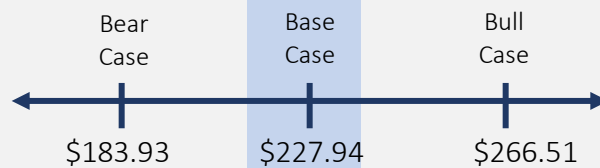


Current Price: \$203.25 | Rating: BUY  
Price Target: \$227.94 (12.1% Upside)  
Market Cap: \$459.33 B  
Credit Rating: AA-



**EXECUTIVE OVERVIEW**

This report begins coverage on Visa (NYSE: V) with a BUY recommendation based on a 12-month price target of \$239.89, estimated through the average of two discounted free cash flow models, an implied intrinsic method, and an exit multiple methods. The price target represents a 12.1% upside from the last close of \$203.25 as of November 25, 2021. It is expected that the global secular shift towards digital payments, growth in Visa’s new flows and value-added services, and the growing acceptance of cryptocurrencies.

**INVESTMENT THESIS**

**Investment Thesis I: Dominant Market Share**

Visa commands over 50% of the digital payments industry with customers spanning across over 200 countries. Its leading competitor, Mastercard, has a market share half that of Visa with no other major threats in sight. Visa’s overall size allows them to capitalize on their network effect to continually expand into new markets and develop new products and services to grow their top line. Moreover, Visa’s partnership attractiveness leaves room to grow in new segments such as cryptocurrencies and strike deals with up incoming Fintech’s.

**Investment Thesis II: Global Secular Shift Towards Digital Payments**

The shift towards global payments has been accelerated by the COVID-19 pandemic. As more consumers opt to use plastic instead of cash in conjunction with the strong growth in Ecommerce, Visa is primed to capture this ongoing global secular shift. More specifically, in developing markets where cash is used at a much higher rate than in developed markets, Visa maintains a majority market share in these regions giving the company a runway to expand in these regions.

**Investment Thesis III: Strong Growth in New Flows and Value-Added Services**

New flows represent a \$185 trillion opportunity for Visa. The company has seen tremendous growth in their new flows and value-added services business segments as the pandemic has driven up the use of digital payments. New flows provide solutions for B2B, B2b, B2C, G2C, and P2P transactions. Visa’s network and partnerships opens the door to capture significant volumes from these opportunities. This expansion has been seen in both mature markets and markets with lower penetration and should continue to see growth as Ecommerce expands.

This report was written by a student currently enrolled in a program at the Sprott School of Business. The analyst is not a registered investment advisor, broker or an officially licensed financial professional. The investment opinion contained in this report does not represent an offer or solicitation to buy or sell any securities. This report is written solely for the consideration of this student managed investment fund and should not be used by individuals to make personal investment decisions. Unless otherwise noted, facts and figures included in this report are from publicly available sources. Information contained in this report is only believed to be accurate as of the day it was published, and it is subject to change without notice. In no event will SSIF be liable to you or anyone else for any loss or damages whatsoever (including direct, indirect, special, incidental, consequential, exemplary, or punitive damages) resulting from the use of this document, or reliance on the information or content found within this document. The information may not be reproduced or republished in any part without the prior written consent of SSIF.

© Sprott Student Investment Fund

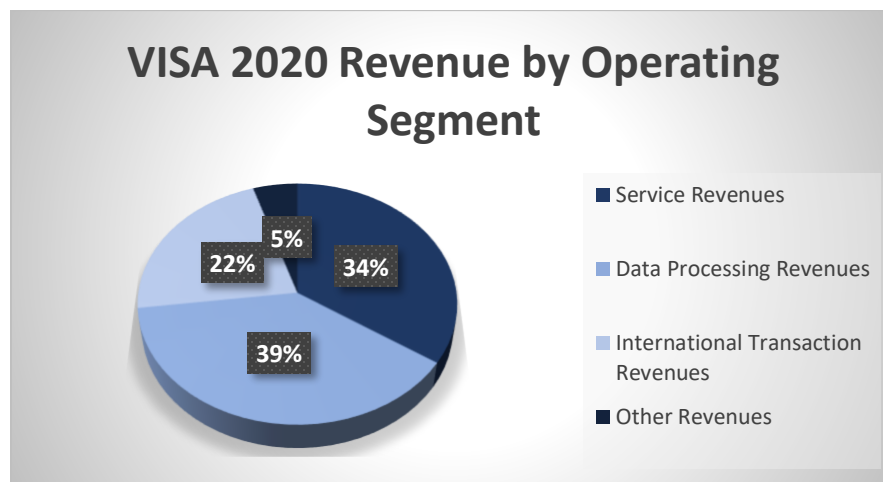
## BUSINESS DESCRIPTION

### COMPANY OVERVIEW

Visa is a digital payment processing company that connects individuals, businesses, and economies around the globe. With outreach across over 200 countries and territories, Visa's innovative technologies provide solutions for consumers, merchants, and financial institutions. Traditionally known as the "four-party" model, Visa continues to expand their propriety network, VisaNet, by expanding products and services across digital banks, wallets, fintech start-ups, and governmental organizations. Visa operates through the global payment processing segment. The company offers a variety of payment products used by their 15,400 financial institution clients. During 2020, the company facilitated 204 billion transactions equating to \$11.3 trillion spread across 70 million merchant locations globally.<sup>1</sup>

Visa breaks down their business model into three segments, consumer payments, new flows, and value-added services. Visa's core business stems from their consumer payments segment which includes credit, debit, and prepaid cards along with their Visa/Plus Global ATM network. Visa does not offer credit cards or issue credit; it is the financial institutions themselves who are responsible for credit cards and programs for their customers to use. Visa provides the technology and services such as fraud tools that enable payments to be processed.<sup>2</sup> With the increase in Ecommerce transactions stemming from the COVID-19 pandemic, Visa is in a prime position to catch the continued move away from cash. In addition, Visa continues to create partnerships with up incoming Fintechs. Visa is an attractive partner because of their size, capabilities, and safety their platform offers. The new flows segment utilizes Visa's network of networks approach by kickstarting person-to-person, business-to-consumer, business-to-business, business-to-small business, and government-to-consumer interactions. Visa's final segment are their value-added services. These include consumer/merchant solutions, fraud and security services, data solutions, and consulting and analytics services.<sup>3</sup>

Visa generates revenues through four different segments. Service revenues consists of mostly client support services for users of Visa's payment services. Data processing revenues are comprised of authorization, clearing, settlement, value added services, network access, and other fees needed to complete transactions. International transaction revenues consist of currency conversion fees and international transaction processing. Other revenues are the smallest portion of Visa's gross revenues and comprise of value-added services, license fees, fees for account holder services, certification, licensing, and product enhancements. Client incentives are a contra-revenue account used to grow payments volume by sparking deals and contracts with institutions, merchants, and other partners.<sup>4</sup>



Source: Bloomberg <FA> Fxn

<sup>1</sup> Visa 2020 Annual Report, Page 4

<sup>2</sup> Visa 2020 Annual Report, Page 7

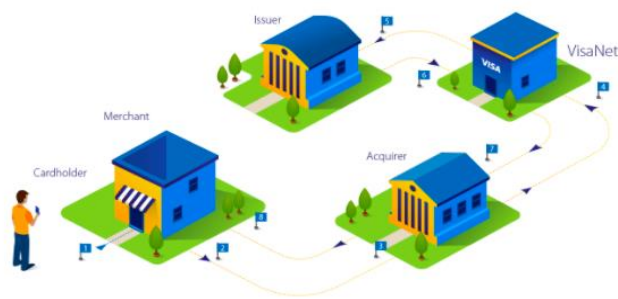
<sup>3</sup> Visa 2020 Annual Report, Page 4

<sup>4</sup> Visa 2020 Annual Report, Page 45

## LIFE CYCLE OF A TRANSACTION

The lifecycle of the transaction involves five key players, the cardholder, issuer, merchant, acquirer, and VisaNet. Processing a Visa transaction is a two-stage process. The first stage, known as authorization, works as follows: cardholder presents Visa card to purchase goods or services, merchant swipes the Visa card and sends the info to the acquirer (merchants bank), acquirer sends the info to VisaNet, VisaNet transmits the request to the issuer (cardholder's bank), issuer approves or denies the transaction, VisaNet then directs the response back to the acquirer, the acquirer then sends the response to the merchant, the merchant completes the transaction appropriately. Once the first stage is complete, the second stage, known as clearing and settlement works as follows: merchant deposits the transaction receipt with the acquirer, acquirer credits the merchant's account for the correct amount and sends the transaction receipt to VisaNet for settlement, VisaNet pays the acquirer and debits the issuer's account, then forwards the transaction receipt to the issuer, issuer posts the transaction to the cardholder's account and waits for payment, the cardholder finally receives a monthly statement and pays the issuer.<sup>5</sup>

Stage 1: Authorization



Stage 2: Clearing and Settlement



Source: [https://www.visa.ca/en\\_CA/run-your-business/accept-visa-payments.html](https://www.visa.ca/en_CA/run-your-business/accept-visa-payments.html)

## COMPETITIVE ADVANTAGE/MOAT | NETWORK EFFECT

Visa is the largest payments processing company in the world spanning across 200 countries. Visa's economic moat stems from its brand preference and the entrenched VisaNet payment processing network linking users and merchants worldwide. Visa is the preferred brand around the world, being 2-4x more popular in the United States, Russia, and the United Kingdom and 4-8x more popular in Japan, and Argentina among many others.<sup>6</sup> Moreover, Visa is the preferred brand across many different demographics. Audiences such as women, millennials, affluent individuals, and non-affluent individuals.<sup>7</sup> Brand preference plays into the network effect as the more users of Visa will then result in more businesses and merchants accepting Visa as a form of payment. Visa will also benefit from the further shift to digital payments. Visa's share of every \$1 spent is as follows, for every \$1 spent physically, 15¢ is charged on a Visa card, while for every \$1 spent digitally, 43¢ is charged on a Visa card.<sup>8</sup> Visa is in a prime position to continue growing as digital payments become more popular around the globe. Ecommerce comprises only 14% of global retail spending, meaning there is a long runway ahead for Visa to continue gaining market share in this segment.

<sup>5</sup> [https://www.visa.ca/en\\_CA/run-your-business/accept-visa-payments.html](https://www.visa.ca/en_CA/run-your-business/accept-visa-payments.html)

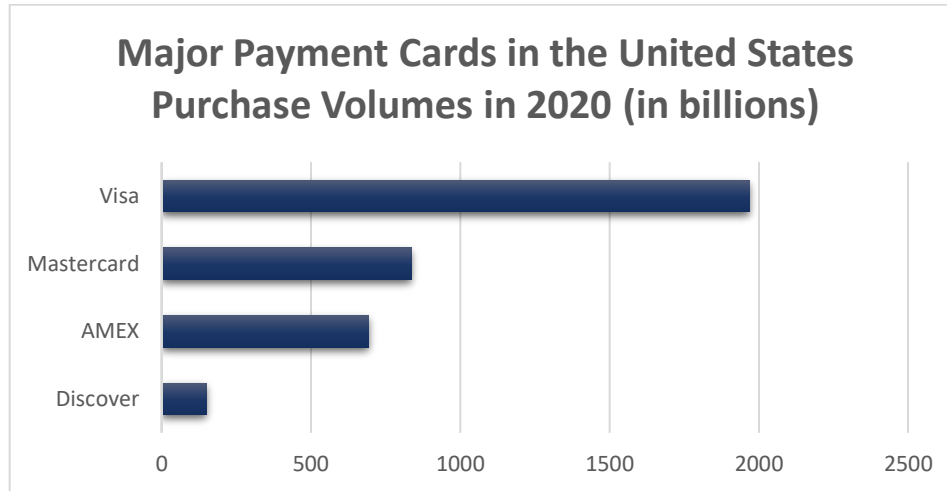
<sup>6</sup> Visa 2020 Investor Presentation, Slide 27

<sup>7</sup> Visa 2020 Investor Presentation, Slide 28

<sup>8</sup> Visa 2020 Investor Presentation, Slide 57

## COMPETITOR ANALYSIS

The global payments industry is a very concentrated industry with only a few major players leading the way. Within the United States, Visa, and their main competitor, Mastercard, controlled over 75% of payments in 2020. More specifically Visa secured a market share of roughly 54% of while Mastercard controlled 23% of the market.<sup>9</sup> The remaining market share is comprised of American Express and Discover, who comprise 19% and 4% of the market respectively. On a global scale, Chinese payment processing company, UnionPay, has grown significantly over recent years. From 2014 to 2020, UnionPay has increased the number of transactions they processed from 20 billion to 151 billion.<sup>10</sup> The company is not publicly listed on an exchange. The transaction value for the industry was worth \$5.44 trillion USD in 2020 with a forecasted 11.21% CAGR for the next five years.<sup>11</sup>



Source: Creditcards.com

### COMPETITIVE LANDSCAPE | CONCENTRATED COMPETITION

**Mastercard:** Mastercard operates in the global payments industry connecting users and issuers worldwide through their electronic payment processing technology. The company has a wide variety of payment solutions and services offered through their well-known brands, Mastercard, Maestro and Cirrus. Through Mastercard's core network, the company authorizes, clears, and settles payment transactions. The company does not issue cards, extend credit, or receive interest revenue. The company generates revenues through gross dollar volume, or "GDV." The fees Mastercard charges are related to authorization, clearing, and settlement services along with payment-related products and services. Net revenues for the 2020 fiscal year totalled \$15.3 billion.<sup>12</sup> In the United States, Mastercard is the second largest player in the payment processing space taking up 23% of the market.<sup>13</sup>

**American Express:** American Express is a global payment processing and travel company that provides credit and charge cards to consumers, merchants, and large firms globally. The company has three key operating segments: Global Consumer Services Group (GCSG), Global Commercial Services (GSC), and Global Merchant and Network Services (GMNS). 60% of American Express' Revenue stems from their GCSG segment. Within this segment AMEX issues consumer cards and offers their travel and lifestyle services. The GSC segment makes up 30% of AMEX's revenue and is comprised of propriety corporate and small business cards along with payment and expense management services. Finally, the GMNS segment processes and settles global transactions. This segment brings in around 15% of AMEX's revenue.<sup>14</sup> American Express is the third largest company in the payment processing industry comprising just under 9% of the market.<sup>15</sup>

<sup>9</sup> <https://www.creditcards.com/credit-card-news/market-share-statistics/>

<sup>10</sup> <https://www.statista.com/statistics/261327/number-of-per-card-credit-card-transactions-worldwide-by-brand-as-of-2011/>

<sup>11</sup> <https://www.businesswire.com/news/home/20210604005270/en/Digital-Payments-Market-Report-2021-Transaction-Value-was-5.44-Trillion-in-2020---Global-Growth-Trends-COVID-19-Impact-and-Forecasts-2021-2026---ResearchAndMarkets.com>

<sup>12</sup> Mastercard 2020 Annual Report, Page 6

<sup>13</sup> Bloomberg <BI> Fxn

<sup>14</sup> Bloomberg <DES> Fxn

<sup>15</sup> Bloomberg <BI> Fxn

**PayPal:** PayPal is a digital and mobile payments platform that facilitates transactions between consumers and merchants. PayPal boasts roughly 348 million active accounts across over 200 markets. Customers utilize their bank accounts, credit cards, or PayPal account for transactions. The company earns revenue from payment transaction, foreign exchange fees, customer bank withdrawals, and interest on customer balances and PayPal credit/debit cards. 95% of PayPal's revenue stems from transaction fees while the last 5% comes from value-added services. The company processes approximately 15.4 billion transaction a year.<sup>16</sup>

**Discover:** Discover Financial Services is a credit card issuer and provides personal, student, and home equity loans. A smaller part of Discover's business is the PULSE Network ATM system which acts as an electronic funds transfer network across the United States and internationally. The company has two operating segments, digital banking which comprises 95% of revenues, and payment services which comprises 5% of revenues. The digital banking services include the Discover-branded credit card along with their consumer lending and deposit products.<sup>17</sup>

**UnionPay:** UnionPay is the largest global payments processing company in the world. The company has partnerships with over 2400 institutions worldwide with card acceptance in 180 countries and regions with issuance in 70 countries and regions.<sup>18</sup> The company processed \$14.7 trillion USD in transactions in 2020. The company holds a monopoly in China with 99% of their cards being held in that region. Recently, the company has started to expand operations across Europe and Asia.<sup>19</sup>

## PORTER'S 5 FORCES

---

### COMPETITIVE RIVALRY | VERY HIGH 5

The digital payments space is becoming more and more competitive as new and existing companies offer new technologies and services that bring more value to the consumer, are more convenient, and lower the costs and fees the consumer faces. Visa, Mastercard, American Express, and Discover control the bulk of the market. Partnerships with banks and financial institution is where a company can gain a competitive advantage amongst its peers. Other private-label cards such as store cards present competition to the major four payment processors as consumers choose to use their store cards for the services and rewards programs they offer. Companies must continually innovate, reduce fees to match competitors, and build strong partnerships with financial institutions to maintain their market share.<sup>20</sup>

### THREAT OF NEW ENTRY | MODERATE 3.5

The threat of new entry is present but requires extensive amounts of capital to gain consumer acceptance along with the economies of scale present in the industry. The low-margin nature of the global payments industry makes it difficult for new entrants to survive. Those that do survive pose great threats to Visa's market share. Growing financial technology companies such as PayPal and Square have seen tremendous growth with innovative technologies facilitating the consumer's experience. PayPal has recently launched a cryptocurrency tool along with a "buy now pay later" service. Additionally, the company's Venmo platform saw 60% growth in Q4 2020. Square has also seen tremendous growth cutting into Visa's potential customers and future expansion. The Cash App grew 574% year over year in Q4 2020.<sup>21</sup>

### THREAT OF SUBSTITUTION | MODERATE 3

While the world continues to move away from cash and checks, Visa still faces a moderate threat of substitution with the introduction of new and innovative technologies on the market. Credit and debit purchases in the United States grew as much as 88% from 2009 to 2019. This equated to \$6.7 trillion of which 60% came from Visa cards.<sup>22</sup> In addition, Visa's prepaid reloadable cards provide another close alternative to cash. While digitization has sparked a move away from cash and checks, it has also enabled for competition to enter the market with new payment solutions such as biometrics or QR code systems. Visa will need to observe this dynamic landscape as new competitors emerge.

---

<sup>16</sup> Bloomberg <DES> Fxn

<sup>17</sup> Bloomberg <DES> Fxn

<sup>18</sup> <http://www.unionpayintl.com/en/aboutUs/companyProfile/introductiontoUPI/>

<sup>19</sup> (Bloomberg <CN> Fxn).

<sup>20</sup> <http://economics-files.pomona.edu/jlikens/SeniorSeminars/Likens2013/reports/visa.pdf>

<sup>21</sup> <https://www.nasdaq.com/articles/square-sq-vs-paypal-pypl%3A-which-fintech-stock-is-a-better-buy-now-2021-02-04>

<sup>22</sup> <https://www.cnbc.com/2021/10/20/how-visas-has-transformed-the-retail-industry.html>

#### BUYER POWER | HIGH 4

The global payments industry is highly competitive, and the limited number of buyers are constantly looking for the best fees and services a company can offer. Institutions do not face high switching costs when changing providers. With companies offering rebates and incentives to gain market share, Visa will have to offer similar services to not lose their customers. This will put downward pressure on Visa's margins in the long run. With Visa's growing network effect along with product and service innovation, Visa can continue to lower the bargaining power of buyers. More than that, product innovation will also lock in buyers, reducing their bargaining power.

#### SUPPLIER POWER | LOW 2

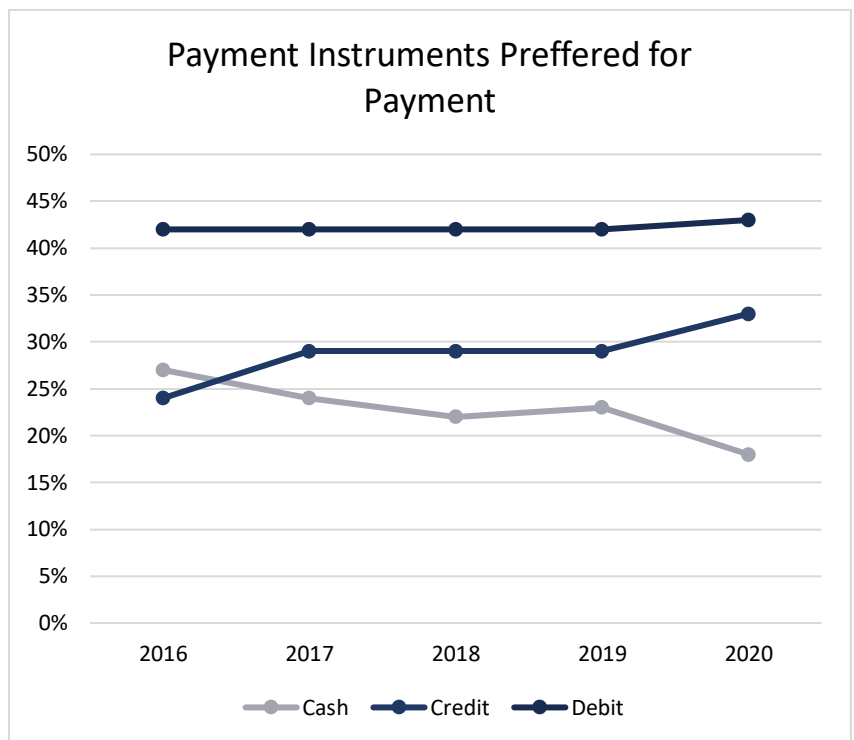
The supplier power Visa faces is low. Visa has most of its software developed internally, meaning there is little dependence on outside firms. For the suppliers Visa does depend on, products are similar, and switching costs are relatively low. Moreover, suppliers do not hold Visa back from future innovation and growth.

#### MARKET TRENDS

##### INDUSTRY TRENDS

#### KEY TREND I | CONTINUED MOVE AWAY FROM CASH

The COVID-19 pandemic has accelerated the move away from cash. Across all age-groups, cash use has continued to decrease relative to prior years. Furthermore, cash as a preferred payment instrument across all age groups has declined 5% year over year in 2020. Focusing in on who predominately uses cash, it is the 55+ demographic. As millennials and Generation Z become the largest spending demographic, the gross volume of cash transactions will continue to decrease. Additionally, the 55+ age demographic holds the most cash in their pocket, purse, or wallet at once. The number of in-person bill payments decreased significantly over the pandemic. From 2016 to 2019, in-person payments dropped from 92% to 87%, a decrease of 5%. In contrast over 2020, in-person payments dropped 7% alone down to 80%. Less in-person spending is a direct hit to the amount of cash being used to complete transactions. This drastic shift came down to two factors: lockdowns resulting in less in-person shopping, and fewer number of overall in-person payments a consumer made.<sup>23</sup>



Source: FRBSF

<sup>23</sup> <https://www.frbsf.org/cash/publications/fed-notes/2021/may/2021-findings-from-the-diary-of-consumer-payment-choice/>

## KEY TREND II | ECOMMERCE GROWTH

Expanding upon Key Trend I, we have seen tremendous growth in the Ecommerce space over recent years. Ecommerce sales reached nearly \$4.3 trillion in 2020 and are projected to climb to \$4.9 trillion in 2021. With public health measures such as lockdowns and social distancing measures making it difficult to shop in store, Ecommerce has seen a euphoric rise over the past 18 months. From 2019 to 2020, Ecommerce volumes grew 27.6% and as an overall percentage of retail sales grew from 13.6% in 2019 to 18.0% in 2020. By 2021, this number is projected to reach 19.5%, a 45.8% increase in only two years. While this growth is not expected to continue at the same rate, the trend is not stopping. From 2021-2024, Ecommerce is expected to grow at an annualized rate of 10.55%. By 2024, retail Ecommerce is expected to generate \$6.4 trillion in sales worldwide which equates to 21.8% of total retail sales. This trend is also being seen around the globe. Latin American Ecommerce sales have grown 36.7% in 2020, North American sales have jumped 31.8%, and sales within Asia are up 26.4%. Mobile commerce is growing at an even faster rate with a compound annual growth rate forecast of 25.5%. Three quarters of consumers report they buy from their smartphone because it takes less time.<sup>24</sup>



Source: Shopify Global Ecommerce Statistics

## KEY TREND III | INCREASE IN DIGITAL FRAUD ATTEMPTS

Digital fraud attempts have increased a staggering 25% in the US and 23% in Canada over the first four months of 2021 in comparison to the last four months of 2020. While a variety of industries were hit by this increase, it is the Financial Services industry hit the hardest with an increase of nearly 150%. This industry is sought after as it is where the highest value transactions take place. The most common types of fraud in the industry are identity theft, first-party application fraud, and account takeover. With this trend increasing as more and more consumers move online to make purchases, Visa will be required to increase their security and fraud services. This added expense could potentially cut into Visa's margins and hurt their bottom line.<sup>25</sup>

<sup>24</sup> <https://www.shopify.ca/enterprise/global-ecommerce-statistics>

<sup>25</sup> [https://www.transunion.com/blog/global-fraud-trends-Q2-2021?utm\\_campaign=q2-quarterly-fraud-report&utm\\_content=blog&utm\\_medium=press-release&utm\\_source=press-release&utm\\_source=press-release](https://www.transunion.com/blog/global-fraud-trends-Q2-2021?utm_campaign=q2-quarterly-fraud-report&utm_content=blog&utm_medium=press-release&utm_source=press-release&utm_source=press-release)

**INDUSTRY OVERVIEW | FOLLOWING THE UNITED NATIONS FRAMEWORK**

Within the global payments industry, prominent ESG trends include reducing carbon footprint, employee ownership, satisfaction, benefits and pay, workplace health and safety, ethical practices, and diversity of corporate leadership.<sup>26</sup> The United Nations provides a framework for businesses to address the most important environmental and social issues faced around the world. Visa has chosen to address the following issues:

- Goal 1: End Poverty in all its forms everywhere
- Goal 4: Ensure inclusive and quality education for all and promote lifelong learning
- Goal 5: Achieve gender equality and empower all women and girls
- Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all
- Goal 10: Reduce inequality within and among countries
- Goal 12: Ensure sustainable consumption and production patterns
- Goal 13: Take urgent action to combat climate change and its impacts
- Goal 16: Promote just, peaceful and inclusive societies
- Goal 17: Revitalize the global partnership for sustainable development

**ENVIRONMENTAL OVERVIEW | ENVIRONMENTALLY SOUND**

Visa has three focus areas in managing their environmental impact: facilities/data centers, operations and employees. Visa has committed to reach net-zero emissions by 2040, 10 years ahead of the Paris Climate agreement goal. Along with this commitment, the company has created a framework to become a climate positive company. Visa has entered partnerships and invested in innovative initiatives to move to a low-carbon economy and support sustainable business. The company has recently announced their partnership with The Climate Pledge, an initiative started by the World Wildlife Fund (WWF) looking to progress towards a net-zero future. In addition, Visa has committed to set science-based targets at the 1.5 degrees Celsius ambition level. In the company's efforts to support sustainable business, a partnership with the Cambridge Institute for Sustainable Leadership (CISL) and Visa has been formed. The two will look to find new opportunities to advance Visa's goal to support a low-carbon future.<sup>27</sup> Lastly, Visa introduced their inaugural green bond for \$500 million, maturing in 2027. The first of its kind in the digital payments industry, the financing will go towards a variety of green projects that support Visa's commitment to the United Nations Sustainable Development Goals.<sup>28</sup>

**SOCIAL OVERVIEW | TAKING CARE OF THEIR COMMUNITY**

The COVID-19 pandemic has outlined some of the major improvements businesses can make to support employees and provide flexibility in difficult times. Visa moved quickly to provide work from home arrangement for their employees, implement flexible schedules, and encouraged employees to communicate with managers when conflicts arose in their lives at home to make alternate arrangements.<sup>29</sup> As the pandemic progressed, Visa implemented many support programs such as mental health services and increasing childcare options for employees. Visa employees were surveyed, and 94 percent of respondents believed that a top priority for Visa is employee health and wellbeing. Diversity and inclusion are another top priority for Visa. Visa has set ambitious goals to increase the number of under-represented groups by 50% from all levels of employment in five years.<sup>30</sup> In addition, the company has partnered with and funded many foundations to support under-represented communities. A program Visa has recently created is the Visa Black Scholars & Jobs Program. In partnership with the Thurgood Marshall Foundation, Visa invested \$10 million to create a program supporting Black and African American students through college along with mentorship during these years.<sup>31</sup> The company has received a wide range of recognition for their social impact considerations such as Best Employers for Diversity (Forbes), Best Places to Work for LGBTQ Equality

<sup>26</sup> <https://esg.censible.co/companies/Visa-environmental-social-corporate-governance-profile>

<sup>27</sup> <https://www.businesswire.com/news/home/20210421005395/en/Visa-Deepens-Global-Commitment-to-Environmental-Sustainability-with-Pledge-to-Reach-Net-zero-Emissions-by-2040>

<sup>28</sup> Visa 2020 ESG Report, Page 31

<sup>29</sup> Visa 2020 ESG Report, Page 9

<sup>30</sup> Visa 2020 ESG Report, Page 10

<sup>31</sup> Visa 2020 ESG Report, Page 11



(Human Rights Campaign), and Top Companies for Gender Equality (Bloomberg).<sup>32</sup> Visa continues to support those around them through their Equitable Access Initiative in which they have invested \$200 million to support small businesses, many of which are female run. On a global scale, Visa has begun partnering with organizations and entrepreneurs in Africa giving them access to payment infrastructure to grow their businesses.<sup>33</sup>

#### **GOVERNANCE OVERVIEW | STRONG LEADERSHIP**

Visa strives to maintain transparency and management accountability to their shareholders. Board members are limited to serving on four-publicly-traded company boards, while the limit is two for CEOs and executive officers. Overall board diversity sits at 58% and gender diversity sits at 33%. 11 of 12 board members are considered independent.<sup>34</sup> Starting in 2020, the Compensation Committee began compensating board members for positive ESG results. Areas of interest include: inclusion and diversity; employee leadership and development; employee health, safety, productivity, and engagement; cybersecurity and data privacy; financial inclusion and access; and corporate governance. Moreover, the company contacted their top 50 investors to discuss ESG performance and possible steps forward. Finally, Visa maintains the highest of ethical standards. Visa's Code of Business Conduct and Ethics outlines their culture of honesty and integrity. Over the past nine years, Visa has been named to the World's Most Ethical Companies.<sup>35</sup>

#### **COMPANY OVERVIEW | LEADING THE WAY**

In comparison to its peers, Visa leads the way in ESG Risk Rating. Sustainalytics ranks companies on a scale from 0-40+ in terms of overall ESG risk the company presents, the lower the score, the better. Visa's ESG Risk Rating sits at 16.1. Comparable companies are Mastercard which scores 17.2, PayPal at 16.4, and American Express at 19.8. Visa scores very well in the following corporate values: carbon footprint, water conservation, employee ownership, satisfaction, benefits and pay, workplace health and safety, ethical practices, and diversity of corporate leadership. When comparing these results to Visa's number one competitor, Mastercard, Visa matches or surpasses Mastercard in all the previously mentioned categories.<sup>36</sup>

### **MANAGEMENT**

#### **MANAGEMENT ANALYSIS**

#### **INSIDER OWNERSHIP | HEAVY INSTITUTIONAL PRESENCE**

Insider ownership of Visa has remained relatively flat over the past five years and currently sits at 0.07%. Since the company's IPO in 2008, insider ownership has been on a slow downtrend from a high of 0.17% in late 2012. Since 2017, insider ownership has remained at 0.07% with small fluctuation over that period. The current CEO, Alfred Kelly, Jr., joined Visa in December 2016 and was appointed to chairman of the board in April 2019. At the time Kelly joined Visa, he owned 6,300 shares. By Q4 2019, Kelly had accumulated over 143,000 shares. In the past two years, his position in the company remained relatively stable with peaks and troughs of 165,000 shares and 117,000 shares respectively. Kelly currently holds roughly 0.008% of the float. Institutional ownership is reported to be at 102.07%.<sup>37</sup> While it is not possible to own over 100% of a company's shares, this number could be caused by a lag in reporting and short selling of the stock. It is not uncommon for the stock to be heavily owned by institutions. The two largest holders are Vanguard Group Inc. and Blackrock who own 8.54% and 7.31% of the stock respectively.<sup>38</sup>

#### **TRACK RECORD | SPURRING GROWTH THROUGH ACQUISITIONS**

Visa has completed 75 acquisitions since the company went public in 2008. Visa generally prefers to use cash to pay for most of their acquisition costs, they occasionally incorporate equity retention and other considerations in their deals. Their recent acquisition attempt of Plaid Inc., a financial services technology platform that makes it easy for individuals to connect their bank accounts to applications they use, was terminated due to anti-trust concerns. The deal was set to cost Visa \$5.3 billion.<sup>39</sup> Notable acquisitions in recent years include Earthport, Verifi, and Payworks. Earthport has provided Visa with international transaction payment capabilities, giving access

<sup>32</sup> Visa 2020 ESG Report, Page 13

<sup>33</sup> Visa 2020 ESG Report, Page 20

<sup>34</sup> Visa 2020 ESG Report, Page 39

<sup>35</sup> Visa 2020 ESG Report, Page 41

<sup>36</sup> <https://esg.censible.co/companies/Visa-environmental-social-corporate-governance-profile>

<sup>37</sup> Bloomberg <OWN> Fxn

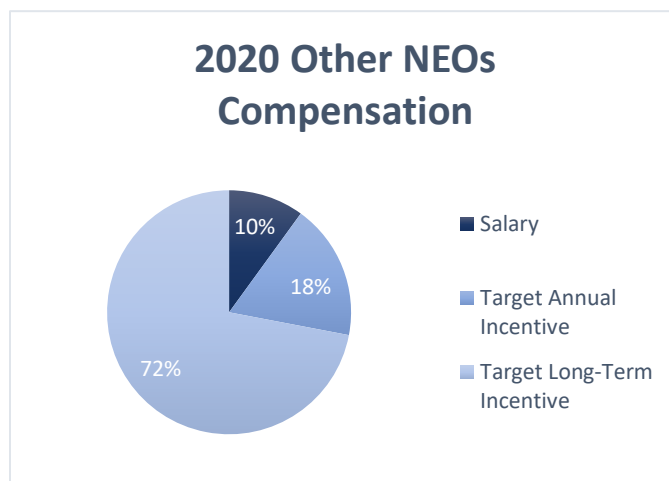
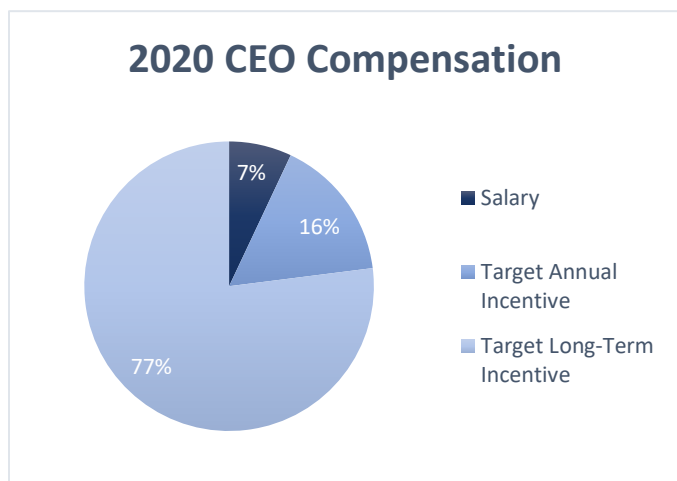
<sup>38</sup> Bloomberg <HDS> Fxn

<sup>39</sup> Bloomberg <MGMT> Fxn

to 99% of bank accounts across 80 countries. Verifi offers a quicker solution to resolve card chargebacks for both issuers and acquirers. Chargebacks costed institutions nearly \$31 billion in 2017. Payworks facilitates payments through multiple channels for POS software and payment service providers.<sup>40</sup> Acquisitions for the 2019 fiscal year totaled \$989 million with \$647 being allocated to goodwill.<sup>41</sup>

**EXECUTIVE COMPENSATION | MANAGEMENT IN-LINE WITH SHAREHOLDERS' INTERESTS**

Executive compensation at Visa is in line with shareholders interests. The compensation mix for CEO, Alfred Kelly, sits at 77% target long-term incentives, 16% annual incentives, and 7% salary. Other NEOs compensation mix is relatively similar with 72% coming from long-term incentives, 18% annual incentives, and 10% salary.<sup>42</sup> Stock options and restricted stock units vest annually over a three-year period. Performance-based metrics aligned with shareholders interests include Net Income Growth, Net Revenue Growth, EPS, and relative Total Shareholder Return. Target awards are announced at the beginning of the fiscal year and are given out based on performance regarding pre-established goals.<sup>43</sup> Relative Total Shareholder Return ranks a shareholders return of a company in comparison to industry peers. Management will be encouraged to make decisions that yield higher returns for their shareholder in comparison to industry peers.



Source: Visa Notice of 2021 Annual Meeting and Proxy Statement

<sup>40</sup> <https://www.forbes.com/sites/greatspeculations/2019/09/30/visas-acquisition-spree-is-part-of-a-well-thought-out-strategy/?sh=3df3b8749d2f>

<sup>41</sup> Visa 2020 Annual Report, Page 78

<sup>42</sup> Visa Notice of 2021 Annual Meeting and Proxy Statement, Page 5

<sup>43</sup> Visa Notice of 2021 Annual Meeting and Proxy Statement, Page 52

## GROWTH AND RISKS

### GROWTH FACTORS

#### GROWTH PROSPECT I | CAPTURING NEW MARKETS IN A MOVE AWAY FROM CASH

Before the COVID-19 pandemic, Visa was consistently growing top-line numbers by 12%+ annually. With a global recovery well underway with thanks to strong vaccination campaigns, Visa can expect to return to these numbers. Cash still accounts for nearly a third of payments globally and has slowly been phased out by many and this process was accelerated during the pandemic and digital payments skyrocketed. Visa's expanded offering of cards and programs such as tap-to-pay and smartphone payment systems with Apple Pay facilitate this continued move to a reduction in cash transactions. In Europe, the Middle East, and Asia, cash transactions still account for 30-50% of payments. Meanwhile, Visa holds a 60% market share within these markets. As the world's largest card brand, Visa can utilize their scale to maintain higher operating margins than their competitors in these expanding regions.<sup>44</sup>

Use of Cash and Visa Market Share by Region

	% Payments in Cash	Visa Purchase Volume Mix	Visa Market Share
North America	11%	40%	57%
Europe/MEA	27.4%/52.6%	35%	60%
Asia-Pacific	19%	16%	11%
Latin America	38%	9%	57%
Global	18%	100%	

Source: Visa; Bloomberg Intelligence

#### GROWTH PROSPECT II | CRYPTOCURRENCY ACCEPTANCE

A recent study found that over 93% of North American consumers will use cryptocurrency, biometrics, contactless, or QR code systems in 2022. The study also found relatively high cryptocurrency acceptance amongst millennials. Approximately 75% of millennials surveyed answered that they would use cryptocurrency if they understood it better.<sup>45</sup> In March of 2021, Visa announced early steps to accepting cryptocurrency as payment through the company's network. The company made a partnership with Crypto.com to launch a pilot program enabling the use of the cryptocurrency, USD Coin. This coin is pegged directly to the US dollar. As demand for cryptocurrencies increase around the world, Visa is looking to provide products that gives access for its consumers. By allowing cryptocurrency to settle through their payment system, transactions using crypto will no longer need to be converted into traditional money to complete the transaction. This lowers costs by removing steps in the transaction process.<sup>46</sup> In July, the company partnered with over 50 cryptocurrency platforms. The partnerships will enable consumers to transact using crypto at 70 million merchants around the world. In the first half of 2021, more than \$1 billion was spent on crypto-linked Visa cards.<sup>47</sup> Partners on the Visa network include Blockfi, Circle, and Coinbase among many others.

#### GROWTH PROSPECT III | NEW PAYMENT FLOWS AND VALUE ADDED SERVICES

New flows represent a \$185 trillion market that Visa is looking to capitalize on. Among these new flows is Visa Direct. Visa Direct is a real-time push payments platform enabling transactions to occur around the globe. The company's acquisition of Earthport enables the company to access 99% of the world's bank account across 88 countries. This technology supports consumer and business money flows estimated to be a \$65 trillion opportunity. The platform opens the door to new flows with 3.5 billion global transactions in 2020. Person-to-person uses are a large component to Visa Direct, growing 75% year-over-year. Visa Direct also provides quick access to capital for businesses to purchase inventory, make payroll and pay for many other business operations. The platform assisted over 2.35 million small businesses and sellers in the US during 2020. The next growing segment of Visa's new flows is B2B solutions. The company currently generates \$1 trillion in commercial-card payment volume and is looking to acquire a larger share of the B2B market that is currently not using cards for payments. The market is valued at \$10 trillion but is heavily controlled by the big banks. More than that, Visa is looking to enter the accounts receivable and payable market. This \$90 trillion market is still in the distance for Visa due to its

<sup>44</sup> Bloomberg <BI> Fxn

<sup>45</sup> <https://www.cnbc.com/2021/07/07/visa-says-crypto-linked-card-usage-tops-1-billion-in-first-half-of-2021.html>

<sup>46</sup> <https://www.reuters.com/article/us-crypto-currency-visa-exclusive-idUSKBN2BLOX9>

<sup>47</sup> <https://markets.businessinsider.com/news/currencies/cryptocurrency-payments-visa-partnership-clients-spend-convert-digital-currencies-2021-7>

complicated nature. For the time being, Visa is making partnerships to potentially make a push for this market. Visa's value added services are becoming more important given the recent increase in fraud attempts and consumers seeking for payment solutions. Services grew 20% from 2019 to 2020. Moreover, they help drive more transactions and lock in consumers.

---

## RISK FACTORS

---

### RISK FACTOR I | GOVERNMENT REGULATION

With the ever-changing geopolitical environment, Visa is constantly subject to new rules and regulations implemented by countries around the world. These laws put strain on contractual agreements, cut into margins, and cause Visa to alter the ways they conduct business. Some of these rules and regulations include interchange reimbursement rates, domestic processing requirements, currency conversion, privacy concerns, and many more. As these changes come quickly, Visa may have difficulty rapidly adjusting their product lines and services to comply in the given region. If Visa is unable to comply or the changes they make are not deemed to fit the new rules and regulations, the company may be subject to fines, penalties, investigations and proceedings, and damage to the company's global reputation.<sup>48</sup> The above-mentioned interchange reimbursement fees have been reviewed by government officials in the U.S. and abroad. These fees are charged between a merchant's bank and the card holder's bank. Countries around the world are looking to put caps on the rates these institutions can charge for this process. If Visa is unable to set these rates at optimal levels, institutions may look elsewhere for a more profitable payment system such as a closed-loop. Closed-loops connect businesses and consumers directly. If these regulations are implemented, institutions may also look to increase fees, and offer less incentives and benefits to holding a Visa card. These fees could then lead businesses to be disincentivized to accept Visa due to its higher cost.<sup>49</sup>

### RISK FACTOR II | GOVERNMENT SANCTIONS

Expanding on possible government regulations, many different regions are looking to protect domestic payment card networks to keep money in their respective countries. These policies either favour domestic providers or completely block out Visa from competing. One of these countries is Russia where Visa effectively cannot compete in the market.<sup>50</sup> The Russian central bank is the only entity permitted to process transactions. Similarly in China, UnionPay is the only entity allowed to process transactions in the country. While Visa has filed an application to operate a Bank Card Clearing Institution in China, approval is not guaranteed and is still years out from approval if given permission by the Chinese government. In India, a data localization mandate has been passed by the government which cuts into Visa's margins making it harder to compete against domestic competition. Likewise, Europe is looking to introduce a pan-European payment system to phase out international participation in their market. Other regions looking at similar measures include Southeast Asia and across Africa. These actions would have substantial impacts on both Visa's domestic and cross-border transactions in the respective countries.<sup>51</sup>

### RISK FACTOR III | ON-GOING PANDEMIC WOES

As the world continues to return to a state of normalcy, the pandemic continues to take its toll on some of Visa's business lines. The widespread lockdowns and public safety measures have resulted in an extreme economic downturn with unemployment rates skyrocketing, business closures, and a cloud of uncertainty for many. With the darkest days of the pandemic in the past, Visa's cross-border volume has yet to recover. Cross-border travel volumes are still 14% lower than 2019 levels and aren't expected to recover for another 18 months into mid-2023.<sup>52</sup> The COVID-19 pandemic was a once in a lifetime event, it is hard to predict the future outcomes this event has had on society. Consumers may become hesitant to spend if new variants emerge resulting in more public health measures being implemented. This permanent draw back on discretionary spending will undoubtedly continue to hurt cross-border travel volumes.<sup>53</sup>

---

<sup>48</sup> Visa 2020 Annual Report, Page 20

<sup>49</sup> Visa 2020 Annual Report, Page 20

<sup>50</sup> Visa 2020 Annual Report, Page 22

<sup>51</sup> Visa 2020 Annual Report, Page 23

<sup>52</sup> Bloomberg <BI> Fxn

<sup>53</sup> Visa 2020 Annual Report, Page 26

## RATIO ANALYSIS | OVERALL STABILITY

Financial Condition	FY 2018	FY 2019	FY 2020	FY 2021
<b>Profitability</b>				
EBITDA Margin	65.83	68.14	68.49	68.9
Operating Margin	62.86	65.29	64.46	65.56
Profit Margin	49.98	52.57	49.74	51.07
Return on Assets	15.02	17.04	14.16	15.03
Return on Common Equity	36.94	41.83	36.01	37.51
Return on Invested Capital	18.76	21.99	18.24	19.53
<b>Liquidity</b>				
Current Ratio	1.61	1.56	1.91	1.75
Cash Ratio	1.04	0.9	1.38	1.18
<b>Activity</b>				
Accounts Receivable Turnover	17.61	16.71	13.83	13.44
Asset Turnover	0.3	0.32	0.28	0.29
Net Fixed Asset Turnover	8.72	8.89	8.04	8.84
<b>Financial Leverage</b>				
LT Debt to Total Assets	24.02	23.05	26.68	24.1
LT Debt to Total Equity	48.9	48.23	59.62	53.15
Total Debt to Total Equity	48.9	48.23	68.2	55.81
Financial Leverage	2.46	2.46	2.54	2.5
Net Interest Coverage	21.92	28.93	27.72	32.31
Capital Expenditure Ratio	18.02	16.91	14.18	21.6
<b>Shareholder Ratios</b>				
Basic Earnings per Share	5.03	6.04	5.56	6.33
Dividend Payout Ratio	18.62	17.38	21.93	21.1

Source: Bloomberg

#### Profitability Ratios:

Visa's profitability ratios have generally remained constant since the 2018 fiscal year apart from 2020 due to the COVID-19 pandemic slowing revenue growth and resulting in higher-than-expected expenses. Visa weathered the pandemic and bounced back in the 2021 fiscal year where margins grew back to levels seen pre-pandemic.

#### Liquidity Ratios:

Visa has maintained a strong current and cash ratio since 2018 and has enough cash on hand to pay off their short-term liabilities. Visa's current ratio was at its highest during the 2020 fiscal year which bodes well for future economic downturns as the company maintained a strong cash position during a recessionary period.

#### Solvency Ratios:

Apart from 2020, Visa has seen little movement in their long-term debt to asset and equity ratios. The company took on more long-term debt to weather the short-term headwinds the pandemic presented. As the company continues to pay off its debt these ratios are returning to normal levels. Visa has done well to increase their net interest coverage allowing them to allocate capital in other ways.

#### Activity Ratios:

Visa's accounts receivable turnover has shrunk 23.6% since 2018. This means the company is collecting its accounts at a much quicker rate than it was three years ago. Moreover, the company's day sales outstanding is half that of Mastercard. Both asset turnover and net fixed asset turnover have remained relatively constant since 2018.

#### Shareholder Ratios:

EPS has grown at an annualized rate of 6.46% since 2018 with a similar downturn seen in other ratios during 2020. Visa repurchased 44 million shares in 2020, 56 million shares in 2019, and 58 million shares in 2018.<sup>54</sup> Visa repurchased less shares in 2020 to maintain a higher cash position.

<sup>54</sup> Visa 2020 Annual Report, Page 102

## VALUATION

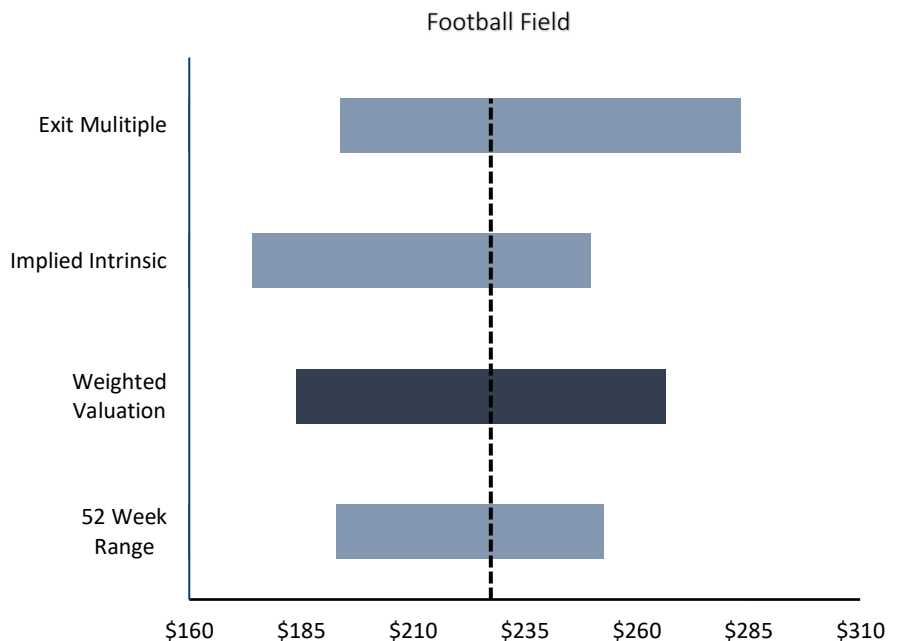
The valuation of Visa was performed utilizing a Discounted Cash Flow Model (DCF). The DCF provides the investor with an estimate of the value of an investment based on its expected future cash flows. Both the implied intrinsic and an exit multiple methods were performed with the final price target as a combination of the two methods.

The weighted average cost of capital (WACC) was utilized as the discount rate and was computed using a bottom-up beta. The peer group primarily consisted of other credit card companies and close competitors, such as Mastercard, Capital One, American Express, and Discover Financial Corporation.

	Unlevered Beta	Total Debt	% Debt	Preferred Stock	% Preferred	Total Equity	% Equity	5 Yr Med. Tax Rate	Levered Beta
Current Capital Structure	0.75	19,978,000,384	32.94%	3,080,000,000	5.08%	37,589,000,192	67.06%	23.36%	1.06
"Optimal" Capital Structure	0.68	18,516,000,768	38.66%	-	0.00%	24,426,000,384	61.34%	17.04%	1.15
Cost of Equity Based on Comparables, Current Capital Structure									11.30%
Cost of Equity Based on Comparables, "Optimal" Capital Structure									12.13%
Cost of Equity Based on Historical Beta									11.30%
Average Cost of Equity Produced by All Methods									11.57%
WACC, Current Capital Structure									8.33%
WACC, "Optimal" Capital Structure									8.32%
WACC, Current Capital Structure and Historical Cost of Equity									8.33%
Average WACC									8.33%

### Discounted Cash Flow

Two separate DCF's were created to gain a better understanding of the true value of the firm, with both methods equally weighted to compose of a target price. Likewise, base, bull, and bear cases were utilized to stress test and understand best- and worst-case scenarios. Data processing revenue growth was set at 12%, service fees at 15%, international transaction fees at 6%, other fees at 12%, and client incentives at 12%. Growth rates were found using historical rates apart from international transaction fees where growth is expected to be slow until international travel volumes resume. Overall revenue growth for 2022 was found to be 12.5%. The analyst average is similar to our bullish estimates around 17% revenue growth. As Visa is a mature company, other assumptions within the model used historical averages. With the implied intrinsic value method, the above discount rate was used and a 3% terminal growth rate to account for inflation and a company premium. Within the exit multiple method, the above discount rate was also utilized, and the exit multiple was on the lower side for September 2021 Payments deals and industry mean forward EV/EBITDA.



Visa - DCF Analysis						
	2022 E	2023 E	2024 E	2025 E	2026 E	CV
<b>UNLEVERED FREE CASH FLOW PROJECTIONS</b>						
Revenue	27,117	30,218	33,160	35,601	37,601	38,650
% Growth	12%	11%	10%	7%	6%	3%
EBIT (1-Tax)	18,018	20,230	22,325	24,067	25,504	26,502
% Growth	12.2%	12.3%	10.4%	7.8%	6.0%	3.9%
Plus: Depreciation & Amortization	851	852	862	873	881	840
% of Net PP&E	31.8%	31.2%	30.1%	29.6%	29.2%	26.8%
Working Capital (Increase)/Decrease	1,197	955	825	678	824	712
Less: Capital Expenditures	(814)	(907)	(995)	(961)	(940)	(966)
Unlevered Free Cash Flow	19,253	21,130	23,016	24,657	26,269	27,088
PV of Unlevered Free Cash Flow	18,499	18,741	18,845	18,636	18,328	18,900
Normal Discount Period	1	2	3	4	5	5
Mid-Year Discount Period	0.5	1.5	2.5	3.5	4.5	4.5
Unlevered Free Cash Flow Growth Rate		10%	9%	7%	7%	3%

Visa - Implied Intrinsic Value	
Discount Rate (WACC)	8.33%
Case	Base
Terminal Growth Rate	3%
Terminal Value	
PV of Terminal Value	327,498
Sum of PV of Free Cash Flows	93,048
Enterprise Value	420,547
Less: LT Debt	(19,978)
Add: Cash & CE	16,487
Intrinsic Value	417,056
Diluted Shares Outstanding	1,946
<b>Implied Share Price</b>	<b>\$214.31</b>
Current Share Price	\$203.25
Potential Upside	5.4%

Visa - Exit Multiple	
Discount Rate (WACC)	8.33%
Case	Base
EBITDA Multiple	20x
Terminal EBITDA	27,270
Terminal Value	545,394
Discounted Terminal Value	380,531
PV of Free Cash Flows	93,048
Enterprise Value	473,579
Less: LT Debt	(19,978)
Add: Cash & CE	16,487
Equity Value	470,088
Diluted Shares Outstanding	1,946
<b>Implied Share Price</b>	<b>\$241.57</b>
Current Share Price	\$203.25
Potential Upside	18.9%

		WACC						
		9.23%	8.93%	8.63%	8.33%	8.03%	7.73%	7.43%
Terminal Growth	2.25%	\$167.83	\$175.62	\$184.15	\$193.55	\$203.92	\$215.45	\$228.33
	2.50%	\$172.39	\$180.68	\$189.80	\$199.87	\$211.05	\$223.52	\$237.53
	2.75%	\$177.30	\$186.16	\$195.93	\$206.77	\$218.85	\$232.40	\$247.71
	3.00%	\$182.61	\$192.10	\$202.61	<b>\$214.31</b>	\$227.43	\$242.23	\$259.04
	3.25%	\$188.37	\$198.56	\$209.90	\$222.60	\$236.91	\$253.14	\$271.73
	3.50%	\$194.62	\$205.62	\$217.91	\$231.75	\$247.43	\$265.35	\$286.04
	3.75%	\$201.45	\$213.36	\$226.74	\$241.89	\$259.18	\$279.10	\$302.28

		WACC						
		9.23%	8.93%	8.63%	8.33%	8.03%	7.73%	7.43%
EBITDA Multiple	18.1x	\$216.52	\$218.65	\$220.80	\$222.99	\$225.21	\$227.47	\$229.76
	19.6x	\$230.65	\$232.95	\$235.29	\$237.66	\$240.06	\$242.51	\$244.99
	21.1x	\$244.78	\$247.26	\$249.77	\$252.32	\$254.91	\$257.54	\$260.21
	22.6x	\$258.91	\$261.56	\$264.25	<b>\$266.99</b>	\$269.76	\$272.58	\$275.44
	24.1x	\$273.04	\$275.87	\$278.74	\$281.65	\$284.61	\$287.62	\$290.67
	25.6x	\$287.17	\$290.17	\$293.22	\$296.32	\$299.46	\$302.65	\$305.89
	27.1x	\$301.30	\$304.48	\$307.71	\$310.98	\$314.31	\$317.69	\$321.12

## INVESTMENT SUMMARY

**BUY RECOMMENDATION | PRICE TARGET \$227.94**

### INVESTMENT POSITIVES | GROWTH ON THE HORIZON

Visa has weathered the COVID-19 pandemic tremendously well though strong management decisions and by creating new revenue generating products and services. The continual expansion across different regions expands Visa's network effect as more consumers opt to use Visa for their wide acceptance across merchants around the world. The company will benefit from the continued move away from cash in developed and developing markets in conjunction with the continued growth of Ecommerce. More than that, Visa continues to innovate by offering products and services in line with their customers' needs such as Visa Direct and the adoption of cryptocurrency into its platform. Visa is a leader amongst its peers in terms of ESG considerations with strong plans to battle climate change, support their community, and conduct ethical business practices.

#### **INVESTMENT NEGATIVES | GOVERNMENT ROADBLOCKS**

Government regulations and sanctions in different regions around the world is the largest hurdle Visa has in front of them. As more governments look for domestic payment processing companies to keep capital in their respective countries, Visa will be blocked from competing in these markets or lose a substantial share of the market in the given region. As regulations can come to fruition quickly, Visa may have a hard time adjusting products and services to comply with the new rules. Adjusting to new regulations will cut into margins, put strain on contractual agreements and alter the way Visa conducts business. On top of government regulations, sanctions may be placed on Visa completely barring them from competing in certain countries. Visa would need to find different growth opportunities outside from expansion into new markets. Finally, as growth is priced into Visa's stock, any setback or misses on estimates could have significant implications on share price.

#### **CATALYST FOR RECOMMENDATION CHANGE | MISSING ON GROWTH EXPECTATIONS**

Catalysts that would result in a recommendation change are centered around government policies and slower than expected growth rates moving forward. If some of Visa's larger markets such as the United States implement new regulations that cause Visa to alter products and services, margins will be slashed, and growth rates will be missed. Limits on interchange reimbursement rates will have a substantial impact on payment volumes and revenues as financial institutions will look to new payment solutions that are more profitable. Additionally, if Visa were to be barred from competing in certain regions or their market share is significantly impacted by government intervention, growth rates will be further hit resulting in price targets being cut and a decline in share price. Lastly, since growth is priced into Visa's stock already, slower than expected growth in digital payments whether that be in store or Ecommerce will have considerable impact on the share price.



## Appendix

### Balance Sheet

Visa Inc (VUS) - Consolidated Statement of Financial Position												
In Millions of USD except Per Share	2016 A	2017 A	2018 A	2019 A	2020 A	2021 A	2022 E	2023 E	2024 E	2025 E	2026 E CV	
12 Months Ending	09/30/2016	09/30/2017	09/30/2018	09/30/2019	09/30/2020	09/30/2021	09/30/2022	09/30/2023	09/30/2024	09/30/2025	09/30/2026	
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and Equivalents	5,619	9,874	8,162	7,838	16,289	16,487	25,016	35,297	47,105	59,903	73,313	87,587
Marketable Securities	3,319	3,564	3,547	4,236	3,752	2,025	2,025	2,025	2,025	2,025	2,025	2,025
Accounts Receivable - Trade	1,041	1,132	1,208	1,542	1,618	1,968	2,229	2,484	2,718	2,926	3,091	3,169
Prepaid Expenses and Other	555	550	562	712	757	856	856	856	856	856	856	856
Restricted Cash (Short-Term)	1,027	1,031	1,491	1,205	901	894	894	894	894	894	894	894
Other Current Assets	1,285	1,106	1,324	1,648	1,850	2,260	2,510	2,760	3,010	3,260	3,510	3,760
Other Receivables (Short-Term)	1,467	1,422	1,582	3,048	1,264	1,758	1,816	1,895	1,958	1,740	1,835	1,850
Other Current Assets - Financial Services/Mtge	-	344	340	741	1,214	1,359	2,261	2,949	3,502	4,217	4,869	5,509
<b>Total Current Assets</b>	<b>14,313</b>	<b>19,023</b>	<b>18,216</b>	<b>20,970</b>	<b>27,645</b>	<b>27,607</b>	<b>37,607</b>	<b>49,160</b>	<b>62,068</b>	<b>75,820</b>	<b>90,392</b>	<b>105,650</b>
<b>Noncurrent Assets</b>												
Non-Current Marketable Securities	3,931	1,926	4,082	2,157	231	1,705	1,705	1,705	1,705	1,705	1,705	1,705
Property Plant & Equipment - Net	2,150	2,253	2,472	2,695	2,737	2,715	3,205	3,733	4,290	4,859	5,426	6,024
Other Intangible Assets	27,234	27,848	27,558	26,780	27,808	27,664	27,664	27,664	27,664	27,664	27,664	27,664
Goodwill	15,066	15,110	15,194	15,656	15,910	15,958	15,958	15,958	15,958	15,958	15,958	15,958
Other Noncurrent Assets	1,341	1,817	1,165	2,232	3,413	4,002	4,502	5,002	5,502	6,002	6,502	7,002
Other Noncurrent Assets - Finl Services/Mtge	-	-	538	2,084	3,175	3,245	4,147	4,835	5,388	6,103	6,755	7,395
<b>Total Noncurrent Assets</b>	<b>49,722</b>	<b>48,954</b>	<b>51,009</b>	<b>51,604</b>	<b>53,274</b>	<b>55,289</b>	<b>57,182</b>	<b>58,898</b>	<b>60,508</b>	<b>62,291</b>	<b>64,010</b>	<b>65,748</b>
<b>Total Assets</b>	<b>64,035</b>	<b>67,977</b>	<b>69,225</b>	<b>72,574</b>	<b>80,919</b>	<b>82,896</b>	<b>94,789</b>	<b>108,058</b>	<b>122,576</b>	<b>138,112</b>	<b>154,402</b>	<b>171,398</b>
<b>LIABILITIES AND EQUITY</b>												
<b>Current Liabilities</b>												
Accounts Payable - Trade	203	179	183	156	174	266	281	310	336	360	380	382
Current Portion of Long-Term Debt	-	1,749	-	-	2,999	999	999	999	999	999	999	999
Accrued Compensation/Postretirement Obligation	673	757	901	796	821	1,211	1,211	1,211	1,211	1,211	1,211	1,211
Accrued Expenses	2,109	2,111	2,594	2,828	2,754	3,317	3,559	3,848	4,099	4,353	4,673	4,944
Deferred/Unearned Revenue (Short-Term)	-	-	1,300	-	-	-	-	-	-	-	-	-
Other Current Liabilities	5,061	2,089	2,834	3,997	4,176	9,946	9,946	9,946	9,946	9,946	9,946	9,946
Customer Deposits/Advances (Short-Term)	-	1,106	1,325	1,648	1,850	-	-	-	-	-	-	-
Other Accruals	-	2,003	2,168	3,990	1,736	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>8,046</b>	<b>9,994</b>	<b>11,305</b>	<b>13,415</b>	<b>14,510</b>	<b>15,739</b>	<b>15,996</b>	<b>16,314</b>	<b>16,591</b>	<b>16,870</b>	<b>17,209</b>	<b>17,482</b>
<b>Noncurrent Liabilities</b>												
Long Term Debt	15,882	16,618	16,630	16,729	21,071	19,978	19,978	19,978	19,978	19,978	19,978	19,978
Deferred Income Taxes (Liabilities)	4,808	5,980	4,618	4,807	5,237	6,128	6,128	6,128	6,128	6,128	6,128	6,128
Other Noncurrent Liabilities	2,387	2,625	2,666	2,939	3,891	3,462	3,677	3,887	4,132	4,370	4,466	4,667
<b>Total Noncurrent Liabilities</b>	<b>23,077</b>	<b>25,223</b>	<b>23,914</b>	<b>24,475</b>	<b>30,199</b>	<b>29,568</b>	<b>29,783</b>	<b>29,993</b>	<b>30,238</b>	<b>30,476</b>	<b>30,572</b>	<b>30,773</b>
<b>Total Liabilities</b>	<b>31,123</b>	<b>35,217</b>	<b>35,219</b>	<b>37,890</b>	<b>44,709</b>	<b>45,307</b>	<b>45,779</b>	<b>46,308</b>	<b>46,829</b>	<b>47,346</b>	<b>47,781</b>	<b>48,255</b>
<b>Shareholder's Equity</b>												
Preferred Stock	5,717	5,526	5,470	5,462	5,086	3,080	3,080	3,080	3,080	3,080	3,080	3,080
Treasury Stock (Amount)	(170)	-	-	-	-	-	-	-	-	-	-	-
Accumulated Other Comprehensive Income	(458)	878	547	(650)	354	436	436	436	436	436	436	436
Retained Earnings (Accumulated Deficit)	10,462	9,508	11,318	13,502	14,088	15,351	26,772	39,512	53,509	68,528	84,383	100,905
Other Equity	(34)	(52)	(7)	(171)	(39)	(133)	(133)	(133)	(133)	(133)	(133)	(133)
Common Stock & APIC	17,395	16,900	16,678	16,541	16,721	18,855	18,855	18,855	18,855	18,855	18,855	18,855
<b>Total Shareholders Equity</b>	<b>32,912</b>	<b>32,760</b>	<b>34,006</b>	<b>34,684</b>	<b>36,210</b>	<b>37,589</b>	<b>49,010</b>	<b>61,750</b>	<b>75,747</b>	<b>90,766</b>	<b>106,621</b>	<b>123,143</b>
<b>Total Liabilities and Equity</b>	<b>64,035</b>	<b>67,977</b>	<b>69,225</b>	<b>72,574</b>	<b>80,919</b>	<b>82,896</b>	<b>94,789</b>	<b>108,058</b>	<b>122,576</b>	<b>138,112</b>	<b>154,402</b>	<b>171,398</b>
<b>Balance Check</b>	-	-	-	-	-	-	-	-	-	-	-	-

## Balance Sheet Common Size

Visa Inc (VUS) - Consolidated Statement of Financial Position												
In Millions of USD except Per Share 12 Months Ending	2016 A 09/30/2016	2017 A 09/30/2017	2018 A 09/30/2018	2019 A 09/30/2019	2020 A 09/30/2020	2021 A 09/30/2021	2022 E 09/30/2022	2023 E 09/30/2023	2024 E 09/30/2024	2025 E 09/30/2025	2026 E CV 09/30/2026	
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and Equivalents	9%	15%	12%	11%	20%	20%	26%	33%	38%	43%	47%	51%
Marketable Securities	5%	5%	5%	6%	5%	2%	2%	2%	2%	1%	1%	1%
Accounts Receivable - Trade	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Prepaid Expenses and Other	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%
Restricted Cash (Short-Term)	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%
Other Current Assets	2%	2%	2%	2%	2%	3%	3%	3%	2%	2%	2%	2%
Other Receivables (Short-Term)	2%	2%	2%	4%	2%	2%	2%	2%	2%	1%	1%	1%
Other Current Assets - Financial Services/Mtge		1%	0%	1%	2%	2%	2%	3%	3%	3%	3%	3%
<b>Total Current Assets</b>	<b>22%</b>	<b>28%</b>	<b>26%</b>	<b>29%</b>	<b>34%</b>	<b>33%</b>	<b>40%</b>	<b>45%</b>	<b>51%</b>	<b>55%</b>	<b>59%</b>	<b>62%</b>
<b>Noncurrent Assets</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Non-Current Marketable Securities	6%	3%	6%	3%	0%	2%	2%	2%	1%	1%	1%	1%
Property Plant & Equipment - Net	3%	3%	4%	4%	3%	3%	3%	3%	4%	4%	4%	4%
Other Intangible Assets	43%	41%	40%	37%	34%	33%	29%	26%	23%	20%	18%	16%
Goodwill	24%	22%	22%	22%	20%	19%	17%	15%	13%	12%	10%	9%
Other Noncurrent Assets	2%	3%	2%	3%	4%	5%	5%	5%	4%	4%	4%	4%
Other Noncurrent Assets - Finl Services/Mtge			1%	3%	4%	4%	4%	4%	4%	4%	4%	4%
<b>Total Noncurrent Assets</b>	<b>78%</b>	<b>72%</b>	<b>74%</b>	<b>71%</b>	<b>66%</b>	<b>67%</b>	<b>60%</b>	<b>55%</b>	<b>49%</b>	<b>45%</b>	<b>41%</b>	<b>38%</b>
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>												
<b>Current Liabilities</b>												
Accounts Payable - Trade	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Current Portion of Long-Term Debt	0%	3%	0%	0%	4%	1%	1%	1%	1%	1%	1%	1%
Accrued Compensation/Postretirement Obligation	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Accrued Expenses	3%	3%	4%	4%	3%	4%	4%	4%	3%	3%	3%	3%
Deferred/Unearned Revenue (Short-Term)	0%	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other Current Liabilities	8%	3%	4%	6%	5%	12%	10%	9%	8%	7%	6%	6%
Customer Deposits/Advances (Short-Term)	0%	2%	2%	2%	2%	0%	0%	0%	0%	0%	0%	0%
Other Accruals	0%	3%	3%	5%	2%	0%	0%	0%	0%	0%	0%	0%
<b>Total Current Liabilities</b>	<b>13%</b>	<b>15%</b>	<b>16%</b>	<b>18%</b>	<b>18%</b>	<b>19%</b>	<b>17%</b>	<b>15%</b>	<b>14%</b>	<b>12%</b>	<b>11%</b>	<b>10%</b>
<b>Noncurrent Liabilities</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Long Term Debt	25%	24%	24%	23%	26%	24%	21%	18%	16%	14%	13%	12%
Deferred Income Taxes (Liabilities)	8%	9%	7%	7%	6%	7%	6%	6%	5%	4%	4%	4%
Other Noncurrent Liabilities	4%	4%	4%	4%	5%	4%	4%	4%	3%	3%	3%	3%
<b>Total Noncurrent Liabilities</b>	<b>36%</b>	<b>37%</b>	<b>35%</b>	<b>34%</b>	<b>37%</b>	<b>36%</b>	<b>31%</b>	<b>28%</b>	<b>25%</b>	<b>22%</b>	<b>20%</b>	<b>18%</b>
<b>Total Liabilities</b>	<b>49%</b>	<b>52%</b>	<b>51%</b>	<b>52%</b>	<b>55%</b>	<b>55%</b>	<b>48%</b>	<b>43%</b>	<b>38%</b>	<b>34%</b>	<b>31%</b>	<b>28%</b>
<b>Shareholder's Equity</b>												
Preferred Stock	9%	8%	8%	8%	6%	4%	3%	3%	3%	2%	2%	2%
Treasury Stock (Amount)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Accumulated Other Comprehensive Income	-1%	1%	1%	-1%	0%	1%	0%	0%	0%	0%	0%	0%
Retained Earnings (Accumulated Deficit)	16%	14%	16%	19%	17%	19%	28%	37%	44%	50%	55%	59%
Other Equity	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Common Stock & APIC	27%	25%	24%	23%	21%	23%	20%	17%	15%	14%	12%	11%
<b>Total Shareholders Equity</b>	<b>51%</b>	<b>48%</b>	<b>49%</b>	<b>48%</b>	<b>45%</b>	<b>45%</b>	<b>52%</b>	<b>57%</b>	<b>62%</b>	<b>66%</b>	<b>69%</b>	<b>72%</b>
<b>Total Liabilities and Equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<i>Balance Check</i>	-	-	-	-	-	-	-	-	-	-	-	-

## Income Statement

Visa Inc (V US) - Consolidated Statement of Income												
In Millions of USD except Per Share	2016 A	2017 A	2018 A	2019 A	2020 A	2021 A	2022 E	2023 E	2024 E	2025 E	2026 E CV	
12 Months Ending	09/30/2016	09/30/2017	09/30/2018	09/30/2019	09/30/2020	09/30/2021	09/30/2022	09/30/2023	09/30/2024	09/30/2025	09/30/2026	
<b>Revenue</b>												
Data Processing Fees	6,272	7,786	9,027	10,333	10,975	12,792	14,327	16,046	17,651	19,063	20,207	20,813
Service Fees	6,747	7,975	8,918	9,700	9,804	11,475	13,196	14,780	16,258	17,558	18,612	19,170
International Transaction Fees	4,649	6,321	7,211	7,804	6,299	6,530	6,922	7,268	7,559	7,785	7,941	8,100
Other	823	841	944	1,313	1,432	1,675	1,876	2,064	2,229	2,362	2,457	2,531
Client Incentives	(3,409)	(4,565)	(5,491)	(6,173)	(6,664)	(8,367)	(9,204)	(9,940)	(10,536)	(11,169)	(11,615)	(11,964)
	<b>15,082</b>	<b>18,358</b>	<b>20,609</b>	<b>22,977</b>	<b>21,846</b>	<b>24,105</b>	<b>27,117</b>	<b>30,218</b>	<b>33,160</b>	<b>35,601</b>	<b>37,601</b>	<b>38,650</b>
<b>Operating Expenses</b>												
Sales/Marketing/Advertising Expenses	869	922	988	1,105	971	1,136	1,220	1,360	1,492	1,602	1,692	1,739
Salaries Wages and Employee Benefits	2,226	2,628	3,170	3,444	3,785	4,240	4,746	5,288	5,803	6,230	6,580	6,570
Depreciation and Amortization	502	556	613	656	767	804	323	379	438	499	561	561
Other Operating Expenses	927	620	686	721	727	730	730	730	730	730	730	730
General and Administrative Expenses	796	1,060	1,145	1,196	1,096	985	1,356	1,511	1,658	1,780	1,880	1,932
Litigation Expense	2	19	607	400	11	3	5	5	5	5	5	5
Professional Fees	—	409	446	454	408	403	403	403	403	403	403	403
<b>Total Operating Expenses</b>	<b>5,322</b>	<b>6,214</b>	<b>7,655</b>	<b>7,976</b>	<b>7,765</b>	<b>8,301</b>	<b>8,783</b>	<b>9,675</b>	<b>10,529</b>	<b>11,249</b>	<b>11,852</b>	<b>11,942</b>
<b>Operating Income</b>	<b>9,760</b>	<b>12,144</b>	<b>12,954</b>	<b>15,001</b>	<b>14,081</b>	<b>15,804</b>	<b>18,335</b>	<b>20,542</b>	<b>22,631</b>	<b>24,351</b>	<b>25,750</b>	<b>26,708</b>
(Gain)/Loss On Sale of Business	1,877	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Operating Expenses</b>												
Interest Expense	427	563	612	533	516	513	577	626	667	693	707	707
Other Non-Operating Income	(556)	(113)	(464)	(416)	(225)	(772)	(772)	(772)	(772)	(772)	(772)	(772)
<b>Total Non-Operating</b>	<b>1,748</b>	<b>450</b>	<b>148</b>	<b>117</b>	<b>291</b>	<b>(259)</b>	<b>(195)</b>	<b>(146)</b>	<b>(105)</b>	<b>(79)</b>	<b>(65)</b>	<b>(65)</b>
Income Before Income Taxes	8,012	11,694	12,806	14,884	13,790	16,063	18,530	20,689	22,736	24,430	25,815	26,774
Income Tax Expense (Benefit)	2,021	4,995	2,505	2,804	2,924	3,752	3,891	4,345	4,775	5,130	5,421	5,622
Minority/Non Controlling Interest	—	—	—	—	—	—	—	—	—	—	—	—
<b>Net Income</b>	<b>5,991</b>	<b>6,699</b>	<b>10,301</b>	<b>12,080</b>	<b>10,866</b>	<b>12,311</b>	<b>14,639</b>	<b>16,344</b>	<b>17,961</b>	<b>19,300</b>	<b>20,394</b>	<b>21,151</b>
Weighted Avg. Shares - Basic	2,170	2,104	2,049	1,999	1,953	1,693	1,693	1,693	1,693	1,693	1,693	1,693
Weighted Avg. Shares - Diluted	2,227	2,146	2,085	2,035	1,986	1,946	1,946	1,946	1,946	1,946	1,946	1,946
Basic Earnings Per Share	\$ 2.76	\$ 3.18	\$ 5.03	\$ 6.04	\$ 5.56	\$ 7.27	\$ 8.65	\$ 9.65	\$ 10.61	\$ 11.40	\$ 12.05	\$ 12.49
Diluted Earnings Per Share	\$ 2.69	\$ 3.12	\$ 4.94	\$ 5.94	\$ 5.47	\$ 6.33	\$ 7.52	\$ 8.40	\$ 9.23	\$ 9.92	\$ 10.48	\$ 10.87