

Mastercard Incorporated

Recommendation: Buy | Sector: Transaction & Payment Processing Services

Mastercard Incorporated, a technology company, provides transaction processing and other payment-related products and services in the United States and internationally. The company offers integrated products and value-added services for account holders, merchants, financial institutions, digital partners, businesses, governments, and other organizations, such as programs that enable issuers to provide consumers with credits to defer payments; payment products and solutions that allow its customers to access funds in deposit and other accounts; prepaid programs services; and commercial credit, debit, and prepaid payment products and solutions. Further, it provides cyber and intelligence solutions; insights and analytics, consulting, marketing, loyalty, processing, and payment gateway solutions for e-commerce merchants; and open banking and digital identity services. The company offers payment solutions and services under the MasterCard, Maestro, and Cirrus name. Mastercard Incorporated was founded in 1966 and is headquartered in Purchase, New York.

Risk	Low to Medium
Market Cap (\$)	437.568B
Shares Outstanding	457M
Beta	1.08
EPS (TTM)	11.85
PE (TTM)	39.58
Dividend Yield (%)	0.55%
52 Week Range (\$)	357.85 - 490.00
Target Price (\$)	520
Stop Loss (\$)	400

Stock Performance Profile:

Source: Trading View

Financial Summary				
Key Items	FY20	FY21	FY22	FY23
Revenue (\$m)	15,301.0	18,884.0	22,237.0	25,098.0
EBITDA (\$m)	8,742.0	10,994.0	13,374.0	15,345.0
EBIT (\$m)	8,162.0	10,268.0	12,624.0	14,546.0

Financial Strength				
Debt/Capital (%)	67.5%	66.4%	69.9%	70.2%
Debt/Equity (%)	195.6%	185.6%	225.5%	214.0%
Interest Coverage (%)	21.5x	23.8x	26.8x	25.3x

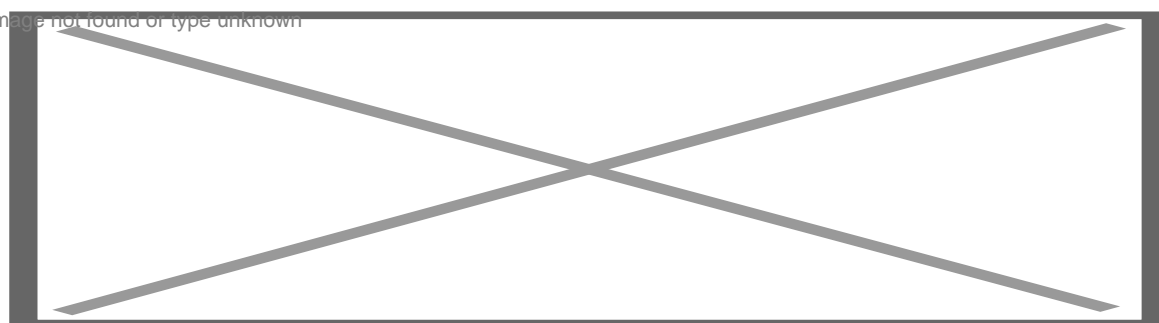
Source: Company filings, StockBinge's analysis

Mastercard's revenue demonstrated consistent growth over the period, increasing from \$15.3 billion in FY20 to \$25.1 billion in FY23. This steady revenue growth suggests strong demand for Mastercard's payment solutions and services, driven by global economic expansion and the ongoing shift towards digital payments. Both EBITDA and EBIT (Earnings Before Interest and Taxes) exhibited a consistent upward trend, reflecting the company's ability to effectively manage costs and generate higher earnings from its operations. EBITDA increased from \$8.7 billion in FY20 to \$15.3 billion in FY23, while EBIT rose from \$8.2 billion to \$14.5 billion over the same period. The growing profitability indicates Mastercard's strong market position and efficient business model in the payments industry.

Debt/Capital and Debt/Equity ratios remained relatively stable over the period, with slight fluctuations but generally within an acceptable range. While debt ratios are on the higher side, Mastercard's strong revenue and earnings growth contribute to its ability to service debt obligations comfortably. The interest coverage ratio consistently improved from 21.5x in FY20 to 25.3x in FY23, indicating Mastercard's robust capacity to cover interest expenses with its earnings.

Financial Results Analysis (FY23)

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For the year ended December 31, 2023, net revenue increased 13% versus the comparable period in 2022. On both an as adjusted and currency-neutral basis, net revenue increased 13%. The increase in net revenue on both an as reported and as adjusted basis was attributable to growth in our payment network and value-added services and solutions. Net revenue from our payment network increased 10%, on both an as reported and currency neutral basis, in 2023 versus 2022. The increase was primarily driven by growth in domestic and cross-border dollar volumes and an increase in the number of switched transactions, reflecting trends of growth in our key drivers.

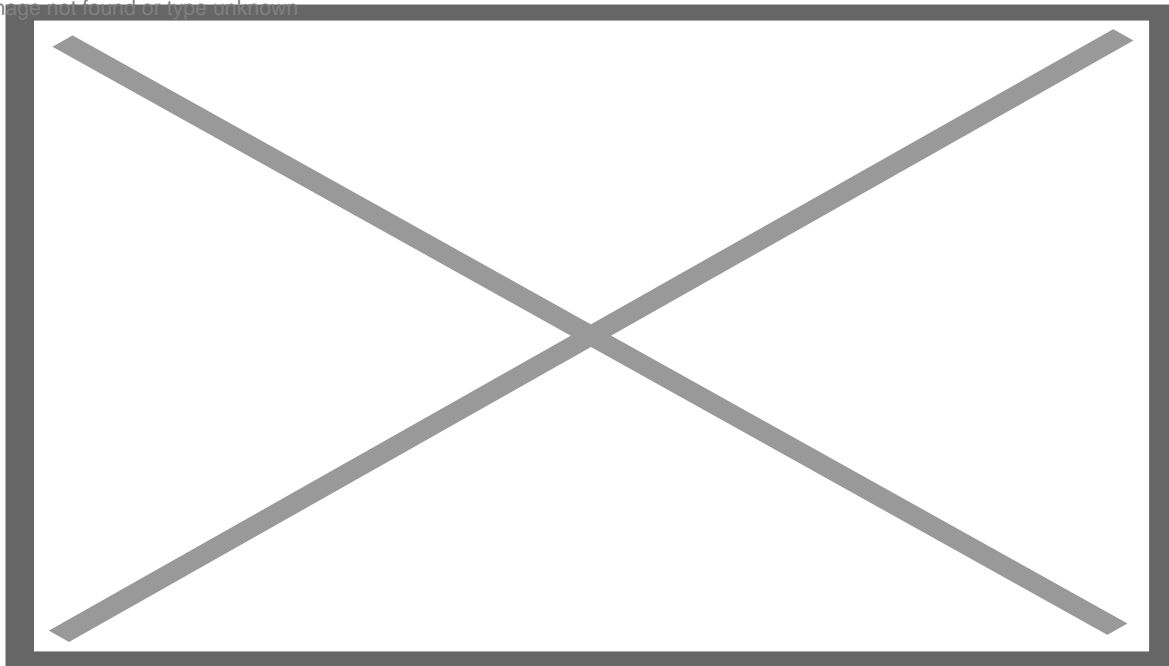
Net revenue from our payment network includes \$15,182 million of rebates and incentives provided to customers, which increased 22% on both an as reported and currency-neutral basis, in 2023 versus 2022, primarily due to an increase in our key drivers as well as new and renewed deals. Net revenue from our value-added services and solutions increased 18%, or 17% on a currency-neutral basis, in 2023 versus 2022. The increase was driven primarily by the continued growth of (i) our cyber and intelligence solutions, driven by our underlying key drivers and the scaling of our fraud and security solutions, as well as (ii) our consulting, marketing and loyalty solutions.

Industry Overview

Financial transaction processing, reserve, and clearinghouse services are provided by the credit card processing and money transfer industries. The processing and transaction fees from credit and debit card purchases are how the industry makes money. The fees processors charge retailers are based on the value of credit card transactions. For the majority of the last five years, growth has been primarily fueled by rising consumer expenditure. Most significantly, during the course of the five years, processors have profited from the widespread use of electronic payment technologies and expanding e-commerce. Due to lockdown measures and the coronavirus, consumers turned into online buying platforms, which expedited the growth of electronic payments. In an effort to promote low-touch payments, retailers also implemented contactless payment options. The industry's revenue grew to \$114.8 at a compound annual growth rate of 2.8%.

Key points:

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Source: IBISWorld

Risk Analysis

Mastercard Incorporated, while demonstrating robust financial performance and market leadership in the payments industry, faces several notable risks that investors should consider. Regulatory changes and compliance requirements present a significant challenge, as the company operates in a highly regulated environment across multiple jurisdictions. Additionally, technological advancements and shifts in consumer preferences towards digital payments pose a threat, requiring continuous investment in innovation to maintain competitiveness. Cybersecurity risks are also pertinent, given the increasing frequency and sophistication of cyber threats targeting financial institutions and payment networks. Moreover, economic downturns and geopolitical uncertainties could potentially impact consumer spending behavior and merchant acceptance, thereby affecting transaction volumes and revenue streams. Despite these risks, Mastercard's diversified revenue streams, strong brand reputation, and global presence mitigate some of the potential impacts, underscoring the company's resilience and adaptability in navigating uncertainties.

Outlook

Looking ahead, Mastercard Incorporated is poised for continued growth and innovation in the global payments industry. With a proven track record of revenue and earnings expansion, coupled with a solid financial position and improving

profitability metrics, Mastercard is well-positioned to capitalize on the ongoing shift towards digital payments. The company's strategic investments in technology and partnerships, combined with its extensive global network, are expected to drive further market penetration and revenue diversification. Additionally, Mastercard's commitment to enhancing security, advancing financial inclusion, and delivering seamless payment experiences positions it as a leader in shaping the future of commerce. As digital payments continue to gain momentum, Mastercard is primed to leverage its strengths and capitalize on emerging opportunities, solidifying its position as a key player in the evolving landscape of global payments.

Technical Analysis

Source: Trading View

Stock Binge's View:

The stock is presently facing strong support of Gann fan, along with that 200 days long term SMA is also providing support to the counter where fresh buying can be expected. Indicators especially RSI is now hovering in the oversold zone now and hinting to trade back in the normal zone which will attract more buying from the present levels.

StockBinge recommends a “Buy” on MA at a closing price of \$440.38 (as on 2nd May 2024) with stop loss of \$400 and target price of \$520.

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