Company Update Report

Mastercard Inc.

Financials

Ticker	MA-US
Share price	$577.35
Intrinsic value	$656
Upside/(Downside)	14%
Recommendation	Buy

As at: 30 July 2026

Analyst thesis

Our recommendation is based on:

- Diversified network and services model: Mastercard combines a global payments network with a fast-growing value-added services business, including security, authentication, analytics, and customer engagement. This creates multiple revenue streams, supports strong margins, and strengthens client relationships.
- Exposure to attractive payment growth: Mastercard benefits from the structural shift from cash transactions to digital payments, rising e-commerce penetration, and continued growth in cross-border and contactless transactions. Its mix of developed-market resilience and emerging-market penetration supports durable earnings growth.
- Expansion into new payment flows: Mastercard is extending its reach beyond traditional card rails through real-time account-based payments, agentic commerce, and stablecoin-related capabilities. These initiatives expand its potential market and improve its long-term strategic relevance.
- Strong cash generation and capital returns: Robust profitability and an asset-light model support continued investment, share repurchases and dividends.

Latest company and market insights

Key highlights

In this report, we review the 2Q26 results for the period ended 30 July 2026.

Financial results at a glance:

- Net revenue grew by 14%, from $8.1 billion to $9.3 billion, supported by worldwide gross dollar volume rising 8%, purchase volume up 10%, and cross-border volume advancing 12% on a local currency basis, driven by resilient consumer spending and continued strength in international travel and e-commerce.
- International performance remained strong, with cross-border volumes rising and cross-border fee income growing even faster, reflecting continued strength in international travel and spending activity, which supported robust payment network revenue growth.
- Adjusted operating expenses increased 11%, from $3.3 billion to $3.6 billion, or 10% on a currency-neutral basis, reflecting higher general and administrative costs. The reported growth also included a 1% benefit from acquisitions and dispositions. Despite the increase in expenses, the adjusted operating margin expanded from 59.9% in 2Q25 to 61.1% in the current period.
- Net income advanced by 19%, from $3.7 billion to $4.4 billion, while diluted EPS grew 22%, from $4.07 to $4.97. Adjusted net income rose 18%, from $3.8 billion to $4.5 billion, and adjusted diluted EPS increased 21%, from $4.15 to $5.04, driven by strong operating income growth and the impact of share repurchases.
- Shareholder returns remained strong, with $4.9 billion of share repurchases and $771 million in dividend payments during the quarter, supported by robust profitability and cash flow generation.
- Cash, cash equivalents and restricted cash increased 21% to $14.0 billion at the end of the first six months of FY26. Operating cash flow declined 3% to $6.8 billion over the same period, primarily reflecting higher prepaid expenses, accrued expenses, and accrued litigation and legal settlement costs.

Management's guidance

Management expects 2026 net revenue to grow at the high end of the low double-digit range on a currency-neutral basis, driven by continued expansion across the payment network and value-added services. Adjusted operating expenses are expected to increase at a low double-digit rate, reflecting continued investment in technology, security, and new products, while supporting margin resilience.

Sector outlook

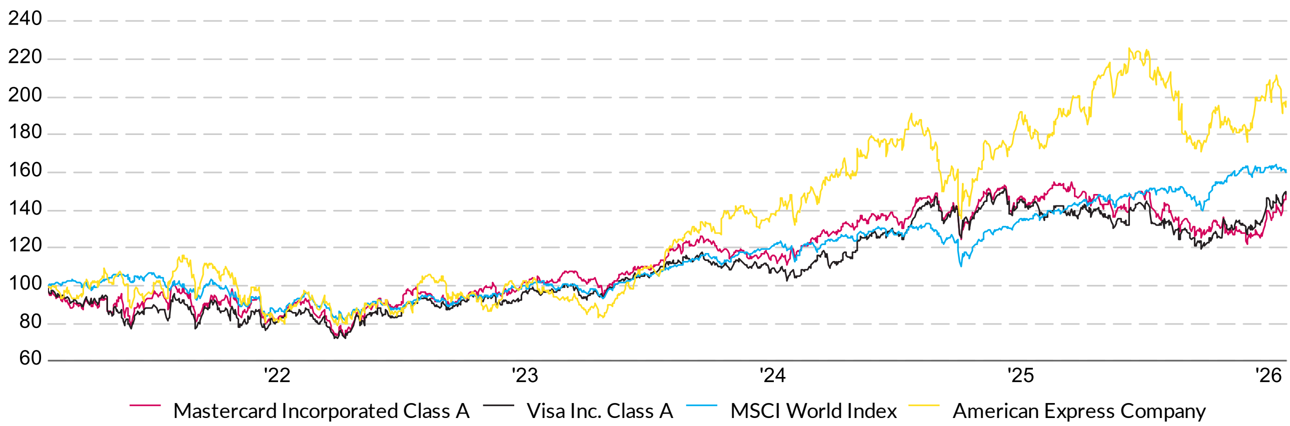
The global payments sector remains structurally attractive, supported by the steady shift from cash to electronic payments and the ongoing growth in e-commerce, contactless payments, and digital wallets. Competition from fintechs, large technology companies, and alternative payment rails is intensifying, pushing incumbents to invest in tokenisation, digital authentication, real-time account-to-account payments, and fraud prevention. Despite ongoing regulatory and legal scrutiny, strong network effects and an asset-light business model should continue to support high returns and resilient cash flow generation.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 12.5% and expected three-year EPS CAGR is 17.0%. Revenue growth is expected from continued consumer spending and rising payment volumes, while the projected EPS expansion is supported by both top-line growth and improved cost efficiency through technology and artificial intelligence (AI)-enabled enhancements.
Valuation	★★★★☆	The share price is trading at a 14% discount to the intrinsic value (IV). The current NTM P:E of 26.7x is trading at a 12% discount to the five-year average NTM P:E of 30.1x.
Dividend	★★★☆☆	LTM dividend yield of 0.6%. NTM dividend yield of 0.7%.
Issuance	★★★★☆	Shares issued have decreased by 8% in the past five years.
Catalyst		Rising consumer and merchant activity: Continued growth in consumer spending, e-commerce, contactless payments, and digital wallet usage supports payment volume expansion. Cross-border and high-value transactions: Healthy travel and non-travel cross-border volumes remain a key revenue driver given stronger fee economics. New partnerships and product innovation: Mastercard agent pay, stablecoin capabilities, and broader fintech, bank, and government partnerships support new payment flows and revenue diversification. Technology and value-added services: Growth in security, authentication, analytics, and engagement solutions underpins pricing power and client retention.
Quality of earnings	★★★★☆	Five-year average ROE of 168.9%. Five-year average net profit margin of 45.3%. The group has recorded positive earnings growth in eight of the past 10 years. Net margins have expanded over the past decade, with ROE steadily trending upward.
Moat	★★★★☆	Network effect: Mastercard's value increases as more issuers, merchants, and cardholders join the network. Each new participant increases the utility for all others. Cost advantage: Shared global infrastructure supports scale efficiency and ongoing investment in innovation and security. Switching costs: Deep integration with issuers, acquirers, merchants, and payment systems makes displacement difficult. Intangible assets: Mastercard's brand and global acceptance reinforce trust and utility.
Management and governance	★★★☆☆	Mastercard's CEO is Michael Miebach, who has held the role since January 2021. Effective 3 August 2026, Ling Hai became CFO, succeeding Sachin Mehra, who had served as CFO since April 2019 before being appointed Chief Business Officer.
Balance sheet	★★★★☆	Net debt to EBITDA ratio of 0.36x with a five-year average of 0.45x. Debt to assets 36.3%.
Risks		Cybersecurity, fraud and data breaches pose a major threat, as security incidents could damage Mastercard's reputation, disrupt operations, and result in financial losses and regulatory penalties. Competitive pressure from fintechs, digital wallets, account-to-account payment networks, cryptocurrencies, and other payment networks could impact market share and transaction fees. Macroeconomic conditions and weaker consumer spending can affect transaction volumes, while reduced global travel may lower cross-border payments, a key revenue and margin driver. Technology and operational risks remain, as system outages or network failures could disrupt payment processing and require continual investment in infrastructure. Regulatory and legal risks, including increased scrutiny of interchange fees, competition, data privacy, and consumer protection, could increase compliance costs, limit pricing flexibility, and result in litigation.

Source: FactSet

Graph 1: Five-year price (indexed to 100)



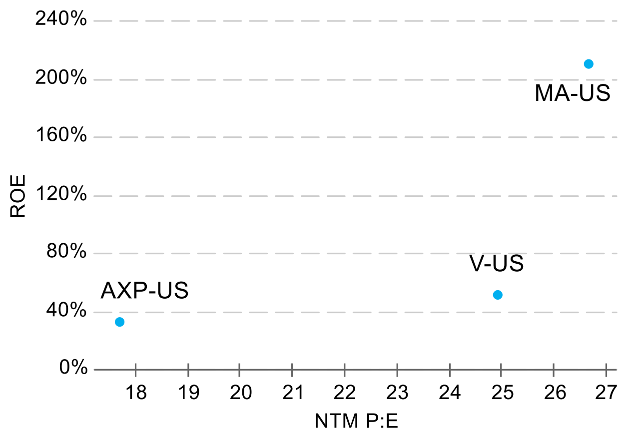
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
MA-US	1.1%	12.4%	14.8%	7.2%	3.3%	29.0%	46.9%	49.6%	506.2%
V-US	4.4%	6.8%	11.0%	13.8%	4.4%	39.2%	55.4%	48.7%	369.3%
AXP-US	-8.8%	-0.2%	4.5%	-4.2%	11.2%	33.7%	104.0%	97.9%	423.6%
MSCI World	9.2%	-0.4%	4.0%	7.4%	18.0%	35.7%	57.3%	62.0%	190.9%

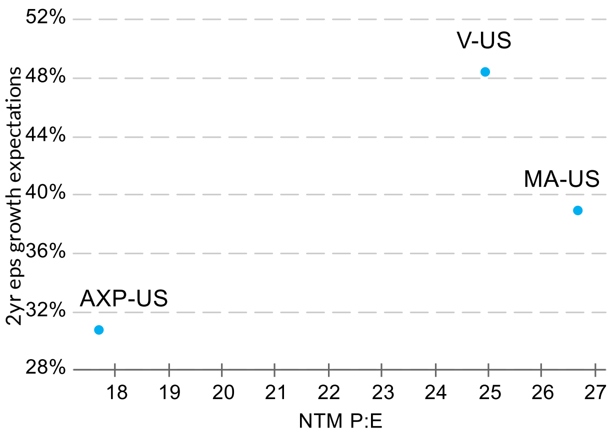
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y growth forecast



Source: FactSet

Valuation

Mastercard was valued using a scenario-based framework that estimates future earnings per share under bear, base, and bull cases. Each scenario is assigned an appropriate P:E multiple, with the base case aligned to Mastercard's long-term historical average, and the bear and bull cases reflecting a one standard deviation contraction or expansion around that average.

The IV is derived by probability-weighting each scenario and calculating a weighted average outcome, thereby incorporating historical valuation norms alongside Mastercard's strategic outlook and the prevailing macroeconomic environment.

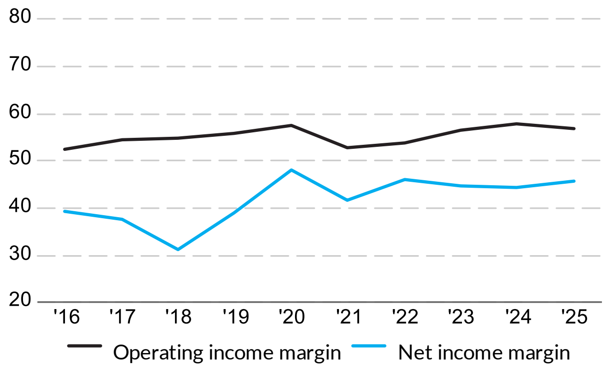
Table 3: Valuation summary

Valuation probabilities			
	Bear	Base	Bull
P:E Multiple	25x	34x	40x
Probability	15%	65%	20%
Implied share price	$452	$661	$788
Weighted intrinsic value			**$656**
Upside/(Downside)			**14%**

Graph 4: NTM P:E relative to benchmark

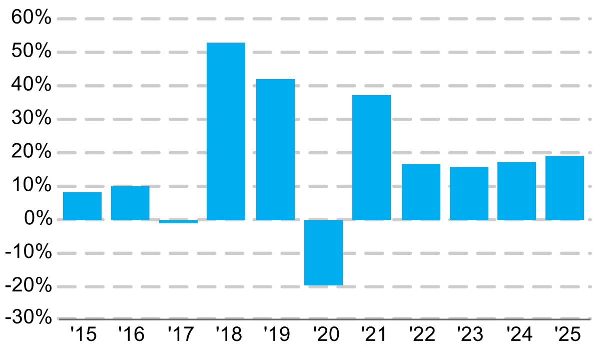
Source: FactSet

Graph 5: Profit margins (%)



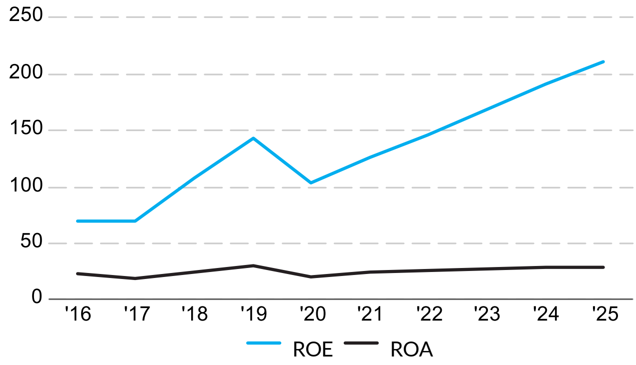
Source: FactSet

Graph 6: 10Y EPS year-on-year change



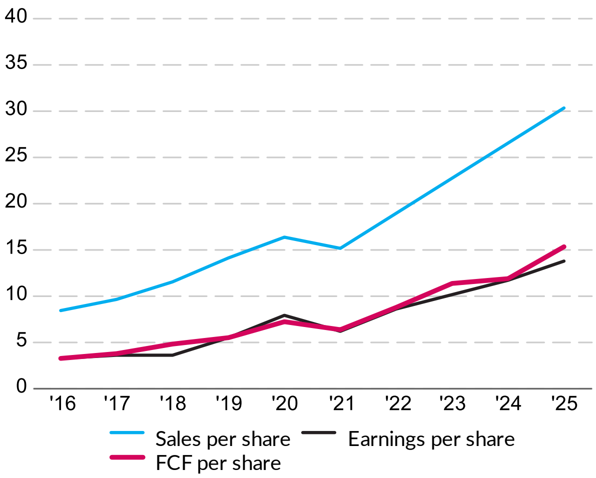
Source: FactSet

Graph 7: ROE and ROA (%)



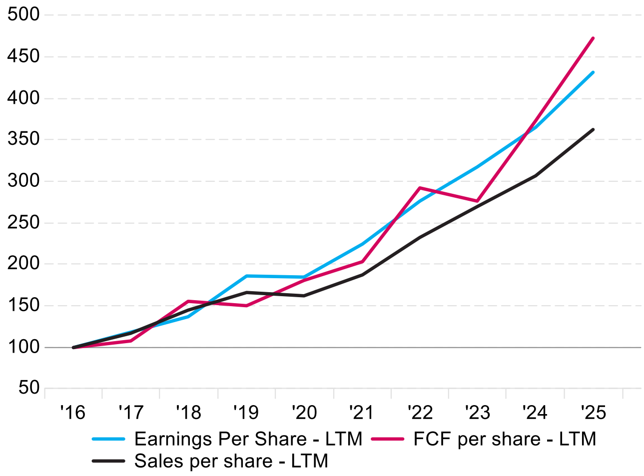
Source: FactSet

Graph 8: Sales, earnings, and FCF per share (USD)



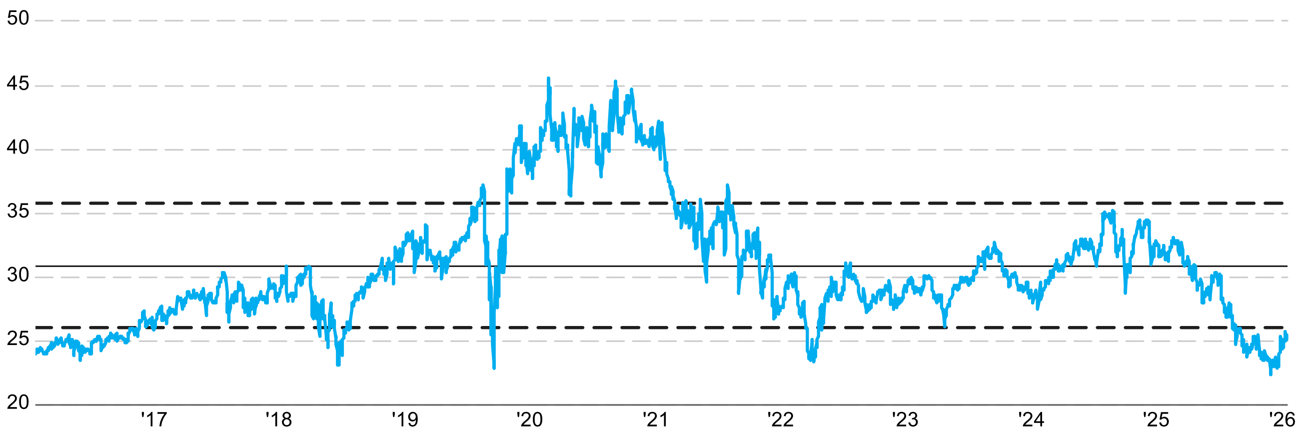
Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement ($Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	18 884	22 237	25 098	28 167	32 791	16%	14%	16%
Cost of sales	848	887	940	1 042	1 304	25%	14%	13%
Gross income	18 036	21 350	24 158	27 125	31 487	16%	14%	17%
EBIT	10 082	12 264	14 008	15 582	18 897	21%	16%	18%
EBITDA	11 033	13 470	15 474	17 087	21 029	23%	16%	19%
Net income	8 687	9 930	11 195	12 874	14 968	16%	15%	18%
EPS (USD)	8.8	10.2	11.8	13.9	16.5	19%	17%	21%
Balance sheet ($Mn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	37 669	38 724	42 448	48 081	54 157	13%	12%	10%
Total shareholders' equity	7 412	6 377	6 997	6 515	7 746	19%	7%	4%
Total liabilities	30 257	32 347	35 451	41 566	46 411	12%	13%	11%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
*Net debt/EBITDA	0.49	0.45	0.42	0.52	0.36	0.45		
Interest coverage	24.0	27.1	25.5	25.1	27.6	25.9		
Debt/assets	39%	38%	39%	39%	36%	38%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
$	United States dollar
AXP-US	American Express Co.
CAGR	Compounded annual growth rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FLR	Financial leverage ratio
FY	Financial year
IV	Intrinsic value
LTM	Last 12 months (also known as trailing)
M	Month
MA-US	Mastercard Inc
MTD	Month-to-date
NAV	Net asset value
NTM	Next 12 months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
V-US	Visa Inc
Y/y	Year(s)
YTD	Year-to-date

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*Share price as at closing.

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