

Visa

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Visa is the global leader in payment processing with the largest consumer and merchant payment network in the world. Over the last 10 years, Visa averaged 11% annual revenue growth and 14% annual net income growth. EPS growth was 17%, in part due to Visa's consistent repurchasing of shares. Visa describes itself as "a Service stack, acting as a payment hyperscaler to enable anyone in the ecosystem to build, launch and scale money movement and payments businesses across the globe." The company sees the core of its payments business as the Visa Credential (VC), which is more than a physical card—it can be digital, in a wallet, online, mobile. The VC is the connection point to the Visa network, on top of which the company can layer all types of services, solutions and access. As of the most recent quarter, there are now more than 5 billion VCs. Three evolving aspects of the VC technology is

- one touch (either tap to pay or biometrics),
- the enabling of multiple funding sources for a single credential,
- and tokenization.

Visa currently has more than 17.5 billion tokens globally. The company states that "we continue to make progress on the tokenization of ecommerce transactions to our ultimate goal of fully replacing card-centric technology." The company is also working on enabling agentic commerce. And, Visa is in the process of building a secure and seamless interoperable layer between stablecoins and traditional fiat payments.

I own Visa because:

- It is the leader in an exceptionally large and expanding market.
- Its payment network provides a wide moat around its business.
- It has consistent, sustainable revenue and earnings growth. This growth results primarily from increased use of Visa's product, not from increased price.
- Over the last five years, its return on equity has averaged 46.1% and its return on invested capital has averaged 29.2%.
- Though the dividend yield is only ~0.8%, through stock buy backs, V has consistently returned capital to shareholders at a rate of 3% to 4% per year.
- As evidenced by the Visa Credential, the company is consistently focused on the future.

Prospects over the next 9 to 12 months

Analysts' price targets for Visa range from \$310 to \$450. The average price target is \$401.29. I have a fair price of \$403.81 on the stock. My price assumes an earnings growth rate of 13%, an EPS of \$10.43, and a PE ratio of 27.5. (The historical PE is north of 30%.)

Visa is ~8.4% of our portfolio. It is the company we have consistently owned for the longest period of time. Over the years, we have taken a profit a number of times and have recouped several times over the money we originally invested in the company. I don't intend to sell shares of Visa going forward. We will simply let our investment in it compound. That said, if the share price were to fall below \$283, which is about 30% below my current fair value, I would add to our position.

