Why Visa Earns 30% But You Get 12%

The Recycling Spread & The Mechanics of Compounding

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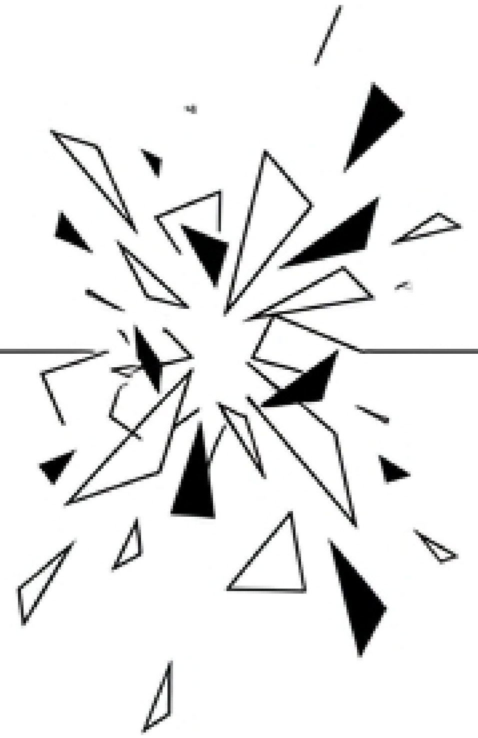
Visa’s Return on Capital: 30%

30%



The Shareholder’s Return: 12%

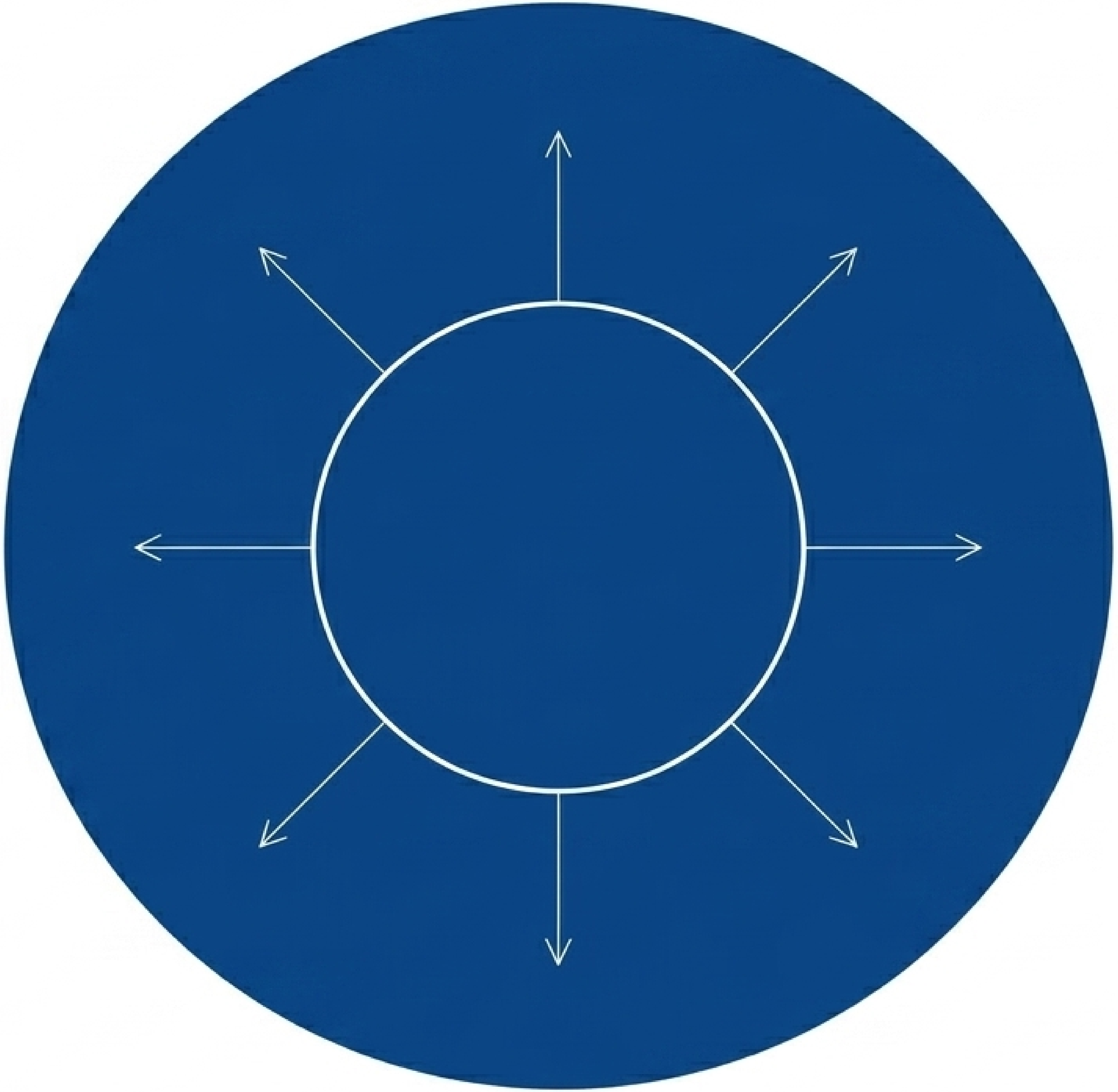
12%

Where does the difference go?

The Generation Rate.

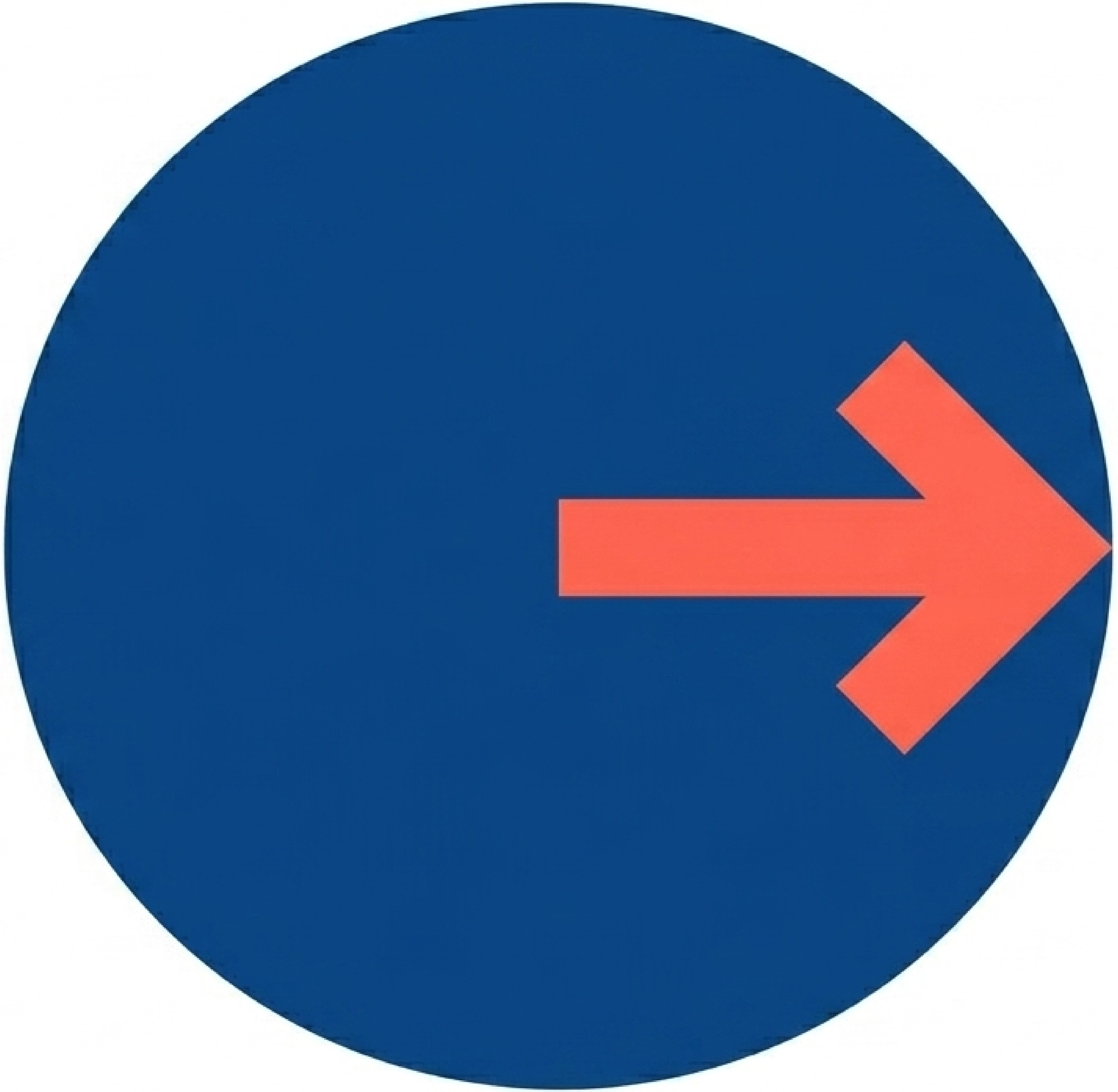
What the business earns on existing operations.

For Visa, growth is free.
Revenue expands.
Costs remain fixed.
30% is real.



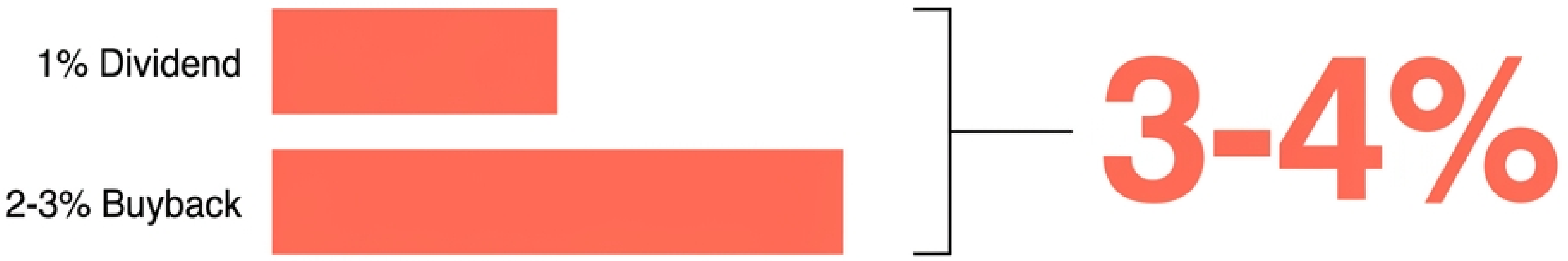
The business cannot consume its own output.

$20 billion in free cash flow. Nowhere to put it. The payment network is already built.



The Recycling Rate.

Cash must exit.

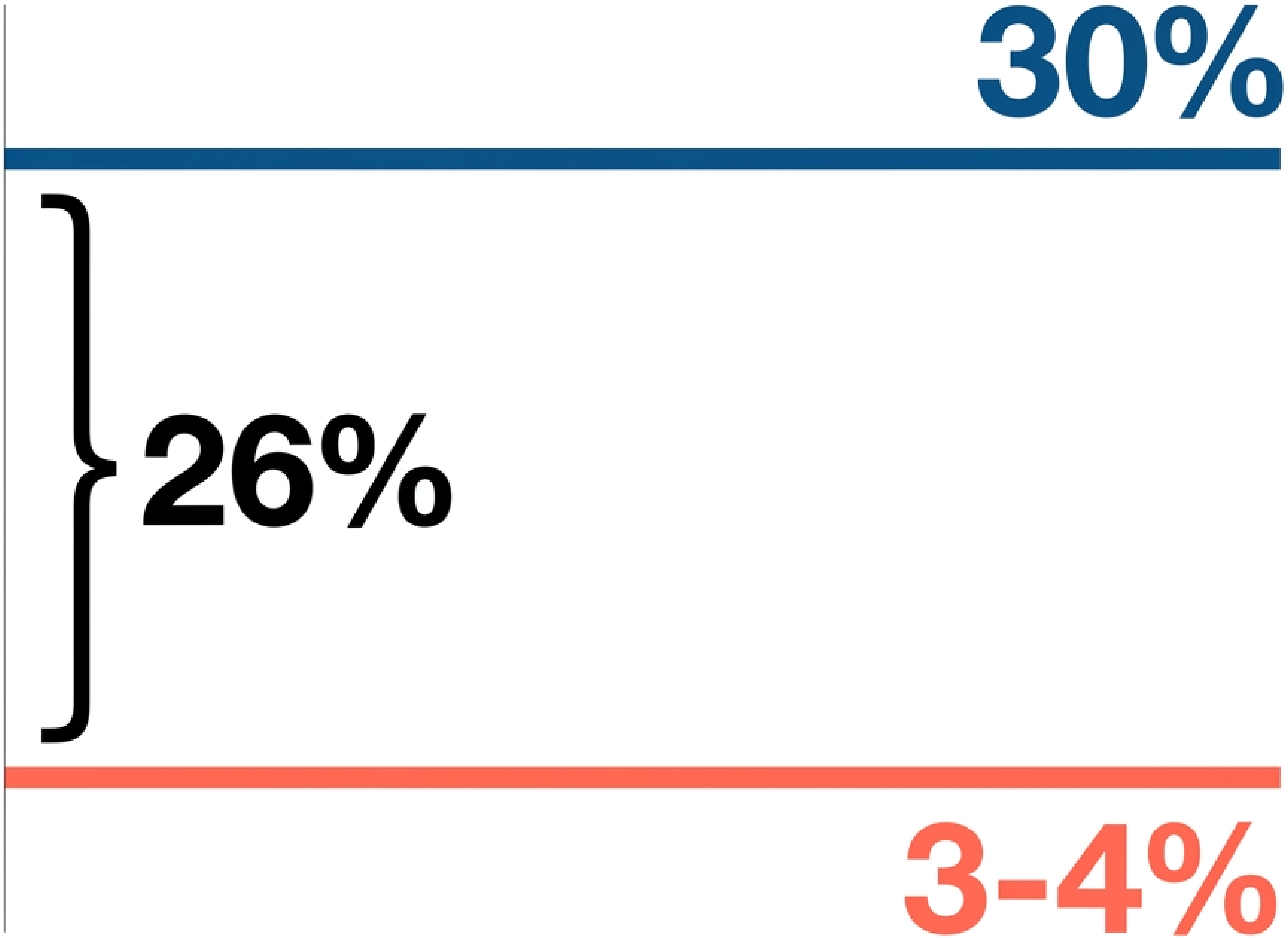


The purge of the unabsorbable yields 3-4%.

The Spread.

The invisible cost of being capital-light.

The cash produced cannot compound at the rate that produced it.



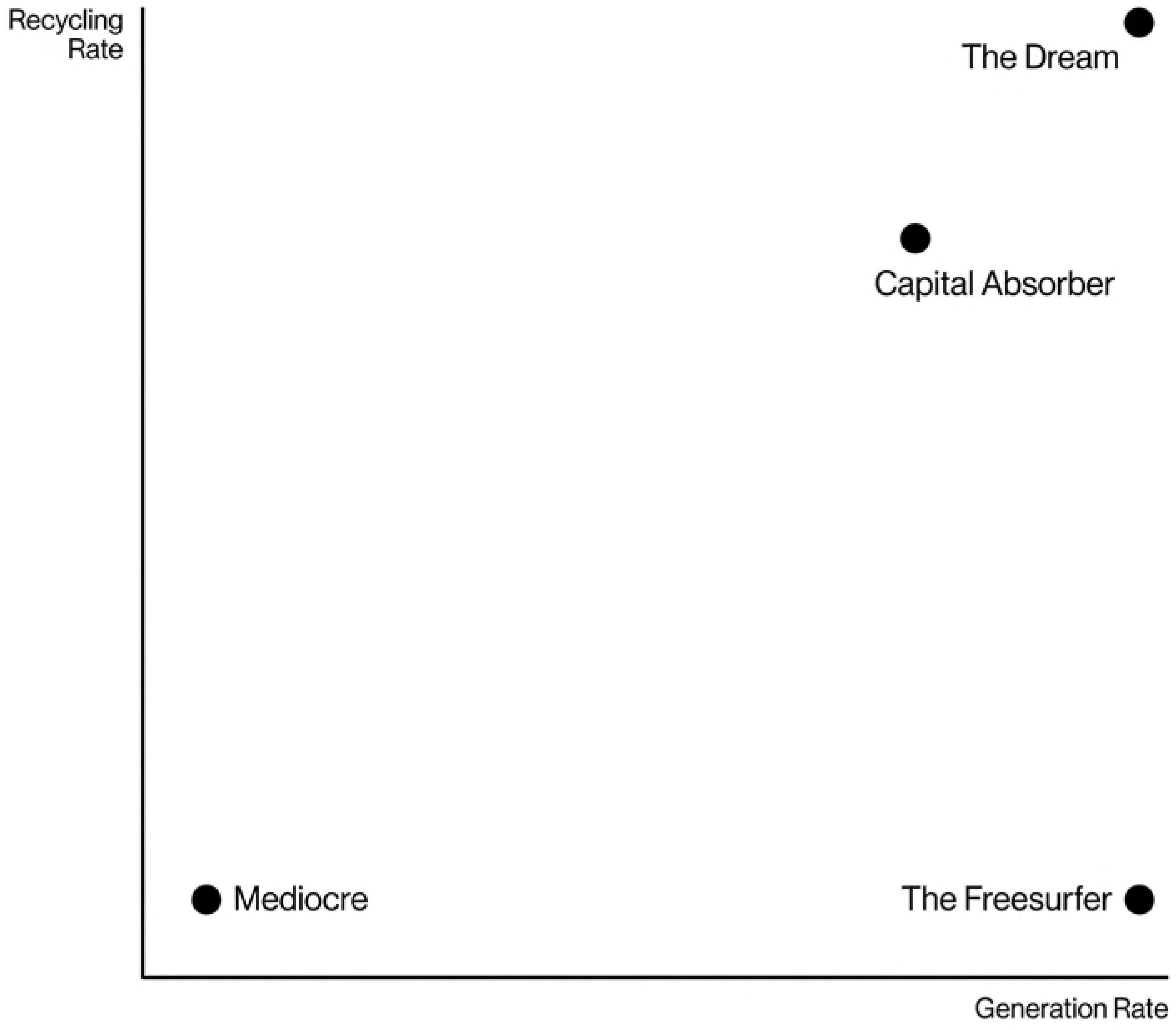
Returns do not converge to the headline ROIC.

They converge to the **effective compounding rate.**

(Generation Rate + Recycling Rate) = The Shareholder Blend.

The Spectrum of Spreads.

The architecture of compounding quality.



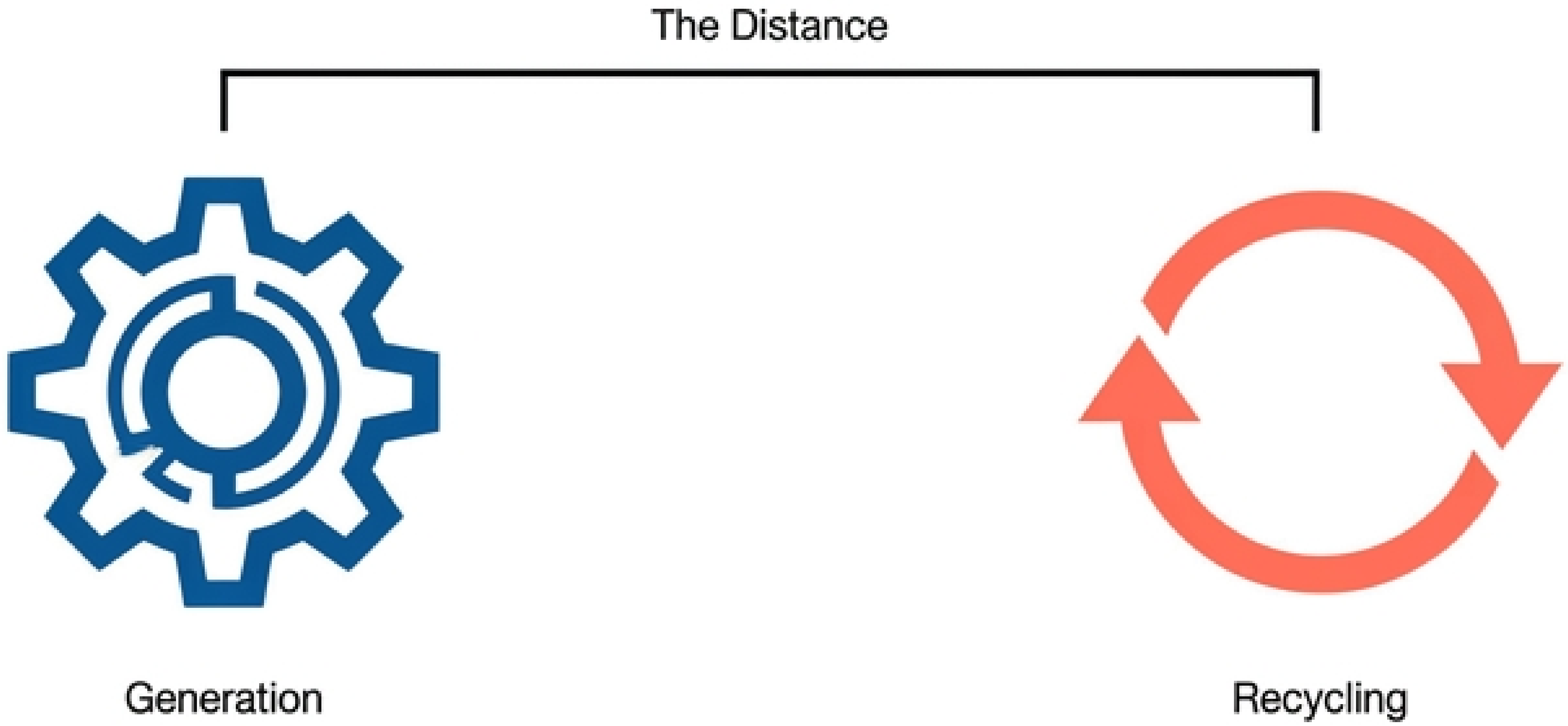
Why 12% is still extraordinary.

12%

The spread is not an indictment.
The 30% engine drives zero-cost growth.
The spread is just what must exit the building.

Compounding is not one rate.

It is two rates, and the distance between them.



DUAL DURATION

The spread splits the shareholder’s return
into two distinct time signatures.

Time Signature I: The Purge.

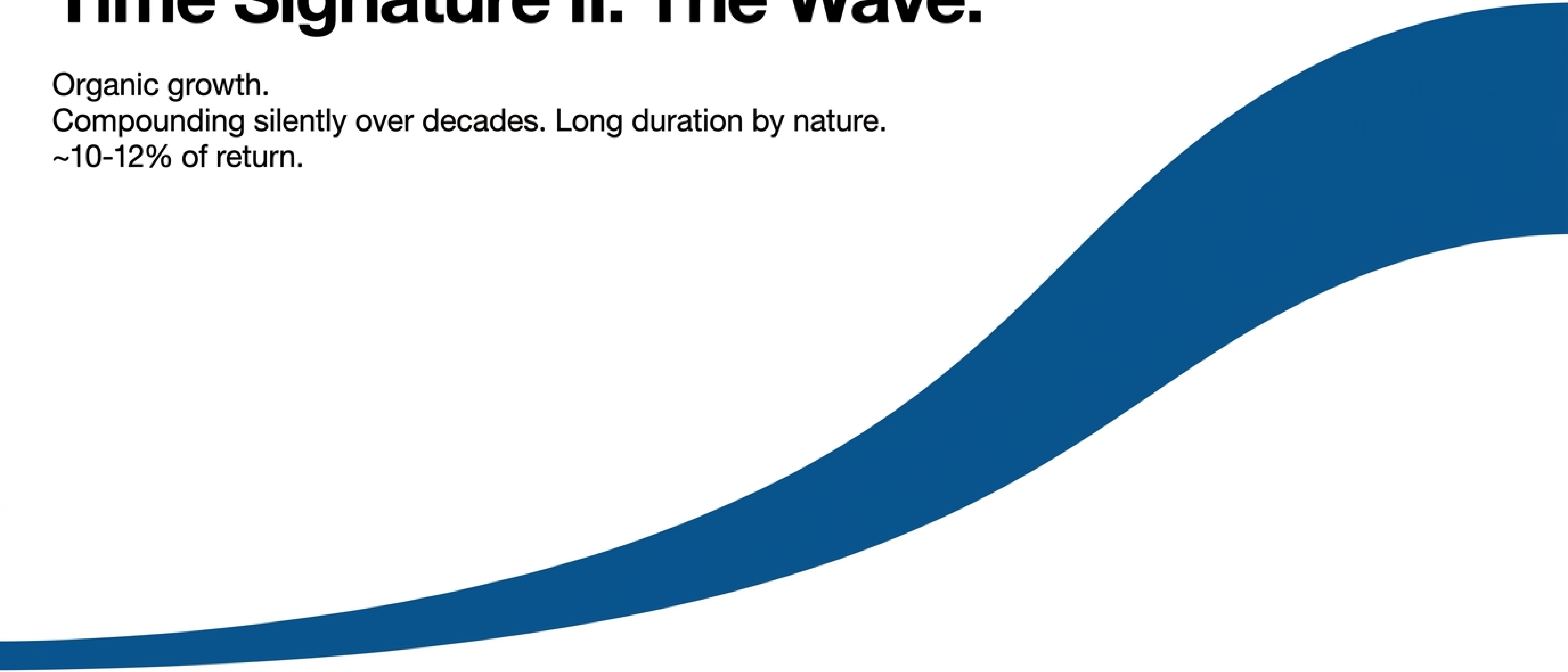
Recycled cash.

Arriving continuously.
Short duration by nature.

~3-4% of return.

Time Signature II: The Wave.

Organic growth.
Compounding silently over decades. Long duration by nature.
~10-12% of return.



The Freesurfer lives between the two.

The ROIC is what the engine can do.
The spread is what arrives in your pocket.
The dual duration is *when* it arrives.