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# PAYPAL BUSINESS OVERVIEW

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AXP Internal



# AGENDA

- Paypal History
- Paypal Q1 Financials
- Paypal Business Model
- Paypal Future

# PAYPAL HISTORY



- Paypal is an online payment services company, operating as processor for online vendors, auction sites and other commercial users, located at San Jose, CA.
- Established in 1998 by Max Levchin and Peter Thiel, as Confinity, a security software company. In 1999, the money transfer service at Confinity was launched
- In Mar 2000, Confinity merged with X.com founded by Elon Musk. The merged company then focused on the Paypal money service. X.com was renamed as Paypal

# PAYPAL HISTORY



- In Feb 2002, Paypal went public at \$13 per share, raised \$70MM. The 1st day trading price shot up 55%.
- In July 2002, Paypal was acquired by eBay at \$1.5B. More than 70% of all eBay auctions accepted Paypal payments.
- In July 2015, Paypal spin-off from eBay into a separate public company, urged by activist hedge fund magnate Carl Icahn. Dan Schulman is the current President and CEO. eBay CEO John Donahoe serves as chairman.

# PAYPAL 2016 FINANCIALS

## Financial highlights for full year 2016 include:

- Revenue growth of 17% to \$10.842 billion
- Operating margin of 15%
- EPS growth of 15% to \$1.15
- Operating cash flow of \$3.2 billion, free cash flow of \$2.5 billion

## Operating highlights for full year 2016 include:

- Active customer accounts of 197 million, up 10% with growth of 18 million active customer accounts
- 6.1 billion payment transactions, up 24%
- 31 payment transactions per active account on a trailing twelve months basis, up 13%

# PAYPAL 2016 FINANCIALS

## Financial highlights for the fourth quarter include:

- Revenue growth of 17% to \$2.981 billion
- Operating margin of 15%
- EPS growth of 7% to \$0.32
- Operating cash flow of \$923 million, free cash flow of \$771 million

## Operating highlights for the fourth quarter include:

- Growth of 5.4 million active customer accounts in the quarter
- 1.8 billion payment transactions, up 23%

# HIGHLIGHTS IN Q4 2016

## New Strategic Partnerships

- Partnership with Citi and FIS further PayPal's commitment of choice and flexibility for its customers and PayPal plans to roll out new experiences with these partners and others throughout 2017 to drive incremental digital spend.
- Strategic agreement with Discover Financial Services to make it easier for PayPal customers to find and choose Discover as a funding option within the PayPal wallet, and let eligible customers pay with their Discover Cash back Bonus.

## Extending Leadership in Mobile

- - PayPal processed more than \$2 billion in mobile payments during holiday season, and mobile accounted for one-third of overall transactions during this period

# HIGHLIGHTS IN Q4 2016

## Expanding Value Proposition through Product Innovation

- One Touch, PayPal's fastest mobile checkout experience, continues to experience strong adoption, making it faster and simpler for their customers to pay online and with mobile devices, 5 million active merchant accounts offers One Touch to more than 40 million active consumer accounts in all of PayPal's markets.
- Xoom added Japan to the growing list of remittance countries which grew from 41 to 56 in 2016.



# PAYPAL BUSINESS – OPEN PAYMENT 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.

<https://www.youtube.com/watch?v=rT858bwrPTs>



# PAYPAL BUSINESS – MERCHANT

## 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



# ONE TOUCH

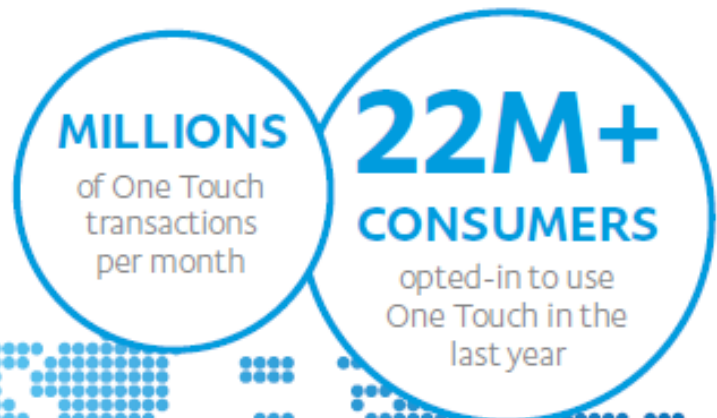
Most Rapidly adopted product in PayPal,.

Available in all markets

<https://www.youtube.com/watch?v=qnDLI1MtU3w>

**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

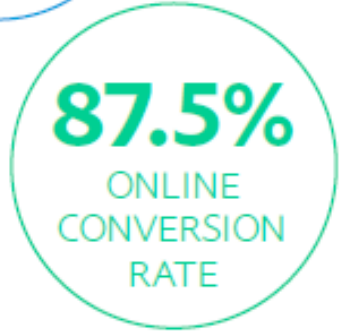
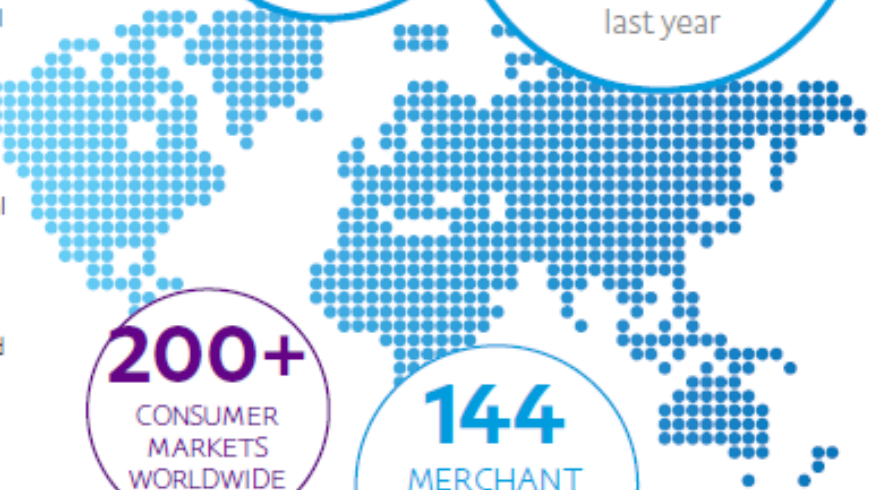
**Aug 2015**  
One Touch is used by millions and available in 16 countries

**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



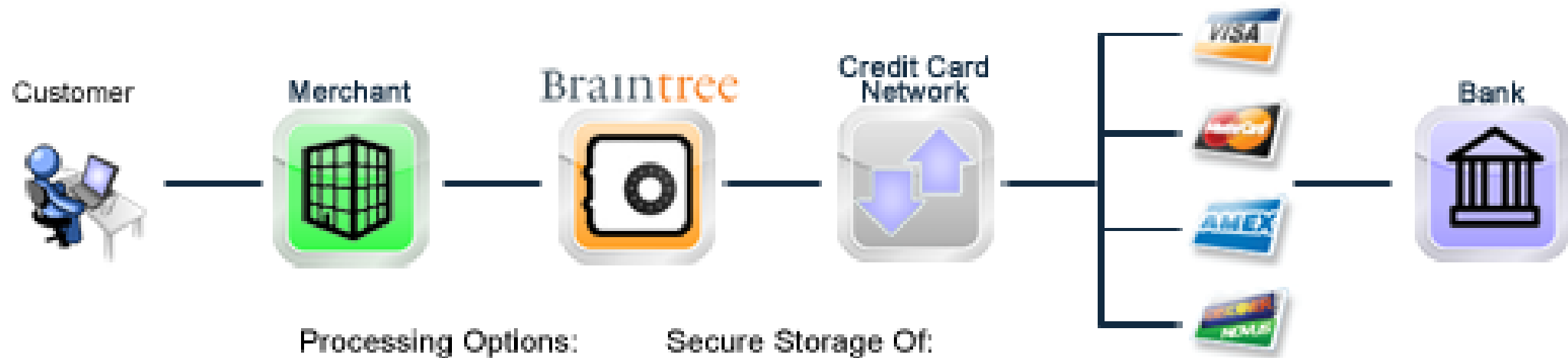
# MOBILE STRATEGY

## PayPal 10 YEARS OF MOBILE



# BRAINTREE

## Transaction Process



### Processing Options:

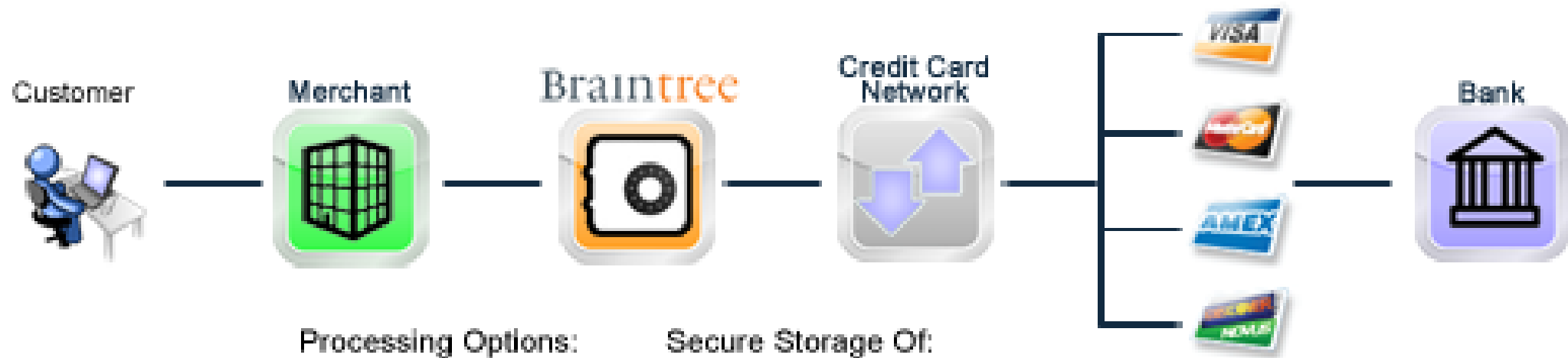
- Web Interface
- Client Libraries:
  - Ruby
  - JAVA
  - .NET
  - PHP

### Secure Storage Of:

- Multiple credit cards
- Multiple billing addresses
- Multiple shipping addresses
- Custom data

# BRAINTREE

## Transaction Process



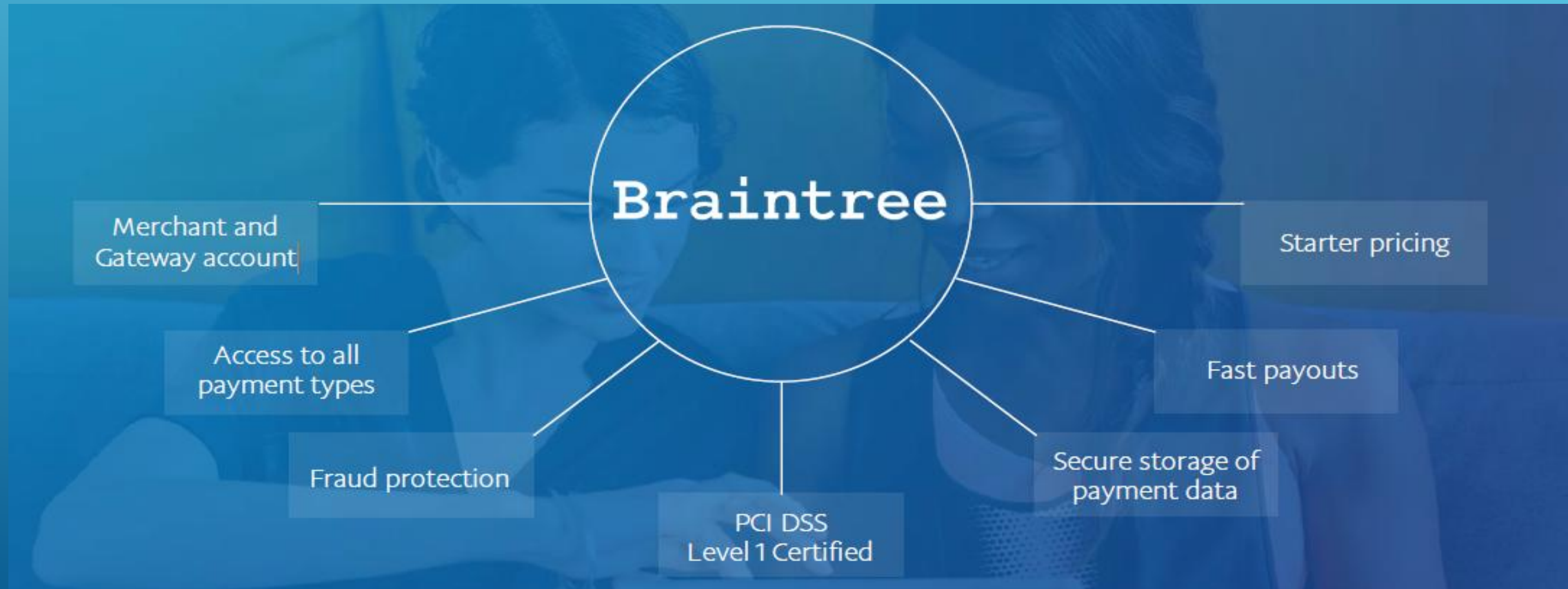
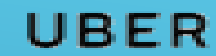
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- Custom data

# BRAINSTREE



# PARTNERSHIP



## EXPANDING CUSTOMER CHOICE: 11 PARTNERSHIPS IN 11 MONTHS

In a keynote address at Mobile World Congress on February 21, 2016, PayPal President and CEO Dan Schulman announced a bold new strategic direction for PayPal: **partnerships**. Less than a year later, PayPal has extended our product innovation by partnering with some of the world's leading companies to drive more customer choice in payments.

