



PayPal Q3-19 Investor Update

October 23, 2019

Non-GAAP Financial Measures; Forward-Looking Statements

This presentation contains Non-GAAP measures relating to our performance. These measures, which may include adjustments attributable to the reclassification of the U.S. consumer credit receivable portfolio as held for sale from November 2017 and our 2018 acquisitions, may be different from Non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles. You can find the reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP measures in the Supplemental Information at the end of this presentation.

All growth rates represent year-over-year comparisons, except as otherwise noted. FX-Neutral (which we also refer to as FXN or currency neutral) results are calculated by translating the current period's local currency results by the prior period's exchange rate. FX-Neutral growth rates are calculated by comparing the current period's FX-Neutral results with the prior period's results, excluding the impact of currency hedging.

As previously disclosed, beginning with the first quarter of 2019, we have reclassified certain operating expenses within our consolidated statements of income. Prior period amounts have been reclassified to conform with this presentation. For additional details, please see our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2019.

This presentation contains forward-looking statements relating to, among other things, the future results of operations, financial condition, expectations and plans of PayPal Holdings, Inc. and its consolidated subsidiaries that reflect PayPal's current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "strategy," "future," "opportunity," "plan," "project," "forecast" and other similar expressions. Forward-looking statements include, but are not limited to, statements regarding projected financial results for fourth quarter and full year 2019, the impact and timing of acquisitions and the projected future growth of PayPal's businesses. Forward-looking statements are based upon various estimates and assumptions, as well as information known to PayPal as of the date of this presentation, and are inherently subject to numerous risks and uncertainties.

Our actual results could differ materially from those predicted or implied by forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: changes in political, business, economic, market and trade conditions, including any regional or general economic downturn or crisis and any conditions that affect payments or e-commerce growth; fluctuations in foreign currency exchange rates; the competitive, regulatory, payment card association-related and other risks specific to the PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle and other products, especially as PayPal continues to expand geographically and introduce new products and as new laws and regulations related to payments and financial services come into effect; the impact of PayPal's customer choice initiatives, including on its funding mix and transaction expense; PayPal's ability to successfully compete in an increasingly competitive environment for its businesses, products and services, including competition for consumers and merchants and the increasing importance of mobile payments and mobile commerce; the outcome of legal and regulatory proceedings and PayPal's need and ability to manage regulatory, tax and litigation risks as its products and services are offered in more jurisdictions and applicable laws become more restrictive; changes to PayPal's capital allocation or management of operating cash; uncertainty surrounding the implementation and impact of the United Kingdom's formal notification of its intent to withdraw from the European Union; cyberattacks and security vulnerabilities in PayPal products and services that could disrupt business, reduce revenue, increase costs, harm us competitively, or lead to liability; the effect of management changes and business initiatives; any changes PayPal may make to its product offerings; the effect of any natural disasters or other business interruptions on PayPal or PayPal's customers; PayPal's ability to timely upgrade and develop its technology systems, infrastructure and customer service capabilities at reasonable cost; PayPal's ability to maintain the stability, security and performance of its Payment Platform while adding new products and features in a timely fashion; risks that planned acquisitions will not be completed on contemplated terms, or at all, and that any businesses PayPal may acquire will not perform in accordance with its expectations; and PayPal's ability to profitably integrate, manage and grow businesses that have been acquired or may be acquired in the future. The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or contemplated after the date hereof.

More information about factors that could adversely affect PayPal's results of operations, financial condition and prospects or that could cause actual results to differ from those expressed or implied in forward-looking statements is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in PayPal's most recent annual report on Form 10-K and its subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting PayPal's Investor Relations website at <https://investor.paypal-corp.com> or the SEC's website at www.sec.gov. All information in this presentation is as of October 23, 2019. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this presentation. PayPal assumes no obligation to update such forward-looking statements.

Strategic Highlights

- +9.8 million NNAs, a Q3 record, ending the quarter with 295 million active accounts; +9% engagement growth to 39.8
- TPV growth accelerates to +27% FX-neutral with +31% growth in Merchant Services volume
- Venmo's ongoing strong momentum with TPV of >\$27 billion, growing +64%... On pace to deliver >\$100 billion of TPV in 2019... Exiting Q3-19 with ~\$400 million annual revenue run rate
- >200 bps of non-GAAP operating margin expansion, highest since separation
- +31% non-GAAP EPS growth, adjusting for net unrealized losses of \$0.15 per share in the quarter
- \$923 million of free cash flow (FCF) generated; \$0.21 of FCF for every \$1 of revenue
- Announced plans to acquire a 70% equity interest in Guofubao Information Technology Co., Ltd. (GoPay); positions PayPal to become the first foreign payment platform to be licensed to provide online payment services in China
- Accessed the debt capital markets for the first time raising \$5 billion in fixed rate senior notes

Third Quarter 2019 Summary

Strong user and engagement growth driving strong results

Revenue

\$4.38B

↑ **19%** spot and FX-Neutral
y/y growth

Non-GAAP EPS⁽¹⁾

\$0.61

↑ **5%** increase y/y; includes \$0.15 negative
impact from PayPal's strategic
investments; adjusting for this, non-
GAAP EPS of \$0.76, growing **31%**

Free Cash Flow⁽¹⁾

\$923M

↑ **20%*** increase y/y;
21% as % of revenue

Active Accounts

9.8M

Record net adds for
the third quarter

↑ **7%** increase y/y

295M

Includes >23M active
merchant accounts

↑ **16%** increase y/y

Customer Engagement

39.8

Payment transactions per active account

↑ **9%** increase y/y

Total Payment Volume

\$179B

↑ **25%** Spot and **27%** FX-Neutral
y/y growth

* Adjusted for the sale to Synchrony. In Q3-18, cash flow from operations benefitted by \$3.675 million due to the held for sale presentation related to the sale of our U.S. consumer credit portfolio to Synchrony.

(1) Non-GAAP earnings per share and free cash flow are Non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.

Business Updates

PayPal Receives Approval to be the First Foreign Company Licensed to Provide Online Payment Services in China

Transaction Overview

- The People's Bank of China (PBOC) and other regulators have approved PayPal to acquire a controlling 70% equity interest in Guofubao Information Technology Co., Ltd. (GoPay)
- GoPay is a third-party payments license holder in China with a focus on online gateway payments
- The transaction is expected to close in Q4'19 and is subject to customary closing conditions

Transaction Rationale



First-of-its-kind Transaction for a Foreign Company to Operate in China's Payments Market

- Following the close of the transaction, PayPal will be the first non-Chinese payments company licensed to provide online payment services in China
- Demonstration of how PayPal, as a global leader in commerce, can deliver a local strategy for each of the markets in which we operate



PayPal's Position as a Licensed Online Payments Provider Creates a Significant Growth Opportunity

- China is the world's largest e-commerce market with more than 500 million online shoppers and is expected to reach nearly \$2 trillion in online sales in 2019, representing more than 50% of global online retail⁽¹⁾



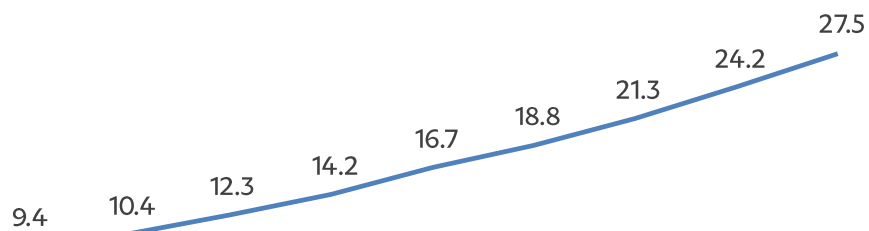
Enhances PayPal's Value Proposition

- Enables PayPal to offer a more comprehensive set of payment solutions to businesses and consumers both in China and outside of China

Venmo's Rapid Growth

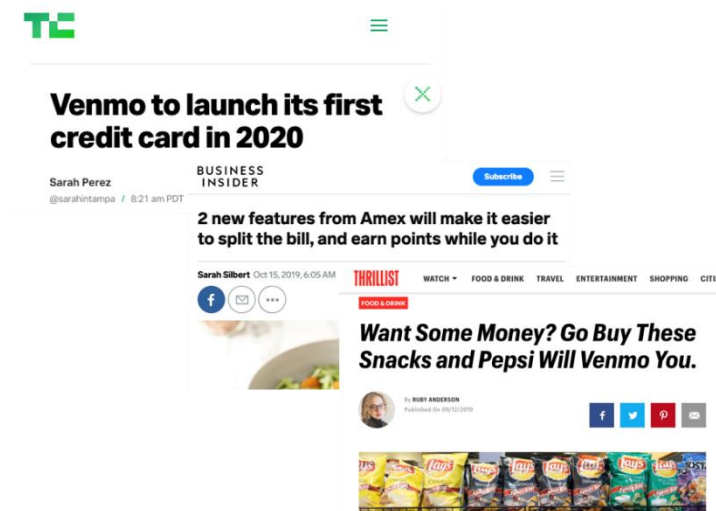
On pace to deliver >\$100 billion of TPV in 2019...Exiting Q3-19 with ~\$400 million annual revenue run rate

Venmo TPV (\$B)



Y/Y Growth

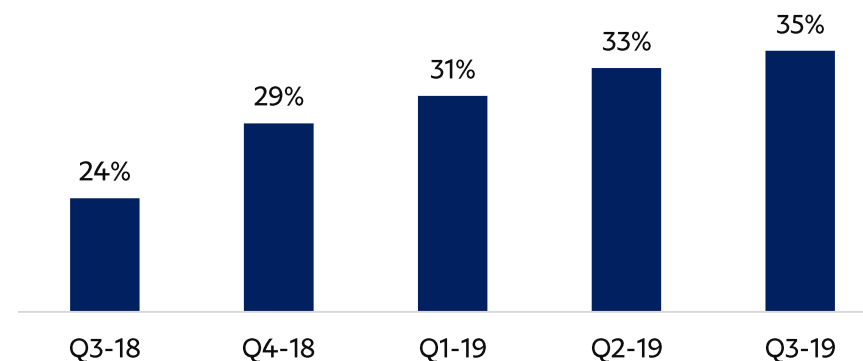
	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Y/Y Growth	93%	86%	80%	78%	78%	80%	73%	70%	64%



Merchants accepting Venmo

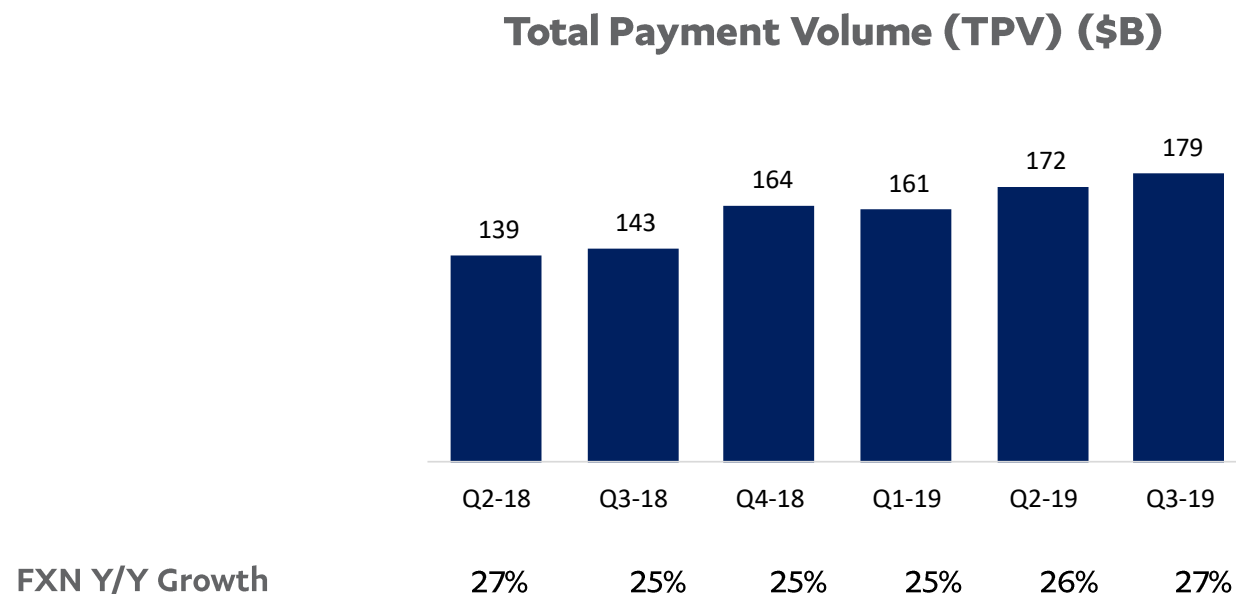


% of monetized users



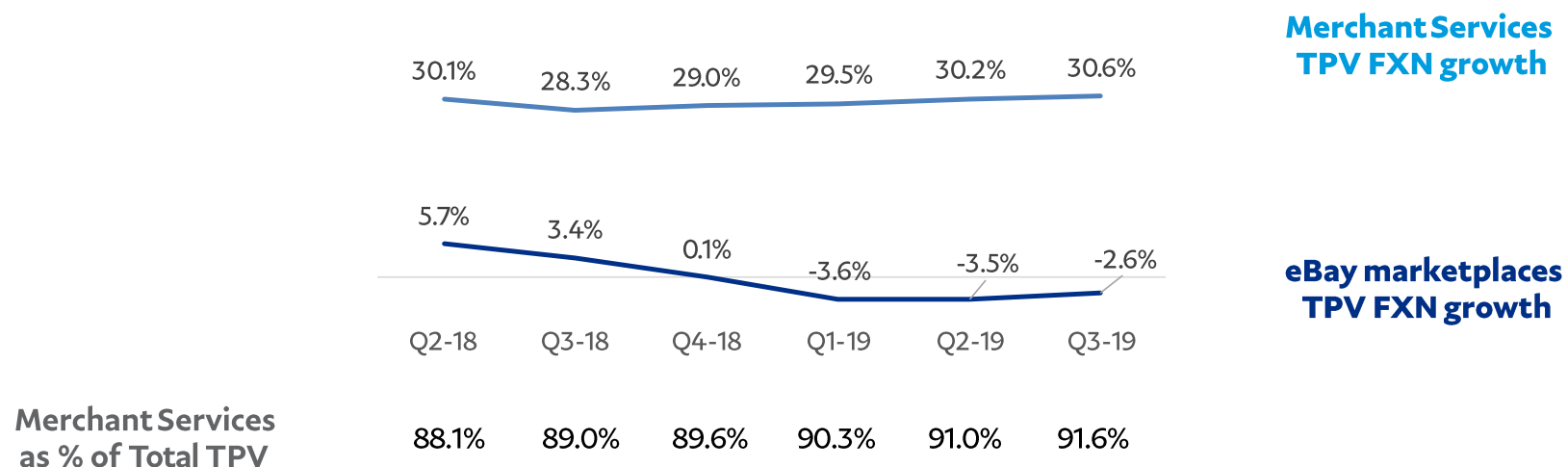
Operational and Financial Updates

Total Payment Volume (TPV)



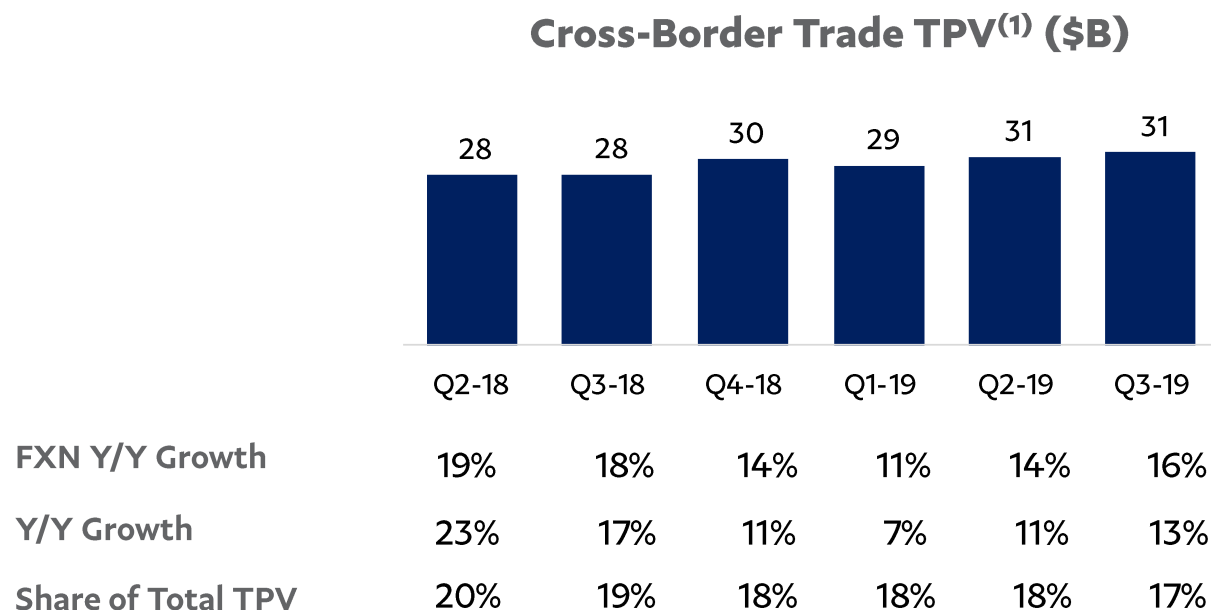
- TPV grew 25% at spot, 27% on an FX-Neutral basis in Q3-19. TPV growth was driven by core, 2018 acquisitions of iZettle and Hyperwallet, Venmo and Braintree
- P2P volume, including core PayPal, Venmo and Xoom, increased 39% in the quarter to ~\$51B and represented 28% of TPV
- Venmo volume increased 64% to >\$27B in the quarter
- Mobile volume increased to ~\$77B, up ~34% and represented ~43% of TPV

TPV: Merchant Services



- Merchant Services (non-eBay marketplaces related) volume represented 92% of TPV in Q3-19
- 31% growth in Merchant Services volume driven primarily by acquisitions, Venmo and Braintree; accelerating ~240 bps vs. Q3-18

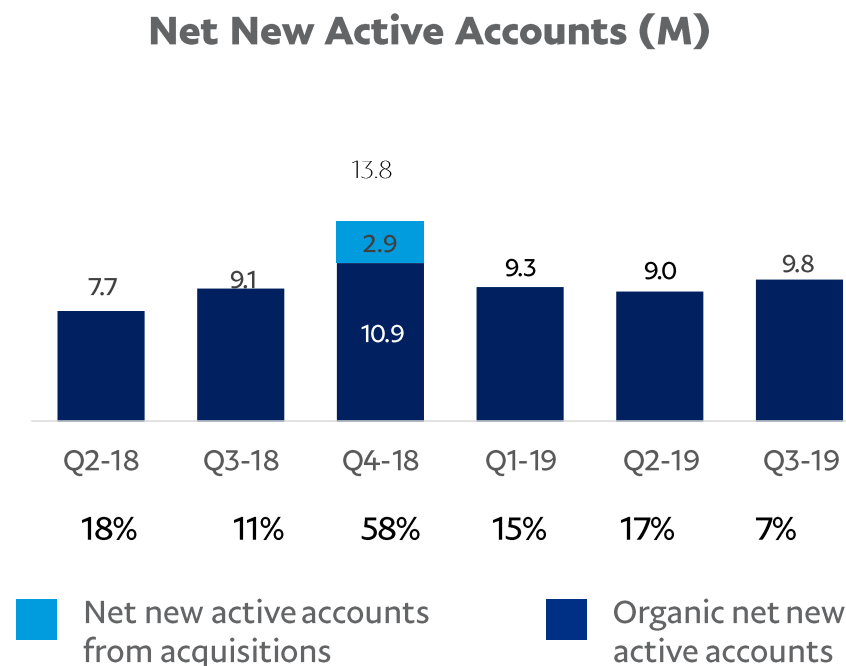
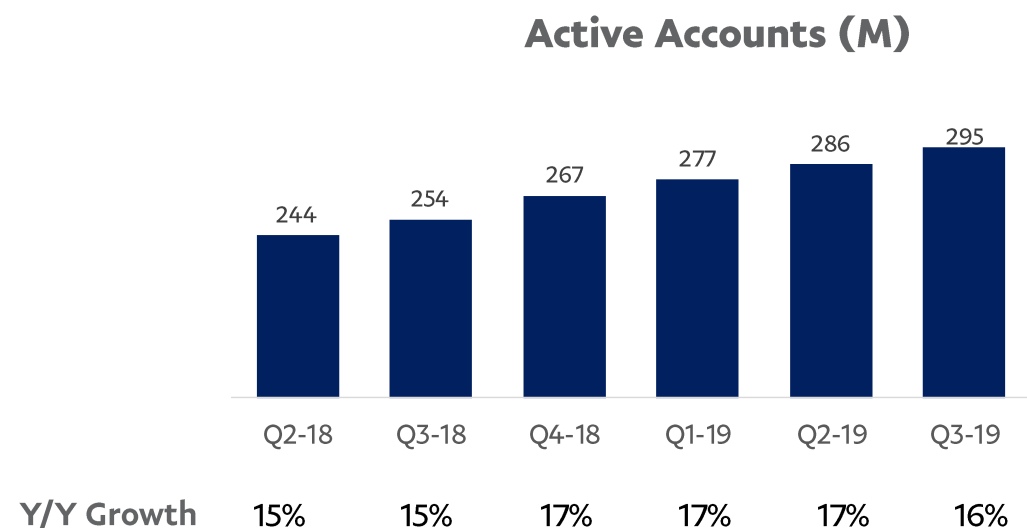
TPV: Cross-Border Trade (CBT)



- CBT TPV was \$31 billion in Q3-19, up 16% on an FX-Neutral basis. Deceleration on a year-over-year basis in CBT growth was primarily driven by the strengthening U.S. dollar and a decline in eBay marketplaces volume
- CBT TPV represented 17% of TPV in Q3-19 vs. 19% in Q3-18 primarily driven by stronger growth in Braintree and Venmo which predominantly represent U.S. domestic volumes.

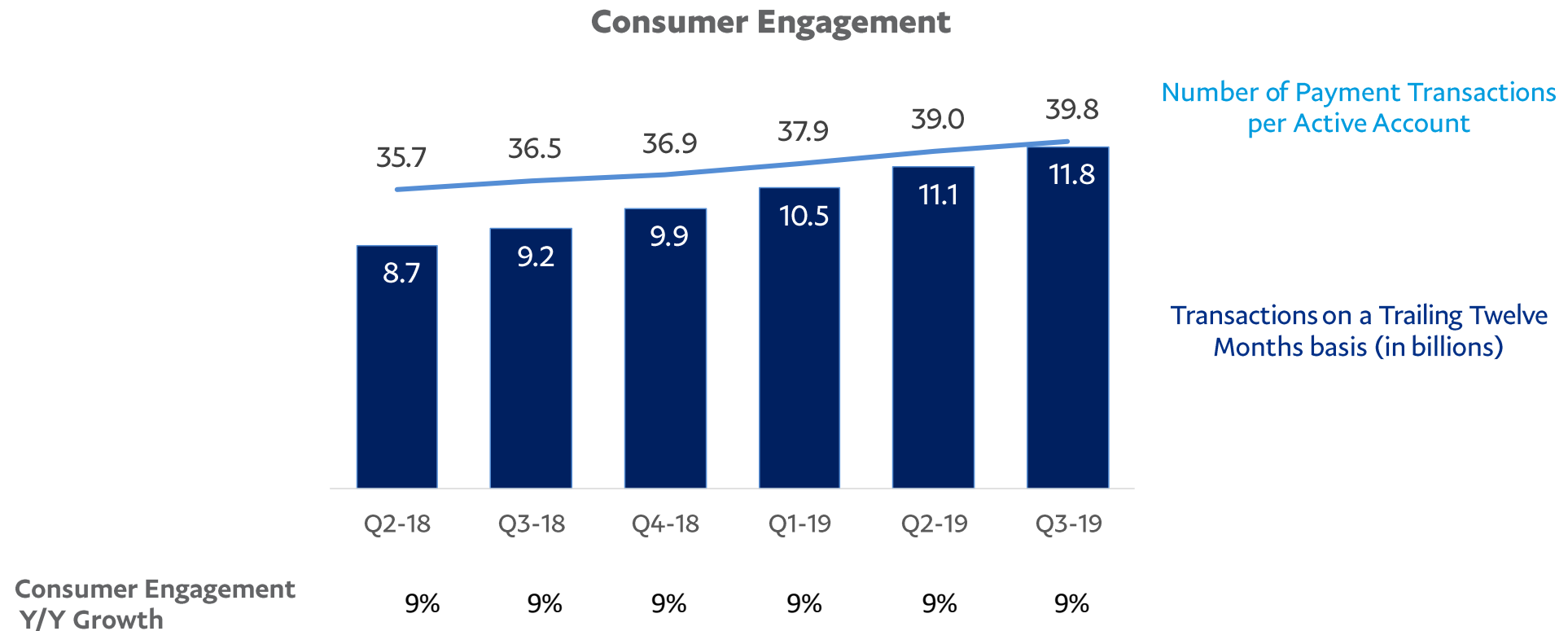
(1) In a typical purchase transaction cross border TPV is counted in the region where the merchant is located. For example, in the case of a U.S. seller and a Germany buyer, the TPV is counted in the U.S.

Active Accounts



- Ended the quarter with 295 million active accounts, up 16%, including >23 million active merchant accounts
- Added 9.8 million net new active accounts, up 7%, a record for any Q3 in our history
- Active account growth predominantly driven by core PayPal and Venmo

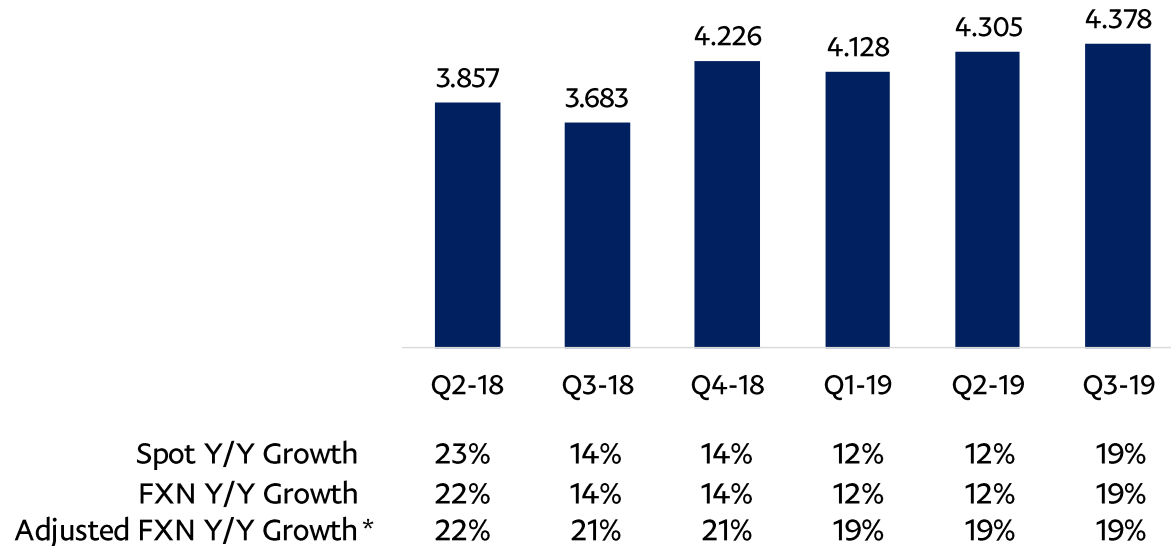
Customer Engagement



- Processed ~3.1B payment transactions during Q3-19, up 25%
- Payment transactions per active account increased 9% to 39.8

Revenue

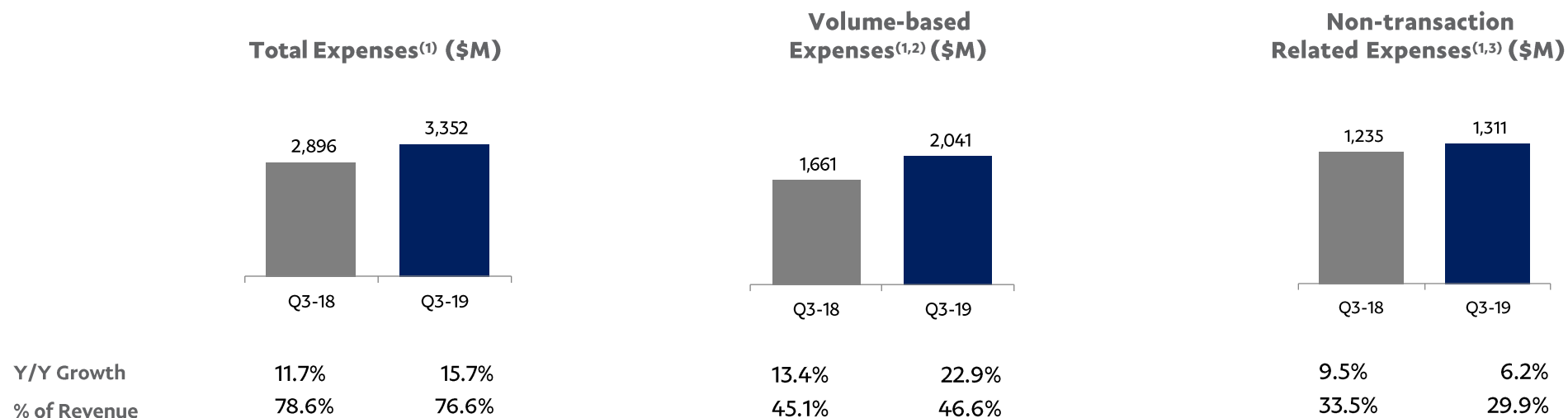
Total Revenue (\$B)



*Includes 7 pts of negative impact from the receivables sale.

- Total Revenue growth of 19% on a spot and FX-Neutral basis.
- Transaction Revenue grew 19% on an FX-Neutral basis driven primarily by core PayPal and Braintree; ~2 point acceleration on a y/y basis and sequentially
- Other Value Added Services (OVAS) Revenue grew 25% on an FX-Neutral basis
- Hedging gains, which are recognized in international transaction revenue, were \$70 million in Q3-19 versus \$10 million in Q3-18
- Exiting Q3, at current rates, we estimate that our current hedge positions would result in the recognition of \$172 million in international transaction revenue over the next four quarters

Non-GAAP Expense Detail



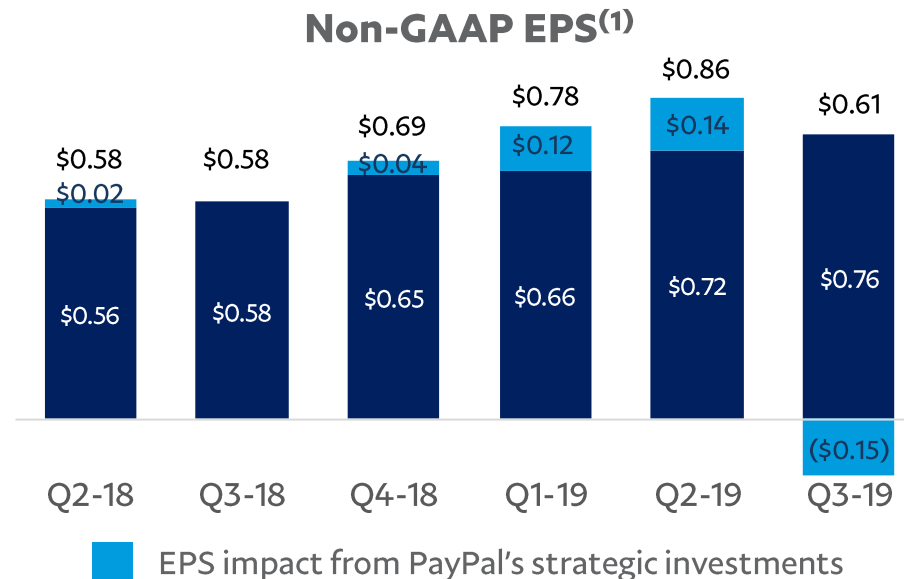
- Volume-based expenses grew 23%
- Expense discipline generating operating leverage on a non-GAAP basis:
 - Non-transaction related expenses grew 6% and delivered ~360 basis points of leverage
 - Adjusting for our acquisitions of iZettle and Hyperwallet, non-transaction related expenses grew 2% and delivered ~430 basis points of leverage
- For the quarter, adjusting for our 2018 acquisitions, non-transaction related expenses increased 4 cents for every dollar of revenue

(1) Expenses are presented on a Non-GAAP basis. Please see the Supplemental Information for a reconciliation of this Non-GAAP financial measure to the most directly comparable GAAP financial measure.

(2) Volume based expenses include transaction expense and transaction and loan losses.

(3) Non-transaction related expenses include customer support and operations, sales and marketing, technology and development, general and administrative and restructuring and other charges.

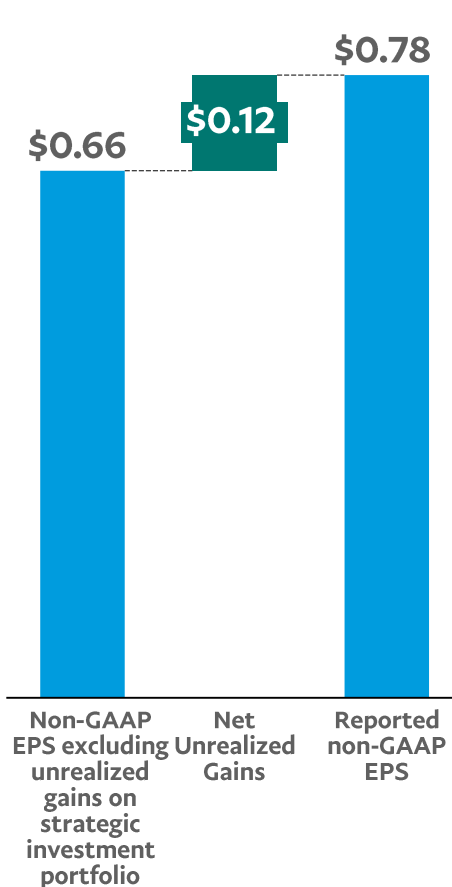
Non-GAAP EPS



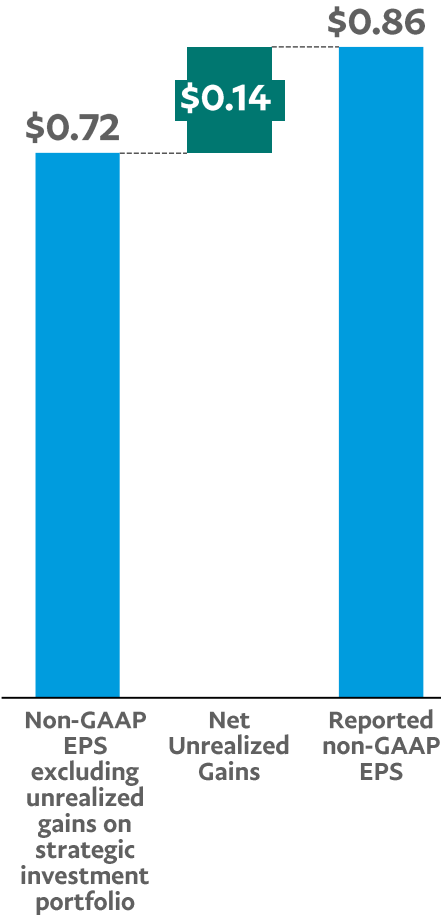
- Other Income & Expense (OI&E) for the quarter was (\$213M), primarily driven by ~\$228M of net unrealized losses* on strategic investments
- Non-GAAP effective tax rate⁽¹⁾ for Q3-19 was 11.1%; adjusting for the net unrealized losses, non-GAAP effective tax rate of 13.5%
- Non-GAAP EPS of \$0.61 in Q3-19, up 5%, which included a negative impact of \$0.15 from PayPal's strategic investments. Excluding net unrealized losses from strategic investments, non-GAAP EPS of \$0.76, up 31%
 - ~\$0.03 of unrealized gains from PayPal's private strategic investment in Toss, which was included in Q3-19 guidance provided on July 24, 2019
 - ~(\$0.18) of unrealized losses from PayPal's public strategic investments in Uber and MercadoLibre, as their share prices declined by 34% and 10%, respectively

Non-GAAP EPS in Q3-19 adjusted for net unrealized losses on strategic investment portfolio grew 31%... YTD strategic investment portfolio up ~\$170 million in 2019

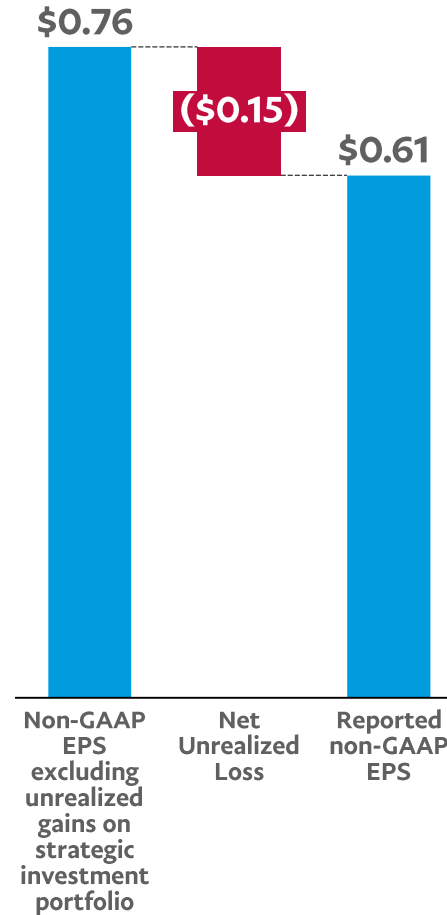
Q1'19



Q2'19



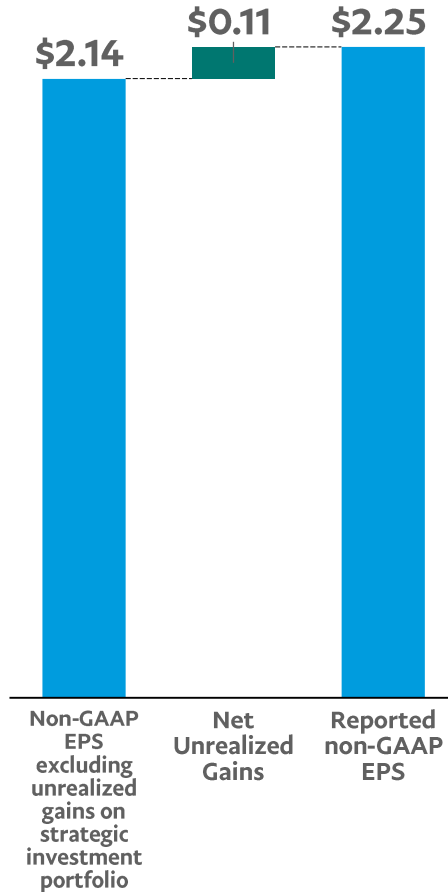
Q3'19



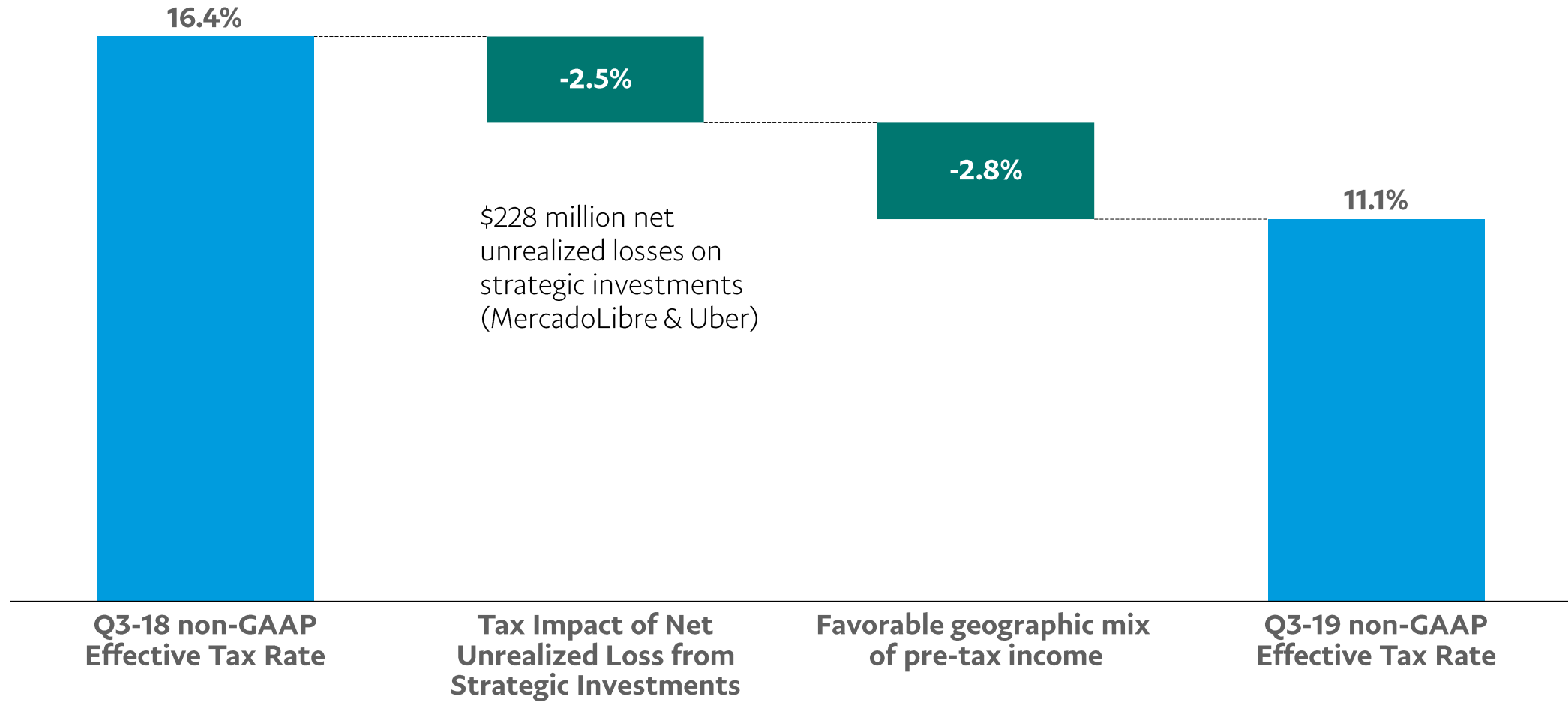
YTD Q3'18



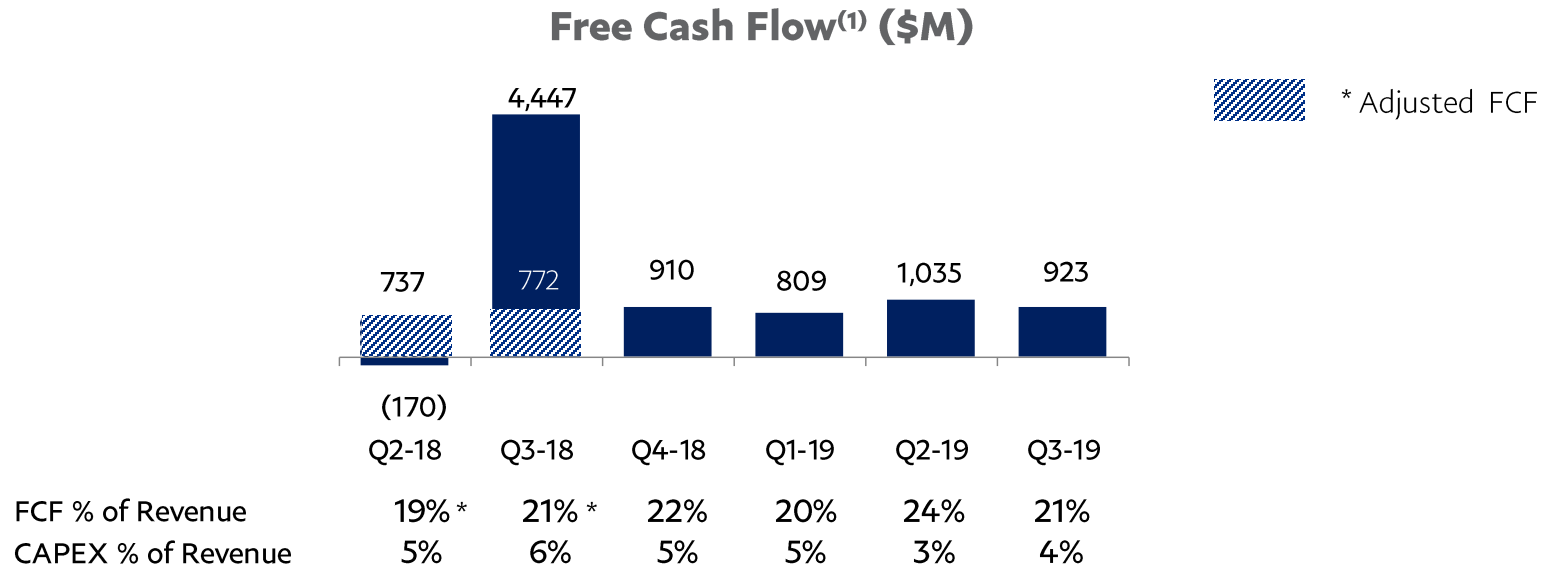
YTD Q3'19



Q3-19 Effective Tax Rate

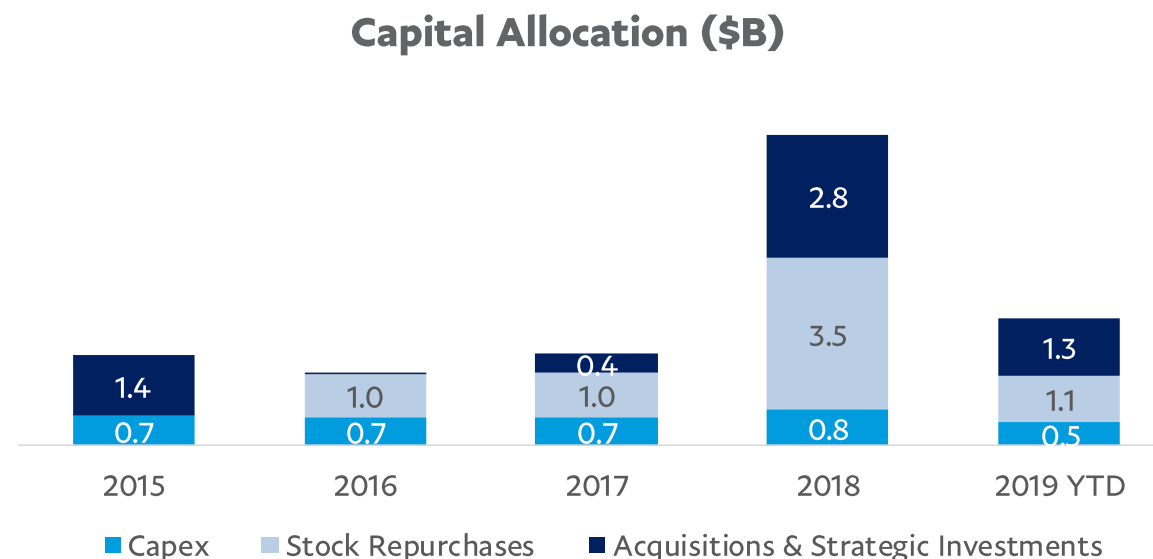


Free Cash Flow



- Free Cash Flow (FCF) of \$923 million in Q3-19; 20% growth year-over-year after adjusting for sale of U.S. consumer credit receivables portfolio
- Capex spend of \$173 million; 4% of revenue
- Cash, cash equivalents, short-term and long-term investments of \$13.2 billion
 - Cash and cash equivalents of \$6.9 billion, short-term investments of \$3.6 billion and long-term investments of \$2.8 billion
 - ~59% of total cash, cash equivalents, short-term investments and long-term investments held internationally
- Accessed public debt markets for the first time and raised \$5.0 billion in senior fixed rate notes, providing financial flexibility

Capital Allocation



- Generated ~\$12.9 billion in FCF⁽¹⁾ since separation in July 2015, including ~\$2.8 billion in 2019 YTD
- In Q3-19, returned \$350 million to shareholders by repurchasing ~3.3 million shares at an average price of \$107.42. Since separation, repurchased ~102 million shares of common stock, returning \$6.6 billion to shareholders at an average price of \$65.17
- In 2018, completed acquisitions of iZettle, Hyperwallet, Simility and Jetlore
- In the first half of 2019, made strategic investments in MercadoLibre and Uber

(1) Free cash flow is a Non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this Non-GAAP financial measure to the most directly comparable GAAP financial measure.

2019 Guidance

Raising GAAP and non-GAAP EPS for 2019, adjusted for net unrealized gains on strategic investment portfolio

	Low	High
Revenue (in billions)	\$17.70	\$17.76
<i>Y/Y Growth</i>	~15%	
<i>FXN Y/Y Growth</i>	~15%	
Non-GAAP EPS	\$3.06	\$3.08
Free Cash Flow (in billions)	~ \$3.5	

- TPV growth in mid-20% range
- Non-GAAP EPS Y/Y growth of 26% - 27%
- Non-GAAP effective tax rate of 15% - 17%
- CAPEX ~5% of revenue
- GAAP EPS of \$2.03 - \$2.06

Non-GAAP EPS, Non-GAAP operating margin, Non-GAAP effective tax rate, and free cash flow are Non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.

Guidance Commentary

- GAAP and non-GAAP EPS:
 - Adjusting for net unrealized gains on strategic investment portfolio, raising outlook for the year
 - On this adjusted basis, expect non-GAAP EPS growth of 25% to 26%
 - Estimated GAAP EPS includes ~\$0.41 of expected dilution relating to 2018 acquisitions
 - Estimated non-GAAP EPS includes ~\$0.08 of expected dilution relating to 2018 acquisitions
- Full year revenue:
 - ~15% FXN growth, ~18.5% FXN growth adjusted for receivables sale
 - Estimated revenue includes ~1.5 pts of revenue growth relating to 2018 acquisitions
- Expect to deliver non-GAAP operating margin expansion of >100 bps in FY2019, with operating leverage and efficiencies more than offsetting the dilutive impact of 2018 acquisitions
- Free cash flow reflects higher cash taxes related to the acquisition of iZettle

Q4 2019 Guidance

	Low	High
Revenue (in billions)	\$4.890	\$4.950
<i>Y/Y Growth</i>	16%	17%
<i>FXN Y/Y Growth</i>	17%	18%
Non-GAAP EPS	\$0.81	\$0.83

Non-GAAP EPS is a Non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this Non-GAAP financial measure to the most directly comparable GAAP financial measure.

2020 Preliminary Outlook

2020 Preliminary Outlook	
TPV Growth	Mid-20% growth
Revenue Growth	Approximately 17%, which includes ~1 pt of decline related to the eBay transition and ~1 pt of decline from lapping acquisitions of Hyperwallet and iZettle
Non-GAAP Operating Margin	At least 50 bps of operating margin expansion
Other Income	Additional interest expense on our recent debt issuance and lower interest income earned on corporate cash
Non-GAAP EPS Growth	Approximately 17-18%

This preliminary non-GAAP EPS outlook reflects the exclusion of potential items that we believe may not be indicative of our operating results and underlying business performance. These potential items include stock-based compensation expenses and related employer payroll taxes, acquisition-related transaction expenses, restructuring charges, amortization of acquired intangible assets, gains or losses on our strategic investments, other non-recurring significant gains, losses, or charges, and tax effects of certain non-GAAP adjustments. A reconciliation to the most directly comparable GAAP financial measure has not been provided because the Company is unable to predict with reasonable certainty the potential amount or timing of these potential items without unreasonable efforts given that certain information necessary to calculate such items is unavailable, dependent on various factors and future events outside of our control, and could have a material impact on GAAP results for the outlook period. Because we have historically reported non-GAAP EPS to our investors, we believe that providing this preliminary non-GAAP EPS outlook gives investors a consistent basis for assessing our expected performance. For important additional information, please see the slide entitled “Non-GAAP Financial Measures; Forward-Looking Statements” included elsewhere in this presentation.

Non-GAAP EPS is a Non-GAAP financial measure. Please see the Supplemental Information for a reconciliation of this Non-GAAP financial measure to the most directly comparable GAAP financial measure.

Supplemental Information

PayPal Metrics⁽¹⁾

(in millions, except %)

	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
Active Accounts	244	254	267	277	286	295
Y/Y Growth	15%	15%	17%	17%	17%	16%
Net New Active Accounts	7.7	9.1	13.8	9.3	9.0	9.8
Number of Payment Transactions	2,327	2,463	2,867	2,838	2,973	3,090
Y/Y Growth	28%	27%	28%	28%	28%	25%
Total Payment Volume	139,403	143,004	163,648	161,492	172,359	178,670
Y/Y Growth	29%	24%	23%	22%	24%	25%
FXN Y/Y Growth	27%	25%	25%	25%	26%	27%
US TPV	79,959	83,242	94,439	95,697	102,224	106,591
Y/Y Growth	30%	27%	28%	28%	28%	28%
International TPV	59,444	59,761	69,209	65,795	70,136	72,079
Y/Y Growth	28%	20%	18%	14%	18%	21%
FXN Y/Y Growth	22%	22%	22%	22%	24%	25%
Total Take Rate	2.77%	2.58%	2.58%	2.56%	2.50%	2.45%
Transaction Take Rate	2.38%	2.34%	2.35%	2.31%	2.25%	2.21%
Transaction Expense Rate	0.98%	0.96%	0.96%	0.96%	0.94%	0.95%
Transaction and Loan Loss Rate	0.24%	0.21%	0.21%	0.21%	0.18%	0.19%
Transaction Margin	56.0%	54.9%	54.6%	54.2%	54.8%	53.4%

- Cross-border trade (CBT) was 17% of TPV in the quarter, growing 16% on an FX-Neutral basis
- 48% of active accounts are outside the U.S.
- Average Payment Volume (APV) was \$58, flat year-over-year
- Transaction take rate down ~12 bps, driven primarily by P2P growth (including Venmo) offset by hedging gains
- Credit loans receivable of ~\$3.5B, with \$2.4B related to merchant receivables, consisting of PayPal Working Capital and PayPal Business Loan products

(1) Definitions included in Supplemental Information.

Financial Detail

(\$ millions)

	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Transaction Revenue	3,318	3,343	3,851	3,731	3,878	3,955
Y/Y Growth	20%	17%	19%	17%	17%	18%
Other Value Added Services (OVAS)	539	340	375	397	427	423
Y/Y Growth	49%	-11%	-19%	-19%	-21%	24%
Total Revenue	3,857	3,683	4,226	4,128	4,305	4,378
Y/Y Growth	23%	14%	14%	12%	12%	19%
FXN Y/Y Growth	22%	14%	14%	12%	12%	19%
% International	44%	47%	48%	47%	47%	47%
US Revenue Y/Y Growth	27%	13%	9%	8%	7%	19%
International Revenue FXN Y/Y Growth	16%	15%	19%	17%	18%	20%
Volume-based expenses	1,696	1,661	1,918	1,890	1,945	2,041
Non-transaction related expenses	1,341	1,235	1,395	1,304	1,362	1,311
Total Operating Expenses⁽¹⁾	3,037	2,896	3,313	3,194	3,307	3,352
Y/Y Growth	23%	12%	14%	12%	9%	16%
Non-GAAP Op. Income⁽¹⁾	820	787	913	934	998	1026
Non-GAAP Op. Margin %⁽¹⁾	21%	21%	22%	23%	23%	23%
Non-GAAP EPS⁽¹⁾	\$0.58	\$0.58	\$0.69	\$0.78	\$0.86	\$0.61
Y/Y Growth	28%	26%	26%	37%	47%	5%
CAPEX	198	223	224	218	139	173
Free Cash Flow⁽¹⁾	(170)	4447	910	809	1035	923

(1) Non-GAAP operating expenses, Non-GAAP operating income, Non-GAAP operating margin, Non-GAAP EPS, and free cash flow are Non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.

- U.S. revenue growth driven primarily by core Merchant Services and Braintree
- International revenue growth driven by core Merchant Services. In Q3-19, international revenue growth also benefited from the acquisition of iZettle

Reconciliation of Net Revenues, Transaction and Loan Losses and Transaction Margin

Reconciliation of GAAP Net Revenues to Non-GAAP Net Revenues, Reconciliation of GAAP Transaction and Loan Losses to Non-GAAP Transaction and Loan Losses, Reconciliation of GAAP Transaction and Loan Losses Rate to Non-GAAP Transaction and Loan Losses Rate, Reconciliation of GAAP Transaction Margin to Non-GAAP Transaction Margin

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
TPV	\$ 178,670	\$ 172,359	\$ 161,492	\$ 163,648	\$ 143,004	\$ 139,403	\$ 132,364	\$ 132,515	\$ 115,224	\$ 107,800	\$ 578,419	\$ 456,179	\$ 359,928
GAAP Net revenues	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,744	\$ 3,239	\$ 3,136	\$ 15,451	\$ 13,094	\$ 10,842
Other ⁽¹⁾	—	—	—	—	—	—	—	(39)	—	—	—	(39)	—
Non-GAAP Net revenues	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,705	\$ 3,239	\$ 3,136	\$ 15,451	\$ 13,055	\$ 10,842
GAAP Transaction and loan losses	\$ 340	\$ 318	\$ 341	\$ 340	\$ 295	\$ 334	\$ 305	\$ 40	\$ 363	\$ 308	\$ 1,274	\$ 1,011	\$ 1,088
Other ⁽²⁾	—	—	—	—	—	—	—	283	—	—	—	283	—
Non-GAAP Transaction and loan losses	\$ 340	\$ 318	\$ 341	\$ 340	\$ 295	\$ 334	\$ 305	\$ 323	\$ 363	\$ 308	\$ 1,274	\$ 1,294	\$ 1,088
GAAP Transaction and loan losses rate (% of TPV)	0.19%	0.18%	0.21%	0.21%	0.21%	0.24%	0.23%	0.03%	0.32%	0.29%	0.22%	0.22%	0.30%
Effect of non-GAAP Adjustment	—%	—%	—%	—%	—%	—%	—%	0.21%	—%	—%	—%	0.06%	—%
Non-GAAP Transaction and loan losses rate (% of TPV)	0.19%	0.18%	0.21%	0.21%	0.21%	0.24%	0.23%	0.24%	0.32%	0.29%	0.22%	0.28%	0.30%
GAAP Transaction margin	53.4%	54.8%	54.2%	54.6%	54.9%	56.0%	57.1%	65.1%	54.8%	56.3%	55.6%	58.5%	59.1%
Effect of non-GAAP adjustment	—%	—%	—%	—%	—%	—%	—%	(8.0)%	—%	—%	—%	(2.3)%	—%
Non-GAAP Transaction	53.4%	54.8%	54.2%	54.6%	54.9%	56.0%	57.1%	57.1%	54.8%	56.3%	55.6%	56.2%	59.1%

Amounts in the table are rounded to the nearest million, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

⁽¹⁾ Elimination of allowance on interest receivable due to the designation of the U.S. Consumer Credit receivables portfolio as held for sale.

⁽²⁾ Elimination of allowance on loans receivable due to the designation of the U.S. Consumer Credit receivables portfolio as held for sale.

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended								Year Ended December 31,				
		September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
GAAP operating expenses:														
Transaction expense		\$ 1,701	\$ 1,627	\$ 1,549	\$ 1,578	\$ 1,366	\$ 1,362	\$ 1,275	\$ 1,266	\$ 1,102	\$ 1,064	\$ 5,581	\$ 4,419	\$ 3,346
Transaction and loan losses		340	318	341	340	295	334	305	40	363	308	1,274	1,011	1,088
Customer support and operations		390	399	388	377	350	338	342	344	318	309	1,407	1,265	1,158
Sales and marketing		316	356	329	401	325	307	281	351	276	285	1,314	1,142	966
Technology and development		533	483	511	490	452	441	448	466	436	440	1,831	1,740	1,547
General and administrative		401	419	419	430	377	387	347	342	321	300	1,541	1,258	1,151
Restructuring and other charges		—	(2)	73	12	28	116	153	92	—	—	309	132	—
Total operating expenses		\$ 3,681	\$ 3,600	\$ 3,610	\$ 3,628	\$ 3,193	\$ 3,285	\$ 3,151	\$ 2,901	\$ 2,816	\$ 2,706	\$ 13,257	\$ 10,967	\$ 9,256
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(g)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	283	\$ —	\$ —	\$ —	283	—
Customer support and operations	(a)	(51)	(45)	(48)	(45)	(46)	(41)	(42)	(42)	(38)	(34)	(174)	(142)	(80)
	(b)	(1)	(2)	(5)	(1)	—	(2)	(6)	—	—	(2)	(9)	(2)	(2)
Sales and marketing	(a)	(31)	(32)	(32)	(32)	(30)	(29)	(34)	(33)	(27)	(27)	(125)	(107)	(57)
	(b)	(1)	(5)	(5)	—	—	(3)	(4)	—	—	(2)	(7)	(2)	(1)
	(c)	(34)	(33)	(36)	(39)	(20)	(16)	(17)	(47)	(18)	(15)	(92)	(95)	(101)
Technology and development	(a)	(119)	(80)	(93)	(81)	(76)	(74)	(72)	(82)	(75)	(66)	(303)	(277)	(166)
	(b)	(1)	(3)	(12)	(1)	(1)	(5)	(13)	—	(1)	(5)	(20)	(7)	(4)
	(c)	(18)	(18)	(21)	(20)	(13)	(9)	(12)	(11)	(8)	(7)	(54)	(34)	(32)
	(f)	—	—	—	—	—	—	—	—	—	(15)	—	(15)	—
General and administrative	(a)	(72)	(73)	(81)	(77)	(65)	(66)	(61)	(65)	(55)	(53)	(269)	(218)	(141)
	(b)	(1)	(4)	(10)	—	(1)	(3)	(9)	(1)	(1)	(3)	(13)	(6)	(4)
	(e)	—	—	—	(7)	(17)	—	—	—	—	—	(24)	—	—
	(h)	—	—	—	—	—	—	—	(5)	—	—	—	(5)	—
Restructuring and other charges	(d)	—	—	(78)	—	—	—	(25)	—	—	—	(25)	(40)	—
	(i)	—	2	5	(12)	(28)	—	—	—	—	—	(40)	—	—
Total operating expenses		\$ (329)	\$ (293)	\$ (416)	\$ (315)	\$ (297)	\$ (248)	\$ (295)	\$ (3)	\$ (223)	\$ (229)	\$ (1,155)	\$ (667)	\$ (588)
Non-GAAP operating expenses:														
Transaction expense		\$ 1,701	\$ 1,627	\$ 1,549	\$ 1,578	\$ 1,366	\$ 1,362	\$ 1,275	\$ 1,266	\$ 1,102	\$ 1,064	\$ 5,581	\$ 4,419	\$ 3,346
Transaction and loan losses		340	318	341	340	295	334	305	323	363	308	1,274	1,294	1,088
Customer support and operations		338	352	335	331	304	295	294	302	280	273	1,224	1,121	1,076
Sales and marketing		250	286	256	330	275	259	226	271	231	241	1,090	938	807
Technology and development		395	382	385	388	362	353	351	373	352	347	1,454	1,407	1,345
General and administrative		328	342	328	346	294	318	277	271	265	244	1,235	1,029	1,006
Restructuring and other charges		—	—	—	—	—	116	128	92	—	—	244	92	—
Total operating expenses		\$ 3,352	\$ 3,307	\$ 3,194	\$ 3,313	\$ 2,896	\$ 3,037	\$ 2,856	\$ 2,898	\$ 2,593	\$ 2,477	\$ 12,102	\$ 10,300	\$ 8,668

- (a) Stock-based compensation expense.
- (b) Employer payroll taxes on stock-based compensation.
- (c) Amortization and impairment of acquired intangible assets.
- (d) Restructuring.
- (e) Acquisition related transaction expense.
- (f) Impairment of investment in intellectual property fund.
- (g) Elimination of allowance on loans receivable due to the U.S. Consumer Credit receivables portfolio designation as held for sale.
- (h) Fees associated with the sale of the U.S. Consumer Credit receivables portfolio.
- (i) Net gain (loss) related to the sale of our U.S. Consumer Credit receivables portfolio.

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

	Three Months Ended										Year Ended December 31,		
(In Millions, Except Percentages/Unaudited)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
GAAP operating income	\$ 697	\$ 705	\$ 518	\$ 598	\$ 490	\$ 572	\$ 534	\$ 843	\$ 423	\$ 430	\$ 2,194	\$ 2,127	\$ 1,586
Stock-based compensation expense and related employer payroll taxes	277	244	286	237	219	223	241	223	197	192	920	761	455
Acquisition related transaction expense	—	—	—	7	17	—	—	—	—	—	24	—	—
Restructuring	—	—	78	—	—	—	25	—	—	—	25	40	—
Amortization of acquired intangible assets	52	51	57	59	33	25	29	58	26	22	146	129	133
Other	—	(2)	(5)	12	28	—	—	(317)	—	15	40	(302)	—
Total non-GAAP operating income adjustments	329	293	416	315	297	248	295	(36)	223	229	1,155	628	588
Non-GAAP operating income	\$ 1,026	\$ 998	\$ 934	\$ 913	\$ 787	\$ 820	\$ 829	\$ 807	\$ 646	\$ 659	\$ 3,349	\$ 2,755	\$ 2,174
Non-GAAP operating margin	23.4%	23.2%	22.6%	21.6%	21.4%	21.3%	22.5%	21.8%	19.9%	21.0%	21.7%	21.1%	20.1%

Reconciliation of Net Income, EPS and Effective Tax Rate

Reconciliation of GAAP Net Income to Non-GAAP Net Income, GAAP Diluted EPS to Non-GAAP Diluted EPS, and GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
GAAP income before income taxes	\$ 484	\$ 943	\$ 717	\$ 686	\$ 533	\$ 609	\$ 548	\$ 864	\$ 451	\$ 447	\$ 2,376	\$ 2,200	\$ 1,631
GAAP income tax expense	22	120	50	102	97	83	37	244	71	36	319	405	230
GAAP net income	462	823	667	584	436	526	511	620	380	411	2,057	1,795	1,401
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	329	293	416	315	297	248	295	(36)	223	229	1,155	628	588
Other certain significant gains, losses, or charges	—	—	—	(6)	14	32	3	201	23	—	43	224	—
Tax effect of non-GAAP adjustments	(68)	(98)	(157)	(69)	(53)	(103)	(117)	(115)	(66)	(86)	(342)	(329)	(164)
Non-GAAP net income	\$ 723	\$ 1,018	\$ 926	\$ 824	\$ 694	\$ 703	\$ 692	\$ 670	\$ 560	\$ 554	\$ 2,913	\$ 2,318	\$ 1,825
Shares used in diluted share calculation	1,188	1,187	1,188	1,196	1,199	1,202	1,217	1,228	1,223	1,215	1,203	1,221	1,218
Net income per diluted share:													
GAAP	\$ 0.39	\$ 0.69	\$ 0.56	\$ 0.49	\$ 0.36	\$ 0.44	\$ 0.42	\$ 0.50	\$ 0.31	\$ 0.34	\$ 1.71	\$ 1.47	\$ 1.15
Non-GAAP	\$ 0.61	\$ 0.86	\$ 0.78	\$ 0.69	\$ 0.58	\$ 0.58	\$ 0.57	\$ 0.55	\$ 0.46	\$ 0.46	\$ 2.42	\$ 1.90	\$ 1.50
GAAP effective tax rate	5%	13%	7%	15%	18%	14%	7%	28%	16%	8%	13%	18%	14%
Tax effect of non-GAAP adjustments to net income	6%	5%	11%	3%	(2)%	4%	11%	(9)%	1%	10%	5%	—%	4%
Non-GAAP effective tax rate	11%	18%	18%	18%	16%	18%	18%	19%	17%	18%	18%	18%	18%

Reconciliation of GAAP Net Revenue by Geography to Non-GAAP Net Revenue by Geography

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
U.S. net revenues	\$ 2,327	\$ 2,297	\$ 2,187	\$ 2,189	\$ 1,962	\$ 2,150	\$ 2,023	\$ 2,045	\$ 1,743	\$ 1,690	\$ 8,324	\$ 7,084	\$ 5,760
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	(39)	—	—	—	(39)	—
Non-GAAP U.S. net revenues	\$ 2,327	\$ 2,297	\$ 2,187	\$ 2,189	\$ 1,962	\$ 2,150	\$ 2,023	\$ 2,006	\$ 1,743	\$ 1,690	\$ 8,324	\$ 7,045	\$ 5,760
International net revenues	\$ 2,051	\$ 2,008	\$ 1,941	\$ 2,037	\$ 1,721	\$ 1,707	\$ 1,662	\$ 1,699	\$ 1,496	\$ 1,446	\$ 7,127	\$ 6,010	\$ 5,082
Total net revenues	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,744	\$ 3,239	\$ 3,136	\$ 15,451	\$ 13,094	\$ 10,842
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	(39)	—	—	—	(39)	—
Total non-GAAP net revenues	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,705	\$ 3,239	\$ 3,136	\$ 15,451	\$ 13,055	\$ 10,842

(1) Elimination of allowance on interest receivable due to the U.S. Consumer Credit receivables portfolio designation as held for sale.

Reconciliation of GAAP Net Revenue by Type to Non-GAAP Net Revenue by Type

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
Transaction revenues	\$ 3,955	\$ 3,878	\$ 3,731	\$ 3,851	\$ 3,343	\$ 3,318	\$ 3,197	\$ 3,244	\$ 2,858	\$ 2,775	\$ 13,709	\$ 11,501	\$ 9,585
Other value added services revenue	\$ 423	\$ 427	\$ 397	\$ 375	\$ 340	\$ 539	\$ 488	\$ 500	\$ 381	\$ 361	\$ 1,742	\$ 1,593	\$ 1,257
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	(39)	—	—	—	(39)	—
Non-GAAP other value added services revenue	\$ 423	\$ 427	\$ 397	\$ 375	\$ 340	\$ 539	\$ 488	\$ 461	\$ 381	\$ 361	\$ 1,742	\$ 1,554	\$ 1,257
Total net revenues	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,744	\$ 3,239	\$ 3,136	\$ 15,451	\$ 13,094	\$ 10,842
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	(39)	—	—	—	(39)	—
Total non-GAAP net revenues	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,705	\$ 3,239	\$ 3,136	\$ 15,451	\$ 13,055	\$ 10,842

(1) Elimination of allowance on interest receivable due to the U.S. Consumer Credit receivables portfolio designation as held for sale.

Reconciliation of Operating Cash Flow to Free Cash Flow and Adjusted Free Cash Flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	2018	2017	2016
Net cash provided by operating activities	\$ 1,096	\$ 1,174	\$ 1,027	\$ 1,134	\$ 4,670	\$ 28	\$ (349)	\$ (147)	\$ 1,006	\$ 921	\$ 5,483	\$ 2,531	\$ 3,158
Less: Purchases of property and equipment, net	(173)	(139)	(218)	(224)	(223)	(198)	(178)	(180)	(165)	(174)	(823)	(667)	(669)
Free cash flow	\$ 923	\$ 1,035	\$ 809	\$ 910	\$ 4,447	\$ (170)	\$ (527)	\$ (327)	\$ 841	\$ 747	\$ 4,660	\$ 1,864	\$ 2,489
Impact of held for sale accounting presentation related to our U.S. consumer credit receivables portfolio on cash flow from operating activities	—	—	—	—	(3,675)	907	1,260	1,299	—	—	(1,508)	1,299	—
Adjusted free cash flow	\$ 923	\$ 1,035	\$ 809	\$ 910	\$ 772	\$ 737	\$ 733	\$ 972	\$ 841	\$ 747	\$ 3,152	\$ 3,163	\$ 2,489

Q4-19 and FY 2019 GAAP and Non-GAAP Guidance

	Three Months Ending December 31, 2019	
(in billions, except per share amounts)	GAAP	Non-GAAP(a)
Revenues	\$4.89 - \$4.95	\$4.89 - \$4.95
Diluted EPS	\$0.39 - \$0.42	\$0.81 - \$0.83

	Twelve Months Ending December 31, 2019	
(in billions, except per share amounts)	GAAP	Non-GAAP(b)
Revenues	\$17.70- \$17.76	\$17.70- \$17.76
Diluted EPS	\$2.03 - \$2.06	\$3.06 - \$3.08
Free Cash Flow		~\$3.5

(a) Estimated non-GAAP amounts above for the three months ending December 31, 2019, reflect adjustments of approximately \$330 - \$390 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of \$260 - \$300 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2019, reflect adjustments of approximately \$1.37 - \$1.43 billion, primarily representing estimated stock-based compensation expense and related payroll taxes, in the range of \$1.06 - \$1.10 billion.

Definitions

- **Active Accounts:** An active account is an account registered directly with PayPal or a platform access partner that has completed a transaction on our Payments platform, not including gateway-exclusive transactions, within the past 12 months.
- **Number of Payment Transactions:** Payment transactions are the total number of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.
- **Number of Payment Transactions per Active Account:** Number of payment transactions per active account reflects the total number of payment transactions within the previous 12-month period, divided by active accounts at the end of the period.
- **Total Payment Volume:** Total Payment Volume or “TPV” is the value of payments, net of payment reversals, successfully completed on our Payments Platform, or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.
- **Total Take Rate:** Total take rate is total revenue divided by TPV.
- **Transaction Take Rate:** Transaction take rate is transaction revenue divided by TPV.
- **Transaction Expense Rate:** Transaction expense rate is calculated by dividing transaction expense by TPV.
- **Transaction and Loan Loss Rate:** Transaction and loan loss rate is calculated by dividing transaction and loan loss by TPV.
- **Transaction Margin:** Transaction margin is total revenue less transaction expense and transaction and loan loss, divided by total revenue.

