

PayPal Holdings Inc. (NASDAQ: PYPL)

Fundamental Analysis and Investment Recommendation

Team: Quantum Returns

February 9th, 2026



Dexter Cly
Recommendation



Andrew Richardson
Valuation



Diego Llanos
Industry



Daniel Sun
Risks

RECOMMENDATION BUY @ \$69.38 TARGET | 70% UPSIDE



PAYPAL

Current Stock Price NASDAQ: PYPL	\$40.42
12-Month Target Price	\$69.38 / share
Upside vs Downside potential	70.00% vs 13.00%
Proposed Allocation (Shares)	480 Shares (\$20,000)
Valuation Method	DCF (Base Case)
Key Assumptions	WACC 9.80%, g = 3.00%
Valuation Range	\$65.00 - \$70.00 / share
Portfolio Impact	\$14K unrealized gain on \$20K allocation



Branded Experience Recovery



Enterprise Growth Momentum



A.I. Commerce Enablement



Strategic Optionality

Deep valuation discount for a cash-generative payments platform with stabilizing fundamentals and monetization-driven upside.

Investment Thesis

COMPANY PROFILE



PAYPAL HOLDINGS. INC.

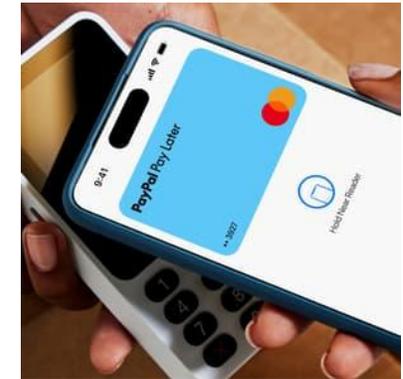
- Founded in 1998; a pioneer of digital payments and one of the first widely adopted online payment platforms.
- Publicly listed on Nasdaq (PYPL) in 2002
- Headquartered in San Jose, California; **~23,800 employees** globally as of FY2025
- Operates a **global two-sided payments network** connecting consumers and merchants
- **439 million active accounts across ~200 markets worldwide**
- Core brands include PayPal, Venmo, Braintree, Xoom, Hyperwallet, Honey, and Paidy



venmo



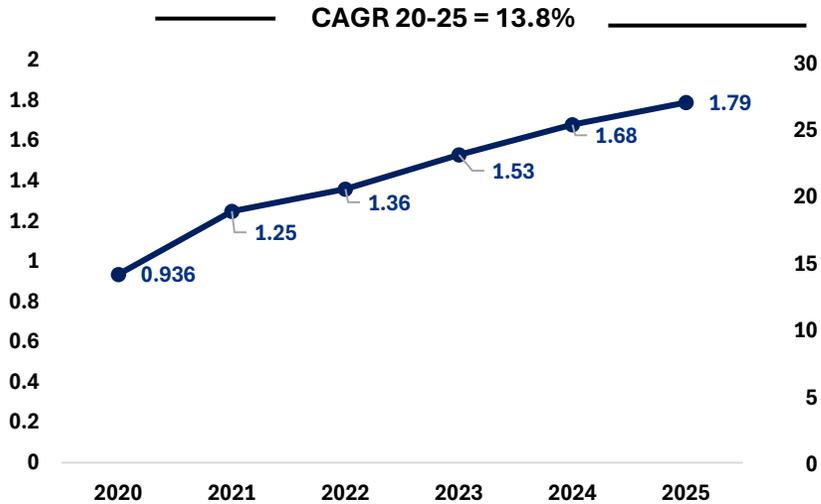
xoom
A PayPal Service



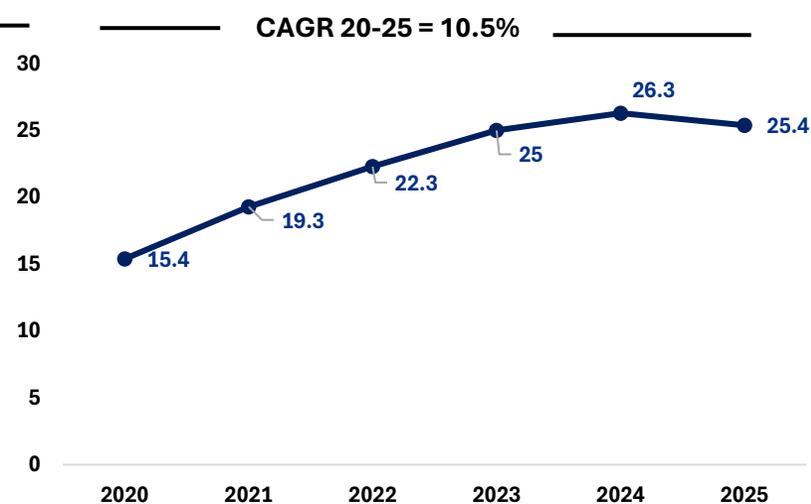
HISTORICAL OPERATIONAL PERFORMANCE



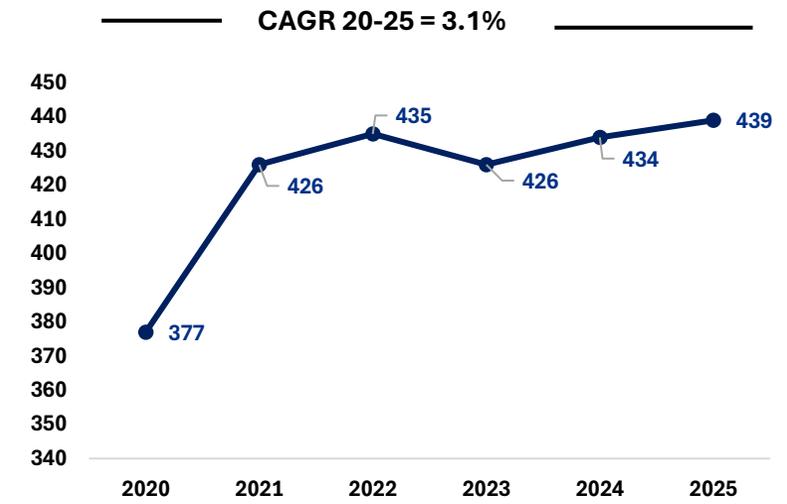
**TOTAL PAYMENT VOLUME - TPV
(TRILLIONS)**



**PAYMENT TRANSACTIONS
(BILLIONS)**



**ACTIVE ACCOUNTS
(MILLIONS)**



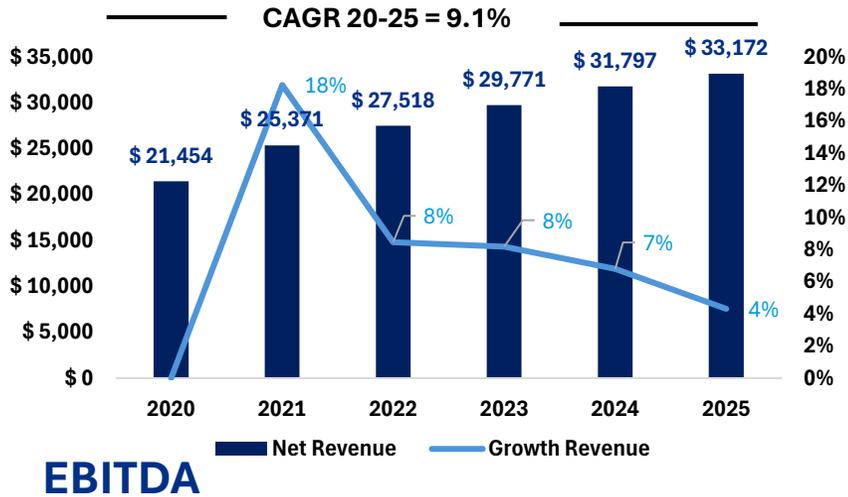
KEY NOTES

- **TPV Growth Remains Strong:** TPV CAGR of 13.8% (2020–2025) driven by higher engagement, checkout penetration, and growth in unbranded processing (Braintree).
- **Healthy Transaction Expansion:** Payment transactions CAGR of 10.5% indicating sustained usage intensity and monetization beyond pure account growth.
- **Slower but Stabilizing User Growth:** Active accounts CAGR of 3.1% reflecting a strategic shift from user acquisition to quality, engagement, and profitability.
- **Improving Monetization per User:** TPV and transactions are growing faster than active accounts supporting higher TPV per account and revenue efficiency.
- **Scale with Focus on High-Value Users:** As highlighted in the 10-K, PayPal is prioritizing active, profitable accounts over headline user growth; reinforcing margin and cash flow durability.

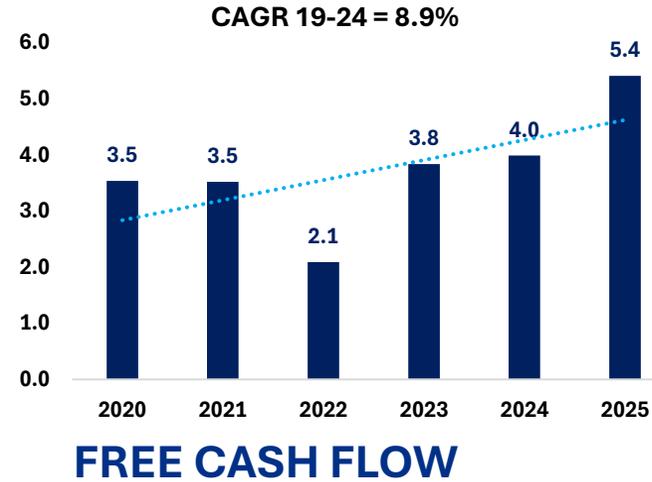


HISTORICAL FINANCIAL PERFORMANCE

NET REVENUE & GROWTH



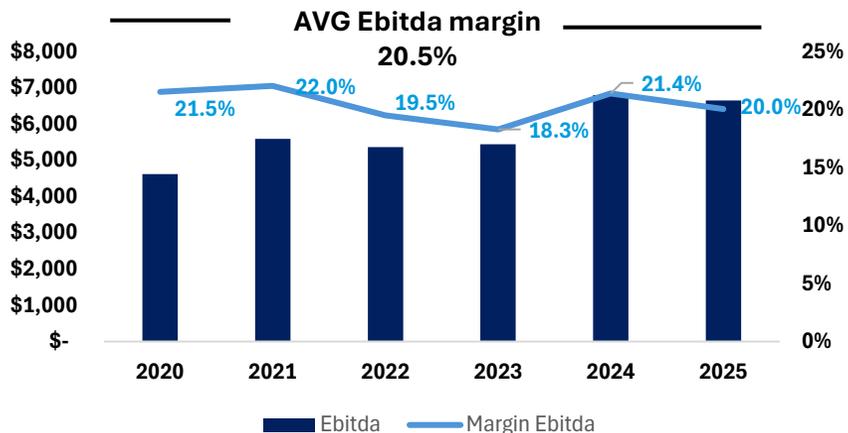
EPS



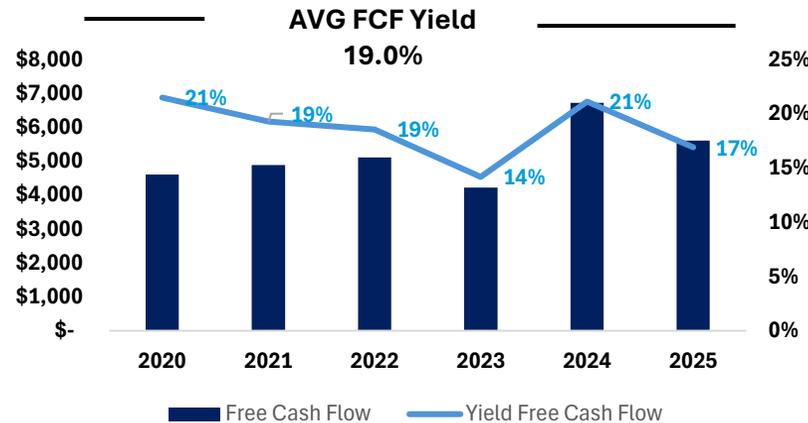
KEY NOTES

- **Steady Top-Line Growth:** Net Revenue CAGR of **9.1% (2020–2025)**, reflecting a more mature but sustainable growth profile.
- **Consistent Profitability:** EBITDA margins around **20–22%** are supported by operating leverage and cost discipline.
- **EPS Recovery and Compounding:** EPS CAGR of **8.9% (2019–2025)** with strong post 2022 normalization.
- **Strong Cash Flow Generation:** Average FCF yield of **19%**, enabling capital returns and balance sheet flexibility.
- **Defensive Platform Characteristics:** Stable margins and predictable cash flows position PYPL as a **high quality, cash-generative payments platform.**

EBITDA



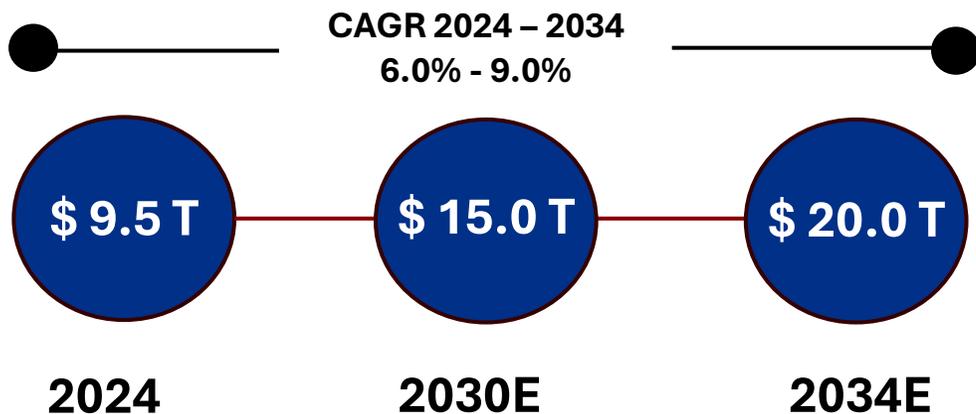
FREE CASH FLOW



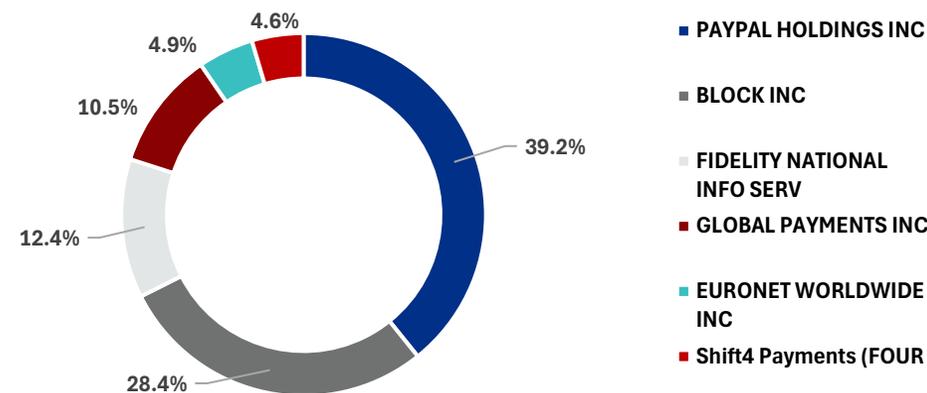
INDUSTRY & COMPETITIVE LANDSCAPE – DIGITAL PAYMENT



(GLOBAL DIGITAL PAYMENTS MARKET)



TOP 6 COMPANIES BY REVENUE



1 OVERVIEW

- **Massive addressable market:** Digital payments represent the backbone of global commerce
- **Secular growth:** Consistent mid-to-high single-digit TPV growth globally
- **Fragmented ecosystem:** networks, processors, wallets, & fintechs

3 COMPETITIVE LANDSCAPE

- **Payment networks:** Visa & Mastercard
- **Payment processors:** Adyen, Global Payments, & FIS/Fiserv
- **Digital wallets:** PayPal, Apple Pay, & Google Pay

2 KEY GROWTH DRIVERS

- **Cash-to-digital transition:** declining cash usage worldwide
- **E-commerce penetration:** online and omnichannel expansion
- **Mobile & contactless payments:** wallets and super-apps
- **Cross-border commerce:** globalization of digital trade
- **Financial inclusion:** emerging markets adopting digital rails

4 CHALLENGES

- **Highly competitive & fragmented market**
- **Pricing pressure & commoditization risk**
- **Regulatory complexity**
- **Cybersecurity & fraud risks**

ASSUMPTIONS & FORECAST



BASE KEY DRIVERS:

- Stable transaction volume growth
- Consistent user engagement
- Defensible pricing power
- Predictable cash flows

BEAR KEY DRIVERS:

- Slower transaction growth
- Increased competitive pressure
- Lower cash-flow visibility
- Higher earnings uncertainty

BULL KEY DRIVERS:

- Higher transaction frequency
- Improved user monetization
- Stronger platform engagement
- Clearer long-term growth outlook

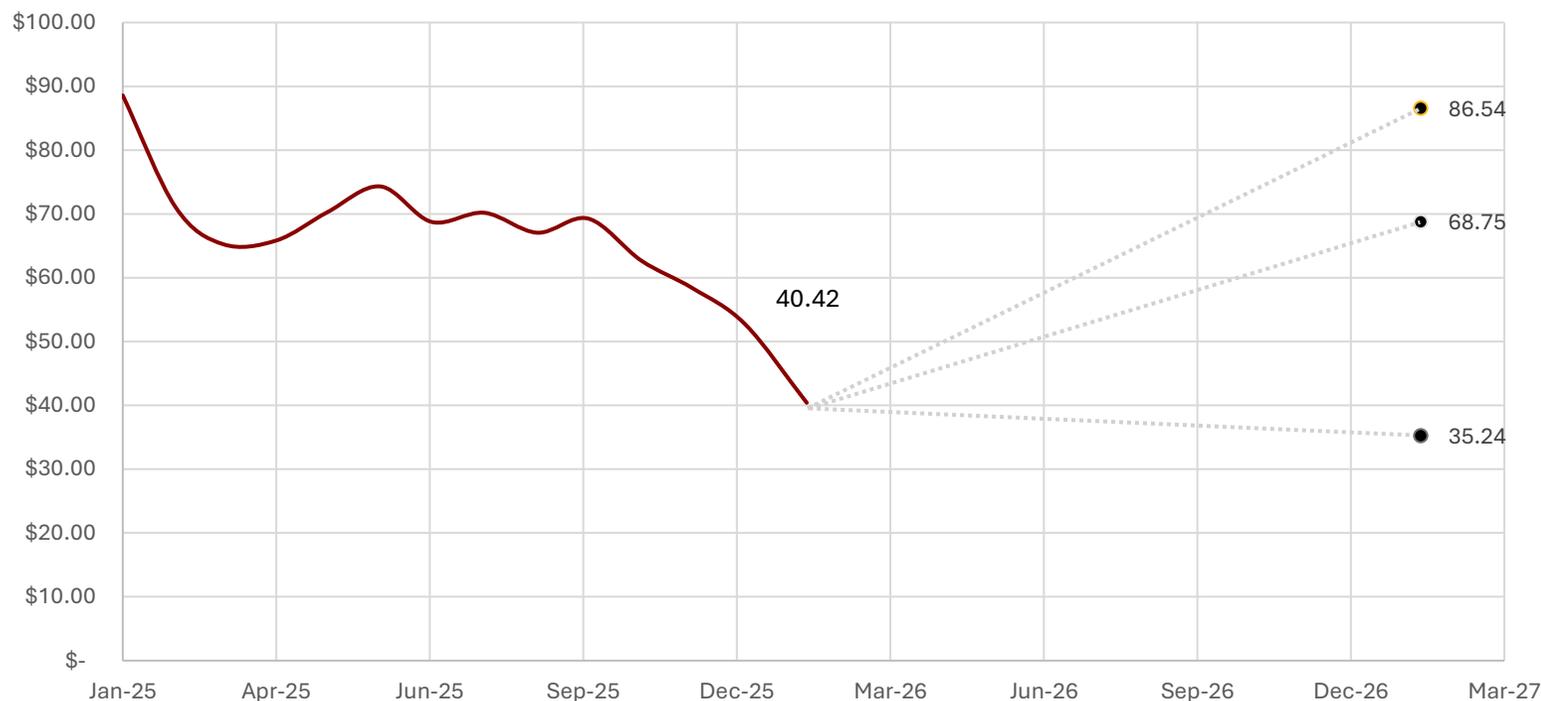
WACC:

9.8% — Base & Bull
11.3% — Bear

PERPETUITY GROWTH RATES :

1% — Base
-5% — Bear
3% — Bull

STOCK PRICE FORECAST



OUTCOMES



VALUATION SUMMARY					
OVERVIEW					
Valuation Date	2/6/26	Comp. Name	Paypal	52 Week High	79.50
Team Name	Quantum Returns	Comp. Ticker	PYPL	52 Week Low	38.88
Analyst Name	Andrew Richardson	Sector	Fin. Services	Current Stock Price	40.42
Recommendation	BUY	Industry	Fin. Technology	Shares Outstanding	920.66M
VALUATION SCENARIOS					
Model	Base	Bear	Spread	Bull	Valuation Weight
Average	68.05	35.16	49.99	85.15	
Comparables	69.42	46.00	39.50	85.50	10.0%
Perpetuity Growth	73.88	37.71	45.18	82.89	30.0%
EBITDA Multiple	71.08	28.89	64.17	93.06	40.0%
52 Week Low / High	59.19	38.88	40.62	79.50	20.0%
Target Price	69.38	35.24		86.54	100.0%
UPSIDE (DOWNSIDE)					
	Current	Bear	Base	Bull	
Stock Price	40.42	35.24	69.38	86.50	
Upside (Downside)		(5.18)	28.96	46.12	
Upside (Downside) %		-12.8%	71.6%	114.1%	

VALUATION RANGE AND IMPLIED SHARE PRICE



WACC



WEIGHTED AVERAGE COST OF CAPITAL CALCULATION

Source: Bloomberg >>> WACC

Weighted Average Cost of Capital 9.8%

EQUITY		+ DEBT		+ PREFERRED EQUITY	
Cost of Equity		Cost of Debt		Cost of Preferred Equity	
Risk Free Rate	4.23%	1 - Effective Tax Rate	83.17%	Preferred Dividend	
+ Equity Risk Premium	7.43%	Effective Tax Rate	16.83%	/ Preferred Equity	
Beta	1.15	x Total Pre-Tax Cost of Debt	4.22%		
x Country / Region Premium	6.46%	Note Rate x ST Debt as % of Total Debt	0.05%		
Expected Market Return	10.69%	Short Term Debt as % of Total Debt	1.45%		
- Risk Free Rate	4.23%	x Note Rate	3.60%		
		+ Bond Rate x LT Debt as % of Total Debt	4.17%		
		Long Term Debt as % of Total Debt	98.55%		
		Bond Rate	4.23%		
		x Debt Adjustment Factor	0.99		
Total Cost of Common Equity	11.66%	Total Cost of Debt	3.51%	Total Cost of Preferred Equity	0.0%
Market Cap	37,186	Total Debt	10,700.00	Total Preferred Equity	-
% of Total Capital	77.7%	% of Total Capital	22.3%	% of Total Capital	0.0%
Share Price	40.42	ST Debt	155.00	Preferred Equity and Hybrid Capital	-
Shares Outstanding	920.00	LT Debt	10,545.00	Total Capital	47,886



COMPARABLES

PEER COMPARISON

Company	Enterprise Value	LTM Revenue	LTM EBITDA	LTM EBIT	P / E	EV / Sales	EV / EBITDA	EV / EBIT
PAYPAL HOLDINGS INC	37.491	33.172	6.649	6.065	7.6	1.1x	5.6x	6.2x
BLOCK INC	32.556	23.974	1.534	1.236	10.7	1.4x	19.3x	23.6x
FIDELITY NATIONAL INFO SERV	39.325	10.464	4.733	1.706	15.7	3.8x	8.3x	23.1x
GLOBAL PAYMENTS INC	34.828	8.892	4.123	2.509	10.6	3.9x	8.4x	13.9x
EURONET WORLDWIDE INC	3.609	4.183	738	552	10.1	0.9x	4.9x	6.5x
Shift4 Payments (FOUR)	8.892	3.878	704	352	24.3	2.3x	12.6x	25.2x
Mean					13.2x	2.2x	9.9x	16.4x
PayPal - Target Base Case					-	2.4x	8.6x	9.7x

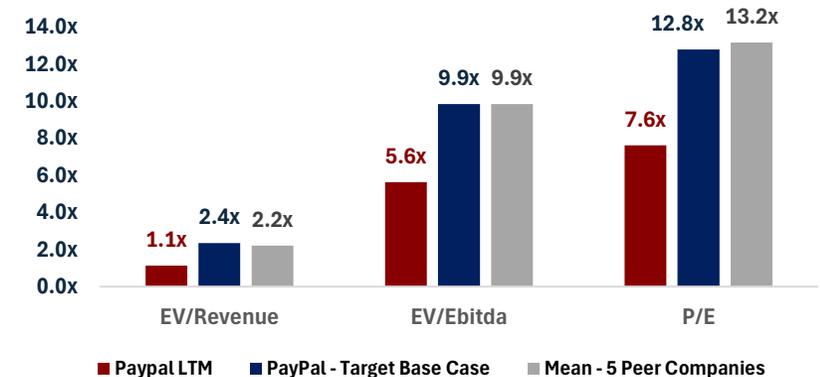
INDUSTRY & PEER COMPARISON

PayPal Comps	2021	2022	2023	2024	2025	LTM	PayPal - Target Base Case	Mean - 5 Peer Companies
EV/Revenue	13.1x	8.6x	2.8x	2.1x	2.6x	1.1x	2.4x	2.2x
EV/Ebitda	66.0x	40.7x	16.0x	11.4x	13.5x	5.6x	9.9x	9.9x
P/E	87.3x	44.9x	35.3x	17.6x	19.3x	7.6x	21.2x	13.2x

KEY NOTES

- **Significant valuation discount:** PayPal trades at **1.1x EV/Revenue** and **5.6x EV/EBITDA**; well below peer averages (**2.2x** and **9.9x**).
- **Fundamentals remain solid:** Despite the discount, PayPal generates **\$6.6bn in LTM EBITDA** comparable to larger peers.
- **Base case implies normalization:** The target multiples (**2.4x EV/Revenue. 9.9x EV/EBITDA**) reflect peer alignment, not an aggressive re-rating.

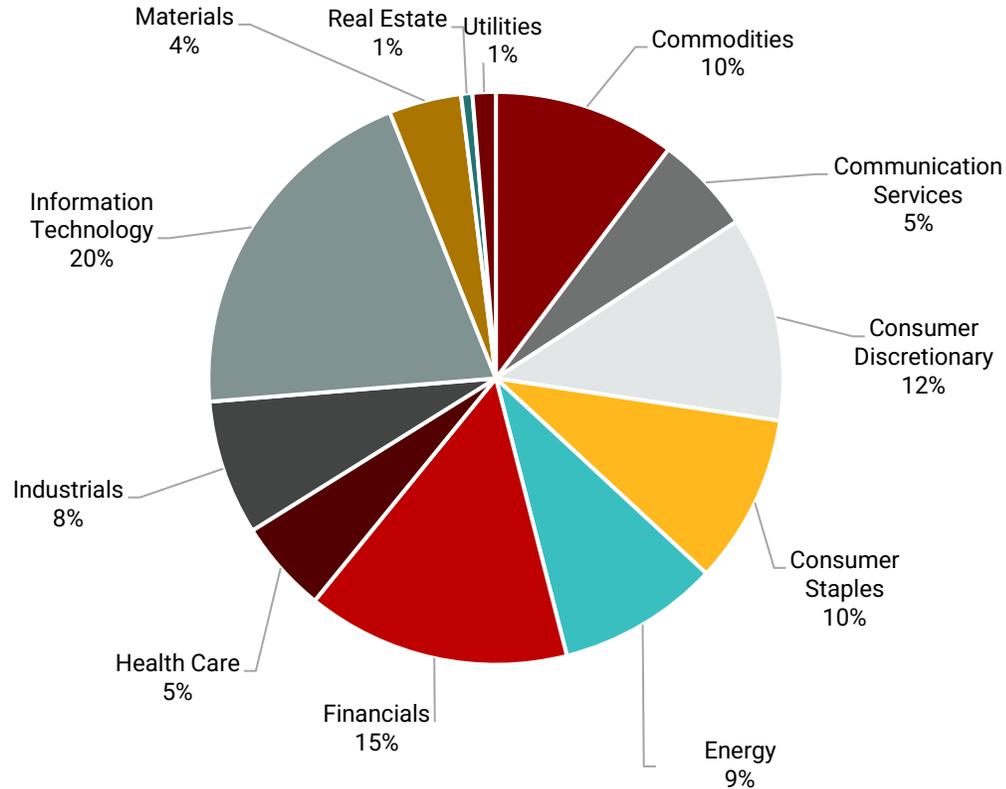
INDUSTRY & PEER COMPARISON



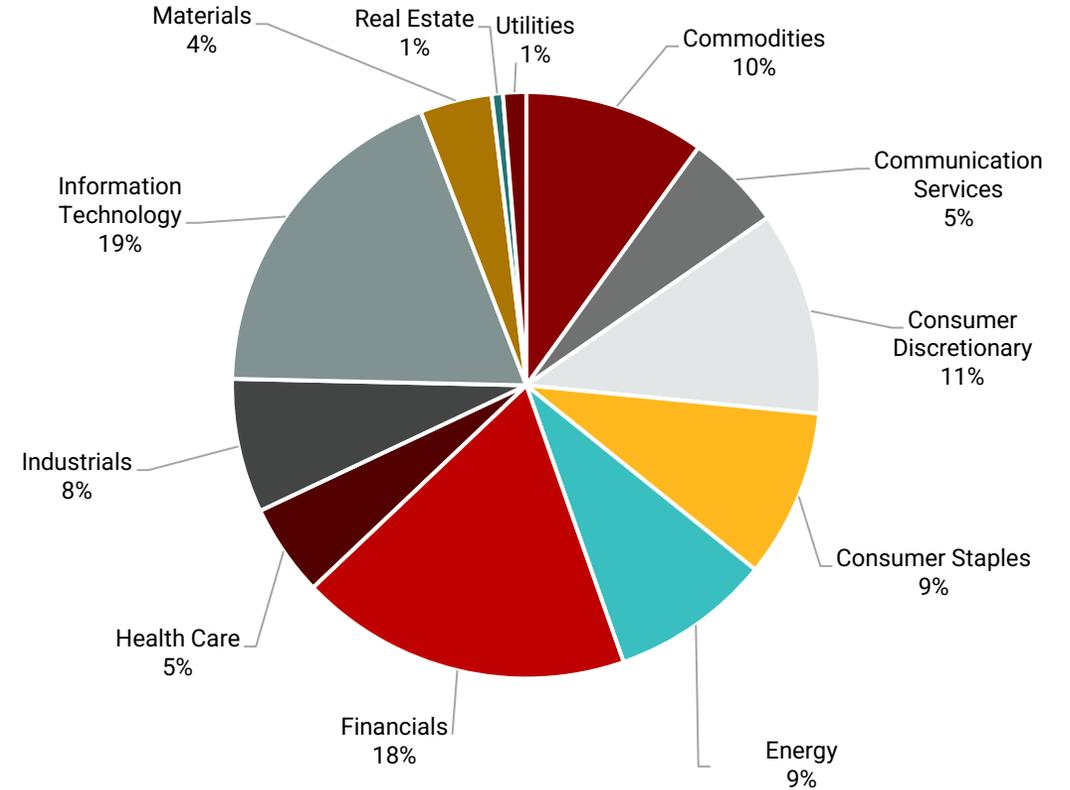
PORTFOLIO SECTOR ALLOCATION



Current Sector Allocations



Adjusted Sector Allocations



RISKS & CHALLENGES



Risks

- **Regulatory & compliance risk** ☒ ☒ ☒ ☒ ☒
 - Payments, BNPL, crypto, data privacy rules tightening across jurisdictions
- **Cybersecurity & system risk** ☒ ☒ ☒ ☒ ☒
 - Trust-based business vulnerable to outages, fraud, or data breaches
- **Macro & volume sensitivity** ☒ ☒ ☒ ☒ ☒
 - Consumer spending slowdown directly impacts TPV growth

Challenges

- **Intense competition** ? ? ? ? ?
 - Apple Pay. Stripe. Adyen compress pricing and limit take-rate expansion
- **Re-accelerating growth** ? ? ? ? ?
 - Need ARPU growth as account and transaction growth slow
- **Cost structure & margin discipline** ? ? ? ? ?
 - Operating leverage through cost discipline while sustaining innovation and compliance
- **Execution amid leadership transition** ? ? ? ? ?
 - Near-term execution risk during strategic reset and leadership transition



SWOT ANALYSIS

STRENGTHS +

WEAKNESSES -

INTERNAL FACTORS

- **Global scale & trusted brands:** 439M accounts; PayPal / Venmo with strong consumer trust
- **Two-sided network & regulatory moat:** Consumer-merchant ecosystem with licensing key markets

- **Growth deceleration:** Slowing transactions and active account growth
- **Pricing & cost pressure:** Take-rate compression and high fixed cost base

OPPORTUNITIES +

THREATS -

EXTERNAL FACTORS

- **ARPU expansion:** Branded checkout, BNPL, Venmo monetization
- **New growth options:** Stablecoins(PYUSD), agentic commerce, PayPal Bank(pending approval)

- **Intense competition:** Apple Pay, Stripe, Adyen pressure pricing and limit take-rate expansion
- **Regulatory & trust risk:** BNPL/crypto regulation and cybersecurity

FINAL RECOMMENDATION: BUY



1

INVESTMENT RECOMMENDATION

Recommendation: BUY PAYPAL
Current Price: \$40.42
Target Price (12-month): \$69.38/share
Upside vs Downside Potential: 70% vs 13%

Strong free cash flow generation, improving monetization, and a depressed valuation support meaningful upside as execution stabilizes.

2

MAJOR RISKS (BEAR CASE FACTORS)

- Tough Competition on Pricing
- Growth is Slowing
- Rules and Regulations Could Change
- Sensitive to the Economy

3

KEY CATALYSTS

- \$6B+ Free Cash Flow & Buybacks in 2026
- Venmo Revenue Growth (~20% y/y)
- Stabilization in Transaction Margins (TM\$)
- Checkout Experience Improvements Showing Results

4

STRATEGIC OUTLOOK

- Fresh Leadership, Fresh Direction
- Core Business Is Stabilizing
- Make More Money From What They Have
- Venmo = Extra Upside