



PayPal Q2-18 Investor Update

July 25, 2018

Non-GAAP Financial Measures; Forward-Looking Statements

- This presentation contains non-GAAP measures relating to our performance. In addition, we have included certain pro forma adjustments in our presentation of year-over-year growth rates associated with non-GAAP operating expenses, non-GAAP earnings per diluted share, and non-GAAP operating margin. We have chosen to present non-GAAP pro forma measures because we believe that these measures provide investors a consistent basis for assessing our performance, and help to facilitate comparisons of our operating results, across different periods. These pro forma adjustments reflect items that are factually supportable, directly attributable to either the separation of the company from eBay Inc. on July 17, 2015 or the reclassification of the U.S. consumer credit receivable portfolio as held for sale in November 2017, and expected to have a continuing impact on the company's results of operations. These measures 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, we have updated our definitions of Active Accounts and Total Payment Volume (TPV) to capture the diversification of PayPal's products and services through strategic partnerships, new products and acquisitions. Prior period metric results for Active Accounts, TPV, Number of Payment Transactions, and Payment Transactions Per Active Account have been revised to reflect the updated definitions of the metrics. For additional details, please see PayPal's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 10, 2018.
- 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," "plan," "project," "forecast" and other similar expressions. Forward-looking statements include, but are not limited to, statements regarding projected financial results for third quarter and full year 2018, the expected impact of the Tax Cuts and Jobs Act, 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, 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 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; the risk that we may not realize the expected benefits of the sale of U.S. consumer credit receivables to Synchrony Financial transaction; 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.
- 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 July 25, 2018. 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.

Second Quarter 2018 Summary

Strong user and transaction growth driving outperformance

Revenue

\$3.86B



23% Spot and **22%** FX-Neutral YoY Growth

Non-GAAP EPS⁽¹⁾

\$0.58



28% increase YoY

Free Cash Flow⁽¹⁾

(\$170M) | **\$737M***



* Reflects impact of held for sale accounting treatment from Synchrony agreement

Total Payment Volume⁽²⁾

\$139B



29% Spot and **27%** FX-Neutral YoY Growth

Active Accounts⁽²⁾

7.7M

Net adds in quarter

18% increase YoY

244M

includes 19.5M merchant accounts

15% increase YoY

Customer Engagement

35.7 payment transactions per active account⁽²⁾

9% increase YoY

- Added 7.7 million net new active accounts in Q2-18, up 18%, added 32.7 million net new actives on a trailing twelve month basis
- Approximately 102 million consumer accounts opted into One Touch and 9.5 million merchants now offer One Touch
- Free Cash Flow (FCF) of (\$170M) in Q2-18. Adjusting for the impact of held for sale (“HFS”) accounting treatment of \$907M on the U.S. consumer credit portfolio, FCF was \$737M

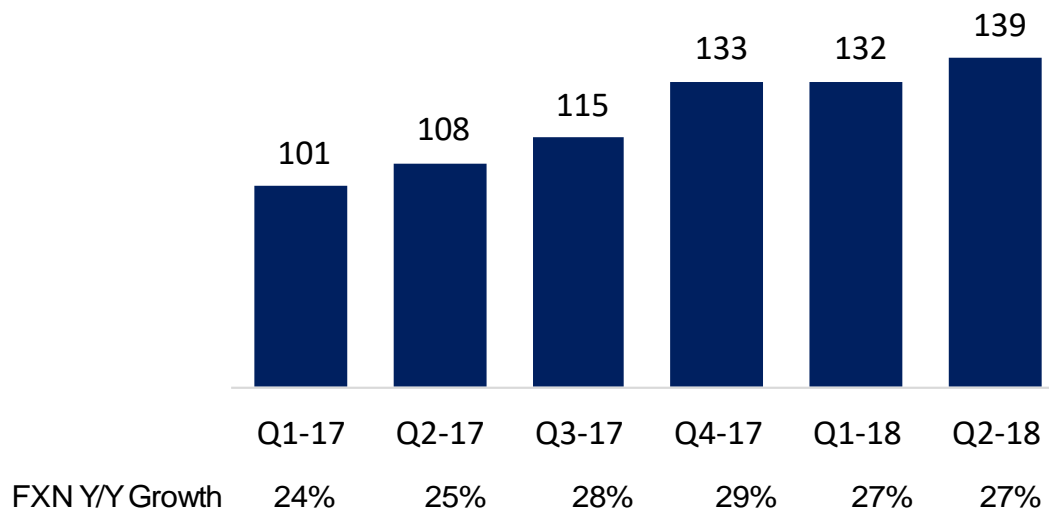
⁽¹⁾ Non-GAAP earnings per share and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

⁽²⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

OPERATING & FINANCIAL METRICS PERFORMANCE

Total Payment Volume (TPV)

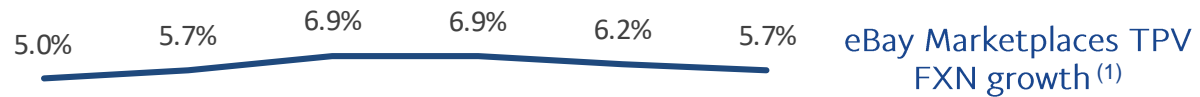
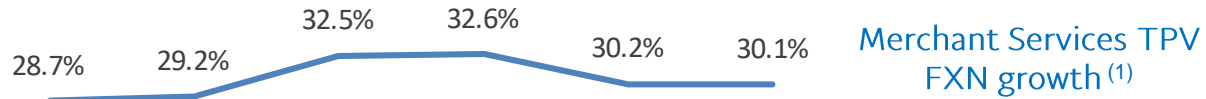
Total Payment Volume (TPV) (\$B)⁽¹⁾



- TPV grew 29% at spot, 27% on an FX-neutral basis in Q2-18
- P2P, including core PayPal, Venmo and Xoom, increased 50% in the quarter and represented ~24% of TPV
- Venmo volume was up 78% to \$14.2B in the quarter, and reached \$46.4B on a trailing twelve month basis

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

TPV: Merchant Services



	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
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Merchant Services
as % of Total TPV

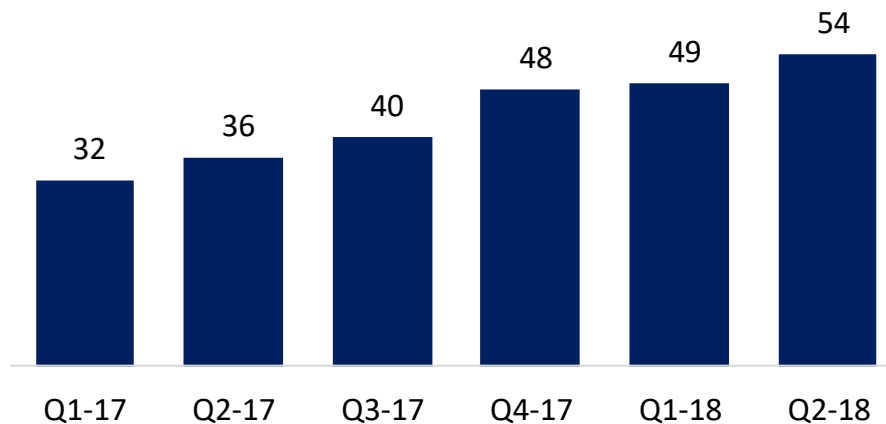
	85.0%	85.8%	86.6%	86.9%	87.3%	88.1%
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- Merchant Services (non-eBay Marketplaces related) volume represented 88.1% of TPV in Q2-18
- 30% growth on Merchant Services volume on an FX-neutral basis driven primarily by core PayPal and Braintree, growing 5x the rate of eBay marketplaces volume growth

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

TPV: Mobile

Mobile TPV (\$B)



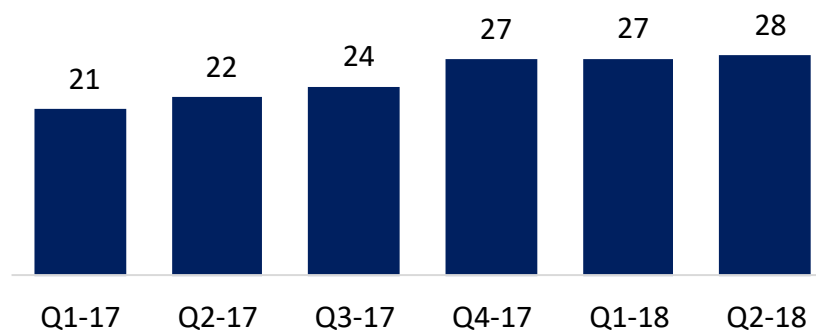
	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Y/Y Growth	51%	50%	53%	53%	52%	49%
Share of total TPV	32%	33%	34%	36%	37%	39%

- Mobile TPV was ~\$54 billion in Q2-18, up ~49%
- Mobile TPV represented 39% of TPV in the quarter, an increase of >500 basis points versus Q2-17

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

TPV: Cross Border Trade (CBT)

Cross Border Trade TPV (\$B)

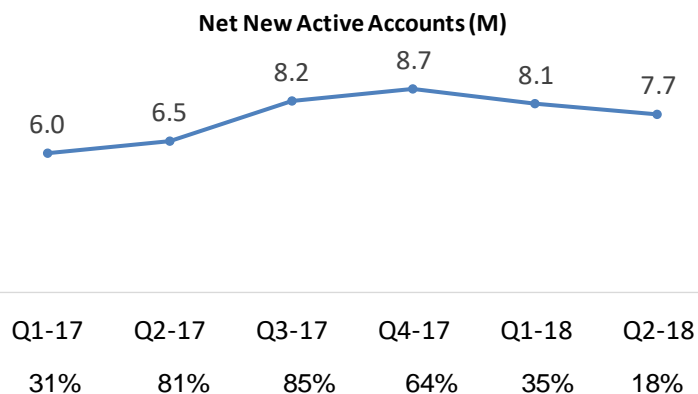
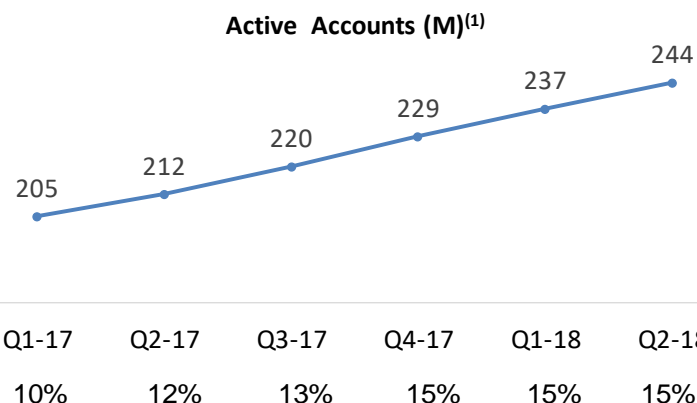


Y/Y Growth	15%	17%	24%	28%	30%	23%
Share of total TPV	21%	21%	21%	20%	21%	20%

- CBT TPV was \$27.6 billion in Q2-18, up 23%
- CBT TPV represented 20% of TPV in Q2-18, consistent with prior quarters

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

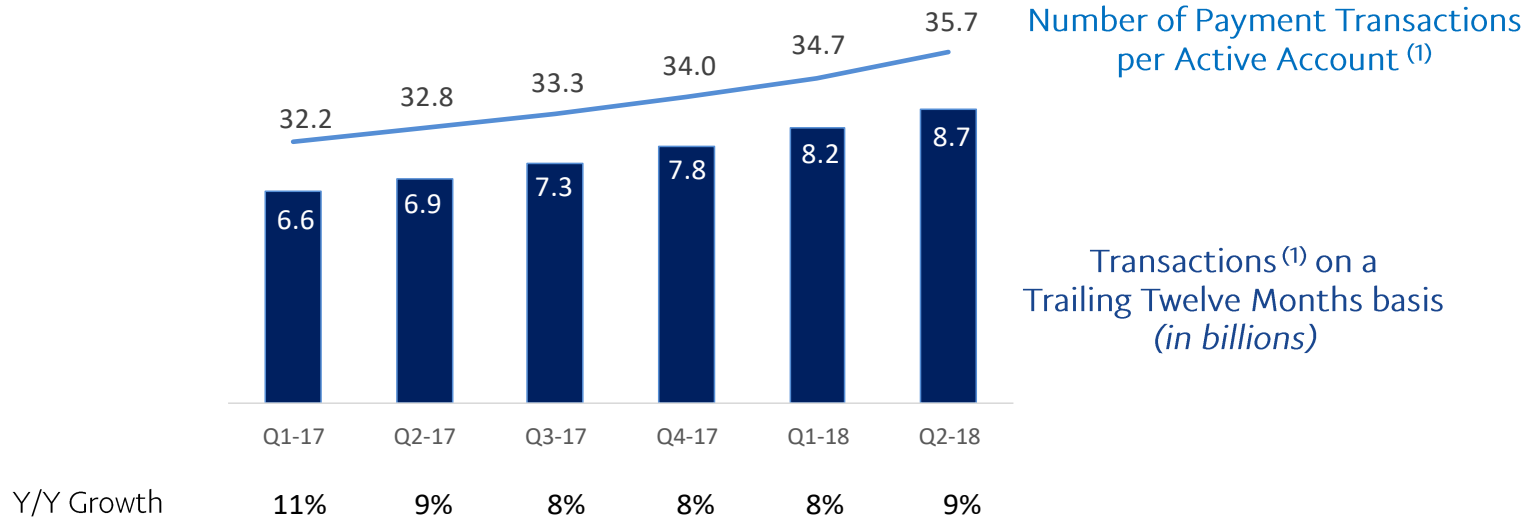
Active Accounts



- Ended the quarter with 244 million active accounts, up 15% including 19.5 million active merchant accounts
- Added 7.7 million net new active accounts, up 18%
- Active account growth predominantly driven by core PayPal and Venmo

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

Customer Engagement

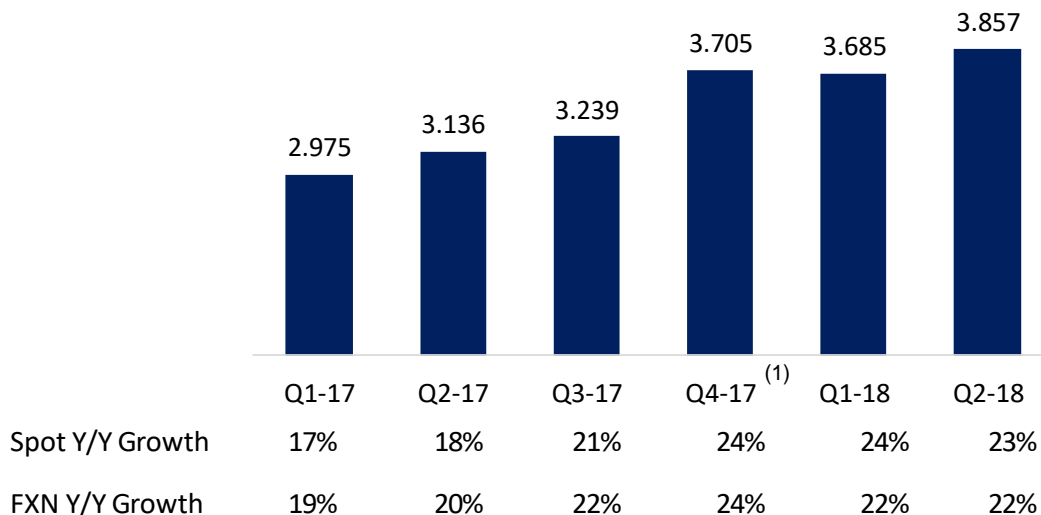


- Processed 2.3B payment transactions during Q2-18, up 28%
- Payment transactions per active account increased 9% to 35.7

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

Revenue

Total Revenue (\$B)

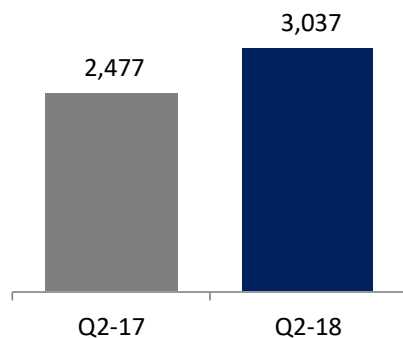


- Total Revenue growth of 23% spot, and 22% on an FX-neutral basis, which includes an approximate 2.5 point benefit from HFS accounting treatment and the acquisition of Swift Financial
- Transaction Revenue grew 19% on an FX-neutral basis driven primarily by core PayPal and Braintree
- Other Value Added Services Revenue grew 49% on an FX-neutral basis driven primarily by credit, including the acquisition of Swift Financial

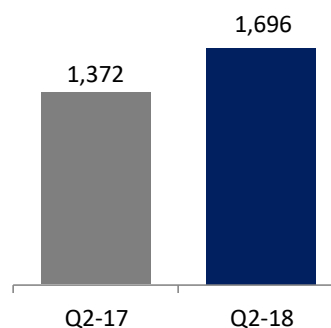
⁽¹⁾ Q4-17 Revenue is presented on a non-GAAP basis. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Non-GAAP Expense Detail

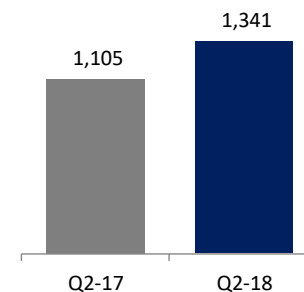
Total Expenses⁽¹⁾
(\$M)



Volume-based Expenses⁽²⁾
(\$M)



Non-transaction related Expenses⁽³⁾
(\$M)



	Q2-17	Q2-18
Y/Y Growth	16.7%	22.6%
% of Revenue	79.0%	78.7%

	Q2-17	Q2-18
Y/Y Growth	28.8%	23.6%
% of Revenue	43.8%	44.0%

	Q2-17	Q2-18
Y/Y Growth	4.5%	21.4%*
% of Revenue	35.2%	34.8%

- Volume-based expenses grew 24%
- Expense discipline generating operating leverage:
 - 47 bps leverage with 21% growth in non-transaction related expenses on a non-GAAP basis
 - 345 bps leverage with 10% growth in non-transaction related expenses adjusting for HFS
 - 384 bps leverage with 7% growth in non-transaction related expenses adjusting for HFS and acquisitions of Swift Financial, TIO Networks and Jetlore

⁽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.

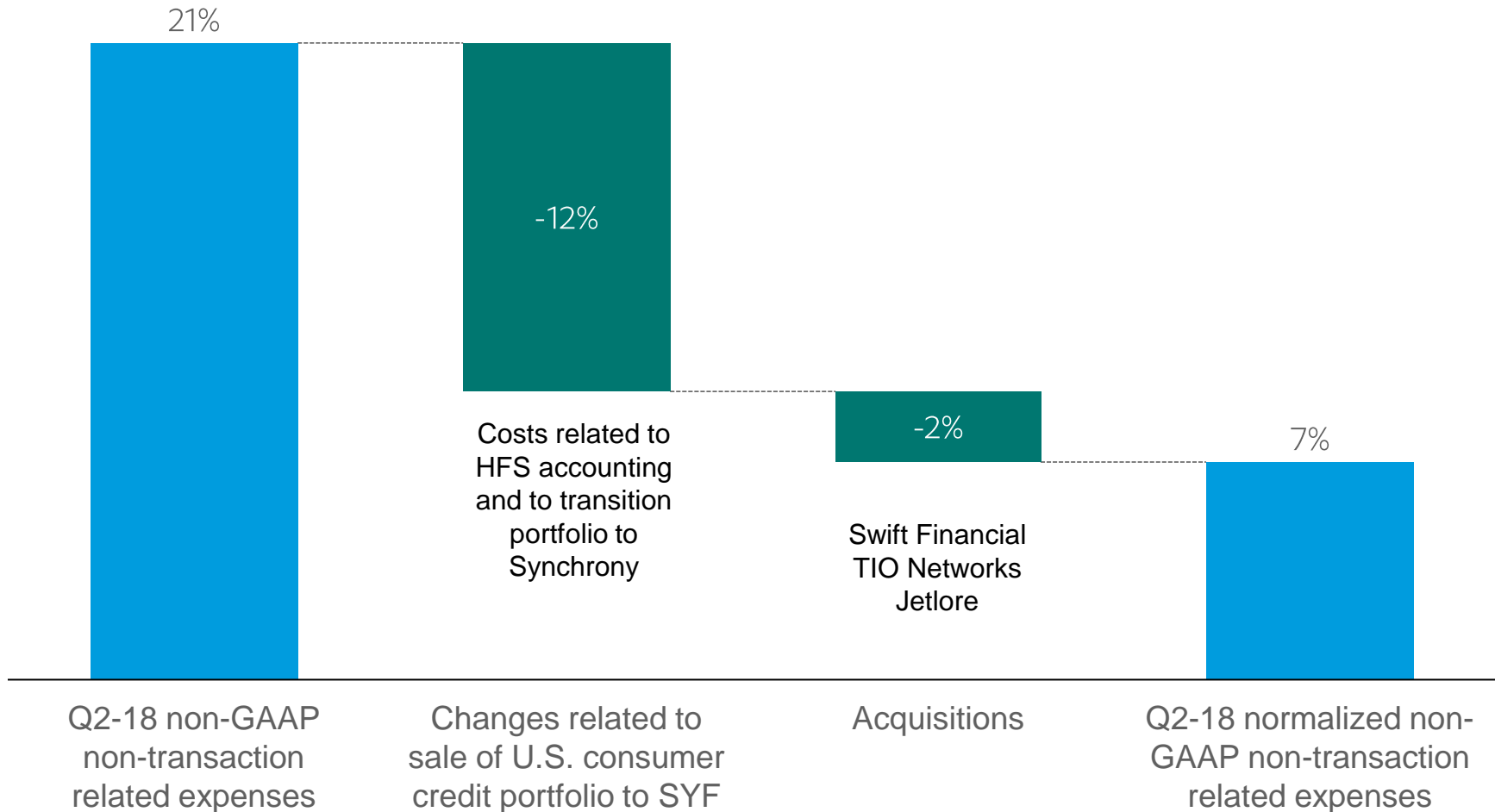
⁽²⁾ Volume based expenses include transaction expense and transaction and loan losses.

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

* Includes the impact of expenses related to the sale of the U.S. consumer credit portfolio to SYF and 2017 acquisitions.

Non-GAAP Non-Transaction Related Expense Growth

Normalizing for changes related to the sale of U.S. consumer credit receivables and acquisitions

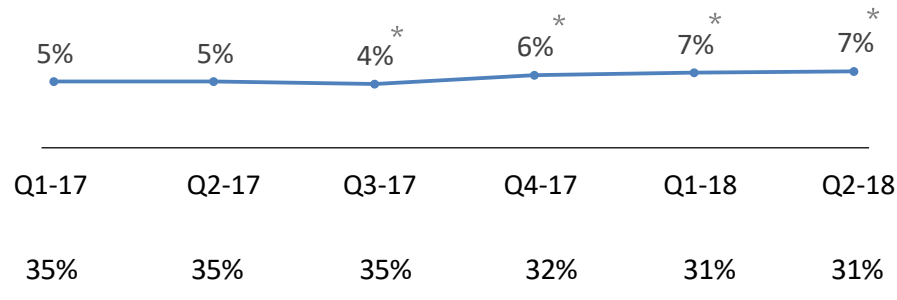


Numbers in the chart may not foot due to rounding.

⁽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. Non-transaction related expenses include customer support and operations, sales and marketing, product development, general and administrative, depreciation and amortization, and restructuring and other charges.

Non-Transaction Related Expenses

Non-Transaction Related Expenses Growth Rate ⁽¹⁾



Non-transaction related expenses
as % of Revenue

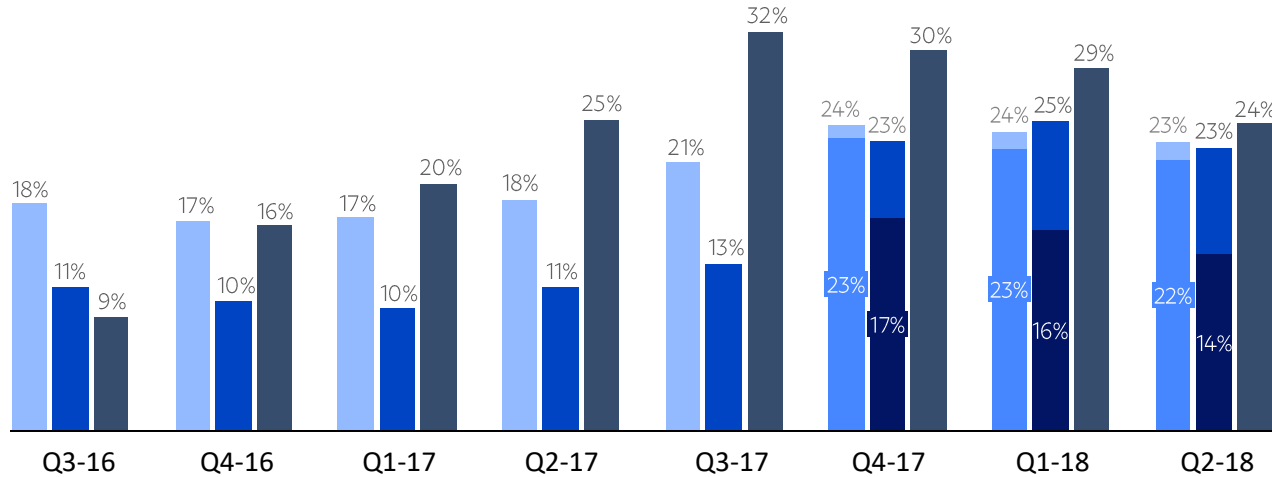
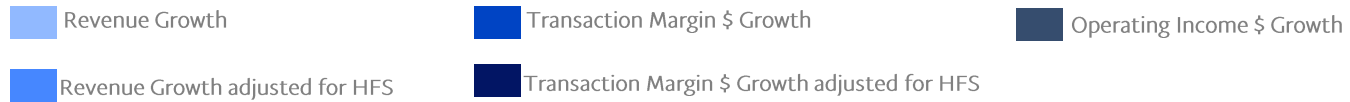
Q1-17	35%	Q2-17	35%	Q3-17	35%	Q4-17	32%	Q1-18	31%	Q2-18	31%
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- Growing revenue with minimal incremental investment in non-transaction related expenses:
 - In Q2, adjusting for HFS and costs to transition portfolio to Synchrony, non-transaction related expenses increased 16 cents for every incremental dollar of revenue
 - In Q2, adjusting for the sale to Synchrony as well as the acquisitions of TIO Networks, Swift Financial and Jetlore, non-transaction related expenses increased 12.5 cents for every incremental dollar of revenue

* Excludes Restructuring and other charges which includes the charge-offs on principal and interest recognized as adjustments to HFS loans as incurred, costs to transition portfolio to Synchrony captured within General & Administrative expenses and expenses relating to acquisitions of TIO Networks, Swift Financial and Jetlore.

⁽¹⁾ Non-transaction related 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. Non-transaction related expenses include customer support and operations, sales and marketing, product development, general and administrative, depreciation and amortization, and restructuring and other charges.

Operating Leverage



Non-GAAP Op Margin %

18% 21% 22% 21% 20% 22% 22% 21%

- Normalized for the impact of the sale of the U.S consumer credit portfolio to Synchrony, non-GAAP Transaction Margin dollar growth in Q2-18 was 14%
- Approximately 25 basis points of non-GAAP operating margin expansion compared to Q2-17, reflecting leverage in non-transaction related expenses
- 24% growth in non-GAAP operating income in Q2-18

Growth rates for Revenue, Transaction Margin, Operating Income and Operating Margin are presented on a non-GAAP basis.

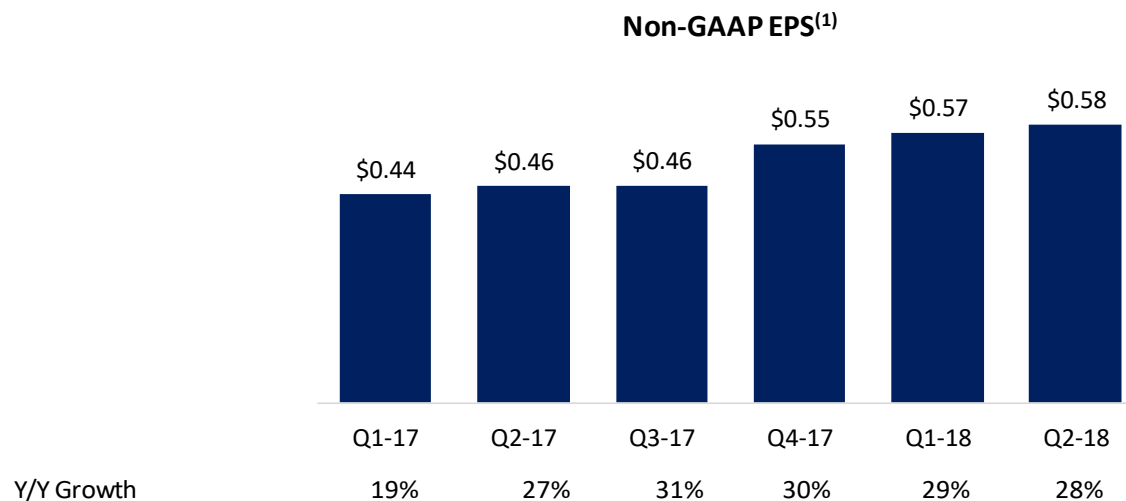
Impact Of HFS On Q2-18 Results

(\$M)	Q2-17 Actual	Q2-18 Actual	Q2-18 Adjusted for HFS
Revenue	\$3,136	\$3,857	\$3,813
Revenue growth (Spot)	18%	23%	22%
Loan Loss	\$123	\$72	\$186
Loan Loss growth	26%	(41%)	51%
Transaction Margin (TM) ⁽¹⁾	\$1,764	\$2,161	\$2,003
TM \$ growth	11%	23%	14%
TM %	56.3%	56.0%	52.5%
Non-transaction related expenses ⁽¹⁾	\$1,105	\$1,341	\$1,212
Non-transaction related expense growth	5%	21%	10%
Free Cash Flow	\$747	(\$170)	\$737

- Other value-added services revenue benefited by ~\$44 million from the sale of the U.S. consumer credit receivables portfolio to Synchrony
- Transaction and loan losses benefited by ~\$114 million from no longer recognizing reserves on principal receivables for the U.S. consumer credit portfolio
- Non-transaction-related expenses negatively impacted by ~\$129 million from the recognition of incurred charge-offs of principal and interest and other costs relating to the sale of the U.S. consumer credit portfolio

(1) Non-Transaction Related Expenses 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 measure.

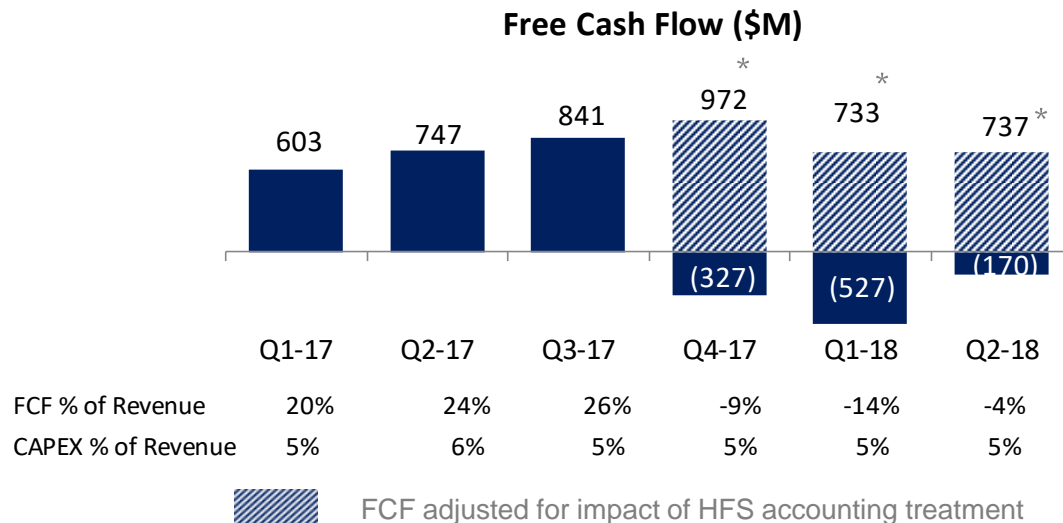
Non-GAAP EPS



- Other Income & Expense (OI&E) for the quarter of \$37 million, increased \$20 million y/y, primarily driven by an unrealized gain of \$31 million recognized on an equity investment offset by net interest expense
- Non-GAAP effective tax rate⁽¹⁾ for Q2-18 was 18%
- 28% growth in non-GAAP EPS in Q2-18

⁽¹⁾ Non-GAAP EPS and non-GAAP effective tax rate are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measure to the most directly comparable GAAP financial measures.

Free Cash Flow



- FCF of (\$170) million, which includes the impact of \$907 million from HFS accounting. Normalizing for this impact, FCF was \$737 million. Cash flow from operations and FCF also includes the impact of a cash tax payment of \$125 million relating to the Tax Cut and Jobs Act of 2017
- Total Cash, Cash Equivalents, and Investments of \$6.1 billion⁽¹⁾ comprising \$3.9 billion international and \$2.2 billion U.S.
- In Q2-18, returned \$500 million to shareholders by repurchasing 6.1M shares at an average price of \$81.33

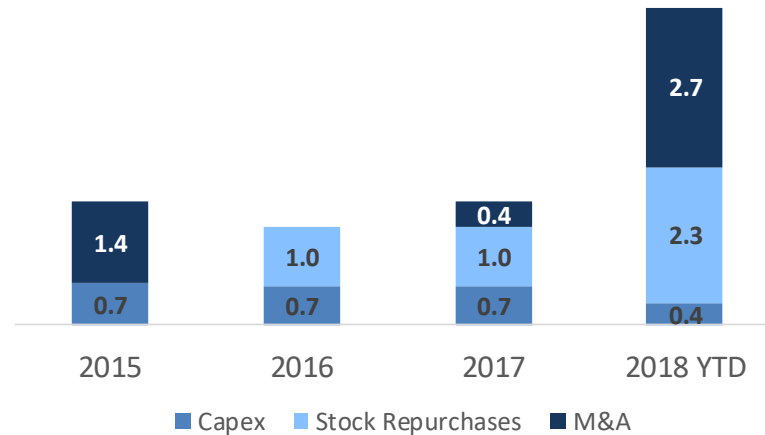
* Normalized for the impact of held for sale accounting of U.S. Consumer credit receivables portfolio.

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.

⁽¹⁾ Excludes restricted cash of \$79M and equity investments of \$172M as of June 30, 2018.

Capital Allocation

Capital Return and Investments (\$B)



- In July 2018, PayPal's Board of Directors approved an authorization for an additional \$10 billion in stock repurchases
- Generated ~\$4.7 billion in FCF⁽¹⁾ since separation in July 2015. Adjusted for HFS, generated ~\$8.2 billion in FCF since separation
- Repurchased ~77 million shares of common stock since separation, returning \$4.3 billion to shareholders, at an average price of \$56.21
- In Q2-18 announced acquisitions of iZettle, Hyperwallet, Simility and Jetlore

Q2-18 Acquisitions: iZettle, Hyperwallet, Simity, Jetlore

iZettle

 **HYPERWALLET**

 **simility**

JETLORE

Description

Small business commerce platform in Europe and Latin America

Global payout platform

Fraud prevention and risk management platform

AI-powered prediction platform

Strategic Rationale

Expands PayPal's in-store presence

Improves ability to provide an integrated suite of payment solutions to ecommerce and marketplaces

Enhances PayPal's ability to deliver fraud prevention and risk management solutions to merchants globally

Enhances and accelerates PayPal Marketing Solutions, adding new capabilities that continue to expand PayPal's merchant value proposition beyond the online checkout experience

Transaction Details

Purchase Price: ~\$2.2B
Anticipated Closing: Late Q3-18

Purchase Price: ~\$400M
Anticipated Closing: Q4-18

Purchase Price: ~\$120M
Closed: Q3-18

Purchase Price: ~\$16M
Closed: Q2-18

Expected 2018 Financial Impact

Incremental revenue: ~\$50M

Non-GAAP EPS dilution: ~\$0.02

2018 Guidance

FY 2018 Guidance

	Low	High
Revenue (in billions)	\$15.30	\$15.50
<i>Y/Y Growth</i>	17%	19%
<i>FXN Y/Y Growth</i>	16%	18%
Non-GAAP EPS	\$2.32	\$2.35
Free Cash Flow (in billions)	> \$4.5	

- Raising both revenue and non-GAAP EPS guidance
- Non-GAAP EPS Y/Y growth of 22% - 24%
- Non-GAAP effective tax rate of 17% - 19%
- CAPEX ~5% of revenue
- GAAP EPS of \$1.44 - \$1.51

Guidance Context

- Full year revenue guidance of 17% - 19% growth reflects the previously disclosed expected 3.5 percentage point impact related to the sale of U.S. consumer credit receivables to Synchrony Financial beginning in Q3-18
- Non-GAAP EPS guidance includes (\$0.02) of dilution from acquisitions
- Expect non-GAAP operating margin to modestly expand relative to 2017
- Free Cash Flow guidance includes the one-time benefit of ~\$1.3 billion from HFS accounting, upon closing of the Synchrony transaction
- Estimated GAAP and non-GAAP results include the expected impact of completed acquisitions and acquisitions that have been announced and are expected to close before the end of 2018

Non-GAAP EPS, 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.

Q3 2018 Guidance

Q3 2018 Guidance

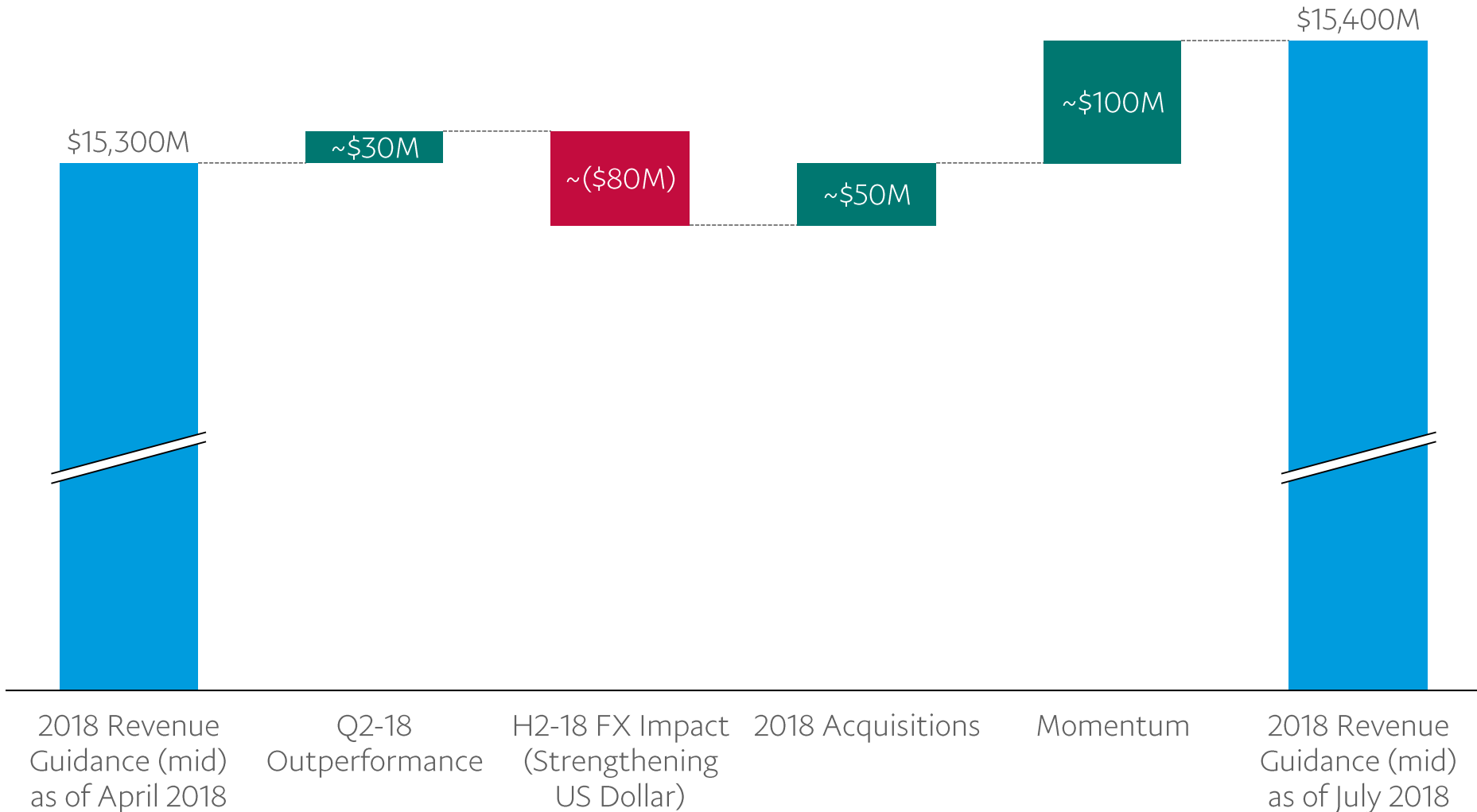
	Low	High
Revenue <small>(in billions)</small>	\$3.62	\$3.67
<i>Y/Y Growth</i>	12%	13%
<i>FXN Y/Y Growth</i>	12%	13%
Non-GAAP EPS	\$0.53	\$0.55

*Reflects ~7 percentage points of impact related to the sale of the U.S. consumer credit receivables portfolio to Synchrony

- *Represents the first quarter in which revenue from the U.S. consumer credit receivables portfolio no longer sits within Other Value Added Services revenue
- At the midpoint of the ranges, expect non-GAAP EPS to grow 500 basis points ahead of revenue growth and deliver more than 50 basis points of operating margin leverage
- Estimated GAAP and non-GAAP results include the expected impact of completed acquisitions and acquisitions that have been announced and are expected to close before the end of 2018

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.

2018 Revenue Guidance Changes vs. Prior Guidance



2018 non-GAAP EPS Guidance Changes vs. Prior Guidance



SUPPLEMENTAL INFORMATION

PayPal Metrics

(in millions, except %)	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Active Accounts ⁽¹⁾	205	212	220	229	237	244
Y/Y Growth	10%	12%	13%	15%	15%	15%
Net New Active Accounts	6.0	6.5	8.2	8.7	8.1	7.7
Number of Payment Transactions ⁽¹⁾	1,771	1,817	1,941	2,240	2,214	2,327
Y/Y Growth	22%	22%	25%	25%	25%	28%
Total Payment Volume ⁽¹⁾	100,639	107,800	115,224	132,515	132,364	139,403
Y/Y Growth	22%	23%	30%	32%	32%	29%
FXN Y/Y Growth	24%	25%	28%	29%	27%	27%
US TPV	58,261	61,395	65,464	74,068	74,700	79,959
Y/Y Growth	26%	26%	30%	31%	28%	30%
International TPV	42,378	46,405	49,760	58,448	57,665	59,444
Y/Y Growth	17%	19%	29%	32%	36%	28%
FXN Y/Y Growth	23%	24%	26%	26%	25%	22%
Total Take Rate ⁽¹⁾	2.96%	2.91%	2.81%	2.80%	2.78%	2.77%
Transaction Take Rate ⁽¹⁾	2.61%	2.57%	2.48%	2.45%	2.42%	2.38%
Transaction Expense Rate ⁽¹⁾	0.98%	0.99%	0.96%	0.96% *	0.96%	0.98%
Transaction and Loan Loss Rate ⁽¹⁾	0.30%	0.29%	0.32%	0.24% *	0.23%	0.24%
Transaction Margin ⁽²⁾	56.7%	56.3%	54.8%	57.1%	57.1%	56.0%

- Cross-border trade (CBT) was 20% of TPV in the quarter, growing 23% at spot vs Q2-17
- 50% of active accounts are outside the U.S.
- Average Payment Volume (APV) was \$60, up 1% year over year
- Transaction take rate down ~19 bps, driven by P2P growth (including Venmo) and FX
- Credit loans receivable of \$1.9B, with \$1.4B related to merchant receivables (PayPal Working Capital and Swift Financial)

⁽¹⁾ All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

⁽²⁾ Definitions included in Supplemental Information.

* Q4-17 Transaction and Loan Loss Rate and Transaction Margin are presented on a non-GAAP basis. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Financial Detail

(\$ millions)	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
Transaction Revenue	2,624	2,775	2,858	3,244	3,197	3,318
Y/Y Growth	16%	18%	22%	23%	22%	20%
Other Value Added Services (OVAS)	351	361	381	461*	488	539
Y/Y Growth	24%	19%	15%	36%	39%	49%
Total Revenue⁽¹⁾	2,975	3,136	3,239	3,705*	3,685	3,857
Y/Y Growth	17%	18%	21%	24%	24%	23%
FXN Y/Y Growth	19%	20%	22%	24%	22%	22%
% International	46%	46%	46%	46%	45%	44%
US Revenue Y/Y Growth	20%	20%	21%	27%*	26%	27%
International Revenue FXN Y/Y Growth	18%	20%	22%	21%	18%	16%
Volume-based expenses	1,287	1,372	1,465	1,589*	1,580	1,696
Non-transaction related expenses	1,045	1,105	1,128	1,309	1,276	1,341
Total Operating Expenses⁽¹⁾	2,332	2,477	2,593	2,898	2,856	3,037
Y/Y Growth	16%	17%	19%	23%	22%	23%
Non-GAAP Op. Income⁽¹⁾	643	659	646	807	829	820
Non-GAAP Op. Margin %⁽¹⁾	22%	21%	20%	22%	22%	21%
Non-GAAP EPS⁽¹⁾	\$0.44	\$0.46	\$0.46	\$0.55	\$0.57	\$0.58
Y/Y Growth	19%	27%	31%	30%	29%	28%
CAPEX	148	174	165	180	178	198
Free Cash Flow⁽¹⁾	603	747	841	(327)	(527)	(170)

- U.S. Revenue growth driven primarily by core Merchant Services and Braintree
- International Revenue growth driven by core Merchant Services

⁽¹⁾ Non-GAAP revenue, 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.

* Q4-17 Total Revenue, US Revenue, Other Value Added Services (OVAS) and Transaction and Loss Expenses are presented on a non-GAAP basis. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

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,		
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
TPV ⁽¹⁾	\$ 139,403	\$ 132,364	\$ 132,515	\$ 115,224	\$ 107,800	\$ 100,639	\$ 100,711	\$ 88,895	\$ 87,763	\$ 82,559	\$ 456,179	\$ 359,928	\$ 288,038
GAAP Net revenues	\$ 3,857	\$ 3,685	\$ 3,744	\$ 3,239	\$ 3,136	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 13,094	\$ 10,842	\$ 9,248
Other ⁽²⁾	—	—	(39)	—	—	—	—	—	—	—	(39)	—	—
Non-GAAP Net revenues	\$ 3,857	\$ 3,685	\$ 3,705	\$ 3,239	\$ 3,136	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 13,055	\$ 10,842	\$ 9,248
GAAP Transaction and loan losses	\$ 334	\$ 305	\$ 40	\$ 363	\$ 308	\$ 300	\$ 307	\$ 271	\$ 255	\$ 255	\$ 1,011	\$ 1,088	\$ 809
Other ⁽³⁾	—	—	283	—	—	—	—	—	—	—	283	—	—
Non-GAAP Transaction and loan Losses	\$ 334	\$ 305	\$ 323	\$ 363	\$ 308	\$ 300	\$ 307	\$ 271	\$ 255	\$ 255	\$ 1,294	\$ 1,088	\$ 809
GAAP Transaction and loan losses rate (% of TPV) ⁽¹⁾	0.24%	0.23%	0.03 %	0.32%	0.29%	0.30%	0.30%	0.30%	0.29%	0.31%	0.22 %	0.30%	0.28 %
Effect of non-GAAP Adjustment	—%	—%	0.21 %	—%	—%	—%	—%	—%	—%	—%	0.06 %	—%	—%
Non-GAAP Transaction and loan losses rate (% of TPV) ⁽¹⁾	0.24%	0.23%	0.24 %	0.32%	0.29%	0.30%	0.30%	0.30%	0.29%	0.31%	0.28 %	0.30%	0.28 %
GAAP Transaction margin	56.0%	57.1%	65.1 %	54.8%	56.3%	56.7%	57.7%	58.7%	59.8%	60.4%	58.5 %	59.1%	63.0 %
Effect of non-GAAP adjustment	—%	—%	(8.0)%	—%	—%	—%	—%	—%	—%	—%	(2.3)%	—%	—%
Non-GAAP Transaction margin	56.0%	57.1%	57.1 %	54.8%	56.3%	56.7%	57.7%	58.7%	59.8%	60.4%	56.2 %	59.1%	63.0 %

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⁾ Prior period amounts were revised to reflect updated definitions of our metrics consistent with the 8-K issued on April 10, 2018.

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

⁽³⁾ Elimination of allowance on loans receivable due to the designation of the U.S. Consumer Credit 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,		
		June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
GAAP operating expenses:														
Transaction expense	\$	1,362	1,275	1,266	1,102	1,064	987	954	830	810	752	4,419	3,346	2,610
Transaction and loan losses		334	305	40	363	308	300	307	271	255	255	1,011	1,088	809
Customer support and operations		357	351	366	346	335	317	328	325	318	296	1,364	1,267	1,110
Sales and marketing		313	285	328	278	284	238	253	233	250	233	1,128	969	937
Product development		255	258	267	240	232	214	215	215	209	195	953	834	792
General and administrative		368	339	315	293	282	265	275	261	261	231	1,155	1,028	873
Depreciation and amortization		180	185	227	194	201	183	189	184	176	175	805	724	608
Restructuring and other charges		116	153	92	—	—	40	—	—	—	—	132	—	48
Total operating expenses	\$	3,285	3,151	2,901	2,816	2,706	2,544	2,521	2,319	2,279	2,137	10,967	9,256	7,787
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(h)	\$ —	\$ —	283	—	—	—	—	—	—	—	283	—	—
Customer support and operations	(a)	(39)	(38)	(40)	(38)	(34)	(30)	(24)	(21)	(22)	(18)	(142)	(85)	(62)
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(3)
Sales and marketing	(a)	(39)	(44)	(43)	(36)	(33)	(28)	(25)	(21)	(22)	(16)	(140)	(84)	(52)
Product development	(a)	(64)	(64)	(72)	(64)	(59)	(45)	(37)	(34)	(35)	(33)	(240)	(139)	(132)
General and administrative	(a)	(63)	(59)	(63)	(54)	(51)	(42)	(39)	(31)	(33)	(27)	(210)	(130)	(94)
	(b)	(13)	(32)	(1)	(2)	(12)	(2)	—	(1)	(9)	(1)	(17)	(11)	(9)
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(12)
	(f)	—	—	—	—	—	—	—	—	—	—	—	—	(10)
	(i)	—	—	(5)	—	—	—	—	—	—	—	(5)	—	—
Depreciation and amortization	(a)	(5)	(4)	(4)	(3)	(3)	(2)	(2)	(2)	(1)	(1)	(12)	(6)	(7)
	(c)	(25)	(29)	(58)	(26)	(22)	(23)	(32)	(32)	(35)	(34)	(129)	(133)	(85)
	(g)	—	—	—	—	(15)	—	—	—	—	—	(15)	—	—
Restructuring and other charges	(d)	—	(25)	—	—	—	(40)	—	—	—	—	(40)	—	(48)
Total operating expenses	\$	(248)	(295)	(3)	(223)	(229)	(212)	(159)	(142)	(157)	(130)	(667)	(588)	(514)
Non-GAAP operating expenses:														
Transaction expense	\$	1,362	1,275	1,266	1,102	1,064	987	954	830	810	752	4,419	3,346	2,610
Transaction and loan losses		334	305	323	363	308	300	307	271	255	255	1,294	1,088	809
Customer support and operations		318	313	326	308	301	287	304	304	296	278	1,222	1,182	1,045
Sales and marketing		274	241	285	242	251	210	228	212	228	217	988	885	885
Product development		191	194	195	176	173	169	178	181	174	162	713	695	660
General and administrative		292	248	246	237	219	221	236	229	219	203	923	887	748
Depreciation and amortization		150	152	165	165	161	158	155	150	140	140	649	585	516
Restructuring and other charges		116	128	92	—	—	—	—	—	—	—	92	—	—
Total operating expenses	\$	3,037	2,856	2,898	2,593	2,477	2,332	2,362	2,177	2,122	2,007	10,300	8,668	7,273
(a) Stock-based compensation expense														
(b) Employer payroll taxes on stock-based compensation														
(c) Amortization and impairment of acquired intangible assets														
(d) Restructuring														
(e) Separation														
(f) Acquisition related transaction expense														
(g) Impairment of investment in intellectual property fund														
(h) Elimination of allowance on loans receivable due to the U.S. Consumer Credit portfolio designation as held for sale														
(i) Fees associated with the sale of the U.S. Consumer Credit portfolio														

Reconciliation of Non-GAAP Operating Expenses to Non-GAAP Pro Forma Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended									Year Ended December 31,			
		June 30, 2018	March 30, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
Non-GAAP operating expenses:														
Transaction expense		\$ 1,362	\$ 1,275	\$ 1,266	\$ 1,102	\$ 1,064	\$ 987	\$ 954	\$ 830	\$ 810	\$ 752	\$ 4,419	\$ 3,346	\$ 2,610
Transaction and loan losses		334	305	323	363	308	300	307	271	255	255	1,294	1,088	809
Customer support and operations		318	313	326	308	301	287	304	304	296	278	1,222	1,182	1,045
Sales and marketing		274	241	285	242	251	210	228	212	228	217	988	885	885
Product development		191	194	195	176	173	169	178	181	174	162	713	695	660
General and administrative		292	248	246	237	219	221	236	229	219	203	923	887	748
Depreciation and amortization		150	152	165	165	161	158	155	150	140	140	649	585	516
Restructuring and other charges		116	128	92	—	—	—	—	—	—	—	92	—	—
Total operating expenses		\$ 3,037	\$ 2,856	\$ 2,898	\$ 2,593	\$ 2,477	\$ 2,332	\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 10,300	\$ 8,668	\$ 7,273
Pro forma adjustments:														
Transaction and loan losses	(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22
Customer support and operations	(a)(b)(c)	—	—	—	—	—	—	—	—	—	—	—	—	8
Sales and marketing	(d)	—	—	—	—	—	—	—	—	—	—	—	—	(25)
General and administrative	(a)	—	—	—	—	—	—	—	—	—	—	—	—	3
Depreciation and amortization	(e)	—	—	—	—	—	—	—	—	—	—	—	—	8
Total non-GAAP pro forma adjustments		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16
Non-GAAP pro forma operating expenses:														
Transaction expense		\$ 1,362	\$ 1,275	\$ 1,266	\$ 1,102	\$ 1,064	\$ 987	\$ 954	\$ 830	\$ 810	\$ 752	\$ 4,419	\$ 3,346	\$ 2,610
Transaction and loan losses		334	305	323	363	308	300	307	271	255	255	1,294	1,088	831
Customer support and operations		318	313	326	308	301	287	304	304	296	278	1,222	1,182	1,053
Sales and marketing		274	241	285	242	251	210	228	212	228	217	988	885	860
Product development		191	194	195	176	173	169	178	181	174	162	713	695	660
General and administrative		292	248	246	237	219	221	236	229	219	203	923	887	751
Depreciation and amortization		150	152	165	165	161	158	155	150	140	140	649	585	524
Restructuring and other charges		116	128	92	—	—	—	—	—	—	—	92	—	—
Total operating expenses		\$ 3,037	\$ 2,856	\$ 2,898	\$ 2,593	\$ 2,477	\$ 2,332	\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 10,300	\$ 8,668	\$ 7,289

- (a) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.
- (b) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.
- (c) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.
- (d) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.
- (e) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin and Non-GAAP Pro Forma Operating Margin

(In Millions, Except Percentages/Unaudited)	Note	Three Months Ended										Year Ended December 31,		
		June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
GAAP operating income		\$ 572	\$ 534	\$ 843	\$ 423	\$ 430	\$ 431	\$ 460	\$ 348	\$ 371	\$ 407	\$ 2,127	\$ 1,586	\$ 1,461
Stock-based compensation expense and related employer payroll taxes		223	241	223	197	192	149	127	110	122	96	761	455	356
Acquisition related transaction expense		—	—	—	—	—	—	—	—	—	—	—	—	10
Separation		—	—	—	—	—	—	—	—	—	—	—	—	15
Restructuring		—	25	—	—	—	40	—	—	—	—	40	—	48
Amortization of acquired intangible assets		25	29	58	26	22	23	32	32	35	34	129	133	85
Other		—	—	(317)	—	15	—	—	—	—	—	(302)	—	—
Total non-GAAP operating income adjustments		248	295	(36)	223	229	212	159	142	157	130	628	588	514
Non-GAAP operating income		\$ 820	\$ 829	\$ 807	\$ 646	\$ 659	\$ 643	\$ 619	\$ 490	\$ 528	\$ 537	\$ 2,755	\$ 2,174	\$ 1,975
Non-GAAP operating margin		21.3%	22.5%	21.8%	19.9%	21.0%	21.6%	20.8%	18.4%	19.9%	21.1%	21.1%	20.1%	21.4%
Pro forma adjustments:														
Net revenues	(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (7)
Transaction and loan losses	(b)	—	—	—	—	—	—	—	—	—	—	—	—	(22)
Customer support and operations	(b)(c)(d)	—	—	—	—	—	—	—	—	—	—	—	—	(8)
Sales and marketing	(e)	—	—	—	—	—	—	—	—	—	—	—	—	25
General and administrative	(b)	—	—	—	—	—	—	—	—	—	—	—	—	(3)
Depreciation and amortization	(f)	—	—	—	—	—	—	—	—	—	—	—	—	(8)
Total non-GAAP pro forma operating income adjustments		—	—	—	—	—	—	—	—	—	—	—	—	(23)
Non-GAAP pro forma operating income		\$ 820	\$ 829	\$ 807	\$ 646	\$ 659	\$ 643	\$ 619	\$ 490	\$ 528	\$ 537	\$ 2,755	\$ 2,174	\$ 1,952
Non-GAAP pro forma operating margin		21.3%	22.5%	21.8%	19.9%	21.0%	21.6%	20.8%	18.4%	19.9%	21.1%	21.1%	20.1%	21.1%

(a) Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

(b) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.

(c) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.

(d) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

(e) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.

(f) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

Reconciliation of GAAP Net Income to Non-GAAP Net Income and Non-GAAP Pro Forma Net Income; Reconciliation of GAAP EPS to Non-GAAP EPS and Non-GAAP Pro Forma EPS; Reconciliation of GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate and Non-GAAP Pro Forma Effective Tax Rate

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
GAAP income before income taxes	\$ 609	\$ 548	\$ 864	\$ 451	\$ 447	\$ 438	\$ 469	\$ 360	\$ 380	\$ 422	\$ 2,200	\$ 1,631	\$ 1,488
GAAP income tax expense	83	37	244	71	36	54	79	37	57	57	405	230	260
GAAP net income	526	511	620	380	411	384	390	323	323	365	1,795	1,401	1,228
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	248	295	(36)	223	229	212	159	142	157	130	628	588	514
Separation (Other income (expense), net)	—	—	—	—	—	—	—	—	—	—	—	—	(12)
Other certain significant gains, losses, or charges	32	3	201	23	—	—	—	—	—	—	224	—	—
Tax effect of non-GAAP adjustments	(103)	(117)	(115)	(66)	(86)	(62)	(37)	(40)	(44)	(43)	(329)	(164)	(142)
Non-GAAP net income	\$ 703	\$ 692	\$ 670	\$ 560	\$ 554	\$ 534	\$ 512	\$ 425	\$ 436	\$ 452	\$ 2,318	\$ 1,825	\$ 1,588
Non-GAAP pro forma adjustments to net income:													
Non-GAAP pro forma operating income adjustments (see table above)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (23)
Tax effect of non-GAAP pro forma adjustments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3
Non-GAAP pro forma net income	\$ 703	\$ 692	\$ 670	\$ 560	\$ 554	\$ 534	\$ 512	\$ 425	\$ 436	\$ 452	\$ 2,318	\$ 1,825	\$ 1,568
Shares used in diluted share calculation	1,202	1,217	1,228	1,223	1,215	1,216	1,216	1,214	1,215	1,225	1,221	1,218	1,229
Net income per diluted share:													
GAAP	\$ 0.44	\$ 0.42	\$ 0.50	\$ 0.31	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.27	\$ 0.27	\$ 0.30	\$ 1.47	\$ 1.15	\$ 1.00
Non-GAAP	\$ 0.58	\$ 0.57	\$ 0.55	\$ 0.46	\$ 0.46	\$ 0.44	\$ 0.42	\$ 0.35	\$ 0.36	\$ 0.37	\$ 1.90	\$ 1.50	\$ 1.29
Non-GAAP pro forma	\$ 0.58	\$ 0.57	\$ 0.55	\$ 0.46	\$ 0.46	\$ 0.44	\$ 0.42	\$ 0.35	\$ 0.36	\$ 0.37	\$ 1.90	\$ 1.50	\$ 1.28
GAAP effective tax rate	14%	7%	28%	16%	8%	12%	17%	10%	15%	14%	18%	14%	17%
Tax effect of non-GAAP adjustments to net income	4%	11%	(9)%	1%	10%	6%	1%	5%	4%	4%	—%	4%	3%
Non-GAAP effective tax rate	18%	18%	19%	17%	18%	18%	18%	15%	19%	18%	18%	18%	20%
Tax effect of non-GAAP pro forma adjustments to net income	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Non-GAAP pro forma effective tax rate	18%	18%	19%	17%	18%	18%	18%	15%	19%	18%	18%	18%	20%

Reconciliation of GAAP Revenue by Geography to Non-GAAP Pro Forma Revenue by Geography

(In millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
U.S. net revenues	\$ 2,150	\$ 2,023	\$ 2,045	\$ 1,743	\$ 1,690	\$ 1,606	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 7,084	\$ 5,760	\$ 4,640
Non-GAAP adjustment ⁽¹⁾	—	—	(39)	—	—	—	—	—	—	—	(39)	—	—
Proforma adjustment ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—	—	(5)
Non-GAAP pro forma U.S. net revenues	\$ 2,150	\$ 2,023	\$ 2,006	\$ 1,743	\$ 1,690	\$ 1,606	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 7,045	\$ 5,760	\$ 4,635
International net revenues	\$ 1,707	\$ 1,662	\$ 1,699	\$ 1,496	\$ 1,446	\$ 1,369	\$ 1,407	\$ 1,231	\$ 1,243	\$ 1,201	\$ 6,010	\$ 5,082	\$ 4,608
Pro forma adjustment ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—	—	(2)
Non-GAAP pro forma international net revenues	\$ 1,707	\$ 1,662	\$ 1,699	\$ 1,496	\$ 1,446	\$ 1,369	\$ 1,407	\$ 1,231	\$ 1,243	\$ 1,201	\$ 6,010	\$ 5,082	\$ 4,606
Total net revenues	\$ 3,857	\$ 3,685	\$ 3,744	\$ 3,239	\$ 3,136	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 13,094	\$ 10,842	\$ 9,248
Non-GAAP adjustment ⁽¹⁾	—	—	(39)	—	—	—	—	—	—	—	(39)	—	—
Proforma adjustment ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—	—	(7)
Total non-GAAP pro forma net revenues	\$ 3,857	\$ 3,685	\$ 3,705	\$ 3,239	\$ 3,136	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 13,055	\$ 10,842	\$ 9,241

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

⁽²⁾ Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

Reconciliation of GAAP Revenue by Type to Non-GAAP Pro Forma Revenue by Type

(In millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
Transaction revenues ⁽¹⁾	\$ 3,318	\$ 3,197	\$ 3,244	\$ 2,858	\$ 2,775	\$ 2,624	\$ 2,641	\$ 2,337	\$ 2,347	\$ 2,260	\$ 11,501	\$ 9,585	\$ 8,217
Pro forma adjustment ⁽³⁾	—	—	—	—	—	—	—	—	—	—	—	—	(7)
Non-GAAP pro forma transaction revenues	\$ 3,318	\$ 3,197	\$ 3,244	\$ 2,858	\$ 2,775	\$ 2,624	\$ 2,641	\$ 2,337	\$ 2,347	\$ 2,260	\$ 11,501	\$ 9,585	\$ 8,210
Other value added services ⁽¹⁾	\$ 539	\$ 488	\$ 500	\$ 381	\$ 361	\$ 351	\$ 340	\$ 330	\$ 303	\$ 284	\$ 1,593	\$ 1,257	\$ 1,031
Non-GAAP adjustment ⁽²⁾	—	—	(39)	—	—	—	—	—	—	—	(39)	—	—
Non-GAAP other value added services	\$ 539	\$ 488	\$ 461	\$ 381	\$ 361	\$ 351	\$ 340	\$ 330	\$ 303	\$ 284	\$ 1,554	\$ 1,257	\$ 1,031
Total net revenues	\$ 3,857	\$ 3,685	\$ 3,744	\$ 3,239	\$ 3,136	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 13,094	\$ 10,842	\$ 9,248
Non-GAAP adjustment ⁽²⁾	—	—	(39)	—	—	—	—	—	—	—	(39)	—	—
Pro forma adjustment ⁽³⁾	—	—	—	—	—	—	—	—	—	—	—	—	(7)
Total non-GAAP pro-forma net revenues	\$ 3,857	\$ 3,685	\$ 3,705	\$ 3,239	\$ 3,136	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 13,055	\$ 10,842	\$ 9,241

⁽¹⁾ Amounts in the prior period were reclassified to conform to current period presentation.

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

⁽³⁾ Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

Calculation of Free Cash Flow

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	2017	2016	2015
Net cash provided by operating activities	\$ 28	\$ (349)	\$ (147)	\$ 1,006	\$ 921	\$ 751	\$ 923	\$ 801	\$ 696	\$ 738	\$ 2,531	\$ 3,158	\$ 2,546
Less: Purchases of property and equipment, net	(198)	(178)	(180)	(165)	(174)	(148)	(152)	(183)	(201)	(133)	(667)	(669)	(722)
Free cash flow	\$ (170)	\$ (527)	\$ (327)	\$ 841	\$ 747	\$ 603	\$ 771	\$ 618	\$ 495	\$ 605	\$ 1,864	\$ 2,489	\$ 1,824
Impact of held for sale accounting presentation on cash flow from operating activities	907	1,260	1,299	—	—	—	—	—	—	—	1,299	—	—
Adjusted free cash flow	\$ 737	\$ 733	\$ 972	\$ 841	\$ 747	\$ 603	\$ 771	\$ 618	\$ 495	\$ 605	\$ 3,163	\$ 2,489	\$ 1,824

Free cash flow does not include the impact of pro forma adjustments.

Q3-18 and FY 2018 GAAP and Non-GAAP Guidance

(in billions, except per share amounts)	Three Months Ending September 30, 2018	
	GAAP	Non-GAAP(a)
Revenues	\$3.62 - \$3.67	\$3.62 - \$3.67
Diluted EPS	\$0.31 - \$0.34	\$0.53 - \$0.55

(in billions, except per share amounts)	Twelve Months Ending December 31, 2018	
	GAAP	Non-GAAP(b)
Revenues	\$15.30 - \$15.50	\$15.30 - \$15.50
Diluted EPS	\$1.44 - \$1.51	\$2.32 - \$2.35
Free Cash Flow		> \$4.5 (c)

(a) Estimated non-GAAP amounts above for the three months ending September 30, 2018, reflect adjustments of approximately \$320 - \$360 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of \$210 - \$220 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2018, reflect adjustments of approximately \$1370 - 1470 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of \$885 - \$915 million.

(c) Includes the one-time benefit of ~\$1.3B from HFS accounting, upon closing of the Synchrony transaction.

Definitions

- **Active Accounts:** An active account is an account registered directly with PayPal or a platform access partner that has completed a transaction through 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 through our Payments Platform, 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 through 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