



Analyst Day 2016

May 18, 2016

Agenda

8:35am - 9:00am **PayPal as a Customer Champion:
Vision, Mission, Strategy and Opportunity**

9:00am - 10:20am **PayPal's End-to-End Open Payments Platform**

10:20am - 10:35am **Break**

10:35am - 11:15am **PayPal's Unique Assets and Competitive Advantages**

11:15am - 11:45am **PayPal's Business Model and Financials**

11:45am - 12:30pm **Q&A**

Non-GAAP Measures; Forward Looking Statements

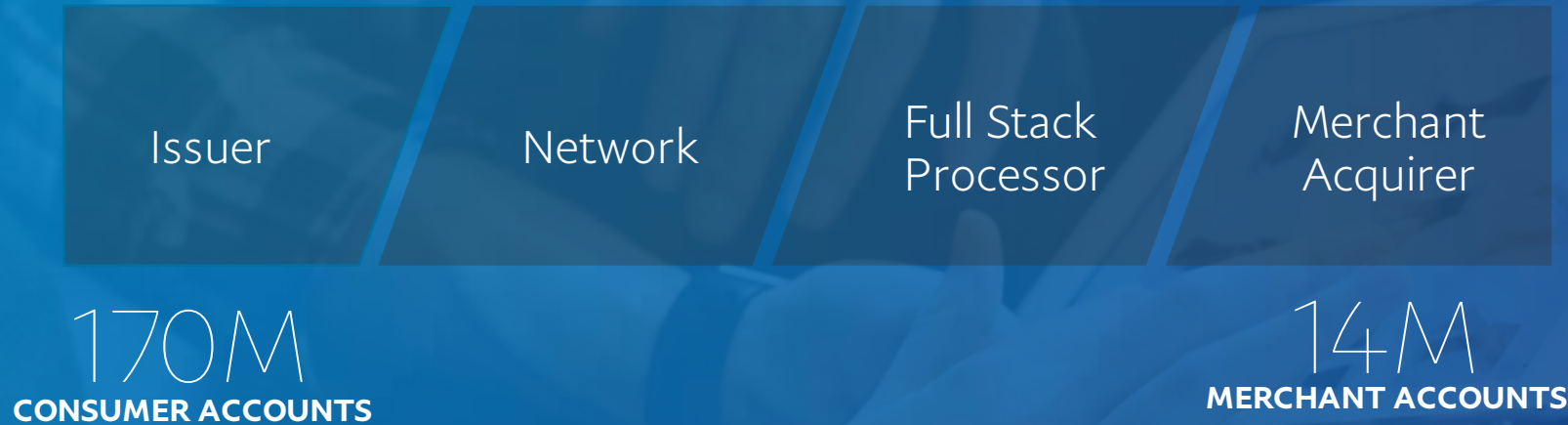
- This presentation contains non-GAAP measures relating to our performance. In addition, we have included certain pro forma adjustments in our presentation of non-GAAP net revenue, non-GAAP net income, non-GAAP earnings per diluted share, and non-GAAP operating margin and expenses in this presentation (collectively referred to as “non-GAAP pro forma measures”). These 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 our results of operations. We have included these pro forma adjustments because management believes that they help to facilitate comparisons of our operating results between periods. In discussing year-over-year comparisons, we have chosen to present non-GAAP pro forma measures because we believe that these measures provide investors a consistent basis for reviewing our performance across different periods.
- 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 (i.e., 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 our future performance that are based on our current expectations, forecasts and assumptions, and involve risks and uncertainties. These statements include, but are not limited to, statements regarding our expected future performance (including, without limitation, projected financial and operating results for us and our products and services), business strategy and plans, and anticipated developments concerning our business and industry.
- Our actual results may differ materially from those included in this presentation for a variety of reasons. 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 e-commerce growth; fluctuations in foreign currency exchange rates; the competitive, regulatory, payment card association-related and other risks specific to our 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; our ability to successfully react to the increasing importance of mobile payments and mobile commerce; our ability to deal with the increasingly competitive environment for its businesses, including competition for consumers and merchants; our 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 our capital allocation or management of operating cash; our 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 we may make to our product offerings; our ability to timely upgrade and develop our technology systems, infrastructure and customer service capabilities at reasonable cost; our ability to maintain stability and performance of our Payments Platform while adding new products and features in a timely fashion; and our ability to profitably integrate, manage and grow businesses that have been acquired or may be acquired in the future.
- More information about factors that could affect our operating results is included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by visiting the company’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 18, 2016. The forward-looking statements in this presentation do not include the potential impact of any acquisitions or divestitures that may be announced and/or completed after the date hereof. Undue reliance should not be placed on the forward-looking statements in this presentation, which are based on information available to us on the date hereof. We assume no obligation to update such statements.



Analyst Day 2016

Dan Schulman, President and CEO • May 18, 2016

PYPL – The world's largest open digital payments platform



Risk Capabilities	Customer Service	Regulatory Compliance
International Remittances	Cross-Context Platform	Checkout



Defining A **Customer Champion** Company

Money is **Changing**



Mass Adoption of
Mobile Devices

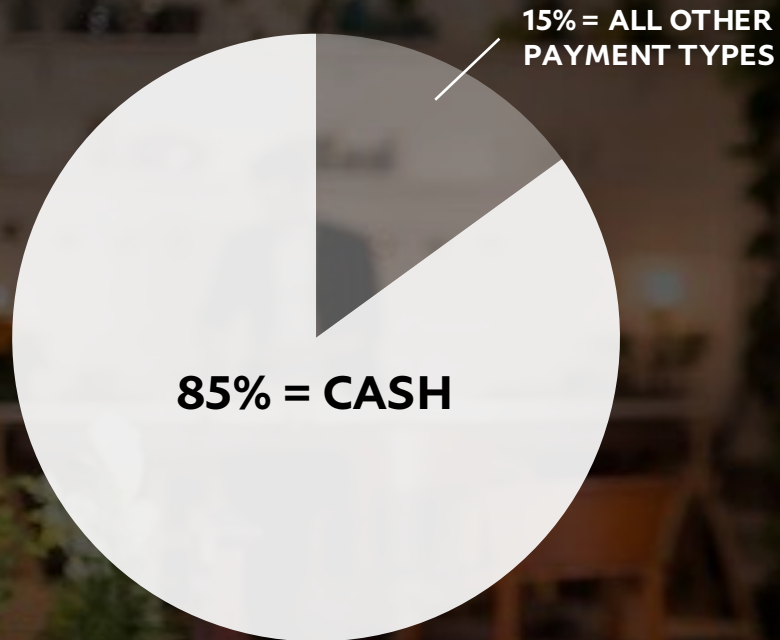


Digitization
of Cash



85% of Commerce is Cash


GLOBAL CONSUMER TRANSACTIONS⁽¹⁾



TOTAL ADDRESSABLE MARKET



Commerce is just commerce – *it's not offline or online*



Democratizing Financial Services

unleashes 2 billion people to fulfill their dreams⁽¹⁾

Historic Consumer Experience

Bank
Accts.

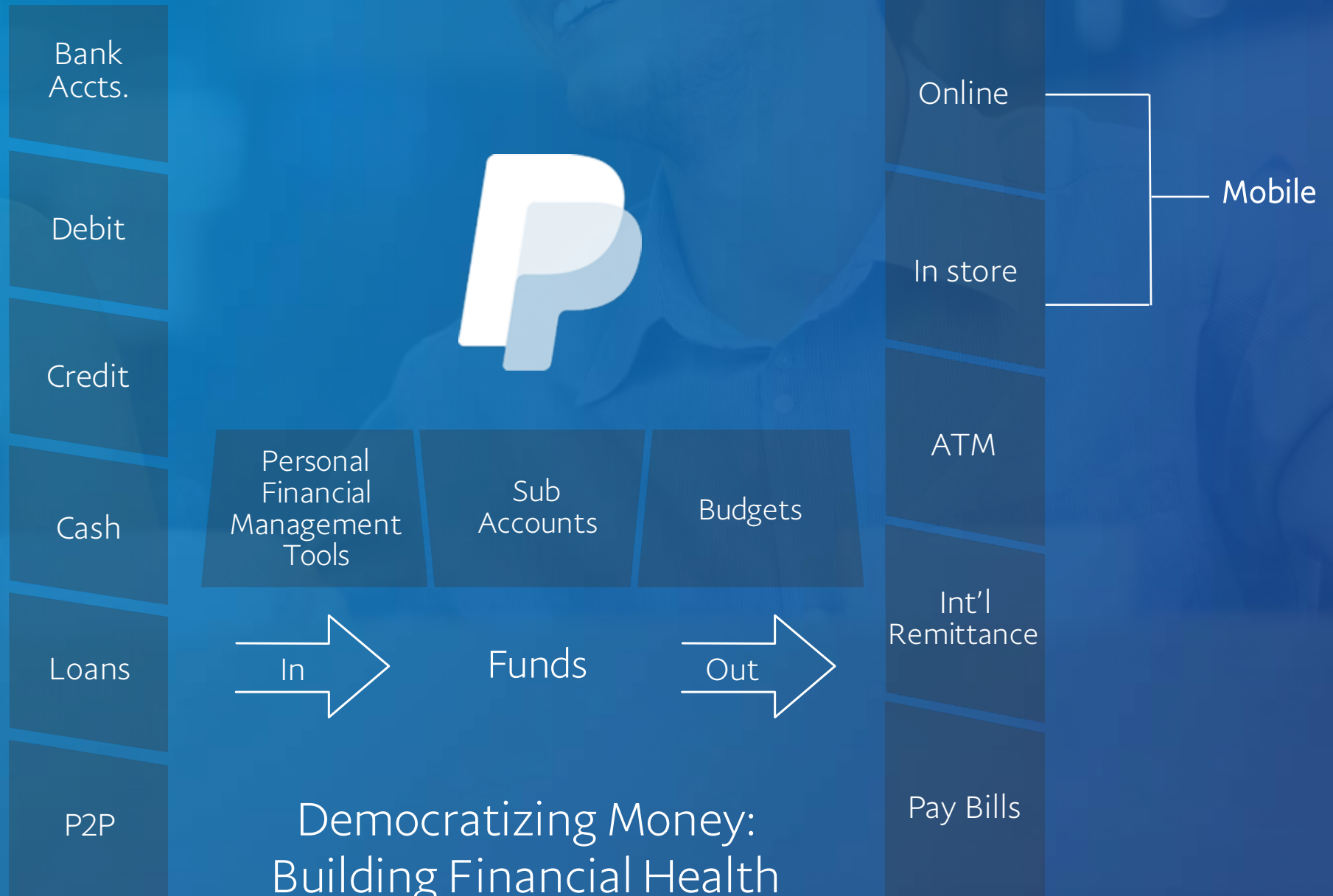
Debit

Credit

Check out with **PayPal**

Online

Future Consumer Experience



Merchant Value Proposition

170M

Consumer
Accounts

14M

Merchants
Accounts

200+

Markets

Intuitive Customer Interface

Online • In App • In Store

Open-Source Technology Platform

PayPal
Processing

Check out with **PayPal**

100% Payment
Processing

Contextual
Commerce
API

Rewards

Transactional
Credit

Invoicing

PayPal
Working
Capital



DISCOVER



VISA

BANK ACCOUNTS

Risk Capabilities

Customer Service

Scalability

Availability

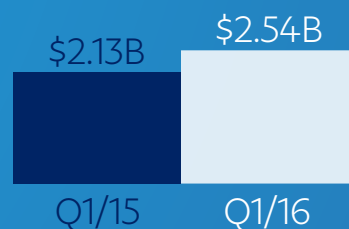
Compliance

Data

Q1 2016 Results

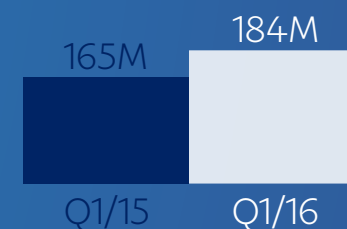
\$2.54B

REVENUE
↑23% YoY⁽¹⁾



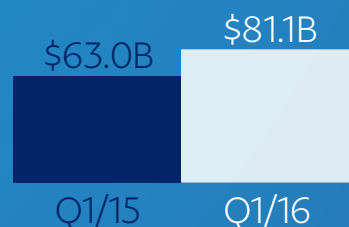
184M

TOTAL ACTIVE CUSTOMER
ACCOUNTS⁽³⁾
↑11% YoY



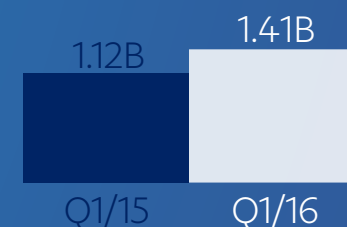
\$81.1B

PAYMENT VOLUME
↑31% YoY ⁽²⁾



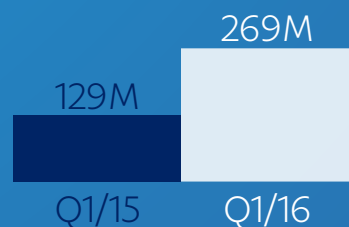
1.41B

TRANSACTIONS⁽⁴⁾
↑26% YoY



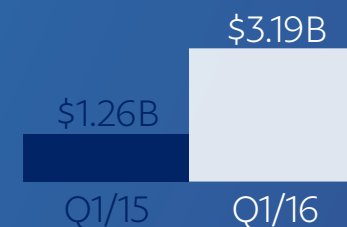
269M

NUMBER OF BRAINTREE CARDS
ON FILE⁽⁵⁾
↑108% YoY



\$3.19B

VENMO PAYMENT VOLUME⁽²⁾
↑154% YoY



* Calculated on an FX-neutral basis

⁽¹⁾ Revenue growth is presented on a non-GAAP pro forma basis, and includes the impact of pro forma adjustments directly attributable to the separation of the company from eBay Inc. on July 17, 2015 had they existed historically.

⁽²⁾ Total payment volume is the value of payments, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.





⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ 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.

Performance Against Commitments

Snapshot

	2015 Guidance ⁽¹⁾	2015 Full Year Results ⁽²⁾		2016 Guidance ⁽³⁾
Non-GAAP FXN Revenue YoY Growth	15 - 18%	19%		16-19%
Non-GAAP Operating Margin YoY Growth	Up 0 - 100 bps	Up 90 bps		N/A
Non-GAAP EPS and YoY Pro Forma Growth	\$1.23 - \$1.27 15 - 19%	\$1.28 19%		\$1.45-\$1.50
Free Cash Flow	\$1.6 - \$1.8B	>\$1.8B		>\$2.1B

PayPal is more than a button

Check out with **PayPal**



CBT



Mobile



In-Store



Online



Loyalty



Credit



APV Lift



Offers



Faster
Conversion



Reduction in Cart
Abandonment



Customer
Acquisition



Invoicing

*We aspire to be the world's largest open
digital payments platform*





PayPal's End-to-End Open Payments Platform

Bill Ready • Kevin Laracey • Jo Lambert • John Kunze

Introduction

Bill Ready, SVP, Global Head of Product & Engineering

PayPal's End-to-End Platform

Community Empowerment

Connecting families and friends across the globe—champions immigrants and expats.

xoom

venmo

Social Commerce

By making moving money supremely simple—and even fun—Venmo represents the next generation of mobile commerce.



GLOBAL INFRASTRUCTURE AND TRUST

With hundreds of millions of customers worldwide, PayPal is a secure, scalable, and inclusive financial ecosystem that people trust.

Next Generation Commerce

The ingenious code that lets people log in to buy and sell with a single touch—and creates a revolutionary network of merchants.

Braintree

Paydiant

Merchant Choice

The patented cloud-based platform enables merchants to deploy their own secure mobile wallet solutions under their own brands, in their own apps.

Merchant

PayPal Acceptance



CBT



Mobile



In-Store



Online



Credit



Loyalty

Check out with **PayPal**



AOV Lift



Faster
Conversion



Reduction in Cart
Abandonment



Invoicing



Offers



Bus. Consulting

New Merchant Value

170M
Consumer Accounts

14M
Merchant Accounts

200+
Markets

Intuitive Customer Interface
Online • In App • In Store

Open-Source Technology Platform

PayPal
Processing

Check out with **PayPal**

100% Payment
Processing

Contextual
Commerce
API

Rewards

Transactional
Credit

Invoicing

PPWC



DISCOVER



VISA

BANK ACCOUNTS

Risk Capabilities

Customer Service

Scalability

Availability

Compliance

Data

Online Checkout Innovation

Global Impact

- **39%** PayPal's Merchant Services Business vs. eCommerce Growth
- **87.5%** PayPal's Online Checkout Conversion*
- **36%** Higher Than Competing Wallets
- **42%** higher than Standard Checkout Options*

ComScore, Online Payment Type: Conversion Analysis, April 2016



©2016 PayPal Inc.

Mobile Money at PayPal 10 Years Strong and Growing





GLOBAL REACH

Consumer Reach

170M

Consumer Accounts

Merchant Reach

14M

Merchant Accounts

200+
Markets

**BEST
GLOBAL
BRANDS
2015**

Interbrand

Cross-Border Trade Leader

Cross-border B2C
e-commerce will reach
\$424B by 2021⁽¹⁾

Cross-border
sales will reach
15% in 2021⁽¹⁾

PayPal CBT
Activates Consumers:
**1 in 5 in NA,
2 in 5 in EMEA,
& 1 in 3 in APAC**

CBT shoppers
spend around
**2x more
with PayPal**
than domestic
only consumers

China's share of the
online CBT market
will grow to
40% in 2021⁽¹⁾

CBT is **~25%**
of PayPal PTV

Global Innovation Expansion

PayPal's One Touch

Most rapidly adopted product PayPal has ever rolled out
22 million consumers have now opted-in globally

- Available in **ALL markets** PayPal operates in, up from 55 just two months ago

144 merchant
global
marketplace
availability

50%+
of the US
Internet
Retailer 500

Millions of
transactions
being
processed daily

Aug 2014
Launched One Touch with
Braintree for mobile apps

One Touch
Helping PayPal Lead Digital
Payments into the Future

Apr 2015
Launched One Touch with PayPal
on web and mobile in the US

Jun 2015
Expanded One Touch with PayPal
to the US and Canada

Aug 2015
One Touch is used by millions and
available in 16 countries

Nov 2015
Expanded One Touch with PayPal
to China and Hong Kong

Dec 2015
Over 10 million consumers use
One Touch in 23 markets

Feb 2015
Added 100 markets for
merchants in one day

Today
Over 22 million consumers use One
Touch in 200+ markets, adding 59
markets to the last month

MILLIONS
of One Touch
transactions
per month

22M+
CONSUMERS
opted-in to use
One Touch in the
last year

200+
CONSUMER
MARKETS
WORLDWIDE

144
MERCHANT
MARKETS
WORLDWIDE

**OVER
50%**
IR500
of Internet Retailer 500
merchants have
One Touch enabled

87.5%
ONLINE
CONVERSION
RATE

Checkout Partners



...and 1900+ other partners

In-App Mobile Distribution

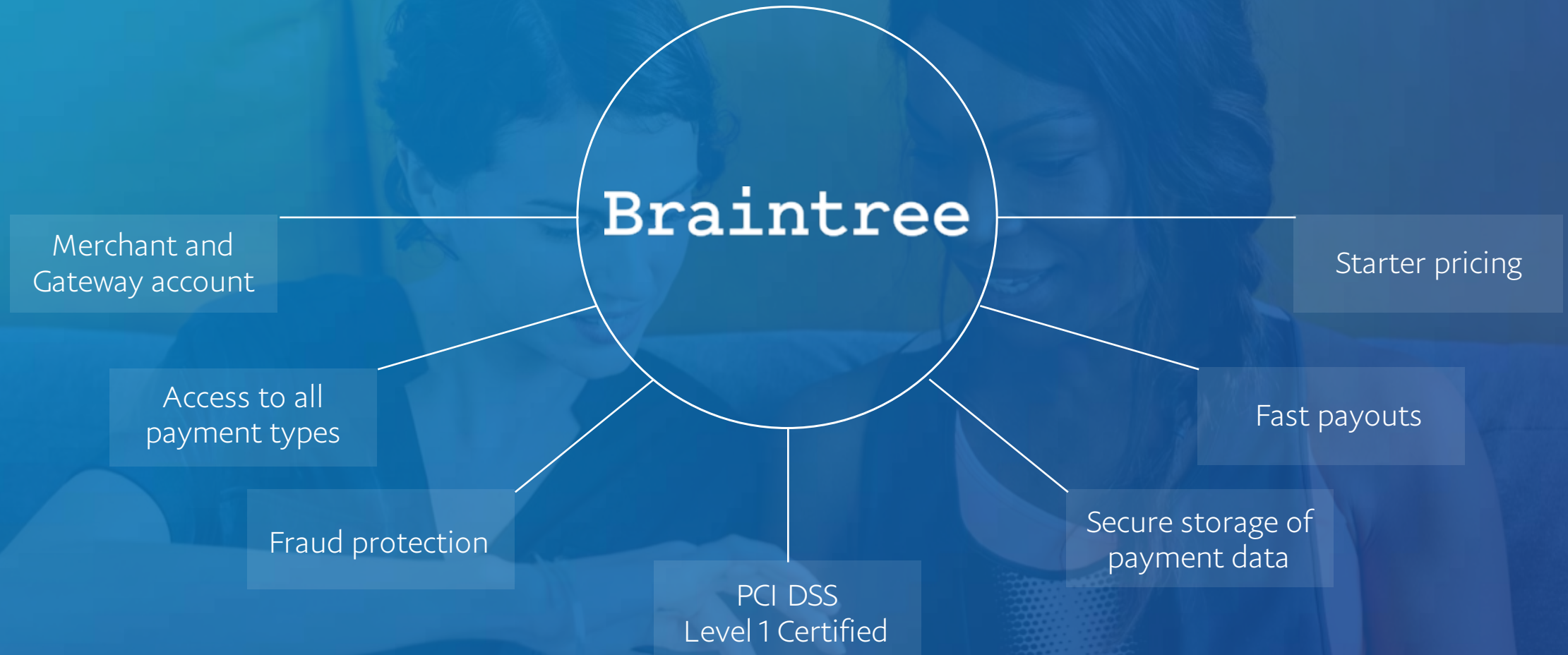
Braintree is Powering the Mobile Commerce Revolution

Cutting-edge commerce companies depend on Braintree



Of the companies that are revolutionizing the Internet per Mary Meeker's 2015 Internet Trends Report, half are Braintree merchants.

All-in-One Online and Mobile Payments Solution



Simple, Powerful Payments

Braintree is the all-in-one mobile payment solution that powers some of the fastest-growing, most innovative companies in the world

>3x

Growth in
Number of Payment
Transactions YoY⁽¹⁾

269M

Consumer cards on file⁽¹⁾

46

Markets

PYPL Succeeds In New Contexts



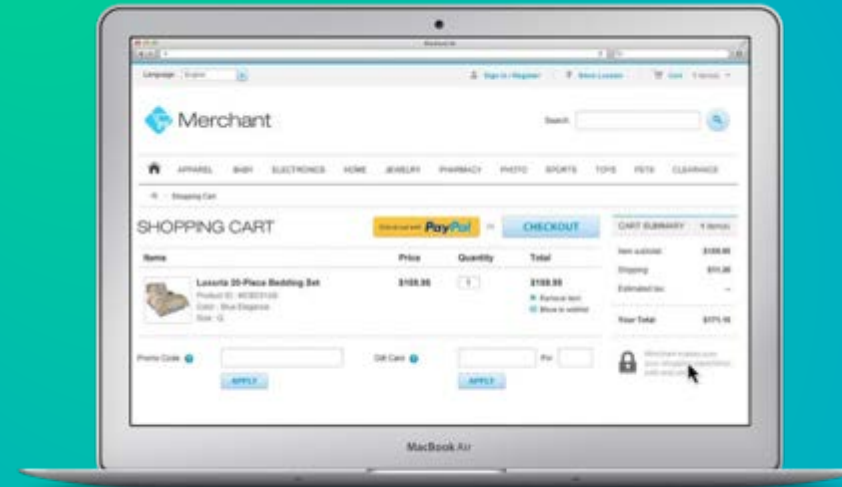
In Store

Kevin Laracey, VP of In Store

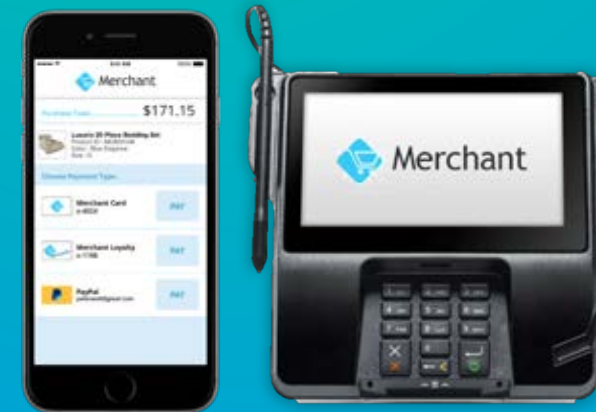
In Store Innovation

PayPal's Retail Strategy

- PayPal everywhere – including in store
- Powered by our app, platform and technology independent OS for digital payments & commerce
- Enabling superior “Smart Wallet” User Experiences
- Delighting consumers, delivering results for merchants



ONLINE



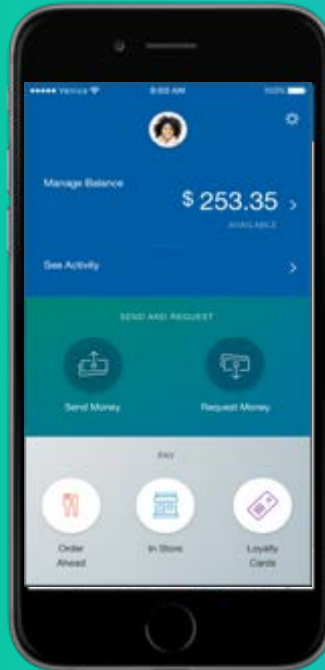
IN STORE



IN APP

PayPal in Every In Store Wallet App

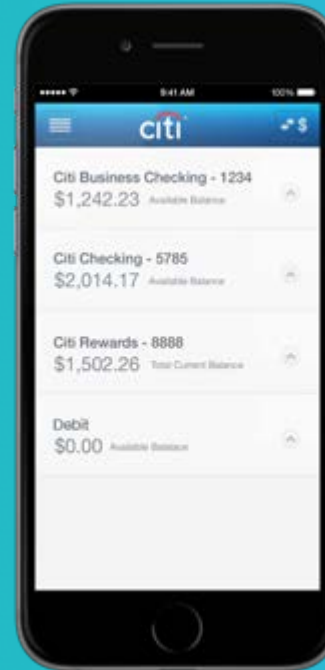
Mobile



PayPal Wallet



Retailer Wallet



Bank Wallet



Other Wallets

The Eight Key Components of In Store Mobile Commerce

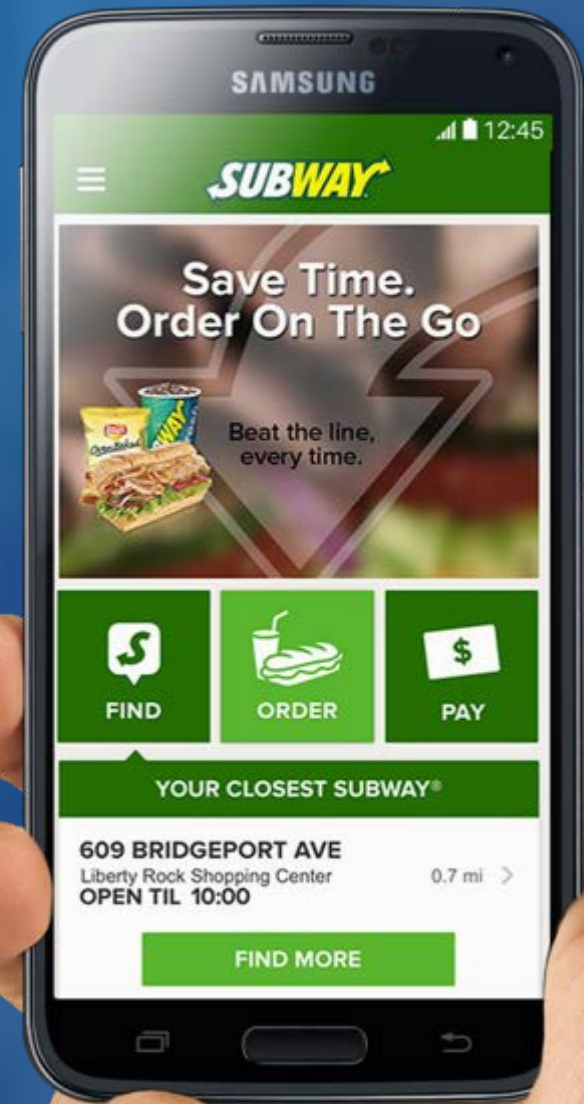
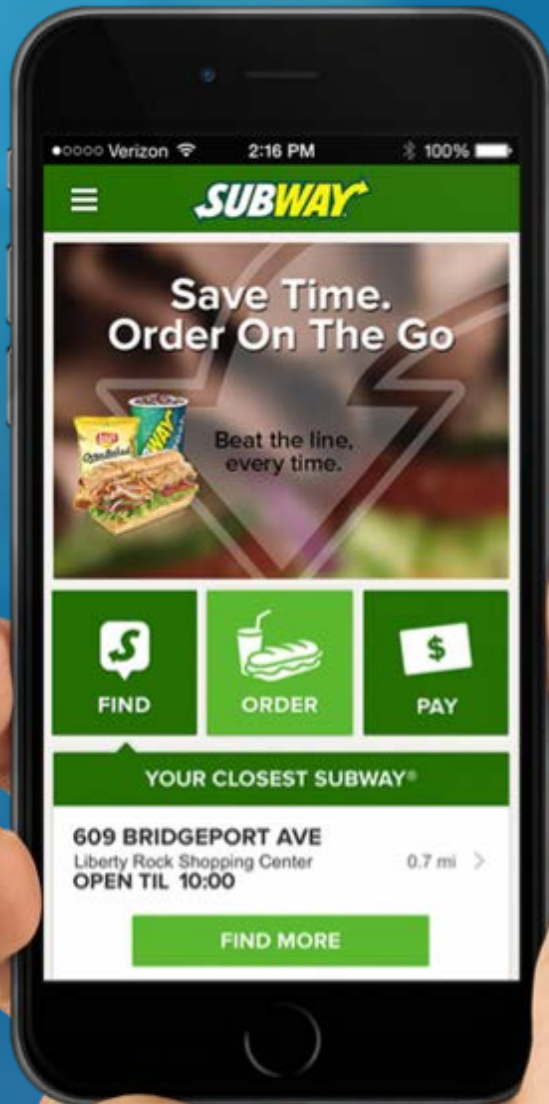
- Payment is the culmination of a successful customer experience, but it is the capabilities wrapped around this core that make for a complete and compelling in store mobile commerce solution.
- PayPal is delivering comprehensive solutions that deliver best of breed in store mobile commerce solutions.



Retailer Wallet



Any Platform



Retailer Wallet



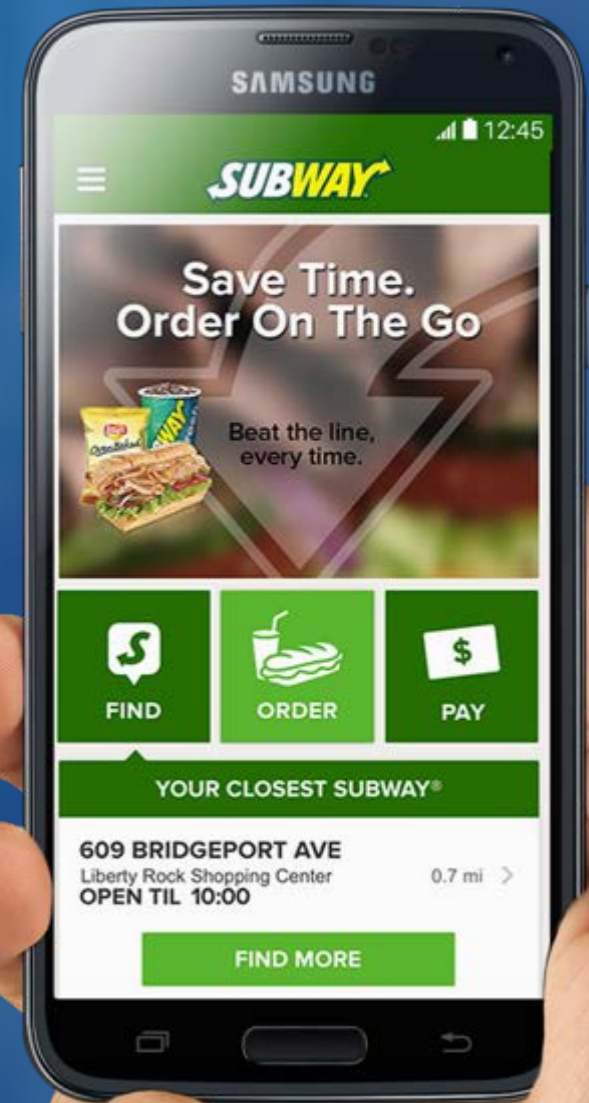
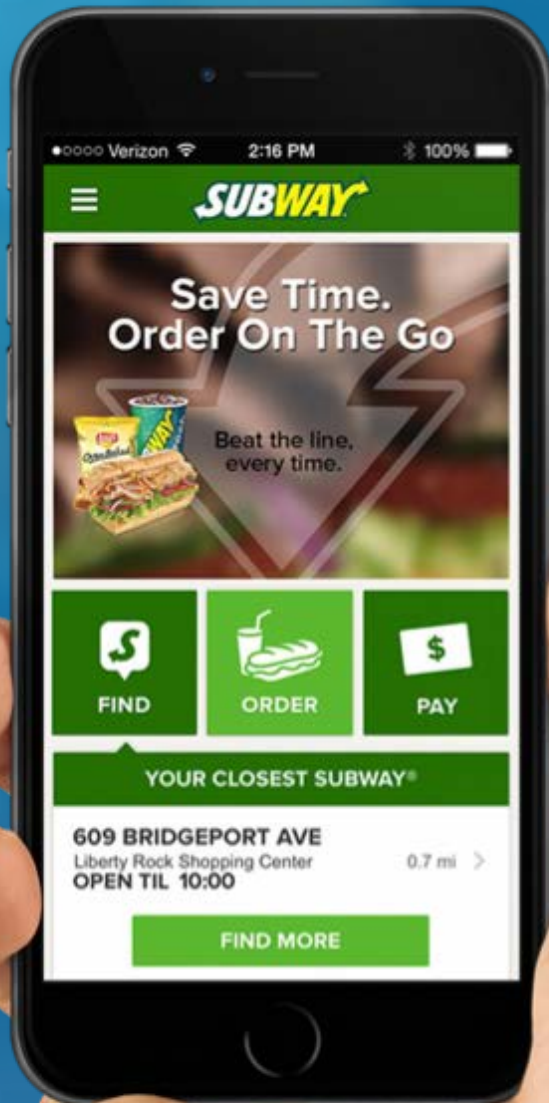
Any POS



micros®



Verifone®



Retailer Wallet



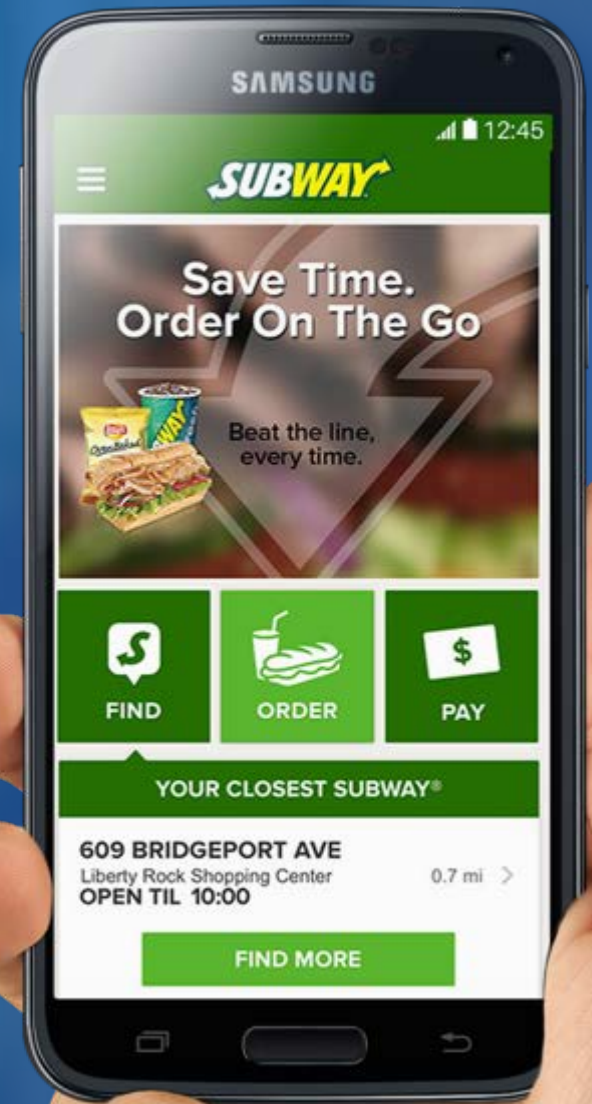
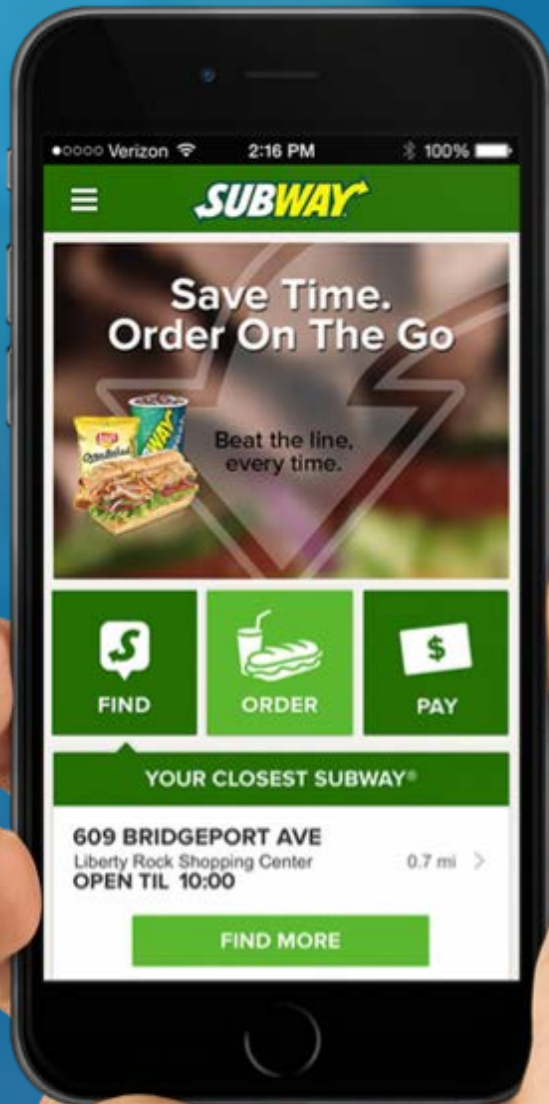
Any Tender



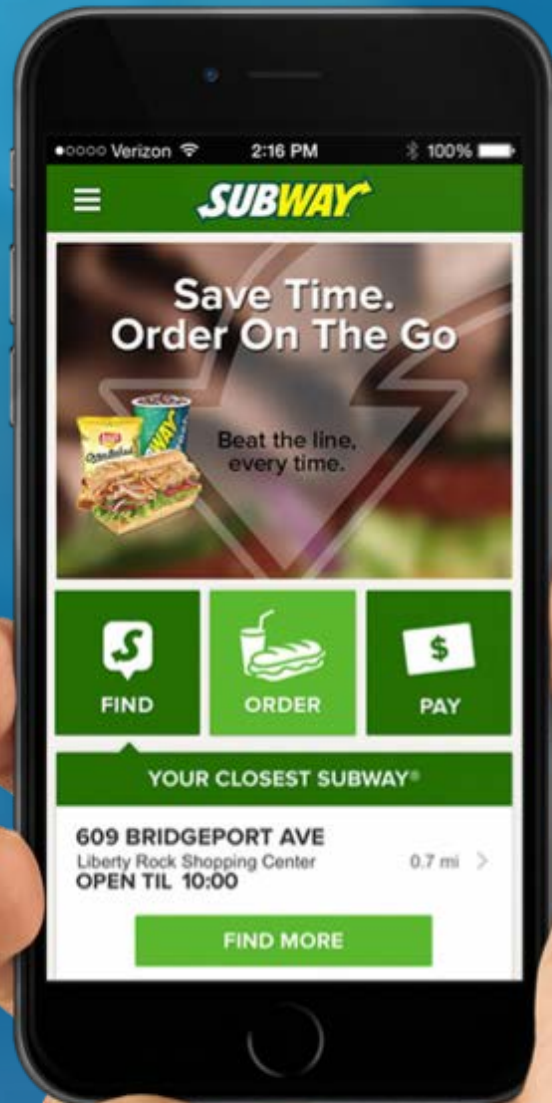
DISCOVER



VISA

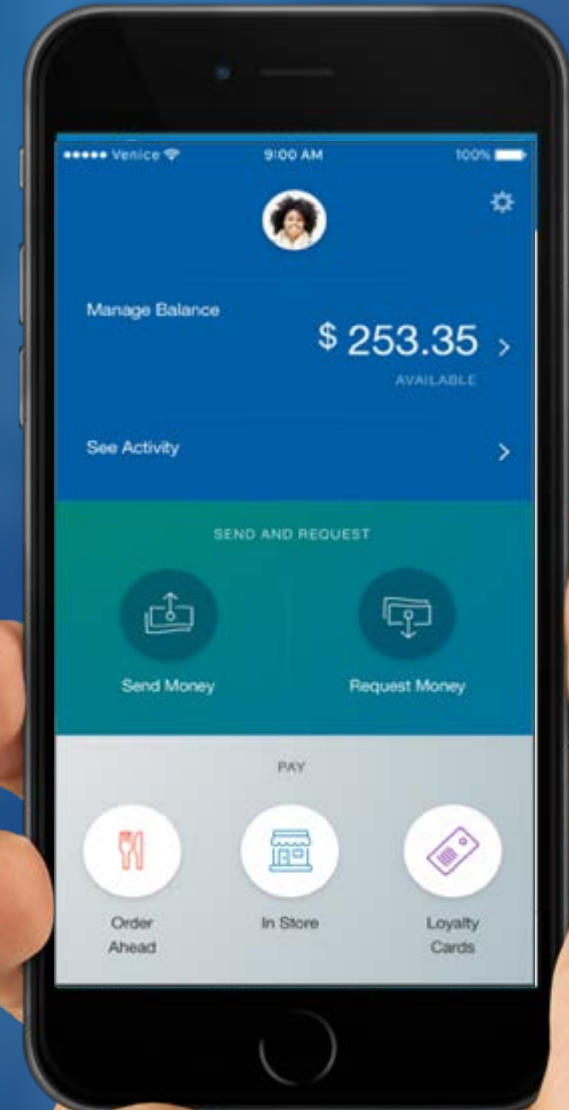


Retailer Wallet

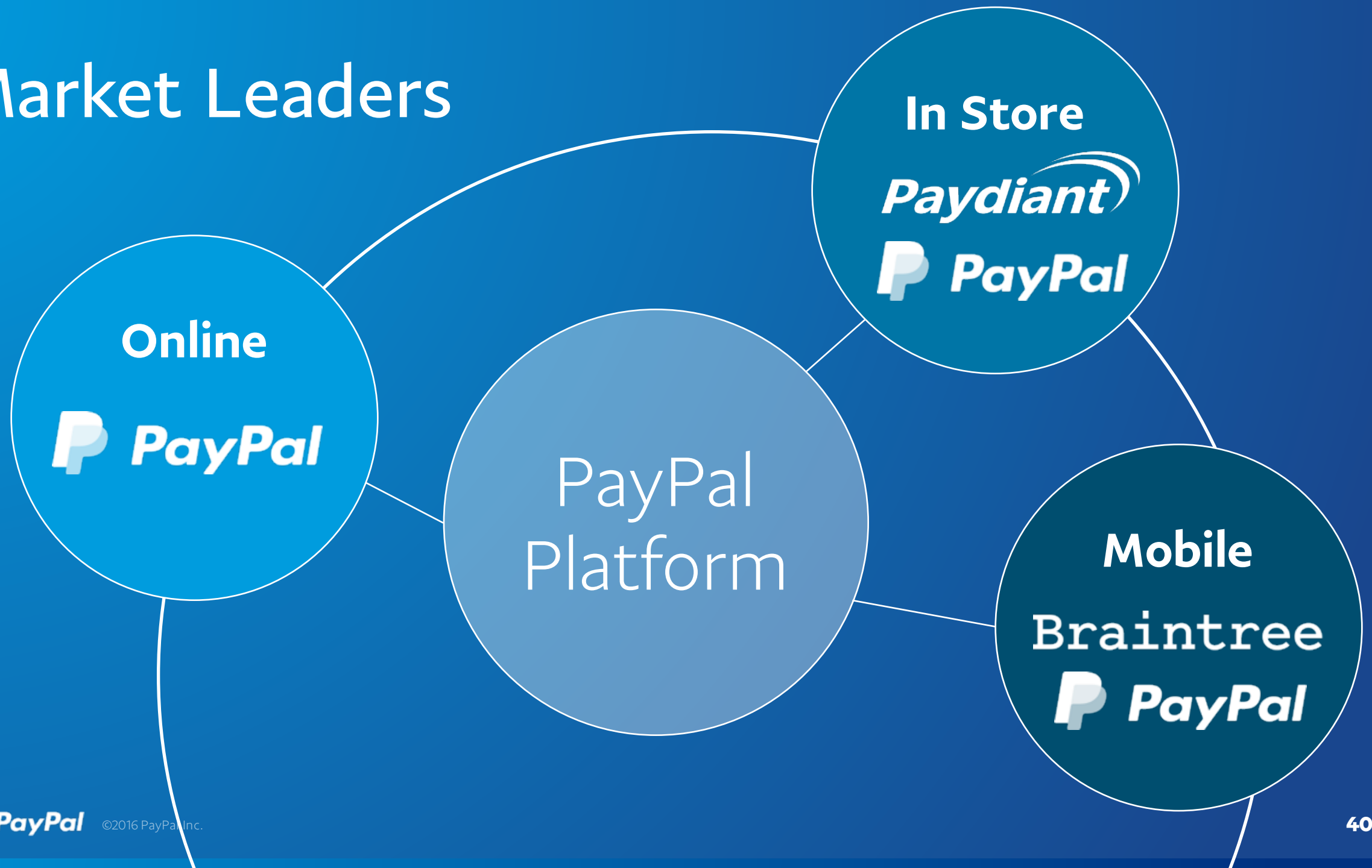


Accept Both

PayPal Wallet



Market Leaders



Consumer

Consumers

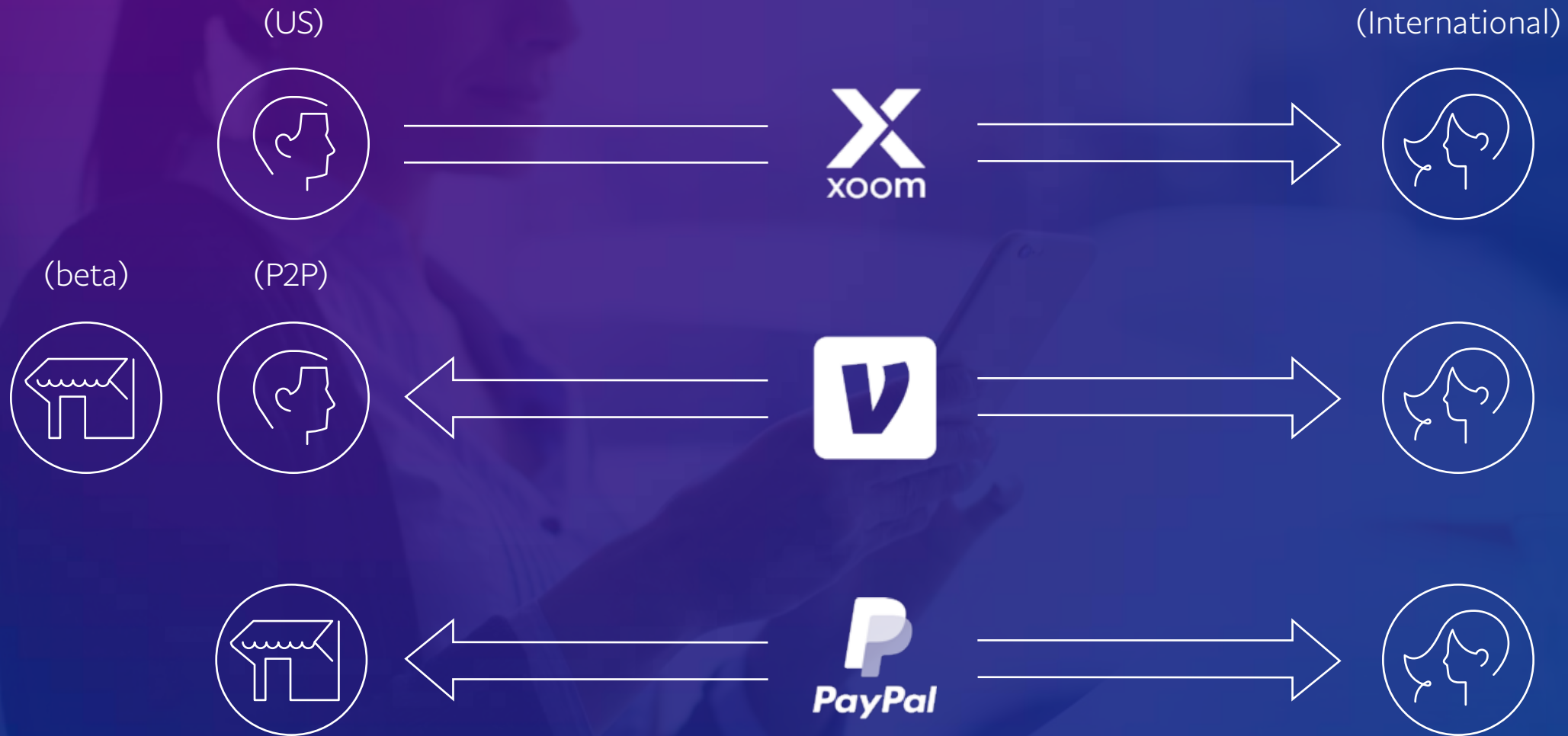
Central part of consumers' financial lives



2-3x per month → 2-3x per week

More Than One Wallet

PayPal offers multiple digital wallets



Consumers

More than \$1 billion per month by Venmo users

170 million
consumer
accounts



1.6 million
Xoom accounts
as of Q4 2015

\$66 billion mobile payment volume (2015)
1.4 billion mobile payment transactions (2015)

Where We are Headed

Bank
Accts.

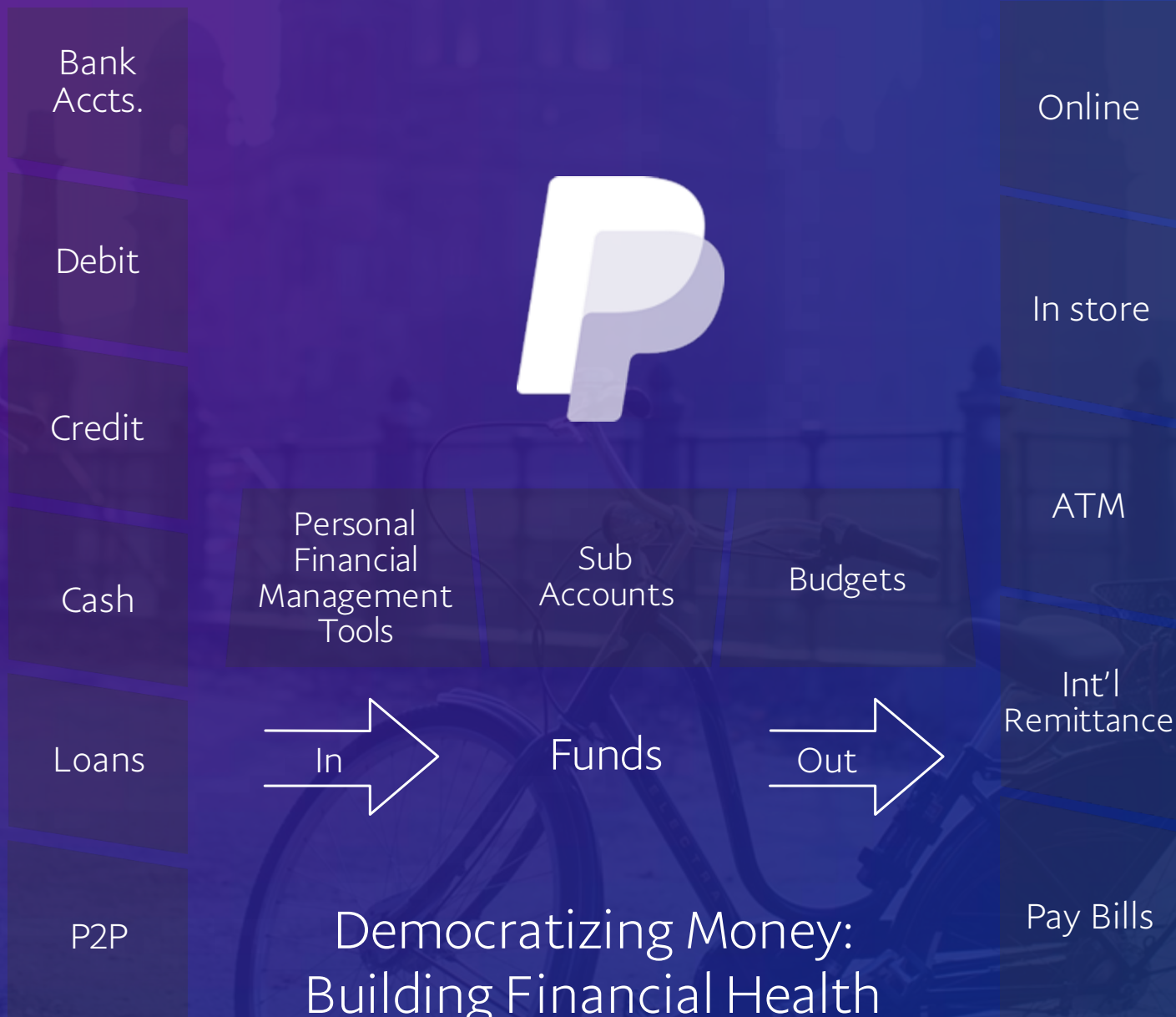
Debit

Credit

Check out with **PayPal**

Online

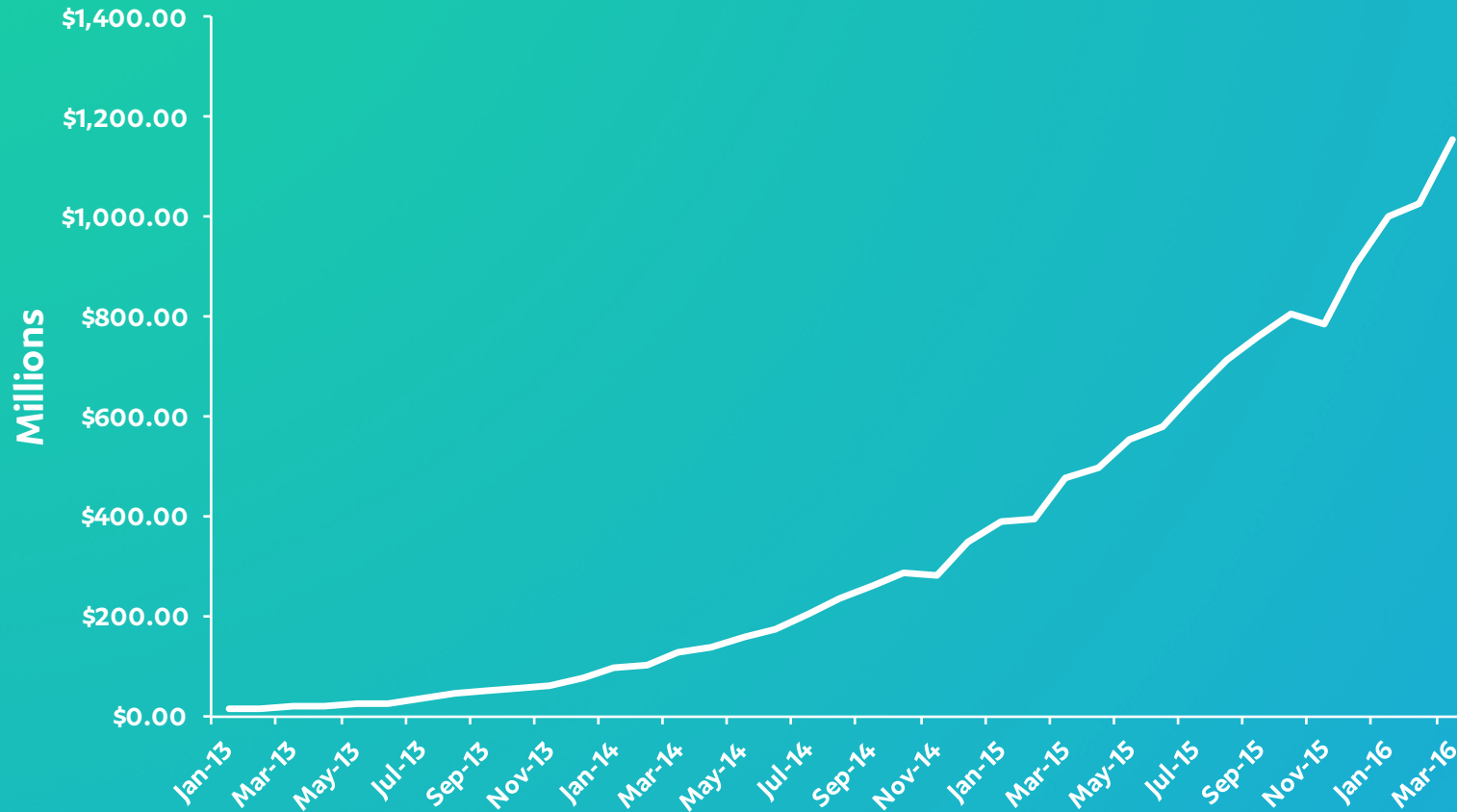
Where We are Headed



Venmo

Venmo Growth Continues to Climb

Total payment volume⁽¹⁾ over time (2013-2016)

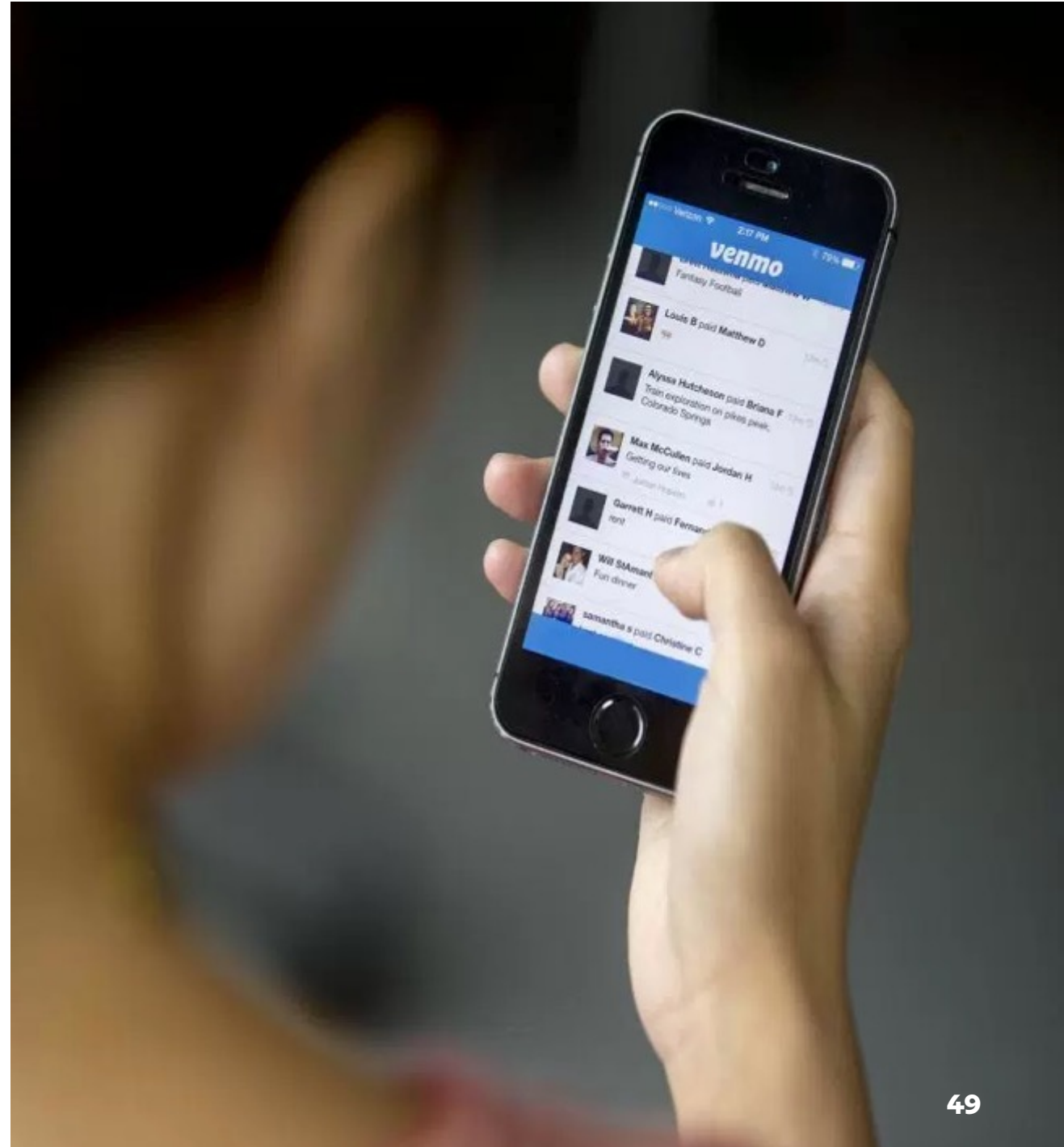


In Q1 2016 alone, Venmo processed **\$3.2 billion**, a **154% increase** from Q1 2015

The Secret Sauce:

Celebrating real life moments behind the transaction

- On average, active Venmo users open the app 2-3 times per week
- Many of these opens are Like or Comment on friends' payments each day



Venmo's Most Popular Emoji

Shared over **2,000,000** times


Or

49,000 per week!

In the past month, over 200,000 payments were sent solely with one of the following emojis:



“I’ll Venmo you”


 **UCF PROBLEMS**
@ucf_problems

Top 3 quotes from college:

1. The uber is here
2. Just check Party Tutor
3. I'll venmo you

RETWEETS 53 LIKES 110

7:33 AM - 16 May 2016


 **FresnoStateSquirrels**
@CSUFsquirrels

College summed up in four sentences:

1. The uber is here.
2. Why did I take an 8am.
3. I'll venmo you.
4. I need a drink, or 70.

RETWEETS 74 LIKES 122

7:46 PM - 15 May 2016

 **ihomirx**
@ihomirx

When your mom gets on @venmo and starts charging you for her life tips, teachings, and giving you life.

RETWEETS 2 LIKES 5

4:48 PM - 15 May 2016

 **Joey Gandolfo**
@ThisIsJoeyG

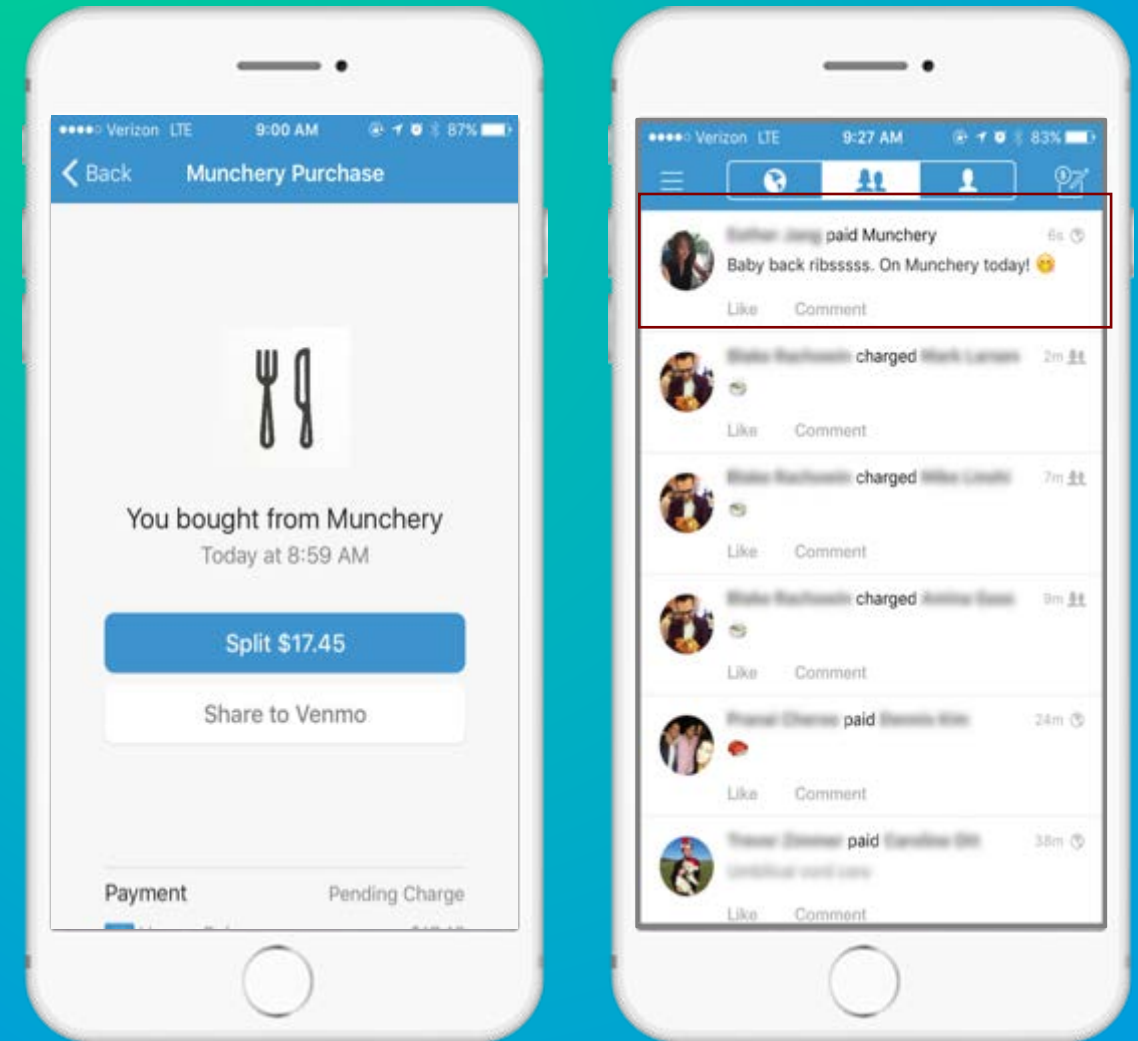
I care more about the captions in @venmo then actually getting paid for anything.

RETWEETS 6 LIKES 44

6:56 PM - 11 May 2016

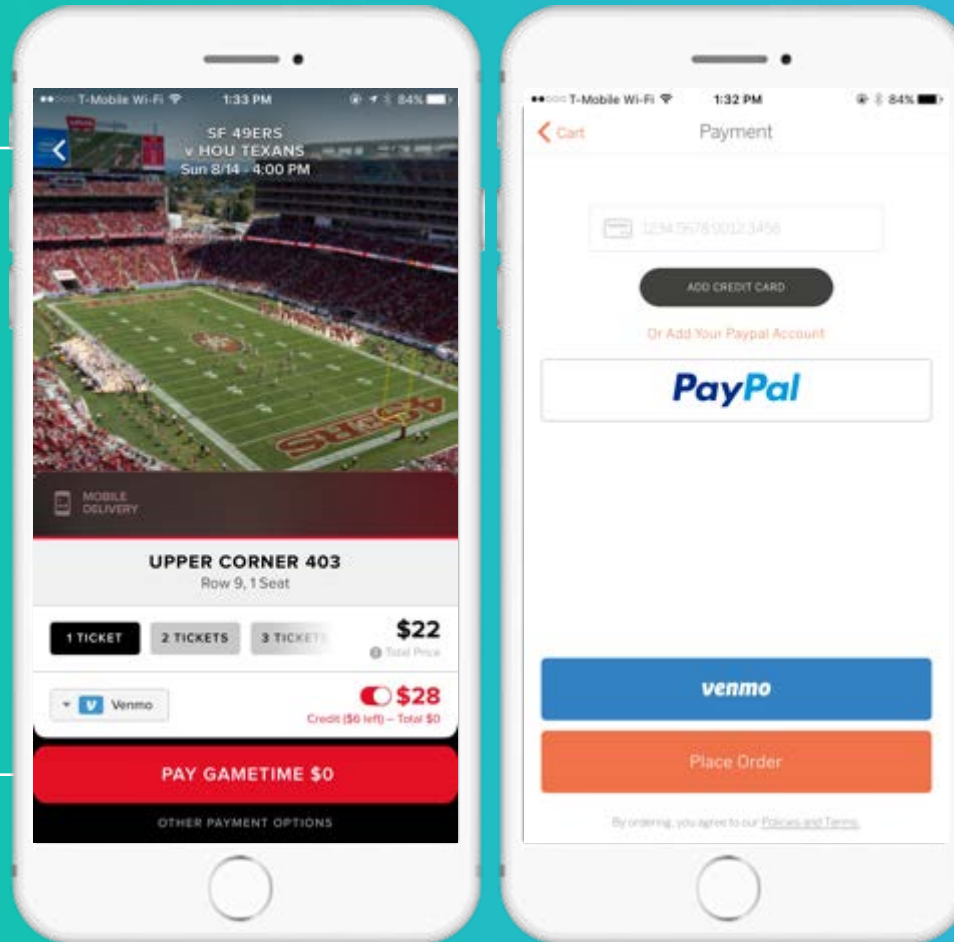
Now in Beta:

Pay merchants as easily as you pay your friends and experience true social commerce



Testing for the Most Optimum End-to-End Experience

Now available
to over a
million users



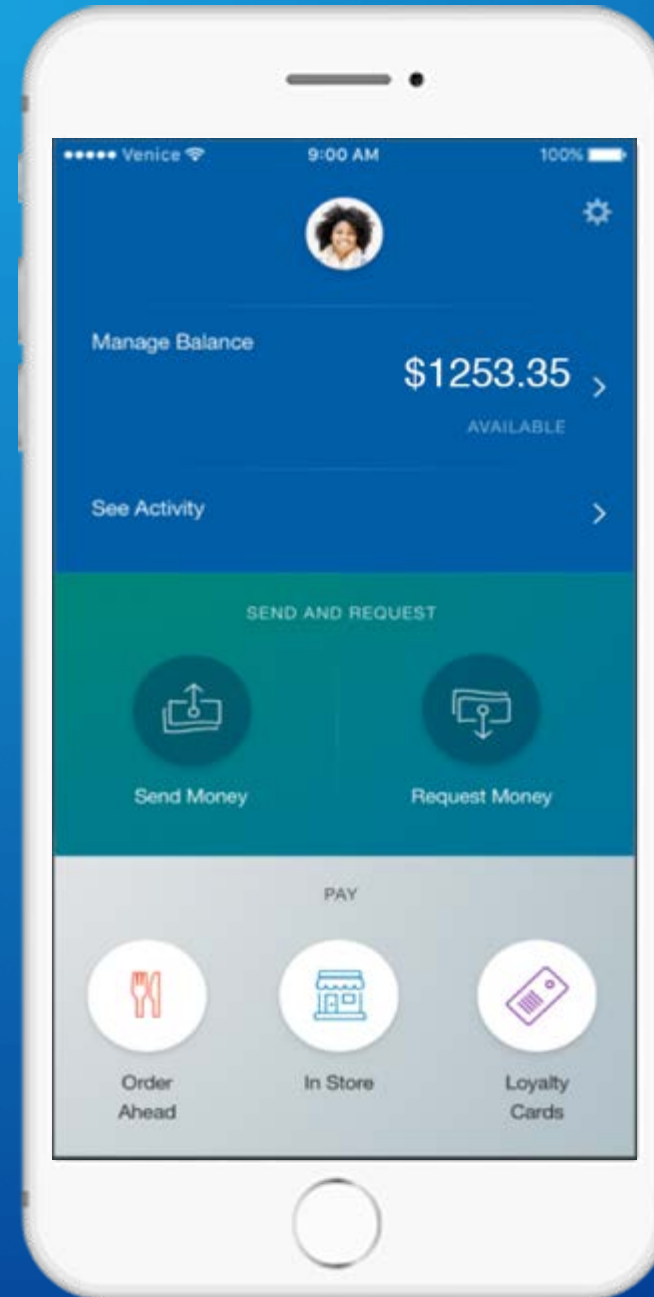
Wide
launch
H2 2016

Mobile App & P2P

Jo Lambert, VP of Global Consumer Product & Engineering

PayPal App Redesign

- 145 Markets on iOS and Android
- Account sign-ups through the app up 33% on iOS
- 14% increase in downloads
- 38% more Order Ahead transactions



Increased consumer engagement



Platform for more innovation

Mobile = Center of Financial Life

Through PayPal App...

- Send And Request Money
- View Transaction History
- Pay in Store
- Order Ahead
- Touch ID
- Add Cash

And coming soon...

- NFC Capabilities
- Xoom Integration
- Mobile Top Up
- Bill Pay and Bill Splitting



Mobile = Center of Financial Life

Power Partner Apps

- Vodafone
- Telcel
- Claro



P2P Opportunity

Consumers Money Habits Are Changing

- P2P in mobile app is a great example of how PayPal drives consumer engagement
- Mobile P2P payments predicted to hit \$174 billion by 2019
- 71% of users say P2P mobile payments reduce social tension around splitting the bill



PayPal, Venmo and Xoom P2P TPV for 2015

\$41B

P2P TPV in 2015



42%

P2P TPV YoY Growth



P2P Drives Consumer Engagement & Acquisition



Consumer balances are **re-spent** on PayPal

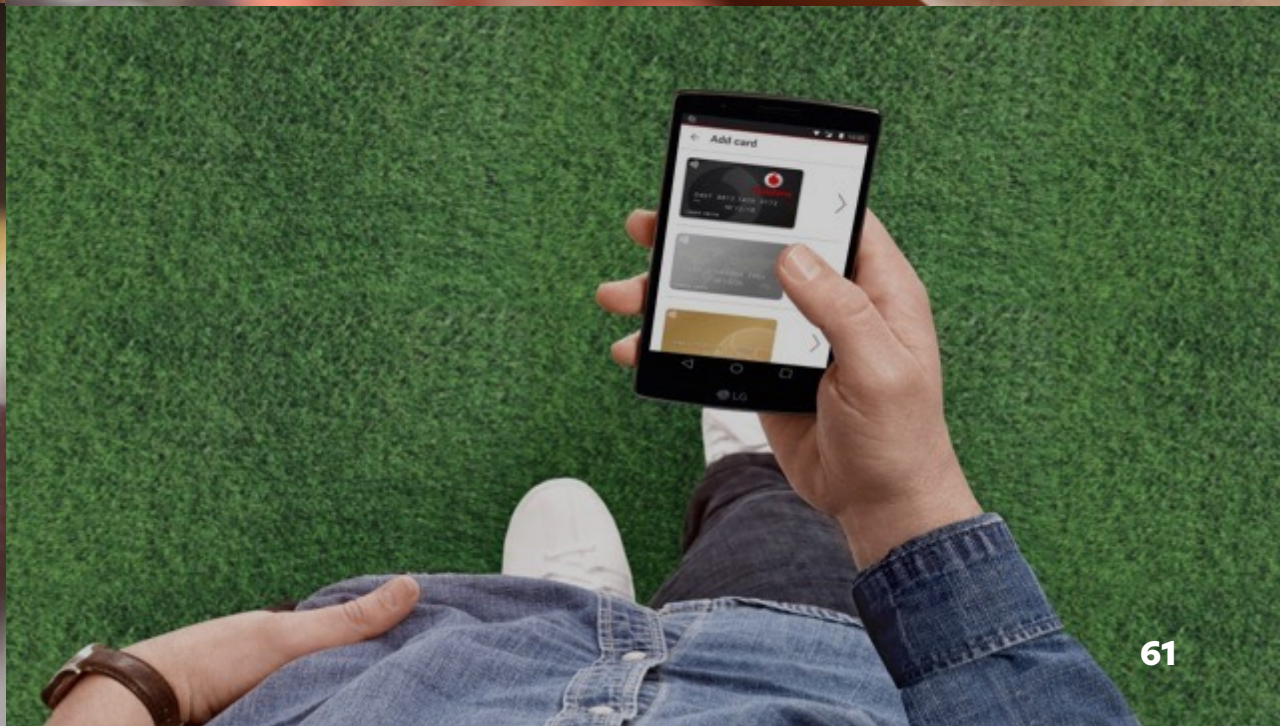
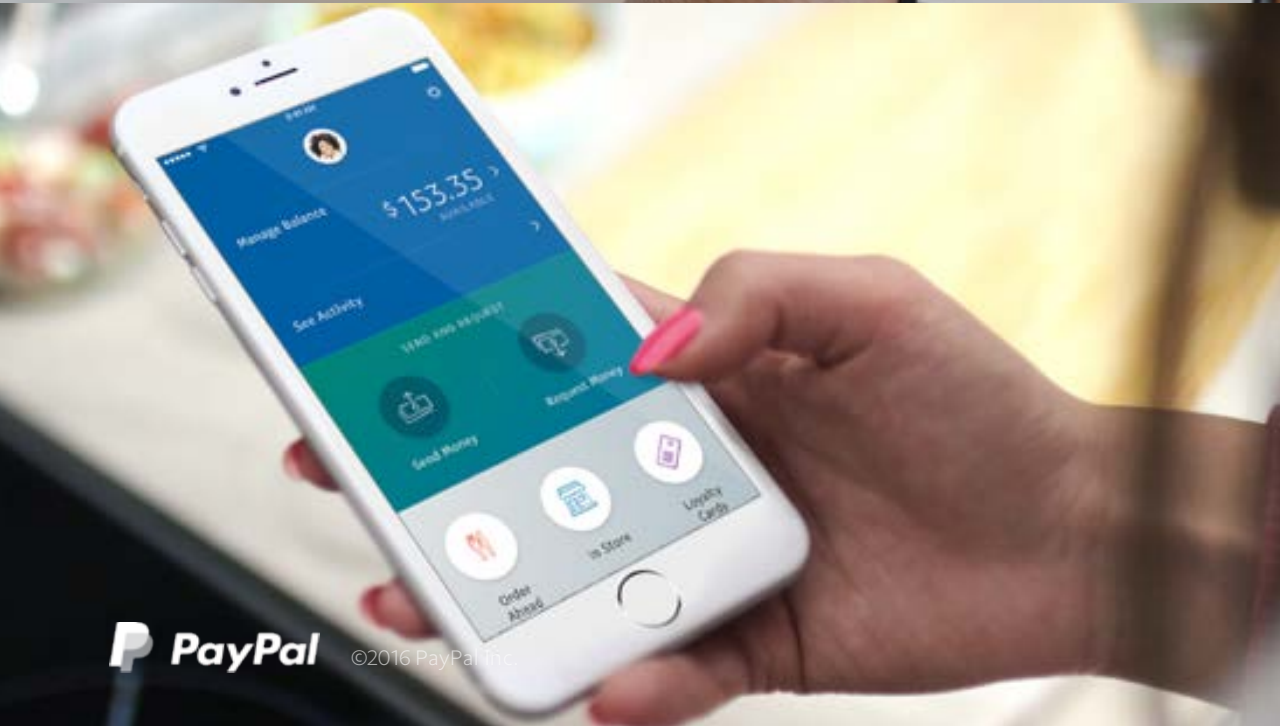


P2P increases consumer engagement by **67%⁽¹⁾**



P2P is fast becoming one of our main sources of acquisition

Moving & Managing Money



Financial Services Ripe for Disruption

- **7.7 billion** mobile connections worldwide⁽¹⁾
- **2 billion** adults around the world don't have a bank account⁽²⁾
- FDIC says that **1 in 13 US households** were entirely underserved by the financial system
- **72% of consumers in India** want access to more financial products and services⁽³⁾

⁽¹⁾ GSMA Intelligence, Real-Time Mobile Connections Tracker, May 2016 <https://www.gsmainelligence.com/>

⁽²⁾ World Bank, Massive Drop in Number of Unbanked, says New Report, April 2015 <http://www.worldbank.org/en/news/press-release/2015/04/15/massive-drop-in-number-of-unbanked-says-new-report>

⁽³⁾ PayPal, New Money Survey, 2015



Our Global Consumer Portfolio



Xoom

John Kunze, VP of Xoom

\$600B Global Remittances Opportunity



NEPAL
30% of GDP



HAITI
22% of GDP

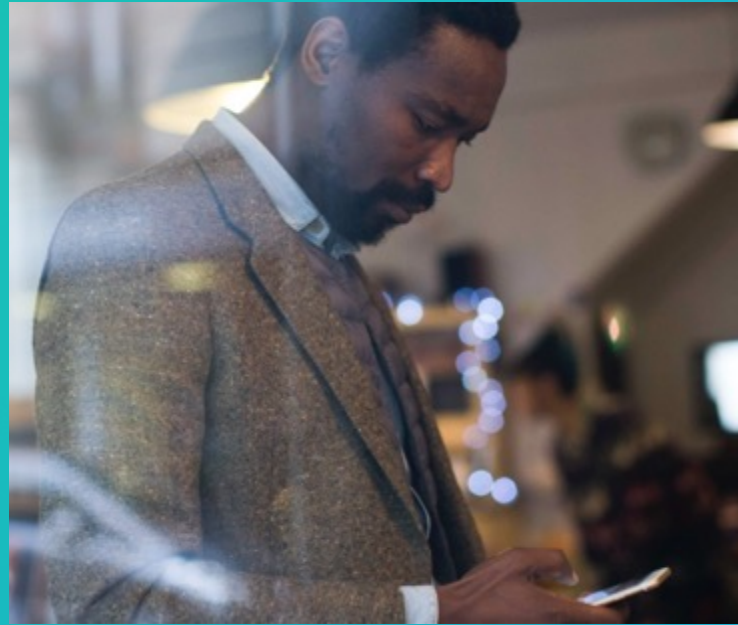


EL SALVADOR
13% of GDP

Innovator in Remittances



Mobile First



Bill Pay + Mobile Reload



Strategic Partners

Xoom Today



Global Reach

Send from U.S. to 50+ countries including Brazil, China, India, Mexico & the Philippines

Engaged + Loyal Consumers

- 1.6M Consumer accounts as of Q4 2015
- 90%+ Repeat Usage

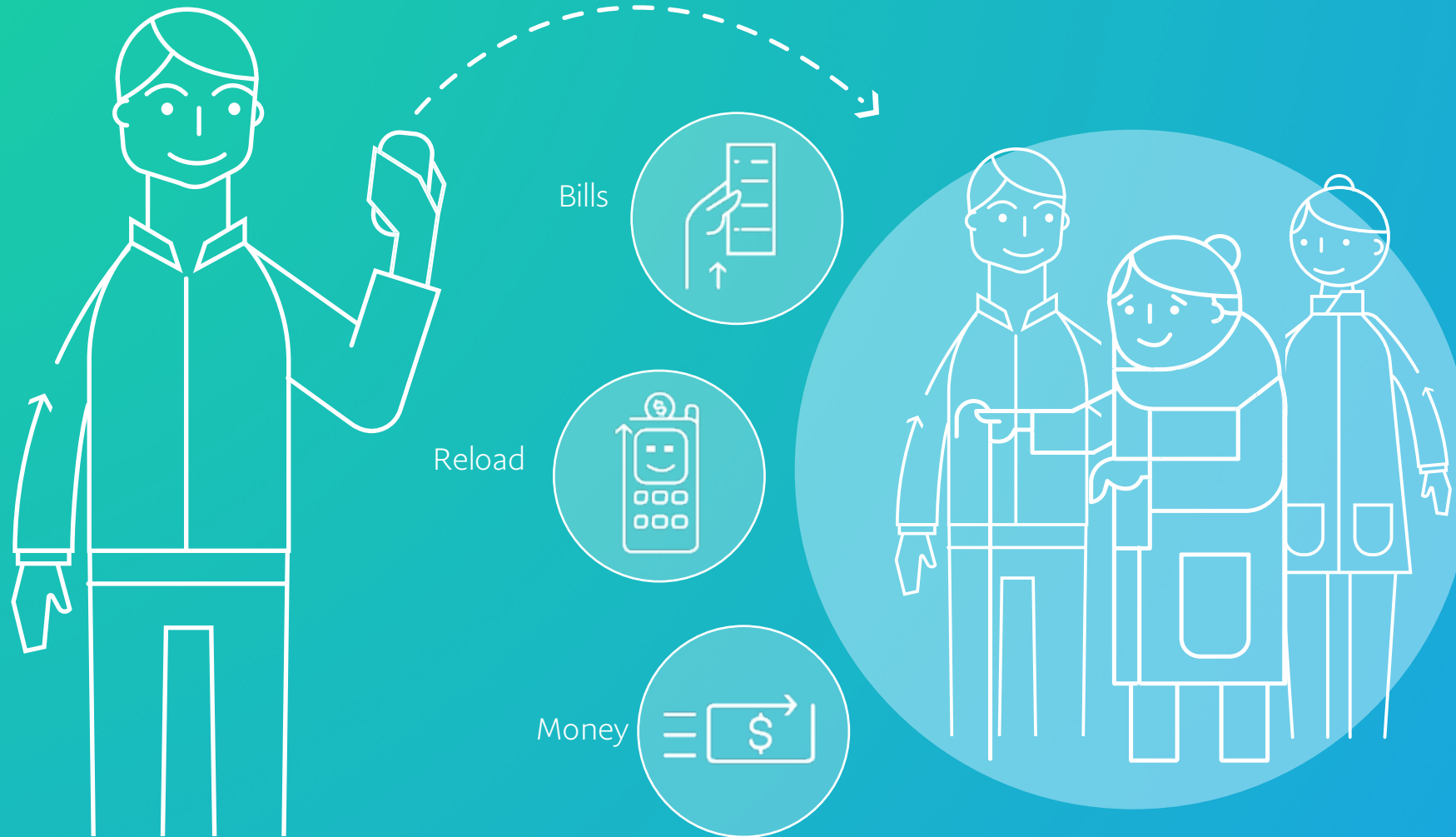
Partner of Choice

Integrate with more than 70 of the world's leading financial institutions and service providers

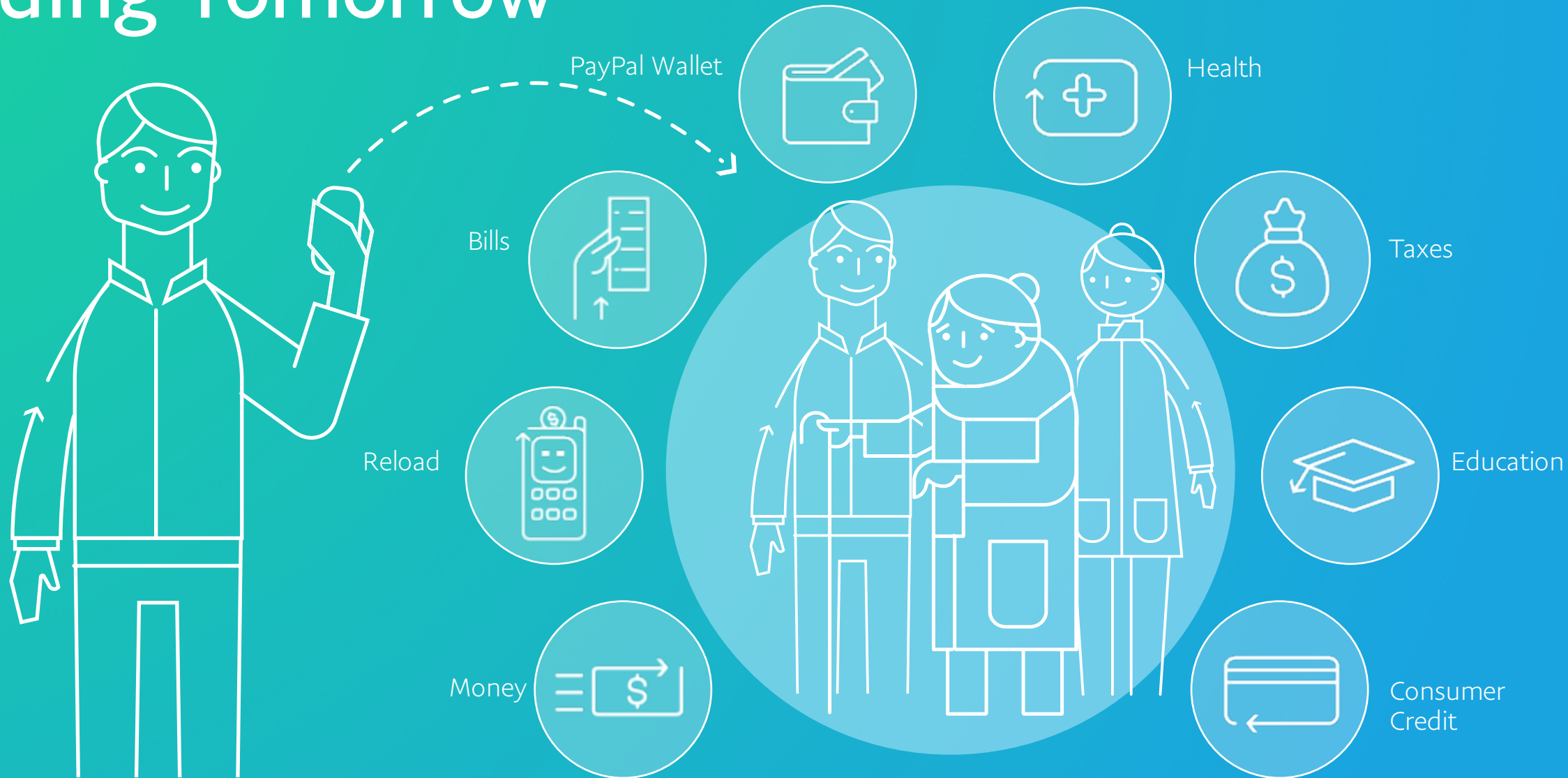
Extensive Payout Choices

- Instant bank deposits
- Cash pick-up / delivery
- Mobile reload
- Bill pay

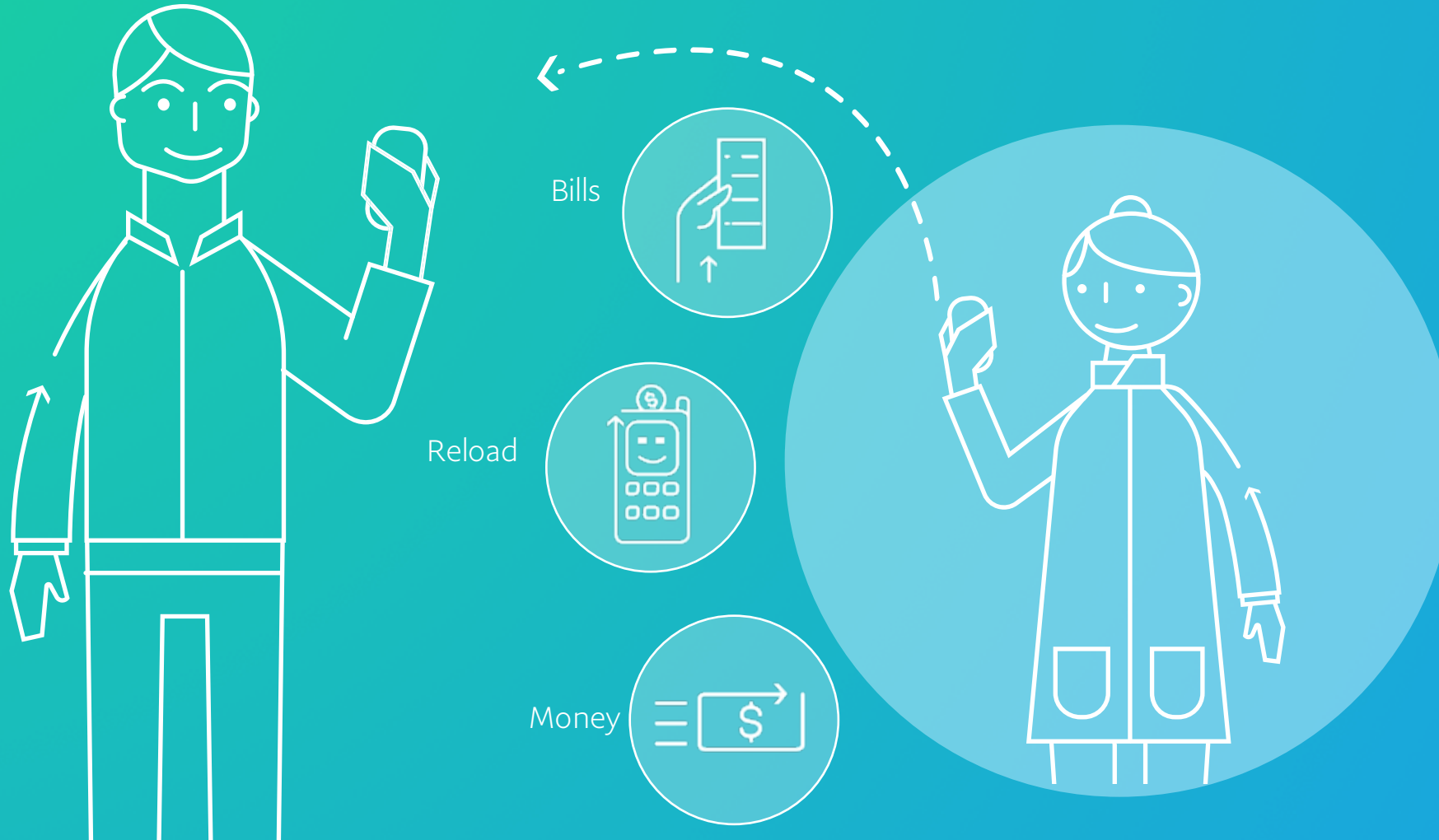
Sending Today



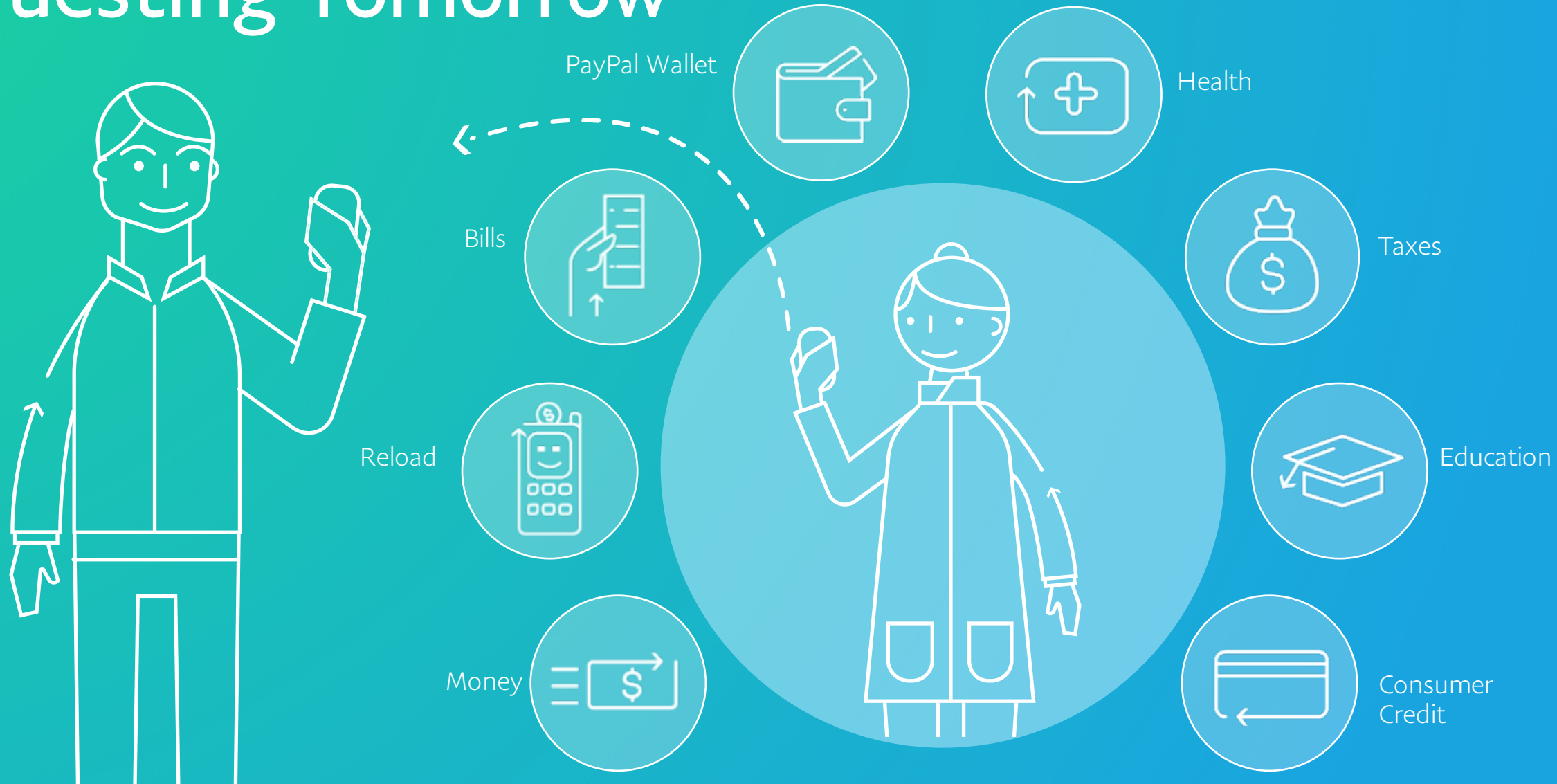
Sending Tomorrow



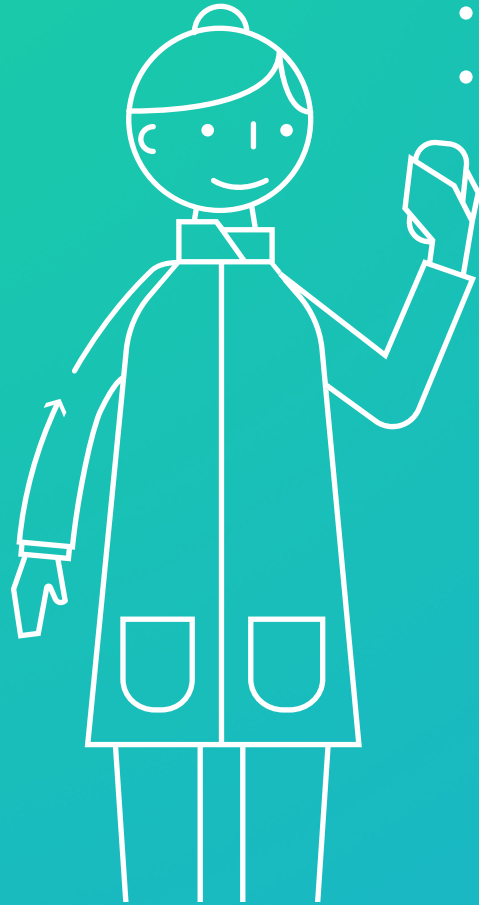
Requesting Today



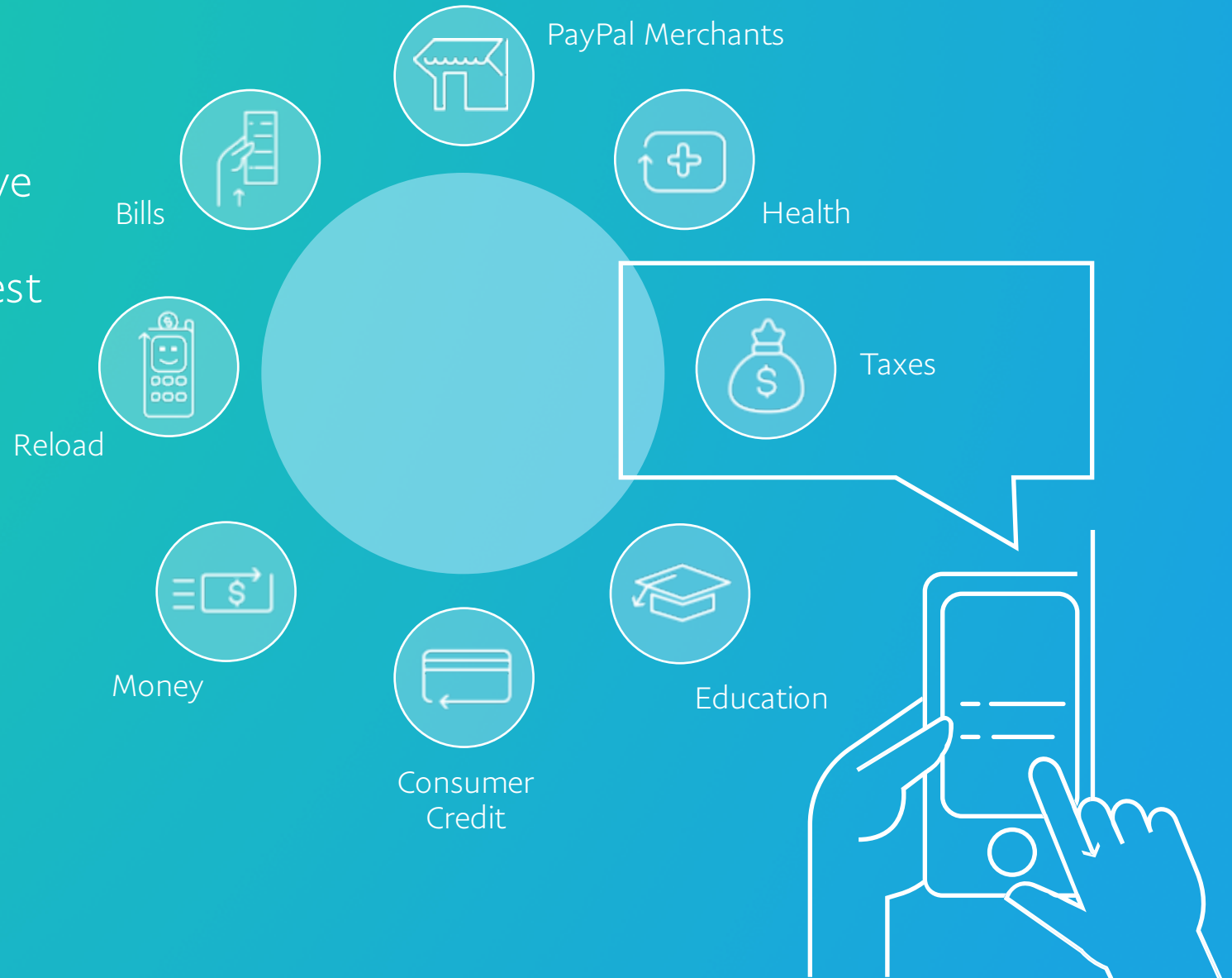
Requesting Tomorrow



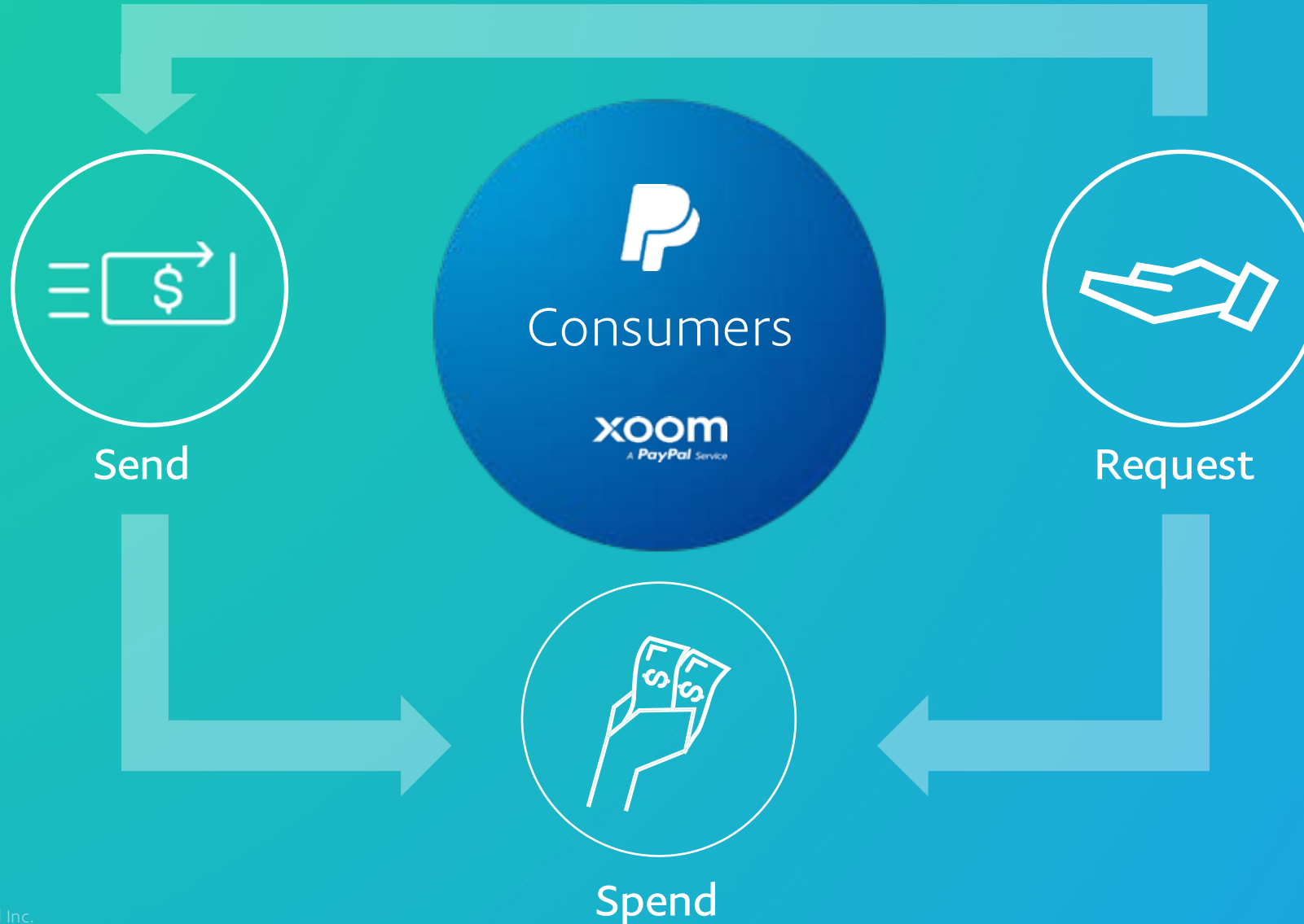
Spend



- Receive
- Load
- Request



Increasing Consumer Relevancy



Shared Vision



Increasing Financial **Participation**



Our Unique Assets & Competitive Advantages

Steve Allocca • Tomer Barel • Bill Ready • Juan Benitez

Credit

Steve Allocca, VP and GM of Credit

Credit's Strategic Importance to PayPal

Credit Drives positive network effect for PayPal

1

Diversifies offering to merchants beyond processing – value-added service

2

Increases consumer engagement and spend

3

Increases merchant engagement and processing volume



Credit's Strategic Importance to PayPal

Credit Drives positive network effect for PayPal

1

Diversifies offering to merchants beyond processing – value-added service

2

Increases consumer engagement and spend

3

Increases merchant engagement and processing volume

New to PayPal credit customers spend **2X more on PayPal network⁽¹⁾** than New to PayPal non-Credit customers

PayPal customers who adopted PayPal Credit transacted at **73% more PayPal merchants in the following 12 months⁽²⁾**

Credit's Strategic Importance to PayPal

Credit Drives positive network effect for PayPal

1

Diversifies offering to merchants beyond processing – value-added service

Merchants who adopt PayPal Credit see a **20-30% TPV lift⁽¹⁾**

2

Increases consumer engagement and spend

PayPal Working Capital **cuts merchant churn rate in half⁽²⁾**

3

Increases merchant engagement and processing volume

Approximately **90% of merchants that pay off a PayPal Working Capital loan⁽³⁾** or cash advance reapply for funding

⁽¹⁾ Based on test results from ~800k consumers who were approved for credit between January 2013 and January 2015

⁽²⁾ Based on test results from ~21k merchants who were extended PPWC loans between September 2013 and August 2014, merchants showing complete 6 months of inactivity since loan application are considered to be churned

⁽³⁾ Based on test results from ~36k merchants who paid off their first PPWC loan between September 2013 and November 2015

Focus on Managing Business and Funding Mix

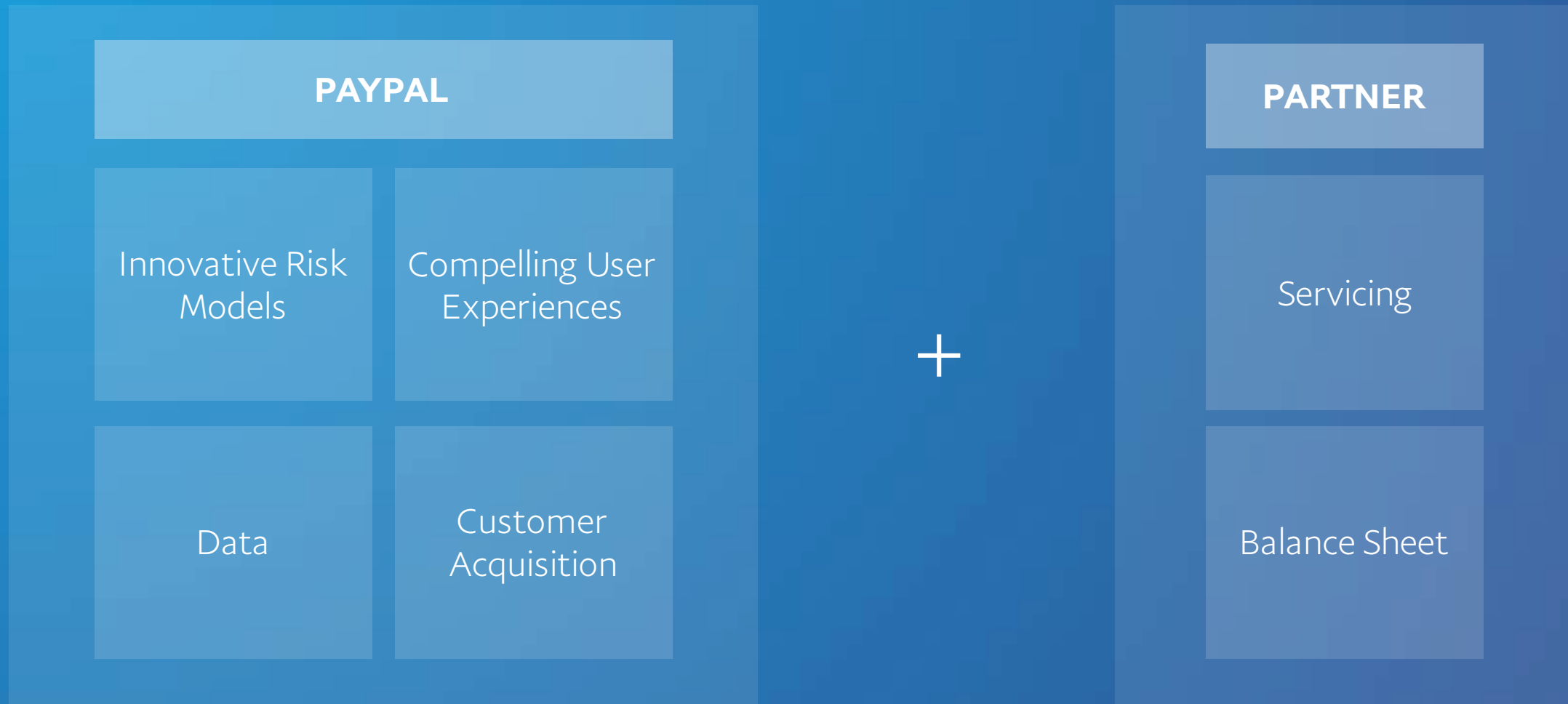
Growing business while allocating capital for the highest returns

CREDIT TPV vs. TOTAL PAYPAL TPV



Innovating to Drive Value

Enabling focus on competitive advantages and asset-light model



Risk Management

Tomer Barel, SVP and Chief Risk Officer

Risk is a Competitive Advantage for PayPal



CUSTOMERS TRUST US

- We don't share our customers' data with marketers
- PayPal is the most trusted partner for mobile payments



EASE OF USE

- We make it easy for customers to buy and sell with PayPal.
- "Open door" philosophy allows consumers and sellers to open a new account and transact immediately, with minimal friction



FINANCIAL LEVERAGE

- Losses 27-31 bps of TPV—payments and credit combined
- Among lowest in industry



CUSTOMERS FIRST

- Lowest false positives in our history
- 15 million transactions per day
- Strong buyer and seller protection
- 8,000+ global support professionals available 24x7

PayPal's Risk Differentiators Enable Our Strategy



Amazing Customer Experiences

Homegrown E2E Platform

Massive Scale, Big Data (83 Petabytes)

Top-notch Data Science Practice

Story-based Data Analytics

Culture of Accountability

Enabling Business Growth

Tokenization

Bill Ready, SVP, Global Head of Product & Engineering

Tokenization

1999

May 2016

First Financial
Instrument
Tokenized

PayPal Has More Than
1 Billion Tokenized Financial
Instruments on File

Tokenization and PayPal Products

Ubiquitous Acceptance

- Using a proxy value
- Can represent financial instruments (wallet, funding instruments)
- Key to in-store acceptance of PayPal wallet
- Merchant connection to PayPal not required
- Available anywhere that accepts cards or NFC



Tokenization and Partners

Innovative products and powerful digital partnerships (online and in store)

- Transact on commerce platform
- Tokenize wallet or financial instrument on file
- Consumer financial info NOT shared with merchant
- Merchant accepts transaction like all other card transactions
- No need for merchant integration to PayPal



Tokenization enables growth-based partnerships & new go-to-market models

OFFLINE OFFERINGS

ONLINE OFFERINGS

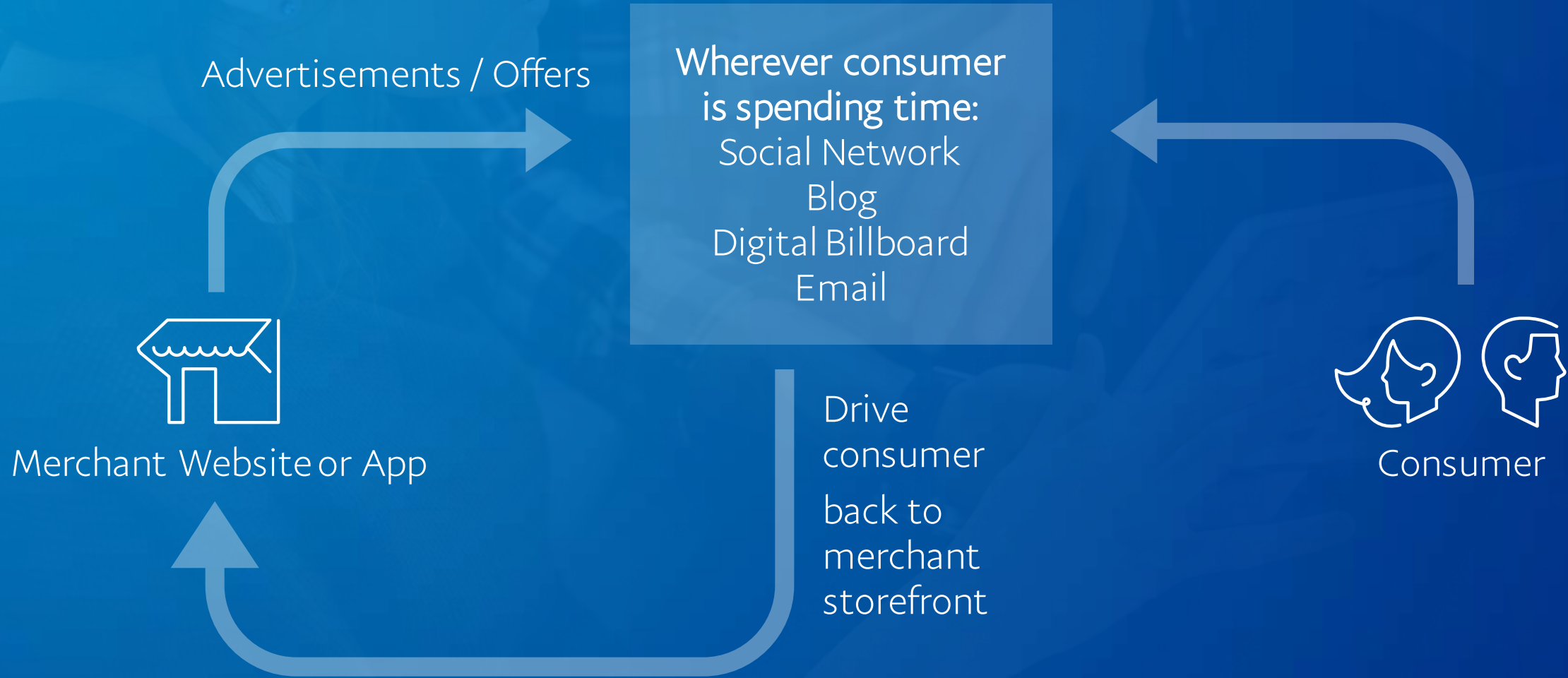
Evolution of Commerce

Juan Benitez, VP, GM of Braintree

PYPL Succeeds In New Contexts

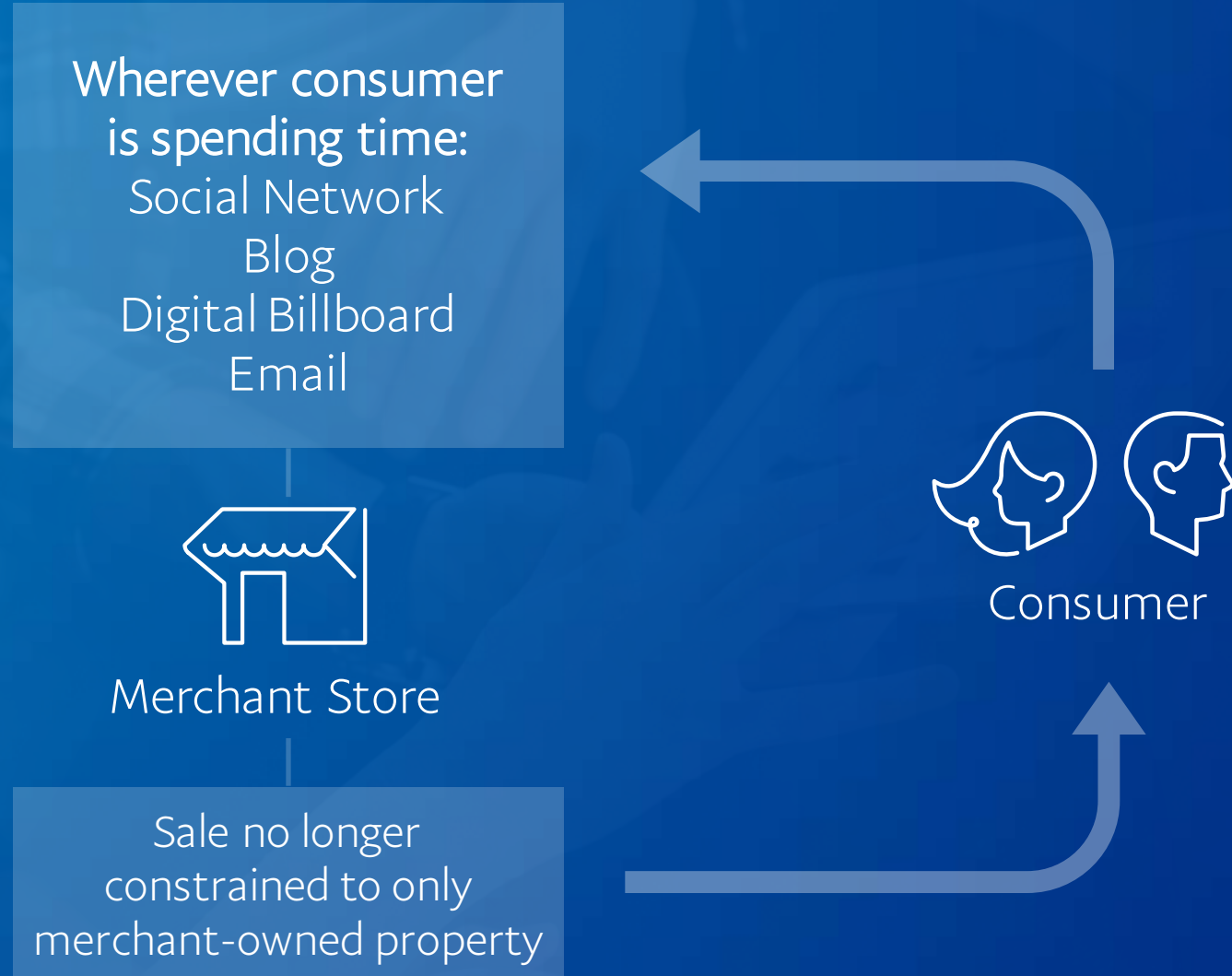


Evolution of eCommerce



Evolution of eCommerce

Contextual Commerce



PayPal Commerce



Retailer
Tools



Platform
Tools

PayPal platform including tokenization

PayPal Commerce – Retailer Tools

Tools to manage the complexity of contextual commerce

- Retailer and channel toolsets
- Integrate once: run multiple channels for each merchant
- Integrate once: run multiple merchants for each channel



Merchant



PayPal
Commerce



Wherever
consumer
is spending
time:



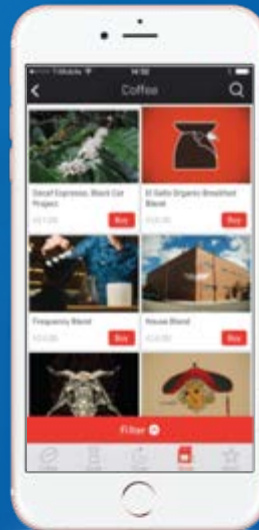
Consumer

PayPal Commerce

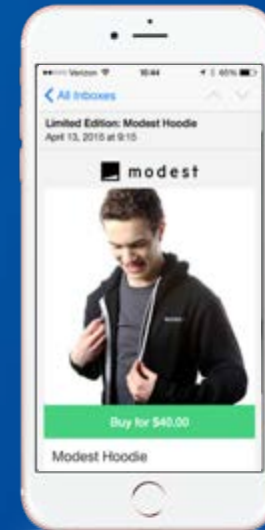
Buy Button



Native App



Email

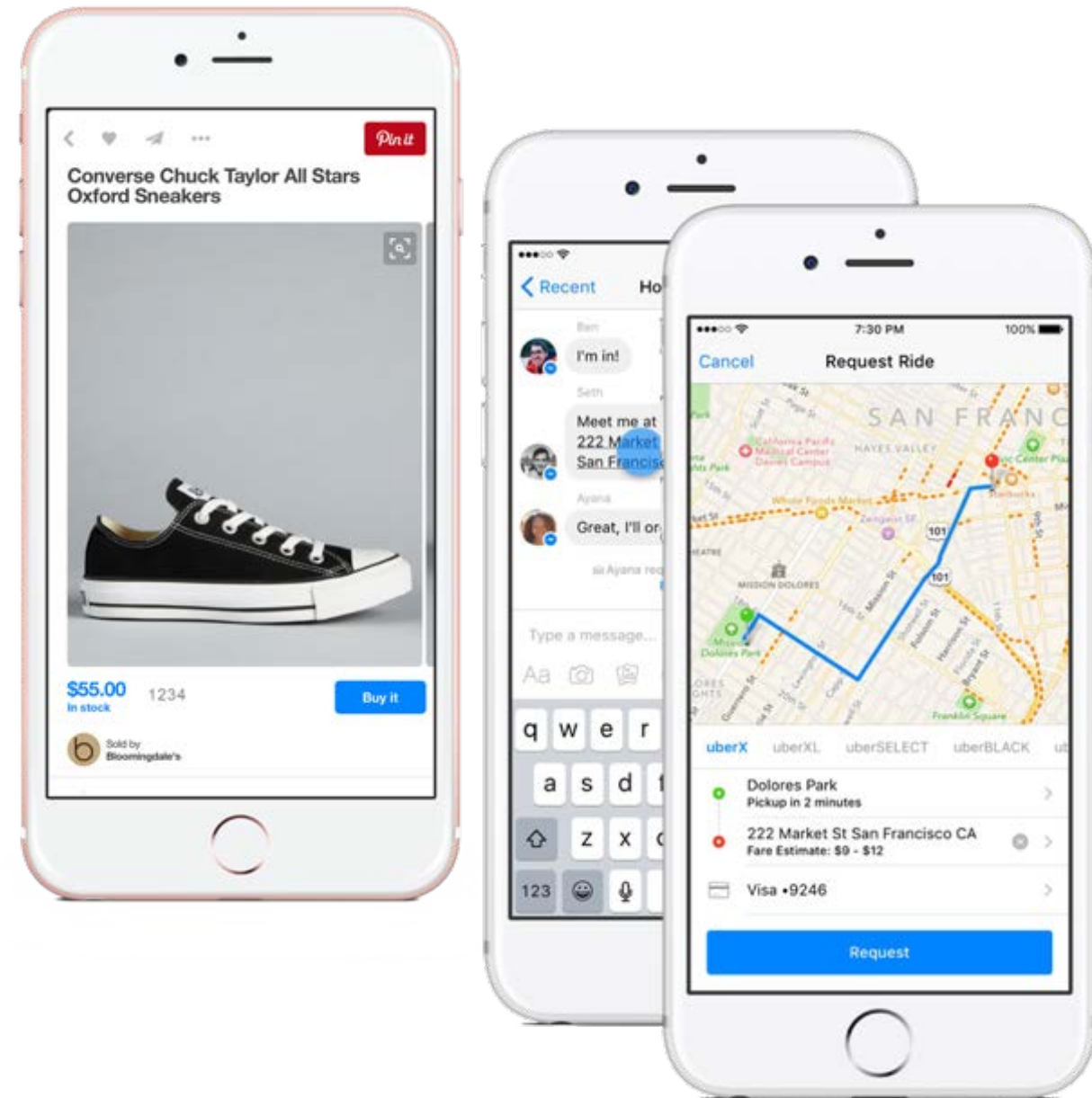


Channel APIs

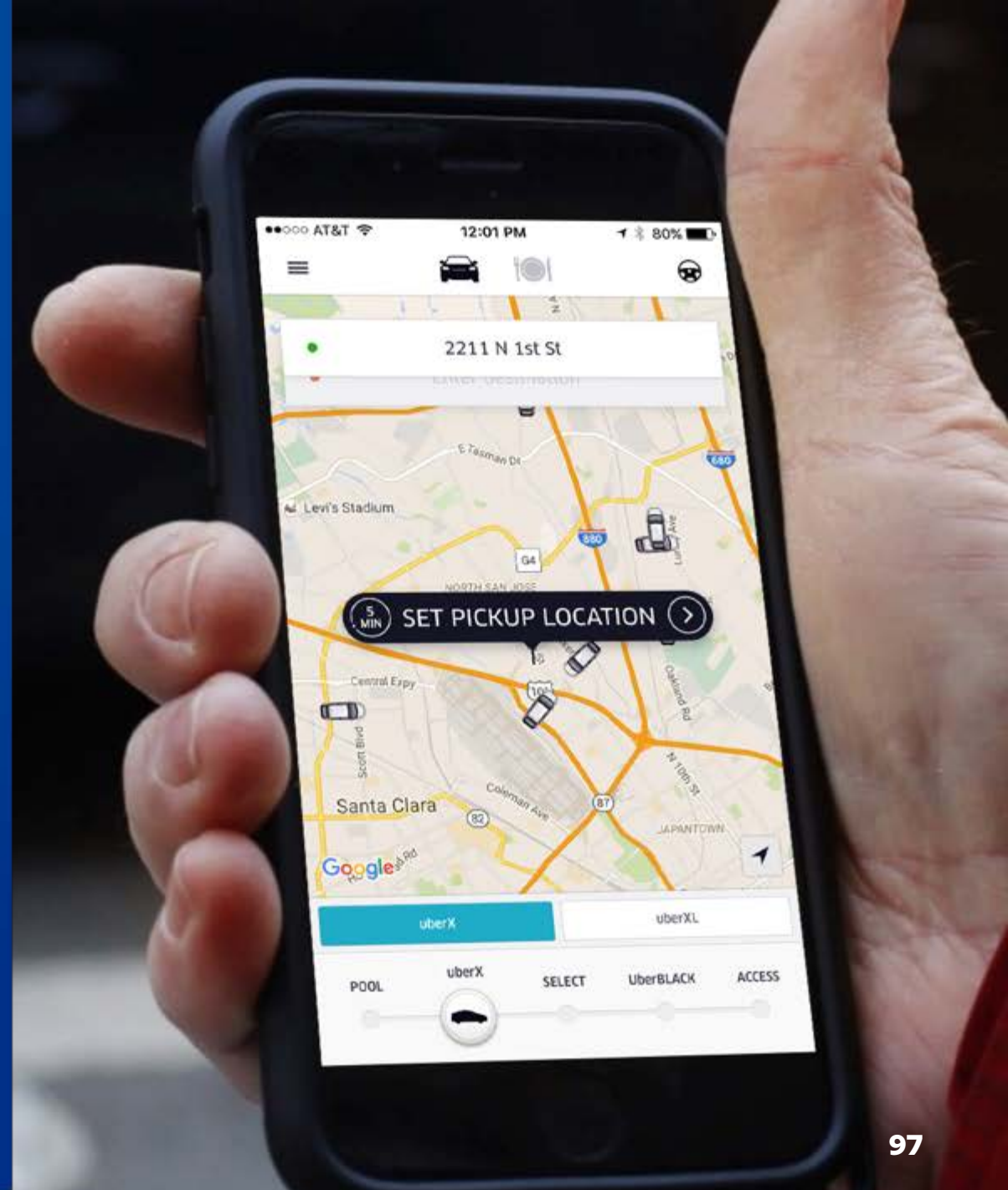
Buyable Pins & Messaging

Social media increased its share of e-commerce referrals nearly 200%* between the first quarters of 2014 and 2015.

- Pinterest Buyable Pins
- Facebook Messenger
 - Transportation
 - Experiences



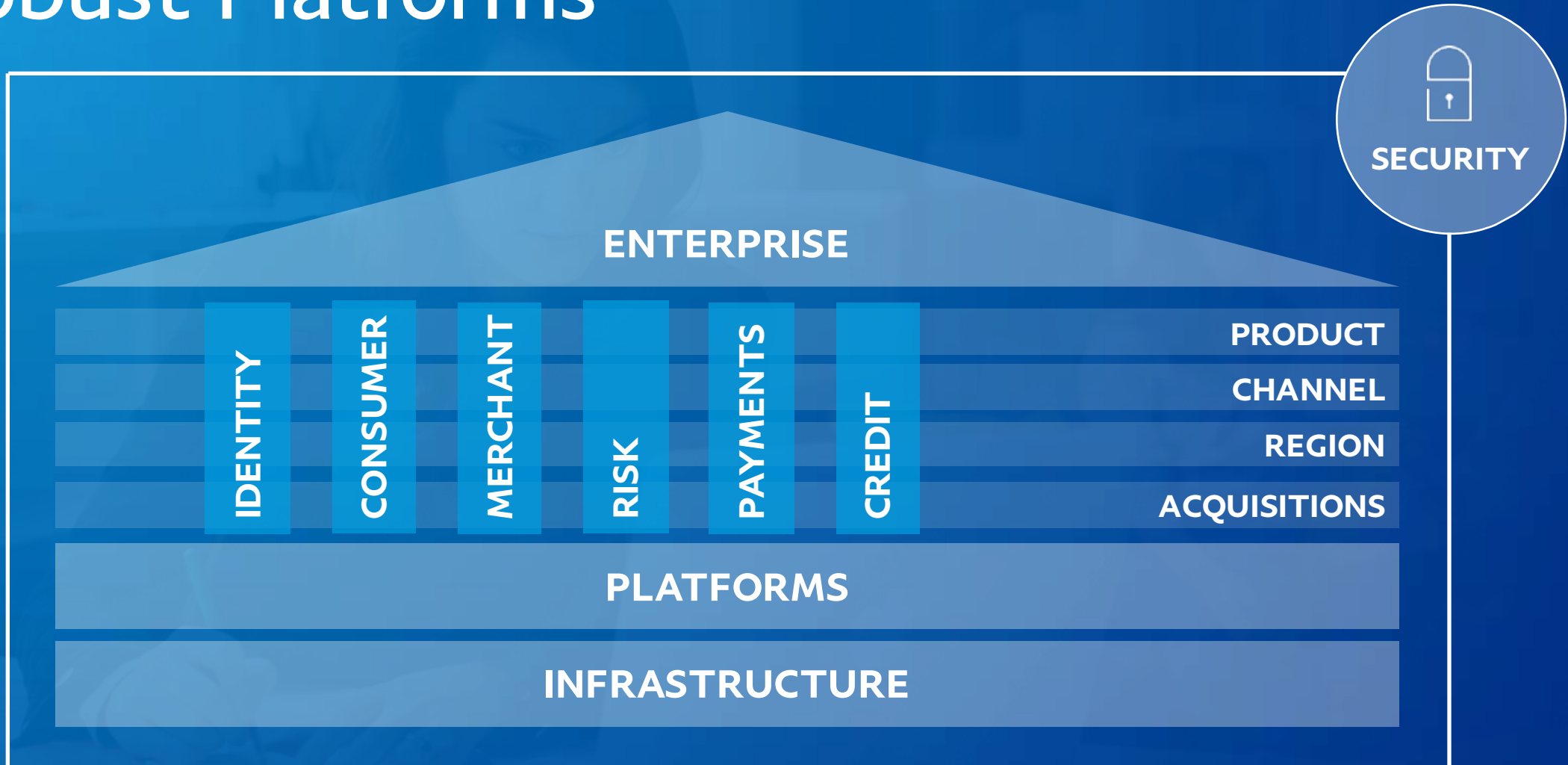
Facebook + Uber



Global Innovation & Partnerships

Bill Ready, SVP, Global Head of Product & Engineering

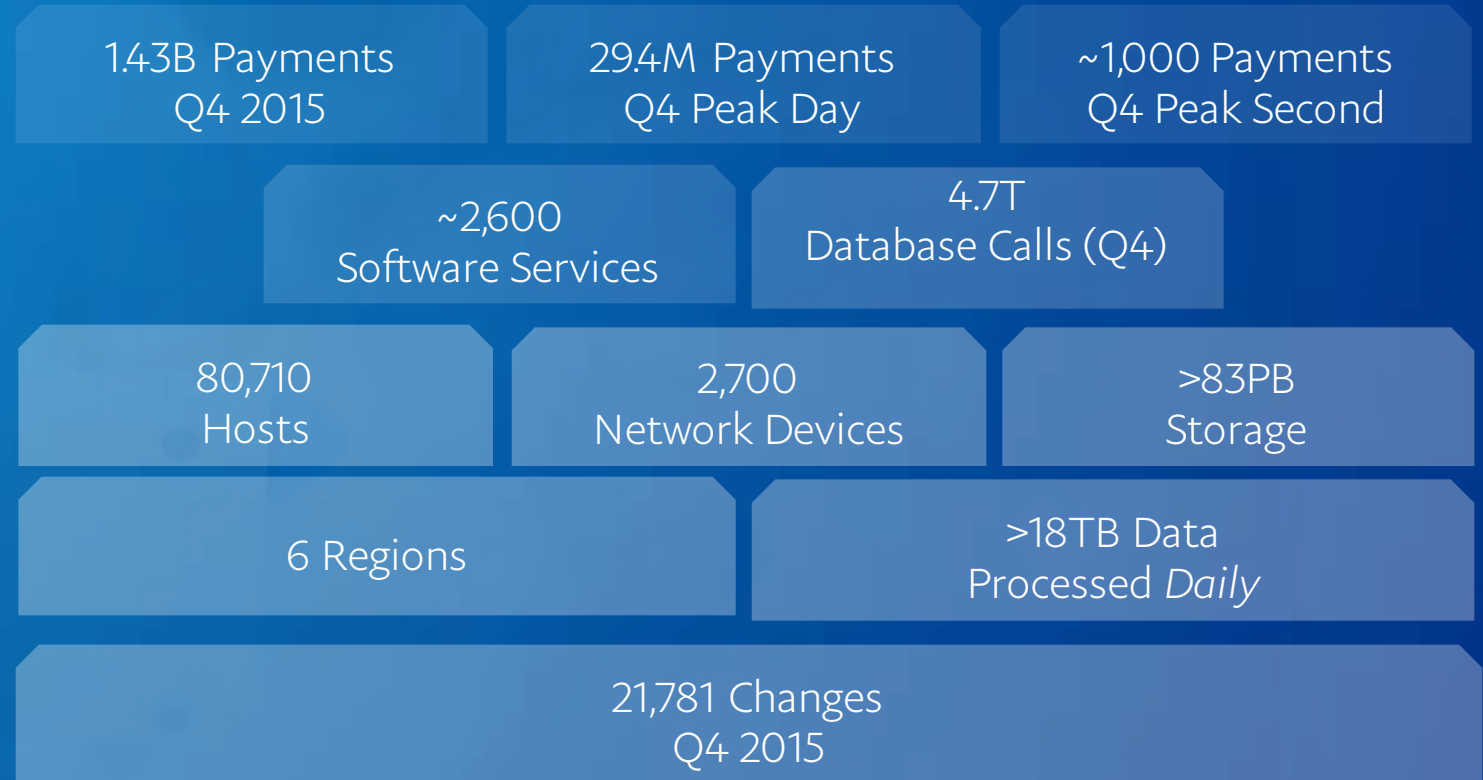
Supporting Transformation Through Robust Platforms



Scale of Our Platforms

2015

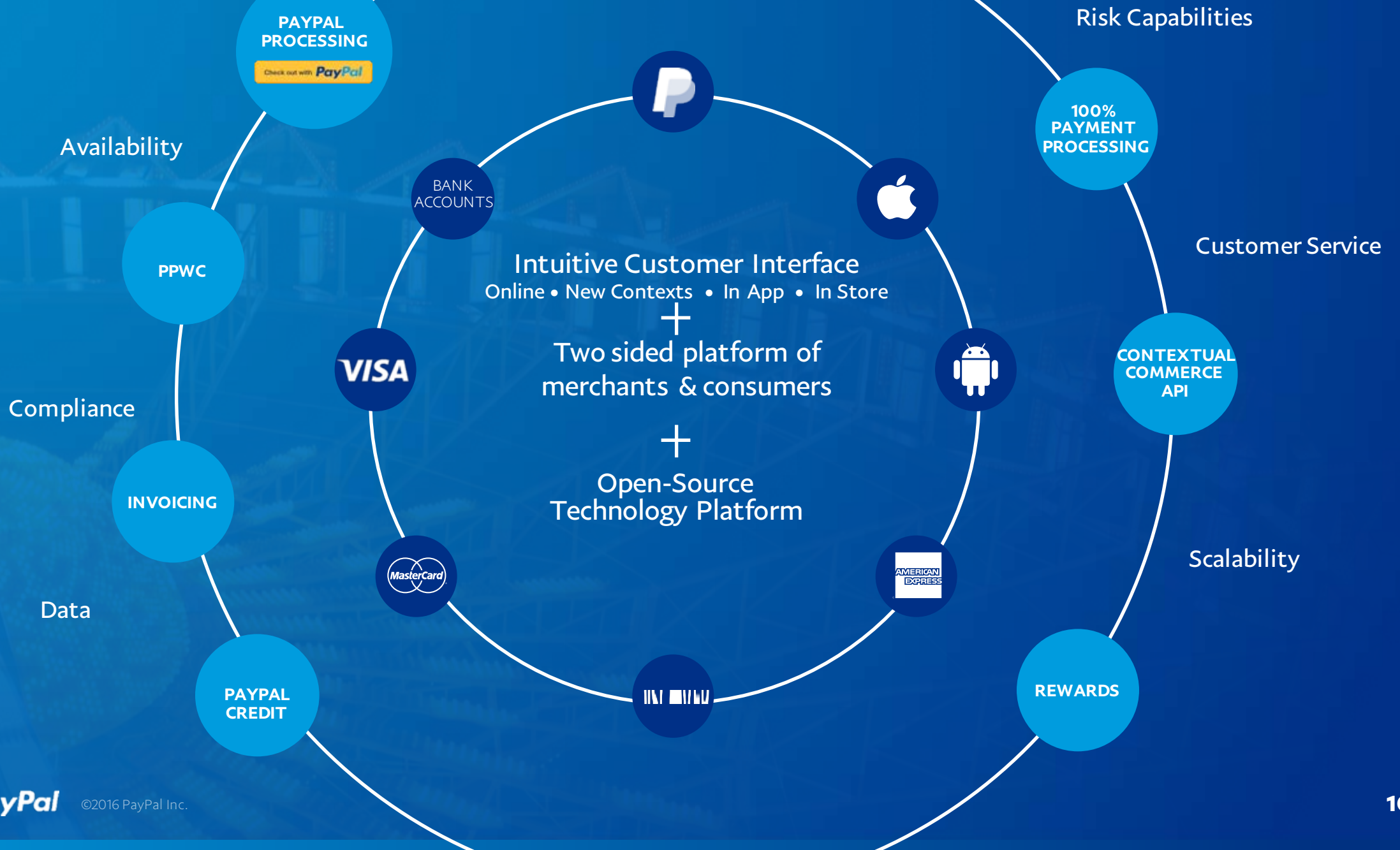
- \$282B in transactions
- 4.9B transactions
- More than 200 markets
- More than 100 currencies



Strategic Partnerships



Wholesaler





Analyst Day PayPal Business Model

John Rainey, SVP and CFO • May 18, 2016

A **Customer Champion** Company

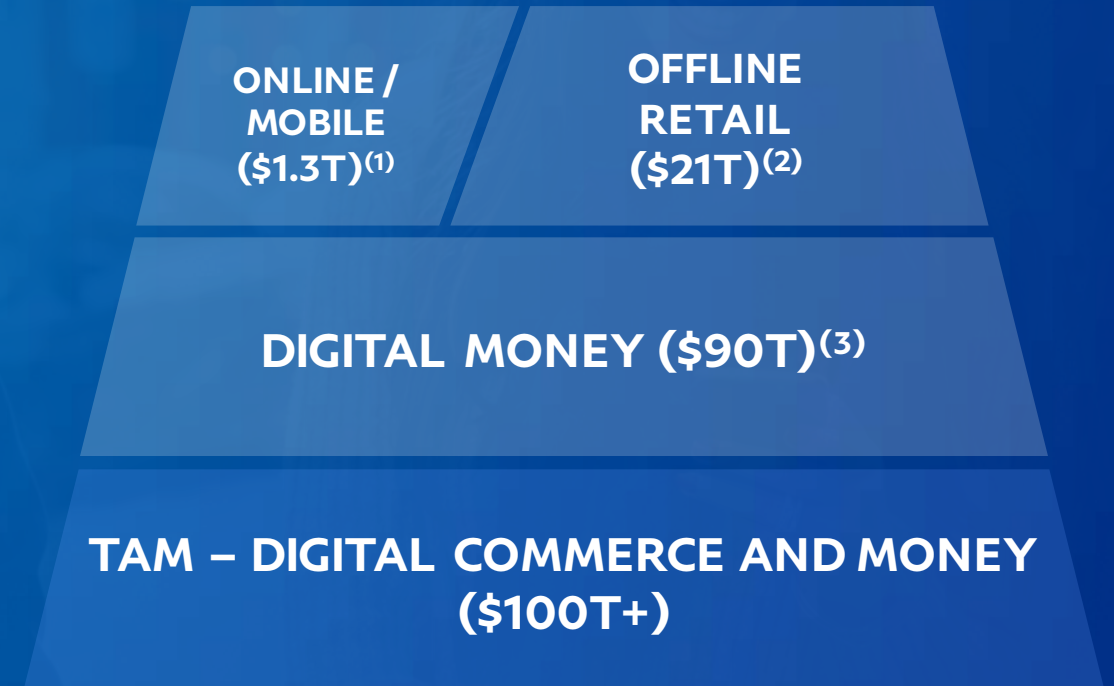
PayPal's Opportunity



Mass
Adoption
Of Mobile
Devices



Digitization
of Cash

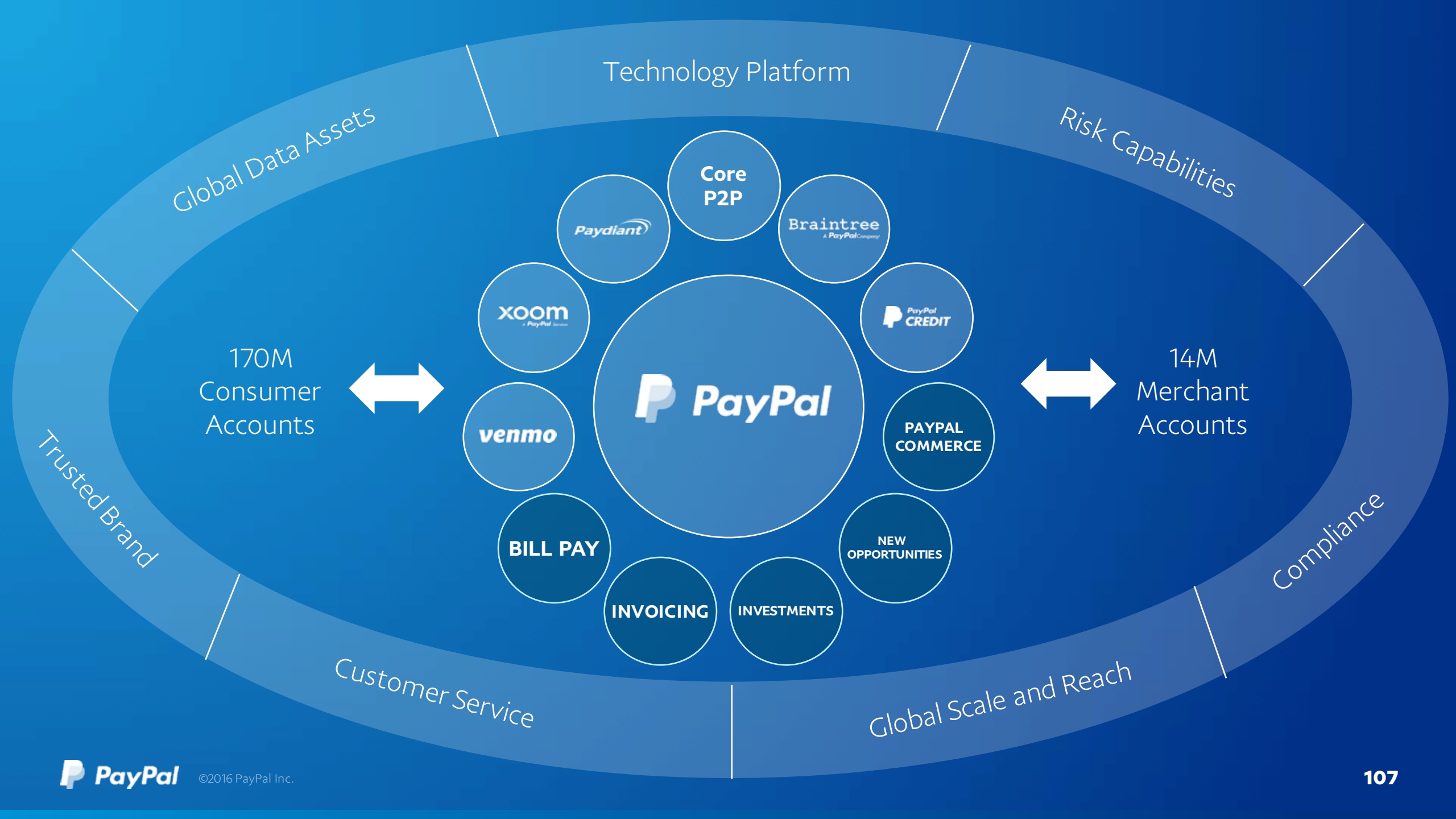


⁽¹⁾ eMarketer "Worldwide Retail Ecommerce 2015 report," Euromonitor, Criteo "State of Mobile Commerce"

⁽²⁾ eMarketer "Worldwide Retail Ecommerce 2015 report," Euromonitor

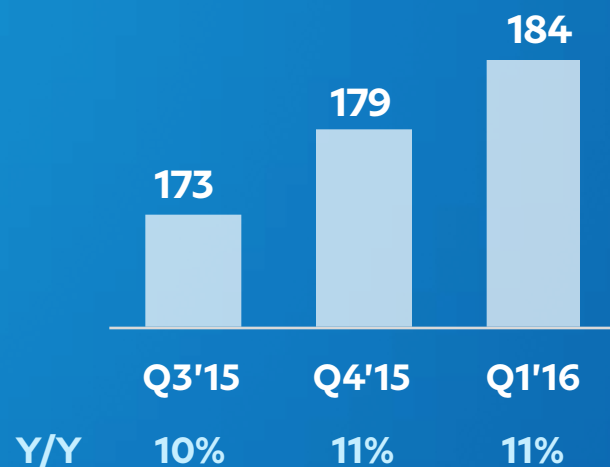
⁽³⁾ EIU, World Bank, OECD, Global Insight, Reuters, Bloomberg and McKinsey "Global Banking Pools"

Check out with **PayPal**

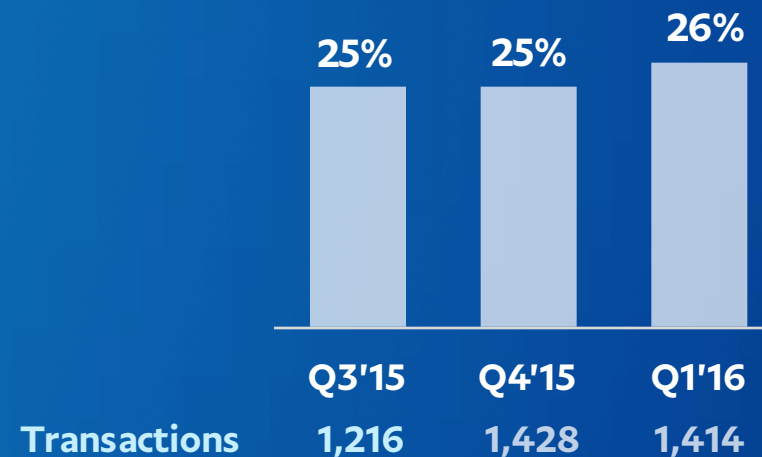


Growth

ACTIVE ACCOUNTS (M)⁽¹⁾



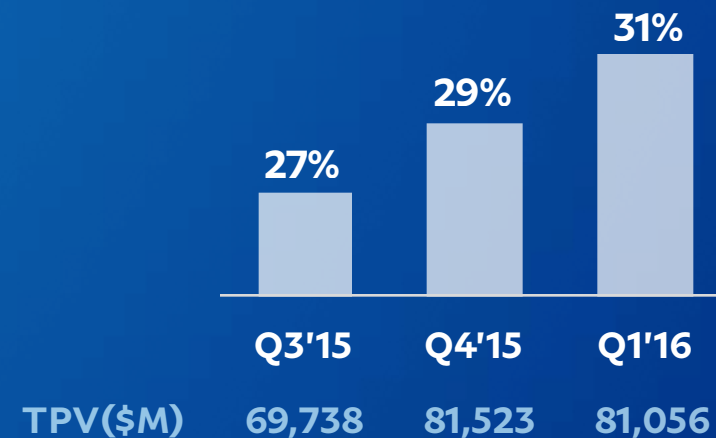
TRANSACTIONS GROWTH (M)⁽¹⁾



TRANSACTIONS PER ACTIVE ACCOUNT⁽¹⁾

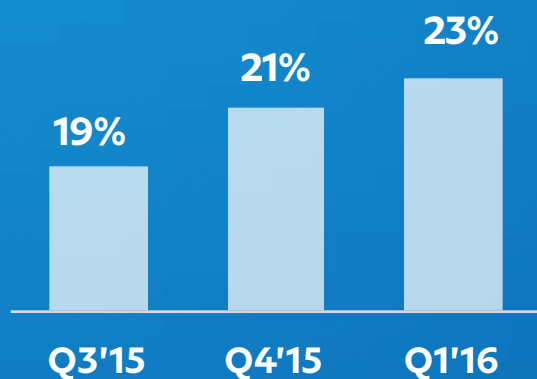


TPV GROWTH⁽¹⁾⁽²⁾

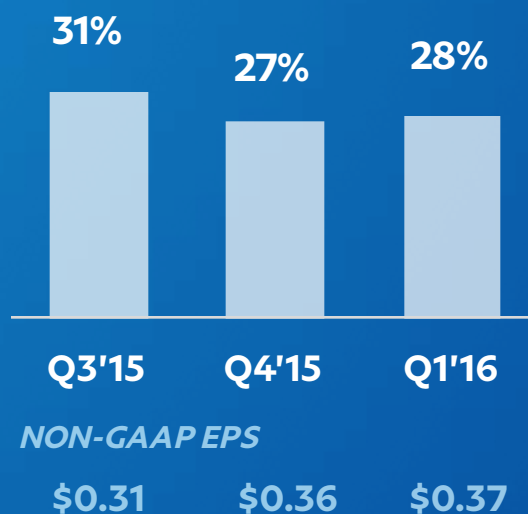


Strong Financial Performance

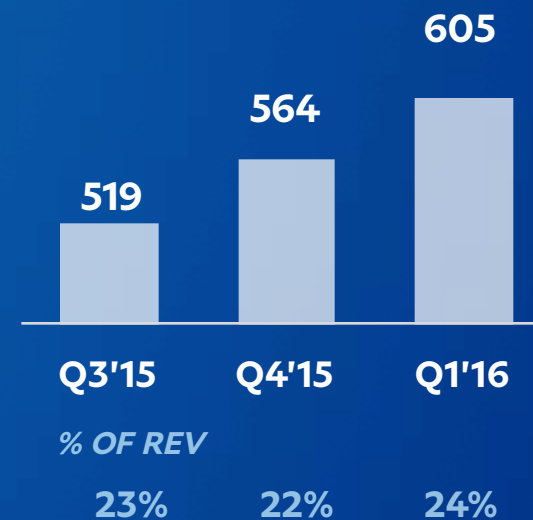
REVENUE GROWTH⁽¹⁾⁽²⁾



NON-GAAP EPS GROWTH⁽¹⁾⁽³⁾



FREE CASH FLOW (FCF) (\$M)⁽³⁾

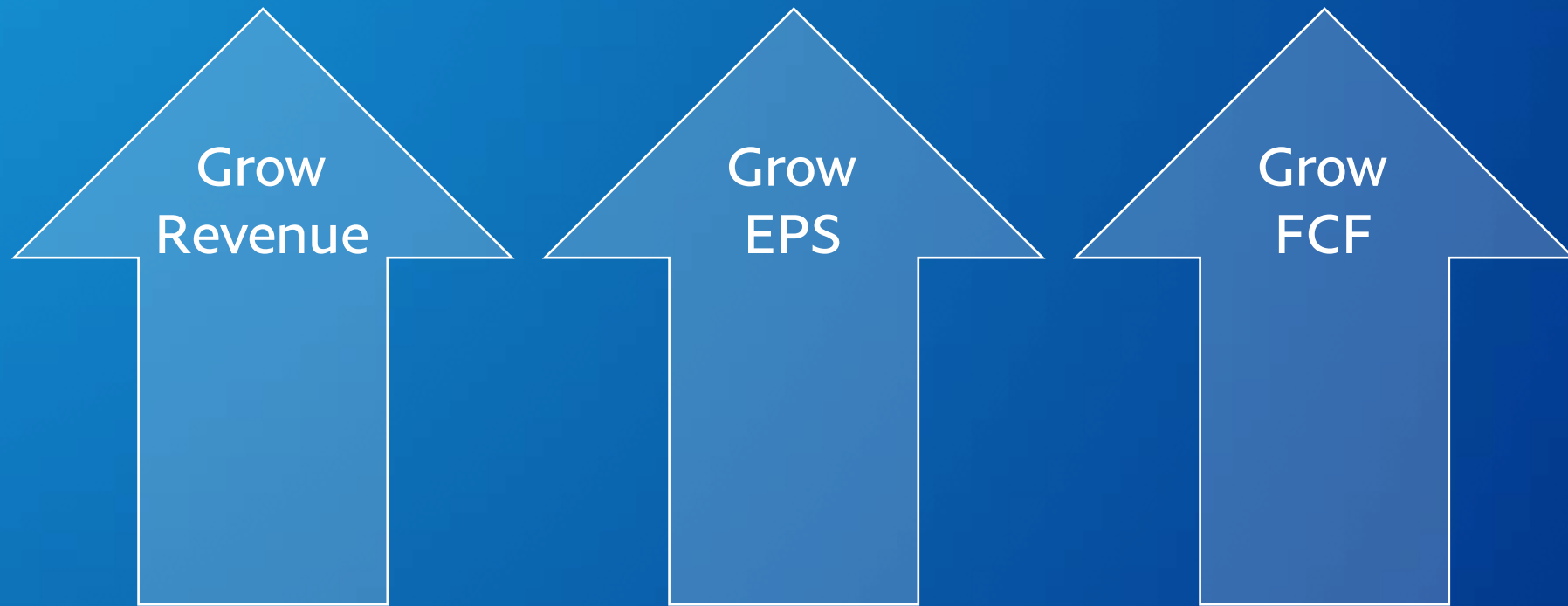


⁽¹⁾ Revenue and non-GAAP EPS growth rates represent year-over-year comparisons versus non-GAAP pro forma measures. In discussing year-over-year comparisons, we have chosen to present non-GAAP pro forma measures because we believe that these measures provide investors a consistent basis for reviewing our performance across different periods.

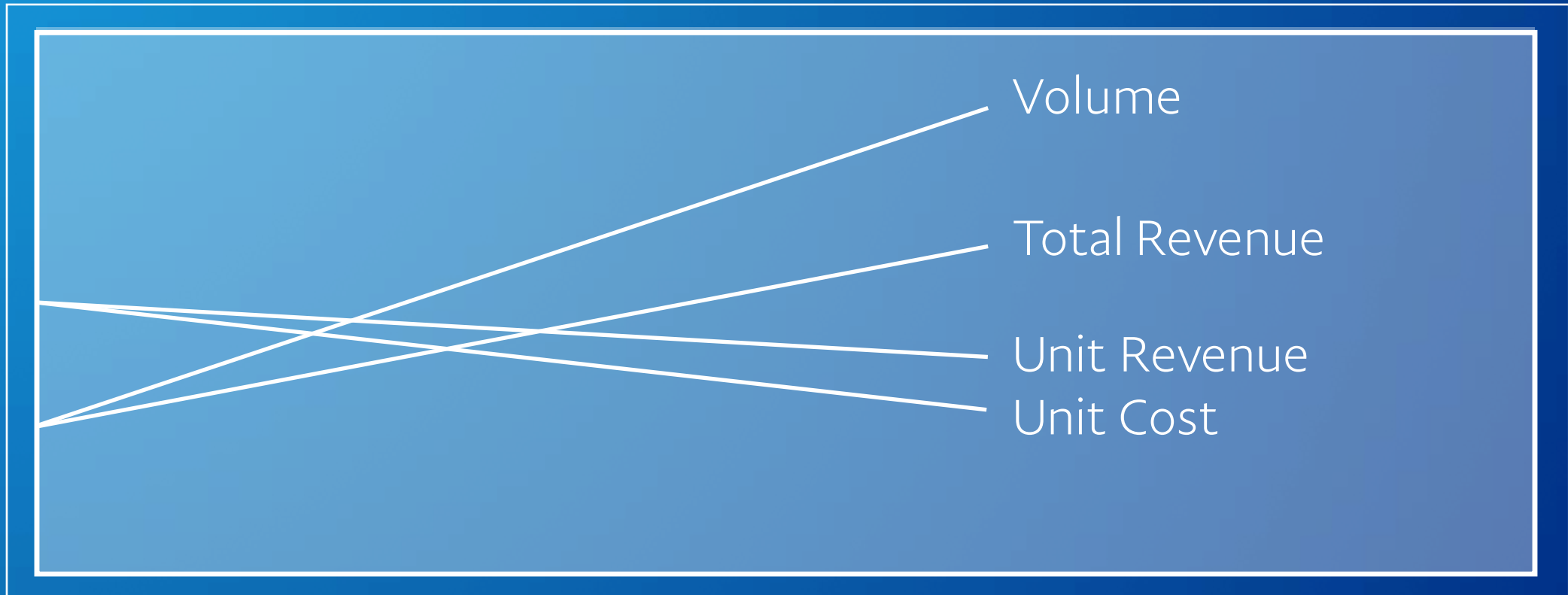
⁽²⁾ Revenue growth rates are FX-neutral.

⁽³⁾ 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 measure to the most directly comparable GAAP financial measures.

Creating Shareholder Value as a Customer Champion



Customer Champion Dynamics

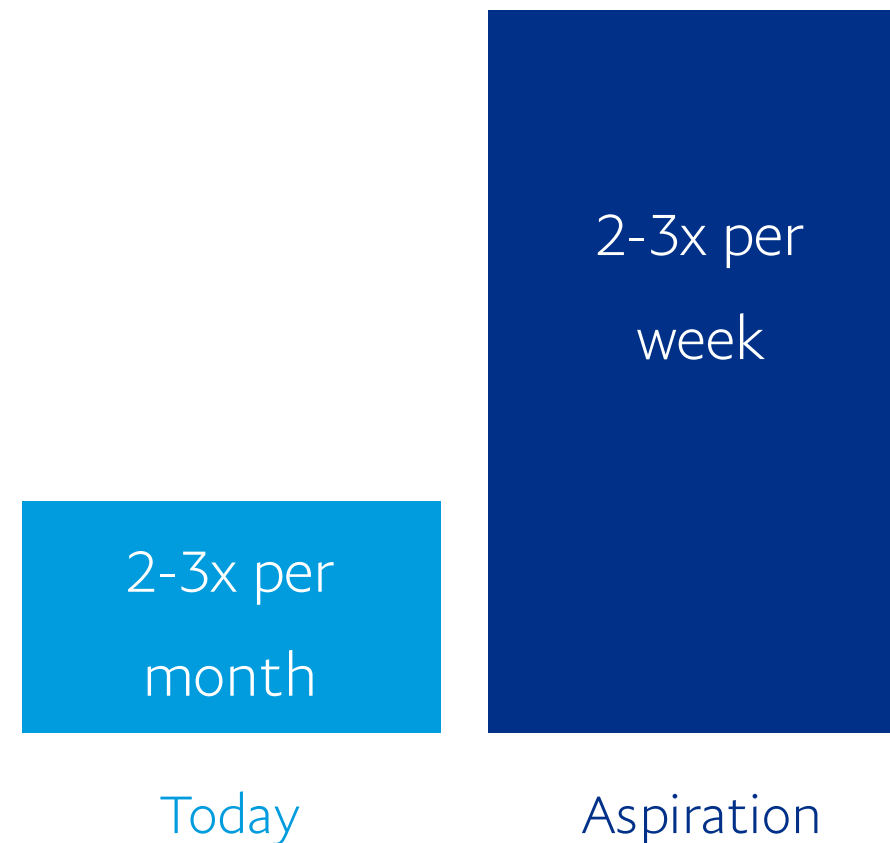


Customer Champion Dynamics



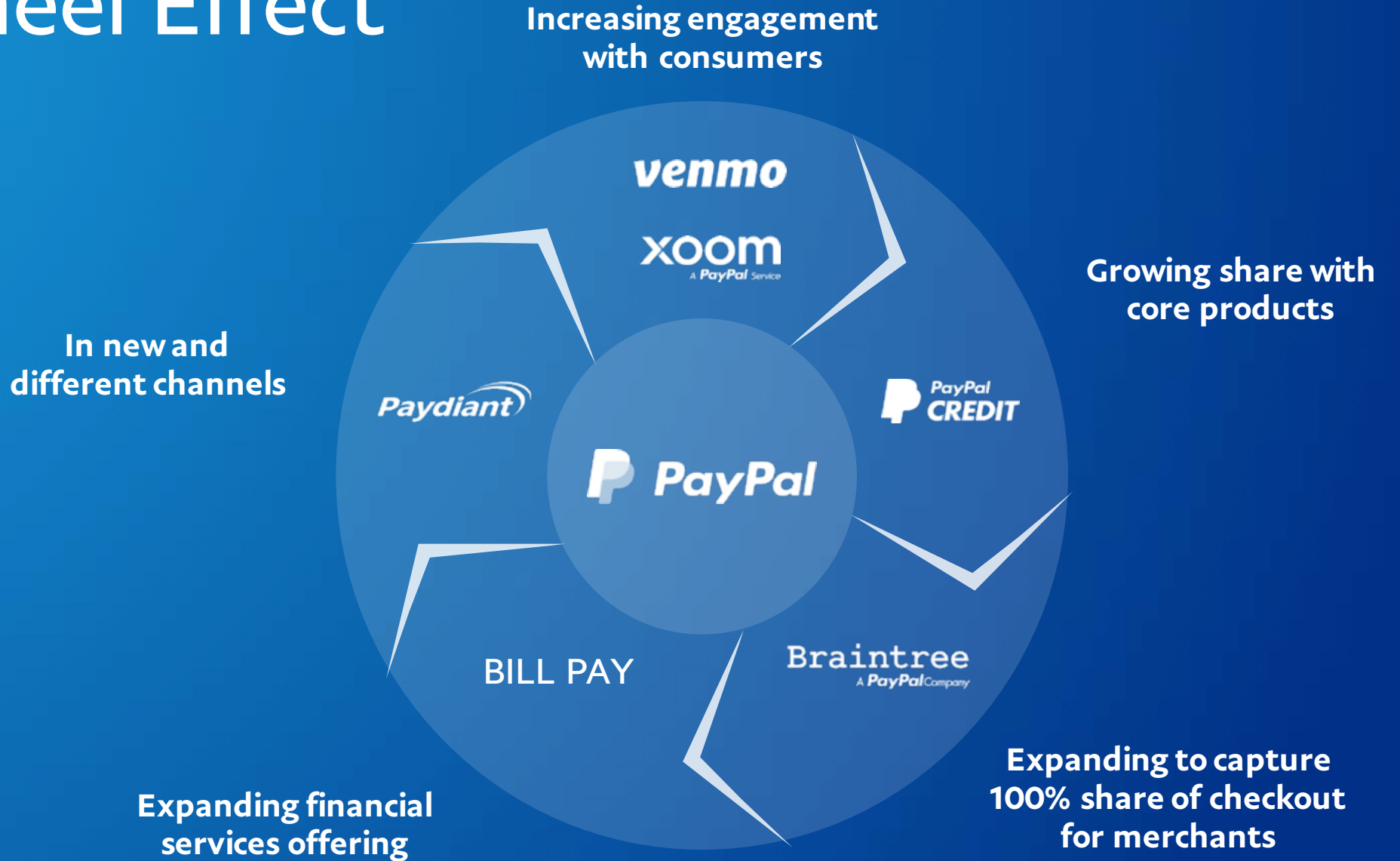
Significant Opportunity to Increase Volume

TRANSACTIONS
PER ACTIVE ACCOUNT⁽¹⁾



Customer choice underpins this opportunity

The Flywheel Effect

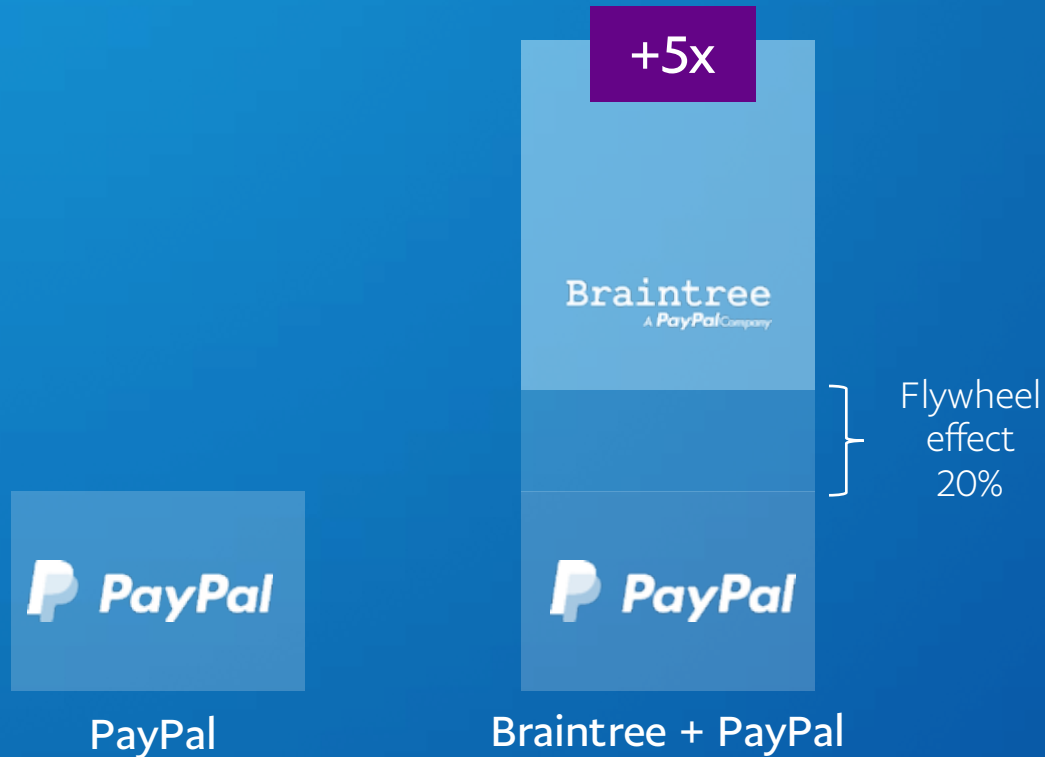


BrainTree

The Value of Being a Payment Partner

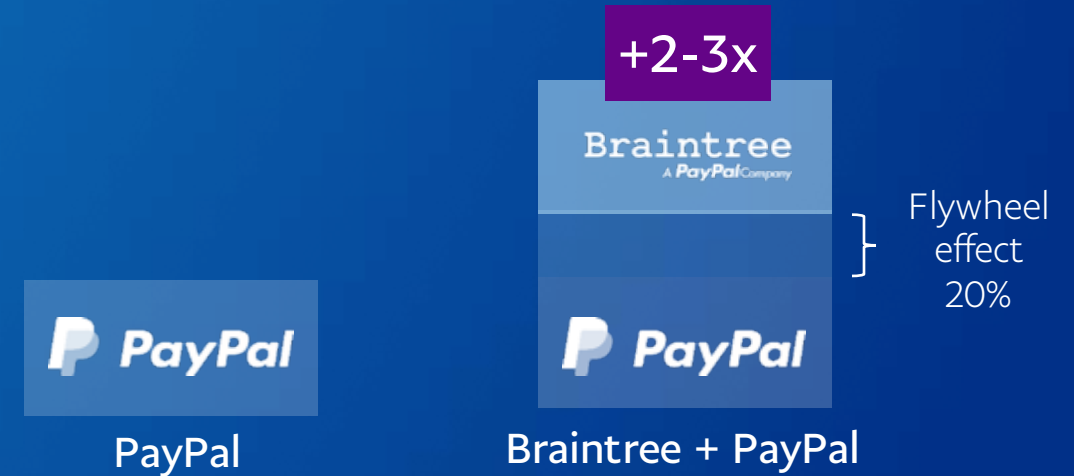
Braintree addition boosts merchant revenue...

MERCHANT REVENUE



... and drives incremental transaction margin \$s

MERCHANT VALUE





Improving the Value Proposition

FOR CONSUMERS

Higher engagement and spend⁽¹⁾

Current customers
spend more

20-30%

New customers using
Credit spend more

2x

FOR MERCHANTS

PP Working Capital drives higher
engagement and spend⁽²⁾

Merchants see a TPV
lift per dollar borrowed

\$0.49

PPWC reduces
merchant churn⁽³⁾

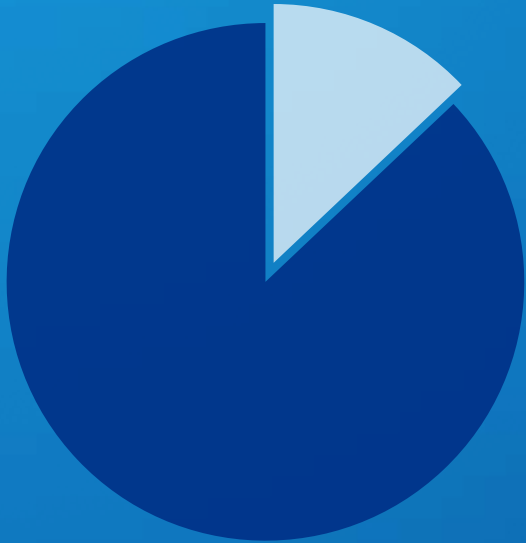
-50%

At current growth rates, it would take more than a decade for PayPal Credit to be >20% of revenue

One Touch

Strong Economics

22M consumers opted
in to One Touch



Engagement



Transactions per
active account⁽¹⁾

x APV⁽²⁾



Revenue

1M Merchant Accounts

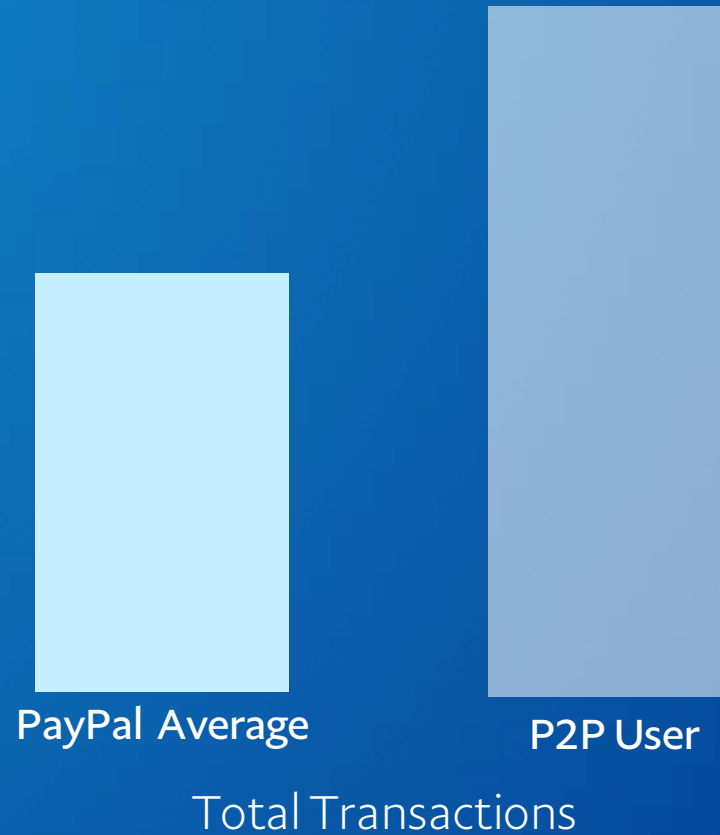
144 Merchant Markets

Driving higher
conversion for our
merchants

P2P

Driving Higher Engagement

Core P2P Users are 67% More Engaged⁽¹⁾



Customer Choice

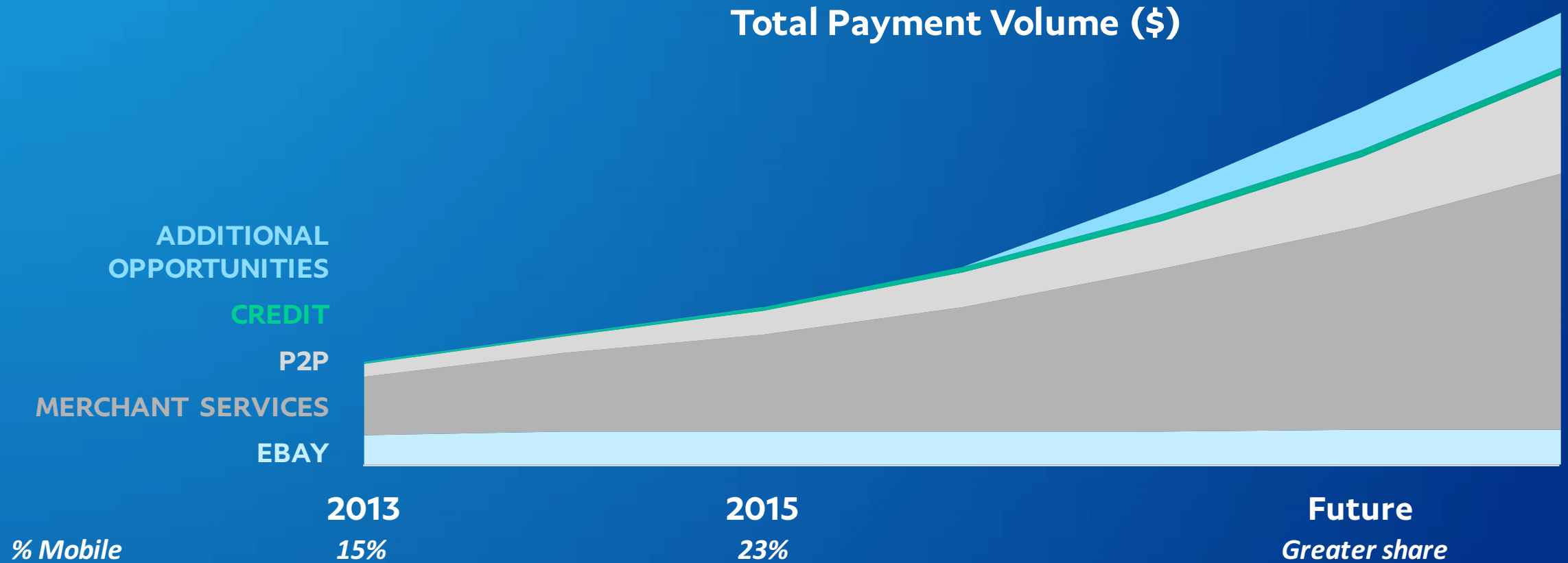
Benefits to Our Platform



Becoming a Full Services Payment Platform



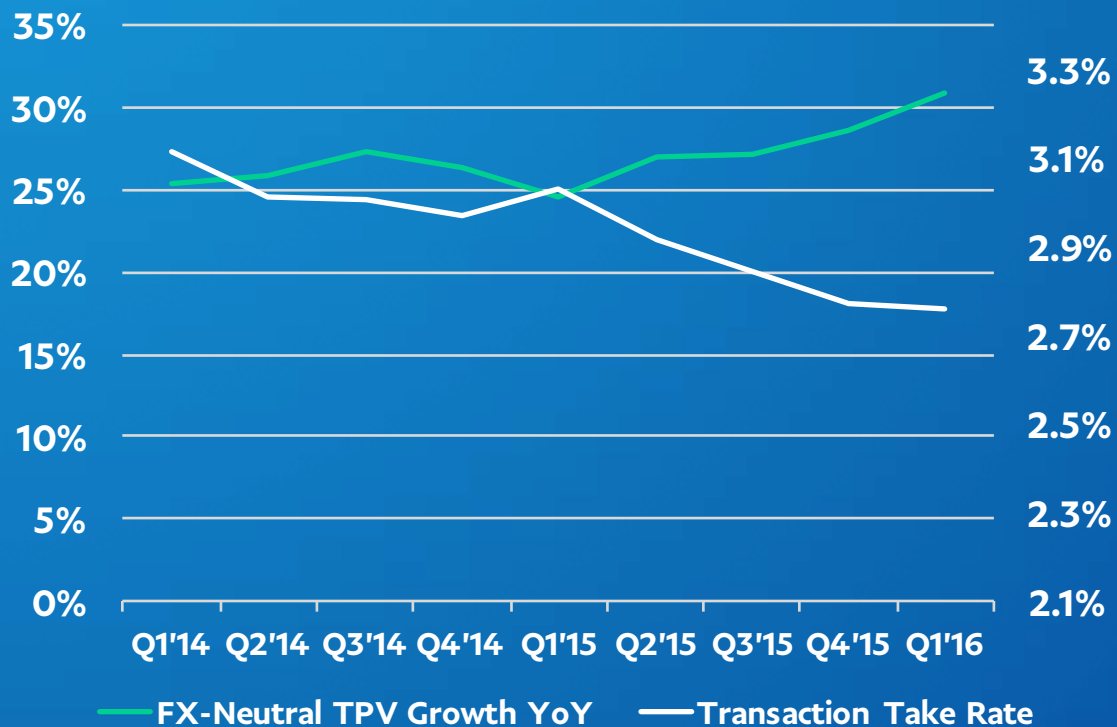
Driving Network Effects and Scale



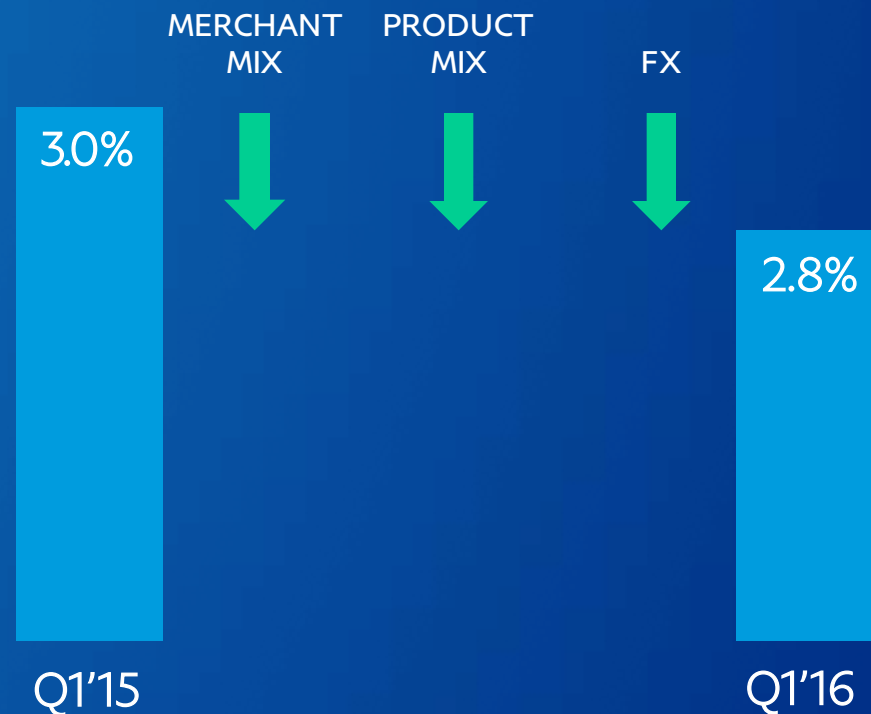
PayPal Economics

TPV⁽¹⁾ is growing faster, transaction take rate⁽¹⁾ is declining as we execute our strategy

TPV GROWTH AND TRANSACTION TAKE RATE



Transaction Take Rate



Operating income⁽²⁾ grew 15% YoY

⁽¹⁾ Definition included in supplemental information

⁽²⁾ Non-GAAP operating income is a non-GAAP financial measure. Q1'15 operating income is 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.

Q1'14 - Q2'15 transaction take rate includes the impact of pro forma adjustments directly attributable to the separation of the company from eBay Inc. on July 17, 2015 had they existed historically. Please see the Supplemental Information for more details on these pro forma adjustments.

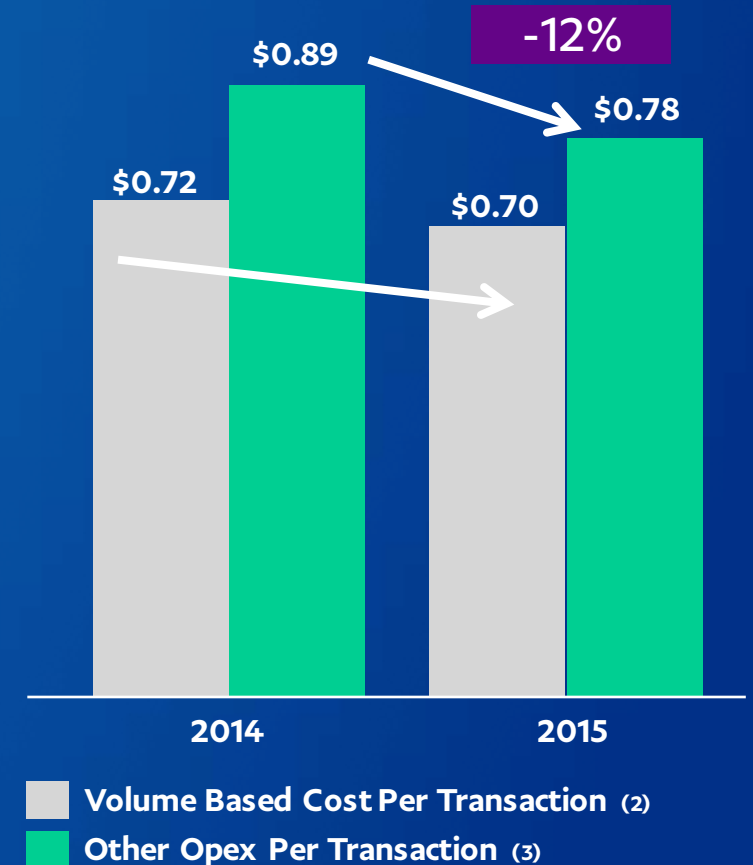
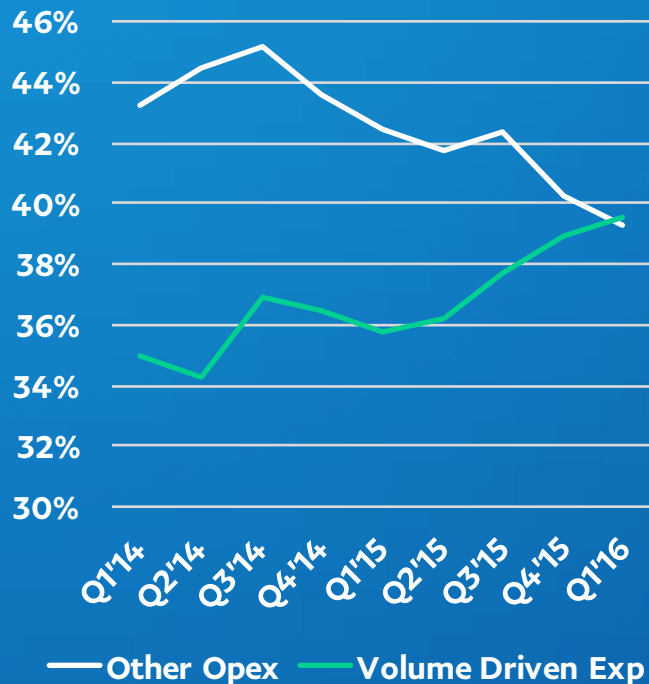
Operating Leverage

Volume driven expenses are offset by leverage in other opex

75% of other opex is fixed...
Leverage opportunity

Scale driving reduced cost per transaction

EXPENSES⁽¹⁾ AS % OF REVENUE



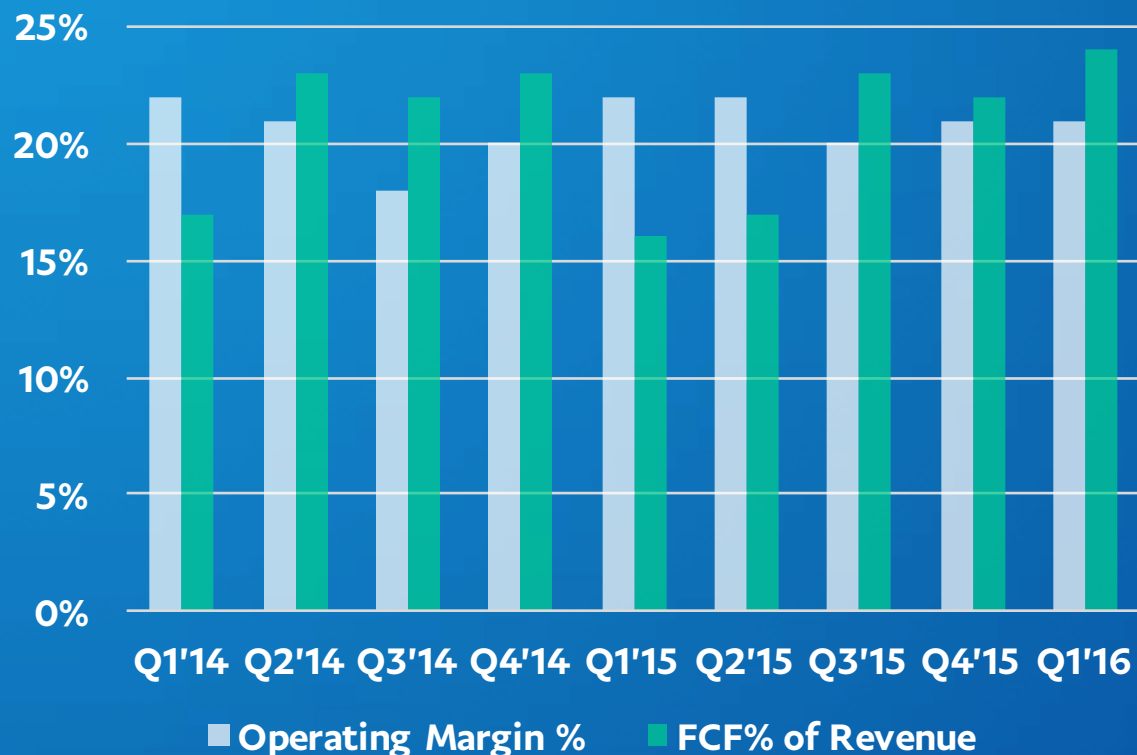
⁽¹⁾ Non-GAAP expenses are a non-GAAP financial measure. Q1'14 – Q2'15 expenses are presented on a pro forma basis. Please see the Supplemental Information for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

⁽²⁾ Volume costs include transaction expense and transaction and loan losses

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

Strong Margin and Free Cash Flow Dynamics

... Resulting in Operating Margin⁽¹⁾ and FCF⁽²⁾
in the 20% range

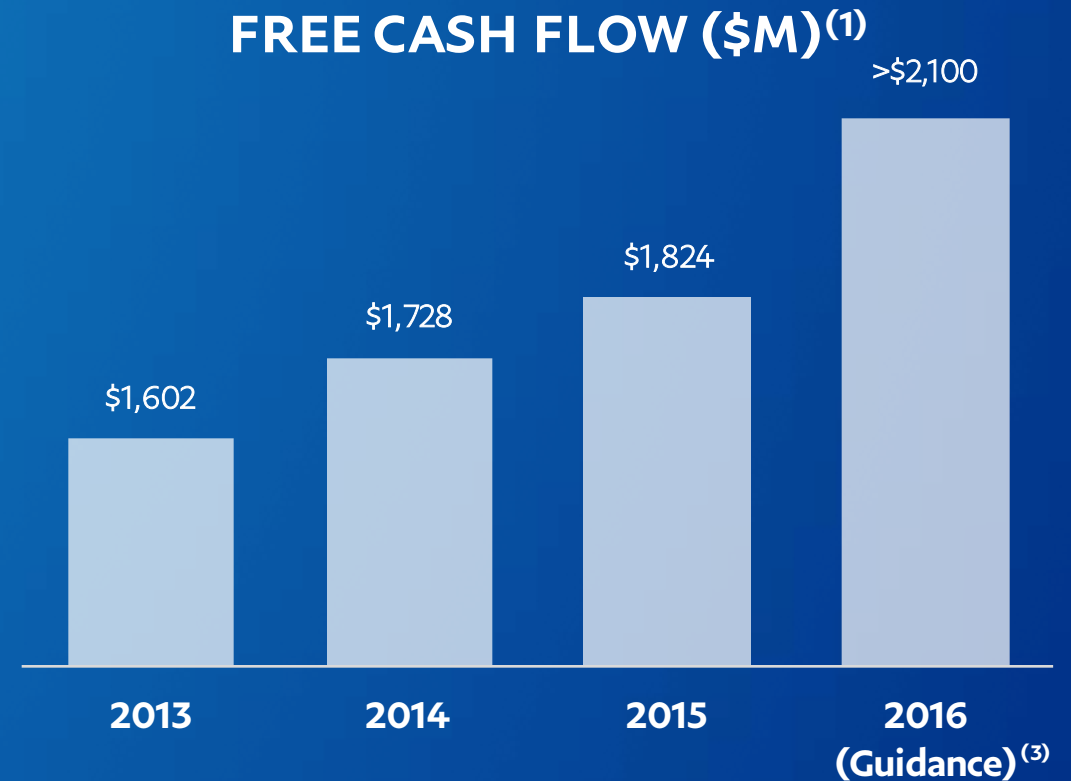


>\$1.8B in FCF in 2015

+ 20¢ in FCF for every \$1.00
in revenue generated

Significant Free Cash Flow Generation

- Can invest organically in the platform, pursue M&A, and buy back shares
- Investing to grow active customers and consumer engagement



FCF as a % of revenue⁽²⁾ has been consistently 20% +

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


⁽²⁾ 2014 and 2015 revenue is calculated 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.

⁽³⁾ PayPal reaffirmed full year 2016 guidance on April 27, 2016

Creating Value through Balanced Capital Allocation

1. ORGANIC GROWTH	<ul style="list-style-type: none">• Investment in platform and scale• Credit funding (asset-light)
2. M&A	<ul style="list-style-type: none">• Extend the reach of the platform• Expand into new adjacencies• International footprint
3. SHARE REPURCHASE	<ul style="list-style-type: none">• Share repurchase authorization• Offsetting dilution• Opportunistic

Creating Value through Balanced Capital Allocation

1. ORGANIC GROWTH	<ul style="list-style-type: none">• Re-platforming the core• One Touch• Credit growth
2. M&A	
3. SHARE REPURCHASE	<ul style="list-style-type: none">• 17M shares repurchased in Q1'16• \$1.4B in authorization remaining

Medium Term Guidance

FXN TPV Growth

Mid-20%

FXN Revenue Growth

~15%

Non-GAAP Operating Margin

Stable to Growing

Free Cash Flow

In-Line with Revenue Growth

Delivering Shareholder Value

Growing revenue

High quality,
consistent earnings

Investing
for growth

Significant FCF
generation

Allocating capital
to maximize
investor returns

Driving the Digital Payments Revolution



At-Scale Platform



Strong Momentum



Large Opportunity

Supplemental Information

Unaudited Condensed Combined and Consolidated Statement of Income - GAAP

	Three Months Ended									Year Ended December 31,		
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
<i>(In Millions, Except Per Share Amounts)</i>												
Net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025	\$ 6,727
Operating expenses:												
Transaction expense	752	750	651	634	575	594	537	525	514	2,610	2,170	1,835
Transaction and loan losses	255	245	201	185	178	193	180	144	129	809	646	502
Customer support and operations ⁽¹⁾	296	299	284	278	249	264	244	246	237	1,110	991	896
Sales and marketing ⁽¹⁾	233	255	226	234	222	258	255	239	202	937	954	743
Product development ⁽¹⁾	195	208	197	202	185	201	192	189	165	792	747	613
General and administrative ⁽¹⁾	231	225	216	215	217	203	166	185	179	873	733	594
Depreciation and amortization	175	164	153	150	141	132	129	125	130	608	516	453
Restructuring	—	(1)	—	1	48	—	—	—	—	48	—	—
Total operating expenses	2,137	2,145	1,928	1,899	1,815	1,845	1,703	1,653	1,556	7,787	6,757	5,636
Operating income	407	411	330	398	322	348	272	330	318	1,461	1,268	1,091
Other income (expense), net	15	7	20	1	(1)	(1)	4	(4)	(6)	27	(7)	(7)
Income before income taxes	422	418	350	399	321	347	276	326	312	1,488	1,261	1,084
Income tax expense	57	51	49	94	66	61	42	45	694	260	842	129
Net income (loss)	\$ 365	\$ 367	\$ 301	\$ 305	\$ 255	\$ 286	\$ 234	\$ 281	\$ (382)	\$ 1,228	\$ 419	\$ 955
Net income (loss) per basic share	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 0.19	\$ 0.23	\$ (0.31)	\$ 1.00	\$ 0.34	\$ 0.78
Net income (loss) per diluted share	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.21	\$ 0.23	\$ 0.19	\$ 0.23	\$ (0.31)	\$ 1.00	\$ 0.34	\$ 0.78
Weighted average shares:												
Basic	1,216	1,223	1,221	1,218	1,218	1,218	1,218	1,218	1,218	1,222	1,218	1,218
Diluted	1,225	1,230	1,227	1,224	1,224	1,224	1,224	1,224	1,218	1,229	1,224	1,224
Operating Margin	16.0%	16.1%	14.6%	17.3%	15.1%	15.9%	13.8%	16.6%	17.0%	15.8%	15.8%	16.2%

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

Unaudited Condensed Combined and Consolidated Statement of Income

– Non-GAAP Adjustments

(In Millions)	Note	Three Months Ended								Year Ended December 31,			
		March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
Net revenues		—	—	—	—	—	—	—	—	—	—	—	—
Operating expenses:													
Customer support and operations	(a)	\$ (18)	\$ (18)	\$ (16)	\$ (15)	\$ (13)	\$ (13)	\$ (12)	\$ (12)	\$ (15)	\$ (62)	\$ (52)	\$ (61)
	(f)	—	—	—	(2)	(1)	—	—	—	—	(3)	—	—
Sales and marketing	(a)	(16)	(10)	(18)	(11)	(13)	(19)	(14)	(14)	(12)	(52)	(59)	(48)
Product development	(a)	(33)	(35)	(33)	(35)	(29)	(28)	(28)	(28)	(24)	(132)	(108)	(84)
General and administrative	(a)	(27)	(26)	(25)	(21)	(22)	(19)	(20)	(20)	(16)	(94)	(75)	(57)
	(b)	(1)	—	(1)	(5)	(3)	(1)	(1)	(4)	(5)	(9)	(11)	(12)
	(f)	—	2	(3)	(7)	(4)	—	—	—	—	(12)	—	—
	(e)	—	—	—	—	—	(1)	—	—	—	—	(1)	4
	(j)	—	(5)	(2)	(3)	—	—	—	—	—	(10)	—	—
Depreciation and amortization	(a)	(1)	(1)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(7)	(4)	(7)
	(c)	(34)	(29)	(20)	(20)	(16)	(17)	(16)	(16)	(21)	(85)	(70)	(55)
Restructuring	(e)	—	1	—	(1)	(48)	—	—	—	—	(48)	—	—
Total operating expenses		(130)	(121)	(120)	(122)	(151)	(99)	(92)	(95)	(94)	(514)	(380)	(320)
Operating income		130	121	120	122	151	99	92	95	94	514	380	320
Other income (expense), net	(h)	—	—	—	—	—	—	1	1	2	—	4	7
	(g)	—	—	—	—	—	—	(4)	—	—	—	(4)	—
	(f)	—	—	(12)	—	—	—	—	—	—	(12)	—	—
Income before income taxes		130	121	108	122	151	99	89	96	96	502	380	327
Income tax expense	(i)	—	—	—	—	—	—	—	—	(650)	—	(650)	—
	(d)	43	45	32	19	46	27	25	27	27	142	106	96
Net income		\$ 87	\$ 76	\$ 76	\$ 103	\$ 105	\$ 72	\$ 64	\$ 69	\$ 719	\$ 360	\$ 924	\$ 231

- (a) Stock-based compensation expense
- (b) Employer payroll taxes on stock-based compensation
- (c) Amortization of acquired intangible assets
- (d) Tax effect of non-GAAP adjustments
- (e) Restructuring
- (f) Separation
- (g) Other certain gains and losses on investments
- (h) Amortization of investments
- (i) Other certain significant gains, losses, or charges
- (j) Acquisition related transaction expense

Unaudited Condensed Combined and Consolidated Statement of Income – Non-GAAP

	Three Months Ended									Year Ended December 31,		
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
<i>(In Millions, Except Per Share Amounts)</i>												
Net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025	\$ 6,727
Operating expenses:												
Transaction expense	752	750	651	634	575	594	537	525	514	2,610	2,170	1,835
Transaction and loan losses	255	245	201	185	178	193	180	144	129	809	646	502
Customer support and operations ⁽¹⁾	278	281	268	261	235	251	232	234	222	1,045	939	835
Sales and marketing ⁽¹⁾	217	245	208	223	209	239	241	225	190	885	895	695
Product development ⁽¹⁾	162	173	164	167	156	173	164	161	141	660	639	529
General and administrative ⁽¹⁾	203	196	185	179	188	182	145	161	158	748	646	529
Depreciation and amortization	140	134	131	128	123	114	112	108	108	516	442	391
Restructuring	—	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses	2,007	2,024	1,808	1,777	1,664	1,746	1,611	1,558	1,462	7,273	6,377	5,316
Operating income	537	532	450	520	473	447	364	425	412	1,975	1,648	1,411
Other income (expense), net	15	7	8	1	(1)	(1)	1	(3)	(4)	15	(7)	—
Income before income taxes	552	539	458	521	472	446	365	422	408	1,990	1,641	1,411
Income tax expense	100	96	81	113	112	88	67	72	71	402	298	225
Net income	\$ 452	\$ 443	\$ 377	\$ 408	\$ 360	\$ 358	\$ 298	\$ 350	\$ 337	\$ 1,588	\$ 1,343	\$ 1,186
Net income per basic share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.33	\$ 0.30	\$ 0.29	\$ 0.24	\$ 0.29	\$ 0.28	\$ 1.30	\$ 1.10	\$ 0.97
Net income per diluted share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.33	\$ 0.29	\$ 0.29	\$ 0.24	\$ 0.29	\$ 0.28	\$ 1.29	\$ 1.10	\$ 0.97
Weighted average shares:												
Basic	1,216	1,223	1,221	1,218	1,218	1,218	1,218	1,218	1,218	1,222	1,218	1,218
Diluted	1,225	1,230	1,227	1,224	1,224	1,224	1,224	1,224	1,224	1,229	1,224	1,224
Operating Margin	21.1%	20.8%	19.9%	22.6%	22.1%	20.4%	18.4%	21.4%	22.0%	21.4%	20.5%	21.0%

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

The non-GAAP results presented in the above were calculated by applying the non-GAAP adjustments presented on the “Unaudited Condensed Combined and Consolidated Statement of Income – Non-GAAP Adjustments” to the GAAP results presented on the “Unaudited Condensed Combined and Consolidated Statement of Income – GAAP”

Unaudited Condensed Combined and Consolidated Statement of Income

– Pro Forma Adjustments

(In Millions)	Note	Three Months Ended										Year Ended December 31,	
		March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014		2015	2014
Net revenues	(a)	\$ —	\$ —	\$ —	\$ (4)	\$ (3)	\$ (4)	\$ (4)	\$ (2)	\$ (3)		\$ (7)	\$ (13)
Operating expenses:													
Transaction and loan losses	(b)	—	—	—	12	10	11	10	10	12		22	43
Customer support and operations	(b)(c)(d)	—	—	—	5	3	5	4	2	2		8	13
Sales and marketing	(e)	—	—	—	(12)	(13)	(15)	(13)	(15)	(17)		(25)	(60)
General and administrative	(b)	—	—	—	2	1	2	2	1	1		3	6
Depreciation and amortization	(f)	—	—	—	4	4	4	4	4	4		8	16
Total operating expenses		—	—	—	11	5	7	7	2	2		16	18
Operating income		—	—	—	(15)	(8)	(11)	(11)	(4)	(5)		(23)	(31)
Income before income taxes		—	—	—	(15)	(8)	(11)	(11)	(4)	(5)		(23)	(31)
Income tax expense	(g)	—	—	—	(2)	(1)	(1)	(1)	—	(1)		(3)	(3)
Net income		\$ —	\$ —	\$ —	\$ (13)	\$ (7)	\$ (10)	\$ (10)	\$ (4)	\$ (4)		\$ (20)	\$ (28)

(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.

(g) Reflects the tax effect of pro forma adjustments using the statutory tax rate for the periods presented.

Unaudited Condensed Combined and Consolidated Statement of Income – Non-GAAP Pro Forma

(In Millions, Except Per Share Amounts)	Three Months Ended										Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014		2015	2014
Net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,293	\$ 2,134	\$ 2,189	\$ 1,971	\$ 1,981	\$ 1,871		\$ 9,241	\$ 8,012
Operating expenses:												
Transaction expense	752	750	651	634	575	594	537	525	514		2,610	2,170
Transaction and loan losses	255	245	201	197	188	204	190	154	141		831	689
Customer support and operations ⁽¹⁾	278	281	268	266	238	256	236	236	224		1,053	952
Sales and marketing ⁽¹⁾	217	245	208	211	196	224	228	210	173		860	835
Product development ⁽¹⁾	162	173	164	167	156	173	164	161	141		660	639
General and administrative ⁽¹⁾	203	196	185	181	189	184	147	162	159		751	652
Depreciation and amortization	140	134	131	132	127	118	116	112	112		524	458
Restructuring	—	—	—	—	—	—	—	—	—		—	—
Total operating expenses	2,007	2,024	1,808	1,788	1,669	1,753	1,618	1,560	1,464		7,289	6,395
Operating income	537	532	450	505	465	436	353	421	407		1,952	1,617
Other income (expense), net	15	7	8	1	(1)	(1)	1	(3)	(4)		15	(7)
Income before income taxes	552	539	458	506	464	435	354	418	403		1,967	1,610
Income tax expense	100	96	81	111	111	87	66	72	70		399	295
Net income	\$ 452	\$ 443	\$ 377	\$ 395	\$ 353	\$ 348	\$ 288	\$ 346	\$ 333		\$ 1,568	\$ 1,315
Net income per basic share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.32	\$ 0.29	\$ 0.29	\$ 0.24	\$ 0.28	\$ 0.27		\$ 1.28	\$ 1.08
Net income per diluted share	\$ 0.37	\$ 0.36	\$ 0.31	\$ 0.32	\$ 0.29	\$ 0.28	\$ 0.24	\$ 0.28	\$ 0.27		\$ 1.28	\$ 1.07
Weighted average shares:												
Basic	1,216	1,223	1,221	1,218	1,218	1,218	1,218	1,218	1,218		1,222	1,218
Diluted	1,225	1,230	1,227	1,224	1,224	1,224	1,224	1,224	1,224		1,229	1,224
Operating Margin	21.1%	20.8%	19.9%	22.0%	21.8%	19.9%	17.9%	21.3%	21.8%		21.1%	20.2%

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

The non-GAAP pro forma results presented in the above were calculated by applying the pro forma adjustments presented on the “Unaudited Condensed Combined and Consolidated Statement of Income – Pro Forma Adjustments” to the non-GAAP results presented on the “Unaudited Condensed Combined and Consolidated Statement of Income – Non-GAAP”

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

Net Revenues by Type	Three Months Ended									Year Ended December 31,	
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014
	(In millions/Unaudited)										
Transaction revenues	\$ 2,238	\$ 2,262	\$ 1,982	\$ 1,970	\$ 1,914	\$ 1,967	\$ 1,754	\$ 1,712	\$ 1,674	\$ 8,128	\$ 7,107
Pro forma adjustment ⁽¹⁾	—	—	—	(4)	(3)	(4)	(4)	(2)	(3)	(7)	(13)
Pro forma transaction revenues	2,238	2,262	1,982	1,966	1,911	1,963	1,750	1,710	1,671	8,121	7,094
Other value added services	306	294	276	327	223	226	221	271	200	1,120	918
Pro forma adjustment ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—
Pro forma other value added services	306	294	276	327	223	226	221	271	200	1,120	918
Total net revenues	\$ 2,544	\$ 2,556	\$ 2,258	\$ 2,297	\$ 2,137	\$ 2,193	\$ 1,975	\$ 1,983	\$ 1,874	\$ 9,248	\$ 8,025
Pro forma adjustment ⁽¹⁾	—	—	—	(4)	(3)	(4)	(4)	(2)	(3)	(7)	(13)
Total pro forma net revenues	2,544	2,556	2,258	2,293	2,134	2,189	1,971	1,981	1,871	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, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	2015	2014	2013
Supplemental non-GAAP Measures:												
Net cash provided by operating activities	\$ 738	\$ 728	\$ 652	\$ 622	\$ 544	\$ 631	\$ 604	\$ 560	\$ 425	\$ 2,546	\$ 2,220	\$ 1,993
Less: Purchases of property and equipment, net	(133)	(164)	(133)	(231)	(194)	(123)	(173)	(96)	(100)	(722)	(492)	(391)
Free cash flow	<u>\$ 605</u>	<u>\$ 564</u>	<u>\$ 519</u>	<u>\$ 391</u>	<u>\$ 350</u>	<u>\$ 508</u>	<u>\$ 431</u>	<u>\$ 464</u>	<u>\$ 325</u>	<u>\$ 1,824</u>	<u>\$ 1,728</u>	<u>\$ 1,602</u>

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.

P2P TPV

Person-to-person total payment volume or "P2P TPV" is the value of payments made between two individual customers using our PayPal, Venmo or Xoom products, net of payment reversals, successfully completed through our Payments Platform, excluding transactions processed through our gateway and Paydiant products.

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 total payment volume.

Transaction Take Rate

Transaction take rate is transaction revenue divided by total payment volume.

Transaction Margin

Transaction margin is total revenue less transaction expense and transaction and loan loss, divided by total revenue.

