

PayPal Holdings Inc

What to look for on the 4Q print

Maintain Rating: NEUTRAL | PO: 66.00 USD | Price: 61.00 USD

All eyes on the '24 guide; maintain Neutral

PYPL will report early-Feb, and investors will be very focused on initial '24 guidance as the new CEO/CFO seek to earn Street credibility while driving sustained improvements in top-line metrics, especially TP growth, (see recent [downgrade note here](#)). We think '24 consensus TP growth of 5% is likely too high (BofAe=0%) and the pace of re-acceleration in this metric in '24 will be a critical factor for the stock. PYPL still has a strong brand and balance sheet, but we see '24 as a transition year. Valuation likely provides downside support, while sentiment/expectations remain low. Maintain Neutral.

Intra-qtr data points suggest 4Q itself should be robust

We see modest upside to our 4Q net revenue growth estimate of 6%, slightly below consensus at 6.7% and at the low end of 6-7% guidance, while our non-GAAP EPS estimate of \$1.36 is in-line (Exhibit 1). 4Q TP growth is expected to decline y/y (albeit less than 3Q), and BofAe/Street are modeling -3%/-2%, respectively. We expect PYPL to deliver on 4Q guidance, given new management conservatism and BAC aggregated credit and debit card data, which showed US eCommerce spending growth (ex. travel/events) improved slightly to 1.4% in 4Q vs. 0.8% in 3Q (Exhibit 2). As a result, PYPL's branded TPV growth could have incrementally accelerated in 4Q.

2024 consensus estimates may be too high

Street is modeling '24 revs growth of 8.5%, TP growth of 5%, non-GAAP operating margin expansion of 12bps, and non-GAAP EPS of \$5.54. BofAe is below Street on all these metrics. While Mr. Chriss suggested on the 3Q call that further efficiency opportunities remain, we believe mix issues (branded vs. Braintree) and less OVAS growth will likely continue pressuring TP.

Near-term transaction profit growth should remain muted

PYPL's new CEO is laser focused on profitable growth. Faster rollout of next-gen consumer checkout and PayPal Complete Payments (PPCP) for the SMB market are key priorities, as is improving unbranded/Braintree margins. That said, the timing and correlation between these initiatives and TP improvement are still uncertain.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	4.60	4.13	4.98	5.32	5.85
GAAP EPS	3.62	2.09	3.74	3.83	4.22
EPS Change (YoY)	18.6%	-10.2%	20.6%	6.8%	10.0%
Consensus EPS (Bloomberg)			4.98	5.49	6.15
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	13.3x	14.8x	12.2x	11.5x	10.4x
GAAP P/E	16.9x	29.2x	16.3x	15.9x	14.5x
EV / EBITDA*	11.0x	11.9x	10.7x	10.4x	9.8x
Free Cash Flow Yield*	8.3%	7.5%	7.0%	7.5%	8.7%

* For full definitions of *IQmethod*SM measures, see page 7.

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Stock Data

Price	61.00 USD
Price Objective	66.00 USD
Date Established	6-Dec-2023
Investment Opinion	B-2-9
52-Week Range	50.25 USD - 88.63 USD
Mkt Val (mn) / Shares Out (mn)	65,767 USD / 1,078.1
Free Float	99.7%
Average Daily Value (mn)	1006.27 USD
BofA Ticker / Exchange	PYPL / NAS
Bloomberg / Reuters	PYPL US / PYPL.OQ
ROE (2023E)	22.7%
Net Dbt to Eqty (Dec-2022A)	-38.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

TP: Transaction profit

TPV: total payment volume

OVAS: other value-added services

iQprofileSM PayPal Holdings Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	17.3%	14.9%	14.2%	12.2%	11.5%
Return on Equity	26.1%	22.8%	22.7%	18.2%	16.3%
Operating Margin	24.8%	21.3%	22.1%	21.3%	20.7%
Free Cash Flow	5,432	4,929	4,578	4,955	5,719

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.2x	1.2x	1.0x	1.1x	1.2x
Asset Replacement Ratio	0.7x	0.5x	0.7x	1.0x	1.1x
Tax Rate	11.0%	15.7%	17.7%	18.0%	18.0%
Net Debt-to-Equity Ratio	-23.9%	-38.4%	-34.6%	-39.2%	-42.0%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	25,371	27,518	29,571	31,490	34,265
% Change	18.3%	8.5%	7.5%	6.5%	8.8%
Gross Profit	25,371	NA	NA	NA	NA
% Change	18.3%	NA	NA	NA	NA
EBITDA	6,304	5,870	6,523	6,700	7,099
% Change	17.0%	-6.9%	11.1%	2.7%	6.0%
Net Interest & Other Income	(173)	(199)	181	200	200
Net Income (Adjusted)	5,455	4,782	5,517	5,658	5,985
% Change	18.5%	-12.3%	15.4%	2.5%	5.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	4,290	2,419	4,147	4,072	4,317
Depreciation & Amortization	1,265	1,317	1,079	1,080	1,080
Change in Working Capital	(1,051)	(20)	(183)	(1,277)	(926)
Deferred Taxation Charge	(482)	(811)	(529)	(1,400)	(1,600)
Other Adjustments, Net	2,318	2,727	815	3,582	4,047
Capital Expenditure	(908)	(703)	(752)	(1,102)	(1,199)
Free Cash Flow	5,432	4,929	4,578	4,955	5,719
% Change	6.8%	-9.3%	-7.1%	8.2%	15.4%
Share / Issue Repurchase	(3,211)	(4,056)	(5,263)	(4,347)	(5,346)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	3,844	3,287	967	5,204	5,204

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	5,197	7,776	9,829	13,316	16,569
Trade Receivables	800	963	986	1,575	1,713
Other Current Assets	46,577	48,778	57,087	63,413	70,658
Property, Plant & Equipment	1,909	1,730	1,533	1,555	1,674
Other Non-Current Assets	21,320	19,470	18,276	18,276	18,276
Total Assets	75,803	78,717	87,711	98,135	108,891
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	43,029	45,101	45,666	50,459	55,641
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	11,047	13,342	13,653	13,743	13,836
Total Liabilities	54,076	58,443	59,319	64,202	69,477
Total Equity	21,727	20,274	28,392	33,933	39,414
Total Equity & Liabilities	75,803	78,717	87,711	98,135	108,891

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Payments, Processors & IT Services

Company Description

PayPal is a global, technology-driven payment platform with over 400 million direct customer relationships in more than 200 countries. PayPal empowers a streamlined digital and mobile payment experience in-browser, on mobile devices, and in-app. PayPal is accepted at 75%+ of the largest 100 internet retailers.

Investment Rationale

While PYPL has a strong brand, balance sheet and scale, we expect shares to be range-bound near-term, with valuation and weak sentiment providing downside support. We see '24 as a transaction year, as a new CEO and CFO seek to earn Street credibility.

Stock Data

Average Daily Volume

16,496,248

Quarterly Earnings Estimates

	2022	2023
Q1	0.88A	1.17A
Q2	0.93A	1.16A
Q3	1.08A	1.30A
Q4	1.24A	1.36E

Previewing 4Q results

Our key thoughts going into the print:

- Consistent with 3Q management commentary, we think 4Q transaction profit growth will decline y/y (albeit less than in 3Q), and the pace of re-acceleration in this metric in '24 will be a critical factor for the stock.
- Investors will also be very focused on initial 2024 guidance from PYPL's new CEO and CFO.
- Intra-quarter US eCommerce data points improved slightly. BAC aggregated credit and debit card data showed US eCommerce spending growth (ex. travel/events) improved slightly to 1.4% in 4Q vs. 0.8% in 3Q (Exhibit 2).
- We do not expect Mr. Chriss to announce significant changes to PYPL's strategy and product roadmap (advancing share of branded checkout, expanding PPCP/unbranded penetration, 1-click buying across PYPL merchant network).
 - Faster rollout of next-gen consumer checkout and PayPal Complete Payments (PPCP) for the SMB market are key priorities, as is improving Braintree margins.
- With respect to overall operating margins, we believe there may be certain areas where PYPL needs to accelerate investment to deliver and sell new product. However, on the last earnings call, CEO Chriss suggested there are likely additional opportunities for efficiency improvements in the business.

Near-term transaction profit growth will likely remain muted

We think 4Q transaction profit growth will decline y/y (albeit less than in 3Q) and are modeling -3.3% vs. consensus at -2%.

In 4Q23, y/y transaction profit will continue to feel some pressure from the impacts of unbranded vs. branded volume mix, as well as sunseting the high-margin PayPal Pro product. However, the headwind from 1x contractual benefits should ease compared to 2Q23/3Q23, as these benefits were only \$10M in 4Q22 (vs. \$75M in both 2Q22 and 3Q22).

In addition, 4Q branded TPV growth could benefit from a broader rollout of PYPL's latest checkout experiences. Receding loan loss pressure from tightened underwriting on the Business Loans product could help transaction profit growth.

More on BofAe vs. the Street

As shown in Exhibit 1, our 4Q total net revenue estimate of \$7.83B (reflecting reported y/y growth of 6.0%) is slightly below consensus at 6.7% and at the low end of guidance range of ~6%-7%. Our 4Q net revenue estimate reflects 13.5% y/y growth in total TPV, in-line with the Street. We are modeling 9% y/y growth in OVAS for 4Q, below the Street at 14%.

We are comfortable with our operating margin estimate of 21.9% in 4Q, in line with Street (we are modeling -7.4% for 4Q non-transaction operating expense y/y). Along with a 16.5% tax rate (16-17% guide), this drives our \$1.36 adj. EPS estimate for 4Q, in line with Street/guidance.

We expect PYPL will provide initial 2024 guidance on the 4Q call, and are modeling revenue growth/TP growth/non-GAAP operating margins/non-GAAP EPS of 6.5%/0%/21.3%/\$5.32, all below the Street at 8.5%/5.2%/22.1%/\$5.54.

While Mr. Chriss suggested on the 3Q call that further efficiency opportunities remain, we believe mix issues (branded vs. Braintree) and less OVAS growth will likely pressure TP such that even flat to down opex \$ growth in '24 could still result in a down operating margin year (BofAe= -79bps vs. Street at +12bps).



Last quarter, Mr. Chriss also suggested that PYPL will introduce new operating metrics that the company will provide on a consistent basis to better evaluate PYPL's execution on customer growth and profitable revenue generation.

Exhibit 1: BofAe vs. Guidance and Consensus – 4Q23/1Q24/2024

Our 4Q23 revenue is slightly below the Street and at the low end of guidance, and EPS estimate is in-line

	4Q23			1Q24		2024		
	Guidance	BofA	Consensus	BofA	Consensus	Guidance	BofA	Consensus
Revenue (\$B)	N/A	7.83	7.87	7.48	7.55	N/A	31.49	32.10
Y/Y Growth	-6% - 7%	6.0%	6.7%	6.2%	7.2%	N/A	6.5%	8.5%
Transaction Revenue (\$B)	N/A	7.08	7.10	6.74	6.80	N/A	28.27	28.90
Y/Y Growth	N/A	5.7%	6.0%	5.8%	6.8%	N/A	6.1%	8.4%
Total Transaction Profit (\$B)	N/A	3.55	3.60	3.29	3.40	N/A	13.57	14.29
Y/Y Growth	N/A	-3.3%	-2.0%	-0.7%	2.6%	N/A	-0.1%	5.2%
Transaction margin	N/A	45.3%	45.7%	44.0%	45.1%	N/A	43.1%	44.5%
Non-GAAP Operating Income (\$B)	N/A	1.72	1.74	1.60	1.67	N/A	6.70	7.10
Non-GAAP Operating Margin	N/A	21.9%	22.1%	21.4%	22.1%	N/A	21.3%	22.1%
Y/Y margin expansion	N/A	-100	-83	-128	-67	N/A	-79	12
Non-GAAP EPS	-\$1.36	\$1.36	\$1.36	\$1.26	\$1.28	N/A	\$5.32	\$5.54
Y/Y Growth	-10%	9.5%	9.8%	7.6%	9.9%	N/A	6.8%	11.1%
Total Payment Volume (TPV) (\$B)	N/A	405.6	405.1	397.0	393.6	N/A	1,691.7	1,685.1
Y/Y Growth	N/A	13.5%	13.3%	12.0%	11.0%	N/A	11.0%	10.5%

Source: BofA Global Research estimates, Visible Alpha, Company Filings

*2H23 revenue growth expected to be at least in line with 1H23

BofA GLOBAL RESEARCH

Analysis of BAC eCommerce card spending data

Based on BAC aggregated credit and debit card data, US eCommerce spending growth improved slightly to 1.4% in 4Q vs. 0.8% in 3Q23 and -0.9% y/y in 2Q23 (Exhibit 2).

However, the BAC card data for eCommerce does not include spending on services such as travel and events, nor does it factor in growth in eCommerce spending internationally (about 35% of PYPL's TPV is from outside the US).

Looking at intra-quarter data for 4Q23, BAC card data spending growth on eCommerce "(card not present) decelerated to 0.3% in December vs. 2.9% in November and 1.0% in October. For more on BAC card spending data, and detailed explanation of the methodology disclaimers and limitations regarding BAC card data, please see the latest [BofA on USA](#) report.

Exhibit 2: eCommerce Spending on BAC Credit and Debit Cards by Category – July 2021 – Dec 2023

BAC eCommerce spending decelerated to 0.3% in December vs. 2.9% in November and 1.0% in October

Worst Performers								Best Performers		
Y/Y Growth	Department Stores	Electronics	Home Furnishings	Sporting Goods	Total Clothing	Grocery	Total eCom	Autoparts & Services	Restaurant/ Food Delivery	Health & Personal Care
Monthly:										
July '21	94%	-24%	3%	-17%	1%	-14%	-2.8%	-2%	13%	3%
August '21	66%	-21%	5%	-9%	13%	-7%	-0.1%	3%	8%	3%
September '21	56%	-11%	3%	-9%	14%	-6%	6.4%	7%	17%	6%
October '21	51%	-11%	3%	-9%	12%	-14%	3.7%	6%	14%	4%
November '21	32%	-19%	10%	-6%	23%	-18%	5.8%	17%	12%	14%
December '21	13%	-23%	-4%	-18%	5%	-23%	-2.9%	8%	11%	1%
January '22	16%	-15%	-4%	-22%	9%	-22%	-1.1%	7%	4%	1%
February '22	13%	-12%	1%	-15%	9%	-21%	0.9%	13%	8%	1%
March '22	3%	-17%	-11%	-19%	-2%	-23%	-7.3%	-1%	2%	-5%
April '22	2%	-4%	-10%	-21%	-3%	-20%	-4.8%	-1%	3%	-5%
May '22	0%	-23%	-6%	-15%	2%	-19%	-2.0%	3%	4%	1%

Exhibit 2: eCommerce Spending on BAC Credit and Debit Cards by Category – July 2021 – Dec 2023

BAC eCommerce spending decelerated to 0.3% in December vs. 2.9% in November and 1.0% in October

	Worst Performers							Best Performers		
June '22	-10%	-19%	-9%	-8%	-2%	-16%	-4.3%	3%	6%	0%
July '22	-2%	-14%	-6%	-11%	0%	-11%	3.5%	5%	8%	3%
Aug '22	-7%	-8%	0%	-2%	7%	-14%	3.7%	14%	9%	11%
Sep '22	-7%	-7%	-10%	-12%	-1%	-10%	-1.6%	4%	8%	4%
Oct '22	-8%	-9%	-10%	-15%	0%	-6%	-0.3%	5%	7%	7%
Nov '22	-9%	-14%	-7%	-7%	2%	-2%	-2.0%	5%	7%	8%
Dec '22	-11%	-15%	-10%	-10%	-1%	-4%	-1.1%	4%	7%	3%
Jan '23	-4%	-7%	-13%	-12%	-2%	-12%	-2.1%	9%	4%	4%
Feb '23	-13%	-3%	-13%	-10%	0%	-7%	-0.3%	6%	7%	9%
March '23	-20%	-6%	-16%	-12%	-4%	-6%	-1.4%	1%	8%	8%
April '23	-18%	-3%	-16%	-11%	-3%	-7%	-2.3%	0%	6%	6%
May '23	-14%	-4%	-9%	-7%	0%	-5%	0.0%	8%	4%	11%
June '23	-10%	-2%	-12%	-7%	-2%	-4%	-0.2%	6%	6%	6%
July '23	-6%	-8%	-12%	-7%	2%	-4%	1.7%	8%	6%	6%
Aug '23	-3%	-8%	-13%	-8%	2%	-3%	0.1%	8%	5%	4%
Sept '23	-1%	-8%	-12%	-9%	-2%	-2%	0.5%	5%	6%	4%
Oct '23	-16%	-8%	-11%	-4%	-8%	-2%	1.0%	6%	4%	8%
Nov '23	-7%	-2%	-7%	-3%	-2%	-1%	2.9%	4%	5%	12%
Dec '23	-17%	-14%	-12%	-7%	-5%	-1%	0.3%	1%	6%	7%
Weekly (Week Ending):										
9/23/2023	-2%	4%	-12%	-7%	-1%	-3%	0.9%	5%	4%	4%
9/30/2023	1%	-9%	-9%	-4%	-1%	-1%	3.5%	8%	7%	7%
10/7/2023	-20%	-2%	-12%	-13%	-11%	-3%	-0.7%	3%	7%	10%
10/14/2023	-21%	-2%	-12%	-3%	-9%	-1%	2.2%	2%	4%	7%
10/21/2023	-17%	-12%	-12%	-2%	-9%	-2%	-0.3%	1%	5%	4%
10/28/2023	-11%	-18%	-12%	-3%	-9%	-1%	-0.2%	8%	5%	5%
11/4/2023	-9%	-4%	-12%	-3%	-5%	-1%	1.4%	3%	6%	10%
11/11/2023	-13%	-1%	-10%	-5%	-6%	-1%	1.6%	5%	4%	7%
11/18/2023	-14%	1%	-8%	-10%	-5%	-1%	1.6%	5%	5%	10%
11/25/2023	4%	5%	4%	11%	11%	-2%	9.5%	6%	0%	24%
12/2/2023	-13%	-13%	-12%	-10%	-7%	-2%	-0.6%	3%	9%	9%
12/9/2023	-19%	-10%	-12%	-7%	-5%	-2%	-0.9%	4%	4%	0%
12/16/2023	-14%	-12%	-12%	-6%	-5%	-1%	0.1%	3%	3%	11%
12/23/2023	-12%	-20%	-9%	-2%	-2%	0%	3.5%	5%	6%	13%
12/30/2023	-16%	-8%	-9%	-5%	-5%	1%	1.6%	1%	7%	10%
1/6/2024	-19%	-9%	-11%	-6%	-6%	0%	1.2%	-1%	6%	14%

Source: BofA Global Research

Note: Card not present is largely online but could include purchases made over the phone.

BofA GLOBAL RESEARCH



Price objective basis & risk

PayPal Holdings Inc (PYPL)

Our PO of \$66 is based on a 50/50 blend of 16x '24E P/E including stock-based compensation and our DCF model. We believe this multiple is warranted as sustained improvements in top-line metrics and initiatives to improve transaction profit growth may be taking longer than expected to implement. Our DCF assumes a weighted average cost of capital (WACC) of 13% and a terminal growth rate of 3.5%.

Downside risks to our price objective are: 1) macro (PYPL's business skews towards lower to middle income consumers' spending on more discretionary purchases, which could be impacted by the higher inflation/higher rates environment, though stubbornly low unemployment gives us some comfort), 2) execution on the ongoing strategic initiatives to improve transaction profit/unbranded margins, and 3) competition (we expect the PYPL market share debate to remain unsettled for the foreseeable future)

Analyst Certification

I, Jason Kupferberg, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	American Express Company	AXP	AXP US	Mihir Bhatia
	Block Inc	SQ	SQ US	Jason Kupferberg
	Capital One Financial	COF	COF US	Mihir Bhatia
	Discover Financial	DFS	DFS US	Mihir Bhatia
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Essent Group	ESNT	ESNT US	Mihir Bhatia
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia
NEUTRAL				
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	Marqeta	MQ	MQ US	Jason Kupferberg
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg
	Toast	TOST	TOST US	Jason Kupferberg

US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	TTEC Holdings	TTEC	TTEC US	Cassie Chan
UNDERPERFORM				
	ADP	ADP	ADP US	Jason Kupferberg
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
	Cognizant Technology Solutions	CTSH	CTSH US	Jason Kupferberg
	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg
RSTR				
	EngageSmart	ESMT	ESMT US	Jason Kupferberg

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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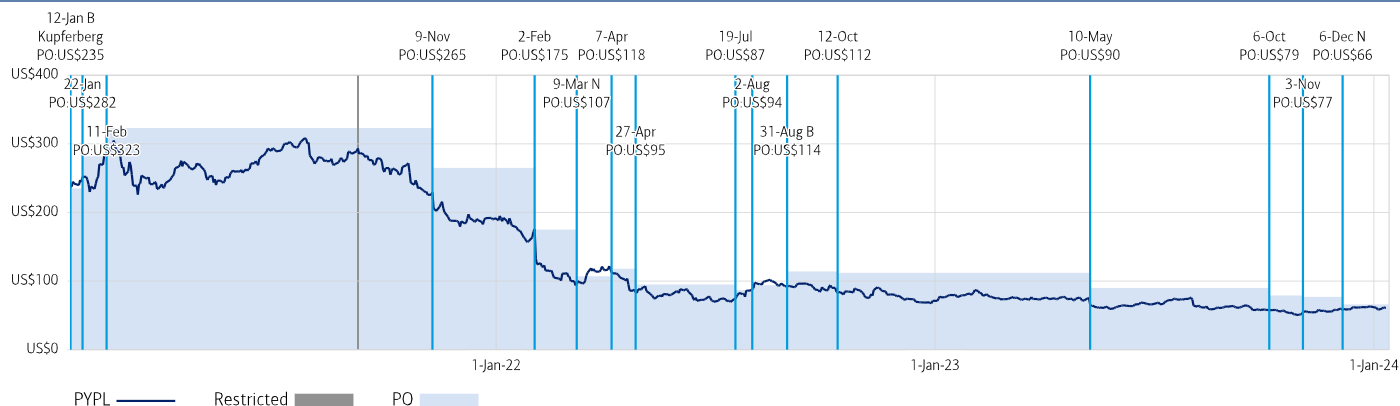
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PayPal Holdings Inc (PYPL) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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