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|--|--------------------|---------------------------------|-------------------------------------|---|
| Company: Mastercard Inc | Ticker: MA | Current Price: \$ 506.66 | Industry: Financial Services | Sub Industry: Payment Processing |
| Target Price: \$573.31 | TTM P/E: 37.8x | Beta: 1.10 | Credit Rating: --- A1 (Moody's) | Market Cap: \$475.27b |
| Stop Loss: \$405.33 | Forward P/E: 31.2x | Rating Outlook: Positive | Avg Vol (12 M): 2.1m | Dividend Yield: 0.53% |
| 52 Week High/ Low: \$508.79 / \$359.77 | EPS: \$13.07 | | | |

Company Background:

Industry Outlook:

Mastercard Inc. is a company within the financial services industry that bridges payments from consumers to merchants through a four-party payment processing structure, generating revenue from various fee-based structures. The industry is growing at a CAGR of 7.7% with a total market size of \$33.57 trillion. Within the payment processing subindustry, MA owns about 35% of the market, second only to Visa who ranks in at one with 42% of the market.

Investment Thesis:

Mastercard has diversified its revenue portfolio by expanding beyond transactional services into various financial offerings, creating new growth opportunities. Recently, the company invested over \$10 billion in cybersecurity and fraud prevention, including the \$2.6 billion acquisition of Recorded Future and an undisclosed purchase of Risk Recon. It has also allocated \$500 million to enhance its data infrastructure and AI capabilities. With developed nations seen as mature markets, Mastercard is focusing on expanding in emerging markets, particularly in Africa, to tap into growth potential.

Investment Risks:

- Cybersecurity threats such as social engineering, DDoS attacks, and malware distribution pose significant challenges, while regulatory restrictions and antitrust issues, including \$30 billion settlements and a surcharge limit of 4% on swipe fees, further complicate the landscape. Additionally, market saturation in developed countries leads to stagnation in growth, while developing nations face adaptation difficulties, making future growth unpredictable. Economic volatility adds another layer of risk, as the business model heavily depends on transaction volume and overall economic activity.

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

- Rapid growth in Africa
 - MADE Alliance – African Development Bank Group and MA will enable digital access for 100 million clients across the continent in the next 10 years
 - 90% of transactions across the continent are conducted with cash, strong position for M&A
- Expansion into cybersecurity and fraud prevention through KYC programs has shown positive sentiment
- 10-Year Sales Growth Average: 14.2% YOY

| Relative Valuation | | | | | Discounted Cash Flow | | |
|--------------------|-------------------|-------------|-------------|-----------------|------------------------|----------------|----------------|
| FY 2023 | Mastercard | Visa | AMEX | Discover | Analyst Opinion | | |
| Market Cap | \$453.6 | \$551.7 | \$190.5 | \$34.32 | Buy: 41 | Hold: 7 | Sell: 0 |
| EV | 461.9 | 549.1 | 190.8 | 43.7 | Firm | Rating | Target |
| EV/EBITDA | 28.4x | 22.4x | 8.7x | 4.4x | Oppenheimer | Outperform | \$591 |
| P/E | 36.5x | 28.9x | 20.0x | 12.1x | Morning Star | Moderate Buy | \$510 |
| P/FCF | 39.2x | 23.6x | 8.3x | 3.6x | BMO CM Team | Outperform | \$550 |
| Dividend Yield | 0.52% | 0.76% | 0.97% | 2.05% | | | |
| EBITDA Growth | 13.65% | 9.65% | 37.63% | 9.69% | | | |
| EBITDA Margin | 61.56% | 70.02% | 30.96% | 43.65% | | | |
| Sales Growth | 11.87% | 9.70% | 14.41% | 24.29% | | | |

| Financial Performance | | | | | | | Total Return | | | |
|-----------------------|--------|--------|--------|--------|---------|---------|--------------------------------|-----------|--------------------|---------|
| <i>In \$Millions</i> | 2020 | 2021 | 2022 | 2023 | Q1-2024 | Q2-2024 | Return | Stock | Pay. Process. Sec. | S&P 500 |
| Revenue | 18,889 | 29,84 | 26,803 | 31,005 | 6,348 | 6,961 | YTD | 17.21% | 9.5% | 20.27% |
| Operating Profit | 8,154 | 10,176 | 12,620 | 14,547 | 4,259 | 4,185 | Last 3 Years | 68.38% | 25.99% | 78.12% |
| Net Income | 6,411 | 8,687 | 9,930 | 11,195 | 3,011 | 3,258 | Last 5 Years | 80.23% | 24.57% | 93.36% |
| Revenue Growth (%) | -9.4% | 57.9% | -10.2% | 15.7% | 10.4% | 11.0% | CSR Characteristics | | | |
| Operating Profit (%) | 43.1% | 34.1% | 47.1% | 46.9% | 56.8% | 58.0% | Category | MA | Peer Comp. | |
| EPS | -19.77 | 37.52 | 16.67 | 15.75 | 3.23 | 3.51 | ESG Score | 5.13 | Leading | |
| P/E Ratio | 55.77 | 40.88 | 33.89 | 35.96 | 32.37 | 39.76 | Environmental Disclosure Score | 8.11 | Leading | |
| ROE (%) | 104.3% | 126.8% | 145.9% | 169.3% | 188.4% | 189.7% | Social Disclosure Score | 1.82 | Above Median | |
| ROA (%) | 20.4% | 24.4% | 26.0% | 27.6% | 29.1% | 30.1% | Governance Disclosure Score | 7.98 | Leading | |
| FCF | 5,580 | 7,705 | 9,923 | 9,943 | 1,515 | 3,023 | Prepared by Bloomberg | | | |

*Industry Avg. includes companies listed and