

VISA INC.
Form 10-Q
May 01, 2013

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 March 31, 2013
OR

.. 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)

Registrant's telephone number, including area code: (650) 432-3200

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

Edgar Filing: VISA INC. - Form 10-Q

As of April 26, 2013, there were 517,954,609 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 28,531,541 shares of class C common stock, par value \$0.0001 per share, of Visa Inc. outstanding.

VISA INC.
TABLE OF CONTENTS

	Page
PART I. <u>Financial Information</u>	<u>4</u>
Item 1. <u>Financial Statements (unaudited)</u>	<u>4</u>
<u>Consolidated Balance Sheets—March 31, 2013 and September 30, 2012</u>	<u>4</u>
<u>Consolidated Statements of Operations—Three and Six Months Ended March 31, 2013 and 2012</u>	<u>6</u>
<u>Consolidated Statements of Comprehensive Income—Three and Six Months Ended March 31, 2013 and 2012</u>	<u>8</u>
<u>Consolidated Statement of Changes in Equity—Six Months Ended March 31, 2013</u>	<u>9</u>
<u>Consolidated Statements of Cash Flows—Six Months Ended March 31, 2013 and 2012</u>	<u>10</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>12</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>32</u>
Item 4. <u>Controls and Procedures</u>	<u>32</u>
PART II. <u>Other Information</u>	<u>34</u>
Item 1. <u>Legal Proceedings</u>	<u>34</u>
Item 1A. <u>Risk Factors</u>	<u>34</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>34</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>34</u>
Item 5. <u>Other Information</u>	<u>34</u>
Item 6. <u>Exhibits</u>	<u>34</u>
<u>Signatures</u>	<u>36</u>
<u>Exhibit Index</u>	<u>37</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

VISA INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2013	September 30, 2012
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	\$1,377	\$2,074
Restricted cash—litigation escrow (Note 2)	49	4,432
Investment securities		
Trading	72	66
Available-for-sale	1,270	677
Income tax receivable	1,163	179
Settlement receivable	488	454
Accounts receivable	802	723
Customer collateral (Note 6)	846	823
Current portion of client incentives	215	209
Deferred tax assets	421	2,027
Prepaid expenses and other current assets	211	122
Total current assets	6,914	11,786
Investment securities, available-for-sale	2,974	3,283
Client incentives	100	58
Property, equipment and technology, net	1,674	1,634
Other assets	331	151
Intangible assets, net	11,385	11,420
Goodwill	11,681	11,681
Total assets	\$35,059	\$40,013
Liabilities		
Accounts payable	\$118	\$152
Settlement payable	722	719
Customer collateral (Note 6)	846	823
Accrued compensation and benefits	358	460
Client incentives	890	830
Accrued liabilities	599	584
Accrued litigation (Note 11)	6	4,386
Total current liabilities	3,539	7,954
Deferred tax liabilities	4,046	4,058
Other liabilities	579	371
Total liabilities	8,164	12,383

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

Table of Contents

VISA INC.
 CONSOLIDATED BALANCE SHEETS—(Continued)
 (UNAUDITED)

	March 31, 2013	September 30, 2012
	(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, 519 and 535 shares issued and outstanding at March 31, 2013, and September 30, 2012, respectively (Note 7)	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at March 31, 2013, and September 30, 2012 (Note 7)	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 29 and 31 shares issued and outstanding at March 31, 2013, and September 30, 2012, respectively (Note 7)	—	—
Additional paid-in capital	19,305	19,992
Accumulated income	7,723	7,809
Accumulated other comprehensive income (loss), net		
Investment securities, available-for-sale	35	3
Defined benefit pension and other postretirement plans	(183) (186
Derivative instruments classified as cash flow hedges	16	13
Foreign currency translation adjustments	(1) (1
Total accumulated other comprehensive loss, net	(133) (171
Total equity	26,895	27,630
Total liabilities and equity	\$35,059	\$40,013

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 March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
	(in millions, except per share data)			
Operating Revenues				
Service revenues	\$1,369	\$1,241	\$2,669	\$2,392
Data processing revenues	1,150	922	2,265	1,873
International transaction revenues	831	733	1,636	1,481
Other revenues	175	179	354	357
Client incentives	(567)	(497)	(1,120)	(978)
Total operating revenues	2,958	2,578	5,804	5,125
Operating Expenses				
Personnel	486	431	940	820
Marketing	195	170	388	360
Network and processing	119	103	229	201
Professional fees	91	82	179	152
Depreciation and amortization	98	80	190	160
General and administrative	108	106	214	208
Litigation provision (Note 11)	1	—	4	—
Total operating expenses	1,098	972	2,144	1,901
Operating income	1,860	1,606	3,660	3,224
Non-operating (expense) income	(3)	3	(2)	2
Income before income taxes	1,857	1,609	3,658	3,226
Income tax provision	587	317	1,095	907
Net income including non-controlling interest	1,270	1,292	2,563	2,319
Loss attributable to non-controlling interest	—	—	—	2
Net income attributable to Visa Inc.	\$1,270	\$1,292	\$2,563	\$2,321

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

Table of Contents

VISA INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)
 (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
	(in millions, except per share data)			
Basic earnings per share (Note 8)				
Class A common stock	\$1.93	\$1.92	\$3.87	\$3.41
Class B common stock	\$0.81	\$0.82	\$1.63	\$1.56
Class C common stock	\$1.93	\$1.92	\$3.87	\$3.41
Basic weighted-average shares outstanding (Note 8)				
Class A common stock	524	524	528	522
Class B common stock	245	245	245	245
Class C common stock	28	42	29	44
Diluted earnings per share (Note 8)				
Class A common stock	\$1.92	\$1.91	\$3.86	\$3.40
Class B common stock	\$0.81	\$0.81	\$1.62	\$1.55
Class C common stock	\$1.92	\$1.91	\$3.86	\$3.40
Diluted weighted-average shares outstanding (Note 8)				
Class A common stock	660	676	665	683
Class B common stock	245	245	245	245
Class C common stock	28	42	29	44

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

Table of Contents

VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
	(in millions)			
Net income including non-controlling interest	\$1,270	\$1,292	\$2,563	\$2,319
Other comprehensive income (loss), net of tax:				
Investment securities, available-for-sale				
Net unrealized gain	2	6	50	7
Income tax effect	—	(2)	(17)	(2)
Reclassification adjustment for net gain realized in net income including non-controlling interest	(1)	—	(1)	—
Income tax effect	—	—	—	—
Defined benefit pension and other postretirement plans	2	(13)	5	(8)
Income tax effect	(1)			