

Equity Research Report

PayPal Holdings, Inc.
(NASDAQ:PYPL)

April 2025



Current Price	Target Price	Potential Upside	Recommendation	Industry
\$64.93	\$84.03	29.42%	HOLD/BUY	Credit Services

Investment Thesis

We suggest a Hold/Buy recommendation on PayPal Holdings, Inc. (PYPL) based on a yearly price target of \$84.03, showing an upside potential of 29.42% from its closing price of \$64.93 on 28/04/2025. These key points drive our suggestion:

Strategic Positioning and Platform Strength

PayPal's core strength lies in its role as a two sided platform - simultaneously serving consumers and merchants within a deeply integrated digital payments ecosystem. This dual-sided network creates meaningful network effects and competitive advantages. Consumers are drawn to PayPal's secure, familiar interface, while merchants benefit from high conversion rates, broad reach, and seamless checkout functionality. The company's longstanding presence, brand trust, and global reach help it maintain a dominant position in online payments, even as new players enter the market.

Beyond its core wallet, PayPal operates a range of high-growth assets - Venmo, Braintree, Xoom, and PayPal Credit - that expand its market reach and diversify revenue. Venmo is evolving into a social commerce tool popular with younger users, while Braintree supports large enterprises like Uber and Airbnb, albeit with lower margins. Though the mix of high and low margin products creates near term pressure, it reflects the broad scope and relevance of PayPal's platform.

Relative Valuation

PayPal Holdings, Inc. appears attractively valued relative to its peers, with a trailing price-to-earnings ratio of 14.79 - significantly below Adyen at 55.88 and Corpay at 21.98. Despite more modest YoY revenue growth of 4.24% compared to Adyen's 67.38% and Corpay's 10.36%, PayPal trades at a notable discount based on its EV/EBITDA multiple of 9.79. This is materially lower than Block at 21.70, Adyen at 42.71, and Corpay at 13.47, underscoring a potential valuation gap. PayPal also boasts strong free cash flow, reflected in a price-to-free cash flow ratio of 9.97, which is well below the peer group average. While its gross margin of 46.10% and operating margin of 18.12% are less robust than those of higher-margin fintech peers, its solid return on capital of 12.88% and strong profitability support a case for multiple expansion. The relative discount in both earnings and cash flow-based valuation metrics suggests that PayPal may offer upside potential if it can improve operational efficiency and accelerate growth.

Strategic Realignment and Operational Focus

In 2023, PayPal appointed Alex Chriss as CEO, marking a shift in strategic priorities. Formerly head of Intuit's Small Business and Self-Employed Group, Chriss brings a focus on product simplification, cost control, and customer-centric innovation. Under his leadership, PayPal has shifted from prioritising user growth to deepening engagement - aiming to increase transactions per user, boost revenue per account, and enhance monetisation through financial services and personalised tools.

Chriss has also prioritised platform streamlining. In early 2024, PayPal announced a 9% workforce reduction to cut redundancy, reduce complexity, and restore operating leverage. These changes are expected to yield \$1 billion in annualised cost savings, which can fund growth initiatives or shareholder returns. PayPal is also investing in AI and machine learning to improve fraud prevention, checkout performance, and personalised user experiences - efforts that could strengthen both margins and revenue growth if executed effectively.

News and Potential Risks

PayPal has recently announced initiatives to expand its digital wallet offerings and integrate AI-driven personalisation across its platform, aiming to enhance user engagement and boost transaction volumes. However, the company faces several key risks, including intensifying competition from tech giants like Apple Pay and Google Pay, potential regulatory scrutiny over digital payments and data privacy, and continued margin pressure amid changing consumer spending patterns. Additionally, foreign exchange volatility and global macroeconomic uncertainty could weigh on international revenue growth. Investors should closely watch PayPal's execution on strategic initiatives and its ability to maintain relevance in a rapidly evolving payments ecosystem.



WACC	
Equity	61,330,000
Net Debt	3,318,000
Cost of Debt	3.87%
Tax Rate	21.00%
Debt Weighting D/(D+E)	5.13%
Cost of Debt	3.05%
Risk Free Rate (10-Yr Treasury Yield)	4.34%
Equity Risk Premium	4.20%
Levered Beta	1.08
Equity Weighting E/(D+E)	94.87%
Cost of Equity	8.87%
WACC	8.57%

PayPal Inc	Market Profile
Closing Price	64.93
52-Week High/Low	55.85-93.66
Shares Outstanding (M)	0.99
Market Cap (Billion)	61.33
5Y Dividend Yield	-
Beta (5-Year)	1.08
EV/Revenue	1.90x
EV/EBITDA	9.79x
P/E	14.79x
Revenue TTM (B)	31.8
Net Income TTM (B)	4.15
EPS (TTM)	3.99

Sensitivity Table						
WACC	Growth Rate					
	70.47	4.0%	3.5%	3.0%	1.5%	1.0%
	7.57%	81.88	81.57	81.27	80.35	80.04
	8.07%	76.10	75.82	75.54	74.69	74.41
	8.57%	70.99	70.73	70.47	69.69	69.43
	9.07%	66.43	66.19	65.95	65.24	65.00
	9.57%	62.35	62.12	61.90	61.24	61.02

Equity Research Report

PayPal Holdings, Inc. (NASDAQ:PYPL)

Company & Industry

Overview



Company Overview

PayPal Holdings, Inc. is a San Jose, California-based financial technology and digital payments company founded in 1998. Worth several billions of dollars, PayPal changed the way people and companies handled online transactions. Its platform accepts safe payments, peer-to-peer transactions, and mobile commerce across markets worldwide. Through its product brands—PayPal, Venmo, Xoom, and Braintree—the company offers agile financial products and services designed for the modern digital economy. PayPal operates through applications, websites, and merchant integrations, driving financial inclusion and access. By continuously innovating, obsessing over customers, and making an unwavering commitment to trust, PayPal powers seamless digital financial experiences between consumers and businesses worldwide.

Leadership

PayPal President and CEO Alex Chriss, a seasoned executive with over two decades of experience in technology and financial services, has led the company since September 2023. Under his leadership, PayPal has expanded its core digital payments platform, scaled Venmo, entered cryptocurrency markets, and launched buy-now-pay-later services. Chriss guided PayPal's separation from eBay, helping establish it as an independent fintech leader. He emphasizes financial inclusion, employee well-being, and stakeholder impact through values-driven leadership. His vision centers on using technology to democratize financial services and promote economic empowerment. Schulman positions PayPal as a force for global digital transformation with a strong commitment to innovation and social responsibility.

R&D Strategy

PayPal's R&D strategy is centered on fintech innovation, digital innovation, and user-centric product development. AI, machine learning, and blockchain are invested in to enhance security, power personalization, and support digital currencies. Core platforms like PayPal and Venmo are updated in the background with features like real-time payments, QR code functionality, and merchants' frictionless checkout tools. Customer data and behavior inform development to ensure that products address evolving user needs. PayPal's commitment to innovation is supposed to make payment services simpler, more trustworthy, and more ubiquitous—placing the company at the forefront of open, secure, and technology-powered global commerce.

Recent Performance & Key Developments

PayPal Holdings' revenue grew from \$25.4 billion in FY 2021 to approximately \$31 billion as of fiscal year-end 2024, and operating income returned to nearly \$5 billion amid cost optimization and focused investments. Net income also materially recovered, to more than \$4 billion. This is supported by sustained digital payments volume growth, increased merchant adoption, and increased engagement on Venmo. While the company has sold off some of its non-core operations, it remains committed to enhancing its checkout experiences, building out new payment solutions, and advancing financial inclusion—foundational pillars underpinning PayPal's long-term strategy for global expansion and digital leadership.

Industry Overview

As of April 2025, PayPal Holdings, Inc. (NASDAQ: PYPL) boasts a market capitalization of approximately \$70.45 billion, symbolizing its established standing in the fintech and digital payments industry globally.

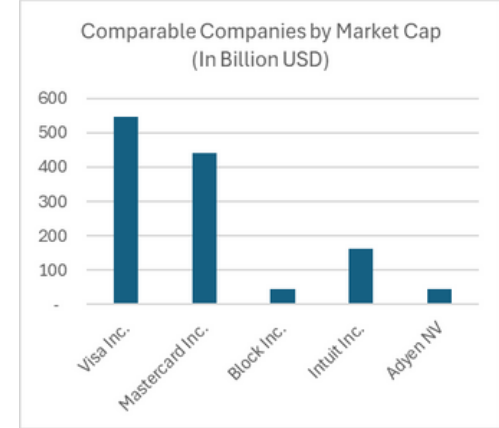
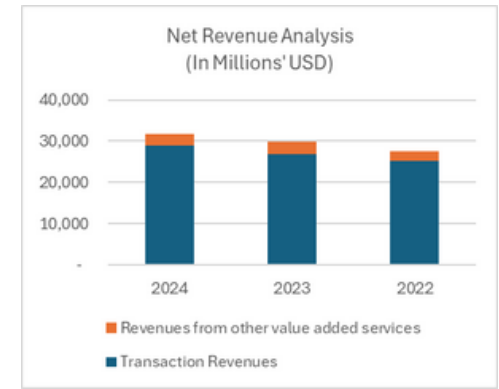
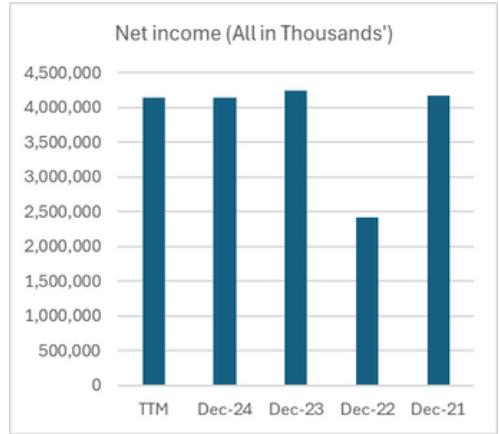
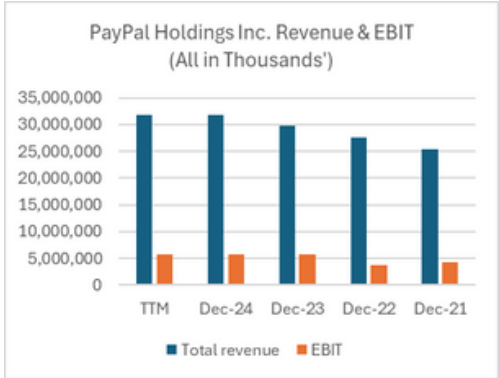
The largest five players within the broader digital payments and fintech sector, listed in declining order of market capitalization, are:

Visa Inc. (NYSE: V) – Market Cap: \$545.12 billion
Mastercard Inc. (NYSE: MA) – Market Cap: \$440.87 billion
Block Inc. (NYSE: SQ) – Market Cap: \$46.39 billion
Intuit Inc. (NASDAQ: INTU) – Market Cap: \$162.41 billion
Adyen NV (AMS: ADYEN) – Market Cap: \$44.76 billion

In spite of fierce competition, PayPal remains a dominant player with a differentiated platform enabling effortless person-to-person payments, merchant services, and growing digital wallet ecosystem. The company's Venmo, Xoom, and Braintree ecosystem has enabled it to scale both demographically and geographically. Its own direct connection with consumers and merchants through its own app also provides it with an advantage in terms of engagement and product integration.

PayPal generated \$31.2 billion of revenue in FY 2024, establishing itself as a firm in the global fintech space. Transaction revenues accounted for 90.71% of all revenues, with the implied core importance of payment volume growth. Value-added services like interest on customer balances and partnerships accounted for the remaining 9.29%, offering incremental monetization opportunities.

PayPal continues to make itself a digital-first financial services leader in innovation, customer trust, and inclusion. Through concentrated investment in AI, risk technology, and global growth, the company is maintaining an emphasis on diversified, scalable growth.



PayPal Holdings, Inc. - Revenue Projections	Historicals (TTM)				Projected				
	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29
Revenue:	25,371,000	27,518,000	29,771,000	31,797,000	34,086,384	36,540,604	39,098,446	41,835,337	44,680,140
Growth Rate	-	8.5%	8.2%	6.8%	7.2%	7.2%	7.0%	7.0%	6.8%
Cost Of Revenue	11,375,000	13,745,000	16,067,000	17,139,000	18,236,215	19,549,223	20,917,669	22,381,905	23,680,474
% Of Revenue	44.8%	49.9%	54.0%	53.9%	53.5%	53.5%	53.5%	53.5%	53.0%
Operating Expenses (Including R&D, SG&A, D&A):	9,672,000	9,729,000	8,760,000	8,895,000	9,203,324	9,865,963	10,556,580	11,295,541	11,840,237
% of Revenue	38.1%	35.4%	29.4%	28.0%	27.0%	27.0%	27.0%	27.0%	26.5%
EBT	4,099,000	3,366,000	5,411,000	5,329,000	5,794,685	6,211,903	6,646,736	7,530,361	8,042,425
% of Revenue	16.2%	12.2%	18.2%	16.8%	17.0%	17.0%	17.0%	18.0%	18.0%
Taxes	-70,000	947,000	1,165,000	1,182,000	1,216,884	1,304,500	1,395,815	1,581,376	1,688,909
% of EBT	(1.7%)	28.1%	21.5%	22.2%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income (NOPAT)	4,169,000	2,419,000	4,246,000	4,147,000	4,577,801	4,907,403	5,250,921	5,948,985	6,353,516
% of Revenue	16.4%	8.8%	14.3%	13.0%	13.4%	13.4%	13.4%	14.2%	14.2%
(+) Depreciation & Amortization:	1,265,000	1,317,000	1,072,000	1,032,000	1,227,110	1,315,462	1,407,544	1,506,072	1,608,485
D&A % of Revenue	5.0%	4.8%	3.6%	3.2%	3.6%	3.6%	3.6%	3.6%	3.6%
(-) Capital Expenditures:	-908,000	-706,000	-623,000	-683,000	(773,333)	(829,013)	(858,028)	(928,747)	(999,945)
% of Revenue	(3.6%)	(2.6%)	(2.1%)	(2.1%)	(2.3%)	(2.3%)	(2.2%)	(2.2%)	(2.2%)
(-) Change in Working Capital:	-1,645,000	-454,000	-1,314,000	-558,000	(1,218,774)	(1,040,854)	(1,094,756)	(1,004,048)	(1,072,323)
% of Revenue	(6.5%)	(1.6%)	(4.4%)	(1.8%)	(3.6%)	(2.8%)	(2.8%)	(2.4%)	(2.4%)
Unlevered Free Cash Flow:	7,987,000	4,896,000	7,255,000	6,420,000	7,797,019	8,092,732	8,611,250	9,387,852	10,034,269
% Growth Rate	-	-39%	48%	-12%	21%	4%	6%	9%	7%

WACC	
Equity	61,330,000
Net Debt	3,318,000
Cost of Debt	3.87%
Tax Rate	21.00%
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Cost of Debt	3.05%
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Equity Risk Premium	4.20%
Levered Beta	1.08
Equity Weighting E/(D+E)	94.87%
Cost of Equity	8.87%
WACC	8.57%

5Y DCF Valuation	
Sum of PV of FCF	34,181,914
Growth Rate	3.00%
WACC	8.57%
Terminal Value	79,912,959
PV of Terminal Value	52,968,574
Enterprise Value	87,150,489
(+) Cash	6,561,000
(-) Debt	3,318,000
(-) Minority Interest	20,417,000
Equity Value	69,976,489
Diluted Shares Outstandi	993,000
Implied Share Price	70.47

Comparables Analysis (In Billions USD)									
Comparable Companies	Market Data		Financials			Multiples			
	Equity Value	Enterprise Value	Sales	EBITDA	Net Income	EV/EBITDA	P/E	Price Sales	EV/Sales
PayPal Holdings, Inc. (PYPL.NE)	\$61.33	\$60.39	\$31.80	\$6.17	\$4.15	9.79x	14.79x	1.93x	1.90x
Block, Inc. (XYZ)	\$34.12	\$29.29	\$24.12	\$1.35	\$2.90	21.70x	11.77x	1.41x	1.21x
Adyen N.V. (ADYEY)	\$51.69	\$40.75	\$2.01	\$0.95	\$0.93	42.71x	55.88x	25.72x	20.27x
Corpay, Inc. (CPAY)	\$21.98	\$28.42	\$3.97	\$2.11	\$1.00	13.47x	21.98x	5.54x	7.16x
Global Payments Inc. (GPN)	\$21.00	\$35.28	\$10.11	\$4.40	\$1.57	8.02x	13.38x	2.08x	3.49x
Payoneer Global Inc. (PAYO)	\$2.31	\$1.84	\$0.98	\$0.83	\$0.12	2.23x	19.00x	2.36x	1.88x
High						42.71x	55.88x	25.72x	20.27x
75th Percentile						19.64x	21.23x	4.74x	6.24x
Harmonic Mean						7.32x	15.36x	2.55x	2.55x
Median						11.63x	16.89x	2.22x	2.69x
25th Percentile						8.46x	13.73x	1.97x	1.89x
Low						2.23x	11.77x	1.41x	1.21x

PayPal Holdings Inc. (NASDAQ:PYPL)
Price Movement Analysis



Chart Appendix

- May - August:** Between May and August 2024, PayPal Holdings Inc. (NASDAQ: PYPL) experienced a dynamic period marked by both volatility and recovery. In May 2024, the stock opened at \$66.14 and ended at \$63.95, dipping around 3.3%, with a notable 5% spike mid-month due to growing digital payment adoption and shifting industry trends like eBay's decision to drop American Express. The downward trend continued into June, where the stock slid further from \$63.04 to \$58.03, an 8% decline, amid cautious investor sentiment and market uncertainty. However, July brought a turnaround, as PayPal rebounded from \$58.36 to \$65.78, gaining approximately 12.7% on the back of renewed investor optimism and positive momentum around the company's strategic direction. This bullish trend carried into August, where the stock surged from \$65.78 to \$72.43, breaking through the long-standing \$68 resistance level. A key technical indicator—the “golden cross” formation on August 20 reinforced this breakout, suggesting a strong potential for continued upward movement. Overall, these four months painted a picture of resilience, with PayPal overcoming short-term pressures to regain investor confidence and reestablish bullish momentum.
- August - October:** Between August and October 2024, PayPal Holdings Inc. (NASDAQ: PYPL) showed strong bullish momentum, continuing the recovery that began earlier in the summer. In August, the stock broke through the key \$68 resistance level, closing at \$72.43, fueled by technical strength including the formation of a “golden cross” on August 20 a classic signal of sustained upward momentum. This positive trend extended into September, with the stock rising from \$72.00 to \$78.03, an 8.3% gain driven by increasing investor confidence and ongoing strategic initiatives aimed at revitalizing growth. The momentum carried into early October, as shares opened at \$78.21 and held steady around \$77.31 by October 3, suggesting continued optimism despite minor fluctuations. Overall, the August to October period highlighted a strong recovery phase for PayPal, marked by technical breakouts, investor confidence, and a reinforced bullish outlook in the digital payments space.
- September-December:** Between November 2024 and January 2025, PayPal Holdings Inc. (NASDAQ: PYPL) continued its upward trajectory, building on the momentum from previous months. In November, the stock maintained stability, closing at \$86.77 on November 29, reflecting investor confidence and consistent performance. December witnessed a steady climb, with the stock reaching \$85.35 by December 31, culminating in a 39.4% annual gain for 2024 . The positive trend persisted into January 2025, as shares opened at \$85.84 on January 2 and closed at \$92.79 by January 17, marking a 7.5% increase in just over two weeks . This sustained growth underscores PayPal's resilience and the market's optimistic outlook on its strategic initiatives and position in the digital payments sector.
- January- March:** Between January and March 2025, PayPal Holdings Inc. (NASDAQ: PYPL) experienced significant volatility, reversing much of its late-2024 gains. After peaking at \$93.67 in December 2024, the stock began to decline in early 2025, falling over 27% to approximately \$67.90 by mid-March. This downturn was attributed to concerns about slowing revenue growth, stagnant user metrics, and underwhelming performance of its stablecoin, PYUSD. Technical indicators, such as the formation of a "death cross," further signaled potential continued weakness. By March 20, 2025, the stock was trading at \$69.67, reflecting investor caution amid increased competition in the digital payments sector.



- **April:** In April 2025, PayPal Holdings Inc. (NASDAQ: PYPL) experienced a period of relative stability following significant declines earlier in the year. The stock began the month at approximately \$62.59 and closed at \$64.93 on April 28, reflecting a modest gain of about 3.7%. This stabilization was influenced by a broader rally in tech stocks and easing concerns over the U.S.-China trade tensions, which had previously impacted PayPal's performance. Investors were cautiously optimistic ahead of the company's first-quarter earnings report, scheduled for April 29, with expectations of an EPS of \$1.16 and revenue of \$7.85 billion. Analysts maintained a generally bullish outlook, with the average one-year price target at \$83.39, suggesting a potential 29% upside from the current price. Despite the improved sentiment, PayPal's market capitalization decreased by approximately 5.2% over the month, from \$67.25 billion to \$63.87 billion, indicating ongoing investor caution amid global economic uncertainties.

Investment Risks

- PayPal Holdings Inc. (NASDAQ: PYPL) is a major player in the digital payments space, known for its global reach and innovative offerings. While it remains a strong fintech brand, evolving market dynamics and competitive pressures have introduced several challenges. Investors should be aware of the key risks that could impact PayPal's future growth and valuation.

1. Macroeconomic Headwinds from U.S. Tariffs

- In April 2025, the U.S. administration implemented a 10% baseline tariff on all imports, with higher rates on specific countries—20% on European Union goods, 24% on Japanese products, and 10% on UK imports. These measures have led to increased consumer prices and market volatility, raising concerns about a potential global economic slowdown. For fintech companies like PayPal, which rely heavily on consumer spending and transaction volumes, such economic uncertainties could adversely affect revenue and growth prospects.

2. Competitive Pressures and Market Saturation

- The digital payments sector is becoming increasingly competitive, with players like Apple Pay, Google Pay, and Square expanding their services. Additionally, the adoption of Central Bank Digital Currencies (CBDCs) by various countries could alter the payments landscape, potentially affecting PayPal's market share.

3. Macroeconomic Uncertainties

- Broader economic factors, such as inflation, interest rate fluctuations, and potential economic slowdowns, present risks to PayPal's business. These factors can dampen consumer spending, negatively impacting PayPal's transaction volumes and revenue.

4. Regulatory Challenges and Compliance Risks

- The revival of retaliatory tariffs on countries implementing digital service taxes (DSTs) poses regulatory challenges for U.S. tech companies. An executive order signed in February 2025 directed the U.S. Trade Representative to investigate and potentially impose tariffs on countries like France, Australia, Italy, Spain, Turkey, and the United Kingdom. Such measures could lead to increased compliance costs and operational complexities for PayPal in these markets.

5. Currency Volatility and Cross-Border Risks

- With the U.S. dollar weakening to a three-year low amid trade concerns and inflationary pressures, PayPal faces increased risks in its cross-border transactions. While the company earns fees from international transfers, fluctuations in exchange rates can erode profit margins and lead to unpredictable quarterly earnings. Moreover, the need for constant hedging adds to operational complexity and costs.

6. Strategic and Innovation Execution Risks

- PayPal is actively investing in new segments like cryptocurrency (through PYUSD), "Buy Now, Pay Later" (BNPL), and business lending. While these moves offer growth potential, they carry execution risks. For instance, the adoption of PYUSD has been lukewarm, and the BNPL segment is under regulatory scrutiny globally. A misstep in these initiatives or failure to differentiate against competitors could weaken PayPal's growth trajectory and investor confidence.

7. Strategic and Innovation Execution Risks

- PayPal's once-impressive user growth is showing signs of stagnation. Total active accounts plateaued in recent quarters, and transaction frequency per account has declined. As PayPal transitions from being a high-growth platform to a mature financial service provider, it faces challenges maintaining engagement levels. Without innovation that meaningfully enhances user value, the company risks becoming commoditized in an increasingly crowded digital payment market.

Conclusion

- While PayPal continues to be a prominent name in digital payments, its path forward is filled with both internal and external challenges. From macroeconomic pressures like tariffs and currency instability to company-specific hurdles including regulatory complexity, innovation execution, and competitive threats—investors must weigh these risks carefully. Long-term success will depend on PayPal's ability to adapt quickly, drive meaningful user engagement, and position itself as a key player in the evolving fintech landscape.

Equity Research Report

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AP Capital Research is a University of Surrey and EFS-affiliated student-led research group, with the sole purpose of providing greater clarity of financial markets. Accomplished through the creation of weekly market insights, detailing the macroeconomic factors driving global markets and industries

Named after the University of Surrey's Austin Pearce building, we thought it was only right to give credit to the place which truly ignited our immersion into economics and finance, and more specifically, our passion for understanding financial markets.