

Capital Structure	
Share Price (05/02/2020)	\$ 120.6
Shares Outstanding (m)	1,188
Market Cap (\$mm)	\$143,285
(-) Cash	10,761
(+) Debt	4,965
Enterprise Value	\$137,489
Key Stats	
52 Week High	\$ 124.45
52 Week Low	\$ 82.07
NTM P/E	34.5x
Div. Yield	0.0%
Shares Short (m)	11.9
Short Interest	1.1%

PYPL - 5Y total return vs S&P500



PYPL - summary of financials	2014A	2015A	2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P	2025P
Net revenues	8,025	9,248	10,842	13,094	15,451	17,772	20,209	23,417	26,818	30,342	33,900	37,724
Total operating expenses	(6,757)	(7,787)	(9,256)	(10,967)	(13,257)	(15,053)	(16,181)	(18,865)	(21,657)	(24,470)	(27,202)	(30,002)
EBITDA	1,784	2,117	2,310	3,064	3,279	3,683	4,027	4,551	5,161	5,872	6,699	7,721
EBITDA margin	22.2%	22.9%	21.3%	23.4%	21.2%	20.7%	19.9%	19.4%	19.2%	19.4%	19.8%	20.5%
Operating income	1,268	1,461	1,586	2,127	2,194	2,719	3,012	3,375	3,814	4,348	4,996	5,827
Operating margin	15.8%	15.8%	14.6%	16.2%	14.2%	15.3%	14.9%	14.4%	14.2%	14.3%	14.7%	15.4%
Income before income taxes	1,261	1,488	1,631	2,200	2,376	2,998	3,330	3,743	4,235	4,824	5,528	6,419
Income tax expense	(842)	(260)	(230)	(405)	(319)	(539)	(523)	(588)	(665)	(758)	(868)	(1,008)
Net income / loss	419	1,228	1,401	1,795	2,057	2,459	2,807	3,155	3,570	4,067	4,660	5,411
Net profit margin	0.0%	13.3%	12.9%	13.7%	13.3%	13.8%	13.9%	13.5%	13.3%	13.4%	13.7%	14.3%
Adjusted EPS	-	1.29	1.50	1.90	2.42	3.10	3.35	3.77	4.27	4.86	5.57	6.47

Recommendation

I recommend BUY on PYPL with an expected 5-year IRR of ~13%. PayPal is a high-quality compounder in a market that benefits from strong tailwinds and long runway for growth. The company enjoys privileged competitive position (dominant in different markets and segments) and favorable unit economics (high fixed costs coupled with top line growth). I estimate that PYPL will achieve ~14% EPS CAGR (before stock repurchase) and generate ~\$25/sh in cash in the next 5 years, and I consider a moderate multiple de-rating from the current 35.9x 2020 PE to 30.0x in the same period. This return is attractive relative to both a reasonable cost of capital and expected return of the overall market in the mid and long terms. The strong resiliency of PYPL to the COVID-19 crisis makes it a defensive stock in the current environment, which at the same time would benefit from a strong economic recovery. Long-term impacts of COVID on the online payment industry are positive. Finally, I believe Paypal to be a good substitute for Mastercard (MA) on the 5x5x5 portfolio, as MA is expected to rotate next year.

Business description

PayPal is a payment solutions provider. Their products include digital payments platform (PayPal, ~50% of revenues), eCommerce merchant acquiring platform (Braintree, ~27% revenues), P2P platform (Venmo), bill-pay solution (Paymentus), coupon and rewards platform (Honey), international transfer platform (Xoom), offline payments company (iZette) among others (GoPay, MercadoLibre, etc).

The company makes money mostly by charging a take rate (2.9% + \$0.3 per transaction in the US, ~2.26% consolidated average) over the TPV (Total Payments Volume), which is the sum of all transactions that run through PYPL's ecosystem.

The most relevant costs are transaction expenses (38% of revenues) and transaction and loan losses (8%), both with variable nature. Non-transaction expenses (39% of revenues) are ~75% fixed.

Business quality and competitive advantages

In summary, the following elements offer evidence or help explain PayPal's competitive advantages:

- **PayPal enjoys two-sided network effects:** the value of PYPL's services for users increases with the number of merchants and vice-versa. It took the company decades to achieve the current 305m users and 23m merchants. This asset is extremely costly to replicate and represents a barrier to entry.

Apple launched Apple Pay in 2014 and has today 383 million users worldwide (43% iPhone penetration), but TPV lags at ~\$10bn, only 1.4% of PayPal's. What drives the business is TPV, not number of users. Also, Apple's large phone user base is better suited to convert POS mobile transactions, instead of online transactions (Paypal's focus).

- **PYPL's TAM is huge and projected to grow at 15% p.a. in the foreseeable future:** PYPL is a strong beneficiary of the emergence of e-commerce, m-commerce and digital payments. E and m-commerce spending is expected to double from \$2.8 trillion in 2018 to \$5.6 trillion in 2022.

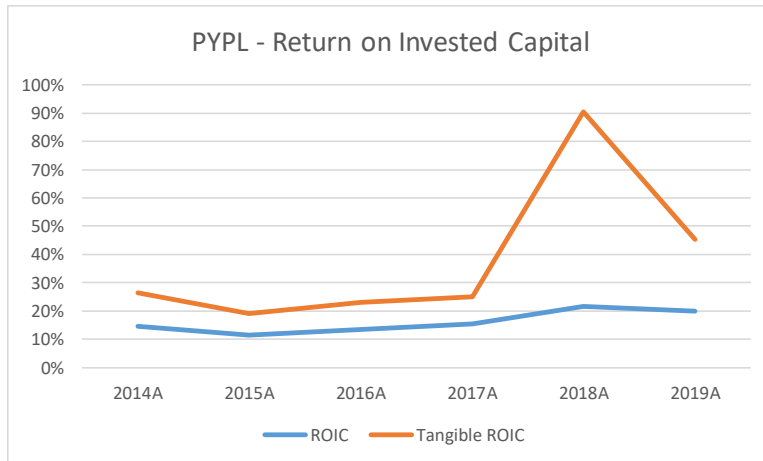
Management reports a \$110tr TAM, but Credit Suisse estimates the "true TAM" to be around \$5tr. In addition to e-commerce, this TAM includes online travel, ride-sharing, food delivery, online charitable donations and global crowdfunding.

PYPL's TAM is expected to grow at ~15%. PayPal has been a market share taker in recent years, with an average share gain of ~30bps/year, which allows them to grow faster than the market rate.

- **Unit economics are favorable and should help strengthen competitive advantages over time, as the business benefits from fast growth:** as mentioned before, 75% of non-transaction expenses (i.e. customer support and operations, sales and marketing, product development and G&A) are fixed. This means that, as the company grows its TPV, unit transaction costs become increasingly smaller. For instance, in the 5-year period between 2014 and 2019, non-transaction costs per TPV decreased by 34% from 1.46% to 0.95%.

Because of this, PayPal's moat tends to become wider over time relative to smaller players or new entrants (being the absolute low-cost provider make the expected economics of new entrants unfavorable). The company has the option to use this "economic surplus" to either enjoy superior economics (return cash to shareholders or pursue growth opportunities) or reduce prices to block competition from growing.

- **Existence of competitive advantages is evidenced by ROIC substantially above cost of capital:** based on 2019 numbers, PYPL's ROIC is ~20% and tangible ROIC (excluding goodwill from past acquisitions) is ~45%. I estimate that the marginal ROIC has been around double of that in recent years.



- **Venmo can add significant revenue and recent acquisitions and partnerships have the potential to increase user base and improve:** Venmo’s share of total TPV has grown from zero to 14% (2019) within only a few years, and the app has today more than 40m active users in the US. PYPL decided not to monetize Venmo until 2019. This was the main contributor for the consistent total take rate decline from 3.42% in 2014 to 2.5% in 2019. PayPal started to monetize the app in 4Q19 and management anticipates important progress in 2H20 coming from the new “Pay with Venmo” feature and other innovations. If successful, the monetization of Venmo can be an upside to my projected numbers.
- **PYPL’s value proposition for customers is improving:** the company has been investing in several partnerships and JVs (i.e., Paymentus, Uber, Live Nation, MercadoLivre, GoPay and Honey) that will likely increase its user base, number of merchants, and therefore improve its value proposition for customer (two-sided network effects).

Management and company ownership

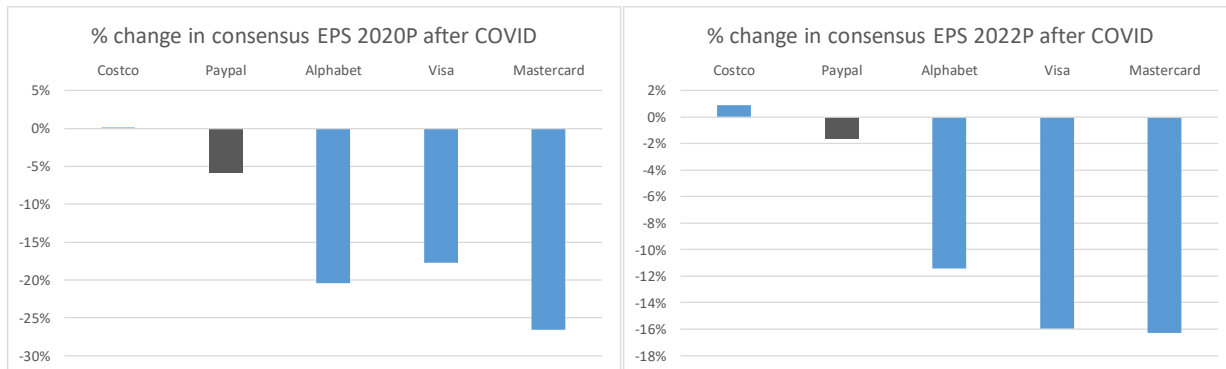
Since the spinoff, PYPL has been led by Daniel Schulman. Daniel was a senior executive at AT&T, became COO and CEO of Priceline, CEO of Virgin Mobile, president of Sprint’s Prepaid group and a senior executive at American Express. He has an excellent track record growing businesses and has so far successfully led PYPL’s product expansion. Daniel has built strong credibility among investors, with the company beating expectations on 14 of the last 17 quarters (3 results came in line).

Management incentives are aligned with shareholders. Compensation is split into 3 components (1) base salary, (2) annual bonus and (3) long-term bonus. Base salary represents only ~3% of the CEO’s total compensation. Annual bonuses are capped at 200% of base salary and is a function of 3 components (1) revenue, (2) operating margin and (3) net new active users. Long-term bonuses (~92% of total compensation) are a function of (1) time, (2) revenue and (3) free-cash flow growth and are paid in RSUs and PBRsUs.

The largest investors are passive funds and large mutual funds (T. Rowe, Fidelity, Capital Group), but also successful long-term investors such as Fundsmith, Lindsell Train and Polen Capital (see appendix).

Impacts of COVID-19

Even though the COVID-19 crisis will severely impact short and mid-term general consumer spending, PYPL is one of the payment companies best positioned to operate in this environment. This is clearly evidenced by comparing the change in consensus EPS in 2020 and 2022 between PYPL and other companies before and after the COVID-19 crisis. I selected Mastercard and Visa as payment peers, Alphabet as a high-quality technology company, and Costco as a high-quality compounder that has so far benefited from the current crisis:



We can see that Paypal is expected to be drastically less impacted relative to other payments players (the very best players MA and V) and Alphabet, both in the short and long terms. PYPL's change in EPS is more like Costco's than other peers, which in my view highlights the resiliency of this business and the "capacity to suffer" in a global pandemic.

The reason for that is because Paypal is mostly an online digital payments company and has very limited exposure to "contact payment". The decrease in consumer spending will likely be partially offset by the conversion to online payments, as people shop more online and vendors try to adapt to this new reality.

I believe that this crisis will have a positive long-term effect for Paypal by accelerating the eCommerce and online payment adoption curve. This will also reduce the chances of a multiple contraction for PYPL, as investors realize the defensiveness of the company relative to payment peers.

Investment thesis

I expect that in the next 5 years (1) PYPL will continue to successfully ride the digital payments secular trend and grow TPV by ~20% p.a. (12% customer volume and 8% TPV/Customer), (2) Venmo's monetization strategy will be successful and will help slow/revert the downward trend in take rates, (3) the company will continue to dilute fixed costs as TPV volume grows and, together with thesis point #2, will protect net profit margin at ~14%.

Variant views

In trying to assess how my views are more positive than what is already priced in, I came up with the following: (1) duration of growth may be longer than the market expects (time arbitrage), (2) monetization of Venmo may surprise to the upside, (3) concerns over new regulations in Europe and end of partnership with eBay may be overdone.

I believe that time arbitrage may be the most important source of mispricing, which is very common for companies that enjoy positive secular tailwinds and therefore can compound EPS at high rates for an extended time horizon.

Positives, risks and mitigants

The positives for PYPL are (1) secular tailwind, (2) long-runway for growth, (3) widening moat, (4) good management with successful track record, (5) reasonable multiple for 14% EPS growth (before stock repurchase) and strong cash generation.

On the downside, I believe that the most important risks for the company and the investment case are:

1. Digital payments are booming and there are many new deep-pocketed players such as Amazon Pay, Apple Pay, Google Pay and Samsung Pay competing for the same space
Mitigant: PYPL continues to grow market share, despite attempts from new entrants to steal market share
2. Diversification strategy may mean PayPal is running out of options to sustain high growth rates
Mitigant: new products from acquisitions increase customer engagement and help widen the moat. Acquisitions are likely to be value accretive in the long run.
3. Monetization of Venmo may be harder than expected
Mitigant: so far, the company has been successfully monetizing other products and the adoption and usage of Venmo have grown at spectacular rates.

Valuation analysis

To estimate PYPL's expected IRR, I built a 5-year model with projected EPS and cash flows. I applied an exit PE multiple and added the expected cash generation in the valuation window.

On my base case, I model a 5Y EPS CAGR of 14.0% with a \$25/sh of cash generation, and apply a 30x forward PE exit multiple, arriving at a 13% 5Y IRR. My exit multiple is ~6 turns lower than the current multiple (35.9x), reflecting a healthy top line deceleration.

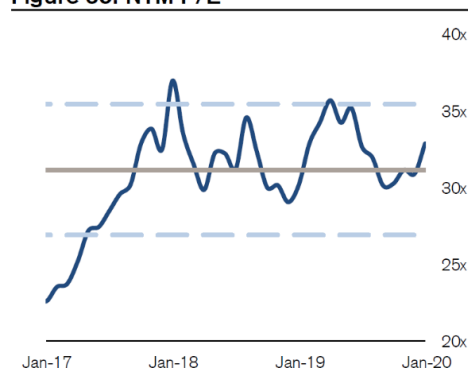
Valuation (Base case)	
EPS 2025 (5Y fwd)	6.5
Exit PE (5Y, 2025 fwd)	30.0
Exit price/sh	194
Accumulated cash per share	25
Total exit price + cash/sh	219
Spot price/sh (02/06/2020)	121
5Y IRR	13%

Management projected a more optimistic mid-term EPS growth of ~20% before COVID-19, which means they expected the company to keep growing profits at the same rate of the last several years. Even though I believe this lies within the range of likely outcomes, I also acknowledge that COVID may have some negative effect in the mid-term and that it will be increasingly difficult to sustain fast growth rates as PYPL gets larger. I express this uncertainty in my sensitivity analysis, presented below. The bold cells indicate more likely scenarios.

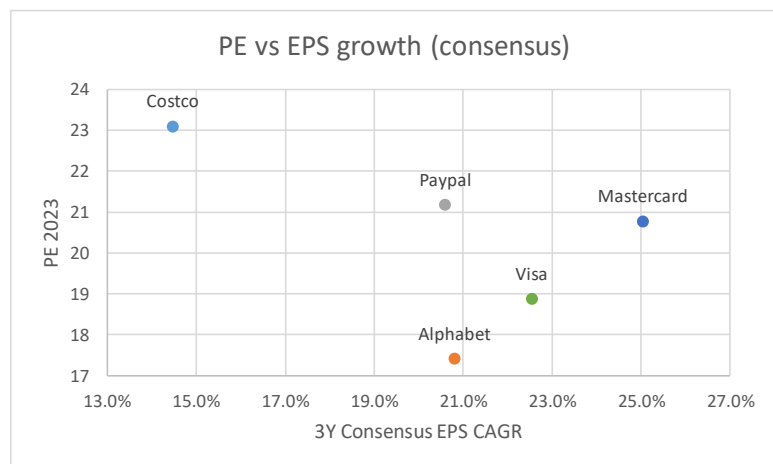
5Y IRR	Exit PE				
	20.0	25.0	30.0	35.9	40.0
10.0%	2%	6%	9%	13%	15%
15.0%	6%	10%	13%	17%	20%
14.0%	5%	9%	13%	16%	19%
20.0%	10%	14%	18%	22%	24%

Some additional analysis may help ease the anxiety regarding the high PE multiple. First, the stock has consistently traded in recent years between 30-35x NTM PE. Second, PYPL’s PE multiple relative to 2023 consensus estimate is reasonable when compared to peers and after controlling by differences in expected EPS growth (note that my EPS growth is significantly lower than consensus because I do not include stock repurchase – please refer to the appendix for a line by line comparison with consensus).

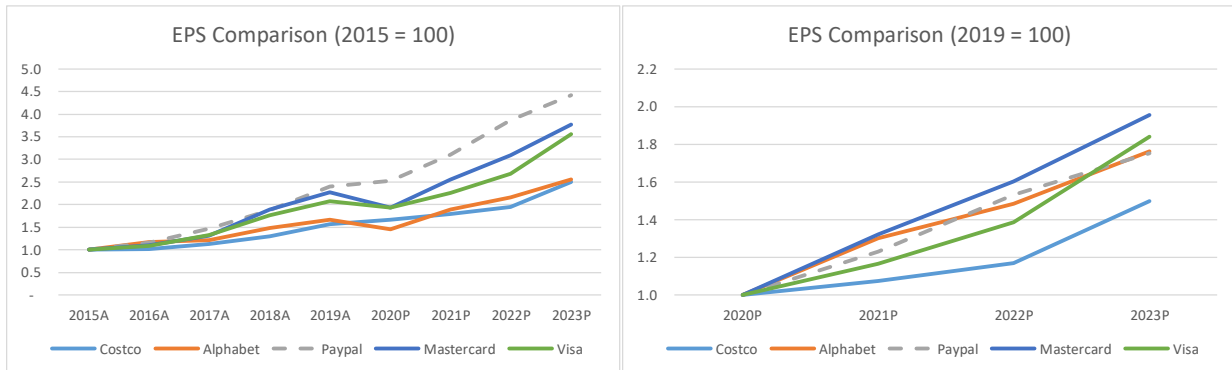
Figure 35: NTM P/E



Source: FactSet.



Finally, the reason why PYPL is expected to see slower EPS growth relative to peers is because they are likely to be less impacted by the COVID crisis. Historically, however, PYPL has seen stronger EPS growth than any of their peers.



I believe that PYPL provides an attractive risk-return after considering all the qualitative aspects of the business.

Appendix

PYPL Income Statement (GAAP)	2014A	2015A	2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P	2025P
# Customers	162	179	199	228	267	305	339	383	428	476	523	575
TPV/Customer	1,448	1,574	1,809	2,001	2,166	2,334	2,521	2,723	2,940	3,176	3,430	3,704
TPV	234,635	281,764	359,928	456,179	578,419	711,925	853,456	1,041,557	1,259,868	1,510,329	1,794,271	2,131,594
Revenue/TPV	3.03%	2.88%	2.64%	2.52%	2.37%	2.26%	2.15%	2.04%	1.94%	1.83%	1.72%	1.61%
Transaction Revenue	7,107	8,128	9,490	11,501	13,709	16,099	18,371	21,288	24,380	27,584	30,818	34,294
Other Value Added Services (OVAS)	918	1,120	1,352	1,593	1,742	1,673	1,837	2,129	2,438	2,758	3,082	3,429
Net revenues	8,025	9,248	10,842	13,094	15,451	17,772	20,209	23,417	26,818	30,342	33,900	37,724
Total operating expenses	(6,757)	(7,787)	(9,256)	(10,967)	(13,257)	(15,053)	(16,181)	(18,865)	(21,657)	(24,470)	(27,202)	(30,002)
Transaction expense	(2,170)	(2,610)	(3,346)	(4,419)	(5,581)	(6,790)	(8,082)	(9,713)	(11,441)	(13,214)	(14,961)	(16,757)
Transaction and loan losses	(646)	(809)	(1,088)	(1,011)	(1,274)	(1,380)	(1,569)	(1,818)	(2,082)	(2,356)	(2,632)	(2,929)
Transaction margin	64.9%	63.0%	59.1%	58.5%	55.6%	54.0%	52.2%	50.8%	49.6%	48.7%	48.1%	47.8%
Customer support and operations	(1,055)	(1,220)	(1,267)	(1,364)	(1,482)	(1,615)	(1,702)	(1,817)	(1,902)	(1,950)	(1,954)	(1,923)
Sales and marketing	(998)	(985)	(969)	(1,128)	(1,313)	(1,401)	(1,522)	(1,681)	(1,831)	(1,965)	(2,077)	(2,178)
Product development	(890)	(947)	(834)	(953)	(1,071)	(1,192)	(1,279)	(1,393)	(1,493)	(1,574)	(1,630)	(1,670)
General and administrative	(482)	(560)	(1,028)	(1,155)	(1,451)	(1,711)	(2,027)	(2,443)	(2,906)	(3,411)	(3,947)	(4,545)
EBITDA	1,784	2,117	2,310	3,064	3,279	3,683	4,027	4,551	5,161	5,872	6,699	7,721
Depreciation and amortization	(516)	(608)	(724)	(805)	(776)	(893)	(1,015)	(1,176)	(1,347)	(1,524)	(1,703)	(1,895)
Restructuring and other charges	-	(48)	-	(132)	(309)	(71)	-	-	-	-	-	-
Operating income	1,268	1,461	1,586	2,127	2,194	2,719	3,012	3,375	3,814	4,348	4,996	5,827
Operating margin	15.8%	15.8%	14.6%	16.2%	14.2%	15.3%	14.9%	14.4%	14.2%	14.3%	14.7%	15.4%
Other income / expense, net	(7)	27	45	73	182	279	317	368	421	476	532	592
Income before income taxes	1,261	1,488	1,631	2,200	2,376	2,998	3,330	3,743	4,235	4,824	5,528	6,419
Income tax expense	(842)	(260)	(230)	(405)	(319)	(539)	(523)	(588)	(665)	(758)	(868)	(1,008)
Net income / loss	419	1,228	1,401	1,795	2,057	2,459	2,807	3,155	3,570	4,067	4,660	5,411
Net profit margin	13.3%	12.9%	13.7%	13.3%	13.8%	13.8%	13.9%	13.5%	13.3%	13.4%	13.7%	14.3%
Weighted average shares (diluted)	1,229	1,218	1,221	1,203	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188
GAAP EPS (diluted)	1.00	1.15	1.47	1.71	2.07	2.36	2.66	3.01	3.42	3.92	4.55	5.47
Adjusted EPS	1.29	1.50	1.90	2.42	3.10	3.35	3.77	4.27	4.86	5.57	6.47	7.72
Adj EPS premium over GAAP	29%	30%	29%	42%	50%	42%	42%	42%	42%	42%	42%	42%

Other projections	2014A	2015A	2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P	2025P
KPI's												
Total take rate	3.42%	3.28%	3.01%	2.87%	2.67%	2.50%	2.37%	2.25%	2.13%	2.01%	1.89%	1.77%
Transaction take rate	3.03%	2.88%	2.64%	2.52%	2.37%	2.26%	2.15%	2.04%	1.94%	1.83%	1.72%	1.61%
Transaction expense rate	-0.92%	-0.93%	-0.93%	-0.97%	-0.96%	-0.95%	-0.95%	-0.93%	-0.91%	-0.87%	-0.83%	-0.79%
Transaction and loan loss rate	-0.28%	-0.29%	-0.30%	-0.22%	-0.22%	-0.19%	-0.18%	-0.17%	-0.17%	-0.16%	-0.15%	-0.14%
Transaction margin	64.9%	63.0%	59.1%	58.5%	55.6%	54.0%	52.2%	50.8%	49.6%	48.7%	48.1%	47.8%
YoY Growth												
# Customers	13%	10%	11%	15%	17%	14%	11%	13%	12%	11%	10%	10%
TPV/Customer	12%	9%	15%	11%	8%	8%	8%	8%	8%	8%	8%	8%
TPV	26%	20%	28%	27%	27%	23%	20%	22%	21%	20%	19%	19%
Revenue/TPV	-0.20%	-0.14%	-0.25%	-0.12%	-0.15%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%
Transaction Revenue	19%	14%	17%	21%	19%	17%	14%	16%	15%	13%	12%	11%
Other Value Added Services (OVAS)	0%	22%	21%	18%	9%	-4%	10%	16%	15%	13%	12%	11%

PYPL Cash Flow Statement (GAAP)	2014A	2015A	2016A	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P	2025P
Net Income / Starting Line	419	1,228	1,401	1,795	2,057	2,459	2,807	3,155	3,570	4,067	4,660	5,411
Depreciation, Depletion & Amortization	516	608	724	805	776	912	1,015	1,176	1,347	1,524	1,703	1,895
Deferred Taxes & Investment Tax Credit	680	127	52	(1,299)	(171)	(269)	-	-	-	-	-	-
Stock-based compensation	299	346	438	733	853	1,021	-	-	-	-	-	-
Transaction and loan losses	646	809	1,088	1,011	1,274	1,380	1,569	1,818	2,082	2,356	2,632	2,929
Other Funds	(41)	(66)	(64)	67	72	(357)	-	-	-	-	-	-
Funds from Operations	2,519	3,052	3,639	3,112	4,861	5,146	5,391	6,150	6,999	7,947	8,995	10,235
Changes in Working Capital	(299)	(506)	(481)	(581)	622	(585)	(112)	(147)	(156)	(162)	(163)	(175)
Net Operating Cash Flow	2,220	2,546	3,158	2,531	5,483	4,561	5,279	6,002	6,843	7,785	8,832	10,059
Capital Expenditures	(492)	(722)	(669)	(667)	(823)	(704)	(801)	(1,261)	(1,336)	(1,452)	(1,605)	(1,749)
Net Assets from Acquisitions	(2)	(1,225)	(19)	(323)	(2,124)	(70)	(855)	(991)	(1,135)	(1,284)	(1,435)	(1,597)
Sale of Fixed Assets & Businesses	-	26	-	-	3	17	-	-	-	-	-	-
Purchase/Sale of Investments	333	(4,224)	(2,612)	(968)	(483)	(3,003)	-	-	-	-	-	-
Other Funds	(1,385)	(244)	(1,699)	(3,400)	4,267	(1,973)	-	-	-	-	-	-
Net Investing Cash Flow	(1,546)	(6,389)	(4,999)	(5,358)	840	(5,733)	(1,656)	(2,252)	(2,471)	(2,736)	(3,040)	(3,345)
Change in Capital Stock	-	75	(886)	(862)	(3,376)	(1,273)	-	-	-	-	-	-
Issuance/Reduction of Debt, Net	(21)	(862)	(21)	820	960	2,955	-	-	-	-	-	-
Other Funds	(30)	3,866	2,945	4,126	1,154	2,006	-	-	-	-	-	-
Net Financing Cash Flow	(51)	3,079	2,038	4,084	(1,262)	3,688	-	-	-	-	-	-
Exchange Rate Effect	(26)	(44)	-	36	(113)	(6)	-	-	-	-	-	-
Excess cash to shareholders	1,726	599	2,470	1,541	2,536	3,787	3,623	3,750	4,372	5,049	5,792	6,714
Change in cash + share repurchases - debt	326	1,968	2,471	762	5,830	(30)	3,623	3,750	4,372	5,049	5,792	6,714
5Y accumulated												
Excess cash to shareholders												10,933
Change in cash + share repurchases - debt												11,001

PYPL Balance Sheet (GAAP)	2014A	2015A	2016A	2017A	2018A	2019A
Assets						
Cash & Short-Term Investments	2,230	3,411	4,975	5,695	9,109	10,761
Short-Term Receivables	14,957	16,582	19,925	19,839	22,907	26,934
Other Current Assets	378	655	833	7,111	947	800
Total Current Assets	17,565	20,648	25,733	32,645	32,963	38,495
Net Property, Plant & Equipment	922	1,344	1,482	1,528	1,724	1,693
Total Investments and Advances	31	2,348	1,539	1,961	971	2,863
Intangible Assets	3,345	4,427	4,270	4,507	7,109	6,990
Deferred Tax Assets	10	38	21	95	224	396
Other Assets	44	76	58	38	341	896
Total Assets	21,917	28,881	33,103	40,774	43,332	51,333
Liabilities & Shareholders' Equity						
ST Debt & Curr. Portion LT Debt	1,093	-	-	1,000	1,998	-
Accounts Payable	10,727	12,406	15,355	19,999	21,843	24,759
Income Tax Payable	737	32	64	83	61	73
Other Current Liabilities	726	1,179	1,459	1,781	2,002	2,087
Total Current Liabilities	13,283	13,617	16,878	22,863	25,904	26,919
Long-Term Debt	-	-	-	-	-	4,965
Deferred Tax Liabilities	145	1,175	1,215	9	109	89
Other Liabilities	241	330	298	1,908	1,933	2,431
Total Liabilities	13,669	15,122	18,391	24,780	27,946	34,404
Common Equity	8,248	13,759	14,712	15,994	15,386	16,885
Accumulated Minority Interest	-	-	-	-	-	44
Total Equity	8,248	13,759	14,712	15,994	15,386	16,929
Total Liabilities & Shareholders' Equity	21,917	28,881	33,103	40,774	43,332	51,333

Comparison to Consensus		2020	2021	2022	2023
TPV	Projection	853,456	1,041,557	1,259,868	1,510,329
	Consensus	852,950	1,043,770	1,231,210	1,467,110
	Projection/Consensus	0%	0%	2%	3%
Net revenues	Projection	20,209	23,417	26,818	30,342
	Consensus	20,011	23,511	27,511	29,583
	Projection/Consensus	1%	0%	-3%	3%
Adjusted EPS	Projection	3.35	3.77	4.27	4.86
	Consensus	3.25	4.00	5.00	5.70
	Projection/Consensus	3%	-6%	-15%	-15%

Stock ownership

Rank	Type	%OS	Position (000)	Pos Chg (000) [Recent]	Mkt Val (MM)
-	Total	43.40	509,057	27,916	62,614
-	Institutions	38.33	449,544	27,914	55,294
1	The Vanguard Group, Inc.	7.78	91,258	2,705	11,225
2	Fidelity Management & Research Co. LLC	4.89	57,304	-12,103	7,048
3	BlackRock Fund Advisors	4.28	50,231	-2,228	6,178
4	SSGA Funds Management, Inc.	3.95	46,327	185	5,698
5	T. Rowe Price Associates, Inc. (Investment Management)	3.21	37,682	698	4,635
6	Comprehensive Financial Management LLC (California)	2.81	32,958	32,958	4,054
7	Capital Research & Management Co. (World Investors)	1.81	21,277	3,308	2,617
8	Edgewood Management LLC	1.45	17,032	-31	2,095
9	Geode Capital Management LLC	1.41	16,572	124	2,038
10	Fundsmith LLP	1.29	15,186	-217	1,868
11	JPMorgan Investment Management, Inc.	1.26	14,801	-445	1,821
12	Northern Trust Investments, Inc. (Investment Management)	1.15	13,460	-52	1,656
13	Wellington Management Co. LLP	1.06	12,455	1,064	1,532
14	AllianceBernstein LP	1.01	11,905	1,634	1,464
15	Norges Bank Investment Management	0.95	11,096	313	1,365
-	Insiders / Stakeholders	5.07	59,512	2	7,320
1	Omidyar Pierre Morad	4.99	58,518	0	7,198
2	Schulman Daniel H	0.05	597	0	73
3	Triodos Investment Management Bv	0.01	148	2	18
4	Auerbach Jonathan S	0.01	142	0	17
5	Rainey John D	0.01	108	0	13