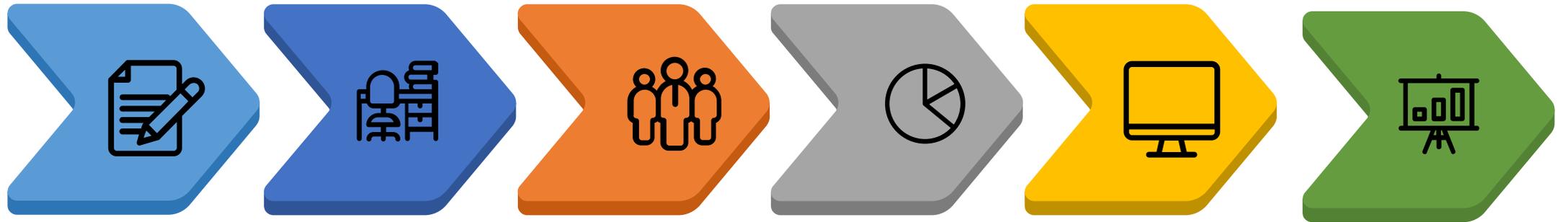


PayPal

By Carter, Owen, and Nick



Agenda



**Review of Current
Position**

Company Overview

Industry Overview

Financial Overview

**SWOT, and
DCF Analysis**

Final Recommendation

Fund Performance

Initial Buy Price and Shares:

\$92 a share (577 shares)

Portfolio Value: \$53,000

Current Price (11/26/2023)

- \$55.76 a share (577 shares)
- Portfolio Value: \$32,180
- **Loss: \$20,820 (39%)**

Company Overview

- PayPal Holdings is a public company headquartered in California with an estimated 29,900 employees
- Owns Venmo, Swift Financial, Braintree, Paypal Credit, Honey....
- 15.1% of total industry revenue in the Credit Card Processing and Money Transferring Space

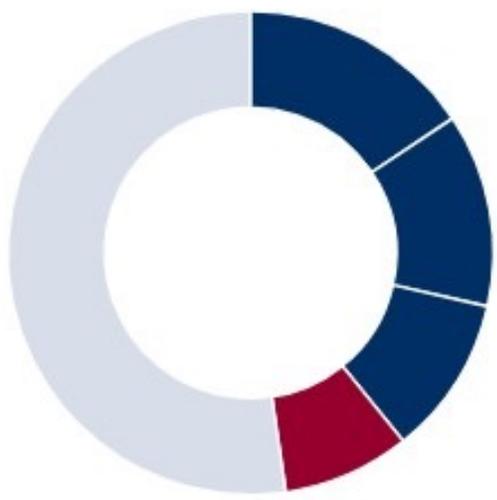


Market Share

15.6% Strong

#1 of 18 competitors

Increased 4.5p.p. from 2019



- 15.6% Paypal Holdings, Inc.
- 12.9% Stripe, Inc.
- 10.6% Fiserv, Inc.
- 8.5% U S Bancorp
- 52.3% Other

Industry Overview: Credit Card Processing & Money Transferring

Industry Projected Growth: 9.1% per Year

Payment Processing:

Many traditional financial institutions and fintech companies participate in this industry. Some of PayPal's notable competitors include Square, Stripe, and Adyen.

E-commerce Solutions:

Widely integrated into e-commerce platforms such as eBay and Shien, allowing businesses to accept payments seamlessly.

Digital Wallets:

Digital wallets can fund with various payment methods, providing a convenient way to manage money. Competitors include Google Pay, Samsung Pay, Apple Pay, and Crypto Wallets.

Declining Performance

Adobe Stock | 453387973



- PayPal thrived during the pandemic as consumers were forced to depend more on online transactions. But as pandemic restrictions began to ease, PayPal's stock trajectory started to fall off.
- The company's growth has been squeezed by a slowdown in e-commerce spending and rising competition in the digital payment space.
- Fear of the "Fed Now" Application killing other digital payment systems.
- Apple Pay and the rise of widespread mobile banking have increased competition to a level where PayPal has struggled to maintain volumes
- Due to a lack of growth and high competition, the stock has repriced to a value multiple (11.37x fwd p/e) from well over 40 when we bought it. It could be considered a value trap.

S

STRENGTHS



Brand Recognition
Large User Base
Global Presence

W

WEAKNESSES



An Oversaturated
Market Leading to
Declining Revenue
Streams
Dependence on E-
commerce

O

OPPORTUNITIES



Mergers or
Acquisitions?
Pursuing Contracts
with E-commerce
platforms

T

THREATS



Heavily Increased
Competition
Possible Regulatory
Changes
Blockchain Tech

to

SWOT Analysis

Company Issues

High competition has led to significant margin compression

Blockchain products charge significantly lower fees presenting

a continued threat to the company

User growth is negative and major markets are saturated

CEO and CFO Recently Left

Over \$6 million in shares recently sold by insiders

DCF Valuation

Terminal Value	
Numerator	\$ 4,399
Denominator	7.76%
Terminal Value	\$ 56,697
Present Value of Terminal Value	\$ 34,016
Add First Five Years	\$ 14,591
Enterprise Value	\$ 48,607
Less: Net Debt	\$ (5,273)
Equity Value	\$ 53,880
Price Per Share	47.43
% Overvalued	-14.80%

Cost of Equity	
10-Year Risk Free Rate	4.60%
Beta	1.43
Market Risk Premium	5.00%
Cost of Equity	11.75%

- Long term growth rate: **3%**
- Net reinvestment rate: **24%**
- ROIC: **4%**

Implied Valuation: **\$47.43/Per Share**
 Current Price: **\$55.76/ Per Share**
 Suggested: **14.8% Overvalued**

		WACC				
	47.43	8.50%	9.50%	10.76%	12%	13%
Long Term Growth Rate	-1%	44	40	36	33	31
	1%	52	46	41	37	34
	3%	65	56	47	41	38
	5%	93	74	59	49	44
	7%	197	120	82	63	53

Recommendation

Current Price: \$55.76

Valuation Price: \$47.43

- Lack of growth opportunity
- Highly competitive industry
- Value trap with poor performance

Recommendation: Sell

- **577 Shares at \$55.76**
- **Add \$32,180 of cash to the Celani Fund**

Questions?

