

# Valuation Analysis of PayPal Based on Market Value and P/E Ratio

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## Abstract

Now that digital payments are popular, studying digital payments is very important. This article will study PayPal and mainly discuss valuation analysis. The article finally found that the overvaluation of PayPal may lead to easy financing in the future. Still, one of the biggest possible risks of high valuation is the “decline” in future cash flow. Investors may hesitate to invest in a company that is already highly valued because they may feel that the company is overvalued and the potential for future returns is limited. This may put the company in a difficult situation, with limited options for growth and expansion.

**Keywords:** digital payment, PayPal, valuation analysis

## Introduction

### 1. Research background

#### 1.1 Background of mobile payment

The arrival of the digital age has changed people’s way of life. From cash payments in the past to mobile payments now, the digital era has provided more and more application scenarios, giving mobile payments greater development space.

Internet innovation provides an opportunity for the development of mobile payments. The emergence of mobile payment has given people more and more convenient payment methods, improving the efficiency of the entire payment system.

Financial reform provides a better environment and policy support for mobile payments. As a new payment method, mobile payment has attracted more and more attention and investment and has received encouragement and support from governments at all levels.

#### 1.2 Problems faced by mobile payments

The technical standards are not unified. Mobile payment operators, including telecommunications operators, financial institutions, and other third-party payments, have corresponding payment technology standards. The lack of uniformity in technical standards seriously affects mobile payments’ healthy and effective development.

Industry cards and electronic wallets pose regulatory risks. Due to the management risks associated with the issuance of electronic wallets, which are similar to the accumulation of funds formed by deposit taking, most countries have requirements for the qualifications of electronic wallet issuing institutions. Generally, only banks, credit institutions, and supervised financial institutions are eligible to issue electronic wallets.

Information security issues. Mobile payment involves

issues such as the security of payment users’ funds and the confidentiality of related information. To carry out mobile payments, users still have doubts about the security of mobile payments due to security risks from mobile communication systems and the internet.

### 2. Significance

At the theoretical level, the theoretical system in the financial field has been enriched and improved, supplementing the shortcomings of PayPal’s valuation analysis in the financial field in terms of market value and P/E ratio. In response to the current valuation issues in PayPal research, this article proposes that the market value and P/E ratio methods are more scientific and can effectively improve the impact of using traditional analysis methods, promoting the development and improvement of the financial field.

#### 1.3 Content

This article takes PayPal as an example, analyzes market value and P/E ratio based on Google data, and focuses on valuation to research the data. This study aims to determine whether PayPal’s valuation is too high or too low and compare and analyze it with competitors in the same industry, such as Visa and Block, to strive for accuracy, apply theoretical results to practice, and effectively improve financial level.

### Industry Analysis

Through multiple channels on the homepage, a large amount of domestic and foreign literature on PayPal has been extensively collected, providing a theoretical basis for this article’s in-depth research on its valuation analysis. We compared PayPal’s main indicators and analyzed the trends in market value and P/E ratio. And compare PayPal with data from the same industry, analyze

the comprehensive research content and methods of PayPal's competitive position in the industry, and draw a technical roadmap.

Statistically, it can be seen that PayPal's total market value is 70.505 billion US dollars, with a daily market value of 241.00 US dollars (23.9.15.16.00), ranking first in the industry compared to Visa's total market value of 490.655 billion US dollars.

PayPal P/E ratio

Latest value

17.30 P/E ratio (ITM)

Closed at 16:00:00 (US Eastern Time) on September 15, 2023

Visa Inc. Class A P/E ratio

29.68 City Type Ratio (TIM)

Closed at 00:00 am (US Eastern Time) on September 15, 2023

PayPal announced robust second-quarter results, with revenue exceeding expectations and non-GAAP

Earnings per share increased by 24%. The company expects revenue to increase by 8% in the third quarter and 9-10% for the entire year. They invest in brand checkout, PSC merchant solutions, and digital wallets to increase market share and profit growth.

PayPal is satisfied with the growth of brand checkout and believes that its actions will continue to drive this growth. They are implementing a cost reduction plan to reduce expenses by 10% by 2023. The focus of PayPal is to increase the number of consumers using digital wallets and enhance their functionality.

PayPal's performance is strong, and they still focus on creating the best customer experience and optimizing long-term value creation. The company's revenue growth

is strong, but trading profits are less significant than revenue. However, after adjusting for one-time factors, the basic performance of the business showed stronger results.

PayPal's PSP business performed well, with TPV growth of nearly 30% this quarter. The company also sees the appeal of high-profit services. PayPal's operating profit margin has expanded but is slightly lower than its guidance, mainly due to the increased pressure on PayPal's commercial loans.

Despite facing credit pressure, PayPal still maintains its operating profit margin and earnings per share guidance for this year.

Overall, PayPal is optimistic about the future of the business and expects to continue its growth trend.

## Conclusion

We have studied the valuation analysis of PayPal based on market value and P/E ratio and conducted analysis and research based on market value and P/E ratio data. The results indicate that the overvaluation of PayPal may lead to easy financing in the future. Still, one of the biggest risks of high valuation is the possibility of a "decline" in future cash flow. Investors may hesitate to invest in a company that is already highly valued because they may feel that the company is overvalued and the potential for future returns is limited. This may put the company in a difficult situation, with limited options for growth and expansion.

The problem with this study is that a lack of comprehensive analysis based solely on market value and P/E ratio may result in incomplete and incorrect aspects. A comprehensive analysis of PayPal's future valuation should be conducted.