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# ANALYSIS OF FINANCIAL STATEMENT – VISA INC.

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Final Project Submission | ACCT 5107



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# VISA

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# Contents

I.	Executive Summary .....	3
II.	Financial Performance and Health.....	5
A.	Organization Context .....	5
	Key Goods or Services/Features .....	5
	Visa Business Organization .....	6
B.	Recent Financial Performance .....	8
	Consolidated Income Statement Assessment.....	8
	Consolidated Cash Flow Statement Assessment .....	9
	Underlying Financial Performance .....	11
C.	Current Financial Health .....	12
	Assessment of Visa’s Capitalization.....	12
	Assessment of Visa’s Growth.....	14
	Visa’s Financial Value.....	15
III.	Success Factors and Risks .....	16
A.	Financial and Strategic Priorities .....	16
	Consumer Payments.....	17
	New Flows. ....	17
	Value Added Services.....	17
B.	Non-Financial Factors .....	18
	Technology .....	18
	Security .....	18
	Brand.....	18
	Intellectual Property .....	19
C.	Key Internal Risks.....	19
	“Brexit”.....	19
	Cybersecurity .....	20

Talents.....	20
IV.    Visa’s Financial Projections .....	23
A.    Projections: Likely Performance .....	23
B.    Projections: Best-Case and Worst-Case.....	27
Best-case Scenario .....	27
Worst-case Scenario.....	28
C.    Discuss Projections .....	29
V.    Business Opportunities .....	30
A.    Investment Opportunity.....	30
B.    Cost and Benefits and its Implications .....	32
References.....	35
Appendix A.....	39
Appendix B .....	40
Appendix C .....	40
Appendix D.....	41
Appendix E .....	42
Appendix F.....	43
Appendix G.....	45
Appendix H.....	46
Appendix I .....	47
Appendix J .....	48

# I. Executive Summary

Visa's journey began in 1958, the year that Bank of America launched the first consumer credit card program for middle-class consumers and small to medium-sized merchants in the US. It did not take long for the company to grow. The company expanded internationally in 1974, and introduced the debit card in 1975. In 2007, regional businesses around the world were merged to form Visa Inc and, in 2008, the company went public in one of the largest IPOs in history. In 2016, Visa completed the acquisition of Visa Europe. Today, Visa operates in more than 200 countries and territories with products and services available on any device – cards, laptops, tablets and mobile devices. They continue to evolve, but their focus remains the same – to be the best way to pay and be paid, for everyone, everywhere. (Visa Inc., 2021)

**Mission:** The company mission is to connect the world through the most innovative, reliable and secure payment network – enabling individuals, businesses and economies to thrive. The company believe in “economies that include everyone, everywhere uplift everyone, everywhere.”, which emphasizes on connecting the people through visa and ability to do many things. (Annual Report, 2020)

**Products/Services:** Visa was founded on a simple but a powerful idea – to make payments between consumers and businesses simple, reliable and secure. The company's core business is - providing solution, including credit, debit, prepaid and cash access programs for individual, business and government account holders as well as ATM network. These accounts for \$11.3 trillion in payments and cash volume. Other services include Consumer Payments - changing consumer habits of spending from cash and check to digital payments, New Flows – using the existing technology to provide people and business the freedom to move money across borders. And lastly Value Added Services – providing issuer and consumer solutions as well as consulting and analytics. See Appendix A for details.

**Markets:** Visa is a global payments technology company connecting consumers, businesses, banks and governments in more than 200 countries and territories worldwide. (Visa Inc. Business, 2021)

**Competition:** Mastercard, American Express, JCB, Diners Club. From the Table 1 we can see that Visa is leading in the payment volume compared to its competitors.

	Visa	Mastercard	American Express	JCB	Diners Club
Payments Volume (\$B) .....	8,941	4,767	1,225	313	179
Total Volume (\$B) .....	11,757	6,468	1,241	320	194
Total Transactions (B) .....	207	122	9	4	3
Cards (M) .....	3,454	2,172	114	140	66

Table 1 - The Chart is from Visa FY 2020 comparing figures of 2019 with its competitors.

**Financial Performance:** The company had stellar performance for the FY2020 given the pandemic situation. See Table 2 for the highlight while later in the report I will attempt to further breakdown and analyze the Financial Statement.

Financial Highlights (GAAP)		In millions (except for per share data)		
		FY 2018	FY 2019	FY 2020
Net revenues		\$20,609	\$22,977	\$21,846
Operating expenses		\$7,655	\$7,976	\$7,765
Operating income		\$12,954	\$15,001	\$14,081
Net income		\$10,301	\$12,080	\$10,866
Stockholders' equity		\$34,006	\$34,684	\$36,210
Diluted class A common stock earnings per share		\$4.42	\$5.32	\$4.89

Table 2 - Visa Inc. highlights from Annual report FY2020

### Financial Projections and Recommendations:

	2020	Year +1	Year +2	Year +3
USD (\$)	(In millions)			
Gross Profit	21,846	23,921	29,837	34,909

Based on several factors which I will further analyze in my report, I have conclude that the above numbers are the best estimate of the company future performance and presents a great investment opportunity for shareholders who like to invest in growth stocks and expect strong return. With the current stock price at \$226.77(as of 21 May 2021), Market Cap of US\$498.987B and Volume 5,603M and PE Ratio of 46.87 compared to Industry Average of 24.3<sup>1</sup>. (NASDAQ, 2021)

<sup>1</sup> PE Ratio by Sector (US) – Financial Services. (Non-bank & Insurance) - [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/pedata.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/pedata.html)

## II. Financial Performance and Health

### A. Organization Context

#### Key Goods or Services/Features

Visa is one of the world's leaders in digital payments. Their mission is to connect the world through the most innovative, reliable and secure payments network — enabling individuals, businesses and economies to thrive. They facilitate digital payments across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

Since Visa's inception in 1958, Visa has been in the business of facilitating payments between consumers and businesses. With new ways to pay, they have evolved into a global company that is a Trusted Engine of Commerce, providing payment solutions for everyone, everywhere. They are focused on extending, enhancing and investing in their proprietary network, VisaNet, while seeking new ways to offer products and services and become a single connection point for facilitating any payment transaction, both on the Visa network and beyond.

- **They facilitate secure, reliable and convenient transactions between financial institutions, merchants and consumers.** Visa traditionally have referred to this as the “four-party” model. As the payments ecosystem continues to evolve, they have broadened this model to include digital banks, wallets and a range of financial technology companies (fintech), governments and non-governmental organizations. They provide transaction processing services (primarily authorization, clearing and settlement) to their financial institution and merchant clients through VisaNet. During fiscal year 2020, Visa saw 204 billion payments and cash transactions with Visa's brand, equating to an average of 559 million transactions a day. Of the 204 billion total transactions, 141 billion were processed by Visa.

- **They offer a wide range of Visa-branded payment products** that their 15,400 financial institution clients use to develop and offer core business solutions, including credit, debit, prepaid and cash access programs for individual, business and government account holders. During fiscal year 2020, Visa's total payments and cash volume was \$11.3 trillion, and 3.5 billion credentials were available worldwide to be used at nearly 70 million merchant locations.
- **They take an open, partnership approach** and seek to provide value by enabling access to their global network, including offering their technology capabilities through application programming interfaces (APIs). They partner with both traditional and emerging players to innovate and expand the payments ecosystem, allowing them to leverage the resources of their platform to scale and grow their businesses more quickly and effectively. It also creates a more inclusive ecosystem with products that could reach the under and unbanked populations.
- **They are accelerating the migration to digital payments** and evolving Visa to be a "network of networks" to enable the movement of money on VisaNet and beyond. Visa's network of networks approach creates opportunities by facilitating person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), business-to-small business (B2b) and government-to-consumer (G2C) payments.
- **They provide value added services** to their clients, including issuer and consumer solutions, merchant and acquirer solutions, fraud management and security services, data solutions, and consulting through Visa Consulting & Analytics.
- **They invest in and promote their brand** to the benefit of their clients and partners through advertising, promotional and sponsorship initiatives with FIFA, the International Olympic Committee, the International Paralympic Committee and the National Football League, among others. They also use these sponsorship assets to showcase their payment innovation.

## Visa Business Organization

Visa Inc. organizes itself into functions and is led by a team of individuals with world-class experience and skills in financial services and corporate management. These established professionals collaborate to drive Visa's business forward through product and network innovation, brand management, sales growth, operational activities and other means.

## Revenue

Visa earns revenue by facilitating payments across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

Visa is not a financial institution. They do not issue cards, extend credit, or set rates and fees for account holders of Visa products. That is the role of our financial institution clients. They do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Interchange reimbursement fees represent a transfer of value between the financial institutions participating in our payments network. Visa administer the collection and remittance of interchange reimbursement fees through the settlement process, but they generally do not receive any revenue related to interchange reimbursement fees. In addition, they do not receive as revenue the fees that merchants are charged directly for acceptance by their acquirers.



Figure 1 - Visa Inc. Stream from Visa Inc. Annual Report 2020



## B.Recent Financial Performance

### Consolidated Income Statement Assessment

Comparing the Consolidated Financial Statement of Income for Visa's, based on financial years ended September 30, 2020, September 30, 2019 and September 30, 2018. Visa experienced a 6% increase in revenue from 2018 to 2020. While 2019 experienced the highest revenue increase of 11% increase in comparison to 2018, 2020 sales were affected by the pandemic but still did better than 2018 performance. Further evaluating the revenue breakdown of the company. There are 5 revenue categories as shown in Table 3 and we can see that the International Transactions has dropped about 13% as compared to 2018 and this is not only seen in Visa but amongst its competitors namely Mastercard, American Express, JCB and Diners Club. Revenue from International market has also been affected as shown by the trend line in Table 3. Where revenue has only increased 3% as compared to 2018 or 8% decrease as compared to 2019.

The worldwide spread of coronavirus ("COVID-19") has created significant uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of COVID-19 and the extent to which COVID-19 continues to impact the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict.










	For the Year Ended September,30			
Year	2018	2019	2020	Trend
Service Revenue	8,918.00	9,700.00	9,804.00	
Data Processing	9,027.00	10,333.00	10,975.00	
International transaction	7,211.00	7,804.00	6,299.00	
Other Revenues	944.00	1,313.00	1,432.00	
Client incentives	(5,491.00)	(6,173.00)	(6,664.00)	
<b>Revenue</b>	<b>20,609.00</b>	<b>22,977.00</b>	<b>21,846.00</b>	
Revenue - US	9,332.00	10,279.00	10,125.00	
Revenue - International	11,277.00	12,698.00	11,721.00	
<b>[Revenue]</b>	<b>20,609.00</b>	<b>22,977.00</b>	<b>21,846.00</b>	

Table 3 - Financial Statement Analysis for the Income Statement from Excel Sheet - Revenue

As Visa is not a financial institution and does not issue cards, extend credit or set rates and fees for account holders of Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa's financial institution clients. Thus, there is no COGS in their Income statement.

Visa's gross profit margin indicates that it retains \$0.79 from every dollar of revenue generated. The remaining funds (\$0.21) is consequently channeled towards operating expenses such as litigation provision, marketing fees and dividend distribution to shareholders.

Visa's operating margin has been relatively steady at 62~64% over the 3 years which is a good indicator as it shows how well the company manages its resources and efficiently generating profits from sales. We can confirm this by also comparing the Pretax Margin which is used to measure the operating efficiency of a company. The ratio tells us how many cents of profit the business has generated for each dollar of sale and is a useful tool to compare companies operating in the same sector. The pretax margin was \$0.63 in YR 2020, \$0.64 in YR 2019 and \$0.62 in YR 2018. Which indicates consistency throughout the years and, in comparison to industry average (\$0.39) and close competitor Mastercard (\$0.51) it is operating much efficiently.

Operating expense for Visa has decreased marginally lesser than the decrease in Revenue when compared to YR2019. The Operating Expenses was 2% higher in comparison to the ratio as compared to YR2019 and this was significantly contributed by Depreciation and Amortization Expense \$767 million as compared to \$656 million in YR2019. Another observation is the litigation provision for YR2020 was the lowest amongst the years in comparison with only \$11million, as compared to \$607million in YR2018 and \$400million in YR2017, which helped to lower the operating expense or speculate that this number was kept low since many non-urgent legal cases were postponed inline of the pandemic and nationwide lockdown.

## Consolidated Cash Flow Statement Assessment

Operating activities. This section reports the amount of cash from the income statement that was originally reported on an accrual basis. A few of the items included in this section are accounts receivables, accounts payables, and income taxes payable (Loth, 2020). For Visa, cash provided by operating activities in fiscal 2020 was lower than the prior fiscal year primarily due to lower net income, higher client incentive payments and timing of settlement.

2020 Statement of Cash Flows indicate Visa's good financial performance and health. During 2020, Visa's net cash from operating activities was nearly \$10.4 billion, which is lower compared to \$12.7 billion in 2019 and \$12.9 billion in 2018. Client incentives increased mainly due to incentives recognized on long-term client contracts that were initiated or renewed during fiscal 2020 partially offset by the recent decline in global payments volume. During fiscal 2020, Visa have reached settlements with a number of merchants representing approximately 40% of the Visa-branded payment card sales volume of merchants who opted out of the Amended Settlement Agreement with the Damages Class plaintiffs. Thus, stark increase (\$ 1.85 billion) in settlement receivable in YR2020 as compared to YR2019 (-\$ 1.53 billion) and YR2018 (-\$ 0.23 billion).

Investing activities. This section records the cash flow from sales and purchases of long-term investments like fixed assets that include property, plant, and equipment. Items included in this section are purchases of vehicles, furniture, buildings, or land (Loth, 2020). For Visa, cash provided by investing activities in fiscal 2020 was higher than the prior fiscal year primarily due to higher proceeds from sales and maturities of investment securities. It was recorded as \$4.5 billion in fiscal 2020 as compared to \$3.9 billion in 2019 and \$3.6 billion in 2018. Visa had also notably fewer investment security purchases in fiscal 2020 (\$ 0.267 billion) than in fiscal 2019 (\$ 0.501 billion). Visa also had lower purchase consideration paid for acquisitions which was only 11% (\$ 0.077 billion) of acquisitions paid in fiscal 2019 (\$ 0.699 billion), net of cash and restricted cash acquired, due to fewer acquisitions and lower purchases of other investments.

Financing activities. Debt and equity transactions are reported in this section. Any cash flows that include payment of dividends, the repurchase or sale of stocks, and bonds would be considered cash flow from financing activities. Cash received from taking out a loan or cash used to pay down long-term debt would be recorded in this section (Loth, 2020). For Visa, cash used in financing activities in fiscal 2020 was lower than the prior fiscal year primarily due to proceeds received from the issuance of senior notes which was \$ 7.2 billion and none in fiscal 2019 or fiscal 2018. The absence of the deferred purchase consideration payment made in the fiscal 2019 and lower share repurchases, partially offset by higher dividends paid. As a result, net cash used in financing activities was 111.78% higher than that of fiscal 2019.

## Underlying Financial Performance

Visa has a trailing-twelve-months P/E of 45.47X compared to the Financial Transaction Services industry's P/E of 23.02X<sup>2</sup>. Though this might indicate that the company is overvalued, but the high ratio is due to high growth prospects. Huge capital injection and the company is still at its growth stage.

About the Company's current financial performance. Visa derived approximately 60% of the company's gross dollar volume in calendar year 2020 from debit programs, while Mastercard had a relatively lower 54% of its gross dollar volume last year coming from debit programs. In absolute terms, Visa's gross dollar volume of \$8,941 billion for 2020 was almost twice as large as Mastercard's 2020 gross dollar volume of \$4,767 billion. Having a larger debit program is a positive in the current environment, and such trends could last beyond the pandemic.

Visa emphasized at the KBW Payments FinTech Conference on February 23, 2021 that "we've seen a real shift from cash to Visa debit cards at the point of sale" in calendar year 2020. While the company acknowledged that "credit will absolutely rebound to pre-COVID growth levels" in time to come, Visa also stressed that "consumers are not using credit cards more for consumer behavior and preference-driven reasons" and "debit will emerge structurally stronger than it was pre COVID." (Ryan, 2021)

Specifically, Visa, Inc had previously emphasized in their annual report and reiterate at the recent KBW Payments FinTech Conference that the coronavirus pandemic has prompted more consumers to use debit cards (as opposed to cash) for transactions that are of a smaller dollar value, and the increased penetration rate of e-commerce is also a driver of higher debit card transactions (i.e. most new e-commerce users are paying with debit cards rather than credit cards as they make the transition from cash) . In my opinion, this will be positive for Visa, which has a large debit program as compared to its rival Mastercard.

Secondly, Visa has a relatively smaller exposure to international markets outside the US as compared with Mastercard. Prior to COVID-19, Visa and Mastercard generated 39% and 30% of their respectively gross dollar volume from the US in calendar year 2019.

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<sup>2</sup> Industry PE ratio as compared to Visa's PE ratio - <https://www.zacks.com/stock/chart/V/fundamental/pe-ratio-ttm>.

Visa's relatively larger exposure to the US market has been favorable for the company in the most recent quarter. Visa's gross dollar volume was up +5% YoY in 1Q FY 2021 (fourth quarter of calendar year 2020), while MA's gross dollar volume only increased marginally by +1% in the same quarter. This is likely attributable to the stronger recovery in transaction volume in the US as compared to other parts of the world. With the US ahead of many other countries in terms of the progress of the vaccine rollout program, Visa with its larger contribution from the US market could continue to out-perform Mastercard in the near-term.

## C.Current Financial Health

There are a number of financial ratios that can be reviewed to gauge a company's overall financial health and to judge the likelihood that the company will continue as a viable business. Standalone numbers such as total debt or net profit are less meaningful than financial ratios that connect and compare the various numbers on a company's balance sheet or income statement. The general trend of financial ratios, whether they are improving over time, is also an important consideration. (Maverick, 2021)

To accurately evaluate the financial health and long-term sustainability of a company, several financial metrics must be considered in tandem. The four main areas of financial health that should be examined are liquidity, solvency, profitability, and operating efficiency. However, of the four, perhaps the best measurement of a company's health is the level of its profitability. (Maverick, 2021)

## Assessment of Visa's Capitalization

Visa's total asset grew 11.50% compared to previous fiscal year (2019). Taking a closer look and we notice that cash and cash equivalents grew 207% which is a good indication of source of liquidity. A quick ratio of Visa is 1.91<sup>3</sup> is an indicator of the company's short term liquidity position and measures the Visa's ability to meet its short-term obligations with its most liquid assets. (Hayes, 2021) Visa is in much better position as compared to Industry average of 0.34 and Mastercard, its closest competitor, 1.26. Analyzing the current ratio of Visa which shows 1.91 indicates the amount of cash available at the balance sheet date plus the amount of other current assets the firm expects to convert into cash within one year of the balance sheet data (from collection of receivables, sale of inventory, and sale or maturity of

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<sup>3</sup> (Visa Inc. - Capitalization, 2021)

short-term investment securities) relative to obligations coming due during the period. (Wahlen, Baginski, & Bradshaw, 2017). Helps to understand if the company has the ability to cover its short-term debt with its current assets, and in the case of Visa, the company is in good financial health. We will also compare with fiscal 2019 current ratio (1.56) as the cash and cash equivalent for fiscal 2020 was unusually very high and in comparison, to the Industry average of 1.36 puts Visa at a very strong position and outperforming in the industry.

The total debt-to-equity (D/E) ratio is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. (Fernando, 2021). And in case of Visa's D/E ratio is 0.66 as compared to Industry average of 0.87 and Mastercard's 2.11. Clearly Visa is in strong health as it shows it is able to manage its debt. Another indicator we want to compare will the Long-term Debt to Equity where a high ratio usually indicates a higher degree of business risk because the company must meet principal and interest on its obligations (Long Term Debt to Equity %, n.d.). Visa's Long-term Debt to Equity ratio is 0.67<sup>4</sup> while the Mastercard's ratio is 1.99<sup>5</sup> indicates that Visa is at less aggressive in financing its growth with debt.

The Interest Coverage Ratio (ICR) is a financial ratio that is used to determine how well a company can pay the interest on its outstanding debts (CFI Education Inc. - Interest Coverage Ratio, 2021). Visa's ICR ratio is 28.27 compared to Industry average of 25.73 and Mastercard's 21.27. This shows that Visa can cover its current interest payment 28 times with its available earnings during a given period. And the ICR ratio for fiscal 2019 was 30.13 and for fiscal 2018 was 23.15 which indicates that there is very little fluctuation in the Interest Coverage Ratio over 3 periods and is a strong indicator of the company's financial health.

We will also do a comparison of the debt to total assets ratio which is an indicator of company's financial leverage. It tells us the percentage of a company's total assets that were financed by creditors. Generally, the higher the debt to total assets ratio, the greater the financial leverage and the greater the risk. The Industry's debt ratio is 0.62 or 62% of industry average assets are being financed by creditors. Visa's debt ratio is 0.55 or 55% of Visa's assets is being

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<sup>4</sup> (Visa Inc. - Capitalization, 2021)

<sup>5</sup> (Mastercard Inc. - Capitalization, 2021)

financed by creditors. Which indicates the company is financially independent as the company is able to provide 45% of the asset's cost and are much lower than industry's average.

## Assessment of Visa's Growth

In reflecting on our year, business, including Visa's, was immediately impacted in mid-March as COVID-19 spread from Asia to Europe and then around the globe, forcing countries to lock down. People stopped traveling, and shopping was focused principally on acquiring household essentials. The corresponding reduction in purchase volume significantly influenced our financial results in the second half of the year. In response, Visa were thoughtful and adjusted their expenses accordingly. Operating expenses dropped 3% from fiscal 2019 and 13% drop in marketing expenses.

While many merchant segments, including travel, entertainment and hospitality, slowed or stopped completely because of COVID-19, commercial activity continued and, in some areas, accelerated. Prescriptions needed to be filled, groceries had to be purchased and school supplies bought. This led to an acceleration of ecommerce and an increased adoption of tap to pay, where customers simply tap their card or mobile device at a terminal to make a payment safely, securely and quickly, for face-to-face purchases. Visa's network, products and services are playing a critical role in ensuring these vital avenues of commerce remain open even during a global pandemic. (FORTUNE EDITORS, 2021)

Not surprisingly, consumers quickly migrated online in the weeks following the March lockdowns, including many who had never shopped from their phone or computer before. Globally, the number of active credentials in ecommerce, excluding travel, rose 14 percent from January to September. And, as consumers embraced online shopping, the need to secure those transactions was more critical than ever (Annual Report, 2020). From Figure 2 – Operational Highlight taken from Visa's Annual Report 2020

Operational Highlights			
12 months ended September 30 (except where noted)			
	2018	2019	2020
Total volume, including payments and cash volume <sup>1</sup>	\$11.3T	\$11.6T	\$11.3T
Payments volume <sup>1</sup>	\$8.3T	\$8.8T	\$8.8T
Transactions processed on Visa's networks	124.3B	138.3B	140.8B

Figure 2 - Operational Highlight taken from Visa's Annual Report 2020

taken from Visa's Annual Report 2020, we can see that the total volume was 2 years low to fiscal 2018 while the payments volume remained the same as fiscal 2019. And this can be supported from the decline in global transactions revenue in Table 3.

Looking at from financial ratio perspective of the company's growth, the Price Earnings Ratio (P/E Ratio) shows the expectations of the market and is the price you must pay per unit of current earnings (or future earnings) (Corporate Finance Institute, n.d.). Earnings are important when valuing a company's stock because investors want to know how profitable a company is and how profitable it will be in the future. Visa's P/E ratio is 43.91<sup>6</sup> with share price of \$210 per share while Mastercard has P/E ratio of 55.94<sup>7</sup> with share price of \$358 per share and industry average P/E ratio is 35.56<sup>8</sup>. Companies with a high Price Earnings Ratio are often considered to be growth stocks. This indicates a positive future performance, and investors have higher expectations for future earnings growth and are willing to pay more for them. The downside to this is that growth stocks are often higher in volatility and this puts a lot of pressure on companies to do more to justify their higher valuation. As we have just compared the LT Debt to Equity ratio and Current ratio, we can safely conclude that visa's assets are driving the company's growth and bringing the driving the revenue.

## Visa's Financial Value

Visa's shares have increased year on year. In fiscal 2018 the value of shares was \$147.94 per share with Earnings Per Share (EPS) being \$4.42 and P/E ratio of \$37.17 (NASDAQ, 2021). In today's time and as of 30 September 2020, the value of the share is \$199.36 per share with EPS at \$4.40 and P/E ratio of \$45.31 (NASDAQ, 2021). Based on these past and present values, we see that Visa shares have been continuously climbing and rewarding its shareholders who are expecting higher earnings growth in the future.

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<sup>6</sup> (Visa Inc. - Capitalization, 2021)

<sup>7</sup> (Mastercard Inc. - Capitalization, 2021)

<sup>8</sup> (Corporate Finance Institute, n.d.)



### III. Success Factors and Risks

Visa Inc. [NYSE: V] is one of the world's leaders in digital payments. Their mission is to connect the world through the most innovative, reliable and secure payments network — enabling individuals, businesses and economies to thrive. They facilitate digital payments across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

Since Visa's inception in 1958, Visa has been in the business of facilitating payments between consumers and businesses. With new ways to pay, they have evolved into a global company that is a Trusted Engine of Commerce, providing payment solutions for everyone, everywhere. They are focused on extending, enhancing and investing in their proprietary network, VisaNet, while seeking new ways to offer products and services and become a single connection point for facilitating any payment transaction, both on the Visa network and beyond.

Visa is one of the largest retail electronic funds transfer networks used throughout the world . However, we would still consider the critical success and risks factors that will influence its ability to remain dominant, profitable and successful.

	Visa	Mastercard	American Express	JCB	Diners Club
Payments Volume (\$B) .....	8,941	4,767	1,225	313	179
Total Volume (\$B) .....	11,757	6,468	1,241	320	194
Total Transactions (B) .....	207	122	9	4	3
Cards (M) .....	3,454	2,172	114	140	66

Figure 3 - The chart compares Visa's network with its competitors for calendar year 2019.

#### A. Financial and Strategic Priorities

Fiscal year 2020 and COVID-19 have brought unprecedented challenges and widespread economic and social change. At the same time, the past fiscal year demonstrated the strength and resiliency of the company's strategy and the meaningful role they play at the center of the payments ecosystem. It has also accelerated progress, including accelerating the shift to ecommerce and the demand for contactless payments, providing significant opportunities for Visa that are aligned with its strategy. As it looks to be a single point of

connection for money movement globally, there are three primary levers to that growth — consumer payments, new flows and value added services.

**Consumer Payments.** For decades, Visa’s growth has been driven by the strength of its core business solutions — credit, debit and prepaid products — as well as their global ATM network. As the pace of change accelerates each year, helped by the advancement of technology and Visa’s focus on the user experience in payments for both the face-to-face and ecommerce environments, they see significant opportunity for continued growth. Visa is accelerating efforts to move approximately \$18 trillion<sup>9</sup> in consumer spending still done in cash and check to cards and digital credentials on the Visa network. (Visa Inc., 2020)

**New Flows.** New flows represent a \$185 trillion opportunity. Visa’s network of networks approach creates opportunities to enable digital payments for consumers, businesses and governments around the world by facilitating P2P, B2C, B2B, B2b and G2C payments. Today, partners are increasingly using Visa’s network infrastructure and capabilities to enable Visa to unlock a growing market opportunity. (Visa Inc., 2020) An example is “Visa B2B Connect”; a new network Visa is building that reduces processing time for cross-border corporate transactions by enabling them to flow directly from the bank of origin to the beneficiary bank (PYMNTS, 2019). Visa B2B Connect currently includes 80 markets, and we expect that we will expand to 30 new markets over the next 18-24 months, aiming to reach scale by 2022. (Visa Inc., 2020)

**Value Added Services.** As the payments category continues to evolve and expand in scope, size and complexity, Visa’s clients are increasingly looking for insights, and the company is well positioned to support their needs. There are few organizations with the data and digital commerce expertise of Visa. Through its value added services (VAS), they provide cutting-edge products, capabilities, solutions and insights to help their clients see around corners and offer differentiated services to their customers. In fiscal year 2020, VAS revenue grew 18 percent, showcasing the client demand for these services.

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<sup>9</sup> New Consumer study from kasasa shows how consumers are spending money during COVID-19 pandemic - <https://www.businesswire.com/news/home/20200616005614/en/New-Consumer-Study-From-Kasasa-Shows-How-Consumers-Are-Spending-Money-During-COVID-19-Pandemic>.

## B.Non-Financial Factors

The foundation of its business is comprised of technology, security, Intellectual property and brand which contribute to Visa's growth.

**Technology.** Visa's Technology platform comprises software, hardware, data centers and a vast telecommunications infrastructure, each with a distinct architecture and operational footprint wrapped with several layers of security and protection technologies. (Visa Inc., 2020) Together, these systems deliver the secure, convenient and reliable service that its clients and consumers expect of the Visa brand.

Visa's software powers the core functions of their transaction processing — including authorization, clearing and settlement, and risk scoring — as well as their value added services. These applications together work to provide essential services to the payments ecosystem. Their disaster recovery capabilities are tiered so that their real-time transaction processing services can be continuously available. (Risk and Resilience, 2018)

**Security.** In parallel with their role in advancing the security of the broader payments ecosystem, Visa remains committed to championing cybersecurity. Their multifaceted security approach includes deploying security tools that help keep their clients and consumers safe, while providing solutions that make Visa the best way to pay and be paid.

The company invest significantly in their comprehensive approach to cybersecurity at Visa by deploying security technologies to protect against data confidentiality, integrity and availability risks, emphasizing core cybersecurity capabilities to minimize risk exposure. For example, Visa uses AI and deep learning technology to monitor their network and understand the threats aimed at their company. Their platform collects billions of security logs each day, providing insight across the network and within their infrastructure (Pahuja, 2020). Ensuring security is paramount to the company and providing reliability that the Visa brand is globally known for it to drive to success.

**Brand.** In recognition of their strength among clients and consumers, the Visa brand consistently ranks highly in external brand studies, including #1 on Forbes World's Best Regarded Companies (2019), #5 on BrandZ Top 100 Most Valuable Global Brands (2020),

Forbes World's Most Valuable Brands<sup>10</sup> and Interbrand's Best Global Brands, among others. Visa's brand strength helps deliver added value to its clients and its customers, financial institutions, merchants and partners through compelling brand expressions, a wide range of products and services and innovative brand and marketing efforts. Visa sponsors FIFA<sup>11</sup>, the International Olympic Committee<sup>12</sup>, the International Paralympic Committee and the National Football League. Visa is the only brand in the world that is a premier sponsor of all these properties. But however, with Tokyo Olympics 2020 which is postponed to 2021 due to COVID-19, it has suffered some losses through marketing expense but not a huge impact on its overheads.

**Intellectual Property.** The company owns and manages the Visa brand, which stands for acceptance, security, convenience, speed and reliability. Its portfolio of Visa-owned trademarks is important to their business. Generally, trademark registrations are valid indefinitely as long as they are in use and/or maintained. Additionally, they have filed patent applications in the U.S. and international jurisdictions covering certain aspects of their proprietary technology and new innovations, and own a number of patents, patent applications and other intellectual property relating to their business. Visa relies on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect their proprietary technology.

## C.Key Internal Risks

In addition to the key success factors that Visa must exploit, there are some risks that it must avoid or mitigate as well. Often, businesses can be so focused on negotiating perceived threats in the greater business environment that they fail to identify factors within the company which could threaten its success. (KPMG International, 2013)

**“Brexit”.** In June 2016, voters in the United Kingdom approved the withdrawal of the United Kingdom from the European Union (commonly referred to as “Brexit”). In March 2017, the UK government initiated the exit process under Article 50 of the Treaty of the European Union, and the deadline for agreeing to a trade deal was December 31, 2020.

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<sup>10</sup> Visa's brand profile - <https://brandirectory.com/brands/visa/>

<sup>11</sup> Visa has been a top-tier FIFA partner since 2007 and holds exclusive rights in the financial services product category through until 2022.

<sup>12</sup> Visa has been Worldwide sponsor of the Olympic games and exclusive payment technology partner and the only card accepted at the games.

Uncertainty over the terms of the United Kingdom's continued participation in the European Union could cause political and economic uncertainty in the United Kingdom and the rest of Europe, which could harm Visa's business and financial results. (BBC News, 2020)

Brexit<sup>13</sup> will lead to legal uncertainty and potentially divergent national laws and regulations in the United Kingdom and European Union. Visa, as well as its clients who have significant operations in the United Kingdom, may incur additional costs and expenses as they adapt to potentially divergent regulatory frameworks from the rest of the European Union and as a result, operating rules and contractual commitments in the United Kingdom and the rest of the European Union (EU) may be impacted. It is still hard to assess the impact from this as UK left EU on January 31, 2020 but the rules that apply between the two as of January 1, 2021. Only in the coming fiscal report we can fully assess the impact.

**Cybersecurity.** Numerous and evolving cybersecurity threats, including advanced and persistent cyber-attacks, phishing and social engineering schemes, particularly on Visa's internet applications, could compromise the confidentiality, availability, and integrity of data in their systems or the systems of their third-party service providers. Visa have been the target of malicious cyber-attack attempts in the past, and may continue to be, impacted by attacks and data security breaches of financial institutions, merchants, or third-party processors (Aggarwal, 2020). The company is also aware of instances where nation states have sponsored attacks against some of their financial institution clients, and other instances where merchants and issuers have encountered substantial data security breaches affecting their customers, some of whom were Visa account holders. Such attacks and breaches have resulted, and may continue to result in, fraudulent activity and ultimately, financial losses to Visa's clients, and it is difficult to predict the direct or indirect impact of future attacks or breaches to their business. (Visa Inc., 2020)

**Talents.** Central to their long-term strategy is attracting, developing and retaining the best talent globally with the right skills to drive the company's success. In fiscal year 2020, the COVID-19 pandemic has had a significant impact on their human capital management. A large majority of its workforce worked remotely throughout the second half of 2020, and the company instituted safety protocols and procedures for the essential employees who continued to work on site. Visa committed that no employee layoffs would occur in calendar year 2020

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<sup>13</sup> Brexit and the new rules for EU and UK - <https://www.government.nl/topics/brexit/brexit-where-do-we-stand>

related directly to COVID-19. The company's workforce grew in 2020 at a slower pace than prior years, increasing from approximately 19,500 employees in fiscal year 2019 to approximately 20,500 employees in fiscal year 2020 (Visa Inc., 2020).

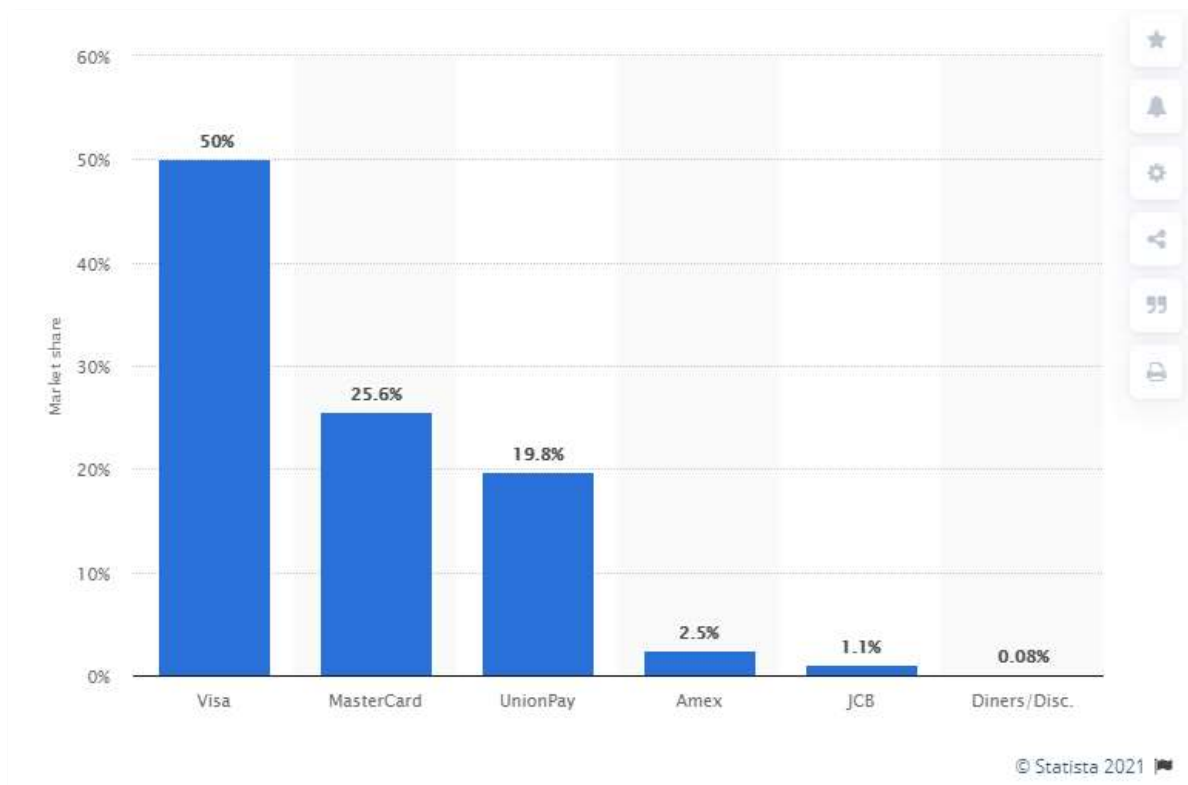
The talents and efforts of their employees, particularly their key management, are vital to the company's success. The management team has significant industry experience and would be difficult to replace. Ongoing changes in laws and policies regarding immigration and work authorizations have made it more difficult for employees to work in, or transfer among, jurisdictions in which they have operations and could continue to impair the company's ability to attract and retain qualified employees. Failure to attract, hire, develop, motivate, and retain highly qualified and diverse employee talent, to develop and implement an adequate succession plan for the management team, or to maintain a corporate culture that fosters innovation, and collaboration could disrupt Visa's operations and adversely affect their business and their future success.

## Conclusion

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is changing how we compete, creating local networks or enabling additional processing competition. Visa must continue to capitalize on its key success factors in order to be competitive and grow in its market share. From Figure 4 we can see that Visa is 25% ahead of its closest competitor and nearly 50% of the all the market share. The company must produce innovative and diverse product that meet changing consumer needs and continue to look into new areas for growth.

Despite the economic situation and challenges the company has faced, Visa's key success factors have made it competitive in its respective industry doing well compared to its competitors. It must continue to capture future market share, produce innovative and diverse products that cater to large groups of people such as with *new flow*. While *Consumer payments* remains part of the foundation of their business, we can see there has been new growth in this market as well. Tap to pay by Visa penetration in fiscal year 2020 grew to 43 percent of all

face-to-face Visa transactions globally (65 percent excluding the U.S.). (Precedence Research, 2020)



*Figure 4 - Credit card issuers worldwide by purchase transaction by Statista*

However, exploiting these key success factors is only part of the problem; in addition, successful business must be able to mitigate risks. Visa to continue working closely with EU and UK government regulations as the Brexit will bring about significant changes to the company's financial and business, however, these changes will also affect its competitors and increase costing. Visa to continue investing significantly in their comprehensive approach to cybersecurity. They deploy security technologies to protect against data confidentiality, integrity and availability risks, emphasizing core cybersecurity capabilities to minimize risk exposure.

Visa must take appropriate steps to diminish the likelihood of vulnerabilities that disrupt its operations and distribution network; and effectively manage and cultivate the skills of its workforce, while ensuring continued employment of talented employees. Its "no layoff" stance in midst of crisis has been remarkable testament to honoring its talent pool and recognition of Visa's values.

As such, I am confident that Visa has the right strategy, people and partnership to weather the storm and remain a great investment for future growth.



## IV. Visa's Financial Projections

### A. Projections: Likely Performance

Unfortunately, the majority of borders remain closed or imposed significant requirements on international travelers. The World Tourism Organization reported in December that out of 217 countries, 118 countries or 54% still had completely or partially closed their borders to foreign visitors. Of the remaining 99 countries, the majority are mandating COVID tests with quarantines. Very few countries have no COVID restrictions. Significant obstacles in crossing borders remain the single most important factor driving the slow recovery of cross-border travel. (UNTWO, 2021)

The first quarter of fiscal year 2021 (Q1'2021) for Visa (NYSE: V) has seen bullish run on net revenue of US\$5.687B as compared to fourth quarter of 2020 (Q4'2020) which saw the net revenue of US\$5.101B, outperforming the median of all forecasts by analyst which estimated US\$5.5B. A 11.49% increase from Q4'2020 result, and hence translating to 12.61% increase in gross profit as well in Q1'2021. As I review the Q1'2020 results, let's recall that the world, including the company in review today, is growing over a quarter where no one had ever heard of COVID-19. Payments volume, processed transactions, and cross-border volume all improved from Q4.

However, comparing the result to December 31, 2019 there is a 6% decline in the net revenue from US\$6.054B in 2019 to US\$5.687B in 2020. As we know this is not a fair comparison due to the pandemic that has affected the company's International transaction revenue which saw a 23% decline in nominal cross-border volume (see Table 4).

The following table sets forth the components of our net revenues:

	Three Months Ended December 31,			
	2020	2019	\$ Change	% Change <sup>(1)</sup>
(in millions, except percentages)				
Service revenues	\$ 2,677	\$ 2,555	\$ 122	5 %
Data processing revenues	3,033	2,864	169	6 %
International transaction revenues	1,451	2,018	(567)	(28)%
Other revenues	384	365	19	5 %
Client incentives	(1,858)	(1,748)	(110)	6 %
<b>Net revenues</b>	<b>\$ 5,687</b>	<b>\$ 6,054</b>	<b>\$ (367)</b>	<b>(6)%</b>

<sup>(1)</sup> Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.

Figure 5 - Net Revenue components from Visa Q1 2021 report as of December 31, 2020



Cross-border volume refers to payments and cash volume where the issuing country is different from the merchant country. In the Q1'2021, the cross-border volumes were almost 40% lower excluding intra-Europe volumes than they might have been had the pandemic never happened, largely due to travel (Prabhu, 2021). Cross-border travel volume both card present and card not present, is still down almost 70% relative to where it might have been at this point. Global payments volume and transaction growth rates were modestly better than the prior quarter, see Table 4 for reference. The cross-border volume recovery continued even as most borders remain completely or partially closed. The trajectory of the domestic spending recovery varies across the globe. Some regions and countries are recovering fast. Others are holding steady, while some have slowed in recent weeks as a result of new restrictions. What remains consistent globally is very strong debit (**Error! Reference source not found.**) and e-commerce spending, which is partially offset by weaker credit and in-store spending. Although constant-dollar cross-border volume excluding transactions within Europe is still down 33%, there was an eight-point improvement from last quarter.

Period	Total Growth (Nominal USD)	Total Growth (Constant USD)	Ex. Intra-Europe <sup>(1)</sup> Growth (Constant USD)
<u>3 Months Ended</u>			
Dec 31, 2020	(18%)	(21%)	(33%)
Sep 30, 2020	(28%)	(29%)	(41%)
Jun 30, 2020	(38%)	(37%)	(47%)
Mar 31, 2020	(4%)	(2%)	(4%)
Dec 31, 2019	7%	9%	9%
<u>12 Months Ended</u>			
Dec 31, 2020	(22%)	(23%)	(32%)

<sup>(1)</sup> Cross-border volumes excluding transactions within Europe drive our international transaction revenues

Table 4 - The table above represents Cross-border volume growth for cards and other form factors carrying the Visa brands, report from Q1'2021 report from Visa Inc.

As I look further into the payments volume. Total Payments volume increased 3.9% in Q1'2021 compared to Q4'2020 for all of Visa Credit and Debit transactions. But a 3% decline when compared for 12 months period ending December 31, 2020. The company saw a strong growth in Latin America and the Caribbean (LAC) for the Q1'2021 which growth acceleration

fueled by limited COVID-related restrictions and elevated e-commerce spending compared to other regions, and growing market share with client wins by the company.

All Visa Credit & Debit	Q1	Q4		2020	2019	
APAC	591	545	8.4%	2,146	2,438	-12%
Canada	81	75	8.0%	285	296	-4%
CEMEA	314	301	4.3%	1,144	1,196	-4%
LAC	238	201	18.4%	820	957	-14%
US	1,283	1,262	1.7%	4,759	4,605	3%
EU	607	612	-0.8%	2,215	2,267	-2%
	3,114	2,996	3.9%	11,369	11,759	-3%
Visa Credit Prog.						
US	542	500	8.4%	1,974	2,146	-8%
Int.	720	667	7.9%	2,616	2,996	-13%
	1,262	1,167	8.1%	4,590	5,142	-11%
Visa Debit Prog.						
US	741	762	-2.8%	2,785	2,459	13%
Int.	1,112	1,066	4.3%	4,004	4,157	-4%
	1,853	1,828	1.4%	6,789	6,616	3%

Table 5 - Operational Performance Data for Q1'2021 from Visa Inc.

As we just saw how the company has performed for its first quarter in 2021, we will try to project the company's likely performance for the next three years. The projected EPS for 1Q'2021 was at \$1.27 by the analyst (Nasdaq, 2021) which the company beat by 11.81% earnings surprise to \$1.42 as reported on December 28, 2020. This was remarkable as we discussed earlier of the stellar performance by the company if we compare to 4Q'2020. Or a 6% decline (Figure 5) in net revenue as compared to 2019, which is better than expected, primarily due to stronger-than-expected cross border volumes (see Table 4) and lower client incentives. Value-added services continued to perform well, growing 19% in Q1'2020. Exchange rate movements in the three months ended December 31, 2020, was partially mitigated by Visa's hedging program, positively impacted the net revenue by approximately 0.5% (Visa Inc. 10Q Report, 2021).

On January 12, 2021 VISA Inc. had decided to terminate the acquisition Plaid Inc. for US\$5.3B following a U.S. government lawsuit aimed at stopping the proposed transaction on antitrust grounds. As this would have tied both the companies through a long-term litigation that could go all the way through an appeal. Since the acquisition announcement in January 2020, Visa completed two separate debt offerings totaling US\$7.25 billion, largely to fund this deal. The Visa stock slipped four point from US\$212.89 per share to US\$209.35. Visa said its board of directors has authorized a new stock repurchase program. The company will have US\$8 billion at its disposal for this purpose. Adding previous authorizations to that tally, Visa has more than US\$11 billion to spend on buybacks (Kelly, Alfred CEO).

The net revenue for FY2021 is projected to be around US\$22.6B to US\$24.1B (CNN Business, 2021). Nasdaq analyst growth rate (Price/Earnings, 2021) is projected to be at 9.19% which is also very similar to the analyst at Reuters who estimate at 9.50% for FY2021 (Reuters, Visa metrics, 2021). The forecast assumes a modest growth rate for 2021 is because of the growth in service revenue and data processing revenue that will bring about major growth and we will still see little or no expectation from international transaction revenue. Majority of the borders remain closed or imposed significant requirement on international travelers. Value added services (VAS), which is not tied to volumes, like consultants – consulting practice, grew 18% in FY2020 and 19% in Q1'2021 itself (Visa Inc. 10Q Report, 2021). As e-commerce explodes, interest in CyberSource remains strong for merchants, as well as from fintech's and acquirers looking to leverage Visa's capabilities to offer to their clients.

The company's ability to reduce its operating expenses has contributed much to its net income. Total operating expenses for the three months ended December 31, 2020 were US\$1.8 billion (Figure 6) and decreased 10% over the prior-year comparable period, on both a GAAP and non-GAAP basis, driven by the firm's overall cost reduction strategy. These strategies include scaling back hiring plans, restricting travel, lowering marketing spend and the use of external resources.

	Three Months Ended December 31,			
	2020	2019	\$ Change	% Change <sup>(1)</sup>
	(in millions, except percentages)			
Personnel	\$ 981	\$ 982	\$ (1)	— %
Marketing	205	274	(69)	(25)%
Network and processing	173	181	(8)	(4)%
Professional fees	83	106	(23)	(21)%
Depreciation and amortization	197	182	15	8 %
General and administrative	203	313	(110)	(35)%
Litigation provision	1	—	1	165 %
<b>Total operating expenses</b>	<b>\$ 1,843</b>	<b>\$ 2,038</b>	<b>\$ (195)</b>	<b>(10)%</b>

<sup>(1)</sup> Figures in the table may not recalculate exactly due to rounding. Percentage changes are calculated based on unrounded numbers.

Figure 6 - Operating Expense for Q1'2021 for Visa Inc.

As such, for FY2021 the company expects operating expense to grow in the low-to mid-single digits as the company begins to lap the expense reduction implemented last year. The company plans to grow expenses in phases as the company step-up investments on the 3 growth revenue sector (Core business, New flows and Value added services) by end of fiscal 2021. The forecast for the operating profit growth is at 8% for the year by Market Screener analyst

(MarketScreener, n.d.). The major contribution to the company's expense is people, marketing, and technology, and the Visa has the Tokyo Olympics coming up in the summer months. At the moment, Japan and the Olympics is going forward with the games (Mather, 2021). The company claims that it held marketing to relatively modest levels in this past quarters, but it would certainly expect to be driving marketing expenses up.

As such our projections for the company's growth for Year +1 (FY2021) is 9.50%, 24.73% for Year +2 (FY2022) and 17% for Year +3 (FY2023) (Reuters, Visa metrics, 2021). For Year +2 the reason for high optimistic growth is driven by the pent up demand by international transactional revenue as seen in Figure 5. As U.S. and International boundaries regulate the vaccination, analyst believe that traveling will return to its normalcy. And Year +3 (FY2023) is following the historical growth rate of the company.

Based on the projections, the revenue for Year +1, Year +2 and Year +3 will be US\$23.3B, US\$29.8B and US\$34.9B, respectively. Similarly, we expect the net income to follow trend. Thus, the projected estimate of net income for Year +1 is US\$11.9B, Year +2 is US\$14.8B and Year +3 is US\$17.4B. See Appendix A

[Visa Business and Revenue Generator](#)

Strengthening Visa's  
role in enabling money  
movement globally

As a trusted engine of commerce, Visa is uniquely positioned  
to help people, businesses and governments move money  
securely, regardless of the type or size of the transaction.



## Appendix B

Consolidated Statement of Income of Visa Inc. for the year ended 30<sup>th</sup> September 2020.



**VISA INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Years Ended September 30,		
	2020	2019	2018
	(In millions, except per share data)		
<b>Net revenues</b>	<b>\$ 21,846</b>	<b>\$ 22,977</b>	<b>\$ 20,609</b>
<b>Operating Expenses</b>			
Personnel	3,785	3,444	3,170
Marketing	971	1,105	988
Network and processing	727	721	686
Professional fees	408	454	446
Depreciation and amortization	767	656	613
General and administrative	1,096	1,196	1,145
Litigation provision	11	400	607
<b>Total operating expenses</b>	<b>7,765</b>	<b>7,976</b>	<b>7,655</b>
<b>Operating income</b>	<b>14,081</b>	<b>15,001</b>	<b>12,954</b>
<b>Non-operating Income (Expense)</b>			
Interest expense, net	(516)	(533)	(612)
Investment income and other	225	416	464
<b>Total non-operating income (expense)</b>	<b>(291)</b>	<b>(117)</b>	<b>(148)</b>
<b>Income before income taxes</b>	<b>13,790</b>	<b>14,884</b>	<b>12,806</b>
<b>Income tax provision</b>	<b>2,924</b>	<b>2,804</b>	<b>2,505</b>
<b>Net income</b>	<b>\$ 10,866</b>	<b>\$ 12,080</b>	<b>\$ 10,301</b>

## Appendix C

Consolidated Statement of Comprehensive Income of Visa Inc. for the year ended 30<sup>th</sup> September 2020.

**VISA INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the Years Ended September 30,		
	2020	2019	2018
	(In millions)		
<b>Net income</b>	<b>\$ 10,866</b>	<b>\$ 12,080</b>	<b>\$ 10,301</b>
<b>Other comprehensive income (loss), net of tax:</b>			
Investment securities:			
Net unrealized gain (loss)	1	20	94
Income tax effect	—	(5)	(19)
Reclassification adjustments	(3)	1	(215)
Income tax effect	1	—	50
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit (cost)	(7)	(174)	16
Income tax effect	1	36	(5)
Reclassification adjustments	18	9	5
Income tax effect	(3)	(2)	(1)
Derivative instruments:			
Net unrealized gain (loss)	(547)	233	90
Income tax effect	119	(25)	(24)
Reclassification adjustments	(81)	(85)	32
Income tax effect	19	16	(2)
Foreign currency translation adjustments	1,511	(1,228)	(352)
<b>Other comprehensive income (loss), net of tax</b>	<b>1,029</b>	<b>(1,204)</b>	<b>(331)</b>
<b>Comprehensive income</b>	<b>\$ 11,895</b>	<b>\$ 10,876</b>	<b>\$ 9,970</b>

## Appendix D

Consolidated statement of financial position as of 30<sup>th</sup> September 2020

VISA INC.

CONSOLIDATED BALANCE SHEETS

	September 30,	
	2020	2019
	(In millions, except par value data)	
<b>Assets</b>		
Cash and cash equivalents	\$ 16,289	\$ 7,838
Restricted cash equivalents—U.S. litigation escrow	901	1,205
Investment securities	3,752	4,236
Settlement receivable	1,264	3,048
Accounts receivable	1,618	1,542
Customer collateral	1,850	1,648
Current portion of client incentives	1,214	741
Prepaid expenses and other current assets	757	712
Total current assets	27,645	20,970
Investment securities	231	2,157
Client incentives	3,175	2,084
Property, equipment and technology, net	2,737	2,695
Goodwill	15,910	15,656
Intangible assets, net	27,808	26,780
Other assets	3,413	2,232
Total assets	\$ 80,919	\$ 72,574
<b>Liabilities</b>		
Accounts payable	\$ 174	\$ 156
Settlement payable	1,736	3,990
Customer collateral	1,850	1,648
Accrued compensation and benefits	821	796
Client incentives	4,176	3,997
Accrued liabilities	1,840	1,625
Current maturities of debt	2,999	—
Accrued litigation	914	1,203
Total current liabilities	14,510	13,415
Long-term debt	21,071	16,729
Deferred tax liabilities	5,237	4,807
Other liabilities	3,891	2,939
Total liabilities	44,709	37,890
Commitments and contingencies (Note 18)		
<b>Equity</b>		
Preferred stock, \$0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, less than one and no shares issued and outstanding at September 30, 2020 and 2019 (the "series A preferred stock"), respectively	2,437	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2020 and 2019 (the "UK&I preferred stock")	1,106	2,285
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2020 and 2019 (the "Europe preferred stock")	1,543	3,177
Class A common stock, \$0.0001 par value, 2,001,622 shares authorized, 1,683 and 1,718 shares issued and outstanding at September 30, 2020 and 2019, respectively	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2020 and 2019	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 11 shares issued and outstanding at September 30, 2020 and 2019	—	—
Right to recover for covered losses	(39)	(171)
Additional paid-in capital	16,721	16,541
Accumulated income	14,088	13,502
Accumulated other comprehensive income (loss), net:		
Investment securities	3	6
Defined benefit pension and other postretirement plans	(196)	(192)
Derivative instruments	(291)	199
Foreign currency translation adjustments	838	(663)
Total accumulated other comprehensive income (loss), net	354	(650)
Total equity	36,210	34,684
Total liabilities and equity	\$ 80,919	\$ 72,574

See accompanying notes, which are an integral part of these consolidated financial statements.

# Appendix E

## Revenue Breakdown

### Note 3—Revenues

The nature, amount, timing and uncertainty of the Company's revenues and cash flows and how they are affected by economic factors are most appropriately depicted through the Company's revenue categories and geographical markets. The following tables disaggregate the Company's net revenues by revenue category and by geography for the years ended September 30, 2020, 2019, and 2018:

	For the Years Ended September 30,		
	2020	2019	2018
	(In millions)		
Service revenues	\$ 9,804	\$ 9,700	\$ 8,918
Data processing revenues	10,975	10,333	9,027
International transaction revenues	6,299	7,804	7,211
Other revenues	1,432	1,313	944
Client incentives	(6,664)	(6,173)	(5,491)
<b>Net revenues</b>	<b>\$ 21,846</b>	<b>\$ 22,977</b>	<b>\$ 20,609</b>

	For the Years Ended September 30,		
	2020	2019	2018
	(In millions)		
U.S.	\$ 10,125	\$ 10,279	\$ 9,332
International	11,721	12,698	11,277
<b>Net revenues</b>	<b>\$ 21,846</b>	<b>\$ 22,977</b>	<b>\$ 20,609</b>

### Cash & Cash Equivalent Breakdown

#### Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company reconciles cash, cash equivalents, restricted cash and restricted cash equivalents reported in the consolidated balance sheets that aggregate to the beginning and ending balances shown in the consolidated statements of cash flows as follows:

	September 30,		
	2020	2019	2018
	(In millions)		
Cash and cash equivalents	\$ 16,289	\$ 7,838	\$ 8,162
Restricted cash and restricted cash equivalents:			
U.S. litigation escrow	901	1,205	1,491
Customer collateral	1,850	1,648	1,324
Prepaid expenses and other current assets	131	141	—
<b>Cash, cash equivalents, restricted cash and restricted cash equivalents</b>	<b>\$ 19,171</b>	<b>\$ 10,832</b>	<b>\$ 10,977</b>

## Appendix F

Comprehensive Income Analysis using XBRL data and Common factor Analysis.



1	Company	V	206.9						
2	Year	2018							
3	Period	Y							
4	Scale	1000000							
5									
6									
7	Year	2018	2019	2020	Trend	Common Factor Income Statement			
8	Service Revenue	8,918.00	9,700.00	9,804.00		43.27%	42.22%	44.88%	
9	Data Processing	9,027.00	10,333.00	10,975.00		43.80%	44.97%	50.24%	
10	International transaction	7,211.00	7,804.00	6,299.00		34.99%	33.96%	28.83%	
11	Other Revenues	944.00	1,313.00	1,432.00		4.58%	5.71%	6.55%	
12	Client incentives	(5,491.00)	(6,173.00)	(6,664.00)		-26.64%	-26.87%	-30.50%	
13	Revenue	20,609.00	22,977.00	21,846.00		100.00%	100.00%	100.00%	
14	Revenue - US	9,332.00	10,279.00	10,125.00		45.28%	44.74%	46.35%	
15	Revenue - International	11,277.00	12,698.00	11,721.00		54.72%	55.26%	53.65%	
16	[Revenue]	20,609.00	22,977.00	21,846.00		100.00%	100.00%	100.00%	
17	[Cost of Revenue]	3,170.00	3,444.00	3,785.00		15.38%	14.99%	17.33%	
18	[Gross Profit]	17,439.00	19,533.00	18,061.00		84.62%	85.01%	82.67%	
19	Personal	3,170.00	3,444.00	3,785.00		15.38%	14.99%	17.33%	
20	Marketing	988.00	1,105.00	971.00					
21	Network and Processing	686.00	721.00	727.00		62.86%	65.29%	64.46%	
22	Professional fees	446.00	454.00	408.00		62.14%	64.78%	63.12%	
23	[Depreciation (&Amortization), IS]	613.00	656.00	767.00					
24	General & Administrative	1,145.00	1,196.00	1,096.00					
25	[Litigation provision]	607.00	400.00	11.00		2.95%	1.74%	0.05%	
26	Operating Expense	7,655.00	7,976.00	7,765.00		2.97%	2.86%	3.51%	
27	[Non-Interest Expense]	5,824.00	6,059.00	5,942.00		28.26%	26.37%	27.20%	
28	[Other Operating Expenses]	4,909.00	5,019.00	4,931.00		23.82%	21.84%	22.57%	
29	[Operating Expenses]	7,655.00	7,976.00	7,765.00		37.14%	34.71%	35.54%	
30	[Operating Income]	12,954.00	15,001.00	14,081.00		62.86%	65.29%	64.46%	
31	[Depreciation (&Amortization), C]	613.00	656.00	767.00		2.97%	2.86%	3.51%	
32	[Interest Income]	(612.00)	(533.00)	(516.00)		-2.97%	-2.32%	-2.36%	
33	[Earnings Before Taxes]	12,806.00	14,884.00	13,790.00		62.14%	64.78%	63.12%	
34	[Income Taxes]	2,505.00	2,804.00	2,924.00		12.15%	12.20%	13.38%	
35	[Net Income]	10,301.00	12,080.00	10,866.00		49.98%	52.57%	49.74%	

Comprehensive Financial Position and Cash flow analysis using XBRL data and Common factor Analysis.

1	Company	V	206.9						
2	Year	2018							
36									
37	<b>B/S</b>								
38	<b>Assets</b>								
39	[Cash, Cash Equivalents And Shi	8,162.00	7,838.00	16,289.00		11.79%	10.80%	20.13%	
40	[Accounts Receivable, Current]	1,208.00	1,542.00	1,618.00		1.75%	2.12%	2.00%	
41	[Inventory]	0.00	0.00	0.00		0.00%	0.00%	0.00%	
42	[Current Assets]	18,216.00	20,970.00	27,645.00		26.31%	28.89%	34.16%	
43	[Net of Property, Plant & Equipm	2,472.00	2,695.00	2,737.00		3.57%	3.71%	3.38%	
44	[Long-term Investments]	4,082.00	2,157.00	231.00		5.90%	2.97%	0.29%	
45	[Intangible Assets, Net]	27,558.00	26,780.00	27,808.00		39.81%	36.90%	34.37%	
46	[Goodwill]	15,194.00	15,656.00	15,910.00		21.95%	21.57%	19.66%	
47	[Other Noncurrent Assets]	1,703.00	4,316.00	6,588.00		2.46%	5.95%	8.14%	
48	[Noncurrent Assets]	51,009.00	51,604.00	53,274.00		73.69%	71.11%	65.84%	
49	[Assets]	69,225.00	72,574.00	80,919.00		100.00%	100.00%	100.00%	
50	<b>Liabilities &amp; Equity</b>	0.00	0.00	0.00		0.00%	0.00%	0.00%	
51	[Accounts Payable and Accrued I	2,244.00	2,577.00	2,835.00		3.24%	3.55%	3.50%	
52	[Short-term Borrowing]	0.00	0.00	0.00		0.00%	0.00%	0.00%	
53	[Long-Term Debt, Current]	0.00	0.00	2,999.00		0.00%	0.00%	3.71%	
54	[Liabilities]	35,219.00	37,890.00	44,709.00		50.88%	52.21%	55.25%	
55	[Stockholders Equity]	34,006.00	34,684.00	36,210.00		49.12%	47.79%	44.75%	
56	[Liabilities & Equity]	69,225.00	72,574.00	80,919.00		100.00%	100.00%	100.00%	
57									
58	<b>Cash Flow</b>								
59	[Cash From Operations (CFO)]	12,941.00	12,784.00	10,440.00			98.79%	81.66%	
60	[Cash From Investing (CFI)]	(3,084.00)	(591.00)	1,427.00		-4.46%	19.16%	-241.46%	
61	[Cash From Financing (CFF)]	(10,790.00)	(12,061.00)	(3,968.00)		-15.59%	111.78%	32.90%	
62	[Total Cash, Change]	(1,034.00)	(145.00)	8,339.00		-1.49%	14.02%	-5751.03%	
63									

# Appendix for the detail breakdown.

## B.Projections: Best-Case and Worst-Case

### Best-case Scenario

As we in Figure 5 where the net revenue of the company was presented for the Q1'2021. International transaction revenue was down almost 28% compared to the same period in 2019. This compounded with other revenue sectors such as the Data processing revenue and other revenue. The best case scenario or the high estimate for Year +1 projection will be 10% higher than FY2020 net revenue of US\$21.85B.

As the world transitions to getting vaccinated, my assumption is traveling for Year +1 will still be very limited. So International travel revenue will still be underperforming as cross-border volume will still struggle to recover. We will see increased visa processed transactions; December 31, 2020 saw 39 million processed transactions which was up by 4% as compared to processed transactions in September 30,2020. This will continue to increase throughout the year and projected increase for 4% for all 4 quarters. While we saw in Table 4 where the Visa payment volume and transactions were presented. We can expect growth in Asia Pacific for Visa Credit and Debit programs and even stronger growth for US region.

For Year +2, assuming there are no longer any COVID-related restrictions on the borders and the majority of the developed and developing nationals have been inoculated against the virus. Essential and leisure travel will be back, which will facilitate strong demand for airline industry and increased Credit transaction volume, which will then increase the International transaction revenue to its prior glory. Thus, the best case scenario for Year +2 growth rate to be close to 29%.

And Year +3 and onwards, a modest increase in growth of 17% is expected which is same in comparison to its former years had there not been this pandemic. And the best case scenario will be a growth rate of 21%.

The company continues to invest and focus heavily in 3 main areas – Consumer payments, New flows and Value-added services. As the company continues renewing existing relationship and partnering with new customers and continue to digitize, these will increase the

market share where Visa is a market leader, and I am confident that the company will reach its growth rate.

## Worst-case Scenario

Visa's future earnings and financial performance may face risks. Cross-border volume continues to be heavily impacted by the decline in travel. International cross-border transaction revenues represent a significant part of our revenue. In addition, the company may experience financial losses due to a number of operational factors, including:

- Most notably, increased cyber and fraud risk related to COVID-19, as cybercriminals attempt DDOS related attacks, phishing scams and other disruptive actions, given the shift to online banking, e-commerce and other online activity.
- Challenges to the availability and reliability of their network due to changes to normal operations, including the possibility of one or more clusters of COVID-19 cases occurring at their data centers, affecting their employees, or affecting the systems or employees of their issuers, acquirers or merchants; and
- Additional regulatory requirements, including, for example, government initiatives or requests to reduce or eliminate payments fees or other costs. A number of countries have taken steps to temporarily cap interchange or other fees on electronic payments as part of their COVID-19 economic relief measures. It is possible that some or all these caps may become permanent over time. In an overall soft global economy, such pricing measures could result in additional financial pressures on their business. (Annual Report, 2020)

Consumers affected by COVID-19 may continue to demonstrate changed behavior even after the COVID-19 outbreak has subsided. For example, consumers may decrease discretionary spending on a permanent or long term basis, certain industries may take longer to recover (particularly those that rely on travel or large gatherings as consumers may be hesitant to return to full social interaction, and we may continue to see consumers decrease spending on credit products as economic worries continue, all of which may have adverse implications for their business.

Thus, with all these considerations, the worst case scenario would result in an annual decline in revenue as a result and result in weaker than average projection. For Year + 1, we will expect a growth rate of 6.5% as compared to FY2020 result. And for Year +2, we expect

a growth rate of 18.50% in post pandemic era and for Year +3 and beyond, we expect a growth rate of 13%.

## C. Discuss Projections

For a business to operate efficiently, it needs some idea of what the future will look like. A forecast provides this look as a foundation upon which to plan. Every functional group within a business benefits from a forecast. (Lui, 2016)

As with Visa's forecasting, there were several assumptions made based on earnings call from Alfred F. Kelly, chairman and CEO at Visa Inc. and Vasanth M. Prabhu, vice chairman and CFO at Visa Inc. Based on current volume of transactions and forging new relations with partner banks and other technological firms. We are able to forecast the potential growth and revenue that these projects will bring for future growth. The challenges the company face with internal risk and external risk and how they are being addressed is also an indication of resourceful planning and strategy. The most important assumption of this forecast is to be aligned with the market consensus and Visa continues to remain market leader and grow from there.

The projections were made based on the historical values from Annual report 2020, 10Q report for December 31, 2020 and financial news. For example, Visa has entered into new partnerships with leading acquirers such as SBI (State Bank of India) Payments to launch acceptance solutions, such as tap-to-phone and contactless. They are also contributing to India's payment infrastructure development fund to encourage growth of physical and digital acceptance in under-penetrated geographies by adding 1 million points of sale and 2 million QR points per year over the next three years. All these efforts build on our leading credit and debit market share in India. (Business News, 2021)

Thus, taking all these factors and risks into consideration, the projections I have presented, and the methodology is based on the fact sheet and news on the financial market which widely open to the public and investors. And I am confident these projections are conservative and well considered considering the market conditions and industry.



## V. Business Opportunities

### A. Investment Opportunity

As we discussed earlier about the *New Flows* which represents a US\$185 trillion opportunity for the company. Visa's network of networks approach creates opportunities to enable digital payments for consumers, businesses and governments around the world by facilitating P2P, B2C, B2B, B2b and G2C payments. Today, its partners are increasingly using Visa's network infrastructure and capabilities to enable Visa to unlock a growing market opportunity.

This represents an investment opportunity for Visa to tap into the existing resources of Wise, formerly *TransferWise*, network and further penetrate the global market of payments.

#### *Wise*

**Background:** Wise is an online service for sending money across borders. Founded in London, the company's growth has exploded since launching in 2011; the demand for such cheap, easy international money transfers continues to grow as we become more interconnected and financially interdependent across borders. Wise is known for their no-nonsense approach to these international money transfers, which is a big reason why Wise customers send well over \$1 billion each month using the service. (Bishop, 2017)

**Product & Features:** Wise works by having you make a bank transfer to Wise through your borderless account. Their unique innovation is that they have got large stores of different currencies scattered all over the world. Rather than actually exchanging your \$1,000 USD when you send it to someone in Canada, TransferWise just adds your \$1,000 to their USD pot and pays the recipient the equivalent amount of Canadian dollars out of their Canadian dollar pot.

This eliminates most of the legal work of the transaction, as well as the costly intermediaries, allowing them to offer a much better exchange rate.

If you are worried about the exchange rates, Wise also links the currency rates posted on XE, Google, and Yahoo right on their website for your reference. That way, you can check and compare currency rates whenever you want.

**Business Model:** TransferWise's primary mode of income is the fee it charges for every money transfer. The customer can thereby pick the amount sent and involved currencies. Afterwards, he or she will receive an instant overview of the fee that has to be paid.

### *So why Wise?*

Wise can help Visa to tap into the vast network of opportunity especially in overseas market where digital payment is still a building block in the economy. India reportedly had 22.9% of all payment volume in digital. The report by Business Line state that this is expected to grow to 71.7% by 2025 (Awasthi, 2021)

Wise can increase the network of payments and reach to B2b (business-to-small business), besides P2P, B2C, B2B, and G2C tiers. The Country Digital Adoption Index covers three elements: digital foundation (cost, speed, and reliability of internet service); digital reach (number of mobile devices, app downloads, and data consumption), and digital value, (how much consumers engage online by chatting, tweeting, shopping, or streaming). India's score rose by 90 percent since 2014 (Figure 7). In absolute terms, its score is low—32 on a scale of 100—so there remains ample room to grow. (Kaka, et al., 2019)

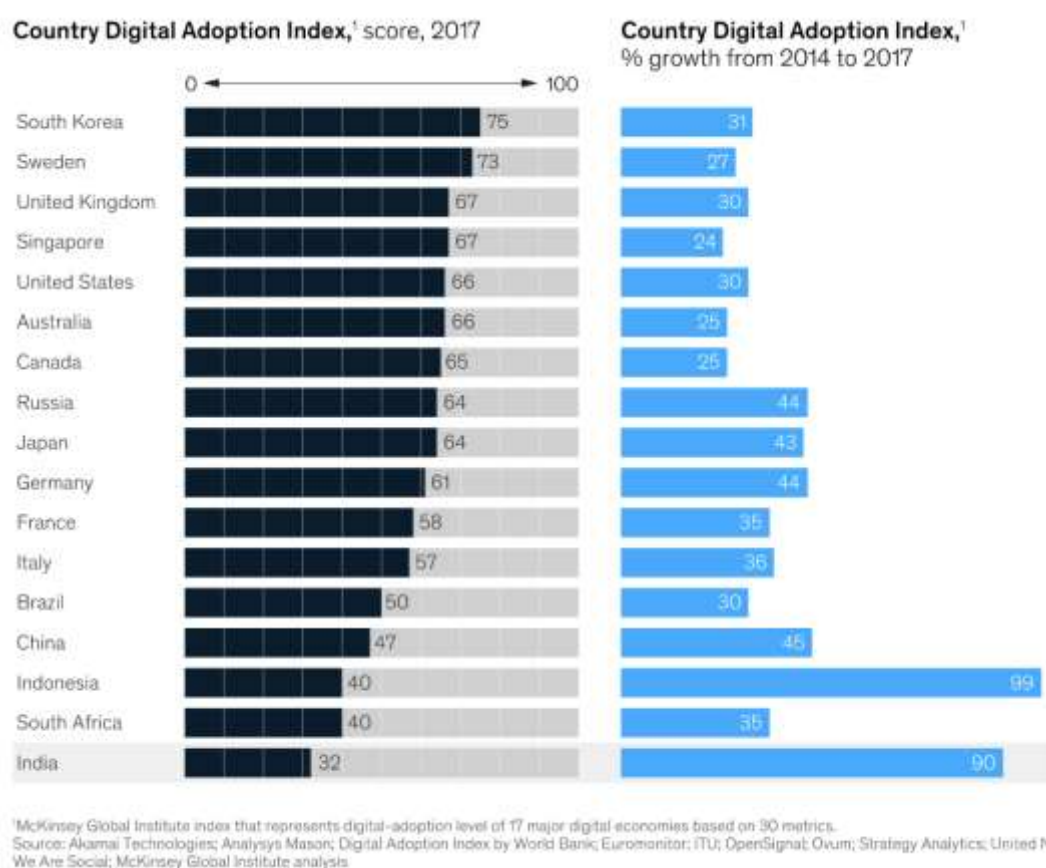


Figure 7 - Index showing the digital-adoption level of 17 major economies. McKinsey Global Institute of Index

With Wise, real-time push payments platform which guarantees best mid-market rates, Visa which reverses the traditional card payment flow by allowing payment originators, to push funds directly to cards, Wise can now also push directly to 1.5 billion additional bank accounts. In doing this, Wise supports consumer and business money flows, which is estimated to be \$65 trillion, for a variety of payment use cases, including corporate, government and worker payouts, P2P, real-time merchant settlement, and fast cross border payment capabilities to more than 180 countries. (Annual Report, 2020)

## B. Cost and Benefits and its Implications

Plaid, a software company that helps power most major fintech apps, including Venmo, Robinhood, SoFi and others, by connecting them with customers' bank account data, was set to be acquired by Visa for US\$5.3 billion up until Department of Justice sued to block the deal in November 2020. (Wieczner, 2021)

The company has been able to serves more than 8 million people and businesses. In the financial year 2020, they processed a total volume of £67 billion, and sent £42 billion across



borders, saving you £1 billion a year compared to making the same transfers with the bank. That means 1 in every £25 sent by people around the world is now with Wise. The 2020 financial year saw 70% growth in annual revenue to £302.6 million and was the fourth year in a row in which Wise has posted a profit.

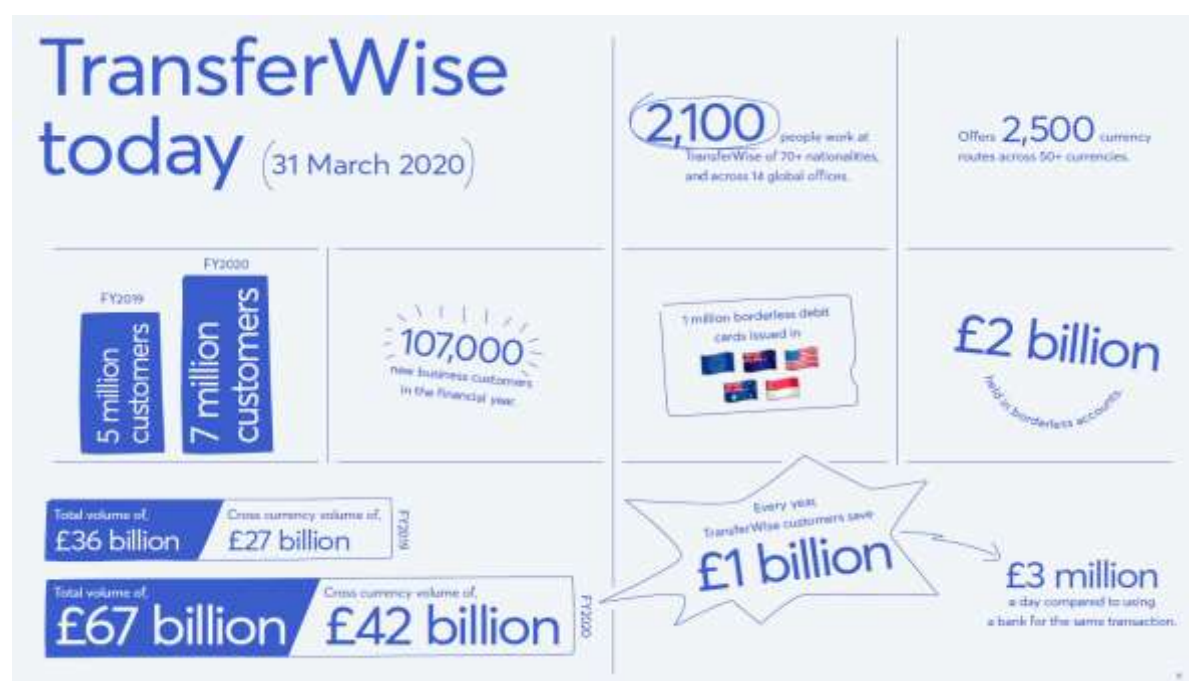


Figure 8 - TransferWise Audited Report 2020

Visa's business model fits perfectly well with Wise business model. As Visa expanding towards the new market of payments globally but is limited to Visa Direct which pushes the funds directly to the cards. However, as we just explored the digital adoption in several developing countries (Figure 7), many of the business owners or government agency will not be able to maintain Visa account as much of the transaction is still dependent on cash transfer. Which would impair the Visa's strategy to acquire new market share. Potentially, 40% of the market share in India.

Where Visa Direct feels impaired, Wise can fill that void by giving the people and or business to communicate across the globe and tap into the £67billion (Figure 8) currency volume which Wise boast about. Together with Visa's technology and network and integration of Wise money transfer. We can expect Visa to add £300 million (Table 6) annually to its International transaction revenue which is currently at US\$6,299 million (Figure 9). See Appendix J for full statement.

Group	Note	Year ended 31 March	
		2020	2019
Revenue	4	302.6	177.9
Cost of sales	5	(117.6)	(69.7)
<b>Gross profit</b>		<b>185.0</b>	<b>108.2</b>
Administrative expenses	5	(165.7)	(97.4)
Investment and other income		2.5	1.2
<b>Operating profit</b>		<b>21.8</b>	<b>12.0</b>
Interest income		3.1	0.2
Interest expenses		(4.5)	(2.1)
<b>Profit before tax</b>		<b>20.4</b>	<b>10.1</b>
Income tax credit	7	0.9	0.2
<b>Profit for the year</b>		<b>21.3</b>	<b>10.3</b>

Table 6 - Wise FY 2020 Consolidated statement of comprehensive income.

With the integration of Wise on Visa's network. The projections for the Year +1, Year +2 and Year +3 will change (Currently projected as such in Figure 9). For Wise Revenue projection alone, we can expect the growth to be as such, respectively. In Year 2020 its (£302.6 million to US\$428.2 million) and 70% in Year +1(US\$727.94 million), 120% in Year +2 (US\$1,601.47 million), and 70% in Year +3(US\$2,722.50 million). These estimates are derived from the change in percentage in revenue of Wise in Table 6 which has grown at staggering rate of 70% in FY2020. Adding the revenue from Wise to Visa's International Transaction revenue in Year +1 will increase the growth rate for Visa by 21% (\$6,897.41 + \$727.94), and in Year +2 revenue growth of 33% and Year +3 revenue growth of 25%.

	December 31,			December 31,		
	2018	2019	2020	Year + 1	Year + 2	Year + 3
	(in millions)			(in millions)		
<b>VISA INC.</b>						
Service revenues	8,918	9,700	9,804	10,735.38	13,390.24	15,666.58
Data processing revenues	9,027	10,333	10,975	12,017.63	14,989.58	17,537.81
International transaction revenues	7,211	7,804	6,299	6,897.41	8,608.13	10,065.67
Other revenues	944	1,313	1,432	1,568.04	1,955.82	2,288.31
Client incentives	(5,491)	(6,173)	(6,664)	(7,297.08)	(9,101.65)	(10,648.93)
<b>Net revenues</b>	<b>20,609</b>	<b>22,977</b>	<b>21,846</b>	<b>23,921</b>	<b>29,837</b>	<b>34,909</b>
(Actual)/Forecasted growth rate		(11%)	(5%)	+ 9.5%	+ 24.73%	+ 17%

Figure 9 - Projection of Visa Taken from Appendix J

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# Appendix A

## Visa Business and Revenue Generator





# Appendix B

Consolidated Statement of Income of Visa Inc. for the year ended 30<sup>th</sup> September 2020.

VISA INC.			
CONSOLIDATED STATEMENTS OF OPERATIONS			
	For the Years Ended September 30,		
	2020	2019	2018
	(In millions, except per share data)		
Net revenues	\$ 21,846	\$ 22,977	\$ 20,609
Operating Expenses			
Personnel	3,785	3,444	3,170
Marketing	971	1,105	988
Network and processing	727	721	686
Professional fees	408	454	446
Depreciation and amortization	767	656	613
General and administrative	1,096	1,196	1,145
Litigation provision	11	400	607
Total operating expenses	7,765	7,976	7,655
Operating income	14,081	15,001	12,954
Non-operating income (Expense)			
Interest expense, net	(516)	(533)	(612)
Investment income and other	225	416	464
Total non-operating income (expense)	(291)	(117)	(148)
Income before income taxes	13,790	14,884	12,806
Income tax provision	2,924	2,804	2,505
Net income	\$ 10,866	\$ 12,080	\$ 10,301

# Appendix C

Consolidated Statement of Comprehensive Income of Visa Inc. for the year ended 30<sup>th</sup> September 2020.

VISA INC.			
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
	For the Years Ended September 30,		
	2020	2019	2018
	(In millions)		
Net income	\$ 10,866	\$ 12,080	\$ 10,301
Other comprehensive income (loss), net of tax:			
Investment securities:			
Net unrealized gain (loss)	1	20	94
Income tax effect	—	(5)	(19)
Reclassification adjustments	(3)	1	(215)
Income tax effect	1	—	50
Defined benefit pension and other postretirement plans:			
Net unrealized actuarial gain (loss) and prior service credit (cost)	(7)	(174)	16
Income tax effect	1	36	(5)
Reclassification adjustments	18	9	5
Income tax effect	(3)	(2)	(1)
Derivative instruments:			
Net unrealized gain (loss)	(547)	233	90
Income tax effect	119	(25)	(24)
Reclassification adjustments	(81)	(85)	32
Income tax effect	19	16	(2)
Foreign currency translation adjustments	1,511	(1,228)	(352)
Other comprehensive income (loss), net of tax	1,029	(1,204)	(331)
Comprehensive income	\$ 11,895	\$ 10,876	\$ 9,970

# Appendix D

Consolidated statement of financial position as of 30<sup>th</sup> September 2020

VISA INC.		
CONSOLIDATED BALANCE SHEETS		
	September 30,	
	2020	2019
	(In millions, except par value data)	
<b>Assets</b>		
Cash and cash equivalents	\$ 16,289	\$ 7,838
Restricted cash equivalents—U.S. litigation escrow	901	1,205
Investment securities	3,752	4,236
Settlement receivable	1,264	3,048
Accounts receivable	1,618	1,542
Customer collateral	1,850	1,648
Current portion of client incentives	1,214	741
Prepaid expenses and other current assets	757	712
Total current assets	27,645	20,970
Investment securities	231	2,157
Client incentives	3,175	2,084
Property, equipment and technology, net	2,737	2,695
Goodwill	15,910	15,656
Intangible assets, net	27,808	26,780
Other assets	3,413	2,232
Total assets	\$ 80,919	\$ 72,574
<b>Liabilities</b>		
Accounts payable	\$ 174	\$ 156
Settlement payable	1,736	3,990
Customer collateral	1,850	1,648
Accrued compensation and benefits	821	796
Client incentives	4,176	3,997
Accrued liabilities	1,840	1,625
Current maturities of debt	2,999	—
Accrued litigation	914	1,203
Total current liabilities	14,510	13,415
Long-term debt	21,071	16,729
Deferred tax liabilities	5,237	4,807
Other liabilities	3,891	2,939
Total liabilities	44,709	37,890
Commitments and contingencies (Note 18)		
<b>Equity</b>		
Preferred stock, \$0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, less than one and no shares issued and outstanding at September 30, 2020 and 2019 (the "series A preferred stock"), respectively	2,437	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2020 and 2019 (the "UK&I preferred stock")	1,106	2,285
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2020 and 2019 (the "Europe preferred stock")	1,543	3,177
Class A common stock, \$0.0001 par value, 2,001,622 shares authorized, 1,683 and 1,718 shares issued and outstanding at September 30, 2020 and 2019, respectively	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2020 and 2019	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 11 shares issued and outstanding at September 30, 2020 and 2019	—	—
Right to recover for covered losses	(39)	(171)
Additional paid-in capital	16,721	16,541
Accumulated income	14,088	13,502
Accumulated other comprehensive income (loss), net:		
Investment securities	3	6
Defined benefit pension and other postretirement plans	(196)	(192)
Derivative instruments	(291)	199
Foreign currency translation adjustments	838	(663)
Total accumulated other comprehensive income (loss), net	354	(650)
Total equity	36,210	34,684
Total liabilities and equity	\$ 80,919	\$ 72,574

See accompanying notes, which are an integral part of these consolidated financial statements.

# Appendix E

## Revenue Breakdown

### Note 3—Revenues

The nature, amount, timing and uncertainty of the Company's revenues and cash flows and how they are affected by economic factors are most appropriately depicted through the Company's revenue categories and geographical markets. The following tables disaggregate the Company's net revenues by revenue category and by geography for the years ended September 30, 2020, 2019, and 2018:

	For the Years Ended September 30,		
	2020	2019	2018
	(In millions)		
Service revenues	\$ 9,804	\$ 9,700	\$ 8,918
Data processing revenues	10,975	10,333	9,027
International transaction revenues	6,299	7,804	7,211
Other revenues	1,432	1,313	944
Client incentives	(6,664)	(6,173)	(5,491)
<b>Net revenues</b>	<b>\$ 21,846</b>	<b>\$ 22,977</b>	<b>\$ 20,609</b>

	For the Years Ended September 30,		
	2020	2019	2018
	(In millions)		
U.S.	\$ 10,125	\$ 10,279	\$ 9,332
International	11,721	12,698	11,277
<b>Net revenues</b>	<b>\$ 21,846</b>	<b>\$ 22,977</b>	<b>\$ 20,609</b>

## Cash & Cash Equivalent Breakdown

### Note 4—Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

The Company reconciles cash, cash equivalents, restricted cash and restricted cash equivalents reported in the consolidated balance sheets that aggregate to the beginning and ending balances shown in the consolidated statements of cash flows as follows:

	September 30,		
	2020	2019	2018
	(In millions)		
Cash and cash equivalents	\$ 16,289	\$ 7,838	\$ 8,162
Restricted cash and restricted cash equivalents:			
U.S. litigation escrow	901	1,205	1,491
Customer collateral	1,850	1,648	1,324
Prepaid expenses and other current assets	131	141	—
<b>Cash, cash equivalents, restricted cash and restricted cash equivalents</b>	<b>\$ 19,171</b>	<b>\$ 10,832</b>	<b>\$ 10,977</b>



### Comprehensive Income Analysis using XBRL data and Common factor Analysis.

50 | Page

Comprehensive Financial Position and Cash flow analysis using XBRL data and Common factor Analysis.

1	Company	V	2018	2019	2020	2021	2022	2023	2024
2	Year								
36									
37	B/S								
38	Assets								
39	[Cash, Cash Equivalents And Sh		8,162.00	7,838.00	16,289.00	11.79%	10.80%	20.13%	
40	[Accounts Receivable, Current]		1,208.00	1,542.00	1,618.00	1.75%	2.12%	2.00%	
41	[Inventory]		0.00	0.00	0.00	0.00%	0.00%	0.00%	
42	[Current Assets]		18,216.00	20,970.00	27,645.00	26.31%	28.89%	34.16%	
43	[Net of Property, Plant & Equipm		2,472.00	2,695.00	2,737.00	3.57%	3.71%	3.38%	
44	[Long-term Investments]		4,082.00	2,157.00	231.00	5.90%	2.97%	0.29%	
45	[Intangible Assets, Net]		27,558.00	26,780.00	27,808.00	39.81%	36.90%	34.37%	
46	[Goodwill]		15,194.00	15,656.00	15,910.00	21.95%	21.57%	19.66%	
47	[Other Noncurrent Assets]		1,703.00	4,316.00	6,588.00	2.46%	5.95%	8.14%	
48	[Noncurrent Assets]		51,009.00	51,604.00	53,274.00	73.69%	71.11%	65.84%	
49	[Assets]		69,225.00	72,574.00	80,919.00	100.00%	100.00%	100.00%	
50	Liabilities & Equity		0.00	0.00	0.00	0.00%	0.00%	0.00%	
51	[Accounts Payable and Accrued I		2,244.00	2,577.00	2,835.00	3.24%	3.55%	3.50%	
52	[Short-term Borrowing]		0.00	0.00	0.00	0.00%	0.00%	0.00%	
53	[Long-term Debt, Current]		0.00	0.00	2,999.00	0.00%	0.00%	3.71%	
54	[Liabilities]		35,219.00	37,890.00	44,709.00	50.88%	52.21%	55.25%	
55	[Stockholders Equity]		34,006.00	34,684.00	36,210.00	49.12%	47.79%	44.75%	
56	[Liabilities & Equity]		69,225.00	72,574.00	80,919.00	100.00%	100.00%	100.00%	
57									
58	Cash Flow								
59	[Cash From Operations (CFO)]		12,941.00	12,784.00	10,440.00		98.79%	81.66%	
60	[Cash From Investing (CFI)]		(3,084.00)	(591.00)	1,427.00	-4.46%	19.16%	-241.46%	
61	[Cash From Financing (CFF)]		(10,790.00)	(12,061.00)	(3,968.00)	-15.59%	111.78%	32.90%	
62	[Total Cash, Change]		(1,034.00)	(145.00)	8,339.00	-1.49%	14.02%	-5751.03%	
63									

# Appendix G

## Visa Inc. Three-Year Financial Projection

### Consolidated Statements of Operations

#### VISA INC.

##### Net Income

Forecasted growth rate

##### Operating Expense

Personnel

Marketing

Network and Processing

Professional Fees

Depreciation and Amortization

General and Administrative

Litigation

##### Total Operating Expense

Operating Income

Forecasted growth rate

##### Non-Operating Expense

Interest Expense

Investment Income

Total non-operation income

Income before income taxes

Income tax provision

##### Net Income

Forecasted growth rate

	December 31,			December 31,		
	2018	2019	2020	Year + 1	Year + 2	Year + 3
	(in millions)			(in millions)		
<b>Net Income</b>	20,609	22,977	21,846	23,921	29,837	34,909
Forecasted growth rate				+ 9.5%	+ 24.73%	+ 17%
<b>Operating Expense</b>						
Personnel	3,170	3,444	3,785	4,145	5,170	6,048
Marketing	988	1,105	971	1,063	1,326	1,552
Network and Processing	686	721	727	796	993	1,162
Professional Fees	446	454	408	447	557	652
Depreciation and Amortization	613	656	767	840	1,048	1,226
General and Administrative	1,145	1,196	1,096	1,200	1,497	1,751
Litigation	607	400	11	12	15	18
<b>Total Operating Expense</b>	7,655	7,976	7,765	8,503	10,605	12,408
<b>Operating Income</b>	12,954	15,001	14,081	15,419	19,232	22,501
Forecasted growth rate				+ 9.5%	+ 24.73%	+ 17%
<b>Non-Operating Expense</b>						
Interest Expense	(612)	(533)	(516)	(565)	(705)	(825)
Investment Income	464	416	225	246	307	360
Total non-operation income	(148)	(117)	(291)	(319)	(397)	(465)
<b>Income before income taxes</b>	12,806	14,884	13,790	15,100	18,834	22,036
<b>Income tax provision</b>	2,505	2,804	2,924	3,202	3,994	4,672
<b>Net Income</b>	10,301	12,080	10,866	11,898	14,841	17,364
Forecasted growth rate				+ 9.5%	+ 24.73%	+ 17%

# Appendix H

## Visa Inc. Quarterly Ending Financial Statement

### Consolidated Statements of Operations

#### VISA INC.

Quarterly Ending

	30-Sep-2020	31-Dec-2020	
	(in millions)		
<b>Net Income</b>	5,101	5,687	▲ 11.49%
<b>Operating Expense</b>			
Personnel	922	981	▲ 6.40%
Marketing	247	205	▼ -17.00%
Network and Processing	231	173	▼ -25.11%
Professional Fees	120	83	▼ -30.83%
Depreciation and Amortization	196	197	▲ 0.51%
General and Administrative	241	203	▼ -15.77%
Litigation	2	1	▼ -50.00%
<b>Total Operating Expense</b>	1,959	1,843	▼ -5.92%
Operating Income	3,142	3,844	▲ 22.34%
<b>Non-Operating Expense</b>			
Interest Expense	(145)	(136)	▼ -6.21%
Investment Income	58	40	▼ -31.03%
Total non-operation income	(87)	(96)	▲ 10.34%
Income before income taxes	3,055	3,748	▲ 22.68%
Income tax provision	918	622	▼ -32.24%
<b>Net Income</b>	2,137	3,126	▲ 46.28%



# Appendix I

## Visa Inc. Quarterly Ending Financial Statement

### Consolidated Statements of Operations

VISA INC.	December 31,			December 31,		
	2018	2019	2020	Year + 1	Year + 2	Year + 3
	(in millions)			(in millions)		
Service revenues	8,918	9,700	9,804	10,735.38	13,390.24	15,666.58
Data processing revenues	9,027	10,333	10,975	12,017.63	14,989.58	17,537.81
International transaction revenues	7,211	7,804	6,299	6,897.41	8,603.13	10,065.67
Other revenues	944	1,313	1,432	1,568.04	1,955.82	2,288.31
Client incentives	(5,491)	(6,173)	(6,664)	(7,297.08)	(9,101.65)	(10,648.93)
<b>Net revenues</b>	<b>20,609</b>	<b>22,977</b>	<b>21,846</b>	<b>23,921</b>	<b>29,837</b>	<b>34,909</b>
(Actual)/Forecasted growth rate		(11%)	(5%)	+ 9.5%	+ 24.73%	+ 17%



# Appendix J

TransferWise FY2020 the consolidated statement of comprehensive income.

Group	Note	Year ended 31 March	
		2020	2019
Revenue	4	302.6	177.9
Cost of sales	5	(117.6)	(69.7)
<b>Gross profit</b>		<b>185.0</b>	<b>108.2</b>
Administrative expenses	5	(165.7)	(97.4)
Investment and other income		2.5	1.2
<b>Operating profit</b>		<b>21.8</b>	<b>12.0</b>
Interest income		3.1	0.2
Interest expenses		(4.5)	(2.1)
<b>Profit before tax</b>		<b>20.4</b>	<b>10.1</b>
Income tax credit	7	0.9	0.2
<b>Profit for the year</b>		<b>21.3</b>	<b>10.3</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Fair value gain on investments		1.1	1.2
Currency translation differences		0.5	0.4
<b>Total other comprehensive income</b>		<b>1.6</b>	<b>1.6</b>
<b>Total comprehensive income for the year</b>		<b>22.9</b>	<b>11.9</b>

Management considers it to be relevant that "Investment and other income" is presented separately in the Consolidated statement of comprehensive income. Prior year comparatives for the year ended 31 March 2019 have been restated.

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing.