

PAYPAL HOLDING INC.

NASDAQ: PYPL

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

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Our Team

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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.

Recent Trends

1

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

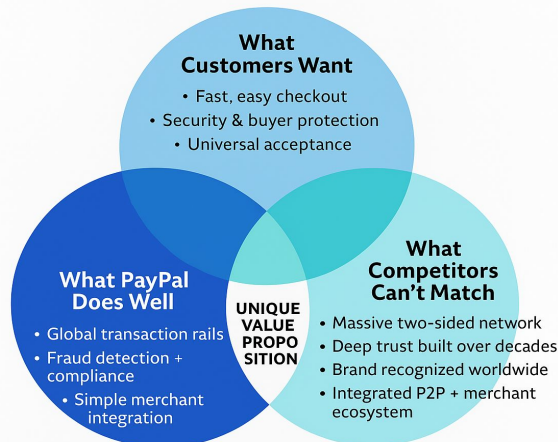
2

Paypal World announcement and integration of wallet partners.

3

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

Unique Value Proposition



Recent Deals power long-term Growth Potential



- 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

Major Rise #2 — 2020 Pandemic Surge

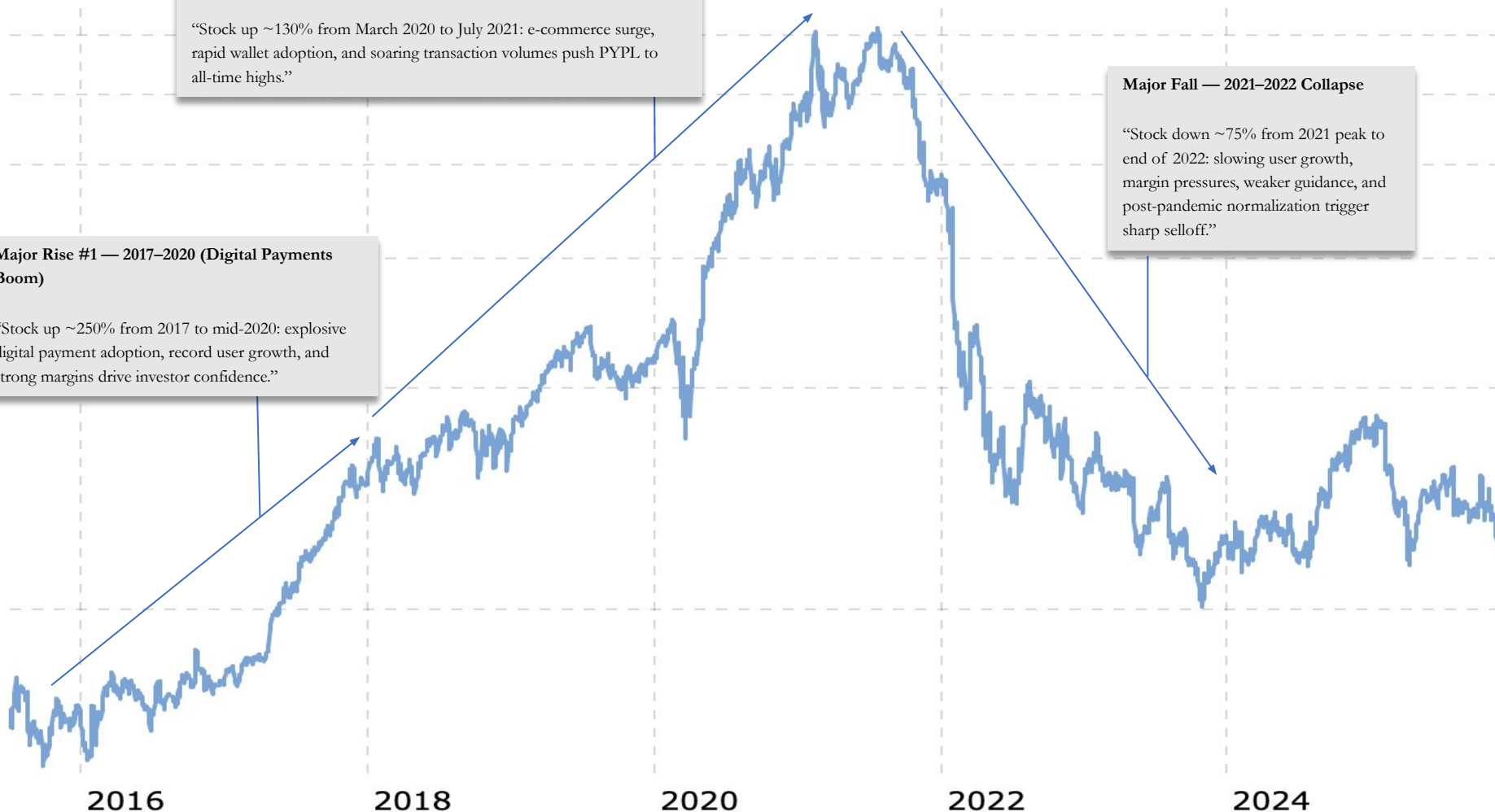
“Stock up ~130% from March 2020 to July 2021: e-commerce surge, rapid wallet adoption, and soaring transaction volumes push PYPL to all-time highs.”

Major Fall — 2021–2022 Collapse

“Stock down ~75% from 2021 peak to end of 2022: slowing user growth, margin pressures, weaker guidance, and post-pandemic normalization trigger sharp selloff.”

Major Rise #1 — 2017–2020 (Digital Payments Boom)

“Stock up ~250% from 2017 to mid-2020: explosive digital payment adoption, record user growth, and strong margins drive investor confidence.”



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 e-commerce 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

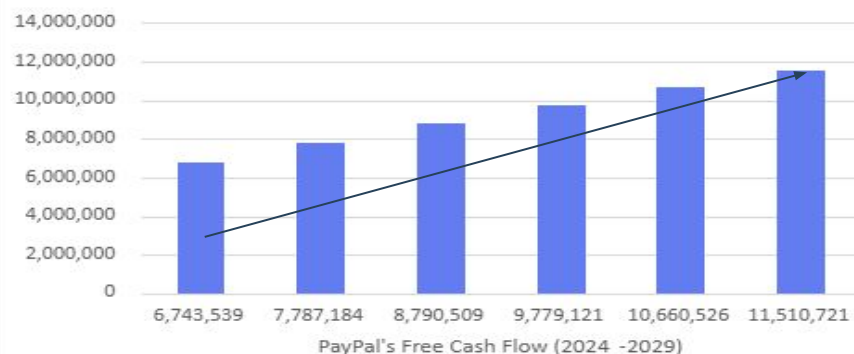
Thesis 1 – Mispriced Cash Flow Machine



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

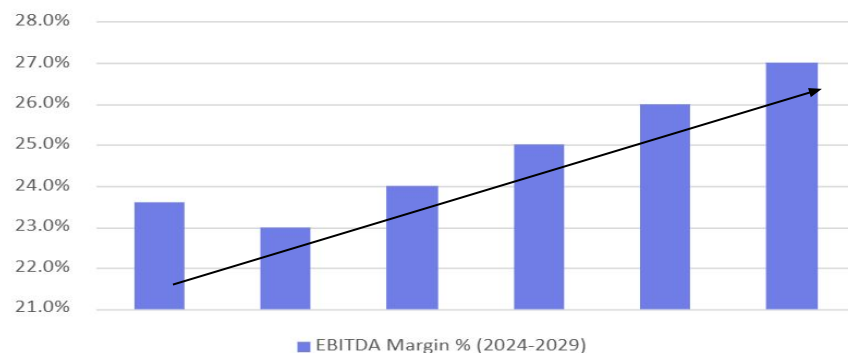
PayPals Free Cash Flow



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.

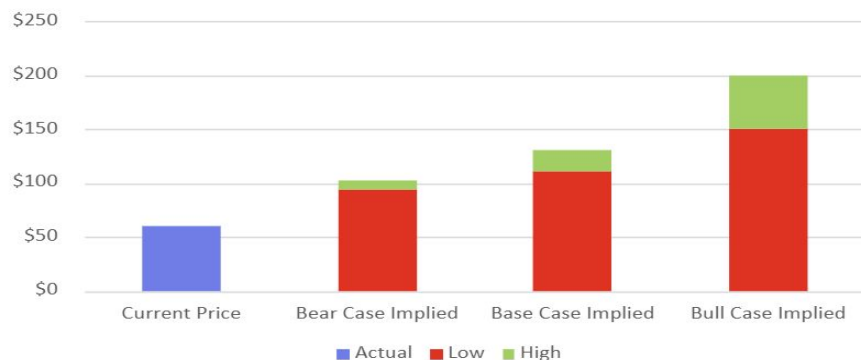
Margins and Multiples Highlight Clear Market Mispricing

EBITDA Margin Expansion

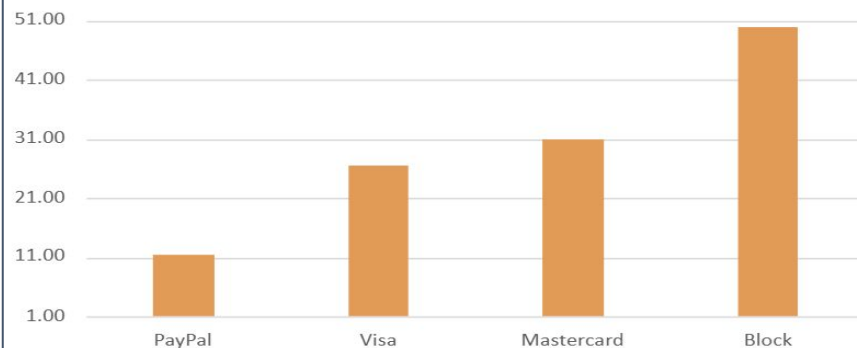


PayPal's rising margins and consistent profitability contrast sharply with its depressed valuation multiples. The market prices PayPal like a shrinking business, but it's fundamentals reflect a highly cash generative company with improving performance

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

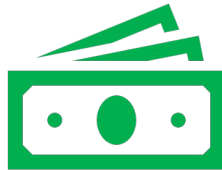


PayPal's cost optimization program aims to **reduce operating expenses** by approximately \$300–350 million in FY 2025, including targeted workforce adjustments and efficiency measures to significantly lower **SG&A costs**.



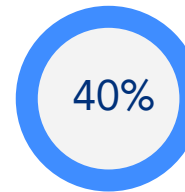
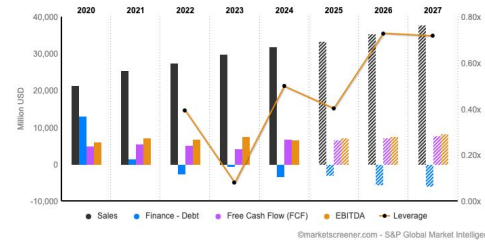
The company has authorized a **\$5 billion share repurchase program**, largely unused. Executing it at current stock prices could **offset stock-based compensation dilution** and potentially **support the share price**.

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

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



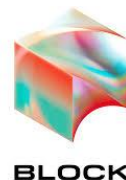
PayPal: PayPal continues to face slowing revenue growth, margin compression, and intensifying competition across digital payments. The company's weaker guidance and stagnant user engagement underscore its struggle to innovate at the pace of emerging fintech rivals."



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

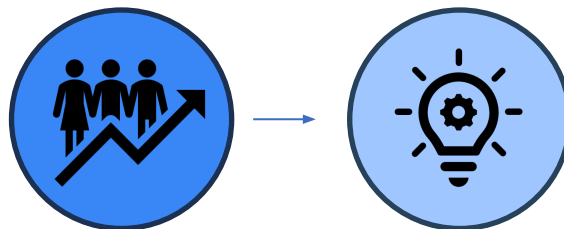


PayPal faces potential risks, but its leadership is well-equipped to navigate challenges.

Potential Risks

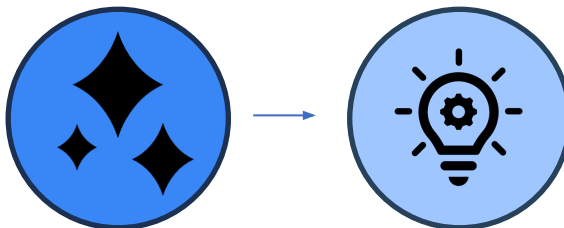
1. Slowing Growth in Users and Activity

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.



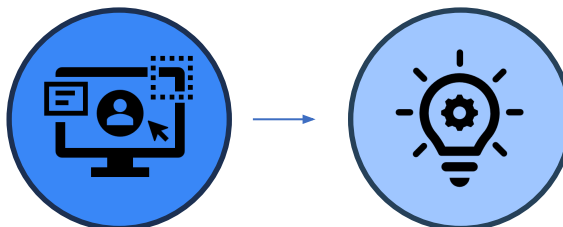
2. Rising Costs Are Pressuring Profits

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

Bull Case

Base Case

Bear Case

Gordon Growth

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

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

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

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%

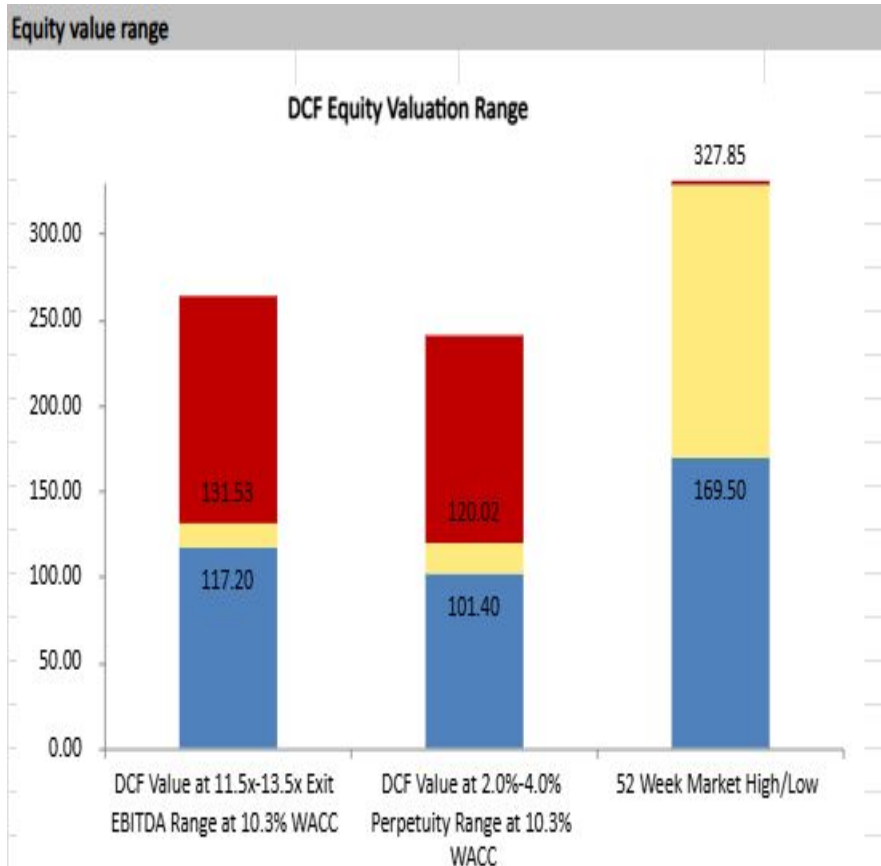
Equity Value per Share - Sensitivity Analysis

		Long term growth rate (g):					
		131.51	2.0%	2.5%	3.0%	3.5%	4.0%
WACC:	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					
		\$111.54	11.5x	12.0x	12.5x	13.0x	13.5x
WACC:	11.3%		119.06	122.71	126.35	130.00	133.65
	10.8%		117.20	120.78	124.36	127.94	131.52
	10.3%		117.20	120.78	124.36	127.94	131.52
	9.8%		119.06	122.71	126.35	130.00	133.65
	9.3%		122.90	126.69	130.47	134.26	138.04

Appendix

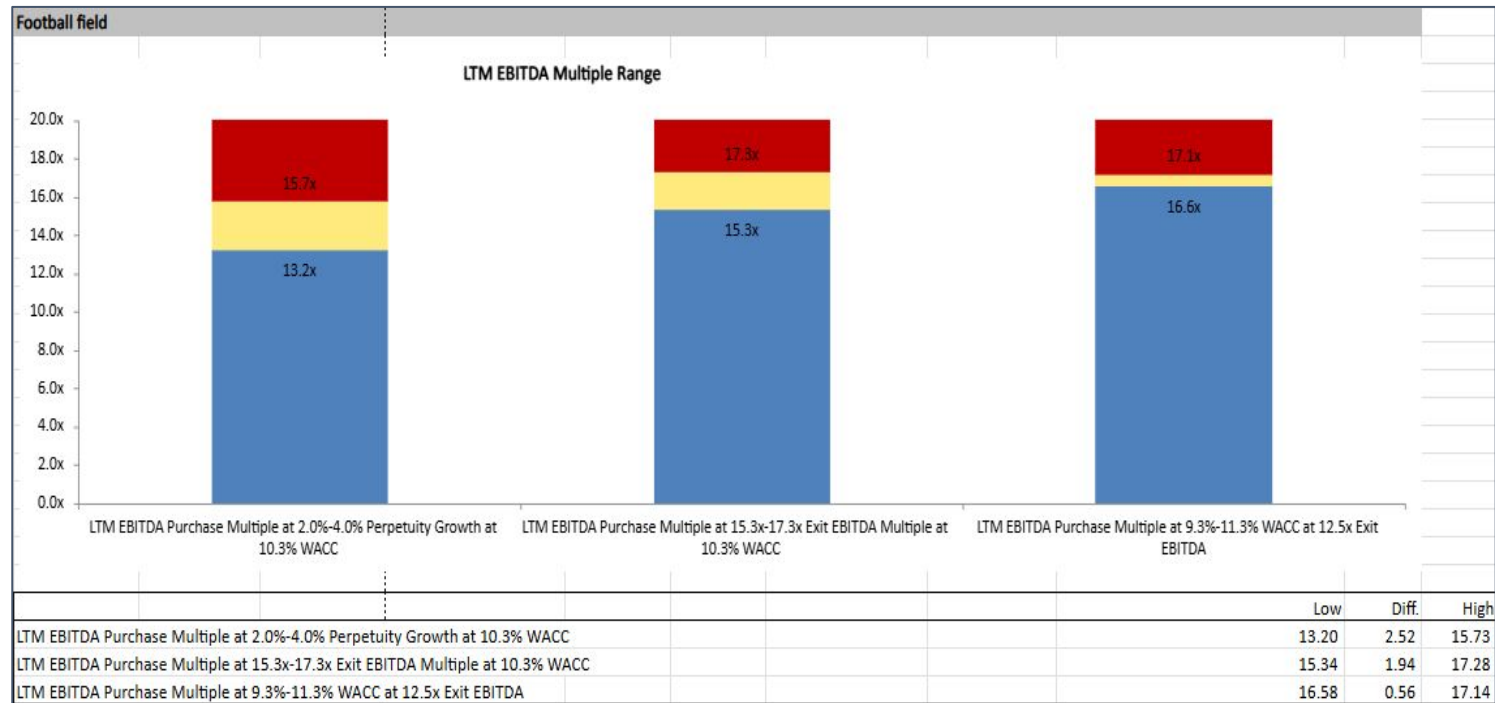
Equity Value Range - Gordon Growth



Equity value per share						
Long term growth rate (g):						
	131.52	2.0%	2.5%	3.0%	3.5%	4.0%
WACC:	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	131.52	139.01	147.68
Equity value per share						
Exit EBITDA Multiple						
	\$111.54	11.5x	12.0x	12.5x	13.0x	13.5x
WACC:	11.3%	119.06	122.71	126.36	130.00	133.65
	10.8%	117.20	120.78	124.36	127.95	131.53
	10.3%	117.20	120.78	124.36	127.95	131.53
	9.8%	119.06	122.71	126.36	130.00	133.65
	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 at 10.3% WACC	117.20	14.33	131.53
DCF Value at 2.0%-4.0% Perpetuity Range at 10.3% WACC	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

S 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				
	12/31/24	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%
NOPAT (aka EBIAT)	4,779,000	5,100,084	5,867,930	6,670,910	7,424,723	8,167,195
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%)
Unlevered free cash flows (UFCF)	6,743,539	7,787,184	8,790,509	9,779,121	10,660,526	11,510,721

WACC Buildup

S 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
Net diluted shares outstanding			1,090,000.000

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							
		Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flows	Stub %	11/20/2025	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029
Unlevered free cash flows (UFCF)	44.14%		3,437,001	8,790,509	9,779,121	10,660,526	11,510,721
Present value of of unlevered free cash flows			3,399,220	7,879,042	7,943,629	7,845,858	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
Total enterprise value (TEV)	139,051,395
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
Enterprise value (stage 1 + 2)	117,282,680
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)



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

Valuation		
	Perpetuity	EBITDA
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
Equity value per share	\$131.52	\$111.54
Year 1 Multiples		
	Perpetuity	EBITDA
EV / Revenue	4.0x	3.4x
EV / EBITDA	17.3	14.6
EV / EBIT	22.1	18.6

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
Net diluted shares outstanding				1,090,000.000