PayPal (NYSE: PYPL)
Industry: Financial Technology
Date: 06/05/2025

Brendan Clark
bclark2@andrew.cmu.edu
Action: Long / PT: ~$111 / Upside: ~ 56%

Recommendation:

Long on PayPal (PYPL) with a 10-year price target of $111, implying a 56% upside, and assuming a 2034 exit.

Investment Thesis:

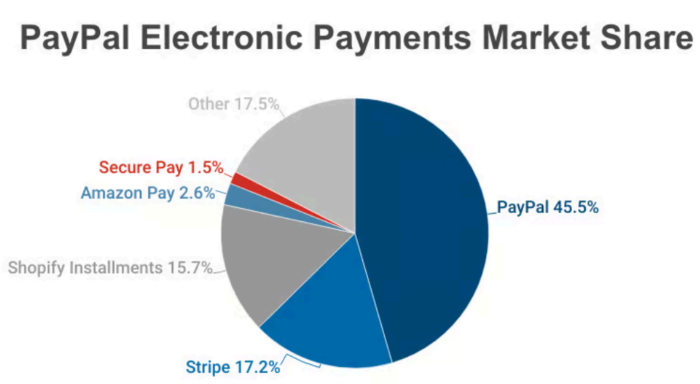
I believe PayPal is set for major upside as it undergoes a strategic transformation under CEO Alex Chriss, who brings a very tech-heavy, product-driven mindset, with a new focus on maximizing productivity. Despite current skepticism in the short term around competition and growth, the company remains highly profitable, with strong free cash flow generation and a massive user base of over 430 million active users. The introduction of their new AI agent-powered FinOS, combined with Chriss's commitment to exiting unprofitable operations and boosting productivity, will enable PayPal for both margin expansion and product-led growth. At current valuation levels, there is a disconnect between PayPal's fundamentals and market sentiment, creating a compelling risk/reward profile. As execution improves and confidence in the new leadership builds, I expect a re-rating of the stock driven by earnings power and eventual multiple expansion.

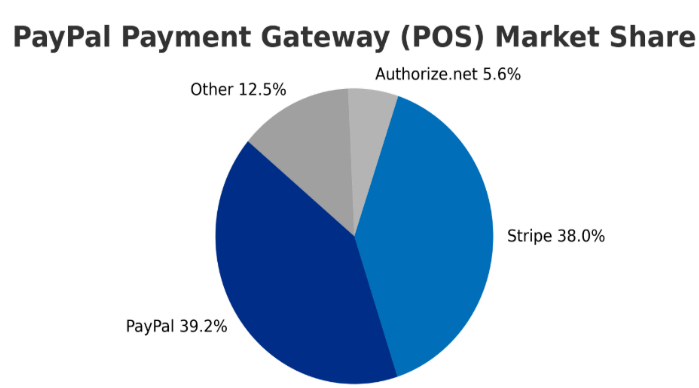
Variant View:

While the market views PayPal as a declining legacy player facing stiff competition and slowing growth, I believe it overlooks the company's ongoing strategic reset. Under new CEO Alex Chriss, PayPal is exiting unprofitable segments, consolidating its platform under the new FinOS, and integrating AI to drive efficiency and engagement. We see monetization of Venmo, BNPL, and merchant services all as meaningful growth drivers that the Street underappreciates. As execution improves, I expect margin expansion and valuation multiple re-rating to occur.

Business Description:

PayPal Holdings, Inc. is a global leader in fintech that offers digital wallets, P2P payments, merchant services, and checkout solutions in nearly 200 markets. PayPal generates revenue through transactions made on its platforms (~91% of total revenue) and from other value-added services (~9%).





PayPal (NYSE: PYPL)
Industry: Financial Technology
Date: 06/05/2025

Brendan Clark
bclark2@andrew.cmu.edu
Action: Long / PT: ~$111 / Upside: ~ 56%

Valuation/Price Target:

- DCF analysis yields an intrinsic equity value of **$109.1B**, giving an implied share price of **$110.96**, based on a 10-year FCF forecasting and assumed TGR of **3.00%**.
- WACC was calculated to be **9.40%**, using a **12.34%** cost of equity and a **5.24%** cost of debt.
- EV/EBITDA Multiple Valuation (**14.97x** industry median) implies a share price of **$101.64**, representing **~44.21%** upside from the current price.
- P/E Multiple Valuation (**21.24x** industry mean forward P/E) implies a share price of **$118.09**, or **~67.55%** upside from the current price.
- Using an assigned weighting of DCF (50%), EV/EBITDA (25%), and P/E (25%), we arrive at a price target of **~$111** per share, representing a **56%** upside.

Ticker	PYPL	Implied Share Price	$ 110.96		
Date	6/3/2025	Today's Shared Price	$ 71.12	Upside (Downside)	56.01%

Assumptions	
Valuation Assumptions:	
WACC	9.40%
TGR	3.00%
Tax Rate	17.24%

Year						1	2	3	4	5	6	7	8	9	10
DCF	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue	21,454	25,371	27,518	29,771	31,797	34,181	36,574	38,951	41,288	43,559	45,737	47,795	49,707	51,446	52,990
% growth		18.26%	8.46%	8.19%	6.81%	7.50%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%	3.50%	3.00%
EBIT	3,289	4,262	3,837	5,028	5,325	7,178	7,772	8,374	8,980	9,583	10,176	10,754	11,308	11,833	12,320
% of rev	15.33%	16.80%	13.94%	16.89%	16.75%	21.00%	21.25%	21.50%	21.75%	22.00%	22.25%	22.50%	22.75%	23.00%	23.25%
Taxes	863	(70)	947	1,165	1,182	1,237	1,340	1,444	1,548	1,652	1,754	1,854	1,950	2,040	2,124
% of EBIT	26.24%	-1.64%	24.68%	23.17%	22.20%	17.24%	17.24%	17.24%	17.24%	17.24%	17.24%	17.24%	17.24%	17.24%	17.24%
EBIAT	2,426	4,332	2,890	3,863	4,143	5,941	6,432	6,931	7,432	7,931	8,422	8,900	9,359	9,793	10,196
D&A	1,189	1,265	1,317	1,072	1,032	1,078	1,120	1,161	1,198	1,236	1,275	1,316	1,357	1,400	1,444
% of rev	5.54%	4.99%	4.79%	3.60%	3.25%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
CapEx	866	908	706	623	683	703	720	736	751	767	783	799	815	832	849
% of rev	4.04%	3.58%	2.57%	2.09%	2.15%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%	2.06%
Current Assets	50,995	52,574	57,517	62,569	61,092	72,206	77,260	82,282	87,219	92,016	96,617	100,965	105,004	108,679	111,939
% of rev	237.69%	207.22%	209.02%	210.17%	192.13%	211.25%	211.25%	211.25%	211.25%	211.25%	211.25%	211.25%	211.25%	211.25%	211.25%
Current Liabilities	38,447	43,029	45,101	48,466	48,376	56,579	60,540	64,475	68,343	72,102	75,707	79,114	82,278	85,158	87,713
% of rev	179.21%	169.60%	163.90%	162.80%	152.14%	165.53%	165.53%	165.53%	165.53%	165.53%	165.53%	165.53%	165.53%	165.53%	165.53%
NWC	12,548	9,545	12,416	14,103	12,716	15,627	16,721	17,808	18,876	19,914	20,910	21,851	22,725	23,521	24,226
Change in NWC		(3003)	2,871	1,687	(1387)	2,911	1,094	1,087	1,068	1,038	996	941	874	795	706
% change in NWC		-23.93%	30.08%	13.59%	-9.83%	22.89%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%	3.50%	3.00%
Unlevered FCF	2,749	7692	630	2,625	5,879	3,405	5,738	6,268	6,811	7,362	7,919	8,476	9,027	9,565	10,086
Present Value of FCF						3,112	4,795	4,788	4,755	4,698	4,619	4,519	4,400	4,262	4,107

Terminal Value	162,335
Present Value of Terminal Value	66,111
Enterprise Value	**110,166**
+ Cash	10,824
- Debt	11,862
Equity Value	**109,128**
Shares	984
Share Price	**$ 110.96**

P/E Multiple Valuation		
Industry Mean Forward P/E Multiple		21.24x
PYPL NTM EPS		5.56
67.55% Upside	**Implied Price**	**$118.09**

EV/EBITDA Multiple Valuation		
Industry Median EV/EBITDA Multiple		14.97x
PYPL NTM EBITDA		$6.75B
Implied Enterprise Value		**$101.05B**
+ Cash		10.824B
- Debt		11.86B
Implied Equity Value		**100.01B**
Shares Outstanding		984M
44.21% Upside	**Implied Price**	**$101.64**

Competitive Landscape:

Industry Overview: PayPal operates in the global digital payments and fintech industry, a market that is experiencing rapid innovation, increasing fragmentation, and heightened competition across both consumer and merchant-facing layers. The company's core business spans online checkout, digital wallets, peer-to-peer (P2P) transfers, and value-added services such as Buy Now, Pay Later (BNPL), cross-border payments, and working capital loans for merchants. As the market matures,

Brendan Clark
bclark2@andrew.cmu.edu

competition is intensifying from both small fintech startups and financial institutions investing in proprietary payment networks.

Key Competitors and Threats: PayPal is facing an increasingly competitive landscape. On the merchant side, Stripe and Adyen currently present the greatest competition with their developer-first, API-centric platforms and their strong global acquiring capabilities. Meanwhile, on the consumer side, PayPal is competing with large digital-wallet ecosystems like Apple Pay, Google Pay, and Samsung Pay, which are growing in the POS and mobile checkout areas. In P2P payments, Zelle dominates bank-based transfers throughout the U.S., while Cash App and Venmo are strong among the younger generation. PayPal also faces increasing competition from international players like Revolut and Wise, as well as BNPL providers like Klarna and Affirm.

Where PayPal Stands Out: PayPal maintains a powerful and very defensible moat centered around its dual-sided network of over 400M consumers and 35M merchants, driving meaningful data advantages and operating leverage across its platform. Additionally, PayPal's strong brand trust distinguishes it, specifically when it comes to international and higher-ticket transactions where conversion friction can be material. The platform's embedded positioning with major partners, including Amazon, Uber, and Shopify, caps off this moat, enabling PayPal to maintain privileged distribution even as wallet-based alternatives arise.

Headwinds: Higher interest rates are continuing to lower overall consumer spending, which could put pressure on PayPal's TPV. Additionally, we see competition is increasing across both the merchant and consumer layers, with companies like Stripe and Adyen poaching market share among merchants, and Apple Pay and Google Pay breaking into PayPal's consumer trust advantage by adding mobile wallet functionalities. This competition, combined with merchants expecting lower fees and quicker onboarding, could potentially shrink PayPal's margins over time.

Tailwinds: On the other hand, PayPal benefits from several different structural tailwinds that support its long-term positioning. The ongoing shift from cash and cards to digital payments continues to expand. This transition is reinforced by certain demographic shifts. For example, younger consumers prefer fully digital payment experiences, as well as we see digital literacy is improving among older generations, which increases PayPal's addressable customer base. Global e-commerce growth and cross-border commerce further fuel this opportunity, as does PayPal's ability to embed new innovations such as AI and machine learning to drive smarter personalization, fraud prevention, and operational efficiency across its

Brendan Clark
bclark2@andrew.cmu.edu

platforms. The rollout of FinOS, Fastlane, and PYUSD positions PayPal to capitalize on these evolving commerce trends.

5 Forces:

- Threat of New Entrants - Low, very high barriers to entry due to customer loyalty (tough for new entrants to gain any traction). PayPal's global licenses, fraud infrastructure, and merchant relationships provide a strong defensive moat.
- Customer Bargaining Power - High, consumers and merchants have a wide array of payment options with low switching costs. Merchants can integrate with multiple payment processors simultaneously, and consumers can switch to faster, cheaper, or more integrated wallets. PayPal's margins are under pressure from this heightened competition and pricing transparency, making buyer power a key challenge
- Threat of Substitutes - High, as alternative payment methods are rapidly growing in the form of mobile wallets, crypto-based transactions, and BNPL providers, which all put pressure on PayPal to further differentiate itself.
- Industry Competition - Very High, the FinTech industry is extremely competitive, with companies like Stripe, Adyen, and Square all competing to earn volume, margins, and a larger user share. PayPal's recent decline in total active accounts growth and TPV growth is a testament to the impact that competition has on this industry.
- Supplier Bargaining Power - Low, PayPal's suppliers consist of card networks, banks, and infrastructure providers. Even though big card networks like Visa and Mastercard get to set interchange rates, PayPal benefits from its size, allowing it to negotiate favorable processing rates.

Management Overview: Alex Chriss took over as PayPal's President and CEO in September 2023. Before he joined PayPal, Chriss worked at Intuit as the company's Executive Vice President and General Manager of the Small Business and Self-Employed Group. During his time at Intuit, Chriss was instrumental in scaling the QuickBooks platform and leading the $12 billion acquisition of Mailchimp, which broadened Intuit's reach into marketing automation. His background in building platforms for SMBs and his track record of leveraging technology align perfectly with PayPal's new strategy to become more tech-focused.

Thesis 1: With a product-led background from Intuit, CEO Alex Chriss is executing a much-needed overhaul of PayPal's fragmented platform, and his rollout of the AI-powered FinOS architecture signals a shift toward unified, scalable infrastructure that can drive long-term margin expansion, innovation

Brendan Clark
bclark2@andrew.cmu.edu

velocity, and checkout conversion. His rework plan is already taking shape through initiatives like "Fastlane," a one-click guest checkout service being adopted by Amazon, and a growing PayPal/Venmo debit card program. The company is also enhancing its Braintree offering and building an "Innovation Machine" that is expected to accelerate product velocity and customer experience improvements in the coming quarters.

> "We chose PayPal as our primary online payment method because it gives customers instant trust; we saw a noticeable bump in conversion rates just by having the PayPal button at checkout. Shoppers recognize that brand and feel more secure using it, especially for higher-ticket items."
>
> - Manager of a Client (online checkout)

Thesis 2: PayPal's competitive edge lies in its dual-sided ecosystem; while it has 400 M+ consumer accounts, its deeper moat comes from 35 M+ merchants, including Amazon, Uber, and Shopify stores, which benefit from its high trust, global reach, and proven conversion uplift at checkout. This two-sided scale positions PayPal to lead in emerging commerce opportunities, including its recently launched stablecoin, PYUSD, which adds flexibility to transaction models, and its ambitions to build an autonomous AI-powered Financial OS to further embed PayPal in new areas of digital commerce and financial workflows. As new branches of commerce evolve, PayPal is well-positioned to capitalize on trends that extend beyond traditional checkout.

> "Venmo is more intuitive than Zelle, especially for the younger generation like myself who are already using it socially. The interface feels friendlier, and being able to connect with contacts or split payments visually makes it far more engaging. With Zelle, everything feels transactional, but with Venmo, it feels more native."
>
> - Frequent Venmo User

Thesis 3: PayPal generates significant amounts of FCF (~$4B annually), as well as commands a strong balance sheet. The company currently sits on almost $11B in cash, which provides significant flexibility for share buybacks and investments. Under Alex Chriss' leadership, I expect capital allocation to remain disciplined, which will create strong shareholder value while still supporting the ongoing innovation.

Revenue Drivers:

PayPal's revenue growth will be driven over the coming years by a combination of product consolidation, monetization of certain assets, and geographic expansion. Central to my argument is the new FinOS, PayPal's unified, AI agent-powered platform infrastructure, which will streamline onboarding and enhance conversion, particularly among small and mid-sized businesses. Additionally, Venmo remains a significant

Brendan Clark
bclark2@andrew.cmu.edu

but under-monetized asset. Recent initiatives, including the expansion of business profiles and partnerships like Amazon checkout integration, position Venmo to contribute more meaningfully to top-line growth. Internationally, PayPal is focused on building localized experiences in high-growth markets such as Latin America and Southeast Asia, where rising digital payment penetration offers a long runway. Furthermore, the expansion of BNPL products and merchant credit offerings creates new recurring revenue streams, particularly as PayPal leverages its vast existing network. Lastly, the implementation of AI across product discovery, fraud checking, and consumer personalization should increase TPV per user and enable higher transaction frequency in the future.

Margin Expansion Drivers:

On the margin side, PayPal is in the midst of a strategic reset under new CEO Alex Chriss that is characterized by discipline, efficiency, and product focus. One important focus is the sale of non-core, low-margin businesses, such as POS hardware, and part of its consumer credit book. In the meantime, PayPal targets $1.3 billion in annualized cost savings from automation, workforce realignment, and better operational controls. They're also benefiting from the integration of backend systems on the FinOS platform, which minimizes duplicated engineering and accelerates the time to market for new products, while lowering the cost-per-merchant. The company is also increasingly targeting higher-value merchants with deeper integration requirements, improving retention and average revenue per user, and reducing churn-related costs. Lastly, the use of artificial intelligence for customer service, fraud prevention, and risk management is expected to significantly reduce support and compliance costs, creating more operating leverage even in a smaller revenue growth environment.

PayPal (NYSE: PYPL)
Industry: Financial Technology
Date: 06/05/2025

Brendan Clark
bclark2@andrew.cmu.edu
Action: Long / PT: ~$111 / Upside: ~ 56%

Appendix:

			Bear Case			Base Case			Bull Case		
	TV ($)	WACC (%)									
	Growth Rate (%)	$162,335.47	14.00%	13.00%	12.00%	11.00%	10.00%	9.00%	8.00%	7.00%	6.00%
Bear Case		0.00%	$72,040.08	$77,581.62	$84,046.76	$91,687.37	$100,856.11	$112,062.34	$126,070.14	$144,080.16	$168,093.52
		1.00%	$78,357.44	$84,887.23	$92,604.25	$101,864.67	$113,182.97	$127,330.84	$145,520.96	$169,774.45	$203,729.34
Base Case		2.00%	$85,727.69	$93,521.12	$102,873.23	$114,303.59	$128,591.54	$146,961.76	$171,455.39	$205,746.46	$257,183.08
		3.00%	$94,437.99	$103,881.79	$115,424.21	$129,852.24	$148,402.56	$173,136.32	$207,763.59	$259,704.48	$346,272.64
Bull Case		4.00%	$104,890.35	$116,544.84	$131,112.94	$149,843.36	$174,817.26	$209,780.71	$262,225.88	$349,634.51	$524,451.77
		5.00%	$117,665.46	$132,373.64	$151,284.16	$176,498.19	$211,797.83	$264,747.29	$352,996.38	$529,494.57	$1,058,989.15

PayPal's growth agenda, in progress for months, appears to be yielding some measurable results. Fastlane, a streamlined checkout technology aimed at e-commerce merchants, has attracted more than 1,000 of them since its launch in August, Chriss said.

The technology, developed to address the often clunky guest-checkout procedures online sellers put in front of unregistered buyers, has been a major initiative at PayPal since Chriss took over. It smooths out the issues created by the fact that 60% of online transactions are guest checkouts, according to a number Chriss cited.

PayPal's recent moves also include PayPal Complete Payments and PayPal Everywhere, both launched last month. The former involves a gateway to platforms like Adyen, Apple Pay, and Google Pay to enable broad payment access for smaller merchants. The latter is Chriss's campaign to bring PayPal access to physical as well as online merchants and markeptaces. This effort, he noted, has added more than 1 million debit users since its launch, leading the company to plan expansion to Europe next year.

The reinvigoration project includes Venmo, PayPal's popular peer-to-peer payments service. Here, Chriss plans to put the payments platform to work on a broader spectrum of duties. "Venmo will shift from solely a P2P service to be a central part of consumers' lives," he said. This effort begins with the Venmo debit card, where monthly active users and accounts are growing, according to Chriss.

But Pay with Venmo, a service for online purchases, claims just 8% of overall Venmo users so far as monthly active users. "We have room to grow," Chriss said, adding that PayPal is now "leaning into Venmo marketing for the first time in years."

Overall, Chriss was at pains to express optimism, particularly for his growth agenda. "We have an innovation machine that's starting to ramp up," he said. "We're very excited about where we lean in over the next several quarters."

For the quarter, PayPal processed $422.6 billion in total payment volume, up 9% year-over-year. Revenue rose 6% to $7.85 billion, while operating income increased 18% to $1.48 billion.

Active accounts came to 432 million, a 1% increase, while transactions per active account jumped 9% to 61.4.

Selling more services to Braintree customers

As far as the larger companies courted by Braintree, Chriss aims to sell them more services too. "We now have a beachhead to build upon," he said of the Braintree business. "We will address additional customer needs such as payouts, fraud management, chargeback automation" and foreign currency exchange, he said.

"We believe long-term opportunities remain substantial as the company has evolved from a traditional checkout button to a robust platform of end-to-end solutions for consumers and merchants," the William Blair note said. "While early, the company appears keenly focused on leveraging its vast amount of data to improve operational efficiency and we are encouraged by management's narrowed focus on profitable growth."

While Chriss complimented PayPal's employees, he also noted that he would be adding new talent to accomplish his goals. In the meantime, he said he's gathering a better understanding of the company to share a more detailed strategy with analysts in February, on the next earnings call.

Correction: The story has been updated to show that Happy Returns was sold for $465 million.

Brendan Clark
bclark2@andrew.cmu.edu

Action: Long / PT: ~$111 / Upside: ~ 56%

1Q'25 snapshot

(in millions, except % and per share data)	Results	Y/Y growth
Total payment volume (TPV)	$417,208	3%; 4% FXN
Revenue	$7,791	1%; 2% FXN
Transaction margin $ (TM$[1])	$3,716	7%
TM$ ex. interest on customer balances[1,2]	$3,418	7%
Non-GAAP EPS[1]	$1.33	23%
Adjusted free cash flow[1,3]	$1,381	(26%)

All growth rates reference 1Q'25 year-over-year growth unless otherwise noted. Additional financial detail provided in Supplemental Information.
(1) For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the GAAP to non-GAAP Reconciliations on slides 21-24.
(2) Interest on customer balances is reported within OVAS revenue in this presentation and in our quarterly/annual SEC filings and primarily comprises interest and revenue earned on customer assets.
(3) Adjusted free cash flow excludes the net impact from timing differences between originating European buy now, pay later ("BNPL") receivables classified as held for sale and their subsequent sale. See slide 24 for more detail.

TPV mix across PayPal's platform

		1Q'24 Prior year period	4Q'24 Prior quarter	1Q'25 Current quarter
Branded checkout (online)[1]	FXN GROWTH	6%; 5% ex Leap Day	6%	4%; 6% ex Leap Day
	% OF TOTAL	30%	32%	29%
P2P & other consumer[2]	FXN GROWTH	7%	9%	8%
	% OF TOTAL	25%	25%	27%
Payment service provider (PSP)[3]	FXN GROWTH	24%	6%	2%
	% OF TOTAL	45%	43%	44%
Total TPV	FXN GROWTH	14%	7%	4%
Branded experiences (online & offline)[4]	FXN GROWTH	6%; 5% ex Leap Day	8%	7%; 8% ex Leap Day
	% OF TOTAL	31%	34%	31%
Venmo[5]	FXN GROWTH	8%	10%	10%
	% OF TOTAL	17%	17%	18%

- Branded checkout TPV growth driven by continued strength across large enterprise platforms, marketplaces within PayPal checkout, and Pay with Venmo
- Consistent with price-to-value strategy, PSP TPV decelerated while contributing to TM$ growth
- Branded experiences TPV growth driven by PayPal and Venmo debit cards and online branded checkout

Percent of total may not sum to 100% due to rounding. Additional financial detail provided in Supplemental Information and definitions on slide 26.
(1) Branded Checkout (online) TPV comprises PayPal branded checkout, Pay with Venmo and eBay.
(2) P2P & Other Consumer TPV comprises P2P (PayPal and Venmo), debit (PayPal and Venmo) except when used to fund a branded checkout (online) transaction and remittances.
(3) PSP TPV comprises unbranded card processing across the Braintree and PayPal platforms, as well as other merchant solutions (e.g., payouts, invoicing, point-of-sale solutions, etc.)
(4) Branded experiences (online & offline) TPV comprises branded checkout (online) as well as in-store payment methods, including debit (PayPal and Venmo) and tap to pay.
(5) Venmo comprises Venmo P2P, Pay with Venmo and Venmo debit.

PayPal (NYSE: PYPL)
Industry: Financial Technology
Date: 06/05/2025

Brendan Clark
bclark2@andrew.cmu.edu
Action: Long / PT: ~$111 / Upside: ~ 56%

1Q'25 key financial results

(in millions, except % and per share data)	1Q'25
Total revenue	$7,791
Y/Y growth	1%
FXN Y/Y growth	2%
Transaction margin $[1]	$3,716
Y/Y growth	7%
Y/Y growth ex. int. on cust. balances[1,2]	7%
Non-transaction related expenses[1]	$2,100
Y/Y growth	2%
Non-GAAP operating income[1]	$1,616
Y/Y growth	16%
Non-GAAP operating margin %[1]	20.7%
Y/Y change	257bps
Non-GAAP EPS[1]	$1.33
Y/Y growth	23%

- Within total revenue, transaction revenue flat vs. 1Q'24, with branded checkout and Venmo growth offsetting lower Braintree revenue, and other value-added services (OVAS) revenue +17%, driven primarily by healthy performance in consumer and merchant credit
- TM$ +7% driven by branded checkout, PSP and value-added services, credit, and Venmo; includes transaction expense improvement
  - TM$ ex. int. on customer balances[2] +7%; +8% ex Leap Day
  - TM% +274bps to 47.7%
- Non-transaction opex +2%, driven by investments in key growth initiatives, including marketing, funded from ongoing productivity improvements
- Returned $1.5B via share repurchases, $6.0B on a trailing 12-month basis, reducing weighted average shares by 7%

All growth rates reference 1Q'25 year-over-year growth unless otherwise noted.
Additional financial detail provided in Supplemental Information.
(1) For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the GAAP to non-GAAP Reconciliations on slides 21-24.
(2) Interest on customer balances is reported within OVAS revenue in this presentation and in our quarterly/annual SEC filings and primarily comprises interest and revenue earned on customer assets.

Maintaining FY'25 TM$ & EPS guidance

2Q'25	
Transaction margin $	$3.75B - $3.80B *4% - 5% growth* *6% - 7% growth ex. interest on customer balances[1]*
Non-GAAP effective tax rate	18% - 20%
Non-GAAP EPS[2]	$1.29 - $1.31 *8% - 10% growth*
GAAP EPS	$1.24 - $1.26 *2Q'24: $1.08*

FY'25	
Transaction margin $	$15.2B - $15.4B *4% - 5% growth* *Includes ($150M) from lower interest on customer balances[1]* *5% - 7% growth ex. interest on customer balances[1]*
Non-GAAP non-transaction operating expenses	Low single-digit growth *FY'24: $8.8B*
Non-GAAP effective tax rate	21% - 22% *FY'24: 21%*
Non-GAAP EPS[3]	$4.95 - $5.10 *6% - 10% growth*
GAAP EPS[4]	$4.80 - $4.95 *FY'24: $3.99*
Free cash flow	$6B - $7B
Share repurchase	~$6B
CAPEX	~$1B

(1) Interest on customer balances is reported within OVAS revenue in this presentation and in our quarterly/annual SEC filings and primarily comprises interest and revenue earned on customer assets.
(2) Estimated non-GAAP amounts for 2Q'25 reflect adjustments of ~$50M.
(3) Estimated non-GAAP amounts for FY'25 reflect adjustments of ~$200M.
(4) FY'24 GAAP EPS included ~$0.23 negative impact from PayPal's strategic investment portfolio.
For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the GAAP to non-GAAP Reconciliations on slides 21-24.

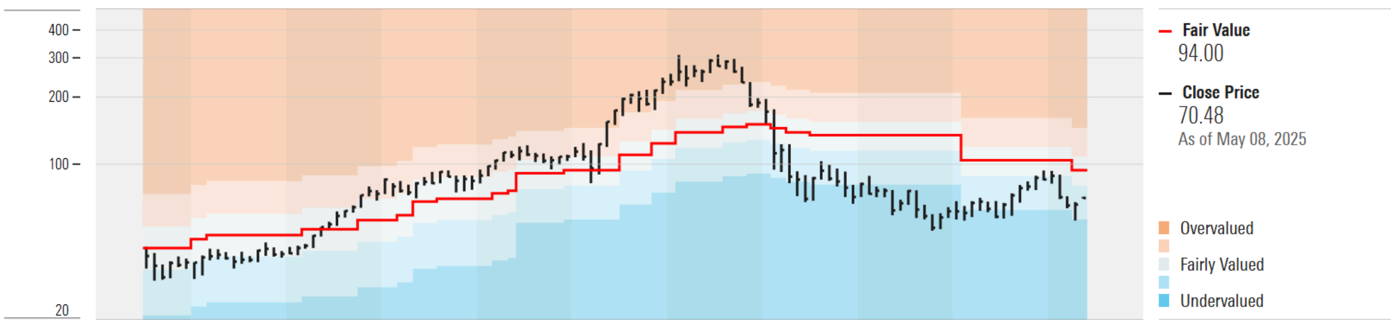
Brendan Clark
bclark2@andrew.cmu.edu

PayPal (NYSE: PYPL)
Industry: Financial Technology
Date: 06/05/2025

Action: Long / PT: ~$111 / Upside: ~ 56%

Price vs. Fair Value

Advanced | Basic   Logarithmic | Linear



2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	
0.86	0.82	1.31	1.20	1.15	1.89	1.25	0.53	0.45	0.82	0.75	Price/Fair Value
—	9.03	86.52	14.22	28.64	116.51	-19.48	-62.23	-13.77	38.98	-17.42	Total Return %
0.69	12.44	21.47	-5.05	31.22	20.90	25.78	-19.43	26.44	24.09	-3.39	Index Total Return %

USD | As of May 08, 2025 | Index: Morningstar US Market TR USD