

PayPal Second Quarter 2024 Performance

Financial results & company highlights

July 30, 2024



Non-GAAP Financial Measures

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

Growth Rates

All growth rates represent year-over-year comparisons, except as otherwise noted. FX-Neutral (which we also refer to as FXN or currency-neutral) results are calculated by translating the current period's local currency results by the prior period's exchange rate. FX-Neutral growth rates are calculated by comparing the current period's FX-Neutral results with the prior period's results, excluding the impact from currency hedging activities.

Forward-Looking Statements

This presentation contains forward-looking statements relating to, among other things, the future results of operations, financial condition, expectations and plans of PayPal Holdings, Inc. and its consolidated subsidiaries ("PayPal") that reflect current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "continue," "strategy," "future," "opportunity," "plan," "project," "forecast" and other similar expressions. Forward-looking statements may include, but are not limited to, statements regarding our guidance and projected financial results for third quarter and full year 2024; our capital return program; the timing and impact of product launches and acquisitions; and the projected future growth of PayPal's businesses. Forward-looking statements are based upon various estimates and assumptions, as well as information known to PayPal as of the date of this presentation and are inherently subject to numerous risks and uncertainties.

Our actual results could differ materially from those estimated or implied by forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: our ability to compete in markets that are highly competitive and subject to rapid technological change, and to develop and deliver new or enhanced products and services on a timely basis; cyberattacks and security vulnerabilities, and associated impacts; the effect of global and regional political, economic, market and trade conditions including military conflicts, supply chain issues and related events that affect payments or commerce activity, including inflation and rising interest rates; the impact of catastrophic events, such as global pandemics, that may disrupt our business, as well as our customers, suppliers, vendors and other business partners; the stability, security and performance of our payments platform; the effect of extensive government regulation and oversight related to our business, products and services in a variety of areas, including, but not limited to, laws covering payments, lending and consumer protection; the impact of complex and changing laws and regulations worldwide, including, but not limited to, laws covering privacy, data protection, and cybersecurity; the impact of payment card, bank, or other network rules or practices; risks related to our credit products, including our ability to realize benefits from our agreements with third parties such as our agreement to sell our European BNPL loan receivables; changes in how consumers fund transactions; our ability to effectively detect and prevent the use of our services for fraud, abusive behaviors, illegal activities, or improper purposes; our ability to manage regulatory and litigation risks, and the outcome of legal and regulatory proceedings; our reliance on third parties in many aspects of our business; damage to our reputation or brands; fluctuations in foreign currency exchange rates; changes in tax rates and exposure to additional tax liabilities; changes to our capital allocation, management of operating cash or incurrence of indebtedness; our ability to timely develop and upgrade our technology systems, infrastructure and customer service capabilities; the impact of proposed or completed acquisitions, divestitures, strategic investments, or entries into new businesses or markets; and our ability to attract, hire, and retain talented employees. The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or contemplated after the date of this presentation.

More information about factors that could adversely affect PayPal's results of operations, financial condition and prospects or that could cause actual results to differ from those expressed or implied in forward-looking statements is included in PayPal's most recent annual report on Form 10-K, and its subsequent quarterly reports on Form 10-Q. All information in this presentation is as of July 30, 2024. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this presentation. PayPal assumes no obligation to update such forward-looking statements.

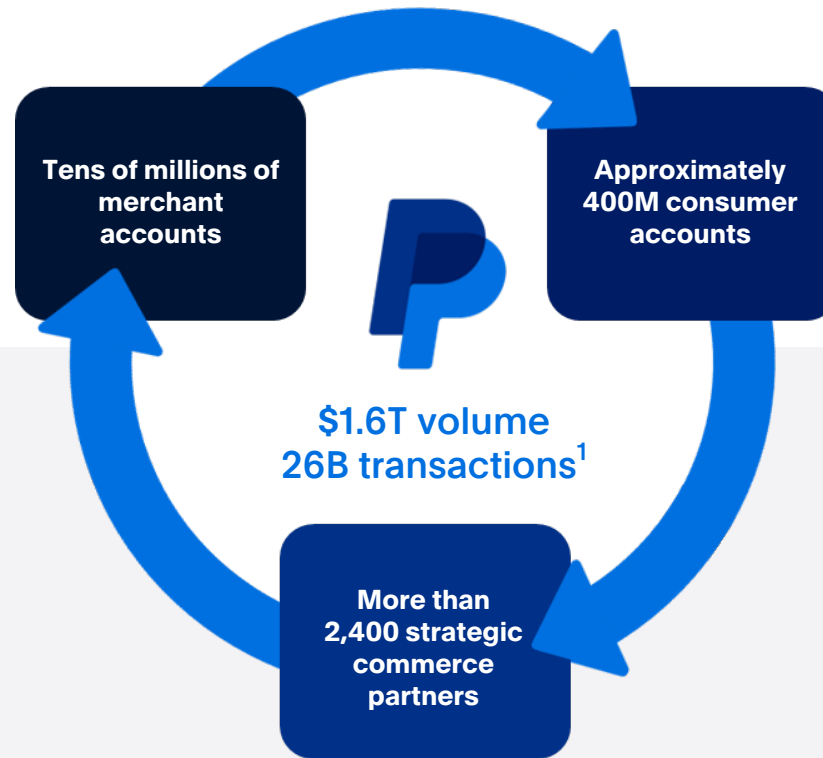
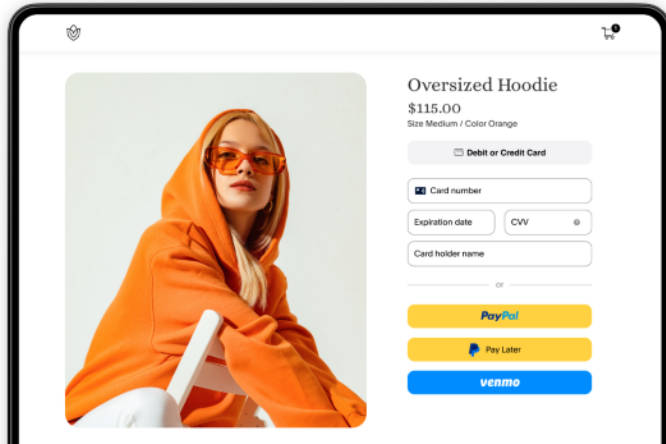
PayPal: 2Q Key Messages

Strong execution on transformation

- Building foundation for durable, profitable growth... strong 2Q and 1H results
- Branded checkout, Braintree, and Venmo contributing to highest TM\$ growth rate since 2021
- Driving consumer momentum with monthly active account growth across PayPal and Venmo
- Reinvesting cost savings into growth initiatives such as checkout, omnichannel, and ads platform
- Raising FY'24 guidance for TM\$, EPS, FCF, and share repurchases
- Focusing on best-in-class checkout to optimize conversion: Fastlane general availability in the U.S. in August and expanded partnerships with Meta and DoorDash

Innovating to strengthen PayPal's leading global commerce platform

Partnering to unlock value from PayPal's two-sided network at scale



Leveraging our key assets...

- Trusted global brand with unmatched two-sided network at scale
- Strong position in growing \$6T+ e-commerce market
- Leading branded and guest checkout solutions
- Powerful data insights and network effects

...to build an open global commerce platform

- Enabling commerce with partners across the ecosystem
- Driving higher conversion for merchants of all sizes
- Moving to omnichannel, expanding TAM
- Building differentiated direct response ads platform

Enhancing customer experiences for our next phase of growth

Large Enterprises

Expanded DoorDash relationship: PSP processing, risk mitigation, branded checkout enhancements, and new ads platform



Improving branded checkout flows: initial tests show that redesigned vaulting payment page lifts conversion by 75 to 110 bps

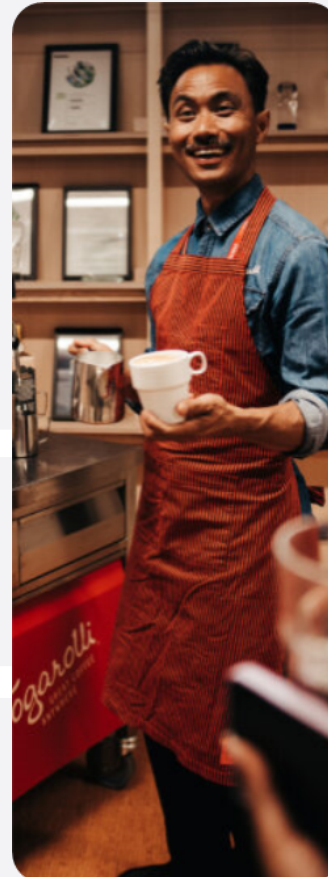
Bringing Fastlane to market: general availability in August for all US merchants on Braintree, PPCP, and key partners

Early Fastlane results: achieving ~80% conversion for returning users vs. industry average guest checkout conversion of ~50%



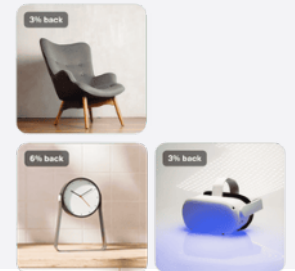
Small & Medium Businesses

Building SMB momentum: PayPal Complete Payments (PPCP) TPV +40% through 1H¹



Consumers

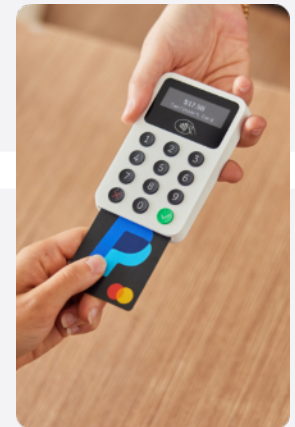
Enhancing in-app offers with major brands: related GMV nearly 3x in June vs. March



Driving Venmo monetization: Venmo Debit Card and Pay with Venmo monthly actives up approximately 30%¹



Meeting consumer demand for in-person payments with expanded omnichannel capabilities



2Q'24 snapshot

<i>(in millions, except % and per share data)</i>	Results	Y/Y growth
Total payment volume (TPV)	\$416,814	11%; 11% FXN
Revenue	\$7,885	8%; 9% FXN
Transaction margin \$	\$3,608	8%
Non-GAAP EPS¹	\$1.19	36%
Free cash flow¹	\$1,368	* *

All growth rates reference 2Q'24 year-over-year growth unless otherwise noted.

Additional financial detail provided in Supplemental Information.

(1) For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the GAAP to non-GAAP Reconciliations.

**Not meaningful. 2Q'23 free cash flow of (\$0.4B) included a \$1.2B negative timing impact from European buy now, pay later (BNPL) loans originated as held for sale (HFS), which were sold in 4Q'23. Adjusted free cash flow, which excludes the net timing impact between originating European BNPL receivables as HFS and the subsequent sale of receivables, was \$0.9B in 2Q'23 and \$1.1B in 2Q'24, growing 31%. See slide 24 for more detail.

Account and activity metrics¹

<i>(in millions, except % and TPA)</i>	2Q'24
Active accounts²	429
Y/Y growth	—%
Monthly active accounts (MAA)³	222
Y/Y growth	3%
Number of payment transactions	6,580
Y/Y growth	8%
Transactions per active account (TPA)⁴	60.9
Y/Y growth	11%
TPA ex. PSP (unbranded card processing)⁴	34.2
Y/Y growth	6%

- Active accounts² +0.4% (+2M) sequentially, driven by lower churn vs. FY'23 and includes growth in PayPal merchant and consumer accounts
- MAA³ +3%, driven by Venmo and PayPal consumer accounts
- TPA⁴ +11%, driven by Braintree transaction growth
- TPA ex. PSP⁴ +6%, reflecting improved engagement and transaction growth in branded checkout and Venmo

All growth rates reference 2Q'24 year-over-year growth unless otherwise noted.

(1) Detailed definitions included on slide 25 of this presentation.

(2) Active accounts are accounts that have completed a transaction within the past 12 months.

(3) MAA are a subset of active accounts (primarily PayPal and Venmo) that have completed a transaction at least once during the month of measurement. MAAs presented at the end of a quarter or year are the average of each month's MAAs in the respective quarter or year.

(4) TPA and TPA ex. PSP are trailing 12-month metrics, reflecting transactions within the previous 12-month period, divided by active accounts at the end of the period. TPA ex. PSP excludes both unbranded card processing transactions and unbranded active accounts (primarily Braintree).

TPV mix across PayPal's payments platform

		2Q'23	1Q'24	2Q'24
		Prior year period	Prior quarter	Current quarter
Branded checkout	FXN GROWTH	5%	7%	6%
	% OF TOTAL	28%	27%	27%
PSP (unbranded card processing)	FXN GROWTH	28%	26%	19%
	% OF TOTAL	34%	37%	37%
Venmo	FXN GROWTH	9%	8%	8%
	% OF TOTAL	18%	17%	18%
P2P ex-Venmo	FXN GROWTH	(8%)	3%	4%
	% OF TOTAL	8%	8%	8%
Other merchant services	FXN GROWTH	3%	13%	15%
	% OF TOTAL	9%	9%	10%
eBay	FXN GROWTH	(10%)	(7%)	(6%)
	% OF TOTAL	2%	2%	2%
Total TPV	FXN GROWTH	11%	14%	11%

- Branded checkout TPV +6%, in line with 1Q which included a 1pt benefit from leap day
- Consistent with price-to-value strategy, PSP TPV decelerated from 1Q while Braintree contribution to TM\$ growth improved
- Venmo TPV growing consistently, with 5% growth in MAAs
- Continuing P2P ex-Venmo TPV growth, benefiting from increased engagement among existing user base
- Other merchant services TPV accelerated, primarily driven by Hyperwallet (payouts)

2Q'24 key financial results

<i>(in millions, except % and per share data)</i>	2Q'24
Total revenue	\$7,885
Y/Y growth	8%
FXN Y/Y growth	9%
Transaction margin \$	\$3,608
Y/Y growth	8%
Non-transaction related expenses¹	\$2,148
Y/Y growth	(1%)
Non-GAAP operating income¹	\$1,460
Y/Y growth	24%
Non-GAAP operating margin %¹	18.5%
Y/Y change	231 bps
Non-GAAP EPS¹	\$1.19
Y/Y growth	36%

- Transaction revenue +9%, primarily driven by Braintree, branded checkout, and Venmo
- Flat other value-added services (OVAS) revenue, with higher interest income offset by lower credit revenue
- TM \$ +8%, driven by interest on customer balances, branded checkout, Braintree, and Venmo; up ~340bps from 1Q
- Non-transaction opex -1%, driven by higher productivity and lower SBC expense; cost savings reinvested in key growth initiatives
- Returned \$1.5B via share repurchases, 110% of FCF; \$5.0B on a trailing 12-month basis, reducing weighted average shares by 6%

All growth rates reference 2Q'24 year-over-year growth unless otherwise noted.

Additional financial detail provided in Supplemental Information.

(1) For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the GAAP to non-GAAP Reconciliations.

Guidance

3Q'24	
Revenue	Mid-single-digit growth
Non-GAAP effective tax rate	Approximately 23%
Non-GAAP EPS ¹	High single-digit growth
GAAP EPS	Approximately \$0.96 - \$0.98

FY'24	
Transaction margin \$	Low to mid-single digit growth <i>Prior: Slightly positive</i>
Non-GAAP non-transaction operating expenses	Slight increase <i>No change from prior</i>
Non-GAAP effective tax rate	Approximately 22% <i>No change from prior</i>
Non-GAAP EPS ²	Low to mid-teens growth <i>Prior: Mid- to high-single digit growth</i>
GAAP EPS ³	Approximately \$3.88 - \$3.98 <i>Prior: Approximately \$3.65</i>
Free cash flow	Approximately \$6B <i>Prior: Approximately \$5B</i>
Share repurchase	\$6B <i>Prior: At least \$5B</i>

(1) Estimated non-GAAP amounts for 3Q'24 reflect adjustments of ~\$120M.

(2) Estimated non-GAAP amounts for FY'24 reflect adjustments of ~\$530M, including restructuring charges of ~\$258M incurred during the six months ended June 30, 2024.

(3) FY'23 GAAP EPS of \$3.84, which included benefits of ~\$0.24 from the sale of Happy Returns in Q4'23 and ~\$0.14 from PayPal's strategic investment portfolio.

Prior guidance as of April 30, 2024.

Demonstrating the strength of PayPal's global commerce platform

- Strong quarter with best TM\$ growth since 2021, as branded checkout continues to grow profitably and Braintree contributed to TM\$ growth
- Innovating across our platform and optimizing consumer and merchant experiences with leading commerce partners such as Meta and DoorDash
- Building on Venmo's strong market position with continued engagement growth and debit card adoption
- Raising FY'24 guidance with increased confidence in long-term profitable growth roadmap
- Increasing share repurchase guidance to \$6B due to stronger FCF generation

Innovation enhancing unique two-sided open platform in large and growing market

Q&A

Supplemental Information

Account and activity metrics¹ detail

(in millions, except % and TPA)

	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24
Active accounts	416	426	429	429	432	435	433	431	428	426	427	429
Y/Y growth	15%	13%	9%	6%	4%	2%	1%	—%	(1%)	(2%)	(1%)	—%
Monthly active accounts (MAA)	213	219	214	215	217	221	215	217	218	224	220	222
Y/Y growth	11%	8%	4%	2%	2%	1%	1%	1%	1%	1%	2%	3%
Number of payment transactions	4,900	5,343	5,161	5,513	5,643	6,032	5,835	6,074	6,275	6,798	6,505	6,580
Y/Y growth	22%	21%	18%	16%	15%	13%	13%	10%	11%	13%	11%	8%
Transactions per active account (TPA)	44.2	45.4	47.0	48.7	50.1	51.4	53.1	54.7	56.6	58.7	60.0	60.9
Y/Y growth	10%	11%	11%	12%	13%	13%	13%	12%	13%	14%	13%	11%
TPA ex. PSP (unbranded card processing)	32.1	31.7	31.4	31.4	31.4	31.3	31.7	32.2	32.9	33.5	33.9	34.2
Y/Y growth	1%	(2%)	(5%)	(4%)	(2%)	(1%)	1%	2%	5%	7%	7%	6%

TPV, revenue, & take rate detail

(in millions, except %)

	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24
Total payment volume	\$354,508	\$376,538	\$387,701	\$409,832	\$403,860	\$416,814
Y/Y growth	10%	11%	15%	15%	14%	11%
FXN Y/Y growth	12%	11%	13%	13%	14%	11%
U.S. TPV	\$231,975	\$238,893	\$242,718	\$257,885	\$259,190	\$265,526
Y/Y growth	12%	9%	10%	11%	12%	11%
International TPV	\$122,533	\$137,645	\$144,983	\$151,947	\$144,671	\$151,288
Y/Y growth	6%	14%	25%	22%	18%	10%
FXN Y/Y growth	12%	14%	19%	17%	17%	11%
Cross-border TPV¹	\$44,534	\$46,571	\$46,522	\$49,059	\$48,163	\$49,089
Y/Y growth	—%	3%	9%	8%	8%	5%
FXN Y/Y growth	4%	3%	4%	5%	7%	6%
P2P TPV²	\$90,828	\$95,107	\$96,637	\$95,895	\$96,361	\$100,802
Y/Y growth	2%	2%	4%	6%	6%	6%
Venmo TPV	\$63,865	\$67,740	\$69,483	\$68,891	\$69,265	\$73,290
Y/Y growth	9%	9%	8%	8%	8%	8%
Total take rate	1.99%	1.94%	1.91%	1.96%	1.91%	1.89%
Transaction take rate	1.80%	1.74%	1.72%	1.78%	1.74%	1.72%
Total revenue	\$7,040	\$7,287	\$7,418	\$8,026	\$7,699	\$7,885
Y/Y growth	9%	7%	8%	9%	9%	8%
FXN Y/Y growth	10%	8%	9%	9%	10%	9%
Transaction revenue	\$6,364	\$6,556	\$6,654	\$7,283	\$7,034	\$7,153
Y/Y growth	6%	5%	7%	9%	11%	9%
OVAS revenue	\$676	\$731	\$764	\$743	\$665	\$732
Y/Y growth	39%	37%	25%	9%	(2%)	—%
US revenue Y/Y growth	13%	9%	7%	8%	8%	8%
International revenue FXN Y/Y growth	7%	7%	11%	12%	14%	10%
% international	41%	42%	43%	42%	42%	42%

- International TPV +11% FXN, driven by continued strength in Europe and improvement in Asia
- Cross-border TPV¹ +6% FXN, driven by intra-European corridors, partly offset by softness in UK-EU activity
- Transaction take rate -3bps (compared to a 5bp decline in 1Q), benefiting from PSP volumes and Venmo, offset by branded checkout³ (volume and merchant mix shift), FX fees and other merchant services (payouts)

All results & growth rates reference 2Q'24 results & year-over-year growth unless otherwise noted. Definitions included on slides 25-26 in this presentation.

(1) Cross-border TPV is captured in both U.S. and international TPV. In a typical purchase transaction, cross-border TPV is counted in the region where the merchant is based. For example, in the case of a U.S. seller and a German buyer, the TPV is counted in the U.S.

(2) P2P TPV comprises Venmo, PayPal, and Xoom P2P.

(3) Branded checkout transaction take rate decline driven by lower mix share as a % of total TPV, with continued impact from higher large merchant mix also contributing.

Transaction margin (TM) detail

(in millions, except %)

	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24
Transaction expense (TE)	\$3,283	\$3,541	\$3,603	\$3,958	\$3,917	\$3,942
TE rate	0.93%	0.94%	0.93%	0.97%	0.97%	0.95%
Transaction loss (TL)	\$300	\$286	\$329	\$277	\$260	\$259
TL rate	0.08%	0.08%	0.08%	0.07%	0.06%	0.06%
Credit loss	\$142	\$112	\$117	\$119	\$61	\$76
Credit loss rate	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%
Volume-based expenses	\$3,725	\$3,939	\$4,049	\$4,354	\$4,238	\$4,277
Y/Y growth	17%	13%	21%	17%	14%	9%
Transaction margin \$	\$3,315	\$3,348	\$3,369	\$3,672	\$3,461	\$3,608
Y/Y growth	1%	1%	(3%)	—%	4%	8%
Transaction margin	47.1%	45.9%	45.4%	45.8%	45.0%	45.8%
Y/Y change (bps)	(377)	(275)	(558)	(397)	(213)	(19)

- TE rate +1bps, driven by Braintree volume growth
- TL rate -1bps, driven by improved loss performance
- Credit loss rate -1bps, driven by reduced reserves due to lower originations in PayPal Business Loan portfolio

Non-GAAP¹ operating margin detail

<i>(in millions, except %)</i>	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24
Customer support and operations	\$488	\$492	\$474	\$465	\$454	\$436
Y/Y growth	(9%)	(8%)	(7%)	(14%)	(7%)	(11%)
Sales and marketing	\$395	\$423	\$400	\$425	\$379	\$406
Y/Y growth	(27%)	(22%)	(18%)	(9%)	(4%)	(4%)
Technology and development	\$712	\$734	\$730	\$764	\$735	\$713
Y/Y growth	(6%)	(3%)	(2%)	—%	3%	(3%)
General and administrative	\$500	\$484	\$496	\$547	\$457	\$563
Y/Y growth	(17%)	(5%)	9%	7%	(9%)	16%
Restructuring and other	\$—	\$34	\$17	\$3	\$37	\$30
Y/Y growth	-0%	-0%	-0%	-0%	-0%	(12%)
Non-transaction related expenses	\$2,095	\$2,167	\$2,117	\$2,204	\$2,062	\$2,148
Y/Y growth	(14%)	(7%)	(4%)	(4%)	(2%)	(1%)
Total operating expenses	\$5,820	\$6,106	\$6,166	\$6,558	\$6,300	\$6,425
Y/Y growth	4%	5%	11%	9%	8%	5%
Non-GAAP operating income	\$1,220	\$1,181	\$1,252	\$1,468	\$1,399	\$1,460
Y/Y growth	41%	21%	(3%)	6%	15%	24%
Non-GAAP operating margin %	17.3%	16.2%	16.9%	18.3%	18.2%	18.5%
Y/Y change (bps)	400	191	(201)	(47)	84	231
Non-GAAP EPS	\$0.85	\$0.87	\$0.98	\$1.14	\$1.08	\$1.19
Y/Y growth	63%	29%	8%	15%	27%	36%

(1) Non-transaction related expenses, total operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP EPS are non-GAAP financial measures. For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures and additional detail, please see the GAAP to non-GAAP Reconciliations.

Free cash flow (FCF) and capital allocation detail

(in millions, except %)

	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24
Free cash flow	\$1,000	(\$350)	\$1,101	\$2,469	\$1,763	\$1,368
Y/Y growth	(3%)	(133%)	(30%)	72%	76%	**
Adjusted free cash flow ¹	\$1,000	\$869	\$1,911	\$774	\$1,856	\$1,140
Y/Y growth	(3%)	(19%)	21%	(46%)	86%	31%

- Free cash flow of \$1.4B, which includes a \$0.2B net positive timing impact between originating European buy now, pay later (BNPL) receivables as held for sale (HFS) and the subsequent sale of these receivables
- In 2Q'24, returned \$1.5B in capital to stockholders through share repurchases
 - On a trailing 12-month basis, share repurchases of \$5.0B reduced weighted average shares by 6%
- As of 2Q, cash, cash equivalents and investments totaled \$18.3B and debt totaled \$12.2B

All results & growth rates reference 2Q'24 results & year-over-year growth unless otherwise noted. Free cash flow and adjusted free cash flow are non-GAAP financial metrics. For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures and additional detail, please see the GAAP to non-GAAP Reconciliations.

(1) Adjusted free cash flow excludes the net timing impact between originating European BNPL receivables as HFS and the subsequent sale of these receivables.

** Not meaningful. 2Q'23 free cash flow of (\$0.4B) included a \$1.2B negative timing impact from European buy now, pay later (BNPL) loans originated as held for sale (HFS), which were sold in 4Q'23.

Hedging impacts and credit reserve builds and releases

(in millions, except %)

Hedging Impacts⁽¹⁾

	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24
Favorable (unfavorable) impact to net revenues (exclusive of hedging impact)	\$ (139)	\$ 6	\$ 141	\$ 120	\$ 32	\$ (33)
Hedging impact	76	34	7	(6)	—	22
Favorable (unfavorable) impact to net revenues	(63)	40	148	114	32	(11)
Favorable (unfavorable) impact to operating expense	78	7	(57)	(57)	(13)	25
Net favorable (unfavorable) impact to operating income	\$ 15	\$ 47	\$ 91	\$ 57	\$ 19	\$ 14

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

Net charge-offs ⁽²⁾	\$ 110	\$ 134	\$ 163	\$ 142	\$ 123	\$ 91
Reserve build (release) ⁽³⁾	32	(22)	(46)	(23)	(62)	(15)
Credit Losses	\$ 142	\$ 112	\$ 117	\$ 119	\$ 61	\$ 76

(1) Foreign currency movements relative to the US dollar. We calculate the year-over-year impact of foreign currency movements on our business using prior period foreign currency exchange rates applied to current period transactional currency amounts. Hedging impact is recognized in international transaction revenue. Based on exchange rates on derivative positions as of June 30, 2024, next 12 months estimated hedging gains of \$43M.

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

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

GAAP to non-GAAP reconciliations

Reconciliation of GAAP operating expenses to non-GAAP operating expenses

(In Millions/Unaudited)	Note	Three Months Ended										Year Ended December 31,		
		June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	2023	2022	2021
GAAP operating expenses:														
Transaction expense		\$ 3,942	\$ 3,917	\$ 3,958	\$ 3,603	\$ 3,541	\$ 3,283	\$ 3,324	\$ 2,988	\$ 3,044	\$ 2,817	\$ 14,385	\$ 12,173	\$ 10,315
Transaction and credit losses		335	321	396	446	398	442	388	367	448	369	1,682	1,572	1,060
Customer support and operations		436	454	465	474	492	488	541	509	536	534	1,919	2,120	2,075
Sales and marketing		446	421	466	442	465	436	524	544	595	594	1,809	2,257	2,445
Technology and development		718	742	770	739	743	721	822	801	815	815	2,973	3,253	3,038
General administrative		570	464	554	507	491	507	515	463	514	607	2,059	2,099	2,114
Restructuring and other		113	212	(311)	39	24	164	25	56	90	36	(84)	207	62
Total operating expenses		\$ 6,560	\$ 6,531	\$ 6,298	\$ 6,250	\$ 6,154	\$ 6,041	\$ 6,139	\$ 5,728	\$ 6,042	\$ 5,772	\$ 24,743	\$ 23,681	\$ 21,109
Non-GAAP operating expense adjustments:														
Sales and marketing	(a)	(40)	(42)	(41)	(42)	(42)	(41)	(55)	(54)	(53)	(53)	(166)	(215)	(167)
Technology and development	(a)	(5)	(7)	(6)	(9)	(9)	(9)	(58)	(58)	(59)	(57)	(33)	(232)	(246)
General administrative	(a)	(7)	(7)	(7)	(7)	(7)	(7)	(3)	(7)	(7)	(7)	(28)	(24)	(28)
	(d)	—	—	—	(4)	—	—	—	—	—	—	(4)	—	—
Restructuring and other	(b)	(83)	(175)	(2)	(3)	—	(117)	(8)	(23)	(71)	(20)	(122)	(122)	(27)
	(c)	—	—	(2)	(19)	10	(47)	(17)	(33)	(19)	(16)	(58)	(85)	(35)
	(d)	—	—	(21)	—	—	—	—	—	—	—	(21)	—	—
	(e)	—	—	339	—	—	—	—	—	—	—	339	—	—
Total operating expenses		\$ (135)	\$ (231)	\$ 260	\$ (84)	\$ (48)	\$ (221)	\$ (141)	\$ (175)	\$ (209)	\$ (153)	\$ (93)	\$ (678)	\$ (503)
Non-GAAP operating expenses:														
Transaction expense		3,942	3,917	3,958	3,603	3,541	3,283	3,324	2,988	3,044	2,817	\$ 14,385	\$ 12,173	\$ 10,315
Transaction and credit losses		335	321	396	446	398	442	388	367	448	369	1,682	1,572	1,060
Customer support and operations		436	454	465	474	492	488	541	509	536	534	1,919	2,120	2,075
Sales and marketing		406	379	425	400	423	395	469	490	542	541	1,643	2,042	2,278
Technology and development		713	735	764	730	734	712	764	743	756	758	2,940	3,021	2,792
General and administrative		563	457	547	496	484	500	512	456	507	600	2,027	2,075	2,086
Restructuring and other		30	37	3	17	34	—	—	—	—	—	54	—	—
Total operating expenses		\$ 6,425	\$ 6,300	\$ 6,558	\$ 6,166	\$ 6,106	\$ 5,820	\$ 5,998	\$ 5,553	\$ 5,833	\$ 5,619	\$ 24,650	\$ 23,003	\$ 20,606

(a) Amortization of acquired intangible assets.

(b) Restructuring.

(c) Right-of-use asset impairment and other charges associated with exiting certain leased properties as well as gains and losses associated with early lease terminations and owned property held for sale or sold.

(d) Fees related to credit externalization.

(e) Gain on divestiture of business, net of transaction costs.

Reconciliation of GAAP operating income to non-GAAP operating income, and GAAP operating margin to non-GAAP operating margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	2023	2022	2021
GAAP net revenues	\$ 7,885	\$ 7,699	\$ 8,026	\$ 7,418	\$ 7,287	\$ 7,040	\$ 7,383	\$ 6,846	\$ 6,806	\$ 6,483	\$ 29,771	\$ 27,518	\$ 25,371
GAAP operating income	1,325	1,168	1,728	1,168	1,133	999	1,244	1,118	764	711	5,028	3,837	4,262
Amortization of acquired intangible assets	52	56	54	58	58	57	116	119	119	117	227	471	441
Restructuring	83	175	2	3	—	117	8	23	71	20	122	122	27
Other	—	—	(316)	23	(10)	47	17	33	19	16	(256)	85	35
Total non-GAAP operating income adjustments	135	231	(260)	84	48	221	141	175	209	153	93	678	503
Non-GAAP operating income	\$ 1,460	\$ 1,399	\$ 1,468	\$ 1,252	\$ 1,181	\$ 1,220	\$ 1,385	\$ 1,293	\$ 973	\$ 864	\$ 5,121	\$ 4,515	\$ 4,765
GAAP operating margin	16.8 %	15.2 %	21.5 %	15.7 %	15.5 %	14.2 %	16.8 %	16.3 %	11.2 %	11.0 %	16.9 %	13.9 %	16.8 %
Non-GAAP operating margin	18.5 %	18.2 %	18.3 %	16.9 %	16.2 %	17.3 %	18.8 %	18.9 %	14.3 %	13.3 %	17.2 %	16.4 %	18.8 %

Reconciliation of GAAP net income (loss) to non-GAAP net income, GAAP diluted EPS to non-GAAP diluted EPS, and GAAP effective tax rate to non-GAAP effective tax rate

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	2023	2022	2021
GAAP income before income taxes	\$ 1,399	\$ 1,209	\$ 1,793	\$ 1,241	\$ 1,303	\$ 1,074	\$ 1,110	\$ 1,578	\$ 49	\$ 629	\$ 5,411	\$ 3,366	\$ 4,099
GAAP income tax expense (benefit)	271	321	391	221	274	279	189	248	390	120	1,165	947	(70)
GAAP net income (loss)	1,128	888	1,402	1,020	1,029	795	921	1,330	(341)	509	4,246	2,419	4,169
Non-GAAP adjustments to net income (loss):													
Non-GAAP operating income adjustments (see table above)	135	231	(260)	84	48	221	141	175	209	153	93	678	503
(Gains) losses on strategic investments	6	49	4	(24)	(133)	(48)	141	(495)	672	(14)	(201)	304	(46)
Other certain significant gains, losses, or charges	—	31	21	—	—	18	(21)	—	431	—	39	410	36
Tax effect of non-GAAP adjustments	(26)	(44)	66	(3)	27	(27)	(47)	44	(185)	(41)	63	(229)	(109)
Non-GAAP net income	\$ 1,243	\$ 1,155	\$ 1,233	\$ 1,077	\$ 971	\$ 959	\$ 1,135	\$ 1,054	\$ 786	\$ 607	\$ 4,240	\$ 3,582	\$ 4,553
Shares used in diluted share calculation:													
GAAP	1,047	1,072	1,084	1,098	1,114	1,134	1,144	1,157	1,158	1,172	1,107	1,158	1,186
Non-GAAP	1,047	1,072	1,084	1,098	1,114	1,134	1,144	1,157	1,160	1,172	1,107	1,158	1,186
Net income (loss) per diluted share:													
GAAP	\$ 1.08	\$ 0.83	\$ 1.29	\$ 0.93	\$ 0.92	\$ 0.70	\$ 0.81	\$ 1.15	\$ (0.29)	\$ 0.43	\$ 3.84	\$ 2.09	\$ 3.52
Non-GAAP	\$ 1.19	\$ 1.08	\$ 1.14	\$ 0.98	\$ 0.87	\$ 0.85	\$ 0.99	\$ 0.91	\$ 0.68	\$ 0.52	\$ 3.83	\$ 3.09	\$ 3.84
GAAP effective tax rate	19 %	27 %	22 %	18 %	21 %	26 %	17 %	16 %	796 %	19%	22 %	28 %	(2%)
Tax effect of non-GAAP adjustments to net income	—%	(5%)	(2%)	(1%)	(1%)	(3%)	1%	—%	(781%)	2%	(2%)	(10%)	2 %
Non-GAAP effective tax rate	19 %	22 %	20 %	17 %	20 %	23 %	18 %	16 %	15 %	21 %	20 %	18 %	— %

Reconciliation of operating cash flow to free cash flow and adjusted free cash flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	2023	2022	2021
Net cash provided by (used in) operating activities	\$ 1,525	\$ 1,917	\$ 2,614	\$ 1,259	\$ (200)	\$ 1,170	\$ 1,591	\$ 1,755	\$ 1,250	\$ 1,217	\$ 4,843	\$ 5,813	\$ 5,797
Less: Purchases of property and equipment	(157)	(154)	(145)	(158)	(150)	(170)	(158)	(182)	(175)	(191)	(623)	(706)	(908)
Free cash flow	1,368	1,763	2,469	1,101	(350)	1,000	1,433	1,573	1,075	1,026	4,220	5,107	4,889
Net timing impact between originating European BNPL receivables as HFS and the subsequent sale of receivables	(228)	93	(1,695)	810	1,219	—	—	—	—	—	334	—	—
Adjusted free cash flow	1,140	1,856	774	1,911	869	1,000	1,433	1,573	1,075	1,026	4,554	5,107	4,889

Definitions (page 1 of 2)

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

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

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

Monthly Active Accounts or "MAA" are a subset of Active Accounts (primarily PayPal and Venmo)¹ that have completed a transaction on our platform at least once during the month of measurement. The number of MAAs provides management with perspective on the overall scale of our platform reflecting recent usage but may not have a direct relationship to our operating results. MAAs presented at the end of a quarter or year are the average of each month's MAAs in the respective quarter or year.

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

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

Number of Payment Transactions per Active Account excluding Unbranded Card Processing² or "TPA ex. PSP" reflects the total number of payment transactions within the previous 12-month period excluding all unbranded card processing transactions, divided by active accounts at the end of the period excluding unbranded card processing accounts. This metric provides management with insight into the average number of times an account engages in payments activity on our payments platform in a given period, apart from unbranded card processing activity.

(1) MAAs exclude Braintree, Hyperwallet, Zettle, and certain other products that do not reflect engagement from a consumer perspective.

(2) Unbranded Card Processing is primarily comprised of Braintree full-stack transactions and does not include gateway-exclusive transactions. Unbranded processing also includes unbranded credit and debit card processing on the PayPal platform.

Definitions (page 2 of 2)

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

Branded checkout TPV comprises PayPal branded checkout volume and does not include volume associated with Pay with Venmo, eBay, or PayPal P2P (peer to peer).

PSP (unbranded card processing) TPV primarily comprises Braintree full-stack volume and does not include gateway-exclusive volume. PSP TPV includes unbranded credit and debit card processing on the PayPal platform.

P2P ex-Venmo TPV primarily comprises PayPal P2P volume, with some contribution from Xoom.

Other merchant services TPV includes volumes associated with invoicing, Paidy, payouts (including Hyperwallet), point-of-sale solutions (including Zettle), QR code, etc.

Total Take Rate is total revenue divided by TPV.

Transaction Take Rate is transaction revenue divided by TPV.

Transaction Expense Rate is transaction expense divided by TPV.

Transaction Loss Rate is transaction losses divided by TPV.

Credit Loss Rate is credit losses divided by TPV.

Transaction Margin or "TM" is total revenue less transaction expense and transaction and credit losses, divided by total revenue.

Transaction Margin Dollars (\$) or "TM\$" is total revenue less transaction expense and transaction and credit losses.

