

Team Name Pending



Company Overview



- Ticker: V
- Headquarters: San Francisco, California
- Stock Price: \$210.00
- Market Cap: \$456 Billion
- Revenues (FY 2019): \$29.2 Billion



Company Background



- Visa is the largest payment processing company in the world, operating on its network, VisaNet.
- Operating in over 200 countries, Visa processes over 160 currencies
- VisaNet's systems are capable of processing over 65,000 transactions per second, and processes 150 million transactions daily
- VisaNet consists of 3.4 billion cards and 15,500 financial institutions



Company

History

History



Bank of America launches the first credit card

BankAmericard becomes Visa

Visa develops multiple-currency clearing

Visa is the first to apply neutral network tech to reduce fraud

1958

1975

1976

1983

1986

1989

1993

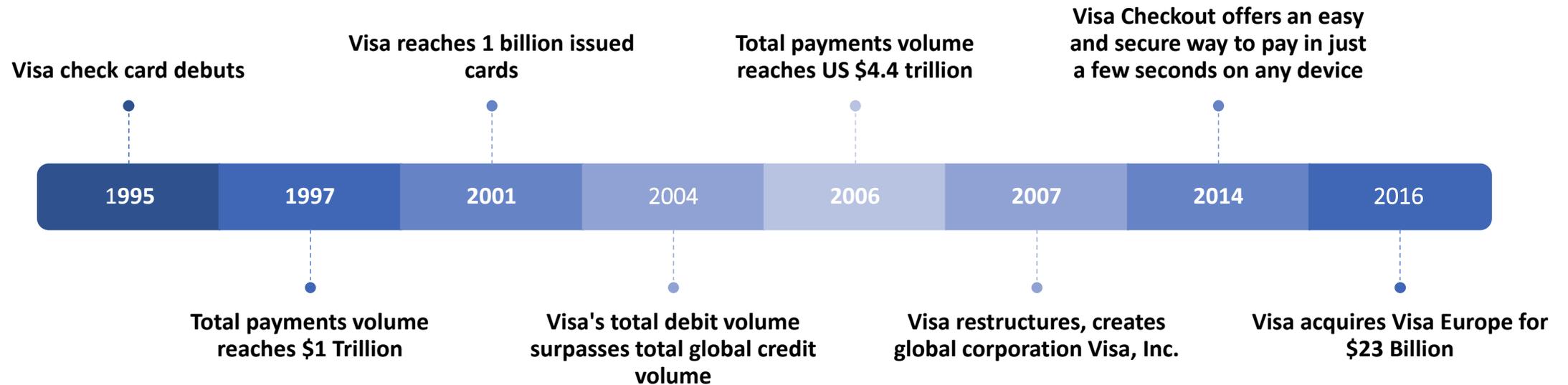
The first debit card is launched

Visa launches a 24-hour ATM network around the world

Visa acquires Interlink and adds electronic signature capability



History





Management



Alfred F. Kelly

Appointed as the CEO of VISA in 2016. In prior roles he was the president of American Express (2010) as well as the CEO of Intersection until 2014.



Ryan McInerney

Appointed as the president of VISA in 2013. Prior to joining VISA, he was the CEO of consumer banking for JP Morgan Chase



Vasant Prahbu

Appointed as the CFO of Visa in 2015. Former CFO of NBCUniversal Media (2014) and Starwood Hotels (2002-2014)

Recent News

Recent News



During the fourth quarter of last year, Visa repurchased \$2.3B in shares . The board also recently approved another \$9.5B in buybacks.



January 13th, 2020: Visa acquired Plaid for \$5.3B **July 17th, 2019:** Acquired Payworks
September 12th, 2019: Acquired Verifi **October 22nd, 2019:** Acquired Rambus



April 19, 2019: CEO Alfred F. Kelly was elected as Chair of Board to succeed Robert Matschullat.

Stock
Performance

Stock Performance (Past 52 Weeks)



Visa's Business Model

Visa's Business Model



- Visa sets the rates that merchants are charged
- The fees are technically paid to the bank that issues the card.
- The bank then passes along a portion of the fee to the network involved in the transaction.

The Visa transaction



The merchant

The retailer, restaurant, hotel or airline that accepts Visa.



The acquirer

The financial institution that enables merchants to be paid.



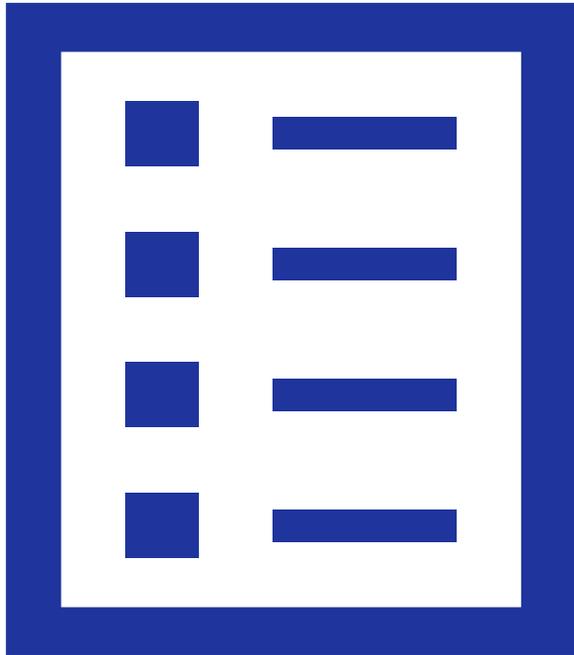
The issuer

The financial institution that provides Visa cards and payment products.



The cardholder

The consumer or business using Visa cards and payment products.



Business Segments

Business Segments



Service



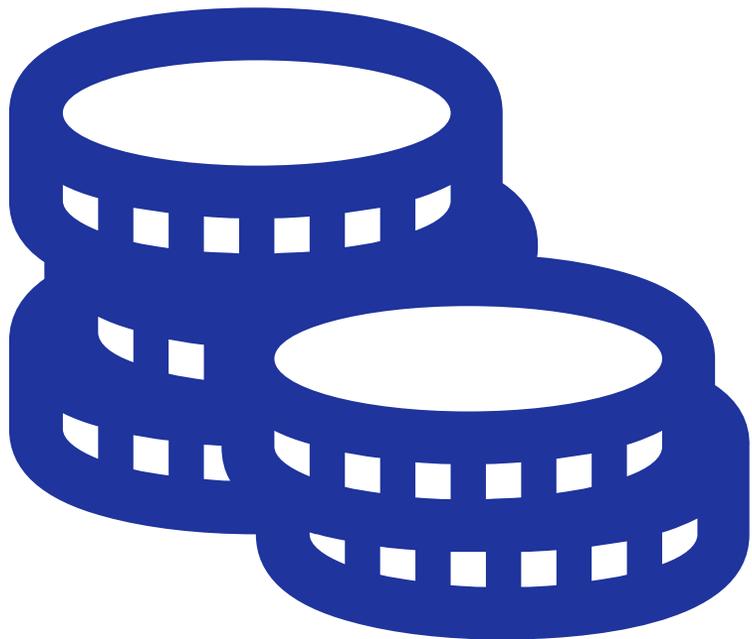
Data Processing



International Transactions



Other



Revenue

Revenue by Segment



2019 Results

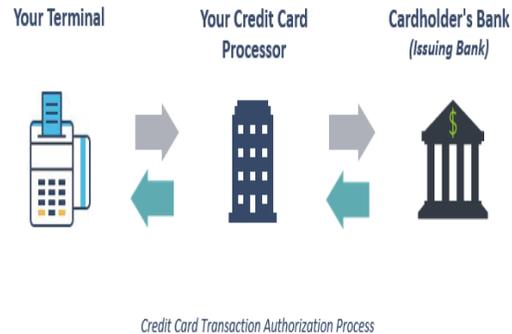


\$29.2B
Revenue



Service

\$9.7B



Data Processing
\$10.33B



International Transactions
\$7.8B

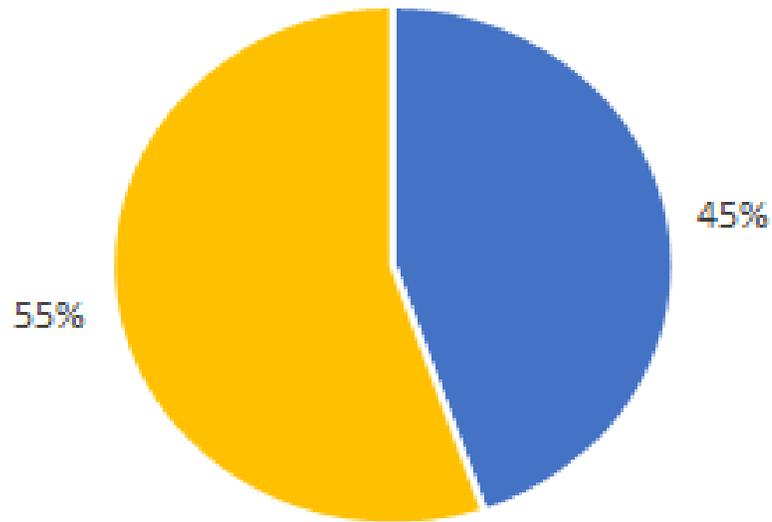


Other Revenues
\$1.31B

Revenue by Geography



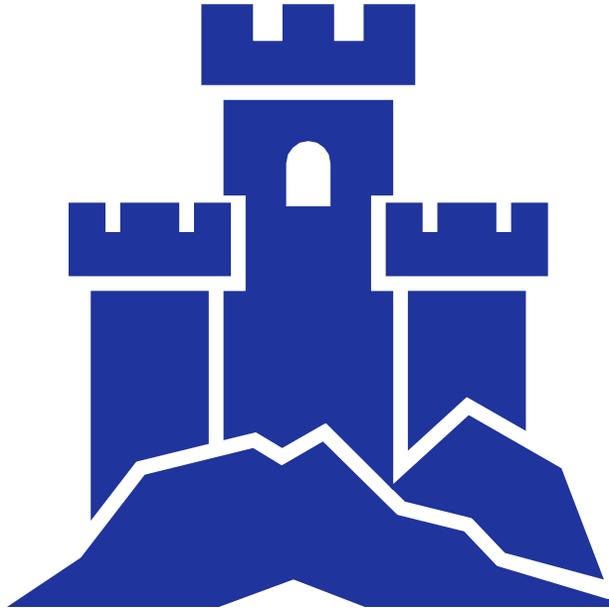
Revenue by Geography



■ U.S. Revenue ■ International Revenue

According to the Nilson report, Visa holds over 50% of the market share in:

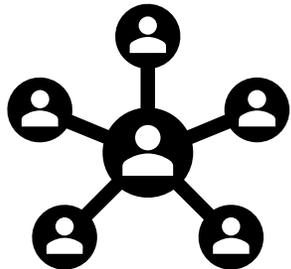
- The United States 
- Europe 
- Latin America 
- The Middle East and Africa 



Economic Moat

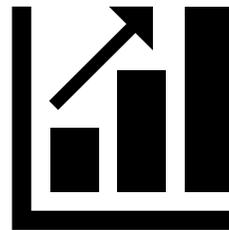
Network Effect

- The value of network increases with the number of users
- The more consumers that use a Visa card, the more pressure it puts on merchants to accept it



Economies of Scale

- Uses very little capital to operate
- Visa is able to amortize small fixed costs over large transaction volume



Data Analytics

- Determine individual consumer spending habits
- Allowed the company to prevent more than 1.5 billion fraudulent transactions



Growing Network Effect



P2P

PayPal, Zelle, Venmo,
Square, Apple,
Google, and Facebook

B2B

"B2B Connect" directly
connects originating banks
to recipient banks for
easier cross country
transactions

New Payment Flows



P2P

Visa Direct powers 7 of the
major P2P platforms in the U.S.



G2C

Government to consumer, including
welfare support to low-income households



B2C

Clients will be able to reach over
99% of bank accounts in 88 countries



B2B

Largest B2B
payments network

The power of the Visa brand



Visa is the unequaled category-leading brand



The Visa brand drives substantial value to Visa, clients, partners and the ecosystem



We continue to **evolve our brand** as Visa's business and the payments landscape evolve

A dark blue rectangular graphic containing logos and text from Forbes, BRANDZ, Interbrand, and FORTUNE. The text is white and green. The logos are arranged in a grid-like fashion.

Forbes
WORLD'S MOST VALUABLE BRANDS

BRANDZ
TOP 100 MOST VALUABLE GLOBAL BRANDS

Interbrand Best Global Brands
INTERBRAND BEST GLOBAL BRANDS

FORTUNE
WORLD'S MOST ADMIRED COMPANIES



Risk Factors

- Because of the oligopolistic nature of the network effect, Visa is subject to strict antitrust regulations
-



- Legal requirements relating to personal data continue to evolve and can lead to substantial legal fees
-



- Foreign governments imposing preferential regulations could affect market entry



- A breach of the network system could compromise data and result in numerous litigations and damage the company brand



-
- Since the company's revenues depend heavily on the volume of payment transactions, an economic downturn would significantly affect growth





Acquisitions

Acquisitions



- Six recent acquisitions focused on new technology in the industry.

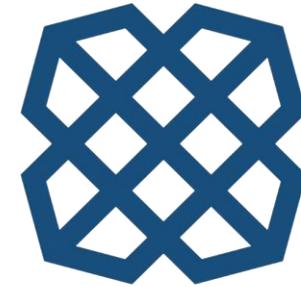
- Do these acquisitions suggest a new business model?



Acquisitions: 2020

VISA

- Financial tech company
- APIs
- Early investors included both Visa and Mastercard
- Usage-based revenue model



PLAID

\$5.3 BILLION



Payworks: Next generation point-of-sale software technology



VERIFI™

Verifi: Chargeback reduction and dispute resolutions



Rambus: Increased convenience and security of tokenization



Earthport: Cross-border payment services

99% of Accounts

\$250 Million

88 Countries

Top 50 Markets



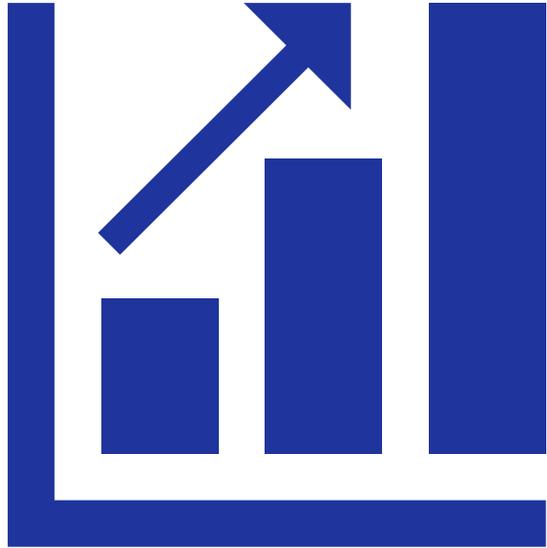
Frædom works with banks worldwide, assisting their commercial card programs and providing payment and transaction management solutions.

- **Visa Europe** split at IPO 2008

\$23.3 Billion



The transaction capitalizes on **strong growth opportunities** in a **highly attractive region**. It positions the combined Visa to create value through **increased scale, efficiencies realized by the integration of both businesses, and benefits related to Visa Europe's transition from an association to a for-profit enterprise.**"



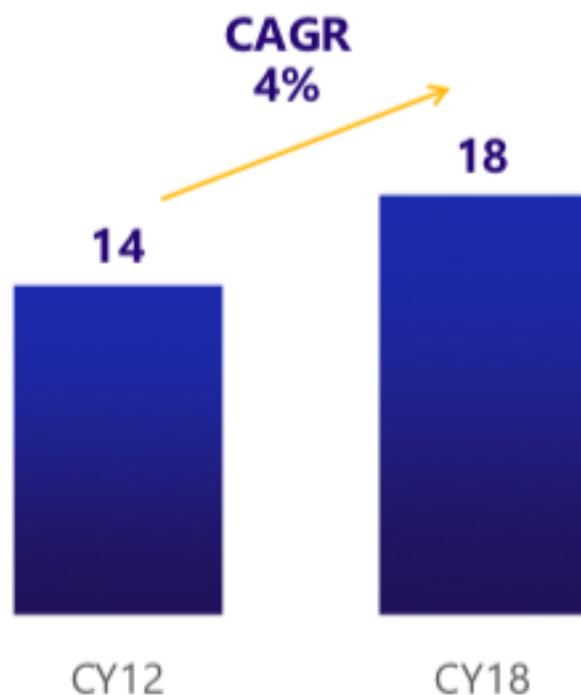
Growth

1 Cash and check continue to grow

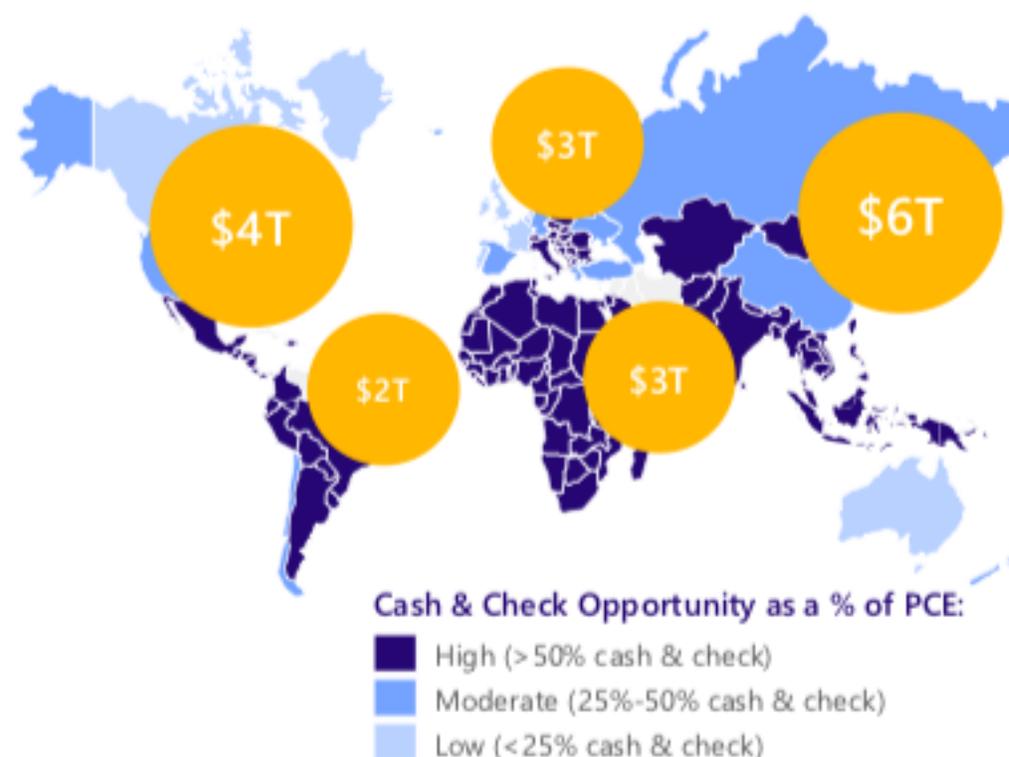
Significant untapped potential to increase PCE penetration and grow core revenue

Global Cash & Check (\$T)

2018 Constant Dollars



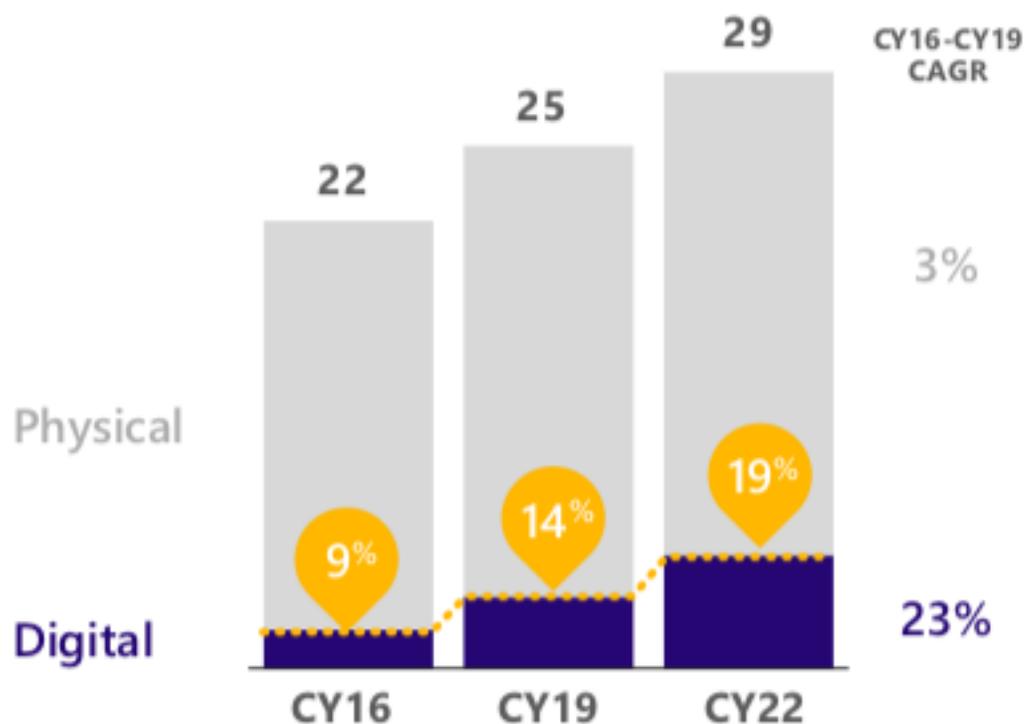
Cash & Check Opportunity by Region



2 Spend continues to shift from physical to digital and Visa's share of digital is 3x that of physical



Total Global Retail Spend (\$T)¹



Visa's Share of Every \$1 Spent



Physical

~15¢



Digital

~43¢

- What makes Visa stand out from their competition?
- Evolution in payment methods EX) Venmo (52 million users)
- Singapore Contract (Pop. 5.6 million)
- African Market Expansion (Pop. 1.2 billion)

Visa in Africa





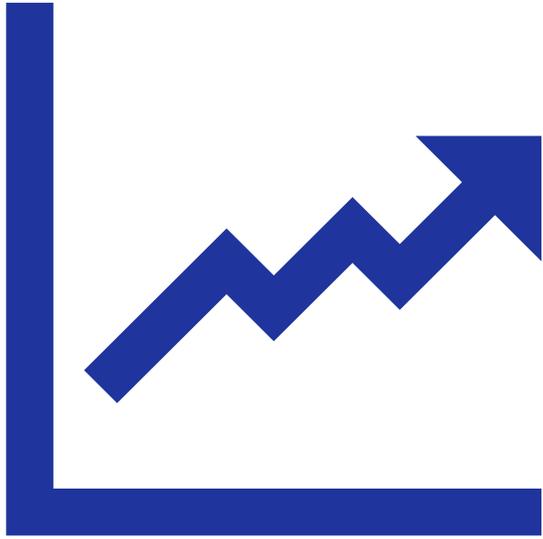
MFS Africa: Africa's largest digital payment hub



Flutterwave: Digital payments platform; driving acceptance



Interswitch: Payment digitization company; processes 80% of Nigerian domestic transactions; 23 million cardholders

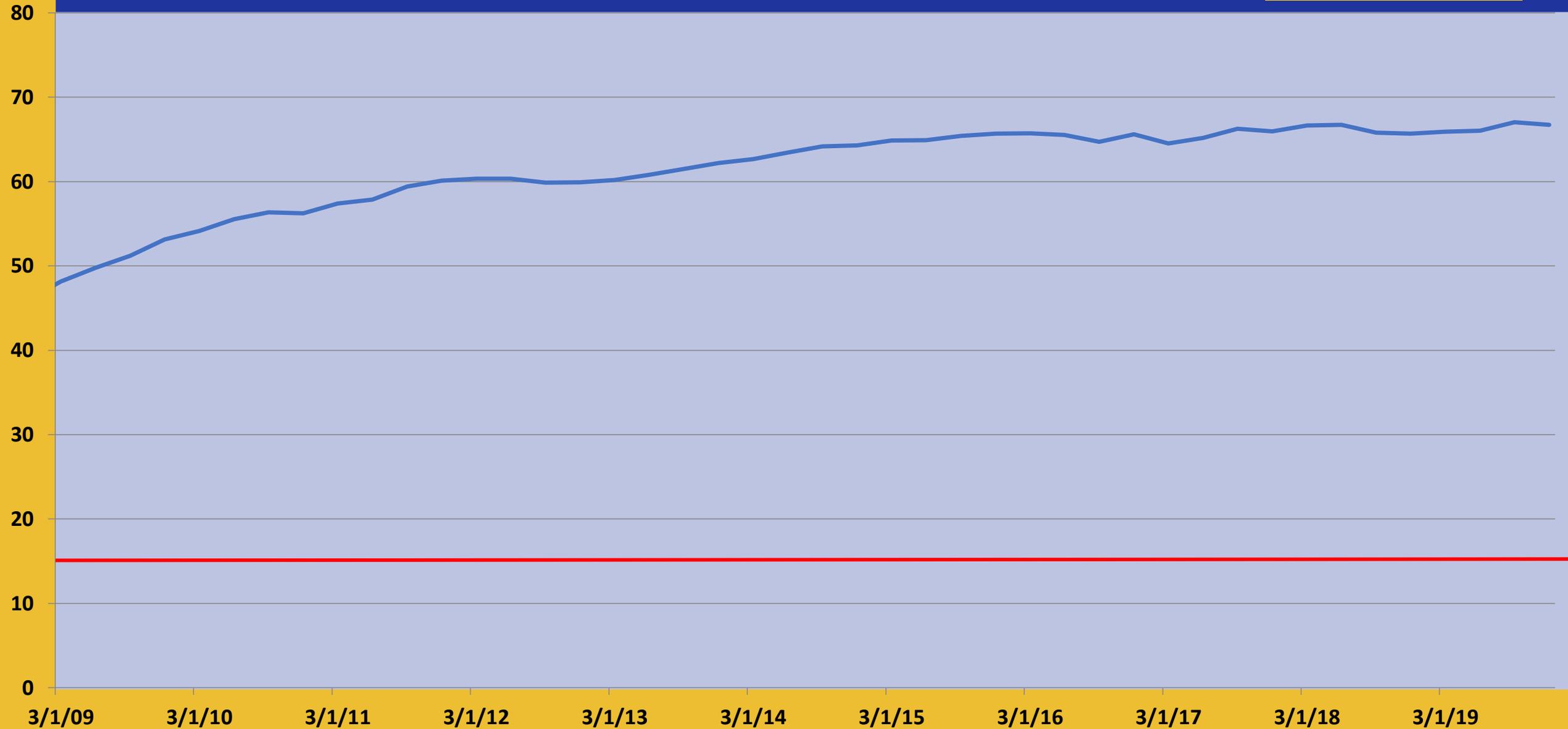


IOFs

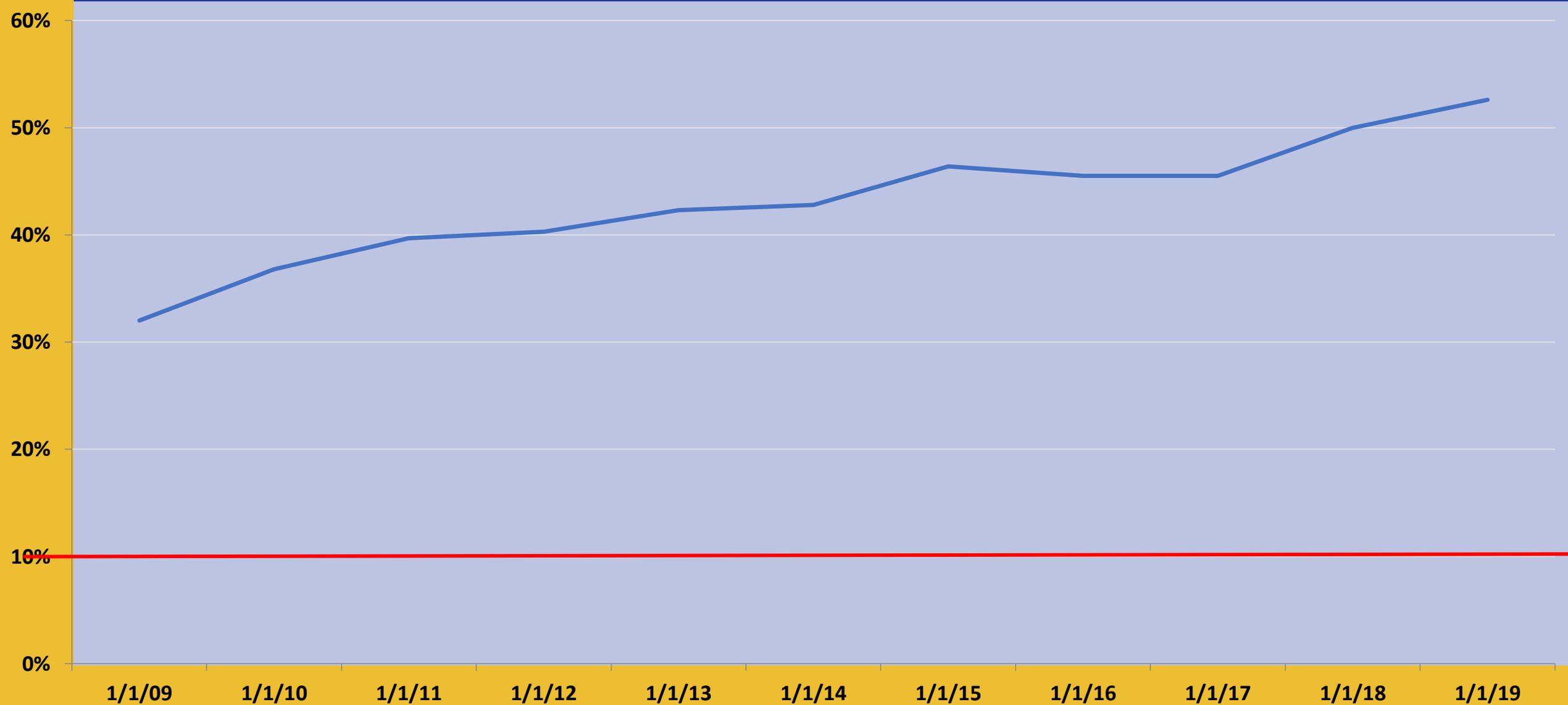
Gross Profit Margin



Operation Margin



Net Profit Margin



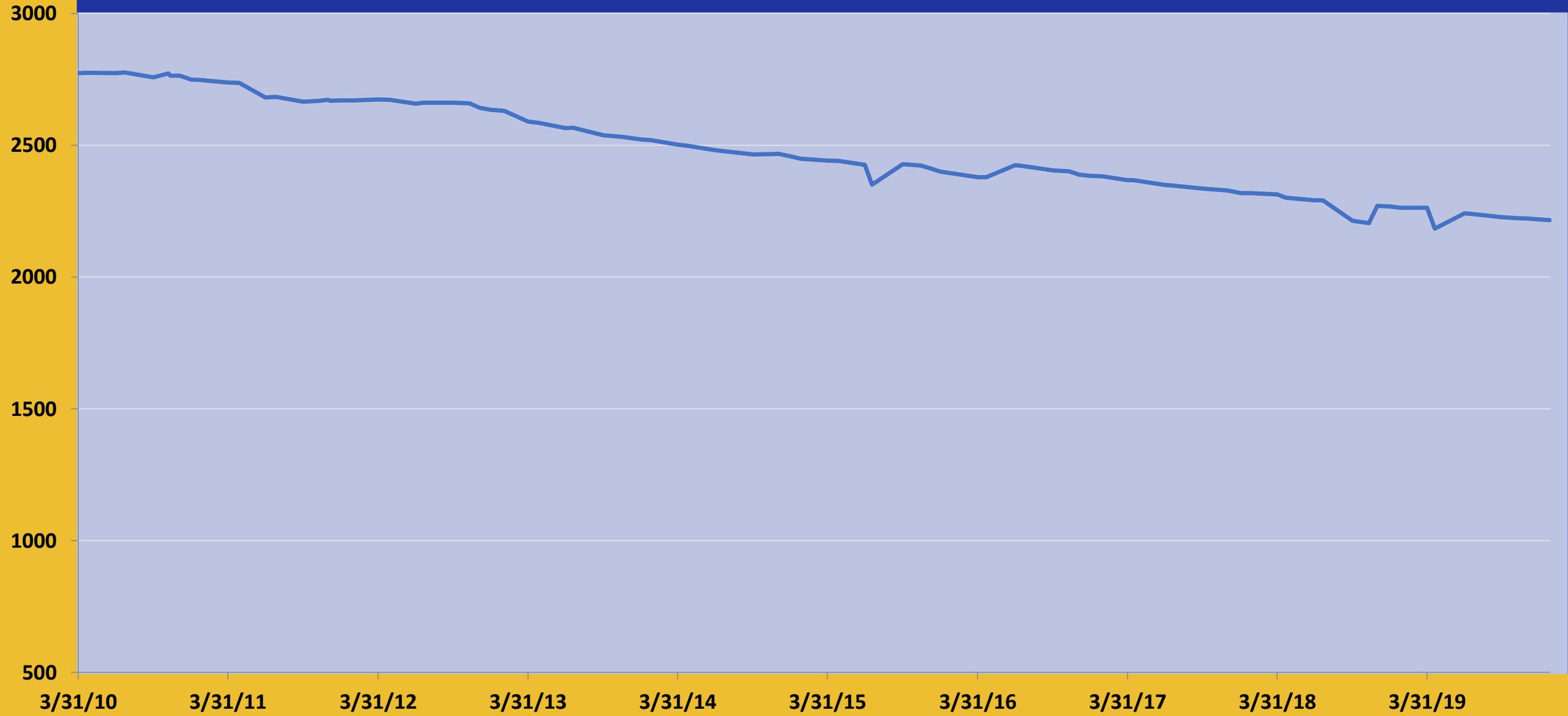
Return on Equity



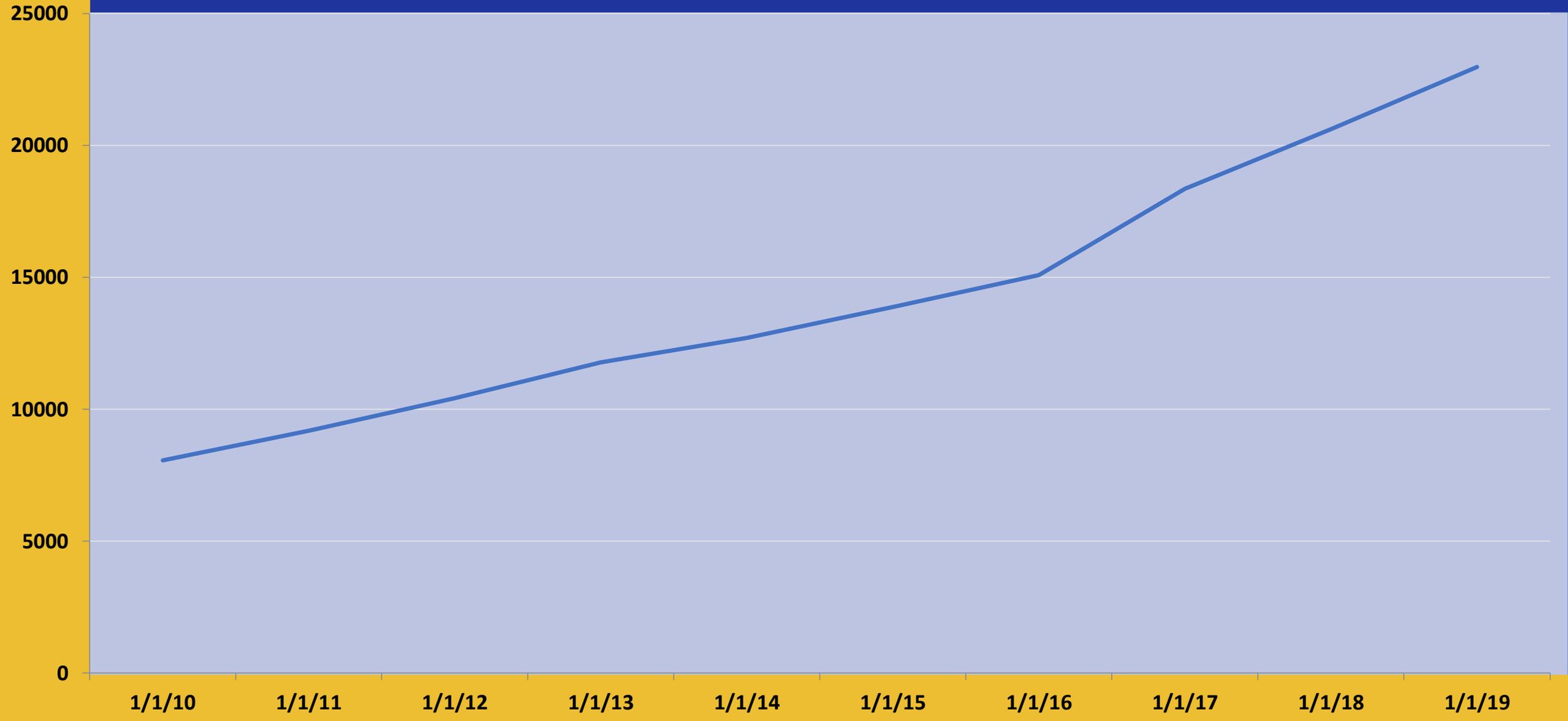
Return on Invested Capital



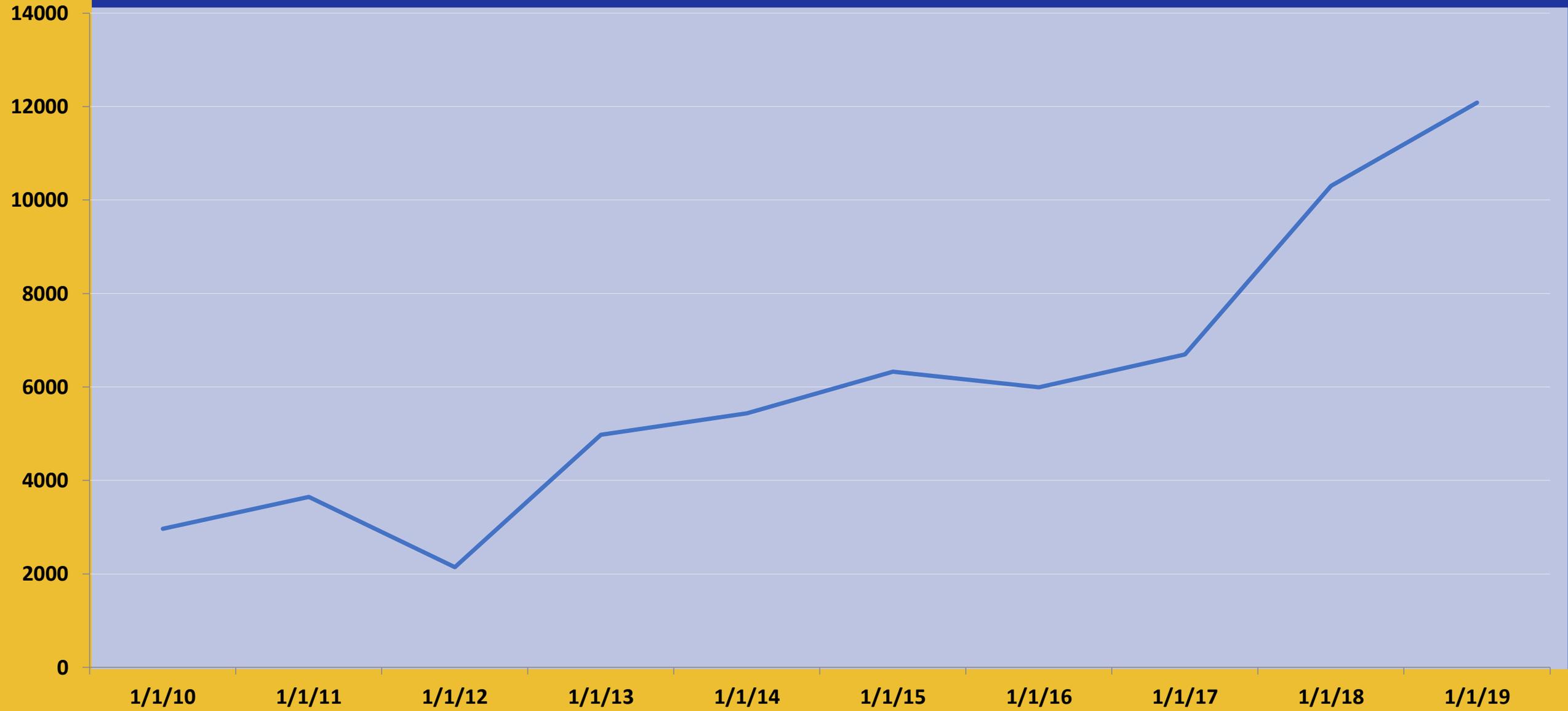
Shares Outstanding



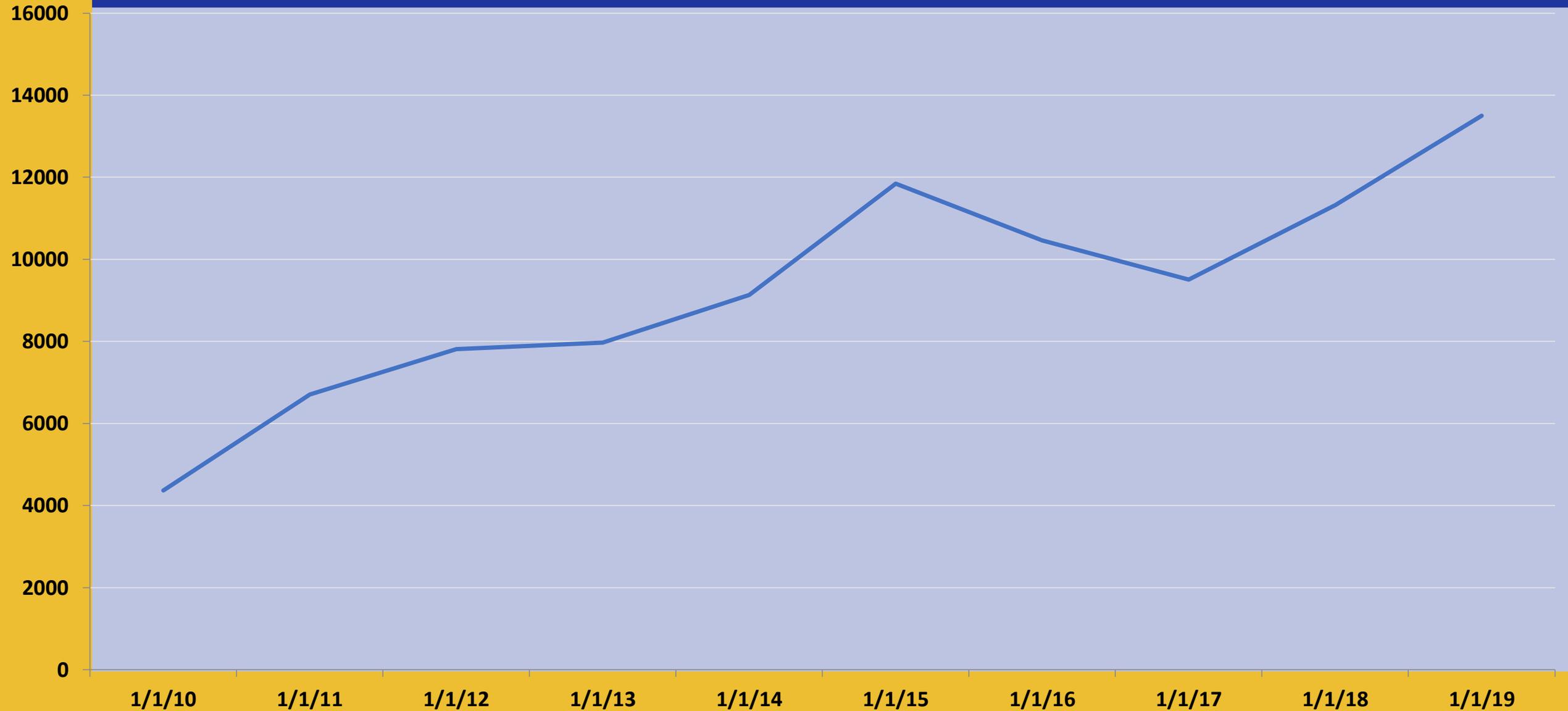
Revenue



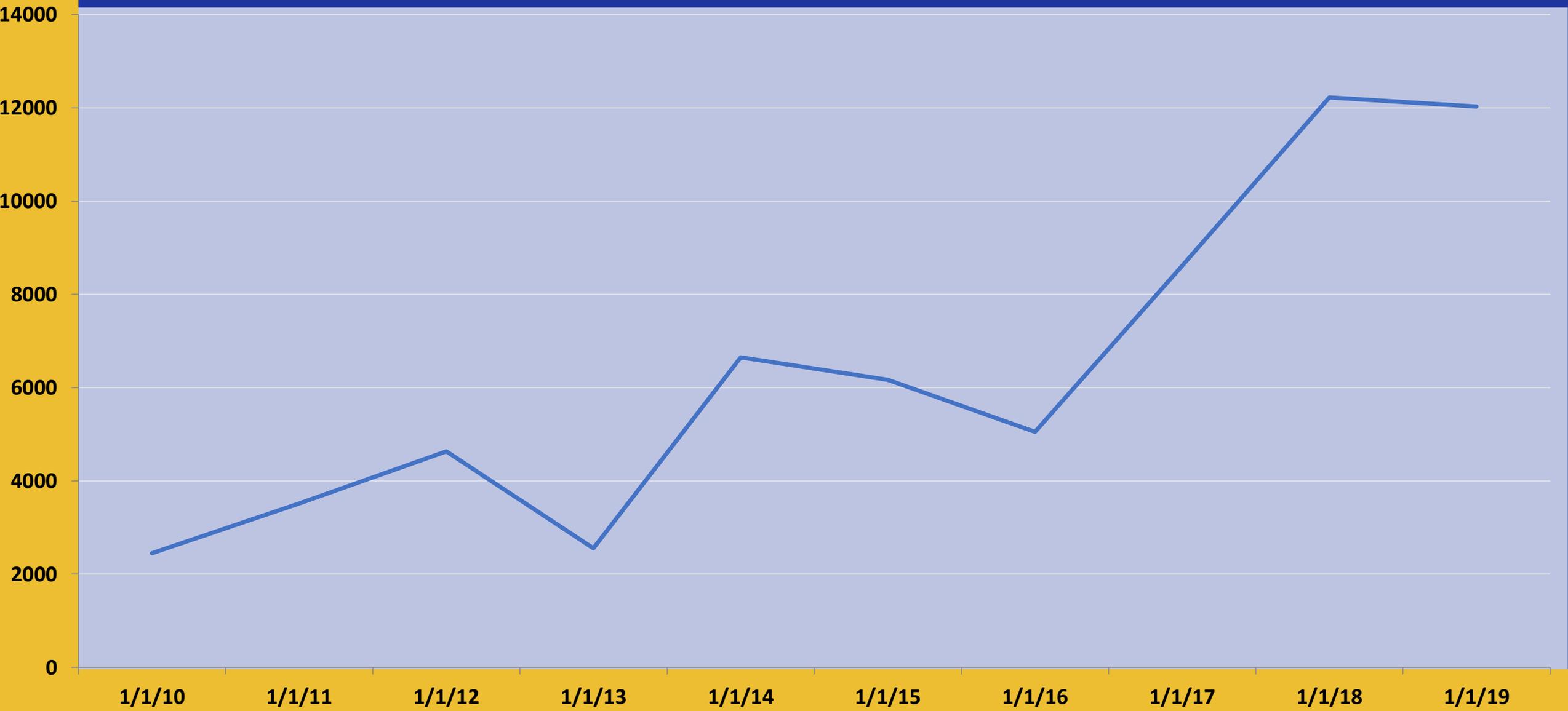
Net Income



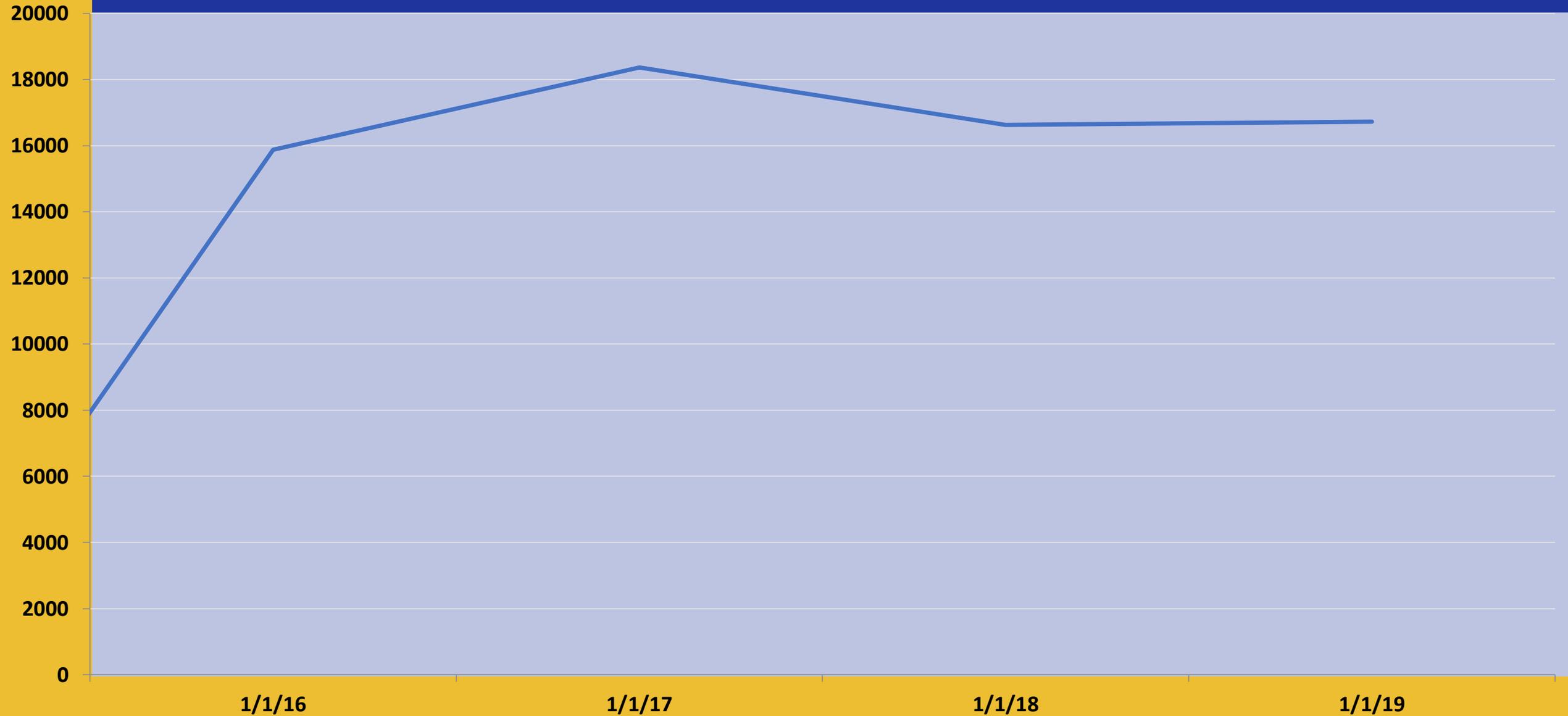
Retained Earnings



Free Cash Flow



Long Term Debt



Obligation Ratio



ST Debt+ LT Debt + (Leases x 7) + Pension Shortfall + Preferred Stock – Cash

Annual Net Income

ST Debt: None

LT Debt: \$16,729 Million

Leases: \$76 Million

Preferred Stock: None

Pension Shortfall: None

Cash: \$8,768 Million

Net Income: \$12,080

$$\frac{(16729) + 7(76) - (8768)}{12080} = 0.70 \text{ Years}$$

Obligation Schedule



September 30, 2019

2.20% Senior Notes due December 2020	\$	3,000
2.15% Senior Notes due September 2022	.	1,000
2.80% Senior Notes due December 2022		2,250
3.15% Senior Notes due December 2025		4,000
2.75% Senior Notes due September 2027		750
4.15% Senior Notes due December 2035		1,500
4.30% Senior Notes due December 2045		3,500
3.65% Senior Notes due September 2047		750
Total senior notes	\$	16,750
Unamortized discounts and debt issuance costs		(108)
Hedge accounting fair value adjustments ⁽²⁾		87
Total long-term debt	\$	16,729

Quantitative Analysis



	Value	Threshold	Pass/Fail
Gross Profit Margin	80.79%	Above 20%	Pass
SGA to Gross Profit	14.62%	Below 80%	Pass
R&D to Gross Profit	0.00%	Below 10%	Pass
Depreciation	3.60%	Below 10%	Pass
Interest to Operating Income	3.46%	Below 15%	Pass
Net Profit Margin	52.50%	Above 10%	Pass
Current Ratio	1.27	Above 1	Pass
Obligation Ratio	0.70	Below 5	Pass
Adjusted Debt to SE	0.47	Below 0.8	Pass
ROE	42.00%	Above 15%	Pass
ROC	24.00%	Above 15%	Pass
Payout Ratio	19.14%	Below 60%	Pass
Preferred Stock	None	None	Pass
Capital Expenditures	3.40%	Below 25%	Pass
Net Earnings Trend	Increasing	Increasing	Pass
Retained Earnings Trend	Increasing	Increasing	Pass

Qualitative Analysis



Can you easily explain what the business does?

Yes

Is it heavily Unionized?

No

Does it require heavy capital infusion?

No

Does it require lots of Research and Development?

No

Can inventory become obsolete?

No

Are there chronic "one time" write offs?

No

Is the company able to raise its prices to offset inflation?

Yes

Will the company be able to sell more in the future?

Yes

With \$1 Billion, could you make a competitor?

No



DuPont Analysis

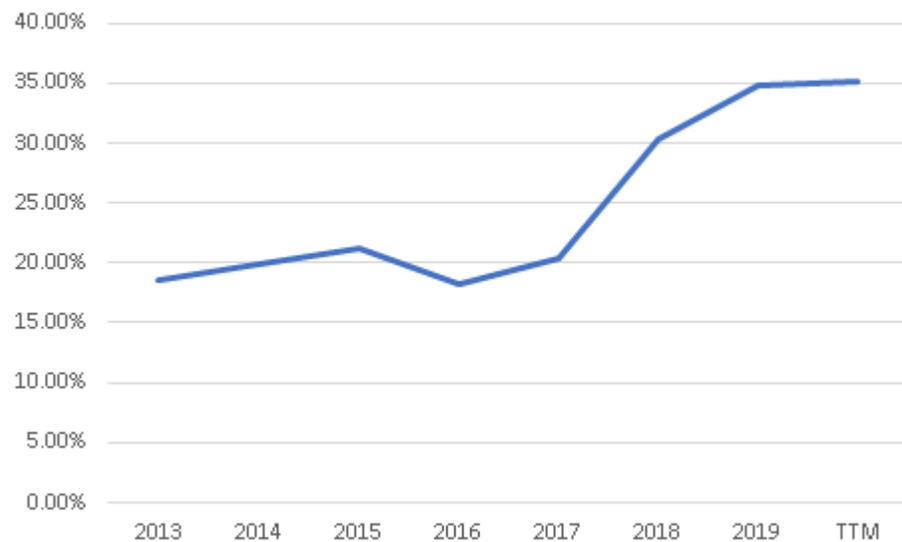
DuPont (Company)

Year	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
2019	52.60%	0.32	2.09	35.22%
2018	50.00%	0.30	2.04	30.54%
2017	45.40%	0.28	2.08	26.38%
2016	45.50%	0.29	1.95	25.67%
2015	46.40%	0.36	1.32	22.04%

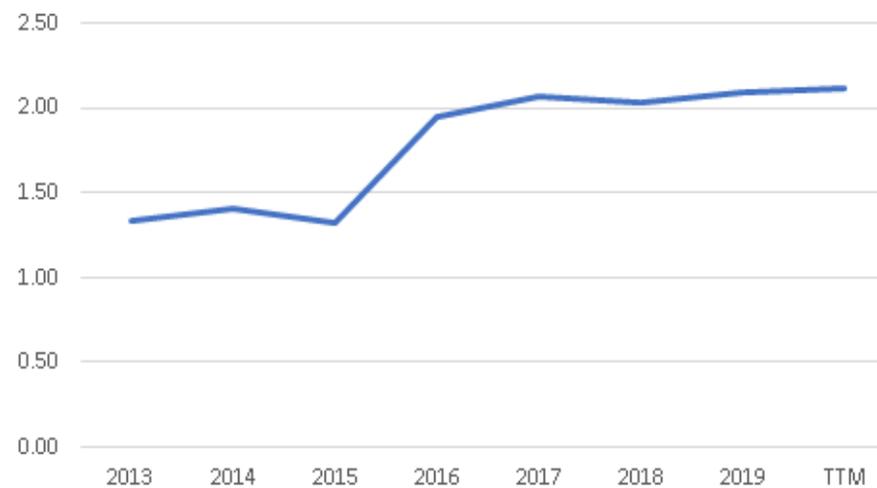
DuPont Trends



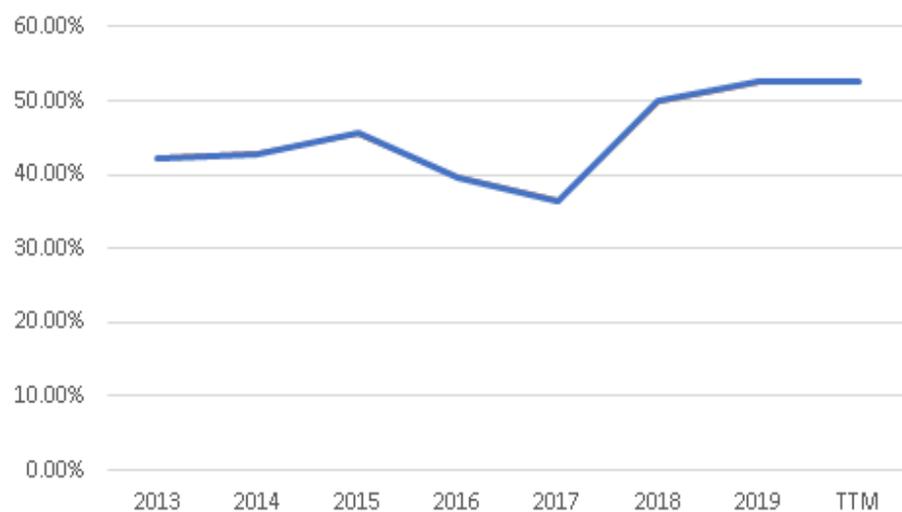
Return on Equity



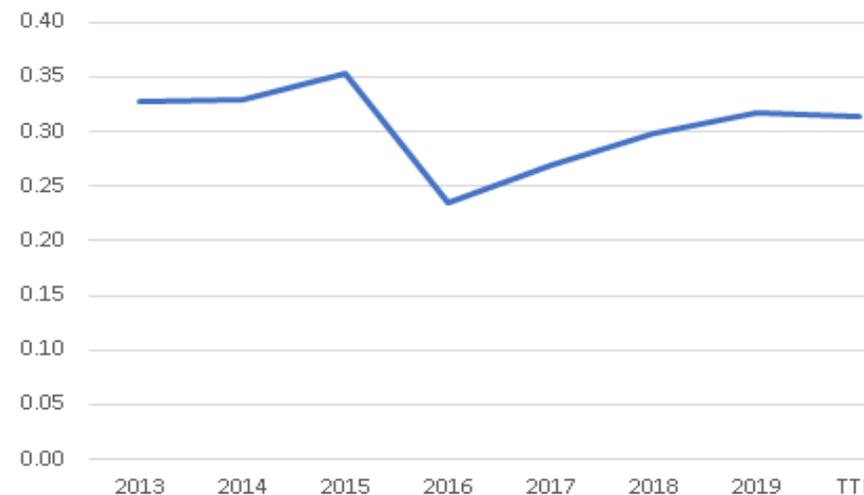
Financial Leverage Multiplier



Net Profit Margin



Total Asset Turnover

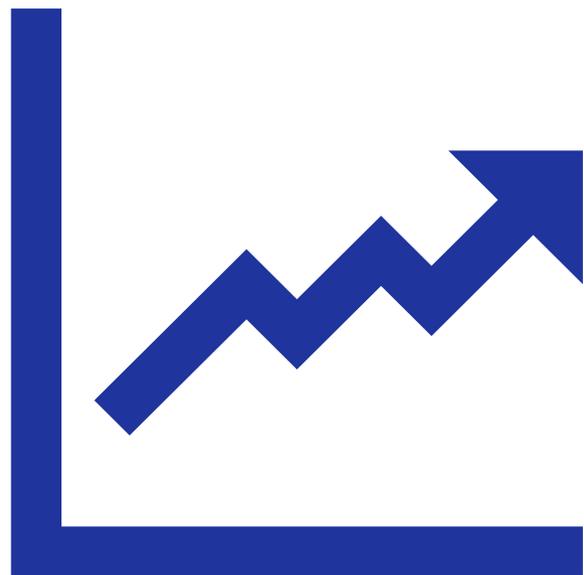


DuPont Industry

	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
Visa	52.60%	0.32	2.09	35.22%
Mastercard	46.80%	0.62	4.96	143.95%
American Express	21.88%	0.16	8.61	30.14%
Discover	25.88%	0.10	9.61	24.88%

Industry Breakdown

Company	Visa	MasterCard	American Express	Discover
Market Cap	\$402B	\$323B	\$108B	\$23.6B
Revenue	\$29,200M	\$16,883M	\$30,895M	\$11,459
Price to Earnings	32.33	37.61	16.60	8.36
Price to Sales	17.01	18.07	3.68	2.19
Price to Book	13.11	51.12	4.66	1.99
EV/EBIT	25.88	30.35	NMF	NMF
Return on Assets	17.04%	30.01%	3.50%	2.65%
Return on Equity	35.22%	143.95%*	30.14%	24.88%
Operating Margin	68.10%	60.50%	NMF	NMF
Net Margin	52.60%	46.80%	21.88%	25.81%

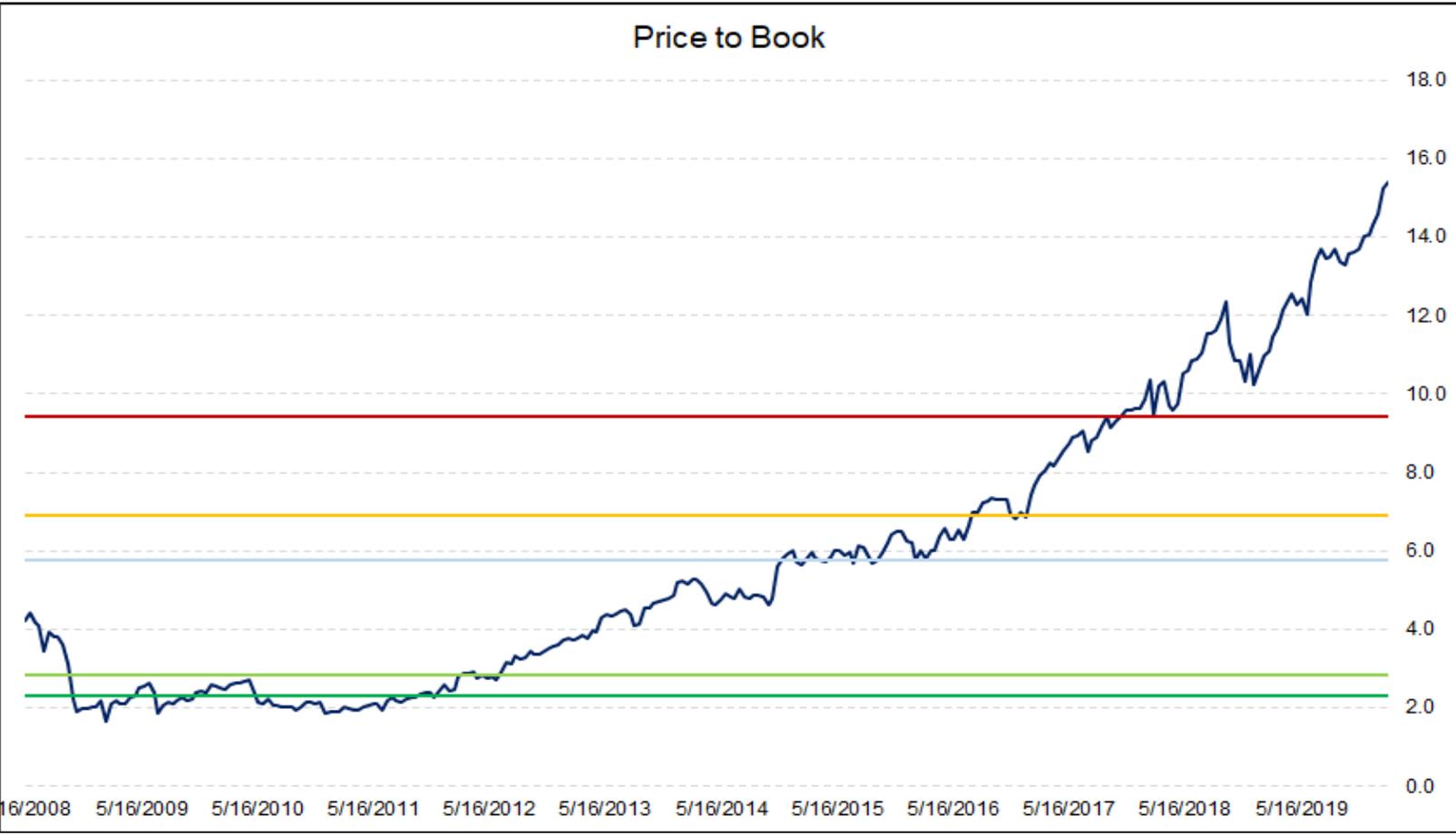


Value Bands

Price To Earnings

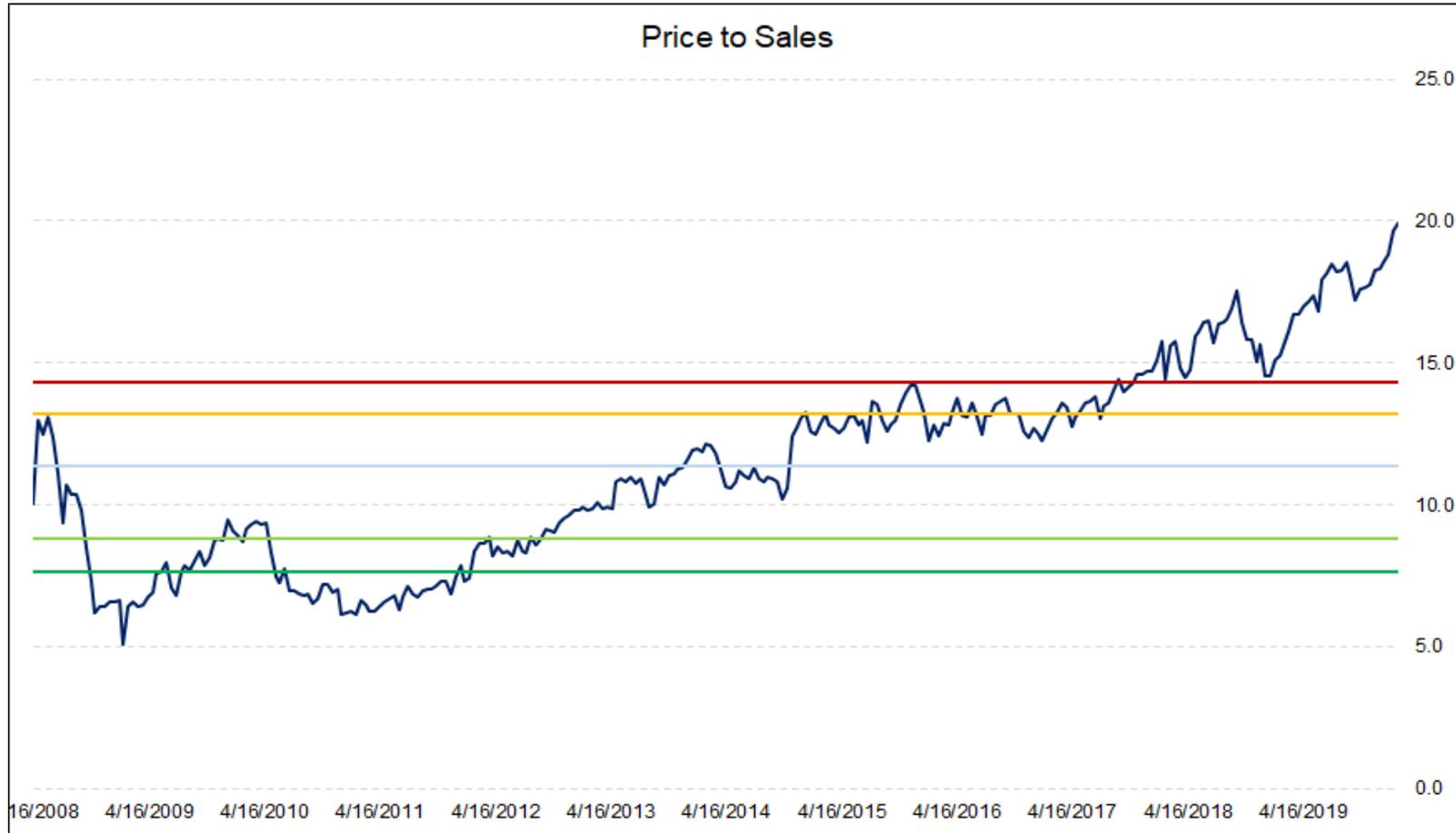


Price To Book

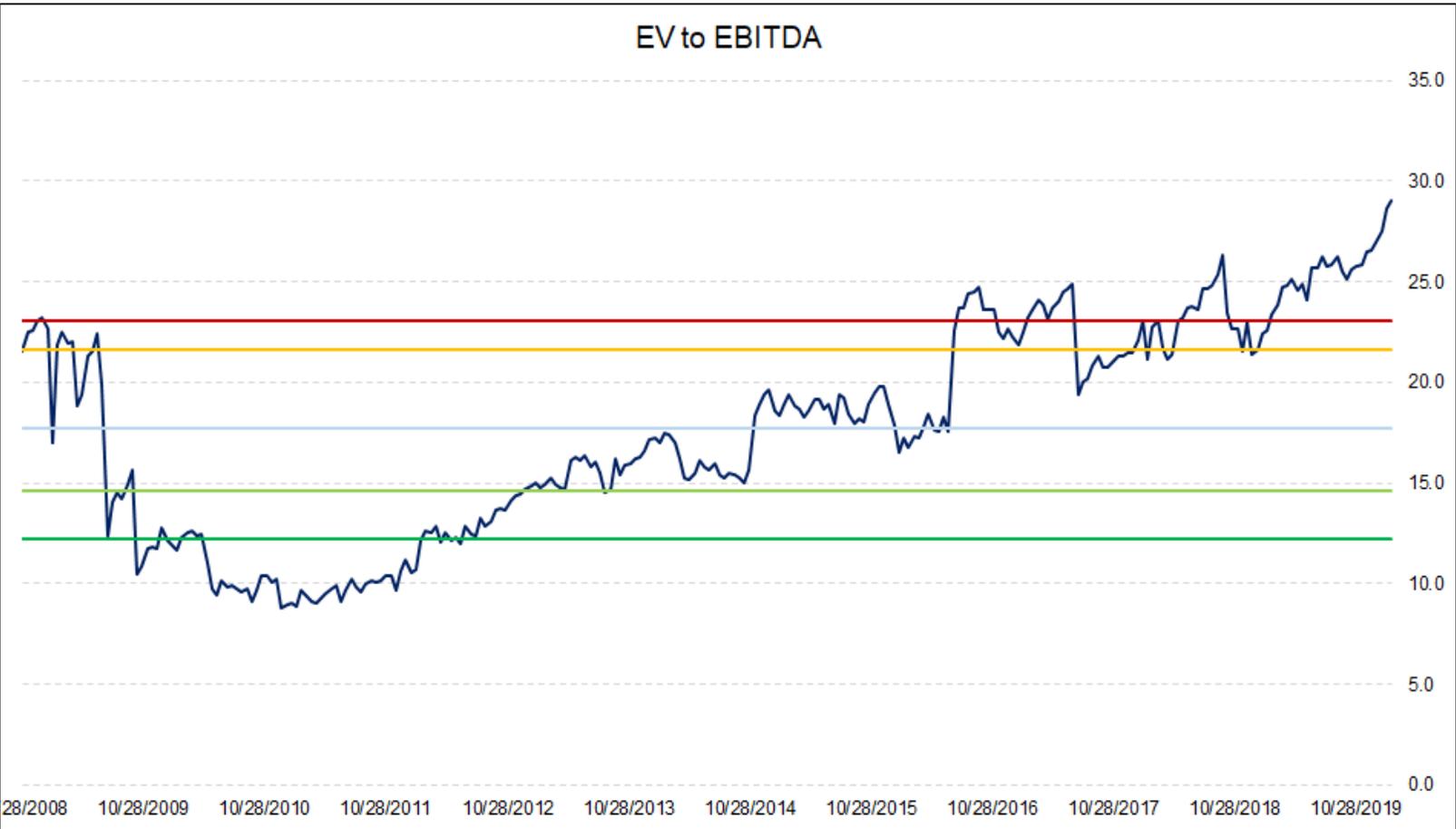


Price To Sales

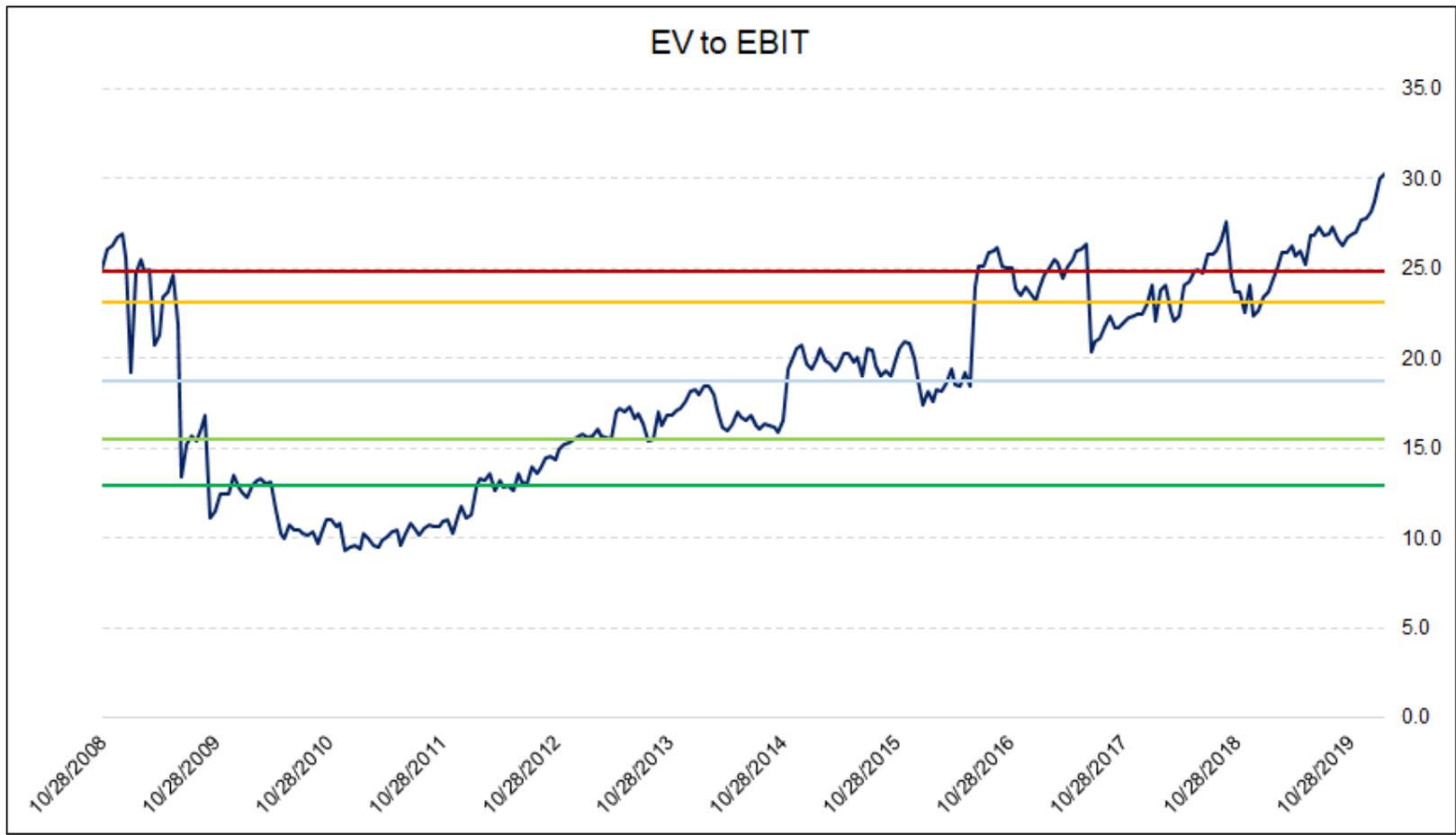
VISA



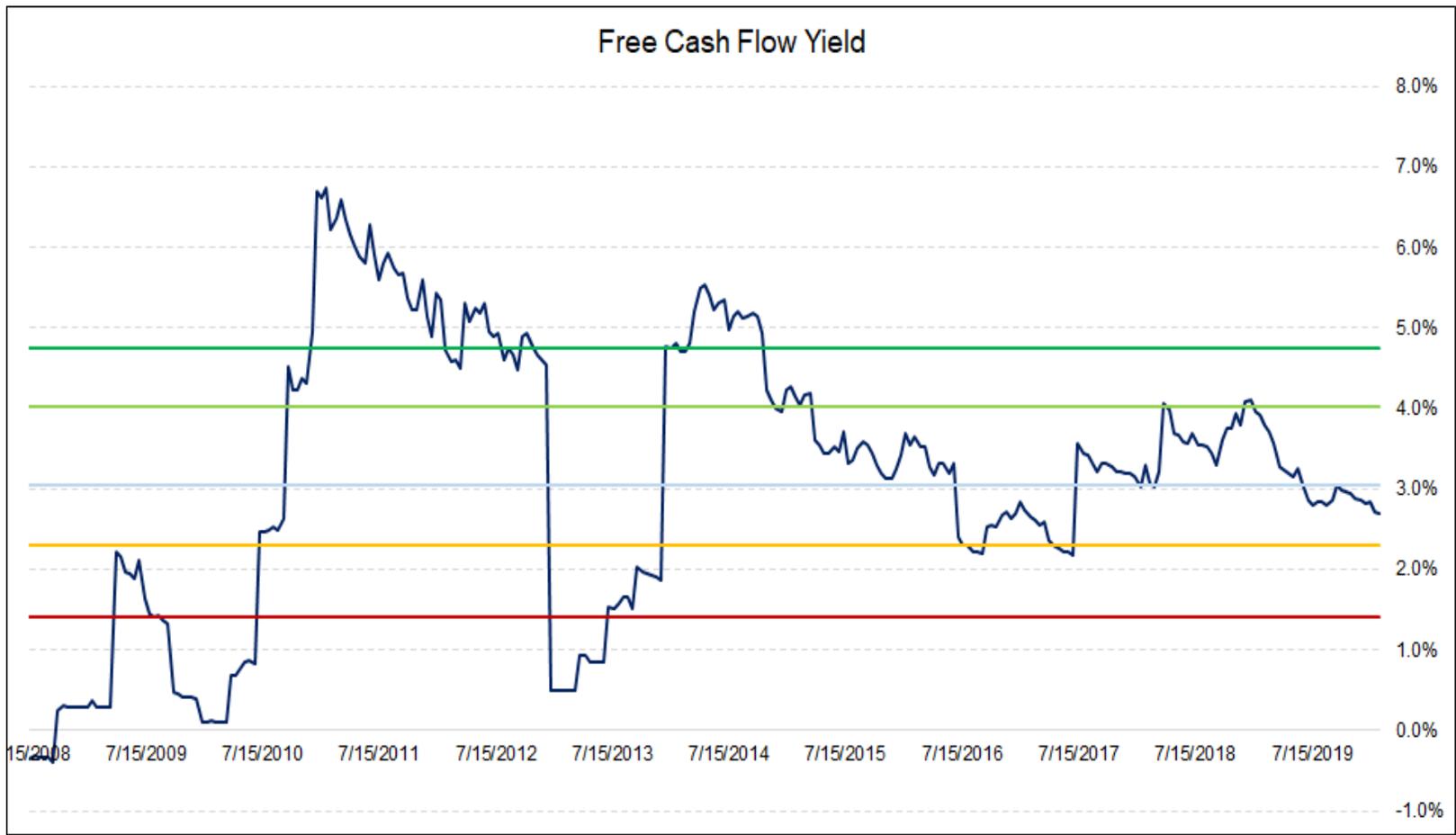
EV to EBITDA



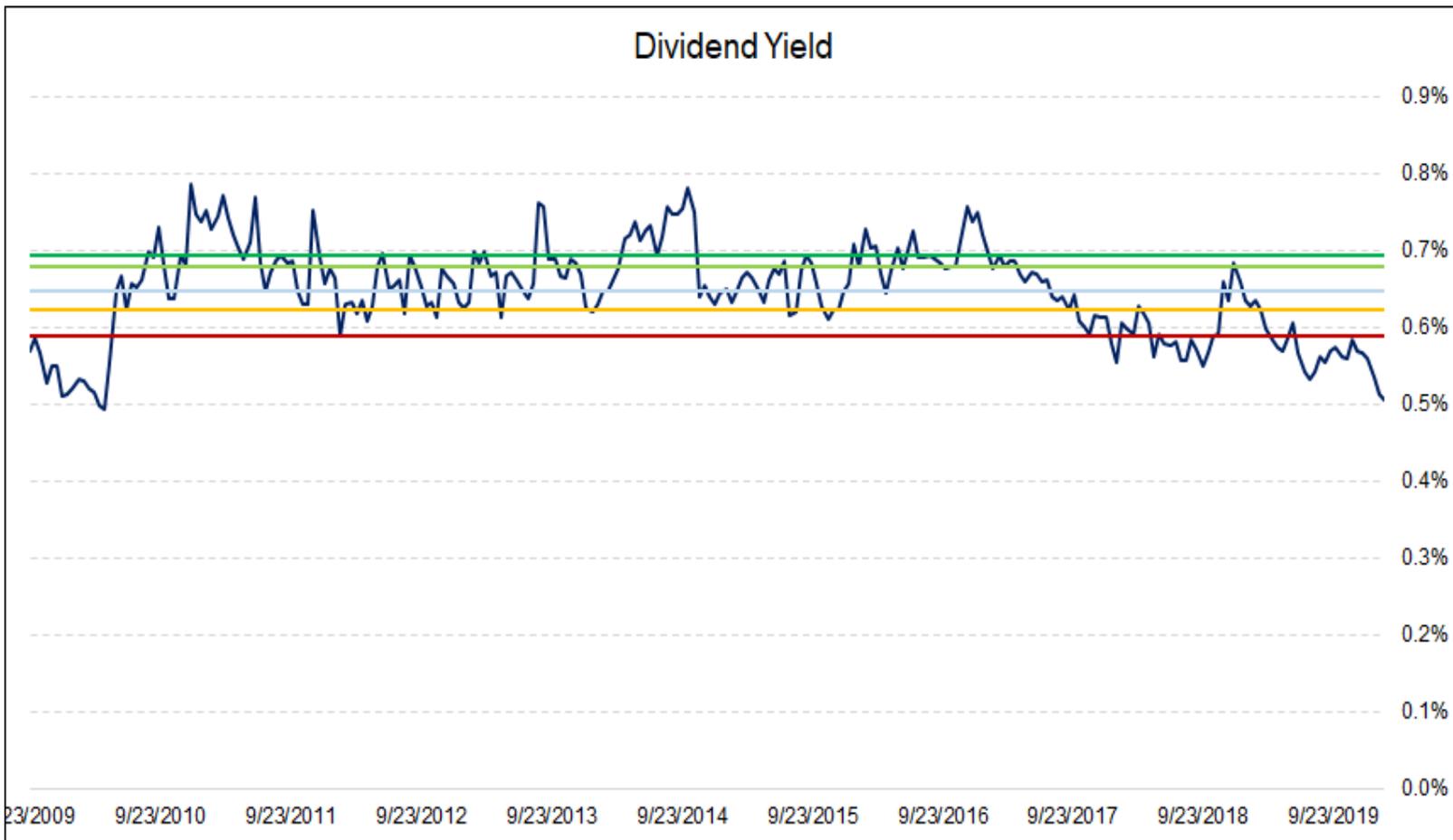
EV to EBIT

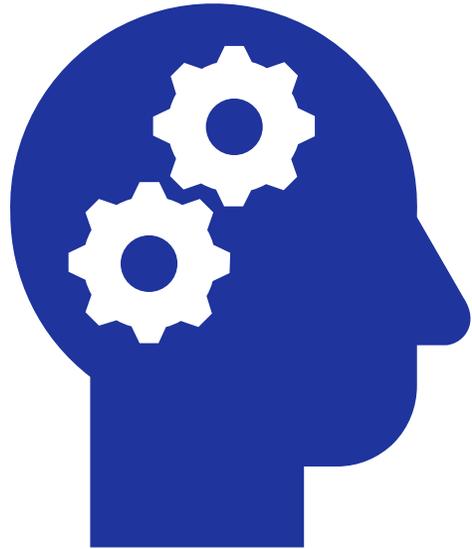


Free Cash Flow Yield



Dividend Yield



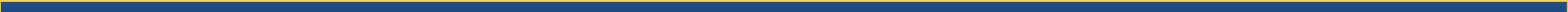


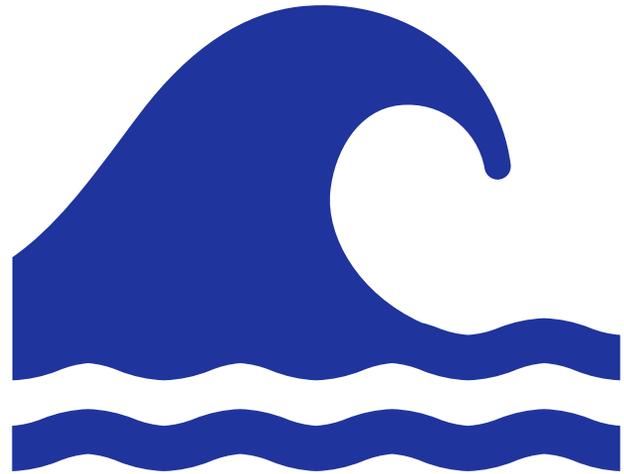
Conscious Investor

Conscious Investor



	Price	EPSttm	P/E Ratio	HGROWTH	Payout	STRETD
Default	207.4	\$5.480	35.02x	23.02%	20.8%	20.33%
Safety	207.40	\$5.480	28.14x	13.74%	15.8%	9.39%
Kill It	207.40	\$5.480	17.14x	7.50%	10.8%	-0.15%





Discounted Cash Flow

DCF Base Case

VISA

Earnings Per Share	\$5.32
Growth Rate in 10 Years	15%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9.5%
Fair Value	\$130.24
Margin of Safety	-54.16%

DCF Bear Case

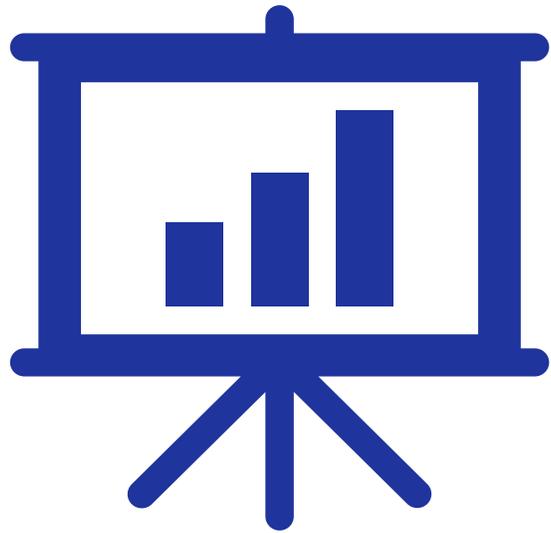


Earnings Per Share	\$5.32
Growth Rate in 10 Years	8%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9.5%
Fair Value	\$106.22
Margin of Safety	-148.58%

DCF Bull Case



Earnings Per Share	\$5.32
Growth Rate in 10 Years	23%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9.50%
Fair Value	\$236.11
Margin of Safety	10.89%



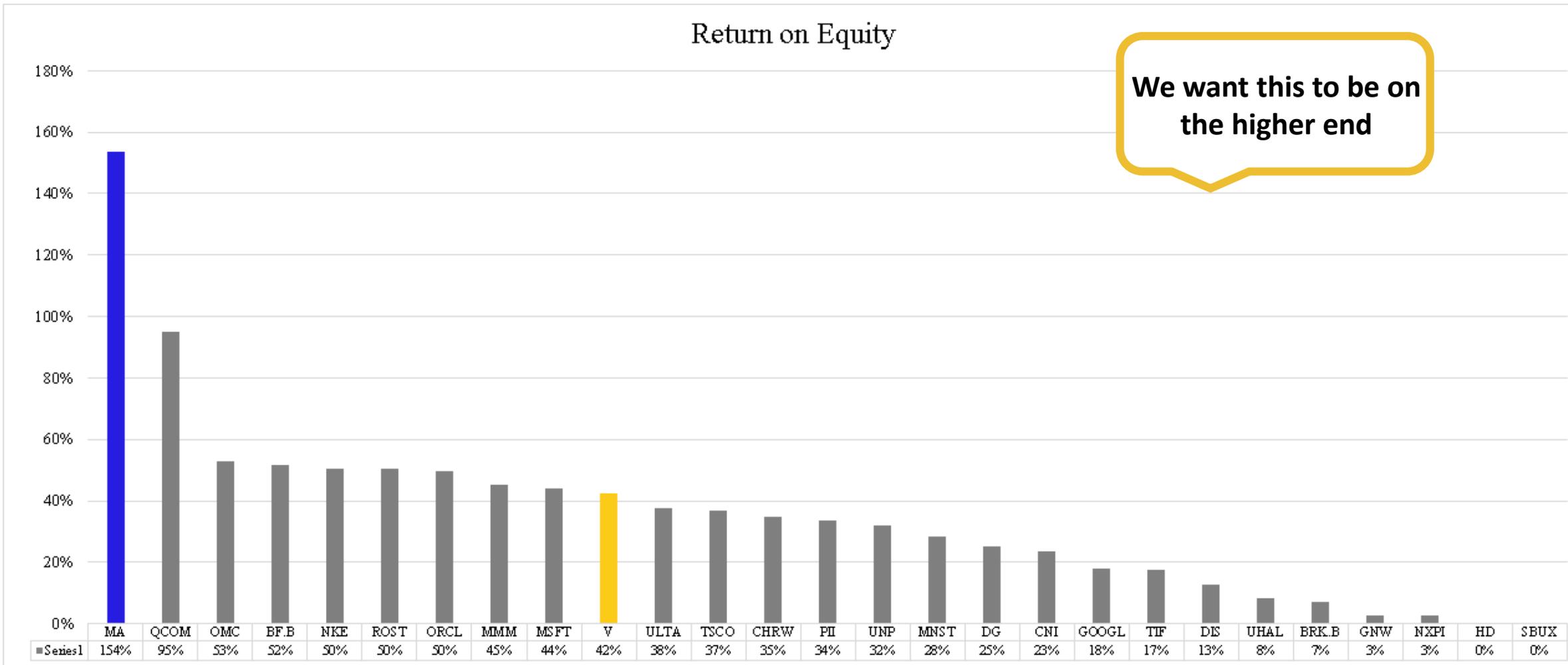
Intra

Portfolio

ROE

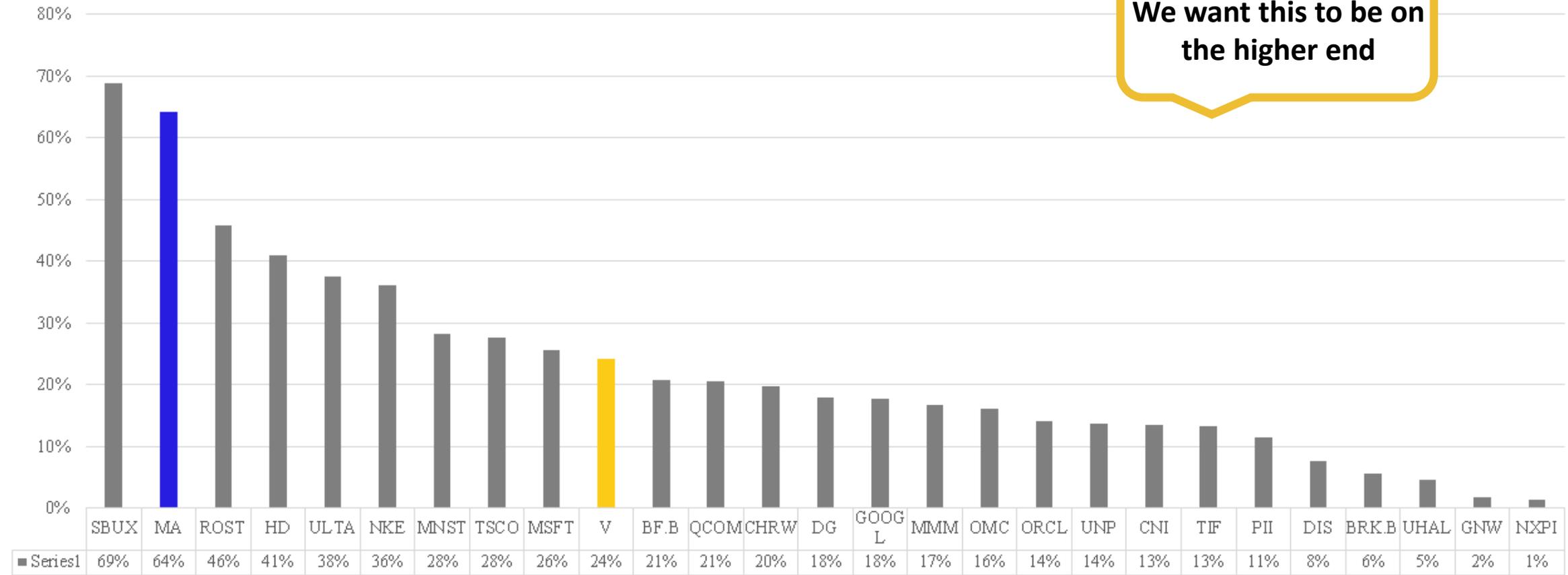
Return on Equity

We want this to be on the higher end

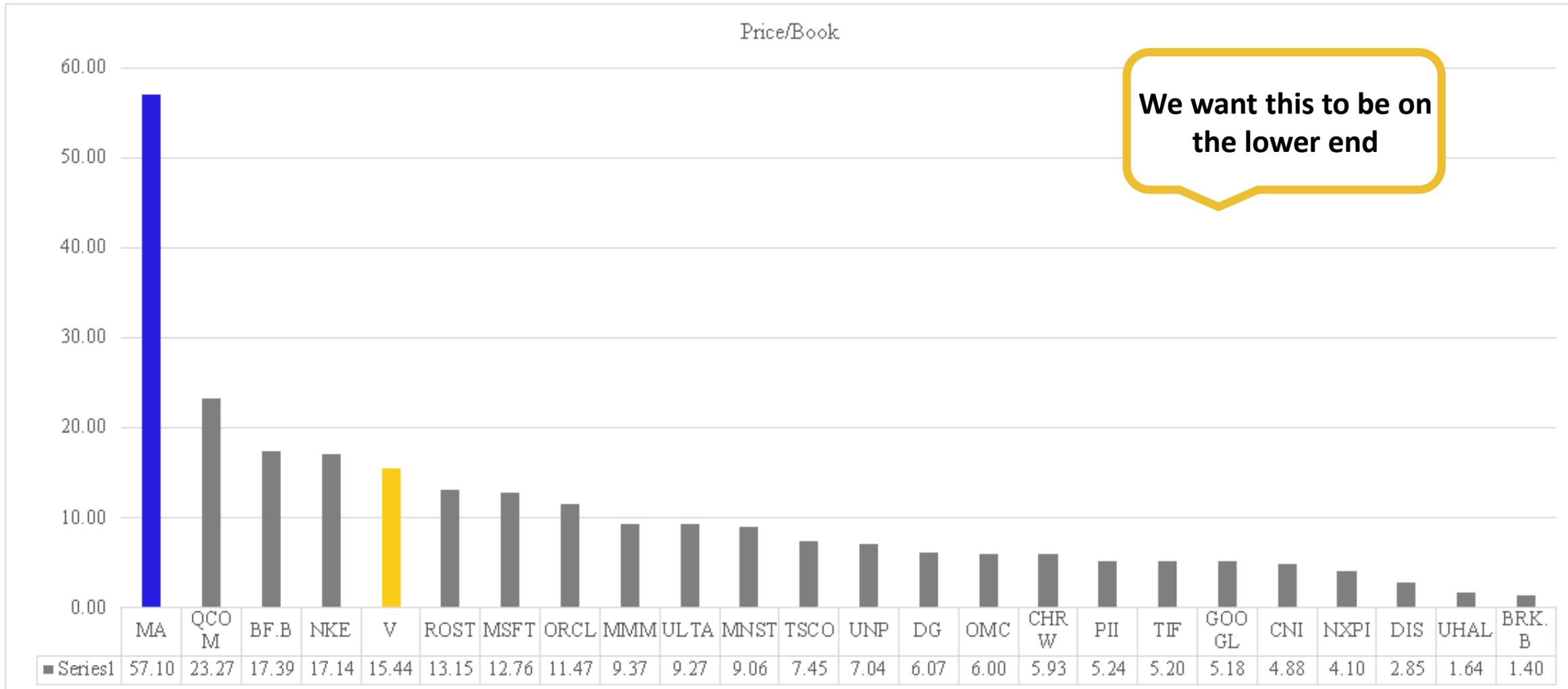


ROIC

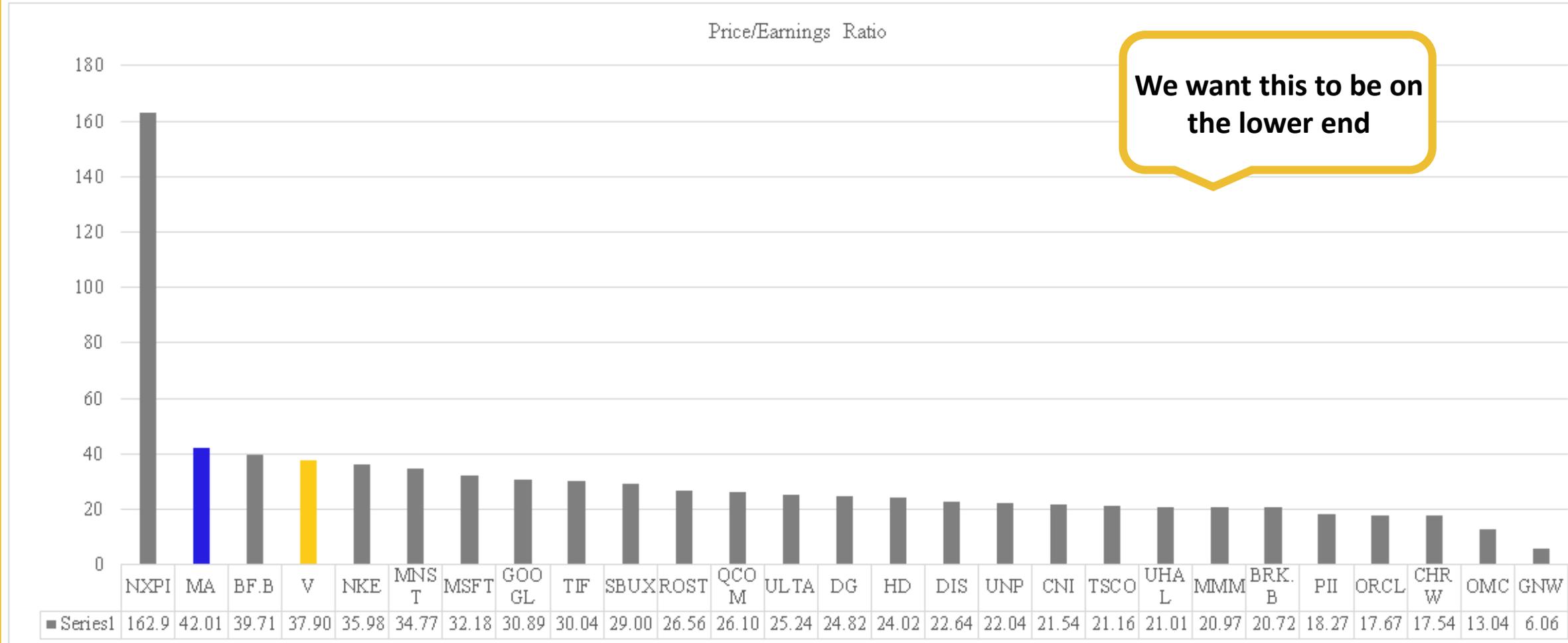
Return on Invested Capital



Price to Book



Price to Earnings

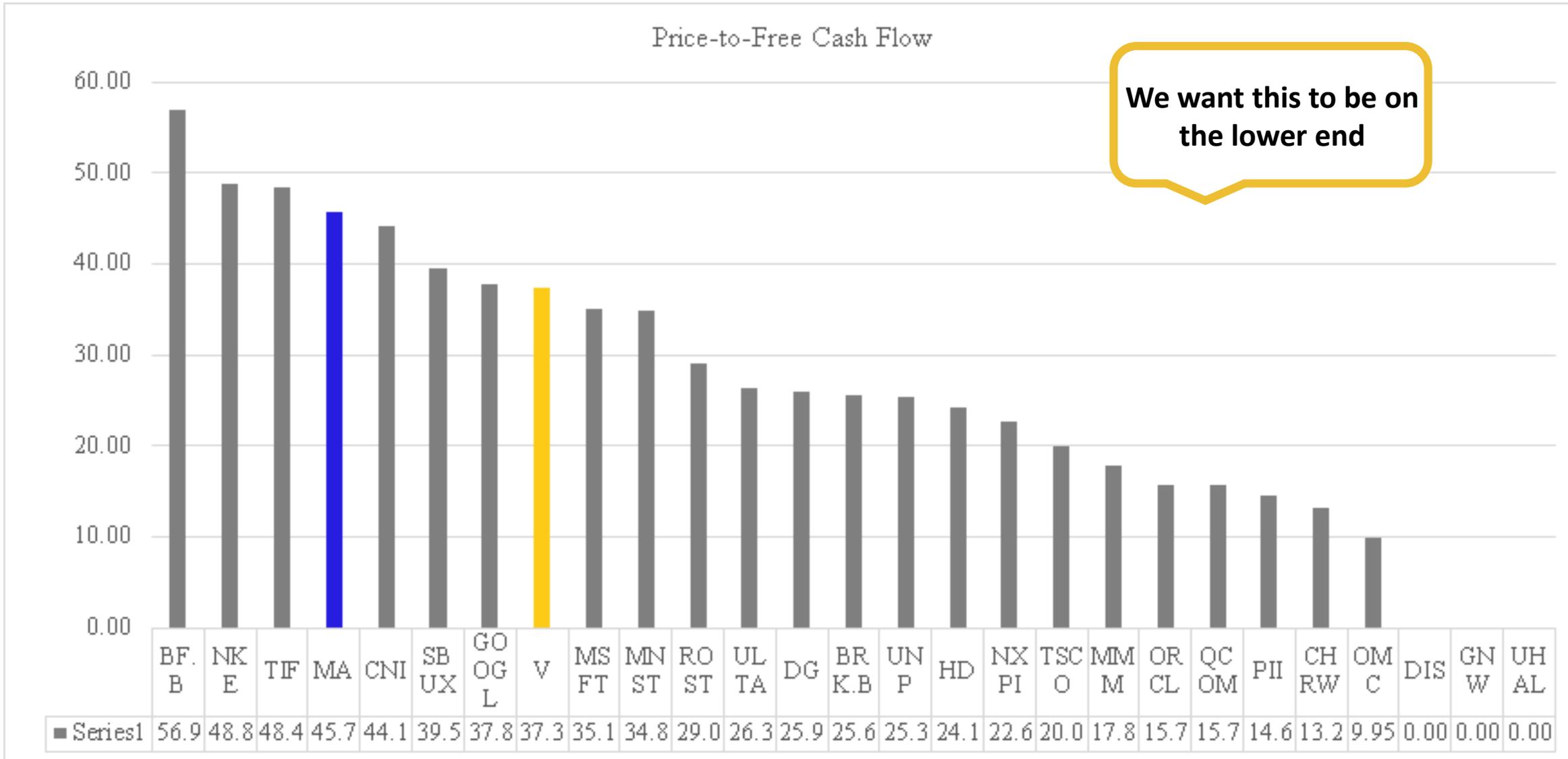


Price to Sales

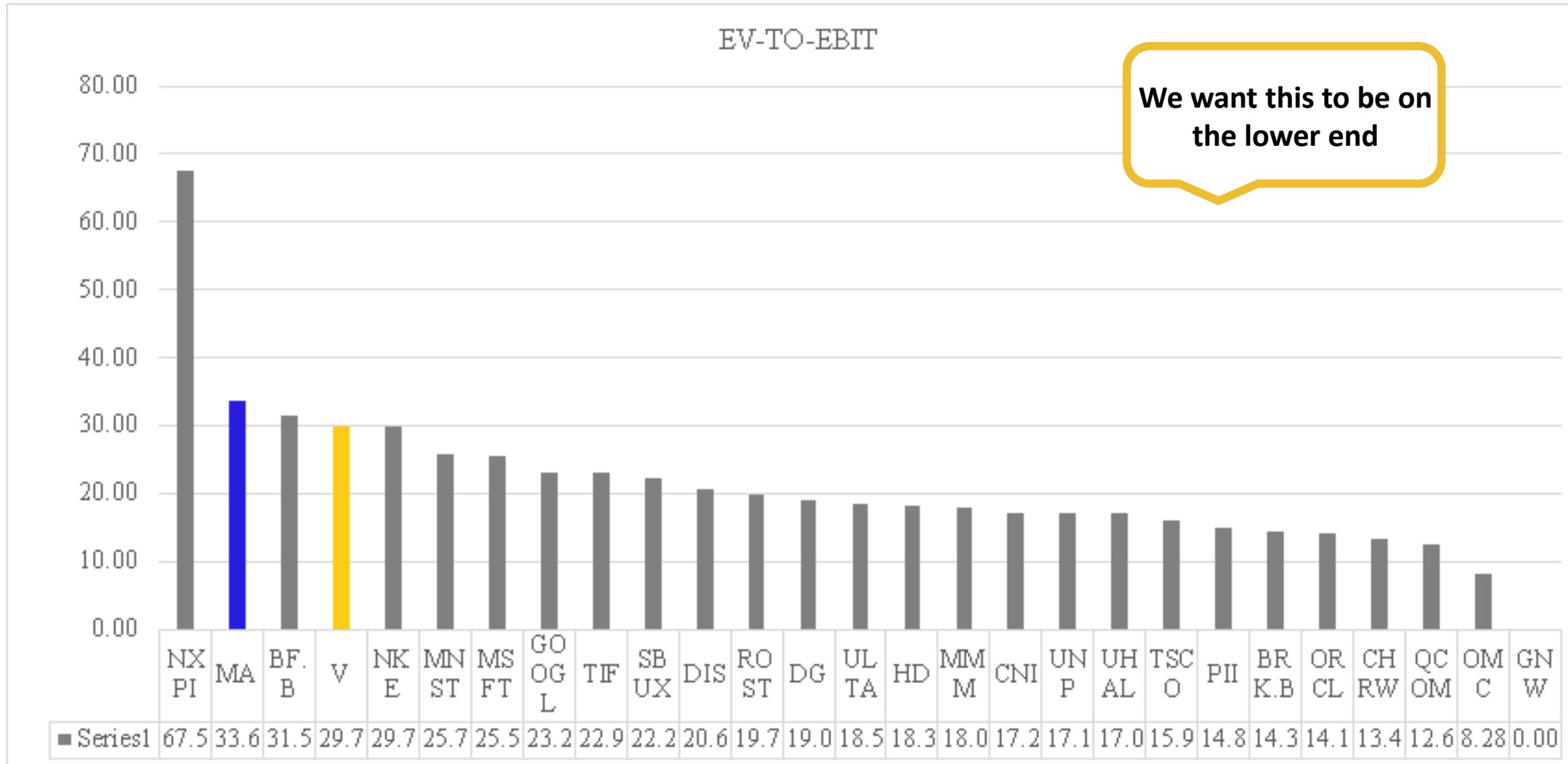


Price to Free Cash Flow

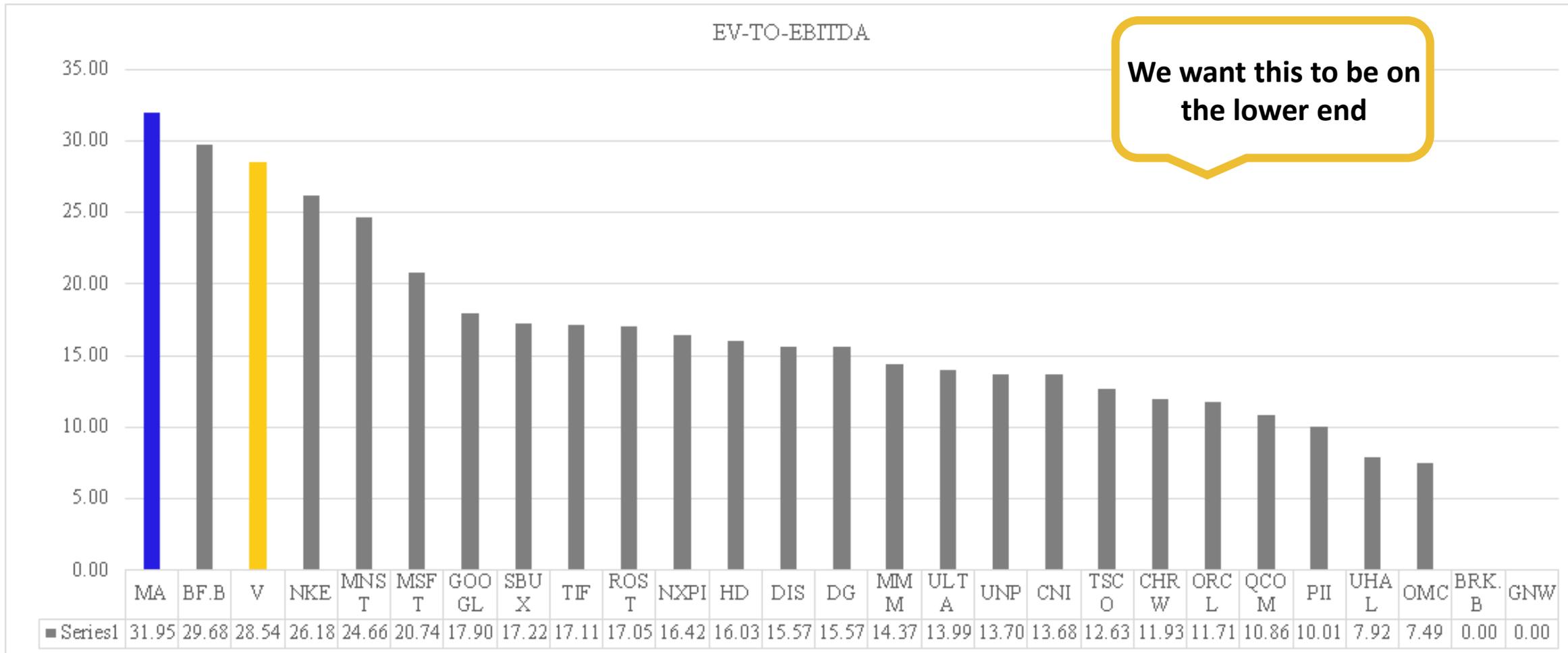
We want this to be on the lower end



Enterprise Value-to-EBIT



Enterprise Value-to-EBITDA



Why Don't We Just Buy Mastercard Again?



Visa and Mastercard are both exceptional companies with outstanding balance sheets and very similar business models.



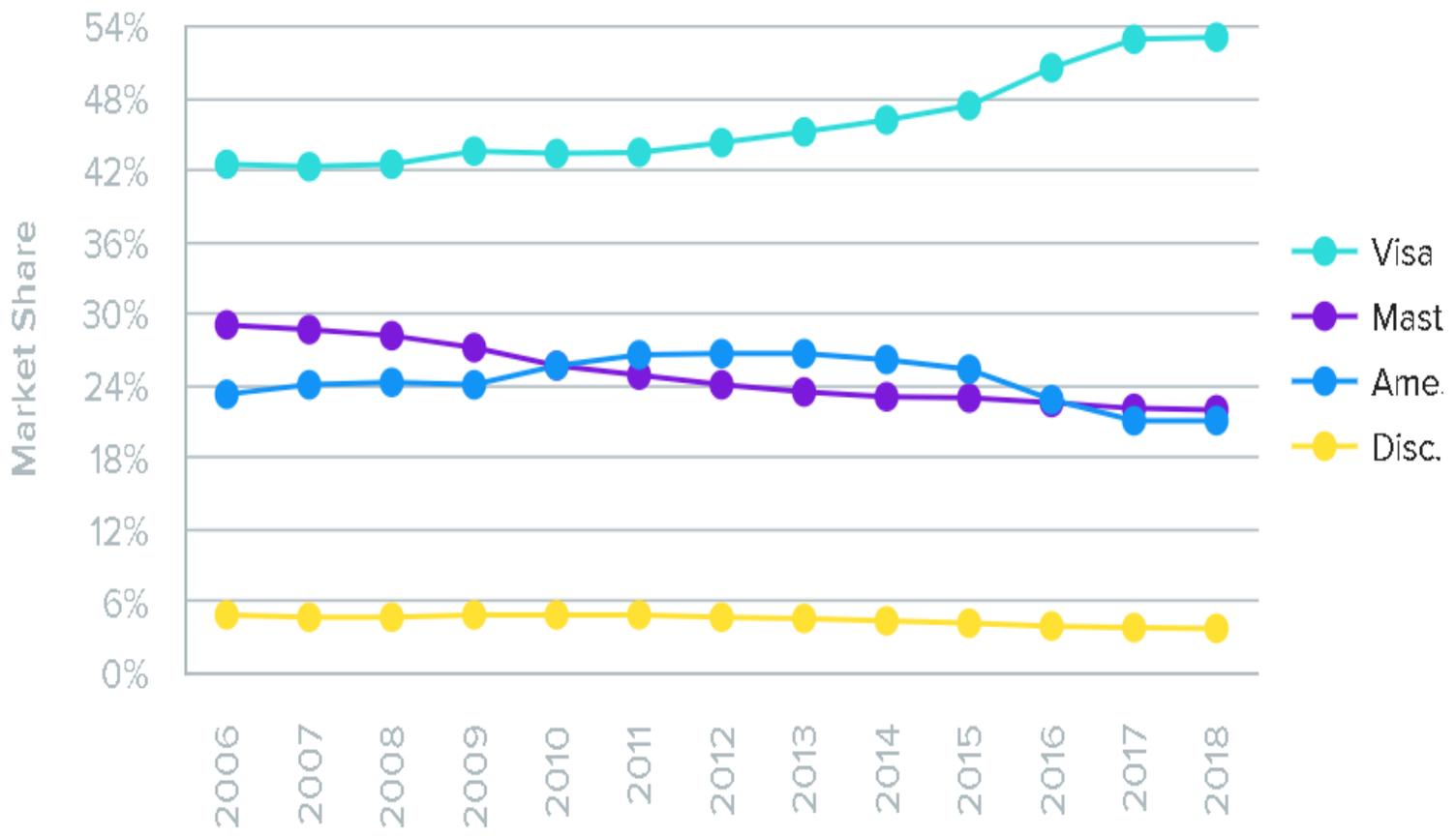
Visa's value is derived from their immense moat which we believe will continue to expand as Visa backs new means of transferring funds such as Venmo, Tap to Pay, Digital Wallets, etc.



Visa's larger network of financial institutions and greater market share of transactional volume aids Visa's brand and gives Visa the ability to better negotiate contracts which delivers pricing power

US Transaction Volume V. Competition

Credit Card Market Share by Network Purchase Volume



Visa and Mastercard

The Visa logo is displayed in a bold, blue, italicized sans-serif font.

PEG Ratio: 2.17x

ROE: 35%

ROIC: 32%

Net Margin: 52.6%

Moat: **Wide**

Forward ROR: 19.63%



PEG Ratio: 2.49x

ROE: 156%

ROIC: 145%

Net Margin: 46.8%

Moat: **Wide**

Forward ROR: 18.29%

Summary

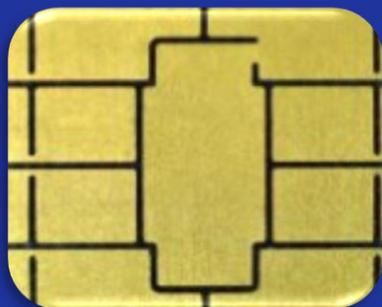
Visa holds the most powerful brand, largest network, and highest market share out of all the payment processing networks.

Visa is poised to deliver continued growth in domestic and international transactions, with solid financial statements and returns

The company does exceed its valuation, but it is uncommon to buy either Visa and Mastercard at a significant discount



Recommendation



Market order \$200-\$210



1234

5678

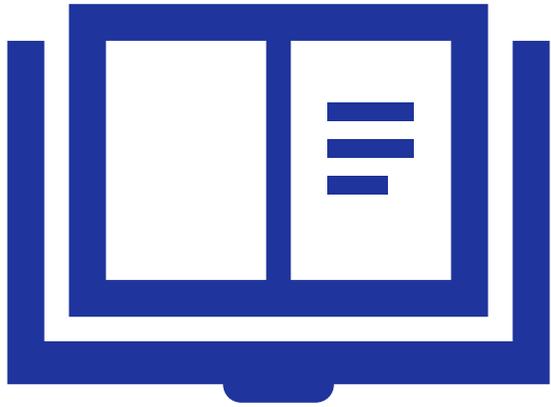
9101

1213

D. Sather

Good Thru:8/25





Appendix

As we look to the next 3-5 years, our strategy is clear

We will accelerate the growth in our revenue streams and fortify Visa's strong foundation



Accelerate growth

Grow and broaden our revenue streams in consumer payments, new flows and value added services as we expand the network into the Network of Networks



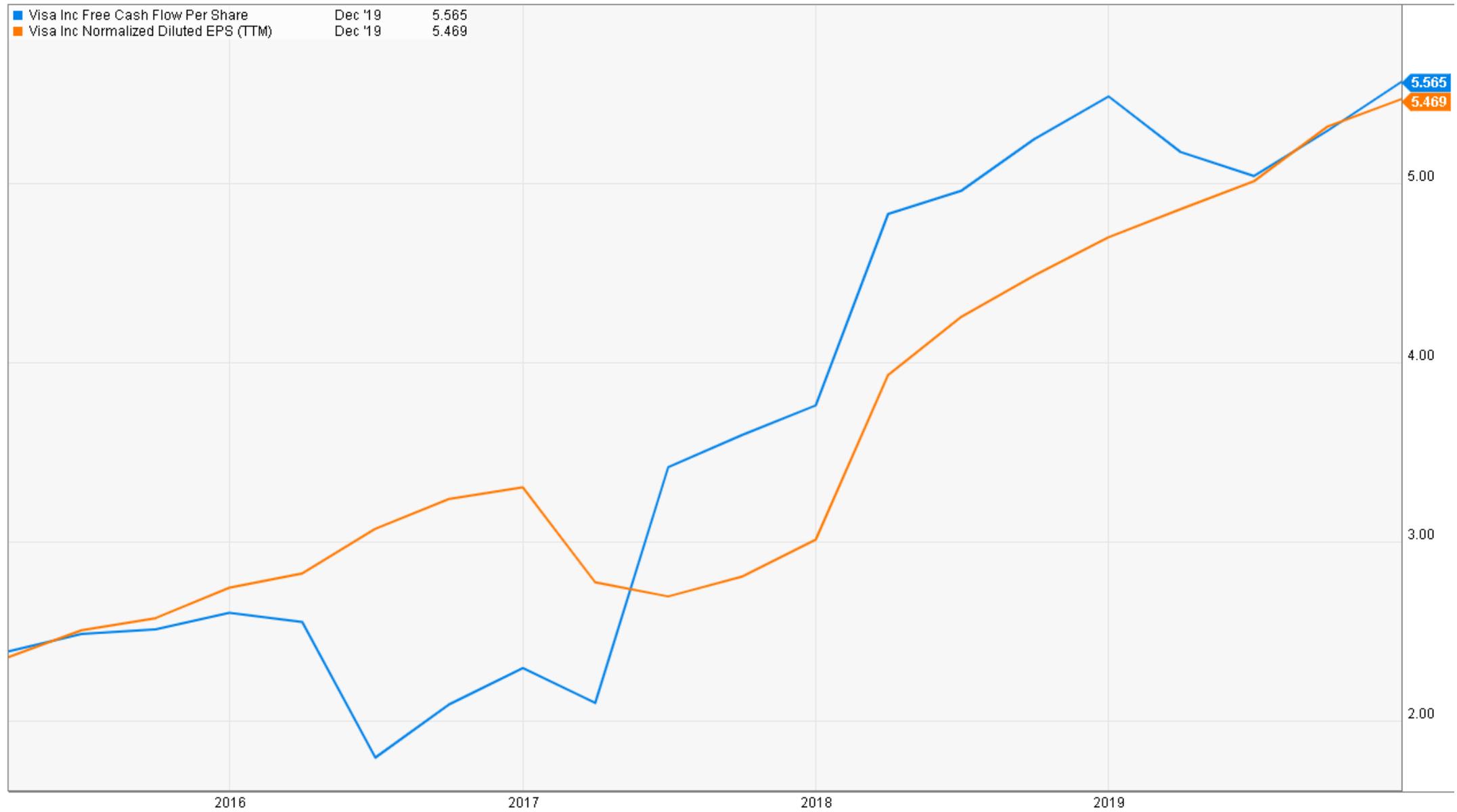
Fortify our foundation

Build upon Visa's strong brand, leading technology, fortress security and exemplary talent

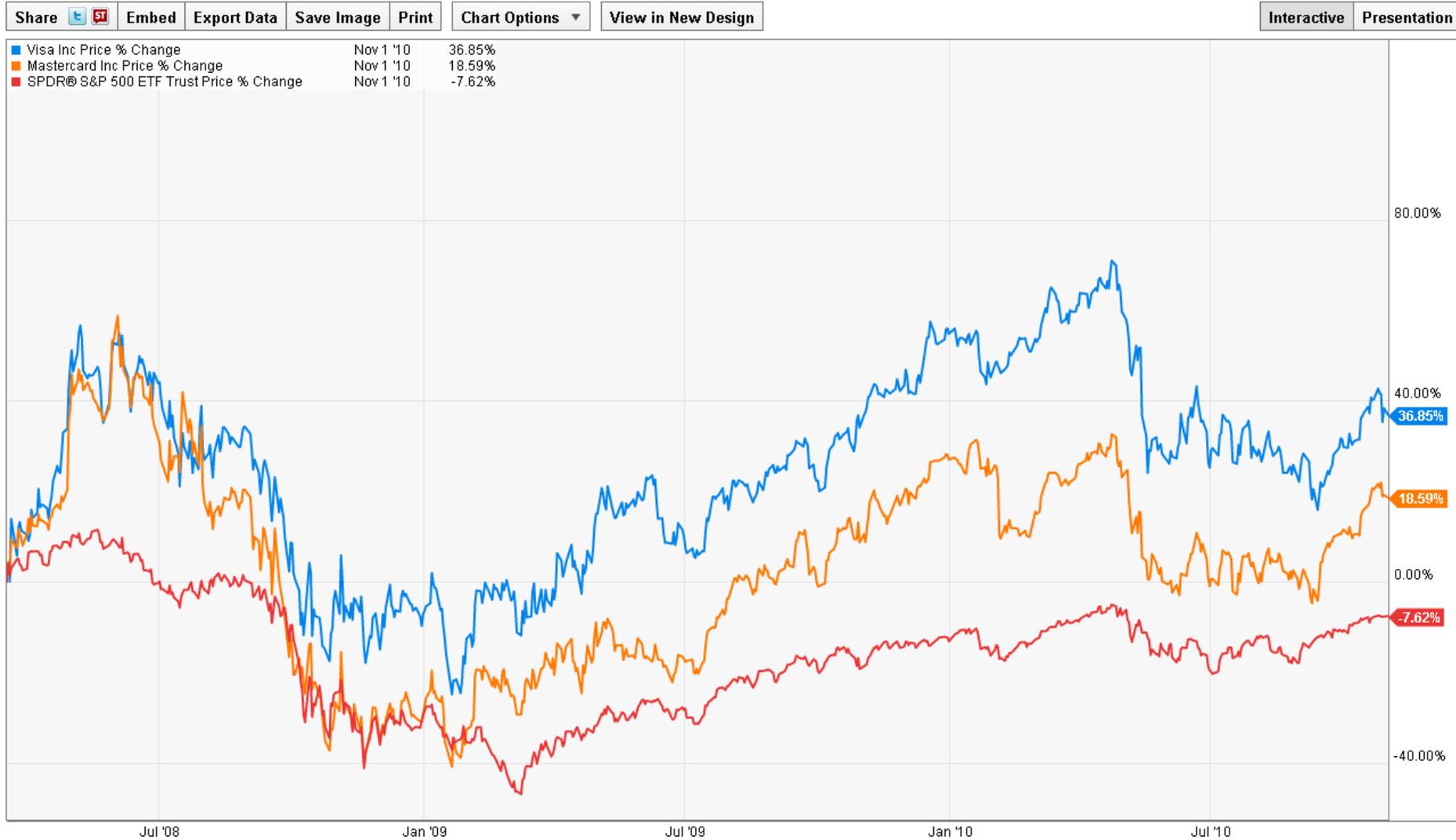
Non-GAAP Adjustments

- *Litigation provision.* During fiscal 2019 and 2018, we recorded a litigation provision of \$370 million and \$600 million, respectively, and related tax benefits of \$83 million and \$137 million, respectively
- Visa donated investment securities to the Visa Foundation and recognized a non-cash general and administrative expense of \$195 million, before tax, and recorded \$193 million of realized gain on the donation of these investments as non-operating income
- Tax Act requirement that we include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income, we recorded a one-time transition tax estimate of approximately \$1.1 billion.

Free Cash Flow P/S to EPS



2008-2010 Performance



Key trends are driving fundamental changes in the ecosystem



Consumers choosing
simple, compelling
experiences



Access to financial
products and services
expanding globally



Digital fintech platforms
increasingly launching
payments products



Flows digitizing
beyond consumer
payments



Alternative money
movement platforms
modernizing

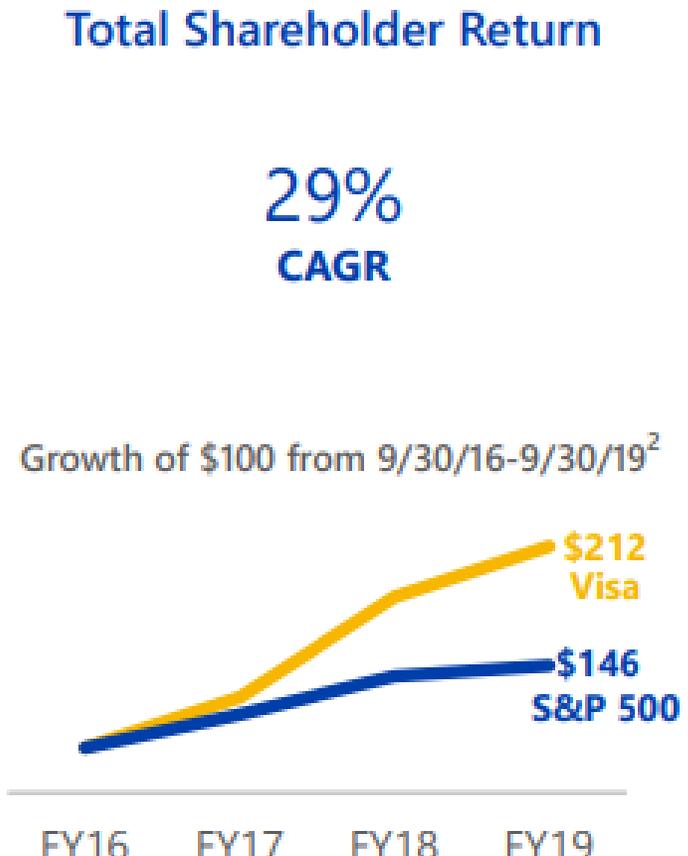
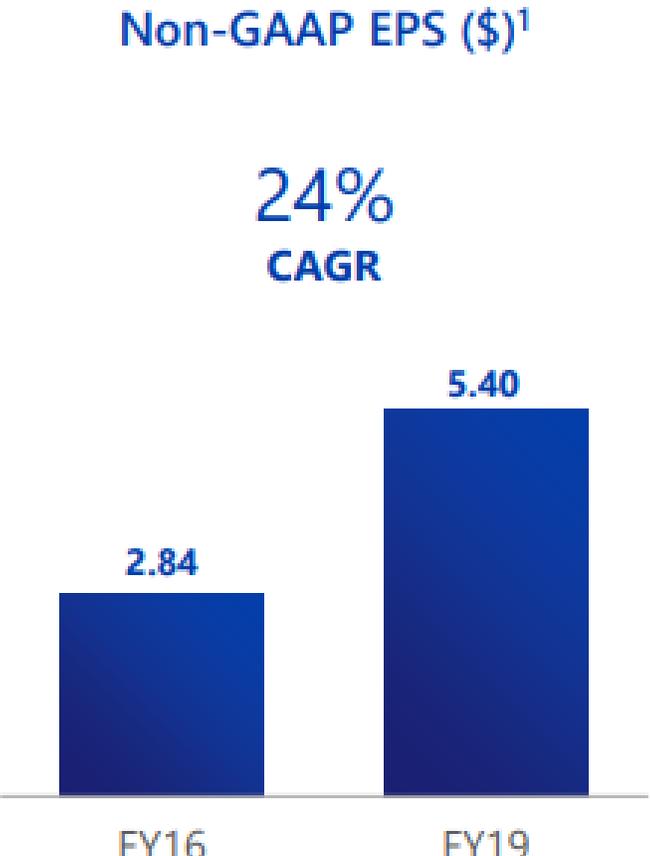
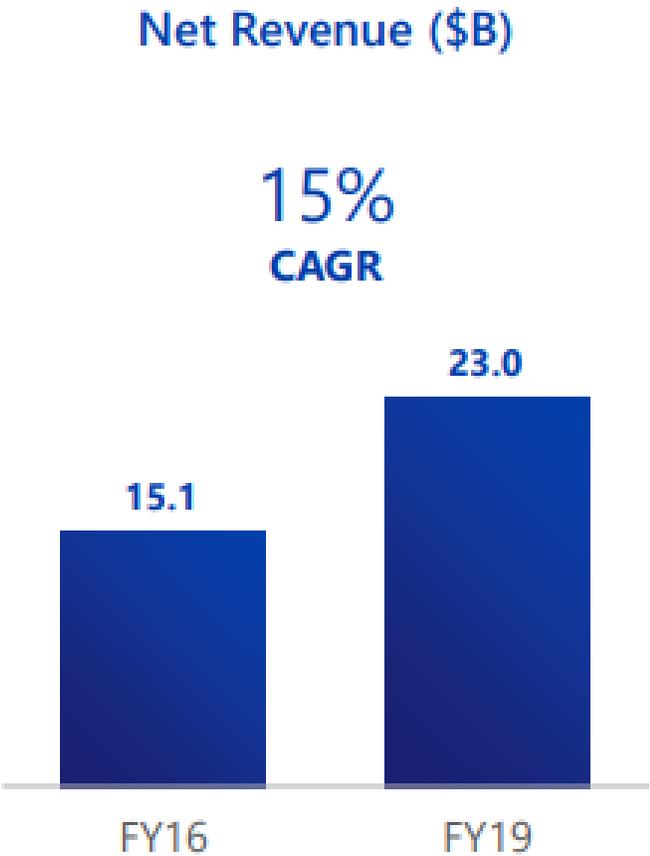


Governments
becoming increasingly
active in payments

Our industry is unique – total addressable market continues to expand with many vectors for growth



We have delivered strong financial performance and superior shareholder returns since 2016...



Notes: 1. Non-GAAP EPS excludes the impact of special items and equity investment gains and losses. 2. Growth of \$100 from September 30, 2016 through September 30, 2019. Assumes reinvestment of dividends. Source: Visa Analysis.

Growth since 2016

Facilitating commerce

34% Payments volume

40% Payments transactions

42% Merchant locations

Moving money

2x Bank account reach

130+ Fast funds enabled countries

41% B2B payments volume

All you need to know about

Tokenization

Visa Token Service, a new security technology from Visa, replaces sensitive account information, such as the 16-digit account number, with a unique digital identifier called a *token*. The token allows payments to be processed without exposing actual account details that could potentially be compromised.



Our industry is unique – total addressable market continues to expand with many vectors for growth



We have an opportunity to accelerate revenue growth



Consumer Payments



Credentials



Acceptance



Engagement



New Flows



B2B



B2b



B2C



P2P



G2C



Value Added Services



Issuer & Consumer Solutions



Acquirer & Seller Solutions



Security & Identity



Data Solutions



Visa Consulting & Analytics