

Visa Inc. Class A

US CORE HOLDING*

Recommended since 18.12.15

09.04.2024



Country US	Market capitalization (bn) USD 571,3	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 99,7%	Visa Inc. Class A 263,9
Factset V-US	Closing price USD 277,76	Sector 209,0
ISIN US92826C8394	ESG Risk score* 16,4 Low risk	



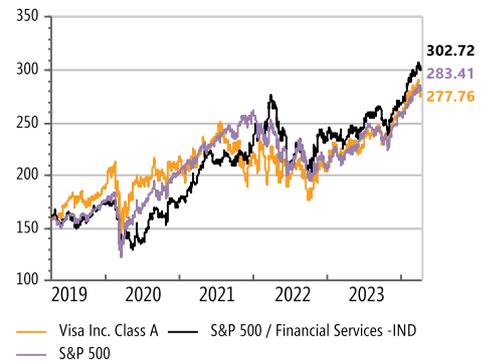
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Visa is the world's number one payment processor. The group operates in more than 200 countries, manages transactions in 160 currencies and has 3.3 billion cards in circulation. In 2019, the group's VisaNet platform handled 188bn transactions. Total purchase transactions last year came to \$9trn. The Visa system is able to handle 65k transactions per second.

Market - competition - positions - barriers to entry

In this industry, the technological lead held by a small number of pioneering US groups (notably Visa and Mastercard) and network effects (the more consumers are signed up, the more merchants are interested) mean the incumbents' positions are more or less unassailable. While electronic payments are evolving rapidly, the e-commerce trend is structurally positive in the long term.



Source: Factset

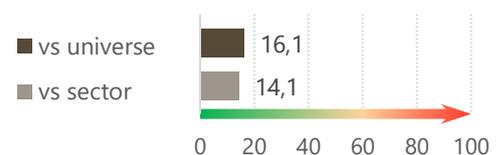
Investment case

- Visa is the undisputed global leader in electronic payments. The group should be considered a technology operator: Visa is not a credit institution. Indeed, its business model is based on collecting a commission on transactions and payment services transiting through its technology infrastructure. The credit risk is borne in full by the financial institutions that issue the electronic payment solutions proposed by Visa. Its only true rival in this field is Mastercard, which has also expanded the range of services it offers retailers to facilitate payments.
- The future of a group like Visa depends on evolving payment methods (contactless payments, mobile payments, etc.) and how it responds to them (through acquisitions, partnerships with FinTechs, etc.). Firstly, the traditional business model, which depends on personal consumer spending, is not dead yet. Migration from traditional payment methods (cash and cheque) to electronic (and increasingly digital) payments is a deep-seated trend. While cash/cheque payments still account for 44% of personal consumer spending, digital payments (14% of retail sales) are the key to future growth. Visa is the market leader in this segment (43%, vs. 15% for "physical" purchases). Another growth driver is new payment flows, for example between individuals (P2P), between businesses (B2B) and between governments and citizens (G2C) – an opportunity estimated at \$185trn and a market of which Visa estimates its current share at less than 1%. The final link in the chain is value-added services (whether for merchants or consumers) like fraud protection, merchant data management solutions, consulting services and powerful real-time transaction platforms. Visa's strategy is to be a true network of networks.

ESG - risks and key points

The card payments industry is more resilient and less volatile than GDP developments, but not immune to a macroeconomic slowdown. The coronavirus epidemic, which has led to a sudden halt in many economic activities, is weighing on consumer spending and therefore has a short-term effect on the payments industry. At the same time, the willingness of merchants to switch to online (e-commerce and m-commerce) systems, the need for banks to do the same, and the renunciation of cash as a hygienic measure, could accelerate the trend towards more digitisation in the economy. In the short term, Visa is experiencing a sharp decline in transaction volumes (in the United States and in the lucrative cross-border trade).

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in USD

Current price	Value Bordier Scenario
278	278

Taking into account the resiliency in transaction volumes in the United States, the recovery of travel and cross-border trade, the revenue growth for fiscal year 2024 expects an increase of +10% (in line with the guidance of the management). Our scenario assumes US 10-year yields of 3.50%.

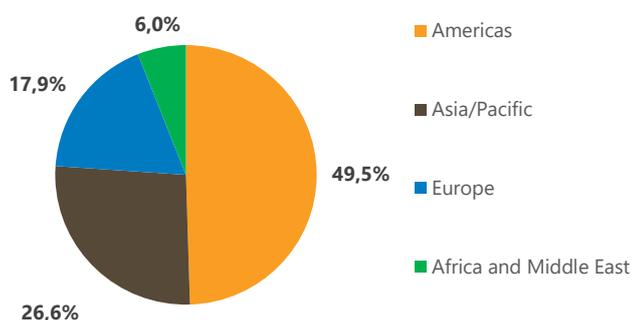
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2022	2023	2024e	2025e	2026e
Sales growth %	29 310	32 653	35 918	39 331	43 264
a/w organic	21,6%	11,0%	10,0%	9,5%	10,0%
EBIT adjusted	21,6%	11,0%	10,0%	9,5%	10,0%
% of sales	19 750	21 000	23 520	25 872	28 459
Net income	67,4%	64,3%	65,5%	65,8%	65,8%
Adjusted EPS	15 894	17 273	19 122	21 051	23 173
Adjusted EPS growth	7,44	8,28	9,38	10,32	11,36
Capex/Sales	32,3%	11,3%	13,2%	10,1%	10,1%
Free cash-flow	3,3%	3,2%	2,4%	2,7%	2,4%
FCF/Sales	17 879	19 696	19 078	20 867	23 009
Dividend per share	61,0%	60,3%	53,1%	53,1%	53,2%
Dividend yield	1,45	1,80	1,60	1,60	1,60
ROCE - WACC	0,5%	0,6%	0,6%	0,6%	0,6%
ROE (%)	34,5%	36,6%	38,1%	33,1%	28,8%
Net debt/Ebitda	44,7%	44,6%	41,5%	37,7%	34,2%
	32,8%	19,0%	-12,9%	-47,6%	-83,4%

Source: Factset, Bordier estimates

Sales breakdown - 09/2023



Ratios

	S&P 500			
	Visa Inc. Class A	Sector	Market	
PE (x)***	Diversified Financial Serv.		S&P 500	
	2023	31,4	26,2	23,4
	2024e	29,6	23,7	21,5
2025e	26,9	21,4	18,9	
P/B (x)***	2023	13,5	3,6	4,7
	2024e	12,1	3,3	4,4
	2025e	10,0	3,0	3,9
Beta (2Y, daily) vs market:			1,02	

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since December 2016, Alfred Kelly (CEO).

Key shareholders (if any):

Vanguard Group 8.05% / BlackRock Fund Advisors 4.78% / T. Row Price Associates 4.6%.

Agenda

23.04.2024: Earnings Q2-2024 - 23.07.2024: Earnings Q3-2024
20.10.2024: Earnings Q4-2024

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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