



Visa Inc. (V)

Updated January 26th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$268	5 Year CAGR Estimate:	9.1%	Market Cap:	\$548 B
Fair Value Price:	\$248	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	02/08/24
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.5%	Dividend Payment Date:	03/01/24
Dividend Yield:	0.8%	5 Year Price Target	\$400	Years Of Dividend Growth:	16
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Visa is the world's leader in digital payments, with activity in more than 200 countries. The stock went public in 2008 and its IPO has proven to be one of the most successful in U.S. history. The company's global processing network provides secure and reliable payments around the world and is capable of handling more than 65,000 transactions a second. In fiscal year 2023 the company generated \$18 billion in profit. Visa is headquartered in San Francisco, CA, and trades with a \$548 billion market cap.

On October 24th, 2023, Visa announced a 16% increase to the dividend to \$2.08 per share annually.

On January 25th, 2024, Visa reported first quarter 2024 results for the period ending December 31st, 2023. (Visa's fiscal year ends September 30th.) For the quarter, Visa generated revenue of \$8.6 billion, adjusted net income of \$4.9 billion and adjusted earnings-per-share of \$2.41, marking increases of 9%, 8% and 11%, respectively. These results were driven by an 8% gain in Payments Volume, a 16% gain in Cross-Border Volume and a 9% gain in Processed Transactions. Visa processed 57.5 billion transactions in the quarter.

During the quarter, Visa returned \$4.4 billion to shareholders via dividends and share repurchases. Visa repurchased 14.0 million shares of class A common stock in the quarter, for \$3.4 billion.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.27	\$2.62	\$2.84	\$3.48	\$4.42	\$5.44	\$5.04	\$5.91	\$7.50	\$8.77	\$9.93	\$15.99
DPS	\$0.42	\$0.50	\$0.59	\$0.69	\$0.88	\$1.05	\$1.22	\$1.34	\$1.50	\$1.80	\$2.08	\$3.35
Shares¹	2,524	2,215	2,133	2,076	2,031	1,974	1,939	1,940	1,920	1,873	1,780	1,500

Until fiscal year 2020, Visa delivered very consistent earnings-per-share growth, as profits rose during every single year. The growth rate during that time frame was very impressive as well, as earnings-per-share rose by over 7 times between 2009 and 2019, for an average annualized growth rate of 22%. Results snapped back in 2021 as well. In both 2022 and 2023, consumer spending, resilience in ecommerce from the prior years, and a boom in cross-border volume led to fantastic results.

Over the long-term we believe Visa has ample room to keep growing thanks to the global transition towards a cashless society. In 2019, global digital payment volume exceeded cash for the first time in history. However, there are still about 2 billion people worldwide who lack access to cashless payments. Notably China and India, which have 1.4 billion people each, are still in the early phases of their transition towards a cashless economy. Therefore, the growth potential for Visa is immense in these two countries. Through a combination of growing the number of cards, a rising number of transactions per card holder, general economic expansion and share repurchases, Visa should be able to generate attractive earnings-per-share growth over the coming years.

With that being said, the COVID-19 pandemic did alter the growth thesis in the short-term, as was seen in 2020. Less global economic activity means that Visa will collect less revenue. However, results bounced back notably in 2021, and the company performed phenomenally in 2022 and 2023. We are forecasting 10% growth off 2024's estimate.

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	23.3	25.3	27.2	25.9	28.4	29.2	38.3	37.5	33.0	30.7	27.0	25.0
Avg. Yld.	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.7%	0.7%	0.8%	0.8%

During the past decade shares of Visa have traded hands with an average P/E ratio of about 29.9 times earnings. We are using 25 as a fair starting multiple. Given that shares are presently trading at 27 times our estimate for this year's earnings, this could create a valuation headwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Payout	17%	19%	19%	21%	20%	20%	19%	24%	23%	21%	21%	21%

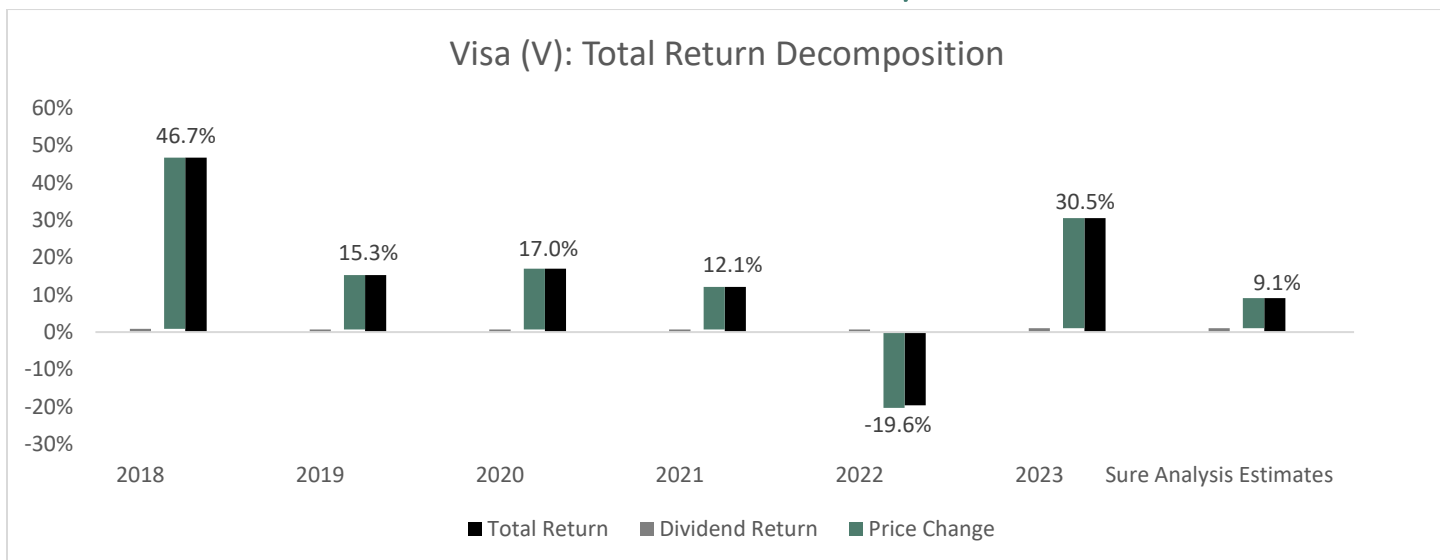
Visa has tremendous competitive advantages, as it is one of the largest payment processors in the world. Visa has built a strong brand, and it continues to invest in major sponsorships to further enhance its brand strength. Visa spends very low amounts on capital expenditures, giving it large free cash flows to either return to shareholders through share repurchases and dividends, or to reinvest in acquisitions. However, Visa is not a highly recession-resistant business. Since Visa's profits depend on the total amount of transactions worldwide, the company is affected by an economic crisis, which results in lower spending and lower transaction volumes. The 2020 crisis illustrated this idea.

As of the most recent quarterly report Visa held \$13.6 billion in cash, \$32.7 billion in current assets and \$91.4 billion in total assets against \$22.6 billion in current liabilities and \$51.7 billion in total liabilities. Long-term debt stood at \$20.7 billion.

Final Thoughts & Recommendation

Shares are up 19% year-to-date, which is in-line with the S&P 500 Index's 22% gain. Visa has produced outstanding growth during the last decade, including significant profit, dividend, and share price gains. Going forward we believe the 20%+ earnings-per-share growth rate will not be maintained, but Visa nevertheless has a very strong earnings growth outlook. We forecast 9.1% total annual return potential, stemming from 10.0% growth, an 0.8% dividend yield, and the potential for a valuation headwind. As a result, we are downgrading Visa to a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	12702	13880	15082	18358	20609	22977	21850	24100	29310	32650
Gross Profit	10320	11327	12318	15110	16753	18812	17330	19140	23577	26090
Gross Margin	81.2%	81.6%	81.7%	82.3%	81.3%	81.9%	79.3%	79.4%	80.4%	79.9%
SG&A Exp.	1735	1755	2054	2391	2579	2755	2475	2524	3035	3216
D&A Exp.	435	494	502	556	613	656	767	804	861	943
Operating Profit	7697	9064	9760	12144	12954	15401	14090	15810	19681	21930
Operating Margin	60.6%	65.3%	64.7%	66.2%	62.9%	67.0%	64.5%	65.6%	67.1%	67.2%
Net Profit	5438	6328	5991	6699	10301	12080	10870	12310	14957	17270
Net Margin	42.8%	45.6%	39.7%	36.5%	50.0%	52.6%	49.7%	51.1%	51.0%	52.9%
Free Cash Flow	6652	6170	5051	8501	11995	12028	9704	14520	17879	19700
Income Tax	2286	2667	2021	4995	2505	2804	2924	3752	3179	3764

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	38569	39367	64035	67977	69225	72574	80920	82900	85501	90500
Cash & Equivalents	1971	3518	5619	9874	8162	7838	16290	16490	15689	16290
Acc. Receivable	822	847	1041	1132	1208	1542	1618	1968	2020	2291
Goodwill & Int.	23164	23186	42300	42958	42752	---	43720	43620	42852	44100
Total Liabilities	11156	9525	31123	35217	35219	42436	44710	45310	49920	51770
Accounts Payable	147	127	203	179	183	37890	174	266	340	375
Long-Term Debt	0	0	15882	18367	16630	16730	24070	20980	22450	20460
Total Equity	27413	29842	27195	27234	28536	16729	31120	34510	35581	38730
D/E Ratio	0.00	0.00	0.48	0.56	0.49	0.48	0.66	60.8	0.63	0.53

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	14.6%	16.2%	11.6%	10.1%	15.0%	17.0%	14.2%	15.0%	17.8%	19.6%
Return on Equity	20.0%	22.1%	21.0%	24.6%	36.9%	41.8%	36.0%	37.5%	42.7%	46.5%
ROIC	20.0%	22.1%	15.2%	13.4%	20.2%	23.7%	19.5%	20.7%	25.7%	29.5%
Shares Out.	2,524	2,215	2,133	2,076	2,031	1,974	1,939	2,188	2136	2085
Revenue/Share	5.03	5.65	6.25	7.67	8.85	10.11	9.83	11.02	13.72	15.66
FCF/Share	2.64	2.51	2.09	3.55	5.15	5.29	4.37	6.64	8.37	9.45

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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