

INTRODUCES



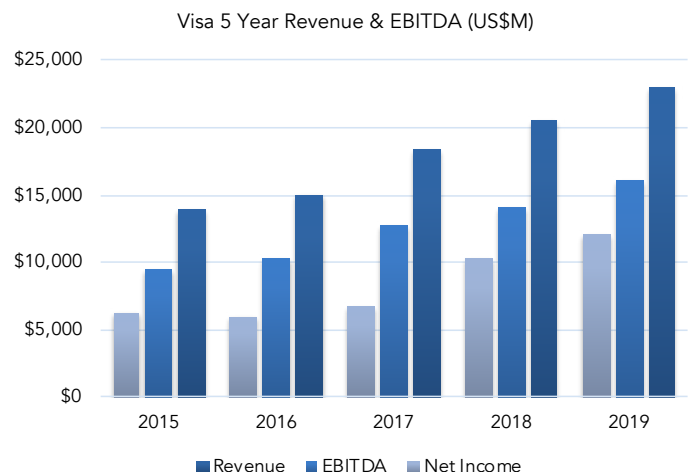
“VISA - IT'S EVERYWHERE YOU WANT TO BE”



Visa Inc. (V, Market Capitalisation US\$377.028B)¹ is one of the world’s largest multinational payment facilitators, enhancing commerce in more than 200 countries and territories. Visa’s history began in 1958 when it partnered with Bank of America who launched the BankAmericard. This product that could be used for any purchase at participating merchants with revolving credit and credit limits resulted in a paradigm shift for financial institutions thereon. By the end of 1960, there were almost one million of these cards in circulation and nearly 30,000 merchants accepting them as payment²; the rest was history. Fast-forward to 2020, Visa’s financial ecosystem contains more than 3.4 billion cards, 61 million participating merchants, and facilitates over US\$8.8T in annual volume.

Visa has not rested on its laurels during this time, in 2019, the company was #1 on Forbes 2019 World’s Best Regarded Companies staying focused on its goal of becoming a single connection point for initiating any transaction. Today, the company maintains one of the most comprehensive financial services available, primarily earning revenue by facilitating commerce which is driven by the following channels:

- **Services:** Earned for services provided in support of client usage of VISA products;
- **Data Processing:** Earned for authorisation, clearing, settlement, value-added services, network access and other maintenance and support services that facilitate transaction and information processing among a global client base;
- **International Transactions:** Earned for cross-border transaction processing and currency conversion activities;
- **Other:** Other revenues earned by VISA are attributable to value-added services, license fees for the use of the VISA brand, fees for account holder services, certification, licensing and other activities related to acquired entities.



In 2019, Visa reported annual revenue of US\$ 22.977B (CAGR of +13.43% since 2015), a Net Income of US\$ 12.08B (CAGR of +17.54% since 2015) during this growth, the company maintained an average EBITDA margin of 68.99%.

THE THREE FOUNDATIONS BENEATH THE SUCCESS

Visa has become a household name in almost every country. To achieve this global success a strong foundation from which to grow is a necessity that Visa has achieved by investing heavily in technology, developing comprehensive security & privacy systems, and building a strong and recognisable brand. Below is a detailed analysis of these three foundations and how they create value for Visa.

Technology

Visa's technology platform is one of the largest in the world. Consisting of six data centres worldwide which provide continuous availability of systems, software and hardware that powers transaction processing including authorisation and risk scoring, and a vast telecommunications infrastructure; it is not a business model that can be replicated with ease. As these systems work in harmony to deliver the Visa service that has become synonymous with trust, clients and consumers are able to make almost any transaction seamless and possible.



Technology

Security & Privacy

In 2018, Visa launched a second Cyber Fusion Centre in London, designed to assist Visa, financial institutions, and merchants prevent, detect, respond and recover from cyber-attacks. By offering protection services for financial institutions, in 2018, Visa prevented an estimated US\$ 25B in fraud using the companies own artificial intelligence-powered risk scoring engine. One of the largest frictions for conversion to digital payments is the fear of cybercriminals accessing sensitive information, for Visa to continue to grow these measures need to be continually developed to stay ahead of the accrescent threat.



Security & Privacy

Brand

Visa's brand is one of the most fundamentally essential assets to drive growth and acceptance. For many companies, a strong brand represents customer loyalty which makes them difficult for competitors to persuade, also known as a moat. Visa's brand goes deeper than that, if the name Visa were not trusted and well-known, then its position as the largest facilitator for digital purchasers would be severely under threat. When it comes to other peoples' money, trust is crucial. Visa understand and respect this, resulting in a multitude of steps for example, developing fraud detecting artificial intelligence to ensure its clients and consumers have faith in its services.

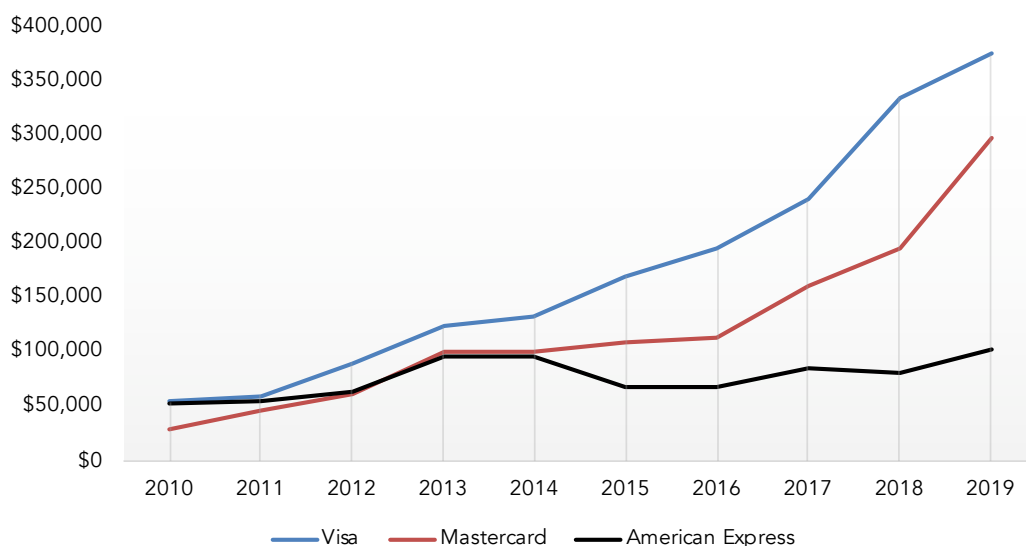


Brand

Only top sponsor brand of the NFL, FIFA, International Olympic Committee and International Paralympic Committee

Combining these three factors has led to Visa becoming the largest global payment facilitator by market capitalisation and transfer volume, positioning itself in an advantageous position to benefit from the economic tailwinds presented by a growing demand for digital transactions.

Market Capitalisation Comparison (US\$ M)

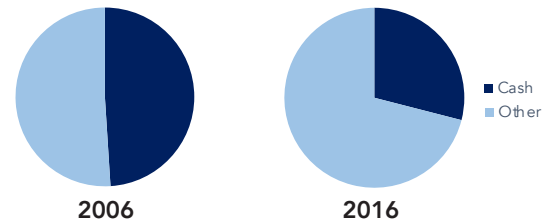


THE FUTURE OF PAYMENTS

Visa has a competitor that has been facilitating the transfer of goods and services since around 1000 BC, cash. In 2006, per the IMF, global cash payments were estimated to represent approximately 49% of all payment transactions. In 2016, cash usage reduced to ~29% of all transactions, a CAGR of -5.11%. Europe is a slow adopter of a move from cash where in 2018 it still represented ~78.8%³ of all transactions. Technological advancements have changed the structure of the payment world, E-commerce in 2019 represented 16.4% of total global retail spending⁴ and economies are gradually becoming less reliant on cash; growth opportunities for Visa 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 Visa. The more transactions Visa can facilitate, the more revenue they will generate.

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 Visa, this represents growth opportunities as demand for their services is directly associated with average global household purchasing power. Visa is accepted in more than 200 countries and territories and as global economic welfare steadily improves, consumer and business demand for goods and services will increase driving more transactions on Visa's ecosystem.

Average Cash Usage as a % of Total Transactions 2006-2016



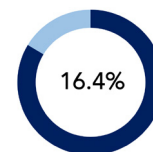
Source: IMF: Using 11 Large Economies

Global E-commerce Sales has increased YoY by +17.9%



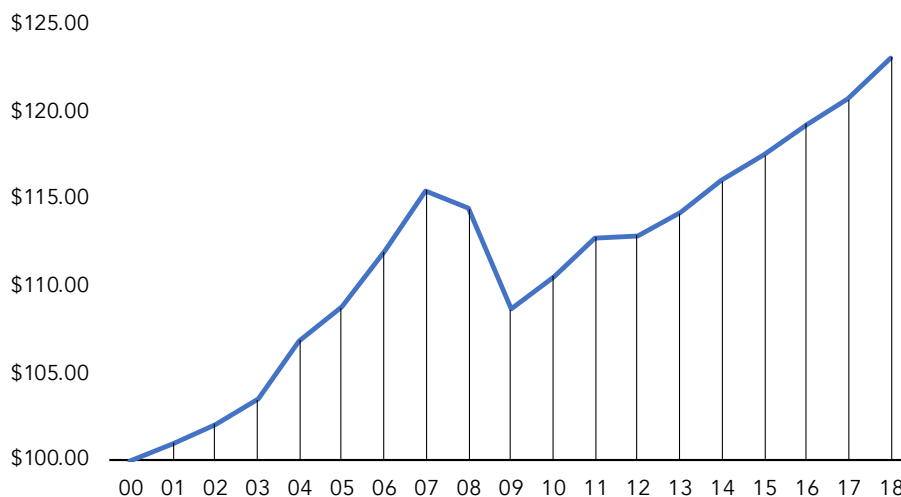
Source: Digital Commerce 360

E-commerce Represents only 16.4% of Global Retail



Source: Digital Commerce 360

Rebased Average Global GDP Per Capita since 2000 (USD)



Source The World Bank, Top 50 Countries by 2018 GDP Per Capita

"We are accelerating efforts to move approximately \$17 trillion in consumers spending and \$15-20 trillion of B2B spending still done in cash and check to cards and digital credentials on the Visa network."

- Visa Annual Report 2019

AT THE CORE OF VISA

Core Business



Core Products
3.4B cards at over 61M merchant locations



Tap to pay
1/3 of all domestic face-to-face transactions in over 50 countries



Ecommerce
Growth outpacing physical retail



Access & Acceptance
First-time access to digital payments for 396M consumers



Partnerships
Fintechs develop apps using Visa APIs



Ventures
Strategic investments to enrich broader payments ecosystem

'Everything travels on their rails, [...] they literally sit in the middle of the banks, consumers and merchants and that has been a really enviable place to be.'

Sandy Villere – Villere Balanced Fund - 2020

VISA GROWS WITH PAYMENT FLOWS

New Payment Flows



P2P
Visa Direct powers 7 of the major P2P platforms in the U.S.



G2C
Government to consumer, including welfare support to low-income households



B2C
Clients will be able to reach over 99% of bank accounts in 88 countries



B2B
Largest B2B payments network

Over the past several years, Visa has been increasing its capital expenditure to capture payment channels beyond customer to business (C2B). By expanding its ability to facilitate any transaction, Visa is opening itself up to new opportunities for growth. "Visa Direct" was established as a result which is helping to replace Account Clearing House (ACH), allowing cash or cheque payments to flow directly to cards through their acquirer better meeting consumer and business needs. This service helps to enable domestic and cross-border payouts for consumers and small businesses in more than 170 countries by modernising money movement enabling enhanced choice and convenience in how money is sent and received.

In July 2019, Visa acquired "Earthport," a provider of cross-border payment services to banks, money transfer service providers and businesses via one of the world's largest independent automatic clearing house networks. Before the acquisition, Visa could reach approximately half of the world's bank accounts using Visa Direct. After this acquisition using the added Earthport network, Visa clients will be able to access more than 99% of bank accounts in 88 countries, including the top 50 markets.

In 2019, Visa commercially launched Visa B2B Connect, a multilateral network that operates separately from VisaNet and facilitates B2B cross-border transactions directly from an originating bank to the recipient bank. This extensive network provides financial institutions with the ability to quickly and securely process high-value corporate cross-border payments globally. It helps simplify and speed up the way businesses interact around the world.

ADDING VALUE TO TRANSACTIONS

As Visa facilitates more payments within its ecosystem, there is a perpetually growing opportunity to strengthen its revenue streams by offering additional services to other payment providers which are being achieved by organic capital expenditure and strategic acquisitions. To date in 2020, Visa has launched several value-added services which include but are not limited to:



Fraud Prevention and Security

Through an evolving and multi-layered approach, and continually monitoring its network, Visa's clients can rest easy knowing their funds are secure. Visa Advanced Authorisation risk scores every Visa-processed transaction in about one millisecond, an average of 379 million times per day. In 2018, Visa's artificial intelligence-powered risk scoring engine helped financial institutions prevent about US\$ 25 billion in fraud.



Consulting and Analytics

By offering clients access to its extensive payments expertise, breadth of data allows Visa to identify actionable insights, recommendations and solutions that drive better business decisions and outcomes for clients.

VISA AND ITS PARTNERS HAVE A MUTUALLY BENEFICIAL RELATIONSHIP

Visa exists as a middle man for transactions; to this end, they have experienced significant success in partnering with high-profile institutions to enhance the services they offer and expand their bank-account reach. The first partnership was with Bank of America when they collaborated to bring the world its first credit-card. Today, Visa works with nearly every significant financial institution globally, this list includes:



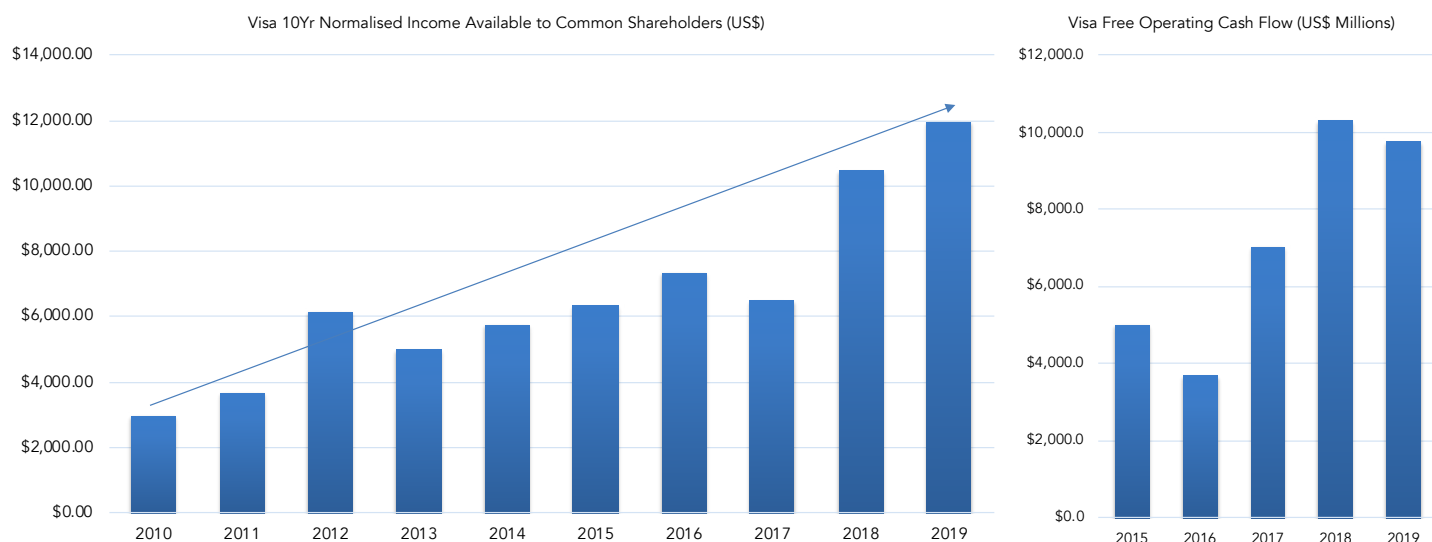
Visa is integral to these institutions operations earning revenue every time a customer elects to pay with a Visa card. Beyond financial institutions there exists further opportunities for Visa to grow by partnering with fintech, technology companies, and insurance companies. In late 2019, Visa announced a partnership with Tencent (0700.HK Market Capitalisation US\$ 529.959B)⁵ to enable Visa cardholders to use WeChat Pay when travelling to China, instead of having to rely on cash. This partnership will connect Visa with over 1 billion new wallets. Visa is also the technology provider behind many cities mass transit systems. London Underground, New York City Subway, Singapore public transport and many others all use or allow Visa to be used to pay for fares when using public transport.

'Visa has successfully supported governments, transport operators, and technical partners in delivering seamless, secure digital payment solutions across transportation systems. Open loop ticketing is an important example of how payment innovation can [...] help make transport systems more efficient and cities more connected.'

- Marcello Baricordi, Visa General Manager for MENA - 2020

INCREASING SHAREHOLDER YIELD

Normalised Income available to shareholders is the total of annual dividend payments and share repurchases. In 2019, Visa repurchased 56 million shares at an average price of US\$154.01 per share, following a 58 million share buyback at an average price of US\$123.76 per share in 2018 and a 77 million share buyback at an average price of \$89.98 per share in 2017. Returning capital (and value) to shareholders has long been a key metric for proving corporate performance; it shines a light on the proficiency of a company's governance by committing to operate the business in a favourable net cash position (more companies should adopt this conservative philosophy in our view). In their 14 May 2020 conference call, Visa reiterated its commitment to returning 20% to 25% of earnings per share (EPS) in the form of a dividend and remain committed to a share buyback, the company believes the stock remains undervalued based on Visa's long-term growth potential.



COVID-19

The recent global pandemic has reinstated volatility in global equity markets. The S&P 500 has recovered from its 20 March 2020 low and is now only down -1.96% year-to-date. In every market sell-off, opportunities arise to acquire quality companies at a discount relative to normal valuations. On 18 February 2020, Visa was trading at a P/E ratio of 40.52x and an EV/EBITDA of 28.29x. On 23 March 2020, Visa was trading at a P/E ratio of 25.78x and an EV/EBITDA multiple of 18.39x, a reduction of over -35% which is typical during sharp/abrupt sell-offs. While we expect Visa to report earnings lower than forecasts for 2020, we take a long-term view and saw the market environment in March/April as an opportunity to acquire a quality company at a more attractive valuation versus long-term prospects and defensive moat of the business. Visa now comprises nearly 3% of the Elevation Capital Global Shares Fund, making it one of our top holdings.

The short-term effects of COVID-19 are reasonably straight forward. A reduction in consumer spending, travel, and business transactions will negatively affect Visa. Focusing on the long-term, Visa is one of the best-placed companies to benefit from the change in consumer behaviour that will ensue once normality resumes. People are becoming aware of the health risks associated with carrying cash which will accelerate the trend toward digital transactions. Quarantine has enabled people to immerse themselves in the world of e-commerce. As consumers realise the benefit of shopping online and remain cautious of

Presently, approximately US\$0.15-\$0.16 on every US\$1.00 spent around the world is spent on Visa Cards in face-to-face transactions. In the e-commerce marketplace, the percentage of payments facilitated by Visa is close to US\$ 0.45, as COVID-19 displaces face-to-face transactions in favour of digital Visas share of payment volume will increase.

crowded public spaces, physical retail revenues will decline which presents long-term growth opportunities for Visa. As businesses move online, the demand for Visa's value-added services should also increase. Cybersecurity will become a necessity for all businesses, and as globalisation slowly returns cross-border transactions will also continue to see an increase. As at 31 March 2019, Visa had a cash reserve in excess of US\$ 9B enabling efficient mobilisation of its business to focus on the long-term growth opportunities, which will in their view, return the largest value to shareholders.



CONCLUSION

Visa is one of the largest and most innovative global companies contained in any investors portfolio. Since the first credit card launched in 1958, the company has seen tremendous acceptance and growth of its products. Transactions are fundamental to life itself, when considering the things we cannot live without our wallets rank near the top of the list. During the recent market sell off as a result of the global pandemic, we capitalised on the market decline to add Visa to the Fund's portfolio. Consumer, business, and government preference is heading toward a cashless society which has only accelerated due to COVID-19, meaning the opportunity for Visa to capture this future volume of payments as the largest facilitator of transactions globally will make the company a valuable long-term holding for the Fund.

Any data not referenced was sourced from VISA Annual Reports.

¹ Refinitiv Eikon as at 14 May 2020.

² Bank of America. *Introducing the modern credit card*. Accessed at: <https://about.bankofamerica.com/en-us/our-story/birth-of-modern-credit-card.html#bid=poTYGN22-HQ>

³ G4S. (2018). *World Cash Report 2018*. Accessed at: <https://cashessentials.org/app/uploads/2018/07/2018-world-cash-report.pdf>

⁴ Young, J. (2019). *Global Ecommerce Sales to Reach Nearly \$3.46 Trillion in 2019*. Accessed at: <https://www.digitalcommerce360.com/article/global-ecommerce-sales/>

⁵ Refer to note 1.

This summary report was written in May/June 2020.

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