



4 Surprising Ways PayPal's Third-Quarter Update Impressed Investors

Description

Shares of **PayPal** ([NASDAQ: PYPL](#)) surged on Thursday, rising about 8% as of 1:00 p.m. EDT. The stock's gain follows the company's strong third-quarter update. Revenue jumped 19% year over year to \$4.38 billion, exceeding analysts' average forecast for revenue of \$4.35 billion. In addition, PayPal's non-GAAP earnings per share of \$0.61 easily beat a consensus estimate for \$0.51.

"We had an excellent quarter financially and operationally," said PayPal CEO Dan Shulman in the company's third-quarter update.

But there was more to like than these headline figures. Here are four other reasons investors are cheering PayPal's third-quarter update.

1. Active accounts increased by 10 million

One key metric PayPal investors watch is the company's growth in active customer accounts. PayPal added 9 million active accounts in Q2, bringing total active accounts to 286 million — up 17% year over year.

In Q3, PayPal added 9.8 million active accounts. This put total active accounts at 295 million. Strong active account growth this year has prompted management to revise its full-year outlook for the metric. Now PayPal expects to end the year with 304 million active accounts, above previous guidance for 300 million.

2. Total payment volume growth accelerated

Helping drive PayPal's better-than-expected revenue growth was an acceleration in its total payment volume (TPV), or the total value of payment transactions processed through its payment technology. TPV increased 25% year over year to 3.1 billion. This was an acceleration from 24% TPV growth in Q2.

3. Venmo is firing on all cylinders

Venmo — PayPal's peer-to-peer payment app — remains a key catalyst. Total Venmo payment volume rose 64% year over year. PayPal processed more than \$27 billion in Venmo payments during the quarter.

“All of this is producing very strong monetization results,” said Schulman in the company’s [third-quarter earnings call](#). “We ended Q3 with Venmo just shy of a \$400 million annual revenue run rate.”

Total peer-to-peer payment volume, including transactions across both Venmo and its PayPal-branded apps, rose 39% year over year to \$51 billion, accounting for 28% of total TPV.

4. Merchant services growth accelerated

Also playing an important role in the [tech company](#)’s strong third-quarter performance was strong growth in its merchant services business. Merchant services volume increased 31% year over year on a constant-currency basis — an acceleration from 30% growth in Q2.

Management expects strong top-line growth to continue. PayPal guided for revenue to rise 16% to 17% year over year in Q4, or 17% to 18% in constant currency.

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daniel-sparks

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