

PayPal Holdings, Inc.
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2017	2016
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,883	\$ 1,590
Short-term investments	2,812	3,385
Accounts receivable, net	283	214
Loans and interest receivable, net of allowances of \$129 in 2017 and \$339 in 2016	1,314	5,348
Loans and interest receivable, held for sale	6,398	—
Funds receivable and customer accounts	18,242	14,363
Prepaid expenses and other current assets	713	833
Total current assets	32,645	25,733
Long-term investments	1,961	1,539
Property and equipment, net	1,528	1,482
Goodwill	4,339	4,059
Intangible assets, net	168	211
Other assets	133	79
Total assets	\$ 40,774	\$ 33,103
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 257	\$ 192
Notes payable	1,000	—
Funds payable and amounts due to customers	19,742	15,163
Accrued expenses and other current liabilities	1,781	1,459
Income taxes payable	83	64
Total current liabilities	22,863	16,878
Deferred tax liability and other long-term liabilities	1,917	1,513
Total liabilities	24,780	18,391
Commitments and contingencies (Note 13)		
Equity:		
Common stock, \$0.0001 par value; 4,000 shares authorized; 1,200 and 1,207 shares outstanding as of December 31, 2017 and 2016, respectively	—	—
Treasury stock at cost, 47 and 27 shares as of December 31, 2017 and 2016, respectively	(2,001)	(995)
Additional paid-in-capital	14,314	13,579
Retained earnings	3,823	2,069
Accumulated other comprehensive income (loss)	(142)	59
Total equity	15,994	14,712
Total liabilities and equity	\$ 40,774	\$ 33,103

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

PayPal Holdings, Inc.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2017	2016	2015
	(In millions, except for per share amounts)		
Net revenues	\$ 13,094	\$ 10,842	\$ 9,248
Operating expenses:			
Transaction expense	4,419	3,346	2,610
Transaction and loan losses	1,011	1,088	809
Customer support and operations	1,364	1,267	1,110
Sales and marketing	1,128	969	937
Product development	953	834	792
General and administrative	1,155	1,028	873
Depreciation and amortization	805	724	608
Restructuring and other charges	132	—	48
Total operating expenses	10,967	9,256	7,787
Operating income	2,127	1,586	1,461
Other income (expense), net	73	45	27
Income before income taxes	2,200	1,631	1,488
Income tax expense	405	230	260
Net income	\$ 1,795	\$ 1,401	\$ 1,228
Net income per share:			
Basic	\$ 1.49	\$ 1.16	\$ 1.00
Diluted	\$ 1.47	\$ 1.15	\$ 1.00
Weighted average shares:			
Basic	1,203	1,210	1,222
Diluted	1,221	1,218	1,229

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

PayPal Holdings, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(In millions)		
Cash flows from operating activities:			
Net income	\$ 1,795	\$ 1,401	\$ 1,228
Adjustments:			
Transaction and loan losses	1,011	1,088	809
Depreciation and amortization	805	724	608
Stock-based compensation	733	438	346
Deferred income taxes	(1,299)	52	127
Excess tax benefits from stock-based compensation	—	(40)	(26)
Gain on sale of principal loans receivable held for sale, net	(25)	(24)	(40)
Cost basis adjustments to loans and interest receivable held for sale	92	—	—
Changes in assets and liabilities:			
Accounts receivable	12	(77)	(22)
Receivable from eBay	—	—	121
Changes in loans and interest receivable held for sale, net	(1,308)	24	14
Transaction loss allowance for cash losses, net	(817)	(643)	(493)
Other current assets and non-current assets	(188)	(145)	(384)
Accounts payable	62	11	12
Payable to eBay	—	—	(217)
Income taxes payable	19	69	40
Other current liabilities and non-current liabilities	1,639	280	423
Net cash provided by operating activities	2,531	3,158	2,546
Cash flows from investing activities:			
Purchases of property and equipment	(667)	(669)	(722)
Proceeds from sales of property and equipment	—	—	26
Changes in principal loans receivable, net	(920)	(1,523)	(819)
Purchases of investments	(19,418)	(21,041)	(21,626)
Maturities and sales of investments	18,450	18,429	16,148
Acquisitions, net of cash acquired	(323)	(19)	(1,225)
Funds receivable and customer accounts	(2,480)	(176)	(395)
Notes payable and receivable from eBay	—	—	575
Net cash used in investing activities	(5,358)	(4,999)	(8,038)
Cash flows from financing activities:			
Proceeds from issuance of common stock	144	109	75
Purchases of treasury stock	(1,006)	(995)	—
Excess tax benefits from stock-based compensation	—	40	26
Contribution from eBay	—	—	3,858
Tax withholdings related to net share settlements of restricted stock units and restricted stock awards	(166)	(118)	(18)
Borrowings under financing arrangements, net of repayments	820	(21)	(862)
Funds payable and amounts due to customers	4,292	3,023	1,649
Net cash provided by financing activities	4,084	2,038	4,728
Effect of exchange rate changes on cash and cash equivalents	36	—	(44)
Net increase (decrease) in cash and cash equivalents	1,293	197	(808)
Cash and cash equivalents at beginning of period	1,590	1,393	2,201
Cash and cash equivalents at end of period	\$ 2,883	\$ 1,590	\$ 1,393