

Visa Inc.

Recommendation **HOLD** ★ ★ ★ ★ ★

Price
\$112.60 (as of Dec 08, 2017 4:00 PM ET)

12-Mo. Target Price
\$128.00

Report Currency
USD

Investment Style
Large-Cap Growth

Equity Analyst Scott Kessler

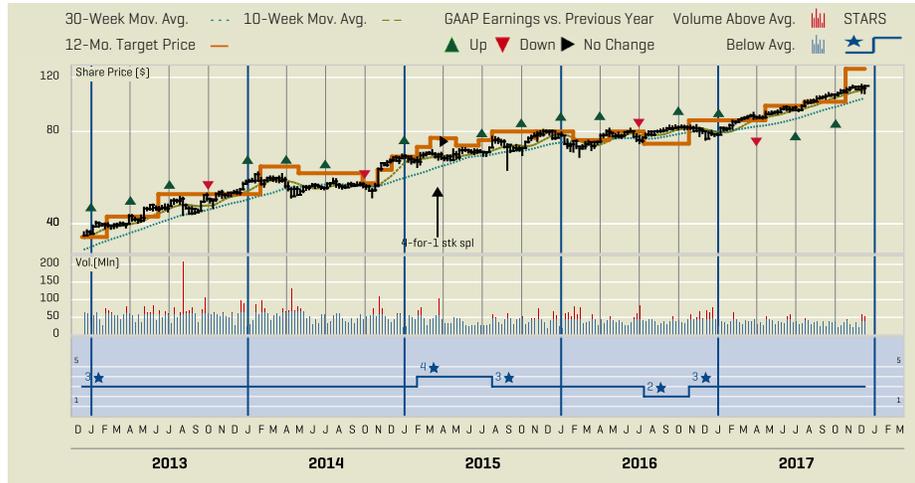
GICS Sector Information Technology
Sub-Industry Data Processing & Outsourced Services

Summary Visa is the world's largest retail electronic payment network and a leading payments brand, providing services to consumers, businesses, and governments globally.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	\$113.62 - 77.19	Oper. EPS 2018E	4.04	Market Capitalization[B]	\$241.0	Beta	0.97
Trailing 12-Month EPS	2.80	Oper. EPS 2019E	4.67	Yield [%]	0.69	3-Yr Proj. EPS CAGR[%]	17
Trailing 12-Month P/E	39.79	P/E on Oper. EPS 2018E	27.57	Dividend Rate/Share	\$0.78	SPGMI's Quality Ranking	B
\$10K Invested 5 Yrs Ago	\$31,456	Common Shares Outstg.[M]	2,056.4	Institutional Ownership [%]	77		

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **Scott Kessler** on Oct 25, 2017 06:35 PM, when the stock traded at **\$109.49**.

Highlights

- ▶ We think net revenues will increase by 9% to 10% in FY 18 (Sep.) and FY 19. Compare these with FY 17 growth of 22%, reflecting the mid-2016 acquisition of Visa Europe, and the increases of 9% in both FY 15 and FY 16, which were hurt by wavering international economic growth, currency headwinds, customer data breaches at major retailers, and sanctions on Russia. V's organic top line had decelerated from the consistent double-digit levels of a few years ago. We see electronic payments increasingly driven by mobile, with V in a leadership position.
- ▶ Gross margins improved in FY 17, reflecting government actions on interchange reimbursement fees and the purchase of Visa Europe, and we see improvement in FY 18 on scale and efficiencies. We see EBITDA margins gradually widening from 70% in FY 16 and FY 17, to 71% in FY 18, and to 72% in FY 19, aided by prior investments and considerable scale and efficiencies helped by Visa Europe.
- ▶ We see continuing healthy annual EPS gains, aided by stock repurchases. We note buybacks declined sequentially from FY 13 to FY 15, but in FY 16 exceeded levels from the prior two fiscal years put together. In July 2016, V announced a \$5 billion buyback.

Investment Rationale/Risk

- ▶ We see healthy secular growth related to electronic, digital, and mobile payments. We think the June 2016 acquisition of Visa Europe made sense for V, as the potential cost savings and earning accretion have been clearly outlined. However, we believe the purchase, completed days before the Brexit leave vote, added some risk related to European currencies and economic growth. We also think the Chinese economic slowdown is still unfolding, with potentially adverse economic consequences to the many nations that supply China. We also think current notable legal matters could increase expenses and restrain margins.
- ▶ Risks to our opinion and target price include an unexpected deceleration in global economic growth, weaker consumer confidence/spending, a notable increase in the U.S. dollar, and significant adverse legal developments.
- ▶ Our 12-month target price is \$128. Payment-/credit card-focused peers recently had a median forward P/E of 31.9X and a P/E-to-growth of 1.8. Using these multiples and averaging the outputs results in our target. We think V's global network is appealing and note continuing secular shifts and growth in non-cash payments.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects a dynamic market environment, growing competition from mobile payments, soft demand for credit in the U.S., and heightened regulatory scrutiny.

Revenue/Earnings Data

Revenue (Million U.S. \$)

	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	4,461	4,477	4,565	4,855	18,358
2016	3,565	3,626	3,630	4,261	15,082
2015	3,382	3,409	3,518	3,571	13,880
2014	3,155	3,163	3,155	3,229	12,702
2013	2,846	2,958	3,001	2,973	11,778

Earnings Per Share (U.S. \$)

	1Q	2Q	3Q	4Q	Year
2018	E 0.99	E 0.95	E 1.02	E 1.09	E 4.04
2017	0.86	0.18	0.86	0.90	2.80
2016	0.80	0.71	0.17	0.79	2.48
2015	0.64	0.63	0.69	0.62	2.58
2014	0.55	0.63	0.54	0.43	2.16
2013	0.49	0.49	0.47	0.47	1.90

Fiscal year ended Sep 30. Next earnings report expected: Late Jan. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.165	Jan 31	Feb 15	Feb 17	Mar 07 '17
0.165	Apr 18	May 17	May 19	Jun 06 '17
0.165	Jul 17	Aug 16	Aug 18	Sep 05 '17
0.195	Oct 17	Nov 16	Nov 17	Dec 05 '17

Dividends have been paid since 2008. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

Forecasts are not reliable indicator of future performance.

Business Summary October 25, 2017

CORPORATE OVERVIEW. Visa Inc. (V) operates the world's largest retail electronic payments network, providing financial institutions with a broad range of platforms for consumer credit, debit, prepaid, and commercial payments. V derives revenues primarily from card service fees, data processing fees, and international transaction fees.

Service fees [38% of FY 15 gross operating revenues] reflect payments by customers for their participation in card programs carrying V's brands. They also include acceptance fees, which are used to support merchant acceptance and ongoing volume growth initiatives.

Data processing fees [33% FY 15 gross operating revenues] consist of fees charged to customers for providing transaction processing and other payment services, including processing services provided under V's bilateral services agreement with Visa Europe, which the company acquired in June 2016.

International transaction fees [24% of revenues] are charged to customers on transactions where the issuer and the merchant are located in different countries.

V's other revenues [5% of revenues] consist primarily of optional service or product enhancements, such as extended cardholder protection and concierge services, cardholder services and fees for licensing and certification, as well as licensing and other service-related fees from Visa Europe.

CORPORATE STRATEGY. V seeks to grow by expanding its core payments business in new and established geographies and market segments, as well as by broadening its processing capabilities and value-added service offerings for payments and related opportunities. V intends to increase the number of countries in which it provides value-added services, including risk management, debit issuer processing, loyalty services, dispute management, and value-added information services. It also intends to continue to target and penetrate new consumer and merchant segments across all its geographic markets.

IMPACT OF MAJOR DEVELOPMENTS. In November 2015, the company struck a deal to buy Visa Europe for an upfront consideration of EUR16.5 billion, with the potential for an additional earn-out of up to EUR4.7 billion, payable following the fourth anniversary of closing, for a total value of up to EUR21.2 billion. Both companies' boards voted to approve this transaction. In April 2016, the pending agreement was amended -- EUR1.75 billion was added to the upfront consideration in the place of an earn-out. The transaction closed in June 2016.

In July 2012, V and MasterCard (MC) settled a merchant lawsuit related to credit card processing fees. V's settlement of \$4.4 billion included \$4.1 billion for the class plaintiffs and \$285 million for management's estimate to resolve the individual plaintiffs' claims. As a result, V's rules have been altered to allow retailers to impose a surcharge on credit transactions, subject to a cap.

In July 2010, new regulations were signed into law governing debit interchange fees garnered by bank issuers and set by card networks, such as those of V and MC. Directly impacting the card networks are provisions that prevent the networks from specifying that their branded debit cards can only be used on their corresponding network. Merchants will be allowed to encourage the use of one payment form over another [i.e. cash vs. card or check] by offering a discount to consumers, and they will also be able to set a minimum threshold of \$10 for payment with a credit card.

In March 2008, V completed its IPO of 406 million shares of Class A common stock at \$44 per share. It deposited \$3 billion from the IPO offering in an escrow account from which settlements of, or judgments in, the covered litigation were payable. During 2009, V deposited an additional \$1.8 billion into this account.

FINANCIAL TRENDS. V grew total revenues 9.4% in FY 15 and at an average annual rate of 12.3% over the last six years. In FY 15, V's service revenues were up 8.7%, data processing revenues were up 7.5%, international transaction revenues were up 14.2%, while client incentives were up 10.4%.

V processed 82.0 billion transactions (including PIN-based online transactions) during calendar-year 2014, 10.5% higher than in 2013. Total volume on cards carrying the Visa brand grew 5.5% in calendar-year 2014, to \$7.35 trillion, and this growth rate represented a deceleration from 2013's 8.0% growth rate. Payments volume [65% of total volume] grew 8.6% in 2014, to \$4.76 trillion, and this growth rate also represented a deceleration from 2013's 9.1% rate. Cash volume [35% of total volume] was flat in 2014, at \$2.6 trillion, a much slower growth rate than 2013's 6.3% rate.

Corporate Information
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R.W. Matschullat

Pres

R.M. McInerney

CEO

A.F. Kelly, Jr.

EVP & CFO

V.M. Prabhu

EVP, Secy & General Counsel

K.M. Tullier

Board Members

L.A. Carney

M.B. Cranston

F. Fernandez-Carbajal

G.A. Hoffman

A.F. Kelly, Jr.

J.F. Lundgren

R.W. Matschullat

S.M. Nora Johnson

M.G. Webb, Jr.

Domicile

Delaware

Founded

2007

Employees

14,200

Visa Inc.

Quantitative Evaluations						
Fair Value Rank	2	1	2	3	4	5
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
Fair Value Calculation	\$99.97	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that V is slightly overvalued by \$12.63 or 11.2%.				
Volatility		LOW	AVERAGE	HIGH		
Technical Evaluation	BULLISH	Since July, 2017, the technical indicators for V have been BULLISH.				
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2017	2016	2015	2014
Price/Sales	13.73	13.24	12.33	10.60
Price/EBITDA	19.96	19.44	18.36	16.05
Price/Pretax Income	21.55	24.92	19.03	17.42
P/E Ratio	37.59	33.35	27.00	24.70
Avg. Diluted Shares Outsg. (M)	2395	2414	2457	2523

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		21.72	13.06	11.99
Net Income		11.82	7.20	25.59
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
% LT Debt to Capitalization		NM	NM	NM
Return on Equity [%]		20.40	NM	NM

Company Financials Fiscal year ending Sep. 30

Per Share Data [U.S. \$]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tangible Book Value	-7.28	-6.82	2.48	1.44	1.28	1.49	1.08	0.63	0.66	-0.06
Free Cash Flow	3.69	2.12	2.52	2.66	0.98	1.74	1.32	0.89	0.09	0.04
Earnings	2.80	2.48	2.58	2.16	1.90	0.80	1.36	1.07	0.84	0.29
Earnings (Normalized)	3.10	2.57	2.29	2.02	1.73	1.47	1.30	1.04	0.89	0.64
Dividends	0.69	0.58	0.50	0.42	0.35	0.25	0.17	0.13	0.11	0.05
Payout Ratio [%]	24	23	19	18	17	28	12	12	14	12
Prices: High	106.83	83.79	76.92	58.88	50.22	34.16	23.69	24.30	18.75	22.46
Prices: Low	75.17	66.12	48.80	45.03	33.72	20.43	16.63	16.23	10.45	13.75
P/E Ratio: High	38.2	33.8	29.8	27.3	26.4	42.6	17.4	22.7	22.4	77.1
P/E Ratio: Low	26.8	26.7	18.9	20.8	17.7	25.5	12.2	15.2	12.5	47.2

Income Statement Analysis [Million U.S. \$]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue	18,358	15,082	13,880	12,702	11,778	10,421	9,188	8,065	6,911	6,263
Operating Income	12,355	10,024	9,078	8,150	7,242	6,239	5,463	4,544	3,540	2,702
Depreciation + Amortization	271	243	243	237	224	201	186	138	108	109
Interest Expense	563.00	427.00	3.00	8.00	NA	NA	NA	72.00	115.00	143.00
Pretax Income	11,694	8,012	8,995	7,724	7,257	2,207	5,656	4,638	4,000	1,336
Effective Tax Rate	42.7	25.2	29.6	29.6	31.4	2.9	35.5	36.1	41.2	39.8
Net Income	6,699	5,991	6,328	5,438	4,980	2,144	3,650	2,966	2,353	804
Net Income (Normalized)	7,433	6,204	5,621	5,104	4,541	3,932	3,486	2,873	2,502	1,754

Balance Sheet and Other Financial Data [Million U.S. \$]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cash	13,438	8,938	6,015	3,950	4,255	2,817	3,398	4,051	4,801	6,287
Current Assets	19,023	14,313	10,021	9,562	7,822	11,786	9,190	8,734	9,241	11,174
Total Assets	67,977	64,035	39,367	38,569	35,956	40,013	34,760	33,408	32,281	34,981
Current Liabilities	9,994	8,046	5,355	6,006	4,335	7,954	3,451	3,498	4,442	7,165
Long Term Debt	16,618	15,882	NA	NA	NA	NA	NA	32	44	55
Total Capital	51,127	48,794	29,842	27,413	26,870	27,630	26,437	25,058	23,249	21,247
Capital Expenditures	707	523	414	553	471	376	353	241	306	415
Cash from Operations	9,208	5,574	6,584	7,205	3,022	5,009	3,872	2,691	558	531
Current Ratio	1.90	1.78	1.87	1.59	1.80	1.48	2.66	2.50	2.08	1.56
% Long Term Debt of Capitalization	NA	0	0	0						
% Net Income of Revenue	36.5	39.7	45.6	42.8	42.3	20.6	39.7	36.8	34.0	12.8
% Return on Assets	11.7	12.1	14.6	13.7	11.9	10.4	10.0	8.6	6.6	8.6
% Return on Equity	20.4	19.1	22.1	20.0	18.3	7.9	14.2	12.3	10.6	7.8

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Visa Inc.

Sub-Industry Outlook

Our fundamental outlook for the data processing & outsourced services sub-industry is neutral. Providers of these services posted healthy earnings growth in 2015 and 2016, and this trend will likely continue through 2017 and beyond, in our view. These companies benefit from the prevalence of electronic transaction trends and entry into international markets. However, while the recent actions around de-regulation will be a net positive, we think setbacks could linger temporarily as previous client losses in major end markets like financial services could take time to regain incremental revenues. Longer term, we think easing regulation will be a tailwind, as improved demand of higher-margin banking products could translate to growth.

As economic conditions recover, we see transaction volumes for credit and debit cards and other payment methods dependent on consumer spending improving. Slow economic growth and other fiscal difficulties [including the struggles in Europe] may dampen growth for payroll processors.

Shifting to payment processors, the proportion of electronic transactions continues to rise at the expense of paper-based payments. According to the 2016 Federal Reserve Payment Study, U.S. non-cash payments [debt, credit, ACH and check] amounted to around 144 billion [\$178 trillion in value] in 2015, up around 21 billion payments, or \$17 trillion, since 2012. These trends bode well for payment processors, in our view, as many names capture secular trends in incremental payment volumes, but in most cases, do not necessarily front credit risk.

We view diversification into overseas regions favorably, especially over the longer-term, particularly as an offset to the slower growth in the largely mature domestic market. Our enthusiasm for international growth is tempered

somewhat by continued strength in the dollar, and the rising competition that we see, particularly as companies vie for acquisitions and other means of entry.

We think many data processors garner recurring revenues, generate healthy free cash flow, and generally have strong balance sheets. We also think these stocks provide an opportunity to participate in the IT sector without the risk associated with unproven business models. We have noted consolidation among market participants, and point to the November 2015 acquisition by Fidelity National Information Services of SunGard Data Systems, in a deal with an enterprise value of \$9.1 billion. Looking ahead, we expect consolidation to ease temporarily, using robust free cash flow to reduce debt levels.

We think companies will continue to outsource to third parties to focus on core competencies and to seek greater profitability. Globally, companies spent an estimated \$180 billion on business outsourcing in 2016, and IDC, a market research firm, forecasts that this will rise to \$228 billion by 2017. However, while uncertainty remains, any future implications from the recent presidential election to reduce the ability of outsourcing, or preventing access to human capital offshore [H-1B visas], could hurt outsourcing verticals within data processing.

The S&P Data Processing & Outsourced Services Index is up 27.9% year to date through September 29, compared with an increase of 12.1% for the S&P 1500. In 2016, the sub-industry index rose 6.7%, while the S&P 1500 increased 10.6%. We note that many companies in the group have notable recurring revenues, long-term contracts, and cash flows.

/David Holt

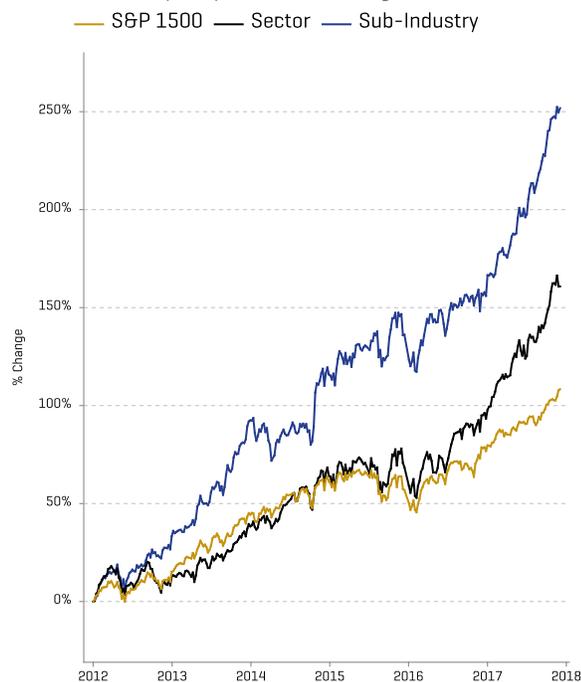
Industry Performance

GICS Sector: Information Technology

Sub-Industry: Data Processing & Outsourced Services

Based on S&P 1500 Indexes

Five-Year market price performance through Dec 09, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Data Processing & Outsourced Services Peer Group*: Data Processing & Outsourced Services

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price (\$)	Stk. Mkt. Cap. (M \$)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Visa Inc.	V	NYSE	USD	112.60	240,987	0.1	42.0	40	0.7	20.4	NA
Amadeus IT Group, S.A.	AMAD.Y	OTCPK	USD	71.44	31,350	1.5	60.1	32	1.5	32.7	26.1
Automatic Data Processing, Inc.	ADP	NasdaqGS	USD	116.02	51,454	3.0	18.2	29	2.2	41.0	33.5
Cielo S.A.	CIOX.Y	OTCPK	USD	7.054	19,162	-1.3	0.8	15	3.2	36.3	33.2
Fidelity National Information Services, Inc.	FIS	NYSE	USD	95.85	32,001	4.6	27.6	59	1.2	6.1	49.9
Fiserv, Inc.	FISV	NasdaqGS	USD	131.72	27,450	2.3	25.8	31	Nil	35.8	62.9
FleetCor Technologies, Inc.	FLT	NYSE	USD	186.43	16,697	6.0	21.5	32	Nil	15.3	36.3
Global Payments Inc.	GPN	NYSE	USD	99.37	15,814	-2.2	38.4	61	0.0	15.5	56.0
Mastercard Incorporated	MA	NYSE	USD	149.89	156,425	-0.1	43.0	35	0.7	69.1	47.7
PayPal Holdings, Inc.	PYPL	NasdaqGS	USD	72.91	87,631	-2.5	84.1	57	Nil	9.8	NA
Paychex, Inc.	PAYX	NasdaqGS	USD	69.01	24,797	6.9	14.5	30	2.9	42.3	NA

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News
October 25, 2017

05:17 pm ET... CFRA REITERATES HOLD OPINION ON SHARES OF VISA INC. [V 109.49***]: We raise our 12-month target to \$128 from \$100. Payment-focused peers have a forward P/E of 31.9X and a P/E-to-growth of 1.8. Applying these multiples and averaging the output results in our target, we raise our EPS estimates for FY 18 [Sep.] to \$4.04 from \$3.98 and FY 19 to \$4.67 from \$4.56. V posts Sep-Q adjusted EPS of \$0.90 vs. \$0.78, \$0.05 above the S;P Capital IQ estimate. Net operating revenue rose 14%, driven by growth in payments volume (10%), cross-border volume (10%), and processed transactions (13%). We see V continuing to execute well, but we see it as fully valued. /Scott Kessler

September 07, 2017

Visa Inc. announced it has appointed Charlotte Hogg as the new executive vice president and chief executive officer for its European operations, effective October 1, 2017. Ms. Hogg will report to company's chief executive officer, Al Kelly, and Visa Europe Limited (VEL) board chairman, Gary Hoffman. Ms. Hogg will join the VEL board of directors and will also be a member of Visa's global executive committee. Ms. Hogg brings more than 25 years of experience to Visa, in roles that span financial services, bank operations and management consulting. Ms. Hogg most recently served as chief operating officer for the Bank of England, from 2013 to 2017. Prior to that role, she led retail distribution for Santander in the UK and previously worked at Experian as the managing director of UK and Irish operations.

August 13, 2017

Visa has made two key appointments in its team. While Manmeet Vohra joins as Marketing Head, India and South Asia, Murali Nair takes charge as the Head of Client Relationship Management in India. Prior to their appointments, Vohra led the marketing of Starbucks in India and Nair served as Senior Vice President of Market Development for Mastercard.

July 21, 2017

10:34 am ET... CFRA REITERATES HOLD OPINION ON SHARES OF VISA INC. [V 99.79***]: We raise our 12-month target by \$3 to \$100. Peers have a median forward P/E of 29.1X and P/E-to-growth of 1.7. Applying these multiples and averaging the outputs results in our target. We raise our EPS estimates by \$0.06 for both FY 17 [Sep.] and FY 18 to \$3.43 and \$3.98. V posts Jun-Q EPS of \$0.86 vs. an adjusted \$0.69, \$0.05 over our estimate and the S;P Capital IQ consensus. Net operating revenues rose 26%, aided by the Visa Europe purchase completed 13 months ago, with increases of 38% and 40% in payment volumes and transactions. We see healthy growth, but a full valuation. /S. Kessler

April 21, 2017

10:28 am ET... CFRA REITERATES HOLD OPINION ON SHARES OF VISA INC. [V 92.35***]: We raise our 12-month target to \$97 from \$87. Peers have a median forward P/E of 26.0X and P/E-to-growth of 1.5. Using these multiples, allowing for premiums given V's global brand and market share, and averaging the outputs results in our target. We raise our EPS estimates for FY 17 [Sep.] by \$0.05 to \$3.37 and FY 18 by \$0.06 to \$3.92. V posts adjusted Q1 EPS of \$0.86 vs. \$0.68, \$0.04 above our estimate and \$0.07 over the S;P Capital IQ consensus. Net operating revenues rose 23%, driven by the Visa Europe purchase in June '16. We see healthy fundamentals and a full valuation. /S. Kessler

April 18, 2017

Visa Inc. announced that its board of directors has appointed John F. Lundgren as a new independent director, effective immediately. Mr. Lundgren will also serve as a member of the board's audit and risk committee. Mr. Lundgren was chief executive officer (CEO) of Stanley Black & Decker Inc. from March 2010 until his retirement in July 2016.

February 03, 2017

11:50 am ET... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF VISA INC. [V 86.41***]: We raise our 12-month target by \$3 to \$90. Peers have a median forward P/E of 23.4X and a P/E-to-growth of 1.5. Using these multiples, applying premiums given V's brand and recent execution and averaging the outputs results in our target. We slightly adjust our EPS estimates for FY 17 [Sep.] to \$3.32 from \$3.30 and FY 18 to \$3.86 from \$3.89. V posts Q4 EPS of \$0.86 vs. \$0.69 [accounting for the Visa Europe put option revaluation], \$0.

08 over the Capital IQ consensus. Net operating revenue rose 25%, reflecting the June '16 Visa Europe acquisition and healthy volume growth. /S. Kessler

October 25, 2016

11:31 am ET... CFRA UPGRADES OPINION ON SHARES OF VISA INC. TO HOLD FROM SELL [V 81.85***]: We raise our 12-month target to \$87 from \$73. Peers have a median forward P/E of 25X and a P/E-to-growth ratio of 1.6. Using these multiples and averaging the outputs results in our target. Our EPS estimates remain \$3.30 for FY 17 [Sep.] and \$3.89 for FY 18. V posts Sep-Q adjusted EPS of \$0.78 vs. a reported \$0.62, \$0.05 over our estimate. Net operating revenue rose 19%, including a full quarter of Visa Europe. U.S. payments volume rose 11%, with the additions of Costco and USAA. The Visa Europe integration has gone better than we anticipated and we note higher peer multiples. /S. Kessler

October 18, 2016

11:36 am ET... CFRA REITERATES SELL OPINION ON SHARES OF VISA INC. [V 81.73**]: V announces Charlie Scharf will be replaced by Alfred F. Kelly, Jr effective December 1. Kelly is a V director, the President and CEO of privately held technology and media company Intersection, and the former President of American Express. Scharf's departure is surprising, as he's been V's CEO for less than four years, despite challenges working for a San Francisco company and having east coast family obligations. Kelly seems like a solid replacement, but we note that even though he had 23 years of experience at American Express, he left more than six years ago. /S. Kessler

July 22, 2016

10:24 am ET... S&P GLOBAL REITERATES SELL OPINION ON SHARES OF VISA INC. [V 78.79**]: We keep our 12-month target of \$73. Peers have a median forward P/E of 23X and a P/E-to-growth ratio of 1.7. Using these multiples, allowing for modest premiums given V's global brand/positioning, and averaging the outputs result in our target. We slightly raise our EPS estimates for FY 16 [Sep.] to \$2.79 from \$2.76, FY 17 to \$3.30 from \$3.23, and FY 18 to \$3.89 from \$3.77. V posts adjusted Jun-Q EPS of \$0.69 vs. a reported \$0.62, \$0.02 over the Capital IQ consensus. Revenues rose 3% [6% with neutral forex]. We see risks as to Europe and note a relatively high FY 16 P/E of 28X. /S. Kessler

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

Analysts' Recommendations



Wall Street Consensus Opinion

BUY

Wall Street Consensus vs. Performance

For fiscal year 2018, analysts estimate that V will earn USD \$4.06. For fiscal year 2019, analysts estimate that V's earnings per share will grow by 16% to USD \$4.71.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	25	64	25	21
Buy/Hold	11	28	11	11
Hold	3	8	3	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	39	100	39	36

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2019	4.71	4.95	4.29	33	23.9
2018	4.06	4.15	3.90	36	27.8
2019 vs. 2018	▲16%	▲19%	▲10%	▼-8%	▼-14%
Q1'19	1.15	1.22	1.11	17	97.6
Q1'18	0.98	1.01	0.95	33	NM
Q1'19 vs. Q1'18	▲17%	▲21%	▲17%	▼-48%	NA

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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STARS Stock Reports:

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Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of September 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	35.1%	26.2%	37.9%	33.9%
Hold	59.1%	57.5%	36.2%	56.3%
Sell	5.8%	16.3%	25.9%	9.8%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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