

# Visa Inc.

October 31<sup>st</sup>, 2023



Damian Kranski

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# Investment Thesis



# Investment Thesis

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- Buy Visa Shares
- Target Price: \$271.98
- Upside: 15.72%
  
- Key Drivers:
  - June 2023 Pismo Acquisition
  - Strategic Partnerships:
    - Oracle, Stripe, Infosys
  - 2022 Payments Volume
    - \$11.6T – up 12% YoY
  - 2022 Processed Transactions
    - 192.6B - up 17% YoY
  - ~160 currencies in transaction processing
    - 89% of worldwide currencies

# Company Overview

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**Founded: 1958**



**HQ: San Francisco, CA**



**Sector: Financial**



**Industry: Credit Services**



**26,500 Employees**



**Alfred Kelly**  
Chairman



**Ryan McInerney**  
President, CEO



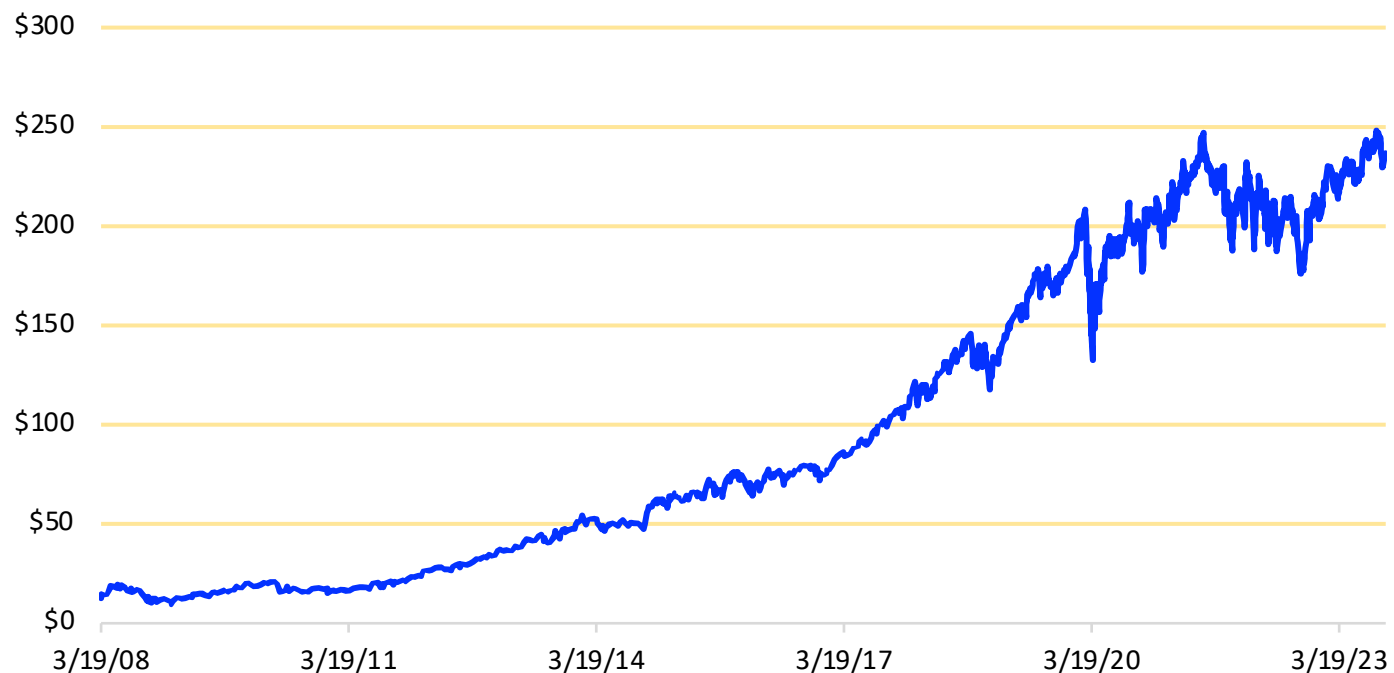
**Rajat Taneja**  
President,  
Technology



**Christopher Suh**  
CFO

# Price Chart and Key Metrics

## Visa Stock Performance – NYSE: V



## Key Metrics

Share Price	\$235.04
Market Cap	488.84B
Beta	0.95
Dividend Yield	0.77%
Debt/Equity	0.53
ROE (TTM)	43.62%
P/E (TTM)	29.87
Revenue (TTM)	31.83B
Profit Margin (TTM)	51.00%
Institutional Ownership	77.14%



# Business Description

VISA



# Revenue Growth Drivers

## Consumer Payments

### Core Products



**Credit, Debit, and Prepaid**

### Enablers



**Tap/click to pay and  
tokenization**

### New Flows



**P2P, B2C, B2B, B2b, G2C**

### Value Added Services

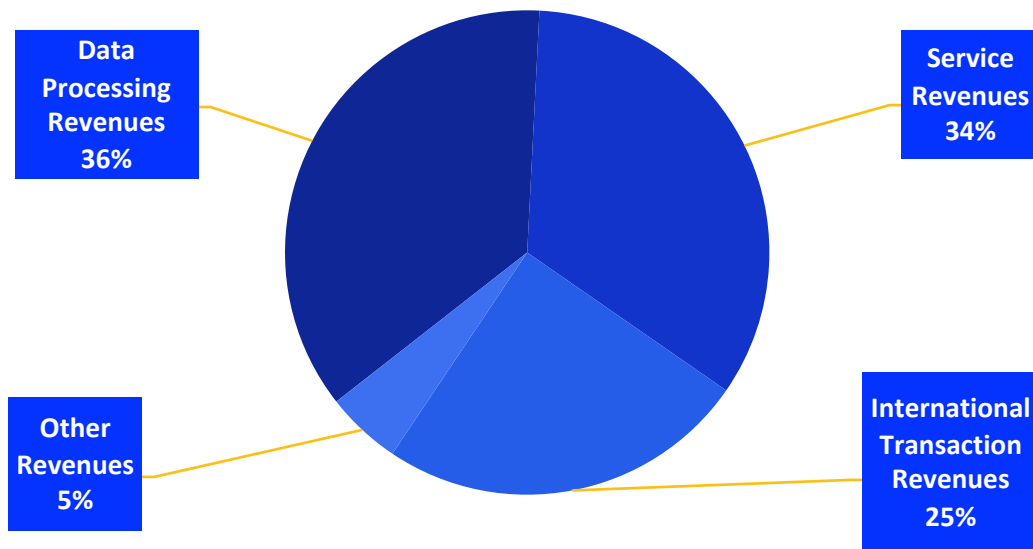


- **Advisory Services**
- **Open Banking**
- **Acceptance Solutions**
- **Issuing Solutions**
- **Risk and Identity Solutions**



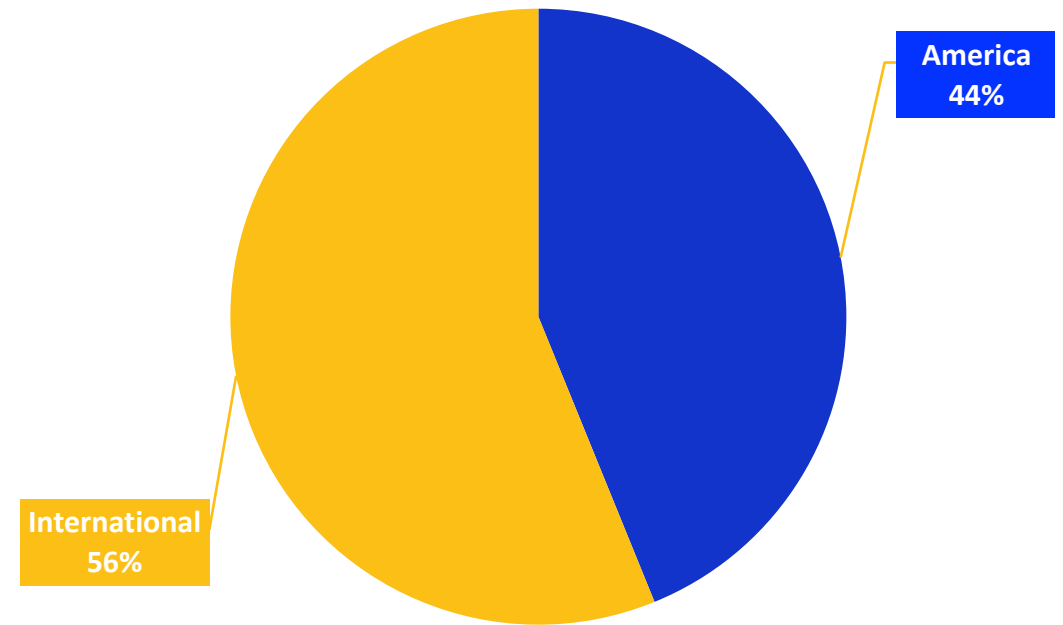
# Revenues by Segment and Geography

## Revenues by Segment (2022)



- Data Processing Revenues
- Service Revenues
- International Transaction Revenues
- Other Revenues

## Revenues by Geography (2022)



- America
- International



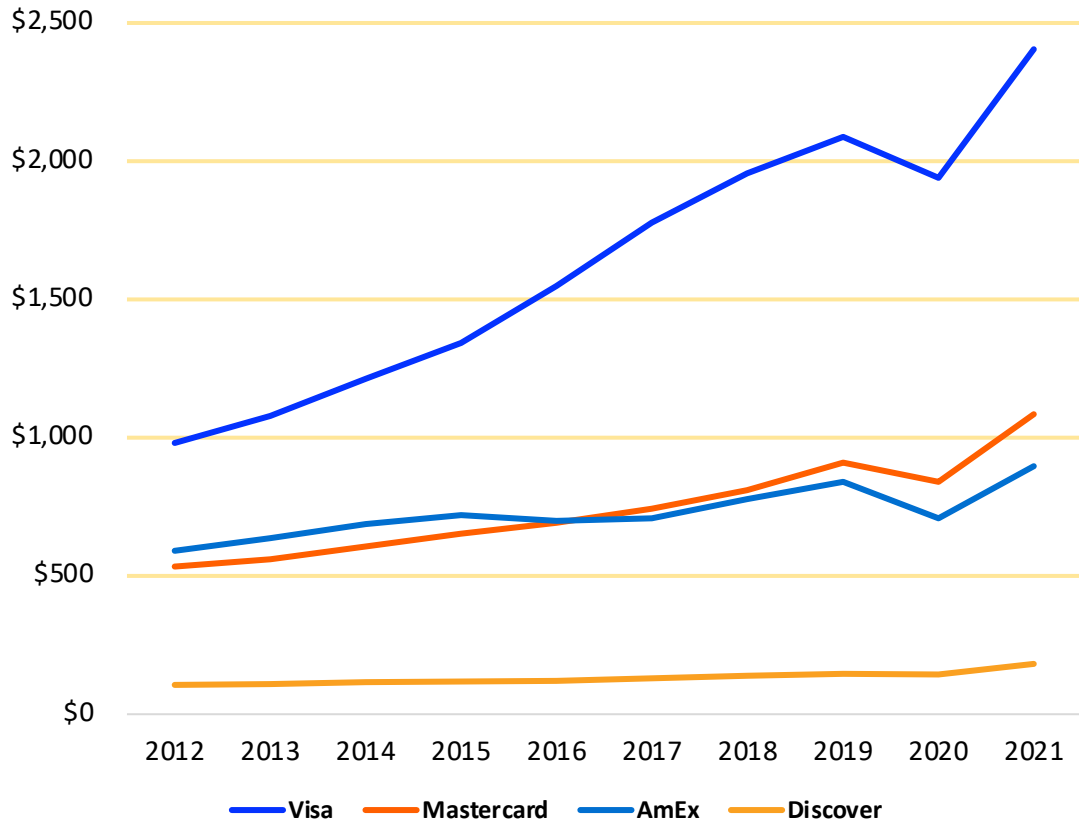


# Industry Analysis

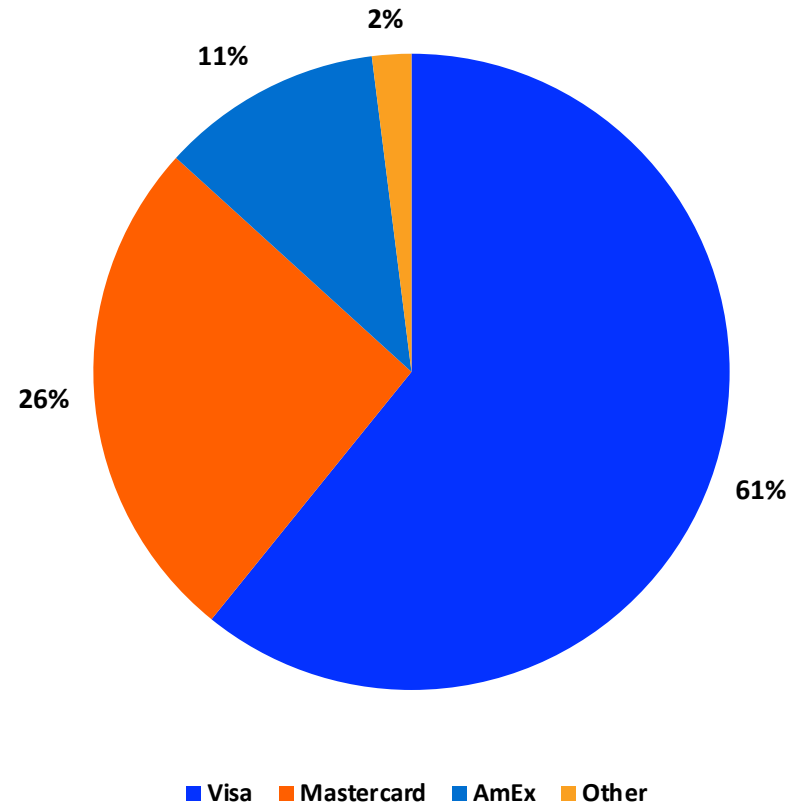


# Credit Card Purchase Volume (U.S.)

## Top Credit Networks by Purchase Volume (\$B)

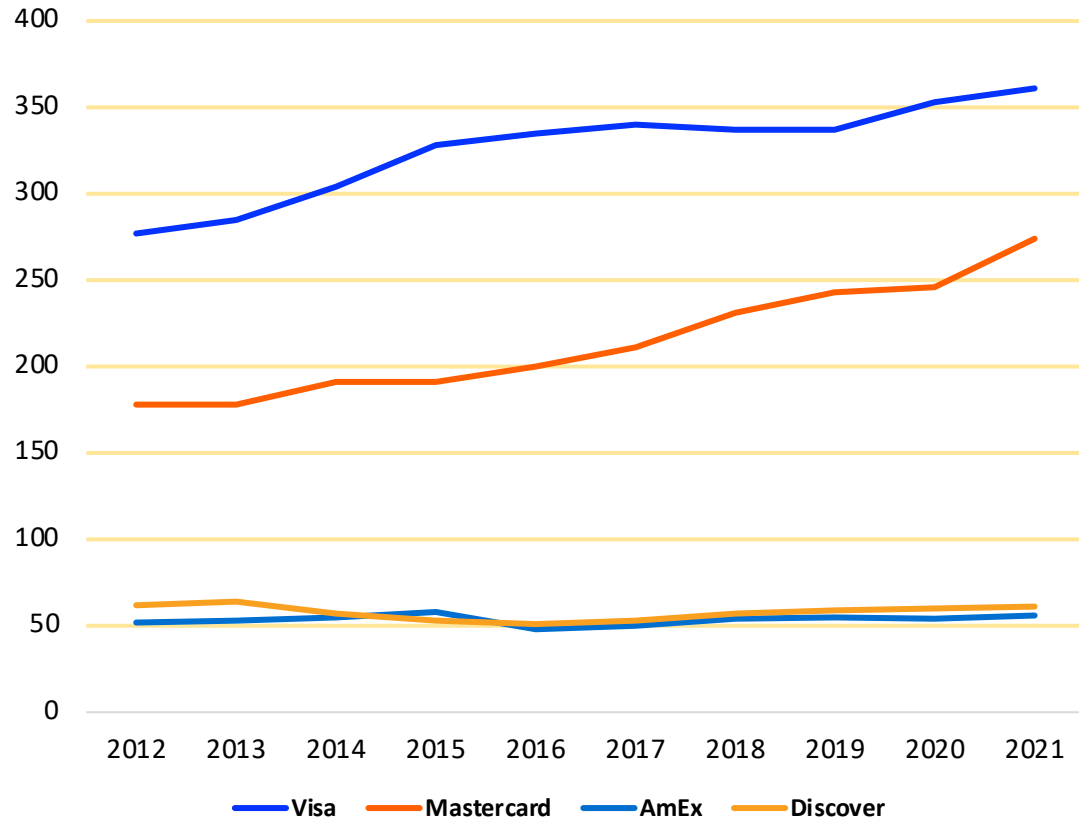


## Market Share by Purchase Volume (2022)



# Credit Card Circulation (U.S.) and Affecting Factors

## Number of Cards in Circulation (MM)



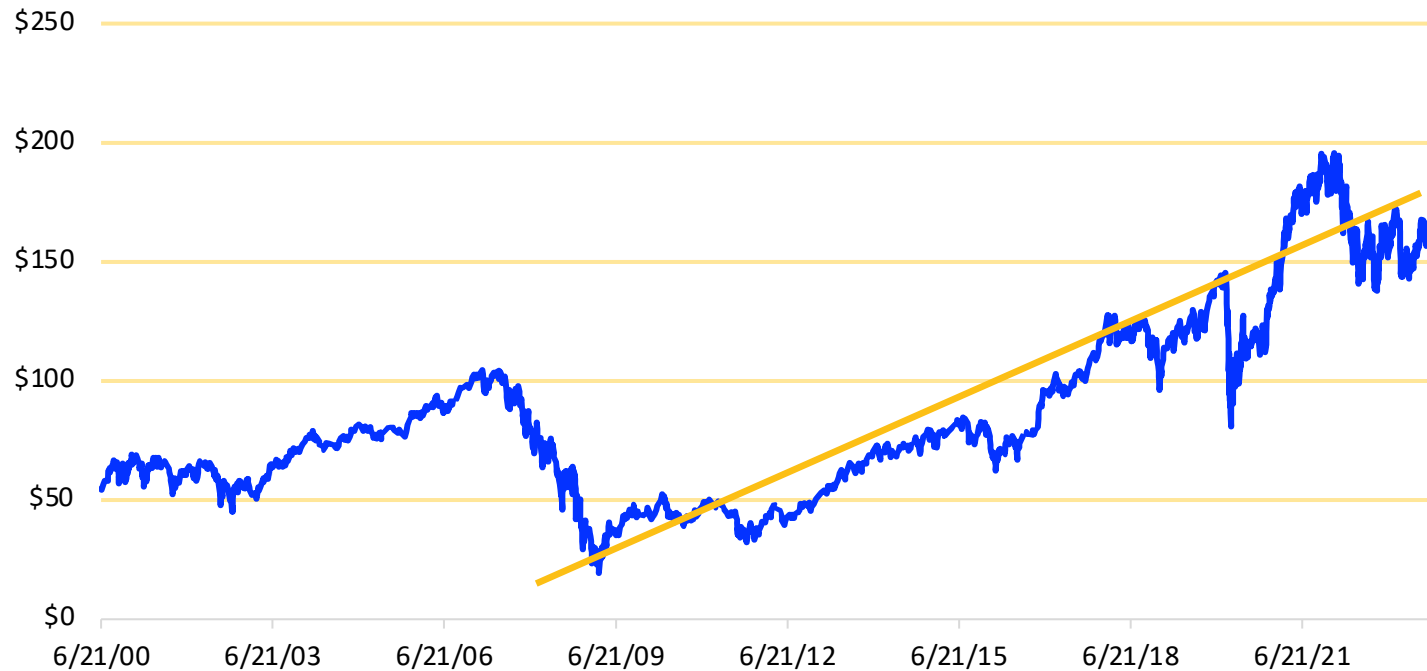
## Factors Affecting Industry

- Economic Conditions
  - Hyperinflation and recessions
- Consumer Spending Patterns
  - Shift towards online shopping
- Regulation and Compliance
  - Emerging regulations
- Technological Innovation
  - AI and blockchains
- Global Events
  - Pandemic and international conflicts



# Financial Services ETF Analysis and Industry Outlook

## Financial Services Sector ETF – NYSEARCA: IYG



## Industry Outlook

- Financial Services Growth
  - CAGR of 8% (2022 to 2032)
- Digital Payments Growth
  - Increase in mobile payments
- Cross-Border Payments
  - CAGR of 5% (2021 to 2027)
- E-commerce Expansion
  - Global Sales CAGR of 11.16% (2023 to 2027)



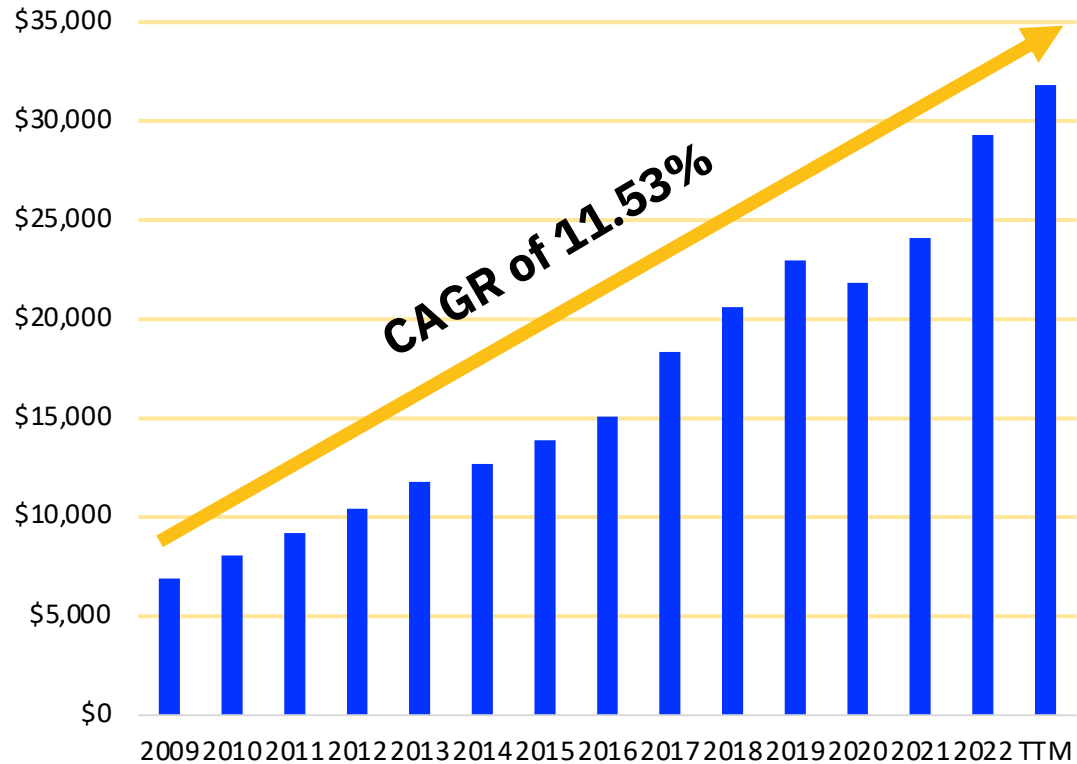


# Financial Analysis

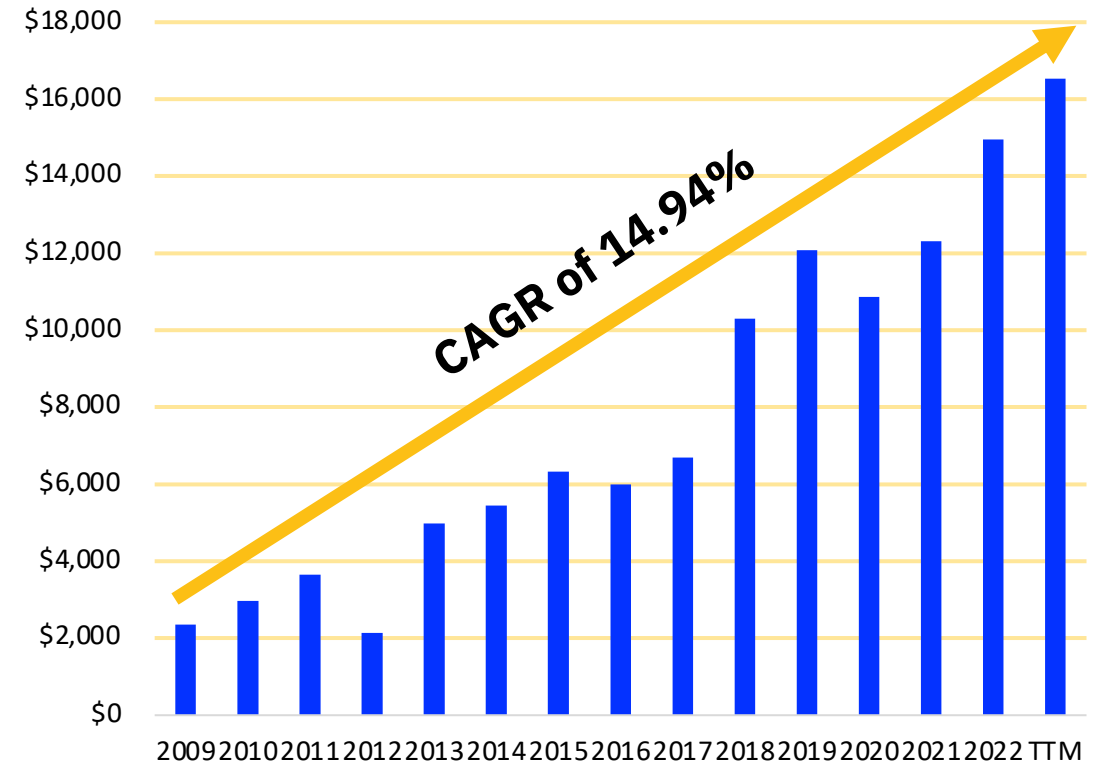


# Net Revenue and Net Income

## Net Revenue (\$MM)

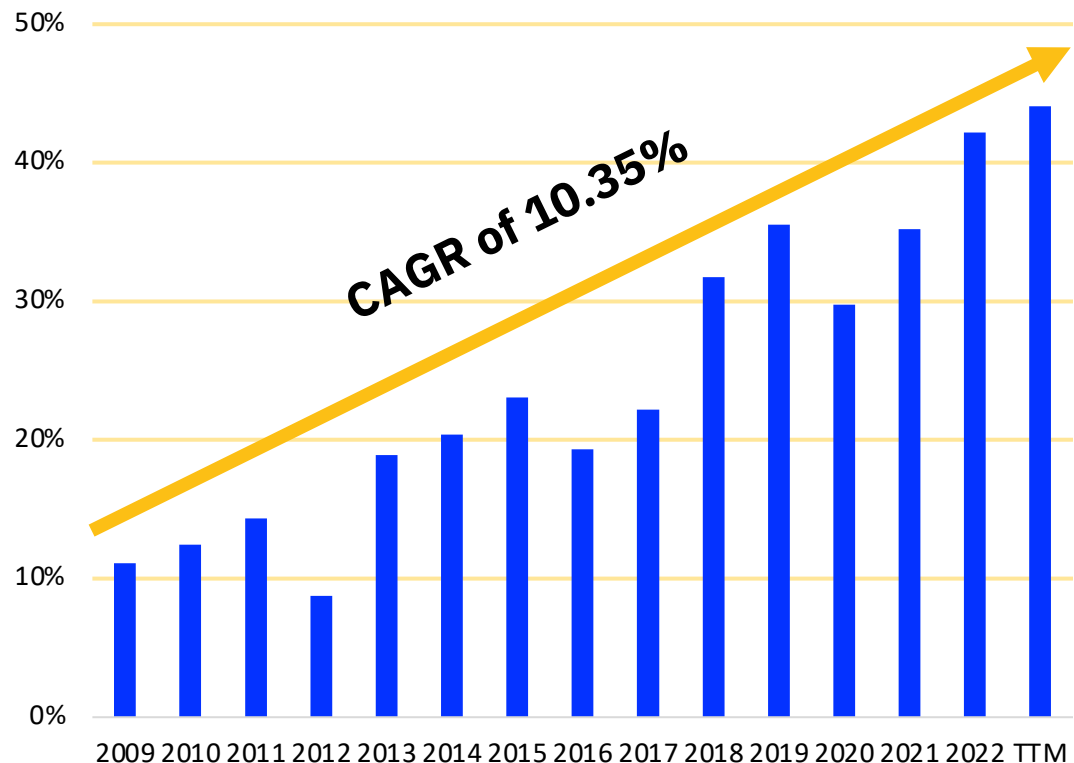


## Net Income (\$MM)

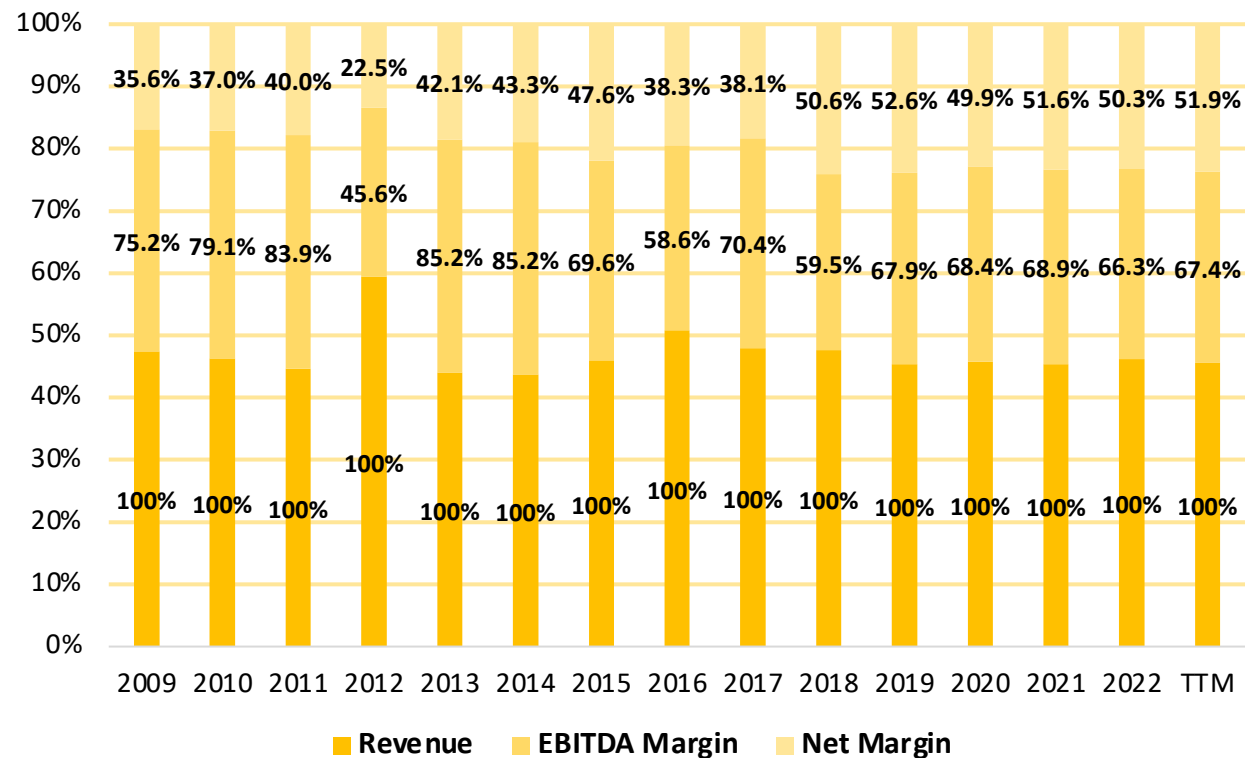


# Profitability Ratios

## Return on Equity

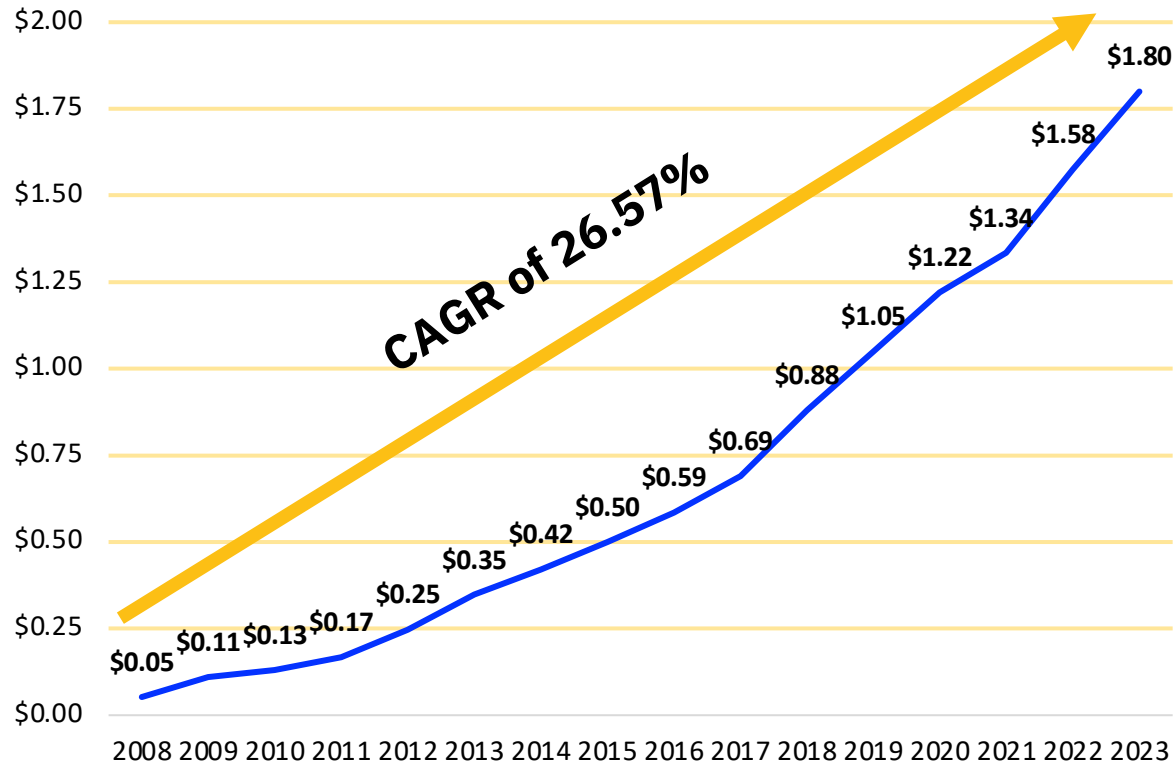


## EBITDA & Net Margins

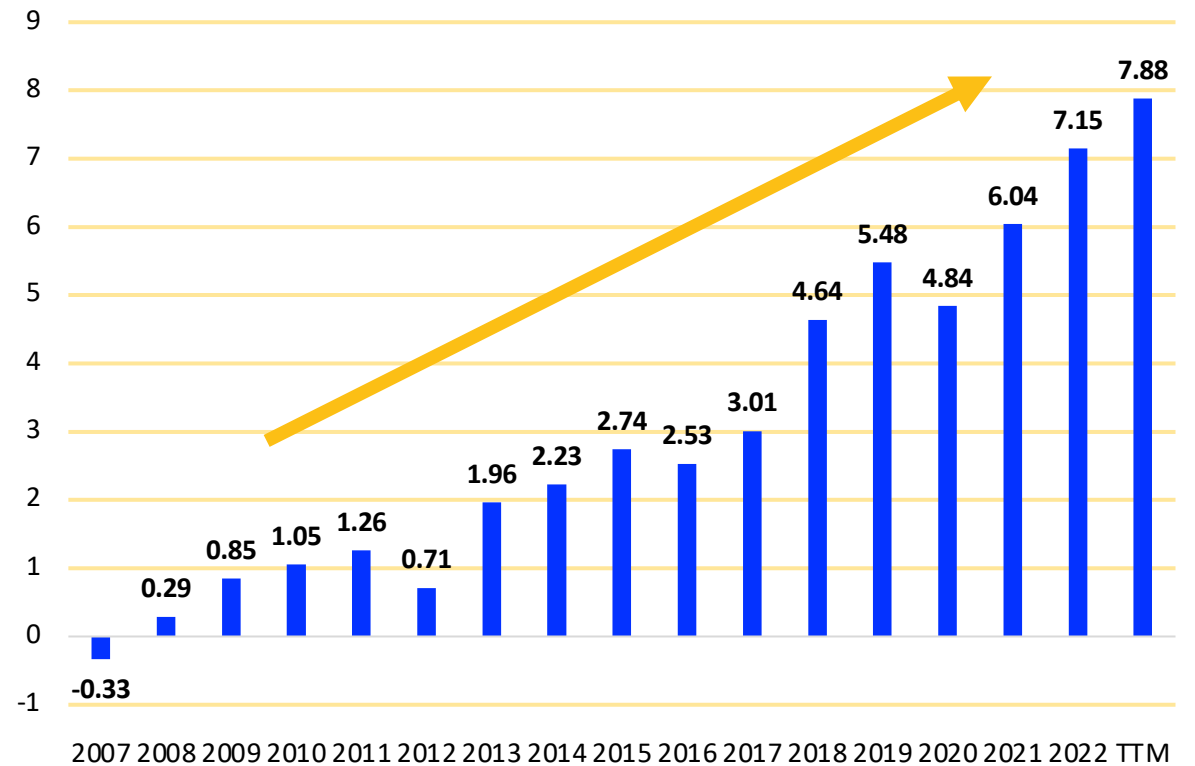


# Dividend and Earnings Per Share

## Annual Dividend Per Share



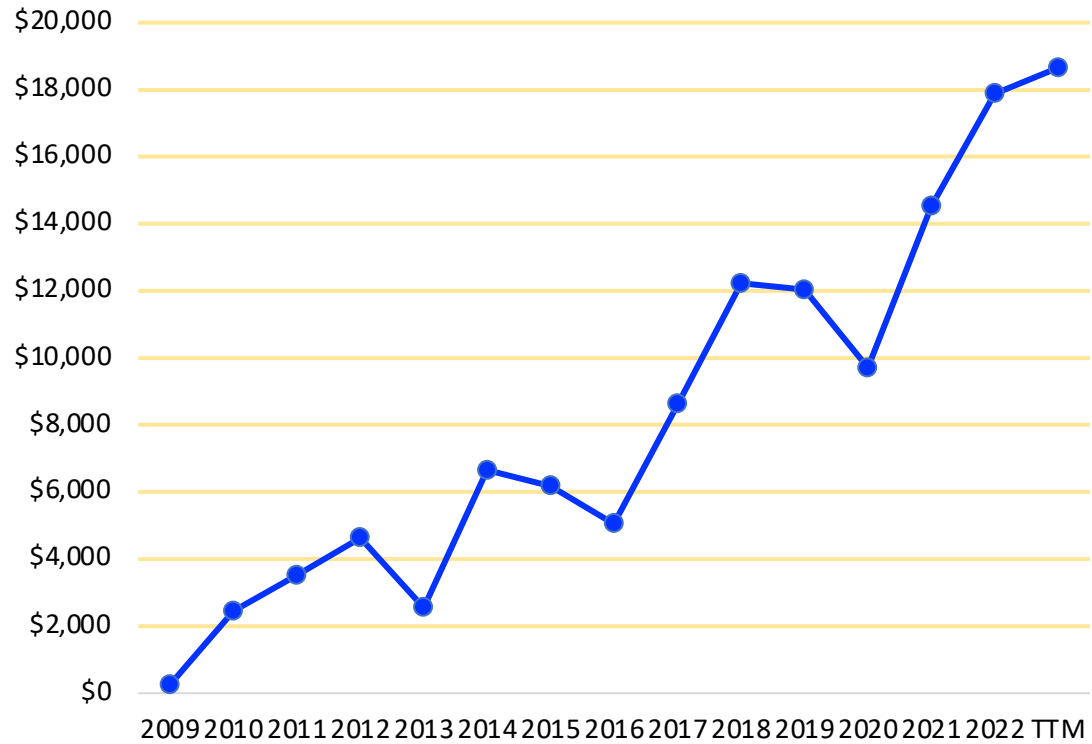
## Diluted Earnings Per Share



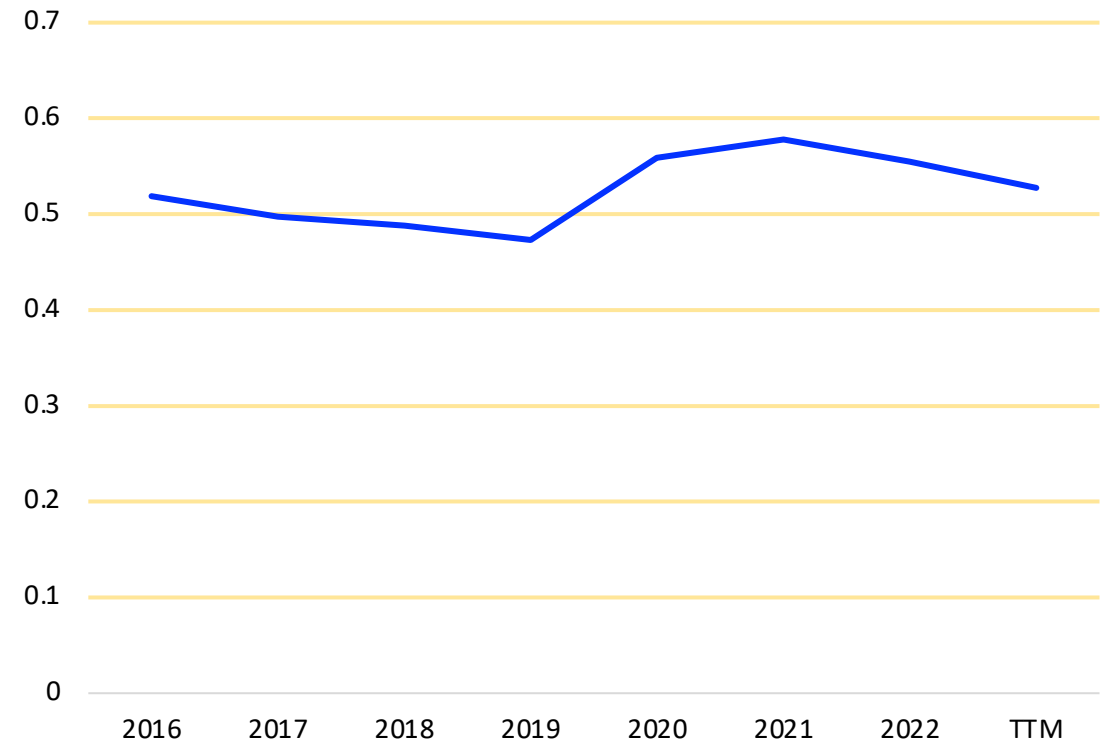


# Company Stability

## Free Cash Flow (\$MM)



## Debt to Equity Ratio







# Valuation

VISA



# Comparable Company Analysis

(In Millions)		Market Data					Financials			Valuation		
Company	Ticker	Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E
Visa	V	235.04	1,610	378,414	6,761	385,175	31,831	21,811	16,532	12.1x	17.7x	22.9x
Mastercard	MA	401.16	934.85	375,024	7,015	382,039	23,590	13,993	10,230	16.2x	27.3x	36.7x
American Express	AXP	152.79	736.46	112,524	10,000	122,524	62,181	10,928	7,441	2.0x	11.2x	15.1x
High										16.2x	27.3x	36.7x
75th Percentile										12.6x	23.3x	31.3x
<b>Average</b>										<b>9.1x</b>	<b>19.3x</b>	<b>25.9x</b>
25th Percentile										5.5x	15.2x	20.5x
Low										2.0x	11.2x	15.1x

Visa Valuation	EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value	402,307	420,015	434,786
Net Debt	6,761	6,761	6,761
Implied Market Value	395,546	413,254	428,025
Shares Outstanding	1,610	1,610	1,610
<b>Implied Value Per Share</b>	<b>245.68</b>	<b>256.68</b>	<b>265.85</b>





# Dividend Discount Model

## Case 1

### 2 Stage Growth Model (10yr)

Stage 1 Growth Rate	22.50%
Number of Years in Stage 1	10
Stage 2 Growth Rate	8.00%
Number of Years in Stage 2	
Stage 3 Growth Rate	
Growth Path	Linear
Cost of Equity Capital	8.77%
Dividends per share, LTM	\$1.80

## Results

k / terminal g	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
<b>7.27%</b>							
<b>7.77%</b>	\$342.99						
<b>8.27%</b>	\$243.64	\$329.41					
<b>8.77%</b>	\$188.13	\$234.16	\$316.45				
<b>9.27%</b>	\$152.72	\$180.93	\$225.09	\$304.06			
<b>9.77%</b>	\$128.17	\$146.97	\$174.04	\$216.43	\$292.21		
<b>10.27%</b>	\$110.17	\$123.42	\$141.46	\$167.46	\$208.14	\$280.89	
<b>Average</b>	<b>\$214.62</b>						

## Case 2

### 2 Stage Growth Model (15yr)

Stage 1 Growth Rate	22.50%
Number of Years in Stage 1	15
Stage 2 Growth Rate	8.00%
Stage 3 Growth Rate	
Growth Path	
Growth Path	Linear
Cost of Equity Capital	8.77%
Dividends per share, LTM	\$1.80

## Results

k / terminal g	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
<b>7.27%</b>							
<b>7.77%</b>	\$493.77						
<b>8.27%</b>	\$347.20	\$464.05					
<b>8.77%</b>	\$265.46	\$326.73	\$436.28				
<b>9.27%</b>	\$213.43	\$250.14	\$307.60	\$410.34			
<b>9.77%</b>	\$177.47	\$201.37	\$235.80	\$289.70	\$386.08		
<b>10.27%</b>	\$151.17	\$167.65	\$190.07	\$222.39	\$272.96	\$363.40	
<b>Average</b>	<b>\$293.95</b>						

# Free Cash Flow to Equity Model

## Case 1

### 1 Stage Growth Model (5%)

Growth Rate	5.00%
Number of Years in Stage 1	
Stage 2 Growth Rate	
Number of Years in Stage 2	
Stage 3 Growth Rate	
Growth Path	Constant
Cost of Equity Capital	8.77%
Free Cash Flow to Equity, LTM	\$14,899.31

## Results

k / terminal g	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
<b>7.27%</b>	\$254.13	\$294.41	\$349.25	\$428.25	\$551.91	\$773.01	
<b>7.77%</b>	\$224.36	\$255.36	\$295.83	\$350.92	\$430.29	\$554.52	\$776.66
<b>8.27%</b>	\$200.84	\$225.45	\$256.58	\$297.25	\$352.59	\$432.33	\$557.14
<b>8.77%</b>	\$181.78	\$201.81	\$226.53	\$257.81	\$298.66	\$354.26	\$434.37
<b>9.27%</b>	\$166.03	\$182.66	\$202.78	\$227.62	\$259.04	\$300.08	\$355.93
<b>9.77%</b>	\$152.79	\$166.83	\$183.54	\$203.75	\$228.70	\$260.27	\$301.49
<b>10.27%</b>	\$141.50	\$153.52	\$167.63	\$184.42	\$204.72	\$229.78	\$261.50

**Average \$298.98**

## Case 2

### 3 Stage Growth Model

Stage 1 Growth Rate	27.02%
Number of Years in Stage 1	3
Stage 2 Growth Rate	0.00%
Number of Years in Stage 2	10
Stage 3 Growth Rate	5.00%
Growth Path	Linear
Cost of Equity Capital	8.77%
Free Cash Flow to Equity, LTM	\$14,899.31

## Results

k / terminal g	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
<b>7.27%</b>	\$334.56	\$367.55	\$412.46	\$477.17	\$578.45	\$759.53	
<b>7.77%</b>	\$295.70	\$319.59	\$350.80	\$393.27	\$454.46	\$550.24	\$721.50
<b>8.27%</b>	\$264.98	\$282.84	\$305.44	\$334.96	\$375.14	\$433.02	\$523.63
<b>8.77%</b>	\$240.08	\$253.77	\$270.68	\$292.06	\$319.99	\$358.01	\$412.78
<b>9.27%</b>	\$219.49	\$230.20	\$243.16	\$259.16	\$279.40	\$305.84	\$341.82
<b>9.77%</b>	\$202.17	\$210.70	\$220.84	\$233.11	\$248.26	\$267.42	\$292.45
<b>10.27%</b>	\$187.41	\$194.29	\$202.36	\$211.97	\$223.59	\$237.93	\$256.08

**Average \$328.13**





# Investment Risks



# Investment Risks

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**Regulatory  
Risks**



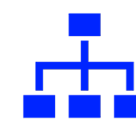
**Litigation Risks**



**Business Risks**



**Market Risks**



**Structural and  
Organizational  
Risks**



**Technological  
Risks**

# Investment Thesis Recap

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