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TODAY'S NEWSPAPER

IPOS

## Visa Expected to Buck Trend

Successful Offering Isn't Likely to Stir Overall IPO Scene

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Brian Hamilton, CEO and co-founder of Sageworks, speaks with MarketWatch's Steve Gelsi about Visa's initial public offering. The company is expected to do well in Asia, but its \$2.7 billion in litigation expenses could be a challenge. (March 17)

Visa Inc.'s plans to raise \$17 billion this week in the largest-ever U.S. IPO is expected to be a hit with investors, but it isn't likely to turn a moribund issuance market into a hotbed of activity.

The offering, which is scheduled to begin trading Wednesday on the New York Stock Exchange under the symbol V, has been lauded both for the strength of the industry it operates in as well as the attractive price tag affixed to the shares. Although underwriters could boost the proposed price this week if there is strong demand, analysts unaffiliated with the deal say the current range of \$37 to \$42 is a bargain.

Visa's post-IPO profit margins could top those seen at rival MasterCard Inc., which went public in May 2006, they say, but the proposed price doesn't reflect that.

Visa's 406-million-share offering comes at a time when the stock market and share offerings are being roiled by uncertainty about everything from mortgages to consumer spending. But the business of processing credit-card transactions is expected to be better sheltered from economic blows because consumers continue to switch to plastic for more of their purchases.

Potential investors also could be heartened by the performance of MasterCard. Its shares have performed well from its debut through the past several months of unsteady markets.

"The most telling thing about this deal is taking a chart of MasterCard and looking at it over the last 22 months," says Ben Holmes, publisher of research site Morningnotes.com. "This market has hit so many players in the financial industry, and MasterCard has just sailed through it all like nobody's business."

In many ways, San Francisco-based Visa is larger than Mastercard, of Purchase, N.Y. Consumers around the world had 1.5 billion Visa-branded cards in their wallets at the end of September, compared with 916 million MasterCard-branded pieces of plastic at the end of 2007, according to company financial reports. Visa processed 9.1 billion transactions last year, compared with 5.2 billion swipes using a MasterCard.

Visa investors could see operating margins doubling by 2015 as various Visa units world-wide are combined and the company becomes a public entity, says Morningstar Inc. senior analyst Michael Kon. His firm calculates the stock should be worth \$74 a share.

I think more upside will come from its operating margin," he says.

But those hoping that Visa's deal will shake the IPO market from its current state of somnolence will be sorely disappointed, say observers. Just one other company has gone public this month and two others are possible this week.

Rather, Visa is one of a few stocks that could do well in any kind of market, says David DiPietro, president of specialty investment bank Signal Hill in Baltimore. It is hard to come up with dozens of other companies that could overcome investors' current aversion to risk.

"This will be a \$30 billion market-cap company that will be in all the major indices from the get-go. It's not a typical IPO in any way, shape or form. We don't see that as giving much indication of the health of the market for \$100 million to \$1 billion companies trying to come public, because they are in such a different category," he says.