

# PayPal Holdings, Inc.

## Consolidated Balance Sheets

	As of December 31,	
	2018	2017
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,575	\$ 2,883
Short-term investments	1,534	2,812
Accounts receivable, net	313	283
Loans and interest receivable, net of allowances of \$172 in 2018 and \$129 in 2017	2,532	1,314
Loans and interest receivable, held for sale	—	6,398
Funds receivable and customer accounts	20,062	18,242
Prepaid expenses and other current assets	947	713
Total current assets	32,963	32,645
Long-term investments	971	1,961
Property and equipment, net	1,724	1,528
Goodwill	6,284	4,339
Intangible assets, net	825	168
Other assets	565	133
Total assets	\$43,332	\$40,774
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 281	\$ 257
Notes payable	1,998	1,000
Funds payable and amounts due to customers	21,562	19,742
Accrued expenses and other current liabilities	2,002	1,781
Income taxes payable	61	83
Total current liabilities	25,904	22,863
Deferred tax liability and other long-term liabilities	2,042	1,917
Total liabilities	27,946	24,780
Commitments and contingencies (Note 13)		
Equity:		
Common stock, \$0.0001 par value; 4,000 shares authorized; 1,174 and 1,200 shares outstanding as of December 31, 2018 and 2017, respectively	—	—
Treasury stock at cost, 91 and 47 shares as of December 31, 2018 and 2017, respectively	(5,511)	(2,001)
Additional paid-in-capital	14,939	14,314
Retained earnings	5,880	3,823
Accumulated other comprehensive income (loss)	78	(142)
Total equity	15,386	15,994
Total liabilities and equity	\$43,332	\$40,774

The accompanying notes are an integral part of these consolidated financial statements.

# PayPal Holdings, Inc.

## Consolidated Statements of Income

	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>(In millions, except for per share amounts)</b>		
Net revenues	\$15,451	\$13,094	\$10,842
Operating expenses:			
Transaction expense	5,581	4,419	3,346
Transaction and loan losses	1,274	1,011	1,088
Customer support and operations	1,482	1,364	1,267
Sales and marketing	1,313	1,128	969
Product development	1,071	953	834
General and administrative	1,451	1,155	1,028
Depreciation and amortization	776	805	724
Restructuring and other charges	309	132	—
Total operating expenses	13,257	10,967	9,256
Operating income	2,194	2,127	1,586
Other income (expense), net	182	73	45
Income before income taxes	2,376	2,200	1,631
Income tax expense	319	405	230
Net income	\$ 2,057	\$ 1,795	\$ 1,401
Net income per share:			
Basic	\$ 1.74	\$ 1.49	\$ 1.16
Diluted	\$ 1.71	\$ 1.47	\$ 1.15
Weighted average shares:			
Basic	1,184	1,203	1,210
Diluted	1,203	1,221	1,218

The accompanying notes are an integral part of these consolidated financial statements.

# PayPal Holdings, Inc.

## Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Cash flows from operating activities:			
Net income	\$ 2,057	\$ 1,795	\$ 1,401
Adjustments:			
Transaction and loan losses	1,274	1,011	1,088
Depreciation and amortization	776	805	724
Stock-based compensation	853	733	438
Deferred income taxes	(171)	(1,299)	52
Excess tax benefits from stock-based compensation	—	—	(40)
Cost basis adjustments to loans and interest receivable held for sale	244	92	—
Other	(172)	(25)	(24)
Changes in assets and liabilities:			
Accounts receivable	(59)	12	(77)
Changes in loans and interest receivable held for sale, net	1,407	(1,308)	24
Transaction loss allowance for cash losses, net	(1,046)	(817)	(643)
Other current assets and non-current assets	(112)	(188)	(145)
Accounts payable	26	62	11
Income taxes payable	(44)	19	69
Other current liabilities and non-current liabilities	450	1,639	280
Net cash provided by operating activities	5,483	2,531	3,158
Cash flows from investing activities:			
Purchases of property and equipment	(823)	(667)	(669)
Proceeds from sales of property and equipment	3	—	—
Changes in principal loans receivable, net	3,121	(920)	(1,523)
Purchases of investments	(22,381)	(19,418)	(21,041)
Maturities and sales of investments	21,898	18,448	18,429
Acquisitions, net of cash and restricted cash acquired	(2,124)	(323)	(19)
Funds receivable	1,146	(1,605)	(1,081)
Net cash provided by (used in) investing activities	840	(4,485)	(5,904)
Cash flows from financing activities:			
Proceeds from issuance of common stock	144	144	109
Purchases of treasury stock	(3,520)	(1,006)	(995)
Excess tax benefits from stock-based compensation	—	—	40
Tax withholdings related to net share settlements of restricted stock units and restricted stock awards	(419)	(166)	(118)
Borrowings under financing arrangements	2,075	1,800	—
Repayments under financing arrangements	(1,115)	(980)	(21)
Funds payable and amounts due to customers	1,573	4,292	3,023
Net cash (used in) provided by financing activities	(1,262)	4,084	2,038
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(113)	36	—
Net change in cash, cash equivalents, and restricted cash	4,948	2,166	(708)
Cash, cash equivalents, and restricted cash at beginning of period	8,285	6,119	6,827
Cash, cash equivalents, and restricted cash at end of period	\$ 13,233	\$ 8,285	\$ 6,119
Supplemental cash flow disclosures:			
Cash paid for interest	\$ 69	\$ 6	\$ 4
Cash paid for income taxes, net	\$ 328	\$ 117	\$ 48
The below table reconciles cash, cash equivalents, and restricted cash as reported in the consolidated balance sheets to the total of the same amounts shown in the consolidated statements of cash flows:			
Cash and cash equivalents	\$ 7,575	\$ 2,883	\$ 1,590
Short term investments	16	15	17
Funds receivable and customer accounts	5,642	5,387	4,512
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	\$ 13,233	\$ 8,285	\$ 6,119

The accompanying notes are an integral part of these consolidated financial statements.