

# PAYPAL HOLDING INC.

NASDAQ: PYPL

Price: \$60.11 | Target: \$110.71 | Upside: 84.18%

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## Our Team

**Adam Coad**

Sophomore

The University of Texas  
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# What is PayPal?



*"To democratize financial services and make money movement accessible, convenient, and secure..."*

Founded in 1998, PayPal is a global digital payment platform that enables consumers and merchants to send, receive, and manage money online. Their diversified business models spans transaction based revenue, merchant services, digital wallets, payments via Venmo, and pay later solutions, serving both B2B and B2C markets across more than 200 countries.



## Financial Snapshot

Operating Metrics (Q2 2025)		Trading Metrics (11/19/2025)	
Revenue	\$8.3B	Market Cap	\$56.24B
P/E	~11.8x - 12.0x	Shares (Out)	935.6M
Price/Book Value	~2.8x - 3.0x	EV/REVENUE	1.7x - 1.8x
Free Cash Flow	\$0.7B	Price/Sales	1.8x

### Transaction Revenue

Based on merchant fees, checkout processing, branded/unbranded payment volume

### Venmo Ecosystem

P2P transfers, business profiles, merchant acceptance, debit card, buy now pay later

### Value-Added Service

Fraud detection, chargeback protection, merchant analysis, currency conversion fees

### Subscriptions & Interest

Paypal complete payments, venmo subscriptions, interest on customer balances

# Industry Overview



*Strong Growth Potential within competitive over-saturated market*

## Industry Analysis using Porter's 5 Forces

Threat of New Entrants (Moderate): High Infrastructure and Regulatory requirements, Ease of Funding for Fintech Startups.

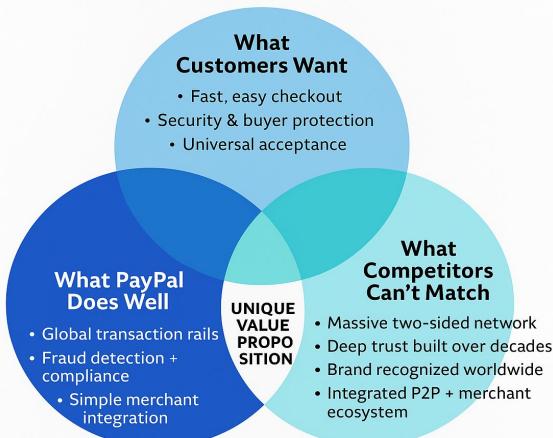
Threat of Substitutes (High): Dense space, Infrastructure becoming imbedded in apps, phones, banks.

Bargaining Power of Supplies (Low): Paypal delivers Mass transactions to Processors. High leverage but no real power against cost increases.

Bargaining Power of Buyers (High): Many Substitutes, no lock in's, merchant's actively comparing fee structures.

Rivalry Among Existing Competitors (High): Low Margin, Gateway Drug to Higher profitability Financial ventures.

## Unique Value Proposition



## Recent Trends

1

BNPL (Buy now, Pay Later) maintains 20% yoy Growth

2

Paypal World announcement and integration of wallet partners.

3

Venmo Growth stays strong through Q2. Delivering growth topping 20% yoy

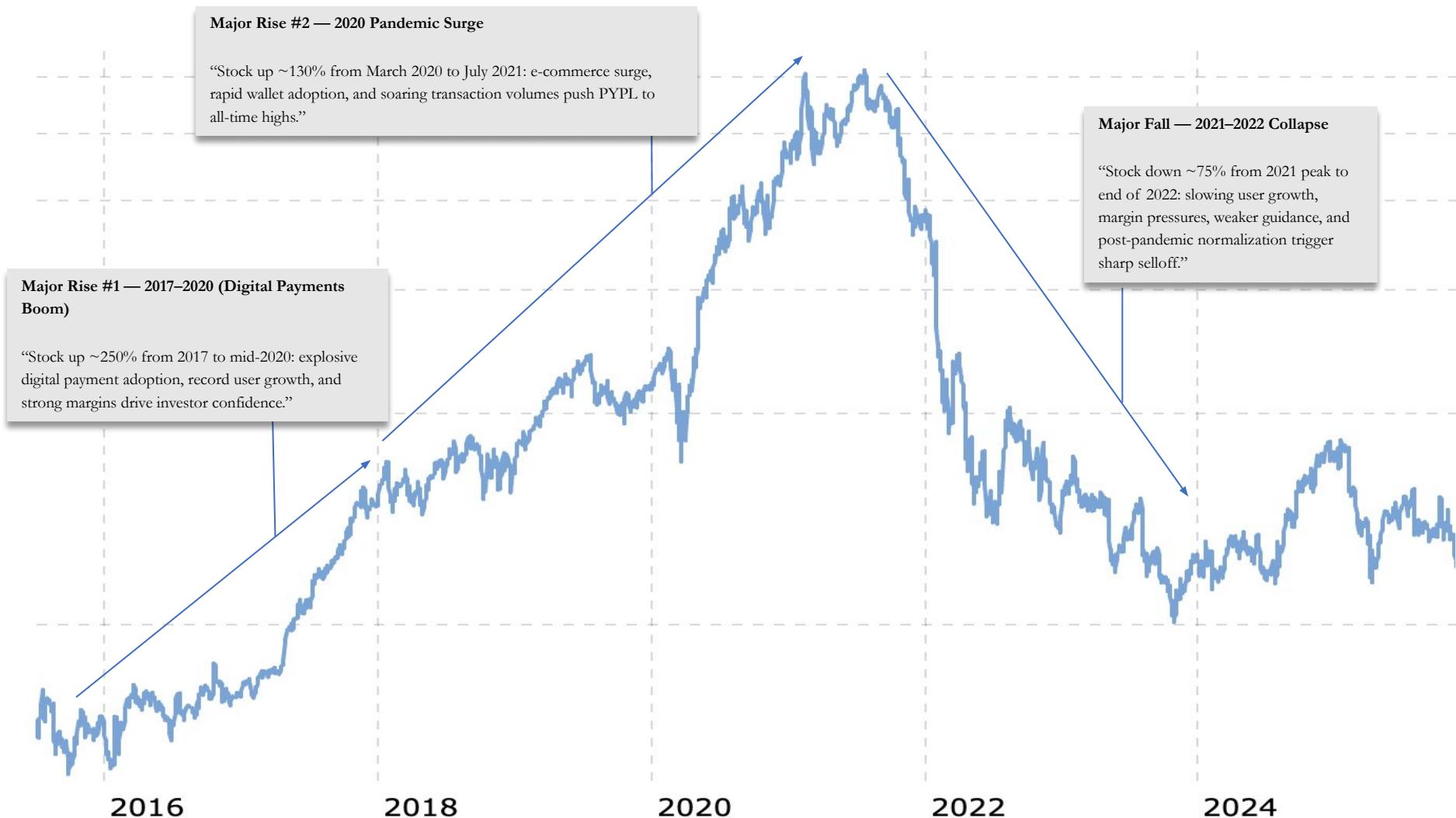
## Recent Deals power long-term Growth Potential

**Google PayPal**

- Google and Paypal sign multiyear agentic commerce deal. (Sep 2025)
- Tightens Google Paypal relationship,
- Strong growth potential within agentic commerce with strong leverage as an established name within payments industry

# Historical Stock Price

*The rise of digital payments and the effects of the pandemic*



# Thesis Overview



Our Elevator Pitch: Mispriced market perception, distinctive business model, and strengthening financials

1

## PayPal is a cash flow machine trading at a major discount

PayPal generates strong, stable free cash flow, yet the market continues to price the company as if it is in long-term decline. Our DCF analysis shows that even under conservative assumptions, PayPal's intrinsic value is far above its current price, signaling a clear mispricing and long-run upside

2

## PayPal Benefits from a Diversified & Scaled Global Payment Ecosystem

PayPal benefits from a deeply diversified global payment network spanning consumer wallets, merchant checkout, P2P payments, and value added financial services. This multi-engine model reduces reliance on any single revenue stream and enables PayPal to scale with e-commerce growth worldwide. This broad ecosystem positions PayPal to capture long-term growth in global ecommerce and digital payments

3

## Margin Expansion Through Efficiency, Automation & Cost Discipline

PayPal's cost-reduction initiatives, automation efforts, and product simplification strategy are driving meaningful operating efficiency improvements. As expenses decline and checkout performance improves, PayPal is positioned to expand margins and restore profitability momentum over the next several years.

## Why does this opportunity exist?

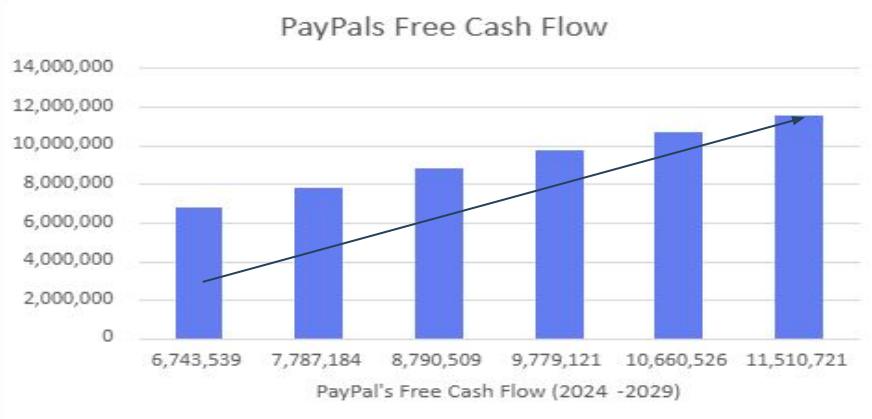
1. The market believes PayPal is a declining business, losing share to Apple, Block, and emerging digital wallets
2. Investor sentiment is extremely negative due to slowing active user growth
3. Recent management turnover and strategic resets have created doubt of long term direction
4. PayPal trades at historically low valuation multiples

# Thesis 1 – Mispriced Cash Flow Machine



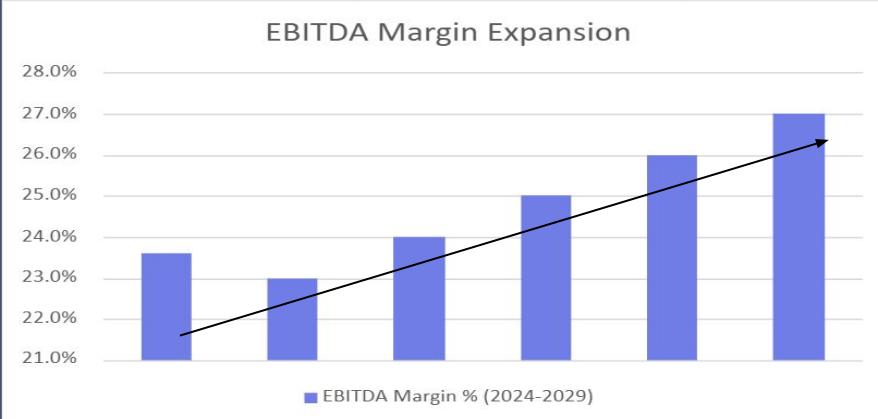
*The markets overly negative outlook on PayPal has created a deep ovulation disconnected despite stable cash flows and expanding margins*

## PayPal's Cash Flow Strength vs Market Perception



PayPals underlying cash flow engine continues to strengthen, yet the market is valuing the company as if its fundamentals are in structural decline. As free cash flow steadily expands each year, our valuation scenarios consistently land far above the current share price.

## Margins and Multiples Highlight Clear Market Mispricing



PayPal's rising margins and consistent profitability contrast sharply with its depressed valuation multiples. The market prices PayPal like a shrinking business, but its fundamentals reflect a highly cash generative company with improving performance

## Value Comparison



## Forward P/E



# Thesis 2 – Diversified Revenue Streams



*Global Reach strong Payment flows and growth Turnaround*

## Network Access

- 200+ markets
- 400m users
- Strong Partnerships

### Paypal World

Paypal's new venture Integrating separate products and partnerships into a seamless ecosystem to lower cost and ease access and transferability.

### Venmo P2P Growth

### Transaction Revenue

## VALUE ADDED SERVICES

- Fraud Protection
- Chargeback Protection
- FX Fees

# Thesis 3 – Robust Financials



*PayPal is implementing effective cost-cutting measures and is on track to exceed profitability estimates.*

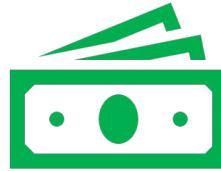
## Cost-Saving & Value-Adding Measures



PayPal's cost optimization program aims to **reduce operating expenses by approximately \$300–350 million in FY 2025**, including targeted workforce adjustments and efficiency measures to significantly lower **SG&A costs**.

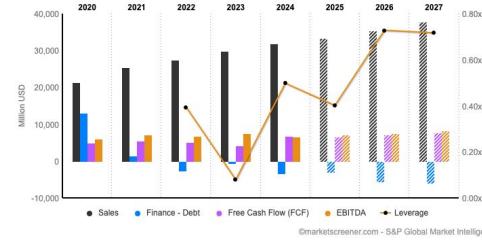
The company has authorized a **\$5 billion share repurchase program**, largely unused. Executing it at current stock prices could **offset stock-based compensation dilution** and potentially support the share price.

## Bulletproof Balance Sheet



PayPal maintains a **robust balance sheet**, with approximately **\$7 billion in cash and short-term investments** and manageable debt levels. This financial strength enables continued **investments in strategic initiatives**, including product innovation, partnerships, and share repurchases, while supporting **valuation resilience**. It also provides a **buffer against market volatility** and potential economic downturns.

## Profitable Outlooks



**Gross Profit Margin: FY 2025**

40%

PayPal maintains healthy gross margins of around **40–41%**. The company achieved **EBITDA profitability** in recent periods, with a steadily stable margin despite pressure on the top line. Projections for **FY 2025** show modest **EBITDA growth**, signaling a positive outlook and potential for further margin expansion over the next 2–3 years.

## Expert Management Team

PayPal's leadership team, led by CEO Dan Schulman, is a key strength. With extensive experience in digital payments and fintech innovation, the team is well-positioned to expand PayPal's merchant and consumer segments, drive top- and bottom-line growth, and navigate market concerns about competition and evolving payment technologies.



*Jamie Miller Chief Financial Officer*

# PayPal vs. Competitors



*PayPal has a long-term edge over competitors in the fintech industry*

## PayPal vs. Key Competitors



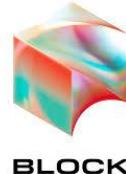
**PayPal:** PayPal continues to face slowing revenue growth, margin compression, and intensifying competition across digital payments. The company's weaker guidance and stagnant user engagement underscore its struggle to innovate at the pace of emerging fintech rivals."



**Visa** Visa maintains strong top-line momentum driven by resilient consumer spending and global payment volume growth. Its asset-light model, disciplined cost structure, and dominant network position continue to support industry-leading profitability.



**Mastercard:** Mastercard benefits from consistent revenue expansion, rising cross-border volumes, and strategic partnerships across fintech and open banking. Its robust balance sheet and diversified global footprint reinforce its long-term competitive strength.



**Block** Block's results have been pressured by uneven profitability, heavy investment spending, and volatility in its Cash App and Seller segments. While innovation remains a core strength, the company's elevated expenses and inconsistent execution have weighed on financial performance.

Ticker	Price	Market Cap	Enterprise Value	Cash (or Net Cash)
PYPL	~\$60.11	~\$58.8 B	~\$60.18 B	~22.4 B
Block (SQ)	~\$86.96	~ 37.794 B	~29.54 B	~13.2 B
Mastercard (MA)	~\$530.36	~\$476 B	~\$498.40 B	~10.8 B
Visa (V)	~\$324.12	~\$631.69 B	~\$626 B	~25 B

# Potential Risks & Solutions



*PayPal faces potential risks, but its leadership is well-equipped to navigate challenges.*

## Potential Risks

### 1. Slowing Growth in Users and Activity

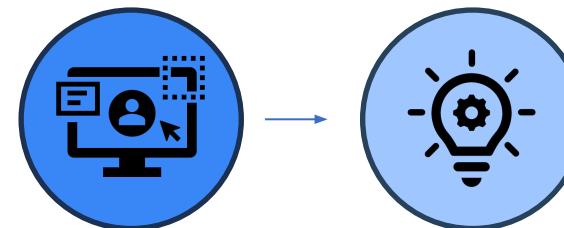
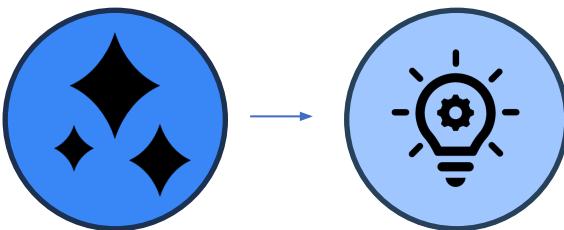
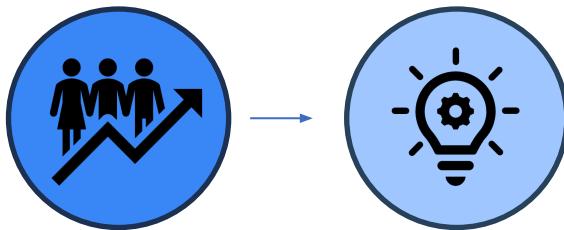
PayPal isn't adding new users as quickly as before, and many existing customers aren't making as many transactions. This suggests people may be trying other payment apps or just using PayPal less often.

### 2. Rising Costs Are Pressuring Profits

Operating the platform is becoming more expensive. Costs related to transactions, technology, and incentives are increasing, which makes it harder for PayPal to maintain strong profit margins.

### 3. Tough Competition From Big Tech and Fintech

Apple Pay, Cash App, Stripe, and other digital payment options are growing fast. They offer simple, mobile-friendly experiences, which makes it harder for PayPal to stand out and keep its users.



## Solutions

### 1. Improve the Product and User Experience

PayPal can refresh its app, make checkout smoother, and add new features that keep customers engaged. A more modern, intuitive experience could bring inactive users back and attract new ones.

### 2. Focus on Efficiency and Smart Spending

Cutting unnecessary costs, improving automation, and prioritizing the most profitable parts of the business can help PayPal protect its margins and improve long-term profitability.

### 3. Build Stronger Merchant Partnerships

By offering merchants better tools—such as fraud protection, rewards programs, and flexible payment options—PayPal can make itself more valuable to businesses. This helps drive more transactions and keeps PayPal relevant in the checkout process.

# DCF Valuation



*DCF scenarios highlight strong intrinsic value supported by PayPal consistent cash flow generation*

Gordon Growth

Bull Case

Gordon Growth Method	
Perpetuity Growth	5.00%
WACC	9.30%
Total PV of Cash Flows	59,931,000
Terminal Value	456,600,000
PV of Terminal Value	293,078,000
Enterprise Value	353,009,000
(+) Cash	15,400,000
(-) Net debt	4,300,000
Equity Value	372,709,000
Diluted Shares outstanding	989,242
Implied Share Price	\$342.40

Base Case

Gordon Growth Method	
Perpetuity Growth	3.00%
WACC	10.34%
Total PV of Cash Flows	30,220,298
Terminal Value	123,287,397
PV of Terminal Value	79,638,220
Enterprise Value	109,858,528
(+) Cash	15,400,000
(-) Net debt	4,300,000
Equity Value	114,158,528
Diluted Shares outstanding	989,242
Implied Share Price	\$115.40

Bear Case

Gordon Growth Method	
Perpetuity Growth	2.00%
WACC	11.00%
Total PV of Cash Flows	26,409,000
Terminal Value	97,841,000
PV of Terminal Value	58,064,000
Enterprise Value	84,473,000
(+) Cash	15,400,000
(-) Net debt	4,300,000
Equity Value	104,173,000
Diluted Shares outstanding	989,242
Implied Share Price	\$95.60

Exit Multiple

Exit Multiple Valuation Model	
Terminal Year EBITDA	15200000
TEV / EBITDA Multiple	15.0x
Terminal Value	228,000,000
PV of Terminal Value	168,000,000
Total PV of Cash flow	59,931,000
Enterprise Value	225,931,000
(+) Cash	15,400,000
(-) Net debt	4,300,000
Equity Value	207,290,000
Diluted Shares outstanding	989,242
Implied Share Price	\$207.29

Exit Multiple Valuation Model	
Terminal Year EBITDA	10082957
TEV / EBITDA Multiple	10.0x
Terminal Value	100,829,567
PV of Terminal Value	67,245,790
Total PV of Cash flow	30,220,298
Enterprise Value	97,466,087
(+) Cash	15,400,000
(-) Net debt	4,300,000
Equity Value	101,766,087
Diluted Shares outstanding	989,242
Implied Share Price	\$102.87

Exit Multiple Valuation Model	
Terminal Year EBITDA	11200000
TEV / EBITDA Multiple	8.5x
Terminal Value	95,200,000
PV of Terminal Value	56,510,000
Total PV of Cash flow	26,409,000
Enterprise Value	82,919,000
(+) Cash	15,400,000
(-) Net debt	4,300,000
Equity Value	102,619,000
Diluted Shares outstanding	989,242
Implied Share Price	\$94.20

## Equity Value per Share - Sensitivity Analysis

		Long term growth rate (g):				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC:	131.51	106.70	111.12	116.07	121.64	127.98
	11.3%	106.70	111.12	116.07	121.64	127.98
	10.8%	101.40	105.31	109.66	114.53	120.02
	10.3%	101.40	105.31	109.66	114.53	120.02
	9.8%	106.70	111.12	116.07	121.64	127.98
	9.3%	119.23	124.98	131.51	139.01	147.68

		Exit EBITDA Multiple				
		11.5x	12.0x	12.5x	13.0x	13.5x
WACC:	\$111.54	119.06	122.71	126.35	130.00	133.65
	11.3%	117.20	120.78	124.36	127.94	131.52
	10.8%	117.20	120.78	124.36	127.94	131.52
	10.3%	119.06	122.71	126.35	130.00	133.65
	9.8%	122.90	126.69	130.47	134.26	138.04
	9.3%	122.90	126.69	130.47	134.26	138.04

### Model Assumptions

#### Bull Case:

- Revenue growth accelerates at 14%, and then stabilizes at 8% terminally
- Perpetuity growth rate increase to 5%
- Exit Multiple increases to 15.0x

#### Base Case:

- Revenue Growth stabilizes at 10%, and then decreases to 5% terminally
- Perpetuity growth rate remains at 3%
- Exit Multiple remains at 10.0x in line with sector averages

#### Bear Case:

- Revenue growth slows to 3%, with pressure from competitors
- Exit Multiple decreases to 8.5x under stressed environment
- Perpetuity growth rate decrease to 2.0%

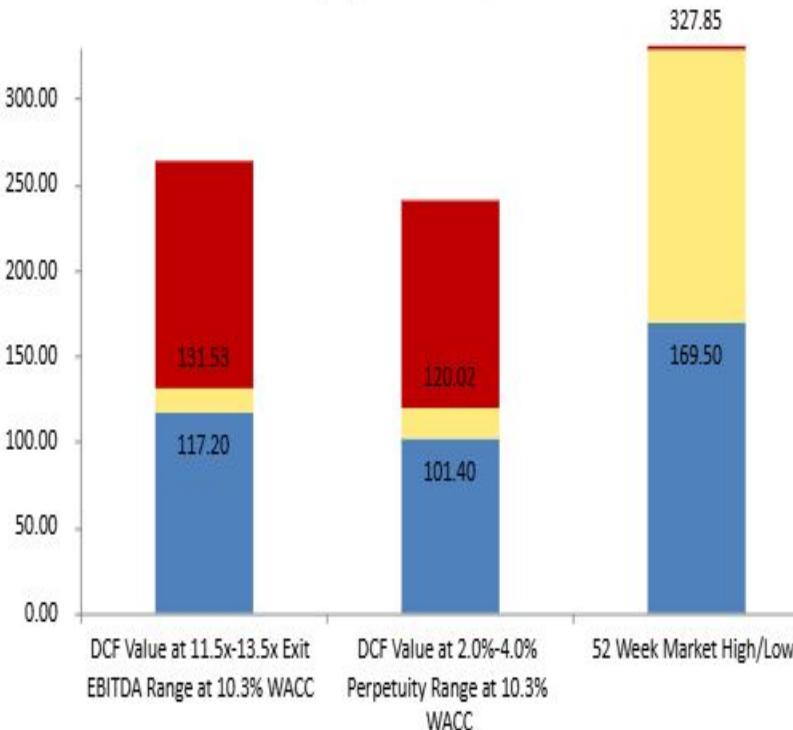
# Appendix

# Equity Value Range - Gordon Growth



## Equity value range

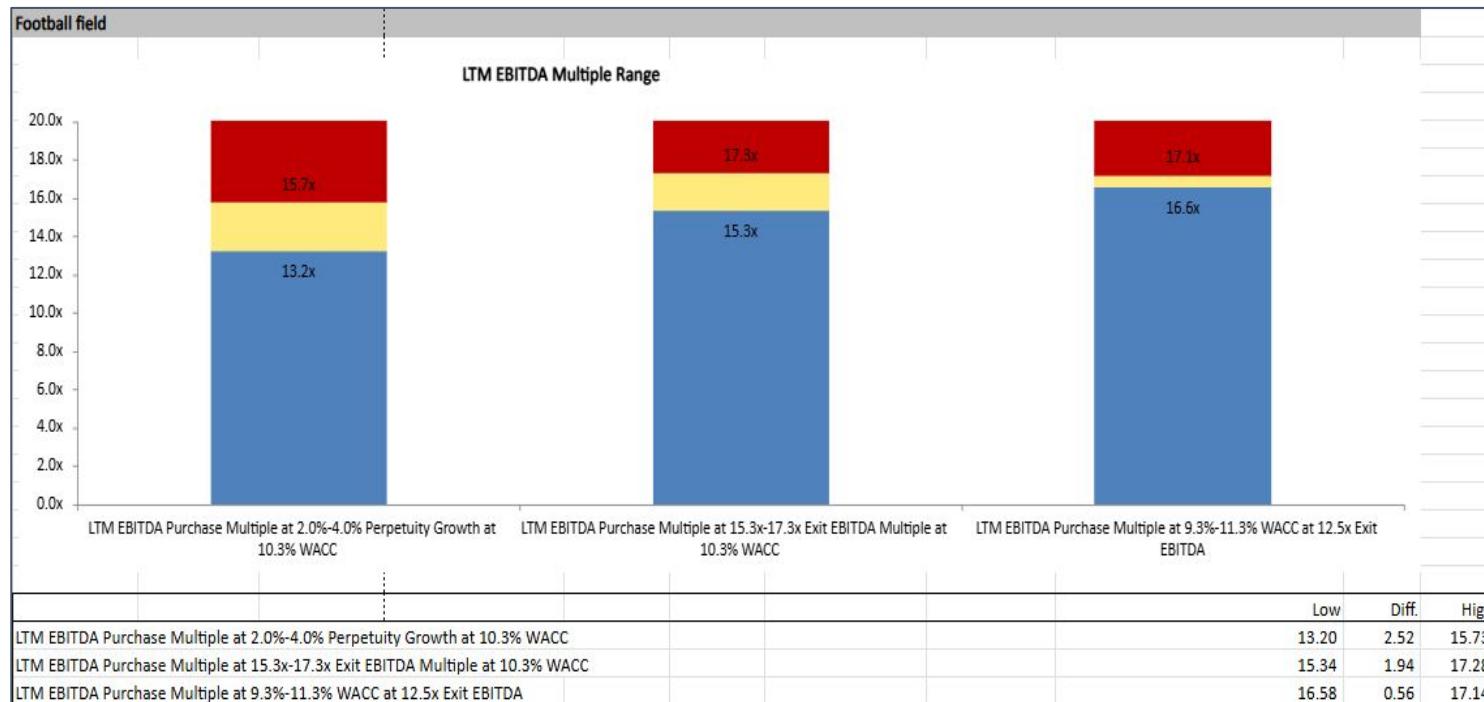
DCF Equity Valuation Range



	131.52	Equity value per share				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC: 11.3%	106.70	111.12	116.07	121.64	127.98	
WACC: 10.8%	101.40	105.31	109.66	114.53	120.02	
WACC: 10.3%	101.40	105.31	109.66	114.53	120.02	
WACC: 9.8%	106.70	111.12	116.07	121.64	127.98	
WACC: 9.3%	119.23	124.98	131.52	139.01	147.68	
	\$111.54	Equity value per share				
		11.5x	12.0x	12.5x	13.0x	13.5x
WACC: 11.3%	119.06	122.71	126.36	130.00	133.65	
WACC: 10.8%	117.20	120.78	124.36	127.95	131.53	
WACC: 10.3%	117.20	120.78	124.36	127.95	131.53	
WACC: 9.8%	119.06	122.71	126.36	130.00	133.65	
WACC: 9.3%	122.90	126.69	130.47	134.26	138.05	

	Low	Diff.	High
DCF Value at 11.5x-13.5x Exit EBITDA Range	117.20	14.33	131.53
DCF Value at 2.0%-4.0% Perpetuity Range	101.40	18.62	120.02
52 Week Market High/Low	169.50	158.35	327.85

# Equity Value Range - Exit Multiple



Year 1 EBITDA multiple							
Long term growth rate (g):							
		17.3x	2.0%	2.5%	3.0%	3.5%	4.0%
WACC:	11.3%		13.9x	14.5x	15.2x	15.9x	16.8x
	10.8%		13.2x	13.7x	14.3x	15.0x	15.7x
	10.3%		13.2x	13.7x	14.3x	15.0x	15.7x
	9.8%		13.9x	14.5x	15.2x	15.9x	16.8x
	9.3%		15.6x	16.4x	17.3x	18.3x	19.5x
Year 1 EBITDA multiple							
Exit EBITDA Multiple							
		14.6x	11.5x	12.0x	12.5x	13.0x	13.5x
WACC:	11.3%		15.6x	16.1x	16.6x	17.1x	17.6x
	10.8%		15.3x	15.8x	16.3x	16.8x	17.3x
	10.3%		15.3x	15.8x	16.3x	16.8x	17.3x
	9.8%		15.6x	16.1x	16.6x	17.1x	17.6x
	9.3%		16.1x	16.6x	17.1x	17.7x	18.2x

# DCF Front Plate, WACC, Diluted Shares



## Discounted Cash Flow Valuation

\$ and shares in millions, except per share data

Most recent fiscal year end	12/31/2024	Discount rate (WACC)	10.34%
End of first fiscal year	12/31/2025	Share price (Public Co)	\$60.11
Most recent quarter end date	6/30/2025	Share price date	11/19/2025
Valuation date	11/20/2025	Midyear adjustment?	0
Portion of year 1 cash flows in forecast	44.14%		

## Unlevered Free Cash Flows

Fiscal year ended	Actual	Forecasts				
		12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Revenue	31,800,000	34,980,000	38,128,200	41,178,456	43,649,163	45,831,622
% growth		10.0%	9.0%	8.0%	6.0%	5.0%
EBITDA	7,500,000	8,045,400	9,150,768	10,294,614	11,348,782	12,374,538
% margin	23.6%	23.0%	24.0%	25.0%	26.0%	27.0%
EBIT	5,900,000	6,296,400	7,244,358	8,235,691	9,166,324	10,082,957
% margin	18.6%	18.0%	19.0%	20.0%	21.0%	22.0%
Tax on EBIT	1,121,000	1,196,316	1,376,428	1,564,781	1,741,602	1,915,762
Tax rate	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
<b>NOPAT (aka EBIAT)</b>	<b>4,779,000</b>	<b>5,100,084</b>	<b>5,867,930</b>	<b>6,670,910</b>	<b>7,424,723</b>	<b>8,167,195</b>
Depreciation & amortization	690,000	1,749,000	1,906,410	2,058,923	2,182,458	2,291,581
Changes in net working capital	(574,539)	(63,600)	(62,964)	(61,005)	(49,414)	(43,649)
Capital expenditures	(700,000)	(874,500)	(953,205)	(988,283)	(1,003,931)	(1,008,296)
as % of revenue	(2.2%)	(2.500%)	(2.500%)	(2.400%)	(2.300%)	(2.200%)
<b>Unlevered free cash flows (UFCF)</b>	<b>6,743,539</b>	<b>7,787,184</b>	<b>8,790,509</b>	<b>9,779,121</b>	<b>10,660,526</b>	<b>11,510,721</b>

## WACC Buildup

\$ and shares in millions, except per share data

### Cost of capital assumptions

Cost of debt	8.50%
Tax rate	19.00%
Cost of debt (after tax)	6.89%
Risk free rate	4.40%
Beta	1.180
Market risk premium	5.50%
Cost of equity	10.89%

## Shares outstanding

	Source doc	Date	Shares
Basic shares	Q3 2025 10Q	11/19/2025	1,090,000,000
Restricted stock / RSUs			0.000
Options / warrants			0.000
Convertible debt			0.000
Convertible preferred stock			0.000
<b>Net diluted shares outstanding</b>			<b>1,090,000,000</b>

# UFCF, Terminal Value, Enterprise Value



Net working capital (WC Assets - as % of revenue)	61,461	636,000	699,600	762,564	823,569	872,983	916,632
		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

## Present value of UFCF on Nov 20, 2025 valuation date

Date for discounting cash flows	Stub %	Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Unlevered free cash flows (UFCF)	44.14%		11/20/2025	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Present value of unlevered free cash flows				3,437,001	8,790,509	9,779,121	10,660,526
				3,399,220	7,879,042	7,943,629	7,845,858
							11,510,721
							7,677,575

## Terminal value - growth in perpetuity approach

Long term growth rate	3.0%
2029 FCF x (1+g)	11,856,042
Terminal value in 2029	161,485,908
Present value of terminal value	104,306,072
Present value of stage 1 cash flow	34,745,323
<b>Total enterprise value (TEV)</b>	<b>139,051,395</b>

Terminal value as % of TEV	75.0%
Stage 1 cash flows as % of TEV	25.0%
Implied TV exit EBITDA multiple	13.0x

## Terminal value - EBITDA multiple approach

Terminal year EBITDA	12,374,538
EBITDA multiple	10.00x
Terminal value in 2029	123,745,378
Present value of terminal value	82,537,356
Present value of stage 1 cash flows	34,745,323
<b>Enterprise value (stage 1 + 2)</b>	<b>117,282,680</b>
Terminal value as % of TEV	70.4%
Stage 1 cash flows as % of TEV	29.6%
Implied terminal growth rate	1.0%

# Net Debt, Valuation, Shares (out)



<b>Net debt</b>	
Source doc	Q3 2025 10Q
Source date	9/30/2025
<b>Gross debt and equivalents</b>	
Debt	11,100,000
Convertible debt	0
Preferred stock	0
Noncontrolling (minority) interest	0
<b>Nonoperating assets</b>	
Cash	15,400,000
Equity investments	0
<b>Net debt</b>	(4,300,000)

<b>Valuation</b>		
	<b>Perpetuity</b>	<b>EBITDA</b>
Enterprise value	139,051,395	117,282,680
Net debt	(4,300,000)	(4,300,000)
Equity value	143,351,395	121,582,680
Shares outstanding	1,090,000	1,090,000
<b>Equity value per share</b>	<b>\$131.52</b>	<b>\$111.54</b>
<b>Year 1 Multiples</b>		
	<b>Perpetuity</b>	<b>EBITDA</b>
EV / Revenue	4.0x	3.4x
EV / EBITDA	17.3	14.6
EV / EBIT	22.1	18.6

<b>Shares outstanding</b>				
	<u>Source doc</u>	<u>Date</u>	<u>Shares</u>	
Basic shares	Q3 2025 10Q	11/19/2025	1,090,000.000	
Restricted stock / RSUs			0.000	
Options / warrants			0.000	
Convertible debt			0.000	
Convertible preferred stock			0.000	
<b>Net diluted shares outstanding</b>			<b>1,090,000.000</b>	