PayPal Q1-19 Investor Update

April 24, 2019

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 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, beginning with the first quarter of 2019, we have reclassified certain operating expenses within our consolidated statements of income. Prior period amounts have been reclassified to conform with this presentation. For additional details, please see our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2019.
- This presentation contains forward-looking statements relating to, among other things, the future results of operations, financial condition, expectations and plans of PayPal Holdings, Inc. and its consolidated subsidiaries that reflect PayPal's current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "strategy," "future," "opportunity," "plan," "project," "forecast" and other similar expressions. Forward-looking statements include, but are not limited to, statements regarding projected financial results for second quarter and full year 2019, the impact and timing of acquisitions and the projected future growth of PayPal's businesses. Forward-looking statements are based upon various estimates and assumptions, as well as information known to PayPal as of the date of this presentation, and are inherently subject to numerous risks and uncertainties.
- Our actual results could differ materially from those predicted or implied by forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: changes in political, business, economic, market and trade conditions, including any regional or general economic downturn or crisis and any conditions that affect payments or e-commerce growth; fluctuations in foreign currency exchange rates; the competitive, regulatory, payment card association-related and other risks specific to the PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle and other products, especially as PayPal continues to expand geographically and introduce new products and as new laws and regulations related to payments and financial services come into effect; the impact of PayPal's customer choice initiatives, including on its funding mix and transaction expense; PayPal's ability to successfully compete in an increasingly competitive environment for its businesses, products and services, including competition for consumers and merchants and the increasing importance of mobile payments and mobile commerce; the outcome of legal and regulatory proceedings and PayPal's need and ability to manage regulatory, tax and litigation risks as its products and services are offered in more jurisdictions and applicable laws become more restrictive; changes to PayPal's capital allocation or management of operating cash; uncertainty surrounding the implementation and impact of the United Kingdom's formal notification of its intent to withdraw from the European Union; cyberattacks and security vulnerabilities in PayPal products and services that could 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 and investigation 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 April 24, 2019. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this presentation. PayPal assumes no obligation to update such forward-looking statements.

Strategic Highlights

2019 on track with strong momentum operationally and financially

- +9.3 million NNAs ending the quarter with 277 million active accounts; engagement growth of 9% to 37.9
- Venmo ended the quarter with 40M+ active accounts
- Delivered ~110 bps of operating margin expansion adjusting for acquisitions
- $750 million strategic investment in MercadoLibre (NASDAQ: MELI, “MELI”), a Latin American e-commerce and payments leader
- $750 million in share repurchases
- FCF: In Q1-19, $0.20 of FCF generated for every $1 of revenue
- Instagram partnership announced to process payments on Shopping on Instagram in the U.S.

First Quarter 2019 Summary

Strong user and transaction growth driving solid results

Revenue

$4.13B

12% Spot and FX-Neutral YoY Growth; ~7 pts of negative impact from sale of U.S. consumer credit portfolio to SYF (receivables sale)

Non-GAAP EPS[(1)]

$0.78

37% increase YoY; includes $0.08 benefit from PayPal's strategic investment in MELI

Free Cash Flow[(1)]

$809 million

10%* increase YoY; 20% as % of revenue

Active Accounts

9.3M

Net adds in quarter

15% increase YoY

277M

includes 22M merchant accounts

17% increase YoY

Customer Engagement

37.9 payment transactions per active account

9% increase YoY

Total Payment Volume

$161B

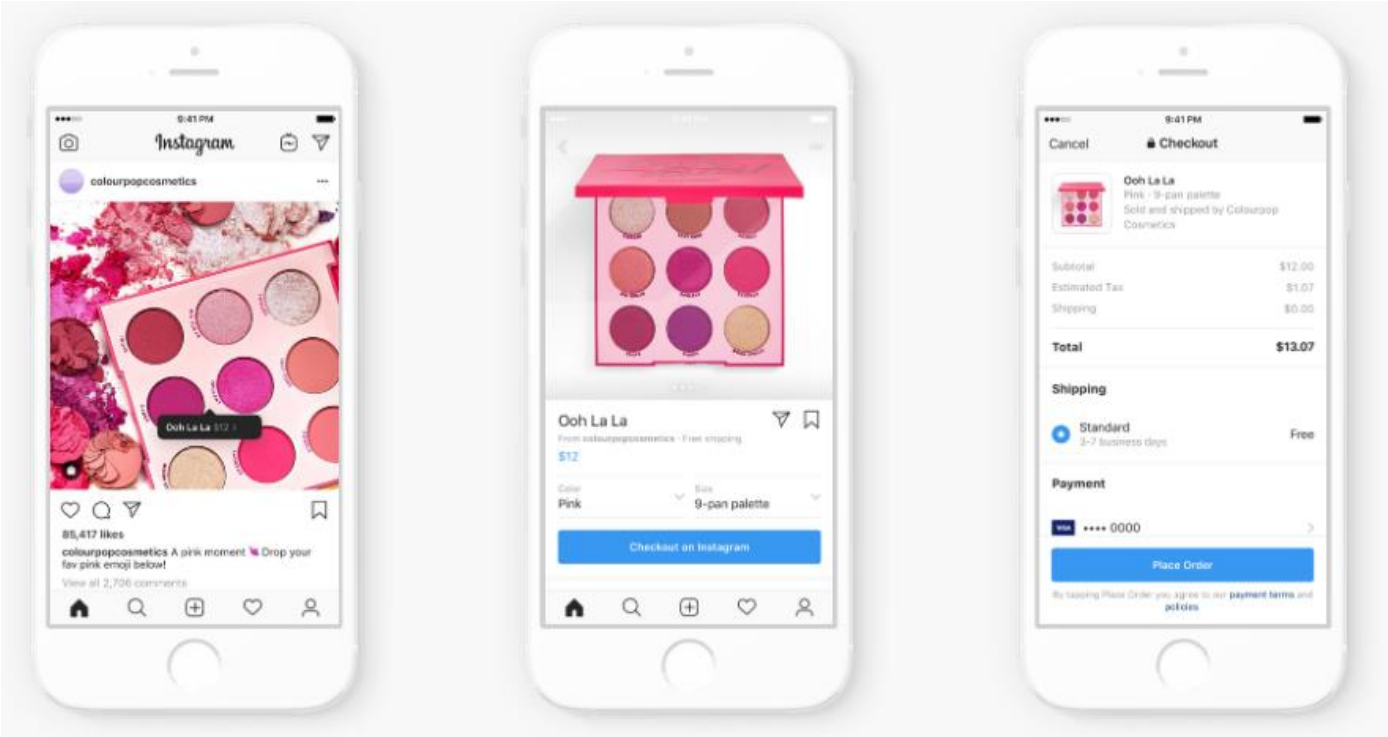
22% Spot and **25%** FX-Neutral YoY Growth

* Adjusted for the sale to Synchrony. In Q1-18, cash flow from operations was negatively impacted by $1260 million due to the held for sale presentation related to the sale of our U.S. consumer credit portfolio to Synchrony.

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

BUSINESS UPDATES

Shopping on Instagram with PayPal



- Checkout on Instagram enables Instagram users in the U.S. to buy, track and manage their purchases directly within Instagram and allows businesses to sell directly on Instagram without the buyer having to change contexts
- Experience is supported by PayPal's latest full-stack processing platform, PayPal for Partners, which allows Instagram to manage the end-to-end commerce experience for buyers and sellers
- Shoppers will be able to securely store their preferred payment type, including PayPal, for faster checkout on future purchases

Selected Strategic Investments

PayPal strategically invests to drive growth and long-term innovation

Accounting Treatment

- Unrealized gains / losses are recognized from observable price movements, which are difficult to forecast on a quarterly basis
- PayPal plans to issue an 8-K shortly after each quarter-end to communicate the effect of gains / losses on its income from the entire strategic investment portfolio
- To the extent that guidance includes an expectation of gains / losses related to PayPal's strategic investment portfolio, PayPal will clarify this expectation as part of providing quarterly guidance

Selected Investments

acorns
Toss
Pine Labs
Raise
raisin.
PPRO
monese
mercado libre
TALA
cloud.IQ
Arkose Labs
SafeBreach
DOSH

PayPal's investment in MercadoLibre

- $750 million strategic investment
- E-commerce and payments leader in Latin America
- Plans to enter into a commercial agreement to establish initiatives to strengthen both companies' networks
- Expected to accelerate PayPal's growth in Latin America and provides opportunities to drive incremental cross-border volumes

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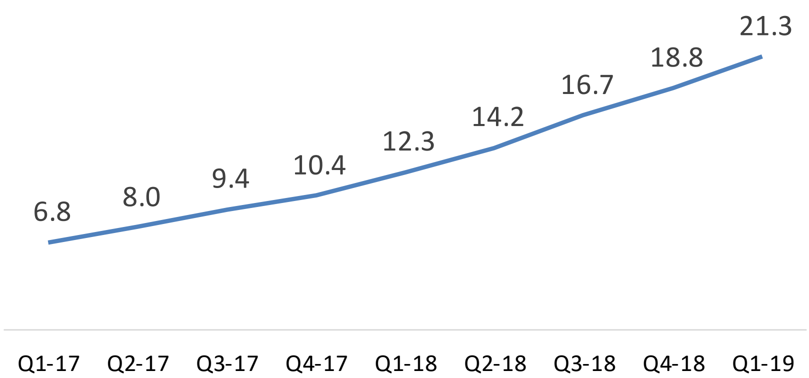
Strategic investments consist of minority equity interests in companies that are publicly traded and privately held and are reported in long-term investments on our consolidated balance sheet.

Venmo's Rapid Growth

40+ million active accounts at the end of Q1-19

Venmo TPV ($B)



	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
Y/Y Growth	114%	103%	93%	86%	80%	78%	78%	80%	73%

Leading merchants accepting Venmo

Uber
Uber Eats
GRUBHUB
seamless
FANDANGO we love movies
hulu
GameTime A PLAYCORE Company
POSHMARK

Venmo card

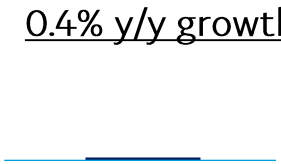
- Venmo card becoming a part of consumers' everyday use cases
- Top categories for spend card include grocery stores and supermarkets, restaurants and service stations
- Introduced limited edition rainbow card in February – which was the fastest adopted Venmo card – an addition to the six colors launched last year

We Are Growing Together With Our Partners

Last Twelve Months (LTM) TPV Growth at Spot rates

Merchant Services

eBay Marketplaces on PayPal



$90B of TPV from our Top 20 Marketplaces and Partners

UBER GRUBHUB airbnb Etsy lyft skyscanner

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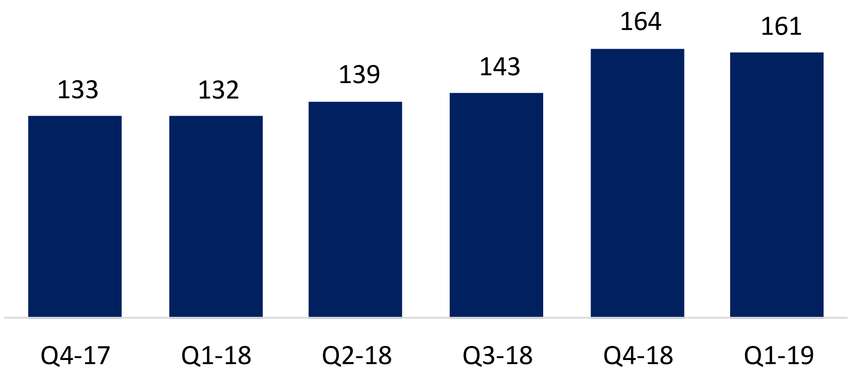
Last twelve months as of Q1-19

Note: Logos presented are representative of the top 20 partners and marketplaces

OPERATING & FINANCIAL METRICS PERFORMANCE

Total Payment Volume (TPV)

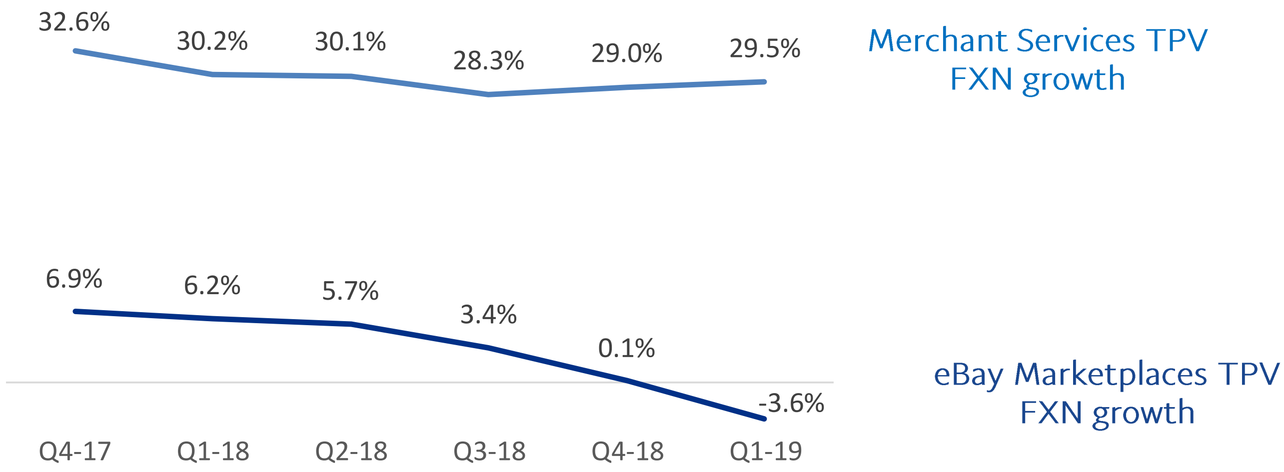
Total Payment Volume (TPV) ($B)



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

- TPV grew 22% at spot, 25% on an FX-neutral basis in Q1-19. The decline of payment volume from eBay marketplaces and the effect of the stronger dollar on cross-border volumes were offset by P2P growth and a 2.5 point benefit from 2018 acquisitions
- Peer to peer (P2P) volume, including core PayPal, Venmo and Xoom, increased 41% in the quarter to >$42B and represented ~26% of TPV
- Venmo volume increased 73% to approximately $21B in the quarter

TPV: Merchant Services

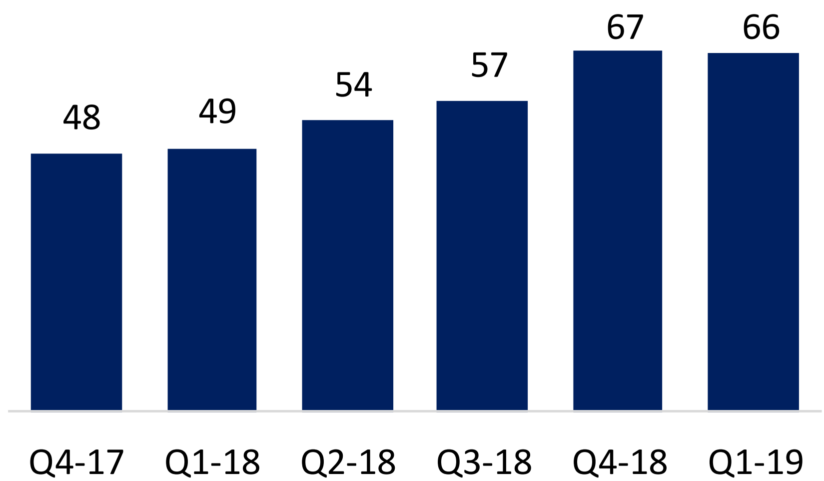


Merchant Services as % of Total TPV	86.9%	87.3%	88.1%	89.0%	89.6%	90.3%

- Merchant Services (non-eBay Marketplaces related) volume represented 90.3% of TPV in Q1-19; eBay share of TPV was <10% for the first time since separation
- 29% growth in Merchant Services volume driven primarily by core PayPal, including P2P and Braintree. Deceleration on y/y basis was driven by the slower growth in cross border volume partially offset by acquisitions

TPV: Mobile

Mobile TPV ($B)



	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
Y/Y Growth	53%	52%	49%	45%	40%	36%
Share of total TPV	36%	37%	39%	40%	41%	41%

- Mobile TPV was ~$66 billion in Q1-19, up ~36%
- Mobile TPV represented 41% of TPV in Q1-19, an increase of >400 basis points versus Q1-18

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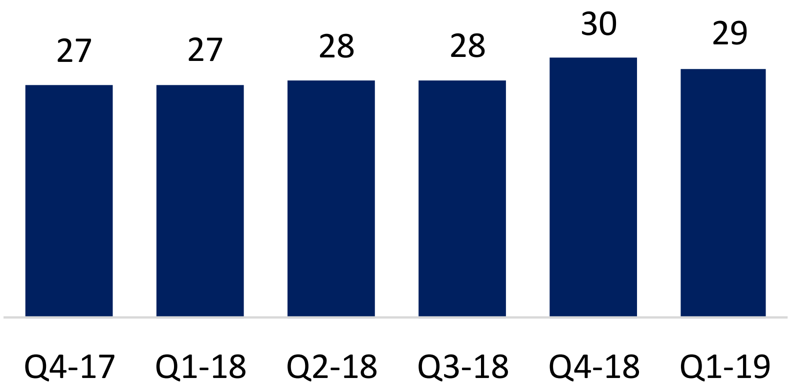
TPV: Cross Border Trade (CBT)

Cross Border Trade TPV ($B) [(1)]

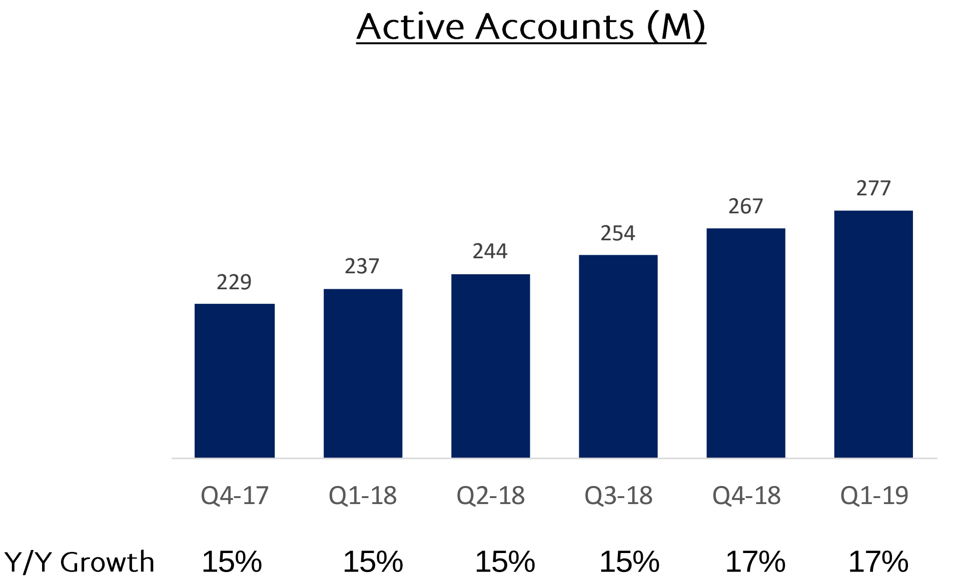


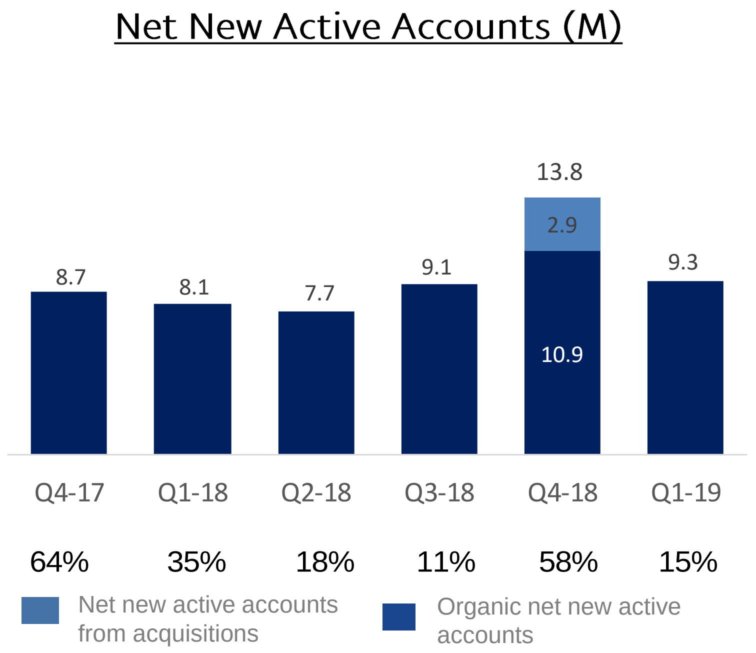
	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
FXN Y/Y Growth	24%	23%	19%	18%	14%	11%
Y/Y Growth	28%	30%	23%	17%	11%	7%
Share of total TPV	20%	21%	20%	19%	18%	18%

- CBT TPV was $29 billion in Q1-19, up 11% on an FX-neutral basis. Deceleration in CBT growth was primarily driven by the strengthening U.S. dollar and slower eBay marketplaces growth
- CBT TPV represented 18% of TPV in Q1-19 vs. 21% in Q1-18 driven by stronger growth in Braintree and Venmo, and the slower growth of CBT as a result of the stronger U.S. dollar and slower eBay marketplaces growth

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

Active Accounts





- Ended the quarter with 277 million active accounts, up 17%, including 22 million active merchant accounts
- Added 9.3 million net new active accounts, up 15%
- Active account growth predominantly driven by core PayPal and Venmo

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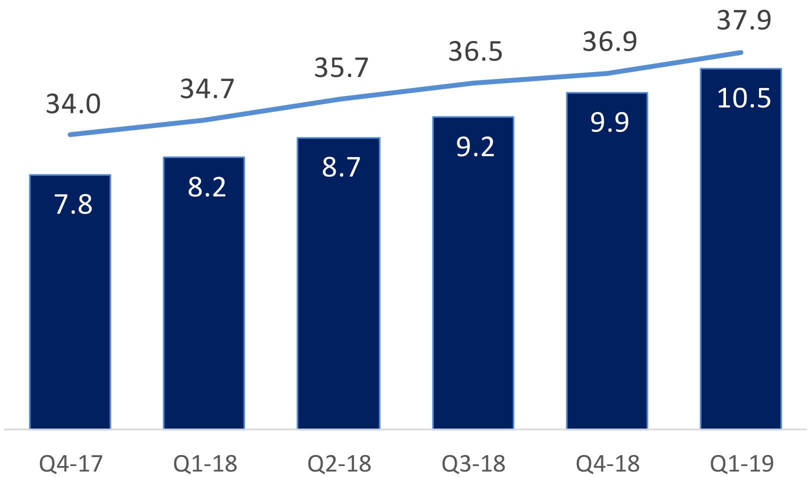
Customer Engagement



Number of Payment Transactions per Active Account

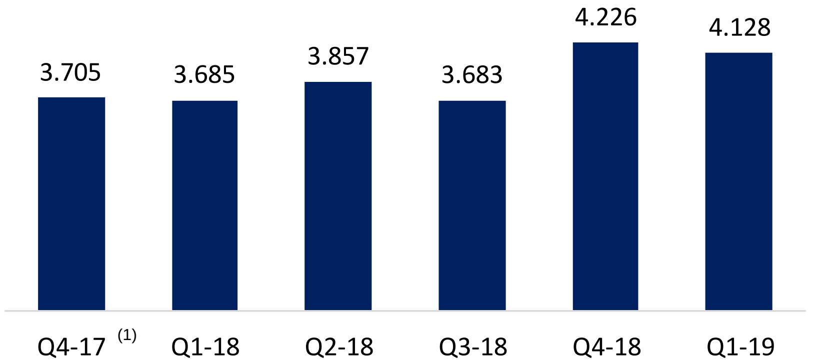
Transactions on a Trailing Twelve Months basis *(in billions)*

Customer Engagement Y/Y Growth	8%	8%	9%	9%	9%	9%

- Processed >2.8B payment transactions during Q1-19, up 28%
- Payment transactions per active account increased 9% to 37.9

Revenue

Total Revenue ($B)



	Q4-17 (1)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
Spot Y/Y Growth	24%	24%	23%	14% *	14% *	12% *
FXN Y/Y Growth	24%	22%	22%	14% *	14% *	12% *

* Includes 7 pts of negative impact from the receivables sale

- Total Revenue growth of 12% on a spot and FX-neutral basis, which includes a negative impact of approximately 7 points from the receivables sale
- Transaction Revenue grew 17% on an FX-neutral basis driven primarily by core PayPal and Braintree
- Other Value Added Services (OVAS) Revenue declined 18% on an FX-neutral basis due primarily to the receivables sale. Adjusting for the receivables sale, OVAS Revenue grew approximately 35%
- Hedging gains, which are recognized in international transaction revenue, were $52 million dollars in Q1-19 versus a loss of $50 million dollars in Q1-18
- Exiting Q1, at current rates, estimate that hedge positions would result in the recognition of $131 million dollars in international transaction revenue over the next four quarters

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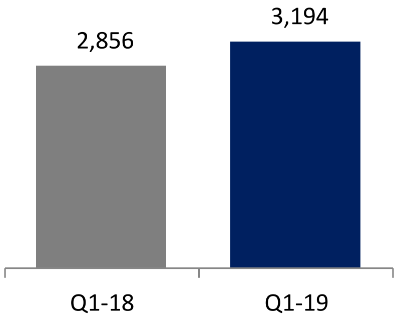
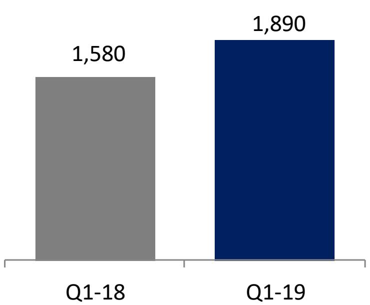
(1) Q4-17 Revenue is presented on a non-GAAP basis. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Non-GAAP Expense Detail

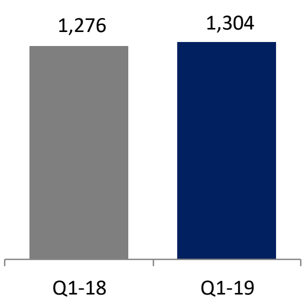
Total Expenses[1]
($M)



Volume-based Expenses[2]
($M)



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



	Total Q1-18	Total Q1-19	Volume-based Q1-18	Volume-based Q1-19	Non-transaction Q1-18	Non-transaction Q1-19
Y/Y Growth	22.5%	11.8%	22.8%	19.6%	22.1%	2.2%
% of Revenue	77.5%	77.4%	42.9%	45.8%	34.6%	31.6%

- Volume-based expenses grew 20%
- Expense discipline generating operating leverage on a non-GAAP basis:
  - Non-transaction related expenses grew 2% and delivered ~300 basis points of leverage
  - Adjusting for the receivables sale and acquisitions of iZettle, Jetlore, Simility and Hyperwallet, non-transaction related expenses grew 7% and delivered ~280 basis points of leverage
- For the quarter, adjusting for the sale to Synchrony and acquisitions, non-transaction related expenses increased 13 cents for every dollar of revenue

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

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

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

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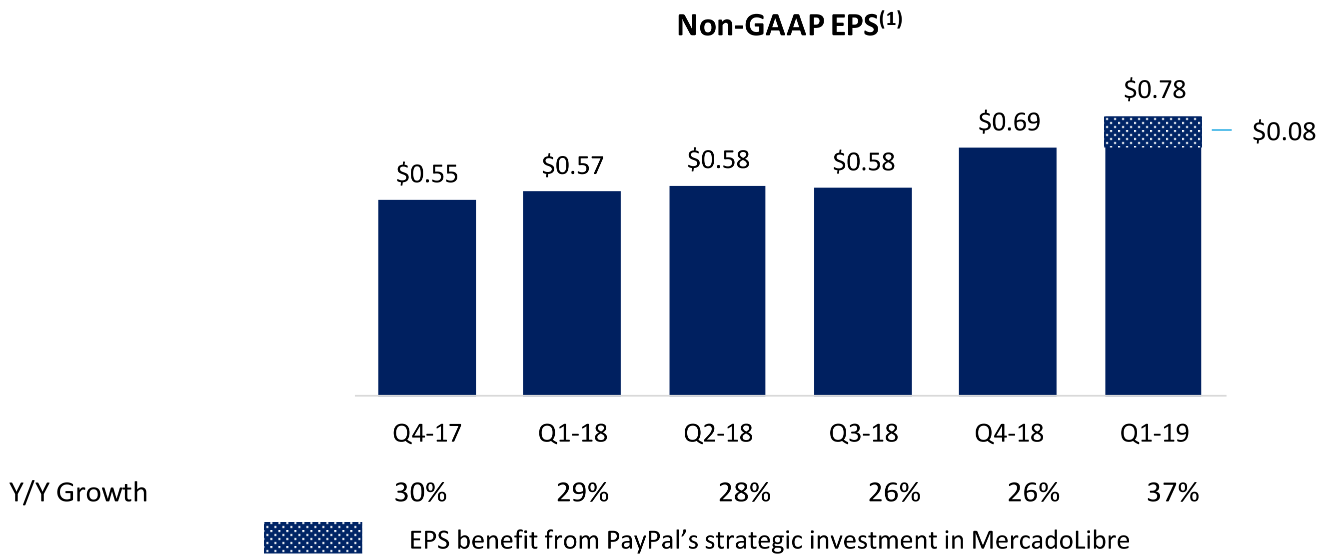
Non-GAAP EPS

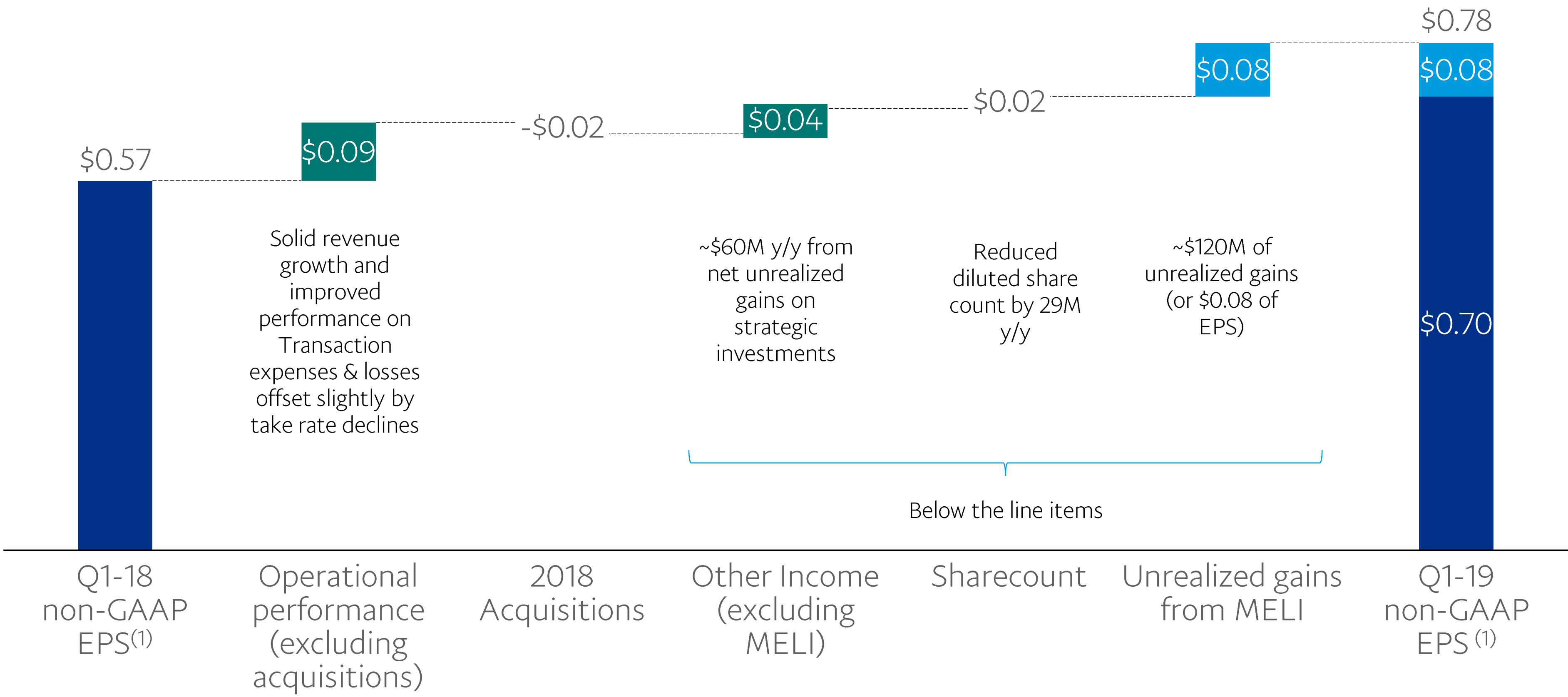


- Other Income & Expense (OI&E) for the quarter was $199M, increasing $185M y/y, primarily driven by $180M of net unrealized gains* on strategic investments
  - ~$60M of unrealized gains included in Q1-19 guidance provided in January
  - ~$120 million of unrealized gains from PayPal's March 2019 investment in MELI was not included in guidance for Q1-19 provided in January
- Non-GAAP effective tax rate[1] for Q1-19 was 18.3%
- Non-GAAP EPS of $0.78 in Q1-19, up 37%, which includes a benefit of $0.08 from PayPal's strategic investment in MELI

* Beginning in 2018, based on FASB accounting guidance, unrealized gains/losses due to observable price changes on strategic investments are recognized within the Other Income & Expense line in the income statement.

(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.

Non-GAAP EPS Walk



Benefit of $0.08 from PayPal's strategic investment in MELI (completed on March 15) was not included in our EPS guidance (Q1-19 non-GAAP EPS guidance of $0.66 - $0.68) provided on January 30, 2019

Numbers in the chart may not foot due to rounding.

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

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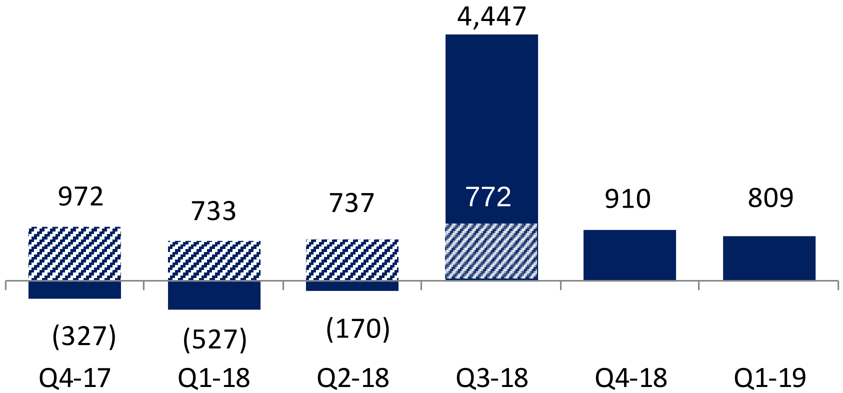
Free Cash Flow

Free Cash Flow[(1)] ($M)



	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
FCF % of Revenue	26%	20%	19%	21%	22%	20%
CAPEX % of Revenue	5%	5%	5%	6%	5%	5%

*Adjusted FCF

- Free Cash Flow (FCF) of $809 million in Q1-19
- Capex spend of $218 million; 5% of revenue
- Total Cash, Cash Equivalents, and Investments of $8.2 billion[(2)] comprising $6.9 billion international and $1.3 billion U.S.

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

[(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.

[(2)] Excludes restricted cash of $75M and strategic investments of $1.2B as of March 31, 2019.

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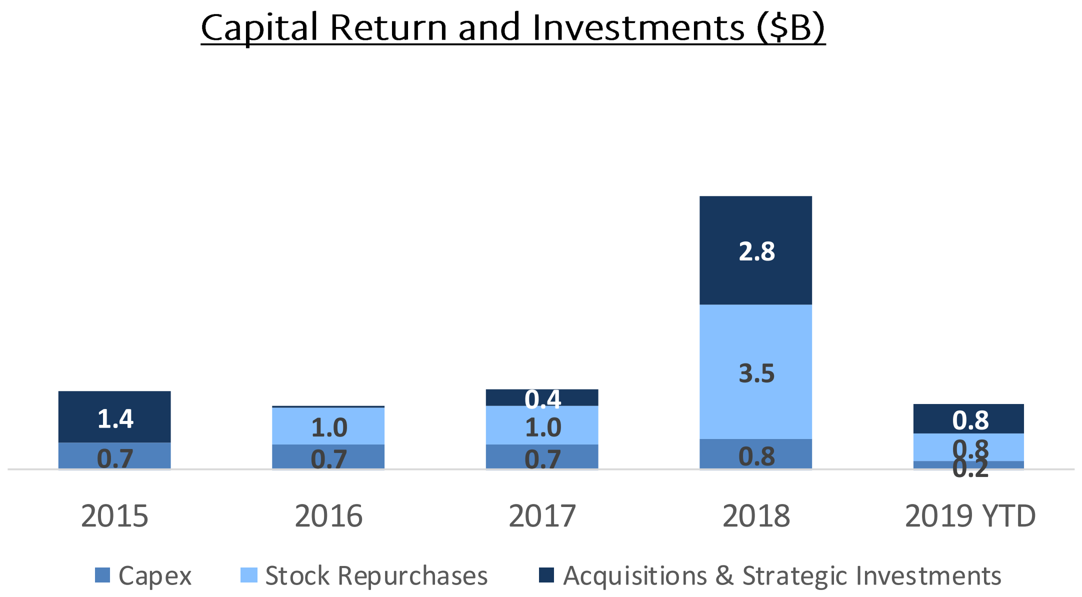
Capital Allocation



- Generated ~$10.9 billion in FCF[(1)] since separation in July 2015
- Returned $750 million to shareholders by repurchasing 7.74M shares at an average price of $96.91. Since separation, repurchased ~99 million shares of common stock, returning $6.3 billion to shareholders at an average price of $63.77
- In 2018, completed acquisitions of iZettle, Hyperwallet, Simility and Jetlore
- In March 2019, made a strategic investment in MELI

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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.

2019 Guidance

FY 2019 Guidance

	Low	High
Revenue (in billions)	**$17.85**	**$18.10**
Y/Y Growth	*16%*	*17%*
FXN Y/Y Growth	*16%*	*17%*
Non-GAAP EPS	**$2.94**	**$3.01**
Free Cash Flow (in billions)	**> $3.0**	

- TPV growth in mid-20% range
- Non-GAAP EPS Y/Y growth of 22% - 24%
- Non-GAAP effective tax rate of 17% - 19%
- CAPEX ~5% of revenue
- GAAP EPS of $1.97 - $2.05

Guidance Commentary

- Full year revenue guidance of 16% - 17% FXN growth, which includes ~1.5 pts of growth relating to 2018 acquisitions and ~3.5 pts of decline related to the sale of the U.S. consumer credit receivables to Synchrony
- Non-GAAP EPS includes $0.08 benefit from PayPal's strategic investment in MELI recognized in Q1-19 and an estimated benefit of approximately $0.01 in Q2-19 from unrealized gains relating to strategic investments. Non-GAAP EPS guidance also includes approximately $0.08 to $0.10 of expected dilution relating to 2018 acquisitions
- Expect to deliver non-GAAP operating margin expansion, with operating leverage and efficiencies more than offsetting the dilutive impact of 2018 acquisitions
- Free Cash Flow guidance reflects the impact of higher cash taxes

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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.

Q2 2019 Guidance

Q2 2019 Guidance

	Low	High
Revenue (in billions)	**$4.300**	**$4.340**
Y/Y Growth	*11%*	*13%*
FXN Y/Y Growth	*12%*	*13%*
Non-GAAP EPS	**$0.68**	**$0.70**

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

- Represents the fourth consecutive quarter in which revenue from the U.S. consumer credit receivables portfolio is no longer recognized within Other Value Added Services revenue
- EPS guidance includes an estimated benefit of approximately $0.01 from unrealized gains relating to strategic investments
- Estimated GAAP and non-GAAP results include ~1.5 points of revenue growth and approximately $0.02 - $0.03 of expected dilution relating to 2018 acquisitions.

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.

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SUPPLEMENTAL INFORMATION

PayPal Metrics

(in millions, except %)	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
Active Accounts	**229**	**237**	**244**	**254**	**267**	**277**
Y/Y Growth	15%	15%	15%	15%	17%	17%
Net New Active Accounts	**8.7**	**8.1**	**7.7**	**9.1**	**13.8**	**9.3**
Number of Payment Transactions	**2,240**	**2,214**	**2,327**	**2,463**	**2,867**	**2,838**
Y/Y Growth	25%	25%	28%	27%	28%	28%
Total Payment Volume	**132,515**	**132,364**	**139,403**	**143,004**	**163,648**	**161,492**
Y/Y Growth	32%	32%	29%	24%	23%	22%
FXN Y/Y Growth	29%	27%	27%	25%	25%	25%
US TPV	74,068	74,700	79,959	83,242	94,439	95,697
Y/Y Growth	31%	28%	30%	27%	28%	28%
International TPV	58,448	57,665	59,444	59,761	69,209	65,795
Y/Y Growth	32%	36%	28%	20%	18%	14%
FXN Y/Y Growth	26%	25%	22%	22%	22%	22%
Total Take Rate	**2.80%**	**2.78%**	**2.77%**	**2.58%**	**2.58%**	**2.56%**
Transaction Take Rate	**2.45%**	**2.42%**	**2.38%**	**2.34%**	**2.35%**	**2.31%**
Transaction Expense Rate	0.96%	0.96%	0.98%	0.96%	0.96%	0.96%
Transaction and Loan Loss Rate	0.24%*	0.23%	0.24%	0.21%	0.21%	0.21%
Transaction Margin (1)	**57.1%***	**57.1%**	**56.0%**	**54.9%**	**54.6%**	**54.2%**

- Cross-border trade (CBT) was 18% of TPV in the quarter, growing 11% FX-neutral
- 49% of active accounts are outside the U.S.
- Average Payment Volume (APV) was $57, down 5% year over year
- Transaction take rate down ~11 bps, driven primarily by P2P growth (including Venmo) offset by hedging gains
- Credit loans receivable of $2.9B, with $2.0B related to merchant receivables, consisting of PayPal Working Capital and PayPal Business Loan products

(1) 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.

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Financial Detail

($ millions)	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Transaction Revenue	3,244	3,197	3,318	3,343	3,851	3,731
Y/Y Growth	23%	22%	20%	17%	19%	17%
Other Value Added Services (OVAS)	461 *	488	539	340	375	397
Y/Y Growth	36%	39%	49%	-11%	-19%	-19%
Total Revenue[1]	**3,705** *	**3,685**	**3,857**	**3,683**	**4,226**	**4,128**
Y/Y Growth	24%	24%	23%	14%	14%	12%
FXN Y/Y Growth	24%	22%	22%	14%	14%	12%
% International	46%	45%	44%	47%	48%	47%
US Revenue Y/Y Growth	27% *	26%	27%	13%	9%	8%
International Revenue FXN Y/Y Growth	21%	18%	16%	15%	19%	17%
Volume-based expenses	1,589 *	1,580	1,696	1,661	1,918	1,890
Non-transaction related expenses	1,309	1,276	1,341	1,235	1,395	1,304
Total Operating Expenses[1]	**2,898**	**2,856**	**3,037**	**2,896**	**3,313**	**3,194**
Y/Y Growth	23%	22%	23%	12%	14%	12%
Non-GAAP Op. Income[1]	**807**	**829**	**820**	**787**	**913**	**934**
Non-GAAP Op. Margin %[1]	**22%**	**22%**	**21%**	**21%**	**22%**	**23%**
Non-GAAP EPS[1]	**$0.55**	**$0.57**	**$0.58**	**$0.58**	**$0.69**	**$0.78**
Y/Y Growth	30%	29%	28%	26%	26%	37%
CAPEX	180	178	198	223	224	218
Free Cash Flow[1]	**(327)**	**(527)**	**(170)**	**4447**	**910**	**809**

- U.S. revenue growth driven primarily by core Merchant Services and Braintree partially offset by the impact of the sale of the U.S. consumer credit portfolio to Synchrony. Adjusting for the sale to Synchrony, U.S. revenue would have grown ~22%
- International revenue growth driven by core Merchant Services. In Q1-19, international revenue growth benefited from the inclusion of iZettle

[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 Net Revenues, Transaction and Loan Losses and Transaction Margin

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

	Three Months Ended										Year Ended December 31,		
(In Millions/Unaudited)	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**2018**	**2017**	**2016**
TPV	$ 161,492	$ 163,648	$ 143,004	$ 139,403	$ 132,364	$ 132,515	$ 115,224	$ 107,800	$ 100,639	$ 100,711	$ 578,419	$ 456,179	$ 359,928
GAAP Net revenues	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 15,451	$ 13,094	$ 10,842
Other[1]	—	—	—	—	—	(39)	—	—	—	—	—	(39)	—
Non-GAAP Net revenues	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 15,451	$ 13,055	$ 10,842
GAAP Transaction and loan losses	$ 341	$ 340	$ 295	$ 334	$ 305	$ 40	$ 363	$ 308	$ 300	$ 307	$ 1,274	$ 1,011	$ 1,088
Other[2]	—	—	—	—	—	283	—	—	—	—	—	283	—
Non-GAAP Transaction and loan Losses	$ 341	$ 340	$ 295	$ 334	$ 305	$ 323	$ 363	$ 308	$ 300	$ 307	$ 1,274	$ 1,294	$ 1,088
GAAP Transaction and loan losses rate (% of TPV)	0.21%	0.21%	0.21%	0.24%	0.23%	0.03 %	0.32%	0.29%	0.30%	0.30%	0.22%	0.22 %	0.30%
Effect of non-GAAP Adjustment	—%	—%	—%	—%	—%	0.21 %	—%	—%	—%	—%	—%	0.06 %	—%
Non-GAAP Transaction and loan losses rate (% of TPV)	0.21%	0.21%	0.21%	0.24%	0.23%	0.24 %	0.32%	0.29%	0.30%	0.30%	0.22%	0.28 %	0.30%
GAAP Transaction margin	54.2%	54.6%	54.9%	56.0%	57.1%	65.1 %	54.8%	56.3%	56.7%	57.7%	55.6%	58.5 %	59.1%
Effect of non-GAAP adjustment	—%	—%	—%	—%	—%	(8.0)%	—%	—%	—%	—%	—%	(2.3)%	—%
Non-GAAP Transaction margin	54.2%	54.6%	54.9%	56.0%	57.1%	57.1 %	54.8%	56.3%	56.7%	57.7%	55.6%	56.2 %	59.1%

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

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

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

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Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	Year Ended December 31, 2018	2017	2016
GAAP operating expenses:														
Transaction expense		$ 1,549	$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		341	340	295	334	305	40	363	308	300	307	1,274	1,011	1,088
Customer support and operations		388	377	350	338	342	344	318	309	294	304	1,407	1,265	1,158
Sales and marketing		329	401	325	307	281	351	276	285	230	246	1,314	1,142	966
Technology and development		511	490	452	441	448	466	436	440	398	400	1,831	1,740	1,547
General and administrative		419	430	377	387	347	342	321	300	295	310	1,541	1,258	1,151
Restructuring and other charges		73	12	28	116	153	92	—	—	40	—	309	132	—
Total operating expenses		$ 3,610	$ 3,628	$ 3,193	$ 3,285	$ 3,151	$ 2,901	$ 2,816	$ 2,706	$ 2,544	$ 2,521	$ 13,257	$ 10,967	$ 9,256
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(g)	$ —	$ —	$ —	$ —	$ —	$ 283	$ —	$ —	$ —	$ —	$ —	$ 283	$ —
Customer support and operations	(a)	(48)	(45)	(46)	(41)	(42)	(42)	(38)	(34)	(28)	(23)	(174)	(142)	(80)
	(b)	(5)	(1)	—	(2)	(6)	—	—	(2)	—	—	(9)	(2)	(2)
Sales and marketing	(a)	(32)	(32)	(30)	(29)	(34)	(33)	(27)	(27)	(20)	(17)	(125)	(107)	(57)
	(b)	(5)	—	—	(3)	(4)	—	—	(2)	—	—	(7)	(2)	(1)
	(c)	(36)	(39)	(20)	(16)	(17)	(47)	(18)	(15)	(15)	(23)	(92)	(95)	(101)
Technology and development	(a)	(93)	(81)	(76)	(74)	(72)	(82)	(75)	(66)	(54)	(44)	(303)	(277)	(166)
	(b)	(12)	(1)	(1)	(5)	(13)	—	(1)	(5)	(1)	—	(20)	(7)	(4)
	(c)	(21)	(20)	(13)	(9)	(12)	(11)	(8)	(7)	(8)	(9)	(54)	(34)	(32)
	(f)	—	—	—	—	—	—	—	(15)	—	—	—	(15)	—
General and administrative	(a)	(81)	(77)	(65)	(66)	(61)	(65)	(55)	(53)	(45)	(43)	(269)	(218)	(141)
	(b)	(10)	—	(1)	(3)	(9)	(1)	(1)	(3)	(1)	—	(13)	(6)	(4)
	(e)	—	(7)	(17)	—	—	—	—	—	—	—	(24)	—	—
	(h)	—	—	—	—	—	(5)	—	—	—	—	—	(5)	—
Restructuring and other charges	(d)	(78)	—	—	—	(25)	—	—	—	(40)	—	(25)	(40)	—
	(i)	5	(12)	(28)	—	—	—	—	—	—	—	(40)	—	—
Total operating expenses		$ (416)	$ (315)	$ (297)	$ (248)	$ (295)	$ (3)	$ (223)	$ (229)	$ (212)	$ (159)	$ (1,155)	$ (667)	$ (588)
Non-GAAP operating expenses:														
Transaction expense		$ 1,549	$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		341	340	295	334	305	323	363	308	300	307	1,274	1,294	1,088
Customer support and operations		335	331	304	295	294	302	280	273	266	281	1,224	1,121	1,076
Sales and marketing		256	330	275	259	226	271	231	241	195	206	1,090	938	807
Technology and development		385	388	362	353	351	373	352	347	335	347	1,454	1,407	1,345
General and administrative		328	346	294	318	277	271	265	244	249	267	1,235	1,029	1,006
Restructuring and other charges		—	—	—	116	128	92	—	—	—	—	244	92	—
Total operating expenses		$ 3,194	$ 3,313	$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 12,102	$ 10,300	$ 8,668

(a) Stock-based compensation expense

(b) Employer payroll taxes on stock-based compensation

(c) Amortization and impairment of acquired intangible assets

(d) Restructuring

(e) Acquisition related transaction expense

(f) Impairment of investment in intellectual property fund

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

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

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

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Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	2018	2017	2016
GAAP operating income	$ 518	$ 598	$ 490	$ 572	$ 534	$ 843	$ 423	$ 430	$ 431	$ 460	$ 2,194	$ 2,127	$ 1,586
Stock-based compensation expense and related employer	286	237	219	223	241	223	197	192	149	127	920	761	455
Acquisition related transaction expense	—	7	17	—	—	—	—	—	—	—	24	—	—
Restructuring	78	—	—	—	25	—	—	—	40	—	25	40	—
Amortization of acquired intangible assets	57	59	33	25	29	58	26	22	23	32	146	129	133
Other	(5)	12	28	—	—	(317)	—	15	—	—	40	(302)	—
Total non-GAAP operating income adjustments	416	315	297	248	295	(36)	223	229	212	159	1,155	628	588
Non-GAAP operating income	$ 934	$ 913	$ 787	$ 820	$ 829	$ 807	$ 646	$ 659	$ 643	$ 619	$ 3,349	$ 2,755	$ 2,174
Non-GAAP operating margin	22.6 %	21.6%	21.4 %	21.3 %	22.5 %	21.8 %	19.9 %	21.0 %	21.6 %	20.8 %	21.7%	21.1 %	20.1 %

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Reconciliation of Net Income, EPS and Effective Tax Rate

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

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	2018	2017	2016
GAAP income before income taxes	$ 717	$ 686	$ 533	$ 609	$ 548	$ 864	$ 451	$ 447	$ 438	$ 469	$ 2,376	$ 2,200	$ 1,631
GAAP income tax expense	50	102	97	83	37	244	71	36	54	79	319	405	230
GAAP net income	667	584	436	526	511	620	380	411	384	390	2,057	1,795	1,401
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	416	315	297	248	295	(36)	223	229	212	159	1,155	628	588
Other certain significant gains, losses, or charges	—	(6)	14	32	3	201	23	—	—	—	43	224	—
Tax effect of non-GAAP adjustments	(157)	(69)	(53)	(103)	(117)	(115)	(66)	(86)	(62)	(37)	(342)	(329)	(164)
Non-GAAP net income	$ 926	$ 824	$ 694	$ 703	$ 692	$ 670	$ 560	$ 554	$ 534	$ 512	$ 2,913	$ 2,318	$ 1,825
Shares used in diluted share calculation	1,188	1,196	1,199	1,202	1,217	1,228	1,223	1,215	1,216	1,216	1,203	1,221	1,218
Net income per diluted share:													
GAAP	$ 0.56	$ 0.49	$ 0.36	$ 0.44	$ 0.42	$ 0.50	$ 0.31	$ 0.34	$ 0.32	$ 0.32	$ 1.71	$ 1.47	$ 1.15
Non-GAAP	$ 0.78	$ 0.69	$ 0.58	$ 0.58	$ 0.57	$ 0.55	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 2.42	$ 1.90	$ 1.50
GAAP effective tax rate	7%	15%	18 %	14%	7%	28 %	16%	8%	12%	17%	13%	18%	14%
Tax effect of non-GAAP adjustments to net income	11%	3%	(2)%	4%	11%	(9)%	1%	10%	6%	1%	5%	—%	4%
Non-GAAP effective tax rate	18%	18%	16 %	18%	18%	19 %	17%	18%	18%	18%	18%	18%	18%

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

(In Millions/Unaudited)	Three Months Ended March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	Year Ended December 31, 2018	2017	2016
U.S. net revenues	$ 2,187	$ 2,189	$ 1,962	$ 2,150	$ 2,023	$ 2,045	$ 1,743	$ 1,690	$ 1,606	$ 1,574	$ 8,324	$ 7,084	$ 5,760
Non-GAAP adjustment[1]	—	—	—	—	—	(39)	—	—	—	—	$ —	(39)	—
Non-GAAP U.S. net revenues	$ 2,187	$ 2,189	$ 1,962	$ 2,150	$ 2,023	$ 2,006	$ 1,743	$ 1,690	$ 1,606	$ 1,574	$ 8,324	$ 7,045	$ 5,760
International net revenues	$ 1,941	$ 2,037	$ 1,721	$ 1,707	$ 1,662	$ 1,699	$ 1,496	$ 1,446	$ 1,369	$ 1,407	$ 7,127	$ 6,010	$ 5,082
Total net revenues	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 15,451	$ 13,094	$ 10,842
Non-GAAP adjustment[1]	—	—	—	—	—	(39)	—	—	—	—	—	(39)	—
Total non-GAAP net revenues	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 15,451	$ 13,055	$ 10,842

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

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

(In Millions/Unaudited)	Three Months Ended March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	Year Ended December 31, 2018	2017	2016
Transaction revenues	$ 3,731	$ 3,851	$ 3,343	$ 3,318	$ 3,197	$ 3,244	$ 2,858	$ 2,775	$ 2,624	$ 2,641	$ 13,709	$ 11,501	$ 9,585
Other value added services	$ 397	$ 375	$ 340	$ 539	$ 488	$ 500	$ 381	$ 361	$ 351	$ 340	$ 1,742	$ 1,593	$ 1,257
Non-GAAP adjustment[1]	—	—	—	—	—	(39)	—	—	—	—	—	(39)	—
Non-GAAP other value added services	$ 397	$ 375	$ 340	$ 539	$ 488	$ 461	$ 381	$ 361	$ 351	$ 340	$ 1,742	$ 1,554	$ 1,257
Total net revenues	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 15,451	$ 13,094	$ 10,842
Non-GAAP adjustment[1]	—	—	—	—	—	(39)	—	—	—	—	—	(39)	—
Total non-GAAP net revenues	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 2,981	$ 15,451	$ 13,055	$ 10,842

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

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	2018	2017	2016
Net cash provided by operating activities	$ 1,027	$ 1,134	$ 4,670	$ 28	$ (349)	$ (147)	$ 1,006	$ 921	$ 751	$ 923	$ 5,483	$ 2,531	$ 3,158
Less: Purchases of property and equipment, net	(218)	(224)	(223)	(198)	(178)	(180)	(165)	(174)	(148)	(152)	(823)	(667)	(669)
Free cash flow	$ 809	$ 910	$ 4,447	$ (170)	$ (527)	$ (327)	$ 841	$ 747	$ 603	$ 771	$ 4,660	$ 1,864	$ 2,489
Impact of held for sale accounting presentation related to our U.S. consumer credit receivables portfolio on cash flow from operating activities	—	—	(3,675)	907	1,260	1,299	—	—	—	—	(1,508)	1,299	—
Adjusted free cash flow	$ 809	$ 910	$ 772	$ 737	$ 733	$ 972	$ 841	$ 747	$ 603	$ 771	$ 3,152	$ 3,163	$ 2,489

Q2-19 and FY 2019 GAAP and Non-GAAP Guidance

	Three Months Ending June 30, 2019	
(in billions, except per share amounts)	**GAAP**	**Non-GAAP(a)**
Revenues	$4.30 - $4.34	$4.30 - $4.34
Diluted EPS	$0.50 - $0.52	$0.68 - $0.70

	Twelve Months Ending December 31, 2019	
(in billions, except per share amounts)	**GAAP**	**Non-GAAP(b)**
Revenues	$17.85- $18.10	$17.85- $18.10
Diluted EPS	$1.97 - $2.05	$2.94 - $3.01
Free Cash Flow		> $3

(a) Estimated non-GAAP amounts above for the three months ending June 30, 2019, reflect adjustments of approximately $300 - $330 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of $250 - $265 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2019, reflect adjustments of approximately $1.30 - $1.40 billion, primarily representing estimated stock-based compensation expense and related payroll taxes, in the range of $1.05 - $1.11 billion.

Definitions

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

SUPPLEMENTAL INFORMATION: Reclassification of operating expenses: Summary of changes and reconciliations

Reclassification of Operating Expenses: Summary of Changes

- As disclosed in our Form 8-K filed with the SEC on April 9, 2019, beginning with the first quarter of 2019, PayPal will reclassify certain operating expenses within its consolidated statements of income
  - Prior period amounts will be reclassified to conform to this presentation
  - There is no impact to previously reported consolidated net income for prior periods, including total operating expenses, financial position and cash flows
- Classification changes include
  - Combining costs incurred to develop and operate PayPal's Payments Platform under a new operating expense category "Technology and development" which includes:
    a) Costs incurred in operating, maintaining, and enhancing our Payments Platform, including network and infrastructure costs. These network and infrastructure costs were previously classified within the Customer support and operations expense category
    b) Costs incurred in developing new and improving existing products. These development costs were previously classified within the Product development expense category
  - Eliminating Depreciation and amortization (D&A) expense as a separate expense category. D&A expenses have been reclassified into the other non-transaction expense categories that align with the internal organizations primarily benefitting from the related depreciable or amortizable assets

Reclassification of Operating Expenses: Descriptions of Revised Operating Expense Categories

- Customer support and operations expense category includes:
  - Costs incurred in our global customer operations centers, including costs to provide call support to our customers
  - Costs to support our trust and security programs protecting our merchants and consumers and other costs incurred related to the delivery of our products
- Sales and marketing expense category includes:
  - Costs incurred for customer acquisition, business development, advertising, and marketing programs
- Technology and development expense category includes:
  - Costs incurred in connection with the development of our Payments Platform, new products and the improvement of our existing products, including the amortization of (i) software and website development costs incurred in developing our Payments Platform which are capitalized and (ii) acquired developed technology
  - Site operations and other infrastructure costs incurred to support our Payments Platform
- General and administrative expense category includes:
  - Costs incurred to provide support to our business, including legal, human resources, finance, risk, compliance, executive, and other support operations

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses (as Previously Reported)

(In Millions/Unaudited)	Note	Three Months Ended December 31, 2018	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	Year Ended December 31, 2018	2017	2016
GAAP operating expenses:														
Transaction expense		$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		340	295	334	305	40	363	308	300	307	271	1,274	1,011	1,088
Customer support and operations		407	367	357	351	366	346	335	317	328	325	1,482	1,364	1,267
Sales and marketing		389	326	313	285	328	278	284	238	253	233	1,313	1,128	969
Product development		289	269	255	258	267	240	232	214	215	215	1,071	953	834
General and administrative		390	354	368	339	315	293	282	265	275	261	1,451	1,155	1,028
Depreciation and amortization		223	188	180	185	227	194	201	183	189	184	776	805	724
Restructuring and other charges		12	28	116	153	92	—	—	40	—	—	309	132	—
Total operating expenses		$ 3,628	$ 3,193	$ 3,285	$ 3,151	$ 2,901	$ 2,816	$ 2,706	$ 2,544	$ 2,521	$ 2,319	$ 13,257	$ 10,967	$ 9,256
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(g)	$ —	$ —	$ —	$ —	$ 283	$ —	$ —	$ —	$ —	$ —	$ —	$ 283	—
Customer support and operations	(a)	$ (45)	$ (42)	$ (39)	$ (38)	$ (40)	$ (38)	$ (34)	$ (30)	$ (24)	$ (21)	$ (164)	$ (142)	$ (85)
Sales and marketing	(a)	(43)	(39)	(39)	(44)	(43)	(36)	(33)	(28)	(25)	(21)	(165)	(140)	(84)
Product development	(a)	(72)	(66)	(64)	(64)	(72)	(64)	(59)	(45)	(37)	(34)	(266)	(240)	(139)
General and administrative	(a)	(69)	(65)	(63)	(59)	(63)	(54)	(51)	(42)	(39)	(31)	(256)	(210)	(130)
	(b)	(2)	(2)	(13)	(32)	(1)	(2)	(12)	(2)	—	(1)	(49)	(17)	(11)
	(e)	(7)	(17)	—	—	—	—	—	—	—	—	(24)	—	—
	(h)	—	—	—	—	(5)	—	—	—	—	—	—	(5)	—
Depreciation and amortization	(a)	(6)	(5)	(5)	(4)	(4)	(3)	(3)	(2)	(2)	(2)	(20)	(12)	(6)
	(c)	(59)	(33)	(25)	(29)	(58)	(26)	(22)	(23)	(32)	(32)	(146)	(129)	(133)
	(f)	—	—	—	—	—	—	(15)	—	—	—	—	(15)	—
Restructuring and other charges	(d)	—	—	—	(25)	—	—	—	(40)	—	—	(25)	(40)	—
	(i)	(12)	(28)	—	—	—	—	—	—	—	—	(40)	—	—
Total operating expenses		$ (315)	$ (297)	$ (248)	$ (295)	$ (3)	$ (223)	$ (229)	$ (212)	$ (159)	$ (142)	$ (1,155)	$ (667)	$ (588)
Non-GAAP operating expenses:														
Transaction expense		$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		340	295	334	305	323	363	308	300	307	271	1,274	1,294	1,088
Customer support and operations		362	325	318	313	326	308	301	287	304	304	1,318	1,222	1,182
Sales and marketing		346	287	274	241	285	242	251	210	228	212	1,148	988	885
Product development		217	203	191	194	195	176	173	169	178	181	805	713	695
General and administrative		312	270	292	248	246	237	219	221	236	229	1,122	923	887
Depreciation and amortization		158	150	150	152	165	165	161	158	155	150	610	649	585
Restructuring and other charges		—	—	116	128	92	—	—	—	—	—	244	92	—
Total operating expenses		$ 3,313	$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 12,102	$ 10,300	$ 8,668

(a) Stock-based compensation expense

(b) Employer payroll taxes on stock-based compensation

(c) Amortization and impairment of acquired intangible assets

(d) Restructuring

(e) Acquisition related transaction expense

(f) Impairment of investment in intellectual property fund

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

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

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

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Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses (as Revised)

(In Millions/Unaudited)	Note	Three Months Ended December 31, 2018	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	Year Ended December 31, 2018	2017	2016
GAAP operating expenses:														
Transaction expense		$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		340	295	334	305	40	363	308	300	307	271	1,274	1,011	1,088
Customer support and operations		377	350	338	342	344	318	309	294	304	298	1,407	1,265	1,158
Sales and marketing		401	325	307	281	351	276	285	230	246	230	1,314	1,142	966
Technology and development		490	452	441	448	466	436	440	398	400	399	1,831	1,740	1,547
General and administrative		430	377	387	347	342	321	300	295	310	291	1,541	1,258	1,151
Restructuring and other charges		12	28	116	153	92	—	—	40	—	—	309	132	—
Total operating expenses		$ 3,628	$ 3,193	$ 3,285	$ 3,151	$ 2,901	$ 2,816	$ 2,706	$ 2,544	$ 2,521	$ 2,319	$ 13,257	$ 10,967	$ 9,256
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(g)	$ —	$ —	$ —	$ —	$ 283	$ —	$ —	$ —	$ —	$ —	$ —	$ 283	$ —
Customer support and operations	(a)	(45)	(46)	(41)	(42)	(42)	(38)	(34)	(28)	(23)	(21)	(174)	(142)	(80)
	(b)	(1)	—	(2)	(6)	—	—	(2)	—	—	—	(9)	(2)	(2)
Sales and marketing	(a)	(32)	(30)	(29)	(34)	(33)	(27)	(27)	(20)	(17)	(15)	(125)	(107)	(57)
	(b)	—	—	(3)	(4)	—	—	(2)	—	—	—	(7)	(2)	(1)
	(c)	(39)	(20)	(16)	(17)	(47)	(18)	(15)	(15)	(23)	(24)	(92)	(95)	(101)
Technology and development	(a)	(81)	(76)	(74)	(72)	(82)	(75)	(66)	(54)	(44)	(40)	(303)	(277)	(166)
	(b)	(1)	(1)	(5)	(13)	—	(1)	(5)	(1)	—	—	(20)	(7)	(4)
	(c)	(20)	(13)	(9)	(12)	(11)	(8)	(7)	(8)	(9)	(8)	(54)	(34)	(32)
	(f)	—	—	—	—	—	—	(15)	—	—	—	—	(15)	—
General and administrative	(a)	(77)	(65)	(66)	(61)	(65)	(55)	(53)	(45)	(43)	(33)	(269)	(218)	(141)
	(b)	—	(1)	(3)	(9)	(1)	(1)	(3)	(1)	—	(1)	(13)	(6)	(4)
	(e)	(7)	(17)	—	—	—	—	—	—	—	—	(24)	—	—
	(h)	—	—	—	—	(5)	—	—	—	—	—	—	(5)	—
Restructuring and other charges	(d)	—	—	—	(25)	—	—	—	(40)	—	—	(25)	(40)	—
	(i)	(12)	(28)	—	—	—	—	—	—	—	—	(40)	—	—
Total operating expenses		$ (315)	$ (297)	$ (248)	$ (295)	$ (3)	$ (223)	$ (229)	$ (212)	$ (159)	$ (142)	$ (1,155)	$ (667)	$ (588)
Non-GAAP operating expenses:														
Transaction expense		$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 954	$ 830	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		340	295	334	305	323	363	308	300	307	271	1,274	1,294	1,088
Customer support and operations		331	304	295	294	302	280	273	266	281	277	1,224	1,121	1,076
Sales and marketing		330	275	259	226	271	231	241	195	206	191	1,090	938	807
Technology and development		388	362	353	351	373	352	347	335	347	351	1,454	1,407	1,345
General and administrative		346	294	318	277	271	265	244	249	267	257	1,235	1,029	1,006
Restructuring and other charges		—	—	116	128	92	—	—	—	—	—	244	92	—
Total operating expenses		$ 3,313	$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 2,362	$ 2,177	$ 12,102	$ 10,300	$ 8,668

(a) Stock-based compensation expense
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