

PayPal Holdings, Inc.
Form S-3ASR
October 23, 2018
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As filed with the Securities and Exchange Commission on October 23, 2018

Registration No. 333-

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

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PAYPAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

47-2989869
(IRS Employer

Identification Number)

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2211 North First Street

San Jose, California 95131

(408) 967-1000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

A. Louise Pentland

Executive Vice President, Chief Business Affairs

and Legal Officer

PayPal Holdings, Inc.

2211 North First Street

San Jose, California 95131

Telephone: (408) 967-1000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Michael Mies, Esq.

Skadden, Arps, Slates, Meagher & Flom LLP

555 California St. #2000

San Francisco, CA 94104

Telephone: (415) 772-1200

Approximate date of commencement of proposed sale to the public:

From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the SEC pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be	Proposed Maximum	Proposed Aggregate Maximum	Amount of Registration fee
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	Registered(2)	Offering Price	Offering Price(3)	
		Per Security(3)		
Common Stock, par value \$0.0001 per share	742,335	\$78.90	\$58,570,232	\$7,099

- (1) All the shares of common stock being registered hereby are offered for the account of certain selling stockholders who acquired such shares in a private transaction.
- (2) Pursuant to Rule 416 under the Securities Act, this registration statement also covers an indeterminate number of additional shares of common stock as may be issuable with respect to the shares being issued hereunder as a result of a stock split, stock dividend, capitalization or similar event.
- (3) Estimated pursuant to Rule 457(c) under the Securities Act solely for purposes of calculating the amount of the registration fee, based on the average of the high and low prices of the registrant's common stock reported as of October 18, 2018 on the NASDAQ Stock Market.

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PROSPECTUS

PAYPAL HOLDINGS, INC.

Common Stock

The selling stockholders of PayPal Holdings, Inc. listed beginning on page 7, together with any additional selling stockholders listed in any applicable prospectus supplement, may offer and resell up to 742,335 shares of our common stock, par value \$0.0001 per share. The selling stockholders will acquire these shares from us in connection with our acquisition of iZettle AB (publ), or iZettle. Such shares of common stock were sold and issued by us to the selling stockholders pursuant to the terms and subject to the conditions of the Share Purchase Agreement, dated as of May 17, 2018, by and among PayPal Holdings, Inc., the sellers named therein and iZettle AB (publ) and the related agreements.

We are not selling any shares of our common stock under this prospectus and we will not receive any of the proceeds from the sale of shares by the selling stockholders. The selling stockholders may sell the shares of common stock described in this prospectus through public or private transactions at market prices prevailing at the time of sale or at negotiated prices. We provide more information about how the selling stockholders may sell their shares of common stock in the section of this prospectus entitled **Plan of Distribution**.

Our common stock is listed on the NASDAQ Stock Market under the symbol **PYPL**. On October 22, 2018, the last reported sale price for our common stock on the NASDAQ Stock Market was \$85.43 per share.

Investing in our common stock involves a high degree of risk. Before investing, you should carefully consider the matters described under the caption Risk Factors beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 23, 2018.

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ABOUT THIS PROSPECTUS

This prospectus is part of an automatic shelf registration statement that we filed with the Securities and Exchange Commission (referred to as the SEC) as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended (referred to as the Securities Act), utilizing a shelf registration process. Under this process, selling stockholders named in this prospectus or in one or more supplements to this prospectus may sell shares of common stock from time to time. Each time any selling stockholder not named herein sells shares of common stock under the registration statement of which this prospectus is a part, such selling stockholder will provide a copy of this prospectus and any applicable prospectus supplement, as required by law. Any applicable prospectus supplement may add, update, or change information contained in this prospectus.

The selling stockholders may offer and sell shares of common stock directly to purchasers, through agents selected by the selling stockholders, or to or through underwriters or dealers. A prospectus supplement, if required, may describe the terms of the plan of distribution and set forth the names of any agents, underwriters, or dealers involved in the sale of shares of common stock. See Plan of Distribution.

You should read this prospectus together with any applicable prospectus supplement, as well as additional information described under the heading Where You Can Find More Information. You should rely only on the information contained or incorporated by reference in this prospectus, any accompanying prospectus supplement and any applicable free writing prospectus. We have not authorized, and no selling stockholder has authorized, anyone else to provide you with different or additional information. No offer of shares of common stock is being made in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information in this prospectus, any accompanying prospectus supplement, or any document incorporated by reference herein or therein is accurate as of any date other than their respective dates. Our business, financial condition, results of operations, and prospects may have changed since those dates. You should carefully read the entire prospectus, as well as the documents incorporated by reference in the prospectus, any applicable prospectus supplement and any applicable free writing prospectus before making an investment decision.

References in this prospectus to the terms the Company, PayPal, we, our and us or other similar terms mean PayPal Holdings, Inc. and our wholly owned subsidiaries, unless we state otherwise or the context indicates otherwise.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all information that you should consider before investing in our common stock. You should read the following summary together with the more detailed information regarding PayPal, the common stock being registered hereby, our financial statements and notes thereto and our risk factors, before deciding whether to purchase shares of our common stock from the selling stockholders.

Our Company

We are a leading technology platform and digital payments company that enables digital and mobile payments on behalf of consumers and merchants worldwide. Our vision is to democratize financial services, as we believe that managing and moving money is a right for all people, not just the affluent. Our goal is to increase our relevance for consumers and merchants to manage and move their money anywhere in the world, anytime, on any platform and using any device. We also facilitate person-to-person payments through our PayPal, Venmo and Xoom products. Our combined payment solutions, including our PayPal, PayPal Credit, Braintree, Venmo, and Xoom products, compose our proprietary Payments Platform.

We were incorporated under the laws of the State of Delaware in January 2015. Our principal executive offices are located at 2211 North First Street, San Jose, California 95131 and our telephone number is (408) 967-1000. Our website address is www.paypal.com. We make available free of charge on our website our annual, quarterly and current reports, including amendments to such reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website as part of this prospectus.

The Offering

Common stock offered by the selling stockholders 742,335 shares

Our common stock is listed on the NASDAQ Stock Market under the symbol PYPL

Use of proceeds All of the shares of common stock being offered under this prospectus are being sold by the selling stockholders. Accordingly, we will not receive any proceeds from the sale of these shares.

Background

On May 17, 2018, we entered into a Share Purchase Agreement (as amended, the Share Purchase Agreement), pursuant to which we agreed to purchase substantially all of the issued and outstanding capital stock held by the shareholders (the Sellers) of iZettle AB (iZettle), a Swedish limited liability company that operates payment services for trade and commerce by providing payment services for cards, online and alternative payments as well as point of sale services to small businesses within various industries in twelve countries. In that transaction, we paid to the

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Sellers cash and sold and issued an aggregate of 742,335 shares of common stock. 496,538 shares of common stock were sold and issued to certain employees of iZettle pursuant to Reinvestment Agreements, which provided that such shares of common stock are subject to forfeiture if the holder's employment with PayPal is terminated prior to vesting, other than a termination without cause or due to good reason, death or disability. Such shares of common stock are released from potential forfeiture over a three

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year period, with 33% released on the first anniversary of the closing of the acquisition, 33% released on the second anniversary of the closing and 34% released on the third anniversary of the closing. 245,797 shares of common stock were sold and issued to certain employees of iZettle pursuant to Restricted Stock Agreements, which provided that such shares of common stock are subject to a repurchase right by us if the holder, prior to vesting, (i) voluntarily resigns, (ii) is dismissed from employment or (iii) voluntarily ceases to work for a period of over three months in any 12 month period; unless, in the case of (ii) and (iii), the event is approved by us or due to sickness, death or disability. Such shares of common stock are released from potential repurchase on the various vesting dates to which the warrants held by the Sellers of iZettle were subject, the last of which will vest on January 1, 2021.

Our stockholders are not third-party beneficiaries under the Share Purchase Agreement and the related agreements and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of PayPal, iZettle or any of their respective subsidiaries.

Throughout this prospectus, when we refer to the shares of our common stock, the offer and sale of which are being registered on behalf of the selling stockholders, we are referring to the shares of common stock held by former holders of capital stock of iZettle that were sold and issued pursuant to the Share Purchase Agreement and the related agreements. When we refer to the selling stockholders in this prospectus, we are referring to former holders of capital stock of iZettle.

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RISK FACTORS

Investing in our securities involves risk. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed below and under the heading "Risk Factors" in any prospectus supplement, together with all of the other information contained or incorporated by reference in this prospectus or any prospectus supplement. You should also consider the risks, uncertainties and assumptions discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2018, June 30, 2018 and September 30, 2018, which are incorporated herein by reference, and may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future. The risks and uncertainties we have described therein and below are not the only risks that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations.

We may not realize all of the anticipated benefits of the acquisition of iZettle.

The success of our acquisition of iZettle will depend, in part, on our ability to realize the anticipated growth opportunities and synergies from combining the businesses of our company and iZettle. Our ability to realize these anticipated benefits, and the timing of this realization, depend upon a number of factors and future events, many of which we and iZettle, individually or collectively, cannot control. These factors and events include:

the timing and possible outcome of the review of the acquisition by the UK Competition and Markets Authority ("CMA"), and the related impact of holding PayPal and iZettle brands and operations separate as agreed with the CMA pending completion of the CMA's review;

our ability to successfully and timely integrate iZettle's business and operations with ours;

obtaining and maintaining patent rights relating to the iZettle technology;

retaining and attracting key employees;

the reaction of iZettle's customers, business partners and competitors to the acquisition;

consolidating corporate and administrative functions; and

minimizing the diversion of management's attention from ongoing business concerns.

We cannot assure you that any of the foregoing factors will not have an adverse effect on our business, financial condition and prospects.

Acquisitions involve risks, including inaccurate assessment of undisclosed, contingent or other liabilities or problems. Following the completion of the acquisition, the surviving corporation possesses not only all of the assets, but also all

of the liabilities of iZettle. It is possible that undisclosed, contingent or other liabilities or problems may arise in the future of which we were previously unaware. These undisclosed liabilities could have an adverse effect on our business, financial condition and prospects.

If the selling stockholders immediately sell their shares of our common stock received in the acquisition after such shares have vested, they could cause our common stock price to decline.

The sale and issuance of our common stock in connection with the iZettle acquisition could have the effect of depressing the market price for our common stock, through dilution of earnings per share or otherwise. Once the registration statement, of which this prospectus is a part, is declared effective, all of the shares of common stock sold and issued to the former security holders of iZettle in connection with the closing of the acquisition will be available for resale in the public market, subject to potential forfeiture or a right of repurchase under certain conditions.

In addition, many of the former security holders of iZettle may decide not to hold the shares of our common stock they will receive in the acquisition. Other former security holders of iZettle, such as funds with limitations

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on their permitted holdings of stock in individual issuers, may be required to sell the shares of our common stock that they receive in the acquisition. Such sales of our common stock could have the effect of depressing the market price for our common stock and may take place promptly following the vesting of the common stock sold and issued to the former security holders of iZettle. In addition, future events and conditions could increase the dilution that is currently projected, including adverse changes in market conditions, additional transaction and integration related costs and other factors such as the failure to realize some or all of the benefits anticipated in the acquisition. Any dilution of, or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate. These sales may also make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate to raise funds through future offerings of our common stock.

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FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain, and any prospectus supplement and the documents incorporated therein may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Exchange Act), including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features or services, or management strategies). These forward-looking statements can be identified by words such as may, will, would, should, could, expect, anticipate, believe, estimate, intend, plan and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results and financial condition to differ materially from those expressed or implied in our forward-looking statements.

Such risks and uncertainties include, among others, those discussed under **Risk Factors** in this prospectus, in our Annual Report on Form 10-K for the year ended December 31, 2017 (the **2017 Form 10-K**), in our Quarterly Reports for Form 10-Q for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018, as well as in our unaudited condensed consolidated financial statements, related notes, and the other information appearing elsewhere in our filings with the SEC. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this prospectus to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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USE OF PROCEEDS

The selling stockholders will make offers and sales pursuant to this prospectus and any applicable prospectus supplement. We will not receive any proceeds from the sale or other disposition by the selling stockholders of the shares of our common stock covered hereby, or interests therein. The selling stockholders will pay any expenses incurred by the selling stockholders for brokerage, accounting, tax or legal services or any other expenses incurred by the selling stockholders in disposing of these shares. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including, without limitation, all registration fees, listing fees of the NASDAQ Stock Market and fees and expenses of our counsel and our independent registered public accounting firm.

Table of Contents**SELLING STOCKHOLDERS**

We are registering for resale an aggregate of 742,335 shares of our common stock that may be sold by the selling stockholders set forth herein. Such shares were sold and issued by us to the former stockholders of iZettle in connection with the closing of the acquisition pursuant to the terms of the Share Purchase Agreement and the related agreements.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to our common stock. To our knowledge, the selling stockholders have sole voting and investment power with respect to their respective shares of common stock, unless otherwise noted below.

The selling stockholders may sell some, all or none of their respective shares of common stock offered by this prospectus from time to time. We do not know how long the selling stockholders will hold their respective shares of common stock covered hereby before selling them. Each selling stockholder of common stock sold and issued pursuant to Reinvestment Agreements has agreed that its shares of common stock are subject to forfeiture if such selling shareholder's employment at PayPal is terminated prior to vesting, other than a termination without cause or due to good reason, death or disability and such shares of common stock are released from potential forfeiture over a three-year period. Each selling stockholder of common stock sold and issued pursuant to Restricted Stock Agreements has agreed that its shares of common stock are subject to a repurchase right by us if the holder, prior to vesting, (i) voluntarily resigns, (ii) is dismissed from employment or (iii) voluntarily ceases to work for a period of over three months in any 12 month period; unless, in the case of (ii) and (iii), the event is approved by us or due to sickness, death or disability and such shares of common stock are released from potential repurchase on various vesting dates up until January 1, 2021. Other than the Share Purchase Agreement, the Reinvestment Agreements, the Restricted Stock Agreements and the agreements contemplated thereby, we currently have no agreements, arrangements or understandings with the selling stockholders regarding the sale of any of the shares of common stock being offered hereunder. As of the date of this prospectus, each selling stockholder is an employee of iZettle, a wholly owned subsidiary of PayPal.

Name of Selling Stockholder	Prior to the Offering		Number of Shares of Common Stock Being Registered for Resale(2)	After the Offering	
	Number of Shares of Common Stock Beneficially Owned	Percent of Shares of Common Stock Outstanding(1)		Number of Shares of Common Stock Beneficially Owned(3)	Percent of Shares of Common Stock Outstanding
Adam Henric von Corswant	10,067	*	10,067	*	
Alireza Behrooz	2,847	*	2,847	*	
Anders Jansson	1,984	*	1,984	*	
Andreas Thomas Rynvall Falk	915	*	915	*	
Anna Sitnikova	2,135	*	2,135	*	
Anne-Marie Sawdin Andric	3,703	*	3,703	*	
Carl Åke Martin Åkesson	1,423	*	1,423	*	
Carl Leo Edward Nilsson	8,696	*	8,696	*	
Christos Stavropoulos	3,701	*	3,701	*	
Clementine Marie Masson-Lecomte	740	*	740	*	

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Daniel Johan Ahremark	5,069	*	5,069	*
Daniel Jakob Bernholc	2,288	*	2,288	*
David Sakarias Pettersson Österdahl	7,119	*	7,119	*
Edgar Laurens Rouwenhorst	7,119	*	7,119	*
Elin Hanna Lewold	2,135	*	2,135	*
Elisabet Birgitta Maria Stigård	1,423	*	1,423	*

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Name of Selling Stockholder	Prior to the Offering		Number of Shares of Common Stock Being Registered for Resale(2)	After the Offering	
	Number of Shares of Common Stock Beneficially Owned	Percent of Shares of Common Stock Outstanding(1)		Number of Shares of Common Stock Beneficially Owned(3)	Percent of Shares of Common Stock Outstanding
Eric Anders Olof Hansander	1,423	*	1,423	*	
Erik Christoffer Jörgen Lindfors	2,881	*	2,881	*	
Erik Staffan Emanuel Jonsson	915	*	915	*	
FWH Stockholm AB(4)	235,138	*	235,138	*	
Gamze Belloni	1,281	*	1,281	*	
Goncalo Soares Melo de Oliveira	2,277	*	2,277	*	
Hans Robert Käck	2,222	*	2,222	*	
Ian Charles Robbins	3,844	*	3,844	*	
Ikrom Hotamov	2,269	*	2,269	*	
Ingemar Johan Varp	1,423	*	1,423	*	
Janne Oskar Harju Lönn	711	*	711	*	
Jennie Sara Madeleine Persson	2,709	*	2,709	*	
Johan Bendz	12,116	*	12,116	*	
Johan Jacob Gustafsson	1,423	*	1,423	*	
Johan Ragnar Karlgrund	711	*	711	*	
Justin Zeitler Drees	1,601	*	1,601	*	
Karolina Maja-Karin Arvidsson	740	*	740	*	
Klas Henrik Johansson	1,372	*	1,372	*	
Kyle Addison Hitchcock	2,847	*	2,847	*	
Lars Mårten Birger Strömberg	8,258	*	8,258	*	
Magdalena Eva Micko	1,423	*	1,423	*	
Malena Heed	2,135	*	2,135	*	
Malin Anna Elisabet Buch	3,872	*	3,872	*	
Maria Patricia Hedengren	29,979	*	29,979	*	
Mario Fernando Sanchez De la Rosa	740	*	740	*	
Mattias Eric Jähnke	1,850	*	1,850	*	
Natalie Ida Eklund	2,135	*	2,135	*	
Niclas Tunek	1,423	*	1,423	*	
Nino Johannes Höglund	4,983	*	4,983	*	
Oskar Johannes Erik Arndt	12,814	*	12,814	*	
Patrik Viktor Karlsson	2,135	*	2,135	*	
Per Johannes Löfgren	2,696	*	2,696	*	
Ron Stolero	9,115	*	9,115	*	
Ruben Flam	4,974	*	4,974	*	
Sara Denree Kristina Arildsson	54,847	*	54,847	*	
Sten Fredrik Bäckström	2,538	*	2,538	*	
Timothy James Lord	1,308	*	1,308	*	
Umut Anil Yurdakök	1,423	*	1,423	*	
Xiaodong Xie	1,423	*	1,423	*	
iChip Holding AB(5)	252,997	*	252,997	*	

* Less than 1%.

(1) Based on 1,178,359,088 shares outstanding as of October 17, 2018, which includes 742,335 shares sold and issued pursuant to the acquisition of iZettle. Assumes all the shares of common stock of the selling stockholders have vested.

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- (2) Represents the number of shares being registered on behalf of the selling stockholder pursuant to this registration statement, which may be less than the total number of shares beneficially owned by such selling stockholder. Assumes all the shares of common stock of the selling stockholders have vested.
- (3) Assumes that the selling stockholders