

Company: Visa Inc.	Ticker: V Price: \$209.18	Industry: Financial Services Sub Industry: Digital Payments Technology	
Target Price: \$239.72	TTM P/E: 28.09x	Beta: 0.95	Market Cap: \$394.3B
Stop Loss: 25%	Forward P/E: 23.32x	Credit Rating: Aa3 (Moody's)	Avg. Vol. (12 M): 6.865MM
52 Week High/Low: \$235.85/\$180.59	EPS: \$6.26 LTM	Rating Outlook: Stable	Div. Yield: 0.86% annual

Company Background:

Visa Inc. (Visa) is a payments technology company that provides digital payments across more than 200 countries and territories. The Company connects consumers, merchants, financial institutions, businesses, strategic partners and government entities to electronic payments. The Company operates through payment services segment. The Company's transaction processing network, VisaNet, facilitates authorization, clearing and settlement of payment transactions and enables to provide its financial institution and merchant clients a range of products, platforms and value-added services. Its products/services include transaction processing services and Visa-branded payment products. The Company also offers Tink, an open banking platform that enables financial institutions, fintech and merchants to build financial products and services and move money. Tink enables its customers to move money, access aggregated financial data, and use smart financial services such as risk insights, and others.

Industry Outlook:

Companies operating within the digital payments industry rely on consumer spending habits. With a growing reliance on digital currencies and a falling preference for cash payments, this industry is in the forefront for growth. There are headwinds affecting consumer spending in the macro space with inflation becoming rampant and a potential recession on the horizon. Many companies in the digital payment industry generate revenues based on a fraction of the total transaction amount, so investments in this industry can be seen as an inflation hedge. Potential recession would slow down consumer spending temporarily, however we strongly believe this industry will perform well in our 5-10 year investment hold period.

Investment Thesis:

Visa Inc. is a leader in the digital payments industry, who is working diligently to expand their operations. Our investment thesis for Visa is centered around three key points which we expect to continue to drive future value for the company:

1. Leaders in the digital payments industry, with continued room to grow
2. Emphasis on their growth to retain current market share and maintain strategic partnerships through innovative means
3. Foreseeable upside in the future due to a discounted price along with ability to grow through dividends and stock buy-backs.

Investment Risks:

- Regulatory risks: There is a risk for legislation to essentially lower the cut that Visa and similar companies make through successful transactions. Mitigant for this is that governments are less concerned with Visa's cut but are rather concerned with the banks.
- Business risks: There is intense competition in this industry and Visa is dependent on relationships with clients and merchant banks. This is negligible due to the fact that Visa provides exceptional service and is expanding into emerging markets.
- Economic risks: This was briefly touched on in the industry outlook, however Visa relies on consumer spending to generate revenues. This is negligible due to the cyclical nature of consumer spending. It is expected to grow regardless in a 5-10 year period

3-5 takeaway's from last quarter investor call transcript:

- Growth has been stable or improving in overall domestic payment volume, credit, debit, card present and card backwards, and volume. This indicates a strong resilience against the economic headwinds of 2022.
- While growth has been stable in aggregate, there are announced big shifts under the surface that continue to demonstrate the momentum of the recovery.
- Affluent spending is continuing to recover, particularly in areas of restaurants, travel, and entertainment. Non-affluent spend remained relatively resilient.
- There have been several important partnership renewals globally this quarter. Renewed partnership with ICBC, the largest bank in the world in terms of assets and the biggest credit card issuer in China.
- Renewed with one of Japan's largest credit issuers, Credit Saison, and they even expanding on relationship with Toyota Finance.
- Expanded significantly in Visa Direct and Currencycloud to broaden global footprint and increase cross-border transactions.

See below for financial performance, ESG, DCF, and Relative Valuation

4-Year Financial Performance:

	2018	2019	2020	2021	2022
Revenue (\$MM)	\$ 20,609	\$ 22,977	\$ 21,846	\$ 24,105	\$ 29,310
Net Income (\$MM)	\$ 14,290	\$ 16,159	\$ 14,852	\$ 16,581	\$ 20,424
NOPLAT (\$MM)	\$ 11,785	\$ 13,355	\$ 11,928	\$ 12,829	\$ 17,245
Revenue Growth %	12.3%	11.5%	-4.9%	10.3%	21.6%
EBIT % Margin	69.3%	70.3%	68.0%	68.3%	69.7%
ROE	30.6%	35.0%	30.7%	32.7%	41.80%
FCF	\$ 11,680	\$ 13,255	\$ 11,959	\$ 12,928	\$ 17,136

Discounted Cash Flow Valuation:

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$41,522
Discount Rate	9.00%
Terminal Value	\$781,367
Perpetuity Growth Rate	3.50%

Implied Equity Value and Share Price	
PV of FCF	\$182,231
PV of Terminal Value	\$330,058
Enterprise Value	\$512,290
Less: Debt	\$20,200
Add: Cash & Equivalents	\$18,522
Equity Value	\$510,612
Diluted Shares Outstanding	2,130
Implied Share Price	\$239.72
Current Price	\$210.99
Margin of Safety	11.99%

Relative Valuation:

Ticker	Firm	Market Cap	Net Debt	Enterprise Value	EV/EBITA	EV/EBIT	EV/Sales	P/E	P/FCF	ROE	ROIC
	Via Inc	\$447,562	\$1,774	\$449,336	21.50x	23.01x	15.35x	29.80x	22.44x	44.14%	25.35%
MA	MasterCard Inc	\$327,973	\$6,571	\$334,544	25.50x	28.10x	15.46x	34.20x	30.58x	126.79%	40.24%
AXP	American Express Co	\$112,652	\$12,726	\$125,378	9.50x	12.51x	2.38x	15.17x	7.21x	35.13%	12.31%
COF	Capital One Financial Corp.	\$38,019	\$34,560	\$72,579	4.70x	6.75x	2.02x	4.39x	4.23x	21.45%	12.10%
DIS	Discover Financial Services	\$29,308	\$11,229	\$40,537	5.20x	7.05x	5.90x	6.98x	4.96x	48.28%	16.57%
PYPL	PayPal Holdings Inc	\$99,125	\$110	\$99,235	19.90x	27.24x	3.67x	32.14x	17.86x	19.97%	14.20%
Top Quartile		\$274,143	\$12,352	\$282,253	21.10x	26.18x	12.99x	31.56x	21.30x	47.25%	23.16%
Mean		\$175,773	\$11,162	\$186,935	14.38x	17.44x	7.46x	20.45x	14.55x	49.29%	20.14%
Median		\$105,889	\$8,900	\$112,307	14.70x	17.76x	4.79x	22.49x	12.54x	39.64%	15.42%
Bottom Quartile		\$53,296	\$2,973	\$79,243	6.28x	8.42x	2.70x	9.03x	5.52x	24.87%	12.80%

Total Return %

	VISA	Digital Payments	SPY ETF
YTD	-5.45%	-18.31%	-16.86%
1 Year	7.05%	-20.65%	-14.84%
5 Year	86.99%	12.65%	53.25%

ESG

	Score	Vs. Peers
Environmental	6.69	Leading
Social	0.95	Above Median
Governance	7.65	Leading
MSCI Rating	A	
Sustainalytics Score	16.42 (Low Risk)	
S&P Global Rank	84	