Updated guidance and held for sale accounting changes related to PayPal's sale of U.S. consumer credit receivables to Synchrony Financial

January 16, 2018

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Held for sale accounting changes related to U.S. consumer credit receivables sale to Synchrony Financial

Q1'18 | Q2'18 | Close Q3'18

Impact of Held for Sale ("HFS") accounting

Income Statement

No reserves recognized on interest receivables; additions to reserve previously accounted for as contra revenue in "Other value added services revenue"

No reserves recognized on principal receivables; additions to reserve previously accounted for in "Transaction and loan losses"

Charge-offs of principal and interest recognized as adjustments to "HFS" loans when incurred; reported in operating expenses within a new line item "Other Operating Expenses"

Balance Sheet

Principal and Interest Receivables recorded at the lower of cost or market value:

- U.S. consumer credit receivables, now designated as HFS, are presented as a separate line item on the Balance Sheet as "Loans and Interest Receivable, Held for Sale", representing the lower of cost or market value of these receivables

Cash Flow Statement

Net new loans originated post-HFS presented within Cash Flow from Operations

Repayments on loans originated pre-HFS presented within Cash Flow from Investing Activities

Note: No change to the accounting treatment for international consumer credit or merchant working capital products

Note: Assumes transaction closes on July 1, 2018.

Accounting changes following the closing of Synchrony Financial transaction

Income Statement

Profit share from the agreement to be recognized within "Other value added services revenue" and is subject to U.S. tax laws as revenue is earned in the U.S.

Balance Sheet

U.S. consumer credit receivables will no longer be presented on the balance sheet

Cash proceeds (approximately $6B+) associated with the sale of the U.S. consumer credit receivables portfolio recognized upon close

Cash Flow Statement

At close, proceeds relating to net new loans originated post-HFS allocated to Cash flow from Operations and proceeds relating to existing loans originated pre-HFS allocated to Cash flows from Investing activities (one-time)

Profit share economics will be reflected as a component of Cash Flow from Operations (ongoing)

Note: Assumes transaction closes on July 1, 2018.

2018 Outlook

Previous Guidance as of November 16, 2017

2018 Outlook

TPV Growth (Spot)	Mid to high 20%
Revenue Growth (Spot)	Approximately 16.5% (Partnership impact ~3.5 points)
Non-GAAP Operating Income Growth	Approximately 20%
GAAP vs non-GAAP Operating Income margin	Adjusting for one-time items related to held-for-sale accounting, GAAP operating margin expected to expand at least in-line with non-GAAP operating margin

Updated Guidance as of January 16, 2018

2018 Outlook

TPV Growth (Spot)	Mid to high 20%
Revenue ($)	*$15.000B- $15.250B (Reflects ~3.5 point impact related to the sale of U.S. consumer credit receivables to Synchrony Financial starting H2'18 post closing)*
Non-GAAP Operating Income Growth	Approximately 20%
GAAP vs non-GAAP Operating Income margin	Adjusting for one-time items related to held-for-sale accounting, GAAP operating margin expected to expand at least in-line with non-GAAP operating margin

Assumes transaction closes on July 1, 2018.