

VISA INC.
Form 10-Q
July 23, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-33977

VISA INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction

of incorporation or organization)

26-0267673

(IRS Employer

Identification No.)

P.O. Box 8999

San Francisco, California

(Address of principal executive offices)

94128-8999

(Zip Code)

(650) 432-3200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company.)

Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 17, 2015, there were 1,951,387,285 shares of class A common stock, par value \$0.0001 per share, 245,513,385 shares of class B common stock, par value \$0.0001 per share, and 19,208,816 shares of class C common stock, par value \$0.0001 per share, of Visa Inc. outstanding.

Table of Contents

VISA INC.
TABLE OF CONTENTS

PART I.	<u>Financial Information</u>	Page <u>3</u>
Item 1.	<u>Financial Statements (unaudited)</u>	<u>3</u>
	<u>Consolidated Balance Sheets—June 30, 2015 and September 30, 2014</u>	<u>3</u>
	<u>Consolidated Statements of Operations—Three and Nine Months Ended June 30, 2015 and 2014</u>	<u>5</u>
	<u>Consolidated Statements of Comprehensive Income—Three and Nine Months Ended June 30, 2015 and 2014</u>	<u>7</u>
	<u>Consolidated Statement of Changes in Equity—Nine Months Ended June 30, 2015</u>	<u>8</u>
	<u>Consolidated Statements of Cash Flows—Nine Months Ended June 30, 2015 and 2014</u>	<u>9</u>
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>11</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
Item 4.	<u>Controls and Procedures</u>	<u>34</u>
PART II.	<u>Other Information</u>	<u>35</u>
Item 1.	<u>Legal Proceedings</u>	<u>35</u>
Item 1A.	<u>Risk Factors</u>	<u>35</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>35</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>35</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>35</u>
Item 5.	<u>Other Information</u>	<u>35</u>
Item 6.	<u>Exhibits</u>	<u>36</u>
	<u>Signatures</u>	<u>37</u>
	<u>Exhibit Index</u>	<u>38</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

VISA INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2015	September 30, 2014
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	\$2,147	\$1,971
Restricted cash—litigation escrow (Note 2)	1,143	1,498
Investment securities (Note 3):		
Trading	71	69
Available-for-sale	2,504	1,910
Settlement receivable	704	786
Accounts receivable	892	822
Customer collateral (Note 6)	1,068	961
Current portion of client incentives	248	210
Deferred tax assets	834	1,028
Prepaid expenses and other current assets	457	307
Total current assets	10,068	9,562
Investment securities, available-for-sale (Note 3)	3,300	3,015
Client incentives	94	81
Property, equipment and technology, net	1,847	1,892
Other assets	920	855
Intangible assets, net (Note 7)	11,375	11,411
Goodwill (Note 7)	11,825	11,753
Total assets	\$39,429	\$38,569
Liabilities		
Accounts payable	\$89	\$147
Settlement payable	1,237	1,332
Customer collateral (Note 6)	1,068	961
Accrued compensation and benefits	439	450
Client incentives	1,053	1,036
Accrued liabilities	806	624
Accrued litigation (Note 13)	1,097	1,456
Total current liabilities	5,789	6,006
Deferred tax liabilities	4,134	4,145
Other liabilities (Note 8)	879	1,005
Total liabilities	10,802	11,156

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.

CONSOLIDATED BALANCE SHEETS—(Continued)
(UNAUDITED)

	June 30, 2015	September 30, 2014
	(in millions, except par value data)	
Equity		
Preferred stock, \$0.0001 par value, 25 shares authorized and none issued	\$—	\$—
Class A common stock, \$0.0001 par value, 2,001,622 shares authorized, 1,951 and 1,978 shares issued and outstanding at June 30, 2015 and September 30, 2014, respectively (Note 9)	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at June 30, 2015 and September 30, 2014 (Note 9)	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 19 and 22 shares issued and outstanding at June 30, 2015 and September 30, 2014, respectively (Note 9)	—	—
Additional paid-in capital	18,008	18,299
Accumulated income	10,623	9,131
Accumulated other comprehensive loss, net:		
Investment securities, available-for-sale	5	31
Defined benefit pension and other postretirement plans	(86) (84)
Derivative instruments classified as cash flow hedges	78	38
Foreign currency translation adjustments	(1) (2)
Total accumulated other comprehensive loss, net	(4) (17)
Total equity	28,627	27,413
Total liabilities and equity	\$39,429	\$38,569

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
	(in millions, except per share data)			
Operating Revenues				
Service revenues	\$1,550	\$1,417	\$4,665	\$4,298
Data processing revenues	1,400	1,321	4,123	3,819
International transaction revenues	1,039	860	2,973	2,622
Other revenues	199	195	607	558
Client incentives	(670)	(638)	(2,059)	(1,824)
Total operating revenues	3,518			