

Mastercard: A World Beyond Cash™

Making Payments Safe, Simple and Smart

Background: Mastercard takes tiny amounts from billions of transactions every year: in 2021 108.4 billion transactions using 2.6 billion total cards (credit and debit).

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

Mastercard is the second-largest processor with a 24% market share. The brand is accepted by more than 40 million merchants worldwide.

Strategy Strives to make payments easier, more efficient and secure. 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.

Recently MA announced the launch of Global Treasury Intelligence (GTI), a cloud-based analytics platform that enables organisations to execute more effective and sustainable financial strategies.

In April 2022 MA acquired Dynamic Yield Ltd from McDonalds for a cash consideration of US\$325 million. Dynamic Yield is a customer experience personalisation Software-as-a-Service platform that uses artificial intelligence and other technologies to collect customer data, analyse it and enable

businesses to make personalised recommendations for their customers.

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

CEO Vision: Michael Miebach CEO: The company is helping to deliver better experiences that are shaping the future of seamless commerce, while bolstering cyber services and data-powered insights.

Economic Moats: The strongest moat 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 the 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 or an acquisition moves the company in an unfavourable direction.

Performance A key predictor of performance is return on equity. ROE for MA has been over 100% for the past three years.

ROE	5 Year Growth	
	SPS	EPS
145.9%	0.6%	19.7%

• Mk't Cap: US\$358b • 10-yr Total Retn: 26.9% pa

Conclusion: Mastercard is world leader in payment systems with a very strong moat to continue growing for many years. (Feb 2023).

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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