

Merrimack
Investment
Fund



VISA

Stock Pitch

October 20, 2022

Executive Summary

| | |
|--|----|
| SECTION 1 Sector Overview | 3 |
| SECTION 2 Company Overview | 6 |
| SECTION 3 Valuation Methodologies and Recommendation | 13 |



VISA

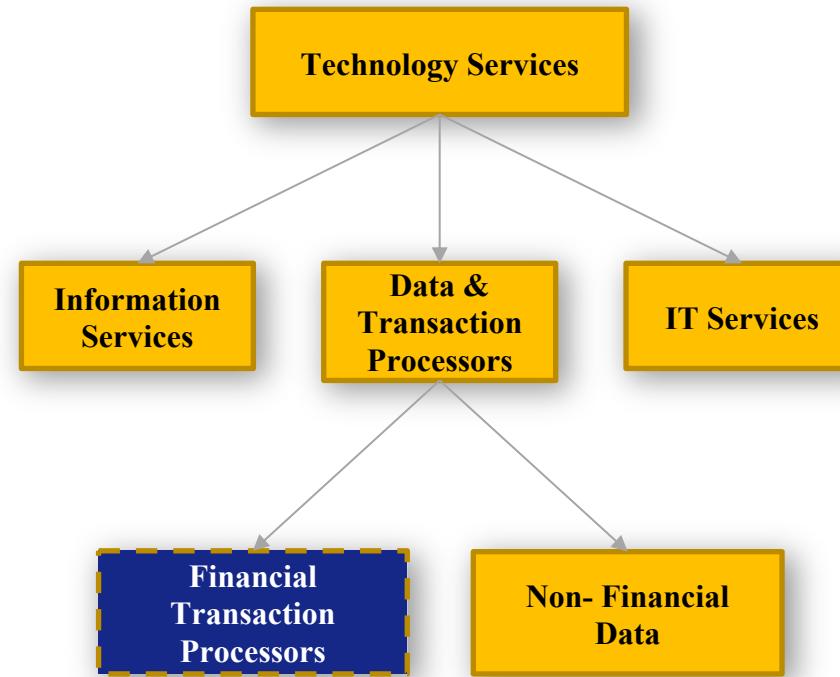
1. Sector Overview



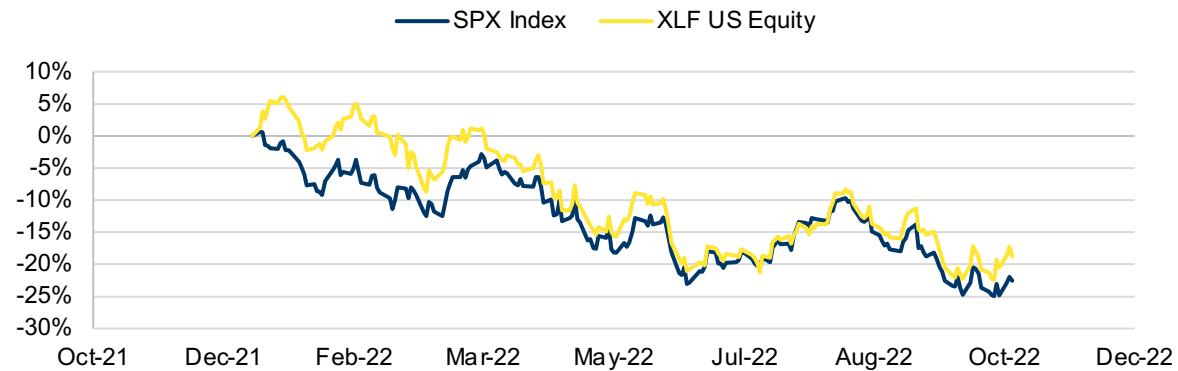
MERRIMACK
COLLEGE

1. Sector Overview

Industry Hierarchy



XLK ETF vs S&P 500 Performance



Opportunities and Risks

| Opportunities | Risks |
|---|--|
| <ul style="list-style-type: none"> ➤ High dollar currency value; potential for increased travel and increased international payment volume. ➤ Industry opportunity surrounding cryptocurrencies | <ul style="list-style-type: none"> ➤ Upcoming recession; decreased spending, and inflationary pressures ➤ Potential fee regulation in the future aimed at helping merchants. ➤ Volatile markets; bear market rallies. |

Source: Bloomberg

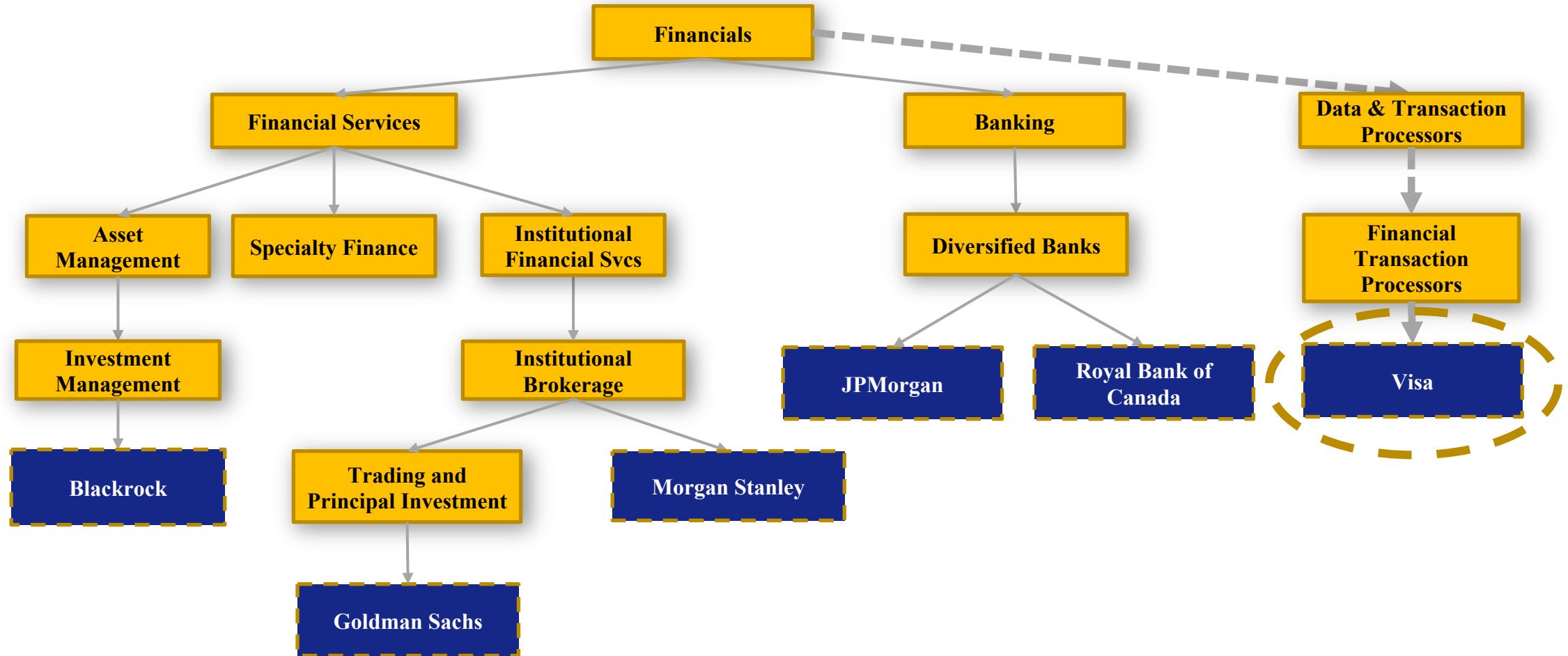
Cameron Strong | Jr. Analyst



MERRIMACK
COLLEGE

1. Sector Holdings

Visa would be a great addition to the sector; constitutes **diversification** as a result





2. Company Overview



MERRIMACK
COLLEGE

2. Company Overview

Largest card processing company; strong metrics

Overview

- Visa is the **world's largest retail electronic payment network**, providing services to consumers, businesses, and governments globally
- About **15,100 financial institutions** issue Visa-branded products, and there are over **3.3 billion** Visa cards currently in circulation.
- Its processing infrastructure, **VisaNet**, processes approximately **637 million transactions per day**
- Visa has **more than double the volume, transactions, and cards** compared to the next largest competitor, Mastercard.

Highlights



Established
infrastructure



Growing
revenues

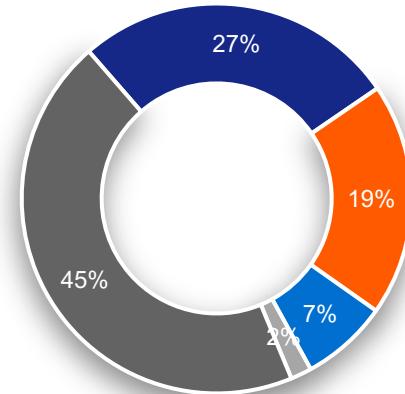


High margins



World
acceptance

Competitors in the Market



- VISA
- mastercard
- AMERICAN EXPRESS
- DISCOVER®
- Others

Opportunities and Risks

Opportunities

- Fintech acquisitions, and cryptocurrency partnerships (FTX and 70 other companies)
- Cash generative business allows the potential for buybacks, and larger dividend payments

Risks

- Inflationary pressures and weaker macro conditions (decrease consumer spending)
- Potential technology disruption that allows payments to be made on alternative networks from non-Visa

2. Company Services

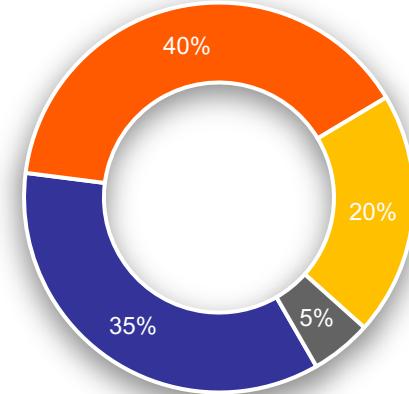
Balanced revenue breakdown; wide array of current and future products

Products and Services

- Visa offers three separate products: **Credit cards, debit cards, and prepaid cards.**
- \$8.37B was used on Client incentives in 2021; offering clients reasons to use their cards.
- Visa has a three-tier scale of cards

| Type | Description |
|---|--|
| Visa Traditional | Standard card, basic feature, baseline Visa benefits |
| Visa Signature | Standard card benefits plus a few more emergency features |
| Visa Infinite | Visa Signature benefits plus a plethora of additional benefits related to traveling and fraud. |
| Home Equity Line of Credit | Equity Visa (Connected to your mortgage) |
| New Card: Cryptocurrency Card (40 different countries) | Access your crypto wallet |

Revenue Breakdown



- **Data Processing**
- **Service Revenue**
- **International Transaction**
- **Other Revenue**

Acquisitions & Partnerships Products

- **Tink** – an open banking platform that enables financial institutions, fintechs and merchants to build financial products and services and move money
- **Currencycloud**, a UK-based global platform that enables banks and fintechs to provide innovative foreign exchange solutions for cross-border payments.
- **Crypto related partnerships:** Thunes, and 70 other crypto partnerships

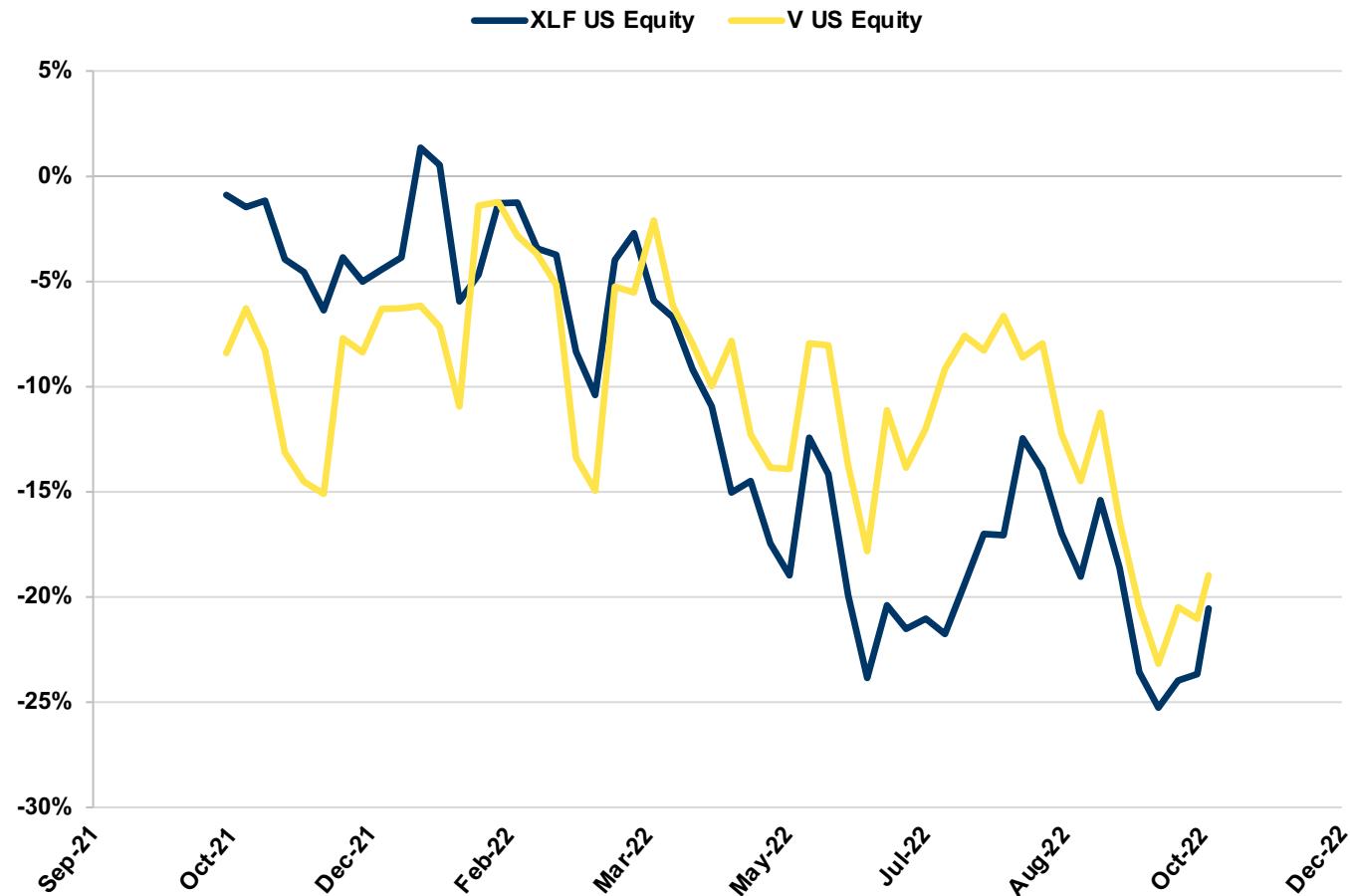


2. Trading Data

Visa is beating the sector ETF; low leveraged

| Market Valuation | |
|--------------------------------------|--------------------|
| Price Per Share (USD) | \$ |
| 52-week high: | \$236.96 |
| 52-week low: | \$174.60 |
| Outstanding shares: (In Millions) | 2,068.8 |
| Market Cap (USD in Millions) | |
| Net Debt (USD in Millions) | \$23,795.0 |
| TEV (USD in Millions) | \$392,540.9 |

Stock Performance



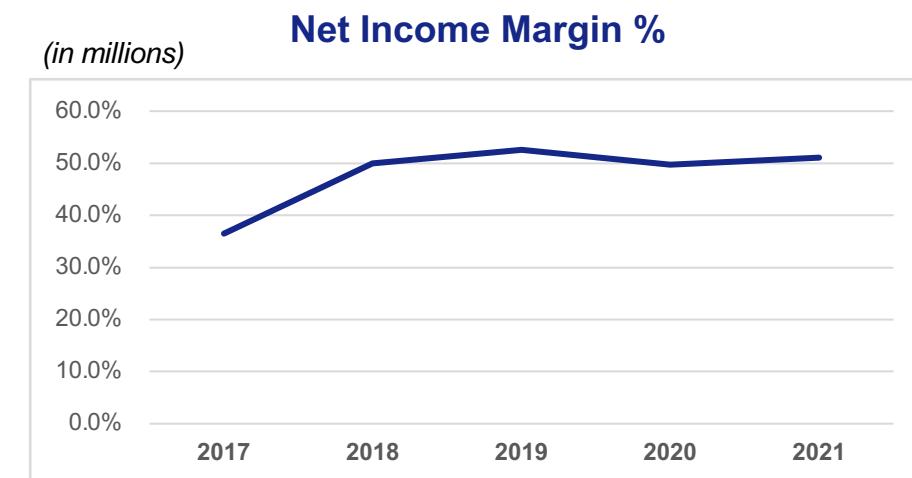
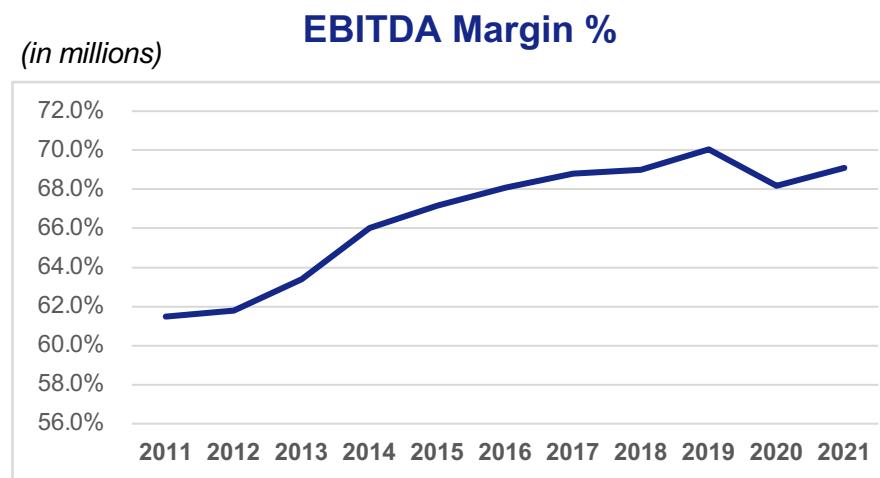
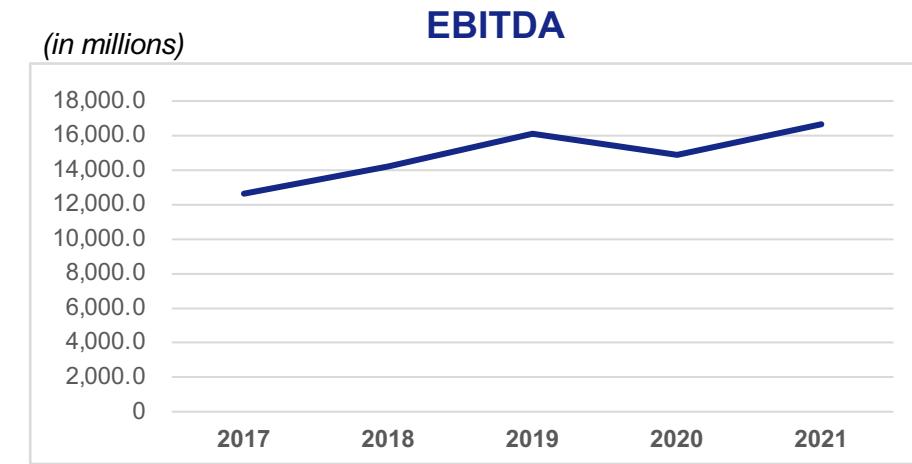
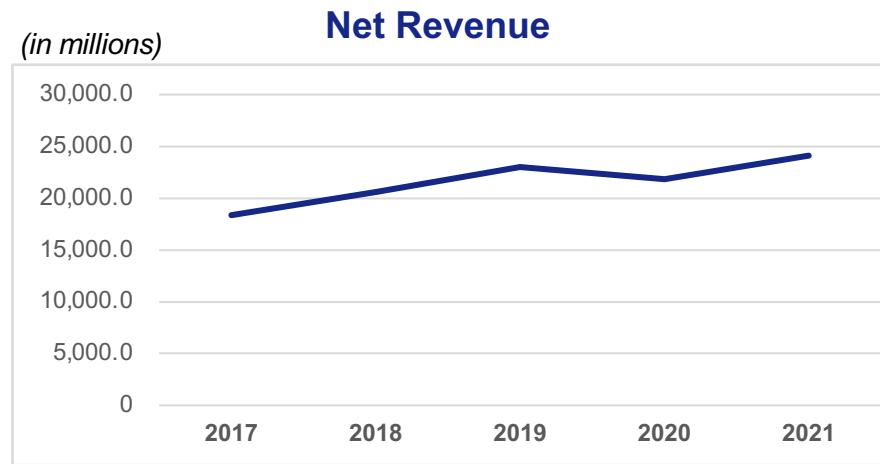
Source: Bloomberg, Capital IQ

Cameron Strong | Jr. Analyst



MERRIMACK
COLLEGE

2. Key Financials



Source: Bloomberg, Capital IQ

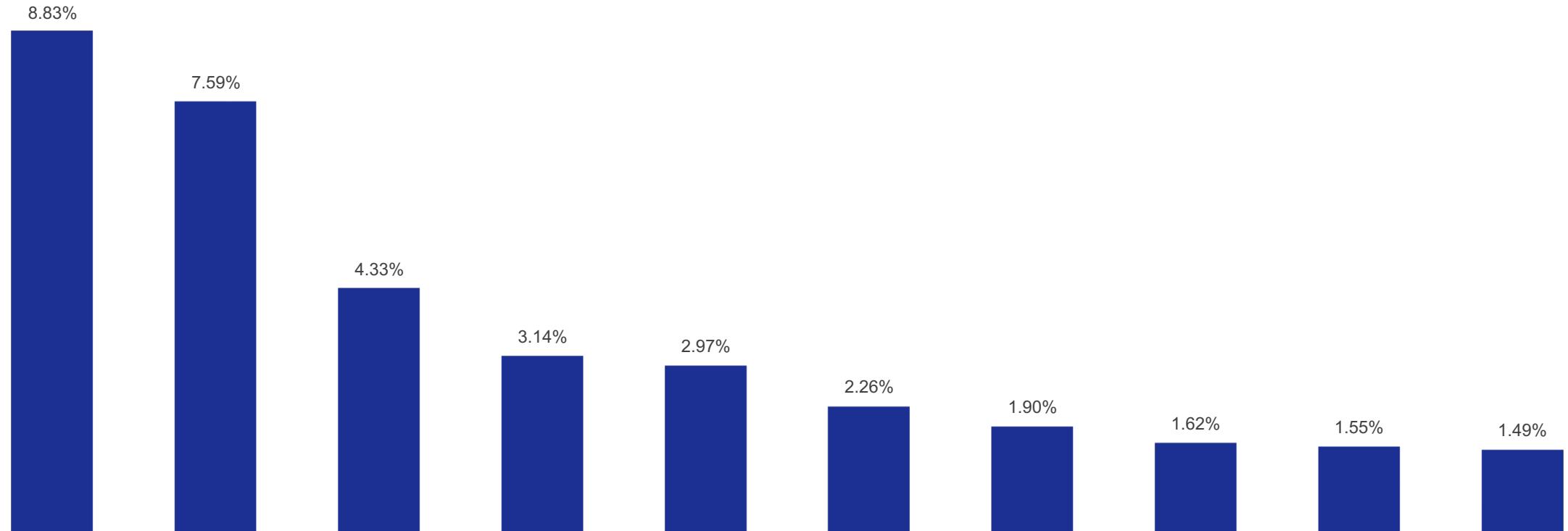
Cameron Strong | Jr. Analyst



MERRIMACK
COLLEGE

2. Ownership Summary

Visa has very diversified institutional ownership



BlackRock



T. Rowe Price
INVEST WITH CONFIDENCE



Morgan Stanley



2. Management Summary

Very experience management; 20+ years of experience for each executive

| Management | Biography | Previous Experiences |
|--|---|---|
|  Chief Executive Officer | <ul style="list-style-type: none"> - Worked at American Express for 23 years holding several senior positions including president - Joined Visa in December 2016 as chief executive officer and was elected chairman of the board in April 2019 |  |
|  Chief Risk Officer | <ul style="list-style-type: none"> - Previously held the president of the global services group position for Amex, and served as global chief operating officer for Barclays' credit card business, based in London - Joined Visa in 2019. |   |
|  Chief Strategy Officer | <ul style="list-style-type: none"> - Newkirk held leadership roles with Capital One for 11 years - Previously worked as a strategy consultant with McKinsey & Company - Joined Visa in June 2020 |   |
|  Chief Financial Officer | <ul style="list-style-type: none"> - Vasant M. Prabhu has been the chief financial officer since February 2015 and vice chairman since May 2019 - Served as chief financial officer at NBCUniversal Media and Safeway |   |
|  President Of Technology | <ul style="list-style-type: none"> - Taneja was executive vice president and chief technology officer of Electronic Arts Inc. from October 2011 until November 2013. - Joined in 2013 |   |

VISA

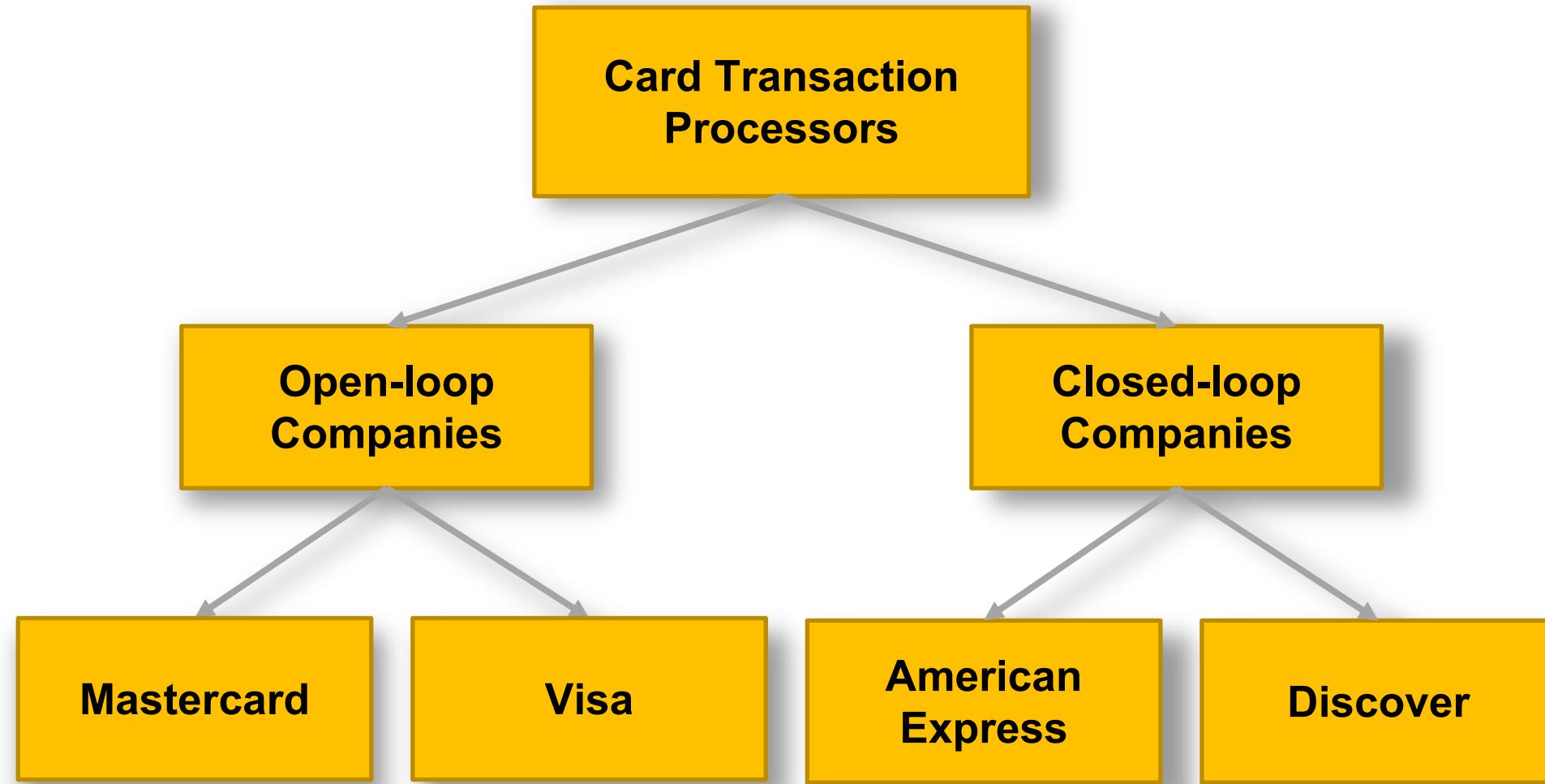
3. Valuation Methodologies and Recommendation



MERRIMACK
COLLEGE

3. Card Companies

Visa does not act as an issuer; they instead act strictly as a **data-processor**



3. Competitor Analysis

Higher Margins, Dividend Yield, Stronger P/E, and Larger Market Cap than Mastercard

| Company | Market Cap | P/E | Net Profit Margin | EBITDA Margin | Dividend Yield |
|--|------------|-------|-------------------|---------------|----------------|
| VISA | 390.07B | 28.53 | 54.82% | 70.69% | 0.82% |
|  mastercard | 279.98B | 29.27 | 46.44% | 59.70% | 0.68% |
|  AMERICAN EXPRESS | 102.57B | 14.03 | 18.46% | 31.30% | 1.52% |
| DISCOVER® | 24.91B | 5.94 | 41.21% | 66.02% | 2.63% |
| Median | 13.43B | 24.08 | 12.73% | 31.47% | 0.91% |

3. Mastercard Comparison

Concluding information

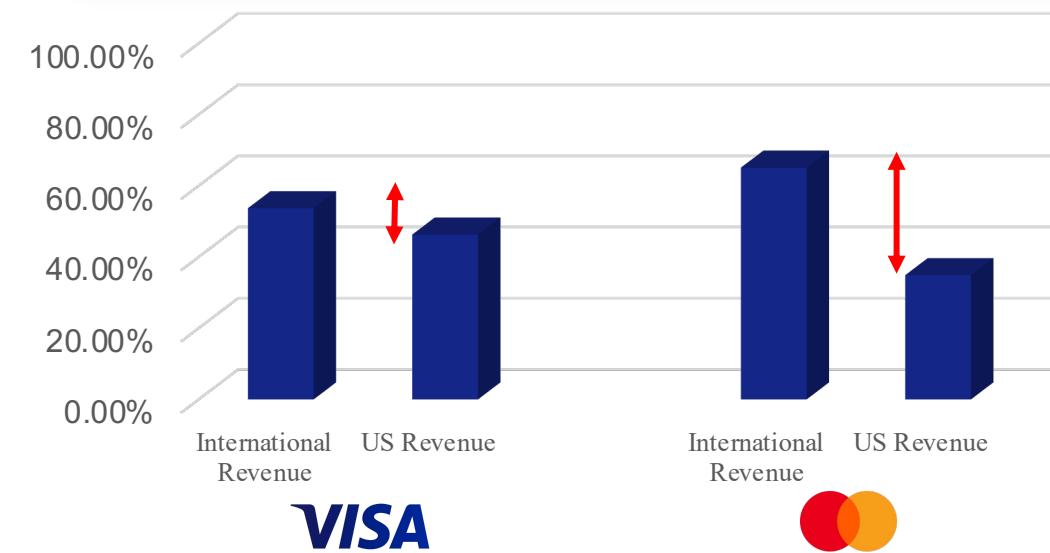
Visa vs Mastercard

| | VISA |  |
|------------------------|-------------|---|
| Three-Tier Card Levels | ✓ | ✓ |
| Extra-Travel Benefits | ✓ | ✗ |
| Extra-Protection | ✓ | ✗ |
| Use at Costco? | ✓ | ✗ |

Source: Bloomberg, Creditcard.com

International Exposure

- Visa has balanced international/US revenues; more leveraged for a world recession.
- Foreign currency conversion rates down compared to US dollar.
- European, Asian, and Middle East consumer confidence is way down; constitutes low consumer spending which results in **lower revenues for Mastercard**.



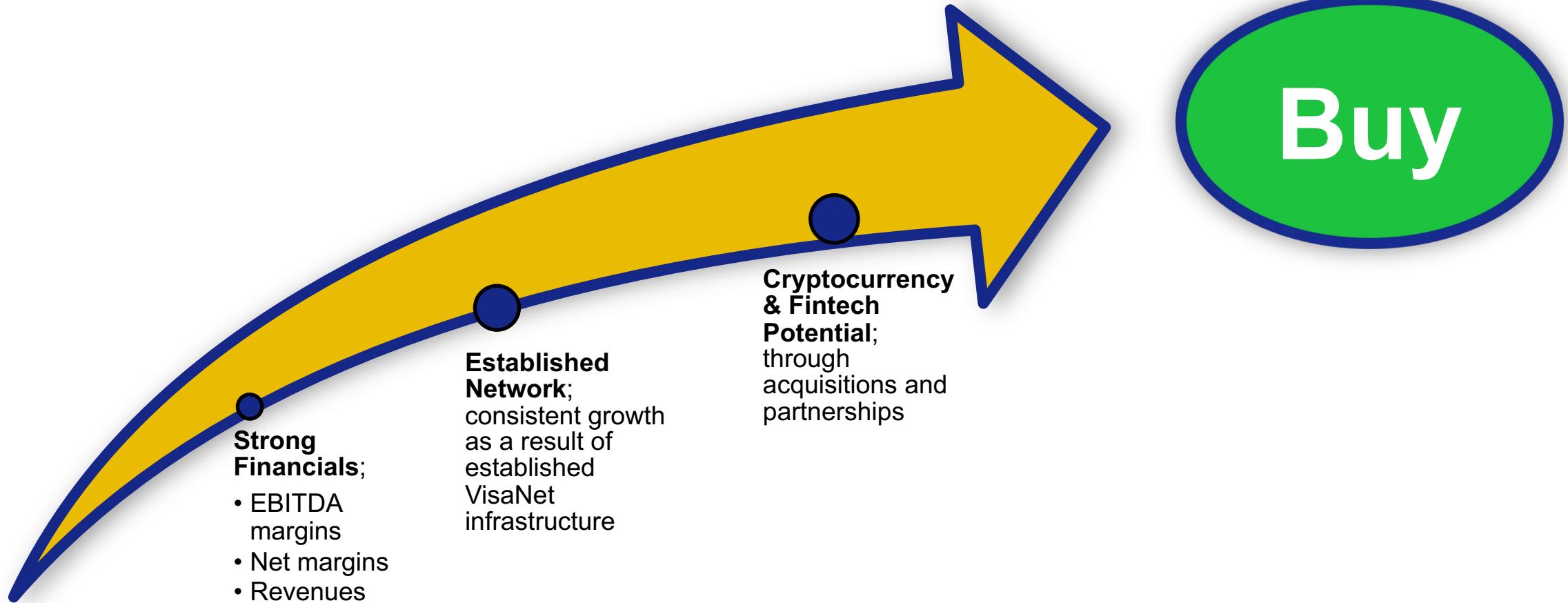
Cameron Strong | Jr. Analyst



MERRIMACK
COLLEGE

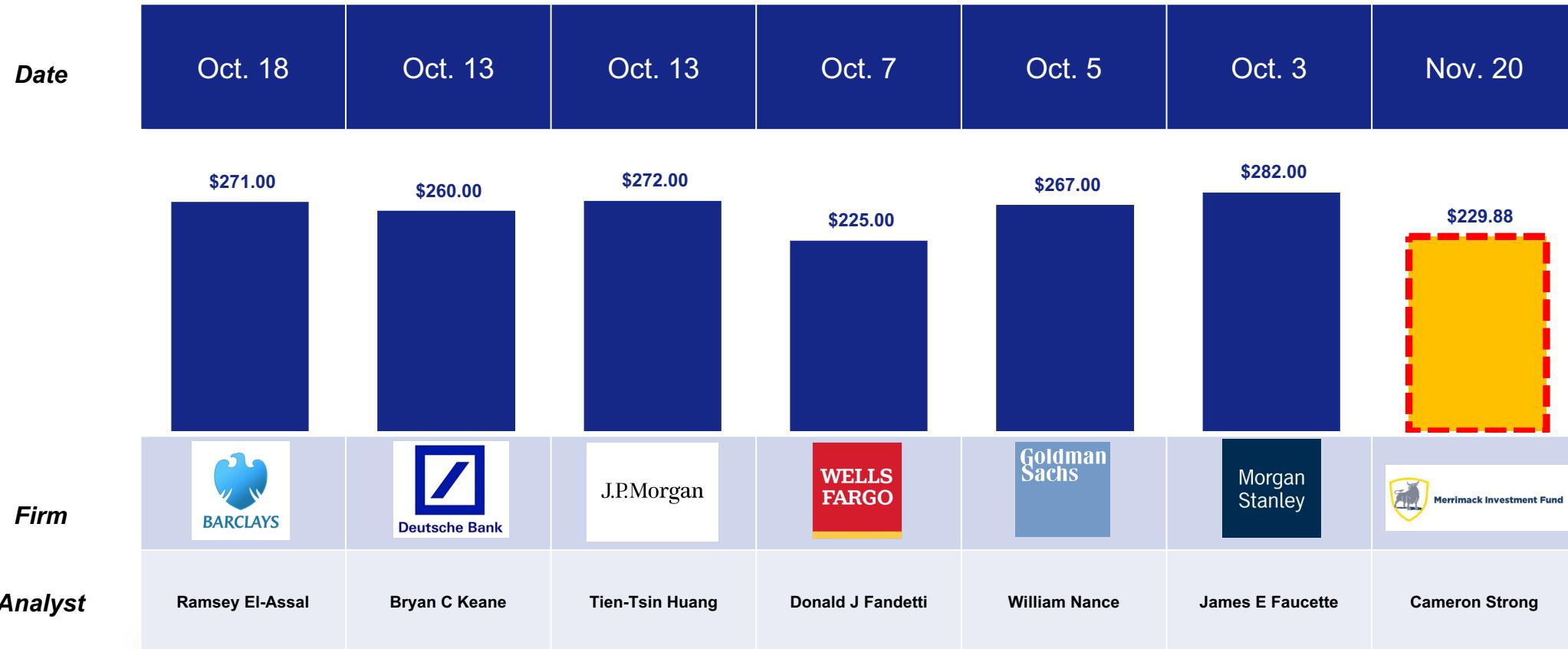
3. Investment Thesis

Visa has a clear path of sustaining their market share, and growing their current business



3. Analyst Recommendations

Buys across the board for analysts; Conservative valuation compared to analysts



3. Valuation

| Visa, Inc. | Financials | | | | |
|--------------------------------|-------------|----------------|-----------------------------|---------|---------------------------|
| Price Today | 188.04 | | | | |
| | Dividend | Growth in Div. | | DPS | Growth in DPS |
| 2013 | \$ 864.00 | | | \$ 0.35 | |
| 2014 | \$ 1,006.00 | 16.4% | | \$ 0.42 | 20.0% |
| 2015 | \$ 1,177.00 | 17.0% | | \$ 0.50 | 19.0% |
| 2016 | \$ 1,350.00 | 14.7% | | \$ 0.59 | 18.0% |
| 2017 | \$ 1,579.00 | 17.0% | | \$ 0.69 | 16.9% |
| 2018 | \$ 1,918.00 | 21.5% | | \$ 0.88 | 27.5% |
| 2019 | \$ 2,269.00 | 18.3% | | \$ 1.05 | 19.3% |
| 2020 | \$ 2,664.00 | 17.4% | | \$ 1.22 | 16.2% |
| 2021 | \$ 2,798.00 | 5.0% | | \$ 1.34 | 9.8% |
| Avg. | | 15.9% | | | 18.4% |
| Cost of Equity Capital | 9.44% | 21 | | | |
| Dividend Discount Model | | | First Stage: Finite Horizon | | |
| Year | 0 | 1 | 2 | 3 | 4 |
| Dividend Growth Rate | | 9.0% | 9.0% | 9.0% | 9.0% |
| Dividend | \$ 1.34 | \$ 1.46 | \$ 1.59 | \$ 1.74 | \$ 1.89 |
| Continuation Value | | | | | \$350.50 |
| Dividend + Continuation Value | | \$ 1.46 | \$ 1.59 | \$ 1.74 | \$ 1.89 |
| PV of Dividend + Contin. Value | | \$ 1.33 | \$ 1.33 | \$ 1.32 | \$ 1.32 |
| Stock Value | \$229.88 | | | | |
| Price Today | 188.04 | | | | |
| Undervalue/Overvalue | -18.2% | | | | |
| | | | | | 2nd Stage: Infin Horiz |