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PayPal Holdings, Inc. (PYPL)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to PayPal's Second Quarter 2025 Earnings Conference Call. My name is Regina, and I will be your conference operator today. As a reminder, this conference is being recorded.

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

Steven Winoker

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

Thanks, Regina. Welcome to PayPal's second quarter earnings call. I'm joined by CEO, Alex Chriss; and Chief Financial and Operating Officer, Jamie Miller.

Our remarks today include forward-looking statements that involve risks and uncertainties. Actual results may differ materially from these statements. Our commentary is based on our best view of the world and our businesses as we see them today. As described in our earnings press release, SEC filings and on our website, those elements may change as the world changes.

Over to you, Alex.

James Alexander Chriss

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

Thank you, Steve. We had a strong quarter, delivering profitable growth and building momentum in transforming PayPal from a payments company into a dynamic commerce platform. Fintech is in its infancy, and we believe the next five years are likely to see more change in how people shop than the last two decades combined.

As the largest two-sided open platform in the world, we have the unique advantage of connecting hundreds of millions of consumers and merchants of every size to unlock entirely new, deeply personalized shopping experiences. With PayPal's unmatched scale and trusted brands, our strategy is laser-focused on anticipating and fulfilling what customers need today and what they'll expect tomorrow, whether they're buying online, in-store, or through AI agents.

Our execution is fast and focused. We are strengthening PayPal's value proposition to bring in new customers, increase engagement and create strong partnerships with merchants. We are also attracting top brands and developers as we innovate and shape the future of commerce. The traction we are seeing across our initiatives continues to give us confidence that PayPal's growth will accelerate in line with our three-year outlook.

Turning to our second quarter performance. We delivered our sixth consecutive quarter of profitable growth despite the macro uncertainty. Transaction margin dollars grew 8%, excluding interest on customer balances. Success across many of our strategic initiatives contributed to that growth, including online and offline branded experiences, payment services and Venmo. This highlights a healthy business with multiple avenues to sustain and accelerate growth. And non-GAAP earnings per share increased 18% year-over-year.

We continue to build upon our broad reach and strong engagement. Both total active accounts and monthly active accounts grew 2% in the quarter. Transactions per active account ex-PSP grew 4% as more people use PayPal and Venmo more often.

If we look at our four strategic growth drivers: winning checkout, scaling omni and growing Venmo, driving PSP profitability and scaling our next-gen growth vectors, we are making meaningful and tangible progress on all four. I'd like to walk through each one, highlighting examples of our progress.

The first two growth drivers are entirely focused on improving and growing our branded experiences. I'm proud that we drove 8% currency-neutral growth in branded experiences TPV this quarter. This positive result reflects the benefit of meeting our customers wherever they choose to shop with PayPal and Venmo, online and offline. As a reminder, branded experiences includes winning checkout, expanding buy now, pay later, winning with Venmo and scaling omnichannel capabilities.

Starting with online branded checkout. TPV, including PayPal, BNPL, and Pay with Venmo, grew 5% currency neutral in the second quarter, consistent with what we've been seeing over the past year. Our upgraded experiences are driving the uplift we expected, and most of our merchants and consumers are behaving consistently with recent quarters. At the same time, we offset headwinds from platforms and merchants in Asia, where we saw volumes decelerate following the implementation of tariffs.

Our focus is on the things that are within our control and that we know will have a positive impact on our overall growth trajectory over time. That starts with driving more traffic through our upgraded checkout experiences, both in the US and internationally. These upgrades offer a much better consumer experience, improved presentment of BNPL, and drive meaningful conversion rate improvements. This is currently rolling out in the US, Germany, and the UK, and we have a comprehensive playbook that we will apply to other countries.

Around mid-teens percent of our global transactions are now on our latest experience, including more than 60% of our US checkout transactions. We are also investing in key use cases, like subscriptions, to drive repeat branded checkout use. Many of these efforts that are contributing to growth this year will continue to ramp into next year and add to our confidence that we are on track to achieve our growth outlook for branded checkout TPV.

Turning to buy now, pay later, BNPL continues to deliver strong growth quarter-after-quarter. In the second quarter, BNPL volume grew more than 20%, and monthly active accounts climbed 18%. When consumers choose BNPL, their average order value is more than 80% higher than a standard branded checkout transaction.

Why are we winning customers in BNPL? Put simply, scale, ease of use, and customer value. Our BNPL solutions are available nearly everywhere PayPal is accepted in our largest markets. That makes us the most broadly distributed BNPL solution in the market.

Merchants can offer flexible payment options that drive higher sales, all seamlessly integrated within the PayPal ecosystem, no extra tech work, and often at a lower cost than with stand-alone BNPL providers.

Merchants unlock the real power of our BNPL solutions when they add awareness messaging upstream on their product pages. Merchants choose to feature PayPal BNPL upstream because we offer a trusted name-brand option that is already bundled with our comprehensive suite of branded payment options.

Ace Hardware is a great example. After adopting this upstream messaging and offering a 0% APR promotion, they saw a 35% year-over-year increase in total PayPal sales and a sevenfold increase in average order values. Today, we offer BNPL in nine global markets. We will continue to expand to more markets throughout the year and launch additional marketing to boost awareness and adoption.

Next, Venmo, when I joined nearly two years ago, the big question was, can you grow Venmo? Today, the answer is a resounding yes, and you're starting to see it in our results. Venmo delivered another outstanding quarter, showcasing some of our best growth in years.

In Q2, we grew Venmo revenue by more than 20%, marking our highest revenue growth rate since 2023. TPV grew 12%, accelerating quarter-over-quarter to the highest growth rate in three years. This momentum stems from deliberate product innovations over the past year and dynamic marketing campaigns that are repositioning Venmo from a peer-to-peer payment tool to an everyday commerce platform. The result is that our Venmo user base is not just growing, it's engaging in commerce with Venmo.

Our recently announced Big 12 and Big Ten college distribution deals will fuel this further. Not only will college athletes be able to receive institutional revenue share payments through PayPal or Venmo, but the Venmo brand will be embedded in some of the most iconic matchups in college sports.

We've released new co-branded Venmo Debit Cards, and Venmo will also be working with the Big 12 and Big Ten to enable acceptance for campus spending, including at bookstores, for ticketing, concessions and merchandise, giving students more flexibility to shop and pay with the app they already use every day. These deals leverage our strong reach with the college age demographic to put Venmo everywhere across college campuses.

Pay with Venmo TPV was up more than 45% in the quarter, and we achieved an approximately 25% increase in Pay with Venmo monthly active accounts as our merchant network continues to broaden. Leading brands that resonate with Venmo's valuable demographic like Sephora, KFC, Taco Bell and Pizza Hut are adding Pay with Venmo in their apps, making it easier than ever for users to spend their Venmo balance wherever they shop.

On the omni front, Venmo Debit Card monthly active accounts were up more than 40% as a result of our newly redesigned and simplified onboarding. This is a great business, and Venmo's potential is significant. Our team is fully focused on unlocking even greater growth ahead.

Turning to our omnichannel strategy, we are seeing strong momentum. Debit card TPV across PayPal and Venmo grew more than 60%, while monthly active accounts grew more than 65%. Adoption is strong and accelerating, with another approximately 2 million first-time PayPal and Venmo Debit Card users in the quarter in the US.

In Q2, we launched a new physical card for PayPal Credit, our digital credit line product. This new card is an extension of the existing PayPal Credit product, allowing users to access their credit line both online and for the first time in physical stores. The card also provides access to promotional financing offers, including six months of interest-free financing on travel purchases. This new card is in addition to our PayPal Cashback Mastercard, which offers 3% back on all purchases through online branded checkout.

Our strategy focuses on getting our card products into the hands of even more of our customers, aiming to grow our share of wallet through options that can power every payment our customers make. This on its own is a massive opportunity for PayPal and an area where we can drive penetration much, much higher. And that is before the flywheel benefit for branded checkout.

Our data underscores the benefits of this approach. Customers who adopt one of our card products transact more frequently, choose PayPal more often when shopping online and deliver higher average revenue per account. Following the strong momentum from our US launch last year, we took PayPal Everywhere to Germany in June with groundbreaking innovations.

We launched the first ever PayPal contactless mobile NFC wallet on iOS and Android, introduced flexible Pay Later To Go for BNPL offline and delivered in-app cashback offers at over 2,000 stores. To amplify the launch, Will Ferrell teamed up with us again for our largest marketing campaign yet in Germany.

We already have more than 3 million NFC enrollments and are seeing impressive engagement trends. It's very exciting to see this kind of traction so early, and we are on track to expand to the UK this year. The outcome of all this progress and momentum is that we drove 8% currency-neutral growth in branded experiences TPV this quarter, and we have confidence that we can continue to grow this moving forward. Each pillar of our branded experiences is a thriving business on its own, and combined, they position us for sustainable, long-term growth and success.

Finally, I'd like to explain how last week's announcement of PayPal World will be a game changer for our branded experiences. Digital wallets have become ubiquitous and the standard for making a payment or sending money worldwide. Today, almost 3.5 billion people rely on digital wallets as their go-to method for shopping and transferring funds. That's 83% of global digital payments happening through wallets and the number is only going to continue growing. There will be over 5 billion wallets globally by 2026. But among those billions of users, there are hundreds of regional wallets represented. This fragmented system of wallets poses tremendous challenges and immense friction in a global commerce ecosystem.

For consumers, it means you are never quite sure if and where your wallet will be accepted. Even for wallets like PayPal, with tremendous global reach, there are large regions of the world and millions of merchants that are closed off. For many users with regional wallets, traveling out of the country poses new challenges with spotty or no acceptance, and the need to create and keep track of multiple wallets just to interact with the world. And while P2P payments should be easy, the need for a common wallet between users often makes it impossible to send money to friends or family around the world.

For businesses, it means building the technology to accept dozens of wallets, which adds unnecessary costs and creates a fractured experience full of friction for customers, ultimately limiting reach and, of course, sales.

When you want to sell to the world, how do you choose which wallets to accept and which customers to turn away. You shouldn't have to make that choice. This is where PayPal World comes in, to make it simple and easy to connect any consumer with any merchant. Five of the largest digital wallets in the world, PayPal, Venmo, Mercado Pago, Tenpay Global and UPI are coming together on a seamless global platform. So you can now use your preferred wallet anywhere in the world.

For our PayPal merchants, PayPal World will mean access to billions of new customers through their existing branded checkout integration. Now, a UPI user in India who wants to buy a pair of sneakers from an online store in Germany that accepts PayPal, can simply click the PayPal button at checkout, and their familiar UPI button will be presented for them to complete the transaction. It's that simple.

This means our connections for branded checkout will extend beyond our 400 million customers to more than 2 billion consumers worldwide, and that will continue to grow. Whether you're sending money to a friend or relative

across borders or traveling to a country with a different currency, you will be able to transact seamlessly. And PayPal World is purpose-built for the future of commerce too. The platform will be compatible with dynamic payment buttons, stable coins and the latest technologies and commerce experiences, including agentic shopping.

PayPal World is expected to go live beginning in the fall with partner wallets connecting to PayPal and Venmo. Over time, PayPal World aims to connect billions of users at scale, and we expect this to expand as we add more partners in the coming months and years. Even since our announcement last week, we've received multiple inbound requests from wallets across the globe looking to join the PayPal World platform.

Moving to our PSP business. I want to reflect on one of my first earnings calls, where we shared our plan to reset our largest merchant relationships to price our services to the value we deliver. The consequence of that reset was pressure on growth in exchange for long-term profitability. Now we are on the other side of that, and can confidently say that our strategy worked.

We maintained our customers, and we are having more strategic conversations and relationships with them. And most importantly, we are now growing our Braintree TPV again, and expect an acceleration in the back half of the year. This is an important inflection point, and I am really proud of the team for their execution.

Key to this strategy has been investing in and scaling our strong suite of value-added services. These services are helping position PayPal as a trusted innovative partner in this evolving commerce landscape and have transformed the margin profile of our PSP business.

Let me share one example. Payouts is one of the value-added services that is growing rapidly. Some of the world's top travel, mobility and social commerce platforms already use Hyperwallet to manage and distribute funds to hosts, drivers and creators globally.

Most recently, our payouts capabilities were a strategic enabler in our landmark partnerships with the Big 12 and Big Ten college athletic conferences that I mentioned earlier. Hyperwallet enables the conferences to provide student athletes with rapid access to revenue share payments that can be sent directly to their PayPal or Venmo accounts, where they can then spend and send the money instantly.

For small businesses, our priority remains empowering merchants with the tools they need to manage and accelerate their growth. We're steadily migrating more transactions on to PayPal Complete Payments. PPCP enables SMBs to easily access our latest online branded checkout and new products like Fastlane.

As of today, over half of SMB volume flows through this platform, a notable improvement since last quarter. Our recent expansion of PPCP into Singapore further extends our global reach.

We also continue to deepen our relationships with the most popular platforms where SMBs manage and grow their businesses. Just last week, we announced an expanded partnership with Wix, that gives merchants access to our full suite of payment tools, seamlessly integrates into Wix Payments to fuel sales growth.

When our small business customers succeed, the relationship with PayPal deepens, and we remain committed to expanding access to the tools and capital that fuel that growth.

Let's turn to how we're shaping the future of commerce by innovating in agentic, ads and stablecoins. In each of these areas, we are creating new ways to fuel growth in the years ahead.

Agentic AI is rapidly changing the commerce landscape, and PayPal is at the forefront. We were an early mover, launching the first remote MCP servers for commerce earlier this year. Now we're helping merchants and developers meet the moment, as consumers begin to purchase goods and services through AI agents.

As you've seen through our announcements over the last few months, the major players in AI, including Perplexity, Anthropic and Salesforce are working with PayPal to create powerful new agentic commerce experiences. These new experiences will enable customers to find the right products, checkout directly within the AI client, track purchases, and much more.

We have differentiated KYC and KYB expertise, access to the largest ecosystem of payment-ready wallets with PayPal World and will continue to build our capabilities in this nascent space so that we strengthen our position as the go-to partner for Agentic Commerce. We have the brand trust, data, and expansive customer base to make this vision a reality.

Moving to Ads, we continue to make strides with new products that create more personalized shopping experiences by allowing merchants to reach the right customers more effectively.

We launched Offsite Ads in Q2, enabling brands to reach millions of consumers across the open web through display and video ads, all powered by PayPal's data insights. Building on this, we introduced Storefront Ads, a new ad format that allows consumers to browse, shop, and pay directly within the ad unit.

What makes Storefront Ads truly differentiated is our ability to combine seamless in-ad checkout with direct merchant integration, and PayPal's trusted payment capabilities. Following our US launch, we've begun expanding internationally, with PayPal Ads now live in Germany and the UK, and we continue to scale our advertising business globally.

Turning to Crypto, I want to highlight our stablecoin, PYUSD, which is a pivotal part of our mission to advance global commerce by directly addressing pain points our customers face today – namely, the burdens of high fees and the slow speed of cross-border money transfers.

Traditional payment methods can be prohibitively expensive and time-consuming, creating friction that stifles growth and opportunity in global trade. PYUSD delivers a stable, reliable, and cost-effective alternative to conventional systems.

We can enable businesses, and individuals to transact with greater confidence and agility, fueling economic activity on a global scale. We are laser-focused on solving real-world problems for our customers and sequencing our efforts, starting with cross-border transactions.

With the strength of PayPal's commerce network, PYUSD is well-positioned for mainstream consumer and merchant use cases. This quarter, we added the ability to earn rewards for our stablecoin on PayPal and Venmo, and announced the expanded availability of PYUSD on Stellar and Arbitrum blockchains.

We are collaborating across the ecosystem to expand PYUSD's prominence as a commerce-first stablecoin, with a network of exchanges, custodians, and other payments partners including Coinbase, Fiserv, and Mastercard. As I mentioned earlier, PYUSD will also be a major enabler of the PayPal World platform.

Yesterday, we announced Pay with Crypto, powered by PayPal, which will enable instant crypto-to-stablecoin or fiat conversion. It will support transactions across more than 100 cryptocurrencies, and wallets such as Coinbase, MetaMask, and tap into a global base of more than 650 million crypto users. We're only at the beginning of what's possible here.

I'm excited to see us continue to solve critical customer issues related to cost, speed, stability, and seamless payment integration. A big part of the future of commerce will be on-chain, and PYUSD will help power that journey. As you can tell, our pace of innovation has accelerated significantly. This is in large part due to our efforts to consolidate our platforms, strengthen our infrastructure, and leverage AI across the company.

To wrap-up, there is tangible momentum across the business. We are growing transaction margin dollars at a high single-digit rate and we continue to see impressive growth across PayPal, Venmo, and our PSP business. At the same time, we're making big and bold bets for our customers in AI, ads, and crypto. I'm proud of our team for leading the industry forward.

With that, let me turn it over to Jamie.

Jamie S. Miller

Chief Financial & Operating Officer, PayPal Holdings, Inc.

Thanks, Alex. Moving to slide 10, PayPal delivered another quarter of profitable growth. Transaction margin dollars grew 8%, excluding interest on customer balances. This was a continuation of last quarter's momentum and a meaningful improvement compared to the past three years. I'll walk through the key drivers and a few puts and takes momentarily.

While we are pleased with our progress, what's even more exciting is the foundation we are building to sustain and accelerate this growth in the years ahead. TM dollars growth had multiple sources in the quarter, including strong credit performance, branded checkout flow-through, improvements in PSP profitability, and Venmo. We drove operating leverage through a combination of top line growth and cost discipline, as we remix less productive spend into product, tech and marketing.

Taken together, non-GAAP operating income grew 13%. Share buyback and a favorable tax rate more than offset headwinds from lower interest rates, contributing to 18% growth in non-GAAP earnings per share.

Adjusted free cash flow, which excludes the net timing impact between originating and selling European buy now, pay later receivables was \$656 million. Adjusted free cash flow was negatively impacted by timing shifts in working capital, which we expect to reverse in the second half of the year. We continue to expect full year free cash flow of \$6 billion to \$7 billion.

Turning to slide 11, account and engagement trends are healthy. Active accounts and transactions per account, excluding PSP, both continue to grow. Total active accounts increased by nearly 2 million from the first quarter to 438 million. Monthly active accounts also continued to show steady progress, up 2% year-over-year to 226 million. Transactions per active account, excluding PSP processing, grew 4%.

Moving to slide 12, total payment volume grew 6% at spot and 5% on a currency-neutral basis to nearly \$444 billion.

Looking across the product portfolio, there are a few key areas I'd like to highlight. As Alex noted, we are driving faster growth at Venmo. Venmo TPV increased 12%, its highest rate of growth in three years. In addition to

driving more awareness and usage of commerce capabilities, we have been focused on improving core product and user experiences, which contributed to a P2P acceleration in the quarter.

Branded experiences TPV, which includes online checkout, PayPal and Venmo debit, as well as Tap to Pay, posted another quarter of 8% growth. While debit and Tap to Pay spend represent a smaller amount of volume in branded experiences today, they are growing rapidly and are up more than 60% year-over-year.

Winning checkout remains our most critical priority. Our teams are laser-focused on advancing the many initiatives that reinforce our checkout business.

In the second quarter, online branded checkout volumes grew 5% on a currency-neutral basis. This was relatively consistent with the growth we delivered over the past few years. At the same time, the macro and consumer spending environment has been uneven. As we moved through the quarter, we observed a slight softening in retail spending in the US, most apparent in areas likely impacted by tariffs such as Asia-based marketplaces with higher exposure to goods sourced from China.

We continue to make progress modernizing and improving the performance of our checkout experiences, and scaling more seamless authentication like passkeys and biometrics. We are also increasingly giving consumers more reasons to choose PayPal, for example, with enhanced rewards and incentive programs.

Pay with Venmo and buy now, pay later continue to outpace the market, taking share from other payment methods. Our efforts to drive branded experience adoption with our debit cards online and in-store, including Tap to Pay, help to fuel our checkout business by increasing brand habituation, leading to incremental branded checkout volume.

We are confident in the steps we are taking to drive higher conversion, selection rate and engagement, and are now beginning to take these enhancements outside of the US. While still early in our progress, we see clear signs that our initiatives are making a positive impact. Bending the growth curve takes time for a company of our scale, but we remain confident that the actions we are taking today position us well to accelerate over time.

Turning to PSP, which spans both large enterprise and SMB processing, as well as parts of our vast portfolio like payouts, invoicing, and point-of-sale solutions, volume grew 2%, in line with the first quarter. Our focus on prioritizing healthy, quality growth within our Braintree business continues to deliver meaningful TM dollars improvement.

We've also hit a positive inflection point for Braintree volume. We are now past the peak pressure from renegotiating and shedding unprofitable volume. Braintree volume was roughly flat in the quarter. We expect a return to volume growth in the third quarter as we drive profitable front book business, support our existing merchant base, and continue to lean more into value-added services.

Moving to more financial detail on slide 13, transaction revenue accelerated to 4% growth on a spot and currency-neutral basis to \$7.4 billion. Excluding Braintree, transaction revenue grew 7% on a currency neutral basis, accelerating from 4% in the first quarter. Other value-added services revenue grew 16% to \$847 million, driven primarily by strong performance in consumer and merchant credit.

We ended the quarter with \$6.9 billion in net loan receivables, up 7% sequentially, and we continue to be pleased with the quality, diversification and performance of our credit portfolio. Most of this growth came from our Buy Now, Pay Later, and international consumer revolve portfolios, where we have seen improvement in charge-offs

and low stable delinquency rates. We are focused on targeting a balance sheet light model for credit and are making progress towards externalizing another part of our portfolio later this year.

Transaction take rate declined by 4 basis points to 1.68%, driven largely by the impact of foreign exchange hedges, product and merchant mix. This decline was an improvement relative to last quarter, and included slightly less impact from Braintree and Payouts.

Online branded checkout take rates were more stable year-over-year, reflecting our mix of transactions, merchants, and a continued focus on profitable growth. This focus, and the progress we are making across our strategic growth drivers, continues to be most clearly demonstrated by the acceleration in the TM dollars growth we have delivered over the past year.

As I mentioned earlier, TM dollars ex-interest grew 8%. Growth came from multiple sources, including credit, branded checkout, PSP and value-added services, and Venmo. TM dollars also benefited from a roughly 1.5 point one-time contribution from the renewal and expansion of our relationship with a key payment partner. This benefit was more than offset by an increase in transaction losses in the quarter. Higher transaction losses were a combination of normalization in loss rates following last year's strong performance, and new product introductions.

Non-transaction related OpEx increased 2%, as we continue to actively manage our cost structure, while reinvesting in key growth initiatives. Compared to our guidance, OpEx benefited from the timing of certain G&A items, and the shift of some marketing spend into the third quarter.

Non-GAAP operating income grew 13% in the quarter to more than \$1.6 billion. Non-GAAP operating margin increased about 130 basis points to nearly 20%. You'll also see in our materials that we reported restructuring costs of approximately \$92 million. These costs are related to workforce actions and the key tech transformation initiatives that we discussed at our Investor Day.

On the tech side, this includes the start of a three-year plan to reengineer infrastructure, streamline operations, and exit certain data centers, as we unify platforms and migrate more to cloud-based solutions. We're excited about the increased speed, flexibility, data utilization, and scalability that these efforts will deliver over time.

Moving to capital allocation. In the quarter, we completed \$1.5 billion in share repurchases, bringing share repurchases over the past four quarters to \$6 billion.

Finally, we ended the quarter with \$13.7 billion in cash, cash equivalents and investments, and \$11.5 billion in debt.

Moving to guidance on slide 14 for the third quarter and full year 2025. Following a strong first half, we are on pace to outperform our original expectations for the year. We are raising our full year guidance for both TM dollars, and non-GAAP EPS. Similar to last quarter, we have embedded a range of potential outcomes into the second half of the year. The low end of our full year guide could absorb up to a couple of points of deceleration in e-commerce spending, should that occur.

Overall, consumer spending and the labor market have proven resilient, but we continue to closely watch how tariffs, and other trading friction might impact global economic activity, spending, and supply chains over time.

For the third quarter, we expect currency-neutral revenue growth at the lower end of mid-single-digits, or approximately 4% or so. We expect continued momentum in transaction revenue with lower growth in other value-

added services revenue, compared to the second quarter. This includes the impact of interest rate headwinds and a more difficult prior year comparison for credit growth.

We expect third quarter TM dollars to be between \$3.76 billion and \$3.82 billion, which represents 4% growth at the midpoint. Excluding interest on customer balances, we expect TM dollars to increase by approximately 6% at the midpoint. We are planning for up to high single-digit non-transaction OpEx growth in the quarter. This higher growth reflects continued investment in tech and new product launches, as well as the shift in timing of some marketing spend that I referenced earlier.

We expect to deliver non-GAAP earnings per share in the range of \$1.18 to \$1.22, or roughly in line with the prior year at the midpoint.

For the full year, we now expect TM dollars to be between \$15.35 billion and \$15.5 billion, which represents 5% to 6% growth. Excluding interest on customer balances, we now expect transaction margin dollars to grow between 6% to 7%.

We expect to deliver full year non-GAAP earnings per share in the range of \$5.15 to \$5.30, up 11% to 14%. Our guidance continues to project approximately \$6 billion in share buyback, and full year free cash flow of approximately \$6 billion to \$7 billion.

I'd like to wrap-up by thanking the PayPal team for their continued focus and dedication. The progress we're making gives us a strong foundation to build on, as we execute on the second year of PayPal's transformation.

With that, back to you, Alex.

James Alexander Chriss

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

Thanks, Jamie. We had a great second quarter and are confident that our strategy is working as our momentum builds. We are executing on everything we said we would do 12 months to 18 months ago. We are building out and improving our branded experiences, and giving consumers many more reasons to choose PayPal and Venmo.

We are capitalizing on untapped opportunities in PSP and SMB. At the same time, we are actively shaping the future of commerce through our work in AI, ads and crypto. And our velocity of innovation is only accelerating. I am more excited than ever about the future we're building.

Steve, let's go to Q&A.

Steven Winoker

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

Before we open the line, I'd ask everyone in the queue to consider your fellow analysts and ask just one question so we can get to as many people as possible. Regina, please open the line.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question will come from the line of Ramsey El-Assal with Barclays. Please go ahead.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Hi. Thanks for taking my question, and great to see your strategic plan really gaining momentum this quarter. I wanted to ask about branded online checkout TPV, which decelerated just a bit quarter-over-quarter to remain pretty stable for a few quarters. It sounds like tariffs are offsetting some of your own efforts – like modern checkout and Will Ferrell – to accelerate branded online TPV growth. How meaningful was the tariff headwind on unbranded online checkout TPV in Q2? And in July, are you seeing a stable tariff-related headwind there, or is that a metric – on that same metric, or could we see the headwind change and potentially intensify?

James Alexander Chriss

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

A

Hey, Ramsey, thank you for the question, and I appreciate the comments on branded checkout. Look, we're excited as well. I think our execution on the global roll-out, the US rollout is exactly what we were looking for. And really, the cohorts that we now have live in market are delivering exactly the way we expected.

To the comment on these platforms from Asia, the way we think about it is without that pressure, our branded checkout really would have been at 6%. And so, it's a small amount, but we've started to see it stabilize a little bit as we get into this month. Jamie, anything you'd add?

Jamie S. Miller

Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah. No, I would just say that, our trends underlying all this really have been broadly consistent. There's puts and takes in any given quarter. And like Alex said, we did see a slight deceleration really in those Chinese to US corridors.

In July, I would say it's still early, but seeing a bit less pressure in that space. We plan the full year with branded checkout at mid-single-digits. We are on track for that. And the watch-out that I really – I am looking at is, we still have a fair amount of policy and macro uncertainty. So we're obviously monitoring that, but we're very focused on our execution around our strategic initiatives. And bending the curve takes time, and we expect to accelerate as we move through the next couple of quarters, the next couple of years.

Operator: Our next question comes from the line of Tien-Tsin Huang with JPMorgan. Please go ahead.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Hey, thanks. I'm going to go – I want to ask about all the initiatives, Alex, that you went through upfront. There's a lot going on, a lot to study. I specifically want to ask on Pay with Crypto and PayPal World. Because when you think about this, I can make the case that both are TAM expanding, but potentially at a lower take rate. We've been getting a lot of these questions on both sides. So how do you see it? And are you confident that both will be

revenue and profit accretive as you push towards, I think, you call it interoperability quite a bit in some of the releases? Thanks.

James Alexander Chriss

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

A

Thanks, Tien-Tsin. So yeah, we're very excited, and you can – hopefully, you're seeing the pace of our innovation just continue to accelerate and sort of you're starting to see our whole strategy and the system that we're building together really play out. Let me take each of those. So PayPal World – I think the easiest way to think about it in the short term is, a, what I'm really excited about is the interoperability between PayPal and Venmo.

So now you've got a huge amount of Venmo customers that can click on the PayPal branded checkout and make their purchase online. Then we've opened it up to almost 2 billion additional users, and that will just continue to grow. And the best way to think about it is that's branded check out. And the way that we've orchestrated the agreements on PayPal World as a platform is the merchants maintain their branded checkout economics. And so, if you're a user, and I've gotten a lot of really fun notes in from LinkedIn, UPI users that are now thrilled to be able to click on the PayPal button anywhere in the world and be able to make a checkout. And for us, that's just the expansion of TAM and the existing economics that we have.

And then on top of that, you've got P2P economics and all sorts of other things that will play out over time. So that's on PayPal World. It really is an expansion of the TAM. On Pay with Crypto, we really do see this as, again, expansion of TAM at pretty attractive economics. The expenses come down significantly with Crypto. This is still early days in consumers really using Crypto to Pay, but we want to make sure that our merchants are enabled and have the ability to take the payment when they need to. So, if you look at the net take rate on Pay with Crypto, it's actually quite attractive. And we'll see how it ramps up over time from a volume perspective, but again, to your question, both are expansion of TAM for us.

Operator: Our next question comes from the line of Timothy Chiodo with UBS. Please go ahead.

Timothy E. Chiodo

Analyst, UBS Securities LLC

Q

Great. Thank you for the question – taking the question. I want to talk a little bit about a topic that's becoming more important to investors, which is the promises of prominent placement of the branded checkout button in your merchant negotiations. So, when sitting down with merchants and renegotiating contracts, whether it's Braintree or PayPal or other, you're looking at the relationship holistically across products, the take rates or pricing, the use of BNPL and the list goes on.

But maybe most importantly, there's that potential contractual agreement or kind of a promise of a prominent placement of the branded checkout button. And I was hoping you could give a little bit more context on how those conversations work and how things may or may not be changing on that particular aspect of the renegotiations? Thanks a lot.

James Alexander Chriss

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

A

Yeah, Tim, thanks for the question. So let me paint the picture. So what's exciting is when we sit down with these merchants, and I'll sit down with the CEO as an example, we're really working merchant back about what's most important to them. And a lot of the time, it starts with their ability to get access to more customers and then,

obviously, conversion matters. But how do they find the right customer? How do they make sure that they're bringing the right customer to their site?

And so now we have a full suite of offerings, and it can go from ads to some of our commerce APIs to drive personalization, and it really runs the gamut. And so the conversations start with, hey, what are you trying to solve? We've got, obviously, unbranded. We've got buy now, pay later. We've got branded opportunities in PayPal, in Venmo. What demographic do you want? What are some of the value-added services that you want? So, we really run the end-to-end spectrum.

I think what's – a couple of things that I would highlight that are exciting and sort of changing when it comes to branded in particular. First, because we are really pushing on buy now, pay later right now, we're pushing on our branded – our new branded experiences that brings everything together. We really can be that one-stop shop for a merchant to be able to have one button, a very powerful button that brings them the right demographic and the right services for their customers.

The second that I'd highlight is we're really changing the game from what has occurred in the past, which is with our payment-ready API, we're now able to really identify who that customer is upfront. So instead of having to negotiate, hey, we need presentment on – at this number of buttons or this type of thing in certain areas, what we're really spending time talking about is, hey, accept our API, ping our API first, and we're going to tell you exactly what this customer wants.

And so that is driving increase in conversion, increase in merchant adoption, because we really get to personalize the experience for the customer. So I think we're leaning into the future, and I'm really excited about not having to create sort of the 15 different buttons on a checkout, but just being able to give a merchant the ability to ping our payment API and serve the consumer exactly what they want to be able to increase conversion.

Operator: Our next question comes from the line of Darrin Peller with Wolfe Research. Please go ahead.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Thanks, guys. Can we touch on how the European rollout of the modern checkout initiatives are coming along now? Just what's the time line on it? When do you anticipate seeing measurable results? And then just overall looking at branded, maybe a little more color on international growth versus US. And just revisiting whether you still expect to exit the year at an accelerated rate for branded versus the beginning of the year? Thanks a lot, guys.

James Alexander Chriss

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

A

Yeah. Thanks, Darrin. So again, just to highlight, we were very deliberate in our strategy to start our rollout of our new branded experiences in the US. We're up over 60% now in the US. And again, the cohorts that we've rolled out are continuing to operate in the way that we wanted and showing the uplift that we expected, that we talked about in the past.

We've now started to roll that out in the UK and Germany. As I've mentioned previously, those integrations typically are on newer integrations throughout Europe. And so I actually think we're going to continue to accelerate our adoption over the coming quarters across Europe. So very, very excited there. We're mid-teens overall on global TPV, and we want to see that continue to increase over the next few quarters.

Jamie S. Miller

Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah. I can jump in here and talk about non-US growth, which I think, Darrin, is where you were taking the second part of this. If you look at outside the US, again, we're really seeing largely consistent trends here. We continue to take share in Europe, including Germany. And as Alex mentioned, our broad push around our latest innovation, it's not just the latest experience, but it is buy now, pay later, it is the new app and app upgrades and the experience around that. It's in its NFC, which we had a really successful rollout in the second quarter in Germany around that. So it's all around branded checkout really driving the habituation and the resulting halo that comes with that. And the teams are really focused on scaling that and pushing that as they go through.

With respect to accelerated rate, what I would tell you is that we are laser-focused on branded checkout. And I think as we talk about all of this, that focus on execution, the focus on the strategic initiatives, we fully expect to see an accelerated rate of growth over the next few quarters and the next few years.

Operator: Our next question comes from the line of James Faucette with Morgan Stanley. Please go ahead.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning. Thanks for all the details for today. I wanted to touch on your efforts to expand the brands to offline and some of the initiatives that you have, including debit, expansion of BNPL and credit. How should we think about that road map on a go-forward basis? It seems like you're driving really good engagement. But just wondering about expansion into other geographies and then product expansion beyond. And it seems like there's an opportunity to become a kind of a full suite of financial services that you're pursuing. But I'd just like to get the milepost we should be tracking on those initiatives. Thanks a lot.

James Alexander Chriss

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

A

Yeah. Thank you, James. So, I think you're hitting on what we've really been laying out in our strategy when it comes to branded experiences. And the best way to think about it is we just want to meet our customers where they are. The more they think about it, they are not delineating between online, offline, agentic, commerce. They just think about buying. And the way they see product placement, the way they're buying potentially online and picking up in-store, like customers are just choosing commerce the way they want to choose it. And PayPal aims to be that choice for them wherever they want to buy.

And so, you've seen us, obviously, continue to accelerate our branded checkout experience as we just talked about online, but really leaning into that omnichannel strategy. And in less than a year, I'm really proud of the team. We are at 5 million new PayPal debit card users since our launch, TPV growth for PayPal debit card up 75% in Q2 with really good economics. And then that creates the habituated flywheel where for those debit card users, we see 6x transaction activity, 3x increase in average revenue per account for these debit card users.

Then you look at the strategy that we just rolled out in Germany. And so, again, as a reminder, this is our first real end-to-end wallet that includes not just, obviously, online checkout, but NFC Tap to Pay, a reward system, buy now, pay later built into offline purchasing, and really seeing exciting growth there. So, 3 million NFC enrollments since launch with engaged users that are transacting 16x per month. That is showing that we can resonate in an online, in an offline world and really enable customers to use us for every purchase every time, everywhere.

And so that is the strategy. I think, you're going to see us continue to roll that out globally. We said next up is the UK. But we have great brand prominence across Europe and believe we can take this platform across the rest of our markets. So, continue to see that roll out. And again, it's a full system of on-line, off-line, BNPL and all of this coming together.

Operator: Our next question comes from the line of Harshita Rawat with Bernstein. Please go ahead.

Harshita Rawat

Analyst, Bernstein Institutional Services LLC

Q

Hi. Good morning. I want to follow up on PayPal World and some announcement. Now historically, we have seen challenges with regards to using experience, awareness, different priorities when it comes to interoperability across wallets. And I know – in the past, it was very hard to create interoperability between PayPal and Venmo. So, Alex, I think, my question to you is like, what could be different this time as you try and scale this to across PayPal and Venmo and also international businesses? Thank you.

James Alexander Chriss

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

A

Yeah. Thanks, Harshita. Look, I think we've created a platform that really simplifies the user experience. So – and have created a framework for all of the different wallets to be able to come together. So let me just talk about what we're in control of obviously, which is that PayPal experience. So for an online checkout, whether it's a Venmo user, whether it's a UPI user, whether it's a Mercado Pago user or a WeChat user, you will be able to go to any PayPal button that you see on any merchant anywhere in the world, click that button and be able to checkout with your native wallet.

So we want no integration required by the merchant. The merchant already has PayPal integrated. They are accepted into the PayPal World ecosystem and now have access to billions of consumers. No change from the consumer. They just have to click on the PayPal button, and they'll see – if we can identify them through their phone number, we'll actually at some point, change the button to be their home button so they can see it. If not, we'll be able to have them using some of the technology that we've already been building, things like Fastlane, things like being able to identify users upfront, be able to auto create that experience, so that it looks like a home experience for that native wallet.

So again, I think we've really focused, and this was a big conversation that I had personally with the CEOs of these other wallets is this has to feel native, this has to feel like it's a common experience. There will be go-to-market commitments from all the different wallets to train users and show them that the PayPal World experience is right for them. But this is going to be frictionless.

Then if you look at the offline experience as well, which we probably don't spend enough time thinking about, it's going to be the same thing. So if you take a Venmo wallet or a PayPal wallet, and you travel to India or you travel to China, and you see a QR code, a UPI QR code from a local merchant in India, you can actually pull out your Venmo wallet, scan the local QR code and make a purchase. We want it to be that frictionless. You're not adding new modules in your app. You're not doing anything different. You're just scanning QR code and being able to purchase with your home wallet and the currency conversion works.

So, we are committed to making this as frictionless as possible for the merchant and the consumer. And that's why we've worked so hard to bring these wallets together. And I'll just say just to wrap up, I am really excited about the partnerships and the conversations we've had with these wallets. It is – there's a reason there isn't an

interoperable network of wallets in the world, it's hard. But we've had CEO-to-CEO conversations and a commitment across the different wallets to ensure that we're going to solve for a single platform for the world that enables consumers to be able to really have a delightful experience. So, more to come on this, but obviously, a heck of a good start and lots of momentum building.

Operator: Our next question comes from the line of Sanjay Sakhrani with KBW. Please go ahead.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you. Good morning. Alex, Jamie, I appreciate the comments on a couple of points of e-com deceleration factored into the low end of guidance. I guess as we dig into the key drivers of growth in transaction margin dollar growth in the second half, can we unpack that a little bit? Like how much visibility do you have into the new initiatives and sort of the specific growth drivers? And just maybe a quick related question on transaction losses, which ticked up. Is this the new run rate? How should we think about that on a go-forward basis? Thank you.

Jamie S. Miller

Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Good morning, Sanjay. With respect to transaction margin, what we're really seeing this year, and I would say are durable, consistent drivers between branded checkout, PSP and VAS, Venmo and credit. We saw credit as a strong driver in the first half. When you get into the second half, those drivers really continue very consistently. There is a couple of dynamics I would maybe call out. One is that in the second half, we expect about a 2-point interest rate headwind in third quarter and in fourth quarter, about \$125 million. Just as you get into the second half, we had rate cuts in the last half of last year. We're expecting a couple of rate cuts in the second half of this year. So that we expect a decel which will impact transaction margin dollars.

The other thing is we expect slightly less contribution from credit just with tougher comps in the second half of last year. So that is the TM dollars piece of it, the other part – oh, TL. With respect to transaction loss, yeah, we saw an uptick in transaction loss this quarter. It was about 9 bps. And I'd say there's two things that are happening here. Number one, and we talked about this, I think, when we have given our guidance at a couple of points earlier this year. Number one is normalization in transaction loss rates after what was a strong year last year. And second was, as we've been implementing and launching new products, we're just seeing a little bit of an uptick there and things we have to work out and put more rules around and get those back into the flow.

We expect the full year run rate to be about 8 bps. So up from last year, but not as high as the second quarter. And the other thing I would just mention is some of these other products that we've been launching and scaling just come with naturally higher loss rates, things like debit. So all of this, it's an important area. We continue to be very focused on optimizing through AI, through the team and through automation, but that's really how we're thinking about TL.

Operator: Our next question comes from the line of Colin Sebastian with Baird. Please go ahead.

Colin Alan Sebastian

Analyst, Robert W. Baird & Co., Inc.

Q

Thanks and good morning. Maybe just quickly, I would be curious, any update on Fastlane in terms of the rollout and adoption there. And if you're able to measure any uplift in volumes from that so far? Thank you.

James Alexander Chriss

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

A

Yeah. Thanks, Colin. A quick update on Fastlane. We continue to roll it out. Our focus is on the largest merchants, which, again, is excitement and adoption is strong. It just – it takes time for us to move through. They've not really invested in their guest checkout. But the improvement for these merchants is continuing to hold and be very strong. So we're seeing conversion uplift at 50% and consumers continuing to opt in. I think, again, I would highlight as we continue to roll it out, 75% of users that are coming into Fastlane are really new or were dormant PayPal users that are now coming back in.

So the strategy is strong for us. The biggest next inflection will be as we roll out multiprocessor because many of our largest merchants really need Adyen as an example, to be able to support Fastlane, which we have committed to do. So that will come out in the next couple of quarters. And then this is a long game, and we're excited about the momentum, but just continuing to move along.

Operator: Our next question will come from the line of Trevor Williams with Jefferies. Please go ahead.

Trevor Williams

Analyst, Jefferies LLC

Q

Great. Thanks a lot. I just wanted to ask on the news over the past few weeks with certain banks starting to charge for access to consumer data. Just anything you can share on where within the business, you rely on aggregators and with what you know today on the pricing that's been floated, just how you guys are thinking about the potential impact? Thanks.

James Alexander Chriss

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

A

Yeah. Trevor, thank you. I'll keep this one simple. We're big supporters of open banking, and we've looked at this end-to-end throughout the business and the changes are just immaterial to us. We're just – we're not going to be impacted by this really at all.

Steven Winoker

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

A

Regina, let's make time for one more question, please.

Operator: Our final question will come from the line of Dan Dolev with Mizuho Securities. Please go ahead.

Dan Dolev

Analyst, Mizuho Securities USA LLC

Q

Hey, guys. Thanks for squeezing me in quickly. So can we talk about any benefits you're getting from the upgraded checkout experience? Obviously, there should be an uplift in the second half? Is there any way to quantify that that would be great.

James Alexander Chriss

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

A

Yeah, Dan, what I'd say is from the cohorts that we've rolled this out to, and remember, this is 15% of global TPV. We're continuing to see the uplift that we've talked about, call it, 1 point of uplift. So that is going to continue. We

just need to roll this out to more. And so our expectation is if you look at branded checkout overall, it's this new branded experiences, it's the momentum that we've got in Buy Now, Pay Later which we're seeing over 20% year-over-year growth. It's the improvement in Pay with Venmo, which we're seeing 45% year-over-year growth. All of those coming together, we continue to see momentum on.

And so as we exit this year, I expect that we're going to start to see real improvement in branded checkout overall and then as we move into 2026. So – this is a big shift. It takes time to move. I'm excited about the momentum we have across all three of those elements. The new experiences, Buy Now, Pay Later and Pay with Venmo, and I think we're going to start to see this thing turn as we get through the next few quarters and into 2026.

Steven Winoker

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

Thanks. Alex, any final thoughts before wrap.

James Alexander Chriss

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

Again, thank you for the questions today. I'm very proud of the quarter the team delivered. We did not get any questions on Venmo, and I want to highlight that we usually get a lot of questions on Venmo and the team is just really killing it. And so, there's something magical happening with Venmo right now, and I'm excited about where we're heading there as well. So overall, I appreciate the teams' urgency and innovation. We're executing well and excited to update you all along the way. So, thank you, everyone. Take care.

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

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