



PayPal Q1-20 Investor Update

May 6, 2020

Non-GAAP Financial Measures; Forward-Looking Statements

This presentation contains non-GAAP measures relating to our performance. These measures may include adjustments attributable to the reclassification of the U.S. consumer credit receivable portfolio as held for sale from November 2017 and may exclude certain expenses, gains and losses that may not be indicative of our core operating results and business outlook, and, in each case, may be different from the 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 from currency hedging activities. All financial and operating data in this presentation for April 2020 is preliminary. Actual results may differ materially from these preliminary results, including as a result of the completion of normal quarter-end accounting procedures and adjustments, and the subsequent occurrence or identification of events prior to the filing of our second quarter 2020 financial results on Form 10-Q with the Securities and Exchange Commission.

As previously disclosed, beginning with the first quarter of 2020, we have modified the presentation of our non-GAAP results to exclude the impact of all gains and losses on our strategic investments.

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 may include, but are not limited to, statements regarding our guidance and projected financial results for second quarter 2020, 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: the direct and indirect impact of the COVID-19 outbreak on PayPal's business, financial condition and results of operations as well as the operations of PayPal's customers, suppliers, vendors and other business partners, even after the COVID-19 outbreak has subsided; 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 PayPal's payment platform, including the PayPal, PayPal Credit, Braintree, Venmo, Xoom, iZettle, Honey, and other products and services, especially as PayPal continues to expand geographically, introduce new products and services and support across technologies and payment methods 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 digital and 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 withdrawal from the European Union; cyberattacks and security vulnerabilities in PayPal products and services that could disrupt business, reduce revenue, increase costs, harm our competitive position or our reputation, or lead to liability; the effect of management changes and business initiatives; any changes PayPal may make to its product and service offerings; the effect of any natural disasters, the COVID-19 outbreak, 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 Payments Platform and Honey 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. The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or contemplated 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. All information in this presentation is as of May 6, 2020. 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.

PayPal began 2020 with strong momentum, then experienced slower growth in March, with rapid acceleration in April

Q1-20 Performance Highlights

- 20.2M NNAs added in Q1... 10M adds... record for any Q1
- TPV growth => 26% through February on a combined basis, followed by 7% in March => resulting in 19% growth in Q1 (FXN)
- \$0.66 of Q1-20 non-GAAP EPS, flat to Q1-19, which includes \$0.17 negative impact from increased credit loss reserves as a result of macroeconomic forecast
 - => Adjusting for this charge, non-GAAP EPS of \$0.83, up 26%
- Closed acquisition of Honey Science Corporation (Honey)
- Successfully launched PPP (Paycheck Protection Program) loan and stimulus disbursements programs
- Free Cash Flow (FCF) of \$1.3 billion; 60% growth and \$0.28 of FCF for every \$1 of revenue

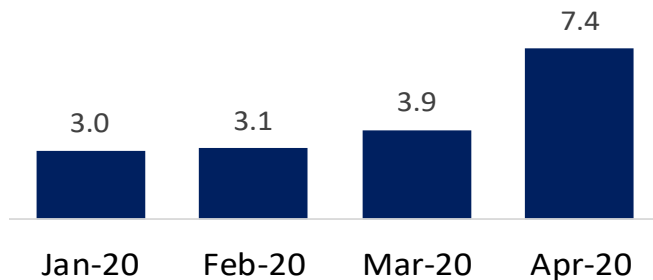
April 2020 Trends & Q2 Outlook

- Added 7.4M NNAs in April... ~250,000 daily adds on average in the month... up 135%
- ~20% revenue growth on an FX-neutral basis; strength across the platform offset weakness in travel and events verticals and credit income in April
- ~22% TPV growth on an FX-neutral basis driven by PayPal and Venmo consumer experiences in April, despite >80% y/y decline in travel and events verticals
- Q2 revenue growth guidance: ~15% growth on an FX-neutral basis (~13% growth at Spot)
- Q2 EPS growth guidance
 - Non-GAAP: 15-20% growth
 - GAAP: 28-34% decline in growth driven by lapping Q2-19 unrealized gains on strategic investments (\$0.14 benefit) and acquisition-related dilution

2020 NNA, TPV and Revenue Trends

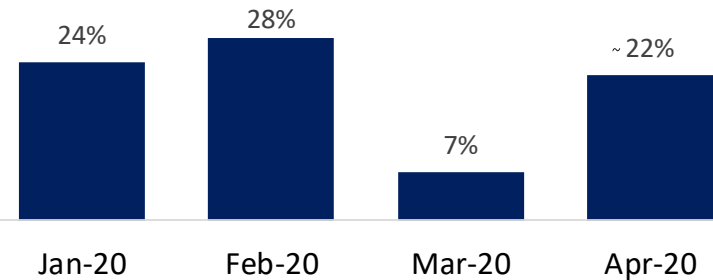
PayPal's diversified global platform has resumed its strong growth

7.4 million NNAs added in April

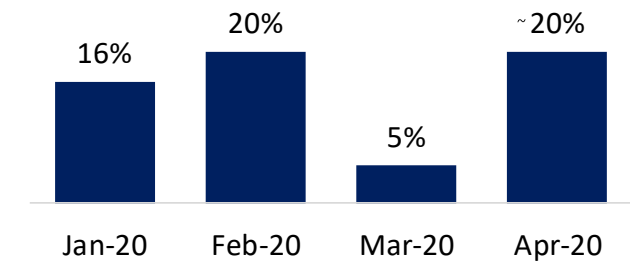


- ~250,000 adds daily on average, a new record; up 135% vs. April-19
- Increase in activations seen across markets, even in countries most affected by COVID-19 (e.g., Italy, Spain)
- Increase in activations seen across Fashion, Gaming / Video, Food/Drink and Services verticals
- Early adoption rate (i.e., transacted more than 3 times on our platform) in recently activated cohorts of customers in our Core markets are significantly higher vs. a year ago

TPV growth of ~22%* in April...



... with Revenue growth of ~20%*



- Revenue growth of ~20% in April, reaccelerating vs. March, driven primarily by solid TPV performance
- TPV growth of ~22% in April driven primarily by PayPal and Venmo checkout experiences, despite a >80% decline in travel and events verticals
- Strength in Fashion, Home & Garden, Electronics, Gaming / Video and Food/Drink verticals
- Weakness observed in international cross-border volumes beginning in February showing signs of reacceleration

First Quarter 2020 Summary

Revenue

\$4.62B

↑ **12%** spot and **13%** FX-neutral y/y growth
18% growth through February and 5% growth in March on an FX-neutral basis

Non-GAAP EPS⁽¹⁾

\$0.66

▬ **Flat to Q1-19**, including \$0.17 per-share charge related to increased credit loss reserves from weakened macroeconomic outlook

↑ **26%** increase y/y, adjusted for credit loss reserves

Free Cash Flow⁽¹⁾

\$1.30B

↑ **60%** increase y/y;
28% as % of revenue

Active Accounts

325M

Includes 25M active merchant accounts

↑ **17%** increase y/y

20.2M

Net new actives added in the quarter including one-time addition of 10.2M accounts from the acquisition of Honey

Customer Engagement

39.4

Payment transactions per active account

↑ **4%** increase y/y

↑ **7%** increase y/y, and 40.7 payment transactions per active account excluding active accounts added from the Honey acquisition

Total Payment Volume

\$191B

↑ **18%** spot and **19%** FX-neutral y/y growth

26% growth through February and 7% growth in March on an FX-neutral basis

(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.

Management Perspectives

- COVID-19 presents a unique set of challenges and significantly impacts the global economy.
- We entered this crisis in a position of strength – as a leader in global digital payments with more than 300 million customers across 200 markets, and a brand that stands for trust, innovation, and empowering people and businesses to thrive in the global economy.
- Our products and services have never been more important and more relevant.
- We put our employees first to assure their safety and financial health. We committed to no layoffs due to COVID-19.
- We rapidly mobilized to partner with governments in the disbursement of funds and powered global giving to support relief and recovery efforts, and help our customers.
- We refined our investment priorities for the year to focus on the rapidly evolving adoption of digital payments.
- We are committed to harnessing our strengths to make a lasting and positive impact, and to emerge from this crisis far stronger by advancing our competitive positioning and serving all of our stakeholders.

PayPal's COVID-19 Response

COVID-19 relief and recovery efforts... leveraging our platform, resources, and leadership to support the PayPal community

Employees

- Committed to no employee layoffs as a direct result of COVID-19
- Established Crisis Leave Program and ensured continued pay and extended paid time off for employees
- Mobilized nearly 100% of our global workforce to work-from-home, part-time, and flexible schedule policies
- Created global employee resource center and regular communications with global workforce

Customers

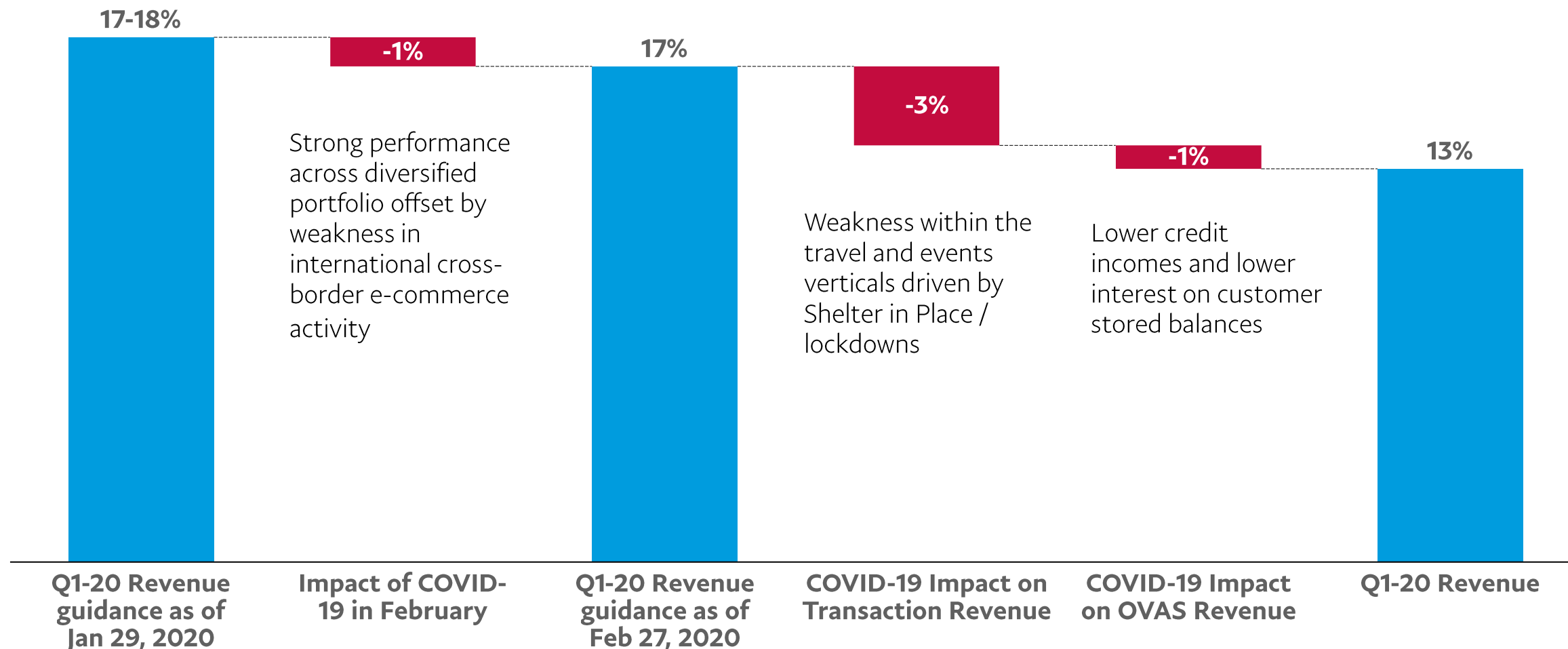
- Maintaining strong business continuity to ensure platform availability for our global customers
- Offering flexibility to our merchants by waiving chargeback and instant funds transfer fees, extending customer dispute timing, and doubling cash back rewards in the PayPal Business Debit Mastercard
- Working with the US Small Business Administration to provide small businesses with access to loans through the Paycheck Protection Program
- Supporting US Treasury with stimulus check distribution through direct deposit into PayPal accounts

Communities

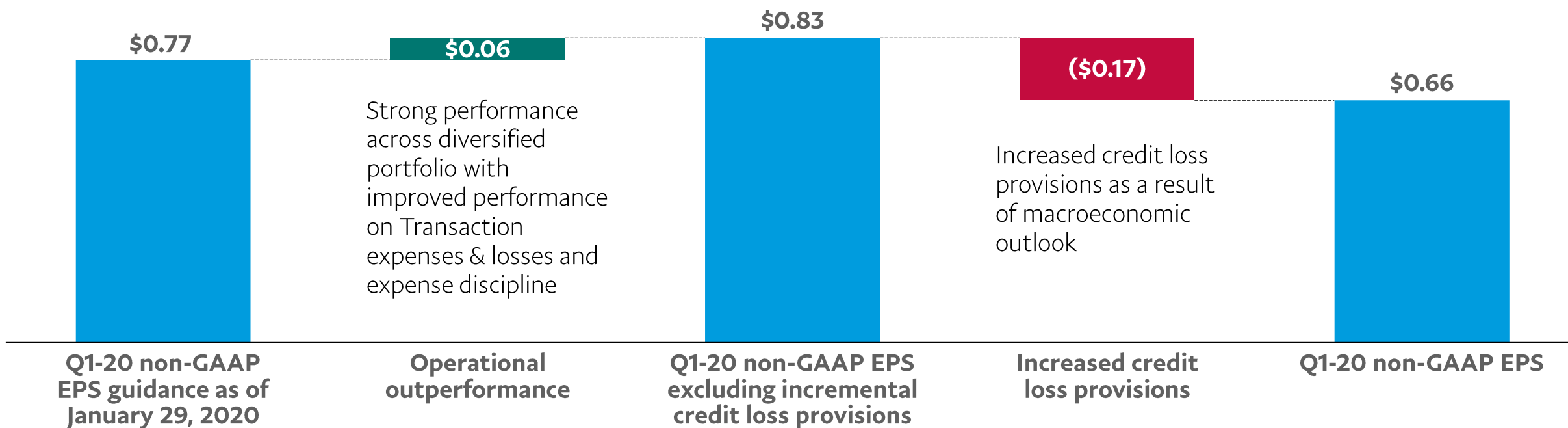
- Launched a global disaster relief campaign with PayPal Giving Fund and responding charity partners to support organizations that have mobilized efforts to educate the public, prevent new infections, and assist with recovery
- Donated to relief organizations in high-impacted regions around the world
- Created a 2:1 employee matching program for donations to coronavirus relief efforts in our local communities, supporting over 200 global organizations
- Facilitated donations for platform partners and other corporate initiatives and campaigns

Q1-20 Revenue – Performance vs. Expectations

Revenue growth rate (FX-neutral basis)



Q1-20 non-GAAP EPS – Performance vs. Expectations

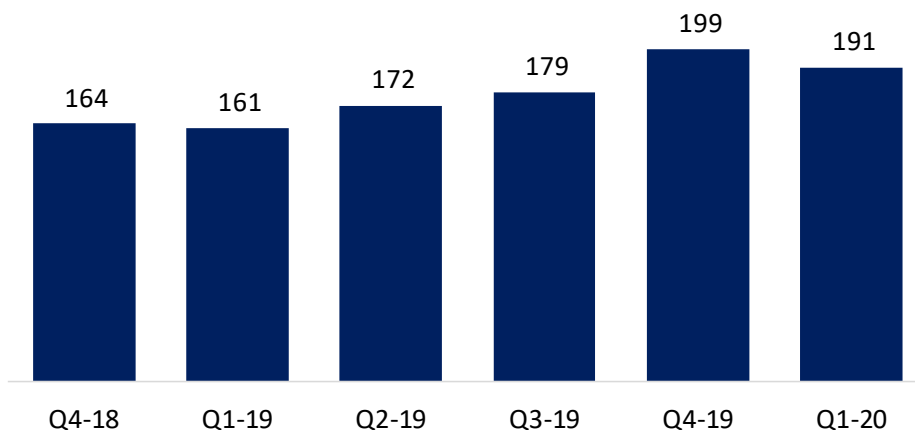


Q1-20 BUSINESS UPDATES

Q1-20 Total Payment Volume (TPV)

19% FXN growth inclusive of ~5pts negative impact from COVID-19... on an adjusted basis, FXN growth of 24%, ~2-pt sequential acceleration

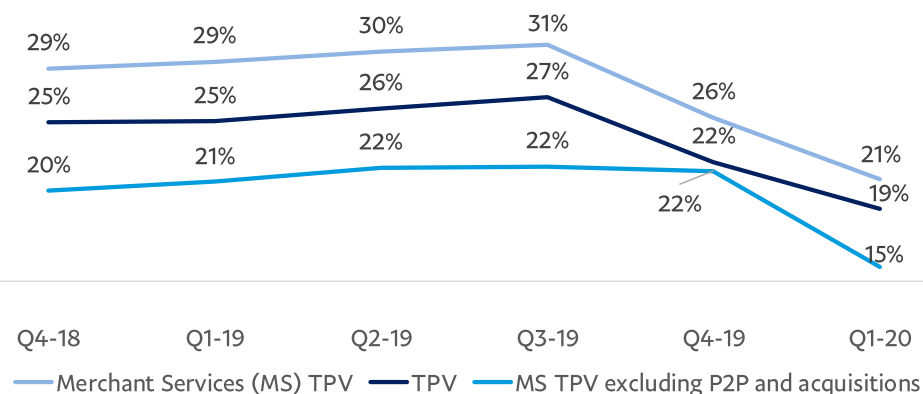
Total Payment Volume (TPV) (\$B)



FXN Y/Y Growth

Quarter	FXN Y/Y Growth
Q4-18	25%
Q1-19	25%
Q2-19	26%
Q3-19	27%
Q4-19	22%
Q1-20	19%

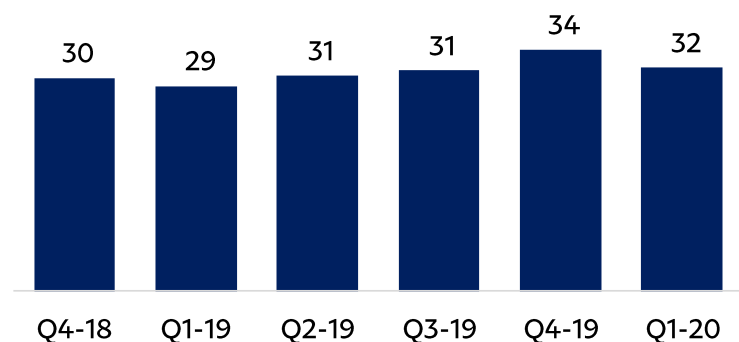
TPV Growth Rate Trends (FX-neutral)



- TPV grew 18% on a spot and 19% on an FX-Neutral basis in Q1-20. Adjusting for the impact of COVID-19, TPV growth was ~24% on an FX-neutral basis, accelerating 2pts vs. Q4-19, in line with expectations
- P2P volume, including core PayPal, Venmo and Xoom, increased 31% in the quarter to ~\$56B and represented 29% of TPV
- Venmo volume increased 48% to >\$31B in the quarter; >\$10B processed per month in the quarter
- Merchant Services TPV growth excluding P2P and acquisitions was 15% in Q1-20

Q1-20 TPV: Cross-Border Trade (CBT)

Cross-Border Trade TPV⁽¹⁾ (\$B)



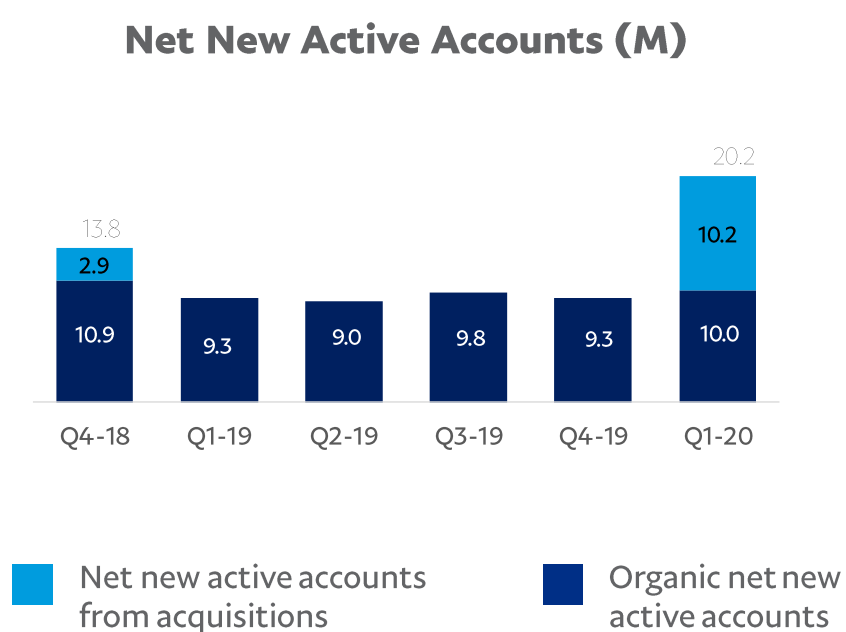
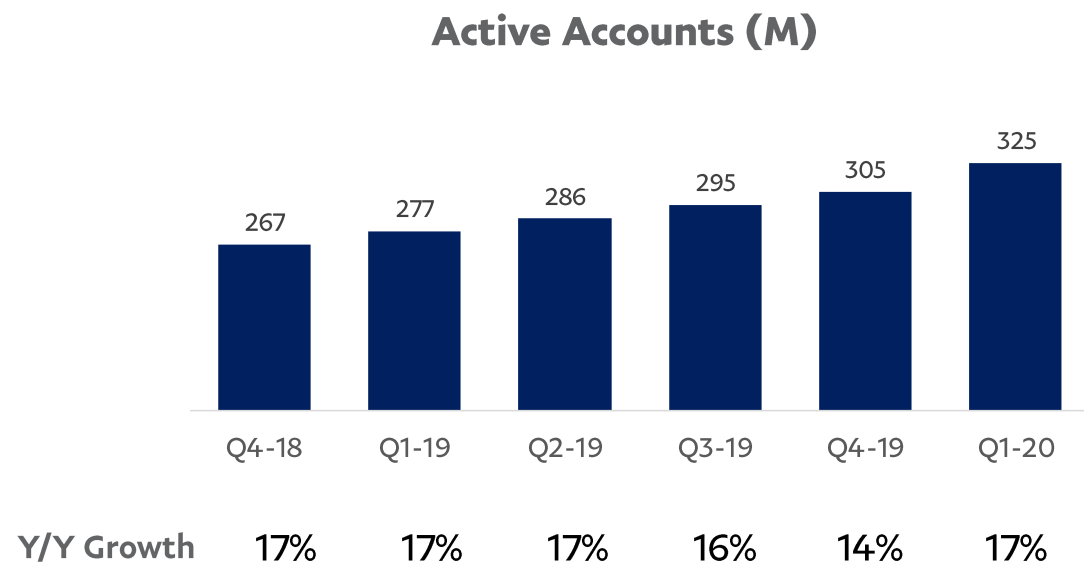
	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
FXN Y/Y Growth	14%	11%	14%	16%	14%	10%
Y/Y Growth	11%	7%	11%	13%	13%	9%
Share of Total TPV	18%	18%	18%	17%	17%	17%

- CBT TPV was ~\$32 billion in Q1-20, up 10% on an FX-neutral basis. Pressure on international cross-border e-commerce activity in Asia and European corridors as a result of COVID-19 contributed to the lower growth rates
- CBT TPV represented 17% of TPV in Q1-20 vs. 18% in Q1-19 due primarily to weaker cross-border volumes in key Asian and European markets and growth in Venmo, which is a US-only service
- In April, CBT TPV grew ~20% on an FX-neutral basis (or 18% on a spot basis) and represented ~17% of total TPV

(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.

Q1-20 Active Accounts

20.2 million net new active accounts added, including 10.2 million active accounts added upon closing of Honey

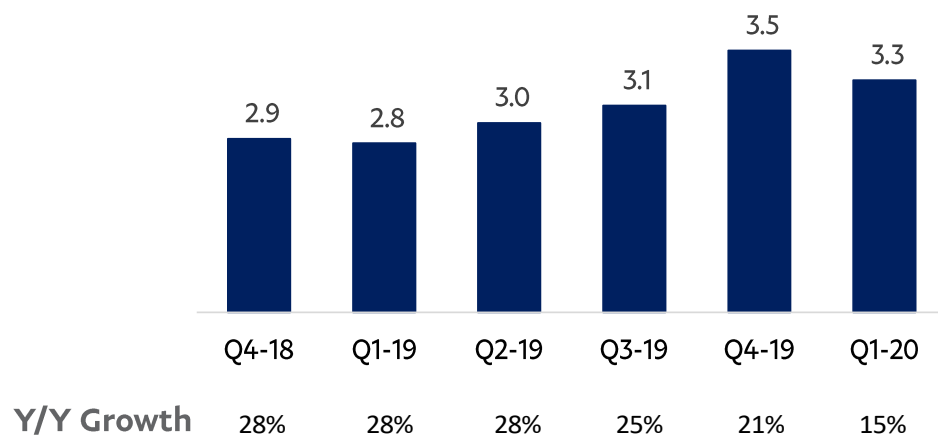


- Ended the quarter with 325 million active accounts, up 17%, including ~25 million merchant accounts
 - 10.2 million active accounts added upon closing of the acquisition of Honey
 - 10 million net new active accounts added in the quarter, highest in any Q1, driven by PayPal and Venmo

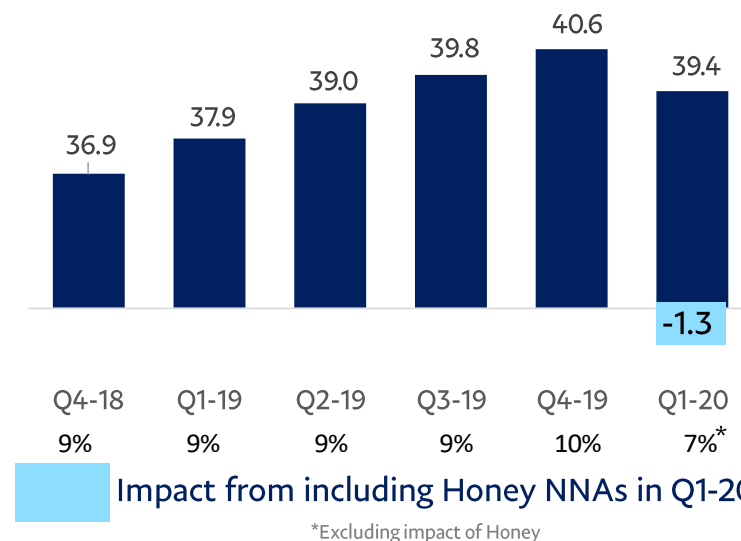
Q1-20 Customer Engagement*

Engagement of 39.4; excluding acquisition of Honey, engagement of 40.7

**Number of Payment Transactions
(in billions)**



Customer Engagement

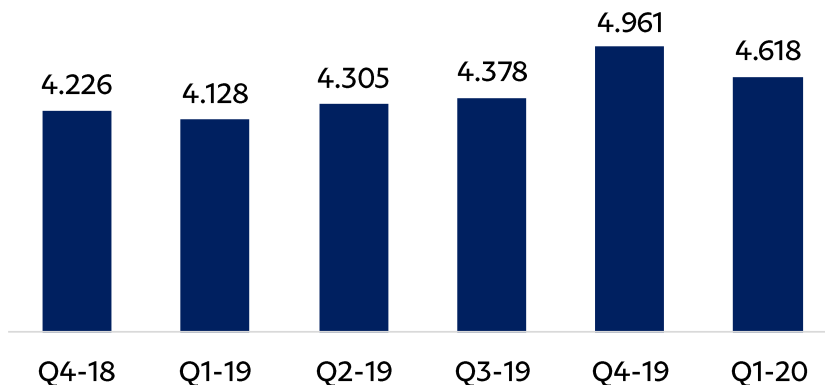


- Processed ~3.3 billion payment transactions during Q1-20, up 15%. Deceleration in transaction growth was driven by pressure on COVID-impacted travel and event verticals
- Customer engagement increased 4% to 39.4. Excluding the impact of Honey, engagement was 40.7, up 7%. Customer engagement growth was impacted by both slower transaction growth in COVID-affected verticals as well as inclusion of new Honey active accounts
- April results demonstrate early adoption rate (i.e., transacted more than 3 times on our platform) in recently activated cohorts of customers in our Core markets is significantly higher vs. a year ago

Q1-20 Revenue

FXN growth rate of 13.5% in Q1

Total Revenue (\$B)

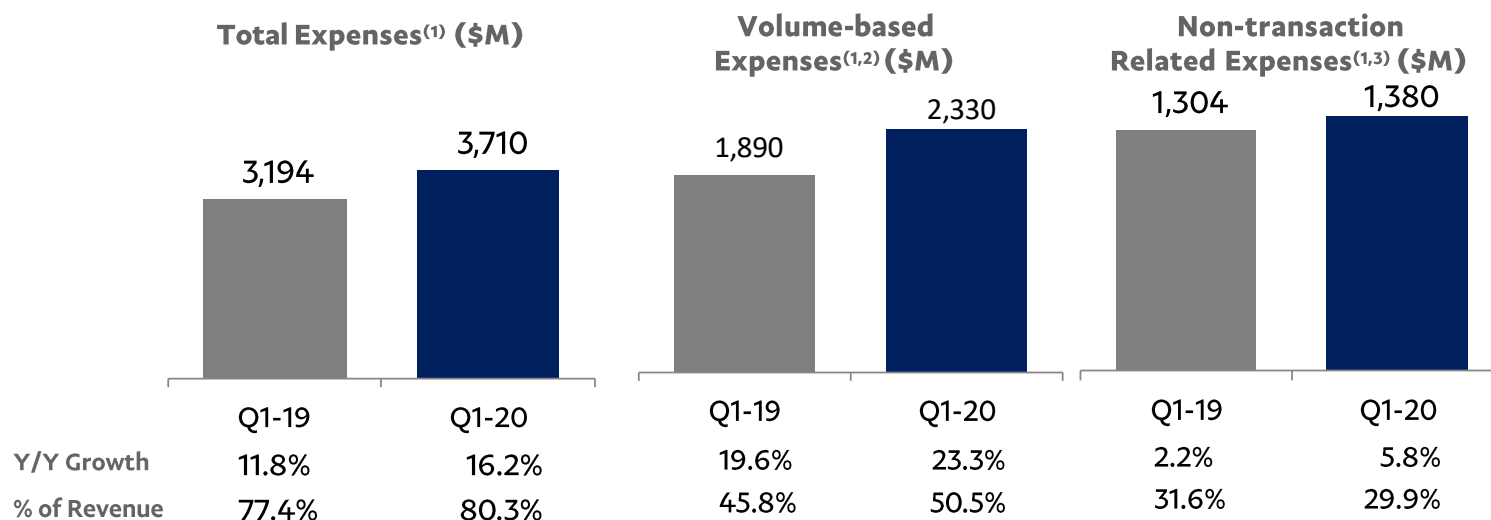


Spot Y/Y Growth	14%	12%	12%	19%	17%	12%
FXN Y/Y Growth	14%	12%	12%	19%	18%	13%
Adjusted FXN Y/Y Growth*	21%	19%	19%	19%	18%	13%

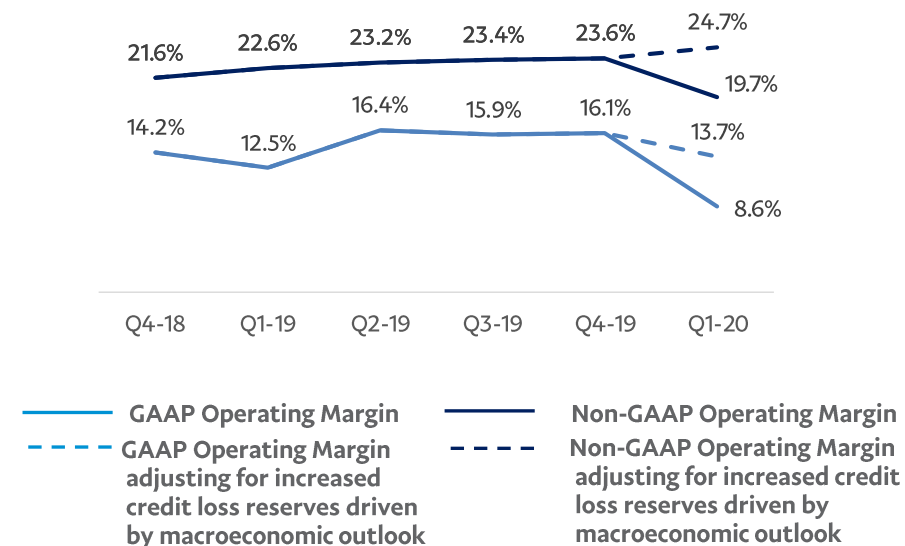
- Total Revenue growth of 13.5% on an FX-neutral basis, including ~1pt of growth from acquisition of Honey. ~5pt impact on Q1-20 revenue growth rate from COVID-19
- Revenue growth through February was 18% on an FX-neutral basis; 5% growth FXN in March
- Transaction Revenue grew 15% on an FX-neutral basis. Deceleration in TPV growth driven by COVID-19 impacted transaction revenue
- Other Value Added Services (OVAS) Revenue grew 2% on an FX-neutral basis driven by lower credit income (including lapping transitional servicing revenue) and lower interest income on customer balances.
- Hedging gains, which are recognized in international transaction revenue, were \$42 million in Q1-20 versus \$52 million in Q1-19
- Exiting Q1, at rates as of March 31, 2020, we estimate that our current hedge positions would result in the recognition of ~\$129 million in international transaction revenue over the next 12 months

Q1-20 Delivering Operating Leverage

Adjusting for the \$237M in increased credit loss reserves driven by macroeconomic outlook, >210 basis points of non-GAAP operating margin expansion in Q1-20, record performance in a quarter as an independent company



GAAP and Non-GAAP Operating Margin

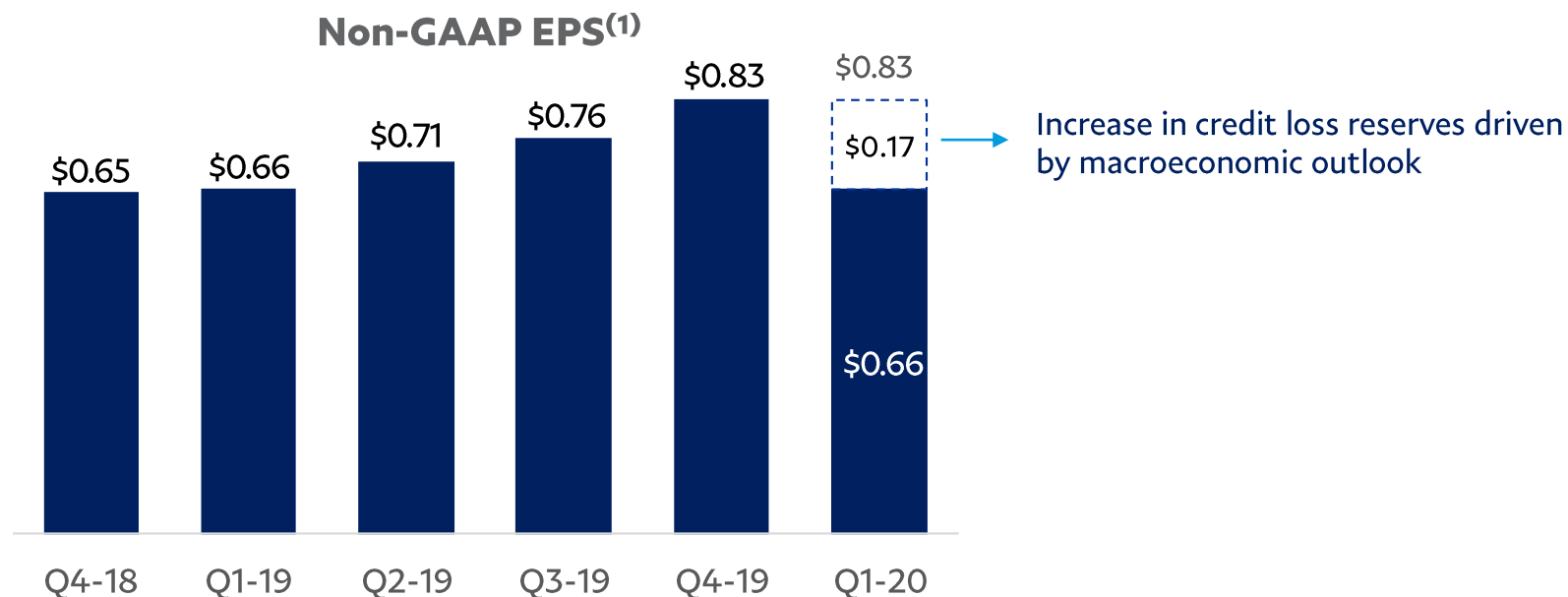


- Volume-based expenses grew 23%. Adjusting for increased credit losses driven by macroeconomic outlook, expenses grew 11%.
- Non-transaction related expenses grew ~6%. Adjusting for acquisitions announced in 2019, these expenses were ~flat to Q1-19.
- Non-GAAP operating margin of 19.7%. Adjusting for increased credit losses driven by macroeconomic outlook, non-GAAP operating margin of 24.7%, >210 basis points of expansion, highest since separation. Operating leverage driven by expense discipline and improved transaction loss performance

(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 credit 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.

Q1-20 EPS

26% growth in Q1-20, excluding increased credit loss reserves driven by macroeconomic outlook



- Non-GAAP EPS of \$0.66 in Q1-20, flat to Q1-19. Excluding the impact of \$0.17 from increased credit loss reserves driven by macroeconomic outlook, non-GAAP EPS of \$0.83, up 26%
- GAAP EPS of \$0.07, including \$0.17 of increased credit loss reserves driven by macroeconomic outlook, \$0.22 of negative impact from taxes related primarily to the acquisition of Honey, and \$0.07 of net unrealized loss related primarily to the strategic investment in MercadoLibre
- Non-GAAP other income & expense (OI&E) for the quarter was (\$11M), primarily driven by net interest expense (interest expense on debt issued in 2019 and lower interest income on corporate cash due to lower interest rates)

Current Expected Credit Losses (CECL)

\$237 million of increased credit loss reserves driven by deteriorating macroeconomic forecast

CECL: Accounting Standard and Implications

- PayPal is required to account for credit losses under the Current Expected Credit Losses (CECL) methodology starting January 1, 2020
- Under this new standard, we are required to estimate a provision for credit losses over the contractual life of a loan at loan origination incorporating macroeconomic factors, asset quality and loan duration
- The prior standard, the incurred loss method, required credit loss recognition when it was probable that a loss has been incurred
- This accounting standard change has no effect on cash flows or actual net charge-offs but does affect the timing of the credit loss expenses that we recognize

Q1-20 Income Statement Impact from Reserve Build		
	Total	Macro only
Credit losses	\$344	\$227
OVAS revenue adjustment	\$18	\$10
Total	<u>\$362</u>	<u>\$237</u>

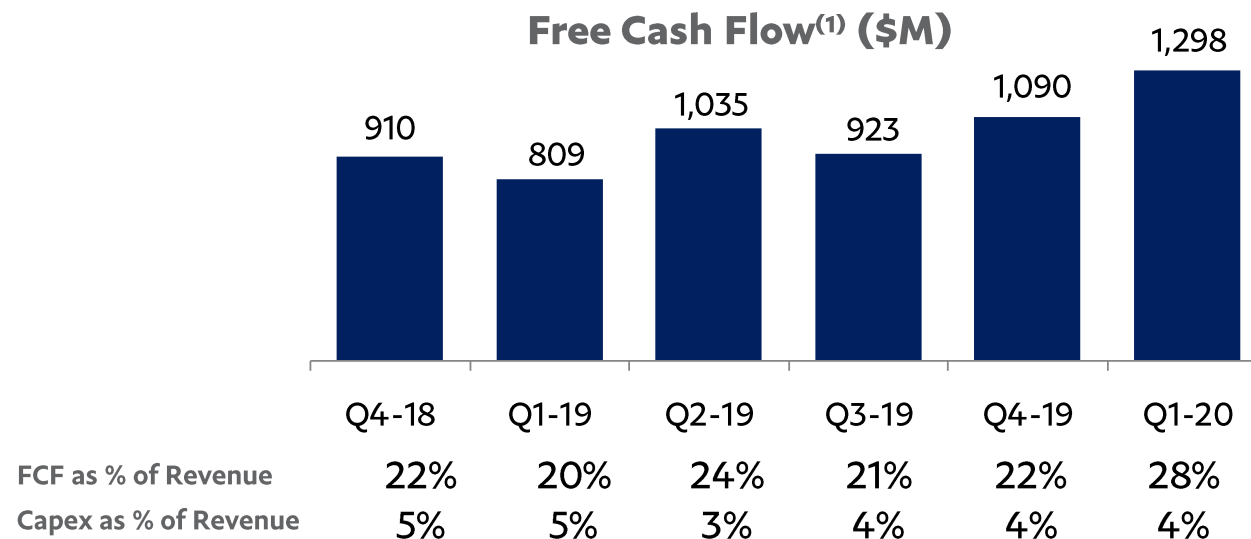
- Increased reserves for principal receivables are reflected in credit loss expense line item
- Increased reserves for interest receivables are reflected as contra revenue to other value added services revenue

Q1-20 Update

- Reserve coverage increased to 17% – from 11% at the beginning of the quarter – driven primarily by a higher unemployment forecast impacting macro factor estimates
- Based on the loans and interest receivables balance outstanding as of March 31, 2020, an increase of 1% in the reserve coverage ratio would increase our transaction and credit losses by ~\$45 million

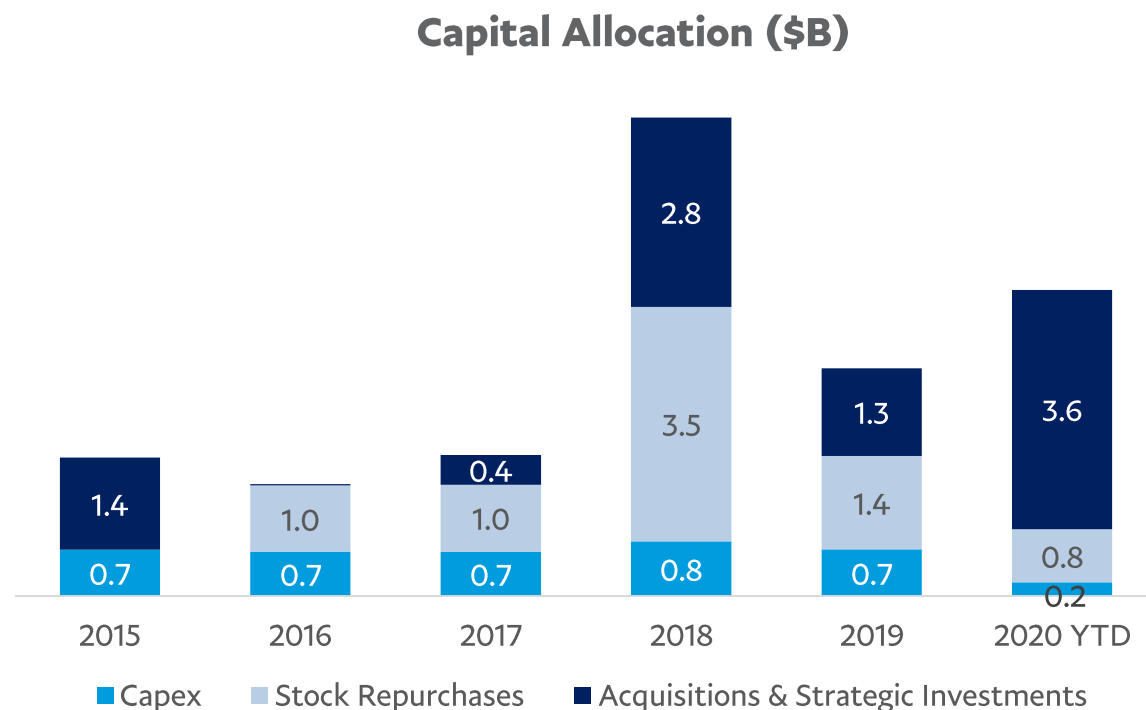
Q1-20 Free Cash Flow

60% growth in FCF in Q1-20; 28% as % of revenue



- Free Cash Flow (FCF) of ~\$1.3 billion in Q1-20; 60% growth year over year; 28% as % of revenue
 - Q1-20 capex spend of \$206 million; 4% of revenue
- Cash, cash equivalents, short-term and long-term investments of \$12.6 billion
 - Cash and cash equivalents of \$7.9 billion, short-term investments of \$2.3 billion and long-term investments of \$2.4 billion with ~49% held internationally
- Debt of \$8.0 billion, including \$3.0 billion draw down from revolving credit facility in March 2020
 - PayPal's first maturity on its long-term debt is \$1.0 billion due in September 2022

Q1-20 Capital Allocation



- Generated >\$15 billion in FCF⁽¹⁾ since separation in July 2015
- In Q1-20, returned \$800 million in capital to shareholders by repurchasing ~7.5 million shares at an average price of \$106.15
- Since separation, repurchased ~113 million shares of common stock, returning \$7.7 billion in capital to shareholders at an average price of \$68.96
- Closed the acquisition of Honey in January 2020

Guidance

Second Quarter 2020 Guidance

	Low	High
Revenue Growth (Spot)	~13%	
Revenue Growth (FXN)	~15%	
Non-GAAP EPS Growth	15%	20%
GAAP EPS Growth	(34%)	(28%)

FULL YEAR 2020 GUIDANCE:

- Withdrawing Full Year 2020 guidance (Revenue, EPS, FCF, Capex and non-GAAP effective tax rate) given the lack of visibility into the near-term economic effects of COVID-19, and the wider range of potential outcomes

SECOND QUARTER 2020 GUIDANCE:

- Expect revenue growth of ~15% FXN, which incorporates April results
- GAAP and non-GAAP EPS exclude the impact of incremental credit loss reserves due to macroeconomic outlook
- Expect non-GAAP EPS growth of 15 - 20%
 - \$0.02 - \$0.04 of dilution from acquisitions announced in 2019
- Expect GAAP EPS to decline 28 - 34% driven by:
 - \$0.10 - \$0.12 of dilution from acquisitions announced in 2019
 - Q2-20 excludes any expectation of unrealized gains / losses from strategic investments; \$0.14 benefit in Q2-19 from net unrealized gains

Supplemental Information

Q1-20 PayPal Metrics⁽¹⁾

(in millions, except %)

	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
Active Accounts	267	277	286	295	305	325
Y/Y Growth	17%	17%	17%	16%	14%	17%
Net New Active Accounts	13.8	9.3	9.0	9.8	9.3	20.2*
Number of Payment Transactions	2,867	2,838	2,973	3,090	3,461	3,261
Y/Y Growth	28%	28%	28%	25%	21%	15%
Total Payment Volume	163,648	161,492	172,359	178,670	199,404	190,567
Y/Y Growth	23%	22%	24%	25%	22%	18%
FXN Y/Y Growth	25%	25%	26%	27%	22%	19%
US TPV	94,439	95,697	102,224	106,591	118,666	117,056
Y/Y Growth	28%	28%	28%	28%	26%	22%
International TPV	69,209	65,795	70,136	72,079	80,738	73,511
Y/Y Growth	18%	14%	18%	21%	17%	12%
FXN Y/Y Growth	22%	22%	24%	25%	18%	14%
Total Take Rate	2.58%	2.56%	2.50%	2.45%	2.49%	2.42%
Transaction Take Rate	2.35%	2.31%	2.25%	2.21%	2.27%	2.21%
Transaction Expense Rate	0.96%	0.96%	0.94%	0.95%	0.96%	0.91%
Transaction and Loan Loss Rate	0.21%	0.21%	0.18%	0.19%	0.19%	0.31%
Transaction Margin	54.6%	54.2%	54.8%	53.4%	53.8%	49.5%

- Transaction growth of 15%; deceleration on a y/y and sequential basis was driven primarily by the impact of COVID-19 on volumes
- Cross-border trade (CBT) was 17% of TPV in the quarter, growing 10% on an FX-neutral basis
- 46% of active accounts are outside the U.S.
- Average Payment Volume (APV) was \$58, up 3% year over year
- Transaction take rate down ~10 bps, driven primarily by P2P growth (including Venmo)
- Credit loans receivable of ~\$3.7B, with \$2.4B related to merchant receivables, consisting of PayPal Working Capital and PayPal Business Loan products

(1) Definitions included in Supplemental Information.

Q1-20 Financial Detail

(\$ millions)	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Transaction Revenue	3,851	3,731	3,878	3,955	4,535	4,215
Y/Y Growth	19%	17%	17%	18%	18%	13%
Other Value Added Services (OVAS)	375	397	427	423	426	403
Y/Y Growth	-19%*	-19%	-21%	24%	14%	2%
Total Revenue	4,226	4,128	4,305	4,378	4,961	4,618
Y/Y Growth	14%*	12%	12%	19%	17%	12%
FXN Y/Y Growth	14%*	12%	12%	19%	18%	13%
% International	48%	47%	47%	47%	47%	47%
US Revenue Y/Y Growth	9%*	8%	7%	19%	19%	13%
International Revenue FXN Y/Y Growth	19%	17%	18%	20%	17%	14%
Volume-based expenses	1,918	1,890	1,945	2,041	2,294	2,330
Non-transaction related expenses	1,395	1,304	1,362	1,311	1,494	1,380
Total Operating Expenses⁽¹⁾	3,313	3,194	3,307	3,352	3,788	3,710
Y/Y Growth	14%	12%	9%	16%	14%	16%
Non-GAAP Op. Income⁽¹⁾	913	934	998	1026	1173	908
Non-GAAP Op. Margin %⁽¹⁾	22%	23%	23%	23%	24%	20%
Non-GAAP EPS⁽¹⁾	\$0.65	\$0.66	\$0.71	\$0.76	\$0.83	\$0.66
Y/Y Growth	20%	16%	27%	31%	27%	0%
CAPEX	224	218	139	173	174	206
Free Cash Flow⁽¹⁾	910	809	1,035	923	1,090	1,298

(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.

* Q4-18 revenue growth rates are non-GAAP financial measures

Reconciliation of Net Revenues, Transaction and Credit Losses, Transaction Margin

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
TPV	\$ 190,567	\$ 199,404	\$ 178,670	\$ 172,359	\$ 161,492	\$ 163,648	\$ 143,004	\$ 139,403	\$ 132,364	\$ 132,515	\$ 711,925	\$ 578,419	\$ 456,179
GAAP Net revenues	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,744	\$ 17,772	\$ 15,451	\$ 13,094
Other ⁽¹⁾	—	—	—	—	—	—	—	—	—	(39)	—	—	(39)
Non-GAAP Net revenues	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,705	\$ 17,772	\$ 15,451	\$ 13,055
GAAP Transaction and credit losses	\$ 591	\$ 381	\$ 340	\$ 318	\$ 341	\$ 340	\$ 295	\$ 334	\$ 305	\$ 40	\$ 1,380	\$ 1,274	\$ 1,011
Other ⁽²⁾	—	—	—	—	—	—	—	—	—	283	—	—	283
Non-GAAP Transaction and credit losses	\$ 591	\$ 381	\$ 340	\$ 318	\$ 341	\$ 340	\$ 295	\$ 334	\$ 305	\$ 323	\$ 1,380	\$ 1,274	\$ 1,294
GAAP Transaction and credit losses rate (% of TPV)	0.31%	0.19%	0.19%	0.18%	0.21%	0.21%	0.21%	0.24%	0.23%	0.03 %	0.19%	0.22%	0.22 %
Effect of non-GAAP adjustment	—%	—%	—%	—%	—%	—%	—%	—%	—%	0.21 %	—%	—%	0.06 %
Non-GAAP Transaction and credit losses rate (% of TPV)	0.31%	0.19%	0.19%	0.18%	0.21%	0.21%	0.21%	0.24%	0.23%	0.24 %	0.19%	0.22%	0.28 %
GAAP Transaction margin	49.5%	53.8%	53.4%	54.8%	54.2%	54.6%	54.9%	56.0%	57.1%	65.1 %	54.0%	55.6%	58.5 %
Effect of non-GAAP adjustment	—%	—%	—%	—%	—%	—%	—%	—%	—%	(8.0)%	—%	—%	(2.3)%
Non-GAAP Transaction margin	49.5%	53.8%	53.4%	54.8%	54.2%	54.6%	54.9%	56.0%	57.1%	57.1 %	54.0%	55.6%	56.2 %

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.

Reconciliation of GAAP Operating Expenses to Non-GAAP Operating Expenses

(In Millions/Unaudited)	Note	Three Months Ended								Year Ended December 31,				
		March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
GAAP operating expenses:														
Transaction expense		\$ 1,739	\$ 1,913	\$ 1,701	\$ 1,627	\$ 1,549	\$ 1,578	\$ 1,366	\$ 1,362	\$ 1,275	\$ 1,266	\$ 6,790	\$ 5,581	\$ 4,419
Transaction and credit losses		591	381	340	318	341	340	295	334	305	40	1,380	1,274	1,011
Customer support and operations		399	438	390	399	388	377	350	338	342	344	1,615	1,407	1,265
Sales and marketing		371	400	316	356	329	401	325	307	281	351	1,401	1,314	1,142
Technology and development		605	558	533	483	511	490	452	441	448	466	2,085	1,831	1,740
General and administrative		486	472	401	419	419	430	377	387	347	342	1,711	1,541	1,258
Restructuring and other charges		29	—	—	(2)	73	12	28	116	153	92	71	309	132
Total operating expenses		\$ 4,220	\$ 4,162	\$ 3,681	\$ 3,600	\$ 3,610	\$ 3,628	\$ 3,193	\$ 3,285	\$ 3,151	\$ 2,901	\$ 15,053	\$ 13,257	\$ 10,967
Non-GAAP operating expense adjustments:														
Transaction and credit losses	(g)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	283	\$ —	\$ —	283
Customer support and operations	(a)	(52)	(54)	(51)	(45)	(48)	(45)	(46)	(41)	(42)	(42)	(198)	(174)	(142)
	(b)	(7)	(1)	(1)	(2)	(5)	(1)	—	(2)	(6)	—	(9)	(9)	(2)
Sales and marketing	(a)	(39)	(32)	(31)	(32)	(32)	(32)	(30)	(29)	(34)	(33)	(127)	(125)	(107)
	(b)	(7)	(1)	(1)	(5)	(5)	—	—	(3)	(4)	—	(12)	(7)	(2)
	(c)	(43)	(32)	(34)	(33)	(36)	(39)	(20)	(16)	(17)	(47)	(135)	(92)	(95)
Technology and development	(a)	(113)	(128)	(119)	(80)	(93)	(81)	(76)	(74)	(72)	(82)	(420)	(303)	(277)
	(b)	(17)	(1)	(1)	(3)	(12)	(1)	(1)	(5)	(13)	—	(17)	(20)	(7)
	(c)	(64)	(18)	(18)	(18)	(21)	(20)	(13)	(9)	(12)	(11)	(75)	(54)	(34)
	(f)	—	—	—	—	—	—	—	—	—	—	—	—	(15)
General and administrative	(a)	(87)	(79)	(72)	(73)	(81)	(77)	(65)	(66)	(61)	(65)	(305)	(269)	(218)
	(b)	(14)	(1)	(1)	(4)	(10)	—	(1)	(3)	(9)	(1)	(16)	(13)	(6)
	(c)	(7)	(1)	—	—	—	—	—	—	—	—	(1)	—	—
	(e)	(20)	(3)	—	—	—	(7)	(17)	—	—	—	(3)	(24)	—
	(h)	—	—	—	—	—	—	—	—	—	(5)	—	—	(5)
	(j)	(11)	(23)	—	—	—	—	—	—	—	—	(23)	—	—
Restructuring and other charges	(d)	(29)	—	—	—	(78)	—	—	—	(25)	—	(78)	(25)	(40)
	(i)	—	—	—	2	5	(12)	(28)	—	—	—	7	(40)	—
Total operating expenses		\$ (510)	\$ (374)	\$ (329)	\$ (293)	\$ (416)	\$ (315)	\$ (297)	\$ (248)	\$ (295)	\$ (3)	\$ (1,412)	\$ (1,155)	\$ (667)
Non-GAAP operating expenses:														
Transaction expense		\$ 1,739	\$ 1,913	\$ 1,701	\$ 1,627	\$ 1,549	\$ 1,578	\$ 1,366	\$ 1,362	\$ 1,275	\$ 1,266	\$ 6,790	\$ 5,581	\$ 4,419
Transaction and credit losses		591	381	340	318	341	340	295	334	305	323	1,380	1,274	1,294
Customer support and operations		340	383	338	352	335	331	304	295	294	302	1,408	1,224	1,121
Sales and marketing		282	335	250	286	256	330	275	259	226	271	1,127	1,090	938
Technology and development		411	411	395	382	385	388	362	353	351	373	1,573	1,454	1,407
General and administrative		347	365	328	342	328	346	294	318	277	271	1,363	1,235	1,029
Restructuring and other charges		—	—	—	—	—	—	—	116	128	92	—	244	92
Total operating expenses		\$ 3,710	\$ 3,788	\$ 3,352	\$ 3,307	\$ 3,194	\$ 3,313	\$ 2,896	\$ 3,037	\$ 2,856	\$ 2,898	\$ 13,641	\$ 12,102	\$ 10,300

(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.

(j) Award for a legal proceeding and expenses related to pre-acquisition contingencies of an acquired company identified outside of the measurement period.

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(In Millions, Except Percentages/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
GAAP operating income	\$ 398	\$ 799	\$ 697	\$ 705	\$ 518	\$ 598	\$ 490	\$ 572	\$ 534	\$ 843	\$ 2,719	\$ 2,194	\$ 2,127
Stock-based compensation expense and related employer payroll taxes	336	297	277	244	286	237	219	223	241	223	1,104	920	761
Acquisition related transaction expense	20	3	—	—	—	7	17	—	—	—	3	24	—
Restructuring	29	—	—	—	78	—	—	—	25	—	78	25	40
Amortization of acquired intangible assets	114	51	52	51	57	59	33	25	29	58	211	146	129
Other	11	23	—	(2)	(5)	12	28	—	—	(317)	16	40	(302)
Total non-GAAP operating income adjustments	510	374	329	293	416	315	297	248	295	(36)	1,412	1,155	628
Non-GAAP operating income	\$ 908	\$ 1,173	\$ 1,026	\$ 998	\$ 934	\$ 913	\$ 787	\$ 820	\$ 829	\$ 807	\$ 4,131	\$ 3,349	\$ 2,755
Non-GAAP operating margin	19.7%	23.6%	23.4%	23.2%	22.6%	21.6%	21.4%	21.3%	22.5%	21.8%	23.2%	21.7%	21.1%

Reconciliation of Net Income, EPS and Effective Tax Rate

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

(In Millions, Except Percentages and Per Share Amount/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
GAAP income before income taxes	\$ 263	\$ 854	\$ 484	\$ 943	\$ 717	\$ 686	\$ 533	\$ 609	\$ 548	\$ 864	\$ 2,998	\$ 2,376	\$ 2,200
GAAP income tax expense	179	347	22	120	50	102	97	83	37	244	539	319	405
GAAP net income	84	507	462	823	667	584	436	526	511	620	2,459	2,057	1,795
Non-GAAP adjustments to net income:													
Non-GAAP operating income adjustments (see table above)	510	374	329	293	416	315	297	248	295	(36)	1,412	1,155	628
(Gains) losses on strategic investments ⁽¹⁾	124	(38)	228	(218)	(180)	(56)	—	(31)	—	—	(208)	(87)	—
Other certain significant gains, losses, or charges	259	230	—	—	—	(6)	14	32	3	201	230	43	224
Tax effect of non-GAAP adjustments ⁽¹⁾	(191)	(85)	(119)	(50)	(117)	(54)	(52)	(99)	(117)	(115)	(371)	(322)	(329)
Non-GAAP net income	\$ 786	\$ 988	\$ 900	\$ 848	\$ 786	\$ 783	\$ 695	\$ 676	\$ 692	\$ 670	\$ 3,522	\$ 2,846	\$ 2,318
Shares used in diluted share calculation	1,185	1,187	1,188	1,187	1,188	1,196	1,199	1,202	1,217	1,228	1,188	1,203	1,221
Net income per diluted share:													
GAAP	\$ 0.07	\$ 0.43	\$ 0.39	\$ 0.69	\$ 0.56	\$ 0.49	\$ 0.36	\$ 0.44	\$ 0.42	\$ 0.50	\$ 2.07	\$ 1.71	\$ 1.47
Non-GAAP	\$ 0.66	\$ 0.83	\$ 0.76	\$ 0.71	\$ 0.66	\$ 0.65	\$ 0.58	\$ 0.56	\$ 0.57	\$ 0.55	\$ 2.96	\$ 2.37	\$ 1.90
GAAP effective tax rate	68 %	41 %	5 %	13 %	7 %	15 %	18 %	14 %	7 %	28 %	18 %	13 %	18 %
Tax effect of non-GAAP adjustments to net income	(56)%	(24)%	9 %	4 %	11 %	2 %	(2)%	4 %	11 %	(9)%	(2)%	4 %	—%
Non-GAAP effective tax rate	12 %	17 %	14 %	17 %	18 %	17 %	16 %	18 %	18 %	19 %	16 %	17 %	18 %

⁽¹⁾Reflects the impact of reclassification as described in our Form 8-K filed with the SEC on April 9, 2020.

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
U.S. net revenues	\$ 2,469	\$ 2,606	\$ 2,327	\$ 2,297	\$ 2,187	\$ 2,189	\$ 1,962	\$ 2,150	\$ 2,023	\$ 2,045	\$ 9,417	\$ 8,324	\$ 7,084
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	(39)	—	—	(39)
Non-GAAP U.S. net revenues	\$ 2,469	\$ 2,606	\$ 2,327	\$ 2,297	\$ 2,187	\$ 2,189	\$ 1,962	\$ 2,150	\$ 2,023	\$ 2,006	\$ 9,417	\$ 8,324	\$ 7,045
International net revenues	\$ 2,149	\$ 2,355	\$ 2,051	\$ 2,008	\$ 1,941	\$ 2,037	\$ 1,721	\$ 1,707	\$ 1,662	\$ 1,699	\$ 8,355	\$ 7,127	\$ 6,010
Total net revenues	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,744	\$ 17,772	\$ 15,451	\$ 13,094
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	(39)	—	—	(39)
Total non-GAAP net revenues	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,705	\$ 17,772	\$ 15,451	\$ 13,055

(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 to Non-GAAP Net Revenue by Type

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
Transaction revenues	\$ 4,215	\$ 4,535	\$ 3,955	\$ 3,878	\$ 3,731	\$ 3,851	\$ 3,343	\$ 3,318	\$ 3,197	\$ 3,244	\$ 16,099	\$ 13,709	\$ 11,501
Other value added services	\$ 403	\$ 426	\$ 423	\$ 427	\$ 397	\$ 375	\$ 340	\$ 539	\$ 488	\$ 500	\$ 1,673	\$ 1,742	\$ 1,593
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	(39)	—	—	(39)
Non-GAAP other value added services	\$ 403	\$ 426	\$ 423	\$ 427	\$ 397	\$ 375	\$ 340	\$ 539	\$ 488	\$ 461	\$ 1,673	\$ 1,742	\$ 1,554
Total net revenues	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,744	\$ 17,772	\$ 15,451	\$ 13,094
Non-GAAP adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	(39)	—	—	(39)
Total non-GAAP net revenues	\$ 4,618	\$ 4,961	\$ 4,378	\$ 4,305	\$ 4,128	\$ 4,226	\$ 3,683	\$ 3,857	\$ 3,685	\$ 3,705	\$ 17,772	\$ 15,451	\$ 13,055

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

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

(In Millions/Unaudited)	Three Months Ended										Year Ended December 31,		
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	2019	2018	2017
Net cash provided by operating activities	\$ 1,504	\$ 1,264	\$ 1,096	\$ 1,174	\$ 1,027	\$ 1,134	\$ 4,670	\$ 28	\$ (349)	\$ (147)	\$ 4,561	\$ 5,483	\$ 2,531
Less: Purchases of property and equipment, net	(206)	(174)	(173)	(139)	(218)	(224)	(223)	(198)	(178)	(180)	(704)	(823)	(667)
Free cash flow	\$ 1,298	\$ 1,090	\$ 923	\$ 1,035	\$ 809	\$ 910	\$ 4,447	\$ (170)	\$ (527)	\$ (327)	\$ 3,857	\$ 4,660	\$ 1,864
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	\$ 1,298	\$ 1,090	\$ 923	\$ 1,035	\$ 809	\$ 910	\$ 772	\$ 737	\$ 733	\$ 972	\$ 3,857	\$ 3,152	\$ 3,163

Q2-20 GAAP and Non-GAAP Guidance

	Three Months Ending June 30, 2020	
	GAAP	Non-GAAP(a)
Revenue Growth Rate (Spot)	~13%	~13%
Revenue Growth Rate (FXN)	~15%	~15%
Diluted EPS Growth Rate	(28%) to (34%)	15% to 20%

(a) Estimated non-GAAP amounts above for the three months ending June 30, 2020, reflect adjustments of approximately \$465 - \$525 million, primarily representing estimated stock-based compensation expense and related payroll taxes in the range of \$310 - \$330 million.

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 or through our Honey 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 Credit Loss Rate:** Transaction and credit loss rate is calculated by dividing transaction and credit loss by TPV.
- **Transaction Margin:** Transaction margin is total revenue less transaction expense and transaction and credit loss, divided by total revenue.

