

V

Visa Inc

Diversified Finan Serv

<i>Balance Sheet Data as of</i>	2021-09-30
<i>Earnings Release Date</i>	2021-10-26
<i>Date of Report</i>	11/1/21

Equity & Credit Attractiveness		
	<u>V</u>	<u>Sector</u>
Credit Ranking Percentile	90%	80%
Equity Ranking Percentile	90%	70%
<small>(Note: 100% = best, 10% = worst, 0% = not enough data)</small>		

Risk Summary
Company Risk Rating: Below Market Risk
Sector Risk Rating: Equal to Market Risk

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Visa Inc (V) / Diversified Finan Serv

11/1/21

Company Description

Visa is the largest payment processor in the world. In fiscal 2018, it processed \$8.2 trillion in purchase transactions. Visa operates in over 200 countries and processes transactions in over 160 currencies. Its systems are capable of processing over 65,000 transactions per second.

Per Share Data

Stock Price	1 Yr Low	1 Yr High	% Change	
\$212.06	\$179.23	\$252.67	3 Mo. -14%	1 Yr 15%

Representative Bond

2.05% due 2030	
Moody's	Aa3 (03/31/2020)
S&P	AA- (03/31/2020)
Mod. Duration	7.7 yrs
Amount (mil)	1,500
Price (% of par)	100.940
YTW	1.93%

Dividend Yield: 0.6% Div Grwth Rate: 2%

Balance Sheet Data as of 2021-09-30
Earnings Release Date 2021-10-26

* Average annual increase over five years

Current Enterprise Value Mix (, millions)	TEV Mix	EBITDA Turns	Broad Market
Total Debt	20,977	4%	1.2x
Preferred & Other	3,080	1%	0.2x
Less Cash	18,512	4%	-1.0x
Market Cap of Equity	462,909	99%	26.6x
TEV (net of cash)	468,454	Eq Float: 100%	27.0x

Margin Analysis (latest fiscal year)

EBITDA Margin	72%
Capex	3%
Unlevered Free Cash Flow	69%
Cash Flow From Operations (CFO)	63%
Free Cash Flow After Dividends (FCF)	49%

Risk & Relative Volatility

Altman Z score	7.86x
Beta	0.92x
Aggregate Risk:	Below Market Risk

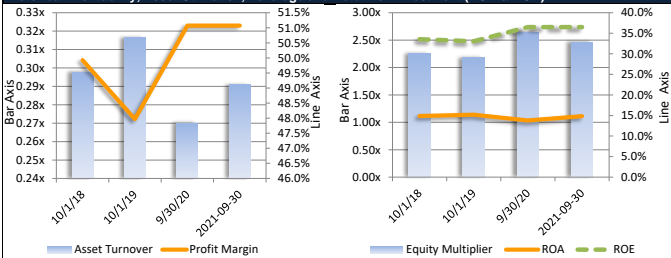
Liquidity Analysis

Cash	18,512
Remaining FY Est. Free Cash flow (FCF)	11,914
Estimated FY End Cash & Availability	30,426

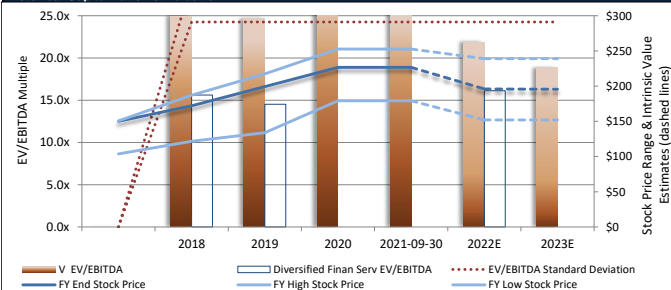
DuPont Formula

ROA	15%
Profit Margin	51%
Asset Turns	0.3x
ROE	2.4x
Equity Multplr.	15%
ROE	36%

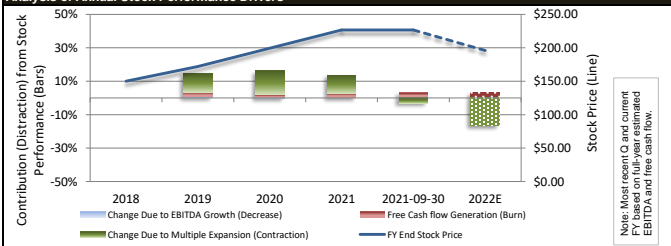
Historical Profitability, Asset Utilization, Leverage and Return on Investment (ROA & ROE)



Historical Capitalization & Valuation



Analysis of Annual Stock Performance Drivers



Definitions: TEV: Total Enterprise Value (Market Cap of Equity plus Net Debt, Preferred & Minority Interest), EBITDA (Earnings Before Interest, Taxes & Depreciation & Amortization)
Altman Z Score: Above 3.0 indicates credit worthy company, below 1.8 indicates increased default probability over next 24 months (developed by Edward Altman)
Z spread: yield spread in basis points above comparable maturity LIBOR contract/forward curve

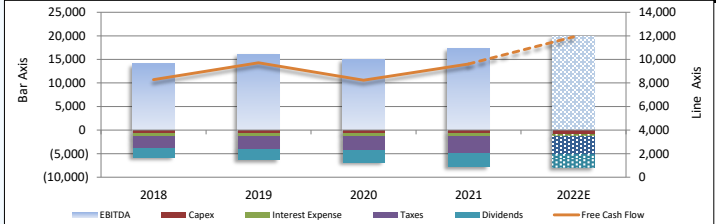
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Source: Company Reports, YCharts, Inc., Sixty Guilders Research, LLC

Summary Financial Tables and Profitability

Cash Flow Metrics (, millions)	2018	2019	2020	2021	2022E	Growth Rates	
						'18-'21 avg.	'21-'22E
Revenue	20,609	22,977	21,846	24,105	28,185	4%	17%
EBITDA	14,031	16,073	15,073	17,380	19,836	6%	14%
Capex	(718)	(756)	(736)	(705)	(873)	-1%	24%
Interest Expense	(612)	(533)	(516)	(513)	(513)	-5%	0%
Taxes	(2,505)	(2,804)	(2,924)	(3,752)	(3,743)	13%	n/a
Dividends	(1,918)	(2,269)	(2,664)	(2,798)	(2,794)	14%	0%
Free Cash Flow	8,278	9,711	8,233	9,612	11,914	3%	24%
Margins (% of Revenue, except for Int. exp. & tax rate)							
EBITDA	68.1%	70.0%	69.0%	72.1%	70.4%	402 bps	-172 bps
Capex	3.5%	3.3%	3.4%	2.9%	3.1%	-37 bps	17 bps
Interest Expense	3.7%	3.2%	2.1%	2.4%	0.0%	-123 bps	
Eff. Tax Rate	16.3%	16.2%	17.9%	20.2%	17.6%	387 bps	-254 bps
Free Cash Flow	40.2%	42.3%	37.7%	39.9%	42.3%	-29 bps	240 bps
Balance Sheet Data (, millions)							
Total Debt (net debt)	16,630	16,729	24,070	20,977	(9,449)	9%	
Total Ent. Value	350,285	396,132	447,250	490,084	456,540	13%	-7%
Leverage	1.2x	1.0x	1.6x	1.2x	-0.5x	0.0x	-1.7x
EV/EBITDA	25.0x	24.6x	29.7x	28.2x	23.0x	3.2x	-5.2x
Dividend Payout Ratio	19%	19%	24%	23%	19%	374 bps	-355 bps

Annual EBITDA and Free Cash Flow Generation (, millions)



Investment Considerations

Positives	Negatives
Ample equity relative to total assets	
Attractive unlevered cash flow	
Attractive free cash flow	
	Recent leverage above historic average
Recent margins above historic average	
Modest total debt relative to capitalization	
Ample liquidity relative to debt	
Altman Z score implies strong credit metrics	
Ample dividend payout coverage	
Adequate public float	
	Broader Market potentially pricey
	Stock possibly rich to broader market

Stock Upside under Takout Scenario Relative To Industry Group Historic M&A Multiples

Enterprise Value Multiple to:	EBITDA	Sales	Ttl Assets	Stock Bk Val
Diversified Finan Serv Sector	7.5x	1.5x	0.5x	1.5x
V EV current Valuation	23.0x	16.2x	5.6x	13.4x
V EV target at Industry Takeout Multiple	\$65.98	\$5.98	\$17.66	\$23.40
Assigned Weight to Metric	75%	19%	5%	1%
Takeout Upside (Downside) to Group M&A Multiples	-69%	-97%	-92%	-89%
Wt. Avg				\$51.78
Back of The Envelope Analysis of Ability to LBO				-76%

Assumptions: 1. EBITDA Growth ahead? Yes 2. Insiders own more than 5%? No
3. Assuming pro forma equity of 2X EBITDA post deal, can pre-deal free cash flow support new debt at a 7% interest cost to take out non-insider equity at a 20% equity premium? No
4. Would a 20% equity premium be cheap or rich relative to peer group M&A multiples shown above? No
Conclusion: Overall we believe an LBO of V EV would likely be moderately feasible but richly priced

Cumulative Cash Flow Quality (2018-2021)	V EV	Diversified Finan Serv	Broad Equity Market
(CFO-Capex) / (EBITDA-Int.Exp.-Taxes-Capex)	1.0x	1.0x	0.9x

Rate of Return Decomposition & Implied Stock Growth Expectation

	10 Yr LIBOR Swap	Est. 10 Yr Bond Yield	Earnings Yield (E/P)	Beta	Long Term Expected Equity Total Return (ETR)	Required Total Return Upside Above Earnings Yield: ETR-(E/P)
S&P 500	1.7%	1.3%	4.2%	1.0x	10%	5.8%
V EV	1.7%	1.9%	4.0%	0.9x	9%	5.3%
Diversified Finan	1.7%	2.0%	4.5%	1.0x	10%	5.6%

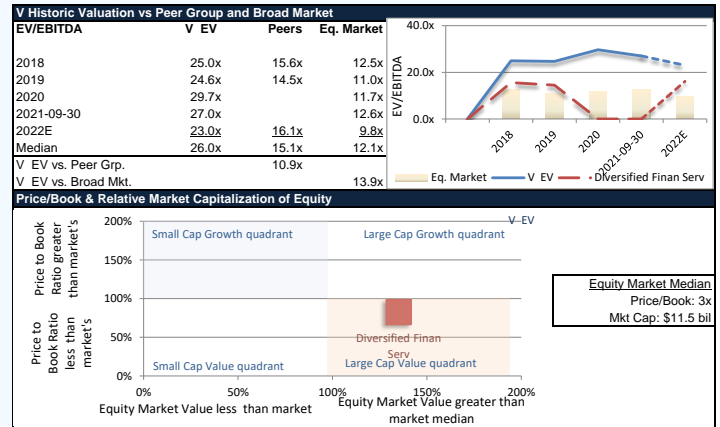
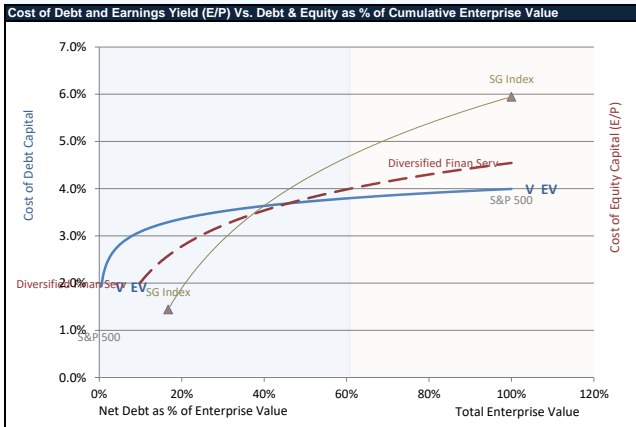
This table uses beta to estimate the long term expected equity return (fifth column). Given the current earnings yield (the inverse of the P/E ratio), the sixth column calculates the residual equity return necessary for the total return to reach the long term expected return. The chart shows the decomposition of return, starting with current 10 yr LIBOR swaps (the risk free rate), the incremental bond yield, the incremental earnings yield, and the residual "required growth return" necessary to achieve the long term expected return (ETR).

Visa Inc (V) / Diversified Finan Serv

\$212.06 per share
11/1/21

Debt and Equity Valuation Analysis

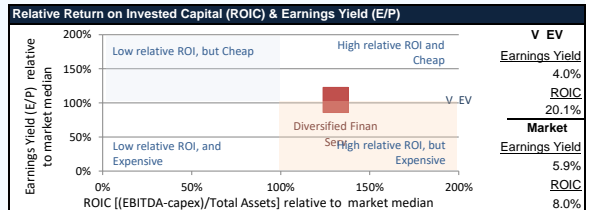
	Amount	Recent Price	Estimated EPS	P/E Ratio (on Estimated EPS)	10 Yr Bond Yield & Earnings Yield (E/P)	Forward EBITDA Multiple	Tranche as % of Ent. Value (net of cash)	Earnings Yield / Bond Yield
S&P 500								
S&P 500 Net Debt	0							
S&P 500	4,612	4,612	\$193.21	23.9x	4.2%	19.7x	100%	S&P 500 3.3x
Visa Inc (V) / Diversified Finan Serv								
Visa Inc 2.05s % due 2030	1,500	100.940			1.9%	-0.5x	1%	V EV 2.1x
Equity Market Value	462,909	\$212.06 per share	\$8.47	25.0x	4.0%	22.0x	99%	
Total Enterprise Value (net of cash)	486,966					23.0x	100%	
Diversified Finan Serv Sector								
Diversified Finan Serv Debt					2.0%	1.5x	10%	Diversified Finan Serv 2.3x
Diversified Finan Serv Equity				22.0x	4.5%	15.4x	100%	V EV's equity yield relative to its bond yield is in line with that of its peer group



Stock Price Intrinsic Value Upside (Downside) Potential Analysis

FY2023E Estimated EBITDA: 22982.7 mil (16% projected growth vs. 2022E)
Implied Required Stock Return above Div Yield (one year NPV discount rate applied for 1.75 years) 16%

	Historic Median	Current	2023E	NPV	Upside (Downside)
A. Forward EBITDA on Current Multiple					
EV/Forward EBITDA Multiple	20.0x	23.0x			
Price Target on FY EBITDA & lowest EV/ Forward Multiple		20.0x	\$208.03	\$201.39	-5%
B. Historic EBITDA Multiple					
Low	24%	20.0x			
Median	75%	20.0x			
High (capped at 20x if necessary)	1%	20.0x			
Valuation based on historic EBITDA	100%	20.0x	\$208.03	\$179.74	-15%
C. Industry Sector Relative Valuation					
V EV EV/EBITDA historic median		26.0x			
Diversified Finan Serv EV/EBITDA median		15.1x			
V EV median premium (discount) to sector		10.9x			
Diversified Finan Serv EV/EBITDA 2022E (capped at 20x if needed)		16.1x			
Plus (minus) historic V EV premium (discount)		10.0x (capped at 10x)			
Sector-based Target V EV EV/EBITDA 2023E		26.1x	\$269.72	\$233.04	10%
D. Bond Market Yield Based Valuation					
Required Equity Return (NPV Discount Rate): 5.0%		25.0x			
Estimated EPS: \$8.47		Target P/E			
		20.0x			
Price Target	16.3x EBITDA		\$169.42	\$146.38	-31%
E. Plus Dividend Yield and Free Cash Flow					
Average Price Target (A-D section calculations)			\$190.14		
Plus (minus Negative) Free Cash Flow balance of year per share			\$5.46		
Average Fundamental Price Target			\$195.60		
Implied EV/EBITDA Multiple	2022E	2023E	NPV Target		
NPV Stock Intrinsic Value Estimate	21.8x	18.9x	\$196.00		-8%



Stock Valuation Range Analysis (stock prices in \$)

	Intrinsic Value Range	Intrinsic Value Upside (Downside)	Implied 2023E EV/EBITDA Multiple	P/E Multiple
	276.00	30%	25.2x	32.6x
	263.00	24%	24.0x	31.0x
	250.00	18%	22.8x	29.5x
	238.00	12%	21.8x	28.1x
	227.00	7%	20.8x	26.8x
	216.00	2%	19.8x	25.5x
Intrinsic Value Estimate:	196.00	-8%	18.9x	23.1x
	186.00	-12%	17.9x	22.0x
	177.00	-17%	17.1x	20.9x
	168.00	-21%	16.2x	19.8x
	160.00	-25%	15.4x	18.9x
	152.00	-28%	14.7x	17.9x
	144.00	-32%	13.9x	17.0x
	137.00	-35%	13.3x	16.2x
	130.00	-39%	12.6x	15.3x

The S&P 500 @ 4612 reflects the following valuation metrics: 16.2x 20.9x
The sector's historic M&A EBITDA takeover multiple has averaged: 7.5x

Diversified Finan Serv Sector companies include: Alliance Data Systems Corp, Affiliated Managers Group Inc, Franklin Resources Inc, BlackRock Inc, Credit Acceptance Corp, Cboe Global Markets Inc, CME Group Inc, Evercore Inc, FactSet Research Systems Inc, Interactive Brokers Group Inc, Intercontinental Exchange Inc, Mastercard Inc, Moody's Corporation, MarketAxess Holdings Inc, MSCI Inc, Nasdaq Inc, PayPal Holdings Inc, Charles Schwab Corp, S&P Global Inc, T. Rowe Price Group Inc, Tradeweb Markets Inc, Visa Inc, The Western Union Co, GoldMoney Inc.

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Visa Inc (V) / Diversified Finan Serv

\$212.06 per share

Earnings & Equity Valuation Sensitivity

Current Stock Price: \$212.06 per share						
Intrinsic Value Sensitivity to Earnings & Valuation Multiple Assumptions						
		FY2023E Estimated EBITDA:				
Implied 2023E		21,688	22,326	22,983	23,640	24,315
EV/EBITDA	P/E	-6%	-3%	0%	3%	6%
26.5x	32.6x	260.31	268.04	276.00	283.96	292.15
25.2x	31.0x	248.04	255.41	263.00	270.59	278.40
24.0x	29.5x	235.77	242.78	250.00	257.22	264.64
22.8x	28.1x	224.45	231.13	238.00	244.88	251.95
21.8x	26.8x	214.07	220.44	227.00	233.56	240.31
20.8x	25.5x	203.69	209.75	216.00	222.25	228.67
19.8x	24.3x	194.25	200.04	206.00	211.96	218.09
18.9x	23.1x	184.81	190.33	196.00	201.67	207.51
17.9x	22.0x	175.38	180.61	186.00	191.39	196.93
17.1x	20.9x	166.88	171.87	177.00	182.13	187.41
16.2x	19.8x	158.39	163.13	168.00	172.87	177.89
15.4x	18.9x	150.84	155.35	160.00	164.65	169.42
14.7x	17.9x	143.29	147.58	152.00	156.42	160.96
13.9x	17.0x	135.74	139.81	144.00	148.19	152.50
13.3x	16.2x	129.14	133.01	137.00	140.99	145.09
12.6x	15.3x	122.53	126.21	130.00	133.79	137.68

Stock Upside (downside) based on Intrinsic Value Sensitivity to EPS & Valuation Multiple Assumptions						
		FY2023E Estimated EBITDA:				
Implied 2023E		21,688	22,326	22,983	23,640	24,315
EV/EBITDA	P/E	-6%	-3%	0%	3%	6%
26.5x	32.6x	23%	26%	30%	34%	38%
25.2x	31.0x	17%	20%	24%	28%	31%
24.0x	29.5x	11%	15%	18%	21%	25%
22.8x	28.1x	6%	9%	12%	16%	19%
21.8x	26.8x	1%	4%	7%	10%	13%
20.8x	25.5x	-4%	-1%	2%	5%	8%
19.8x	24.3x	-8%	-6%	-3%	0%	3%
18.9x	23.1x	-13%	-10%	-8%	-5%	-2%
17.9x	22.0x	-17%	-15%	-12%	-10%	-7%
17.1x	20.9x	-21%	-19%	-17%	-14%	-12%
16.2x	19.8x	-25%	-23%	-21%	-18%	-16%
15.4x	18.9x	-29%	-27%	-25%	-22%	-20%
14.7x	17.9x	-32%	-30%	-28%	-26%	-24%
13.9x	17.0x	-36%	-34%	-32%	-30%	-28%
13.3x	16.2x	-39%	-37%	-35%	-33%	-32%
12.6x	15.3x	-42%	-40%	-39%	-37%	-35%

This table depicts the tradeoff between the company meeting the earnings projections, versus meeting the multiple assumptions. The highlighted price range shows the price range derived from the single point EBITDA multiple analysis from the prior page.

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