

## **DELTA OUTCOMES GLOBAL LEADERS / INVESTMENT STORY**

# **Why We Own Visa: Trust at the Speed of Money**

The dangerous moment in a payment is no longer always when a card is stolen. It may be when the customer knowingly presses send.

In an authorised push-payment scam, the instruction is genuine but the story behind it is false: a criminal poses as a bank, supplier, relative or investment provider and persuades someone to transfer money. Because modern account-to-account payments can settle almost instantly, the victim may realise what happened only after the money has moved.

The scale is human before it is financial. The UK's Payment Systems Regulator recorded about 58,400 reimbursable claims closed in the first quarter of 2026. Payment firms returned £72.6 million to victims in that quarter. Reimbursement matters, but preventing the transfer is better.

That is the doorway into Visa's investment story. Faster and more open payment systems create enormous convenience. They also create a structural need for trust, identity and fraud intelligence to move just as quickly as the money.

## **Payments are moving faster than trust**

More commerce is conducted through cards, wallets, bank transfers and embedded digital experiences. Consumers expect payments to work immediately. Banks must stop fraud without blocking genuine activity. Regulators increasingly expect payment providers to protect victims and carry part of the cost when controls fail.

This is persistent demand, not a fashionable technology cycle. Every new payment type creates another place where identity, authorisation, routing, settlement and dispute management must work. The investable question is not merely whether digital payments grow. It is who can make that growth reliable and earn attractive returns while doing so.

## **What Visa actually does**

Visa does not normally lend the money behind a purchase or take the consumer's credit risk. It operates payment infrastructure. Its network connects consumers, merchants, banks, fintechs and governments, authorising transactions, carrying information, clearing instructions and supporting settlement across more than 200 countries and territories.

Visa earns service revenue linked to payment volume, data-processing revenue from transactions and network services, international transaction revenue from cross-border activity, and other revenue that includes advisory, benefits and value-added services. Client incentives paid to banks and other partners reduce reported revenue and are a crucial part of the economics.

The company is expanding beyond card rails. Visa Direct moves money to eligible cards, accounts and wallets. Open-banking and account-to-account services connect different

systems. Risk and identity products help clients detect fraud, improve approval rates and manage disputes.

**Where it fits.** Visa sits primarily within Delta's Human Advancement theme because secure access to payments helps people and businesses participate in modern economic life. Our other themes are Climate Action and Nature Innovation. Digital infrastructure has an environmental footprint and payments can support new forms of resource-efficient commerce, but those are secondary here. We give every company one primary classification so the investment logic remains understandable.

## How the advantage becomes earnings

Visa's advantage begins with network effects. A payment network becomes more useful when many issuing banks, merchants, consumers and technology partners connect to it. Scale then produces data, operating leverage and the capacity to invest in reliability, security and new products. Integration is complex, trust is hard won, and switching a major payment relationship can be costly.

Fraud prevention may deepen that advantage. Visa completed its acquisition of Featurespace in December 2024, adding behavioural analytics that examine how a payment differs from a customer's normal activity. On 1 September 2026, Visa introduced an enhanced A2A Protect service with a unified fraud score, the first product described by the company as combining Visa and Featurespace technology in the market.

The commercial mechanism is straightforward. Banks need better fraud detection because losses, reimbursement, investigations and false alarms are expensive. If Visa can provide useful risk intelligence through one integration, it can earn value-added-services revenue, make its broader network more valuable and remain relevant even when the payment travels over an account-to-account rail rather than a Visa card. A technology that is sometimes presented as a threat can become an adjacent revenue pool.

That outcome is not automatic. Clients must see enough fraud reduction, fewer unnecessary alerts and manageable implementation costs to justify paying for the service. Visa must also integrate acquisitions without allowing complexity to erode returns.

## What the latest results tell us

Visa's fiscal third-quarter 2026 results show the strength of the current engine. Net revenue rose 14% year on year to \$11.6 billion. Payments volume increased 10%, cross-border volume excluding transactions within Europe grew 12%, and processed transactions rose 10% to 71.7 billion. GAAP earnings per share increased 10% to \$2.97. The company returned \$6.2 billion to shareholders through buybacks and dividends during the quarter.

There is useful tension in the numbers. Data-processing revenue grew 17%, supporting the view that more activity and services can compound across the network. Client incentives, however, rose 18% to \$4.7 billion. Incentives can secure relationships and stimulate volume, but they are also the main offset to gross revenue. We need to see that incremental growth

continues to earn attractive returns after those payments and the investment needed to protect the system.

Valuation therefore matters. Visa is a high-quality business only if the price paid leaves room for regulatory, competitive and execution risk. Delta tests the expected growth in volumes and services, the durability of margins and cash generation, and the capital required to defend the network against the market's expectations. A strong franchise is not attractive at every price.

## A financially strong business, not just a good story

A compelling theme only matters if the company behind it can actually deliver, year after year. A business that cannot fund its own investment in fraud prevention and network resilience will struggle to keep earning the trust its impact case depends on, however good its products sound. So before we get carried away with the story, we ask a simpler question: is this a genuinely well-run, profitable company? On the numbers, the answer is clearly yes.

**Profitability.** Visa earns exceptional returns on the capital shareholders have invested. Return on shareholders' equity – essentially, how much profit it generates for every dollar shareholders have invested – has risen every year for the past three years, from around 45% to just over 50%, among the strongest levels of any large financial-services business anywhere in the world. Return on invested capital tells a similar story: it has climbed from around 89% to just over 100% over the same three years, an order of magnitude above the return Delta requires as a minimum acceptable outcome, and reflects a network that needs very little additional capital to keep growing. Underlying operating margins have held broadly steady at around 48% of revenue, though the most recent quarter shows the strain of investing for growth: adjusted operating margin (measured on net revenue) slipped by roughly a percentage point year on year as Visa stepped up spending on people, marketing and fraud technology. Management has guided to broadly flat margins for the full year – a trend worth watching, not dismissing.

**Earnings growth.** Visa's underlying (adjusted) earnings per share have grown at a mid-to-high-teens annual rate in each of the past three years, consistently outpacing revenue growth over the same period – the clearest sign that profitability is improving as the business scales, not just that the top line is getting bigger. Reported (GAAP) earnings growth has been lumpier, slowing sharply in one recent year because of a large one-off litigation provision; adjusted for that item, the underlying growth rate held firm, which is why we look at both measures rather than either alone.

**Shareholder returns.** Over the three calendar years to the end of 2025, Visa's shares delivered a total return – share price growth plus dividends – that compounded at close to 20% a year, a run that continued, more modestly, into 2026. That is a genuinely strong record, though not without a reminder of market risk: Visa's shares fell in both 2021 and 2022 alongside a broader market drawdown, evidence that even a high-quality network business is not immune to periods when the price paid catches up with the growth delivered.

None of this is guaranteed to continue – we come back to that below – but it gives us real confidence that Visa has both the profitability and the financial discipline to keep funding the fraud-prevention and network investment its impact case depends on.

## Leadership we can trust

A good business also needs to be well led. However compelling the numbers, we need to be able to trust the people running the company – because performance means little if it cannot be trusted to continue honestly.

Visa's governance is anchored by real structural strengths. The Chief Executive and Board Chair roles are held by separate people, with an independent Chair providing genuine oversight rather than a chief executive marking his own homework. Every director stands for election each year, so shareholders get a regular say over who governs the network. The board commissions a genuinely independent, externally facilitated evaluation each year and – unusually – publishes not just that the process happened, but what it found, including the specific areas it is working to improve. Executive pay is heavily weighted toward variable, multi-year performance: the large majority of senior pay is at risk and tied to earnings growth and relative shareholder returns measured over three-year cycles, backed by meaningful clawback provisions and share-ownership requirements.

This is matched by a genuinely exceptional record of capital allocation: return on invested capital has run far above Visa's cost of capital in every year we can observe, and has continued to rise, reflecting a business that needs very little capital to grow and returns the surplus to shareholders through a consistent, ongoing buyback and dividend programme. Two areas mark engagement priorities for us, rather than active concerns. First, applying Delta's own longer independence standard to board tenure narrows the board's overall independence somewhat and touches the committee that oversees financial reporting – a point we intend to raise directly, and one that Visa's own practice of periodically rotating committee chairs could help address as part of ordinary board refreshment. Second, Visa's listed shares sit alongside two non-listed, non-voting share classes that trace back to its 2007/2008 IPO restructuring rather than to founder or family control; we treat this as a structural feature to monitor rather than an entrenchment risk, and note that Visa has already begun simplifying it.

Taken together, this gives us real confidence that Visa is overseen by leadership that acts in the long-term interests of shareholders and the customers who depend on the network – while leaving us specific, concrete points to test through ongoing engagement rather than simply take on trust.

## Outcomes as evidence

Visa reports that A2A Protect increased fraud detection by 75% in the first six months of deployment, detected more than 50% more fraud and reduced unnecessary fraud alerts by over 40%. Those are promising product results, but they are company reported. The release does not identify the bank, denominator, baseline or independent assurer. They should be treated as evidence to investigate, not a universal outcome.

Visa's 2025 corporate responsibility report provides a broader but still company-reported picture. It says ecommerce fraud rates across its ecosystem fell 8% in fiscal 2025, nearly twice as many fraudulent ecommerce transactions were blocked as in the prior year, and its Scam Disruption team had disrupted more than \$1 billion in presumed scam activity since fiscal

2024. The report also records nearly five billion payment credentials, a measure of reach rather than proof of improved financial wellbeing.

For Delta, measurable outcomes do not make Visa investable by themselves. They help test whether customers are paying for capabilities that solve a real problem at scale. Better independent evidence would include named deployments, stable definitions, avoided-loss estimates net of false positives, and proof that protection reaches vulnerable customers without excluding legitimate users.

## Value, decision, and tension

We own Visa because three things line up: a durable, structural source of demand as payments move faster than the trust and identity checks that keep them safe; a genuinely high-quality, well-run business behind that demand, with rising returns on capital and a strong recent run of shareholder returns; and a board and management team we trust to act in shareholders' and customers' long-term interests. Few payments businesses offer conviction on all three fronts at once.

We do not own it on the assumption that every product outcome Visa reports is independently proven, that today's margins are permanent, or that the Department of Justice case discussed below will resolve in Visa's favour. The central tension is valuation: Visa's shares trade at close to 28 times forecast earnings for the current fiscal year, a premium that already assumes double-digit growth, resilient margins and continued success turning fraud-prevention technology into revenue. A high-quality network becomes a poor investment when its price already assumes flawless execution and unbroken pricing power – which is why valuation discipline, not enthusiasm for the theme, governs our position sizing.

## What could break the chain

A number of things could weaken this thesis, and we watch for all of them:

- Demand and execution risk. New payment rails – domestic instant-payment systems, open banking, wallets and stablecoins – may route activity around traditional card networks faster than Visa's own services can adapt. Merchants and regulators may push harder on fees, and larger client incentives could absorb more of the value created by volume growth.
- Regulatory and legal risk. A US Department of Justice civil case alleges Visa used exclusionary agreements to protect its position in debit networks; Visa disputes the claims, and a court's 2025 decision to let the case proceed is not a finding of liability. It is, however, a live test of how much of Visa's advantage rests on customer value and innovation rather than on conduct regulators may restrict.
- Operational and trust risk. A cyber incident, prolonged outage, misuse of data or poorly governed AI model could damage the network's reputation. A fraud tool that blocks too many legitimate payments transfers cost and frustration to customers rather than removing it, and a model that misses new scam patterns can create false confidence.
- Financial-quality durability risk. The profitability and shareholder-return record set out above is a track record, not a guarantee. Margins would need to hold up, and client

incentives would need to keep growing more slowly than the business they support, through a weaker consumer or economic cycle for the thesis to remain intact.

- Impact-case risk. A2A Protect's early results are company reported, without an independent denominator or assurer. If real-world fraud reduction proves smaller than claimed, or excludes legitimate customers as a side effect, the impact case weakens on its own terms even where the commercial case does not.

We would become materially more cautious if processed-transaction and payment-volume growth stopped translating into revenue and cash, if value-added services failed to outgrow their acquisition and development costs, if client incentives persistently rose faster than the business they support, or if the Department of Justice case or new regulation structurally weakened Visa's pricing and routing position. Valuation can disconfirm the case even when the company continues to perform.

## The ownership test

Visa earns its place in the portfolio if the shift to digital money movement continues, its network and data improve customer economics, adjacent services turn alternative rails into opportunity, and revenue growth converts into durable cash at a sensible valuation.

The test is demanding. Trust must improve as payments become faster. Growth must survive incentives, regulation and new forms of competition. Featurespace must become more than an acquisition narrative. Product outcomes must be demonstrated, not simply asserted. And the profitability, capital discipline and board oversight described above must hold through a weaker cycle, not just a strong one.

That is what owning Visa represents: a stake in infrastructure that can make economic participation easier and safer, funded by genuine financial strength and overseen by leadership we trust – provided the company keeps earning that trust from customers, regulators and shareholders.

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