MASTERCARD INCORPORATED · NYSE: MA

Priced for Perfection

A wonderful business at an unforgiving price. Rebuilt on live cost of capital and data-driven volumes, fair value sits below the market — and even our bull case does not reach it.

RECOMMENDATION	FAIR VALUE	PRICE · 31 MAR 26	IMPLIED	HORIZON
NEUTRAL · REDUCE	$453	$499.66	−9.3%	12 mo

Madhvendra Singh Palawat
Independent equity research · 14 July 2026

Valuation date 31 Mar 2026 · macro inputs refreshed 9 Jul 2026.
Independent academic research — not investment advice.
Sources: MA FY2025 10-K; FRED; IMF WEO Apr-2026; team model.

EXECUTIVE SUMMARY

A wonderful business, at an unforgiving price.

Mastercard processed **$10.6tn of gross dollar volume across 175.5bn switched transactions** in FY2025, generating **$32.8bn net revenue (+16% YoY)** and **$15.0bn net income** at a 45.7% margin — economics few businesses on earth match. Our reservation is not the company; it is the price.

Re-anchoring the discount rate to the **live** 10-year Treasury (4.54% vs the 4.05% baked into the base model), building Payment Network revenue bottom-up from sourced macro drivers, charging the cash cost of embedded M&A, and declining to credit further multiple expansion, our fundamental DCF lands at **$417** — 16.5% below market. Blending 80/20 with a Visa-premium relative valuation ($598) gives a **$453** fair value; the upside case reaches $460, the downside $375 — a negatively skewed setup on a consensus long near 35× forward earnings.

1 **The switching flywheel.** More than 70% of branded transactions are switched internally, compounding a proprietary data advantage that feeds services and deepens client lock-in.

2 **The VASS re-rating.** Services reach 41% of revenue (+23% YoY), climbing to ~48% by 2030 — but roughly 40% of that growth is acquired, and must be paid for.

3 **Margin through mix.** EBIT margin lifts 57.6% → 61.9% — credible, yet pushed above the company's own historical ceiling.

BOTTOM LINE

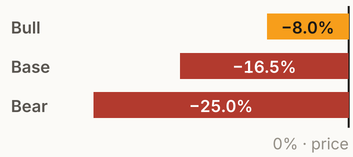
We sit ~30% below the Street (~$662) and the base model ($626) — not on the business, but on discount rate, an un-costed M&A engine, and a refusal to underwrite further re-rating. Own the compounder; not at this price. We turn constructive under ~$420.

DCF BASE	BULL / BEAR
$417	460 / 375
WACC	**STREET CONS.**
8.66%	$662

FAIR VALUE VS PRICE ($)

Blended target and the full DCF range sit left of the price.

RISK / REWARD FROM PRICE



Every case is below par — the distribution is one-sided.

FY2025 REVENUE MIX — $32.8BN

Payment Network 59% · $19.5bn

VASS 41% · $13.3bn

$10.6tn	175.5bn	3.7bn	$32.8bn	$15.0bn	45.7%
FY25 GDV	SWITCHED TXNS	CARDS ISSUED	NET REVENUE	NET INCOME	NET MARGIN

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The bull case is real — and largely priced.

We do not dispute Mastercard's bull case — we **price** it. Three pillars carry the story, and each is genuine. The question a buyer must answer is what growth, discounted at what rate, the tape already pays for; on that test the pillars look closer to fully valued than mispriced.

1 The switching flywheel

Mastercard switches **more than 70% of its branded transactions internally**, up from 60% in 2020. Every added card and merchant enriches a proprietary data asset that powers fraud, identity and analytics — which deepen client lock-in and feed the next turn of the wheel. It is a true two-sided network with a widening data moat that a challenger cannot buy, only slowly accumulate. A moat, though, is a reason to own a business, not to overpay for it.

2 The VASS re-rating

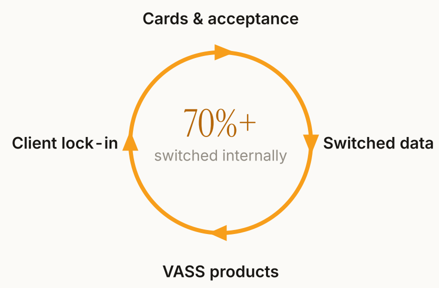
Value-Added Services & Solutions reached **$13.3bn — 41% of revenue, +23% YoY** — and on our build reaches **~48% by 2030**, shifting the mix toward higher-quality, less volume-dependent earnings sold to governments, merchants and platforms. The caveat we insist on: roughly 40% of that growth is acquired, and the base model books the revenue and its margin without ever charging the purchase price. We do (see p.5).

3 Margin through mix

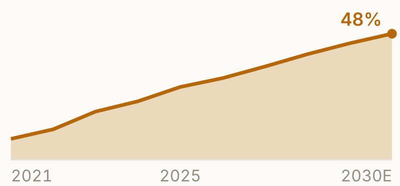
Because services scale on existing rails, EBIT margin is modelled from **57.6% to 61.9%** as the revenue mix tilts and rebate-heavy volume grows slower. Credible — but the destination sits **above Mastercard's own historical ceiling**; the company has never closed a year above ~57.6% (2021–25). A clean climb to 62% is an assumption doing real work in the valuation, not an established trend.

> *A moat is a reason to own a business — not a reason to overpay for it.*

THE SWITCHING FLYWHEEL

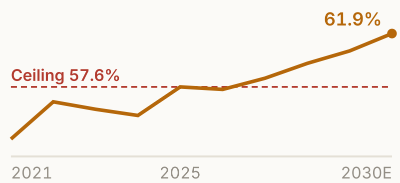


VASS AS % OF REVENUE



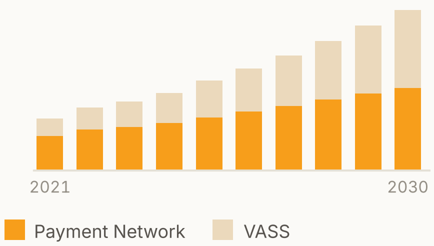
Mix shift toward higher-quality earnings — but ~40% of it acquired.

EBIT MARGIN VS HISTORICAL CEILING



The model projects margins the company has never actually reached.

NET REVENUE — PN & VASS ($M)



Why we sit a third below the Street.

Street targets cluster **$590–$735 (consensus ~$662)**; the base model we inherited prints **$626**. We are ~30% lower — and the gap is explainable in four moves, none heroic, each defensible. This is the report's reason to exist.

1 Live cost of capital

The base model discounts on a **4.05%** risk-free that is already stale; the 10-year Treasury is **4.54%** today (FRED, 9 Jul 2026). Fed through the model's own method, Ke rises to **8.94%** and WACC to **8.66%**. With ~80% of value in the terminal, a 20-30bp move is not cosmetic.

2 We charge for the M&A

~40% of VASS growth is inorganic, yet the base DCF books that revenue **and its margin** with no acquisition outflow. We deduct it at 8× EV/Sales — roughly **$15bn cumulative, ~$13bn of present value**.

3 Data-driven cross-border

Rebuilt from travel, e-commerce and remittance forecasts, cross-border growth is modestly lower than the hand-set fade (11.8%→8.0% vs 13%→9%), trimming Payment Network revenue ~3%.

4 No credit for re-rating

The relative valuation already applies Mastercard's full historical premium to Visa. We decline to layer further multiple expansion on top of a stock already at ~35× forward earnings.

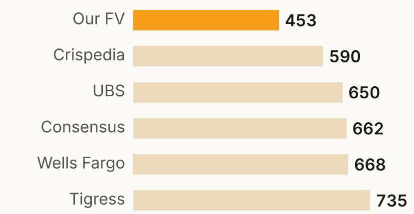
> *Quality is not in dispute. The entry price is.*

BRIDGE: BASE MODEL → OUR VALUE

Base model	$626
Live risk-free rate	−$33
Charge embedded M&A	−$70
Data-driven cross-border	−$25
No further re-rating	−$45
Our blended fair value	**$453**

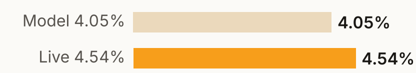
Four defensible moves, ~$173 of downside to the base case.

OUR VALUE VS THE STREET ($)



We are the outlier — deliberately.

RISK-FREE RATE: MODEL VS LIVE



Live UST lifts Ke +26bp, WACC +20bp.

VALUE BY WACC × TERMINAL G ($)

	g 2.9%	g 3.2%	g 3.5%
ACC 8.2%	455	478	505
ACC 8.7%	398	417	439
ACC 9.1%	355	370	387

Terminal-heavy: the answer swings hard on both.

One network, two engines.

Mastercard operates a **four-party network** — cardholder, issuer, acquirer, merchant — routing authorisation, clearing and settlement in milliseconds and earning fees at each step **without taking credit or balance-sheet risk.** Universality is the moat: 3.7bn cards accepted at hundreds of millions of endpoints across 220+ countries.

1 Payment Network — the volume engine

$19.5bn, 59% of revenue, +12% YoY. Three assessment lines — domestic assessments on gross dollar volume, cross-border fees at premium rates, and transaction-processing on switched count — all net of the rebates & incentives (~34.5% of gross) paid to issuer and acquirer partners. Key FY25 drivers: GDV +9% local-currency, cross-border +15%, switched transactions +10%.

2 Value-Added Services — the quality engine

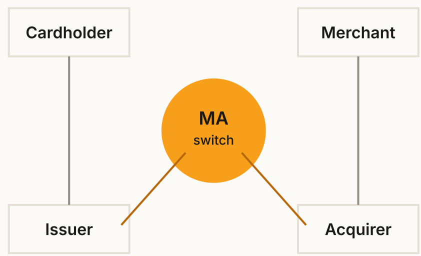
$13.3bn, 41% of revenue, +23% YoY (18% organic, currency-neutral). Security and fraud, identity and authentication, data and analytics, open banking and processing. ~60% is network-linked and scales with transactions; ~40% is sold standalone to a broadening base of governments, merchants and digital platforms — extending the addressable market beyond card payments.

3 Why the mix matters

VASS grows structurally faster than the network and leans less on volume, so as its share rises the earnings base becomes higher-quality and more resilient. That is the bull's strongest structural argument — and the reason the market awards Mastercard a premium multiple to Visa.

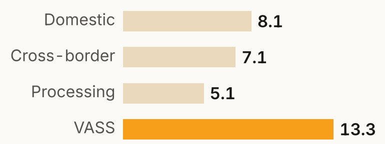
> *Fees at every step of the transaction — and none of the credit risk.*

THE FOUR-PARTY NETWORK



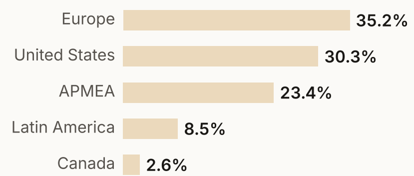
Fees at each step · no credit risk

FY2025 REVENUE BY LINE ($BN)



VASS is now the single largest revenue line.

GROSS DOLLAR VOLUME BY REGION (%)



~69% of GDV is generated outside the US.

OPERATING SCALE — FY2025

Gross dollar volume	$10.6tn
Switched transactions	175.5bn
Cards issued	3.7bn
Countries & territories	220+
Switched internally	70%+

Volumes, built from the data up.

Our central contribution: Payment Network revenue is no longer a typed-in fade. It is **built from sourced macro inputs**, so a reader can see exactly what has to be true — and swap any assumption for their own.

1 GDV, from regional spend + displacement

Gross dollar volume growth = GDV-weighted **regional nominal spend** (IMF WEO Apr-2026 real GDP + inflation) **plus a structural cash-displacement uplift**. That yields composite GDV growth of **8.2% (2026) fading to 6.7% (2030)** — near the base model's ~9%→7%, but now traceable to source.

2 Cross-border, made data-driven

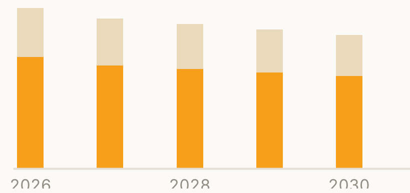
No longer a hand-set number: a weighted blend of **travel & T&E (50%, IATA passenger demand), cross-border e-commerce (35%, ~9.6% CAGR), and remittances (15%, ~6%)** — giving **11.8% → 8.0%**. Applied through the three fee lines, Payment Network revenue grows **10.6% → 8.0%**.

3 Provenance you can audit

Live from FRED: 10-yr UST 4.54%, USD index, US nominal GDP +6.1%, PCE inflation +3.1%. Sourced from IMF WEO Apr-2026: regional real growth and inflation. Judgment: the cash-displacement uplift, switched-transaction growth, pricing drift, and the 2028–30 extension. Every yellow cell in the model is labelled with its source.

> *Make the drivers honest, and the answer moves.*

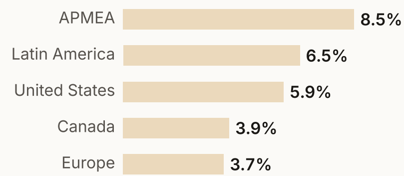
COMPOSITE GDV GROWTH BUILD (%)



Weighted nominal spend, plus a cash-to-card uplift.

Nominal spend   Displacement

REGIONAL NOMINAL GROWTH — 2026 (%)



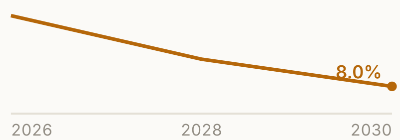
IMF WEO Apr-2026: real GDP + inflation.

CROSS-BORDER BUILD (2026, %)

Travel & T&E **×0.50**	14.0
Cross-border e-commerce **×0.35**	11.0
Remittances **×0.15**	6.5
Blended cross-border	11.8

IATA / cross-border payments market.

PAYMENT NETWORK REVENUE GROWTH (%)



Slightly below the base model's hand-set fade.

The engine, 2025–2030.

Revenue compounds **$32.8bn → $58.5bn (~12.3% CAGR)**, Payment Network $19.5→$30.2bn and VASS $13.3→$28.3bn. Net margin lifts toward ~49% as mix and operating leverage play through. Free cash flow uses the same **circular interest-on-average-cash** mechanic as the workbook — and charges the acquisition cost of inorganic VASS growth.

1 Revenue & mix

Payment Network fades from ~11% to ~8% growth as volumes normalise; VASS compounds mid-teens on organic services plus bolt-on M&A. The result is a business whose growth is increasingly services-led and less volume-dependent by 2030.

2 Margins

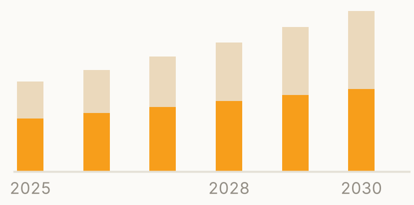
EBIT margin rises 57.4% → 61.9% and EBITDA 61% → 64% on mix and leverage. We flag — as on p.4 — that the terminal margin exceeds anything the company has printed; it is the single most valuation-sensitive operating assumption.

3 Cash & the circular loop

Interest income is earned on **average** cash, which depends on the year's cash flow, which depends on interest income — a genuine circular reference resolved by iterative calculation. FCFE is struck after a real acquisition outflow for the inorganic slice of VASS, which the base model omitted.

> *Growth that leans a little less on volume every year.*

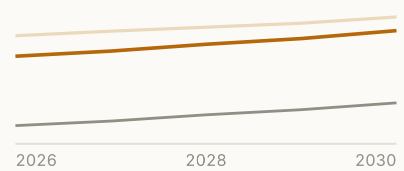
NET REVENUE — PN & VASS ($M)



Services-led growth; ~12% revenue CAGR.

Payment Network VASS

MARGIN LADDER (%)



EBITDA, EBIT and net margin, 2026–2030.

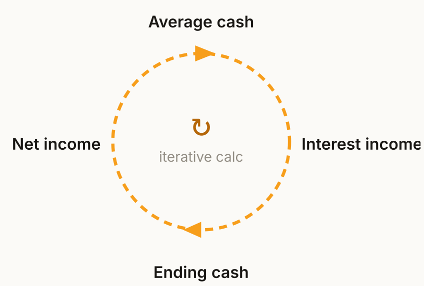
EBITDA EBIT Net

FCFE BUILD — 2026 ($M)

Net income	16,980
+ D&A	1,150
– Capex	(1,600)
+ WC / other	220
– Acquisitions	(nil FY26)
Free cash flow to equity	**16,760**

Acquisition charge bites from FY27.

THE CIRCULAR CASH LOOP



06 · VALUATION

What the price already assumes.

Two methods, blended 80/20. The discounted cash flow is our fundamental anchor; the relative valuation is context — it is the very multiple the market already pays, not confirmation of it.

1 Cost of capital

Ke = risk-free **4.31%** (live 4.54% UST − 0.23% country adj) + β **0.83** × ERP **5.58%** = **8.94%**; after-tax cost of debt 3.2%; equity ~96% of capital → **WACC 8.66%**. The ERP is GDV-weighted across regions — a genuine refinement we keep.

2 Discounted cash flow

FCFF discounted at WACC with 3.2% terminal growth gives EV ≈ $391bn, equity ≈ $383bn → **$417 per share** ($375 bear / $460 bull). ~80% of value sits in the terminal — the model's central fragility, and why the live discount rate matters so much.

3 Relative valuation

Mastercard trades ~26× forward P/E and ~20× EV/EBITDA. Applying its 5-yr average premium to Visa (18.1% P/E, 16.8% EV/EBITDA) to Visa's forward multiples implies **~$598** — but that is what the market *already* pays. The 80/20 blend lands at **$453**.

> *Eighty percent of the value is a number five years out.*

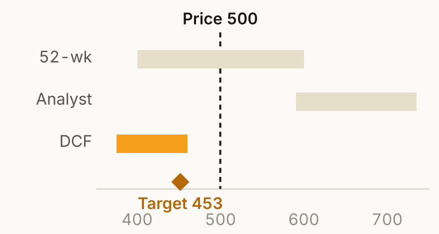
COST OF CAPITAL BUILD (%)

Risk-free (live UST − country adj)	4.31
+ β 0.83 × ERP 5.58%	4.63
Cost of equity	**8.94**
After-tax cost of debt	3.21
WACC (96% equity)	**8.66**

DCF BRIDGE TO PER SHARE

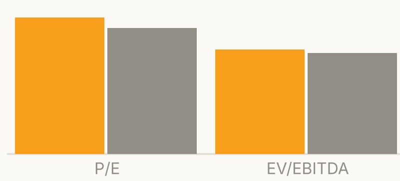
PV of explicit FCFF	$77bn
PV of terminal value	$314bn
Enterprise value	**$391bn**
− Net debt	($8.6bn)
Equity value	**$383bn**
÷ 885m shares	**$417**

VALUATION FOOTBALL FIELD ($)



Every method but the Street sits left of price.

FORWARD MULTIPLES — MA VS VISA



Mastercard already carries its premium.

Mastercard Visa

A real bear, and what moves it.

Scenarios are **macro-driven**, so the bear is a genuine recession — consumer spend and cross-border roll over (2026 GDV shock −6pp, cross-border −12pp) with margin compression — not “less bull.” The whole distribution sits below the market.

1 Bear – $375 (−25%)

A demand recession: Payment Network growth collapses to ~3% in 2026, VASS organic slows, and EBIT margin gives back ~200bp before recovering. Even here the franchise compounds — it simply is not worth today's price.

2 Base – $417 (−16.5%)

Sourced macro drivers, live cost of capital, charged M&A. Revenue reaches $58.5bn by 2030 at a 61.9% terminal EBIT margin. Our central case.

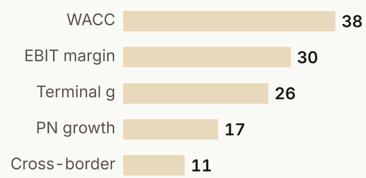
3 Bull – $460 (−8%)

Stronger consumer and cross-border, +200bp of terminal margin, +30bp terminal growth. The striking result: **even the bull case does not reach the price.** What moves the answer most is WACC and terminal margin — precisely where the base model was most generous — not GDV.

FAIR VALUE BY SCENARIO ($)

Price $500 — all three below par.

WHAT MOVES THE VALUE (±$/SHARE)

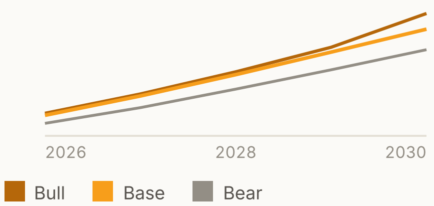


WACC ±25bp · margin ±100bp · g ±20bp · growth ±100bp.

SCENARIO DRIVERS

	BEAR	BASE	BULL
PN growth '26	3.2%	10.6%	12.3%
EBIT FY30	59.9%	61.9%	63.9%
Terminal g	2.9%	3.2%	3.5%
Fair value	**$375**	**$417**	**$460**

NET REVENUE PATHS ($BN)



What we could have wrong.

Our call is bearish versus consensus, so the honest risks run **against** us as much as with us — reasons Mastercard could re-rate higher. We hold the model's own beta; if anything it flatters the bulls.

1 Cost of capital — our own flag

We use the model's raw **0.83** beta. It is low and unadjusted; a Blume/consensus beta near 1.0 would push fair value **lower** still — a risk to the bull case, not ours. Conversely, a durable fall in the 10-year lifts our target.

2 Regulation

Interchange caps and network-fee scrutiny across the US, EU and UK could compress the assessment lines. Partly mitigated by Mastercard's pricing power and the growing, less-regulated VASS mix.

3 Disruption

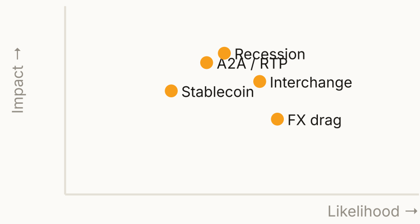
Real-time / account-to-account rails, stablecoins and on-us schemes could route volume around the network over time. Near-term impact is modest; the tail risk is real and worth monitoring.

4 Macro & FX

Recession or a travel shock hits the highest-margin cross-border line hardest. And with ~69% of GDV ex-US, dollar strength is a reported-revenue drag not yet explicit in the base.

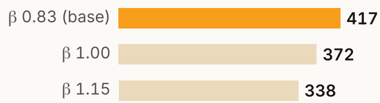
The honest risks here run in both directions.

RISK MAP — LIKELIHOOD × IMPACT



Recession and A2A carry the highest impact.

BETA → FAIR VALUE ($)



Normalising beta only deepens the downside.

FX: REPORTED-REVENUE IMPACT

~69% of GDV is non-US; the base assumes flat FX.

REGULATORY / COMPETITIVE WATCH

09 · CATALYSTS & TIMELINE

What closes the gap.

A Neutral call still needs triggers — the events that would move price toward fair value, or force us to change our mind. We watch four, and we would revisit the rating on a durable move in any of them.

1 Cross-border & GDV prints

The fastest read on the travel and e-commerce thesis. Cross-border decelerating toward our band confirms the base; a re-acceleration is the clearest bull trigger and would lift the target.

2 VASS organic vs inorganic disclosure

Directly tests the “free M&A” concern. Cleaner disclosure of organic services growth — and the capital deployed to buy the rest — validates or refutes a core plank of our variant view.

3 The rate path

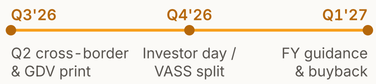
With ~80% of value in the terminal, every 25bp on the 10-year is material. A sustained fall in real rates is the single most powerful re-rating catalyst; a further rise deepens the discount.

4 Capital returns

Buyback pace versus acquisition spend signals how management itself weighs organic value against bought growth — and how much of free cash flow actually reaches shareholders.

We turn constructive under ~$420.

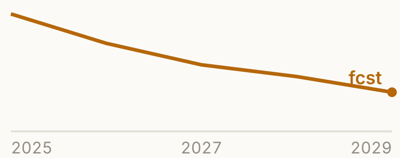
CATALYST CALENDAR — NEXT 12 MONTHS



WHAT WE MONITOR

Cross-border volume growth	> / < 11%
GDV local-currency growth	> / < 8%
VASS organic growth	> / < 14%
10-year Treasury	**vs 4.5%**

TREND TO WATCH — CROSS-BORDER (%)



Our forecast band vs the trailing print.

WHAT WOULD CHANGE OUR MIND

TURN BULLISH IF	TURN BEARISH IF
10-yr < 4.0%	10-yr > 5.0%
X-border re-accelerates	Interchange caps land
Organic VASS > 16%	A2A takes share

Income statement.

Condensed income statement, 2021A–2030E ($m unless stated). Historicals from the FY2025 10-K and S&P Capital IQ; the forecast reflects our macro-linked driver build (pp.7–8). This statement and the balance sheet and cash flow that follow (Appendices B–C) form the grounded, integrated three-statement behind the valuation.

INCOME STATEMENT ($M)

	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Payment Network	12,660	15,008	15,824	17,335	19,476	21,540	23,689	25,860	28,061	30,187
VASS	6,224	7,879	9,274	10,832	13,315	15,511	18,258	21,322	24,690	28,346
Net revenue	**18,884**	**22,887**	**25,098**	**28,167**	**32,791**	**37,051**	**41,947**	**47,182**	**52,751**	**58,533**
YoY growth		21.2%	9.7%	12.2%	16.4%	13.0%	13.2%	12.5%	11.8%	11.0%
EBIT margin	53.4%	56.4%	55.8%	55.3%	57.6%	57.4%	58.3%	59.5%	60.5%	61.9%
EBIT	10,084	12,908	14,005	15,576	18,888	21,267	24,455	28,073	31,914	36,232
EBITDA margin	57.2%	59.7%	59.0%	58.5%	61.1%	61.0%	61.8%	62.5%	63.2%	64.3%
Net margin	46.0%	46.2%	44.6%	45.7%	45.7%	45.2%	46.0%	47.1%	48.0%	49.2%
Net income	**8,687**	**10,574**	**11,194**	**12,872**	**14,985**	**16,747**	**19,296**	**22,223**	**25,320**	**28,798**
EPS ($)	9.81	11.94	12.65	14.54	16.93	18.92	21.80	25.10	28.60	32.53

Net revenue is net of rebates and incentives (~34.5% of gross Payment Network revenue). EBIT margin peaks at 61.9% in 2030E — above the 2021–25 historical ceiling of ~57.6% (see p.4). EPS on 885.22m shares, held roughly flat as buybacks offset dilution. Payment Network revenue is trimmed ~2% versus the base model by our data-driven cross-border build (p.7).

Balance sheet.

Condensed balance sheet, 2025A–2030E ($m). Grounded in the FY2025 10-K and S&P Capital IQ and projected through the integrated three-statement model. The statement balances: total assets equal total liabilities plus equity in every year.

BALANCE SHEET ($M)

	2025A	2026E	2027E	2028E	2029E	2030E
ASSETS						
Cash & equivalents	10,566	10,800	13,976	18,378	24,307	32,107
Accounts receivable	4,609	5,533	6,288	7,107	7,983	8,876
Settlement assets	1,626	1,789	1,959	2,135	2,316	2,502
Property, plant & equip.	2,303	2,261	2,296	2,397	2,552	2,752
Goodwill	9,560	10,360	10,360	10,360	10,360	10,360
Other intangibles	5,554	6,392	6,694	7,208	7,916	8,853
Other long-term assets	11,615	13,152	14,945	16,893	18,976	21,099
Total assets	**54,157**	**60,187**	**67,514**	**75,144**	**86,041**	**99,148**
LIABILITIES						
Accounts payable	999	1,253	1,405	1,567	1,736	1,876
Accrued expenses	13,272	15,028	17,077	19,303	21,683	24,109
Settlement obligations	2,409	2,650	2,902	3,163	3,432	3,706
Short-term borrowings	749	1,941	2,750	1,882	2,168	2,386
Long-term debt	18,251	19,251	20,251	21,251	22,251	23,251
Total liabilities	**46,420**	**51,042**	**55,581**	**58,713**	**63,216**	**67,753**
EQUITY						
Retained earnings	85,035	98,625	114,360	132,562	153,409	177,182
Treasury stock	(83,224)	(96,082)	(109,797)	(124,369)	(139,798)	(156,085)
Total equity	**7,737**	**9,145**	**11,933**	**16,431**	**22,825**	**31,396**

Equity is depressed by a large accumulated treasury-stock balance (–$83bn in 2025A, growing with the buyback) — a capital-return artefact, not distress; the business is strongly cash-generative and net-debt light (net debt ~$8.6bn). Long-term debt drifts up modestly to fund returns. Goodwill and other intangibles rise with the acquired (inorganic) VASS growth we cost in the valuation.

Cash flow statement.

Condensed cash flow, 2025A–2030E ($m). Operating cash flow compounds from $17.6bn to $31.6bn; the overwhelming majority of financing outflow is share repurchase. Grounded in the FY2025 10-K and S&P Capital IQ.

CASH FLOW STATEMENT ($M)

	2025A	2026E	2027E	2028E	2029E	2030E
OPERATING ACTIVITIES						
Net income	14,968	16,766	19,413	22,457	25,721	29,330
Depreciation & amort.	1,143	1,339	1,445	1,428	1,450	1,449
Amort. of customer incentives	2,098	2,599	2,953	3,339	3,750	4,170
Stock-based comp.	597	676	768	868	975	1,084
Cash from operations	**17,648**	**18,536**	**21,595**	**24,684**	**27,987**	**31,555**
INVESTING ACTIVITIES						
Capital expenditure (PP&E)	(489)	(649)	(737)	(834)	(936)	(1,041)
Capitalised software	(726)	(939)	(1,067)	(1,206)	(1,355)	(1,506)
Cash from investing	**(1,362)**	**(3,085)**	**(1,801)**	**(2,037)**	**(2,288)**	**(2,544)**
FINANCING ACTIVITIES						
Purchase of treasury stock	(11,727)	(12,858)	(13,715)	(14,572)	(15,429)	(16,287)
Dividends paid	(2,756)	(3,177)	(3,678)	(4,255)	(4,873)	(5,557)
Cash from financing	**(14,179)**	**(15,217)**	**(16,617)**	**(18,246)**	**(19,770)**	**(21,210)**
Net change in cash	**2,440**	**234**	**3,176**	**4,401**	**5,929**	**7,800**

Cash conversion is high and stable — operating cash flow tracks net income plus non-cash incentive amortisation. Capex and capitalised software together run ~3–4% of revenue (asset-light). Buybacks ($11.7bn in 2025A, rising) dominate capital returns versus dividends ($2.8bn). Our free-cash-flow-to-equity (Appendix D) additionally charges the acquisition outflow for the inorganic slice of VASS growth.

Valuation & cost of capital.

Discounted cash flow (FCFF / WACC), the cost-of-capital build, the GDV-weighted equity risk premium, and the two-way sensitivity of value to discount rate and terminal growth. Inputs refreshed to 9 Jul 2026; concludes fair value $417 (DCF) vs the base model's $626.

DISCOUNTED CASH FLOW ($M)

	2026E	2027E	2028E	2029E	2030E
Free cash flow to firm	16,905	16,372	18,264	20,966	24,312
Discount factor @ 8.66%	0.920	0.847	0.779	0.717	0.660
PV of FCFF	**15,558**	**13,866**	**14,236**	**15,040**	**16,050**

DCF SUMMARY ($M)

PV of explicit FCFF (2026–30)	74,750
PV of terminal value (g = 3.2%)	303,361
Enterprise value	**378,110**
Less: net debt	(8,583)
Equity value	**369,527**
Shares outstanding (m)	885.22
Value per share (DCF)	**$417**

COST OF CAPITAL

Risk-free (live UST 4.54% − 0.23% country)	4.31%
Beta (5-yr monthly vs S&P 500)	0.83
Equity risk premium (GDV-weighted)	5.58%
Cost of equity (CAPM)	**8.94%**
Pre-tax cost of debt (bond YTM)	4.06%
After-tax cost of debt (21%)	3.21%
Weight equity / debt	96% / 4%
WACC	**8.66%**

GDV-WEIGHTED ERP

REGION	GDV WT	ERP	CONTRIB.
United States	30.3%	4.46%	1.35%
Europe	35.2%	5.50%	1.94%
APMEA	23.4%	6.26%	1.46%
Latin America	8.5%	8.46%	0.72%
Canada	2.6%	4.23%	0.11%
Weighted ERP	**100%**	**—**	**5.58%**

SENSITIVITY — VALUE PER SHARE ($): WACC × TERMINAL G

WACC \ G	2.9%	3.2%	3.5%
8.2%	$455	$478	$505
8.7% (base)	**$398**	**$417**	**$439**
9.1%	$355	$370	$387

~80% of enterprise value sits in the terminal value; the answer is highly sensitive to both the discount rate and perpetuity growth. A Blume-adjusted beta nearer 1.0 would raise WACC and lower fair value further.

Comparable companies.

The peer set behind the relative valuation. Forward estimates are FY2026E consensus (S&P Capital IQ, as at 23 Apr 2026). Mastercard is benchmarked to Visa — the only structurally comparable pure network — adjusted for its historical premium.

COMPARABLE COMPANIES — FY2026E ($M, EXCEPT MULTIPLES)

COMPANY	TICKER	MKT CAP	EV	REVENUE	EBITDA	NET INC.	P/E	EV/EBITDA
Mastercard	MA	454,967	480,250	36,996	23,315	19,368	26.1	20.0
Visa	V	593,196	608,250	44,650	31,473	24,193	24.1	19.3
American Express	AXP	228,297	227,252	78,799	27,360	11,939	19.5	—
PayPal	PYPL	46,081	34,924	34,104	6,666	4,590	13.6	6.9
Fiserv	FI	33,717	64,946	20,096	8,543	3,116	15.3	11.3
Adyen	ADYEN	35,877	28,149	3,312	1,764	1,430	28.4	26.8
Global Payments	GPN	—	—	—	—	—	5.2	6.1

Broader peers (PayPal, Fiserv, Adyen, Global Payments) differ materially in business model, margin and capital structure; American Express bears credit risk. Visa is therefore the sole benchmark for the premium-adjusted relative valuation.

HISTORICAL P/E PREMIUM — MASTERCARD OVER VISA

	FY21	FY22	FY23	FY24	FY25
P/E — MA vs Visa	41.3	31.7	30.0	31.9	33.2
P/E — Visa	35.1	26.8	25.5	26.6	28.4
Premium to Visa	**17.9%**	**18.4%**	**17.6%**	**20.0%**	**16.7%**

Five-year average premium: 18.1% on P/E and 16.8% on EV/EBITDA. We apply this premium to Visa's forward multiples to derive the relative value ($598) — we do not layer further re-rating on top.

Macro data & provenance.

The observed data behind the driver build. FRED series were pulled live via API; IMF and IATA figures are from the April/January 2026 publications. Nothing in the revenue engine is a hand-set fade — each input is sourced or labelled as judgment.

FRED — LIVE SERIES (9 JUL 2026)

SERIES	VALUE	AS OF
10-Year Treasury (DGS10) — risk-free	4.54%	9 Jul 2026
Nominal GDP growth, YoY (GDP)	6.07%	2026 Q1
Real GDP growth, YoY (GDPC1)	2.68%	2026 Q1
PCE price inflation, YoY (PCECTPI)	3.10%	2026 Q1
CPI inflation, YoY (CPIAUCSL)	4.27%	May 2026
USD broad index (DTWEXBGS)	120.69	2 Jul 2026
USD / EUR (DEXUSEU)	1.145	2 Jul 2026

IMF WEO APR-2026 — REAL GDP / CPI (%)

	GDP 26	GDP 27	CPI 26	CPI 27
United States	2.3%	2.1%	3.6%	2.4%
Euro area	1.1%	1.2%	2.6%	2.2%
Canada	1.5%	1.7%	2.2%	2.0%
Emerging & developing	3.8%	4.5%	4.7%	3.9%
World	**3.1%**	**3.2%**	—	—

FROM DATA TO DRIVERS (2026 ILLUSTRATION)

STEP	VALUE
US nominal = real 2.3% + inflation 3.6%	5.9%
GDV-weighted nominal spend (5 regions)	5.7%
+ cash-displacement uplift (judgment)	2.5%
= Composite GDV growth, 2026	**8.2%**
Cross-border = 0.50 travel + 0.35 e-com + 0.15 remit	11.8%
Payment Network revenue growth, 2026	**10.6%**

DATA PROVENANCE

INPUT	SOURCE	AS OF	TYPE
Rates, FX, US GDP & inflation	FRED (live API)	9 Jul 2026	Live
Regional real GDP + inflation	IMF WEO April 2026	Apr 2026	Sourced
Air passenger demand (travel proxy)	IATA long-term projections	Jan 2026	Sourced
Cross-border e-com / remittances	Industry market research	2026	Sourced
Displacement, pricing, 2028–30 path	Team assumption	—	Judgment
Financials & historical multiples	10-K / S&P Capital IQ	FY2025	Reported

GDV weights (US 30.3%, Europe 35.2%, APMEA 23.4%, Latin America 8.5%, Canada 2.6%) are Mastercard's FY2025 gross-dollar-volume mix. Composite GDV growth fades 8.2%→6.7% and cross-border 11.8%→8.0% over 2026–30 (Appendix, p.15 of the model). The live 10-year Treasury of 4.54% replaces the base model's stale 4.05% — the single most valuation-relevant refresh.

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