

VISA INC (NYSE: V)**AN INDUSTRY LEADER WITH SOLID ORGANIC GROWTH AND MARGIN EXPANSION**

We recommend a **BUY** on Visa INC. (NYSE:V), an American multinational financial services with a target price at **\$93.8, approximately 20% upside potential from \$78.04, which was the closing price on April 10th, 2016.**

We think there is potential upside for Visa's stock:

- Transactions will drive service revenues and data-processing revenues higher under the forecasted steady 3.0%+ global GDP growth in the next five years. In the meantime, the growing trend of payment electrification also will drive the growth of the number of transactions.
- The steady increase of international tourist arrivals will drive the growth of international transaction volume. International tourist arrivals are expected to grow at 4.0%+ per year, reaching 1,442 million in 2020. These visitors will use card payment as their main payment approach, boosting international transaction volume
- The company has space to reduce its expenses for marketing and network fees. We believe that the percentage of marketing and network fees will be 4.3% and 2.9% of the total revenues, respectively, in 2020, decreasing 0.4% and 0.1% per year due to technology improvements and lower bandwidth fees.
- High expectation that the Chinese regulations will be relaxed. Effective June 2015, China opened its electronic-payments market, which was dominated by the domestic company, UnionPay

**Key Information (As of April 10th, 2016)**

Closing Price	78.04
Target Price	93.8
Return to TP	20.19%
Market Cap (Billion)	186
P/E High Excluding Ex	42.46
P/E Low Excluding Ex	16.60
Beta	0.81
Price/Revenue (TTM)	12.66
Price/Book (MRQ)	6.05

Please see the disclaimer at back of this report for important information.

Table of Contents

Business Overview	3
Sales Forecast	5
Expense Forecast	13
Valuation.....	14

Business overview

Visa Inc. is a global payments technology company that connects consumers, businesses, financial institutions and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. Visa Inc. is the largest player in the industry. Visa Inc. has a strong competitive advantage among its competitors. Visa has approximately 51% of the market share, based on the number of cards in circulation and its lead in payment volume, total volume and total transactions. Visa is well positioned competitively, due to its successful business model with open loop networks, secure stable partnerships and global presence.

Company	Payments Volume (billions)	Total Volume (billions)	Total Transactions (billions)	Cards (millions)
Visa Inc.	\$4,761	\$7,360	98.40	2,402
MasterCard	\$3,281	\$4,499	60.10	1,437
American Express	\$1,011	\$1,023	6.70	112
JCB	\$195	\$202	2.40	88
Discover/Diners Club	\$153	\$164	2.40	57

Visa's market cap is 185.90 billion, as of April 8, 2016. Its transaction volume was \$98.4 billion at the end of 2015 and accounted for 57.8% of total global transactions. Its 2015 calendar-year revenue was 13.88 billion, 9% higher than in 2014. Service revenues comprised 32% of the revenue, data-processing revenues comprised 28% and international transaction revenue comprised 21%. Growth is driven by continued growth in underlying business drivers: nominal payments volume, processed transactions and cross-border volume. The gross profit margin is 65%, 5% higher than in 2014 and significantly higher than the industry average of 45.85%.

Figure 1: Revenue Breakdown-By Service

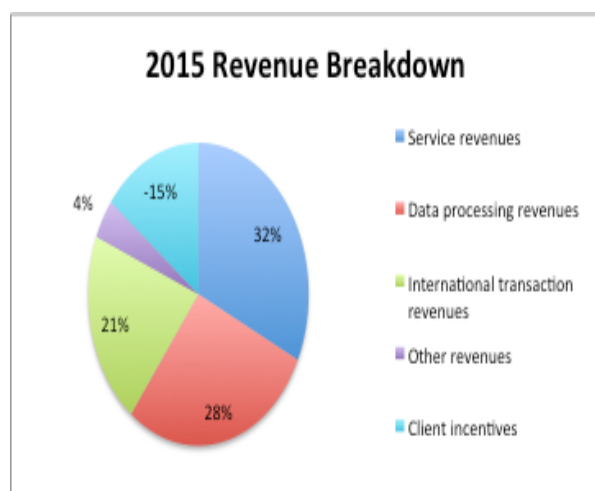
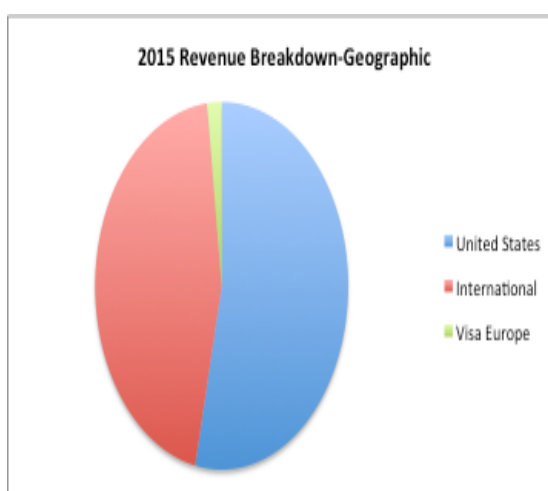


Figure 2: Revenue Breakdown-By country



Source: Visa Annual report 2015

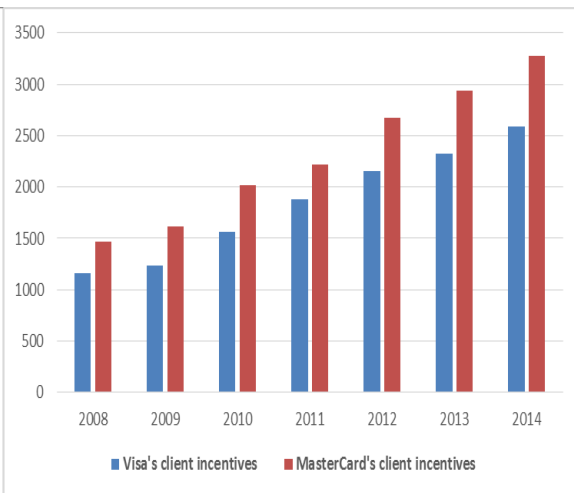
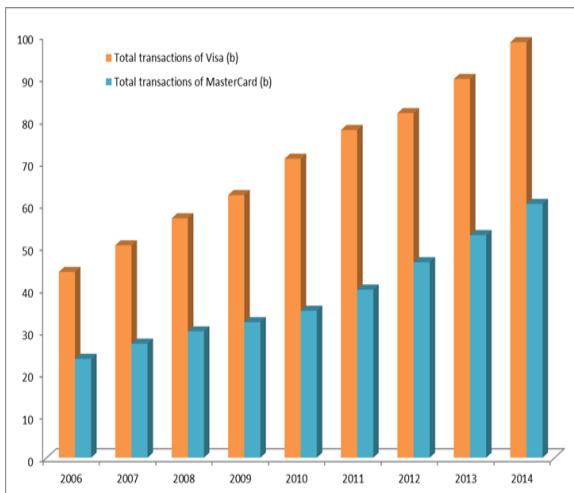
The successful “Multi-sided” platform will continue to generate positive organic growth: Visa built a successful “Multi-sided” platform with the largest market share with cardholders, merchants and partners. Visa also has a strong ability to maintain and acquire

new partners. Visa earns revenue by charging fees to banks that participate in the card network. Therefore, Visa’s business model is simple and scalable at a marginal cost of almost zero

We think Visa’s business model gives it a strong competitive advantage in maintaining partners. The number of transactions processed by Visa has been increasing at a comparable rate with that of MasterCard, even though MasterCard has spent significantly more in client incentives to acquire new partners.

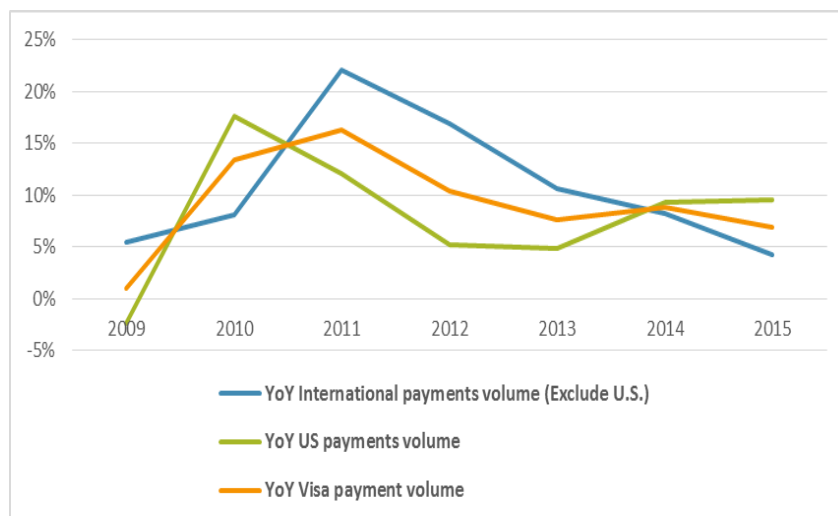
Figure 3: Transaction Volume

Figure 4: Client Incentives



Visa has built a diversified global portfolio. The annual payment volume growth is increasing at a steady rate, and diversification provides a stronger resilience toward a particular country’s headwinds. Visa generates over 55% of its revenue in the United States, and we have a positive projection for U.S. transaction volume growth. Thus, we think the U.S. transaction volume will continue to be a key driver for Visa. Visa’s mission is to accelerate the electrification of commerce.

Figure 4: Steady Growth Rate in Payment Volume



Sales forecast

Visa's mission is to accelerate the electrification of commerce. The 2014 Nilson Report predicted that credit card, debit card and electronic payments of consumer payments systems purchase volume will increase 65%, 49% and 61%, respectively, from 2014 to 2018. Consumers are shifting from cash and check-based payment to card or electronic payment. Other than consumers' self-motivation to use cards, third-party firms (e.g., yapstone.com) also offer consumers the convenience that comes from accepting credit cards and free consumers from the hassle of paper checks. Also, according to A.T. Kearney, transactions not involving cash will grow in the European market. By 2020, the number of cashless payments in the European market is expected to increase to 177 billion from 121 billion in 2015 (i.e., 7.9% per year).

Under this electrification trend, we predict that Visa's sales over the next five years (2016–2020) will grow at 11.2% on average per year, which is mainly driven by the increasing number of transactions and growing global GDP. Although Visa's revenue might be affected by online and mobile competition from PayPal and Apple Pay in the distant future, currently, the use of online and mobile payments actually boost Visa's revenue, because PayPal and Apple Pay use credit card or debit cards.

Visa's operating revenues are principally comprised of data-processing revenues, service revenues and international transaction revenues and are reduced by client incentive arrangements.

Data processing revenues:

Data processing revenues increased in fiscal 2015 and 2014 due to overall growth in processed transactions of 9% and 11%, respectively. Data processing revenues were generated from the number of processed transactions. There are several pricing points related to the transactions shown below:¹

\$0.0195 - Acquirer Processing Fee (APF) - Credit	The Acquirer Processing Fee applies to all U.S.-based credit card authorizations acquired in the U.S. regardless of where the issuer/cardholder is located. If your business is based in the U.S., the acquirer processing fee will apply to all Visa credit card authorizations.
\$0.0155 - Acquirer Processing Fee (APF) - Debit	On April 1, 2012, Visa began charging a separate lower APF of \$0.0155 for transactions involving a debit card.
Transaction Integrity Fee (TIF)	Effective April 13, 2012, Visa will begin charging a Transaction Integrity Fee (TIF) of \$0.10 on transactions involving Visa debit and prepaid cards that do not meet CPS

¹ source: cardfellow.com and Visa.com

	requirements.
\$0.0025 - Settlement Network Access Fee -- Also called a Visa Base II Fee	Applies to all U.S.-based settlement transactions. If your business is based in the U.S., the settlement network access fee will apply to all Visa settlement transactions.
\$0.0047 - Kilobyte (KB) Access Fee	Visa's kilobyte fee is charged on each authorization transaction submitted to Visa's network for settlement.
\$0.045 - Misuse of Authorization Fee	The Misuse of Authorization Fee applies to Visa authorizations that are not followed by a matching clearing transaction (or in the case of a cancelled or timed out authorization, not properly reversed).
\$0.10 - Zero Floor Limit Fee	Visa's Zero Floor Limit applies to cleared transactions that can't be matched to a previously approved or partially approved authorization. In short, it applies to settlement transactions submitted without a proper authorization.
\$0.025 - Zero Dollar Verification Fee	The Zero Dollar Verification fee applies to Zero Dollar Verification messages (approved and declined).

These fees are charged on each applied transaction. Because the numbers of transactions for each case (e.g. credit or debit) worldwide are not disclosed by Visa, we will not be able to use bottom-up method to calculate the data processing revenues generated from the number transactions. We will estimate the data processing revenues through the simplified formula:

Data processing revenues = data processing revenue per transaction * number of transactions.

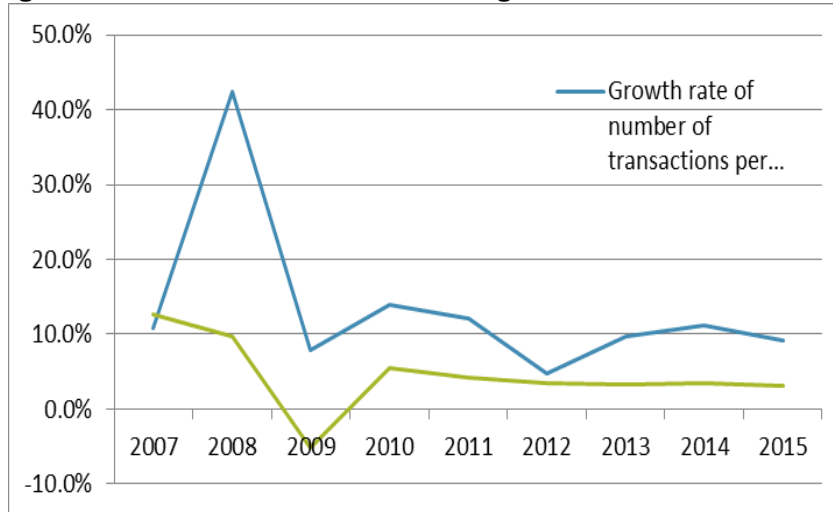
Global Transaction Volume Forecast:

As noted, Visa agreed in February 2015 to transfer processing of Russian domestic transactions to the government-owned processor. Thus, Visa has transitioned the processing of Russian domestic transactions to the Russian National Payment Card System during the third quarter of fiscal 2015. Therefore, the number of transactions for 2015 does not include the number of transactions after Q3 of 2015 in Russia. According to the Bank of Russia, banks of the Russian Federation issued 234.11 mln payment cards as of July 01, 2015. In consideration of the small percentage (0.3%) of number of Russian cards to the total number of cards, we ignore the number of transactions in Russia, which will not affect our estimation of number of transactions in the world.

Strong correlation between growth of the number of transactions and the global GDP growth as shown in the following figure² Therefore, we think it is reasonable to predict the future number of transactions processed in Visa's network in the next five years, based on the future global GDP growth rate.

² source: statista.com and company reports

Figure 5: Number of transactions and global GDP from 2007-2015



We chose the growth of the number of transactions in 2009 as the base, as the GDP growth is just -5.2% in that year. We estimate that the growth rate of number of transactions of 2020 compared to that of 2019 would be $7.9\% + 3.97\% = 11.9\%$. In this way, we predict the number of transactions from 2016 to 2020 as shown in the following figure.

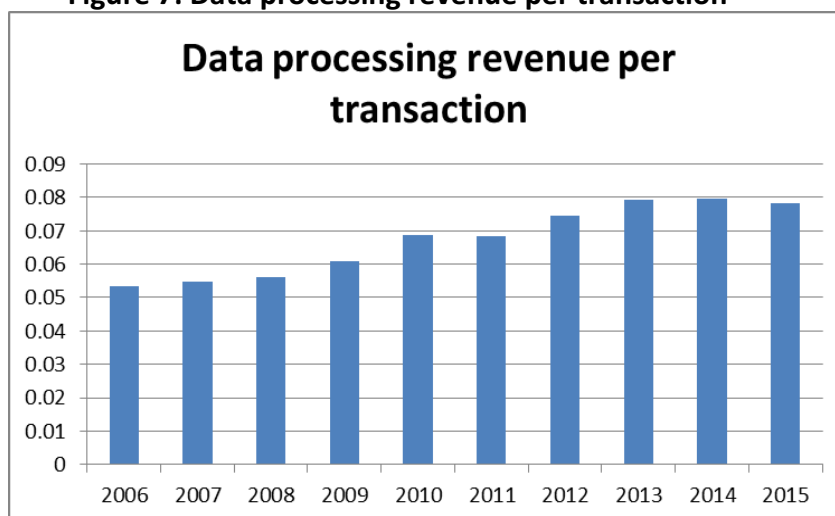
Figure6: Number of transactions

	2016E	2017E	2018E	2019E	2020E
Processed transactions (excl Russia 2015)	77,852	85,871	95,145	105,896	118,466
Growth rate of number of transactions per year	9.70%	10.30%	10.80%	11.30%	11.9%
GDP Global growth	3.56%	3.81%	3.90%	3.96%	3.97%
GDP US	3.84%	4.34%	4.30%	3.87%	3.85%

Processing revenue per transaction forecast:

The figure below shows the data processing revenues per transaction in the past 10 years. We observe that the data processing revenue per transaction is decreasing slightly in the past three years

Figure 7: Data processing revenue per transaction



We predict that the data processing revenue per transaction will remain at the same level at \$0.07823 per transaction in the next five years for two reasons:

- **Competitive advantage:** The number of transactions processed by Visa has been increasing more quickly than that processed by MasterCard, the second largest card payment network. This shows that Visa can still have pricing power for the transaction fees.
- **Visa will not increase data processing revenue though it has the market power to do so:** We believe the merchants don't have brand royalty because the POS terminal can handle both without any user experience difference. On the contrast, card issuers control the source of the cards. We think Visa will not damage these relationships. Therefore, we predict that Visa will increase the data processing fee even though Visa has the market power to do so.

Data Processing Revenue Forecast:

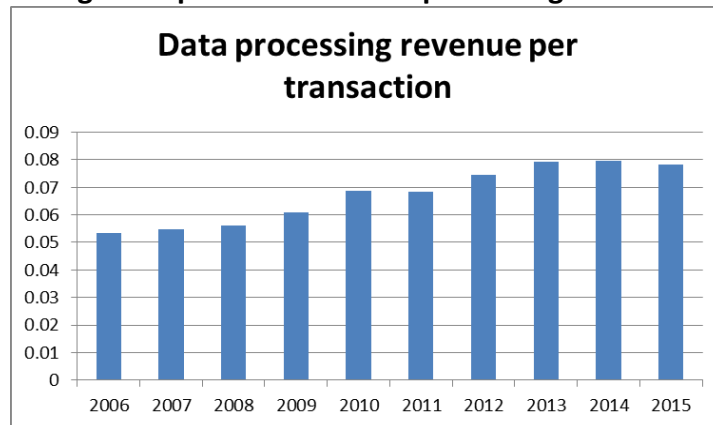
Based on the estimations of transaction volume and data processing revenue per transaction, we predict that the data processing revenues will reach \$9,267.9 million in 2020 from \$5,552 million in 2015 or by increasing around 10% per year. In the meantime, we predict that the percentage of data processing revenues will remain relatively constant in the following five years based on the historical data. Therefore, we take 39%, the average of that in the past five years, as the percentage of data processing revenues in the following five years.

Figure 8: prediction of data processing revenue

Year	2016E	2017E	2018E	2019E	2020E
Data processing revenues (\$ millions)	6090.5	6717.9	7443.4	8284.5	9267.9
Growth Rate (%)	9.7%	10.3%	10.8%	11.3%	11.9%
Processed transactions (excl Russia 2015) (millions)	77,852	85,871	95,145	105,896	118,466
Data processing revenue per transaction (\$)	0.07823	0.07823	0.07823	0.07823	0.07823

As shown in the following figure, from 2006 to 2015, the data processing revenue per transaction is increasing but the market share of Visa has been increasing as well. This shows that Visa has a very strong competitive advantage compared to MasterCard, American Express and others.

Figure 9: prediction of data processing revenue



According to a statistics of fitsmallbusiness.com, Visa charges a lower processing fee compared to MasterCard and American Express, as shown in the figure below.

	Interchange Rate	Card Brand Fee	Payline Data Markup	Final Rate	Total Fees on \$50 purchase
Visa Rewards	1.61% + \$.10	.11% + \$.02	.20% + \$.10	1.92% + \$.22	\$1.18
MasterCard World	2.05% + \$.10	.12% + .02	.20% + \$.10	2.37% + \$.22	\$1.40
American Express	2.5% + \$.20	Included in Interchange Rate	.20% + .10	2.7% + \$.30	\$1.65

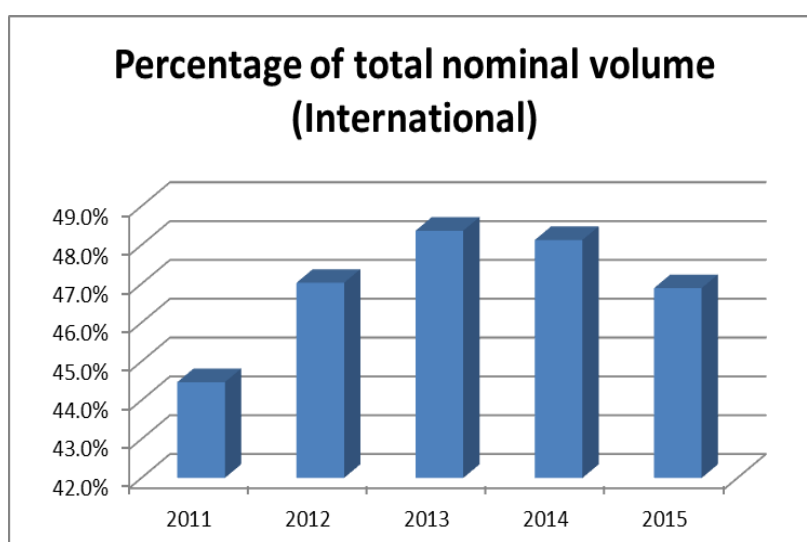
Service Revenues

Service revenues are primarily generated from payments volume on Visa-branded cards and payment products for purchased goods and services. There are several pricing points related to the payment volume shown below

.11% - Debit Assessment	This assessment applies to gross Visa debit transaction volume.
.13% - Credit Assessment	This assessment applies to gross Visa credit transaction volume. Update: In January 2015, Visa raised its assessment on credit volume from 0.11% to 0.13%. The debit volume assessment did not change from 0.11%.
Variable - Fixed Acquirer Network Fee (FANF)	Effective April 1, 2012, the FANF is a monthly fee that varies based on processing method, number of locations and volume. ³

The main drivers for Service Revenues are foreign currency and total payment volume. Foreign currencies play an important role because the total international payment volume is approximately 50% of the total payment volume from the United States and the international side, as shown in the following figure.

Figure 10: Percentage of total international payment volume

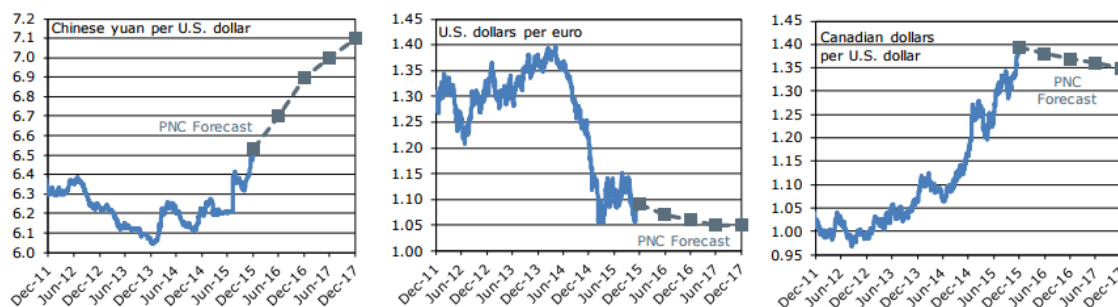


In the meantime, let us look at effects of the foreign exchange rates of Chinese RMB, Euro and Canadian dollars. According to a Morgan Stanley research, in 2015, the contributions of

³ [source: cardfellow.com and Visa.com].

Asia Pacific, Canada, and CEMEA to the total GDV (gross dollar volume) were around 27%, 3% and 13%. Furthermore, the exchange rates of Chinese RMB, Euro and Canadian dollars are forecasted to present big fluctuations in the following years, according to a PNC report. China's exchange rate regime continues to evolve: the yuan's old pattern of appreciation against the U.S. dollar was in 2014 replaced by its largest depreciation in 20 years. Secondly, the euro will likely depreciate moderately in 2016 and 2017 as the European Central Bank monetary stimulus continues at its present pace and U.S. interest rates very gradually rise. Finally, the Canadian dollar may appreciate somewhat in 2016 and 2017. Altogether, the U.S. dollar presents a strong tendency to appreciate.

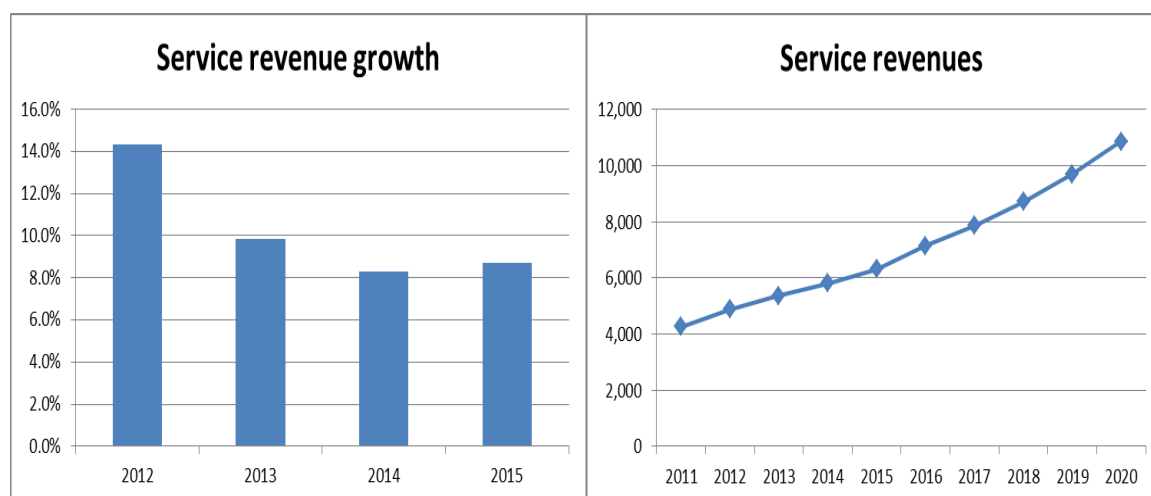
Figure 11: Exchange rates of RMB, Euro and Canadian dollars [source: PNC]



In a word, we believe the combined effects of international payment volume and foreign exchange rates make the estimation of service revenues confusing. The fluctuation of service revenue growth is also demonstrated in the historical growth results as shown in the following figure. But we noticed that percentage of service revenues to the total operating revenues remains relatively constant in the past five years, with 46.4%, 46.8%, 45.4%, 45.6%, 45.4% for 2011 to 2015. We predict that the percentage of service revenues to the total revenues will be the average of that in the past five years and that is 45.9%. Then we estimate the service revenues as below.

Figure 12: service revenue growth per year

Figure 13: Service revenues projection (\$million)



International transaction revenues

International transaction revenues consist of revenues earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer is different from that of the merchant. There are several pricing points related to the international transaction shown below [source: cardfellow.com and Visa.com].

.80% - International Service Assessment Fee	The International Service Assessment Fee applies to U.S. acquired transactions paid for with a card issued outside of the U.S. Update: On April 18, 2015, Visa raised the International Service Assessment from 0.40% to 0.80% on transactions settled in U.S. dollars, and to 1.20% on transactions settled in currencies other than U.S. dollars.
.45% - International Acquirer Fee	The International Acquirer Fee applies under the same circumstances as the International Service Assessment Fee noted above. Note: The International Service Assessment Fee and International Acquirer Fee often both apply to the same transaction bringing the total charge to 0.85%.

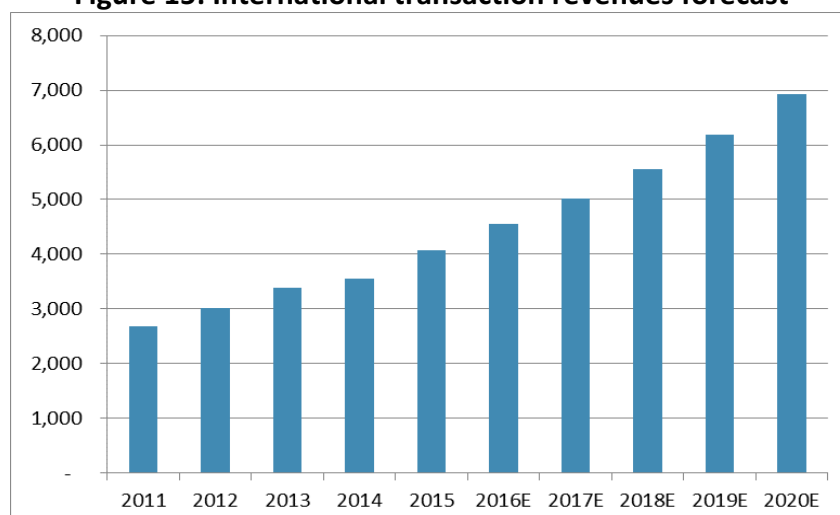
The main driver of international transaction revenues is the combined effect of high volatility in a broad range of currencies and the growth in nominal cross-border volume. We have already discussed the volatility in the currencies in Service Revenues section. As for the cross-border volume, we will look into the international tourist arrivals, where we think are driving the cross-border payment volume. According to the data from Statista and World Tourism Organization, the international tourist arrivals worldwide in 2020 and 2030 will amount to 1,360 million and 1,810 million from 1,133 million in 2014 respectively. Therefore, we estimate the international tourist arrivals worldwide from 2007 to

Figure 14: Number of international tourist arrivals forecast

	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
International tourist arrivals	1035	1087	1133	1178	1226	1276	1329	1384	1442
YoY (%)	4.02%	5.02%	4.23%	4.00%	4.04%	4.08%	4.12%	4.16%	4.20%

Considering the effects of strong dollars and the growing number of international tourist arrivals, we predict that ratio of international transaction revenues to the total revenues will remain relatively steady over the next five years. International transaction revenues contributed 29.3% to the total revenues in 2015. Without any changes to the worldwide economic environment and company strategy, we use 29.3% as ratio for international transaction revenues in the following five years. Thus, we have the following figure.

Figure 15: International transaction revenues forecast



Client incentives

Client incentives increased in fiscal 2015 and 2014, reflecting overall growth in global payments volume as well as incentives incurred on long-term client contracts that were initiated or renewed during fiscal 2015 and 2014. Card issuers, merchants and consumers lie in the payment ecosystem created by Visa. None of them is more important than others. But card issuers are the direct customers of Visa and Visa needs to pay those client incentives based on the performance expectations and actual client performance. As said in the company report, Visa faces increasing intense competitive pressure on the prices Visa charges the financial institution clients. Although the convenience, interoperability, accessibility and security offers Visa a competitive advantage, keeping good relationships with those financial clients is the key to maintain the competitive advantage. To achieve this, we predict Visa will increase the client incentives to 21% of the total revenues in 2020 from 20.6% in 2015. Our estimation is shown in the following figure.

Figure 16: Predictions of client incentives

	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
Client incentives	-2155	-2321	-2592	-2861	-3215	-3546	-3948	-4415	-4963
% of total revenue	-20.7%	-19.7%	-20.4%	-20.6%	-20.7%	-20.7%	-20.8%	-20.9%	-21.0%
YoY	14.6%	7.7%	11.7%	10.4%	12.4%	10.3%	11.3%	11.8%	12.4%

Other revenues

Other revenues consist mainly of license fees for use of the Visa brand, revenues earned from Visa Europe in connection with the Visa Europe

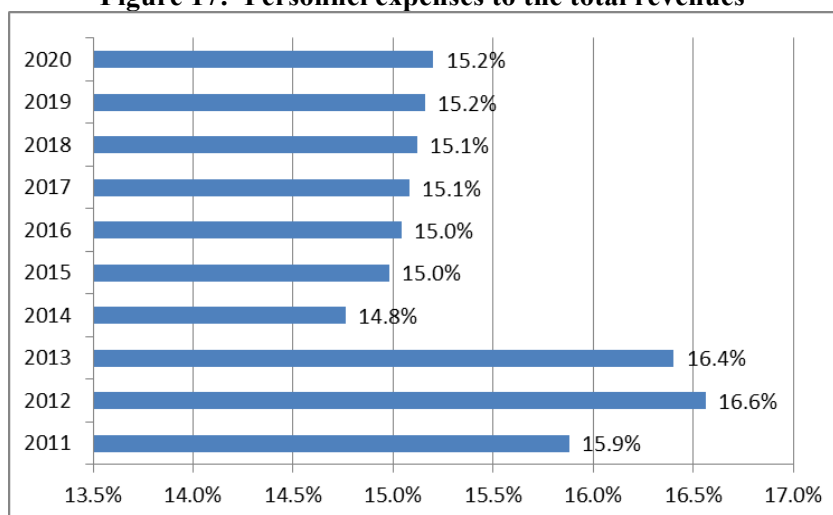
Operating expenses

Operating expenses include personnel, marketing, network and processing, professional fees, depreciation and amortization, general and administrative, as well as litigation.

Personnel

Personnel increased in fiscal 2015 primarily due to a continued increase in headcount reflecting our strategy to invest for future growth, particularly in internal technology resources, combined with higher incentive compensation. To maintain the R&D Center in San Francisco and Foster City and to keep and attract the competitive employees, we expect Visa will not be able to decrease the incentive compensation. On the contrary, we believe that Visa needs to increase the personnel expenses a little bit in next five years. Therefore, we predict that the ratio of Personnel to the total revenues will appear as below.

Figure 17: Personnel expenses to the total revenues



Marketing

Marketing decreased in fiscal 2015 mainly due to the overall strengthening of the U.S. dollar as marketing spend in local currencies was converted to U.S. dollars, combined with the absence of the 2014 Sochi Winter Olympics and 2014 FIFA World Cup spend incurred in fiscal 2014. The past 10 years also see decreasing marketing expenses relative to the total revenues. Considering the strong brand of Visa, we predict that the market expenses will continue to decrease in terms of the percentage to the revenues. Thus, we have the following forecast for the marketing expenses.

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Marketing	-474	-581	-1,016	-918	-964	-870	-873	-876	-900	-872	-916	-942	-968	-993	-1016
%	16.1%	16.2%	16.2%	13.3%	12.0%	9.5%	8.4%	7.4%	7.1%	6.3%	5.90%	5.50%	5.10%	4.70%	4.30%

Network and processing

Network and processing in fiscal 2015 decreased as a result of initiatives to optimize the use of our technology resources. The increase in fiscal 2014 was mainly due to continued technology and processing network investments to support growth. We expect that the technology and processing network investments in 2014 will continue to drive the decrease of the network and processing expenses in the following years. The following figure is the CDN price by Microsoft Azure. We can see that as the data volume increases by 100%, the price will decrease by roughly 30%. Since the number of transactions increase by about 10% each year, we predict that the expenses in network and processing will decrease by 0.1% (3.4%*97%) per year. Therefore, the ratio of network and processing expenses to the total revenues will decrease to 2.9% in 2020.

Figure 18: Example of data price

OUTBOUND DATA TRANSFERS	ZONE 1 ¹	ZONE 2 ¹	ZONE 3 ¹	ZONE 4 ¹	ZONE 5 ¹
First 10 TB ² /Month	\$0.087 per GB	\$0.138 per GB	\$0.25 per GB	\$0.14 per GB	\$0.17 per GB
Next 40 TB (10 – 50 TB) /Month	\$0.08 per GB	\$0.13 per GB	\$0.20 per GB	\$0.135 per GB	\$0.13 per GB
Next 100 TB (50 – 150 TB) /Month	\$0.06 per GB	\$0.12 per GB	\$0.18 per GB	\$0.12 per GB	\$0.11 per GB
Next 350 TB (150 – 500 TB) /Month	\$0.04 per GB	\$0.10 per GB	\$0.16 per GB	\$0.10 per GB	\$0.10 per GB
Next 524 TB (500 – 1,024 TB) /Month	\$0.03 per GB	\$0.08 per GB	\$0.14 per GB	\$0.095 per GB	Contact us
Next 4,096 TB (1,024 – 5,120 TB) /Month	\$0.025 per GB	\$0.07 per GB	\$0.13 per GB	\$0.09 per GB	Contact us
Over 5,120 TB /Month	Contact us	Contact us	Contact us	Contact us	Contact us

¹ For Zone details, please refer to the FAQ below.
² 1 TB = 1,024 GB

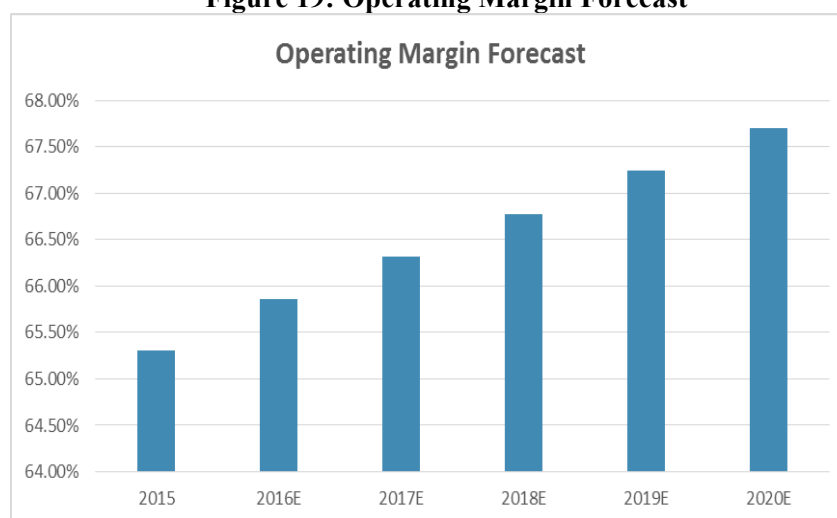
Other expenses

For processional fees, depreciation and amortization, as well as general and administrative, we expect no changes without any specific strategy change and environment change. We use the ratio in 2015 for the next five years.

Operating Margin Forecast

We expect Visa will have 200bps margin improvement at the year of 2020, given the company ability in controlling costs, building quality network and the global acceptance.

Figure 19: Operating Margin Forecast



Valuation

Income Statement											
	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
Total operating revenues	8,065	9,188	10,421	11,778	12,702	13,880	15,530	17,130	18,980	21,124	23,632
YoY	16.7%	13.9%	13.4%	13.0%	7.8%	9.3%	11.9%	10.3%	10.8%	11.3%	11.9%
Service revenues	3,497	4,261	4,872	5,352	5,797	6,302	7,132	7,866	8,716	9,701	10,852
% of total revenue	43.4%	46.4%	46.8%	45.4%	45.6%	45.4%	45.9%	45.9%	45.9%	45.9%	45.9%
YoY	10.2%	21.8%	14.3%	9.9%	8.3%	8.7%	13.2%	10.3%	10.8%	11.3%	11.9%
Data processing revenues	3,125	3,478	3,975	4,642	5,167	5,552	6,091	6,718	7,443	8,285	9,268
% of total revenue	38.7%	37.9%	38.1%	39.4%	40.7%	40.0%	39%	39%	39%	39%	39%
YoY	28.6%	11.3%	14.3%	16.8%	11.3%	7.5%	9.7%	10.3%	10.8%	11.3%	11.9%
International transaction revenues	2,290	2,674	3,025	3,389	3,560	4,064	4,550	5,019	5,561	6,189	6,924
% of total revenue	28.4%	29.1%	29.0%	28.8%	28.0%	29.3%	29.30%	29.30%	29.30%	29.30%	29.30%
YoY	19.5%	16.8%	13.1%	12.0%	5.0%	14.2%	12.0%	10.3%	10.8%	11.3%	11.9%
Other revenues	713	655	704	716	770	823	972	1,072	1,207	1,365	1,550
% of total revenue	8.8%	7.1%	6.8%	6.1%	6.1%	5.9%	6.3%	6.3%	6.4%	6.5%	6.6%
YoY	14.1%	-8.1%	7.5%	1.7%	7.5%	6.9%	18.1%	10.3%	12.6%	13.0%	13.6%
Client incentives	(1,560)	(1,880)	(2,155)	(2,321)	(2,592)	(2,861)	(3,215)	(3,546)	(3,948)	(4,415)	(4,963)
% of total revenue	-19.3%	-20.5%	-20.7%	-19.7%	-20.4%	-20.6%	-20.7%	-20.7%	-20.8%	-20.9%	-21.0%
YoY	26%	21%	15%	8%	12%	10%	12%	10%	11%	12%	12%
Total operating expenses	(3,476)	(3,732)	(8,282)	(4,539)	(5,005)	(4,816)	(5,302)	(5,769)	(6,305)	(6,920)	(7,633)
Personnel	(1,222)	(1,459)	(1,726)	(1,932)	(1,875)	(2,079)	(2,336)	(2,583)	(2,870)	(3,202)	(3,592)
%		15.9%	16.6%	16.4%	14.8%	15.0%	15.04%	15.08%	15.12%	15.16%	15.20%
Marketing	(964)	(870)	(873)	(876)	(900)	(872)	(916)	(942)	(968)	(993)	(1,016)
%	12.0%	9.5%	8.4%	7.4%	7.1%	6.3%	5.90%	5.50%	5.10%	4.70%	4.30%
Visa International fees	--	--	--	--	--	--	--	--	--	--	--
Network and processing	(425)	(357)	(414)	(468)	(507)	(474)	(512)	(548)	(588)	(634)	(685)
%		3.9%	4.0%	4.0%	4.0%	3.4%	3.30%	3.20%	3.10%	3%	2.90%
Professional fees	(286)	(337)	(385)	(412)	(328)	(336)	(373)	(411)	(456)	(507)	(567)
%		3.7%	3.7%	3.5%	2.6%	2.4%	2.40%	2.40%	2.40%	2.40%	2.40%
Depreciation and amortization	(265)	(288)	(333)	(397)	(435)	(494)	(553)	(610)	(676)	(752)	(841)
%		3.1%	3.2%	3.4%	3.4%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
General and administrative	(359)	(414)	(451)	(451)	(507)	(547)	(612)	(675)	(748)	(832)	(931)
%		4.5%	4.3%	3.8%	4.0%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Litigation provision	45	(7)	(4,100)	(3)	(453)	(14)	-	-	-	-	-
Operating income / loss	4,589	5,456	2,139	7,239	7,697	9,064	10,228	11,360	12,675	14,204	15,999
%		59.4%	20.5%	61.5%	60.6%	65.3%	65.9%	66.3%	66.8%	67.2%	67.7%
Income tax provision / benefit	(1,674)	(2,010)	(65)	(2,277)	(2,286)	(2,667)	(3,068)	(3,408)	(3,802)	(4,261)	(4,800)
Net income / loss	2,964	3,646	2,142	4,980	5,438	6,328	7,160	7,952	8,872	9,943	11,199
%		39.7%	20.6%	42.3%	42.8%	45.6%	46.1%	46.4%	46.7%	47.1%	47.4%
Loss attributable to non-controlling int	2	4	2	--	--	--					
Cumulative effect of accounting chang	--	--	--	--	--	--					
Net income / loss attributable to Visa	2,966	3,650	2,144	4,980	5,438	6,328					

Share price calculation

	2015	2016	2017	2018	2019	2020
EBIT	9,064	10,228	11,360	12,675	14,204	15,999
EBIT(1-tax_rate)	6,345	7,160	7,952	8,872	9,943	11,199
Depn and amortization	494	553	610	676	752	841
Increase in Working Capital	1,962	1,962	1,962	1,962	1,962	1,962
Capital Expenditures	445	446	447	448	449	450
%	3.2%	2.9%	2.6%	2.4%	2.1%	1.9%
Free Cash Flow	4,432	5,304	6,153	7,138	8,284	9,628
YoY		19.7%	16.0%	16.0%	16.1%	16.2%
Discount factor		1	0.934885	0.87401	0.817099	0.763894

Tax Rate	30%
WACC	7.0%
Perpetual FCF Growth Rate	3.0%

Weighted Average Cost of Capital

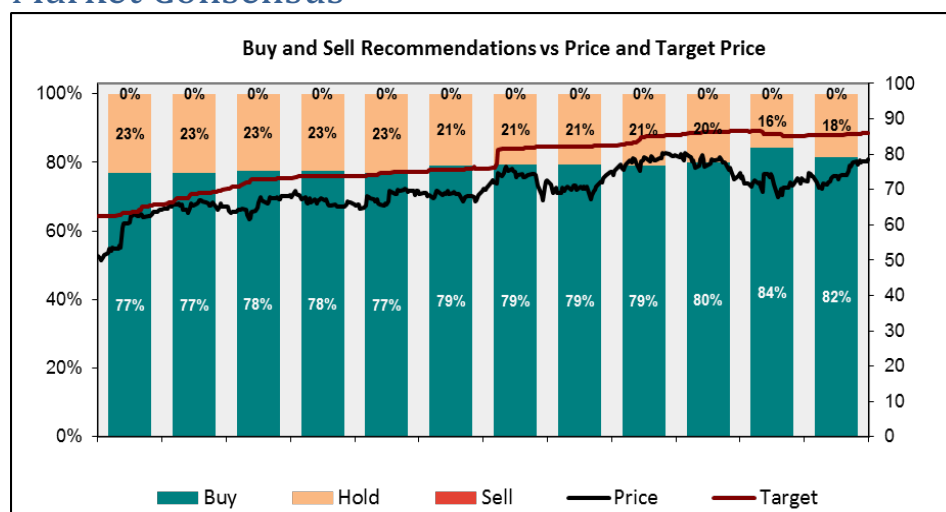
Beta	1.0
Risk free rate	1.86%
Market premium	5.00%
Company specific adj.	
Adjusted ERP	5.00%
Cost of Equity	6.97%
Pre-tax cost	
Marginal tax rate	30.00%
Cost of Debt	0.0%
Weights	
Equity Weight	100%
Debt Weight	0%
Total	100%
WACC	6.97%

	2016E
NPV of FCF	\$ 31,419
PV of Terminal Value	\$ 191,061
Enterprise Value	\$ 222,479.6
Year End Net Debt (Cash)	\$ (5,468.00)
Equity Value	\$ 227,947.6
Diluted Shares O/S (M)	2430
Equity Value per Share	\$ 93.8
Upside from \$78.21	20%

Sensitivity Analysis

		7%	8%	9%	10%	11%
Perpetual FCF Growth Rate	0%	\$58.6	\$51.5	\$46.0	\$41.6	\$38.0
	1%	\$66.4	\$57.2	\$50.3	\$44.9	\$40.7
	2%	\$77.3	\$64.7	\$55.8	\$49.1	\$43.9
	3%	\$93.7	\$75.3	\$63.2	\$54.5	\$48.0
	4%	\$121.1	\$91.3	\$73.5	\$61.6	\$53.2
	5%	\$176.5	\$118.0	\$89.0	\$71.7	\$60.2
	6%	\$345.9	\$171.8	\$115.0	\$86.8	\$69.9

Market Consensus



Risk:

- Push-back from large financial institutions on pricing
- A slowdown in payment Volumes
- A prolonged global recession

Important Disclaimer

Please read this document before reading this report.

This report has been written by MBA students at Yale's School of Management in partial fulfillment of their course requirements. *The report is a student and not a professional* report. It is intended solely to serve as an example of student work at Yale's School of Management. It is not intended as investment advice. It is based on publicly available information and may not be complete analyses of all relevant data. If you use this report for any purpose, you do so at your own risk.

YALE UNIVERSITY, YALE SCHOOL OF MANAGEMENT, AND YALE UNIVERSITY'S OFFICERS, FELLOWS, FACULTY, STAFF, AND STUDENTS MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, ABOUT THE ACCURACY OR SUITABILITY FOR ANY USE OF THESE REPORTS, AND EXPRESSLY DISCLAIM RESPONSIBILITY FOR ANY LOSS OR DAMAGE, DIRECT OR INDIRECT, CAUSED BY USE OF OR RELIANCE ON THESE REPORTS.
