



ANALYST QUICK NOTES

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Visa Inc. (NYSE: V: BUY)

Target Price: \$106

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Highlights from Visa's Investor Day on June 22:

- On June 22, Visa hosted an Investor Day, with themes including global growth opportunities and an update on the Visa Europe integration.
- With Visa Europe (acquired in June 2016), the company noted a steady integration with its existing operations, moving to commercial terms with partners, and completing phase 1 of cost rationalizations:
 - The company noted continuing to navigate a complex regulatory environment, including issues related to fee caps on debit and credit interchange.
- Visa continues to address three significant global market opportunities:
 - Conversion of \$17 trillion in annual cash and check transactions to digital.
 - The shift to digital commerce, where \$2 trillion in annual sales is growing at 5x the rate of physical sales (20% for digital vs. 4% for physical).
 - Expanding segments including person-to-person, government-to-consumer, business-to-consumer and business-to-business
- Regarding the shift to digital, the company noted that 43% of every dollar of digital transactions is charged with a Visa card, versus 15% at physical locations.
- While financial guidance was not updated, we note that management updated its fiscal 2017 guidance on the fiscal 2Q conference call:
 - Visa sees annual net revenue growth at the upper end of its 16%-18% range (including Visa Europe), while still expecting a negative foreign currency impact of 2%-2.5%.
 - It expects client incentives to be at the low end of the 20.5%-21.5% range of gross revenues, an adjusted operating margin in the mid-60s, and an adjusted tax rate of 30%.

- The company also raised guidance for adjusted EPS growth to the high end of the mid-teens on a nominal basis (including 2.5%-3% of negative foreign currency).
- We retain our Buy on Visa shares and target price of \$106.



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