

Credit Suisse
2018 Investment Banking Case Competition

New York University

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2018 Credit Suisse IBCM Case Competition

Introduction

Credit Suisse's Investment Banking & Capital Markets ("IBCM") is one of the global leaders in providing world-class advisory and execution services across all industries. We work with some of the most senior leaders of our client companies to provide a full range of corporate financial solutions, including mergers and acquisitions, leveraged buyouts, divestitures, hostile takeovers, initial public offerings and financial restructurings. Our professionals are recognized as experts and they regularly devise and execute transactions that make international headlines.

New York University is a leading global institution, with many of its alumni working at our firm. In order to get to know our candidates and introduce Credit Suisse as a firm, we have prepared a case competition to allow you to showcase your strength and abilities. We understand that some of these materials may not have been covered in school and we will provide as much guidance as possible as to what we are looking for and how to approach this case competition.

Case Overview

PayPal Holdings, Inc. ("PayPal," the "Company"), an approximately \$90 billion market capitalization digital and mobile payments company, has approached your team for a strategic review of the Company in light of recent business events and its market performance. The Company wants your team to advise them on what they should do next to create value for their shareholders. The Company has requested you to consider the following corporate actions (but not limited to):

- Strategic acquisition
- Joint venture
- Sale of the business to a sponsor (leveraged buyout) or a strategic acquirer
- Divestiture / spin-off / carve out of business segment
- Return cash to shareholders / Dividend recapitalization

For your pitch you should thoroughly analyze the Company's current status and consider the following points (but not limited to):

- Existing business segments, expansion plans and long-term strategic focus
- Recent acquisitions and track record
- Global expansion viability and opportunities
- Regulatory hurdles and considerations
- Available cash on hand and corporate credit profile

PayPal would like for you to recommend a strategic direction that would maximize shareholder value and continue to position the Company for long-term success.

Company Profile

PayPal is a digital payment leader focused on connecting both merchants and consumers around the globe. The Company accepts payments from merchant websites, mobile devices and applications and at offline retail locations through a wide range of payment solutions across its payments platform, including PayPal, PayPal Credit, Venmo and Braintree products. Key business segments and areas for growth include (but not limited to):

- PayPal core platform
- PayPal Credit
- Digital wallets (Venmo, Xoom, PayPal Wallet)
- Braintree
- Paydiant

Case Assignment

Your 3–4 person team, acting as Credit Suisse investment bankers, will prepare a 15-minute presentation to the management of PayPal. You are allowed a maximum of 12 slides, with at least one slide dedicated to address each of the points outlined below. Backup for your analysis may be included in an appendix (part of the 12 slide maximum).

Note: the sub bullets we have included are for your reference, and are meant to guide your strategic review of the Company. You are not expected to include all of the sub-bullets on your physical submission, but as trusted advisors of the Company, you should have considered, researched and be able to speak to the points.

- Executive summary
 - This slide should summarize the situation and your team's thesis
- Situation overview
 - What is happening in the industry, how has it changed over the years and how will it change in the coming years?
 - How has PayPal performed recently versus its peers and has it successfully executed on its business strategy (operational, acquisition and financing) and why?
 - Are there any recent or upcoming company-specific or industry events that may impact PayPal?
- Strategic proposal
 - Majority of your slides should be spent on your strategic proposal
 - If you plan to pitch keeping the status quo, you should explain why this is the right choice. You need to explain whether you have considered other options and what are some of the pros and cons of those options.
 - Which are the most likely strategic proposals for the Company?

■ Strategic rationale

- Overview of transaction / structure
 - i.e., for an acquisition, provide the target’s business overview and financials, analyze how PayPal will finance this transaction (cash, equity or debt) and provide rationales for the transaction
 - i.e., for a spin, include diagrams of the transaction steps / ownership percentages / rationale, etc.
 - i.e., for a sale of business, why management should explore a sale and analysis around timing, valuations, etc.
- Proposed transaction must have a meaningful impact on PayPal's status quo. Considerations should include size of transaction, importance of business segment(s) impacted in PayPal's overall business, future growth opportunities, etc.
- Consider if this action capitalizes PayPal's shareholder value? Why have you chosen this strategy / area over the other alternatives? Are there any recent industry / segment trends that the Company should be made aware of?
- For acquisitions:
 - Who are PayPal's main competitors in this segment or geographic region? Would they be interested in acquiring the target as well? What makes PayPal the superior partner for the target?
 - Other possible considerations: Would there be synergies from integrating the two businesses? Is the target willing to sell? Further considerations arising from current market conditions?

■ Valuation summary

- Provide your opinion on valuation using (but not limited to) comparable companies, precedent transactions, and discounted cash flow analysis
 - If you are pitching an acquisition, what is the target worth and how should PayPal pay for it?
 - If you are pitching sale / divestiture / spin, etc, what is PayPal worth? Is there a disconnect between price and value, and how does your strategy bridge the valuation gap or unlock shareholder value?
 - State your qualitative and quantitative assumptions and reference any figures obtained from external sources
 - Your team may include an appendix with the detailed model output(s)

■ Proposed financing structure

- How would the transaction be financed? Mix of cash, equity, and debt financing, etc.
- What does a debt or equity financing look like? (Size, benefits and disadvantages of each option)
- How would this transaction impact your shareholders or credit rating?

■ Accretion / dilution analysis and merger model if you choose acquisition of target

- Please list your assumptions (Cost of debt, transaction fees, purchase price allocation, tax rate, dividend, etc.)

Judging criteria

- Be creative, but state your qualitative and quantitative reasoning and analysis explicitly
- Your team will be judged on the depth and relevance of your analysis, the justification of your valuation, and the overall ability of your team presentation to convince Company management in pursuing the recommended acquisition

Helpful hints and tips

- While the case is quantitative in nature, the best way to differentiate yourself is through strong qualitative understanding of the business and the industry
 - Please carefully analyze the Company's 8-K's, 10-K's, 10-Q's, investor presentations and earnings transcripts
 - Broker research reports published on the industry and the Company are also great sources of information
- Understand the strengths and weaknesses of each valuation technique
- Read through your presentation carefully for spelling, grammatical, and formatting. You are presenting to PayPal's senior management; slides should be aesthetically pleasing and able to convey your points clearly
- As with any presentation, please practice ahead of time and pay close attention to time while also being prepared for potential questions

Key dates

- Final submission deadline: March 8 at 5:00 PM
 - Please designate a team leader who will liaise with Finance Society / Credit Suisse to coordinate logistics
 - Submit a PDF file of your presentation and your resumes to finance.society@stern.nyu.edu. Please title the email "NYU Case Competition Presentation – [Your Team's Name]"
 - Finalists will be notified by March 19
- Case competition finals: March 23

Contact information

Please reach out to any of the following contacts if you have any questions on the case:

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Case Competition "Office Hours"

CS representatives will be holding limited office hours on March 1. The office hours are an opportunity to talk through your ideas, questions, and concerns before the submission deadline. We will email teams the week before with available time slots, and will fill these on a first-come, first-serve basis. It is completely optional to participate in office hours, though highly recommended.