

Visa Inc. (V)

Financial Services – Credit Services

September 23, 2024

Stock Rating

HOLD

Investment Thesis

We recommend a **HOLD rating** on Visa Inc. (V) with a target price range of \$285-311 with a potential upside of 9.1%. We believe Visa is firmly positioned as the largest credit services provider and will continue to sustainably scale their operations. However, Visa faces limitations regarding industry growth and lack of new market opportunities that we expect will limit their upside.

Drivers of Thesis

- Visa is unique in that it relies on transaction volume rather than taking on credit risk which will allow the company to continue to operate with high profit margins and strong free cash flow upwards of \$33 billion through the forecasted period.
- Visa currently accounts for 39% of global transactions and 61% of purchasing volume in the U.S. market marking a firm grasp at the top of the industry while we expect net revenues to continue to grow by 10.58% in 2024.

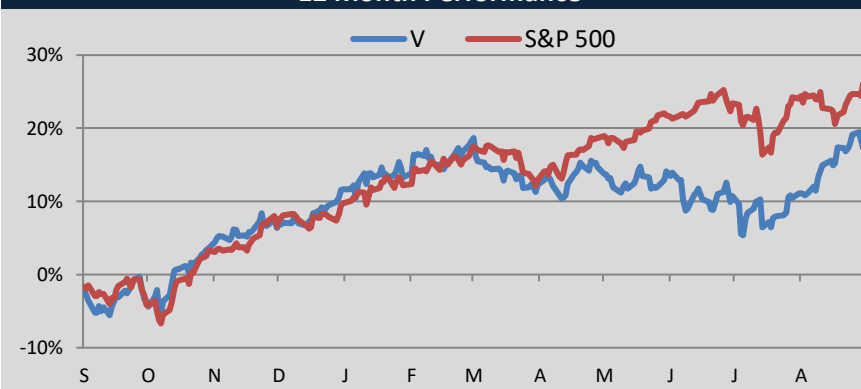
Risks to Thesis

- Visa's revenue is heavily tied to consumer spending and with a potential recession looming, consumers could constrict their spending habits and Visa could see their revenue decline in 2025.
- Regulatory and antitrust issues have arisen over the past few years surrounding Visa and Mastercard's dominance in the market and could negatively affect Visa's ability to operate freely and diminish margins and net revenue significantly.

Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	\$5.63	\$7.01	\$8.29	\$9.92	\$11.07	\$12.52
HF est.				\$12.77	\$14.35	\$16.06
growth	14.9%	24.5%	18.3%	54.0%	12.4%	12.0%

12 Month Performance



Target Price

\$285-311

Henry Fund DCF	\$311
Henry Fund DDM	\$285
Relative Multiple	\$231

Price Data

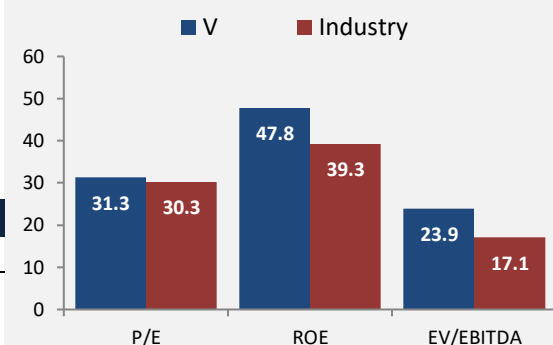
Current Price	\$285
52wk Range	\$228– 293
Consensus 1yr Target	\$307

Key Statistics

Market Cap (B)	\$584
Shares Outstanding (M)	2,085
Institutional Ownership	93.2%
Beta	0.8
Dividend Yield	0.7%
Est. 5yr Growth	14%
Price/Earnings (LTM)	28.51
Price/Earnings (FY1)	28.23
Price/Sales (LTM)	14.69
Price/Book (mrq)	12.56

Profitability

Operating Margin	67.2%
Profit Margin	53.9%
Return on Assets (LTM)	20.9%
Return on Equity (LTM)	47.8%



Company Description

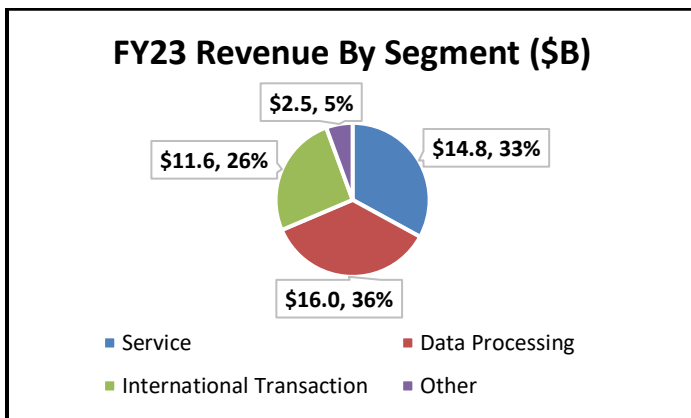
Visa, Inc. is the largest provider of digital payment services, making it easier for people and businesses to conduct transactions worldwide. They connect consumers, merchants, banks, and governments to facilitate the movement of money and information. Visa offers a range of products, including debit and credit cards, prepaid options, and commercial payment solutions, along with access to ATMs around the globe. The company is headquartered in San Francisco, CA and was founded by Dee Hock in 1958.

COMPANY DESCRIPTION

Visa, Inc. is all about making digital payments simple and seamless. The company is dedicated to connecting people, businesses, and banks around the world, helping all parties transfer money and share information as seamlessly as possible. Consumers typically utilize Visa's debit cards, credit cards, and prepaid options, along with commercial payment solutions and access to ATMs everywhere.

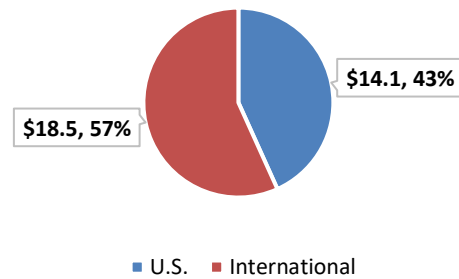
The company operates within the Credit Services sector and has a peer group consisting of Mastercard Inc. (MA), Capital One Financial Corp (COF), American Express Co. (AXP), Discover Financial Services (DFS), and PayPal Holdings, Inc. (PYPL). A full peer comparison is given under the Markets and Competition section.

Visa generates revenue through four positive and one negative segment within the international market. The positive revenue segments consist of data processing, service, international transaction, and other. Visa's negative revenue segment is referred to as client incentives. When calculating net revenue, Visa subtracts client services from the sum of the four other revenue segments. A breakdown of Visa's positive revenue accounts and net revenue by geographical location is shown below:



Source: Mergent Online

Net Revenue by Geography (\$B)



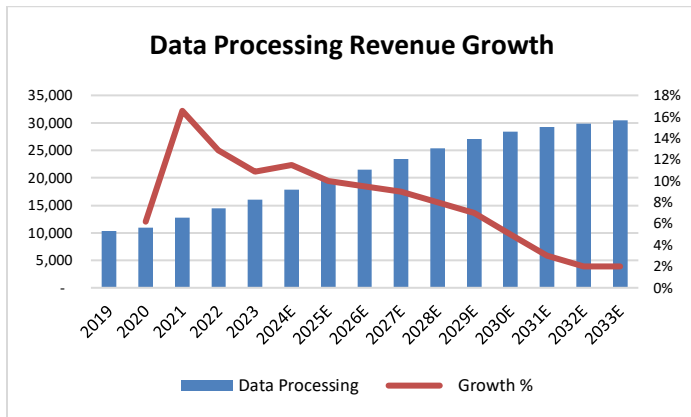
Source: Mergent Online

Data Processing

Visa's data processing segment makes money by handling the behind-the-scenes work of approving, clearing, and settling transactions across its global payment network. Every time someone uses a Visa card, Visa processes that transaction and makes sure it moves smoothly between the cardholder's bank to the merchant's bank. Visa charges fees for these services, and the fees depend on various factors such as the size of the transaction, location of the transaction, and the type of purchase. This makes data processing Visa's biggest source of revenue.

The strength of this segment lies in the total number of transactions Visa processes. As more people choose to use digital payments over cash, Visa's transaction volume grows, and in turn generates more revenue. It's important to note that Visa earns based on the number of transactions, not the value of said transaction, meaning even small purchases contribute largely to its income. As more people continue embracing online, mobile, and

contactless payments, Visa will continue to benefit from this shift toward electronic transactions.

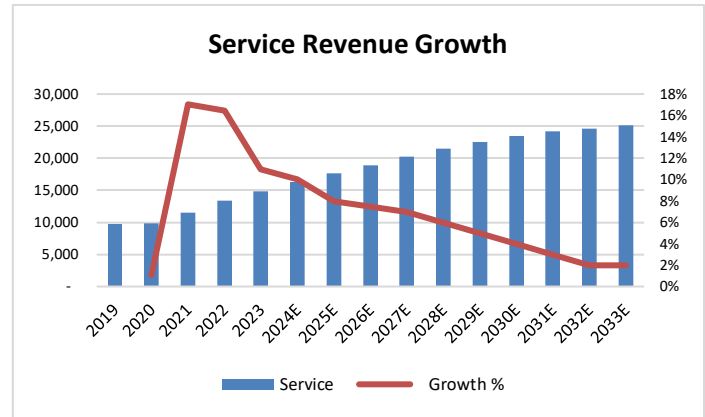


Source: Mergent Online, HF Estimates

Visa continues to grow its data processing revenue by constantly investing in improving its technology. In FY2023, data processing revenue grew by 10.9% YoY². We expect this trend to continue as consumer spending has unexpectedly remained steady through 2024. We forecast this segment to grow by 11.5% in 2024, which is slightly below consensus estimates due to expected regression in total transactions.

Service

Visa's service segment makes money by charging banks and other financial institutions to use its payment network and issue Visa-branded cards. This segment earns fees based on the total value of the transactions made only with Visa cards, rather than the total number of transactions². As people use their Visa cards more for things like shopping, travel, and online purchases, Visa benefits from the increase in overall spending. Beyond basic transaction services, Visa also offers extra features like fraud protection, data analytics, and consulting services to help banks and merchants manage risks and improve their businesses². These added services give Visa another way to earn money while strengthening its relationships with financial partners. As digital payments grow in popularity, this part of Visa's business is key to expanding its reach and boosting profits.

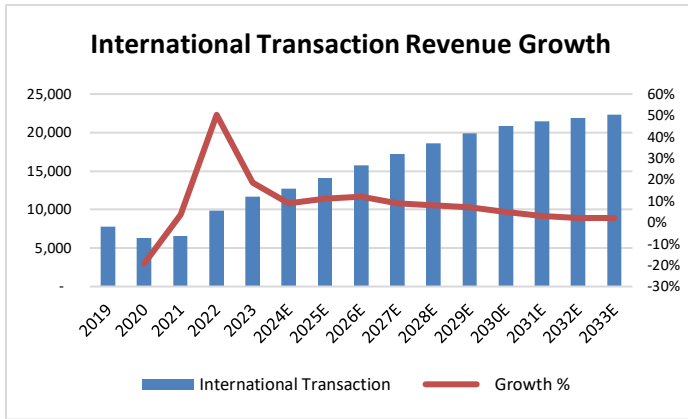


Source: Mergent Online, HF Estimates

Visa's service segment is right up there with data processing in terms of gross revenue, generating over \$14.8 billion (10.96% YoY²) for the company in 2023. We forecast that service will continue to grow in 2024 by 10% and steadily decrease towards a long-term growth rate of 2% over the forecasted period. This is slightly below consensus estimates which is largely attributed to us expecting less people to sign up for new Visa cards as unemployment has continued to increase throughout 2024.

International Transaction

Visa's international transaction segment earns revenue from fees on cross-border transactions (i.e. when someone uses their Visa card in a different country). Visa charges for currency conversion and processing these payments between banks in different countries. This segment tends to be more profitable because international transactions come with higher fees than domestic transactions². With the increase in global travel and people shopping online from other countries, this has become a key source of growth for Visa. As e-commerce continues to expand across borders, Visa's international transaction segment will continue to benefit. Some drawbacks include travel trends and exchange rates playing a role in the segments performance. Overall, Visa's international transaction segment will continue to play a big role in the company's overall growth, especially as the world becomes more connected through trade and digital commerce.

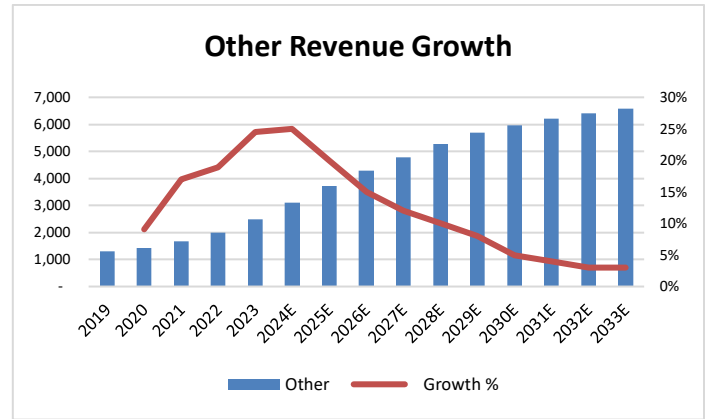


Source: Mergent Online, HF Estimates

After seeing a big dip (-19.28% YoY²) in 2020 due to COVID-19 restricting international travel and trade, Visa saw its international transaction revenue grow by 50.31% and 18.57% in 2022 and 2023 respectively². As international travel has begun to plateau following its big boom as COVID-19 became less of a threat, we are forecasting that international transactions will continue to grow at a rate of 9% in 2024 before rebounding to 11% and 12% in 2025 and 2026 respectively.

Other

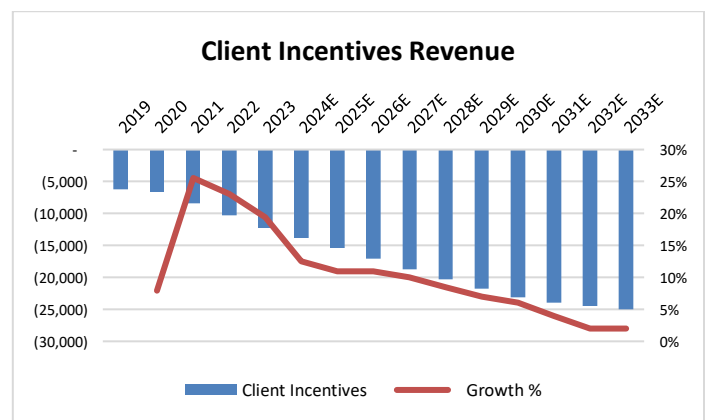
Visa's "Other" segment includes value-added services, license fees for the use of the Visa brand or technology, and fees related to account holder services, certification, and licensing². Since this segment makes a relatively small contribution to Visa's overall revenue and there isn't clear guidance from the company, we forecasted this segment in line with consensus estimates growing by 25% in 2024 and 20% in 2025. This is also consistent with 2023 in which the segment grew by 24.51% YoY.



Source: Mergent Online, HF Estimates

Client Incentives

Visa's client incentives segment includes funds that the company provides to help financial institutions promote Visa products and increase card usage. This can involve marketing support, promotional campaigns, and rewards programs aimed at encouraging banks to issue more Visa cards and motivating consumers to use them for everyday purchases². While this segment is a smaller part of Visa's overall revenue, it is essential for building strong client relationships and driving growth in card adoption and usage. Over the past 3 years Visa has continued to grow their investment into client incentives at a 21.2% CAGR². We forecast this to slow down to 12.5% and 11% growth in 2024 and 2025 respectively.

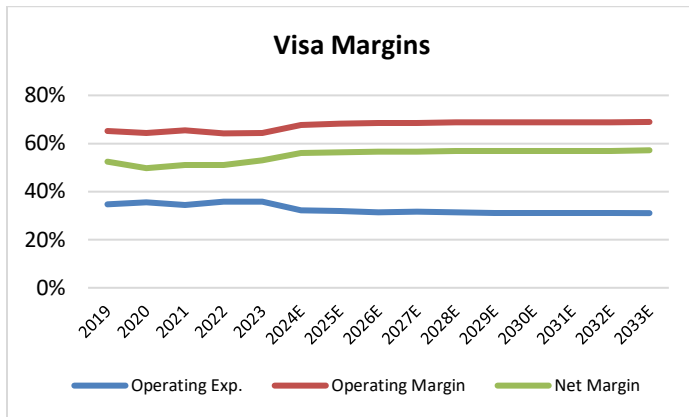


Source: Mergent Online, HF Estimates

Cost Structure Analysis

Visa's operating expenses as a percentage of net revenue, its operating margin, and its net margin over the past 5

years and over our forecasted period is shown in the figure below:



Source: Mergent Online, HF Estimates

Visa's margin historically has remained very stable and has allowed the company to scale its operations without taking on any extra credit risk. We are forecasting that Visa's margins will remain intact over the forecasted period with a slight improvement in both operating and net margins as they continue to find ways to minimize costs (i.e. investing in technology).

Debt Maturity Analysis

Visa's debt maturity schedule as of FY2023 is shown in the figure below:

Five-Year Debt Maturity Schedule		
Fiscal Year	Coupon (%)	Payment (\$mil)
2024	-	\$0
2025	3.15%	4,000
2026	1.50%	1,434
2027	0.75-2.75%	2,750
2028	-	0
Thereafter	1.10-4.3%	11,217
Total		\$20,463

Source: Visa 10-K

Visa's liquidity ratios are very good with its quick/current ratio coming in at 1.45 and its cash ratio sitting at 0.87 for FY2023. We expect the company's liquidity ratios to continue to improve over the forecasted period and should have no issue in repaying their debt maturity moving forward.

S&P rates Visa at AA-, which is classified as investment-grade¹. This gives Visa the highest credit rating among its

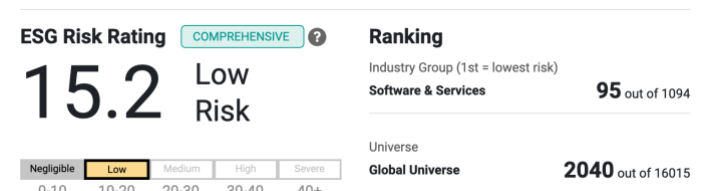
competitors. In comparison, Mastercard and PayPal are rated A+ and A- respectively, which are in the upper medium investment grade, just below Visa⁷. American Express and Discover Financial Services have ratings of BBB+ and BBB- respectively, suggesting they have a sufficient ability to meet their obligations but fall on the lower end of the investment-grade scale⁷. The figure below compares Visa's bond rating to those of its peers in the payment processing industry:

Company	S&P
Visa Inc.	AA-
Mastercard Inc.	A+
PayPal Holdings, Inc.	A-
American Express Co.	BBB+
Capital One Financial Corp	BBB
Discover Financial Services	BBB-

Source: Factset

ESG Analysis

ESG stands for Environmental, Social, and Governance and it is an analysis system that is used to measure the impact an organization has on its environmental and social surroundings. The grading system ranks companies based on their policies and efforts towards these issues in which a company wants as low of a score as possible. Visa was giving a 15.2 ESG Risk Rating which is considered low risk.



Source: Sustainalytics

Visa has shown it is very dedicated to its ESG initiatives, most recently shown through the company's Green Bond initiatives. Visa has used the proceeds from its Green Bonds to financially support various projects relating to reducing energy, carbon, and water use across the company's global operations. In totality, the projects have kept Visa on track with its 2030 climate targets, its goal to have net zero emissions by 2040, and its aspiration to be climate positive⁵. A financial breakdown with more detail into how Visa is investing in its projects is shown below:

Green Bond Eligible Project Category	Applicable Spend* Apr. 1, 2023 - Mar. 31, 2024	Environmental Impacts
Green Buildings	\$94.7M	<ul style="list-style-type: none"> Additional facility square footage certified as LEED or similar certification during report period (Fiscal Year (FY) 2023): 205,000 sq. ft. Total facility square footage certified as LEED or similar in Visa buildings included in this report² (FY2023): 3,663,802 sq. ft. Year over year (YOY) change between FY2022 and FY2023: 6% Increase in certified square footage
Energy Efficiency	\$1.3M	<ul style="list-style-type: none"> Energy saved due to data center enhancements: 4,080,000 kWh³ (FY2023 compared to FY2022)⁷ Emissions avoided from energy efficiency improvements²: 1,073 metric tons CO₂e⁴ (FY2023 compared to FY2022)⁷
Renewable Energy	\$9.2M	<ul style="list-style-type: none"> Scope 2 GHG emissions avoided from renewable electric purchase: 66,860 metric tons CO₂e⁵ (FY2023)
Sustainable Water and Wastewater Management	\$1.5M	<ul style="list-style-type: none"> Data center efficiency projects are forecast to reduce water use by 30%
Clean and Mass Transportation	\$2.3M	<ul style="list-style-type: none"> Scope 3 GHG emissions avoided from Visa employee shuttle use: 1,455 CO₂e⁶ (April 2023 - March 2024)
Total	\$109M	

Source: Visa

RECENT DEVELOPMENTS

Visa Q3 Earnings Call

Visa's Q3 FY2024 earnings report showed solid growth, with revenue hitting \$8.9 billion, +10% YoY¹. EPS increased by 12%¹, reflecting strong performance across multiple sectors. The company saw a notable 14%¹³ increase in cross-border volume (excluding intra-Europe) and a 10%¹³ rise in processed transactions. Visa Direct, the company's real-time payments platform, experienced a significant surge, with transactions up over 41%¹³. The company also reported a strong performance in value-added services, which grew by over 23%¹³. This was driven by demand for solutions like advisory services and payment acceptance.

Despite these positive indicators, some areas showed slower growth than consensus estimates. U.S. payments volume increased by only 5%¹³, and operating expenses were only up 14% YoY¹³. The company cited higher marketing spend, including Olympic-related expenses, and administrative costs as the reason for the slower growth. The international market played a key role in supporting Visa's performance, with Latin America and premium card offerings showing promising growth. However, Visa faced

slower growth in the Asia-Pacific region, particularly in China, due to ongoing macroeconomic challenges.

Looking forward, Visa stated it expects continued strong performance throughout Q4 in 2024. The company anticipates revenue growth in the low double digits, with EPS growth in the same range, sustained by continued demand for digital payments and cross-border transactions¹³. While consumer spending in some regions may be impacted by inflationary pressures, especially among lower-income consumers, Visa remains optimistic about long-term growth due to its expanding services and global reach.

Pismo Acquisition

Visa's most recent acquisition of Pismo (announced in June 2023 and completed in January 2024) is off to a strong start over the past 9 months. Pismo's cloud-native platform is now integrated with Visa, allowing the company to offer more robust core banking and card-processing capabilities through flexible, cloud-based APIs¹⁰. This will help Visa better serve financial institutions, especially by supporting real-time payments and emerging payment methods⁵. Visa made the acquisition with its sights set on enhancing its infrastructure, particularly in markets like Latin America, Asia-Pacific, and Europe.

With Pismo on board, Visa is well-positioned to offer innovative financial products and solutions that are scalable and adaptable across different regions and currencies. The existing Pismo leadership, including CEO Ricardo Josua, remains in place, which has helped ensure a smooth transition and integration of the platform⁵. The acquisition cost Visa \$1 billion which is a testament to the company's commitment to modernizing its services and meeting the growing demand for cloud-based, real-time financial technologies.

INDUSTRY TRENDS

Capital One Acquisition of Discover

In February 2024, Capital One announced it would acquire Discover Financial Services in a \$35 billion all-stock deal¹. This merger (still pending status) would make Capital One one of the biggest credit card issuers in the U.S. By taking control of Discover's payment network, Capital One would reduce its reliance on Visa and Mastercard and retain a larger portion of merchant fees, similar to American

Express' structure. This deal would position Capital One to heavily strengthen its competitive edge in both the credit card and payments industry.

It is important to note that Discover would remain a separate brand, and Capital One plans to move some of its credit card and debit business to Discover's network, helping both companies scale, assuming the deal goes through¹¹. Capital One also aims to improve Discover's perception of card acceptance in the U.S. market.

While there is a promising outlook, the acquisition will be closely scrutinized by regulators, and it won't be finalized until late 2024 or early 2025¹². Federal agencies, including the Department of Justice, will review the deal for any antitrust concerns before it can progress.

Rise of Digital Wallets

Digital wallets have quickly become popular among consumers because of their speed and convenience. This has led many businesses to adopt this technology to enhance customer satisfaction. For financial institutions, integrating digital wallets offers a chance to improve services, streamline banking processes, and enhance their reputation.

To be effective, digital wallets need to provide a user-friendly experience. Clear interfaces and user-friendly language can help make the technology accessible to all users, especially those who may not be tech-savvy. By simplifying the enrollment and transaction processes and highlighting frequently used features, institutions such as Visa and its peers can make it easier for customers to use digital wallets.

Security is another vital component of digital wallets, as they employ measures like tokenization and biometric verification to protect users' data. Focusing on security is essential, as studies show that consumers are more likely to remain loyal to brands that prioritize their information's safety⁹. Larger financial companies like Visa can capitalize off the fact that smaller companies can be hesitant to adopt this technology due to high costs in developing software and security. Adapting to customer needs with offerings like digital wallets will be crucial for building

Visa's brand loyalty and achieving long-term success in the market.

Credit Card Competition Act

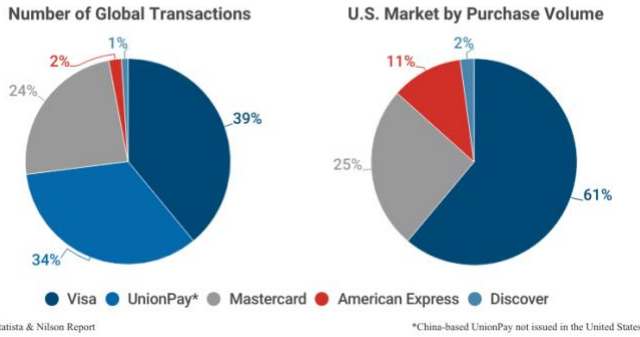
The Credit Card Competition Act is a proposed law with the main purpose to increase competition in the credit card industry. It's a response to concerns about the high fees that major credit card networks, such as Visa and Mastercard, charge merchants. The Act would require credit card issuers to support transactions on at least two different, unaffiliated networks. This change aims to give merchants more choices for processing payments, which could help lower their costs and potentially lead to lower prices for consumers¹⁵. Proponents of the Act believe it will spark innovation and offer more payment options by allowing smaller companies to compete more effectively. Alternatively, critics worry that the Act might disrupt the current credit card system, adding complexity to transaction processing and possibly impacting the security and reliability that people rely on¹⁵. The outcome of this legislation could significantly shape the future of the credit card industry.

Visa would be significantly adversely affected if the Act were to be implemented. The good news for Visa is that the bill has failed to pass already in 2022. As legislators continue to alter and monitor the bill, this is definitely something to monitor as it could play a huge role in Visa's potential if passed.

Peer Comparison

Visa has a firm hold on being the largest company in the credit services industry with Mastercard (MA) coming in 2nd by a considerable margin of their own over 3rd place.

Credit Card Processors' Market Share



Source: Statista

Outside of Mastercard, other competitors to Visa include American Express (AXP), Capital One (COF), Discover (DFS), and Paypal (PYPL).

Company	Net Rev.	Net Income	Market Cap (\$B)
V	32,653	16,989	576.3
MA	25,127	11,195	458.0
AXP	67,373	8,310	193.1
PYPL	29,681	4,246	80.8
COF	29,241	4,810	58.8
DFS	13,099	2,921	36.1

Source: Factset

Mastercard (MA)

Mastercard, Inc. is a technology company that focuses on providing payment solutions, including credit, debit, prepaid, and commercial programs, through its well-known brands like Mastercard, Maestro, and Cirrus. They also offer cyber and intelligence solutions to enhance security. The company was founded in 1966 and is based in Purchase, NY¹⁶.

Mastercard is far and away Visa's top direct competitor, as both companies provide credit, debit, and prepaid cards and are the two largest players in the payments processing industry by a wide margin. One key difference is in how they charge service fees: Visa charges issuers based on transaction volume, while Mastercard calculates fees as a percentage of total payment volume. Right now, Visa has the advantage of the two in the market, leading in global transactions and payment volume. Since these companies are so similar, it is important to monitor current consumer

trends to see which company is able to adapt and attract the most customers at a given period of time.

American Express (AXP)

American Express Co. is a payments company that offers credit and charge cards to consumers, small businesses, and large corporations, organized into several segments. Its U.S. Consumer Services segment focuses on proprietary consumer cards and travel-related services, while its Commercial Services segment provides corporate cards and payment management solutions for businesses. American Express is based in New York, NY and was founded in 1850¹⁷.

American Express, like Mastercard and Visa, facilitates global payment transactions but they also operate as a bank as well. While its banking segment adds diversity to its revenue streams, the big issue is it places additional credit risk on its total revenue due to consumers potentially defaulting on various loans. While American Express does compete with Visa on the credit card market, they simply are not equipped to be serious competitors and take considerable market share from Visa anytime in the near future.

PayPal Holdings, Inc.

PayPal Holdings, Inc. creates technology platforms that make digital payments easier and improve the commerce experience for both merchants and consumers around the world. Its range of products includes PayPal, PayPal Credit, Braintree, Venmo, Xoom, and Paydiant, enabling users to pay with different funding sources like bank accounts and credit cards. PayPal is based in San Jose, CA and was founded in 1998¹⁸.

PayPal is a competitor to Visa in the sense that they are both companies that process payment transactions, but their business models tend to differ. PayPal is more focused on being a service for individuals paying other individuals and e-commerce whereas Visa processes transactions mainly between merchants and banks. PayPal doesn't have the resources to take market share from Visa in the global payment market but they do control a lot of

the digital wallet and e-commerce space which can limit Visa from expanding its operations in the digital market.

Capital One (COF)

Capital One Financial Corp. is a financial holding company that provides various financial products and services through three main segments: Credit Card, Consumer Banking, and Commercial Banking. The Credit Card segment includes lending for domestic consumers and small businesses, as well as international card lending, while the Consumer Banking segment focuses on branch-based lending and deposits for individuals and small businesses. Capital One was founded in 1994 and is headquartered in McLean, VA¹⁹.

While both Capital One and Visa operate in the same broad industry, Capital One's business model focuses more on its bank operations while simultaneously offering credit cards. It is worth monitoring Capital One's pending acquisition of Discover which could allow Discover access to more working capital and in-turn, pose as a low-level threat to Visa.

Discover Financial Services (DFS)

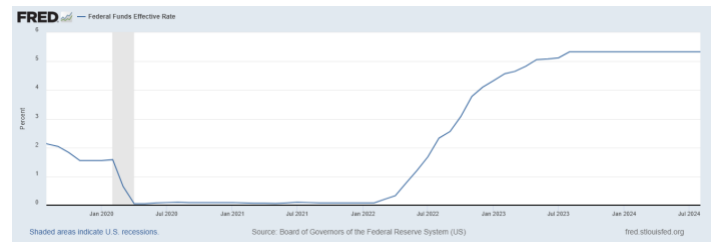
Discover Financial Services is a holding company that operates through two key segments: Digital Banking and Payment Services. The Digital Banking segment focuses on consumer banking and lending products, including Discover-branded credit cards and services like personal loans and deposit accounts. Meanwhile, the Payment Services segment includes PULSE, Diners Club, and Network Partners, which provide payment processing and settlement services on the Discover Global Network. The company was founded in 1960 and is headquartered in Riverwoods, IL.

Discover is similar to Visa in that they issue credit cards and a payment network. The issue for Discover is they are much smaller than Visa and must be more of a niche credit card issuer and find consumers through unique features and benefits that are more tailored to each cardholder. They also offer some banking products as well but overall; they do not pose a significant threat to Visa's market share over the forecasted period.

ECONOMIC OUTLOOK

Interest Rates and Inflation

The Federal Reserve Committee announced on September 18, 2024, that they came to the decision to reduce the target range for the federal funds rate from 5.25-5.50% by 50 basis points (bps) to 4.75-5.00%. This decision was made as the committee expressed an increased confidence that inflation was trending toward their 2% target.



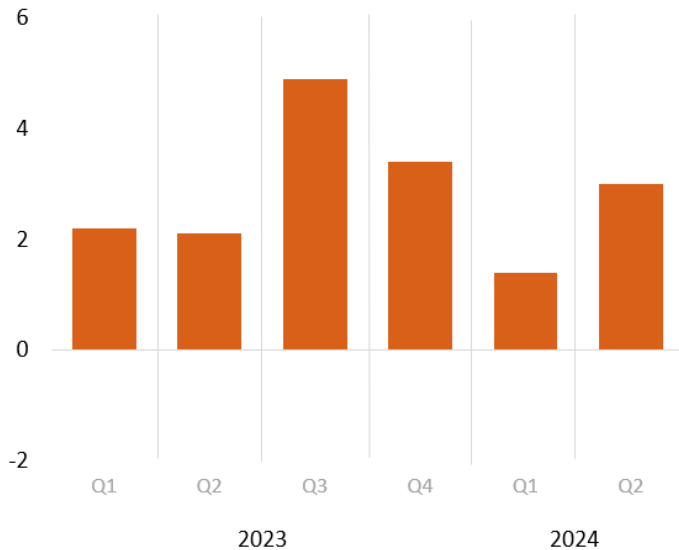
Source: FRED

This rate cut poses a few potential scenarios for Visa's future performance. The good news is that lower federal interest rates tend to increase consumer spending over the long-term which would greatly benefit Visa's total transactions. The bad news is that each time the Federal Reserve Committee has begun a rate cutting cycle by 50 bps, the U.S. economy has entered a recession shortly after. Visa would be very susceptible to a recession as it would restrict consumers budgets and heavily reduce the company's transactions in the short-term.

Real GDP

The U.S. saw real GDP grow by 1.4% and 3.0% in Q1 and Q2 of 2024 respectively so far. Looking forward, the Conference Board has continued to increase their outlook for 2024 up to 2.4%. The graph below depicts Real GDP growth Q/Q from the start of 2023 to Q2 of 2024:

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Source: U.S. Bureau of Economic Analysis

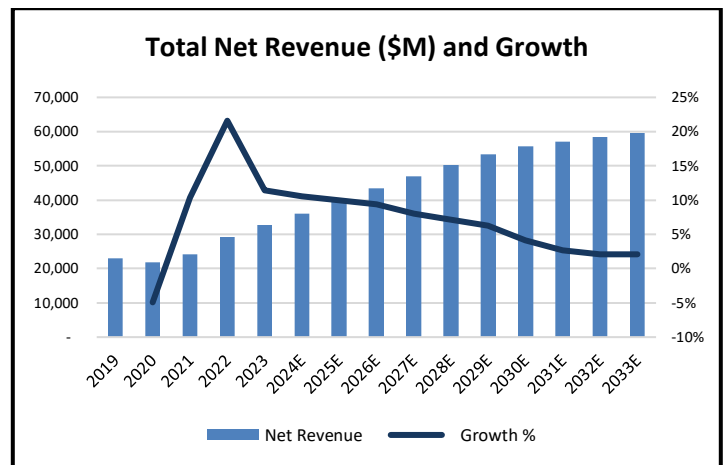
As the Conference Board continues to be more optimistic about real GDP growth through the rest of the year, Visa should benefit due to sustained international travel demand and consumer spending.

VALUATION

Revenue Growth

Our growth assumptions are tailored to Visa's different business segments, projecting a compound annual growth rate (CAGR) of 6.2% from FY2023 to FY2033. For FY2024, we anticipate revenue growth aligned with management's expectations of low double-digit growth, estimating it at 10.6%. The strongest growth is expected from Visa's Other segment while Data Processing and Service will continue to grow steadily and generate the bulk of the company's revenue over the forecasted period. You can see the

historical revenue growth alongside our estimates in the figure below:



Source: Mergent Online, HF Estimates

Operating Expenses

Visa's operating expenses tend to trend closely related to net revenue, making up between 34-36% over the past 5 years. Each expense account was forecasted over our forecasted period using a baseline % of sales based on the past 3-5 years depending on how constant the account has remained in previous years.

WACC Assumptions

We calculated Visa's weighted average cost of capital (WACC) at 7.51%, which is slightly higher than consensus estimates. This can be largely attributed to the Henry Fund equity risk premium being higher than consensus estimates. For this calculation, we used the following assumptions:

Risk-Free Rate: We used 3.86%, which is the 10-year US Treasury bond yield as of September 6, 2024

Beta: We used 0.80, which is the 2-year weekly raw beta from Bloomberg.

Equity Risk Premium: We used the Henry Fund consensus estimate of 5%.

Pre-tax Cost of Debt: We used 5.06%, which is FactSet's estimate based on the bond securities Visa has issued.

Tax Rate: We used 21% for our forecast horizon, equal to the implied marginal tax rate of FY 2023. We decided to use the book value of debt as a stand-in for the market

value, since it's tough to accurately estimate that figure for Visa.

DCF Valuation

Our discounted cash flow (DCF) and economic profit (EP) models both indicate an implied price of \$310.83, which suggests a potential upside of about 9.1% from Visa's current share price. We've chosen to use this as our main model for our recommendation because it takes into account more company-specific factors and lets us incorporate growth assumptions for each business segment. We're assuming a constant growth rate of 2% for our terminal value (CV) of NOPLAT, which matches our final year growth rate for NOPLAT.

DDM Valuation

Our dividend discount model (DDM) shows an implied price of \$285.08, which serves as a baseline for the stock price based on Visa's dividend payments. Given that Visa has consistently increased its dividend over the past few years, we estimate an average growth rate of 15.4%, reflecting the average growth over the past 5 years. However, we don't think this figure accurately represents Visa's true value since it doesn't account for other important growth factors specific to the company.

Relative Valuation

In our relative valuation models, we looked at Visa's main competitors in the electronic payments sector, including American Express, Mastercard, Capital One, Discover Financial Services, and PayPal. Our relative P/E valuation models suggest an implied price of \$231.26 and \$233.16 based on projected EPS for 2024 and 2025, indicating that Visa may be overvalued compared to its peers. Meanwhile, our relative PEG models point to implied prices of \$100.36 and \$100.40 for 2024 and 2025 respectively. Capital One and Discover both have high estimated 5-year EPS growth rates of 49.7% and 108% respectively which drives down both of Visa's PEG price estimates drastically. However, given Visa's strong position in the payments industry and the differing business models of its competitors, we don't think these prices accurately reflect Visa's true value.

KEYS TO MONITOR

Credit Card Competition Act

There is certainly no guarantee that this bill will ever get passed but it would be severely detrimental to Visa if it were to get passed in the future. The law would diminish Visa's margins significantly, reduce consumer demand drastically, and it would allow many smaller companies in the market to quickly steal market share from Visa.

Competitors

While Visa holds the advantage over Mastercard currently when it comes to total transactions, and payment volume, it is still important to monitor these two companies closely. They are very similarly sized and have very similar business models that make Visa susceptible to losing considerable market share if they are not quick to act on consumer trends.

Another competitor to potentially monitor would be Capital One if their deal to acquire Discover does go through sometime in the next year or two. While we don't think it is as big of a threat as Mastercard, Discover could gain market share with extra capital backing them as well as access to new consumers through Capital One's current customers.

Federal Funds Rate

It will be vital to keep an eye on what the Federal Reserve Committee decides to do in its final 2 meetings in 2024. We expect to see another rate cut before the year is over and the possibility of a recession continues to loom. In the event of a recession, Visa would see a reduction in transaction volume and international travel which would be detrimental to the company's operations. On the bright side, lower federal interest rates tend to lead consumers to increase spending and international travel long-term.

REFERENCES

1. Factset
2. Visa 10-K
3. Visa 10-Q
4. Bloomberg
5. Visa
6. Mergent Online
7. S&P Global

8. Sustainalytics
9. Forbes
10. Nasdaq
11. Capital One Financial Corp.
12. US News
13. Visa Q3 Earnings Call
14. Statista
15. Chase
16. MA 10-K
17. AXP 10-K
18. PYPL 10-K
19. COF 10-K
20. DFS 10-K
21. FRED
22. U.S. Bureau of Economic Analysis

DISCLAIMER

Henry Fund reports are created by graduate students in the Applied Securities Management program at the University of Iowa's Tippie College of Business. These reports provide potential employers and other interested parties an example of the analytical skills, investment knowledge, and communication abilities of our students. Henry Fund analysts are not registered investment advisors, brokers or licensed financial professionals. The investment opinion contained in this report does not represent an offer or solicitation to buy or sell any of the aforementioned securities. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Henry Fund may hold an investment position in the companies mentioned in this report.

Revenue Decomposition

[illegible]

VISA
Income Statement

<i>Fiscal Years Ending Sep. 30</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net revenues	24,105	29,310	32,653	36,106	39,689	43,434	46,922	50,273	53,415	55,642	57,141	58,346	59,576
Operating Expenses													
Personnel	4,240	4,990	5,831	6,300	6,926	7,579	8,188	8,772	9,321	9,709	9,971	10,181	10,396
Marketing	1,136	1,336	1,341	1,564	1,720	1,882	2,033	2,178	2,314	2,411	2,476	2,528	2,581
Network & processing	730	743	736	814	895	979	1,058	1,133	1,204	1,254	1,288	1,315	1,343
Professional fees	403	505	545	643	707	774	836	896	952	991	1,018	1,039	1,061
Depreciation & amortization	804	861	943	878	762	696	807	705	682	720	769	771	690
General & administrative	985	1,194	1,330	1,471	1,617	1,769	1,911	2,048	2,176	2,267	2,328	2,377	2,427
Litigation provision	3	868	927	-	-	-	-	-	-	-	-	-	-
Total operating expenses	8,301	10,497	11,653	11,671	12,625	13,679	14,832	15,732	16,648	17,352	17,849	18,211	18,498
Operating income (loss)	15,804	18,813	21,000	24,436	27,064	29,755	32,090	34,541	36,767	38,290	39,292	40,135	41,079
Non-operating Income (Expense)													
Interest expense	(513)	(538)	(644)	(557)	(709)	(749)	(878)	(926)	(1,062)	(1,203)	(1,318)	(1,407)	(1,511)
Investment income & other income (ex	772	(139)	681	752	829	915	1,010	1,115	1,230	1,358	1,498	1,654	1,825
Total non-operating income (expens	259	(677)	37	194	121	166	132	188	168	155	181	247	314
Income (loss) before income taxes	16,063	18,136	21,037	24,630	27,185	29,921	32,221	34,729	36,935	38,445	39,472	40,381	41,393
Income tax provision (benefit)	3,752	3,179	3,764	4,362	4,815	5,299	5,707	6,151	6,541	6,809	6,991	7,152	7,331
Net income (loss)	12,311	14,957	17,273	20,268	22,370	24,622	26,515	28,578	30,394	31,637	32,482	33,230	34,062
Weighted average shares	1,691	1,651	1,618	1,588	1,559	1,533	1,508	1,485	1,464	1,443	1,424	1,405	1,388
Earnings per share	5.63	7.01	8.29	12.77	14.35	16.06	17.58	19.24	20.76	21.92	22.82	23.65	24.54
Dividends per share	1.65	1.94	2.32	2.68	3.09	3.56	4.11	4.75	5.48	6.33	7.30	8.43	9.73

VISA
Balance Sheet

<i>Fiscal Years Ending Sep. 30</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets													
Cash & cash equivalents	16,487	15,689	16,286	19,903	35,008	47,719	65,155	80,198	98,642	118,064	136,179	152,515	168,395
Restricted cash equivalents - U.S. litig.	894	1,449	1,764	1,852	1,945	2,042	2,144	2,251	2,364	2,482	2,606	2,737	2,873
Investment securities	2,025	2,833	3,842	3,860	3,879	3,897	3,916	3,934	3,953	3,972	3,991	4,009	4,029
Settlement receivable	1,758	1,932	2,183	2,379	2,615	2,862	3,092	3,312	3,520	3,666	3,765	3,844	3,926
Accounts receivable	1,968	2,020	2,291	2,511	2,760	3,020	3,263	3,496	3,714	3,869	3,974	4,057	4,143
Customer Collateral	2,260	2,833	3,005	3,399	3,742	4,060	4,409	4,721	5,010	5,224	5,363	5,476	5,592
Current portion of client incentives	1,359	1,272	1,577	1,655	1,820	1,991	2,151	2,305	2,449	2,551	2,620	2,675	2,731
Prepaid expenses & other current ass	856	2,668	2,584	3,072	3,377	3,695	3,992	4,277	4,545	4,734	4,862	4,964	5,069
Total current assets	27,607	30,205	33,532	38,632	55,144	69,287	88,122	104,495	124,196	144,563	163,359	180,277	196,758
Investment securities	1,705	2,136	1,921	1,967	2,015	2,064	2,113	2,164	2,217	2,270	2,325	2,381	2,439
Client incentives	3,245	3,348	3,789	4,157	4,588	5,010	5,418	5,802	6,166	6,423	6,596	6,735	6,877
Property, equipment & technology, grc	7,674	8,881	8,780	10,861	12,056	12,985	13,846	14,755	15,940	16,578	16,958	17,291	17,670
D&A	4,959	5,658	5,355	6,233	6,995	7,691	8,498	9,203	9,885	10,605	11,374	12,145	12,835
Property, equipment & technology, ne	2,715	3,223	3,425	4,628	5,061	5,294	5,348	5,552	6,055	5,973	5,584	5,146	4,835
Goodwill	15,958	17,787	17,997	17,997	17,997	17,997	17,997	17,997	17,997	17,997	17,997	17,997	17,997
Intangible assets, net	27,664	25,065	26,104	26,031	25,974	25,932	25,892	25,869	25,860	25,851	25,842	25,833	25,824
Other assets	3,922	3,650	3,605	4,241	4,522	5,025	5,387	5,794	6,145	6,407	6,577	6,717	6,858
Deferred tax assets	80	87	126	119	132	145	156	168	179	186	191	196	201
Total assets	82,896	85,501	90,499	97,773	115,433	130,754	150,434	167,843	188,815	209,671	228,471	245,281	261,789
Liabilities													
Accounts payable	266	340	375	411	456	497	537	576	611	637	654	668	682
Settlement payable	2,443	3,281	3,269	3,772	4,188	4,489	4,901	5,250	5,560	5,805	5,959	6,081	6,212
Customer collateral	2,260	2,342	3,005	3,163	3,505	3,777	4,163	4,419	4,699	4,890	5,035	5,133	5,242
Accrued compensation & benefits	1,211	1,359	1,506	1,628	1,863	2,004	2,162	2,315	2,473	2,567	2,637	2,693	2,752
Client incentives	5,243	6,099	8,177	8,272	9,129	9,970	10,782	11,546	12,270	12,781	13,126	13,402	13,685
Accrued liabilities	2,334	3,726	5,015	3,845	4,511	5,192	5,822	6,207	6,273	6,657	6,905	7,065	7,179
Current maturities of debt	999	2,250	-	-	4,000	1,434	2,750	-	1,062	1,500	1,000	-	-
Accrued litigation	983	1,456	1,751	1,721	1,854	2,071	2,303	2,461	2,565	2,676	2,764	2,830	2,883
Total current liabilities	15,739	20,853	23,098	22,811	29,506	29,435	33,418	32,775	35,514	37,513	38,079	37,872	38,634
Long-term debt	19,978	20,200	20,463	20,922	22,604	26,686	30,228	34,778	38,802	43,651	48,472	52,819	56,705
Deferred tax liabilities	6,128	5,332	5,114	4,240	4,679	5,151	5,546	5,978	6,358	6,618	6,795	6,951	7,125
Other liabilities	3,462	3,535	3,091	3,886	4,015	4,534	4,822	5,207	5,511	5,752	5,901	6,029	6,154
Total liabilities	45,307	49,920	51,766	51,859	60,803	65,806	74,015	78,738	86,186	93,534	99,247	103,671	108,619
Equity													
Preferred Stock	3,080	2,324	1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698
Common Stock & APIC	18,855	19,545	20,452	20,613	20,775	20,936	21,098	21,259	21,415	21,415	21,415	21,415	21,415
Right to recover for covered losses	(133)	(35)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)
Accumulated income (deficit)	15,351	16,116	18,040	25,060	33,614	43,771	55,080	67,604	80,974	94,481	107,568	119,955	131,514
Total accumulated other comprehensi	436	(2,369)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)	(1,317)
Total equity	37,589	35,581	38,733	45,914	54,630	64,949	76,419	89,105	102,630	116,137	129,224	141,611	153,170
Total liabilities and equity	82,896	85,501	90,499	97,773	115,433	130,754	150,434	167,843	188,815	209,671	228,471	245,281	261,789

VISA
Historical Cash Flow Statement

Fiscal Years Ending Sep. 30	2019	2020	2021	2022	2023
Operating Activities					
Net income	12,080	10,866	12,311	14,957	17,273
Adjustments:					
Client incentives	6,173	6,664	8,367	10,295	12,297
Share-based compensation	407	416	542	602	765
Depreciation & amortization	656	767	804	861	943
Deferred income taxes	214	307	873	(336)	(483)
VE territory covered losses incurred	(172)	(37)	(147)	(43)	(136)
(Gains) losses on equity investments,	-	-	(712)	264	104
Other	(271)	(145)	(109)	(94)	14
Change in operating assets and liabilities					
Settlement receivable	(1,533)	1,858	(468)	(397)	(160)
Accounts receivable	(333)	(43)	(343)	(97)	(250)
Client incentives	(6,430)	(8,081)	(7,510)	(9,351)	(11,014)
Other assets	(310)	(402)	(147)	(666)	(24)
Accounts payable	(24)	21	88	67	34
Settlement payable	1,931	(2,384)	679	1,256	(194)
Accrued & other liabilities	627	923	929	1,055	1,291
Accrued litigation	(231)	(290)	70	476	295
Net cash flows from operating activities	12,784	10,440	15,227	18,849	20,755
Investing Activities					
Purchases of property, equipment & t	(756)	(736)	(705)	(970)	(1,059)
Purchases of investment securities	(2,653)	(2,075)	(5,111)	(5,997)	(4,363)
Proceeds from maturities & sales of in	3,996	4,510	5,701	4,585	3,160
Acquisitions, net of cash & restricted c	(699)	(77)	(75)	(1,948)	-
Purchases of other investments	(501)	(267)	(71)	(86)	(121)
Settlement of derivative instruments	-	-	-	-	402
Other investing activities	10	72	109	128	(25)
Net cash flows from investing activities	(591)	1,427	(152)	(4,288)	(2,006)
Financing Activities					
Repurchase of class A common stock	(8,607)	(8,114)	(8,676)	(11,589)	(12,101)
Repayments of debt	-	-	(3,000)	(1,000)	(2,250)
Dividends paid	(2,269)	(2,664)	(2,798)	(3,203)	(3,751)
Proceeds from issuance of senior note	-	7,212	-	3,218	-
Cash proceeds from exercise of stock	162	190	208	196	260
Restricted stock & performance-based	(111)	(160)	(144)	(120)	(130)
Other financing activities	-	(99)	-	(198)	200
Net cash flows from financing activities	(12,061)	(3,968)	(14,410)	(12,696)	(17,772)
Effect of exchange rate changes on c	(277)	440	(37)	(1,287)	636
Increase (decrease) in cash, cash equ	(145)	8,339	628	578	1,613
Cash, cash equivalents, restricted cas	10,977	10,832	19,171	19,799	20,377
Cash, cash equivalents, restricted cas	10,832	19,171	19,799	20,377	21,990
Cash paid for income taxes, net	2,648	2,671	3,012	3,741	3,433
Interest payments on debt	537	537	643	607	617

VISA

Forecasted Cash Flow Statement

Fiscal Years Ending Sep. 30	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating Activities:										
Net Income	20,268	22,370	24,622	26,515	28,578	30,394	31,637	32,482	33,230	34,062
Adjustments for Non-Cash Operating Expenses										
Add: D&A	878	762	696	807	705	682	720	769	771	690
Changes in Operating Activities:										
Accounts receivable	(220)	(249)	(260)	(243)	(233)	(219)	(155)	(104)	(84)	(86)
Settlement receivable	(196)	(236)	(247)	(230)	(221)	(207)	(147)	(99)	(79)	(81)
Customer collateral (CA)	(394)	(342)	(319)	(349)	(312)	(289)	(215)	(139)	(112)	(117)
Prepaid expenses and other current assets	(488)	(305)	(319)	(297)	(285)	(267)	(190)	(127)	(103)	(105)
Current portion of client incentives	(78)	(164)	(172)	(160)	(154)	(144)	(102)	(69)	(55)	(56)
Non-current portion of client incentives	(368)	(430)	(423)	(408)	(384)	(364)	(256)	(173)	(139)	(142)
Deferred tax assets	7	(12)	(13)	(11)	(12)	(11)	(7)	(5)	(4)	(5)
Accounts payable	36	45	41	39	39	35	25	17	14	14
Settlement payable	503	416	302	411	350	309	245	154	123	131
Customer collateral (CL)	158	343	272	386	256	280	191	145	97	109
Accrued compensation and benefits	122	236	140	158	154	158	94	69	57	58
Client incentives (CL)	95	857	842	811	764	725	510	345	276	283
Accrued liabilities	(1,170)	666	681	630	385	66	383	248	161	113
Accrued litigation	(30)	133	217	231	158	104	111	88	66	53
Deferred tax liabilities	(874)	440	471	396	432	380	260	177	156	174
Right to recover for expected losses	-	-	-	-	-	-	-	-	-	-
Cash provided by Operating Activities	18,246	24,527	26,532	28,688	30,221	31,633	33,106	33,777	34,374	35,097
Changes in Investing Activities:										
Investment securities (CA)	(18)	(18)	(18)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
Restricted cash - litigation escrow	(88)	(93)	(97)	(102)	(107)	(113)	(118)	(124)	(130)	(137)
Property, equipment, and technology, gross	(2,081)	(1,196)	(929)	(861)	(909)	(1,185)	(638)	(380)	(332)	(380)
Investment securities (LT)	(46)	(47)	(49)	(50)	(51)	(52)	(54)	(55)	(56)	(57)
Intangible assets, net	73	57	42	40	23	9	9	9	9	9
Other assets	(636)	(281)	(503)	(362)	(407)	(350)	(262)	(169)	(140)	(141)
Cash Provided by Investing Activities	(2,797)	(1,578)	(1,554)	(1,353)	(1,470)	(1,710)	(1,082)	(738)	(669)	(725)
Changes in Financing Activities:										
Current maturities of long-term debt	-	4,000	(2,566)	1,316	(2,750)	1,062	438	(500)	(1,000)	-
Long-term debt	459	1,682	4,083	3,542	4,550	4,025	4,849	4,821	4,346	3,886
Other liabilities	795	128	520	288	385	304	241	149	127	126
Common Stock & APIC	161	161	161	161	161	156	-	-	-	-
Dividends Paid	(4,248)	(4,816)	(5,465)	(6,206)	(7,054)	(8,024)	(9,129)	(10,394)	(11,843)	(13,503)
Share repurchases	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Cash Provided by Financing Activities	(11,833)	(7,845)	(12,267)	(9,898)	(13,708)	(11,478)	(12,602)	(14,924)	(17,369)	(18,491)
Change in Cash	3,617	15,105	12,711	17,437	15,043	18,444	19,422	18,115	16,336	15,881
Cash & cash equivalents at end of period	19,903	35,008	47,719	65,155	80,198	98,642	118,064	136,179	152,515	168,395

VISA

Common Size Income Statement

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses													
Personnel	17.59%	17.02%	17.86%	17.45%	17.45%	17.45%	17.45%	17.45%	17.45%	17.45%	17.45%	17.45%	17.45%
Marketing	4.71%	4.56%	4.11%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Network & processing	3.03%	2.53%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Professional fees	1.67%	1.72%	1.67%	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%
Depreciation & amortization	3.34%	2.94%	2.89%	2.43%	1.92%	1.60%	1.72%	1.40%	1.28%	1.29%	1.35%	1.32%	1.16%
General & administrative	4.09%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%
Litigation provision	0.01%	2.96%	2.84%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating expenses	34.44%	35.81%	35.69%	32.32%	31.81%	31.49%	31.61%	31.29%	31.17%	31.18%	31.24%	31.21%	31.05%
Operating income (loss)	65.56%	64.19%	64.31%	67.68%	68.19%	68.51%	68.39%	68.71%	68.83%	68.82%	68.76%	68.79%	68.95%
Non-operating Income (Expense)													
Interest expense	-2.13%	-1.84%	-1.97%	-1.54%	-1.79%	-1.72%	-1.87%	-1.84%	-1.99%	-2.16%	-2.31%	-2.41%	-2.54%
Investment income & other income (e)	3.20%	-0.47%	2.09%	2.08%	2.09%	2.11%	2.15%	2.22%	2.30%	2.44%	2.62%	2.83%	3.06%
Total non-operating income (expens	1.07%	-2.31%	0.11%	0.54%	0.30%	0.38%	0.28%	0.37%	0.32%	0.28%	0.32%	0.42%	0.53%
Income (loss) before income taxes	66.64%	61.88%	64.43%	68.22%	68.49%	68.89%	68.67%	69.08%	69.15%	69.09%	69.08%	69.21%	69.48%
Income tax provision (benefit)	15.57%	10.85%	11.53%	12.08%	12.13%	12.20%	12.16%	12.23%	12.25%	12.24%	12.23%	12.26%	12.31%
Net income (loss)	51.07%	51.03%	52.90%	56.13%	56.36%	56.69%	56.51%	56.85%	56.90%	56.86%	56.85%	56.95%	57.17%

VISA

Common Size Balance Sheet

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets													
Cash & cash equivalents	68.40%	53.53%	49.88%	55.12%	88.20%	109.87%	138.86%	159.53%	184.67%	212.18%	238.32%	261.40%	282.65%
Restricted cash equivalents - U.S. litigation escrow	3.71%	4.94%	5.40%	5.13%	4.90%	4.70%	4.57%	4.48%	4.43%	4.46%	4.56%	4.69%	4.82%
Investment securities	8.40%	9.67%	11.77%	10.69%	9.77%	8.97%	8.34%	7.83%	7.40%	7.14%	6.98%	6.87%	6.76%
Settlement receivable	7.29%	6.59%	6.69%	6.59%	6.59%	6.59%	6.59%	6.59%	6.59%	6.59%	6.59%	6.59%	6.59%
Accounts receivable	8.16%	6.89%	7.02%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%
Customer Collateral	9.38%	9.67%	9.20%	9.41%	9.43%	9.35%	9.40%	9.39%	9.38%	9.39%	9.39%	9.38%	9.39%
Current portion of client incentives	5.64%	4.34%	4.83%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%	4.58%
Prepaid expenses & other current assets	3.55%	9.10%	7.91%	8.51%	8.51%	8.51%	8.51%	8.51%	8.51%	8.51%	8.51%	8.51%	8.51%
Total current assets	114.53%	103.05%	102.69%	106.99%	138.94%	159.52%	187.81%	207.86%	232.51%	259.81%	285.89%	308.98%	330.26%
Investment securities	7.07%	7.29%	5.88%	5.45%	5.08%	4.75%	4.50%	4.31%	4.15%	4.08%	4.07%	4.08%	4.09%
Client incentives	13.46%	11.42%	11.60%	11.51%	11.56%	11.54%	11.55%	11.54%	11.54%	11.54%	11.54%	11.54%	11.54%
Property, equipment & technology, gross	31.84%	30.30%	26.89%	30.08%	30.38%	29.90%	29.51%	29.35%	29.84%	29.79%	29.68%	29.63%	29.66%
D&A	20.57%	19.30%	16.40%	17.26%	17.62%	17.71%	18.11%	18.31%	18.51%	19.06%	19.91%	20.82%	21.54%
Property, equipment & technology, net	11.26%	11.00%	10.49%	12.82%	12.75%	12.19%	11.40%	11.04%	11.34%	10.74%	9.77%	8.82%	8.12%
Goodwill	66.20%	60.69%	55.12%	49.84%	45.34%	41.44%	38.36%	35.80%	33.69%	32.34%	31.50%	30.85%	30.21%
Intangible assets, net	114.76%	85.52%	79.94%	72.10%	65.44%	59.70%	55.18%	51.46%	48.41%	46.46%	45.23%	44.28%	43.35%
Other assets	16.27%	12.45%	11.04%	11.75%	11.39%	11.57%	11.48%	11.53%	11.50%	11.51%	11.51%	11.51%	11.51%
Deferred tax assets	0.33%	0.30%	0.39%	0.33%	0.33%	0.33%	0.33%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Total assets	343.90%	291.71%	277.15%	270.79%	290.84%	301.04%	320.61%	333.87%	353.49%	376.82%	399.84%	420.39%	439.42%
Liabilities													
Accounts payable	1.10%	1.16%	1.15%	1.14%	1.15%	1.14%	1.14%	1.15%	1.14%	1.14%	1.14%	1.14%	1.14%
Settlement payable	10.13%	11.19%	10.01%	10.45%	10.55%	10.34%	10.44%	10.44%	10.41%	10.43%	10.43%	10.42%	10.43%
Customer collateral	9.38%	7.99%	9.20%	8.76%	8.83%	8.70%	8.87%	8.79%	8.80%	8.79%	8.81%	8.80%	8.80%
Accrued compensation & benefits	5.02%	4.64%	4.61%	4.51%	4.70%	4.61%	4.61%	4.61%	4.63%	4.61%	4.61%	4.62%	4.62%
Client incentives	21.75%	20.81%	25.04%	22.91%	23.00%	22.96%	22.98%	22.97%	22.97%	22.97%	22.97%	22.97%	22.97%
Accrued liabilities	9.68%	12.71%	15.36%	10.65%	11.37%	11.95%	12.41%	12.35%	11.74%	11.96%	12.08%	12.11%	12.05%
Current maturities of debt	4.14%	7.68%	0.00%	0.00%	10.08%	3.30%	5.86%	0.00%	1.99%	2.70%	1.75%	0.00%	0.00%
Accrued litigation	4.08%	4.97%	5.36%	4.77%	4.67%	4.77%	4.91%	4.90%	4.80%	4.81%	4.84%	4.85%	4.84%
Total current liabilities	65.29%	71.15%	70.74%	63.18%	74.34%	67.77%	71.22%	65.19%	66.49%	67.42%	66.64%	64.91%	64.85%
Long-term debt	82.88%	68.92%	62.67%	57.95%	56.95%	61.44%	64.42%	69.18%	72.64%	78.45%	84.83%	90.53%	95.18%
Deferred tax liabilities	25.42%	18.19%	15.66%	11.74%	11.79%	11.86%	11.82%	11.89%	11.90%	11.89%	11.89%	11.91%	11.96%
Other liabilities	14.36%	12.06%	9.47%	10.76%	10.11%	10.44%	10.28%	10.36%	10.32%	10.34%	10.33%	10.33%	10.33%
Total liabilities	187.96%	170.32%	158.53%	143.63%	153.20%	151.51%	157.74%	156.62%	161.35%	168.10%	173.69%	177.68%	182.32%
Equity													
Series A, series B & series C convertible participating	12.78%	7.93%	5.20%	4.70%	4.28%	3.91%	3.62%	3.38%	3.18%	3.05%	2.97%	2.91%	2.85%
Common Stock and additional paid-in capital	78.22%	66.68%	62.63%	57.09%	52.34%	48.20%	44.96%	42.29%	40.09%	38.49%	37.48%	36.70%	35.95%
Right to recover for covered losses	-0.55%	-0.12%	-0.43%	-0.39%	-0.35%	-0.32%	-0.30%	-0.28%	-0.26%	-0.25%	-0.25%	-0.24%	-0.23%
Accumulated income (deficit)	63.68%	54.98%	55.25%	69.41%	84.69%	100.78%	117.39%	134.48%	151.59%	169.80%	188.25%	205.59%	220.75%
Total accumulated other comprehensive income (loss)	1.81%	-8.08%	-4.03%	-3.65%	-3.32%	-3.03%	-2.81%	-2.62%	-2.47%	-2.37%	-2.30%	-2.26%	-2.21%
Total equity	155.94%	121.40%	118.62%	127.16%	137.64%	149.54%	162.86%	177.24%	192.14%	208.72%	226.15%	242.71%	257.10%
Total liabilities and equity	343.90%	291.71%	277.15%	270.79%	290.84%	301.04%	320.61%	333.87%	353.49%	376.82%	399.84%	420.39%	439.42%

VISA
Value Driver Estimation

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Revenue	24,105	29,310	32,653	36,106	39,689	43,434	46,922	50,273	53,415	55,642	57,141	58,346	59,576
Less: Personnel & Network Expenses	4,970	5,733	6,567	7,114	7,820	8,558	9,245	9,905	10,525	10,963	11,259	11,496	11,739
Less: D&A	804	861	943	878	762	696	807	705	682	720	769	771	690
Less: SG&A	2,524	3,035	3,216	3,678	4,043	4,425	4,780	5,121	5,442	5,669	5,821	5,944	6,069
EBITA	15,807	19,681	21,927	24,436	27,064	29,755	32,090	34,541	36,767	38,290	39,292	40,135	41,079
Implied Marginal Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Income tax provision	3,752	3,179	3,764	4,362	4,815	5,299	5,707	6,151	6,541	6,809	6,991	7,152	7,331
Plus: Tax Shield on Interest Expense	108	113	135	117	149	157	184	195	223	253	277	295	317
Less: Tax effect on investment & other income	162	(29)	143	158	174	192	212	234	258	285	315	347	383
Less: Tax effect on total non-operating income	54	(142)	8										
Total Adjusted Taxes	3,643	3,463	3,748	4,321	4,789	5,264	5,679	6,111	6,506	6,776	6,953	7,100	7,265
Deferred Tax Liabilities	6,128	5,332	5,114	4,240	4,679	5,151	5,546	5,978	6,358	6,618	6,795	6,951	7,125
Deferred Tax Assets	80	87	126	119	132	145	156	168	179	186	191	196	201
Change in Deferred Taxes	874	(803)	(257)	(868)	427	458	385	420	369	253	172	152	169
NOPLAT	13,038	15,415	17,922	19,247	22,702	24,949	26,795	28,849	30,630	31,767	32,511	33,187	33,983
Invested Capital (IC):													
Plus: Normal Cash	8,223	9,998	11,139	12,317	13,539	14,816	16,006	17,149	18,221	18,981	19,492	19,903	20,323
Plus: AR, Net	1,968	2,020	2,291	2,511	2,760	3,020	3,263	3,496	3,714	3,869	3,974	4,057	4,143
Plus: Settlement Receivables	1,758	1,932	2,183	2,379	2,615	2,862	3,092	3,312	3,520	3,666	3,765	3,844	3,926
Plus: Customer Collateral	2,260	2,833	3,005	3,399	3,742	4,060	4,409	4,721	5,010	5,224	5,363	5,476	5,592
Plus: Current Portion of Client Incentives	1,359	1,272	1,577	1,655	1,820	1,991	2,151	2,305	2,449	2,551	2,620	2,675	2,731
Plus: Prepaid Expenses & Other Current Assets	856	2,668	2,584	3,072	3,377	3,695	3,992	4,277	4,545	4,734	4,862	4,964	5,069
Plus: Client Incentives	3,245	3,348	3,789	4,157	4,588	5,010	5,418	5,802	6,166	6,423	6,596	6,735	6,877
Less: AP	266	340	375	411	456	497	537	576	611	637	654	668	682
Less: Settlement Payable	2,443	3,281	3,269	3,772	4,188	4,489	4,901	5,250	5,560	5,805	5,959	6,081	6,212
Less: Customer Collateral (Liability)	2,260	2,342	3,005	3,163	3,505	3,777	4,163	4,419	4,699	4,890	5,035	5,133	5,242
Less: Client Incentives	5,243	6,099	8,177	8,272	9,129	9,970	10,782	11,546	12,270	12,781	13,126	13,402	13,685
Less: Accrued Liabilities	2,334	3,726	5,015	3,845	4,511	5,192	5,822	6,207	6,273	6,657	6,905	7,065	7,179
Less: Accrued Compensation & Benefits	1,211	1,359	1,506	1,628	1,863	2,004	2,162	2,315	2,473	2,567	2,637	2,693	2,752
Net Operating Working Capital	5,912	6,924	5,221	8,400	8,788	9,527	9,966	10,749	11,737	12,112	12,356	12,612	12,909
Plus: Net Property, Plant & Equipment	2,715	3,223	3,425	4,628	5,061	5,294	5,348	5,552	6,055	5,973	5,584	5,146	4,835
Plus: Intangible Assets	27,664	25,065	26,104	26,031	25,974	25,932	25,892	25,869	25,860	25,851	25,842	25,833	25,824
Plus: Other Assets	3,922	3,650	3,605	4,241	4,522	5,025	5,387	5,794	6,145	6,407	6,577	6,717	6,858
Less: Other Liabilities	3,462	3,535	3,091	3,886	4,015	4,534	4,822	5,207	5,511	5,752	5,901	6,029	6,154
Invested Capital (IC)	36,751	35,327	35,264	39,414	40,331	41,244	41,771	42,757	44,286	44,591	44,458	44,279	44,272
Free Cash Flow (FCF):													
NOPLAT	13,038	15,415	17,922	19,247	22,702	24,949	26,795	28,849	30,630	31,767	32,511	33,187	33,983
Change in IC	(14)	1,423	(64)	4,150	917	913	527	986	1,529	305	(133)	(179)	(7)
FCF	13,051	13,991	17,985	15,097	21,785	24,036	26,268	27,863	29,101	31,462	32,644	33,366	33,990
Return on Invested Capital (ROIC):													
NOPLAT	13,038	15,415	17,922	19,247	22,702	24,949	26,795	28,849	30,630	31,767	32,511	33,187	33,983
Beginning IC	36,737	36,751	35,327	35,264	39,414	40,331	41,244	41,771	42,757	44,286	44,591	44,458	44,279
ROIC	35.49%	41.94%	50.73%	54.58%	57.60%	61.86%	64.97%	69.06%	71.64%	71.73%	72.91%	74.65%	76.75%
Economic Profit (EP):													
Beginning IC	36,737	36,751	35,327	35,264	39,414	40,331	41,244	41,771	42,757	44,286	44,591	44,458	44,279
x (ROIC - WACC)	27.98%	34.44%	43.22%	47.07%	50.09%	54.35%	57.46%	61.56%	64.13%	64.23%	65.40%	67.14%	69.24%
EP	10,280	12,656	15,270	16,600	19,744	21,921	23,700	25,714	27,420	28,443	29,164	29,850	30,660

VISA

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:			ASSUMPTIONS:	
Risk-Free Rate	3.68%		10-year US Treasury 9/6/2024	
Beta	0.80		2-year weekly Raw BETA	
Equity Risk Premium	5.00%		Henry Fund ERP estimate	
Cost of Equity	7.66%			
Cost of Debt:				
Risk-Free Rate	3.68%		10-year US Treasury 9/6/2024	
Implied Default Premium	1.38%			
Pre-Tax Cost of Debt	5.06%		FactSet Estimate	
Marginal Tax Rate	21%			
After-Tax Cost of Debt	4.00%			
Market Value of Common Equity:			MV Weights	
Total Shares Outstanding	1618			
Current Stock Price	\$287.35			
MV of Equity	464,932		95.78%	
Market Value of Debt:				
Short-Term Debt	0			
Current Portion of LTD	0			
Long-Term Debt	20463			
MV of Total Debt	20,463		4.22%	
Market Value of the Firm	485,395		100.00%	
Estimated WACC			7.51%	

VISA

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	76.75%
WACC	7.51%
Cost of Equity	7.66%

Fiscal Years Ending Sep. 30	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
-----------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

DCF Model:

Free Cash Flow (FCF)	15,097	21,785	24,036	26,268	27,863	29,101	31,462	32,644	33,366	33,990
Continuing Value (CV)										601,159
PV of FCF	14,043	18,849	19,345	19,666	19,403	18,850	18,957	18,296	17,395	313,408

Value of Operating Assets:	478,211
Non-Operating Adjustments	
Plus: Excess Cash	5,147
Plus: Investments	5,763
Plus: Litigation Cash	1,764
Plus: Other Assets	3,605
Less: Accrued Litigation	(1,751)
Less: PV of ESOP	(865)
Less: Total Debt	(20,463)
Value of Equity	471,411
Shares Outstanding	1,618
Intrinsic Value of Last FYE	\$ 291.35
Implied Price as of Today	\$ 310.83

EP Model:

Economic Profit (EP)	16,600	19,744	21,921	23,700	25,714	27,420	28,443	29,164	29,850	30,660
Continuing Value (CV)										556,880
PV of EP	15,441	17,083	17,643	17,743	17,907	17,762	17,138	16,345	15,562	290,324

Total PV of EP	442,947
Invested Capital (last FYE)	35,264
Value of Operating Assets:	478,211
Non-Operating Adjustments	
Plus: Excess Cash	5,147
Plus: Investments	5,763
Plus: Litigation Cash	1,764
Plus: Other Assets	3,605
Less: Accrued Litigation	(1,751)
Less: PV of ESOP	(865)
Less: Total Debt	(20,463)
Value of Equity	471,411
Shares Outstanding	1,618
Intrinsic Value of Last FYE	\$ 291.35
Implied Price as of Today	\$ 310.83

VISA

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
----------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

EPS	\$	12.77	\$	14.35	\$	16.06	\$	17.58	\$	19.24	\$	20.76	\$	21.92	\$	22.82	\$	23.65	\$	24.54
-----	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------

Key Assumptions

CV growth of EPS	3.00%
CV Year ROE	24.05%
Cost of Equity	7.66%

Future Cash Flows

P/E Multiple (CV Year)																				18.78
EPS (CV Year)																				\$ 24.54
Future Stock Price																				\$ 460.87
Dividends Per Share	2.68	3.09	3.56	4.11	4.75	5.48	6.33	7.30	8.43											
Discounted Cash Flows	2.49	2.66	2.86	3.06	3.28	3.52	3.77	4.05	4.34											237.19

Intrinsic Value as of Last FYE	\$	267.21
Implied Price as of Today	\$	285.08

VISA

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr.	PEG 24	PEG 25
AXP	American Express Compar	\$259.33	\$13.58	\$14.89	19.10	17.42	15.4	1.24	1.13
MA	Mastercard Inc. Class A	\$494.79	\$14.32	\$16.62	34.55	29.77	17.2	2.01	1.73
COF	Capital One Financial Cor	\$140.03	\$12.97	\$15.24	10.80	9.19	49.7	0.22	0.18
DFS	Discover Financial Service	\$132.89	\$13.10	\$12.99	10.14	10.23	108.0	0.09	0.09
PYPL	PayPal Holdings, Inc.	\$70.66	\$4.42	\$4.82	15.99	14.66	15.4	1.04	0.95
Average					18.12	16.25		0.92	0.82

V	VISA	\$287.35	\$12.77	\$14.35	22.5	20.0	8.5	2.6	2.3
---	------	----------	---------	---------	------	------	-----	-----	-----

Implied Relative Value:

P/E (EPS24)	\$ 231.26
P/E (EPS25)	\$ 233.16
PEG (EPS24)	\$ 100.36
PEG (EPS25)	\$ 100.40

VISA
Sensitivity Tables

RiskFree Rate	DCF		Equity Risk Premium					
	310.83	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
	3.38%	343.32	338.11	333.05	328.13	323.36	318.73	314.22
	3.48%	336.79	331.77	326.89	322.16	317.56	313.08	308.73
	3.58%	330.50	325.66	320.96	316.39	311.95	307.63	303.43
	3.68%	324.44	319.78	315.24	310.83	306.54	302.37	298.31
	3.78%	318.60	314.10	309.72	305.46	301.32	297.28	293.35
	3.88%	312.96	308.61	304.38	300.27	296.26	292.36	288.56
	3.98%	307.51	303.32	299.23	295.25	291.37	287.60	283.92

Beta	DCF		CV Growth of NOPLAT					
	310.83	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
	0.50	374.41	387.88	402.90	419.76	438.81	460.52	485.49
	0.60	340.00	350.63	362.37	375.39	389.92	406.23	424.68
	0.70	311.29	319.83	329.17	339.45	350.79	363.38	377.43
	0.80	287.88	294.89	302.52	310.83	319.94	329.95	341.02
	0.90	266.13	271.87	278.07	284.79	292.08	300.04	308.76
	1.00	248.06	252.84	257.98	263.52	269.50	275.98	283.03
	1.10	232.24	236.27	240.57	245.19	250.15	255.49	261.26

CV Growth of EPS	DDM		CV Year ROE					
	285.08	22.55%	23.05%	23.55%	24.05%	24.55%	25.05%	25.55%
	1.50%	237.10	237.10	237.10	237.10	237.10	237.10	237.10
	2.00%	250.27	250.27	250.27	250.27	250.27	250.27	250.27
	2.50%	265.99	265.99	265.99	265.99	265.99	265.99	265.99
	3.00%	285.08	285.08	285.08	285.08	285.08	285.08	285.08
	3.50%	308.76	308.76	308.76	308.76	308.76	308.76	308.76
	4.00%	338.91	338.91	338.91	338.91	338.91	338.91	338.91
	4.50%	378.61	378.61	378.61	378.61	378.61	378.61	378.61

Dividend Growth Rate	DDM		Cost of Equity					
	285.08	7.00%	7.25%	7.50%	7.66%	7.75%	8.00%	8.25%
	12.42%	336.05	311.85	290.44	277.99	271.38	254.31	238.95
	13.42%	338.54	314.24	292.74	280.24	273.59	256.45	241.01
	14.42%	341.17	316.76	295.16	282.60	275.92	258.69	243.19
	15.42%	343.93	319.40	297.70	285.08	278.37	261.06	245.47
	16.42%	346.83	322.18	300.37	287.69	280.94	263.54	247.87
	17.42%	349.88	325.11	303.18	290.43	283.65	266.15	250.39
	18.42%	353.09	328.18	306.13	293.31	286.49	268.89	253.04

VISA*Key Management Ratios*

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Quick Ratio ((CA- Inv) / CL)	1.75	1.45	1.45	1.69	1.87	2.35	2.64	3.19	3.50	3.85	4.29	4.76	5.09
Current Ratio (CA / CL)	1.75	1.45	1.45	1.69	1.87	2.35	2.64	3.19	3.50	3.85	4.29	4.76	5.09
Cash Ratio ((Cash + Mk. Sec.) / CL)	1.18	0.89	0.87	1.04	1.32	1.75	2.07	2.57	2.89	3.25	3.68	4.13	4.46
Asset-Management Ratios:													
AR Turnover (Net Rev / Avg. AR)	13.44	14.70	15.15	15.04	15.06	15.03	14.94	14.88	14.82	14.67	14.57	14.53	14.53
Asset Turnover (Net Rev / Avg. Assets)	0.29	0.35	0.37	0.38	0.37	0.35	0.33	0.32	0.30	0.28	0.26	0.25	0.23
Financial Leverage Ratios:													
Debt-to-Asset Ratio (Debt / Assets)	0.25	0.26	0.23	0.21	0.23	0.22	0.22	0.21	0.21	0.22	0.22	0.22	0.22
Debt-to-Equity Ratio (Debt / TSE)	0.56	0.63	0.53	0.46	0.49	0.43	0.43	0.39	0.39	0.39	0.38	0.37	0.37
Interest Coverage Ratio (EBIT / Int. Exp)	30.81	34.97	32.61	43.85	38.19	39.72	36.53	37.28	34.62	31.84	29.82	28.53	27.20
Profitability Ratios:													
Return on Equity (NI / Beg TSE)	34.00%	39.79%	48.55%	52.33%	48.72%	45.07%	40.82%	37.40%	34.11%	30.83%	27.97%	25.71%	24.05%
Return on Assets (NI / Assets)	14.85%	17.49%	19.09%	20.73%	19.38%	18.83%	17.63%	17.03%	16.10%	15.09%	14.22%	13.55%	13.01%
Net Profit Margin (NI / Net Rev)	51.07%	51.03%	52.90%	56.13%	56.36%	56.69%	56.51%	56.85%	56.90%	56.86%	56.85%	56.95%	57.17%
Operating Profit Margin (OP / Net Rev)	65.56%	64.19%	64.31%	67.68%	68.19%	68.51%	68.39%	68.71%	68.83%	68.82%	68.76%	68.79%	68.95%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	29.39%	27.68%	27.96%	20.96%	21.53%	22.19%	23.41%	24.68%	26.40%	28.86%	32.00%	35.64%	39.64%

VISA*Present Value of Operating Lease Obligations*

Fiscal Years Ending Sep. 30	2019	2020
Year 1	143.0	108.0
Year 2	121.0	103.0
Year 3	106.0	95.0
Year 4	96.0	82.0
Year 5	82.0	70.0
Thereafter	250.0	163.0
Total Minimum Payments	798.0	621.0
Less: Cumulative Interest	141.1	103.6
PV of Minimum Payments	656.9	517.4

Implied Interest in Year 1 Payment **33.2**

Pre-Tax Cost of Debt	5.06%	5.06%
Years Implied by Year 6 Payment	3.0	2.3
Expected Obligation in Year 6 & Beyond	82	70

Present Value of Lease Payments

PV of Year 1	136.1	102.8
PV of Year 2	109.6	93.3
PV of Year 3	91.4	81.9
PV of Year 4	78.8	67.3
PV of Year 5	64.1	54.7
PV of 6 & beyond	176.9	117.4
Capitalized PV of Payments	656.9	517.4

VISA

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	6
Average Time to Maturity (years):	5.96
Expected Annual Number of Options Exercised:	1

Current Average Strike Price:	\$ 162.40
Cost of Equity:	7.66%
Current Stock Price:	\$287.35

<i>Fiscal Years Ending Sep. 30</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Increase in Shares Outstanding:	1	1	1	1	1	1	0	0	0	0
Average Strike Price:	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40	\$ 162.40
Increase in Common Stock Account:	161	161	161	161	161	156	-	-	-	-
Share Repurchases (\$)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Expected Price of Repurchased Shares:	\$ 287.35	\$ 307.35	\$ 328.74	\$ 351.62	\$ 376.09	\$ 402.27	\$ 430.27	\$ 460.22	\$ 492.25	\$ 526.51
Number of Shares Repurchased:	31	29	27	26	24	22	21	20	18	17
Shares Outstanding (beginning of the year)	1,618	1,588	1,559	1,533	1,508	1,485	1,464	1,443	1,424	1,405
Plus: Shares Issued Through ESOP	1	1	1	1	1	1	0	0	0	0
Less: Shares Repurchased in Treasury	31	29	27	26	24	22	21	20	18	17
Shares Outstanding (end of the year)	1,588	1,559	1,533	1,508	1,485	1,464	1,443	1,424	1,405	1,388

VISA

Valuation of Options Granted under ESOP

Current Stock Price	\$287.35
Risk Free Rate	3.68%
Current Dividend Yield	0.70%
Annualized St. Dev. of Stock Returns	16.18%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	6	162.40	5.96	\$ 146.02	\$ 865
Total	6	\$ 162.40	5.96	\$ 157.55	\$ 865