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GREATEST COMPANIES · RESEARCH SHEET · The Pioneer's Moat

PayPal

The Pioneer That Tried to Skip the Banks

NASDAQ: PYPL · Fintech / Digital Payments · Founded 1998 · San Jose, California, USA

Public · v1.0 · July 2026

In 2000 a young company was burning roughly $10 million a month, paying people $10 to sign up and $10 more per referral in a desperate, brilliant land-grab for users. Its leadership, the self-styled "PayPal Mafia," would go on to found or fund Tesla, SpaceX, LinkedIn, YouTube and Palantir. Their radical idea: send money to anyone with just an email address, skipping the bank-bound machinery of the old financial system. Where Visa and Mastercard own the rails, PayPal was the newcomer that tried to route around them.

Key Facts

Founders	Peter Thiel, Max Levchin, Luke Nosek (Confinity), merged with Elon Musk's X.com
Sector	Fintech — digital payments and wallets
Moat	A network and brand — genuine, but shallower than a true toll bridge
Founder Archetype	The contrarian "PayPal Mafia" — intense, radical, willing to grind through near-death
The Big Idea	Send money to anyone with just an email, skipping the old bank machinery
Killer Market	Viral growth on eBay's auctions
Status	Public (NASDAQ: PYPL)

By the Numbers

Peaked above $300 billion in value in 2021, then fell roughly 75% to around $85B by 2025
Burned about $10 million a month acquiring users in 2000
Acquired by eBay for ~$1.5 billion (2002); spun back out independent in 2015
Still processes well over $1 trillion in payments a year; revenue above $30B
The PayPal Mafia went on to build Tesla, SpaceX, LinkedIn, YouTube and Palantir
Now fights Apple Pay, Stripe and Block — the disruptor became the disrupted

The Moat

A Real Moat, but Not Deep Enough

PayPal's network and brand are genuine moats: hundreds of millions of users, a household name nearly synonymous with paying online, and in Venmo and Braintree two powerful assets. But they proved shallower than the entrenched, two-sided toll bridge of a Visa or Mastercard, and far more exposed to a fast-moving field of rivals. PayPal promised to route around the banks and card networks; in reality it mostly rides on top of them, many PayPal payments still funded by a user's bank account or their Visa or Mastercard. It added a convenient layer rather than replacing the rails beneath, and a pioneer's lead, unlike a true toll bridge, can be eroded.

The Boom & The Reckoning

The Disruptor Gets Disrupted

Set free from eBay in 2015, PayPal soared: it became a checkout button across the internet, acquired Braintree and with it Venmo, and rode the pandemic explosion of online shopping above $300 billion in value by 2021, briefly one of the defining winners of the digital economy. Then came the reckoning. As the pandemic faded and growth slowed, as rates rose and investors fled expensive tech, and as competition intensified from Apple Pay, Stripe, Block and the card networks themselves, the stock collapsed roughly three-quarters from its peak, shedding well over $200 billion, one of the most dramatic destructions of wealth in recent finance. The pioneer that once promised to disrupt the banks found itself the disrupted one, fighting to defend its turf.

> ***“ Being first, brilliant, and famous is not the same as being safe; a pioneer's lead can be eroded. ”***

The Legendary Scorecard

Category	Score	Notes
Founder Vision	9	Send money with just an email, skipping the banks
Innovation	9	Created online payments; relentless real-time fraud-fighting
Execution	7	Brilliant at creating the category, uneven at defending it
Moat	6	Network + brand, shallower than the card toll bridges
Capital Allocation	6	Braintree/Venmo were wins; huge value destroyed after 2021
Wealth Creation	7	Fortunes made early; enormous value lost post-peak
Durability	6	The lead eroded under Apple Pay, Stripe and Block
Historical Importance	8	Created online payments and forged the PayPal Mafia
Overall Legendary	**7.0 / 10**	The cautionary counterpoint: a real advantage that was not quite durable enough

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1998	Confinity founded by Thiel, Levchin and Nosek — security software, then payments
1999	The first version of PayPal launches; Elon Musk founds X.com
2000	Confinity and X.com merge; Musk is briefly CEO then ousted; the company burns ~$10M/month
2001	The company is renamed PayPal
2002	PayPal goes public in February, then is acquired by eBay for ~$1.5B
2013	PayPal acquires Braintree, bringing Venmo into the fold
2015	eBay spins PayPal back out as an independent public company
2021	PayPal's market value peaks above $300 billion
2025	Trades around $85B, ~75% off its peak, fighting Apple Pay, Stripe and Block

Lessons — What This Means for You

THE MOVE · Be first, but know that first is not forever
PayPal's method was speed: move first, grow virally, grab the market, survive the chaos with relentless fraud-fighting. It won the category, but the method that wins a market is not always the one that keeps it. A pioneer must shift, once it leads, from racing to fortifying, because conquest and defence are different skills.

THE MONEY · A wounded valuation is a lesson in durability
PayPal made fortunes early and destroyed enormous value for those who bought near the 2021 top. The price you pay matters as much as the quality of what you buy; a great company bought at a euphoric valuation can still be a terrible investment. A pioneer's promise, priced for perfection, is far more fragile than a toll-taker's steady flow.

THE MIND · The crucible forges people, not just products
PayPal's deepest legacy is the PayPal Mafia, whose members went on to build an astonishing share of modern technology. The most valuable thing a great company produces may not be its product but the people it forges, minds trained in a crucible of pressure and ambition who go on to reshape the world.

Related Reading

The rails it tried to skip: Visa: The Toll Bridge of the Modern Economy

The second act it is straining to write: Amazon: The 94% Crash and the Cost of Being Right

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Sources & Further Reading

Jimmy Soni, The Founders: The Story of PayPal and the Entrepreneurs Who Shaped Silicon Valley (2022)

PayPal Holdings, Inc. annual reports and SEC filings

Greatest Companies (PayPal chapter), The Complete Trader's Edge

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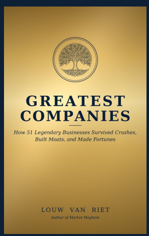

FROM THE BOOK

This company is one of **51** in **Greatest Companies** — every legendary business read through one lens: **Moat, Meltdown, Machine**. Eight kinds of moat, from Standard Oil to SpaceX.

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