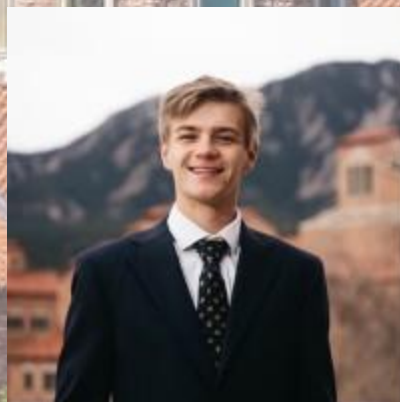




Ticker: PYPL (NYSE)
Current Share Price: \$65.80
Industry: Payment Processing



Aidan Lentz
Philadelphia, PA



Jayed Khan
Dhaka, Bangladesh

Investment Summary

An American tech business focused on transaction processing has dramatically underperformed the market for the past 5 years. We believe PayPal stock is extremely attractive at current levels and will be a very strategic investment over the long-term.

Recommendation: **BUY**
Target Price: **\$92.29**
Implied Upside: **44.7%**

Valuation	FY' 23
P/E Non-GAAP (FWD)	13.06x
P/E GAAP (TTM)	17.45x
Price/Book (TTM)	3.41x
EV/Sales (TTM)	2.34x
EV/EBITDA (TTM)	12.78x

Growth	FY' 23
Revenue (YoY)	8%
Revenue 3Y (CAGR)	12%
EPS Diluted (YoY)	84%
EPS Diluted 3 Year (CAGR)	2.75%
EPS GAAP Growth (YoY)	84%
% of Total	9%
Levered FCF (YoY)	54%

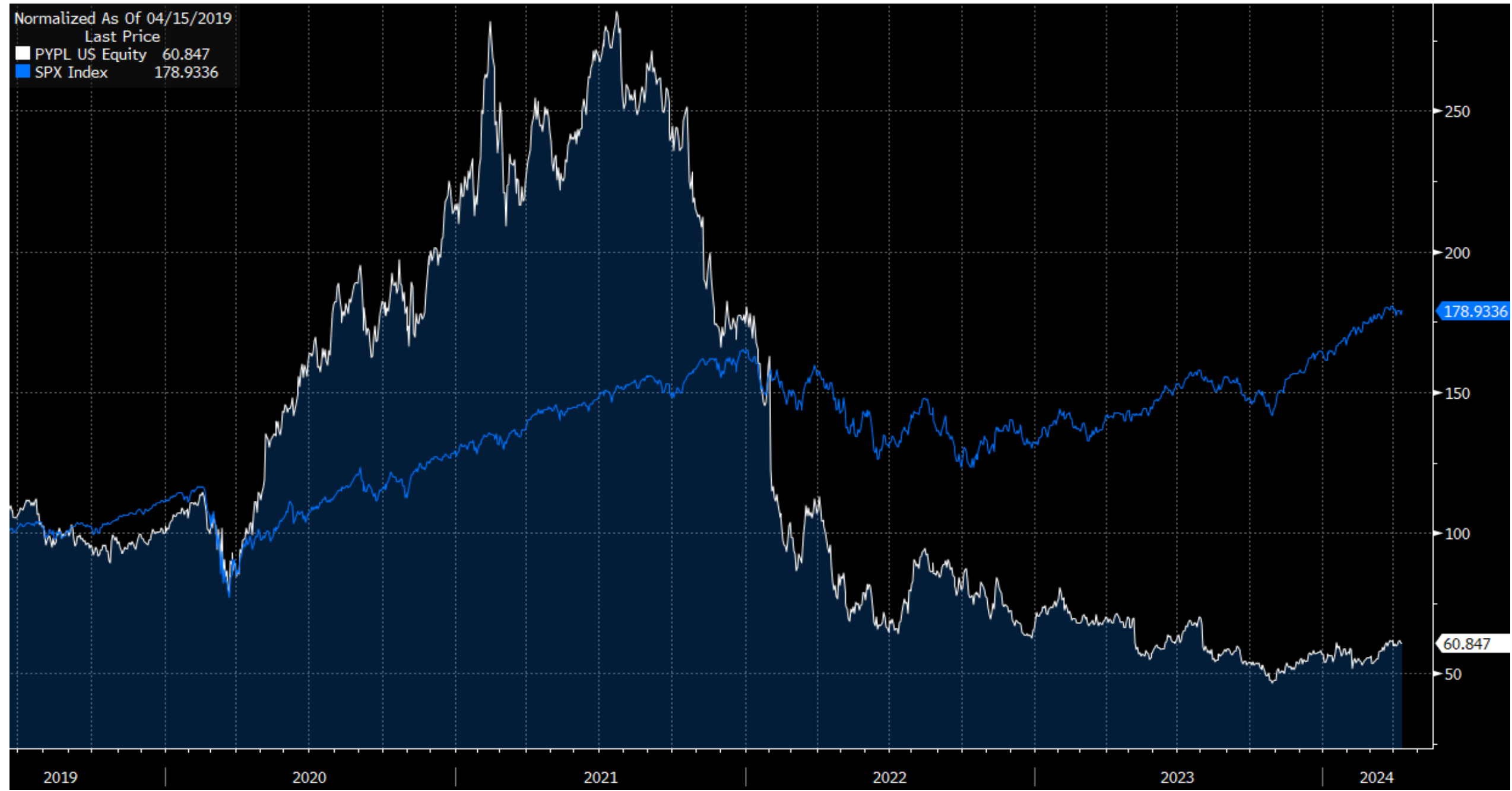
Profitability	FY' 23
Gross Profit Margin	39.59%
EBIT Margin	16%
Net Income Margin	14.26%
ROE	21%
ROA	5.17

- **Interest Rate Cuts Stimulating Discretionary Spending**
 - Increased consumer spending drives the payment processing industry leaving PayPal at the forefront of this growth
 - Using short-term bank loans to deposit into merchant accounts exposes PayPal to higher costs
- **Underestimated Moat**
 - 35m merchants on platform in over 200 countries -- strong network effect weeds out competitors
 - Serving both sides of a transaction, PayPal has developed powerful industry alliances with its competitors
- **FCF Stability**
 - PayPal's consistent generation of cash flow allows the firm to participate in repurchase programs and Capex
 - For 2 decades PayPal has remained the leader in the digital payment industry with a 2023 TPV of \$1.5T
- **Strategy Change:**
 - Originally focused on driving platform acceptance- PayPal has grown its successfully accomplished this
 - PayPal's now focused on operating efficiency- optimizing cost structures and consolidating technology services
- **BNPL expansion**
 - Recent growth in Buy-Now-Pay-Later transacting has strengthened PayPal's relationship with financial firms
 - PayPal has refined its BNPL influence and cemented industry relationships to provide liquidity to these loans

PayPal Price Action



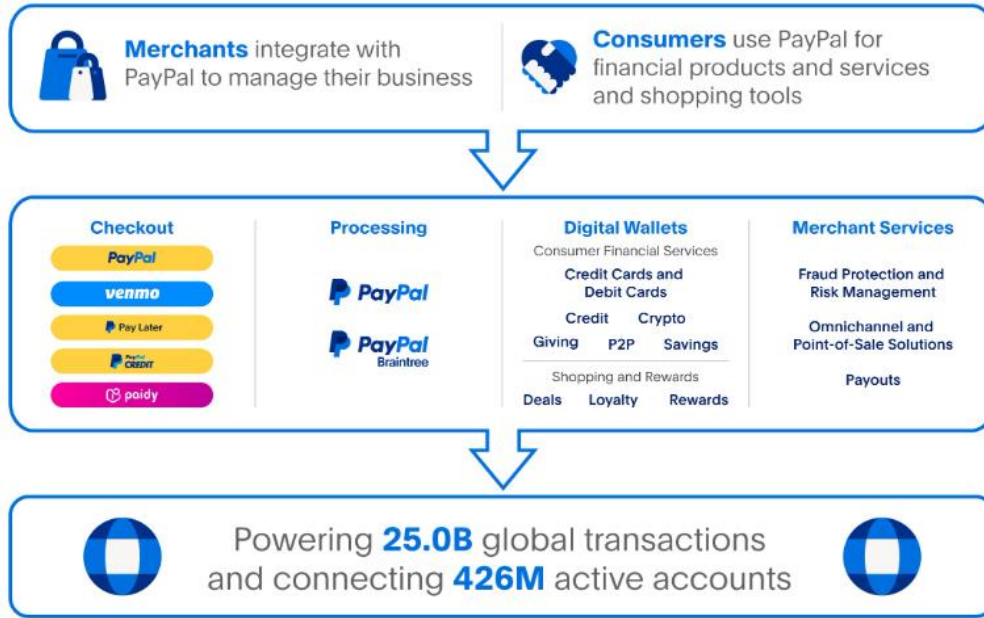
Normalized As Of 04/15/2019
Last Price
■ PYPL US Equity 60.847
■ SPX Index 178.9336



Company & Industry Overview

Company Overview

Payment Solutions Business Model



FY' 2023 Key Performance Indicators

Total Payment Volume ('TPV') Breakdown	FY' 23
Payment Service Providers (PSP)	30%
<i>% of Total</i>	35%
Venmo	9%
<i>% of Total</i>	8%
Other Merchant Services	7%
<i>% of Total</i>	9%
PayPal Branded Checkout	6%
<i>% of Total</i>	6%
peer-to-peer (P2P) ex-Venmo	-0.04
<i>% of Total</i>	8%
eBay	-0.1
<i>% of Total</i>	2%

**In Millions except % figures	FY' 23
Total Payment Volume	1,528,579m
<i>YoY Growth</i>	13%
Active Accounts	426m
<i>YoY Growth</i>	-2%
Number of Payment Transactions	24,981m
<i>YoY Growth</i>	12%
Transactions per Active Account	58.7m
<i>YoY Growth</i>	14%

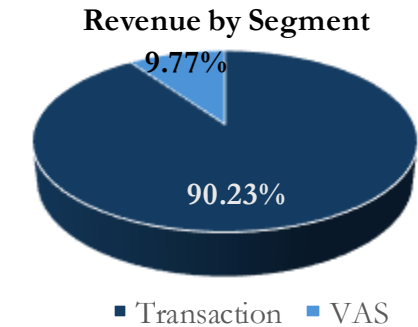
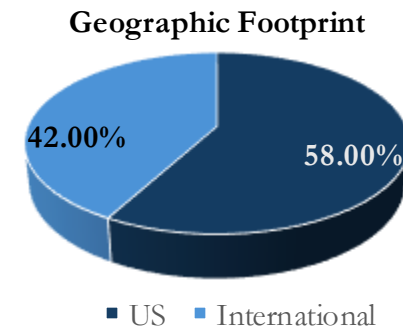
- Successful consumer penetration
- Dollar Volume of digital payments (TPV) is the main driver of PayPal's Growth

Valuable Solutions

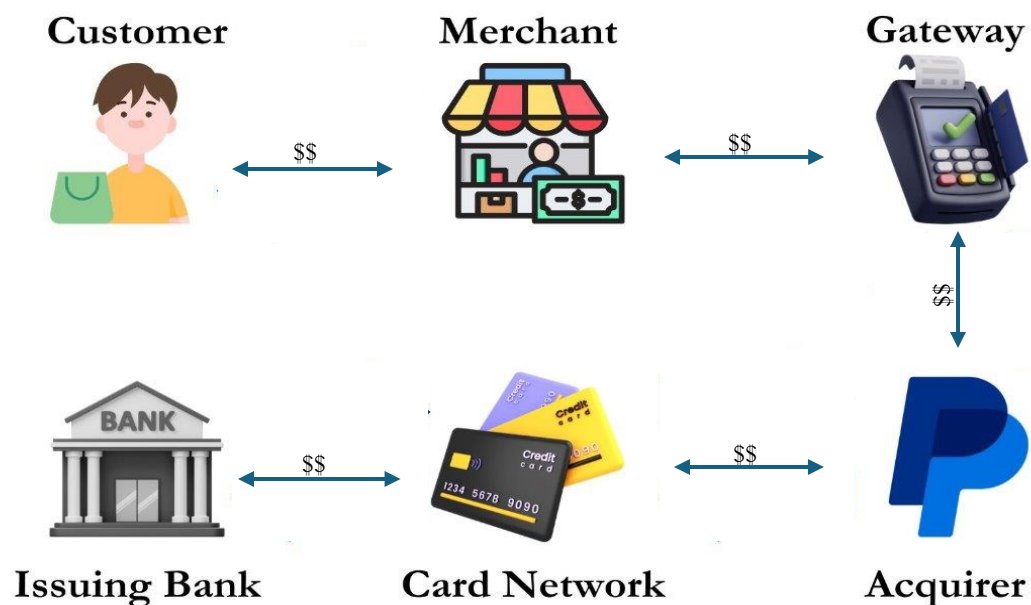


Revenue Breakdown

- **Transaction Fee from Merchants and Consumers** (\$26.86B in 2023)
- **Value Added Services** (\$2.91B in 2023)
 - Partnerships, interest and fees from merchants and consumer, interest on assets underlying customer balances, referral fees, subscription fees, and gateway services.



The Payment Processing Ecosystem



Major Player

Acquirers & Processors	
Payment Networks	
Issuers	
Gateways & Facilitators	
ISOs, MSPS, ISVS, & VARS	

Drivers of Growth in Payment Processing

Digital Wallets

- 3.4 Billion Digital Wallet users in 2023.
- By 2026, expected to grow by 53% to reach 5.2 Billion users.

E-Commerce

- Global Ecommerce sales reached \$5.8 trillion in 2023
- Expected to surpass \$8 trillion by 2027

BNPL

- BNPL payments expected to make up 24% of ecommerce transactions by 2026.

Innovation

- Contactless Payments
- Biometric Payments
- Cryptocurrency
- Cross Border Payments

Underestimated MOAT

Battle Shifts Towards User Engagement Over User Growth

Merchant/Consumer Perception

- PayPal serves both sides of a transaction, housing a **trusted ability to mitigate the risks** associated with merchant-consumer transactions.
 - Growing number of PayPal users gives the company network effects such as pricing power and rewards offerings
- **Strategic partnerships** with merchants create high switching costs and desirability to have products listed through the service

Market Dominance & Organic Growth Capabilities

- For years PayPal has used its platform growth strategy to successfully grow revenue and active customers- gaining **~45% market share**
- As PayPal's active user base start to plateau, PayPal is increasingly **focused on penetrating its active customer base** (TPV +13% YoY)
 - **PayPal Honey:** online shopping tool that helps customers save money and earn redeemable prizes

Strong FCF Generating Business

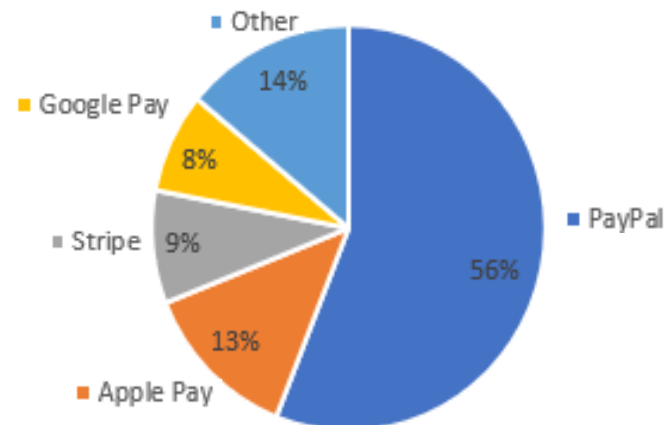
- PayPal has consistent FCF margins, returning the capital to investors in the form of **share buybacks** (\$5.26B 2023)

First Mover Advantage

- For 25 years PayPal has led the Payment Processing Service industry weathering dotcom, GFC, COVID 19 recessions
- PayPal has been the **number one payment processor** since its inception, filling a crucial gap in payment software



Merchant to Consumer Industry Share



Market Share	FY' 2023
1.) PayPal	45.40%
2.) Stripe	18.20%
3.) Shopify Pay	14.60%
4.) Amazon Pay	3.80%
5.) Afterpay	1.30%
6.) Braintree	1.20%
7.) Klarba	1%
8.) Renise	1%
9.) Other	13.50%

Source: Seeking Alpha

Catalysts & Risks

Internal technology infrastructure was a constraint on innovation as the company grew rapidly and digested several acquisitions, now the firm has dedicated special resources to combating this cost

The Product Problem

Consolidate Platform

Consolidating its platforms, which enables data across the entire PayPal ecosystem to be leveraged for innovation and reduce checkout frictions

Product Velocity & Cross Selling

With better product velocity and data connectivity, the company can deliver a deeper value proposition to consumers and merchants that both close the competitive advantages of peers and provide differentiation to drive growth along with the ability to price to value

Improve Engagement

- **Improve usage** in Branded Checkout through reducing friction in checkout flow
- **Improve transaction margin** in Unbranded through growth in SMB and international markets, which is helped by simplified integration/distribution from technology investments, as well as attaching value-added services on top of payment flows
- **Improve engagement** in digital wallets through driving increased commerce engagement via business profiles, rewards, and distribution of Pay with Venmo integrations through its platforms (Braintree and PPCP)

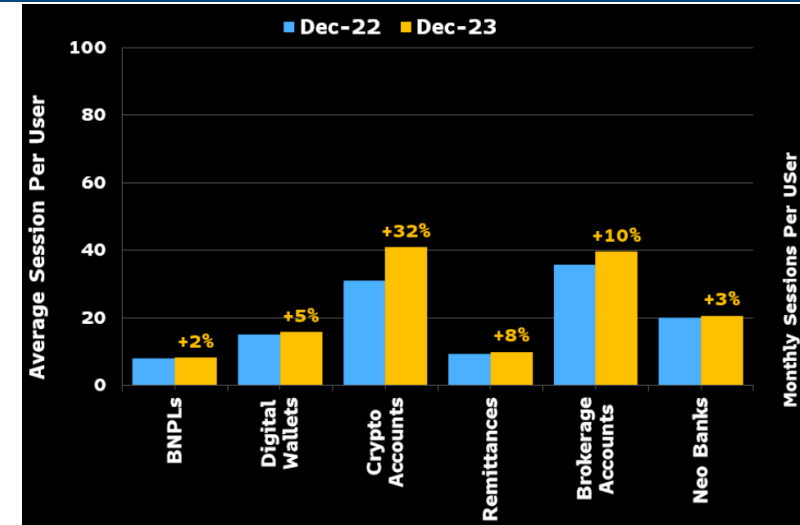
Increase Transaction Volume + Improving Margin = Higher Profitability

Fixing the Product Problem: A “Super Application”

Battle Shifts Towards User Engagement Over User Growth

- FinTech companies aiming to be a one-stop super app for all financial activity globally
- Super app adoption expected to increase and consolidate around fewer providers
- Accelerated launch of new features facilitating seamless sending, investing, saving, and shopping with stored balances or cards
- PayPal's payments app benefits from an outsized consumer and merchant network globally, a vast suite of offerings, a leading P2P presence and entry into in-store mobile payments.

Average Session Per User By Category



PayPal IS the “SuperApp”

	PayPal	Venmo	CashApp	ShopPay	Coinbase	Robinhood	SoFi	Chime	Affirm	Klarna
Store Cash Balance & Cards	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
QR Code Payments	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
E/M - Commerce Payment Button	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P2P Transfers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Instant Transfer To Bank Account	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Issued Debit Card	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Issued Credit Card	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Checking Account	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Savings Account	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bill Payment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Direct Deposit	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Buy Now, Pay Later	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consumer Loans	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Crypto Trading	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stock Trading	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Budgeting/Credit Building	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shopping Deals	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Loyalty Programs/Rewards	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monthly Active Users(mm)	124	33	41	19	5	7	1	6	4	14

Note: As of Dec, 2023

Bloomberg Intelligence 81

Payment Processing Systems

Merchant

- Easy Checkout with PayPal Button
- OneTouch Mobile
- Online, Mobile, and In-Store Payment Processing
- Real-time payment Settlement
- Gateway Services to Accept All Card Types
- Seller Protection

Value-Add Solutions

- Business & Working Capital Loans
- Vendor/Gig Worker Payout
- Invoicing & Reporting
- Fraud & Risk Management
- Marketing & Analytics
- Shipping Solutions
- Customer Cart Recovery
- Business Debit Card
- Crypto Payment Acceptance

Venmo

Consumer

- Person-to-Person Payments
- Instant Balance Transfer
- Pay with Venmo at Merchants
- Debt Card
- Credit Card
- Crypto Trading
- Crypto Rewards

PayPal

- Easy Checkout with PayPal Button
- Discounts Applied at Checkout
- Buyer Protection
- Buy now, Pay Later
- Paying With Rewards
- Xoom International Remittance
- PayPal Credit & Debit Cards

venmo

“Venmo” as a Verb

- Strong affinity with Generation Z and millennials position it as a solid PayPal defense against the imminent threat of Apple Pay.
- PayPal leads mobile payments with **2.7%** of all US in-store transactions.
- Apple Pay and Google Pay usage has dropped **50%** in the past year to **1.9%** and **0.8%**.
- Has over **59 million** monthly active users vs. **51 million** for Apple Pay
- PayPal's ability to monetize Venmo beyond cannibalizing itself is the holy grail
- Management said that Venmo is now profitable and contributes **\$1 billion** in revenue

Braintree

Complicated Segment

- Braintree’s unbranded checkout services provides seamless, one-stop and affordable checkout services for merchants, gaining popularities among small and mid-size merchants.
- Major driver of unbranded transaction processing revenues.
- Braintree’s aggressive land-grab strategy in the US proved successful amid Adyen Q423 results
- Lower margins than PayPal's Branded check out

paidy

The Japanese Gem

- Japanese buy now, pay later firm that offers payment services for both consumers and merchants
- Vast opportunity for growth as only **30%** of transactions in Japan are non-cash based and Japan possesses the third largest e-commerce market globally
- An example of such growth potential can be seen in e-commerce sites where Paidy is accepted by all the mastodons, including Amazon, Shopify and Rakuten.
- Paidy can solidify PayPal’s data intelligence and Asian strategic expansion

PayPal Credit “Buy Now, Pay Overtime”

Buy Now Pay Later Products

PayPal Working Capital: a business loan with one competitively priced fixed rate fee

- Lending Regulation- FICO and revenue requirements

PayPal Credit: offers pay-in-four financing options to consumers on a revolving basis

- Available with any online retailer associated with the PayPal Platform
- PayPal brand image brings peace of mind when avoiding predatory lending

Loan Revenue: PayPal generates money of its credit portfolio in two ways

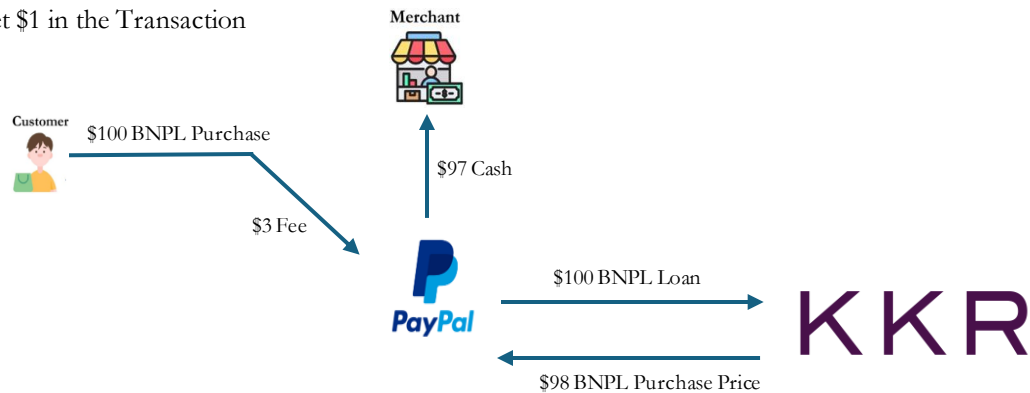
- By holding the outstanding balance and receiving principal plus interest
- Selling the loan to major financial institutions

BNPL Industry Trends

- Merchants want the competitive edge and ability to boost average order value
- BNPL marketplace has expanded rapidly- expected CAGR of 21.7% to \$91B by 2029

BNPL Loan Sale Process

PayPal Net \$1 in the Transaction



KKR-PayPal, a Symbiotic Transaction

KKR: Buys Loans

PayPal: Sells BNPL Loans for cash

KKR and PayPal entering a €40 Billion multi-year deal in which KKR buys BNPL Loans

- Deal includes a cash injection of €3 Billion per year for PayPal
- €1.8 Billion and PayPal expects to use for share buybacks

PayPal’s relationship with KKR and similar firms **provides liquidity** to PayPal’s growing BNPL operation

- Provides Capital, reduces credit and interest rate risk
- PayPal can focus on originating new BNPLs and expanding its benefits to the user

KKR purchase indicates the **quality** of PayPal’s consumer underwriting division

If Private Funds want access to BNPL loans, they must turn to firms such as PayPal

- These firms have extensive research methods indicating the quality of these loans

BNPL Service Users By Generation

Millions





Alex Chriss

CEO

Former software maker at Intuit

Executive Vice President and General Manager of Small Business and Self Employed group.



Michelle Gill

EVP, General Manager Small Business & Financial Services Group
Senior VP at Intuit

General Manager and Executive Vice President of Consumer Lending and Capital Markets at SoFi.



Diego Scotti

EVP, General Manager – Consumer Group & Global Marketing and Communications

Former chief marketing officer at J. Crew.

Experience at American Express.



Jamie Miller

EVP, CFO

Former CFO at EY (Consulting and accounting firm)

CFO at Cargill, a large agricultural company.

CFO at General Electric.



Isabel Cruz

EVP, Chief People Officer

Former senior vice president for Walmart teams: Technology, services, and corporate.

Operational Efficiency and Cost Management



Fix the Product Problem



Continue to Innovate



Share Buyback Program

Interest Rates & the Federal Reserve

Interest rates have rose at record levels in 2022 leaving affecting PayPal in 2 ways

- TPV, Active Users, and Revenue- 18% CAGR from 2015 to 2021
- Advancements in payment technology and declining interest rates are poised to re-energize fintech M&A activity in 2024

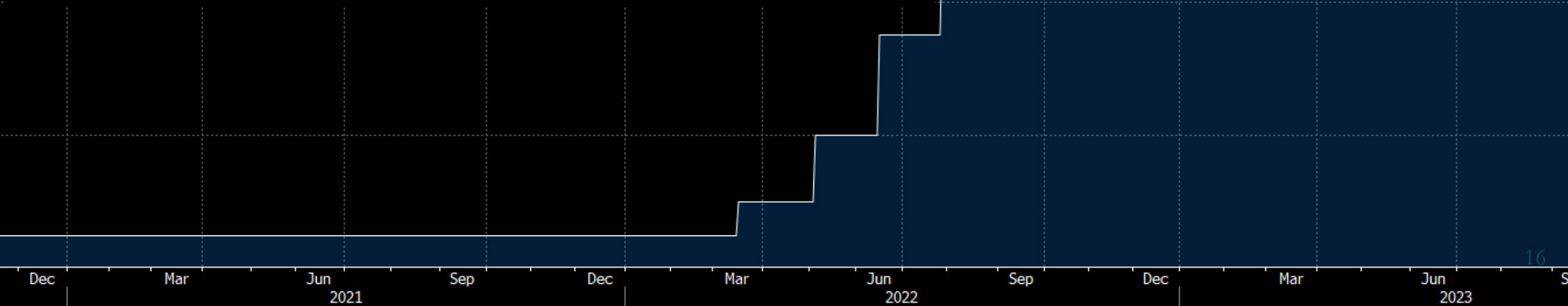
Effects to PayPal:

1.) Curtailing In Consumer Discretionary Spending

- “There is effect of a weaker economy and more inflation putting pressure on disposable income for consumers” –CEO John Rainey

2.) Adverse effects on Cost Structure

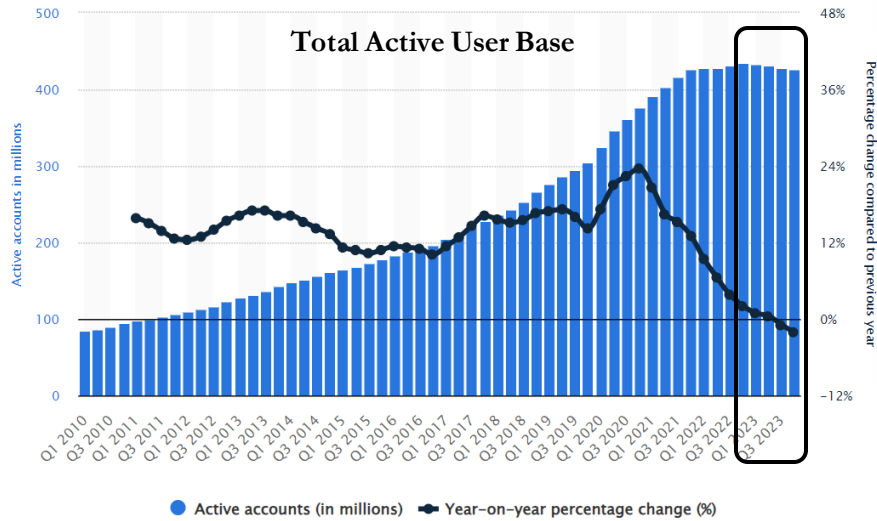
- Funding costs and higher volume-based expenses have taken hit bottom line



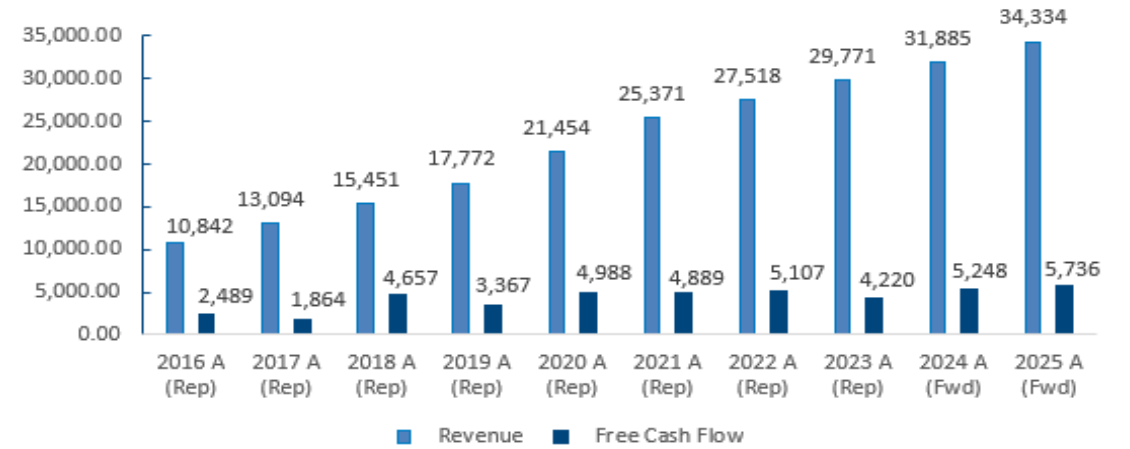
Fundamental Mispricing

We believe the market has been undervaluing PayPal's fundamental ability to generate Free Cash Flow due to a plateauing user base. However, we believe this highlights PayPal's adoption of new consumer strategies.

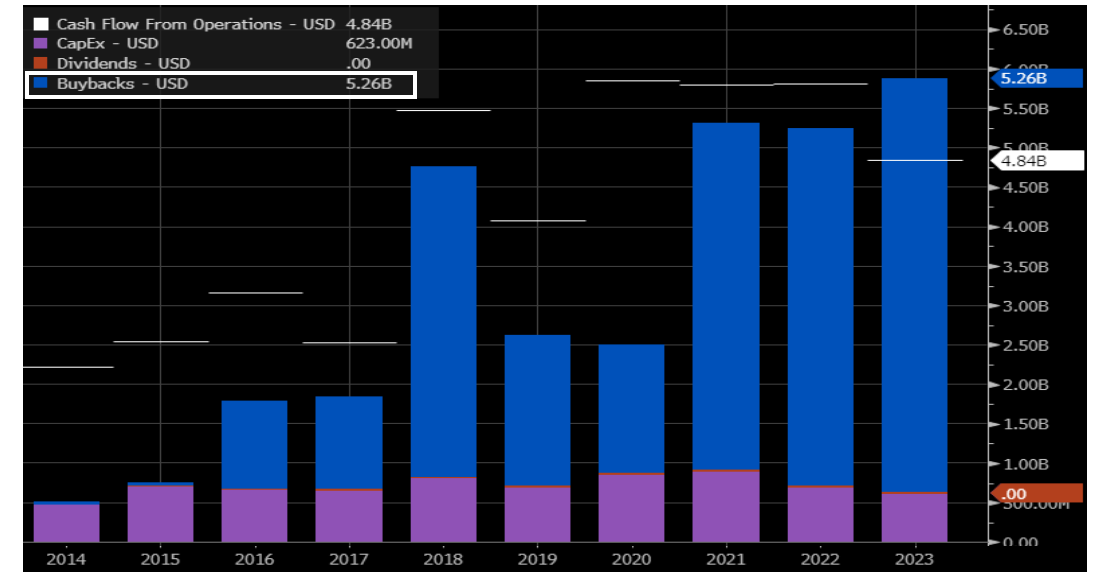
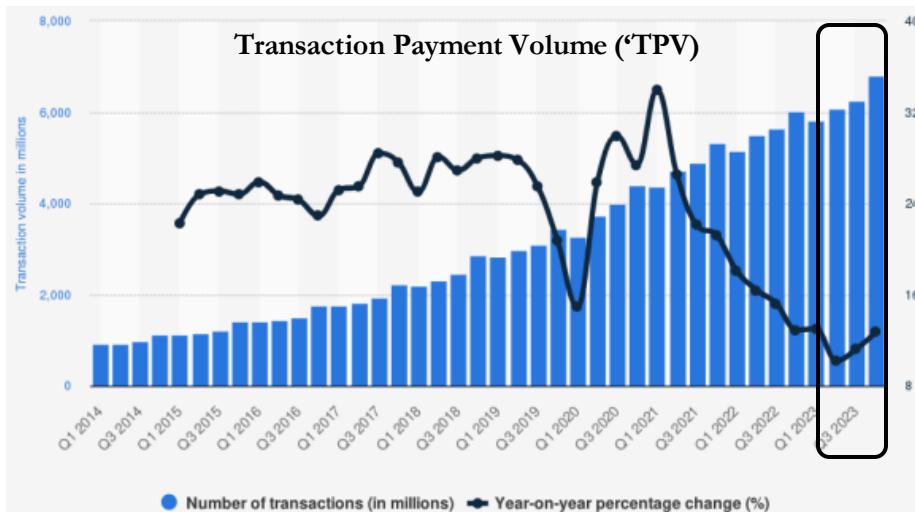
Growth Trends



Consistent YoY Earnings Growth



Strong Trend in PYPL Buy Backs

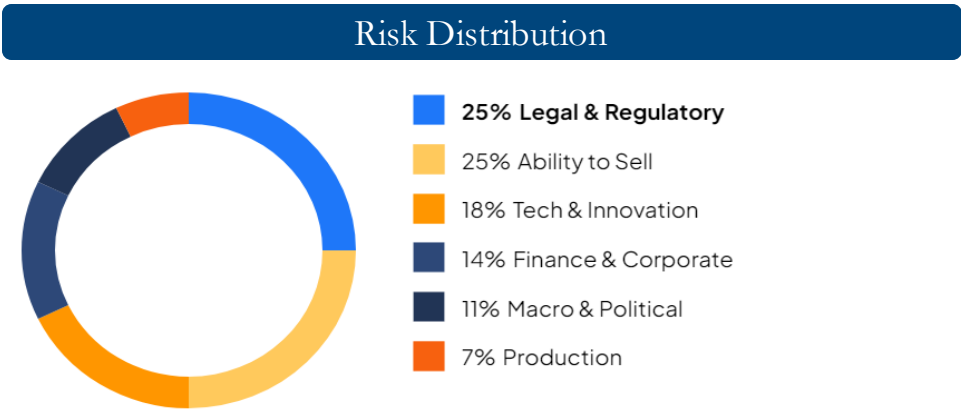


Risks & Mitigations

Major Risks	Risks	Mitigants
Legal & Regulatory	<ul style="list-style-type: none"> Highly regulated industry, subject to laws and regulations related to financial services and data privacy. Changing regulatory env. Capital requirements 	<ul style="list-style-type: none"> History of Regulatory Compliance and proactivity. Substantial risk department funding and diversification of revenue streams to circumnavigate this risk
Increasing Competition	<ul style="list-style-type: none"> nature of the payment processing industry stresses consistency and innovation new competitors and disruptive technologies emerging 	<ul style="list-style-type: none"> Proactive approach to innovation, investing in research and development to stay ahead of emerging technologies and market trends.
Drop in Transaction Take Rates	<ul style="list-style-type: none"> Drop in transaction take rates poses a risk to profitability, as it could erode the company's fee income and margins 	<ul style="list-style-type: none"> Optimizing its cost structures and improving operational efficiency. Grow value-added services or premium features that command higher fees.

****Special Consideration: Macroeconomic Headwinds**

- Discretionary spending impacted by higher interest rates as debt becomes more expensive.
- Geo-Political conflicts slow down e-commerce.



Financial Analysis

INCOME STATEMENT ITEMS

Quarter Ending	Dec-31-2023	Sep-30-2023	Jun-30-2023	Mar-31-2023	Dec-31-2022
Total Revenue	8026	7418	7287	7040	7383
% growth	8.20%	1.80%	3.51%	-4.65%	
Gross Profit	3207	2895	2856	2827	3130
% of revenue	39.96%	39.03%	39.19%	40.16%	42.39%
Operating Income	1382	1186	1123	1163	1268
% of revenue	17.22%	15.99%	15.41%	16.52%	17.17%
EBT(GAAP)	1400	1240	1156	1185	1385
% of revenue	17.44%	16.72%	15.86%	16.83%	18.76%
Net Income to Company	1402	1020	1029	795	921
% of revenue	17.47%	13.75%	14.12%	11.29%	12.47%
EPS(GAAP)	\$ 1.30	\$ 0.93	\$ 0.92	\$ 0.70	\$ 0.80

BALANCE SHEET ITEMS

Particulars	Dec-31-2023	Sep-30-2023	Jun-30-2023	Mar-31-2023	Dec-31-2022
Total Cash & ST Investments	14060	11547	9902	10660	10868
% growth	21.76%	16.61%	-7.11%	-1.91%	
Total Current Assets	62569	56635	54125	56560	57424
% growth	10.48%	4.64%	-4.31%	-1.50%	
Total Assets	82166	76440	74579	77186	78624
% growth	7.49%	2.50%	-3.38%	-1.83%	
Total Equity	21051	19740	19661	19858	20274
% growth	6.64%	0.40%	-0.99%	-2.05%	
Total Long Term Debt	9676	10640	10549	10481	10417
% growth	-9.06%	0.86%	0.65%	0.61%	0.00%

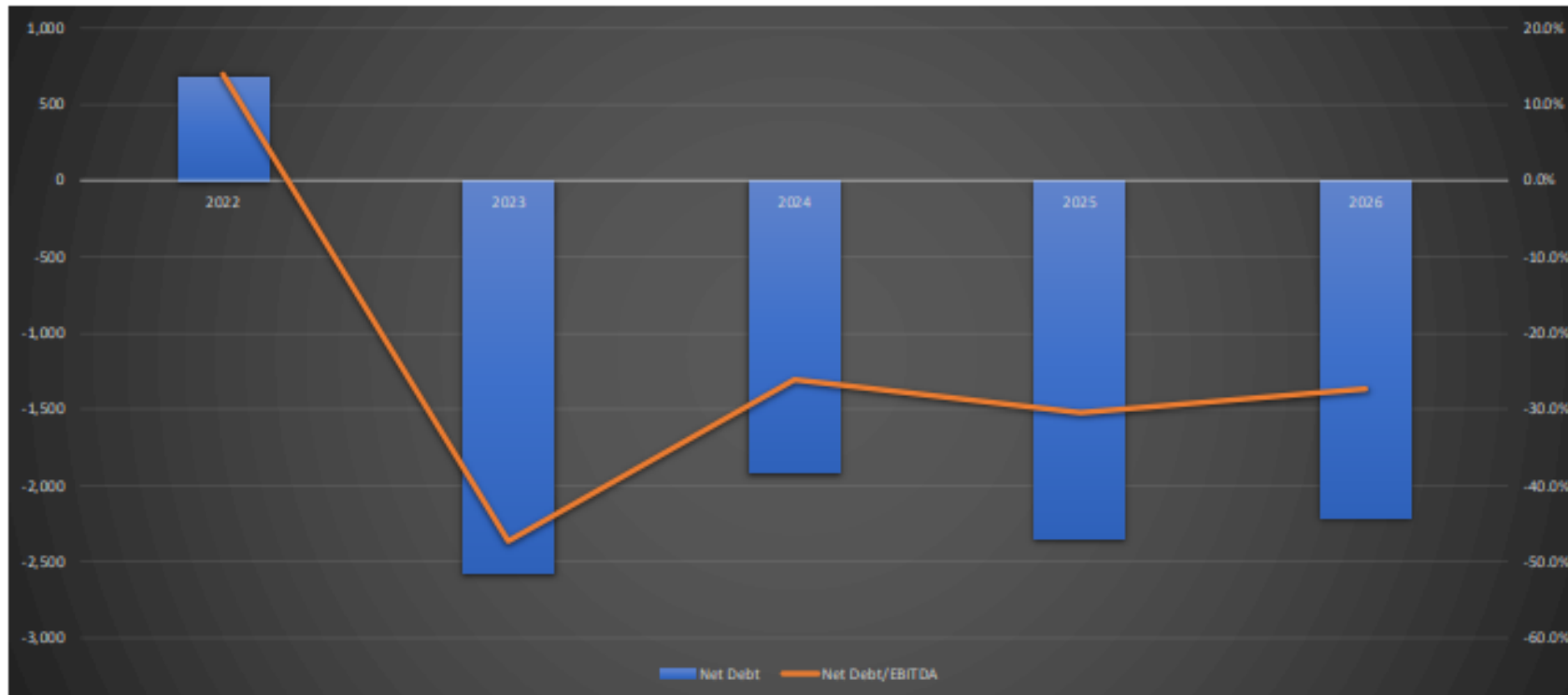
CASH FLOW ITEMS

Particulars	Dec-31-2023	Sep-30-2023	Jun-30-2023	Mar-31-2023	Dec-31-2022
Cash From Operating Activities	2614	1259	-200	1170	1591
% growth	32.57%	16.97%	-2.74%	16.62%	21.55%
Capital Expenditures	-145	-158	-150	-170	-158
% growth	-1.81%	-2.13%	-2.06%	-2.41%	-2.14%
Free Cashflow	2469	1101	-350	1000	1433
Cash From Investing Activities	-534	-307	1559	34	-39
Cash From Financing Activities	3000	61	-3392	-2662	782

NET DEBT LEVELS

The company's net debt position is expected to change from 2024 through 2026 as seen below from -1918.64 to -2207.16. This is net of adjustments by increases in free cash flow and scheduled repayments.

Leverage Ratios	2024	2025	2026
Net Debt	-1918.64	-2344.51	-2207.16



Valuation

Name	Ticker	Valuation		Financials		Multiples					
		Equity Value	Enterprise Value	Revenue	Net Income	BITDA Margin	EV/Revenue	EV/EBITDA	EV/EBIT	P/E	Beta
PayPal	PYPL	70,521	67,946	29,771	4,246	18%	2.28x	12.48x	13.99x	16.61	1.44
Block	SQ	49,292	49,115	21,916	10	1%	2.24x	-	-	-	2.57
Fleetcor	FLT	21,967	27,300	3,758	982	53%	7.27x	13.69x	16.48x	22.37	1.22
Global Payments	GPN	31,768	48,255	9,654	986	41%	5.00x	12.09x	21.80x	32.21	0.97
Toast	TOST	13,459	12,368	3,865	(246)	-6%	3.20x	-	-	-	1.94
Fiserv	FI	90,428	113,937	19,093	3,068	42%	5.97x	14.30x	23.51x	29.47	0.92
Fidelity National Information Serv.	FIS	41,598	60,216	9,821	(6,654)	43%	6.13x	14.15x	38.11x	-	0.98
25th Percentile		24,417	32,539	5,312	(182)	10.78%	3.65x	13.29x	20.47x	25.92	
Median		36,683	48,685	9,738	496	41.53%	5.48x	13.92x	22.66x	29.47	1.10
75th Percentile		47,369	57,441	16,775	985	42.93%	6.09x	14.19x	27.16x	30.84	

Median	EBITDA	75,811.95
	Cash	14,060.00
	Less: Debt	11,485.00
	Less: Preferred	-
	Less: NCI	-
	Implied Equity Value	78,386.95
	Diluted Shares Outstanding (Millions)	1,071.74
	Implied Share Price	73.14
	Current Share Price	65.80
	Potential Upside	11.15%

DCF Valuation



DCF Build <i>Paypal Holdings. Ltd.</i>	Historical						Projected				
	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Revenue	15,451	17,772	21,454	25,371	27,518	29,771	31,557	33,135	34,461	35,494	36,204
% growth		15%	21%	18%	8%	8%	6%	5%	4%	3%	2%
EBIT	2,503	2,790	3,428	4,324	4,044	4,944	6,195	7,298	8,408	9,497	10,532
% Margin	16%	16%	16%	17%	15%	17%	20%	22%	24%	27%	29%
Taxes	319	539	863	(70)	947	1,165	809	1,002	1,220	1,466	1,744
% Tax Rate	13%	18%	17%	-2%	28%	22%	21%	21%	21%	21%	21%
EBIAT (NOPAT)	2,184	2,251	2,565	4,394	3,097	3,779	5,385	6,296	7,189	8,030	8,788
D&A	776	912	1,189	1,265	1,317	1,072	1,493	1,567	1,630	1,679	1,712
% of Sales	5%	5%	6%	5%	5%	4%	5%	5%	5%	5%	5%
Capex	-	-	(866)	(908)	(707)	(623)	(852)	(962)	(793)	(816)	(833)
% of Sales	-	-	-4%	-4%	-3%	-2%	-3%	-3%	2%	2%	2%
Change in NWC		4,517	972	(3,003)	3,767	791	726	762	793	816	833
% of Sales		25%	5%	-12%	14%	3%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow							7,004	8,063	8,819	9,709	9,709
PV of Free Cash Flow							6,490	7,091	6,987	6,931	6,244

Period	1	2	3	4	5
Terminal Value	0.73	1.23	2.23	3.23	4.23
PV of Terminal Value					
Enterprise Value					
(+) Cash					
(-) Debt					
Implied Equity Value					
Shares Outstanding					
Implied Stock Price					

Base		Other Assumptions		
Year	Metric			
2024	Rev. Growth	6.0%	Tax Bracket	21.0%
2028	Term Growth	2.0%	D&A % of Rev.	4.7%
2024	Transaction Exp.	47.0%	Change NWC % Rev	2.3%
2028	Transaction Exp.	43.0%	Capital Expenditures	3.0%
2024	Credit Losses	7.0%	WACC	11%
2028	Credit Losses	6.0%	TGR	1.0%
2024	Customer Support	8.5%		
2028	Customer Support	7.0%		
2024	Sales & Marketing	9.0%		
2028	Sales & Marketing	7.0%		
2024	Tech & Dev.	12.0%		
2028	Tech & Dev.	10.0%		
2024	General and Adm	8.0%		
2028	General and Adm	7.6%		

Investment Thesis Recapualtion

An American tech business focused on transaction processing has dramatically underperformed the market for the past 5 years. We believe PayPal stock is extremely attractive at current levels and will be a very strategic investment over the long-term.

Recommendation: **BUY**

Target Price: **\$92.29**

Implied Upside: **44.7%**

Valuation	FY' 23
P/E Non-GAAP (FWD)	13.06x
P/E GAAP (TTM)	17.45x
Price/Book (TTM)	3.41x
EV/Sales (TTM)	2.34x
EV/EBITDA (TTM)	12.78x

Growth	FY' 23
Revenue (YoY)	8%
Revenue 3Y (CAGR)	12%
EPS Diluted (YoY)	84%
EPS Diluted 3 Year (CAGR)	2.75%
EPS GAAP Growth (YoY)	84%
% of Total	9%
Levered FCF (YoY)	54%

Profitability	FY' 23
Gross Profit Margin	39.59%
EBIT Margin	16%
Net Income Margin	14.26%
ROE	21%
ROA	5.17

- **Interest Rate Cuts Stimulating Discretionary Spending**

- Increased consumer spending drives the payment processing industry leaving PayPal at the forefront of this growth
- Using short-term bank loans to deposit into merchant accounts exposes PayPal to higher costs

- **Underestimated Moat**

- 35m merchants on platform in over 200 countries -- strong network effect weeds out competitors
- Serving both sides of a transaction, PayPal has developed powerful industry alliances with its competitors

- **FCF Stability**

- PayPal's consistent generation of cash flow allows the firm to participate in repurchase programs and Capex
- For 2 decades PayPal has remained the leader in the digital payment industry with a 2023 TPV of \$1.5T

- **Strategy Change:**

- Originally focused on driving platform acceptance- PayPal has grown its successfully accomplished this
- PayPal's now focused on operating efficiency- optimizing cost structures and consolidating technology services

- **BNPL expansion**

- Recent growth in Buy-Now-Pay-Later transacting has strengthened PayPal's relationship with financial firms
- PayPal has refined its BNPL influence and cemented industry relationships to provide liquidity to these loans

Appendix

Paypal's management had significant changes in 2023:



Alex Chriss

CEO

Former software maker at Intuit

Executive Vice President and General Manager of Small Business and Self Employed group



Michelle Gill

**EVP, General Manager
Small Business & Financial
Services Group**

Senior VP at Intuit

General Manager and Executive Vice President of Consumer Lending and Capital Markets at SoFi



Diego Scotti

**EVP, General Manager –
Consumer Group & Global
Marketing and
Communications**

Former chief marketing officer at J. Crew

Experience at American Express



Jamie Miller

EVP, CFO

Former CFO at EY (Consulting and accounting firm)

CFO at Cargill, a large agricultural company

CFO at General Electric



Isabel Cruz

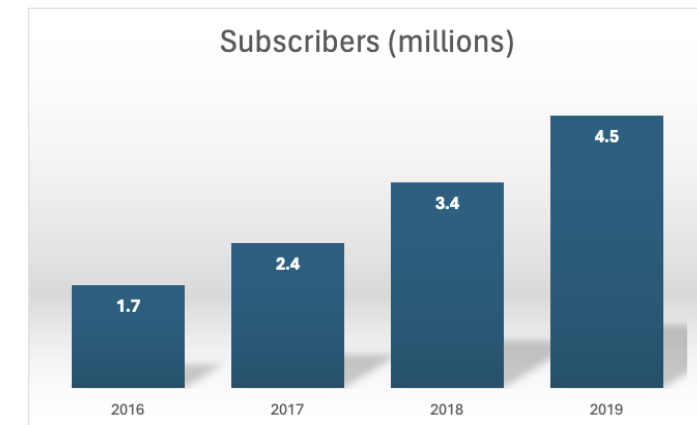
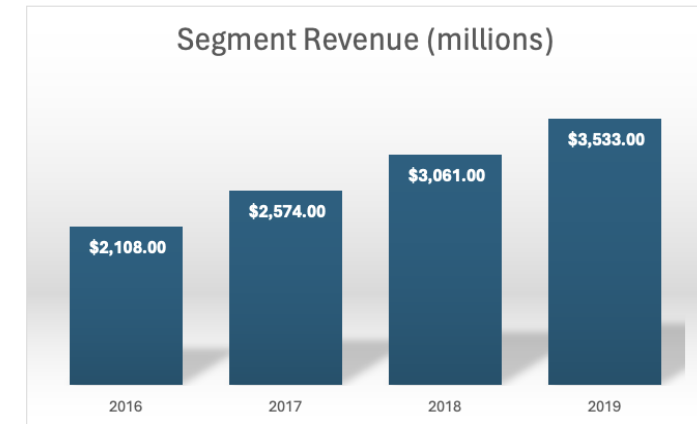
EVP, Chief People Officer

Former senior vice president for Walmart teams: Technology, services, and corporate

Alex Chriss – Intuit's QuickBooks

- Managed QuickBooks as General Manager of Small Business and Self-Employed group
- **Expansion of QuickBooks:** Chriss integrated payroll, financing, and payment services into the QuickBooks ecosystem
- **Growing Customer Base:** From 2017-2019 Chris grew revenues and subscribers of QB Online
- **Innovation:** Under Chriss, QuickBooks Capital was born which allowed small businesses to get capital based on QB data

Small Business & Self-Employed Segment Metrics				
Year	2016	2017	2018	2019
Revenue (m)	\$ 2,108.00	\$2,574.00	\$3,061.00	\$3,533.00
Growth		22%	19%	15%
QB Subscribers (m)	1.7	2.4	3.4	4.5
Growth		41%	42%	32%



Assumptions- Bloomberg

“Gradual recovery in the e-commerce spending and cross-boarder transactions, better monetization and engagement by management might push revenue growth to 8% in 2023 and 9% through 2025”

“Transaction Margins should stabilize at around 44-45% over 2024-2026”

“Our Calculator shows EPS growth outpaces revenue from 2023- on improving operating margins”

“Dollar Volume of digital payments (TPV) is the main driver of PayPal’s Growth

- E-commerce sales paid using PayPal or Venmo, P2P transactions

Bloomberg Interactive Calculator Vs 2.0

	2022	2023	2024	2025	2026
Key Drivers					
Total Payment Volume	1,357,122	1,528,579	1,714,702	1,915,521	2,192,651
Y/Y Change	8.9%	12.6%	12.2%	11.7%	14.5%
Consensus			1,681,345	1,852,794	2,031,469
Transaction Expense	12,173	14,385	16,474	18,430	21,238
Y/Y Change	18.0%	18.2%	14.5%	11.9%	15.2%
Consensus			16,108	17,721	19,633
Key Financial Metrics					
Net Revenue	27,518	29,771	31,670	35,280	38,765
Consensus			31,926	34,455	37,035
Adjusted Operating Income	5,870	6,679	6,099	7,128	6,728
Consensus			6,344	6,762	6,877
Adj. Diluted Earnings Per Share	4.13	5.10	4.63	6.19	6.87
Consensus			5.21	5.66	6.11



DCF Build <i>Paypal Holdings. Ltd.</i>	Historical						Projected				
	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Revenue	15,451	17,772	21,454	25,371	27,518	29,771	31,557	33,135	34,461	35,494	36,204
% growth		15%	21%	18%	8%	8%	6%	5%	4%	3%	2%
EBIT	2,503	2,790	3,428	4,324	4,044	4,944	6,195	7,298	8,408	9,497	10,532
% Margin	16%	16%	16%	17%	15%	17%	20%	22%	24%	27%	29%
Taxes	319	539	863	(70)	947	1,165	809	1,002	1,220	1,466	1,744
% Tax Rate	13%	18%	17%	-2%	28%	22%	21%	21%	21%	21%	21%
EBIAT (NOPAT)	2,184	2,251	2,565	4,394	3,097	3,779	5,385	6,296	7,189	8,030	8,788
D&A	776	912	1,189	1,265	1,317	1,072	1,493	1,567	1,630	1,679	1,712
% of Sales	5%	5%	6%	5%	5%	4%	5%	5%	5%	5%	5%
Capex	-	-	(866)	(908)	(707)	(623)	(852)	(962)	(793)	(816)	(833)
% of Sales	-	-	-4%	-4%	-3%	-2%	-3%	-3%	2%	2%	2%
Change in NWC		4,517	972	(3,003)	3,767	791	726	762	793	816	833
% of Sales		25%	5%	-12%	14%	3%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow							7,004	8,063	8,819	9,709	9,709
PV of Free Cash Flow							6,490	7,091	6,987	6,931	6,244
Period							1	2	3	4	5
							0.73	1.23	2.23	3.23	4.23
Terminal Value		98,063									
PV of Terminal Value		64,597									
Enterprise Value		98,340									
(+) Cash		14,060									
(-) Debt		10,236									
Implied Equity Value		102,164									
Shares Outstanding		1,107									
Implied Stock Price		\$92.29									

Below Consensus

Overstated Margins for Safety

Assumptions												
Switches		Conservative			Base			Optimistic			Other Assumptions	
			Year	Metric		Year	Metric		Year	Metric		Metric
Revenue	Base	Rev. Growth	2024	(10.0%)	Rev. Growth	2024	6.0%	Rev. Growth	2024	10.0%	Tax Bracket	21.0%
		Term Growth	2028	1.5%	Term Growth	2028	2.0%	Term Growth	2028	2.5%	D&A % of Rev.	4.7%
Transaction Expenses	Base	Transaction Exp	2024	10.0%	Transaction Exp.	2024	47.0%	Transaction Exp.	2024	(10.0%)	Change NWC % Rev	2.3%
		Transaction Exp	2028	10.0%	Transaction Exp.	2028	43.0%	Transaction Exp.	2028	(10.0%)	Capital Expenditures	3.0%
Credit Losses	Base	Credit Losses	2024	10.0%	Credit Losses	2024	7.0%	Credit Losses	2024	(10.0%)	WACC	11%
		Credit Losses	2028	10.0%	Credit Losses	2028	6.0%	Credit Losses	2028	(10.0%)	TGR	2.0%
Customer Support	Base	Customer Suppc	2024	10.0%	Customer Support	2024	8.5%	SBC Mgn	2024	(10.0%)		
		Customer Suppc	2028	10.0%	Customer Support	2028	7.0%	SBC Mgn	2028	(10.0%)		
Sales & Marketing	Base	Sales & Marketi	2024	10.0%	Sales & Marketi	2024	9.0%	Sales & Marketi	2024	(10.0%)		
		Sales & Marketi	2028	10.0%	Sales & Marketi	2028	7.0%	Sales & Marketi	2028	(10.0%)		
Tech & Development	Base	Tech & Dev.	2024	10.0%	Tech & Dev.	2024	12.0%	Tech & Dev.	2024	(10.0%)		
		Tech & Dev.	2028	10.0%	Tech & Dev.	2028	10.0%	Tech & Dev.	2028	(10.0%)		
General and administrative	Base	General and Ad	2024	10.0%	General and Adm	2024	8.0%	General and Adm	2024	(10.0%)		
		General and Ad	2028	10.0%	General and Adm	2028	7.6%	General and Adm	2028	(10.0%)		

- Assumed Conservative Margins 2024E for Model Safety

Revenue Build	Historical						Projected				
	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
<i>Guardian Pharmacy, LLC and Subsidiaries</i>											
Sales Revenue	15,451	17,772	21,454	25,371	27,518	29,771	31,557	33,135	34,461	35,494	36,204
YoY Growth		15%	21%	18%	8%	8%	6%	5%	4%	3%	2%
Conservative							5.4%	4.4%	3.5%	2.5%	1.5%
Base							6.0%	5.0%	4.0%	3.0%	2.0%
Optimistic							6.6%	5.6%	4.6%	3.5%	2.5%

Cost & OpEx Build	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
Transaction Expenses	5,581	6,790	7,934	10,315	12,173	14,385	14,832	14,994	14,990	14,819	14,482
% Margin	31%	32%	31%	37%	41%	46%	47%	45%	44%	42%	40%
Conservative							51.7%	49.8%	47.9%	45.9%	44.0%
Base							47.0%	45.3%	43.5%	41.8%	40.0%
Optimistic							42.3%	40.7%	39.2%	37.6%	36.0%

Gross Profit	12,191	14,664	17,437	17,203	17,598	17,172	18,303	18,303	19,467	20,504	21,385
% Margin	69%	68%	69%	63%	59%	54%	55%	55%	56%	58%	59%

- Pre Covid-Margins ~31.5 Low Variance
- Post Covid Spike in Imminent Transaction Expenses (rates)
- We Expect PayPal To Improve on These Margins But Not Return To Pre-Covid Levels

WACC

Cost of Capital - Current Market Value

	Weight	Cost	W x C
3) Equity	86.5%	11.7%	10.1%
4) Debt Cost (A-T)	13.5%	4.6%	0.6%
5) Preferred Equity	0.0%	0.0%	0.0%
WACC			10.7%

Capital Structure (Millions of USD)

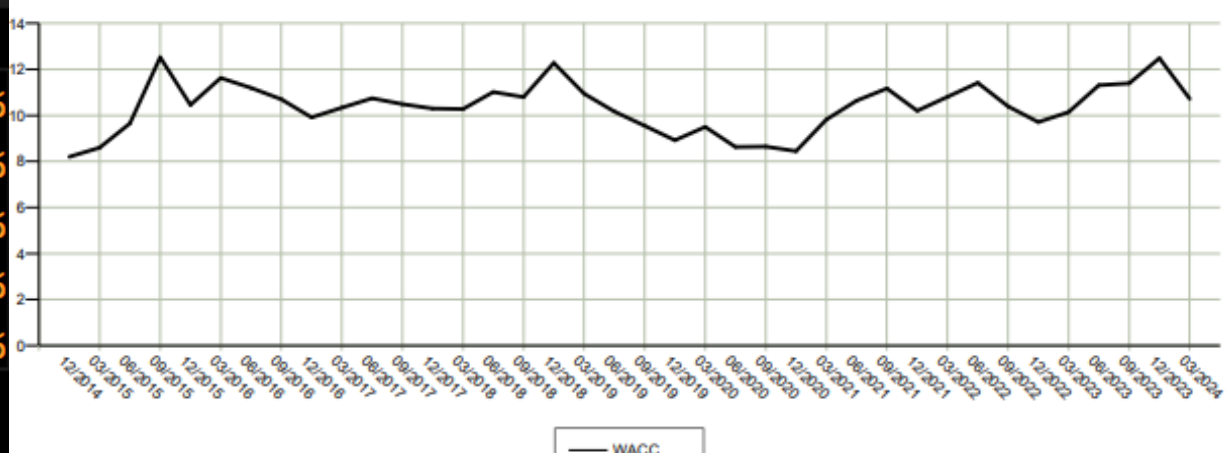
	Market Cap	65,831.5	86.5%
	ST Debt	144.0	0.2%
	LT Debt	10,092.0	13.3%
	Pref. Eqty	0.0	0.0%
	Total	76,067.5	100.0%

Beta & WACC Trends

Linear Beta Range 1

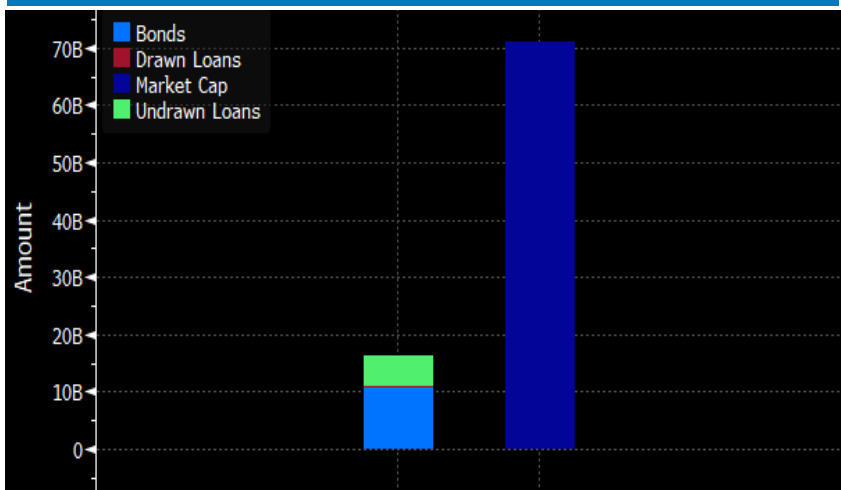
Raw BETA	1.548
Adjusted BETA	1.365
ALPHA (Intercept)	-0.564
R ² (Correlation ²)	0.425
R (Correlation)	0.652

Historical Graph



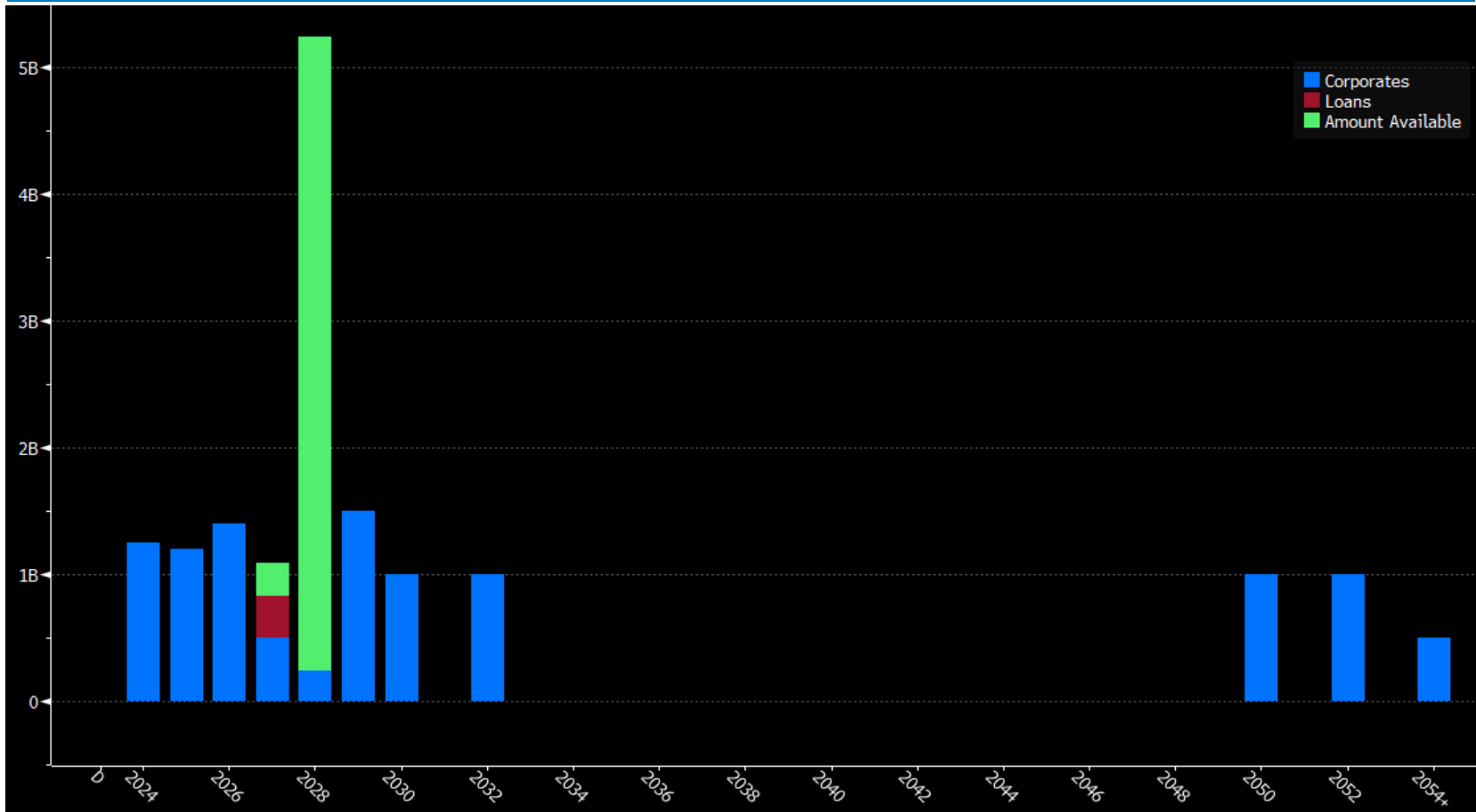
Date	Target	Value (\$ in mm)	Commentary
07/06/15		\$890	PayPal and Xoom announced a definitive agreement under which PayPal will acquire Xoom for an enterprise value of approximately \$890 mm
03/10/15		60	PayPal acquired Israeli cyber-security startup, CyActive Security, for \$60 mm
03/02/15		280	Acquired mobile wallet operator Paydiant for \$280 mm
12/17/13		na	Acquired Stackmob, a provider of back-end technology stack for mobile applications
11/26/13		800	Under parent company, eBay, PayPal acquired Braintree for \$800 mm
07/17/12		na	Acquired Card.io, a developer of technology for using mobile phone cameras to scan credit cards and capture relevant information
07/07/11		240	Acquired Zong for \$240 mm to integrate mobile carrier billing globally
04/28/11		na	PayPal acquired Fig Card, a startup that makes a USB stick merchants can use to accept payments from smartphones
11/07/08		945	Acquired Bill Me Later for approximately \$820 mm in cash and \$125 mm worth of outstanding options
02/08/08		169	PayPal acquired Fraud Sciences for \$169 mm
10/10/05		370	PayPal acquired VeriSign's Payment Gateway Business for \$370 mm

Capital Structure



Security Description	Currency	Debt
▸ Sr Unsecured Loans (4 Issues)		329.71MM
▸ Sr Unsecured Bonds (13 Issues)		10,593.47MM
Total Debt Outstanding		10,923.18MM
Market Cap		71,099.36MM

PYPL Debt Distribution





PYPL. Financial Statement Model

Rocky Mtn. Investment Challenge

Assumptions	Historical						Projected				
	2018A	2019A	2020A	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
PayPal Holdings Ltd.											
Revenue Growth Rate		15.02%	20.72%	18.26%	8.46%	8.19%	8%	8%	8%	8%	8%
Transaction expense	36%	38%	37%	41%	44%	48%	44%	43%	43%	42%	41%
Transaction and credit losses	8%	8%	8%	4%	6%	6%	7%	7%	6%	6%	5%
Customer support and operations	9%	9%	8%	8%	8%	6%	8%	8%	8%	7%	7%
Sales and marketing	9%	8%	9%	10%	8%	6%	8%	8%	8%	8%	8%
Technology and development	12%	12%	12%	12%	12%	10%	12%	12%	12%	12%	12%
General and administrative	10%	10%	10%	8%	8%	7%	9%	8.8%	8.5%	8.3%	8%
Restructuring and other	2.000%	0.400%	0.648%	0.244%	0.752%	-0.282%	0.4%	0.4%	0.4%	0.4%	0.4%
Other Income (expense), net	1.18%	1.57%	8.28%	-0.64%	-1.71%	1.29%	0.3%	0.3%	0.3%	0.3%	0.3%
Income Tax Bracket	13.43%	17.98%	17.04%	-1.71%	28.13%	21.53%	21.0%	21.0%	21.0%	21.0%	21.0%
D&A % of Revenue				4.99%	4.79%	3.60%	4.5%	4.5%	4.5%	4.5%	4.5%
Consolidates Statements of Income											
PayPal Holdings Ltd.											
Income Statement [Abstract]											
Net revenues	15,451	17,772	21,454	25,371	27,518	29,771	\$32,153	\$34,725	\$37,503	\$40,503	\$43,743
Operating expenses:											
Transaction expense	5,581	6,790	7,934	10,315	12,173	14,385	14,147	15,019	15,939	16,910	17,935
Transaction and credit losses	1,274	1,380	1,741	1,060	1,572	1,682	2,251	2,257	2,250	2,228	2,187
Customer support and operations	1,407	1,615	1,778	2,075	2,120	1,919	2,572	2,691	2,813	2,936	3,062
Sales and marketing	1,314	1,401	1,861	2,445	2,257	1,809	2,572	2,778	3,000	3,240	3,499
Technology and development	1,831	2,085	2,642	3,038	3,253	2,973	3,858	4,167	4,500	4,860	5,249
General and administrative	1,541	1,711	2,070	2,114	2,099	2,059	2,894	3,038	3,188	3,342	3,499
Restructuring and other	309	71	139	62	207	-84	113	122	132	143	154
Total operating expenses	13,257	15,053	18,165	21,109	23,681	24,743	28,408	30,072	31,822	33,659	35,586
Operating income	2,194	2,719	3,289	4,262	3,837	5,028	3,745	4,652	5,681	6,844	8,157
Other income (expense), net	182	279	1,776	-163	-471	383	109	118	128	138	149
Income before income taxes	2,376	2,998	5,065	4,099	3,366	5,411	3,854	4,771	5,808	6,982	8,306
Income tax expense (benefit)	319	539	863	-70	947	1,165	809	1,002	1,220	1,466	1,744
Net income (loss)	\$2,057	\$2,459	\$4,202	\$4,169	\$2,419	\$4,246	\$3,045	\$3,769	\$4,589	\$5,516	\$6,562

Venmo Business Profile: provide an affordable and easy way for businesses to accept payments and grow their business and has grown to a community of more than 90 million active accounts.. The next evolution of business profiles will add subscribe buttons, profile rankings, and the ability to offer promotions to consumers, bringing powerful new ways for businesses to drive traffic, generate sales, and more meaningfully grow their business through increased visibility in the Venmo app.

New checkout features: PayPal has worked on new features for their checkout process, specifically passkeys that enable users to just use their face or fingerprint to purchase items. This is estimated to reduce latency by 50%.

FastLane by Paypal : A new one-click guest checkout experience that merchants using PayPal's platform will be able to offer their shoppers, allowing them to make a fast and painless purchase. Early results showing that Fastlane can recognize 70% of guests and accelerated checkout speeds of nearly 40% compared to a traditional guest checkout process.

Reach more customers
Let your community know you're in business—with no upfront costs. Attract new sales by offering cash back deals that nearby customers can redeem in seconds.

Grow your reach. Attract customers. Make more sales.

Introducing our smarter, faster checkout

No password needed. We quickly authenticate PayPal customers and let them check out twice as fast.¹

9:41 MERCHANT \$53.00

Contact info
Email samlee@gmail.com

Powered by Fastlane

Continue

Shipping
Delivery

Payment

9:41 MERCHANT \$53.00

Contact info
Email samlee@gmail.com

Powered by Fastlane

Continue

Shipping
Delivery

Document

Let's confirm it's you
Enter the code sent to (310) 444-1980 to review your info and check out.
Get a new code

1 4 2 7 2 6

Fastlane by PayPal

9:41 MERCHANT \$57.99

Shipping
Sam Lee
123 Rellington St. Apt 3
Los Angeles, CA 90210
Powered by Fastlane

Change

Delivery
Standard 5-7 Day Shipping \$0.00

Change

Payment
VISA **** 1212
Powered by Fastlane

Change

Subtotal \$53.00

Add Discount Code

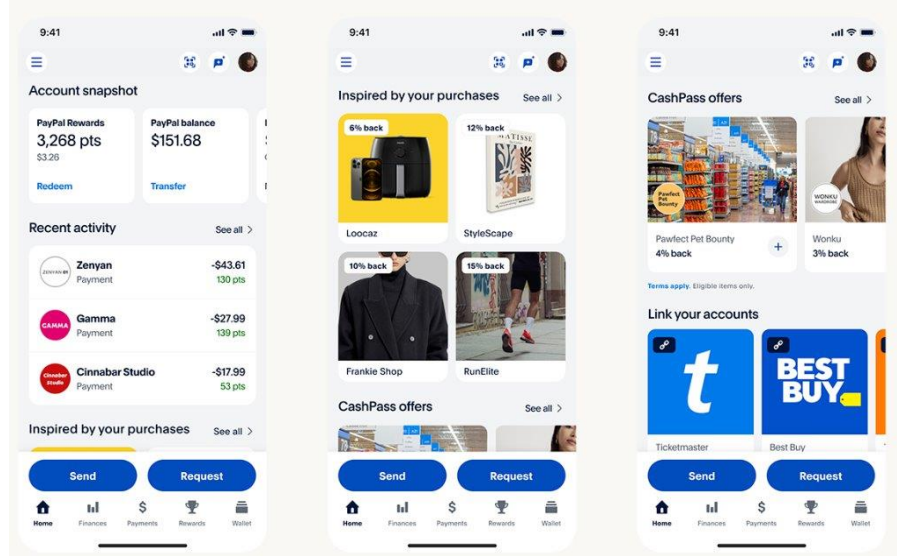
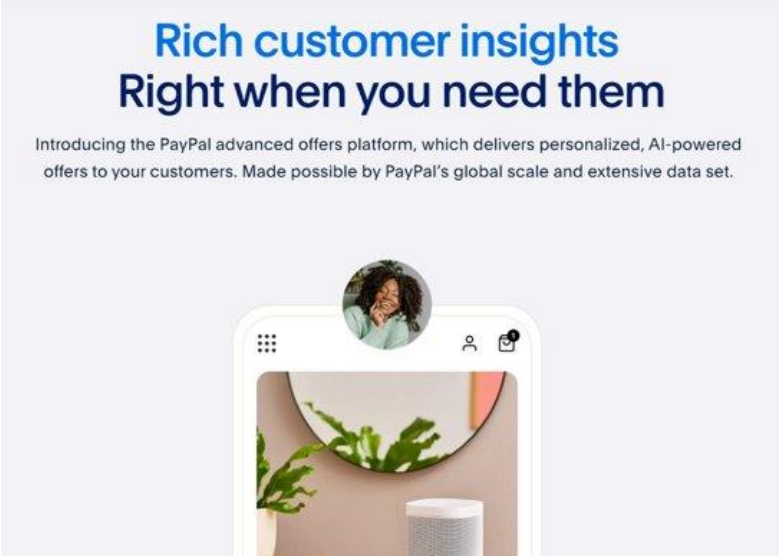
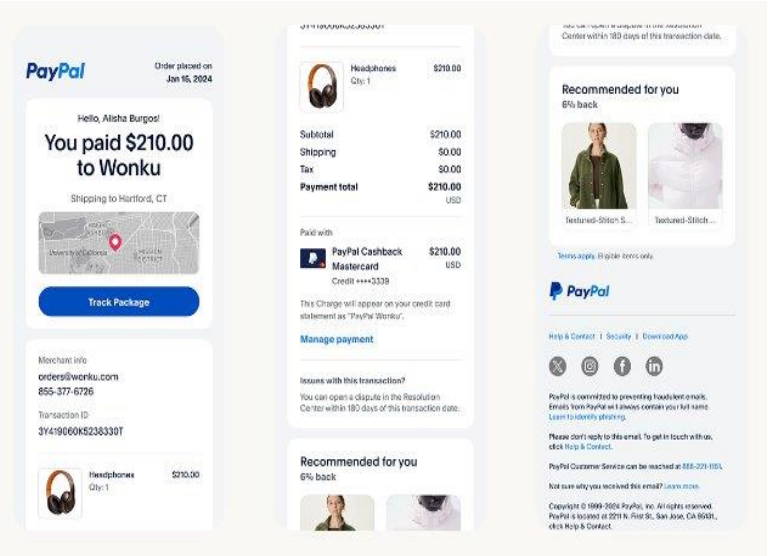
Tax \$4.99
Shipping Free
Total \$57.99

Pay \$57.99

PayPal Smart Receipts: This is an AI system that will track what a user purchases, predict items that they might want to buy next and then recommend these to the user. A cashback reward will also be a part of the recommended item should the user make the purchase.

PayPal Advanced Offers Platform: PayPal will use customer insights to build a dynamic, truly personalized **advanced offers platform** giving merchants the ability to reach customers based on what they have actually bought across the internet. This new, performance-based offers platform has the potential to use AI to organize and analyze data from nearly half a trillion dollars' worth of merchant transactions globally

PayPal Cash Pass: CashPass to give customers access to hundreds of exciting, personalized cash back offers from top brands in the U.S. A user will simply need to tap on the offer, shop at that business, and check out with PayPal. PayPal CashPass users will also be able to stack with other PayPal rewards such as cash back from the PayPal Cashback Mastercard®. Users can then put cash back into a PayPal Savings account and earn more on top.



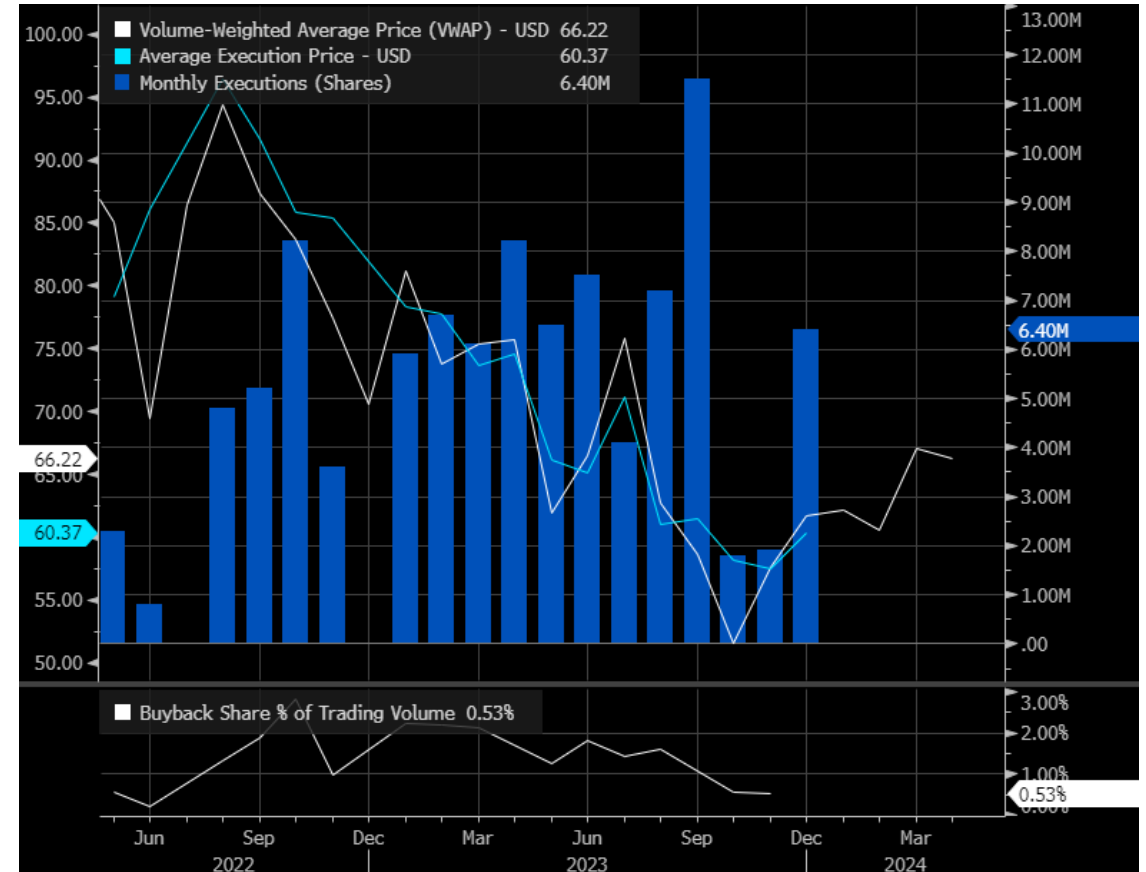
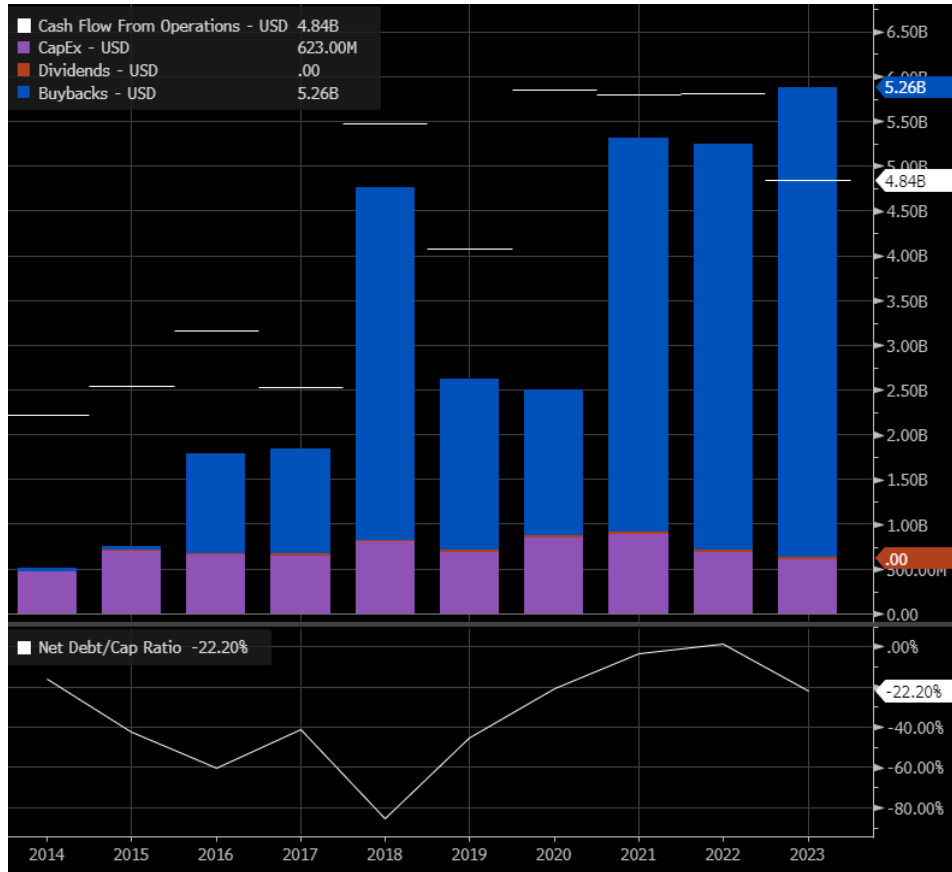
	Firm	Analyst	Recommendation
1)	Wolfe Research	Darrin Peller	peerperform
2)	Keefe Bruyette & W...	Sanjay Sakhrani	outperform
3)	Mizuho Securities	Dan Dolev	neutral
4)	Bernstein	Harshita Rawat	market perform
5)	Macquarie	Paul Golding	outperform
6)	Financial Technolo...	Craig Jared Maurer	no rating system
7)	Wells Fargo	Andrew Bauch	equalweight
8)	RBC Capital	Dan Perlin	outperform
9)	Wedbush	Moshe Katri	outperform
10)	Evercore ISI	David M Togut	in-line

PayPal Holdings Inc		
Consensus Rating	▼	3.65
Buy	37.0%	20
Hold	59.3%	32
Sell	3.7%	2
12M Tgt Px	39/60	69.73
Last Price		66.34
Pricing Currency		USD
Return Potential		5.1%
LTM Return		-11.5%

Linear Beta	Range 1
Raw BETA	1.548
Adjusted BETA	1.365
ALPHA (Intercept)	-0.564
R^2 (Correlation^2)	0.425
R (Correlation)	0.652
Std Dev of Error	4.511
Std Error of ALPHA	0.446
Std Error of BETA	0.179
t-Test	8.635
Significance	0.000
Last T-Value	-0.156
Last P-Value	0.438
Number of Points	103
Last Spread	5139.19
Last Ratio	0.013

Holder Name	Portfolio Name	Source	Opt	Position↓
		All	All	
1. + Vanguard Group Inc/The		ULT-AGG		90,025,537
2. + BlackRock Inc		13G		72,523,555
3. + State Street Corp		ULT-AGG		45,384,245
4. Comprehensive Financial Management LLC	COMPREHENSIVE FINANCIAL MANAGEMENT LLC	13F		28,596,618
5. + Geode Capital Management LLC	GEODE CAPITAL MANAGEMENT LLC	13F		21,251,436
6. + Polen Capital Management LLC	POLEN CAPITAL MANAGEMENT LLC	13F		20,794,484
7. + Morgan Stanley		ULT-AGG		14,258,071
8. + Norges Bank		13F		12,205,841
9. + Two Sigma Investments LP		ULT-AGG		12,182,930
10. + Deutsche Bank AG		ULT-AGG		11,371,689
11. + Northern Trust Corp	NORTHERN TRUST CORPORATION	13F		11,122,360
12. + Teachers Insurance & Annuity Association of America		ULT-AGG		9,979,845
13. + BANK OF NEW YORK MELLON CORP/THE		ULT-AGG		8,465,999
14. + Legal & General Group PLC	LEGAL & GENERAL GROUP PLC	13F		8,443,197
15. Bank of America Corp	BANK OF AMERICA CORP	13F	Y	8,098,476
16. + UBS AG		ULT-AGG		7,608,637
17. Public Investment Fund		13F		7,496,993
18. + AllianceBernstein Holding LP		ULT-AGG		7,457,388
19. + Charles Schwab Corp/The		ULT-AGG		6,980,967
20. + Goldman Sachs Group Inc/The		ULT-AGG		6,922,149

- 5B of debt available in 2028



Q4 & FY 2023 snapshot

(in millions, except % and per share data)

	Q4'23	FY'23
Total payment volume	\$409,832	\$1,528,579
Y/Y growth	15%	13%
Revenue	\$8,026	\$29,771
Y/Y growth	9%	8%
FXN Y/Y growth	9%	9%
Transaction margin \$	\$3,672	\$13,704
Y/Y growth	—%	(1%)
Non-GAAP operating income	\$1,872	\$6,679
Non-GAAP operating margin	23.3%	22.4%
Non-GAAP EPS	\$1.48	\$5.10

Account and activity metrics¹

(in millions, except % and TPA)

	Q4'23	FY'23
Active accounts²	426	426
Y/Y growth	(2%)	(2%)
Monthly active accounts (MAA)³	224	218
Y/Y growth	1%	1%
Number of payment transactions	6,798	24,981
Y/Y growth	13%	12%
Transactions per active account (TPA)⁴	58.7	58.7
Y/Y growth	14%	14%
TPA ex. PSP (unbranded card processing)⁴	33.5	33.5
Y/Y growth	7%	7%

Total payment volume (TPV) & revenue

(in millions, except %)

	Q4'23	FY'23
Total payment volume	\$409,832	\$1,528,579
Y/Y growth	15%	13%
FXN Y/Y growth	13%	12%
Total revenue	\$8,026	\$29,771
Y/Y growth	9%	8%
FXN Y/Y growth	9%	9%

Free cash flow (FCF) and capital allo

(in millions, except %)

	Q4'23	FY'23
Free cash flow	\$2,469	\$4,220
Y/Y growth	72%	(17%)

Q1'24 guidance

Non-GAAP EPS¹	Mid-single digit growth (Q1'23 non-GAAP EPS of \$1.17)
Non-GAAP effective tax rate	Approximately 19%-20%
Revenue growth	Approximately 6.5% spot and 7% FXN

(in millions, except %)

Hedging Impacts⁽¹⁾

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

	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Favorable (unfavorable) impact to net revenues (exclusive of hedging impact)	\$ (307)	\$ (277)	\$ (139)	\$ 6	\$ 141	\$ 120
Hedging impact	156	152	76	34	7	(6)
Favorable (unfavorable) impact to net revenues	(151)	(125)	(63)	40	148	114
Favorable (unfavorable) impact to operating expense	162	142	78	7	(57)	(57)
Net favorable (unfavorable) impact to operating income	\$ 11	\$ 17	\$ 15	\$ 47	\$ 91	\$ 57

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

Net charge-offs⁽²⁾

Reserve build (release)⁽³⁾

Credit Losses

Net charge-offs ⁽²⁾	\$ 69	\$ 86	\$ 110	\$ 134	\$ 163	\$ 142
Reserve build (release) ⁽³⁾	44	88	32	(22)	(46)	(23)
Credit Losses	\$ 113	\$ 174	\$ 142	\$ 112	\$ 117	\$ 119

(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.