

Company: Visa Inc. Ticker: NYSE: V Current price: \$221.13 Industry: Financial Sub-industry: Credit Services			
Target Price: \$ 221.13	TTM P/E: 7.16 %	Beta: 0.96	Market Cap: \$459.75 B
Stop Loss: \$ 176.9	Forward P/E: 22.86 %	Credit Rating: Moddy's	Avg Vol (12M): 1.23% 1.49%
52 Week High/Low: \$174.60 - \$234.30	EPS: 24.5%	Rating Outlook: Aa3/ AA-	Dividend Yield: 0.81%

Company Background:

Visa Inc. operates as a payments technology company worldwide. The company operates VisaNet, a transaction processing network that enables authorization, clearing, and settlement of payment transactions. It also offers credit, debit, and prepaid card products; tap to pay, tokenization, click to pay; Visa Direct, a real-time payments network; Visa B2B Connect, a multilateral B2B cross-border payments network; Visa Treasury as a Service, a cross-border consumer payments business; and Visa DPS that provides a range of value added services, including fraud mitigation, dispute management, data analytics, campaign management, a suite of digital solutions, and contact center services.

Further, the; company provides Cybersource, a payment management platform; and risk and identity solutions, such as Visa Advanced Authorization, Visa Secure, Visa Advanced Identity Score, and Visa Consumer Authentication Service; and Visa Consulting and Analytics, a payments consulting advisory services. It provides its services under the Visa, Visa Electron, Interlink, VPAY, and PLUS brands. The company serves consumers, merchants, financial institutions, and government entities. Visa Inc. was founded in 1958 and is headquartered in San Francisco, California.

Industry Outlook:

From here, we think the key gating factors that could alter growth prospects into 2023: 1) contractionary measures by the Federal Reserve crimping consumer spending more than currently projected, 2) deep recessionary events do not emerge, disrupting current TPV trends, employment levels, etc., and 3) company-specific execution issues of previously laid out objectives and/or strategies do not emerge.

Holistically, we now estimate aggregate revenues increase by ~13% and earnings-per-share by ~15% in 2022, even as it absorbs shuttered business in Russia and currency fluctuations. TPV should also notch low-double-digit rates, powered by increased credit usage, new payment flows, and higher-margin travel activity if a China reopening comes to fruition.

Investment Thesis:

1. Visa's business model remains insulated from market crosscurrents (i.e., dimming macro picture and mixed consumer trends), given its balanced exposure across payment categories allow the company to deliver sustainable revenue and earnings growth in a wide array of scenarios. Long-term, Visa's competitive position and scale should also lead to incremental operating leverage and high returns on capital, with additional growth from adjacent payment verticals and use cases, as the recent foray into tech-focused solutions around analytics, security, and cryptos also add to future volume growth and enhanced transaction yield potential.
2. Risks to our rating and target include deteriorating macro trends prompting a bigger tail-off in consumer spending than anticipated, another tick up in the USD from current levels, adverse regulatory developments, and potential technology disruption that allows payments to be made on alternative networks.
3. Visa remains a sound capital allocator, as its cash generative business allows for healthy returns via buybacks, dividends, and M&A – we expect the company to deliver FCF of \$18B+ in FY 23 and \$20B+ in FY 24.

3-5 take away from last quarter investor call transcript:

1. Visa's performance in the first quarter of 2023 reflects stable domestic volumes and transactions and a continued recovery of cross-border travel. Total Q1 payments volume was up 7% year-over-year or 135% versus three years ago, flat with Q4. Excluding Russia and China, payments volume was up 12% or 146% of 2019.
2. Vasant Prabhu -- Vice Chairman and Chief Financial Officer: For the year, our going-in planning assumption is nominal growth of about 9%. But I would just note that in the second half of the year -- the fiscal year, the growth is actually at the high end of mid-single digits.
3. Nonoperating expense to be in the \$200 million, \$250 million range for fiscal year '23. Will provide quarterly updates through the year. Tax rate is expected to remain in the 19% to 19.5% range in FY '23.

Financial performance:	Discounted Cash Flow:
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	2018	2019	2020	2021	2022
Revenue	20,609.0	22,977.0	21,846.0	24,105.0	29,310.0
Operating Profit	13,604.0	15,438.0	14,125.0	15,851.0	19,760.0
Net Income	10,301.0	12,080.0	10,866.0	12,311.0	14,957.0
Revenue Growth (%)	12.3%	11.5%	(4.9%)	10.3%	21.6%
EBITDA%	69.0%	70.0%	68.2%	69.1%	70.4%
Net Income Margin	50.0%	52.6%	49.7%	51.1%	51.0%
D/E	48.9%	48.2%	68.0%	57.3%	65.5%
EPS	\$ 4.44	\$ 5.33	\$ 4.91	\$ 5.65	\$ 7.02
Current Ratio	1.6x	1.6x	1.9x	1.8x	1.4x
ROE	30.9%	35.2%	30.7%	33.4%	40.9%
ROA	12.4%	13.6%	11.5%	12.1%	14.7%
Dividend/share	22.6%	23.4%	17.7%	12.8%	13.6%
FCF	53.1%	42.1%	39.2%	50.9%	48.2%

	2018-2022	2023-2031
Avg Revenue Growth	18%	22%
Avg Gross Margin	96%	97%
Avg EBITDA Margin	70%	70%
Avg NOPLAT Margin	-	-
Avg FCF/Margin	24%	23.4%
Tax Rate	-	25%
WACC	-	7.5
Perpetuity Growth Rate	-	3%

Analyst Opinion

Buy: ___	Hold: ___	Sell: ___
	Rating	Target
S&P Net Advantage	Buy	\$263
Bloomberg	Buy	\$265
Yahoo Finance	Buy	\$260

Relative Valuation

Company Information	Financial Metrics	Valuation Metrics	Operational Metrics
Company Name	Day Close Price Latest	Shares Outstanding Latest	Market Capitalization Latest
Company Name	LTM Net Debt	Total Enterprise Value Latest	LTM Total Revenue
Company Name	LTM EBITDA	LTM EBIT	LTM Diluted EPS Excl. Extra Items
Company Name	Day Close Price Latest	Shares Outstanding Latest	Market Capitalization Latest
Company Name	LTM Net Debt	Total Enterprise Value Latest	LTM Total Revenue
Company Name	LTM EBITDA	LTM EBIT	LTM Diluted EPS Excl. Extra Items
High	355.53	1,131.4	338,906.3
Low	5.99	73.0	771.6
Mean	119.20	495.8	64,342.4
Median	94.47	569.2	34,601.8

*Industry Avg. includes companies listed

	V	Industry Sec	S&P 500
YTD	-2.30%	-7.70%	-17.15%
2021	7.60%	4%	-13.83%
Last 3 years	64.28%	7.56%	10.43%
Last 5 years	89.62%	8.97%	10.48%

	V	Industry
	Score	Score
ESG Disclosure	16	21.86
Governance Disclosure Score	7.5	9.95
Social Disclosure Score	7.8	11.26
Environmental Disclosure Score	0.7	1.22

-Prepared by MSFRM Fund 2 (2/19/2023) using Bloomberg, S&P Net Advantage, Morningstar, Yahoo Finance