



# PayPal (PYPL)

## PayPal "Pulse"- Survey Says...Pay With Venmo Could Be A Hit

### Key Takeaway

**We continue to believe at current valuation, shares of PYPL are not getting any material credit for the potential of Pay With Venmo, which is being rolled out during 2016. Based on our recent proprietary survey of 1,000 Venmo users, our updated scenario analysis suggests significant interest in adopting Pay With Venmo, which could add 2.1%-5.5% to 2017 EPS and drive multiple expansion. PYPL remains a Franchise Pick.**

**67% of Venmo users we surveyed said they would use Pay With Venmo at least 1-2x per month.** During the course of 2016, PYPL will be enabling its >10M merchants to accept Venmo payments (known as "Pay With Venmo"), thereby generating traditional take rate revenue for PYPL and monetizing the Venmo asset. To ascertain potential adoption rates for Pay With Venmo, we conducted a survey of 1,000 Venmo users. Interestingly, 67% of those surveyed said they would use Pay With Venmo at least 1-2x per month, while 44% said they would use it at least 3-5x per month, including 19% who said 6-10x per month.

**Our scenario analysis is now incrementally bullish.** On 11/18/15, we published our initial Pay With Venmo scenario analysis, suggesting this service could drive an EPS lift of 1.4%-4.2% in 2017. Based on the results of our survey, we are more bullish on the potential usage rates of Pay With Venmo. However, as a partial offset, our survey led us to factor some cannibalization into our analysis, as some Pay With Venmo transactions may simply replace a traditional online PYPL transaction. The net of these adjustments to our scenario analysis suggests a potential range of 2.1%-5.5% EPS accretion for 2017 and 3.0%-6.7% in 2018. We believe Pay With Venmo transactions will carry above-average margins, given most all Venmo accounts are funded with bank accounts, debit cards, or stored balances. Alongside the incremental EPS accretion, we believe increased traction of Pay With Venmo could also drive further multiple expansion.

**So far we can't see material competitive impact from Apple Pay in-app.** The general question of competition for PYPL continues to be front and center. We believe these concerns are overblown, and as an initial data point cite that even though Apple Pay has been live in the in-app channel since 10/2014, PYPL's mobile TPV continues to grow >40%, while mobile TPV ex. Venmo saw accelerating growth (to 36%) in 4Q15.

### Valuation/Risks

Our unchanged \$44 PT is based on a blend of 23x C17 pro forma EPS of \$1.75 and DCF model. Risks: consumer spending, competition.

USD	Prev.	2014A	Prev.	2015A	Prev.	2016E	Prev.	2017E
EPS Adjusted	--	1.04	--	1.28	--	1.48	--	1.75
FY P/E		36.0x		29.3x		25.3x		21.4x
<b>Rev. (MM)</b>								
FY Dec	--	8,012.0	--	9,241.0	--	10,623.3	--	12,273.3
EV/Rev		5.0x		4.4x		3.8x		3.3x

**BUY**

Price target \$44.00

Price \$37.49

### Financial Summary

Net Debt (MM): (\$5,759.0)

### Market Data

52 Week Range: \$42.55 - \$30.00  
 Total Entprs. Value (MM): \$40,316.2  
 Market Cap. (MM): \$46,075.2  
 Shares Out. (MM): 1,229.0  
 Float (MM): 1,139.8  
 Avg. Daily Vol.: 9,584,118

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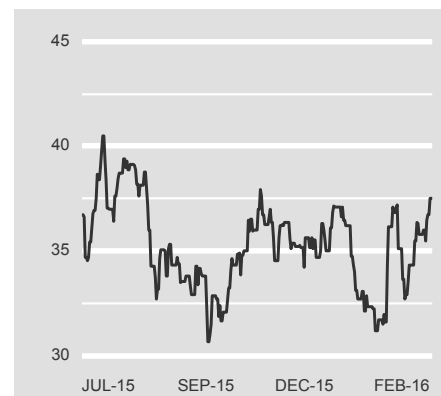
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### Price Performance



**PYPL**

Company Update

February 29, 2016

**Paypal Holdings Inc. (PYPL)****Buy: \$44 Price Target****Scenarios****Target Investment Thesis**

- Technology-enabled provider of payments solutions, enjoying direct relationships with 10M merchants and 179M consumers
- PYPL on the crest of the digital payments; OneTouch rollout remains strong, Pay With Venmo could be needle mover
- We don't think PYPL's model or moat are as strong as V/MA, but PYPL is a scarce investment opportunity that we believe deserves multiple expansion
- CY 2017 EPS: \$1.75; Target Multiple: 23x; Price Target: \$44 (incl. DCF)

**Upside Scenario**

- Global recovery gains steam, fueling increased consumer spending
- PYPL prevents alternative checkout offers (eg, Visa Checkout, MasterPass, Apple Pay) from eroding market share; Pay With Venmo reaches scale faster than expected.
- PayPal successfully cross-sells large number of new accounts from recent M&A (ie, Venmo, Xoom)
- CY 2017 EPS: \$1.90; Target Multiple: 25x; Price Target: \$48 (incl. DCF)

**Downside Scenario**

- Global recovery fizzles, suppressing consumer spending
- Disruptive offerings (ie, Visa Checkout, MasterPass, Apple Pay) threaten share loss
- Increased regulatory/compliance burdens following Xoom acquisition
- Challenges integrating recent M&A into core business; Limited cross sell
- CY 2017 EPS: \$1.57; Target Multiple: 19x; Price Target: \$30 (incl. DCF)

**Long Term Analysis****Long Term Financial Model Drivers**

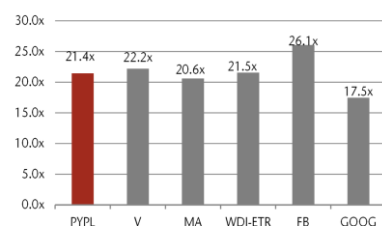
Total Revenue (F15-F17E)	16%
Total Payment Volumes	22%
Transaction Take Rate	2.8-3.0%
EBIT margins	20 – 22%

**Other Considerations**

While PYPL is a payments company, we believe it trades as a hybrid of a Payments stock and an Internet stock, given PYPL's pure-play online payments business model, and the legacy investor base. We believe the most relevant Payments comps for PYPL are V, MA, and Wirecard (WDI-DE), while the most relevant Internet comps are FB, GOOG, LNKD, TWTR, given their consumer orientation, social/mobile aspects of their business model, and market cap.

**Peer Group****Group P/Es - FY2**

Source: Factset, Jefferies estimates

**Earnings Growth vs P/E**

Source: Factset, Jefferies estimates

**Recommendation / Price Target**

Ticker	Rec.	PT
PYPL	BUY	\$44
V	BUY	\$88
MA	BUY	\$112
WDI-ETR	BUY	€54
FB	BUY	\$145
GOOG	BUY	\$950

**Catalysts**

- Macro data points (consumer spending, consumer confidence, etc)
- Quarterly execution post-spin
- Competitor announcements
- Further M&A

**Company Description**

PayPal is a technology platform company, which enables digital and mobile payments on behalf of consumers and merchants around the world. PYPL focuses on its consumers, merchants, friends and family to access and move their money through its platform using various devices, such as mobile, tablets, personal computers and wearables. It provides businesses of various sizes to accept payments from merchant Websites, mobile devices and applications, and at offline retail locations through a range of payment solutions across its Payments Platform, including PayPal, PayPal Credit, Venmo and Braintree products.

## PYPL Remains A Franchise Pick- Survey Results Bode Well For “Pay With Venmo”

Buy-rated PYPL remains a Franchise Pick. We continue to see scarcity value in shares of PYPL, given the company’s unique combination of:

- Solid profitability with room for improvement
- Mid-teens+ constant-currency organic revenue growth
- >\$40B of market cap
- Secular tailwinds favoring online payments
- Valuable global brand supported by direct relationships with both consumers and merchants
- Rock-solid cash flow and balance sheet profile
- Very reasonable valuation multiple (21.0x C17 P/E, 18.2x ex. cash)

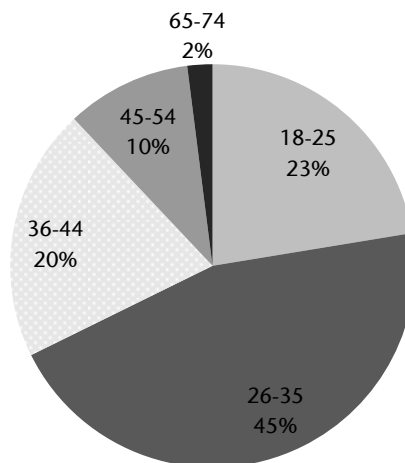
At PYPL’s current multiple, we don’t believe the stock is getting any material credit for the potential success of Pay With Venmo. This initiative is being rolled out during the course of 2016, enabling Venmo account holders to make online purchases at PYPL’s merchants. This will generate take rate revenue for PYPL while providing the highly-engaged Venmo user base with an important new opportunity to use their Venmo accounts, which in many cases have already become an ingrained part of their daily financial transactions.

To more accurately assess the potential P&L benefits to PYPL from Pay With Venmo usage, we recently conducted a survey of 1,000 existing Venmo users. As described below, we came away with numerous interesting data points from the survey, which ultimately led us to update our Pay With Venmo analysis from November. **Our updated analysis now suggests that Pay With Venmo could contribute about 1.2%-3.1% to PYPL’s total 2017 revenues and 2.1%-5.5% to EPS, which we believe could also drive further multiple expansion.**

We continue to view PYPL as an under-owned stock. Having spun off from EBAY in July 2015, we believe many investors continue to do work on PYPL, but largely remain on the sidelines pending additional evidence of execution (we think 4Q15 results were an important step forward in that regard) and further clarity on the competitive landscape.

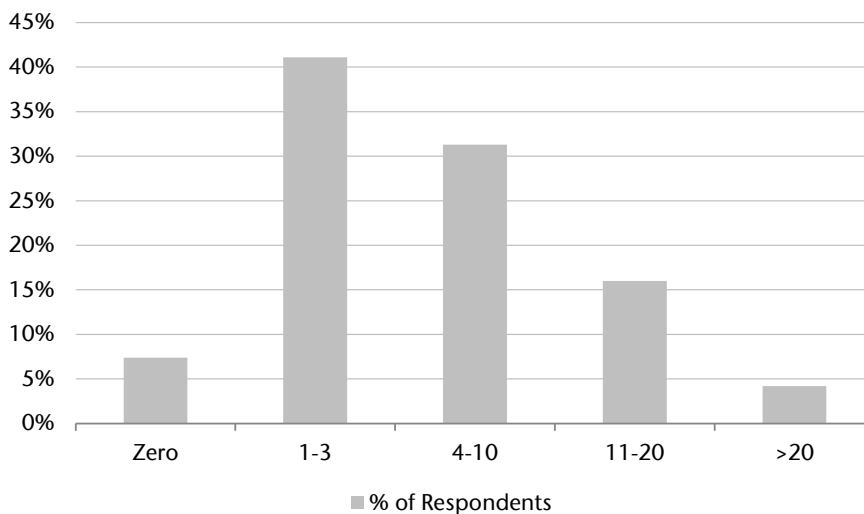
## Survey Overview and Analysis

We recently surveyed 1,000 Venmo users to gauge their potential interest level in using Pay With Venmo, the solution being gradually rolled out by PYPL this year which will enable consumers to use their Venmo accounts for online/in-app purchases. Among the 1,000 respondents, the most significant concentration was in the 26-35 age bracket, at 45%. The next largest was 18-25, representing 22% of our sample, followed by 36-44 at 20%, 45-54 at 10%, and 65-74 at 2% (Exhibit 1). Therefore, about two-thirds of our survey respondents would be defined as part of the millennial generation.

**Exhibit 1: Respondents Age Breakdown**

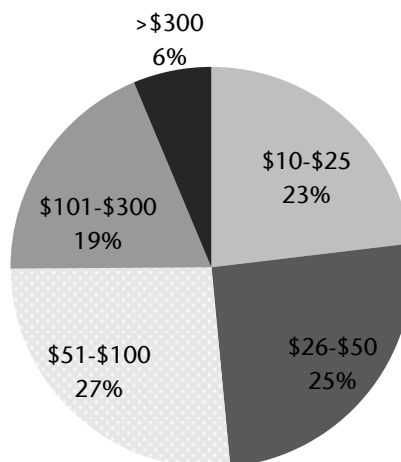
Source: Jefferies Survey of Venmo Users

Venmo usage appears to be relatively habitual among our survey population. In fact, 93% of those surveyed indicated they sent or received at least one Venmo payment in the past month, with 31% doing 4-10 transactions, and 16% engaging in 11-20. Only 7% of those surveyed said they had not sent or received a Venmo payment in the past month (Exhibit 2).

**Exhibit 2: Frequency of Current Venmo Usage Per Month**

Source: Jefferies Survey of Venmo Users

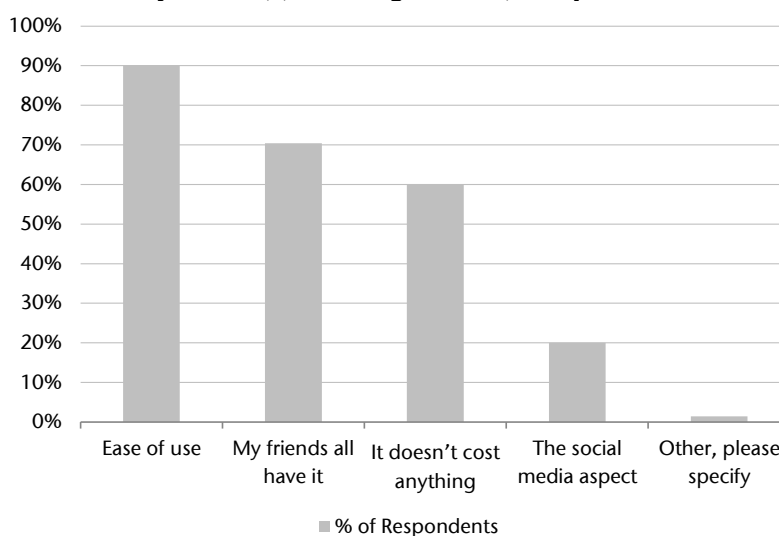
We also asked our survey respondents about the typical size of their Venmo transactions, and here we received a balanced set of responses. The most common band cited for average Venmo transaction size (by 26% of respondents) was \$51-\$100, but this was closely followed by \$26-\$50 (25% of our sample), and 23% said \$10-\$25. We also note that 19% of those surveyed reported an average Venmo ticket size of \$101-\$300, likely reflecting active usage of Venmo for transactions such as roommates sharing expenses including rent, utilities, etc. (Exhibit 3).

**Exhibit 3: Average Venmo Transaction Size**

Source: Jefferies Survey of Venmo Users

We also queried our survey respondents regarding the primary reasons they use Venmo. Multiple answers were allowed, and not surprisingly, 90% of the responses cited “ease of use”, followed by 70% responding “my friends all have it”, and 60% choosing “it doesn’t cost anything”.

We were surprised that only 20% of those surveyed responded that “the social media aspect” was a primary reason for usage, given that we view the social media element as a differentiating factor for Venmo’s person-to-person payment solution. With that said, the network effects of Venmo can be clearly seen by the high percentage of users saying that their friends’ usage is a big reason for their own adoption (Exhibit 4).

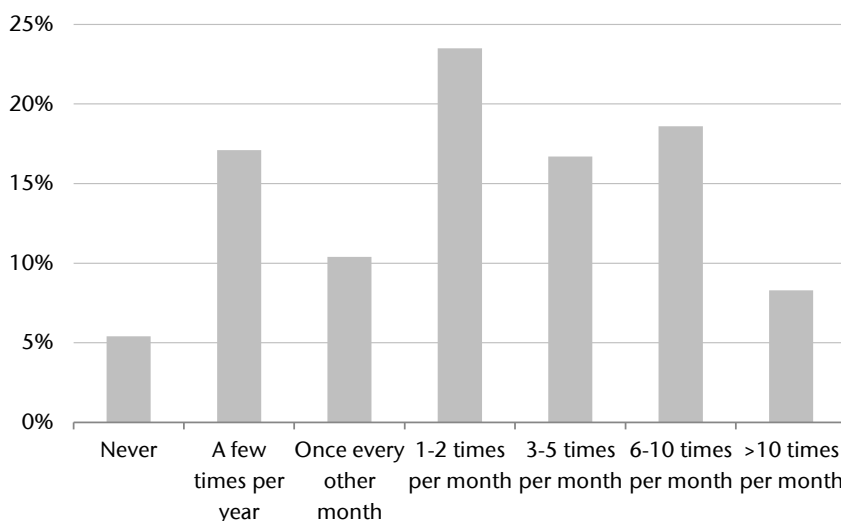
**Exhibit 4: Primary Reason(s) for Using Venmo (Multiple Answers Allowed)**

Source: Jefferies Survey of Venmo Users

One of the key questions in our survey assessed Venmo users' interest level in adopting Pay With Venmo to make purchases at PayPal merchants, which in turn would generate similar take rate revenue as a traditional PayPal transaction. Clearly, this is the key to monetizing Venmo, as we don't expect PayPal to start charging consumers transaction fees (currently, Venmo consumers pay a fee only when funding their Venmo account with a credit card), nor do we expect Venmo to adopt an advertising-related revenue model.

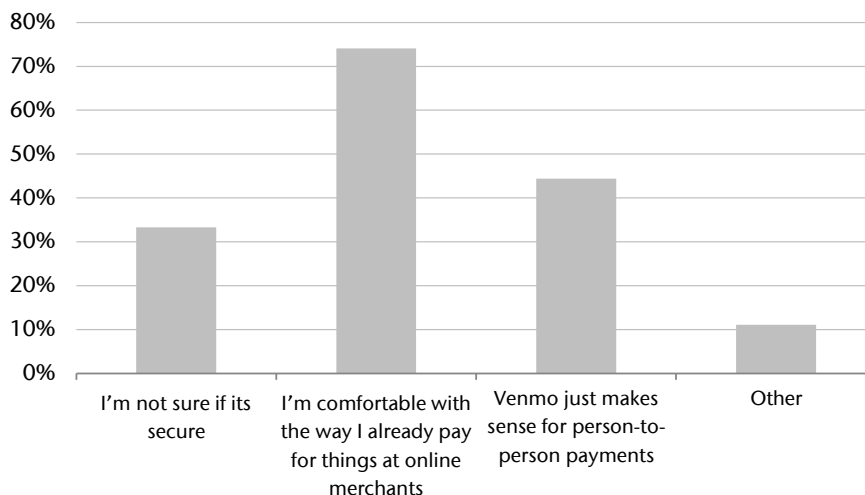
The responses to this question were quite encouraging, in our view. The most common response, from 24% of respondents, was that they would use Pay With Venmo 1-2 times per month. The second most common response (cited by 19% of respondents) was that they would use Pay With Venmo 6-10 times per month. In fact, more respondents – 8% of total – said they would use Pay With Venmo more than 10 times per month, as compared to the 5% who said they would never use it. In aggregate, 67% of those surveyed said they would use Pay With Venmo at least 1-2 times per month (Exhibit 5).

#### Exhibit 5: Current Venmo Users' Expected Usage Frequency of "Pay With Venmo"



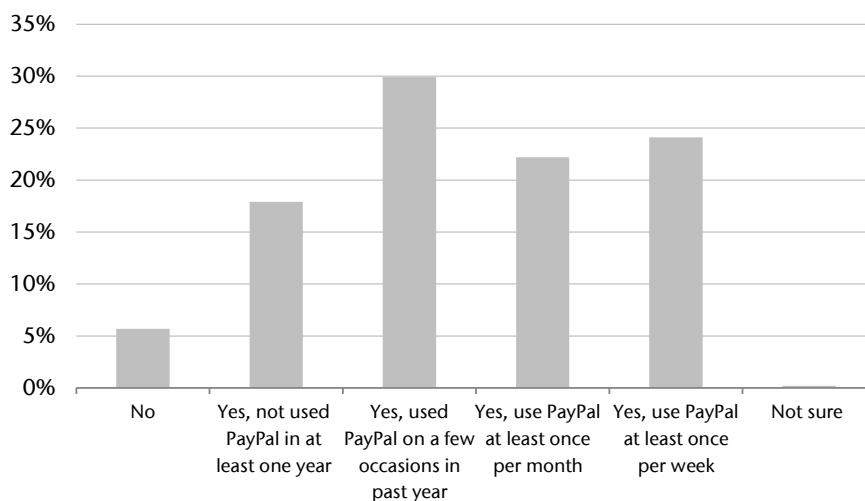
Source: Jefferies Survey of Venmo Users

While the percentage of those saying they would never use Pay With Venmo was very small (5% of our sample), we also asked those respondents why they would not use the service. Multiple answers were allowed, and 74% cited "I'm comfortable with the way I already pay for things at online merchants". As seen in Exhibit 6, this was by far the most common response, with the next most common, at 44%, being "Venmo just makes sense for person-to-person payments."

**Exhibit 6: Reason for Not Using "Pay with Venmo" -- (For Respondents Who Answered "Never" To Question Above – Multiple Answers Allowed)**


Source: Jefferies Survey of Venmo Users

We also asked Venmo users about their PayPal usage. We learned that 24% of the respondents either don't have a PayPal account, or they do have one but haven't used it in at least a year to make an online purchase. The most common response, cited by 30% of respondents, was that they have used their PayPal account on a few occasions in the past year to make an online purchase. In addition, 22% said they use their PayPal account to make online purchases at least once per month, with another 24% indicating PayPal usage of at least once per week (Exhibit 7).

**Exhibit 7: PayPal Account Usage Among Venmo Users**


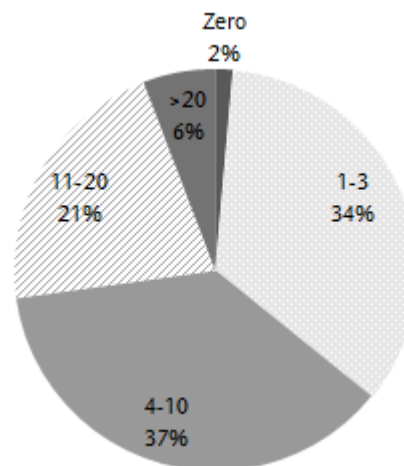
Source: Jefferies Survey of Venmo Users

Based on these survey responses, it is difficult to ascertain whether or not Pay With Venmo will cannibalize a material portion of existing online PayPal spend. Clearly, the online channel (and more specifically, the mobile channel) continues to take share from in-store consumer spending, so the expanding size of this "pie" should mean there is adequate

room for both traditional PayPal and Pay With Venmo volume to grow handsomely in the coming years. But as we describe in detail later, we did factor some cannibalization into our updated Pay With Venmo scenario analysis.

Not surprisingly, our sample set of survey respondents are relatively active online shoppers. Regarding the question of total online purchase transactions made per month, the most common answer (37% of respondents) was 4-10 transactions, followed closely by 34% saying 1-3, and 21% doing 11-20 online transactions per month (Exhibit 8). In addition, 6% of those surveyed indicated they are doing over 20 online transactions per month. So overall, 64% of our respondents are making online purchases at least 4 times per month (or once per week).

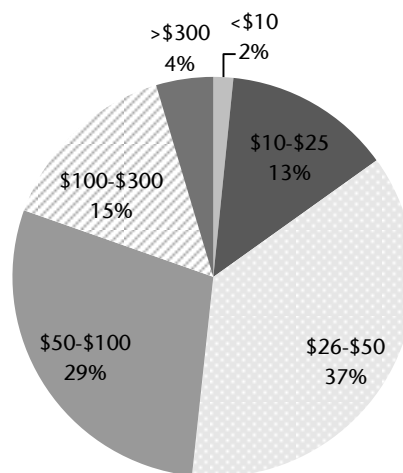
#### Exhibit 8: Respondents' Frequency of Online Purchases (Total Per Month)



Source: Jefferies Survey of Venmo Users

To round out our analysis, we also asked our survey respondents about the average dollar size of their online purchases. The most frequent response, selected by 37% of our sample, was \$26-\$50, followed by 29% who said \$50-\$100, and 15% who chose \$100-\$300. This survey data is roughly consistent with PYPL's average ticket size of \$57 in 2015.



**Exhibit 9: Average Dollar Size of All Online Purchases**

Source: Jefferies Survey of Venmo Users

## Updating Our “Pay With Venmo” Scenario Analysis

Based on the results of our survey, we are updating the “Pay With Venmo” scenario analysis we originally published on 11/18/15. The first step in that analysis is to estimate the number of Venmo users, since PYPL does not disclose that metric.

According to a Venmo blog post on 2/16/16, in the month of January 2016, more than \$1B in payments were made on Venmo. This represents a growth rate of more than 2.5x vs. January 2015, and over a 10x leap in volume as compared to January 2014. We also note that in 2015, Venmo averaged \$626M in monthly volume, so the January 2016 run rate represents a 60% growth rate vs. that figure. So for purposes of generating an updated estimate of number of Venmo users (Exhibit 10), we estimated 1Q16 Venmo volume of \$3.3B, based on the January run rate. This would reflect y/y growth of 154% and q/q growth of 32%.

In addition, we upped our estimate of average Venmo ticket value to \$35 from \$25 prior, based on the fact that 49% of our survey respondents reported an average ticket size of <\$50 (with nearly half of those saying \$10-\$25), while 26% cited an average ticket of \$51-\$100.

We continue to estimate a current average of 2 transactions per week for Venmo users, based on CEO Dan Schulman’s comment on the 2Q15 earnings call, where he indicated that the average Venmo consumer uses the app “two to four times per week,” although we note this likely includes users signing on to just use the social media aspect of Venmo, rather than actually transact. In addition, this estimate of 2 transactions per week is consistent with the most common response to our related survey question, whereby 41% of the Venmo users we surveyed reported sending or receiving a Venmo payment 1-3 times per week.

The change in these inputs resulted in a slight increase in our estimated number of Venmo users, to 3.63M from 3.25M prior. This estimate remains in line with CEO Dan Schulman's comments on the 3Q15 earnings call that Venmo has "millions by millions" of users.

#### Exhibit 10: Venmo User Profile Assumptions

1Q16 Venmo Payment Volume (JEFe)	\$3,300,000,000
Average Venmo Ticket Value (JEFe)	\$35.00
Number of Transactions Per Quarter	94,285,714
Transactions Per Week Per User	2.0
Transactions Per Quarter Per User	26.0
<b>Total Venmo Users (JEFe)</b>	<b>3,626,374</b>

Source: Jefferies estimates

Given that 67% of those surveyed said they would use Pay With Venmo at least 1-2 times per month, and 44% said they would use it at least 3-5 times per month (including 19% who said they would use it 6-10 times per month), we are comfortable increasing the assumption of monthly Pay With Venmo usage in our scenario analysis to four times per month, from 1.5 prior.

As a partial offset to that more bullish input, based on survey responses regarding PayPal account usage, we are now factoring a cannibalization rate of 25% into our analysis, recognizing that some meaningful percentage of Pay With Venmo transactions could simply replace a traditional online PayPal transaction, thereby not generating any incremental revenue for PYPL.

While admittedly somewhat unscientific, our 25% cannibalization estimate is in-line with the percentage of survey respondents indicating they use their traditional PayPal account for online purchases at least once per week. Given the existing frequency of traditional PayPal usage among this group, we assume these consumers will be less likely to generate net new online transactions for PYPL by using Pay With Venmo.

The remainder of our Pay With Venmo scenario analysis is seen in Exhibits 11-16. Our base case assumes the average ticket for a Pay With Venmo transaction would be the same as PYPL's average transaction size of \$57.09 in 4Q15. Combining this assumption with the previously referenced assumptions of four Pay With Venmo transactions per month and a 25% cannibalization rate (ie, 3 net new transactions for PYPL), we calculate average annual Pay With Venmo spend of \$2,055, which yields average Pay With Venmo revenue of \$59.69 per user, based on our take rate estimate of 2.9% for 2017. Multiplying this average Pay With Venmo revenue per user by the 3.63M estimated Venmo users yields an estimated incremental revenue of \$216.4M in 2017 for PYPL, or 1.8% of our total 2017 revenue estimate (Exhibit 11). Our scenario analysis (Exhibit 12) suggests a range of 1.2%-3.1% revenue lift from Pay With Venmo next year.

**Exhibit 11: "Pay With Venmo" Revenue Assumptions**

Average PYPL Transaction Size	\$	57.09
"Pay With Venmo" Merchant Transactions/Month Per Venmo User (JEFe)		4.0
Cannibalization Factor (JEFe)		25%
Net New "Pay With Venmo" Merchant Transactions/Month Per Venmo User (JEFe)		3.0
Total Monthly "Pay With Venmo" Spend Per Venmo User		\$171.27
Total Annual "Pay With Venmo" Spend Per Venmo User		\$2,055.20
Average 2017 PYPL Take Rate		2.90%
Annual "Pay With Venmo" Revenue Per Venmo User		\$59.69
Annual Total "Pay With Venmo" Revenue		\$216,454,227
% of JEFe 2017 PYPL Revenue Estimate		1.76%

Source: Jefferies estimates

**Exhibit 12: "Pay with Venmo" 2017 Revenue Scenario Analysis****2017 Revenue Impact (%)**

Net New Venmo Merchant Txn/Month	Average Venmo Merchant Transaction Value				
	\$57.1	\$60.0	\$65.0	\$70.0	\$75.0
2.0	1.2%	1.2%	1.3%	1.4%	1.5%
2.5	1.5%	1.5%	1.7%	1.8%	1.9%
3.0	1.8%	1.9%	2.0%	2.2%	2.3%
3.5	2.1%	2.2%	2.3%	2.5%	2.7%
4.0	2.4%	2.5%	2.7%	2.9%	3.1%

**2017 Revenue Impact (\$)**

	Average Venmo Merchant Transaction Value				
	\$57.1	\$60.0	\$65.0	\$70.0	\$75.0
2.0	\$144M	\$152M	\$164M	\$177M	\$190M
2.5	\$180M	\$190M	\$205M	\$221M	\$237M
3.0	\$216M	\$227M	\$246M	\$265M	\$284M
3.5	\$253M	\$265M	\$288M	\$310M	\$332M
4.0	\$289M	\$303M	\$329M	\$354M	\$379M

Source: Jefferies estimates

Our calculations (Exhibit 13) suggest a weighted average funding cost (transaction expense) of 0.41% of TPV for Venmo transactions. This is well below the corporate average transaction expense ratio of 0.89% in 2017, given our estimate of very high of debit and ACH account funding mix for Venmo transactions, since Venmo users get charged 3% to fund their account with a credit card.

**Exhibit 13: Estimated Venmo Funding Cost**

Venmo Funding Channel	Funding Mix	Funding Cost	Weighted Average Funding Cost
Credit	5.0%	3.0%	0.15%
Debit	60.0%	0.4%	0.24%
Bank Account/ACH	25.0%	0.1%	0.02%
Venmo Balance	10.0%	0.0%	0.00%
<b>Total</b>	<b>100.0%</b>		<b>0.41%</b>

Source: Jefferies estimates

If we apply the corporate average transaction and loan loss rate of 0.29%, this leaves transaction profit of 2.2% (2.9% take rate, minus transaction expense and transaction/loan loss rate), representing transaction margin of 75.8%, well above the corporate average of 60.8%. Next, we deducted operating (non-transaction) expenses, which we applied at the corporate average rate of 38% of revenues. We recognize this is likely conservative (as Venmo would be leveraging its existing customer base), but that some incremental opex (product development, marketing, customer support, possible rewards) would likely be required to drive usage of the Venmo product at merchants.

This calculation leaves us with operating margin of 37.8% on this Venmo revenue, yielding incremental operating profit dollars of \$81.8M. Applying PYPL's estimated 2017 tax rate of 18.5% results in after-tax profit of \$66.6M. This represents \$0.055 of EPS accretion (or 3.1%) on top of our current \$1.75 estimate for 2017 (Exhibit 14). Based on our latest scenario analysis, under the most bullish circumstances we could see a case where Venmo could benefit EPS by 5.5% in 2017 (Exhibit 15).

#### Exhibit 14: Venmo Margin Assumptions

Venmo Transaction Expense (JEFe)	0.409%
PYPL Transaction and Loan Loss Rate (JEFe)	0.295%
Implied Transaction Margin	75.76%
PYPL Other Operating Expenses as % of Net Revenue (JEFe)	37.98%
Implied Venmo Operating Margin	37.78%
Venmo Operating Income	\$81,769,582
PYPL Tax Rate (JEFe)	18.50%
Implied Venmo-related Net income	\$66,642,210
Implied Venmo-related EPS	\$0.055
% of JEFe 2017 PYPL EPS Estimate	3.12%

Source: Jefferies estimates

#### Exhibit 15: "Pay with Venmo" 2017 EPS Scenario Analysis

##### 2017 EPS Impact (%)

Net New Venmo Merchant Txn/Month	Average Venmo Merchant Transaction Value				
	\$57.1	\$60.0	\$65.0	\$70.0	\$75.0
2.0	2.1%	2.2%	2.4%	2.6%	2.7%
2.5	2.6%	2.7%	3.0%	3.2%	3.4%
3.0	3.1%	3.3%	3.6%	3.8%	4.1%
3.5	3.6%	3.8%	4.2%	4.5%	4.8%
4.0	4.2%	4.4%	4.7%	5.1%	5.5%

##### 2017 EPS Impact (\$)

Net New Venmo Merchant Txn/Month	Average Venmo Merchant Transaction Value				
	\$57.1	\$60.0	\$65.0	\$70.0	\$75.0
2.0	\$0.04	\$0.04	\$0.04	\$0.04	\$0.05
2.5	\$0.05	\$0.05	\$0.05	\$0.06	\$0.06
3.0	\$0.05	\$0.06	\$0.06	\$0.07	\$0.07
3.5	\$0.06	\$0.07	\$0.07	\$0.08	\$0.08
4.0	\$0.07	\$0.08	\$0.08	\$0.09	\$0.10

Source: Jefferies estimates

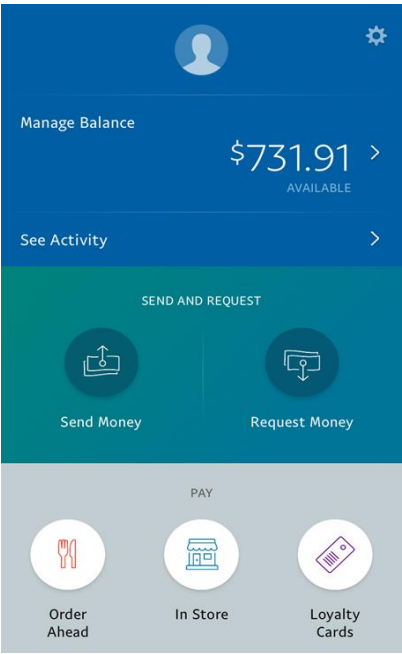
We also ran the same scenario analysis for 2018, but modified two variables: 1) we assumed Venmo users would increase by 15% in 2018 and 2) we assumed user frequency would increase to 5x (from 4x) per month. The impact to 2018 revenues/EPS range from 1.7%-3.8% and 3.0%-6.7%, respectively.

## Taking A Spin With The New PayPal App

PayPal recently released a re-designed version of its app, following the launch of the company's "New Money" marketing campaign. To enhance the consumer experience, the app has been customized for each of the 145 markets where it is currently live. The app offers easy logon via the user's fingerprint, and the home screen has less clutter than its predecessor.

As seen in the screen shot below (Exhibit 16), the home screen offers the user four general options: manage their PayPal balance (ie, check funds available and add money), see activity (shows a list of past PayPal transactions), send and request (for sending money to others or making a request for funds), and pay (which includes the options of order ahead, in-store payments, and loyalty cards).

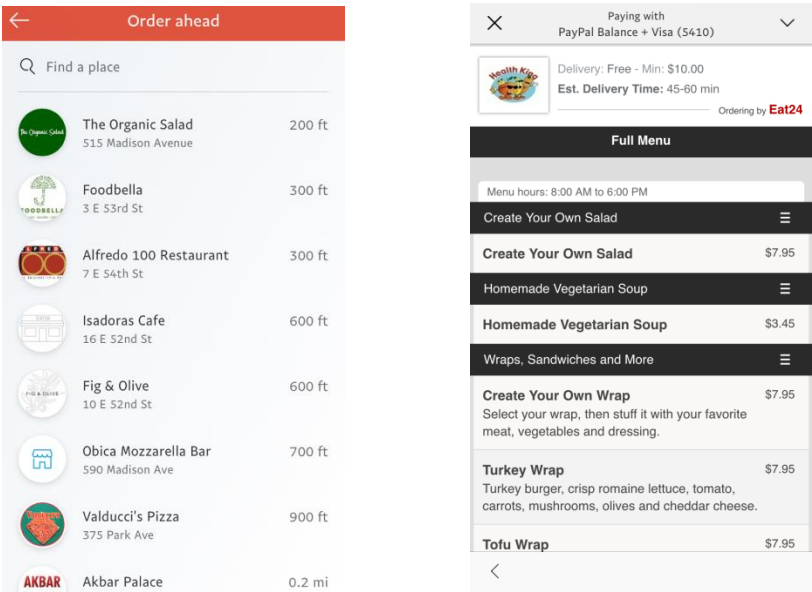
Exhibit 16: New PayPal App Homescreen



Source: Jefferies

Clicking on the order ahead button brings the user to a list of nearby merchants (generated via GPS) which offer order ahead functionality, powered by Eat24 (Exhibit 17). After an order is placed, the user goes to the merchant location to pick up their order, and the payment has already occurred with the user’s PayPal account via the app, creating an Uber-like consumer experience. In some cases, a payment code is generated for the order ahead transaction, which the user then shows to the merchant when picking up their order.

Exhibit 17: PayPal App Order Ahead Functionality

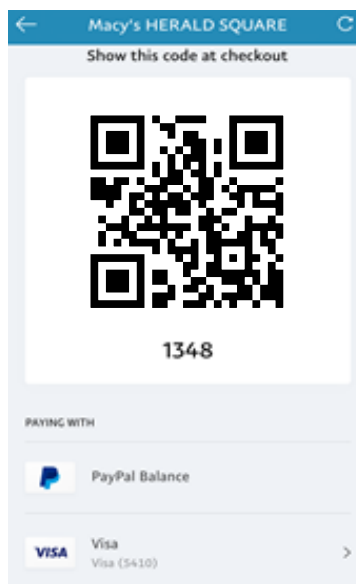


Source: Jefferies

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For in-store payments, the PayPal app shows the user a list of nearby merchants accepting PayPal for in-store payments. Clicking on a merchant then prompts the user to show either a QR code or a 4-digit payment code at checkout to complete the transaction. For example, as seen in Exhibit 18, Macy's is using QR codes for in-store PayPal payments.

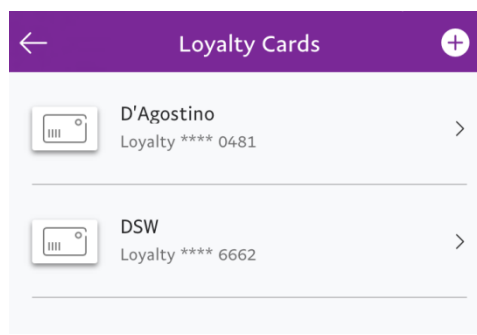
#### Exhibit 18: Merchant QR Code In PayPal App



Source: Jefferies

Clicking on the loyalty card button on the home screen of the PayPal app brings the user to a list of merchants whose loyalty cards can be added to the PayPal wallet/app (Exhibit 19). Once a merchant is selected, the app prompts the user to enter the number from the physical loyalty card, and then saves a virtual version of the card for use from the app.

#### Exhibit 19: Loyalty Cards in PayPal App



Source: Jefferies

In the loyalty section of the app, we believe it would be easier for consumers to load their loyalty cards by simply taking a picture of the card, rather than having to manually enter the loyalty card number into the app. In addition, our experience with loaded loyalty

cards did not have the actual retailer logo displayed, which in our view would also be a logical enhancement in the future.

Our overall initial evaluation of the re-designed app is that it represents a more streamlined end user experience, which we note was based on extensive feedback from PYPL's consumers and customer service representatives. In addition, the integrated functionality of the app makes it simple for users to select their desired function from the home screen, while presenting a holistic view to the consumer of PayPal's money movement platform. At some point, we would think it would be feasible to integrate cross-border remittance functionality into the app as well, following PYPL's recent acquisition of Xoom.

## Interesting Announcements At Mobile World Congress

- At the recent Mobile World Congress, PayPal made multiple product and partnership announcements which we outline below. While these probably won't be needle-moving for the P&L anytime soon, we do think they provide additional proof points of the enhanced degree of technology innovation emanating from the PayPal organization, as well as the company's increased interest and effectiveness at partnering with others in the payments ecosystem as well as in adjacent industries:
- PayPal has partnered with Vodafone to enable users of the Vodafone Wallet to load their PayPal account credentials into this wallet on Android devices, for making in-store payments via NFC. This European rollout started with Spain, which went live on February 22, allowing Spanish Vodafone subscribers to use PayPal in their Vodafone Wallet for in-store purchases. This service is expected to expand to other European countries later in 2016. In a similar vein, PayPal announced an agreement with America Movil, the largest telecom carrier in Latin America, to embed PayPal payment capability into America Movil's wallet. PayPal is also planning to bring NFC capabilities to its own app, starting with consumers in the US and Australia this Spring.
- PayPal's recently-acquired Xoom business is partnering with M-Pesa, a widely-used mobile transaction solution which is prominent across Africa and Asia. This agreement will enable Xoom senders in the US to remit funds directly into a the M-Pesa account of a recipient in Kenya.
- PayPal announced that after just 10 months in market, 18 million consumers (or 10% of total) have signed up for One Touch, which enables shoppers to checkout online with a just a single click, rather than having to log into their PayPal account before completing a transaction. This speeds up checkout for the user and helps merchants reduce the rate of cart abandonment. In addition, One Touch is now available in 143 geographic markets around the world, up from just 23 at the end of 2015. PayPal disclosed that more than 50% of the Internet Retailer 500 in the US and more than a million merchants in total around the world have enabled One Touch for their online consumers, while PayPal is now processing millions of One Touch transactions daily.

## Exhibit 20: PYPL Income Statement

	2014 FY A	Mar '15A 1Q	June '15A 2Q	Sept '15A 3Q	Dec '15E 4Q	2015 FY E	Mar '16E 1Q	June '16E 2Q	Sept '16E 3Q	Dec '16E 4Q	2016 FY E	2017 FY E
<b>Total Non-GAAP Pro-Forma Revenues</b>	<b>8,012.0</b>	<b>2,134.0</b>	<b>2,293.0</b>	<b>2,258.0</b>	<b>2,556.0</b>	<b>9,241.0</b>	<b>2,496.3</b>	<b>2,560.9</b>	<b>2,631.5</b>	<b>2,934.6</b>	<b>10,623.3</b>	<b>12,273.3</b>
year-over-year growth	NA	14.1%	15.7%	14.6%	16.8%	15.3%	17.0%	11.7%	16.5%	14.8%	15.0%	15.5%
quarter-over-quarter growth	NA	-2.5%	7.5%	-1.5%	13.2%	NA	-2.3%	2.6%	2.8%	11.5%	NA	NA
<b>Transaction Take Rate</b>	<b>3.41%</b>	<b>3.39%</b>	<b>3.40%</b>	<b>3.24%</b>	<b>3.14%</b>	<b>3.28%</b>	<b>3.16%</b>	<b>3.10%</b>	<b>3.07%</b>	<b>3.04%</b>	<b>3.09%</b>	<b>2.90%</b>
Y/Y Change in Take Rate (BPS)	NA	(10)	(9)	(15)	(18)	(13)	(23)	(30)	(17)	(10)	(19)	(18)
<b>Operating Expenses (Non-GAAP, Pro-Forma for split):</b>												
<b>Transaction expense</b>	<b>2,170.0</b>	575.0	634.0	651.0	750.0	<b>2,610.0</b>	721.6	760.1	792.2	879.8	<b>3,153.7</b>	<b>3,745.0</b>
year-over-year growth	NA	11.9%	20.8%	21.2%	26.3%	20.3%	25.5%	19.9%	21.7%	17.3%	20.8%	18.8%
quarter-over-quarter growth	NA	-3.2%	10.3%	2.7%	15.2%	NA	-3.8%	5.3%	4.2%	11.1%	NA	NA
% of Total Net Revenue	27.1%	26.9%	27.6%	28.8%	29.3%	28.2%	28.9%	29.7%	30.1%	30.0%	29.7%	30.5%
<b>Transaction Expense Rate</b>	<b>0.92%</b>	<b>0.91%</b>	<b>0.94%</b>	<b>0.93%</b>	<b>0.92%</b>	<b>0.93%</b>	<b>0.91%</b>	<b>0.92%</b>	<b>0.92%</b>	<b>0.91%</b>	<b>0.92%</b>	<b>0.89%</b>
Y/Y Change in Transaction Expense Rate (BPS)	NA	(4.5)	1.4	1.1	2.1	0.1	-	(2.0)	(1.0)	(1.0)	(1.0)	(3.0)
<b>Transaction and loan losses</b>	<b>689.0</b>	188.0	197.0	201.0	245.0	<b>831.0</b>	235.9	241.3	247.2	290.6	<b>1,015.0</b>	<b>1,246.2</b>
year-over-year growth	NA	33.3%	27.9%	5.8%	20.1%	20.6%	25.5%	22.5%	23.0%	18.6%	22.1%	22.8%
quarter-over-quarter growth	NA	-7.8%	4.8%	2.0%	21.9%	NA	-3.7%	2.3%	2.4%	17.5%	NA	NA
% of Total Net Revenue	8.6%	8.8%	8.6%	8.9%	9.6%	9.0%	9.5%	9.4%	9.4%	9.9%	9.6%	10.2%
<b>Transaction and loan loss rate</b>	<b>0.29%</b>	<b>0.30%</b>	<b>0.29%</b>	<b>0.29%</b>	<b>0.30%</b>	<b>0.29%</b>	<b>0.30%</b>	<b>0.29%</b>	<b>0.29%</b>	<b>0.30%</b>	<b>0.29%</b>	<b>0.29%</b>
Y/Y Change in Transaction and Loan Loss Rate (BPS)	NA	3.6	2.0	(3.8)	(0.8)	0.1	-	-	-	-	(0.0)	(0.0)
<b>Transaction margin</b>	<b>64.3%</b>	<b>64.2%</b>	<b>63.8%</b>	<b>62.3%</b>	<b>61.1%</b>	<b>62.8%</b>	<b>61.6%</b>	<b>60.9%</b>	<b>60.5%</b>	<b>60.1%</b>	<b>60.8%</b>	<b>59.3%</b>
Y/Y Change in Transaction Margin (BPS)	NA	(74.6)	(196.5)	(84.8)	(247.3)	(155.2)	(260.6)	(286.4)	(176.5)	(95.3)	(200.5)	(142.5)
<b>Customer support and operations</b>	<b>1,016.0</b>	264.0	296.0	301.0	302.0	<b>1,163.0</b>	295.7	325.6	331.1	332.2	<b>1,284.6</b>	<b>1,438.7</b>
year-over-year growth	NA	9.1%	17.0%	20.9%	11.0%	14.5%	12.0%	10.0%	10.0%	10.0%	10.5%	12.0%
quarter-over-quarter growth	NA	-2.9%	12.1%	1.7%	0.3%	NA	-2.1%	10.1%	1.7%	0.3%	NA	NA
% of Total Net Revenue	12.7%	12.4%	12.9%	13.3%	11.8%	12.6%	11.8%	12.7%	12.6%	11.3%	12.1%	11.7%
<b>Sales and marketing</b>	<b>879.0</b>	210.0	222.0	217.0	259.0	<b>908.0</b>	226.8	239.8	234.4	277.1	<b>978.1</b>	<b>1,066.1</b>
year-over-year growth	NA	12.9%	-0.9%	-9.6%	13.1%	3.3%	8.0%	8.0%	8.0%	7.0%	7.7%	9.0%
quarter-over-quarter growth	NA	-8.3%	5.7%	-2.3%	19.4%	NA	-12.4%	5.7%	-2.3%	18.2%	NA	NA
% of Total Net Revenue	11.0%	9.8%	9.7%	9.6%	10.1%	9.8%	9.1%	9.4%	8.9%	9.4%	9.2%	8.7%
<b>Product development</b>	<b>782.0</b>	195.0	206.0	197.0	217.0	<b>815.0</b>	210.6	220.4	210.8	232.2	<b>874.0</b>	<b>952.7</b>
year-over-year growth	NA	12.1%	6.7%	-3.4%	2.8%	4.2%	8.0%	7.0%	7.0%	7.2%	7.2%	9.0%
quarter-over-quarter growth	NA	-7.6%	5.6%	-4.4%	10.2%	NA	-2.9%	4.7%	-4.4%	10.2%	NA	NA
% of Total Net Revenue	9.8%	9.1%	9.0%	8.7%	8.5%	8.8%	8.4%	8.6%	8.0%	7.9%	8.2%	7.8%
<b>General and administrative</b>	<b>401.0</b>	110.0	101.0	110.0	117.0	<b>438.0</b>	122.1	114.1	118.8	121.7	<b>476.7</b>	<b>519.6</b>
year-over-year growth	NA	15.8%	2.0%	34.1%	-6.4%	9.2%	11.0%	13.0%	8.0%	4.0%	8.8%	9.0%
quarter-over-quarter growth	NA	-12.0%	-8.2%	8.9%	6.4%	NA	4.4%	-6.5%	4.1%	2.4%	NA	NA
% of Total Net Revenue	5.0%	5.2%	4.4%	4.9%	4.6%	4.7%	4.9%	4.5%	4.5%	4.1%	4.5%	4.2%
<b>Depreciation and amortization</b>	<b>458.0</b>	127.0	132.0	131.0	134.0	<b>524.0</b>	147.3	151.8	150.7	154.1	<b>603.9</b>	<b>684.2</b>
year-over-year growth	NA	13.4%	17.9%	12.9%	13.6%	14.4%	16.0%	15.0%	15.0%	15.0%	15.2%	13.3%
quarter-over-quarter growth	NA	7.6%	3.9%	-0.8%	2.3%	NA	9.9%	3.0%	-0.8%	2.3%	NA	NA
% of Total Net Revenue	5.7%	6.0%	5.8%	5.8%	5.2%	5.7%	5.9%	5.9%	5.7%	5.3%	5.7%	5.6%
<b>Total Operating Expenses</b>	<b>6,395.0</b>	<b>1,669.0</b>	<b>1,788.0</b>	<b>1,808.0</b>	<b>2,024.0</b>	<b>7,289.0</b>	<b>1,960.1</b>	<b>2,053.2</b>	<b>2,085.1</b>	<b>2,287.6</b>	<b>8,385.9</b>	<b>9,652.4</b>
year-over-year growth	NA	14.0%	14.6%	11.7%	15.5%	14.0%	17.4%	14.8%	15.3%	13.0%	15.0%	15.1%
quarter-over-quarter growth	NA	-4.8%	7.1%	1.1%	11.9%	NA	-3.2%	4.7%	1.6%	9.7%	NA	NA
<b>Operating Income (Non-GAAP Pro-Forma)</b>	<b>1,617.0</b>	<b>465.0</b>	<b>505.0</b>	<b>450.0</b>	<b>532.0</b>	<b>1,952.0</b>	<b>536.2</b>	<b>507.8</b>	<b>546.4</b>	<b>646.9</b>	<b>2,237.3</b>	<b>2,620.9</b>
year-over-year growth	NA	14.3%	20.0%	27.5%	22.0%	20.7%	15.3%	0.5%	21.4%	21.6%	14.6%	17.1%
quarter-over-quarter growth	NA	6.7%	8.6%	-10.9%	18.2%	NA	0.8%	-5.3%	7.6%	18.4%	NA	NA
Operating Margin (Non-GAAP Pro-Forma)	20.2%	21.8%	22.0%	19.9%	20.8%	21.1%	21.5%	19.8%	20.8%	22.0%	21.1%	21.4%
Y/Y Change in Operating Margin (BPS)	3.7	77.2	201.9	89.6	94.1	(31.0)	(219.6)	83.6	123.1	(6.3)	29.4	(4.0)
<b>Other income (expense), net</b>	<b>(7.0)</b>	(1.0)	1.0	8.0	7.0	<b>15.0</b>	(1.0)	(1.0)	(1.0)	(1.0)	<b>(4.0)</b>	<b>(4.0)</b>
year-over-year growth	NA	-75.0%	-133.3%	700.0%	-800.0%	-314.3%	0.0%	-200.0%	-112.5%	-114.3%	-126.7%	0.0%
quarter-over-quarter growth	NA	0.0%	-200.0%	700.0%	-12.5%	NA	-114.3%	0.0%	0.0%	0.0%	NA	NA
<b>Pro-Forma Income Before Taxes</b>	<b>1,610.0</b>	<b>464.0</b>	<b>506.0</b>	<b>458.0</b>	<b>539.0</b>	<b>1,967.0</b>	<b>535.2</b>	<b>506.8</b>	<b>545.4</b>	<b>645.9</b>	<b>2,233.3</b>	<b>2,616.9</b>
year-over-year growth	NA	15.1%	21.1%	29.4%	23.9%	22.2%	15.3%	0.2%	19.1%	19.8%	13.5%	17.2%
quarter-over-quarter growth	NA	6.7%	9.1%	-9.5%	17.7%	NA	-0.7%	-5.3%	7.6%	18.4%	NA	NA
<b>Provision (benefit) for income taxes</b>	<b>295.0</b>	111.0	111.0	81.0	96.0	<b>399.0</b>	99.0	93.8	100.9	119.5	<b>413.2</b>	<b>484.1</b>
year-over-year growth	NA	58.6%	54.2%	22.7%	10.3%	35.3%	-10.8%	-15.5%	24.6%	24.5%	3.6%	17.2%
quarter-over-quarter growth	NA	27.6%	0.0%	-27.0%	18.5%	NA	3.1%	-5.3%	7.6%	18.4%	NA	NA
Effective Tax Rate	18.3%	23.9%	21.9%	17.7%	17.8%	20.3%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%
Change in Tax Rate (BPS)	NA	655.3	471.2	(95.8)	(218.9)	196.2	(542.2)	(343.7)	81.4	68.9	(178.5)	(0.0)
<b>Net Income (Non-GAAP Pro-Forma)</b>	<b>1,315.0</b>	<b>353.0</b>	<b>395.0</b>	<b>377.0</b>	<b>443.0</b>	<b>1,568.0</b>	<b>436.2</b>	<b>413.0</b>	<b>444.5</b>	<b>526.4</b>	<b>1,820.2</b>	<b>2,132.8</b>
year-over-year growth	NA	6.0%	14.2%	30.9%	27.3%	19.2%	23.6%	4.6%	17.9%	18.8%	16.1%	17.2%
quarter-over-quarter growth	NA	1.4%	11.9%	-4.6%	17.5%	NA	-1.5%	-5.3%	7.6%	18.4%	NA	NA
<b>Diluted EPS (Non-GAAP Pro-Forma)</b>	<b>\$1.04</b>	<b>\$0.29</b>	<b>\$0.32</b>	<b>\$0.31</b>	<b>\$0.36</b>	<b>\$1.28</b>	<b>\$0.36</b>	<b>\$0.34</b>	<b>\$0.36</b>	<b>\$0.43</b>	<b>\$1.48</b>	<b>\$1.75</b>
year-over-year growth	NA	NA	NA	NA	0.26677881	22.7%	0.23564824	0.04562796	0.17912474	0.18834333	16%	18%
quarter-over-quarter growth	NA	0.01436782	-69%	7%	12%	NA	-0.0105599	-74%	2%	27%	NA	NA
Weighted average shares used in computing net income per share:												
Diluted (Non-GAAP)	1,262.0	1224	1224	1227	1230	1,226.3	1224	1224	1227	1230	1,226.3	1,218.8

Source: Jefferies



Exhibit 21: PYPL Statement of Cash Flows

	2014 FY A	Mar '15A 1Q	June '15A 2Q	Sept '15A 3Q	Dec '15E 4Q	2015 FY E	Mar '16E 1Q	June '16E 2Q	Sept '16E 3Q	Dec '16E 4Q	2016 FY E	2017 FY E
<b>Cash &amp; Equivalents at Beginning of Period</b>												
<b>Cash Flow from Operations</b>												
Net income	419.0	255.0	305.0	301.0	367.0	1,228.0	296.2	268.0	294.5	371.4	1,230.2	1,512.8
Adjustments:												
Transaction and loan losses	646.0	178.0	185.0	201.0	245.0	809.0	235.9	241.3	247.2	290.6	1,015.0	1,246.2
Depreciation and amortization	516.0	141.0	150.0	153.0	164.0	608.0	152.3	162.0	165.2	177.1	656.6	709.2
Stock-based compensation	299.0	79.0	83.0	94.0	90.0	346.0	86.9	91.3	103.4	99.0	380.6	418.7
Deferred income taxes	680.0	49.0	43.0	(5.0)	40.0	127.0	30.0	30.0	30.0	30.0	120.0	160.0
Excess tax benefits from stock-based compensation	(41.0)	(8.0)	(8.0)	(8.0)	(2.0)	(26.0)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)	(8.0)
Changes in assets and liabilities:												
Accounts receivable	(13.0)	12.0	(25.0)	(85.0)	76.0	(22.0)	3.2	(3.5)	(3.8)	(16.2)	(20.3)	(22.2)
Notes and receivable from affiliates, net	(24.0)	(38.0)	80.0	79.0	-	121.0	-	-	-	-	-	-
Other assets	-	-	4.0	5.0	5.0	14.0	5.0	5.0	5.0	5.0	20.0	20.0
Accounts payable	42.0	13.0	25.0	(36.0)	10.0	12.0	9.6	6.2	(8.2)	23.1	30.7	25.6
Notes payable to affiliates, net	(2.0)	(113.0)	(8.0)	(96.0)	-	(217.0)	(60.0)	(60.0)	(60.0)	(60.0)	(240.0)	(280.0)
Accrued expenses and other current liabilities	(339.0)	(66.0)	(175.0)	-	-	(241.0)	(70.0)	(70.0)	(70.0)	(70.0)	(280.0)	(320.0)
Income taxes payable and other tax liabilities	37.0	42.0	(7.0)	54.0	(262.0)	(173.0)	16.2	(0.2)	4.8	(1.0)	19.8	10.4
<b>Net cash provided by operating activities</b>	<b>2,220.0</b>	<b>544.0</b>	<b>622.0</b>	<b>652.0</b>	<b>728.0</b>	<b>2,546.0</b>	<b>698.4</b>	<b>663.2</b>	<b>701.2</b>	<b>842.0</b>	<b>2,904.7</b>	<b>3,452.6</b>
<b>Cash Flow from Investing</b>												
Purchases of property and equipment	(492.0)	(194.0)	(231.0)	(133.0)	(164.0)	(722.0)	(175.0)	(175.0)	(175.0)	(175.0)	(700.0)	(860.0)
Changes in principal loans receivable, net	(1,023.0)	(19.0)	427.0	(554.0)	(673.0)	(819.0)						
Purchases of investments	(76.0)	-	(4,465.0)	(2,257.0)	(820.0)	(7,542.0)						
Maturities and sales of investments	409.0	15.0	402.0	1,559.0	1,342.0	3,318.0						
Acquisitions, net of cash acquired	(2.0)	-	(273.0)	(10.0)	(942.0)	(1,225.0)						
Notes and receivable from affiliates, net	(362.0)	(56.0)	631.0	-	-	575.0					-	-
<b>Net cash used in investing activities</b>	<b>(1,546.0)</b>	<b>(254.0)</b>	<b>(3,498.0)</b>	<b>(1,380.0)</b>	<b>(1,257.0)</b>	<b>(6,389.0)</b>	<b>(175.0)</b>	<b>(175.0)</b>	<b>(175.0)</b>	<b>(175.0)</b>	<b>(700.0)</b>	<b>(860.0)</b>
<b>Cash Flow From Financing</b>												
Excess tax benefits from stock-based compensation	41.0	8.0	8.0	8.0	2.0	26.0						
Net transfers to parent	(71.0)	17.0	3,812.0	29.0	-	3,858.0						
Net (repayments) borrowings under financing arrangements	(21.0)	(119.0)	(754.0)	(4.0)	15.0	(862.0)						
Banking deposits from affiliates	-	-	-	(7.0)	(11.0)	(18.0)						
Funds receivable and customer accounts, net	(1,335.0)	(333.0)	(441.0)	(416.0)	(459.0)	(1,649.0)						
Funds payable and amounts due to customers, net	1,335.0	333.0	441.0	416.0	459.0	1,649.0						
<b>Net cash provided by financing activities</b>	<b>(51.0)</b>	<b>(94.0)</b>	<b>3,066.0</b>	<b>62.0</b>	<b>45.0</b>	<b>3,079.0</b>					-	-
Effect of exchange rate changes on cash and cash equivalents	(26.0)	(32.0)	7.0	(16.0)	(3.0)	(44.0)	(3.0)	(3.0)	(3.0)	(3.0)	(12.0)	(12.0)
<b>Net change in cash and cash equivalents</b>	<b>597.0</b>	<b>164.0</b>	<b>197.0</b>	<b>(682.0)</b>	<b>(487.0)</b>	<b>(808.0)</b>	<b>520.4</b>	<b>485.2</b>	<b>523.2</b>	<b>664.0</b>	<b>2,204.7</b>	<b>2,592.6</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,604.0</b>	<b>2,201.0</b>	<b>2,365.0</b>	<b>2,562.0</b>	<b>1,880.0</b>	<b>2,201.0</b>	<b>1,393.0</b>	<b>1,913.4</b>	<b>2,398.5</b>	<b>2,921.7</b>	<b>1,393.0</b>	<b>3,597.7</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,201.0</b>	<b>2,365.0</b>	<b>2,562.0</b>	<b>1,880.0</b>	<b>1,393.0</b>	<b>1,393.0</b>	<b>1,913.4</b>	<b>2,398.5</b>	<b>2,921.7</b>	<b>3,585.7</b>	<b>3,597.7</b>	<b>6,190.3</b>

Source: Jefferies

## Exhibit 21: PYPL Balance Sheet

	2014 FY A	Mar '15A 1Q	June '15A 2Q	Sept '15A 3Q	Dec '15E 4Q	2015 FY E	Mar '16E 1Q	June '16E 2Q	Sept '16E 3Q	Dec '16E 4Q	2016 FY E	2017 FY E
<b>ASSETS</b>												
Current assets:												
Cash and cash equivalents	2,201.0	2,365.0	2,562.0	1,880.0	1,393.0	1,393.0	1,913.4	2,398.5	2,921.7	3,585.7	3,585.7	6,166.3
Short-term investments	29.0	10.0	1,846.0	2,419.0	2,018.0	2,018.0	2,018.0	2,018.0	2,018.0	2,018.0	2,018.0	2,018.0
Accounts receivable, net	65.0	53.0	81.0	173.0	137.0	137.0	133.8	137.3	141.0	157.3	157.5	182.0
Loans and interest receivable, net	3,586.0	3,566.0	3,152.0	3,602.0	4,184.0	4,184.0	3,917.8	3,954.2	4,174.7	4,649.0	4,649.0	5,277.1
Funds receivable and customer accounts	10,612.0	10,945.0	11,386.0	11,802.0	12,261.0	12,261.0	12,555.0	12,816.7	13,195.7	14,559.6	14,559.6	16,700.4
Notes and receivable from affiliates	694.0	788.0	103.0	-	-	-	-	-	-	-	-	-
Other current assets	378.0	480.0	583.0	678.0	655.0	655.0	646.3	684.9	712.4	772.8	772.8	888.5
<b>Total current assets</b>	<b>17,565.0</b>	<b>18,207.0</b>	<b>19,713.0</b>	<b>20,554.0</b>	<b>20,648.0</b>	<b>20,648.0</b>	<b>21,184.3</b>	<b>22,009.5</b>	<b>23,163.5</b>	<b>25,742.4</b>	<b>25,742.4</b>	<b>31,229.8</b>
Long-term investments	31.0	31.0	2,258.0	2,392.0	2,348.0	2,348.0	2,348.0	2,348.0	2,348.0	2,348.0	2,699.2	3,118.5
Property and equipment, net	922.0	989.0	1,291.0	1,298.0	1,344.0	1,344.0	1,381.9	1,411.1	1,437.4	1,453.0	1,545.0	1,785.0
Goodwill	3,189.0	3,184.0	3,409.0	3,415.0	4,069.0	4,069.0	4,069.0	4,069.0	4,069.0	4,069.0	4,069.0	4,069.0
Intangible assets, net	156.0	138.0	186.0	174.0	358.0	358.0	358.0	358.0	358.0	358.0	411.6	475.5
Other assets	54.0	30.0	54.0	63.0	114.0	114.0	68.7	79.1	86.1	99.6	131.1	151.4
<b>TOTAL ASSETS</b>	<b>21,917.0</b>	<b>22,579.0</b>	<b>26,911.0</b>	<b>27,896.0</b>	<b>28,881.0</b>	<b>28,881.0</b>	<b>29,409.9</b>	<b>30,274.8</b>	<b>31,462.1</b>	<b>34,070.0</b>	<b>34,598.2</b>	<b>40,829.1</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>												
Current liabilities:												
Accounts payable	115.0	125.0	188.0	114.0	145.0	145.0	154.6	160.8	152.6	175.7	175.7	201.3
Funds payable and amounts due to customers	10,612.0	10,945.0	11,386.0	11,802.0	12,261.0	12,261.0	12,555.0	12,816.7	13,195.7	14,559.6	14,559.6	16,700.4
Notes and payable to affiliates	1,093.0	868.0	102.0	-	-	-	-	-	-	-	-	-
Accrued expenses and other current liabilities	1,434.0	1,565.0	877.0	1,089.0	1,179.0	1,179.0	1,285.2	1,178.6	1,262.2	1,405.6	1,405.6	1,604.8
Income taxes payable	29.0	46.0	31.0	67.0	32.0	32.0	48.2	48.0	52.8	51.8	51.8	62.2
<b>Total current liabilities</b>	<b>13,283.0</b>	<b>13,549.0</b>	<b>12,584.0</b>	<b>13,072.0</b>	<b>13,617.0</b>	<b>13,617.0</b>	<b>14,043.0</b>	<b>14,204.1</b>	<b>14,663.3</b>	<b>16,192.8</b>	<b>16,192.8</b>	<b>18,568.8</b>
Long-term liabilities	386.0	390.0	1,587.0	1,610.0	1,505.0	1,505.0	1,358.4	1,625.0	1,631.9	1,751.7	1,751.7	2,021.8
<b>TOTAL LIABILITIES</b>	<b>13,669.0</b>	<b>13,939.0</b>	<b>14,171.0</b>	<b>14,682.0</b>	<b>15,122.0</b>	<b>15,122.0</b>	<b>15,401.4</b>	<b>15,829.1</b>	<b>16,295.2</b>	<b>17,944.5</b>	<b>17,944.5</b>	<b>20,590.6</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>8,248.0</b>	<b>8,640.0</b>	<b>12,740.0</b>	<b>13,214.0</b>	<b>13,759.0</b>	<b>13,759.0</b>	<b>14,008.5</b>	<b>14,445.7</b>	<b>15,166.9</b>	<b>16,125.5</b>	<b>16,653.7</b>	<b>20,238.5</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>21,917.0</b>	<b>22,579.0</b>	<b>26,911.0</b>	<b>27,896.0</b>	<b>28,881.0</b>	<b>28,881.0</b>	<b>29,409.9</b>	<b>30,274.8</b>	<b>31,462.1</b>	<b>34,070.0</b>	<b>34,598.2</b>	<b>40,829.1</b>

Source: Jefferies

## Company Description

PayPal Holdings, Inc. (PayPal) is a technology platform company, which enables digital and mobile payments on behalf of consumers and merchants around the world. The Company focuses on its consumers, merchants, friends and family to access and move their money through its platform using various devices, such as mobile, tablets, personal computers and wearables. It provides businesses of various sizes to accept payments from merchant Websites, mobile devices and applications, and at offline retail locations through a range of payment solutions across its Payments Platform, including PayPal, PayPal Credit, Venmo and Braintree products. PayPal gateway products include Payflow Payments and Braintree products. The Company enables its consumers to fund a purchase using a bank account, a PayPal account balance, a PayPal Credit account, a credit or debit card, or other stored value products such as coupons and gift cards.

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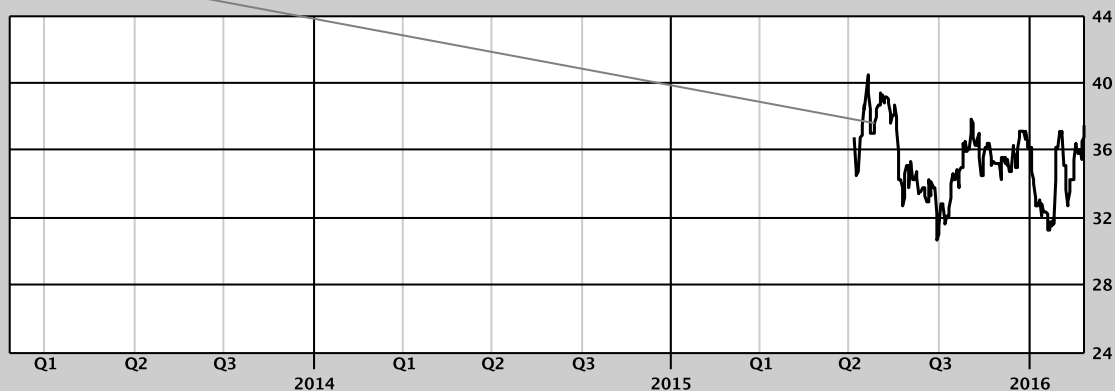
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- Google, Inc. (GOOG: \$705.07, BUY)
- LinkedIn Corporation (LNKD: \$120.91, BUY)
- MasterCard, Inc. (MA: \$87.57, BUY)
- Twitter, Inc. (TWTR: \$17.94, BUY)
- Visa, Inc. (V: \$72.73, BUY)
- Vodafone plc (VOD LN: p218.85, BUY)
- Wirecard AG (WDI GR: €36.45, BUY)

**Rating and Price Target History for: PayPal Holdings Inc. (PYPL) as of 02-26-2016**

07/28/15  
I:B:\$44



**Distribution of Ratings**

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1183	54.77%	334	28.23%
HOLD	820	37.96%	162	19.76%
UNDERPERFORM	157	7.27%	16	10.19%

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