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Equity Research Proposal

HULT International Business School

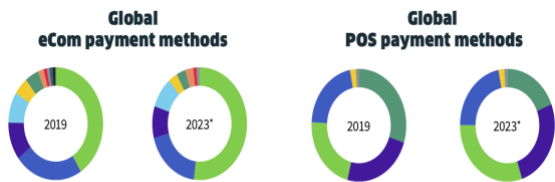
BMFIN1 Investments

Professor Joseph Gallagher

The background of the document features a repeating pattern of the PayPal logo in blue and yellow. The logo is stylized with a 'P' followed by 'ayPal' in a sans-serif font. The text is repeated across the entire page, creating a textured effect.

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	2019	2023*		2019	2023*
Digital/Mobile Wallet	41.8%	52.2%	Cash	30.2%	18.7%
Credit Card	24.2%	18.8%	Debit Card	24.3%	26.3%
Debit Card	10.6%	8.8%	Digital/Mobile Wallet	21.5%	29.6%
Bank Transfer	9.0%	9.3%	Credit Card	20.9%	22.3%
Charge & Deferred Debit Card	5.0%	3.0%	Charge Card	2.1%	2.1%
Cash on Delivery	4.5%	2.7%	Pre-Paid Card	1.0%	1.2%
Buy Now Pay Later	1.6%	2.8%			
PostPay	1.3%	0.9%			
Pre-Paid Card	1.0%	0.5%			
PrePay	0.6%	0.3%			
Other	0.6%	0.3%			

PayPal Holdings, Inc. (PYPL) (☆ Follow)

59.15 +0.80 (+1.38%) 58.90 -0.26 (-0.44%)



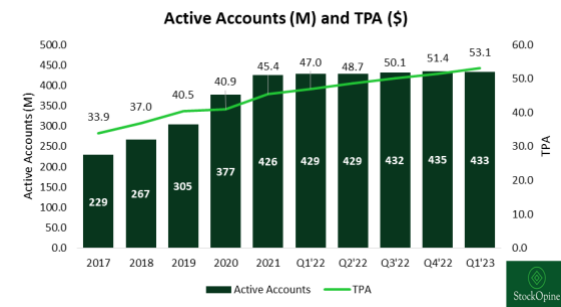
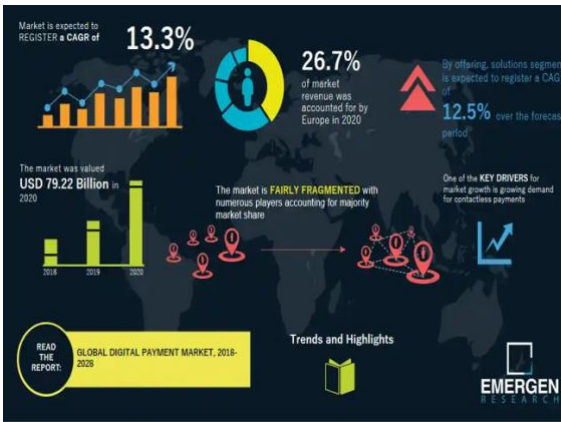
Executive Summary

The digital technology platform of PayPal, a worldwide leader in online payments, as the operator of the world-class digital payment system, will insist on compliance with regulatory legislation such as anti-money laundering, cybersecurity, and consumer protection in the bitcoin industry. Next to this fact, the involvement of PayPal into crypto offerings may involve additional legal requirements, for instance, licensing and compliance with the securities regulations, assuming that the cryptocurrencies are treated as securities.

Financial analysis, in turn, shows continuous revenue growth, profitability improvement, strengthened efficiency, increased liquidity and leverage and healthy interest coverage. Risks concerning investment relate to the challenge of complying with regulations, cybersecurity due to its industry competition, technological disruptions, economic downturns, and legal/regulatory risks associated with cryptocurrency offerings.

PayPal's valuation is based on an 8.2% sales growth projection, constant provision expense ratio, and estimated depreciation and amortization increase as the business continues to grow and a steady revenue and profit generation are expected. The Inherent worth of PayPal is evaluated through valuation methods like Discounted cash flows (DCF) approach, it considers the weight average cost of capital (WACC) of 11.25% and expected growth rates. Having this in mind, the Fair Value Estimated price for PayPal is \$89.72 for the year of 2024. During a Rapid growth, the Estimated Value would be of \$98.98, while during a slow growth estimation the value would be of \$66.06.

Business Overview



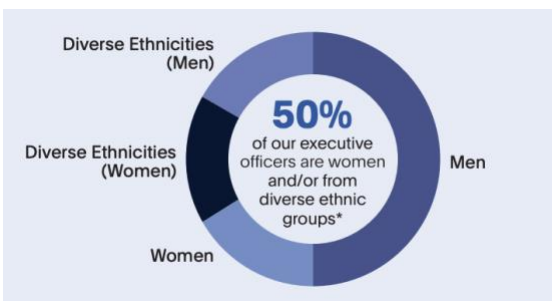
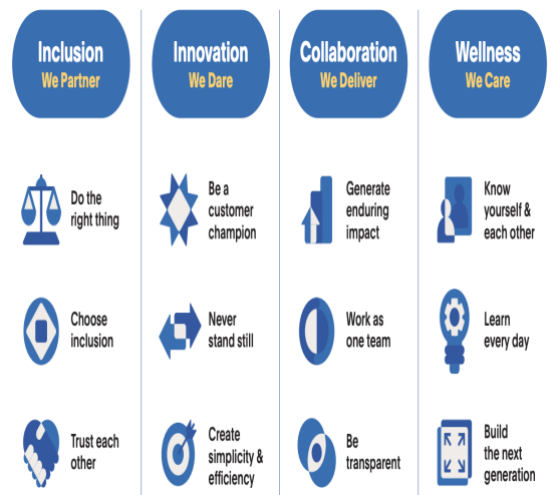
Starting in Wilmington, Delaware, back in January 2015, PayPal Holdings, Inc., makes digital payments more affordable, and facilitates e-commerce interactions not only for merchants but also for consumers. To advance financial inclusion and to provide global access to financial services, we want to bring about a democratization of financial services. PayPal's mission is to give our users an opportunity to manage and move the funds around the world freely, between them and others, also devices including person-to-person ("P2P") transactions. They appreciate the role of non-financial risks, drawing on the environmental, social and governance ("ESG") opportunities to create value for all our stake holders and remain faithful to the mission and strategic objectives. Furthermore, our values contribute to our vision creativity and teamwork environment which is very diversified in the whole world, and this ensures that they can develop services and products that help them meet the needs of the different customers.

PayPal has had a substantial growth in active accounts over the years, as of 2023 they had an estimate of 433 million accounts. This has steadily increased from 229 million in 2017. The number of active users increased to 426 million in 2021 and peaked at 435 million during the fourth quarter of 2022. The number of active users has stayed in that range during these years.

Environmental, Social, Governance Factors.

PayPal with its cutting-edge technology sets the bar high enough by streamlining online transactions and e-commerce for both dealers and customer. They devote themselves to bettering financial services so that people will stand a chance of improving their financial status and to do so, they are always ready to give entrepreneurs of all sizes opportunities for development. The main objective of them is to give power to merchants, consumers to control their funds virtually in anytime from anywhere using any device, device, whether this is done inside or outside a bank.

Experience, Expertise and Attributes	Adkins	Christodoro	Donahee	Dorman	Johnson	Loes	McGovern	Messmer	Moffett	Sarnoff	Schulman	Yearly
Payments / Financial Services / FinTech This experience is critical to oversight of PayPal's business and strategy in these complex and dynamic industries.												
Technology / Innovation Because PayPal is a technology platform and digital payments company, we look for directors with a background in developing technology businesses, anticipating technological trends and driving innovation and product development.												
Global Business An understanding of diverse business environments, economic conditions, cultures and regulatory frameworks is relevant to PayPal as a global business operating in over 200 markets around the world.												
Senior Leadership Significant senior leadership and/or CEO experience, with a practical understanding of organizations, processes, strategic planning and risk management to assess, develop and implement our business strategy and operating plan.												
Business Development and Strategy This experience is relevant in helping PayPal to grow its business, expand its value proposition and assess whether potential targets and partners are a good strategic and cultural fit.												
Legal / Regulatory / Governmental Knowledge and experience with legal and regulatory issues, compliance obligations and governmental policies is relevant because we operate globally in a complex and rapidly evolving legal and regulatory environment.												
Cybersecurity / Information Security This experience is vital to protecting PayPal's technology infrastructure and payments platform, maintaining the trust of our customers and keeping customer information secure.												
Finance / Accounting This experience is relevant to the oversight of PayPal's capital structure, financing and investing activities, as well as our financial reporting and internal controls.												
Consumer / Sales / Marketing / Brand Management Experience in developing strategies to grow sales and market share, build brand awareness and overall preference among customers and enhance PayPal's reputation is relevant to the growth of our business.												
ESG An understanding of effective management and disclosure of environmental, social and/or governance ("ESG") risks and opportunities is essential to ensure appropriate oversight of ESG at PayPal and create long-term value for our stakeholders.												



Being a global company PayPal needs to face with a changing regulatory environment monitored by regulators that focus on a various range of issues, including for example, countering terrorist financing, anti-money laundering, securing of personal data, cybersecurity, and consumer protection. They are constantly monitoring this area and develop methods of solution to meet their customer expectations.

As of late, the risks related to cybersecurity and information security have stimulated to a higher degree for PayPal and other payment and technology companies around the world. Although, they have taken systematic and mechanist systems to secure the information and prevent incidents of security, these threats might be present. It is impossible guarantee that the provided security measures will be enough to prevent the breaches or attacks to them even at the expense of big resources.

Macroeconomic Environment

The broader economy is exposed to uncertainties, like the recent conflict between Russia and Ukraine, compromised supply chains, the prospect of a recession followed by global, and market interested rate fluctuations, and inflation. Shift towards these conditions would spell a slowdown in consumer spending, business closures, higher credit losses or spilling over into other disruptions, all of which negatively impact PayPal's performance in the future.

Industry Overview

PayPal is a fundamental part of the digital payments development industry, where a wide range of online financial services is enabled by the platforms. Of these, PayPal is one of the main players in the online payment system and has had a tremendous influence on the online payments globally.

The openness to secure and simple methods of payment has gone on to be another feature of online shopping, which has in turn fueled the digital payment sector. PayPal possesses such a status because it is easy to use in common e-commerce sites.

SWOT ANALYSIS OF PayPal



THE BUSINESS MODEL ANALYST
businessmodelanalyst.com

The emerging of mobile payment transactions is due to the sheer number of customers who have smartphones or other mobile gadgets. By introducing novel mobile applications for payments and employing mobile-friendly interfaces, PayPal meets the rising needs for shopping and paying on-line of the customers who are always on-the-go.

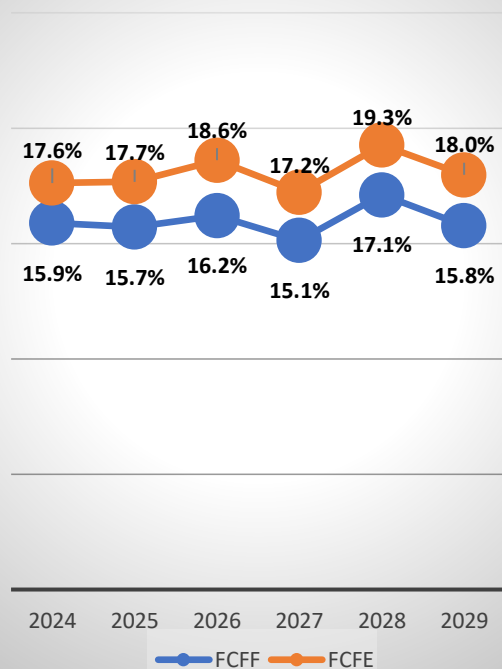
Developing cross-border e-commerce results in a higher need for payment methods that are convenient for global money transactions. Since PayPal can be used in a variety of ways, not only for processing payments when entering new markets but also, it has gained massive acceptance by companies globally as a trusted partner.

The fact is that fintech companies and disruptive technology have accelerated the competition amongst players in the digital payment industry. In view of this, PayPal's leading brand, growing infrastructure, and unremitting innovation have sustained its dominant position, in course of time.

Astonishingly, a revenue of the finance market will grow at a rapid rate of 10.96% per annum between 2022 and 2027 from \$1.40 billion in the year 2022 to \$2.50 billion in the year 2027.

According to Gitnux, the financial services market is predicted to increase from \$25,848.74 billion in 2022 to \$37,484.37 billion in 2027, with a compound annual growth rate (CAGR) of 7.5%.

Free Cash Flows vs Sales



Porter's Five Forces

The following statement shows why PayPal is successful: They have competitive prices, broad coverage, and a marketing campaign that works great to give them the upper hand on the market. The model of the Porter's Five Forces is here to analyze how the company has strong positioning and competitive edge in the industry of payment processing.

Bargaining Power of Suppliers

One of those Five Forces is called Bargaining Power of Suppliers, and it strongly impacts how much a company earns. The strength of this power



evaluates the power of suppliers that affect the pricing and quality of goods and services stores sell to the public.

If we specifically talk about PayPal Holdings, Inc. (PYPL), the supplier's bargaining power isn't that strong. The organization will mainly use a technical infrastructure, which can be sourced from many suppliers based in different locations. Whilst negotiate cost between providers is very low, it is still very possible for PayPal to trade from one service provider to another in case of need. Consequently, suppliers are generally in the weak position and hence they do not get appropriate bargaining power from the corporation.

Besides, PayPal established robust relations with suppliers and gain some advantage in scales of economy. It gives them a chance to not only haggle for better rates, but also better terms with their suppliers too. Moreover, a strict supplier accreditation has been developed by the company to guarantee quality of commodities and services received from the suppliers.

On the other hand, PayPal has a degree of dependency on certain critical suppliers which potentially can affect its operations. One illustration is that the corporation acquires the use of card networks including but not limited to Visa and Mastercard for transaction processing purposes. However, PayPal may face some challenges if its rules and fees are altered. That could affect its profitability drastically. Moreover, strategic partnership between eBay fosters to the company's revenue contribution greatly. A disruptive force that aligns negatively with PayPal's operations might as well result in its decline.

The Impact on PayPal

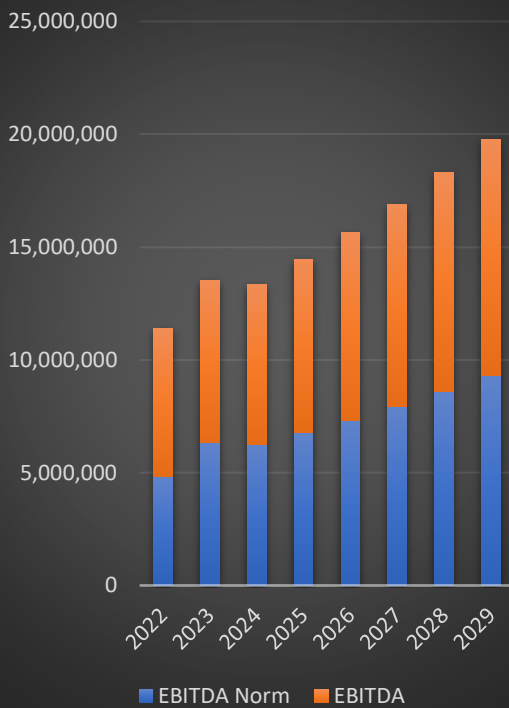
- Slack of supplier bargaining power.
- Lower impact to their prices and product quality.
- With less issues of running operations,
- Very close relations and economic scales that give the organization the power to negotiate with suppliers.
- Dependence upon some important providers, like card networks and eBay, for increasing considered as an advantage for the digital marketplace.

Overall, the supplier power is at the less potent force of the bargaining power,

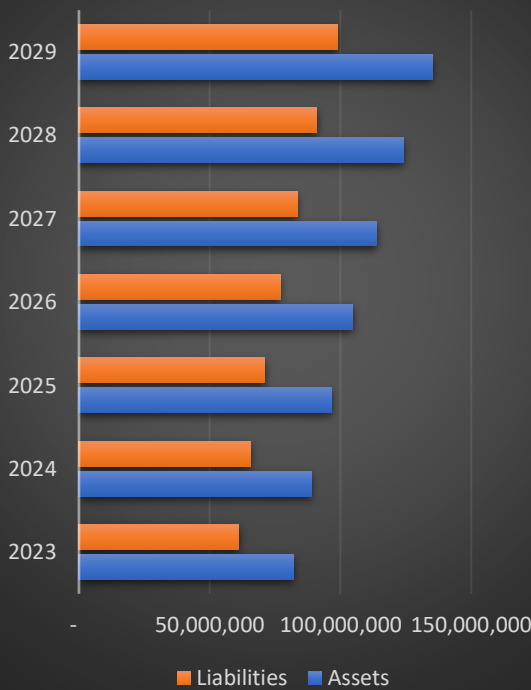
Debt vs Capital



EBITDA Comparison



Total Asset vs Liability



which affects PayPal. The company's solid relationships with suppliers, economies of scale, and rigid criteria for suppliers' selection guarantee it has a strong position when negotiations occur, ensuring it has quality products and services. Nevertheless, their suppliers being critical of the company's operations may constitute the retailer's major risk.

Customer Bargaining Power over PAYPAL Holdings, Inc. (PYPL).

The capability of people to bargain is one of the five forces whose influence on the competitiveness of business is discussed by Michael E. Porter. The consumers can also have their own say in a free market by influencing prices and trading conditions for the companies.

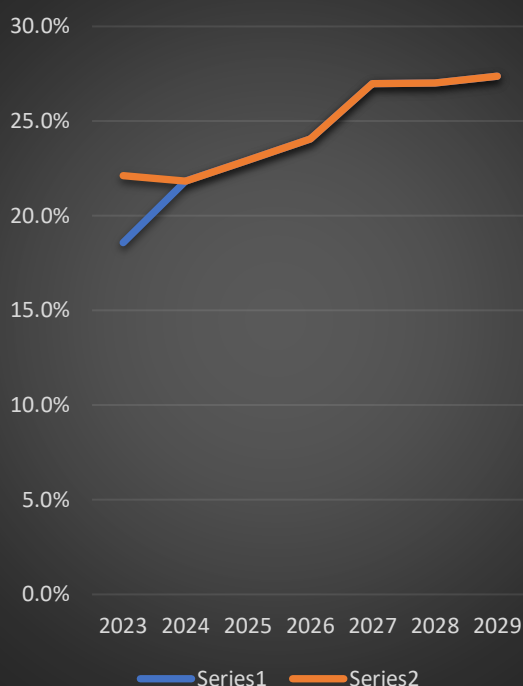
PayPal Holdings, Inc. (PYPL) is a tech and digital account of supremacy. PYPL gives its customers access to multiple services on a global level, for instance online transactions, currency exchange, as well as business systems payments.

The institute boasts to have customers from every single corner of the globe. Clients are informed about the services of PYPL and no more haggle over cheaper alternatives and onerous sales and agreements terms. The range of PYPL services that are offered to its customers covers such a wide spectrum of areas. Customers are commonly placated by the service they have received, hence, have a minimal room to negotiate or haggle in such cases. This consumer can be a switch to competitors, but they may have the simplified way of using for that product or service that consumer is used to explore. At the point where PYPL customers' customers begin their dealings, there is commonly zero chance for negotiations. As one of the major players in the global market, PYPL is considered as trusting, reliable, and technologically advanced payment system. PayPal Holdings, Inc. (PYPL) faces a competition as one of its force's five competitors.

The Competitive Rivalry

PayPal Holdings, Inc. (PYPL) is a company that presents itself as a competitor with one of the major factors that contributes to its position in the market which is competition.

ROIC vs Tax Neutral



Payment system by PayPal is the one of the top players in the global payments market, however, the organization, customer-side, is challenged by the many competitors. The aforementioned company goes head to head with stand-in financial institutions like banks, card processors, and payments such as PayPal, Braintree, and mobile app Venmo.

The other competitors provide a number of identical services and products, some of them even lower prices and improved features, which are otherwise difficult to outdo PayPal.

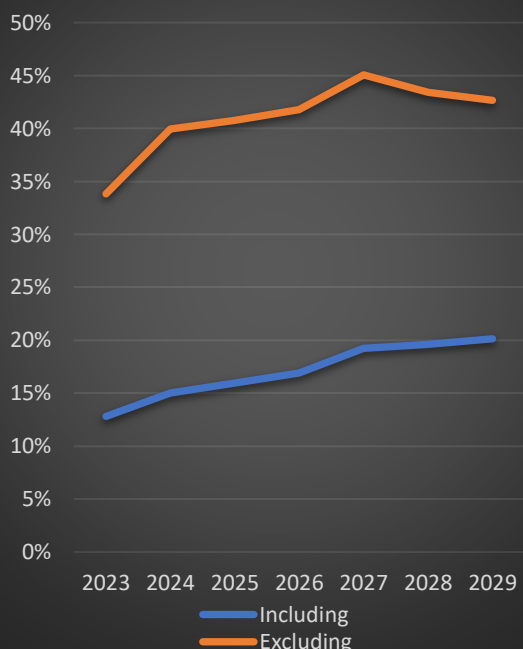
The competitive rivalry in the online payment industry is fueled by several factors, including: The competitive rivalry in the online payment industry is fueled by several factors:

- Low switching costs: Clients cannot find PayPal temporarily because they can find better offers or services from other payment providers, which complicates the task of maintaining the customer base.
- Intense innovation: Upcoming payments operators are regularly presenting the new tooling and products to their clients and customer in order to attract and maintain the customers and thereby these players face problems with the increasing competition.
- Regulatory changes: Regulations and policies legislating the internet financial industry may have a notable outcome shaping the competition of PayPal, among other participants, as it becomes a challenge to respond timely and according to the rules and norms in this area.
- Low entry barriers: The change of the market situation, coupled with the new players intervention in the market, forces PayPal to contend with other established players, who want to get their market share.

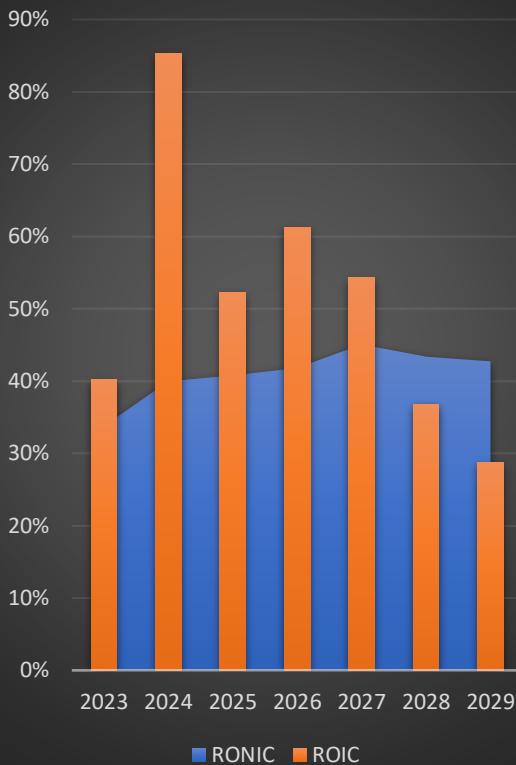
The Threat of Substitution

The danger of substitution is denoting the situation when customers may go to other similar products or services that provide the same set of benefits. This, therefore, implies that PayPal incurs the risk that the customers will adopt a different payment method which will seem plausibly offer greater benefits or those considered equal.

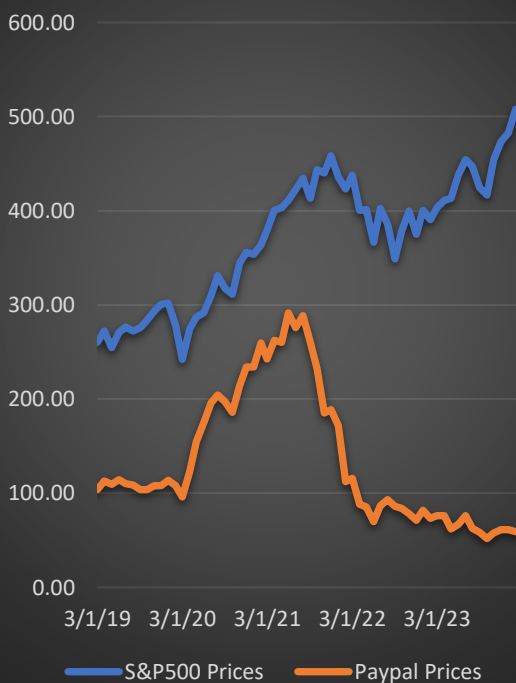
Impact of Goodwill ROIC



RONIC vs ROIC



Paypal vs S&P500 Prices



Compared with other major players of this industry, PayPal has got to compete with other payment options that are offered to the customers. In view of an enormous choice of products the threat of substitution can be a serious consideration for the company.

The threat of a substitute is the feasible challenge that PayPal must consider in its competition with other players due to the highly competitive nature of the payment providers industries. Through the process of constantly updating the line of products and services PayPal created, the organization would be able to diminish the client's temptation to switch to substitute products and retain a strategic advantage in competitive market.

The Threat of New Entrants

It is also often referred to as the 'new entrants'. These are company which enter in the market they do not bring anything new to the consumers. This is a danger because such a level is experienced by the existing companies and the profit margin of becomes thinner. Regarding PayPal Holdings, Inc., introduction of new players in this field is rather probable.

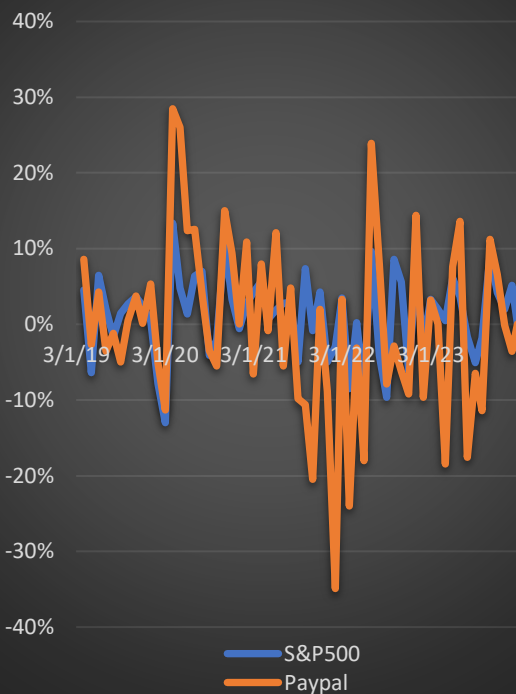
The main industry of the digital payments has low entry barriers, which allow for many new players to emerge on the market. This does make their market positions fragile, and it is another differentiating factor to keep their customer bases.

The digital payment industry is characterized by intense competition, the contenders being multiple established players and many aspiring new ones maneuvering for market shares. This literally forces the likes of PayPal to fight hard to differentiate themselves and keep eyes on the market.

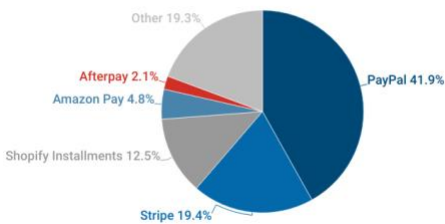
The customer taste and behavior advance, and the new coming companies may be more sophisticated and change accordingly too. This leads to the reconsideration of existing companies as they seek new ways of improving their performance.

A technology development leads to the easy accessibility of the market for new entrants which and may be a big competitor for the existing players. Turbo-charged blockchain technology, the digital payments industry

Paypal vs S&P500 Growth

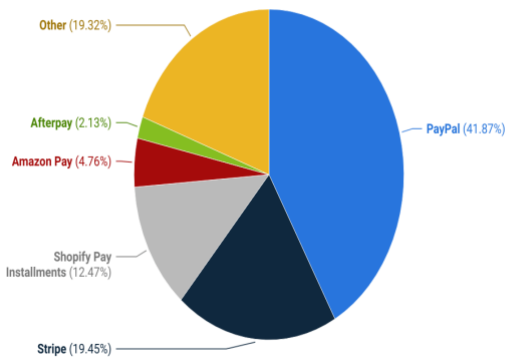


PayPal Electronic Payments Market Share



Source: Statista

PayPal Market Share



Source: Enterprise Apps Today

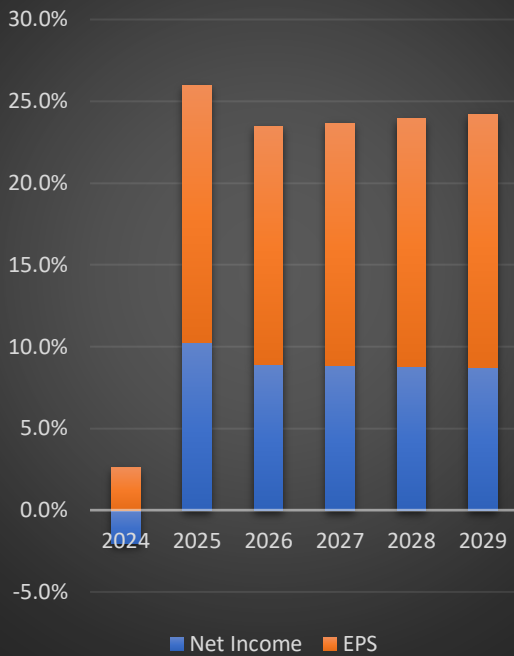
falls victim to reinvention. To avoid the threat of new entrants in the competitive digital payment space the company remain innovative, adaptable, and be able to differentiate themselves to survive and be profitable.

Competitive Positioning

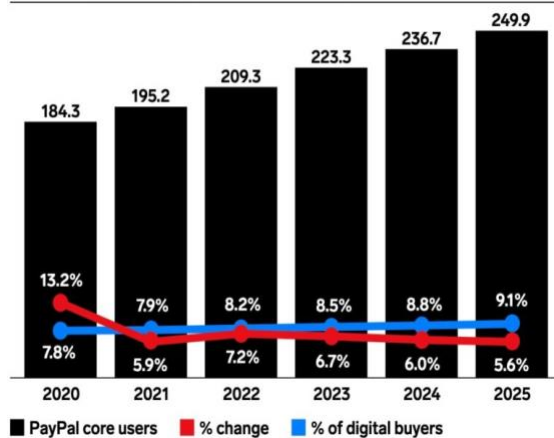
Founded on a strong foundation for stable and shapely growth that will enable us not only to compete favorably in the market. One of the main habits in our overall plans is the getting more involved from our active accounts. We forecast that this will result in an increased number of transferred payments, total payment volume and net revenues. Their competitive advantages include the following:

- Two-sided network: the digital payments portal which links merchants and consumers and hence bringing the capability to procure unique products which avoid consumer inconveniences and merchant discounts while increasing sales and gathering vital data to know our clients well. This merchant acquiring and distribution platform supports both digital and in-store transactions while keeping interoperability by not restricting technology or platforms.
- Merchant and consumer choice: their branded and unbranded card processing services operate concurrently in an ecosystem that allows merchants and consumers to complete payments by utilizing e-wallets and other digital funds without being limited to one source.
- Scale: our global resale of goods facilitates the organic growth as one of our key values. With respect to December 31, 2023, they count to 426 million registered users comprising 391 million customer accounts and 35 million commercial accounts in approximately 200 marketplaces worldwide. Markets are a country, region, city, or protectorate where their products and services can be found. By the year 2023, they were responsible for the procession of the amount of 1.53 trillion dollars in TPV.
- Trusted brands: This company has undoubtedly been successful in developing and enhancing already reputable brands such as PayPal, Braintree, and Venmo. Their advertising and marketing campaigns that are deployed

Net Income vs EPS Growth



PayPal Core Users Worldwide, 2020-2025
millions, % change, % of digital buyers



Is PayPal a Good Investment? Expert Analysis of Payment Methods

throughout the countries and demographics around the planet is a growth driver that leads to increased visibility of the brand, its usage and preference among the customers.

- Enterprise risk and compliance management: the application implements data protection, approved worldwide transactions, flagging high-risk or illegal, or not genuine transactions.
- Regulatory licenses: Their league certification that enables them to go operational in marketplaces all around the globe is a prominent aspect that promotes their progress and growth.

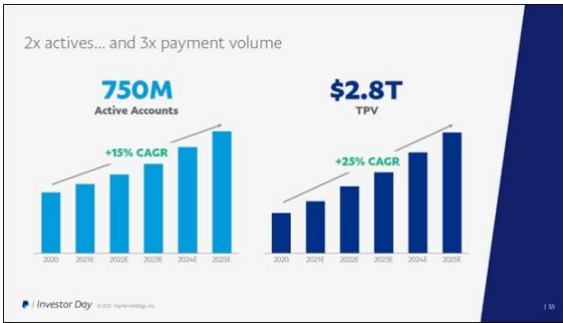
Investment Summary & Valuation

Valuation Methodology

In the matter of PayPal company's evaluation, a Discounted Cash Flows to Firm approach was used. This method involves projecting the cash flows that the firm may inherit during a particular period comprise, usually of a few years. The actual cash inflows cover several measures such as revenue growth, utilization expenses, capital investments and all those changes that working capital entails.

After the cash flow forecasts have been calculated, it is necessary to do discounting in present value by means of a discount rate which considers the time factor and the risks related to the investment. One method of calculating the discount rate is to utilize the company's cost of capital or the expected rate of return on investments as a benchmark.

In assumptions 3 different scenarios are with their only three assumptions respectively (Sustainable, Slow, Rapid). The Excel sheet is formatted to change the calculations based on the chosen growth. The slow growth was selected to be at 5% for the revenue. While the rapid growth was forecasted to have a revenue increase of 10.7%. The company's valuation was forecasted using the Excel format that assessed a variety of assumptions, which resulted in different valuation models. For the predictions, a sustainable scenario has



Last Price	Fair Value
\$ 59.16	\$ 89.72
<hr/>	
Fair Value Estimate	89.72
Market Price	59.16
P / FVE	0.66

been used in the calculations. Sustainable budget community implies realistic target for the sales growth which is 8.2% in the forecasted year. The following computation for the unearned revenue was based on the percentage of Revenue that will be generated for the targeted time frame. The Long-Term Debt and the Cash & Investments proportions were the principles on which the Interest Expense in projected and the Interest Income in estimated. This year budget plan for revenue collection is covered up to 21% of the Income Tax. The E&A were presumed to go along the path of the parallel Recurrences line, which was supposed to remain nearly flat & increase consistently.

For the Balance Sheet projections, it was assumed that the Short-Term Assets and Liabilities would have a 10% growth over the previous inputs. Stock Based Compensations was assumed to be a 35% of Total Selling, General and Administrative Expenses. The Capital Expenditures were assumed to be a percentage of the overall revenues.

Investment Summary

PayPal has "walk to run" path as far as one can see in its space. It profits from several revenue sources, which together with the company’s history from previous years, seems stable and expansionary in nature.

Some of its rising competitors, Revolut UAB is known for its digital banking services, is still a private company that was valued with a market cap of \$33B and a price range for December 2023 of \$240. It includes currency exchange, debit cards, and peer-to-peer payments. It has been expanding rapidly, especially in Europe, with plans for global growth.

Skrill, owned by Paysafe Group, provides digital wallet services and online payment solutions. It is currently valued at \$745M. It focuses on serving businesses and consumers globally, especially in the e-commerce and gaming industries.

Financial-wise, the company has been steadily profitable. It has substantiated an 8% of the annual revenues chart, ending with a positive trend, signaling a

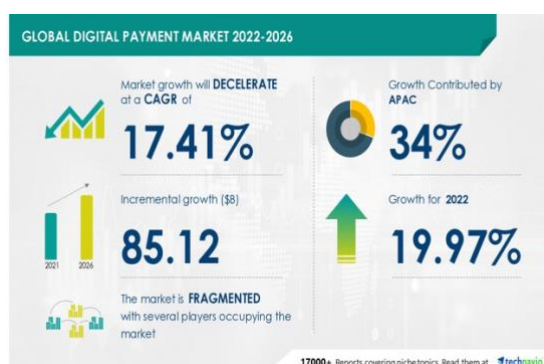
Slow	Sustainable	Rapid
5%	8%	10.7%
53%	54%	55%
6.5%	6.9%	7.2%
8.2%	6.1%	5.6%
11.8%	10.0%	9.5%
7.7%	6.4%	6.0%
4.0%	4.0%	4.0%
1.3%	2.0%	3%
-2%	1%	3%
-0.3%	0.6%	1%
-0.3%	0.4%	1%
21%	21%	21%
(40,000)	(50,000)	(60,000)
2%	2.8%	3.0%
1.7%	0.8%	0.6%
10%	10%	10%
10%	10%	10%
35%	35%	35%
2.8%	3.1%	3.7%
0%	0%	0%
20%	20%	20%
10%	10%	10%
70%	70%	70%
1.0%	1.8%	2.5%
0.4%	1.0%	1.8%

sustained top-line growth. Alongside this, the profitability of the business is highlighted by its exceptional profit margins across multiple aspects, such as a gross margin of 46% and a 17% operating margin. In respect of earnings the same pattern holds true, with net income and a non- GAAP (adjusted) generally growing at a rate of 9% per annum. In addition to that, a good funds from operation together with continuing cash flow to firm show the condition of financial health and its capacity to generate cash.

As far as the leverage in the finances, the ratios have knowingly been dropping at the company, which shows the debt management in a light of prudence. Profitability is sound: sufficient liquidity, and manageable gearing ratio helps in funding the growth ambitions and overcome economic disruption. Shareholder equity keeps growing and is a proof of both retained earnings and a market potential for growing shareholders' value.

Several aspects should be considered while making an investment. Given its track record of stable growth and favorable market dynamics, the company makes an appealing investment opportunity for individuals looking for long-term growth potential. Strong financial performance, as seen by robust margins, cash flows, and balance sheet strength, reduces investment risk and boosts confidence in future results. Furthermore, the management team has exhibited outstanding strategic planning and execution, establishing the organization for future growth and value generation. Operating in a dynamic market with great development potential due to technical advancements and changing consumer preferences, the company is positioned for additional expansion and innovation.

The company has significant growth possibilities, supported by good financial performance and conservative management. Its strong fundamentals and favorable industry dynamics make it a compelling investment prospect.





Narrow	Stable	
Adjusted P/E	15.0	22.81
EV / Adjusted EBITDA	7.7	12.00
EV / Sales	1.8	2.80
Price / Book	2.70	4.09
FCF Yield	9.1%	6.0%
Dividend Yield	0.0%	0.0%
	Market Price	Fair Value

Very High	Standard	
Estimated COE		12.9%
Pre-Tax Cost of Debt		3.25%
Estimated WACC		11.3%
ROIC *		17.8%
Adjusted ROIC *		25.0%

Fair Value Estimate	2024
Present Value of Stage I	25,887,945
Present Value of Stage II	19,479,555
Present Value of Stage III	46,607,044
Enterprise Value	91,974,545
Cash and Investments	16,134,840
Debt	(9,676,000)
Preferred Stock	-
Other Adjustments	(50,000)
Total Equity Value	98,383,385
Projected Diluted Shares Outstanding	1,096,506
Fair Value Estimate (Beginning of Year)	\$ 89.72

Nonetheless, investors should do extensive due diligence to identify risks and ensure compatibility with their investing goals and risk tolerance.

The DCF approach estimates PayPal's intrinsic value by discounting future cash flows to their present value. This method calculates the discounted cash flows for the period from 2024 to 2029, inclusive. The calculated Weighted Average Cost of Capital of 11.25% and a Growth Rate of 4.35% that is used in the DCF valuation to retrieve the Present Value. The Fair Value estimation of PayPal's stock price per share for the Year 2024 is of \$84.36 with the assumptions of a stable growth. It estimates that the company is currently undervalued and has a projected growth for the current period of 42.6% by the end of the year. However, it is crucial to highlight that DCF valuations are extremely sensitive to assumptions about future cash flows and the discount rate.

PayPal's rolling Enterprise Value and Fair Price Value has been estimated to see the company's growth over the expected periods. The estimated price value has a stable growth of 12.9% YoY. The estimated fair value of PayPal's stock price for 2029 is of \$164.93. The rolling Enterprise Value for the period of 2029 is of \$112,454,900 (in thousands).

Financial Analysis

Growth Analysis

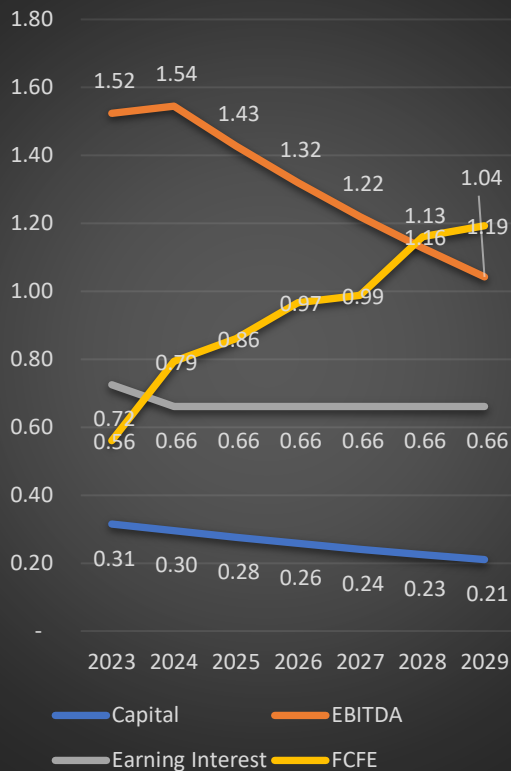
PayPal has positively moved and moderately constant in sales over the years, the ratio of decline grew from 20.7% in 2020 to 8.2% in 2023 and kept on doing so.

Over time, the growth of operating income variable has shown significant fluctuations, including sharp soil in 2022 which was followed by recovery and stabilization of the next years Onward.

Gross revenue variations and EPS growth were displayed as being fickle, with a lot of change year all bringing up concerns about possible problems in



Leverage Ratios



Delivering attractive revenue growth:

8%

Revenue Increase from 2021
(Spot Basis)

Growing payment volume:

\$1.36T

Total Payment Volume
(Up 9% from 2021)

sustaining profits acquisition and profitability.

Investments (EBI) and company's free cash flow (FCFF) increases have shown a wild variance, specially, in 2022, almost reaching the bottom, and then recovering, and maintaining a small growth thereafter.

Normalized EBITDA showed a solid performance as evidenced by consistent year to year rate increments over the forecast period.

Profitability Analysis

The margin recorded on gross basis (46%) at the end of the third quarter of 2023, dropped from the (55.2%) margin of 2021, indicating, perhaps, cost-related pressures or product mix adjustments.

The operating margin wouldn't be stabilized but has never widened or narrowed too much during the past years. Overall, in 2022, the range of the operating margin slightly increased and remained tight throughout the succeeding years.

For margin, 2022 has appeared to be a particularly challenging year to the point of an almost complete drop in profit followed by nearly full recovery and consistent number of the forthcoming years.

The comparison of the adjusted ratio for net profits to sales has been showing a rather consistent level over the predicted phase. EBITDA margin and AEM have consistently fluctuated below or around the stable range.

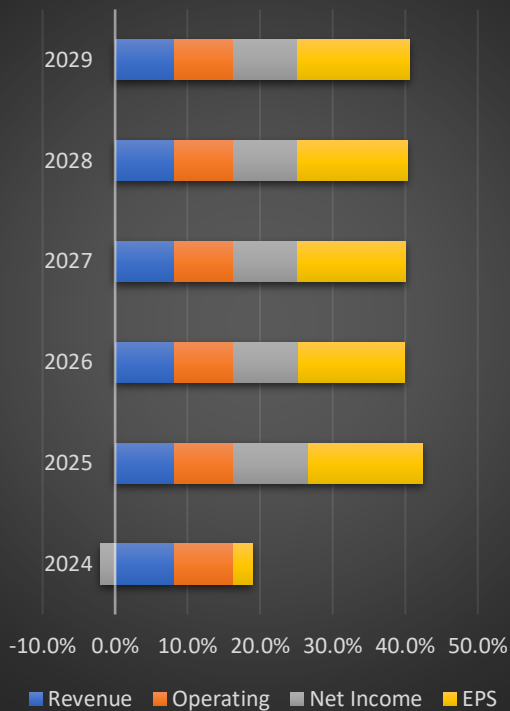
Efficiency Analysis

Receivable days prolonged might be a sign of decreased efficiency. At the moment, PayPal is not in the possession of any inventory goods to perform the analysis. Payable days keep moving upwards pointing at either a potential supply terms improvement or debt collection policy.

Working capital management demonstrated a declining cash conversion cycle, leading to the inefficiency of cash generation. Investment turnover has been moving in this direction, suggesting a greater development in the efficiency of asset use.

Liquidity Analysis

Growth Ratios



	3.85%	4.10%	4.35%	4.60%	4.85%
10.25%	135.87	138.76	141.84	145.14	148.69
10.75%	126.72	129.19	131.80	134.58	137.55
11.25%	92.42	91.33	89.72	125.47	127.99
11.75%	111.69	113.55	115.49	117.54	119.70
12.25%	105.45	107.08	108.78	110.57	112.44

Capital Structure



PayPal appears to maintain a healthy liquidity position, with both its current ratio and quick ratio consistently above 1. This suggests that PayPal can meet its short-term financial obligations comfortably over the analyzed period. The current and quick ratio appears to be fairly consistent over the period, hovering around the 1.3 mark, which suggests stability in the company's short-term liquidity position.

Unfortunately, we do not know in advance the cash-to-short-term debt ratio since it is not included in the forecasting period which makes short-term liquidity assessment even more complicated.

Leverage Analysis

Debt ratios fluctuated but remained manageable, with a downward trend recorded over the predicted period.

Negative net debt ratios imply a strong net cash position relative to capital, equity, and EBITDA.

The debt-to-free cash flow to equity (FCFE) ratio has fluctuated but has generally maintained within a reasonable range.

Sensitivity Analysis

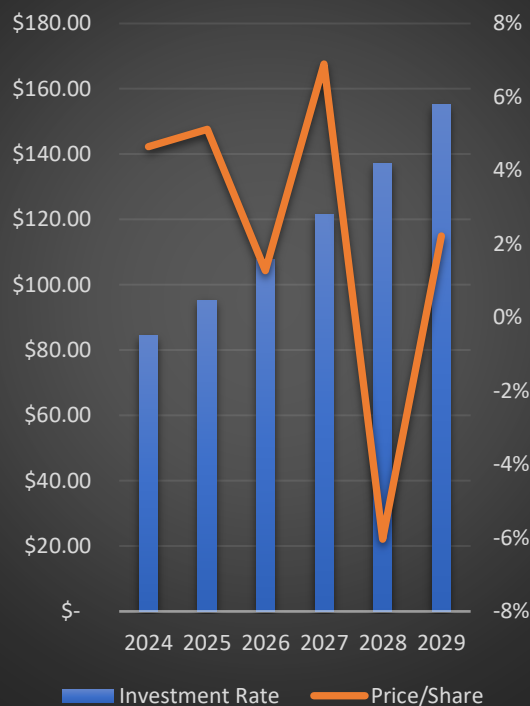
Raising the WACC generally correlates with a decrease in PayPal's stock price. This phenomenon reflects the heightened return expectations among investors, thereby leading to a downward revision in the company's valuation.

On the other hand, elevating the perpetual growth rate tends to propel an increase in PayPal's stock price. This uptick is attributable to the anticipation of augmented future cash flows, consequently enhancing the company's valuation.

The sensitivity of PayPal's stock price to alterations in WACC is notably more pronounced compared to its response to shifts in perpetual growth rates. This discrepancy is evident from the discernible fluctuations in stock price across various WACC levels relative to adjustments in growth rates.

Importantly, instances arise where an increase in the perpetual growth rate prompts a decline in PayPal's stock price. This counterintuitive outcome may

Price vs Investment Rate



stem from the mitigating impact of discounting future cash flows at a higher WACC, which outweighs the favorable effect of enhanced growth rates. Conversely, there are situations where a rise in WACC leads to a decrease in PayPal's stock price, while an increase in perpetual growth rates results in an upswing in stock price.

Interest Coverage Analysis

The small ratios of EBIT to interest expense and EBITDA to interest expense demonstrate problems in covering interest expenses by resources from the production activity and EBITDA, respectively. This could signify the debt repayment problem among the countries and how one option to address the issue is the rise in profitability and the generation of cash flow. Although the average normalized EBITDA to interest consumption ratio has moved marginally upwards, it remains less than one indicating continuously burden with debt payment density that are payable through normalized EBITDA. The financial assessment indicates unstable or ineffective indicators in several instances, but the positive picture is present as well – stable indicators and improvement trends everywhere. Investigation becomes even a more important resource, and stakeholders should employ this source more efficiently for better understanding of the hidden factors behind these patterns.

Capital Structure

The capital structure of a firm, for example, PayPal, which is a FinTech company, is an important one for financial soundness and strategy. The capital structure refers to how a company obtains the funds with which it carries on the operations utilize a combination of debt (liabilities) and equity (owners' contributions).

The market value of debt (MV debt) is estimated to be \$12,649,000.

Market value of common stock (MV CS): 64,721,040\$

Total market cap of all the assets is 77,370,040\$ (or MV Total).

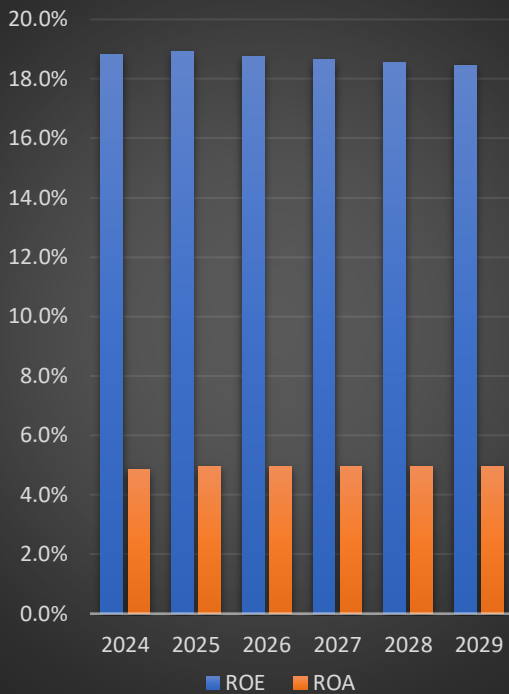
These numbers reflect creditors and investors demonstrated perception of the value of PayPal bonds and stocks. This is the reflection of the debt and equity capital markets. The Mark Value of Debt encompasses any bonds, loans or



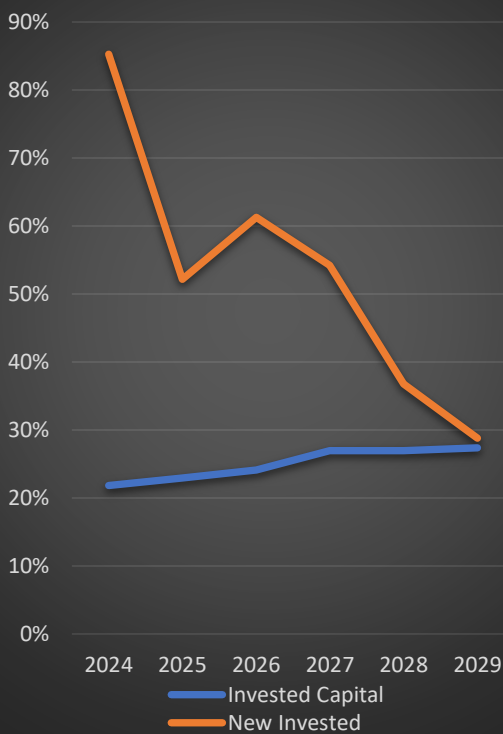
PayPal's Payment Solutions



ROE vs ROA



Adjusted Returns on Capital



other obligations PayPal has issued, while Market Value of Common Stock is number of common stock shares multiplied by the current market price for each one.

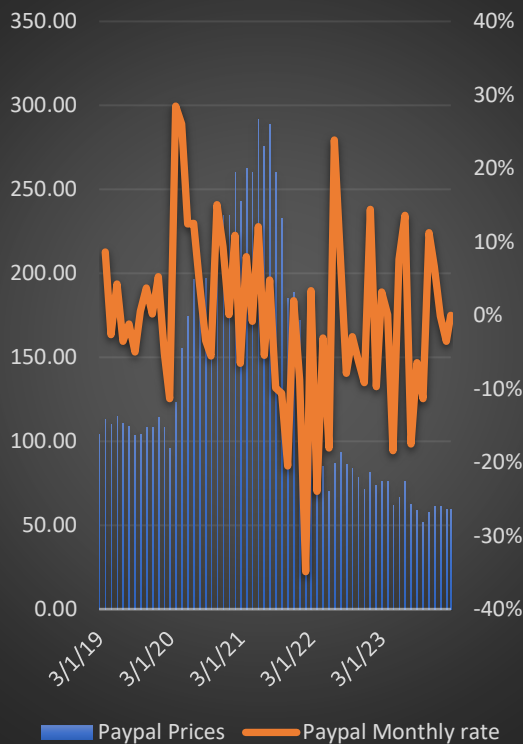
- **Debt-to-Capital Ratio:** This ratio sheds light on the level of capital sourcing that involves borrowing. In this context, approximately 16.36% of debt financing is represented by this ratio which is suggesting that this represents around 16.36% of PayPal's total capital. Smaller debt-to-capital ratio (company doesn't rely much on loaned funds for sustaining its operations) means less financial risk because this situation does not trigger a critical financial risk.
- **Equity-to-Capital Ratio:** Defined by equity to total capital ratio, only this proportion is comprised of equity capital. Therefore, the proportion (about 83.64%) shown means this is a dominant form of financing for PayPal whereby, it gets equity finance sources like the issuance common stock. A high equity ratio is an indication of low debt burden and hence less debt related problem.

On that note, PayPal's capital ratio is showing that company prefers equity financing rather than debt financing which looks to be a cautious move. The most prominent evidence of PayPal's preference of stock is the use of equity investment, which could be the sign of their decision for stability and financial flexibility rather than the operational needs. Moreover, a higher equity to capital structure may stir up investors' confidence as well as provide insurance from economic collapse or the unexpected changes of interest rates. By dealing with these ratios we can confirm that PayPal's capital structure looks quite balanced and this structure is consistent with long-term financial goals of the company as well as its overall risk management plan.

Investment Risk

Valuation Risk

Price vs Change



Tighter financial regulations likely involving direct payments and privacy policies may add extra operational expenses, limiting the agility of PayPal's growth, and therefore, the profitability. The noncompliance with new rules or not adjusting with the dynamic nature of regulations can not only give a business legal penalty but also lead to reputation damage and the loss of customer trust.

The aspect of e-commerce business is adversely affected by cyber is as data breaches, hacking and identity steal. The area which will be affected in the case of any significant data breach on PayPal's systems will be financial losses, the reputation, erosion of the market position, and the company's future growth. In addition to the fact that the management of cyber risks and the improvement of security standards may result in financial expenses, PayPal may suffer this burden.

Increased competition from established banking incumbents and rising number of fintech start-ups may capture the market share of PayPal, limit the pricing power and ability to make a profit and thereby demand a need for higher spending on innovation and marketing which would be required to retain competitive advantage of PayPal. Inability to achieve appropriate differentiation of its products, adjusting to the constantly changing customer preferences, or piloting the competition obstacles on their way to the growth may lead to flat sales upsurge, smaller profits, and worse financial results.

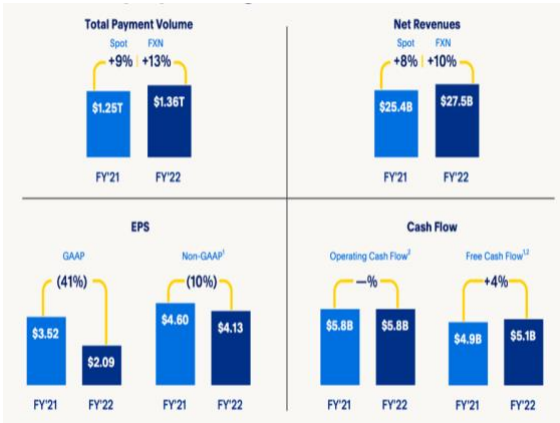
Skillful mastering the technology and market change by making disruptive innovations which could led to the PayPal's business models outdated or noncompetitive. Lack of technologic foreseeing and response to emerging technologies and new payment trends including the blockchain or the decentralized finance or a long-lasting popularity of alternative payment methods would later lead to loss of market relevance to these services, lower transaction volumes or lower revenue.

Economic RECESSION





Slower growth or a recession in the world could lead to lower consumer buying, higher loan, & credit default rates, as well as input market volatility. This could probably be catastrophic for PayPal by way of fearing decline in volumes of transactions, revenue sources, and credit quality, in a way all those factors end up playing a game around financial performance and value. However, the crisis will be completed with the high unemployment rate, weakened purchasing power and lowness of customers' confidence, which it will reduce the company's opportunity.



In the process of engaging in legal proceedings, lawsuits, or regulatory reviews such as antitrust litigation or Intellectual Property concerns, PayPal may be confronted with legal costs, fines or damage awards that may affect its profitability and shareholder value negatively. Additionally, unashamed legal procedures or negative outcomes could live to the presence of unwanted publicity, reputational damage, and the distrust of investors towards the authorities and governance practices of the company.



The onboarding of the consumer with Bitcoin functionality through PayPal carries with it different statutory requirements, licensing obligations, and potential liabilities for the platform. In US, we are involved into NY DFS, and it doesn't allow us to conduct any security brokerage or trading activities. Questions regarding the regulatory classification of gifts moving individual currencies exist yet today, current regulations place cryptocurrencies in a tight spot. The SEC has the potential to deem the cryptocurrencies PayPal processes as securities. Thus, they may oblige PayPal to register as securities brokers and add additional regulatory requirements to comply with federal securities laws with that cryptocurrency.



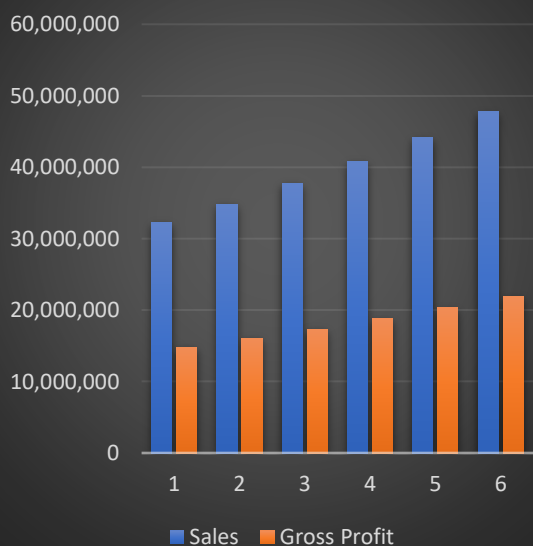
Market Risk

Digital payment industry is growing fast sufficient because of high number of people who are demanding for secure and also convenient payment methods mainly when online purchasing and having the whole financial sector





Total Gross Profit vs Sales



experiencing a CAGR of 10.96% annually to touch the mark of 2.50 trillion USD by the end of the year 2027.

Mobile payment solutions have lately gained a lot of ground, as smartphones and some other mobile equipment are more and more being used, prompting customers to go guided and use immediate transaction ability the kind of PayPal offers by means of enhancing mobile money alternatives and user interface.

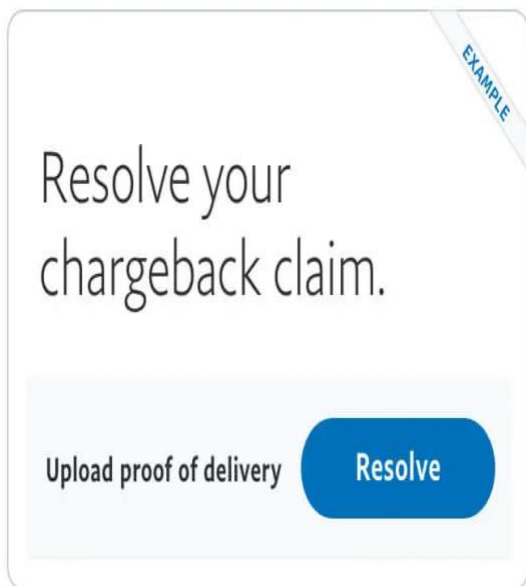
The rise of borderless e-commerce has the effect of showing that an efficient payment system capable of carrying out transactions globally is indispensable for the smooth operation of e-commerce, PayPal being the most adaptable option which can handle payments across borders making it a preferred choice for businesses seeking to penetrate new markets.

Nevertheless, adapted in the form of fintech firms and new technologies, increased competition is something PayPal has to deal with. The digital payment sector remains PayPal's area of authority thanks to its names, solid infrastructure, and continuous innovation approach.

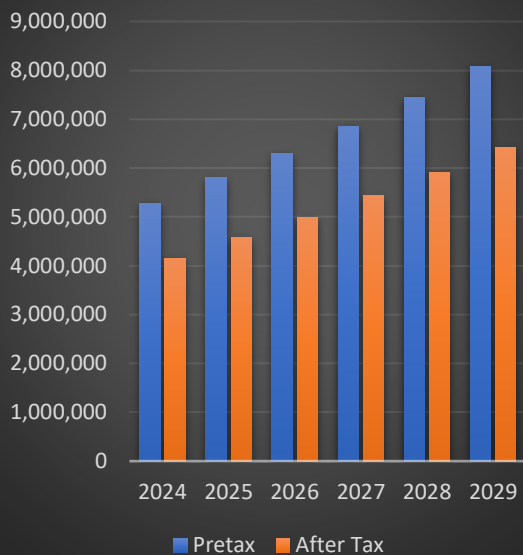
The competitive position of PayPal is strengthened by its two-sided network that links vendors and consumers where money is moved in a variety of fashions. Also, the large number of active accounts both global and local contributes to the appeal of the trusted brand, such as PayPal, Braintree, and Venmo, adequately deals with risk and compliance matters, and regulatory licenses which help it to operate in various markets around These factors represent a golden troika that makes the PayPal payment system stand out among the digitally good companies and gives it the strength to compete on a global level.

Assumptions

These assumptions are based on a forecast model that simulates financial performance under three scenarios: slow, sustainable, and quick. Each assumption is designed to reflect the projected performance of key financial measures under the chosen scenario.



Net Income vs Pretax Income



Sales Growth

The assumptions for sales growth describe the expected annual increase in revenue. The sluggish scenario assumes a conservative 5% growth rate, whereas the sustainable scenario anticipates an 8.2% growth rate, indicating consistent, long-term growth. The fast scenario forecasts a 10.7% growth rate, indicating accelerated expansion.

Cost of Goods Sold

COGS as a percentage of sales represents the portion of revenue spent on the production or acquisition of products sold. The percentages differ between circumstances, with higher percentages suggesting increased expenditures. The slow scenario assumes higher expenses (53% of total sales), but the sustainable and quick scenarios assume reduced costs (54% and 55%, respectively).

SG&A and Selling Marketing Expenses

These expenses, expressed as a percentage of sales, represent the fraction of revenue dedicated to general operations, marketing, research, and other operational costs. Lower percentages suggest more efficient operations. The assumptions differ between scenarios, with the slow scenario expecting more expenses than the sustainable and quick scenarios.

Interest Expense and Income

These components indicate the expenditures and profits connected with debt interest and investment returns, respectively. The percentages are believed to be constant across scenarios, indicating solid financial management methods.

Net Investment Income

This item shows the net revenue from investments. The assumptions vary between situations, indicating differing expectations for investment performance.

Irregular and Total Non-Operating Income/Expense

These items denote irregular or non-operational revenue and expenses. The assumptions vary between scenarios, indicating varying expectations for one-time or non-recurring financial occurrences.

Sustainable

Sales Growth	8.2%
CGS (% Sales)	54.0%
General & Admin Expense (% Sales)	6.9%
Selling & Marketing Expense (% Sales)	6.1%
Research & Development Expenses (% Sales)	10.0%
Other Operating Expense (% Sales)	6.4%
Interest Expense Net (% Long Term Debt)	4.0%
Interest Income (% Cash & Investments)	2.0%
Net Investment Income	1.5%
Irregular Income/Expense	0.6%
Total Non-Operating Income/Expense	0.4%
Provision for Income Tax	21.0%
Shares Outstanding	(50,000.00)
Depreciation (% Sales)	2.8%
Amortization (% Sales)	0.8%
Other Short-Term Assets	10.0%
Other Short-Term Liabilities	10.0%
Stock Based Compensation (% SG&A)	35.0%
Capital Expenditures (% Sales)	3.1%
Net Property, Plant, and Equipment	0.0%
Intangibles	20.0%
Net Working Capital	10.0%
Goodwill	70.0%
Other Long-Term Assets	1.8%
Other Long-Term Liabilities	1.0%

The background of the slide features a repeating, semi-transparent watermark of the PayPal logo in blue and yellow. The logo is oriented horizontally and covers the entire page.

Provision for income tax

This shows the projected tax rate on taxable income. The assumption is similar across scenarios and represents the typical tax rate.

Shares outstanding

This shows the total number of shares issued by the corporation. The assumptions differ between scenarios, reflecting potential changes to the company's capital structure, such as share buybacks or issuance.

Depreciation and amortization

These items describe the cost allocation for tangible and intangible assets over their useful lives. The assumptions fluctuate between scenarios, indicating varying expectations for asset usage and capital expenditure.



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