



## Visa Inc. (NYSE: V)

Sector: Financial Services (Credit Services)

Target Price	Current Price	52 Week High	52 Week Low	P/E	Mkt. Cap	Dividend	Beta
\$245.22	\$221.75	\$252.67	\$179.23	29.44	\$471.62B	.58%	.98

### Business Description

Founded in 1958, Visa is a digital payments company providing transactions between financial institutions, consumers, merchants, and banks. Their global payments technology company works to allow consumers, businesses, banks, and governments to use digital currency. They facilitate secure, reliable, and convenient transactions between financial institutions, merchants, and consumers. Under Visa operates VisaNet, which is a processing network that enables authorization, clearing, and settlement of payment transactions.

### Industry

Visa operates in an industry experiencing significant macroeconomic tailwinds. Within the industry, there are five main players, as there are high barriers to entry. As the use of cash continues to decrease, card payments will continue to make up more, especially with the effects of Covid-19. Worldwide, there are near 3 billion credit cards. Fundamental economic measures point to a strengthening and growing global economy, fostering the increases in consumer spending levels and cross-border transaction volume that is critical to Visa's growth.

### Valuation Assumptions

WACC: 8.0%

Perpetuity Growth Rate: 4.0%

Implied Share Price: \$245.22

Margin of Safety: 11.30%

Implied Perpetuity Growth Rate	
Terminal Year Free Cash Flow	\$ 22,758.9
WACC	8.0%
Terminal Value	\$ 591,730.2
<b>Implied Perpetuity Growth Rate</b>	<b>4.0%</b>

		Sensitivity Analysis of Implied Price				
		WACC				
		7.0%	7.5%	8.0%	8.5%	9.0%
PGR	3.0%	254.12	225.20	202.08	183.17	167.42
	3.5%	286.10	249.62	221.25	198.57	180.02
	4.0%	328.74	281.01	<b>245.22</b>	217.39	195.14
	4.5%	388.43	322.86	276.03	240.92	213.62
	5.0%	477.98	381.45	317.11	271.17	236.71

### Investment Thesis

Visa has always been a leader in the market. With high barriers to entry, Visa is poised to not only maintain their market share but increase it. Due to the COVID-19 Pandemic, e-commerce has grown tremendously. Not only will an expectation in online sales increase benefit them, but the Buy Now, Pay Later scheme (BNPL). Lastly, digitalization. As we transition from a cashless society, all payment networks, including Visa, will benefit. In all, we believe Visa is in a strong position to grow themselves, which has not been reflected in its share price. Therefore, we recommend a **buy** on Visa.

### Risks

As cryptocurrency becomes more popular, a new network under blockchain could be formed, where Visa's network would no longer be needed; they do work in the crypto a little. Although this wouldn't happen for years, it is still something to consider. Amazon is charging Australia & Singapore consumers 50 bps fee increase on purchases using Visa. If Amazon shifts this worldwide (where it is legal), this could hurt Visa.

Implied Equity Value and Share Price	
PV of Cash Flows	\$ 73,711.8
PV of Terminal Value	\$402,721.6
Enterprise Value	\$476,433.4
Plus: Cash and Cash Equivalent	\$ 20,041.0
Less: Total Debt	\$ 20,996.0
<b>Implied Equity Value</b>	<b>\$475,478.4</b>
Fully Diluted Shares Outstanding	1939.0
<b>Implied Share Price</b>	<b>\$ 245.22</b>
<b>Current Stock Price</b>	224.33
<b>Margin of Safety</b>	9.31%