Visa Inc Class A (NYSE: V)



Last Price 280.53 USD 4 Mar 2024 Value Estimate 262.00 USD

4 Mar 2024

Fairly Valued

Analysts Notes

Visa showed growth slowing down in its fiscal first-quarter of 2024. The increase of net income for Q1 '24 from the previous quarter is 4.46%, in contrast to a 12.63% increase during Q4 '23, and an 8.62% increase during the comparable prior-year period. This deceleration of growth is attributable to the business transitioning from growth to maturity stage in the post-pandemic era. Growth of the company is expected to remain in its current range in the long-term.

Solid start to 2024 despite slowing growth momentum. Net revenue has increased by 9% year over year down from 12% in the previous year. Earnings per share saw a major increase of 20% year over year from 8%. Volume payments and processed transactions experienced an 8% and 9% increase year on year respectively, a marginal difference from 2023, which had a 7% and 10% increase. However, cross-border volume excluding intra-Europe transactions have a 16% increase year over year, down from 31% despite being priced similarly to domestic transactions.

Being a leader in an oligopoly setting makes a huge target for lawsuits. Visa's history of fines and settlements forms a pattern that is likely to repeat in the future.

Digital payments expected to increase by 14.57% in 2024. As consumers are slowly shifting towards online payments, Visa is able to capitalize on the growth if the market. A speculation of looser monetary policy in the US increases the likelihood of the increase volume in digital payments.

Visa's value estimate is priced at \$262 per share. The estimated value is priced within 10% of Visa's actual price per share, making the stock fairly valued.

Analysts

Visa vs S&P500 Performance



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Rating Methodology

	Discoun	t	Just Right		Premium
Value Estimate	>25%	10% - 25%	0% - 10%	10% - 25%	>25%
Rating	Severely Undervalued	Undervalued	Fairly Valued	Overvalued	Severely Undervalued

Sector

Financial Services

Industry

Credit Services

Business Overview

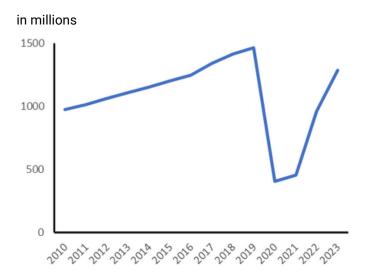
Visa is the world leader in digital payments. The business operates in more than 200 countries and processes transactions in over 160 currencies. In the fiscal year 2023, Visa has processed 213 billion transactions valued at \$12.3T.

Visa is a well-established firm that generates its revenue by facilitating the movement of funds across the world among consumers, merchants, financial institutions and government entities through innovative technology.

Visa's brand is what sets the business apart from its competitors, which is evident as Visa's covered 260 billion total transactions in 2022, compared to the nearest competitor, Mastercard, with only 150 billion total transactions. With the transition towards digital payment, Visa is expected to grow alongside the increasing market in the proximate future.

Noticeably, cross-border transactions took a nosedive during the coronavirus outbreak which caused a significant reduction in international travel. Since the start of the post-pandemic era, Visa started to see substantial growth in cross-border transactions. However, as international travel is making a full recovery, growth for cross-border transactions will start to decline.

Figure 1: International Tourists Arrivals, 2010 - 2023



Source: UN Tourism

Visa is sensitive to the fluctuations in customer transactions volumes, particularly with United States which remains its largest market. A downturn in the US economy would potentially hinder the growth of Visa. However, the scalability of the business will still allow the company to modestly expand in the foreseeable future.

Long-Term Outlook

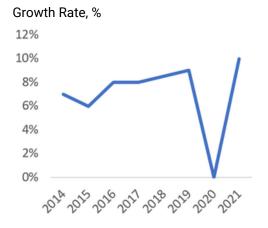
Being the world's leading payment network, Visa capitalizes on the advantage of the network effect, whereby the appeal of the service increases with the growing number of customers utilizing the network. Visa's revenue is derived from four primary sources: service, data processing, international transactions, and other services, which are all reliant on their client and merchant base. An unforeseen event leading to a widespread mistrust towards a significant amount of customers could potentially turn Visa's strength against itself, as the network effect could trigger a chain reaction of customers abandoning the service. Regaining and redeveloping the trust of customers would also be an expensive and time consuming venture for the business. However, Visa is actively preventing issues associated with fraud and security, to protect the integrity of its payment ecosystem, and ensuring problems would not arise.

Being formed in 1976, Visa has solidified its position as the dominant force in the payment processing market. As for threats from new competitors, Visa is relatively safe due to the complexity involved in creating a new network from scratch that could compete with Visa's size and reach. Therefore, all these factors conclude that Visa has a stable and strong business model that is able to maintain its sustainability in the long-term.

Bullish Sentiments

Digital payments had experienced substantial growth in the past few decades and it has surpassed cash payments in terms of growth rates, with speculations surrounding digital payments overtaking cash as the leading payment method in a few years. Visa, alongside its brand reputation, scalability and commanding market share, should allow the business to capitalize on the rapid growth of the market.

Figure 2: Digital Payments Growth Rates, Advanced Economies



Source: BIS

Bearish Sentiments

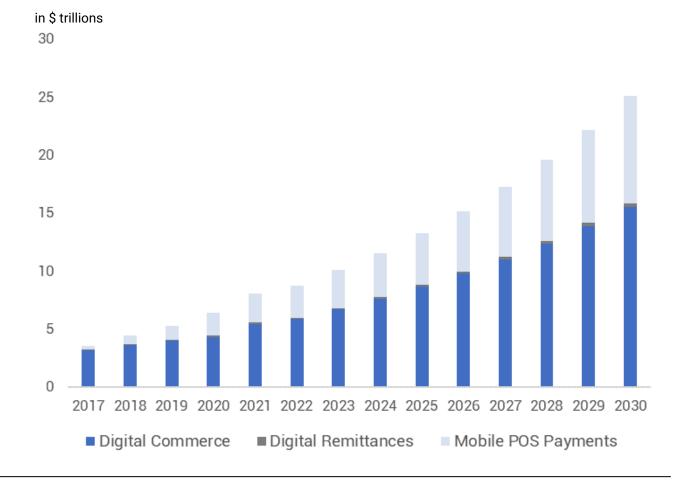
Being the leading business in an oligopolistic market alongside Mastercard, both business are an easy target for lawsuits and have paid hefty fines in the past. In December 2023, Visa and Mastercard had reached a settlement of \$5.5b for violating the law by allegedly violating anti-trust laws, including price fixing and other anti-competitive trade practices during 2004 to 2019. Similar settlements have occurred prior to this, suggesting that such legal action will potentially occur in the future.

Furthermore, possessing an unmatched amount in market share implies that Visa has more potential downside risk than an upside gain.

Industry Analysis

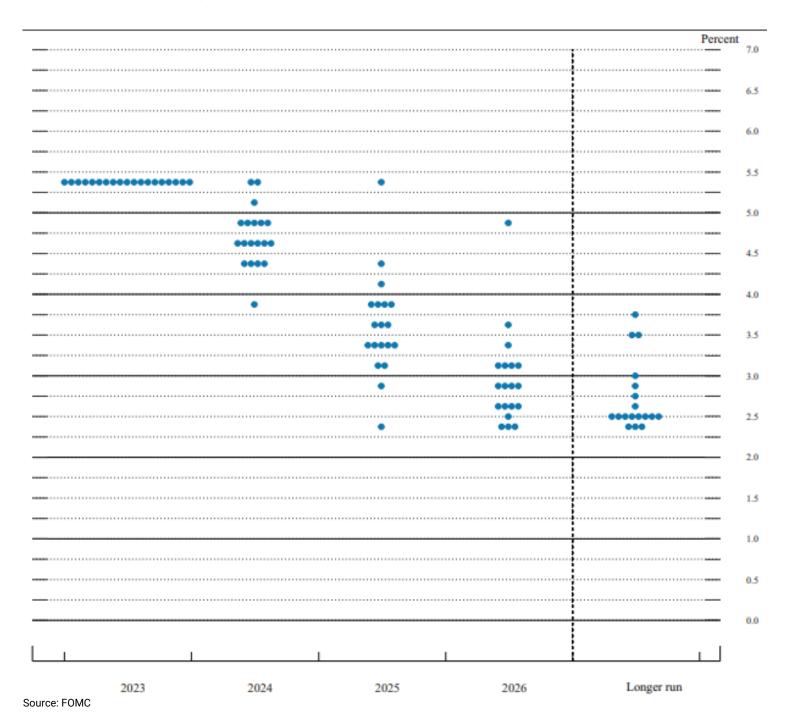
Digital payments worldwide has been growing in a steady rate for almost a decade, with expectations of further increase in the future. In 2023, worldwide digital payment values have a net increase of 15.18%, and an expected 14.57% increase in 2024. Net value of digital payments in 2023 were \$10.09 trillion, and is forecasted to achieve \$25 trillion by the year 2030.

Figure 3: Digital Transactions Volume Worldwide, Forecasted



A further confluence towards the growth of digital payments, particularly in the US is the expected loosen monetary policy by the Federal Open Market Committee (FOMC) in the long-run. As inflation is gradually reaching the FOMC's target of 2%, the lowering of the Federal Funds Rate would be expected. The digital payment industry would benefit from a looser monetary policy as consumer spending is expected to increase.

Figure 4: FOMC Participants' Assessments of Appropriate Federal Funds Rate



Competition Analysis

The digital payment network industry consists of several names recognizable by the public, Visa, Mastercard, American Express, and Diners Club. In 2022, in terms of total volume, Visa leads these four companies with \$14.1 trillion, with Mastercard behind with \$8.2 trillion.

Mastercard 34%

Figure 5: Total Volume Amongst the 4 Companies, 2022

Mastercard

Mastercard is the second leading business within the industry behind Visa. Mastercard's services are available in more than 210 countries and territories, and in more than 150 currencies. In 2023, Mastercard's payment network has made the company \$15.8 billion in net revenue. Mastercard charges card-issuing institutions based on the percentage of the global dollar volume as processing fees, unlike Visa who charges based on a per-transaction basis.

American Express

American Express provides its network to approximately 110 countries and territories. However, American Express is not a common payment network of choice in countries outside of the US, as 67% of its network volumes for 2023 are

from the US. Furthermore, American Express issued cards that are targeted towards individuals with high incomes and excellent credit scores, which significantly reduces its total addressable market. American Express is also rarely seen in small business as an accepted payment method typically because the fees charged is between 2.5% and 3.5%, compared to Visa's 1.5% to 2.5%.

Diners Club

Diners Club is a payment network system owned by Discover Financial Services. In 2023, Diners Club's network transaction volume was \$39.3 billion. Similar to American Express, Diners Club's targeted audiences are high income individuals. Diners Club charges merchants a fee of 1.5% to 3.5% for every transaction made.

Valuation Analysis

A qualitative analysis has been conducted on Visa and had been given a estimated valuation on \$262 per share.

As of 29 February 2024, the risk-free rate of the United States stands at 4.28%, its market risk premium is at 4.35% and expected inflation rate for the country is 2.8%. As for Visa, the company has a beta of 0.97, with its bond yield is 4.3%. Past data shows that Visa has a provisional tax rate of 19%.

Visa's revenue is segregated into two streams, its US and international revenue. After the pandemic, Visa saw a huge spike in growth in both its markets, but it has cooled off in 2023 to 10% and 12.5% respectively. Assuming Visa's ability to capitalize on the growing markets, we expect its revenue growth rate to maintain but a slow decline is inevitable after the market is approaching its maturity stage.

Figure 6: Revenue Forecast

-1.5%

10.2%

15.2%

10.0%

Revenue % U.S. Y-o-Y

Visa Revenue (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
U.S. Revenue	10,279	10,125	11,160	12,851	14,138	15,693	17,419	19,161	21,078	23,185	25,272	27,294	29,477	31,835	34,064
International Revenue	12,698	11,721	12,945	16,459	18,515	20,737	23,225	26,012	28,874	32,050	35,255	38,780	42,658	46,497	50,682
Total Revenue	22,977	21,846	24,105	29,310	32,653	36,430	40,645	45,174	49,951	55,235	60,527	66,074	72,135	78,333	84,746
Y-o-Y Growth															

Revenue % International Y-o-Y -7.7% 10.4% 27.1% 12.5% 12.0% 12.0% 12.0% 11.0% 11.0% 10.0% 10.0% 10.0% 9.0% 9.0% Cost of revenue of Visa for the past five years have been fluctuating around 20%,

11.0%

10.0%

11.0%

whereas its operating expenses is too hovering at the 12.5% mark. The valuation will apply both categories to scale alongside its net revenue, assuming Visa does not make any major changes to its cost structure.

10.0%

9.0%

8.0%

8.0%

8.0%

7.0%

10.0%

Figure 7: Gross Profit Forecast

Visa GP (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Total Revenue	22,977	21,846	24,105	29,310	32,653	36,430	40,645	45,174	49,951	55,235	60,527	66,074	72,135	78,333	84,746
Cost of Revenue	(4,165)	(4,512)	(4,970)	(5,733)	(6,567)	(7,286)	(8,129)	(9,035)	(9,990)	(11,047)	(12,105)	(13,215)	(14,427)	(15,667)	(16,949)
Gross Profit	18,812	17,334	19,135	23,577	26,086	29,144	32,516	36,139	39,961	44,188	48,421	52,859	57,708	62,666	67,797

Y-o-Y Growth																
Cost of Revenue %	18.1%	20.7%	20.6%	19.6%	20.1%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	

Figure 8: Operating Expenses Forecast

Visa Opex (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Revenue	22,977	21,846	24,105	29,310	32,653	36,430	40,645	45,174	49,951	55,235	60,527	66,074	72,135	78,333	84,746
Opex as a % of Revenue	-13.7%	-11.4%	-10.5%	-13.3%	-12.7%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%
Opex	(3,155)	(2,486)	(2,527)	(3,903)	(4,143)	(4,554)	(5,081)	(5,647)	(6,244)	(6,904)	(7,566)	(8,259)	(9,017)	(9,792)	######

Opex %																
Oney as a % of Revenue	-13 7%	-11 4%	-10.5%	-13 3%	-12 7%	-12 5%	-12.5%	-12 5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12.5%	-12 5%	

Capital expenditure for Visa has been fairly predictable in the past 5 years, except in 2022, where the business spent a 50.4% value of its property, technology and equipment (PT&E), as opposed to its usual 30% to 35% range. Capital expenditure forecasts will be calculated as a percentage of Visa's beginning PT&E for the year. The first two years of the forecast will be the average expenditure as PT&E of the past five years excluding the outlier, 2022.

As for its depreciation and amortization (D&A) of capital expenditure, we will assume that the lifespan of Visa's PT&E is 30, as well as its historical assets.

Figure 9: Property, Technology and Equipment Forecast

Visa PP&E (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Beginning PT&E	2,472	2,695	2,737	2,715	3,223	3,425	4,384	5,607	7,034	8,820	11,052	13,738	17,069	21,036	25,917
Capex	879	809	782	1,369	1,145	1,110	1,421	1,682	2,110	2,646	3,205	3,984	4,779	5,890	7,257
D&A	(656)	(767)	(804)	(861)	(943)	(151)	(199)	(255)	(325)	(413)	(520)	(653)	(812)	(1,008)	(1,250)
Ending PT&E	2,695	2,737	2,715	3,223	3,425	4,384	5,607	7,034	8,820	11,052	13,738	17,069	21,036	25,917	31,924
Visa D&A (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
2024						(151)	(151)	(151)	(151)	(151)	(151)	(151)	(151)	(151)	(151)
2025							(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
2026								(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)
2027									(70)	(70)	(70)	(70)	(70)	(70)	(70)
2028										(88)	(88)	(88)	(88)	(88)	(88)
2029											(107)	(107)	(107)	(107)	(107)
2030												(133)	(133)	(133)	(133)
2031													(159)	(159)	(159)
2032														(196)	(196)
2033															(242)
Total D&A	(656)	(767)	(804)	(861)	(943)	(151)	(199)	(255)	(325)	(413)	(520)	(653)	(812)	(1,008)	(1,250)
D&A as a % of PT&E	-26.5%	-28.5%	-29.4%	-31.7%	-29.3%	-29.1%	-29.1%	-29.1%	-29.1%	-29.1%	-29.1%	-29.1%	-29.1%	-29.1%	-29.1%
D&A as a % of Revenue	-2.9%	-3.5%	-3.3%	-2.9%	-2.9%	-0.4%	-0.5%	-0.6%	-0.7%	-0.7%	-0.9%	-1.0%	-1.1%	-1.3%	-1.5%
Capex as a % of PT&E	35.6%	30.0%	28.6%	50.4%	35.5%	32.4%	32.4%	30.0%	30.0%	30.0%	29.0%	29.0%	28.0%	28.0%	28.0%
Capex as a % of Revenue	3.8%	3.7%	3.2%	4.7%	3.5%	3.0%	3.5%	3.7%	4.2%	4.8%	5.3%	6.0%	6.6%	7.5%	8.6%

Without any inventory present, Visa's net trade cycle only consists of the movements of its trade receivables and trade payables. Visa's net trade cycle has been negative for the past five years, indicating that the business is able to collect cash quicker than paying it to suppliers. For Visa's days sales outstanding (DSO) and days payables outstanding (DPO), we would assume Visa maintains its current trade cycle and apply the average number of the past five years for future forecasts.

Figure 10: Working Capital Forecast

Visa Working Capital (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Trade Receivables	4,590	2,882	3,726	3,952	4,474	5,524	6,163	6,849	7,574	8,375	9,177	10,018	10,937	11,877	12,849
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade Payables	4,146	1,910	2,709	3,621	3,644	4,591	5,122	5,692	6,294	6,960	7,627	8,326	9,090	9,871	10,679
Net Trade Cycle	444	972	1,017	331	830	933	1,041	1,157	1,279	1,415	1,550	1,692	1,847	2,006	2,170
DSO	71.9	47.5	55.6	48.5	49.3	54.6	54.6	54.6	54.6	54.6	54.6	54.6	54.6	54.6	54.6
DIO	(Company	has no Ir	ventory)					(Com	pany has	no Invent	ory)			
DPO	358.4	152.4	196.2	227.4	199.8	226.8	226.8	226.8	226.8	226.8	226.8	226.8	226.8	226.8	226.8
Net Trade Cycle	(286.4)	(104.9)	(140.6)	(178.8)	(150.4)	(172.2)	(172.2)	(172.2)	(172.2)	(172.2)	(172.2)	(172.2)	(172.2)	(172.2)	(172.2)

Visa's earnings before interest and taxes (EBIT) will be used to calculate the unlevered-free cash flow (UFCF). To calculate a company's EBIT, its cost of revenue, operating expenses and D&A must be deducted from its net revenue.

Figure 11: EBIT Forecast

Visa Income Statement (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Total Revenues	22,977	21,846	24,105	29,310	32,653	36,430	40,645	45,174	49,951	55,235	60,527	66,074	72,135	78,333	84,746
Cost of Revenue	(4,165)	(4,512)	(4,970)	(5,733)	(6,567)	(7,286)	(8,129)	(9,035)	(9,990)	(11,047)	(12,105)	(13,215)	(14,427)	(15,667)	(16,949)
Gross Profit	18,812	17,334	19,135	23,577	26,086	29,144	32,516	36,139	39,961	44,188	48,421	52,859	57,708	62,666	67,797
Operating Expenses	(3,155)	(2,486)	(2,527)	(3,903)	(4,143)	(4,554)	(5,081)	(5,647)	(6,244)	(6,904)	(7,566)	(8,259)	(9,017)	(9,792)	(10,593)
EBITDA	15,657	14,848	16,608	19,674	21,943	24,590	27,435	30,492	33,717	37,284	40,855	44,600	48,691	52,875	57,204
Depreciation & Amortization	(656)	(767)	(804)	(861)	(943)	(151)	(199)	(255)	(325)	(413)	(520)	(653)	(812)	(1,008)	(1,250)
EBIT	15,001	14,081	15,804	18,813	21,000	24,439	27,237	30,238	33,392	36,870	40,335	43,947	47,879	51,866	55,953

Unlevered free cash flow is the amount of cash that Visa has before accounting its financial obligations. The UFCF is obtained by deducting Visa's operating taxes from its EBIT and then adding back its D&A, cash inflows and outflows from its trade receivables, payables, capital expenditures, and its other assets and liabilities gathered from the balance sheet.

Figure 12: UFCF Forecast

Visa Cash Flow (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT		14,081	15,804	18,813	21,000	24,439	27,237	30,238	33,392	36,870	40,335	43,947	47,879	51,866	55,953
Operating Taxes (19%)		(2,924)	(3,752)	(3,179)	(3,764)	(4,643)	(5,175)	(5,745)	(6,344)	(7,005)	(7,664)	(8,350)	(9,097)	(9,855)	(10,631)
NOPAT		11,157	12,052	15,634	17,236	19,796	22,062	24,492	27,048	29,865	32,672	35,597	38,782	42,012	45,322
Add-back D&A		767	804	861	943	151	199	255	325	413	520	653	812	1,008	1,250
Gross Cash Flow		11,924	12,856	16,495	18,179	19,947	22,260	24,747	27,373	30,278	33,192	36,250	39,594	43,020	46,572
Trade Receivables		1,708	(844)	(226)	(522)	(1,050)	(639)	(687)	(724)	(801)	(802)	(841)	(919)	(940)	(972)
Inventory		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable		(2,236)	799	912	23	947	531	571	602	666	667	699	764	781	808
Investments in Working Capital		(528)	(45)	686	(499)	(103)	(108)	(116)	(122)	(135)	(136)	(142)	(155)	(159)	(164)
Capex		(809)	(782)	(1,369)	(1,145)	(1,110)	(1,421)	(1,682)	(2,110)	(2,646)	(3,205)	(3,984)	(4,779)	(5,890)	(7,257)
Other Assets		(1,560)	(957)	(2,669)	(3,677)	(1,383)	(1,551)	(1,667)	(1,758)	(1,945)	(1,948)	(2,042)	(2,231)	(2,281)	(2,360)
Other Liabilities		4,713	892	3,479	1,560	2,618	3,503	3,764	3,971	4,391	4,398	4,610	5,038	5,151	5,330
Unlevered Free Cash Flow		13,740	11,964	16,622	14,418	19,968	22,683	25,046	27,352	29,944	32,301	34,693	37,467	39,841	42,121

In order to forecast the value estimate for Visa, the weighted average cost of capital (WACC) must be calculated as a discount factor. As money today is worth more than money tomorrow, the WACC is used to calculate the value of future cash flows as their present values.

The WACC considered the cost of capital and equity. To calculate the cost of equity, the capital asset pricing model is applied. With the US risk-free rate being at 4.28%, market risk premium at 4.35%, and company beta at 0.97, the cost of equity for Visa is 8.5%. The cost of debt for Visa would be the bond yield, which is 4.3%. Visa's tax rate is 19%.

Figure 13: WACC Forecast

Visa WACC Calculation (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Equity	34,684	36,210	37,589	35,581	38,733	57,816	79,165	102,945	129,279	158,432	190,391	225,275	263,344	304,643	349,253
Debt	16,729	21,071	19,978	20,200	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463
Equity Weightage	67%	63%	65%	64%	65%	74%	79%	83%	86%	89%	90%	92%	93%	94%	94%
Debt Weightage	33%	37%	35%	36%	35%	26%	21%	17%	14%	11%	10%	8%	7%	6%	6%
Cost of Equity	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Cost of Debt	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
WACC	6.9%	6.7%	6.8%	6.7%	6.8%	7.2%	7.5%	7.7%	7.8%	7.9%	8.0%	8.1%	8.1%	8.2%	8.2%

Discounted Cash Flow Valuation

The discounted cash flow (DCF) method calculates the price per share of Visa by dividing the company's equity value by its shares outstanding. In order to get the equity value, the forecasted UFCF alongside its continuing factor, must be discounted using the WACC calculated into the present value. The sum of the present values would be the enterprise value of Visa. By adding present cash and deducting present financial liabilities, the equity value of Visa would be a total of \$556.6 billion. By dividing the value of 2.085 billion shares, the price per share using the DCF would equal to \$266.91.

Figure 14: DCF Valuation

Visa Cash Flow (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Unlevered Free Cash Flow						19,968	22,683	25,046	27,352	29,944	32,301	34,693	37,467	39,841	42,121
Continuing Factor															798,627
Discount Factor (WACC)						7.2%	7.5%	7.7%	7.8%	7.9%	8.0%	8.1%	8.1%	8.2%	8.2%
Present Value of UFCF						18,629	19,639	20,067	20,244	20,449	20,341	20,136	20,037	19,628	19,114
Present Value of CV															362,405

Perpetuity Growth Rate-Based Valuation											
Total PV of Cash Flow	198,284										
PV of Continuing Value	362,405										
Enterprise Value	560,689										
Add Cash	16,286										
Deduct Financial Liabilities	(20,463)										
Equity Value	556,512										
Shares Outstanding (as of 30 Sep 2023)	2,085										
Price per Share	266.91										

Price-to-Sales Ratio

The Price-to-Sales Ratio (P/S Ratio) valuates a stock price using a company's revenue figures and multiply a set price target to obtain the market cap target, and then dividing its shares outstanding to obtain the price. Assuming Visa's price target is 7.5x, and applying the same number of shares outstanding and WACC, this valuation gave a value estimate of \$281.68 per share.

Figure 15: P/S Valuation

Visa P/S Ratio	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Revenue						36,430	40,645	45,174	49,951	55,235	60,527	66,074	72,135	78,333	84,746
Market Cap Target						273,225	304,835	338,802	374,633	414,262	453,949	495,554	541,015	587,495	635,595
Price Target						131.0	146.2	162.5	179.7	198.7	217.7	237.7	259.5	281.8	304.8

Discounted Price Ta	arget
Price Target	304.84
WACC	8.2%
Discounted Price Target	281.68

Price-to-Earnings Ratio

The Price-to-Earnings Ratio (P/E Ratio) valuates a stock by its yearly earnings per share (EPS). Visa's yearly EPS is calculated by dividing its net income by its shares outstanding. To obtain the price target, multiply the EPS with the EPS year on year growth rate and a 'price-to-earnings to growth' (PEG) ratio target. An assumed 1.5x PEG ratio would be applied to the valuation. By discounting the final value with the WACC, the final price target using this valuation is \$237.71.

Figure 16: P/E Valuation

Visa P/E Ratio	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Net Income	12,080	10,866	12,311	14,957	17,273	19,083	21,349	23,780	26,335	29,152	31,959	34,884	38,069	41,299	44,609
Shares Outstanding	2,272	2,223	2,188	2,136	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085	2,085
EPS	5.3	4.9	5.6	7.0	8.3	9.2	10.2	11.4	12.6	14.0	15.3	16.7	18.3	19.8	21.4
EPS Growth Y-o-Y		-8.1%	15.1%	24.5%	18.3%	10.5%	11.9%	11.4%	10.7%	10.7%	9.6%	9.2%	9.1%	8.5%	8.0%
Price Target		-	127.5	256.8	227.5	143.9	182.4	194.8	203.6	224.4	221.4	229.7	250.1	252.0	257.3

Discounted Price Target										
Price Target	257.26									
WACC	8.2%									
Discounted Price Target	237.71									

Final Price Target

The average price for the three valuation methods is used to ensure the minimal chance of error and outliers. The final price target is calculated to be \$262 per share, which is within 10% of its actual price, making the stock fairly valued.

Additional Financial Information of Visa

Figure 17: Income Statement Forecast

Visa Income Statement (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Total Revenues	22,977	21,846	24,105	29,310	32,653	36,430	40,645	45,174	49,951	55,235	60,527	66,074	72,135	78,333	84,746
Cost of Revenue	(4,165)	(4,512)	(4,970)	(5,733)	(6,567)	(7,286)	(8,129)	(9,035)	(9,990)	(11,047)	(12,105)	(13,215)	(14,427)	(15,667)	(16,949)
Gross Profit	18,812	17,334	19,135	23,577	26,086	29,144	32,516	36,139	39,961	44,188	48,421	52,859	57,708	62,666	67,797
Operating Expenses	(3,155)	(2,486)	(2,527)	(3,903)	(4,143)	(4,554)	(5,081)	(5,647)	(6,244)	(6,904)	(7,566)	(8,259)	(9,017)	(9,792)	(10,593)
EBITDA	15,657	14,848	16,608	19,674	21,943	24,590	27,435	30,492	33,717	37,284	40,855	44,600	48,691	52,875	57,204
Depreciation & Amortization	(656)	(767)	(804)	(861)	(943)	(151)	(199)	(255)	(325)	(413)	(520)	(653)	(812)	(1,008)	(1,250)
EBIT	15,001	14,081	15,804	18,813	21,000	24,439	27,237	30,238	33,392	36,870	40,335	43,947	47,879	51,866	55,953
Interest Income, net	(117)	(291)	259	(677)	37	(880)	(880)	(880)	(880)	(880)	(880)	(880)	(880)	(880)	(880)
EBT	14,884	13,790	16,063	18,136	21,037	23,559	26,357	29,358	32,512	35,991	39,456	43,067	46,999	50,986	55,073
Income Tax Provision	(2,804)	(2,924)	(3,752)	(3,179)	(3,764)	(4,476)	(5,008)	(5,578)	(6,177)	(6,838)	(7,497)	(8,183)	(8,930)	(9,687)	(10,464)
Net Income	12,080	10,866	12,311	14,957	17,273	19,083	21,349	23,780	26,335	29,152	31,959	34,884	38,069	41,299	44,609

Figure 18: Balance Sheet Forecast

(in \$ million)	30 Sep 2019	30 Sep 2020	30 Sep 2021	30 Sep 2022	30 Sep 2023	30 Sep 2024	30 Sep 2025	30 Sep 2026	30 Sep 2027	30 Sep 2028	30 Sep 2029	30 Sep 2030	30 Sep 2031	30 Sep 2032	30 Sep 2033
Cash & Cash Equivalents	7,838	16,289	16,487	15,689	16,286	35,542	57,512	81,845	108,484	137,715	169,304	203,284	240,038	279,166	320,574
Restricted Cash & Investment Securities	5,441	4,653	2,919	4,282	5,606	5,606	5,606	5,606	5,606	5,606	5,606	5,606	5,606	5,606	5,606
Total Receivables	4,590	2,882	3,726	3,952	4,474	5,524	6,163	6,849	7,574	8,375	9,177	10,018	10,937	11,877	12,849
Customer Collateral & Client Incentives	2,389	3,064	3,619	3,614	4,582	4,582	4,582	4,582	4,582	4,582	4,582	4,582	4,582	4,582	4,582
Prepaid Expenses & Other Current Assets	712	757	856	2,668	2,584	1,977	2,205	2,451	2,710	2,997	3,284	3,585	3,914	4,251	4,599
as a % of revenues	3.1%	3.5%	3.6%	9.1%	7.9%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Investment Securities	2,157	231	1,705	2,136	1,921	2,236	2,495	2,773	3,066	3,390	3,715	4,055	4,428	4,808	5,202
as a % of revenues	9.4%	1.1%	7.1%	7.3%	5.9%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Long-term Client Incentives	2,084	3,175	3,245	3,348	3,789	4,378	4,885	5,429	6,003	6,638	7,274	7,941	8,670	9,414	10,185
as a % of revenues	9.1%	14.5%	13.5%	11.4%	11.6%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Propery, Equipment and Technology, net	2,695	2,737	2,715	3,223	3,425	4,384	5,607	7,034	8,820	11,052	13,738	17,069	21,036	25,917	31,924
Goodwill and Intangible Assets, net	42,436	43,718	43,622	42,852	44,101	44,101	44,101	44,101	44,101	44,101	44,101	44,101	44,101	44,101	44,101
Other Assets	2,232	3,413	4,002	3,737	3,731	4,817	5,374	5,973	6,605	7,304	8,003	8,737	9,539	10,358	11,206
as a % of revenues	9.7%	15.6%	16.6%	12.7%	11.4%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Total Assets	72,574	80,919	82,896	85,501	90,499	113,147	138,530	166,644	197,552	231,761	268,785	308,979	352,850	400,080	450,828
Total Payables	4,146	1,910	2,709	3,621	3,644	4,591	5,122	5,692	6,294	6,960	7,627	8,326	9,090	9,871	10,679
Accured Liabilities	3,624	3,575	4,528	6,541	8,272	7,182	8,013	8,906	9,847	10,889	11,932	13,026	14,221	15,443	16,707
as a % of revenues	15.8%	16.4%	18.8%	22.3%	25.3%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
Customer Colleteral & Client Incentives	5,645	6,026	7,503	8,441	11,182	10,661	11,894	13,220	14,618	16,164	17,713	19,336	21,110	22,924	24,800
as a % of revenues	24.6%	27.6%	31.1%	28.8%	34.2%	29.3%	29.3%	29.3%	29.3%	29.3%	29.3%	29.3%	29.3%	29.3%	29.3%
Current Maturities of Debt	-	2,999	999	2,250	-	-		-	-	-	-	-	-	-	-
Long Term Debt	16,729	21,071	19,978	20,200	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463
Deferred Tax Liabilities	4,807	5,237	6,128	5,332	5,114	7,590	8,468	9,411	10,407	11,508	12,610	13,766	15,028	16,320	17,656
as a % of revenues	20.9%	24.0%	25.4%	18.2%	15.7%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Other Liabilities	2,939	3,891	3,462	3,535	3,091	4,845	5,405	6,007	6,643	7,345	8,049	8,787	9,593	10,417	11,270
as a % of revenues	12.8%	17.8%	14.4%	12.1%	9.5%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
Total Liabilities	37,890	44,709	45,307	49,920	51,766	55,331	59,365	63,700	68,272	73,329	78,394	83,704	89,505	95,437	101,575
Total Equity	34,684	36,210	37,589	35,581	38,733	57,816	79,165	102,945	129,279	158,432	190,391	225,275	263,344	304,643	349,253
Total Liabilities and Equity	72,574	80,919	82,896	85,501	90,499	113,147	138,530	166,644	197,552	231,761	268,785	308,979	352,850	400,080	450,828

Figure 19: Cash Flow Statement Forecast

Visa Cash Flow (in \$ million)	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT		14,081	15,804	18,813	21,000	24,439	27,237	30,238	33,392	36,870	40,335	43,947	47,879	51,866	55,953
Operating Taxes (19%)		(2,924)	(3,752)	(3,179)	(3,764)	(4,643)	(5,175)	(5,745)	(6,344)	(7,005)	(7,664)	(8,350)	(9,097)	(9,855)	(10,631)
NOPAT		11,157	12,052	15,634	17,236	19,796	22,062	24,492	27,048	29,865	32,672	35,597	38,782	42,012	45,322
Add-back D&A		767	804	861	943	151	199	255	325	413	520	653	812	1,008	1,250
Gross Cash Flow		11,924	12,856	16,495	18,179	19,947	22,260	24,747	27,373	30,278	33,192	36,250	39,594	43,020	46,572
Trade Receivables		1,708	(844)	(226)	(522)	(1,050)	(639)	(687)	(724)	(801)	(802)	(841)	(919)	(940)	(972)
Inventory		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable		(2,236)	799	912	23	947	531	571	602	666	667	699	764	781	808
Investments in Working Capital		(528)	(45)	686	(499)	(103)	(108)	(116)	(122)	(135)	(136)	(142)	(155)	(159)	(164)
Capex		(809)	(782)	(1,369)	(1,145)	(1,110)	(1,421)	(1,682)	(2,110)	(2,646)	(3,205)	(3,984)	(4,779)	(5,890)	(7,257)
Other Assets		(1,560)	(957)	(2,669)	(3,677)	(1,383)	(1,551)	(1,667)	(1,758)	(1,945)	(1,948)	(2,042)	(2,231)	(2,281)	(2,360)
Other Liabilities		4,713	892	3,479	1,560	2,618	3,503	3,764	3,971	4,391	4,398	4,610	5,038	5,151	5,330
Unlevered Free Cash Flow		13,740	11,964	16,622	14,418	19,968	22,683	25,046	27,352	29,944	32,301	34,693	37,467	39,841	42,121
Interest Expenses		(117)	(291)	259	(677)	(880)	(880)	(880)	(880)	(880)	(880)	(880)	(880)	(880)	(880)
Delta Financial Liabilities		4,342	(1,093)	222	263	-	-	-	-	-	-	-	-	-	-
Delta Equity/Other Equity Movements		(10,554)	(9,487)	(14,319)	(11,805)	-	-	-	-	-	-	-	-	-	
Tax Adjustments						167	167	167	167	167	167	167	167	167	167
Other Adjustments		1,040	(895)	(3,582)	(1,602)	-	-	-	-	-	-	-	-	-	-
Net Cash Flow		8,451	198	(798)	597	19,256	21,970	24,333	26,639	29,231	31,589	33,980	36,754	39,128	41,408

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