



MasterCard, Inc (MA)

Updated January 31st, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$566	5 Year CAGR Estimate:	11.8%	Market Cap:	\$520 B
Fair Value Price:	\$480	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	01/10/25
% Fair Value:	118%	5 Year Valuation Multiple Estimate:	-3.2%	Dividend Payment Date:	02/07/25
Dividend Yield:	0.5%	5 Year Price Target	\$965	Years Of Dividend Growth:	14
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Buy

Overview & Current Events

MasterCard is a world leader in electronic payments. The company partners with 22,000 financial institutions around the world to provide an electronic payment network. MasterCard has more than 3.5 billion credit and debit cards in use.

On December 17th, 2024, MasterCard raised its quarterly dividend 15.2% to \$0.76, extending the company's dividend growth streak to 14 consecutive years.

On January 30th, 2025, MasterCard announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue improved 15.4% to \$7.5 billion, which was \$120 million above estimates. Adjusted earnings-per-share of \$3.82 compared favorably to \$3.18 in the prior year and was \$0.13 more than expected. For the year, revenue grew 12% to \$28.2 billion while adjusted earnings-per-share of \$14.60 compared to \$12.26 in 2023.

On a local currency basis, gross dollar volumes for the quarter grew 12% worldwide to \$2.56 trillion during the quarter, with the U.S. improving 9% and the rest of the world higher by 13%. Cross border volumes remained strong, growing 20% from the prior year and 17% from Q3 2024. Switched transactions grew 11% to 42.2 billion and cards in use grew 6% to 3.5 billion. Expenses increased 12% to \$3.6 billion. The adjusted operating margin expanded 10 basis points to 56.3%. The company repurchased 6.5 million shares at an average price of \$523.08 during the quarter. Quarter-to-date through January 27th, 2025, MasterCard repurchased an additional 1.2 million shares at an average price of \$536.67. The company has \$14.5 billion, or 2.7% of its market capitalization, remaining on its share repurchase authorization.

We expect that MasterCard will earn \$16.00 in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.35	\$3.69	\$4.58	\$6.49	\$7.77	\$6.43	\$8.76	\$10.22	\$11.83	\$14.60	\$16.00	\$32.18
DPS	\$0.64	\$0.76	\$0.88	\$1.00	\$1.32	\$1.60	\$1.76	\$1.96	\$2.28	\$2.64	\$3.04	\$6.11
Shares¹	1116	1081	1054	1040	1008	1001	986	963	939	917	917	875

MasterCard has grown earnings-per-share at a rate of almost 18% per year over the last decade. We project that the company can continue to grow earnings by at least 15% annually through 2030. This growth will come from a combination of increases in revenue, improving margins, and share buybacks. If the company succeeds in hitting our growth projections, then MasterCard could earn \$32.18 based off of 2025 earnings estimates.

It is estimated by some research firms that a little more than 20% of point-of-sale purchase are made with cash in the U.S. This trend is similar to other industrialized countries. Consumers are also turning towards online shopping to make their purchases, making a credit card essential to them. The conversion from cash to credit and debit cards should allow MasterCard an opportunity for growth for the foreseeable future.

MasterCard has increased its dividends for 14 years, and has paid an uninterrupted dividend since 2006. We see the dividend more than doubling to \$6.11 per share by 2030 as the payout ratio is quite low and earnings growth is strong.

¹ Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	27.6	26.0	27.8	29.4	33.0	43.3	41.0	33.6	36.1	36.1	35.4	30.0
Avg. Yld.	0.7%	0.8%	0.7%	0.6%	0.5%	0.6%	0.5%	0.6%	0.6%	0.5%	0.5%	0.6%

MasterCard's share price has increased \$57, or 11.2%, since our November 11st, 2024 report. Based off 2025 earnings-per-share estimates, shares have a current price-to-earnings ratio, or P/E, of 35.4. The stock has a 10-year average P/E of 33.4 and a five-year average P/E of 38. We are raising our target P/E to 30 from 27 to better reflect the quality of earnings over the recent years and to be more in-line with its average multiples. Growth prospects for the company in the electronic payment space also contribute to our higher target multiple. If shares were to revert to this target P/E by 2030, then valuation would reduce annual returns by 3.2% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

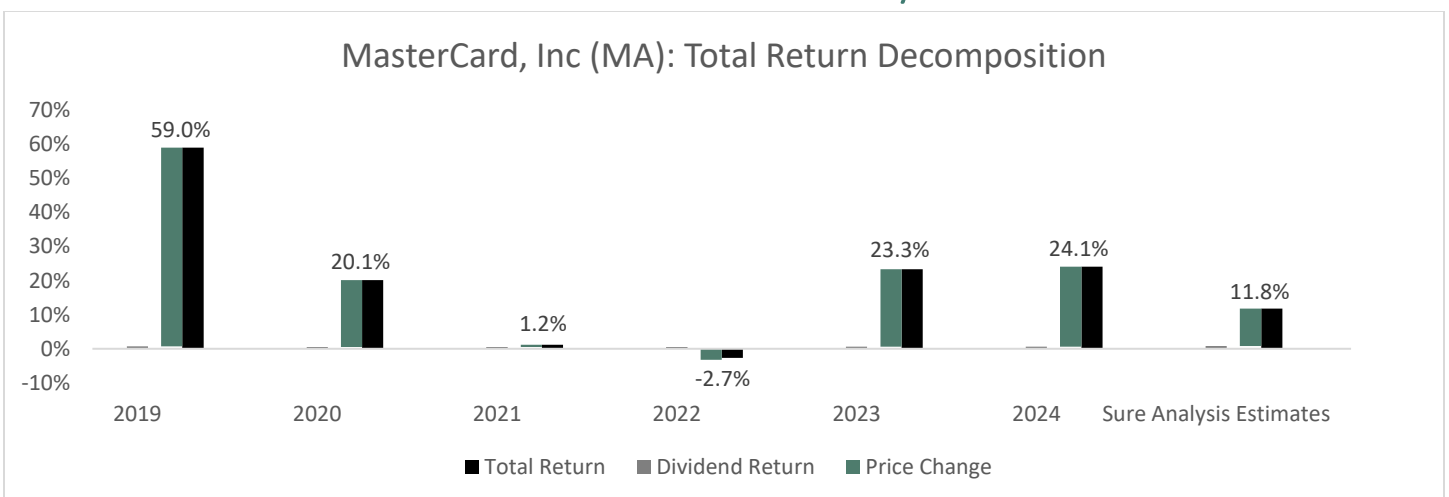
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	19%	21%	19%	15%	17%	25%	20%	19%	19%	18%	19%	19%

MasterCard was able to grow earnings during the last recession. Consumers will likely cut back on spending if/when the economy weakens, but they will still need to buy items like gas, groceries, and clothes. While total spending may fall, consumers' habits of using credit and debit cards to make purchases will likely remain the same, if not increase in the future. This is one of the key competitive advantages that MasterCard possesses. As one of the largest companies in the electronic payment space, MasterCard is likely to benefit from increased use of debit and credit cards as a form of payment for goods and services. In addition, the company discussed several partnerships on the past few conference calls with different corporations. For example, iPhone users will be able to access a digital version of their MasterCard in their Apple Wallet, making it easy and convenient to shop and spend.

Final Thoughts & Recommendation

Following fourth quarter earnings results, MasterCard is expected to offer a total annual return of 11.8% through 2030, up from our previous estimate of 9.7%. This projected return stems from a 15% growth rate and a starting yield of 0.5% that are offset by low single-digit multiple compression. MasterCard continues to show strong growth numbers throughout its business. We remain enthused by the company's business model, its leadership position in its industry, and the growth potential for electronic payments. We have raised our five-year price target \$178 to \$965 due to EPS estimates for 2025 and a higher P/E target. We now view shares of MasterCard as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,667	10,776	12,497	14,950	16,883	15,301	18,884	22,237	25,098	28,167
SG&A Exp.	7,562	8,551	9,810	11,736	13,346	11,514	14,395	16,974	19,076	
D&A Exp.	78.2%	79.4%	78.5%	78.5%	79.0%	75.2%	76.2%	76.3%	76.0%	0.0%
Operating Profit	2,139	2,266	2,631	2,903	3,128	2,771	3,442	3,502	3,647	11,008
Operating Margin	366	373	437	459	522	580	726	750	799	897
Net Profit	5,057	5,912	6,743	8,374	9,696	8,163	10,227	12,722	14,630	16,262
Net Margin	52.3%	54.9%	54.0%	56.0%	57.4%	53.3%	54.2%	57.2%	58.3%	57.7%
Free Cash Flow	3,808	4,059	3,915	5,859	8,118	6,411	8,687	9,930	11,195	12,874
Income Tax	39.4%	37.7%	31.3%	39.2%	48.1%	41.9%	46.0%	44.7%	44.6%	45.7%

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	16,250	18,675	21,329	24,860	29,236	33,584	37,669	38,724	42,448	48,081
Cash & Equivalents	5,747	6,721	5,933	6,682	6,988	10,113	7,421	7,008	8,588	8,442
Accounts Receivable	1,079	1,416	1,969	2,276	2,514	2,646	3,006	3,425	4,060	3,773
Goodwill & Int. Ass.	2,694	2,478	4,155	3,895	5,438	6,713	11,333	11,381	11,746	14,646
Total Liabilities	10,188	12,991	15,761	19,371	23,245	27,067	30,257	32,347	35,451	41,566
Accounts Payable	472	609	933	537	489	527	738	926	834	929
Long-Term Debt	3,268	5,180	5,424	6,334	8,527	12,672	13,901	14,023	15,681	18,226
Shareholder's Equity	6,028	5,656	5,468	5,395	5,893	6,391	7,312	6,298	6,929	6,485
LTD/E Ratio	0.54	0.92	0.99	1.17	1.45	1.98	1.90	2.23	2.26	2.81

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	24.1%	23.2%	19.6%	25.4%	30.0%	20.4%	24.4%	26.0%	27.6%	28.4%
Return on Equity	59.1%	69.1%	69.6%	106.0%	141.4%	102.5%	124.7%	144.0%	167.4%	190.6%
ROIC	43.2%	40.2%	35.8%	51.4%	61.6%	38.0%	42.9%	47.6%	52.0%	54.3%
Shares Out.	1116	1081	1054	1040	1008	1001	986	963	939	917
Revenue/Share	8.50	9.79	11.66	14.28	16.52	15.21	19.04	22.90	26.53	30.39
FCF/Share	3.31	3.86	4.89	5.46	7.29	6.48	8.72	10.40	11.51	14.66

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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