



PayPal Third Quarter 2024 Performance

Financial results & company highlights

October 29, 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 fourth 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 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 October 29, 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: 3Q Key Messages

Continuing to launch innovations in market and focus on execution

- Building foundation for durable, profitable growth: strong 3Q and YTD results
- Continued quality TM\$ growth (+8%, +6% ex-interest on customer balances) benefiting from interest income, branded checkout, Venmo, Braintree, and tech-led risk/loss improvements
- Focusing on best-in-class checkout to optimize conversion: beginning to ramp Fastlane and improved branded experiences in the U.S.
- Partnering across the ecosystem to unlock value for our customers
- Launched PayPal Everywhere, focused on driving consumer momentum with MAA growth
- Raising FY'24 guidance for TM\$ and non-GAAP EPS while reinvesting into growth initiatives (checkout, omni, ads)

Strengthening PayPal's leading global commerce platform



Driving end-to-end conversion with upgraded branded checkout

Rolling out simple, fast, and personalized mobile checkout across top three branded experiences

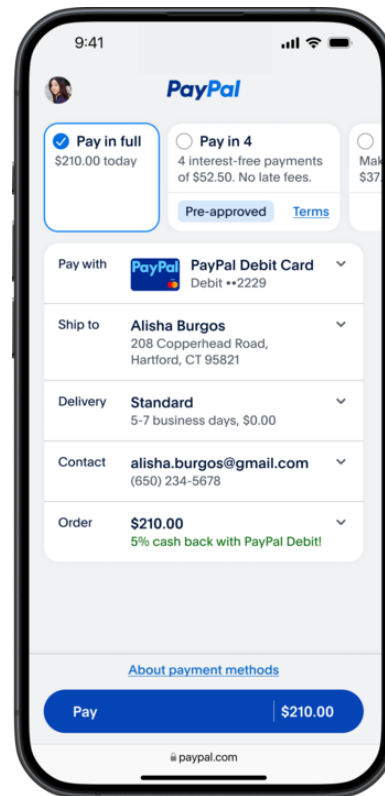
Currently ramped to 5% of U.S. checkout traffic and rolling out now to merchants on our latest integrations

EARLY READS

- Driving average conversion uplift of more than 100bps for vaulted checkout and up to 400bps for one-time checkout when implemented properly
- One-time checkout paysheet driving ~15%-20% increase in BNPL attach rates

Express Checkout

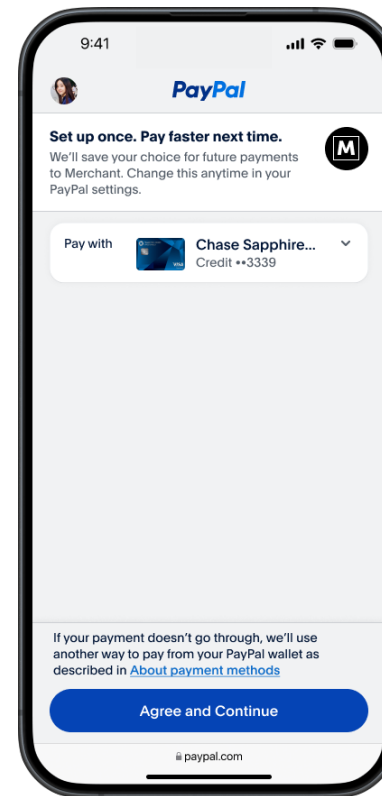
Physical & digital goods, one-time purchases



All-in-one confirmation page and Pay button to immediately complete purchase

Vaulting

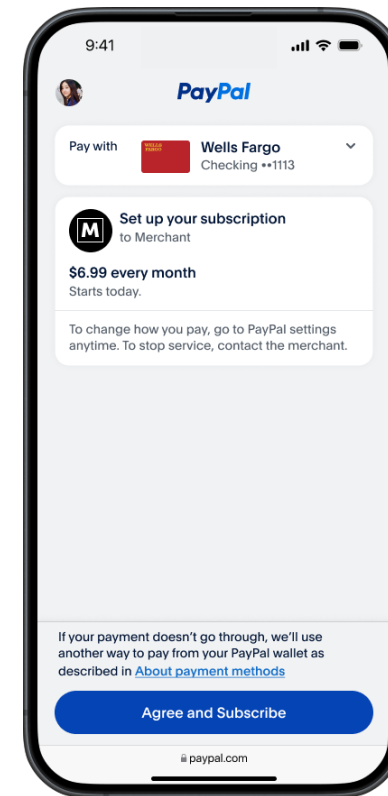
High frequency, native app checkout



Vaulting and recurring payments paysheets include billing agreement and subscription information

Recurring Payments

Subscriptions and autopay



Forging new partnerships that unlock growth and enable seamless commerce experiences

Expanding reach of Fastlane

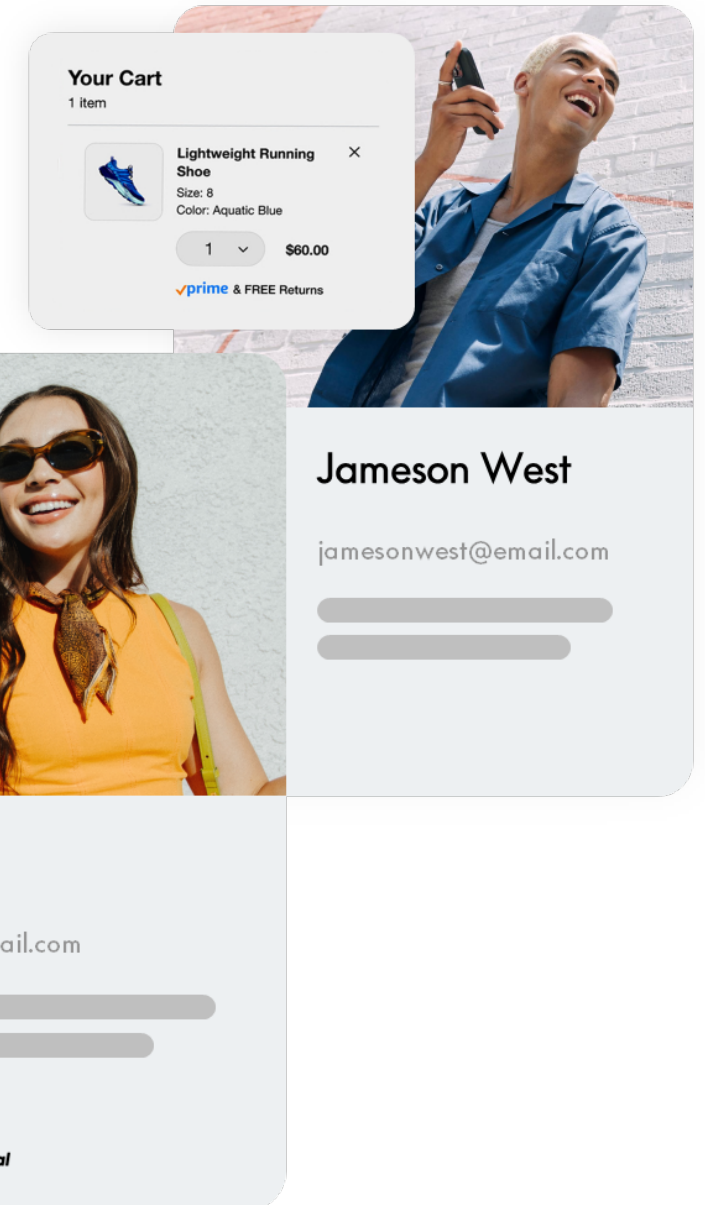
Enabling Fastlane on transactions processed by Fiserv, Adyen, and Global Payments to give consumers a consistent and superior guest checkout experience across all merchants¹

Improving the PayPal experience for merchants on Shopify

Merchants on Shopify can now access PayPal branded checkout directly within Shopify Payments and PPCP is processing a portion of Shopify Payments volumes in the U.S.

Bringing Prime shipping benefits to PayPal consumers

Starting next year, consumers can perform a one-time link of their PayPal and Amazon Prime accounts to automatically enjoy Prime free, fast shipping benefits when checking out with PayPal on a Buy with Prime merchant's website



Making it easier than ever to pay with PayPal everywhere and use Venmo in new ways

EARLY READS

Existing customers show a 5x increase in total omni spend within the first two weeks of sign-up



1M+ new PayPal debit card enrollments since September launch



Reimagining PayPal's consumer value proposition, anchored by cash back rewards with the PayPal debit card, merchant offers, and refreshed app experience to drive daily omnichannel spend

Showcasing Venmo's expansion beyond P2P, with new products that enable seamless money movement with the people and businesses closest to each consumer

Double-digit increase in actives with Venmo debit card & actives who add non-P2P funds¹



3Q'24 snapshot

<i>(in millions, except % and per share data)</i>	Results	Y/Y growth
Total payment volume (TPV)	\$422,641	9%; 9% FXN
Revenue	\$7,847	6%; 6% FXN
Transaction margin \$ (TM\$)	\$3,654	8%
TM\$ ex. interest on customer balances ¹	\$3,315	6%
Non-GAAP EPS ²	\$1.20	22%
Free cash flow ^{2,3}	\$1,445	31%

All growth rates reference 3Q'24 year-over-year growth unless otherwise noted.

Additional financial detail provided in Supplemental Information.

(1) Interest on customer balances is reported within Other Value Added Services (OVAS) revenue in this presentation and in our quarterly/annual SEC filings and primarily comprises interest and revenue earned on customer assets.

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

(3) 3Q'23 free cash flow of \$1.1B included a \$0.8B 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 \$1.5B in 3Q'24. See slide 25 for more detail.

Account and activity metrics¹

(in millions, except % and TPA)	3Q'24
Active accounts²	432
Y/Y growth	1%
Monthly active accounts (MAA)³	223
Y/Y growth	2%
Number of payment transactions	6,631
Y/Y growth	6%
Transactions per active account (TPA)⁴	61.4
Y/Y growth	9%
TPA ex. PSP⁴ (unbranded card processing)⁴	34.5
Y/Y growth	5%

- Active accounts² +0.6% (+3M) sequentially, and includes growth in PayPal merchant and consumer accounts
- MAA³ +2%, driven by PayPal and Venmo consumer accounts
- TPA⁴ +9%, driven by transaction growth in Braintree, branded checkout, and Venmo
- TPA ex. PSP⁴ +5%, reflecting improved engagement and transaction growth in branded checkout and Venmo

All growth rates reference 3Q'24 year-over-year growth unless otherwise noted.

(1) Detailed definitions included on slide 26 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

		3Q'23	2Q'24	3Q'24
		Prior year period	Prior quarter	Current quarter
Branded checkout	FXN GROWTH	6%	6%	6%
	% OF TOTAL	27%	27%	27%
PSP (unbranded card processing)	FXN GROWTH	32%	19%	11%
	% OF TOTAL	35%	37%	36%
Venmo	FXN GROWTH	8%	8%	8%
	% OF TOTAL	18%	18%	18%
P2P ex-Venmo	FXN GROWTH	(4%)	4%	5%
	% OF TOTAL	8%	8%	8%
Other merchant services	FXN GROWTH	6%	15%	16%
	% OF TOTAL	9%	10%	10%
eBay	FXN GROWTH	(11%)	(6%)	(3%)
	% OF TOTAL	2%	2%	2%
Total TPV	FXN GROWTH	13%	11%	9%

- Branded checkout TPV +6%, with continued strength across large enterprise platforms, marketplaces, and international
- Consistent with price-to-value strategy, PSP TPV decelerated from 2Q while Braintree continues to contribute to TM\$ growth
- Venmo TPV growing consistently, with 4% growth in MAAs
- Continuing P2P ex-Venmo TPV growth, benefiting from increased engagement among existing user base
- Other merchant services TPV maintaining momentum, primarily driven by Hyperwallet (payouts)

3Q'24 key financial results

(in millions, except % and per share data)	3Q'24
Total revenue	\$7,847
Y/Y growth	6%
FXN Y/Y growth	6%
Transaction margin \$	\$3,654
Y/Y growth	8%
Y/Y growth ex. int. on cust. balances ¹	6%
Non-transaction related expenses²	\$2,177
Y/Y growth	3%
Non-GAAP operating income²	\$1,477
Y/Y growth	18%
Non-GAAP operating margin %²	18.8%
Y/Y change	194 bps
Non-GAAP EPS²	\$1.20
Y/Y growth	22%

- Transaction revenue +6%, primarily driven by Braintree, branded checkout, and Venmo
- Other value-added services (OVAS) revenue +2%, with higher interest on customer balances partially offset by lower credit revenue
- TM\$ +8%, driven by interest on customer balances, tech-led risk/loss improvements, branded checkout, Venmo, and Braintree
 - TM\$ excluding interest on customer balances¹ +6%
 - TM% +115bps to 46.6%
- Non-transaction opex +3%, driven by investments in key growth initiatives, including marketing, partially funded by ongoing productivity savings
- Returned \$1.8B via share repurchases, 123% of FCF; \$5.4B on a trailing 12-month basis, reducing weighted average shares by 7%

All growth rates reference 3Q'24 year-over-year growth unless otherwise noted.

Additional financial detail provided in Supplemental Information.

(1) Interest on customer balances is reported within Other Value Added Services (OVAS) revenue in this presentation and in our quarterly/annual SEC filings and primarily comprises interest and revenue earned on customer assets.

(2) 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

4Q'24	
Revenue	Low single-digit growth <i>Reflects impact from price-to-value strategy and prioritization of profitable growth</i>
Non-GAAP effective tax rate	Approximately 21%
Non-GAAP EPS ¹	Low to mid-single-digit decrease <i>Approximately \$1.07-\$1.11</i> <i>Reflects elevated marketing spend to support key initiatives and new products</i> <i>Implied prior: Mid- single-digit decrease</i>
GAAP EPS	Approximately \$1.03-\$1.07 <i>Implied prior: ~\$1.05</i>

FY'24	
Transaction margin \$	Mid-single-digit growth <i>Prior: Low to mid-single-digit growth</i>
Non-GAAP non-transaction operating expenses	Low single-digit growth <i>Prior: Slight increase</i>
Non-GAAP effective tax rate	Approximately 21% <i>Prior: Approximately 22%</i>
Non-GAAP EPS	High teens growth <i>Prior: Low to mid-teens growth</i>
GAAP EPS ²	Approximately \$3.92-\$3.96 <i>Prior: Approximately \$3.88-\$3.98</i>
Free cash flow	Approximately \$6B <i>No change from prior</i>
Share repurchase	\$6B <i>No change from prior</i>

(1) Estimated non-GAAP amounts for 4Q'24 reflect adjustments of ~\$50M.

(2) 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 provided on July 30, 2024. Implied prior 4Q'24 guidance based on the midpoints of 3Q'24 guidance and FY'24 guidance provided on July 30, 2024.
For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the GAAP to non-GAAP Reconciliations.

Demonstrating the strength of PayPal's global commerce platform

- Another strong quarter building upon our foundation for durable growth
- TM\$ excluding interest income +6% driven by strength in branded checkout, Venmo, and Braintree
- Improving checkout with faster and simpler branded and guest experiences
- Reinvigorating brand awareness and driving engagement with PayPal Everywhere and Venmo
- Enabling seamless experiences that enhance our flywheel via new partnerships with leaders in global commerce
- Raising FY'24 TM\$ and non-GAAP EPS guidance while investing in innovation and our brands

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

Q&A

Supplemental information

Account and activity metrics¹ detail

(in millions, except % and TPA)

	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Active accounts	426	429	429	432	435	433	431	428	426	427	429	432
Y/Y growth	13%	9%	6%	4%	2%	1%	—%	(1%)	(2%)	(1%)	—%	1%
Monthly active accounts (MAA)	219	214	215	217	221	215	217	218	224	220	222	223
Y/Y growth	8%	4%	2%	2%	1%	1%	1%	1%	1%	2%	3%	2%
Number of payment transactions	5,343	5,161	5,513	5,643	6,032	5,835	6,074	6,275	6,798	6,505	6,580	6,631
Y/Y growth	21%	18%	16%	15%	13%	13%	10%	11%	13%	11%	8%	6%
Transactions per active account (TPA)	45.4	47.0	48.7	50.1	51.4	53.1	54.7	56.6	58.7	60.0	60.9	61.4
Y/Y growth	11%	11%	12%	13%	13%	13%	12%	13%	14%	13%	11%	9%
TPA ex. PSP (unbranded card processing)	31.7	31.4	31.4	31.4	31.3	31.7	32.2	32.9	33.5	33.9	34.2	34.5
Y/Y growth	(2%)	(5%)	(4%)	(2%)	(1%)	1%	2%	5%	7%	7%	6%	5%

TPV, revenue, & take rate detail

(in millions, except %)

	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Total payment volume	\$376,538	\$387,701	\$409,832	\$403,860	\$416,814	\$422,641
Y/Y growth	11%	15%	15%	14%	11%	9%
FXN Y/Y growth	11%	13%	13%	14%	11%	9%
U.S. TPV	\$238,893	\$242,718	\$257,885	\$259,190	\$265,526	\$265,706
Y/Y growth	9%	10%	11%	12%	11%	9%
International TPV	\$137,645	\$144,983	\$151,947	\$144,671	\$151,288	\$156,934
Y/Y growth	14%	25%	22%	18%	10%	8%
FXN Y/Y growth	14%	19%	17%	17%	11%	8%
Cross-border TPV¹	\$46,571	\$46,522	\$49,059	\$48,163	\$49,089	\$50,186
Y/Y growth	3%	9%	8%	8%	5%	8%
FXN Y/Y growth	3%	4%	5%	7%	6%	7%
P2P TPV²	\$95,107	\$96,637	\$95,895	\$96,361	\$100,802	\$102,353
Y/Y growth	2%	4%	6%	6%	6%	6%
Venmo TPV	\$67,740	\$69,483	\$68,891	\$69,265	\$73,290	\$74,848
Y/Y growth	9%	8%	8%	8%	8%	8%
Total take rate	1.94%	1.91%	1.96%	1.91%	1.89%	1.86%
Transaction take rate	1.74%	1.72%	1.78%	1.74%	1.72%	1.67%
Total revenue	\$7,287	\$7,418	\$8,026	\$7,699	\$7,885	\$7,847
Y/Y growth	7%	8%	9%	9%	8%	6%
FXN Y/Y growth	8%	9%	9%	10%	9%	6%
Transaction revenue	\$6,556	\$6,654	\$7,283	\$7,034	\$7,153	\$7,067
Y/Y growth	5%	7%	9%	11%	9%	6%
OVAS revenue	\$731	\$764	\$743	\$665	\$732	\$780
Y/Y growth	37%	25%	9%	(2%)	—%	2%
US revenue Y/Y growth	9%	7%	8%	8%	8%	6%
International revenue FXN Y/Y growth	7%	11%	12%	14%	10%	6%
% international	42%	43%	42%	42%	42%	42%

- International TPV +8% FXN, driven by continued strength in Europe
- Cross-border TPV¹ +7% FXN, driven by intra-European corridors
- Transaction take rate -4bps (compared to a 3bp decline in 2Q), benefiting from PSP volumes and Venmo, offset by branded checkout³, FX, and other merchant services growth (payouts)

All results & growth rates reference 3Q'24 results & year-over-year growth unless otherwise noted. Definitions included on slide 27 of 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) Transaction take rate negatively impacted by branded checkout becoming a lower percentage of overall TPV and within branded checkout, transaction take rate was negatively impacted by a higher mix of large enterprise merchants, platforms, and marketplaces.

Transaction margin (TM) detail

(in millions, except %)

	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Transaction expense (TE)	\$3,541	\$3,603	\$3,958	\$3,917	\$3,942	\$3,841
TE rate	0.94%	0.93%	0.97%	0.97%	0.95%	0.91%
Transaction loss (TL)	\$286	\$329	\$277	\$260	\$259	\$264
TL rate	0.08%	0.08%	0.07%	0.06%	0.06%	0.06%
Credit loss	\$112	\$117	\$119	\$61	\$76	\$88
Credit loss rate	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%
Volume-based expenses	\$3,939	\$4,049	\$4,354	\$4,238	\$4,277	\$4,193
Y/Y growth	13%	21%	17%	14%	9%	4%
Transaction margin \$	\$3,348	\$3,369	\$3,672	\$3,461	\$3,608	\$3,654
Y/Y growth	1%	(3%)	—%	4%	8%	8%
Transaction margin	45.9%	45.4%	45.8%	45.0%	45.8%	46.6%
Y/Y change (bps)	(275)	(558)	(397)	(213)	(19)	115

- TE rate -2bps, driven by favorable product and geo mix, as well as rate improvements
- TL rate -2bps, driven by improved loss performance
- Credit loss rate -1bps, driven by improving portfolio performance and lower merchant receivables

Non-GAAP¹ operating margin detail

(in millions, except %)

	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Customer support and operations	\$492	\$474	\$465	\$454	\$436	\$427
Y/Y growth	(8%)	(7%)	(14%)	(7%)	(11%)	(10%)
Sales and marketing	\$423	\$400	\$425	\$379	\$406	\$468
Y/Y growth	(22%)	(18%)	(9%)	(4%)	(4%)	17%
Technology and development	\$734	\$730	\$764	\$735	\$713	\$742
Y/Y growth	(3%)	(2%)	—%	3%	(3%)	2%
General and administrative	\$484	\$496	\$547	\$457	\$563	\$512
Y/Y growth	(5%)	9%	7%	(9%)	16%	3%
Restructuring and other	\$34	\$17	\$3	\$37	\$30	\$28
Y/Y growth	-%	-%	-%	-%	(12%)	65%
Non-transaction related expenses	\$2,167	\$2,117	\$2,204	\$2,062	\$2,148	\$2,177
Y/Y growth	(7%)	(4%)	(4%)	(2%)	(1%)	3%
Total operating expenses	\$6,106	\$6,166	\$6,558	\$6,300	\$6,425	\$6,370
Y/Y growth	5%	11%	9%	8%	5%	3%
Non-GAAP operating income	\$1,181	\$1,252	\$1,468	\$1,399	\$1,460	\$1,477
Y/Y growth	21%	(3%)	6%	15%	24%	18%
Non-GAAP operating margin %	16.2%	16.9%	18.3%	18.2%	18.5%	18.8%
Y/Y change (bps)	191	(201)	(47)	84	231	194
Non-GAAP EPS	\$0.87	\$0.98	\$1.14	\$1.08	\$1.19	\$1.20
Y/Y growth	29%	8%	15%	27%	36%	22%

(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 %)

	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Free cash flow	(\$350)	\$1,101	\$2,469	\$1,763	\$1,368	\$1,445
Y/Y growth	(133%)	(30%)	72%	76%	**	31%
Adjusted free cash flow ¹	\$869	\$1,911	\$774	\$1,856	\$1,140	\$1,540
Y/Y growth	(19%)	21%	(46%)	86%	31%	(19%)

- Free cash flow of \$1.4B, which includes a \$0.1B net negative timing impact between originating European buy now, pay later (BNPL) receivables as held for sale (HFS) and the subsequent sale of these receivables
- In 3Q'24, returned \$1.8B in capital to stockholders through share repurchases
 - On a trailing 12-month basis, share repurchases of \$5.4B reduced weighted average shares by 7%
- As of 3Q, cash, cash equivalents and investments totaled \$16.2B and debt totaled \$12.4B

All results & growth rates reference 3Q'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⁾

Favorable (unfavorable) impact to net revenues (exclusive of hedging impact)

Hedging impact

Favorable (unfavorable) impact to net revenues

Favorable (unfavorable) impact to operating expense

Net favorable (unfavorable) impact to operating income

	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
\$	6	\$ 141	\$ 120	\$ 32	\$(33)	\$ 12
	34	7	(6)	—	22	(12)
	40	148	114	32	(11)	—
	7	(57)	(57)	(13)	25	(10)
\$	47	\$ 91	\$ 57	\$ 19	\$ 14	\$(10)

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

Net charge-offs⁽²⁾

Reserve build (release)⁽³⁾

Credit Losses

\$	134	\$ 163	\$ 142	\$ 123	\$ 91	\$ 81
	(22)	(46)	(23)	(62)	(15)	7
\$	112	\$ 117	\$ 119	\$ 61	\$ 76	\$ 88

(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 September 30, 2024, estimated next 12 months hedging losses are \$106M.

(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,		
		September 30, 2024	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	2023	2022	2021
GAAP operating expenses:														
Transaction expense		\$ 3,841	\$ 3,942	\$ 3,917	\$ 3,958	\$ 3,603	\$ 3,541	\$ 3,283	\$ 3,324	\$ 2,988	\$ 3,044	\$ 14,385	\$ 12,173	\$ 10,315
Transaction and credit losses		352	335	321	396	446	398	442	388	367	448	1,682	1,572	1,060
Customer support and operations		427	436	454	465	474	492	488	541	509	536	1,919	2,120	2,075
Sales and marketing		508	446	421	466	442	465	436	524	544	595	1,809	2,257	2,445
Technology and development		746	718	742	770	739	743	721	822	801	815	2,973	3,253	3,038
General and administrative		519	570	464	554	507	491	507	515	463	514	2,059	2,099	2,114
Restructuring and other		63	113	212	(311)	39	24	164	25	56	90	(84)	207	62
Total operating expenses		\$ 6,456	\$ 6,560	\$ 6,531	\$ 6,298	\$ 6,250	\$ 6,154	\$ 6,041	\$ 6,139	\$ 5,728	\$ 6,042	\$ 24,743	\$ 23,681	\$ 21,109
Non-GAAP operating expense adjustments:														
Sales and marketing	(a)	(40)	(40)	(42)	(41)	(42)	(42)	(41)	(55)	(54)	(53)	(166)	(215)	(167)
Technology and development	(a)	(4)	(5)	(7)	(6)	(9)	(9)	(9)	(58)	(58)	(59)	(33)	(232)	(246)
General and administrative	(a)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(3)	(7)	(7)	(28)	(24)	(28)
	(d)	—	—	—	—	(4)	—	—	—	—	—	(4)	—	—
Restructuring and other	(b)	(36)	(83)	(175)	(2)	(3)	—	(117)	(8)	(23)	(71)	(122)	(122)	(27)
	(c)	1	—	—	(2)	(19)	10	(47)	(17)	(33)	(19)	(58)	(85)	(35)
	(d)	—	—	—	(21)	—	—	—	—	—	—	(21)	—	—
	(e)	—	—	—	339	—	—	—	—	—	—	339	—	—
Total operating expenses		\$ (86)	\$ (135)	\$ (231)	\$ 260	\$ (84)	\$ (48)	\$ (221)	\$ (141)	\$ (175)	\$ (209)	\$ (93)	\$ (678)	\$ (503)
Non-GAAP operating expenses:														
Transaction expense		3,841	3,942	3,917	3,958	3,603	3,541	3,283	3,324	2,988	3,044	\$ 14,385	\$ 12,173	\$ 10,315
Transaction and credit losses		352	335	321	396	446	398	442	388	367	448	1,682	1,572	1,060
Customer support and operations		427	436	454	465	474	492	488	541	509	536	1,919	2,120	2,075
Sales and marketing		468	406	379	425	400	423	395	469	490	542	1,643	2,042	2,278
Technology and development		742	713	735	764	730	734	712	764	743	756	2,940	3,021	2,792
General and administrative		512	563	457	547	496	484	500	512	456	507	2,027	2,075	2,086
Restructuring and other		28	30	37	3	17	34	—	—	—	—	54	—	—
Total operating expenses		\$ 6,370	\$ 6,425	\$ 6,300	\$ 6,558	\$ 6,166	\$ 6,106	\$ 5,820	\$ 5,998	\$ 5,553	\$ 5,833	\$ 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,		
	September 30, 2024	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	2023	2022	2021
GAAP net revenues	\$ 7,847	\$ 7,885	\$ 7,699	\$ 8,026	\$ 7,418	\$ 7,287	\$ 7,040	\$ 7,383	\$ 6,846	\$ 6,806	\$ 29,771	\$ 27,518	\$ 25,371
GAAP operating income	1,391	1,325	1,168	1,728	1,168	1,133	999	1,244	1,118	764	5,028	3,837	4,262
Amortization of acquired intangible assets	51	52	56	54	58	58	57	116	119	119	227	471	441
Restructuring	36	83	175	2	3	—	117	8	23	71	122	122	27
Other	(1)	—	—	(316)	23	(10)	47	17	33	19	(256)	85	35
Total non-GAAP operating income adjustments	86	135	231	(260)	84	48	221	141	175	209	93	678	503
Non-GAAP operating income	\$ 1,477	\$ 1,460	\$ 1,399	\$ 1,468	\$ 1,252	\$ 1,181	\$ 1,220	\$ 1,385	\$ 1,293	\$ 973	\$ 5,121	\$ 4,515	\$ 4,765
GAAP operating margin	17.7 %	16.8 %	15.2 %	21.5 %	15.7 %	15.5 %	14.2 %	16.8 %	16.3 %	11.2 %	16.9 %	13.9 %	16.8 %
Non-GAAP operating margin	18.8 %	18.5 %	18.2 %	18.3 %	16.9 %	16.2 %	17.3 %	18.8 %	18.9 %	14.3 %	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,		
	September 30, 2024	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	2023	2022	2021
GAAP income before income taxes	\$ 1,311	\$ 1,399	\$ 1,209	\$ 1,793	\$ 1,241	\$ 1,303	\$ 1,074	\$ 1,110	\$ 1,578	\$ 49	\$ 5,411	\$ 3,366	\$ 4,099
GAAP income tax expense (benefit)	301	271	321	391	221	274	279	189	248	390	1,165	947	(70)
GAAP net income (loss)	1,010	1,128	888	1,402	1,020	1,029	795	921	1,330	(341)	4,246	2,419	4,169
Non-GAAP adjustments to net income (loss):													
Non-GAAP operating income adjustments (see table above)	86	135	231	(260)	84	48	221	141	175	209	93	678	503
(Gains) losses on strategic investments	171	6	49	4	(24)	(133)	(48)	141	(495)	672	(201)	304	(46)
Other certain significant gains, losses, or charges	—	—	31	21	—	—	18	(21)	—	431	39	410	36
Tax effect of non-GAAP adjustments	(39)	(26)	(44)	66	(3)	27	(27)	(47)	44	(185)	63	(229)	(109)
Non-GAAP net income	\$ 1,228	\$ 1,243	\$ 1,155	\$ 1,233	\$ 1,077	\$ 971	\$ 959	\$ 1,135	\$ 1,054	\$ 786	\$ 4,240	\$ 3,582	\$ 4,553
Shares used in diluted share calculation:													
GAAP	1,024	1,047	1,072	1,084	1,098	1,114	1,134	1,144	1,157	1,158	1,107	1,158	1,186
Non-GAAP	1,024	1,047	1,072	1,084	1,098	1,114	1,134	1,144	1,157	1,160	1,107	1,158	1,186
Net income (loss) per diluted share:													
GAAP	\$ 0.99	\$ 1.08	\$ 0.83	\$ 1.29	\$ 0.93	\$ 0.92	\$ 0.70	\$ 0.81	\$ 1.15	\$ (0.29)	\$ 3.84	\$ 2.09	\$ 3.52
Non-GAAP	\$ 1.20	\$ 1.19	\$ 1.08	\$ 1.14	\$ 0.98	\$ 0.87	\$ 0.85	\$ 0.99	\$ 0.91	\$ 0.68	\$ 3.83	\$ 3.09	\$ 3.84
GAAP effective tax rate	23 %	19 %	27 %	22 %	18 %	21 %	26 %	17 %	16 %	796%	22 %	28 %	(2%)
Tax effect of non-GAAP adjustments to net income	(1%)	—%	(5%)	(2%)	(1%)	(1%)	(3%)	1%	—%	(781%)	(2%)	(10%)	2 %
Non-GAAP effective tax rate	22 %	19 %	22 %	20 %	17 %	20 %	23 %	18 %	16 %	15 %	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,		
	September 30, 2024	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	2023	2022	2021
Net cash provided by (used in) operating activities	\$ 1,614	\$ 1,525	\$ 1,917	\$ 2,614	\$ 1,259	\$ (200)	\$ 1,170	\$ 1,591	\$ 1,755	\$ 1,250	\$ 4,843	\$ 5,813	\$ 5,797
Less: Purchases of property and equipment	(169)	(157)	(154)	(145)	(158)	(150)	(170)	(158)	(182)	(175)	(623)	(706)	(908)
Free cash flow	1,445	1,368	1,763	2,469	1,101	(350)	1,000	1,433	1,573	1,075	4,220	5,107	4,889
Net timing impact between originating European BNPL receivables as HFS and the subsequent sale of receivables	95	(228)	93	(1,695)	810	1,219	—	—	—	—	334	—	—
Adjusted free cash flow	1,540	1,140	1,856	774	1,911	869	1,000	1,433	1,573	1,075	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.

Transaction Margin Dollars excluding interest on customer balances is total revenue excluding interest on customer balances, less transaction expense and transaction and credit losses. Interest on customer balances is captured as part of Other Value Added Services (OVAS) revenue in this presentation and in our quarterly/annual SEC filings.

Upcoming calendar

Fourth Quarter 2024 Earnings
Investor Day (NYC)

February 4, 2025

February 25, 2025