PayPal Q1-18 Investor Update

April 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 second quarter and full year 2018, the expected impact of the Tax Cuts and Jobs Act 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 the pending transaction with Synchrony Financial will be completed or that we may not realize the expected benefits of the 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 April 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.

First Quarter 2018 Summary

Strong user and transaction growth driving outperformance

Revenue

$3.69B

24% Spot and **22%** FX-Neutral YoY Growth

Non-GAAP EPS(1)

$0.57

29% increase YoY

Free Cash Flow(1)

($527M)* | **$733M**

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

Total Payment Volume(2)

$132B

32% Spot and **27%** FX-Neutral YoY Growth

Active Accounts(2)

8.1M
Net adds in quarter

35% increase YoY

237M
includes 19M merchant accounts

15% increase YoY

Customer Engagement

34.7 payment transactions per active account (2)

8% increase YoY

- Added 8.1 million net new active accounts in Q1-18, up 35%, continuing the momentum from 2017
- 92 million consumer accounts opted into One Touch and >8.6 million merchants now offer One Touch
- Free Cash Flow (FCF) of ($527M) in Q1-18. Adjusting for the impact of held for sale ("HFS") accounting treatment of $1.3B on the U.S. consumer credit portfolio, FCF increased 22% versus Q1-17 to $733M

(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.

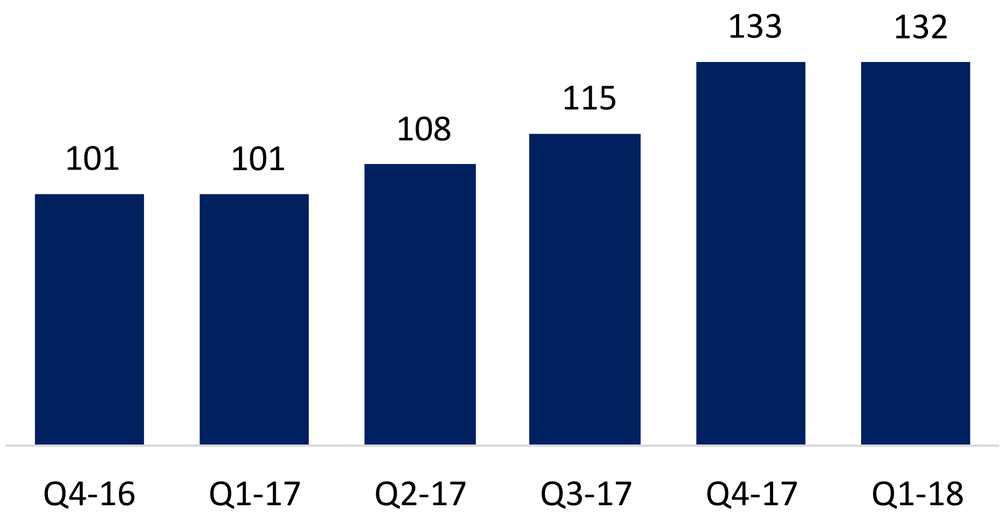
(2) All metrics are presented consistent with the updated definitions in the 8-K filed on April 10, 2018. Definitions included in Supplemental Information.

OPERATING & FINANCIAL METRICS PERFORMANCE

PayPal

Total Payment Volume (TPV)

Total Payment Volume (TPV) ($B)[1]



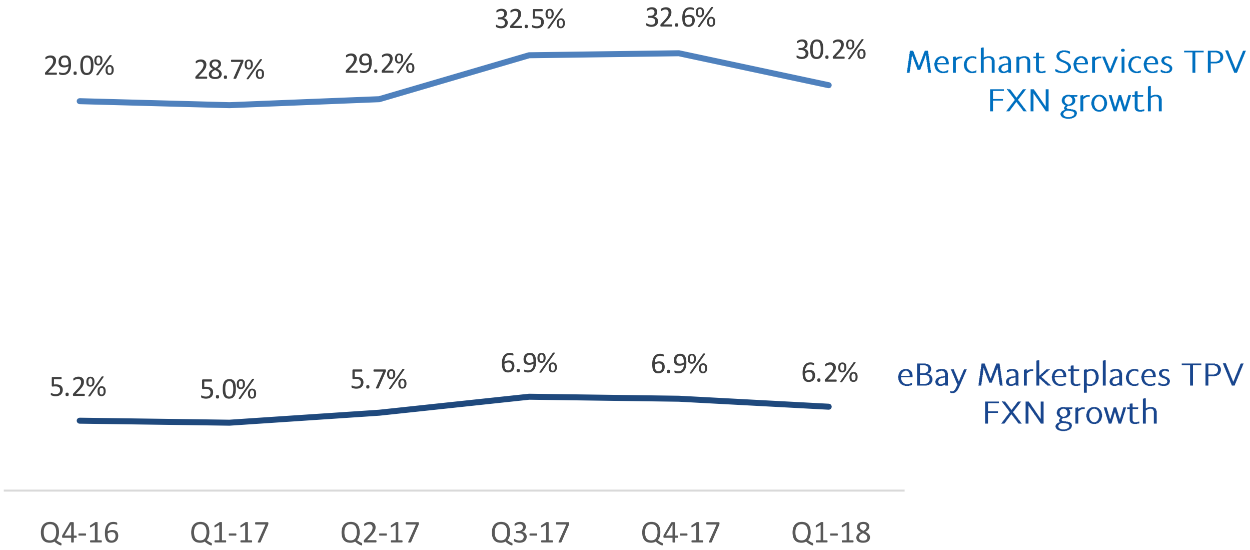
	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
FXN Y/Y Growth	25%	24%	25%	28%	29%	27%

- TPV grew 32% at Spot, 27% on an FX-neutral basis in Q1-18
- P2P, including core PayPal, Venmo and Xoom, increased 50% in the quarter and represented ~23% of TPV
- Venmo volume was up 80% to $12.3B in the quarter.

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

PayPal

TPV: Merchant Services



	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Merchant Services as % of Total TPV	84.4%	85.0%	85.8%	86.6%	86.9%	87.3%

- Merchant Services (non-eBay Marketplaces related) volume represented 87.3% of TPV in Q1-18
- 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.

PayPal

Adding merchants across the globe

vivaair.com

Esso
An ExxonMobil Brand

TALBOTS

KIWI.COM

mytrip.com

IKEA

WILLIAMS-SONOMA, INC.

POTTERY BARN
pottery barn kids
PBteen
west elm
MARK & GRAHAM

VAPIANO®

HARVEY NICHOLS

mytaxi
The Taxi App

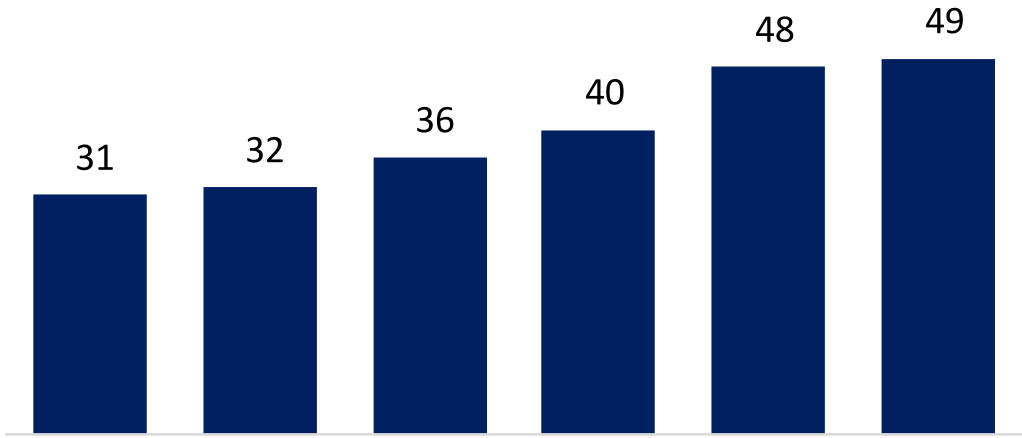
IG

Grab

ASFINAG

TPV: Mobile

Mobile TPV ($B)

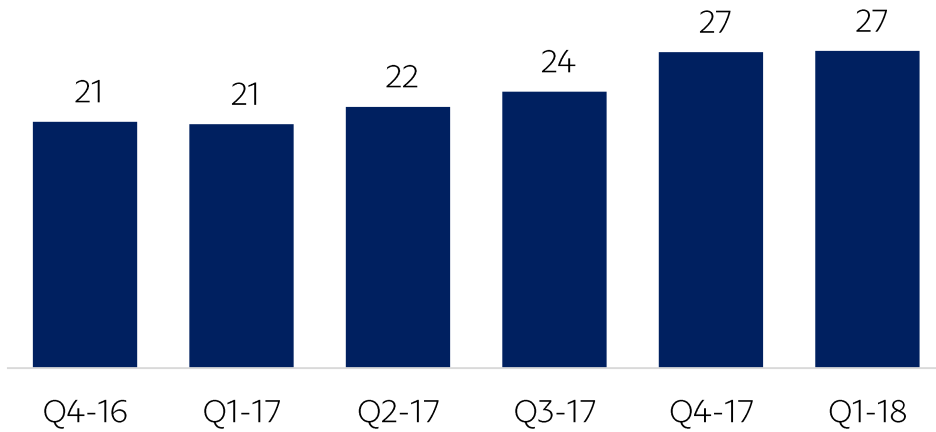


	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Y/Y Growth	53%	51%	50%	53%	53%	52%
Share of total TPV	31%	32%	33%	34%	36%	37%

- Mobile TPV was ~$49 billion in Q1-18, up ~52%
- Mobile TPV represented 37% of TPV in the quarter, an increase of 500 basis points versus Q1-17

TPV: Cross Border Trade (CBT)

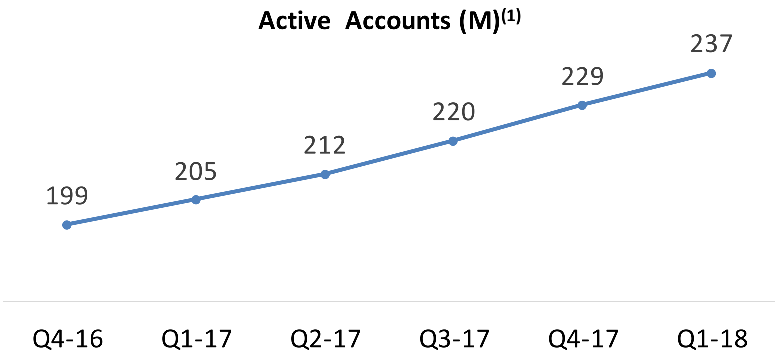
Cross Border Trade TPV ($B)

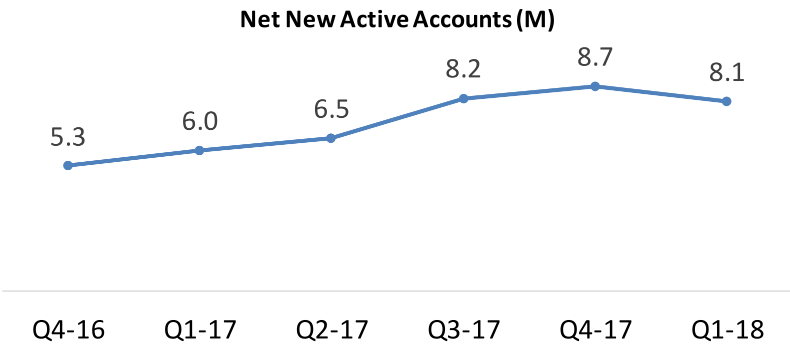


	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Y/Y Growth	20%	15%	17%	24%	28%	30%
Share of total TPV	21%	21%	21%	21%	20%	21%

- CBT TPV was $27 billion in Q1-18, up 30%
- CBT TPV represented 21% of TPV in Q1-18, consistent with prior quarters

Active Accounts





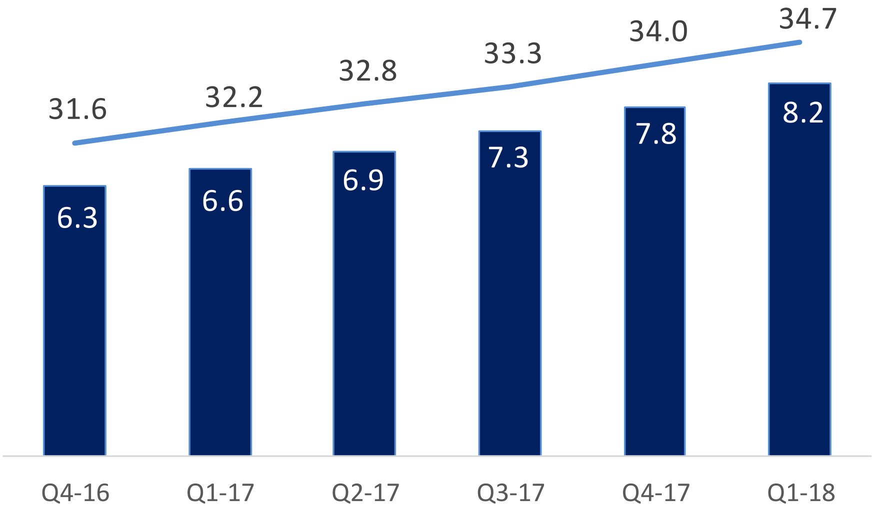
	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Y/Y Growth	10%	10%	12%	13%	15%	15%	-19%	31%	81%	85%	64%	35%

- Ended the quarter with 237 million active accounts, up 15%, with nearly 19 million active merchant accounts
- Added 8.1 million net new active accounts, up 35%
- Active account growth driven predominantly 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.

PayPal

Customer Engagement



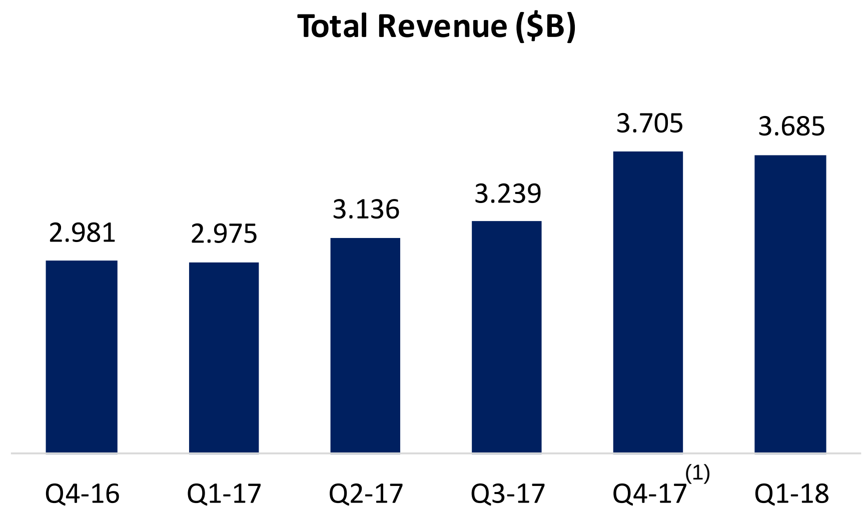
Number of Payment Transactions per Active Account [(1)]

Transactions [(1)] on a Trailing Twelve Months basis *(in billions)*

- Processed 2.2B payment transactions during Q1-18, up 25%
- Payment transactions per active account increased 8% to 34.7

[(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



	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17[1]	Q1-18
Spot Y/Y Growth	17%	17%	18%	21%	24%	24%
FXN Y/Y Growth	19%	19%	20%	22%	24%	22%

- Total Revenue growth of 24% spot, and 22% on an FX-neutral basis, which includes an ~2 point benefit from HFS accounting treatment and acquisition of Swift Financial
- Transaction Revenue grew 20% on an FX-neutral basis driven primarily by core PayPal and Braintree
- Other Value Added Services Revenue grew 38% 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.

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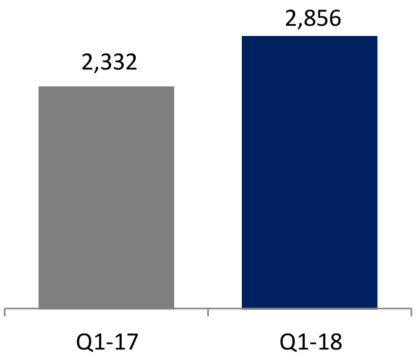
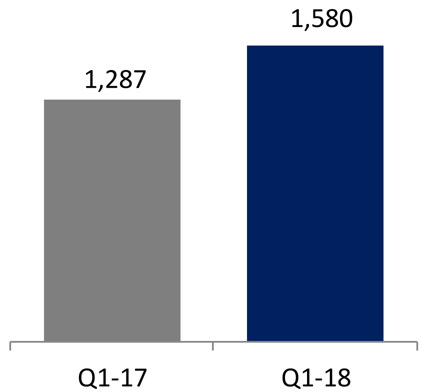
Non-GAAP Expense Detail

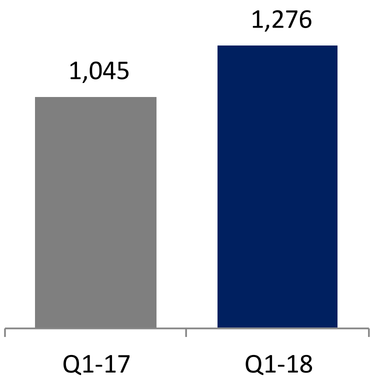
Total Expenses[1]
($M)



Volume-based Expenses[2]
($M)



Non-transaction related Expenses[3]
($M)



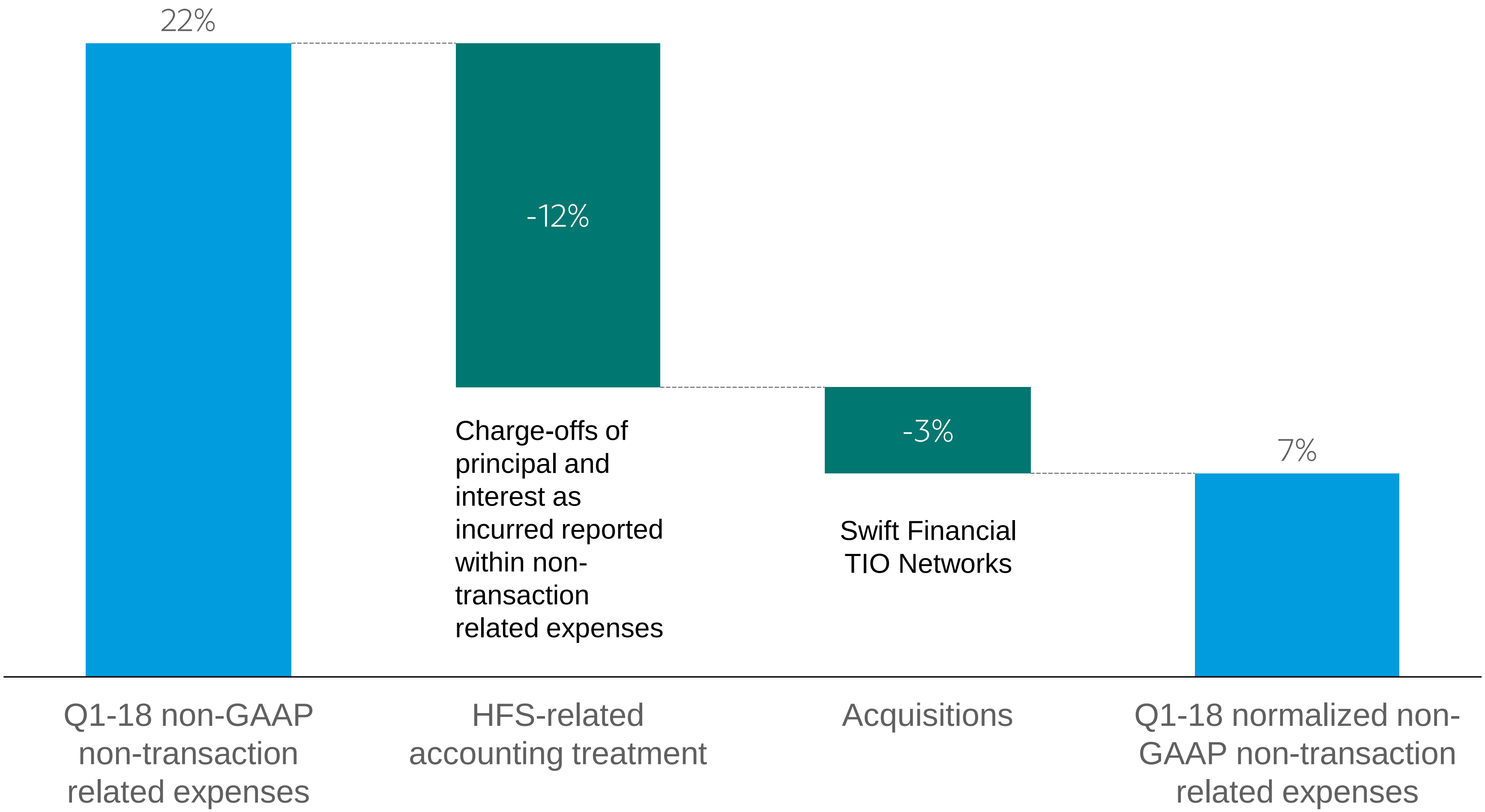
	Total Q1-17	Total Q1-18	Volume-based Q1-17	Volume-based Q1-18	Non-transaction Q1-17	Non-transaction Q1-18
Y/Y Growth	16.2%	22.5%	27.8%	22.8%	5.0%	22.1%
% of Revenue	78.4%	77.5%	43.3%	42.9%	35.1%	34.6%

- Volume-based Expenses grew 23%
- Expense discipline generating operating leverage:
  - 50bps leverage with 22% growth in non-transaction related expenses on a non-GAAP basis
  - 365bps leverage with 10% growth in non-transaction related expenses adjusting for HFS
  - 424bps leverage with 7% growth in non-transaction related expenses adjusting for HFS and acquisitions of TIO Networks and Swift Financial

(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.

Non-GAAP Non-Transaction Related Expense Growth

Normalizing for HFS accounting treatment on 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.

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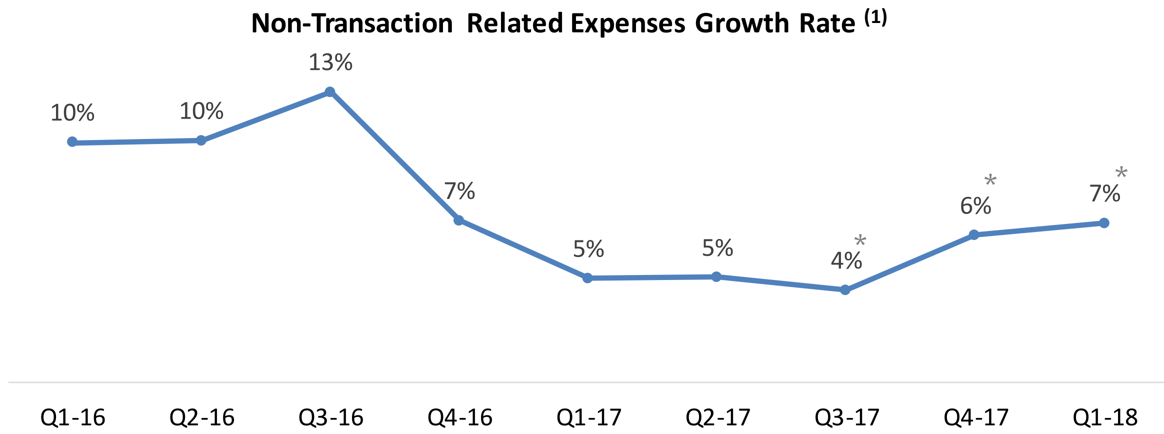
Non-Transaction Related Expenses



	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Non-transaction related expenses as % of Revenue	39%	40%	40%	37%	35%	35%	35%	32%	31%

- Growing revenue with low non-transaction related expense investments:
  - In Q1, adjusting for HFS, non-transaction related expenses increased 15 cents for every incremental dollar of revenue
  - In Q1, adjusting for HFS and the acquisitions of TIO Networks and Swift Financial, non-transaction related expenses increased 11 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 'held for sale' loans as incurred, and expenses relating to acquisitions of TIO Networks and Swift Financial.

(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.

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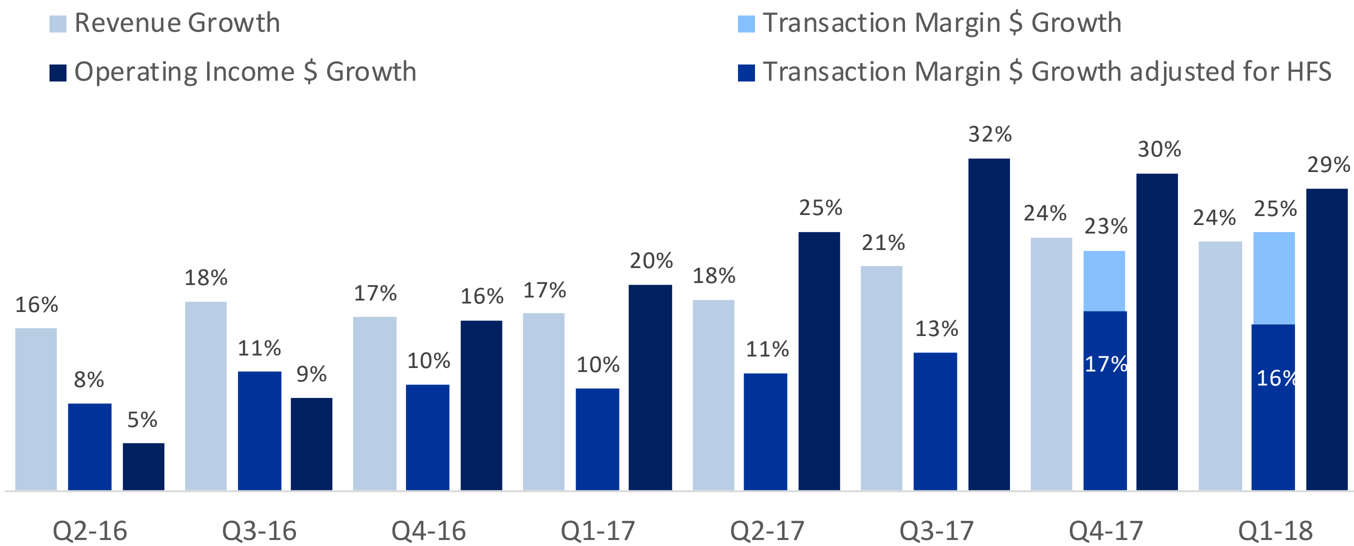
Operating Leverage



	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
Non-GAAP Op Margin %	20%	18%	21%	22%	21%	20%	22%	22%

- Normalized for the impact of HFS accounting treatment, non-GAAP Transaction Margin dollar growth in Q1-18 was 16%
- Approximately 90 basis points of non-GAAP operating margin expansion compared to Q1-17, reflecting leverage in both volume-based expenses and non-transaction related expenses
- 29% growth in non-GAAP operating income in Q1-18

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

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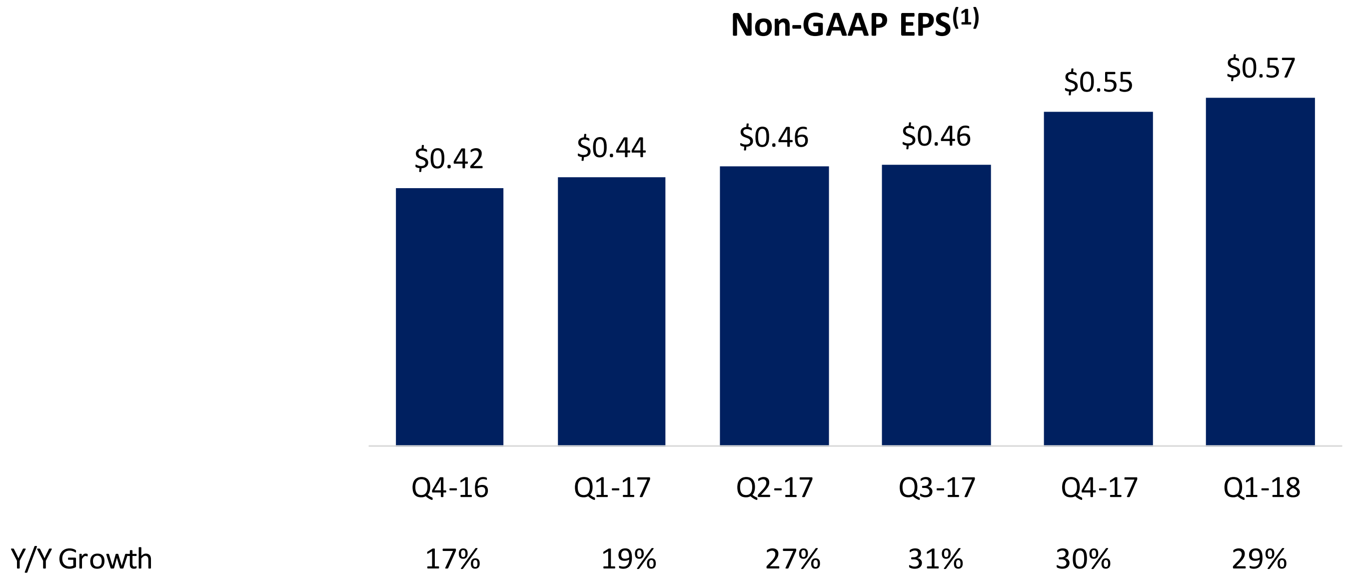
Impact of HFS On Q1-18 Results

($M)	Q1-17 Actual	Q1-18 Actual	Q1-18 Adjusted for HFS
Revenue	$2,975	$3,685	$3,647
Revenue growth (Spot)	**17%**	**24%**	**23%**
Loan Loss	$129	$62	$173
Loan Loss growth		**(52%)**	**34%**
Transaction Margin (TM) [1]	$1,688	$2,105	$1,956
TM $ growth		***25%***	***16%***
Non-transaction related expenses [1]	$1,045	$1,276	$1,148
Non-transaction related expense growth	***5%***	***22%***	***10%***
Free Cash Flow	$603	($527)	$733

- Other value-added services revenue benefited by ~$38 million dollars in the quarter as a result of no longer recognizing reserves on interest receivables for the U.S. consumer credit portfolio
- Transaction and loan losses benefited by ~$111 million dollars from no longer recognizing reserves on principal receivables for the U.S. consumer credit portfolio
- Non-transaction-related expenses negatively impacted by ~$128 million dollars from the recognition of incurred charge-offs of principal and interest

(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 $14 million
- Non-GAAP effective tax rate[1] for Q1-18 was 18%
- 29% growth in non-GAAP EPS in Q1-18

[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.

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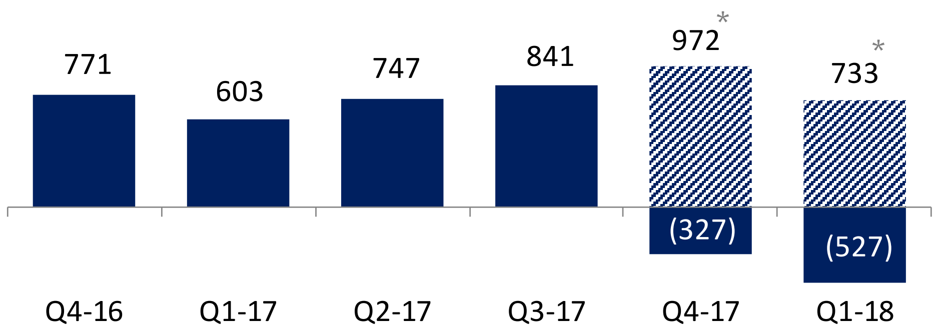
Free Cash Flow

Free Cash Flow ($M)



	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18
FCF % of Revenue	26%	20%	24%	26%	-9%	-14%
CAPEX % of Revenue	5%	5%	6%	5%	5%	5%

FCF adjusted for impact of HFS accounting treatment

- FCF of ($527M), which includes the impact of $1.3B from HFS accounting. Normalizing for this impact, FCF was $733M, growing at 22% year over year
- Total Cash, Cash Equivalents, and Investments of $7.6B[(1)] comprising $6.6B international and $1.0B U.S.
- In Q1-18, returned approximately $1.8B to shareholders by repurchasing 23.6M shares at an average price of $77.48

* 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 $83M and equity investments of $88M as of March 31, 2018.

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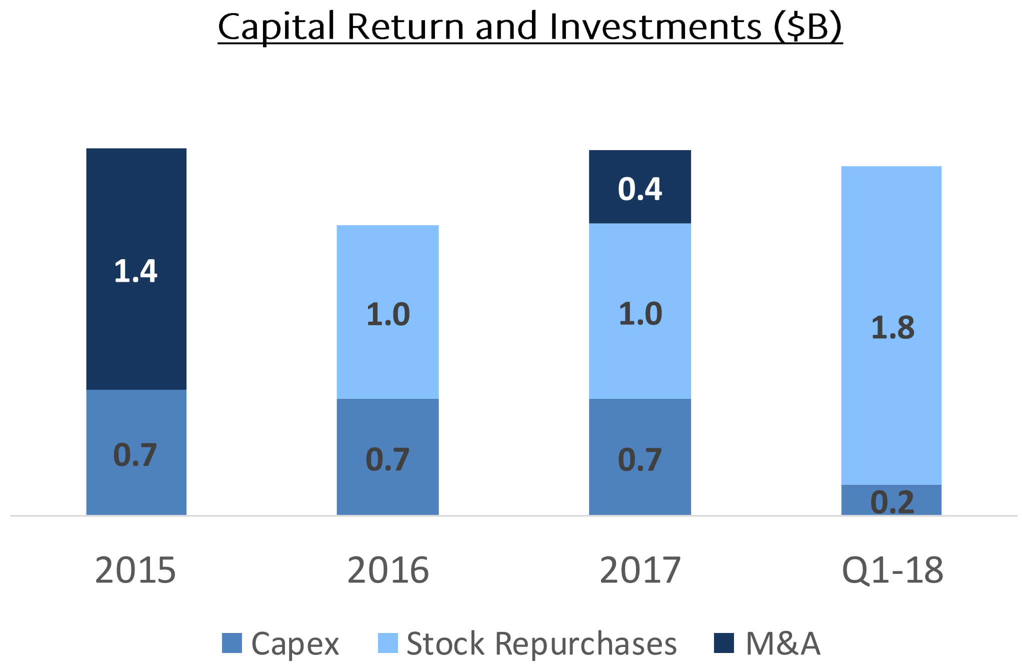
Capital Allocation



- Generated ~$4.9B in FCF[(1)] since separation in July 2015. Adjusted for HFS, generated ~$7.5B in FCF since separation
- Repurchased ~71M shares of common stock since separation, returning $3.8B to shareholders, at an average price of $54.23
- Acquired Xoom, Paydiant, Modest, Cyactive, TIO Networks and Swift Financial since 2015 for aggregate amount of ~$1.8B

[(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.

2018 Guidance

FY 2018 Guidance

	Low	High
Revenue (in billions)	**$15.20**	**$15.40**
Y/Y Growth	*16%*	*18%*
FXN Y/Y Growth	*15%*	*16%*
Non-GAAP EPS	**$2.31**	**$2.34**
Free Cash Flow (in billions)	**> $4.5**	

- Non-GAAP EPS Y/Y growth of 22% - 23%
- Non-GAAP effective tax rate of 17% - 19%
- CAPEX ~5% of revenue
- GAAP EPS of $1.73 - $1.76

Guidance Context

- Full year revenue guidance of 16% - 18% y/y which reflects the previously disclosed expected 3.5 percentage point impact related to the sale of U.S. consumer credit receivables portfolio to Synchrony Financial starting H2-18 post closing
- New revenue recognition standard (ASC Topic 606: Revenue from contracts with customers) not expected to have a material impact
- Expect currency to be a ~150 bps tailwind for the full year
- Expect non-GAAP operating margin to modestly expand relative to 2017
- Free Cash Flow guidance includes the one-time benefit of ~$1.3B from HFS accounting, upon closing of the Synchrony transaction

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.

Assumes Synchrony transaction closes on July 1, 2018

Q2 2018 Guidance

Q2 2018 Guidance

	Low	High
Revenue (in billions)	**$3.78**	**$3.83**
Y/Y Growth	*21%*	*22%*
FXN Y/Y Growth	*19%*	*20%*
Non-GAAP EPS	**$0.54**	**$0.56**

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

(in millions, except %)	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Active Accounts (1)	**199**	**205**	**212**	**220**	**229**	**237**
Y/Y Growth	10%	10%	12%	13%	15%	15%
Net New Active Accounts	**5.3**	**6.0**	**6.5**	**8.2**	**8.7**	**8.1**
Number of Payment Transactions (1)	**1,796**	**1,771**	**1,817**	**1,941**	**2,240**	**2,214**
Y/Y Growth	22%	22%	22%	25%	25%	25%
Total Payment Volume (1)	**100,711**	**100,639**	**107,800**	**115,224**	**132,515**	**132,364**
Y/Y Growth	21%	22%	23%	30%	32%	32%
FXN Y/Y Growth	25%	24%	25%	28%	29%	27%
US TPV	56,564	58,261	61,395	65,464	74,068	74,700
Y/Y Growth	23%	26%	26%	30%	31%	28%
International TPV	44,147	42,378	46,405	49,760	58,448	57,665
Y/Y Growth	19%	17%	19%	29%	32%	36%
FXN Y/Y Growth	27%	23%	24%	26%	26%	25%
Total Take Rate (1)	**2.96%**	**2.96%**	**2.91%**	**2.81%**	**2.80%**	**2.78%**
Transaction Take Rate (1)	**2.62%**	**2.61%**	**2.57%**	**2.48%**	**2.45%**	**2.42%**
Transaction Expense Rate (1)	0.95%	0.98%	0.99%	0.96%	0.96%	0.96%
Transaction and Loan Loss Rate (1)	0.30%	0.30%	0.29%	0.32%	0.24%*	0.23%
Transaction Margin (2)	**57.7%**	**56.7%**	**56.3%**	**54.8%**	**57.1%***	**57.1%**

- Cross-border trade (CBT) was 21% of TPV in the quarter, growing 30% at spot vs Q1-17
- 51% of active accounts are outside the U.S.
- Average Payment Volume (APV) was $60, up 5% year over year
- Transaction take rate down ~19 bps, driven by P2P growth (including Venmo) and FX
- Credit loans receivable of $1.6B, with $1.2B 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)	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Transaction Revenue	2,641	2,624	2,775	2,858	3,244	3,197
Y/Y Growth	16%	16%	18%	22%	23%	22%
Other Value Added Services (OVAS)	340	351	361	381	461 *	488
Y/Y Growth	26%	24%	19%	15%	36%	39%
Total Revenue[1]	**2,981**	**2,975**	**3,136**	**3,239**	**3,705** *	**3,685**
Y/Y Growth	17%	17%	18%	21%	24%	24%
FXN Y/Y Growth	19%	19%	20%	22%	24%	22%
% International	47%	46%	46%	46%	46%	45%
US Revenue Y/Y Growth	21%	20%	20%	21%	27% *	26%
International Revenue FXN Y/Y Growth	17%	18%	20%	22%	21%	18%
Volume-based expenses	1,261	1,287	1,372	1,465	1,589 *	1,580
Non-transaction related expenses	1,101	1,045	1,105	1,128	1,309	1,276
Total Operating Expenses[1]	**2,362**	**2,332**	**2,477**	**2,593**	**2,898**	**2,856**
Y/Y Growth	17%	16%	17%	19%	23%	22%
Non-GAAP Op. Income[1]	**619**	**643**	**659**	**646**	**807**	**829**
Non-GAAP Op. Margin %[1]	**21%**	**22%**	**21%**	**20%**	**22%**	**22%**
Non-GAAP EPS[1]	**$0.42**	**$0.44**	**$0.46**	**$0.46**	**$0.55**	**$0.57**
Y/Y Growth	17%	19%	27%	31%	30%	29%
CAPEX	152	148	174	165	180	178
Free Cash Flow[1]	**771**	**603**	**747**	**841**	**(327)**	**(527)**

- 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

	Three Months Ended										Year Ended December 31,		
(In Millions/Unaudited)	**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**	**December 31, 2015**	**2017**	**2016**	**2015**
TPV[1]	$ 132,364	$ 132,515	$ 115,224	$ 107,800	$ 100,639	$ 100,711	$ 88,895	$ 87,763	$ 82,559	$ 83,102	$ 456,179	$ 359,928	$ 288,038
GAAP Net revenues	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 2,544	$ 2,556	$ 13,094	$ 10,842	$ 9,248
Other[2]	—	(39)	—	—	—	—	—	—	—	—	(39)	—	—
Non-GAAP Net revenues	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 2,544	$ 2,556	$ 13,055	$ 10,842	$ 9,248
GAAP Transaction and loan losses	$ 305	$ 40	$ 363	$ 308	$ 300	$ 307	$ 271	$ 255	$ 255	$ 245	$ 1,011	$ 1,088	$ 809
Other[3]	—	283	—	—	—	—	—	—	—	—	283	—	—
Non-GAAP Transaction and loan Losses	$ 305	$ 323	$ 363	$ 308	$ 300	$ 307	$ 271	$ 255	$ 255	$ 245	$ 1,294	$ 1,088	$ 809
GAAP Transaction and loan losses rate (% of TPV)[1]	0.23%	0.03 %	0.32%	0.29%	0.30%	0.30%	0.30%	0.29%	0.31%	0.29%	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]	0.23%	0.24 %	0.32%	0.29%	0.30%	0.30%	0.30%	0.29%	0.31%	0.29%	0.28 %	0.30%	0.28%
GAAP Transaction margin	57.1%	65.1 %	54.8%	56.3%	56.7%	57.7%	58.7%	59.8%	60.4%	61.1%	58.5 %	59.1%	63.0%
Effect of non-GAAP adjustment	—%	(8.0)%	—%	—%	—%	—%	—%	—%	—%	—%	(2.3)%	—%	—%
Non-GAAP Transaction margin	57.1%	57.1 %	54.8%	56.3%	56.7%	57.7%	58.7%	59.8%	60.4%	61.1%	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 filed 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.

PayPal

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In millions)	Note	Three Months Ended 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	December 31, 2015	Year Ended December 31, 2017	2016	2015
GAAP operating expenses:														
Transaction expense		$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 752	$ 750	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		305	40	363	308	300	307	271	255	255	245	1,011	1,088	809
Customer support and operations	(1)	351	366	346	335	317	328	325	318	296	299	1,364	1,267	1,110
Sales and marketing	(1)	285	328	278	284	238	253	233	250	233	255	1,128	969	937
Product development	(1)	258	267	240	232	214	215	215	209	195	208	953	834	792
General and administrative	(1)	339	315	293	282	265	275	261	261	231	225	1,155	1,028	873
Depreciation and amortization		185	227	194	201	183	189	184	176	175	164	805	724	608
Restructuring and other charges		153	92	—	—	40	—	—	—	—	(1)	132	—	48
Total operating expenses		$ 3,151	$ 2,901	$ 2,816	$ 2,706	$ 2,544	$ 2,521	$ 2,319	$ 2,279	$ 2,137	$ 2,145	$ 10,967	$ 9,256	$ 7,787
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(h)	$ —	$ 283	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 283	$ —	$ —
Customer support and operations	(a)	$ (38)	$ (40)	$ (38)	$ (34)	$ (30)	$ (24)	$ (21)	$ (22)	$ (18)	$ (18)	$ (142)	$ (85)	$ (62)
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(3)
Sales and marketing	(a)	(44)	(43)	(36)	(33)	(28)	(25)	(21)	(22)	(16)	(10)	(140)	(84)	(52)
Product development	(a)	(64)	(72)	(64)	(59)	(45)	(37)	(34)	(35)	(33)	(35)	(240)	(139)	(132)
General and administrative	(a)	(59)	(63)	(54)	(51)	(42)	(39)	(31)	(33)	(27)	(26)	(210)	(130)	(94)
	(b)	(32)	(1)	(2)	(12)	(2)	—	(1)	(9)	(1)	—	(17)	(11)	(9)
	(e)	—	—	—	—	—	—	—	—	—	2	—	—	(12)
	(f)	—	—	—	—	—	—	—	—	—	(5)	—	—	(10)
	(i)	—	(5)	—	—	—	—	—	—	—	—	(5)	—	—
Depreciation and amortization	(a)	(4)	(4)	(3)	(3)	(2)	(2)	(2)	(1)	(1)	(1)	(12)	(6)	(7)
	(c)	(29)	(58)	(26)	(22)	(23)	(32)	(32)	(35)	(34)	(29)	(129)	(133)	(85)
	(g)	—	—	—	(15)	—	—	—	—	—	—	(15)	—	—
Restructuring and other charges	(d)	(25)	—	—	—	(40)	—	—	—	—	1	(40)	—	(48)
Total operating expenses		$ (295)	$ (3)	$ (223)	$ (229)	$ (212)	$ (159)	$ (142)	$ (157)	$ (130)	$ (121)	$ (667)	$ (588)	$ (514)
Non-GAAP operating expenses:														
Transaction expense		$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 752	$ 750	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		305	323	363	308	300	307	271	255	255	245	1,294	1,088	809
Customer support and operations	(1)	313	326	308	301	287	304	304	296	278	281	1,222	1,182	1,045
Sales and marketing	(1)	241	285	242	251	210	228	212	228	217	245	988	885	885
Product development	(1)	194	195	176	173	169	178	181	174	162	173	713	695	660
General and administrative	(1)	248	246	237	219	221	236	229	219	203	196	923	887	748
Depreciation and amortization		152	165	165	161	158	155	150	140	140	134	649	585	516
Restructuring and other charges		128	92	—	—	—	—	—	—	—	—	92	—	—
Total operating expenses		$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 2,122	$ 2,007	$ 2,024	$ 10,300	$ 8,668	$ 7,273

(1) Amounts have been reclassified to conform to the current presentation.

(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

PayPal

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

(In Millions)	Note	Three Months Ended: 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	December 31, 2015	Year Ended December 31, 2017	2016	2015
Non-GAAP operating expenses:														
Transaction expense		$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 752	$ 750	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		305	323	363	308	300	307	271	255	255	245	1,294	1,088	809
Customer support and operations	(1)	313	326	308	301	287	304	304	296	278	281	1,222	1,182	1,045
Sales and marketing	(1)	241	285	242	251	210	228	212	228	217	245	988	885	885
Product development	(1)	194	195	176	173	169	178	181	174	162	173	713	695	660
General and administrative	(1)	248	246	237	219	221	236	229	219	203	196	923	887	748
Depreciation and amortization		152	165	165	161	158	155	150	140	140	134	649	585	516
Restructuring and other charges		128	92	—	—	—	—	—	—	—	—	92	—	—
Total operating expenses		$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 2,122	$ 2,007	$ 2,024	$ 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		$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 752	$ 750	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		305	323	363	308	300	307	271	255	255	245	1,294	1,088	831
Customer support and operations	(1)	313	326	308	301	287	304	304	296	278	281	1,222	1,182	1,053
Sales and marketing	(1)	241	285	242	251	210	228	212	228	217	245	988	885	860
Product development	(1)	194	195	176	173	169	178	181	174	162	173	713	695	660
General and administrative	(1)	248	246	237	219	221	236	229	219	203	196	923	887	751
Depreciation and amortization		152	165	165	161	158	155	150	140	140	134	649	585	524
Restructuring and other charges		128	92	—	—	—	—	—	—	—	—	92	—	—
Total operating expenses		$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 2,122	$ 2,007	$ 2,024	$ 10,300	$ 8,668	$ 7,289

(1) Amounts have been reclassified to conform to the current presentation.

(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.

PayPal

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

		Three Months Ended										Year Ended December 31,		
(In Millions, Except Percentages)	**Note**	**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**	**December 31, 2015**	**2017**	**2016**	**2015**
GAAP operating income		$ 534	$ 843	$ 423	$ 430	$ 431	$ 460	$ 348	$ 371	$ 407	$ 411	$ 2,127	$ 1,586	$ 1,461
Stock-based compensation expense and related employer payroll taxes		241	223	197	192	149	127	110	122	96	90	761	455	356
Acquisition related transaction expense		—	—	—	—	—	—	—	—	—	5	—	—	10
Separation		—	—	—	—	—	—	—	—	—	(2)	—	—	15
Restructuring		25	—	—	—	40	—	—	—	—	(1)	40	—	48
Amortization of acquired intangible assets		29	58	26	22	23	32	32	35	34	29	129	133	85
Other		—	(317)	—	15	—	—	—	—	—	—	(302)	—	—
Total non-GAAP operating income adjustments		295	(36)	223	229	212	159	142	157	130	121	628	588	514
Non-GAAP operating income		$ 829	$ 807	$ 646	$ 659	$ 643	$ 619	$ 490	$ 528	$ 537	$ 532	$ 2,755	$ 2,174	$ 1,975
Non-GAAP operating margin		*22.5%*	*21.8%*	*19.9%*	*21.0%*	*21.6%*	*20.8%*	*18.4%*	*19.9%*	*21.1%*	*20.8%*	*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		$ 829	$ 807	$ 646	$ 659	$ 643	$ 619	$ 490	$ 528	$ 537	$ 532	$ 2,755	$ 2,174	$ 1,952
Non-GAAP pro forma operating margin		*22.5%*	*21.8%*	*19.9%*	*21.0%*	*21.6%*	*20.8%*	*18.4%*	*19.9%*	*21.1%*	*20.8%*	*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.

PayPal

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

	Three Months Ended										Year Ended December 31,		
(In Millions, Except Percentages and Per Share Amounts)	**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**	**December 31, 2015**	**2017**	**2016**	**2015**
GAAP income before income taxes	$ 548	$ 864	$ 451	$ 447	$ 438	$ 469	$ 360	$ 380	$ 422	$ 418	$ 2,200	$ 1,631	$ 1,488
GAAP income tax expense	37	244	71	36	54	79	37	57	57	51	405	230	260
GAAP net income	511	620	380	411	384	390	323	323	365	367	1,795	1,401	1,228
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	295	(36)	223	229	212	159	142	157	130	121	628	588	514
Separation (Other income (expense), net)	—	—	—	—	—	—	—	—	—	—	—	—	(12)
Other certain significant gains, losses, or charges	3	201	23	—	—	—	—	—	—	—	224	—	—
Tax effect of non-GAAP adjustments	(117)	(115)	(66)	(86)	(62)	(37)	(40)	(44)	(43)	(45)	(329)	(164)	(142)
Non-GAAP net income	$ 692	$ 670	$ 560	$ 554	$ 534	$ 512	$ 425	$ 436	$ 452	$ 443	$ 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	$ 692	$ 670	$ 560	$ 554	$ 534	$ 512	$ 425	$ 436	$ 452	$ 443	$ 2,318	$ 1,825	$ 1,568
Shares used in diluted share calculation	1,217	1,228	1,223	1,215	1,216	1,216	1,214	1,215	1,225	1,230	1,221	1,218	1,229
Net income per diluted share:													
GAAP	$ 0.42	$ 0.50	$ 0.31	$ 0.34	$ 0.32	$ 0.32	$ 0.27	$ 0.27	$ 0.30	$ 0.30	$ 1.47	$ 1.15	$ 1.00
Non-GAAP	$ 0.57	$ 0.55	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 0.35	$ 0.36	$ 0.37	$ 0.36	$ 1.90	$ 1.50	$ 1.29
Non-GAAP pro forma	$ 0.57	$ 0.55	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 0.35	$ 0.36	$ 0.37	$ 0.36	$ 1.90	$ 1.50	$ 1.28
GAAP effective tax rate	7%	28 %	16%	8%	12%	17%	10%	15%	14%	12%	18%	14%	17%
Tax effect of non-GAAP adjustments to net income	11%	(9)%	1%	10%	6%	1%	5%	4%	4%	6%	—%	4%	3%
Non-GAAP effective tax rate	18%	19 %	17%	18%	18%	18%	15%	19%	18%	18%	18%	18%	20%
Tax effect of non-GAAP pro forma adjustments to net income	—%	— %	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Non-GAAP pro forma effective tax rate	18%	19 %	17%	18%	18%	18%	15%	19%	18%	18%	18%	18%	20%

PayPal

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

(In millions/Unaudited)	Three Months Ended 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	December 31, 2015	Year Ended December 31, 2017	2016	2015
U.S. net revenues	$ 2,023	$ 2,045	$ 1,743	$ 1,690	$ 1,606	$ 1,574	$ 1,436	$ 1,407	$ 1,343	$ 1,302	$ 7,084	$ 5,760	$ 4,640
Non-GAAP adjustment[1]	—	(39)	—	—	—	—	—	—	—	—	(39)	—	—
Proforma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	$ (5)
Non-GAAP pro forma U.S. net revenues	$ 2,023	$ 2,006	$ 1,743	$ 1,690	$ 1,606	$ 1,574	$ 1,436	$ 1,407	$ 1,343	$ 1,302	$ 7,045	$ 5,760	$ 4,635
International net revenues	$ 1,662	$ 1,699	$ 1,496	$ 1,446	$ 1,369	$ 1,407	$ 1,231	$ 1,243	$ 1,201	$ 1,254	$ 6,010	$ 5,082	$ 4,608
Pro forma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	(2)
Non-GAAP pro forma international net revenues	$ 1,662	$ 1,699	$ 1,496	$ 1,446	$ 1,369	$ 1,407	$ 1,231	$ 1,243	$ 1,201	$ 1,254	$ 6,010	$ 5,082	$ 4,606
Total net revenues	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 2,544	$ 2,556	$ 13,094	$ 10,842	$ 9,248
Non-GAAP adjustment[1]	—	(39)	—	—	—	—	—	—	—	—	(39)	—	—
Proforma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	$ (7)
Total non-GAAP pro forma net revenues	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 2,544	$ 2,556	$ 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.

PayPal

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

	Three Months Ended										Year Ended December 31,		
(In millions/Unaudited)	**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**	**December 31, 2015**	**2017**	**2016**	**2015**
Transaction revenues[1]	$ 3,197	$ 3,244	$ 2,858	$ 2,775	$ 2,624	$ 2,641	$ 2,337	$ 2,347	$ 2,260	$ 2,286	$ 11,501	$ 9,585	$ 8,217
Pro forma adjustment[3]	—	—	—	—	—	—	—	—	—	—	—	—	(7)
Non-GAAP pro forma transaction revenues	$ 3,197	$ 3,244	$ 2,858	$ 2,775	$ 2,624	$ 2,641	$ 2,337	$ 2,347	$ 2,260	$ 2,286	$ 11,501	$ 9,585	$ 8,210
Other value added services[1]	$ 488	$ 500	$ 381	$ 361	$ 351	$ 340	$ 330	$ 303	$ 284	$ 270	$ 1,593	$ 1,257	$ 1,031
Non-GAAP adjustment[2]	—	(39)	—	—	—	—	—	—	—	—	(39)	—	—
Non-GAAP other value added services	$ 488	$ 461	$ 381	$ 361	$ 351	$ 340	$ 330	$ 303	$ 284	$ 270	$ 1,554	$ 1,257	$ 1,031
Total net revenues	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 2,544	$ 2,556	$ 13,094	$ 10,842	$ 9,248
Non-GAAP adjustment[3]	—	(39)	—	—	—	—	—	—	—	—	(39)	—	—
Pro forma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	(7)
Total non-GAAP pro-forma net revenues	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 2,544	$ 2,556	$ 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.

PayPal

Calculation of Free Cash Flow

(In Millions/Unaudited)	Three Months Ended											Year Ended December 31,		
	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	December 31, 2015	September 30, 2015	2017	2016	2015
Net cash provided by operating activities	$ (349)	$ (147)	$ 1,006	$ 921	$ 751	$ 923	$ 801	$ 696	$ 738	$ 728	$ 652	$ 2,531	$ 3,158	$ 2,546
Less: Purchases of property and equipment, net	(178)	(180)	(165)	(174)	(148)	(152)	(183)	(201)	(133)	(164)	(133)	(667)	(669)	(722)
Free cash flow	$ (527)	$ (327)	$ 841	$ 747	$ 603	$ 771	$ 618	$ 495	$ 605	$ 564	$ 519	$ 1,864	$ 2,489	$ 1,824
Impact of held for sale accounting presentation on cash flow from operating activities	1,260	1,299	—	—	—	—	—	—	—	—	—	1,299	—	—
Adjusted free cash flow	$ 733	$ 972	$ 841	$ 747	$ 603	$ 771	$ 618	$ 495	$ 605	$ 564	$ 519	$ 3,163	$ 2,489	$ 1,824

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

Q2-18 and FY 2018 GAAP and Non-GAAP Guidance

	Three Months Ending June 30, 2018	
(in billions, except per share amounts)	GAAP	Non-GAAP(a)
Revenues	$3.78 - $3.83	$3.78 - $3.83
Diluted EPS	$0.41 - $0.43	$0.54 - $0.56

	Twelve Months Ending December 31, 2018	
(in billions, except per share amounts)	GAAP	Non-GAAP(b)
Revenues	$15.20 - $15.40	$15.20 - $15.40
Diluted EPS	$1.73 - $1.76	$2.31 - $2.34
Free Cash Flow		> $4.5 (c)

(a) Estimated non-GAAP amounts above for the three months ending June 30, 2018, reflect adjustments of approximately $245 - $260 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of $225 - $235 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2018, reflect adjustments of approximately $1.00 - 1.04 billion, 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. Assumes Synchrony transaction closes on July 1, 2018

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