



## Overview & Investment Thesis:

- A transition away from cash and cheque based transactions to plastic payments has provided revenue growth opportunities for companies within the global electronic payments industry, as consumers are attracted to the convenience, security and rewards associated with electronic payments.
- The Visa name has become one of the best recognized financial services brands in the world with a global footprint which extends to more than 170 countries, since the inception of the first Visa card in 1958.
- Visa operates the world's largest electronic payments network with: the most branded credit and debit cards in circulation, more transactions and higher total card sales volume than any other company within the industry.
- A comprehensive suite of electronic payment products and services allows Visa cardholders and merchants highly customizable solutions and value added services including: risk management, loyalty, services, dispute management and information services enabled through a secure processing platform.
- The unique processing platform of VisaNet is built on a centralized architecture, instead of a distributed architecture, thus delivering superior value-added information in real time and processing more than 81 billion authorization, clearing and settlement requests in 2007.
- Future optimization of the Visa business model seeks to maximize revenue and profit growth via core payments business in: established geographies and market segments, new high growth areas, broadened processing capabilities and value-added service offerings.
- Visa Inc. demonstrates both: a strong potential for growth in Eastern Europe and Asia due to the under penetration of these markets, and it is well positioned for increased growth domestically in North America as a result of relatively higher debit product exposure.

## Customers:

- **Transaction processing services** - The core processing service consists of routing payment information and related data to facilitate the authorization, clearing and settlement of transactions. **Authorizing** involves approving or declining transactions between the cardholder's financial institution and the merchant bank before purchases are finalized. **Clearing** may either be concurrent with transaction or follow in a single daily batch. **Settlement** processing involves the cardholder's financial institution sending funds to a designated bank and Visa directing funds to the merchant bank.
- **Product platforms** - Visa customers can develop customized and competitive payment programs for their consumer, business, government and merchant clients. Payment platform brands include PLUS, Interlink, Visa and Visa Electron. Premium **consumer credit** platforms enable issuers to tailor programs with enhanced benefits, loyalty programs and customized higher credit lines. Consumer **deposit access** platforms provide issuers ability to offer consumer debit (through Visa Debit, Interlink Debit, Visa Electron Debit and POS Check Service), cash access (through Visa and PLUS branded ATMs) and prepaid card services. **Commercial** product platforms allow corporate clients and government organizations to manage information and streamline payment processes which reduces administrative costs (through Visa Business Credit, Visa Business Check Card, Visa Business Debit, Visa Signature Business, Visa Business Electron, Visa Corporate, Visa Purchasing, Visa Fleet, Visa Distribution, Visa Commercial One Card and Visa Commerce). Development and innovation are focused on creating more versatile and secure technologies and options by investing in contactless payments cards and devices, mobile payments, chip cards, magnetic strip and unembossed card enhancements and money transfer.
- **Payments Network Management** - An integrated approach to **brand management** combines advertising promotions, sponsorships and public relations campaigns to increase product usage and acceptance and support cardholder acquisition and retention. Initiatives aimed at maintaining and expanding the **merchant relationships** by enhancing value added services, technological innovations and evaluating operating rules and interchange rates. **System integrity** has been upgraded through VisaNet with encryption capabilities to protect data that is transferred to and from VisaNet by performing data content analysis to ensure proper data safe-keeping and purging of obsolete data.

## Business Description:

Visa Inc. is a retail electronic payments network. The Company facilitates global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. Its primary customers are financial institutions, for which it provides processing services and payment product platforms, including platforms for consumer credit, debit, prepaid and commercial payments. The Company has three business operations: transaction processing services, product platforms and payments network management. In October 2007, the Company completed the series of transactions, in which Visa USA, Visa International, Visa Canada and Inovant became direct or indirect subsidiaries of Visa Inc. Visa Europe did not become a subsidiary of Visa Inc., but rather remained owned and governed by its European member financial institutions and entered into a set of contractual arrangements with the Company in connection with the reorganization. A settlement agreement with American Express was entered into on November 9, 2007 to compensate approximately for \$2.1bn which resulted in Visa Inc. reporting a net loss for FY2007. The initial complaint dating to November of 2004 alleges that a section of Visa USA's bylaws violates sections 1 and 2 of the Sherman Act, effectively denying fair competition for general purpose and debit card network services.

## Industry Growth Drivers/Trends:

- The industry has long-term secular appeal. According to industry reports, global card purchase transactions have grown at a CAGR of 14% for the period of 2000 to 2006.
- The US Federal Reserve has indicated that age and income are directly correlated to the preference of plastic payment over cash or chequing options, with younger families with higher incomes repeatedly migrating to the use of cards. Strong marketing campaigns and issuer rewards programs are also seen as being strong catalysts. Consumer demand and technological and product innovation should continue to drive the growth in this industry.
- **Developed Countries** - Growth opportunity in developed countries appears to be concentrated in the expansion of debit platforms, in addition to smaller ticket purchases on credit and bill payments. Card purchase volume in the U.S. accounted for approximately 20% of GDP in FY2007.
- **Emerging Markets** - Greater growth opportunity in these developing markets exist with less than 3% of GDP for FY2007 accounted for in Latin American countries being processed through electronic payment networks. In Asia, this range is between 18% to less than 1% of GDP, depending upon the development of the market. Some Eastern European countries also have market penetration of less than 1% GDP for plastic payment.

## Competitive Advantages:

- **Largest payment network in world** - 45% more total transactions processed than all competitors combined for FY2006.
- **Insulated against economic downturns** - Visa does not extend credit (acting as an intermediary "toll collector" to merchants in return for facilitating a credit transaction).
- **Strong cash flow** - relatively higher operating margins have generated higher cash flow levels per share.
- **Pricing power** - tremendous network scalability enables considerable operating leverage.

## Competitors:

- MasterCard
- American Express
- JCB
- Discover Financial Services

## Barriers to Entry:

- Prohibitively expensive technological and processing capabilities.
- Strong brand name recognition.
- Economies of scale.
- Breadth and depth of customized products.
- Well entrenched relationships with merchants, card issuers and cardholders.

## Customers:

- 5 largest customers represent approximately 23% of pro forma FY2007 total operating revenue.
- **JPMorgan Chase:** 9%
- **Bank of America:** 7%
- Approximately 16,600 financial institution customers.



## Officers and Directors:

Chairman - Joseph W. Saunders  
 President - John C. Morris  
 Chief Financial Officer - Byron H. Pollitt

## Board of Directors:

- **17 member board** - consisting of the CEO of Visa Inc., 6 regional directors and 10 independent directors.
- Board of Director committees include an audit and risk committee, compensation committee and a corporate governance committee.
- Each committee must be comprised of 3 or more independent directors.

## Ownership:

Insiders own 0.14% of outstanding shares.  
 Institutions own 0.50% of outstanding shares.

## Capital Allocation/Uses:

- **Integrated Brand Investment** - Combined local and global marketing campaigns, unique sponsorships, selected co-brand relationships and other promotional activities to increase consumer and business brand awareness.
- **Product Development** - Focused on delivering unique processing services aimed at increasing utility to customers and cardholders and capturing additional revenues through expansion of product platforms and acceptance of loyalty applications and payment solutions.
- **Operating Activities** - Acquired facilities and equipment related to a new data centre.
- **Business Retrospective Responsibility Plan** - Established a \$3bn escrow account in order to 'ring-fence' most of its litigation risk. Visa Inc. has also entered into a loss sharing agreement and an interchange judgment sharing agreement in order to indemnify against certain damages from a number of litigation proceedings and claims surrounding the "Honour All Cards" rule and Sections 1 and 2 of the Sherman Act.

## Operating Revenues:

Service Fees	43.7%
Data Processing Fees	28.1%
International Transactions	20.2%
Other Revenues	8.0%

## Revenue by Geography:

USA	64.0%
Asia Pacific	22.0%
Latin America	5.6%
CEMEA	2.2%
Canada	6.2%

## Financial Statement Summary: (\$MM, FY07 ended September 30, 2007)

Statement of Operations	FY2006**	FY2007*
Service Fees	2,060	2,582
Data Processing	1,411	1,659
International Transactions	911	1,193
Total Revenue	3,902	5,193
Operating Expenses*	3,199	6,309
Net Income	453	(861)

\* Included in 2007 Operating Expenses is a non-recurring litigation provision to compensate American Express

\*\* Note: financial statement numbers are Pro Forma Visa Inc. as it was a non-stock corporation consisting of five related entities prior to October 2007

## Key Statistical Data:

Pro Forma Visa Inc.	2006	2007
Payment Volume Growth	18%	13%
Total Volume Growth	18%	16%
Processed Transaction Growth	N/A	12%

Sourced from FactSet, SEC Filings and Nilson Report.

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