



# PayPal (NASDAQ: PYPL)



**@MattPrame & @Michael-Turza**

Notre Dame Investment Club

# PayPal Company Overview

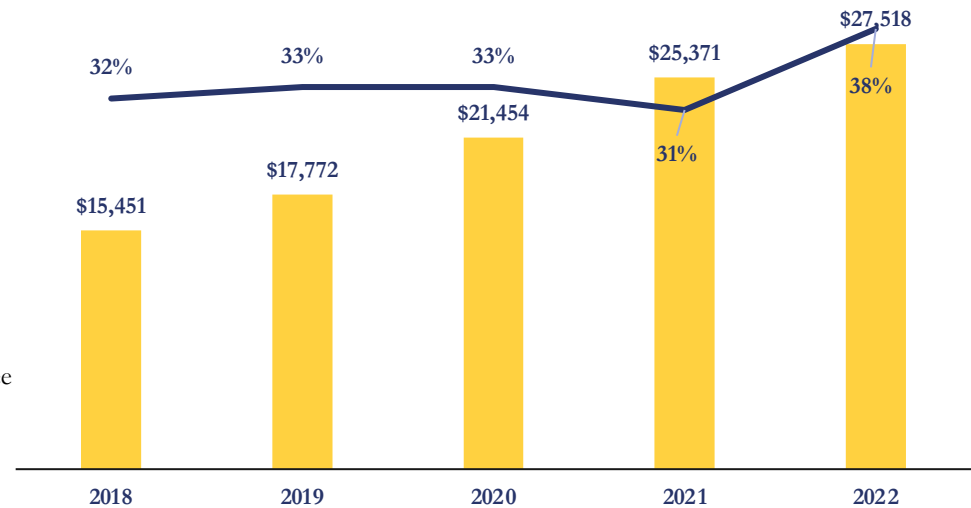
Totaling over 435 million active accounts across its platforms, PayPal provides a complete payment system to both consumers and merchants.



## Revenue Collection

	Consumer	Merchant
	2.9% + \$0.30 credit card fee 1.75% instant transfer fee Variable FX fees Up to 1.50% crypto fee	3.49% + \$0.49 US fee Additional 1.50% Intl. fee 1.50% withdrawal fee 2% on all payouts
	2.9% + \$0.30 credit card fee 1.75% instant transfer fee Variable FX fees Up to 1.50% crypto fee	
 A PayPal Service		2.59% + \$0.49 credit card fee 3.49% + 0.49 Venmo fee 0.75% ACH direct debit fee 2% on all payouts

## Historical Revenue (\$M) / Market Share



# End-to-End Platform

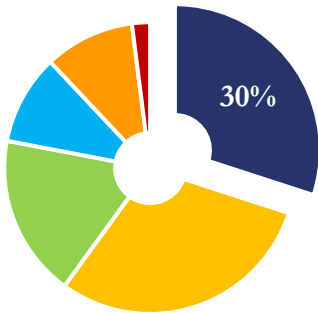
PayPal's suite of products take in revenue from every facet of digital payment transactions.



## Branded Checkout



PayPal allows customer to safely checkout anywhere on the internet using an easy login and saved payment details

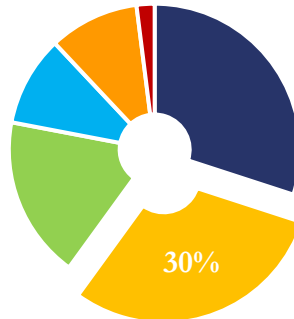


(% of TPV)

## Unbranded Payment Processing

### Braintree

Braintree processes all payments for large enterprises like Airbnb and GrubHub across multiple platforms

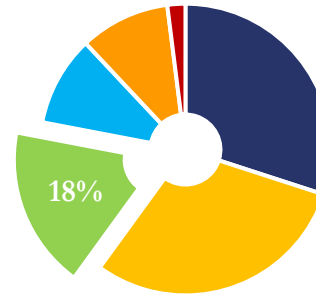


(% of TPV)

## Peer-to-Peer Payments



PayPal earns revenue on cross-border payments, transfers to bank accounts, and currency conversions

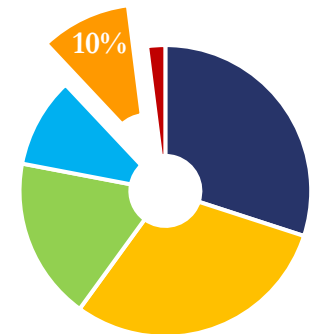


(% of TPV)

## Merchant Services

### Zettle

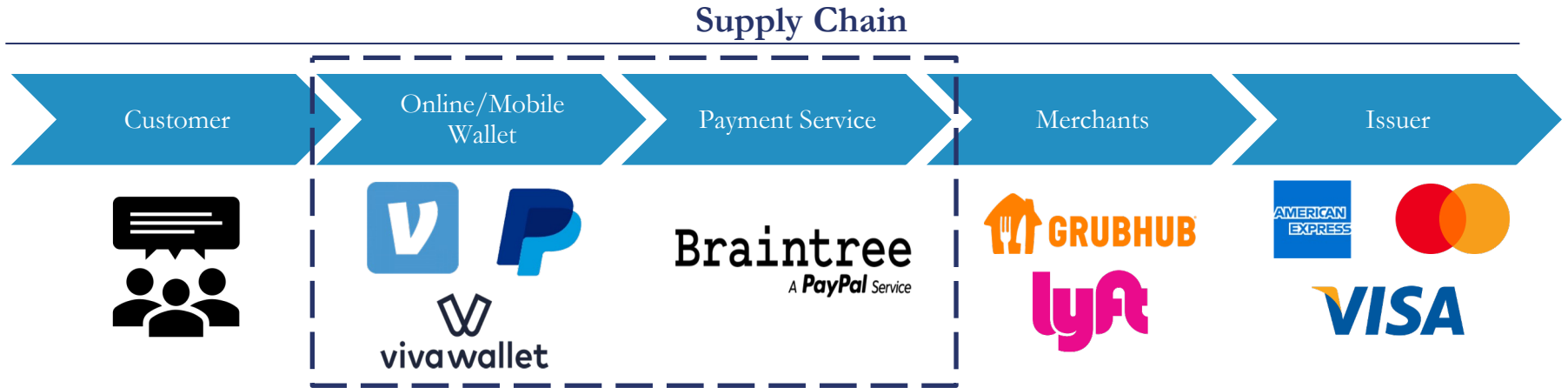
Zettle and other merchant services allow vendors to process in-person transactions and view payment analytics



(% of TPV)

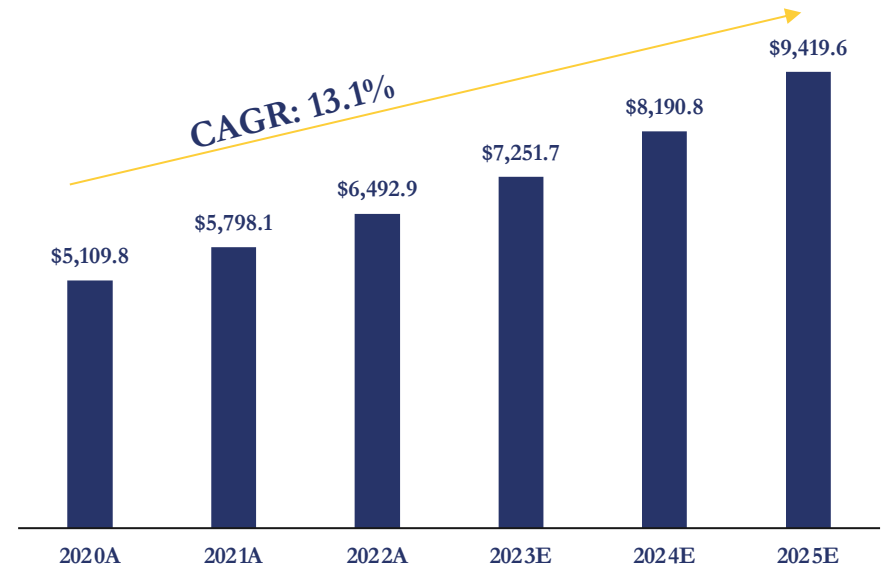
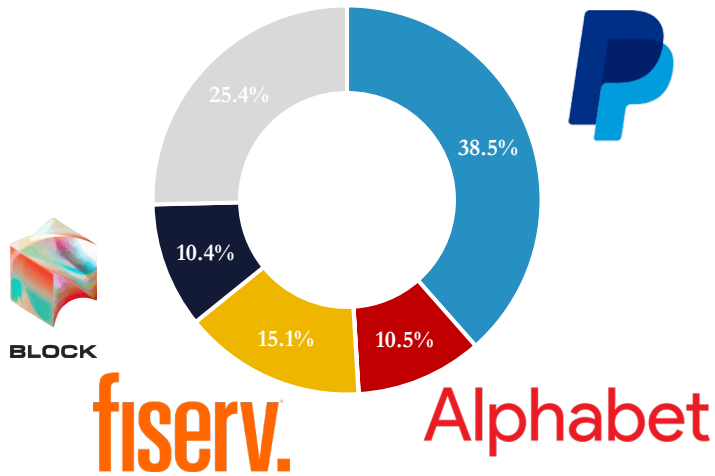
# Ecommerce Continues to Grow

Online payment processing is a rapidly growing industry with many players spurred by ecommerce and digital wallet usage.



Major Players by Revenue

Mobile Wallet Transactions Market Size (\$B)



# Investment Thesis



*The market has failed to recognize PayPal's recession resilience relative to its FinTech competitors. As a result, PYPL trades at a very attractive price (\$74.66) and multiple (EV/EBITDA : 16.6x).*

1

PayPal's complete payment system paired with increased digital wallet usage worldwide makes **PayPal the leading player within a growing industry**

2

Full stack integration of Braintree in larger enterprises allows for PayPal to attain a **more recurring revenue stream** and an economic moat, **especially in an economic downturn**

3

Activist investor Elliott Management's recent \$2B acquired stake in PayPal will ignite company's **strategic shift towards expense management**, allowing for cost savings and gross margin growth

## Valuation

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Recommendation: **BUY**

Price Target: **\$104.58**

Investment Upside: **40.2%**

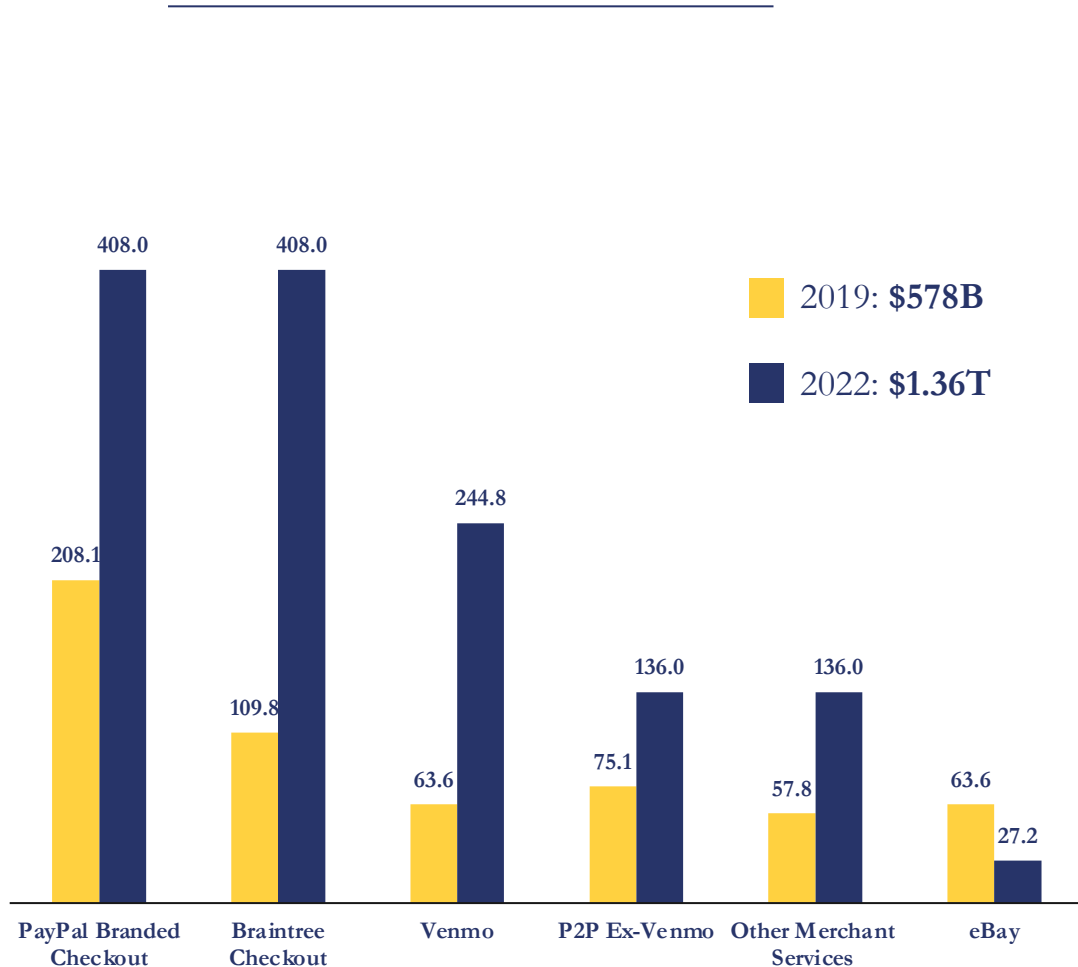
# Economic Moat

# Payment Suite Integration Drives TPV Growth

PayPal has seen growth in every aspect of its payment services suite, generating constant TPV growth.



## Global TPV Mix



## FX Neutral Growth

	TPV 3-year CAGR	2022 Y/Y Growth
PayPal Branded Checkout	26%	5%
Braintree Checkout	40%	40%
Venmo	55%	7%
P2P Ex-Venmo	20%	(1%)
Other Merchant Services	27%	15%
eBay	(11%)	(31%)
<b>Total</b>	<b>29%</b>	<b>13%</b>

# Two-Sided Network Effect Creates Moat

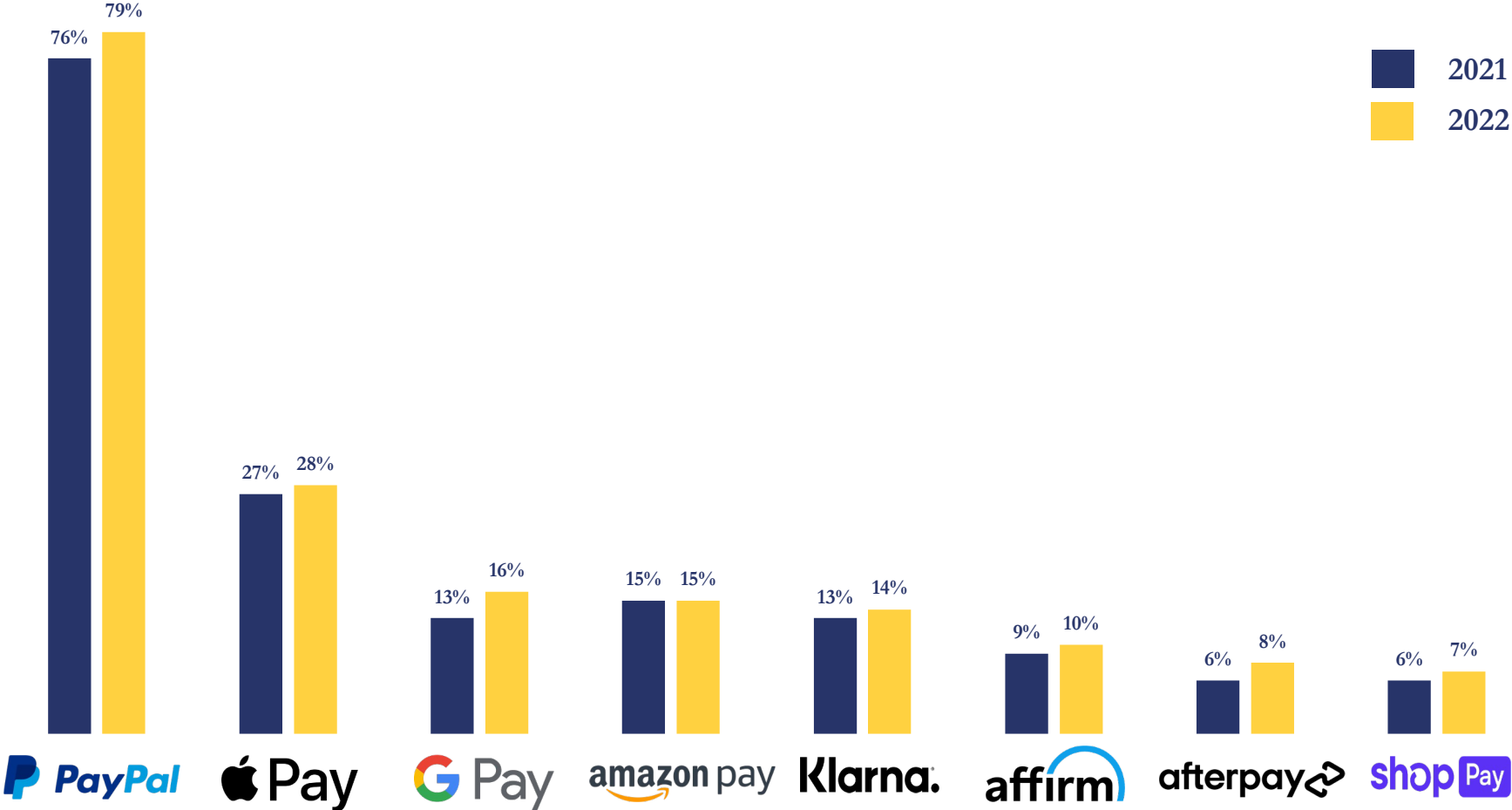
*Both consumers and vendors benefit from PayPal's large network of users*





# Continuing Acceptance and Dominance

Digital wallet acceptance among 1,500 largest online retailers across North America and Europe



# Activist Investment

# Best in Class Expertise from Elliott Management



*Elliott Management (\$55.7B AUM) recently took a \$2B stake in PayPal which will lead to a more diversified revenue stream and considerable margin expansion in 2023*

## Jesse Cohn

1. Equity and Managing Partner most involved in PayPal investment
2. Wharton '04; MS M&A Analyst
3. "PayPal has an unmatched and industry-leading footprint across its payments businesses"

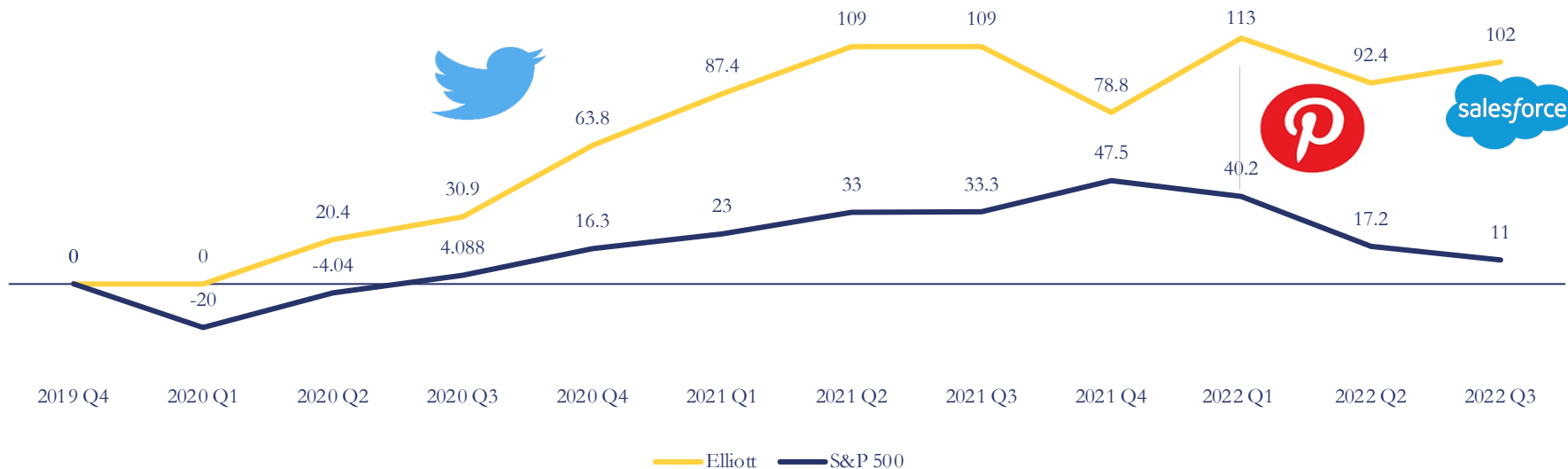
## Cost Cuts

1. Targeting **\$1.3B** cost savings plan 2023
2. Renegotiating transaction costs with financial institutions.
3. Recently shed 7% of workforce

## Diversification

1. Expansion and integration of Braintree into market segmentation
2. Productivity improvements in servicing, marketing, and engineering functions
3. Projects margin expansion at 10% in 2023

## Top 20 Holdings Weighted Performance vs. S&P 500

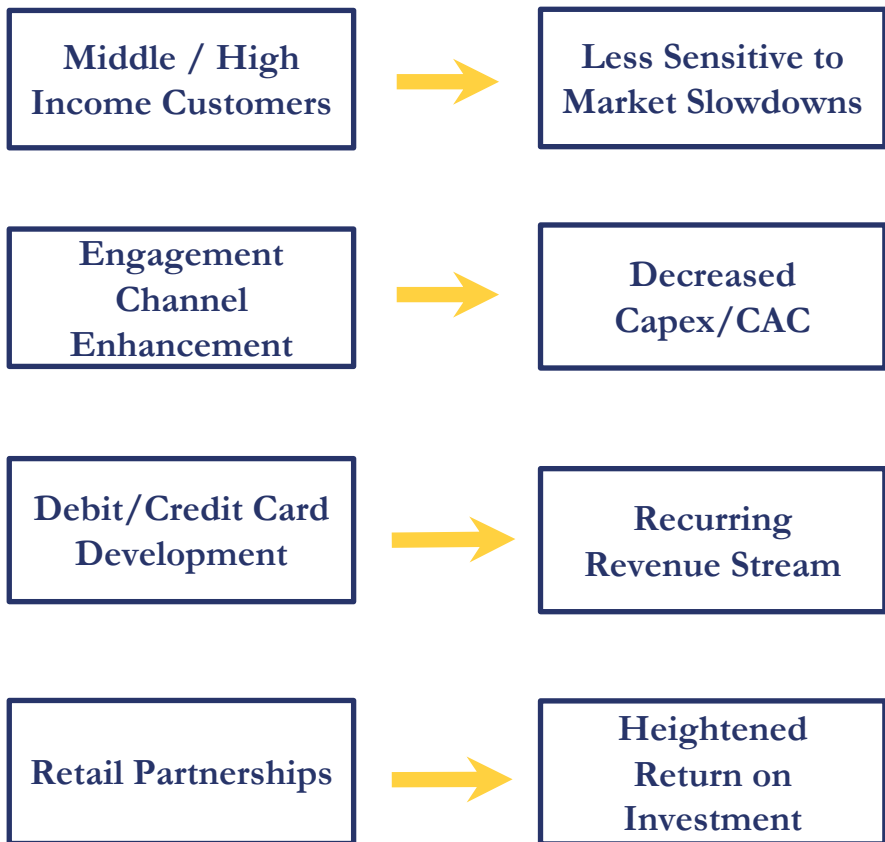


# Strategic Shift: High Value Customer Acquisition

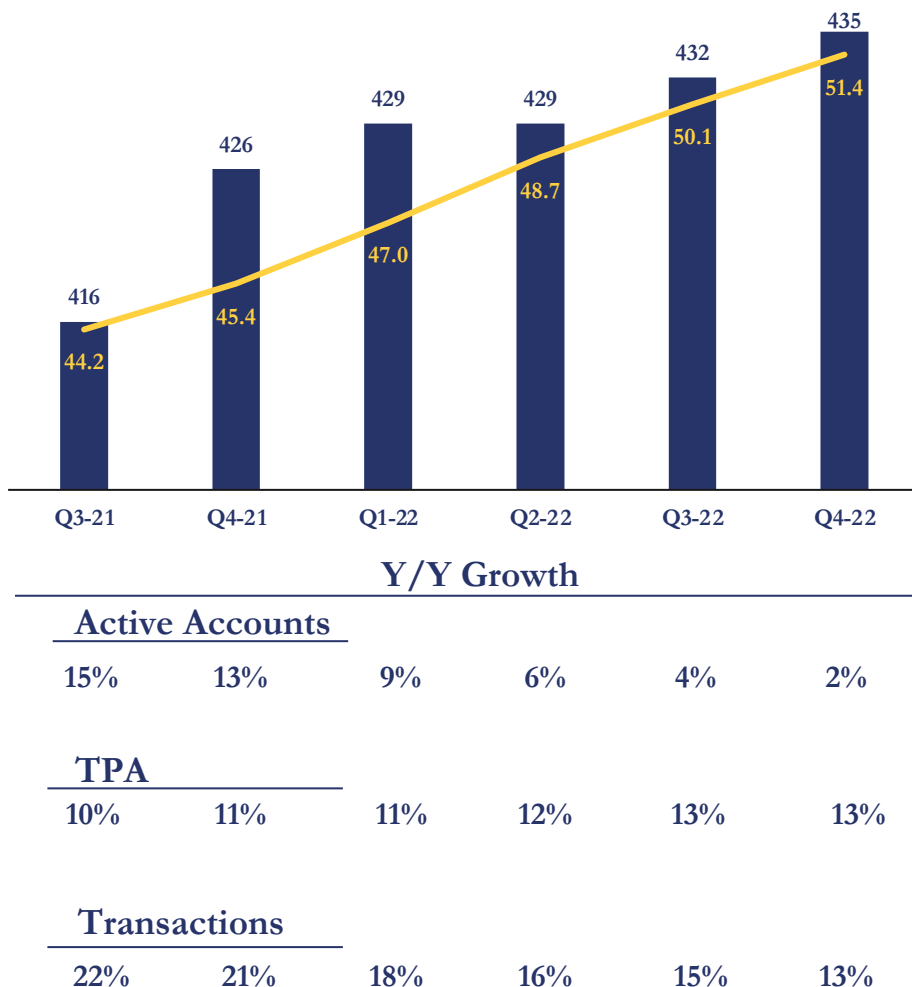
PayPal has shifted its company strategy from total user growth to high-value customer acquisition and engagement channels.



## Points of Emphasis



## Accounts (M) & Transactions per Account (TPA)

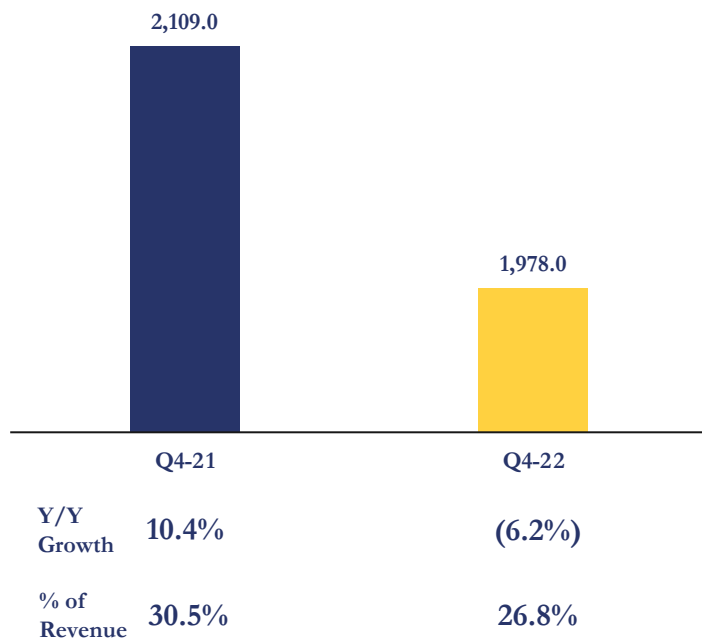


# Return to Operating Margin Expansion

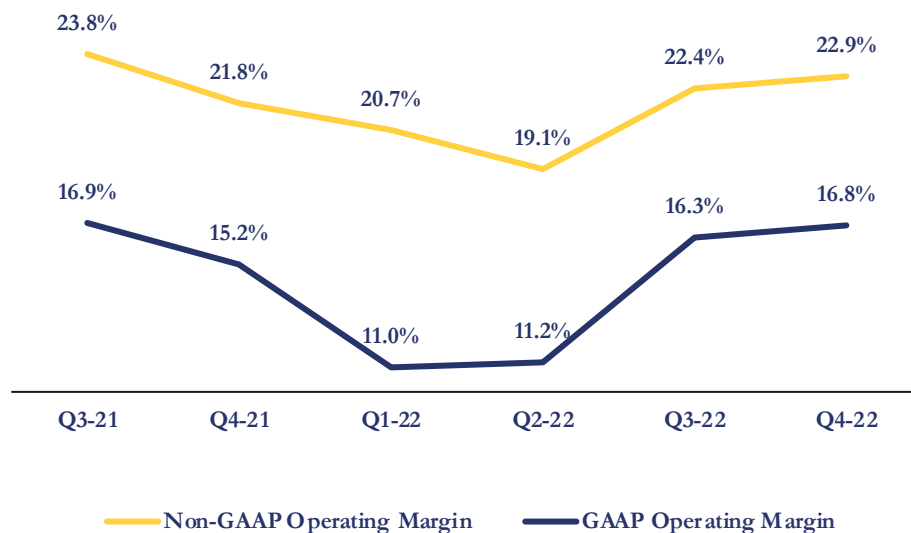


*Non-GAAP operating margin expansion of about 115bps is largely driven by newfound expense leverage.*

## Non-Transaction Related Expenses (\$M)



## GAAP and Non-GAAP Operating Margin



- Non-transaction related expenses **decline 6%** vs Q4-21, driven by an increased focus on **cost control** with leverage across customer support & operations, general & administrative, sales & marketing, and technology & development
- Non-GAAP operating margin expanded about **115bps** vs. Q4-21

# Market Misconceptions

# #1: Underappreciation of Braintree

*Braintree's consistent growth has enabled PayPal to diversify into non-cyclical payments*



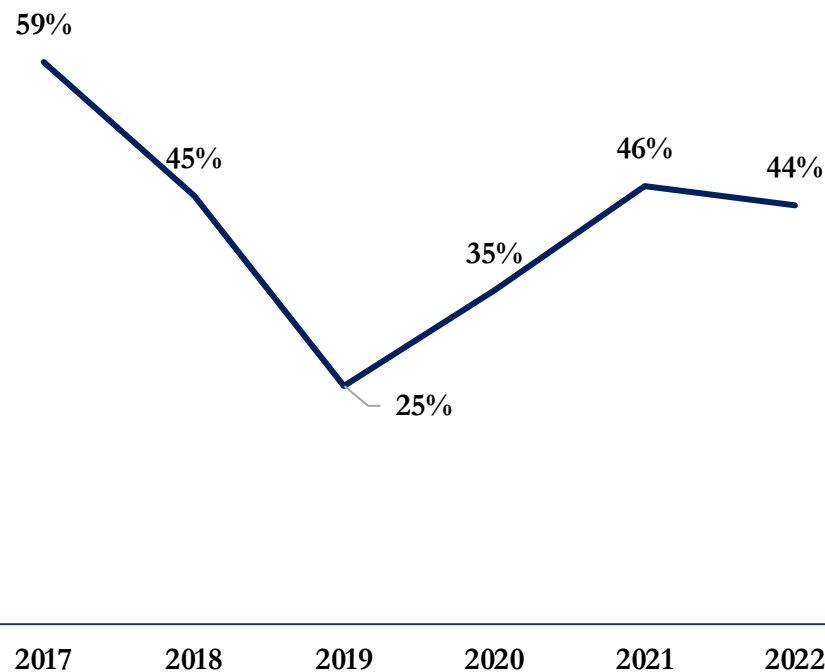
## Street Consensus

Increase in Braintree revenue will continue to harm PYPL's gross margins because of the favorable terms that large enterprises obtain from PYPL

## Variant View















The downside of margin contraction is outweighed by benefit of payment diversification across sectors, allowing PYPL to maintain large TPV in downturn

YoY Braintree TPV Growth



# Recession Resilience

*PayPal is suited to endure recessionary headwinds because of payment source diversification through Braintree.*

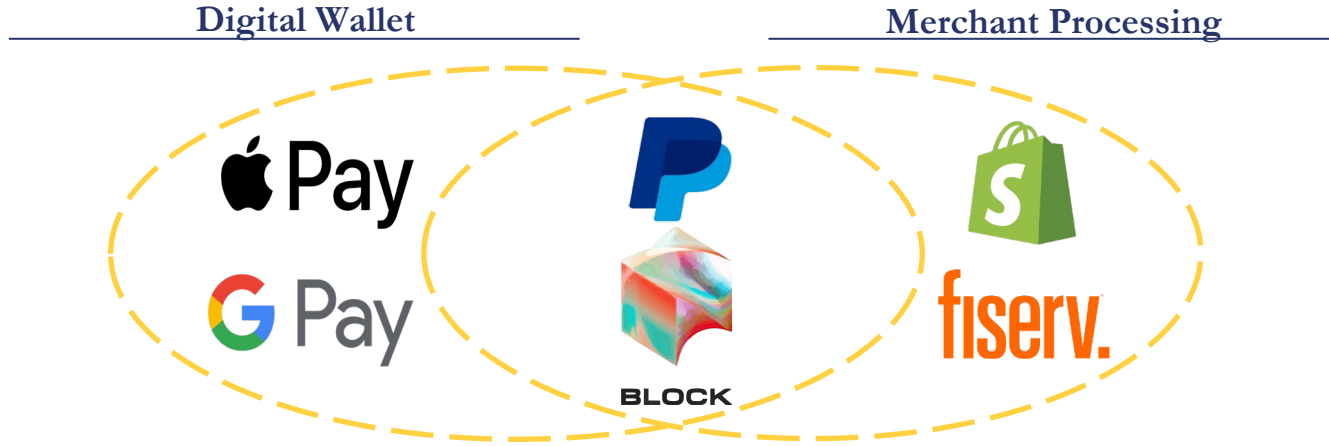
	Braintree Payment Processing	PayPal / Venmo Branded Checkout
	 GRUBHUB  yelp	 instacart  amazon
	 Adobe  Dropbox 	 salesforce  Microsoft
	 UBER  airbnb  eventbrite	 Apple  lyft  TikTok
	 BONOBOs Brandy ♥ Melville	 Nike  patagonia®  lululemon



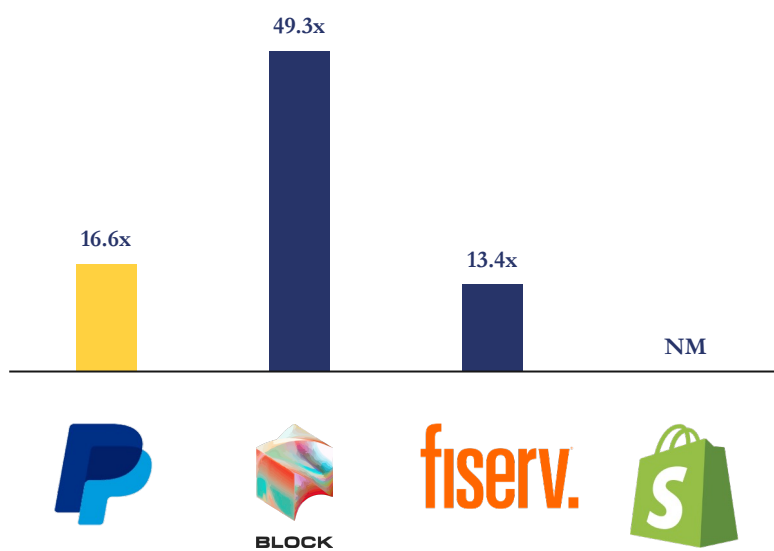
# #2: Complete Payment Suite & Cash Generation



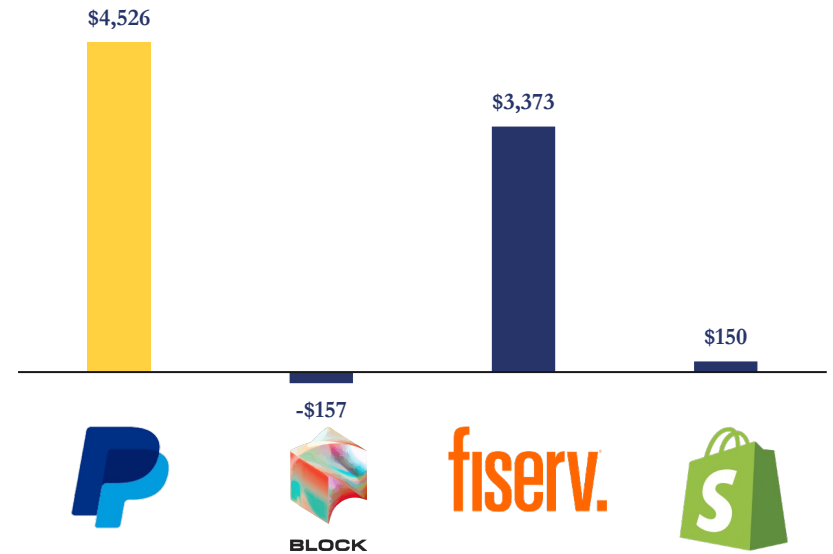
PayPal's current valuation is lucrative considering its complete suite of products and ability to manage its cash relative to the FinTech space.



LTM EV/EBITDA



LTM Unlevered Free Cash Flow (\$M)



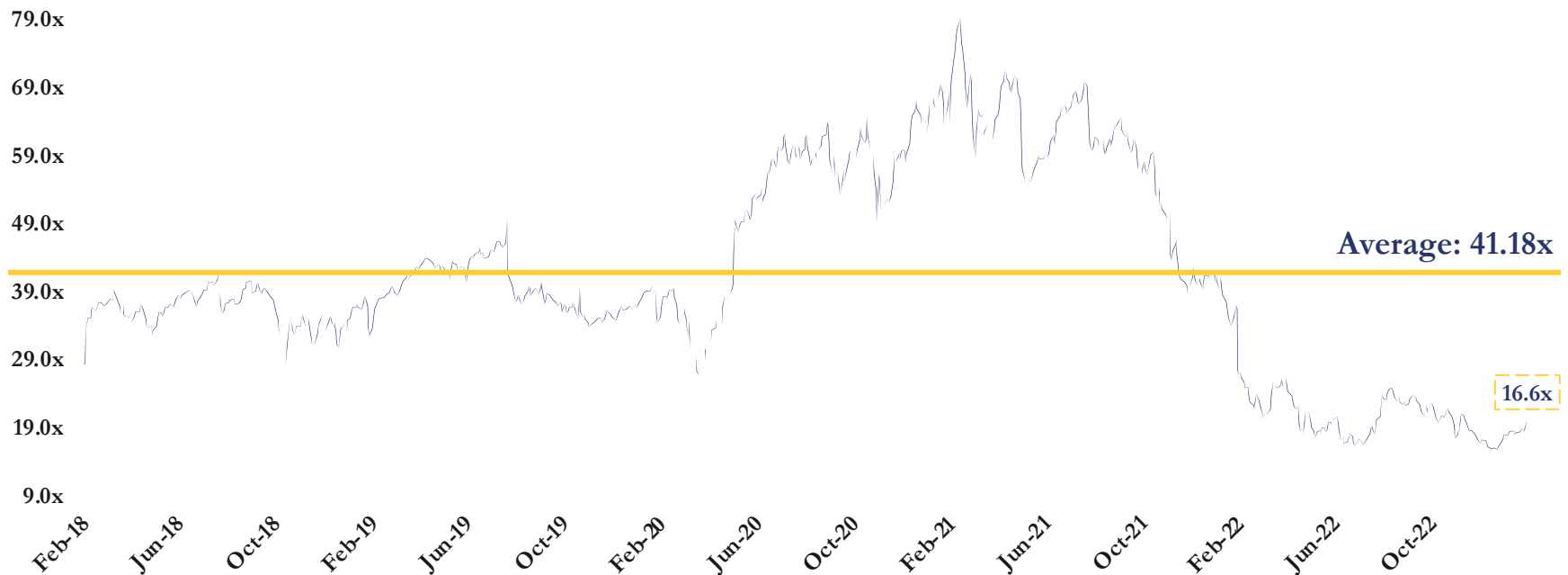
# Cheap Valuation Yields Opportunity



*As a result of the macroeconomic headwinds and the recent FinTech sell-off, PayPal is nearly trading at its most attractive in the company's history.*

## Market Close 2/17

Share Price:	\$74.66
EV/EBITDA:	16.6x
52 Week High:	26.59x
52 Week Low (All-Time):	15.65x



# Base Case DCF Output

A blended share price of \$107.93 in the base case represents a 44.7% upside



	2023E	2024E	2025E	2026E	2027E
<b>Revenue</b>	<b>31,275</b>	<b>34,421</b>	<b>37,769</b>	<b>41,336</b>	<b>45,085</b>
% Growth	13.7%	10.1%	9.7%	9.4%	9.1%
(-) COGS	15,700.1	17,365.4	19,149.0	20,957.4	22,858.1
(-) Operating Expenses	10,917.6	11,878.0	12,882.4	13,933.6	15,016.9
<b>EBITDA</b>	<b>4,657.5</b>	<b>5,177.6</b>	<b>5,737.9</b>	<b>6,445.1</b>	<b>7,210.0</b>
% Margin	14.9%	15.0%	15.2%	15.6%	16.0%
(-) D&A	1,496.8	1,647.4	1,807.6	1,978.3	2,157.7
<b>EBIT</b>	<b>6,154.3</b>	<b>6,825.0</b>	<b>7,545.5</b>	<b>8,423.4</b>	<b>9,367.7</b>
% Margin	19.7%	19.8%	20.0%	20.4%	20.8%
(-) Tax	781.0	962.5	1,067.0	1,191.9	1,333.2
<b>Tax Rate</b>	<b>18.0%</b>	<b>18.0%</b>	<b>18.0%</b>	<b>18.0%</b>	<b>18.0%</b>
<b>NOPAT</b>	<b>5,373.3</b>	<b>5,862.5</b>	<b>6,478.6</b>	<b>7,231.6</b>	<b>8,034.5</b>
(-) Capex	(875.7)	(929.4)	(982.0)	(1,033.4)	(1,127.1)
(+) D&A	1,496.8	1,647.4	1,807.6	1,978.3	2,157.7
(-) Delta NWC	1,082.8	(2,344.5)	(81.4)	(106.8)	(168.2)
<b>UFCF</b>	<b>\$4,911.6</b>	<b>\$8,925.0</b>	<b>\$7,385.6</b>	<b>\$8,283.3</b>	<b>\$9,233.3</b>
(-) Stub-Year	<b>668.52</b>				
<b>FCF For Discounting</b>	<b>\$4,243.1</b>	<b>\$8,925.0</b>	<b>\$7,385.6</b>	<b>\$8,283.3</b>	<b>\$9,233.3</b>
Growth Rate	8.5%	81.7%	(17.2%)	12.2%	11.5%
Period	0.36	1.36	2.36	3.36	4.36
<b>PV of UFCF</b>	<b>\$4,094.5</b>	<b>\$7,809.0</b>	<b>\$5,859.2</b>	<b>\$5,958.3</b>	<b>\$6,021.9</b>

<b>WACC</b>	<b>10.29%</b>
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Terminal Value	
Exit Multiple Method	
2027 EBITDA	7,210.0
Exit Multiple	15.0x
Terminal Value	108,149.4
<b>PV of Terminal Value</b>	<b>108,149.4</b>

Terminal Value	
Perpetuity Growth Method	
2027 FCFF	6,021.9
Terminal Growth Rate	2.50%
Terminal Value	79,237.1
<b>PV of Terminal Value</b>	<b>79,237.1</b>

Enterprise Value	
Exit Multiple Method	
PV of Projection Method	29,742.8
PV of Terminal Value	108,149.4
Implied EV	137,892.2
(-) Debt	10,417.0
(+) Cash	7,776.0
Implied Equity Value	135,251.2
Shares Outstanding	1,154.0
Implied Share Price	\$117.20

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Method	29,742.8
PV of Terminal Value	79,237.1
Implied EV	108,979.8
(-) Debt	10,417.0
(+) Cash	7,776.0
Implied Equity Value	106,338.8
Shares Outstanding	1,154.0
Implied Share Price	\$92.15

Blended Implied Share Price	
Perpetuity Growth Method	\$92.15
Exit Multiple Method	\$117.20
<b>Blended Share Price</b>	<b>\$104.68</b>

Upside/Downside	
Blended Implied Share Price	\$104.68
Current Share Price	\$74.66
<b>% Change</b>	<b>40.2%</b>

## Base Case Assumptions

**Conservative Revenue Growth & Gross Margin Contraction** – Projected revenue growth is significantly below historical averages, and gross margin contracts each year due to increasing Braintree share of revenue mix

**Conservative Terminal Valuation and Equity Outlook** – 15.0x EV/EBITDA represents PYPL's historic minimum since going public, and 1.154 bn shares outstanding does not reflect future stock repurchases

# Catalysts



*PayPal should see significant tailwinds in both the immediate future and in a 1-5 year time horizon.*

1

Revenue diversification through full stack integration of Braintree will allow for a greater **economic moat** within the payment services industry and will also provide exposure to staple payments, **allowing PayPal to beat street expectations in a recessionary environment.**

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2

Secular trends will result in **the continual growth of ecommerce spending** across all sectors, driving PayPal's total payment volume.

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3

**Operating margins and EBITDA margins will expand** in 2023 due to the implementation of an expense management plan through PayPal's partnership with **Elliott Management** and renegotiated transaction expense rates.

# Appendix

# Looking at Braintree

Online payment processing is a rapidly growing industry with many players spurred by ecommerce and digital wallet usage.

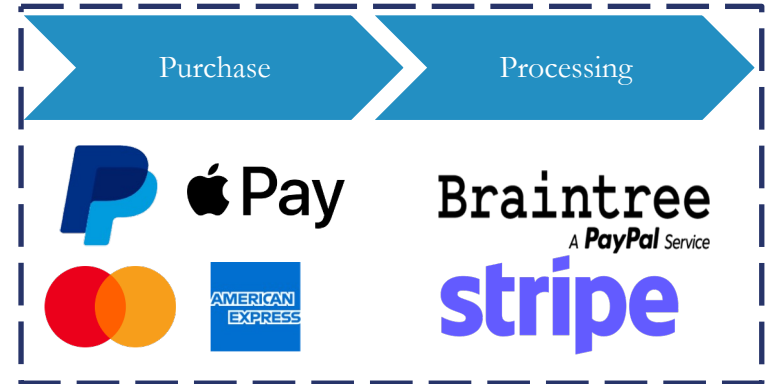


## Braintree's Place in the Checkout Process

### Braintree

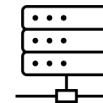
A PayPal Service

- Acquired for \$800m in 2013
- Volume of payments processed increased from \$12bn to \$470bn since integration
- Competes with Stripe, Ayden, and other payment processing companies



~1-3 years  
Switching Costs  
Data Transfer Fee  
Merchant Account

Credit Card  
2.59% + \$0.49  
Venmo  
3.49% + 0.49  
ACH Direct Debit  
0.75%



 HYPERWALLET  
A PayPal Service

e.g. driver transferring earned funds to bank account

# CEO Dan Schulman to step down after 2023

*PayPal has an entire year to search for a successor that aligns with Elliott Management's direction.*



**Dan Schulman**  
President and CEO

Schulman will remain President and CEO until 12/31/2023 where he continue to serve on the board of directors

Schulman will assist the board of directors and Elliott Management in the national search for a successor



**Jesse Cohn**  
Elliott Management

Schulman did not experience any pressure from Jesse Cohn or Elliott Management to step down

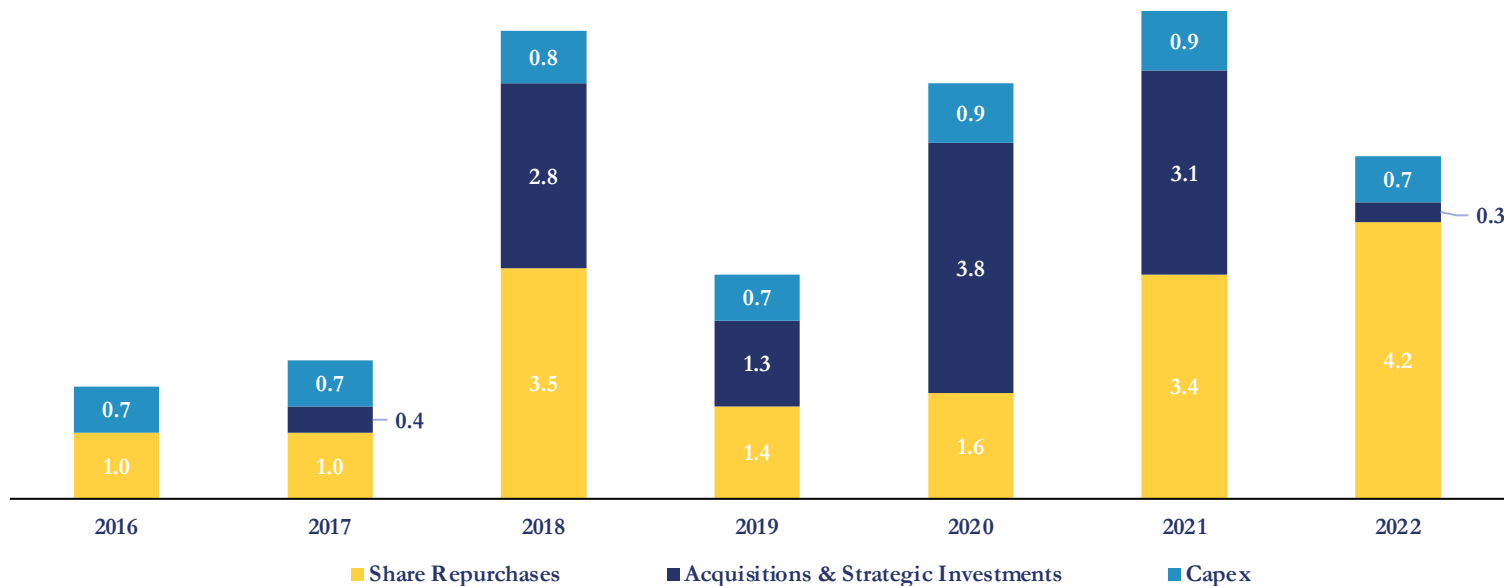
The board of directors have hired a search firm to look both across the company and externally

# Shareholder Focused Capital



PayPal is adopting a strategic shift to allocate its Free Cash Flow in a manner that is more favorable to medium and long-term shareholders.

## Historical Capital Allocation



1

**\$15B stock buyback program** (August 2022) with no expiration. Expected to run through 2024.

2

Analyst day in Q1 '23 to discuss medium-term capital development strategy with rumors of **introducing a dividend**.

3

M&A of substantial size is likely **off the table for the foreseeable future**, despite Pinterest & Elliott Management rumors.



# Annotated Stock Chart



*PayPal's recent earnings beat after Elliot Management's investment gives the stock momentum even amidst a CEO change.*



## Market Close 2/17

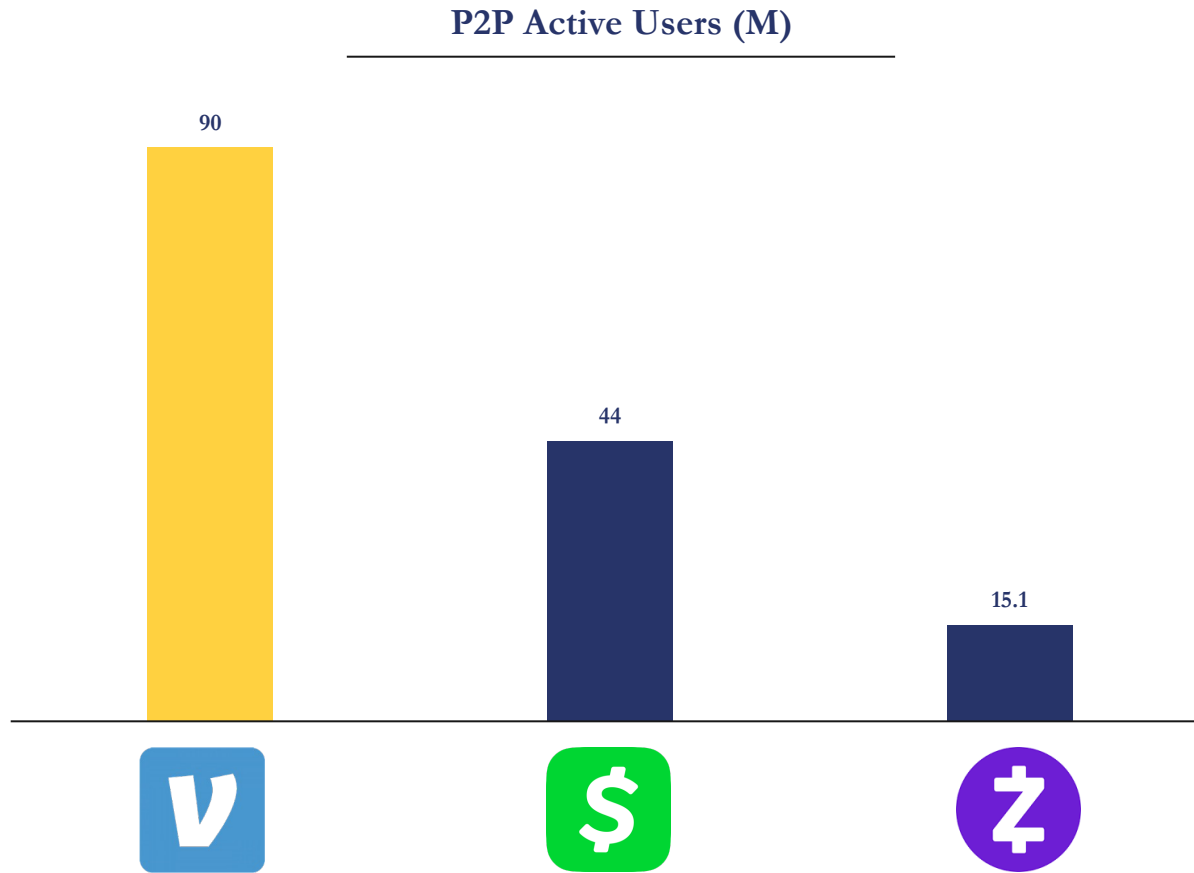
Share Price:	\$74.66
P/E:	35.74
LTM:	(27.63%)
YTD:	0.11%
52-Week High:	\$122.92
52-Week Low:	\$66.38

- |  |  |   |
|--|--|---|
| <p><b>1</b> <b>July 28, 2021:</b> PayPal releases earnings guidance for Q3 &amp; Q4 2021</p> | <p><b>3</b> <b>June 24, 2022:</b> PayPal added to Russell Top 200 Value Index</p>                                  | <p><b>5</b> <b>October 25, 2022:</b> Venmo added to Amazon Checkout</p>   |
| <p><b>2</b> <b>February 1, 2022:</b> PayPal releases earnings guidance for FY 2022</p>       | <p><b>4</b> <b>August 3, 2023:</b> Elliot Management Investment and \$15Bn Stock Buyback Program Announcements</p> | <p><b>6</b> <b>February 9, 2023:</b> Q4 2022 Earnings beat (\$1.24A vs. \$1.20E EPS); Dan Schulman announces retirement at end of FY 2023</p> |

# Just Venmo Me



*Venmo is by far the dominant player in a growing P2P industry that will look to find uniformity in the years ahead*



# PayPal Buy Now Pay Later Expansion

*PayPal has seen significant growth in its Buy Now Pay Later platform as it looks to horizontally integrate*



## FY 2022 BNPL Trends



Since launching BNPL in 2020, PayPal has issued over **200M** loans to nearly **30M** customers



PYPL who adopt BNPL solutions spend >30% more with PayPal and are 10% less likely to churn



**More than 90%** of PayPal BNPL first-time users are existing PayPal customers



Nine different Pay Later product offerings available in seven markets + Paily in Japan

## FY 2022 BNPL Results

**\$20.3B**

(160% y/y)

**Transaction Volume**

**147M**

(200% y/y)

**BNPL Transactions**

**25M**

(105% y/y)

**Customers**

**2M**

(200% y/y)

**Merchants with PayPal  
BNPL Transactions**

# Bear Case DCF Output

A blended share price of \$80.15 in the bear case represents a 7.4% upside



	2023E	2024E	2025E	2026E	2027E
<b>Revenue</b>	<b>29,719</b>	<b>32,246</b>	<b>34,825</b>	<b>37,437</b>	<b>39,683</b>
% Growth	8.0%	8.5%	8.0%	7.5%	6.0%
(-) COGS	15,127.2	16,429.1	17,830.5	19,167.8	20,317.9
(-) Operating Expenses	10,875.6	11,671.1	12,465.5	13,250.6	13,886.9
<b>EBITDA</b>	<b>3,716.6</b>	<b>4,145.4</b>	<b>4,529.2</b>	<b>5,018.7</b>	<b>5,478.5</b>
% Margin	12.5%	12.9%	13.0%	13.4%	13.8%
(-) D&A	1,441.4	1,563.9	1,689.0	1,815.7	1,924.6
<b>EBIT</b>	<b>5,158.0</b>	<b>5,709.3</b>	<b>6,218.3</b>	<b>6,834.4</b>	<b>7,403.2</b>
% Margin	17.4%	17.7%	17.9%	18.3%	18.7%
(-) Tax	595.5	682.5	763.4	862.4	962.7
Tax Rate	18.5%	18.5%	18.5%	18.5%	18.5%
<b>NOPAT</b>	<b>4,562.5</b>	<b>5,026.8</b>	<b>5,454.8</b>	<b>5,972.0</b>	<b>6,440.5</b>
(-) Capex	(1,040.2)	(1,128.6)	(1,218.9)	(1,310.3)	(1,388.9)
(+) D&A	1,441.4	1,563.9	1,689.0	1,815.7	1,924.6
(-) Delta NWC	761.0	(2,243.9)	(128.8)	(155.6)	(234.2)
<b>UFCF</b>	<b>\$4,202.7</b>	<b>\$7,706.0</b>	<b>\$6,053.7</b>	<b>\$6,633.0</b>	<b>\$7,210.4</b>
(-) Stub-Year	<b>572.03</b>				
<b>FCF For Discounting</b>	<b>\$3,630.7</b>	<b>\$7,706.0</b>	<b>\$6,053.7</b>	<b>\$6,633.0</b>	<b>\$7,210.4</b>
Growth Rate	(7.1%)	83.4%	(21.4%)	9.6%	8.7%
Period	0.36	1.36	2.36	3.36	4.36
<b>PV of UFCF</b>	<b>\$3,503.5</b>	<b>\$6,742.4</b>	<b>\$4,802.6</b>	<b>\$4,771.2</b>	<b>\$4,702.6</b>

Terminal Value	
Exit Multiple Method	
2027 EBITDA	5,478.5
Exit Multiple	15.0x
Terminal Value	82,178.0
<b>PV of Terminal Value</b>	<b>82,178.0</b>

Terminal Value	
Perpetuity Growth Method	
2027 FCFF	4,702.6
Terminal Growth Rate	2.50%
Terminal Value	61,877.2
<b>PV of Terminal Value</b>	<b>61,877.2</b>

Enterprise Value	
Exit Multiple Method	
PV of Projection Metho	24,522.3
PV of Terminal Value	82,178.0
Implied EV	106,700.3
(-) Debt	10,417.0
(+) Cash	7,776.0
Implied Equity Value	104,059.3
Shares Outstanding	1,154.0
Implied Share Price	\$90.17

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Method	24,522.3
PV of Terminal Value	61,877.2
Implied EV	86,399.4
(-) Debt	10,417.0
(+) Cash	7,776.0
Implied Equity Value	83,758.4
Shares Outstanding	1,154.0
Implied Share Price	\$72.58

Blended Implied Share Price	
Perpetuity Growth Method	\$72.58
Exit Multiple Method	\$90.17
<b>Blended Share Price</b>	<b>\$81.38</b>

Upside/Downside	
Blended Implied Share Price	\$81.38
Current Share Price	\$74.66
<b>% Change</b>	<b>9.0%</b>

WACC	10.29%
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# Bull Case DCF Output

A blended share price of \$127.56 in the bear case represents a 70.9% upside



	2023E	2024E	2025E	2026E	2027E
<b>Revenue</b>	<b>31,563</b>	<b>35,982</b>	<b>40,300</b>	<b>45,136</b>	<b>50,101</b>
% Growth	14.7%	14.0%	12.0%	12.0%	11.0%
(-) COGS	15,750.0	18,116.9	20,391.7	22,838.7	25,351.0
(-) Operating Expenses	10,517.5	11,918.0	13,187.0	14,588.8	15,993.2
<b>EBITDA</b>	<b>5,295.6</b>	<b>5,947.1</b>	<b>6,721.2</b>	<b>7,708.2</b>	<b>8,756.6</b>
% Margin	16.8%	16.5%	16.7%	17.1%	17.5%
(-) D&A	1,451.9	1,655.2	1,853.8	2,076.2	2,304.6
<b>EBIT</b>	<b>6,747.5</b>	<b>7,602.2</b>	<b>8,575.0</b>	<b>9,784.5</b>	<b>11,061.2</b>
% Margin	21.4%	21.1%	21.3%	21.7%	22.1%
(-) Tax	883.2	1,053.6	1,208.2	1,394.5	1,604.3
Tax Rate	17.0%	17.0%	17.0%	17.0%	17.0%
<b>NOPAT</b>	<b>5,864.3</b>	<b>6,548.6</b>	<b>7,366.7</b>	<b>8,390.0</b>	<b>9,456.8</b>
(-) Capex	(789.1)	(899.5)	(1,007.5)	(1,128.4)	(1,252.5)
(+) D&A	1,451.9	1,655.2	1,853.8	2,076.2	2,304.6
(-) Delta NWC	1,146.7	(2,253.2)	(16.8)	(37.6)	(129.6)
<b>UFCF</b>	<b>\$5,380.4</b>	<b>\$9,557.4</b>	<b>\$8,229.8</b>	<b>\$9,375.4</b>	<b>\$10,638.5</b>
(-) Stub-Year	<b>732.33</b>				
<b>FCF For Discounting</b>	<b>\$4,648.1</b>	<b>\$9,557.4</b>	<b>\$8,229.8</b>	<b>\$9,375.4</b>	<b>\$10,638.5</b>
Growth Rate	18.9%	77.6%	(13.9%)	13.9%	13.5%
Period	0.36	1.36	2.36	3.36	4.36
<b>PV of UFCF</b>	<b>\$4,485.3</b>	<b>\$8,362.3</b>	<b>\$6,528.9</b>	<b>\$6,743.8</b>	<b>\$6,938.4</b>

<b>WACC</b>	<b>10.29%</b>
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Terminal Value	
Exit Multiple Method	
2027 EBITDA	8,756.6
Exit Multiple	15.0x
Terminal Value	131,348.3
<b>PV of Terminal Value</b>	<b>131,348.3</b>

Enterprise Value	
Exit Multiple Method	
PV of Projection Method	33,058.8
PV of Terminal Value	131,348.3
Implied EV	164,407.1
(-) Debt	10,417.0
(+) Cash	7,776.0
Implied Equity Value	161,766.1
Shares Outstanding	1,154.0
Implied Share Price	\$140.18

Blended Implied Share Price	
Perpetuity Growth Method	\$105.47
Exit Multiple Method	\$140.18
<b>Blended Share Price</b>	<b>\$122.83</b>

Terminal Value	
Perpetuity Growth Method	
2027 FCFF	6,938.4
Terminal Growth Rate	2.50%
Terminal Value	91,296.6
<b>PV of Terminal Value</b>	<b>91,296.6</b>

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Method	33,058.8
PV of Terminal Value	91,296.6
Implied EV	124,355.4
(-) Debt	10,417.0
(+) Cash	7,776.0
Implied Equity Value	121,714.4
Shares Outstanding	1,154.0
Implied Share Price	\$105.47

Upside/Downside	
Blended Implied Share Price	\$122.83
Current Share Price	\$74.66
<b>% Change</b>	<b>64.5%</b>

# Revenue Build



## PYPL Revenue Build

	2021A	2022A	2023E	2024E	2025E	2026E	2027E
PayPal Core Volume	453,000	475,650	494,676	521,883	547,977	569,896	598,391
Y/Y Growth		5.0%	4.0%	5.5%	5.0%	4.0%	5.0%
Braintree Core Volume	308,000	431,200	564,872	723,262	918,543	1,148,178.6	1,400,777.9
Y/Y Growth		40.0%	31.0%	28.0%	27.0%	25.0%	22.0%
P2P: Other	131,000	129,690	140,065	149,169	156,628	164,459	172,682
Y/Y Growth		-1.0%	8.0%	6.5%	5.0%	5.0%	5.0%
P2P: Venmo	226,000	241,820	270,838	303,447	330,758	360,526	396,578
Y/Y Growth		7.0%	12.0%	12.0%	9.0%	9.0%	10.0%
eBay	44,000	30,360	24,288	20,645	19,613	19,613	19,613
Y/Y Growth		-31.0%	-20.0%	-15.0%	-5.0%	0.0%	0.0%
Other Merchant Services	112,774	129,690	149,143.5	171,515.0	188,666.5	203,759.8	215,985.4
Y/Y Growth		15.0%	15.0%	15.0%	10.0%	8.0%	6.0%
<b>Total Payment Volume</b>	<b>1,293,000</b>	<b>1,438,410</b>	<b>1,634,805</b>	<b>1,867,576</b>	<b>2,130,146</b>	<b>2,427,132</b>	<b>2,760,725</b>
<b>Revenue</b>	<b>25,371</b>	<b>27,518</b>	<b>31,275</b>	<b>34,421</b>	<b>37,769</b>	<b>41,336</b>	<b>45,085</b>
Y/Y Growth		8.5%	13.7%	10.1%	9.7%	9.4%	9.1%
Net Take Rate	196 bps	191 bps	191 bps	184 bps	177 bps	170 bps	163 bps

# WACC & Beta Analysis



CAPM		Capital Structure		Debt	
Risk Free Rate	3.8%	PYPL Debt/Equity	12.2%	Cost of Debt	5.9%
Market Risk Premium	5.8%	% Debt	10.9%	Tax Rate	18.0%
Re-Levered Beta	1.22	% Equity	89.1%	<b>WACC</b>	<b>10.29%</b>
Cost of Equity	10.8%				

## Beta Analysis

Company Name	Ticker	Levered			Total Debt/		Tax Rate*	Unlevered Beta
		Beta (5 YR)	Total Debt	Market Cap	Equity	Capital		
Fiserv, Inc.	Nasdaq:GS: FISV	0.86	21,375	67,745	0.3x	24.0%	20.6%	0.69
Block, Inc.	NYSE: SQ	2.33	5,518	49,036	0.1x	10.1%	-%	2.09
Global Payments, Inc.	NYSE: GPN	1.00	13,889	30,480	0.5x	31.3%	14.6%	0.72
Fleetcor Technologies, Inc.	NYSE: FLT	1.21	7,221	15,400	0.5x	31.9%	24.3%	0.89
Adyen	ENXTAM: ADYEN	1.15	18	48,405	0.0x	0.0%	21.5%	1.15
PayPal, Inc.	Nasdaq: PYPL	1.30	11,377	92,900	0.1x	10.9%	18.0%	1.18
<b>Average</b>		<b>1.31</b>	<b>9,604</b>	<b>42,213</b>	<b>0.3x</b>	<b>19.5%</b>	<b>20.2%</b>	<b>1.11</b>
<b>Median</b>		<b>1.15</b>	<b>7,221</b>	<b>48,405</b>	<b>0.3x</b>	<b>24.0%</b>	<b>20.6%</b>	<b>0.89</b>

\*Effective Tax Rate has been used