

H2 2022

# Shareholder letter

**adyen**



engineered  
for ambition

## Processed volume

H2 ↗41% YOY

€421.7 BN

FY ↗49% YOY

€767.5 BN



## Net revenue

H2 ↗30% YOY

€721.7 MN

FY ↗33% YOY

€1.3 BN



## EBITDA

H2 ↗4% YOY MARGIN 52%

€372.0 MN

FY ↗16% YOY MARGIN 55%

€728.3 MN



## A period of sustained profitable growth

- Despite a challenging macro environment, our trajectory of sustained profitable growth left us well-positioned to invest in the business' long-term potential.
- EBITDA margin landed at 52% for the period due to investments in the team.
- To advance our platform, we succeeded in hiring additional tech roles, which amounted to 58% of total hires this period.

## Relentless innovation across our single platform

- To best service our customers, we continued innovating online checkout journeys with iterations to our authentication and payment methods.
- We further established ourselves in Mexico and Japan with the launch of Unified Commerce in these countries.
- We deepened our partnerships with platform businesses utilizing embedded payments – the gateway to further embedded financial product adoption.

## Further strides in our global expansion

- Net revenue continued to diversify across regions in H2, with the most notable growth rates coming from North America and APAC.
- To set Adyen up for further success, we ramped up our presence in global hubs including Singapore, Chicago, San Francisco, Madrid, and São Paulo.
- We won new customers around the world including Koala, Lacoste, and Instacart.





# Sustained profitable growth & long-term investments

Dear shareholders,

February 8, 2023

Before writing these letters, we always take time to reflect on the past half year. The world economy was volatile in H2 2022, with high inflation and geopolitical instability creating a challenging period for global commerce. Adyen closely monitors these developments and is not immune to their effects. Despite these obstacles, our demonstrated history of building for the long term and remaining a committed partner to our customers put us in the fortunate position of sustained profitable growth. Thanks to this track record, in H2 we were able to accelerate our investments into the business and continue laying the groundwork for Adyen's next growth phase. While attuned to the market, we proceeded with discipline in executing on our long-term ambitions.

By following this approach, we closed 2022 with a motivated team and a strong set of results. This period, our net revenue landed at €721.7 million, up 30% YOY, mainly driven by our customers' continued growth on our single platform. EBITDA margin came in at 52% for H2 2022, a metric impacted by the 757 new joiners we welcomed, which brought us to a total of 3,332 FTE at the year's end. To preserve our culture of speed and autonomy, we upheld our high talent standards. Our deliberate decision to continue scaling the team with high-impact team members further situates us to capitalize on the sizable opportunity at hand.

When diving into this cycle's results, you will find that our long-standing investments are many of our largest revenue drivers. However, these areas of our business did not become today's growth engines overnight. Across the board, our successes are the result of disciplined planning, focus, and constant iterative improvement. We always take the surest path towards long-term, sustainable return, even if that road is more extensive and complex to navigate. This philosophy, which often necessitates greater and more lengthy investments, has ultimately come to differentiate us.

Our Unified Commerce solution is a prime example of how maintaining our long-term perspective is paying off today. After disrupting the online payments landscape, in 2013 we saw an opportunity to tackle in-store payments as well. This space was already crowded but lacking a tech-first solution. Rather than taking the fastest route to market entry, we opted for the most comprehensive and promising. This meant engineering solutions in-house for the highest end of retail and enterprise customers. These businesses provide far more complex consumer journeys and thus require an equally advanced back-end infrastructure, which we remain the first and only to build.

Our early alignment on the long-term potential of our Unified Commerce solution makes us the partner of choice for leading businesses today, including H&M, Levi's, and Lacoste. In H2 2022, our point-of-sale (POS) volume was €67.6 billion, up 62% YOY and comprising 16% of total processed volume. With POS volume contributing larger amounts of our overall volume each cycle, we continue to invest in its potential. This period, we made strides with the launch of Unified Commerce in Mexico and Japan. We see a promising horizon ahead for Unified Commerce as we deepen our presence in these evolving markets and beyond.

When it comes to establishing ourselves in opportune markets and regions where our customers need support, North America is a strong case study of how Adyen plays the long game. We began selling there in 2007, opened our San Francisco office in 2012, obtained our US branch license in 2021, and over time grew our team in the region to 482 colleagues. Today, leading North American businesses leverage our technology for both domestic and international growth. Our historical investments in the region have put us in the reputable position of working with household names including Microsoft, Instacart, and Subway®. We continue to scale our activities by building upon this foundation of foresight and discipline. In H2, North American net revenue totaled €190.7 million, up 45% YOY. We are excited by the progress we have made thus far and consider ourselves at the early stages of what we aim to achieve in the region.

While our long-term view is embedded into all areas of our business, it was clearly reflected in our H2 recruitment strategy. Amid a backdrop of widespread tech lay-offs and hiring freezes, we consciously grew our team in order to further scale the business. During this time, the labor market proved favorable for reaching our intended hiring speed. While this backdrop supported our headcount goals, it did not dictate them. We did not adjust our plan nor meet quotas because candidates were more widely available.

Rather, we have always been efficient about the number of people required to solve problems. This held true during the initial pandemic years, when we were not distracted by e-commerce or in-store volume fluctuations. Our approach remains the same today. We continue to look beyond short-term changes, and are instead committed to our long-term growth. By staying critical of both the quantity and quality of people we hire, we are building a team that is capable of realizing it.

Carrying on from H1, our tech-first approach to building Adyen resulted in the majority of our new colleagues joining our tech domain, which comprises more than half of our global team. These software engineers, product managers, and data analysts are contributing to the full breadth of our platform – including our payments, data, and financial services products. Expanding these disciplines remains essential to scaling our platform and its capabilities. As it stands, investments in the team were the predominant driver of H2 and full year margin evolutions. While costs and revenue are not directly connected in the short term, we remain confident in the long-term return on investment into our team.

2022 was a significant year of headcount growth for our business and we still have a way to go. To meet our technical and commercial ambitions, we plan to add a similar number of colleagues in 2023 as in 2022. With our return to in-person collaboration and launch of additional global academies, we are able to absorb and onboard colleagues at this level. These new joiners will again solidify our high-impact commercial and platform engineering teams, as well as







strengthen younger ones ranging from data infrastructure to embedded financial products.

By the start of 2024, we expect our team to have reached its next maturity level. At that time, we will slow our hiring pace and allow the operating leverage inherent to our business model to kick in. We remain in full control of and intentional about this dynamic. Although we could quickly reach our projected 65% EBITDA margin if we shifted to optimizing for this metric, our gaze is fixed on the horizon.

Hiring aside, the overall macro environment was still marked by turbulence. The second half of this year saw soaring inflation impact households globally. The war in Ukraine waged on, catalyzing both humanitarian crises and economic knock-on effects felt around the world. Commerce naturally slowed as businesses and consumers alike grappled with supply chain disruptions, record debt, and energy price spikes. We remain aware of and sensitive to the difficulties experienced by global businesses, and will continue to support them as a steadfast partner.

Despite the surrounding global instability, our business fundamentals remained intact and we saw longer-term platform trends persist. Strong indicators of Adyen's resilience include the continuation of volume churn remaining below 1% and more than 80% of our growth stemming from customers already on the platform. We also experienced the continued regional diversification of our net revenue, highlighting that we are a more global business every cycle. These platform trends assure us that our strategy is able to withstand the market's changing tides.

We saw consumer behavior evolve in the second half of 2022, with the world's return to travel causing the most noteworthy volume developments. This was the first period since H2 2019 that travel volumes rebounded in full, with most countries reopening their borders and to a large extent adjusting to COVID-19. We accordingly processed increased travel volumes (including airlines) throughout H2, with full-stack volumes amounting to 79% of our total volume.

While our platform continues to scale, so too must the infrastructure powering it. Exceptional investments into our data centers resulted in CAPEX increasing to 8% in H2. As a natural consequence of these investments, free cash flow stands at €298.1 million (free cash flow conversion was 80% in H2 2022 vs 90% in H2 2021). In the first half of 2022, we made the decision to procure equipment ahead of schedule to protect ourselves against potential supply chain delays. This approach not only proved fruitful during H1's chip shortage, but again when we opened our newest data centers this period. Scaling our data center footprint in globally strategic locations is critical to supporting customer needs and handling our ever-growing processed volume. With our infrastructure in a sound position to withstand the coming years, we will return to our 5% guidance in 2023.

As Adyen continues to steadily perform, our success will not only be for our benefit. We want to underscore our long-term commitment to supporting the United Nations Sustainable Development Goals (UN SDGs). This year, we announced that we will annually donate 1% of our net revenue to initiatives that align with this framework. We were intentional about contributing 1% - a variable figure - rather than an annually fixed amount. The rationale behind this decision is that as our business grows, so too must our positive impact on the trajectory of the world around us. As we embarked on addressing some of the planet's most pressing issues, part of our 1% commitment went towards our charitable partnerships including the UNHCR.

If there is one takeaway to bring into the year ahead, it's this: Adyen is in investment mode. Long-term gain often requires short-term sacrifice. We have embraced this approach throughout our company's history and will stick to our long-term focus in 2023. This ongoing investment period is critical to realizing our platform's full potential. While remaining disciplined in our decision making, we are taking the steps needed to reach it. We are in the process of broadening our offering, expanding our global reach, and actively seizing opportunities. This is only the beginning.



## Scaling our customer portfolio across all pillars

Throughout this period, we maintained our track record of winning additional wallet share across our commercial pillars. Highlighting the strength of our land-and-expand strategy, over 80% of our growth came from businesses that were Adyen customers before the year began. This approach involves signing customers, demonstrating our value, then scaling with them long-term across regions and channels. We initially solve a single problem, then ramp up our collaboration by helping businesses identify and address far more complex needs. In a continuation of another long-term trend, H2 saw volume churn remain below 1%. Once again, our ability to nurture long-term, trusted customer relationships kept them growing on the platform. This metric is a testament to our unique implementation of the most advanced user journeys.

When it comes to digital businesses – the customer group Adyen first targeted – we have further solidified our reputation as the partner able to increase conversion, manage risk, and rapidly expand into new markets. In a reflection of this, digital remained our largest volume contributor at 60% in H2. A new notable digital customer wins included GymPass, and Koala. These businesses will leverage our single platform's transaction oversight and valuable consumer insights – the utilization of which drives digital engagement and revenue.

However, today's consumers are not just digitally native – they are option native. Speed, convenience, and above all: choice, remain key. We therefore facilitate and encourage seamless movement between their preferred on and offline channels. Having originally developed our Unified Commerce technology to meet the needs of luxury retail – where consumer journeys are elevated as standard – we are inherently equipped to provide solutions to 'everyday' retailers ready to modernize. This can mean enabling online retailers to adopt a POS stream or vice versa, by adding digital channels to brick-and-mortar businesses. Both directions persisted this cycle. We are permeating further into everyday retail, with customer wins including Žabka and Pet Supplies Plus. Alongside the industries we already have a strong foothold in, this vertical remains hungry for multi-channel transformation.

Adyen's history of developing solutions for the most complex journeys is also demonstrated across our Platform pillar. We have a well-established presence in the enterprise platform space, where we first and foremost help platforms fortify their relationships with sub-sellers through embedded payments. We see that the most forward-thinking platforms are actively seeking opportunities to embed payments that differentiate their offering, unlock new revenue streams, and improve their user experience. For these reasons, there is significant opportunity presented by business models including SaaS platforms, marketplaces, on-demand platforms, and social networks.












Though increasingly essential, the process of embedding payments can be complex and timely for platforms, as it requires distinct expertise and resources to be shifted away from their core business. Adyen's platform offering offloads this responsibility by enabling them to seamlessly integrate payments using our single API. Our embedded payments solution is currently how we initiate the majority of our relationships with platform customers, and will predominantly drive the pillar's volume growth in coming years.

Partnering with platforms simultaneously opens the door to an interesting customer demographic: the SMBs they host. Through our platform customers, we are naturally moving from the enterprise level down to the long tail of the market, which is rapidly digitizing. Beyond enabling their embedded online payments, we generate a competitive advantage for platforms through our Unified Commerce offering, which unlocks multi-channel business models for their users.

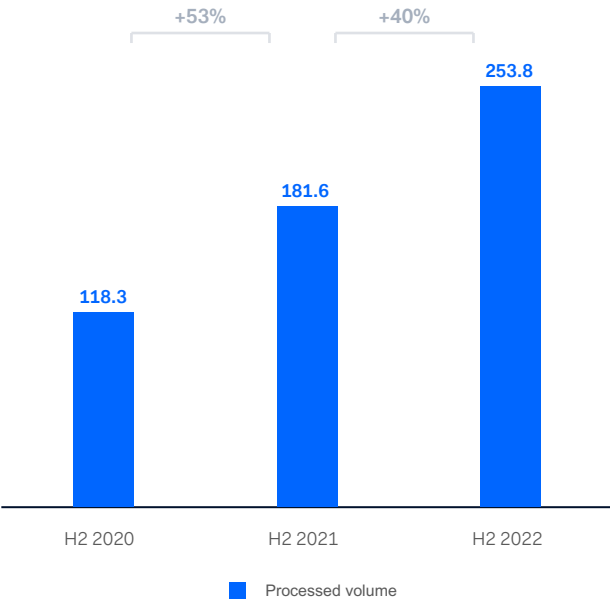
One key point of stickiness is amongst platforms who want to offer easy and affordable terminals to SMBs. The breadth of use cases facilitated by our payment devices enables SMBs – who are often less resourced – to free up sales associates and provide more personalized in-person services. Through Unified Commerce for Platforms, companies of all sizes can benefit from the technology and insights enjoyed by leading global enterprises.

To further cater to the SMB cohort, in H2 we broadened our platform offering by taking live our full suite of embedded financial products, which provides platform users with access to consolidated business banking. These products are currently being piloted by our first customers including accounting software platform, Moneybird. To efficiently meet their user's business needs, Moneybird integrated Adyen's card issuing, working capital, and business accounts - taking their offering from balance sheet oversight to fully embedded financial services. By circumventing the administrative demands and slower pace of traditional banks, their users can now leverage complete cash flow management including business banking.

We look forward to covering the sizeable ground still present across each pillar.

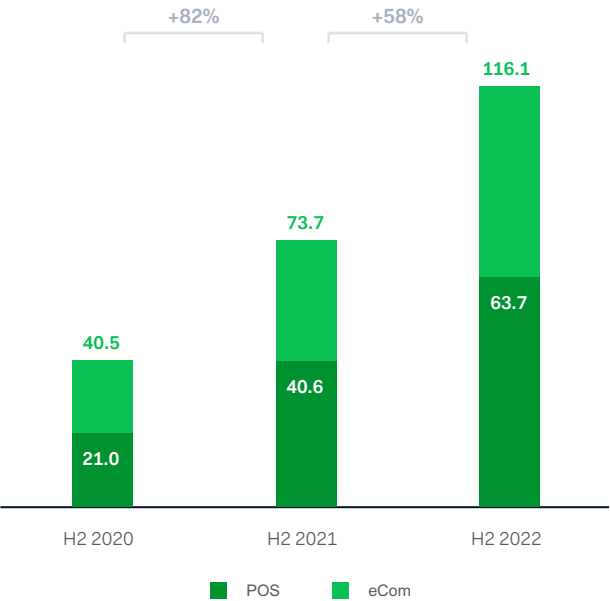
Digital	Unified Commerce	Platforms
 instacart	Bouclair	SHOPLINE
 invisalign	FAHERTY	 music glue
FREENOW 	 LACOSTE	buycycle.
Wild Fork	 SMYTHS	 KodyPay
koála	KURT GEIGER	 innovorder
Gympass		 MIRAKL
	 Brands For Less	ORACLE®

Digital



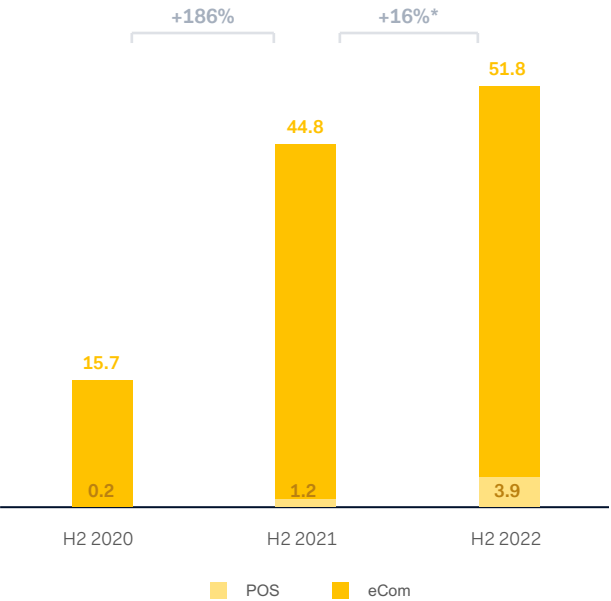
**Figure 1**  
Processed volume (in billion euros) from non-platform customers that process over 99.5% e-commerce volume.

Unified Commerce



**Figure 2**  
Processed volume (in billion euros) from non-platform customers processing at least 0.5% point-of-sale volume. POS volume shown in the differentiated areas.

Platforms



**Figure 3**  
Processed volume (in billion euros) from customers with at least 50% of volume on Adyen for Platforms. POS volume shown in the differentiated areas.  
  
\*Excluding eBay volumes, Platforms volume growth would have been 79% YOY.



# Continuous product innovation on our single platform

No matter how advanced our technology becomes, we relentlessly seek new avenues for innovation across our single platform. This process includes working closely with our customers to understand their needs, then engineering solutions that best enable their ambitions. With our finger on the pulse of changing consumer behavior and product development agility, we remain at the industry's cutting edge.

Adyen's engineering dominance is embodied by our Digital offering, which is leading the transition to more invisible and secure payments. To cement our position at the forefront of digital consumer journeys, in H2 we launched several product iterations within online checkout including Click to Pay. This new way of paying improves the online checkout experience by enabling shoppers on recognized devices to make purchases with just one click – even when doing so as a guest. On unrecognized devices, Adyen will first verify a shopper's identity, then retrieve their historically preferred card information – thus removing the need for manual data entry. This is done using our extensive customer network, with which consumers are highly likely to have at some point engaged. Our resulting one-click checkout solution improves conversion and ultimately enables us to drive higher revenue for our customers.

Another way we improved online checkout is through Delegated Authentication. This feature is the latest addition to our 3DS2 authentication solution, which was originally developed in 2018 to meet European regulatory requirements (i.e. PSD2). The

authentication flow of many European transactions is typically full of friction including redirects. Delegated Authentication, on the other hand, allows Adyen to centralize the verification process by authenticating consumers within our customers' checkout stage. By taking this responsibility in-house, we can preserve our standard of excellence in checkout experiences and, most importantly, keep consumers in that pivotal destination. In this way, we once again improve conversion and increase our customers' revenue.

To enable seamless in-person payment journeys in parallel with those transacted online, this period we rolled out our recently launched terminals: the NYC1 and AMS1. Empowering our customers to deliver superior cross-channel experiences, our in-house designed terminals offer flexibility when accepting in-person payments. The devices realize our customers' wishes to be mobile, discrete, reliable, and long-lasting – all while capturing actionable data insights. The devices run on our single platform to enable tailored payment flows, end-to-end oversight, and high speed of innovation at the point of sale. The breadth of use cases we have seen this period signifies an exciting development in in-person payments.

Beyond rolling out our advanced hardware, in H2 we also scaled Unified Commerce in key markets. Adyen continues to invest in the largest and most dynamic economies by expanding our local acquiring network. This period saw us launch our Unified Commerce solution in Mexico and Japan – two countries that are systematically difficult to enter. To service customers spanning these diverse regions, we iterated our single platform to not only meet their complex local requirements, but also offer the first comprehensive solution to rapidly address their legacy hurdles.

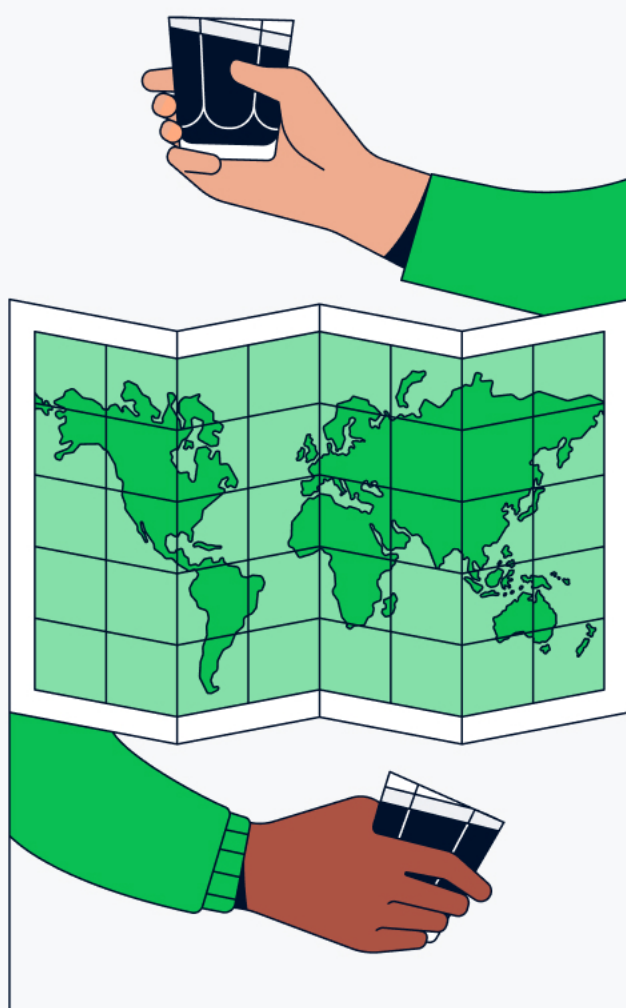
Mexico and Japan have historically been cash-based and dependent on outdated financial infrastructure. However, both countries are now rapidly digitizing – and Adyen's Unified Commerce offering is poised to drive their transformation. With our multi-channel expertise, we are bridging the gap between consumers accustomed to cash purchases and businesses keen to modernize. Our single integration enables

businesses to centralize payment data from all channels – not just locally, but on a global scale. With our in-house acquiring capabilities, we look forward to further embedding our unique solution into these promising markets.

Meanwhile, Adyen for Platforms further catered to the needs of our customers and the SMBs they host. This period, we took our Capital and Accounts embedded financial products live. Paired with Issuing, these products combine to form a modular suite that unlocks an end-to-end financial ecosystem for SMBs. We currently have our first customer trialing the synergies between all products.

Issuing exemplifies the time it often takes to properly launch, pilot, and iterate products in this space. Since launching Issuing in 2019 as a strategic addition to our platform, we have released multiple customer-driven product iterations. Looking at the timelines needed for our in-house acquiring and POS solutions, we consider ourselves at the starting line of realizing Issuing's potential. At its current stage, Issuing volumes are still in the tens of millions. Our conversations with both existing and prospective customers contribute to our confidence in Issuing's broader appeal as part of our embedded financial product (EFP) suite. We have a long runway ahead.

While we are energized by our embedded financial product offering and the use cases our current pilots embody, we want to reiterate that this area of our business is still very much at its outset. As part of the long game we are playing, we will continue strengthening our ongoing platform and embedded payments relationships, which serve as the gateway to further EFP adoption.



## Investing in our team to capitalize on our long-term opportunity

Adyen is operating at an increasingly global scale. To sustain this rate of expansion, we spent H2 building our team at an accelerated pace. Our headcount grew to a total of 3,332 FTE this period, compared to 2,575 FTE at the end of H1. To bolster our international presence, we further developed our teams in cities around the world including Singapore, Chicago, New York, San Francisco, Madrid, and São Paulo. Illustrating our tech-first approach to problem-solving, 58% of our H2 joiners were in the technology domain across data, payments, and financial product roles. Meanwhile, 26% of the H2 new hires sit in commercial positions to scale our account management and sales abilities.

While the wider tech industry engages in headcount reductions and hiring freezes, we remain committed to the hiring plans that align with our long-term ambitions. This means we do not deviate based on short-term, external factors such as candidate availability or fleeting sales channel fluctuations. Our sights are fixed on progressing towards our well-considered technical and commercial aspirations, for which additional muscle is essential. As we proceed with growing the team, we will stay disciplined in our resource planning. This applies to both the quantity of people needed to solve problems, as well as their quality.

The Adyen Formula is the cornerstone of our company and we go to great lengths to scale it. Since our founding, every successful candidate has had to pass an interview with a member of our most senior leadership team. To ensure Formula fit remains intact, we continue to implement this final round. We believe it is an essential step in both upholding our high talent standards, as well as preserving our company culture across all roles and regions.

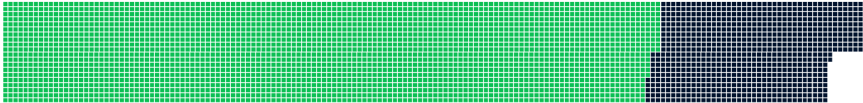
After finding the right people and getting them through the door, Adyen's focus shifts to efficiently onboarding them. Although we are capable of welcoming team members remotely, returning to the office this year positively impacted our absorption rate. Being together in person best conveys our ways of working, with our office environment facilitating the creativity and collaboration needed to deliver our speed of execution. We continuously assess and ensure our absorption capacity matches our hiring pace.

To round out our onboarding program with technical upskilling, in H2 we further developed our internal academies, which were established to train our diverse functions in-house and get them up to speed on the Adyen way of working. The various academies specialize in operations, tech, sales, account management, and marketing. All programs feature tailored content that expedites a new joiner's learning curve or teaches leadership skills to first-time managers. Designed to kick-start employee growth from day one, the courses empower them to understand the company, quickly jump into their functions, and make an impact.

Nothing Adyen has set out to achieve will be possible without our driven team. With more hands on deck, we look forward to together laying the bricks needed to reach our next level.

Total FTE

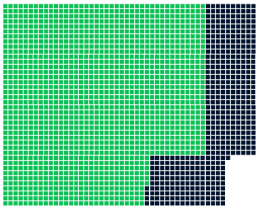
■ H1 2022 ■ H2 2022



3,332

Europe, Middle East & Africa

Amsterdam



1,941

London



123

Paris



75

Berlin



67

Madrid



64

Stockholm



55

Milan



27

Dubai



23

Warsaw



14

Brussels



15

Munich



11

Manchester



12

Asia-Pacific

Singapore



127

Sydney



41

Shanghai



29

Tokyo



23

Mumbai



10

Hong Kong



9

Melbourne



1

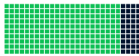
Kuala Lumpur



2

North America

San Francisco



270

New York



139

Chicago



53

Toronto



20

Latin America

São Paulo



146

Mexico City



17

São José



18



# Discussion of financial results

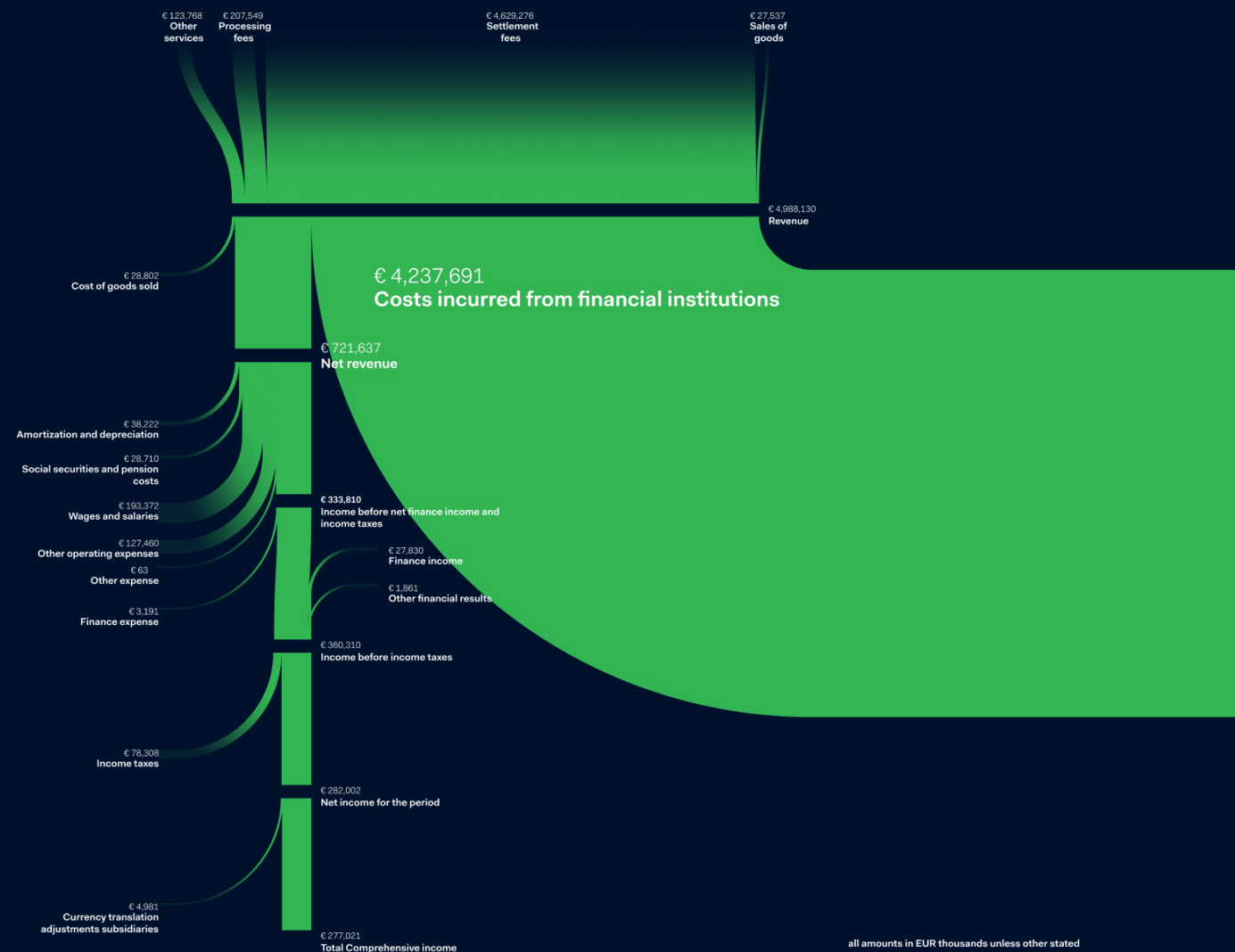
## Processed volume driven by growth within existing customers

We processed €421.7 billion during H2 2022, up 41% YOY. For the full year, we processed €767.5 billion, up 49% YOY. In line with previous cycles, the majority (>80%) of our growth came from customers that were already on our platform in earlier periods.

Of processed volumes, we saw solid growth across all commercial pillars. Digital – the bread and butter of our offering – remained the largest volume contributor overall, realizing €253.8 billion in H2 and €471.4 billion for the full year, making up 61% of total processed volume in 2022 and growing 46% YOY. Unified Commerce volumes amounted to €116.1 billion in H2 and €196.2 billion for the FY, which was 26% of total processed volume in 2022 and up 67% YOY. Platforms contributed €51.8 billion in H2 and €99.9 billion for the FY, making up 13% of total processed volume in 2022 and growing 31% YOY. Taking eBay volumes out of the equation, Platforms would have been our fastest growing pillar at 79% in H2 and 95% for the full year.

Our point-of-sale (POS) volume was €67.6 billion in H2 and €112.5 billion (up 74%) for the full year, comprising 15% of total processed volume in 2022 – up from 13% in 2021.

With secular tailwinds on our side, we look forward to helping our customers build the commerce journeys of the future.



## Net revenue contributions continue to globally diversify

Net revenue was €721.7 million in H2 2022, growing 30% YOY<sup>1</sup>. Full year net revenue came in at €1.3 billion, up 33% YOY. The majority of our net revenue follows the success of our land-and-expand commercial strategy.

A natural consequence of this strategy is how take rate evolved. H2 2022 take rate was 17.1 bps, compared to 17.6 bps in H1 2022 and 18.6 bps in H2 2021. This decline is driven by the continued growth of customers already on the platform. It was also impacted by our increased overall ATV, due to travel volumes rebounding. Take rate remains an outcome, not a driver, of the business.

Net revenue contributions further regionally diversified in the second half of 2022, with North America and APAC displaying the greatest acceleration. EMEA contributed 55% of total net revenue, followed by North America (27%), APAC (11%), and LATAM (7%). In terms of net revenue growth, North America (up 45% YOY), was narrowly followed by APAC (up 44% YOY), LATAM (up 36% YOY), and EMEA (up 20% YOY). H2 2021 was an exceptionally strong period for EMEA contribution, which impacted H2 YOY growth rates. We remain confident in the significant opportunity still present in this region.

For the full year, net revenue contributions were €746.8 million in EMEA, €343.2 million in North America, and €142.4 million in APAC, and €97.8 million in LATAM. For the FY, net revenue growth rates were: North America up 48% YOY, APAC up 48% YOY, LATAM up 31% YOY, and EMEA up 25% YOY.

<sup>1</sup> On a constant currency basis, net revenue of €721.7 million would have been 4% lower than reported.

## Investing for scale as we prepare for the next phase of Adyen

Operating expenses were €387.7 million in H2 2022, up 78% from H2 2021. Full year operating expenses were €665.4 million, up 64% YOY. These increases were mainly driven by investments in growing our global team as we prepare to further scale.

Employee benefits were €222.1 million in H2 2022, up 83% YOY. For the full year, these were €380.6 million, up 58% YOY. As we scale our existing activities and ramp up new ones, 2022 was a year of accelerated investment in our global team. The talent we onboard remains essential to succeeding in our long-term ambitions. With our focus on where we want to be years from today, we are dedicated to preserving our company culture and high talent standards.

It is worth noting that gradual hiring in a given period annualizes in the period thereafter.

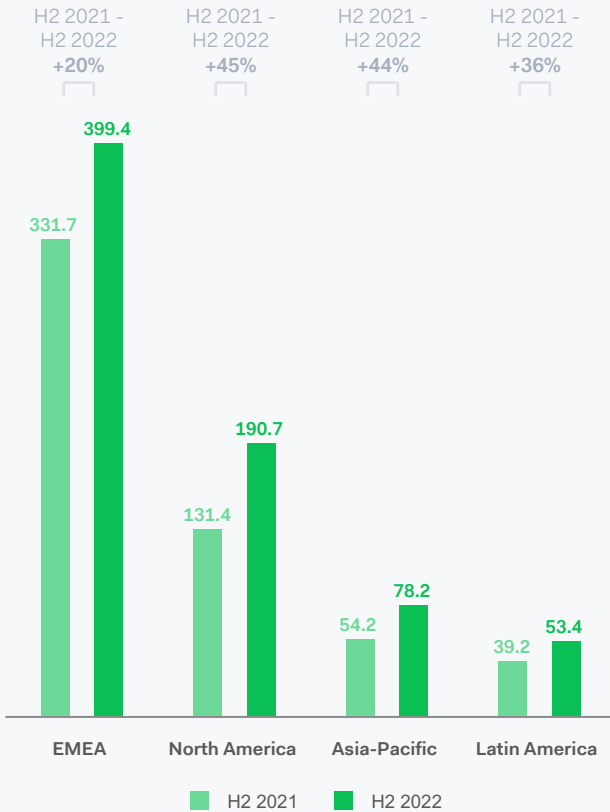
Advisory costs – the large bulk of which stem from headhunting services – notably increased this period in line with our global recruitment needs.

In other operating expenses, we donated a large part of our 1% commitment to the UN SDGs via the UNHCR's relief work.

Sales and marketing totaled €31.4 million in H2 2022, up 64% YOY. For full year 2022, these were €55.6 million, up 53% YOY as we invest in driving brand awareness to unlock commercial growth at a global level and were able to host events to meet our customers in-person again.

Figure 4

Net revenue per region (in EUR millions). Comparative figures have been updated to reflect the Net Revenue geographical breakdown as disclosed further in note 1.3 Non-IFRS financial measures, in the H1 2022 interim condensed consolidated financial statements.



## EBITDA - Sustained profitability amid long-term investments into the Adyen team

EBITDA was €372.0 million in H2 2022, up 4% from €357.3 million in H2 2021. For the full year, EBITDA was €728.3 million, up 16% from 2021.

EBITDA margin was 52% in H2 2022, compared to 64% in H2 2021. Full year EBITDA margin was 55%, compared to 63% in 2021. Both were driven by employee benefits exceeding net revenue growth as we accelerated our hiring pace.

## Robust free cash flow conversion

Free cash flow was €298.1 million in the second half of 2022, down 7% from €320.2 million in the second half of 2021. Free cash flow conversion ratio was 80% in the second half of 2022, down from 90% in H2 2021. Full year free cash flow conversion ratio was 83%, down 8% YOY. This metric was impacted by our increased CapEx.

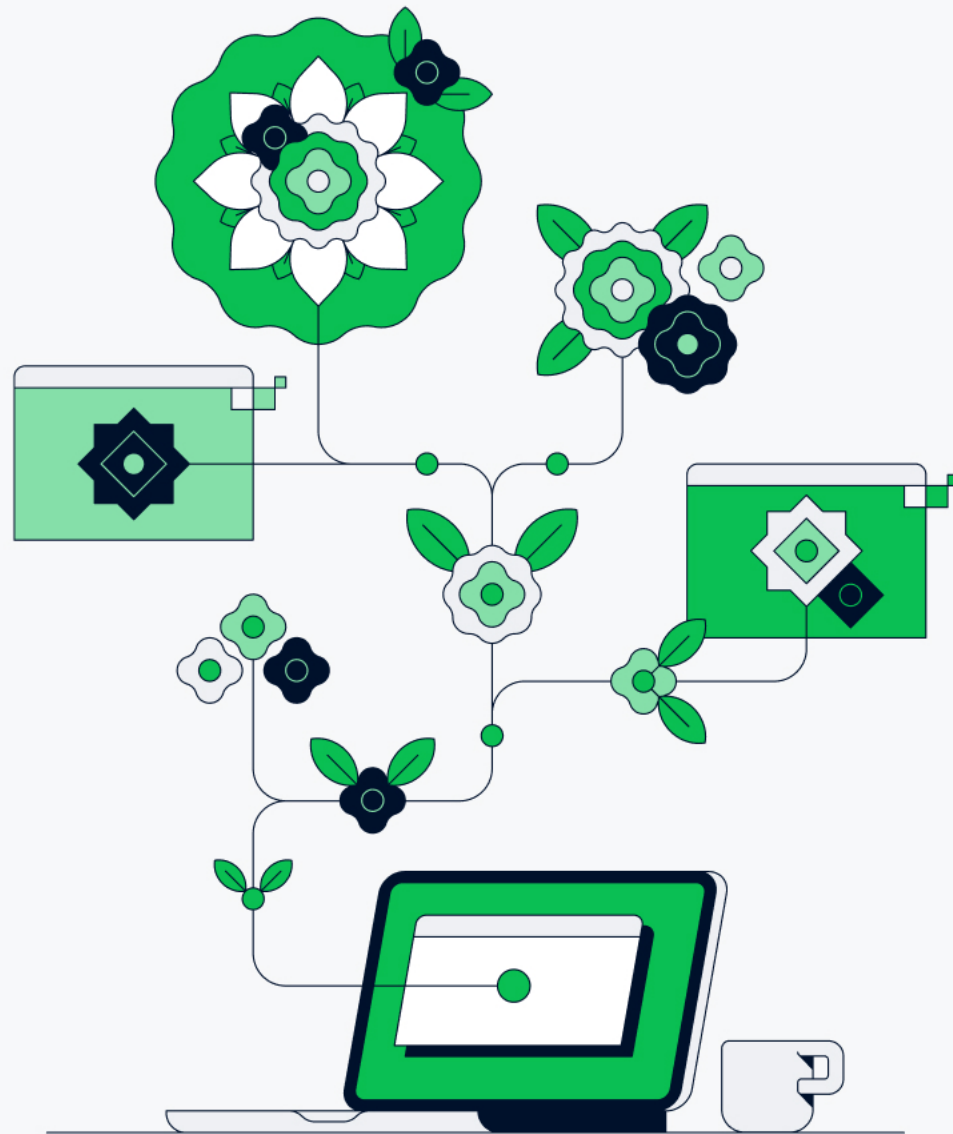
## CapEx impacted by infrastructure investments

CapEx was €59.1million, and 8% of net revenue, up from 6% of net revenue in H2 2021. This increase was due to exceptional investments into our data centers, which technologically prepare us for the volume growth we will handle in the coming years. In the first half of 2022, we made the decision to procure equipment ahead of schedule to protect ourselves against potential supply chain delays. This approach proved fruitful when we opened our new data centers in H2.

For the full year, CapEx was €99.1 million, and 7% of net revenue.







## Financial objectives

We did not see any business developments over the second half of 2022 that would lead us to update our guidance. Our standing financial objectives therefore remain unchanged.

**Net revenue growth:** We aim to continue to grow net revenue and achieve a CAGR between the mid-twenties and low-thirties in the medium term by executing our sales strategy.

**EBITDA margin:** We aim to improve EBITDA margin, and expect this margin to benefit from our operating leverage going forward and increase to levels above 65% in the long term.

**Capital expenditure:** We aim to maintain a sustainable capital expenditure level of up to 5% of our net revenue.

A call to discuss these results will be livestreamed from our Investor Relations page at 3PM CET on February 8, 2023. A recording will be made available on the same page following the call.

Sincerely,

**P.W. van der Does**

CEO

**I.J. Uytdehaage**

CFO

**Interim Condensed Consolidated  
Financial Statements  
H2 2022 Adyen N.V.**

## Consolidated statement of comprehensive income

For the six months ended December 31, 2022 and 2021

(all amounts are in € thousands unless otherwise stated)

	Note	H2 2022	H2 2021
Revenue	1	4,988,130	3,441,188
Costs incurred from financial institutions	1	(4,237,691)	(2,867,231)
Costs of goods sold	1	(28,802)	(17,461)
<i>Net revenue</i>		<i>721,637</i>	<i>556,496</i>
Wages and salaries	3	(193,372)	(100,933)
Social securities and pension costs	3	(28,710)	(20,577)
Amortization and depreciation	11,12	(38,222)	(18,511)
Other operating expenses	4	(127,460)	(77,940)
Other income/(expense)		(63)	197
<b>Income before net finance income/(expense) and income taxes</b>		<b>333,810</b>	<b>338,732</b>
Finance income	9	27,830	344
Finance expense		(3,191)	(6,736)
Other financial results	5	1,861	(7,431)
<b>Net finance income/(expense)</b>		<b>26,500</b>	<b>(13,823)</b>

	Note	H2 2022	H2 2021
<i>Income before income taxes</i>		<i>360,310</i>	<i>324,909</i>
Income taxes	6	(78,308)	(60,025)
<b>Net income for the period</b>		<b>282,002</b>	<b>264,884</b>
<i>Net income attributable to owners of Adyen N.V.</i>		<i>282,002</i>	<i>264,884</i>
<i>Other comprehensive income</i>			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		(4,981)	7,112
<i>Other comprehensive income for the period</i>		<i>(4,981)</i>	<i>7,112</i>
<b>Total comprehensive income for the period (attributable to owners of Adyen N.V.)</b>		<b>277,021</b>	<b>271,996</b>

### Earnings per share (in EUR)

Net profit per share - Basic	13	9.10	8.68
Net profit per share - Diluted	13	9.08	8.63

The accompanying notes are an integral part of these interim condensed consolidated financial statements.



## Consolidated balance sheet

As at December 31, 2022 and 2021

(all amounts are in € thousands unless otherwise stated)

	Note	31 December 2022	31 December 2021
Intangible assets		8,140	9,841
Plant and equipment	11	140,796	72,981
Right-of-use assets	12	181,676	128,063
Other financial assets at FVPL	10	12,264	22,504
Contract assets	1.1	48,612	79,341
Deferred tax assets	6	143,727	127,782
<b>Total non-current assets</b>		<b>535,215</b>	<b>440,512</b>
Inventories	2	87,891	22,138
Receivables from merchants and financial institutions		369,104	633,249
Trade and other receivables		89,350	56,852
Current income tax receivables	6	12,445	6,761
Cash and cash equivalents	9	6,522,345	4,616,094
<b>Total current assets</b>		<b>7,081,135</b>	<b>5,335,094</b>
<b>Total assets</b>		<b>7,616,350</b>	<b>5,775,606</b>

	Note	31 December 2022	31 December 2021
Share capital	7	310	310
Share premium	7	352,399	335,725
Other reserves		156,552	137,457
Retained earnings		1,902,857	1,336,922
<b>Total equity attributable to owners of Adyen N.V.</b>		<b>2,412,118</b>	<b>1,810,414</b>
Derivative liabilities	10	35,000	81,700
Deferred tax liabilities	6	11,345	16,401
Lease liability	12	169,873	119,968
Cash-settled share-based payment plan		6,742	5,601
<b>Total non-current liabilities</b>		<b>222,960</b>	<b>223,670</b>
Payables to merchants and financial institutions		4,795,804	3,608,531
Trade and other payables		147,827	100,116
Lease liability	12	33,200	22,996
Current income tax payables	6	4,441	9,879
<b>Total current liabilities</b>		<b>4,981,272</b>	<b>3,741,522</b>
<b>Total liabilities and equity</b>		<b>7,616,350</b>	<b>5,775,606</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

## Consolidated statement of changes in equity

For the years ended December 31, 2022 and 2021

(all amounts are in € thousands unless otherwise stated)

	Note	Share capital	Share premium	Other reserves			Retained earnings	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
<b>Balance - January 1, 2021</b>		<b>304</b>	<b>194,608</b>	<b>(1,504)</b>	<b>98,034</b>	<b>53,401</b>	<b>873,291</b>	<b>1,218,134</b>
Net income for the year							469,717	469,717
Currency translation adjustments				11,373				11,373
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>	<b>11,373</b>	<b>—</b>	<b>—</b>	<b>469,717</b>	<b>481,090</b>
<i>Adjustments:</i>								
Intangible assets				(129)			129	—
Other adjustments							59	59
		<b>—</b>	<b>—</b>	<b>(129)</b>	<b>—</b>	<b>—</b>	<b>188</b>	<b>59</b>
<i>Transactions with owners in their capacity as owners:</i>								
Equity transfer on exercise of warrant			34,100			(26,700)	(7,400)	—
Deferred tax on share-based compensation	6		—		5,548			5,548
Options exercised			1,732		(1,732)			—
Proceeds on issuing shares	7	6	105,285					105,291
Share-based payments	3.2				292			292
Other adjustments						(1,126)	1,126	—
		<b>6</b>	<b>141,117</b>	<b>—</b>	<b>4,108</b>	<b>(27,826)</b>	<b>(6,274)</b>	<b>111,131</b>
<b>Balance - December 31, 2021</b>		<b>310</b>	<b>335,725</b>	<b>9,740</b>	<b>102,142</b>	<b>25,575</b>	<b>1,336,922</b>	<b>1,810,414</b>

	Note	Share capital	Share premium	Other reserves			Retained earnings	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
<b>Balance - January 1, 2022</b>		<b>310</b>	<b>335,725</b>	<b>9,740</b>	<b>102,142</b>	<b>25,575</b>	<b>1,336,922</b>	<b>1,810,414</b>
Net income for the year							564,139	564,139
Currency translation adjustments				(1,326)				(1,326)
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>	<b>(1,326)</b>	<b>—</b>	<b>—</b>	<b>564,139</b>	<b>562,813</b>
<i>Adjustments:</i>								
Intangible assets				(2,160)			2,160	—
Other adjustments					161		(364)	(203)
		—	—	(2,160)	161	—	1,796	(203)
<i>Transactions with owners in their capacity as owners:</i>								
Deferred tax on share-based compensation	6		6,180		22,979			29,159
Options exercised			568		(568)			—
Proceeds on issuing shares	7	—	9,926					9,926
Share-based payments	3.2				9			9
		—	16,674	—	22,420	—	—	39,094
<b>Balance - December 31, 2022</b>		<b>310</b>	<b>352,399</b>	<b>6,254</b>	<b>124,723</b>	<b>25,575</b>	<b>1,902,857</b>	<b>2,412,118</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.



## Consolidated statement of cash flows

For the six months ended December 31, 2022 and 2021

(all amounts are in € thousands unless otherwise stated)

	Note	H2 2022	H2 2021
<b>Income before income taxes</b>		<b>360,310</b>	<b>324,909</b>
<i>Adjustments for:</i>			
– Finance income	9	(27,830)	(344)
– Finance expenses		3,191	6,736
– Other financial results	5	(1,861)	7,431
– Depreciation of plant and equipment	11	16,299	8,433
– Amortization of intangible fixed assets		3,569	1,453
– Depreciation of right-of-use assets	12	18,354	8,625
– Equity-settled share-based compensation	3.2	—	89
– Cash-settled share-based payment plan		2,671	859
<i>Changes in working capital:</i>			
– Inventories	2	(33,479)	(4,093)
– Trade and other receivables		7,782	3,353
– Receivables from merchants and financial institutions		(10,974)	72,262
– Payables to merchants and financial institutions		626,964	810,986
– Trade and other payables		10,891	(24,546)
– Amortization and additions of contract assets	1.1	13,085	30,870
<i>Cash generated from operations</i>		<i>988,972</i>	<i>1,247,023</i>
Interest received	9	27,830	344
Interest paid		(3,191)	(6,736)
Income taxes paid	6	(3,120)	(30,805)
<b>Net cash flows from operating activities</b>		<b>1,010,491</b>	<b>1,209,826</b>

	Note	H2 2022	H2 2021
Redemption of financial assets at FVPL	10	11,407	—
Purchases of plant and equipment	11	(57,533)	(31,592)
Capitalization of intangible assets		(1,595)	(1,024)
<b>Net cash used in investing activities</b>		<b>(47,721)</b>	<b>(32,616)</b>
Proceeds from issues of shares	7	5,047	101,578
Lease payments	12	(14,747)	(4,419)
<b>Net cash flows from financing activities</b>		<b>(9,700)</b>	<b>97,159</b>
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		<b>953,070</b>	<b>1,274,369</b>
Cash, cash equivalents and bank overdrafts at beginning of the period		5,584,075	3,344,906
Exchange losses on cash, cash equivalents and bank overdrafts		(14,800)	(3,181)
<b>Cash, cash equivalents and bank overdrafts at end of the period</b>		<b>6,522,345</b>	<b>4,616,094</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

## Notes to the interim condensed consolidated financial statements

### General information

Adyen N.V. (hereinafter 'Adyen' or 'the Company') is a licensed Credit Institution by De Nederlandsche Bank (the Dutch Central Bank) and registered in the Netherlands under the company number 34259528. The Credit Institution license includes the ability to provide cross-border services in the European Economic Area. Adyen N.V. directly or indirectly owns 100% of the shares of its subsidiaries, and therefore controls all entities included in these interim condensed consolidated financial statements. Adyen shares are traded on Euronext Amsterdam, where the Company is part of the AEX Index and has a credit rating of A-, per S&P rating agency.

All amounts in the notes to the interim condensed consolidated financial statements are stated in thousands of EUR, unless otherwise stated.

### Basis of preparation

The interim condensed consolidated financial statements for the period July 1, 2022 to December 31, 2022 have been prepared in line with the accounting and recognition principles included in the Adyen annual consolidated financial statements of 2021, in accordance with International Financial Reporting Standards and IFRS IC interpretations as endorsed by the European Union (EU-IFRS). This report should, therefore, be read in conjunction with the 2021 annual consolidated financial statements, as well as our H1 2022 interim condensed consolidated financial statements.

The following periods have been presented for the interim condensed consolidated financial statements ended December 31, 2022:

Interim condensed consolidated financial statements	Current period	Comparative period
<b>Statement of comprehensive income</b>	July 1 – December 31, 2022	July 1 – December 31, 2021
<b>Balance sheet</b>	As at December 31, 2022	As at December 31, 2021
<b>Statement of changes in equity</b>	January 1 – December 31, 2022	January 1 – December 31, 2021
<b>Statement of cash flows</b>	July 1 – December 31, 2022	July 1 – December 31, 2021

### Relevant accounting policies

Significant and other accounting policies that summarize the measurement basis used, and are relevant to understanding the financial statements, are provided in the annual consolidated financial statements for the year ended December 31, 2021. Any significant accounting policy changes during the last six months of 2022 are reflected throughout the notes to these interim condensed financial statements.

### Significant accounting estimates or judgements

A number of accounting policies involve a higher degree of judgement or complexity. The estimates applied are more likely to be materially adjusted due to inaccurate estimates and or assumptions applied. The areas involving significant estimates or judgments are:

- Principal versus agent for revenue out of settlement fees – refer to note 1 'Revenue and segment reporting'
- Realization of deferred taxes related to share-based compensation – refer to note 6 'Income taxes'

### New standards adopted by Adyen

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Adyen annual consolidated financial statements for the year ended December 31, 2021.

Adyen has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. A number of new or amended standards became applicable for the current reporting period. Adyen did not change its accounting policies or make retrospective adjustments as a result of new accounting standards made applicable on January 1, 2022.

The qualitative impact assessment of the first-time application on January 1, 2022 of new amendments is disclosed in note 16 'New and amended standards adopted by Adyen'.

## Key disclosures

### 1. Revenue and segment reporting

The company derives revenue from settling and processing payments, sales of goods such as the sale of point-of-sale (POS) terminals, and other payment specific services.

The breakdown of revenue from contracts with customers per type of goods or service is as follows:

Types of goods or services (in EUR'000)	H2 2022	H2 2021
Settlement fees	4,629,276	3,175,805
Processing fees	207,549	162,954
Sales of goods	27,537	18,491
Other services	123,768	83,938
<b>Total revenue from contracts with customers</b>	<b>4,988,130</b>	<b>3,441,188</b>
Costs incurred from financial institutions	(4,237,691)	(2,867,231)
Costs of goods sold	(28,802)	(17,461)
<b>Net revenue</b>	<b>721,637</b>	<b>556,496</b>

#### Net revenue

Adyen's total revenue contains scheme fees, interchange and mark-up for which Adyen acts as a principal. The Management Board monitors net revenue (net of interchange, scheme fees (costs incurred from financial institutions) and costs of goods sold) as a performance indicator. Adyen considers net revenue to provide additional insight to its users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Net revenue is a non-IFRS measure – refer to note 1.3 for further explanation on the non-IFRS measures reported by Adyen.

The breakdown of revenue from contracts with customers based on timing is as follows:

Timing of revenue recognition (in EUR '000)	H2 2022	H2 2021
Goods and services transferred at a point in time	4,981,554	3,435,817
Services transferred over time	6,576	5,371
<b>Total revenue from contracts with customers</b>	<b>4,988,130</b>	<b>3,441,188</b>

#### 1.1 Contract assets

In 2018, Adyen entered into a long-term contract with eBay for the provision of payment services that resulted in the initial recognition of contract assets settled with a cash advance and issue of warrants over Adyen's shares.

The monetary component was fully repaid and amortised in the first half of 2022, and the non-monetary component of the eBay contract asset will continue to be amortised for the duration of the contract.

During H2 2021, Adyen capitalized contract costs (other contract assets) relating to multi-year service contracts with its merchants. These costs mainly relate to integration and development fees that are directly incremental to obtain the multi-year contracts and do not represent separate performance obligations. Adyen will amortize these costs against revenue (settlement fees) on a pro rata basis as the related revenue is recognized. There were no additions to contract assets in H2 2022.

The following table summarizes the movement in the contract assets balance:

Contract assets (in EUR '000)	Monetary component	Non-monetary component	Other contract assets	Total contract assets
<b>Balance - 1 July, 2021</b>	<b>31,949</b>	<b>71,780</b>	<b>4,444</b>	<b>108,173</b>
Movements:				
Additions			4,385	4,385
Amortization for the period	(25,017)	(9,719)	(520)	(35,256)
Exchange differences	2,039			2,039
<b>Balance - December 31, 2021</b>	<b>8,971</b>	<b>62,061</b>	<b>8,309</b>	<b>79,341</b>
<b>Balance - 1 July, 2022</b>	<b>—</b>	<b>53,216</b>	<b>8,570</b>	<b>61,786</b>
Movements:				
Additions				—
Amortization for the period		(11,552)	(1,533)	(13,085)
Exchange differences			(89)	(89)
<b>Balance - December 31, 2022</b>	<b>—</b>	<b>41,664</b>	<b>6,948</b>	<b>48,612</b>

## 1.2 Segment reporting

The following table summarizes Adyen's geographical breakdown of its revenue, based on the billing location as requested by the merchant for the periods indicated.

Revenue - Geographical breakdown (in EUR '000)	H2 2022	H2 2021
Europe, the Middle East, and Africa (EMEA)	1,900,111	1,341,421
North America	2,405,179	1,681,460
Asia-Pacific	445,117	254,733
Latin America	237,723	163,574
<b>Total revenue from contracts with customers</b>	<b>4,988,130</b>	<b>3,441,188</b>

## 1.3 Non-IFRS financial measures

Non-IFRS financial measures are disclosed in addition to the statement of comprehensive income, in order to provide relevant information to better understand the underlying business performance of the Company. Furthermore, Adyen has provided guidance on several of these non-IFRS measures. Adyen reports on the following additional financial measures that are directly derived from the statement of comprehensive income or statement of cash flows:

- **Net revenue:** revenue net of interchange, scheme fees (costs incurred from financial institutions) and costs of goods sold;

The geographical breakdown of net revenue and related YOY growth is as follows (based on the billing location as requested by the merchant for the periods indicated).

Net revenue - Geographical breakdown and year-on-year growth (in EUR '000)	H2 2022	YoY%	H2 2021	YoY%
Europe, the Middle East, and Africa (EMEA)	399,436	20 %	331,740	42 %
North America	190,689	45 %	131,349	70 %
Asia-Pacific	78,109	44 %	54,186	51 %
Latin America	53,403	36 %	39,221	23 %
<b>Total net revenue from contracts with customers</b>	<b>721,637</b>	<b>30 %</b>	<b>556,496</b>	<b>47 %</b>

- **EBITDA:** "Income before net finance income/(expense) and income taxes" less "Amortization and depreciation" on the consolidated statement of comprehensive income;
- **EBITDA margin:** EBITDA as a percentage of net revenue;
- **CapEx:** Capital expenditures consisting of the line items "Purchases of plant and equipment" and "Capitalization of intangible assets" on the consolidated statement of cash flows;
- **Free cash flow:** EBITDA less CapEx and "Lease payments" on the consolidated statement of cash flows; and
- **Free cash flow conversion ratio:** free cash flow as a percentage of EBITDA.

Selected non-IFRS financial measures (in EUR '000)	H2 2022	H2 2021
Income before net finance income/(expense) and income taxes	333,810	338,732
Amortization and depreciation	38,222	18,511
<b>EBITDA</b>	<b>372,032</b>	<b>357,243</b>
Net revenue	721,637	556,496
<b>EBITDA margin (%)</b>	<b>52 %</b>	<b>64 %</b>
Purchases of plant and equipment	57,533	31,592
Capitalization of intangible assets	1,595	1,024
<b>CapEx</b>	<b>59,128</b>	<b>32,616</b>
EBITDA	372,032	357,243
CapEx	(59,128)	(32,616)
Lease payments	(14,747)	(4,419)
<b>Free cash flow</b>	<b>298,157</b>	<b>320,208</b>
Free cash flow	298,157	320,208
EBITDA	372,032	357,243
<b>Free cash flow conversion ratio (%)</b>	<b>80 %</b>	<b>90 %</b>



## 2. Inventories

Inventories (in EUR '000)	H2 2022	H2 2021
<b>Balance - July 1</b>	<b>54,412</b>	<b>18,048</b>
Purchases during the year (products for resale)	62,936	25,824
Costs of goods sold	(28,802)	(17,461)
Transfer to contract assets (note 1.1)	—	(3,093)
Expense recognized in other operating expenses	(655)	(1,180)
<b>Balance - December 31</b>	<b>87,891</b>	<b>22,138</b>

## 3. Employee benefit expense

### 3.1 Employee benefits

The regional breakdown of FTE per office as at December 31, 2022 and 2021 is as follows:

FTE per office	31 December 2022	31 December 2021
Amsterdam	1,941	1,262
San Francisco	270	199
São Paulo	146	88
New York	139	72
Singapore	127	101
London	123	98
Paris	75	51
Berlin	67	48
Madrid	64	32
Stockholm	55	33
Other	325	196
<b>Total</b>	<b>3,332</b>	<b>2,180</b>

The employee benefits expense can be specified as follows:

Employee benefits (in EUR '000)	H2 2022	H2 2021
Salaries and wages	183,716	94,240
Share-based compensation	9,656	6,693
<b>Total wages and salaries</b>	<b>193,372</b>	<b>100,933</b>
Social securities	23,955	17,532
Pension costs - defined contribution plans	4,755	3,045
<b>Total social securities and pension costs</b>	<b>28,710</b>	<b>20,577</b>

### 3.2 Share-based payments

The share-based compensation expense can be specified as follows:

Share-based compensation (in EUR '000)	H2 2022	H2 2021
Equity-settled	—	89
Cash-settled	9,656	6,604
<b>Total share-based compensation</b>	<b>9,656</b>	<b>6,693</b>

Adyen considers its employees and culture as core to its growth. As part of the total remuneration package, Adyen has three types of compensation plans:

- I. Equity settled option plan (granted until 2018);
- II. Cash-settled share-based payment plan (granted from 2018 onwards); and
- III. Depositary receipts award plan for directors and employees (granted from 2018) presented in salaries and wages.

The change in cash-settled share-based compensation expense in H2 2022 was mainly linked to the increase in FTE, net of the decrease in Adyen share price over the period.

The nature, accounting policies and key parameters of the equity and cash-settled option plans are described in more detail in the 2021 annual consolidated financial statements.

Adyen has granted the possibility to purchase Depositary Receipts at fair market value to directors and to employees as part of their remuneration from 2018 onwards. The underlying shares of the Adyen are held by an administration foundation that, in turn, issues the Depositary Receipts to the employees. Each Depositary Receipt issued represents the economic interest of one underlying STAK ("Stichting Administratie Kantoor

Adyen N.V.") share. The related employee benefits expense for H2 2022 amounted to €5,400 (2021: €1,941) and is presented in wages and salaries. The fair value of the liability recognized resulting from the plan is €484 (2021: €163), and the plan resulted in a total increase of €4,419 (2021: €1,571) recognized in share capital and share premium during the period. There is a lock-up period but no vesting condition attached to the Depositary Receipts award plan.

## 4. Other operating expenses

The other operating expenses can be specified as follows:

Other operating expenses (in EUR '000)	H2 2022	H2 2021
Sales and marketing costs	31,384	19,145
Travel and other staff expenses	28,389	7,524
Advisory costs	17,076	9,035
IT costs	17,018	12,059
Contractor costs	7,159	4,962
Housing costs	6,383	3,632
Office costs	4,884	2,395
Miscellaneous operating expenses	7,950	19,188
1% for the UN SDGs	7,217	—
<b>Total other operating expenses</b>	<b>127,460</b>	<b>77,940</b>

Travel and other staff expenses increased as a result of a reduction in lockdown restrictions across the globe and resurgence of business travel. Advisory costs increased mainly related to hiring costs linked to the increase in FTE. As part of Adyen's sustainability efforts, 1% of net revenue is pledged towards UN Sustainable Development Goals (SDG's). In addition, sales and marketing costs increased as a result of our increased investment in brand awareness on a global level and the ability to host events to meet our customers in-person.

## 5. Other financial results

The other financial results can be specified as follows:

Other financial results (in EUR '000)	H2 2022	H2 2021
Exchange gains/(losses)	(14,061)	(94)
<i>Fair value re-measurement of financial instruments:</i>		
Derivative liabilities	14,000	(5,600)
Other financial assets at FVPL	1,922	(1,737)
<b>Total other financial results</b>	<b>1,861</b>	<b>(7,431)</b>

Exchange losses of €14,061 were incurred in H2 2022, mainly relating to Adyen's foreign-denominated cash balances and proceeds received on disposal of Visa Inc. common stock of €864. This was partially set-off by exchange gains from other financial assets at FVPL of €415.

The change in fair value of the derivative liabilities in H2 2022 was mainly linked to the Adyen share price decrease over the period as well as a revision of valuation input related to timing of maturity. More information on the valuation of the derivative liabilities is disclosed in note 10 'Financial instruments'.

## 6. Income taxes

### 6.1 Income tax expense

The tax on Adyen's income before income taxes differs from the amount that would arise using the statutory tax rate in the Netherlands. The effective tax rate of Adyen for the six months ended December 31, 2022 is 21.73% (December 31, 2021: 18.47%) which differs from the statutory tax rate in the Netherlands of 25.8% (2021: 25%) due to the application of the innovation box, partially offset by the tax rate differences on foreign operations and other adjustments (such as non-deductible expenses). The innovation box is a Dutch tax incentive whereby a portion of qualifying taxable profits derived from innovative activities are taxed at a lower rate than the headline corporate tax rate in the Netherlands, thereby reducing the effective tax rate.

Effective tax calculation (in EUR '000)	H2 2022	H2 2021
Income before income taxes	360,310	324,909
Statutory tax rate in the Netherlands (%)	25.8 %	25 %
<b>Income taxes based on statutory tax rate in the Netherlands</b>	<b>92,960</b>	<b>81,227</b>
<i>Tax effects of:</i>		
Innovation box	(21,913)	(19,405)
Other adjustments (such as prior year and non-deductible amounts)	7,261	(1,797)
<b>Effective tax amount</b>	<b>78,308</b>	<b>60,025</b>

Current income tax receivables/(payables) (in EUR '000)	31 December 2022	31 December 2021
Current income tax receivables	12,445	6,761
Current income tax payables	(4,441)	(9,879)

Income tax expense in the statement of comprehensive income can be specified as follows:

Income taxes (in EUR '000)	H2 2022	H2 2021
Current income tax expense	79,856	70,882
Deferred income tax income	(1,548)	(10,857)
<b>Total income taxes</b>	<b>78,308</b>	<b>60,025</b>

## 6.2 Deferred income taxes

### Deferred tax assets

In the deferred tax assets, an amount of €9,030 (December 31, 2021: €21,079) of the deferred tax assets relates to the recognized derivative liabilities.

#### *Deferred tax assets that rely on future profitability*

Deferred tax assets include tax losses carried forward at a Federal and State level relating to options exercised in the United States and United Kingdom (December 31, 2022: €115,121; December 31, 2021: €86,277) and windfall benefits relating to options granted and vested, however not yet exercised (December 31, 2022: €5,325; December 31, 2021: €12,808). €6,180 of the tax losses carried forward was utilized during the period and recognised in the share premium reserve (2021: nil).

Throughout the period Adyen has reassessed the recoverability of deferred tax assets on windfall benefits linked to the share-based compensation plan in the United States and United Kingdom. Adyen continues to recognize deferred tax assets that will be realized against future profits, on a going concern basis.

- The United Kingdom windfall benefit continues to be recognized as these carry forward losses have no expiration date.
- The United States Federal Tax windfall benefit continues to be recognized as these carry forward losses on a Federal level have no expiration date.

In addition, during H2 2022, Adyen reassessed its position relating to the recoverability of deferred tax assets relating to the State net operating losses in the United States, which resulted in recognising €27,834 of previously unrecognised tax losses. This was the result of obtaining Federal Foreign Branch and acquiring licenses, leading to increased transactions recorded on a local level and an expectation that tax losses will be utilized against future taxable income.

The recoverability of the deferred tax asset in the US is not impacted by the liquidation of Adyen Inc, finalised during 2022, as the deferred tax asset has been transferred to the newly set-up branch of Adyen N.V. in San Francisco effective January 1, 2022, and is recoverable against the future taxable profits of the branch.

This windfall benefit has been recognized assuming all options granted to date will be exercised within the 8th anniversary of the grant date (grant date + 7 years).

### Deferred tax liabilities

The deferred tax liabilities consist mainly of the deferred tax on the non-monetary part of the contract asset of €10,749 (December 31, 2021: €16,010).

The deferred taxes are presented as non-current on the balance sheet.

## Capital management and financial instruments

### 7. Capital management

Adyen's objective when managing capital is to safeguard its ability to continue as a going concern. Furthermore, Adyen ensures that it meets regulatory capital requirements at all times.

Capital management (in EUR '000)	31 December 2022	31 December 2021
Share capital	310	310
Share premium	352,399	335,725
<b>Total</b>	<b>352,709</b>	<b>336,035</b>

In 2022, 29,213 (2021: 600,850) additional shares were issued. The additional issued shares were a result of exercises of options granted to employees and share issuance relating to the Depositary receipts award plan (refer to note 3.2 for further information). The number of outstanding ordinary shares as of December 31, 2022 is 30,986,299 (December 31, 2021: 30,957,086) with an absolute nominal value €0.01 per share. The total number of authorized shares as of December 31, 2022 is 80,000,000 (December 31, 2021: 80,000,000).

The following reserves are considered to be non-distributable: legal reserves (in accordance with Dutch Law), share-based payment reserve, warrant reserve, and total comprehensive income for the current period. The total of distributable reserves amounts to €1,691,427 (December 31, 2021: €1,203,240). The legal reserves restricted for distribution in accordance with Dutch Law amounts to €18,518 (December 31, 2021: €32,244).

Net income is added to retained earnings reserve and the current dividend policy is to not pay dividends, as retained earnings are used to support and finance the growth strategy.

### 8. CRR/CRD IV Regulatory Capital

The following table shows the calculation of regulatory capital as at December 31, 2022. The regulatory capital is based on the CRR/CRD IV scope of consolidation, which is the same as the IFRS scope of consolidation as included in the annual consolidated financial statements.

Own funds (in EUR '000)	31 December 2022	31 December 2021
EU-IFRS equity as reported in consolidated balance sheet	2,412,118	1,810,414
Net profit not included in CET1 capital (H2 2022 not yet eligible)	(282,002)	(264,884)
<i>Regulatory adjustments:</i>		
Warrant reserve	(25,575)	(25,575)
Intangible assets	(8,140)	(9,841)
Deferred tax assets that rely on future profitability	(124,162)	(99,084)
Prudent valuation	(47)	(104)
<b>Total own funds</b>	<b>1,972,192</b>	<b>1,410,926</b>

The increase in total own funds in 2022 mainly relates to the additions of consolidated net profit (full year 2021 and H1 2022).

### 9. Cash and cash equivalents

Cash and cash equivalents (in EUR '000)	31 December 2022	31 December 2021
Cash held at central banks	4,407,540	2,565,875
Cash held at banks, other than central banks	2,114,805	2,050,219
<b>Total</b>	<b>6,522,345</b>	<b>4,616,094</b>

Of the cash held at banks, other than central banks, €68,564 (December 31, 2021: €19,654) are restricted and are therefore not available for general use by the Company. The restricted cash mainly relates to deposits required under the US Federal Foreign Branch license as well as deposits held as guarantee for leased offices. The restricted cash is readily convertible and therefore classified as cash and cash equivalents. The cash held at central banks and cash held at banks, other than central banks earned interest in the amount of €11,564 and €16,091 respectively during the period, due to rising interest rates in a positive interest rate environment, which was recognised in finance income.



## 10. Financial instruments

### Other financial assets at fair value through profit or loss ('FVPL') (Visa Inc. preferred shares)

Adyen has recognized and classified the convertible ('Series C') preferred Visa Inc. shares within the FVPL category. The balance of other financial assets at FVPL as per December 31, 2022 is €12,264 (December 31, 2021: €22,504). The fair value of the level 2 preferred shares in Visa Inc. is based on the quoted price of Visa Inc.'s common shares, adjusted for lack of marketability, multiplied by an initial conversion rate of preferred shares into common shares. The conversion rate may be updated in the future. The adjustment for lack of marketability is determined using an option pricing model technique which relies on observable market data of the underlying Visa Inc. common shares, as well as a presumed length of holding period restriction on the preferred shares.

During 2022, Visa Inc. effected a partial conversion of the Series C preferred stock into Series A preferred stock. The Series A preferred stock were subsequently converted into Visa Inc. common stock and sold prior to the end of 2022 at fair market value. The proceeds receivable of €12,271 was recognized within trade and other receivables and an amount of €11,407 was ultimately received during the six months ended December 31, 2022. No conversion of the Series C preferred stock took place in 2021.

The Visa Inc. preferred shares carry the right to receive discretionary dividend payments presented as other income in the statement of comprehensive income (during the six months ended December 31, 2022: €44, and during the six months ended December 31, 2021: €82).

### Financial assets impairment

During the six months ended December 31, 2022, Adyen released €2,043 (during the six month ended December 31, 2021: added €261) from (to) its trade receivable loss allowance based on the calculations from its IFRS 9 expected credit loss model for trade receivables. The expected credit loss model was updated at year-end to reflect reasonable and supportable information available on the credit risk of the trade receivables balance. During the six months ended December 31, 2022, Adyen wrote off trade receivables balances for an amount of €917 (during the six month ended December 31, 2021: €46). Adyen did not reverse any impairment losses in 2021 and 2022.

### Derivative liabilities (warrants)

As part of the long-term merchant contract previously mentioned (note 1.1), Adyen recognized derivative liabilities measured at fair value through profit or loss, classified as a level 2 fair value instrument. Fair value remeasurements are presented in other financial results (note 5).

The warrants vest in four tranches, each linked to a milestone of processed payments volume. Each milestone is deemed achieved at the moment that the processed merchant volume exceeds the milestone amount in a single calendar year following the issue date (January 31, 2018). Only two warrant tranches may vest in a single calendar year, and upon vesting, each entitles the warrant holder to acquire 1.25% of Adyen's issue-date diluted share volume at any time prior to the warrant expiration date (January 31, 2025).

The derivative liabilities are valued using a Black-Scholes-Merton option pricing model ("OPM") technique. The OPM takes into consideration various observable market and contractual data as well as management estimates, including the probability of vesting based on the achievement of milestones relating to the fulfilment of the payment services to be provided to the merchant.

Adyen carried out a sensitivity analysis on the derivative liabilities with respect to the Adyen share price, noting that a 5% change in the underlying Adyen share price would result in a change of approximately 5% (€2 million) (2021: 5% (€4 million)) of the value of the derivative liabilities, all other circumstances considered equal.

During 2021, the first tranche milestone was met, vested, and the related warrant was subsequently exercised by eBay. There were no further tranche milestones met during the six months ended December 31, 2022. The derivative liabilities balance as per December 31, 2022 is €35,000 (December 31, 2021: €81,700). The change in fair value of the derivative liabilities during 2022 is mainly linked to the Adyen share price decrease and revision of valuation input related to timing of maturity.

## Other disclosures

### 11. Plant and equipment

Plant and equipment (in EUR'000)	Computer Hardware and Software	Leasehold Improvements	Other	Total
<b>H2 2021</b>				
Cost	78,101	10,066	2,034	90,201
Accumulated depreciation	(34,896)	(4,934)	(1,523)	(41,353)
<b>Balance - July 1, 2021</b>	<b>43,205</b>	<b>5,132</b>	<b>511</b>	<b>48,848</b>
Additions	21,058	8,562	1,972	31,592
Disposals	(19)	—	—	(19)
Depreciation for the period	(7,288)	(968)	(177)	(8,433)
Other changes (e.g. exchange differences)	984	32	(23)	993
<b>Balance - December 31, 2021</b>	<b>57,940</b>	<b>12,758</b>	<b>2,283</b>	<b>72,981</b>
Cost	98,379	18,738	4,002	121,119
Accumulated depreciation	(40,439)	(5,980)	(1,719)	(48,138)
<b>Balance - December 31, 2021</b>	<b>57,940</b>	<b>12,758</b>	<b>2,283</b>	<b>72,981</b>
<b>H2 2022</b>				
Cost	132,680	24,367	6,074	163,121
Accumulated depreciation	(52,789)	(6,687)	(1,682)	(61,158)
<b>Balance - July 1, 2022</b>	<b>79,891</b>	<b>17,680</b>	<b>4,392</b>	<b>101,963</b>
Additions	50,892	6,276	365	57,533
Disposals	(100)	—	—	(100)
Depreciation for the period	(13,155)	(2,765)	(379)	(16,299)
Other changes (e.g. exchange differences)	(761)	37	(1,577)	(2,301)
<b>Balance - December 31, 2022</b>	<b>116,767</b>	<b>21,228</b>	<b>2,801</b>	<b>140,796</b>
Cost	178,707	31,774	5,244	215,725
Accumulated depreciation	(61,940)	(10,546)	(2,443)	(74,929)
<b>Balance - December 31, 2022</b>	<b>116,767</b>	<b>21,228</b>	<b>2,801</b>	<b>140,796</b>

Computer Hardware and Software additions during the six months ended December 31, 2022 mainly relate to servers for data centers and equipment such as laptops for employees. Leasehold improvements additions during H2 2022 mainly relate to the capitalization of improvements made to the leased offices in Rokin, Amsterdam. Adyen did not recognize an impairment loss or reverse any impairment loss on plant and equipment during the six months ended December 31, 2022 and 2021.

### 12. Leases

Adyen's leases relate to offices and data centers across locations where it operates.

Right-of-use assets (in EUR '000)	H2 2022	H2 2021
<b>Offices and data centers</b>		
Cost	210,263	151,565
Accumulated depreciation	(51,013)	(33,780)
<b>Balance - July 1</b>	<b>159,250</b>	<b>117,785</b>
Additions	40,703	18,322
Depreciation for the period	(18,354)	(8,625)
Other movements (e.g. exchange differences)	77	581
<b>Balance - December 31</b>	<b>181,676</b>	<b>128,063</b>
Recognized right-of-use assets	249,760	168,630
Accumulated depreciation	(68,084)	(40,567)
<b>Balance - December 31</b>	<b>181,676</b>	<b>128,063</b>
<b>Lease liability (in EUR '000)</b>	<b>H2 2022</b>	<b>H2 2021</b>
<b>Balance - July 1</b>	<b>175,812</b>	<b>128,363</b>
Additions	40,703	18,322
Lease instalments	(16,538)	(5,734)
Interest expense	1,791	1,315
Other movements (e.g. exchange differences)	1,305	698
<b>Balance - December 31</b>	<b>203,073</b>	<b>142,964</b>
Current portion	33,200	22,996
Non-current portion	169,873	119,968

### 13. Share information

Adyen presents basic and diluted earnings per share (EPS) data for its ordinary shares. The calculation of earnings per share is as follows:

- 1) Basic EPS: dividing the net income attributable to owners of Adyen N.V. by the weighted average number of ordinary shares outstanding during the period.
- 2) Diluted EPS: determined by adjusting the basic EPS for the effects of all dilutive potential ordinary shares, which in the case of Adyen only relates to share options granted to employees.

Share information	H2 2022	H2 2021
Net income attributable to owners of Adyen N.V. (in EUR '000)	282,002	264,884
Weighted average number of ordinary shares for the period	30,975,325	30,499,194
Dilutive effect of share options	70,704	176,621
Weighted average number of ordinary shares for diluted net profit for the period	31,046,029	30,675,815
Net profit per share – basic	9.10	8.68
Net profit per share – diluted	9.08	8.63

### 14. Related party transactions

During 2022, Adyen entered into related party transactions with Stichting Administratiekantoor Adyen (STAK), employees and Supervisory Directors. The transactions with employees and STAK are related to option exercises, and the transactions with Supervisory Board relate to services rendered throughout the year. The respective outstanding balances as at December 31, 2022 and 2021 are:

Related party assets/(liabilities) (in EUR '000)	31 December 2022	31 December 2021
Supervisory Board	115	—
Employees (STAK)	3,627	66

There were no other transactions with related parties during the period ended December 31, 2022 and 2021.

### 15. Other contingent assets, liabilities and commitments

Adyen N.V. and Adyen International B.V. are included in a fiscal unity for corporate income tax purposes. Under the Dutch Tax Collection Act, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity.

Adyen has €51,299 of outstanding bank guarantees and letters of credit as at December 31, 2022 (December 31, 2021: €72,290).

Adyen has set up a collateral account in which Brazilian Government bonds were deposited by a partner financial institution, in order to decrease its exposure to this counterparty in Brazil. As at December 31, 2022 the total collateral was €31,086 (BRL 175,828) (December 31, 2021: €39,125 (BRL 250,157)).

During the year ended December 31, 2022, the Brazilian Tax Authorities initiated an audit of the Corporate Income Tax and of Social Contribution of Net Income for the year ended December 31, 2017. Based on the outcomes of this audit Adyen was issued a tax infringement notice claiming approximately €4,095 (BRL 23,162) in relation to the financial year 2017. Adyen has disputed the findings of the Brazilian Tax Authorities and considers it to be probable that the judgment will be in its favour. Adyen has therefore not recognized a provision in relation to this claim.

## 16. New and amended standards adopted by Adyen

The following accounting standards, interpretations and amendments applicable to Adyen (collectively, “amendments”) were issued and made effective for the annual reporting period beginning on January 1, 2022:

- Amendments to IFRS 3 - Reference to the 2018 version of the Conceptual Framework;
- Amendments to IAS 16 - Proceeds before intended use ; and
- Amendments to IFRS 9, Illustrative Examples to IFRS 16 — Annual Improvements (2018-2020)

Adyen has taken into consideration the changes of each one of the above-mentioned amendments, and concluded that the amendments do not have a material impact on the financial statements.

## 17. Events after the balance sheet date

Prior to publishing the H2 Shareholder Letter, Adyen updated its terms and conditions applicable to merchant agreements in order to clarify the responsibilities of the services provided by financial institutions and network scheme providers involved in the payment processing and acquiring services. As a result, Adyen reassessed its key accounting judgment in relation to settlement fees (namely; interchange and payment network fees), and concluded it acts as agent in this arrangement, applied prospectively from 1 January 2023. As a result, Adyen will recognise these fees on a net (agent) basis, with no change to net revenue. This change does not impact the 2022 consolidated and company financial statements, the non-IFRS financial measures or guidance provided in this Shareholder letter.

## 18. Other information

The interim condensed consolidated financial statements for the period July 1, 2022 to December 31, 2022 have been prepared in line with the accounting and recognition principles included in the Adyen annual consolidated financial statements of 2021, in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (EU-IFRS).

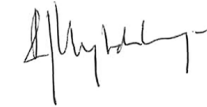
The interim condensed consolidated financial statements are unaudited.

Amsterdam, February 8, 2022



**P.W. van der Does**

CEO



**I.J. Uytdehaage**

CFO

## Statement by the Management Board

As is required by section 5.25d of the Dutch Financial Supervision Act (Wet op het financieel toezicht) we state that according to the best of our knowledge:

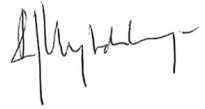
1. The interim condensed consolidated financial statements present a true and fair view of the consolidated assets, liabilities, financial position and the profit or loss of Adyen N.V.; and
2. The interim consolidated financial statements provide a true and fair view of the information required pursuant to article 5.25d paragraph 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Amsterdam, February 8, 2023



**P.W. van der Does**

CEO



**I.J. Uytdehaage**

CFO



