

# MasterCard Inc

**S&P Capital IQ Recommendation**



**S&P Capital IQ Equity Analyst S. Kessler**

**Price**

\$84.89 (as of Feb 12, 2016 4:00 PM ET)

**12-Mo. Target Price**

\$90.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

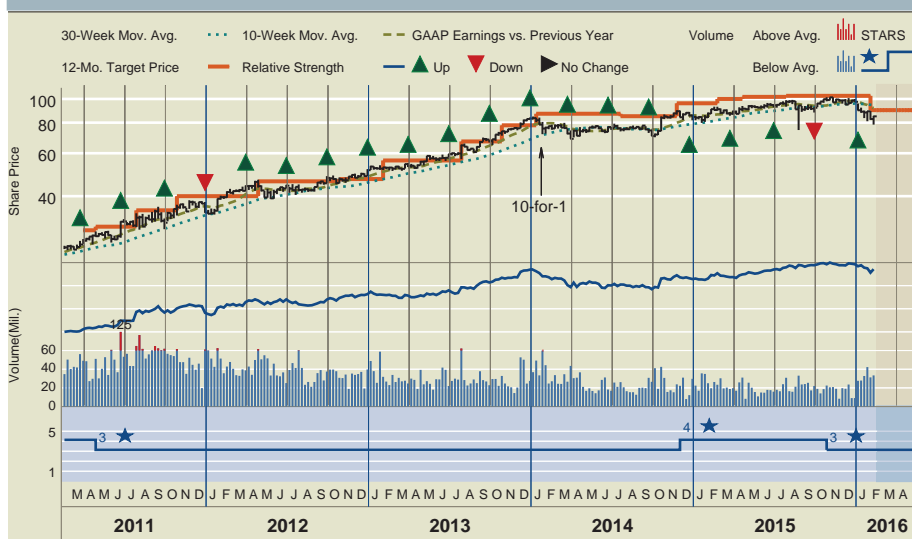
**GICS Sector** Information Technology  
**Sub-Industry** Data Processing & Outsourced Services

**Summary** MasterCard provides global payment services over its large payments network. It is a leader in helping to convert the world's payments systems toward digital and card formats, and away from cash.

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

52-Wk Range	<b>\$101.76– 74.61</b>	S&P Oper. EPS 2016E	<b>3.82</b>	Market Capitalization(B)	<b>\$93.399</b>	Beta	<b>0.96</b>
Trailing 12-Month EPS	<b>\$3.35</b>	S&P Oper. EPS 2017E	<b>4.51</b>	Yield (%)	<b>0.90</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>17</b>
Trailing 12-Month P/E	<b>25.3</b>	P/E on S&P Oper. EPS 2016E	<b>22.2</b>	Dividend Rate/Share	<b>\$0.76</b>	S&P Quality Ranking	<b>B+</b>
\$10K Invested 5 Yrs Ago	<b>\$34,251</b>	Common Shares Outstg. (M)	<b>1,122.8</b>	Institutional Ownership (%)	<b>77</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 **S. Kessler** on Jan 29, 2016 06:03 PM, when the stock traded at **\$89.03**.

**Highlights**

- ▶ We see near-term consumer spending growth as limited by the soft global economic environment, led by China and emerging markets, partly offset by increasing strength in Europe, and slow growth in the U.S. Also, pressure is likely from regulators eyeing the fees that merchants are charged, with a view to moderating them. We expect net revenues to rise 11% in both 2016 and 2017. Notably, revenue growth was much higher prior to 2015, but MA has matured as a company and faces considerable competition, in our opinion.
- ▶ After recent volatility, including a significant decline in 2014 and rebound last year, we see gross margins as stable in 2016 at around 72%. We look for MA to continue to invest in growth initiatives within the payments space, including e-commerce, mobile payments and prepaid cards. However, we EBITDA margins trending higher through 2018, after hovering around the 57% to 58% level from 2013 to 2015.
- ▶ We forecast EPS of \$3.82 in 2016 and \$4.51 in 2017. MA repurchased \$3.4 billion to \$3.5 billion in shares in 2014 and 2015.

**Investment Rationale/Risk**

- ▶ It is likely, in our view, that MA will continue to benefit from a secular trend favoring electronic payments over cash and checks. MA has multiple growth avenues, including international expansion, market share gain potential, mobile payment development and prepaid. That said, we see rebates and incentives remaining high in the near term as merchants push for lower fees and competition grows from alternative payment technologies. Payment volumes will stay healthy through 2016, we believe, and a more sustained global economic recovery could eventually lead to an acceleration of spending and further revenue growth.
- ▶ Risks to our opinion and target price include lower global consumer spending, a slowing of global and/or U.S. GDP growth and negative outcomes from regulatory changes.
- ▶ Our 12-month target price is \$90. Payments and processing peers have a forward P/E-to-growth (PEG) ratio of 1.3. Using that PEG multiple and allowing for a premium given MA's global brand and leadership position, results in our target.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment reflects a dynamic market opportunity, in our view, offset by soft global growth expectations, strong competition and an evolving regulatory environment.

**Revenue/Earnings Data**

Revenue (Million U.S. \$)					
	1Q	2Q	3Q	4Q	Year
2015	2,230	2,390	2,530	2,517	9,667
2014	2,177	2,377	2,503	2,416	9,473
2013	1,906	2,096	2,218	2,126	8,346
2012	1,758	1,820	1,918	1,895	7,391
2011	1,501	1,667	1,818	1,728	6,714
2010	1,308	1,365	1,428	1,438	5,539

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

2015	0.89	0.81	0.86	0.79	3.35
2014	0.73	0.80	0.87	0.69	3.10
2013	0.62	0.70	0.73	0.52	2.56
2012	0.54	0.56	0.62	0.49	2.19
2011	0.43	0.48	0.56	0.02	1.49
2010	0.35	0.35	0.39	0.32	1.41

Fiscal year ended Dec. 31. Next earnings report expected: Late April. 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
0.160	Jun 10	Jul 7	Jul 9	Aug 10 '15
0.160	Sep 22	Oct 7	Oct 9	Nov 9 '15
0.190	Dec 8	Jan 6	Jan 8	Feb 9 '16
0.190	Feb 2	Apr 6	Apr 8	May 9 '16

Dividends have been paid since 2006. 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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# MasterCard Inc

## Business Summary January 29, 2016

**CORPORATE OVERVIEW.** MasterCard Incorporated (MA), a leading global payment solutions company, provides a variety of services in support of the credit, debit and related payment programs of about 22,000 financial institutions and other types of entities.

MA follows a three-tiered business model as a franchisor, processor and adviser. The company, through its businesses, develops and markets payment solutions, processes payment transactions, and provides consulting services to its customers and merchants. MA manages a family of payment card brands, including MasterCard, Maestro and Cirrus, which it licenses to its customers.

MA generates revenues from fees (domestic assessments, cross-border volume fees, transaction processing fees, and other service fees). The company follows a "four-party" payment system, which typically involves four parties in addition to the company: the cardholder, the merchant, the issuer (the cardholder's bank) and the acquirer (the merchant's bank).

Issuers typically pay operations fees and assessments, while acquirers principally pay assessments on gross dollar volume (GDV) of cards and, to a lesser extent, certain operations fees. MA charges operations fees to its customers for providing transaction processing and other payment-related services. Operations fees include core authorization, clearing and settlement fees, cross-border and currency conversion fees, switch fees, connectivity fees and other operations fees, such as acceptance development fees, warning bulletins, holograms, fees for compliance programs, and user-pay fees for a variety of transaction enhancement services.

**CORPORATE STRATEGY.** MA seeks to continue to grow by further penetrating its existing customer base. It seeks to enhance its merchant relationships, maintain unsurpassed acceptance, and continue to invest in its brands. MA intends to expand its role in targeted geographies by, among other things, pursuing incremental payment processing opportunities in the European region, and Latin American and Asia/Pacific countries.

**IMPACT OF MAJOR DEVELOPMENTS.** In January 2014, MA's Board of Directors declared a 10-for-1 stock split, which was effective January 21, 2014, for shareholders of record on January 9, 2014.

Also, in December 2013, Mastercard and Visa won approval for a \$5.7 billion settlement with merchants over allegations of improperly fixing credit interchange/swipe fees. The original proposed settlement in July 2013 was valued at \$7.25 billion but was reduced as about 8,000 merchants dropped out on the damages portion of the deal. As a result of the agreement, merchants are now able to add surcharges on credit purchases.

In July 2013, European Commission regulators released a draft of possible introduction of caps on fees that can be charged by networks in Europe. We think it could take as much as two to three years before any possible changes are implemented.

In October 2011, regulation of debit interchange fees collected by bank issuers and set by card networks such as Visa and MasterCard were changed. Directly affecting the card networks were provisions that prevent the networks from specifying that their branded debit cards can only be used on their corresponding network. Merchants can now 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, MA agreed to pay Discover Financial Services \$862.5 million to settle antitrust allegations. In June 2008, MA agreed to pay \$1.8 billion to American Express to settle antitrust allegations.

**FINANCIAL TRENDS.** Mastercard processed 51.5 billion transactions (including PIN-based online transactions) during 2014, 13.6% higher than in 2013, and an acceleration of growth from the 13.1% increase recorded in 2013.

Gross Dollar Volume (GDV) on cards carrying the MasterCard brand grew 9.5% in 2014, to \$4.5 trillion, and this growth rate represented a deceleration from 2013's 12.6% growth rate. Purchase volume (a steady 73% of GDV) grew 9.7% in 2014, to \$3.3 trillion, and this growth rate also represented a deceleration from 2013's 11.1% rate. Cash volume (27% of GDV) grew 8.8% in 2014, to \$1.2 trillion, a much slower growth rate than 2013's 16.7% rate.

MA grew total revenues 13.5% in 2014, and at an average annual rate of 13.2% over the last five years. MA's domestic assessments were up 7.6%, cross-border fees were up 12.5%, transaction processing fees were up 13.5%, other was up 26.8%, and rebates/incentives were up 11.2%. Due to uneven global growth, and the relatively strong US Dollar, we see MA's total revenues increasing at a 3.4% rate in 2015, and at a 9.3% rate in 2016, slower than in the last five years.

## Corporate Information

### Investor Contact

B. Gasper (914-249-4565)

### Office

2000 Purchase Street, Purchase, NY 10577.

### Telephone

914-249-2000.

### Fax

914-249-4262.

### Website

<http://www.mastercard.com>

## Officers

### Chrmn

R.N. Haythornthwaite

### CFO

M. Hund-Mejean

### CEO & Pres

A.S. Banga

### Chief Acctg Officer & Cntrl

A.L. Forster

### COO & CTO

R. Reeg

## Board Members

A. S. Banga

S. Barzi

D. R. Carlucci

S. J. Freiberg

J. M. Genachowski

R. N. Haythornthwaite

M. E. Janow

N. J. Karch

J. O. Lagunes

M. R. Olivie

R. Qureshi

J. P. Tai

S. Tian

## Domicile

Delaware

## Founded

1966

## Employees

10,300

## Stockholders

69

# MasterCard Inc

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	2+	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>\$84.90</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that MA is fairly valued
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<b>Investability Quotient Percentile</b>	99
	LOWEST = 1 HIGHEST = 100
	MA scored higher than 99% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	LOW	AVERAGE	HIGH
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<b>Technical Evaluation</b>	<b>BEARISH</b>	Since January, 2016, the technical indicators for MA have been BEARISH.
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<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit [www.spcapitaliq.com/stockreportguide](http://www.spcapitaliq.com/stockreportguide)

## Expanded Ratio Analysis

	2014	2013	2012	2011
Price/Sales	10.63	12.16	8.38	7.11
Price/EBITDA	18.56	20.90	14.78	12.98
Price/Pretax Income	19.83	22.56	15.74	17.38
P/E Ratio	27.85	32.58	22.44	25.04
Avg. Diluted Shares Outstg (M)	1,169.0	1,215.0	1,260.0	1,280.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	13.50	12.24	13.47	13.53
Net Income	16.08	22.67	20.30	NM

## Ratio Analysis (Annual Avg.)

	2014	2013	2012	2011
Net Margin (%)	38.18	37.62	34.91	25.15
% LT Debt to Capitalization	17.87	NA	4.47	4.08
Return on Equity (%)	50.68	45.70	42.78	33.41

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tangible Book Value	NA	3.95	4.76	4.18	3.30	3.05	2.14	0.96	1.88	1.39
Cash Flow	NA	3.37	2.78	2.37	1.64	1.52	1.23	-0.15	0.84	0.11
Earnings	3.35	3.10	2.56	2.19	1.49	1.41	1.12	-0.20	0.80	0.04
S&P Capital IQ Core Earnings	NA	3.10	2.61	2.20	1.86	1.40	1.13	0.94	0.58	0.05
Dividends	0.80	0.44	0.21	0.11	0.06	0.06	0.06	0.06	0.05	0.01
Payout Ratio	24%	14%	8%	5%	4%	4%	5%	NM	7%	24%
Prices:High	101.76	89.87	83.94	49.86	38.50	26.99	25.90	32.03	22.72	10.86
Prices:Low	74.61	68.68	50.10	33.63	21.93	19.10	11.71	11.31	9.53	3.90
P/E Ratio:High	30	29	33	23	26	19	23	NM	28	NM
P/E Ratio:Low	22	22	20	15	15	14	10	NM	12	NM

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue	NA	9,473	8,346	7,391	6,714	5,539	5,099	4,992	4,068	3,326
Operating Income	NA	5,427	4,856	4,187	3,677	2,905	2,560	2,007	1,161	713
Depreciation	NA	321	258	230	194	148	141	59.1	49.3	43.5
Interest Expense	NA	48.0	14.0	20.0	25.0	52.0	115	104	57.3	61.2
Pretax Income	NA	5,079	4,500	3,932	2,746	2,757	2,218	-383	1,671	294
Effective Tax Rate	NA	28.8%	30.8%	29.9%	30.7%	33.0%	34.1%	NM	35.0%	82.9%
Net Income	NA	3,617	3,116	2,759	1,906	1,846	1,463	-254	1,086	50.2
S&P Capital IQ Core Earnings	NA	3,619	3,175	2,770	2,382	1,833	1,471	1,230	782	72.8

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cash	NA	6,305	6,295	5,039	4,949	4,198	2,880	2,247	2,970	2,484
Current Assets	NA	10,997	10,950	9,357	7,741	6,454	5,003	4,312	4,592	3,577
Total Assets	NA	15,329	14,242	12,462	10,693	8,837	7,470	6,476	6,260	5,082
Current Liabilities	NA	6,222	6,032	4,906	4,217	3,143	3,167	2,990	2,363	1,812
Long Term Debt	NA	1,494	NA	Nil	Nil	Nil	21.6	19.4	150	230
Common Equity	NA	6,790	7,484	6,917	5,868	5,205	3,504	1,927	3,027	2,364
Total Capital	NA	8,359	7,530	6,929	5,886	5,227	3,533	2,026	3,253	2,665
Capital Expenditures	NA	175	155	96.0	77.0	61.0	56.6	75.6	81.6	61.2
Cash Flow	NA	3,938	3,374	2,989	2,097	1,994	1,604	-195	1,135	150
Current Ratio	NA	1.8	1.8	1.9	1.8	2.1	1.6	1.4	1.9	2.0
% Long Term Debt of Capitalization	NA	17.9	Nil	Nil	Nil	Nil	0.6	1.0	4.6	8.8
% Net Income of Revenue	NA	38.2	37.3	37.3	28.4	33.3	28.7	NM	26.7	1.5
% Return on Assets	NA	24.5	23.3	23.8	19.5	22.7	21.0	NM	19.2	1.1
% Return on Equity	NA	50.7	43.3	43.2	34.4	42.4	53.9	NM	40.3	2.8

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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# MasterCard 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 2013 and 2014, and this trend should continue through 2015 and beyond, in our view. These companies 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 losses 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. Lacking economic growth and other fiscal difficulties (including the struggles in Europe) may dampen growth for payroll processors.

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 the recent strength in the dollar, and the 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 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 August 2015 announced pending acquisition by Fidelity National Information Services of SunGard Data Systems, in a

deal with an enterprise value of \$9.1 billion.

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.

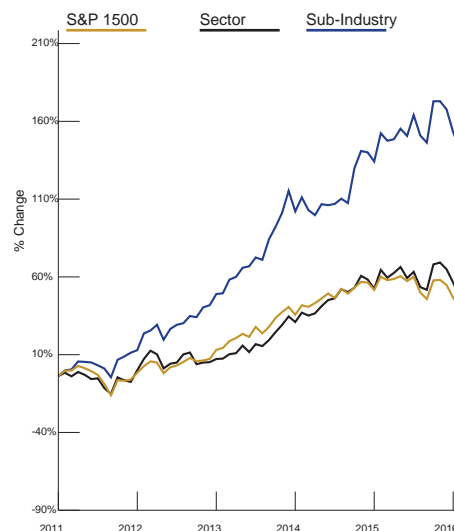
The S&P 1500 Data Processing & Outsourced Services Index was up 10.3% year to date through August 14, while the S&P 1500 was up 1.7%. In 2014, the sub-industry index was rose 11%, as did the S&P 1500e. We note that many in the group have notable recurring revenues, long-term contracts, and cash flows.

--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 Feb 13, 2016



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>MasterCard Inc 'A'</b>	<b>MA</b>	<b>93,399</b>	<b>84.89</b>	<b>101.76/74.61</b>	<b>0.96</b>	<b>0.9</b>	<b>25</b>	<b>84.90</b>	<b>B+</b>	<b>99</b>	<b>38.2</b>	<b>17.9</b>
Alliance Data Systems	ADS	11,680	182.65	312.00/176.63	1.07	Nil	21	345.00	B+	59	9.6	67.6
Cass Information Systems	CASS	563	49.60	59.09/43.78	1.18	1.8	25	NA	A	73	20.1	NA
Euronet Worldwide	EEFT	3,284	65.00	82.49/51.65	1.81	Nil	36	67.70	B-	49	6.1	35.7
Global Payments	GPN	7,335	56.80	74.64/43.84	1.02	0.1	25	61.60	A-	77	10.0	64.5
MoneyGram Intl	MGI	326	5.63	11.00/4.68	1.50	Nil	NM	3.20	B-	19	5.0	123.4
Total System Svcs	TSS	7,258	39.38	56.69/36.71	0.99	1.0	20	45.40	B+	97	11.2	44.2
Visa Inc 'A'	V	137,068	70.42	81.01/60.00	0.81	0.8	25	62.60	NR	97	45.6	NA
Western Union	WU	8,873	17.56	22.84/16.02	1.37	3.6	11	21.10	B+	95	15.2	74.1

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****January 29, 2016**

03:35 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF MASTERCARD INC. (MA 88.01\*\*\*\*): We lower our 12-month target to \$90 from \$103. Peers have a forward P/E-to-growth (PEG) ratio of 1.3. Using that multiple, allowing for a premium given MA's global leadership, results in our target. We adjust our EPS estimates for '16 to \$3.82 from \$3.86 and '17 to \$4.51 from \$4.25. MA posts Q4 EPS of \$0.79 vs. \$0.69, \$0.10 above the Capital IQ consensus. Net revenues rose 4% (9% on neutral forex), given increases of 12% in both processed transactions and cross-border volumes. Half of net revenue growth was from M&A. We see signs of growth challenges and view MA as fully valued. /S. Kessler

**December 9, 2015**

11:38 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF MASTERCARD INC. (MA 99.62\*\*\*\*): MA announces a new stock buyback and an increase to its dividend. The stock repurchase is for \$4 billion, and MA had some \$786 million remaining for buybacks as of December 3. MA also raised its quarterly dividend to \$0.19 from \$0.16, equating to a 19% increase and a yield of 0.8%. Although we note the significant dividend increase from a percentage perspective, we see it as de minimus from the view of yield and investor interest. About a year ago, MA announced a \$3.75 billion buyback. MA had \$5.1 billion in cash/equivalents and \$1.5 billion in debt as of September. /S. Kessler

**October 29, 2015**

10:06 am ET ... S&P CAPITAL IQ LOWERS VIEW ON SHARES OF MASTERCARD INC. TO HOLD FROM BUY (MA 100.09\*\*\*\*): We keep our \$103 target price, 27.2X our forward four quarter EPS estimate of \$3.79. In the last two years, MA has traded in a 22X to 28X range, averaging 25X. Our target multiple reflects strong 13% YoY volume growth in local currency, partly offset by our view that USD could rise further if Fed raises rates, further slowing MA's revenue growth. MA reports Q3 GAAP EPS of \$0.86 vs. \$0.87, missing the Capital IQ consensus view of \$0.88. Operating EPS of \$0.91 is above \$0.87 consensus. We slightly increase our '15 and '16 EPS estimates to \$3.41 and \$3.86, from \$3.38 and \$3.83. /Erik Oja

**July 29, 2015**

10:34 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON SHARES OF MASTERCARD INC. (MA 94.38\*\*\*\*): We raise our 12-month target price by \$1 to \$103, an above-peer 28.1X our forward four quarter EPS estimate of \$3.67. This reflects our view that FX headwinds and lower gasoline prices will soon reach a one-year anniversary, and that revenue growth will accelerate afterwards. MA also sees a lower 27% tax rate going forward. MA reports Q2 operating EPS of \$0.85 vs. \$0.80, matching the Capital IQ consensus view, helped by lower than expected tax rate and share count, hurt by a legal settlement, low gas prices and FX. On results, we trim our '15 EPS estimate to \$3.38 from \$3.45. /Erik Oja

**July 13, 2015**

08:49 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON SHARES OF MASTERCARD INC. (MA 92.49\*\*\*\*): We keep our 12-month target price of \$102, 28.3X our forward four quarters EPS estimate of \$3.60, within the 20X to 29X range MA has traded at in the last 2-years, and above the 24.1X that closest peer Visa (V 67\*\*\*\*) peer trades at. According to the Wall St. Journal, EU antitrust regulators have filed a complaint over rules that MA applies to cross-border transactions within the EU, as well as the fees charged to retailers for receiving payments made with cards issued outside Europe. In '09, MA capped these fees, and this time we expect MA will loosen these rules as needed. /Erik Oja

**May 1, 2015**

11:13 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON SHARES OF VISA INC. (V 65.58\*\*\*\*): We lower our 12-month target price by \$4 to \$72, 26X our forward four quarters EPS estimate of \$2.78. Our target multiple is at the high end of the 20.4X to 26.1X range V has traded at in the last two years, and in-line with Mastercard (MA 90\*\*\*\*). V reported Mar-Q EPS of \$0.63, equal to last year, which was below our \$0.65 estimate, but above the \$0.62 Capital IQ consensus. V, which generates about 55% of revenues in the US (MA is about 40%), noted headwinds from lower gas prices, plus sees higher expenses in FY 15 (Sep.) Q3, but lower in Q4, and no change to year's outlook. /Erik Oja

**April 29, 2015**

09:56 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON SHARES OF MASTERCARD INC. (MA 90.23\*\*\*\*): We raise our 12-month target by \$2 to \$102,

28.3X our forward four quarters EPS estimate of \$3.60. In the last 2 years, MA has ranged 20X to 28.5X, averaging 24X, while peer is 26X. MA reports Q1 EPS of \$0.89 vs. \$0.73, beating the \$0.80 Capital IQ consensus. Year-over-year revenue growth of 3% (8% ex-FX) was low, but global processed transactions and gross domestic volume were each up 12%. Expenses fell 1% (up 3% ex-FX). We see underlying volume trends as strong, and expense growth low. We lower our '15 estimate to \$3.45 from \$3.61, and increase '16 to \$4.00 from \$3.97. /Erik Oja

**March 4, 2015**

08:49 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON MASTERCARD INC. (MA 90.97\*\*\*\*): We increase our 12-month target by \$4 to \$100, 27.7X our '15 EPS estimate of \$3.61, a target multiple which is in-line with MA's closest peer. MA and Citigroup (C 54\*\*\*\*) reach a 10-year deal in which C, already the biggest issuer of Mastercards, will shift more of its consumer business to MA. Clearly, this is a positive development in our view, as we think MA will continue to benefit from helping the world transition to electronic payments from cash. We believe a more sustained global economic recovery will lead to an acceleration of spending and further revenue growth. /Erik Oja

**January 30, 2015**

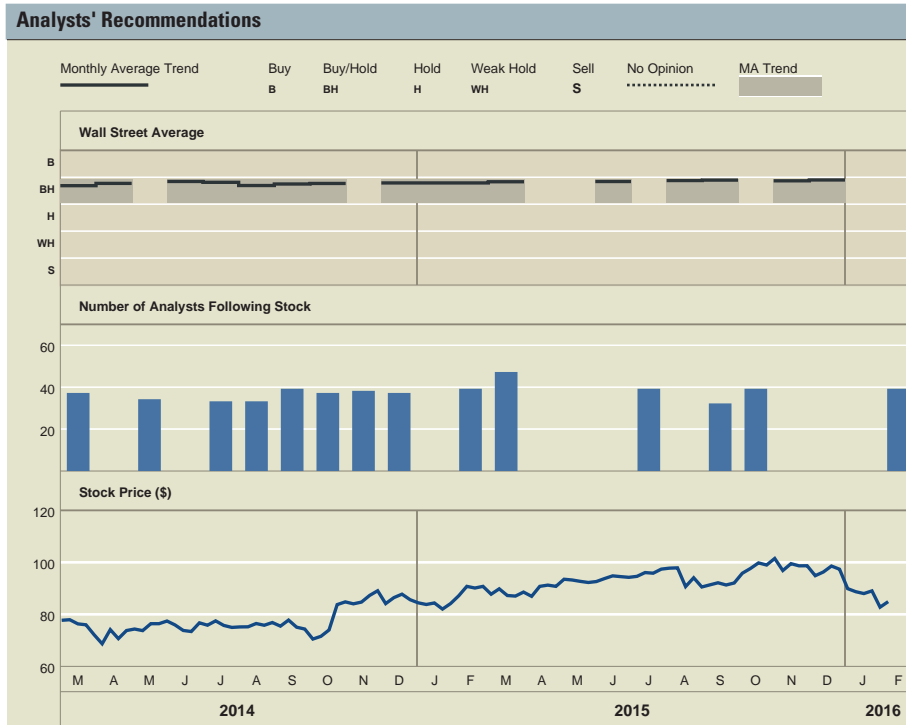
10:53 am ET ... S&P CAPITAL IQ KEEPS BUY RECOMMENDATION ON SHARES OF MASTERCARD INC. (MA 84.62\*\*\*\*): We keep our 12-month target of \$96, 26.6X our '15 EPS estimate of \$3.61. Our target multiple is at the high-end of MA's past-12-month range of 22X-28X, reflecting our view that MA is having success negotiating the headwinds facing its business, including USD strength, lower gasoline prices, and Russian sanctions. MA reports Q4 EPS of \$0.69 vs \$0.52, beating the \$0.67 Capital IQ consensus, on higher consumer spending. Q4 processed transactions rose 11% year-over-year, and gross dollar volume rose 13% year-over-year, on a local currency basis, strong results in our view. /Erik Oja

**December 1, 2014**

02:06 pm ET ... S&P CAPITAL IQ RAISES OPINION ON SHARES OF MASTERCARD INC TO BUY FROM HOLD (MA 87.83\*\*\*\*): We raise our 12-month target by \$11, to \$96, 27.1X our forward four quarters EPS estimate of \$3.54. In last 12 months, MA has traded at 21.4X-28.4X, averaging 24.3X, and the closest peer now trades at 25X. But, we see faster than peer revenue growth in '14 and '15, driven by higher cross-border fees. As a result, we increase our '14 EPS estimate to \$3.14 from \$3.02. On our higher rebates and incentives outlook, we trim our '15 EPS estimate to \$3.61 from \$3.66. In our view, MA has multiple growth avenues, including international expansion, mobile payment development, and prepaid. /Erik Oja

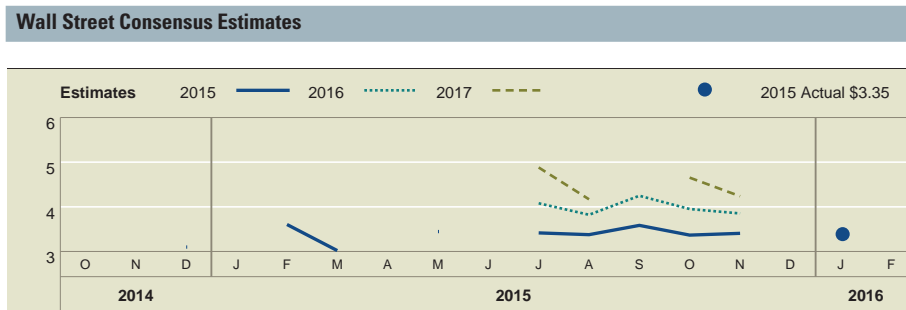


# MasterCard Inc



Of the total 39 companies following MA, 39 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	21	54	0	20
Buy/Hold	12	31	0	12
Hold	5	13	0	6
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	1	3	0	1
<b>Total</b>	<b>39</b>	<b>100</b>	<b>0</b>	<b>39</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2017	4.16	4.56	3.86	30	20.4
2016	3.54	3.82	3.44	30	24.0
<b>2017 vs. 2016</b>	<b>▲ 18%</b>	<b>▲ 19%</b>	<b>▲ 12%</b>	<b>0%</b>	<b>▼ -15%</b>
Q1'17	0.99	1.10	0.93	15	85.7
Q1'16	0.85	0.92	0.76	26	99.9
<b>Q1'17 vs. Q1'16</b>	<b>▲ 16%</b>	<b>▲ 20%</b>	<b>▲ 22%</b>	<b>▼ -42%</b>	<b>▼ -14%</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

**BUY/HOLD**

### Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- Accountability Research Corporation
  - Argus Research Company
  - Atlantic Equities LLP
  - BMO Capital Markets Equity Research
  - Barclays
  - BofA Merrill Lynch
  - CLSA
  - CRT Capital Group LLC
  - Citigroup Inc
  - Cowen and Company, LLC
  - Credit Suisse
  - Daiwa Capital Markets America Inc.
  - Daiwa Securities Co. Ltd.
  - Deutsche Bank
  - Erste Group Bank AG
  - Evercore ISI
  - Goldman Sachs
  - Guggenheim Securities, LLC
  - JP Morgan
  - Jefferies LLC
  - Keefe, Bruyette, & Woods, Inc.
  - Macquarie Research
  - Morgan Stanley
  - Morningstar Inc.
  - Nomura Securities Co. Ltd.
  - Oppenheimer & Co. Inc.
  - Pacific Crest Securities-KBCM
  - Piper Jaffray Companies
  - RBC Capital Markets
  - Raymond James & Associates

### Wall Street Consensus vs. Performance

For fiscal year 2016, analysts estimate that MA will earn US\$ 3.54. For fiscal year 2017, analysts estimate that MA's earnings per share will grow by 18% to US\$ 4.16.

## 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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### Quantitative Stock Reports:

S&P Capital IQ's quantitative recommendations 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.

### STARS Stock Reports and Quantitative Stock Reports:

The methodologies used in STARS Stock Reports and Quantitative Stock Reports (collectively, the "S&P Capital IQ's Research Reports" or "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations. S&P Capital IQ believes that the methodologies and data used to generate the different types of Research Reports are reasonable and appropriate. Generally, S&P Capital IQ does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. S&P Capital IQ reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of December 31, 2015

Ranking	North America	Europe	Asia	Global
Buy	31.2%	51.5%	35.5%	35.1%
Hold	46.8%	39.4%	35.5%	43.9%
Sell	22.0%	9.1%	29.0%	21.0%
Total	100%	100%	100%	100%

### Quantitative Stock Reports:

The rankings for Quantitative reports have a fixed distribution based on relative weightings as described in the Glossary section of the report.

### Analyst Certification

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# MasterCard Inc



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