

Visa Inc. operates the world's largest electronic payments network, providing processing services and payment product platforms, including credit, debit, prepaid, and commercial payments, under the brands Visa, Visa Electron, Interlink, and PLUS. Visa/PLUS is one of the world's largest ATM networks, offering cash access in local currency in more than 200 countries and territories.

Analyst's Notes

Analysis by Stephen Biggar, April 30, 2025

ARGUS RATING: **BUY**

- Resilient consumer spending powers 2Q EPS beat
- On April 29, Visa reported adjusted EPS of \$2.76 for fiscal 2Q25 (ended March 31), up from \$2.51 a year earlier and above the \$2.68 consensus.
- Payments volume (in constant dollars) rose 8% in 2Q, down from the 9% pace in 1Q, while cross-border volume rose 13% (versus 16% in 1Q) amid an ongoing rebound in international travel. Management also noted that the trend in April spending volumes has not changed.
- Visa maintained guidance for FY25 calling for revenue growth in the low double-digits and EPS growth in the low-teens.
- We are keeping our target price at \$395 or a multiple of 35-times our FY25 estimate.

INVESTMENT THESIS

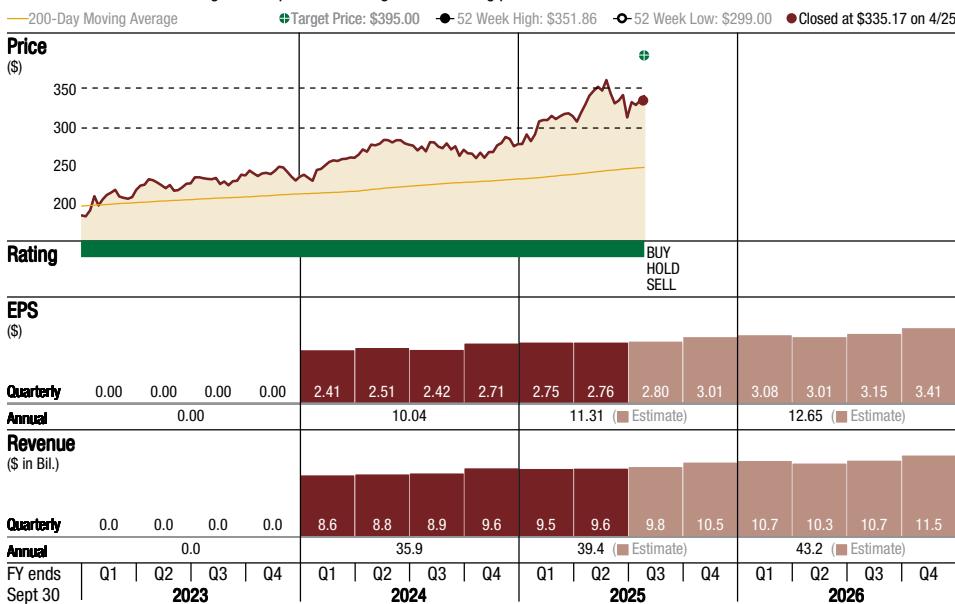
We are maintaining our BUY rating on Visa Inc. (NYSE: V) following the company's fiscal 2Q earnings. Payment volume decelerated sequentially from 9% in 1Q to 8% in 2Q, while cross-border volume growth was 13% versus 16%, both of which we believe remain healthy given the macro environment headwinds. We continue to expect secular growth in payment volumes and believe that solid cost controls and strong buyback activity will boost EPS.

In February 2025, the company held an Investor Day, offering details on its outlook. Growth drivers were said to include strengthening and expanding consumer payments (in domestic and global card networks), extending reach in commercial & money movement solutions (card & virtual and business-to-business payments), and deepening relationships in value-added services (advisory, risk and security, acceptance, and issuing solutions). The company noted a \$41 trillion global addressable consumer spend, versus its FY24 payment volume of \$11.5 trillion. With respect to capital allocation, Visa noted four key uses of capital: 1) invest to fund growth initiatives, 2) pay 20%-25% of EPS in dividends, 3) return excess cash through stock buybacks, and 4) manage its capital structure to sustain its strong credit ratings.

Visa has been active on the acquisition front. In December 2024, Visa acquired

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	\$341.52
Target Price	\$395.00
52 Week Price Range	\$252.70 to \$366.54
Shares Outstanding	1.72 Billion
Dividend	\$2.36

Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	35.6%
Return on Equity	56.2%
Net Margin	52.9%
Payout Ratio	0.21
Current Ratio	1.28
Revenue	\$37.62 Billion
After-Tax Income	\$19.89 Billion

Valuation

Current FY P/E	30.20
Prior FY P/E	34.02
Price/Sales	15.64
Price/Book	16.99
Book Value/Share	\$20.10
Market Capitalization	\$588.56 Billion

Forecasted Growth

1 Year EPS Growth Forecast	12.65%
5 Year EPS Growth Forecast	20.00%
1 Year Dividend Growth Forecast	13.46%
Beta	0.81
Institutional Ownership	87.96%

Analyst's Notes ...Continued

Featurespace, a developer of real-time artificial intelligence payments protection technology that prevents and mitigates payments fraud and financial crime risks. In December 2021, Visa acquired Currencycloud, a global platform that enables banks and fintechs to provide foreign exchange solutions for cross-border payments, and in March 2022, it acquired Tink, an open banking platform that enables financial institutions, fintechs, and merchants to build financial products and services and move money. In January 2024, Visa acquired Pismo, an issuer processing platform with operations in Latin America, Asia Pacific, and Europe. In 1Q24, Visa acquired a majority interest in Prosa, a payments processor in Mexico.

We believe that tailwinds for Visa are both cyclical and structural in nature, and include generally favorable economic conditions, as well as the continued transition from cash to plastic for convenience, safety, and rewards program benefits. We also note that the market for payment processors is far from saturated given that some 80% of the world's retail transactions are still done with cash and checks.

Our target price of \$395 implies a multiple of 35-times our FY25 EPS estimate, at the high end of the historical range, but justified, in our view, by the company's near record operating margins in the mid- to upper-60s.

RECENT DEVELOPMENTS

Visa shares are up 26% over the past year, versus a 9% increase

for the broad market.

On April 29, Visa reported adjusted EPS of \$2.76 for fiscal 2Q25 (ended March 31), up from \$2.51 a year earlier and above the \$2.68 consensus.

Second-quarter net revenue totaled \$9.6 billion, up 9% from the prior year, reflecting growth in payment volumes and international transaction revenue.

Payments volume in 2Q, on a constant-dollar basis, rose 8% year over year to \$3.34 trillion, while the number of processed transactions rose 9% to 73.6 billion. Cross-border volume increased 13% as international travel rebounded.

Adjusted operating expenses rose 7% in 2Q, and adjusted net income was up 6% to \$5.4 billion. Earnings per share increased a greater 10% due to 3% fewer shares outstanding.

In March 2024, Visa announced it agreed to a settlement with U.S. merchants that lowered credit interchange rates and capped those rates into 2030. The settlement would also provide updates to network rules giving merchants more choice in how they accept digital payments. However, in June 2024, the settlement was rejected by a district court. Visa said it will continue to work towards another settlement.

EARNINGS & GROWTH ANALYSIS

On the fiscal 2Q earnings call, management reiterated guidance for fiscal 2025 calling for constant-dollar revenue growth in the low double-digit range, operating expense growth at a high

Growth & Valuation Analysis

GROWTH ANALYSIS

(\$ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	21,846	24,105	29,310	32,653	35,926
COGS	4,512	4,970	5,733	6,567	7,042
Gross Profit	17,334	19,135	23,577	26,086	28,884
SG&A	2,475	2,524	3,035	3,216	3,793
R&D	—	—	—	—	—
Operating Income	14,092	15,807	19,681	21,927	24,057
Interest Expense	516	513	538	644	641
Pretax Income	13,790	16,063	18,136	21,037	23,916
Income Taxes	2,924	3,752	3,179	3,764	4,173
Tax Rate (%)	21	23	18	18	17
Net Income	10,866	12,311	14,957	17,273	19,743
Diluted Shares Outstanding	2,223	2,188	2,136	2,085	2,029
EPS	4.89	5.63	7.00	8.28	9.73
Dividend	1.20	1.28	1.50	1.80	2.08

GROWTH RATES (%)

Revenue	-2.7	13.7	22.1	12.9	9.5
Operating Income	-8.5	12.2	24.5	11.4	9.7
Net Income	-10.0	13.3	21.5	15.5	14.3
EPS	-8.1	15.1	24.3	18.3	17.5
Dividend	20.0	6.7	17.2	20.0	15.6
Sustainable Growth Rate	27.2	29.0	33.5	37.2	41.3

VALUATION ANALYSIS

Price: High	\$220.39	\$252.67	\$235.85	\$263.25	\$321.62
Price: Low	\$133.93	\$190.10	\$174.60	\$206.16	\$252.70
Price/Sales: High-Low	22.4 - 13.6	22.9 - 17.3	17.2 - 12.7	16.8 - 13.2	18.2 - 14.3
P/E: High-Low	45.1 - 27.4	44.9 - 33.8	33.7 - 24.9	31.8 - 24.9	33.1 - 26.0
Price/Cash Flow: High-Low	46.9 - 28.5	36.3 - 27.3	26.7 - 19.8	26.4 - 20.7	32.7 - 25.7

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash (\$ in Millions)	15,689	16,286	11,975
Working Capital (\$ in Millions)	9,352	10,434	7,516
Current Ratio	1.45	1.45	1.28
LT Debt/Equity Ratio (%)	60.7	55.3	54.7
Total Debt/Equity Ratio (%)	67.5	55.3	54.7

RATIOS (%)

Gross Profit Margin	80.4	79.9	80.4
Operating Margin	67.1	67.2	67.0
Net Margin	51.0	52.9	55.0
Return On Assets	17.8	19.6	21.3
Return On Equity	42.2	49.1	52.5

RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	19.4	19.6	15.9
Oper. Income/Int. Exp. (ratio)	34.7	33.7	38.3
Payout Ratio	22.7	21.4	21.7

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Analyst's Notes ...Continued

single-digit to low double-digit range, and EPS growth in the low-teens. Consumer spending continues to do well, which we attribute to wage gains and a still-healthy labor market.

The company's primary sources of revenue are services, derived mainly from payment volume on Visa-branded cards; data processing fees, from the number of transactions processed; and international transaction fees on cross-border transactions. Transaction volumes have generally benefited from both economic growth and the increased use of cards rather than cash. Inflation, to the extent that the average basket of goods costs more, is considered a tailwind for payments volume. Revenues grew 10% in FY24, and we expect a similar pace in FY25, in line with the company's guidance following fiscal second-quarter results.

Trends in client incentives (a revenue offset) are important to watch. These have historically been in the 22.5%-23.5% range of gross revenues, but recent renewals, including on some large deals, continue to increase that figure, which rose to 27% in FY23 and remained there in FY24. Based on a higher pace of renewals, the company expects growth in incentives to be significantly higher in FY25.

Based on slightly better-than-expected 2Q results, we are raising our FY25 EPS estimate to \$11.31 from \$11.29. Our FY26 forecast moderates to \$12.65 from \$12.73.

FINANCIAL STRENGTH AND DIVIDEND

We rate Visa's financial strength as Medium-High, the

second-highest rank on our five-point scale.

In August 2020, Visa issued fixed-rate senior notes in a principal amount of \$3.25 billion with maturities ranging between seven and 30 years, and interest rates from 0.75% to 2.0%. As of March 31, 2025, the company had long-term debt of \$16.8 billion and a debt/equity ratio of 44% with high operating margins in the mid-60% range.

The company has raised its dividend substantially over the last several years from a low base. In October 2024, it announced a 13% increase in the quarterly payout to \$0.59, or \$2.36 annually, for a current yield of about 0.7%. Our dividend estimates are \$2.36 for FY25 and \$2.60 for FY26.

Visa repurchased 13 million class A shares in 2Q25 for \$4.5 billion. In April 2025, it announced a new \$30 billion multi-year class A common stock repurchase program. We look for a 3% decline in the average share count in both FY25 and FY26.

MANAGEMENT & RISKS

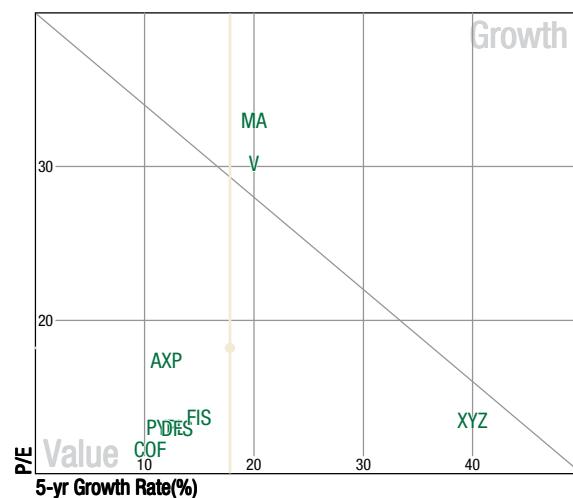
Ryan McInerney was named CEO effective February 1, 2023, succeeding Alfred F. Kelly. Mr. McInerney had been the president of Visa since 2013. Chris Suh was named EVP and CFO, effective August 1, 2023.

In our view, management is transparent with investors, providing a range of financial projections for the business, including revenue growth, client incentives, operating margins, tax rate, and earnings growth.

Peer & Industry Analysis

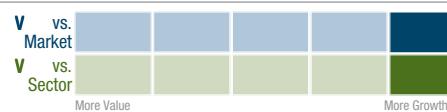
The graphics in this section are designed to allow investors to compare V versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how V stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how V might fit into or modify a diversified portfolio.

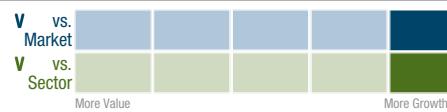


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
V	Visa Inc	588,563	20.0	30.2	52.9	11.8	BUY
MA	Mastercard Incorporated	486,439	20.0	33.0	45.7	15.2	BUY
AXP	American Express Co.	187,071	12.0	17.4	13.6	13.7	BUY
COF	Capital One Financial Corp.	69,841	10.5	11.6	9.0	14.5	BUY
PYPL	PayPal Holdings Inc	64,821	12.0	13.1	14.3	8.3	BUY
DFS	Discover Financial Services	46,640	13.0	13.0	20.4	10.0	BUY
FIS	Fidelity Natl Information Serv	41,345	15.0	13.7	14.3	8.4	BUY
XYZ	Block Inc.	33,327	40.0	13.5	12.0	22.7	BUY
Peer Average		189,756	17.8	18.2	22.8	13.1	

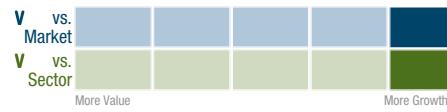
P/E



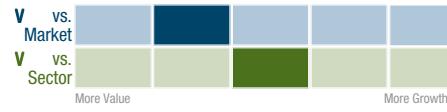
Price/Sales



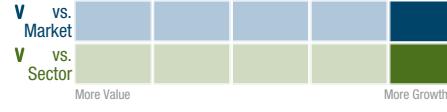
Price/Book



PEG



5 Year Growth



Debt/Capital



Analyst's Notes ...Continued

Visa faces risks from regulation, including rules capping interchange reimbursement rates, as well as from economic variables that could impact service revenues, data processing fees, and cross-border transaction fees. Geopolitical factors, which could result in business disruption, are also a risk.

In September 2024, the U.S. Department of Justice filed a complaint against Visa alleging violations of the Sherman Act and that Visa monopolized the debit card market by, among other allegations, entering agreements with clients that discouraged the use of competing debit networks by imposing committed transaction volumes on merchants and their banks, thereby stifling competition. While the suit needs to be taken seriously and will remain a headline risk, we believe the process will take more than 18 months and a settlement is expected that only modestly alters Visa business. Interestingly, Visa is likely to use the Durbin amendment (legislation passed in 2010 that limits interchange fees) in its defense by arguing that it is these price caps that have deterred new entrants because the business of interchange fees is less profitable. We also think that competition in both the credit and debit markets is greater than at any point in recent memory, mostly from fintech players such as Square, ApplePay, and PayPal that have unique customer benefits.

COMPANY DESCRIPTION

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VALUATION

Visa shares trade at about 30-times our FY25 EPS estimate, below the multiple of 34 for peer MasterCard. We think that Visa and MasterCard merit similar multiples. Visa has higher operating margins, while MasterCard's earnings are growing slightly faster. Visa is a large-cap name with consistent, and, we believe, enviable low- to mid-teens earnings growth prospects.

Our target price of \$395 implies a multiple of 35-times our FY25 EPS estimate, which we believe is warranted based on the company's historically high operating margins.

On April 30 at midday, BUY-rated V traded at \$341.16, down \$0.36.

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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