

International Financial Analysis

Assignment

Analyse financial Performance of PayPal of year 2023 to 2024

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1. Introduction

PayPal is a digital payment giant that enables its users to effortlessly conduct online transactions, make payments, and access various financial services. PayPal is based in San Jose, California, and its major products include PayPal, Venmo, Braintree, and PayPal Zettle. All these products and services help customers and merchants make payments as safely and efficiently as possible, no matter where they are on the globe ((Annual Report, 2024).

PayPal is a profitable business, and its annual reports attest to the same. In the previous two years, PayPal made profits of 4,246 million in 2023 and 4,147 million in 2024 (Schulman, 2023). The current report analyses PayPal's financial performance, focusing on the sources of finance, dividend policy, and financial ratios over the 2023-2024 period. It thoroughly explores the dimensions of profitability, Liquidity, and investment to shed light on the possible strategic direction and market position of the business (Annual Report, 2023).

2. Financial Performance and Development

There are two significant developments PayPal has been followed;

Development 1:

For the first one, PayPal began expanding some of its advanced technology focuses into new territories. As part of this expansion, PayPal was able to provide some humanitarian aid, which resulted in the company gaining some new users and seeing a 12% increase in its TPV, ex-FX, in Ukraine (Schulman, 2023; Annual Report 2024).

Development 2:

For the second one, PayPal's new technological advancements, specifically PayPal Complete Payments and the upgraded Braintree systems, improved transaction efficiency. This drove the transaction volume to increase 5% to 26.3 billion in 2024 (Annual Report 2024; Chriss, 2024).

As for the impacts of all these efforts, they increased revenues 6.8% to 31,797 million dollars and TPV sales volume (the same sales volume in total for the sales to be paid) by 10% to 1,681 billion dollars in 2024. They did, however, still experience a net 2.3% decline in net income to 4,147 million dollars. This was due to the one-time net loss on investments, showing there is still a need to complete the targets of profitability (Maheshwari et al, 2024).

3. Evaluate Sources of Finance and Dividend Policy

3.1 Sources of Finance

In 2024, PayPal's cash flow increased 53.8% to \$7,450 million, allowing the company to sustain operations and make investments (Chriss, 2024). PayPal's reliance on debt financing is low as well. Long-term debt is steady at \$9,097 million, and the company's debt-to-equity ratio is at about 3.0x, which indicates that PayPal is not taking on too much debt (Schulman, 2023). In equity financing, share repurchase (\$6.0 billion in 2024) and equity reduction of 3.0% to \$20,417 million enhance EPS, reducing investment capital (Jain, 2024; Annual Report, 2024).

3.2 Dividend Policy

The dividend policy reflects the payments of dividend to shareholders and PayPal opted for share buybacks that amounted to \$6.0 billion, citing confidence in the stability of its cash flows (Chriss, 2024). This moved the share price increase the EPS to 3.9% to \$3.99. From their most recent share buybacks, PayPal intends to keep reinvesting in the company, especially in the technology and expansion of the company. Although this fits their strategic growth model, it likely frustrates their income-seeking investors (Vernimmen et al., 2022; Annual Report 2024).

4. Analysis of Financial Performance

4.1 Ratios of 2023 and 2024

Table 1: Ratios of Pay Pal 2023 and 2024

Ratio Name	Calculation with Formula	2023 Value	2024 Value	Market Average (Estimated)
Current Ratio	$(\text{Current Assets} / \text{Current Liabilities})$	1.21	1.20	1.5
Quick Ratio	$((\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities})$	1.20	1.19	1.3
Working Capital	$(\text{Current Assets} - \text{Current Liabilities})$	\$m9,988	\$m10,220	\$m15,000
Return on Assets (ROA)	$(\text{Net Income} / \text{Total Assets}) \times 100$	5.2%	5.1%	6.0%
Return on Equity (ROE)	$(\text{Net Income} / \text{Avg. Equity}) \times 100$	20.2%	20.3%	12.0%
Net Profit Margin	$(\text{Net Income} / \text{Revenue}) \times 100$	14.3%	13.0%	15.0%
Return on Investment (ROI)	$((\text{Net Income} - \text{Interest}) / \text{Total Assets}) \times 100$	5.1%	5.0%	6.5%
Dividend Payout Ratio	$(\text{Dividends} / \text{Net Income}) \times 100$	0%	0%	40.0%

Source: Formula are adapted from (Warner and Hussain, 2022),

Data Source: Annual Report (2024), Annual Report (2023) and 2024 pay Pal, <https://investor.pypl.com/financials/annual-reports/default.aspx>

4.2 Analysis of Liquidity, Profitability, and Investment

4.2.1 Liquidity

PayPal's current ratio was 1.20 in 2024, while the industry average was 1.5. This shows PayPal had enough short-term coverage. The liquidity PayPal's liquidity ratio is also strong because it has a quick ratio of 1.19 and a working capital of 10,220 million dollars. This means that a cash position of 9649 million dollars will be enough to cover operational needs during the 6 billion dollar buybacks. However, the current level of buybacks will continue to weaken liquidity as cash flows weaken (Cunningham et al., 2018).

4.2.2 Profitability

PayPal's profitability measures are mixed because it has a 20.3% return on equity in 2024, which is way above the 12% market average. This is because PayPal is using equity very efficiently. However, the net profit margin decreased from 14.3% to 13% because of investment losses,, which shows the problem with the operations, which is also below the peer average of 15%. PayPal also has a 5.1% return on assets, below the market average of 6%, indicating that PayPal needs to utilize its assets better (Jain, 2024).

4.2.3 Investments

PayPal has a 5.0% return on investment, below the 6.5% market average. This shows that PayPal still needs to improve the return on investments; in this case, assets in the investment phase have a modest return. PayPal displays a 0% dividend Payout ratio and for this reason, it stands out within a market average 40% Payout. PayPal is reinvesting when market players are distributing income. PayPal justified this with a 10% increase in total processed volume. It seems that for PayPal, returns are tied more closely to the ability to innovate (Schulman, 2023).

5. Conclusion

The report concludes the financial performance and analysis of Pay Pal based on performance of 2023 and 2024. The report explains and analyse the PayPal displays a 0% dividend Payout ratio and for this reason, it stands out within a market average 40% Payout. PayPal is reinvesting when market players are distributing income. PayPal justified this with a 10% increase in total processed volume. It seems that for PayPal, returns are tied more closely to the ability to innovate PayPal will likely continue to perform well with the 2023-2024 fiscal year. Due to new strategies in payment technologies and payment volume additions, revenues and total payment volume grew by 6.8% and 10% respectively. Cash flow is also robust and unencumbered by dividend

payments, providing flexibility for potential growth. However, the company faces net income, equity reduction, and overall profitability challenges, and while liquidity is adequate, with a current ratio of 1.20, the profitability and market valuation metrics reveal problematic discord. PayPal's continuing net company growth is reliant on the equilibrium of longer-term strategic technological adoptions and the current buyback policy. PayPal is also positioned to become a leader in revolutionary commerce on a global scale.

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