

A large, stylized graphic of the PayPal logo, composed of overlapping shapes in blue, yellow, and green, positioned on the left side of the slide.

PayPal

Q1-21

Investor Update

As of May 6, 2021

Non-GAAP Financial Measures; Forward-Looking Statements

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

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

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

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

More information about factors that could adversely affect PayPal's results of operations, financial condition and prospects or that could cause actual results to differ from those expressed or implied in forward-looking statements is included under the captions "Risk Factors", "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in PayPal's most recent annual report on Form 10-K, and its subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting PayPal's Investor Relations website at <https://investor.pypl.com> or the SEC's website at www.sec.gov. All information in this presentation is as of May 5, 2021. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this presentation. PayPal assumes no obligation to update such forward-looking statements.

Highlights

Q1-21: Strongest Q1 in PayPal's history

- Record TPV growth: +50% at spot / +46% FXN⁽¹⁾, to \$285B
 - LTM TPV > \$1T for the first time
- Revenue growth: +31% at spot / +29% FXN to \$6.03B
 - +42% transaction revenue growth ex-eBay (at spot)
- +21% growth in active accounts to 392M; +14.5M net new actives (NNAs)
 - +2 NNAs added every second of Q1-21
 - +33% in daily active accounts on PayPal core⁽²⁾
- Record-low volume-based expenses as a rate of TPV
 - Transaction expense < 80bps
 - Transaction loss < 10bps
- Non-GAAP operating margin reached 27.7%
 - +38 cents of incremental operating income for every +\$1⁽³⁾ of revenue
- Delivered \$1.22 of non-GAAP EPS, +84% y/y
- +27% growth in free cash flow (FCF) to \$1.54B
 - 25 cents of FCF for every +\$1 of revenue

FY-21: Raising guidance on strong momentum

- +52-55M NNAs now expected in 2021; up from 50M at the start of 2021
 - On track to end 2021 with ~430M active accounts
- TPV raised to ~+30% at spot and FXN
 - ~+5 points higher than average pre-pandemic levels⁽⁴⁾
- Revenue growth raised to ~+20% at spot to ~\$25.75B
 - +1 point vs. prior guidance of ~19%
 - Raising revenue on Q1 outperformance and strong core trends
- ~+100bps of non-GAAP operating margin expansion expected
 - Generating record profitability while aggressively investing in growth
- Non-GAAP EPS growth raised to ~21%
 - +4 points vs. prior guidance of ~17%
- Expect to generate ~\$6B in free cash flow

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

(1) Foreign currency neutral (2) 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. (3) Normalized for the macro-related provisioning in Q1'20 (\$227M); \$0.54 unadjusted (4) 4-year CAGR from 2015 TPV (\$288B) to 2019 TPV (\$712B) = ~25%

First Quarter 2021 Summary

Strong performance across key performance metrics

Active Accounts

392M

Includes **31M** active merchant accounts

 **21%** increase y/y

14.5M

Net new active accounts (NNAs)

 **28%** decrease y/y*

*Adjusting for the one-time addition of 10.2 million NNAs from the acquisition of Honey in Q1-20, NNAs grew 45% y/y

Customer Engagement

42.2

Payment transactions per active account (TPA)

 **7%** increase y/y

 **33%** increase y/y in daily active accounts using PayPal core experiences

Total Payment Volume

\$285B

>\$1T on a trailing 12-month basis

 **50%** spot and **46%** FX-neutral y/y growth

Revenue

\$6.03B

 **31%** spot and **29%** FX-neutral y/y growth

Non-GAAP EPS⁽¹⁾

\$1.22

 **84%** increase y/y

Free Cash Flow⁽¹⁾

\$1.5B

 **27%** increase y/y
25% as % of revenue

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

Strategic Initiatives



GLOBAL PAY LATER INITIATIVES

- Announced the upcoming launch of Pay in 4 to over 9 million PayPal Australia active accounts in early June 2021
- Removed all transaction fees for pay later solution in France in April
- Enabling direct bank withdrawals as repayment instrument in May
- PayPal's global pay later solutions have driven a greater than 2x average order volume (AOV) compared to PayPal's standard AOV
- 5 million unique consumers transacting at more than 450K merchants since launch in U.S., U.K., and France

Q1 2021 Results⁽¹⁾

\$1B+

Volume

↑ 36% vs. \$750M+ in Q4-20

~3.3M

Unique Consumers

↑ 19% vs. ~2.8M in Q4-20

330K+

Unique Merchants

↑ 33% vs. ~250K in Q4-20

~30K

Merchants with Upstream Presentment

↑ 114% vs. ~14K in Q4-20



DIGITAL CURRENCY INITIATIVES

Announced the acquisition of Curv

- Curv is a leading provider of cloud-based infrastructure for digital asset security based in Tel Aviv, Israel
- The acquisition was completed in early April

Launched Checkout with Crypto

- Cryptocurrency is now a funding source for U.S. PayPal customers to pay millions of merchants around the globe, driving increased utility of cryptocurrency
- All transactions are settled with fiat currency, so no additional integration or fees for merchants
- PayPal charges no transaction fee to checkout with crypto - a conversion spread is built into the conversion from crypto to fiat

Introduced Buy, Hold and Sell experience directly within the Venmo app in April

- The launch of this feature continues PayPal's commitment to educating its customers on the potential of digital currencies
- According to the 2020 Venmo Customer Behavior Study, more than 30% of Venmo customers have already started purchasing crypto or equities, 20% of which started during the pandemic⁽²⁾

(1) Q1-21 results include Pay in 4 (U.S.), Pay in 3 (U.K.), PayPal Ratenzahlung (Germany) and Paiement en 4X (France)

(2) In October 2020, 2,217 U.S. Venmo customers were surveyed to gain insight into how demographic, financial and purchase behaviors have changed over time. Survey was administered through Focus Vision. Responses are weighted to ensure representation of the Venmo population by age, income & regional distribution across the U.S.

Global Impact Report 2020 Highlights

KEY ESG METRICS



SOCIAL INNOVATION

Provided \$4.6B in access to capital for U.S. SMBs, including facilitating \$2B+ in PPP loans⁽¹⁾

\$4.6B
IN ACCESS TO
CAPITAL

**ASSIST OVER
15M
GLOBAL SMBs**

Supported over 15M SMBs on our platform, accounting for nearly 50% of total revenue⁽²⁾

**\$300M+
TO ADDRESS
ECONOMIC
INEQUALITY**

Deployed \$300M+ of our \$535M commitment to help address economic inequality & bolster internal programs to drive social change

Continued to offer affordable global remittance services below 3% and expanded Xoom to 12 new markets in Africa

2.76%
AVERAGE
REMITTANCE RATE



EMPLOYEES & CULTURE

84
OVERALL
ENGAGEMENT
SCORE

Increased overall Engagement score among employees to 84, up 4 points from 2019⁽³⁾

Reached 18%+ of PayPal-estimated net disposable income (NDI) for U.S. employees, making progress toward our goal of 20%

18%
PAYPAL-
DEFINED
ESTIMATED NDI

56%
DIVERSE WORKFORCE
REPRESENTATION

Maintained majority diverse workforce representation, including 43% women globally and 52% U.S. ethnic diversity

Employees volunteered a total of 51.2K hours to support charities and nonprofits around the world

50K+
HOURS TO SUPPORT
NONPROFITS



The full 2020 Global Impact Report is available [here](#).

(1) U.S. Small Business Administration's Paycheck Protection Program

(2) These findings are based on a PayPal research study released in October 2020 utilizing transaction data of U.S. businesses [Resilience and Growth During the COVID-19 Pandemic]. The study analyzed the SMB recipients of PayPal-facilitated PPP loans, which showed that most loans went to the most underserved SMBs and most businesses grew after receiving the funding.

(3) Engagement score includes whether employees would recommend PayPal to their peers and/or are happy at PayPal

Global Impact Report 2020 Highlights (cont.)

KEY ESG METRICS



ENVIRONMENTAL SUSTAINABILITY

2040
NET-ZERO
EMISSIONS GOAL

Set a goal to reach net-zero GHG emissions across our operations and value chain by 2040

25%
SCIENCE-BASED
GHG REDUCTION
TARGET BY 2025

Set our science-based targets to achieve 25% operational emissions reduction⁽¹⁾

Matched 98% of the energy from our data center operations with renewable generation, on track to achieve 100% by 2023

98%
RENEWABLE
ENERGY ACROSS
OUR DATA
CENTERS



Invested in four high-impact projects that are creating climate transition opportunities in financially underserved communities around the world



RESPONSIBLE BUSINESS PRACTICES

12bps
TRANSACTION
LOSS RATE

Improved our transaction loss rate to 0.12% through programmatic initiatives such as the creation of the Fraud Detection Command Center⁽²⁾

45% of the Board of Directors are women or from diverse ethnic groups

45%
DIVERSE BOARD
DIRECTORS



Committed to incorporating the management of critical ESG topics into our executive annual incentive program and performance evaluations in 2021

48%
U.S. HOURLY
EMPLOYEES TOOK
TIME OFF TO VOTE

48% of U.S. hourly employees took advantage of company-provided time off for voting in the 2020 U.S. election as part of PayPal Votes



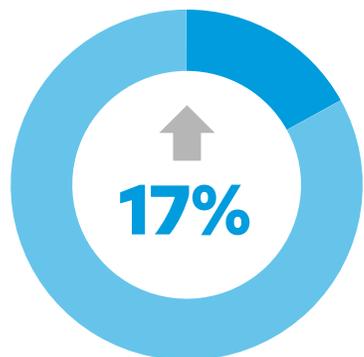
The full 2020 Global Impact Report is available [here](#).

Merchants Sell More with PayPal

Latest market research reported by Nielsen offers evidence of PayPal's value proposition

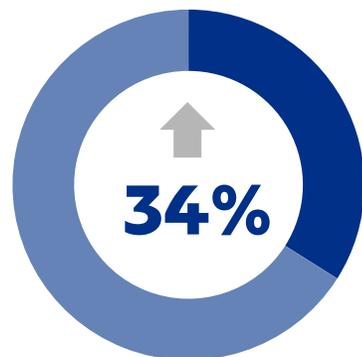
CONSUMER PURCHASE JOURNEY

CONSIDERATION

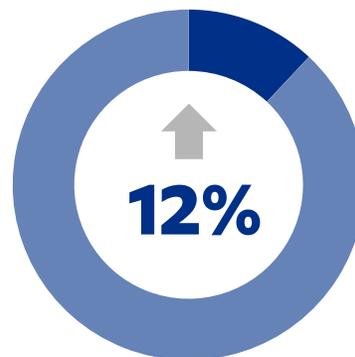


PayPal brings **17% more repeat buyers**⁽¹⁾

PREFERENCE



PayPal completes **34% more checkouts**



PayPal users spend **12% more**

LOYALTY



PayPal increases **Net Promoter Score (NPS)** of merchant by **14%**



PayPal users buy **11% more often** when PayPal is accepted

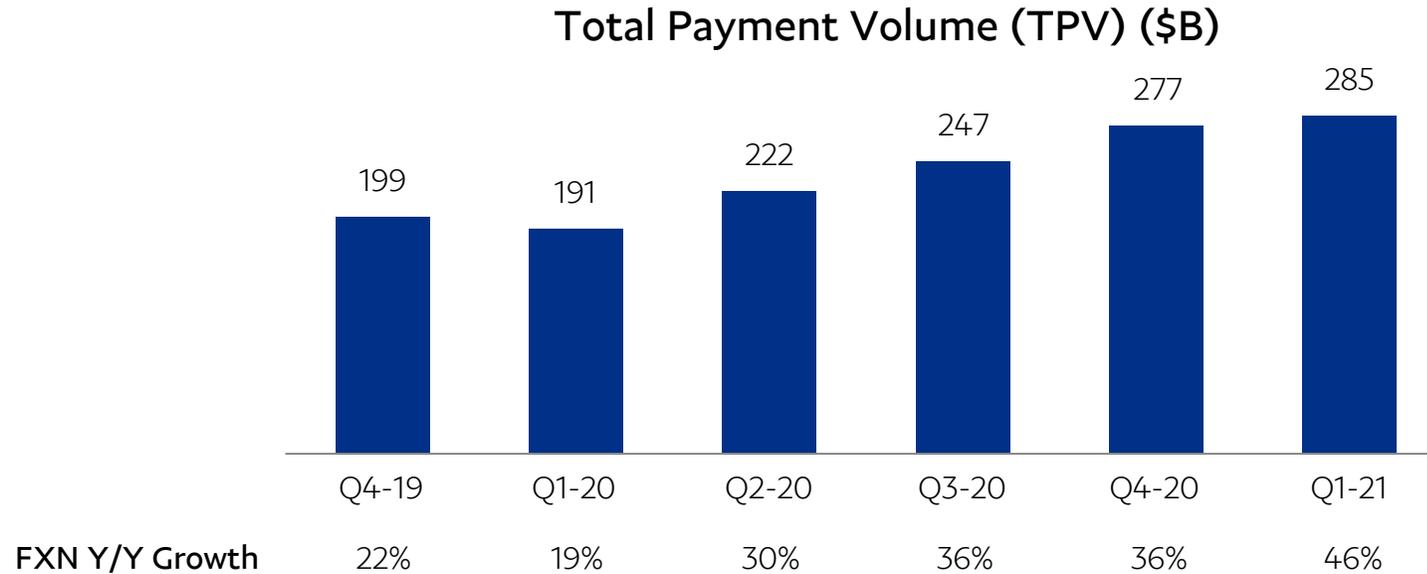
Impact vs. typical checkout

- Nielsen Behavioral Panel: Analysis from 2.9K large enterprise merchants in seven markets (U.S., UK, DE, FR, IT, ES and AU), with 878K purchases from 212K consumers on desktop between October 2019 and September 2020⁽²⁾
- Nielsen Attitudinal Study: survey of 25K consumers of their experience

Q1-21 Business Updates

Q1-21 Total Payment Volume (TPV)

46% FXN growth... highest in PayPal's history

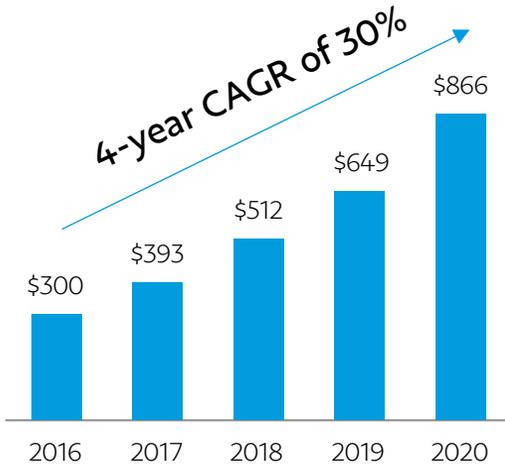


- \$285 billion of TPV; grew 50% on a spot basis and 46% on an FX-neutral basis, despite ~24% decline in volume from travel and events verticals
- P2P volume, which includes PayPal, Venmo and Xoom, increased 50% to ~\$84B and represented 29% of TPV
- Venmo volume increased 63% to \$51B
- eBay TPV declined 3% on an FX-neutral basis and represented 5.5% of TPV
- TPV excluding eBay grew 50% on an FX-neutral basis

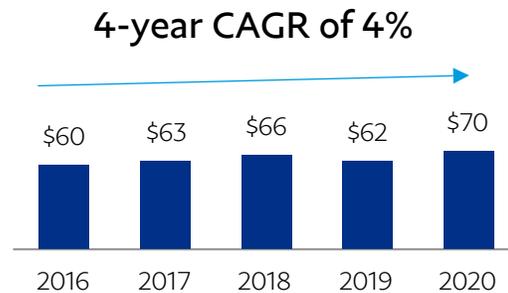
Merchant Services Growth Outpacing eBay Marketplaces

Continuing to expand and diversify our platform

Merchant Services TPV (\$B)

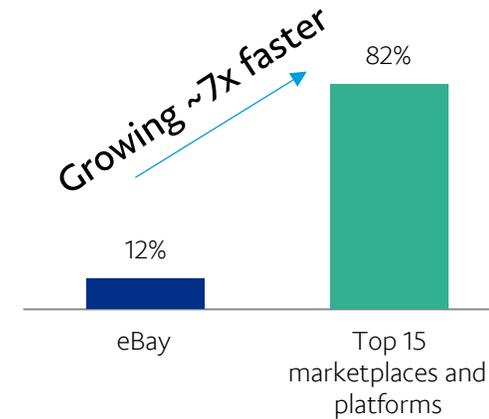


eBay TPV on our platform (\$B)

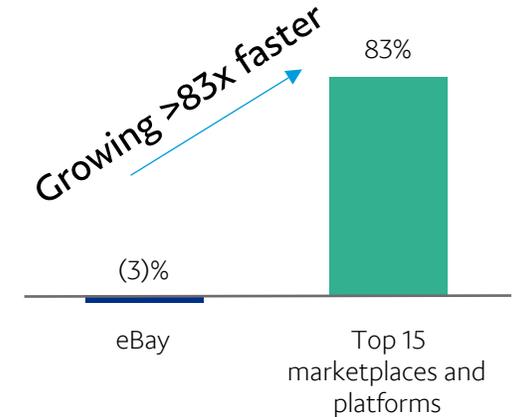


Top 15 marketplaces and platforms TPV growth vs. eBay TPV growth (FXN)

Last Twelve Months Ended Q1-21



Q1-21

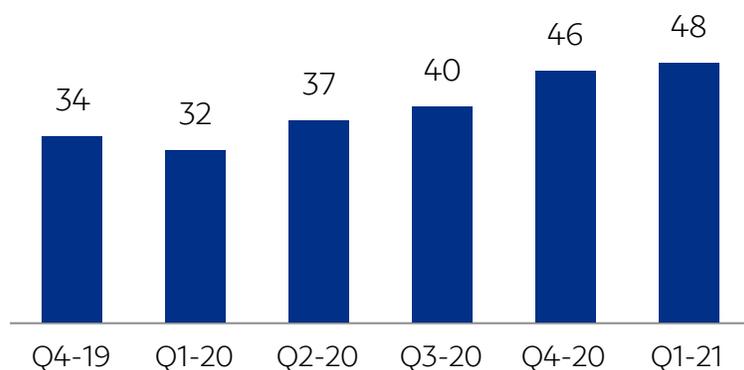


- FY-16 to FY-20 TPV CAGR of 27%
 - Merchant Services TPV CAGR of 30%
 - eBay TPV CAGR of 4%
- eBay represented 5.5% of TPV in Q1-21 vs. 18% in Q1-16

- ~\$115 billion of TPV from top 15 marketplaces and platforms in the last twelve months with volumes growing ~7x faster than eBay marketplaces volume
- In Q1-21, volume growth for PayPal's top marketplaces and platforms accelerated 7pts from Q4-20, and volume growth for eBay marketplaces decelerated 6pts from Q4-20

Q1-21 TPV: Cross-Border Trade (CBT)

Cross-Border Trade TPV⁽¹⁾ (\$B)



Y/Y Growth	13%	9%	22%	27%	35%	51%
FXN Y/Y Growth	14%	10%	24%	24%	31%	44%
Share of Total TPV	17%	17%	17%	16%	17%	17%

Q1-21: Fastest Growing CBT Categories



Fashion



Cosmetics



Electronics



Home Goods



Gaming

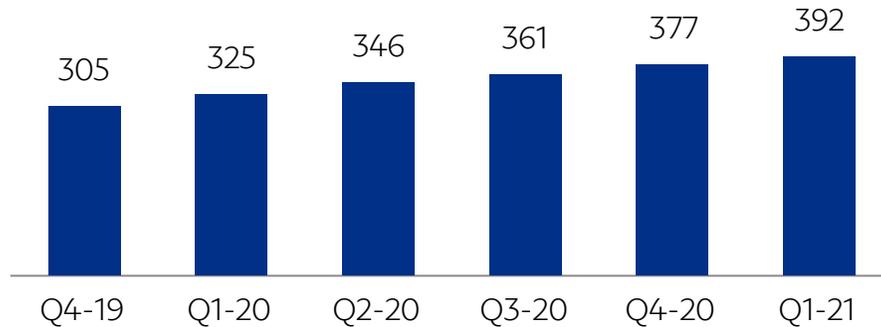
- CBT TPV was ~\$48 billion in Q1-21, up 44% on an FX-neutral basis. Volume strength was driven by recovery in key European corridors
 - Key corridors in Q1-21 include intra-European corridors, U.K. to EU and U.S. to China, Canada and U.K.
 - CBT TPV represented 17% of TPV in both Q1-21 and Q1-20

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

Q1-21 Active Accounts

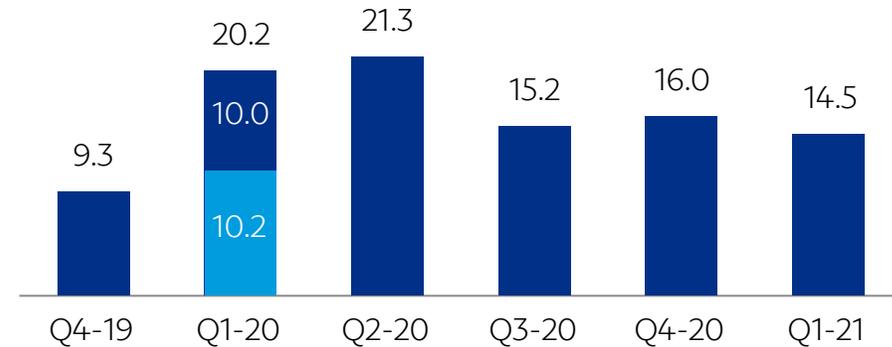
14.5 million NNAs added in the quarter

Active Accounts (M)



Y/Y Growth 14% 17% 21% 22% 24% 21%

Net New Active Accounts (M)



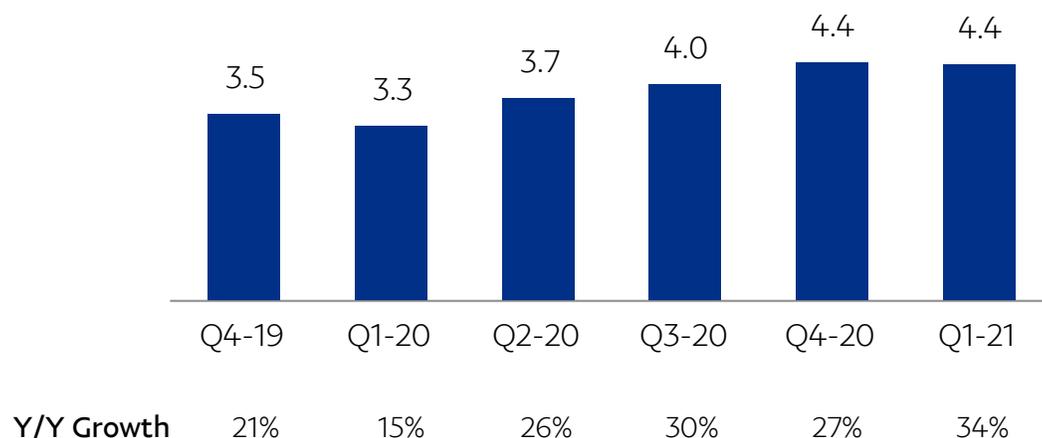
One-time NNA addition from the acquisition of Honey

- Ended the quarter with 392 million active accounts, up 21%, including ~31 million merchant accounts
- Added 14.5 million active accounts in Q1-21, with strength across PayPal, Venmo and Honey
 - Includes 1.4 million merchant accounts added in Q1-21, up 102% from Q1-20
- Added nearly 2 consumers NNAs every second and a merchant NNA every 5 seconds during Q1

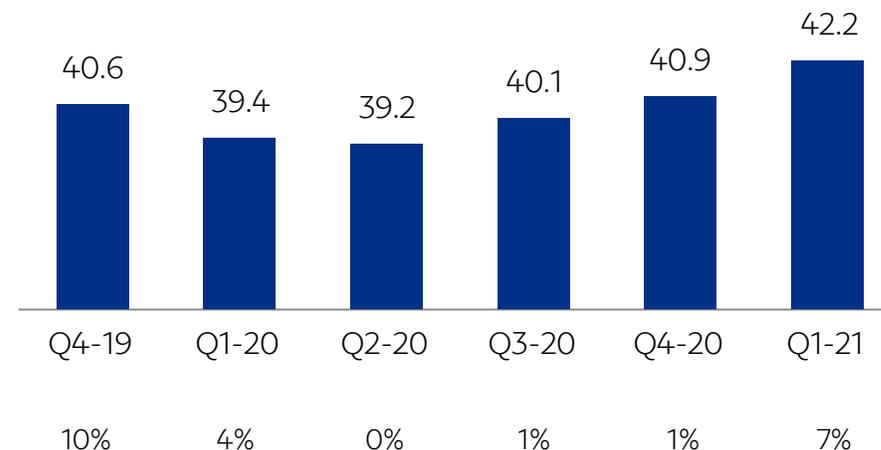
Q1-21 Customer Engagement⁽¹⁾

TPA of 42.2, 7% y/y increase

Number of Payment Transactions (B)



Customer Engagement (TPA)

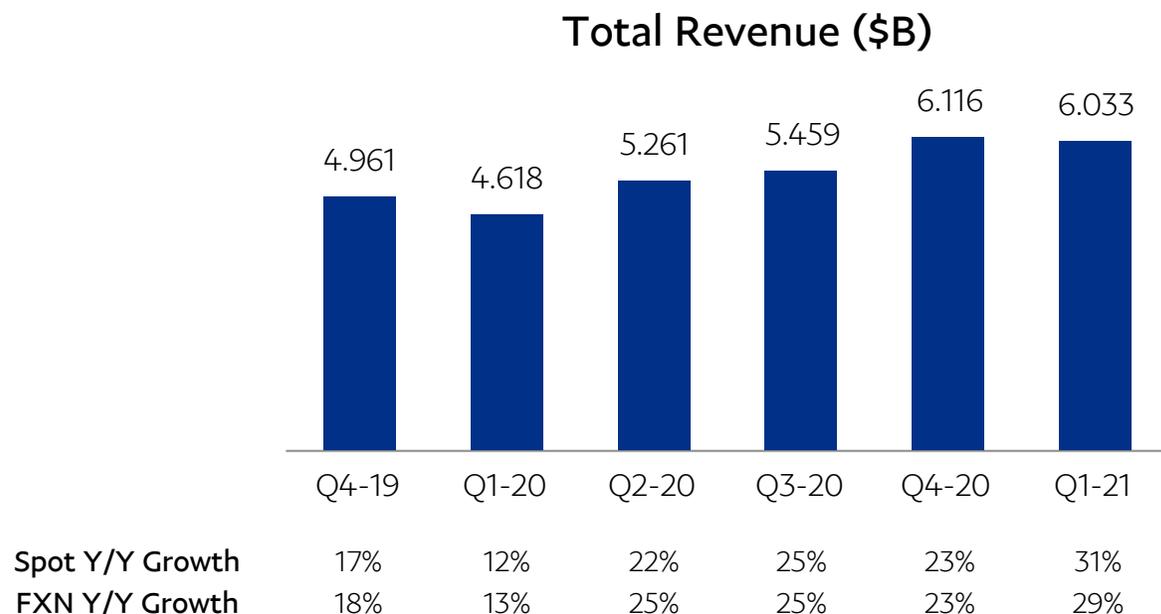


- Processed ~4.4 billion payment transactions during Q1-21, up 34%
- In Q1-21, growth in TPA was driven by PayPal Core growth and reacceleration of Braintree transaction growth
- ~33% growth in daily active accounts using PayPal core experiences vs. Q1-20

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

Q1-21 Revenue

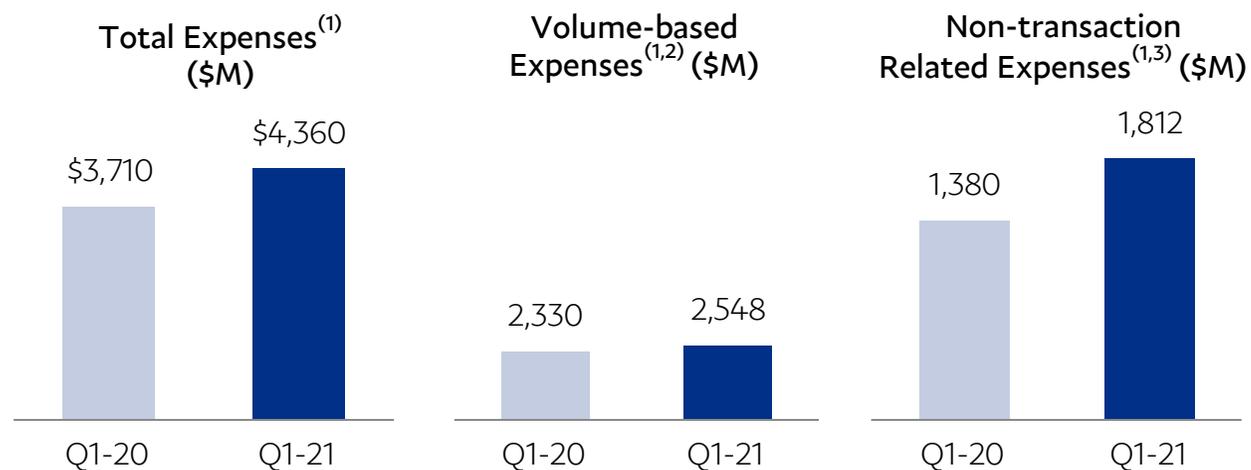
Spot growth rate of 31% in Q1



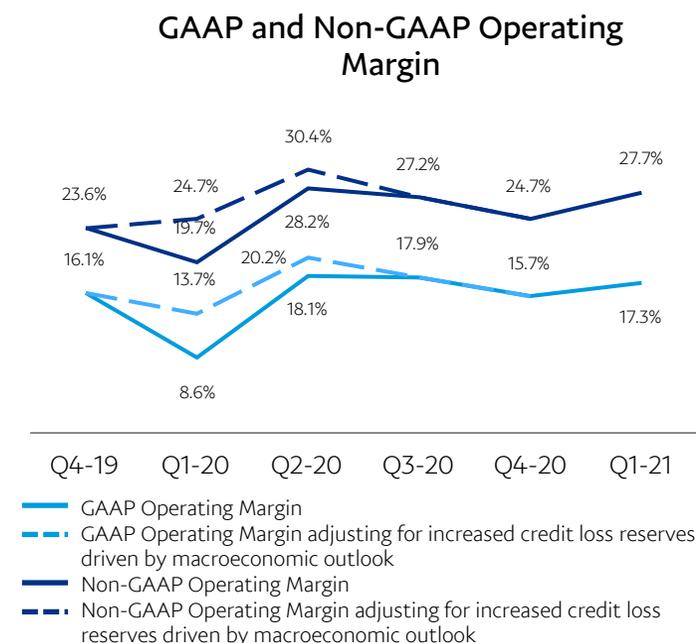
- Total Revenue grew 31% at spot rates
- Transaction Revenue grew 33% at spot rates, accelerating 20 points on a y/y basis. Strength across PayPal checkout experiences in U.S. and International markets contributed to transaction revenue growth
- Transaction revenue excluding eBay grew 42%, accelerating ~26 points on a y/y basis. eBay's managed payments transition was a ~4 point headwind to total revenue growth in Q1-21
- Hedging losses, which are recognized in international transaction revenue, were \$59 million in Q1-21 versus hedging gains of \$42 million in Q1-20
- Exiting Q1, at rates as of March 31, 2021, we estimate that our derivative positions would result in the recognition of \$132 million of hedging losses in international transaction revenue over the next 12 months
- Other Value Added Services (OVAS) Revenue increased 2% at spot rates driven by strengthening credit performance, partially offset by lower interest income on certain assets underlying customer balances

Q1-21 Delivering Operating Leverage

>800 basis points of non-GAAP operating margin expansion in Q1-21



	Q1-20	Q1-21	Q1-20	Q1-21	Q1-20	Q1-21
Y/Y Growth	16.2%	17.5%	23.3%	9.4%	5.8%	31.3%
% of Revenue	80.4%	72.2%	50.5%	42.2%	29.9%	30.0%



- Volume-based expenses grew 9.4%, delivering >800 basis points of leverage
- Non-transaction related expenses grew 31.3%. Sales and marketing expenses increased 78.4%
- Non-GAAP operating margin of 27.7%, >800 basis points of expansion
 - Operating leverage driven by broad-based strength across our business → strong transaction margin performance (+822pts)
 - In Q1-20 credit loss reserves increased by \$227 million due to revisions in macroeconomic projections, negatively impacting GAAP and Non-GAAP EPS by \$0.17 in the period

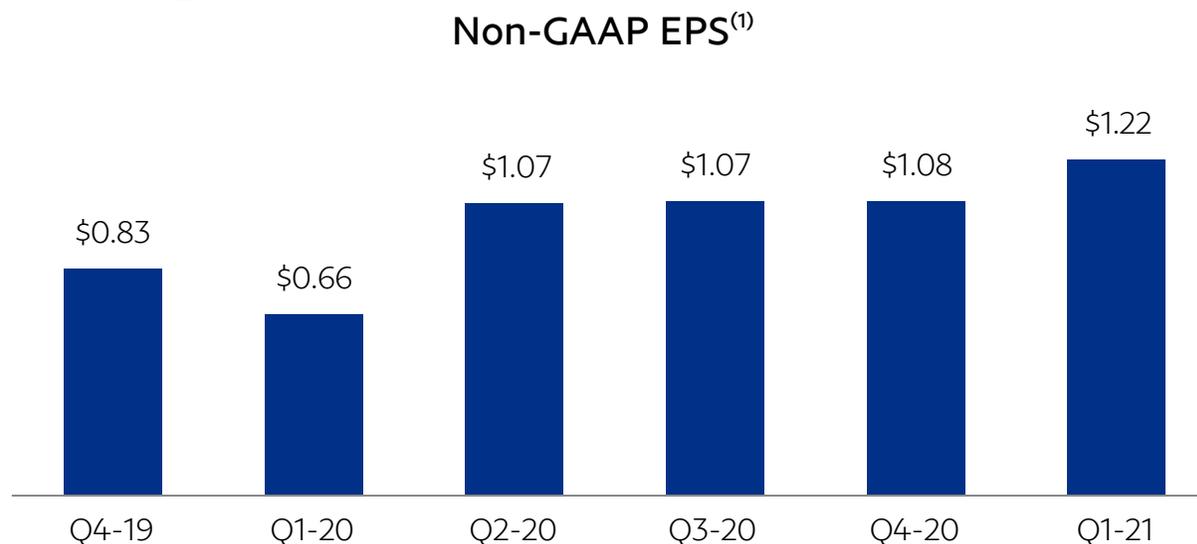
(1) Non-GAAP operating margin and expenses presented on a non-GAAP basis are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.

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

(3) Non-transaction related expenses include customer support and operations, sales and marketing, technology and development, general and administrative and restructuring and other charges.

Q1-21 EPS

Non-GAAP EPS of \$1.22, 84% growth



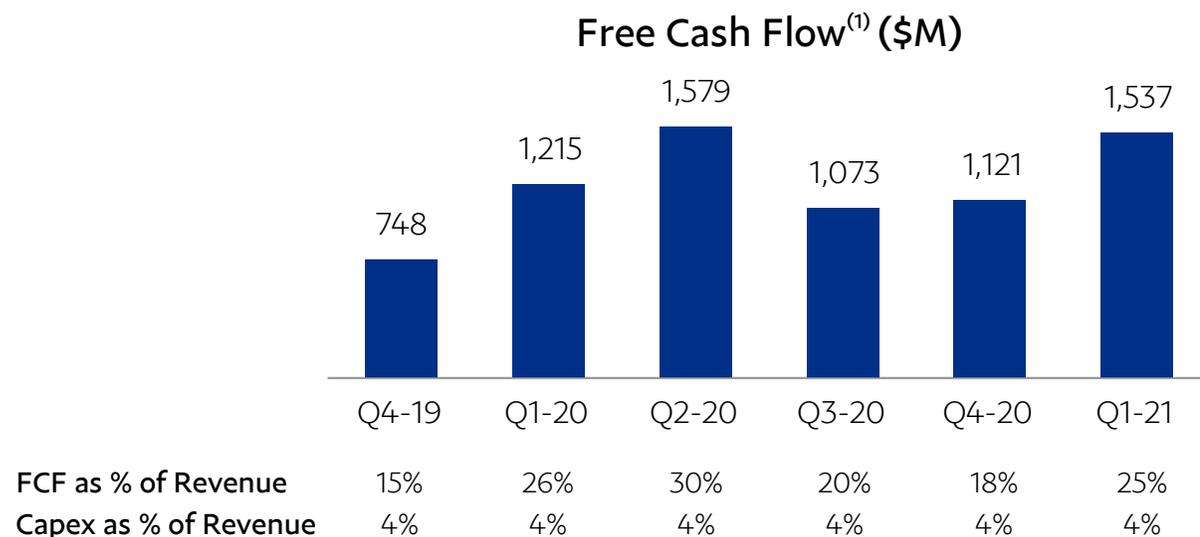
- Q1-21 GAAP EPS of \$0.92, including the impact of net losses related to strategic investments
- Q1-21 non-GAAP other income & expense (OI&E)⁽²⁾ for the quarter was \$(50)M, primarily driven by net interest expense (interest expense on debt issued in 2020 and 2019) and lower interest income on corporate cash due to lower interest rates

(1) 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.

(2) GAAP OI&E of \$(170M) less net loss from strategic investments of \$(120M)

Q1-21 Free Cash Flow

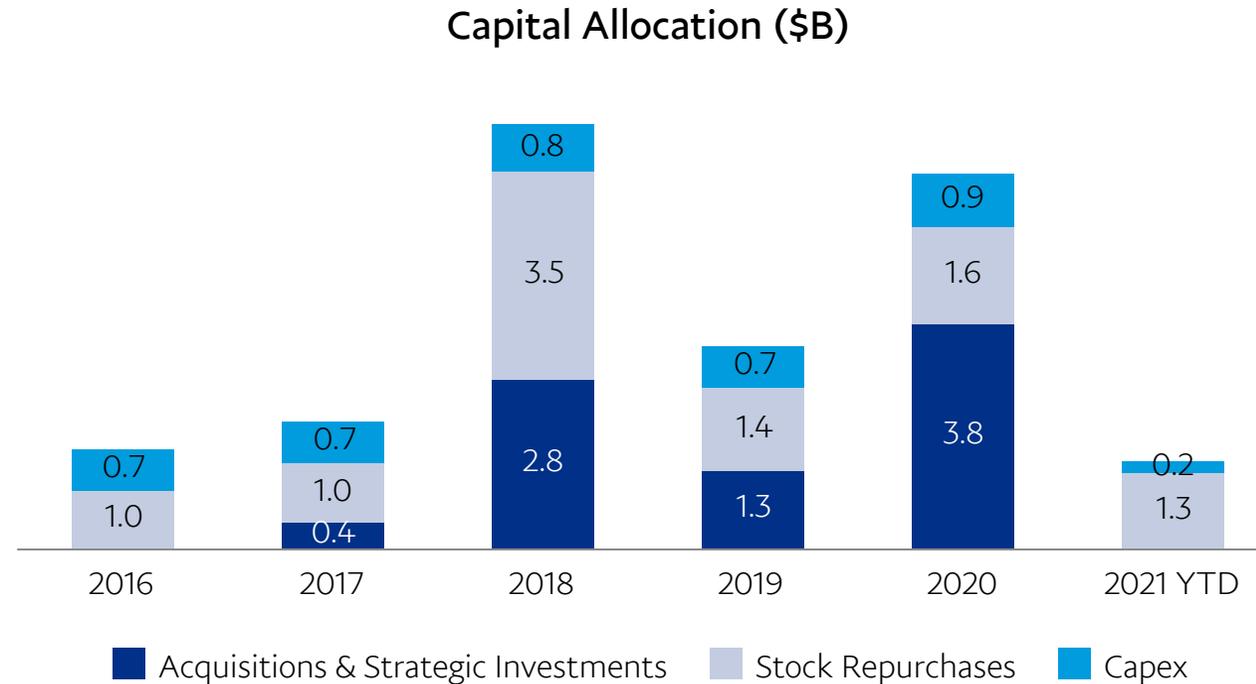
Q1-21 FCF of \$1.54 billion, 27% y/y increase



- Free Cash Flow (FCF) of \$1.54 billion in Q1-21, increasing 27%
- In Q1, for every \$1 of revenue, PayPal generated 25 cents of FCF
- Q1-21 capex spend of \$221 million and cash and cash equivalents, short-term and long-term investments of \$19.1 billion
 - Cash and cash equivalents of \$5.7 billion, short-term investments of \$7.4 billion and long-term investments of \$6.0 billion
- Long-term debt of \$8.9 billion

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

Q1-21 Capital Allocation



- In Q1-21, returned \$1.32 billion in capital to shareholders by repurchasing ~5.3 million shares at an average price of \$249.26 per share
- Since separation, repurchased 122 million shares of common stock, returning \$9.9 billion in capital to shareholders at an average price of \$81.13 per share

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

FY-21 Guidance

Raising NNAs, TPV, revenue, and earnings on ongoing strength

Revenue (\$B)	~\$25.75
Revenue Growth (Spot)	~20%
Non-GAAP EPS Growth	~21%
Free Cash Flow (\$B)	~\$6.0

Percentages shown are year-on-year growth rates

- Non-GAAP effective tax rate of ~14-16%
- Capex of ~3% of revenue
- GAAP EPS of ~\$3.33

- **NNAs:** Expect to add 52-55 million NNAs in FY-21
- **TPV:** Expect TPV growth of ~+30% at spot and FXN
- **Revenue:** Expect revenue growth of ~+20% at spot and ~+18.5% FXN
 - **eBay impact:** Revenue guidance includes expected ~6pts of headwind from eBay's managed payments transition
- **Op Margins:** Expect to generate ~100bps of non-GAAP operating margin expansion
- **EPS:** Expect non-GAAP EPS growth of ~+21% to ~\$4.70
 - GAAP and non-GAAP EPS guidance does not include any expectation of incremental adjustments to credit loss reserves
 - GAAP EPS guidance includes ~\$0.09 of net realized and unrealized losses on PayPal's strategic investment portfolio
 - In 2020, GAAP EPS included a net unrealized gain of ~\$1.24 on PayPal's strategic investment portfolio

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

Q2-21 Guidance

Q2 guidance reflects 2-year CAGRs of 20% revenue growth and 25% non-GAAP EPS growth

Revenue Growth (Spot)	~19%
Revenue Growth (FXN)	~17%
Non-GAAP EPS Growth	~5%

Percentages shown are year-on-year growth rates

- GAAP EPS of ~\$0.76

- **Revenue:** Expect revenue growth of ~+19% at spot and ~+17% FXN to ~\$6.25B
 - Reflecting broad-based strength in merchant services business and improving credit performance
- **EPS:** Expect non-GAAP EPS growth of ~5%, to ~\$1.12
 - In Q2-20, GAAP and non-GAAP EPS included \$0.07 of negative impact from increased credit loss reserves due to macroeconomic projections
 - In Q2-20, GAAP EPS included a net unrealized gain of \$0.58 on PayPal's strategic investment portfolio
 - GAAP and non-GAAP EPS guidance does not include any expectation of incremental adjustments to credit loss reserves
 - GAAP EPS guidance does not include any expectation of net realized and unrealized gains and losses on PayPal's strategic investment portfolio

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

Supplemental Information

Q1-21 PayPal Metrics⁽¹⁾

(in millions, except %)

	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21
Active Accounts	305	325	346	361	377	392
Y/Y Growth	14%	17%	21%	22%	24%	21%
Net New Active Accounts	9.3	20.2*	21.3	15.2	16.0	14.5
Number of Payment Transactions	3,461	3,261	3,742	4,013	4,408	4,371
Y/Y Growth	21%	15%	26%	30%	27%	34%
Total Payment Volume	\$199,404	\$190,567	\$221,731	\$246,691	\$277,072	\$285,447
Y/Y Growth	22%	18%	29%	38%	39%	50%
FXN Y/Y Growth	22%	19%	30%	36%	36%	46%
US TPV	\$118,666	\$117,056	\$132,673	\$149,618	\$162,931	\$171,124
Y/Y Growth	26%	22%	30%	40%	37%	46%
International TPV	\$80,738	\$73,511	\$89,058	\$97,074	\$114,141	\$114,323
Y/Y Growth	17%	12%	27%	35%	41%	56%
FXN Y/Y Growth	18%	14%	30%	30%	35%	45%
Total Take Rate	2.49%	2.42%	2.37%	2.21%	2.21%	2.11%
Transaction Take Rate	2.27%	2.21%	2.23%	2.06%	2.05%	1.97%
Transaction Expense Rate	0.96%	0.91%	0.83%	0.82%	0.84%	0.80%
Transaction and Loan Loss Rate	0.19%	0.31%	0.20%	0.14%	0.13%	0.10%
Transaction Margin	53.8%	49.5%	56.6%	56.7%	55.9%	57.8%

- TPV growth of 50% on a spot basis, accelerating ~32pts on a y/y basis and ~11pts on a sequential basis
- Transaction growth of 34%, accelerating ~19pts on y/y basis and ~7pts on a sequential basis. Strength across PayPal checkout experiences and increased volumes from Braintree transactions contributed to transaction growth
- Cross-border trade (CBT) was 17% of TPV in the quarter, growing 44% on an FX-neutral basis
- 44% of active accounts were outside the U.S. as of March 31, 2021
- Average Payment Volume (APV) was \$65, up 12% y/y
- Transaction take rate down ~20 bps year over year. Decline driven by lower eBay volumes, higher Braintree share (including increased bill pay volumes) and y/y reduction in hedge revenue

*Includes 10.2 million active accounts that were included from the acquisition of Honey in January 2020
 (1) Definitions included in Supplemental Information.

Q1-21 Financial Detail

(in millions, except %)	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21
Transaction Revenue	\$4,535	\$4,215	\$4,945	\$5,076	\$5,682	\$5,621
Y/Y Growth	18%	13%	28%	28%	25%	33%
Other Value Added Services (OVAS)	\$426	\$403	\$316	\$383	\$434	\$412
Y/Y Growth	14%	2%	(26)%	(9)%	2%	2%
Total Revenue	\$4,961	\$4,618	\$5,261	\$5,459	\$6,116	\$6,033
Y/Y Growth	17%	12%	22%	25%	23%	31%
FXN Y/Y Growth	18%	13%	25%	25%	23%	29%
US Revenue Y/Y Growth	19%	13%	15%	21%	18%	24%
International Revenue FXN Y/Y Growth	17%	14%	36%	30%	29%	35%
% International	47%	47%	50%	48%	50%	49%
Volume-based expenses	\$2,294	\$2,330	\$2,283	\$2,366	\$2,696	\$2,548
Non-transaction related expenses	\$1,494	\$1,380	\$1,493	\$1,608	\$1,910	\$1,812
Total Operating Expenses⁽¹⁾	\$3,788	\$3,710	\$3,776	\$3,974	\$4,606	\$4,360
Y/Y Growth	14%	16%	14%	19%	22%	18%
Non-GAAP Op. Income⁽¹⁾	\$1,173	\$908	\$1,485	\$1,485	\$1,510	\$1,673
Non-GAAP Op. Margin %⁽¹⁾	24%	20%	28%	27%	25%	28%
Non-GAAP EPS⁽¹⁾	\$0.83	\$0.66	\$1.07	\$1.07	\$1.08	\$1.22
Y/Y Growth	27%	0%	49%	41%	29%	84%
CAPEX	\$174	\$206	\$193	\$241	\$226	\$221
Free Cash Flow⁽¹⁾	\$748	\$1,215	\$1,579	\$1,073	\$1,121	\$1,537

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

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended										Year Ended December 31,		
		March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	2020	2019	2018
GAAP operating expenses:														
Transaction expense		\$ 2,275	\$ 2,330	\$ 2,022	\$ 1,843	\$ 1,739	\$ 1,913	\$ 1,701	\$ 1,627	\$ 1,549	\$ 1,578	\$ 7,934	\$ 6,790	\$ 5,581
Transaction and credit losses		273	366	344	440	591	381	340	318	341	340	1,741	1,380	1,274
Customer support and operations		518	507	449	423	399	438	390	399	388	377	1,778	1,615	1,407
Sales and marketing		602	605	471	414	371	400	316	356	329	401	1,861	1,401	1,314
Technology and development		741	732	674	631	605	558	533	483	511	490	2,642	2,085	1,831
General administrative		524	569	503	512	486	472	401	419	419	430	2,070	1,711	1,541
Restructuring and other changes		58	44	19	47	29	—	—	(2)	73	12	139	71	309
Total operating expenses		\$ 4,991	\$ 5,153	\$ 4,482	\$ 4,310	\$ 4,220	\$ 4,162	\$ 3,681	\$ 3,600	\$ 3,610	\$ 3,628	18,165	15,053	13,257
Non-GAAP operating expense adjustments:														
Customer support and operations	(a)	(72)	(71)	(63)	(64)	(52)	(54)	(51)	(45)	(48)	(45)	(250)	(198)	(174)
	(b)	(16)	(1)	—	(1)	(7)	(1)	(1)	(2)	(5)	(1)	(9)	(9)	(9)
Sales and marketing	(a)	(48)	(41)	(45)	(47)	(39)	(32)	(31)	(32)	(32)	(32)	(172)	(127)	(125)
	(b)	(13)	(1)	(1)	(3)	(7)	(1)	(1)	(5)	(5)	—	(12)	(12)	(7)
	(c)	(38)	(40)	(43)	(44)	(43)	(32)	(34)	(33)	(36)	(39)	(170)	(135)	(92)
Technology and development	(a)	(139)	(145)	(138)	(133)	(113)	(128)	(119)	(80)	(93)	(81)	(529)	(420)	(303)
	(b)	(34)	(2)	(1)	(1)	(17)	(1)	(1)	(3)	(12)	(1)	(21)	(17)	(20)
	(c)	(61)	(61)	(63)	(64)	(64)	(18)	(18)	(18)	(21)	(20)	(252)	(75)	(54)
General administrative	(a)	(119)	(130)	(127)	(116)	(87)	(79)	(72)	(73)	(81)	(77)	(460)	(305)	(269)
	(b)	(26)	(4)	(1)	—	(14)	(1)	(1)	(4)	(10)	—	(19)	(16)	(13)
	(c)	(7)	(7)	(7)	(7)	(7)	(1)	—	—	—	—	(28)	(1)	—
	(e)	—	—	—	—	(20)	(3)	—	—	—	(7)	(20)	(3)	(24)
	(g)	—	—	—	(7)	(11)	(23)	—	—	—	—	(18)	(23)	—
Restructuring and other charges	(d)	(32)	(35)	(19)	(26)	(29)	—	—	—	(78)	—	(109)	(78)	(25)
	(f)	—	—	—	—	—	—	—	2	5	(12)	—	7	(40)
	(h)	(26)	(9)	—	(21)	—	—	—	—	—	—	(30)	—	—
Total operating expenses		\$ (631)	\$ (547)	\$ (508)	\$ (534)	\$ (510)	\$ (374)	\$ (329)	\$ (293)	\$ (416)	\$ (315)	(2,099)	(1,412)	(1,155)
Non-GAAP operating expenses:														
Transaction expense		2,275	2,330	2,022	1,843	1,739	1,913	1,701	1,627	1,549	1,578	\$ 7,934	\$ 6,790	\$ 5,581
Transaction and credit losses		273	366	344	440	591	381	340	318	341	340	1,741	1,380	1,274
Customer support and operations		430	435	386	358	340	383	338	352	335	331	1,519	1,408	1,224
Sales and marketing		503	523	382	320	282	335	250	286	256	330	1,507	1,127	1,090
Technology and development		507	524	472	433	411	411	395	382	385	388	1,840	1,573	1,454
General and administrative		372	428	368	382	347	365	328	342	328	346	1,525	1,363	1,235
Restructuring and other charges		—	—	—	—	—	—	—	—	—	—	—	—	244
Total operating expenses		\$ 4,360	\$ 4,606	\$ 3,974	\$ 3,776	\$ 3,710	\$ 3,788	\$ 3,352	\$ 3,307	\$ 3,194	\$ 3,313	16,066	13,641	12,102

(a) Stock-based compensation expense.

(b) Employer payroll taxes on stock-based compensation.

(c) Amortization and impairment of acquired intangible assets.

(d) Restructuring.

(e) Acquisition related transaction expense.

(f) Net gain (loss) related to the sale of our U.S. Consumer Credit receivables portfolio.

(g) Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company.

(h) Asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties.

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	2020	2019	2018
GAAP net revenues	\$ 6,033	\$ 6,116	\$ 5,459	\$ 5,261	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 21,454	\$ 17,772	\$ 15,451
GAAP operating income	1,042	963	977	951	398	799	697	705	518	598	3,289	2,719	2,194
Stock-based compensation expense and related employer payroll taxes	467	395	376	365	336	297	277	244	286	237	1,472	1,104	920
Amortization of acquired intangible assets	106	108	113	115	114	51	52	51	57	59	450	211	146
Restructuring	32	35	19	26	29	—	—	—	78	—	109	78	25
Other	26	9	—	28	11	23	—	(2)	(5)	12	48	16	40
Acquisition related transaction expense	—	—	—	—	20	3	—	—	—	7	20	3	24
Total non-GAAP operating income adjustments	631	547	508	534	510	374	329	293	416	315	2,099	1,412	1,155
Non-GAAP operating income	\$ 1,673	\$ 1,510	\$ 1,485	\$ 1,485	\$ 908	\$ 1,173	\$ 1,026	\$ 998	\$ 934	\$ 913	\$ 5,388	\$ 4,131	\$ 3,349
GAAP operating margin	17.3 %	15.7 %	17.9 %	18.1 %	8.6 %	16.1 %	15.9 %	16.4 %	12.5 %	14.2 %	15.3 %	15.3 %	14.2 %
Non-GAAP operating margin	27.7 %	24.7 %	27.2 %	28.2 %	19.7 %	23.6 %	23.4 %	23.2 %	22.6 %	21.6 %	25.1 %	23.2 %	21.7 %

Reconciliation of Net Income, EPS and Effective Tax Rate

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

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	2020	2019	2018
GAAP income before income taxes	\$ 872	\$ 1,859	\$ 1,144	\$ 1,799	\$ 263	\$ 854	\$ 484	\$ 943	\$ 717	\$ 686	\$ 5,065	\$ 2,998	\$ 2,376
GAAP income tax expense (benefit)	(225)	292	123	269	179	347	22	120	50	102	863	539	319
GAAP net income	1,097	1,567	1,021	1,530	84	507	462	823	667	584	4,202	2,459	2,057
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	631	547	508	534	510	374	329	293	416	315	2,099	1,412	1,155
(Gains) losses on strategic investments	120	(94)	(209)	(888)	124	(38)	228	(218)	(180)	(56)	(1,914)	(208)	(87)
Other certain significant gains, losses, or charges	—	—	—	(17)	259	230	—	—	—	(6)	242	230	43
Tax effect of non-GAAP adjustments	(393)	108	(45)	104	(191)	(85)	(119)	(50)	(117)	(54)	(24)	(371)	(322)
Non-GAAP net income	\$ 1,455	\$ 1,281	\$ 1,275	\$ 1,263	\$ 786	\$ 988	\$ 900	\$ 848	\$ 786	\$ 783	\$ 4,605	\$ 3,522	\$ 2,846
Shares used in diluted share calculation	1,190	1,191	1,190	1,184	1,185	1,187	1,188	1,187	1,188	1,196	1,187	1,188	1,203
Net income per diluted share:													
GAAP	\$ 0.92	\$ 1.32	\$ 0.86	\$ 1.29	\$ 0.07	\$ 0.43	\$ 0.39	\$ 0.69	\$ 0.56	\$ 0.49	\$ 3.54	\$ 2.07	\$ 1.71
Non-GAAP	\$ 1.22	\$ 1.08	\$ 1.07	\$ 1.07	\$ 0.66	\$ 0.83	\$ 0.76	\$ 0.71	\$ 0.66	\$ 0.65	\$ 3.88	\$ 2.96	\$ 2.37
GAAP effective tax rate	(26)%	16 %	11 %	15 %	68 %	41 %	5 %	13 %	7 %	15 %	17 %	18 %	13 %
Tax effect of non-GAAP adjustments to net income	36 %	(3)%	1 %	(2)%	(56)%	(24)%	9 %	4 %	11 %	2 %	(5)%	(2)%	4 %
Non-GAAP effective tax rate	10 %	13 %	12 %	13 %	12 %	17 %	14 %	17 %	18 %	17 %	12 %	16 %	17 %

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	2020	2019	2018
Net cash provided by operating activities ⁽¹⁾	\$ 1,758	\$ 1,347	\$ 1,314	\$ 1,772	\$ 1,421	\$ 922	\$ 1,253	\$ 980	\$ 916	\$ 1,185	\$ 5,854	\$ 4,071	\$ 5,480
Less: Purchases of property and equipment	(221)	(226)	(241)	(193)	(206)	(174)	(173)	(139)	(218)	(224)	(866)	(704)	(823)
Free cash flow	1,537	1,121	1,073	1,579	1,215	748	1,080	841	698	961	4,988	3,367	4,657
Impact of held for sale accounting presentation related to our U.S. consumer credit receivables portfolio on cash flow from operating activities	—	—	—	—	—	—	—	—	—	—	—	—	(1,508)
Adjusted free cash flow	\$ 1,537	\$ 1,121	\$ 1,073	\$ 1,579	\$ 1,215	\$ 748	\$ 1,080	\$ 841	\$ 698	\$ 961	\$ 4,988	\$ 3,367	\$ 3,149

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

Q2-21 and FY-21 GAAP and Non-GAAP Guidance

	Three Months Ending June 30, 2021	
	GAAP	Non-GAAP^(a)
Revenue Growth Rate (Spot)	~19%	~19%
Revenue Growth Rate (FXN)	~17%	~17%
Diluted EPS \$ / Growth Rate ^(b)	~\$0.76	~5%

	Twelve Months Ending December 31, 2021	
	GAAP	Non-GAAP^(c)
Revenue Growth Rate (Spot)	~20%	~20%
Revenue Growth Rate (FXN)	~18.5%	~18.5%
Diluted EPS \$ / Growth Rate ^(d)	~\$3.33	~21%

- (a) Estimated non-GAAP amounts above for the three months ending June 30, 2021, reflect adjustments of approximately \$525 million, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$400 million.
- (b) For purposes of EPS guidance, GAAP EPS is shown on an absolute basis for a more meaningful representation. On a growth rate basis, Q2-21 EPS guidance of ~\$0.76, compared to \$1.29 in Q2-20, an implied 41% y/y decline.
- (c) Estimated non-GAAP amounts above for the twelve months ending December 31, 2021, reflect adjustments of approximately \$2.21 billion, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$1.70 billion.
- (d) For purposes of EPS guidance, GAAP EPS is shown on an absolute basis for a more meaningful representation. FY-21 GAAP EPS is expected to be ~\$3.33, compared to \$3.54 in FY-20, which benefited from ~\$1.24 in net gains on strategic investments.

Definitions

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

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

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

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

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

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

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

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

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

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

