Visa Inc. is the result of the merger of Visa USA, Visa International, Visa Canada, and Inovant. The reorganization was completed in October 2007. In March of 2008, the company went public, offering $46 million shares at an initial price of $44. The company raised $17.9 billion in the largest IPO in U.S. history to date. Lead underwriters were J.P. Morgan and Goldman Sachs, which led a team of other main underwriters and several small banks.

Visa Inc. is widely regarded as a leader in the electronic payments industry, processing billions of transactions daily and providing secure payment tools to merchants and consumers worldwide. Its global network, VisaNet, delivers value-added processing and payment product platforms. This includes credit, debit, prepaid, and commercial payments networks. This includes credit, debit, prepaid, and commercial payments networks, offering Visa card access in more than 200 countries. Visa’s global network, VisaNet, delivers value added services and payment products.

Visa shares have some ground of late, even as the company continues to post decent results. In the fiscal third quarter (year ends September 30th), the electronic payments processor logged revenues of $3.155 billion, marking a 5% advance from the year-earlier tally. We had expected revenues of only $2.932 billion.) A strong U.S. dollar, coupled with tepid growth from cross-border transactions, was the primary culprit for the top-line shortfall. At the same time, earnings of $1.49 per share, represented a healthy 15% improvement from the previous year, but came in shy of our $1.54 estimate, a consequence of slower-than-anticipated revenue growth. This untimely stock had, which experienced an overall decline of 8% in value since Visa’s IPO in 2008, traded notably lower after the earnings release. We have slightly adjusted our fiscal 2014 top-line estimate, while leaving our share-net target intact. We now expect revenues of $12.8 billion, versus our $12.3 billion estimate, a consequence of slower-than-anticipated revenue growth. Our 2014 bottom-line call stands at $2.90 per share, which would represent a 19% year-over-year growth.

Our forecasts for fiscal 2015, and beyond, remain unchanged. Much of the long-term progress we foresee will likely be driven by Visa’s international business, and the company now generates more than 57% of total revenues overseas (including Visa Europe), compared with less than 42% just a few years earlier. Too, debit card transactions are playing a more prominent role in Visa’s broader operations, and now account for 57% of total revenues versus less than 50% in prior years. We are maintaining our 2015 top-end and bottom-line targets at $14.25 billion and $10.40 a share, respectively, and would represent advances of 11%-12% and 35%-40% from our 2014 projections.

The recent quotation presents an appealing entry point, in our view. We remain optimistic about Visa’s long-term prospects, owing to its rock-solid finances (including a debt-free balance sheet), experienced management team, and ubiquitous brand name. Indeed, these good-quality shares have above-average total return potential to the end of this decade. Sharif Abdou August 15, 2014

Company’s Financial Strength:
Stock’s Price Stability:
Price Growth Persistence:
Earnings Predictability:

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