Mastercard Incorporated (NYSE: MA)

Industry: Financial Services

Rating: BUY, Target Price: **$656.48** – Implied Upside/(Downside): **22%**

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Editor: Adi Sharma

THESIS

Pareto Capital is initiating coverage of Mastercard Incorporated (NYSE: MA) with a BUY rating and a 12-month price target of $656.48, implying ~22% upside.

Our call rests on a straightforward, albeit temporary market mispricing. Over the past calendar year, the market has re-rated Mastercard as an unavoidable, yet declining tollgate. A combination of U.S. legislation (see the Credit Card Competition Act) and greater transaction options for consumers/merchants have contributed to a reconsideration of this duopolist. Indeed, the stock has lagged its main rival, Visa even with recent swipe-fee settlements, domestic routing reform, and transformative real-time tails. Pareto believes this reading is flawed. The core network remains asset-light, a ~57% margin cash engine is far from disintermediation, and Mastercard is actively monetizing efforts to expand its systemic influence. Specifically, we see two core drivers in the form of Value-Added Services and Mastercard Move as impactful revenue drivers in the upcoming fiscal year. The threat, therefore, is far from real. Through a thorough financial analysis, rival comparison, and probability-weighted DCF, we believe there is considerable fair value for investors to reap.

EXTERNAL ANALYSIS

Mastercard's external setup has quietly changed character. For most of the last decade the story was volume: more cards, more swipes, more cross-border travel. Moreover, the numbers were big enough that the question of *who* captured the economics rarely came up. Naturally, all questions must eventually be asked. McKinsey pegs global payments at $2.5 trillion of revenue in 2024 on $2.0 quadrillion of flows and 3.6 trillion transactions, so the pool is enormous and still growing. But the growth has normalized hard: roughly 7% a year from 2019–2024, then 4% in 2024 as rate tailwinds faded, macro softened, and lower-yield methods and fee pressure ate into the mix. With McKinsey modeling ~4% through 2029, the bull case can no longer lean on the market simply getting bigger. It must lean on Mastercard holding its position as money moves across new rails, new interfaces, and tighter pricing rules.

Start with the rails. Cards are still the spine of consumer payments — the Fed's 2025 study puts U.S. noncash payments at 236.6 billion transactions in 2024, with cards over three-quarters of the *count* even as ACH carried nearly three-quarters of the *value*. That gap is the whole game: Mastercard owns the frequent, low-ticket, credit-and-rewards, fraud-sensitive end of the market, while account-to-account rails are better suited to cheap domestic transfers and large-value moves. Real-time systems are where the encroachment shows up. India's UPI cleared 22.72 billion transactions in June 2026 alone, and Brazil's Pix is tracking toward roughly half of the country's e-commerce by 2028. Thes large numbers cluster in domestic, low-cost, bank-to-bank flows, not the cross-border and credit economics that fill management's pockets with profits.

Geography decides how much of the above bites. Mastercard's 2025 revenue was reasonably spread with $14B from the Americas against $18.7B from the rest of the world, yet the U.S. alone still drove about 29% of net revenue, which makes it the swing market for both profitability and regulatory risk. Europe and the UK are the cautionary template: card volumes stay healthy, but interchange caps and open banking leave little room to price, nudging the networks toward security and services to earn their keep. Brazil and India run the other experiment, where state-backed account-to-account systems scaled fast precisely because they were free, mobile-first, and easy for merchants to love. This shouts that exposure isn't uniform. The soft underbelly is domestic debit-like payments; credit, cross-border, e-commerce, and the trust-and-fraud layer are far harder to dislodge.

The subtler threat is who owns the screen. To a growing share of consumers, the brand at checkout is Apple Pay, PayPal, Stripe, a Shopify button, a banking app (and, before long, an AI agent doing the buying). That doesn't cut Mastercard out, since most of these still ride card rails underneath, but it chips at leverage. When Mastercard is plumbing rather than brand, it has less say over routing and leans harder on the platforms sitting in front of it.

Regulation is the most direct lever of the three because it hits price and routing at once. Europe and the UK cap covered consumer debit interchange at 0.2% and credit at 0.3% — proof that a card market can stay huge while pricing power is pinned down. In the U.S., the credit-routing reforms now in play take direct aim at the Visa-Mastercard duopoly; volume could hold up fine even as exclusivity and merchant-fee economics get squeezed.

Set against all this is the pivot we think the market is underrating: Mastercard climbing one layer up, from moving money to underwriting trust in it. The 2025 print already leans this way with gross dollar volume up 9%, cross-border up 15%, switched transactions up 10%, and value-added services up 23% on the back of security, authentication, and data products. That's what makes the thesis a genuine two-sided debate rather than a straight bear case: the same fragmentation that threatens the toll on any single rail is exactly what drives demand for tokenization, fraud scoring, identity, and cross-border assurance across all of them. The question worth underwriting isn't whether payments keep growing — they will. It's whether Mastercard stays the layer everyone trusts as those payments splinter across rails and disappear behind someone else's interface.

INTERNAL ANALYSIS

Mastercard's internal strength is not just in its own scaled card network, but in that it is actively turning that network into a broader payment-technology system. The company's core Payment Network segment still functions like a global tollgate that is highly profitable. Mastercard-branded transactions are authorized, settle, and processed through network rules with protection via dispute systems. The business model, in essence, is both attractive and asset-light. Mastercard sits as an irremovable intermediary in the payment processing ecosystem, with its necessity built-in to the system (a point of recent contention for U.S. lawmakers). It is neither the merchant nor the bank, and (usually) not the lender. As a network layer, when anyone uses Mastercard-branded cards, the company network routes, authorizes, clears, and governs the transaction while taking a fee at the same time. An obvious weakness of this model is the dependency on huge aggregate volumes to make these fees compound into profits. Furthermore, not every digital transaction passes through Mastercard's rails as debit routing alternatives, account-to-account payments, and other methods can bypass this tollgate.

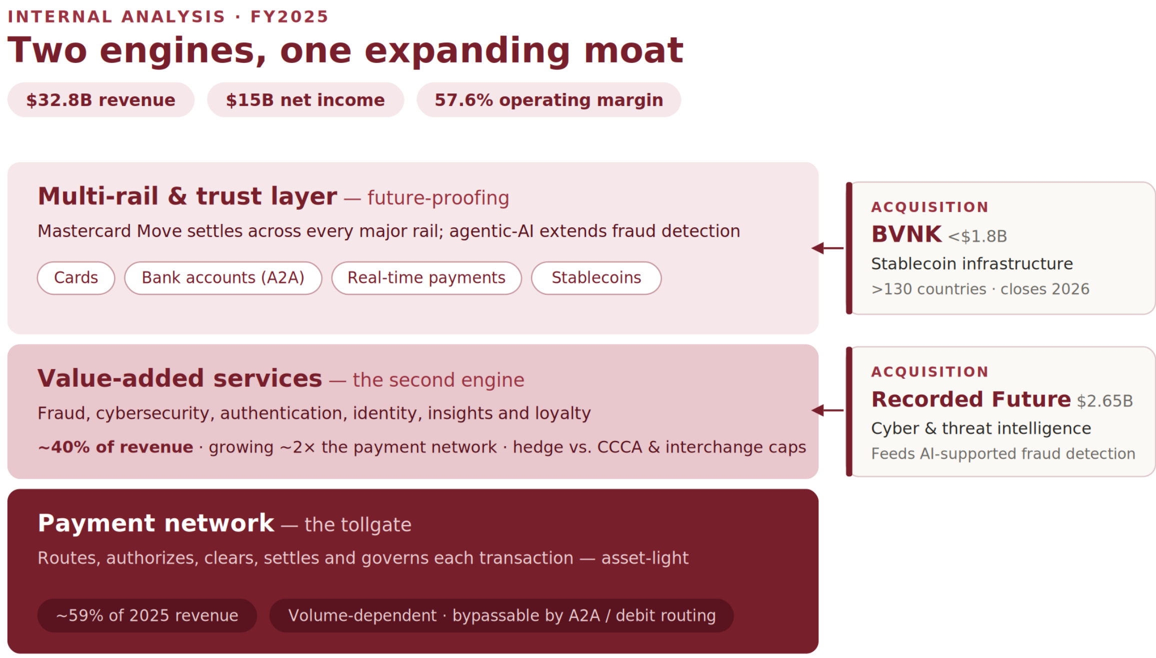
This is where value-added services (VAS) play a huge role in making up for revenue leakage. Rather than solely rely on card swipes, Mastercard is building a second revenue engine around fraud prevention, cybersecurity, and other processing security fundamentals. In 2025, as a result, Mastercard generated $32.8B in revenue, $15B in net income, with VAS making up ~42% of revenue and growing ~12% quicker than Payment Network.

The strategic importance of VAS cannot be underplayed. Indeed, it is this partial hedging against regulatory pressure against is originally primary source of income that has cushioned some of the considerable drawdowns we have seen this calendar year. Recent regulation through the Credit Card Competition Act (CCCA) has given merchants the freedom to wriggle their way out of preset systems previously enforced by Mastercard (and its core rival/duopolistic partner-in-crime, Visa). VAS thus provides Mastercard with a more diversified internal revenue base and deepens relationships that might see cracks as options widen in the market; if Mastercard, on top of Payment Network, can take a hold of monitoring, authentication, insight, and more customer-engagement tools, it can transcend newly placed regulatory barriers.

Mastercard's acquisition strategy reinforces this internal direction. The $2.65B Recorded Future buyout expands Mastercard from payment fraud into broader threat intelligence and cybersecurity. The argument stands that the moat is shifting with the firm trying to take advantage of this VAS direction coupled with (unsurprisingly) an agentic AI layer. Yes, that’s right, even good old Mastercard has joined in on the party. With its introduction of AI-supported detection in fraud protocols and selling trust as a broader enterprise service, one can debate whether management is making a desperate in-game pivot or setting up to ride the waves pooling in the broader market as we speak.

Finally, how is Mastercard futureproofing itself beyond run-of-the mill agentic AI? The major theme appears to be in multi-rail expansion. Consumers and businesses can now move money through cards, bank accounts, real-time payment systems, and stablecoins. Mastercard aims to remain relevant regardless of the method by settling across the board rather than handling a niche. This goal has manifested itself through Mastercard Move, a branch providing open banking and real-time-payment infrastructures to a large network of businesses. In a move to play up both transaction volume and continue driving international exposure (especially compared to Visa), the company is spending to reduce risk in its network decentralizing in the long run.

The BVNK acquisition is a clear, demonstrative example. Mastercard agreed to purchase the stablecoin infrastructure firm for <$1.8B. It was reported that the deal is expected to close before the end of 2026 and with BVNK operating in >130 countries, this serves as a strategic move in the direction detailed in the preceding paragraph. By buying its way into a stack it previously felt threatened by, Mastercard hopes it can monetize increasingly widespread connectivity and centrality as a service provider.

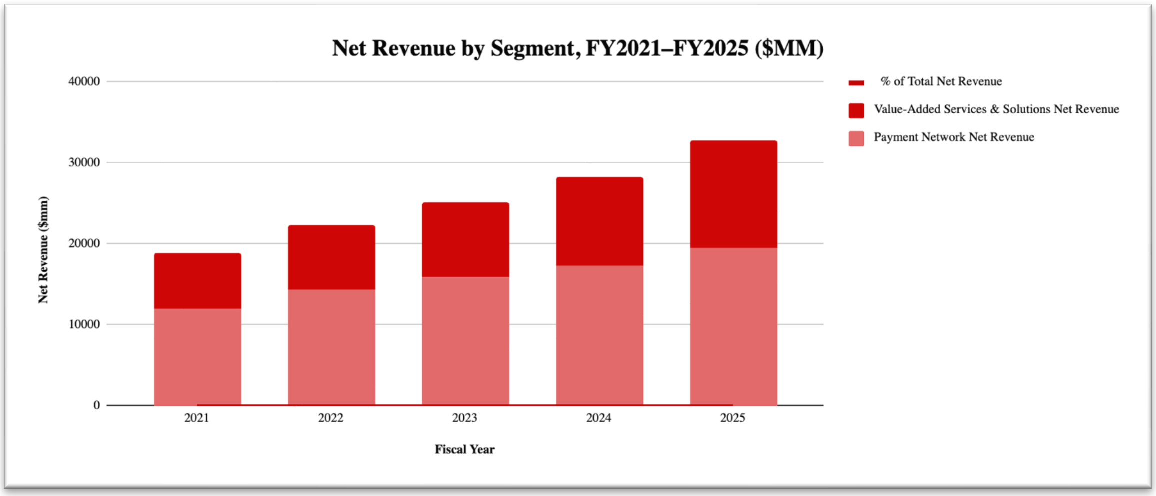


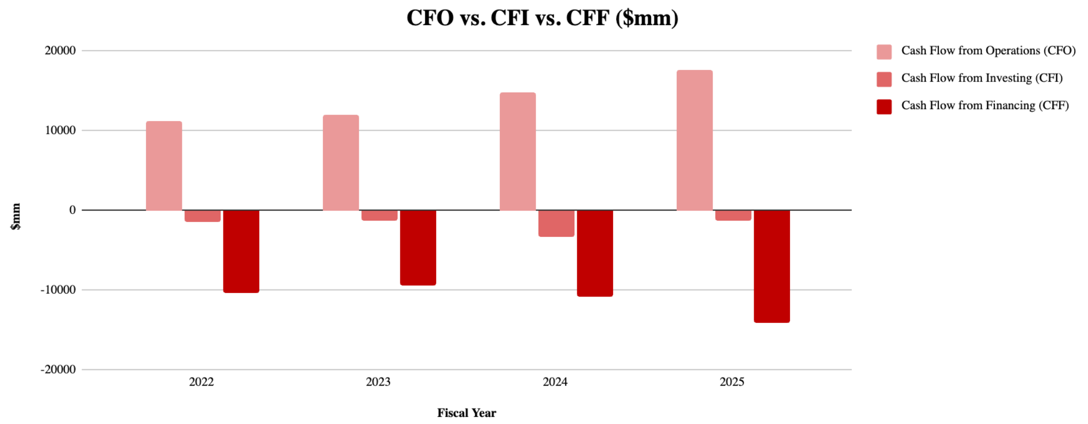
Source: Mastercard FY2025 results and company disclosure; Pareto Capital. Segment shares are approximate.

FINANCIAL ANALYSIS

Mastercard's financial performance demonstrates a highly resilient and profitable business model. Revenue increased from $22.2B in 2021 to $32.8B in 2025, representing nearly 48% cumulative growth, while FY2025 revenue alone grew 16.4% year-over-year. Profitability also improved, with the operating margin expanding from 53.4% to 57.6%, reflecting strong operating leverage. Cash generation remains a key strength, as operating cash flow consistently exceeded net income (CFO/Net Income increased from 1.00x to 1.10x), indicating that reported earnings are backed by real cash. Free cash flow margin also improved from 45.8% to 50.1%, enabling Mastercard to significantly increase shareholder returns from $7.6B in 2021 to $14.5B in 2025 through dividends and share repurchases. Furthermore, the balance sheet remains conservative, with Net Debt/EBITDA declining from 0.56x to

0.40x and interest coverage improving from 25.1x to 27.8x, highlighting strong financial flexibility and minimal solvency risk.





Despite strong fundamentals, Mastercard faces several structural risks. The company remains heavily dependent on global payment volumes and consumer spending, making its revenue vulnerable to economic slowdowns and weaker cross-border travel activity. While its Value-Added Services (VAS) segment increased from 36.8% to 40.6% of total revenue, approximately 59% of revenue in 2025 still came from its core payment network business, leaving earnings tied to transaction growth.

Additionally, rebates and incentives have continued to rise alongside gross billings, which can compress net revenue growth and pressure margins over time. Mastercard also faces increasing competition from fintech firms, digital wallets, and alternative payment methods, while ongoing regulatory scrutiny over interchange fees and payment network practices could constrain future profitability. Although leverage is currently very low, the company's strategy of returning nearly all excess free cash flow to shareholders leaves less room to build cash reserves should market conditions deteriorate significantly.

VALUATIONS

To value Mastercard holistically, we utilized both extrinsic valuation (Industry Comparables) and intrinsic valuation (DCF) to arrive at a probability weighted target price of $656.48 implying a ~22% upside at the time of writing. This target price is at the rather higher end of the distribution indicating our confidence in Mastercard's network capabilities soon and sustainable terminal value after 5 years.

Extrinsic Valuation

Comparables	Market Data			Financial Data				Valuation				
Ticker	Price	Mkt Cap	TEV	Sales	EBITDA	EBIT	Earnings	EV/Sales	EV/EBITDA	EV/EBIT	P/E	Incl
Ticker	*($/Share)*	*($M)*	*($M)*	*($M)*	*($M)*	*($M)*	*($M)*	*(x)*	*(x)*	*(x)*	*(x)*	*(1/0)*
MA	539.39	476,596	487,650	33,939	21,233	19,745	15,570	14.37x	22.97x	24.70x	30.61x	
V	362.13	694,140	699,157	43,027	28,251	26,959	22,236	16.25x	24.75x	25.93x	31.22x	1
AXP	351.96	240,152	246,837	82,411	18,875	17,063	11,220	3.00x	13.08x	14.47x	21.40x	0
PYPL	45.47	40,109	42,541	33,734	7,471	6,515	5,059	1.26x	5.69x	6.53x	7.93x	0
GPN	78.63	18,611	36,327	8,831	3,538	1,610	(706)	4.11x	10.27x	22.56x	NM	0
Minimum				**43,027**	**28,251**	**26,959**	**22,236**	**16.25x**	**24.75x**	**25.93x**	**31.22x**	
Median				**43,027**	**28,251**	**26,959**	**22,236**	**16.25x**	**24.75x**	**25.93x**	**31.22x**	
Mean				**43,027**	**28,251**	**26,959**	**22,236**	**16.25x**	**24.75x**	**25.93x**	**31.22x**	
Maximum				**43,027**	**28,251**	**26,959**	**22,236**	**16.25x**	**24.75x**	**25.93x**	**31.22x**	

Note: Financial data are TTM.

MASTERCARD — Implied Value	TTM Trading Multiple			TTM Financial Metric			Enterprise Value		
	Revenue	EBITDA	P/E	Revenue	EBITDA	EPS	Revenue	EBITDA	Net Income
Minimum	16.25x	24.75x	31.22x	33,939	21,233	17.28	551,484	525,475	-
Mean	16.25x	24.75x	31.22x	33,939	21,233	17.28	551,484	525,475	-
Median	16.25x	24.75x	31.22x	33,939	21,233	17.28	551,484	525,475	-
Maximum	16.25x	24.75x	31.22x	33,939	21,233	17.28	551,484	525,475	-

Equity Value Bridge	Q1 Financial Standing			Equity Value			Implied Share Price		
	Cash	Debt	Shares	Revenue	EBITDA	Net Income	Revenue	EBITDA	Net Income
Minimum	7,906	18,960	884	540,430	514,421	486,048	611.35	**581.92**	549.83
Mean	7,906	18,960	884	540,430	514,421	486,048	611.35	**581.92**	549.83
Median	7,906	18,960	884	540,430	514,421	486,048	611.35	**581.92**	549.83
Maximum	7,906	18,960	884	540,430	514,421	486,048	611.35	**581.92**	549.83

Note: EV/EBITDA gives the most stable valuation.

Target Price (average of all mean & median implied) **581.03**

Given Mastercard's unique nature of being situated within a duopoly, a comparables valuation serves little value in providing a fair value for the business. We have chosen a 2-layer peer set, where the first layer consists of Mastercard's actual competitor: Visa, and the second layer encompassing a wider range of companies within the payment industry: Visa, American Express, PayPal, and Global Payments. When valuing Mastercard with the first layer, the immediate standout being that Mastercard is trading at a slightly lower multiple than Visa across all fronts, which is somewhat warranted by the difference in the scale of these two-business indicated through their TTM financial data. Thus, this helped us to arrive at an implies value of $581.03 when applying Visa's multiple. Using the same method with the second layer peers, the result is deflated significantly to $276.43 a result we see as misleading given the massive difference in the company's fundamental and scale.

Intrinsic Valuation

DCF — references the build above					
Unlevered free cash flow	**17,665**	**20,411**	**23,426**	**26,821**	**30,519**
Discount period	1	2	3	4	5
Discount factor	0.920	0.846	0.778	0.716	0.658
PV of FCF	**16,248**	**17,267**	**18,228**	**19,195**	**20,089**
Sum PV of explicit FCF (2026–30E)					91,027
Terminal value — Gordon growth					549,289
PV of terminal (Gordon)					361,576
Enterprise value (Gordon)					**452,603**
Terminal value — Exit EV/EBITDA					926,343
PV of terminal (Exit)					609,776
Enterprise value (Exit)					**700,803**
Enterprise value (avg of methods)					**576,703**
Less: Net Debt					11,054
Equity Value					**565,649**
Shares Outstanding					884
Implied share price					639.87
Gordon method					499.49
Exit-multiple method					780.26
Upside / (downside) vs current					19%
Terminal % of EV (Gordon)					80%

Case	Implied Share Price	Probability	r-Price
Conservative Case	535.02	10%	53.50
Base Case	639.87	60%	383.92
Optimistic Case	730.17	30%	219.05
Probability Adjusted Share Price			656.48
Implied Upside			*22%*

Our target price is derived purely from the DCF, which best captures our view of the business's trajectory. On revenue, we see volume as the key driver for the payment network, given regulatory headwinds that effectively cap domestic and transaction pricing (Credit Card Competition Act, UK PSR scheme-fee review, Australia RBA). Cross-border volume and VAS lead top-line growth — driven by contract-based economics and Mastercard Move's expansion into SMEs and B2B — decelerating only -0.5% YoY, in line with consensus. On margins, Mastercard's asset-light model supports continued +0.5% YoY expansion.

Our remaining assumptions track street consensus and management guidance, including an 8.07% WACC. The terminal value is the one point worth flagging: we blend a Gordon-growth approach (3% terminal growth, fueled by the multi-rail thesis that guards against disintermediation) with an exit multiple (23x, the lower of Visa's current EV/EBITDA), which diverge by ~56% in favor of the exit multiple. We average the two to mitigate the gap. Varying revenue growth and EBIT margin yields three cases for implied share price (see Appendix 1), which we probability-weight 10/60/30 toward the base and optimistic cases (signaling our confidence in Mastercard's duopoly position) for a probability-adjusted target of $656.48.

MASTERCARD OR VISA?

The comparison between Visa and Mastercard is justified due to the duopolistic nature of their positions. While Visa has a larger, more widely scaled payment network, Mastercard notably wins in terms of mixed advantages and faster VAS growth. With such similarity between the businesses, one must ask the only remaining question: which one offers the better risk-adjusted compounding given today's valuations?

It is important to first set the stage. As payment networks, they monetize the authorization, clearing, routing, and data-layers behind card-based payments. By simultaneously avoiding consumer credit risk and benefitting from structural tailwinds (e.g. e-commerce growth, digital migration, value-added services) both companies have cushioned themselves nicely into the ecosystem. Visa is the larger of the two networks by scale with $40B of net revenue in 2025 through handling ~$14.2T of payment volumes. Scale matters here as payment networks incur high fixed-cost leverage. An existing network, therefore, must capitalize on low marginal costs within a given increment of transactions. In Visa's case, momentum has been strong with a ~17% rise in revenue, growth across processed transactions and payments volume, and resounding brand trust.

Mastercard, although smaller, is mirroring growth metrics with revenue up ~16% YoY coupled with $15B in net income. Most importantly, Mastercard's VAS segment is growing faster than its core payment network. Its recent quarterly performance is strong as well, which begs the as to why the stock has seen an opposite trend since the start of the year compared to its rival.

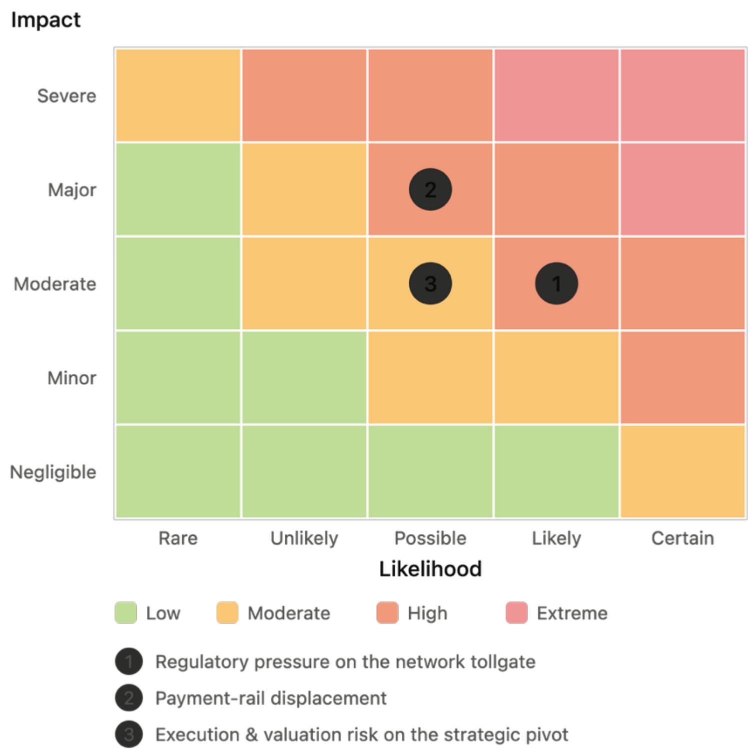
One of the clearer attributes of this disparity comes from scalability. Indeed, it is Visa that earns a premium for its size, acceptance network, and transaction density. Mastercard only serves to receive the same benefits if investors believe that VAS growth and increasing international exposure can continue growing faster than the core card network in the long run. Furthermore, recent changes in analyst outlook have been impactful, namely the fact that preference in a U.S footprint and relatively lower multiples throughout early 2025 caused the favour to shift towards Visa.

From a regulatory standpoint, Visa's U.S. debit dominance is seemingly disadvantageous due to DOJ allegations of antitrust. This phenomenon dubbed "overhang" (looming legislation) has hit Mastercard too. However, without the valuation cushion and network strengths of its rival, it seems even the recent $38B swipe-fee settlement hasn't been enough to close the gap. The story may now be shifting back toward Mastercard if its valuation gap narrows. While Visa may for the time being continuing to look like the safer compounder especially with recent growth, Mastercard's relative appeal will improve if investor can buy into its accelerated drivers with VAS and overseas exploits. Visa was arguably the better recent buy, but Mastercard is more compelling as a runaway in the near term.

RISKS & VERDICT

Risk 1 – Regulatory pressure on the network tollgate

Mastercard's core economics depend on monetizing payment volume, switched transactions, and cross-border activity. The issue is that not all Mastercard-branded volume necessarily becomes Mastercard-switched revenue. Some debit transactions can already route through competing networks, and the larger concern is that this routing logic could eventually move further into credit. That would weaken the tollgate investors are paying for. This risk is already visible: the revised $38B Visa/Mastercard swipe-fee settlement includes fee reductions, caps on standard consumer rates, and more merchant flexibility. Regulation likely will not break Mastercard's model, but it can limit pricing power, alter issuer incentives, and compress the premium multiple attached to the network duopoly.



Risk 2 – Payment-rail displacement

Mastercard's moat is built on being the trusted network between issuers, acquirers, merchants, and consumers. But payments are becoming more rail-agnostic. Real-time payment systems, account-to-account transfers, bank-funded wallets, and stablecoins can all bypass traditional card rails in certain use cases. The pressure is strongest in domestic low-cost payments, merchant-funded payments, and cross-border corridors where alternative rails may settle faster or cheaper. Mastercard's multi-rail strategy should therefore be viewed less as a near-term revenue catalyst and more as a defense of terminal value. None of these alternatives is an immediate Mastercard killer, but together they reduce the certainty that card networks will keep capturing today's economics indefinitely.

Risk 3 – Execution and valuation risk on the strategic pivot

VAS is Mastercard's strongest internal hedge. Fraud prevention, authentication, consulting, analytics, loyalty, cyber, and identity products are less directly exposed to interchange caps than the core network business. This is why VAS matters: fee pressure may hit switching economics without necessarily touching fraud-scoring subscriptions, consulting fees, or identity-verification tools. The segment's growth supports the thesis, with 2025 VAS revenue reaching $13.32B, up 22.92%, versus 12.35% growth in the payment network. But this also raises expectations. If the market is valuing Mastercard as a payments-intelligence and cybersecurity platform, then VAS growth needs to remain elevated, acquisitions like Recorded Future and BVNK need to integrate cleanly, and newer themes like stablecoins and agentic commerce need to become monetizable.

Verdict? None of these risks breaks the thesis, and that is precisely the call. The regulatory tollgate pressure is impactful but largely a known quantity; the $38B settlement and the CCCA are already on the tape and already reflected in a stock trading at a discount to its only true rival. Rail displacement is structural yet slow, and Mastercard is buying its way onto the rails that threaten it rather than defending a shrinking one. We believe the swing factor is execution as the premium holds only if VAS keeps compounding and Recorded Future and BVNK earn their purported gains. Nevertheless, at today's valuation that is a risk we are paid to take, not one we are overpaying to ignore. Weighing a cash-generative tollgate, a faster-growing trust layer, and a valuation gap with more room to close than to widen, we initiate at **BUY** with a probability-weighted target of **$656.48 (~22% upside)**.

APPENDIX

Appendix 1 – Statement of Cash Flows

MASTERCARD INCORPORATED — CONSOLIDATED STATEMENT OF CASH FLO

Fiscal Year Ended December 31,	2021	2022	2023	2024	2025	Q1 2025	Q1 2026	LTM
Cash Flow from Operating Activities (CFO)								
Net Income (link from I/S)	$8,687	$9,930	$11,195	$12,874	$14,968	$3,310	$3,887	$15,545
D&A (non-cash add-back)	$726	$750	$799	$897	$1,143	$275	$299	$1,167
Stock-Based Compensation	$273	$295	$460	$526	$597	$145	$155	$607
Other Non-Cash Adjustments	$693	$1,124	$1,469	$1,523	$2,382	$586	$742	$2,538
Change in Accounts Receivable	($397)	($481)	($546)	$186	($642)	($774)	($122)	$10
Change in Accounts Payable	$100	$190	($99)	$75	$45	$57	$31	$19
Change in Accrued Expenses	$1,354	$1,428	$196	$1,792	$1,694	($2,472)	($1,386)	$2,780
Change in Income Taxes Payable	($139)	($109)	($300)	($328)	($276)	($250)	($157)	($183)
Change in Other Operating Assets & Liabilities	($1,834)	($1,932)	($1,194)	($2,765)	($2,263)	$1,881	($1,528)	($5,672)
Cash Flow from Operations (CFO)	**$9,463**	**$11,195**	**$11,980**	**$14,780**	**$17,648**	**$2,758**	**$1,921**	**$16,811**
CFO Growth YoY	*n/a*	18.3%	7.0%	23.4%	19.4%	(41.7%)	(30.3%)	30.8%
Cash Flow from Investing Activities (CFI)								
Capital Expenditures	($407)	($442)	($371)	($474)	($489)	($113)	($112)	($488)
Purchases of Intangible Assets (capitalized softw	($407)	($655)	($717)	($720)	($726)	($187)	($166)	($705)
Purchases of Investments	($911)	($594)	($736)	($658)	($868)	($403)	($269)	($734)
Proceeds from Sale/Maturity of Investments	$856	$537	$479	$964	$719	$439	$293	$573
Payments for Business Acquisitions, net of cash	($4,436)	($313)	-	($2,511)				-
Other Investing Activities	$33	($3)	($6)	($3)	$2	($2)	$1	$5
Cash Flow from Investing (CFI)	**($5,272)**	**($1,470)**	**($1,351)**	**($3,402)**	**($1,362)**	**($266)**	**($253)**	**($1,349)**
Cash Flow from Financing Activities (CFF)								
Long-Term Debt Issued	$2,024	$1,123	$1,554	$3,960	$1,242			$1,242
Long-Term Debt Repaid	($650)	($724)	-	($1,336)	($750)		($40)	($790)
Issuance of Common Stock (employee plans)	$61	$90	$237	$224	$203	$55	$57	$205
Repurchase of Common Stock	($5,904)	($8,753)	($9,032)	($10,954)	($11,727)	($2,890)	($3,502)	($12,339)
Common Dividends Paid	($1,741)	($1,903)	($2,158)	($2,448)	($2,756)	($648)	($687)	($2,795)
Other Financing Activities	($345)	($161)	($89)	($282)	($391)	($93)	($99)	($397)
Cash Flow from Financing (CFF)	**($6,555)**	**($10,328)**	**($9,488)**	**($10,836)**	**($14,179)**	**($3,576)**	**($4,271)**	**($14,874)**
Effect of Exchange Rate Changes on Cash	($153)	($103)	$128	($199)	$333	$10	($58)	$265
Net Change in Cash	**($2,517)**	**($706)**	**$1,269**	**$343**	**$2,440**	**($1,074)**	**($2,661)**	**$853**

Appendix 2 – Performance Charts

MASTERCARD — LTM & 5-YEAR PERFORMANCE CHARTS

All figures FY2021–FY2025 (annual) and Q1 2025–Q1 2026 (quarterly/LTM). Green cells link live to underlying tabs. Nothing on other ta

5-Year Annual Performance ($ in millions, except per-share & %)

Metric	2021	2022	2023	2024	2025
Net Revenue	$18,884	$22,237	$25,098	$28,167	$32,791
Revenue Growth YoY	n/a	17.8%	12.9%	12.2%	16.4%
Operating Income	$10,082	$12,264	$14,008	$15,582	$18,897
Operating Margin %	53.4%	55.2%	55.8%	55.3%	57.6%
EBITDA	$10,808	$13,014	$14,807	$16,479	$20,040
Net Income	$8,687	$9,930	$11,195	$12,874	$14,968
Diluted EPS ($)	$8.76	$10.23	$11.83	$13.89	$16.52
Diluted EPS Growth YoY	n/a	16.8%	15.7%	17.4%	19.0%
Cash Flow from Operations	$9,463	$11,195	$11,980	$14,780	$17,648
Free Cash Flow (FCF)	$8,649	$10,098	$10,892	$13,586	$16,433
FCF Margin	45.8%	45.4%	43.4%	48.2%	50.1%
Capital Returned to Shareholders	$7,645	$10,656	$11,190	$13,402	$14,483
Net Debt / EBITDA	0.56x	0.51x	0.44x	0.57x	0.40x
EBITDA / Interest Coverage	25.1x	27.6x	25.8x	25.5x	27.8x
Payment Network Revenue	$11,943	$14,358	$15,824	$17,335	$19,476
Value-Added Svcs Revenue	$6,941	$7,879	$9,274	$10,832	$13,315

LTM / Quarterly Performance — Actual vs. Consensus (Q1 2025 – Q1 2026)

Quarter	evenue Actu	venue Estim	EPS Actual	EPS Estimate
Q1 2025	$7,253	$7,123	$3.73	$3.57
Q2 2025	$8,130	$7,983	$4.15	$4.03
Q3 2025	$8,602	$8,484	$4.38	$4.31
Q4 2025	$8,810	$8,740	$4.76	$4.25
Q1 2026	$8,398	$8,260	$4.60	$4.41
LTM (Q2'25–Q1'26)	**$33,940**		**$17.89**	

Appendix 3 – WACC Build-up

WACC	
Risk-free rate	4.5%
Equity risk premium	5.0%
Levered beta	0.88
Cost of equity	**8.9%**
Pre-tax cost of debt	4.7%
Tax rate	18.0%
After-tax Kd	**3.8%**
MV equity	479,021
Total debt	18,960
Cash	7,906
Equity weight	**96.2%**
WACC	**8.7%**
Net debt	**11,054**
Valuation Assumptions	
Diluted shares	**884**
Terminal growth g	3.0%
Exit EV/EBITDA	23.0x
Current price	$539.39

Appendix 2 – Income Statement and CFS Line Build

($mm)	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Income Statement								
Operating drivers — volume growth (case embedded)								
Domestic GDV growth	12.0%	11.0%	9.0%	**8.0%**	**7.0%**	**6.0%**	**5.0%**	**4.0%**
Bear case				*6.0%*	*5.0%*	*4.0%*	*3.0%*	*2.0%*
Base case				*8.0%*	*7.0%*	*6.0%*	*5.0%*	*4.0%*
Bull case				*10.0%*	*9.0%*	*8.0%*	*7.0%*	*6.0%*
Cross-border volume growth	24.0%	18.0%	15.0%	**14.0%**	**13.5%**	**13.0%**	**12.5%**	**12.0%**
Bear case				*10.0%*	*9.5%*	*9.0%*	*8.5%*	*8.0%*
Base case				*14.0%*	*13.5%*	*13.0%*	*12.5%*	*12.0%*
Bull case				*16.0%*	*15.5%*	*15.0%*	*14.5%*	*14.0%*
Pricing								
Cross-border pricing (take-rate)	*3.0%*	*3.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
Domestic pricing (take-rate)				*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Transaction pricing (take-rate)				*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Switched transactions growth	15.0%	11.0%	9.0%	**9.0%**	**8.0%**	**7.0%**	**6.0%**	**5.0%**
Bear case				*7.0%*	*6.0%*	*5.0%*	*4.0%*	*3.0%*
Base case				*9.0%*	*8.0%*	*7.0%*	*6.0%*	*5.0%*
Bull case				*10.0%*	*9.0%*	*8.0%*	*7.0%*	*6.0%*
Payment network — volume × take-rate build								
Domestic assessment fees	9,849	10,933	11,917	12,870	13,771	14,597	15,327	15,940
Cross-border volume fees	8,426	10,290	12,130	14,174	16,489	19,099	22,023	25,282
Transaction processing fees	12,243	13,590	14,813	16,146	17,437	18,658	19,778	20,766
Other network revenues	804	845	887	958	1,025	1,086	1,141	1,186
Gross payment network revenue	**31,322**	**35,657**	**39,746**	**44,147**	**48,722**	**53,440**	**58,268**	**63,175**
Rebates % of gross	*49.7%*	*51.4%*	*51.1%*	*51.1%*	*51.1%*	*51.1%*	*51.1%*	*51.1%*
Less: Rebates & incentives	(15,558)	(18,317)	(20,325)	(22,559)	(24,897)	(27,308)	(29,775)	(32,282)
Net payment network revenue	**15,764**	**17,340**	**19,421**	**21,588**	**23,825**	**26,132**	**28,493**	**30,893**
VAS net-rev growth	18.5%	16.0%	23.5%	**18.0%**	**17.5%**	**17.0%**	**16.5%**	**16.0%**
Bear case				*13.0%*	*12.5%*	*12.0%*	*11.5%*	*11.0%*
Base case				*18.0%*	*17.5%*	*17.0%*	*16.5%*	*16.0%*
Bull case				*22.0%*	*21.5%*	*21.0%*	*20.5%*	*20.0%*
Value-added services revenue	9,334	10,830	13,370	15,777	18,538	21,689	25,268	29,310
Total net revenue	**25,098**	**28,170**	**32,791**	**37,364**	**42,363**	**47,821**	**53,761**	**60,203**
Revenue growth %		12.2%	16.4%	13.9%	13.4%	12.9%	12.4%	12.0%
EBIT margin		56.4%	58.1%	**59.5%**	**60.5%**	**61.5%**	**62.5%**	**63.5%**
Bear case				58.5%	59.5%	60.5%	61.5%	62.5%
Base case				59.5%	60.5%	61.5%	62.5%	63.5%
Bull case				60.5%	61.5%	62.5%	63.5%	64.5%
EBIT (operating income)		**15,888**	**19,052**	**22,232**	**25,629**	**29,410**	**33,600**	**38,229**
Tax rate on EBIT				20.0%	20.0%	20.0%	20.0%	20.0%
(–) Tax on EBIT				(4,446)	(5,126)	(5,882)	(6,720)	(7,646)
NOPAT				**17,785**	**20,504**	**23,528**	**26,880**	**30,583**
Cashflow Statement								
D&A % of revenue				3.4%	3.4%	3.4%	3.4%	3.4%
(+) D&A				1,270	1,440	1,626	1,828	2,047
Capex % of revenue (incl. capitalised software)				3.6%	3.5%	3.5%	3.4%	3.4%
(–) Capex				(1,345)	(1,483)	(1,674)	(1,828)	(2,047)
Δ NWC % of Δrevenue				1.0%	1.0%	1.0%	1.0%	1.0%
(–) Δ Net working capital				(46)	(50)	(55)	(59)	(64)
Memo: EBITDA (EBIT+D&A)				23,502	27,070	31,036	35,428	40,276

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