VISA INC

Market Research Report

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# **ABOUT THE COMPANY**

Visa Inc. (Visa or the Company) is a global payments technology company that facilitates global commerce and money movement across more than 200 countries and territories. Visa operates one of the world’s largest electronic payments networks — VisaNet — which provides transaction processing services (primarily authorization, clearing and settlement). The company offers products, solutions and services that facilitate secure, reliable, and efficient money movement for participants in the ecosystem.

# **INDUSTRY**

The Company operates in the **global payments technology industry.** Visa is not a financial institution and does not issue cards, extend credit, or set rates and fees for account holders of Visa products. In most cases, account holder and merchant relationships belong to, and are managed by, Visa’s financial institution clients.

# **PEERS**

For competitors, we have selected the following companies:

1. Mastercard: A local competitor from the USA, Mastercard, has a business which is similar to that of VISA. Mastercard operates in the digital payment technology and is a direct competitor of VISA.
2. American Express: Even though the company has banking operations and issues cards, the company also has operations in the digital payment technology industry and hence is recognised as a competitor by VISA.

# **SUBSTITUES AND NEW MARKETS**

# **REVENUE DRIVERS**

# **COST DRIVERS**

# **SWOT ANALYSIS OF VISA**

# **PESTEL ANALYSIS**

# **CURRENT TREND OF REVENUE AND COST DRIVERS**

The following graphs depict trends in VISA's key revenue and cost drivers. It is evident that the company has experienced growth in both total transaction volume and the associated transaction value. Notably, the cost drivers, which historically comprise roughly 60% of annual expenditures, also exhibit an upward trend.

# **FINANCIAL PERFORMANCE EVALUATION**

1. Liquidity: We have analysed the current ratio and quick ratio of VISA over the last fiver years and have also compared the two ratios with its close peers for FY 2023. We can observe that the liquidity ratios of the company have been stable over the last 5 years.

While American Express liquidity ratios are higher, it should be noted that American Express also performs banking operations and hence will have a higher liquidity as it is a financial institution as well. However, overall, the Company has a stable and healthy liquidity.

1. Profitability: VISA’s profitability has remained stable over the last years, with the company having a significant net income ratio of over 50% and EBIT margins over 60% in the last years with the exception of FY 2020 due to COVID-19. The Company is also a market leader in terms of profitability as it enjoys the highest net profit and EBIT margins when compared to its peers.

The graphs below show the results of the company over the 5 years and in comparison with its peers for the FY 2023

1. Solvency: The company demonstrates a strong financial position with a conservative debt structure. Over the past five years, the company has maintained an average debt-to-equity ratio of 0.55, indicating a low reliance on debt financing and a focus on equity funding for operations. Additionally, the company boasts a healthy interest coverage ratio (as shown in the graphs), implying sufficient operational cash flow to comfortably service its debt obligations.

1. Performance: VISA exhibits a consistent upward trend in revenue, EBIT (Earnings Before Interest and Taxes), and net profit. This robust performance reflects not only increasing revenue but also expanding profitability. The growth can be directly linked to the surge in both the volume and value of transactions processed by VISA. Furthermore, a comparison with industry peers reveals that while American Express boasts higher revenue, VISA's operational efficiency translates into superior profitability margins, as evidenced by its higher net profit and EBIT margins.

# **REFERENCES**

1. VISA Annual report for FY 2023, 2022, 2021, 2020, 2019
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