

PayPal Holdings, Inc.
Form 10-Q
October 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2015.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Transition Period from _____ to _____.

Commission file number 001-36859

PayPal Holdings, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

47-2989869
(I.R.S. Employer
Identification No.)

2211 North First Street
San Jose, California
(Address of Principal Executive Offices)
(408) 967-1000
(Registrant's telephone number, including area code)

95131
(Zip Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Edgar Filing: PayPal Holdings, Inc. - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 23, 2015, there were 1,221,690,060 of the registrant's common stock, \$0.0001 par value, outstanding, which is the only class of common or voting stock of the registrant issued.

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

PayPal Holdings, Inc.

CONDENSED COMBINED AND CONSOLIDATED BALANCE SHEET

	September 30, 2015	December 31, 2014
	(In millions, except par value) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,880	\$2,201
Short-term investments	2,419	29
Accounts receivable, net	173	65
Loans and interest receivable, net	3,602	3,586
Funds receivable and customer accounts	11,802	10,612
Notes and receivables from affiliates	—	694
Other current assets	678	378
Total current assets	20,554	17,565
Long-term investments	2,392	31
Property and equipment, net	1,298	922
Goodwill	3,415	3,189
Intangible assets, net	174	156
Other assets	63	54
Total assets	\$27,896	\$21,917
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$114	\$115
Funds payable and amounts due to customers	11,802	10,612
Notes and payables to affiliates	—	1,093
Accrued expenses and other current liabilities	1,089	1,434
Income taxes payable	67	29
Total current liabilities	13,072	13,283
Long-term liabilities	1,610	386
Total liabilities	14,682	13,669
Commitments and contingencies (Note 10)		
Equity:		
Net parent investment	—	8,138
Common stock, \$0.0001 par value; 4,000 shares authorized; 1,221 and 1,218 outstanding	—	—
Additional paid-in-capital	12,910	—
Retained earnings	301	—
Accumulated other comprehensive income	3	110
Total equity	13,214	8,248
Total liabilities and equity	\$27,896	\$21,917

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

PayPal Holdings, Inc.

CONDENSED COMBINED AND CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions, except per share data) (Unaudited)			
Net revenues	\$2,258	\$1,975	\$6,692	\$5,832
Operating expenses:				
Transaction expense	651	537	1,860	1,576
Transaction and loan losses	201	180	564	453
Customer support and operations	317	257	900	775
Sales and marketing	235	267	716	735
Product development	230	232	695	651
General and administrative	141	101	414	338
Depreciation and amortization	153	129	444	384
Restructuring	—	—	49	—
Total operating expenses	1,928	1,703	5,642	4,912
Operating income	330	272	1,050	920
Other income (expense), net	20	4	20	(6
Income before income taxes	350	276	1,070	914
Income tax expense	49	42	209	781
Net income	\$301	\$234	\$861	\$133
Net income per share:				
Basic	\$0.25	\$0.19	\$0.71	\$0.11
Diluted	\$0.25			