

To fellow shareholders,

In the past year, we've been going through a very tough time due to COVID-19. The global regression leads to an economic crisis. Many of the local businesses are forced to be closed. Thankfully, we, as one of the well-known applications offering digital payment processing, have noticed the underrepresented business demand years ago and innovated for small and midsize businesses (SMBs). As shown by research, over 70% of online payment is generated through SMBs. Nowadays, several key competitors from both banking and high-tech industries are crowded into the software development, making the competition more tense.

Unlike giant banking firms, we took our strength in accessibility to provide loans for SMBs and help them to survive since 2013. To date, we have offered loans to over 1 million SMBs, and the accumulative capital provided has passed \$20 billion. In 2020, almost half of our total revenue comes from SMBs. We are proud to see PayPal has doubled its business size in 5 years through total active accounts, annual total payment volume, and many more performance indicators.

Future

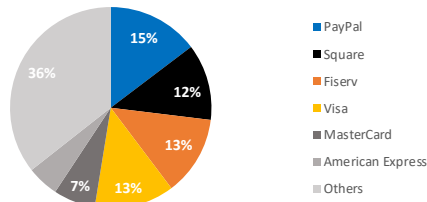
The following steps are continuing to scale up our business to different regions and diversify product offerings for various targeted groups. Alliances with local suppliers should be established. This will help us to break the boundaries and enter new markets easier. To fit into diverse market demands, consumer behaviors should be well researched and taken into consideration while designing and modifying our figures.

Finally, thank all the people who make PayPal possible. Despite the intense competition, economic uncertainty, and unsteady consumer behaviors making it harder to sustain our business growth, it has not been an obstacle to improving our

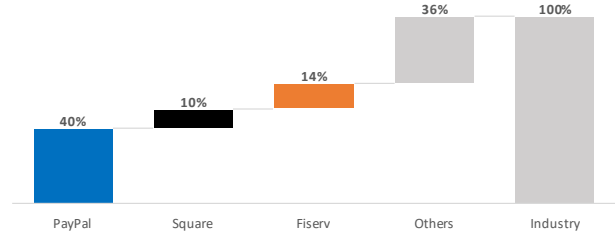
Sincerely,



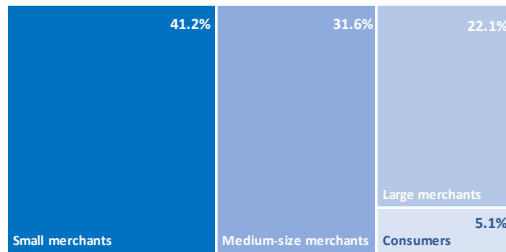
Y2020 Credit Card Processing & Money Transferring in the US (%)



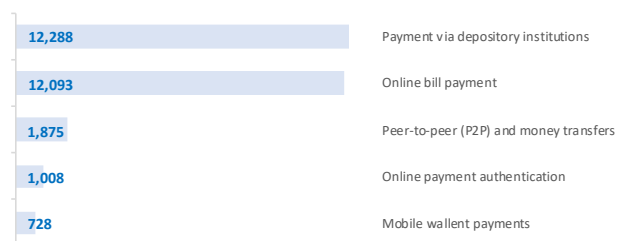
Y2020 Online Payment Processing Software Development in the US (%)



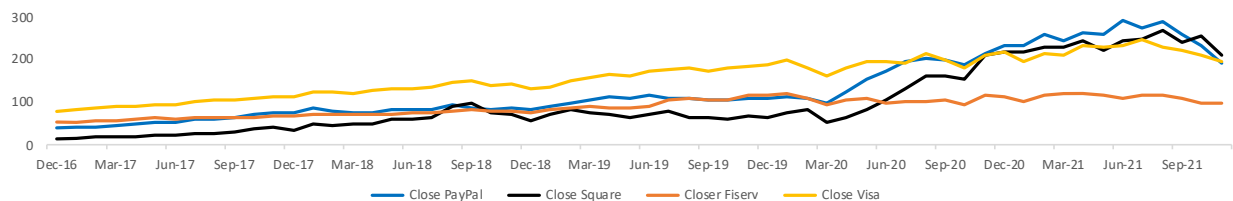
Y2021 Est. Major Market Segmentation of Online Payment Processing Software Development (%)



Y2021 Est. Products and Services Segmentation of Online Payment Processing Software Development (\$M)



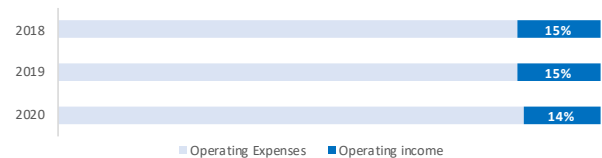
Dec-16 to Nov-21 Stock Price (\$)



Q4-20 to Q3-21 PayPal Relatively Total Payment Volume



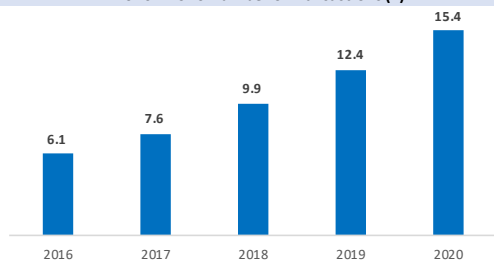
Y2018-Y2020 PayPal Operating Income % of Net Revenue



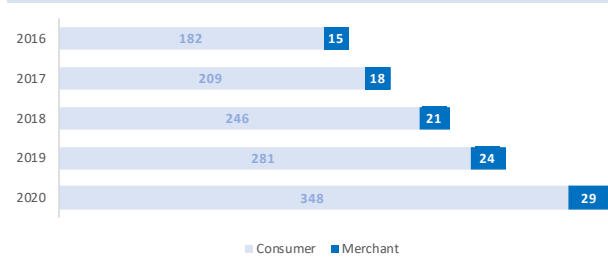
Data Insights and Recommendations:

- PayPal has been standing as one of the major players in the US Credit Card Processing & Money Transferring industry, taking 15% market share followed by Square, Fiserv, Visa, etc. Also, PayPal takes charge of 40% of industry revenue from US Online Payment Processing Software Development in 2020. The second and third places go to Square and Fiserv. As noticed, key players invest in their software development, showing that it is one of the success factors to secure market positions in this industry.
- Over 70% of the industry revenue comes from small and medium-size merchants (SMBs) using online payment software, whereas 22% is spent by large enterprises and the remaining 5% by consumers. In addition, based on the products and services segmentation, almost 90% of the demand is regarding online bill payment and payment via depository institutions. This trend brings a pretty clear direction of new market demands in SMBs.
- In the past 5 years, PayPal's stock price performs extraordinarily outstanding compared to its competitive peers, especially from March 2020 until September 2020. One of the competitors that presents a very close growth curve is Square. At close on 1st November this year, Square and Visa have the closest price to PayPal.
- Compared with the 2 main competitors who have closest market value, PayPal's total payment volume is 7.7 times of Square and 0.1 times of Visa in the latest 4 quarters.
- PayPal's operating income remains stable in the past 3 years at 15% of its net revenue, implying that PayPal managed stable operations even during the COVID pandemic.

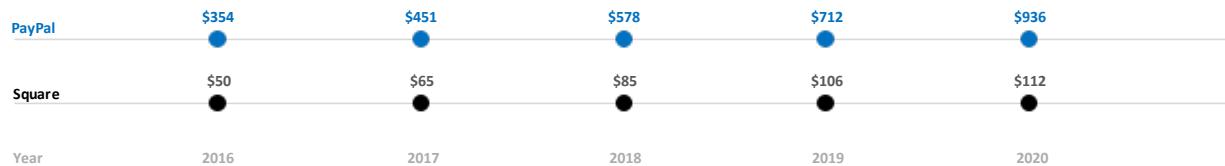
Y2016-Y2020 Number of Transactions (B)



Y2016-Y2020 Total Active Accounts (M)



Y2016-Y2020 Total Payment Volume (\$B)



Y2020 SMBs on PayPal Platform (M)



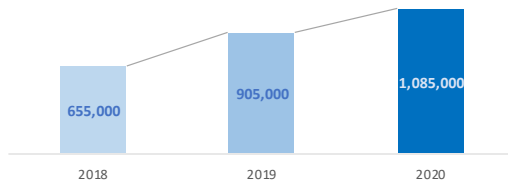
15M

Y2020 Estimated Total Revenue from SMBs (%)

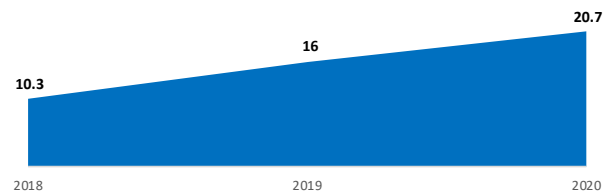
49.7%



Y2018-Y2020 Loans Provided to SMBs (Total Since 2013)



Y2018-Y2020 Cumulative Capital Provided to SMBs (\$B Since 2013)

**Data Insights and Recommendations:**

- Since 2016, PayPal has constantly grown the number of transactions on the platform. Until now, PayPal doubles its market scope by expanding total active accounts, including consumer and merchant client bases. The more merchants use PayPal products and services, the more consumers are expected to join.
- PayPal grows the total payment volume from \$354 billion to \$936 billion in the past 5 years, which is over 2.6 times, while Square only increased 2.3 times its payment volume by 2020. However, although Square has a relatively smaller business scale right now, its growth curve and software capability shouldn't be underestimated.
- In 2020, PayPal provides services to 15 million SMBs, and nearly 50% of total revenue is generated through them. It shows a great result of scaling up SMBs' client base.
- With a focus on SMBs, PayPal started to support SMBs via financing offering in 2013. By 2020, The total number of SMBs getting supported reaches 1 million, and the cumulative capital surpasses \$20 billion US dollars.

- Ref1** PayPal 2020 Global Impact Report
https://s1.q4cdn.com/633035571/files/doc_downloads/PayPal-2020-Global-Impact-Report.pdf
- Ref2** PayPal ESG Strategy
<https://investor.pypl.com/esg-strategy/default.aspx#news-esg-latest>
- Ref3** PayPal's ESG Performance Metrics
https://s1.q4cdn.com/633035571/files/doc_downloads/2021/05/PayPal-ESG-Performance-Metrics-3-Year-table.pdf
- Ref4** PayPal Q3-21 Investor Update
https://s1.q4cdn.com/633035571/files/doc_financials/2021/q3/PYPL-Q3-21-Investor-Update.pdf
- Ref5** PayPal 2021 Notice of Annual Meeting of Stockholders and Proxy Statement & 2020 Annual Report
https://s1.q4cdn.com/633035571/files/doc_financials/2021/ar/PYPL002_AR_2020_Bookmarked.pdf#page=117
- Ref6** Resilience and Growth During the COVID-19 Pandemic: A Study of Digital Small Businesses
https://publicpolicy.paypal-corp.com/sites/default/files/policy/C19_and_Digital_SMBs_PayPal.pdf
- Ref7** IBIS World - Credit Card Processing & Money Transferring in the US
<https://my-ibisworld-com.hult.idm.oclc.org/us/en/industry/52232/competitive-landscape>
- Ref8** IBIS World - Online Payment Processing Software Developers
<https://my-ibisworld-com.hult.idm.oclc.org/us/en/industry-specialized/od4521/industry-at-a-glance>
- Ref9** Square 2021 Notice of Annual Meeting of Stockholders and Proxy Statement & 2021 Annual Report
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- Ref10** Square Q3 2021 Shareholder Letter
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- Ref11** Fiserv 2020 Annual Report
<https://investors.fiserv.com/static-files/138caa16-0fed-43b5-ac68-d1133c8e621f>
- Ref12** Fiserv Q3 2021 Financial Results
<https://investors.fiserv.com/static-files/64c425ce-bd5f-42bb-b2a8-beb1ca52d0da>
- Ref13** Visa Q3 2021 Financial Results
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- Ref14** Visa Fiscal Year 2020 Financial Highlights
<https://annualreport.visa.com/financials/default.aspx>
- Ref15** Visa Fiscal Fourth Quarter 2021 Financial Results
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- Ref16** Visa Fiscal Third Quarter 2021 Financial Results
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- Ref 17** Visa Fiscal Second Quarter 2021 Financial Results
https://s1.q4cdn.com/050606653/files/doc_financials/2021/q2/Visa-Inc.-Q2-2021-Financial-Results-Presentation.pdf
- Ref 18** Visa Fiscal First Quarter 2021 Financial Results
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- Ref 19** Visa Fiscal Year 2019 Annual Report
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- Ref 20** Visa Fiscal Year 2018 Annual Report
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- Ref 21** PayPal Combined 2018 Proxy Statement / 2017 Annual Report
https://s1.q4cdn.com/633035571/files/doc_financials/2017/ar/Combined_2017_Annual_Report_and_2018_Proxy_Statement.pdf
- Ref 22** PayPal Combined 2017 Proxy Statement / 2016 Annual Report
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- Ref 23** Yahoo Finance - PayPal
<https://finance.yahoo.com/quote/PYPL/history?period1=1479859200&period2=1637625600&interval=1mo&filter=history&frequency=1mo&includeAdjustedClose=true>
- Ref 24** Yahoo Finance - Visa
<https://finance.yahoo.com/quote/V/history?period1=1479859200&period2=1637625600&interval=1mo&filter=history&frequency=1mo&includeAdjustedClose=true>
- Ref 25** Yahoo Finance - Square
<https://finance.yahoo.com/quote/SQ/history?period1=1479859200&period2=1637625600&interval=1mo&filter=history&frequency=1mo&includeAdjustedClose=true>
- Ref 26** Yahoo Finance - Fiserv
<https://finance.yahoo.com/quote/FISV/history?period1=1479859200&period2=1637625600&interval=1mo&filter=history&frequency=1mo&includeAdjustedClose=true>
- Ref 27** Yahoo Finance - MasterCard
<https://finance.yahoo.com/quote/MA/history?period1=1479859200&period2=1637625600&interval=1mo&filter=history&frequency=1mo&includeAdjustedClose=true>
- Ref 28** Yahoo Finance - American Express
<https://finance.yahoo.com/quote/AXP/history?period1=1479859200&period2=1637625600&interval=1mo&filter=history&frequency=1mo&includeAdjustedClose=true>