

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

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

Discounted Cash Flow

Analyst Opinion

Buy:25	Hold:26	Sell:2
	Rating	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	3%

