

# Visa Inc. (V: NYSE)

Sector: Financials

Target Price	Current Price	52w High	52w Low	P/E	Market Cap	Dividend Yield	Beta
\$214.00	\$170.00	\$214.17	\$133.93	31.81	\$385.07B	.71%	.94

## Business Description:

Visa Inc. operates as a payment's technology company worldwide. The company facilitates commerce through the transfer of value and information among consumers, merchants, financial institutions, businesses, strategic partners, and government entities. It operates VisaNet, a processing network that enables authorization, clearing, and settlement of payment transactions. In addition, the company offers card products, as well as value-added services. It provides its services under the Visa, Visa Electron, Interlink, V PAY, and PLUS brands.

## Industry Trends:

The payments infrastructure business is a powerful business model with strong and defensible moats. Thusly there are only two companies in the industry: Visa and Mastercard. The industry has experienced significant growth as developed economies have progressively moved away from cash payments. As non-cash transactions grow around the world payment processors are positioned to capture a portion of each of those dollars. Additionally, as consumer spending increases alongside global development these brands are strongly positioned to benefit.

## Investment Thesis:

I believe that Visa is a strong buy because it is the biggest and best payment processor globally. They have outstanding margins and the operating leverage made available by this business is second to none in the industry. The business also offers inflation protection as they make a portion of every dollar spend on their network. The market for this business also continues to grow as more of the world moves to cash less payments. With strong defensiveness throughout a troubled business cycle and even better positions of growth in expanding times - Visa is a fantastic company and a beautiful addition to our portfolio.

## Valuation Assumptions:

WACC: 9.0%

Perpetuity Growth Rate: 4.5%

Margin of Safety: 26.0%

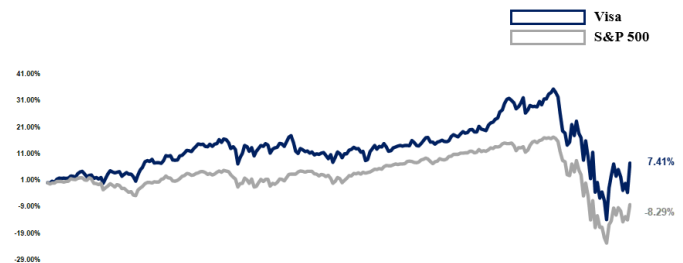
## Report Prepared By:

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Sources: NetAdantage, SMF Report (11.1.17)

## 1-Year Share Performance vs. S&P 500:



## Competitive Advantage and Analysis:

Visa's major competitive advantages are its scale, the strength of its brand, its global footprint, experienced management and focus on innovation. Visa's scale and entrenched position in the global financial system affords it a significant economic moat and as a result they occupy dominant market shares in most of the markets in which they operate. Visa's management has been successful in driving volume, which has resulted in industry leading gross and net margins. Furthermore, Visas recent investments into digital payments operator Plaid leaves them at the cutting edge of innovation. This deal makes them the foremost operator of card and digital/fintech payments.

## Risks:

Visa primary risks stem from the fields of data security, merchant disruption, and new online payment roads. Visa collects highly sensitive data and a breach would be disastrous for both the company and millions of network members. Additionally, in order to combat processing fees large vendors have teamed up to develop a closed loop alternative to Visa. Finally, the risk of alternative payment networks such as crypto pose a risk to Visa very business model. These factors have been addressed by the firm and I feel confident that Visa is well equipped to fight the good fight.

## Corporate Social Responsibility Highlights:

- Promotes reduction of physical waste in entire stakeholder value chain
- CSRHUB Rating: 56 (Above Average)
- Included in the Dow Jones Sustainability North America Index