Q1'24 Investor Update

April 30, 2024

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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.

Beginning with the first quarter of 2024, the company's non-GAAP results now include the impact of stock-based compensation (SBC) expense and related employer payroll taxes. Non-GAAP results for 2023, 2022 and 2021 have been recast to reflect this change.

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 ("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 second 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 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 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.

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Positioning PayPal for long-term success

Driving early progress in Q1'24

- Delivered Q1 results ahead of guidance
- Reinvesting in innovation and existing product
- Accelerating speed of execution
- Now including stock-based compensation in non-GAAP results
- Aligning employee incentive plan metrics to profitable growth and shareholder value creation

Priorities for focused execution in FY'24

- Accelerate our branded checkout business
- Improve overall profitability, including higher growth PSP services
- Unlock the power of data to create more value for our customers
- Operate more efficiently

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Principles for value creation

1. Start with the customer
2. Focus on profitable growth
3. Drive operating leverage over time
4. Set measurable goals and communicate consistently
5. Maintain a strong balance sheet and return excess cash

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Q1'24 snapshot

(in millions, except % and per share data)	Q1'24
Total payment volume (TPV)	**$403,860**
Y/Y growth	14%
Revenue	**$7,699**
Y/Y growth	9%
FXN Y/Y growth	10%
Transaction margin $ (TM$)	**$3,461**
Y/Y growth	4%
Non-GAAP operating income[1]	**$1,399**
Non-GAAP operating margin[1]	18.2%
Non-GAAP EPS[1]	**$1.08**

- Revenue +9% on a spot basis and +10% on a currency-neutral basis (FXN) vs. guidance[2] of +6.5% spot and +7% FXN
- TM $ +4%, driven by interest on customer balances, PayPal branded checkout growth, lower losses, and Venmo
- Non-GAAP operating margin[1] expanded 84bps, driven by expense control
- Under our new non-GAAP methodology[1], which includes the impact of stock-based compensation (SBC) expense and related employer payroll taxes, non-GAAP EPS +27% to $1.08 (vs. $0.85 in Q1'23 on the same basis)
    - Under the prior non-GAAP methodology, which excluded the impact of SBC expense and related employer payroll taxes, non-GAAP EPS would have increased 20% to $1.40 (from $1.17 in Q1'23) compared to guidance[2] of a mid-single digit increase

All growth rates reference Q1'24 year-over-year growth unless otherwise noted.

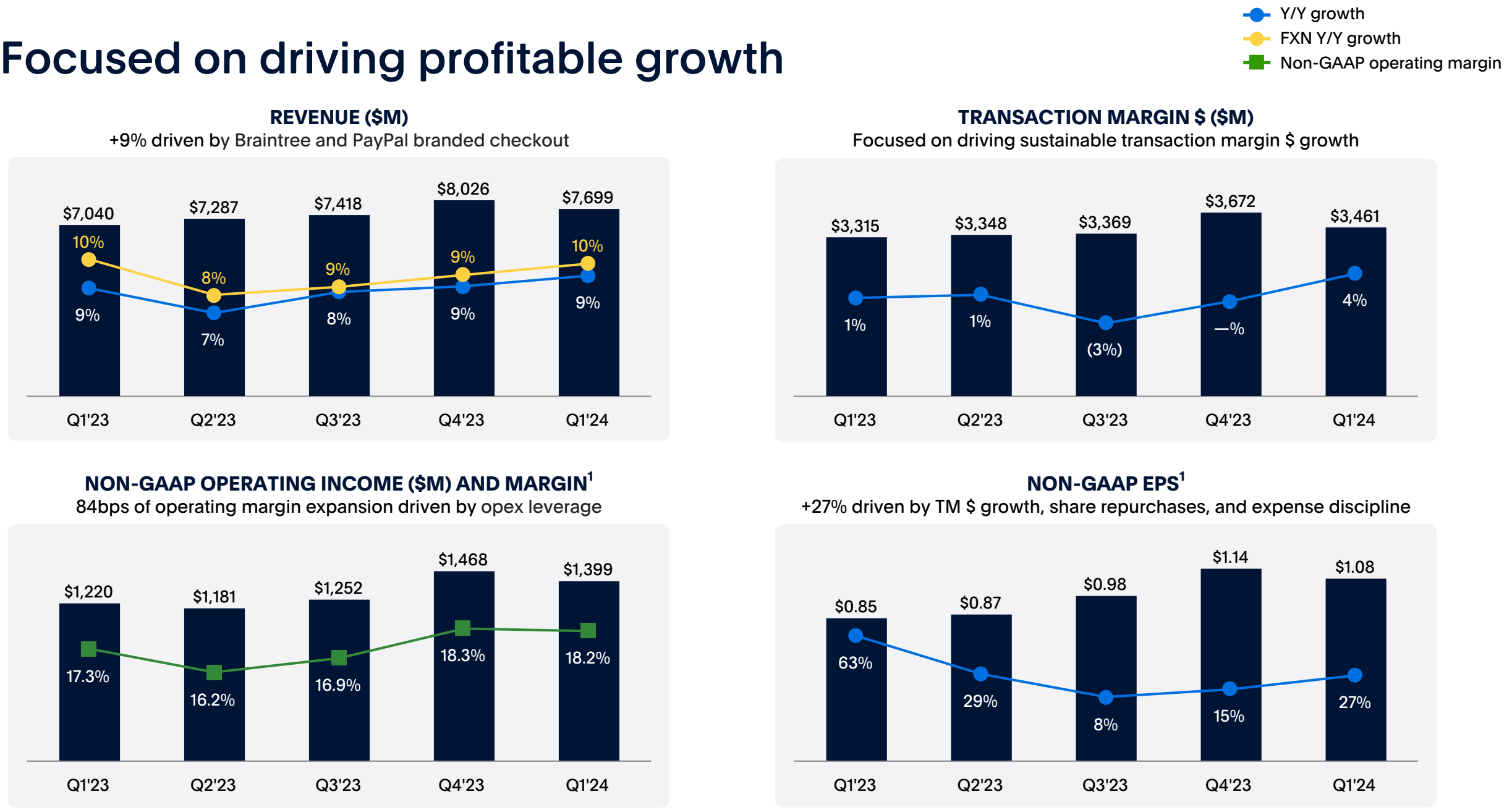
For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Supplemental Information.

(1) As announced on February 7, 2024, non-GAAP results now include the impact of SBC expense and related employer payroll taxes. Non-GAAP results for 2023, 2022, and 2021 have been recast to reflect this change. See slides 13 and 20-22 of this presentation for additional detail and historical reconciliations.

(2) Q1'24 guidance as provided on February 7, 2024.

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Focused on driving profitable growth



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For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Supplemental Information.

(1) Non-GAAP results for 2023, 2022, and 2021 have been recast to reflect the inclusion of SBC and related employer payroll taxes. See slides 13 and 20-22 of this presentation for additional detail and historical reconciliations.

Account and activity metrics[1]

(in millions, except % and TPA)	Q1'24
Active accounts[2]	**427**
Y/Y growth	(1%)
Monthly active accounts (MAA)[3]	**220**
Y/Y growth	2%
Number of payment transactions	**6,505**
Y/Y growth	11%
Transactions per active account (TPA)[4]	**60.0**
Y/Y growth	13%
TPA ex. PSP (unbranded card processing)[4]	**33.9**
Y/Y growth	7%

- Active accounts[2] +0.4% (+2M) sequentially, driven by lower churn vs. FY'23 and includes growth in PayPal merchant and consumer accounts
- MAA[3] +2%, driven by Venmo and PayPal consumer accounts
  - -1.5% sequentially, driven by normal holiday seasonality
- TPA[4] +13%, driven by Braintree transaction growth
- TPA ex. PSP[4] +7%, reflecting improved engagement vs. FY'23, and transaction growth in branded checkout and Venmo

All growth rates reference Q1'24 year-over-year growth unless otherwise noted.

(1) Detailed definitions included on slide 24 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).

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TPV & revenue

(in millions, except %)	Q1'24
TPV	**$403,860**
Y/Y growth	14%
FXN Y/Y growth	14%
Total revenue	**$7,699**
Y/Y growth	9%
FXN Y/Y growth	10%

- TPV +14% on a spot and FXN basis, driven by PSP[1] +26% FXN, PayPal branded checkout[2] +7% FXN, and Venmo +8%
  - PayPal branded checkout TPV includes ~1pt benefit from leap day, and ongoing benefit from global marketplaces
- Transaction revenue +11%, accelerated 2pts sequentially, primarily driven by Braintree with contribution from PayPal branded checkout
- OVAS -2%: interest income growth primarily offset by lower credit revenue and other small parts of the portfolio

Additional detail included in Supplemental Information. All growth rates reference Q1'24 year-over-year growth unless otherwise noted.

(1) PSP TPV (unbranded card processing) 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.

(2) PayPal branded checkout TPV does not include volume associated with eBay or PayPal P2P (peer to peer).

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TPV mix across PayPal's payments platform

		Q1'23 Prior year period	Q4'23 Prior quarter	Q1'24 Current quarter
PayPal branded checkout[1]	FXN GROWTH	6%	5%	7%
	% OF TOTAL	29%	30%	27%
PSP (unbranded card processing)[2]	FXN GROWTH	29%	29%	26%
	% OF TOTAL	33%	35%	37%
Venmo	FXN GROWTH	9%	8%	8%
	% OF TOTAL	18%	17%	17%
P2P ex-Venmo[3]	FXN GROWTH	(6%)	1%	3%
	% OF TOTAL	9%	8%	8%
Other merchant services[4]	FXN GROWTH	6%	12%	13%
	% OF TOTAL	9%	9%	9%
eBay	FXN GROWTH	(8%)	(9%)	(7%)
	% OF TOTAL	2%	2%	2%
Total TPV	FXN GROWTH	12%	13%	14%

1. PayPal branded checkout does not include volume associated with eBay or PayPal P2P (peer to peer).
2. PSP (unbranded card processing) 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.
3. P2P ex-Venmo primarily comprises PayPal P2P volume, with some contribution from Xoom.
4. Other merchant services includes volumes associated with invoicing, Paidy, payouts (including Hyperwallet), point-of-sale solutions (including Zettle), QR code, etc.

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Percent of total may not sum to 100% due to rounding.

Transaction margin and non-GAAP[1,2] operating margin

(in millions, except %)	Q1'24
Transaction margin $	**$3,461**
Y/Y growth	4%
Transaction margin	**45.0%**
Non-transaction related expenses[1,2,3]	**$2,062**
Y/Y growth	(2%)
Non-GAAP operating income[1,2]	**$1,399**
Y/Y growth	15%
Non-GAAP operating margin %[1,2]	**18.2%**

- Transaction margin $ +4%, driven by interest on customer balances, PayPal branded checkout growth, lower losses, and Venmo
- Non-transaction opex -2%, driven by lower headcount and SBC expense, with leverage across customer support & operations, sales & marketing, and general & administrative[3]
  - Some marketing and investment expenses deferred to H2'24
- 84bps of non-GAAP operating margin expansion, driven by expense discipline
- Non-GAAP EPS[2] +27%, driven by transaction margin $ growth, share repurchase, and expense discipline

All growth rates reference Q1'24 year-over-year growth unless otherwise noted.

(1) Non-transaction related expenses, non-GAAP operating income, and non-GAAP operating margin 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 Supplemental Information.

(2) Non-GAAP results for 2023, 2022, and 2021 have been recast to reflect the inclusion of SBC and related employer payroll taxes. See slides 13 and 20-22 of this presentation for additional detail and historical reconciliations.

(3) Non-transaction related expenses comprises customer support & operations -7%, sales & marketing -4%, technology & development +3%, general & administrative -9%, and restructuring & other charges 0%.

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Free cash flow (FCF) and capital allocation

(in millions, except %)	Q1'24
Free cash flow	**$1,763**
Y/Y growth	76%
Adj. free cash flow[1]	**$1,856**
Y/Y growth	86%

- Free cash flow of $1.8B, 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
  - Free cash flow and adjusted free cash flow positively impacted by higher earnings and lower cash taxes
  - On a trailing 12-month basis, free cash flow of $5.0B and adjusted free cash flow[1] of $5.4B
- In Q1'24, share repurchases returned $1.5B in capital to stockholders
  - On a trailing 12-month basis, share repurchases of $5.1B reduced weighted average shares by 5%
- As of Q1, cash, cash equivalents and investments totaled $17.7B and debt totaled $11.0B

All results & growth rates reference Q1'24 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 Supplemental Information.

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

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Guidance

Q2'24 guidance

Non-GAAP EPS[1,2]	Low double-digit growth (Q2'23 non-GAAP EPS of $0.87[1])
Non-GAAP effective tax rate	Approximately 20%
Revenue growth	Approximately 6.5% spot and 7% FXN

- **GAAP EPS:** $0.83

  Q2'23 GAAP EPS of $0.92, which includes ~$0.09 benefit from PayPal's strategic investment portfolio

FY'24 guidance

Non-GAAP EPS[1,3]	Mid to high single-digit growth (FY'23 non-GAAP EPS of $3.83[1])
Non-GAAP effective tax rate	Approximately 22%
Free cash flow	Approximately $5B
Share repurchase	At least $5B

- **GAAP EPS:** Approximately $3.65

  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

(1) As announced on February 7, 2024, presentation of non-GAAP results now includes the impact of SBC expense and related employer payroll taxes. Non-GAAP results for 2023, 2022, and 2021 and FY'24 non-GAAP guidance have been updated to reflect this change. See slides 13 and 20-22 of this presentation for additional detail and historical reconciliations.

(2) Estimated non-GAAP amounts for Q2'24 reflect adjustments of ~$150M, including estimated restructuring charges of ~$70M-$90M.

(3) Estimated non-GAAP amounts for FY'24 reflect adjustments of ~$490M, including restructuring charges of $175M in Q1'24 and additional estimated restructuring charges of ~$70M-$90M in Q2'24.

GAAP and non-GAAP EPS guidance include estimated SBC expense and related employer payroll taxes of ~$1.4B in FY'24, including ~$350M in Q2'24.

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For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Supplemental Information.

Enhancing accountability and transparency

Modifying non-GAAP results to include impact of stock-based compensation (SBC) expense and related employer payroll taxes

What is changing	As announced on February 7, 2024 and disclosed in our Form 8-K filed with the SEC on April 30, 2024, non-GAAP results now include the impact of SBC expense and related employer payroll taxes. Non-GAAP results for 2023, 2022 and 2021 have been recast to reflect this change. See slides 20-22 of this presentation for historical reconciliations.
Rationale	This modification is intended to improve transparency and discipline as SBC expense is an integral part of our cost structure, and enhance overall investor understanding of our operating performance.
What is not changing	These changes have no impact on previously reported U.S. GAAP results or free cash flow.
Impact on Q1'24 non-GAAP EPS	Under the new non-GAAP methodology, which includes the impact of SBC and related taxes, Q1'24 non-GAAP EPS increased 27% to $1.08 (from $0.85 in Q1'23 on the same basis). Under the prior non-GAAP methodology, which excluded the impact of SBC and related taxes, Q1'24 non-GAAP EPS would have increased 20% to $1.40 (from $1.17 in Q1'23 on the same basis), relative to guidance[1] of a mid-single digit increase.

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(1) Q1'24 guidance as provided on February 7, 2024.

Supplemental Information

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Account and activity metrics[1] detail

(in millions, except % and TPA)	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Active accounts	**403**	**416**	**426**	**429**	**429**	**432**	**435**	**433**	**431**	**428**	**426**	**427**
Y/Y growth	16%	15%	13%	9%	6%	4%	2%	1%	—%	(1%)	(2%)	(1%)
Monthly active accounts (MAA)	**211**	**213**	**219**	**214**	**215**	**217**	**221**	**215**	**217**	**218**	**224**	**220**
Y/Y growth	13%	11%	8%	4%	2%	2%	1%	1%	1%	1%	1%	2%
Number of payment transactions	**4,735**	**4,900**	**5,343**	**5,161**	**5,513**	**5,643**	**6,032**	**5,835**	**6,074**	**6,275**	**6,798**	**6,505**
Y/Y growth	27%	22%	21%	18%	16%	15%	13%	13%	10%	11%	13%	11%
Transactions per active account (TPA)	**43.5**	**44.2**	**45.4**	**47.0**	**48.7**	**50.1**	**51.4**	**53.1**	**54.7**	**56.6**	**58.7**	**60.0**
Y/Y growth	11%	10%	11%	11%	12%	13%	13%	13%	12%	13%	14%	13%
TPA ex. PSP (unbranded card processing)	**32.7**	**32.1**	**31.7**	**31.4**	**31.4**	**31.4**	**31.3**	**31.7**	**32.2**	**32.9**	**33.5**	**33.9**
Y/Y growth	5%	1%	(2%)	(5%)	(4%)	(2%)	(1%)	1%	2%	5%	7%	7%

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(1) Definitions included on slide 24 in this presentation.

TPV, revenue, & take rate detail

(in millions, except %)	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Total payment volume	**$357,378**	**$354,508**	**$376,538**	**$387,701**	**$409,832**	**$403,860**
Y/Y growth	5%	10%	11%	15%	15%	14%
FXN Y/Y growth	9%	12%	11%	13%	13%	14%
U.S. TPV	**$232,553**	**$231,975**	**$238,893**	**$242,718**	**$257,885**	**$259,190**
Y/Y growth	10%	12%	9%	10%	11%	12%
International TPV	**$124,825**	**$122,533**	**$137,645**	**$144,983**	**$151,947**	**$144,671**
Y/Y growth	(3%)	6%	14%	25%	22%	18%
FXN Y/Y growth	8%	12%	14%	19%	17%	17%
Cross-border TPV[1]	**$45,342**	**$44,534**	**$46,571**	**$46,522**	**$49,059**	**$48,163**
Y/Y growth	(7%)	—%	3%	9%	8%	8%
FXN Y/Y growth	—%	4%	3%	4%	5%	7%
P2P TPV[2]	**$90,833**	**$90,828**	**$95,107**	**$96,637**	**$95,895**	**$96,361**
Y/Y growth	(2%)	2%	2%	4%	6%	6%
Venmo TPV	**$63,511**	**$63,865**	**$67,740**	**$69,483**	**$68,891**	**$69,265**
Y/Y growth	4%	9%	9%	8%	8%	8%
Total take rate	**2.07%**	**1.99%**	**1.94%**	**1.91%**	**1.96%**	**1.91%**
Transaction take rate	**1.88%**	**1.80%**	**1.74%**	**1.72%**	**1.78%**	**1.74%**
Total revenue	**$7,383**	**$7,040**	**$7,287**	**$7,418**	**$8,026**	**$7,699**
Y/Y growth	7%	9%	7%	8%	9%	9%
FXN Y/Y growth	9%	10%	8%	9%	9%	10%
Transaction revenue	**$6,702**	**$6,364**	**$6,556**	**$6,654**	**$7,283**	**$7,034**
Y/Y growth	5%	6%	5%	7%	9%	11%
OVAS revenue	**$681**	**$676**	**$731**	**$764**	**$743**	**$665**
Y/Y growth	26%	39%	37%	25%	9%	(2%)
US revenue Y/Y growth	10%	13%	9%	7%	8%	8%
International revenue FXN Y/Y growth	6%	7%	7%	11%	12%	14%
% international	42%	41%	42%	43%	42%	42%

- International TPV +17% FXN, driven by continued strength in Europe and improvement in Asia
- Cross-border TPV[1] +7% FXN (improved 2pts sequentially), driven by intra-European corridors, partly offset by softness in UK-EU activity
- Transaction take rate -5bps, driven by lower gains from FX hedges and fees and branded checkout[3] (volume and merchant mix shift)
- Hedging impacts, recognized in international transaction revenue, were immaterial in Q1'24 vs. hedging gains of $76M in Q1'23
    - Next 12 months estimated hedging gains of $40M[4]

All results & growth rates reference Q1'24 results & year-over-year growth unless otherwise noted. Definitions included on slide 24 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.

(4) Based on exchange rates on derivative positions as of March 31, 2024.

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Transaction margin (TM) detail

(in millions, except %)	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Transaction expense (TE)	$3,324	$3,283	$3,541	$3,603	$3,958	$3,917
TE rate	0.93%	0.93%	0.94%	0.93%	0.97%	0.97%
Transaction loss (TL)	$214	$300	$286	$329	$277	$260
TL rate	0.06%	0.08%	0.08%	0.08%	0.07%	0.06%
Credit loss	$174	$142	$112	$117	$119	$61
Credit loss rate	0.05%	0.04%	0.03%	0.03%	0.03%	0.02%
Volume-based expenses	**$3,712**	**$3,725**	**$3,939**	**$4,049**	**$4,354**	**$4,238**
Y/Y growth	12%	17%	13%	21%	17%	14%
Transaction margin $	**$3,671**	**$3,315**	**$3,348**	**$3,369**	**$3,672**	**$3,461**
Y/Y growth	2%	1%	1%	(3%)	—%	4%
Transaction margin	**49.7%**	**47.1%**	**45.9%**	**45.4%**	**45.8%**	**45.0%**
Y/Y change (bps)	(255)	(377)	(275)	(558)	(397)	(213)

- TE rate +4bps, driven by Braintree volume growth
- TL rate -2bps, driven by improved loss performance
- Credit loss rate -2bps, driven by reduced reserves due to lower originations in PayPal Business Loan portfolio and externalization of European BNPL loan portfolio

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Definitions included on slide 24 in this presentation. All results & growth rates reference Q1'24 results & year-over-year growth unless otherwise noted.

Non-GAAP[1] operating margin detail

(in millions, except %)	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Customer support and operations	$541	$488	$492	$474	$465	$454
Y/Y growth	2%	(9%)	(8%)	(7%)	(14%)	(7%)
Sales and marketing	$469	$395	$423	$400	$425	$379
Y/Y growth	(24%)	(27%)	(22%)	(18%)	(9%)	(4%)
Technology and development	$764	$712	$734	$730	$764	$735
Y/Y growth	4%	(6%)	(3%)	(2%)	—%	3%
General and administrative	$512	$500	$484	$496	$547	$457
Y/Y growth	(9%)	(17%)	(5%)	9%	7%	(9%)
Restructuring and other	$—	$—	$34	$17	$3	$37
Y/Y growth	—%	—%	—%	—%	—%	—%
Non-transaction related expenses	**$2,286**	**$2,095**	**$2,167**	**$2,117**	**$2,204**	**$2,062**
Y/Y growth	(7%)	(14%)	(7%)	(4%)	(4%)	(2%)
Total operating expenses	**$5,998**	**$5,820**	**$6,106**	**$6,166**	**$6,558**	**$6,300**
Y/Y growth	4%	4%	5%	11%	9%	8%
Non-GAAP operating income	**$1,385**	**$1,220**	**$1,181**	**$1,252**	**$1,468**	**$1,399**
Y/Y growth	19%	41%	21%	(3%)	6%	15%
Non-GAAP operating margin %	**18.8%**	**17.3%**	**16.2%**	**16.9%**	**18.3%**	**18.2%**
Y/Y change (bps)	188	400	191	(201)	(47)	84
Non-GAAP EPS	**$0.99**	**$0.85**	**$0.87**	**$0.98**	**$1.14**	**$1.08**
Y/Y growth	5%	63%	29%	8%	15%	27%

For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the Supplemental Information.

(1) Non-GAAP results for 2023, 2022, and 2021 have been recast to reflect the inclusion of SBC and related employer payroll taxes. See slides 13 and 20-22 of this presentation for additional detail and historical reconciliations.

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Hedging impacts and credit reserve builds and releases

(in millions, except %)	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Hedging Impacts[1]						
Favorable (unfavorable) impact to net revenues (exclusive of hedging impact)	$ (277)	$ (139)	$ 6	$ 141	$ 120	$ 32
Hedging impact	152	76	34	7	(6)	—
Favorable (unfavorable) impact to net revenues	(125)	(63)	40	148	114	32
Favorable (unfavorable) impact to operating expense	142	78	7	(57)	(57)	(13)
Net favorable (unfavorable) impact to operating income	$ 17	$ 15	$ 47	$ 91	$ 57	$ 19
Credit net charge-offs, reserve builds (releases) and credit losses						
Net charge-offs[2]	$ 86	$ 110	$ 134	$ 163	$ 142	$ 123
Reserve build (release)[3]	88	32	(22)	(46)	(23)	(62)
Credit Losses	$ 174	$ 142	$ 112	$ 117	$ 119	$ 61

(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 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.

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Reconciliation of GAAP operating expenses to non-GAAP operating expenses

(In Millions/Unaudited)	Note	Three Months Ended													Year Ended December 31,		
		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	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2023	2022	2021
GAAP operating expenses:																	
Transaction expense		$ 3,917	$ 3,958	$ 3,603	$ 3,541	$ 3,283	$ 3,324	$ 2,988	$ 3,044	$ 2,817	$ 2,952	$ 2,564	$ 2,524	$ 2,275	$ 14,385	$ 12,173	$ 10,315
Transaction and credit losses		321	396	446	398	442	388	367	448	369	350	268	169	273	1,682	1,572	1,060
Customer support and operations		454	465	474	492	488	541	509	536	534	532	504	521	518	1,919	2,120	2,075
Sales and marketing		421	466	442	465	436	524	544	595	594	666	549	628	602	1,809	2,257	2,445
Technology and development		742	770	739	743	721	822	801	815	815	796	755	746	741	2,973	3,253	3,038
General administrative		464	554	507	491	507	515	463	514	607	570	498	522	524	2,059	2,099	2,114
Restructuring and other		212	(311)	39	24	164	25	56	90	36	2	1	1	58	(84)	207	62
Total operating expenses		$ 6,531	$ 6,298	$ 6,250	$ 6,154	$ 6,041	$ 6,139	$ 5,728	$ 6,042	$ 5,772	$ 5,868	$ 5,139	$ 5,111	$ 4,991	$ 24,743	$ 23,681	$ 21,109
Non-GAAP operating expense adjustments:																	
Sales and marketing	(a)	(42)	(41)	(42)	(42)	(41)	(55)	(54)	(53)	(53)	(51)	(39)	(39)	(38)	(166)	(215)	(167)
Technology and development	(a)	(7)	(6)	(9)	(9)	(9)	(58)	(58)	(59)	(57)	(58)	(64)	(63)	(61)	(33)	(232)	(246)
General administrative	(a)	(7)	(7)	(7)	(7)	(7)	(3)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(28)	(24)	(28)
	(d)	—	—	(4)	—	—	—	—	—	—	—	—	—	—	(4)	—	—
Restructuring and other	(b)	(175)	(2)	(3)	—	(117)	(8)	(23)	(71)	(20)	—	—	5	(32)	(122)	(122)	(27)
	(c)	—	(2)	(19)	10	(47)	(17)	(33)	(19)	(16)	(2)	(1)	(6)	(26)	(58)	(85)	(35)
	(d)	—	(21)	—	—	—	—	—	—	—	—	—	—	—	(21)	—	—
	(e)	—	339	—	—	—	—	—	—	—	—	—	—	—	339	—	—
Total operating expenses		$ (231)	$ 260	$ (84)	$ (48)	$ (221)	$ (141)	$ (175)	$ (209)	$ (153)	$ (118)	$ (111)	$ (110)	$ (164)	$ (93)	$ (678)	$ (503)
Non-GAAP operating expenses:																	
Transaction expense		3,917	3,958	3,603	3,541	3,283	3,324	2,988	3,044	2,817	2,952	$ 2,564	$ 2,524	$ 2,275	$ 14,385	$ 12,173	$ 10,315
Transaction and credit losses		321	396	446	398	442	388	367	448	369	350	268	169	273	1,682	1,572	1,060
Customer support and operations		454	465	474	492	488	541	509	536	534	532	504	521	518	1,919	2,120	2,075
Sales and marketing		379	425	400	423	395	469	490	542	541	615	510	589	564	1,643	2,042	2,278
Technology and development		735	764	730	734	712	764	743	756	758	738	691	683	680	2,940	3,021	2,792
General and administrative		457	547	496	484	500	512	456	507	600	563	491	515	517	2,027	2,075	2,086
Restructuring and other		37	3	17	34	—	—	—	—	—	—	—	—	—	54	—	—
Total operating expenses		$ 6,300	$ 6,558	$ 6,166	$ 6,106	$ 5,820	$ 5,998	$ 5,553	$ 5,833	$ 5,619	$ 5,750	$ 5,028	$ 5,001	$ 4,827	$ 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.

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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,		
	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	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2023	2022	2021
GAAP net revenues	$ 7,699	$ 8,026	$ 7,418	$ 7,287	$ 7,040	$ 7,383	$ 6,846	$ 6,806	$ 6,483	$ 6,918	$ 6,182	$ 6,238	$ 6,033	$ 29,771	$ 27,518	$ 25,371
GAAP operating income	1,168	1,728	1,168	1,133	999	1,244	1,118	764	711	1,050	1,043	1,127	1,042	5,028	3,837	4,262
Amortization of acquired intangible assets	56	54	58	58	57	116	119	119	117	116	110	109	106	227	471	441
Restructuring	175	2	3	—	117	8	23	71	20	—	—	(5)	32	122	122	27
Other	—	(316)	23	(10)	47	17	33	19	16	2	1	6	26	(256)	85	35
Total non-GAAP operating income adjustments	231	(260)	84	48	221	141	175	209	153	118	111	110	164	93	678	503
Non-GAAP operating income	$ 1,399	$ 1,468	$ 1,252	$ 1,181	$ 1,220	$ 1,385	$ 1,293	$ 973	$ 864	$ 1,168	$ 1,154	$ 1,237	$ 1,206	$ 5,121	$ 4,515	$ 4,765
GAAP operating margin	*15.2 %*	*21.5 %*	*15.7 %*	*15.5 %*	*14.2 %*	*16.8 %*	*16.3 %*	*11.2 %*	*11.0 %*	*15.2 %*	*16.9 %*	*18.1 %*	*17.3 %*	*16.9 %*	*13.9 %*	*16.8 %*
Non-GAAP operating margin	*18.2 %*	*18.3 %*	*16.9 %*	*16.2 %*	*17.3 %*	*18.8 %*	*18.9 %*	*14.3 %*	*13.3 %*	*16.9 %*	*18.7 %*	*19.8 %*	*20.0 %*	*17.2 %*	*16.4 %*	*18.8 %*

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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,		
	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	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	2023	2022	2021
GAAP income before income taxes	$ 1,209	$ 1,793	$ 1,241	$ 1,303	$ 1,074	$ 1,110	$ 1,578	$ 49	$ 629	$ 706	$ 1,165	$ 1,356	$ 872	$ 5,411	$ 3,366	$ 4,099
GAAP income tax expense (benefit)	321	391	221	274	279	189	248	390	120	(95)	78	172	(225)	1,165	947	(70)
GAAP net income (loss)	888	1,402	1,020	1,029	795	921	1,330	(341)	509	801	1,087	1,184	1,097	4,246	2,419	4,169
Non-GAAP adjustments to net income (loss):																
Non-GAAP operating income adjustments (see table above)	231	(260)	84	48	221	141	175	209	153	118	111	110	164	93	678	503
(Gains) losses on strategic investments	49	4	(24)	(133)	(48)	141	(495)	672	(14)	290	(173)	(283)	120	(201)	304	(46)
Other certain significant gains, losses, or charges	31	21	—	—	18	(21)	—	431	—	—	43	(7)	—	39	410	36
Tax effect of non-GAAP adjustments	(44)	66	(3)	27	(27)	(47)	44	(185)	(41)	(96)	1	31	(45)	63	(229)	(109)
Non-GAAP net income	$ 1,155	$ 1,233	$ 1,077	$ 971	$ 959	$ 1,135	$ 1,054	$ 786	$ 607	$ 1,113	$ 1,069	$ 1,035	$ 1,336	$4,240	$3,582	$4,553
Shares used in diluted share calculation:																
GAAP	1,072	1,084	1,098	1,114	1,134	1,144	1,157	1,158	1,172	1,183	1,187	1,186	1,190	1,107	1,158	1,186
Non-GAAP	1,072	1,084	1,098	1,114	1,134	1,144	1,157	1,160	1,172	1,183	1,187	1,186	1,190	1,107	1,158	1,186
Net income (loss) per diluted share:																
GAAP	$ 0.83	$ 1.29	$ 0.93	$ 0.92	$ 0.70	$ 0.81	$ 1.15	$ (0.29)	$ 0.43	$ 0.68	$ 0.92	$ 1.00	$ 0.92	$ 3.84	$ 2.09	$ 3.52
Non-GAAP	$ 1.08	$ 1.14	$ 0.98	$ 0.87	$ 0.85	$ 0.99	$ 0.91	$ 0.68	$ 0.52	$ 0.94	$ 0.90	$ 0.87	$ 1.12	$ 3.83	$ 3.09	$ 3.84
GAAP effective tax rate	27 %	22 %	18 %	21 %	26 %	17 %	16 %	796 %	19 %	(13%)	7 %	13 %	(26%)	22 %	28 %	(2%)
Tax effect of non-GAAP adjustments to net income	(5%)	(2%)	(1%)	(1%)	(3%)	1%	—%	(781%)	2%	13%	(4%)	—%	10%	(2%)	(10%)	2 %
Non-GAAP effective tax rate	22 %	20 %	17 %	20 %	23 %	18 %	16 %	15 %	21 %	— %	3 %	13 %	(16)%	20 %	18 %	— %

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	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	December 31, 2021	2023	2022	2021
Net cash provided by (used in) operating activities	$ 1,917	$ 2,614	$ 1,259	$ (200)	$ 1,170	$ 1,591	$ 1,755	$ 1,250	$ 1,217	$ 1,640	$ 4,843	$ 5,813	$ 5,797
Less: Purchases of property and equipment	(154)	(145)	(158)	(150)	(170)	(158)	(182)	(175)	(191)	(213)	(623)	(706)	(908)
Free cash flow	1,763	2,469	1,101	(350)	1,000	1,433	1,573	1,075	1,026	1,427	4,220	5,107	4,889
Net timing impact between originating European BNPL receivables as HFS and the subsequent sale of receivables	93	(1,695)	810	1,219	—	—	—	—	—	—	334	—	—
Adjusted free cash flow	1,856	774	1,911	869	1,000	1,433	1,573	1,075	1,026	1,427	4,554	5,107	4,889

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Definitions

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: 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 of 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: 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. 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 Processing[2]: The number of payment transactions per active account excluding unbranded card processing 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.

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 Loss Rate: Transaction loss rate is transaction losses divided by TPV.

Credit Loss Rate: Credit loss rate is credit losses divided by TPV.

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

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

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

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