

# Visa Inc

**S&P Capital IQ Recommendation**



**S&P Capital IQ Equity Analyst Erik Oja**

**Price**

\$214.04 (as of Sep 12, 2014 4:00 PM ET)

**12-Mo. Target Price**

\$234.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

**UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION**

**GICS Sector** Information Technology

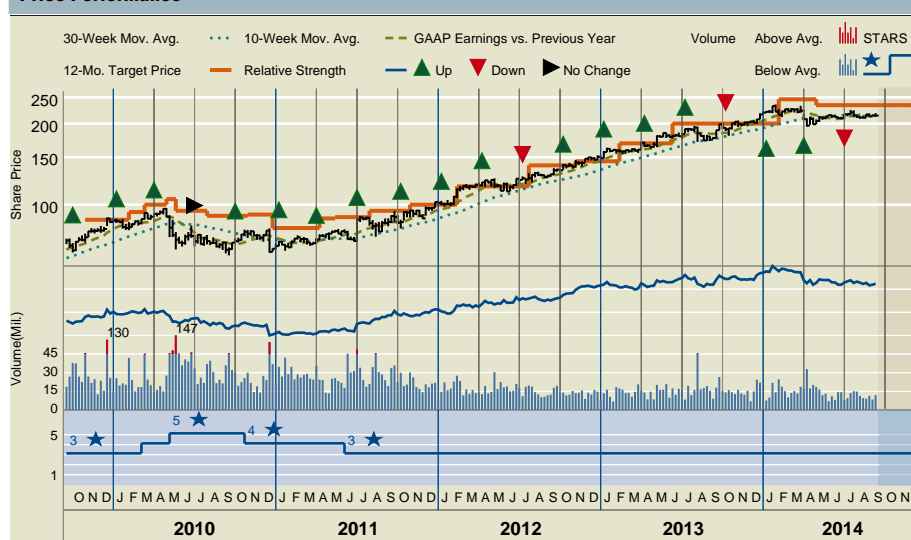
**Sub-Industry** Data Processing & Outsourced Services

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

**Key Stock Statistics** (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$235.50– 180.11</b>	S&P Oper. EPS 2014E	<b>8.93</b>	Market Capitalization(B)	<b>\$105.904</b>	Beta	<b>0.78</b>
Trailing 12-Month EPS	<b>\$8.74</b>	S&P Oper. EPS 2015E	<b>10.10</b>	Yield (%)	<b>0.75</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>18</b>
Trailing 12-Month P/E	<b>24.5</b>	P/E on S&P Oper. EPS 2014E	<b>24.0</b>	Dividend Rate/Share	<b>\$1.60</b>	S&P Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>\$30,739</b>	Common Shares Outstg. (M)	<b>765.4</b>	Institutional Ownership (%)	<b>91</b>		

**Price Performance**



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

Analysis prepared by Equity Analyst Erik Oja on May 06, 2014 09:13 AM, when the stock traded at \$207.13.

**Highlights**

- Global credit and debit payments volume grew by a relatively slow 4.7%, year to year, in the March quarter, or 10.2% on a constant currency basis, a slowdown from the December quarter, partly due to the severe weather. Payment volumes were based on 12.2% credit growth in constant dollars and 11.2% debit growth, also in constant dollars. We believe growth in payment volumes, particularly in overseas markets, will continue to drive service fees and that if the U.S. economic recovery accelerates, payment volume growth will pick up. Due to international economic softness, we estimate that operating revenues will grow just over 10% in FY 14 (Sep.) and 11% in FY 15, following a robust 13% increase in FY 13. We think electronic payments growth will be increasingly driven by mobile payments over the next few years.
- Given Visa's operating leverage and scale as well as expense controls, we expect efficiency ratios to be improved in FY 14 and FY 15.
- We see EPS of \$8.93 in FY 14 and \$10.10 in FY 15.

**Investment Rationale/Risk**

- We view favorably V's business model, as well as what we consider its high level of cash flows and healthy balance sheet. We see healthy payment volume growth ahead, given a U.S. economic recovery, aided by the secular trend toward non-cash payments and strong growth prospects in emerging markets. We are optimistic about V's growth initiatives, including expansion in prepaid cards, mobile payments, money transfer, and e-commerce. Also, we expect the new CEO to work to make V's systems more flexible in order for it to be better able to compete as new digital technologies are adopted by consumers.
- Risks to our opinion and target price include the potential for a notable slowdown in global economic growth and/or consumer sentiment, negative implications associated with the implementation of new regulations limiting interchange fees, and customer losses.
- Our 12-month target price of \$234 is 24.9X our forward EPS estimate of \$9.41. V currently trades at 22X forward estimates, and V's one and three year trailing average forward P/E multiples have been 23.1X and 20.4X, respectively, all slightly below Mastercard's.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment reflects what we view as 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
2014	3,155	3,163	3,155	--	--
2013	2,846	2,958	3,001	2,973	11,778
2012	2,547	2,578	2,565	2,731	10,421
2011	2,238	2,245	2,322	2,383	9,188
2010	1,960	1,959	2,029	2,117	8,065
2009	1,739	1,647	1,646	1,879	6,911

**Earnings Per Share (U.S. \$)**

2014	2.20	2.52	1.78	E2.25	E8.93
2013	1.93	1.92	1.88	1.85	7.59
2012	1.49	1.91	-2.74	2.47	3.16
2011	1.23	1.23	1.43	1.27	5.16
2010	1.02	0.96	0.97	1.06	4.01
2009	0.74	0.71	0.97	0.69	3.10

Fiscal year ended Sep. 30. Next earnings report expected: Late October. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.400	Oct 23	Nov 13	Nov 15	Dec 3 '13
0.400	Jan 29	Feb 12	Feb 14	Mar 4 '14
0.400	Apr 23	May 14	May 16	Jun 3 '14
0.400	Jul 23	Aug 13	Aug 15	Sep 3 '14

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.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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# Visa Inc

## Business Summary May 06, 2014

**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. In October 2007, V completed a reorganization via which Visa U.S.A., Visa International, Visa Canada and Inovant, which operated the VisaNet transaction processing system and other related processing systems, became subsidiaries of V.

V derives revenues primarily from card service fees, data processing fees, and international transaction fees. Service fees (38% of September quarter gross operating revenue) reflect payments by customers for their participation in card programs carrying Visa brands. They also include acceptance fees, which are used to support merchant acceptance and ongoing volume growth initiatives. Data processing fees (32%) 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. International transaction fees (25%) are charged to customers on transactions where the issuer and the merchant are located in different countries. Its other revenues (5%) 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.

Payments volumes, the basis for card service fee revenue, and transactions, which drive data processing revenue, are key drivers of V's business. Payments volume increased 9% in FY 13 (Sep.) to \$4.3 trillion, driven by 10% growth in transactions processed, to 58 billion.

**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. The company intends to continue to expand the size of its payments network to drive the issuance, acceptance and usage of its products globally. V believes that there is a significant opportunity for expanding the usage of its products and services in high-growth geographies in which it currently operates.

The company 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, including the U.S. V intends to continue to provide new products and services and increase the functionality, utility and cost effectiveness of its products and services.

**IMPACT OF MAJOR DEVELOPMENTS.** In October 2013, Visa and its closest peer card network operators introduced a proposed framework for a new global standard to enhance security, with the traditional account number to be replaced by a token. In our view, this is a logical step toward enhanced security for mobile/digital payments.

In July 2012, Visa and MasterCard signed a memorandum of understanding to settle a merchant lawsuit lingering from 2005 related to credit card processing fees. Visa'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, Visa's rules have been altered to allow retailers to impose a surcharge on credit transactions (subject to a cap). V paid for the settlement through its litigation escrow account.

In July 2010, new regulations were signed into law governing debit interchange fees garnered by bank issuers and set by card networks such as Visa and MasterCard. 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 October 2008, V settled an antitrust suit with Discover Financial and agreed to pay \$472 million each quarter for four quarters through September 2009. 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 FY 09, V deposited an additional \$1.8 billion into this account. Covered litigation includes any claim that challenges the reorganization or its consummation. V also used a portion of the net proceeds of the offering to redeem shares held by Class B and Class C shareholders. In November 2007, V entered into an agreement with American Express to settle pending litigation. Under this agreement, American Express was to receive \$945 million from V and an additional payment from the bank defendants on or before March 31, 2008. Beginning March 31, 2008, V was to pay American Express an additional amount of up to \$70 million per quarter for 16 quarters, for a maximum of \$1.1 billion. V funded its payment obligations under this settlement with amounts in the escrow account.

**FINANCIAL TRENDS.** In FY 13, operating revenues increased 10%, to \$12 billion, driven by growth in payment and transaction volumes. Operating expenses, excluding litigation expenses, increased 8%. Net income grew by 14% in FY 13, aided by share repurchases.

## Corporate Information

### Investor Contact

J. Carsky (650-432-7644)

### Office

PO Box 8999, San Francisco, CA 94128.

### Telephone

650-432-3200.

### Website

<http://www.corporate.visa.com>

## Officers

**Chrmn**  
R.W. Matschullat

**EVP, CFO & Chief  
Acctg Officer**  
B.H. Pollitt, Jr.

**CEO**  
C.W. Scharf

**EVP & General  
Counsel**  
E. Richey

**Pres**  
R.M. McInerney

## Board Members

H. A. Al-Qadi  
F. J.  
Fernandez-Carbajal  
A. F. Kelly, Jr.  
C. E. Minehan  
C. W. Scharf  
J. A. Swainson

M. B. Cranston  
S. M. Johnson  
R. W. Matschullat  
D. Pang  
W. S. Shanahan  
M. G. Webb, Jr.

## Domicile

Delaware

**Founded**  
2007

**Employees**  
9,500

**Stockholders**  
355

# Visa Inc

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	3+	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

<b>Fair Value Calculation</b>	<b>\$219.20</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that V is slightly undervalued by \$5.16 or 2.4%.
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<b>Investability Quotient Percentile</b>	<b>97</b>
	LOWEST = 1 HIGHEST = 100
	V scored higher than 97% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	<b>LOW</b>	AVERAGE	HIGH
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<b>Technical Evaluation</b>	<b>NEUTRAL</b>	Since September, 2014, the technical indicators for V have been NEUTRAL.
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<b>Insider Activity</b>	<b>NA</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit [www.standardandpoors.com/stockreportguide](http://www.standardandpoors.com/stockreportguide)

## Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	12.40	9.86	7.81	6.45
Price/EBITDA	19.57	15.64	12.48	10.82
Price/Pretax Income	20.13	46.57	12.69	11.21
P/E Ratio	29.33	47.93	19.67	17.54
Avg. Diluted Shares Outstg (M)	656.0	678.0	707.0	739.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	13.02	13.45	13.79	19.65
Net Income	NM	10.77	29.49	NM

## Ratio Analysis (Annual Avg.)

	2013	2012	2011	2010
Net Margin (%)	42.28	34.19	34.68	21.23
% LT Debt to Capitalization	NA	NA	0.08	NA
Return on Equity (%)	18.21	13.45	12.65	NA

## Company Financials Fiscal Year Ended Sep. 30

Per Share Data (U.S. \$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	5.10	5.96	4.22	2.45	2.48	NM	NM	NA	NA	NA
Cash Flow	7.93	3.65	5.73	4.52	3.40	0.95	NA	NA	NA	NA
Earnings	7.59	3.16	5.16	4.01	3.10	0.96	-1.15	0.60	NA	NA
S&P Capital IQ Core Earnings	7.58	6.97	5.06	3.95	2.67	1.95	1.87	0.57	NA	NA
Dividends	1.32	0.88	0.60	0.50	0.42	0.11	NA	NA	NA	NA
Payout Ratio	17%	28%	12%	12%	14%	11%	NA	NA	NA	NA
Prices:High	222.72	152.51	103.45	97.19	89.69	89.84	NA	NA	NA	NA
Prices:Low	153.93	98.33	67.51	64.90	41.78	43.54	NA	NA	NA	NA
P/E Ratio:High	29	48	20	24	29	94	NA	NA	NA	NA
P/E Ratio:Low	20	31	13	16	13	45	NA	NA	NA	NA

## Income Statement Analysis (Million U.S. \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	11,778	10,421	9,188	8,065	6,911	6,263	5,193	3,899	2,641	2,409
Operating Income	7,466	6,572	5,751	4,809	3,766	3,106	2,238	1,419	1,271	1,063
Depreciation	224	333	288	265	226	237	NA	NA	686	593
Interest Expense	NA	Nil	32.0	72.0	115	143	NA	104	108	111
Pretax Income	7,257	2,207	5,656	4,638	4,000	1,336	-1,007	738	456	355
Effective Tax Rate	31.4%	2.95%	35.5%	36.1%	41.2%	39.8%	NM	37.0%	40.2%	37.3%
Net Income	4,980	2,144	3,650	2,966	2,353	804	-892	465	265	216
S&P Capital IQ Core Earnings	4,959	4,724	3,559	2,909	2,033	1,787	1,574	476	NA	NA

## Balance Sheet & Other Financial Data (Million U.S. \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cash	4,255	2,817	3,398	4,051	4,732	6,287	7,935	NA	822	340
Current Assets	7,822	11,786	9,190	8,734	9,241	11,174	11,321	NA	1,432	898
Total Assets	35,956	40,013	34,760	33,408	32,281	34,981	33,250	NA	2,745	2,294
Current Liabilities	4,335	7,954	3,451	3,498	4,442	7,165	6,541	NA	1,275	1,047
Long Term Debt	NA	Nil	Nil	32.0	44.0	55.0	40.0	NA	73.6	106
Common Equity	26,870	27,630	26,437	25,011	23,189	21,141	19,747	NA	126	-230
Total Capital	26,870	27,630	26,437	25,058	23,249	26,143	24,560	NA	254	-81.2
Capital Expenditures	471	376	353	241	306	415	NA	NA	119	122
Cash Flow	5,204	2,477	3,934	3,231	2,579	1,041	NA	NA	951	809
Current Ratio	1.8	1.5	2.7	2.5	2.1	1.6	1.7	NA	1.1	0.9
% Long Term Debt of Capitalization	Nil	Nil	Nil	0.1	0.2	0.2	0.2	Nil	29.0	NM
% Net Income of Revenue	42.3	20.6	39.7	36.8	34.1	12.8	NM	11.9	10.0	9.0
% Return on Assets	13.1	5.7	10.7	9.0	7.0	2.4	NA	NA	NA	NA
% Return on Equity	18.2	7.9	14.2	12.3	10.6	3.9	NA	NA	NA	NA

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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**Sub-Industry Outlook**

Our fundamental outlook for the data processing & outsourced services sub-industry is neutral. Providers of these services posted earnings growth in 2013, and this trend should continue through 2014. They are benefiting from growth of outsourcing, the prevalence of electronic transactions, and entry into international markets. However, we remain concerned that consolidation, increased regulation, and anticipated revenue loss for clients in major end markets like financial services could result in business delays or price erosion.

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

We view diversification into overseas regions favorably, particularly as an offset to the slower growth in the mature domestic market. Our enthusiasm for international growth is tempered somewhat by rising competition that we see, particularly as companies compete for acquisitions and other means of entry.

We believe that many data processors garner recurring revenues, generate free cash flow, and generally have healthy balance sheets. We also think these stocks provide an opportunity to participate in the IT sector without the risk associated with unproven business models. There remains potential for consolidation among market participants, in our view, as we have seen interest in the sub-industry from buyout firms in the past.

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 \$159 billion on business outsourcing in 2012, and IDC, a market research firm, forecasts that this will rise to \$209 billion by 2017. Also, we expect the proportion of electronic payments to rise at the expense of paper-based payments. We believe these trends bode well for data processors, although we think regulatory changes remain a concern.

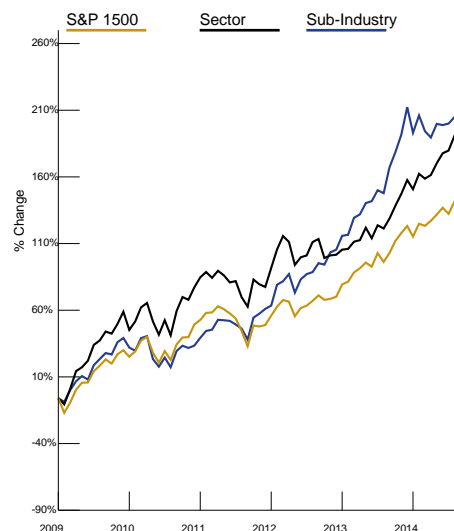
The S&P 1500 Data Processing & Outsourced Services Index was down 3% through February 14, while the S&P 1500 was up down 0.5%. In 2013, the sub-industry index was up 51%, versus the S&P 1500's 30% increase. We note that recurring revenues, long-term contracts, and cash flows that many in the group have offered support in turbulent times.

--Scott Kessler

**Industry Performance**

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

Based on S&P 1500 Indexes  
Five-Year market price performance through Sep 13, 2014



**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.

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

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Visa Inc 'A'</b>	<b>V</b>	<b>105,904</b>	<b>214.04</b>	<b>235.50/180.11</b>	<b>0.78</b>	<b>0.7</b>	<b>24</b>	<b>219.20</b>	<b>NR</b>	<b>97</b>	<b>42.3</b>	<b>NA</b>
Alliance Data Systems	ADS	13,714	257.91	300.49/203.62	1.27	Nil	32	320.80	B+	44	11.5	72.8
Cass Information Systems	CASS	540	46.83	68.81/44.96	0.93	1.7	23	NA	A	79	19.9	NA
Euronet Worldwide	EEFT	2,492	49.33	54.66/36.05	1.45	Nil	28	52.30	B-	91	6.2	22.6
Global Payments	GPN	4,845	71.05	74.46/49.37	1.08	0.1	21	78.10	A-	43	9.6	54.5
MasterCard Inc 'A'	MA	84,101	75.47	84.75/64.74	0.88	0.6	27	86.70	NR	97	37.3	NA
MoneyGram Intl	MGI	799	13.82	21.95/12.45	1.67	Nil	9	9.90	C	34	3.6	110.0
Total System Svcs	TSS	5,964	31.75	33.44/27.00	1.14	1.3	21	36.90	B+	98	11.5	46.0
Western Union	WU	8,890	16.78	19.50/14.60	1.26	3.0	12	25.10	NR	73	14.4	79.3

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

## S&P Capital IQ Analyst Research Notes and other Company News

### July 25, 2014

12:37 pm ET ... S&P CAPITAL IQ KEEPS HOLD RECOMMENDATION ON SHARES OF VISA INC. (V 212.45\*\*\*): We keep our \$234 target price, a peer-equal 24X our forward four quarters EPS estimate of \$9.75. V reports FY (Sept) Q3 EPS of \$2.17 vs. \$1.88, above our \$2.16 estimate and above the Capital IQ consensus view of \$2.10. Revenues of \$3.155B vs. \$3.0B were also above consensus views. However, V moderates its top-line outlook for FY 14, partly due to F/X, and also to turmoil in Russia/Ukraine, and lower US debit spending, in part due to the Dec '13 breach at Target (TGT 60\*\*\*\*). V also notes competitive threat from possible development of alternate payment systems in Russia. /Erik Oja

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### June 4, 2014

Visa Inc. announced that Byron H. Pollitt, Jr. inform his decision to retire as Chief Financial Officer within the next twelve months. Mr. Pollitt has served as Visa's CFO for the past seven years.

### May 8, 2014

08:12 am ET ... VISA INC. (V 208.7) UNCHANGED, NOMURA MAINTAINS BUY ON VISA INC., LOWERS PT TO \$228.00... Nomura maintains Visa Inc. (NYSE: V) with a Buy and lowers the price target from \$264.00 to \$228.00. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved. Acquire Media

### April 29, 2014

03:29 pm ET ... S&P CAPITAL IQ KEEPS HOLD RECOMMENDATION ON SHARES OF VISA INC. (V 203.59\*\*\*): We lower our target price by \$12 to \$234, 25X our forward four quarters EPS estimate of \$9.45, a multiple about in-line with V's peers. V posts Mar-Q GAAP EPS of \$2.52 vs. \$1.92, beating our forecast and the Capital IQ consensus view of \$2.18 each, on a one-time tax gain. Mar-Q revenues grew just 6.9% year over year, a much slower pace than prior quarters, on a stronger US dollar. V also expects Jun-Q revenues to grow slowly, and to rebound in the Sep-Q. Although we have a favorable view of V's high level of cash flows and healthy balance sheet, we see the stock as fully valued. /Erik Oja

### April 25, 2014

UP 0.00 to 209.40... V posts \$2.52 vs. \$1.92 Q2 EPS on 6.9% revenue rise. Notes softer net revenue growth was impacted by a strengthening US\$ and difficult y/y comps due to non-recurring items. Expect this impact to be slightly more pronounced in Q3 before rebounding in Q4. Sees low double-digit constant revenue growth in 10%-11% range for FY 14, with an expectation of two percentage points of negative foreign currency impact, operating margin in low to mid-60s.

### April 24, 2014

04:18 pm ET ... SNAPSHOT - CORPORATE EARNINGS - VISA (V 209.40\*\*\*): V reports fiscal Q2 EPS of \$2.20 vs. \$1.92 a year ago. The last S&P Capital IQ consensus estimate was \$2.18. Operating revenue rose 7% to \$3.2 billion on growth in service revenues, data processing sales, and international

transactions. The strengthening of the U.S. dollar detracted 2% from revenues, V said. "We expect this impact to be slightly more pronounced next quarter before rebounding in our fiscal fourth quarter, which will be more reflective of the fundamental strength of the business model," V said. /Global Markets Intelligence

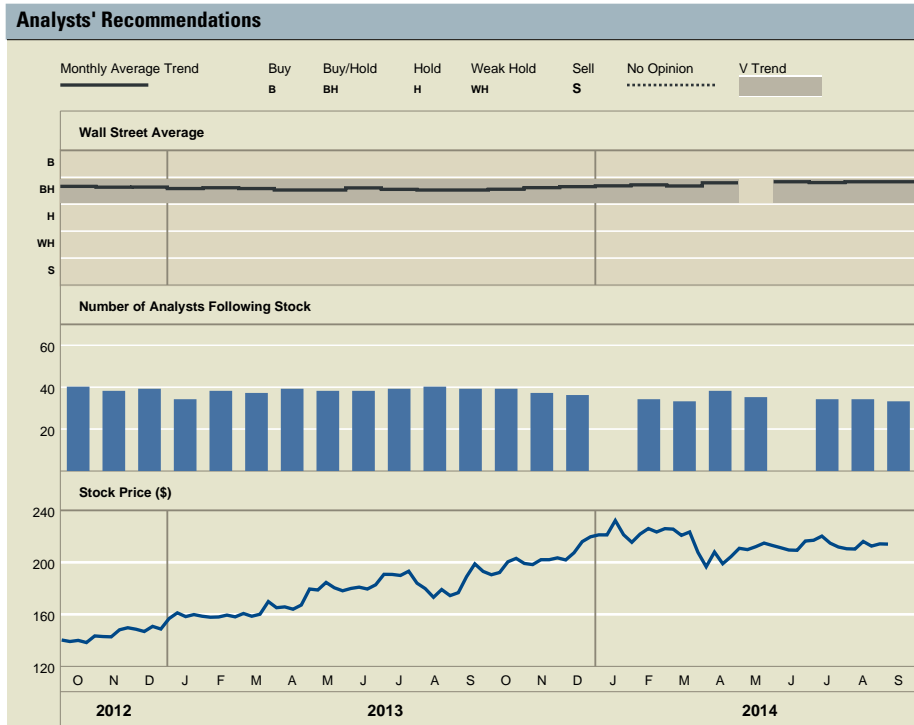
### April 14, 2014

UP 0.00 to 196.63... Analyst David Koning tells salesforce upgrading V and MA as risk/reward has become more attractive. Says key factors in upgrade include strong secular tailwinds in the business model, solid FCF generation, his view that regulatory/competitive fears are overblown, and what he views as compelling valuation. Sees the recent pullback in share price as a good opportunity to buy and views the risk/reward as solid over the next years. Has \$245 target for V, \$83 for MA.

### April 14, 2014

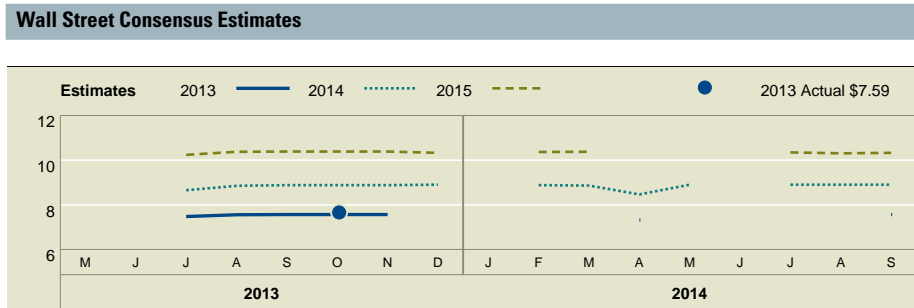
02:18 pm ET ... VISA INC. (V 200.48) UP 3.85, BAIRD UPGRADES VISA (V) AND MASTERCARD (MA) TO OUTPERFORM FROM NEUTRAL... Analyst David Koning tells salesforce upgrading V and MA as risk/reward has become more attractive. Says key factors in upgrade include strong secular tailwinds in the business model, solid FCF generation, his view that regulatory/competitive fears are overblown, and what he views as compelling valuation. Sees the recent pullback in share price as a good opportunity to buy and views the risk/reward as solid over the next years. Has \$245 target for V, \$83 for MA. S.Trombino

# Visa Inc



Of the total 37 companies following V, 32 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	0	0	16	0
Buy/Hold	0	0	11	0
Hold	6	19	6	0
Weak Hold	11	34	0	0
Sell	15	47	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>32</b>	<b>100</b>	<b>33</b>	<b>0</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	10.37	10.73	10.10	33	20.6
2014	8.93	9.10	8.65	28	24.0
<b>2015 vs. 2014</b>	<b>▲ 16%</b>	<b>▲ 18%</b>	<b>▲ 17%</b>	<b>▲ 18%</b>	<b>▼ -14%</b>
Q4'15	2.65	2.79	2.50	20	80.8
Q4'14	2.11	2.36	2.03	27	NM
<b>Q4'15 vs. Q4'14</b>	<b>▲ 26%</b>	<b>▲ 18%</b>	<b>▲ 23%</b>	<b>▼ -26%</b>	<b>NA</b>

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ 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.

### Wall Street Consensus Opinion

**WEAK HOLD**

### Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- Argus Research Company
  - Barclays
  - BofA Merrill Lynch
  - Buckingham Research Group Inc.
  - Buckingham Research Group Inc.
  - Citigroup Inc
  - Cowen and Company, LLC
  - Credit Suisse
  - Daiwa Securities Co. Ltd.
  - Deutsche Bank
  - Erste Group Bank AG
  - Evercore Partners Inc.
  - FBR Capital Markets & Co.
  - Goldman Sachs
  - Guggenheim Securities, LLC
  - Guggenheim Securities, LLC
  - JP Morgan
  - Jefferies LLC
  - Keefe, Bruyette, & Woods, Inc.
  - Keefe, Bruyette, & Woods, Inc.
  - Macquarie Research
  - Morgan Stanley
  - Morningstar Inc.
  - Morningstar Inc.
  - Morningstar Inc.
  - Nomura Securities Co. Ltd.
  - Oppenheimer & Co. Inc.
  - Pacific Crest Securities
  - RBC Capital Markets
  - Raymond James & Associates

### Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that V will earn US\$ 8.93. For the 3rd quarter of fiscal year 2014, V announced earnings per share of US\$ 1.78, representing 20% of the total annual estimate. For fiscal year 2015, analysts estimate that V's earnings per share will grow by 16% to US\$ 10.37.

## Glossary

### S&P Capital IQ STARS

Since January 1, 1987, 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, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ 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 Capital IQ 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 Capital IQ'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	

### S&P Capital IQ EPS Estimates

S&P Capital IQ 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, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. 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.

### S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### S&P Capital IQ 12-Month Target Price

The S&P Capital IQ 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 S&P Capital IQ Fair Value.

### S&P Capital IQ Equity Research

S&P Capital IQ Equity Research U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as S&P Capital IQ; Standard & Poor's Equity Research Services Asia includes: McGraw-Hill Financial Singapore Pte. Limited, Standard & Poor's Investment Advisory Services (HK) Limited, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

### Abbreviations Used in S&P Capital IQ 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 and 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).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ 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 S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P 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 wide 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 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 wide 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 and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of March 31, 2014

Ranking	North America	Europe	Asia	Global
Buy	35.4%	35.8%	41.9%	36.2%
Hold	52.3%	43.3%	54.3%	51.0%
Sell	12.3%	20.9%	3.8%	12.8%
Total	100%	100%	100%	100%

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