



NASDAQ: PYPL
PayPal Holdings, Inc.

Fundamental Analysis



The Globetrotting Investor
Ben, MBA | Value Investing



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Introduction

GICS Sector: Financial Services

Sub-Industry: Credit Services



CEO: Dan Schulman

Tenure: 7.9 years

PayPal Holdings, Inc's management team has an average tenure of **1.7 years**. It is not considered experienced.

Source of revenue:

- PayPal Holdings, Inc. operates a technology platform that enables digital payments for merchants and consumers worldwide.
- The company offers payment solutions under various names such as PayPal, PayPal Credit, Braintree, Venmo, Xoom, PayPal Zettle, Hyperwallet, PayPal Honey, and Paidy.
- Its payments platform allows consumers to send and receive payments in around 200 markets and 150 currencies. They can also withdraw funds to their bank accounts in 56 currencies and hold balances in their PayPal accounts in 25 currencies.
- PayPal operates as one segment and has one reportable segment. However, the company's revenues are classified into the following two categories:
 - Transaction revenues
 - Revenues from other value-added services
- Visit my website to learn more.



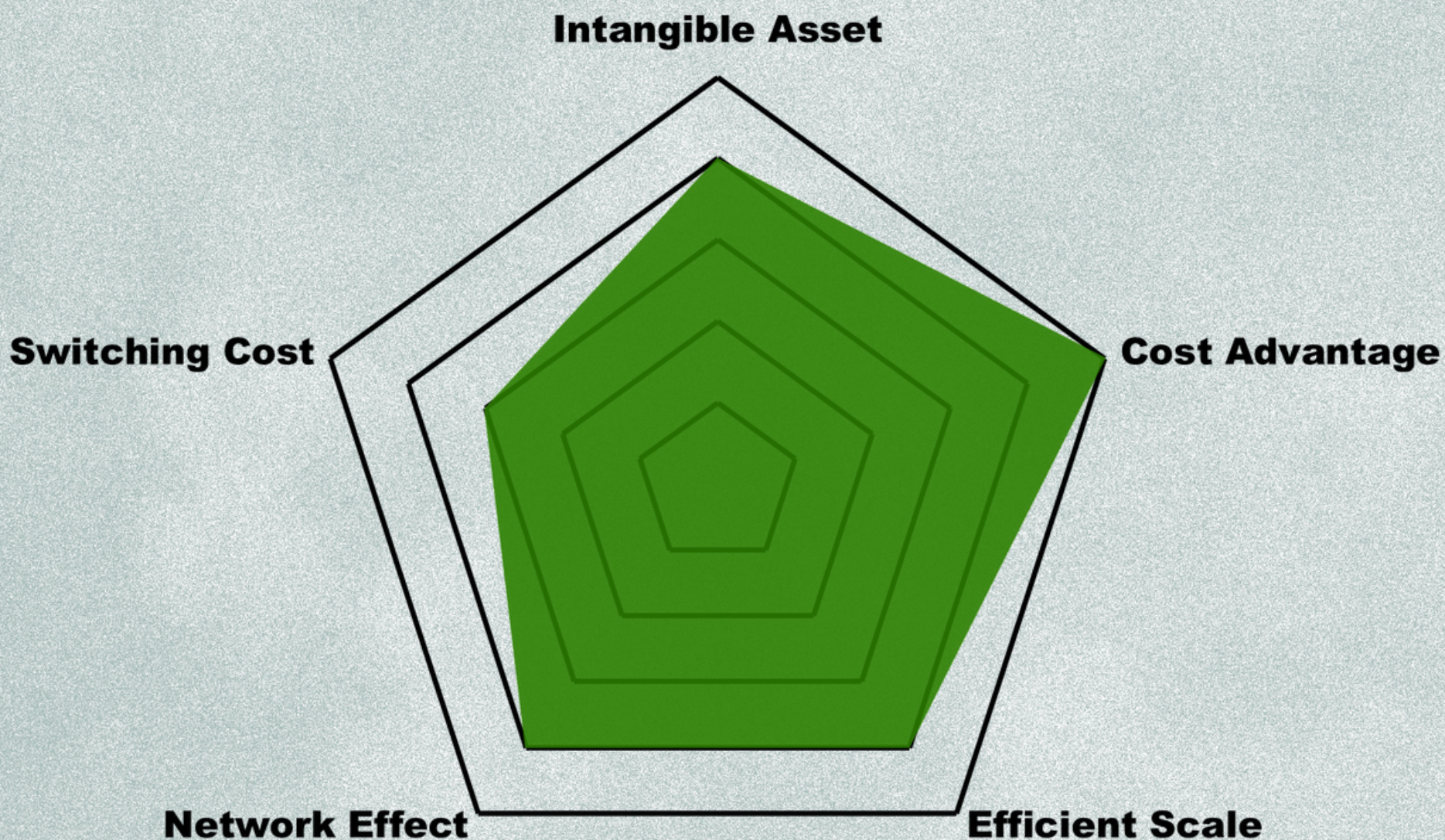
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Economic Moat



Economic moat: **Narrow**

There are many ways to identify a company's economic moat, but I focus on the above 5 types. The rating is purely subjective, and it is based on my in-depth understanding and analysis of the company.



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Performance

	Yes	Inconsistent	No
Revenue growing YoY for the past 5 years consistently?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net income growing YoY for the past 5 years consistently?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cash flow from operating activities growing YoY for the past 5 years consistently?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Free cash flow is positive for the past 5 years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gross margin % is consistent/growing for the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPS growing for the past 5 years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>





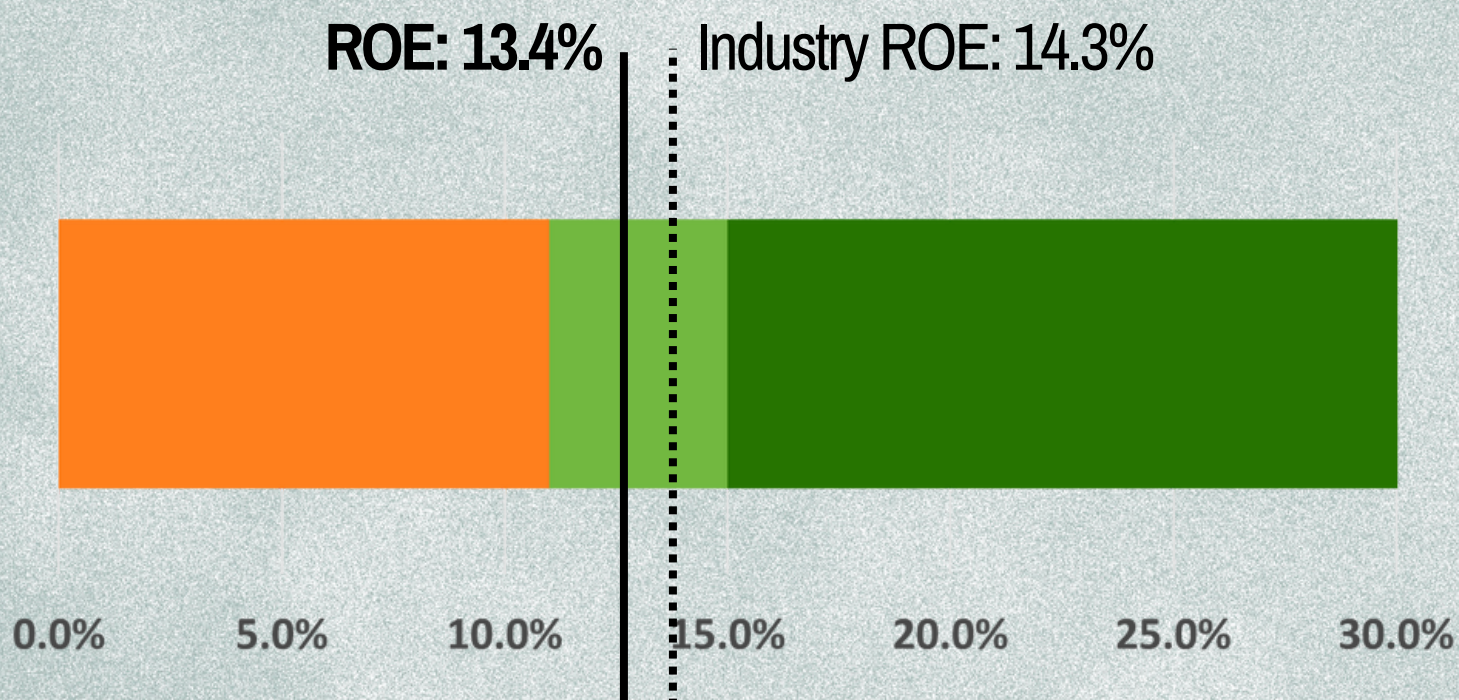
Management Effectiveness

Yes

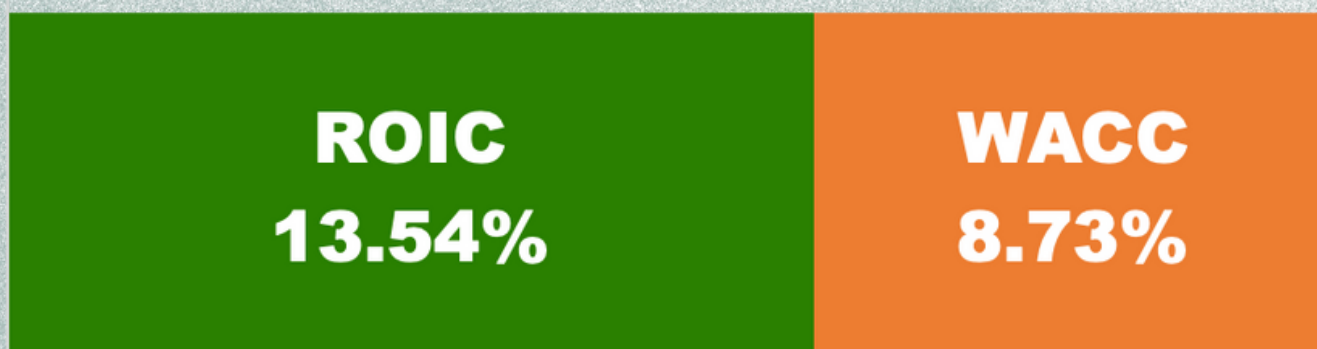
Inconsistent

No

ROE is consistently at 12%-15%
YoY for the past 5 years?



ROIC is consistently at 12%-15%
YoY for the past 5 years?



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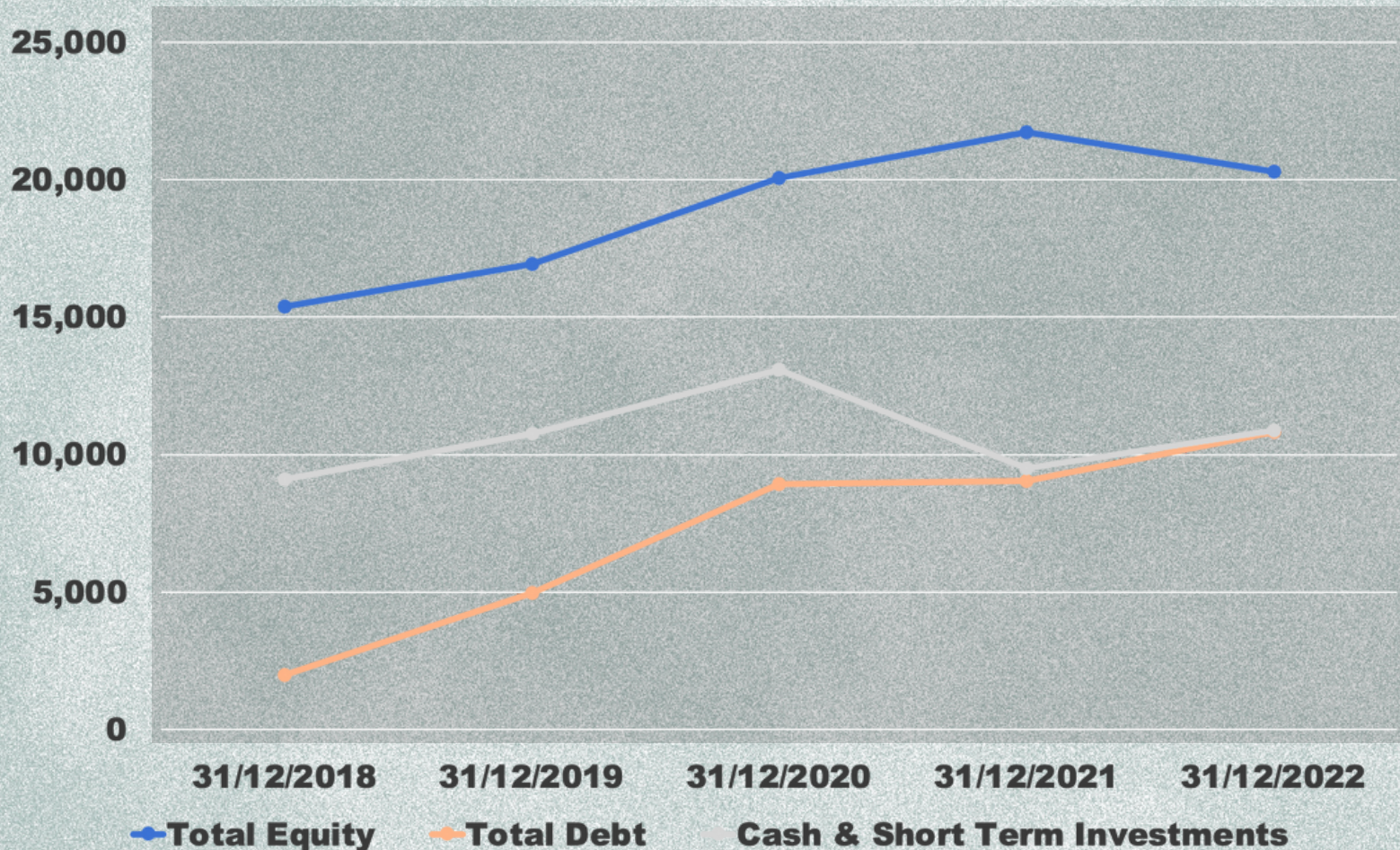
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Financial Health

USD Millions



Current Ratio: 1.3



Debt-to-EBITDA: 1.9



Interest Coverage: 13.4



Debt Servicing Ratio: 5.2%



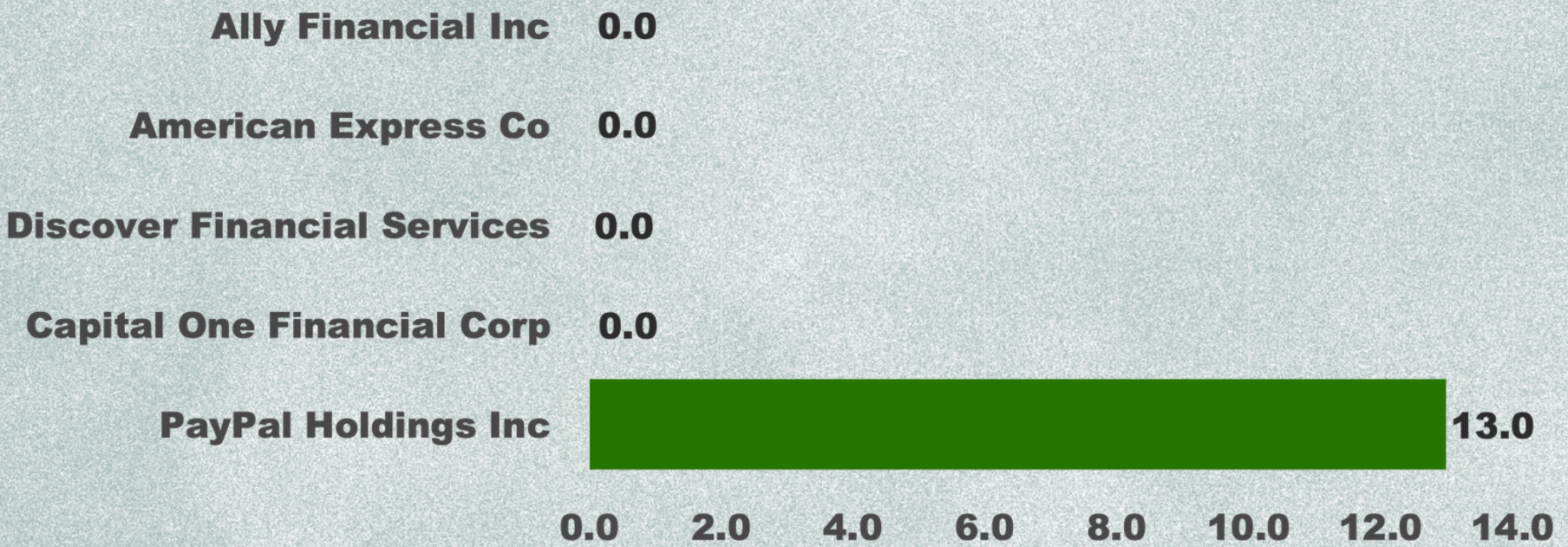
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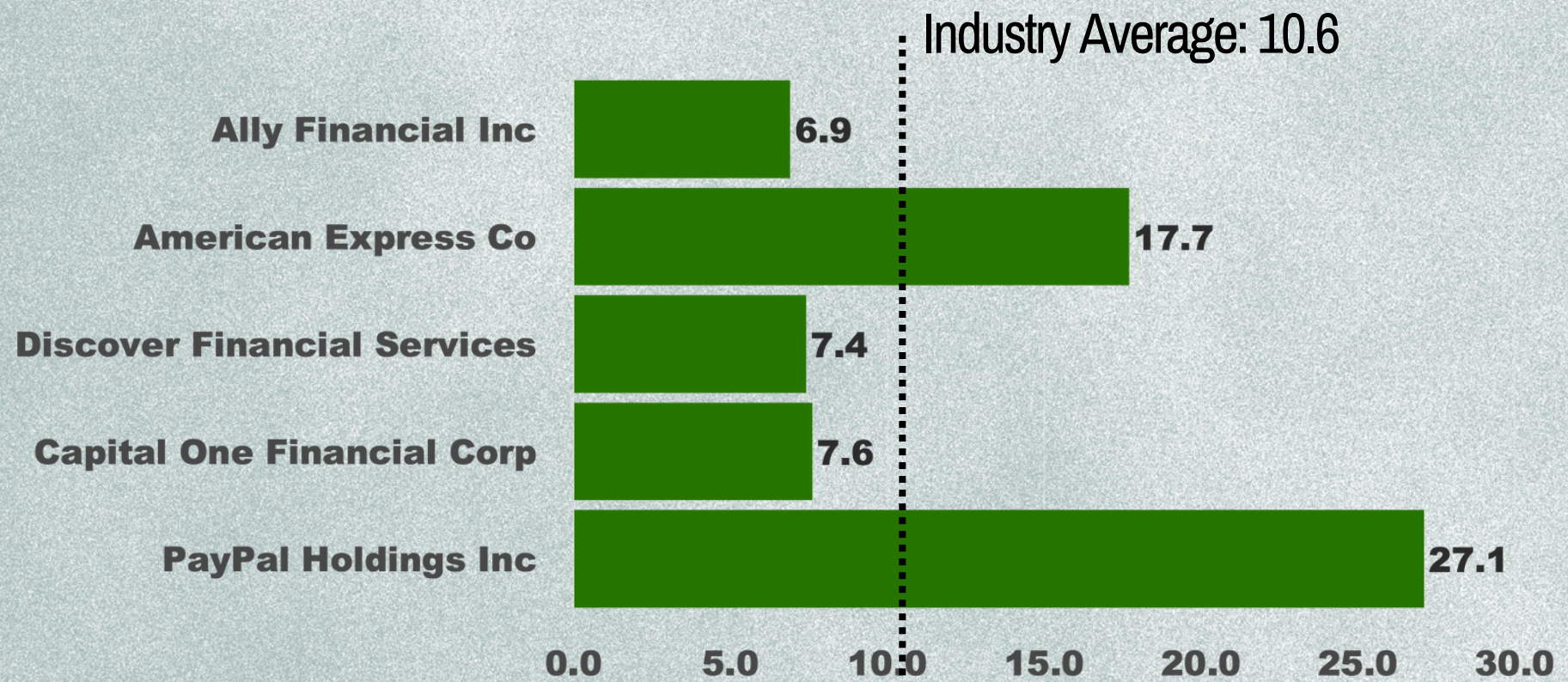
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Relative Valuation



EV-to-EBITDA



Price-to-earnings





Intrinsic Valuation

Estimated intrinsic value: **\$97.26**

Value is calculated using discounted cash flow method (taking into account their cash and debt) and scenario planning.

Average free cash flow used: USD\$5,000M

Projected growth rate: 10% - 12%

Beta: 1.35

Discount rate: 8.8%

Date of calculation: 6 June 2023

Estimated intrinsic value of
PayPal Holdings Inc.

\$97.26



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