



Equity Valuation of Visa Inc.

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Abstract

Title: Equity Valuation of Visa Inc.

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This dissertation evaluates the fair equity value of Visa Inc., one of the world's leading digital payment networks. The analysis applies two intrinsic approaches, the discounted cash flow model and the adjusted present value model, together with a relative valuation based on trading multiples. The results imply a share price of \$262.38, representing a 23.2% discount to the prevailing market price.

Visa generates revenues from payment volumes, transactions, and value-added services. Structural growth is supported by the global shift from cash to digital payments, particularly in emerging markets. At the same time, increasing regulatory scrutiny in the U.S. and Europe and competition from new payment providers pose risks to profitability. Despite these challenges, Visa's scale, brand strength, and network effects ensure robust cash generation.

The findings are contrasted with recent analyst reports, which suggest price targets ranging from \$306 to \$367. Higher valuations are largely driven by the use of elevated P/E multiples or optimistic terminal growth assumptions paired with lower discount rates. In comparison, this thesis applies more realistic assumptions, anchored in long-term economic fundamentals and Visa's actual cost structure, leading to a clear *Sell* indication.

While Visa remains financially solid, its dominant market share leaves it with more to lose than to gain. Intensifying competition, rising client incentives, and regulatory risks further support the conclusion that the stock appears overvalued at current levels.

Keywords: Equity Valuation; Visa; DCF; APV; Intrinsic Valuation; Relative Valuation; Payment Network

Resumo

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Esta dissertação avalia o valor justo das ações da Visa Inc., uma das maiores redes globais de pagamentos digitais. A análise aplica dois métodos intrínsecos — fluxo de caixa descontado e valor presente ajustado — além de uma avaliação relativa baseada em múltiplos de mercado. Em 8 de setembro de 2025, os resultados indicam preço-alvo de \$262,38 por ação, equivalente a um desconto de 23,2% em relação ao preço de mercado.

Visa gera receitas a partir de volumes de pagamento, transações e serviços de valor agregado. O crescimento é sustentado pela migração do dinheiro físico para pagamentos digitais, sobretudo em mercados emergentes. Ao mesmo tempo, maior pressão regulatória nos EUA e Europa e a concorrência de novos provedores afetam a rentabilidade. Ainda assim, a escala global, a força da marca e os efeitos de rede garantem forte geração de caixa.

Os resultados são comparados a relatórios recentes de analistas, que apresentam preços-alvo entre \$306 e \$367. Essas avaliações mais altas refletem múltiplos P/E inflacionados ou premissas de crescimento terminal otimistas combinadas a taxas de desconto menores. Em contraste, esta dissertação adota hipóteses prudentes, ancoradas em fundamentos econômicos de longo prazo e na estrutura de custos da Visa, chegando a uma indicação de venda.

Embora sólida financeiramente, a posição dominante da Visa implica riscos de perda do que oportunidades de ganho, reforçando a conclusão de que as ações estão sobrevalorizadas.

Keywords: Equity Valuation; Visa; DCF; APV; Intrinsic Valuation; Relative Valuation; Payment Network

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Abbreviations

| | |
|-----------|---|
| APV | Adjusted Present Value |
| CAGR | Compound Annual Growth Rate |
| CAPM | Capital Asset Pricing Model |
| CRP | Country Risk Premium |
| D&A | Depreciation & Amortization |
| DCF | Discounted Cash Flow |
| DDM | Dividend Discount Model |
| DPO | Days Payables Outstanding |
| DSO | Days Sales Outstanding |
| EBIT | Earnings Before Interest and Taxes |
| ECB | European Central Bank |
| ERP | Equity Risk Premium |
| EUR | Euro |
| EV | Enterprise Value |
| EV/EBITDA | Enterprise Value to Earnings Before Interest, Taxes, Depreciation & Amortization |
| FCFF | Free Cash Flow to the Firm |
| FX | Foreign Exchange |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| ITS | Interest Tax Shield |
| JPY | Japanese Yen |
| KPI | Key Performance Indicator |
| NWC | Net Working Capital |
| OPEX | Operating Expenses |
| PPE | Property, Plant & Equipment |
| ROE | Return on Equity |
| SEC | U.S. Securities and Exchange Commission |
| TV | Terminal Value |
| USD | United States Dollar |
| VAS | Value-Added Services |
| WACC | Weighted Average Cost of Capital |

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1. Introduction

Financial markets are shaped by constant innovation, shifting regulation, and global macroeconomic forces. In such an environment, the question of how to value a company remains central to both academics and practitioners. Valuation is not only about arriving at a number, but also about understanding what drives that number—whether it stems from fundamentals, market sentiment, or strategic positioning.

This thesis examines equity valuation through the case of Visa Inc., the leading global payments network. Visa represents a unique subject of study: its business model is asset-light and highly scalable, yet it operates at the heart of financial infrastructure, where volumes are sensitive to economic cycles and regulatory oversight. At the same time, competition from fintech challengers and alternative payment solutions is reshaping the industry landscape. These dynamics make Visa an ideal candidate for testing how different valuation methods capture both opportunities and risks.

To address this, the study applies two intrinsic valuation approaches—discounted cash flow (DCF) and adjusted present value (APV)—alongside a relative valuation using market multiples. By comparing the results across frameworks, the analysis seeks not only to estimate a fair value for Visa’s equity but also to contribute to ongoing debates about the reliability and limitations of valuation models in practice.

2. Literature Review

Equity valuation is one of the most important parts of modern finance because equity valuation follows a structured process to estimate the intrinsic value of a company's stock.

Although the Efficient Market Hypothesis (EMH) proposed by Fama (1970) assumes that prices reflect all available information, mispricing occurs because of investor sentiment, judgment errors, behavioral biases, and asymmetry of information, all of which create the need for valuation models. As Damodaran (2012), states, “valuation is not about finding one ‘true’ number,” rather it is about creating a logically consistent process to translate assumptions into conclusions to make an investment more or less attractive compared to other investments. Various methods of valuation can be defined and classified, and can be based on principles and aspects of practice. Fernández (2019) has classified valuation methods into four groups: discounted cash flow methods, relative valuation methods, asset-based methods, and contingent

claim methods. These valuation methods comprise, alone or in combination with hybrid methods, such as Adjusted Present Value (APV), which analyze the effect of financing directly (Myers, 1974). In practice, studies have shown that analysts and investment bankers rarely rely on a single method: Brotherson et al. (2014) found that nearly all practitioners use multiple approaches, applying secondary methods as a “sanity check” to confirm their main valuation.

This chapter reviews the main valuation methods with a particular focus on those applied in this dissertation, Discounted Cash Flow (DCF), Adjusted Present Value (APV), and relative valuation.

2.1. Discounted Cash Flow Model

Discounted Cash Flow (DCF) analysis is mostly considered the most theoretically correct valuation method as it measures the value of the firm based on its capacity to generate cash flows over time (Damodaran, 2012; Fernández, 2019). The basic premise is an asset's value is equal to the present value of the expected future cash flows discounted at a rate that reflects the risk of the cash flows the holder would receive.

2.1.1. Free Cash Flow to the Firm (FCFF)

DCF modelling is mostly done based on the Free Cash Flow to the Firm (FCFF) format, which measures cash flows available to all providers of capital. FCFF is defined as follows:

$$FCFF = EBIT \times (1 - t) + D\&A - \Delta NWC - CapEx \quad (1)$$

where *EBIT* are earnings before interest and tax, *t* is the corporate tax rate, *D&A* are depreciation and amortization, *ΔNWC* is the change in net working capital, and *CapEx* are capital expenditures (Koller et al., 2020).

Discounting FCFF at the Weighted Average Cost of Capital (WACC) provides the enterprise value. To derive equity value, net debt and other adjustments are incorporated through the equity bridge.

2.1.2. Weighted Average Cost of Capital (WACC)

WACC reflects the blended cost of equity and debt, weighted by their market values:

$$WACC = D + \frac{E}{D + E} \times r_e + \frac{D}{D + E} \times r_d \times (1 - t) \quad (2)$$

where r_e is the cost of equity, and r_d the cost of debt (Stowe et al., 2007). When valuing a firm's FCFF, the WACC ensures consistency because it is inclusive of the opportunity cost that occurs for both shareholders and creditors.

The cost of equity can mostly be estimated using the Capital Asset Pricing Model (CAPM) that was created by Sharpe (1964). The CAPM estimates the required return as the risk-free rate plus a beta-adjusted equity risk premium:

$$r_e = r_f + \beta(r_m - r_f) \quad (3)$$

The CAPM has its detractors who criticize the assumptions it makes and the simplicity of the framework (Roll, 1977), but it is still the standard framework, especially in practice (Damodaran, 2023). Beta can be determined in two ways: through market index regressions of a company's stock or through peer comparable estimates, which are adjusted for debt (Koller et al., 2020).

For the cost of debt, the normal market yields of traded debt will be used to get estimates, or if there is no market data available, estimated synthetic ratings can be created using market ratios (Damodaran, 2012).

2.1.3. Terminal Value

Coming up with cash flows is only done explicitly for a finite horizon, so we need to calculate a terminal value (TV) to capture continuing value. Koller et al. (2020) highlight that TV typically makes up greater than 50% of a firm/investment's total value and should be methodically thought through. There are two common methodologies:

Perpetual Growth Method (Gordon Model): assumes stable growth g , beyond the forecast horizon:

$$TV = \frac{FCF_{t+1}}{(WACC - g)} \quad (4)$$

Exit Multiple Method: applies a market multiple (e.g., EV/EBITDA) to forecasted financials. While widely used in practice, this introduces elements of relative valuation into an intrinsic model (Damodaran, 2012).

2.2. Adjusted Present Value (APV)

The Adjusted Present Value (APV) model was introduced by Myers (1974) as a refinement of DCF. Rather than discounting FCFF with a blended WACC, APV values the firm as if it were entirely equity financed and then adds the net present value of financing side effects. This decomposition allows for greater transparency when debt ratios change over time.

The APV formula is:

$$V_L = V_U + PV(\text{Tax Shields}) - PV(\text{Bankruptcy Costs}) \quad (5)$$

where V_U is the value of an unlevered firm, $PV(\text{Tax Shields})$ incorporates the tax deductibility of interest payments, and $PV(\text{Bankruptcy Costs})$ includes potential distress costs.

APV has particular value to firms that have complex or dynamic capital structures, leverage buyouts, or industries where debt tax shields represent a meaningful driver of value. Given Visa's conservative balance sheet debt level, adjusted present value is methodological complement to DCF rather than fundamentally different outcomes.

2.3. Dividend Discount Model

The Dividend Discount Model (DDM) reports equity value as the present value of expected dividends (Gordon, 1962). While theoretically elegant, the DDM is only suitable for firms with stable and predictable payout profiles. For companies like Visa, where shareholder returns are predominantly driven by share repurchases rather than dividends, the model fails to capture the true cash distribution to shareholders. As a result, the DDM systematically undervalues such firms and is rarely applied in practice.

2.4. Relative Valuation

Relative valuation is among the most frequently applied methodologies in both academia and practice. Unlike discounted cash flow approaches, which rely on projected cash flows and discount rates, relative valuation benchmarks a firm against market peers (Liu, Nissim, & Thomas, 2002). Its theoretical basis stems from the “law of one price,” whereby comparable assets should trade at similar values once differences in growth, risk, and profitability are controlled for (Koller, Goedhart, & Wessels, 2020).

Implementation typically relies on valuation multiples. The P/E ratio links equity value to net income, EV/EBITDA adjusts for capital structure and depreciation, and EV/Sales is useful for early-stage or loss-making firms. Book-value metrics like P/BV are sometimes applied to financial institutions, though their relevance declines for asset-light businesses. No single multiple is definitive; practitioners triangulate across several to derive a valuation range (Rosenbaum & Pearl, 2013).

Reliability depends on peer group selection. Alford (1992) highlighted that size, growth, profitability, and risk materially affect comparability, meaning industry classification alone is insufficient. Regression-based techniques seek to adjust for these drivers statistically (Damodaran, 2012).

Relative valuation offers key advantages: it reflects market sentiment, is simple to compute and communicate, and provides a practical benchmark against intrinsic methods. Yet it inherits market mispricing, is sensitive to peer choice, and captures limited firm-specific factors. In sum, while less theoretically robust than discounted cash flow, relative valuation remains essential as a market-based cross-check and validation of intrinsic results.

2.5. Other Valuation Approaches

While valuations based on assets are derived from the market or replacement value of the components of the assets, they are not the best valuations for service-oriented firms like Visa that have little tangible assets (Stowe et al., 2007). Aside from contingent claim models (real options) which are theoretically powerful for the valuation of firms that have large embedded optionality, such as resource companies or early-stage technology firms (Trigeorgis, 1996), there opportunity for potential voluntary exit if the firm is not intending to continue in business, in Visa's case these type of models are less pertinent and may actually be more applicable is to the fintech entrants.

2.6. Choice of Methods for Visa

Considering Visa's stable cash flow generation, its debt position remains modest relative to its equity compared with its peers, and the significant availability of comparable peer group valuations, the paper has taken the position to apply a combined framework: (1) DCF (based on FCFF) will be the primary intrinsic method of capturing Visa's fundamental value drivers;

(2) APV will be applied as a secondary intrinsic valuation method that considers the isolating financing effects and payoffs; and (3) relative valuation will be used as an overall benchmarking mechanism or comparison against how the market is pricing Visa. Other methods for completeness were reviewed (e.g., DDM, residual income, and asset-based approaches) but were not used for practical purposes giving the limited relevance for Visa's overall business model.

3. Company Analysis

This following chapter will present an in-depth analysis of Visa Inc, outlining its main business model, revenue generation and positioning within the global payments space.

3.1. Company Overview

Visa Inc., hereinafter Visa, is a global payments technology company headquartered in San Francisco. Founded in 1958 as BankAmericard and renamed in 1976, it has become the largest retail electronic payments network worldwide, covering transactions in over 200 countries and territories.

Visa acts as a facilitator rather than lender or card issuer, running an open-loop model that connects more than 1,500 financial institutions, cardholders, and merchants. Its asset-light approach enables global scalability while limiting balance-sheet risk. Revenues come mainly from services, payment processing, international transactions, and value-added services. In fiscal 2024, gross revenue was \$49.7 billion, with \$17.7 billion (35.6%) from processing fees and \$16.1 billion (32.5%) from service fees; net revenues after client incentives were \$35.9 billion (Visa, 2024).

VisaNet processes over 65,000 transaction messages per second, combining reliability, speed, and fraud protection. In FY 2024, Visa supported 4.5 billion credentials and handled about 284 billion transactions worth more than \$15 trillion in payment volume. Results are reported across the United States and International, with the latter contributing the largest share of volume and growth (Visa, 2024).

Listed on the NYSE under ticker “V” since its IPO on March 25, 2008, Visa’s common shares traded at \$341.74 on September 10th, 2025. With 1.94 billion shares outstanding and 1.70 billion (87.76%) free float, the company’s market capitalization reached \$724.37 billion. Over the past decade, the stock rose from a low of \$66.72 (June 29, 2015) to a high of \$367.90 (May 19,

2025), more than a fivefold nominal increase. This performance consistently outpaced both the S&P 500 Index and the S&P 500 Financials sector.

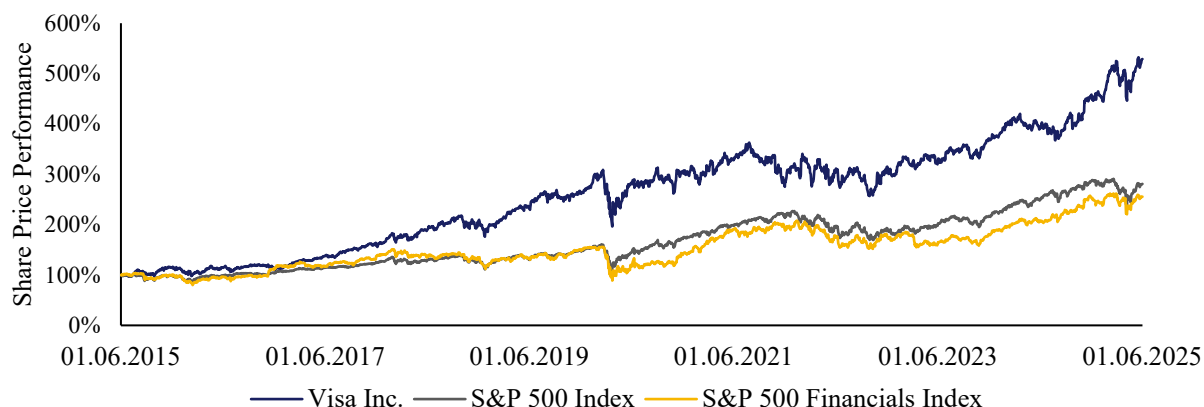


Figure 1: Share Price Performance of Visa and S&P 500, indexed as of Jun 1st, 2015 (Source: Refinitive Eikon)

Visa, Inc. has one single class of publicly traded common shares (Class A), which provide public shareholders with full voting and economic rights. There are also restrictions placed on other classes of shares such as Class B, which are not traded publicly and therefore, are not part of public ownership or market value.

3.2. Business Model & Strategic Positioning

Visa operates as a highly scalable, capital-efficient “open-loop” network, acting as a neutral intermediary in the digital payments ecosystem. It connects issuing banks, acquiring banks, and merchants, facilitating transactions without taking balance sheet risk. Unlike integrated models such as American Express, Visa neither issues cards nor acquires merchants. Instead, it monetizes transaction volume by routing, authorizing, and settling payments through its global platform, VisaNet.

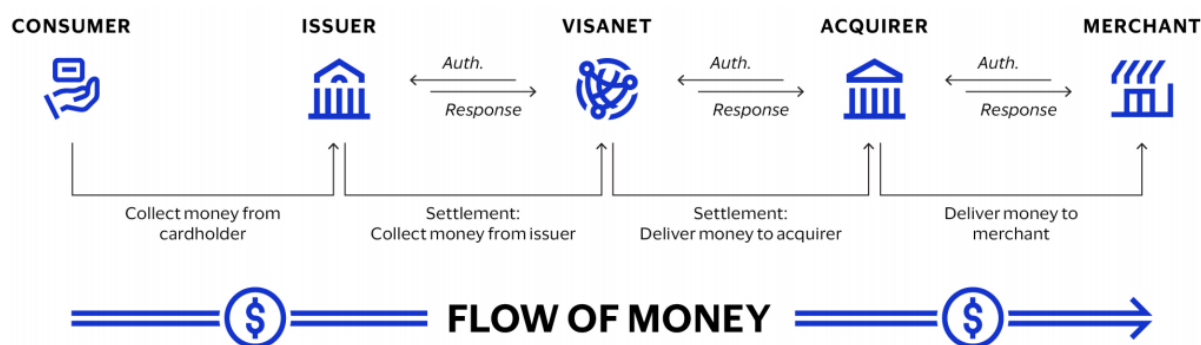


Figure 2: Four Party Model (Source: Visa, 2024 Annual Report)

This architecture enables broad participation and creates a capital-light model with high operating leverage, supporting structurally superior margins and global scalability. A central element of Visa's strategy is its partner ecosystem: over 14,000 banks issue co-branded Visa cards and manage end-customer relationships. These deep relationships form a competitive moat, ensuring broad distribution, preference-driven adoption, and strong retention worldwide.

Visa organizes its business around three long-term growth pillars: Consumer Payments, New Flows, and Value-Added Services (VAS).

Visa's **consumer payments** division represents Visa's traditional and most significant pillar of revenue generation, encompassing credit, debit, and prepaid transactions. Visa has partnered with a number of financial institutions—over 4.5 billion cards are in circulation, all of which enable people to pay for products and services in-store and online, every day. While developed markets like the U.S. and Europe are highly penetrated and account for stable growth, emerging markets, particularly in Asia Pacific and Latin America, still offer key areas for volume expansion. Within these markets, debit products account for a much greater share of total volume than in the U.S., for example, shifting payment preferences among consumers and restrictions on credit issuance from regulatory issues partially contribute to the volume expansion.

New Flows are non-card-based money movement within under-penetrated transactions related to peer-to-peer (P2P), business-to-business (B2B), and government-to-consumer (G2C) value exchange. Visa Direct (real-time push payments), B2B Connect (cross-border corporate payments) and account-to-account services are a few of the brand initiatives meant to satisfy demand for faster payment rails, responsiveness, and flexibility, outside of the core transaction processing ecosystem related to cards. New Flows still only comprise approximately 6% of Visa's total revenues, however, it has an astounding growth opportunity by capturing a percentage of the anticipated \$200 trillion market of global money movement beyond consumer spending.

Value-Add Services (VAS) are closely linked to transactional processing, providing clients with risk management, security, data, tokenization, and advisory services. They function as highly scalable products giving them margin accretion, and promoting deeper client relationships with Visa than with cross-commodity payments processors. Currently, expansion into VAS, 24% of net revenues, is a deliberate strategic shift towards developing more embedded high-value offerings.

The overall structure is supported by Visa's Network of Networks strategy, which aims to connect the channels of traditional card based payments and emerging channels of digital networks, wallets, real-time banking rails, and fintech experiences, among others. In doing so, Visa aspires to become the center piece of infrastructure for global value exchange, regardless of channel, form factor, or geography.

Although Visa organizes its business strategy around the three pillars of Consumer Payments, New Flows and Value-Added Services, these are not reported as distinct revenue line items in the financial statements of the firm. Instead, the official disclosures identify revenue lines such as Service Revenues, Data Processing Revenues, International Transactions and Other Revenues, which will be discussed in detail in the following chapter. As a result, the calculations and projections of the financial analysis, and subsequent forecasting, will be grounded in the identified revenue lines, bearing in mind that each of these are driven by Visa's strategic pillars to varying degrees.

3.3. Historical Financial & Operational Performance

The purpose of this chapter is to analyze Visa's financial performance based on its historical results and the key drivers shaping future performance. A detailed breakdown of revenues and operating expenses provides the foundation for understanding trends.

Visa's revenues come from charging financial institutions and other clients to use its network and services. From 2019 to 2024, revenues grew at a CAGR of 9.4%. Figures are presented net of client incentives and reported across five categories: service revenues, data processing revenues, international transaction revenues, other revenues, and client incentives.

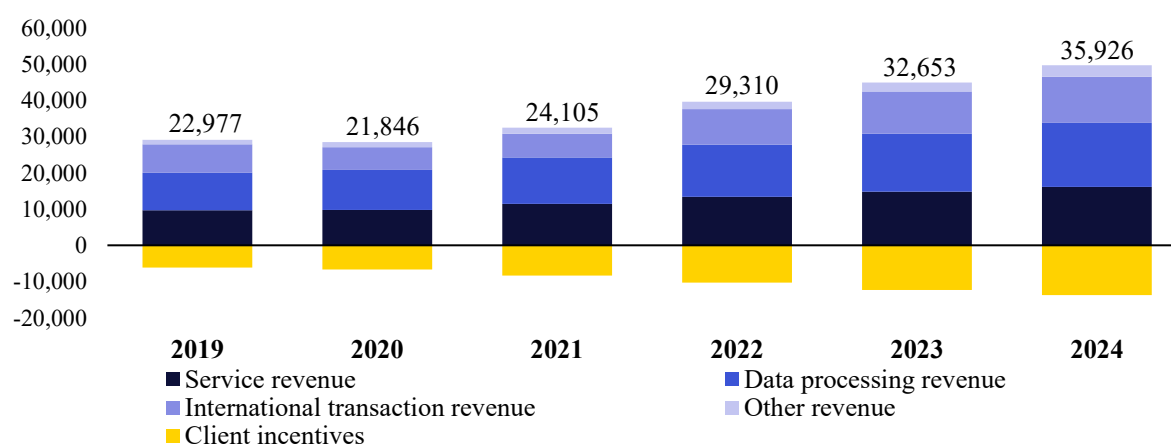


Figure 3: Historical Revenue Development per Revenue Stream (in USD bn) (Source: Annual Reports)

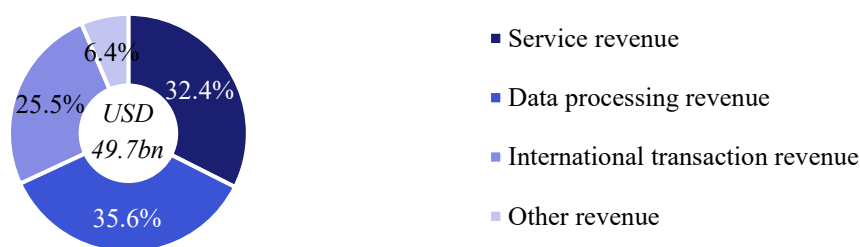


Figure 4: Visa 2024 Revenue Share per Revenue Stream (Source: Own Analysis)

Service revenues, derived from the use of Visa-branded cards, are based on the cumulatively dollar amount of purchases made using Visa cards and other products. This provided steady revenue growth in past years and stable percent of total revenue.

Data processing revenues, allow the company to generate revenues based on transactions made. The total data processing revenues for fiscal year 2024 was \$17.7 billion and that's derived from transaction-based services such as authorization, clearing, settlement, network access, and other processing services. While service revenues are driven by volume, data processing revenues strictly reflect the number of transactions, which is an important information source for assessing Visa's operational intensity.

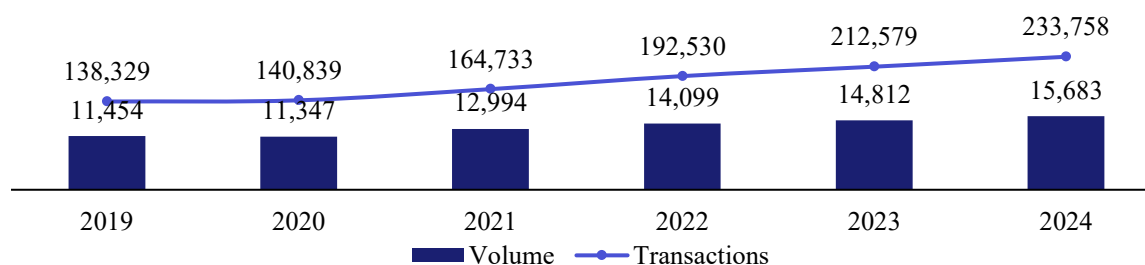


Figure 5: Total Payment Volume (in tn) and Processed Transactions (in bn) (Source: Annual Reports)

International transaction revenues reflects fees for fees earned from cross border and currency conversion, and therefore has particularly high margins, providing a key revenue stream for Visa. International transaction revenue is also closely tied to macroeconomic factors such as tourism and international trade, which can impose volatility on this revenue type. For example, in fiscal year 2024, international transactions contributed approximately \$9.2 billion in revenues. COVID resulted in a significant decline in cross-border travel and was anticipated to disrupt International Transaction Revenue, while Visa's domestic and online payment volumes grew in line with e-commerce growth. In fiscal year 2024, the recovery of travel across international markets allowed the revenue mix to normalize.

Other revenues of \$3.8 billion in fiscal year 2024, encompass income generated from licensing arrangements, consulting services, fraud prevention tools, digital identity, open banking, and analytics. The other revenue segment has had the strongest growth in recent history versus other segments, as Visa continues to provide value-added-services to meet client demand for secure payments reliant on data and analysis.

Client incentives are presented as a contra-revenue item, totaling \$8.3 billion in FY 2024. They include volume-based payments, rebates, and incentives offered to secure or retain business. Incentives have risen both in absolute terms and as a share of gross revenues, reflecting Visa's strategy of offering larger commitments to issuers, particularly in emerging markets and debit products, to capture long-term growth.

Excluding COVID disruptions in 2020 and 2021, Visa has had a structurally international revenue mix producing greater than 55% of company revenues in this category, contributing to strong margins associated with growth of non-U.S. domestic and cross-border revenues.

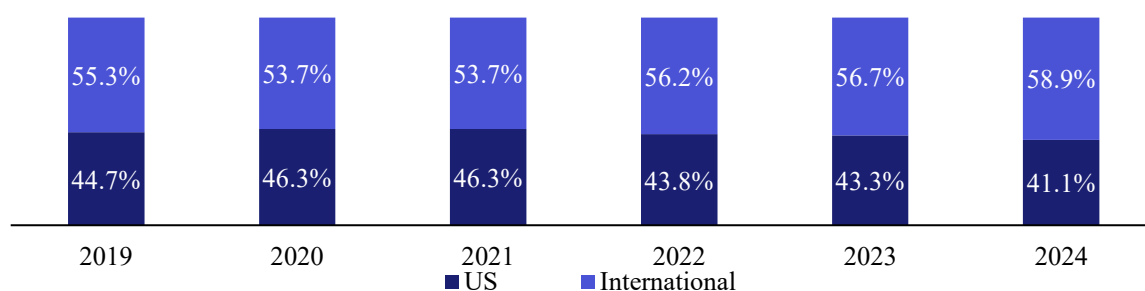


Figure 6: Visa Net Revenue Split per Region (Source: Refinitive Eikon)

Between FY2019 and FY2024, Visa's operating profit rose from \$15.0 billion to \$23.6 billion, an increase of roughly 57%. The only setback came in FY2020, when earnings fell by about 6% as cross-border activity collapsed during the pandemic. From 2021 onward, profits grew at double-digit rates again, driven by higher spending levels and the return of international travel. Margins held steady at 64–66%, showing that additional transaction volumes translated almost directly into operating income.

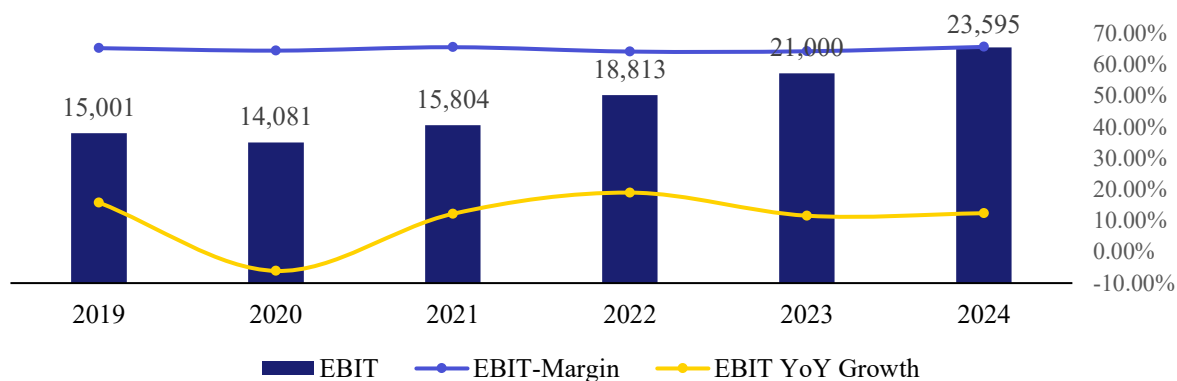


Figure 7: Operating Profit Development (in USD bn) (Source: Annual Reports)

4. Industry Analysis

The payments sector is a rapidly changing and structurally significant industry in the global financial system. Addressing the equity story and valuation drivers for Visa requires considering the macroeconomic environment, the structural changes to the global payments market, and the relative competitive positioning of the major networks. This chapter assesses the macroeconomic and structural environment that will determine transaction volumes, monetization potential, and longer-term trends in the industry.

4.1. Macroeconomic Environment

This chapter discusses the five core macroeconomic dimensions that are shaping the global payments arena: economic growth, measured as growth in Gross Domestic Product, consumption growth, cross-border mobility, exchange rate volatility, and inflation.

4.1.1. Global GDP Growth and Consumption Development

Macroeconomic growth is a primary facilitator of both the number of transactions and the total amount of payments, since it directly indicates the overall economic activity and demand for

consumption. Figures 8 and 9 present real GDP growth and growth in final consumption expenditures in key regions for years 2014 – 2024.

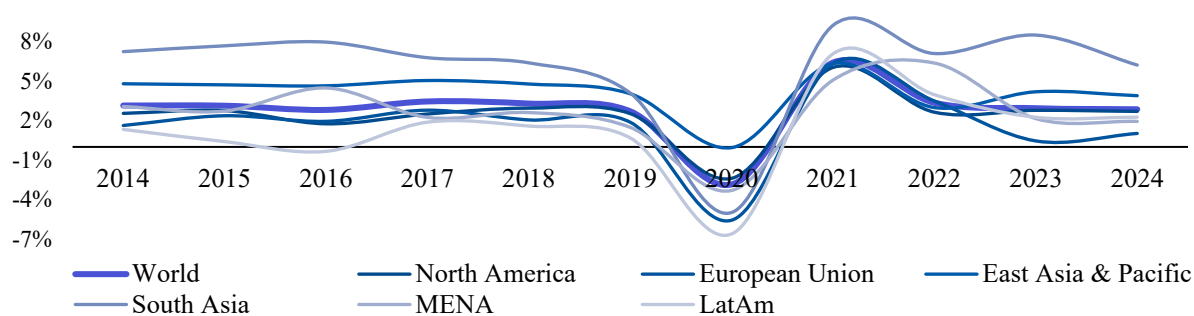


Figure 8: Annual GDP Growth per Region (%) (Source: World Bank, 2025)

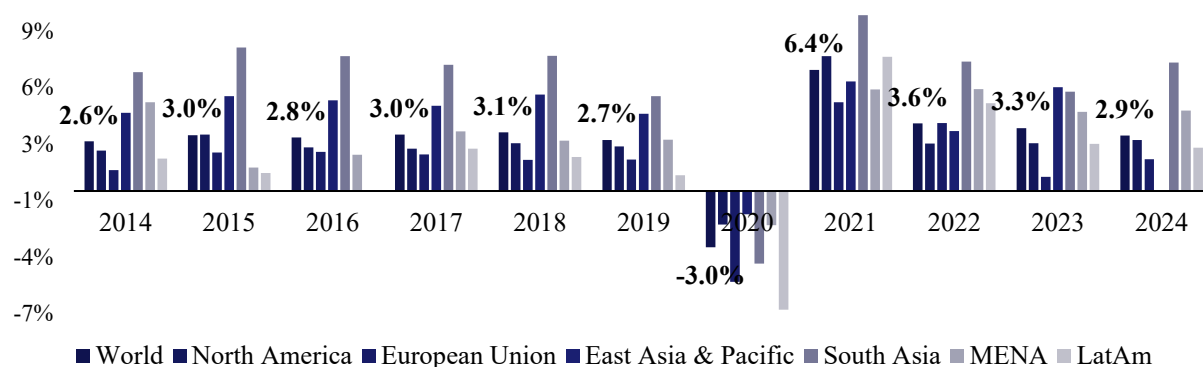


Figure 9: Annual Final Consumption Expenditure Growth per Region (%) (Source: World Bank, 2025)

In particular, final consumption expenditure includes all expenditures by households, governments, and non-profit institutions serving households (measured in constant (real) dollars). It represents the overall demand for goods and services consumed within an economy and normally accounts for more than 70 % of group GDP – making it a central component of demand for payments transactions.

Overall consumption expenditure is a key proxy for payment activity, since most transactions originate from the purchase of goods and services. In 2020, COVID-19 lockdowns caused an unprecedented decline: global GDP fell 2.8% and final consumption 3.0%. Advanced economies such as North America and the EU, heavily reliant on services and in-person transactions, saw sharp declines, while South Asia and Latin America also experienced some of the steepest contractions worldwide.

In 2021, reopening, pent-up demand, and policy support drove a strong rebound, with global GDP and consumption growth at 6.4%, only slightly below pre-COVID levels. South Asia and East Asia & Pacific recorded the fastest recoveries, followed by advanced markets. In later

years, growth normalized as tighter monetary policy and geopolitical uncertainty weighed on supply chains.

Advanced markets maintained lower but more stable growth, supporting high absolute transaction volumes. Emerging regions sustained higher growth—South Asia above 6%, East Asia & Pacific around 4%, and Latin America 2–3%—driven by urbanization, demographic shifts, and the ongoing transition from cash to digital payments.

For Visa, these macro trends define the global environment: advanced economies generate the largest payments by value, while emerging markets remain the strongest source of incremental growth in both transaction counts and payment volumes, underscoring their long-term strategic importance.

4.1.2. Cross-border Travel and FX Exposure

The use of international tourist arrivals serves as a macroeconomic proxy for the demand for cross-border travel and the associated payment transaction. In Figure 10, we see a substantial decline in 2020 through 2021, but growth resumed in stages, and the recovery phase is expected to return to pre-pandemic levels by 2024.

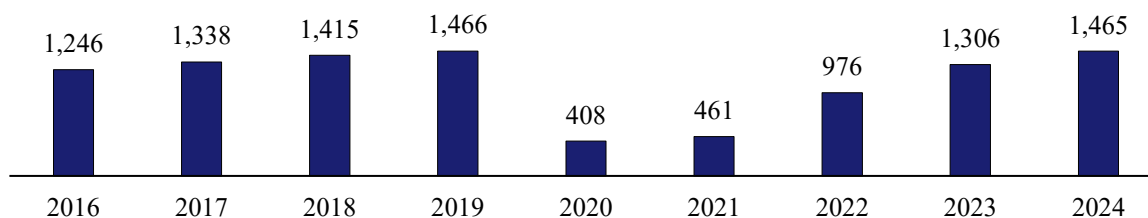


Figure 10: International Tourist Arrivals (in Millions) (Source: UN World Tourism Organization, 2025)

Growth in cross-border transactions extends beyond travel and include payments for digital remittances or payments resulting from e-commerce settlement. The increase in international cross-border e-commerce and the rapid growth of worldwide remittances, contribute to increased strategic value of revenues generated by foreign exchange.

Over the course of the last five years, increased volatility in global FX markets has occurred as a direct result of diverging monetary policies and geopolitical tensions (Georgiev and Shakh, 2023). The U.S. dollar strengthened sharply and was a noteworthy contributor to this volatility during the Fed's rate hikes, pushing EUR/USD near parity in 2022 (European Central Bank 2024). In contrast, the Japanese yen depreciated significantly in value as USD/JPY surpassed

150 in 2023, also due to Japan's ultra-loose monetary policy (Bank of Japan, 2024). For further context, annualized EUR/USD volatility reached a peak of over 11 % in 2022 (Refinitiv, 2024). Such FX swings significant enough to impact payment networks as revenues from cross-border transactions are directly derived from such volatility.

4.1.3. Inflation and Interest Rate Environment

Macroeconomic factors such as interest rates and inflation strongly influence payment activity. The IMF (2025) projects global headline inflation to fall to 4.3% in 2025 and 3.6% in 2026, with advanced economies returning near target at 2.2% and emerging markets stabilizing around 4.6%. Longer-term forecasts point to gradual disinflation, with global inflation easing from 3.3% in 2027 to 3.2% by 2030 (Statista, 2025). While trends are improving, the IMF cautions that tariffs, supply shocks, and policy risks continue to cloud the outlook (IMF, 2025).

4.2. Global Payments Market

The global payments market has developed to be a very complicated and also interconnected ecosystem that encompasses both retail and wholesale payment flows. The payment instruments available to customers have increased considerably and now include card payments, account-to-account (A2A) transfers, digital wallets, instant payments, and cross-border payments. Retail payments usually involve low value, but high volume transactions, whereas wholesale payments usually involve a large value transfer from corporate to corporate or corporate transfer via financial institutions. This chapter provides an overview of the market structure relevant dynamics and segments in a dynamic payments ecosystem.

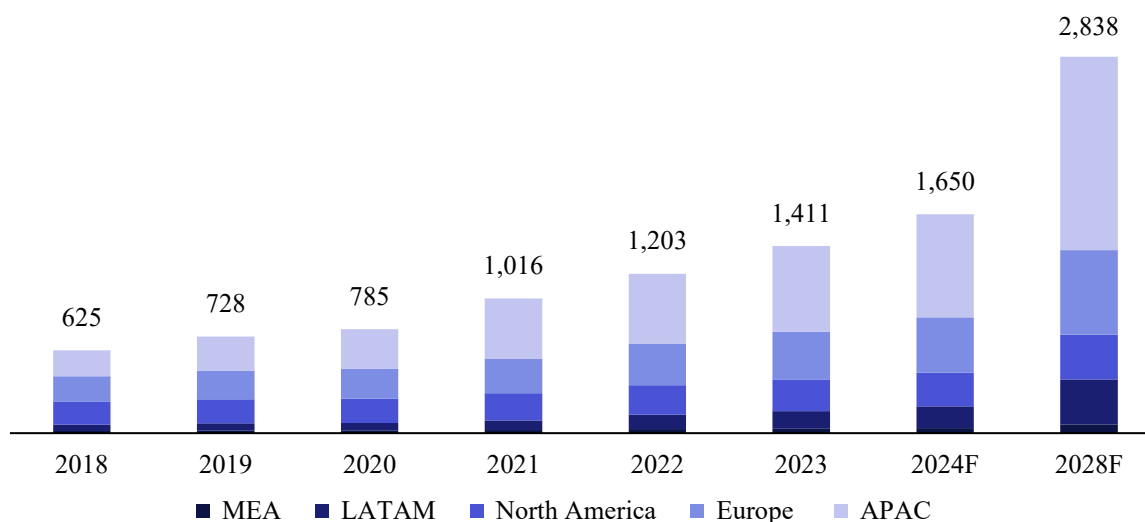


Figure 11: Global Non-Cash Transactions Volume (Enterprise and Retail, in billions) (Source: Capgemini, 2025)

From 2018 to 2023, an increase of almost three times in the global non-cash transactions volume. Global non-cash transaction volumes increased from 625 billion in 2018 to 1.41 trillion in 2023. This increase coincided with the overall acceleration of payment digitalization due to changing consumer expectations for speed, convenience, and payment security and the rapid development of real-time transaction systems. The primary contributor to transaction volume was from the Asia-Pacific-Oceania area (APAC), reporting 197 billion non-cash transactions in 2018 to 646 billion in 2023, representing 46% of global transactions in 2023. The next two regions in transaction volume behind APAC were Europe reporting 361 billion non-cash transactions and North America reporting 237 billion non-cash transactions in 2023. Although LATAM and MEA had the lowest transaction volume, the increases in both of those regions was notable reflecting an increase of more than two times of non-cash transaction volume over the five years, but still less than Europe and North America. Overall, the global movement away from cash, particularly in many developing markets, will continue until 2028, with 2.84 trillion global non-cash transactions. The evolving payments ecosystems, government policies surrounding financial inclusion, and growing acceptance of digital wallets and real-time payment rail is continuing to mitigate cash payment trends.

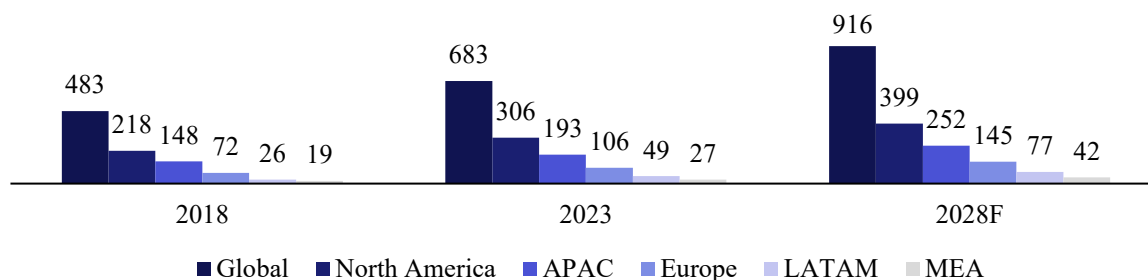


Figure 12: Global Transaction-Related Revenue (in USD bn) (Source: Boston Consulting Group, 2024)

Transaction revenues were \$483 billion in 2018, grew to \$683 billion in 2023, and are projected to grow to \$916 billion in 2028. The increased revenue growth indicates there are significantly increased transactions verifying, and monetization, is also increased with the additional services in valuation, interchange, and the networks. In terms of revenues in 2023, North America was the largest with \$306 billion, Asia Pacific was second with \$193 billion, Europe was third with \$106 billion. It is also worth noting that emerging markets like LATAM and MEA are seeing even larger revenue growth from transaction-related activity than already mature regions. For context, LATAM revenues were \$26 billion in 2018 and grew more than 2x, to \$49 billion by 2023, and MEA from \$19 billion in 2018 to \$27 billion in 2020. The numbers in transaction-related revenues are suggesting that not only is there scale, but also strategic value in this segment of the payments ecosystem looking from a competition standpoint, particularly as you analyze larger, infrastructure peers like Visa with significant revenue streams based on network fees and processing volume.



Figure 13: Global Retail Cross-Border Payment Volume Worldwide (Source: Convera, 2024)

Cross-border payments are among the fastest changing and most lucrative segments of the payment market globally. Cross-border transaction-related revenues approached \$193 billion globally in 2023, with North America and Asia-Pacific (APAC) generating approximately \$53.7 billion and \$49.9 billion respectively.

These regions represented well over half of the overall cross-border revenue pool globally. Moving forward, the cross-border payment market is set to reach about \$280 billion by 2030, with a compound annual growth (CAGR) rate of just over 5%. By 2030, APAC is forecasted to overcome North America as the largest of the regional revenue pools reaching \$79.6 billion in revenue, with North America closely following at \$76.4 billion. In addition, Europe, LATAM and MEA are expected to experience steady annual growth continuously to 2030 due to expanding trade corridors, sustained trade growth and increased payment infrastructure and interoperability. Meanwhile, retail cross-border payment volume reached an estimated \$44.2 trillion in 2023 and is expected to grow at just over 5.7% CAGR reaching \$65.1 trillion by 2030 (Convera, 2024). Overall, this demonstrates the reach and economic importance of cross-border consumer and small and medium enterprise (SME) payment transactions globally, especially in consumer e-commerce, travel, and remittance transactions.

For global networks such as Visa where cross-border flows can be monetized through spreads on foreign exchange, assessment fees and premium services this is strategically essential. As digital commerce expands and international consumer spend continues to develop, volumes in this segment of payment will continue to play an increasingly central role in incremental top-line revenue.

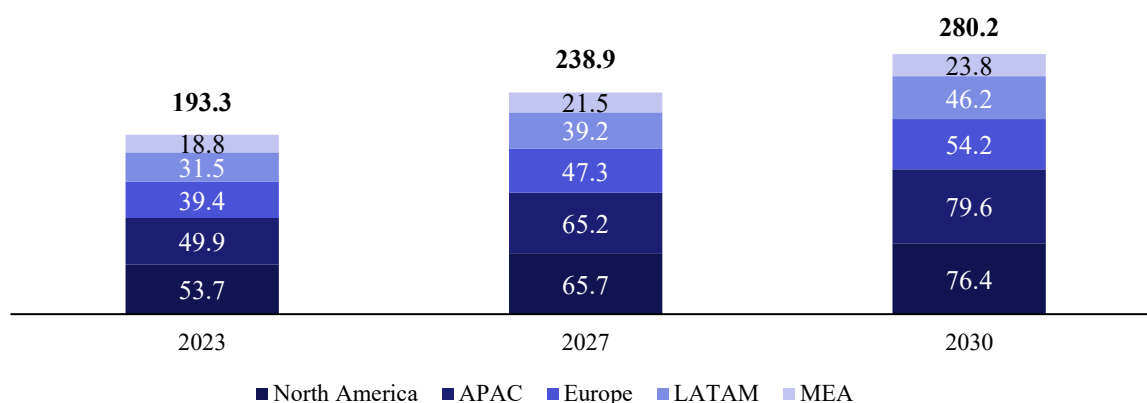


Figure 14: Cross-Border Payment Revenues by Region (Source: Convera, 2024)

4.3. Competitive Positioning

In order to evaluate Visa's strategic capabilities, this segment provides an examination of its operational and financial performance relative to other leading global payment networks. The comparison of Visa's performance consists of Mastercard, American Express, Discover (Diners Club), and JCB. Although UnionPay, historically, has been almost exclusively related to

national processing in China, recent statistics indicate a change, with recently reported data stating that 43% of UnionPay's transactions, on average, are now processing outside of China. This indicates a slow worldwide adoption of UnionPay for mobile payment. However, since UnionPay has not had any U.S. subsidiary issuing partnerships, and there is a lack of transparency regarding the financial performance of UnionPay, the performance of UnionPay will not be tracked in this analysis to the same depth as the other payment networks for performance benchmarking in this study. The selected KPIs represent key considerations of scale, monetization, and profitability to provide comprehensive performance of Visa in relation to the performance of the other payment networks. (Nilson Report, 2024)

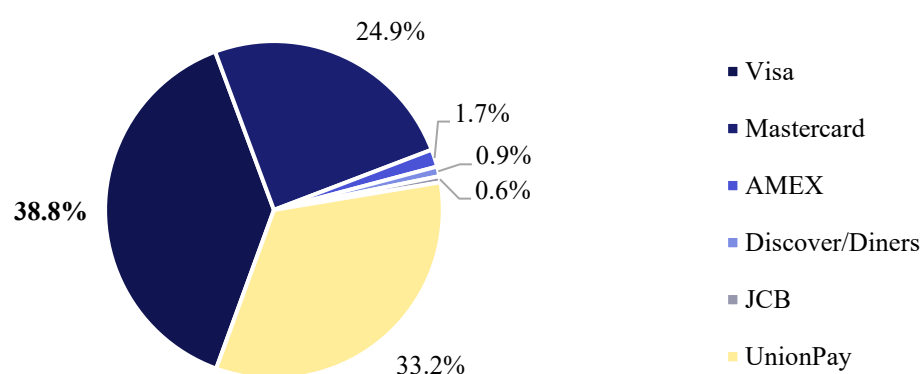


Figure 15: Global Market share in Purchase Transactions Volume 2023 (Source: Nilson Report 1264)

In terms of worldwide expenditures (purchase volume) as of 2023; Visa now comprises the largest share (38.8%), followed by Mastercard (24.9%) and UnionPay (33.2%). American Express and Discover are still considered niche players, with their market share being 1.7% and 0.9% respectively. Additionally, although UnionPay has a significant size of volume, it is still very domestic in its reach, and the lack of transparency and comparability makes it difficult to compare UnionPay to publicly trading Western networks. (Nilson Report, 2024)

Among all, Visa is the most processed transactions (284 billion) and the most issued card base (4.5 billion), significantly higher than Mastercard and Amex; however, when we adjust for the number of cards issued, American Express and Discover demonstrate a much higher value of transaction volume, with American Express and Discover indicating cardholder usage in close-loop models at a more frequent rate.

| | Visa | Mastercard | American Express | Discover Diners Club | JCB | UnionPay |
|-------------------------------|--------|------------|------------------|----------------------|-----|----------|
| Payments Volume (\$B) | 12,620 | 7,344 | 1,665 | 256 | 321 | n.a. |
| Total Volume (\$B) | 15,114 | 9,029 | 1,680 | 272 | 329 | 23,400* |
| Total Transactions (B) | 284 | 184 | 12 | 4 | 7 | 228 |
| Cards (M) | 4,484 | 2,948 | 141 | 72 | 156 | 4,700 |

Table 1: KPI Benchmarking with Global Payment Processors 2023 (Annual Reports and Nilson Report 1264)

Visa generates approximately \$0.15 for every transaction or \$2.77 for every \$1,000 in payment volume. The higher pricing power of American Express is significant, generating \$5.50 for every transaction, and \$37.37 for every \$1,000 TPV. This disparity represents the vertically integrated model of Amex, where it is both the issuer and acquirer and has full control over its fees and margins. Furthermore, Amex and its peer Discovery generate substantial interest income through lending, such as issuing credit lines to cardholders ("credit costs"), and charging financing fees to cardholders - activities not present in the Visa and Mastercard networks because of a pure network transaction model. However, it can also have a lower volume of customers: Amex serves less than 150 million cards and focuses almost exclusively on high-income and corporate clients.

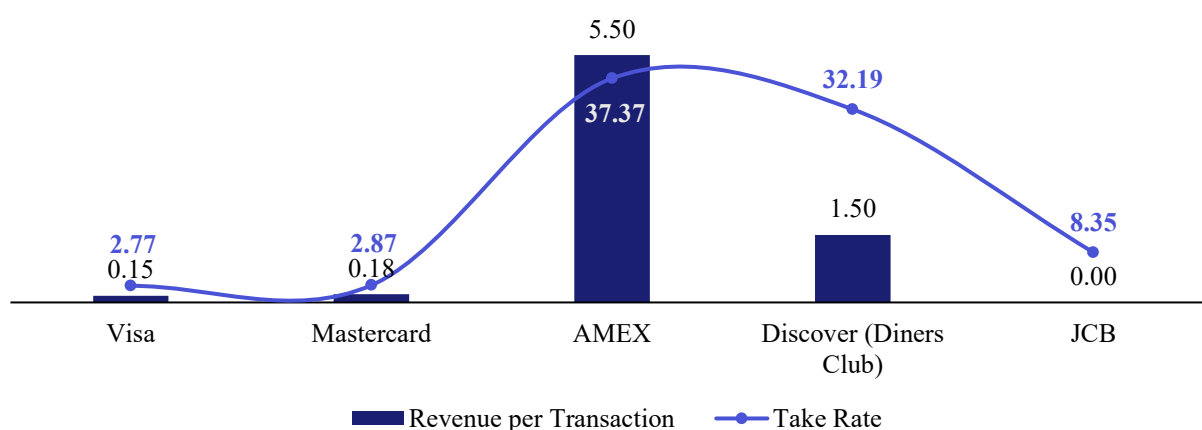


Figure 16: Industry KPIs 2024 (Source: Own Analysis)

In contrast, Visa's open-loop system has extensive scalability with 4.5 billion cards put into circulation and is transactional-volume-driven for a global, mass-market user base. Mastercard is similarly positioned with slightly more monetization than Visa (e.g., \$0.18 per transaction

and \$2.87 per \$1,000 TPV). Discover operates on a hybrid model and also likes clear lending income opportunity, but globally, is smaller.

The contrast underscores a fundamental trade-off between scale and pricing power for payments at the settlement layer- specifically, Visa's framework creates every opportunity for scale globally and high-volume throughput while Amex's strategy relies on value extraction from a concentrated premium market of credit-privileged consumers.

Visa demonstrates exceptional profitability, with an EBIT margin of 65.7% and a net margin of 55.0%, which positions Visa ahead of its cohort in terms of operational efficiency. Although American Express boasts higher revenue, American Express operates a more capital-intensive business model, which leads to weaker EBIT (15.4%) and net margins (18.8%). Discover and JCB represent even weaker margins, underscoring Visa's operational scale benefits and superior operating leverage.

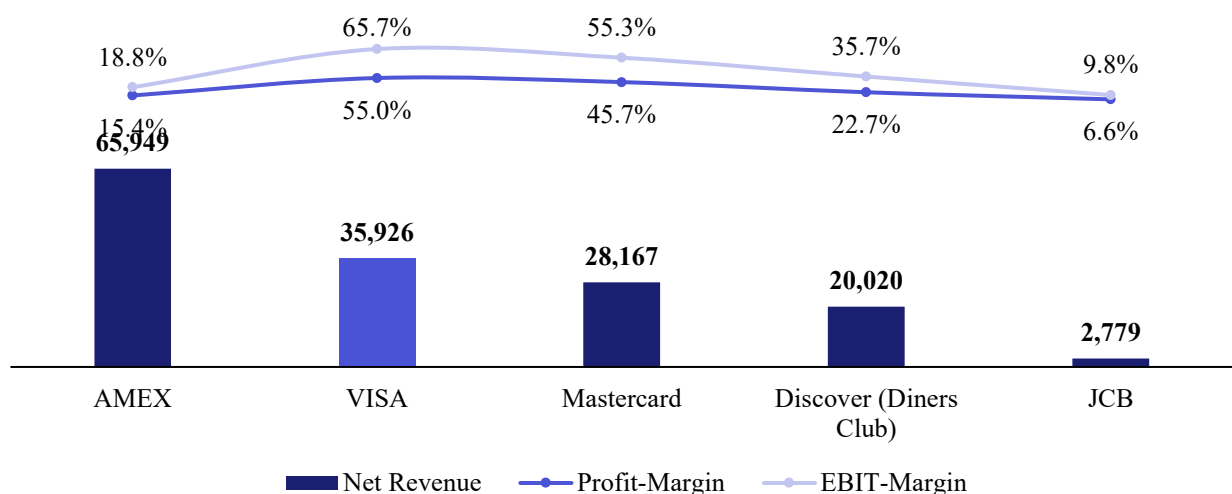


Figure 17: Financial Performance of Market Competitors 2024 (Sources: Annual Reports, Refinitive Eikon, JCB Report)

In summary, Visa represents a highly efficient and scalable operating model in the global payments sector. The process of benchmarking allows visibility into clear structural benefits in terms of profitability and monetization efficiency, as well as geographic scale. Furthermore, Visa operates a less capital-intensive business model compared to the integrated players, such as American Express, or hybrid operators, like Discover. Visa employs an open-loop architecture and less capital-intensive operating model in providing a path to an asset-light expansion, which is supported by minimal capital intensity. These industry characteristics provide a context for Visa's superior financial performance and lend credence to the strategic analysis outlined in the next chapter.

5. Financial Statement Forecast

In this valuation, the forecast horizon extends to 2030, reflecting Visa’s ongoing strategic transformation that began in 2020 and is expected to define the decade. Following a period of global expansion in the 2010s, Visa has entered a new growth cycle centered on building its “Network of Networks” architecture, publicly outlined in 2024. This strategy broadens services beyond card processing toward a Visa-as-a-Service (VaaS) model, adding modular payment capabilities, alternative rails such as real-time and account-to-account transfers, and expanding Value-Added Services (VAS) as a share of net revenues (Visa Inc., 2025). Management frames this as one of four long-term growth levers aimed at repositioning Visa as the lowest-cost, platform-based infrastructure layer for digital commerce. The 2030 horizon aligns with Visa’s historic pattern of decade-long strategic cycles, dating back to the 1990s, and reflects the company’s intent to operationalize its current transformation through the remainder of the decade.

This timeframe is also consistent with broader macroeconomic trends. The IMF recently described the global economy as entering a “new era” marked by disrupted trade relations, heightened policy uncertainty, and accelerating technological change (Gourinchas, 2025). In the U.S.—Visa’s largest market—average business cycles have historically lasted about 5–5.5 years (Investopedia, 2025). Given the sustained post-pandemic expansion underway since 2024, the current macroeconomic cycle aligns with Visa’s strategic transformation, providing a reasonable horizon for assessing long-term value creation in its equity.

5.1. Revenue Forecast

Visa’s net revenues are expected to increase at a compound annual growth rate (CAGR) of 9.5% as the company continues to optimize pricing, as well as increased payment volumes and processed transactions, particularly in emerging markets. Visa’s specific focus on expanding its

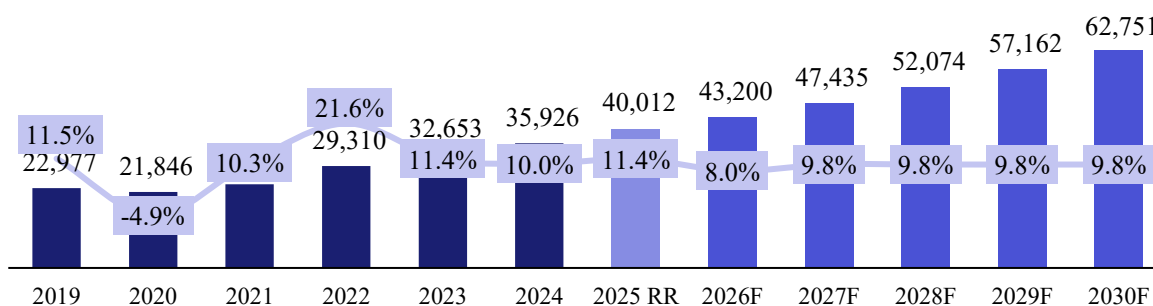


Figure 18: Historical and Forecasted Net Revenues (in USD millions)

Value-Added Services business segment, which is expected to contribute a greater share of total revenues, will also help to accelerate advance revenue growth. Since actual data for Q1 to Q3 2025 are available, the Q4 estimate is derived through a run-rate calculation. Specifically, historical Q4 revenue shares of the total annual volume are applied to extrapolate the remaining quarter. Given that these proportions have been remarkably stable over the past three years, this method provides a robust and reliable basis for forecasting the full-year 2025 revenues.

5.1.1. Service Revenue

The service revenue forecast is done on a bottom-up basis by estimating Visa's payment volume in each reported region and taking the take rate per \$1,000 processed. Visa does not disclose service revenue by region, however, it does disclose credit, debit, and cash payment volumes allowing for an analysis of volume growth in each region, and cash penetration trends. Hence, the following formula is the basis for the bottom-up calculation of service revenue:

$$\text{Service Revenue} = \text{Payment Volume (per Region)} * \text{Take Rate per \$1,000} \quad (6)$$

In the Asia-Pacific region, UnionPay's long-term dominance will continue to prevent Visa from gaining market share, and historical payment volume growth has been only than 0.8% while the average payment volume growth of the region has been 6%. Visa has focused on preserving its position in the more developed markets of Japan and Australia instead of aggressively expanding and competing with UnionPay, which suggests it will continue to grow near the historical level of growth. Consequently, Asia-Pacific is expected to be the slowest growing region for Visa through 2030.

The United States, Visa's largest market, is characterized by high maturity and near-saturation rates due to already high card penetration rates. While the historical Visa volumes have grown at an overall 10.4%, inflationary trends and anticipated tariffs on terminals are predicted to reduce overall market growth to around 4.1% (Statista, 2025). Visa is likely to shift its focus away from volume expansion toward maintaining wallet share through innovations such as tokenization, tap-to-pay, and enhanced Value-Added Services, which will allow the firm to retain above-market growth expectations. Therefore, a more modest level of 7.2% is assumed.

In Canada, Visa historically outperformed the market by virtue of strong consumer acceptance of contactless payments and product innovation, however, it may be less likely to continue to outperform the market in maturing conditions and thus, it is assumed market rate growth of 6%

will occur. Europe offers a balanced case: while Visa had historical growth of 9.1%, the forecast growth is at 7% in the market. The enhanced growth opportunities within the CEMEA and Latin America growth markets are substantiated with strong fintech funding, digital-first issuing businesses, and cross border capability, resulting in a growth assumption of 8.7%.

High-growth markets are represented in Latin America and CEMEA. Visa's prior underperformance within CEMEA was primarily attributed to the structure of low-cost domestic schemes. Current initiatives, including stablecoin settlement and stronger partnerships with government entities, aim to promote financial inclusion and strengthen Visa's competitive positioning. Therefore, Visa is predicted to produce annual payment volume growth of 12.4% in the CEMEA market. In Latin America, the developing market remains heavily cash dependent with today's cash transaction share of 38%, anticipated to decline to 17% by 2030. With strong branding, banks, and fintech partnerships, and historical growth of 16.3% it is anticipated that growth in Latin America will be slightly higher at 17.4%. This higher growth is reflective of the structural tailwind of cash to card substitution.

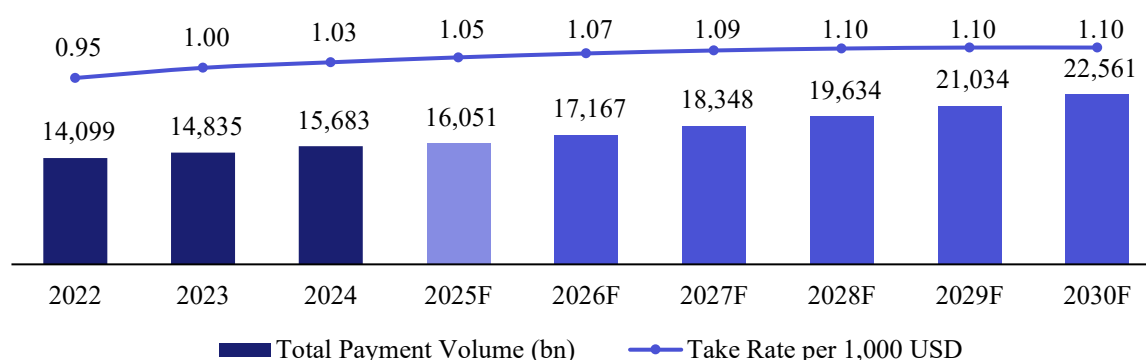


Figure 19: Payment Volume and Take Rate Forecast

Across all regions, cash-based volumes are expected to decline as digital adoption accelerates, particularly in emerging markets. Visa's service revenue yield has improved by roughly \$0.25 per \$1,000 of volume since 2018, and modest further gains are assumed through 2030. Combining an aggregate 6% payment volume CAGR with incremental yield improvements results in a projected 7.5% CAGR for service revenues, slightly below historical levels to conservatively account for maturing markets and lower overall growth expectations.

5.1.2. Data Processing Revenue

Visa only publishes its total processed transaction volumes at the global level, stating this figure for 2024. In projecting future transaction growth, three perspectives are explored—Visa's

historical growth, an aggregated industry growth projection from the Nilson Report, and an upper-bound estimate from Capgemini's Payment Market report. The Nilson report represents the global outlook across all card schemes and thus has been more conservatively included, while Capgemini offered a more optimistic trajectory.

To ensure balance, the three growth rates were combined using an equal-weighted average:

$$\text{Forecast CAGR for Transaction Volume} = \frac{\text{Visa Historical CAGR} + \text{Nilson CAGR} + \text{Capgemini CAGR}}{3} \quad (7)$$

Visa's transaction pricing has been gradually optimized since the pandemic. For the forecast, pricing is increased by 0.0003 USD per transaction, reflecting the lower bound of recent adjustments. This conservative approach assumes that Visa continues to refine its pricing while maintaining competitiveness, leading to a gradual recovery toward pre-pandemic levels of around 0.0779 USD per transaction by 2030.

The forecasted transaction volume and pricing builds the following the revenue bridge:

$$\text{Data Processing Revenue} = \text{Transaction Volume} * \text{Price per Transaction} \quad (8)$$

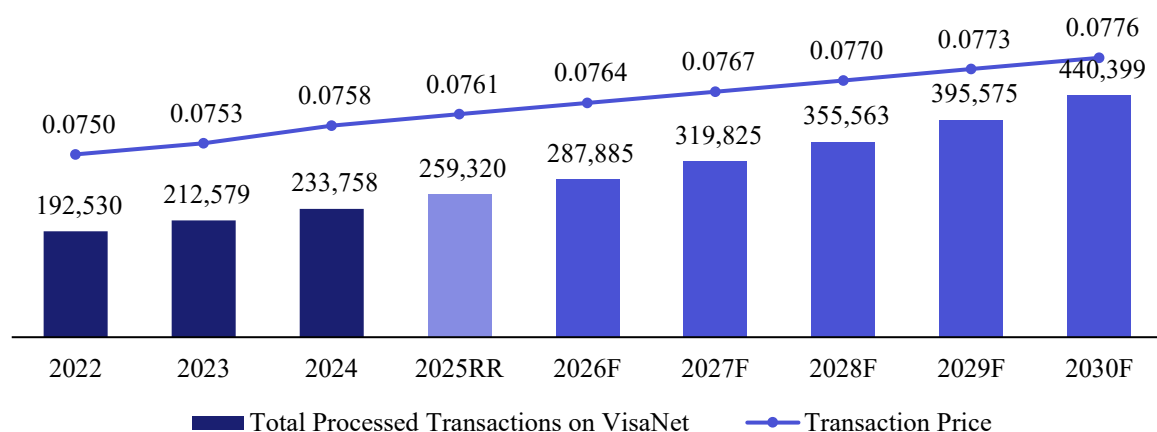


Figure 20: Transaction Volume and Pricing Forecast

This model is a reasonable depiction of future expectations for Visa's data processing revenues, incorporating a historical look at Visa's data processing volume along with a conservative to optimistic assumption for a rational market. In combination, data processing revenues are expected to increase at a CAGR of 11.6% through 2030.

5.1.3. International Transaction Revenue

Visa only reports nominal cross-border payment volume growth rates. These reported growth rates do not include the actual values needed to create a forecastable base. A series of indexed

volumes were created by taking these reported growth rates and applying them in each year, on the basis of the indexed volume for the year 2016 (with 2016 = 100). Hence the Visa's reported International Transaction Revenues were divided by the indexed volume, in order to reach to an implied price per international transaction. This implied price averaged USD 38.1 during the historical periods.

Since Visa has not disclosed that it will change its pricing methodology for this part of the business, the implied price is assumed constant throughout the forecast horizon. This is a conservative assumption, since any increase in costs would simply increase revenues above what has been forecasted.

The indexed volume growth is based on two equal weight inputs: the 10.5% nominal growth rate determined by Visa, and a macro-derived forecast nominal growth rate of 9.7%. The macro-derived rate itself reflects the weighted average of expected growth from each of the three key drivers for international transactions; Travel Spending, Cross-Border e-Commerce, and Remittance flows, that are formally recognized as the key drivers of cross-border payment activity, and this averaged framework is expressed as follows:

$$\text{Forecast CAGR Cross – Border Volume} = \frac{\text{Visa Historical CAGR} + \text{Macro – derived CAGR}}{2} \quad (9)$$

Multiplying the projected indexed volume by the constant implied price produces the international transaction revenue forecast, which will grow at a CAGR of 10.7% through 2030.

5.1.4. Other Revenue

The Other Revenue segment of Visa consists of consulting and advisory service revenues, marketing solutions, licensing revenues, and some of the Value-Added Services that are not reported in Service or Data Processing revenues. Since Visa does not disclose how much of the VAS is included in this segment and to avoid any possible overlapping impacts already included in other revenue levers, the forecast uses the compound annual growth rate of 19.5% from 2019 through 2024. This assumption captures the fact that both the segment has been resilient, as well as Visa has continued to expand modular, service-based offerings.

Visa has identified VAS as a critical growth lever reporting the line of business has grown at approximately 20% annualized growth rate since FY21 (Visa Inc. Investor Day, 2025). Moreover, management estimates there is a \$520 billion annual revenue opportunity in VAS,

versus only the \$8.8 billion realized in FY24 (Visa Inc. Investor Day, 2025). This indicates the scale of the business, as well as underscores its importance in diversifying Visa's revenue sources beyond simple transaction-driven revenues.

At a 19.5% CAGR, Other Revenue is still projected to grow from \$3.2 billion in 2024 to \$9.3 billion in 2030. While its absolute contribution may still be less than Visa's core transaction-driven revenues, the categorical growth rates is consistent with Visas's objective of building scalable, higher margin, services that deepen client relationships and diversifies revenue sources (Visa Inc. Investor Day, 2025).

5.1.5. Client Incentives

In recent years, Visa's client incentives have experienced consistent growth as the company shifted focus toward exclusivity agreements and long-term issuer commitments to broaden the company's network acceptance. In its annual filings, Visa identifies incentives as an important lever to stimulate transaction growth and establish competitive advantage (Visa, 2023). The management of Visa has also reported links with trends of higher incentives due to contract renewals in which Q1 2025 demonstrated higher incentives of 13% during what was described as a "strong renewal quarter" (Visa, 2025). From the disclosure, it is clear that trends of higher incentive spending come from a conscious intention to spend more on incentives and not just an incidental change in spending patterns.

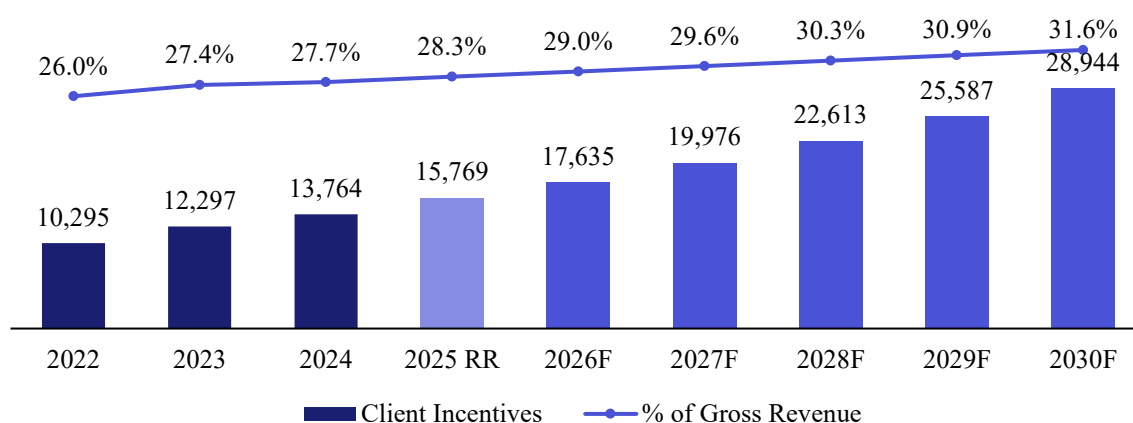


Figure 21: Client Incentives Forecast

Based on this trend, the forecast assumes annual increases of 0.6% in incentives to gross revenues. This is in line with the average growth observed over the past three years with the ratio also being consistent with expectations under different market conditions. Given that the

company did not provide forward guidance on incentives, continuing the historical trend provides a clear and defensible position to project this line item.

5.2. Cost Base Forecast

Visa's operating expenses are layered across a few categories that reflect its asset-light, transaction-oriented model. Labor costs will be the single-largest line item on the income statement, at greater than 40% of operating expenses, and reflects the value to Visa's business from employing high-skilled experts in technology, security, and value-added services. Marketing costs are played for strategic purposes in the model, as they promote Visa's brand and foster relationships with issuers and merchants, and are cyclical with respect to global sponsorships with entities such as the Olympic Games and the FIFA World Cup. Network processing and general operating expenses benefit from scale, as VisaNet can process incremental transactions at low marginal costs, after establishing the infrastructure. On the other hand, professional fees and administrative costs reflect the requirements of managing a global organization that operates across over 200 jurisdictions. Lastly, litigation provisions maintain a recurring aspect of Visa's cost structure, reflecting the regulatory exposure within the payments industry.

The costs for 2025 have also been forecasted using a run-rate approach. Historical Q4 cost shares of total annual expenses have remained relatively stable in recent years, so the Q4 2024 share has been applied as the basis for projecting the remaining quarter.

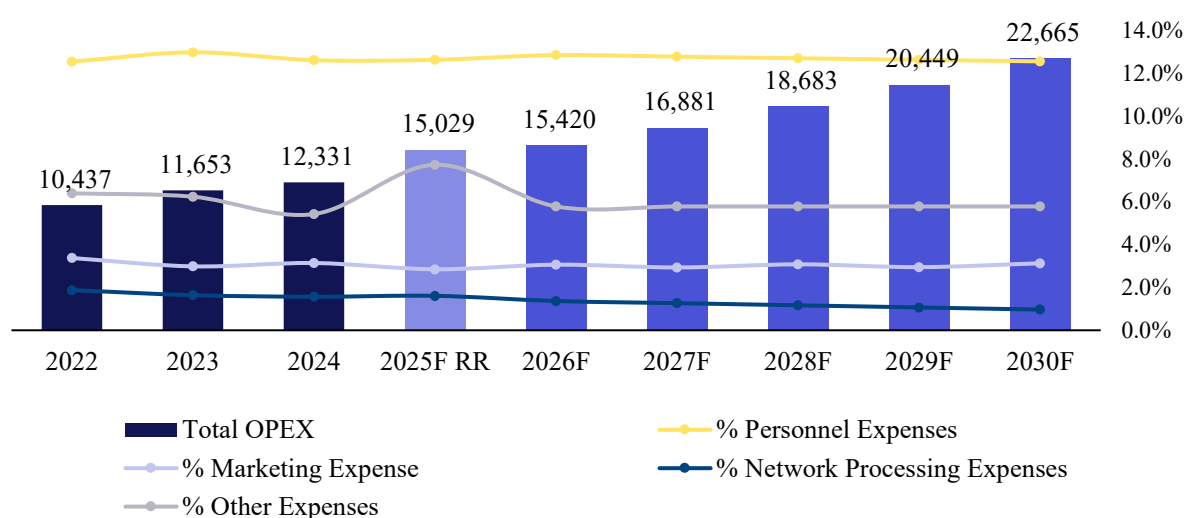


Figure 22: OPEX Forecast and % of Gross Revenue Development

5.2.1 Personnel Expenses

Personnel expense forecasts are based on headcount growth and average employee cost. Since FY 2019, Visa has generated headcount growth of 12.7% CAGR, with the company expanding into 15 new countries, as well as building capabilities in technology and value-added services. In fact, international headcount has grown 2.5 times faster than their U.S. headcount, consistent with Visa's reverse course of building scale in emerging markets (Visa Inc., 2025)

Headcount growth for the projection period is assumed to be 10% and slightly decline to 8% which allows for continued hiring in VAS and "new flows", yet recognizes expected efficiencies from automation and digitalization. Average employee cost is assumed to grow at 2% per year, in line with the Federal Reserve longer-run target for inflation (Federal Reserve, 2025), which allows for conservative and realistic personnel expense growth projections.

5.2.2 Marketing Spending

Marketing activities constitute roughly 12 percent of Visa's total operating expenses, which indicates the company has made a substantial investment in brand promotion and sponsorship opportunities. We observe a distinct pattern in historical expense data, where Visa's marketing expense spending will jump in years that have a marquee global event, such as the Olympic Games or the FIFA World Cup; both of which Visa retains sponsorship arrangements through partnerships. To model this cyclicity, however, marketing expense growth rates have been differentiated by year of an event. Based on historical performance, marketing expense growth with no events are assumed to be 6.1 percent higher than to prior year's spending. Olympic years will see 16.3 percent growth, and a year with both the Olympic Games and FIFA World Cup each are at approximately 17.6 percent growth.

5.2.3 Network Processing Costs

Historically, Visa's costs for processing have increased at a rate lower than that of transactions, resulting in a decreasing share of revenues. This is a testament to VisaNet's significant operating leverage structure whereby transactions incurred minimal variable costs after the investment in the network and security infrastructure. Management has noted that current improvements in efficiency with the continuing initiatives such as migrating core processing to the cloud, settlement and dispute automation, and AI-driven fraud and transaction routing can

continue this trend to lower operating costs (Visa Inc, 2025). Investments in these areas allow Visa to scale their processing capacity much quicker compared to the growth of costs. The forecast makes the assumption based on these structural drivers that network processing costs will decrease by 0.1 percentage points annually in relation to revenue share through 2030.

5.2.4 Other Expenses

For professional fees and general & administrative expenses, the forecast relies on their six-year historical average as a share of revenues, which has been fairly steady at around 1.3% and 3.3%. The same approach is applied to litigation and provisions, even though these show more year-to-year fluctuation. The reasoning is that Visa regularly faces litigation costs and provisions, so using a normalized long-term average gives a reasonable basis for the forecast.

5.2.5 Depreciation & Amortization

In theory, depreciation and amortization should be linked to the development of PPE and intangible assets, and normally projected based on expected capital expenditures. For Visa, this approach is not very practical. The company runs an asset-light model, with only small amounts of PPE, so depreciation on buildings and equipment makes up only a minor part of total D&A. Most of the expense comes from intangibles, especially capitalized software and acquired assets, and these figures are difficult to predict because they depend on future software investments that cannot be forecasted with any certainty.

Because of this, D&A in the model is not tied to asset balances but instead expressed as a share of revenues. Over the last six years, this ratio has been fairly stable at around 2.3%. Using this average for the projection period offers a straightforward and defensible proxy that reflects Visa's cost base without making speculative assumptions about future intangible spending. While CapEx is discussed in more detail in the balance sheet section, it should be noted that the link between CapEx and D&A is not sufficiently reliable in Visa's case to use it as the primary forecasting method.

5.3 Balance Sheet

This section analyzes the balance sheet items relevant for determining the free cash flow to the firm.

5.3.1 Capital Expenditures Forecast

Normally, capital expenditures would be derived from the fixed asset base, where investments are linked to asset categories and their useful lives. For Visa, this method is not very useful. The fixed asset base has grown unevenly over time and shows no clear trend, which makes it a poor foundation for a forecast. In addition, Visa runs an asset-light model, so CapEx is less about traditional infrastructure and more about spending on technology, data centers, and network security. These items include both maintenance and growth elements, but overall they are tied to supporting transaction growth and revenue expansion rather than the size of the asset base.

Hence, CapEx is assumed relative to revenues. Over the last six years, the CapEx-to-revenue ratio has been stable at about 2.4%, even during years of heavier technology spending or infrastructure upgrades. This suggests that Visa's capital intensity scales in line with revenue. Using this ratio as the basis for the forecast is therefore straightforward and defensible: it reflects Visa's ongoing investment needs while showing that CapEx supports growth in the top line without changing the long-term CapEx-to-revenue relationship.

5.3.2 Operating Working Capital Forecast

Visa's trade working capital is quite different from that of capital-intensive firms. The company does not carry inventory because of its asset-light business model, which means the cash conversion cycle mainly comes down to receivables and payables. Over the past years, both DSO and DPO have shown steady improvement. This is mainly the result of more efficient billing systems, automation in client invoicing, and more standardized payment terms across

markets. These improvements underline Visa's strong bargaining power with both clients and suppliers.

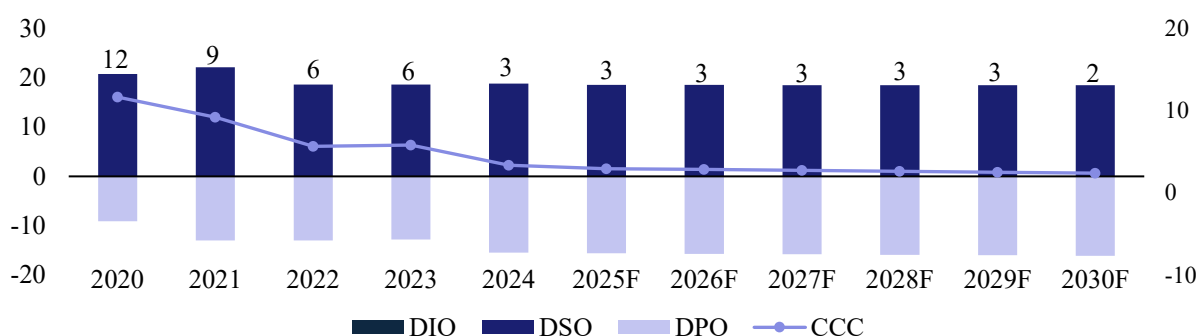


Figure 23: Operating Working Capital and CCC

In theory, working capital is projected by tying each item directly to its operational driver. Because of this, receivables and payables are forecasted using DSO and DPO assumptions, while the other working capital items are modeled relative to gross revenues or operating expenses. Settlement receivables and payables were materially higher in 2024 compared to previous years, and these levels persisted into early 2025. Visa has not provided a disclosure explaining this change, which makes it difficult to attribute the increase to a specific operational factor. However, since the higher balances were sustained, reverting to longer-term historical averages would understate Visa's current settlement position. For this reason, the 2024 levels are carried forward in the forecast as the baseline.

| Operating working capital (\$ million) | 2024A | 2026F | 2028F | 2030F |
|--|----------------|----------------|----------------|----------------|
| Inventory | - | - | - | - |
| Accounts Receivables | 2,561 | 3,085 | 3,783 | 4,639 |
| Accounts Payable | (479) | (711) | (859) | (1,040) |
| Trade Working Capital | 2,082 | 2,373 | 2,923 | 3,599 |
| Settlement receivable | 4,454 | 5,453 | 6,695 | 8,219 |
| Prepaid expenses/ other current assets | 3,312 | 3,883 | 4,768 | 5,853 |
| Prepaid client incentives | 1,918 | 2,145 | 2,634 | 3,234 |
| Settlement payable | (5,265) | (6,446) | (7,914) | (9,716) |
| Client Incentives payable | (9,075) | (10,515) | (12,909) | (15,849) |
| Other Working Capital Items | (4,656) | (5,479) | (6,727) | (8,259) |
| Total Operating Working Capital | (2,574) | (3,106) | (3,804) | (4,660) |

Table 2: Total Operating Working Capital Forecast

6 Valuation of Visa

The main valuation of Visa is carried out with a Discounted Cash Flow model. This method is especially suitable for the company because its cash flows are stable and relatively easy to project. Visa earns revenues primarily from transaction fees on card usage, which are closely tied to overall payment volumes. This provides a reliable and steadily growing earnings base. In addition, Visa's asset-light structure means only limited capital expenditure is required, leading to consistently high free cash flow generation. Taken together, these features make the DCF framework the best tool to capture Visa's intrinsic value.

While Visa does not rely heavily on debt, APV is useful in that it separates the unlevered business value from the effects of financing, allowing the tax shield to be valued explicitly. In this case, the APV outcome serves as a cross-check and confirms the results of the DCF.

To put the intrinsic results into perspective, a relative valuation is also applied, using trading multiples of comparable payment companies to check the outcome against current market expectations. Other methods were reviewed but considered less relevant for Visa. The Adjusted Present Value approach, for instance, is most useful in cases where leverage levels are expected to change materially and where the value of the tax shield plays a larger role. This does not apply to Visa, given its low reliance on debt. A sum-of-the-parts analysis was also judged unnecessary since Visa runs a single integrated payments network rather than a group of separable business segments.

The Dividend Discount Model was evaluated as well but eventually dismissed. The DDM values equity as the present value of all future dividends paid. Visa does distribute a dividend, but the payout ratio is modest, with a larger share of capital returned through share repurchases. Because of this, the DDM captures only part of total shareholder returns and produces a much lower implied value than the DCF.

In sum, the DCF is taken as the primary valuation method to reflect Visa's long-term value drivers, with relative valuation used as a secondary benchmark.

6.2 DCF Valuation

6.2.1 WACC

To calculate the Weighted Average Cost of Capital (WACC), it is first necessary to determine the cost of equity. For the estimation, the Capital Asset Pricing Model (CAPM) is applied, following the approach discussed in the literature review. The risk-free rate is taken from the yield on 10-year U.S. Treasury bonds, which are widely considered the standard benchmark for the U.S. market. On July 19th 2025, the yield was 4.25%, and this figure is used as the risk-free rate in the CAPM.

As a first step in determining Visa's cost of equity through the Capital Asset Pricing Model (CAPM), the company's beta has to be estimated. Since beta measures exposure to systematic market risk, using Visa's raw beta in isolation is not sufficient, as firm-specific factors or short-term fluctuations may distort the results. To address this, a peer group of companies within the global payments industry was identified. The peer group was chosen based on similarities in business model and financial profile, with a focus on growth rates, profitability, and leverage, to make sure the risk characteristics are comparable. For each company, historical return data from the past five years was taken and regressed against the broad market index, in this case the S&P 500 Total Return Index for U.S. firms. From these regressions, levered betas were obtained, which were then unlevered using the firms' respective debt-to-equity ratios based on market values and their effective tax rates. The average of the unlevered betas was subsequently relevered with Visa's own capital structure and tax rate, resulting in a peer group beta of 1.00.

| Peer Betas | | | | |
|-----------------------------|------|------------------|----------|----------------|
| Company | Beta | D/E Market Value | Tax rate | Unlevered Beta |
| Mastercard | 1.03 | 3.6% | 15.6% | 1.00 |
| American Express | 1.28 | 27.4% | 21.5% | 1.05 |
| Capital One Financial Corp. | 1.17 | 37.4% | 25.3% | 0.90 |
| Fiserv | 0.90 | 37.1% | 14.2% | 0.68 |
| PayPal | 1.43 | 17.1% | 22.2% | 1.26 |

Table 3: Peer Group for Beta Calculation

Alongside the peer group analysis, Visa's own historical beta was calculated by regressing its monthly total returns against the S&P 500 Total Return Index over the last five years. This produced a beta of 0.94. As a further reference point, Damodaran reports an industry beta of 1.07 for financial services (excluding banks and insurers), which lies within a reasonable range for the sector and supports the plausibility of the estimates. To arrive at the CAPM input, I

averaged the peer group beta of 1.00 with Visa's own regression beta of 0.94. This gave a beta of 0.97, which I use as a reasonable estimate of Visa's systematic risk.

For the market risk premium, I rely on Damodaran's dataset. He separates the base equity risk premium (ERP) from the country risk premia (CRP). The ERP is the extra return investors demand when choosing equities instead of risk-free assets, while the CRP captures the additional risk of investing in less stable markets. In line with the selected risk-free rate, the U.S. ERP is taken as the starting point. Since Visa generates a considerable share of revenues abroad, this figure is adjusted by weighting regional CRPs according to payment volume. This approach gives a more realistic picture of Visa's global exposure than relying on a single U.S. premium. After applying the adjustment, the total equity risk premium amounts to 5.33% (Damodaran, 2025).

| Risk Premium | Weight | CRP | Risk Premium |
|-------------------------------|--------|------|--------------|
| Equity Risk Premium US | | | 4.33% |
| US | 45.1% | 0.0% | 0.0% |
| Asia Pacific | 14.9% | 2.0% | 0.3% |
| Canada | 2.8% | 0.0% | 0.0% |
| CEMEA | 7.9% | 3.5% | 0.3% |
| LAC | 9.2% | 3.5% | 0.3% |
| Europe | 20.1% | 0.5% | 0.1% |
| Country Risk Premium | | | 1.00% |
| Total Risk Premium | | | 5.33% |

Table 4: Risk Premium Calculation

The output of all parameters in the CAPM formula is listed in the table below.

| Cost of Equity | |
|-----------------------|--------------|
| Risk-free rate | 4.25% |
| Beta | 0.97 |
| Market risk premium | 5.33% |
| Cost of Equity | 9.43% |

Table 5: Cost of Equity Calculation

Visa's debt mainly consists of senior notes issued in U.S. dollars and euros that are traded on the public market. To estimate the cost of debt, I used two different approaches. One is based on the weighted average yield to maturity (YTM) of all outstanding notes. The second approach

considers Visa's credit rating. From there, the matching credit spread is added to the risk-free benchmark to get the cost of debt. Table 6 lists the outstanding instruments as of July 28, 2025 and shows the weighted average YTM from this calculation.

| Description | Maturity Date | Nominal Value (m) | Coupon | YTM |
|-----------------------------|---------------|-------------------|--------|--------------|
| V 3.150 14-Dec-2025 '25 | 14-Dez-2025 | 4,000,000,000 | 3.15 | 4.37% |
| V 1.500 15-Jun-2026 '26 | 15-Jun-2026 | 1,586,790,000 | 1.50 | 4.33% |
| V 1.900 15-Apr-2027 '27 | 15-Apr-2027 | 1,500,000,000 | 1.9 | 4.07% |
| V 0.750 15-Aug-2027 '27 | 15-Aug-2027 | 500,000,000 | 0.75 | 4.00% |
| V 2.750 15-Sep-2027 '27 | 15-Sep-2027 | 750,000,000 | 2.75 | 4.08% |
| V 2.250 15-May-2028 '28 | 15-Mai-2028 | 1,469,250,000 | 2.25 | 3.34% |
| V 2.000 15-Jun-2029 '29 | 15-Jun-2029 | 1,175,400,000 | 2.0 | 4.19% |
| V 2.050 15-Apr-2030 '30 | 15-Apr-2030 | 1,500,000,000 | 2.05 | 4.31% |
| V 1.100 15-Feb-2031 '30 | 15-Feb-2031 | 1,000,000,000 | 1.1 | 4.25% |
| V 3.125 15-May-2033 '33 | 15-Mai-2033 | 1,175,400,000 | 3.125 | 4.40% |
| V 2.375 15-Jun-2034 '34 | 15-Jun-2034 | 764,010,000 | 2.375 | 2.49% |
| V 4.150 14-Dec-2035 '35 | 14-Dez-2035 | 1,500,000,000 | 4.15 | 4.90% |
| V 3.500 15-May-2037 '37 | 15-Mai-2037 | 764,010,000 | 3.5 | 4.70% |
| V 2.700 15-Apr-2040 '39 | 15-Apr-2040 | 1,000,000,000 | 2.7 | 5.25% |
| V 3.875 15-May-2044 '43 | 15-Mai-2044 | 705,240,000 | 3.875 | 5.74% |
| V 4.300 14-Dec-2045 '45 | 14-Dez-2045 | 3,500,000,000 | 4.3 | 5.50% |
| V 3.650 15-Sep-2047 '47 | 15-Sep-2047 | 750,000,000 | 3.65 | 5.51% |
| V 2.000 15-Aug-2050 '50 | 15-Aug-2050 | 1,750,000,000 | 2.0 | 5.48% |
| Weighted Average YTM | | | | 4.58% |

Table 6: Weighted Average YTM Calculation

The euro-denominated notes were converted into U.S. dollar terms by first breaking their yields into the credit spread over the Eurozone risk-free rate. This spread was then added to the matching point on the U.S. Treasury curve. Doing so puts all bonds on the same U.S. dollar basis and makes it possible to calculate a blended weighted average yield to maturity that can be compared across currencies.

As of July 28, 2025, Visa holds a credit rating of AA-. According to Damodaran (2025), financial service companies at this rating carry a credit spread of about 0.60%. Adding this spread to the U.S. risk-free rate of 4.25% gives an implied cost of debt of 4.85%. To make the

estimate more robust, I take the average of this credit-spread approach and the bond-based YTM method, which leads to a final cost of debt of 4.72%.

The last step for the WACC is to set the market values of debt and equity. For the debt side, I worked this out using the book value of Visa's obligations, their average maturity, the effective interest paid, and the cost of debt just calculated. That comes to around USD 18.75 billion. For equity, I use Visa's market capitalization on August 27, 2025, which stood at about USD 676.6 billion. Combining these inputs yields a weighted average cost of capital of 9.3 percent for Visa.

| WACC Calculation | |
|-------------------------|-------------|
| Debt / Total Assets | 2.7% |
| Equity / Total Assets | 97.3% |
| <hr/> | |
| Tax Rate | 17.4% |
| <hr/> | |
| Cost of Equity | 9.4% |
| Cost of Debt | 4.7% |
| <hr/> | |
| WACC | 9.3% |

Table 7: WACC Calculation

Visa runs a very conservative balance sheet, with equity making up well over 95% of its capital. In practice, this means the WACC is driven mainly by the cost of equity. The key inputs in the CAPM — the risk-free rate, beta, and the equity risk premium — therefore have the biggest influence on the discount rate, while debt plays only a minor role.

6.2.2 Free Cashflow

The free cash flow calculation is based upon the forecasted items covered in the previous sections. Beginning from the EBIT after taxes, or NOPAT, Depreciation and Amortization are added back, while CapEx and changes in the operating working capital get deducted. This leads to the Free Cash Flow, which then gets discounted using the previously calculated WACC.

| Consolidated Free Cash Flow | Q4 | 2026F | 2027F | 2028F | 2029F | 2030F | TV |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|
| \$ in millions | 2025F | | | | | | |
| Net Revenue | 10,736 | 43,200 | 47,435 | 52,074 | 57,162 | 62,751 | |
| EBIT | 7,138 | 27,780 | 30,554 | 33,392 | 36,714 | 40,086 | |
| EBIT x (1 - Tax Rate) | 5,953 | 22,933 | 25,223 | 27,565 | 30,308 | 33,092 | |
| (+) D&A | 326 | 1,396 | 1,547 | 1,714 | 1,899 | 2,104 | |
| (-) CapEx | (363) | (1,489) | (1,649) | (1,827) | (2,025) | (2,244) | |

| | | | | | | | |
|---------------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| (-) Δ OWC | 373 | 217 | 327 | 371 | 400 | 457 | |
| FCFF | 6,288 | 23,058 | 25,447 | 27,823 | 30,582 | 33,409 | 657,857 |
| <i>YoY % change</i> | <i>n.a.</i> | <i>10.8%</i> | <i>10.4%</i> | <i>9.3%</i> | <i>9.9%</i> | <i>9.2%</i> | |
| PV (FCFF) | 6,150 | 19,308 | 19,499 | 19,508 | 19,621 | 19,615 | 523,234 |

Table 8: Discounted Free Cash Flow Calculation

6.2.3 Terminal Value

The terminal value is derived from FY30 results, assuming that margins, capital expenditures, and working capital remain steady beyond this point. For the calculation, a perpetual growth rate of 4 percent is used. This figure is linked to long-term projections for global real GDP growth of roughly 2 to 3 percent, plus inflation, which together form the basis for nominal growth. Because Visa's revenues are directly tied to transaction volumes, they are expected to move in line with this trend. On top of that, Visa's asset-light model, its duopoly with Mastercard, and the continuing shift from cash to digital payments—particularly in emerging markets—support growth that should stay somewhat above GDP levels. Over the last ten years, Visa's free cash flow has increased by about 11 percent per year on average. Against this background, using 4 percent as a perpetual growth rate can be seen as a conservative assumption: it sits well below historical performance while remaining consistent with the broader macroeconomic outlook.

In order to estimate the terminal value the perpetual growth method is used as described in the Literature Review under 2.1.3. Lastly, this terminal value will be discounted using the WACC. The Terminal Value together with the sum of the discounted free cash flows from 2025F until 2030F results in an enterprise value of \$523,234 million.

6.2.4 Implied Share Price DCF

For Visa, the bridge from enterprise value to equity value is almost entirely driven by debt and cash. Visa's balance sheet shows only one significant source of financial debt, namely its senior unsecured notes. For liquidity, cash and cash equivalents are included, while restricted items such as litigation escrows or customer collateral are left out. Since these balances are not available for repayment of obligations or for general use, they are not treated as excess cash. This is in line with common practice, where only freely available cash is counted.

Other adjustments usually seen in the EV to equity reconciliation do not apply here. Visa has no minority interests or significant stakes in associates, since it fully owns its main subsidiaries. Pension plans are funded, which means there is no hidden liability that would need to be treated like debt. Provisions, for example those related to litigation or customer incentives, are treated as part of operating expenses and are already reflected in cash flows. They are recurring in nature and therefore not added back as financial debt.

Hence, the equity bridge for Visa is straightforward. The enterprise value is reduced by amount of outstanding financial debt and increased by excess cash, with no other adjustments applicable.



Figure 24: Enterprise Value to Equity Bridge

A DCF is especially suitable for Visa as an asset-light company with predictable cash flows and limited capital intensity. The stable operating margins and recurring revenues make the model less sensitive to capital structure changes compared to capital-intensive industries. For this reason, the DCF is treated as the primary anchor of the valuation. Ultimately, the DCF analysis presents an implied share price of \$262.78.

6.3 APV Valuation

The Adjusted Present Value method splits a company's worth into two parts: the unlevered enterprise value and the extra value that comes from financing effects. This way, the operating value of Visa is shown on its own, without the influence of capital structure, before adding in factors like tax shields or possible distress costs.

The forecasted Free Cash Flows to the Firm (FCFF) are discounted at Visa's cost of equity, as APV removes the need to apply a blended capital cost. A terminal growth rate of 4.0% is maintained, consistent with the DCF model, resulting in an unlevered enterprise value of

\$508,386 million. The value of the interest tax shield (ITS) is then added. Visa's debt remained fairly stable over time, a reflection of its asset-light model and restrictive use of leverage. For the forecast, debt is assumed to increase only gradually, about 1.5 percent per year, consistent with past developments. Based on this path, the interest tax shield is calculated using an effective tax rate of 17.4 percent and a cost of debt of 4.7 percent. In the terminal period, the tax shield is set to grow at the same 1.5 percent rate as debt, rather than at the higher operating growth rate, to keep the assumption conservative.

| FCFF and ITS \$ in millions | Q4 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | TV |
|--------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| FCFF | 6,288 | 23,058 | 25,447 | 27,823 | 30,582 | 33,409 | 639,566 |
| Cost of Equity | 9.4% | 9.4% | 9.4% | 9.4% | 9.4% | 9.4% | 9.4% |
| PV FCFF | 6,148 | 20,601 | 20,776 | 20,757 | 20,849 | 20,813 | 398,442 |
| Total LT Debt | 19,590 | 19,884 | 20,182 | 20,485 | 20,792 | 21,104 | |
| Effective Tax Rate | 17.45% | 17.45% | 17.45% | 17.45% | 17.45% | 17.45% | 17.45% |
| Cost of Debt | 4.72% | 4.72% | 4.72% | 4.72% | 4.72% | 4.72% | 4.72% |
| Interest Tax Shield (ITS) | 161 | 164 | 166 | 169 | 171 | 174 | 5,481 |
| PV ITS | 159 | 154 | 150 | 145 | 141 | 136 | 4,303 |

Table 9: Interest Tax Shield Calculation

Expected bankruptcy costs are deducted. While Visa's probability of default is extremely low at 0.03% (Refinitiv, 2025), empirical evidence shows large firms face bankruptcy costs between 20–40% of firm value (Altman, 1984; Andrade & Kaplan, 1998; Damodaran, 2023). A midpoint estimate of 25% is applied, justified by Visa's systemic relevance and its reputation-driven business model, where indirect costs such as loss of trust would be material if distress were to occur.

| APV Equity Bridge | |
|------------------------------|----------------|
| Unlevered Enterprise Value | 508,386 |
| (+) PV (Interest Tax Shield) | 5,189 |
| (-) Bankruptcy Costs | 38 |
| Levered Enterprise Value | 513,537 |
| (-) MV Debt | 18,570 |
| (+) Excess Cash | 11,975 |
| Equity Value | 506,934 |

Table 10: APV Enterprise Value to Equity Bridge

When the interest tax shield and expected bankruptcy costs are added, the result is a levered enterprise value of about \$513,537 million. This translates into an equity value of \$506,934 million and an implied share price of \$257.85. The figures are very close to the DCF outcome, which shows that the valuation is consistent across methods. It also underlines that financing has only a limited impact, as Visa's balance sheet remains highly conservative.

6.4 Relative Valuation

Alongside the intrinsic valuation, a comparison based on trading multiples is also included. Multiples give an idea of what the market expects and can capture influences such as macro conditions, investor mood, or industry trends that are not always visible in Visa's accounts. To put together a meaningful peer set, three different groups of companies were chosen. The choice was guided by financial measures like revenue growth over five years, operating margins, return on equity, and the level of debt relative to capital. These indicators were chosen because they mirror the central drivers of Visa's model—growth, profitability, efficiency, and leverage—and thus help ensure that the peers are financially comparable. The first group consists of Visa's closest rivals in the payment processing space. This produces a very narrow set, with Mastercard standing out as the only genuine one-to-one comparison, given its pure focus on global card networks.

| Payment Processing Peers | EV / F12M FWD Sales | EV / F12M FWD EBITDA | P/E |
|-------------------------------|---------------------|----------------------|--------------|
| Mastercard | 14.8x | 23.8x | 31.9x |
| AMEX | 2.8x | 14.4x | 18.4x |
| Capital One (Discover/Diners) | 2.4x | 58.2x | 11.6x |
| Median | 2.8x | 23.8x | 18.4x |

Table 11: Payment Processing Peer Group

The second peer group extends to firms active in the broader payment technology industry, which allows for a more comprehensive perspective but also introduces some differences in business models and exposure to ancillary services.

| Payment Technology Peers | EV / F12M FWD Sales | EV / F12M FWD EBITDA | P/E |
|-----------------------------|---------------------|----------------------|-------|
| Corpay Inc | 4.6x | 8.5x | 13.4x |
| Jack Henry & Associates Inc | 4.6x | 14.5x | 24.9x |
| Fiserv Inc | 3.3x | 6.7x | 11.8x |

| | | | |
|---------------------|-------------|--------------|--------------|
| PayPal Holdings Inc | 1.9x | 8.8x | 12.1x |
| Cantaloupe Inc | 2.3x | 13.1x | 24.2x |
| Paysign Inc | 3.4x | 13.1x | 30.6x |
| Median | 3.4x | 11.0x | 18.8x |

Table 12: Payment Technology Peer Group

Finally, a third peer group is drawn from constituents of the S&P 500 Index that demonstrate comparable financial profiles. This tiered approach ensures that the relative valuation is informed by both direct competitors and broader market benchmarks, while acknowledging that Visa's unique scale and duopolistic positioning cannot be mirrored perfectly by any single peer.

| S&P 500 Index Peers | EV / F12M FWD Sales | EV / F12M FWD EBITDA | P/E |
|------------------------------|---------------------|----------------------|--------------|
| Netflix Inc | 10.8x | 32.8x | 40.9x |
| Microsoft Corp | 11.7x | 19.6x | 33.3x |
| Factset Research Systems Inc | 5.7x | 14.4x | 20.2x |
| Meta Platforms Inc | 9.0x | 15.1x | 26.7x |
| Cadence Design Systems Inc | 16.8x | 35.3x | 46.7x |
| Adobe Inc | 5.5x | 11.4x | 15.0x |
| Median | 9.9x | 17.4x | 30.0x |

Table 13: S&P 500 Index Peer Group

Across all peer groups, the relative valuation relies on three commonly applied multiples: EV/Revenue, EV/EBITDA, and the Price-to-Earnings ratio. To ensure consistency with market practice, the enterprise value-based multiples are derived on a forward basis, using forecasts for the upcoming twelve months rather than trailing figures.

The payment processing peers, and in particular Mastercard, are considered the most representative, as their operating model and revenue structure closely resemble Visa's. The second set of peers covers broader payment technology firms. They help to capture wider industry dynamics, but their weight is lower because many of them are active in areas outside the core of transaction processing. A third group is drawn from the S&P 500. This group is used mainly as a broad market benchmark, to make sure the results are not shaped only by sector-specific factors. In the final assessment it plays the smallest role. With this structure in place, the multiples are then applied to Visa's 2026 figures to estimate the implied share price.

| Peer Group | Weight | EV / Sales | EV / EBITDA | P/E |
|----------------------------------|--------|----------------|-----------------|-----------------|
| <i>Payment Processing</i> | 70% | 2.8x | 23.8x | 18.4x |
| <i>Payment Technology</i> | 20% | 3.4x | 11.0x | 18.8x |
| <i>S&P 500 Index Peers</i> | 10% | 9.9x | 17.4x | 30.0x |
| Final Multiple (weighted) | | 3.6x | 20.6x | 19.6x |
| Implied Enterprise Value | | 156,386 | 600,598 | 459,733 |
| Implied Equity Value | | 149,783 | 593,995 | 453,130 |
| Implied Share Price | | \$76.19 | \$302.13 | \$230.48 |

Table 14: Relative Valuation Summary

The relative valuation produces a wide spread of implied share prices across the different multiples. While the EV/EBITDA and P/E ratios result in values of 230.48 and 302.13 per share respectively, the EV/Sales multiple yields a significantly lower estimate of 76.19. This divergence is primarily explained by structural differences between Visa and the broader peer group. Damodaran (2024) notes, revenue-based multiples are driven primarily by profit margins. For Visa, with industry-leading margins, applying peer EV/Sales ratios would systematically undervalue the firm, as most peers operate at significantly lower profitability. More broadly, EV/Sales is generally applied in cases where earnings are negative or margins are thin, making it inappropriate for a mature, high-margin company. For Visa, earnings-based multiples provide a more appropriate benchmark. For this reason, the EV/Sales multiple is deemed inappropriate and excluded from the final relative valuation, which is instead derived from the more meaningful average of EV/EBITDA and P/E measures, resulting in \$266.13.

7 Sensitivity Analysis

To test the strength of the base case results, a sensitivity analysis was run on the DCF model. The focus was on the weighted average cost of capital (WACC) and the perpetual growth rate, since both have the largest impact on the terminal value and, by extension, the overall firm value. The analysis produces a share price range of roughly \$230.38 to \$306.68. This shows how even small shifts in discount rates or growth assumptions can move the outcome quite substantially. Lower discount rates combined with higher growth lead to higher valuations. The reverse—higher discount rates and lower growth—pushes the value down and result in more cautious price targets.

| | | WACC | | | | |
|--------------|------|--------|--------|---------------|--------|--------|
| | | 9.68% | 9.48% | 9.28% | 9.08% | 8.88% |
| TV Growth | 3.6% | 230.38 | 238.53 | 247.25 | 256.61 | 266.68 |
| | 3.8% | 236.80 | 245.45 | 254.73 | 264.72 | 275.50 |
| | 4.0% | 243.66 | 252.87 | 262.78 | 273.47 | 285.04 |
| | 4.2% | 251.03 | 260.86 | 271.47 | 282.94 | 295.40 |
| | 4.4% | 258.96 | 269.48 | 280.86 | 293.22 | 306.68 |

Table 15: DCF Sensitivity Table

Within the APV approach, two separate sensitivity checks were carried out. The first varies both the perpetual growth of free cash flows and the cost of equity, which together drive the unlevered part of the valuation. The second looks at the Interest Tax Shield. Here, the terminal growth rate of the shield is changed alongside the cost of equity to see how sensitive the tax benefit is to these inputs. The APV sensitivities show that the implied share price moves between \$227.20 and \$299.03 per share when the growth rate of the FCFF is changed. When the focus shifts to the growth rate of the ITS, the range goes from \$239.45 to \$279.22. In comparison with the DCF results, the spread of outcomes is less pronounced. This points to a valuation that is somewhat steadier under the APV framework and signals greater robustness of the results.

| | | Cost of Equity | | | | |
|--------------|------|----------------|--------|---------------|--------|--------|
| | | 9.83% | 9.63% | 9.43% | 9.23% | 9.03% |
| TV Growth | 3.6% | 227.20 | 234.94 | 243.23 | 252.10 | 261.63 |
| | 3.8% | 233.26 | 241.48 | 250.28 | 259.73 | 269.90 |
| | 4.0% | 239.75 | 248.48 | 257.85 | 267.94 | 278.84 |
| | 4.2% | 246.69 | 255.99 | 266.00 | 276.81 | 288.52 |
| | 4.4% | 254.14 | 264.08 | 274.80 | 286.41 | 299.03 |

Table 16: APV Sensitivity Table: Perpetual Growth

| | | Cost of Equity | | | | |
|-------------------------|------|----------------|--------|---------------|--------|--------|
| | | 9.83% | 9.63% | 9.43% | 9.23% | 9.03% |
| ITS Perpetual Growth | 0.5% | 239.45 | 248.18 | 257.56 | 267.65 | 278.55 |
| | 1.0% | 239.59 | 248.32 | 257.70 | 267.79 | 278.69 |
| | 1.5% | 239.75 | 248.48 | 257.85 | 267.94 | 278.84 |
| | 2.0% | 239.92 | 248.65 | 258.03 | 268.12 | 279.02 |
| | 2.5% | 240.12 | 248.85 | 258.23 | 268.32 | 279.22 |

Table 17: APV Sensitivity Table: ITS Perpetual Growth

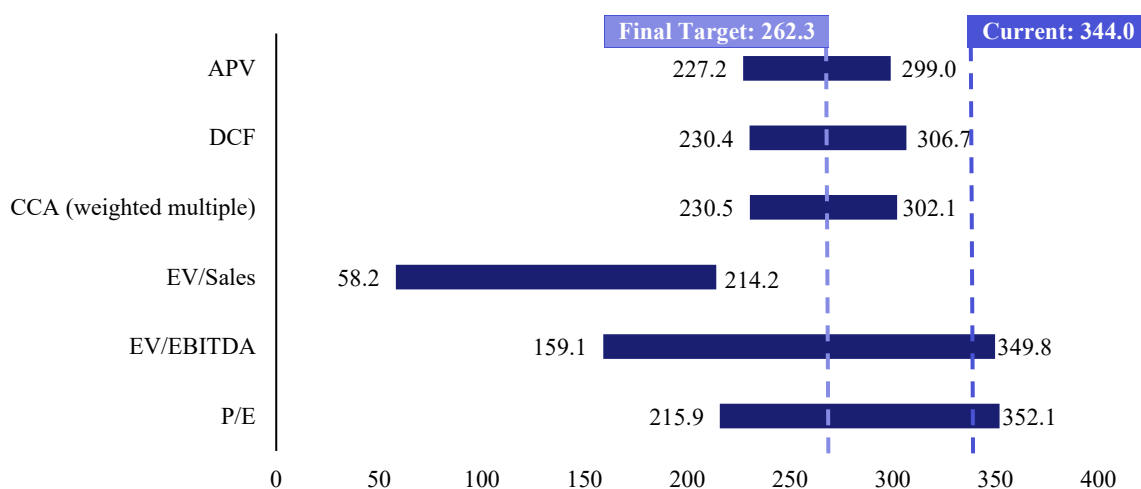


Figure 25: Valuation Football Field Chart

8 Comparison of the Valuation with Analyst Reports

For context, the fair value estimate for Visa is compared with recent reports from Zacks Investment Research and Morningstar, both published on August 26, 2025. Their assumptions and outcomes are summarized in Table 18.

| | Zacks | Morningstar | Own Analysis |
|---------------------|---------------|---------------|---------------|
| Valuation Date | 26.08.2025 | 26.08.2025 | 30.06.2025 |
| Target Price | 367.00 | 305.92 | 262.38 |
| Explicitly Period | 2.00 | 5.00 | 5.25 |
| Cost of Equity | n.a. | 9.00% | 9.43% |
| Cost of Debt | n.a. | 5.80% | 4.72% |
| Tax Rate | n.a. | 21.00% | 17.45% |
| WACC | n.a. | 8.60% | 9.28% |
| Terminal Growth | n.a. | 8.00% | 4.00% |

Table 18: Comparison of Valuation Results and Inputs

Zacks sets the highest target at \$367, which is derived solely from a forward P/E multiple applied over a two-year forecast horizon. Since no peer set is disclosed, it is unclear whether the chosen comparables truly reflect Visa's business model. The absence of a cash flow-based cross-check further limits the reliability of this estimate.

Morningstar reports a value of \$306, using a DCF framework that is more comparable to this thesis. The result is mainly driven by two inputs: a WACC of 8.6% and a terminal growth rate of 8%. For a company as established and profitable as Visa, both assumptions lean on the

optimistic side. In this study, the discount rate is set slightly higher at 9.3%, and the terminal growth is limited to 4%, anchored in long-term GDP and inflation trends. This avoids projecting growth far above the economy into perpetuity.

On this basis, the fair value of \$262.38 lies below the prevailing market price as well as the price targets suggested by analyst reports such as Zacks and Morningstar. This gap reflects the use of more conservative assumptions in my DCF and multiple-based valuations, complemented by rigorous sensitivity checks. By contrast, equity research analysts frequently apply more optimistic terminal growth rates and lower discount rates, and there is an inherent bias in the industry to assign higher valuations to reinforce positive outlooks. Taken together, this suggests that Visa's current market price embeds overly favorable expectations, indicating that the stock is likely overvalued despite its strong fundamentals.

9 Appendix

| Statement of Profit & Loss | 2019A | 2020A | 2021A | 2022A | 2023A | 2024A |
|-----------------------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Service Revenue | 9,700 | 9,804 | 11,475 | 13,361 | 14,826 | 16,114 |
| Data Processing Revenue | 10,333 | 10,975 | 12,792 | 14,438 | 16,007 | 17,714 |
| International Transaction Revenue | 7,804 | 6,299 | 6,530 | 9,815 | 11,638 | 12,665 |
| Other Revenue | 1,313 | 1,432 | 1,675 | 1,991 | 2,479 | 3,197 |
| Gross Revenue | 29,150 | 28,510 | 32,472 | 39,605 | 44,950 | 49,690 |
| Client Incentives | (6,173) | (6,664) | (8,367) | (10,295) | (12,297) | (13,764) |
| Net Revenue | 22,977 | 21,846 | 24,105 | 29,310 | 32,653 | 35,926 |
| Personnel Expenses | (3,444) | (3,785) | (4,240) | (4,965) | (5,831) | (6,264) |
| Marketing Expenses | (1,105) | (971) | (1,136) | (1,336) | (1,341) | (1,560) |
| Professional Fees | (454) | (408) | (403) | (505) | (545) | (635) |
| D&A | (656) | (767) | (804) | (861) | (943) | (1,034) |
| General and Administrative | (1,196) | (1,096) | (985) | (1,159) | (1,330) | (1,598) |
| Litigation Provision | (400) | (11) | (3) | (868) | (927) | (462) |
| Network and Processing Costs | (721) | (727) | (730) | (743) | (736) | (778) |
| Total Operating Expenses | (7,976) | (7,765) | (8,301) | (10,437) | (11,653) | (12,331) |
| Operating Income (EBIT) | 15,001 | 14,081 | 15,804 | 18,813 | 21,000 | 23,595 |
| Interest Inc. (Exp.), Net-Non-Op. | (117) | (291) | 259 | (677) | 37 | 321 |
| Net Income Before Taxes (EBT) | 14,884 | 13,790 | 16,063 | 18,136 | 21,037 | 23,916 |
| Income Taxes | (2,804) | (2,924) | (3,752) | (3,179) | (3,764) | (4,173) |
| <i>Tax rate</i> | <i>-18.8%</i> | <i>-21.2%</i> | <i>-23.4%</i> | <i>-17.5%</i> | <i>-17.9%</i> | <i>-17.4%</i> |
| Net Income | 12,080 | 10,866 | 12,311 | 14,957 | 17,273 | 19,743 |

Table 19: Historical Profit and Loss Statement

| Statement of Profit & Loss | 2025 RR | 2026F | 2027F | 2028F | 2029F | 2030F |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Service Revenue | 17,496 | 18,411 | 19,953 | 21,548 | 23,190 | 24,873 |
| Data Processing Revenue | 19,735 | 21,993 | 24,532 | 27,383 | 30,586 | 34,187 |
| International Transaction Revenue | 14,275 | 15,868 | 17,473 | 19,242 | 21,189 | 23,334 |
| Other Revenue | 4,128 | 4,564 | 5,453 | 6,515 | 7,784 | 9,301 |
| Gross Revenue | 55,634 | 60,836 | 67,411 | 74,687 | 82,749 | 91,695 |
| Client Incentives | (15,622) | (17,635) | (19,976) | (22,613) | (25,587) | (28,944) |
| Net Revenue | 40,012 | 43,200 | 47,435 | 52,074 | 57,162 | 62,751 |
| Personnel Expenses | (7,023) | (7,814) | (8,608) | (9,482) | (10,446) | (11,507) |
| Marketing Expenses | (1,584) | (1,863) | (1,976) | (2,299) | (2,439) | (2,868) |
| Professional Fees | (721) | (811) | (898) | (995) | (1,103) | (1,222) |
| D&A | (1,230) | (1,396) | (1,547) | (1,714) | (1,899) | (2,104) |
| General and Administrative | (1,881) | (2,036) | (2,256) | (2,500) | (2,770) | (3,069) |
| Litigation Provision | (1,696) | (670) | (742) | (822) | (911) | (1,009) |
| Network and Processing Costs | (894) | (831) | (853) | (871) | (882) | (886) |
| Total Operating Expenses | (15,029) | (15,420) | (16,881) | (18,683) | (20,449) | (22,665) |
| Operating Income (EBIT) | 24,984 | 27,780 | 30,554 | 33,392 | 36,714 | 40,086 |

| | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Inc. (Exp.), Net-Non-Op. | 167 | 168 | 176 | 88 | 126 | 112 |
| Net Income Before Taxes (EBT) | 25,150 | 27,948 | 30,730 | 33,480 | 36,840 | 40,198 |
| Income Taxes | (4,188) | (4,877) | (5,362) | (5,842) | (6,428) | (7,014) |
| <i>Tax rate</i> | <i>-16.7%</i> | <i>-17.4%</i> | <i>-17.4%</i> | <i>-17.4%</i> | <i>-17.4%</i> | <i>-17.4%</i> |
| Net Income | 20,963 | 23,072 | 25,368 | 27,638 | 30,412 | 33,184 |

Table 20: Forecasted Profit and Loss Statement

| Company Name | Revenue 5 YR Hist. Growth | % LT Debt to Tot Cap. | EBITDA Margin | ROE |
|--|------------------------------|--------------------------|------------------|--------------|
| Visa | 13.30% | 30.7% | 70.5% | 57.28 |
| Corpay Inc | 12.48% | 48.6% | 54.1% | 43.44 |
| Jack Henry & Associates Inc | 9.30% | 3.6% | 32.0% | 22.35 |
| Fiserv Inc | 7.78% | 50.7% | 44.7% | 19.07 |
| PayPal Holdings Inc | 8.95% | 35.7% | 22.2% | 24.08 |
| Cantaloupe Inc | 19.99% | 13.2% | 13.2% | 30.14 |
| Paysign Inc | 18.27% | 0.0% | 17.6% | 19.69 |

Table 21: Peer Selection KPIs - Industry Peers (Source: Refinitive Eikon)

| Company Name | Revenue 5 YR Hist. Growth | % LT Debt to Tot Cap | EBITDA Margin | ROE |
|-------------------------------------|------------------------------|-------------------------|------------------|--------------|
| Visa | 13.30% | 30.7% | 70.5% | 57.28 |
| Netflix Inc | 10.34% | 36.7% | 67.5% | 41.98 |
| Microsoft Corp | 13.03% | 19.2% | 57.7% | 33.29 |
| Factset Research Systems Inc | 12.80% | 39.9% | 39.2% | 31.56 |
| Meta Platforms Inc | 14.47% | 12.9% | 53.3% | 39.19 |
| Cadence Design Systems Inc | 14.29% | 33.1% | 35.0% | 39.40 |
| Adobe Inc | 15.69% | 35.0% | 40.2% | 60.59 |

Table 22: Peer Selection KPIs - Index Peers (Source: Refinitive Eikon)

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