

## PayPal Reports Second Quarter 2019 Results

*GAAP EPS of \$0.69, increasing 58%; non-GAAP EPS of \$0.86, increasing 47%*

*Cash flow from operations of \$1.2 billion; Free cash flow of \$1.0 billion*

*9.0 million net new active accounts added, bringing total active accounts to 286 million, up 17%*

**SAN JOSE, Calif. - July 24, 2019** - Global technology platform and digital payments leader PayPal Holdings, Inc.

(NASDAQ: PYPL) today announced second quarter results for the period ended June 30, 2019.



*"PayPal delivered another solid quarter, and consequently we are raising EPS guidance for the year.*

*Net new active accounts increased by a record 41 million over the last 12 months, and engagement per active account once again increased by 9% to 39 times a year. Venmo's momentum continues, with 70% growth in total payment volume to \$24 billion. Earlier this month, Xoom expanded to 32 new send markets throughout Europe," said Dan Schulman, President and CEO of PayPal.*

### Financial highlights for second quarter 2019

- Revenue of \$4.31 billion; growing 12% on both a spot and foreign currency-neutral (FX-neutral or FXN) basis.
  - The completion of the sale of the U.S. consumer credit receivables portfolio to Synchrony in July 2018 negatively affected revenue growth by approximately seven percentage points.

- GAAP operating margin of 16.4% with non-GAAP operating margin of 23.2%.
- GAAP EPS of \$0.69, increasing 58%; non-GAAP EPS of \$0.86, increasing 47%.
  - Q2-19 EPS includes \$0.14 benefit related to PayPal's strategic investments versus \$0.02 benefit in Q2-18.
- Operating cash flow of \$1.17 billion, free cash flow of \$1.04 billion.

### **Operating highlights for second quarter 2019**

- 9.0 million net new active accounts, bringing total active accounts to 286 million accounts, up 17%.
- 3.0 billion payment transactions, up 28%.
- \$172 billion in total payment volume (TPV), up 24%, or 26% on an FX-neutral basis.
- 39.0 payment transactions per active account on a trailing twelve months basis, up 9%.

### **PayPal's key business drivers**

- Merchant Services volume grew 30% on an FX-neutral basis.
- eBay Marketplaces volume declined 4% on an FX-neutral basis versus growth of 6% in Q2-18, and represented 9% of TPV for the quarter versus 12% a year ago.
- Person-to-Person (P2P) volume grew 40% to \$46 billion, and represented 27% of TPV.
- Venmo processed \$24 billion of TPV in the second quarter, growing 70%.

### **PayPal's platform and strategic investments**

In the second quarter, PayPal announced the PayPal Commerce Platform, a new solution designed to meet the specific needs of marketplaces, e-commerce solution providers, and crowdfunding platforms by bringing together a comprehensive set of technologies, tools, services, and financing solutions for businesses.

In addition, PayPal extended its global partnership with Uber in the second quarter and announced plans to explore future commercial payment collaborations. PayPal also made a \$500 million strategic investment in Uber.

In July, PayPal's Xoom product launched its international money transfer services in the UK and 31 other European markets. Customers across Europe can now use Xoom to send money, pay bills or reload phones to more than 130 markets internationally.

### **Second Quarter 2019 Financial and Operating Highlights**

(presented in millions, except per share data and percentages)	<b><u>Second Quarter</u></b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>YoY Growth</u></b>		<b><u>FX-Neutral YoY Growth</u></b>	
Total Payment Volume (TPV)	\$ 172,359	\$ 139,403	\$ 32,956	24%	26%	
<b>GAAP</b>						
Net revenues	\$ 4,305	\$ 3,857	\$ 448	12%	12%	
Operating margin	16.4%	14.8%	**	155bps	N/A	
Effective tax rate	12.7%	13.6%	**	(90)bps	N/A	
Net income	\$ 823	\$ 526	\$ 297	56%	N/A	
Earnings per diluted share	\$ 0.69	\$ 0.44	\$ 0.25	58%	N/A	
Net cash provided by operating activities	\$ 1,174	\$ 28	**	**	N/A	
<b>Non-GAAP</b>						
Net revenues	\$ 4,305	\$ 3,857	\$ 448	12%	12%	
Operating margin	23.2%	21.3%	**	192bps	N/A	
Effective tax rate	17.6%	18.0%	**	(33)bps	N/A	
Net income	\$ 1,018	\$ 703	\$ 315	45%	N/A	
Earnings per diluted share	\$ 0.86	\$ 0.58	\$ 0.28	47%	N/A	
Free cash flow	\$ 1,035	\$ (170)	**	**	N/A	

\*\* Not meaningful.

**Cash, Cash Equivalents, and Investments** - PayPal's cash, cash equivalents, and investments totaled \$10.7 billion as of June 30, 2019.

**Short-Term Borrowings** - PayPal's notes payable totaled \$2.5 billion as of June 30, 2019.

### **2019 Financial Guidance**

#### **Full year 2019 revenue and earnings guidance**

- PayPal expects revenue to grow 14 - 15% at current spot rates and 14 - 15% on an FX-neutral basis, to a range of \$17.60 - \$17.80 billion. As previously disclosed, full year 2019 revenue growth guidance includes an expected decline of approximately 3.5 percentage points for full year 2019 related to the sale of U.S. consumer credit receivables portfolio to Synchrony.
- PayPal expects GAAP earnings per diluted share in the range of \$2.16 - \$2.22 and non-GAAP earnings per diluted share in the range of \$3.12 - \$3.17. EPS guidance for full year 2019 includes \$0.26 of unrealized gains from PayPal's strategic investments recognized in the first and second quarters of 2019 and an approximate \$0.03 of expected net unrealized gains related to PayPal's strategic investment portfolio in Q3 2019.
- Estimated non-GAAP amounts for the twelve months ending December 31, 2019, reflect adjustments of approximately \$1.37 - \$1.43 billion, including estimated stock-based compensation expense and related payroll taxes in the range of \$1.06 - \$1.10 billion.
- Estimated revenue includes approximately 1.5 points of revenue growth from acquisitions that closed in 2018.
- The dilutive impact of acquisitions that closed in 2018 is estimated to be \$0.40 to \$0.44 on GAAP EPS and \$0.08 to \$0.10 on non-GAAP EPS.

### **Third quarter 2019 revenue and earnings guidance**

- PayPal expects revenue to grow 18 - 19% at current spot rates and 18 - 19% on an FX-neutral basis, to a range of \$4.33 - \$4.38 billion.
- PayPal expects GAAP earnings per diluted share in the range of \$0.32 - \$0.35 and non-GAAP earnings per diluted share in the range of \$0.69 - \$0.71. GAAP and non-GAAP EPS guidance for third quarter 2019 includes an approximate \$0.03 of expected net unrealized gains related to PayPal's strategic investment portfolio. GAAP EPS guidance also includes an estimated \$0.15 of negative impact related to taxes associated with the acquisition of iZettle.
- Estimated non-GAAP amounts for the three months ending September 30, 2019, reflect adjustments of approximately \$300 - \$330 million, including estimated stock-based compensation expense and related payroll taxes in the range of \$250 - \$265 million.
- Estimated revenue includes approximately 1.5 points of revenue growth from acquisitions that closed in 2018.

- The dilutive impact of acquisitions that closed in 2018 is estimated to be \$0.19 to \$0.23 on GAAP EPS and \$0.01 to \$0.02 on non-GAAP EPS.

Please see "Non-GAAP Financial Measures" and "Non-GAAP Measures of Financial Performance" for important additional information.

### **Quarterly conference call and webcast**

PayPal Holdings, Inc. will host a conference call to discuss second quarter 2019 results at 2:00 p.m. Pacific Time today. A live webcast of the conference call, together with a slide presentation that includes supplemental financial information and reconciliations of certain non-GAAP measures to their most directly comparable GAAP measures, can be accessed through the company's Investor Relations website at <https://investor.paypal-corp.com>. In addition, an archive of the webcast will be accessible for 90 days through the same link.

PayPal Holdings, Inc. uses its Investor Relations website (<https://investor.paypal-corp.com>), its PayPal Stories Blog (<https://www.paypal.com/stories/us>), Twitter handles (@PayPal and @PayPalNews), LinkedIn page (<https://www.linkedin.com/company/paypal>), Facebook page (<https://www.facebook.com/PayPalUSA/>), YouTube channel (<https://www.youtube.com/paypal>), Dan Schulman's LinkedIn profile (<https://www.linkedin.com/in/dan-schulman/>), John Rainey's LinkedIn profile ([www.linkedin.com/in/john-rainey-pypl](http://www.linkedin.com/in/john-rainey-pypl)) and Dan Schulman's Facebook page (<https://www.facebook.com/DanSchulmanPayPal/>) as a means of disclosing information about the company and for complying with its disclosure obligations under Regulation FD. The information that is posted through these channels may be deemed material. Accordingly, investors should monitor these channels in addition to PayPal's press releases, SEC filings, public conference calls, and webcasts.

### **About PayPal**

Fueled by a fundamental belief that having access to financial services creates opportunity, PayPal Holdings, Inc. (NASDAQ: PYPL) is committed to democratizing financial services and empowering people and businesses to join and thrive in the global economy. Our open digital payments platform gives PayPal's 286 million active account holders the confidence to connect and transact in new and powerful ways, whether they are online, on a mobile device, in an app, or in person. Through a combination of technological innovation and strategic partnerships, PayPal creates better ways to manage and move money, and offers choice and flexibility when sending payments, paying or getting paid. Available in more than 200 markets around the world, the PayPal platform, including Braintree, Venmo, Xoom and iZettle, enables consumers and merchants to receive money in more than 100 currencies, withdraw funds in 56 currencies and hold balances in their PayPal accounts in 25 currencies. For more information on PayPal, visit <https://www.paypal.com/about>. For PayPal Holdings, Inc. financial information, visit <https://investor.paypal-corp.com>.

## **Presentation**

All growth rates represent year-over-year comparisons, except as otherwise noted. FX-neutral results are calculated by translating the current period local currency results by the prior period exchange rate. FX-neutral growth rates are calculated by comparing the current period FX-neutral results with the prior period results, excluding the impact from hedging activities. All amounts in tables are presented in U.S. dollars, rounded to the nearest millions, except as otherwise noted. As a result, certain amounts and rates may not sum or recalculate using the rounded dollar amounts provided.

## **Non-GAAP financial measures**

This press release includes financial measures defined as “non-GAAP financial measures” by the Securities and Exchange Commission (SEC) including: non-GAAP net income, non-GAAP earnings per diluted share, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, free cash flow, and adjusted free cash flow. For an explanation of the foregoing non-GAAP measures, please see “Non-GAAP Measures of Financial Performance” included in this press release. 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 (GAAP). For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see “Non-GAAP Measures of Financial Performance,” “Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin,” “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,” and “Reconciliation of Operating Cash Flow to Free Cash Flow and Adjusted Free Cash Flow.”

## **Forward-looking statements**

This press release 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 the third quarter and full year 2019, impact and timing of acquisitions, 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 press release, and are inherently subject to numerous risks and uncertainties. Accordingly, 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: the effect of 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 disrupt business, 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 PayPal may not realize the expected benefits of the sale of U.S. consumer credit receivables to Synchrony Financial; risks that planned acquisitions will not be completed on contemplated terms, or at all, and that any businesses PayPal may acquire may 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. The forward-looking statements in this release do not include the potential impact of any acquisitions or divestitures that may be announced and/or completed after the date hereof.

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](http://www.sec.gov). All information in this release speaks as of July 24, 2019. For the reasons discussed above, you should not place undue reliance on the forward-looking statements in this press release. PayPal assumes no obligation to update such forward-looking statements.

### **PayPal Holdings, Inc.**

#### Investor Relations Contacts

Gabrielle Rabinovitch

[grabinovitch@paypal.com](mailto:grabinovitch@paypal.com)

Akila Moorthy

[amoorthy@paypal.com](mailto:amoorthy@paypal.com)

#### Media Relations Contacts

Amanda Miller

[amandacmiller@paypal.com](mailto:amandacmiller@paypal.com)

408.219.0563

Copyright © 1999-2019 PayPal. All rights reserved. Other company and product names may be trademarks of their respective owners.

**PayPal Holdings, Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
(In millions, except par value)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,909	\$ 7,575
Short-term investments	3,506	1,534
Accounts receivable, net	379	313
Loans and interest receivable, net	3,166	2,532
Funds receivable and customer accounts	23,573	20,062
Prepaid expenses and other current assets	902	947
Total current assets	36,435	32,963
Long-term investments	2,278	971
Property and equipment, net	1,720	1,724
Goodwill	6,236	6,284
Intangible assets, net	699	825
Other assets	1,023	565
Total assets	\$ 48,391	\$ 43,332
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 199	\$ 281
Notes payable	2,499	1,998
Funds payable and amounts due to customers	25,073	21,562
Accrued expenses and other current liabilities	2,022	2,002
Income taxes payable	54	61
Total current liabilities	29,847	25,904
Deferred tax liability and other long-term liabilities	2,405	2,042
Total liabilities	32,252	27,946
Equity:		
Common stock, \$0.0001 par value; 4,000 shares authorized; 1,177 and 1,174 shares outstanding as of June 30, 2019 and December 31, 2018, respectively	—	—
Preferred stock, \$0.0001 par value; 100 shares authorized, unissued	—	—
Treasury stock at cost, 99 and 91 shares as of June 30, 2019 and December 31, 2018, respectively	(6,216)	(5,511)
Additional paid-in-capital	15,010	14,939
Retained earnings	7,373	5,880
Accumulated other comprehensive income (loss)	(28)	78
Total equity	16,139	15,386
Total liabilities and equity	\$ 48,391	\$ 43,332



**PayPal Holdings, Inc.**  
**Unaudited Condensed Consolidated Statements of Income**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions, except per share amounts)			
Net revenues	\$ 4,305	\$ 3,857	\$ 8,433	\$ 7,542
Operating expenses:				
Transaction expense	1,627	1,362	3,176	2,637
Transaction and loan losses	318	334	659	639
Customer support and operations <sup>(1)(2)</sup>	399	338	787	680
Sales and marketing <sup>(1)(2)</sup>	356	307	685	588
Technology and development <sup>(1)(2)</sup>	483	441	994	889
General and administrative <sup>(1)(2)</sup>	419	387	838	734
Restructuring and other charges	(2)	116	71	269
Total operating expenses	3,600	3,285	7,210	6,436
Operating income	705	572	1,223	1,106
Other income (expense), net	238	37	437	51
Income before income taxes	943	609	1,660	1,157
Income tax expense	120	83	170	120
Net income	\$ 823	\$ 526	\$ 1,490	\$ 1,037
Net income per share:				
Basic	\$ 0.70	\$ 0.44	\$ 1.27	\$ 0.87
Diluted	\$ 0.69	\$ 0.44	\$ 1.25	\$ 0.86
Weighted average shares:				
Basic	1,175	1,187	1,173	1,190
Diluted	1,187	1,202	1,188	1,209

<sup>(1)</sup> Includes stock-based compensation as follows:

Customer support and operations <sup>(2)</sup>	45	41	93	83
Sales and marketing <sup>(2)</sup>	32	29	64	63
Technology and development <sup>(2)</sup>	80	74	173	146
General and administrative <sup>(2)</sup>	73	66	154	127
	\$ 230	\$ 210	\$ 484	\$ 419

<sup>(2)</sup> Prior period amounts have been updated to reflect the classification changes described in the Form 8-K filed on April 9, 2019.

**PayPal Holdings, Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Cash flows from operating activities:				
Net income	\$ 823	\$ 526	\$ 1,490	\$ 1,037
Adjustments:				
Transaction and loan losses	318	334	659	639
Depreciation and amortization	228	180	458	365
Stock-based compensation	223	205	470	410
Deferred income taxes	(39)	(2)	35	89
Cost basis adjustments to loans and interest receivable held for sale	—	116	—	244
Unrealized gains on strategic investments	(218)	(31)	(398)	(31)
Other	(48)	(5)	(92)	(10)
Changes in assets and liabilities:				
Accounts receivable	30	(24)	(66)	1
Changes in loans and interest receivable held for sale, net	—	(977)	4	(2,268)
Accounts payable	(46)	18	(49)	(17)
Income taxes payable	(21)	(14)	(7)	(14)
Other assets and liabilities	(76)	(298)	(303)	(766)
Net cash provided by (used in) operating activities	1,174	28	2,201	(321)
Cash flows from investing activities:				
Purchases of property and equipment	(139)	(198)	(357)	(376)
Changes in principal loans receivable, net	(375)	262	(732)	1,000
Purchases of investments	(5,053)	(5,341)	(13,191)	(10,616)
Maturities and sales of investments	4,509	5,378	10,537	9,669
Acquisitions, net of cash and restricted cash acquired	—	(16)	—	(16)
Funds receivable	(39)	473	(2,214)	902
Net cash (used in) provided by investing activities	(1,097)	558	(5,957)	563
Cash flows from financing activities:				
Proceeds from issuance of common stock	67	65	74	78
Purchases of treasury stock	—	(500)	(756)	(2,325)
Tax withholdings related to net share settlements of equity awards	(140)	(37)	(449)	(372)
Borrowings under financing arrangements	500	—	500	2,075
Repayments under financing arrangements	—	(1,076)	—	(1,076)
Funds payable and amounts due to customers	569	213	3,129	1,078
Net cash provided by (used in) financing activities	996	(1,335)	2,498	(542)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2)	(56)	(1)	(63)
Net change in cash, cash equivalents, and restricted cash	1,071	(805)	(1,259)	(363)
Cash, cash equivalents, and restricted cash at beginning of period	10,903	8,727	13,233	8,285
Cash, cash equivalents, and restricted cash at end of period	\$ 11,974	\$ 7,922	\$ 11,974	\$ 7,922
Supplemental cash flow disclosures:				
Cash paid for interest	\$ 25	\$ 18	\$ 45	\$ 26
Cash paid for income taxes, net	\$ 154	\$ 186	\$ 176	\$ 180

**PayPal Holdings, Inc.**  
**Unaudited Summary of Consolidated Net Revenues**

We earn revenue from the following types of transactions:

- *Transaction revenues:* Net transaction fees charged to merchants and consumers on a transaction basis primarily based on the volume of activity, or Total Payment Volume ("TPV"), completed on our Payments Platform, including our PayPal, PayPal Credit, Venmo, Braintree, Xoom, and iZettle products.
- *Other value added services:* Net revenues derived primarily from revenue earned through partnerships, subscription fees, gateway fees, and other services we provide to our merchants and customers. We also earn revenues from interest and fees earned primarily on our PayPal credit portfolio of loans receivable, gain on sale of participation interest in certain loans and advances, and interest earned on certain PayPal customer account balances.

**Net Revenues by Type**

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
	(In millions, except percentages)				
<b>Transaction revenues</b>	\$ 3,878	\$ 3,731	\$ 3,851	\$ 3,343	\$ 3,318
<i>Current quarter vs prior quarter</i>	4 %	(3)%	15 %	1 %	4%
<i>Current quarter vs prior year quarter</i>	17 %	17 %	19 %	17 %	20%
<i>Percentage of total</i>	90 %	90 %	91 %	91 %	86%
<b>Other value added services</b>	427	397	375	340	539
<i>Current quarter vs prior quarter</i>	8 %	6 %	10 %	(37)%	10%
<i>Current quarter vs prior year quarter</i>	(21)%	(19)%	(25)%	(11)%	49%
<i>Percentage of total</i>	10 %	10 %	9 %	9 %	14%
<b>Total net revenues</b>	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857
<i>Current quarter vs prior quarter</i>	4 %	(2)%	15 %	(5)%	5%
<i>Current quarter vs prior year quarter</i>	12 %	12 %	13 %	14 %	23%

**Net Revenues by Geography**

	Three Months Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
	(In millions, except percentages)				
<b>U.S. net revenues</b>	\$ 2,297	\$ 2,187	\$ 2,189	\$ 1,962	\$ 2,150
<i>Current quarter vs prior quarter</i>	5%	— %	12%	(9)%	6%
<i>Current quarter vs prior year quarter</i>	7%	8 %	7%	13 %	27%
<i>Percent of total</i>	53%	53 %	52%	53 %	56%
<b>International net revenues</b>	2,008	1,941	2,037	1,721	1,707
<i>Current quarter vs prior quarter</i>	3%	(5)%	18%	1 %	3%
<i>Current quarter vs prior year quarter</i>	18%	17 %	20%	15 %	18%
<i>(FXN) Current quarter vs prior year quarter</i>	18%	17 %	19%	15 %	16%
<i>Percent of total</i>	47%	47 %	48%	47 %	44%
<b>Total net revenues</b>	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857
<i>Current quarter vs prior quarter</i>	4%	(2)%	15%	(5)%	5%
<i>Current quarter vs prior year quarter</i>	12%	12 %	13%	14 %	23%
<i>(FXN) Current quarter vs prior year quarter</i>	12%	12 %	13%	14 %	22%

**PayPal Holdings, Inc.**  
**Unaudited Supplemental Operating Data**

	Three Months Ended,				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
	(In millions, except percentages)				
<b>Active accounts<sup>(1)</sup></b>	286	277	267	254	244
<i>Current quarter vs prior quarter</i>	3%	3%	5%	4%	3%
<i>Current quarter vs prior year quarter</i>	17%	17%	17%	15%	15%
<b>Number of payment transactions<sup>(2)</sup></b>	2,973	2,838	2,867	2,463	2,327
<i>Current quarter vs prior quarter</i>	5%	(1)%	16%	6%	5%
<i>Current quarter vs prior year quarter</i>	28%	28%	28%	27%	28%
<b>Payment transactions per active account<sup>(3)</sup></b>	39.0	37.9	36.9	36.5	35.7
<i>Current quarter vs prior quarter</i>	3%	3%	1%	2%	3%
<i>Current quarter vs prior year quarter</i>	9%	9%	9%	9%	9%
<b>Total Payment Volume<sup>(4)</sup></b>	\$ 172,359	\$ 161,492	\$ 163,648	\$ 143,004	\$ 139,403
<i>Current quarter vs prior quarter</i>	7%	(1)%	14%	3%	5%
<i>Current quarter vs prior year quarter</i>	24%	22%	23%	24%	29%
<i>(FXN) Current quarter vs prior year quarter</i>	26%	25%	25%	25%	27%
Transaction Expense Rate <sup>(5)</sup>	0.94%	0.96%	0.96%	0.96%	0.98%
Transaction and Loan Loss Rate <sup>(6)</sup>	0.18%	0.21%	0.21%	0.21%	0.24%
<b>Transaction Margin<sup>(7)</sup></b>	54.8%	54.2%	54.6%	54.9%	56.0%

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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> TPV is the value of payments, net of reversals, successfully completed on our Payments Platform or enabled by PayPal via a partner payment solution, not including gateway-exclusive transactions.

<sup>(5)</sup> Transaction expense rate is calculated by dividing transaction expense by TPV.

<sup>(6)</sup> Transaction and loan loss rate is calculated by dividing transaction and loan loss by TPV.

<sup>(7)</sup> Transaction margin is total revenue less transaction expense and transaction and loan loss, divided by total revenue.

**PayPal Holdings, Inc.**  
**Non-GAAP Measures of Financial Performance**

To supplement the company's condensed consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, the company uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP net income, non-GAAP net income per diluted share, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, free cash flow and adjusted free cash flow.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP. These measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures.

Reconciliation to the most directly comparable GAAP measure of all non-GAAP measures included in this press release can be found in the tables included in this press release.

These non-GAAP measures are provided to enhance investors' overall understanding of the company's current financial performance and its prospects for the future. Specifically, the company believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of its core operating results and business outlook. In addition, because the company has historically reported certain non-GAAP results to investors, the company believes that the inclusion of non-GAAP measures provides consistency in the company's financial reporting.

For its internal budgeting process, and as discussed further below, the company's management uses financial measures that do not include stock-based compensation expense, employer payroll taxes on stock-based compensation, amortization or impairment of acquired intangible assets, impairment of goodwill, restructuring-related charges, certain other gains, losses, benefits or charges that are not indicative of the company's core operating results and the income taxes associated with the foregoing. In addition to the corresponding GAAP measures, the company's management also uses the foregoing non-GAAP measures in reviewing the financial results of the company.

The company excludes the following items from non-GAAP net income, non-GAAP net income per diluted share, non-GAAP operating income, non-GAAP operating margin and non-GAAP effective tax rate:

*Stock-based compensation expense and related employer payroll taxes.* This consists of expenses for equity awards under our equity incentive plans. We exclude stock-based compensation expense from our non-GAAP measures primarily because they are non-cash expenses. The related employer payroll taxes are dependent on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe it correlates to the operation of our business.

*Amortization or impairment of acquired intangible assets, impairment of goodwill, and transaction expenses from the acquisition or disposal of a business.* We incur amortization or impairment of acquired intangible assets and goodwill in connection with acquisitions and may incur significant gains or losses or transactional expenses from the acquisition or disposal of a business and therefore exclude these amounts from our non-GAAP measures. We exclude these items because management does not believe they are reflective of our ongoing operating results.

*Restructuring.* These consist of expenses for employee severance and other exit and disposal costs. The company excludes significant restructuring charges primarily because management does not believe they are reflective of ongoing operating results.

*Certain other significant gains, losses, benefits, or charges that are not indicative of the company's core operating results.* These are significant gains, losses, benefits, or charges during a period that are the result of isolated events or transactions which have not occurred frequently in the past and are not expected to occur regularly in the future. The company excludes these amounts from its non-GAAP results because management does not believe they are indicative of its current or ongoing operating results.

*Tax effect of non-GAAP adjustments.* This adjustment is made to present stock-based compensation and the other amounts described above on an after-tax basis consistent with the presentation of non-GAAP net income.

The company also uses free cash flow, a non-GAAP measure. Free cash flow represents operating cash flows less purchases of property and equipment. The company considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of property, buildings, and equipment, which can then be used to, among other things, invest in the company's business, make strategic acquisitions, and repurchase stock. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period.

In addition to the non-GAAP measures discussed above, the company also analyzes certain measures, including net revenues and operating expenses, on an FX-neutral basis to better measure the comparability of operating results between periods. The company believes that changes in foreign currency exchange rates are not indicative of the company's operations and evaluating growth in net revenues and

operating expenses on an FX-neutral basis provides an additional meaningful and comparable assessment of these measures to both management and investors. FX-neutral results are calculated by translating the current period's local currency results with 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 from hedging activities.

**PayPal Holdings, Inc.**  
**Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin**

	<b>Three Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	(In millions, except percentages)	
	(unaudited)	
GAAP operating income	\$ 705	\$ 572
Stock-based compensation expense and related employer payroll taxes	244	223
Amortization of acquired intangible assets	51	25
Other <sup>(1)</sup>	(2)	—
Total non-GAAP operating income adjustments	293	248
Non-GAAP operating income	\$ 998	\$ 820
Non-GAAP operating margin	23%	21%

<sup>(1)</sup> Gain of \$2 million related to the sale of our U.S. consumer credit receivables portfolio executed during the year ended December 31, 2018.

**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**

	<b>Three Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	(In millions, except per share data and percentages)	
	(unaudited)	
GAAP income before income taxes	\$ 943	\$ 609
GAAP income tax expense	120	83
GAAP net income	823	526
Non-GAAP adjustments to net income:		
Non-GAAP operating income adjustments (see table above)	293	248
Other <sup>(1)</sup>	—	32
Tax effect of non-GAAP adjustments	(98)	(103)
Non-GAAP net income	\$ 1,018	\$ 703
Diluted net income per share:		
GAAP	\$ 0.69	\$ 0.44
Non-GAAP	\$ 0.86	\$ 0.58
Shares used in GAAP diluted share calculation	1,187	1,202
Shares used in non-GAAP diluted share calculation	1,187	1,202
GAAP effective tax rate	13%	14%
Tax effect of non-GAAP adjustments to net income	5%	4%
Non-GAAP effective tax rate	18%	18%

<sup>(1)</sup> Tax expense related to the Tax Cuts and Jobs Act.

**PayPal Holdings, Inc.**

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

	<b>Three Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In millions/unaudited)</b>	
Net cash provided by operating activities	\$ 1,174	\$ 28
Less: Purchases of property and equipment	(139)	(198)
Free cash flow	<u>\$ 1,035</u>	<u>\$ (170)</u>
Impact of held for sale accounting presentation related to our U.S. consumer credit receivables portfolio on cash flow from operating activities	—	907
Adjusted free cash flow	<u>\$ 1,035</u>	<u>\$ 737</u>