



## Visa's (V) Business Model Would Be Difficult For Competitors To Replicate: Baird

Baird adjusted its model and price target on Visa stock, following 4-for-1 stock-split



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In a report published on Friday, Baird said that Visa Inc's (NYSE:V) business model would be difficult for competitors to replicate. The sell-side research firm reiterated an Outperform rating on Visa Stock, while adjusting its model and price target for four-for-One stock split, on the first post-split trading day. The stock is trading up 0.9% at \$67.41 as of Friday closing bell.

The four-for-one stock split was announced on January 29. Baird continues to view the stock's risk/reward profile as favorable. It assigns a \$78 price objective on the stock.

Baird highlighted multiple competitive advantages related to Visa business model. These include significant barriers to entry, secular shift towards card payments, diversification and growth opportunities amid transnational presence, resilient business model because of leverage opportunities, and benefits arising from long-term international travel growth.

Visa is the largest payment processing enterprise across the globe, serving over 30 million customers worldwide. The total annual purchase volume stands at \$4.5 trillion, with around 1.8 billion Visa-branded cards in circulation. Analyst David Koning noted: "Given the company's well-established brand and extensive merchant-acceptance network, we believe Visa's business model would be difficult for competitors to replicate."

The cash and checks share continues to decline against the card payments. According to Nilson report, the US card payments increased from 32% to 50% during 2001-09.

Visa generates 55-60% of its revenues from the US market, which is expected to grow 5-10% over the coming years. The remaining 40-45% revenue is generated internationally, and the growth prospects from these regions point to double digit medium-term growth. Mr. Koning added: "Given the penetration opportunities for these markets (and the relative immaturity versus the US), we believe Visa's international exposure provides the company with opportunities to further diversify its revenue base."

Moreover, Visa's very low processing costs, with incremental margins in 85-90% range, and long-term international travel growth creates additional leverage for the company. Cross-border transaction fees contribute 20-30% of Visa revenues.

The sell-side firm adjusted earnings per share (EPS) estimates for the company from \$10.30 to \$2.57, and from \$12 to \$3, in fiscal years 2015 and 2015, respectively. The revised target price indicates 25x Price to Earnings (P/E) multiple on calendar year 2016 EPS of \$3.12.

The Street is firmly bullish on Visa stock. Out of the 44 analysts who cover the stock; 33 suggest a Buy and 11 recommend a Hold. The 12-month average target price assigned to the stock is \$73.78, which reflects an upside of 9.4% over its current trading price.

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