Company: PayPal	Ticker: PYPL Current Price: \$ 81.26	Industry: FinTech Sub li	ndustry: Digital Payments
Target Price: \$82	TTM P/E: 19.49	Beta: 1.44	Market Cap: \$82.97b
Stop Loss: \$70	Forward P/E: 16.7	Credit Rating: A-(S&P)	Avg Vol (12 M): 8.46 m
52 Week High/ Low: 80.63/ 50.25	EPS: \$4.13	Rating Outlook: Stable	Dividend Yield: 0.0%

### Company Background:

• PayPal was founded in 1998 and acts as a Payment Platform & Processor w/ additional services

• They current have 429 Million active accounts and operate in more than 200 countries supporting about 25 currencies

- Industry Outlook:
  - The payments industry is growing at a 9.52% CAGR with the Digital Payments market projected to reach US\$11.53tn in 2024.
  - This industry continues to face increased competition against banks and financial institutions, payment networks and providers offering a variety of payment products and services

### Investment Thesis:

- PayPal offers a value investment opportunity with its stock price previously being around \$300 during COVID. As investors cashed out and COVID receded, PayPal price crashed which I now believe offers a great investment opportunity
- Additionally with the introduction of new CEO Alex Chriss last year, he has put a lot of work into changing the image of PayPal
- PayPal's scale and ability to adapt as a market leader also allow it to always be a powerful player in the industry

## Investment Risks:

- Competition is fierce and hard for merchants and consumers to differentiate the benefits between opportunities
- An adapting industry- Open banking is expanding access to financial data, fostering innovation and competition among service providers with the Integration of cryptocurrency, blockchain and contactless payments
- Heavy Regulations in countries like China who utilize Alipay and WeChat

#### 3-5 take aways from last quarter investor call transcript:

- PayPal just recently outperformed the Nasdaq its first time in 8 quarters
- Beat Q2 numbers and raised guidance and stock buybacks
- Introduced Fastlane, PayPal Everywhere and new debit card rewards

## **Financial Performance:**

# Discounted Cash Flow

In \$Millions	2020	2021	2022	2023	Q1-2024	Q2-2024		
Revenue	\$21454	\$25371	\$27518	\$31028	\$7699	\$7885		
Operating Profit	\$3428	\$4315	\$4039	\$4855	\$1382	\$1408		
Net Income	\$4202	\$4169	\$2419	\$4246	\$888	\$1128		
Revenue Growth (%)	20.72%	18.26%	8.46%	12.76%	-9.04%	2.42%		
Operating Profit (%)	15.98%	17.01%	14.68%	15.65%	17.95%	17.86%		
EPS	3.58	3.55	2.1	3.85	.83	1.08		
P/E Ratio	78.51	66.07	37.44	26.59	16.17x	16.35x		
ROE (%)	22.7%	20%	11.5%	20.5%	17%	21.8%		
ROA (%)	3.5%	3.7%	3.3%	3.8%	4.2%	4.2%		
FCF	\$5055	\$2752	\$3329.4	\$5118.5	\$2072	\$976		

Analyst Opinion						
Buy:25	Hold:	26	Sell:2			
	Ratin	g	Target			
Morgan Stanley	Hold		71			
JP Morgan	Buy		80			
Mizuho Securities	Buy		100			
Avg Revenue Growth		5.1%				
Avg EBITDA Margin		21%				
Avg FCF Margin		17%				
Cost of Debt		3%				
Tax Rate		22%				
Cost of Equity		10.37%				
WACC		9.33%				
Perpetuity Growth Rate	е	3%				

Relative Valuation				
	PayPal	Visa	Block	Mastercard
P/E	15.9	25.04	16.11	30.68
P/B	NM	7.6x	NM	8.9x
Dividend Yield	-	0.74%	-	.52%
PEG Ratio	1.49	1.89	0.36	1.88
EPS	4.49	10.7	3.96	15.28
Rev Growth	8.2%	9.7%	19.36%	11.87%
NI Growth	4.52%	10.6%	N/A	9.5%
Operating Margin	17.3%	66.9%	5.24%	59.39%
Debt / Equity	62.8%	51.9%	38.2%	208.6%
Market Cap	82471.6	533956.4	44167.4	468070.2
Revenue TTM	31028	34918	23503	26390
Net Income TTM	4438	19106	680.8	12258
FCF TTM	6701	15101	1196.6	12385.9

1	Total Return									
	Return	stock	Pay. Process. Sec.	S&P 500						
I	YTD	31.26%	9.5%	20.27%						
	Last 3 Years	-70%	25.99%	78.12%						
	Last 5 Years	-20.3%	24.57%	93.36%						

# **CSR Characteristics**

Name (81 Peers)	ESE Percenti Score			Percenti Rating	Sustaina ESG Risk Score	S&P ESG Globel Rank	USS Quality Score	Perform	Sustaina Controv Level	ESG Disclosu Score	BGEI Score	Robeco SDG Total Company
Hedian	10.00				18.62	76	5.00				0.00	
PAYPAL HOLDINGS INC	96.30				16.41		8.00			\$4.90	0.00	
FISERV INC	79.20				17,72					46.68		
FIDELITY NATIONAL INFO SERV	HU.X	86.30			14.36		1.00			50.31		
TGLOBAL PAYMENTS INC	85.8			93.50 888	19.51		7.00			44.15		
CORPAY INC	66.7				20.00			0.00		33.51		
AFTER HOLDINGS INC	31.7				22.46 22.94 20.18					33.96		
MX IN:	31.0	85.20	91.00		22.94		8.00 2.00			33,96		
TEURONET MORIDADE INC	29.40			56.50 N.S.	21.40		4.00			37,10		
E MESTERN UNION CO	84.90				17.37		1.00			50.08		
HASTERCARD INC - A	95.70				15.59		1.00			57.26		
VISA INC-CLASS & SHARES	97.70				15.19		3.00					
COINBASE GLOBAL INC -CLASS A	3.70				27.78		10,00					
	72.50						9.00 1.00					
	80.80	58.60	83.80				1.00					