



Third Quarter 2022 Buyside Call | November 4, 2022

CORPORATE PARTICIPANTS

Dan Schulman, *President and Chief Executive Officer*

Gabrielle Rabinovitch, *Acting CFO and Senior Vice President, Investor Relations and Treasurer*

CONFERENCE CALL HOST

Mike Ng, *Goldman Sachs*

PRESENTATION

Mike Ng

Great, thank you. My name is Mike Ng and I cover PayPal at Goldman Sachs. I have the privilege of hosting Dan Schulman, President and CEO of PayPal and Gabrielle Rabinovitch, Acting CFO and SVP, Investor Relations and Treasurer. First, I want to thank Dan and Gabrielle for making themselves available today. It is deeply appreciated and we value your time. We have a long list of questions so I will just get into it.

It was very encouraging to see the cost program coming in better than expected and the framework for 2023. PayPal has done an excellent job demonstrating cost discipline and that shows in the upgraded [non-GAAP] EPS guidance for the year and the commitment to at least 15% [non-GAAP] EPS growth in 2023. First, Dan, can you talk a little bit about the changing macro-economic environment and how that has affected PayPal's strategic priorities.

Dan Schulman

Mike, thank you for hosting the call and thanks everybody for joining us. I think the environment that we are in, as difficult as it is, is an opportunity for us in many ways. I'd rather the economy be booming along but if you are going into difficult time, this is the time where market leaders have the opportunity to improve their position coming out of a difficult economic cycle. You've got a rising interest rate

environment. That's clearly a tailwind for us [given that with higher interest rates we earn higher interest on customer balances held on our platform]. It's a headwind for many of our competitors. Others in the market are struggling to make money right now. They are cutting back, they're revamping their business models. We are clearly seeing that in the market and surely some of them won't make it as we go through this economic cycle. We think there is an opportunity to emerge stronger from this than from we went into it. That said, as you pointed out, and as Gabz will talk about in a second, we are looking to control the things we can control. We cannot control the macroeconomic environment. However, we can control where we invest in our high conviction growth areas and we can control to a large extent our cost structure as well. You started to see that come into play. 15% [non-GAAP EPS growth contemplated in our preliminary FY'23 framework] is a line in the sand for us. That is at least 15% EPS because we feel that we are thinking about the future in a prudent manner. We have a lot of levers to pull on the operating expense side. We feel like the initiatives and efforts we have taken over the last several quarters have put us in a good position as we look into what we think may be a difficult economic cycle going forward.

Gabrielle Rabinovitch

In terms of our base case assumptions as we think about the [preliminary] framework for next year. As a starting point, this year our expectation is that non-transaction related operating expense will grow in the low single digits [percentage] and our base case is that next year it will grow at least a few [percentage] points lower [year over year]. There are certainly scenarios where we could be flat to low single digits, but we also have significant levers to pull and we can take that [non-transaction operating expense y/y growth] negative in a tougher economic environment. Some of this is based on the demand environment and what we see. Generally speaking we are focused on simplification, greater productivity, increased market share. You have seen us identify meaningful [cost] savings this year, but we think we can do more. We are taking a prudent approach to the environment generally and we are committed to having a cost structure in place that is going to drive long term profitable growth and really allow us to continue to invest in our high conviction areas. In terms of specific line items where we see opportunity, we see continued opportunity on marketing spend. It's a discretionary area. We are holding ourselves to be more accountable in terms of the return on spend, where it's going, how we think about it supporting our business and our long-term objectives. That's an area where you will continue to see prudence. You've seen that [higher accountability] come in this year and I think we'd expect to see further productivity initiatives next year. In addition, [we are] looking at headcount, workforce planning, where we really need to be investing versus where we have opportunities to operate more efficiently, location strategy and other support areas. I feel like we have a good amount of room to go. We feel like we can operate a lot more productively and we feel like we can support the business longer term in terms of achieving our growth objectives.

Mike Ng

Great. Thank you both. Just rounding out the discussion on 2023, perhaps you could talk about some of the biggest swing factors that could affect revenue performance. What's the macro or eCommerce environment that you're assuming, any color there would be helpful.

Gabrielle Rabinovitch

I think the biggest macro factor is the growth in eCommerce overall and that will help define how we think about the year ahead. Q4 is a very important one and we are going to be watching it very closely. Discretionary eCommerce is under pressure for a lot of the reasons we all appreciate and so the growth of our core business overall will be dependent on the growth of the market. That said, we would expect to grow at or better [than the overall rate of eCommerce] from a core branded checkout standpoint and that's how we think about our business. On the Braintree side, we do have certain merchant relationships, some of them are larger in nature, some of them chunky. So when we see those integrations come in that does have a beneficial impact in quarter and then for the next 3 quarters post that. Dan mentioned yesterday there were some "live to sites" that were a little delayed and when those come online that will provide some tailwinds from that standpoint of TPV [Total Payment Volume] growth and revenue growth.

Mike Ng

Great. While we are on the topic of industry eCommerce growth, can you talk about what you see as the best methodology for measuring that? A couple of investors have pointed out that there are a slew of options right? In terms of BofA [Bank of America] and card not present data, Visa, Mastercard or the [U.S] Census [Bureau]. What's your preferred way of measuring of what industry eCommerce growth is compared to the branded checkout performance?

Dan Schulman

There isn't a great proxy and that's clear. The proxies that come out are usually wrong when you do look back. If I look back on the various proxies for Q4 of last year and their predictions on US eCommerce growth, for the most part they were off by 30% and 80% from the actual number. Unfortunately, you don't know for sure until there is a backward glance. In real time it's quite difficult to get an assessment on it. We have a pretty good view, but between Amazon and PayPal and maybe a couple of others we are the eCommerce market. So, we have a really good view of what's happening in the marketplace. We see which segments are pulling back. We see what countries are under pressure. We did do 5.6 billion transactions last quarter [Q3'22] alone across 400 million plus active accounts. We have a pretty good view of that. In larger merchants where they've integrated through Braintree, and that would include all wallets, cards, etc., we have a pretty perfect view of what's going on with market share. It's a really difficult thing to assess in real time coming out of a quarter. We do our best to triangulate with the data that we have, with that data we are seeing from external sources. But I would agree with a lot of the investors out there. There's no perfect source and those data sets do move over time as well.

Mike Ng

Great, thank you. I guess while we're talking about market share can you just talk to how the branded PayPal product is gaining or losing checkout share in certain geographies or verticals. For instance, apparel vs. marketplace vs. general merchandise, whether that's in the quarter or in recent trends.

Dan Schulman

Again, the proxies are not great. But the best proxies are in the US and there are a number of them. We can usually triangulate best in the US versus other markets at least real time. In the US, our branded checkout [TPV] was up about 4% year over year in the quarter. We think that was ahead of where US eCommerce growth was, especially if you exclude things like travel [and events]. I think we at least held share if not gained some share. A lot of the share gain that we see on branded checkout comes from the tremendous success that we are seeing in Buy Now Pay Later. We are moving upstream in more and more merchants and important merchants. We have the opportunity I think to displace other Buy Now Pay Later players in some major merchants over the course of the next 6-12 months as a real sense of rationality is sweeping through the market in terms of the ability to pay for placement. Our value proposition there is excellent and our competitive advantage in that space is meaningful. We know 90%+ of the customers that come into Buy Now Pay Later. That means just from an underwriting perspective, we have much better views than our competitors. It is why our loss rates are we think the lowest in the industry by a good amount and we are not really seeing any deterioration in loss rates through the quarter. That is a competitive advantage for us. Things like password-less, we are making reasonable progress in terms of more and more password-less experiences on the checkout side and it has gone up by about 10% in our base. We are seeing appropriate conversion improvements as a result of that. The digital wallet is having an impact for those who have adopted the digital wallet in terms of their number of checkouts. These are our best experiences, but just our classic experience is quite superior to entering cards. We have on average 600 basis points better conversion rate, [we are] 8x the size, [and] better brand preference. We have a lot of opportunity going forward. It will take time for that to play out over a 35 million active merchant base of a legacy integration, but year-over-year-over year you are going to see continued improvement in that. That is why I am optimistic that in this more difficult economic cycle, that we can actually increase the rate of our share gain as opposed to just maintain it.

Mike Ng

That is great, that is very helpful. I want to go back to something that was mentioned earlier which was the rising rate environment being a tailwind for PayPal. In the quarter, revenue came in as expected but other value-added services [OVAS] obviously outperformed. Could you talk a little bit about the key drivers of OVAS outperformance in the quarter, how you're thinking about that line item for the rest of the year and how important is OVAS growth as a contributor as you think about the revenue growth for 2023.

Gabrielle Rabinovitch

We don't guide revenue by transaction revenue growth and other value added services growth [OVAS]. That said, OVAS has performed better this year overall. When we started the year, we had some conservative assumptions around how our credit business might perform in 2022. We thought potentially the credit environment might be a little tighter, we could have seen originations get impacted in the overall performance. As it turned out, our credit business has performed very well. The Synchrony gain share and our own on-balance sheet credit activities have performed quite well, so that has performed stronger than what we expected. In addition, we have had a nice tailwind from the [interest] rate environment. As we moved through the year, that has supported stronger OVAS growth. In the quarter [Q3'22], we grew [OVAS revenue] 6% and we were lapping the benefit from some higher than normal servicing revenue that we recognized in [Q3'21]. We'd expect OVAS [revenue] to grow in the mid-teens, that is our expectation for full year 2022. In terms of next year, it could grow around the same rate or maybe a little bit faster than that. Again, it will depend in part on the performance of the credit book which could offset some of the benefit we do get from the [rising interest] rate environment. While interest rates are a tailwind, it is a rolling benefit on our book and that is based upon how customers stored balance gets invested. There is a note in our [Q3'22 Form] 10-Q, note 8, that gives you a sense for the duration. While we do have things that are maturing in the next 12 months and we can reinvest at higher yields, part of the book as well is going to be maturing over a longer period of time. As a practice, we don't realize losses to move into higher-yielding securities. We let the book roll naturally and that has been the way we have run it over time.

Dan Schulman

Some of the newer cards we have put out, our [PayPal Cashback Mastercard], our new debit card, they are beginning to get some real traction in the market. In the first 6 months of putting out our [PayPal Cashback Mastercard], we got as many people signing up for that as we had in the last 22 months for our 2% cash-back offer. Our quarter-over-quarter debit card approvals rose by about 40% with the new debit card coming in. We are looking at in store in a card strategy perspective. We know we have a lot of room to grow there and we are going to be very responsible around looking at our credit book. We have a lot of experience in it, and we know these customers quite well. We are ready in a difficult environment to tighten appropriately. We look at this quite carefully, week-by-week, month-by-month on all of these different metrics. Right now, we are pretty pleased with what we are seeing in that part of the business.

Mike Ng

Great, thank you, I just want to close out some of the discussion around the branded PayPal button. It was helpful to get the TPV breakout and I think you guys said the PayPal branded checkout CAGR was about 26% [FXN from 2018-2021]. I was wondering if you could help us think about the breakout of that between US versus international and if you have any commentary around the US and international performance might look going forward from here on out just given the challenges in places like Europe and the UK?

Gabrielle Rabinovitch

We did call out PayPal branded checkout [TPV] growing at a 3 year CAGR of 26% [FXN]. The US growth was very in line with that. No meaningful difference between the US performance versus ex-US performance. We have absorbed a period of pressure on our international revenue growth in part because of the eBay migration. In addition, the stronger [US] dollar has had an impact on cross border volumes for us. As we start to emerge from this environment, we'd expect to see international [TPV] strengthen a bit in part due to the lapping. But we haven't guided US versus international branded checkout performance and we will continue to give updates as we go about how those businesses are performing.

Mike Ng

Great, and just shifting to other areas of TPV. Braintree TPV was up 38% in the quarter. You announced a new partnership with Live Nation. Dan, could you talk about Braintree's go-to-market with these enterprise partners and how this product is complementary to branded checkout. Could you just talk to us about some of the wins that may have slipped into next year that you mentioned?

Dan Schulman

I am extremely pleased with the success that Braintree has seen over the last several years. We are investing. It is one of our high conviction growth areas. It is one of the three places where we are putting a lot of investment into. We are seeing the payoff from that. We have a dedicated, in person salesforce that focuses on large enterprise and global accounts. They have had tremendous success in selling the benefits of Braintree versus other competitors in the market. Live Nation is a good example of that. Live Nation is one of the largest deals we have ever done. We already have a partnership with Live Nation, but [we have continued to grow our relationship]. That is a big deal that we have been working on. These deals can take 6 months to a year to come to fruition. We have other large deals in the pipeline, they total \$70 million - \$100 million [of revenue] in the quarter itself that slipped into next year. And understandably so. Those merchants have a lot of pressures themselves right now in terms of what they are seeing in the economic environment. We got on top of the holiday season and they just had freezes in their roadmap before we could fully implement. Braintree continues to go from strength to strength. I expect we will continue to see more incremental wins. We have a very strong pipeline there and the platform is just getting better and better as we invest more and more into it.

Braintree is one part of our unbranded [processing]. [Braintree] is really more our large enterprise and global [merchant solution]. We've been investing in our PayPal Commerce Platform. That is ready to go out in force this coming year in 2023. That is really focused more at middle market and smaller businesses. PayPal Commerce Platform will be sold by our inside salesforce but also through our partner networks as well. A lot of excitement around that. That is one of the places where we have now filled out that capability with the addition of Apple [Pay]. On all of these unbranded checkouts, whether they be at the higher end of the market, the middle or the lower end, what we like about the strategic nature of the partnership when you have the full stack processing is that it puts our very latest integration of

Pay with PayPal and Pay with Venmo into the merchant checkout flows. It's sort of a one-two punch of a benefit for us when we are able to establish a relationship with a merchant that includes full stack processing.

Mike Ng

Great, and thank you for expanding on that. Just as a follow up on the PayPal Commerce Platform, strategically could you talk about how that fits in relative to branded and Braintree. Is this something that helps mitigate merchant churn or does this open up a newer market for you guys?

Dan Schulman

It clearly opens up a new market for us. We have had much older integrations that have been unbranded. This is our newest platform targeted at middle and smaller market segments in terms of merchants. It opens up that segment for us. It is a much deeper integration, much less churn as a result of that, our best branded mark integrations, and also high margin as well because you are at the middle and lower ends of the market. As you look across unbranded from small to large [merchants], the margin structure is different, but the ability for us to fully understand share of checkout and put our best foot forward in terms of branded checkout is without question superior as a result of that.

Mike Ng

Great, thank you. Shifting gears to Venmo. Dan, Venmo has made a lot of progress this year and there is obviously a lot on the roadmap. In the past you have talked about product parity with PayPal. Can you talk about some of the things on the roadmap that will be most meaningful over the midterm? Then Gabrielle, I was wondering if you could talk about your expectations for Venmo revenue in 2022. I think in the past you have talked about 50% growth prior. Thank you.

Dan Schulman

I am pleased with Venmo's progress but I am not thrilled with all the progress that we've had. I just want to be up front with that. I feel like we can do a lot more with that asset than we have been able to do so far. There is a ton of potential there. The people who use Venmo, our customers love Venmo. It is a beloved brand. They use it all the time. You can tell from our monthly active users [of 57M]. The monthly active users are up by ~85% in the last 2 years or so. So, a lot of progress there. But I feel like there can be more progress. John Kim, [our Chief Product Officer], is really leaning into this piece because we see a lot of opportunity there. The places where we're going to focus in on Venmo is around commerce enablement. Business profiles have really taken off. The ability for us to leverage tap to pay functionality [by working with Apple] I think [has the potential to] make a big difference in that part of the Venmo revenue streams. I also think Pay with Venmo [has the potential to] become a much bigger element of Venmo overall. I think the relationship that we have with Amazon - which is a positive, constructive relationship, both companies are leaning into the opportunity - has the potential to be game changing. There are a lot of other big companies who are implementing Pay with Venmo,

from Tik Tok to Shein, to Twitch to Discord. These are some big merchants that are implementing Pay with Venmo and I think we will see more. We are going to revamp the card strategy, we started to begin to do that. We think that is one place that Cash App has done particularly well on, and there is no reason why we should not with our scale and size be able to really tap into a revamped card functionality. Over time, we will also begin to see more basic financial services there, savings and other things come into the Venmo wallet. There is focus on things that have to get done right now. Amazon and Apple are big opportunities, we want to make sure we take full advantage of those. We've got some basic hygiene work to do there. Good progress, but I wouldn't call it great progress right now. In terms of revenue growth, we had anticipated that we would be about 50% revenue growth [for FY'22] and that is where we are year to date. Q4, like the rest of the business, is going to be weaker than we expected. That will probably take Venmo revenue growth into the 40%'s [year over year growth for FY'22]. That is probably a good place for you to assume it will end.

Mike Ng

Thank you for all that color and then separately thank you for all the additional disclosures around TPV. Given the disclosures around cross border volumes that you've given in the past and investor benchmarking of US branded PayPal checkout, could you help us understand the cross border exposure by TPV type. Separately could you just talk about whether you plan to give this as a regular quarterly disclosure, why or why not?

Gabrielle Rabinovitch

Cross border for the past 4 quarters has hovered in the low teens in terms of overall mix [of TPV]. That is coming down from a slightly higher mix several years ago. From the standpoint of where [cross border] is more pronounced in the TPV disaggregation that we provided, it is more pronounced in branded checkout, in P2P ex-Venmo and in eBay. Those are the 3 buckets where I'd call out that cross border has a more meaningful impact. Venmo [is] US only. Unbranded processing is predominantly Braintree, and Braintree is predominantly US. That is why you see that difference. In terms of how we think about cross border over time, the eBay transition in conjunction with very outsized growth in Braintree over the past few years has resulted in our overall cross border mix being a little bit lower than what you have seen historically. I would also call out the stronger dollar, which does have a distinctly negative effect on our overall cross border activities. We see the stronger dollar reducing some cross border into the US from Europe and other corridors. We do not see a commensurate increase in US cross border activity buying cross border goods from non-US sellers when the dollar is strong. That said, facilitating cross border commerce is a very important part of our value proposition to our consumers and merchants. It has been a very important part of our business and it will continue to be. We feel very good about the overall opportunity in international markets and we are going to continue to focus on the markets that are most important for our business going forward. I would not expect us to be making this [TPV disaggregation] disclosure quarterly. I think we will update it from time to time to make sure people are understanding the mix of our business as we move forward.

Dan Schulman

There are 2 sides to that story in my view. One, supply chains are getting better. I think China, which has put a lot of pressure on us over the last couple of years, will likely be opening up more. We'll see where they stand on their Zero COVID policy. From a lapping perspective, you could assume things would move up for us as well. There are some pros in terms of what we can expect from cross border. On the con side, there is still a lot of geopolitical tensions in the air. You've got China-US relations, you've got a war that really shows no end in sight in Europe which is putting a depressive element into a lot of cross border and a lot of inflation as well. I think we look at this and we try to be quite even handed [with] both the opportunity we see as well as some of the risks around cross border. Probably a little bit more on some opportunity sets for us, but clearly some macroeconomic and geopolitical risks that we've got to navigate.

Mike Ng

Great, excellent, thank you for that. I was wondering if we could talk a little bit about transaction margins. What are your expectations for transaction expense rates, loan loss rates and transaction loss rates for the rest of the year and into 2023. Obviously there are a lot of moving parts there with the loan book continuing to grow and also it seemed like transaction loss rates came down quite a bit in the 10-Q that was filed overnight.

Gabrielle Rabinovitch

Our TE [transaction expense] rate [as a percentage of TPV] in Q3 was 89 basis points, up 6 basis points year on year. That was predominantly driven by Braintree mix in our business as well as from a funding mix standpoint, a little bit more normalization of credit relative to debit. We can [expect to] see a little bit more of that next year as well if we think about what the historical mix of credit and debit was on our platform. When we think about the year [FY'22], I would expect the year to actualize around 90 basis points. That would contemplate a little bit higher of a TE rate in Q4. We see a seasonal increase in credit [card funding for checkout transactions] in Q4, so that would be consistent with historical trends for us. Next year [for FY'23], I would expect maybe a slight increase from there, so maybe a basis point or two. So much of this is volume mix dependent. If we just think about the trends we are currently seeing and we are getting some cost benefits from scale in relation to our network agreements, that is how I would think about the increase next year. You are right from a transaction loss standpoint, transaction loss came down in the quarter. Sequentially, it came down by about 4 basis points [as a percentage of TPV]. Year on year it came down about 1 basis point. As a reminder, Q2 of this year was a little idiosyncratic, we did have a single merchant issue where we had some increased reserves that we called out in the Q2 10-Q filing which was about 114 million dollars in reserves. This quarter was a very normal quarter for us. We managed our merchant losses very successfully and that high single [digit basis points as a percentage of TPV] is how I think about the [transaction] loss performance next year. On the credit book overall, some of this will be dependent upon the general credit environment. If we see a continuation of what we've seen this year and nothing particularly draconian from the standpoint of increased macro risk, I would expect to see the credit book, the loan loss rate, maybe tick up 1 or 2 basis points next year.

Mike Ng

Great, thank you for that. Gabrielle, I was wondering if you could talk a little bit about your Forex hedging strategy. What is the duration of that typically look like?

Gabrielle Rabinovitch

Hedging [gains recognized in international revenue] in the quarter [Q3] were 156 million dollars. That's in relation to 44 million dollars of losses in last year's 3rd quarter. That did benefit our take rate by about 6 basis points. In terms of how the book is positioned right now, as of the end of September we had about 500 million dollars of gains that would roll over the next 12 months. Generally speaking the book has maturities of 12 months or less. We use that to reduce the volatility of cash flow to our business from our international business. We disclose the overall impact of FX on our business. While we did have a difference between our spot and FX neutral revenue growth rate, if you look at the impact on operating income from FX in the quarter it was 11 million dollars. We really look to manage the operating income impact from our FX exposures. We only hedge in core currencies relative to our business which is why we see transactions in many more than that.

Mike Ng

Great, thank you. Dan it was encouraging to see the new Apple announcement with initiatives that seem like they should all drive TPV, including tap to pay and Apple Pay for unbranded checkout flows and being able to add the PayPal and Venmo cards to Apple Wallet for Apple Pay. Could you talk about some of the implications for this deepening partnership and what you have seen in other OS or handset integrations outside of Apple?

Dan Schulman

I think it [has the potential to] drive incremental TPV and revenues and margin for us in all of them. It's a big step forward in our relationship with Apple. We've been partners with them for quite some time and we have a good relationship at the very senior levels at both companies. They've been on Braintree for years and years now. When Apple Pay first came out we put them on Braintree right away. PayPal has been accepted in the Apple store and the App store and they've rolled that out internationally as well. We've been partners for quite some time but this was a substantive step forward. I think we are going to be very competitive in the small merchant base and the micro merchant base with this offering. The ability for these sellers to seamlessly do omni between online and offline right now is going to be extremely simple for them. Three pieces of information - tax ID or social security depending if you're a gig or small business, your phone number and your date of birth - that's it and you're accepting payments. The payment rate that we are charging here is 2.29% plus 9 cents. If you look at the biggest competitor out there right now, they charge 2.6% and 10 cents. They've got a base to protect and we have a lot of green field opportunity. We are going to aggressively go after this and both Apple and PayPal are quite excited about this opportunity. We'll be doing trials with Venmo [Tap to Pay] this

quarter, we'll roll that out more substantially in the first quarter of next year and PayPal merchants to come later in the year. Unbranded is very important to both of us and to our merchant customers. In our PayPal Commerce Platform, without having Apple Pay there, it is less than a competitive offer and that's a win for both companies. It enables us to deepen our relationships with merchants, put our best branded mark out there and enable merchants to have full choice which is just an extension of our choice strategy that we've had in place for years. Enabling our consumers to put their network branded Venmo [and PayPal] credit and debit cards into the Apple Wallet. They'll [be able to] use those in store or online, wherever Apple Pay is accepted in the US. This is a big step forward for us. It opens the opportunity for PayPal customers to be able to shop in store with their cards. Cards are a much bigger part of our strategy, going into store. We also can provision one-time tokenized digital cards into the Apple Wallet that will enable things like our buy now-pay later proposition to be used anywhere that a consumer wants to shop online or offline. We've been doing this around the world with Google Wallet and Google Pay, embedding our card instruments. We've seen pretty impressive results as a result of doing that. In Germany for instance, where we have quite a bit of share on Google Wallet in terms of offline, we also see a 20% lift in branded checkout experience. These are consumers who are using PayPal more and more and we see a lot of halo effect as a result. We are quite excited about it. It's a first step, it's not the final step in terms of everything that we could possibly do with Apple. But it's a very substantial step forward and a big step forward in the relationship and partnership between our 2 companies.

Mike Ng

Great. Gabrielle, I was just wondering if you could talk a little bit more about capital allocation. You will do another billion dollars of [stock] buy backs in the 4th quarter. I believe and you'll be generating greater than 5 billion dollars of free cash flow. How are you thinking about capital allocation and repurchases going forward and how much does repurchases contribute to the earnings growth in 2023 if you're willing to quantify that, thank you.

Gabrielle Rabinovitch

We've anticipated a similar level of [share] repurchase activity next year as this year. That is the baseline assumption. Returning capital to our shareholders continues to be our single biggest priority from a capital allocation standpoint and I think it will continue to be. In Q4, our anticipation is that we'll buy back an additional billion dollars [of stock] on top of what we have already done this year. That will take us to about \$4.2 billion on the year for buybacks. The longer term capital allocation framework that we had given contemplated about 35-40% of free cash flow being returned to shareholders in the form of repurchases. We're at 2x that this year and I expect that to be consistent next year, within that range. We are continuing to very much prioritize capital return programs. I would point out what we're doing on the credit externalization standpoint, in terms of how we think about funding our credit business, part of that is so we have more capital that we can return to shareholders over time and we can have more flexibility. I would also highlight that Q3 was a fantastic quarter for us from a free cash flow standpoint. Free cash flow reached 1.8 billion dollars in the 3rd quarter. Very strong performance there and we continue to expect our business to have strong free cash flow as we move forward.

Mike Ng

Great, Dan any closing remarks as we wrap up?

Dan Schulman

The only thing I would point out is we are taking an appropriate and prudent outlook on what could be a difficult economic cycle coming up. We are putting into place firm controls over the things that we can control, in order to number one, invest to take advantage of the opportunities that we see in this environment and we see quite a number of them, and number two, assure that we can drive our operating margin and generate robust EPS growth for our shareholders. We think we can do all of those even in a difficult economic cycle and we are very committed to that. We look forward to everyone's input and thoughts as we move along in this environment. Mike, again thank you very much for hosting the call. Thank you everybody for taking the time and we look forward to more individual one-on-one conversations with many of you. Thank you.

Mike Ng

Great. Dan, Gabrielle, I thought this was a fantastic and productive session. For investors listening in, I hope you felt the same as well. Really appreciate everybody's time, thank you for dialing in.