Company Overview:
Visa is the largest global card transaction processing firm, with leading positions across most worldwide geographies. As a percentage of the ~$10.4 trillion in ’21 payments volume, ~47% was generated in the US and ~53% internationally, and roughly ~48% from credit and ~52% from debit. The company has generated strong earnings growth in recent years driven by solid revenue growth (growth in spending, shift toward spending on cards, pricing increases) and expense leverage.

Name	Ticker	Growth	Dividend	D + G
Visa Inc. Class A	V	12.00%	0.87%	12.87%

Highlights:
Over the last few years, the networks have made significant organizational changes and investments to support the growth of new flows ranging from commercial cards (including rapid expansion of virtual cards), low-value payouts (e.g., Visa Direct enabled flows), high-value cross-border payments (B2B connect from Visa), real-time-payments or RTP (e.g., Vocalink).

The work being done is not only on issuance of new credentials around these flows but also on acceptance and partnerships across the system. While estimates vary, the TAM across these new flows range in the tens of trillions and more than double the addressable market for the networks.

Bull Case:

- ***Significant Barrier of Entry*** - Visa is the world's largest payment processing company, providing processing services to 30+ million merchants around the globe. Roughly ~3.6 billion Visa-branded cards are currently in circulation, with total annual purchase volume of ~$10.4 trillion. Given the company's well-established brand and extensive merchant-acceptance network, we believe Visa's business model would be difficult for competitors to replicate.
- ***Secular Shift Towards Card Payment*** - Over the past several years, card payments have gained market share, at the expense of cash and checks (we expect this to continue). US market share for card payments has increased from 32% in 2001 to over 50% in 2014 and continues to grow. Concurrently, the cash/check market share has decreased significantly.
- ***International Markets Provide both Diversification and Growth Opportunities*** - Approximately 45-50% of Visa’s total revenue is generated in the United States – we expect this market to grow mid- to high-single-digits over the next several years, due largely by the continued shift from cash/check to plastic. The remaining 50-55% of revenue is driven by international regions, including APAC, Canada, Latin America, Africa, Europe and the Middle East– we believe these markets in aggregate can generate double-digit growth over the next several years, driven by consumer spending and the shift to cards. Given the penetration opportunities for these markets (and the relative immaturity versus the US), we believe Visa's international exposure provides the company with opportunities to further diversify its revenue base.

Bear Case:

- ***Slower Consumer Spending*** - Uncertainty in the economy could lead to slower spending by consumers and subsequently lower credit and debit transactions/volumes for Visa. The secular shift toward card payments (away from cash/check) should mitigate some impact of reduced consumer spending. In recent quarters, growth has accelerated as the economy has recovered.
- ***Regulatory Risk*** - Interchange fees are an important component of the four-party payments system Visa facilitates. Recently, interchange fees have come under increasing scrutiny from regulatory authorities in a number of different geographies. If Visa is no longer allowed to set interchange rates, financial institutions may be less willing to issue new cards and/or may seek to subsidize their credit card businesses, either through fees to cardholders or reduced pricing from the networks.
- ***Alternative Payment Systems*** - A number of alternative payments systems have gained in popularity recently, particularly in the area of internet-based payments (PayPal, Bill-Me-Later, etc.). Visa may lose some share of the paperless payments market if some of these alternative systems continue to gain acceptance.

Overview:
Simply put, Visa should continue be one of the largest beneficiaries of the continued shift to electronic payments around the world which we believe is still in the middle innings globally. Additionally, while this powerful cash-to- card secular tailwind certainly isn’t a secret, Visa’s recent move into push payments through its Visa Direct initiative substantially increases the company’s addressable market and could add yet another leg to this powerful growth story. For the first time in a very long time, we believe that the stock is trading at a depressed valuation. We see no reason why continued execution can’t drive further multiple expansion and coupled with sustained mid-teen EPS growth should provide plenty of room to run.

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