

Q3-22

Investor Update

November 3, 2022



Non-GAAP Financial Measures; Forward-Looking Statements

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

As previously disclosed, beginning with the first quarter of 2020, we modified the presentation of our non-GAAP results to exclude the impact of all gains and losses on our strategic investments. In addition, beginning with the fourth quarter of 2020, we have reclassified certain cash flows related to customer balances from cash flows from operating activities to cash flows from investing activities or financing activities within the consolidated statements of cash flows. 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 fourth quarter and full year 2022; our preliminary 2023 framework; anticipated cost savings; our capital return program; the impact and timing of product launches and acquisitions; and the projected future growth of PayPal's businesses. Forward-looking statements are based upon various estimates and assumptions, as well as information known to PayPal as of the date of this presentation and are inherently subject to numerous risks and uncertainties. Our actual results could differ materially from those estimated or implied by forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: our ability to compete in markets that are highly competitive and subject to rapid technological change, and to develop and deliver new or enhanced products and services on a timely basis; cyberattacks and security vulnerabilities, and associated impacts; the effect of global and regional political, economic, market and trade conditions, supply chain issues and related events that affect payments or commerce activity, including inflation and rising interest rates; the impact of natural disasters or other business interruptions on our business and financial condition, as well as our customers, suppliers, vendors and other business partners; the continuing effects of the COVID-19 pandemic and the proliferation of variants; the impact of the Russia-Ukraine conflict; the stability, security and performance of our payments platform; the effect of extensive government regulation and oversight related to our business, products and services in a variety of areas, including, but not limited to, laws covering payments, lending and consumer protection; the impact of complex and changing laws and regulations worldwide, including, but not limited to, laws covering privacy, data protection, and cybersecurity, which expose us to potential liabilities, increased costs, and other adverse effects on our business; the impact of payment card, bank, or other network rules or practices; changes in how consumers fund transactions; our ability to effectively detect and prevent the use of our services for fraud, abusive behaviors, illegal activities, or improper purposes; our ability to manage regulatory and litigation risks, and the outcome of legal and regulatory proceedings; our ability to manage relationships with third parties and their ability to meet their obligations to us; damage to our reputation or brands; fluctuations in foreign currency exchange rates; changes in tax rates and exposure to additional tax liabilities; changes to our capital allocation, management of operating cash or incurrence of indebtedness; our ability to timely develop and upgrade our technology systems, infrastructure and customer service capabilities; the impact of proposed or completed acquisitions, divestitures, strategic investments, or entries into new businesses or markets; and our ability to attract, hire, and retain talented employees. The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or contemplated after the date of this presentation.

More information about factors that could adversely affect PayPal's results of operations, financial condition and prospects or that could cause actual results to differ from those expressed or implied in forward-looking statements is included under the captions "Risk Factors," "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in PayPal's most recent annual report on Form 10-K, and its subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting PayPal's Investor Relations website at <https://investor.pypl.com> or the SEC's website at www.sec.gov. All information in this presentation is as of November 3, 2022. 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

Raising FY-22 non-GAAP EPS guidance by ~\$0.16 to ~\$4.07-\$4.09

Solid Q3: Revenue and earnings outperformance; return to non-GAAP operating income growth

Q3 results & metrics

- Revenue growth: 3-year spot CAGR of 16%, and 21% ex-eBay⁽¹⁾
- Non-GAAP EPS of \$1.08, ~\$0.13 above the midpoint of prior guidance range
- First quarter of non-GAAP operating income growth since Q2-21: \$1.5B, growing 4%
- Highest organic⁽³⁾ quarterly free cash flow (FCF) in PayPal's history: \$1.8B, 37% growth and 26% of revenue
- Share repurchases of \$939M in Q3, with year-to-date⁽⁴⁾ share repurchase activity of \$3.2B

Raising FY-22 EPS guidance; expect non-GAAP operating margin expansion in Q4

Full year and Q4 outlook

- Expect FY-22 ex-eBay revenue growth of ~13% FXN⁽⁵⁾
- Second consecutive quarter raising non-GAAP EPS guidance; expect FY-22 non-GAAP EPS of ~\$4.07-\$4.09, ~\$0.16 above the midpoint of prior guidance range
- Expect FY-22 FCF >\$5.0B with an incremental \$1B in Q4 repurchase activity, bringing total FY-22 repurchases to ~\$4.2B
- Expect non-GAAP operating margin expansion in Q4 and ~9% FXN revenue growth

Focused on driving continued operating leverage and earnings growth

Preliminary 2023 framework

- Targeting at least 100bps of non-GAAP operating margin expansion and at least 15% non-GAAP EPS growth

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

(1) All references to eBay in this presentation refer to eBay Marketplaces on our payments platform (2) Daily active accounts represents the average number of active accounts that have completed a transaction using our core PayPal payments products and services, including person-to-person payments and checkout transactions, on a given day during the designated period (3) In Q3-18, FCF was \$4.6B on a reported basis. Adjusting for the proceeds from the sale of U.S. consumer credit receivables to Synchrony, FCF was \$718M

(4) Through Q3-22 (5) Foreign currency-neutral



Third Quarter 2022 Summary

Three-year CAGRs highlight solid performance

Active Accounts

432M

Includes **35M** active merchant accounts

4% increase y/y

2.9M

Net new active accounts (NNAs)

Customer Engagement

50.1

Payment transactions per active account (TPA)

13% increase y/y

PayPal core daily active accounts are **~40%** higher relative to pre-pandemic period (Q3-19)

Total Payment Volume

\$337B

9% spot and **14%** FXN y/y growth

10% spot and **15%** FXN y/y growth ex-eBay

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

3-year ex-eBay spot CAGR of **26%**

Revenue

\$6.85B

11% spot and **12%** FXN y/y growth

13% spot and **14%** FXN y/y growth ex-eBay

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

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

Non-GAAP EPS

\$1.08

2% decrease y/y

Q3-21 EPS included ~\$0.10 benefit from discrete tax items and ~\$0.04 benefit from credit loss reserve releases

3-year transaction margin dollar CAGR of **14%**

Free Cash Flow

\$1.8B

37% increase y/y

26% of revenue

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

Continuing to advance PayPal Branded Checkout

Refining branded checkout experience to drive engagement and share of checkout



Mobile checkout software developer kit (SDK)

Launched SDK for merchant apps in North America and Europe, delivering an in-context, 2-click experience



PayPal on File

Refined the experience of saving PayPal in the context of merchant checkout to make using PayPal for subsequent transactions easier. Consumers using PayPal for one or more recurring transactions are 15x less likely to churn and make 2x as many transactions on average.



Passkeys with Apple devices

PayPal is one of the first payments and commerce platforms offering passkeys, which replace passwords and allow for seamless login.



Reducing friction and latency

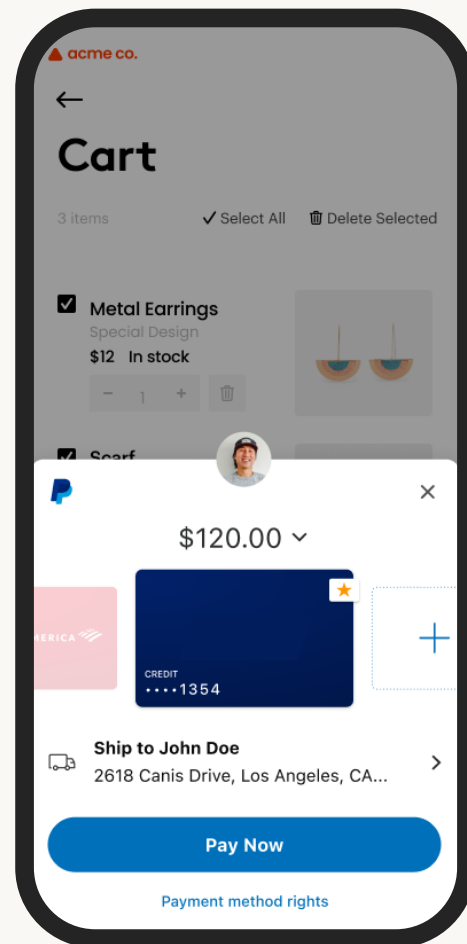
Introduced easier and more secure login experiences including SMS authentication and biometrics.

Improved customer-perceived latency by ~40% in the last 12 months⁽¹⁾

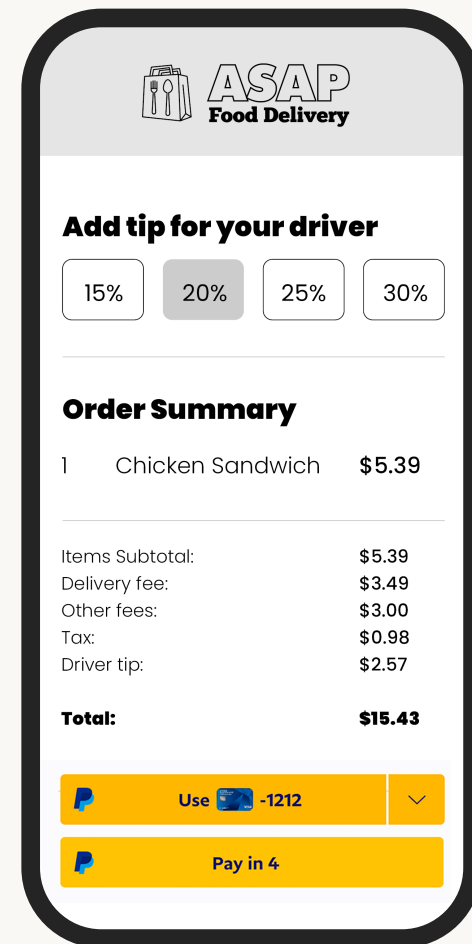


Driving checkout innovation

Piloting accelerated checkout, which offers one-click checkout and minimizes friction via vaulted credentials.



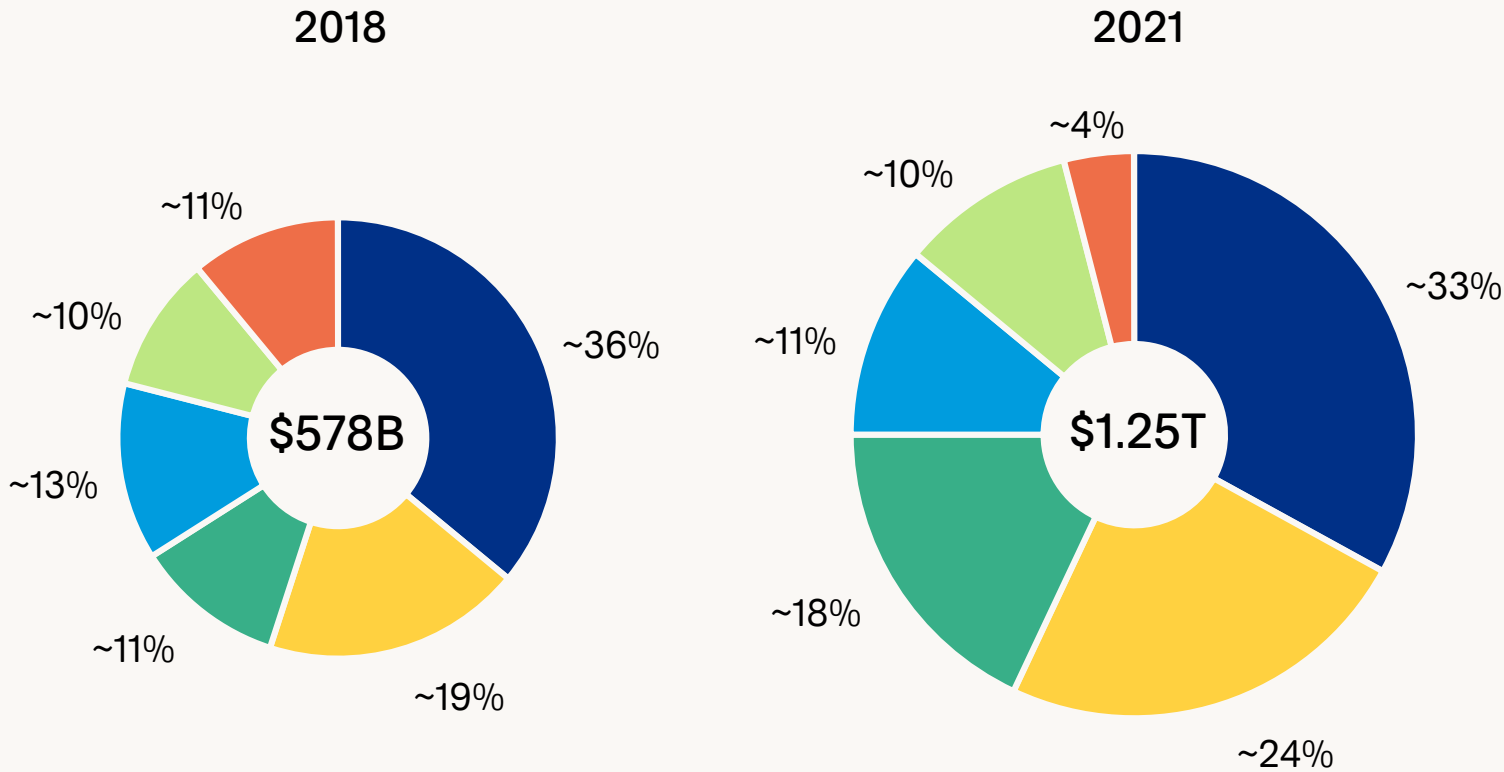
In-context checkout with carousel of payment options via new Mobile SDK



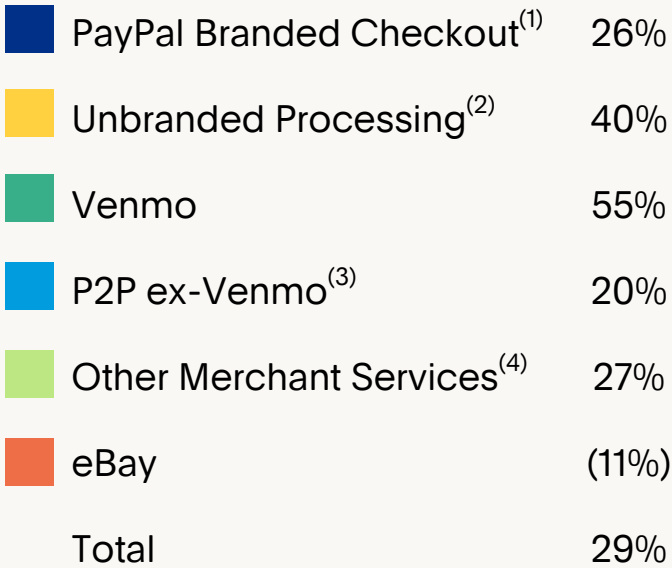
Easy access to default funding instrument and full wallet via PayPal on File

Diversified global payments company with multiple growth drivers

Global TPV mix



FX-neutral TPV 3-year CAGR (2018-2021)



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

PayPal Rewards program introduced to US consumers

Unified loyalty program to drive engagement in the digital wallet and checkout flywheel

One rewards program with cash value

PayPal balance

\$151.68

Transfer

PayPal Rewards


\$5.00

500 points


Redeem

Personalized shopping deals

Go-to athletic deals

 Nike

5.5% Cash Back

 Athleta

4% Cash Back

Multiple ways to earn

Add a card or bank account

Get \$5

(500 points)

when you add a bank, debit, or credit card to your PayPal account.

How it works, terms & exclusions below.

Add a Bank or Card

Redeem points at checkout

Nike

5.5% Cash Back

Ship to Sarah Smith

208 Copperhead Road, Hartford, CT 95108

Change

Offers

You're earning Cash Back

5.5% back at Nike

Your wallet

Rewards Points (500 Pts)

\$5.00

Don't use

Bank of America Visa

Debit **** 1245 Preferred

\$93.13

USD

One place to manage rewards

Rewards

500 points

\$5.00 redemption value

Redeem Now

Ways to earn

Terms apply.

Get \$5 (500 points)

Make 3 purchases with PayPal

Get \$5 (500 points)

Add a card or bank account

Cash back offers


Earn points at 1,000s of stores

PayPal Debit Card

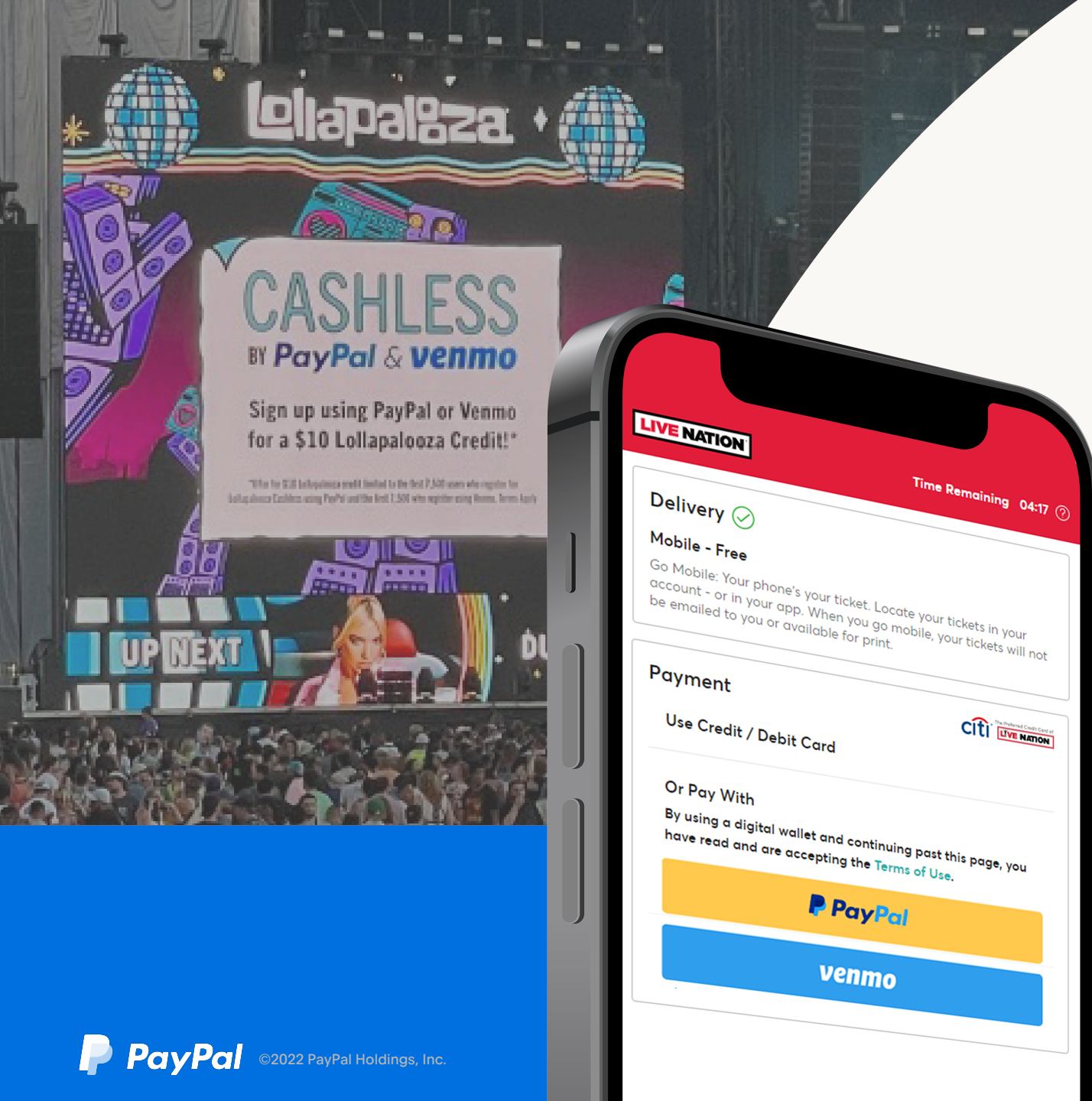
Earn cash back on eligible purchases

More ways to earn: Consumers can earn rewards from thousands of merchant cashback deals, trying new PayPal products, and more. Consumers can also 'stack earn' their PayPal Rewards with any rewards earned from applicable credit and debit rewards cards

More ways to redeem: Rewards can be redeemed as savings on a future PayPal checkout transaction, transferred to PayPal balance and then cashed out to a linked bank account, deposited into a PayPal savings account, sent using P2P, or donated to a charity

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LIVE NATION®

PayPal and Live Nation have enjoyed a longstanding relationship since 2006

Live Nation has utilized PayPal branded checkout across 21 countries, including the U.S., Canada, UK, and Australia, and Pay with Venmo in the U.S. Since 2019, our commerce relationship has evolved to include festival activations in the U.S. and Germany.

We are continuing to grow our relationship with this important partner. PayPal recently signed an expanded agreement with Live Nation to be the primary card processor for its global business, as well as an extended marketing partnership for PayPal and Venmo brand placement at major festivals including Lollapalooza, Bonnaroo, and BottleRock through 2027.

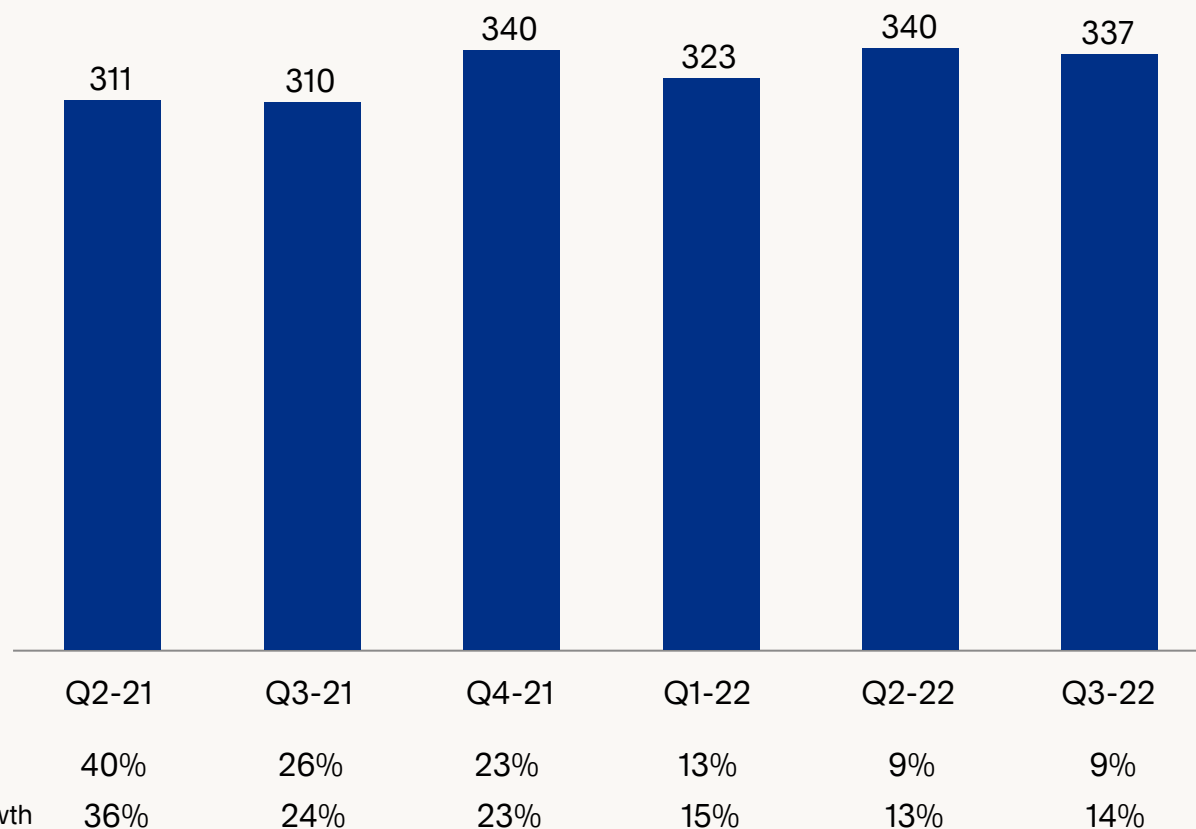
Business Update

Q3-22

Q3-22 Total Payment Volume (TPV)

3-year CAGR of 24% at spot and 26% excluding eBay

Total Payment Volume (TPV) (\$B)

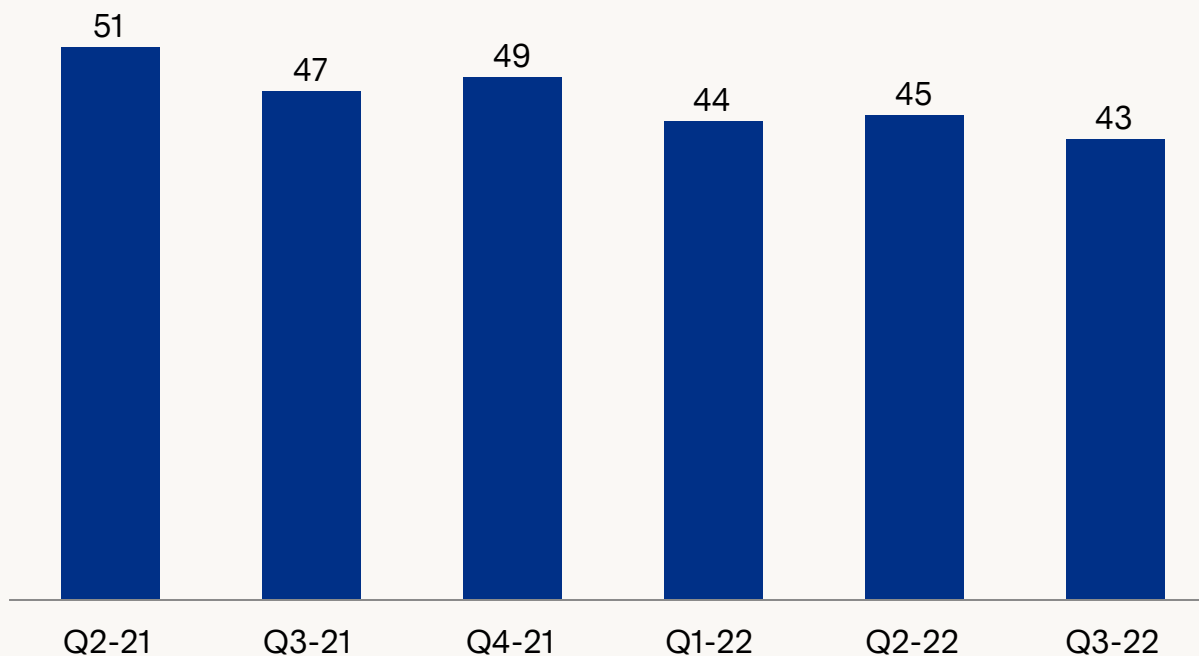


- TPV increased 9% on a spot basis and 14% FXN to \$337B
- Ex-eBay TPV increased 10% on a spot basis and 15% FXN, on top of 31% spot and 30% FXN growth in Q3-21; 3-year spot CAGR of 26%
- P2P TPV (PayPal, Venmo, and Xoom) increased 2% to \$93B, on top of 24% growth in Q3-21, and represented 28% of TPV; 3-year spot CAGR of 23%
- Venmo TPV increased 6% to \$64B, on top of 36% growth in Q3-21; 3-year spot CAGR of 32%

Q3-22 TPV: Cross-Border Trade (CBT)

3-year spot CAGR of 11% and 14% excluding eBay

Cross-Border Trade TPV (\$B)



Y/Y Growth	38%	19%	5%	(7%)	(12%)	(9%)
FXN Y/Y Growth	30%	17%	7%	(4%)	(6%)	(1%)
Share of Total TPV	16%	15%	14%	14%	13%	13%
Ex-eBay FXN Y/Y Growth	28%	19%	14%	4%	2%	5%

- CBT TPV was \$43B, down 1% FXN, driven by softness in EU-UK and U.S.-China corridors, partly offset by intra-European corridors, with PayPal ex-eBay volume offsetting lower eBay volume
 - CBT TPV 3-year spot CAGR of 11%
 - Ex-eBay CBT TPV increased 5% FXN, on top of 19% growth in Q3-21
 - CBT TPV represented 13% of TPV, compared to 15% in Q3-21
 - Cross-border trade primarily comprises e-commerce goods-related activity and has limited exposure to the recovery of travel

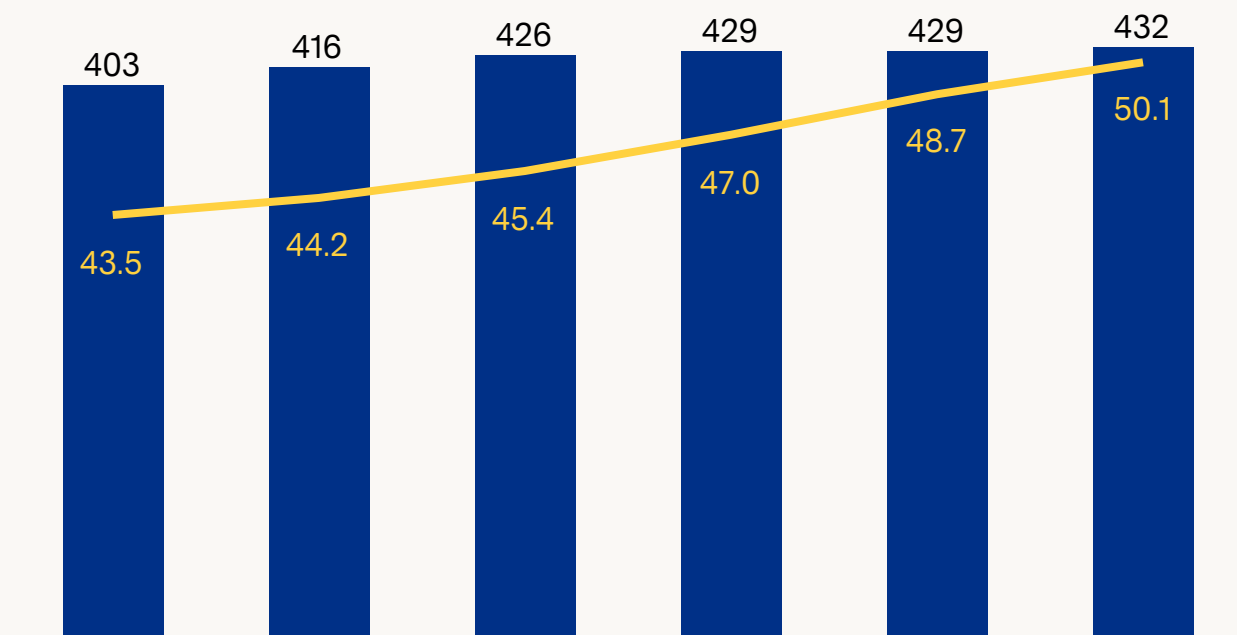
Note: In a typical purchase transaction, cross border TPV is counted in the region where the merchant is located. For example, in the case of a U.S. seller and a German buyer, the TPV is counted in the U.S.



Q3-22 Transactions and Engagement

Transactions per active account (TPA) reached 50.1, growing a record 13%

Active Accounts (M) and TPA



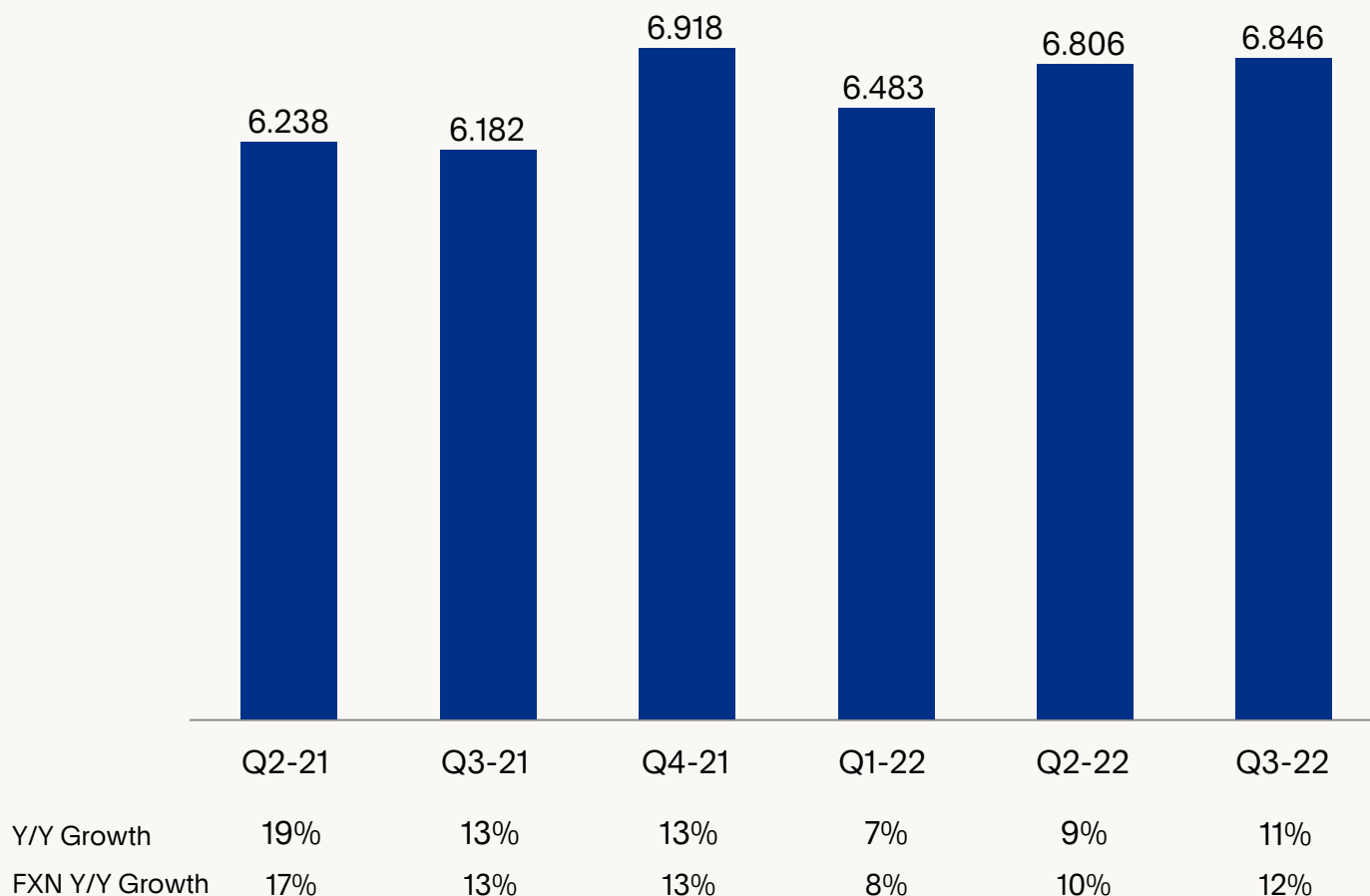
Y/Y Growth	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22
Active Accounts	16%	15%	13%	9%	6%	4%
TPA	11%	10%	11%	11%	12%	13%
Transactions	27%	22%	21%	18%	16%	15%

- Ended the quarter with 432M active accounts, up 4%, including 35M merchant accounts
- Added 2.9M net new active accounts
 - Includes absorbing higher churn impact from minimally engaged users that joined during the pandemic
- Processed 5.6B payment transactions, up 15%
 - Ex-eBay, transactions grew 17%
 - On a 3-year CAGR basis, transactions grew 22% and 27% ex-eBay
- 13% growth in TPA was predominantly driven by transaction growth from Braintree and lapping the ramp of eBay managed payments
- PayPal core daily active accounts increased ~40% relative to Q3-19 and ~11% on a 3-year CAGR basis, demonstrating elevated activity and engagement relative to pre-pandemic period

Q3-22 Revenue

3-year spot CAGR of 16% and 21% excluding eBay

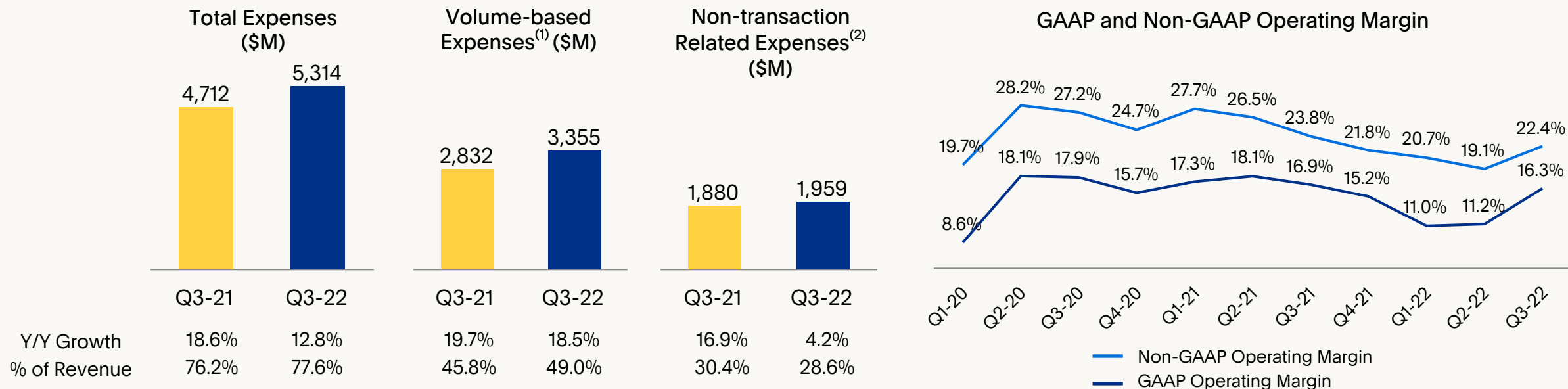
Total Revenue (\$B)



- Total revenue grew 11% at spot and 12% FXN; 3-year spot CAGR of 16%
 - Ex-eBay revenue grew 13% at spot and 14% FXN; 3-year spot CAGR of 21%
 - Transaction revenue grew 11%, driven primarily by Braintree. Ex-eBay transaction revenue grew 13%
 - Other Value Added Services (OVAS) revenue increased 6%
- Total take rate expanded ~4bps relative to Q3-21, primarily driven by FX hedge gains and Venmo
- Hedging gains, recognized in international transaction revenue, were \$156M in Q3-22 vs. hedging losses of \$44M in Q3-21
- Exiting Q3, at exchange rates as of September 30, 2022, our derivative positions are estimated to result in the recognition of \$504M of hedging gains in international transaction revenue over the next 12 months

Q3-22 Non-GAAP Expense Detail

First quarter of positive incremental operating margin since Q2-21



- Volume-based expenses grew 18.5%, resulting from increased funding costs driven by volume and funding mix (unbranded processing growth), and lapping \$63M of credit reserve release in Q3-21
- Non-transaction related expense growth decelerated ~13% vs. Q3-21, driven by an increased focus on cost control with leverage across sales and marketing and customer support and operations
- Non-GAAP operating margin contracted ~140bps vs. Q3-21, driven by higher transaction expense rate from volume mix (unbranded processing growth), partially offset by other opex leverage
- First quarter of positive incremental operating margin since Q2-21 with non-GAAP operating income of \$1.5B, growing 4%, or 9% excluding the benefit from Q3-21 reserve release of \$63M

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

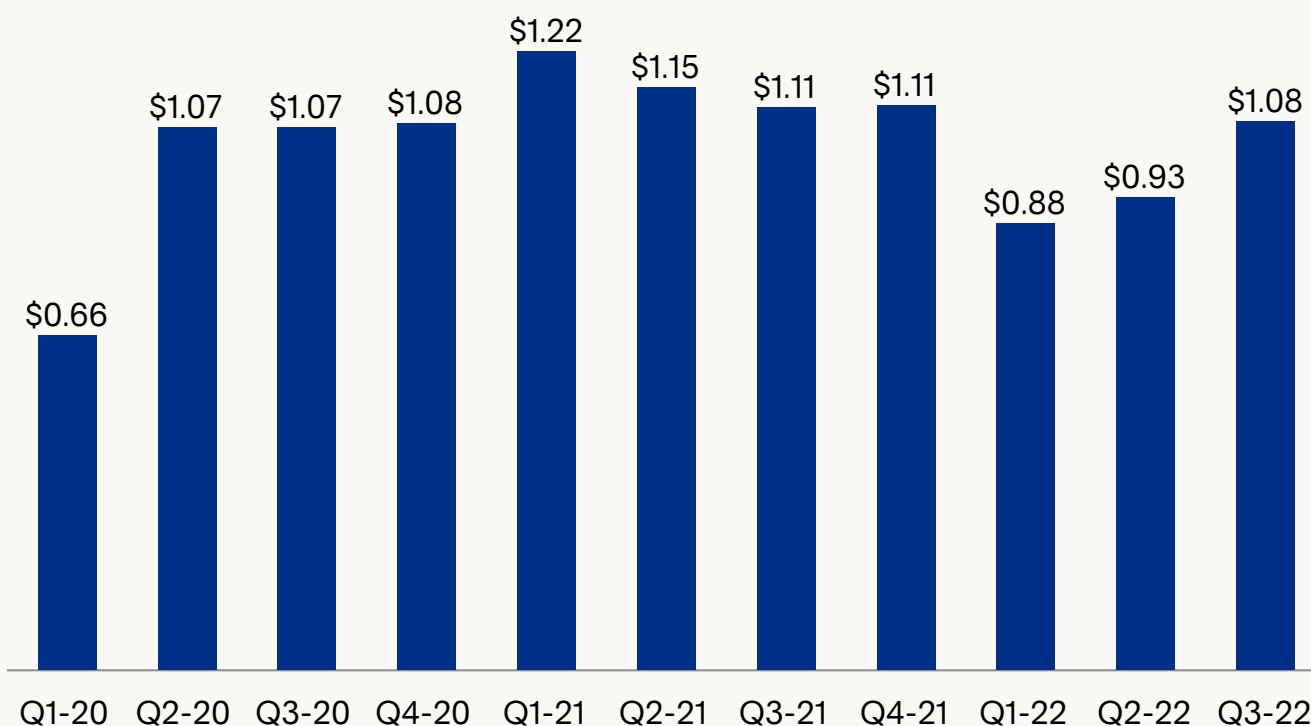
(1) Volume-based expenses include transaction expense and transaction and credit losses.

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

Q3-22 EPS

Non-GAAP EPS of \$1.08, down 2% y/y and 3-year CAGR of 13%

Non-GAAP EPS



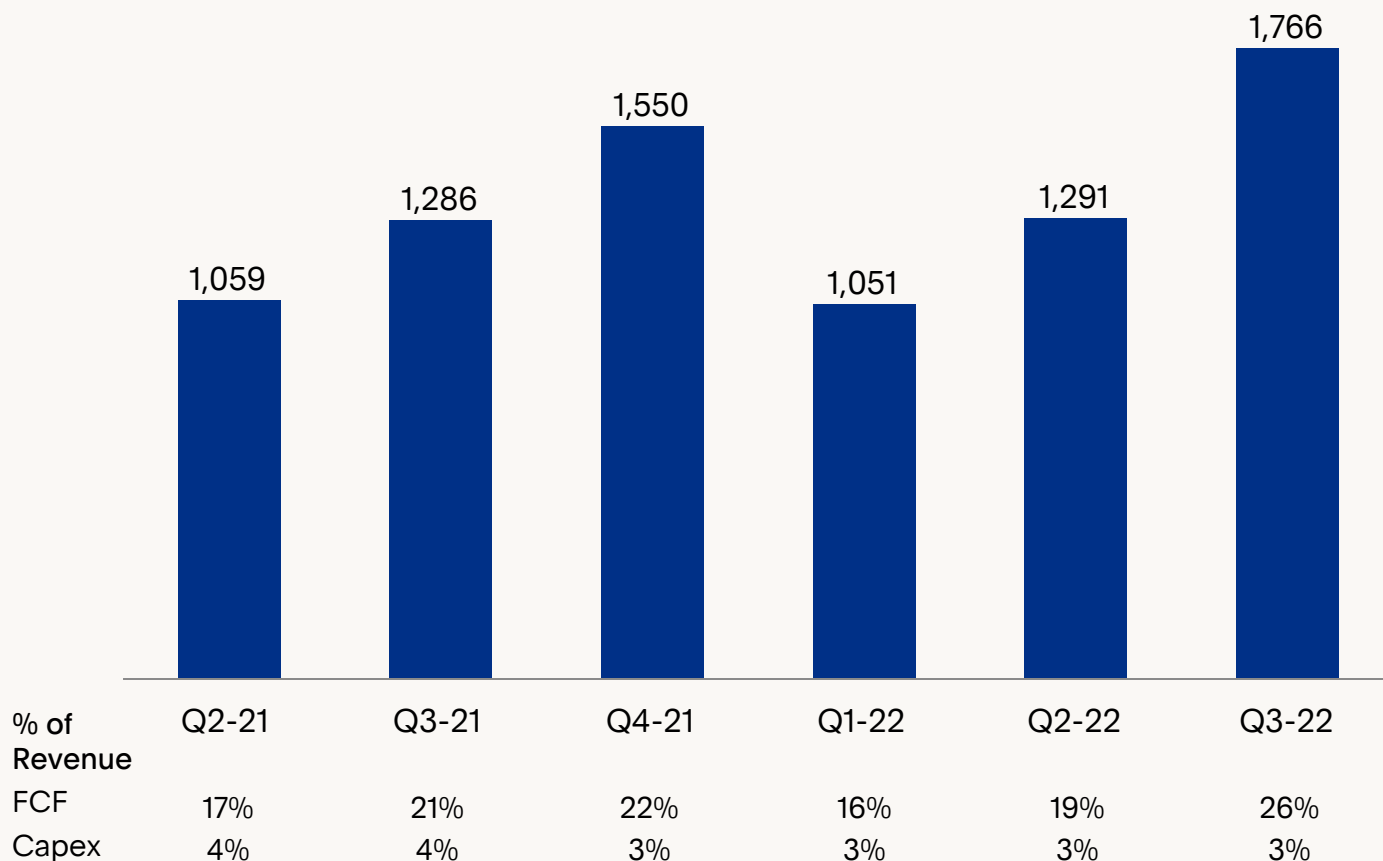
- Non-GAAP EPS declined \$0.03 relative to Q3-21
 - Q3-21 EPS included ~\$0.10 benefit from discrete tax items and ~\$0.04 benefit from credit loss reserve releases
- Q3-22 GAAP EPS of \$1.15 includes a net gain of ~\$0.34 related to strategic investments compared to a net gain of ~\$0.13 in Q3-21

Non-GAAP EPS is a non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure

Q3-22 Free Cash Flow

Highest organic⁽¹⁾ quarterly FCF in PayPal's history: \$1.8B, 37% increase and 26% of revenue

Free Cash Flow (\$M)



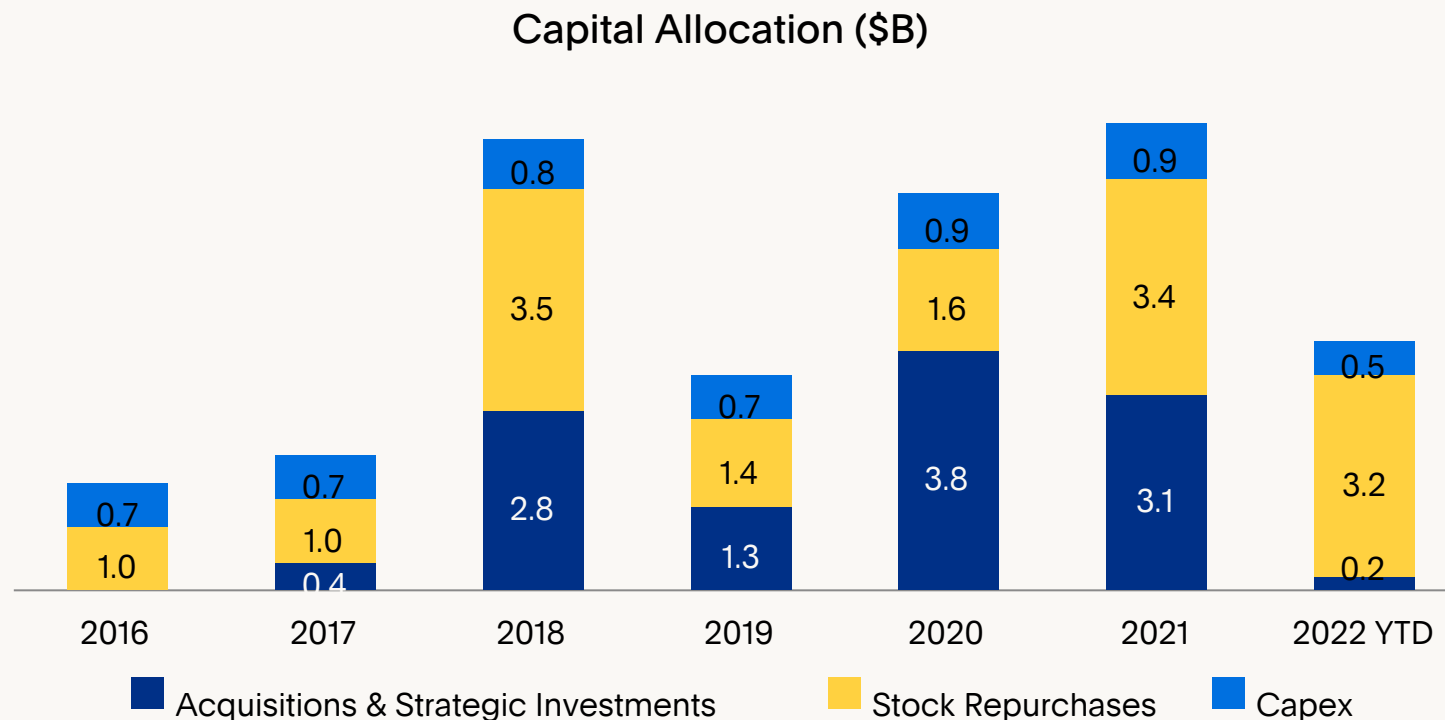
- FCF of \$1.8B, increasing 37%, driven by higher cash earnings and favorable changes in working capital relative to Q3-21
- In Q3-22, for every \$1 of revenue, PayPal generated 26 cents of FCF
- \$16.1B in cash and cash equivalents (\$6.7B), short-term (\$4.2B) and long-term investments (\$5.2B)
- Long-term debt of ~\$10.2B and short-term debt of ~\$400M as of September 30, 2022

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

(1) In Q3-18, FCF was \$4.6B on a reported basis. Adjusting for the proceeds from the sale of U.S. consumer credit receivables to Synchrony, FCF was \$718M



Q3-22 Capital Allocation



- Generated ~\$28B in FCF since becoming an independent company in July 2015
- In Q3-22, returned \$939M in capital to stockholders by repurchasing ~10M shares at an average price of \$93.93 per share
- Year-to-date through Q3-22, returned \$3.2B to stockholders through share repurchases
- Since separation, allocated \$15B to share repurchases and \$13B to acquisitions and strategic investments

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

FY-22 Guidance

Raising expected non-GAAP EPS by ~\$0.16 to ~\$4.07-\$4.09

Net Revenue (\$B)	~\$27.5
Net Revenue Growth (FXN)	~10%
Non-GAAP EPS	~\$4.07-\$4.09
Free Cash Flow (\$B)	>\$5.0

- GAAP EPS: ~\$2.11-\$2.13
- Non-GAAP effective tax rate: ~15.5%-16.5%
- Capex: ~3% of revenue
- Share Repurchases: Expected to reach \$4.2B

- TPV: Expect TPV growth of ~8.5% at spot and ~12.5% FXN
- Revenue: Expect revenue growth of ~8.5% at spot and ~10% FXN
 - Includes an expected eBay revenue decline of ~\$775M
 - Expect ex-eBay revenue growth of ~12% at spot and ~13% FXN
- Non-GAAP Operating Margin: Expect op margin of ~21%, contemplates expansion in Q4-22
 - Guidance incorporates at least ~\$900M of savings across transactional and non-transactional operating expenses
- Non-GAAP EPS: Expect non-GAAP EPS of ~\$4.07-\$4.09, compared to \$4.60 in FY-21
 - In FY-21, non-GAAP EPS included ~\$0.33 benefit from discrete tax items and ~\$0.21 benefit from the release of credit loss reserves
- NNAs: Expect to add ~8-10M NNAs

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.

Q4-22 Guidance

Raising expected EPS and targeting return to non-GAAP operating margin expansion

Net Revenue (\$B)	~\$7.375
Net Revenue Growth (FXN)	~9%
Non-GAAP EPS	~\$1.18-\$1.20

- **Revenue:** Expect revenue growth of ~7% at spot and ~9% FXN to ~\$7.375B
 - Excluding eBay, revenue expected to grow ~8% at spot and ~10% FXN
- **Non-GAAP Operating Margin:** Expect return to op margin expansion, with non-GAAP op margin of ~22.5% in Q4-22
- **EPS:** Expect GAAP EPS in the range of ~\$0.83-\$0.85, compared to \$0.68 in the prior year period, and non-GAAP EPS of ~\$1.18-\$1.20, compared to \$1.11 in the prior year period
 - In Q4-21, GAAP EPS included a net loss of ~\$0.18 relating to PayPal's strategic investment portfolio
 - 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 is a non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Supplemental Information

Q3-22 PayPal Metrics⁽¹⁾

(in millions, except %)

	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22
Active Accounts	403	416	426	429	429	432
Y/Y Growth	16%	15%	13%	9%	6%	4%
Net New Active Accounts	11.4	13.3	9.8	2.4	0.4	2.9
Number of Payment Transactions	4,735	4,900	5,343	5,161	5,513	5,643
Y/Y Growth	27%	22%	21%	18%	16%	15%
Total Payment Volume	\$310,992	\$309,910	\$339,530	\$322,981	\$339,791	\$336,973
Y/Y Growth	40%	26%	23%	13%	9%	9%
FXN Y/Y Growth	36%	24%	23%	15%	13%	14%
US TPV	\$188,506	\$192,428	\$211,323	\$207,845	\$219,307	\$221,198
Y/Y Growth	42%	29%	30%	21%	16%	15%
International TPV	\$122,486	\$117,482	\$128,207	\$115,136	\$120,484	\$115,774
Y/Y Growth	38%	21%	12%	1%	(2%)	(1%)
FXN Y/Y Growth	26%	18%	14%	5%	8%	11%
Total Take Rate	2.01%	1.99%	2.04%	2.01%	2.00%	2.03%
Transaction Take Rate	1.86%	1.81%	1.88%	1.86%	1.85%	1.85%
Transaction Expense Rate	0.81%	0.83%	0.87%	0.87%	0.90%	0.89%
Transaction and Credit Loss Rate	0.05%	0.09%	0.10%	0.11%	0.13%	0.11%
Transaction Margin	56.8%	54.2%	52.3%	50.9%	48.7%	51.0%

- 45% of active accounts were outside the U.S. as of September 30, 2022
- Average Payment Volume (APV) was \$60, down 6% y/y, driven primarily by higher Braintree mix and FX translation impact
- Total take rate expanded 4bps, primarily driven by FX hedge gains and Venmo
 - eBay volumes declined 25% y/y and eBay take rate in Q3-22 was 1.99% vs. 2.43% in Q3-21
- Transaction expense rate increase of ~6bps driven primarily by volume mix (e.g., higher unbranded share) and funding mix effects

(1) Definitions included in Supplemental Information.



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Q3-22 Financial Detail

(in millions, except %)

	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22
Transaction Revenue	\$5,797	\$5,607	\$6,377	\$5,998	\$6,272	\$6,234
Y/Y Growth	17%	10%	12%	7%	8%	11%
Other Value Added Services (OVAS)	\$441	\$575	\$541	\$485	\$534	\$612
Y/Y Growth	40%	50%	25%	18%	21%	6%
Total Revenue	\$6,238	\$6,182	\$6,918	\$6,483	\$6,806	\$6,846
Y/Y Growth	19%	13%	13%	7%	9%	11%
FXN Y/Y Growth	17%	13%	13%	8%	10%	12%
US Revenue Y/Y Growth	23%	23%	27%	20%	18%	14%
International Revenue FXN Y/Y Growth	10%	2%	(1%)	(5%)	1%	9%
% International	48%	44%	44%	43%	43%	42%
Volume-based expenses	\$2,693	\$2,832	\$3,302	\$3,186	\$3,492	\$3,355
Non-transaction related expenses	\$1,891	\$1,880	\$2,109	\$1,954	\$2,012	\$1,959
Total Operating Expenses⁽¹⁾	\$4,584	\$4,712	\$5,411	\$5,140	\$5,504	\$5,314
Y/Y Growth	21%	19%	17%	18%	20%	13%
Non-GAAP Op. Income⁽¹⁾	\$1,654	\$1,470	\$1,507	\$1,343	\$1,302	\$1,532
Non-GAAP Op. Margin %⁽¹⁾	27%	24%	22%	21%	19%	22%
Non-GAAP EPS⁽¹⁾	\$1.15	\$1.11	\$1.11	\$0.88	\$0.93	\$1.08
Y/Y Growth	8%	4%	4%	(28%)	(19%)	(2%)
CAPEX	\$247	\$227	\$213	\$191	\$175	\$182
Free Cash Flow⁽¹⁾	\$1,059	\$1,286	\$1,550	\$1,051	\$1,291	\$1,766

(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.

Q3-22 Hedging impacts and credit reserve builds and releases

(in millions, except %)

Hedging Impacts⁽¹⁾

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

Hedging impact

Favorable (unfavorable) impact to net revenues

Favorable (unfavorable) impact to operating expense

Net favorable (unfavorable) impact to operating income

	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22
\$	237	\$ 61	\$ (48)	\$ (123)	\$ (242)	(307)
	(89)	(44)	2	47	107	156
	148	17	(46)	(76)	(135)	(151)
	(101)	(29)	22	57	131	162
\$	47	\$ (12)	\$ (24)	\$ (19)	\$ (4)	11

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

Net charge-offs⁽²⁾

Reserve build (release)⁽³⁾

Credit Losses

\$	52	\$ 38	\$ 53	\$ 52	\$ 60	69
	(156)	(63)	(9)	(5)	8	44
\$	(104)	\$ (25)	\$ 44	\$ 47	\$ 68	113

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

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

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

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended								Year Ended December 31,						
		September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	2021	2020	2019		
GAAP operating expenses:																
Transaction expense		\$ 2,988	\$ 3,044	\$ 2,817	\$ 2,952	\$ 2,564	\$ 2,524	\$ 2,275	\$ 2,330	\$ 2,022	\$ 1,843	\$ 10,315	\$ 7,934	\$ 6,790	(a)	Stock-based compensation expense.
Transaction and credit losses		367	448	369	350	268	169	273	366	344	440	1,060	1,741	1,380		
Customer support and operations		509	536	534	532	504	521	518	507	449	423	2,075	1,778	1,615	(b)	Employer payroll taxes on stock-based compensation.
Sales and marketing		544	595	594	666	549	628	602	605	471	414	2,445	1,861	1,401		
Technology and development		801	815	815	796	755	746	741	732	674	631	3,038	2,642	2,085	(c)	Amortization and impairment of
General administrative		463	514	607	570	498	522	524	569	503	512	2,114	2,070	1,711		acquired intangible assets.
Restructuring and other changes		56	90	36	2	1	1	58	44	19	47	62	139	71		
Total operating expenses		\$ 5,728	\$ 6,042	\$ 5,772	\$ 5,868	\$ 5,139	\$ 5,111	\$ 4,991	\$ 5,153	\$ 4,482	\$ 4,310	\$ 21,109	\$ 18,165	\$ 15,053	(d)	Restructuring.
Non-GAAP operating expense adjustments:																
Customer support and operations	(a)	(56)	(67)	(73)	(58)	(56)	(77)	(72)	(71)	(63)	(64)	(263)	(250)	(198)	(e)	Acquisition-related transaction expense.
	(b)	—	—	(6)	(2)	(1)	(3)	(16)	(1)	—	(1)	(22)	(9)	(9)		
Sales and marketing	(a)	(27)	(42)	(45)	(41)	(38)	(48)	(48)	(41)	(45)	(47)	(175)	(172)	(127)	(f)	Net gain related to the sale of our U.S. Consumer Credit receivables portfolio.
	(b)	—	(1)	(5)	(1)	(2)	(5)	(13)	(1)	(1)	(3)	(21)	(12)	(12)		
	(c)	(54)	(53)	(53)	(51)	(39)	(39)	(38)	(40)	(43)	(44)	(167)	(170)	(135)		
Technology and development	(a)	(115)	(129)	(136)	(112)	(117)	(147)	(139)	(145)	(138)	(133)	(515)	(529)	(420)	(g)	Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company.
	(b)	—	(1)	(12)	(2)	—	(5)	(34)	(2)	(1)	(1)	(41)	(21)	(17)		
	(c)	(58)	(59)	(57)	(58)	(64)	(63)	(61)	(61)	(63)	(64)	(246)	(252)	(75)		
General administrative	(a)	(41)	(88)	(188)	(120)	(100)	(129)	(119)	(130)	(127)	(116)	(468)	(460)	(305)		
	(b)	—	(1)	(14)	(3)	(2)	(3)	(26)	(4)	(1)	—	(34)	(19)	(16)		
	(c)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(28)	(28)	(1)	(h)	Asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties, charges associated with early lease termination, and a charge associated with exiting a leased property.
	(e)	—	—	—	—	—	—	—	—	—	—	—	(20)	(3)		
	(g)	—	—	—	—	—	—	—	—	—	(7)	—	(18)	(23)		
Restructuring and other charges	(d)	(23)	(71)	(20)	—	—	5	(32)	(35)	(19)	(26)	(27)	(109)	(78)		
	(f)	—	—	—	—	—	—	—	—	—	—	—	—	7		
	(h)	(33)	(19)	(16)	(2)	(1)	(6)	(26)	(9)	—	(21)	(35)	(30)	—		
Total operating expenses		\$ (414)	\$ (538)	\$ (632)	\$ (457)	\$ (427)	\$ (527)	\$ (631)	\$ (547)	\$ (508)	\$ (534)	\$ (2,042)	\$ (2,099)	\$ (1,412)		
Non-GAAP operating expenses:																
Transaction expense		2,988	3,044	2,817	2,952	2,564	2,524	2,275	2,330	2,022	1,843	\$ 10,315	\$ 7,934	\$ 6,790		
Transaction and credit losses		367	448	369	350	268	169	273	366	344	440	1,060	1,741	1,380		
Customer support and operations		453	469	455	472	447	441	430	435	386	358	1,790	1,519	1,408		
Sales and marketing		463	499	491	573	470	536	503	523	382	320	2,082	1,507	1,127		
Technology and development		628	626	610	624	574	531	507	524	472	433	2,236	1,840	1,573		
General and administrative		415	418	398	440	389	383	372	428	368	382	1,584	1,525	1,363		
Total operating expenses		\$ 5,314	\$ 5,504	\$ 5,140	\$ 5,411	\$ 4,712	\$ 4,584	\$ 4,360	\$ 4,606	\$ 3,974	\$ 3,776	\$ 19,067	\$ 16,066	\$ 13,641		

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	2021	2020	2019
GAAP net revenues	\$ 6,846	\$ 6,806	\$ 6,483	\$ 6,918	\$ 6,182	\$ 6,238	\$ 6,033	\$ 6,116	\$ 5,459	\$ 5,261	\$ 25,371	\$ 21,454	\$ 17,772
GAAP operating income	1,118	764	711	1,050	1,043	1,127	1,042	963	977	951	4,262	3,289	2,719
Stock-based compensation expense and related employer payroll taxes	239	329	479	339	316	417	467	395	376	365	1,539	1,472	1,104
Amortization of acquired intangible assets	119	119	117	116	110	109	106	108	113	115	441	450	211
Restructuring	23	71	20	—	—	(5)	32	35	19	26	27	109	78
Other	33	19	16	2	1	6	26	9	—	28	35	48	16
Acquisition-related transaction expense	—	—	—	—	—	—	—	—	—	—	—	20	3
Total non-GAAP operating income adjustments	414	538	632	457	427	527	631	547	508	534	2,042	2,099	1,412
Non-GAAP operating income	\$ 1,532	\$ 1,302	\$ 1,343	\$ 1,507	\$ 1,470	\$ 1,654	\$ 1,673	\$ 1,510	\$ 1,485	\$ 1,485	\$ 6,304	\$ 5,388	\$ 4,131
GAAP operating margin	16.3 %	11.2 %	11.0 %	15.2 %	16.9 %	18.1 %	17.3 %	15.7 %	17.9 %	18.1 %	16.8 %	15.3 %	15.3 %
Non-GAAP operating margin	22.4 %	19.1 %	20.7 %	21.8 %	23.8 %	26.5 %	27.7 %	24.7 %	27.2 %	28.2 %	24.8 %	25.1 %	23.2 %

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

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended								Year Ended December 31,				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	2021	2020	2019
GAAP income before income taxes	\$ 1,578	\$ 49	\$ 629	\$ 706	\$ 1,165	\$ 1,356	\$ 872	\$ 1,859	\$ 1,144	\$ 1,799	\$ 4,099	\$ 5,065	\$ 2,998
GAAP income tax expense (benefit)	248	390	120	(95)	78	172	(225)	292	123	269	(70)	863	539
GAAP net income (loss)	1,330	(341)	509	801	1,087	1,184	1,097	1,567	1,021	1,530	4,169	4,202	2,459
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	414	538	632	457	427	527	631	547	508	534	2,042	2,099	1,412
(Gains) losses on strategic investments	(495)	672	(14)	290	(173)	(283)	120	(941)	(209)	(888)	(46)	(1,914)	(208)
Other certain significant gains, losses, or charges	—	431	—	—	43	(7)	—	—	—	(17)	36	242	230
Tax effect of non-GAAP adjustments	5	(221)	(95)	(229)	(65)	(59)	(393)	108	(45)	104	(746)	(24)	(371)
Non-GAAP net income	\$ 1,254	\$ 1,079	\$ 1,032	\$ 1,319	\$ 1,319	\$ 1,362	\$ 1,455	\$ 1,281	\$ 1,275	\$ 1,263	\$ 5,455	\$ 4,605	\$ 3,522
Shares used in diluted share calculation:													
GAAP	1,157	1,158	1,172	1,183	1,187	1,186	1,190	1,191	1,190	1,184	1,186	1,187	1,188
Non-GAAP	1,157	1,160	1,172	1,183	1,187	1,186	1,190	1,191	1,190	1,184	1,186	1,187	1,188
Net income (loss) per diluted share:													
GAAP	\$ 1.15	\$ (0.29)	\$ 0.43	\$ 0.68	\$ 0.92	\$ 1.00	\$ 0.92	\$ 1.32	\$ 0.86	\$ 1.29	\$ 3.52	\$ 3.54	\$ 2.07
Non-GAAP	\$ 1.08	\$ 0.93	\$ 0.88	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.22	\$ 1.08	\$ 1.07	\$ 1.07	\$ 4.60	\$ 3.88	\$ 2.96
GAAP effective tax rate	16 %	796 %	19 %	(13)%	7 %	13 %	(26)%	16 %	11 %	15 %	(2)%	17 %	18 %
Tax effect of non-GAAP adjustments to net income	— %	(782)%	(2)%	22 %	— %	2 %	36 %	(3)%	1 %	(2)%	13 %	(5)%	(2)%
Non-GAAP effective tax rate	16 %	14 %	17 %	9 %	7 %	15 %	10 %	13 %	12 %	13 %	11 %	12 %	16 %

Reconciliation of Operating Cash Flow to Free Cash Flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	2021	2020	2019
Net cash provided by operating activities	\$ 1,948	\$ 1,466	\$ 1,242	\$ 1,763	\$ 1,513	\$ 1,306	\$ 1,758	\$ 1,347	\$ 1,314	\$ 1,772	\$ 6,340	\$ 5,854	\$ 4,071
Less: Purchases of property and equipment	(182)	(175)	(191)	(213)	(227)	(247)	(221)	(226)	(241)	(193)	(908)	(866)	(704)
Free cash flow	1,766	1,291	1,051	1,550	1,286	1,059	1,537	1,121	1,073	1,579	5,432	4,988	3,367

Q4-22 and FY-22 GAAP and Non-GAAP Guidance

	Three Months Ending December 31, 2022	
	GAAP	Non-GAAP ^(a)
Revenue Growth Rate (Spot)	~7%	~7%
Revenue Growth Rate (FXN)	N/A	~9%
Diluted EPS \$	~\$0.83-\$0.85	~\$1.18-\$1.20

	Twelve Months Ending December 31, 2022	
	GAAP	Non-GAAP ^(b)
Revenue Growth Rate (Spot)	~8.5%	~8.5%
Revenue Growth Rate (FXN)	N/A	~10%
Diluted EPS \$	~\$2.11-\$2.13	~\$4.07-\$4.09

(a) Estimated non-GAAP amounts for the three months ended December 31, 2022, reflect adjustments of approximately \$470 million, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$350 million

(b) Estimated non-GAAP amounts for the twelve months ended December 31, 2022, reflect adjustments of approximately \$2.1 billion, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$1.4 billion

Definitions

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

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

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

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

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

Number of Payment Transactions per Active Account: Number of payment transactions per active account or "TPA" reflects the total number of payment transactions within the previous 12-month period, divided by active accounts at the end of the period. The number of payment transactions per active account provides management with insight into the average number of times an account engages in payments activity on our payments platform in a given period.

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

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

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

Transaction Expense Rate: Transaction expense rate is transaction expense divided by TPV.

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

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

