

PayPal Financial Performance

Name

Institutional Affiliation

Date

CapstoneWriting.com

## Financial Performance for 2012 to 2017

Generally, PayPal has experience growth over the five years from 2012 to 2016. In the year ending 31<sup>st</sup> December 2012, the net revenue for the company was 5.663 billion dollars ("PayPal Holdings - Annual Report", 2017). In the next four years, the revenue grew to 6.627, 8.025, 9.248 and 10.842 billion dollars respectively from 2013 to 2016 ("PayPal Holdings - Annual Report", 2017). The trend shows a continuous growth over time which is a promising indicator for business. There is also a rising trend in the value of assets owned by the company with the values shifting from 16.183 billion dollars in 2013 to 33.103 million dollars in 2017. This is accompanied by an increase in the value of liabilities which has shifted from 428 million dollars to 1.513 billion dollars. Below is a table that represents the performance of the company over the five years in this period.

	Year Ended December 31,				
	2016	2015	2014		2013
	(In millions, except per share amounts)				
<b>Consolidated Statement of Income Data:</b>					
Net revenue	\$ 10,842	\$ 9,248	\$ 8,025	\$ 6,727	\$ 5,662
Operating income	1,586	1,461	1,268	1,091	880
Net income	1,401	1,228	419	955	778
Net income per share:					
Basic	\$ 1.16	\$ 1.00	\$ 0.34	\$ 0.78	\$ 0.64
Diluted	\$ 1.15	\$ 1.00	\$ 0.34	\$ 0.78	\$ 0.64
Weighted average shares (D):					
Basic	1,210	1,222	1,218	1,218	1,218
Diluted	1,218	1,229	1,224	1,224	1,224
<b>Consolidated Balance Sheet Data:</b>					
Total assets	\$ 33,103	\$ 28,881	\$ 21,917	\$ 19,160	\$ 16,183
Total long-term liabilities	1,513	1,505	386	509	428

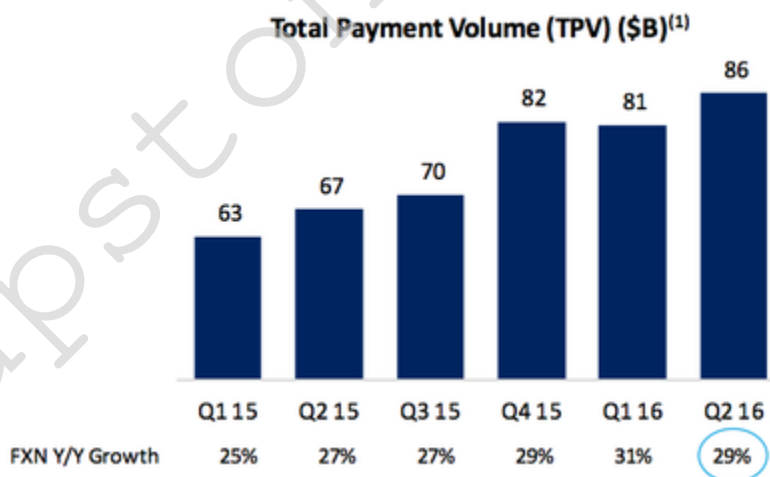
Source: <https://investor.PayPal-corp.com/secfiling.cfm?filingID=1633917-17-27&CIK=1633917>

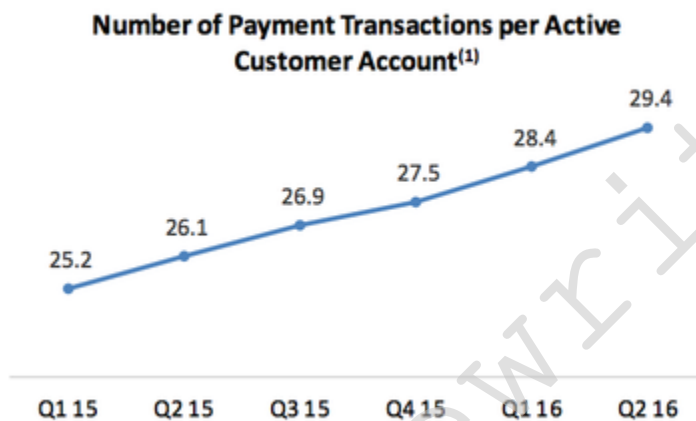
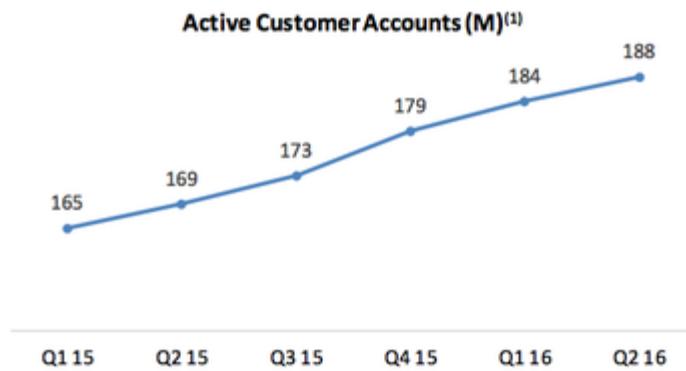
In the period between 2013 and 2016, the company witnessed a reduction in cash worthiness of the company. However, the company rose in value in terms of marketable securities. As a result, there was a significant rise in the receivables for the company. In 2013 through to 2016, the cash value of the company was 1.6, 2.2, 1.39 and 1.59 billion dollars respectively ("PayPal Balance Sheet, Annual, 2016, 2015 - Amigobulls", 2017). The 2014 and 2015 results especially show a significant drop of almost a billion dollars ("PayPal Balance Sheet, Annual, 2016, 2015 -

Amigobulls", 2017). Below is a table that shows the performance of the company over the four years whose full results will be presented in the appendices of the paper.

The fiscal year is Jan - Dec	2013	2014	2015	2016
<b>Cash</b>	1.6B	2.2B	1.39B	1.59B
<b>Marketable Securities</b>	321M	29M	2.02B	3.39B
<b>Receivables</b>	9.33B	10.68B	12.4B	14.58B
<b>Notes Receivable</b>	3.1B	4.28B	4.18B	5.35B
<b>Other Current Assets</b>	267M	378M	655M	833M
<b>Total Current Assets</b>	<b>14.62B</b>	<b>17.57B</b>	<b>20.65B</b>	<b>25.73B</b>

The graphical representation of the financial performance of t PayPal produces the following results(Cardenal, 2016) :





Source: <https://www.fool.com/investing/2016/09/19/PayPal-stock-in-5-charts.aspx>

Comparison with competitors

Although PayPal was the pioneer in an era of digital payments, the field is becoming more attractive and therefore more tech giants are getting into the equation. Among the biggest competitors currently are Alipay, Amazon pay services, and JD finance (Gray, 2017). Payoneer and Skrill are also popular methods of sending and receiving money especially for individuals who work online. One major advantage that these companies have is that most of them affiliated with some form of e-commerce social providers. These companies can therefore easily tap on the

consumers who purchase from their website. There is an increased need to manage individual passwords and the increase in the possibility of using click-to-pay service the better (Tsukayama, 2013). These companies offer an easier option to pay when one is purchasing from these websites. The need for ease of payments has encouraged the rise of signing in with services such as Facebook and Google logins to access payment methods (Tsukayama, 2013). PayPal itself has been propelled to success through its previous relationship with eBay. It is therefore certain that an association with an e-commerce platform such as Amazon and Aliexpress for Alipay is a great advantage.

Although competitors are increasing their muscle, the dominance already created by PayPal will be difficult to change. In 2016, PayPal received an increase of 21 million accounts compared to 12million new accounts for Amazon payments (Gray, 2017). Currently, the company has almost 200 million active accounts and 35million more accounts from merchants. On the other side, Amazon Payment has about 33 million accounts (Gray, 2017). PayPal is, therefore, expanding faster despite its already large consumer base. PayPal universal nature as an independent company from eBay is perhaps a propelling industry. To avoid having multiple accounts which increases the chances of forgetting passwords and suffering from fraud, individuals prefer payment methods that will fit across the board. It is, therefore, discouraging for consumers to choose a payment method such as Alipay which will only serve on a single e-commerce platform unless they shop extensively with the traders on the platform.

With increased visibilities of global e-commerce platforms, many consumers are not loyal to a single selling point. The success of PayPal on e-Bay was largely due to the primacy of eBay as an e-commerce platform (Beulah, 2017). When PayPal was being established and its subsequent absorption into e-bay, the industry was still new with the limited online selling of which most

belonged to e-Bay. Having a PayPal account was, therefore, a necessity for most of the people venturing into the online selling of purchasing of goods.

In addition to this, over time, PayPal has marked a strong brand position (Beulah, 2017). This helps it in two ways. First of all the consumers have established a level of confidence in the company. The company is associated with less fraud and breach of data. A research conducted by the International Business Machines (IBM) found that each case of fraud is associated with 4 million dollars in losses. In 2015, cases of a breach of data resulted in 3.8 million dollars while in 2016, there were 4 million dollars lost. This argument can be used to discourage people from entrusting data from newer payment methods that are seen an experimentation procedure by the people. On the other hand, PayPal uses its strong brand position to convince upcoming e-commerce businesses of the advantages of attaching themselves to the company. More merchants accepting PayPal payments mean that more consumers see it as a necessary payment method. This strengthens the position of PayPal as a global money transfer. It can, therefore, be presumed that PayPal will remain strong in the lead in the e-payment platforms.

#### Financial Events affecting the Company's Performance

Like any other industry, the PayPal industry has been affected by the past economic hardship periods. Global economies have continues to struggle with the repercussions of the 2008 recession even to date. While the US economy began to recover in 2011, the recovery was much slower than anticipated ("Recessions compared", 2011). In 2011, the growth was taking place at approximately 1.3%. The situation was even more severe within the European Union. With some countries such as Greece being bailed out multiple times, other economies were struggling too. Spain and Italy have been reported to have record levels of unemployment as well as

experiencing financial stagnation. The situation in Europe has been made worse by extraordinary events such as Brexit and immigration challenges. These rise in a number of refugees continue to strain budget in both caring for the needs of the refugees as well as creating stronger mechanisms of managing the influx of people into the countries. This, in turn, results in a rise in trends of nationalism which is causing the unanticipated rise of nationalism and changes I governments to more right-leaning forms of governing policies.

All these factors affect the digital payments platforms in numerous ways. First of all, the recession results in a direct reduction of disposable income. People are more likely to purchase luxuries online than basic commodities. Top of the commodities that are sold online include clothes, mobile phones, shoes, jewelry, beauty and therapy and well as assorted forms of electronics. These are all forms of luxuries which are the efforts to be eliminated from current budgets when families are faced with economic hardships. Online shopping also takes time and therefore when fiancés are short, individuals are likely to purchase goods in local stores where they can have the product as soon as they get money. Physical shopping also allows individuals more opportunity to compare brands and bargain with the sellers. When online shopping is abandoned during a financial crisis, e-payments also take a hit. Additionally, financial crises mean that there is less money for across border transactions and therefore e-payments experience reduced activity. With the continued economic disturbances in Europe, e-payments will continue to struggle at least in as much as expansion is concerned.

Even factors that may not seem directly concerned with digital payments methods are affecting the operations of PayPal. For example, the rise in terrorism has increased scrutiny and restrictions on digital payment platforms. There are transactions limitations with countries that are considered to have a certain level of risks such as Libya, Iran, Iraq, Belarus, and others

("Prohibited Countries - PayPal - Braintree - BigCommerce", 2018). This prevents the funding of organized trusties groups. In other countries, digital payments are shunned as methods that increase laundering. These restrictions block certain markets form access by e-payment companies. They, therefore, limit the expansion of digital payment companies and are therefore events that effect PayPal significantly.

Capstonewriting.com



## References

- Beulah, M. (2017). *2 Key Metrics Showcasing PayPal's Strengths*. Retrieved 4 April 2018, from <https://seekingalpha.com/article/4106200-2-key-metrics-showcasing-paypals-strengths>
- Cardenal, A. (2016). *PayPal Stock in 5 Charts. The Motley Fool*. Retrieved 4 April 2018, from <https://www.fool.com/investing/2016/09/19/paypal-stock-in-5-charts.aspx>
- Gray, N. (2017). *Market Realist. Marketrealist.com*. Retrieved 4 April 2018, from <https://marketrealist.com/2017/03/heres-how-paypal-could-make-a-competition-crisis-an-opportunity>
- Paypal Balance Sheet, Annual, 2016, 2015 - Amigobulls*. (2017). *Amigobulls.com*. Retrieved 4 April 2018, from <https://amigobulls.com/stocks/PYPL/balance-sheet/annual>
- PayPal Holdings - Annual Report*. (2017). *Investor.paypal-corp.com*. Retrieved 4 April 2018, from <https://investor.paypal-corp.com/secfiling.cfm?filingID=1633917-17-27&CIK=1633917>
- Prohibited Countries - PayPal - Braintree - BigCommerce*. (2018). *Paypal.com*. Retrieved 4 April 2018, from <https://www.paypal.com/us/webapps/mpp/bigcommerce/security/prohibited-countries>
- Recessions compared*. (2011). *The Economist*. Retrieved 4 April 2018, from <https://www.economist.com/blogs/dailychart/2011/07/american-recessions-and-recoveries>
- Tsukayama, H. (2013). *PayPal shows strength, but competitors loom. Washington Post*. Retrieved 4 April 2018, from <https://www.washingtonpost.com/business/technology/paypal->

[shows-strength-but-competitors-loom/2013/10/17/d104e92a-3597-11e3-be86-6aeaa439845b\\_story.html?utm\\_term=.185795447296](https://www.fox.com/story/shows-strength-but-competitors-loom/2013/10/17/d104e92a-3597-11e3-be86-6aeaa439845b_story.html?utm_term=.185795447296)

CapstoneWriting.com

## Appendix: Cash Flow Statement for 2013-2017

## Operating Activities

Fiscal year is January-December. All values USD millions.

	2013	2014	2015	2016	2017	5-year trend
<b>+</b> Net Income before Extraordinaries	955M	419M	1.23B	1.4B	1.8B	
Depreciation, Depletion & Amortization	453M	516M	608M	724M	805M	
Depreciation and Depletion	383M	432M	515M	574M	649M	
Amortization of Intangible Assets	70M	84M	93M	150M	156M	
Deferred Taxes & Investment Tax Credit	52M	680M	127M	52M	(1.3B)	
Deferred Taxes	52M	680M	127M	52M	(1.3B)	
Investment Tax Credit	-	-	-	-	-	
Other Funds	679M	904M	1.09B	1.46B	1.81B	
Funds from Operations	2.14B	2.52B	3.05B	3.64B	3.11B	
Extraordinaries	-	-	-	-	-	
Changes in Working Capital	(146M)	(299M)	(506M)	(481M)	(581M)	
Receivables	80M	(37M)	(380M)	(696M)	(2.11B)	
Accounts Payable	30M	40M	(205M)	11M	62M	
Other Assets/Liabilities	(23M)	(2M)	39M	135M	1.45B	
<b>+</b> Net Operating Cash Flow	1.99B	2.22B	2.55B	3.16B	2.53B	