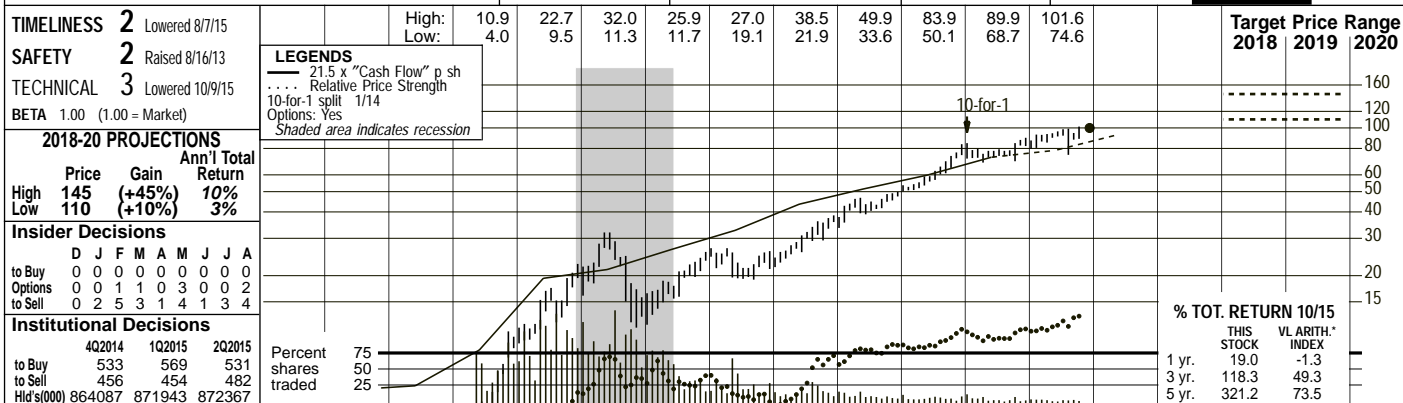


MASTERCARD INC. NYSE-MA

RECENT PRICE **100.12** P/E RATIO **28.9** (Trailing: 30.8 Median: NMF) RELATIVE P/E RATIO **1.57** DIV'D YLD **0.6%** VALUE LINE



| MasterCard, Inc., was founded in 1966 when a group of banks formed the Interbank Card Association. In 1969 this association bought the rights to use "Master Charge" from the California Bank Association; it was renamed MasterCard in 1979. The company completed an initial public offering on May 25, 2006, selling 61.5 million shares of Class A common stock at a price of \$39 a share. Lead underwriters of the offering were Goldman Sachs, Citigroup, and HSBC. | 2005 ^C | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | © VALUE LINE PUB. LLC | 18-20 |
|--|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------------|---------|
| Revenues per sh | 2.18 | 2.46 | 3.10 | 3.86 | 3.93 | 4.23 | 5.25 | 5.91 | 6.89 | 8.13 | 8.60 | 9.75 | Revenues per sh | 13.20 |
| "Cash Flow" per sh | .28 | .41 | .90 | .99 | 1.24 | 1.52 | 2.03 | 2.39 | 2.79 | 3.38 | 3.65 | 4.35 | "Cash Flow" per sh | 5.95 |
| Earnings per sh ^A | .20 | .34 | .80 | .90 | 1.12 | 1.41 | 1.87 | 2.19 | 2.56 | 3.10 | 3.30 | 4.00 | Earnings per sh ^A | 5.50 |
| Div'ds Decl'd per sh ^E | -.03 | .05 | .06 | .06 | .04 | .05 | .06 | .08 | .13 | .15 | .17 | .17 | Div'ds Decl'd per sh ^E | .64 |
| Cap'l Spending per sh | .87 | 1.75 | 2.31 | 1.49 | 2.70 | 3.98 | 4.58 | 5.53 | 6.18 | 5.83 | 6.20 | 8.95 | Cap'l Spending per sh | 20.75 |
| Book Value per sh ^D | 1350.0 | 1349.7 | 1312.7 | 1292.4 | 1297.7 | 1309.0 | 1280.0 | 1250.0 | 1211.0 | 1165.0 | 1130.0 | 1120.0 | Book Value per sh ^D | 1100.00 |
| Common Shs Outst'g ^{BC} | -- | 20.1 | 18.0 | 23.7 | 16.8 | 16.3 | 15.9 | 19.7 | 24.1 | 25.0 | 25.0 | 25.0 | Common Shs Outst'g ^{BC} | 1100.00 |
| Avg Ann'l P/E Ratio | -- | 1.09 | .96 | 1.43 | 1.12 | 1.04 | 1.00 | 1.25 | 1.35 | 1.32 | 1.32 | 1.32 | Avg Ann'l P/E Ratio | 23.0 |
| Relative P/E Ratio | -- | 1.1% | .4% | .3% | .3% | .3% | .2% | .5% | .5% | .6% | .6% | .6% | Relative P/E Ratio | 1.45 |
| Avg Ann'l Div'd Yield | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Avg Ann'l Div'd Yield | .5% |

CAPITAL STRUCTURE as of 9/30/15
 Total Debt \$1495.0 bill. Due in 5 Yrs \$500.0 mill.
 LT Debt \$1495.0 bill. LT Interest \$48.0 mill.

| | | | | | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-----------------------|-------|
| 2937.6 | 3326.1 | 4067.6 | 4991.6 | 5098.7 | 5539.0 | 6714.0 | 7391.0 | 8346.0 | 9473.0 | 9700 | 10900 | Revenues (\$mill) | 14510 |
| 19.7% | 23.1% | 30.2% | 38.4% | 47.1% | 52.4% | 54.8% | 56.4% | 57.0% | 57.3% | 59.5% | 63.0% | Operating Margin | 63.5% |
| 109.9 | 99.8 | 97.6 | 112.0 | 141.4 | 148.0 | 194.0 | 230.0 | 258.0 | 321.0 | 350 | 375 | Depreciation (\$mill) | 450 |
| 266.7 | 457.1 | 1085.9 | 1172.6 | 1462.6 | 1847.0 | 2399.0 | 2758.0 | 3116.0 | 3617.0 | 3760 | 4520 | Net Profit (\$mill) | 6100 |
| 38.5% | 34.8% | 35.0% | 40.1% | 34.1% | 33.0% | 31.8% | 29.9% | 30.8% | 28.8% | 30.0% | 30.0% | Income Tax Rate | 30.0% |
| 9.1% | 13.7% | 26.7% | 23.5% | 28.7% | 33.3% | 35.7% | 37.3% | 37.3% | 38.2% | 38.8% | 41.5% | Net Profit Margin | 42.1% |

Leases, Uncapitalized: Annual rentals \$30.0 mill.
Pension Assets-12/14 \$283.0 mill.
Oblig. \$291.0 mill.

Pfd Stock None
Common Stock 1,122,768,757 shs. ^B
 as of 7/22/15

MARKET CAP: \$112.4 billion (Large Cap)

CURRENT POSITION

| | 2013 | 2014 | 9/30/15 |
|----------------|---------|---------|---------|
| Cash Assets | 3599.0 | 5137.0 | 3877.0 |
| Receivables | 966.0 | 1109.0 | 1081.0 |
| Securities | 2696.0 | 1168.0 | 1232.0 |
| Other | 3689.0 | 3583.0 | 3435.0 |
| Current Assets | 10950.0 | 10997.0 | 9625.0 |
| Accts Payable | 338.0 | 419.0 | 381.0 |
| Debt Due | -- | -- | -- |
| Other | 5694.0 | 5803.0 | 5562.0 |
| Current Liab. | 6032.0 | 6222.0 | 5943.0 |

ANNUAL RATES of change (per sh)

| | Past 10 Yrs. | Past 5 Yrs. | Est'd '12-'14 to '18-'20 |
|-------------|--------------|-------------|--------------------------|
| Revenues | 14.0% | 14.0% | 11.0% |
| "Cash Flow" | 26.5% | 22.5% | 13.0% |
| Earnings | 31.0% | 23.0% | 13.0% |
| Dividends | -- | 37.5% | 16.5% |
| Book Value | 23.5% | 22.0% | 23.5% |

QUARTERLY REVENUES (\$ mill.)

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2012 | 1758 | 1820 | 1918 | 1895 | 7391.0 |
| 2013 | 1906 | 2096 | 2218 | 2126 | 8346.0 |
| 2014 | 2177 | 2377 | 2503 | 2416 | 9473.0 |
| 2015 | 2230 | 2390 | 2530 | 2550 | 9700 |
| 2016 | 2530 | 2690 | 2830 | 2850 | 10900 |

EARNINGS PER SHARE^A

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2012 | .54 | .56 | .62 | .49 | 2.19 |
| 2013 | .62 | .69 | .73 | .52 | 2.56 |
| 2014 | .73 | .80 | .87 | .69 | 3.10 |
| 2015 | .89 | .81 | .86 | .74 | 3.30 |
| 2016 | 1.05 | 1.00 | 1.04 | .91 | 4.00 |

QUARTERLY DIVIDENDS PAID^E

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2011 | .015 | .015 | .015 | .015 | .06 |
| 2012 | .015 | .03 | .03 | .03 | .11 |
| 2013 | .03 | .06 | .06 | .06 | .21 |
| 2014 | .11 | .11 | .11 | .11 | .44 |
| 2015 | .16 | .16 | .16 | .16 | .64 |

MasterCard posted mixed third-quarter financial results. On the upside, the September-quarter top line increased 1.1% on a year-over-year basis, to approximately \$2.5 billion. This modest revenue gain reflected an advance in cross-border volumes, gross dollar volumes, and overall processed transactions of 16%, 13%, and 12%, respectively. On the downside, as has been the trend for some time, the company needed to employ rebates and incentives as a means to lock in new contracts and renewals. On the margin front, operating expenses increased 60 basis points as a function of the top line. This reflected rising general & administrative, and depreciation & amortization costs. After accounting for the antidilutive effects of stock buybacks, MA's share net declined a modest 1.2%, to \$0.86. However, this was slightly lower than we had previously anticipated. **Consequently, we have trimmed a dime off our 2015 and 2016 earnings estimates, to \$3.30 and \$4.00 a share, respectively.** In the current year, this would represent a bottom-line increase of roughly 6.5%. This ought to be supported

by a low- to mid-single-digit revenue increase, despite the difficult global economy. The bulk of this can be attributed to contracts recently penned earlier this year, like the one with TD Bank, as well as co-branded card offerings with JetBlue, BarclayCard, CDF, Coles, and Aeroflot. **The balance sheet is in decent shape.** Although cash reserves declined about 25% over the first nine months of this year, that financial cushion still sits at about \$3.9 billion. Meanwhile, the long-term debt load hovers at a modest 19% of total capital. What's more, the board has repurchased approximately 42 million shares of stock so far this year, leaving it with roughly \$1.2 billion remaining under its current share-buyback authorization. **These shares are ranked to outpace the broader market averages in the coming year.** However, MA's quotation has gone steadily higher for the better part of seven years. At this point, the equity is trading near the lower end of our Target Price Range. As a result, this stock is not a standout for appreciation potential over the pull to 2018-2020.

Bryan J. Fong November 13, 2015

(A) Dil. eggs., excl. nonrecurring gain (loss): '06, (\$0.30); '08, (\$1.96); '11, (\$0.39). May not sum due to rounding. Next earnings report due Jan. (B) Includes Class A, Class B, and Class M shares. Adjusted for stock split. (C) In millions. Shares outstanding in 2005 have been retroactively adjusted for IPO. (D) Includes intangibles. In 2014: \$2,236.0 million, \$1.92/share. (E) Dividends paid early Jan., April, July, Oct.

Company's Financial Strength A++
 Stock's Price Stability 70
 Price Growth Persistence 100
 Earnings Predictability 100

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