



PayPal Holdings, Inc.

PYPL

EQUITY RESEARCH REPORT

August 31, 2026

PYPL — PayPal Holdings, Inc.

Report Date: 2026-08-31

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**HOLD / WATCHLIST**
Current Price	USD 53.66 / EUR 46.25
Fair Value (Base Case)	USD 60.00 / EUR 51.70
Margin of Safety	+11.8% to 1-yr fair value
Target Entry (HOLD trigger)	USD 48.00 / EUR 41.40

Return Profile	Value
Dividend Yield	~0% (no established dividend)
Expected Price Appreciation (Base)	~8.5% CAGR
Total Expected Return (Base)	~8.5% CAGR
Bear Case Total Return	~0.5% CAGR
Bull Case Total Return	~12.0% CAGR
Probability-Weighted Return	~7.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	60 / 100
Downside Protection Score	50 / 100
Quality Score	65 / 100
Risk Level	MODERATE
Probability of >50% Permanent Loss	~4%
Recession Profile	SENSITIVE
Solvency Assessment	ADEQUATE (borderline FORTRESS on net leverage)

One-Line Thesis:

PayPal trades at a 5-year valuation trough with a debt-light balance sheet, 22% ROIC, and a 7.8% buyback yield on a still-growing payment franchise, but the lack of a dividend income floor and the open question of permanent

branded-checkout share loss keep the downside insufficiently capped for a full wealth-preservation BUY at this price.

INVESTMENT THESIS

PayPal is a cheap, cash-generative franchise with a genuinely open competitive question. The FY2025 numbers tell the good half of the story: revenue of \$33.2 billion grew 4.3%, net income rose 26.2% to \$5.2 billion, diluted EPS of \$5.41 grew 35.6%, and GAAP operating margin expanded to 18.3% from 16.7% (StockTitan, Beating the Tide). Free cash flow was \$5.6 billion, and management repurchased \$6.1 billion of stock, shrinking the share count by 7.8% year over year (fffinstill, StockAnalysis). At the current \$53.66 price, that FCF stream prices the company at roughly 10 times trailing earnings, 7 times EV/EBITDA, and a 13% free cash flow yield (Koalagains, Chartmill). On a pure valuation basis the stock screens cheaper than roughly 80% of its industry on cash flow metrics and below its 3-, 5-, and 10-year average multiples by wide margins (Fullratio, Chartmill).

The bad half of the story is execution and competition. Management's own 2026 outlook flagged "projected declines in transaction margin dollars, muted 3 to 4% revenue growth, and anticipated margin compression amid intense competition," with "weaker checkout growth" named as a direct driver (StockTitan, Feb 11, 2026). The branded checkout channel, the highest take-rate piece of the moat, grew TPV only 4%, while unbranded PSP grew 5%, Venmo grew 12%, and P2P grew 10% (Fiscal.ai). The company has spent 2025 and 2026 deploying a \$400 million growth investment program across branded checkout, BNPL presentment, and Venmo loyalty, and management admitted on the Q4 2025 call that "product deployment in the second half of the year was slower than we planned" and that large merchants "require much more hands-on integration support than we anticipated" (PayPal Q4 2025 Earnings Call). An 83% drawdown from the 2021 peak to the 2024 trough already happened, and a securities-law investigation announced by Levi & Korsinsky on February 11, 2026 asks whether investors got timely disclosure of the 2026 headwinds.

For the wealth-preservation mandate, the balance sheet passes the survival gate. Debt to equity sits at 0.72, EBITDA of \$7.0 billion covers interest more than ten times, current ratio is 1.29, and free cash flow has been positive for years (StockAnalysis). A 30% revenue decline would reduce transaction margin but would not threaten solvency or force a dilutive raise. The company can survive 2008-style conditions. The capital return machine is real: institutions own 78% of shares, the company retired 7.8% of shares in a single year, and management has shown it will return cash even while the stock is cheap.

What keeps this a HOLD instead of a BUY is the framework's scrutiny of downside protection. PayPal pays no dividend, so it scores zero on income reliability in the quality framework and forfeits the income floor that makes borderline bear cases tolerable for a preservation mandate. Its historical maximum drawdown of roughly 84% fails the capital-preservation stress test that defines this portfolio. The bear case, modeled at a \$36 terminal price on 8 times depressed earnings, produces a total return near zero after buyback accretion, but not comfortably positive. The Wealth Preservation Score lands at 60, below the 65 threshold the framework requires for a BUY. The base case meets the 7% hurdle with headroom at roughly 8.5%, but a preservation mandate demands the downside be visibly capped, not merely probably capped. A deeper entry price near \$48 would satisfy the framework's margin-of-safety requirement. The rating is HOLD on the watchlist, buyer-ready on a 10% pullback or on evidence that branded-checkout transaction margin dollars have stopped declining.

1. BUSINESS QUALITY ASSESSMENT

PayPal operates a two-sided digital payments network serving approximately 200 markets with 439 million active accounts and 26.3 billion payment transactions annually (Fiscal.ai, Umbrex). The economic moat is a network effect paired with two decades of merchant integration: consumers store funding instruments with PayPal, merchants accept it, and each side raises the cost of leaving for the other. Morningstar assigns the company a solid competitive position while cautioning it is "exposed to any turn in the economy" (Morningstar). Switching costs are real on the merchant side because PayPal embeds inside checkout flows, ERP systems, and developer tooling through Braintree. The consumer side is stickier than gross figures suggest: transactions per active account rose to 60 from 57.7 in the last year, an engagement improvement that partially offsets the raw account-growth stagnation of 1% (Fiscal.ai).

The revenue structure is geographically concentrated with a product mix problem underneath it. The United States contributed \$18.27 billion of 2024 revenue and international markets \$13.53 billion (MarketScreener). The United Kingdom ran roughly \$2.1 to \$2.3 billion annually. The product mix matters more than the geography: branded checkout online is 30% of TPV and grew only 4%, while unbranded PSP processing is 44% of TPV and grew 5%, Venmo is 18% and grew 12%, and P2P is 26% and grew 10% (Fiscal.ai). Branded checkout carries the higher take rate, so the stagnation at 4% mixed with faster growth in lower-take-rate unbranded volume is the core compression risk. Transaction take rate sits at 1.7% (Fiscal.ai).

The moat is durable but degrading at the margin. The unbranded PSP business, which competes directly with Stripe and Adyen on price, is not where the franchise premium lives. The branded checkout business, where PayPal historically extracted the best economics, faces structural pressure from Apple Pay default cards, digital wallets, and BNPL players that move consumer choice upstream of the checkout button. Management described the branded checkout priorities as "experience, presentment, and selection" and identified biometric adoption and competitive presentment as "critical to branded checkout performance" (Q4 2025 earnings call). The honest read: the moat has not collapsed, but the highest-quality portion of it is under siege, and the company is spending \$400 million in 2026 to defend it. A business that must buy back its own competitive position is a different asset than a business that owns it outright, which is precisely why this scores HOLD rather than BUY under a preservation lens.

Quality verdict: respectable, not fortress-like. The 439 million account base, the 22.3% ROIC, and the 18.3% operating margin are tangible evidence of a durable network with pricing power in branded flows. The 4% branded TPV growth is tangible evidence the power is narrowing. For a preservation mandate, narrowing is the key word; the franchise survives, but the premium quality of the core asset is the open question every bear case rests on.

2. FINANCIAL FORTRESS ANALYSIS

The solvency gate is the first test in the framework, and PayPal passes it without drama. Debt to equity of 0.72 is below the 1.0 threshold, and the leverage that exists is conservative relative to an EBITDA base of \$7.0 billion (StockAnalysis, StockTitan). Working backward from the price-to-book of 2.68 and a \$45.9 billion market cap implies equity of roughly \$17 billion and total debt near \$12 billion (StockAnalysis, Macrotrends). Against EBITDA of \$7.0 billion, gross leverage is about 1.7 times, and after netting PayPal's substantial cash position the net debt-to-EBITDA ratio sits below 1 turn, which is fortress territory for any industrial but merely adequate here because a payments balance sheet carries customer funds and merchant settlement liabilities that inflate the current-liability line. Current ratio of 1.29 is below the framework's 1.5 preference, but this is a structural property

of the business model, not a liquidity weakness: PayPal holds cash and cash equivalents to service customer obligations and card receivables, and the company has no history of liquidity strain.

The stress test produces a comfortable answer. If revenue fell 30% for two years, the transaction-margin-linked revenue base would compress but the company would remain profitable; PayPal's operating expense base is largely variable, with transaction expenses scaling down alongside volume. Interest coverage, estimated at more than 11 times using EBITDA against a roughly \$600 million annual interest run-rate on \$12 billion of debt, would compress but not breach the 3-times danger zone. There is no dividend to cut, which removes a solvency-during-stress concern that dividend-paying peers carry. The company would not need to raise dilutive equity in a downturn; it would simply suspend buybacks, which is a discretionary lever management has already shown it is willing to pull.

Earnings quality is high. Free cash flow of \$5.6 billion in FY2025 exceeded net income of \$5.2 billion, and the TTM adjusted free cash flow of \$6.4 billion at a 19.5% margin confirms the earnings convert to cash (StockTitan, Barchart). The one warning is the year-over-year FCF decline of 17.8% in FY2025, driven by the growth-spending ramp and working-capital timing, not by receivable inflation or inventory problems that would signal revenue recognition games. There is no restatement risk identified in the SEC file review, no auditor warning, and no going-concern language (sec_filings summary). The equity account is actually shrinking, not diluting: shares outstanding fell 7.8% year over year and 4.1% quarter over quarter, which is the single best governance signal in the entire dataset (StockAnalysis).

Capital efficiency seals the fortress case. RoIC of 22.27% sits far above any reasonable cost of capital, and ROE of 24.5% confirms the company generates returns that more than justify its asset base (StockAnalysis). The financial fortress verdict is ADEQUATE, not FORTRESS, for two reasons: the current ratio and the customer-fund liability structure introduce a liquidity profile that a generic industrial screener cannot capture, and the declining FCF trajectory demands monitoring. But the probability that this balance sheet causes a permanent loss of capital is low. The assets that matter to a preservation mandate, low net leverage, an 11-times interest cover, unbroken positive FCF, and negative dilution, are all present.

3. DIVIDEND ANALYSIS

PayPal does not pay an established cash dividend. One third-party peer source lists a 0.91% dividend yield for the baseline company (Koalagains), but no dividend initiation appears in the SEC materials, and every dollar of capital return flows through the buyback. I treat the company as a non-dividend payer for this analysis.

Capital return exists, but it arrives as buybacks rather than income. The company repurchased \$6.1 billion in FY2025, a 7.1% buyback yield on the average market cap, and StockAnalysis reports a trailing buyback yield of 7.83% and a shareholder yield of 8.74% (fffinstill, StockAnalysis). That is the functional equivalent of a high dividend payout, with a crucial difference: buybacks only create per-share value if the business stays profitable and management does not overpay. At a 13% FCF yield, these buybacks are accretive and they are the single largest source of downside support in the bear case. The stock could fall and the per-share economics would still improve.

For the framework's income reliability scoring, it is a zero. The dividend component of the Quality Score contributes nothing, and the Downside Protection Score loses the +10 point credit for a dividend maintained through a recession and the +5 point credit for a current yield above 3%. A preservation mandate that is built around the idea that income cushions drawdowns has no cushion here. The buyback is real return of capital, but

it does not pay the investor while they wait out a drawdown. This is the central reason the stock caps out at HOLD rather than BUY under the strict framework.

4. VALUATION ANALYSIS

The valuation is the strongest argument for owning PayPal, and it is also the strongest argument for being careful about why it is this cheap. Trailing P/E of 10.7 to 11.7 across sources compares to a 3-year average of 14.55, a 5-year average of 24.75, and a 10-year average of 38.74 (Fullratio). The 5-year average is inflated by the 2021 bubble, so no sane fair multiple for a mid-single-digit grower is 25 times earnings. The relevant question is the right multiple for a company growing revenue 4% with an 18% operating margin and an unresolved competitive threat. I apply an 11.3-times multiple to forward EPS of \$5.30, which yields fair value of \$60.00, roughly 11.8% above the current price. That multiple is less than half the trailing 10-year norm and below the 13.28 financial services sector average, and it still produces only a modest margin of safety (Fullratio).

On cash flow the picture is more compelling. EV/EBITDA of roughly 7 times sits at the bottom of a 5-year range that stretched to 39.6 times, and it prices the company cheaper than 87.9% of its industry (Koalagains, Chartmill). P/FCF of 8 to 10 times against a 13% FCF yield means the market is paying about 7.7 dollars for every dollar of trailing free cash flow. The normalized 3-year EV/EBITDA average of 12 to 15 times applied to current EBITDA would imply a share price between \$75 and \$95. The dislocation is real, and it exists because the market is pricing in a structural branded-checkout decline, not a cyclical pause.

The peer spread tells the same story from the other side. Visa trades near 30 times earnings and 25 times EV/EBITDA, Mastercard near 35 and 28, Adyen near 45 and 30, and even Block near 20 on adjusted earnings (Koalagains). PayPal trades at a 50% to 70% discount to the network peers because the market assigns Visa and Mastercard a toll-road business model and PayPal a competitive battleground. That discount is justified at the qualitative level. It may also be excessive at the quantitative level, because PayPal still grew revenue 4.3%, expanded operating margin, and converted 17% of revenue to free cash flow in FY2025. The valuation verdict is FAIR on a normalized basis and ATTRACTIVE on a cash-flow basis, with the gap between those two verdicts being the entire hedge of the HOLD recommendation. The stock is cheap because the market doubts the moat; a preservation investor cannot buy solely on cheapness when the cheapness is the market's own view of permanent impairment risk.

5. SCENARIO ANALYSIS

Bear Case (25% weight). The branded checkout franchise keeps losing share to Apple Pay, Stripe, and BNPL. The \$400 million in 2026 growth investment becomes a permanent structural cost rather than a temporary drag, and transaction margin dollars fall every year as the mix shifts toward unbranded, lower-take-rate volume. Revenue compounds at 0 to 1%, operating margin slides to 15%, and EPS settles near \$4.50. The market assigns a trough multiple of 8 times, producing a terminal price of \$36.00, which matches the TIKR bear target of \$32 to \$36 almost exactly. Price alone implies a 3.9% annual decline over ten years. Offsetting that decline, the company remains free-cash-flow positive throughout, and management continues buying back stock at depressed prices, which preserves roughly 4% of annual per-share value. The bear total return lands near 0.5% annualized. Capital is preserved, but barely, and only if management keeps repurchasing stock into the decline.

Base Case (50% weight). The \$400 million investment works well enough to stop branded checkout share loss, and engagement growth of transactions per account plus Venmo monetization returns the revenue base to mid-single-digit growth. EPS compounds at roughly 7% annually from \$5.30 to about \$10.40 in year ten, driven by net income growth of 4 to 5% plus 3 to 4% annual share-count reduction from buybacks. The terminal multiple normalizes to 12 times, below every historical average. Terminal price reaches approximately \$125.00, a 8.8% price CAGR from \$53.66. This meets the 7% hurdle with modest headroom. The base case requires no heroic assumptions: it assumes the franchise stops losing share, not that it recovers its 2021 multiple.

Bull Case (25% weight). Branded checkout recovers, the AI/agent-commerce investments pay off, Venmo monetizes at scale, and the company's "travel, ticketing, crypto, and gaming" categories keep compounding (Q4 2025 call). EPS reaches \$11.00, the market re-rates to 15 times on restored growth credibility, and the terminal price hits \$165.00. From \$53.66 that is an 11.9% annualized return. The bull case is the consensus high target zone of \$87 to \$147 stretched over a decade, achievable only with a return of the market's willingness to pay a network multiple for a company that has not yet proven it holds a network's pricing power against Apple.

Probability-weighted output. Weighting the three outcomes at 25/50/25 produces an expected total return of roughly 7.5% annualized. That clears the 7% hurdle by half a point. The preservation lens, however, focuses on the bear case, and the bear case sits at essentially zero. The distribution is not a symmetric 50/50 gamble, the upside is more likely than the downside and larger in magnitude, but the downside is not capped enough to generate the margin of safety this mandate requires at the current price.

6. RISK ASSESSMENT

The competitive risk is the headline and it is not theoretical. PayPal's own 2026 guidance cited "weaker checkout growth, a challenging macroeconomic environment, and heightened competition" as the reasons for muted 3 to 4% revenue growth and declining transaction margin dollars (PRNewswire/Levi & Korsinsky, Feb 11, 2026). Rothschild & Co Redburn added that the "marginal consumer" is moving away from the platform (StockTitan). The named competitor set includes Stripe, Square, Apple Pay, and BNPL providers fighting for both merchant and consumer relationships. Morgan Stanley flagged slower checkout growth as early as January 28, 2026. This is a structural share contest, not a cyclical dip, and the TIKR bear's \$32 target rests on the assumption that branded checkout loses share permanently.

Execution risk compounds the competitive problem. Management admitted its product deployment in the second half of 2025 "was slower than we planned" and that "operational and deployment issues amplified the pressure" (Q4 2025 call). The \$400 million in 2026 investment is the market's open question: temporary drag or permanent cost. If the deployment issues repeat, the investment converts from a bridge to a trap.

Litigation risk is present and specific. Levi & Korsinsky announced an investigation on February 11, 2026 into whether investors received timely information about the 2026 headwinds, noting the Q3 2025 call came roughly 98 days before the weak guidance (StockTitan). No SEC enforcement action is cited in the source material, but the investigation is a live overhang that can pressure management behavior and distract from the operational fix.

Governance red flags are moderate. Insider ownership is only 0.1% to 0.6%, and insiders sold roughly \$1.4 million of stock over the trailing three months, including a \$1.3 million sale by the President of Global Markets on February 18 (Simply Wall St, Chartmill, StockAnalysis). Institutional ownership fell 1.09% in one reported period (Chartmill). None of this is disqualifying given the massive buyback program running in the opposite direction, but it does not signal that insiders view the stock as a screaming bargain at these levels.

Macro risk is managed by the balance sheet. Revenue growth tied to consumer spending means a recession slows TPV growth and transaction margin. The offset is a debt-light balance sheet with no dividend to sustain, meaning PayPal can absorb a spending downturn without any solvency question. The 2020 episode demonstrated that a pandemic shock can actually accelerate digital payments, so the macro sensitivity cuts both ways. The probability of a greater than 50% permanent loss from the current \$53.66 price is roughly 4%, well below the framework's 10% rejection threshold, but the probability of a further 20% drawdown to the low forties is materially higher, which is exactly why the entry discipline matters.

7. MANAGEMENT & GOVERNANCE

PayPal operates under a relatively new CEO, Alex Chriss, whose plan Morningstar characterizes with the headline "Good Progress Under New CEO's Plan" (Morningstar). The strategy evidence is mixed: FY2025 delivered margin expansion, 26% net income growth, and a 35.6% EPS increase, but the company also produced the slowed product deployment admission and a 2026 guide requiring a 9% non-GAAP EPS decline in Q2 and flat-to-down transaction margin dollars for the year (StockTitan, Barchart). A management team that openly identifies its deployment failures and reallocates resources is better than one that hides them, but the identification came after the failures cost investors a violent 2024 to 2025 drawdown.

Capital allocation is the one unambiguous positive. The \$6.1 billion repurchase at a 13% FCF yield is classic value-creating behavior for a stock trading at 10 times earnings, and the 7.8% annual share-count reduction is the single largest source of per-share value in the base case. The company has not engaged in empire-building acquisitions in the reported period; the \$400 million flows to internal growth spend on branded checkout, BNPL, and Venmo loyalty, not to overpriced M&A (TIKR). No dilutive equity raises appear anywhere in the capital history. This is a management team that understands buyback math and executes it at prices that are almost certainly below intrinsic value.

The disclosure-timing question is the governance stain. The Levi & Korsinsky investigation into whether investors received timely information about the 2026 headwinds poses a real question about whether management knew about the checkout deterioration before February 2026. The 98-day gap between the October 28, 2025 earnings call and the February 11, 2026 disclosure is the factual basis for the investigation (StockTitan). Insider selling of \$1.4 million over the prior three months, while small in dollar terms relative to management compensation pool totals, does not reassure. Insider ownership at 0.1% to 0.6% is far too low to give management meaningful alignment on the preservation of outside shareholders' capital.

Governance verdict: GOOD on capital allocation, CONCERNING on disclosure timing and insider alignment. The buyback program is the strongest shareholder-alignment signal in the file, and it partially offsets the weak insider ownership. For a preservation mandate, the combination of aggressive stock repurchase at reasonable prices and a transparent accounting of deployment failures is acceptable, but the open investigation is monitored.

8. PEER COMPARISON

Dimension	PYPL	V	MA	SQ	Adyen
P/E (trailing)	~10.8x	~30x	~35x	~20x (adj.)	~45x

Dimension	PYPL	V	MA	SQ	Adyen
EV/EBITDA	~7x	~25x	~28x	n/p	~30x
Revenue growth	~4-5%	~10.6%	~13.5%	n/p	n/p
ROE	24.5%	12.1%	54.1%	n/p	n/p
D/E	0.72 (lowest)	n/p	n/p	n/p	n/p
ROIC	22.3%	n/p	n/p	n/p	n/p

Source: Koalagains, Sahm Capital, StockAnalysis, Fullratio. Where the source data did not provide a metric, it is marked not provided.

PayPal is the cheapest name in the set by a wide margin, and it is the only one with a confirmed debt-to-equity figure, which the research summary explicitly states is lower than its main peers. The discount exists because PayPal is not a toll-road business. Visa and Mastercard sit between banks and merchants collecting a fee on every network transaction with no credit risk; PayPal must compete for checkout placement against Apple Pay and Stripe every quarter. Adyen and Block carry higher multiples because the market believes their unbranded and merchant-tool businesses are taking payment volume from PayPal's branded franchise.

For capital preservation, the peer table argues both ways. PayPal's lower leverage and higher FCF yield make it the safer balance sheet of the group, and its 22.3% ROIC is comparable to Mastercard's economics. But the income and stability dimensions favor the networks: Visa and Mastercard pay actual dividends, grew revenue 10.6% and 13.5% respectively, and do not face a disclosure-timing investigation. On a pure preservation screen, Visa is the more durable asset despite paying more than twice PayPal's multiple, because its toll-road moat is not under structural attack. PayPal is the deep-value expression of the same secular trend, and deep value without an income floor is a different risk category than a network compounder. This is the framework's answer to the peer question: PayPal is the best capital-preservation candidate among the value tier, but it is not a substitute for a toll-road name in the defensive tier.

9. KEY METRICS SUMMARY

Metric	Value	Assessment
Revenue (FY2025)	\$33.2B (+4.3%)	Decelerating
Net Income (FY2025)	\$5.2B (+26.2%)	Strong margin lift
Diluted EPS (FY2025)	\$5.41 (+35.6%)	Buyback-amplified
EBITDA (FY2025)	\$7.0B (+10.6%)	Healthy
FCF (FY2025)	\$5.6B (-17.8%)	Declining, monitor
TTM Adj. FCF margin	19.5%	Excellent
Operating margin	18.3% (up from 16.7%)	Expanding
Transaction margin	\$15.6B, +5.5%	Key KPI, guided down for 2026
ROIC	22.27%	Excellent

Metric	Value	Assessment
ROE	24.50%	Strong
Debt/Equity	0.72	Acceptable
Current ratio	1.29	Monitor (payments structure)
Interest coverage	~11x (est.)	Pass
Dilution (5Y)	-7.8% share count YoY	Negative (buybacks)
P/E (trailing)	~10.8x	Below 5Y avg 24.75x
EV/EBITDA	~7x	5Y low
P/FCF	~8-10x	Cheap
FCF yield	~13%	Strong
Buyback yield	7.83%	Strong
Institutional ownership	78%	Stable
Insider ownership	0.1-0.6%	Weak

10. MONITORING CHECKLIST

Indicator	Frequency	Bull Signal	Bear Signal
Transaction margin dollars	Quarterly	Above "flat to slightly down" guidance	Below guidance
Branded checkout TPV growth	Quarterly	Above 4% accelerating	Below 2%
Venmo TPV growth	Quarterly	Sustains 12%+	Decelerates below 10%
BNPL volume growth	Quarterly	Sustains 20%+	Fades
Non-GAAP EPS vs. ~9% Q2 decline	Quarterly	Beat	Miss worse than guide
Active accounts	Quarterly	Net adds above 5M	Decline
Transactions per active account	Quarterly	Above 60 and rising	Stalls
Share count	Quarterly	Keeps falling >4%	Buyback pause
FCF	Quarterly	Above \$1.5B run-rate	Second straight decline
Levi & Korsinsky probe	Event	Dismissed	Escalates to SEC inquiry

11. MARKET EXPECTATIONS & CONSENSUS

The consensus is a neutral Hold with execution skepticism baked into every target. Twenty-four to fifty-two analysts depending on the aggregator cluster around a Hold rating, 75% of them neutral, with an average price

target of \$58 and a median of \$59 (Perplexity, Public.com, ChartMill). The target dispersion is extraordinary: Loop Capital cut from \$62 to \$50 in late August, while a TIKR high target of \$147 coexists with a \$32 low from bears who believe branded checkout is in permanent structural decline. The average target of \$58 to \$60 sits only 8% to 12% above the \$53.66 price, meaning the Street expects the stock to tread water near current levels while the company works through the 2026 investment year.

What the current price implies is minimal near-term growth. Consensus EPS is roughly flat in 2026 at \$5.30, with a recovery to \$5.79 in 2027 and \$6.34 in 2028 (TIKR). That is zero growth for a full year, then roughly 9% in each of the following two years. The forward P/E of roughly 10 to 11 times prices a company that the market believes will not grow earnings for a year and may never re-rate to a network multiple. The \$400 million 2026 investment is the swing factor: if it proves temporary, the 2027 and 2028 EPS recovery validates the consensus and the stock re-rates toward the \$58 to \$60 targets. If it proves permanent, the \$32 to \$36 bear zone opens. Short interest is described in the source summary as low, limiting the squeeze potential but also limiting the bearish conviction expressed through the borrow, while institutional ownership of 78% to 82% shows the long-term holders have not abandoned the thesis (Chartmill, StockAnalysis).

The forward valuation table from the available data:

Metric	Value	Assessment
Forward P/E	~10-11x	ATTRACTIVE vs history
PEG	n/p (forward growth near 0% makes PEG unreliable)	Unreliable
EV/EBITDA	~7x	5Y low, cheaper than 87.9% of industry
Beta	~1.3-1.5 (est., not provided in source)	Growth/cyclical, not defensive
52-wk context	\$44.01 on Mar 20, \$57.93 on Aug 6	High volatility

What validates the consensus: EPS lands flat in 2026 near \$5.30 and the 2027 recovery to \$5.79 appears. The \$400 million investment shows up as a temporary drag, branded checkout compresses from a "next couple of years" recovery into a measurable near-term one, and active-account growth holds.

What disappoints: branded checkout keeps losing share regardless of spend, the \$400 million becomes a permanent cost that keeps EPS flat beyond 2026, and merchant or regulatory pressure compresses transaction fees further.

12. KEY BUSINESS DRIVERS

Driver 1: Transaction margin dollars

Why it matters: this is the revenue net of transaction expense and the true measure of whether PayPal keeps the economics of its payment volume instead of passing them to partners. Management guides FY2026 transaction margin dollars "roughly flat to slightly down" (Barchart).

Current level: \$15,615 in the latest annual KPI table, up 5.5% from \$15,465 in FY2025 (Fiscal.ai, KoalaGains).

Bull threshold: positive year-over-year growth in any 2026 quarter.

Bear threshold: a decline larger than the guided single digits.

Next data point: next earnings report, consensus dating October 27, 2026.

Driver 2: Branded checkout TPV growth

Why it matters: branded checkout is the highest-take-rate moat segment, and its share trajectory decides whether the bear case is real.

Current level: 30% of TPV, growing 4% (Fiscal.ai).

Bull threshold: reacceleration above 6%.

Bear threshold: sustained below 2% growth.

Next data point: quarterly disclosures each earnings call.

Driver 3: Venmo monetization and Pay with Venmo

Why it matters: Venmo is the fastest-growing consumer asset, and Pay with Venmo surged 34%, the sixth consecutive quarter of double-digit Venmo TPV growth (Barchart). It is the clearest incremental revenue layer beyond the core.

Current level: Venmo TPV +14%, Pay with Venmo +34%, BNPL volume +23%.

Bull threshold: Pay with Venmo sustaining 30%+ growth.

Bear threshold: Venmo growth decelerating below 10% while branded stays weak.

Next data point: each quarterly disclosure.

Driver 4: Non-GAAP EPS against the 2026 investment drag

Why it matters: the \$400 million growth spend is guided to push Q2 2026 non-GAAP EPS down roughly 9% (Barchart). Whether that spend converts to revenue determines if 2027 EPS of \$5.79 materializes.

Current level: Q2 guide of roughly 9% EPS decline.

Bull threshold: EPS declines less than guided as deployment accelerates.

Bear threshold: EPS decline worse than 9% and no 2027 recovery signal.

Next data point: Q2 2026 report.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker	Relationship	Signal
Visa	V	Payment network volume leads PayPal's	Bullish if Visa digital volume accelerates
Block	SQ	Direct merchant-side competitor	Bullish for PYPL if SQ holds GPV without
Consumer Discretionary SPDR	XLY	Consumer spending cycle drives TPV	Bullish if XLY trends up on resilient consu
Bitcoin	BTC-USD	Crypto is a cited high-growth PayPal strategy	Bullish if BTC volume/volatility rises, lifting

Monitoring rule: if Visa and Mastercard both report decelerating cross-border volume for two consecutive quarters, re-examine PayPal's international TPV assumption within ten trading days.

EXIT TRIGGERS

- **Transaction margin dollars fall below the "roughly flat to slightly down" FY2026 guide:** re-review rating toward AVOID.
- **Branded checkout TPV growth drops below 2% year over year:** thesis breaks; sell the position.
- **The Levi & Korsinsky probe escalates to an SEC inquiry or management restates financials:** exit immediately.
- **Normalized trailing EPS falls below \$4.50:** bear case activates; capital preservation mandate requires exit.
- **Buyback program is suspended while FCF declines:** the only downside-support mechanism disappears; reassess.
- **Valuation re-rates above 16 times forward earnings with no corresponding growth acceleration:** the upside is harvested; trim.

FINAL RECOMMENDATION

RECOMMENDATION: HOLD / WATCHLIST

Current Price: \$53.66 / €46.25

Target Entry Price: \$48.00 / €41.40 (10.5% below current)

Why Hold: PayPal clears the solvency gate, earnings quality, capital efficiency, and valuation screens with room to spare, and its base case of roughly 8.5% annualized clears the 7% hurdle. But the framework's wealth-preservation BUY bar requires a Wealth Preservation Score of at least 65, and PayPal scores 60. The binding constraints are the absence of a dividend income floor, a historical maximum drawdown of roughly 84%, and a bear case that produces only a barely positive total return. The valuation is genuinely attractive, but a preservation mandate cannot treat deep value as downside protection when the cheapness reflects the market's own view of permanent branded-checkout share loss. The stock is a buyer at \$48, where the margin of safety is sufficient to clear the framework's downside thresholds.

Trigger for Upgrade: sustained transaction margin dollar growth above the flat-to-down guide, clear evidence that the \$400 million investment is converting to branded checkout revenue, or initiation of a dividend.

ANALYST NOTES

Key Assumptions: StockTitan FY2025 figures of \$33.2B revenue, \$5.2B net income, \$5.41 diluted EPS, and \$5.6B FCF are accurate; consensus 2026 flat EPS of roughly \$5.30 holds; buyback pace moderates from 7.8% to 3 to 4% annually in the base case; terminal multiples of 8x (bear), 12x (base), and 15x (bull); no dividend is initiated.

Limitations: The source data does not contain FY2021 through FY2024 annual figures, so the five-year trend construction is incomplete. Interest coverage is estimated, not directly sourced. Short interest and beta numeric figures were not provided. The 0.91% dividend yield figure in one peer source is unverified and treated as a data artifact. Analyst target data varies widely by aggregator and date.

Confidence Level: MEDIUM. The valuation dislocation and balance-sheet strength support high confidence in solvency and earnings quality. The bear case's dependence on the branded-checkout trajectory, a genuinely unresolved competitive question, caps confidence on the downside-protection dimension that matters most to this mandate.

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