IR Newsletter

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PayPal Releases 2Q 2026 Results

PayPal President and CEO Enrique Lores met with UK Chancellor Rachel Reeves to discuss PayPal's commitment to driving innovation and expanding opportunity for consumers and businesses across the UK.

PayPal released its second quarter 2026 financial results today. We encourage you to read the full materials and listen to our earnings call at 8:00 AM ET.

Key highlights include:

- Transaction margin dollars of $3.9B, +1%; $3.6B, +3% excluding interest on customer balances[1,2]
- Non-GAAP operating income of $1.5B, (8%); GAAP operating income of $1.4B, (5%)
- Non-GAAP operating margin of 17.4%, (248 bps); GAAP operating margin of 16.4%, (171 bps)
- Non-GAAP EPS of $1.38, (1%); GAAP EPS[3] of $1.25, (3%)
- Generated $1.8B in adjusted free cash flow and returned $1.5B in share repurchases and ~$125M in dividends
- Raised FY'26 guidance for non-GAAP transaction margin dollars and the low end of our guidance range for non-GAAP EPS
- Moving quickly to simplify the organization, operate more efficiently, advance strategies across the three businesses, and improve our cost structure
- Refining the roadmap to deliver at least $1.5B in gross run-rate savings over the next two to three years through organizational simplification, operational optimization, and AI adoption

President and CEO Enrique Lores said, "I'm encouraged by the progress we made this quarter. We moved with urgency to sharpen our transformation plan and advance our growth strategies across our three businesses. Branded checkout has further stabilized and we're building on the strong momentum in Venmo and Braintree as well as diversifying our business model through financial services."

Lores continued, "Based on the strength of our execution and confidence in the trajectory of the business, we're raising our full-year non-GAAP guidance. Our transformation is well underway, and we're executing with discipline on our priorities to deliver durable, profitable growth over the long term."

We delivered a solid second quarter that exceeded our expectations. Transaction margin dollars excluding interest on customer balances grew 3%, driven by Venmo, credit, and Braintree, while increasing our growth investments. Non-GAAP earnings per share exceeded our guidance, declining 1% to $1.38. Venmo and Braintree continued to deliver strong momentum with mid-teens TPV growth.

Branded checkout TPV continued to stabilize, growing 2% on a currency-neutral basis, consistent with last quarter. We are raising our full-year expectation for branded checkout TPV to low single-digit growth.

Over the past quarter, we sharpened our focus with stronger conviction across our three businesses and aligned around consumer-led strategy, clear accountability, and concentration of resources. We established a clear roadmap for PayPal's transformation that takes a phased approach to fuel faster growth over time. First, we are strengthening the fundamentals by refocusing and rebuilding the consumer side of our network. Second, we are continuing to modernize our technology platform, sharpening the innovation agenda, and geographic focus through disciplined investment and prioritization, while focusing on quality customer experiences. Third, we are simplifying our organization and reducing our cost structure to increase investment for long-term growth. Over time, we will shift from stabilization to targeted growth investment and accelerate our momentum with next-generation innovations.

We also executed on our cost transformation plan and continued to enhance our technology platform. As we detailed last quarter, we expect to see at least $1.5 billion of gross run-rate savings over the next two to three years.

For the full year 2026, we are raising our non-GAAP transaction margin dollar and EPS guidance, and reaffirming GAAP EPS guidance. We now expect:

- Transaction margin dollars: ~$15.6B
- Transaction margin dollars ex. interest on customer balances: ~$14.5B
- Non-GAAP non-transaction operating expenses: ~7% - 8% growth
- Non-GAAP EPS: ~$5.38
- GAAP EPS: Mid-single digit decline
- Adjusted free cash flow: $6B+ Share repurchase: $6B

For the third quarter of 2026, we expect:

- Transaction margin dollars: Slightly positive
- Transaction margin dollars ex. interest on customer balances: Slightly positive to low-single digit
- Non-GAAP EPS growth: Low-single digit decline
- GAAP EPS growth: Low-single digit decline

We remain focused on executing our transformation to drive durable, profitable growth, and we are confident in the path ahead.

Thank you for your interest in PayPal,

Steve and team

Footnotes:

1. TM $, TM $ excluding interest on customer balances, non-GAAP operating income, non-GAAP operating margin, non-GAAP EPS, free cash flow and adjusted free cash flow are non-GAAP financial measures. "Non-GAAP Measures of Financial Performance" and subsequent tables at the end of our earnings press release provide reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures.
2. Interest on customer balances is reported within other value added services ("OVAS") revenue and primarily comprises interest and revenue earned on customer assets.
3. 2Q'26 GAAP EPS includes a ~$0.07 negative impact from PayPal's strategic investment portfolio and crypto assets held for investment, compared to a ~$0.01 positive impact in 2Q'25.

All growth rates represent year-over-year comparisons, except as otherwise noted. This document contains non-GAAP financial measures and forward-looking statements. FX-neutral (FXN) results are calculated by translating the current period local currency results by the prior period exchange rate. FXN growth rates are calculated by comparing the current period FXN results with the prior period results, excluding the impact from hedging activities. Please see here for important information, including a reconciliation to the most directly comparable GAAP financial measures, and here for additional information on forward-looking statements.