is from one side to continue to drive growth or what I would call the basic processing capabilities. And we have been making very good progress and making it profitable during the last few quarters. But also to improve attach of value-added services, services like payouts, or risk-as-a-service, or invoicing. These are all great services that provide a lot of value to our customers. And either we have not been able to attach them properly or we have not been able to monetize them properly during the last quarters, and that's going to be a key priority for us going forward.

We are investing not only in the products themselves, but especially in a specialized sales force that will be driving attach, that will have as their unique goal to improve attach and to sell value-added services. I want to acknowledge that we have started to make progress. We grew our attach from 5% to 6%, so year-on-year 1-point, but we have much more room for improvement and this is where we're going to be focused.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Thank you.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.
A

Thanks, Dan. Hey, Alexandra, we have time for one last question. Can we just put one more in, please?

Operator: You got it. Your last question comes from the line of Jason Kupferberg, Wells Fargo. Your line is now open. Please go ahead.

Jason Kupferberg
Analyst, Wells Fargo Securities LLC
Q

Good morning, guys. Thanks. So, nice to see some of the broad-based stabilization, obviously pockets of improvement in the business. I did want to come back to the topic of branded growth. I know we're talking about

Copyright © 2001-2026 FactSet CallStreet, LLC

Q4 being in this kind of steady 1% to 2% range and you are assuming that the EU tariff headwinds continue, but you did also talk about some US momentum. So just curious why Q4 wouldn't potentially accelerate? I know you've got a materially easier compare, and maybe if you can just quantify some of the US acceleration in recent quarters, that would be great. Thanks.

Jamie S. Miller
Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Sure. I mean, the short answer on the fourth quarter is that we expect the EU tariff headwind to continue, and we're really planning for consistency. If I unpack that a little bit, the forecast is really based on our view of historical performance and our view of the market. And the holiday season is more heavily retail, but we have really good and strong depth in services, travel, and some of the other verticals. And we've got really good growth rates in areas that we're deep.

But the EU de minimis, we assume that continues to impact us. As I mentioned before, Europe has been consistent this year, but it's an area we're watching with some of the macro overlay and the EU de minimis that I mentioned. And we're really encouraged by the US merchant playbook work we've done. And we do believe that we're entering the holiday season in a better position than we were last year at this time. But it's all still very early. And we've got more work to do ahead. And I would just say that as we take it all in, that's what's leading us to the guide around the 1% to 2% for fourth quarter.

Jason Kupferberg
Analyst, Wells Fargo Securities LLC

Q

Thanks.

Steven Winoker
Chief Investor Relations Officer & Senior Vice President, PayPal Holdings, Inc.

A

Enrique, any final thoughts?

Enrique Lores
President, Chief Executive Officer & Director, PayPal Holdings, Inc.

Yes. I want to close by first acknowledging the progress that we have made so far. Last quarter, we outlined five key priorities for the company and we are making progress in all of them. We have talked about the progress we have made in financial services that are growing double-digits and especially around areas like BNPL is showing really our ability to expand and to grow in this area.

Second, we have talked about the progress we're making with Venmo and PSP, significant growth both on revenue and transaction margin, and great plans to continue to drive that going forward. Around branded checkout, the business has stabilized. We have a clear view of what is the playbook that we need to apply to continue to drive growth, and especially centered around high-value customers. We see what we need to do and we are going to continue to do that in the coming quarters.

And finally, both around cost and simplification and embracing AI, we have made tangible progress as the results show. So, good progress made in Q3 that shows that we are in the right direction. More work to do. But thank you to the PayPal team and also thank you to all of you for participating with us today.

Operator: Thank you. This concludes today's conference. Thank you for participating. You may now disconnect.

Copyright © 2001-2026 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.