

# ***PayPal Holdings Inc.***

**Presented by:** *Cash Flow Cowboys*

**Date Presented:** *10/20/2025*

**Investment decision:** *Invested \$15,000 in the Davidson Fund*

## **Introduction**

Our group chose PayPal Holdings, Inc. (PYPL) for its pivotal role in the fintech sector, a space reshaping global commerce through digital payments and financial inclusion. Our portfolio lacked exposure to this high-growth area, and PayPal presented an opportunity to diversify while capturing innovation-driven upside. Despite post-pandemic volatility, PayPal remains a global leader with strong cash flows, a massive user base, and new leadership committed to operational discipline and renewed growth.

## **Company and Valuation Details**

PayPal Holdings, Inc. connects merchants and consumers across more than 200 markets through platforms such as PayPal, Venmo, Braintree, Xoom, and Honey. Its model centers on transaction fees and value-added services like referral and credit products. As of October 17, 2025, the stock trades at \$67.55 with a target price of \$106.63 by October 2029, implying a 57.85% upside.

Our valuation applied a DCF model using GDP-level terminal growth, a 1.45 beta, and WACC derived from Treasury yields and market risk premiums. The fintech industry remains competitive, with key rivals including Apple Pay and Stripe, yet PayPal's global scale and brand trust sustain its advantage. Risks include margin pressure, regulation, and execution on technology transformation, but strong leadership and AI-driven expansion support a long-term BUY outlook.

## **Historical Performance**

Historically, PayPal has demonstrated significant volatility relative to the S&P 500 (SPY) but has consistently outperformed during periods of digital transformation and e-commerce expansion. After its spin-off from eBay in 2015, PayPal's share price rose from \$31.51 to a peak of \$309 per share in July 2021, benefiting from the surge in online transactions during the pandemic. Since then, the stock has recovered sharply due to slowing growth, margin compression, and heightened competition. By comparison, SPY maintained steadier growth, reflecting broader market diversification.

Despite PayPal's higher beta (1.45) and larger max drawdowns, the company remains compelling due to its robust cash flow generation, \$13.7 billion cash balance, and a renewed strategic roadmap aimed at restoring growth. The short-term risk is offset by PayPal's potential to capitalize on long-term secular trends in digital payments, AI-driven financial services, and global financial inclusion, making it a sound investment for investors seeking both recovery potential and exposure to fintech innovation.