

Q1-22 Investor Update

April 27, 2022



Non-GAAP Financial Measures; Forward-Looking Statements

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 Supplemental Information at the end of this presentation.

As previously disclosed, beginning with the first quarter of 2020, we modified the presentation of our non-GAAP results to exclude the impact of all gains and losses on our strategic investments. In addition, beginning with the fourth quarter of 2020, we have reclassified certain cash flows related to customer balances from cash flows from operating activities to cash flows from investing activities or financing activities within the consolidated statements of cash flows. Prior period amounts have been reclassified to conform to the current period presentation.

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.

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 that reflect PayPal's current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "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 second quarter and full year 2022, medium-term outlook, the impact and timing 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, supply chain issues and related events that affect payments or commerce activity; the impact of natural disasters or other business interruptions on our business and financial condition, as well as our customers, suppliers, vendors and other business partners; the continuing effects of the COVID-19 pandemic and the proliferation of variants; the impact of the Russia-Ukraine conflict; 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, which expose us to potential liabilities, increased costs, and other adverse effects on our business; the impact of payment card, bank, or other network rules or practices; 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 ability to manage relationships with third parties and their ability to meet their obligations to us; 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 under the captions "Risk Factors", "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in PayPal's most recent annual report on Form 10-K, and its subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting PayPal's Investor Relations website at <https://investor.pypl.com> or the SEC's website at www.sec.gov. All information in this presentation is as of April 27, 2022. 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.

Highlights

Q1-22: Solid start to the year

- TPV growth: 13% spot / 15% FXN⁽¹⁾, to \$323B
 - TPV growth ex-eBay⁽²⁾: 17% spot / 19% FXN
 - 3-year spot CAGR of 26%, and 29% excluding eBay
- Revenue growth: 7% spot / 8% FXN, to \$6.5B
 - Revenue growth ex-eBay: 15% spot
 - 3-year spot CAGR of 16%, and 22% excluding eBay
- 47.0 transactions per active account (TPA), 11% growth
 - 18% growth in transactions to 5.2B, despite 54% decline in eBay transactions. Ex-eBay, transactions grew 24%
- 2.4M net new active accounts (NNAs); 9% y/y growth in active accounts to 429M
- Non-GAAP operating margin of 20.7%
- \$0.88 non-GAAP EPS, a \$0.34 decline compared to \$1.22 in Q1-21
 - Includes ~\$0.20 headwind related to lower transaction margin dollars from eBay, ~\$0.07 drag from higher non-GAAP effective tax rate, lapping ~\$0.06 benefit from credit loss reserve releases in Q1-21, and ~\$0.03 drag from suspension of transactional services in Russia
- \$1.1B in free cash flow, 32% decrease and 16% of revenue

FY-22: Expect TPV to exceed \$1.4T & revenue to grow 11%-13%

Since 2019, expecting:

2x
TPV

1.5x
Revenue

+40%
Active Accounts

- Lowered full year 2022 guidance to ~13%-15% TPV and ~11%-13% revenue growth at spot
- Revenue ex-eBay: Expect ~15%-17% growth at spot, on top of 29% in FY-21, and ~22% on a 3-year CAGR basis
- TPV ex-eBay: Expected 3-year spot CAGR of ~29%
- Non-GAAP EPS expected to be in the range of ~\$3.81-\$3.93
- NNAs: Expect to add ~10M NNAs
 - Focus on sustainable, high quality growth to drive engagement and increased revenue per active account
 - Pull back on incentive-driven campaigns with low ROI; let minimally engaged users naturally roll off
- Free cash flow: >\$5B

Non-GAAP operating margin and expenses, non-GAAP EPS, and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

(1) Foreign currency-neutral (2) All references to eBay in this presentation refer to eBay Marketplaces on our payments platform

First Quarter 2022 Summary

Three-year CAGRs highlight solid performance

Active Accounts

429M

Includes **35M** active merchant accounts

9% increase y/y

2.4M

Net new active accounts (NNAs)

Customer Engagement

47.0

Payment transactions per active account (TPA)

11% increase y/y

13% increase in daily active accounts using PayPal Core experiences on a 3-year CAGR basis

Total Payment Volume

\$323B

13% spot and **15%** FX-neutral y/y growth

17% spot and **19%** FX-neutral y/y growth excluding eBay

3-year spot CAGR of **26%**

3-year ex-eBay spot CAGR of **29%**

Revenue

\$6.5B

7% spot and **8%** FX-neutral y/y growth

15% y/y growth excluding eBay

3-year spot CAGR of **16%**

3-year ex-eBay spot CAGR of **22%**

Non-GAAP EPS⁽¹⁾

\$0.88

28% decrease y/y

Includes ~20 cent per share headwind from lower eBay transaction margin dollars and ~3 cent drag from suspension of transactional services in Russia

3-year CAGR of **10%**

Free Cash Flow⁽¹⁾

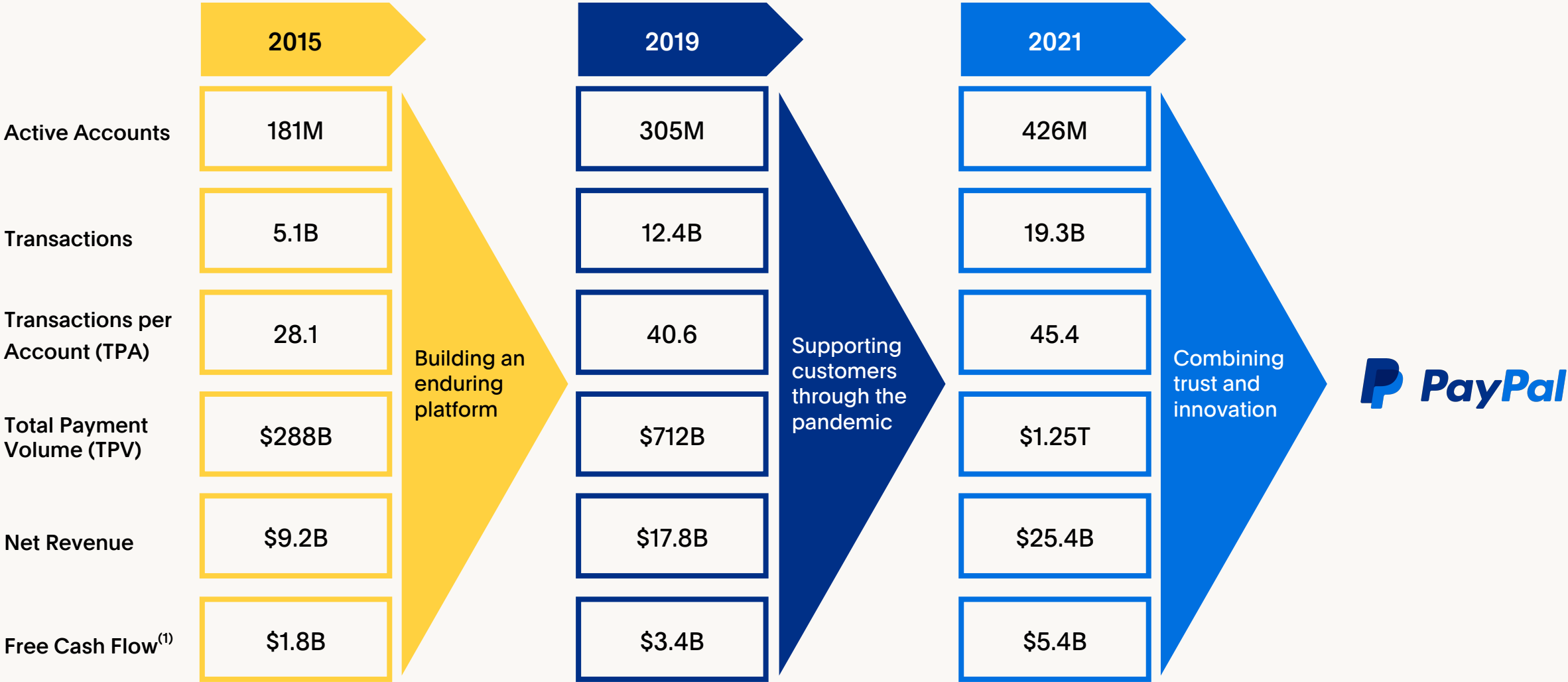
\$1.1B

32% decrease y/y

16% as % of revenue

(1) Non-GAAP earnings per share and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

PayPal delivers results at massive scale



(1) Free cash flow is a non-GAAP financial measure. Please see the Reconciliation of Operating Cash Flow to Free Cash Flow within Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

PayPal's evolution into today's global payments leader

Rapid innovation increases engagement

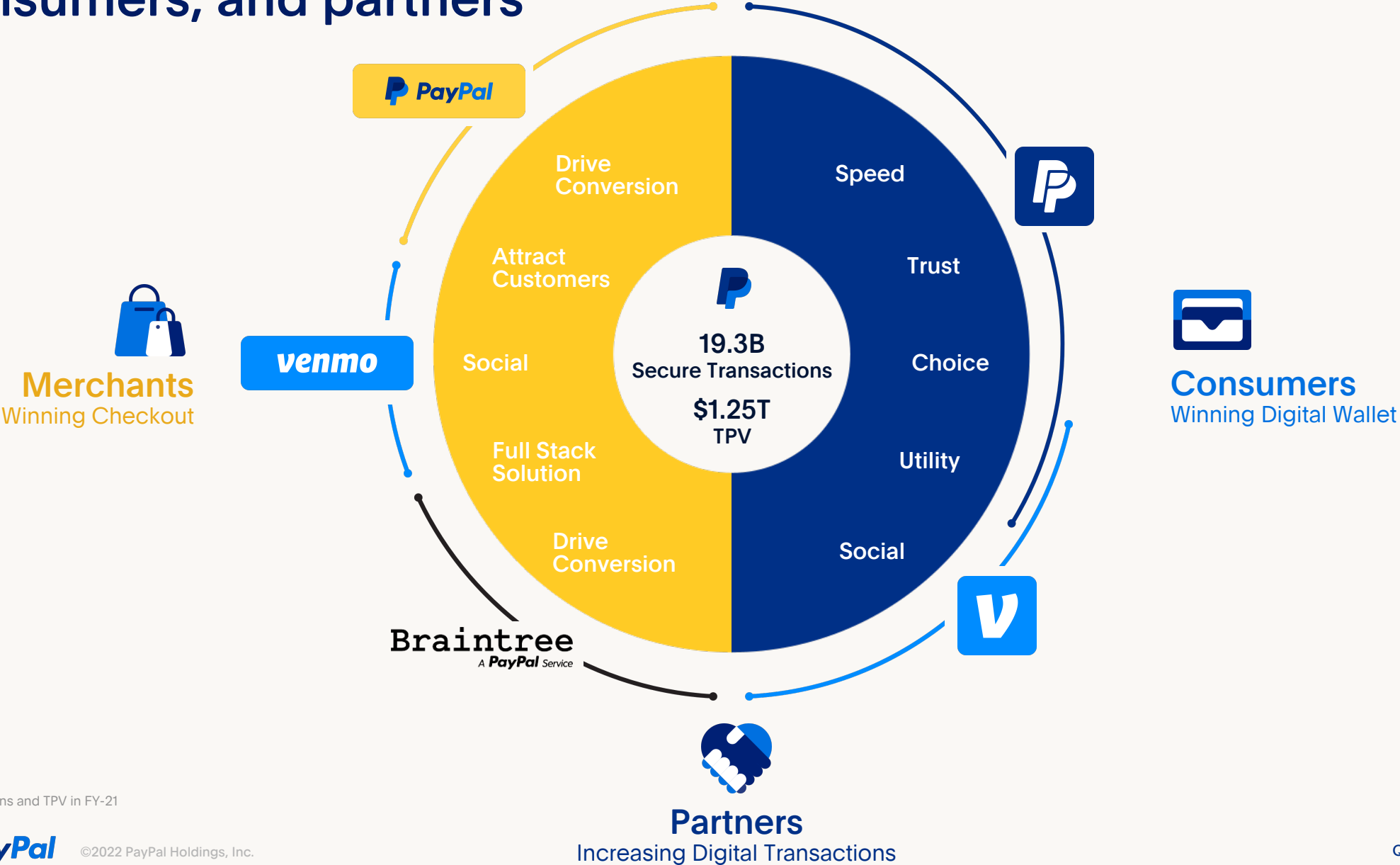
PayPal has remained at the forefront of the digital payment revolution for more than 20 years

By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering nearly 430 million consumer and merchant accounts in more than 200 markets to join and thrive in the global economy

- Consumer
- Merchant
- Consumer + Merchant



PayPal is driving a digital payments paradigm for merchants, consumers, and partners



(1) Transactions and TPV in FY-21

M&A spotlight: Happy Returns

Milestones since acquisition

- Happy Returns provides returns software and reverse logistics—featuring a nationwide network of in-person Return Bar locations—removing friction from returning online purchases for consumers, merchants, and the environment
- Leveraging an incubated integration style has provided Happy Returns space to focus on growth, user experience, product-market fit and Go-To-Market strategies with PayPal
- Expanded access to Happy Returns, making its returns portal available to all PayPal Checkout merchants at no extra cost⁽¹⁾
- Increased number of in-person returns at Return Bars nearly 4x⁽²⁾
- With the addition of Ulta Beauty's 1,300 locations in the U.S., the number of Return Bar locations has nearly doubled since acquisition to more than 5,000



MERCHANTS

The number of merchants doubled from 2020 to 2021



RETURN BARS

78% of Americans now live within a 10-mile radius of a Return Bar location





REVOLVE

Full service merchant support

PayPal is supporting next-generation fashion retailer REVOLVE's customer journey from checkout to post purchase.

REVOLVE customers can now checkout with Venmo and PayPal at REVOLVE.com, where transactions are processed by Braintree. Happy Returns makes it easy when the item isn't just right, supporting REVOLVE's returns in the U.S.

Now, REVOLVE is extending the online experience in-person by leveraging Zettle terminals to offer Venmo QR codes, Venmo Debit and Venmo Credit Card payments at the REVOLVE Social Club pop-up in Los Angeles, where Braintree is the exclusive processing provider. Since opening in March, nearly half of the payments at the pop-up have been through Venmo QR codes.

ESG Updates

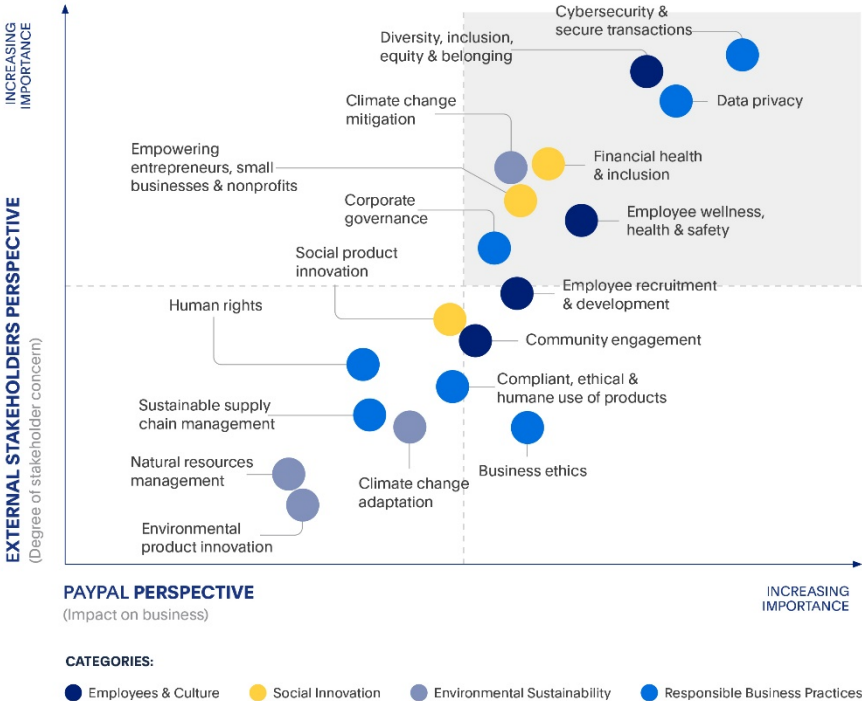
Q1-22

2021 Global Impact Report

Transparently reporting our environmental, social and governance (ESG) progress

Our ESG priorities

- Our ESG strategy is based on the regular assessment and prioritization of the important non-financial issues designated by our business and our stakeholders as important for PayPal's long-term success and societal impact.
- We conduct a high-level review annually and an in-depth materiality analysis every few years. The findings from our assessment serve as a key input to help us strategically deploy resources across the enterprise and refine our programs. Our 2021 review did not elicit any significant changes to our Materiality Map.⁽¹⁾



PayPal's fifth annual Global Impact Report

- Our 2021 Global Impact Report covers ESG strategies, activities, progress, metrics and performance for calendar year 2021, unless otherwise noted.
- We continue to evaluate internationally recognized standards and have aligned our reporting to the frameworks identified here.



Report available for download

[Download](#) →



⁽¹⁾ The term "material" and variations thereof refer to materiality within the context of our ESG strategies, activities, progress, metrics and performance. Such term is distinct from, and does not refer to, concepts of materiality used in securities or other applicable law. As designated by those topics located in the shaded, upper right-hand quadrant of our materiality map.

2021 Global Impact Report

ESG highlights across our four key pillars



Employees & Culture

Investing in employee health and wellness

- Provided new health and wellness benefits including a global COVID-19 testing and vaccine reimbursement program, on-site vaccination clinics, and additional Global Wellness Days for employees
- Increased employee financial wellness through financial education sessions, early wage access, and additional financial wellness grants



Social Innovation

Driving inclusive economic empowerment

- Facilitated \$3.6B in access to capital for small- and medium-sized businesses (SMBs) in 2021
- Allocated 100% of our \$535M commitment to help address racial and economic inequality, including \$400M in treasury investments under our Economic Opportunity Fund



Environmental Sustainability

Advancing climate actions across our supply chain

- Set Science-Based Targets (SBT) for our greenhouse gas (GHG) emissions with a long-term goal of reaching net-zero by 2040, and made progress on our medium-term goals, including matching 100% of our global data center energy use with renewable generation sources two years ahead of schedule⁽¹⁾ and engaged with 200+ vendors to promote science-based climate action



Responsible Business Practices

Protecting customers and innovating responsibly

- Achieved a record-low transaction loss rate of 0.09%⁽²⁾
- Contributed to emerging best practices regarding blockchain technology, including facilitating responsible access, educational resources and contributing to the development of accounting measurements for GHG emissions

Merchant Spotlight: Sapling & Flint

To elevate and celebrate their Indigenous culture and foster economic growth in their Six Nations of the Grand River community, twin sisters Dakota and Jesse Brant launched Sapling & Flint, a Canadian jewelry brand inspired by Haudenosaunee heritage.

As long-time PayPal users, the Brants have relied on PayPal's secure and trusted checkout experience and invoicing services – even when pandemic lockdowns changed their business plans – to grow their business globally and receive payments quickly and seamlessly.

Read more about the unique SMBs who use the PayPal platform in the [Monthly SMB Spotlight](#) from Jim Magats, SVP, Omni Payments



Supporting Ukraine relief efforts

Fundraising and expanding PayPal's services to help Ukraine humanitarian efforts



~\$500M has been donated with PayPal

Since the beginning of the crisis in Ukraine, PayPal and our charity partners have helped raise ~\$500 million for organizations providing humanitarian aid within Ukraine and refugee support.

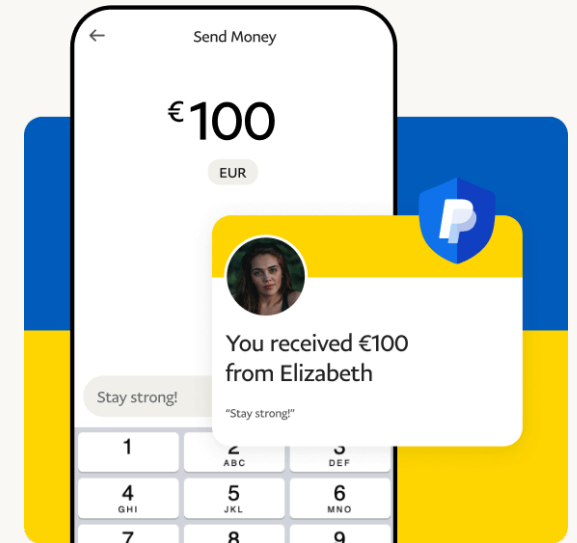
These relief organizations include the International Rescue Committee (IRC), UN High Commissioner for Refugees (UNHCR), Direct Relief, Save the Children and many others working on the ground in Ukraine and with refugees in surrounding nations.

PayPal giving campaigns are now actively raising humanitarian relief funds from donors in Australia, Brazil, Canada, France, Germany, Ireland, Italy, the Netherlands, Poland, Spain, the U.K. and the U.S.



Rapid expansion of critical PayPal services

- Expanded send and receive peer-to-peer (P2P) payments between friends and family for Ukrainian customers that supplement existing PayPal and Xoom services available in Ukraine
- Temporarily waived fees for customers sending funds to Ukrainian PayPal accounts or receiving funds into Ukrainian PayPal accounts
- Ukrainian customers can transfer funds from their PayPal Wallet to eligible Mastercard and Visa debit and credit cards
- Ukrainian customers who have traveled to other countries to seek refuge will be able to access these services by establishing a Ukrainian PayPal Wallet



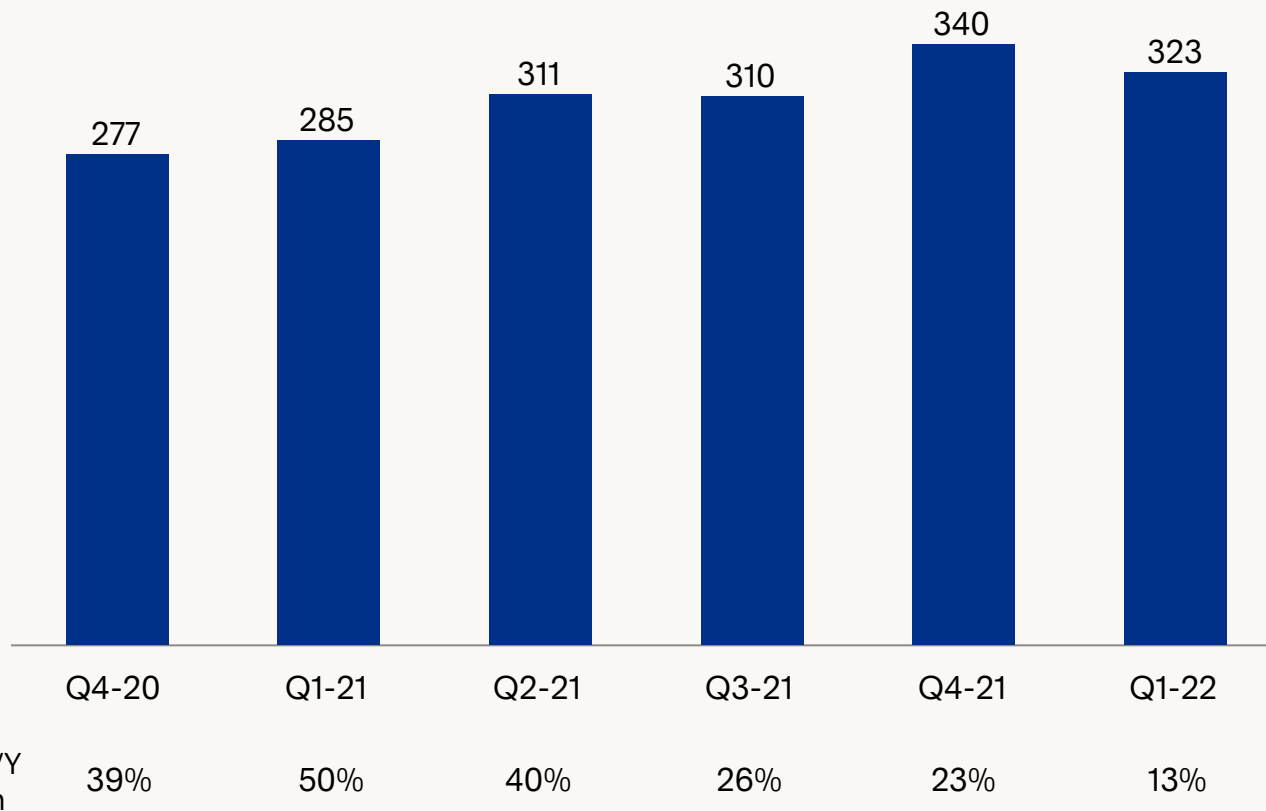
Business Updates

Q1-22

Q1-22 Total Payment Volume (TPV)

3-year CAGR of 26% at spot and 29% ex-eBay

Total Payment Volume (TPV) (\$B)

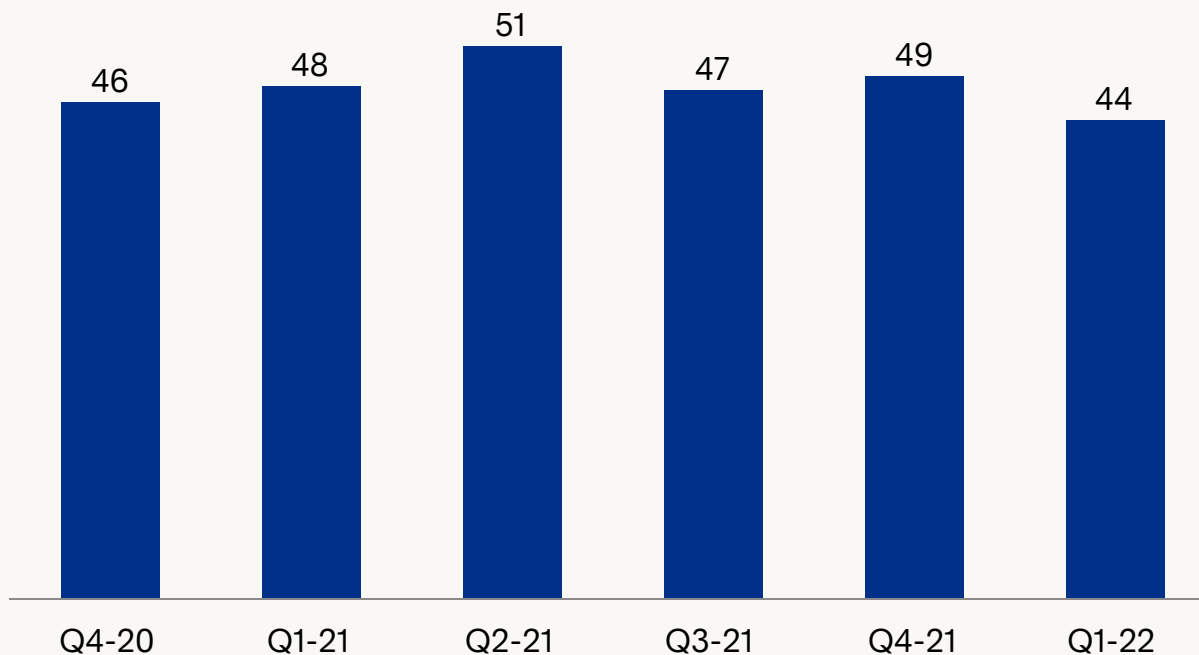


- TPV increased 13% on a spot basis and 15% FXN to \$323 billion
 - 3-year CAGR of 26% at spot, with volume processed in the quarter doubling between Q1-19 to Q1-22
- Excluding eBay, TPV increased 17% on a spot basis and 19% FXN; ex-eBay 3-year CAGR of 29% at spot
- P2P volume, which includes PayPal, Venmo, and Xoom, increased 6% to \$89B and represented 28% of TPV; 3-year CAGR of 28% at spot
- Venmo volume increased 12% to \$58B, on top of 63% growth in Q1-21; 3-year CAGR of 40% at spot

Q1-22 TPV: Cross-Border Trade (CBT)

3-year CAGR of 15% at spot and 18% ex-eBay

Cross-Border Trade TPV⁽¹⁾ (\$B)



- CBT TPV was \$44 billion in Q1-22, down 4% on an FX-neutral basis
 - Excluding eBay, FXN cross-border TPV increased 4%, on top of 41% growth in Q1-21
 - Key corridors in Q1-22 include intra-European corridors and U.K. to EU, and U.S. to Philippines
 - CBT TPV represented 14% of TPV in Q1-22, compared to 17% in Q1-21

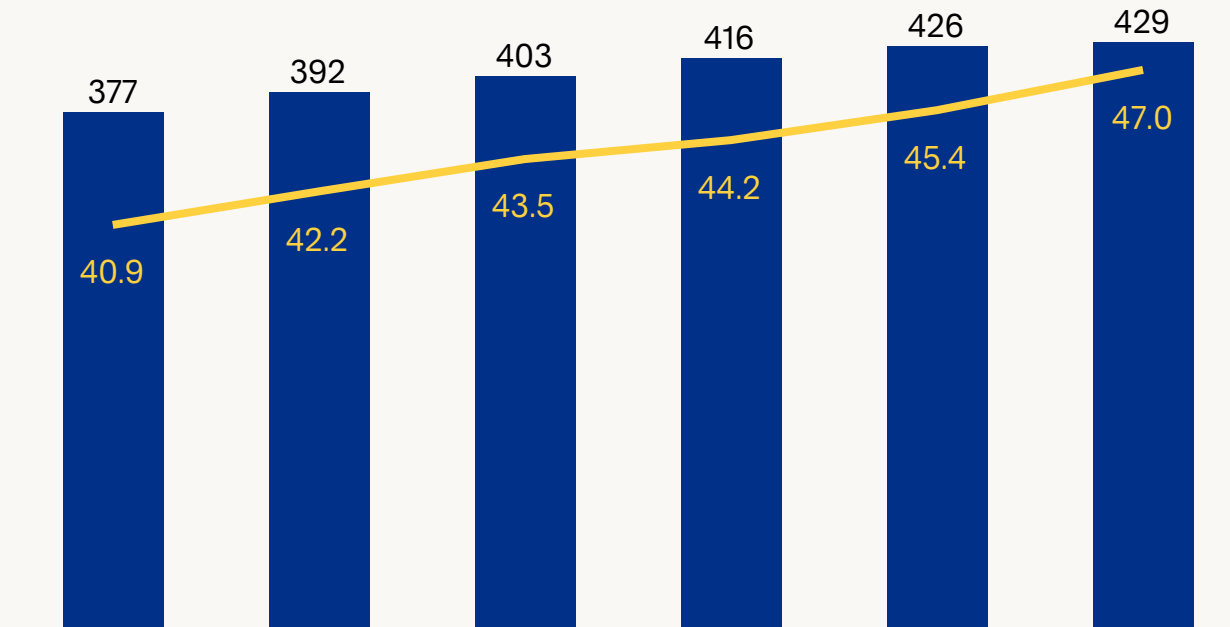
	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
Y/Y Growth	35%	51%	38%	19%	5%	(7)%
FXN Y/Y Growth	31%	44%	30%	17%	7%	(4)%
Share of Total TPV	17%	17%	16%	15%	14%	14%
ex-eBay FXN Y/Y Growth	29%	41%	28%	19%	14%	4%

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

Q1-22 Customer Engagement⁽¹⁾

Transactions per active account reached 47.0, growing 11%

Active Accounts (M) and Customer Engagement (TPA)



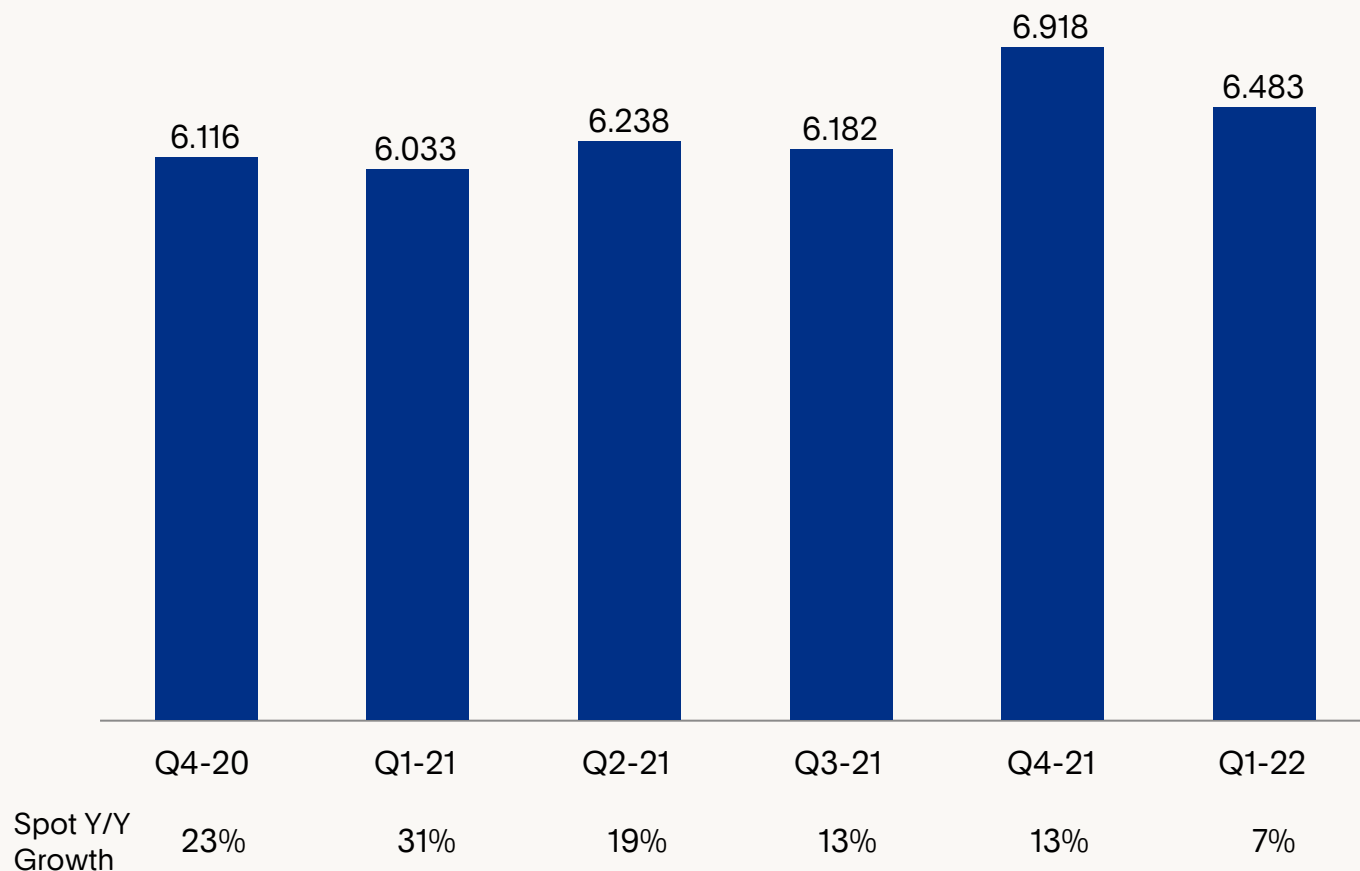
Y/Y Growth	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
Active Accounts	24%	21%	16%	15%	13%	9%
TPA	1%	7%	11%	10%	11%	11%
Transactions	27%	34%	27%	22%	21%	18%

- Ended the quarter with 429 million active accounts, up 9%, including 35 million merchant accounts
- Added 2.4 million net new active accounts in Q1-22, primarily driven by Venmo. Includes impact from pull back on incentive-driven campaigns, leading to minimally engaged users naturally rolling off
- Processed 5.2 billion payment transactions during Q1-22, up 18%, despite 54% decline in eBay transactions. Excluding eBay, transactions grew 24%
- In Q1-22, 11% growth in TPA was driven by strong transaction growth from Braintree. Growth of core PayPal also helped to offset decline in eBay transactions
- PayPal Core daily active accounts increased ~13% on a 3-year CAGR basis, indicating continued daily customer activity growth even as economies reopen

Q1-22 Revenue

3-year CAGR of 16% at spot and 22% excluding eBay

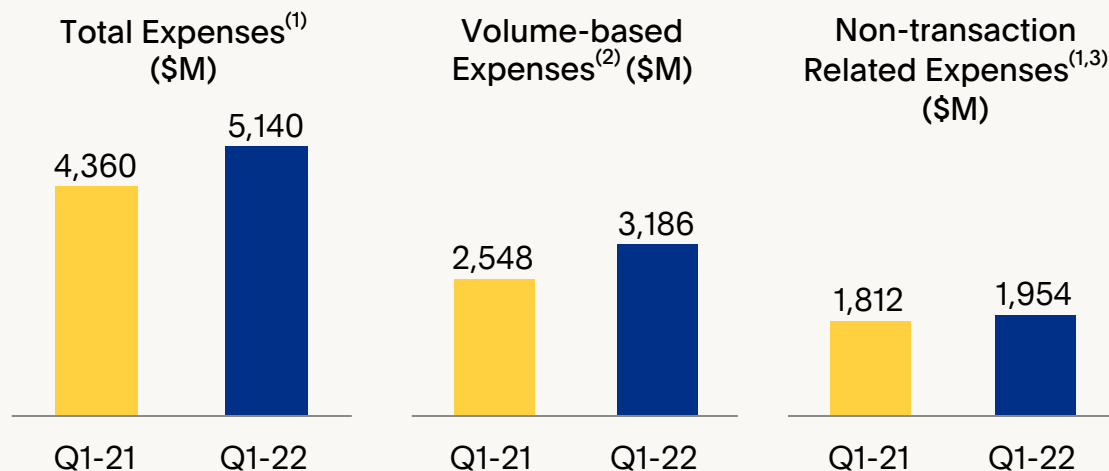
Total Revenue (\$B)



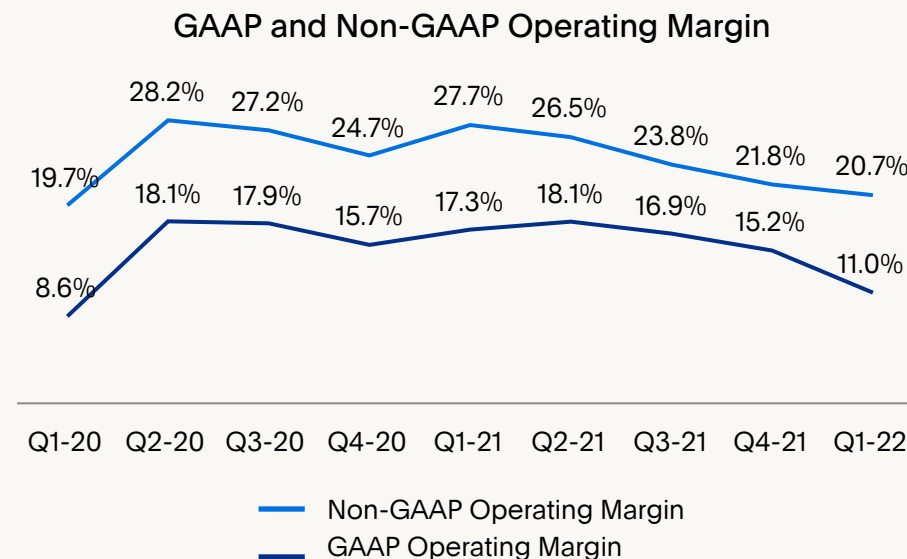
- Total revenue grew 7% at spot and 16% on a 3-year CAGR basis
 - Excluding eBay, revenue grew 15%, and 22% on a 3-year CAGR basis
 - Transaction revenue grew 7%, driven primarily by Braintree. Excluding eBay, transaction revenue grew 15%
 - Other Value Added Services (OVAS) revenue increased 18%
- Total take rate down 11 bps year over year. Decline driven by lower eBay volume/yield (6bps), FX fees, and Braintree mix, with benefit from product mix (e.g., Venmo), FX hedge gain, and pricing
 - eBay volumes declined 48% and eBay take rate in Q1-22 was 2.34% vs. 3.61% in Q1-21
- Hedging gains, recognized in international transaction revenue, were \$47 million in Q1-22 versus hedging losses of \$59 million in Q1-21
- Exiting Q1, at exchange rates as of March 31, 2022, we estimate that our derivative positions will result in the recognition of \$185 million of hedging gains in international transaction revenue over the next 12 months

Q1-22 Non-GAAP Expense Detail

Non-GAAP operating margin of 20.7%



	Q1-21	Q1-22	Q1-21	Q1-22	Q1-21	Q1-22
Y/Y Growth	17.5%	17.9%	9.4%	25.0%	31.3%	7.8%
% of Revenue	72.2%	79.2%	42.2%	49.1%	30.0%	30.1%



- Volume-based expenses grew 25.0%, resulting from increased funding costs driven by volume and funding mix, and lapping the release of \$84 million dollars of credit reserves in Q1-21
- Non-transaction related expenses grew 7.8%, representing 30.1% of revenue, which was flat to Q1-21, driven by increased spend on technology and development - offset by leverage across customer support and operations, sales and marketing, and general and administrative expenses
- Non-GAAP operating margin of 20.7%, contracting ~700bps vs. record non-GAAP operating margin performance in Q1-21 of 27.7%, driven primarily by a higher transaction expense rate from volume mix (lower eBay volumes offset by Braintree growth) as well as lapping credit reserve release and increased investment in technology and development

(1) Non-GAAP operating margin and expenses presented on a non-GAAP basis are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

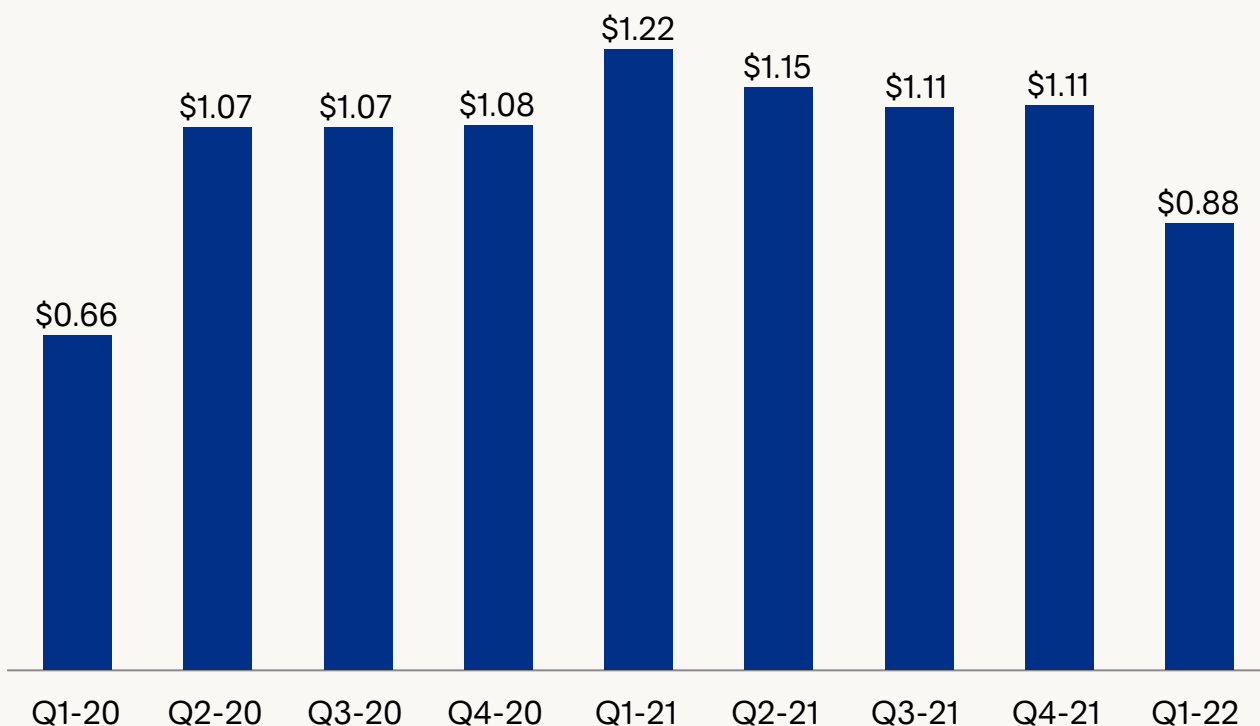
(2) Volume-based expenses include transaction expense and transaction and credit losses.

(3) Non-transaction related expenses include customer support & operations, sales & marketing, technology & development, and general & administrative.

Q1-22 EPS

Non-GAAP EPS of \$0.88, down 28% y/y and 3-year CAGR of 10%

Non-GAAP EPS⁽¹⁾



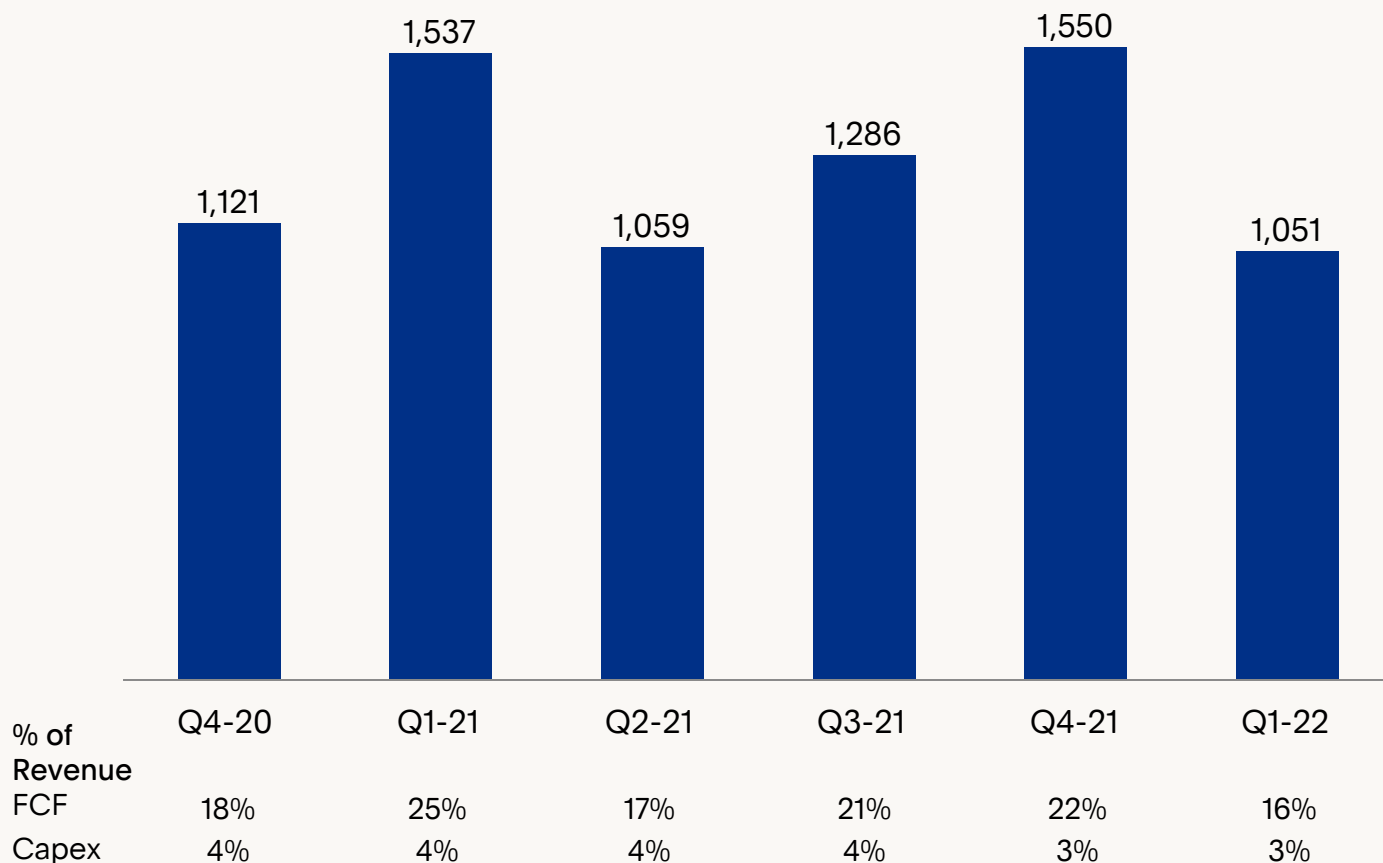
- GAAP and non-GAAP EPS includes a ~\$0.03 drag resulting from the suspension of transactional services in Russia and ~\$0.20 headwind from lower eBay transaction margin dollars
- GAAP and non-GAAP EPS includes a ~\$0.06 benefit from release of credit loss reserves in Q1-21
- Q1-22 non-GAAP effective tax rate increased to 17.2% from 10.4% in Q1-21
- In Q1-22, the combination of a higher non-GAAP effective tax rate and lower other income (expense) was a ~\$0.10 drag on non-GAAP EPS relative to Q1-21
- Q1-22 GAAP EPS of \$0.43, including ~\$0.02 of impact from net gains related to strategic investments compared to a net loss of ~\$0.09 in Q1-21

(1) Non-GAAP EPS is a non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure

Q1-22 Free Cash Flow

FCF of \$1.05 billion, 32% decrease

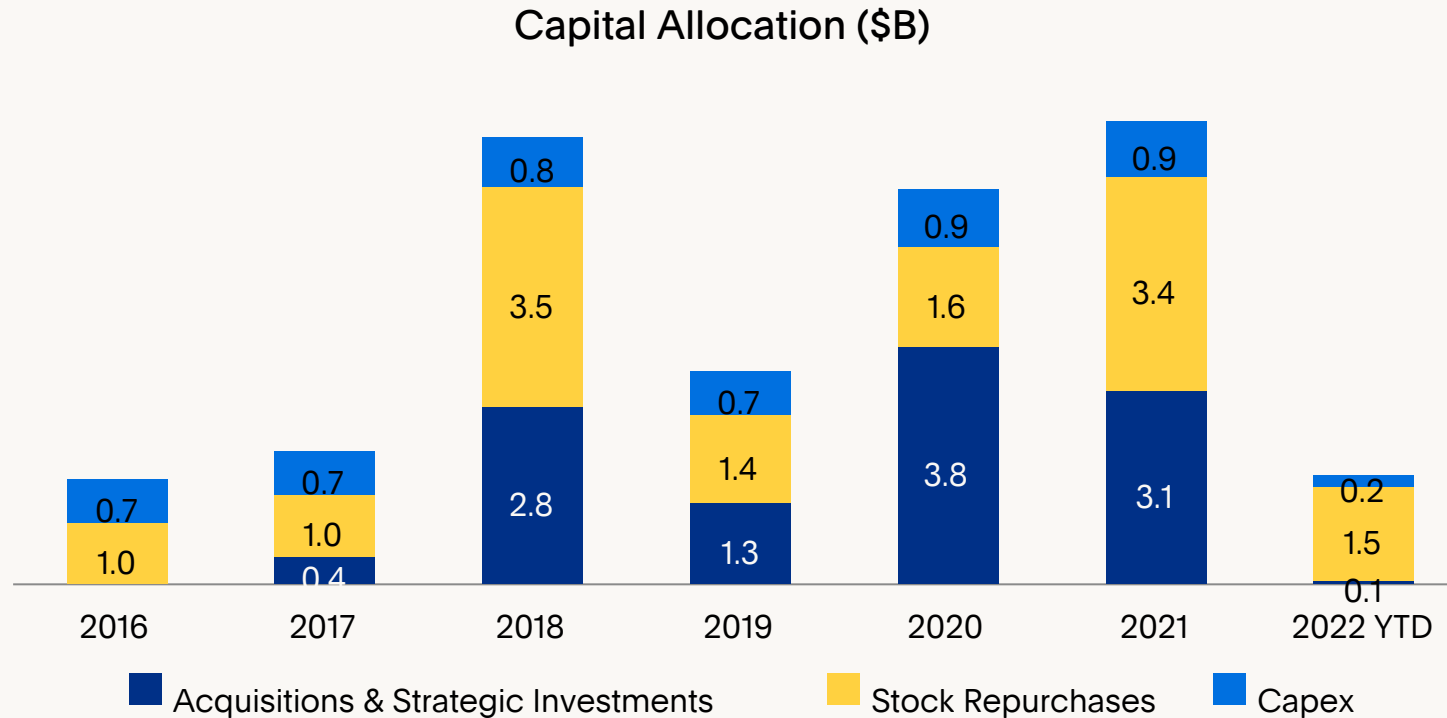
Free Cash Flow⁽¹⁾ (\$M)



- Free Cash Flow (FCF) of \$1.05 billion in Q1-22, decreasing 32%, driven by lower cash earnings and unfavorable changes in working capital relative to Q1-21
- In the first quarter of 2022, for every \$1 of revenue, PayPal generated 16 cents of FCF
- \$15.1 billion in cash and cash equivalents (\$4.9B), short-term (\$3.1B) and long-term investments (\$7.1B)
- Long-term debt of ~\$8.2 billion and short-term debt of ~\$1.0 billion (due in September 2022) as of March 31, 2022

(1) Free cash flow is a non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Q1-22 Capital Allocation



- Generated ~\$25 billion in FCF since becoming an independent company in July 2015
- In Q1-22, returned \$1.5 billion in capital to stockholders by repurchasing ~11 million shares at an average price of \$133.93 per share
- Since separation, repurchased ~143 million shares of common stock, returning \$13.4 billion in capital to stockholders at an average price of \$93.89 per share

FY-22 Guidance

Excluding eBay, revenue expected to grow ~15%-17%, on top of ~29% in 2021

Net Revenue Growth ⁽¹⁾	~11%-13%
Non-GAAP EPS	~\$3.81-\$3.93
Free Cash Flow (\$B)	>\$5.0

- GAAP EPS of ~\$2.19-\$2.34, which includes ~\$140M impact from restructuring and other charges associated with strategic initiatives intended to optimize global operations and enhance operating efficiency. This includes \$36M of charges incurred in Q1-22
 - As a result of these efforts, management estimates a ~\$260M reduction in annualized employee-related costs associated with the impacted workforce. A portion of the reduction in these costs is expected to be reinvested in the business

- **NNAs:** Expect to add ~10 million NNAs in FY-22
 - Focus on sustainable, high quality growth to drive engagement and increased revenue per active account
 - Pull back on incentive-driven campaigns with low ROI; let minimally engaged users naturally roll off
- **TPV:** Expect TPV growth to be in the range of ~13%-15% at spot and ~15-17% FXN
- **Revenue:** Expect revenue growth of ~11%-13% at spot and FXN, which includes an expected eBay revenue decline of ~\$725M (Q1-22 decline of ~\$380M, with ~\$230M expected in Q2-22 and remainder in H2-22)
 - Excluding eBay, revenue expected to grow ~15%-17% at spot. Expect 3-year ex-eBay spot CAGR of ~22%
- **Non-GAAP Operating Margin:** Expect op margin of ~20%
 - Driven by volume and funding mix (including eBay decline), lapping ~125bps credit reserve release benefit, and provision build from more normalized credit growth, partially offset by opex leverage
- **EPS:** Expect non-GAAP EPS to be in the range of ~\$3.81-\$3.93, which includes a 12-point headwind from reserve releases and taxes, compared to \$4.60 in FY-21
- Non-GAAP effective tax rate of ~16-18%
- Capex of ~3% of revenue

(1) Year-on-year growth rate. On a spot and FXN basis

Non-GAAP EPS, non-GAAP operating margin and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Q2-22 Guidance

Excluding eBay, revenue expected to grow ~14% on top of 32% in Q2-21

Net Revenue	~\$6.8B
Net Revenue Growth ⁽¹⁾	~9%
Non-GAAP EPS	~\$0.86

- **Revenue:** Expect revenue growth of ~9% at spot and FXN to ~\$6.8B
 - On an ex-eBay basis, revenue expected to grow ~14%, on top of 32% growth in Q2-21. Expected 3-year spot CAGR of ~22%
- **EPS:** Expect GAAP EPS of ~\$0.44-\$0.46, compared to \$1.00 in the prior year period, and non-GAAP EPS of ~\$0.86, compared to \$1.15 in the prior year period
 - In the second quarter of 2021, GAAP EPS included a net gain of ~\$0.20 relating to PayPal's strategic investment portfolio
 - In the second quarter of 2021, GAAP EPS and non-GAAP EPS included ~\$0.11 from release of credit loss reserves
 - GAAP EPS guidance does not include any expectation of net realized and unrealized gains and losses on PayPal's strategic investment portfolio

(1) Year-on-year growth rate. On a spot and FXN basis

Non-GAAP EPS, non-GAAP operating margin and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Supplemental Information

Q1-22 PayPal Metrics⁽¹⁾

(in millions, except %)

	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
Active Accounts	377	392	403	416	426	429
Y/Y Growth	24%	21%	16%	15%	13%	9%
Net New Active Accounts	16.0	14.5	11.4	13.3	9.8	2.4
Number of Payment Transactions	4,408	4,371	4,735	4,900	5,343	5,161
Y/Y Growth	27%	34%	27%	22%	21%	18%
Total Payment Volume	\$277,072	\$285,447	\$310,992	\$309,910	\$339,530	\$322,981
Y/Y Growth	39%	50%	40%	26%	23%	13%
FXN Y/Y Growth	36%	46%	36%	24%	23%	15%
US TPV	\$162,931	\$171,124	\$188,506	\$192,428	\$211,323	\$207,845
Y/Y Growth	37%	46%	42%	29%	30%	21%
International TPV	\$114,141	\$114,323	\$122,486	\$117,482	\$128,207	\$115,136
Y/Y Growth	41%	56%	38%	21%	12%	1%
FXN Y/Y Growth	35%	45%	26%	18%	14%	5%
Total Take Rate	2.21%	2.11%	2.01%	1.99%	2.04%	2.01%
Transaction Take Rate	2.05%	1.97%	1.86%	1.81%	1.88%	1.86%
Transaction Expense Rate	0.84%	0.80%	0.81%	0.83%	0.87%	0.87%
Transaction and Credit Loss Rate	0.13%	0.10%	0.05%	0.09%	0.10%	0.11%
Transaction Margin	55.9%	57.8%	56.8%	54.2%	52.3%	50.9%

- 45% of active accounts were outside the U.S. as of March 31, 2022
- Average Payment Volume (APV) was \$63, down 4% y/y, driven primarily by higher Braintree mix
- Total take rate down 11 bps year over year. Decline driven by lower eBay volume/yield (6bps), FX fees, and Braintree mix, with benefit from product mix (e.g., Venmo), FX hedge gain, and pricing
- Transaction expense rate inflation of ~8bps year over year driven primarily by volume mix effects from eBay, Braintree, and normalization in funding mix with lower debit usage.
 - eBay volumes declined 48% and eBay take rate in Q1-22 was 2.34% vs. 3.61% in Q1-21

(1) Definitions included in Supplemental Information.

Q1-22 Financial Detail

<i>(in millions, except %)</i>	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
Transaction Revenue	\$5,682	\$5,621	\$5,797	\$5,607	\$6,377	\$5,998
Y/Y Growth	25%	33%	17%	10%	12%	7%
Other Value Added Services (OVAS)	\$434	\$412	\$441	\$575	\$541	\$485
Y/Y Growth	2%	2%	40%	50%	25%	18%
Total Revenue	\$6,116	\$6,033	\$6,238	\$6,182	\$6,918	\$6,483
Y/Y Growth	23%	31%	19%	13%	13%	7%
FXN Y/Y Growth	23%	29%	17%	13%	13%	8%
US Revenue Y/Y Growth	18%	24%	23%	23%	27%	20%
International Revenue FXN Y/Y Growth	29%	35%	10%	2%	(1%)	(5%)
% International	50%	49%	48%	44%	44%	43%
Volume-based expenses	\$2,696	\$2,548	\$2,693	\$2,832	\$3,302	\$3,186
Non-transaction related expenses	\$1,910	\$1,812	\$1,891	\$1,880	\$2,109	\$1,954
Total Operating Expenses⁽¹⁾	\$4,606	\$4,360	\$4,584	\$4,712	\$5,411	\$5,140
Y/Y Growth	22%	18%	21%	19%	17%	18%
Non-GAAP Op. Income⁽¹⁾	\$1,510	\$1,673	\$1,654	\$1,470	\$1,507	\$1,343
Non-GAAP Op. Margin %⁽¹⁾	25%	28%	27%	24%	22%	21%
Non-GAAP EPS⁽¹⁾	\$1.08	\$1.22	\$1.15	\$1.11	\$1.11	\$0.88
Y/Y Growth	29%	84%	8%	4%	4%	(28)%
CAPEX	\$226	\$221	\$247	\$227	\$213	\$191
Free Cash Flow⁽¹⁾	\$1,121	\$1,537	\$1,059	\$1,286	\$1,550	\$1,051

(1) Non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP EPS, and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Q1-22 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

	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
	\$ 117	\$ 190	\$ 237	\$ 61	\$ (48)	\$ (123)
	(38)	(59)	(89)	(44)	2	47
	79	131	148	17	(46)	(76)
	(50)	(73)	(101)	(29)	22	57
	\$ 29	\$ 58	\$ 47	\$ (12)	\$ (24)	\$ (19)

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

Net charge-offs⁽²⁾

Reserve build (release)⁽³⁾

Credit Losses

	\$ 78	\$ 76	\$ 52	\$ 38	\$ 53	\$ 52
	—	(84)	(156)	(63)	(9)	(5)
	\$ 78	\$ (8)	\$ (104)	\$ (25)	\$ 44	\$ 47

(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.

(2) Net charge-offs includes the 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.

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended									Year Ended December 31,				
		March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	2021	2020		2019
GAAP operating expenses:															
Transaction expense		\$ 2,817	\$ 2,952	\$ 2,564	\$ 2,524	\$ 2,275	\$ 2,330	\$ 2,022	\$ 1,843	\$ 1,739	\$ 1,913	\$ 10,315	\$ 7,934	\$ 6,790	(a) Stock-based compensation expense.
Transaction and credit losses		369	350	268	169	273	366	344	440	591	381	1,060	1,741	1,380	
Customer support and operations		534	532	504	521	518	507	449	423	399	438	2,075	1,778	1,615	(b) Employer payroll taxes on stock-based compensation.
Sales and marketing		594	666	549	628	602	605	471	414	371	400	2,445	1,861	1,401	
Technology and development		815	796	755	746	741	732	674	631	605	558	3,038	2,642	2,085	(c) Amortization and impairment of acquired intangible assets.
General administrative		607	570	498	522	524	569	503	512	486	472	2,114	2,070	1,711	
Restructuring and other changes		36	2	1	1	58	44	19	47	29	—	62	139	71	
Total operating expenses		\$ 5,772	\$ 5,868	\$ 5,139	\$ 5,111	\$ 4,991	\$ 5,153	\$ 4,482	\$ 4,310	\$ 4,220	\$ 4,162	\$ 21,109	\$ 18,165	\$ 15,053	(d) Restructuring.
Non-GAAP operating expense adjustments:															
Customer support and operations	(a)	(73)	(58)	(56)	(77)	(72)	(71)	(63)	(64)	(52)	(54)	(263)	(250)	(198)	(e) Acquisition related transaction expense.
	(b)	(6)	(2)	(1)	(3)	(16)	(1)	—	(1)	(7)	(1)	(22)	(9)	(9)	
Sales and marketing	(a)	(45)	(41)	(38)	(48)	(48)	(41)	(45)	(47)	(39)	(32)	(175)	(172)	(127)	(f) Net gain related to the sale of our U.S. Consumer Credit receivables portfolio.
	(b)	(5)	(1)	(2)	(5)	(13)	(1)	(1)	(3)	(7)	(1)	(21)	(12)	(12)	
	(c)	(53)	(51)	(39)	(39)	(38)	(40)	(43)	(44)	(43)	(32)	(167)	(170)	(135)	
Technology and development	(a)	(136)	(112)	(117)	(147)	(139)	(145)	(138)	(133)	(113)	(128)	(515)	(529)	(420)	(g) Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company.
	(b)	(12)	(2)	—	(5)	(34)	(2)	(1)	(1)	(17)	(1)	(41)	(21)	(17)	
	(c)	(57)	(58)	(64)	(63)	(61)	(61)	(63)	(64)	(64)	(18)	(246)	(252)	(75)	
General administrative	(a)	(188)	(120)	(100)	(129)	(119)	(130)	(127)	(116)	(87)	(79)	(468)	(460)	(305)	
	(b)	(14)	(3)	(2)	(3)	(26)	(4)	(1)	—	(14)	(1)	(34)	(19)	(16)	
	(c)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(1)	(28)	(28)	(1)	(h) Asset impairment charges for right-of-use lease assets and related leasehold improvements in conjunction with exiting certain leased properties, charges associated with early lease termination, and a charge associated with exiting a leased property.
	(e)	—	—	—	—	—	—	—	—	(20)	(3)	—	(20)	(3)	
	(g)	—	—	—	—	—	—	—	(7)	(11)	(23)	—	(18)	(23)	
Restructuring and other charges	(d)	(20)	—	—	5	(32)	(35)	(19)	(26)	(29)	—	(27)	(109)	(78)	
	(f)	—	—	—	—	—	—	—	—	—	—	—	—	7	
	(h)	(16)	(2)	(1)	(6)	(26)	(9)	—	(21)	—	—	(35)	(30)	—	
Total operating expenses		\$ (632)	\$ (457)	\$ (427)	\$ (527)	\$ (631)	\$ (547)	\$ (508)	\$ (534)	\$ (510)	\$ (374)	\$ (2,042)	\$ (2,099)	\$ (1,412)	
Non-GAAP operating expenses:															
Transaction expense		2,817	2,952	2,564	2,524	2,275	2,330	2,022	1,843	1,739	1,913	\$ 10,315	\$ 7,934	\$ 6,790	
Transaction and credit losses		369	350	268	169	273	366	344	440	591	381	1,060	1,741	1,380	
Customer support and operations		455	472	447	441	430	435	386	358	340	383	1,790	1,519	1,408	
Sales and marketing		491	573	470	536	503	523	382	320	282	335	2,082	1,507	1,127	
Technology and development		610	624	574	531	507	524	472	433	411	411	2,236	1,840	1,573	
General and administrative		398	440	389	383	372	428	368	382	347	365	1,584	1,525	1,363	
Total operating expenses		\$ 5,140	\$ 5,411	\$ 4,712	\$ 4,584	\$ 4,360	\$ 4,606	\$ 3,974	\$ 3,776	\$ 3,710	\$ 3,788	\$ 19,067	\$ 16,066	\$ 13,641	

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	2021	2020	2019
GAAP net revenues	\$ 6,483	\$ 6,918	\$ 6,182	\$ 6,238	\$ 6,033	\$ 6,116	\$ 5,459	\$ 5,261	\$ 4,618	\$ 4,961	\$ 25,371	\$ 21,454	\$ 17,772
GAAP operating income	711	1,050	1,043	1,127	1,042	963	977	951	398	799	4,262	3,289	2,719
Stock-based compensation expense and related employer payroll taxes	479	339	316	417	467	395	376	365	336	297	1,539	1,472	1,104
Amortization of acquired intangible assets	117	116	110	109	106	108	113	115	114	51	441	450	211
Restructuring	20	—	—	(5)	32	35	19	26	29	—	27	109	78
Other	16	2	1	6	26	9	—	28	11	23	35	48	16
Acquisition related transaction expense	—	—	—	—	—	—	—	—	20	3	—	20	3
Total non-GAAP operating income adjustments	632	457	427	527	631	547	508	534	510	374	2,042	2,099	1,412
Non-GAAP operating income	\$ 1,343	\$ 1,507	\$ 1,470	\$ 1,654	\$ 1,673	\$ 1,510	\$ 1,485	\$ 1,485	\$ 908	\$ 1,173	\$ 6,304	\$ 5,388	\$ 4,131
GAAP operating margin	11.0 %	15.2 %	16.9 %	18.1 %	17.3 %	15.7 %	17.9 %	18.1 %	8.6 %	16.1 %	16.8 %	15.3 %	15.3 %
Non-GAAP operating margin	20.7 %	21.8 %	23.8 %	26.5 %	27.7 %	24.7 %	27.2 %	28.2 %	19.7 %	23.6 %	24.8 %	25.1 %	23.2 %

Reconciliation of GAAP Net Income 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,		
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	2021	2020	2019
GAAP income before income taxes	\$ 629	\$ 706	\$ 1,165	\$ 1,356	\$ 872	\$ 1,859	\$ 1,144	\$ 1,799	\$ 263	\$ 854	\$ 4,099	\$ 5,065	\$ 2,998
GAAP income tax expense (benefit)	120	(95)	78	172	(225)	292	123	269	179	347	(70)	863	539
GAAP net income	509	801	1,087	1,184	1,097	1,567	1,021	1,530	84	507	4,169	4,202	2,459
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	632	457	427	527	631	547	508	534	510	374	2,042	2,099	1,412
(Gains) losses on strategic investments	(14)	290	(173)	(283)	120	(941)	(209)	(888)	124	(38)	(46)	(1,914)	(208)
Other certain significant gains, losses, or charges	—	—	43	(7)	—	—	—	(17)	259	230	36	242	230
Tax effect of non-GAAP adjustments	(95)	(229)	(65)	(59)	(393)	108	(45)	104	(191)	(85)	(746)	(24)	(371)
Non-GAAP net income	\$ 1,032	\$ 1,319	\$ 1,319	\$ 1,362	\$ 1,455	\$ 1,281	\$ 1,275	\$ 1,263	\$ 786	\$ 988	\$ 5,455	\$ 4,605	\$ 3,522
Shares used in diluted share calculation	1,172	1,183	1,187	1,186	1,190	1,191	1,190	1,184	1,185	1,187	1,186	1,187	1,188
Net income per diluted share:													
GAAP	\$ 0.43	\$ 0.68	\$ 0.92	\$ 1.00	\$ 0.92	\$ 1.32	\$ 0.86	\$ 1.29	\$ 0.07	\$ 0.43	\$ 3.52	\$ 3.54	\$ 2.07
Non-GAAP	\$ 0.88	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.22	\$ 1.08	\$ 1.07	\$ 1.07	\$ 0.66	\$ 0.83	\$ 4.60	\$ 3.88	\$ 2.96
GAAP effective tax rate	19 %	(13)%	7 %	13 %	(26)%	16 %	11 %	15 %	68 %	41 %	(2)%	17 %	18 %
Tax effect of non-GAAP adjustments to net income	(2)%	22 %	— %	2 %	36 %	(3)%	1 %	(2)%	(56)%	(24)%	13 %	(5)%	(2)%
Non-GAAP effective tax rate	17 %	9 %	7 %	15 %	10 %	13 %	12 %	13 %	12 %	17 %	11 %	12 %	16 %

Reconciliation of Operating Cash Flow to Free Cash Flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,			
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	2021	2020	2019	2015
Net cash provided by operating activities	\$ 1,242	\$ 1,763	\$ 1,513	\$ 1,306	\$ 1,758	\$ 1,347	\$ 1,314	\$ 1,772	\$ 1,421	\$ 922	\$ 6,340	\$ 5,854	\$ 4,071	\$ 2,546
Less: Purchases of property and equipment	(191)	(213)	(227)	(247)	(221)	(226)	(241)	(193)	(206)	(174)	(908)	(866)	(704)	(722)
Free cash flow	1,051	1,550	1,286	1,059	1,537	1,121	1,073	1,579	1,215	748	5,432	4,988	3,367	1,824

Q2-22 and FY-22 GAAP and Non-GAAP Guidance

	Three Months Ending June 30, 2022	
	GAAP	Non-GAAP ^(a)
Revenue Growth Rate (Spot)	~9%	~9%
Revenue Growth Rate (FXN)	~9%	~9%
Diluted EPS \$	~\$0.44-\$0.46	~\$0.86

	Twelve Months Ending December 31, 2022	
	GAAP	Non-GAAP ^(b)
Revenue Growth Rate (Spot)	~11-13%	~11-13%
Revenue Growth Rate (FXN)	~11-13%	~11-13%
Diluted EPS \$	~\$2.19-\$2.34	~\$3.81-\$3.93

(a) Estimated non-GAAP amounts for the three months ended June 30, 2022, reflect adjustments of approximately \$590 million, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$370 million.

(b) Estimated non-GAAP amounts for the twelve months ended December 31, 2022, reflect adjustments of approximately \$2.2 billion, primarily representing estimated stock-based compensation expense and related payroll taxes of approximately \$1.6 billion.

Definitions

Our key metrics are calculated using internal company data based on the activity we measure on our platform and may be compiled from multiple systems, including systems that are organically 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 judgment.

We regularly review our processes for calculating these key metrics, and from time to time we may make adjustments to improve their accuracy or relevance. 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 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.

Daily Active Accounts: Daily Active Accounts "DAA" represent the number of Active Accounts that have completed a transaction using our core PayPal payments products and services, including person-to-person payments transfers and checkout transactions, on a given day. DAA is presented as the average daily active accounts during the designated period.

Number of Payment Transactions: 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: 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.

Total Payment Volume: 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.

Total Take Rate: Total take rate is total revenue divided by TPV.

Transaction Take Rate: Transaction take rate is transaction revenue divided by TPV.

Transaction Expense Rate: Transaction expense rate is transaction expense divided by TPV.

Transaction and Credit Loss Rate: Transaction and credit loss rate is transaction and credit loss divided by TPV.

Transaction Margin: Transaction margin is total revenue less transaction expense and transaction and credit loss, divided by total revenue.

