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PayPal Holdings, Inc. (PYPL)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to PayPal's Fourth Quarter and Full-Year 2025 earnings conference call. My name is Sarah, and I will be your conference operator today. As a reminder, this conference is being recorded.

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

Steven Winoker

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

Thanks, Sarah. Welcome to PayPal's fourth quarter and full-year 2025 earnings call. 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, Jamie.

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

Thank you, Steve. Good morning, everyone, and thank you for joining the call. Before we turn to our full-year and fourth quarter, I want to address the leadership announcement we made earlier this morning.

The board has appointed Enrique Lores, who was most recently our Board Chair, as the next President and CEO of PayPal, effective March 1, to accelerate execution and bring greater discipline to how we implement our strategic priorities as we enter our next phase of growth.

I want to thank Alex Chriss for his leadership and his many contributions to the company. It has been a pleasure working with him, and we wish him the very best.

At the same time, we recognize as a company that our execution has not been what it needs to be. We have not moved fast enough or with the level of focus required, and we are taking immediate steps to address that reality.

The board's appointment of Enrique reflects a clear commitment to strengthening performance. He is a seasoned chief executive who brings deep experience driving customer-centric innovation and disciplined execution, simplifying complex businesses, and leading large-scale transformations. We are fully aligned on the path ahead.

During the brief transition period through early March, as Enrique steps away from his role at HP, I will serve as interim CEO, and Steve will partner with me leading our finance function to ensure continuity and maintaining momentum. Effective immediately, board member David Dorman will take on the position of Board Chair.

With that context, let's turn to our full-year and fourth quarter 2025 performance. PayPal delivered solid 2025 performance across multiple dimensions, and I'm confident about our path forward.

Last February, we held an Investor Day outlining our transformation strategy. One year later, there are elements working very well, but there are also areas pacing below our expectations, primarily within branded checkout, which I will spend much of my time discussing today.

First, let me address the areas performing well. In 2025, Venmo revenue grew approximately 20% to \$1.7 billion, excluding interest income. Total active accounts surpassed 100 million, accompanied by 14% growth in ARPA for our monthly actives.

We've turned around our Enterprise Payments business, delivering seven consecutive quarters of profitable growth and a return to double-digit volume growth in the fourth quarter. These two businesses were once small contributors to profitability. In 2025, they drove nearly half of our 6% transaction margin dollar growth.

In buy now, pay later, we delivered over \$40 billion in TPV in 2025, growing more than 20% year-over-year. Additionally, we've made progress building new long-term growth drivers, omnichannel, agentic commerce, crypto, and wallet interoperability.

Where we haven't made the same progress is in online branded checkout. We've reimagined a product that had been stagnant and underinvested in for years, creating a new value proposition for merchants and consumers.

But we were too optimistic about how quickly we could drive change and customer adoption across a massive global user base. The results are not yet where we expected them or want them to be. Let me update you on where we are, what is working, and the steps we're taking to get back on track.

For the past few years, we have delivered consistent mid-single-digit TPV growth. However, in the fourth quarter, online branded checkout TPV grew 1% on a currency-neutral basis, down from 5% in the third quarter. The 4-point deceleration was more than we expected and was concentrated in three main areas, each contributing roughly 1 point or so to the slowdown.

First, US retail weakness. We saw pressure across our retail merchant portfolio, particularly among lower and middle-income consumers. While part of this can be attributed to macro factors and a K-shaped economy, it's also clear that we need to do more to win with key merchants, particularly during high-volume shopping periods.

Second, international headwinds, particularly in Germany, which is one of our largest markets. Our German growth has moderated due to macroeconomic softness, normalization of our long-standing market leadership position, and competition from alternative payment methods.

Third, deceleration in several high-growth verticals, specifically in travel, ticketing, crypto, and gaming, categories that had strong growth in the fourth quarter of 2024 and continuing through much of 2025.

Cutting across all of these, we had operational and deployment issues that amplified the pressure. To date, our delivery process has started with building a better product and expecting merchants to adopt at scale because of conversion benefits. The reality is our merchants, especially the largest ones, have many competing priorities and require much more hands-on integration support than we anticipated, which has slowed our progress.

Additionally, the combination of biometric adoption and competitive presentment have proven critical to branded checkout performance. So while challenges in the macro environment are real, we haven't executed as well as we need to, and our product deployment in the second half of the year was slower than we planned.

Our analysis of our merchant base, competitive dynamics, and where we are seeing the strongest traction has sharpened our view of resource allocation for 2026. This work in branded checkout has brought three priorities into clear focus, experience, presentment, and selection.

These are the areas where we see the greatest opportunity to restore momentum. We know that consumers engage more deeply and frequently when they have a frictionless experience. They choose us more often when our products are featured upstream at the point of purchase, and they habituate when rewarded through loyalty, marketing, and other programs.

On experience, our focus needs to be on both ensuring a frictionless consumer experience through biometric and passkey adoption, and that merchants have upgraded to our target experiences.

On presentment, we need competitive placement, including upstream buy now, pay later messaging and second buttons. And on selection, we must deliver loyalty benefits using rewards and co-marketing agreements with compelling consumer incentives.

On experience, we've created a great product experience that performs well across desktop and mobile. When a consumer vaults PayPal as their default payment method, it's seamless. No password or authentication is required. The wallet typically has multiple funding sources ready, and we deliver 95% or greater conversion on average, which is second to none and a foundational strength we are building upon. We need to make vaulting available with more merchants and take friction out of the initial sign-up and one-time checkout flow.

For non-vaulted transactions, we're continuing to scale our redesigned paysheet experience globally, now covering more than 30% of global checkout transactions. Fully optimized cohorts show nearly 1-point conversion improvement, though adoption across our back-book remains incomplete with the target experience implemented on only a subset of our global transactions.

2026 will be about continuing to scale with strategic merchants and partners at the same time that we drive biometric enrollment. As discussed before, biometric authentication amplifies the impact of our paysheet redesign and makes vaulted sign-up easier, driving 2 to 5 points of conversion improvement in testing with some of our largest and most complex merchants.

On presentment, we're making good progress, including adding upstream BNPL messaging at more major merchants in the fourth quarter. When PayPal is positioned above competitors and the value prop is amplified with either co-marketing or pay-later messaging, we see more than twice the selection rate compared to when we're positioned below.

On selection, over the past two years, we've built a more compelling value proposition for consumers. That includes launching new products like our debit card and expanding options such as buy now, pay later, repositioning PayPal as an obvious choice for everyday purchases, whether paying now or over time.

The result is a more engaged and healthier consumer base. Power users, which are consumer accounts that transact more than 100 times per year, grew 5% year-over-year. PayPal mobile app use among online branded checkout users has increased from approximately 50% in January 2023 to more than 60% now, and we will drive that even higher by year end.

Consumers with recent app use are about 40% more likely to select PayPal during checkout the following week, underscoring the value of app engagement in shaping checkout preference.

This approach delivers when fully deployed. When we look at Cyber 5 performance across multiple merchants, including in retail, tech, and entertainment, for those with our latest checkout experience, strong presentment, upstream BNPL messaging, and co-branded marketing with attractive offers, PayPal performed well.

On average, those merchants delivered very attractive double-digit branded TPV growth, significantly outpacing their local markets. That gives us confidence that we have the right playbook. It's just not deployed in enough of the right places.

Over the past several months, we've realigned our checkout teams with full ownership and improved operating rhythms to speed decision-making and execution. Two themes will shape our efforts in 2026, focus and investment. This is one area where Enrique will really help. His track record of relentless, disciplined execution and performance improvement in complex business environments makes him ideally suited for this challenge.

First, a relentless focus on the highest-impact merchants. To date, we've been optimizing for every merchant, and that approach has slowed our ability to move quickly on what matters most. We're changing our approach to focus on strategic merchants, representing nearly 25% of our branded checkout volume today, but could be much larger.

In January, we formed dedicated teams to implement improvements across experience, presentment, and selection for these merchants. Second, focus on implementing experience and biometrics together, not

sequentially. In too many cases, we were deploying our redesigned checkout without biometric enablement, which does not deliver the full conversion lift we know we can provide.

That's changing. We're now deploying experience and biometrics together as a package more consistently. When we integrate a merchant onto our latest experience, we will simultaneously run biometric adoption campaigns targeting their consumer base.

We made good progress in 2025, but there is more work to be done. About 36% of our consumers are now what we would consider checkout-ready, which means they have biometric authentication in our app or with a device passkey. This is a 15-percentage-point improvement relative to the prior year, and our goal is to bring closer to half of our consumers to checkout-ready status by the end of 2026.

Third is a focus on presentment. It is just as critical as experience. As I mentioned before, when we secure competitive placement on a merchant site, we perform significantly better. It is early days in bringing BNPL messaging onto product pages, now visible to less than 15% of our traffic, but the data is convincing.

When our buy now, pay later offerings are presented upstream and with a second payment button, we see more than a 10% lift in branded checkout volume. We don't yet have enough of these high-impact placements in-market, which was amplified during the holiday shopping season, and that's front and center as we focus on branded checkout execution. In many cases, we're tying our economics directly to performance the merchants share in the upside.

Fourth, a focus on giving consumers a reason to come back. Our checkout improvements help with conversion, but we can do more to drive repeat usage by combining rewards, buy now, pay later, and app-led engagement to make PayPal the obvious choice for consumers, time after time.

PayPal+, our rewards program, launching in Europe and in the US in 2026, enables consumers to earn and redeem rewards at checkout, creating the consumer flywheel we've been working to build. We're seeing early but still encouraging results from the UK launch late last year.

In December, branded checkout TPV rose by mid-single digits year-over-year for UK users enrolled in PayPal+, and their overall PayPal TPV increased year-over-year compared to non-enrolled users. This was achieved almost entirely organically before activating marketing, which speaks to the opportunity ahead.

In parallel, we're launching a brand-new app this year which will be a destination for buy now, pay later management, rewards tracking through PayPal+, and personalized offers, all designed to drive app engagement which leads to a better checkout experience.

From an investment perspective for branded checkout, we're striking calculated deals with strategic merchants that create value for both sides. Our approach helps them tackle their greatest needs, whether that's improving conversion, lowering payment costs, acquiring new customers, or co-developing solutions, while simultaneously modernizing PayPal's experience and strengthening our presentment across their channels.

These are important investments to make. When more flagship merchants are live with full experience, benefits cascade. We accelerate learnings, refine our go-to-market, and unlock the brand halo effect from being optimized at scale on merchants consumers used most.

Overall, we're focused on execution as we move through 2026. As our redesigned experiences scale, biometric adoption increases, presentment improves, and our rewards program and app drive the flywheel. We expect these initiatives to deliver improving results daily, weekly, monthly, and build over time as they reach scale and produce measurable impact.

I'll now briefly cover the progress on our other growth drivers where we are seeing strong success, scaling omni, growing Venmo, driving PSP profitability, and scaling our next-gen growth vectors.

Despite online branded checkout challenges, branded experiences TPV grew 4% in the fourth quarter. We're live with debit or tap-to-pay in the US, Germany, and in the UK with positive initial results.

Starting with the US, where the PayPal debit card was launched over a year ago, in the fourth quarter, TPV growth accelerated to over 50%, and MAAs grew by over 35%. We're happy with this performance and learning from and scaling what worked in the US to Germany and the UK, where we now have more than 700,000 debit card MAAs combined.

This includes unique reward offers, marketing investment, in-app prompts, and making it easy to add the cards to mobile wallets. We're pleased with the initial progress of our omni initiative and see a clear path to extending that success as we move through 2026.

2025 was a breakthrough year for Venmo, evolving from peer-to-peer payments into a monetized commerce platform. We reached over 100 million active accounts, and the progress is showing in our results. Venmo TPV grew 13% in the fourth quarter, and monthly active accounts reached 67 million, up 7% year-over-year. Venmo debit card TPV was up over 50%, and MAAs grew 50%. Pay with Venmo TPV was up 32%, and MAAs are up 26%.

Venmo revenue grew approximately 20% year-over-year to \$1.7 billion in 2025. More importantly, revenue composition has shifted as more consumers are using Venmo for everyday commerce.

Over the past two years, Pay with Venmo and Venmo debit card revenue has doubled. This mixed shift is important to our overall transformation and positions Venmo for stronger profitability as we continue to grow.

Turning to our PSP business, in the fourth quarter, we continue to build on positive momentum in our PSP business. Within Enterprise Payments, thanks to both progress on price-to-value and value-added services, we meaningfully expanded margins year-over-year, roughly doubling our net processing yield and significantly improving profitability.

At the beginning of 2024, we had several value-added services, but didn't consistently charge for them. We exited 2025 with 16 services that merchants are happy to pay for because they're designed to improve authorization performance or reduce costs.

Value-added services adoption continued to scale through the year, and in the fourth quarter, we added incremental capabilities, including FlexFactor and authorization enhancement delivered through our open architecture partner ecosystem as well as Visa's pre-dispute resolution service through Verifi, which will help to reduce merchant costs.

We took our first omnichannel enterprise merchant live through Verifone, expanding to in-store payments where 80% of payments occur, qualifying us for RFPs requiring both online and in-store capabilities. Going forward,

because of our relationship with Verifone, we can compete for those opportunities and grow our share of both online and in-store volume. This is the realization of the vision we presented at Investor Day last year, and we expect to add new merchants and expand volumes with our existing ones as a result.

Let me quickly share some of our latest developments in agentic commerce. Our vision is to create a universally trusted catalog that AI agents can access, discover, and transact with safely and securely.

Through our store sync offering, we are already connecting early adopters like Abercrombie & Fitch, Fabletics, Pacsun, and Wayfair with agentic chat platforms to allow consumers to discover, evaluate, and purchase items within the chat. We went live with agentic purchasing through Perplexity ahead of Thanksgiving, and we are now also live on Microsoft Copilot. We are helping merchants connect with customers through new channels and remove friction from the checkout process.

Store sync is enabled through a partnership with Cymbio, which we have agreed to acquire to bring this technology in-house. Agentic won't materially impact 2026 growth, but as AI-powered shopping scales, our aim is to become the default payment option. This is only the beginning, and we are collaborating closely with the major AI platforms as we build agentic commerce capabilities together.

Before passing to Steve, let me address the Investor Day outlook provided a year ago. The environment has proven more demanding than we anticipated, presenting both challenges and opportunities. E-commerce growth has been challenging in key verticals and markets, competitive intensity has increased, and merchant adoption has been more complicated to implement than we anticipated, and our execution is not yet where it needs to be.

While we're addressing those challenges, other parts of the business are delivering. Venmo is on track to exceed \$2 billion in revenue ahead of plan. Our Enterprise Payments business returned to double-digit volume growth in the fourth quarter, and buy now, pay later continues to grow rapidly. And entirely new channels like agentic commerce have emerged faster than anyone expected a year ago.

For branded checkout, our focus is on narrowing the gap with the market over time. Following our fourth quarter performance, we need to prove that out in coming quarters and years.

There are multiple ways for us to deliver profitable growth over the long term, and 2025 was a great example of that. But given everything I've outlined, we are no longer committing to the specific outlook for 2027 we laid out at Investor Day last year. For these reasons, we think it's prudent for now to provide financial guidance one year at a time. And Steve will speak in more detail about how we're thinking about 2026 as a starting point.

The strategy I outlined today focuses on three fundamentals: experience, presentment, and selection. And these critical changes to our go-to-market approach will lay the groundwork for a stronger, more competitive online branded checkout business over time.

In closing, while we're not satisfied with our online branded checkout performance today, we are confident in the plan to stabilize and strengthen it. Importantly, we are executing with multiple competitive advantages. Our scale, our trusted brand, deep consumer and merchant relationships, and diversified growth drivers give us resilience and flexibility moving forward.

As we continue transforming into a commerce platform, our focus remains clear. Drive innovation that scales, deepen engagement on both sides of our network, strengthen and unify our core infrastructure, and deliver sustainable, profitable growth. As Enrique steps into the CEO role, he will bring additional operational focus and

disciplined priorities underway. And together, with the right assets, strategy, and team in place, we believe PayPal is well positioned for 2026 and beyond.

Steve, over to you.

Steven Winoker

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

Thanks, Jamie. Moving to slide 9, TM dollars excluding interest grew 4% in the fourth quarter. The drivers of that growth were broad-based, led by strong credit performance, PSP profitability, Venmo monetization, and loss improvement across multiple products.

This diversification was key in offsetting the headwinds to branded checkout that Jamie walked through. As a result, we delivered 6% TM dollar growth and 14% non-GAAP EPS growth for 2025. And we continue to have clear opportunities to drive durable, profitable growth in the years ahead.

Moving to the fourth quarter and full-year financials in more detail, total payment volume grew 9% spot, 6% currency neutral in 4Q, and 7% and 6% respectively for the full-year, reaching \$1.8 trillion. 4Q revenue grew 4% on a spot and 3% on a currency-neutral basis. Full-year revenue grew 4% on a spot and currency-neutral basis to \$33.2 billion.

Non-GAAP earnings per share increased 3% to \$1.23 and 14% for the full-year to \$5.31. Compared to our fourth quarter guidance, non-GAAP EPS came in \$0.04 below the low end of our range. This was driven largely by a higher-than-expected tax rate and slightly lower-than-expected non-GAAP operating income, resulting from pressure on branded and the timing of OpEx. Adjusted free cash flow, which excludes the timing impact from the origination and sales of pay-later receivables, was \$2.1 billion and \$6.4 billion for the full-year.

Turning to slide 10, we continue to drive deeper, more active relationships with our customers. Monthly active accounts increased 1% to \$231 million. Transactions per active account, excluding PSP, which is a good proxy for engagement, maintained momentum with 5% growth.

Moving to slide 11, total payment volume in the fourth quarter grew 9% at spot and 6% on a currency-neutral basis to \$475 billion. Working our way down the page, branded experience's TPV, which includes online checkout, PayPal, and Venmo debit, as well as tap-to-pay, grew 4% in the fourth quarter and 6% for the full-year. While debit card and tap-to-pay spend represent a small portion of branded experience's volume today, they continue to grow rapidly, up 60% year-over-year.

Venmo TPV increased 13%, marking the fifth consecutive quarter of double-digit growth. On an online-only branded checkout basis, volume grew 1% on a currency-neutral basis impacted by the factors that Jamie discussed in depth earlier. I'll talk more about how we are planning for the current year shortly.

Pay with Venmo and buy now, pay later continue to outpace the market, taking share from other payment methods and growing 32% and 23% respectively. P2P and other consumer volume accelerated to 10% growth in the fourth quarter, reflecting the debit card and Venmo momentum I just mentioned.

Turning to PSP, volume growth accelerated to 8% from 6% in 3Q and 2% in the first half of the year. Within PSP, Enterprise Payments showed notable strength, with volume growth accelerating to 12% due to a combination of growth in profitable front-book business and high retention and growth alongside our existing merchant base. Driving higher attachment of value-added services will be a key focus as we move through 2026.

Moving to more financial detail on slide 12, transaction revenue grew 3% on a spot basis to \$7.8 billion and grew 3% for the full-year to \$29.8 billion. Other value-added services revenue grew 10% to \$857 million and 14% for the full-year to \$3.4 billion, driven by strong contribution from merchant and consumer credit, partially offset by lower interest rates.

Transaction take rate declined by 9 basis points to 1.65%, excluding the impact of foreign exchange hedges, transaction take rate declined about 7 basis points. This output was driven by a combination of higher growth in Enterprise Payments, Venmo, and debit card adoption, as well as branded co-marketing investments.

TM dollars, ex-interest, grew 4% in the quarter and 6% for the full-year. Growth was led by contribution from our credit and omni initiatives, improvements in PSP profitability, and Venmo monetization. Branded checkout flow-through was relatively neutral in the quarter, given the combination of lower volume growth and increased investment intended to drive engagement, habituation, and incrementality over time.

Within volume-based expenses, transaction loss as a percentage of TPV improved to 6 basis points, a notable improvement compared to an average of 8 basis points during the first three quarters of the year. This outcome is a testament to our team's ongoing work to continue to improve and strengthen onboarding, fraud prevention, and risk management capabilities.

Non-transaction-related OpEx increased 2% in the quarter as we continue to actively manage our cost structure while reinvesting in key growth initiatives. Non-GAAP operating income grew 3% in the quarter to \$1.6 billion and 9% for the full-year to \$6.4 billion.

Moving to capital allocation. In the fourth quarter, we completed \$1.5 billion in share repurchases, bringing full-year repurchases to a total of \$6 billion. We also paid the company's first quarterly dividend of \$0.14 per share. We ended the quarter with \$14.8 billion in cash, cash equivalents and investments, and \$11.6 billion in debt.

Moving to guidance on slide 13 for 1Q and full-year 2026, let me start by walking you through some key assumptions. As we discussed last quarter and Jamie detailed earlier, we see a significant opportunity to drive consumer engagement, habituation, and higher selection of PayPal through targeted investments across the portfolio.

For 2026, we expect these targeted growth investments to represent approximately 3 points of headwind to TM dollar growth while driving durable long-term benefits in the years ahead. This spend encompasses the strategic priorities Jamie outlined, scaling new experiences, improving presentments, increasing consumer selection, as well as driving adoption of new channels.

About two-thirds of the spend is targeted directly towards branded checkout and buy now, pay later, with the remainder allocated to areas including Venmo, loyalty, and agentic. What's important to call out here is our approach.

While a portion of these investments result in lower upfront economics that will weigh on TM dollar and EPS growth in 2026, they are critical to fundamentally shifting our branded checkout product and positioning over the next few years and have attractive multi-year payoffs that will improve the durability of our business in the years ahead.

We're being very disciplined about how and where we deploy capital and will adjust as necessary, leaving flexibility to lean into areas that are working. We're actively harvesting productivity across the organization and reallocating resources to the highest return opportunities.

We have conviction in the impact these initiatives will drive. However, given the slower exit rate from 4Q and the time required to scale these programs, our guidance reflects slightly positive to low single-digit branded checkout growth for the full-year as we rebuild the momentum Jamie mentioned.

Turning to more specifics, for the first quarter, we expect low single-digit revenue growth on a currency-neutral basis, TM dollars to decline slightly or roughly flat, excluding interest on customer balances, mid-single-digit growth in non-transaction operating expenses, and non-GAAP EPS to be down mid-single-digit.

For the full-year, we expect TM dollars to decline slightly or roughly flat, excluding interest on customer balances, approximately 3% growth in non-transaction operating expenses, and non-GAAP EPS ranging from down low single-digit to slightly positive. Our guidance assumes approximately \$6 billion in share repurchases and at least \$6 billion of adjusted free cash flow.

As Jamie discussed, we are no longer providing the specific multi-year growth outlook we presented at our Investor Day a year ago. As it relates to branded checkout, our prior outlook assumed a more stable e-commerce environment and a certain pace of product rollout and merchant adoption.

Neither has materialized to date as we anticipated, and while we can point to a number of constructive indicators, it's hard to call the precise timeframe when we will see an overall inflection for branded.

Branded checkout represents over half our profit dollars, and we're confident the product, channel, and marketing investments we're making will drive improvement and acceleration over time. There are also multiple paths to deliver attractive growth. Venmo, PSP, omnichannel initiative, and credit are all levers that can contribute to TM dollar and EPS growth alongside branded improvement.

Our overall value creation framework centers on driving volume growth by closing the online branded gap with e-commerce, increasing penetration offline, and keeping MAA growth and customer engagement at the center of our KPIs. We are strengthening and investing in our core, building out new growth paths like BNPL and Venmo while staying at the forefront of next-gen growth drivers, including agentic, PayPal World, ads, and crypto.

We are also driving process improvements and using AI to leverage our cost base and redirect spending to innovation. All this will help us deliver higher levels of EPS growth, grow free cash flow in line with net income, and apply disciplined capital allocation to deliver durable growth and higher return. The business has already proven an ability to deliver at least mid-single-digit transaction margin dollar growth and double-digit EPS growth, even in a challenging branded environment.

The investments we're making in 2026 are designed to strengthen that foundation and position us to sustain and build on that performance in the years ahead. We have the financial flexibility to make these investments while returning capital to shareholders. And under Enrique's leadership, we're confident in our ability to execute the action plan Jamie laid out.

With that, let's go to Q&A. But before we open the line, I'd like to ask everyone to limit themselves to one question so we can get to as many of your fellow analysts as possible. Sarah, please open the line.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Tien-Tsin Huang with JPMorgan. Your line is open.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Hey, thanks so much for taking the question here. Just – you went through a lot, so thank you for all that. I want to ask on just the change in the CEO and the timing here, just maybe, Jamie, or – can you give us some assurance that the change is primarily to address execution rather than strategy? Because I'm getting questions from investors asking if there's still risk of wholesale strategy changes once Enrique comes in that could delay or extend the turnaround further here? Thank you.

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Sure. Good morning, Tien-Tsin. So, the board's decision is based on execution. They have been discussing this for the past few months. And when you look at the company, there's really good progress across innovation and a handful of different areas in the company, and you heard us call those out in our prepared remarks. Having said that, our execution is just too slow.

And – both the board and Enrique have been deeply involved in setting our plans strategically and around our initiatives, and that carries into what our execution plan is in 2026. And so when you look at Enrique, Enrique has a very deep track record in not only innovation but operationalizing innovation at scale and driving really complex tech-forward transformations. And so his background and who he is around faster decision-making, clearer prioritization, more disciplined execution, which really we need that leaning into branded checkout, I think is going to be very, very helpful.

And I think the other accelerant here that will be good is, having been on the board for five years, having been the chairman for the past 18 months, he just brings a level of depth and immediate context, which really should help shorten the typical cycle that you'd have in a new CEO coming onboard.

Operator: The next question comes from Ramsey El-Assal with Cantor Fitzgerald. Your line is open.

Ramsey El-Assal

Analyst, Cantor Fitzgerald

Q

Hi, thank you very much for taking my question, and I second Tien-Tsin's appreciation about all the granularity here. It sounds like you're quite confident in your strategy around modern online checkout, and meaning you see the offering itself as pretty effective and compelling. The issue seems to be getting the merchants to engage and implement it.

So how do you do that? How do you get them to adopt it? Is it a question of incentives? Is competition keeping them from engaging? Like, what can you guys do to sort of force the issue a little bit?

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

You know, engaging with merchants really takes on a lot of different flavors. And whether that's a large enterprise, a small business, merchants want different things. They want to grow their business. They want to bring in new customers. They want to improve conversion. And so, honestly, every single conversation we have involves a different strategy with respect to how we approach it.

And that can range from really driving our merchant integrations to the latest integration and getting more conversion, combining that with our consumers on biometrics and passkeys. It can really lean into upstream presentment around buy now, pay later, and, again, more customer acquisition strategy all the way over to how do we co-market together and how do we pull people in, customers to engage and habituate not only around us but equally importantly with them. And so all of that are parts of these discussions.

You know, when we've looked at what we've learned over the last several months, I think one of the big things we learned was that we have been trying to do this across all merchants all at the same time. And what we have done now is really reformulated our teams around dedicated mission-based teams, particularly for high-impact merchants, and really leaning into the latest integration, really deploying experience and biometrics together, and really going in with an aggressive upstream presentment strategy.

And, you know, you heard me talk about it in my prepared remarks, but I think it's worth repeating that when we see merchants with the latest integration, when we see them with upstream presentment and a second button and with that co-marketing, like that combination drives markedly higher performance for us with our merchants, and we saw that in the holiday season. So there's multiple ways to win here with our merchants, but each is unique, and that's exactly why we're organized the way we are going into 2026.

Operator: The next question comes from Darrin Peller with Wolfe Research. Your line is open.

Darrin Peller

Analyst, Wolfe Research LLC

Q

All right. Hey, guys, thanks. Maybe just a quick clarification in terms of the timeline you'd expect some of these investments to help come to fruition. And just help me frame a little bit more on if you're expecting TM dollars and branded to improve in the back half of this year, or is this more of a 2027 story? So in other words, exiting the year, should we start to see any evidence of success?

And then a bigger picture question would just be your thoughts on balancing between really a growth company and capital return story. I'm just curious if that's changed at all in your framework of how you think about investments in the business, capital investments going forward?

Steven Winoker

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

A

Hey, Darrin. Good morning, and thanks. Why don't I tackle the first question on transaction margin, and then Jamie will handle the growth versus capital return part of the question.

On TM, think about the full year, we talk about a slight decline. We talk about that really coming from a consistent contribution from PSP and Venmo offset by the roughly 3 points of headwinds from those increased growth investments, and then also we have a 1 to 1.5 points of lower interest.

There's a bit less contribution from omni given credit normalization and tougher comps, and then I would call DXO a neutral contribution given the slightly positive LSD growth we're talking about.

This is pretty smooth as we go through the year in the sense that you have our 1Q numbers that we lay out there. Those investments have already started, so they will hit us in 1Q and through the course of the year as opposed to us calling for kind of a back-end loaded year. We're not doing this at this point, and I think we're going to need increased visibility from how these – each of these initiatives and the new incremental investments are performing. We learned a ton in the fourth quarter from the investments that we made, and those are incredibly helpful. We'll apply that through the rest of the year. Jamie?

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah, and then, Darrin, with respect to balancing between growth and capital return, listen, we've got a collection of really unique assets here. And our focus right now is on transforming this business and really growing the assets we have and investing organically.

In addition to that, we've had a strong capital return profile over the last couple of years with \$6 billion in buyback, the initiation of a dividend, and continuing that program into this year.

The board discusses and is involved with our capital allocation strategy on a regular basis, and part of Enrique coming in really is to lean into continuing to improve and grow our businesses and doing that through prioritization, through better execution, and really being very choiceful about where we're placing our bets.

Operator: The next question comes from Sanjay Sakhrani with KBW. Your line is open.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you. Good morning. I just want to follow up on some of the questions that have been asked. Maybe just a little bit more embellishment on what's included and embedded in the 2026 outlook given it's a transition year. I guess when we think about the underperformance in branded volumes, some of it's been the lack of upgrading merchants, macro, and then maybe others taking share. Like, which parts can actually turn the corner as we move through 2026?

And then just on Tien-Tsin's question, is it fair that Enrique was involved in the process of sort of setting the expectations so we shouldn't expect a big change after he comes on? Thanks.

Steven Winoker

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

A

Why don't I start with your questions around 2026, then I'll hand it over to Jamie for the second parts of your question around some of the branded and board decision process, Sanjay, and good morning.

First, just running down the kind of P&L for a moment for 2026 to give everybody that color. We talked about a slight decline in TM, ex-FBO, that's roughly flat. Call it about 3% increase in OpEx for the year. That gets you to non-GAAP EPS of this low single-digit decline, a slightly positive GAAP EPS of mid-single-digit decline. Tax rate assumption, call it 19% to 21%. And then we provided the free cash flow story when you move over there. CapEx, about \$1 billion or so.

And then within all of that, OVAS, about flattish for the year, low single-digit, by the way, in 1Q. TE's at a bit of a lower rate versus 2025, so call that about 88 bps or so versus 89 bps this year. TL in line with 2025, so call that about 7.5 bps of TPV. And credit or loan losses of about 2.5 bps, which is another 0.5 bps or so. So that's – those are the numbers. Jamie, do you want to hit on the kind of how to think about branded and then the board decision?

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah, with respect to branded, as Steve mentioned earlier, when we execute on these investments, we have included the cost of the investments, but we have assumed minimal in-year benefit from those.

And when you look at the traction side of it, certainly the changes we're making in go-to-market and traction around all elements of merchant integration, upstream presentment, all those different pieces, we'll begin to gain traction as we go throughout the year. As we go live and merchants go up, we test. We start to see where we can adjust and pivot and optimize. But that is – that will just continue as we go throughout the year.

What I'm really excited about is Enrique coming in. I think the prioritization element here for us is really important. We have lots of good ideas. We love to do lots of things. And I think us getting laser-focused on what to go after and where with respect to branded is going to help us get even more traction sooner.

And then with respect to Enrique's involvement from a strategy perspective, look, he's deeply involved in it. He has helped shape and reviewed not only the capital allocation strategy, the investment priorities that support them, but also the 2026 guidance. And he is coming in focused on the acceleration of our plan and just continuity and building on the work of the team.

Operator: The next question comes from Andrew Schmidt with KeyBanc Capital Markets. Your line is open.

Andrew G. Schmidt

Analyst, KeyBanc Capital Markets

Q

Hi, Jamie. Hi, Steve. Thanks for taking the question this morning. So obviously the branded checkout piece is a function of both the consumer and the merchant experience. Maybe you could talk about whether – and obviously you're addressing both pieces, but you think the shortfall is attributable to one side or the other. Obviously, heard the slowness in terms of the modern checkout experience, et cetera, but I'm curious if there's attribution more on one side versus the other?

And then just if you could drill down the consumer side, just core PayPal trends, account acquisition, TPA ex-PSP trends? And then also the need to perhaps drive a more holistic experience versus the transacting experience on the consumer side? Maybe talk a little bit about how all that's resonating? Thank you so much.

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Sure. Let me talk a little bit about the first part of your question, then I'll turn it over to Steve for the account trends and some of that, and then I can talk a little bit about loyalty and some of the other programs that we're really focused on in 2026.

With respect to branded checkout, in the second half, we began to see some slowdown really in September, and that really persisted into the fourth quarter. We saw weakness in US retail. People have talked a lot about K-

shaped economy, and we're really a middle-income demographic as it relates to the PayPal brand, and so certainly we felt that in a slightly more pronounced way than others.

We've had moderating international growth, including in Germany, and deceleration in high-risk, or not high-risk, high-growth verticals. We've had really strong growth over the last 18 months in places like travel, ticketing, crypto, gaming, things like that, and not only did we have tough comps, but those slowed a bit in December as well. And so all of this has been amplified by execution, by slower product deployment.

So when you level back up to sort of merchant versus consumer, I'd say it's a play of both, and really it underscores our need to get our experience further out into the market with our merchants, the latest integrations, and consumers using biometrics and passkey, and the presentment that we've talked about, and really leaning into things like co-marketing and loyalty programs.

Steven Winoker

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

A

Andrew, to your question on transactions per active, or TPA; ex-PSP, it was growth of about 5%, which is in line with prior quarters. Think of the consistency quarter-to-quarter in branded P2P plus improvements in Venmo. And then we continue to be encouraged by the strength on the PayPal debit card engagement front as well. So positive here.

And maybe this just brings me back to talking a little bit about the focus on quality in our consumer base, and that's indicative of that. The strength in PayPal power users, the idea that we're really going for more and more depth of engagement with our customer base as a key differentiator as opposed to just simply adding folks who are not durable or we're not able to drive deeper with.

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah. And then just coming back to the loyalty question, which I think is really most relevant to the third question you asked. We have been or are introducing competitive rewards programs for both PayPal and for Venmo.

Venmo, we launched a couple of months ago. It's a program called Stash, and it's changed our onboarding. The program is about stepping up in levels as you come in, really incenting behavior around using our debit cards, stepping up to credit, and more rewards the more you work in and around our Venmo ecosystem. It is super cool. The onboarding process is very engaging and catchy, and we've had really good progress in our first several weeks on that.

The other piece is PayPal+, and this is something we've been working on for over a year, really doing deep industry benchmarking. We really want this to be a very competitive program. We soft launched in the UK a couple of months ago, and so while it's early, we're seeing some good cohorts of results come through there, and this rewards you for not just what you buy online but also what you buy offline in sending money to friends, dabbling in crypto, things like that. And again, rewards, but also some pretty unique characteristics around it with special drops of access to whether it's a deal or whether it's some other thing.

This will be a global multi-year rollout, and part of the incremental investment we talked about. It began, as I mentioned, fourth quarter for Venmo and PayPal UK, but really I'd say second half, mid-year to second half, is when PayPal+ will come out for us. Early reads, super encouraging. We're just seeing nice TPV lifts up across consumer cohorts that have come on board, but again, something we're pretty excited about.

Operator: The next question comes from Harshita Rawat with Bernstein. Your line is open.

Harshita Rawat

Analyst, Bernstein Institutional Services LLC

Q

Hi, good morning. I think the question which is in investors' minds is whether the branded business can be turned around or if the ship has sailed. You know, besides the macro, you have intensified competition. E-commerce is aggregating into platforms where in aggregate, you have smaller share.

I know you talked about presentment, experience, and rewards as kind of the key areas of execution. And maybe, I guess, talk about upstream presentment. It feels like PayPal historically has been a premium offering. Competitors are catching up on value proposition, but does it all mean that transaction margin dollars and branded will come down as we focus on upstream presentment? There's a concern on price-based competition as well.

And also, you know, it's hard to, at this point, kind of narrow the range of outcomes in branded. I know you talked about Venmo and PSP profitability. Can PayPal grow earnings if branded doesn't improve from here? Thank you.

Jamie S. Miller

Interim CEO, Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah. So there's a lot there, and maybe I'll talk first about our approach with merchants. And then I'll move over to talking about sort of the multiple ways we can win. With respect to upstream presentment, and let me just talk generally about the investments we're making.

These clearly are multi-year investments. You look at these kinds of programs, and these are deep, going in to co-invest with our merchants to really shift how we perform for them and candidly bring more value to them. And so what you see in 2026, we fully expect that this kind of investment level will be consistent as we go into the few years following. And we think it's really important because we've really got to lean into the product, both in terms of having it deliver what it needs to deliver but also remain competitive as you mentioned.

Having said that, when you look at the company, I think one thing that 2025 really illustrated for us is that we do have really strong assets across the board. Between Venmo, PSP, debit, and credit, we've really diversified our revenue growth sources as well as our margin growth sources, and so even with a low mid-single-digit branded checkout profile in 2025, we delivered very solid transaction margin dollar growth. We delivered mid-teens earnings per share growth.

And so I think there continues to be a lot of ways we can win here. And again, I'm particularly excited about the acceleration in our execution and the galvanization around that that we'll see this year with both investment and with Enrique.

Operator: The next question comes from Dan Dolev with Mizuho. Your line is open.

Dan Dolev

Analyst, Mizuho Securities USA LLC

Q

Hey, guys. Thanks for taking my question. I mean, my question is kind of going back to sort of buybacks versus investing. I mean, the key question I'm asking and we're getting from a lot of investors is why not just focus 100% on the merchant and just kind of drive as much growth as you can? I mean, what is sort of the puts and takes of

that? Because you do have, like, this very strong two-sided network that's really powerful and global, and so obviously everyone sees the opportunity. So what prevents you from just going all in on that one? Thank you.

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

The most important thing we've got to focus on right now, Dan, is improving our own execution and doing that with the investment dollars we have today and as we prove that out, increasing that or shifting that or reprioritizing and doing different things with it. And I think you've got to have a balance on that between merchants and consumers.

I think one of the great things Alex did when he came in was really focus on the different cohorts of how we work in the market, which is large enterprise, small business, and consumer, and having a dedicated consumer team was really important for us because, you know, we have really drilled into where and how we win.

As Steve talked before about power users versus active loyalists and just understanding our consumer cohorts better. We know that we win with consumers when we've got a great merchant product, but we also know that merchants win when we bring the value of the consumers and that whole consumer base to them as well, so we've got to focus on both. But clearly in the investment dollars this year, it's clearly very merchant-focused.

Steven Winoker

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

A

And, Dan, I would just add that this debate and question that you're raising is one that we've debated, you and I, and many other investors over time. I think it's our view that you can't win without both. The consumer, you've got to bring strength with the consumer to these merchant negotiations and discussions. It's one of the major reasons merchants want to work with us, and at the same time, you need to bring merchants to the consumers as well, so both are absolutely critical.

Operator: The next question comes from Jason Kupferberg with Wells Fargo. Your line is open.

Jason Kupferberg

Analyst, Wells Fargo Securities LLC

Q

Good morning, guys. Thank you. So I know Enrique hasn't officially started yet, but he's obviously pretty familiar with the company. So just wondering, are all options on the table here with respect to creating shareholder value, potential asset sales, et cetera?

And then can you just clarify on the branded outlook for 2026? I think you said slightly positive, but does that represent a little bit of an acceleration versus where you exited Q4? Thanks, guys.

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

A

Yeah. What we said on the branded outlook was that it would be slightly positive to low-single-digits. And when you look at January quarter-to-date, while the environment continues to be dynamic, quarter-to-date we're running slightly better than we were in the fourth quarter.

Turning to the question on asset sales, things like that. I guess what I'd say is that we are really focused on transforming the business and driving shareholder value, and right now that means executing on our integrated strategy.

We've got several unique assets. We've talked about that, Venmo, Enterprise Payments, things like that, and both are core to our value creation and are performing well. And they reinforce them and they complement our portfolio. So right now our current plan is to really drill into that. The best way to create value is to improve yourselves organically, and we're going to be very focused on doing that.

Steven Winoker

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

A

Hey, Sarah, we are past the top of the hour, so I'm just going to turn it over. Jamie, any final thoughts that you have?

Jamie S. Miller

Interim CEO; Chief Financial & Operating Officer, PayPal Holdings, Inc.

Yeah. So first, thank you all for your questions. Over the past two years, this team has laid important groundwork and built significant momentum with meaningful opportunities ahead. And at the same time, we operate in one of the most competitive tech sectors, which makes disciplined execution really important to fully realizing the competitive advantages of our scaled two-sided network. And I'm really proud of the progress our team has made, and I have strong conviction that we're on the right trajectory to accelerate growth.

And again, I want to both thank Alex and welcome Enrique, who brings deep experience leading large-scale organizational transformations along with strong innovation and operational discipline and a clear understanding of our current priorities. And his familiarity with the business and track record of execution is going to help us move faster and with greater clarity as we enter this next phase, and I look forward to supporting a smooth transition and sustaining our momentum. So thank you.

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

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