

MasterCard INC (NYSE:MA)

Sector: Financial (NAICS: 522320)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$99.61	\$70.12	\$84.748	\$68.266	.9	24.95	\$81.335B (Large Cap)	0.63%

Industry Trends

The global payment industry is growing rapidly every year. Going forward this industry will have to integrate their systems with smartphones apps like Apply Pay. Firms will continue to expand their global reach in search of higher returns and less competition.

Investment Thesis

MasterCard is one of the few companies in the global payment industry, which has high barriers to entry. They have focused in cross border transactions which are more profitable and have done significantly better than Visa in this space. Going forward, revenues will increase about 12% a year and EBITDA margins will increase to 70%. This is due to the growth opportunities provided by 85% of world transactions still being made through cash and check. MasterCard is in a non capital-intensive business that produces cash and has no need to carry debt, resulting in high returns on total capital.

Business Summary

MasterCard Incorporated is a technology company in the global payments industry. The Company connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. It facilitates the processing of payment transactions, including authorization, clearing and settlement, and deliver related products and services. The Company's family of brands includes MasterCard, Maestro and Cirrus. It also provides offerings, such as loyalty and reward programs, information services and consulting. It provides transaction processing and a range of payment-related products and services to enable the design, packaging and implementation of its products and programs.

MA 5-year stock performance:



(Google Finance)

Corporate Social Responsibility:

ESG Disclosure Rating	19.01 (Ind. Avg.: 17.51)
Environmental Disclosure Score	4.65 (Ind. Avg.: 10.82)
Carbon Disclosure Score	43.00 (Ind. Avg.: 49.17)
Social Disclosure Score	19.3 (Ind. Avg.: 18.00)
Governance Disclosure Score	51.79 (Ind. Avg.: 52.62)
Equal Opportunity Policy	1 (Ind. Avg.: 1)
Community Spending	N/A (Ind. Avg.: 10.22M)
Total Energy Consumption	N/A (Ind. Avg.: 0.21)

Source: Bloomberg, Google Finance, MasterCard Incorporated

Competition:

- MasterCard competes among few companies in the global payment industry, and Visa's business model is the only major company with similar business model. The top few competitors in terms of the industry include Visa Inc. (V), American Express Co (AXP) and Discover Financial Services (DFS).

Pros:

- MasterCard is one of few players in the global payments industry which has high barriers to entry
- Business is inflation protected because revenue is based on percentage of volume of transactions
- MasterCard has shown consistent high growth in the revenue with EBITDA margins higher than 50%
- MasterCard has had zero debt in the past three years

Cons:

- There is currency risk since 31.2% percent of revenue is from cross border transaction fees
- The payments industry is subject to increasing global regulatory focus which can effect revenues in the future
- Potential disruption of the structure of the payment industry from companies like PayPal and programs like Apple Pay would hurt profitability

Value Estimate:

\$85-\$100

(2016-2018)

Estimated Real Annual Return:

8%-12%

Expected inflation	3%
Current EPS	\$2.82
Forecasted EPS Growth	12.5%
Credit Quality	A2/A
ROE	49.7%
ROA	25.0%
Price/Book	12.96
Debt/Equity	.12
Debt/Capital	.12
Price/Cash Flow	21.92
10 yr. Risk Free Rate	2.21%
WACC	9.5%

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10/15/2014

