PayPal Q3-18 Investor Update

October 18, 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 from 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 fourth quarter and full year 2018 as well as full year 2019, 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; the timing and possible outcome of the UK Competition and Markets Authority's review of the acquisition of iZettle; 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 October 18, 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.

Third Quarter 2018 Summary

Strong user and transaction growth driving outperformance

Revenue

$3.68B

14%* Spot and FX-Neutral YoY Growth; ~7 pts of negative impact from sale of U.S. consumer credit receivables

Non-GAAP EPS[1]

$0.58

26% increase YoY

Free Cash Flow[1]

$4.45B | **$772M***

* Adjusted for sale of U.S. consumer credit portfolio to Synchrony

Active Accounts[2]

9.1M

Net adds in quarter

11% increase YoY

254M

includes 20M merchant accounts

15% increase YoY

Customer Engagement

36.5 payment transactions per active account [2]

9.5% increase YoY

Total Payment Volume[2]

$143B

24% Spot and **25%** FX-Neutral YoY Growth

- Added 9.1 million net new active accounts in Q3-18, record consumer acquisition for a quarter and have now added 33.6 million net new active accounts in the last twelve months
- Approximately 112 million consumer accounts opted into One Touch and 10.4 million merchants now offer One Touch
- Free Cash Flow (FCF) of $4.45 billion in Q3-18 and $772 million adjusting for the sale to Synchrony.

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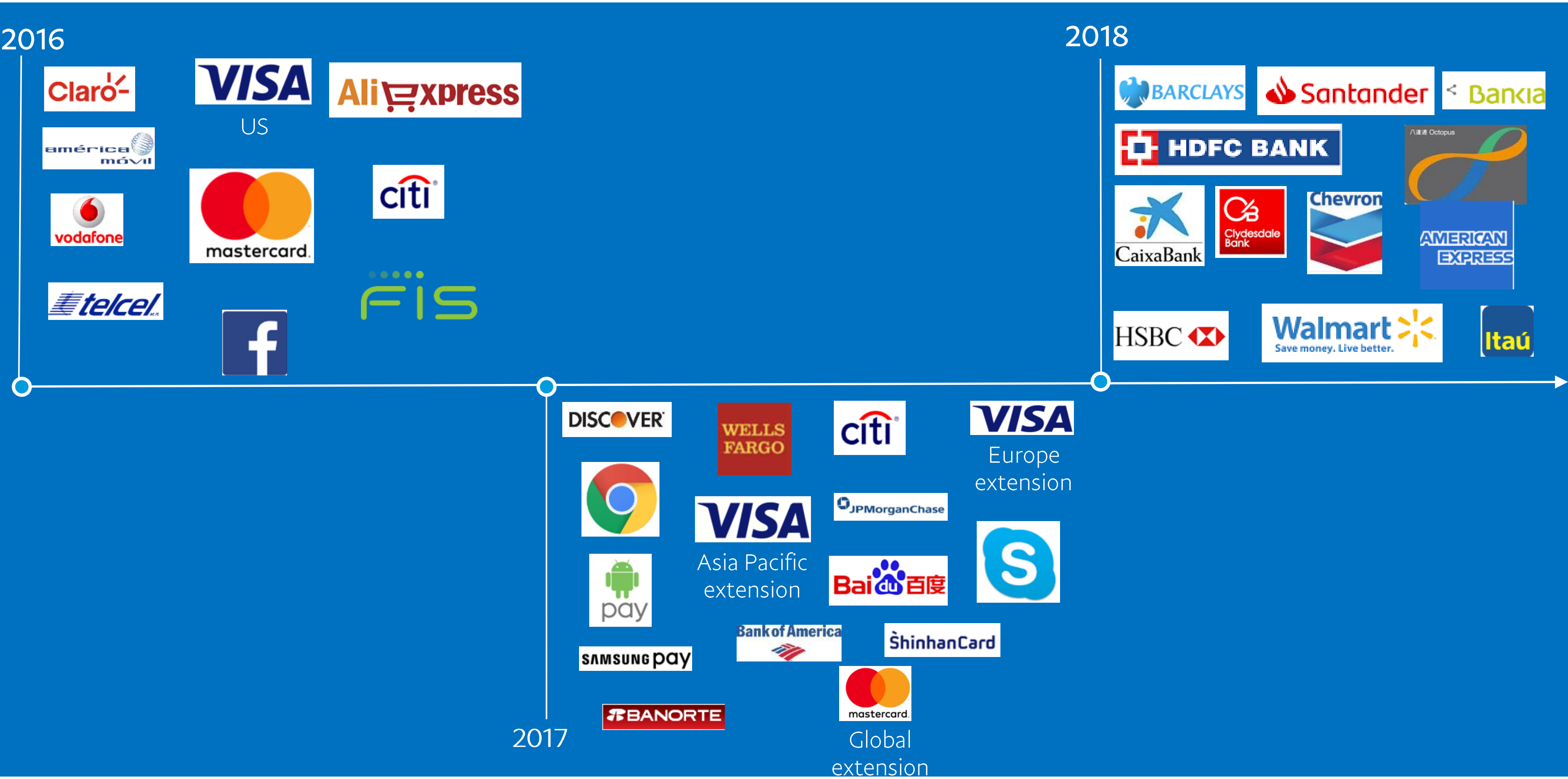
(1) Non-GAAP earnings per share and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

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

BUSINESS UPDATES

Expanding Strategic Partnerships

Announced 37 partnership agreements since 2016

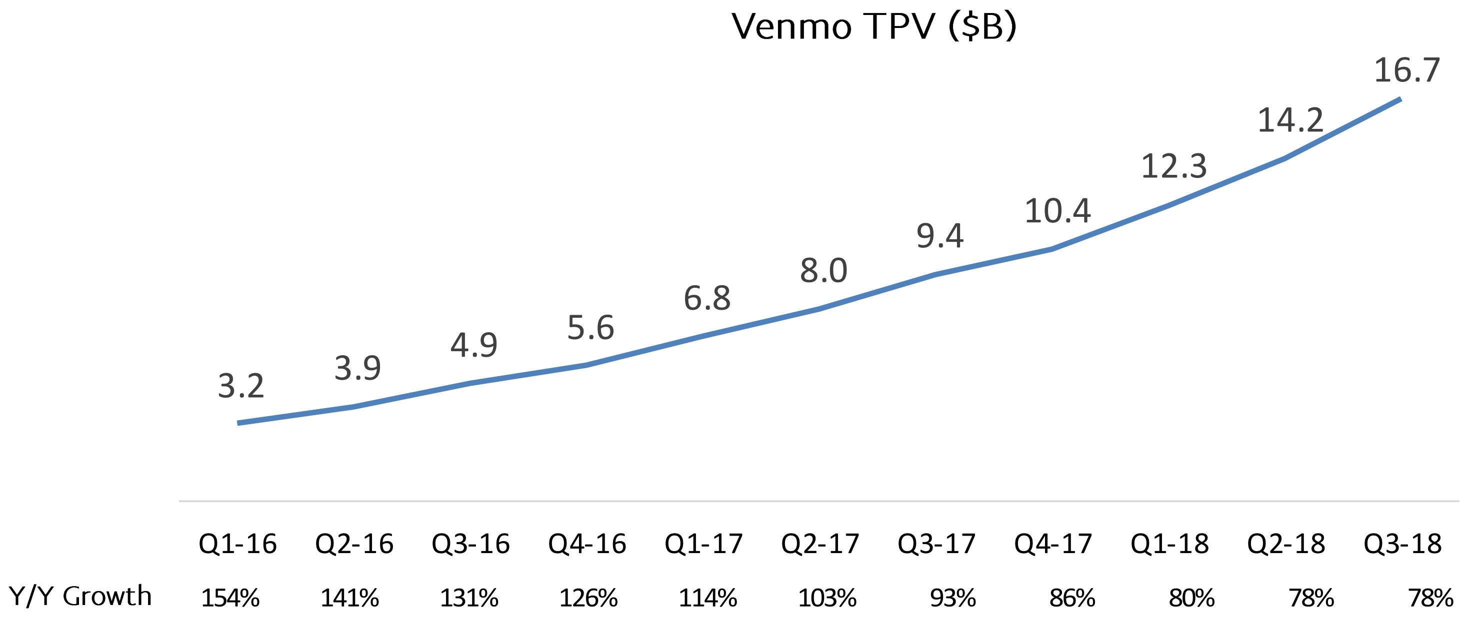


Global Partnerships Are Foundational To Our Customer Choice Strategy

- Choice is available in ~200 markets where PayPal is available
- Approximately 55 million consumers adopted into Choice

Venmo's Rapid Growth Trajectory

$54 billion in TPV over the last 12 months

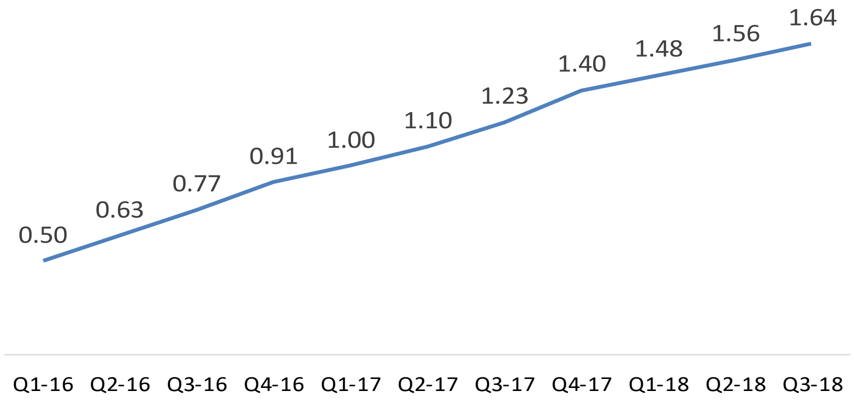


Key Milestones since 2016

- January 2016: Over $1 billion in payments made on Venmo in a month for the first time ever
- August 2017: Introduction of Venmo QR codes
- October 2017: More than 2 million U.S. merchants enabled to accept Pay with Venmo
- January 2018: Launch of instant cash out on Venmo
- June 2018: Launch of Venmo debit card

Braintree: Winning with merchants

Braintree: Transactions including gateway and PayPal transactions (B)(1)



Key Merchants

UBER
facebook
Google
airbnb
World Vision
Dropbox
LIVE NATION
BOXED
yelp
WILLIAMS SONOMA
STITCH FIX
Eventbrite
GRUBHUB
NBC UNIVERSAL
verizon
macy's

Key Milestones

- Q2-17: Processed > 1 billion transactions (including gateway and PayPal transactions) in a quarter for the first time at an average transaction value of $37
- March 2018: Launch of BT Extend, which enables organizations to power partnerships and provide seamless contextual commerce experiences
- Q2-18: Processed > 1.5 billion transactions (including gateway and PayPal transactions) in a quarter for the first time at an average transaction value of $35

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(1) This includes both transactions on the PayPal platform as well as gateway and other transactions that are not eligible to be counted in our number of payment transaction metric and are not included for purposes of calculating engagement and TPV.

OPERATING & FINANCIAL METRICS PERFORMANCE

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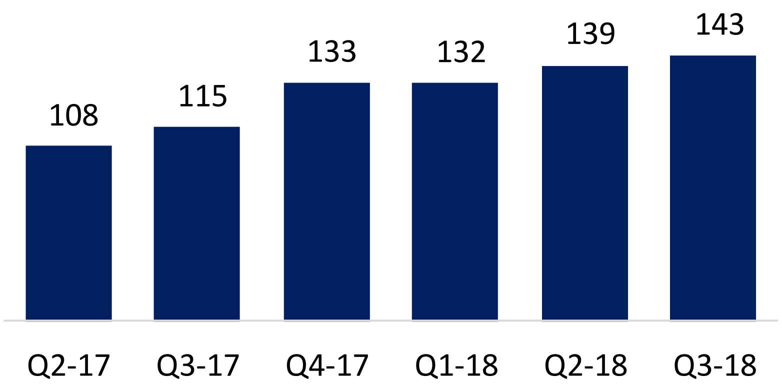
Total Payment Volume (TPV)

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

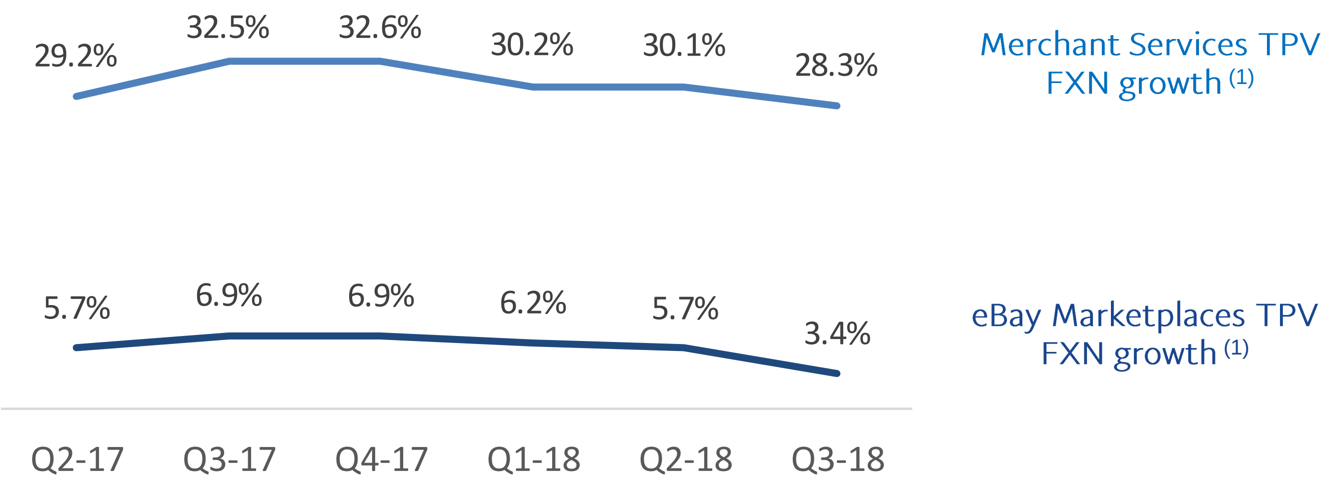


FXN Y/Y Growth	25%	28%	29%	27%	27%	25%

- TPV grew 24% at spot, 25% on an FX-neutral basis in Q3-18. Deceleration on a spot basis was primarily driven by the lapping of TIO Networks (~3pts) and a stronger dollar (~2pts)
- P2P, including core PayPal, Venmo and Xoom, increased 50% in the quarter to $36.5B and represented ~25% of TPV
- Venmo volume increased 78% to $16.7B in the quarter, and reached $53.7B 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

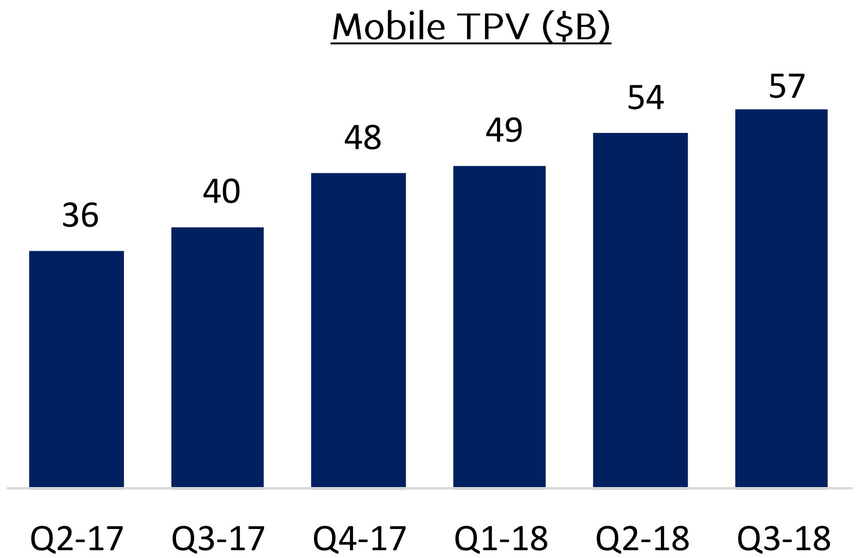


	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
Merchant Services as % of Total TPV	85.8%	86.6%	86.9%	87.3%	88.1%	89.0%

- Merchant Services (non-eBay Marketplaces related) volume represented 89.0% of TPV in Q3-18
- 28% growth in Merchant Services volume driven primarily by core PayPal and Braintree. Deceleration on y/y basis was driven by lapping of TIO Networks and slower growth in CBT volume growth
- Merchant Services volume grew ~8x faster than eBay marketplaces volume

(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

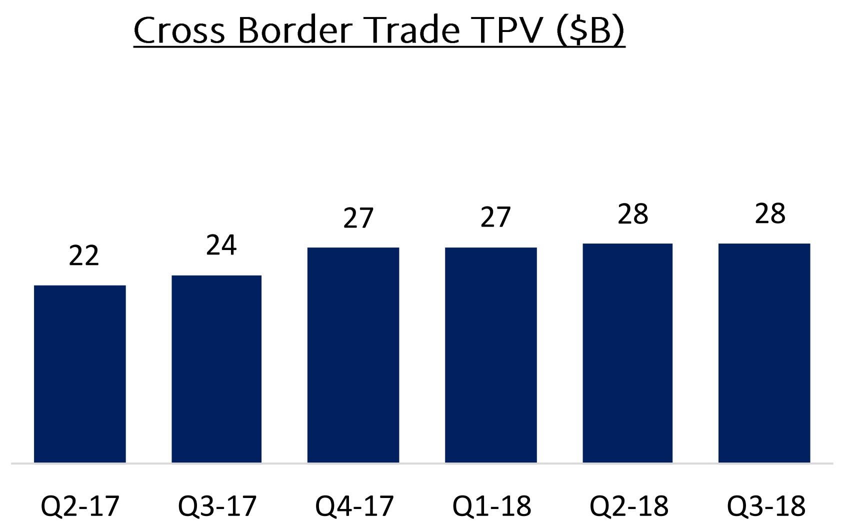


	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
Y/Y Growth	50%	53%	53%	52%	49%	45%
Share of total TPV	33%	34%	36%	37%	39%	40%

- Mobile TPV was ~$57 billion in Q3-18, up ~45%
- Mobile TPV represented 40% of TPV in the quarter, an increase of >570 basis points versus Q3-17

[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)

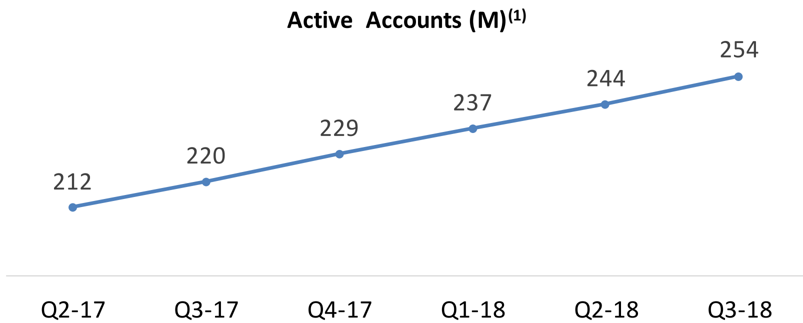


	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
FXN Y/Y Growth	19%	22%	24%	23%	19%	18%
Y/Y Growth	17%	24%	28%	30%	23%	17%
Share of total TPV	21%	21%	20%	21%	20%	19%

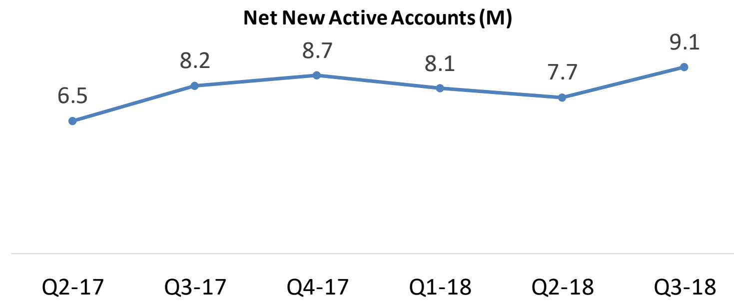
- CBT TPV was $27.7 billion in Q3-18, up 18% on an FX-neutral basis. Deceleration in CBT growth was primarily driven by the strengthening U.S. dollar
- CBT TPV represented 19% of TPV in Q3-18 vs. 21% in Q3-17 driven by stronger growth in Braintree and Venmo

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

Active Accounts



	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
Y/Y Growth	12%	13%	15%	15%	15%	15%

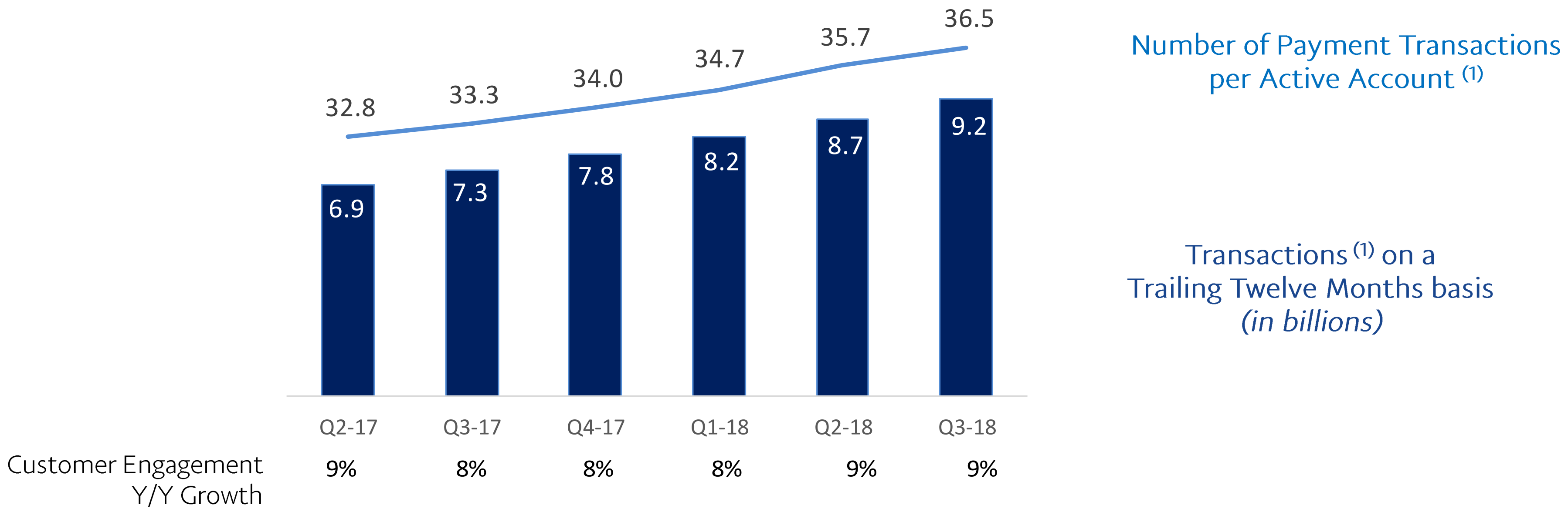


	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
	81%	85%	64%	35%	18%	11%

- Ended the quarter with 254 million active accounts, up 15%, including over 20 million active merchant accounts
- Added 9.1 million net new active accounts, record addition for a quarter
- 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 ~2.5B payment transactions during Q3-18, up 27%
- Payment transactions per active account increased 9.5% to 36.5

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

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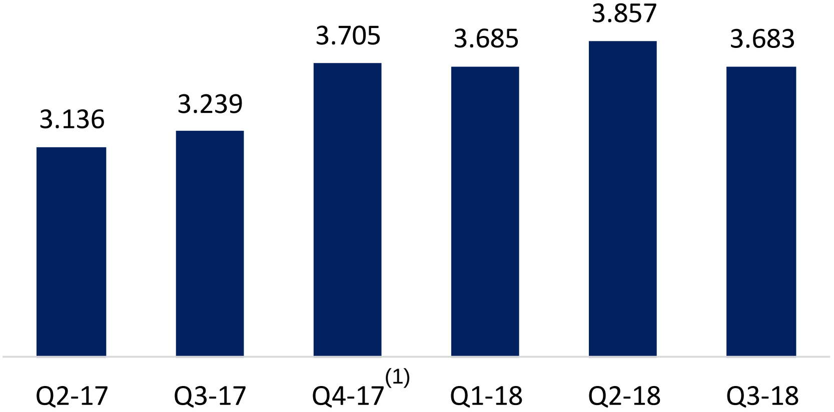
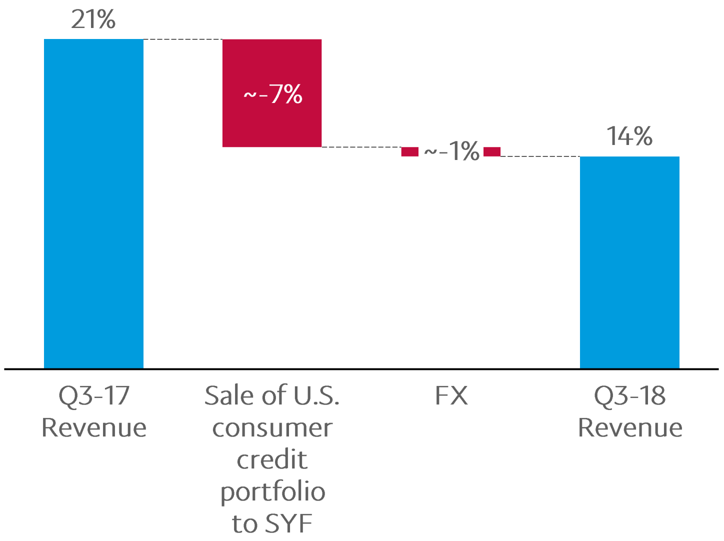
Revenue

Total Revenue ($B)



	Q2-17	Q3-17	Q4-17[1]	Q1-18	Q2-18	Q3-18
Spot Y/Y Growth	18%	21%	24%	24%	23%	14%
FXN Y/Y Growth	20%	22%	24%	22%	22%	14%

Q3-18 Revenue Growth vs. Prior Year



- Total Revenue growth of 14% on a spot and FX-neutral basis, which includes a negative impact of approximately 7 points from the sale of the U.S. consumer credit receivables portfolio to Synchrony
- Transaction Revenue grew 17% on an FX-neutral basis driven primarily by core PayPal and Braintree
- Other Value Added Services Revenue declined 10% on an FX-neutral basis primarily driven by the sale of the U.S. consumer credit receivables portfolio to Synchrony
- Hedging gains, which are recognized in international transaction revenue, were $10 million dollars in Q3-18 versus a loss of $13 million dollars in Q3-17

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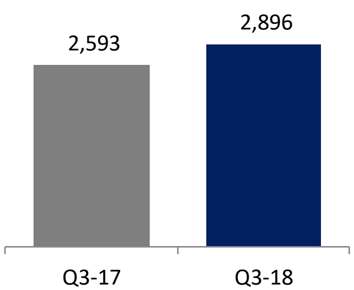
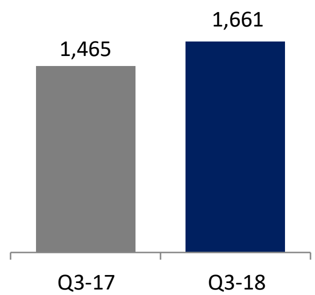
[1] Q4-17 Revenue is presented on a non-GAAP basis. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Non-GAAP Expense Detail

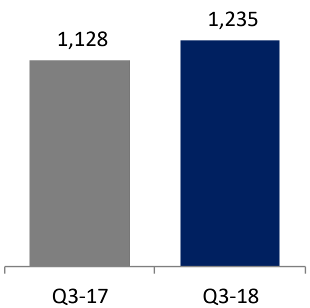
Total Expenses[1]
($M)



Volume-based Expenses[2]
($M)



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



	Total Q3-17	Total Q3-18	Volume-based Q3-17	Volume-based Q3-18	Non-transaction Q3-17	Non-transaction Q3-18
Y/Y Growth	19.1%	11.7%	33.1%	13.4%	4.8%	9.5%
% of Revenue	80.1%	78.6%	45.2%	45.1%	34.8%	33.5%

- Volume-based expenses grew 13%
- Expense discipline generating operating leverage:
  - Non-transaction related expenses grew 9% and delivered 129 bps of leverage on a non-GAAP basis
  - Adjusting for the sale to Synchrony and acquisitions of Swift Financial, Jetlore and Simility, non-transaction related expenses grew 6% and delivered 202 bps leverage
  - On this adjusted basis, non-transaction related expenses increased 10 cents for every incremental dollar of revenue

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

[2] Volume based expenses include transaction expense and transaction and loan losses.

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

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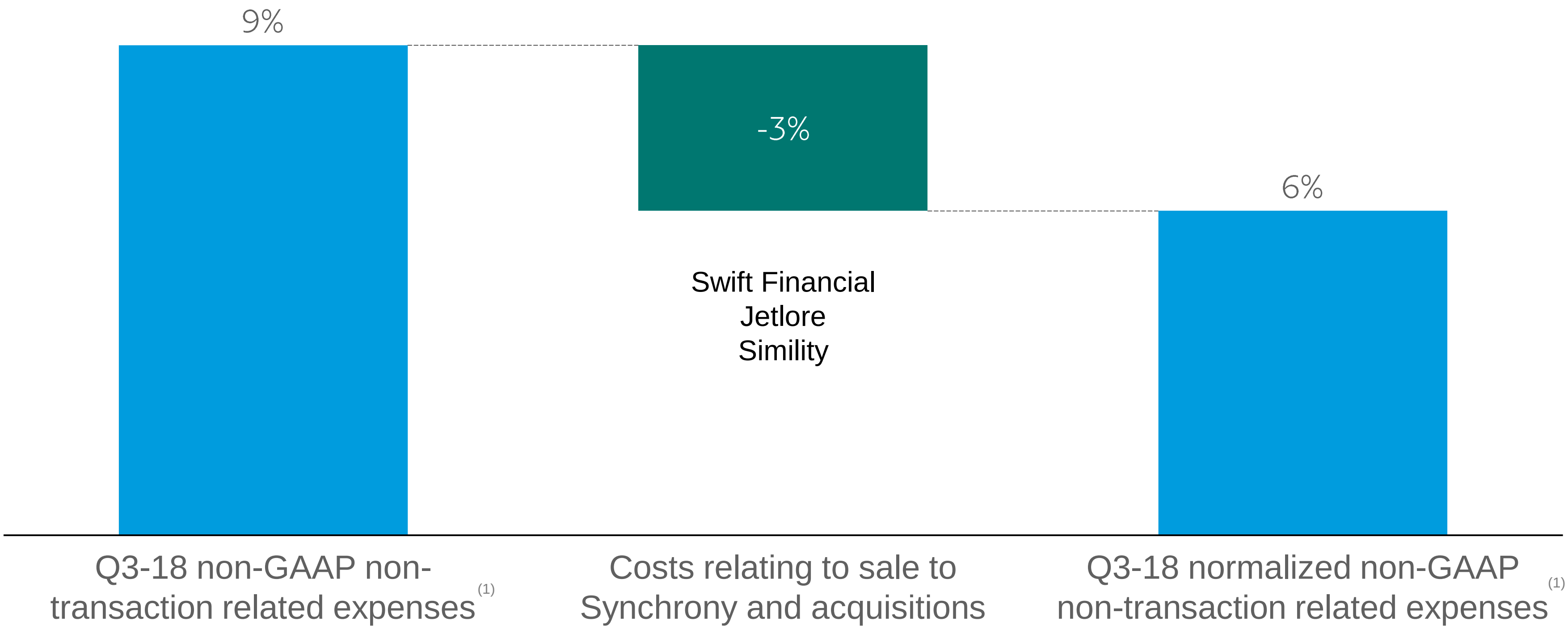
Non-GAAP Non-Transaction Related Expense Growth

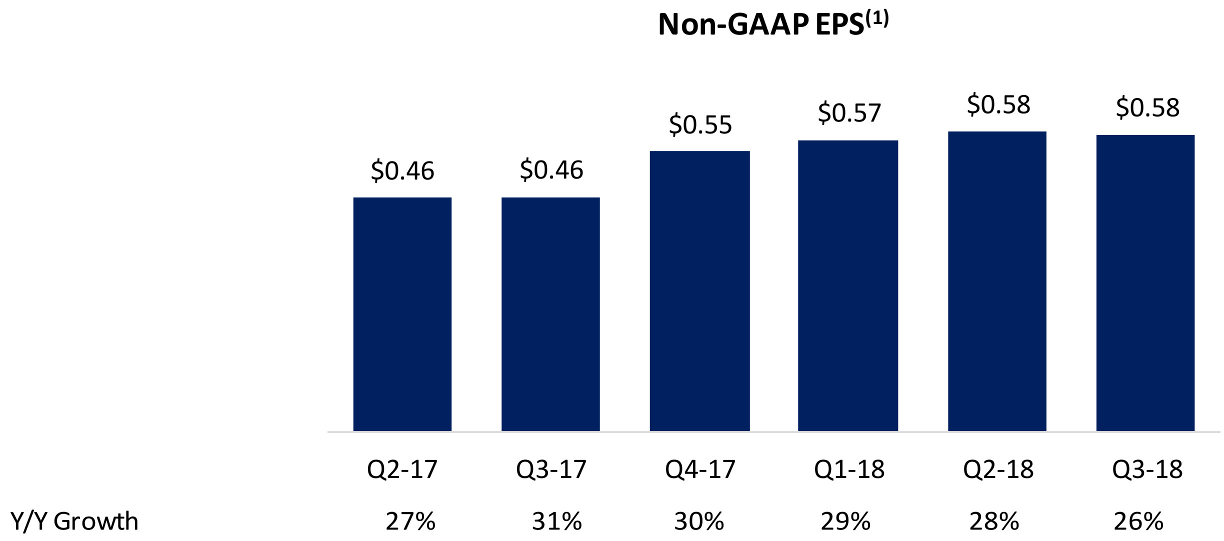
Normalizing for acquisitions and sale to Synchrony



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.

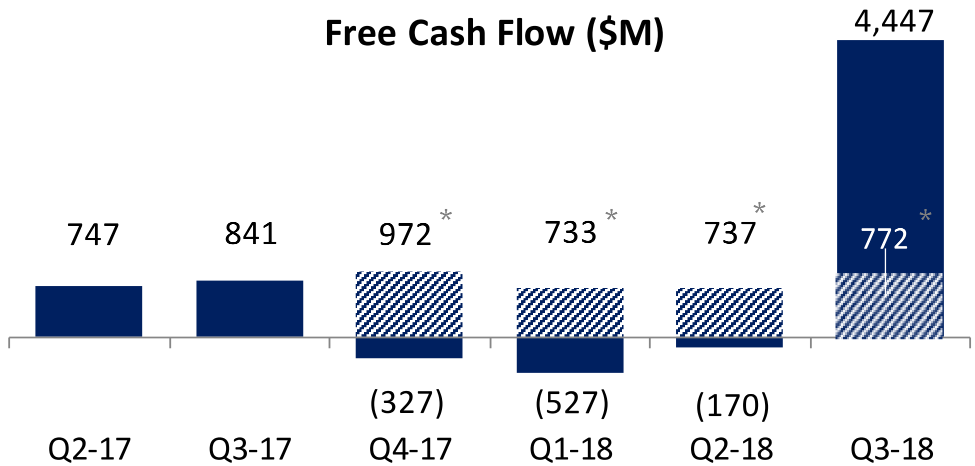
Non-GAAP EPS



- Other Income & Expense (OI&E) for the quarter was $43 million, increasing $15 million y/y, primarily from interest earned on the proceeds from the sale of the U.S. consumer credit receivables portfolio to Synchrony
- Non-GAAP effective tax rate[1] for Q3-18 was 16.4%
- 26% growth in non-GAAP EPS in Q3-18

[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



	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
* FCF % of Revenue	24%	26%	26%	20%	19%	21%
CAPEX % of Revenue	6%	5%	5%	5%	5%	6%

FCF adjusted for impact of HFS accounting treatment

- Free Cash Flow (FCF) of $4.447 billion in Q3-18, or $772 million adjusting for the sale to Synchrony.
- Total Cash, Cash Equivalents, and Investments of $10.3 billion[(1)] comprising $9.2 billion international and $1.1 billion U.S.
- Year to date, returned $2.925 billion to shareholders by repurchasing 36.6M shares at an average price of $79.99

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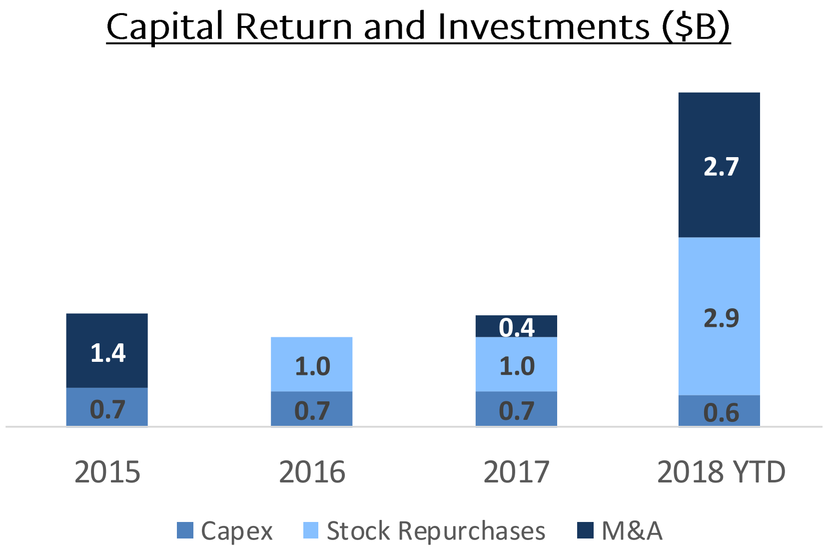
* Normalized for the impact of held for sale accounting of U.S. Consumer credit receivables portfolio.

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 $78M and equity investments of $192M as of September 30, 2018.

Capital Allocation



- Generated ~$9.2 billion in FCF since separation in July 2015.
- Repurchased ~84 million shares of common stock since separation, returning $4.9 billion to shareholders at an average price of $58.77
- In Q2-18, announced acquisitions of iZettle, Hyperwallet, Simility and Jetlore

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[(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)	**$15.420**	**$15.500**
Y/Y Growth	*18%*	*19%*
FXN Y/Y Growth	*17%*	*18%*
Non-GAAP EPS	**$2.38**	**$2.40**
Free Cash Flow (in billions)	**> $4.5**	

- Raising 2018 guidance
- Non-GAAP EPS Y/Y growth of 25% - 27%
- Non-GAAP effective tax rate of 17% - 19%
- CAPEX ~5% of revenue
- GAAP EPS of $1.65 - $1.69

Guidance Context

- Full year revenue guidance of 17% - 18% FXN growth reflects the previously disclosed expected 3.5 percentage point decline 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.

Q4 2018 Guidance

Q4 2018 Guidance

	Low	High
Revenue (in billions)	**$4.195**	**$4.275**
Y/Y Growth	*13%*	*15%*
FXN Y/Y Growth	*13%*	*15%*
Non-GAAP EPS	**$0.65**	**$0.67**

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

- Represents the second quarter in which revenue from the U.S. consumer credit receivables portfolio is no longer recognized within Other Value Added Services revenue
- 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.

2019 Outlook

FY 2019 Outlook	
FXN Revenue Growth:	Approximately 17%, which includes ~ 1.5 pts of growth relating to acquisitions announced in 2018 and ~3.5 pts of decline related to the sale of the U.S. consumer credit receivables to Synchrony
Non-GAAP EPS Growth:	Approximately 20% which incorporates $0.08 - $0.10 of dilution from acquisitions announced in 2018

All growth rates are year-over-year.

SUPPLEMENTAL INFORMATION

PayPal Metrics

(in millions, except %)	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18
Active Accounts (1)	**212**	**220**	**229**	**237**	**244**	**254**
Y/Y Growth	12%	13%	15%	15%	15%	15%
Net New Active Accounts	**6.5**	**8.2**	**8.7**	**8.1**	**7.7**	**9.1**
Number of Payment Transactions (1)	**1,817**	**1,941**	**2,240**	**2,214**	**2,327**	**2,463**
Y/Y Growth	22%	25%	25%	25%	28%	27%
Total Payment Volume (1)	**107,800**	**115,224**	**132,515**	**132,364**	**139,403**	**143,004**
Y/Y Growth	23%	30%	32%	32%	29%	24%
FXN Y/Y Growth	25%	28%	29%	27%	27%	25%
US TPV	61,395	65,464	74,068	74,700	79,959	83,242
Y/Y Growth	26%	30%	31%	28%	30%	27%
International TPV	46,405	49,760	58,448	57,665	59,444	59,761
Y/Y Growth	19%	29%	32%	36%	28%	20%
FXN Y/Y Growth	24%	26%	26%	25%	22%	22%
Total Take Rate (1)	**2.91%**	**2.81%**	**2.80%**	**2.78%**	**2.77%**	**2.58%**
Transaction Take Rate (1)	**2.57%**	**2.48%**	**2.45%**	**2.42%**	**2.38%**	**2.34%**
Transaction Expense Rate (1)	0.99%	0.96%	0.96% *	0.96%	0.98%	0.96%
Transaction and Loan Loss Rate (1)	0.29%	0.32%	0.24% *	0.23%	0.24%	0.21%
Transaction Margin (2)	**56.3%**	**54.8%**	**57.1%**	**57.1%**	**56.0%**	**54.9%**

- Cross-border trade (CBT) was 19% of TPV in the quarter, growing 18% FX-neutral
- 50% of active accounts are outside the U.S.
- Average Payment Volume (APV) was $58, down 2% year over year
- Transaction take rate down ~14 bps, driven primarily by P2P growth (including Venmo)
- Credit loans receivable of $2.2B, with $1.6B 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)	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
Transaction Revenue	2,775	2,858	3,244	3,197	3,318	3,343
Y/Y Growth	18%	22%	23%	22%	20%	17%
Other Value Added Services (OVAS)	361	381	461 *	488	539	340
Y/Y Growth	19%	15%	36%	39%	49%	-11%
Total Revenue[1]	**3,136**	**3,239**	**3,705** *	**3,685**	**3,857**	**3,683**
Y/Y Growth	18%	21%	24%	24%	23%	14%
FXN Y/Y Growth	20%	22%	24%	22%	22%	14%
% International	46%	46%	46%	45%	44%	47%
US Revenue Y/Y Growth	20%	21%	27% *	26%	27%	13%
International Revenue FXN Y/Y Growth	20%	22%	21%	18%	16%	15%
Volume-based expenses	1,372	1,465	1,589 *	1,580	1,696	1,661
Non-transaction related expenses	1,105	1,128	1,309	1,276	1,341	1,235
Total Operating Expenses[1]	**2,477**	**2,593**	**2,898**	**2,856**	**3,037**	**2,896**
Y/Y Growth	17%	19%	23%	22%	23%	12%
Non-GAAP Op. Income[1]	**659**	**646**	**807**	**829**	**820**	**787**
Non-GAAP Op. Margin %[1]	**21%**	**20%**	**22%**	**22%**	**21%**	**21%**
Non-GAAP EPS[1]	**$0.46**	**$0.46**	**$0.55**	**$0.57**	**$0.58**	**$0.58**
Y/Y Growth	27%	31%	30%	29%	28%	26%
CAPEX	174	165	180	178	198	223
Free Cash Flow[1]	**747**	**841**	**(327)**	**(527)**	**(170)**	**4,447**

- 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)	**September 30, 2018**	**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**	**2017**	**2016**	**2015**
TPV[1]	$ 143,004	$ 139,403	$ 132,364	$ 132,515	$ 115,224	$ 107,800	$ 100,639	$ 100,711	$ 88,895	$ 87,763	$ 456,179	$ 359,928	$ 288,038
GAAP Net revenues	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 13,094	$ 10,842	$ 9,248
Other[2]	—	—	—	(39)	—	—	—	—	—	—	(39)	—	—
Non-GAAP Net revenues	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 13,055	$ 10,842	$ 9,248
GAAP Transaction and loan losses	$ 295	$ 334	$ 305	$ 40	$ 363	$ 308	$ 300	$ 307	$ 271	$ 255	$ 1,011	$ 1,088	$ 809
Other[3]	—	—	—	283	—	—	—	—	—	—	283	—	—
Non-GAAP Transaction and loan Losses	$ 295	$ 334	$ 305	$ 323	$ 363	$ 308	$ 300	$ 307	$ 271	$ 255	$ 1,294	$ 1,088	$ 809
GAAP Transaction and loan losses rate (% of TPV)[1]	0.21%	0.24%	0.23%	0.03 %	0.32%	0.29%	0.30%	0.30%	0.30%	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]	0.21%	0.24%	0.23%	0.24 %	0.32%	0.29%	0.30%	0.30%	0.30%	0.29%	0.28 %	0.30%	0.28%
GAAP Transaction margin	54.9%	56.0%	57.1%	65.1 %	54.8%	56.3%	56.7%	57.7%	58.7%	59.8%	58.5 %	59.1%	63.0%
Effect of non-GAAP adjustment	—%	—%	—%	(8.0)%	—%	—%	—%	—%	—%	—%	(2.3)%	—%	—%
Non-GAAP Transaction margin	54.9%	56.0%	57.1%	57.1 %	54.8%	56.3%	56.7%	57.7%	58.7%	59.8%	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 receivables portfolio as held for sale.

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

PayPal

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended September 30, 2018	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	Year Ended December 31, 2017	2016	2015
GAAP operating expenses:														
Transaction expense		$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		295	334	305	40	363	308	300	307	271	255	1,011	1,088	809
Customer support and operations		367	357	351	366	346	335	317	328	325	318	1,364	1,267	1,110
Sales and marketing		326	313	285	328	278	284	238	253	233	250	1,128	969	937
Product development		269	255	258	267	240	232	214	215	215	209	953	834	792
General and administrative		354	368	339	315	293	282	265	275	261	261	1,155	1,028	873
Depreciation and amortization		188	180	185	227	194	201	183	189	184	176	805	724	608
Restructuring and other charges		28	116	153	92	—	—	40	—	—	—	132	—	48
Total operating expenses		$ 3,193	$ 3,285	$ 3,151	$ 2,901	$ 2,816	$ 2,706	$ 2,544	$ 2,521	$ 2,319	$ 2,279	$ 10,967	$ 9,256	$ 7,787
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(h)	$ —	$ —	$ —	$ 283	$ —	$ —	$ —	$ —	$ —	$ —	$ 283	$ —	$ —
Customer support and operations	(a)	$ (42)	$ (39)	$ (38)	$ (40)	$ (38)	$ (34)	$ (30)	$ (24)	$ (21)	$ (22)	$ (142)	$ (85)	$ (62)
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(3)
Sales and marketing	(a)	(39)	(39)	(44)	(43)	(36)	(33)	(28)	(25)	(21)	(22)	(140)	(84)	(52)
Product development	(a)	(66)	(64)	(64)	(72)	(64)	(59)	(45)	(37)	(34)	(35)	(240)	(139)	(132)
General and administrative	(a)	(65)	(63)	(59)	(63)	(54)	(51)	(42)	(39)	(31)	(33)	(210)	(130)	(94)
	(b)	(2)	(13)	(32)	(1)	(2)	(12)	(2)	—	(1)	(9)	(17)	(11)	(9)
	(e)	—	—	—	—	—	—	—	—	—	—	—	—	(12)
	(f)	(17)	—	—	—	—	—	—	—	—	—	—	—	(10)
	(i)	—	—	—	(5)	—	—	—	—	—	—	(5)	—	—
Depreciation and amortization	(a)	(5)	(5)	(4)	(4)	(3)	(3)	(2)	(2)	(2)	(1)	(12)	(6)	(7)
	(c)	(33)	(25)	(29)	(58)	(26)	(22)	(23)	(32)	(32)	(35)	(129)	(133)	(85)
	(g)	—	—	—	—	—	(15)	—	—	—	—	(15)	—	—
Restructuring and other charges	(d)	—	—	(25)	—	—	—	(40)	—	—	—	(40)	—	(48)
	(j)	(28)	—	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses		$ (297)	$ (248)	$ (295)	$ (3)	$ (223)	$ (229)	$ (212)	$ (159)	$ (142)	$ (157)	$ (667)	$ (588)	$ (514)
Non-GAAP operating expenses:														
Transaction expense		$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		295	334	305	323	363	308	300	307	271	255	1,294	1,088	809
Customer support and operations		325	318	313	326	308	301	287	304	304	296	1,222	1,182	1,045
Sales and marketing		287	274	241	285	242	251	210	228	212	228	988	885	885
Product development		203	191	194	195	176	173	169	178	181	174	713	695	660
General and administrative		270	292	248	246	237	219	221	236	229	219	923	887	748
Depreciation and amortization		150	150	152	165	165	161	158	155	150	140	649	585	516
Restructuring and other charges		—	116	128	92	—	—	—	—	—	—	92	—	—
Total operating expenses		$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 2,122	$ 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 receivables portfolio designation as held for sale

(i) Fees associated with the sale of the U.S. Consumer Credit receivables portfolio

(j) Net loss related to the sale of our U.S. Consumer Credit receivables portfolio

PayPal

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

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

		Three Months Ended										Year Ended December 31,		
(In Millions/Unaudited)	**Note**	**September 30, 2018**	**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**	**2017**	**2016**	**2015**
Non-GAAP operating expenses:														
Transaction expense		$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		295	334	305	323	363	308	300	307	271	255	1,294	1,088	809
Customer support and operations		325	318	313	326	308	301	287	304	304	296	1,222	1,182	1,045
Sales and marketing		287	274	241	285	242	251	210	228	212	228	988	885	885
Product development		203	191	194	195	176	173	169	178	181	174	713	695	660
General and administrative		270	292	248	246	237	219	221	236	229	219	923	887	748
Depreciation and amortization		150	150	152	165	165	161	158	155	150	140	649	585	516
Restructuring and other charges		—	116	128	92	—	—	—	—	—	—	92	—	—
Total operating expenses		$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 2,122	$ 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		$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 810	$ 4,419	$ 3,346	$ 2,610
Transaction and loan losses		295	334	305	323	363	308	300	307	271	255	1,294	1,088	831
Customer support and operations		325	318	313	326	308	301	287	304	304	296	1,222	1,182	1,053
Sales and marketing		287	274	241	285	242	251	210	228	212	228	988	885	860
Product development		203	191	194	195	176	173	169	178	181	174	713	695	660
General and administrative		270	292	248	246	237	219	221	236	229	219	923	887	751
Depreciation and amortization		150	150	152	165	165	161	158	155	150	140	649	585	524
Restructuring and other charges		—	116	128	92	—	—	—	—	—	—	92	—	—
Total operating expenses		$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 2,122	$ 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.

PayPal

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,		
		September 30, 2018	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	2017	2016	2015
GAAP operating income		$ 490	$ 572	$ 534	$ 843	$ 423	$ 430	$ 431	$ 460	$ 348	$ 371	$ 2,127	$ 1,586	$ 1,461
Stock-based compensation expense and related employer payroll taxes		219	223	241	223	197	192	149	127	110	122	761	455	356
Acquisition related transaction expense		17	—	—	—	—	—	—	—	—	—	—	—	10
Separation		—	—	—	—	—	—	—	—	—	—	—	—	15
Restructuring		—	—	25	—	—	—	40	—	—	—	40	—	48
Amortization of acquired intangible assets		33	25	29	58	26	22	23	32	32	35	129	133	85
Other		28	—	—	(317)	—	15	—	—	—	—	(302)	—	—
Total non-GAAP operating income adjustments		297	248	295	(36)	223	229	212	159	142	157	628	588	514
Non-GAAP operating income		$ 787	$ 820	$ 829	$ 807	$ 646	$ 659	$ 643	$ 619	$ 490	$ 528	$ 2,755	$ 2,174	$ 1,975
Non-GAAP operating margin		*21.4%*	*21.3%*	*22.5%*	*21.8%*	*19.9%*	*21.0%*	*21.6%*	*20.8%*	*18.4%*	*19.9%*	*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		$ 787	$ 820	$ 829	$ 807	$ 646	$ 659	$ 643	$ 619	$ 490	$ 528	$ 2,755	$ 2,174	$ 1,952
Non-GAAP pro forma operating margin		*21.4%*	*21.3%*	*22.5%*	*21.8%*	*19.9%*	*21.0%*	*21.6%*	*20.8%*	*18.4%*	*19.9%*	*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 Amount/Unaudited)	**September 30, 2018**	**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**	**2017**	**2016**	**2015**
GAAP income before income taxes	$ 533	$ 609	$ 548	$ 864	$ 451	$ 447	$ 438	$ 469	$ 360	$ 380	$ 2,200	$ 1,631	$ 1,488
GAAP income tax expense	97	83	37	244	71	36	54	79	37	57	405	230	260
GAAP net income	436	526	511	620	380	411	384	390	323	323	1,795	1,401	1,228
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	297	248	295	(36)	223	229	212	159	142	157	628	588	514
Separation (Other income (expense), net)	—	—	—	—	—	—	—	—	—	—	—	—	(12)
Other certain significant gains, losses, or charges	14	32	3	201	23	—	—	—	—	—	224	—	—
Tax effect of non-GAAP adjustments	(53)	(103)	(117)	(115)	(66)	(86)	(62)	(37)	(40)	(44)	(329)	(164)	(142)
Non-GAAP net income	$ 694	$ 703	$ 692	$ 670	$ 560	$ 554	$ 534	$ 512	$ 425	$ 436	$ 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	$ 694	$ 703	$ 692	$ 670	$ 560	$ 554	$ 534	$ 512	$ 425	$ 436	$ 2,318	$ 1,825	$ 1,568
Shares used in diluted share calculation	1,199	1,202	1,217	1,228	1,223	1,215	1,216	1,216	1,214	1,215	1,221	1,218	1,229
Net income per diluted share:													
GAAP	$ 0.36	$ 0.44	$ 0.42	$ 0.50	$ 0.31	$ 0.34	$ 0.32	$ 0.32	$ 0.27	$ 0.27	$ 1.47	$ 1.15	$ 1.00
Non-GAAP	$ 0.58	$ 0.58	$ 0.57	$ 0.55	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 0.35	$ 0.36	$ 1.90	$ 1.50	$ 1.29
Non-GAAP pro forma	$ 0.58	$ 0.58	$ 0.57	$ 0.55	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 0.35	$ 0.36	$ 1.90	$ 1.50	$ 1.28
GAAP effective tax rate	18 %	14%	7%	28 %	16%	8%	12%	17%	10%	15%	18%	14%	17%
Tax effect of non-GAAP adjustments to net income	(2)%	4%	11%	(9)%	1%	10%	6%	1%	5%	4%	—%	4%	3%
Non-GAAP effective tax rate	16 %	18%	18%	19 %	17%	18%	18%	18%	15%	19%	18%	18%	20%
Tax effect of non-GAAP pro forma adjustments to net income	— %	—%	—%	— %	—%	—%	—%	—%	—%	—%	—%	—%	—%
Non-GAAP pro forma effective tax rate	16 %	18%	18%	19 %	17%	18%	18%	18%	15%	19%	18%	18%	20%

PayPal

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

(In millions/Unaudited)	Three Months Ended September 30, 2018	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	Year Ended December 31, 2017	2016	2015
U.S. net revenues	$ 1,962	$ 2,150	$ 2,023	$ 2,045	$ 1,743	$ 1,690	$ 1,606	$ 1,574	$ 1,436	$ 1,407	$ 7,084	$ 5,760	$ 4,640
Non-GAAP adjustment[1]	—	—	—	(39)	—	—	—	—	—	—	(39)	—	—
Proforma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	$ (5)
Non-GAAP pro forma U.S. net revenues	$ 1,962	$ 2,150	$ 2,023	$ 2,006	$ 1,743	$ 1,690	$ 1,606	$ 1,574	$ 1,436	$ 1,407	$ 7,045	$ 5,760	$ 4,635
International net revenues	$ 1,721	$ 1,707	$ 1,662	$ 1,699	$ 1,496	$ 1,446	$ 1,369	$ 1,407	$ 1,231	$ 1,243	$ 6,010	$ 5,082	$ 4,608
Pro forma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	(2)
Non-GAAP pro forma international net revenues	$ 1,721	$ 1,707	$ 1,662	$ 1,699	$ 1,496	$ 1,446	$ 1,369	$ 1,407	$ 1,231	$ 1,243	$ 6,010	$ 5,082	$ 4,606
Total net revenues	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 13,094	$ 10,842	$ 9,248
Non-GAAP adjustment[1]	—	—	—	(39)	—	—	—	—	—	—	(39)	—	—
Proforma adjustment[2]	—	—	—	—	—	—	—	—	—	—	—	—	$ (7)
Total non-GAAP pro forma net revenues	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 13,055	$ 10,842	$ 9,241

[1] Elimination of allowance on interest receivable due to the U.S. Consumer Credit receivables 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

	Three Months Ended										Year Ended December 31,		
(In millions/Unaudited)	**September 30, 2018**	**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**	**2017**	**2016**	**2015**
Transaction revenues[1]	$ 3,343	$ 3,318	$ 3,197	$ 3,244	$ 2,858	$ 2,775	$ 2,624	$ 2,641	$ 2,337	$ 2,347	$ 11,501	$ 9,585	$ 8,217
Pro forma adjustment[3]	—	—	—	—	—	—	—	—	—	—	—	___	(7)
Non-GAAP pro forma transaction revenues	$ 3,343	$ 3,318	$ 3,197	$ 3,244	$ 2,858	$ 2,775	$ 2,624	$ 2,641	$ 2,337	$ 2,347	$ 11,501	$ 9,585	$ 8,210
Other value added services[1]	$ 340	$ 539	$ 488	$ 500	$ 381	$ 361	$ 351	$ 340	$ 330	$ 303	$ 1,593	$ 1,257	$ 1,031
Non-GAAP adjustment[2]	—	—	—	(39)	—	—	—	—	—	—	(39)	—	—
Non-GAAP other value added services	$ 340	$ 539	$ 488	$ 461	$ 381	$ 361	$ 351	$ 340	$ 330	$ 303	$ 1,554	$ 1,257	$ 1,031
Total net revenues	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 13,094	$ 10,842	$ 9,248
Non-GAAP adjustment[2]	—	—	—	(39)	—	—	—	—	—	—	(39)	—	—
Pro forma adjustment[3]	—	—	—	—	—	—	—	—	—	—	—	—	(7)
Total non-GAAP pro-forma net revenues	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 2,667	$ 2,650	$ 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 receivables 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,		
	September 30, 2018	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	2017	2016	2015
Net cash provided by operating activities	$ 4,670	$ 28	$ (349)	$ (147)	$ 1,006	$ 921	$ 751	$ 923	$ 801	$ 696	$ 2,531	$ 3,158	$ 2,546
Less: Purchases of property and equipment, net	(223)	(198)	(178)	(180)	(165)	(174)	(148)	(152)	(183)	(201)	(667)	(669)	(722)
Free cash flow	$ 4,447	$ (170)	$ (527)	$ (327)	$ 841	$ 747	$ 603	$ 771	$ 618	$ 495	$ 1,864	$ 2,489	$ 1,824
Impact of held for sale accounting presentation related to our U.S. consumer credit receivables portfolio on cash flow from operating activities	(3,675)	907	1,260	1,299	—	—	—	—	—	—	1,299	—	—
Adjusted free cash flow	$ 772	$ 737	$ 733	$ 972	$ 841	$ 747	$ 603	$ 771	$ 618	$ 495	$ 3,163	$ 2,489	$ 1,824

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

Q4-18 and FY 2018 GAAP and Non-GAAP Guidance

(in billions, except per share amounts)	Three Months Ending December 31, 2018 GAAP	Three Months Ending December 31, 2018 Non-GAAP(a)
Revenues	$4.195 - $4.275	$4.195 - $4.275
Diluted EPS	$0.43 - $0.47	$0.65 - $0.67

(in billions, except per share amounts)	Twelve Months Ending December 31, 2018 GAAP	Twelve Months Ending December 31, 2018 Non-GAAP(b)
Revenues	$15.420- $15.500	$15.420- $15.500
Diluted EPS	$1.65 - $1.69	$2.38 - $2.40
Free Cash Flow		> $4.5 (c)

(a) Estimated non-GAAP amounts above for the three months ending December 31, 2018, reflect adjustments of approximately $310 - $370 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of $210 - $230 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2018, reflect adjustments of approximately $1150 - $1210 million, primarily representing estimated stock-based compensation expense and related payroll taxes, in the range of $895 - $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 on our Payments platform, not including gateway-exclusive transactions, within the past 12 months.
- **Number of Payment Transactions:** Payment transactions are the total number of payments, net of payment reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.
- **Number of Payment Transactions per Active Account:** Number of payment transactions per active account reflects the total number of payment transactions within the previous 12 month period, divided by active accounts at the end of the period.
- **Total Payment Volume:** Total Payment Volume or “TPV” is the value of payments, net of payment reversals, successfully completed on our Payments Platform, or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.
- **Total Take Rate:** Total take rate is total revenue divided by TPV.
- **Transaction Take Rate:** Transaction take rate is transaction revenue divided by TPV.
- **Transaction Expense Rate:** Transaction expense rate is calculated by dividing transaction expense by TPV.
- **Transaction and Loan Loss Rate:** Transaction and loan loss rate is calculated by dividing transaction and loan loss by TPV.
- **Transaction Margin:** Transaction margin is total revenue less transaction expense and transaction and loan loss, divided by total revenue