

Visa Inc. Class A (V)

Value Fit 7 / 10

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Philosophy Fit 5 / 5

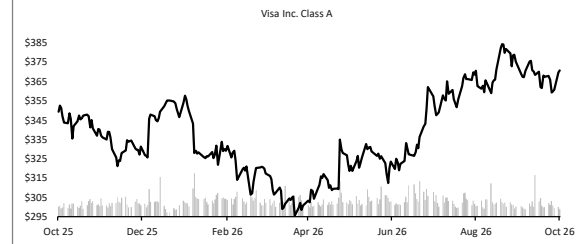
Analyst: Joel Vij

Recommendation: **BUY**

As of: 10/07/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	54.3% vs 8.2% → Above ke
Change in performance — ΔROIC	+7.0 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+15.2% → Price below our value



BUSINESS DESCRIPTION

Visa, Inc. engages in the provision of digital payment services. It also facilitates global commerce through the transfer of value and information among a global network of consumers, merchants, financial institutions, businesses, strategic partners, and government entities. It offers debit cards, credit cards, prepaid products, commercial payment solutions, and global automated teller machines. The company was founded by Dee Hock in 1958 and is headquartered in San Francisco, CA.

INVESTMENT THESIS

*Visa runs the largest global card network, with EBIT margins of 67% and ROIC of 54% against an 8.2% cost of equity. Fiscal 3Q26 revenue rose 14% to \$11.63 billion, and the \$2.4 billion BioCatch deal deepens value-added services. Our \$427 target is 15.2% above the \$370.64 price. It assumes a 20x exit P/E in year seven, below the 25x to 28x brokers use today, and 3% growth after that.

MARKET SNAPSHOT

Current Price	\$370.64	Market Cap (\$B)	\$692.0	Beta	0.80
52-Week Range	\$296 – \$384	Inst. Ownership	73.2%	Insider Own.	0.2%
Shares Out. (mm)	1,940.5	Short Interest (% float)	1.1%	Dividend Yield	0.7%
Consensus L-T Growth	14.6%	Payout Ratio	22.3%	Cost of Equity	8.2%
Price Target	\$427.00	Upside to Target	15.2%	Value Range	\$425 – \$428

VALUATION SUMMARY — equity DCF, FCFE discounted at k_E

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$428.14	15.5%	20.0x P/E
Equity DCF – terminal P/S	\$428.14	15.5%	11.0x P/S
Equity DCF – terminal P/B	\$428.14	15.5%	22.3x P/B
Equity DCF – constant growth	\$424.92	14.6%	3.0% g, 8.2% ke
Average of methods	\$427.34	15.3%	Equal-weighted
Analyst price target	\$427.00	15.2%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

1. Fundamental improvement & valuation discipline	ΔROIC +7.0 pts; price is 0.87x our average value	Yes
2. Investing through company cycles	Phase III; EBIT margin 67.2% → 67.2%	Yes
3. Initial position sizing & risk limits	Beta 0.80; start at full weight, review on a close below \$296 (52-week low)	Yes
4. Capital allocation discipline	Net debt/invested capital 4.2%; net debt/EBIT 0.1x	Yes
5. Identifiable catalysts & conservative underwriting	Catalysts: fiscal Q426 results, BioCatch close; growth fades to 3%	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 7 / 10

1. Catalyst / Investment Drivers							Yes
Driver 1 — Volume Re-acceleration	Total volume grew 8.6% in local currency in fiscal 3Q26, up from 7.6% the prior quarter, and US volume growth rose to 9.3% from 7.4% (Freedom Broker, August 2026). Revenue rose 14% to \$11.63 billion, which supports consensus sales growth of 14.6% in FY2026E and 10.8% in FY2027E.						
Driver 2 — Value-Added Services	Visa agreed to buy BioCatch for \$2.4 billion. BioCatch has more than \$185 million of ARR (2025), adds about 170 basis points to fiscal 2025 VAS revenue, and serves more than 350 financial institutions, including 3 of the top 4 US banks (UBS, August 2026). Fraud and scam tools deepen Visa's value to issuers beyond the core network.						
Driver 3 — Buybacks Compound EPS	The model generates FCFE of \$13.30 per share in FY2026E, rising to \$26.46 by year seven. Returned mostly through buybacks at today's price, that cuts the share count from 1,940 million to 1,464 million. \$28.4 billion of authorization remains (Freedom Broker).						
What does management say?	Management modestly raised its outlook after fiscal 3Q26 and guides fiscal 2026 revenue growth to the low end of the mid-teens (Wells Fargo, July 2026). It cites resilient consumer and commercial payments and new products such as Visa Direct, stablecoin pilots and AI-based tools (Freedom Broker, August 2026).						
2. Low P/E Ratio							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$8.30	\$9.77	\$10.23	\$13.56	\$15.87	\$18.67	
P/E at current price	44.7x	38.0x	36.2x	27.3x	23.4x	19.9x	
Peer median P/E (FactSet, subject excl.)	14.4x	FY2026E P/E vs. peer median		+90%			
3. Low Price / Cash Flow							No
FCFE / share	\$7.87	\$7.90	\$13.29	\$13.30	\$15.20	\$17.43	
Price / FCFE	47.1x	46.9x	27.9x	27.9x	24.4x	21.3x	
Peer median P/CF (FactSet, subject excl.)	8.8x	Price / FCFE (today) vs. peer median		+218%			
4. Low Price / Book Value							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$18.09	\$19.13	\$19.15	\$20.70	\$22.26	\$22.79	
Price / Book	20.5x	19.4x	19.4x	17.9x	16.6x	16.3x	
ROE (EOY book)	45.9%	51.1%	53.4%	65.5%	71.3%	76.2%	

Peer median P/B (FactSet, subject excl.) 1.7x Price / book (today) vs. peer median +1022%

Visa Inc. Class A (V) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	20,981	21,671	26,084	26,160	26,225	26,295	
Net debt (\$mm)	-1,846	2,232	2,889	1,836	1,098	226	
Total debt / equity (gross)	56.7%	56.9%	70.2%	66.8%	64.1%	61.5%	
Total debt / assets (gross)	23.2%	22.9%	26.2%	24.9%	24.0%	23.0%	
Net debt / invested capital	-2.9%	3.4%	4.2%	2.6%	1.6%	0.3%	
Net debt / EBIT	-0.1x	0.1x	0.1x	0.1x	0.0x	0.0x	
Tax rate	17.1%	Book equity (\$mm)		37,164	Net debt only 0.1x EBIT		

6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	11.4%	10.0%	11.3%	14.6%	10.8%	10.5%	
EBIT margin	67.4%	67.3%	67.2%	67.2%	67.2%	67.2%	
EPS growth	18.3%	17.7%	4.8%	32.5%	17.0%	17.7%	

7. Business Strategy & Segment Mix							Yes
Strategy	Network of networks: grow core consumer payments, add new flows such as Visa Direct and commercial, and sell value-added services such as fraud tools. This is the mechanism behind Drivers 1 and 2.						
Segment / geography mix	Service, data processing and international fees, net of client incentives; more than 200 countries						

8. Capable Management & Insider Ownership						Yes	
Insider ownership	0.2%	Inst. ownership	73.2%	Buybacks, % of NOPAT (FY1E)	92.6%		
Insider activity / governance	Insider ownership 0.2%, typical for a mega-cap; \$28.4 billion buyback authorization remains						

9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	54.3%	Cost of equity (ke)		8.2%	EVA spread (ROIC – ke)		46.1%
Price target / upside	\$427.00	15.2%		Value / share range (low–high)		\$425 – \$428	

10. Uses of Capital — allocation discipline	Yes
Reinvestment 0% of NOPAT, dividends + buybacks 93% in FY2026E; bolt-on M&A such as the \$2.4 billion BioCatch deal. Detail in the table below.	

FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	32,653	35,926	40,000	45,855	50,826	56,172	11.5%
Gross margin	77.0%	77.5%	77.3%	77.3%	77.3%	77.3%	
EBIT	22,017	24,161	26,866	30,798	34,137	37,728	11.4%
Net income	16,989	19,457	19,853	25,664	29,151	33,115	14.3%
EPS (basic)	\$8.30	\$9.77	\$10.23	\$13.56	\$15.87	\$18.67	17.6%
Dividend / share	\$1.83	\$2.12	\$2.39	\$3.16	\$3.70	\$4.36	
FCFE / share	\$7.87	\$7.90	\$13.29	\$13.30	\$15.20	\$17.43	17.2%
Invested capital	63,665	64,944	68,465	69,532	70,283	71,168	2.3%
ROIC	40.5%	41.0%	47.3%	54.3%	60.2%	66.6%	
NOPAT margin	55.4%	55.5%	55.7%	55.7%	55.7%	55.7%	
Sales / NWC	-2.66x	-3.05x	-2.71x	-2.71x	-2.71x	-2.71x	
Sales / NFA	0.57x	0.59x	0.65x	0.72x	0.77x	0.83x	
Sales / invested capital (ex cash)	0.73x	0.74x	0.85x	0.97x	1.08x	1.20x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	18,078	19,945	22,273	25,533	28,301	31,278	
Uses, as % of NOPAT							
CapEx, software & M&A (Δ NFA)	9.2%	17.6%	6.2%	8.2%	6.3%	6.1%	8.9%
Working capital (Δ NWC)	(17.3%)	2.6%	(13.4%)	(8.5%)	(6.5%)	(6.3%)	(8.2%)
Dividends	20.7%	21.1%	20.8%	23.5%	24.0%	24.7%	22.5%
Share buybacks	52.3%	71.0%	72.6%	69.1%	72.9%	75.3%	68.9%
Debt repaid (neg. = borrowing)	11.0%	(3.5%)	(19.8%)	(0.3%)	(0.2%)	(0.2%)	(2.2%)
Cash & securities build	10.8%	(17.0%)	16.9%	4.4%	2.8%	3.0%	3.5%
Interest & other (residual)	13.1%	8.1%	16.8%	3.5%	0.6%	(2.6%)	6.6%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	(8.0%)	20.2%	(7.2%)	(0.2%)	(0.2%)	(0.2%)	0.7%
Dividends + buybacks, % of NOPAT	73.1%	92.2%	93.4%	92.6%	96.9%	100.0%	91.4%

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
MA	Mastercard Incorporated Class A	31.2x	14.2x	88.7x	29.0x	26.6x
AXP	American Express Company	18.5x	2.5x	6.0x	11.1x	12.2x
PYPL	PayPal Holdings, Inc.	10.3x	1.4x	2.4x	6.4x	8.8x
FISV	Fiserv, Inc.	8.7x	1.2x	0.9x	4.1x	11.4x
FIS	Fidelity National Information Services, Inc.	5.1x	1.4x	1.1x	5.6x	19.4x
GPN	Global Payments Inc.	25.7x	2.2x	0.9x	13.3x	14.8x
Median	Peer median (subject excluded)	14.4x	1.8x	1.7x	8.8x	13.5x
V	Subject, at current price	36.2x	18.0x	19.4x	27.9x	26.9x
Premium / (discount) to peer median		+152%	+904%	+1022%	+218%	+99%

Peer set from AutoTearSheet-5Page!D14:D19. Median is of peers only and excludes blanks.

KEY RISKS
1. Regulation and litigation. Wells Fargo and UBS both flag regulatory scrutiny, litigation and interchange caps as the main overhang. Watch court rulings and interchange legislation.
2. Cross-border and FX. International transaction revenue slowed on a high base and a shift to lower-yield products (Freedom Broker). Watch cross-border volume growth each quarter.
3. Incentives and competition. Client incentive growth rose to 18% from 14%, and fintech and bank-led rails could pressure pricing. Watch net revenue yield.
Exit discipline: trim above \$470 (10% over target). Sell if local-currency volume growth falls below 5% for two straight quarters or BioCatch integration stalls.

Sources: model outputs linked to Auto-FinandValinfo and AutoTearSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.