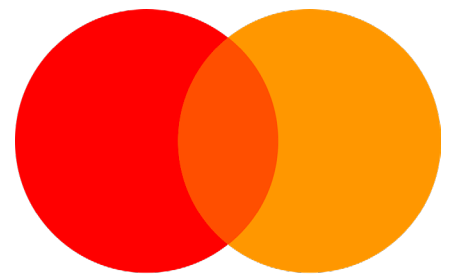


ELEVATION CAPITAL  
**GLOBAL SHARES**  
FUND

Mastercard Incorporated (MA, Market Capitalisation US\$ 335.48 billion)<sup>1</sup> is an American multinational financial services corporation that over the past 50+ years has enabled transactions all around the world. In 2019, the company facilitated a Gross Dollar Volume (GDV) of US\$ 6.5 Trillion across its ecosystem, up 13% from 2018. The digital payment industry has continued to grow apace as macroeconomic tailwinds from increased consumer expenditure and cross-border transactions from an increasingly global continue to gust.



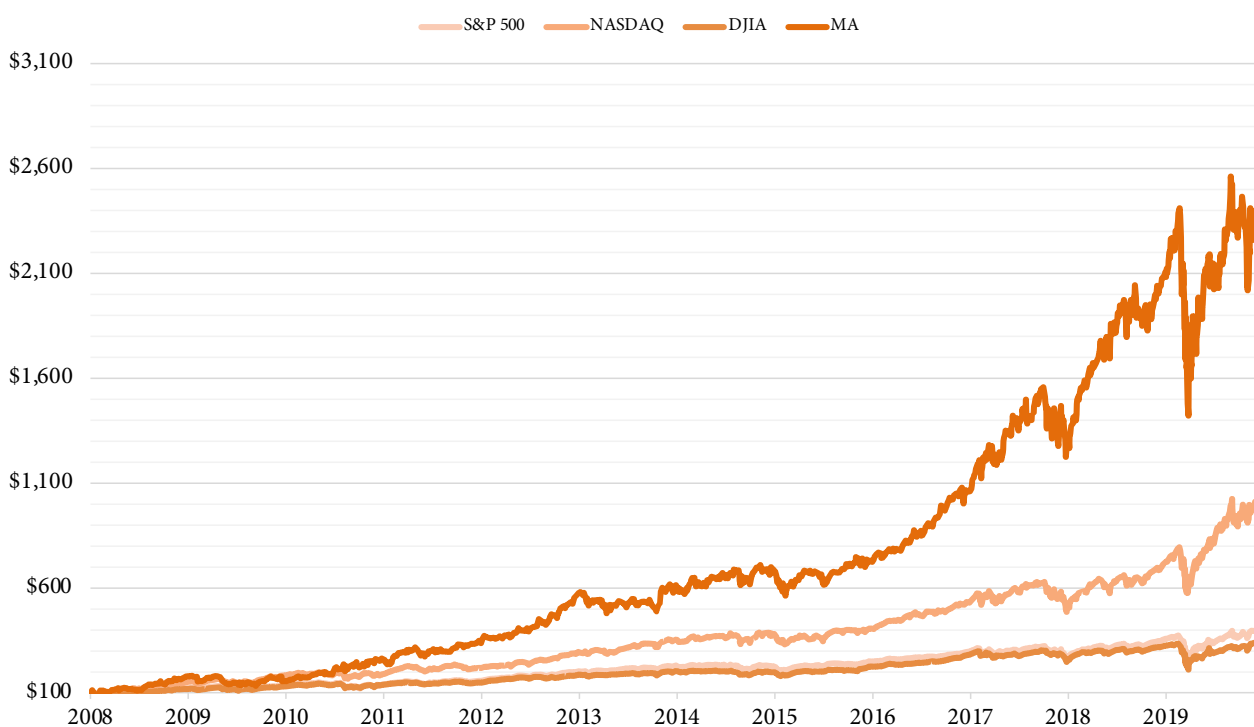
**mastercard**

*There are some things  
money can't buy.  
For everything else,  
there's MasterCard.*

*“You will often see investors praising quality stocks, but argue that they are too expensive. It makes sense, after all. Exceptional companies with outstanding records of shareholder value creation are often tied to a considerable premium. From time to time, whether a recession occurs, or unforeseen circumstances take place, great opportunities arise to buy quality merchandise when it is marked down.”*

Mastercard has outperformed all major US Indices (S&P 500, NASDAQ, DJIA) since 2008, **returning +2,272.28%** for shareholders before including distributions to shareholders. Like all great companies, it is common to see price multiples attached to ownership at daunting levels for investors concerned with intrinsic valuation. The market sell-off that occurred in March 2020 as a result of rampant volatility on account of the global pandemic afforded the Elevation Capital Global Shares Fund an opportunity to purchase a company that has been at the forefront of innovation since it was founded in 1966.

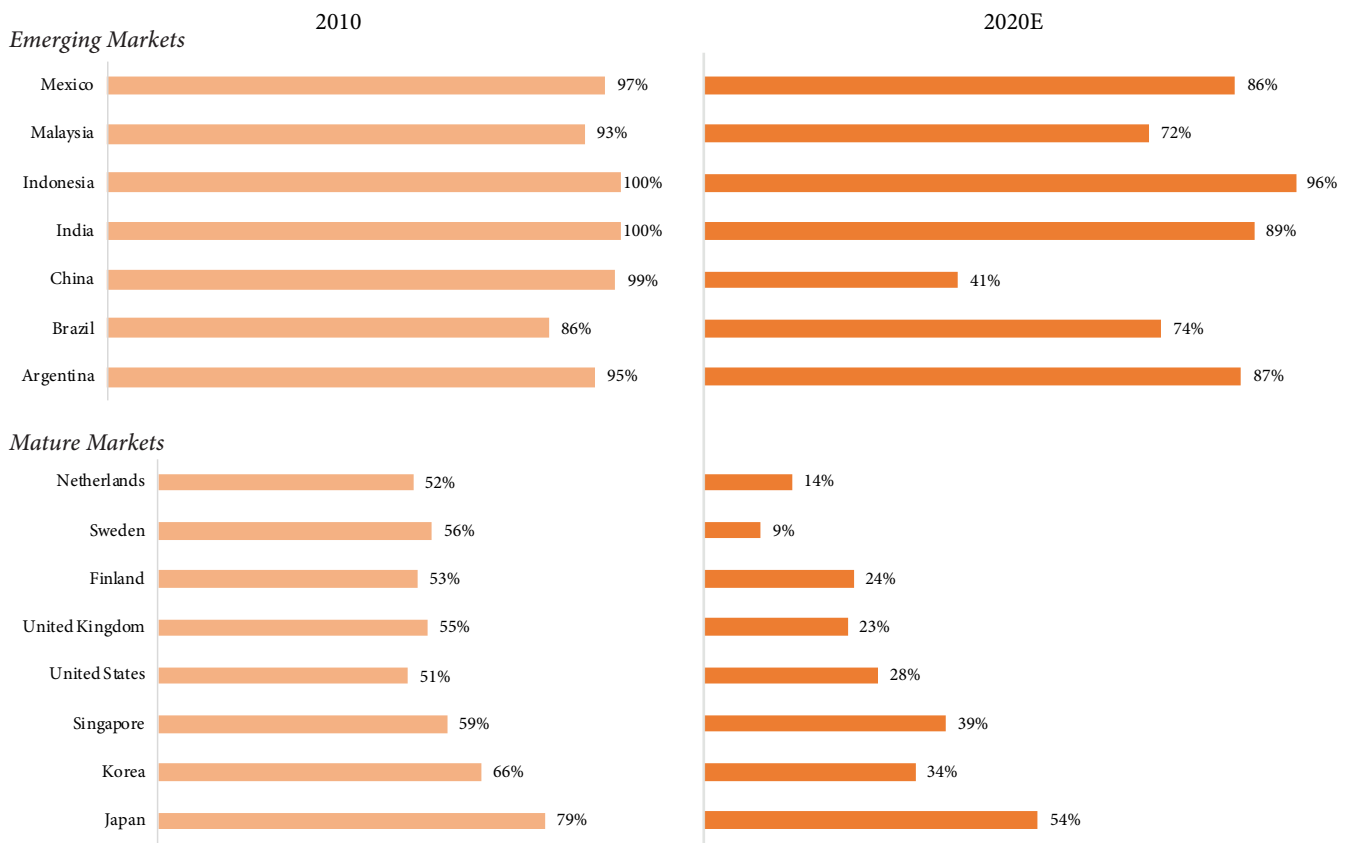
Rebated Mastercard Return Relative to Major Indices (US\$)



## COVID-19 HAS ACCELERATED THE TREND AWAY FROM CASH

The spread of COVID-19 has had an adverse effect on Mastercard’s revenue in 2020. The global pandemic however, has accelerated consumer adoption of internet shopping, has made using cash a less attractive payment method due to the perceived risk of spreading germs and has forced SME’s to develop omni-channel solutions to access customers. The 2020 McKinsey Global Payments Report highlights ‘accelerating winds of change in global payments’ stating that the global pandemic has compressed five years worth of change in consumer behaviour, transaction medium preference and payment operating models into less than one year. These changes are occurring in both mature and emerging markets as outlined in the graphs below.

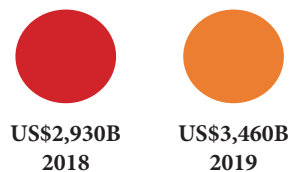
*Cash usage by country*  
 Percent of cash used in total transactions by volume (%)



Source: McKinsey Global Payments Map

Technological advancements have changed the structure of the payment world. In 2019, E-commerce represented 16.4% of total global retail spending and economies are gradually becoming less reliant on cash. Growth opportunities for Mastercard are seemingly endless. The impact and influence of digital payments fuelled by the proliferation of smart connected devices and adoption of new technology that enables payments in new environments have driven growth for Mastercard. The more transactions Mastercard can facilitate, the more revenue they will generate.

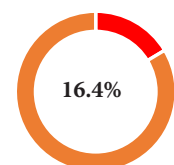
*Global E-commerce Sales have increased YoY by +17.9%*



Source: Digital Commerce 360

Wealth is not a zero-sum game; since 2000, the average GDP per Capita in the top 50 countries by GDP in 2018 has been growing at a CAGR of +1.16%. For Mastercard, this represents growth opportunities as demand for its services is directly correlated with average global household purchasing power. Mastercard is accepted in more than 200 countries and territories, as global economic welfare steadily improves consumer and business demand for goods & services will increase driving more transactions on Mastercard’s ecosystem.

*E-commerce Represents only 16.4% of Global Retail*



Source: Digital Commerce 360

# HAS COVID-19 MADE MASTERCARD A MORE COMPELLING OPPORTUNITY?

Every global shock has come with significant change and the Global Pandemic is no exception. Importantly, the pandemic has resulted in clear changes in investors appetite for capital structures that are over-reliant on debt which has resulted in a cognitive shift away from highly-leveraged companies with fears over the ability to service repayments in a market with volatile earnings. Mastercard has boasted an impressive financial position displayed in its growing earnings/profitability, and underpinned by its impressive return on invested capital (ROIC) and return on equity (ROE).

## Mastercard Financial Position Analysis

Mastercard has improved its earnings at the following annual growth rates from FY15 to FY19:

**Revenue: +14.69%**

**EBITDA: +16.96%**

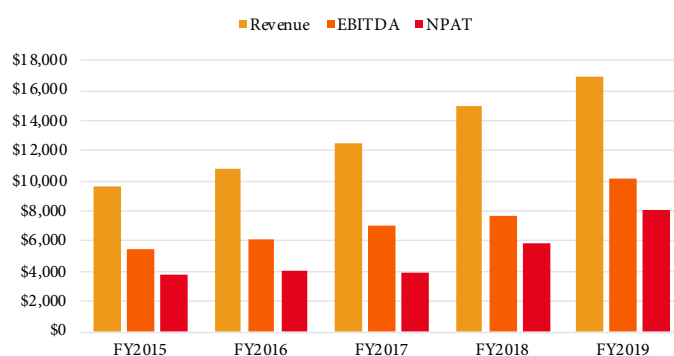
**Net Profit after Tax (NPAT): +20.83%**

Mastercard has steadily increased its cash position increasing its Free Cash Flow to the Firm by +18.67% from FY15 to FY19 positioning the company favourably to weather the current economic environment.

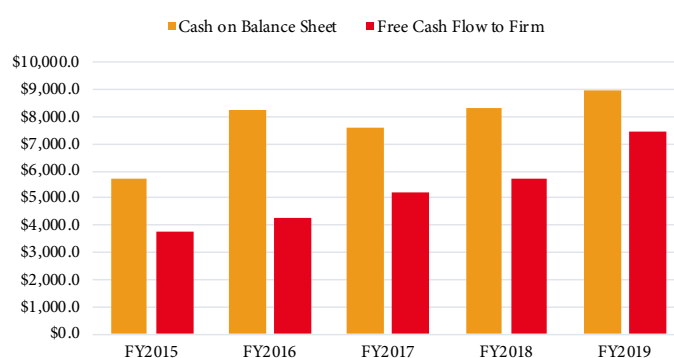
Efficiency ratios measures the return that is achieved from the inputs into a company. Mastercard has achieved phenomenal returns on equity (ROE, 143.40% in FY2019) and returns on invested capital (ROIC 63.00% in FY2019). For comparison, Mastercard's direct competitor Visa (which the Global Shares Fund also owns shares in) had a FY2019 ROE of 40.30% and ROIC of 24.50%. Mastercard is an upper echelon company.

In-line with a management team focused on maintaining the capital agility to acquire and repurchase shares, Mastercard has maintained conservative debt levels. The company on boarded additional debt during 2020 in a low interest rate environment at an A+/A1 rating by S&P Global/ Moody's attributable to "its essential central position in the global electronic payments ecosystem with high barriers to entry and competition, continued global secular shift toward electronic payments and away from cash and checks, and ongoing diversification of payment flow categories and technologies."

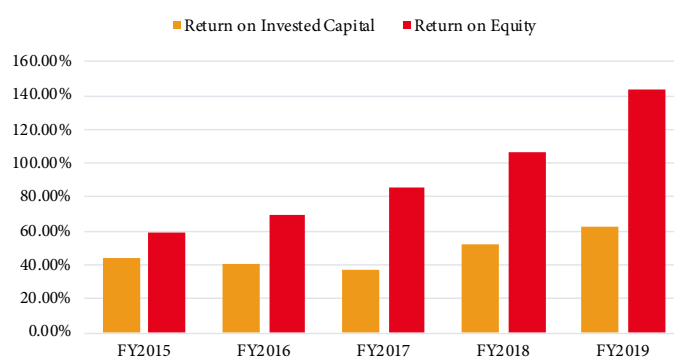
Mastercard Earnings (US\$ Millions)



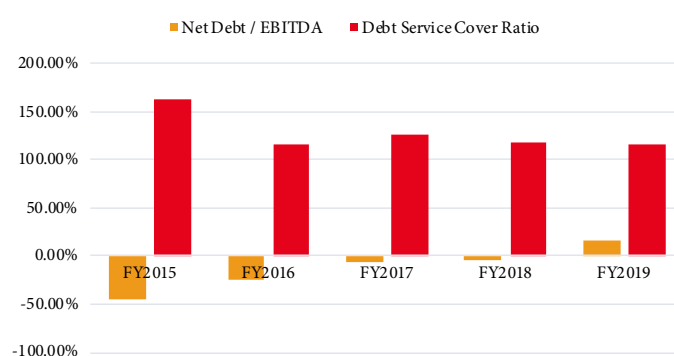
Mastercard Cash Position (US\$ mlns)






Mastercard Efficiency Ratios



Mastercard Debt Ratios



## OVERVIEW OF PERFORMANCE & STRATEGY

GAAP		
Net revenue <b>\$16.9B</b> up 13%	Net income <b>\$8.1B</b> up 39%	Diluted EPS <b>\$7.94</b> up 42%
NON-GAAP <sup>1</sup> (currency-neutral)		
Net revenue <b>\$16.9B</b> up 16%	Adjusted net income <b>\$7.9B</b> up 20%	Adjusted diluted EPS <b>\$7.77</b> up 23%
<b>\$7.8B</b> in capital returned to stockholders	<b>\$6.5B</b> Repurchased shares <b>\$1.3B</b> Dividends paid	<b>\$8.2B</b> cash flows from operations
 Gross dollar volume (growth on a local currency basis) <b>\$6.5T</b> up 13%	 Cross-border volume growth on a local currency basis <sup>2</sup> <b>up 16%</b>	 Switched transactions <sup>2</sup> <b>87.3B</b> up 19%

Please note: These are from the 2019 Annual Report. Due to the volatility of 2020, and based on Mastercard's Q1 & Q2 & Q3 results we are expecting earnings to be reduced when Mastercard reports its FY2020 results. We do however expect that once a "new normal" is established, Mastercard will be capable of exceeding these numbers based on historical performance.



### GROW

#### CORE

Credit  
Debit  
Commercial  
Prepaid  
Digital-Physical Convergence  
Acceptance



### DIVERSIFY

#### CUSTOMERS AND GEOGRAPHIES

Financial Inclusion  
New Markets  
Businesses  
Governments  
Merchants  
Digital Players  
Local Schemes/Switches



### BUILD

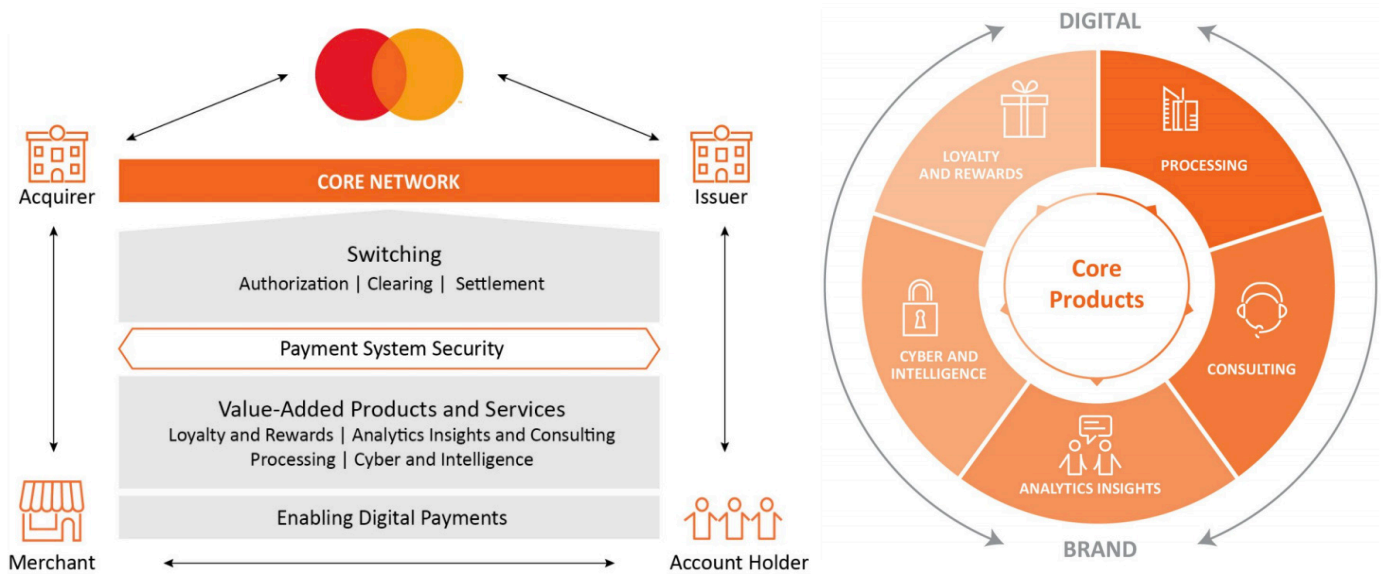
#### NEW AREAS

Data Analytics  
Consulting  
Marketing Services  
Loyalty  
Cyber and Intelligence  
Processing  
New Payment Flows

## ENABLED BY BRAND, DATA, TECHNOLOGY AND PEOPLE

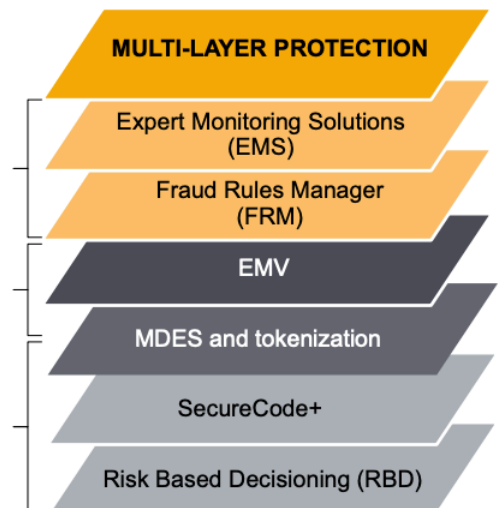
Mastercard's ability to grow is influenced by personal consumption expenditure growth, moving cash and cheque transactions toward electronic forms of payment, and increasing its share in the payments space. If the company can continue to supplement its core network by providing integrated value-added products and services with enhanced payment capabilities to capture new payment flows in the B2B, P2P, B2C and government payments while offering enhanced security and efficiency, the company is well positioned to maintain its current grip on global gross dollar volume.

## A TYPICAL TRANSACTION & PRODUCT AUGMENTATION



## THE KEY TO SUCCESS IN THE PAYMENTS INDUSTRY

Mastercard in recent years has been diversifying its product mix and enhancing its services offered to users of its products. In the business of handling other peoples money, trust is synonymous with success. Without trust, as Wirecard demonstrated in 2020, a company that specialises in facilitating payments will likely become worthless. The company processes over 1,100 transactions every second, in partnership with Visa, American Express, JCB and China UnionPay the company developed the EMV (Europay, Mastercard, Visa) chip specification, with the chip payment method that has reduced counterfeit fraud by 60-80% by encrypting every transaction. Constant innovation is the key to maintaining and improving trust users of Mastercard have in its products and services. Mastercard have completed acquisitions with security focused payment fintechs including Ethoca and RiskRecon to battle widespread fraud that has become an accrescent threat on a global basis. In 2020, Mastercard offer biometric identification, artificial intelligence protection centred on detecting suspicious activity, and tokenisation to make online transactions seamless and secure. By providing users with confidence in the security of transactions that travel on Mastercard's rails, consumers and businesses will be more likely to continue the growing trend of moving spending away from cash and cheques.



*“Mastercard has been one of those brands that has stood out as a true innovator, focusing on the real problems of real businesses. By becoming part of their team, we have an opportunity to scale our solution and help companies in new industries and geographies take steps to better manage their cybersecurity risk.”*

- KELLY WHITE, CEO AND CO-FOUNDER OF RISKRECON



## SHAREHOLDER RETURNS

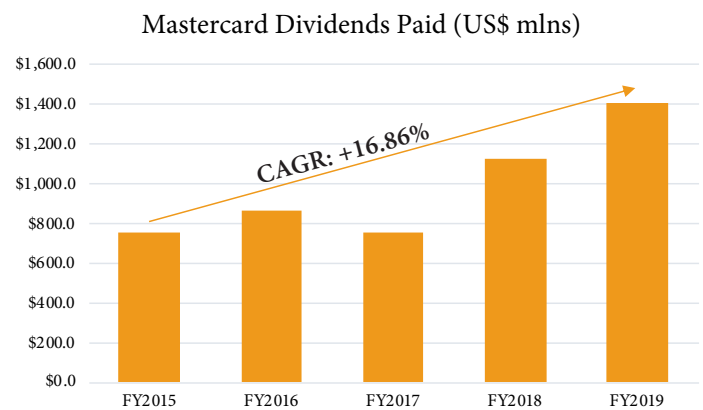
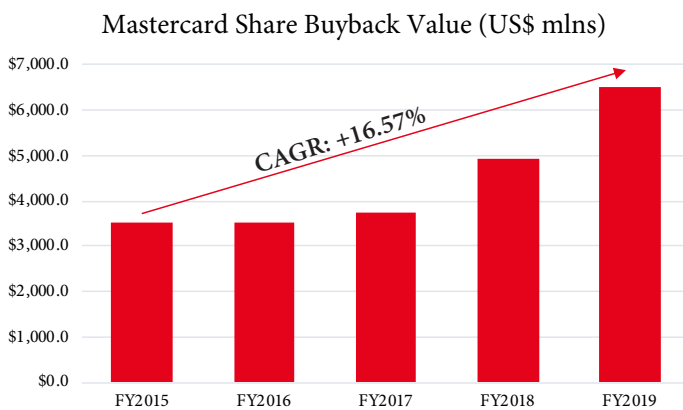
Mastercard since 31 December 2008 has returned +2,272.28% in share price appreciation alone. The company during this period has placed shareholder returns at the forefront of its priorities.

From FY2015 to FY2019 Annual Increases in Distributions to Shareholders were as follows:

Share Buybacks: +16.57%

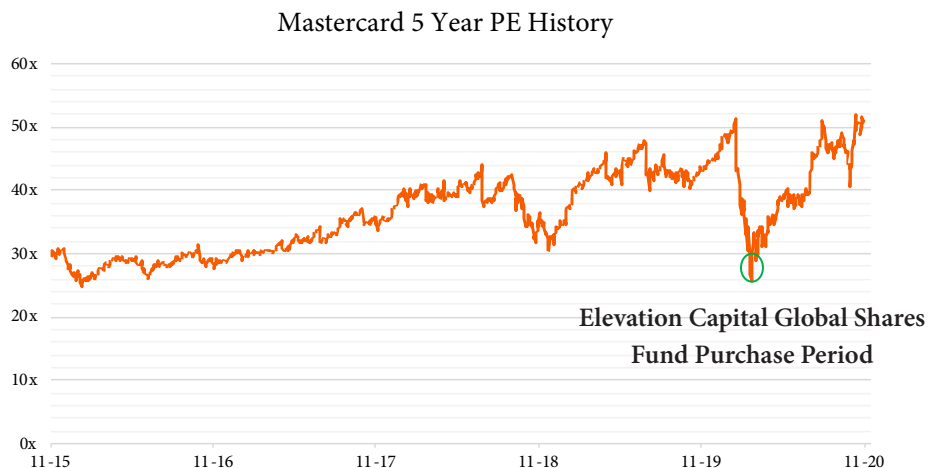
Dividends Paid: +16.86%

Returning capital (and value) to shareholders has long been a key metric for proving corporate performance. It sheds light on the company's commitment and ability to return value to shareholders while also giving confidence to shareholders that the company will maintain a conservative capital structure.



## AN ATTRACTIVE ENTRY MULTIPLE

When volatility increases in equity markets opportunities to acquire shares in top-quality companies that previously were 'too expensive' on a Price / Earnings ratio for investors who are disciplined in maintaining an adequate "Margin of Safety". On the 13th of March 2020, Mastercard was trading at a P/E ratio of 50x, highlighting the market's bullish stance toward the company on the back of a decade of impressive results. The Elevation Capital Global Shares Fund's entry P/E multiple for Mastercard was ~30x earnings, near a historic five year low for the company.



## THE MASTERCARD FAMILY IS ADOPTING

There are startups money can't buy. For everyone else, there's Mastercard. Mastercard have employed a targeted merger & acquisition strategy seeking to acquire fintechs that will augment its product offerings across the spectrum. Acquisitions are mutually beneficial and have become ubiquitous in the financial payments industry, providing a clear exit strategy for startups promoting innovation and attracts some of the most talented entrepreneurs around the world. For Mastercard, it exposes them to new payment flows allows the company to offer new products & services in all important segments. Recent, notable acquisitions and the synergies they provide Mastercard include:

**Finicity - 2020:** Acquired for US\$ 825 million<sup>2</sup>. Finicity is a data aggregator that will strengthen Mastercard's open-banking platform, providing consumers with more control over their financial data. Open banking allows fintech apps to provide services using a consumer's existing financial and banking credentials.



**Nets - 2019:** Acquired for US\$ 3.19 billion<sup>3</sup>. The company's largest ever acquisition to help extend a push into more efficient payments. Nets is a Danish payment-technology company that offers Mastercard infrastructure, bill-payment technology and further open banking capabilities. Mastercard is increasingly trying to capture payment volume that occurs between bank accounts that have historically avoided the card rails, Nets helps the company expand its ecosystem in Europe.



**Transfast - 2019:** Transfast is a global payments company that further enables Mastercard's ability to facilitate cross-border transactions with greater speed<sup>4</sup>. Post transaction, cross-border transactions will be less cumbersome and less costly for businesses using Mastercard's ecosystem.



**Vocalink - 2017:** Acquired for US\$920 million<sup>5</sup>. Vocalink is a fintech that enables payments & processing with world-wide infrastructures that facilitates secure and efficient transactions. The acquisition enabled Mastercard to make a "deeper and sustained shift" from the use of cash and cheques in business, government and personal payments.



### MASTERCARD RECENT ACQUISITIONS & STRATEGIC INVESTMENTS

(2018 to as of date)

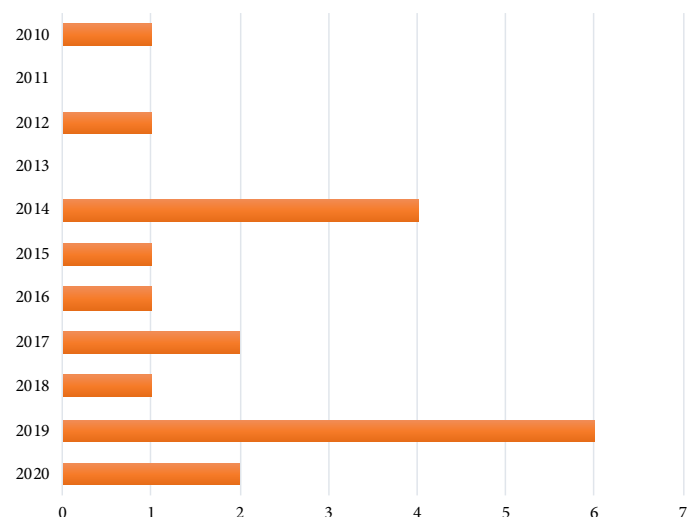


Note: Illustrative.



www.goMEDICI.com

Yearly Mastercard Acquisitions





## CONCLUSION

Mastercard is one of the largest and most impressive companies globally, with seemingly endless growth opportunities fuelled by rising global incomes and an increasing appetite for digital payment solutions. It is not every day that a company with historical performance and growth opportunities as potent as those possessed within Mastercard are available to be purchased at an attractive price. With historical performance well in excess of all major market indices a well-thought out targeted acquisition strategy and a resilient financial position, we believe that Mastercard will continue to experience secular growth as the economic tailwinds within the global payments industry continue to gust which will see the company remain a valuable holding for the Elevation Capital Global Shares Fund.

Mastercard 2-Year Share Price History



Any data not referenced was sourced from ViacomCBS Annual Reports & Earnings Conference Calls.

1 Refinitiv Eikon as at 2 December 2020.

2 Barrons. (2020). Mastercard is going deeper into Fintech with deal for Fincity.

Accessed at the following link: <https://www.barrons.com/articles/mastercard-to-acquire-fincity-in-a-nearly-1-billion-deal-51592928431>

3 Bary, E. (2019). Mastercard announces its largest acquisition yet in further attempt to move beyond cards

Accessed at the following link: <https://www.marketwatch.com/story/mastercard-announces-its-largest-acquisition-yet-in-further-attempt-to-move-beyond-cards-2019-08-06>

4 Mastercard. (2019). Mastercard further extends payment network with acquisition of Transfast.

Accessed at the following link: <https://mastercardcontentexchange.com/newsroom/2019/july/mastercard-further-extends-payment-network-with-acquisition-of-transfast/>

5 Peyton, A. (2017). Mastercard's \$920, acquisition of Vocalink officially closes.

Accessed at the following link: <https://www.fintechfutures.com/2017/05/mastercard-gets-regulatory-approval-to-buy-vocalink/>

This summary report was written in November / December 2020.

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**Past performance is not an indication of future results.**



# INDEPENDENT THINKING DISCIPLINED INVESTING

[In-de-pend-ent Think-ing] **ində'pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying.

[Dis-ci-plined In-vest-ing] **disciplinəd inves'ting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. We also believe that cash is sometimes the most attractive investment.



MORNINGSTAR INTERNATIONAL EQUITIES  
CATEGORY FUND MANAGER OF THE YEAR 2017,  
NEW ZEALAND



NOMINEE - MORNINGSTAR INTERNATIONAL EQUITIES  
CATEGORY FUND MANAGER OF THE YEAR 2012,  
NEW ZEALAND



NOMINEE - FUNDSOURCE INTERNATIONAL  
EQUITY SECTOR FUND MANAGER OF THE YEAR  
2012, NEW ZEALAND



NOMINEE - FUNDSOURCE INTERNATIONAL  
EQUITY SECTOR FUND MANAGER OF THE YEAR  
2013, NEW ZEALAND