

# VISA vs MASTERCARD.

Why the market pays a premium for the smaller twin.



Charlie and I  
always knew we  
would become  
very wealthy.  
We were just  
not in a hurry.

— Warren Buffett

# [ A ] × [ B ] = The Freesurfer

[A] The Toll: An infrastructural percentage of every electronic transaction. Cash today.

[B] The Wave: The structural migration from cash to digital. Over 80% of transactions in many emerging markets remain cash. Cash later.

Cost of Growth: Zero. Revenue grows. Costs do not. Margins expand mechanically.

# 50%

Free cash flow conversion.

# > 60%

Operating margins.

The identical architecture.  
Negligible capital expenditure.  
These are the same business, twice.

MASTERCARD  
**\$492**  
+17%

### THE ZERO-GROWTH FLOOR

Current free cash flow as a perpetuity, assuming zero future growth.

VISA  
**\$326**  
-21%

Invisible Convergence



17%

Mastercard

vs

10%

Visa

Phase-dependent scale. Mastercard's \$2.6T gross dollar volume leaves more immediate room in cross-border and emerging markets than Visa's \$4.3T. But in a cooperative duopoly on the same wave, growth rates converge. The market prices the current rate as permanent.



Leverage inflates earnings. Fragility compresses the floor.  
Mastercard borrows at ~4% to buy back stock compounding at >15%.  
The spread is profitable, but the interest compresses the free cash flow denominator. Adjusted for Visa's debt profile, Mastercard's floor would rise, potentially rendering its current price a premium artifact.

# TARGET

Visa

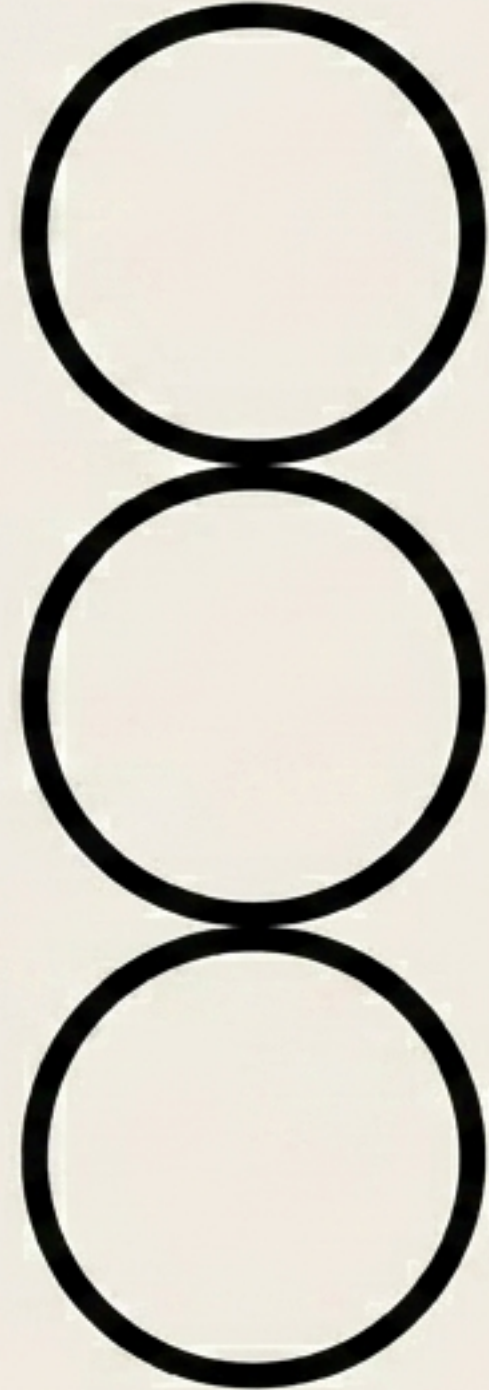
US DOJ antitrust action, merchant litigation, Durbin Amendment, interchange caps.

CHALLENGER

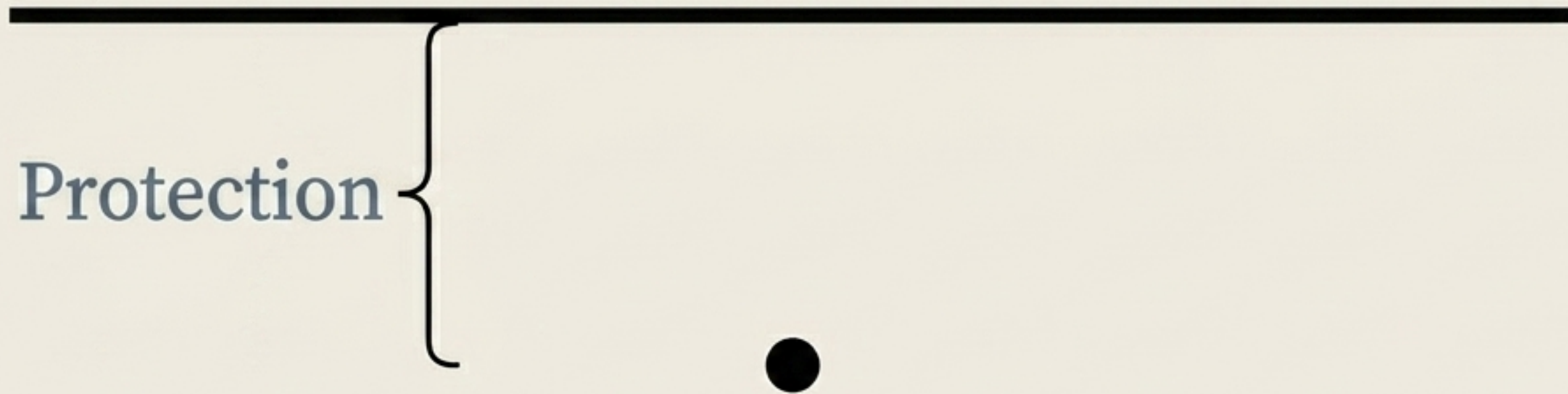
Mastercard

Smaller, less politically visible.

Same duopoly. Different political profiles. The structural damage remains limited, but the headline depresses sentiment.

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- Three large, empty circles are stacked vertically on the left side of the slide. Each circle is positioned to the left of a corresponding numbered item in a list.
1. The Gap
  2. The Gift
  3. The Guarantee

Three layers of return when buying a great business.



# THE GAP

Benjamin Graham's margin of safety.

Pricing below the zero-growth floor. Even if growth never arrives, the investor who buys below the floor earns more than the Treasury.  
Protection against disappointment.

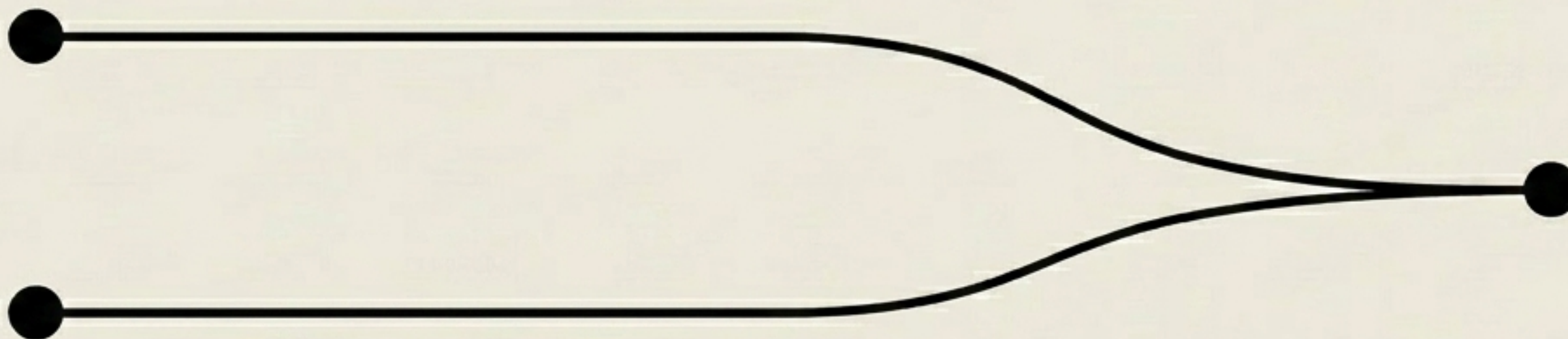
# Zero



## THE GIFT.

Warren Buffett's equity coupon.

10% to 15% organic growth delivered at zero cost. Because the zero-growth floor assumes nothing, this compounding is entirely free. Deliberately excluded from the purchase price.



# THE GUARANTEE.

Charlie Munger's convergence.

Market price inevitably aligns with intrinsic worth.

The dividend acts as the advance.

The buyback acts as the mechanism, forcing per-share value upward.

# VISA

The Gap: 21% margin of safety.

The Gift: 10% clean, unlevered organic growth.

The Guarantee: Cash-funded convergence.  
Maximum flexibility.

# MASTERCARD

The Gap: None. Trades 17% above floor.

The Gift: 17% debt-amplified growth.

The Guarantee: Leveraged fragility.  
Buybacks partially debt-funded.

The Break-Even Bet: To outperform despite the premium,  
Mastercard must sustain 13% growth for 20 years.  
A bet on a temporary phase-advantage persisting permanently.

**The price is the opportunity.  
Patience is how you collect it.**

