

PayPal's Acquisition of iZettle

May 17, 2018

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PayPal Significantly Expands Global Omnichannel Platform with Acquisition of iZettle

- Advances PayPal's mission to help small and medium sized businesses (SMBs) grow and thrive in the global digital economy by enhancing omnichannel offering
- Combines iZettle's in-store expertise, recognized brand and digital marketing strength with PayPal's global scale, mobile and online payments leadership, and trusted brand reputation
- Upon closing, expands offering in 12 markets, adding in-store capabilities to 11 markets, with potential for rapid further geographic expansion
- iZettle co-founders and existing management team to join PayPal
- iZettle to become the European center of excellence for PayPal's in-store product and services offerings

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Transaction Rationale



Best-in-Class Omnichannel Offering

Combines PayPal's global scale, trusted brand and mobile & online leadership with iZettle's in-store expertise and scalable platform



Global In-Store Expansion

11 new in-store markets(1), acceleration of omnichannel commerce solutions in Australia, U.K, and U.S., and near-term expansion opportunities in other PayPal markets



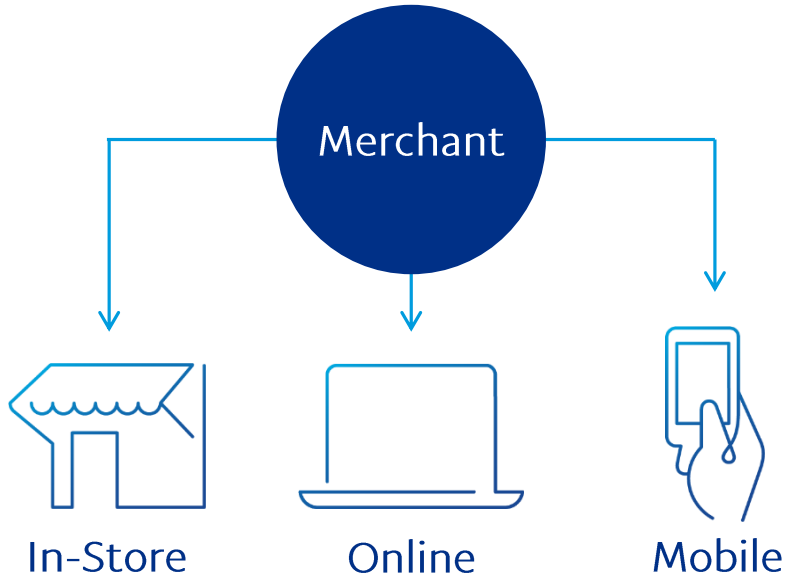
Enhanced Value Proposition for SMBs

Delivers powerful integrated commerce platform for SMBs to help them grow and manage their businesses

(1) iZettle currently operates in 12 markets: Brazil, Denmark, Finland, France, Germany, Italy, Mexico, Netherlands, Norway, Spain, Sweden and U.K.; the U.K. is an existing in-store market for PayPal

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The SMB Retail Environment is Changing with Merchants Demanding Omnichannel Solutions



+ Digital Marketing

+ Inventory Management

+ Lending

+ Other Commerce Solutions

- Majority of PayPal's 19 million merchant accounts today are SMBs
- SMBs remain underserved despite significant contribution to global GDP
- In-store payments account for approximately 90% of global commerce(1)
- SMBs are demanding integrated commerce solutions across all channels (i.e., in-store, online, mobile) and value-added services to grow (e.g., marketing services, business management tools and working capital solutions)

(1) Sources: Forbes and U.S. Census Bureau

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Highly Complementary Fit: Best-in-Class In-Store Capabilities to Augment PayPal's Mobile & Online Value Proposition and Merchant Services Offering

PayPal

- Mobile / Online capabilities, including checkout, processing, smart buttons, etc.
- Merchant Services (e.g., working capital, invoicing, virtual terminals)



Leading Omnichannel Provider with Integrated Commerce Solutions for SMBs

iZettle

- In-Store capabilities, including POS
- Merchant Tools (e.g., SEM, working capital, inventory management, vertical industry solutions)
- Automated Onboarding

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iZettle Key Financials

~$6 Billion

2018E Total Payment Volume (TPV)

~$165 Million

2018E Gross Revenue

~$130 Million

2018E Net Revenue(1)

~60%

2015 – 2017 Revenue CAGR

Proven Unit Economics

With Improving Profitability Levels

FY 2020

EBITDA Profitability Expected

(1) Net revenue is defined as gross revenue less interchange and card scheme fees. Net revenue is a non-IFRS / non-GAAP metric used by iZettle management to measure revenue quality. iZettle reports under IFRS as adopted by the European Union.

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Transaction Details

- Purchase price of $2.2 billion USD
- Implied ~11x 2019E net revenue(1) multiple, excluding synergies
- Synergies resulting from cross-sell and geographic expansion
- Expected to be ~$0.01 dilutive to PayPal's previously communicated full year 2018 non-GAAP EPS(2)
- Completion subject to customary closing conditions, including regulatory approvals
- Expected to close during the third quarter of 2018

(1) Net revenue is defined as gross revenue less interchange and card scheme fees. Net revenue is a Non-IFRS / Non-GAAP metric used by iZettle management and the industry to measure revenue quality. iZettle reports under IFRS as adopted by the European Union.
(2) FY 2018 non-GAAP EPS expected to be $2.31 - $2.34 as provided on April 25, 2018

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Appendix

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iZettle Overview

Leading Integrated Payments Provider

Founded in 2010

By Jacob de Geer and MagnusNilsson

$6B Total Payment Volume

Expected in 2018

Fast Expanding Customer Base

1,000+ on-boarded per day;
Self-on-board in <5minutes

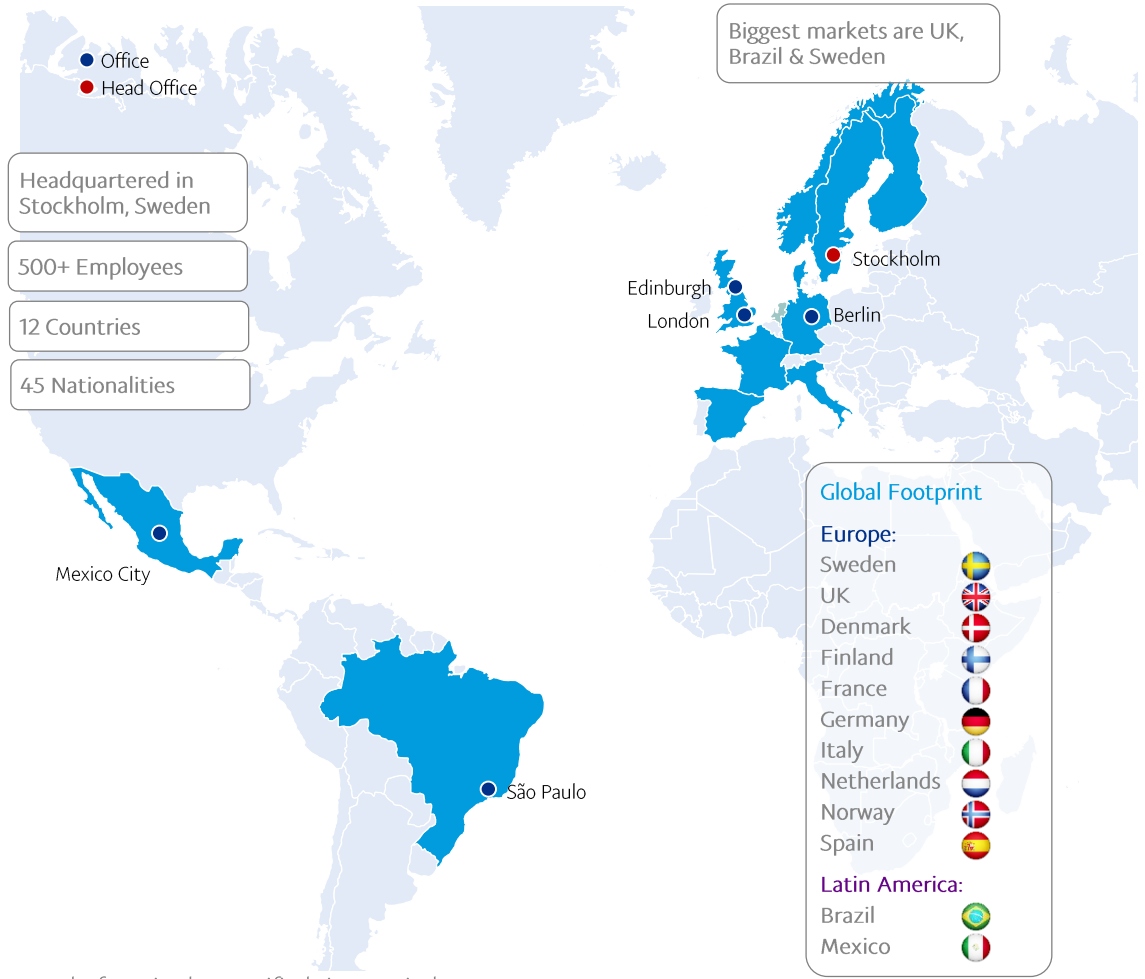
Strong Investor Base

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iZettle
COMMERCE PLATFORM

GET PAID	SELL SMART	GROW	PARTNER APPS
			lightspeed · vend · ikentoo · VISMA · FORTNOX
• iZettle Reader • Online payments • Alternative payments	• In-person point of sale • E-commerce • Invoicing	• Growth capital in form of merchant cash advances	• Provides an open ecosystem to encourage third party collaboration

Global Footprint



(1) Total Payment Volume (TPV) defined as the monetary value of transactions processed through the iZettle payments platform in the specified time period

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