

Analyst Report: Visa Inc. (V)

Visa Inc. is a dominant player in the global payments industry, but it faces growing challenges from intensifying competition, evolving regulations, and the potential disruption from new technologies.

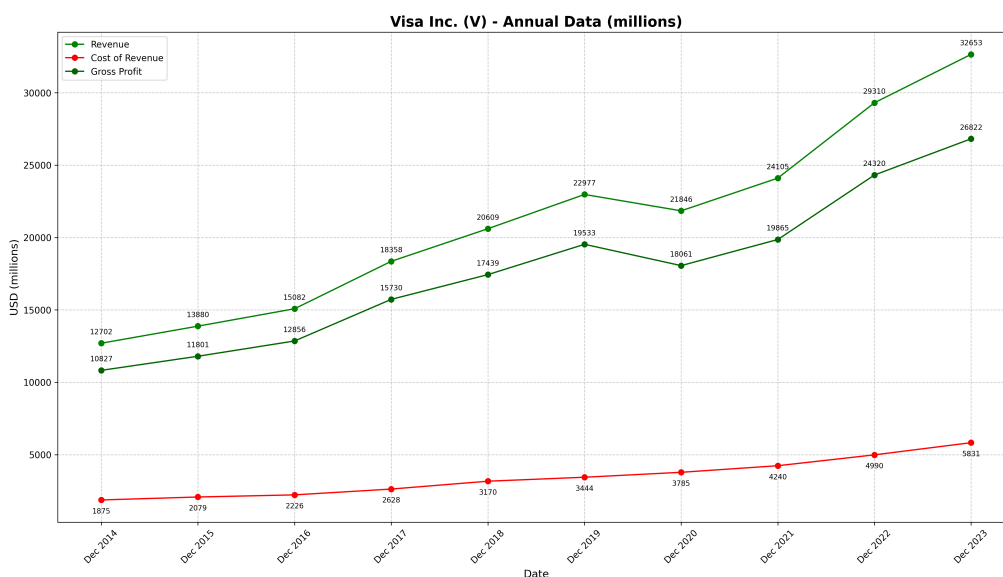
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$280.00 - \$320.00	\$230.00 - \$270.00
Sum of the Parts	\$270.00 - \$310.00	\$220.00 - \$260.00
Relative Multiples	\$260.00 - \$300.00	\$210.00 - \$250.00
Discounted Cash Flow	\$250.00 - \$280.00	\$200.00 - \$230.00

SUMMARY DATA (ANNUAL)

52-Week High	\$293.07
52-Week Low	\$228.03
Shares	1,873
EPS	8.29
Dividend	1.80
Revenue	32,653
Cost of Revenue	5,831
Gross Profit	26,822
EBIT	21,681

OUTLOOK

Visa Inc. is expected to continue benefiting from the ongoing global shift towards digital payments over the next two quarters. Their strategic focus on expanding service offerings, particularly in new flows and value-added services, should contribute to revenue growth. However, intensified competition, regulatory uncertainties, and the evolving technological landscape pose potential headwinds. Visa's ability to manage these challenges and execute its strategic initiatives will be crucial for sustaining its growth trajectory.



1. Business Description

Visa Inc. is a global payments technology company that facilitates global commerce and money movement across more than 200 countries and territories. They connect consumers, merchants, financial institutions, and governments through innovative technologies. Visa does not issue cards, extend credit, or set rates and fees for account holders, but instead, focuses on facilitating transactions through their advanced processing network, VisaNet.

Visa's business model involves a four-party model comprising consumers, issuers (financial institutions issuing Visa cards), acquirers (financial institutions supporting merchant acceptance of Visa), and merchants. They have expanded this model to include digital banks, fintechs, governments, and NGOs, creating a complex network of networks. This approach enables various payment flows, including person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), and government-to-consumer (G2C).

Visa's revenue streams consist of service revenues, data processing revenues, international transaction revenues, and other revenues, offset by client incentives. Service revenues are derived from client usage of Visa payment services, while data processing revenues come from authorization, clearing, and settlement services, as well as value-added services like risk and identity solutions. International transaction revenues are generated from cross-border transactions and currency conversion. Other revenues include advisory and marketing services, license fees, and account holder services. Client incentives are payments made to clients to drive payment volume and acceptance growth. Visa's financial performance in fiscal 2023 was strong, with net revenues increasing by 11% year over year, driven by growth in nominal cross-border volume, processed transactions, and payments volume. Their global reach exposes them to currency fluctuations, but they manage this risk through foreign currency forward contracts.

Visa is actively involved in mergers and acquisitions, joint ventures, and strategic investments to enhance its capabilities and drive growth. In fiscal 2023, they signed an agreement to acquire Pismo, a cloud-native issuer processing and core banking platform. Visa is also committed to corporate responsibility and sustainability, focusing on empowering communities, securing commerce, investing in their workforce, protecting the environment, and operating ethically. They have established initiatives and goals related to these areas and provide transparency through their ESG reporting.

Visa faces significant regulatory risks due to the evolving global regulatory landscape for the payments industry. These regulations impact various aspects of their business, including interchange fees, operating rules, data localization, and consumer protection. Compliance with these regulations can be complex and costly. Visa's success also hinges on maintaining and enhancing its globally recognized brand, which is associated with security, convenience, reliability, and acceptance. Competition from existing and emerging players, including global and local networks, alternative payment providers, and RTP networks, poses a continuous challenge. Visa's ability to adapt to technological advancements and consumer preferences will be crucial for its continued growth.

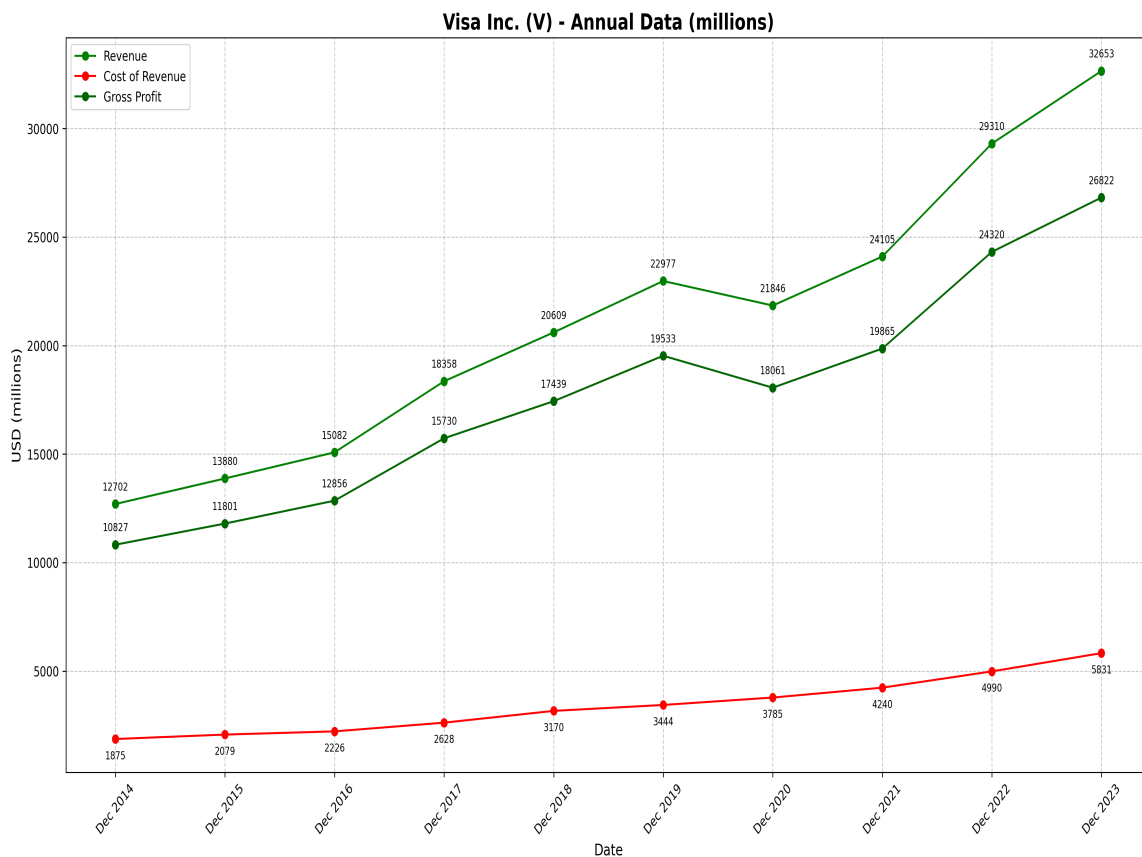
2. Financial Analysis

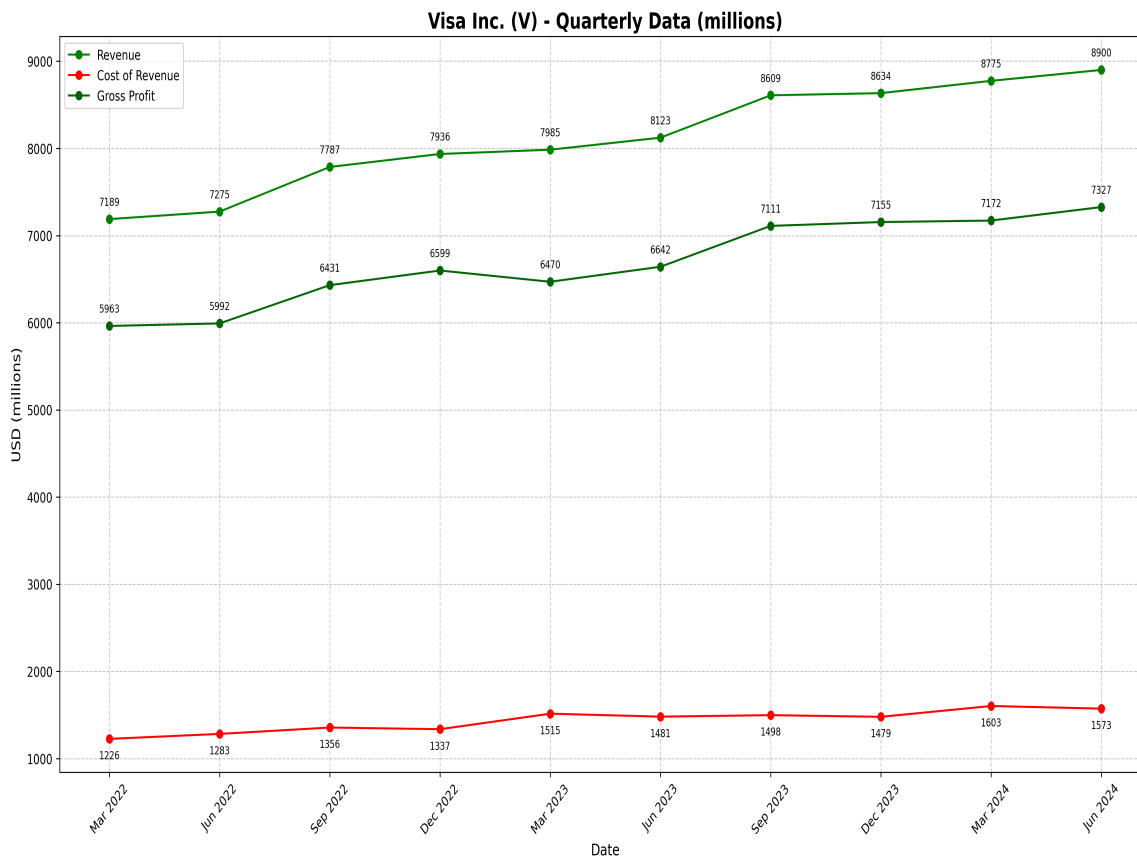
Visa Inc.'s financial performance over the past three fiscal years shows a consistent upward trend in net revenues, net income, and diluted earnings per share. This growth is driven by increasing payments volume, processed transactions, and cross-border activity. Notably, international transaction revenues have shown strong growth, particularly in fiscal 2022 and 2023.

Visa's operating expenses have also increased over the three years, primarily driven by higher personnel expenses, reflecting investments in future growth and strategic acquisitions. Depreciation and amortization expenses have also risen due to ongoing investments and the acquisition of intangible assets.

Visa's effective income tax rate has fluctuated, influenced by factors like tax benefits related to reassessments of uncertain tax positions and changes in tax laws in different jurisdictions. Their cash flow statement reveals strong cash flow from operating activities, which has consistently increased over the past three years. They have used cash for investing activities, mainly for purchasing investment securities and making strategic acquisitions.

Financing activities primarily involve share repurchases, debt repayments, and dividend payments. Visa has a robust liquidity position, with significant cash, cash equivalents, and investments. They maintain a commercial paper program and a revolving credit facility to support working capital and other corporate needs. Visa also manages settlement risk through policies and procedures that may require clients to post collateral. Despite the positive overall trend, there are fluctuations in certain line items, like investment income (expense), which was impacted by unrealized losses on equity investments in fiscal 2022. Visa's financial performance is influenced by macroeconomic factors, including global economic conditions, currency fluctuations, and regulatory changes in the payments industry. Their ability to manage these factors and adapt to the evolving payments landscape will be crucial for sustaining their financial health.





BALANCE SHEET, LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	90,499	85,501	82,896	80,919	72,574	69,225	67,977	64,035	39,367	38,569
Total Debt	20,463	22,450	20,977	24,070	16,729	16,630	18,367	15,882	0	0
Shares	1,873	1,906	1,946	1,953	1,999	2,049	2,104	2,170	2,221	2,264
EPS	8.29	7.01	5.63	4.90	5.32	4.43	2.80	2.49	2.58	2.16
Dividend	1.80	1.50	1.28	1.20	1	0.82	0.66	0.56	0.48	0.40
Revenue	32,653	29,310	24,105	21,846	22,977	20,609	18,358	15,082	13,880	12,702
Cost of Revenue	5,831	4,990	4,240	3,785	3,444	3,170	2,628	2,226	2,079	1,875
Gross Profit	26,822	24,320	19,865	18,061	19,533	17,439	15,730	12,856	11,801	10,827
EBIT	21,681	18,674	16,576	14,306	15,417	13,418	12,257	8,439	8,998	7,732

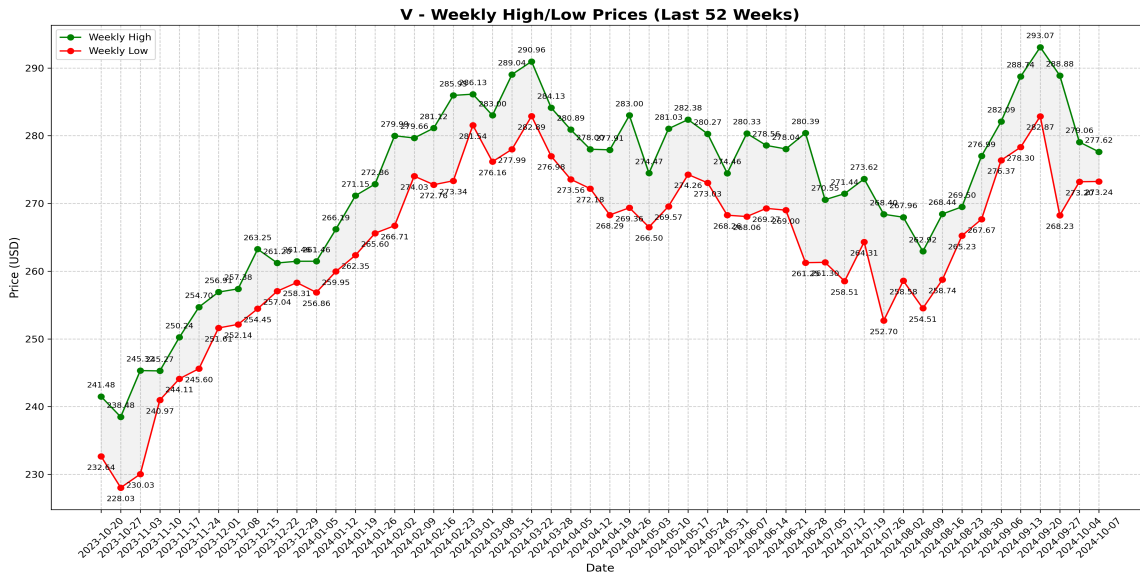
(* millions, except EPS and dividend)

BALANCE SHEET, LAST 10 QUARTERS

	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Total Assets	91,040	92,399	91,409	90,499	89,234	86,755	85,387	85,501	85,410	81,808
Total Debt	20,602	20,603	20,703	20,463	20,560	20,606	20,487	22,450	23,795	21,027
Shares	1,736	1,833	1,838	1,858	1,869	1,879	1,884	1,894	1,897	1,909
EPS	2.40	2.29	2.39	2.26	2	2.04	1.99	1.86	1.60	1.70
Dividend	0.52	0.52	0.52	0.45	0.45	0.45	0.45	0.38	0.38	0.38
Revenue	8,900	8,775	8,634	8,609	8,123	7,985	7,936	7,787	7,275	7,189
Cost of Revenue	1,573	1,603	1,479	1,498	1,481	1,515	1,337	1,356	1,283	1,226
Gross Profit	7,327	7,172	7,155	7,111	6,642	6,470	6,599	6,431	5,992	5,963
EBIT	6,185	5,595	6,229	5,819	5,328	5,420	5,114	5,027	3,940	4,676

(* millions, except EPS and dividend)

3. Stock Technical Analysis



Over the past 52 weeks, Visa Inc.'s (V) stock price has exhibited a generally upward trend, with periods of consolidation and pullbacks.

The stock started around \$230 in September 2023 and steadily climbed to around \$260 by December 2023. This upward momentum continued into January 2024, reaching a high of over \$270.

However, February 2024 saw a pullback to the \$265 level, followed by another surge to almost \$280 by the end of February. This peak was followed by a consolidation phase throughout March, with the stock trading in a range between \$275 and \$285.

April and May 2024 were marked by a downtrend, with the stock falling back to the \$270 support level. June saw a rebound, but the stock faced resistance at \$280. July and August were characterized by volatility, with the stock testing the \$260 support level multiple times. September saw a strong upward move, with the stock closing above \$280. Overall, the stock has shown resilience and a strong upward bias, with pullbacks providing opportunities for buyers to enter the market.

4. Current Media Coverage & Stories

Visa Inc. has been featured in recent news primarily due to its ongoing legal battles related to interchange fees, acquisitions, and strategic partnerships. The company has been subject to several lawsuits, including the Interchange Multidistrict Litigation (MDL), where merchants allege anti-competitive practices in setting interchange fees.

These lawsuits have resulted in significant financial settlements and ongoing legal proceedings. The company's acquisition of Pismo, a cloud-native issuer processing and core banking platform, has also generated headlines, highlighting Visa's strategic focus on expanding its capabilities in the digital payments space.

Additionally, Visa has been in the news for its partnerships with fintech companies, reflecting its efforts to remain at the forefront of payment innovation and cater to the evolving needs of consumers and businesses. For instance, their collaboration with PayPal, Venmo, and Western Union to pilot Visa+, an innovative service facilitating money transfers between different P2P apps, has garnered attention.

Overall, the media coverage surrounding Visa Inc. underscores its central role in the global payments landscape, its ongoing efforts to address regulatory and legal challenges, and its commitment to driving innovation through acquisitions and strategic partnerships.

5. Financial vs. Stock vs. Media Coverage Situations

The media narratives surrounding Visa Inc. align with the company's strong financial performance and its upward stock price trend. The legal challenges, while costly, have not significantly hindered Visa's profitability, and the company has implemented mechanisms, such as the U.S. and Europe Retrospective Responsibility Plans, to mitigate financial risks associated with litigation.

Visa's strategic acquisitions, like Pismo, and its partnerships with fintech companies have contributed to its revenue growth and have been well-received by investors, as evidenced by the positive stock price movement.

The media coverage highlighting these initiatives reinforces the perception of Visa as a leader in the payments industry, committed to innovation and adapting to the changing landscape. Despite the ongoing legal battles and competitive pressures, Visa's financial performance and strategic initiatives have instilled confidence in the market, contributing to the stock's overall upward trajectory.

6. Industry Analysis

The payments industry is experiencing rapid transformation, driven by technological advancements, evolving consumer preferences, and regulatory changes. The shift towards digital payments is accelerating, with the increasing adoption of contactless payments, mobile wallets, and online transactions.

This growth is creating opportunities for both traditional payment networks like Visa and Mastercard and emerging players such as fintech companies and real-time payment networks. Competition is intensifying as these players vie for market share and seek to provide innovative payment solutions.

Traditional payment networks are adapting to the evolving landscape by expanding their service offerings, partnering with fintechs, and investing in new technologies. They are also facing regulatory scrutiny, particularly regarding interchange fees and data localization. The rise of real-time payment networks, often backed by government initiatives, is challenging the dominance of card networks in domestic transactions.

These networks offer faster and cheaper payment options, particularly for P2P and low-value transactions. The industry is also witnessing the emergence of alternative payment providers, such as closed commerce ecosystems and cryptocurrency platforms, that are providing consumers with more choices and potentially disrupting traditional payment models. Regulatory changes, such as open banking initiatives, are further shaping the industry by promoting data sharing and enabling new payment services. Overall, the payments industry is dynamic and competitive, with players continuously innovating and adapting to meet the changing needs of consumers and businesses.

7. Drivers & Challenges

Visa Inc. faces several key drivers and challenges that will shape its future. Continued growth in digital payments, particularly in emerging markets, presents a significant opportunity for Visa. Increasing adoption of contactless payments, mobile wallets, and e-commerce is driving transaction volumes and expanding Visa's reach.

Visa's network of networks strategy, which aims to facilitate money movement across various platforms and networks, is a key driver for capturing new payment flows, including B2B, P2P, and G2C payments.

Their strategic acquisitions and partnerships with fintech companies are also contributing to their growth by enhancing their capabilities, expanding their service offerings, and strengthening their competitive position.

However, Visa faces challenges from intense competition, evolving regulatory landscapes, and the emergence of new technologies. Competition from other global and local networks, alternative payment providers, and real-time payment networks is putting pressure on Visa's market share and pricing. Regulatory changes regarding interchange fees, data localization, and consumer protection can impact Visa's profitability and operations.

The emergence of new technologies, such as blockchain and cryptocurrencies, presents both opportunities and challenges for Visa. While they are exploring these technologies, their impact on traditional payment models is uncertain. Visa's ability to navigate these drivers and challenges will determine its future success.

8. Bull Case

The bull case for Visa Inc. is supported by several factors. Firstly, the global shift towards digital payments is expected to continue, driven by increasing smartphone penetration, internet access, and consumer preference for convenient and secure payment methods.

This trend will likely drive transaction volumes and revenue growth for Visa, particularly in emerging markets with high growth potential. Secondly, Visa's strong brand recognition, global acceptance network, and established relationships with financial institutions give it a competitive advantage.

Their trusted brand and extensive network provide a sense of security and reliability for consumers and businesses, making Visa a preferred choice for payments. Thirdly, Visa's strategic focus on expanding its services beyond traditional card payments through initiatives like Visa Direct and Visa B2B Connect positions it to capture new payment flows, including B2B, P2P, and G2C payments.

Their network of networks strategy aims to facilitate money movement across different platforms, creating a more unified and efficient payment ecosystem. Furthermore, Visa's commitment to innovation and strategic acquisitions, such as Pismo, enhances its capabilities and strengthens its position in the evolving payments landscape.

Their ability to adapt to new technologies and provide innovative solutions is crucial for staying ahead of the competition. Finally, Visa's strong financial performance, consistent profitability, and ability to generate significant cash flow support its long-term growth prospects. These factors make Visa an attractive investment for investors seeking exposure to the growing global payments market.

9. Bear Case

The bear case for Visa Inc. is primarily driven by concerns regarding increasing competition, regulatory pressures, and the potential disruption from new technologies. Competition from other global and local networks, alternative payment providers, and real-time payment networks is intensifying, putting pressure on Visa's market share, pricing power, and profitability.

The rise of real-time payment networks, often backed by government initiatives, is particularly concerning as they offer faster and cheaper payment options, especially for domestic transactions. Regulatory changes, particularly regarding interchange fees and data localization, can significantly impact Visa's revenue and operating margins.

Governments worldwide are scrutinizing interchange fees, seeking to lower merchant costs, and this trend could lead to lower revenues for Visa. Data localization mandates, requiring companies to store data within specific jurisdictions, can increase operating costs and compliance complexities. The emergence of new technologies, particularly blockchain and cryptocurrencies, presents both opportunities and challenges for Visa. While they are exploring these technologies, their potential to disrupt traditional payment models and reduce Visa's relevance is a concern.

The adoption of cryptocurrencies as a means of payment, particularly for cross-border transactions, could bypass traditional payment networks and reduce Visa's revenue. Furthermore, Visa's heavy reliance on its existing four-party model makes it vulnerable to disintermediation.

The emergence of new players and the increasing capabilities of existing clients, such as merchants and financial institutions, could lead to alternative payment solutions that bypass Visa's network. If Visa fails to adapt to these challenges, its long-term growth prospects could be negatively impacted.

10. Forward Valuation

Visa Inc.'s forward valuation involves considering various methods, including discounted cash flow (DCF), relative valuation (multiples-based), sum-of-the-parts (SOTP), and implied option valuation pricing models.

Each method has its strengths and limitations, and a combination of approaches can provide a more comprehensive assessment. For the DCF model, a bullish scenario would incorporate assumptions of continued growth in digital payments, expanding service offerings, successful integration of acquisitions, and effective management of regulatory challenges.

A bearish scenario would assume intensified competition, lower interchange fees, and a slower adoption of new technologies. For relative valuation, multiples-based analysis would compare Visa's valuation to its peers in the payments industry, considering factors like revenue growth, profitability, and market share.

A bullish scenario would assume Visa maintaining its premium valuation, while a bearish scenario would assume a compression of multiples due to competitive pressures. The SOTP model would value Visa's different business segments separately, considering their individual growth prospects and profitability.

A bullish scenario would assume strong growth in new flows and value-added services, while a bearish scenario would assume slower growth in these segments. Finally, implied option valuation would consider the potential value of Visa's growth opportunities, such as expanding into new markets and developing innovative payment solutions.

A bullish scenario would assign a high value to these opportunities, while a bearish scenario would be more conservative. Based on these models, the following valuations, in U.S. dollars, are estimated:

valuation_dcf_bullish_low:	250.00	valuation_dcf_bullish_high:	280.00	valuation_dcf_bearish_low:	200.00
valuation_dcf_bearish_high:	230.00	valuation_relative_multiples_bullish_low:	260.00	valuation_relative_multiples_bullish_high:	300.00
valuation_relative_multiples_bearish_low:	210.00	valuation_relative_multiples_bearish_high:	250.00	valuation_sotp_bullish_low:	270.00
valuation_sotp_bullish_high:	310.00	valuation_sotp_bearish_low:	220.00	valuation_sotp_bearish_high:	260.00
valuation_options_pricing_bullish_low:	280.00	valuation_options_pricing_bullish_high:	320.00	valuation_options_pricing_bearish_low:	230.00
valuation_options_pricing_bearish_high:	270.00	These valuations are estimates and subject to various assumptions, and the actual stock price may deviate from these projections.			

11. Executive Summary

Visa Inc. is a leading global payments technology company, facilitating commerce and money movement across more than 200 countries and territories. They connect consumers, merchants, financial institutions, and governments through their innovative technologies and advanced processing network, VisaNet.

Visa's core business involves a four-party model, which they have expanded to include digital banks, fintechs, and other players, creating a complex network of networks. They offer a range of products and services, including credit, debit, prepaid cards, and new flows offerings like Visa Direct and Visa B2B Connect.

Their financial performance in fiscal 2023 was strong, with net revenues increasing by 11% year over year. Visa is actively engaged in acquisitions, joint ventures, and strategic investments to enhance its capabilities and drive growth. Their commitment to corporate responsibility and sustainability focuses on empowering communities, securing commerce, and operating ethically.

However, Visa faces key challenges from intense competition, evolving regulatory landscapes, and the emergence of new technologies. They are subject to lawsuits and investigations related to interchange fees and other practices. The rise of real-time payment networks, alternative payment providers, and the potential disruption from blockchain and cryptocurrencies pose significant threats.

Visa's ability to adapt to these changes, maintain its strong brand, and continue innovating will be crucial for its long-term success. Their forward valuation reflects both bullish and bearish scenarios, considering factors like digital payments growth, competition, and regulatory pressures.