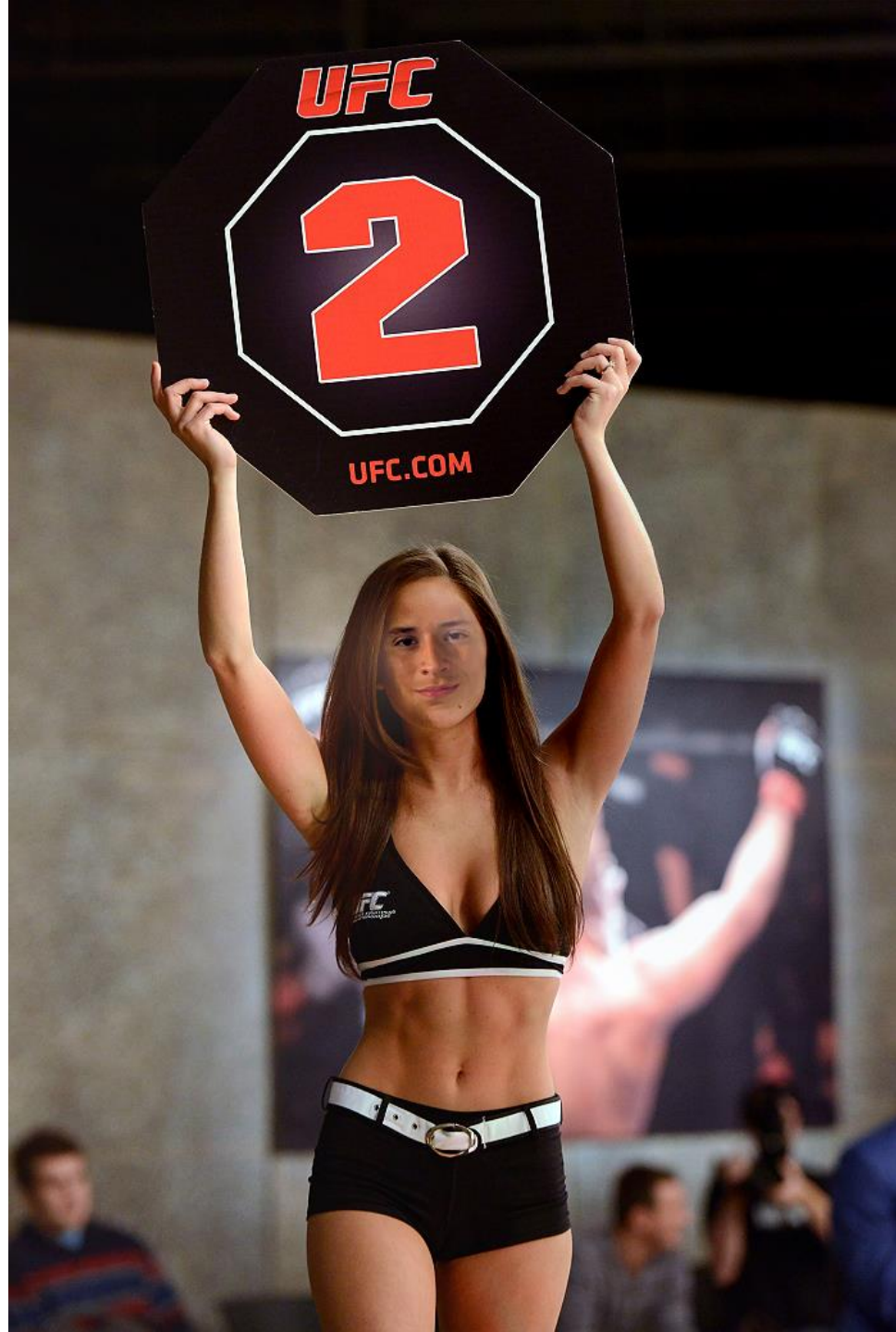


THE POUNDER COMPOUNDERS

Present...

ROUND 2





MasterCard

TM

Overview

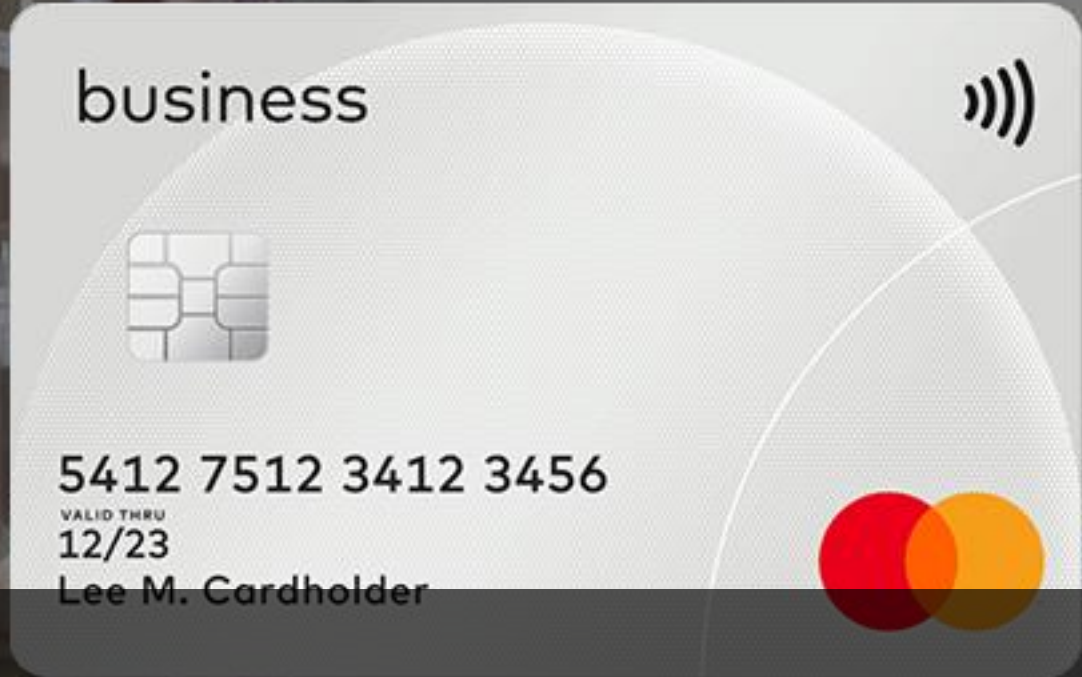
- Symbol: MA
- HQ: Purchase, NY
- Market cap: \$389B
- Revenue: \$15.3B



Overview

- Current Shares: 200
- Cost Basis: \$220.48
- Portfolio Size: 6.29%
- Stock Price: \$337.15





Why MasterCard

Why Mastercard?

- 5,000 company universe
- Thoroughly analyzed portfolio
- High quality financials
- Capital light
- Widest moats
- Attractive valuation



FIRST & MERCHANTS NATIONAL BANK

master charge®

THE INTERBANK CARD®

53145 71 000 843

GOOD THRU

09/78

STEFANELLI



INTERBANK

History

History

1966



INTERBANK

1969

- Developed Master Charged
- Joined by First National City Bank



1983

First to use Holograms



EuroCard alliance



1968

Renamed
Master Card
International



1979



History

2006



MasterCard
Worldwide

IPO at \$39

2012

Mobile
Payments

Expansion to
the Middle East



2017

Brighterion



A MASTERCARD COMPANY

2010

- Partner with Apple



2014





Recent News

Recent News



Completed acquisition of CipherTrace

- Cryptocurrency Intelligence company



Partnership with Bakkt

- Allows crypto solutions and services
- Spend rewards points in Cryptocurrency
- Allows Consumers to buy sell and hold digital assets



Recent News

New supply chain with Track Business Payment Service (TBPS)

- Increase access to working capital
- Reducing cost and risk
- Accelerating payment process

MasterCard attempts for Inclusion

- New Design that Helps Sight-Impaired People
- Checkout Point with audio jingle
- Introduction of True Name for LGBTQ

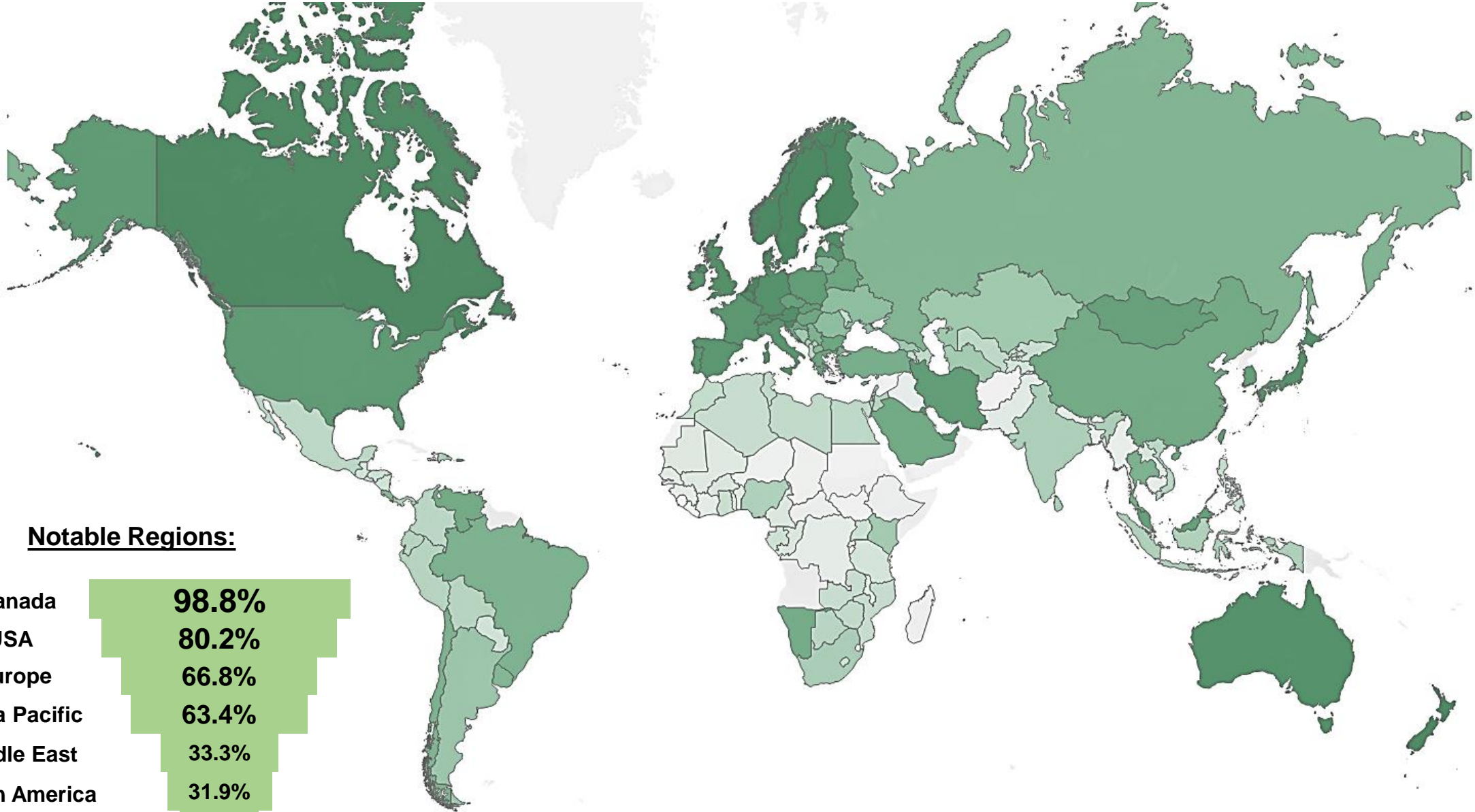




Business Model

Debit Card Ownership

1.7%  98.8%



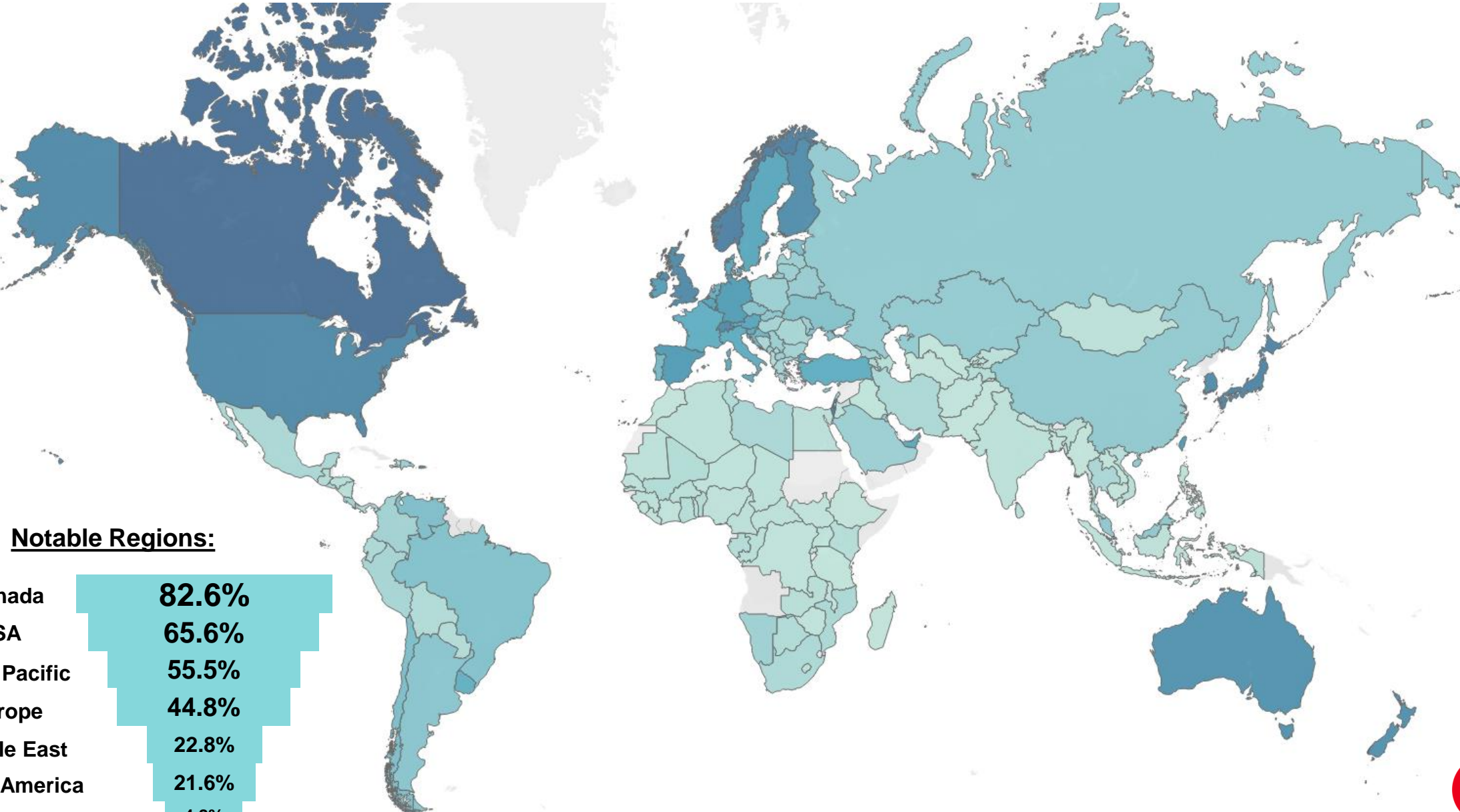
Notable Regions:

| | |
|---------------|-------|
| Canada | 98.8% |
| USA | 80.2% |
| Europe | 66.8% |
| Asia Pacific | 63.4% |
| Middle East | 33.3% |
| Latin America | 31.9% |
| Africa | 6.5% |



Credit Card Ownership

0%  82.6%



Notable Regions:

| | |
|---------------|-------|
| Canada | 82.6% |
| USA | 65.6% |
| Asia Pacific | 55.5% |
| Europe | 44.8% |
| Middle East | 22.8% |
| Latin America | 21.6% |
| Africa | 4.8% |



Core Offerings



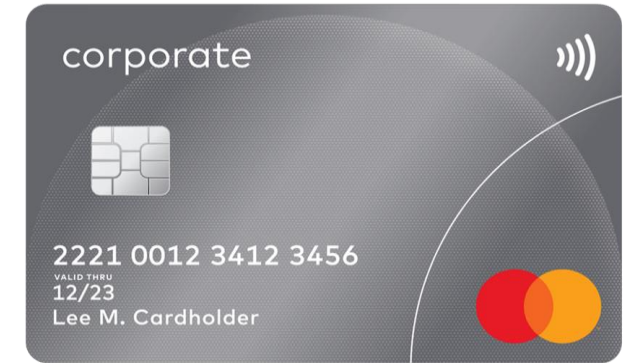
Consumer Credit

- Credit to defer payment
- Issued to individuals
- Standard, Premium, Affluent



Consumer Debit

- Convenient access to deposits
- Used at ATM's and Point-of-Sale
- Standard, Premium, Affluent



Commercial Debit and Credit

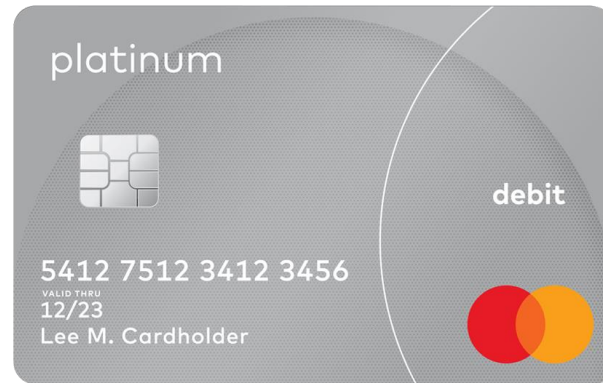
- Reduce overhead
- Issued to companies of all sizes
- Government credit

Core Offerings



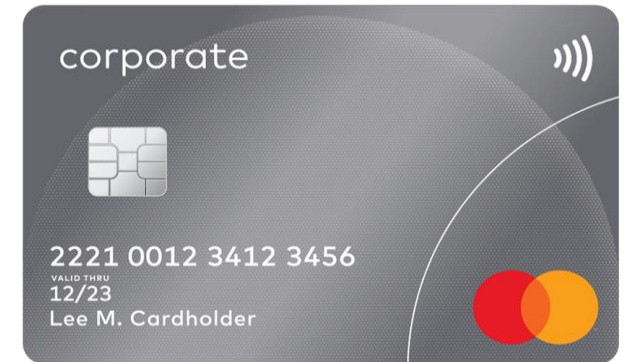
Consumer Credit

38%



Consumer Debit

51%



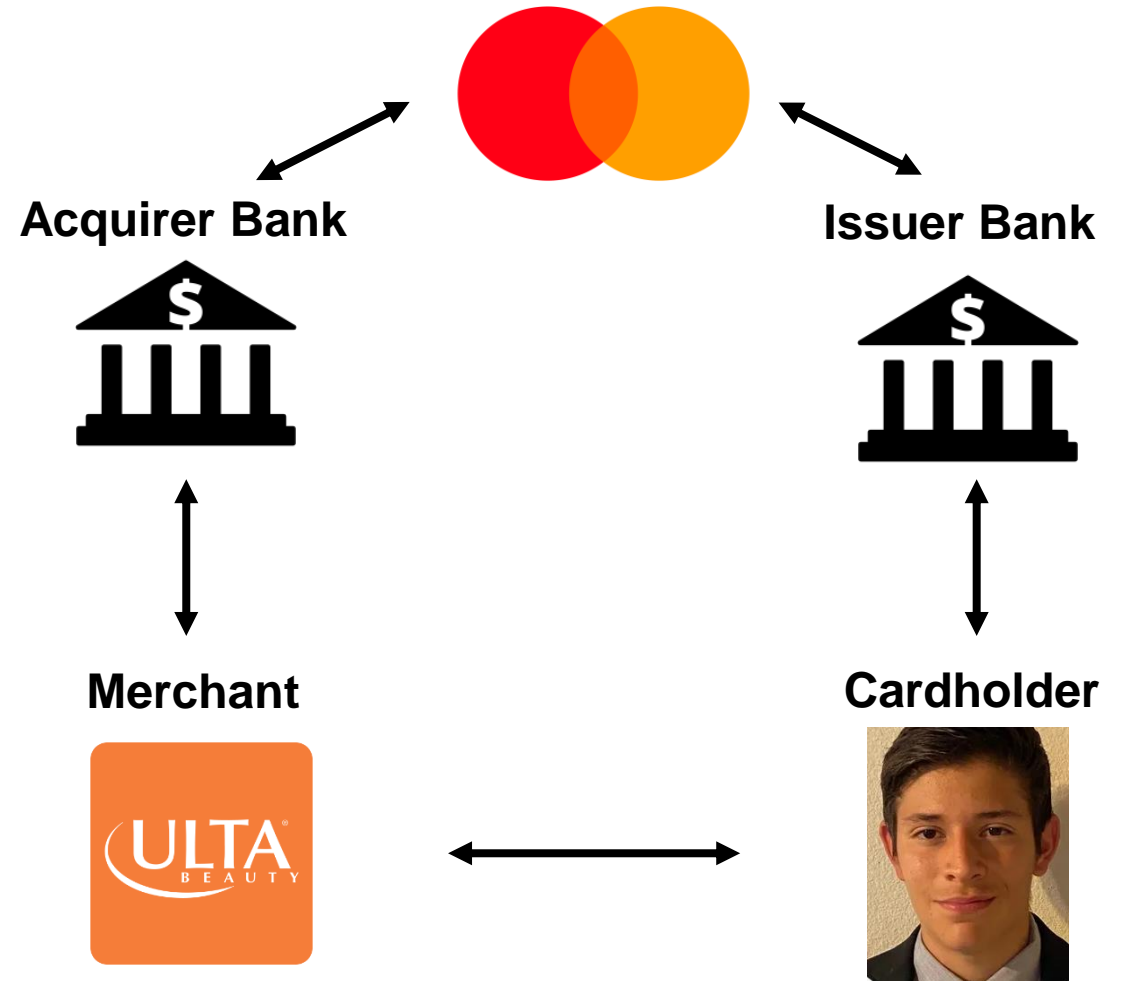
Commercial Debit
and Credit

11%

Typical Transaction

1. Cardholder uses MasterCard-branded card to make a purchase
2. Issuer Bank authorizes transaction
3. Issuer pays Acquirer value of transaction (minus interchange fee)
4. Acquirer deposits remainder in merchant's account
5. MasterCard bills Issuer for Transaction fees

When this happens a gazillion times a day, it adds up!



Value-Added Services



Cyber and Intelligence



Loyalty and Rewards



Processing



Data Analytics
and Consulting

Corporate Strategy

Grow

Consumer and Commercial

Switched Transactions

New Technologies

Operating Efficiencies

Diversify

New Customers

Developing Markets

Cash vs Non-Cash Acceptance

Underbanked

Build

Innovative Solutions

Real-Time Payments

MasterCard Track™

Open Banking





Revenue Drivers

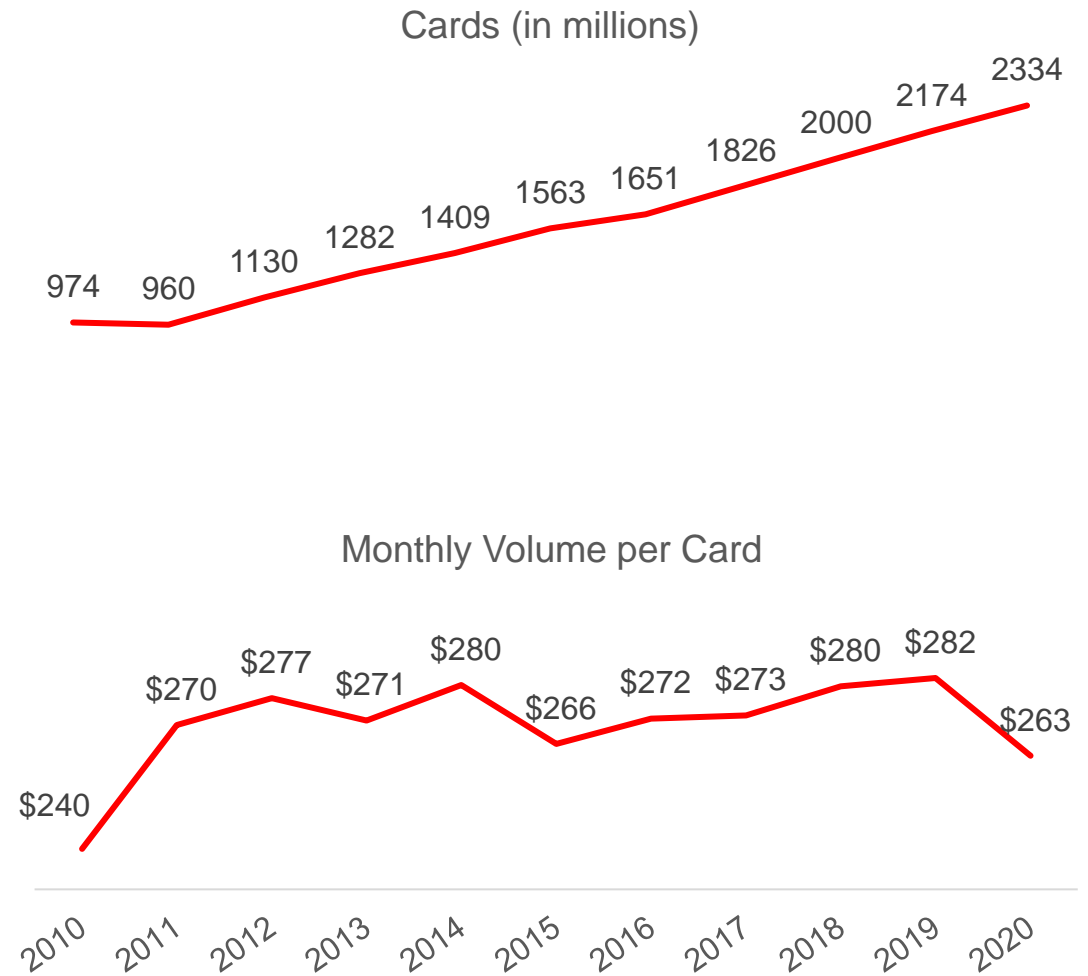
How Does Mastercard Make Money?

Sources of Revenue:

- Transaction Processing
- Domestic Assessments
- Cross-Border Volume
- Other

To Increase Revenue:

- Issue more cards
- More spending on the same card
- Cross-border transactions



How Does Mastercard Make Money?

Transaction Processing:

Authorization and Clearing

Connectivity fees

Other Processing Fees

Settlement fees

Domestic Assessments:

Fees charged to both issuers/acquirers

Acquirer and Issuer Same Country

Percentage of GDV

Cross Border Volume:

Fees charged to both issuers/acquirers

Acquirer and Issuer Different Country

Percentage of GDV

Other Revenues:

Data Analytics and Consulting

Loyalty and Rewards

ACH Payment Services

Open Banking

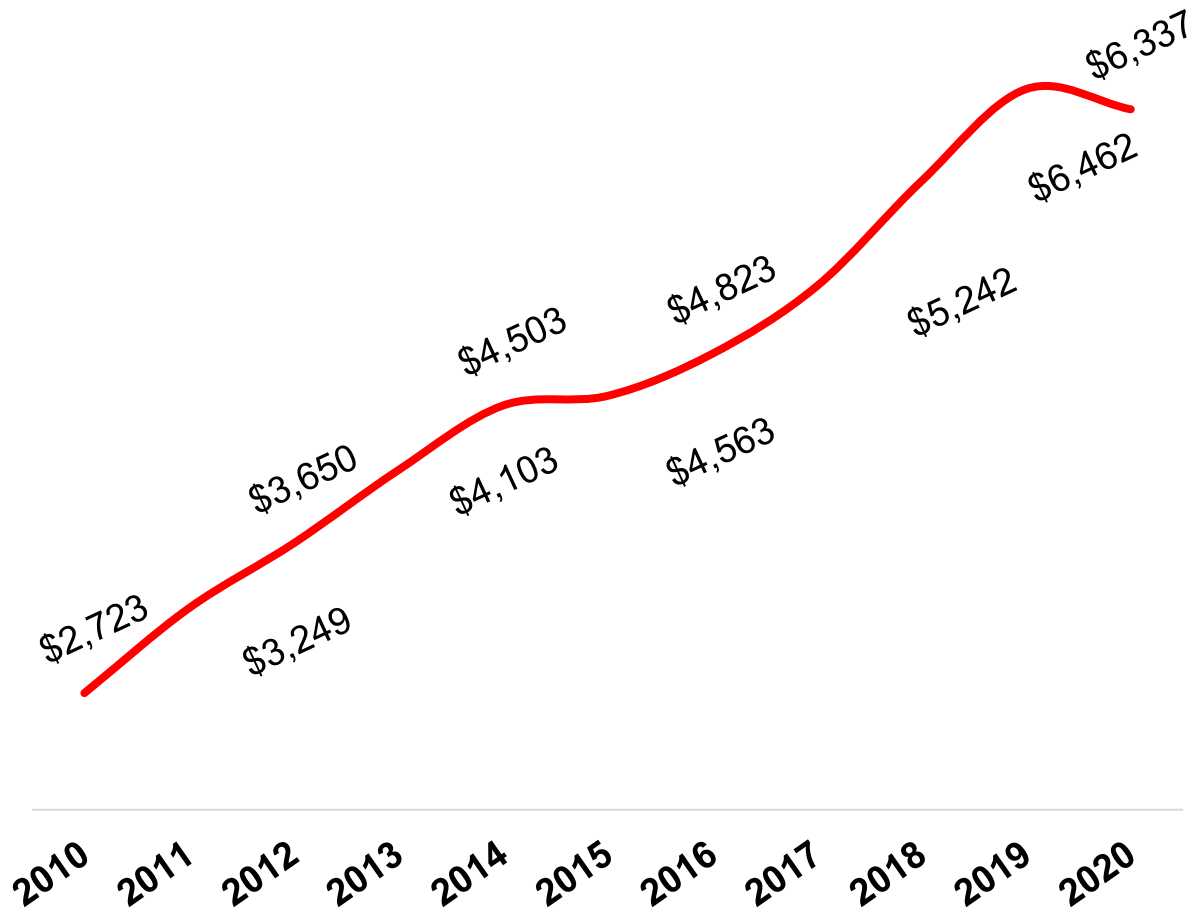




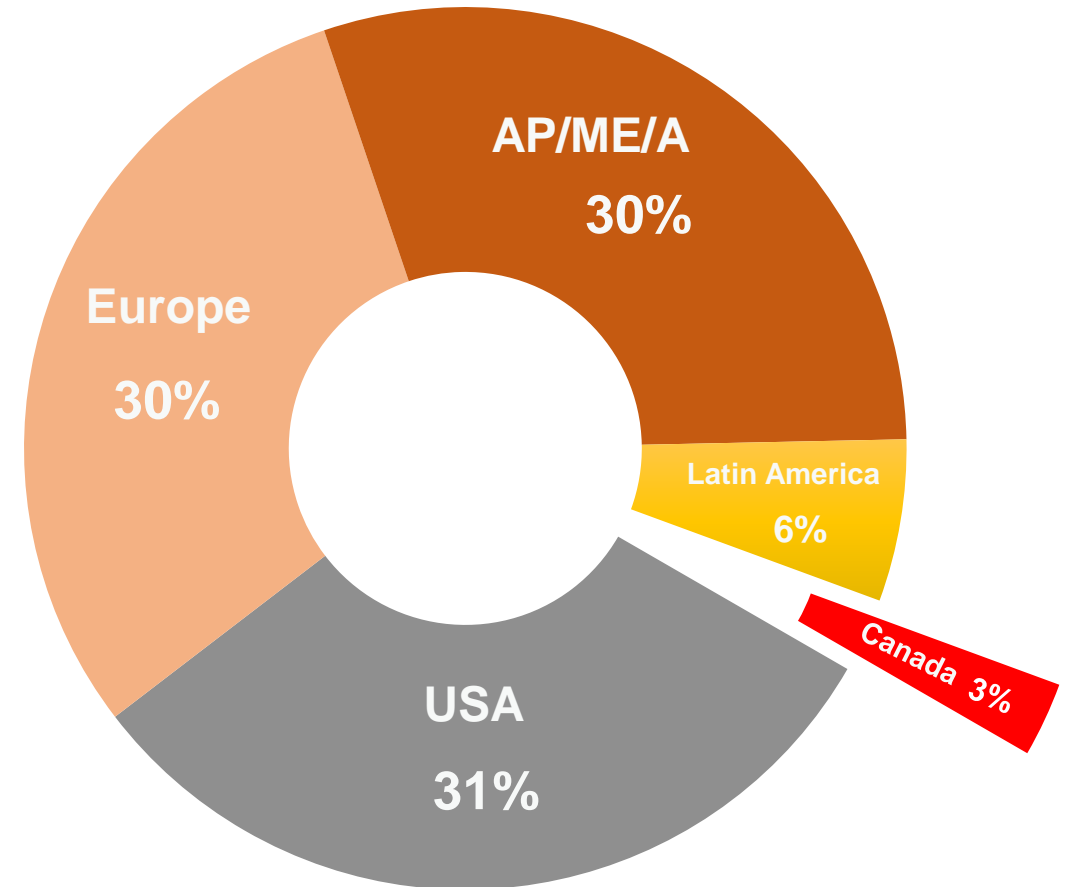
Top-Line Metrics

Gross Dollar Volume

GDV (\$B)

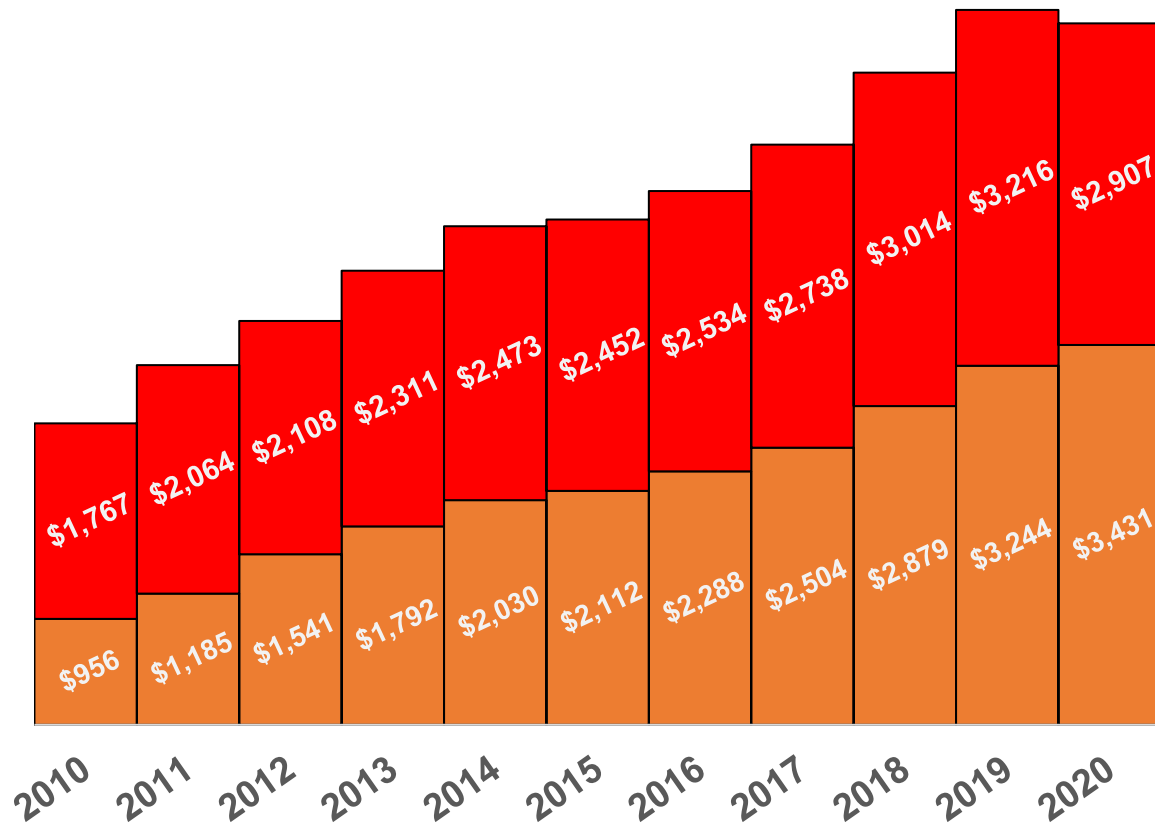


GDV by Region

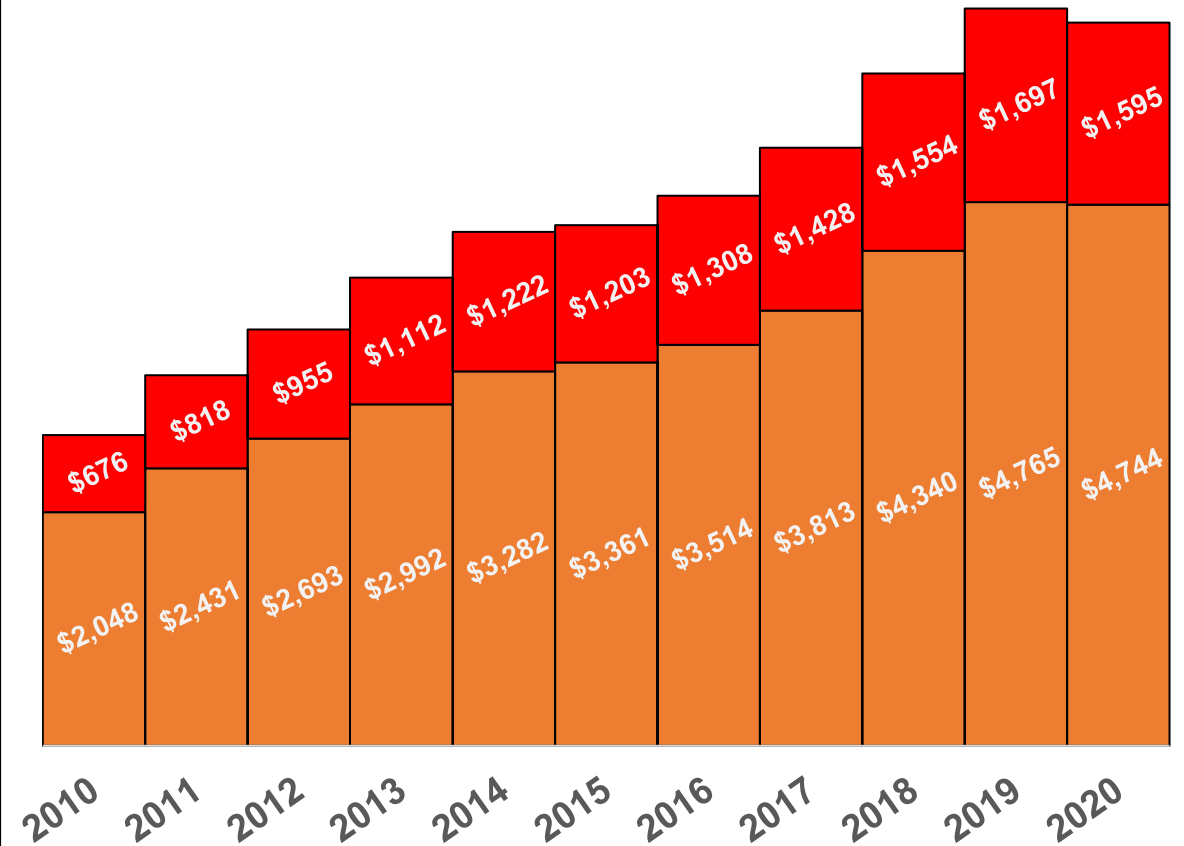


Gross Dollar Volume

GDV (Credit vs Debit)



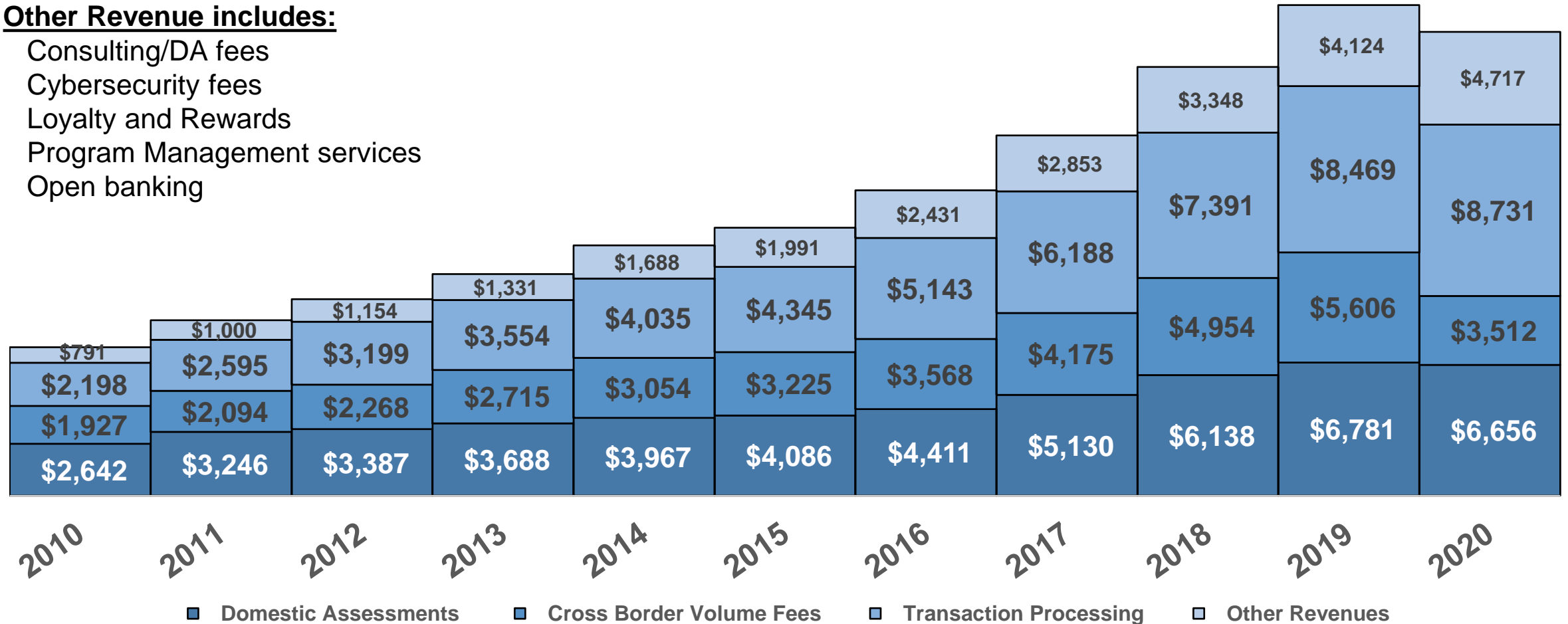
GDV (Cash vs Purchase)



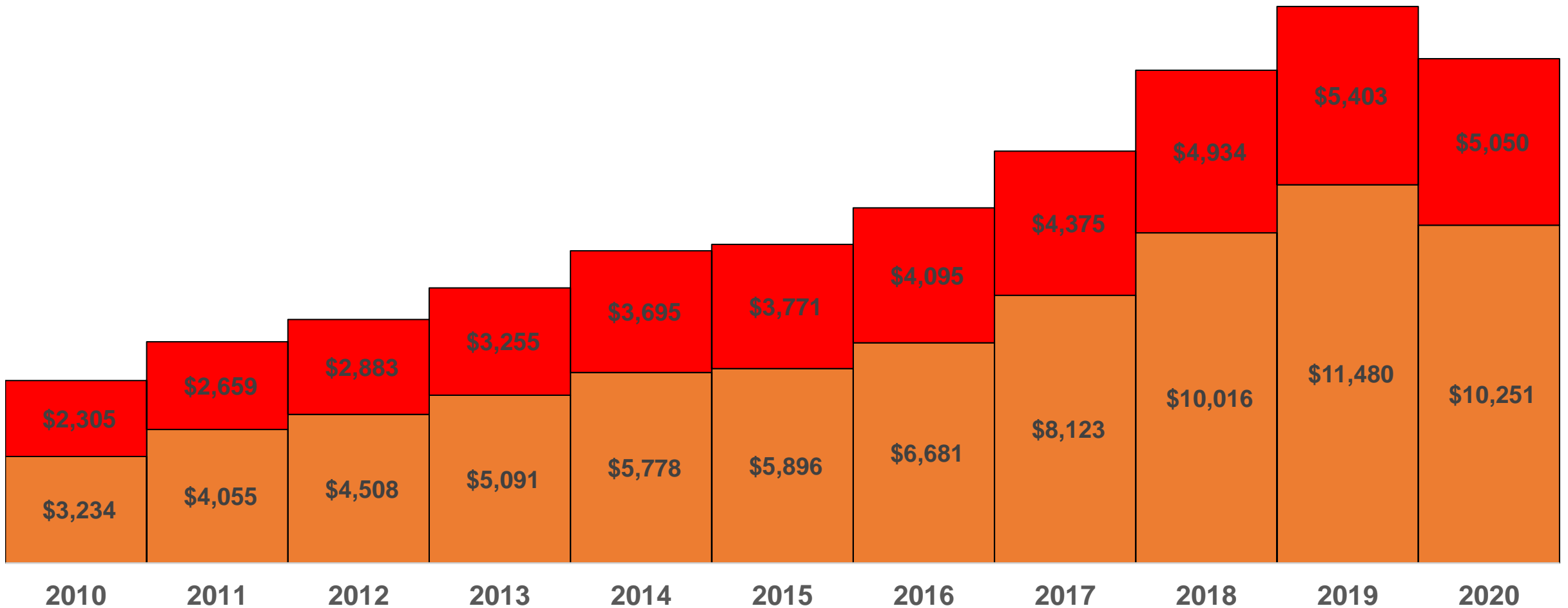
Revenue (Type)

Other Revenue includes:

- Consulting/DA fees
- Cybersecurity fees
- Loyalty and Rewards
- Program Management services
- Open banking

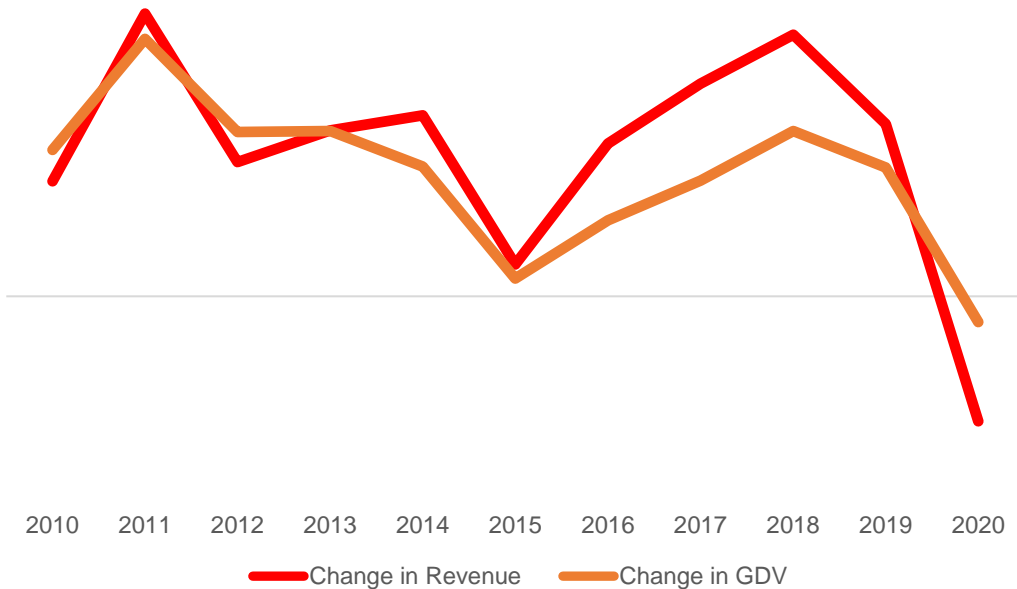


Revenue (USA vs International)



Revenue v GDV

Relationship between GDV and Revenue predicated on everything except Value-added services.



New revenue streams allow MasterCard to not be as exposed to fluctuations in the general economy.



Revenue/GDV

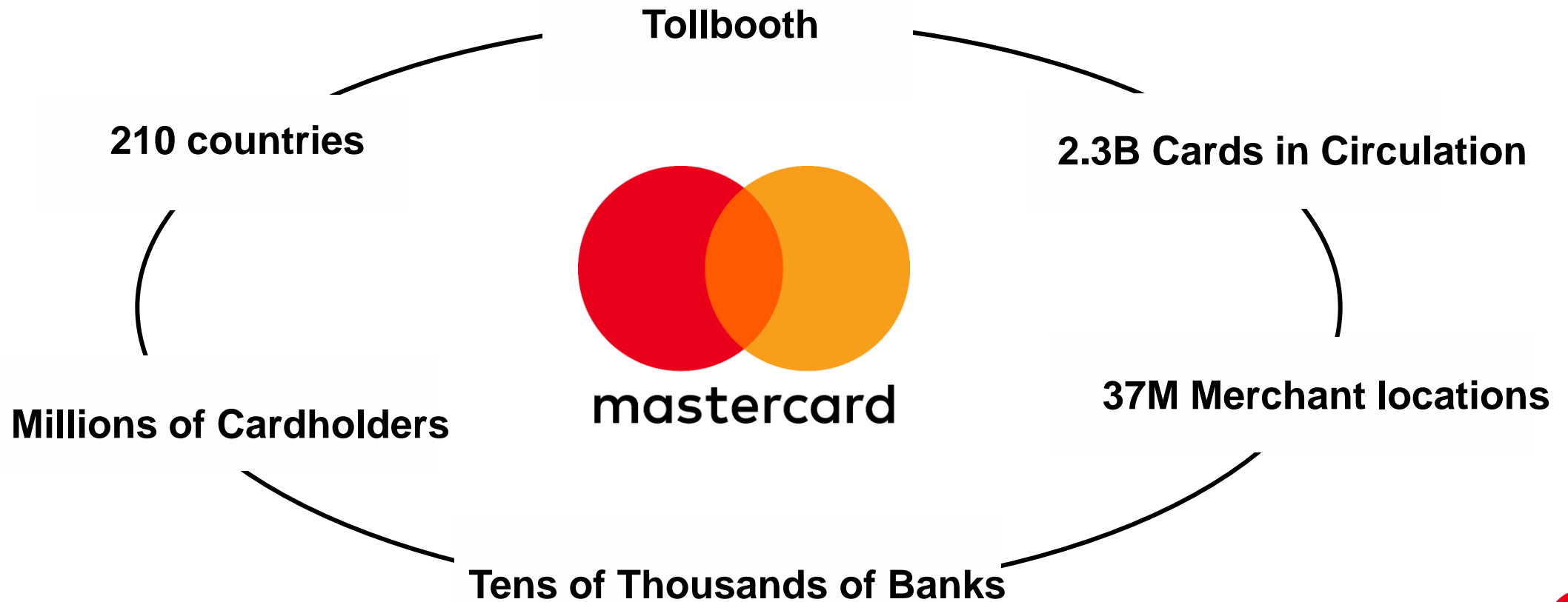


USA



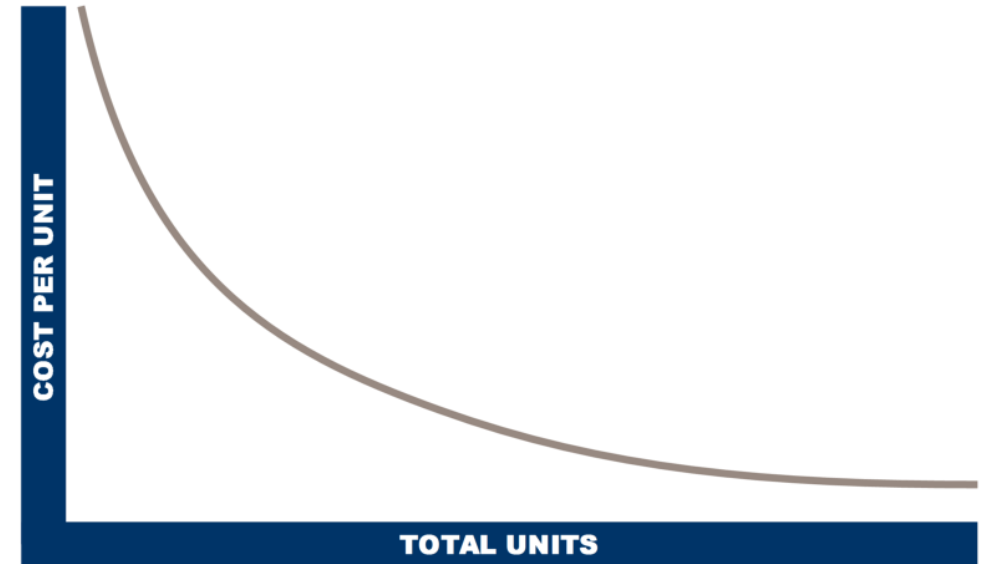
Economic Moat

Network Effect



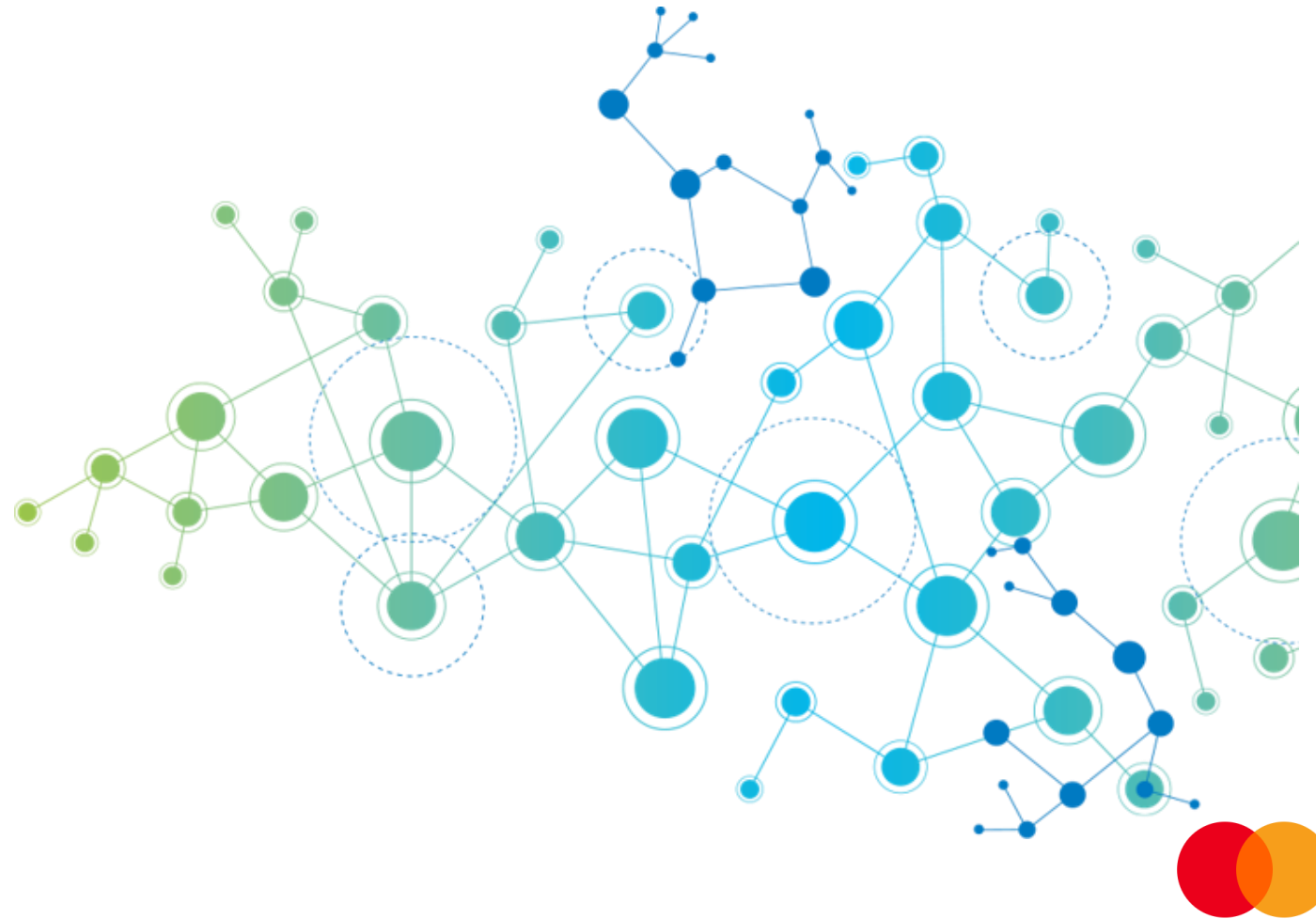
Economies of Scale

- Millions of cardholders
- Millions of merchants
- Low marginal cost
- Difficult for Startups
- Spread costs
 - Compliance
 - Laws
 - Regulations



Intangible Assets

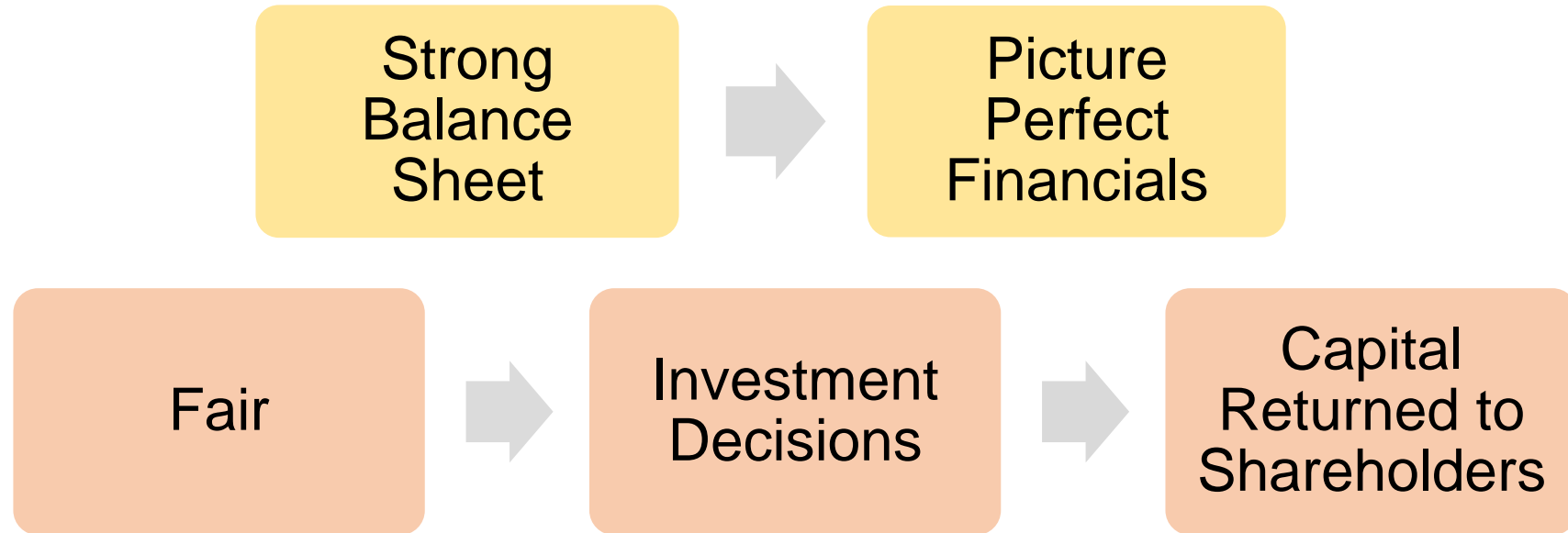
- Market share 29.2%
- Can process 3.4B transactions per day
 - 38,000 per second
 - 140 milliseconds
- Strong infrastructure
- Vast consumer data
- Vast merchant data





Management

Management



Wide Moat Primary Driver of Results



Executive Change



Michael Miebach – CEO

- 5-years Chief Product Officer
- Joined MA in 2010



Ajay Banga – Executive Chairman

- CEO from 2010 to end of 2020
- Oversaw 30% yearly returns



Craig Vosburg – CPO

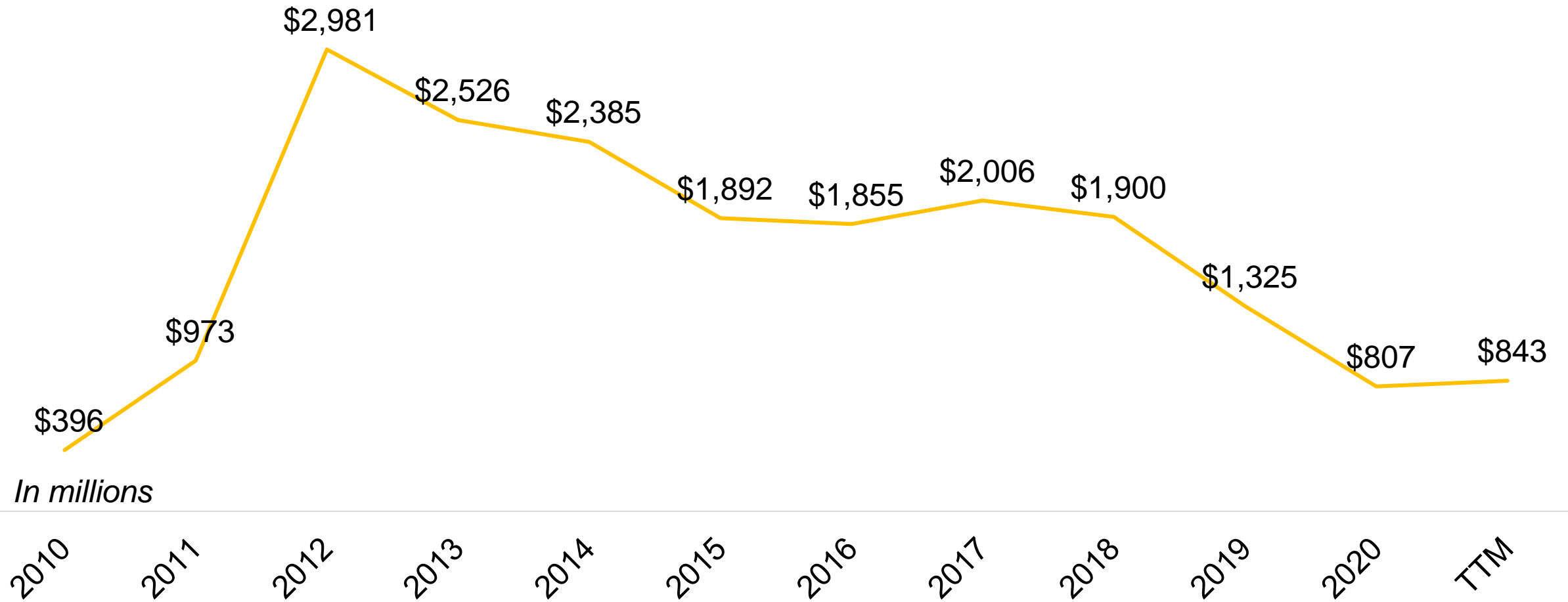
- Joined MA in 2006
- Managing Director in 2008
- MA's President of North America

Capital Allocation

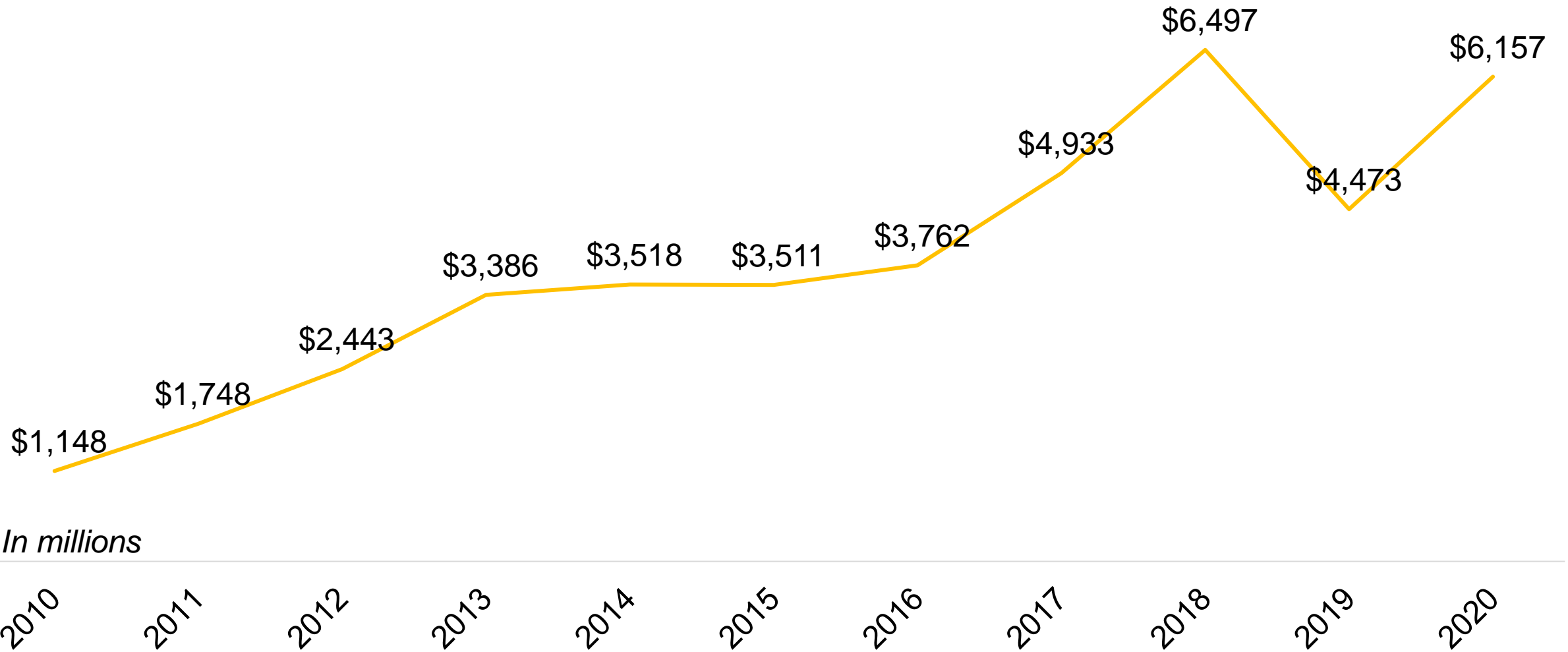
- 90% + of earnings returned to shareholders
- Efficiently exploiting growth opportunities
- Has made 25 acquisitions
- Complements R&D
- Multi rail
 - Open banking
 - Cryptocurrency
 - Tokenization
 - Buy now pay later



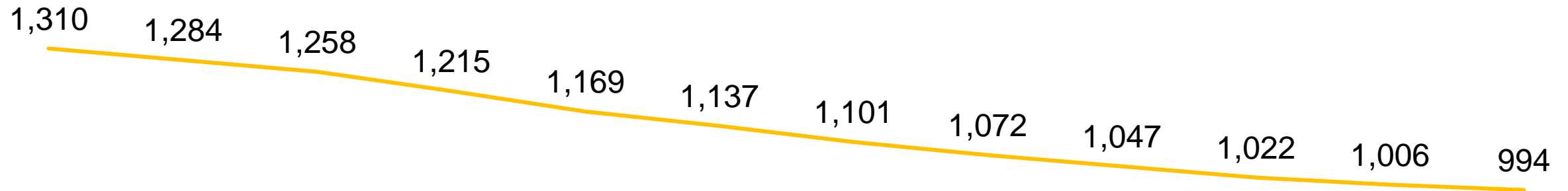
Cash Used For Investments



Cash Used Buybacks



Shares Outstanding

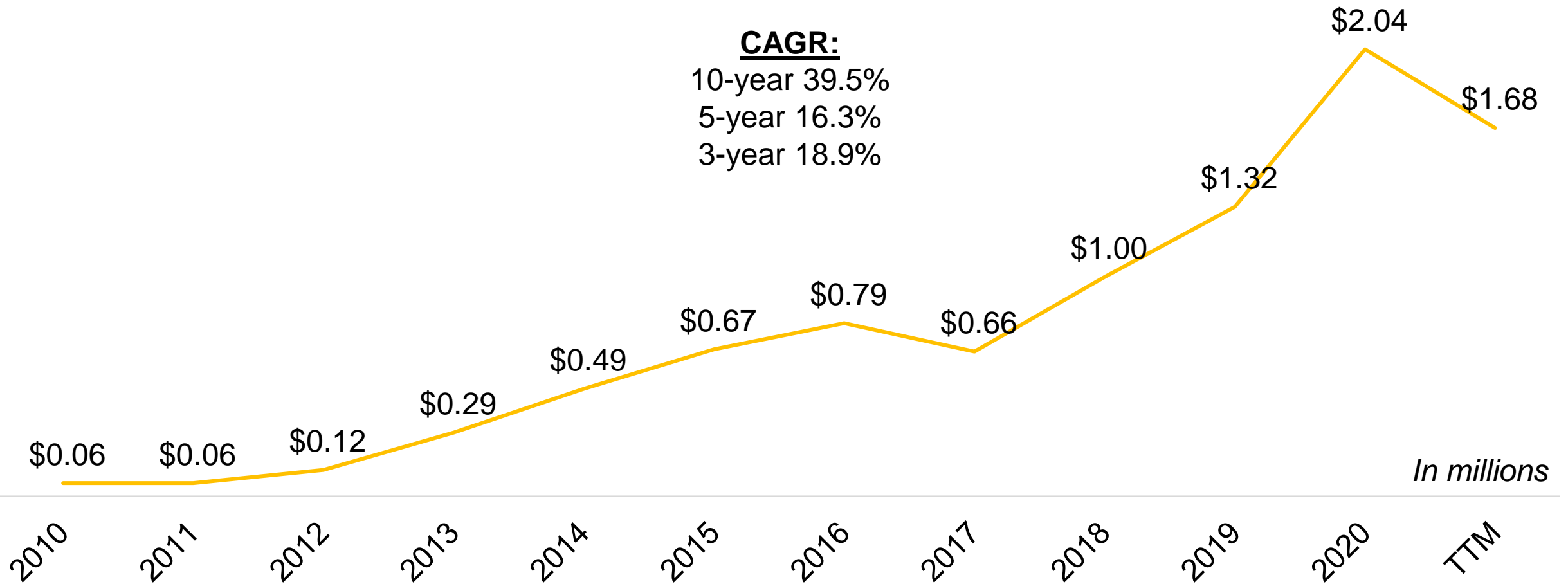


CAGR:
10-year -2.7
5-year -2.65
3-year -1.72%

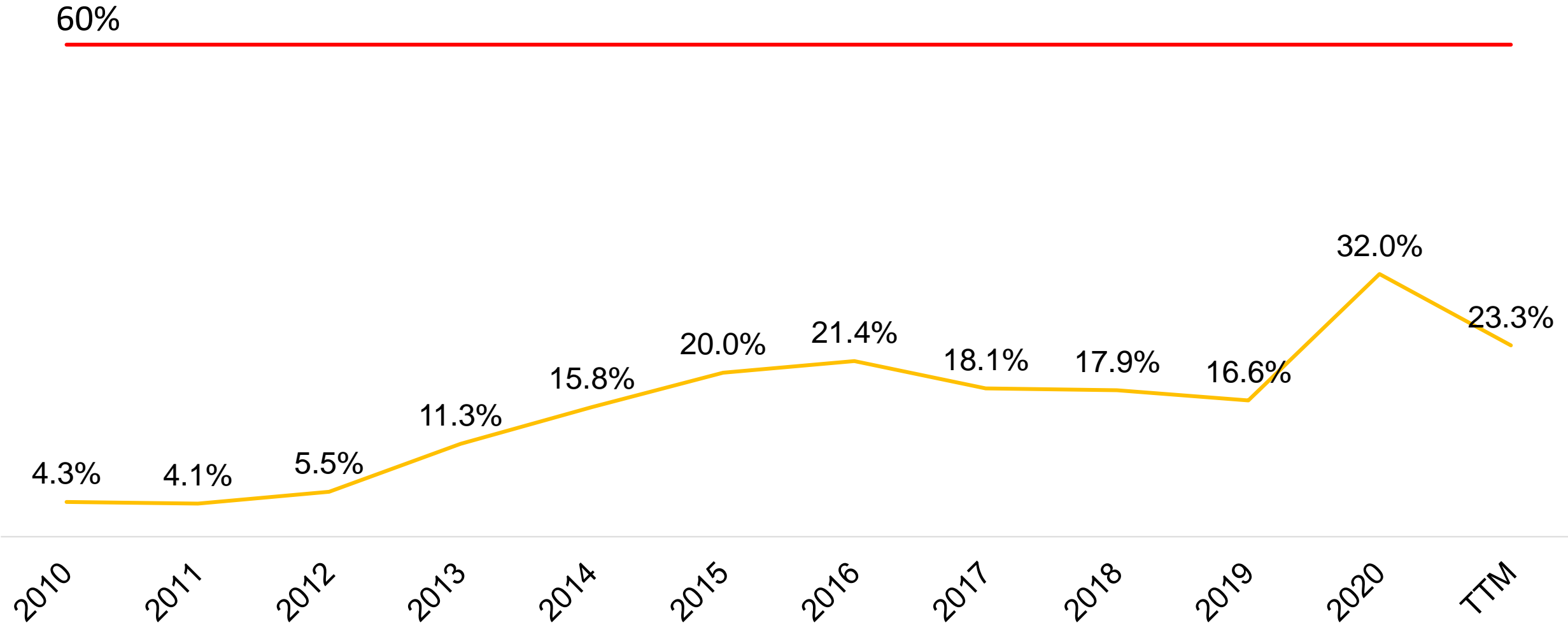
In millions

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 TTM

Dividends Per Share



Dividends Payout Ratio

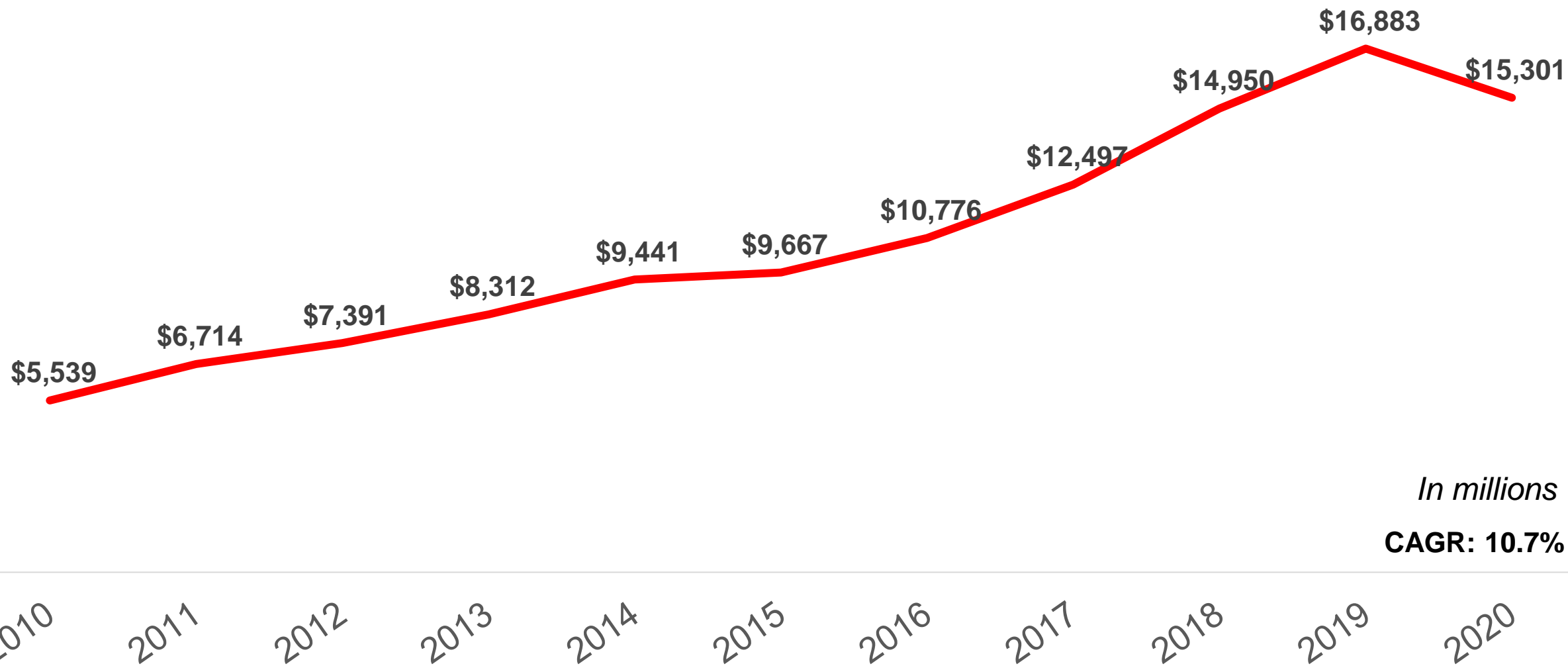




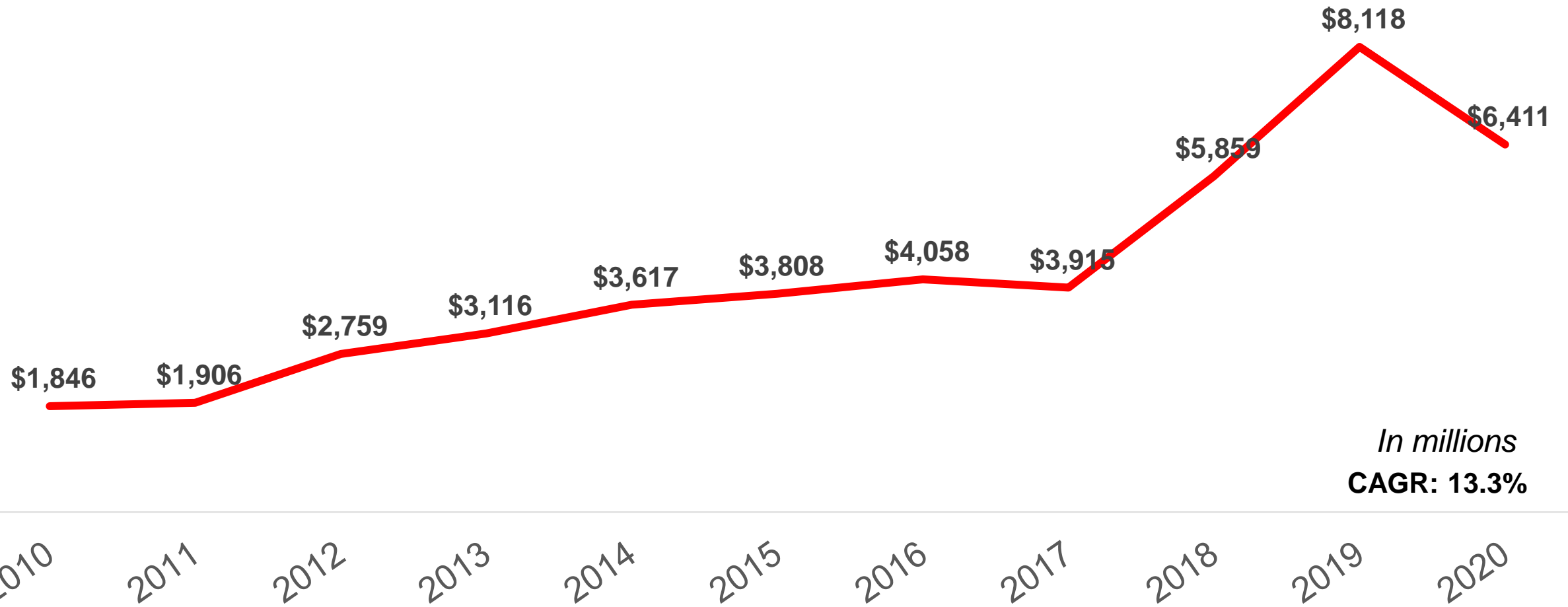
Interpretation of Financial Statements



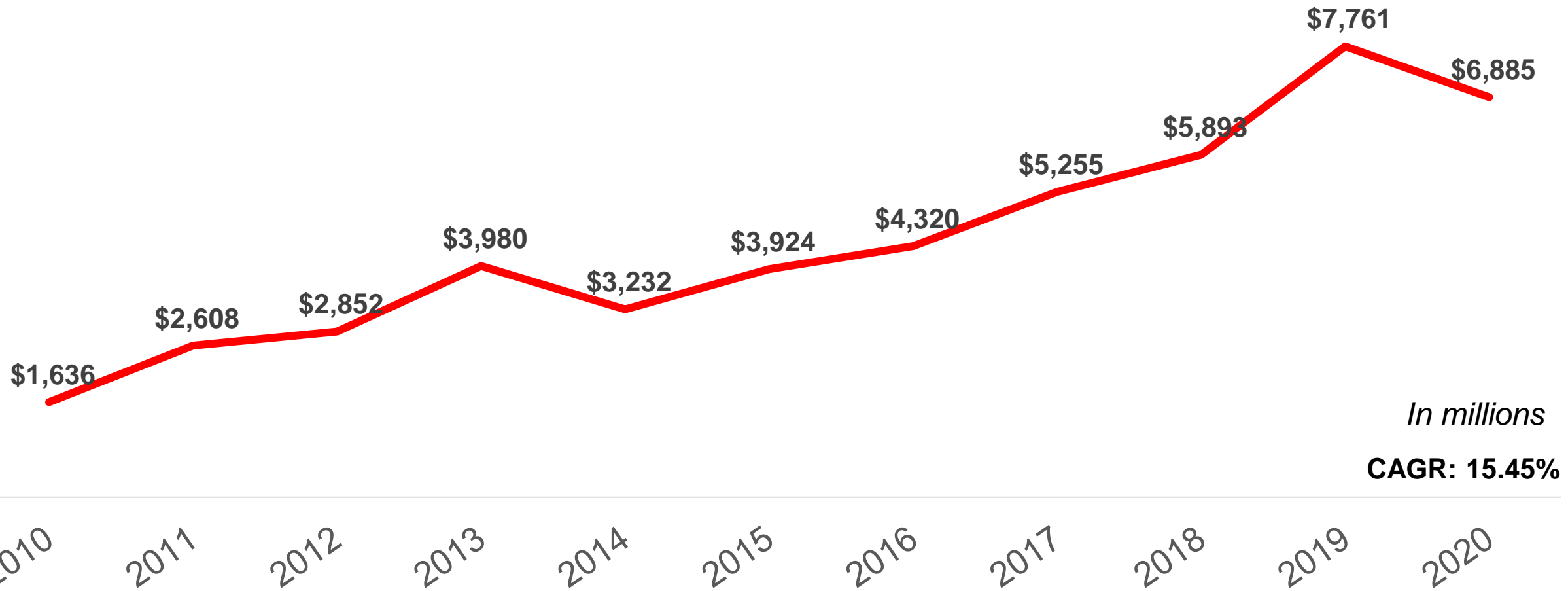
Total Revenue



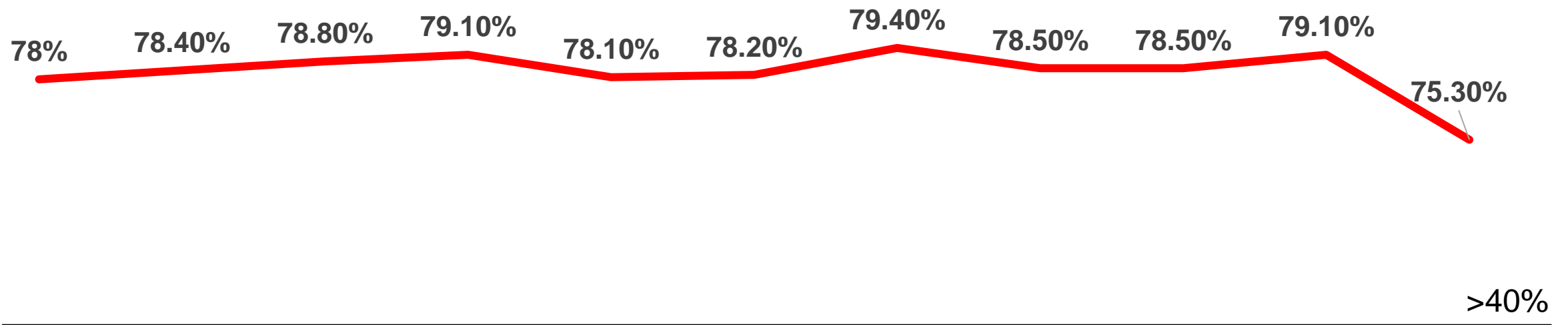
Net Income



Free Cash Flow

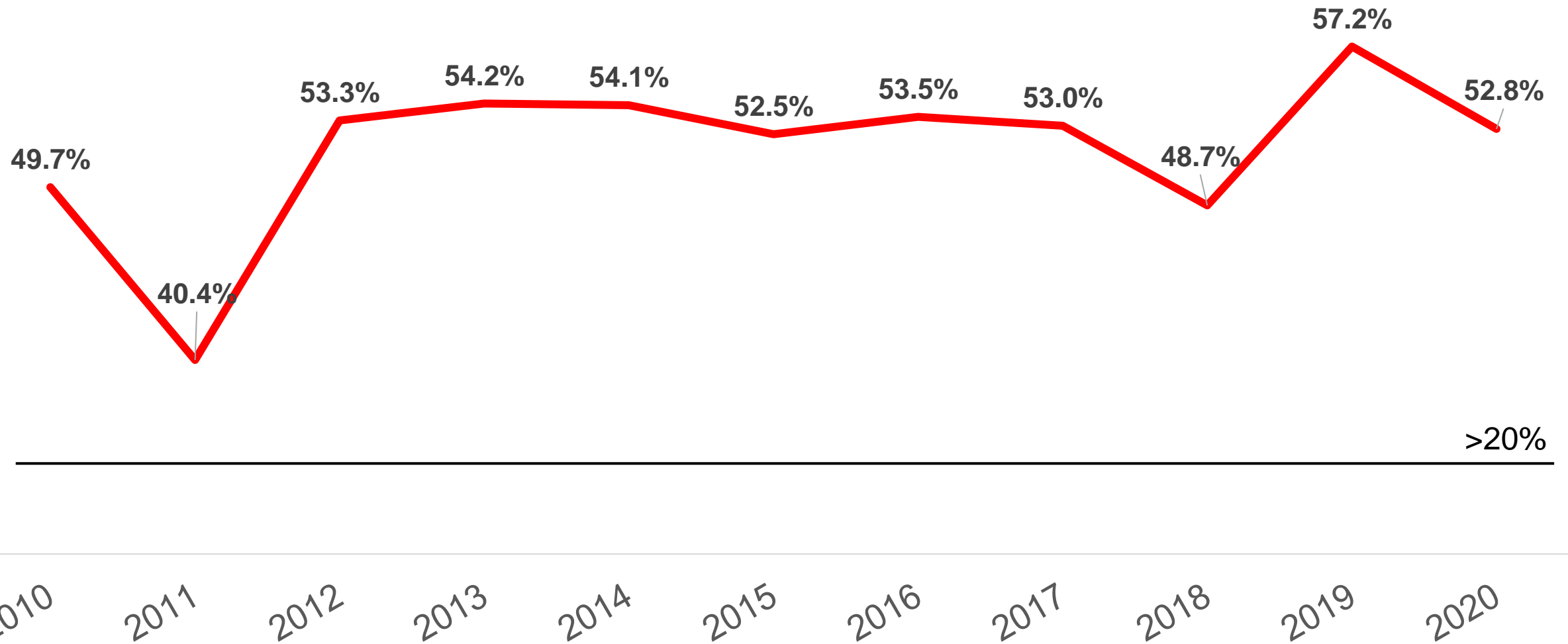


Gross Margin

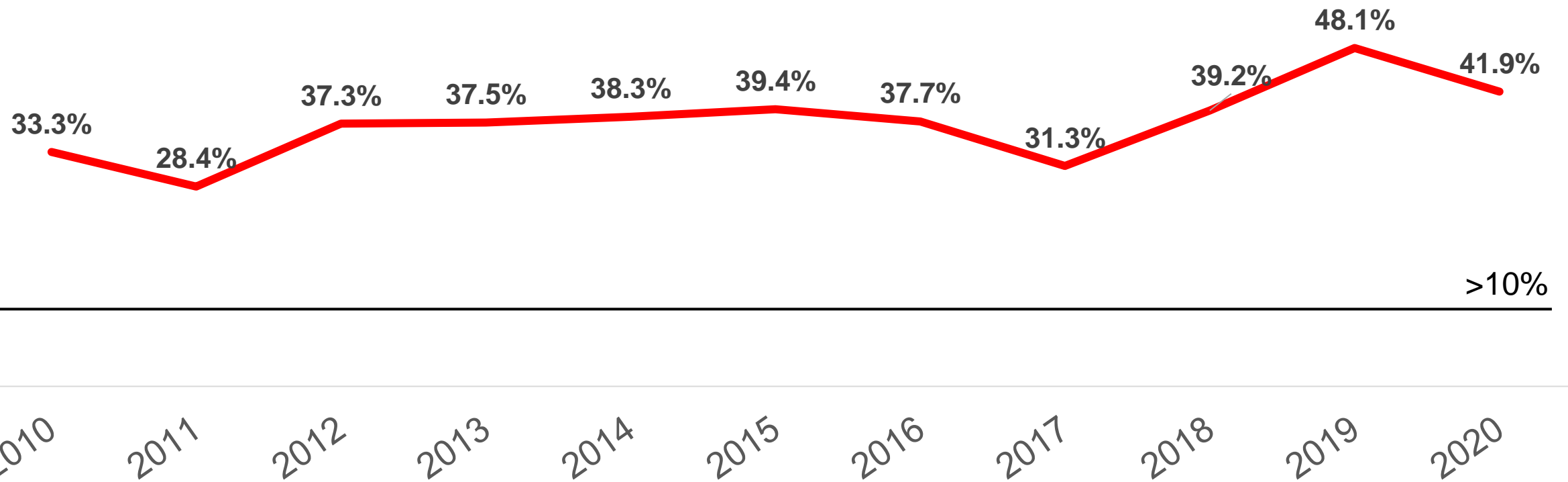


2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

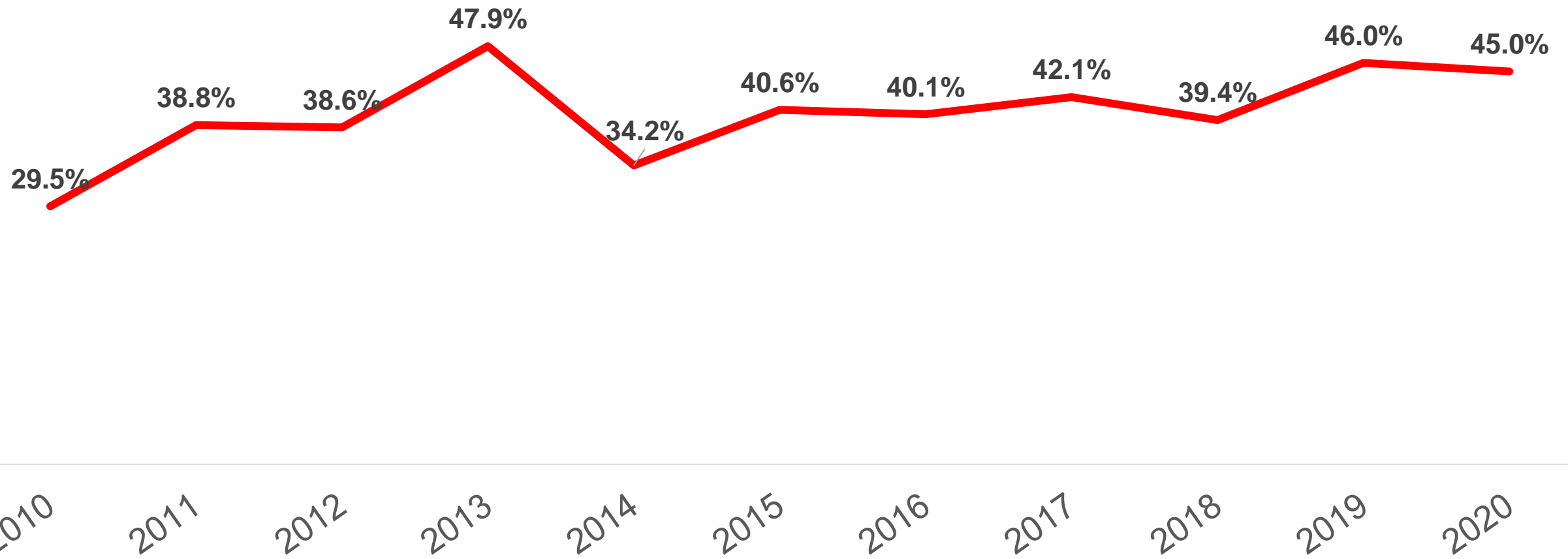
Operating Margin



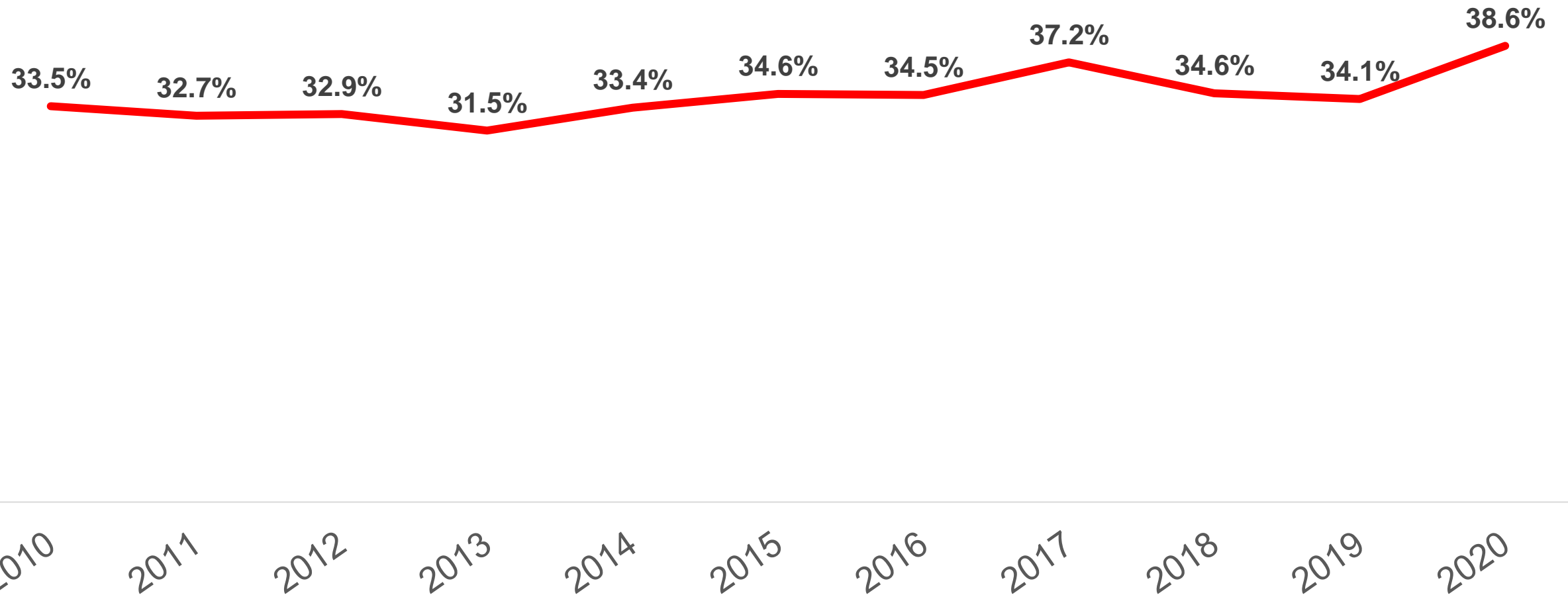
Net Margin



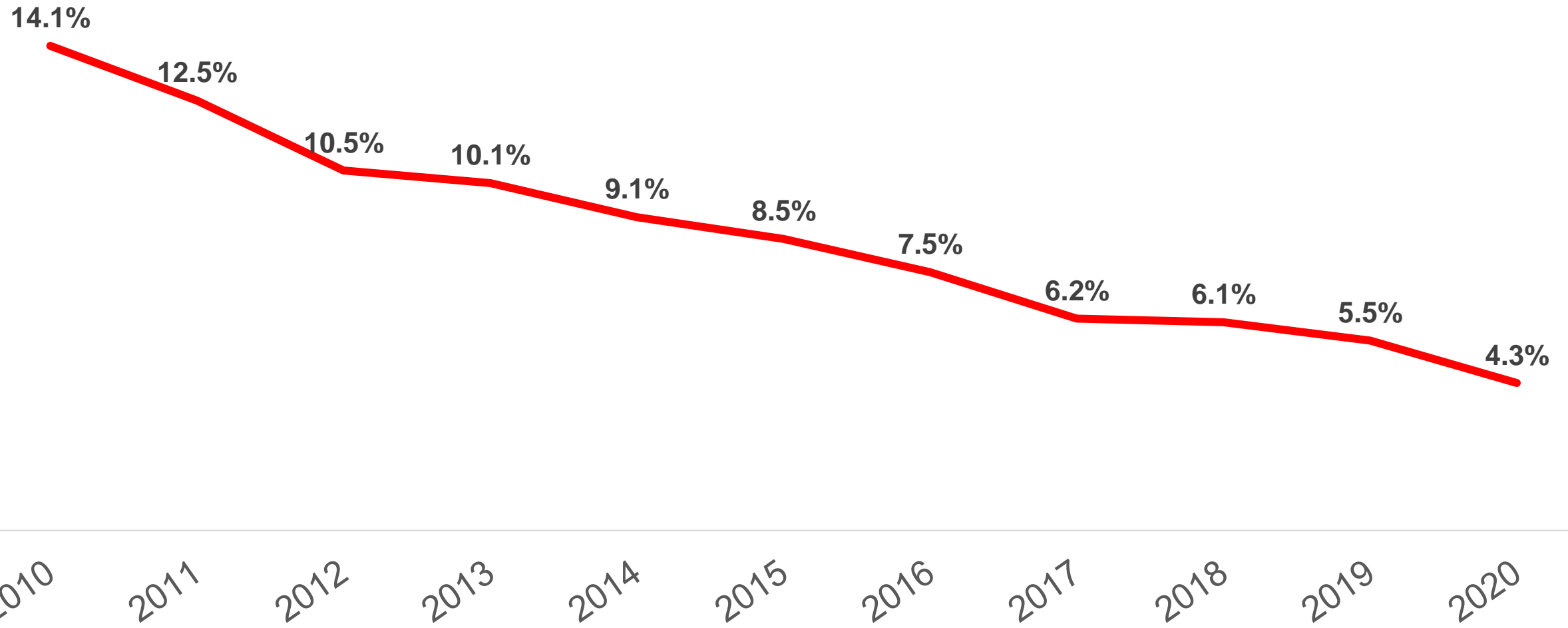
Free Cash Flow Margin



General, Admin. Expenses to Sales

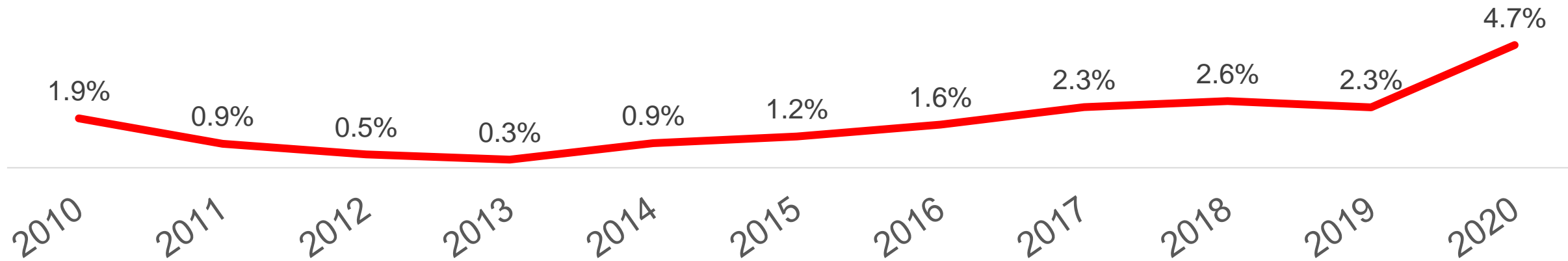


Selling & Marketing to Revenue

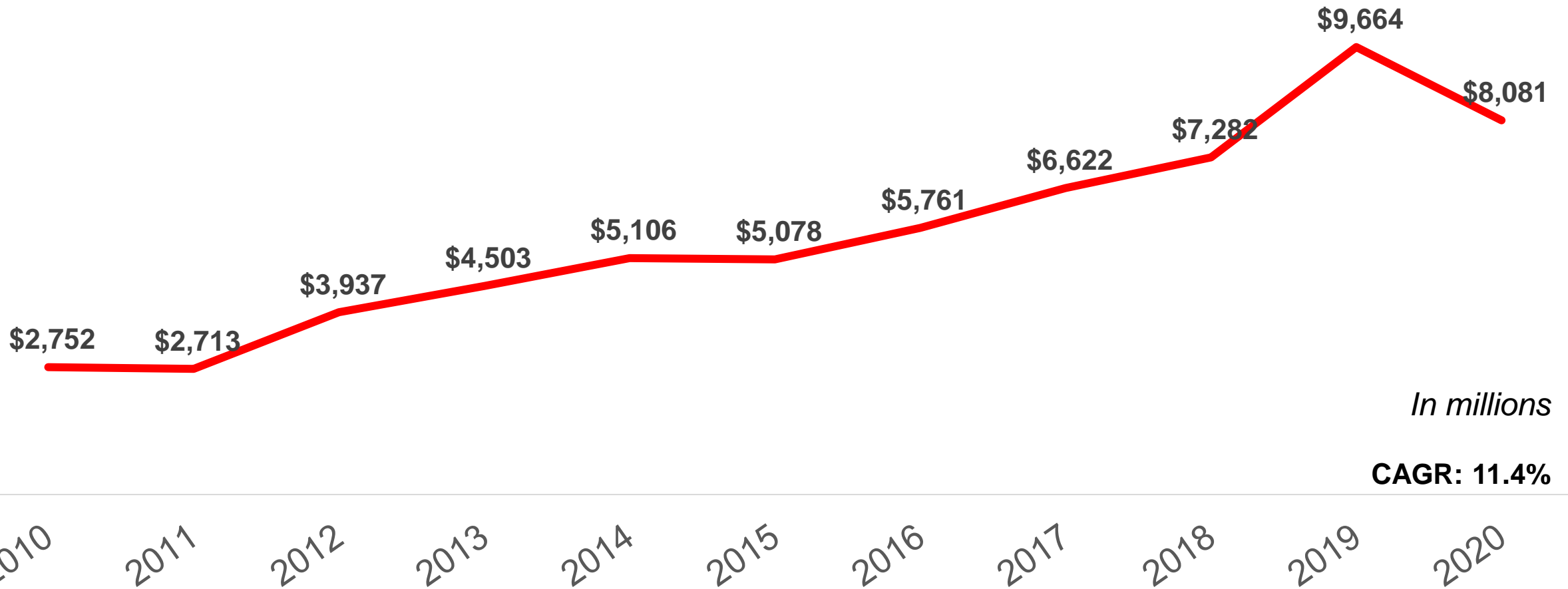


Interest Expense to Operating Income

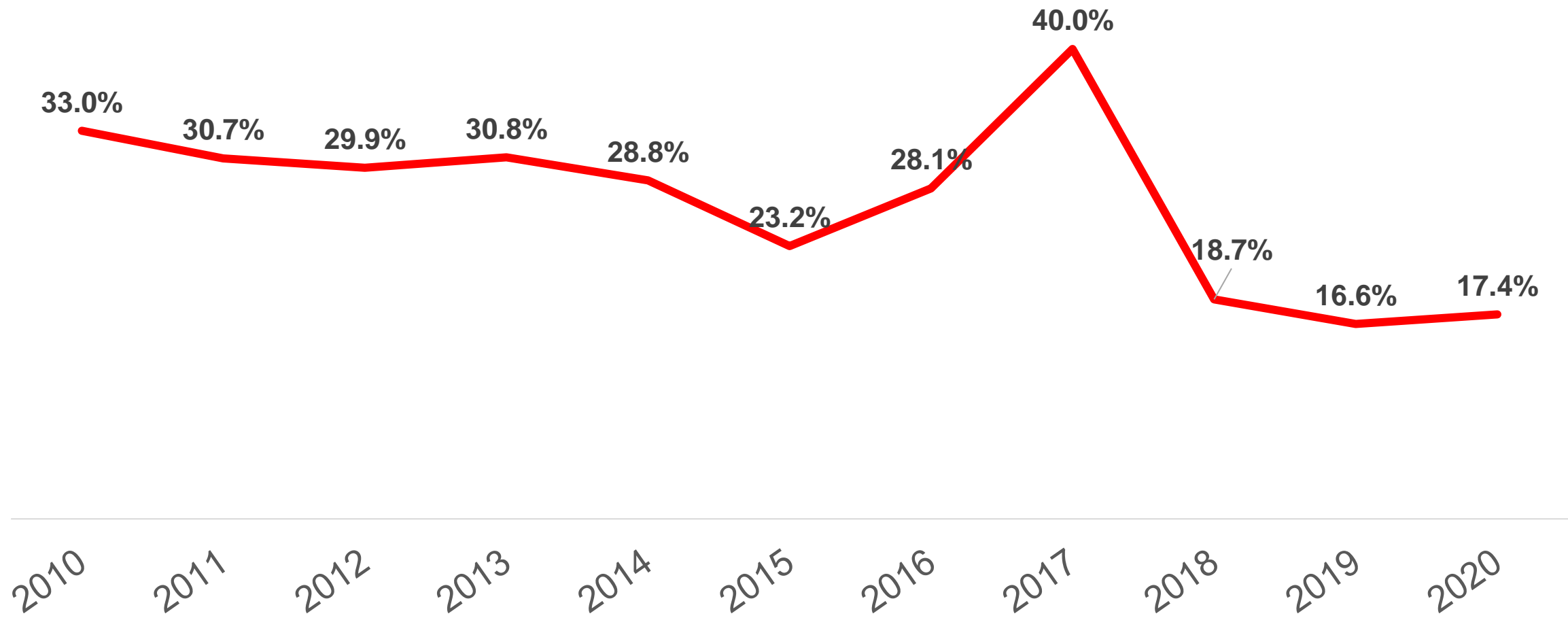
<15%



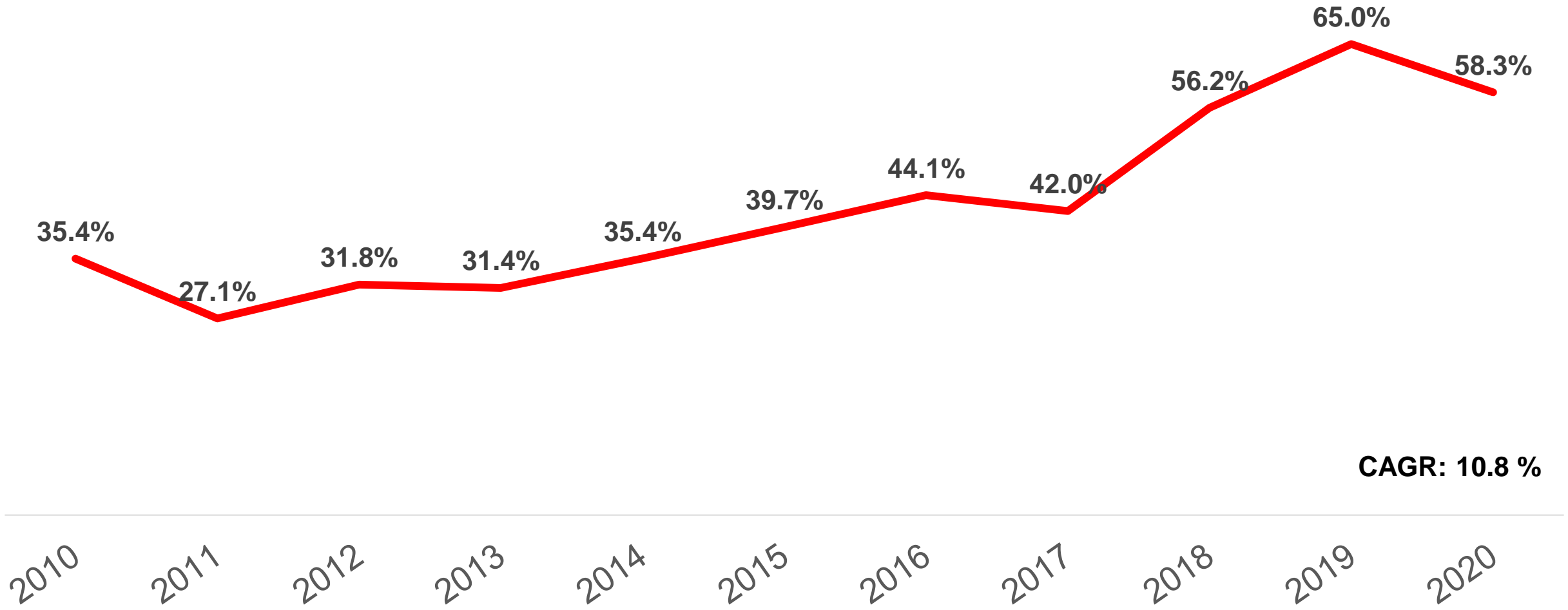
Operating Income



Tax Rate

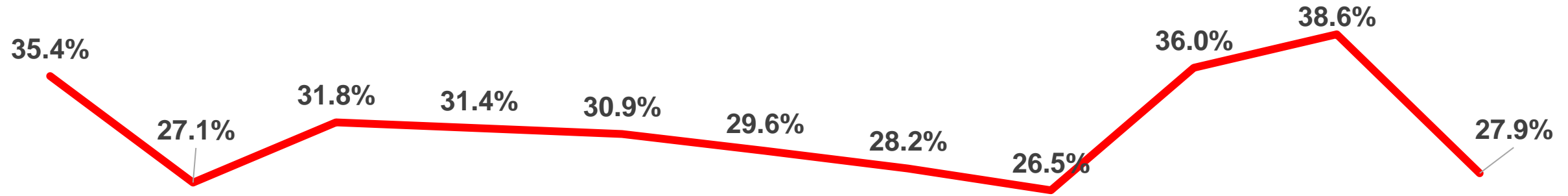


Return on Equity



CAGR: 10.8 %

Return on Capital



CAGR: 5.8%

2010

2011

2012

2013

2014

2015

2016

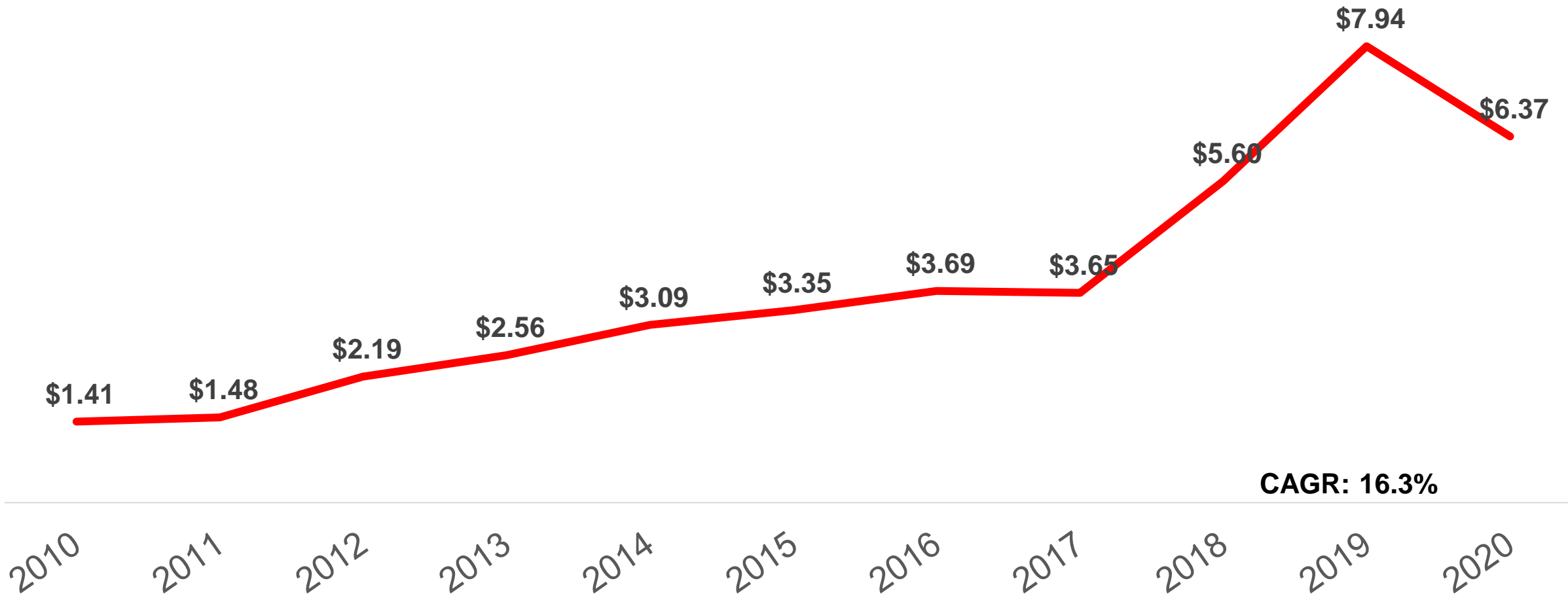
2017

2018

2019

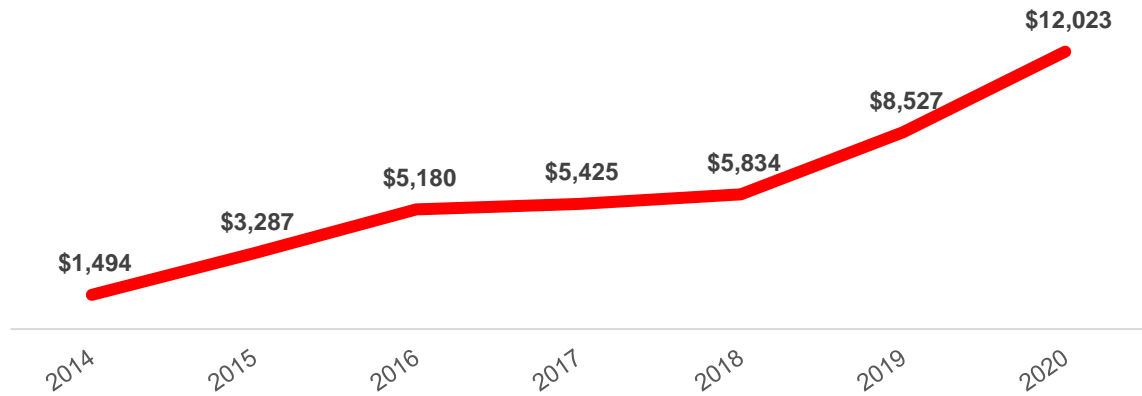
2020

Earnings Per Share

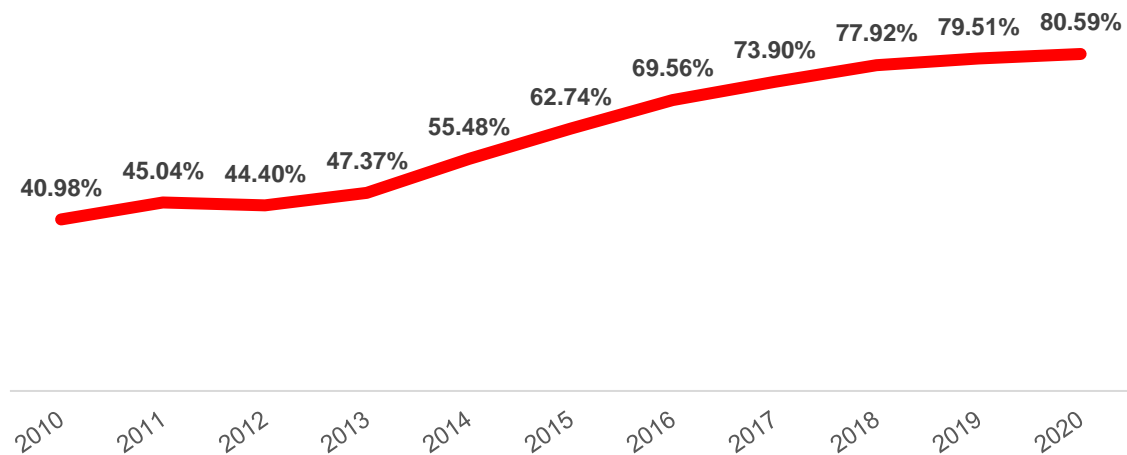


Long Term Debt + Debt to Asset + Obligation Ratio

Long Term Debt



Debt to Assets



(+) Long Term Debt \$13221

(+) Short Term Debt 0

(+) Pension Shortfall 0

(+) Leases * 7 \$959

(+) Preferred Stock \$6216

(-) Cash/Equiv. \$7964

(/) Net Income \$7192

Obligation Ratio 1.1 Years

< 5





Risk Factors

Risk Factors

- State of the economy
- Pandemic
 - Cross border transactions
- Regulatory risks
- Interchange fee
 - Price fixing
- Credit incentive



Risk Factors

- Cyber threats
- Information security
- Outages
- China Union Pay
 - Emerging market risk
- Emerging Technology
 - PayPal & Zelle
 - Affirm & After Pay

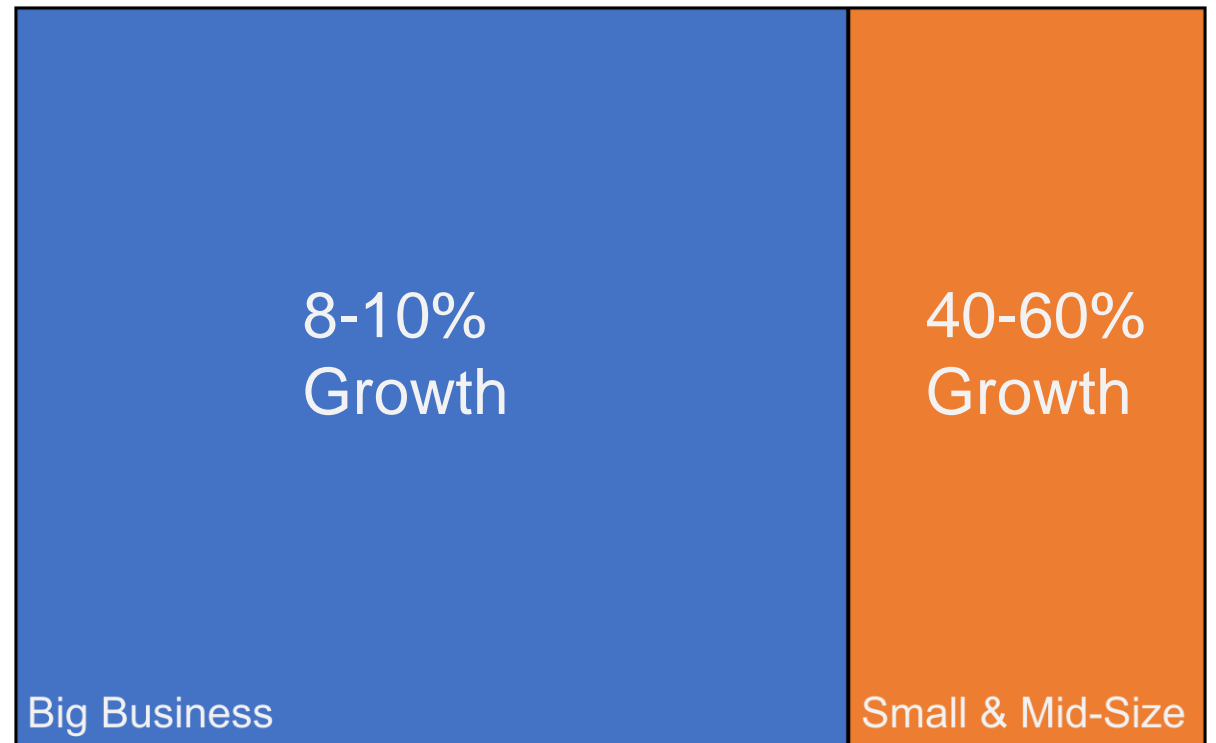


A top-down view of a contactless payment transaction. A hand holds a silver handheld payment device with a Mastercard logo and a contactless symbol. Another hand holds a white Mastercard with the number 5412 7556 7890 3456. The background is a dark brown surface with a small green succulent and a coffee cup on a saucer. The text "Growth Opportunities" is overlaid in white at the bottom.

Growth Opportunities

Current State of Global Payments

- Global payments revenues growing at 5-7%
- **High revenue** growths correlated w/ **high electronic transaction growths**
- Growing demand for Value-Added Services (VAS)



Core – Commerce

- International expansion
 - “*Unbanked regions*”, emerging markets
 - Powering digital payments in rapid growth countries
- Prepared for the return of travel through co-brandings



Core – *Processing*

- Real-time payments
 - Transactions up 41% from 2020
- Asia-Pacific leading growth
 - India
 - China
 - Indonesia

VOCALINK
 mastercard.

nets:


TRANSFAST
Worldwide Money Transfer

verizon^v



Core – *For Businesses*

- Business Needs
 - Timely visibility of transactions
 - Simplification
 - Cyber security
 - Keeping pace with emerging tech

stripe

DEMICA
UNLOCK POTENTIAL



aiia

soft
pos



Diversify – *More Ways to Pay*

- **Buy Now, Pay Later (BNPL)**
 - World Pay predicts growth of 28% by 2023
 - Currently 2% of North American Sales
- **Click to pay**
 - 2.26B current digital consumers
 - Digital buyers growing at 7%



Diversify – *More Ways to Pay*

- 1 in 10 actively trade crypto
- Rewards with Crypto
- Later lead to real-time conversions



Bakkt[™]



VAS – *Cyber Security & Intelligence*

- Cyberattacks up 38% against Financial Institutions
- Ransomware attacks up 148%
- Payment fraud to grow 130%
- Mastercard prioritizing AI solutions

EKATA

NuData Security



CIPHERTRACE



VAS – *Data Analytics & Consulting*

- Global spend on Big Data Analytics currently \$180B
- Data analytics projected to increase by 45%
- Small & Mid-Size enterprises post highest growths



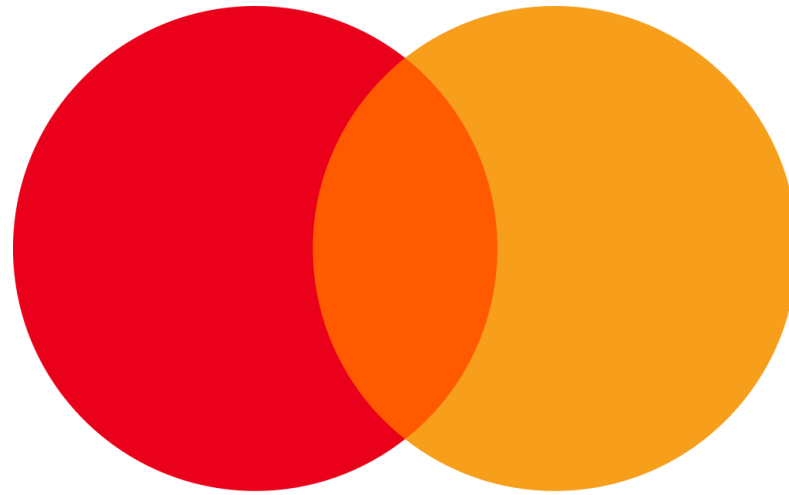
Invisible Payments

- Consumers demand fewer touch points
- Digital ID leads to HYPER-personalized offerings
- Invisible payments growing 51% from 2017-'21
 - Expected to reach transaction volume of \$78B





Competitor Overview



mastercard



PayPal

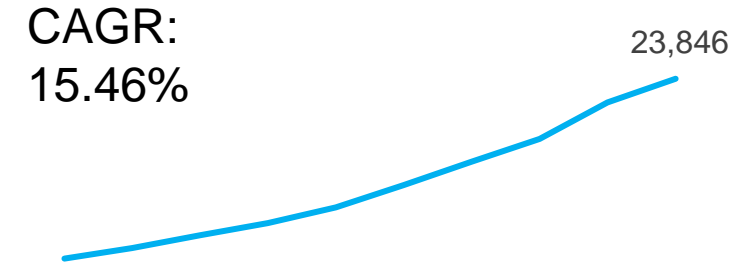
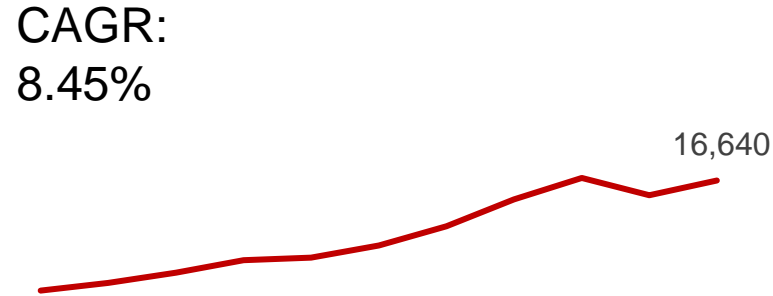
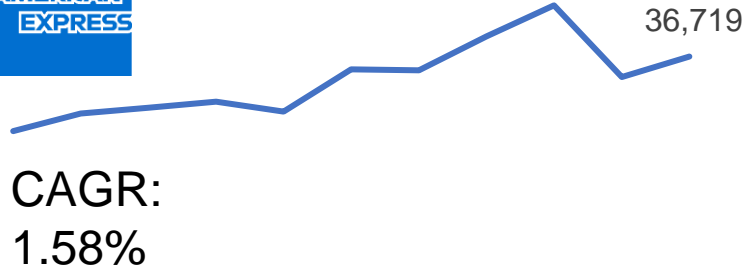
DISCOVER[®]
FINANCIAL SERVICES

VISA

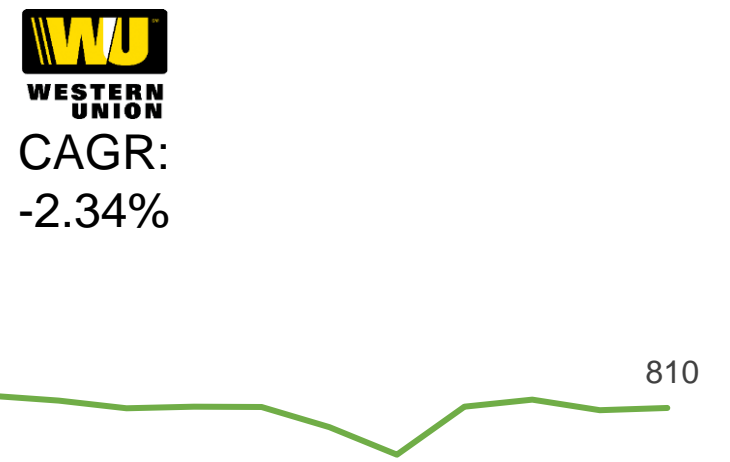
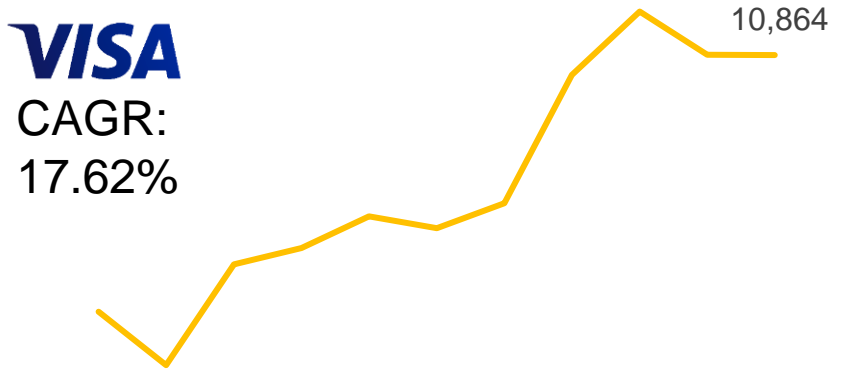
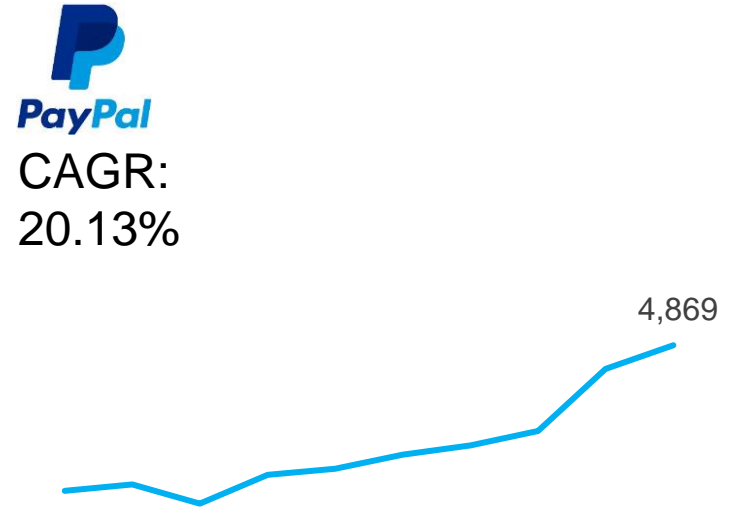
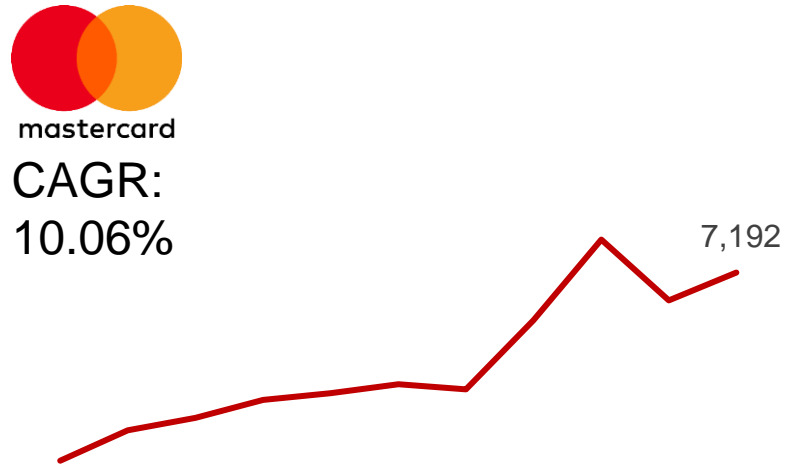


WESTERN
UNION

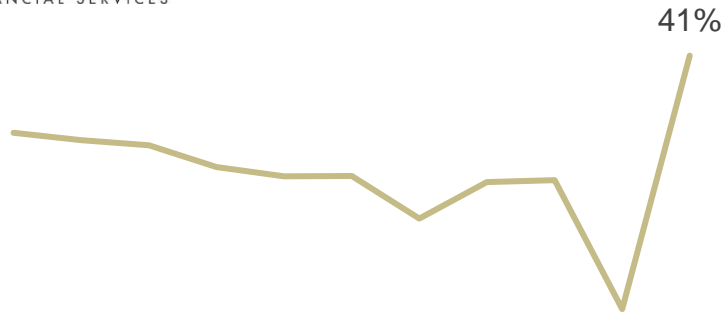
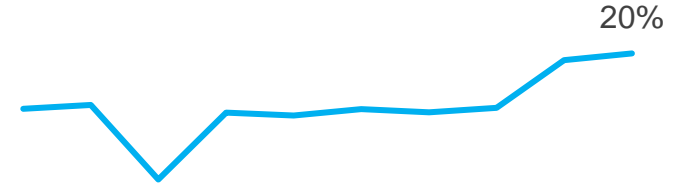
Revenue In millions, \$



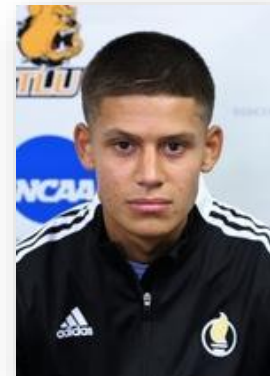
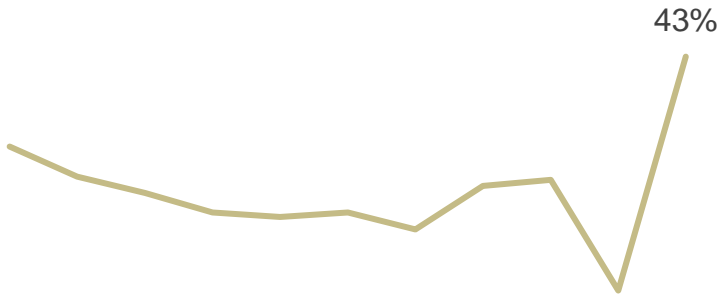
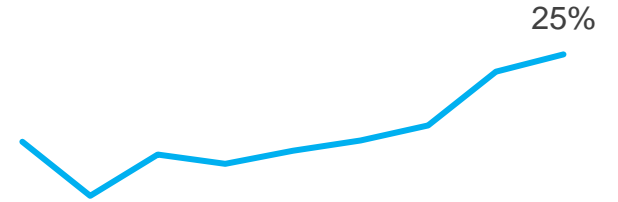
Net Income In millions, \$



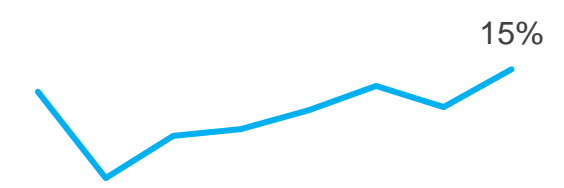
Net Margin



Return on Equity

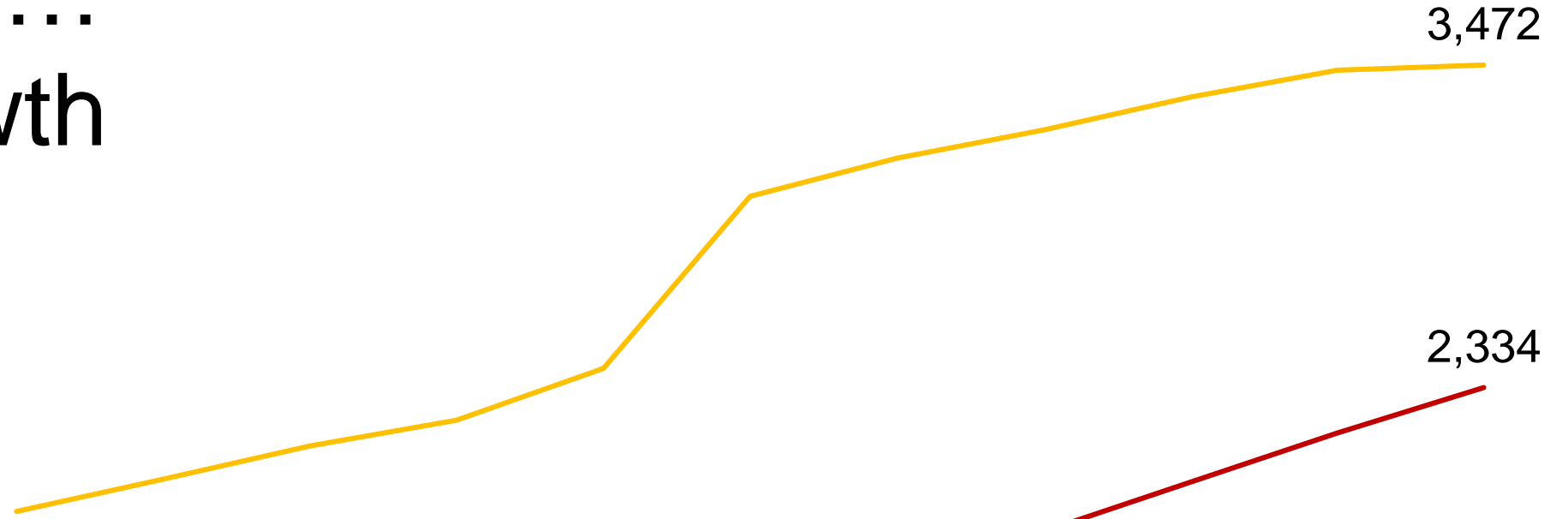


Return on Capital

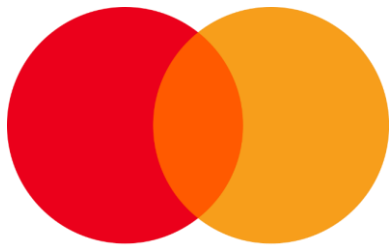


High Quality... Higher Growth

VISA



CAGR:
6.2%



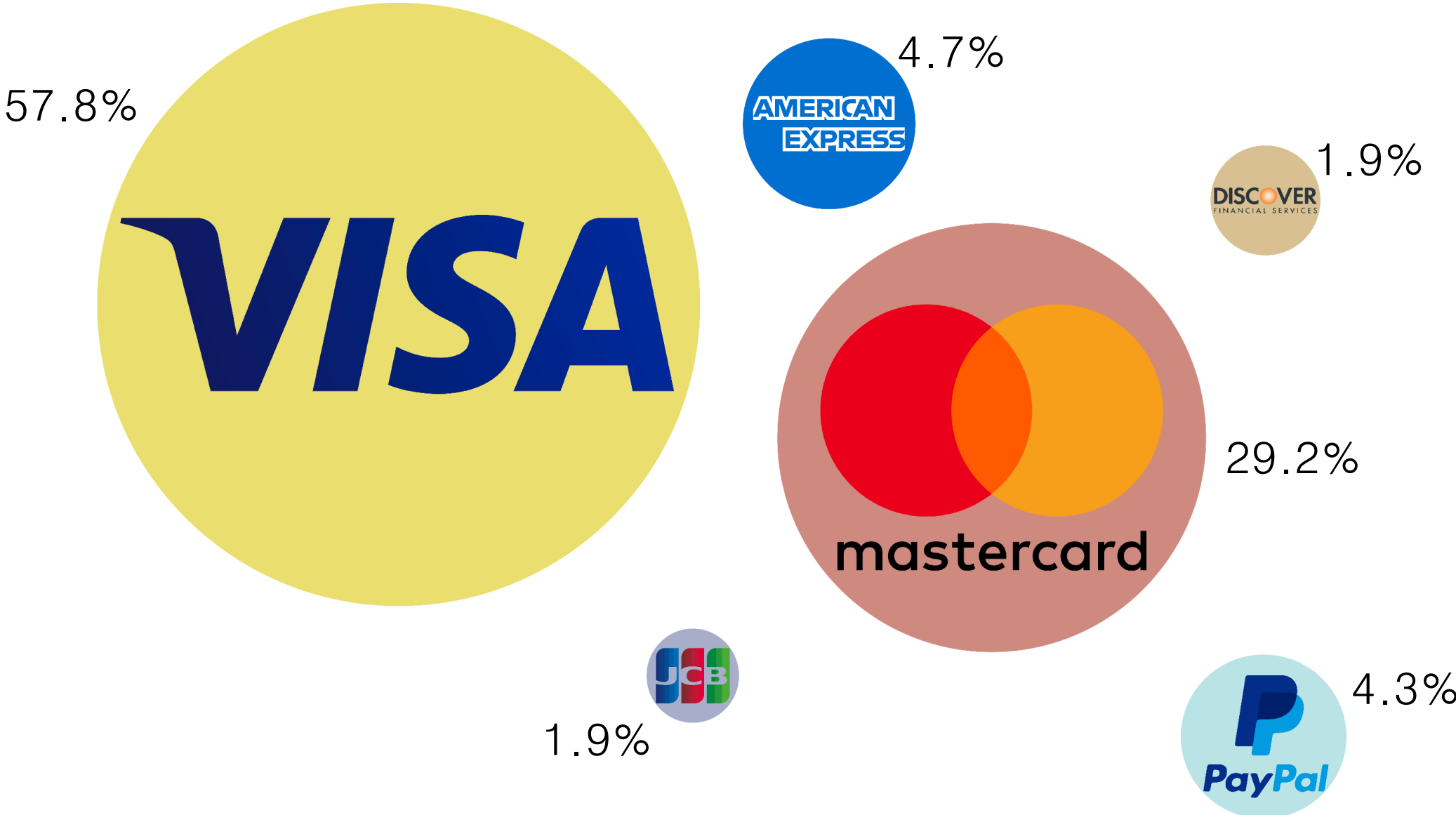
mastercard

CAGR:
9.1%



*Accounts
In millions*

Market Share by Gross Dollar Volume





Valuation

Bear Case DCF

Earnings per Share \$7.20

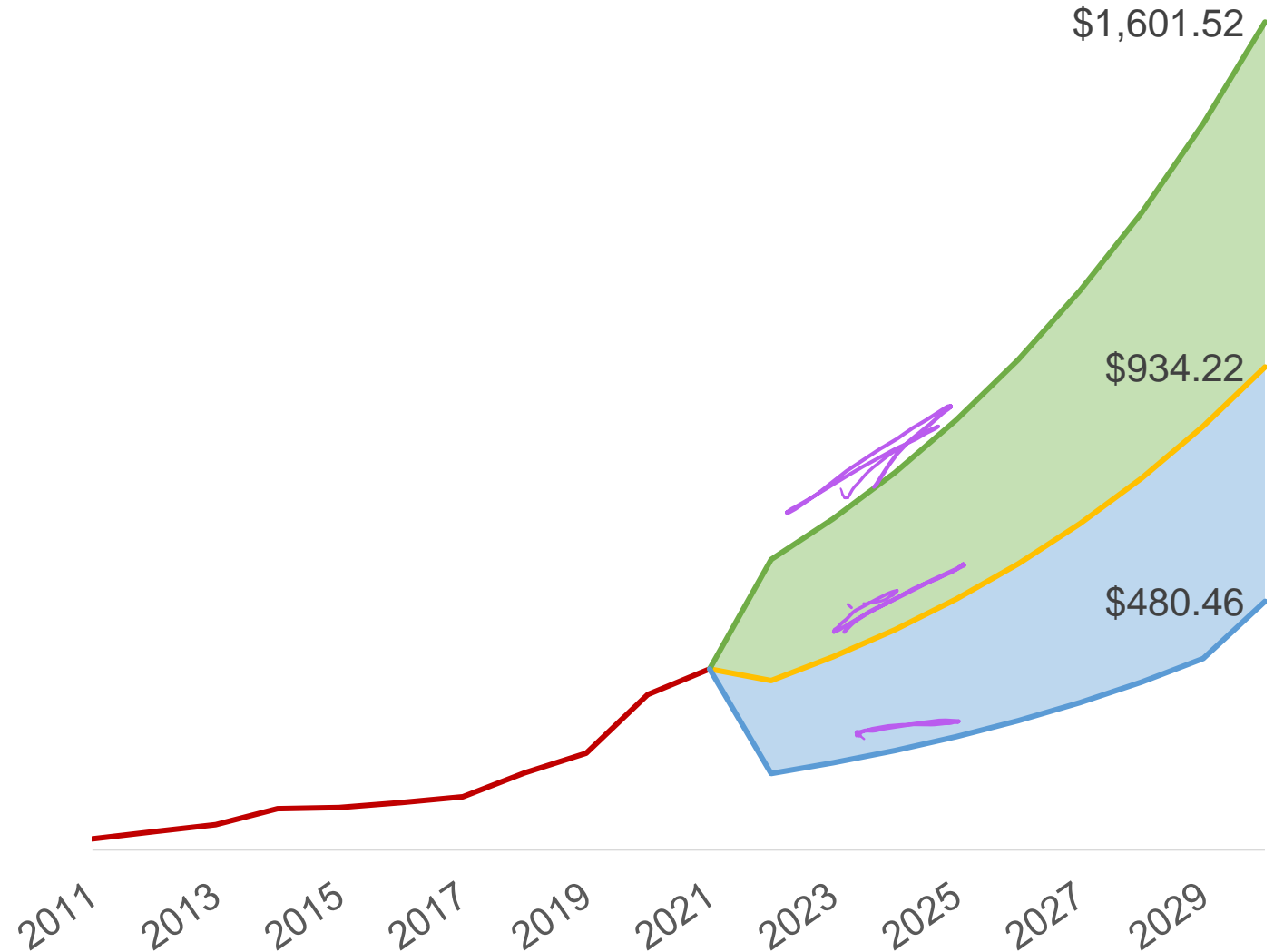
Growth Rate **14%**

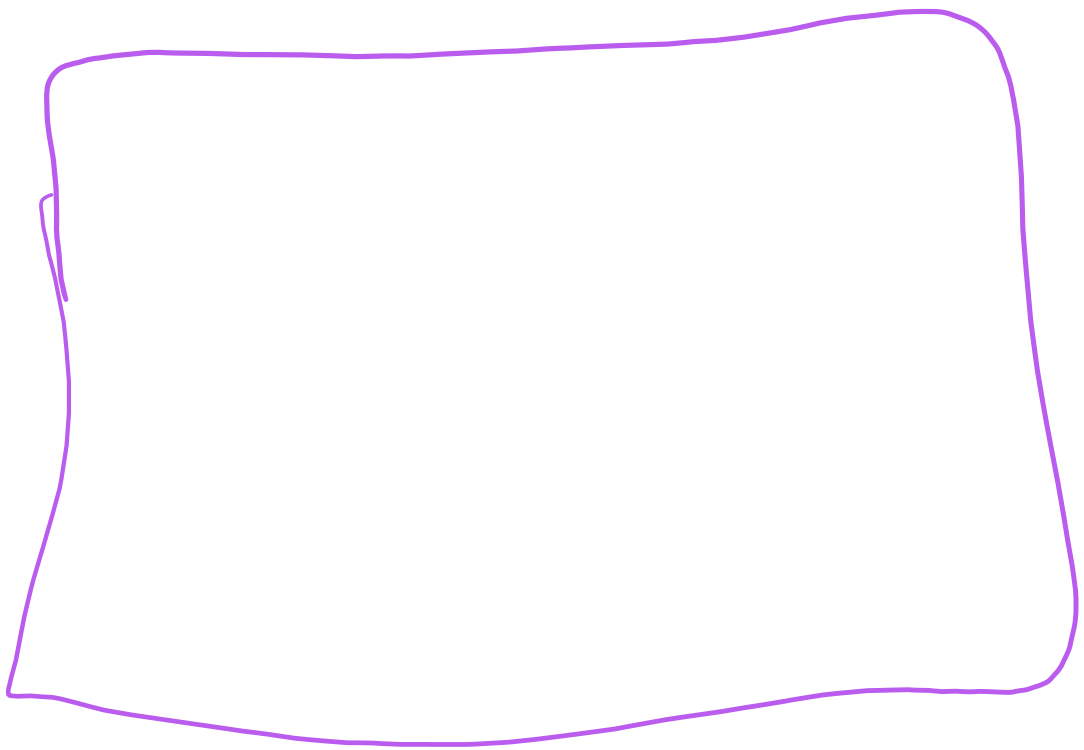
Discount Rate 8%

Years 10

Terminal Rate 6%

P/E **18x** **35x** **60x**





Base Case DCF

Earnings per Share \$7.20

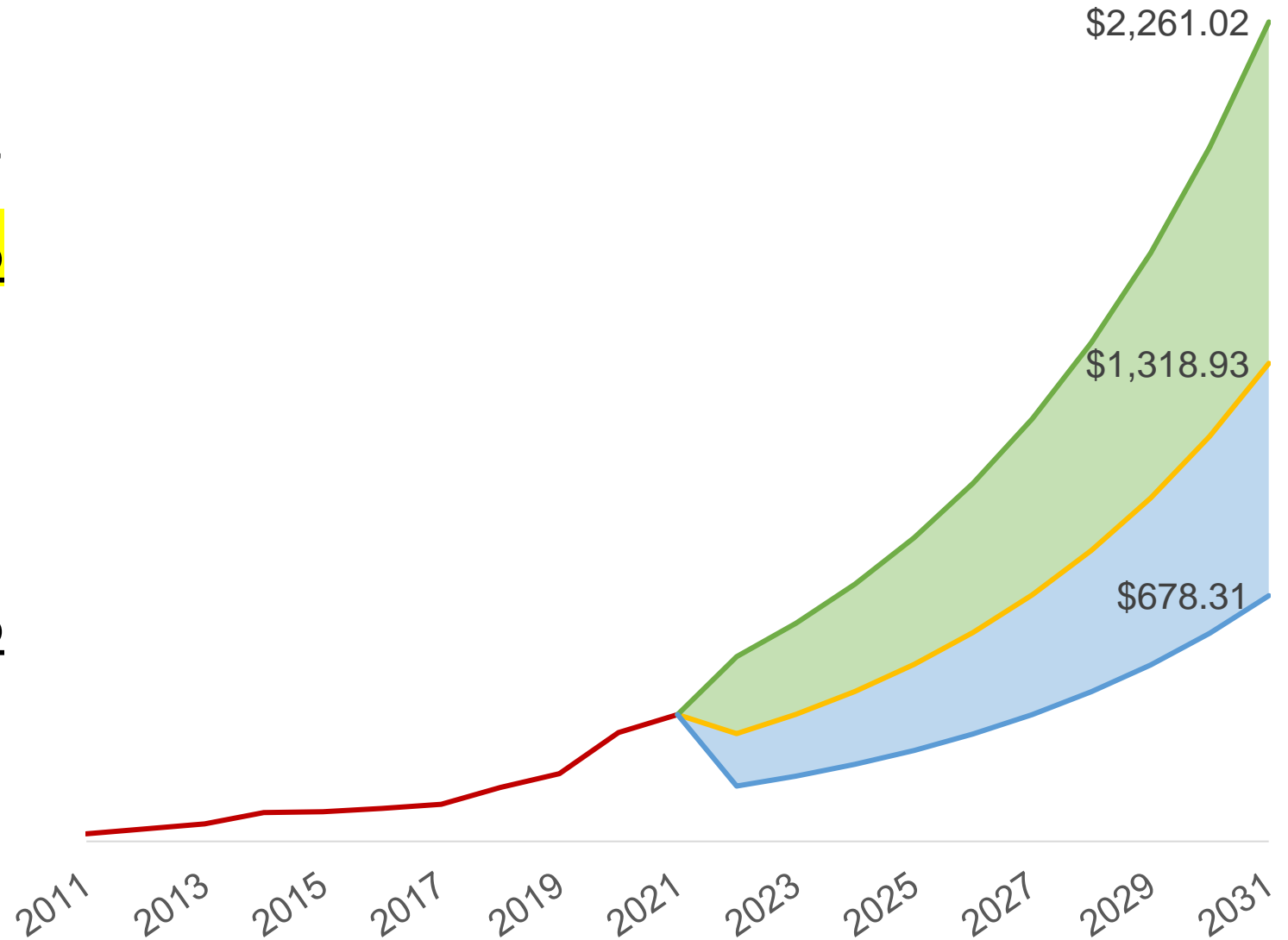
Growth Rate **20%**

Discount Rate 8%

Years 10

Terminal Rate 6%

P/E **18x** **35x** **60x**



Bull Case DCF

Earnings per Share \$7.20

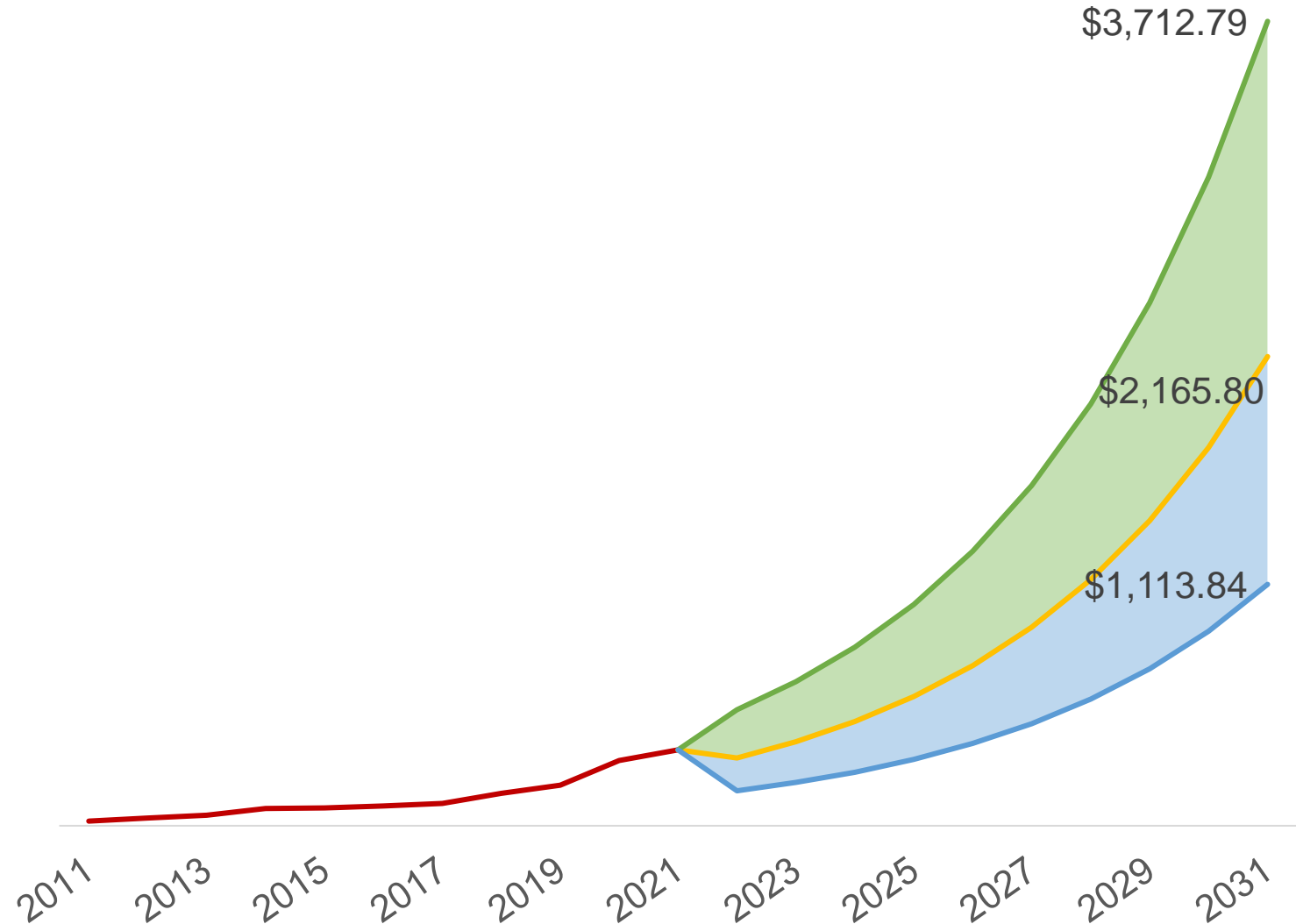
Growth Rate **24%**

Discount Rate 8%

Years 10

Terminal Rate 6%

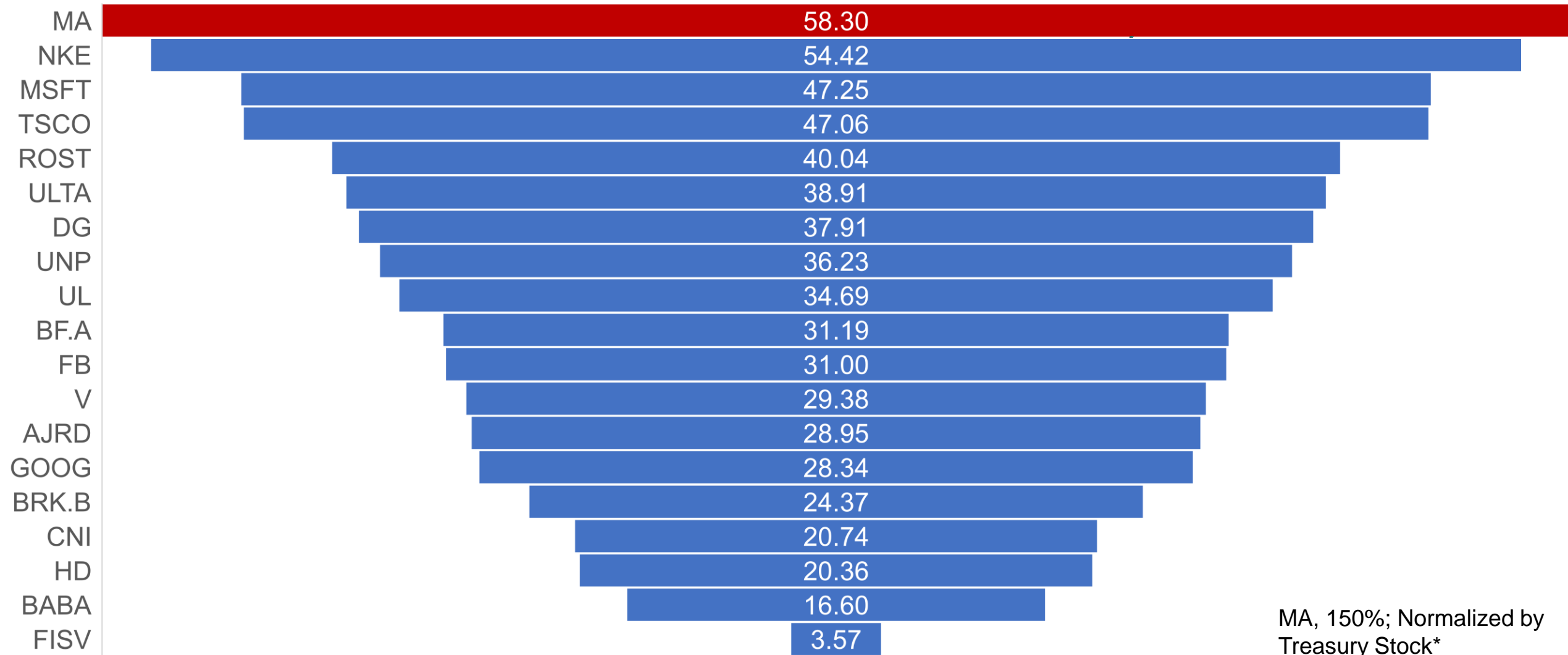
P/E 18x **35x** 60x



Intraportfolio Comparison

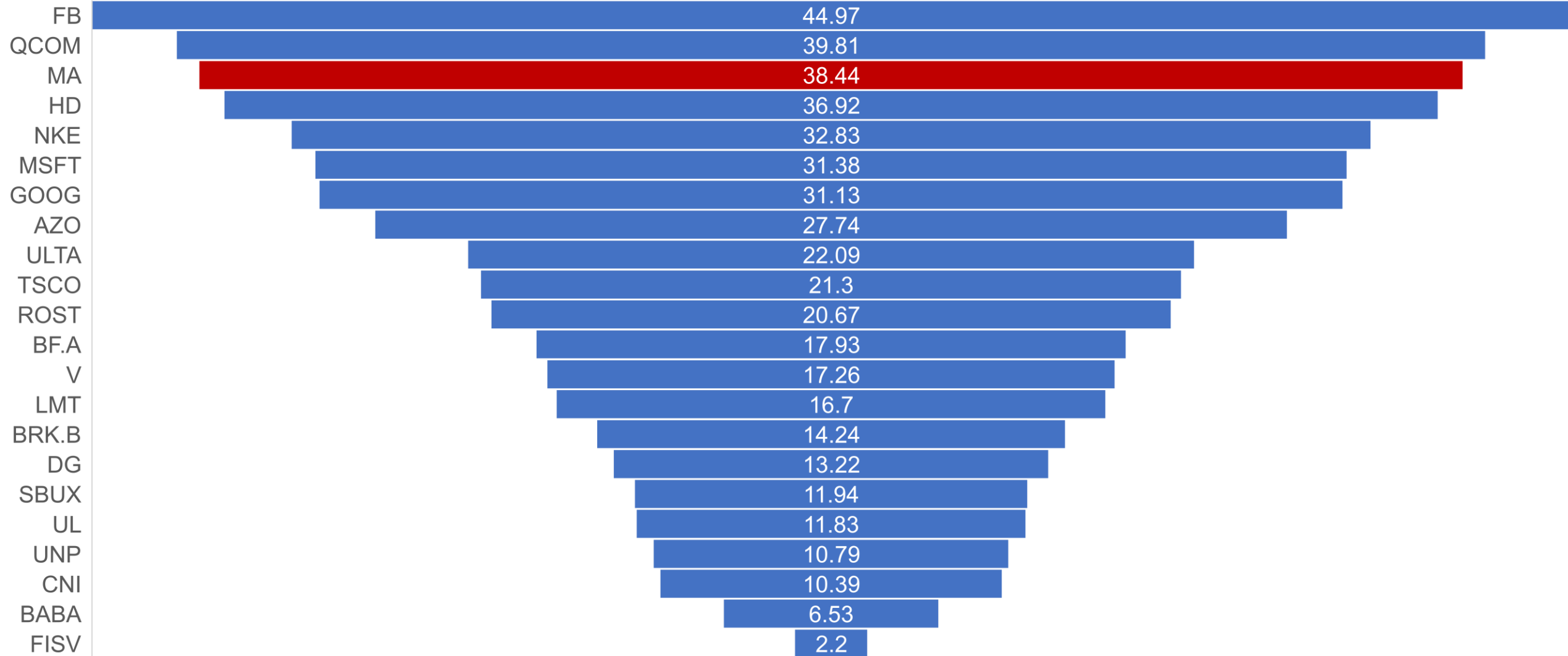


Return on Equity (ROE, %)

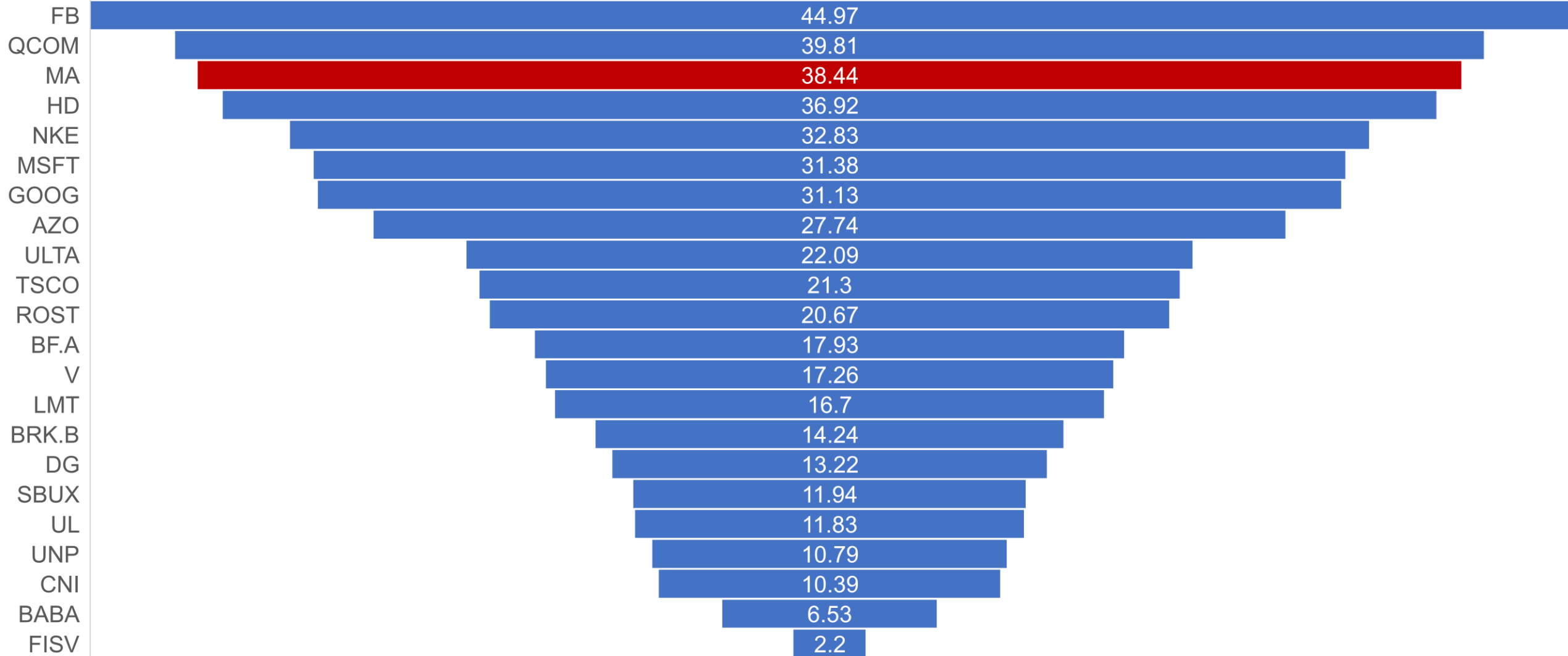


MA, 150%; Normalized by
Treasury Stock*

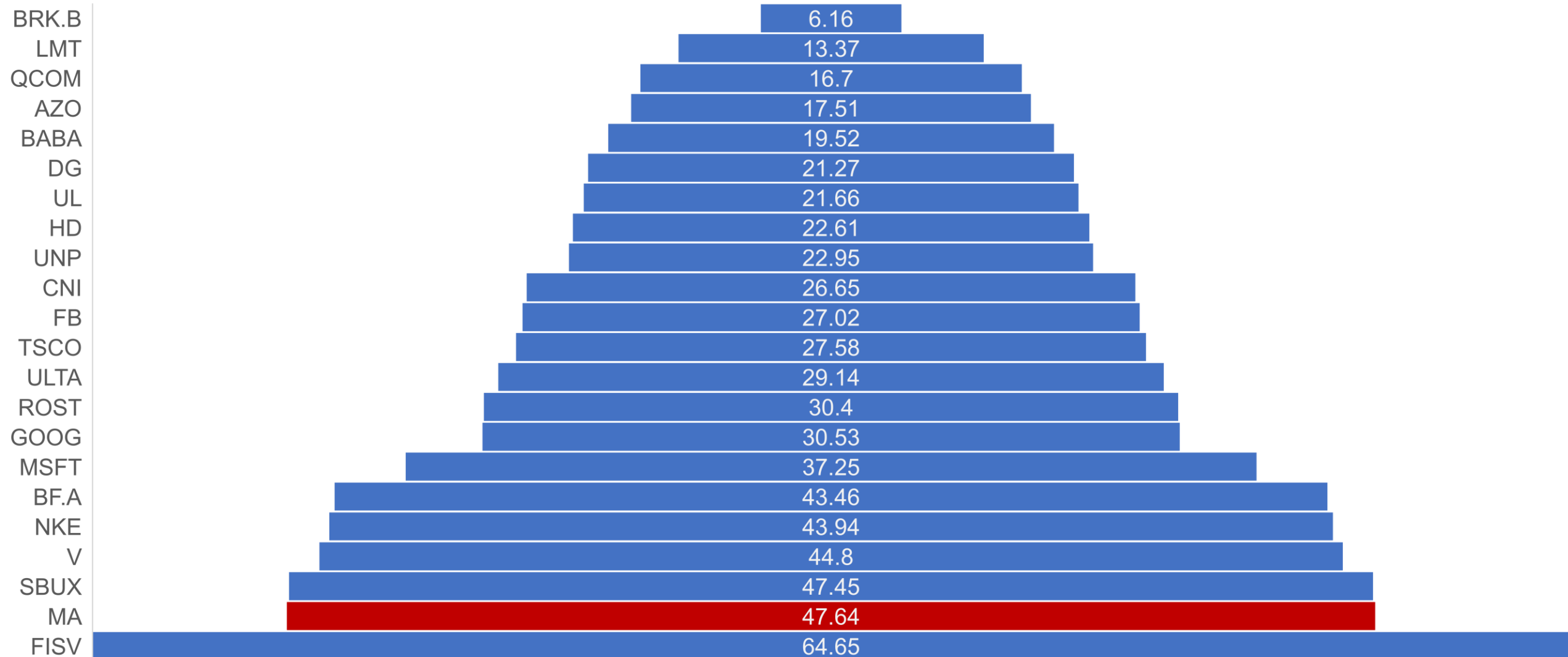
Return on Invested Capital (ROIC,%)



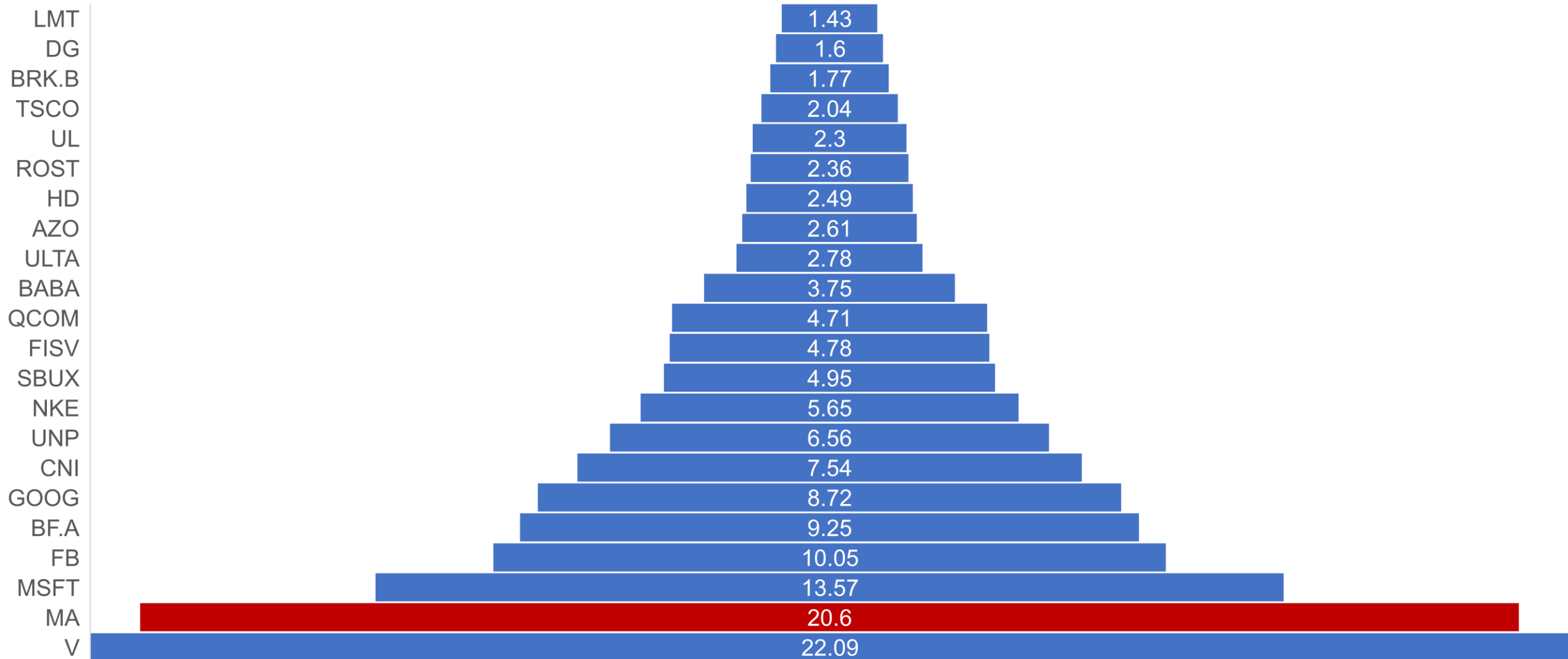
Yacktman Forward Rate of Return(%)



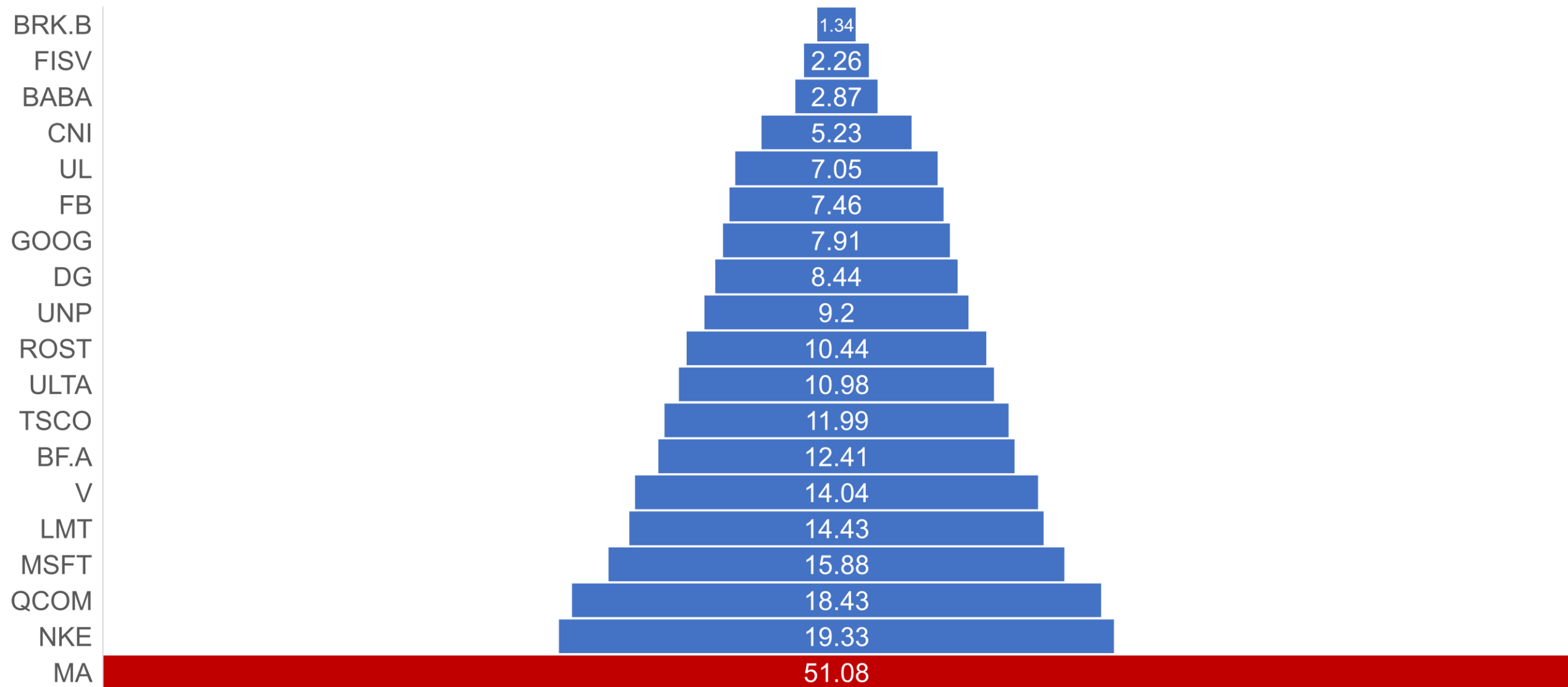
Price to Earnings (P/E)



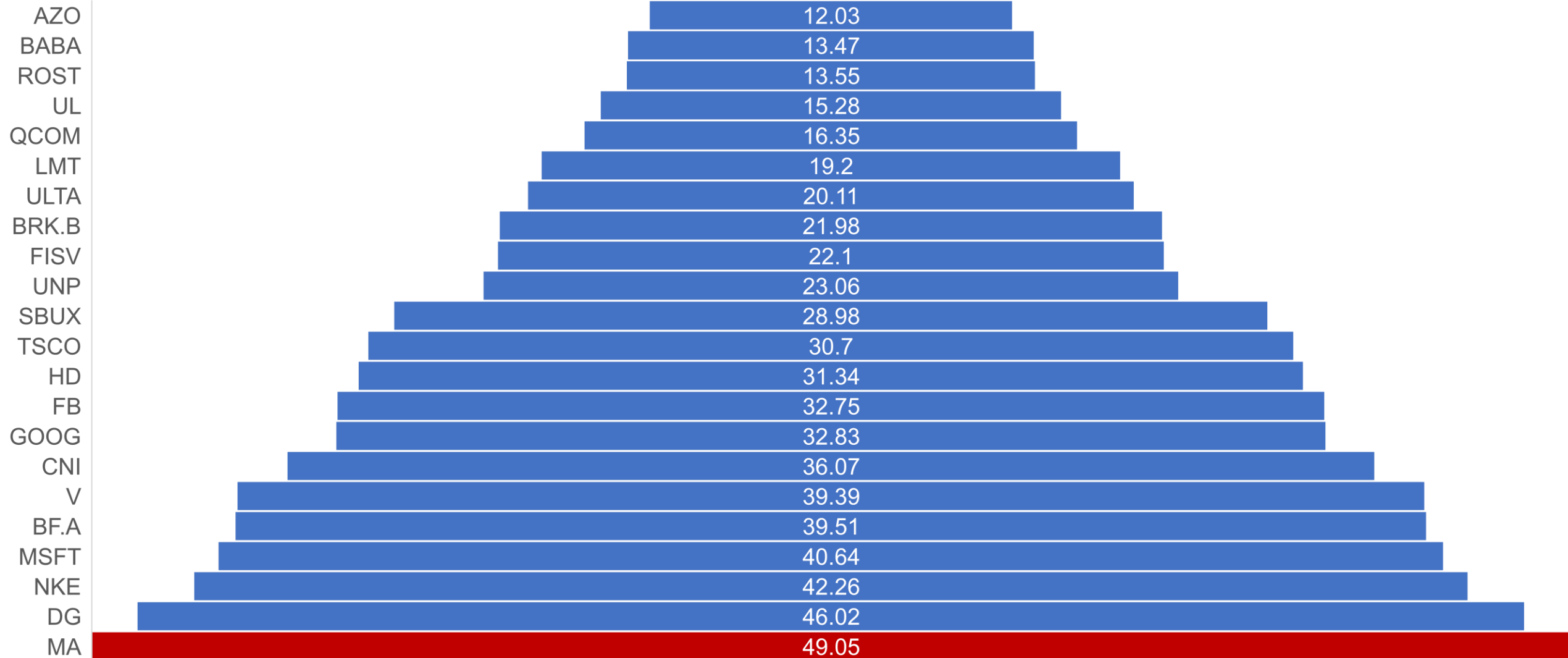
Price to Sales (P/S)



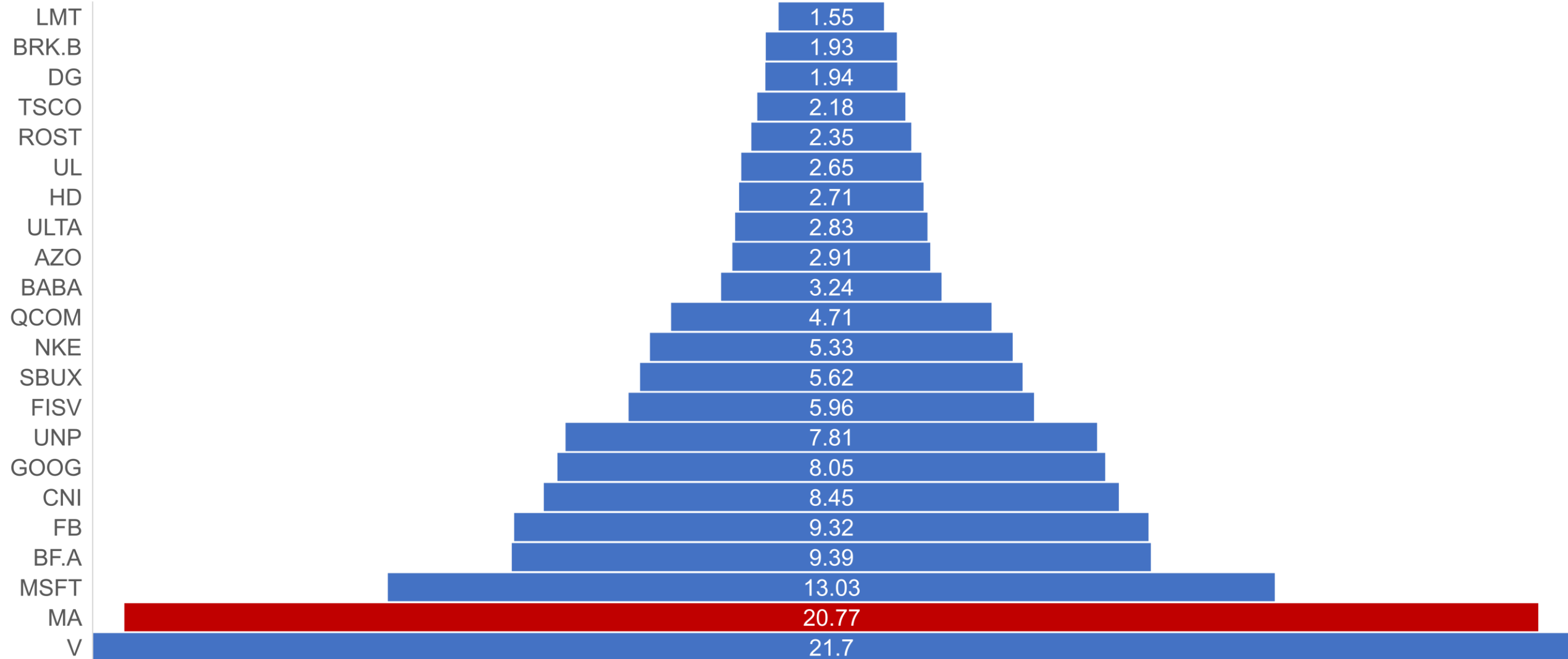
Price to Book (P/B)



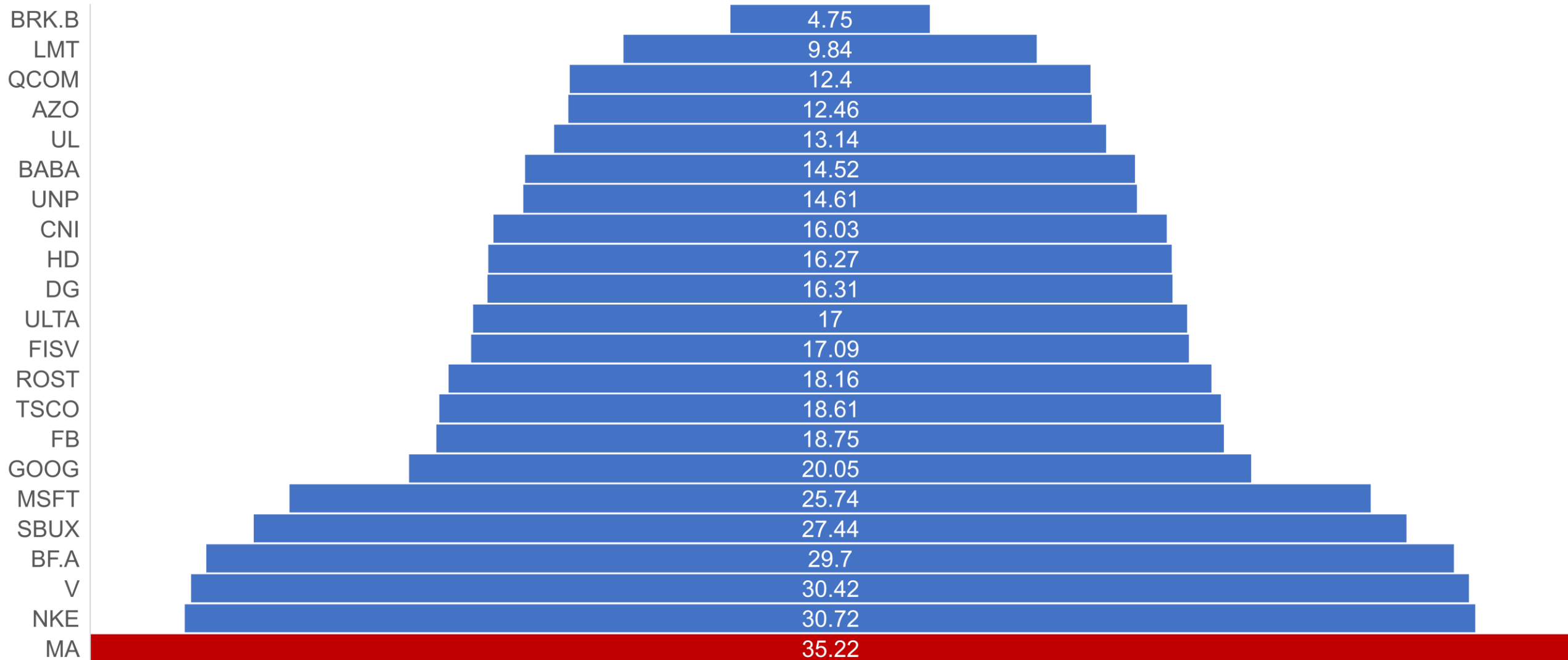
Price to Free Cash Flow



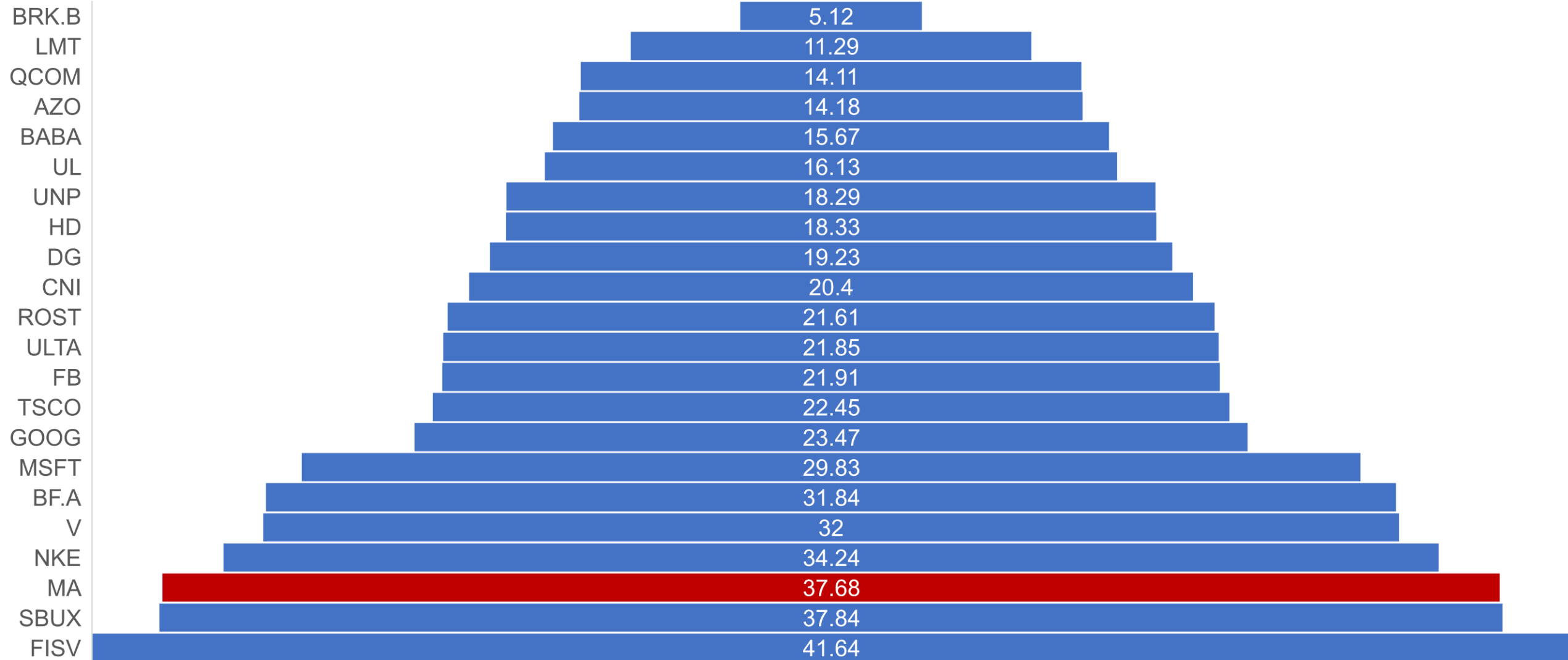
Enterprise Value to Revenue



Enterprise Value to EBITDA



Enterprise Value to EBIT





Conclusion

TM

Conclusion

Tying it all up...

Extraordinary business fundamentals

Wide Moat

High Returns on Capital

Fast Growing

Wide Range of Opportunity



We Recommend....

Put Option

Strike Price of \$330

Expiration: December 17, 2021

Premium: $\$15.50 \times 100 = \1550

Effective Entry at \$314.50







Pounder Compounders



Thank You, Money Train!

\$\$\$

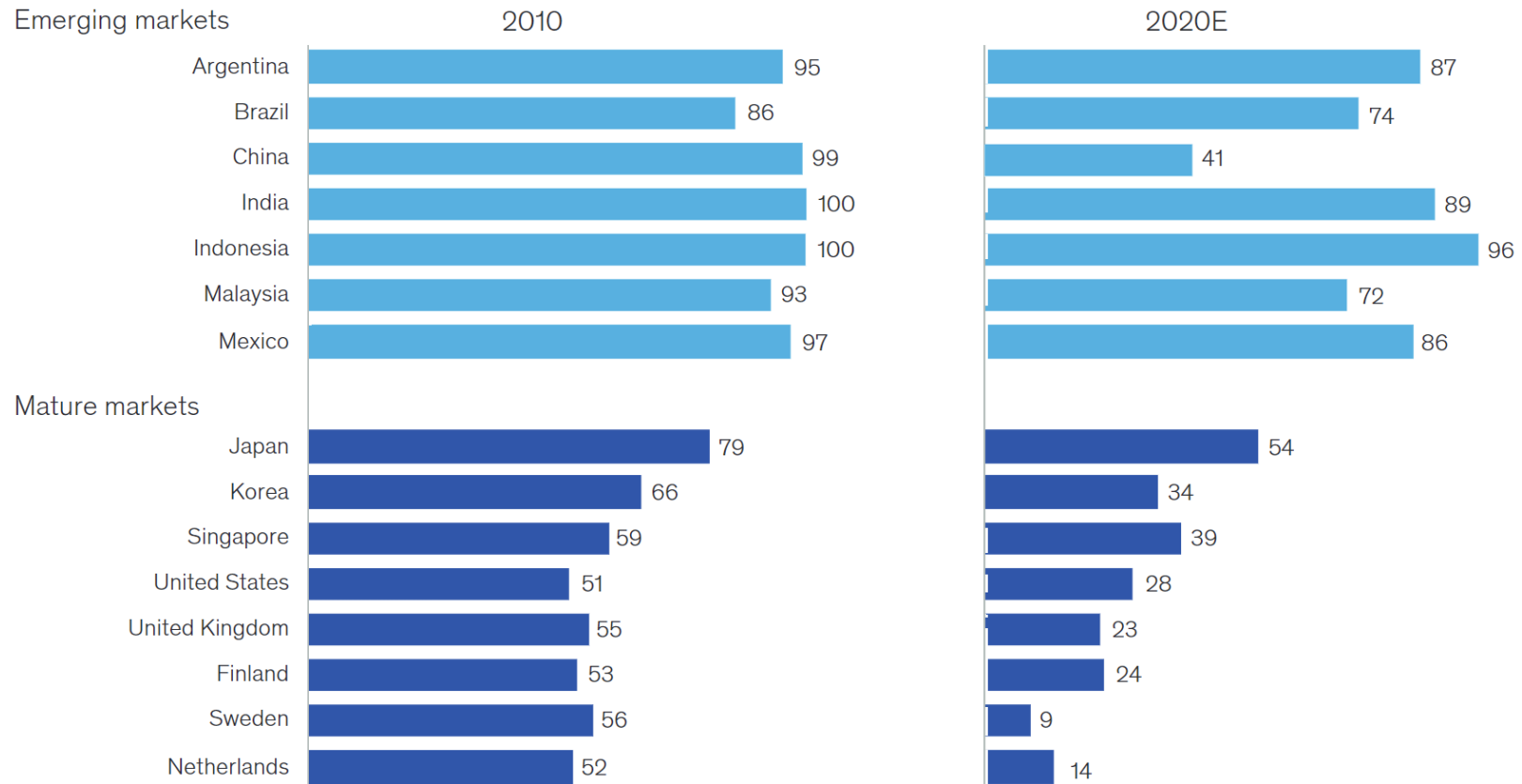
Appendices



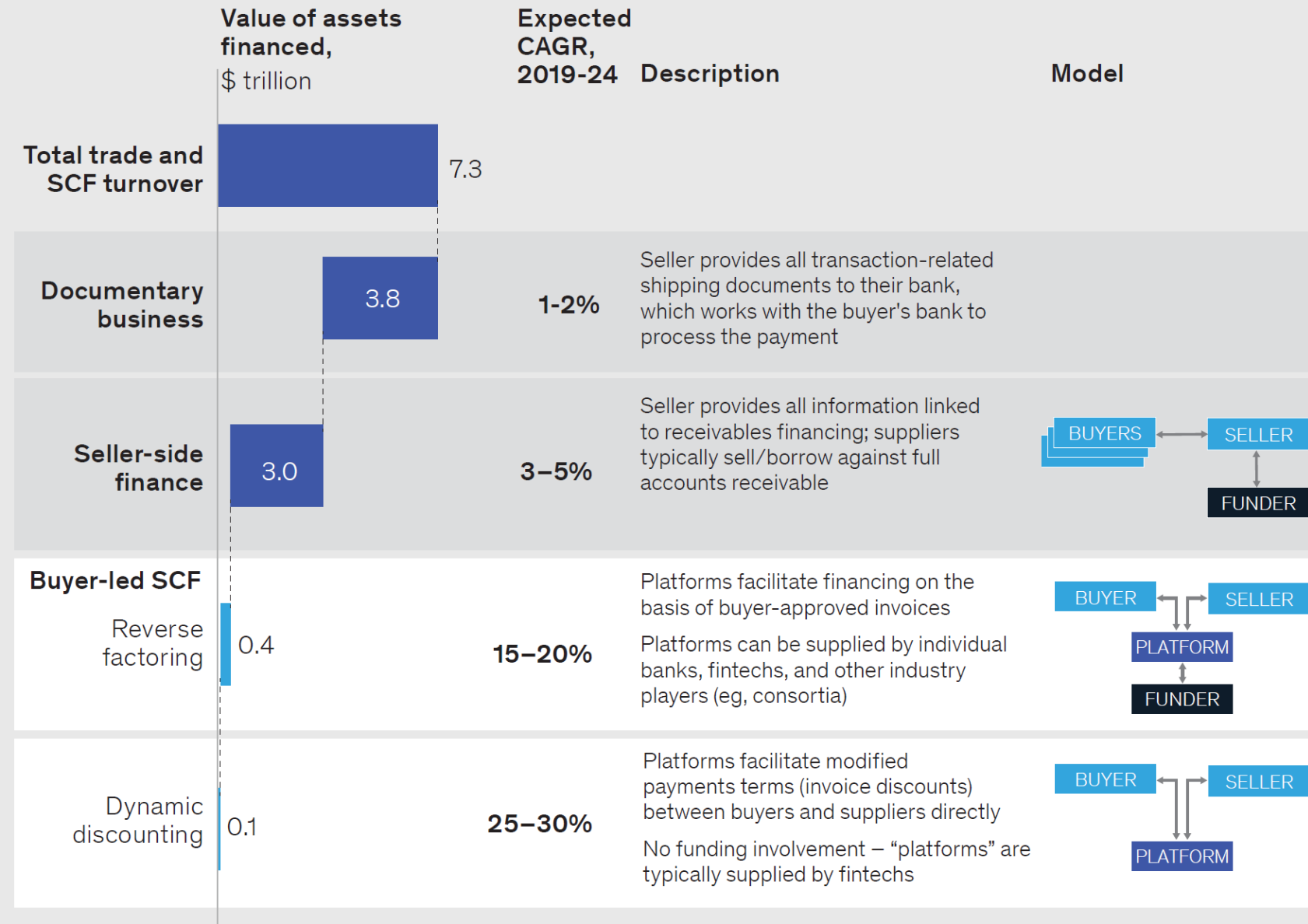
COVID-19 will likely lead to a further decline in cash usage.

Cash usage by country

Percent of cash used in total transactions by volume, %



Buyer-led solutions are the fastest-growing part of the \$7 trillion trade and supply-chain finance landscape.



Recap of Strategic Initiatives

- Grow core commerce supported by MasterCard services
- Drive digital enablement online and in-store
- Ensure the *ecosystem* remains safe and secure
- Provide choice through MasterCard's multi-rail capabilities



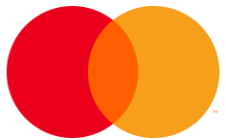
Diversify – *More Ways to Pay*

Person-to-Person (P2P)

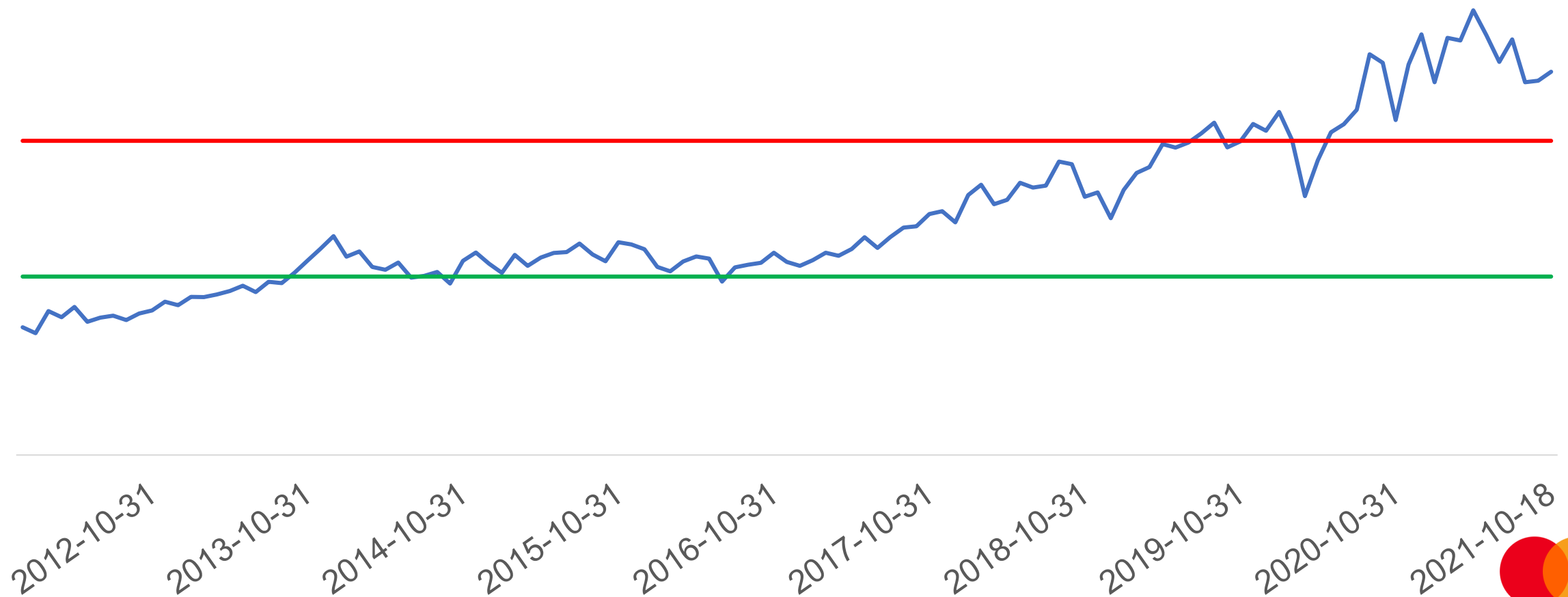
- Mastercard Send
- WhatsApp (Brazil)
- MoneyGram
- Checkout



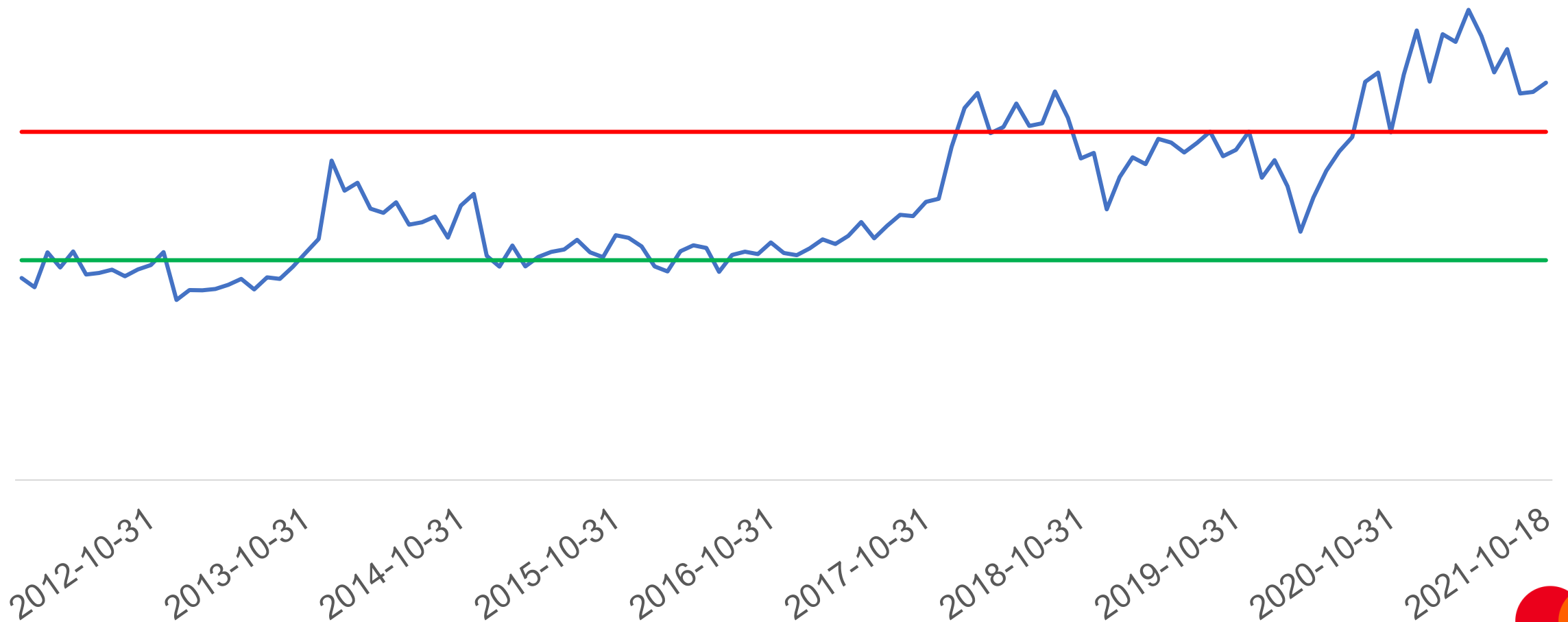
Value Bands



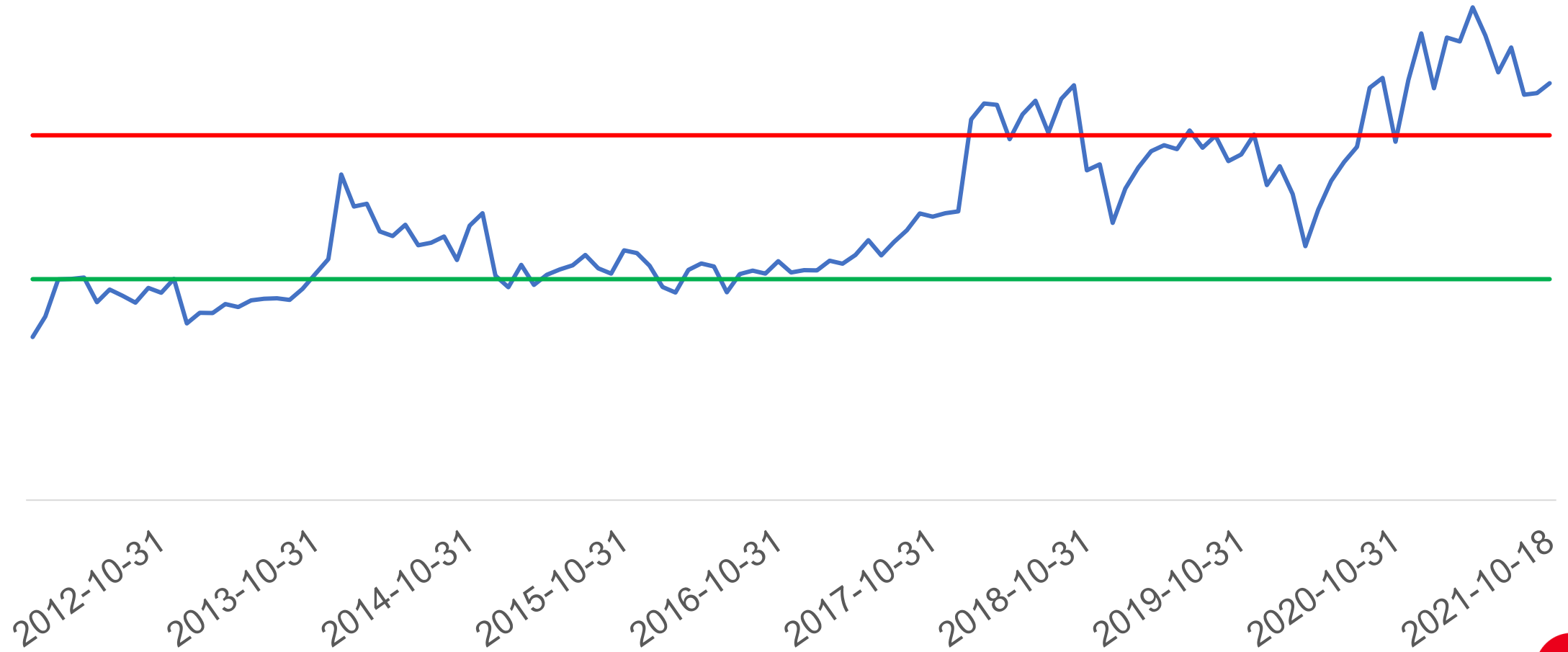
Price to Sales (P/S)



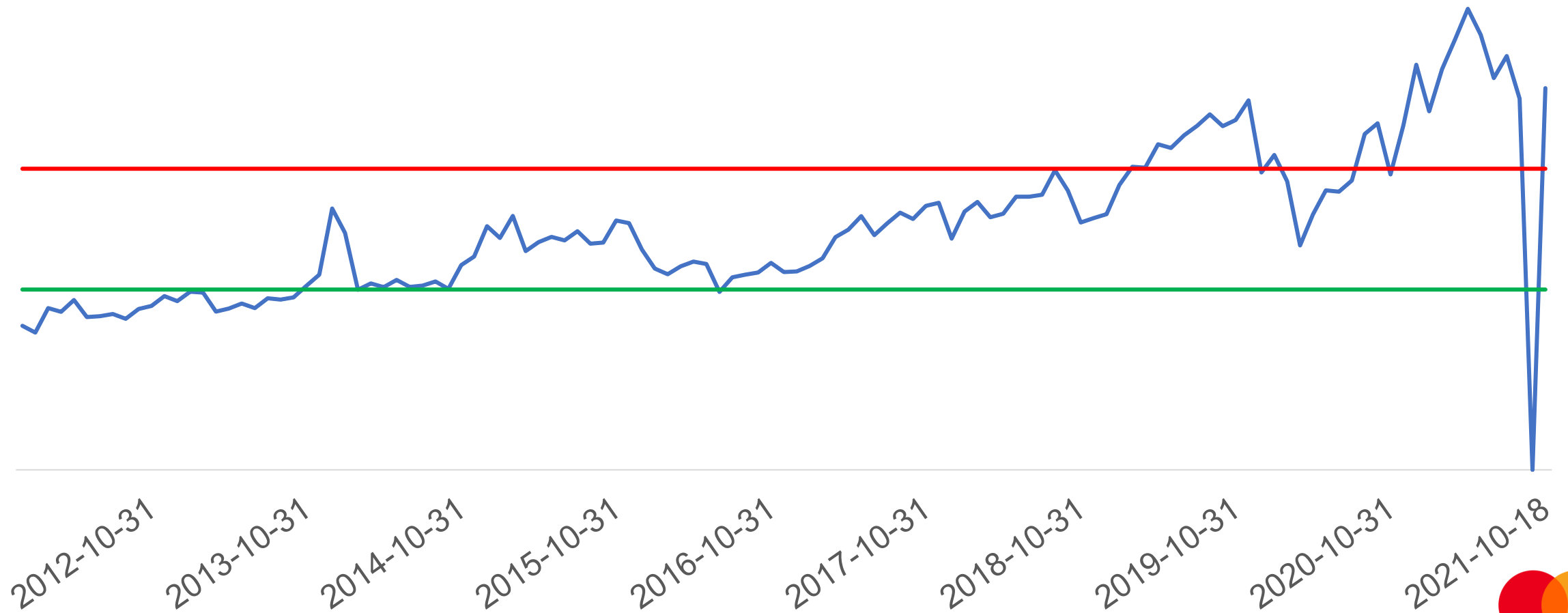
Price to Earnings (P/E)



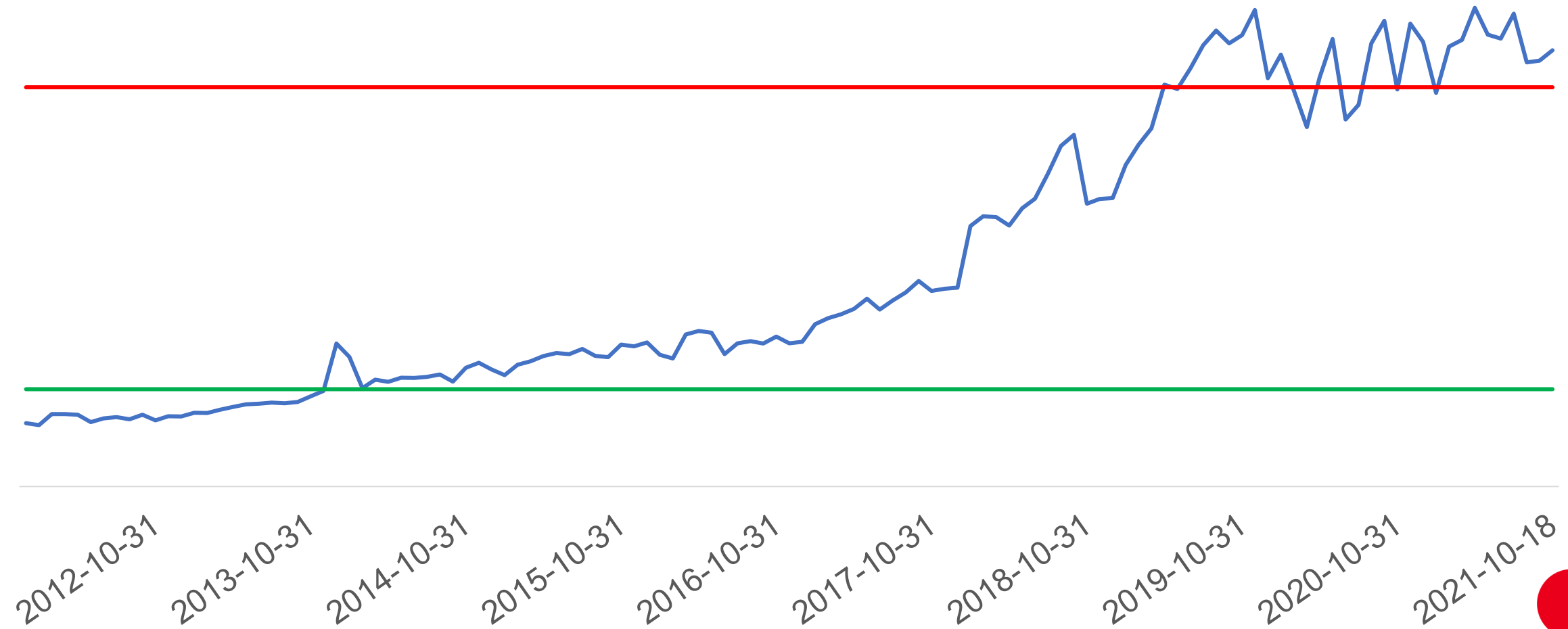
Price to Earnings Less Cash



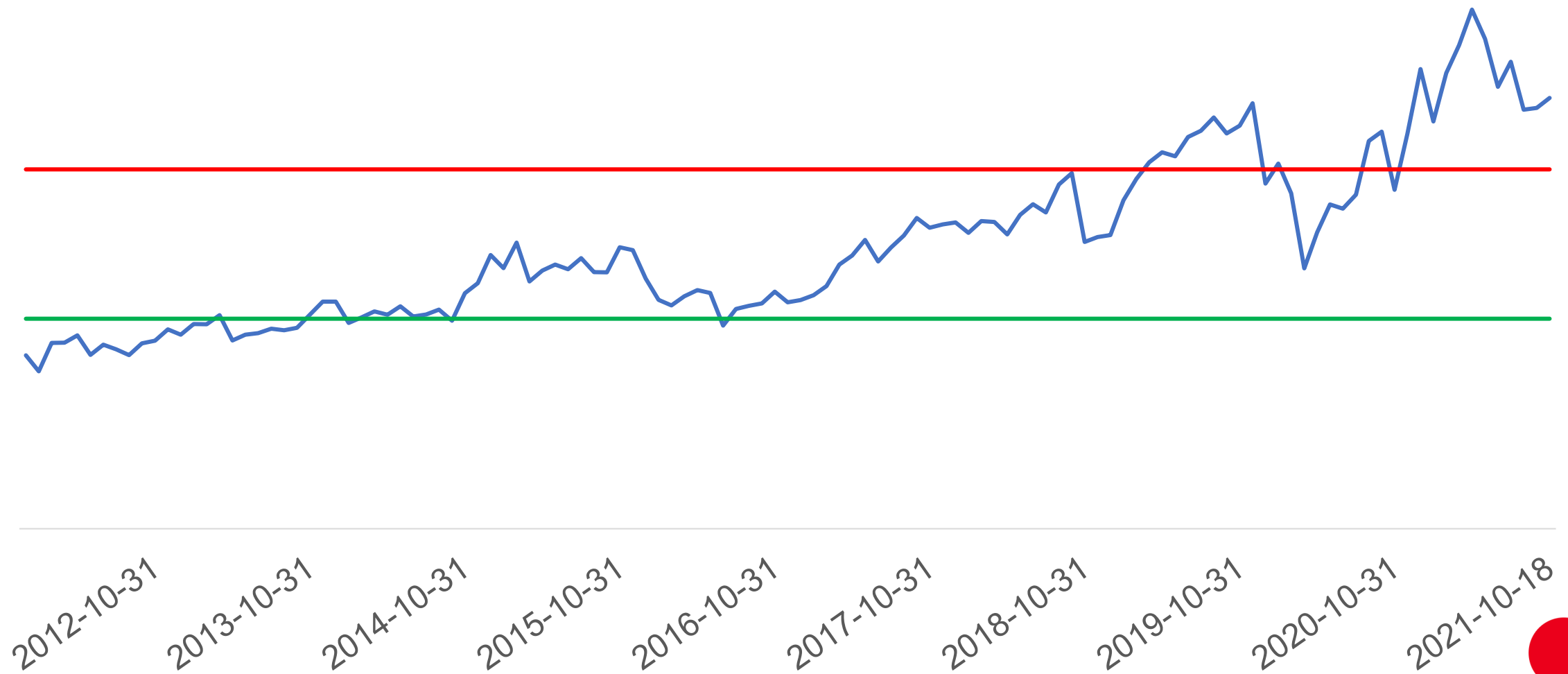
Price to Owner's Earnings



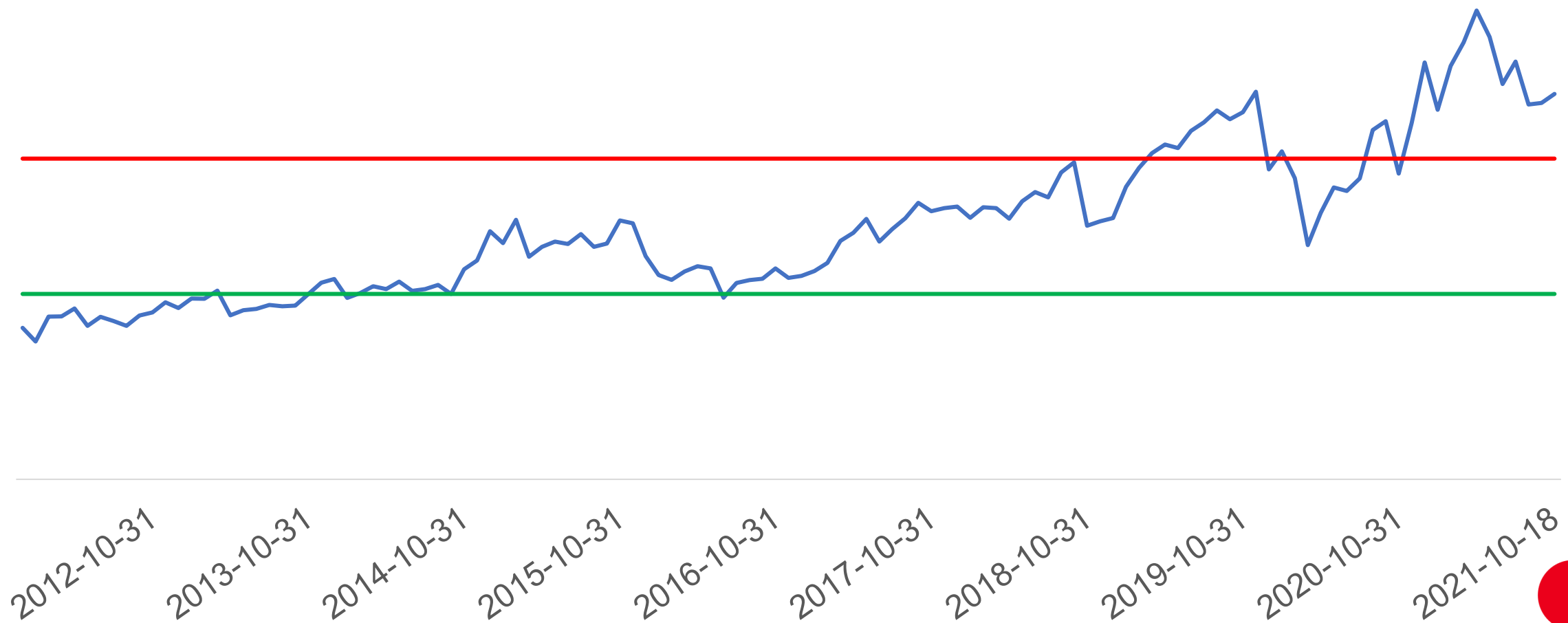
Price to Book



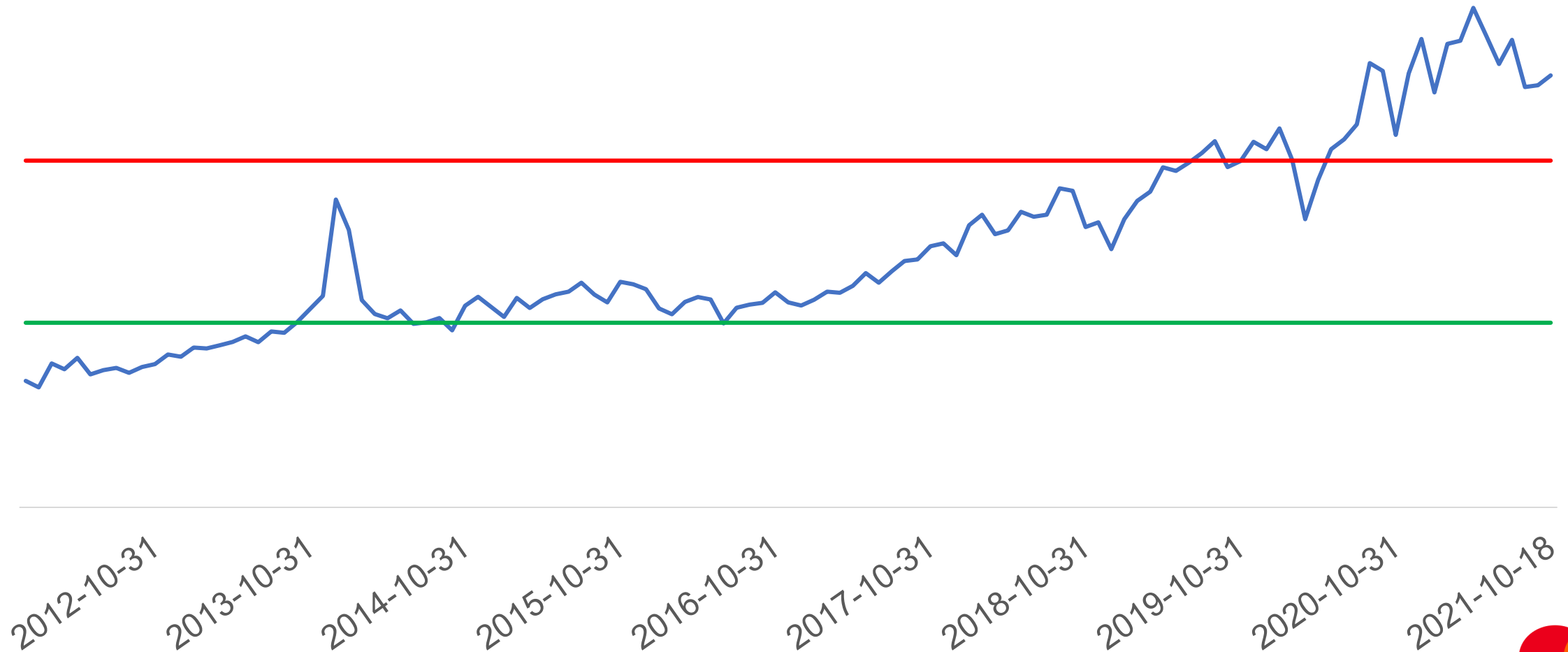
Price to Cash Flow



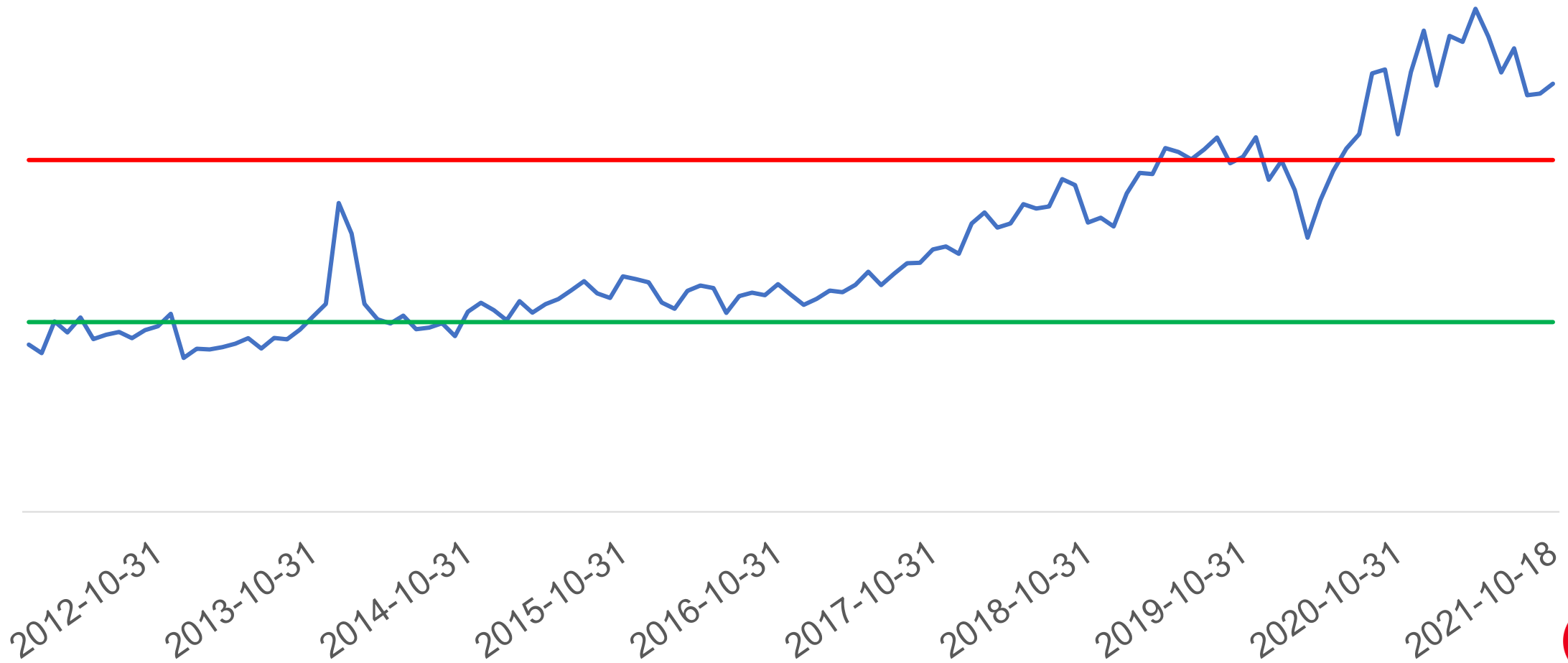
Price to Free Cash Flow



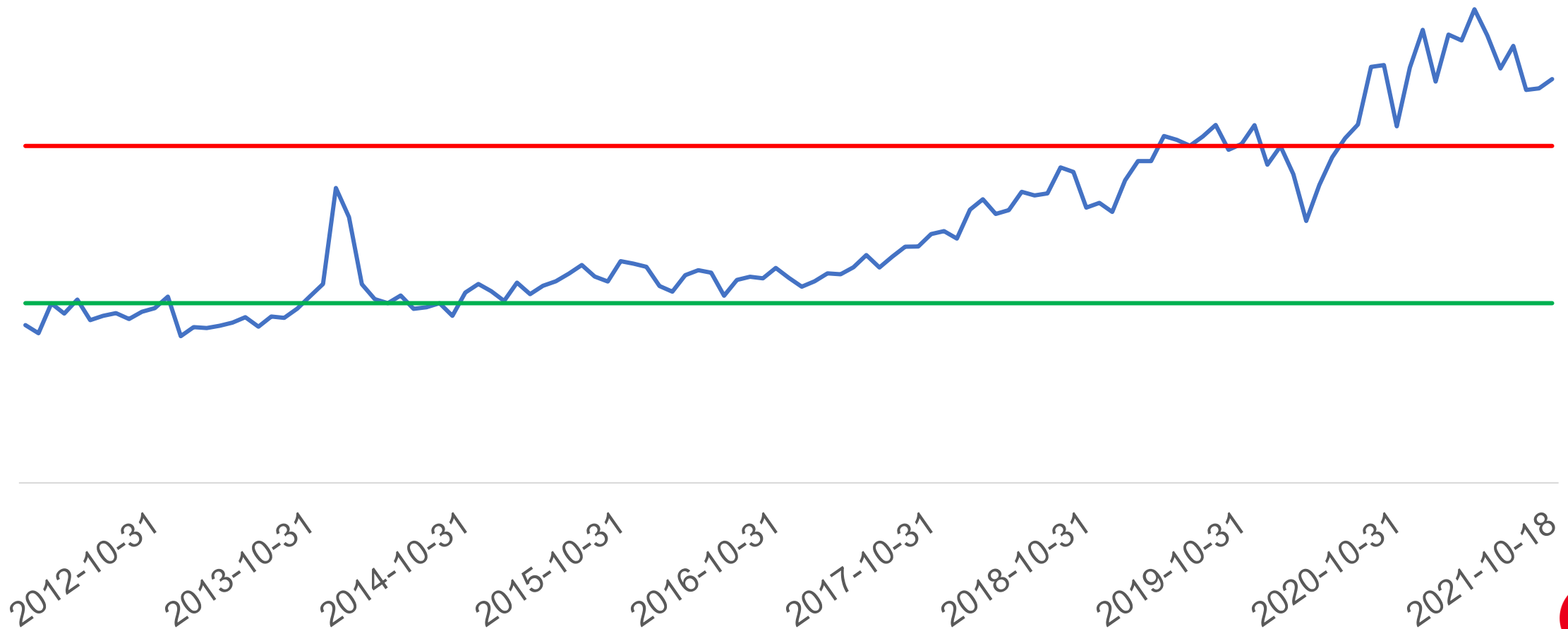
Enterprise Value to Revenue



Enterprise Value to Earnings Before Interest, Tax



Enterprise Value to Earnings Before Interest, Tax, Depreciation and Amortizations



Valuation



