
Taking PayPal Private

(NASDAQ: PYPL)

*What Price Does the Institute Believe the Board Requires,
and Why Did the Money Never Reach It?*

The Institute Believes the Board Seeks \$70 or Higher.

The buyers offered \$60.50. Every dollar they assembled reached \$64.23. It was never enough.

*Advent International and Stripe indicated \$60.50 a share on July 15, 2026,
were told the price was inadequate, and walked away on August 28, 2026.*

*Four methods for the reservation price -- two of them one method twice -- a discounted
cash flow built without adding back stock compensation, the change-of-control
put, the section 163(j) ceiling, and the equity check that ended it.*

STOCK \$53.66 AT THE AUG 28, 2026 CLOSE · OFFER \$60.50 · FUNDING CEILING \$64.23

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Author holds no position in PYPL · Educational · Not investment advice

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THE BARATELLI INSTITUTE · EDUCATIONAL CASE STUDY

Taking PayPal Private

What price the Institute believes the board requires, what the assembled funding actually reached, and the five dollars and seventy-seven cents a share in between

Prepared September 1, 2026. Prices struck at the August 28, 2026 close. Financial statements through the three and six months ended June 30, 2026 as filed on Form 10-Q, and the fiscal year ended December 31, 2025 as filed on Form 10-K. The 52-week range, the equity beta and the risk-free rate used in Section 2 carry a September 1, 2026 measurement date and are labeled as such where they appear.

The answer

The Institute believes, on the analysis that follows, that PayPal’s board will not sell this company below \$70 a share. The Institute’s view is \$70 or higher — a price equal to or above that number. No board files its reservation price and no outsider can state one as a fact; what follows is the Institute’s reading of the evidence, and it should be held as that. It belongs at the front because every other question in a buyout — the leverage, the tax shield, the cost program, the exit multiple — is academic until a buyer and a seller agree on a price. Note that a price being *stated* is not enough: Advent International and Stripe stated \$60.50 on July 15, 2026 and the sellers declined it. Four methods produce the Institute’s \$70, and this case discloses that they are not four independent confirmations.

WHAT THE INSTITUTE BELIEVES THE BOARD REQUIRES — FOUR METHODS, NOT AVERAGED	Per share	What it measures	Measured
Buyback record	\$70.38	Average price paid on \$6,053M of fiscal 2025 repurchases	fiscal year ended December 31, 2025
Fifty-two-week high	\$79.22	Highest price the public market paid, struck before any bid was public	October 28, 2025
Peer EV/EBITDA	\$68.04	Median non-PayPal peer multiple of 9.47x on trailing EBITDA	August 28, 2026 closes; trailing statistics
Discounted cash flow	\$76.03	Two-stage, 9.64% WACC, 2.0% terminal growth, SBC not added back	trailing twelve months to June 30, 2026
Median of the four	\$73.21	The Institute’s stated answer of \$70 or higher starts below this, not on it	—

Four methods are shown side by side and deliberately not averaged. Averaging numbers of unequal quality produces a fifth number of no quality. Section 1 says which of these carry weight and which do not, and each row is worked in full there and in Section 2.

Not one of the four lands below \$68 and three land above \$70, which is why the Institute’s view is stated as \$70 or higher: seventy is the conservative end of this evidence, not its midpoint. Two cautions travel with that, and they are stated here rather than buried in Section 1: the four methods are not independent of one another — the discounted cash flow’s terminal value implies an exit multiple of 9.33 times, which is essentially the 9.47 times peer median, so methods three and four are one method twice — and the buyback average is produced by a fixed annual dollar budget, not by directors choosing a price. Section 1 takes both apart. The conclusion survives them; the claim of four independent confirmations does not.

Now the other side of the table. Advent International and Stripe indicated \$60.50 a share on July 15, 2026. Behind that indication they assembled approximately \$17.0 billion of equity against roughly \$50 billion of committed bank financing. \$64.77 is what that money reaches — not what anyone bid. The bid was \$60.50. The arithmetic is short enough to show in full, and it is shown here because a number this load-bearing should not arrive unexplained.

WHERE \$64.77 COMES FROM \$ in millions except per-share. Every input is carried in Section 4.	Amount
Sponsor equity assembled, reported July 2026	17,000
Committed bank financing, reported July 2026	50,000
PayPal's own balance-sheet cash, applied to the purchase price at closing	5,000
Total funding available	72,000
Less: existing term notes put back at 101 on change of control ($12,728 \times 1.01$)	(12,855)
Less: Paidy revolver and commercial paper repaid at close	(756)
Less: financing fees, 1.75 percent of the 50,000 of committed debt	(875)
Less: legal, accounting, regulatory filings and D&O run-off cover	(160)
Left to buy the shares, before advisory fees	57,354
Divided by 1.004, because advisory fees of 0.40 percent ride on the purchase price	57,125
Divided by 882 million diluted shares	÷ 882
Maximum price the assembled funding reaches	\$64.77

The third line is the one most often missed. The \$5,000 million is not the buyer's money. It is PayPal's own unencumbered balance-sheet cash, and the buyer applies it to its own purchase price at closing — the company funds part of its own acquisition. The difference between the funding the sponsors assembled and the funding the deal requires closes with the target's cash. Three prices, three different things. \$60.50 is what Advent and Stripe offered and the sellers declined. \$64.77 is the ceiling of the money they had actually assembled — what they could have stretched to had they chosen. \$70 is what the Institute believes the seller requires. The bid was \$4.27 below the buyer's own ceiling, which says the sponsors were not bidding to the limit of their funding; the ceiling was still \$5.23 short of the price the Institute believes gets a deal done.

Label the precision before leaning on it. \$64.77 is computed off two figures that are press reporting rather than filed disclosure, and it moves about \$1.11 a share for every billion dollars of equity or debt. So the finding is not that \$70 is unreachable by arithmetic. It is that \$70 was unreachable *with the capital structure the market actually offered* — a gap of \$5.23 a share, or \$4.6 billion of additional equity. Advent and Stripe did not withdraw because the asset is bad; Section 2 shows a business throwing off \$4.8 billion of unlevered cash a year against a \$45.9 billion market capitalization. They withdrew because at \$70, with debt held at the \$50,000 million actually committed and \$5,000 million of balance-sheet cash applied, the equity check becomes \$21.6 billion — 1.27 times what they had raised and 60% of the largest equity ever assembled for a sponsor take-private. Section 4 builds that check at three prices.

One thing changes that answer, and it is not more equity. PayPal has announced at least \$1.5 billion of run-rate cost savings. The banks committed \$50 billion against \$6,909 million of *trailing* EBITDA — 7.24 times. Size that same multiple against run-rate EBITDA instead, which credit agreements routinely permit, and the commitment becomes \$61.2 billion, the affordable price becomes \$77.21, and the check at \$70.00 falls to \$10.6 billion, inside the \$17.0 billion already raised. Section 6 works it in full. The real question is therefore narrower than a valuation question: will a lender underwrite savings that have not happened yet — about \$400 million of the \$1,500 million delivered on a July 2026 clock? The Institute does not know. What the July 2026 group did — stop at \$50 billion and \$60.50 — is the behavior of buyers who were not given that basis.

That is the finding, and a reader who wants only the finding can stop here. The seven sections that follow establish each number in it: where the Institute’s estimate comes from and which of the four methods deserve weight (Section 1), the cash flows underneath it (Section 2), what a buyer must refinance before it owns anything (Section 3), the sources and uses (Section 4), the equity check measured against every large check actually written (Section 5), what leverage and cost cuts can and cannot do to the gap (Section 6), and the one transaction structure that clears both sides at once (Section 7).

1. What price does the Institute believe the board requires?

A board’s reservation price is not a disclosure. No company files it and no director says it out loud during a live approach. But it is not unknowable either. The Institute runs four methods, and they do not carry equal weight. The discounted cash flow in Section 2 is the only one that values the business rather than borrowing somebody else’s opinion of it. The 52-week high is the anchor a board will actually negotiate from, and it is uncontaminated by any bid. The peer multiple is corroboration on a set too small to be evidence. And the buyback record — the one that looks most persuasive — turns out on inspection to be a fixed dollar budget rather than a price judgment. Each is worked below with its weakness attached to it.

Method one: what the board has actually paid for its own shares

This is the method a director raises first, and it is the one this section will end up trusting least. Every other method asks what the company is worth to somebody. This one asks what the company itself paid, in cash, over three and a half years and roughly twenty billion dollars.

THE REPURCHASE RECORD — A DOLLAR BUDGET, AND THE PRICES IT PRODUCED consolidated statements of stockholders' equity; shares in millions, dollars in millions	Shares	Dollars	Average price
FY 2023	74	5,046	\$68.19
FY 2024	92	6,053	\$65.79
FY 2025	86	6,053	\$70.38
Q1 2026	34	1,513	\$44.50
Q2 2026	33	1,514	\$45.88
Total since January 1, 2023	319	20,179	\$63.26

Fiscal 2023 through fiscal 2025 from the Form 10-K statements of stockholders' equity, page 61; the first two quarters of 2026 from the Form 10-Q, page 7. Average price is dollars divided by shares and is therefore a volume-weighted average of every trade in the period, not a quoted price.

Read the fiscal-year rows first. The company paid \$68.19 on average in fiscal 2023, \$65.79 in fiscal 2024 and \$70.38 in fiscal 2025 — a three-year band of roughly \$66 to \$70, and rising into the most recent completed year. What that record shows is a company willing to spend cash in the high sixties rather than hold it. The Institute reads that as evidence bearing on value; it is not a price the board chose, for the reason the next subsection gives.

Then the two 2026 quarters break the pattern, and the honest thing to do is put them in the table rather than end the series at the point that flatters the argument. PayPal repurchased 34 million shares at \$44.50 in the first quarter of 2026 and 33 million at \$45.88 in the second. A blended \$45.18 — thirty-five percent below the fiscal 2025 average, and twenty-five dollars below the price the Institute believes the board requires.

What this method cannot claim, and why

The average price in that table is not the board's number. It is the market's. A board does not set a repurchase price; it approves an authorization — a dollar amount and a window — and the shares get bought at whatever price other market participants happen to be transacting at while that money is spent. Look down the dollar column and the mechanic is visible: fiscal 2024 and fiscal 2025 are \$6,053 million each, the same number twice; the first two quarters of 2026 are \$1,513 million and \$1,514 million; management's 2026 guidance is approximately \$6,000 million. That is a fixed dollar budget spent down on a schedule. Under a fixed-dollar program the average price paid is not chosen by anybody — it is mechanically the average price the stock traded at over the spending window. So \$70.38 describes where PayPal traded in fiscal 2025. It does not state what the directors think the company is worth, and neither does the \$45.18 paid while the stock was making its \$38.46 low on February 12, 2026.

What the record does establish is direction, not level. A budget is reset every year, and directors who thought their own stock expensive would cut the authorization rather than fund it again. PayPal funded it again and guided to funding it once more, including through the February collapse. That is a board acting as a committed buyer of its own equity. It is not a board stating a price, and this case does not lean on it as though it were.

The number this method produces: \$70.38 — the fiscal 2025 average, measured on a clock that closed December 31, 2025 and is nine months stale against this document. It is a market average, not a board judgment; it is the weakest of the four methods and it is listed first only because it is the one a director will raise first.

Method two: the highest price the public market has paid

PayPal traded at \$79.22 on October 28, 2025. That is the high of the 52 weeks ended September 1, 2026, and the date is the whole point of quoting it. A 52-week high struck during takeover speculation is worthless as evidence of value, because it is a price for a rumor rather than for a business. This one was struck nine months before the Advent and Stripe approach became public on July 15, 2026. There is no bid in it. It is what the public market paid for PayPal on the fundamentals, and directors negotiating a sale will produce that chart in the first meeting, because every board does.

The weakness is equally plain and belongs in the same paragraph: a single day's print is the high-water mark of sentiment, not a valuation, and the same twelve months contain a \$38.46 low. The range is the honest way to hold it. But a board is not obliged to be even-handed about its own stock, and a directors' view anchored on the high end of a range the market itself set less than a year ago is not an unreasonable one.

Method three: what the market pays for comparable payments cash flow

Four large payments businesses on one clock — the August 28, 2026 closes, with trailing statistics through each company's most recent reported quarter, all from a single vendor so the basis does not shift between rows.

PAYMENTS COMPARABLES \$ in millions except per share; S&P Global Market Intelligence, retrieved August 30, 2026	Price	Market cap	EV	EBITDA	EV / EBITDA	Debt / EBITDA
PayPal Holdings (PYPL)	\$53.66	45,900	48,870	6,460	7.57x	2.15x
Block (XYZ)	\$83.57	50,210	50,640	1,550	32.72x	4.40x
Fiserv (FI)	\$53.18	28,280	55,690	7,740	7.20x	3.53x
Global Payments (GPN)	\$91.82	24,300	42,440	4,480	9.47x	5.18x
Median, excluding PayPal	—	—	—	—	9.47x	4.40x

Vendor basis, not the filings' basis. The vendor's trailing EBITDA of \$6,460 million for PayPal differs from this case's \$6,909 million because of period cut-off and add-back conventions; the implied value below is computed on the vendor's own numerator and denominator so the multiple and the metric come from the same source. Nothing is excluded from the medians. The 9.47x is the median of the three non-PayPal EV/EBITDA multiples as they stand — Block at 32.72x above it, Fiserv at 7.20x below — and the median is the statistic used precisely because it is unmoved by Block. On EV to free cash flow the same three names run 13.05x, 14.18x and 51.59x for a median of 14.18x; that metric is carried in the model and is not used in the valuation below.

Apply the median non-PayPal multiple of 9.47 times to PayPal's trailing EBITDA on the same vendor basis and the enterprise value is \$61.2 billion. Deduct the vendor's \$2,970 million of net debt and the equity is \$58.2 billion, or \$68.04 a share. That is what PayPal would be worth if the market simply stopped discounting it relative to its own peers — which is a modest ask, since one of the three peers carries more than five times leverage and PayPal carries 2.15 times.

One caution about the median itself, and it cuts against the method. Fiserv is not a neutral yardstick here. It trades at 7.20 times EBITDA after a drawdown of its own, which is to say the peer read is anchored partly on a second depressed payments multiple rather than on a healthy one. The Institute has a separate case on Fiserv that works through what compressed that multiple. The short version is that two large payments businesses trading at single-digit EBITDA multiples at the same time is more likely a statement about how the market is currently pricing the sector than about either company. Read one way that strengthens the argument for a take-private, because the buyer would be acquiring into a sector-wide dislocation. Read the other way it weakens this particular method, because a median built on dislocated marks reproduces the dislocation.

The weakness of this method is the size of the set. Four names is not a comparable universe, it is an anecdote with a median, and a single name moving reprices the whole answer. It is included because it is the only method here that reflects live trading in the sector on the document's own clock, and because it lands within two and a half dollars of the buyback method — but it is corroboration, not evidence.

Method four is the discounted cash flow, and it takes a section of its own.

What the four methods say together

The spread is \$68 to \$79 and the convergence inside it is real but narrower than four rows suggest. The buyback average (\$70.38) and the peer read (\$68.04) land \$2.34 apart and are genuinely independent of each other — but the first is a budget artifact, as the subsection above shows, and the second is the same multiple the discounted cash flow assumes on its way out. What is left standing is one method with real force and one corroboration of it, plus a 52-week high (\$79.22) that is a negotiating anchor rather than a valuation.

The Institute's answer is \$70 or higher, and the phrasing carries the argument. Seventy is the low end of what this evidence supports, not the midpoint of it and not a point estimate. It is what the board paid in its most recent clean year, it is two dollars above the peer read, and it is six to nine dollars below the DCF and

the 52-week high. A board that accepted \$70 would be accepting less than three of its own four best arguments, which is why every number above it in the table is at least as defensible as the one the Institute has printed. That is why \$70 is a floor and why the rest of this case tests the transaction against it rather than against the \$60.50 that was actually offered.

2. The discounted cash flow

The three methods in Section 1 all borrow somebody else's opinion — the board's, the market's, or the sector's. A discounted cash flow borrows nobody's. It asks what the business produces and what that stream is worth, and for a company like this one it is the method that ought to carry the most weight, because PayPal's problem has never been cash generation. Start with the record.

THE BUSINESS BEHIND THE PRICE \$ in millions	FY 2023	FY 2024	FY 2025	LTM to Jun 30, 2026
Revenue	29,771	31,797	33,172	34,128
Operating income	5,028	5,325	6,065	5,946
Depreciation and amortization	1,072	1,032	963	963
Stock-based compensation	1,475	1,230	1,002	1,001
Cash from operations	4,843	7,450	6,416	7,475
Capital expenditure	623	683	852	889
Free cash flow (CFO less capex)	4,220	6,767	5,564	6,586

Fiscal years from the Form 10-K; the trailing twelve months computed as fiscal 2025 less the six months ended June 30, 2025 plus the six months ended June 30, 2026, per the Form 10-Q. Free cash flow here is the unadjusted statutory measure, not the company's adjusted free cash flow.

Revenue compounds. Free cash flow runs between four and seven billion dollars a year and has averaged \$5,784 million across the four periods above — \$5,517 million across the three full fiscal years. Capital intensity is trivial — \$889 million of capital expenditure against \$34.1 billion of revenue, or 2.6 percent. This is a cash business with a light balance sheet, and that is precisely why it attracted a leveraged buyer.

But operating income is the number to watch, and it has turned. Second-quarter operating income was \$1,427 million against \$1,504 million a year earlier — a decline, on revenue that grew. Every growth assumption below is set with that fact in view.

Building unlevered free cash flow

Three conventions decide whether a discounted cash flow is analysis or advocacy, and all three are stated before the arithmetic rather than buried under it.

No cost savings are in this number. PayPal has announced at least \$1.5 billion of run-rate cost reductions and roughly \$400 million of that was delivered on a July 2026 clock. None of it is credited here. The unlevered free cash flow below is built from operating income the company has already reported, so every dollar the cost program eventually delivers is upside to this figure and to the discounted cash flow that runs off it. That matters twice over. It means the \$76.03 a share the discounted cash flow produces is a no-savings number, and it means the value a buyer would underwrite is higher than the value printed here — which is the direction an Institute estimate should err. Section 6 works the cost program separately, where it belongs, because savings that have not happened yet are a financing argument rather than a valuation input.

Stock-based compensation is not added back. PayPal expensed \$1,001 million of it over the trailing twelve months, and it is already deducted inside GAAP operating income. Adding it back would lift

operating income by seventeen percent and the per-share answer by roughly the same, on the premise that paying people in stock is free. It is not free. It is paid by the owner, in dilution, in exactly the currency a buyer is trying to acquire. Any valuation that adds it back is valuing a company that does not have to pay its employees.

Working capital is held flat. PayPal's funds receivable of \$39,743 million and funds payable of \$41,743 million are customer float. They move together and they are not the owner's money. Running their period swing through a valuation would be an error in whichever direction it happened to fall.

UNLEVERED FREE CASH FLOW \$ in millions, trailing twelve months to June 30, 2026	Amount	Basis
Operating income (EBIT)	5,946	GAAP, after the full \$1,001 of stock compensation
Cash tax at 20%	(1,189)	Blended rate, same basis used in the leverage cases
Net operating profit after tax	4,757	EBIT less cash tax
Add depreciation and amortization	963	Non-cash
Less capital expenditure	(889)	2.6 percent of revenue
Change in working capital	—	Customer float, held flat by convention above
Unlevered free cash flow	4,831	Before any cost savings

Reconciliation to the company's own measure: PayPal guides to adjusted free cash flow of \$6 billion or better for fiscal 2026 and produced \$6,586 million of unadjusted free cash flow over the trailing twelve months. The unlevered figure here is lower than both because it taxes the full operating profit rather than the after-interest profit, and because it takes no credit for the adjustments the company makes, and because it credits none of the announced cost program. Those are all the conservative direction and all three are chosen deliberately.

The discount rate

The weighted average cost of capital is built rather than asserted, because an assumed rate is where a discounted cash flow usually goes wrong and it is the first thing a careful reader will attack.

THE COST OF CAPITAL	Input	Source and measurement date
Risk-free rate	4.78%	10-year US Treasury constant maturity, September 1, 2026
Equity risk premium	5.00%	Assumption; mature-market premium, not measured
Equity beta	1.29	S&P Global via stockanalysis.com, retrieved September 1, 2026
Cost of equity	11.23%	Risk-free plus beta times premium
Pre-tax cost of debt	5.30%	Marginal: the May 2026 notes priced at 4.87%, 5.11% and 5.66% effective
After-tax cost of debt	4.24%	Pre-tax rate less the 20% tax shield
Weight of equity	77.3%	Market capitalization at the August 28, 2026 close
Weight of debt	22.7%	Total debt of \$13,484 million at June 30, 2026
Weighted average cost of capital	9.64%	The rate used below

Three measurement clocks run in this table and none is blended into the others: the balance-sheet weights are struck at June 30, 2026, the equity weight at the August 28, 2026 close, and the risk-free rate and beta at September 1, 2026. A beta of 1.29 is itself a backward-looking regression statistic and carries whatever period the vendor used to fit it.

The valuation

Five explicit years growing at 3% — the same growth used in the sponsor leverage case in Section 6, so the two parts of this document do not assume different futures — then a terminal value at 2%. Terminal growth is set below nominal GDP on purpose, because trailing operating income is declining and a perpetual-growth assumption above the economy would be assuming away the company's actual problem.

DISCOUNTED CASH FLOW \$ in millions; 9.64% discount rate	Year 1	Year 2	Year 3	Year 4	Year 5
Unlevered free cash flow	4,976	5,125	5,279	5,437	5,600
Discount factor	0.9121	0.8318	0.7587	0.6920	0.6311
Present value	4,538	4,263	4,005	3,762	3,534
FROM ENTERPRISE VALUE TO A PRICE PER SHARE \$ in millions except per share					Amount
Present value of the five explicit years					20,103
Present value of the terminal value					47,167
Enterprise value					67,270
Less net debt on the case's own basis					(2,228)
Equity value					65,042
Shares outstanding at July 22, 2026					855.5
Value per share					\$76.03

Net debt is total debt of \$13,484 million less corporate cash of \$8,306 million and short-term investments of \$2,950 million. Long-term investments of \$4,009 million are NOT credited; including them would produce net cash of \$1,781 million and add \$4.69 a share. The comparables in Section 1 run on the vendor's \$2,970 million of net debt instead — a \$742 million difference worth \$0.87 a share. Both bases are named rather than averaged.

Three disclosures belong with that number rather than after it. The terminal value is 70% of the enterprise value, which is normal for a five-year window on a mature business but means the answer is substantially a statement about the discount rate. A single-stage cross-check — straight perpetuity growth off trailing unlevered cash flow, no explicit period at all — produces \$72.76, below the two-stage figure, which is what it should do. If the cruder model had come out higher, the explicit period would be doing work the terminal value was not, and the model would be wrong.

The third disclosure is the one most models leave out

A Gordon terminal value is an exit multiple wearing a growth rate as a disguise, and when seventy percent of the enterprise value sits in the terminal, the disguise is doing most of the work. So take it off. The \$74,739 million terminal value, against terminal-year EBITDA of \$8,009 million — trailing EBITDA grown at the same three percent used for cash flow — is an implied exit multiple of 9.33 times. On trailing EBITDA rather than grown, 10.82 times.

That is almost exactly the 9.47 times peer median from Method three. Which means the discounted cash flow is *not* an independent fourth method. It is the comparables method with a growth rate in front of it. PayPal trades today at 6.97 times on this section's own net debt basis — 6.39 times on the all-investments basis used in Sections 4 and 6. Substitute the traded multiple into the terminal value and the model returns \$58.71 at 6.4 times and \$62.08 at 6.97 times. Both are below the \$60.50 the board rejected.

So this method produces a range with a named condition, not a point estimate: \$76.03 *if PayPal re-rates to its sector*, \$62.08 *if it never does*. The Institute's \$70 sits between them and requires an exit at 8.31 times — above where the stock trades, below the peer median, and below the 8.68 times a buyer would be paying at

that price. Defensible ground for a board, and not four methods agreeing.

What it takes to get down to \$70

The sensitivity grid shows what a reader has to believe to reach the Institute's estimate.

VALUE PER SHARE rows: discount rate · columns: terminal growth	1.0%	1.5%	2.0%	2.5%	3.0%
8.50%	\$80.25	\$84.74	\$89.94	\$95.99	\$103.15
9.00%	\$75.01	\$78.88	\$83.29	\$88.39	\$94.34
9.50% (computed WACC 9.64%)	\$70.40	\$73.74	\$77.54	\$81.88	\$86.88
10.00%	\$66.29	\$69.22	\$72.50	\$76.23	\$80.49
10.50%	\$62.62	\$65.19	\$68.06	\$71.29	\$74.95
11.00%	\$59.32	\$61.59	\$64.11	\$66.93	\$70.10

Every cell uses the same \$4,831 million of trailing unlevered free cash flow, the same five-year 3% explicit growth and the same \$2,228 million net debt bridge. Only the discount rate and the terminal growth rate vary. The computed cost of capital of 9.64% falls between the 9.50 and 10.00 percent rows, and the row above and the row below both clear \$70 at 2.0 percent terminal growth.

Twenty-one of the thirty cells are at or above \$70. Every one of the nine that is not requires a discount rate of ten percent or higher — above PayPal's own computed cost of capital of 9.64% — paired with terminal growth of two and a half percent or less. Both are pessimistic relative to what the inputs support, and at the computed rate the two bracketing rows clear the Institute's \$70 on both sides: \$77.54 at 9.50 percent and \$72.50 at 10.00 percent.

The number this method produces: \$76.03, on the stated condition that PayPal re-rates toward its sector. Strip the condition out and the same cash flows are worth \$62.08. The board need only believe the re-rating is more likely than not, and it controls whether the company stays public long enough to find out. That optionality is what a control premium pays for, and why the Institute reads \$70 as a floor the board can defend rather than a valuation the market currently supports.

3. What a buyer has to refinance before it owns anything

On paper PayPal is under-levered: \$13,484 million of total debt against \$15,265 million of cash and investments, which is net cash of \$1,781 million and roughly 2.0 times EBITDA. A screener would call that a clean balance sheet with room to lever. The screener would be wrong, and the reason is one sentence in Note 12.

CONTRACTUAL PRINCIPAL PAYMENTS ON LONG-TERM DEBT \$ in millions, as disclosed at June 30, 2026	Principal	Share of total
Remaining 2026	1,250	10%
2027	500	4%
2028	1,778	14%
2029	1,500	12%
2030	1,000	8%
Thereafter	6,700	53%
Total term debt	12,728	100%

Form 10-Q for the quarter ended June 30, 2026, Note 12, as filed. This is a disclosed maturity table, not an Institute construction. The Thereafter column runs from 2031 to 2062 and includes \$2,900 million maturing in 2050, 2052, 2054 and 2062 — long-dated, low-coupon paper issued into a rate environment that no longer exists and which is worth well below par today. Alongside the term notes the company had \$556 million drawn under the Paidy credit agreement and \$200 million of commercial paper at a 4.06 percent weighted average rate.

The near-term ladder is comfortable. PayPal owes \$3,528 million over the thirty months from the June 30, 2026 balance sheet date to the end of 2028 against trailing free cash flow of \$6,586 million a year. Nothing here forces a transaction, and a board under no refinancing pressure is a board that can hold out on price.

The change-of-control put

Note 12 provides that upon both a change of control and a downgrade below investment grade, PayPal must offer to repurchase every series at 101 percent of principal plus accrued interest. A take-private satisfies the first by definition and one financed at buyout leverage satisfies the second with certainty. So the double trigger fires and a holder of 2.300 percent notes due 2030 tenders instantly, because 101 is far above where that paper trades.

The mechanics compress to one line. \$12,728 million of principal becomes \$12,855 million of cash at closing, paper carrying a weighted average effective rate of approximately 4.15 percent is retired, and it comes back at 7.0 to 8.5 percent because the borrower is no longer investment grade. That is a funded refinancing at a worse coupon, not an unfunded liability. The repurchase provision is from Note 12 to the Form 10-Q for the quarter ended June 30, 2026; the existing rate is calculated by the Institute from the disclosed per-issue effective rates weighted by principal, and the replacement rate is an assumption tested across a range in Section 6.

It is worth being exact about what kind of problem this is, because it is easy to file under obstacles and stop reading. It is not an unfunded one. The roughly \$50 billion committed behind the July 2026 approach is close to four times the size of the put; the bidders who did this work had already arranged the cash to take the notes out, and the put sits inside the committed amount rather than on top of it. What survives the funding is a repricing — paper at 4.15 percent retired and replaced at 7.0 to 8.5 percent, about \$460 million a year, or seven percent of trailing free cash flow. That is a cost line in the sources and uses, not a barrier, and it is carried as one.

4. Sources and uses at the Institute's estimate

With the put sized and funded, the uses side builds itself. Three prices are run, and all three are live prices rather than reference points: the \$60.50 Advent and Stripe indicated and the sellers declined, the \$70.00 the Institute believes is required, and \$75.00 — because \$70 is an estimate of a seller's floor, not a ceiling, and a board declining \$70 may be holding for more. The pre-approach unaffected price is deliberately not run here. Nobody is going to buy this company at the level it traded before a bid existed, so a column of arithmetic at that price would occupy space and settle nothing. It is used once, in the premium calculation below, which is the one job it can do.

Three sources fund it and only three: balance-sheet cash, fixed at \$5,000 million and defended below; new debt, which the tax code prices rather than caps; and new equity, which is whatever is left. That last clause is the whole transaction. The table below therefore runs the uses and the equity plug together, because they are one calculation and separating them hides the link.

WHAT IT COSTS, AND WHAT EQUITY IS LEFT TO WRITE \$ in millions; equity is the plug, after \$5,000 of free balance-sheet cash	\$60.50 indicated, declined	\$70.00 the Institute's estimate	\$75.00 if the board holds higher
Equity purchase, 882 million diluted shares	53,361	61,740	66,150
Existing term notes repurchased at 101	12,855	12,855	12,855
Commercial paper and Paidy revolver	756	756	756
Transaction fees — financing, advisory and other	1,248	1,282	1,300
Total uses	68,221	76,633	81,061
Enterprise value net of \$5,000 of free cash	63,221	71,633	76,061
Implied EV / trailing EBITDA, against 6.4x traded	9.2x	10.4x	11.0x
Equity check with debt of 27,636 — the amount \$163(j) currently shelters	35,585	43,997	48,425
Equity check with debt of 35,000 — a conventional structure	28,221	36,633	41,061
Equity check with debt of 45,000 — the aggressive case	18,221	26,633	31,061
Equity check with debt of 50,000 — as actually committed by the banks	13,221	21,633	26,061
Equity as a share of uses, at \$50,000 of debt	19%	28%	32%
Memorandum: equity actually assembled, July 2026	17,000	17,000	17,000

The equity purchase uses the 882 million diluted weighted average share count for the quarter ended June 30, 2026 rather than the 855.5 million shares outstanding, because a take-private cashes out in-the-money equity awards as well as shares. At \$60.50 that produces \$53,361 million, which reconciles closely to the approximately \$53 billion reported for the Advent and Stripe approach. The fee line is built by component rather than as one blended rate on the whole transaction, because the shape matters: 1.75 percent on the 50,000 million of committed debt, which is where the great majority of a buyout fee load actually sits; 0.40 percent of the purchase price for buy-side and sell-side advisory, degressive at this size rather than linear; and a fixed \$160 million for legal, accounting, regulatory filings across PayPal's licensing footprint, and D&O run-off cover. That is \$1,282 million at \$70.00, or 1.7 percent of uses. An earlier version of this case charged a single 2.5 percent rate on the purchase price plus the notes takeout and produced \$1,865 million; that overstated the load by roughly forty-five percent, by charging a financing rate on equity that raises no financing. Equity is total uses less the stated debt less \$5,000 million of free cash. The \$27,636 million line is the debt whose interest is currently deductible under §163(j) on trailing EBITDA, derived in Section 6; debt above it is neither unavailable nor capped, because the interest is deferred and carried forward, not forfeited. The \$50,000 million line is approximately what J.P. Morgan and Morgan Stanley were reported to have committed in July 2026 and is the row the actual approach was built on. The assembled-equity memorandum runs flat across the columns because it is a fact about the buyers rather than about the price.

Two readings come straight off it. At the Institute's estimate the buyer pays 10.4 times trailing EBITDA for a business the public market prices at 6.4 times, so the entire equity return has to come from the multiple being wrong today and right later, from EBITDA growth, or from leverage — and Section 6 tests all three. Then read the \$50,000 row, the structure the market actually offered: at \$60.50 the check is \$13,221 million, inside the \$17.0 billion raised, which is why the approach was made at all. At \$70.00 it is \$21,633 million and it is not. At \$75.00 it is \$26,061 million, 1.5 times what these buyers had. The gap widens about \$1.11 a share for every \$1 of price, because premium lands entirely on the equity line.

One number belongs beside the estimate. Against the \$47.27 unaffected price implied by the reported 28 percent premium at \$60.50, seventy dollars is a 48.1% premium and seventy-five is a 58.7% premium. Both are large; Electronic Arts, the outer bound of what private capital can assemble, was struck at roughly a 25 percent premium. A board is entitled to hold out for 48%; it is not entitled to be surprised when nobody pays it, and that tension is the case. The debt is priced by a tax rule and the cash is constrained by a regulator, so price risk here is equity risk, one for one — which is why the board's rejection of \$60.50 was, in funding terms, a far larger act than it looked.

How much of the cash is actually spendable

The \$5,000 million assumption is generous and should be labeled as such. PayPal holds \$15,265 million of cash and investments, but it is a licensed money transmitter in the United States, holds a Luxembourg banking license, and runs regulated entities in dozens of jurisdictions with undisclosed minimum capital requirements. More concretely, funds payable and amounts due to customers of \$41,743 million exceed segregated funds receivable and customer accounts of \$39,743 million by \$2,000 million — at least that much of the corporate balance already stands behind customer obligations. A buyer treating the full \$15.3 billion as deal funding is proposing to spend its customers' money, and its regulators will say so.

5. The equity check, measured against the checks actually written

Section 4 left the equity as the plug. Is \$21.6 billion of equity a number somebody writes? The easy answer is no, and the easy answer is wrong.

One completed transaction settles the crude version. Three weeks before Advent and Stripe walked away, roughly \$36 billion of equity closed into the Electronic Arts take-private — \$55 billion of consideration, sixty-five percent of it equity, led by Saudi Arabia's Public Investment Fund, announced September 29, 2025 and completed August 4, 2026. So \$22 billion can be raised, on this clock. But look at who wrote it: the Public Investment Fund took roughly 93 percent, the private equity sponsor 5.5 percent — about \$2 billion — and the third partner 1.1 percent. The most active large-cap technology take-private sponsor in the world wrote a two-billion-dollar check; a sovereign wrote the rest.

That is the structural fact about transactions at this size: the sponsor equity market does not hold checks this large. A large-cap fund runs \$15 to \$25 billion of commitments and, under a concentration policy most funds cap between 15 and 25 percent, a single-name position of \$3 to \$6 billion is the practical ceiling. The equity for a deal like this is assembled rather than allocated, and the anchor is sovereign or strategic.

Who could write it

Demonstrated capacity, not expressed interest: none of the parties below has said anything at all about PayPal. Equity of this size is raised by calling somebody who has already signed a check that large.

Sponsors. Advent International published about \$94 billion across three active fund programs at March 31, 2026, and co-led the July 2026 approach itself. Silver Lake manages over \$100 billion on an undated basis and took 5.5 percent of the Electronic Arts equity, about \$2 billion, in a deal that closed August 4, 2026. But whatever a firm manages in total, the Institute puts the practical single-fund ceiling in one transaction at roughly \$3 to \$6 billion — an estimate of standard concentration practice, not a disclosed limit at any firm.

Strategics. Stripe was valued at \$159 billion in its own employee tender struck February 24, 2026 — a real transaction in the shares, but a private mark rather than a quoted price — and it co-led the July 2026 approach. SpaceX carries about \$1,857 billion of market value on 13,176 million shares filed at June 30, 2026, priced at the August 28, 2026 close; PayPal's entire equity purchase at \$70.00 is 3.3% of that, payable in stock.

The anchor seat. Sovereign wealth capital put roughly \$36 billion into one take-private at Electronic Arts, about 93 percent of it from a single sovereign. Founders Fund, Andreessen Horowitz and Thrive Capital together manage well over \$175 billion on various 2026 marks, and two of them are Stripe shareholders. Every figure in these three paragraphs is third-party reporting rather than filed disclosure, except the

completed Electronic Arts structure and the filed SpaceX share count.

The combination the Institute would put on the list, and nobody has. Michael Dell's family office, DFO Management, alongside Silver Lake. This is not a rumor and no approach of any kind has been reported; it is a capacity and experience argument, and it is the one pairing on this page with a completed precedent at the exact structure PayPal requires. The 2013 Dell take-private was not a sponsor buying a company. It was a founder rolling his own shares as the anchor equity while a single sponsor wrote alongside him, and it is the only benchmark in the table below where the anchor check came from one person rather than a fund. Silver Lake was the sponsor in 2013, has been beside Dell ever since, and took 5.5 percent of the Electronic Arts equity in August 2026 — so the pairing is not historical, it is current. What followed the 2013 deal is the part that matters more than the deal itself: EMC in 2016 at roughly \$67 billion, the largest technology acquisition ever attempted at that point, financed and then deleveraged, with the company returned to the public market in 2018. That is a demonstrated record of buying a large, unloved technology business, carrying an uncomfortable debt load through it, and taking cost out without destroying the asset. It is precisely the skill this transaction needs, and precisely the skill a generalist buyout fund does not have. Put plainly: Michael Dell has already run this transaction once, at larger scale and under worse conditions. He would be doing it again, not doing it for the first time.

Where the money would come from, and where it would not. This is not Dell Technologies buying PayPal. The public company would not be a party, its balance sheet would not be used, and its shareholders would not vote. It is a leveraged buyout run off the private side: DFO Management, the family office that manages Michael Dell's own capital, writes the anchor equity; Silver Lake takes the sponsor seat it has held beside Dell since 2013; and equity beyond what those two want to hold is syndicated through BDT & MSD Partners, the merchant bank Byron Trott's BDT & Company formed with MSD Partners in January 2023, whose whole business is raising capital from family- and founder-led investors. That firm is a separate house from DFO rather than a captive checkbook, but it points at exactly the pool of money this deal needs — which is why a family office can credibly reach for a \$21.6 billion check without writing all of it. What that structure cannot do is the thing the Musk companies do. Cooperation between a Dell-anchored PayPal and Dell Technologies is attractive on paper — shared engineering, one commercial direction — but Dell Technologies is public, with independent directors and duties running to minority holders, and it cannot be pointed at a related private transaction the way a wholly owned entity can. The cooperation thesis is real at the family-office level and constrained at the public-company level.

The question underneath the Dell thesis is the right one to ask: is PayPal essentially a technology company? Substantially, yes — it is a software and platform business with 2.6 percent capital intensity, and Section 2 shows a cost structure that behaves like one. But it is also a licensed money transmitter in every state and a lender through its credit book, and that regulatory overlay is the honest difference from Dell in 2013. A hardware company changes hands with an antitrust review. A money transmitter changes hands one state approval at a time, and Section 7 puts that timeline at twelve to eighteen months. The technology thesis is right about what the asset is; it understates what it takes to close on it.

Equity already assembled here: three parties, about \$17.0 billion, reported July 2026. They withdrew over price, not over funding, and nothing reported bars them from returning. The Institute has named no party that has expressed any interest, because no party has.

Capacity is not willingness, and a mandate binds tighter than a balance sheet. Founders Fund's limited partners subscribed for venture risk, not a levered payments buyout, and the same applies to Andreessen Horowitz and Thrive Capital. A sovereign that has just deployed thirty-four billion dollars into one asset is

not obviously reaching for another, and a strategic paying in its own stock spends an asset its own holders price.

Where PayPal is structurally worse off than the precedents

THE LARGE-CAP TAKE-PRIVATE BENCHMARKS	Enterprise value	Equity	Debt	Equity share	Status
Electronic Arts — sovereign-led, sponsor minority	\$55 billion	\$36bn	\$20bn	65%	Closed Aug 4, 2026
Dell — founder rollover plus sponsor	\$24.9 billion	\$5.6bn	\$15.8bn	23%	Closed Oct 29, 2013
TXU / Energy Future — three-sponsor club	\$45 billion	\$8bn	\$37bn	18%	Chapter 11, 2014
PayPal at \$60.50 — what was actually offered	\$68.6 billion	\$13.6bn	\$50bn	20%	Withdrawn Aug 28, 2026
PayPal at \$70.00 — the Institute's estimate	\$76.6 billion	\$21.6bn	\$50bn	28%	Never offered

Enterprise values as reported at announcement. The Dell 2013 row is the completed transaction at \$13.75 per share plus a \$0.13 special dividend; its funding was \$3.7 billion of rolled founder shares, \$0.5 billion of family-office cash and \$1.4 billion of sponsor equity against \$13.8 billion of new term loans and notes and Microsoft's \$2.0 billion subordinated loan, with a further \$3.5 billion from Dell's own cash and receivables financing — which is why equity and debt do not sum to the transaction value. Those figures are reconstructed from filings and contemporaneous press rather than from a disclosed sources-and-uses table. TXU is the cautionary case: an 18 percent equity contribution against cash flows that moved against the sponsors, Chapter 11 in 2014, equity wiped out. Its similarity to the reconstructed PayPal contribution is why it appears.

The Dell row carries the one structural advantage PayPal does not have. Of the \$5.6 billion of equity there, \$3.7 billion was Michael Dell's own stock, rolled rather than bought; the genuinely new cash was about \$1.9 billion against a \$24.9 billion transaction — under eight percent. Rolled founder stock reduces what must be purchased instead of funding the purchase. PayPal has no such holder: spun out of eBay in July 2015 with an institutional register and no founder position, so every dollar of the check above arrives as new money on closing day.

The equity is not unraisable — it is unassembled. The July 2026 group reached \$17.0 billion of the \$21.6 billion the Institute's estimate requires, with three participants and no anchor. The remaining \$4.6 billion is one more seat at a table already built once, and a sovereign, a large strategic or a rollover from existing holders could each supply it alone. What the arithmetic rules out is a sponsor-only club clearing \$70 a share, not the transaction.

6. What leverage and cost cuts can and cannot do to the gap

Two objections arrive here and both deserve a real answer. Borrow more. Cut more. Each moves a genuine constraint; where each one stops is the point.

Borrow more: what the tax code defers rather than denies

Section 163(j) caps the business-interest deduction at 30 percent of adjusted taxable income. The One Big Beautiful Bill Act, signed July 4, 2025, permanently restored the EBITDA-style measure for tax years beginning after December 31, 2024 — depreciation and amortization are added back, which made large buyouts materially more financeable. Any analysis still on the EBIT basis is on a stale clock.

Trailing tax EBITDA of \$6,909 million supports \$2,073 million of currently deductible interest. At a 7.5 percent blended coupon that shelters \$27,636 million of debt — four times EBITDA. Above that line the interest is *not* permanently disallowed and this is *not* a borrowing limit: under §163(j)(2) the excess carries

forward indefinitely for a C corporation and is deducted in a later year with headroom. A timing cost, not a forfeiture.

DEBT SERVICE AT A 7.5 PERCENT BLENDED COUPON \$ in millions; trailing EBITDA of \$6,909 at June 30, 2026, held flat	× EBITDA	Interest	Currently deductible	Deferred carried forward	Share of interest deferred	Cash after capex, interest and tax
\$27.6 billion of debt	4.0x	2,073	2,073	0	0.0%	3,173
\$35.0 billion of debt	5.1x	2,625	2,073	552	21.0%	2,620
\$45.0 billion of debt	6.5x	3,375	2,073	1,302	38.6%	1,870
\$50.0 billion of debt — as committed	7.2x	3,750	2,073	1,677	44.7%	1,495

Cash tax applies a 20 percent blended rate to EBITDA less depreciation and amortization less deductible interest. PayPal's reported non-GAAP effective rate was 17.1 percent in the quarter ended June 30, 2026; 20 percent is used to allow for state tax and the loss of certain foreign benefits in a leveraged structure. Capital expenditure is held at the trailing \$889 million against company guidance of approximately \$1.0 billion, so the last column is if anything favorable. No growth, no cost program and no working capital release is assumed anywhere in this table. Adjusted taxable income is approximated by EBITDA, which is the correct basis after December 31, 2024; the approximation is generous in one further respect, since for tax years beginning after December 31, 2025 the Act also excludes certain foreign inclusions from ATI and PayPal earns a substantial share of its income outside the United States.

The committed row answers the first objection. At \$50 billion the structure is already 7.2 times EBITDA and 44.7% of the interest bill is deferred in the year it is paid, while the business throws off \$1,495 million after capital expenditure, interest and tax — three percent of the debt stack. The extra \$4.6 billion to reach \$70 takes leverage to 7.91 times and the deferred share to 49.4 percent, on a business whose trailing operating income is declining.

Does PayPal bring a loss carryforward to the table?

It is the obvious question at this point in a leveraged structure, and the answer is no. A buyer acquiring a company with a large net operating loss inherits a shield that costs nothing to create. PayPal does not have one. Note 16 to the fiscal 2025 Form 10-K, measured at December 31, 2025, discloses no federal net operating loss carryforward at all. What it does disclose is small, and most of it is written down.

WHAT PAYPAL ACTUALLY CARRIES FORWARD \$ in millions; FY2025 Form 10-K, Note 16, measured at December 31, 2025	Amount	Expiry
Federal net operating loss carryforward	None disclosed	—
Foreign net operating loss carryforwards	184	A portion begins expiring 2026
Federal capital loss carryforward	299	2030
California research and development credits	141	Indefinite
Federal corporate alternative minimum tax credit	144	Indefinite
Net deferred tax asset after valuation allowance	1,253	—
Increase in the valuation allowance during 2025	496	—

The company's own language on the first four lines is that it is more likely than not that most of these carryforward deferred tax assets will not be realized, and a valuation allowance has been recorded against them. The \$299 million is a capital loss, which shelters capital gains only and does nothing for operating income. PayPal is a cash taxpayer: income before taxes of \$6,292 million in 2025 against \$1,059 million of tax expense, an effective rate of 16.8 percent.

So the interest deduction is the only tax lever in this transaction, which is why the section above matters as much as it does. There is nothing inherited to fall back on. Two related items belong with that finding rather than buried in a footnote. PayPal's Singapore incentive agreement runs through 2030 and saved \$96 million

in 2025, down from \$473 million in 2024 after the qualified domestic minimum top-up tax — it expires inside the five-year window this case discounts, against a flat 20 percent cash tax assumption that does not model its loss. And gross unrecognized tax benefits stood at \$2,545 million with a further \$637 million of accrued interest and penalties, with examinations open in the United States, California, India, Singapore and Israel for years back to 2013. On a transaction of this size that is a diligence item and an indemnity negotiation, not a rounding difference.

Cut more: the one lever with real force, and its limit

A cost program does double duty here, because 30 cents of every permanent dollar removed becomes deductible interest capacity — four dollars of sheltered debt at a 7.5 percent coupon. Four to one. Nothing else inside this structure has that leverage, which is why a sponsor pursues cost well past the point public management will commit to publicly.

PayPal employed approximately 23,800 people at December 31, 2025, and slide 7 of the second-quarter 2026 presentation sets out at least \$1.5 billion of gross run-rate savings phased through 2029, with about \$400 million expected by year end. Those carry a July 2026 clock and the headcount a December 31, 2025 one; neither is an achieved result. The addressable non-transaction pool annualizes to \$9,216 million, so the company's own program is 16.3 percent of it.

Run that through the tax code. Delivering the company's own \$1,500 million program takes tax EBITDA from \$6,909 million to \$8,409 million and the fully sheltered debt from \$27.6 billion to \$33.6 billion. A full sponsor case — all \$1,001 million of stock compensation added back, the \$50 million of public-company cost, and a further \$2,304 million from a quarter of the addressable pool, with the announced program excluded so nothing is double counted — lifts EBITDA 48.6 percent and the shelter to \$41.1 billion. Two cautions ride with it: adding back stock compensation is a transfer rather than a saving, since the sponsor grants management equity instead; and taking \$2.3 billion out of technology, marketing and support at a company losing branded-checkout share to Apple Pay, Shop Pay and Stripe is an operating risk no grid prices.

But the shelter is not the check. Even on that full sponsor case the equity required at \$70.00 is \$30,577 million against \$17.0 billion assembled. The tax channel makes leverage cheaper to carry; it hands the buyer no additional dollar to spend, which is why it never closes the gap alone. The channel that does is next.

The channel that actually moves the price — how lenders size the program

The tax code is the smaller of the two channels: more EBITDA raises the §163(j) ceiling, which changes what a given quantum of debt *costs in cash* but hands the buyer no additional dollar to spend. The larger channel is the lenders, who size a commitment off a leverage multiple, not off a tax section — and credit agreements routinely let a borrower run that multiple against run-rate EBITDA including announced synergies rather than trailing EBITDA as reported.

WHAT THE PROGRAM DOES TO THE COMMITMENT, NOT JUST TO THE TAX BILL \$ in millions except per-share and multiples	Trailing as reported	Run-rate: the \$1.5bn program plus \$50m public-company cost
EBITDA the lender underwrites	6,909	8,459
Leverage multiple — held at what the banks actually committed	7.24x	7.24x
Debt commitment that multiple supports	50,000	61,217
Debt whose interest \$163(j) fully shelters	27,636	33,836
Price the assembled funding then reaches	\$64.77	\$77.21
Equity check at \$70.00 against that debt	21,633	10,612
Against the \$17,000 actually assembled	1.27x	0.62x

The multiple is not assumed. It is \$50,000 million of committed debt divided by the \$6,909 million of trailing EBITDA the banks were underwriting against — 7.237 times — held constant across both columns so the only thing changing is the EBITDA denominator. The equity column is unchanged at \$17,000 million throughout; this table adds no equity. The run-rate column adds the company's own \$1,500 million program and the \$50 million of public-company cost a private owner stops paying — \$1,550 million in total, 22.4 percent of trailing EBITDA, which sits at the upper end of, but inside, the synergy add-back caps typically negotiated into credit agreements.

That is the honest second branch of this case. On trailing EBITDA the assembled funding stops at \$64.77 and \$70 is out of reach. On run-rate EBITDA at the same multiple the banks already accepted, the commitment goes to \$61,217 million, the affordable price to \$77.21, and the equity check at \$70.00 falls to \$10,612 million — *inside* the \$17.0 billion these buyers had already raised, with room. \$75.00 clears as well. The gap closes, if it closes, because a lender agrees to underwrite savings that have not happened yet.

So the question is a credit question rather than a valuation one: will a bank size \$61,217 million against a program that has delivered roughly \$400 million of a \$1,500 million target on a July 2026 clock? That is a materially softer underwrite than trailing EBITDA — execution risk on cuts at a company whose branded checkout is losing share — and a bank that says no is not being unreasonable. The July 2026 group stopped at \$50 billion and \$60.50, the behavior of buyers *not* given the run-rate basis: evidence about how this financing was sized, not proof of what any financing must look like.

Everything below runs on the trailing basis — the conservative one — so the returns are a floor.

And the returns confirm it rather than rescuing it

Run the five-year hold at the Institute's estimate against the \$50 billion actually committed, sweeping every dollar of free cash to principal, and exit at the 6.4 times the market assigns PayPal today.

FIVE-YEAR EQUITY RETURN AT \$70.00 A SHARE \$50 billion of debt, full cash sweep, \$21,633 million of equity in	Exit at 6.4x today's traded multiple	Exit at 9.2x no multiple compression at all
EBITDA flat, no program — flat	-33% a year	1% a year
EBITDA flat, no program — growing 3%	-10% a year	10% a year
Company program delivered in full — flat	-2% a year	15% a year
Company program delivered in full — growing 3%	8% a year	22% a year
Sponsor case — 25% of the pool — flat	14% a year	26% a year
Sponsor case — 25% of the pool — growing 3%	21% a year	33% a year

Identical machinery to the service table above — same coupon, same 20 percent cash tax, same \$163(j) treatment including absorption of prior-year carryforwards where headroom appears, same \$889 million of annual capital expenditure held flat. The equity in is the check computed in Section 4 at \$70.00 against \$50 billion of debt. The right-hand column deserves a caution the left-hand one does not: exiting at 9.2 times an EBITDA from which the cuts have already been taken asks the next buyer to pay a full entry multiple for optimized earnings with no program left to run.

One cell in six clears a twenty percent bar at the honest exit multiple, and it is the cell that assumes the entire sponsor cost case delivered *and* three percent compound growth on top, at a company whose trailing operating income is falling. That is not a base case. It is the underwriting.

Three constraints move and the fourth cannot. The return at a 6.4 times exit goes from –33 percent a year to 20 percent; the debt \$163(j) fully shelters goes from \$27.6 billion to \$41.1 billion; the equity check at \$70.00 against that shelter falls from \$43,997 million to \$30,577 million. The equity actually assembled stays at \$17.0 billion, because a cost program does not enlarge anyone's balance sheet.

7. The verdict, and the one structure that clears both sides

The Institute believes the board will not sell below \$70 a share, and its own view is \$70 or higher — a reading of the evidence, not a report of anyone's intention. The funding actually assembled reached \$64.77. Between those two facts: the asset underwrites, the debt amortizes, the change-of-control put is funded rather than fatal, the tax code prices leverage rather than forbidding it, and a cost program moves three of the four constraints. The transaction died on the fourth — the size of the cash equity check — and no structuring inside a leveraged buyout makes it smaller.

But that constrains *financial* buyers only, and the reason is mechanical: a financial buyer writes a check, a large public company issues shares. Worked below as an illustration only — **no such transaction has been proposed by anyone**. Space Exploration Technologies listed on Nasdaq on June 12, 2026 under SPCX at \$135, closed its first session at \$160.95 and about \$2.1 trillion of capitalization, and closed at \$140.95 on August 28, 2026, the same date this case prices PayPal. A buyer trading near ninety-eight times revenue that acquires a business at 8.7 times EBITDA is not spending money. It is exchanging expensive paper for cheap earnings.

THE TWO STRUCTURES AT \$70.00 A SHARE \$ in millions; both at \$70.00 a share; acquirer priced at the August 28, 2026 close of \$140.95		Financial buyer	Strategic, all stock
Equity purchase, 882 million diluted shares		61,740	61,740
Existing term debt put back at 101		12,855	Stays outstanding
Other debt cleared at closing		756	Stays outstanding
Transaction fees		1,282	407
Total uses		76,633	62,147
What the buyer actually gives up	Cash it must first assemble	3.2% dilution 3.3% of its market value	
Incremental annual interest	\$460mm on the refinancing		None
Section 163(j) deferral	44.7% deferred at \$50bn		None

The financial column is the sources and uses from Section 4 at \$70.00. The strategic column assumes the acquirer's ratings support leaving PayPal's existing notes in place, which is what defeats the second trigger in the Note 12 repurchase provision; if a rating agency downgraded the notes anyway the put fires and the strategic column carries the same \$12,855 million. That is the sensitivity worth arguing about and it is a ratings judgment, not an arithmetic one. The acquirer share count is FILED, and this is an upgrade from the previous version of this case. SpaceX furnished its second-quarter 2026 results on August 4, 2026 and the consolidated balance sheet carries 7,607 million Class A and 5,569 million Class B shares issued and outstanding at June 30, 2026 — 13,176 million in total. The earlier figure was DERIVED from the \$2.1 trillion first-day capitalization divided by the \$160.95 first-day close, approximately 13,048 million; it is retained here and labeled rather than quietly replaced. Two clocks: the share count is measured at June 30, 2026 and the price at the August 28, 2026 close. The strategic column carries a much smaller fee line because an all-stock deal raises no acquisition financing, so the 1.75 percent financing fee is simply not incurred — advisory and the fixed block only.

What PayPal would do to the acquirer's earnings

Dilution is only half the trade. The other half is what arrives in exchange for it, and that is now a filed number rather than an inference.

SPACEX EBITDA, BEFORE AND AFTER \$ in millions. SpaceX adjusted EBITDA as defined in its own Note 1; PayPal on this case's trailing basis.	Annualizing the first half	Annualizing the second quarter
SpaceX EBITDA as filed	4,665 for six months	3,538 for three months
SpaceX EBITDA, annualized — before	9,330	14,152
PayPal EBITDA acquired	6,909	6,909
Combined EBITDA — after	16,239	21,061
What PayPal adds	+74.1%	+48.8%
Cost, in acquirer stock, at \$70.00 a share	3.22% dilution	3.22% dilution

Neither annualization is a reported figure and both are Institute constructions, which is why both are shown. SpaceX listed on June 12, 2026, so no trailing twelve-month EBITDA exists on a consistent post-listing basis. The spread between the columns is itself the point: SpaceX EBITDA went from \$1,127 million in the first quarter to \$3,538 million in the second, so annualizing the half year understates a business that is inflecting and annualizing the quarter extrapolates one quarter. Source: SpaceX second-quarter 2026 earnings release, furnished August 4, 2026; adjusted EBITDA as defined in Note 1. PayPal at \$6,909 million is the trailing figure used throughout this case.

Take the conservative column. PayPal would add roughly 74% to SpaceX's EBITDA for 3.22% of its shares — seventy cents of earnings for every three cents of ownership. On the second-quarter annualization the uplift is 49%. Either way, that ratio is why a strategic sees a different transaction from the one a sponsor sees.

One filed fact makes the fit legible. SpaceX spent \$28,476 million of capital expenditure in the same six months it earned \$4,665 million of EBITDA — a company consuming cash at scale to build. PayPal throws off roughly \$4.8 billion of unlevered cash a year and needs almost none of it back. That asset is worth more to an owner with somewhere to spend the cash than to a sponsor who must use it to service the debt that bought it.

Read the two bold rows together. The obstacle this case has spent six sections documenting — a \$21.6 billion equity check the sponsor market cannot assemble without a sovereign anchor — becomes 3.2% of an acquirer's share count. And fourteen billion dollars of uses disappears, not negotiated away but never incurred, because the covenant that creates it is conditional on a downgrade a strategic buyer does not trigger. With no acquisition debt there is no interest, no deferred deduction and no deleveraging schedule. Sections 3 through 6 of this case simply do not apply to a buyer of that kind.

Two ways to pay, and they are not equally easy. A stock deal need not mean handing PayPal holders SpaceX shares. SpaceX could sell stock into the market and pay cash instead, and the dilution is identical either way — 3.2% of the share count. The execution is not. A share exchange needs no buyer: the shares go to the sellers and the market never has to clear them. Selling for cash asks the market to absorb \$61.7 billion of new stock in one marketed transaction, from a company listed only since June 12, 2026, when the largest single-company equity offerings on record sit near twenty billion dollars. Same ownership either way; only one route has to be underwritten.

The industrial case, and where it is thin

X Money went live in the United States on June 26, 2026 for Premium and Premium Plus subscribers — a wallet with a Visa debit card, direct deposit, bill pay and peer-to-peer transfer, running on Cross River Bank for deposit insurance and Visa Direct for money movement. Every one of those is rented. What PayPal owns and a new entrant cannot buy in a hurry is the regulatory perimeter: money-transmitter licenses in essentially every American state, a Luxembourg banking license that passports across the European Union, a merchant-acquiring stack in Braintree and a consumer network in Venmo. Buying PayPal is buying twenty-five years of licensing and compliance infrastructure at 8.7 times EBITDA at the Institute's estimate — 6.4 times where the stock actually trades. Building it takes a decade and the outcome is not certain.

The founder history is worth nothing analytically; boards do not approve sixty billion dollars of stock issuance on sentiment. The cost record does carry weight: an owner willing to take headcount out aggressively is the owner for whom the sponsor cost case in Section 6 reads as a floor rather than a stretch.

Three objections, and the first would decide it

Governance. The payments asset and the payments product do not sit in the same company. X Money is a product of X, acquired by xAI in March 2025; the listed entity with the trillion-dollar currency is a separate issuer with public shareholders and an independent board. Issuing that stock to buy an asset whose strategic value accrues substantially to a privately held affiliate under common control is a conflicted transaction. In Delaware it draws entire fairness review rather than the business judgment rule — proponents bear the burden of proving fair price and fair process — and survives only with an independent special committee and a majority-of-the-minority vote structured at the outset. That is the most litigated fact pattern in controller M&A and it has cost controllers billions.

Regulatory. Change of control of a money transmitter requires approval in every state that licensed it, one application at a time, plus the Luxembourg supervisor and every other regulated jurisdiction, each assessing the proposed control person. A transaction of this shape does not close in six months, and the interim operating covenants are themselves a cost.

The currency. This cuts against the argument above. Stock is cheap consideration only if it is fully valued; paying with paper the market may be overvaluing transfers that overvaluation to the seller rather than eliminating it. The acquirer's shares closed August 28, 2026 at \$140.95 — above the \$135 issue price, well below the \$160.95 first-day close, and under the issue price for weeks before recovering above it on August 10, 2026. A PayPal board would demand a collar or an exchange-ratio floor, and where it set them would matter more than anything in the table above.

The finding

PayPal is not a bad buyout and it is not an unfinanceable one. It is a company the Institute believes is worth more than the leveraged-buyout structure can reach — because at roughly \$70 a share the equity check is \$21.6 billion, the sponsor market does not hold checks that size without a sovereign or strategic anchor, and borrowing the gap instead takes leverage to 7.91 times trailing EBITDA and pushes half the interest bill past the §163(j) line into deferral. Advent and Stripe were not wrong about the asset. They were \$5.23 a share short of a board that has spent \$20.2 billion of its own cash on its own stock and guided to spending \$6 billion more, and they stopped rather than close the gap with equity they had not raised.

What follows from that is a statement about who, not whether. A withdrawal over price is the most reversible kind there is: no agreement was signed, no standstill has been reported, and the financing was committed against cash flows that have not changed. The two parties best placed to reopen this are the two that already did the work, already cleared it internally and already have the banks. What they would need is one more seat — an anchor writing the majority of the equity, or a buyer paying in its own stock, for whom the constraint identified in this case does not exist at all. The reason PayPal is cheap has more to do with who was shopping for it than with what it is.

Sources

Figures below are dated to when they were measured, which is not always when this case was written.

PAYPAL FILINGS	Value	As of	Source
Term notes outstanding	\$12,728 million	June 30, 2026	2Q26 Form 10-Q, Note 12
Weighted-average effective rate	4.15%	June 30, 2026	Principal-weighted across the 17 disclosed series
Change-of-control put	101% of principal	June 30, 2026	2Q26 Form 10-Q, Note 12 — double trigger
Cash, equivalents and investments	\$15,265 million	June 30, 2026	2Q26 Form 10-Q balance sheet
Customer funds receivable / payable	\$39,743 / \$41,743 million	June 30, 2026	2Q26 Form 10-Q balance sheet
Repurchases, FY2023 through 2Q 2026	319 million shares / \$20,179 million	Periods as labeled	Statements of stockholders' equity, 10-K p61 and 10-Q p7
Trailing operating income	\$5,946 million	LTM to June 30, 2026	FY2025 10-K plus 2Q26 10-Q, computed
Trailing EBITDA	\$6,909 million	LTM to June 30, 2026	Same basis, computed
Trailing free cash flow	\$6,586 million	LTM to June 30, 2026	Operating cash \$7,475 less capital expenditure \$889
Trailing stock-based compensation	\$1,001 million	LTM to June 30, 2026	Same basis; NOT added back anywhere in this case
Tax attributes and carryforwards	See Section 6	December 31, 2025	FY2025 Form 10-K, Note 16
Global employees	23,800	December 31, 2025	FY2025 Form 10-K, Human Capital
Announced cost program	At least \$1.5 billion gross run-rate	July 2026	2Q26 earnings presentation, slide 7 — phased through 2029
Addressable non-transaction expense	\$9,216 million annualized	1H26, doubled	2Q26 income statement, computed

Balance-sheet items are measured at June 30, 2026. The repurchase totals span the periods labeled in Section 1. The cost program is a forward commitment rather than an achieved result.

VALUATION INPUTS AND STATUTORY REFERENCES	Value	As of	Source
Risk-free rate	4.78%	September 1, 2026	10-year US Treasury constant maturity
Equity beta	1.29	September 1, 2026	S&P Global via stockanalysis.com
Payments comparables	Prices and trailing statistics	August 28, 2026 closes	S&P Global Market Intelligence, retrieved August 30, 2026
\$163(j) adjusted taxable income basis	EBITDA	Tax years beginning after Dec 31, 2024	One Big Beautiful Bill Act, signed July 4, 2025
Ordering of the deferred-interest deduction	Current year first, then carryforwards FIFO	Statutory / regulatory	Treasury Regulation §1.163(j)-5; carryforward indefinite under §163(j)(2)

Statutory material is reliable, but it is not about PayPal.

MARKET, OFFER AND TRANSACTION REFERENCES	Value	As of	Source
Aggregate non-affiliate equity value	\$71.3 billion	June 30, 2025	FY2025 10-K cover — filed, and stale by 14 months
Closing price / market capitalization	\$53.66 / \$45.9 billion	August 28, 2026	NASDAQ close, the session the approach was withdrawn
Shares outstanding	855,460,874	July 22, 2026	2Q26 Form 10-Q cover page
Diluted weighted-average shares	882 million	Quarter ended June 30, 2026	2Q26 Form 10-Q, earnings per share note
Fifty-two-week high / low	\$79.22 / \$38.46	October 28, 2025 / February 12, 2026	Range over the 52 weeks ended September 1, 2026
Indicated offer price and premium	\$60.50, 28%	July 15, 2026	Reported terms of the Advent / Stripe approach; implies \$47.27 unaffected
Reported financing and sponsor equity	\$50bn / \$17bn	July 2026	Reported J.P. Morgan and Morgan Stanley commitments; press, not a filing
Electronic Arts take-private	\$55bn; \$36bn equity, 93% sovereign	Closed August 4, 2026	Reported transaction terms
Dell take-private	\$24.9bn at \$13.75 plus \$0.13 special dividend	Closed October 29, 2013	Filings and contemporaneous press
Acquirer figures used in Section 7	\$140.95 close; 13,176 million shares, filed	Aug 28, 2026 / June 30, 2026	Press for the close; 7,607 Class A plus 5,569 Class B as filed

The first row is filed and correctly cited, and 55 percent above where the stock actually traded on August 28, 2026.

Material limitations. The July 2026 approach terms are press reporting, not filed disclosure, and are labeled as reported throughout. The blended coupon, cash tax rate, equity risk premium and fee stack are Institute assumptions; the \$70 reservation price is an inference from four methods; and cost reduction is a ladder of scenarios, not a forecast. No revenue synergies, recapitalizations or asset sales are modeled. The model file exposes every assumption as a named input.

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