PayPal Q2-19 Investor Update

July 24, 2019

Non-GAAP Financial Measures; Forward-Looking Statements

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

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

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

- This presentation contains forward-looking statements relating to, among other things, the future results of operations, financial condition, expectations and plans of PayPal Holdings, Inc. and its consolidated subsidiaries that reflect PayPal's current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "strategy," "future," "opportunity," "plan," "project," "forecast" and other similar expressions. Forward-looking statements include, but are not limited to, statements regarding projected financial results for third 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; risks that planned acquisitions will not be completed on contemplated terms, or at all, and that any businesses PayPal may acquire will not perform in accordance with its expectations; and PayPal's ability to profitably integrate, manage and grow businesses that have been acquired or may be acquired in the future.

- More information about factors that could adversely affect PayPal's results of operations, financial condition and prospects or that could cause actual results to differ from those expressed or implied in forward-looking statements is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in PayPal's most recent annual report on Form 10-K and its subsequent quarterly reports on Form 10-Q, copies of which may be obtained by visiting PayPal's Investor Relations website at https://investor.paypal-corp.com or the SEC's website at www.sec.gov. All information in this presentation is as of July 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

- +9.0 million NNAs ending the quarter with 286 million active accounts; engagement growth of +9% to 39.0
- +26% FX-Neutral TPV growth with +30% growth in Merchant Services volume
- Venmo continues its strong momentum with TPV of >$24 billion, growing 70%... On pace to deliver $100 billion of TPV in 2019
- ~200 bps of non-GAAP operating margin expansion, highest since separation
- >$1 billion of free cash flow (FCF) generated; $0.24 of FCF for every $1 of revenue
- UK CMA final approval of iZettle acquisition
- $500 million strategic investment in Uber. Extended global partnership and announced intent to explore future commercial payment collaborations

Second Quarter 2019 Summary

Strong user and transaction growth driving solid results

Revenue

$4.31B

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)

$0.86

47% increase YoY; includes $0.14 benefit from PayPal's strategic investments

Free Cash Flow(1)

$1.035B

40%* increase YoY; 24% as % of revenue

Active Accounts

9.0M

Net adds in quarter

17% increase YoY

286M

Includes 23M merchant accounts

17% increase YoY

Customer Engagement

39.0

Payment transactions per active account

9% increase YoY

Total Payment Volume

$172B

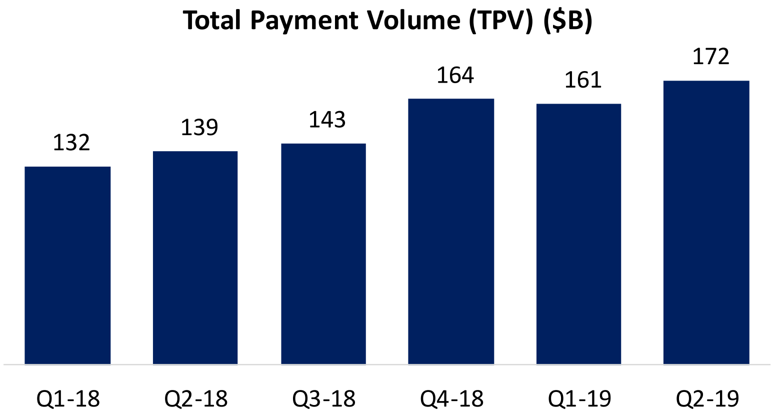
24% Spot and **26%** FX-Neutral YoY growth

PayPal

* Adjusted for the sale to Synchrony. In Q2-18, cash flow from operations was negatively impacted by $907 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.

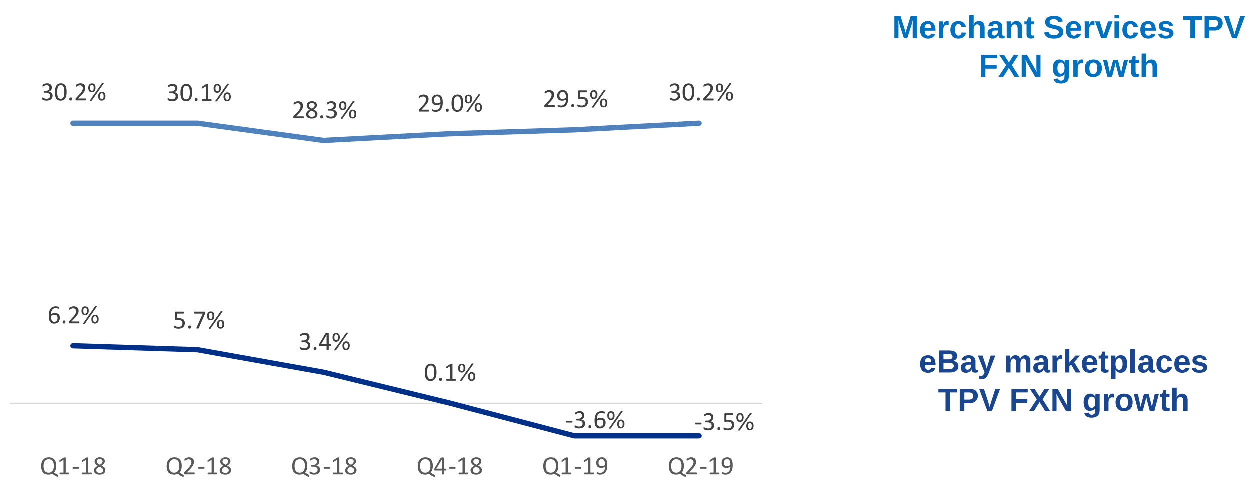
Total Payment Volume (TPV)



	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
FXN Y/Y Growth	27%	27%	25%	25%	25%	26%

- TPV grew 24% at spot, 26% on an FX-neutral basis in Q2-19. TPV growth was driven by Venmo, Braintree, acquisitions and person-to-person (P2P) volume
- P2P volume, including core PayPal, Venmo and Xoom, increased 40% in the quarter to >$46B and represented ~27% of TPV
- Venmo volume increased 70% to >$24B in the quarter

TPV: Merchant Services



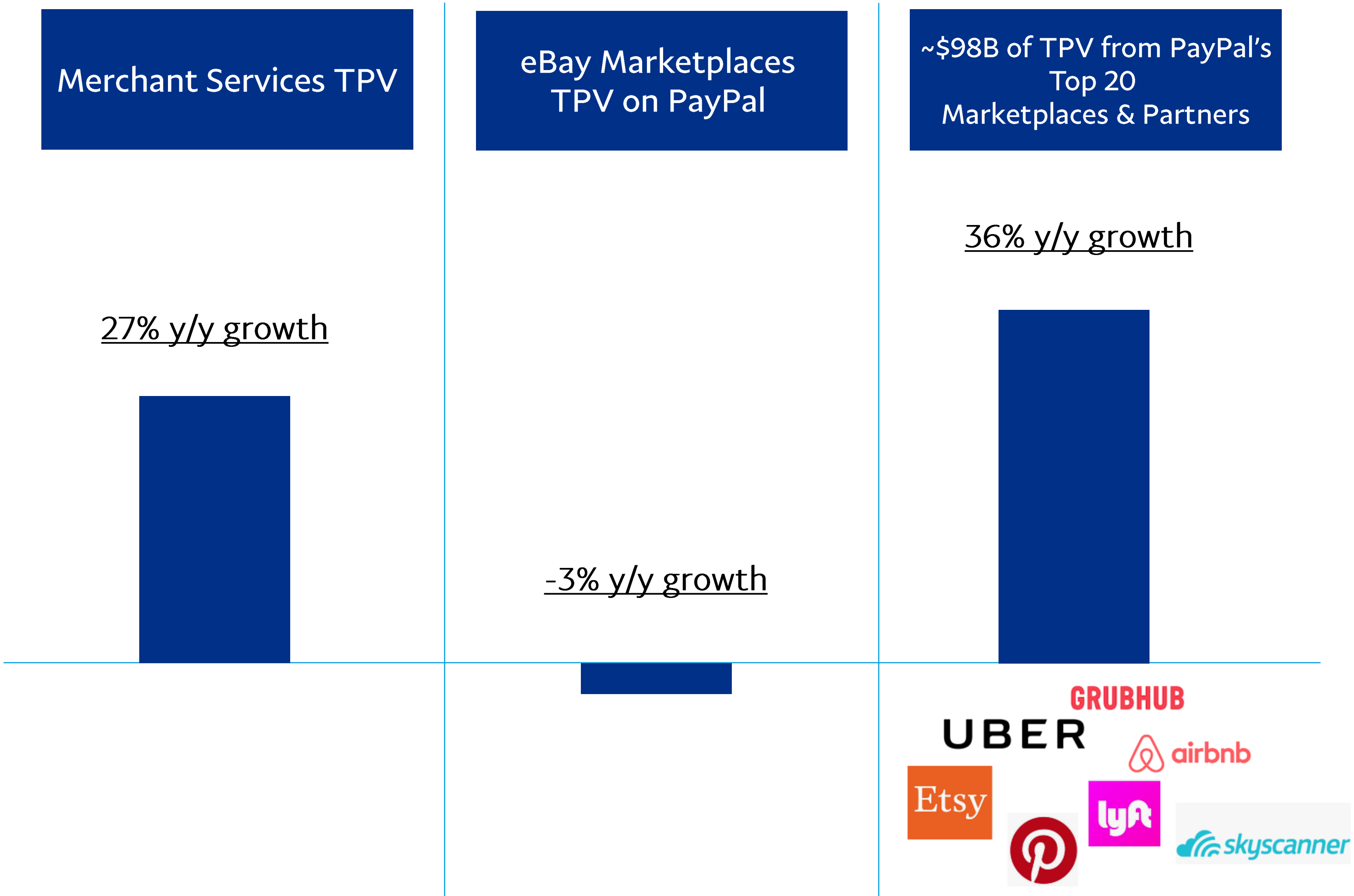
Merchant Services as % of Total TPV	87.3%	88.1%	89.0%	89.6%	90.3%	91.0%

- Merchant Services (non-eBay marketplaces related) volume represented 91% of TPV in Q2-19
- 30% growth in Merchant Services volume driven primarily by core PayPal, including P2P and Braintree, up 70 bps from Q1-19

PayPal

We Are Growing Together With Our Partners

Growth from our top marketplaces and partners is outpacing eBay. For Q2-19 eBay represented 9% of TPV vs. 12% in Q2-18

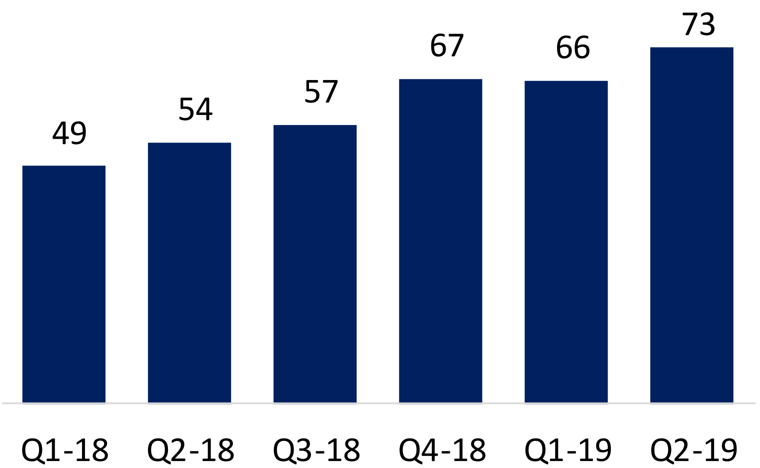


Last twelve months as of Q2-19

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

TPV: Mobile

Mobile TPV ($B)

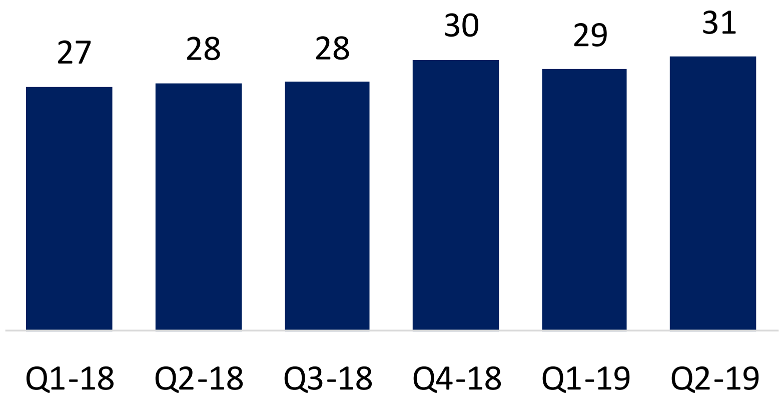


Y/Y Growth	52%	49%	45%	40%	36%	37%
Share of total TPV	37%	39%	40%	41%	41%	43%

- Mobile TPV was ~$73 billion in Q2-19, up ~37%
- Mobile TPV represented 43% of TPV in Q2-19, an increase of >400 basis points versus Q2-18

TPV: Cross Border Trade (CBT)

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



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

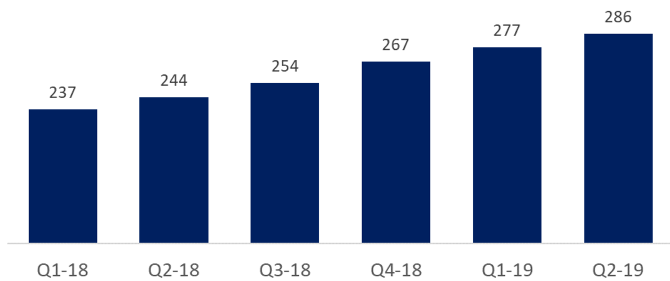
- CBT TPV was $31 billion in Q2-19, up 14% on an FX-neutral basis. Deceleration on a y/y basis in CBT growth was primarily driven by the strengthening U.S. dollar and a decline in eBay marketplaces volume
- CBT TPV represented 18% of TPV in Q2-19 vs. 20% in Q2-18 primarily driven by stronger growth in Braintree and Venmo, and slower CBT growth as a result of the stronger U.S. dollar and a decline in eBay marketplaces volume

PayPal

[(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.

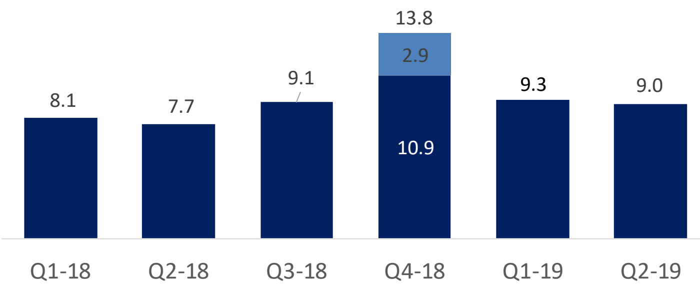
Active Accounts

Active Accounts (M)



Y/Y Growth	15%	15%	15%	17%	17%	17%

Net New Active Accounts (M)



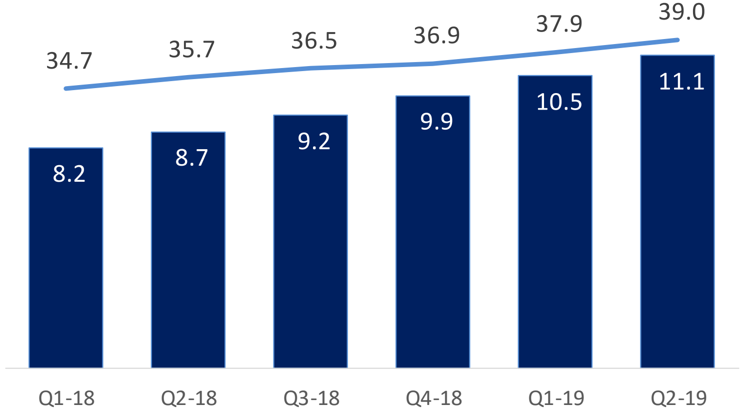
35%	18%	11%	58%	15%	17%

Net new active accounts from acquisitions

Organic net new active accounts

- Ended the quarter with 286 million active accounts, up 17%; including 23 million active merchant accounts
- Added 9.0 million net new active accounts, up 17%, added >41 million net new active accounts in the last twelve months
- Active account growth predominantly driven by core PayPal and Venmo

Customer Engagement



Number of Payment Transactions per Active Account

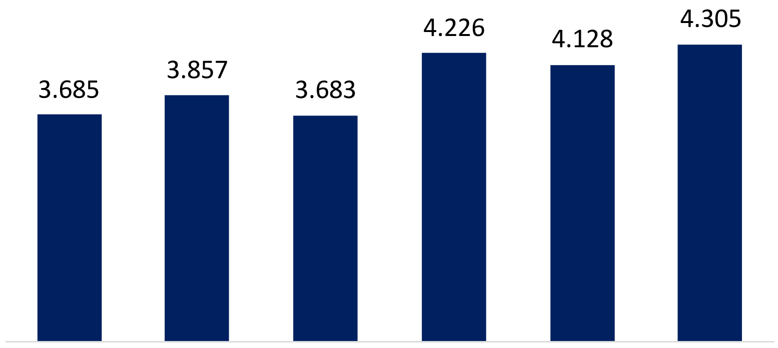
Transactions on a Trailing Twelve Months basis *(in billions)*

	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Customer Engagement Y/Y Growth	8%	9%	9%	9%	9%	9%

- Processed ~3.0B payment transactions during Q2-19, up 28%
- Payment transactions per active account increased 9% to 39.0

Revenue

Total Revenue ($B)



	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Spot Y/Y Growth	24%	23%	14%	14%	12%	12%
FXN Y/Y Growth	22%	22%	14%	14%	12%	12%
Adjusted FXN Y/Y Growth *	22%	22%	21%	21%	19%	19%

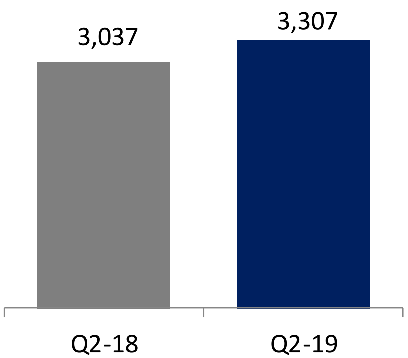
- Total Revenue growth of 12% on a spot and FX-neutral basis, which includes a negative impact of approximately 7 points from the receivables sale
- Transaction Revenue grew 17% on an FX-neutral basis driven primarily by core PayPal and Braintree
- Other Value Added Services (OVAS) Revenue declined 21% on an FX-neutral basis due primarily to the receivables sale. Adjusting for the receivables sale, OVAS Revenue grew approximately 30%
- Hedging gains, which are recognized in international transaction revenue, were $58 million in Q2-19 versus a $23 million loss in Q2-18
- Exiting Q2, at current rates, we estimate that our current hedge positions would result in the recognition of $113 million in international transaction revenue over the next four quarters

PayPal

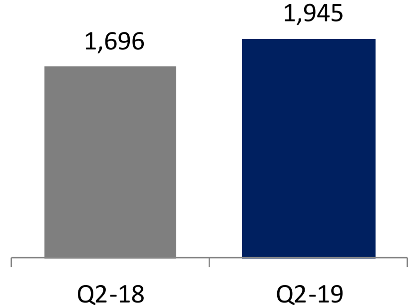
* Includes 7 pts of negative impact from the receivables sale

Non-GAAP Expense Detail

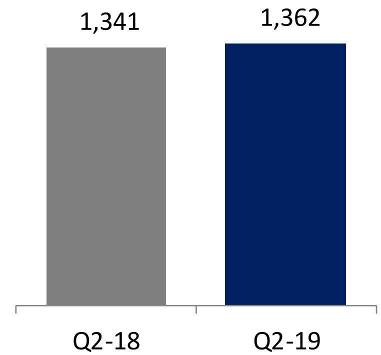
Total Expenses[1]
($M)



Volume-based Expenses[1,2]
($M)



Non-transaction Related Expenses[1,3]
($M)



	Total Q2-18	Total Q2-19	Volume-based Q2-18	Volume-based Q2-19	Non-transaction Q2-18	Non-transaction Q2-19
Y/Y Growth	22.6%	8.9%	23.6%	14.7%	21.4%	1.6%
% of Revenue	78.7%	76.8%	44.0%	45.2%	34.8%	31.6%

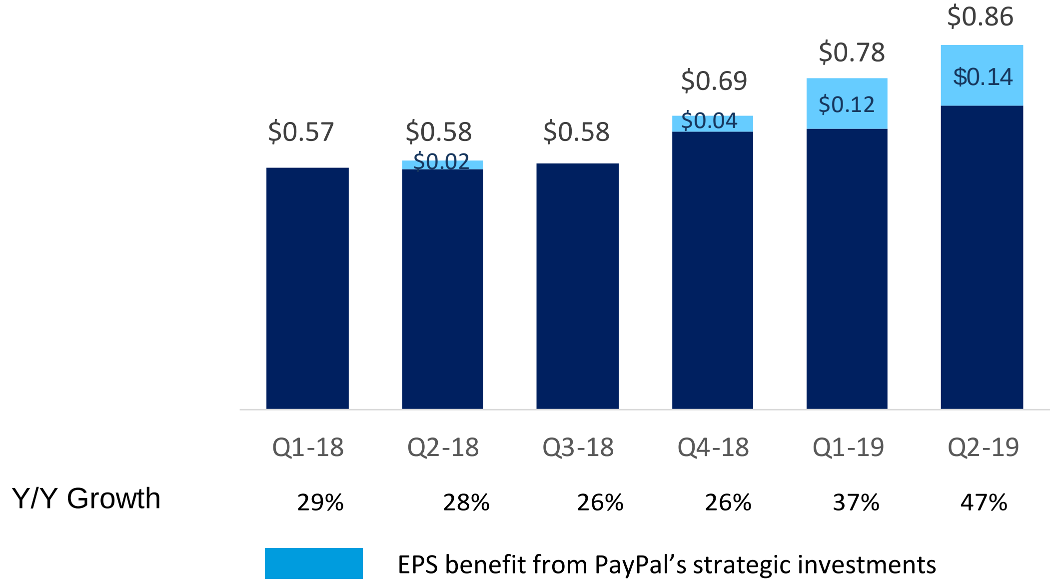
- Volume-based expenses grew 15%
- Expense discipline generating operating leverage on a non-GAAP basis:
  - Non-transaction related expenses grew 2% and delivered ~300 basis points of leverage
  - Adjusting for the receivables sale and our acquisitions of iZettle, Jetlore, Simility and Hyperwallet, non-transaction related expenses grew 6% and delivered ~300 basis points of leverage
- For the quarter, adjusting for the receivables sale and our 2018 acquisitions, non-transaction related expenses increased 11 cents for every dollar of revenue

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

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

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

Non-GAAP EPS

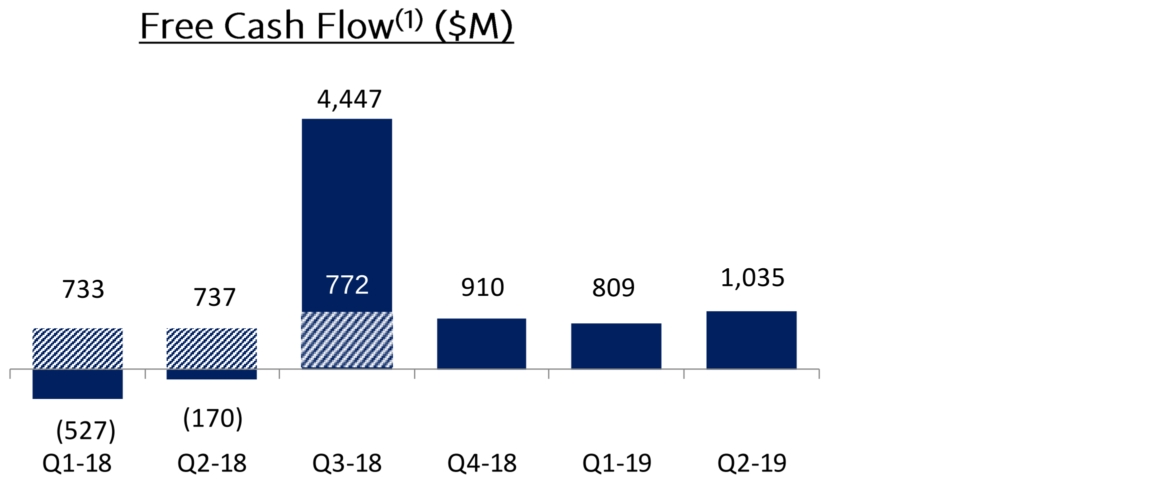


- Other Income & Expense (OI&E) for the quarter was $238M, primarily driven by ~$220M of net unrealized gains* on strategic investments
  - ~$10M of unrealized gains included in Q2-19 guidance provided in April
  - ~$210 million of unrealized gains from PayPal's strategic investments, including investments in MercadoLibre and Uber
- Non-GAAP effective tax rate(1) for Q2-19 was 17.6%
- Non-GAAP EPS of $0.86 in Q2-19, up 47%, which includes a benefit of $0.14 from PayPal's strategic investments. Excluding unrealized gains from strategic investments, non-GAAP EPS grew 27%

* 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.

Free Cash Flow



	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
FCF % of Revenue	20%	19%	21%	22%	20%	24%
CAPEX % of Revenue	5%	5%	6%	5%	5%	3%

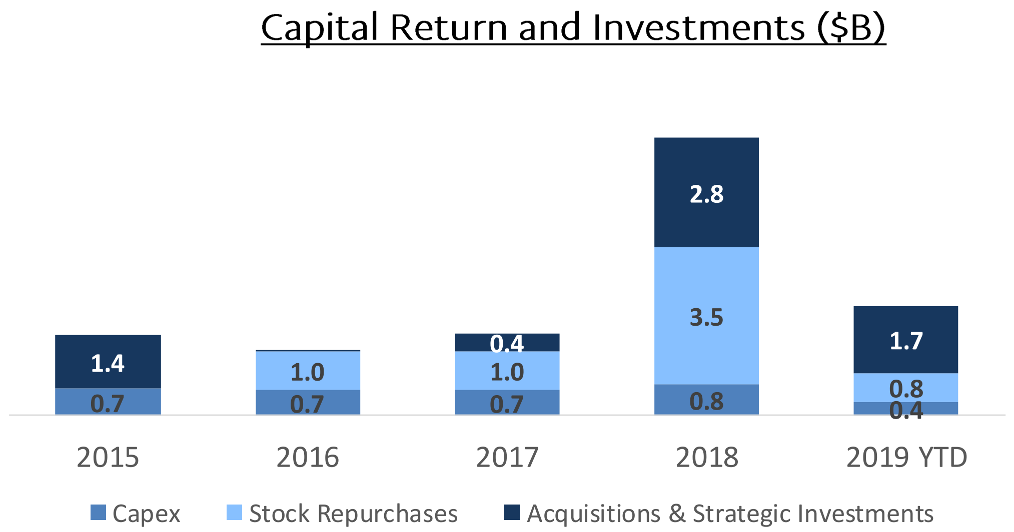
- Free Cash Flow (FCF) of $1.035 billion in Q2-19; first quarter with >$1B in FCF on a normalized basis
- Capex spend of $139 million; 3% of revenue
- Cash, cash equivalents, short-term and long-term investments of $10.7 billion
  - Cash and cash equivalents of $4.9 billion, short-term investments of $3.5 billion and long-term investments of $2.3 billion
  - ~77% of total cash, cash equivalents, and short-term investments held internationally

* 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.

PayPal

Capital Allocation



- Generated ~$11.9 billion in FCF(1) since separation in July 2015; including ~$1.84 billion in the first half of 2019
- Year-to-date, 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, Jetlore, Simility and Hyperwallet
- In the first half of 2019, strategic investments in MercadoLibre and Uber

PayPal

(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)	**$17.60**	**$17.80**
Y/Y Growth	*14%*	*15%*
FXN Y/Y Growth	*14%*	*15%*
Adjusted Y/Y Growth (adjusted for the receivables sale)	*18%*	*19%*
Non-GAAP EPS	**$3.12**	**$3.17**
Free Cash Flow (in billions)	**> $3.0**	

- TPV growth in mid-20% range
- Non-GAAP EPS Y/Y growth of 29% - 31%
- Non-GAAP effective tax rate of 17% - 19%
- CAPEX ~5% of revenue
- GAAP EPS of $2.16 - $2.22

Guidance Commentary

- Raising GAAP and non-GAAP EPS:
  - Includes ~$0.04 of operational outperformance and ~$0.13 benefit from PayPal's strategic investments in Q2-19
  - Includes an estimated benefit of ~$0.03 in Q3-19 from unrealized gains relating to strategic investments
  - Estimated GAAP EPS includes $0.40 - $0.44 of expected dilution relating to 2018 acquisitions
  - Estimated non-GAAP EPS includes $0.08 - $0.10 of expected dilution relating to 2018 acquisitions
- Revising full year revenue:
  - 14% - 15% FXN growth, 18% - 19% adjusted for receivables sale
  - Change in guidance due to delays in product integrations and pricing changes as well as currency pressures
  - Estimated revenue includes ~1.5 pts of revenue growth relating to 2018 acquisitions
- Expect to deliver non-GAAP operating margin expansion of ~100 bps in FY 2019, 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

PayPal

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

Q3 2019 Guidance

Q3 2019 Guidance

	Low	High
Revenue (in billions)	**$4.330**	**$4.380**
Y/Y Growth	*18%*	*19%*
FXN Y/Y Growth	*18%*	*19%*
Non-GAAP EPS	**$0.69**	**$0.71**

- GAAP and non-GAAP EPS guidance includes an estimated benefit of ~$0.03 from unrealized gains relating to strategic investments
- Estimated revenue includes ~1.5 points of revenue growth relating to 2018 acquisitions
- Estimated GAAP results includes approximately $0.19 - $0.23 of expected dilution relating to 2018 acquisitions
- Estimated non-GAAP results includes approximately $0.01 - $0.02 of expected dilution relating to 2018 acquisitions

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

SUPPLEMENTAL INFORMATION

PayPal Metrics

(in millions, except %)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Active Accounts	**237**	**244**	**254**	**267**	**277**	**286**
Y/Y Growth	15%	15%	15%	17%	17%	17%
Net New Active Accounts	**8.1**	**7.7**	**9.1**	**13.8**	**9.3**	**9.0**
Number of Payment Transactions	**2,214**	**2,327**	**2,463**	**2,867**	**2,838**	**2,973**
Y/Y Growth	25%	28%	27%	28%	28%	28%
Total Payment Volume	**132,364**	**139,403**	**143,004**	**163,648**	**161,492**	**172,359**
Y/Y Growth	32%	29%	24%	23%	22%	24%
FXN Y/Y Growth	27%	27%	25%	25%	25%	26%
US TPV	74,700	79,959	83,242	94,439	95,697	102,224
Y/Y Growth	28%	30%	27%	28%	28%	28%
International TPV	57,665	59,444	59,761	69,209	65,795	70,136
Y/Y Growth	36%	28%	20%	18%	14%	18%
FXN Y/Y Growth	25%	22%	22%	22%	22%	24%
Total Take Rate	**2.78%**	**2.77%**	**2.58%**	**2.58%**	**2.56%**	**2.50%**
Transaction Take Rate	**2.42%**	**2.38%**	**2.34%**	**2.35%**	**2.31%**	**2.25%**
Transaction Expense Rate	0.96%	0.98%	0.96%	0.96%	0.96%	0.94%
Transaction and Loan Loss Rate	0.23%	0.24%	0.21%	0.21%	0.21%	0.18%
Transaction Margin [1]	**57.1%**	**56.0%**	**54.9%**	**54.6%**	**54.2%**	**54.8%**

- Cross-border trade (CBT) was 18% of TPV in the quarter, growing 14% on an FX-neutral basis
- 49% of active accounts are outside the U.S.
- Average Payment Volume (APV) was $58, down 3% year-over-year
- Transaction take rate down ~13 bps, driven primarily by P2P growth (including Venmo) offset by hedging gains
- Credit loans receivable of ~$3.2B, with $2.2B related to merchant receivables, consisting of PayPal Working Capital and PayPal Business Loan products

PayPal

[1] Definitions included in Supplemental Information

Financial Detail

($ millions)	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Transaction Revenue	3,197	3,318	3,343	3,851	3,731	3,878
Y/Y Growth	22%	20%	17%	19%	17%	17%
Other Value Added Services (OVAS)	488	539	340	375	397	427
Y/Y Growth	39%	49%	-11%	-19%	-19%	-21%
Total Revenue	**3,685**	**3,857**	**3,683**	**4,226**	**4,128**	**4,305**
Y/Y Growth	24%	23%	14%	14%	12%	12%
FXN Y/Y Growth	22%	22%	14%	14%	12%	12%
% International	45%	44%	47%	48%	47%	47%
US Revenue Y/Y Growth	26%	27%	13%	9%	8%	7%
International Revenue FXN Y/Y Growth	18%	16%	15%	19%	17%	18%
Volume-based expenses	1,580	1,696	1,661	1,918	1,890	1,945
Non-transaction related expenses	1,276	1,341	1,235	1,395	1,304	1,362
Total Operating Expenses[(1)]	**2,856**	**3,037**	**2,896**	**3,313**	**3,194**	**3,307**
Y/Y Growth	22%	23%	12%	14%	12%	9%
Non-GAAP Op. Income[(1)]	**829**	**820**	**787**	**913**	**934**	**998**
Non-GAAP Op. Margin %[(1)]	**22%**	**21%**	**21%**	**22%**	**23%**	**23%**
Non-GAAP EPS[(1)]	**$0.57**	**$0.58**	**$0.58**	**$0.69**	**$0.78**	**$0.86**
Y/Y Growth	29%	28%	26%	26%	37%	47%
CAPEX	178	198	223	224	218	139
Free Cash Flow[(1)]	**(527)**	**(170)**	**4447**	**910**	**809**	**1,035**

- 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 grew ~20%
- International revenue growth driven by core Merchant Services. In Q2-19, international revenue growth also benefited from the acquisition of iZettle

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

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)	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**2018**	**2017**	**2016**
TPV	$ 172,359	$ 161,492	$ 163,648	$ 143,004	$ 139,403	$ 132,364	$ 132,515	$ 115,224	$ 107,800	$ 100,639	$ 578,419	$ 456,179	$ 359,928
GAAP Net revenues	$ 4,305	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 15,451	$ 13,094	$ 10,842
Other[(1)]	—	—	—	—	—	—	(39)	—	—	—	—	(39)	—
Non-GAAP Net revenues	$ 4,305	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 15,451	$ 13,055	$ 10,842
GAAP Transaction and loan losses	$ 318	$ 341	$ 340	$ 295	$ 334	$ 305	$ 40	$ 363	$ 308	$ 300	$ 1,274	$ 1,011	$ 1,088
Other[(2)]	—	—	—	—	—	—	283	—	—	—	—	283	—
Non-GAAP Transaction and loan Losses	$ 318	$ 341	$ 340	$ 295	$ 334	$ 305	$ 323	$ 363	$ 308	$ 300	$ 1,274	$ 1,294	$ 1,088
GAAP Transaction and loan losses rate (% of TPV)	0.18 %	0.21 %	0.21 %	0.21 %	0.24 %	0.23 %	0.03 %	0.32 %	0.29 %	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)	0.18 %	0.21 %	0.21 %	0.21 %	0.24 %	0.23 %	0.24 %	0.32 %	0.29 %	0.30 %	0.22 %	0.28 %	0.30 %
GAAP Transaction margin	54.8 %	54.2 %	54.6 %	54.9 %	56.0 %	57.1 %	65.1 %	54.8 %	56.3 %	56.7 %	55.6 %	58.5 %	59.1 %
Effect of non-GAAP adjustment	— %	— %	— %	— %	— %	— %	(8.0)%	— %	— %	— %	— %	(2.3)%	— %
Non-GAAP Transaction margin	54.8 %	54.2 %	54.6 %	54.9 %	56.0 %	57.1 %	57.1 %	54.8 %	56.3 %	56.7 %	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.

PayPal

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended										Year Ended December 31,		
		June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	2018	2017	2016
GAAP operating expenses:														
Transaction expense		$ 1,627	$ 1,549	$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		318	341	340	295	334	305	40	363	308	300	1,274	1,011	1,088
Customer support and operations		399	388	377	350	338	342	344	318	309	294	1,407	1,265	1,158
Sales and marketing		356	329	401	325	307	281	351	276	285	230	1,314	1,142	966
Technology and development		483	511	490	452	441	448	466	436	440	398	1,831	1,740	1,547
General and administrative		419	419	430	377	387	347	342	321	300	295	1,541	1,258	1,151
Restructuring and other charges		(2)	73	12	28	116	153	92	—	—	40	309	132	—
Total operating expenses		$ 3,600	$ 3,610	$ 3,628	$ 3,193	$ 3,285	$ 3,151	$ 2,901	$ 2,816	$ 2,706	$ 2,544	$ 13,257	$ 10,967	$ 9,256
Non-GAAP operating expense adjustments:														
Transaction and loan losses	(g)	$ —	$ —	$ —	$ —	$ —	$ —	$ 283	$ —	$ —	$ —	$ —	$ 283	$ —
Customer support and operations	(a)	(45)	(48)	(45)	(46)	(41)	(42)	(42)	(38)	(34)	(28)	(174)	(142)	(80)
	(b)	(2)	(5)	(1)	—	(2)	(6)	—	—	(2)	—	(9)	(2)	(2)
Sales and marketing	(a)	(32)	(32)	(32)	(30)	(29)	(34)	(33)	(27)	(27)	(20)	(125)	(107)	(57)
	(b)	(5)	(5)	—	—	(3)	(4)	—	—	(2)	—	(7)	(2)	(1)
	(c)	(33)	(36)	(39)	(20)	(16)	(17)	(47)	(18)	(15)	(15)	(92)	(95)	(101)
Technology and development	(a)	(80)	(93)	(81)	(76)	(74)	(72)	(82)	(75)	(66)	(54)	(303)	(277)	(166)
	(b)	(3)	(12)	(1)	(1)	(5)	(13)	—	(1)	(5)	(1)	(20)	(7)	(4)
	(c)	(18)	(21)	(20)	(13)	(9)	(12)	(11)	(8)	(7)	(8)	(54)	(34)	(32)
	(f)	—	—	—	—	—	—	—	—	(15)	—	—	(15)	—
General and administrative	(a)	(73)	(81)	(77)	(65)	(66)	(61)	(65)	(55)	(53)	(45)	(269)	(218)	(141)
	(b)	(4)	(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)	2	5	(12)	(28)	—	—	—	—	—	—	(40)	—	—
Total operating expenses		$ (293)	$ (416)	$ (315)	$ (297)	$ (248)	$ (295)	$ (3)	$ (223)	$ (229)	$ (212)	$ (1,155)	$ (667)	$ (588)
Non-GAAP operating expenses:														
Transaction expense		$ 1,627	$ 1,549	$ 1,578	$ 1,366	$ 1,362	$ 1,275	$ 1,266	$ 1,102	$ 1,064	$ 987	$ 5,581	$ 4,419	$ 3,346
Transaction and loan losses		318	341	340	295	334	305	323	363	308	300	1,274	1,294	1,088
Customer support and operations		352	335	331	304	295	294	302	280	273	266	1,224	1,121	1,076
Sales and marketing		286	256	330	275	259	226	271	231	241	195	1,090	938	807
Technology and development		382	385	388	362	353	351	373	352	347	335	1,454	1,407	1,345
General and administrative		342	328	346	294	318	277	271	265	244	249	1,235	1,029	1,006
Restructuring and other charges		—	—	—	—	116	128	92	—	—	—	244	92	—
Total operating expenses		$ 3,307	$ 3,194	$ 3,313	$ 2,896	$ 3,037	$ 2,856	$ 2,898	$ 2,593	$ 2,477	$ 2,332	$ 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

PayPal

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	2018	2017	2016
GAAP operating income	$ 705	$ 518	$ 598	$ 490	$ 572	$ 534	$ 843	$ 423	$ 430	$ 431	$ 2,194	$ 2,127	$ 1,586
Stock-based compensation expense and related employer payroll taxes	244	286	237	219	223	241	223	197	192	149	920	761	455
Acquisition related transaction expense	—	—	7	17	—	—	—	—	—	—	24	—	—
Restructuring	—	78	—	—	—	25	—	—	—	40	25	40	—
Amortization of acquired intangible assets	51	57	59	33	25	29	58	26	22	23	146	129	133
Other	(2)	(5)	12	28	—	—	(317)	—	15	—	40	(302)	—
Total non-GAAP operating income adjustments	293	416	315	297	248	295	(36)	223	229	212	1,155	628	588
Non-GAAP operating income	$ 998	$ 934	$ 913	$ 787	$ 820	$ 829	$ 807	$ 646	$ 659	$ 643	$ 3,349	$ 2,755	$ 2,174
Non-GAAP operating margin	*23.2 %*	*22.6 %*	*21.6 %*	*21.4 %*	*21.3 %*	*22.5 %*	*21.8 %*	*19.9 %*	*21.0 %*	*21.6 %*	*21.7 %*	*21.1 %*	*20.1 %*

PayPal

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

	Three Months Ended										Year Ended December 31,		
(In Millions, Except Percentages and Per Share Amount/Unaudited)	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30 , 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30 , 2017**	**June 30, 2017**	**March 31, 2017**	**2018**	**2017**	**2016**
GAAP income before income taxes	$ 943	$ 717	$ 686	$ 533	$ 609	$ 548	$ 864	$ 451	$ 447	$ 438	$ 2,376	$ 2,200	$ 1,631
GAAP income tax expense	120	50	102	97	83	37	244	71	36	54	319	405	230
GAAP net income	823	667	584	436	526	511	620	380	411	384	2,057	1,795	1,401
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	293	416	315	297	248	295	(36)	223	229	212	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	(98)	(157)	(69)	(53)	(103)	(117)	(115)	(66)	(86)	(62)	(342)	(329)	(164)
Non-GAAP net income	$ 1,018	$ 926	$ 824	$ 694	$ 703	$ 692	$ 670	$ 560	$ 554	$ 534	$ 2,913	$ 2,318	$ 1,825
Shares used in diluted share calculation	1,187	1,188	1,196	1,199	1,202	1,217	1,228	1,223	1,215	1,216	1,203	1,221	1,218
Net income per diluted share:													
GAAP	$ 0.69	$ 0.56	$ 0.49	$ 0.36	$ 0.44	$ 0.42	$ 0.50	$ 0.31	$ 0.34	$ 0.32	$ 1.71	$ 1.47	$ 1.15
Non-GAAP	$ 0.86	$ 0.78	$ 0.69	$ 0.58	$ 0.58	$ 0.57	$ 0.55	$ 0.46	$ 0.46	$ 0.44	$ 2.42	$ 1.90	$ 1.50
GAAP effective tax rate	13 %	7 %	15 %	18 %	14 %	7 %	28 %	16 %	8 %	12 %	13 %	18 %	14 %
Tax effect of non-GAAP adjustments to net income	5 %	11 %	3 %	(2)%	4 %	11 %	(9)%	1 %	10 %	6 %	5 %	— %	4 %
Non-GAAP effective tax rate	18 %	18 %	18 %	16 %	18 %	18 %	19 %	17 %	18 %	18 %	18 %	18 %	18 %

PayPal

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	2018	2017	2016
U.S. net revenues	$ 2,297	$ 2,187	$ 2,189	$ 1,962	$ 2,150	$ 2,023	$ 2,045	$ 1,743	$ 1,690	$ 1,606	$ 8,324	$ 7,084	$ 5,760
Non-GAAP adjustment[1]	—	—	—	—	—	—	(39)	—	—	—	—	(39)	—
Non-GAAP U.S. net revenues	$ 2,297	$ 2,187	$ 2,189	$ 1,962	$ 2,150	$ 2,023	$ 2,006	$ 1,743	$ 1,690	$ 1,606	$ 8,324	$ 7,045	$ 5,760
International net revenues	$ 2,008	$ 1,941	$ 2,037	$ 1,721	$ 1,707	$ 1,662	$ 1,699	$ 1,496	$ 1,446	$ 1,369	$ 7,127	$ 6,010	$ 5,082
Total net revenues	$ 4,305	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 15,451	$ 13,094	$ 10,842
Non-GAAP adjustment[1]	—	—	—	—	—	—	(39)	—	—	—	—	(39)	—
Total non-GAAP net revenues	$ 4,305	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 15,451	$ 13,055	$ 10,842

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

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

	Three Months Ended										Year Ended December 31,		
(In Millions/Unaudited)	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**2018**	**2017**	**2016**
Transaction revenues	$ 3,878	$ 3,731	$ 3,851	$ 3,343	$ 3,318	$ 3,197	$ 3,244	$ 2,858	$ 2,775	$ 2,624	$ 13,709	$ 11,501	$ 9,585
Other value added services	$ 427	$ 397	$ 375	$ 340	$ 539	$ 488	$ 500	$ 381	$ 361	$ 351	$ 1,742	$ 1,593	$ 1,257
Non-GAAP adjustment[1]	—	—	—	—	—	—	(39)	—	—	—	—	(39)	—
Non-GAAP other value added services	$ 427	$ 397	$ 375	$ 340	$ 539	$ 488	$ 461	$ 381	$ 361	$ 351	$ 1,742	$ 1,554	$ 1,257
Total net revenues	$ 4,305	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,744	$ 3,239	$ 3,136	$ 2,975	$ 15,451	$ 13,094	$ 10,842
Non-GAAP adjustment[1]	—	—	—	—	—	—	(39)	—	—	—	—	(39)	—
Total non-GAAP net revenues	$ 4,305	$ 4,128	$ 4,226	$ 3,683	$ 3,857	$ 3,685	$ 3,705	$ 3,239	$ 3,136	$ 2,975	$ 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.

PayPal

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	2018	2017	2016
Net cash provided by operating activities	$ 1,174	$ 1,027	$ 1,134	$ 4,670	$ 28	$ (349)	$ (147)	$ 1,006	$ 921	$ 751	$ 5,483	$ 2,531	$ 3,158
Less: Purchases of property and equipment, net	(139)	(218)	(224)	(223)	(198)	(178)	(180)	(165)	(174)	(148)	(823)	(667)	(669)
Free cash flow	$ 1,035	$ 809	$ 910	$ 4,447	$ (170)	$ (527)	$ (327)	$ 841	$ 747	$ 603	$ 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	$ 1,035	$ 809	$ 910	$ 772	$ 737	$ 733	$ 972	$ 841	$ 747	$ 603	$ 3,152	$ 3,163	$ 2,489

Q3-19 and FY 2019 GAAP and Non-GAAP Guidance

	Three Months Ending September 30, 2019	
(in billions, except per share amounts)	GAAP	Non-GAAP(a)
Revenues	\$4.33 - \$4.38	\$4.33 - \$4.38
Diluted EPS	\$0.32 - \$0.35	\$0.69 - \$0.71

	Twelve Months Ending December 31, 2019	
(in billions, except per share amounts)	GAAP	Non-GAAP(b)
Revenues	\$17.60- \$17.80	\$17.60- \$17.80
Diluted EPS	\$2.16 - \$2.22	\$3.12 - \$3.17
Free Cash Flow		> \$3

(a) Estimated non-GAAP amounts above for the three months ending September 30, 2019, reflect adjustments of approximately \$300 - \$330 million, including 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 \$1.37 - \$1.43 billion, including stock-based compensation expense and related payroll taxes, in the range of \$1.06 - \$1.10 billion.

PayPal

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