VALUEx Vail

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“It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

- *Berkshire Hathaway Shareholders Letter, 1989*

“There is value in growth.”

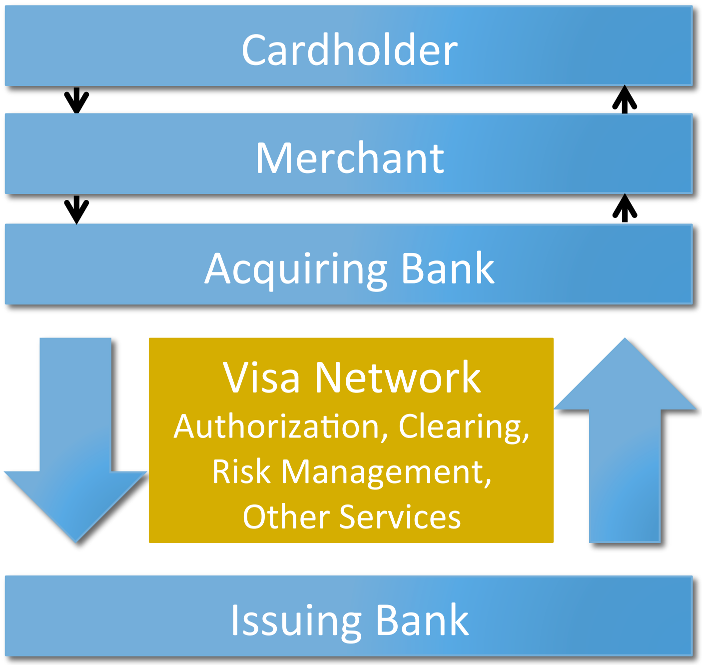
- Vitaliy Katsenelson*, VALUEx Vail 2012*

VISA

Visa's Business

"Never invest in any idea that you cannot illustrate with a crayon."
- Peter Lynch, *Beating the Street*

1) Cardholder makes purchase
2) Merchant transmits transaction to acquiring bank
3) Acquirer routes transaction over Visa's network to issuing bank



4) Issuing bank authorizes transaction
5) Merchant submits final transaction data to Visa for settlement
6) Funds transferred between cardholder's account to the merchant's account

Visa Network Transaction Revenue:	Non-Visa Network Transaction Revenue:	Average Incremental Margin Since 2010:
~22bps of volume	\$0.057 per transaction	76.5%[1]

No credit risk – a technology company operating in the financial services industry

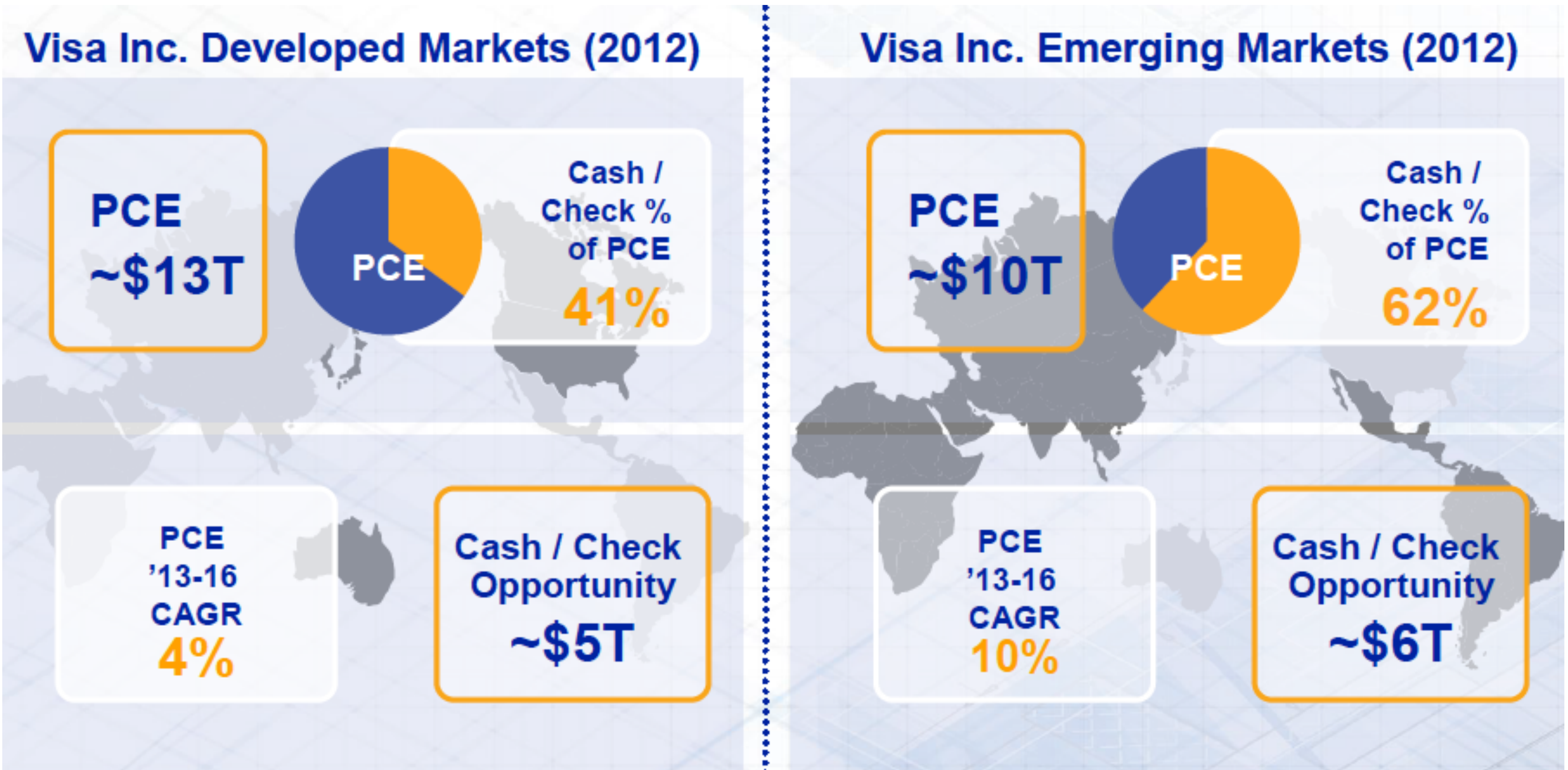
Source: Visa SEC filings
[1]Adjusted to exclude the 2012 merchant settlement expense

Visa's Strategy

- Increase share of electronic payments as a percentage of global personal consumption expense (PCE)
- Grow revenue streams outside of the US to greater than 50% of total revenue
- Increase share of transactions processed on VisaNet
- Invest in new businesses that provide additional value to customers in payment ecosystem and drive revenue growth

Source: Visa 2013 Investor Day Presentation

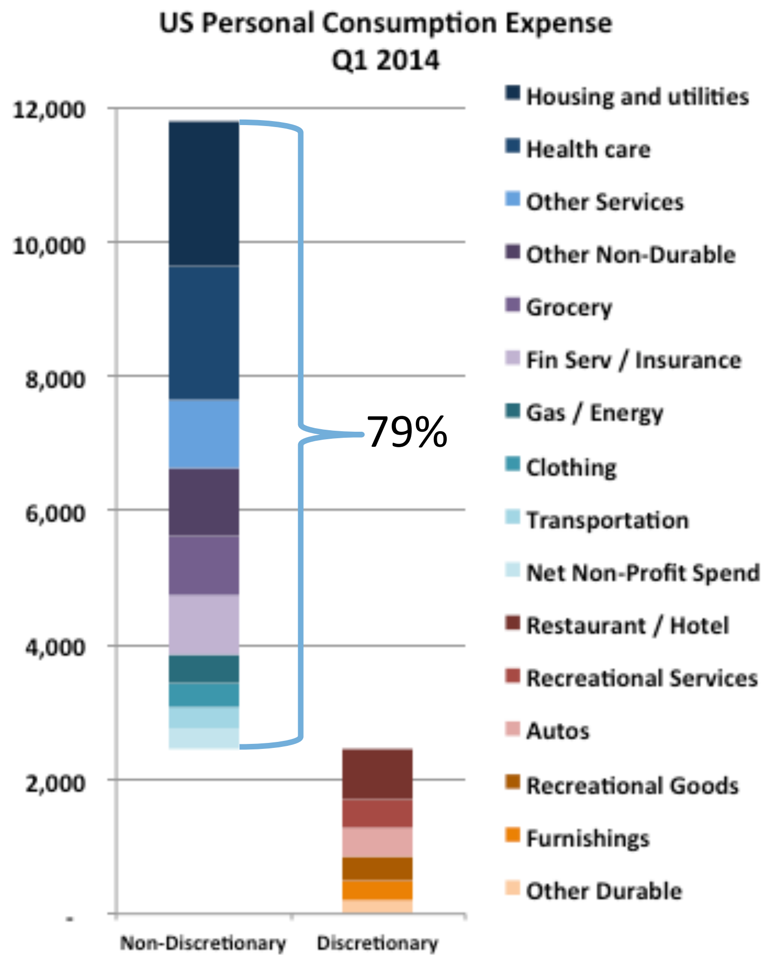
Global Conversion to Electronic Payments



- Visa 2012 Volume: $6.4T and 28% share of $23T market (excluding Europe)
- $11T cash conversion opportunity with the same share and monetization rate represents a potential revenue increase of 53% - solely from the shift to electronic payments

Source: Visa 2013 Investor Day Presentation and SEC filings

Risk of Declining PCE?



- 79% of US PCE is non-discretionary
- US GDP per capita is the 12th highest in the world, which indicates a level of discretionary income above average levels
- PCE looks very much like recurring revenue

Source: BEA, World Bank

Sustainable Competitive Advantage

- Deep integration with all members of payment ecosystem
  - Consumers – 2.1B cards issued
    - When banks switch networks on their card portfolios, card reissuance can lead to customer attrition of 10-15%
    - Reissuance is operationally complex and costly
  - Merchants – 36MM locations accepting Visa cards globally
    - Large number of cardholders ensures that merchants have incentive to accept Visa
  - Banks – Relationships with 15,000 financial institutions
  - Transactions – 82B transactions in CY 2012
    - Knowledge of customers and their transactions allows Visa to provide value-add services to merchants and issuers that new entrants cannot (fraud avoidance, enhance volumes)

Source: Visa 2013 Investor Day Presentation and SEC filings

Sustainable Competitive Advantage

- Visa has advantages relative to its few global competitors
  - MasterCard
    - MasterCard's transaction count and payment volume are 57% and 67% of Visa's respectively
    - MasterCard needs to differentiate on both price and service level to win captive business from Visa and gain share
    - Optionality from Visa Europe (more on this later…)
  - American Express
    - Closed-loop system where American Express acts as acquirer, network, and issuer
    - More directly exposed to regulatory risk as 60% of revenue comes from interchange fees
    - Growth opportunities limited to cardholders who are credit-worthy
  - China UnionPay
    - Unlikely non-Chinese issuing banks will choose to issue a China UnionPay card
    - Consequently China UnionPay is focused on markets where Chinese citizens travel

Source: Visa, MasterCard, and American Express SEC filings

Sustainable Competitive Advantage

- Replication of network nearly impossible
  - Billions of dollars at risk – new entrant would need significant backing to build scale and gain confidence of the merchants and banks
  - The payment system is highly regulated – new entrants would need to be adept at interfacing with regulatory agencies globally
  - Few issuers have the volume and global presence necessary to effectively circumvent existing networks
  - Once a network is built, the hurdle would then become building scale (issuing cards, adding acceptance locations, driving network volumes, etc.)

Most Recent Demonstration…

"We expect that the actions we are taking will calm the situation with Visa and MasterCard," he said. "We will do everything to make sure they keep their activities here."

- Russian 1st Deputy PM Igor Shuvalov – June 18th, 2014

http://finance.yahoo.com/news/russia-reduce-collateral-payments-mastercard-134753893.html

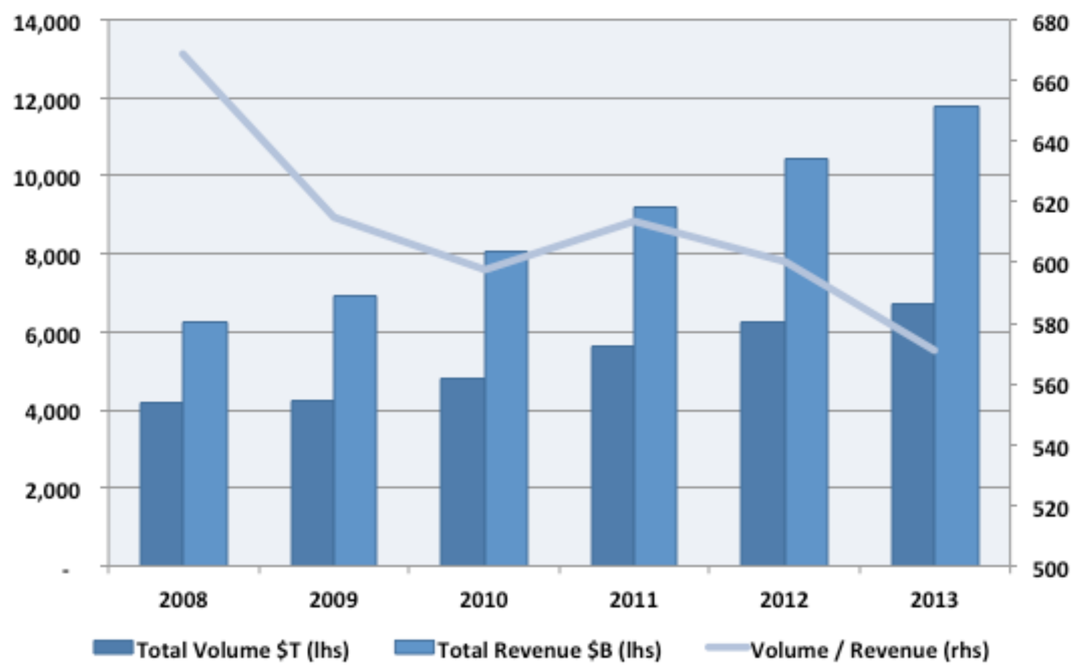
Acquisitions and Innovation

- Visa has a history of using cash both to develop enhanced payment technology in-house (payWave - NFC, V.me – electronic wallet) and acquire companies innovating in mobile (Fundamo) and merchant services (CyberSource)

Do Visa Products Add Value for Customers?

The numbers indicate they do.

- In 2008, every $670 of volume led to $1 of Visa revenue. By 2013 that ratio declined to $570 of volume for every $1 of revenue.
  - This shows that merchants and issuers are willing to pay for the products and services Visa offers
- Revenue has grown by 14% annualized and EPS by 49% annualized since 2008



Source: Visa SEC filings

Visa Europe

- Visa Europe is still owned by a consortium of banks and has the ability to put the company to Visa Inc. at any time
- Regulatory pressure on banks and higher capital requirements would make proceeds from Visa Europe transaction attractive to current ownership
- Visa Europe currently not run to generate a profit and prices services at a below-market level
- Current Visa Europe market environment mimics Visa Inc. pre-IPO
  - Since 2007 (pre-IPO), Visa Inc. has revenue CAGR of 22%
  - Since the 2008 IPO, EPS has increased from $1.04 to $7.59
  - Both of these results occurred during the post-GFC period (pressure on consumer spending, increased capital requirements for banks, increased regulation)
- Visa Inc. would likely be the beneficiary of a shift to market pricing and any potential future growth

Source: Visa SEC filings

Looking forward

Revenue	FY 2013	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	5 Year CAGR
Scenario 1) Conservative	11,778	12,664	13,381	14,308	15,084	15,900	6.2%
Scenario 2) #1 + High Growth	11,778	13,060	14,780	16,905	19,101	21,593	12.9%
Scenario 3) #2 + Europe	11,778	14,522	16,563	19,080	21,755	24,831	16.1%
Scenario 4) Unfavorable Results	11,778	12,525	12,551	12,695	12,584	12,394	1.0%

EPS (Share Count Flat)	FY 2013	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	5 Year CAGR
Scenario 1) Conservative	7.59	8.13	8.62	9.30	9.86	10.45	6.6%
Scenario 2) #1 + High Growth	7.59	8.46	9.78	11.44	13.18	15.16	14.8%
Scenario 3) #2 + Europe	7.59	9.02	10.72	12.68	14.77	17.16	17.7%
Scenario 4) Unfavorable Results	7.59	7.90	7.59	7.34	6.95	6.52	-3.0%

Key Assumptions

- Conservative – ~6% revenue/PCE growth (not factoring increased share from cash payment conversion); incentives (contra-revenue item) going from 16.8% to 19% of gross revenue
- High Growth – incremental 8% revenue growth from cash payment share gain; incentives going from 17.1% to 18.4% of gross revenue
- Visa Europe - $8B price; finance 100% with debt (A rating); achieves Visa Inc. margins; 22% CAGR in revenue (similar to Visa Inc. experience post-IPO)
- Unfavorable Results – Revenue growth of 3% (losing share to competitors as payments shift from cash); operating margins from 62% to 50%; Incentives from 17% to 25% of gross revenue

Source: Visa SEC filings for 2013, FRED; 2014 and forward are estimates – see disclaimer

Potential Negative Outcomes

"Risk is what's left over when you think you've thought of everything."
- Carl Richards*, The Behavior Gap*

- Irrational competition from MasterCard (less likely as it is a for-profit entity) or China UnionPay that takes share from Visa
- Unfavorable shift in the regulatory environment globally leading to increased operating cost or reduced revenue
- Mandates from foreign governments to route transactions over domestic payment networks limiting Visa's ability to take share as payments move from cash to electronic
- Significant legal judgment(s) depleting shareholder equity and altering competitive environment
- Alternative networks/methods of authorization and clearing that erode the value of Visa's network

Summary

- There is a global shift occurring towards electronic payments and away from cash and paper-based payments
- Personal consumption expense (PCE) is growing, particularly in emerging markets, and a significant portion of PCE is non-discretionary
- Visa demonstrates the characteristics of a company with a sustainable competitive advantage
- I believe these factors indicate the range of outcomes for Visa is positively skewed.
- Under favorable circumstances, there is the potential for earnings to compound by more than 15% annually over 5 years.

Thank you