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Company: PayPal	Ticker: PYPL	Price: \$58.82	Industry: Technology and Digital Payment (FinTech)
Target Price: \$58.82 Stop Loss: \$47.06 52 Week High/Low: \$88.62/\$50.25	TTM P/E: 17.45x Forward P/E: 9.93x	Beta (5Y Monthly): 1.38 Credit Rating: A3 (Moody's) Rating Outlook: Stable	Market Cap: 63.03B Avg. Vol: 14,229,246 Dividend Yield: 0.00%

Company Background:

PayPal is a digital wallet platform which gives users access to send and receive money, while also accessing different services such as a credit line, bank account, and installment payments for purchases. As of Q3 2023, PayPal has 428 million active users that use this application. PayPal operates in 200 countries/regions, carrying 25 different currencies. Roughly 91% of PayPals revenues come from Transaction Revenues (fees) and the 9% comes from Other-Value Added Services.

Industry Outlook:

The payments industry is a \$2.1 Trillion Industry and expected to grow at a CAGR of 6.2%. Rising interest rates drove nearly half of revenue growth in many markets, interrupting the historical trend of fees being the primary growth driver. Cash usage declined by almost 4 percentage points globally in 2022. Over the past 5 years, electronic transactions grew nearly 3 times faster than overall payments revenue. The payments industry showed ongoing change and opportunities for growth in 2022, with developments across geographies and products. A closer look at revenues reveals structural shifts, including advances in instant payments and digital wallets. Generative AI could raise productivity by 2.8-4.7%, equaling \$200-\$340 billion additional revenue.

Investment Thesis:

PayPal was founded in 1998 and has been operating since. Being one of the oldest digital payments companies, it has come across as one of the safest and risk-free payment options for many individuals and merchants. PayPal has maintained strong financials YoY average about 14% since 2019. PayPal heavily returns their revenues to their technology and development division of the company, to improve many areas such as risk, compliance, finance, treasury, development and engineering, and more. PayPal also generates along with Venmo, which is one of the most well-known payment companies to send and receive currency. The payment industry in itself has been growing, with an average increase of 9.1% of active users since Q1 2021 on PayPal. It was studied that an account transacted about 57 times over a 12-month trailing period.

Investment Risks:

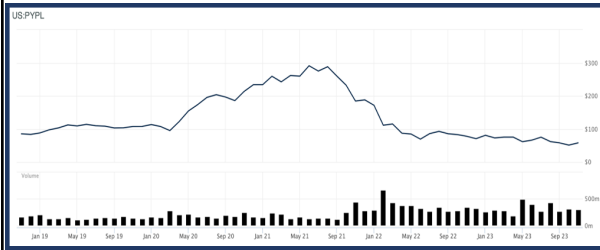
PayPal is subjected to two different areas of risk, including cybersecurity and international markets. For cybersecurity, there are constant evolving cyber threats, including advanced attacks, which pose risks to systems and data integrity. In addition, international markets serve as a risk due to the idea that adverse global economic conditions (e.g. financial market turmoil, credit market tightening, high unemployment) may negatively impact demand for products and services.

3-5 takeaways from last quarter investor call transcript:

- There was one observation that stuck out: On our employees, our people are kind, caring, dynamic, innovative and engaged. They care deeply about our customers and one another and are energized by our mission.

- In the U.S. alone, over 70% of the adult population has used PayPal in the past five years.
- Over 25 million consumers have used PayPal Rewards in the past 12 months, and PayPal put more than \$200 million back in our customers' pockets with cashback and savings during that time.

5-Year Financial Performance:



DCF Valuation:

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$7,084
Discount Rate	10.00%
Terminal Value	\$104,239
Perpetuity Growth Rate	3.00%

Implied Equity Value and Share Price	
PV of FCF	\$21,424
PV of Terminal Value	\$64,724
Enterprise Value	\$86,148
Less: Debt	\$10,481
Add: Cash & Equivalents	\$7,101
Equity Value	\$82,768
Shares Outstanding	1,134.0
Implied Share Price	\$72.99
Current Price	\$58.50
Margin of Safety	24.77%

Comparable Companies:

Company Name	Market Data				Financial Data (FY+1)				Valuation (FY+1)				ROE	EPS
	Price (\$/Share)	Shares (M)	Market Cap (\$M)	Net Debt (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Net Income (\$M)	EV/Sales x	EV/EBITDA x	P/E x			
PYPL	56.39	1,134	63,946	311	64,257	29,130	5,450	3,760	2.21	11.79	17.01	18.82%	3.32	
SQ	60.31	614	37,030	890	37,920	20,790	53	(281)	1.82	709.72	(131.78)	-1.73%	-0.46	
GP	113.70	260	29,606	1,542	31,148	9,470	3,830	874	3.29	8.13	33.87	3.98%	3.36	
Average	76.80	669.46	43,527.65	914.32	44,441.97	19,796.00	3,111.14	1,451.08	2.44	243.21	(26.97)	0.07	2.07	
Median	60.31	614.00	37,030.34	889.96	37,920.30	20,790.00	3,830.00	874.24	2.21	11.79	17.01	0.04	3.32	

ESG:

- PayPal is committed to transparency and aligns with various reporting frameworks, including the Global Reporting Initiative, SASB standards, United Nations Global Compact, Stakeholder Capitalism Metrics, and Sustainable Development Goals. They are actively developing climate-related disclosures in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, providing clear reporting on governance, strategy, risk management, and targets through the TCFD Index and annual CDP climate change questionnaire.
- Recognizing the importance of environmental, social, and governance (ESG) considerations in their strategy, PayPal focuses on

	<p>Responsible Business Practices, Social Innovation, Employees & Culture, and Environmental Sustainability. Emphasis on the significance of living their values throughout the organization and is committed to diversity in leadership.</p>
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