



PayPal Q1-17 Investor Update

April 26, 2017

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 net revenue, non-GAAP operating expenses, non-GAAP earnings per diluted share, 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 separation of the company from eBay Inc. on July 17, 2015, 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 by the prior period's results, excluding the impact of currency hedging.
- This presentation contains forward-looking statements relating to, among other things, the future results of operations, financial condition, expectations and plans of PayPal Holdings, Inc. and its consolidated subsidiaries that reflect PayPal's current projections and forecasts. Forward-looking statements can be identified by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan," "project," "forecast" and other similar expressions. Forward-looking statements include, but are not limited to, statements regarding projected financial results for second quarter and the full year 2017, the planned acquisition of TIO and 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 and economic conditions, including any regional general economic downturn or crisis and any conditions that affect payments or e-commerce growth; fluctuations in foreign currency exchange rates; the competitive, regulatory, payment card association-related and other risks specific to the PayPal, PayPal Credit, Braintree, Venmo, Xoom and Paydiant 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 react to the increasing importance of mobile payments and mobile commerce; PayPal's ability to deal with the increasingly competitive environment for its businesses, including competition for consumers and merchants; the outcome of legal and regulatory proceedings and PayPal's need and ability to manage other 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; PayPal's need to manage an increasingly large enterprise with a broad range of businesses of varying degrees of maturity and in many different geographies; the effect of management changes and business initiatives; any changes PayPal may make to its product offerings; 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, including the possibility that the acquisition of TIO may not close or, if it does, that PayPal will not realize the expected benefits of the acquisition; and PayPal's ability to profitably integrate, manage and grow businesses that have been acquired or may be acquired in the future, including TIO.
- 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 release is as of April 26, 2017. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this presentation. PayPal assumes no obligation to update such forward-looking statements.

First Quarter 2017 Summary

Strong start to the year building on 2016 momentum

Revenue

\$2.98B



19% FX-Neutral YoY Growth

Non-GAAP EPS ⁽¹⁾

\$0.44



19% increase YoY

Free Cash Flow ⁽¹⁾

\$0.6B

In-line with Q1 '16

\$0.5B

stock repurchases

Total Payment Volume ⁽²⁾

\$99B



25% FX-Neutral YoY Growth

Active Accounts ⁽²⁾

6M

Net adds in quarter

203M

includes 16M merchant accounts



11% increase YoY

Customer Engagement

32 payment transactions per active customer account ⁽²⁾



12% increase YoY

- Celebrated a major milestone in PYPL history, reaching & exceeding 200 million active accounts. Added 6 million net new actives in the quarter, largest quarterly organic increase (excluding acquisitions), over the past three years
- Expanded strategic partnership strategy with Google, Wells Fargo & Visa in APAC
- Ended the quarter with more than 53 million consumer accounts opted into One Touch and more than 5 million merchants now offer One Touch
- Announced agreement to acquire TIO Networks, which was approved by TIO's shareholders. Expected to close in the second half of 2017, subject to certain customary closing conditions

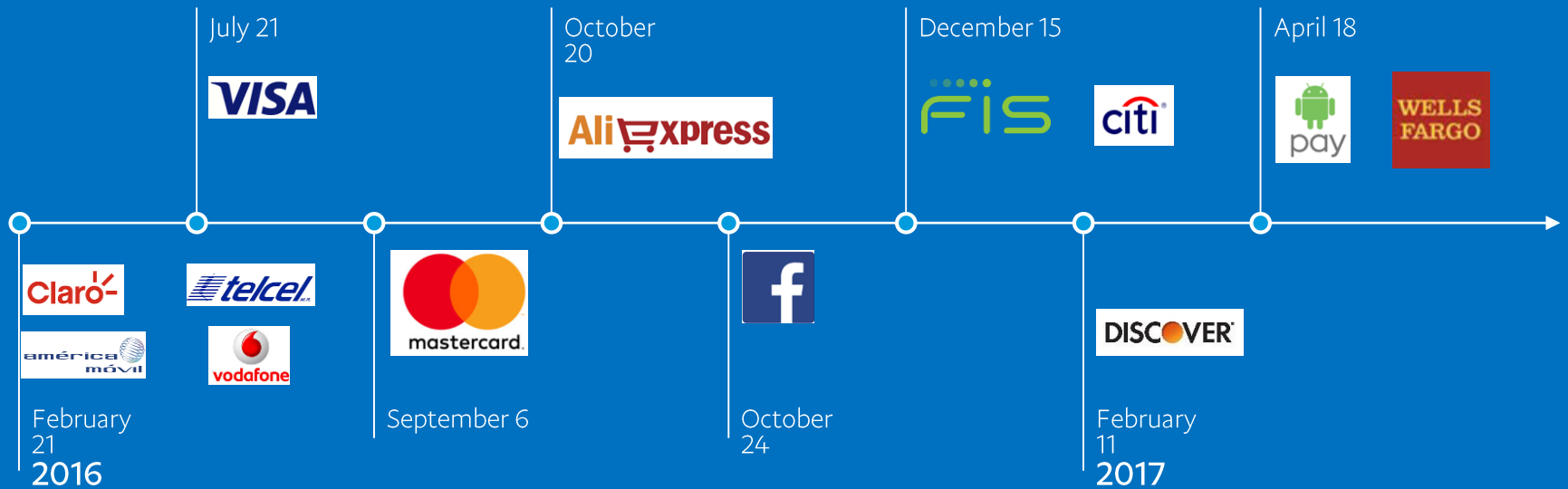


⁽¹⁾ Non-GAAP earnings per share and free cash flow are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

⁽²⁾ Definition included in Supplemental Information.

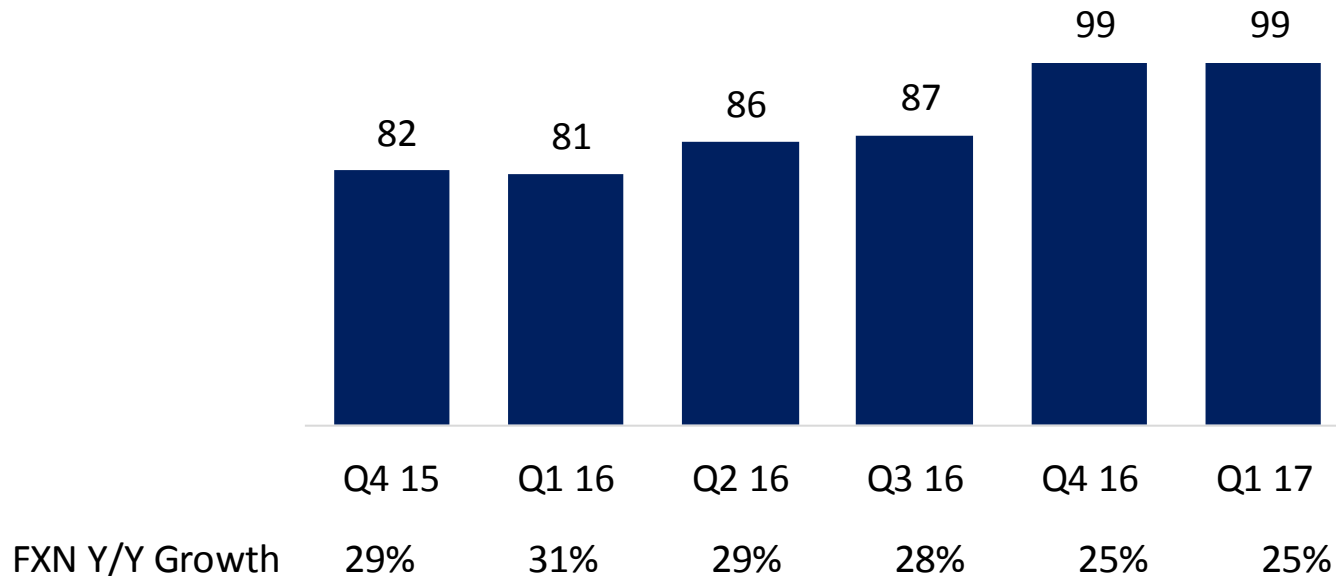
Expanding Strategic Partnerships

Announced partnerships with players across the ecosystem



Gaining Share

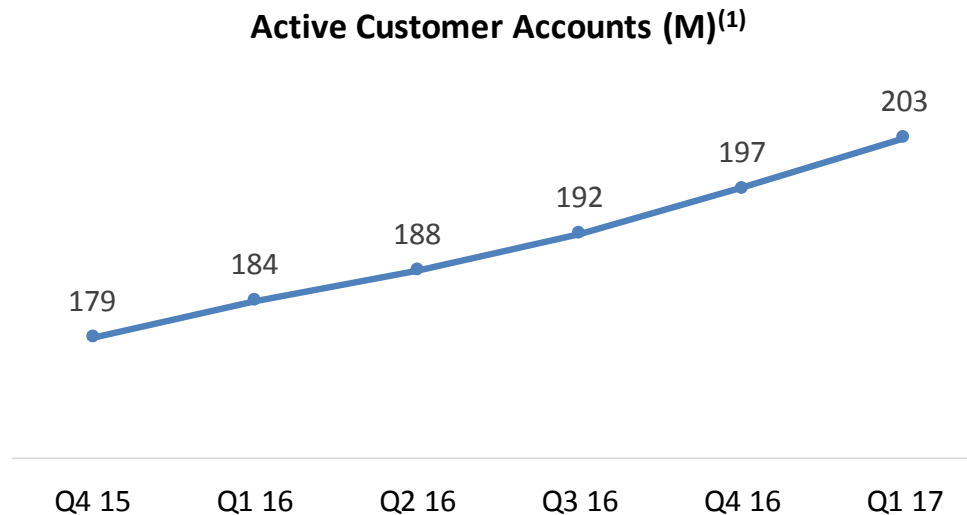
Total Payment Volume (TPV) (\$B)⁽¹⁾



- Merchant Services volume grew 30% on an FX-neutral basis, driven by strength in core PayPal, Braintree, and Venmo
- Mobile volume growth of 51%. Mobile was approximately \$32 billion of Total Payment Volume in Q1'17, representing 32% of the total.
- Venmo volume up 114% to \$6.8B in the quarter

⁽¹⁾ Definition included in Supplemental Information.

Expanding Customer Base

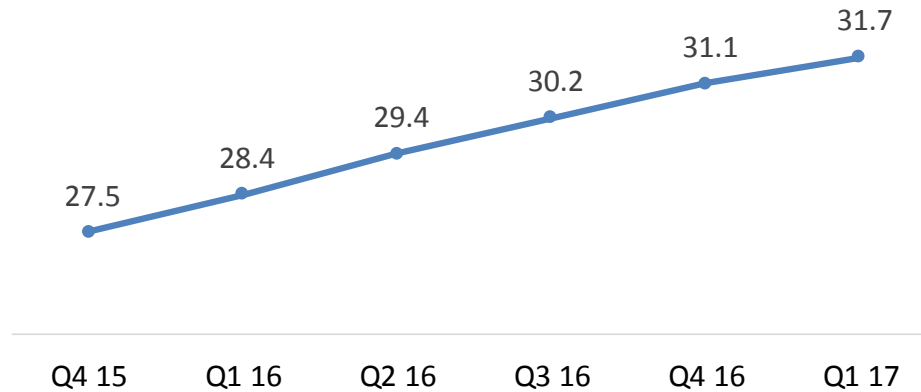


- Added 6 million net new actives in the quarter
- Ended the quarter with 203 million, up 11% on a year over year basis
- 16M active merchant accounts
- Active account growth driven predominantly by core PayPal

⁽¹⁾ Definition included in Supplemental Information.

Deepening Engagement

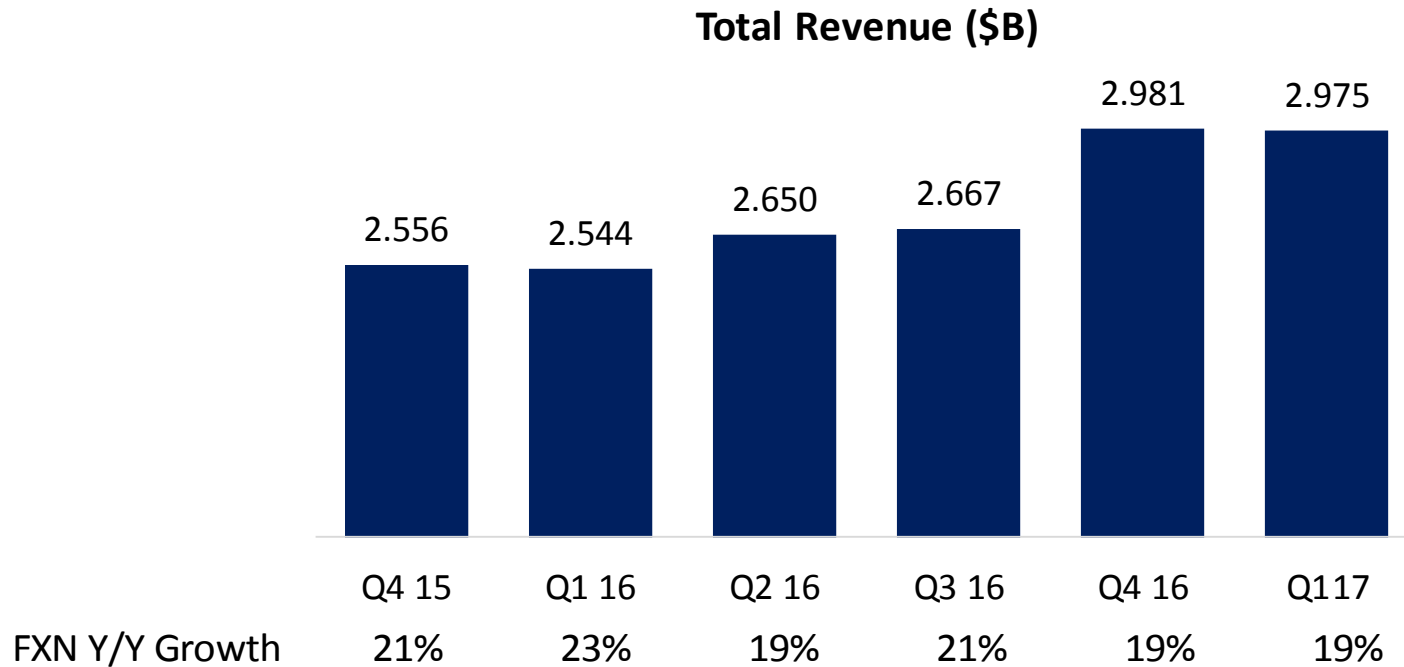
Number of Payment Transactions per Active Customer Account⁽¹⁾



- Processed 1.7B payment transactions during Q1, up 23%
- Payment transactions per active account increased 12%

⁽¹⁾ Definition included in Supplemental Information.

Growing Revenue

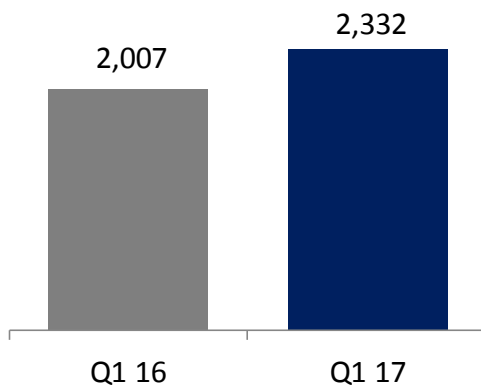


- Transaction Revenue grew by 19% on an FX-neutral basis, driven by core PayPal and Braintree
- Other Value Added Services Revenue grew 23% on an FX-neutral basis, driven predominantly by credit

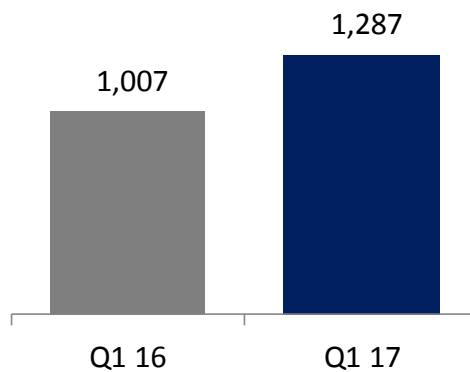
Q4'15 – Q2'16 revenue growth rates are presented on a non-GAAP pro forma basis. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Non-GAAP Expense Detail

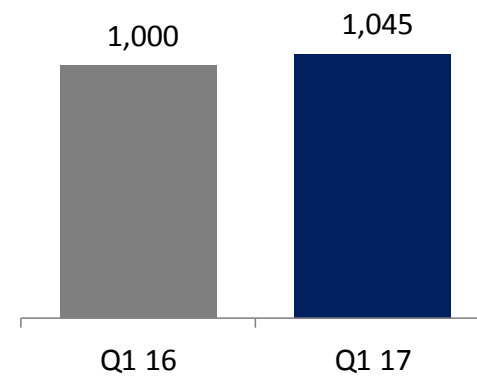
Total Expenses⁽¹⁾
(\$M)



Transaction and Loss Expenses⁽²⁾
(\$M)



Other Expenses⁽³⁾
(\$M)



	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17
Y/Y Growth	20%	16%	32%	28%	10%	5%
% of Revenue	79%	78%	40%	43%	39%	35%

4 pt decrease

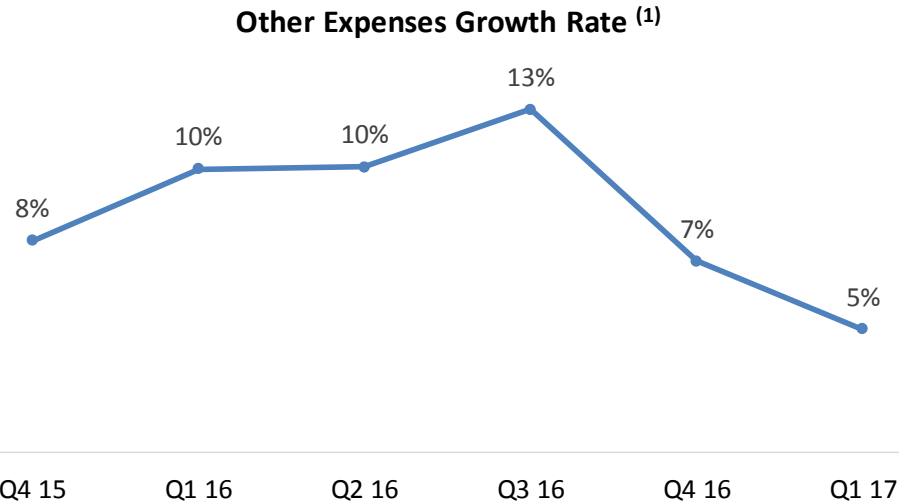
- Gained 420 bps leverage on Other Expenses. Other Expenses grew 5%, significantly lower than revenue at 17%
- Transaction and Loss Expenses grew 28%

⁽¹⁾ Expenses are presented on a non-GAAP basis. Q1'16 expense growth rates represent year-over-year comparisons versus non-GAAP pro forma measures. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

⁽²⁾ Transaction and loss expenses include transaction expense and transaction and loan losses.

⁽³⁾ Other expenses include customer support and operations, sales and marketing, product development, general and administrative, and depreciation and amortization.

Leveraging Other Expenses



	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Other Expenses as % of Revenue	40%	39%	40%	40%	37%	35%

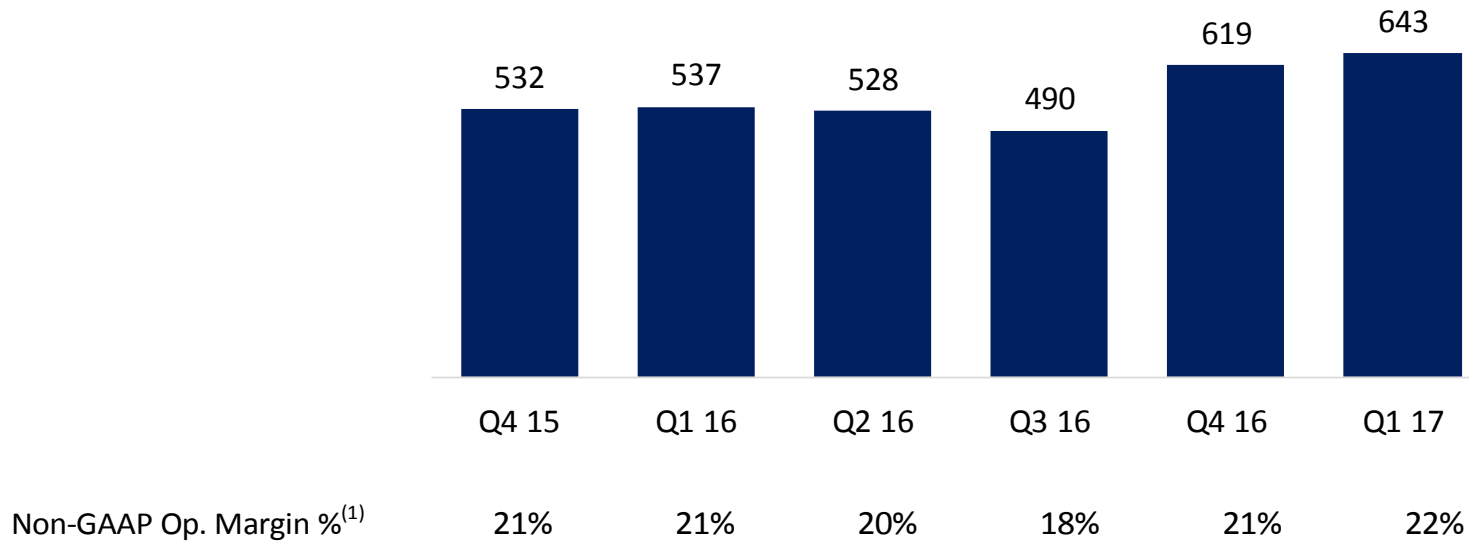
- 5% growth on Other Expenses represents lowest growth rate since separation
- Gaining leverage as a result of increasing expense discipline

⁽¹⁾ Expenses are presented on a non-GAAP basis. Q4'15 – Q2'16 expense growth rates represent year-over-year comparisons versus non-GAAP pro forma measures. Please see the Supplemental Information for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

⁽²⁾ Other expenses include customer support and operations, sales and marketing, product development, general and administrative, and depreciation and amortization.

Growing Operating Income

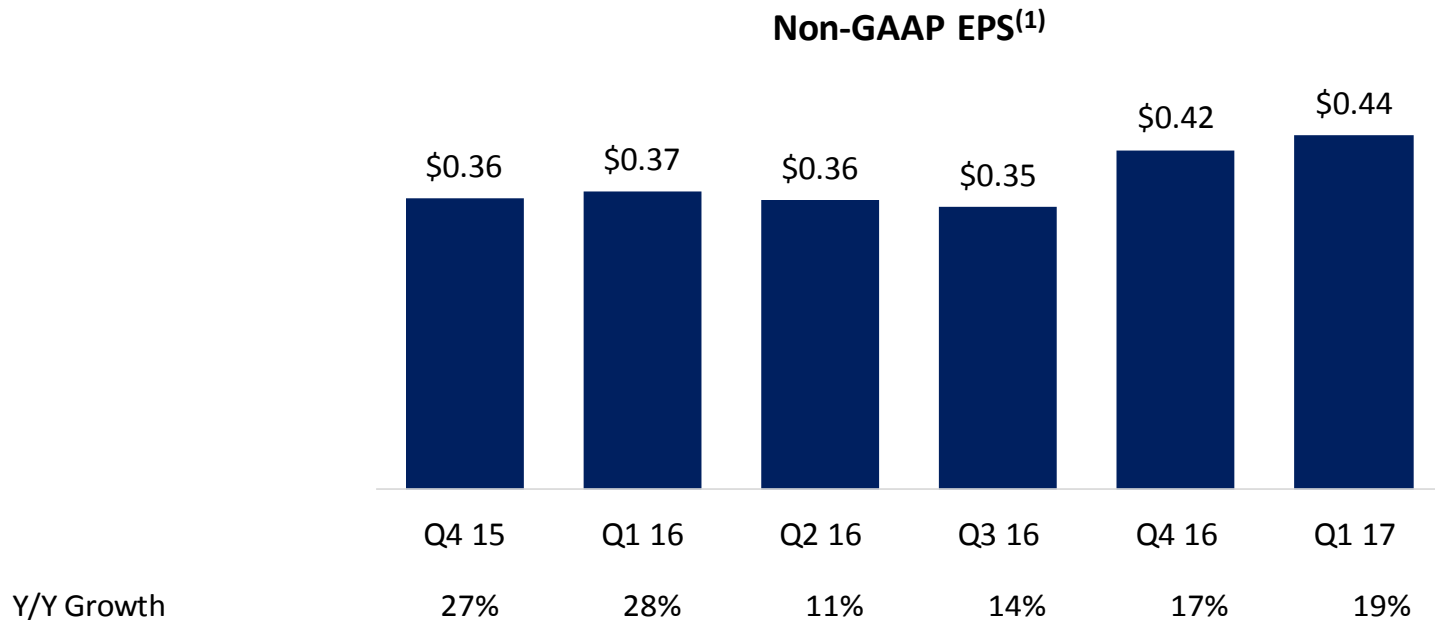
Non-GAAP Operating Income ⁽¹⁾
(\$M)



- Non-GAAP operating margin expanded 50 bps compared to Q1'16 as leverage in Other Expenses more than offset growth in volume-based expenses

⁽¹⁾ Operating Income 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.

Growing Non-GAAP EPS

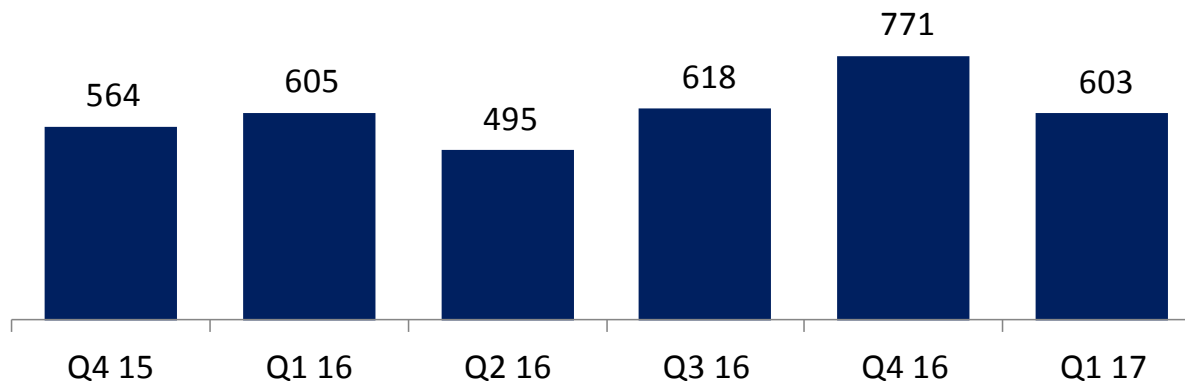


- Other Income & Expense (OI&E) for the quarter was \$7M
- Non-GAAP tax rate for Q1'17 was 17.8% compared to 18.1% in Q1'16
- Q1'17 non-GAAP EPS growth of 19%

⁽¹⁾ Non-GAAP EPS and non-GAAP tax rates are non-GAAP financial measures. Q4'15 – Q2'16 non-GAAP EPS growth rates are presented on a pro forma basis. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measure to the most directly comparable GAAP financial measures.

Generating Strong Free Cash Flow⁽¹⁾

Free Cash Flow (\$M)



	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
FCF % of Revenue	22%	24%	19%	23%	26%	20%
CAPEX % of Revenue	6%	5%	8%	7%	5%	5%

- Total Cash, Cash Equivalents, and Investments of \$6.3B ⁽²⁾ composed of \$5.6B international and \$0.7B U.S.
- In Q1'17, returned \$0.5B to shareholders by repurchasing 12.2M shares at an average price of \$42.38
- Announced new \$5 billion stock repurchase authorization

⁽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 \$19M and cost method investments of \$60M as of March 31, 2017

2017 Guidance

FY 2017 Guidance

	Low	High
Revenue <small>(in billions)</small>	\$12.520	\$12.720
<i>Y/Y Growth</i>	15%	17%
<i>FXN Y/Y Growth</i>	17%	19%
Non-GAAP EPS	\$1.74	\$1.79
Free Cash Flow <small>(in billions)</small>	>\$2.7	

- Non-GAAP EPS Y/Y growth of 16% - 19%
- Non-GAAP effective tax rate of 18% - 19%
- CAPEX ~5% of revenue
- GAAP EPS of \$1.28 to \$1.33

Guidance Context

- Raising full year revenue guidance range. Expect 17% - 19% Y/Y growth on an FXN basis
- Expect currency to be a ~200 bps headwind, with greater impact in the first half of the year
- Expect non-GAAP operating margin to be flat to slightly up vs. 2016
- Raising EPS guidance for full year based on strong performance in Q1'17 and momentum in the business

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 2017 Guidance

Q2 2017 Guidance

	Low	High
Revenue (in billions)	\$3.050	\$3.100
<i>Y/Y Growth</i>	15%	17%
<i>FXN Y/Y Growth</i>	17%	19%
Non-GAAP EPS	\$0.41	\$0.43

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

Supplemental Information

PayPal Metrics

(in millions, except %)

	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Active Customer Accounts ⁽¹⁾	179	184	188	192	197	203
Y/Y Growth	11%	11%	11%	11%	10%	11%
Number of Payment Transactions ⁽¹⁾	1,428	1,414	1,448	1,512	1,755	1,732
Y/Y Growth	25%	26%	25%	24%	23%	23%
Total Payment Volume ⁽¹⁾	81,523	81,056	86,208	87,403	99,348	99,327
Y/Y Growth	23%	29%	28%	25%	22%	23%
FXN Y/Y Growth	29%	31%	29%	28%	25%	25%
US TPV	44,320	44,453	46,848	48,380	54,719	56,472
Y/Y Growth	29%	30%	27%	25%	23%	27%
International TPV	37,203	36,603	39,360	39,023	44,629	42,855
Y/Y Growth	17%	27%	29%	25%	20%	17%
FXN Y/Y Growth	28%	32%	31%	30%	27%	23%
Total Take Rate ⁽¹⁾	3.14%	3.14%	3.07%	3.05%	3.00%	3.00%
Transaction Take Rate ⁽¹⁾	2.77%	2.76%	2.69%	2.65%	2.63%	2.62%
Transaction Expense Rate ⁽¹⁾	0.92%	0.93%	0.94%	0.95%	0.96%	0.99%
Transaction and Loan Loss Rate ⁽¹⁾	0.30%	0.31%	0.30%	0.31%	0.31%	0.30%
Transaction Margin ⁽¹⁾	61.1%	60.4%	59.8%	58.7%	57.7%	56.7%

- Cross-border trade (CBT) was 21% of TPV in the quarter, growing 15% at spot vs Q1'16
- 54% of active accounts are outside the U.S.
- Average Payment Volume (APV) was \$57, flat year over year
- Transaction take rate down ~14 bps, driven primarily by P2P growth (including Venmo)
- PayPal Credit loans receivable of \$5.1B and PayPal Working Capital advances of \$0.6B as of March 31, 2017

⁽¹⁾ Definition included in Supplemental Information.

Financial Detail

(\$ millions)	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Transaction Revenue	2,262	2,238	2,323	2,314	2,615	2,599
Y/Y Growth	15%	17%	18%	17%	16%	16%
Other Value Added Services (OVAS)	294	306	327	353	366	376
Y/Y Growth	30%	37%	0%	28%	24%	23%
Total Revenue⁽¹⁾	2,556	2,544	2,650	2,667	2,981	2,975
Y/Y Growth	17%	19%	16%	18%	17%	17%
FXN Y/Y Growth	21%	23%	19%	21%	19%	19%
% International	49%	47%	47%	46%	47%	46%
US Revenue Y/Y Growth	25%	31%	21%	26%	21%	20%
International Revenue FXN Y/Y Growth	18%	15%	18%	16%	17%	18%
Transaction and Loss Expenses	995	1,007	1,065	1,101	1,261	1,287
Other Expenses	1,029	1,000	1,057	1,076	1,101	1,045
Total Operating Expenses⁽¹⁾	2,024	2,007	2,122	2,177	2,362	2,332
Y/Y Growth	15%	20%	19%	20%	17%	16%
Non-GAAP Op. Income⁽¹⁾	532	537	528	490	619	643
Non-GAAP Op. Margin %⁽¹⁾	21%	21%	20%	18%	21%	22%
Non-GAAP EPS⁽¹⁾	\$0.36	\$0.37	\$0.36	\$0.35	\$0.42	\$0.44
Y/Y Growth	27%	28%	11%	14%	17%	19%
CAPEX	164	133	201	183	152	148
Free Cash Flow⁽¹⁾	564	605	495	618	771	603

- U.S. Revenue growth driven primarily by core Merchant Services and Braintree
- International Revenue growth driven by core Merchant Services

⁽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. Q3'15 – Q2'16 revenue, operating expense and EPS year-over-year growth rates are presented on a non-GAAP pro forma basis. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In millions)	Note	Three Months Ended								Year Ended December 31,				
		March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
GAAP operating expenses:														
Transaction expense		\$ 987	\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
Transaction and loan losses		300	307	271	255	255	245	201	185	178	193	1,088	809	646
Customer support and operations	(1)	317	328	325	318	296	299	284	278	249	264	1,267	1,110	991
Sales and marketing	(1)	238	253	233	250	233	255	226	234	222	258	969	937	954
Product development	(1)	214	215	215	209	195	208	197	202	185	201	834	792	747
General and administrative	(1)	265	275	261	261	231	225	216	215	217	203	1,028	873	733
Depreciation and amortization		183	189	184	176	175	164	153	150	141	132	724	608	516
Restructuring		40	—	—	—	—	(1)	—	1	48	—	—	48	—
Total operating expenses		\$ 2,544	\$ 2,521	\$ 2,319	\$ 2,279	\$ 2,137	\$ 2,145	\$ 1,928	\$ 1,899	\$ 1,815	\$ 1,845	\$ 9,256	\$ 7,787	\$ 6,757
Non-GAAP operating expense adjustments:														
Customer support and operations	(a)	\$ (30)	\$ (24)	\$ (21)	\$ (22)	\$ (18)	\$ (18)	\$ (16)	\$ (15)	\$ (13)	\$ (13)	\$ (85)	\$ (62)	\$ (52)
	(e)	—	—	—	—	—	—	—	(2)	(1)	—	—	(3)	—
Sales and marketing	(a)	(28)	(25)	(21)	(22)	(16)	(10)	(18)	(11)	(13)	(19)	(84)	(52)	(59)
Product development	(a)	(45)	(37)	(34)	(35)	(33)	(35)	(33)	(35)	(29)	(28)	(139)	(132)	(108)
General and administrative	(a)	(42)	(39)	(31)	(33)	(27)	(26)	(25)	(21)	(22)	(19)	(130)	(94)	(75)
	(b)	(2)	—	(1)	(9)	(1)	—	(1)	(5)	(3)	(1)	(11)	(9)	(11)
	(d)	—	—	—	—	—	—	—	—	—	(1)	—	—	(1)
	(e)	—	—	—	—	—	2	(3)	(7)	(4)	—	—	(12)	—
	(f)	—	—	—	—	—	(5)	(2)	(3)	—	—	—	(10)	—
Depreciation and amortization	(a)	(2)	(2)	(2)	(1)	(1)	(1)	(2)	(2)	(2)	(1)	(6)	(7)	(4)
	(c)	(23)	(32)	(32)	(35)	(34)	(29)	(20)	(20)	(16)	(17)	(133)	(85)	(70)
Restructuring	(d)	(40)	—	—	—	—	1	—	(1)	(48)	—	—	(48)	—
Total operating expenses		\$ (212)	\$ (159)	\$ (142)	\$ (157)	\$ (130)	\$ (121)	\$ (120)	\$ (122)	\$ (151)	\$ (99)	\$ (588)	\$ (514)	\$ (380)
Non-GAAP operating expenses:														
Transaction expense		\$ 987	\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
Transaction and loan losses		300	307	271	255	255	245	201	185	178	193	1,088	809	646
Customer support and operations	(1)	287	304	304	296	278	281	268	261	235	251	1,182	1,045	939
Sales and marketing	(1)	210	228	212	228	217	245	208	223	209	239	885	885	895
Product development	(1)	169	178	181	174	162	173	164	167	156	173	695	660	639
General and administrative	(1)	221	236	229	219	203	196	185	179	188	182	887	748	646
Depreciation and amortization		158	155	150	140	140	134	131	128	123	114	585	516	442
Restructuring		—	—	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses		\$ 2,332	\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 2,024	\$ 1,808	\$ 1,777	\$ 1,664	\$ 1,746	\$ 8,668	\$ 7,273	\$ 6,377

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

(a) Stock-based compensation expense

(b) Employer payroll taxes on stock-based compensation

(c) Amortization of acquired intangible assets

(d) Restructuring

(e) Separation

(f) Acquisition related transaction expense

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

(In Millions)	Note	Three Months Ended									Year Ended December 31,			
		March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Non-GAAP operating expenses:														
		\$ 987	\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
		300	307	271	255	255	245	201	185	178	193	1,088	809	646
	(1)	287	304	304	296	278	281	268	261	235	251	1,182	1,045	939
	(1)	210	228	212	228	217	245	208	223	209	239	885	885	895
	(1)	169	178	181	174	162	173	164	167	156	173	695	660	639
	(1)	221	236	229	219	203	196	185	179	188	182	887	748	646
		158	155	150	140	140	134	131	128	123	114	585	516	442
		\$ 2,332	\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 2,024	\$ 1,808	\$ 1,777	\$ 1,664	\$ 1,746	\$ 8,668	\$ 7,273	\$ 6,377
Pro forma adjustments:														
	(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12	\$ 10	\$ 11	\$ —	\$ 22	\$ 43
	(a)(b)(c)	—	—	—	—	—	—	—	5	3	5	—	8	13
	(d)	—	—	—	—	—	—	—	(12)	(13)	(15)	—	(25)	(60)
	(a)	—	—	—	—	—	—	—	2	1	2	—	3	6
	(e)	—	—	—	—	—	—	—	4	4	4	—	8	16
		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11	\$ 5	\$ 7	\$ —	\$ 16	\$ 18
Non-GAAP pro forma operating expenses:														
		\$ 987	\$ 954	\$ 830	\$ 810	\$ 752	\$ 750	\$ 651	\$ 634	\$ 575	\$ 594	\$ 3,346	\$ 2,610	\$ 2,170
		300	307	271	255	255	245	201	197	188	204	1,088	831	689
	(1)	287	304	304	296	278	281	268	266	238	256	1,182	1,053	952
	(1)	210	228	212	228	217	245	208	211	196	224	885	860	835
	(1)	169	178	181	174	162	173	164	167	156	173	695	660	639
	(1)	221	236	229	219	203	196	185	181	189	184	887	751	652
		158	155	150	140	140	134	131	132	127	118	585	524	458
		\$ 2,332	\$ 2,362	\$ 2,177	\$ 2,122	\$ 2,007	\$ 2,024	\$ 1,808	\$ 1,788	\$ 1,669	\$ 1,753	\$ 8,668	\$ 7,289	\$ 6,395

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

(a) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.

(b) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.

(c) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

(d) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.

(e) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

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

(In Millions, Except Percentages)	Note	Three Months Ended										Year Ended December 31,		
		March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
GAAP operating income		\$ 431	\$ 460	\$ 348	\$ 371	\$ 407	\$ 411	\$ 330	\$ 398	\$ 322	\$ 348	\$ 1,586	\$ 1,461	\$ 1,268
Stock-based compensation expense and related employer payroll taxes		149	127	110	122	96	90	95	89	82	81	455	356	309
Acquisition related transaction expense		—	—	—	—	—	5	2	3	—	—	—	10	—
Separation		—	—	—	—	—	(2)	3	9	5	—	—	15	—
Restructuring		40	—	—	—	—	(1)	—	1	48	1	—	48	1
Amortization of acquired intangible assets		23	32	32	35	34	29	20	20	16	17	133	85	70
Total non-GAAP operating income adjustments		212	159	142	157	130	121	120	122	151	99	588	514	380
Non-GAAP operating income		\$ 643	\$ 619	\$ 490	\$ 528	\$ 537	\$ 532	\$ 450	\$ 520	\$ 473	\$ 447	\$ 2,174	\$ 1,975	\$ 1,648
Non-GAAP operating margin		21.6%	20.8%	18.4%	19.9%	21.1%	20.8%	19.9%	22.6%	22.1%	20.4%	20.1%	21.4%	20.5%
Pro forma adjustments:														
Net revenues	(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ (3)	\$ (4)	\$ —	\$ (7)	\$ (13)
Transaction and loan losses	(b)	—	—	—	—	—	—	—	(12)	(10)	(11)	—	(22)	(43)
Customer support and operations	(b)(c)(d)	—	—	—	—	—	—	—	(5)	(3)	(5)	—	(8)	(13)
Sales and marketing	(e)	—	—	—	—	—	—	—	12	13	15	—	25	60
General and administrative	(b)	—	—	—	—	—	—	—	(2)	(1)	(2)	—	(3)	(6)
Depreciation and amortization	(f)	—	—	—	—	—	—	—	(4)	(4)	(4)	—	(8)	(16)
Total non-GAAP pro forma operating income adjustments		—	—	—	—	—	—	—	(15)	(8)	(11)	—	(23)	(31)
Non-GAAP pro forma operating income		\$ 643	\$ 619	\$ 490	\$ 528	\$ 537	\$ 532	\$ 450	\$ 505	\$ 465	\$ 436	\$ 2,174	\$ 1,952	\$ 1,617
Non-GAAP pro forma operating margin		21.6%	20.8%	18.4%	19.9%	21.1%	20.8%	19.9%	22.0%	21.8%	19.9%	20.1%	21.1%	20.2%

(a) Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

(b) Reflects the effect of the Protection program losses and service costs that were historically reimbursed to PayPal by eBay for the administration of eBay's customer protection programs. Following the distribution, this program is no longer being administered by PayPal, and therefore these costs will not be reimbursed by eBay. PayPal's customer protection programs have been extended to its customers' purchases on eBay, and therefore PayPal expects to incur incremental costs associated with its customer protection programs.

(c) Reflects the impact of additional costs for shared data centers and information technology facilities, except for the facilities in Phoenix, Arizona, and Denver, Colorado, that will continue to be managed by eBay after the separation pursuant to the colocation services agreements.

(d) Reflects the reversal of historically allocated amounts from eBay to PayPal related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

(e) Reflects the net reduction of costs charged to PayPal by eBay for referral services and user penetration.

(f) Reflects depreciation expense related to data center facilities in Phoenix, Arizona, and Denver, Colorado, pursuant to the colocation services agreements.

Reconciliation of GAAP Net Income to Non-GAAP Net Income and Non-GAAP Pro Forma Net Income; Reconciliation of GAAP EPS to Non-GAAP EPS and Non-GAAP Pro Forma EPS; Reconciliation of GAAP Effective Tax Rate to Non-GAAP Effective Tax Rate and Non-GAAP Pro Forma Effective Tax Rate

(In Millions, Except Percentages and Per Share Amounts)	Three Months Ended										Year Ended December 31,		
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
GAAP income before income taxes	\$ 438	\$ 469	\$ 360	\$ 380	\$ 422	\$ 418	\$ 350	\$ 399	\$ 321	\$ 347	\$ 1,631	\$ 1,488	\$ 1,261
GAAP income tax expense	54	79	37	57	57	51	49	94	66	61	230	260	842
GAAP net income	384	390	323	323	365	367	301	305	255	286	1,401	1,228	419
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	212	159	142	157	130	121	120	122	151	99	588	514	380
Amortization of investments	—	—	—	—	—	—	—	—	—	—	—	—	4
Separation (Other income (expense), net)	—	—	—	—	—	—	(12)	—	—	—	—	(12)	—
Other certain significant gains, losses, or charges	—	—	—	—	—	—	—	—	—	—	—	—	646
Tax effect of non-GAAP adjustments	(62)	(37)	(40)	(44)	(43)	(45)	(32)	(19)	(46)	(27)	(164)	(142)	(106)
Non-GAAP net income	\$ 534	\$ 512	\$ 425	\$ 436	\$ 452	\$ 443	\$ 377	\$ 408	\$ 360	\$ 358	\$ 1,825	\$ 1,588	\$ 1,343
Non-GAAP pro forma adjustments to net income:													
Non-GAAP pro forma operating income adjustments (see table above)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (15)	\$ (8)	\$ (11)	\$ —	\$ (23)	\$ (31)
Tax effect of non-GAAP pro forma adjustments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ 1	\$ 1	\$ —	\$ 3	\$ 3
Non-GAAP pro forma net income	\$ 534	\$ 512	\$ 425	\$ 436	\$ 452	\$ 443	\$ 377	\$ 395	\$ 353	\$ 348	\$ 1,825	\$ 1,568	\$ 1,315
Shares used in diluted share calculation	1,216	1,216	1,214	1,215	1,225	1,230	1,227	1,224	1,224	1,224	1,218	1,229	1,224
Net income per diluted share:													
GAAP	\$ 0.32	\$ 0.32	\$ 0.27	\$ 0.27	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 1.15	\$ 1.00	\$ 0.34
Non-GAAP	\$ 0.44	\$ 0.42	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.33	\$ 0.29	\$ 0.29	\$ 1.50	\$ 1.29	\$ 1.10
Non-GAAP pro forma	\$ 0.44	\$ 0.42	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.32	\$ 0.29	\$ 0.28	\$ 1.50	\$ 1.28	\$ 1.07
GAAP effective tax rate	12%	17%	10%	15%	14%	12%	14%	24%	21%	18%	14%	17%	67%
Tax effect of non-GAAP adjustments to net income	6%	1%	5%	4%	4%	6%	4%	(2)%	3%	2%	4%	3%	(49)%
Non-GAAP effective tax rate	18%	18%	15%	19%	18%	18%	18%	22%	24%	20%	18%	20%	18%
Tax effect of non-GAAP pro forma adjustments to net income	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Non-GAAP pro forma effective tax rate	18%	18%	15%	19%	18%	18%	18%	22%	24%	20%	18%	20%	18%

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

(In millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
U.S. net revenues	\$ 1,606	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,170	\$ 1,030	\$ 1,043	\$ 5,760	\$ 4,640	\$ 3,877
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	(3)	(2)	(3)	—	(5)	(9)
Non-GAAP pro forma U.S. net revenues	\$ 1,606	\$ 1,574	\$ 1,436	\$ 1,407	\$ 1,343	\$ 1,302	\$ 1,138	\$ 1,167	\$ 1,028	\$ 1,040	\$ 5,760	\$ 4,635	\$ 3,868
International net revenues	\$ 1,369	\$ 1,407	\$ 1,231	\$ 1,243	\$ 1,201	\$ 1,254	\$ 1,120	\$ 1,127	\$ 1,107	\$ 1,150	\$ 5,082	\$ 4,608	\$ 4,148
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	(1)	(1)	(1)	—	(2)	(4)
Non-GAAP pro forma international net revenues	\$ 1,369	\$ 1,407	\$ 1,231	\$ 1,243	\$ 1,201	\$ 1,254	\$ 1,120	\$ 1,126	\$ 1,106	\$ 1,149	\$ 5,082	\$ 4,606	\$ 4,144
Total net revenues	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 10,842	\$ 9,248	\$ 8,025
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	(4)	(3)	(4)	—	(7)	(13)
Total non-GAAP pro forma net revenues	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 10,842	\$ 9,241	\$ 8,012

⁽¹⁾ Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

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

(In millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	2016	2015	2014
Transaction revenues	\$ 2,599	\$ 2,615	\$ 2,314	\$ 2,323	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,970	\$ 1,914	\$ 1,967	\$ 9,490	\$ 8,128	\$ 7,107
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	(4)	(3)	(4)	—	(7)	(13)
Non-GAAP pro forma transaction revenues	\$ 2,599	\$ 2,615	\$ 2,314	\$ 2,323	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,966	\$ 1,911	\$ 1,963	\$ 9,490	\$ 8,121	\$ 7,094
Other value added services	\$ 376	\$ 366	\$ 353	\$ 327	\$ 306	\$ 294	\$ 276	\$ 327	\$ 223	\$ 226	\$ 1,352	\$ 1,120	\$ 918
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP pro forma other value added services	\$ 376	\$ 366	\$ 353	\$ 327	\$ 306	\$ 294	\$ 276	\$ 327	\$ 223	\$ 226	\$ 1,352	\$ 1,120	\$ 918
Total net revenues	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 10,842	\$ 9,248	\$ 8,025
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	(4)	(3)	(4)	—	(7)	(13)
Total non-GAAP pro forma net revenues	\$ 2,975	\$ 2,981	\$ 2,667	\$ 2,650	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 10,842	\$ 9,241	\$ 8,012

⁽¹⁾ Reflects the impact of lower transaction revenues from payment services provided by PayPal to eBay as the result of the terms of certain commercial agreements negotiated between the parties that stipulate lower transaction fees than those historically charged to eBay.

Calculation of Free Cash Flow

(In Millions/Unaudited)	Three Months Ended									Year Ended December 31,		
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	2016	2015	2014
Net cash provided by operating activities	\$ 751	\$ 923	\$ 801	\$ 696	\$ 738	\$ 728	\$ 652	\$ 622	\$ 544	\$ 3,158	\$ 2,546	\$ 2,220
Less: Purchases of property and equipment, net	(148)	(152)	(183)	(201)	(133)	(164)	(133)	(231)	(194)	(669)	(722)	(492)
Free cash flow	\$ 603	\$ 771	\$ 618	\$ 495	\$ 605	\$ 564	\$ 519	\$ 391	\$ 350	\$ 2,489	\$ 1,824	\$ 1,728

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

Q2'17 and FY 2017 GAAP and Non-GAAP Guidance

(in millions, except per share amounts)	Three Months Ending June 30, 2017	
	GAAP	Non-GAAP(a)
Revenues	\$3,050 - \$3,100	\$3,050 - \$3,100
Diluted EPS	\$0.30 - \$0.32	\$0.41 - \$0.43

(in millions, except per share amounts)	Twelve Months Ending December 31, 2017	
	GAAP	Non-GAAP(b)
Revenues	\$12,520 - \$12,720	\$12,520 - \$12,720
Diluted EPS	\$1.28 - \$1.33	\$1.74 - \$1.79
Free Cash Flow		> \$2.7B

(a) Estimated non-GAAP amounts above for the three months ending June 30, 2017, reflect adjustments of approximately \$205 - 220 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of \$180 - \$190 million.

(b) Estimated non-GAAP amounts above for the twelve months ending December 31, 2017, reflect adjustments of approximately \$800 - 840 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of \$660 - \$690 million.

Definitions

- **Active Customer Accounts:** An active customer account is a registered account that successfully sent or received at least one payment or payment reversal through our Payments Platform, excluding transactions processed through our gateway and Paydiant products, in the past 12 months.
- **Cards on File:** Cards on File includes all credit, debit and prepaid cards provided through Braintree's products (including gateway), including cards that may now be invalid or inactive due to expiration or other reasons.
- **Number of Payment Transactions:** Payment transactions is the total number of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.
- **Number of Payment Transactions per Active Customer Account:** Number of payment transactions per active customer account reflects the total number of payment transactions within the previous 12 month period, divided by active customer accounts at the end of the period.
- **Total Payment Volume:** Total Payment Volume or "TPV" is the value of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.
- **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.