

Visa: Growth Reaffirmed

Apr.28.17 | About: Visa Inc. (V)

Summary

- Visa reported Q2 EPS of \$0.86, beating analyst expectations of \$0.79.
- Revenue also came in at \$4.48 billion, beating expectations of \$4.295 billion.
- Visa still has a strong growth catalyst moving forward, as global card penetration is only around 41%.
- According to The Nilson Report, global payments volume should continue to grow by a CAGR of 11% for the next five years.

About a month ago, we analyzed Visa (NYSE:V) and its growth prospects in the article "Visa: Growth And Room To Run."

The company's Q2 2017 earnings just reaffirmed the position that we took on the stock a month back. We think Visa still has a strong growth story moving forward and will continue to reward investors.

Q2 Earnings Review

The quarter was outstanding. Visa reported Q2 EPS of \$0.86, beating analyst expectations of \$0.79. Revenue also came in at \$4.48 billion, beating expectations of \$4.295 billion - a 23% increase from 2016 figures.

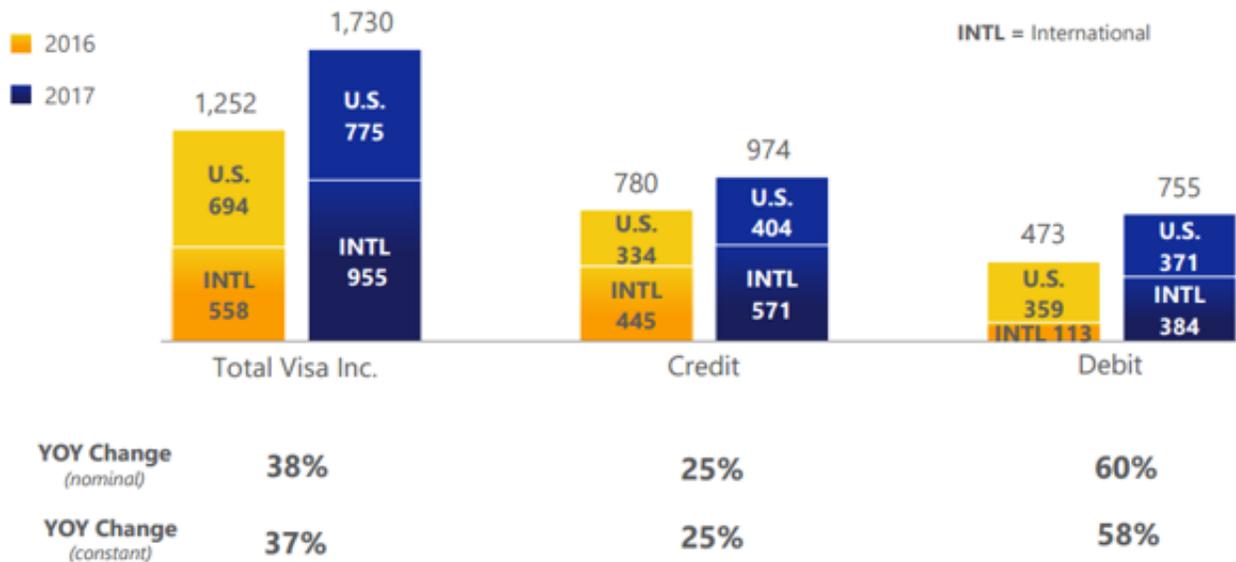
Payment volumes jumped 37% to \$1.73 trillion in Q2, with the company seeing strong growth internationally. The strong international growth is largely attributed to Visa's \$23 billion purchase of Visa Europe in June of last year. Visa Europe made up nearly one-fifth of the total payments volume.

Payments Volume

US\$ in billions, nominal, except percentages

Quarter ended March – Excludes Europe Co-badge Payments Volume*

Note: Current quarter payments volume and other select metrics are provided in the operational performance data supplement in the press release to provide more recent operating data. Service revenues continue to be recognized based on payments volume in the prior quarter. On occasion, reported payments volume information may be updated to reflect revised client submissions or other adjustments. Prior period updates are not material. Figures may not recalculate exactly due to rounding. Percentage changes and totals are calculated based on unrounded numbers. Constant dollar growth rates exclude the impact of foreign currency fluctuations against the U.S. dollar in measuring performance.



Data from Visa's Earnings Call

Payments volume in the United States increased by 11.7% to \$775 billion. Economic strength is creating a better spending environment, and major portfolio contracts with companies such as Costco (NASDAQ:COST) are largely responsible for this increase.

To supplement its impressive quarter, Visa also announced a \$5 billion share buyback program to return value to shareholders. Remember, value can be returned to shareholders in two major ways: share buybacks or dividend increase. Visa just recently increased its dividend by 18% in October 2016. The buyback will reduce the number of shares outstanding, thus increasing EPS and making your shares worth more.