

Company: Visa	Ticker: NYSE \$V	Price: \$231.44	Industry: Information Technology Sub Industry: Financial Transaction
Target Price: \$249.06 Stop Loss: \$185.12 52 Week High/Low: 250.58/174.60	TTM P/E: 28.52x Forward P/E: 29.37x EPS: \$6.26	Beta: 0.94 Credit Rating: Aa3 Rating Outlook: STABLE	Market Cap: 477.16 B Avg. Vol. (12 M): 7.9 M Div. Yield: 0.78%

Company Background:

Visa originated as BankAmericard in 1958 as one of the first cards to offer a revolving line of credit feature. Now the company is the leading card provider and made \$29.3 billion in revenue in 2022. Visa has 4 billion cards in circulation and makes money off the open loop system. The open loop system operates with 5 parties involved in the payment process when a consumer makes a purchase and pays with their Visa card. Visa can charge the issuers and the acquirers fees for communicating through Visanet and is also able to charge merchants fees as well. Visa has three main streams of revenue: service, data processing, and international transactions. Service provides revenue through support of client usage of Visa payment services. Data processing provides revenue through facilitation transaction and information processing globally. Lastly revenue derived from international transactions relates to cross-border transaction processing and currency conversion. Visa was under the leadership of Alfred Kelly for 6 years and recently announced that Ryan McInerney (current President of Visa) will be taking over the role come February.

Industry Outlook:

The card industry is here to stay as cash payments have heavily declined over the past 5 years. Credit and debit cards are taking over consumer's wallets making up roughly 76% of payments. In 2019 the Federal Reserve released survey results that showed consumers made an average of 69 payments and 42 were made with card. After the pandemic cash payments have seen a major drop off as well making cards ever the more powerful with the "tap to pay" feature. Visa has a dominant market share in the industry as it is the largest card provider.

Investment Thesis:

My investment thesis revolves around 3 pillars. My first pillar is that Visa has the largest customer base and due to their business model relying on the volume of transactions the two mesh well. My second pillar revolves around Visa's opportunities for growth as they are looking to expand their value added services and have a strong grip on the card payment system so that most new merchants are going to have to accept Visa. Lastly Visa returns value to shareholders as they have been able to pay a consistent dividend and repurchase stock.

Investment Risks:

One could argue that cryptocurrency is the biggest threat to the card system, as people can make transactions without having to use the Visa system thus no fees applied, and no revenue is generated for Visa. But crypto has taken a hit due to the unregulated nature of the asset and cryptocurrency is not as trusted and is not as engrained in the life of the average person as a card is. Another risk is regulatory laws coming down on Visa as Visa has a very dominant market share and has very high margins and has been scrutinized for some of the merchant discount rates it has charged thus causing lawsuits. The mitigant to this is that Visa still has healthy competition with Mastercard and American Express to the point where it is not a monopoly. Lastly cybersecurity is a big risk as well consumer's personal information related to banking and finances is a sought-after target for cyber-attacks. To counter this, Visa invest significant amounts of capital to ensure that their cybersecurity protocols and infrastructure are up to date.

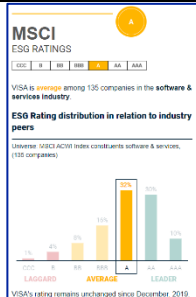
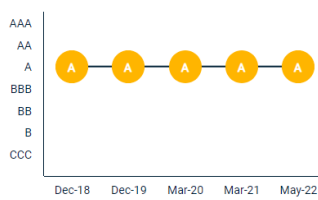
3 takeaways from last quarter investor call transcript:

- Visa has seen steady recovery of their international transaction revenue branch as travel has been opened internationally from Covid-19
- Covid within China is still a major concern to the management team and is going to be a factor they closely monitor
- Visa Direct has seen a 39% year over year growth and Visa has not seen an inflection point occur yet

ESG

ESG Rating history

MSCI ESG Rating history data over the last five years or since records began.



Discounted Cash Flow Valuation:

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$32,524
Discount Rate	9.00%
Terminal Value	\$612,044
Perpetuity Growth Rate	3.50%

Implied Equity Value and Share Price	
PV of FCF	\$153,941
PV of Terminal Value	\$258,534
Enterprise Value	\$412,475
Less: Debt	\$20,200
Add: Cash & Equivalents	\$15,999
Equity Value	\$407,964
Shares Outstanding	1,638
Implied Share Price	\$249.06
Current Price	\$224.31
Margin of Safety	11.03%

Relative Valuation:

Ticker	Name	Mkt Cap (USD)	Revenue:Y	EBITDA:Y	EBIT:Y	ROE:Y	ROIC:Y	P/E
V US Equity	VISA INC-CLASS A SHARES	475.2	29.3	19.8	18.8	44.14%	24.36%	33.67
MA US Equity	MASTERCARD INC - A	359.1	22.2	10.9	10.1	126.79%	40.24%	35.97
PYPL US Equity	PAYPAL HOLDINGS INC	90.8	25.4	5.7	4.3	19.97%	14.26%	29.43
AXP US Equity	AMERICAN EXPRESS CO	115.8	43.7	13.7	12.0	35.13%	9.16%	15.58
DFS US Equity	DISCOVER FINANCIAL SERVICES	30.4	15.2	8.7	7.6	31.95%	16.66%	7.34
COF US Equity	CAPITAL ONE FINANCIAL CORP	43.8	38.4	21.2	13.4	13.56%	11.30%	6.53

Total Return %

	Visa	Industry	S&P 500
YTD	11.60	13.23	6.44
1 Year	2.33	-18.24	-9.85
3 Years	19.76	-13.63	26.20
5 Years	91.42	19.96	47.37