

Writing Assignment – PayPal Stock Analysis

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1. Introduction

PayPal Holdings, Inc. is one of the most used digital payment methods worldwide. In the last couple of years, e-commerce and therefore electronical payments became a key aspect of everyone's purchase experience. Digital Payment Companies such as PayPal, have influenced the way money moves but also, they have profited a lot by this trend. However, recent financial articles showed that the digital payment industry is in a transition phase. Some articles mention opportunities for long-term value creation while other articles mention intensified competition and decreasing margins (McKenna, 2024). The mixed information and forecast make this company very interesting to analyze from an investing perspective.

Also, the stock's performance over the last couple of years was interesting. The share price of the stock has significantly decreased since its high during the Pandemic. Some experts argue that the stock is undervalued and therefore a good investment while others argue that the decrease of the stock is based on deep structural issues and therefore it is not a good investment (Barron's, 2025). These controversial views on PayPal's stock makes it a strong case in evaluating risk, valuation, growth potential, and long-term strategy through financial analysis.

Looking at PayPal, also goes along with topics of corporate finance such as valuation, profitability, cash-flow strength, and risk. Zutter & Smart (2022), explained that a good investment decision should involve more than just reading the financial statements of a company. It is also important to understand the companies competitive and strategic environment. PayPal is a great company for this analysis because of its size, its role in the digital payment market, and the way the company keeps evolving. By looking at the opinion of different analysts, PayPal's most recent financial statements, and their competitors, this paper studies whether PayPal is currently a good investment for the average investor.

2. Why I chose PayPal

I chose PayPal because I use it regularly in my life for online purchases and exchanging money with friends. That is why I was interested in how the company looks like from investment perspective. Because I use PayPal regularly, analyzing the stock makes more sense and feels more meaningful and practical than other companies I do not have any connection with. In addition, PayPal is a well-known publicly traded company which makes it easy for me to find financial statements and recent news.

3. Summary of Article Opinions

I used four articles to show different opinions on PayPal as an investment. Two of them are optimistic while the other two are pessimistic. McKenna (2024) from *Fortune* mentioned that the Bank of America raised the price target for PayPal and therefore they see the stock recovering after the decline of the stock. The article states that PayPal could be undervalued and could perform better if the company continues improving. The other optimistic article by The Simply Wall St argues that PayPal's share price is below the intrinsic value. They suggest that PayPal has strong financial fundaments, and the stock could offer a win for patient investors (Simply Wall St, 2024).

On the other hand, a more cautious article explains that PayPal's CFO warned about slowing growth in its main checkout business (Barron's, 2025). This raised concerns about competition and if PayPal can return to the strong results from the past. The Yahoo Finance summary supports this critical outlook because several analysts recently lowered their fair-value estimate for PayPal (Simply Wall St, 2025). This shows that some analysts are not sure about the future of PayPal's stock.

Overall, the articles show clear disagreement. Some Analysts believe that PayPal is undervalued and is a good long-term investment while others argue that PayPal's challenge could be more serious. This mix of opinions makes PayPal interesting to analyze.

4. Risk Level Compared to the Market

Based on recent performance and analyst opinions, investing in PayPal seems to be riskier than investing in the overall stock market. The biggest reason for this is that the stock's volatility over the last years has been big. PayPal's stock dropped rapidly from the peak during the pandemic, while the market recovered much better. As mentioned before, the concerns regarding PayPal's growth have increased because of competitors like Apple Pay or other digital payment platforms. This brings uncertainty to the future earnings of PayPal which increases the risk. On the other hand, PayPal is still profitable and has strong cash flows, so the financial situation of the company is good. However, compared to other options for example an index fund, PayPal is less stable which makes it riskier.

5. Company Size Compared to its Competitors

PayPal is one of the largest digital payment companies worldwide. Regarding market value, PayPal with a market value of \$60–70 billion is in the same area of competitors like Block and is much larger than smaller fintech firms like Block with around \$40–50 billion. However, it is smaller than global payment networks like Visa (\$500 billion) and Mastercard (\$350 billion) which are the leaders in online payment. Also, PayPal has private competitors such as Stripe with a market value around \$50–60 billion. For example, Stripe grew quickly but is not publicly traded yet.

Overall, PayPal is a key player in the digital payment world which has more users than most other fintech companies, but it is still smaller than the largest card networks in the industry.

6. Growth Performance

PayPal is still growing but at a slower pace than in earlier years. PayPal's revenue has increased gradually from around \$27–28 billion in 2022 to just over \$30 billion in 2024. This means PayPal is growing at approximately 4-6% a year. This is lower compared to annual growth over 10% in the beginning of the decade. The number of transactions is still very big and continues to grow but at a lower rate than before. This is because the digital payment market has matured, and competition grew. Overall, PayPal is a steady but not fast-growing company at the moment.

7. Profitability

According to PayPal's latest Form 10-K, the company is still solidly profitable. In 2024, PayPal reported net revenues of around \$31.8 billion and net income of about \$4.1 billion which means a net margin of approximately 13% (PayPal Holdings Inc., 2024). The operating income is around \$5.3 billion which is a healthy operating efficiency for a large digital payments platforms. A recent *Fortune* article agrees with this, showing that PayPal continues to produce consistent earnings and maintains strong profit levels even though slower growth in the fintech sector (McKenna, 2024). Overall, PayPal stays a profitable and financially stable company with steady revenues and solid margins.

8. Cash Flow

PayPal has one of the strongest cash flows in the financial areas. According to their last Form 10-K, they generated about \$7.5 billion in operating cash flow in 2024. This means the company produces a big amount of cash from the core business activities (PayPal Holdings Inc., 2024). After considering capital expenditures, PayPal had a free cash flow of approximately \$6.7 billion. This amount gives the company flexibility to reinvest in the business, buy back shares, or

strengthen their balance sheet. These strong numbers show that PayPal is able to generate cash stable and consistently even during times of slower revenue growth. The strong operating and free cash flow makes PayPal look financially healthy and able to support long-term strategic decision without big outside financing support.

9. Valuation - P/E Ratio

The current price-to-earnings ratio is about 12 to 13, which is low compared to the company's history and the overall technology sector. A P/E in this range usually suggest moderate expectations for future growth or that investors are not fully optimistic with their outlook. At the same time the P/E could also mean that the stock could be undervalued, especially in this case because PayPal presents a strong cash flow. In the case of PayPal, the low P/E reflects a mix of competitive pressure, slower growth in recent years, and a change in how investors see the digital payments industry.

Overall, the ratio shows that PayPal is currently a value stock and not a high-growth fintech.

10. Dividends

Since recent, PayPal pays a small dividend of \$0.14 per share quarterly (starting late 2025). Note that because this is a new initiative, it does not yet appear on the 2024 historical financial statements attached. This is an annual dividend of \$0.56 and a yield of under 1%. This shows that PayPal is not a dividend-focused company and still prioritizes reinvesting its cash flow rather than returning large amounts to shareholders.

11. Future Outlook

The future of PayPal's stock seems to be with challenges but still cautiously promising. On the promising side, PayPal has strong cash flow and is still one of the most used digital

payment platforms worldwide. PayPal has a great foundation because of the large user base and the established brand. However, PayPal has strong competitors such as ApplePay, Block, and other digital wallets which could limit or decrease the use of PayPal. Furthermore, the company is trying to improve its margins and simplify the business to be more efficient.

Overall, the future looks stable but not guaranteed. There is potential for improvement if PayPal's management can find a good strategy and stay competitive in this industry.

12. Exchange and Ticker

PayPal trades on the NASDAQ Stock Market, which lists many large technology and digital-focused companies. The company's ticker symbol is PYPL, which is used to identify PayPal's stock in financial markets and trading platforms.

13. Investment Recommendation

Based on the information explained before, I would recommend PayPal an investment for long-term investors. Even though the stock did not perform great in recent years, PayPal appears to be financially healthy with strong cash-flows and a good profitability. Additionally, they have one of the largest user bases worldwide. The company seems to be undervalued compared to its history. Different analysts believe that the low price is just because of too much pessimism. Overall, I would say PayPal can be a good investment but only if investors are willing to take moderate risk and are considering a long-term investment.

14. Integrity in Financial Management

Integrity is very important in financial management because investors rely on honest and unbiased opinions. It is important to present the strengths as well as the weaknesses when recommending a stock. Without integrity the recommendations aren't worth anything and can't be trusted. Being transparent about uncertainties, potential challenges, and the limits of the data

protects investors and builds trust. For this reason, financial managers and analysts have a responsibility to use accurate information, avoid personal bias, and make recommendations that put the investor's interests first.

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