

Date: February 8th, 2013

Analyst Name: Taylor Woodruff

CIF Stock Recommendation Report (Spring 2013)

Company Name and Ticker: Visa (V)

Section (A) Summary

Recommendation Buy: Yes		Target Price: \$185.15	Stop-Loss Price: \$136.85
Sector: Technology	Industry: Business (credit) Services	Market Cap (in Billions): 128.53 billion	# of Shrs. O/S (in Millions): 810.61
Current Price: \$158.56	52 WK Hi: \$162.77	52 WK Low: \$106.06	EBO Valuation: \$139.66
Morningstar (MS) Fair Value Est.: \$130.00	MS FV Uncertainty: Above Average	MS Consider Buying: \$78.00	MS Consider Selling: \$201.50
EPS (TTM): 1.87	EPS (FY1): 7.38	EPS (FY2): 8.40	MS Star Rating: **
Next Fiscal Yr. End "Year": 2013 "Month": September	Last Fiscal Qtr. End: Less Than 8 WK: Y N	If Less Than 8 WK, next Earnings Ann. Date: February 6, 2013	Analyst Consensus Recommendation: Buy
Forward P/E: 18.88	Mean LT Growth: 18.71	PEG: 1.19	Beta: 0.76
% Inst. Ownership: 84.10%	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: 2.10	Short as % of Float: 1.10%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	50.18	22.63	33.73
P/S (TTM)	12.06	3.31	7.75
P/B (MRQ)	27.74	0.44	1.54
P/CF (TTM)	50.77	19.35	16.72
Dividend Yield	0.85	1.44	1.73
Total Debt/Equity (MRQ)	0.00	100.63	173.03
Net Profit Margin (TTM)	20.55	12.34	16.57
ROA (TTM)	5.73	0.50	1.03
ROE (TTM)	7.93	2.61	6.66

<p><u>Investment Thesis</u></p> <p>Pros:</p> <ul style="list-style-type: none"> • As the leader in a rapidly growing industry that continues to expand, Visa is poised for growth in the upcoming year. • They have recorded positive earnings and revenue surprises in their last nine quarters and analysts don't see this slowing down in 2013. • Looking forward, Visa expects many of their recent acquisitions to pay off on an international and domestic standpoint. All acquisitions have been in the emerging markets, which are cash-dominant areas. • Analysts have a very bullish outlook for 2013, as revenue growth hasn't slumped at all in Q1. • The RSI has been around 30 for the past few trading sessions, suggesting the stock has been under bought. • The 3-month, 1-year, and 5-year stock chart are very bullish, as Visa has consistently outperformed the market. <p>Cons:</p> <ul style="list-style-type: none"> • International regulatory authorities can quickly change regulations in an unfavorable way for Visa, hurting profitability significantly. • The Dodd-Frank Act will negatively impact the revenues that Visa can collect off of transactions. • No longer can Visa monopolize their customers' credit/debit options, their customers clients now have freedom to use the platform they prefer. 	<p><u>Summary</u></p> <p><u>Company Profile:</u> Visa is the largest global payments company in the world, connecting both the average consumer and large institutions around the globe. Visa is leading the industry as we shift from paper-based payments to electronic-based payments.</p> <p><u>Fundamental Valuation:</u> Assuming an abnormal growth period of five years, the valuation for Visa was \$139.66. This suggests that the stock is extremely overvalued, as it is currently trading at \$159.67. When performing a sensitivity analysis, a smaller discount rate helped push the valuation to where it is currently trading, yet a lower discount rate isn't very realistic.</p> <p><u>Relative Valuation:</u> The relative valuation demonstrated that Visa was overvalued according to most multiples. I used the median implied prices and focused on the Price to Book and Price to Earnings metric.</p> <p><u>Revenue and Earnings Estimates:</u> Revenues and earnings have consistently beaten the market the last six quarters. The most recent revenues and earnings that were released beat analysts' estimates and the outlook has been recently revised upward.</p> <p><u>Analyst Recommendations:</u> There has no change in analyst recommendations in the last three months. Visa has a mean rating of 1.94 as of 1 week ago, which is up from 1.88 one month ago after a recent downgrade to hold. The current recommendation is outperform/buy.</p> <p><u>Institutional Ownership:</u> Institutional ownership is very significant, at 84.12%. Only Fidelity (FMR LLC) has more than 5% ownership in Visa. As of recently, there has been more decreased positions than increased.</p> <p><u>Short Interest:</u> Short interest is very low, with a short ratio of only 2.1. Percent of shares float is at 1.1%, which is very low for the industry. Short interest is also at half the volume that it was a month ago. Competitors are seeing a significantly larger short interest.</p>
---	---

Summary: Although regulations have begun to tap the margins that Visa can operate at, they are positioned well and the industry is poised for growth. Fundamentals are strong and recent acquisitions will open up areas of opportunity. Technical indicators suggest a conservative buy as well.	Stock Price Chart: The stock charts are indeed what makes Visa look like such a great investment. Visa has outperformed the market and technology sector by a long shot. Visa has also outperformed MasterCard over each time horizon researched. The stock is up 50% over the last 13 months. Technical indicators suggest that the stock is currently under bought, with an RSI around 35.
---	---

Section (B) Company Profile (two pages maximum)

Company Summary

A visa is something that nearly every adult individual uses on a daily basis. A credit or debit card has taken the place of cash for a large percentage of the world population, with Visa as the major player in the industry. "Visa Inc. is a global payments company that connects consumers, businesses, banks and governments in more than 200 countries, enabling them to use digital currency instead of cash and checks" (10-k). Not only do they allow the ability to transfer funds much simpler through electronic payment systems, but cards make everyone's life easier. Visa isn't just the name you see on the card, however, they offer a wide range of different services. Their business consists of three main segments; payment systems such as Visa and PLUS, payment product platforms for financial institutions, and transaction processing systems (10-k).

Visa does not issue actually issue the cards, extend credit, or set the fees or interest rates. That is all done by the financial institution in which the card was distributed. Visa derives their revenues from fees that are paid by these clients, which are based upon the volume of transactions that take place by consumers. Their focus is moving in the direction of e-commerce and mobile platforms, working on ways to keep the consumer and large financial institutions happy and provide for cost-effectiveness. After a recent acquisition in 2011 of a payment processing company in the emerging markets, Visa has a great foundation for future growth. Currently the United States makes up 39% of the business, Canada 4%, Asia Pacific 27%, Central Europe and the Middle East 15%, and Latin America the other 15%.

Business Model, Competition, Environment and Strategy

Visa operates in the global payment industry, which is beginning to see a very large shift from the old paper-based payment methods (10-k). Paper-based payment methods are quickly becoming more obsolete by the year. Things such as convenience, security, and rewards that

come from a card-based payment system make everything from large business transactions to a quick swipe from the everyday consumer much more likely (10-k). As the shift from paper payment to electronic payments continues to grow, the large market share that Visa has obtained will most definitely benefit the company's bottom line.

Visa makes money from fees paid by their clients, which are based on payment volume and transactions that are processed (10-k). These clients take Visa's payment network management and deliver it to merchants and consumers in which Visa manages (10-k). Not only is Visa going to see benefit in the future from e-commerce and electronic payment systems but it will also benefit as consumers shift to a mobile lifestyle. As mobile continues to grow in popularity, purchasing services via a tablet or smart phone will also become favorable; ultimately making electronic payment the only form available.

Most of the competition that Visa will run into is going to be MasterCard, American Express, and Discover. As smaller companies enter the market they truly won't be able to take much of the market share away from Visa or MasterCard, leaving the two largest providers as the main contenders in the industry. With a market cap of roughly two times that of MasterCard and eight times that of American Express, Visa is poised to maintain a dominant position as the credit services industry continues to expand. Additionally, in order to stay above the competition, Visa has recently begun acquiring firms in the emerging markets to further exploit countries that are still dominantly cash based. All pending litigations have been dismissed, however, Visa does operate in a heavily regulated industry and therefore new lawsuits are expected in the future and on a consistent basis; none that are expected to be material.

Although the industry may appear to be somewhat dominated by these two powerhouses, both domestic and international governments regulate the industry very strictly. One large regulation that Visa indicates as a bottleneck is a recent change to the Wall Street Reform and Consumer Protection Act. As stated in their 10-k, "the provision regulates the selection of payment networks by issuers and the routing of debit transactions by retailers. This may result in the routing of debit transactions onto competitive networks, potentially reducing the processing fees earned on debit transaction" (10-k). Another large driver of their payment system volume is interchange reimbursement fees. As these fees become more regulated, it could decrease overall volume and therefore revenues as well. From an international standpoint, regulations could be imposed at any one time that will prevent Visa from competing against providers of the domestic country (10-k). Overall, the industry in which they compete in is highly regulated and Visa must be well aware of their environment in order to compete effectively and take advantage of different cost-effective strategies.

Additionally, Visa used to be able to require some customers to use only their network. New regulations have been imposed that prohibit this requirement, thus decreasing the total

amount of transactions Visa will ultimately process (10-k). Quality customer relationships have helped Visa maintain their customer base since this regulation was imposed, however this could adversely affect their bottom line once fees increase. Most recently was the introduction of the Dodd-Frank Act, which could have many adverse effects on Visa as well. The Dodd-Frank Act has put in place a restriction that caps the maximum U.S. debit interchange fee that is charged by large institutions, which amounted to a significant reduction from the previous average (10-k). Much of the elements of the Dodd-Frank Act lack definition that create some potential for strategic interpretations by Visa and their competitors (10-k). Based on their creativeness and the regulations that are yet to come forth, the Dodd Frank Act certainly will have a material effect on Visa's competitive environment going forward and the strategies they formulate their business model around (10-k).

The intellectual property that Visa currently has is one of its largest assets. Patents and the perception of how consumers and clients view Visa are vital for their profitability. If Visa fails to make consumers happy and thus pushes Visa's largest clients to breach their agreements, the company would face a large financial upset. Additionally, Visa is at the hands of their clients when it comes to settlement obligations that Visa has already guaranteed (10-k). If one of their large clients defaults on an obligation, Visa is the one that indemnifies these issuers (10-k). Their indemnification is unlimited, leaving Visa vulnerable to large exposures.

Revenue and Earnings History

REVENUE

Periods	2011	2012
December	2238.0	2547.0
March	2245.0	2578.0
June	2322.0	2565.0
September	2383.0	2731.0
Totals	9188.0	10421.0

EARNINGS PER SHARE

Periods	2011	2012
December	0.83554	1.04893
March	0.84793	1.34164
June	0.99702	-2.27037
September	0.89249	1.7458
Totals	3.572	1.865

Discuss any pattern in revenue and earnings (e.g., increasing year over year; seasonal; etc.)

There is definitely a bearish indication when looking at the revenue and earnings numbers for Visa. Although revenue has continued to improve quarter to quarter, earnings per share doesn't appear to be consistent. We can see a large fluctuation of EPS in 2012 from quarter two to quarter three, which provides for a lot of uncertainty given their EPS being historically unseasonal. Given the nature of the business that Visa is in, the large decrease in EPS from 2011 to 2012 is not a good sign. Visa's competition comes from all other forms of payment and their revenues are contingent upon the use of their system. Whenever we see a large fluctuation in earnings or revenues, it can cause for some concern because a larger underlying reason for this decline may be in the works. Because seasonality does not affect the business, investors expect somewhat consistent revenues and earnings throughout the year, which wasn't the case for Visa in 2012. In the first quarter of 2013 Visa posted earnings of \$1.82 per share, up from \$1.49 a year before (reuters). This is extremely bullish for Visa, beating analysts estimates by three cents. Revenues also positively surprised, up \$30 million from last year and beating analysts estimates as well. Revenues were \$2.85 billion, analysts expected \$2.82. As stated by Gil Luria of Wedbush Securities, "I'm most impressed by the upside to revenue. It means that Visa is still growing more in the 11 to 12 percent range as they did last year as opposed to slowing in the 10 to 11 percent range". For my recommendation this sheds positive light, as I'm most concerned about the future of the stock after a very large return last year.

Include the following here:

Inputs (provide below input values used in your analysis)

Long-term growth rate: 18.71%

Book value: 27,630

of shares outstanding: 669.05

Book value / share: 41.297

Dividend payout ratio:	27.75
Next fiscal year end:	2013
Current fiscal month:	5 (September is fiscal year-end)
Target ROE:	17.78%

Output

Above normal growth period chosen: 5 years

EBO valuation (Implied price from the spreadsheet): \$139.66

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

\$172.29 if changing above normal growth period to 7 years

\$144.06 if changing growth rate from mean (consensus) to the highest estimate of 20%

\$127.54 if changing growth rate from mean (consensus) to the lowest estimate of 15%

\$108.40 if changing discount rate to 10%

\$199.28 if changing discount rate to 6%

\$139.66 if changing target ROE to 25%

The fundamental valuation is bearish for Visa. The only factor in the sensitivity analysis that could help make Visa look fundamentally attractive is by lowering the discount rate. However, I don't foresee the discount rate dropping below current levels, especially below 6%. I chose to use a five-year growth rate because I feel as though our transition from paper-based payments to electronic payment is going to increase in the years to come. I do feel as though the stock has begun factoring this in, therefore I chose to keep my abnormal growth period conservative. Visa is the most poised in this industry, and they will definitely benefit from the electronic transition that many businesses and consumers are starting to take advantage of on both a domestic and international landscape. Although the growth in this industry will continue beyond 2018, I don't believe it will be able to maintain the same sort of growth that we will see in the near future. Revenue growth has continued to stay in the 11 to 12% range as demonstrated in Q1 of 2013, although analysts aren't sure as to whether this is sustainable. The valuation came out at \$139.66 using this 5-year growth period, a value much lower than the current stock price of \$158.67. Only by changing the discount rate (which I don't believe is realistic) do we get a value in comparison with where the stock is trading.

Relative Valuation

V													
					Mean FY2								
				Earnings Estimate	Forward	Mean LT	PEG	P/B	ROE	Value	P/S	P/CF	
	Ticker	Name	Mkt Cap	Current Price	(next fiscal year)	P/E	Growth Rate	(MRQ)	5 yr ave	Ratio	TTM	TTM	
1	MA	Mastercard	\$ 64,420.00	\$ 518.40	\$ 25.63	20.23	17.83%	1.29	9.30	33.89%	0.27	8.88	26.82
2	AXP	American Express Company	\$ 64,990.00	\$ 58.81	\$ 5.30	11.08	10.78%	1.14	3.45	23.52%	0.15	2.22	0
3	DFS	Discover Financial Services	\$ 19,120.00	\$ 55.95	\$ 4.49	8.55	10.67%	0.84	1.95	21.08%	0.09	2.45	7.78
4	Ebay	Ebay Inc.	\$ 72,430.00	\$ 55.93	\$ 3.20	17.49	14.63%	1.38	3.46	15.87%	0.22	5.13	18.84
	V	Visa	\$ 105,660.00	\$ 157.91	\$ 8.40	18.80	18.71%	1.17	3.75	10.79%	0.35	12.06	50.77
		Implied Price based on:				P/E		PEG	P/B		Value	P/S	P/CF
1	MA	Mastercard				\$169.93		\$202.74	\$391.62		\$124.68	\$116.27	\$83.42
2	AXP	American Express Company				\$93.07		\$179.17	\$145.28		\$66.65	\$29.07	\$0.00
3	DFS	Discover Financial Services				\$71.82		\$132.02	\$82.11		\$42.03	\$32.08	\$24.20
4	Ebay	Ebay Inc.				\$146.92		\$216.89	\$145.70		\$99.06	\$67.17	\$58.60
		High				\$169.93		\$216.89	\$391.62		\$124.68	\$116.27	\$83.42
		Low				\$71.82		\$132.02	\$82.11		\$42.03	\$29.07	\$0.00
		Median				\$119.99		\$190.95	\$145.49		\$82.85	\$49.63	\$41.40

From the top panel

I chose to use Mastercard, American Express, Discover, and Ebay Inc. as the main competitors of Visa. Each of these companies other than Ebay compete in the same industry and fight for the same customers that Visa does. Ebay is largely involved in the industry with the PayPal service, which I feel is relevant to compare given that it encourages customers to use PayPal to purchase and provides for more convenience than the use of a Visa.

The multiples of all the companies are very spread out. Visa has the highest valuation for every multiple but price to book and forward price to earnings. One multiple to highlight is price to cash flow, in which Visa is trading at fifty times this valuation, double that of all competitors. This is indeed worrisome because cash is very important in this industry to help keep up with innovation through organic growth and acquisitions. The forward P/E is another multiple in which Visa is high, trading at 18.8 times earnings. MasterCard however is trading at 20 times earnings, which helps put this valuation into context with the industry in which these companies compete. Price to book and the PEG ratio are average compared to competitors. Visa's PEG ratio of 1.17 is somewhat high yet is comparable to MA which has an almost

identical long-term growth rate. With a similar long-term growth rate and lower PEG, we see this as a bullish indicator for Visa in comparison with its largest competitor.

It is important to place most of my attention on MasterCard, American Express and Discover, which compete more noticeably against Visa. When comparing the implied prices based on the valuations of Mastercard, we get very favorable results. The P/E and P/S suggest together that Visa is fairly valued, while the PEG and P/B suggest that Visa is undervalued. The most relevant matrices for the index are the P/E and P/B, which help provide for a bullish sentiment on the stock. When taking the implied prices based on the valuations of American Express and Discover, we get completely different results. All valuations show that Visa is overvalued, most of them demonstrating a valuation similar to the company's 52-week low. Visa is currently trading at \$4 below its 52-week high and hasn't traded in the low \$100 range for over ten months. It is important to note that P/CF valuations are skewed because American Express has no ratio for the TTM, therefore AXP will be not be included in the analysis.

From the bottom panel

Based on Visa's competition, as mentioned above, the implied prices demonstrate that Visa is overvalued. All metrics other than the PEG ratio suggest an overvaluation. The PEG as an outlier is somewhat misleading as well, considering the range of PEG ratios that the industry sees. When looking at the two most relevant metrics (PEG and P/B), the median implied prices suggest an overvaluation by roughly 15-20% of the stock's current price. Because there is such a large contrast between low and high prices, I figured the median prices would be the most accurate representation.

Each of the low range valuations are well below the current stock price. The only outlier in this category is once again the PEG ratio, which puts a low valuation on Visa of \$132.02. For the high range valuations, the P/E, PEG, and P/B all suggest that Visa is currently undervalued; whereas the value, P/S, and P/CF metrics all suggest an overvaluation. This does show some bullish sentiment, however, it may be skewed because these metrics tend to be less relevant. The median implied prices are certainly the main focus because they help project a much more conservative estimate. As mentioned above, the Price/Earnings and Price/Book are the most relevant for this industry. The Price/Cash Flow would also be relevant, yet the information is unavailable for one of Visas competitors (AXP) and therefore the valuation is skewed for that portion.

Section (E) Revenue and Earnings Estimates

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Sep-12	2,675.59	2,731.00	55.41	2.07
Quarter Ending Jun-12	2,521.88	2,565.00	43.12	1.71
Quarter Ending Mar-12	2,477.63	2,578.00	100.37	4.05
Quarter Ending Dec-11	2,434.14	2,547.00	112.86	4.64
Quarter Ending Sep-11	2,390.22	2,383.00	7.22	-0.30
Earnings (per share)				
Quarter Ending Sep-12	1.50	1.54	0.04	2.91
Quarter Ending Jun-12	1.45	1.56	0.11	7.65
Quarter Ending Mar-12	1.50	1.60	0.10	6.60
Quarter Ending Dec-11	1.45	1.49	0.04	2.85
Quarter Ending Sep-11	1.25	1.27	0.02	1.86

Visa definitely has a history of positively surprising the market. Over the past five quarters, revenues have positively surprised four times, of which all were materially large. Only one quarter was negative, missing estimates by 0.3%. In regards to earnings per share, Visa has positively surprised the market the last five quarters. The stock price has consistently increased alongside these surprises, with no unexpected dips in the price for the last five quarters. Surprises have been much more noticeable for earnings, which is indicative of the industry that Visa competes in. Earnings per share are often hard to estimate given constant changes to regulation that can have an impact on the capital that Visa collects in a certain quarter. The stock price has been on a steady rise since May of 2011 with little volatility. After each positive surprise, the stock has seen a bit of a bump in the price, yet none have been major. Visa did report positive EPS and revenues that beat estimates for Q1 2013. The outlook is also bearish for future earnings.

“Consensus Estimates Analysis”

	# of Estimates	Mean	High	% Difference	Low	% Difference	1 Year Ago
SALES (in millions)							
Quarter Ending Mar- 13	28	2,855.14	2,960.00	3.67%	2,764.00	3.19%	2,705.26
Quarter Ending Jun- 13	28	2,869.15	2,939.00	2.43%	2,811.40	2.01%	2,785.93
Year Ending Sep-13	31	11,548.90	11,804.00	2.10%	11,387.00	1.40%	11,186.80
Year Ending Sep-14	27	12,855.90	13,402.00	4.25%	12,512.60	2.67%	12,315.70
Earnings (per share)							
Quarter Ending Mar- 13	29	1.81	1.9	4.97%	1.73	4.42%	1.69
Quarter Ending Jun- 13	29	1.8	1.94	7.78%	1.72	4.44%	1.68
Year Ending Sep-13	33	7.28	7.64	4.95%	7.05	3.16%	6.81
Year Ending Sep-14	30	8.4	8.88	5.71%	7.1	15.48%	7.92
LT Growth Rate (%)	8	18.71	20	6.89%	15	19.83%	19.26

When analyzing the estimates analysis for the current and out-quarter, the divergent are indeed more notable in the current quarter for sales and out-quarter for earnings. Often times EPS is much harder to estimate, as displayed by the large disparity in the high and low estimates from the mean for earnings compared to that of revenues. If we look at the estimates from a larger standpoint (FY1 and FY2), the divergent are much more notable for FY2. As stated earlier in the report, Visa competes in an industry that has very volatile earnings and can fluctuate without much notice, therefore deviating the long-term estimates away from the mean. The amount of analysts (8) providing for the long-term growth rate is roughly one third the amount of analysts that are providing estimates. The deviation from the mean is much higher than that of other estimates, which makes sense given that there is a smaller pool of estimates. We must take this lower number into account when estimating how accurate these long term growth rates may be.

“Consensus Estimates Trend”

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	2,855.14	2,855.92	2,855.08	2,854.62	2,705.26
Quarter Ending Jun-13	2,869.15	2,868.83	2,864.34	2,862.32	2,785.93
Year Ending Sep-13	11,548.90	11,548.90	11,537.80	11,547.60	11,186.80
Year Ending Sep-14	12,855.90	12,865.90	12,844.30	12,839.00	12,315.70
Earnings (per share)					
Quarter Ending Mar-13	1.81	1.81	1.80	1.80	1.69
Quarter Ending Jun-13	1.80	1.80	1.80	1.80	1.68
Quarter Ending Sep-13	7.28	7.27	7.25	7.25	6.81
Quarter Ending Sep-14	8.40	8.41	8.36	8.36	7.92

The consensus estimates by analysts are trending up, a very positive sign for visa. I feel as though comparing estimates from 2 months ago to the current estimates will be most relevant for this section. By doing this comparison, we can see that estimates increase as each quarter’s end nears. For sales, all quarters see increasing estimates as well as the year ending September 2013. The only outlier is the year ending 2014, in which estimates were decreased by \$10 million one week ago. This isn’t a large concern, however, because 2014 has seen a consistent uptrend prior to the downtrend and the long term growth rate is very high. Earnings estimates are all trending up other than the quarter ending September 2014, which has been downgraded by one cent in the last week. The uptrend’s have all been much more notable for the near quarters and FY1. The only downtrends that are present are from FY2, demonstrated in both earnings and revenues.

“Estimates Revisions Summary”

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	1	7	2
Quarter Ending Jun-13	1	0	6	3
Year Ending Sep-13	0	0	7	1
Year Ending Sep-14	0	0	4	2
Earnings				
Quarter Ending Mar-13	0	1	3	2
Quarter Ending Jun-13	2	0	7	2
Year Ending Sep-13	1	1	5	2
Year Ending Sep-14	0	0	3	1

There are notably more up-revisions in the last four weeks than there are down-revisions. We see a large revenue up-revision for the quarter ending March 2013, with 7 up-revisions and only 2 down. This trend carries over to earnings as well over the last four weeks. Although there are more up-revisions than down, it is a bit less lopsided for earnings.

Over the last week, there have only been a few revisions. For revenues, there was one downgrade for next quarter and another for the quarter ending June 2013. The revisions for next quarter (March 2013) were contrary to the trend we saw in the last four weeks. For earnings, there have been a few more revisions however. Next quarter has seen a down revision while the quarter ending June 2013 has seen two up-revisions. Year ending September 2013 has received both an up and down revision, which is also contrary to what we have see over the last four weeks. We can see these estimates illustrating a more bearish sentiment as

the last week has been filled with a larger proportion of down revisions than was seen four weeks ago.

You will need to incorporate what you see here with Morningstar's analyst research report (you can access *Morningstar Direct at the Financial Markets Lab.*) and other readings/analysis you found from various on-line financial sites. Discuss whether you think the company has a good chance of making or beating analyst consensus estimate, and why. Based on how the stock has been trading lately, do you think market has already anticipated strong or lackluster financial outlook from the company?

I do think that Visa has a great chance of beating analysts' consensus estimates, and history will agree with me. Although new regulations are starting to set in in the domestic market, I don't see anything that will push the company's revenues below what is being estimated. Analysts take these regulations into account when justifying what they believe earnings to be. International revenues have continued to expand as their market grows internationally, and I see this as an offset to help beat estimates at the least. An analyst with Morningstar disagrees with this consensus however. The analyst stated, "Visa is a constant target of regulators throughout the world, and attacks on the firms business model are unlikely to stop" (Morningstar). Although I don't believe this will necessarily hurt Visa, it doesn't appear as though it will be favorable to revenues in the near future until changes can be made to help counter these new regulations. Visa has a team of strategists that have been continually working to figure out how to get past the loopholes on these new regulations and appears to be succeeding from the commentary in their conference calls. Although regulations may be tightening, Visa is the leader in the industry and can therefore afford to win over clientele as their competition struggles.

I do believe as though most of this information has been factored into the stock price. Visa is currently trading around its 52-week high and has just recently been corrected from a run-up in mid-January. Much of this contraction could be due to recent earnings revisions and anticipation of lackluster performance as their quarterly earnings approach. However, with an RSI around 30, down from the previous 80 just last month, the stock has clearly slowed down in regards to trading. Any positive earnings surprise will definitely help the stock price and gains could be substantial, possibly pushing it past its 52-week high. Typically if the stock has been "under-traded" and we see a positive earnings surprise, the stock gets a nice bump. Earnings were reported today and beat estimates, I expect the stock to move past its 52-week high very soon. Regardless of whether or not it does push past its high, I do believe it remains a valid investment as no price has shown resistance for Visa in the past.

Section (F) Analysts' Recommendations

"Analyst Recommendations and Revisions"

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	13	13	13
(2) OUTPERFORM	14	14	14	14
(3) HOLD	7	6	7	6
(4) UNDERPERFORM	0	0	0	1
(5) SELL	1	1	1	1
No Opinion	0	0	0	0
Mean Rating	1.94	1.88	1.91	1.94

There has been a very consistent recommendation over the last three months. If you compare the mean rating 3 months ago versus the current rating, they are identical at 1.94. The most recent change has been a buy recommendation that has been downgraded to a hold. Given the consistency of ratings over the past three months, it is safe to say that the sentiment hasn't turned bearish, and still remains bullish as the majority of analysts recommend an outperform or buy. Analysts have recommended a buy, outperform, hold, underperform, and sell. We can see an obvious convergence around the buy and outperform recommendation; however there has been an outlier that has recommended a sell consistently. Overall, an outperform has been in consensus with what analysts expect in the near term. Visa has done a great job positioning themselves for a bright future as our payment systems continue to move towards an electronic focus.

CNBC EARNINGS CALENDAR – THERE HAVE NOT BEEN ANY UPGRADES OR DOWNGRADES IN THE PAST TWO MONTHS

Section (G) Institutional Ownership

V				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			535,493,022	100.00%
# of Holders/Tot Shares Held	1,207	100.75%	450,563,829	84.14%
# New Positions	22	1.84%		
# Closed Positions	13	1.09%		
# Increased Positions	114	9.52%		
# Decreased Positions	158	13.19%		
Beg. Total Inst. Positions	1,198	100.00%	450,573,661	84.14%
# Net Buyers/3 Mo. Net Chg	-44	41.91%	-9,832	0.00%
Ownership Information	% Outstanding			
Top 10 Institutions % Ownership	28.27%			
Mutual Fund % Ownership	1.16%			
Float %	40.91%			
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
FMR LLC	5.52	Sept. 30, 2012		

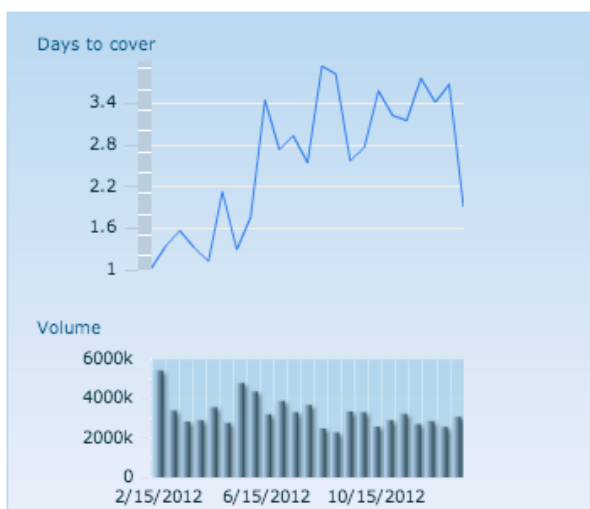
Institutions on a net basis have been decreasing overall. We see only 114 increased positions versus 158 decreased positions, giving a net decrease of 44 positions. This hasn't been very significant provided the changed positions only accounted for less than one percent of shares outstanding. An 84.14% institutional ownership structure is very large for Visa and definitely suggests institutional support. There is only one institution that has a 5% stake in Visa and that is Fidelity (FMR LLC), one of the world's largest mutual fund firms. When a large institution with a great reputation like Fidelity holds this large of a stake in Visa it certainly shows positive sentiment. Overall, the decreased positions in Visa are somewhat worrisome,

yet the valuation shows strong fundamentals with such sizable institutional ownership. I wouldn't specifically put a bullish or bearish indicator on the institutional ownership we see in Visa. In the short term, decreased positions put some negative sentiment on the stock, but sizable institutional ownership is always a good sign.

Section (H) Short Interest (two pages)

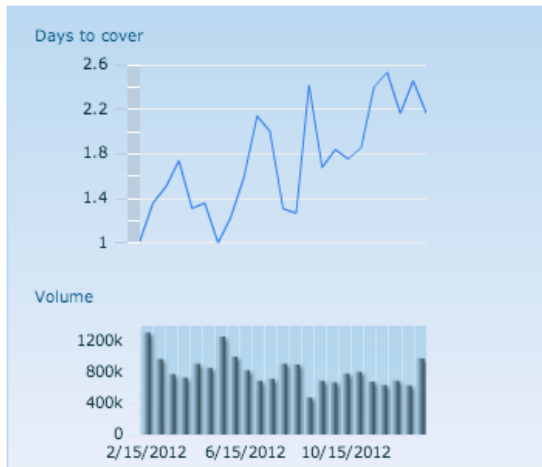
Short Interest - Visa

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/15/2013	5,792,172	3,055,337	1.895756
12/31/2012	9,360,545	2,548,198	3.673398
12/14/2012	9,739,369	2,855,589	3.410634
11/30/2012	10,137,341	2,698,118	3.757190
11/15/2012	10,138,252	3,217,186	3.151279
10/31/2012	9,291,403	2,883,560	3.222199
10/15/2012	9,173,703	2,566,480	3.574430
9/28/2012	9,150,754	3,306,637	2.767390
9/14/2012	8,604,224	3,350,308	2.568189
8/31/2012	8,685,193	2,273,484	3.820213
8/15/2012	9,755,718	2,480,512	3.932945
7/31/2012	9,320,257	3,661,577	2.545422
7/13/2012	9,704,953	3,307,832	2.933932
6/29/2012	10,561,048	3,867,921	2.730420
6/15/2012	10,996,127	3,194,536	3.442167
5/31/2012	7,653,633	4,350,588	1.759218
5/15/2012	6,171,351	4,772,795	1.293027
4/30/2012	5,875,857	2,763,035	2.126595
4/13/2012	3,985,508	3,555,420	1.120967
3/30/2012	3,812,525	2,890,482	1.318993
3/15/2012	4,428,320	2,825,572	1.567230
2/29/2012	4,548,317	3,379,173	1.345985
2/15/2012	5,558,423	5,410,081	1.027420



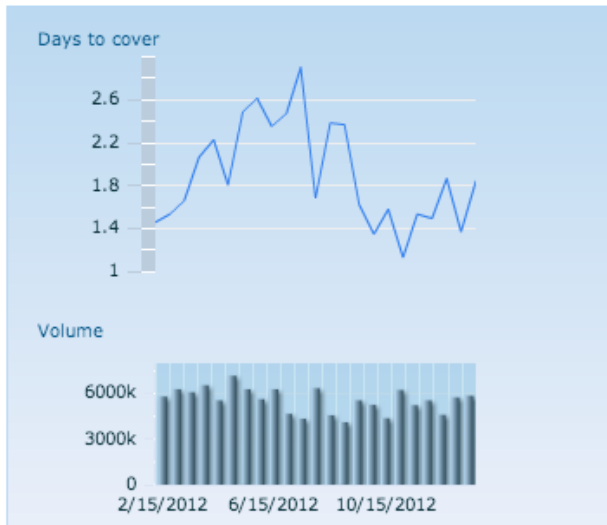
Short Interest – Mastercard

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/15/2013	2,122,892	978,513	2.169508
12/31/2012	1,549,684	631,077	2.455618
12/14/2012	1,489,364	688,267	2.163933
11/30/2012	1,604,068	633,097	2.533684
11/15/2012	1,627,904	677,987	2.401084
10/31/2012	1,497,411	805,184	1.859713
10/15/2012	1,377,648	783,619	1.758058
9/28/2012	1,236,592	671,309	1.842061
9/14/2012	1,161,932	691,343	1.680688
8/31/2012	1,151,263	475,909	2.419082
8/15/2012	1,141,637	898,277	1.270919
7/31/2012	1,196,312	911,773	1.312072
7/13/2012	1,437,036	716,779	2.004852
6/29/2012	1,479,536	690,936	2.141350
6/15/2012	1,309,318	823,653	1.589648
5/31/2012	1,232,498	998,081	1.234868
5/15/2012	1,266,424	1,260,741	1.004508
4/30/2012	1,159,289	852,644	1.359640
4/13/2012	1,193,794	907,118	1.316029
3/30/2012	1,271,548	730,893	1.739718
3/15/2012	1,163,712	772,482	1.506458
2/29/2012	1,317,363	967,848	1.361126
2/15/2012	1,333,096	1,310,679	1.017103



Short Interest- American Express

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/15/2013	10,746,375	5,844,900	1.838590
12/31/2012	7,859,303	5,744,012	1.368260
12/14/2012	8,576,788	4,593,785	1.867042
11/30/2012	8,293,226	5,553,608	1.493304
11/15/2012	8,009,458	5,215,175	1.535799
10/31/2012	7,035,662	6,219,370	1.131250
10/15/2012	6,891,783	4,361,945	1.579979
9/28/2012	7,087,193	5,257,680	1.347970
9/14/2012	8,966,408	5,536,121	1.619619
8/31/2012	9,701,152	4,097,216	2.367742
8/15/2012	10,908,963	4,577,350	2.383249
7/31/2012	10,652,706	6,346,473	1.678524
7/13/2012	12,647,797	4,354,169	2.904756
6/29/2012	11,504,707	4,649,409	2.474445
6/15/2012	14,768,445	6,282,663	2.350666
5/31/2012	14,745,688	5,639,920	2.614521
5/15/2012	15,594,854	6,269,927	2.487247
4/30/2012	12,953,185	7,167,287	1.807265
4/13/2012	12,348,326	5,542,428	2.227963
3/30/2012	13,506,423	6,543,086	2.064228
3/15/2012	10,120,880	6,095,251	1.660453
2/29/2012	9,617,658	6,272,691	1.533259
2/15/2012	8,434,316	5,787,855	1.457244



From <http://finance.yahoo.com/>

Complete the following table with information from the “*share statistics*” table.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,825,000	2,550,940	669.12 million	668.47 million
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
5.79 million	2.10	1.1%	9.36 million

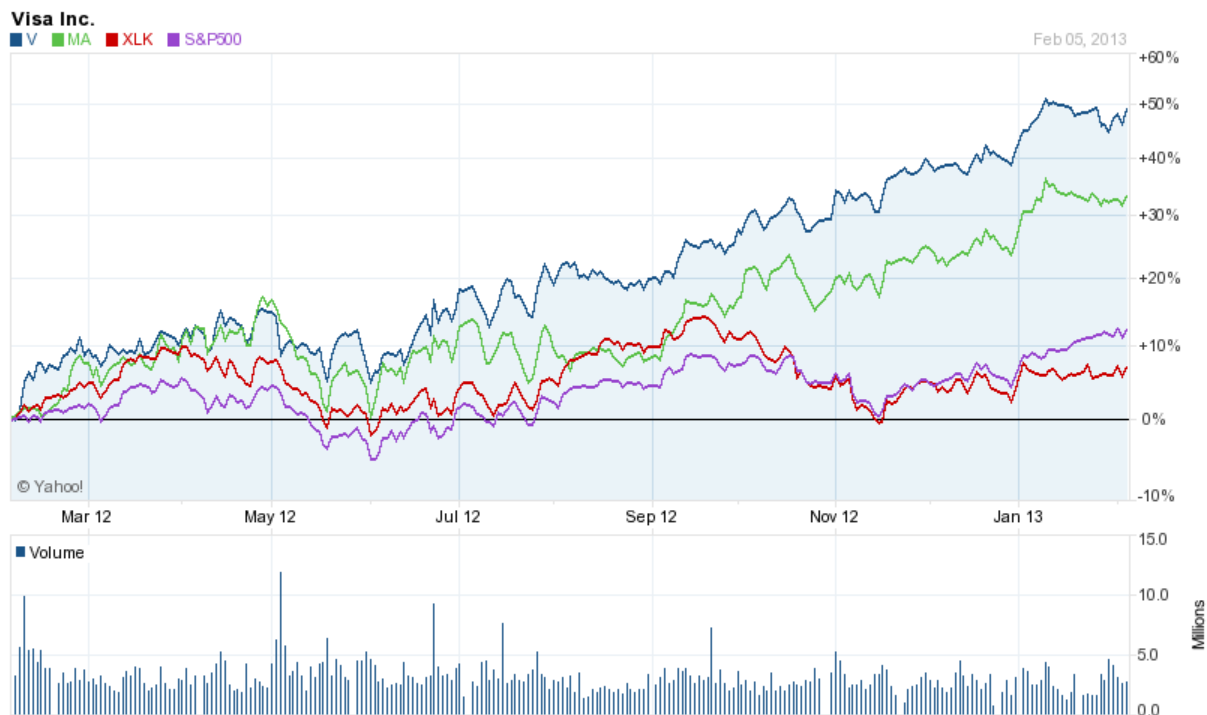
The market has definitely become much more bullish in the last few months. First off, the overall short ratio of 2.1 and short percent of float coming in at only 1.1% shows that the bears are definitely in hibernation. You can also note that the shares short of 5.79 million is roughly half of what it was a month ago. Over the past year, short interest has remained between five and ten million, still only 2% of the float at its high. This is quite impressive, considering most companies go through periods of highly bearish activity. The main reason for this bullish sentiment primarily comes from the large shift into the electronic forms of payment and strong fundamentals from Visa. It's become obvious through my research that the industry is booming for these companies, and Visa is ready to reap the benefits. MasterCard and American Express have seen a different pattern in their short interest lately. MA has seen their short interest double in the last month and as of January 15th short interest is at its all time high for the year. AXP has also had a sizeable increase in their short interest in the last month along with their days to cover. The short interest isn't at its yearly high like MasterCard, yet we see a large increase of roughly 30% in January. This is definitely bullish for Visa considering their two largest competitors have seen some bearish sentiment, leaving Visa as the best investment in the credit service industry and obviously with much better fundamentals than the competition.

Section (I) Stock Charts

A three months price chart



A one year price chart



A five year price chart



Additional price chart

6-month 10/50 day moving average with RSI



2-year price chart with 50/200 day moving average and RSI



Visa has made an incredible run in the last five years, outpacing the market and the technology sector by a long shot. Both MasterCard and Visa have done so, providing for some insight into how bullish the credit service industry may truly be. Most stunning of all charts is the five year, in which Visa has seen a 200% gain. Even in the last year Visa has posted a 50% gain, demonstrating the stocks ability to keep investors happy and optimistic about the future. In regards to the short term, Visa and MasterCard have been neck and neck, posting a 10% gain. For Visa to perform better than its largest competitor and outpace the market by a long shot puts a very bullish light on the stock. Whenever a stock chart demonstrates both long-term and short-term upward trajectory it shows great support for the stock going forward granted their fundamental have remains intact. No major dips have been recorded and during the financial crisis Visa barely saw a hit in comparison to the rest of the economy.

When analyzing the RSI charts, Visa has been overbought on a majority of occasions. After studying the pattern of Visa's stock price when under bought, your average technical analyst would starting ringing the cash register. None of the company's fundamentals have changed, the industry outlook appears very promising, and the stock is currently under bought, all very bullish indicators. When the RSI is below 30 it is bullish and when it's over 70 it becomes

bearish. Visa has historically traded above 70 and in the 85 to 90 range. As of recently, Visa dropped down near twenty and is currently trading with an RSI around 30. This shows some very promising sentiment for the short-term stock price.

<http://www.reuters.com/finance/stocks/overview?symbol=V.N>

<http://seekingalpha.com/article/975021-buy-visa-to-take-advantage-of-electronic-payment-processing-growth>

<http://finance.yahoo.com/q/ks?s=V+Key+Statistics>

<http://quicktake.morningstar.com/stocknet/secdocuments.aspx?symbol=v>

Visa Total Volume By Region

