

## Mastercard: A World Beyond Cash™

Making Payments Safe, Simple and Smart

**Background:** Mastercard takes tiny amounts from billions of transactions every year: last year 11.7 billion transactions with a total purchase amount of US\$3.8 trillion using 1.8 billion cards.

Together Visa and Mastercard possess unmatched scale, a powerful barrier to entry for potential competitors.

Mastercard is the second-largest processor with a 26% market share. The brand is accepted by more than 40 million merchants worldwide.

**Strategy** Strives to make payments easier and more efficient. A typical transaction on its core network involves four participants in addition to MA: account holder (a consumer who holds a card or uses another device enabled for payment), merchant, issuer (the account holder's financial institution) and acquirer (the merchant's financial institution).

MA itself does not actually issue cards, extend credit, determine or receive revenue for interest rates or other fees.

**Company Vision** According to its website, the vision of the company is to help create a world beyond cash by using its technology and expertise to make payments safe, simple and smart.

Its goal is to move money from any funding source—cash, card, bank account, mobile money account—to any destination globally, securely, and in real time. It is expanding into payment flows such as business to business (B2B), business to consumer (B2C), person to person (P2P) and government to consumer (G2C), etc., both domestically and across borders—and the channels that can best support these flows safely and seamlessly.

Recently Apple announced the release of Apple Card – which will use the MasterCard network – with incentives, such as a budget tracker, location of purchases, percentage of purchases back as daily cash, and no fees.

**Success Drivers:** Continually expanding the range of offerings and ease of use.

**CEO Vision:** Recently Ajay Banga the President and CEO stated: “As a technology company, we connect individuals, businesses and organizations around the world, creating greater opportunities for all.”

**Economic Moats:** The strongest moat of Mastercard is the network effect. Its worldwide penetration means that it is extremely difficult for competitors to seriously impinge on its business. The brand itself is well recognized.

**Key Future Risks:** The main risks relate to competition and technology. As the highly competitive global payment industry continues to develop and change, the company faces the challenge of disintermediation. According to company, parties that process Mastercard transactions may try to eliminate its role as an intermediary.

Mastercard has made a number of savvy acquisitions over the past few years, but there is always the risk they overpay for an acquisition or an acquisition moves the company in an unfavourable direction. A recent acquisition is Brighterion providing real-time fraud and cyber threat protection.

**Performance** A key predictor of performance is return on equity. ROE for MA has been over 90% for the past three years.

ROE	5 Year Growth	
	SPS	EPS
107.9%	26.4%	13.8%

• Mk't Cap: US\$241b • 10-yr Total Retn: 31.5% pa

**Conclusion:** Mastercard is world leader in payment systems with a very strong moat to continue growing for many years. (Apr 2019)

*This report is prepared for members of the Conscious Investor Fund. It does not take into account anyone's personal circumstances. Remember, what happened in the past is not always what will happen in the future.*

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