



# Visa Inc. Reports Fiscal Fourth Quarter and Full-Year 2018 Results

San Francisco, CA, October 24, 2018 – Visa Inc. (NYSE: V)

## Fiscal Fourth Quarter:

- GAAP net income of \$2.8B or \$1.23 per share and adjusted net income of \$2.8B or \$1.21 per share
- Net operating revenues of \$5.4B, an increase of 12%

## Fiscal Full-Year:

- GAAP net income of \$10.3B or \$4.42 per share and adjusted net income of \$10.7B or \$4.61 per share
- Net operating revenues of \$20.6B, an increase of 12%
- Double-digit growth in payments volume, cross-border volume and processed transactions for Q4 and full-year
- Returned \$2.1B and \$9.1B of capital to shareholders in the form of share repurchases and dividends for Q4 and full-year, respectively
- The board of directors increased the Company’s quarterly cash dividend by 19% to \$0.25 per share

## Q4 and Full-Year 2018 Results

(Ending September 30, 2018)

*in billions, except percentages and per share data*

	Q4 2018		Full-Year 2018	
	USD	YoY Change	USD	YoY Change
<b>Net Operating Revenues</b>	\$5.4	12%	\$20.6	12%
<b>GAAP Net Income</b>	\$2.8	33%	\$10.3	54%
<b>Adjusted Net Income<sup>(1)</sup></b>	\$2.8	31%	\$10.7	29%
<b>GAAP Earnings Per Share</b>	\$1.23	37%	\$4.42	58%
<b>Adjusted Earnings Per Share<sup>(1)</sup></b>	\$1.21	34%	\$4.61	32%

<sup>(1)</sup> Adjusted Net Income and Adjusted Earnings Per Share exclude special items in the current and prior fiscal years.

Alfred F. Kelly, Jr., *Chief Executive Officer, Visa Inc.*, commented on the results:

“We closed our fiscal year with strong momentum, delivering robust revenue and earnings growth fueled by double-digit increases in payments volume, cross-border volume and processed transactions. The major aspects of the Visa Europe integration concluded successfully with the completion of our platform migration and the shift to commercial client contracts. Aside from the impact of the stronger dollar, positive business trends remain intact as we enter our new fiscal year.”

## Q4 and Full-Year 2018 Key Business Drivers

(YoY growth, volume in constant dollars)

**Payments volume**  
Q4: +11% | Full-Year: +11%

**Cross-border volume**  
Q4: +10% | Full-Year: +10%

**Processed transactions**  
Q4: +12% | Full-Year: +12%

## Fiscal Fourth Quarter 2018 — Financial Highlights

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GAAP net income in the fiscal fourth quarter was \$2.8 billion or \$1.23 per share, increases of 33% and 37%, respectively, over prior year's results. On an adjusted basis, the Company's financial results exclude a \$49 million net income benefit from a donation of available-for-sale investment securities to the Visa Foundation. Excluding this special item, adjusted net income for the quarter was \$2.8 billion or \$1.21 per share, increases of 31% and 34%, respectively, over prior year's results (refer to the accompanying financial tables for further details and a reconciliation of the non-GAAP measures presented). Exchange rate shifts versus the prior year negatively impacted earnings per share growth by approximately 1 percentage point. All references to earnings per share assume fully-diluted class A share count.

Net operating revenues in the fiscal fourth quarter were \$5.4 billion, an increase of 12%, driven by continued growth in payments volume, cross-border volume and processed transactions. Exchange rate shifts versus the prior year negatively impacted reported net operating revenues growth by approximately 0.5 percentage points.

Payments volume for the three months ended June 30, 2018, on which fiscal fourth quarter service revenue is recognized, grew 11% over the prior year on a constant-dollar basis.

Payments volume for the three months ended September 30, 2018, grew 11% over the prior year on a constant-dollar basis.

Cross-border volume growth, on a constant-dollar basis, was 10% for the three months ended September 30, 2018.

Total processed transactions, which represent transactions processed by Visa, for the three months ended September 30, 2018, were 32.8 billion, a 12% increase over the prior year.

Fiscal fourth quarter service revenues were \$2.3 billion, an increase of 10% over the prior year, and are recognized based on payments volume in the prior quarter. All other revenue categories are recognized based on current quarter activity. Data processing revenues rose 16% over the prior year to \$2.4 billion. International transaction revenues grew 10% over the prior year to \$2.0 billion. Other revenues of \$256 million rose 13% over the prior year. Client incentives, a contra revenue item, were \$1.5 billion and represent 21.7% of gross revenues.

GAAP operating expenses were \$2.0 billion for the fiscal fourth quarter, a 23% increase over the prior year's results, including the special item. Excluding the \$195 million operating expense impact of the special item, adjusted operating expenses grew 12% over the prior year, primarily driven by personnel expenses.

GAAP non-operating income was \$132 million for the fiscal fourth quarter. Excluding the realized gain from the special item, the adjusted non-operating expense was \$61 million.

GAAP effective income tax rate was 19.6% for the quarter ended September 30, 2018, including a one-time \$51 million tax benefit related to the special item. Excluding the tax impact from this special item, the adjusted effective income tax rate was 21.0% for the fiscal fourth quarter.

Cash, cash equivalents, and available-for-sale investment securities were \$15.7 billion at September 30, 2018.

The weighted-average number of diluted shares of class A common stock outstanding was 2.31 billion for the quarter ended September 30, 2018.

## Fiscal Full-Year 2018 — Financial Highlights

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GAAP net income in the fiscal full-year 2018 was \$10.3 billion or \$4.42 per share, increases of 54% and 58%, respectively, over prior year's results. Current year's results included special items related to the U.S. tax reform, a litigation provision associated with the interchange multi-district litigation case and a donation of available-for-sale investment securities to the Visa Foundation, while prior year's results included special items related to the legal entity reorganization of Visa Europe and certain other Visa subsidiaries. Excluding these special items, adjusted net income for the full-year was \$10.7 billion or \$4.61 per share, increases of 29% and 32%, respectively, over prior year's results (refer to the accompanying financial tables for further details and a reconciliation of the non-GAAP measures presented). Exchange rate shifts versus the prior year positively impacted earnings per share growth by approximately 1.5 percentage points.

Net operating revenues in the fiscal full-year 2018 were \$20.6 billion, an increase of 12%, driven by continued growth in payments volume, cross-border volume and processed transactions. Exchange rate shifts versus the prior year positively impacted reported net operating revenues growth by approximately 1 percentage point.

Payments volume for the twelve months ended September 30, 2018, grew 11% over the prior year on a constant-dollar basis.

Cross-border volume growth, on a constant-dollar basis, was 10% for the twelve months ended September 30, 2018.

Total processed transactions, which represent transactions processed by Visa, for the twelve months ended September 30, 2018, were 124.3 billion, a 12% increase over the prior year.

Fiscal full-year 2018 service revenues were \$8.9 billion, an increase of 12% over the prior year. Data processing revenues rose 16% over the prior year to \$9.0 billion. International transaction revenues grew 14% over the prior year to \$7.2 billion. Other revenues of \$944 million rose 12% over the prior year. Client incentives, a contra revenue item, were \$5.5 billion and represent 21.0% of gross revenues.

GAAP operating expenses were \$7.7 billion for the fiscal full-year 2018, a 23% increase over the prior year's results, including the special items. Current year's results included special items related to a litigation provision associated with the interchange multi-district litigation case and a donation of available-for-sale investment securities to the Visa Foundation, while prior year's results included special items related to the legal entity reorganization of Visa Europe and certain other Visa subsidiaries. Excluding these special items, adjusted operating expenses grew 14% over the prior year, primarily driven by personnel expenses.

GAAP non-operating expense was \$148 million for the fiscal full-year 2018. Excluding the realized gain from the donation of available-for-sale investment securities to the Visa Foundation, the adjusted non-operating expense was \$341 million.

GAAP effective income tax rate was 19.6% for the twelve months ended September 30, 2018. Excluding current year's special items related to the U.S. tax reform, litigation provision associated with the interchange multi-district litigation case and donation of available-for-sale investment securities to the Visa Foundation, the adjusted effective income tax rate was 20.0% for the fiscal full-year 2018.

The weighted-average number of diluted shares of class A common stock outstanding was 2.33 billion for the fiscal full-year ended September 30, 2018.

## Fiscal Full-Year 2018 — Other Notable Items

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On September 18, 2018, the Company, Mastercard and U.S. financial institution defendants agreed to settle and resolve class claims in the multi-district interchange litigation. The claims were originally brought by a class of U.S. retailers in 2005. The current agreement addresses monetary claims, and does not resolve class claims seeking modifications to network rules. The proposed settlement amount is approximately \$6.2 billion. The Company's share represents approximately \$4.1 billion, which will be satisfied through funds previously deposited with the court plus the \$600 million the Company deposited into its litigation escrow on June 28, 2018. No additional funds are required for this class settlement. The Company's share is covered under its U.S. Retrospective Responsibility Plan, which was created to insulate the Company and class A shareholders from financial liability for certain litigation cases.

During the three months ended September 30, 2018, the Company repurchased 11.5 million shares of class A common stock at an average price of \$142.84 per share for \$1.6 billion. During the twelve months ended September 30, 2018, the Company repurchased a total of 57.5 million shares of class A common stock at an average price of \$124.25 per share for \$7.2 billion. In addition, the \$600 million litigation escrow deposit had the same impact on the Company's as-converted class A common stock outstanding as a share repurchase as it reduced the conversion rate of class B common stock. The Company has \$4.1 billion of remaining authorized funds for share repurchase as of September 30, 2018.

On October 16, 2018, the board of directors declared a quarterly cash dividend of \$0.25 per share of class A common stock (determined in the case of class B and C common stock and series B and C convertible participating preferred stock on an as-converted basis) payable on December 4, 2018, to all holders of record as of November 16, 2018.

## Financial Outlook for Fiscal Full-Year 2019

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### Visa Inc. provides its financial outlook for the following metrics for fiscal full-year 2019:

- Annual net revenue growth: Low double-digits on a nominal basis, with approximately 1 percentage point of negative foreign currency impact and de minimus impact from the new revenue accounting standard
- Client incentives as a percentage of gross revenues: 22% to 23% range
- Annual operating expense growth: Mid-single digit decrease on a GAAP basis and mid-to-high single digit increase adjusted for special items in fiscal 2018 (see note below). GAAP and non-GAAP growth includes an approximately 1.5 to 2 percentage point increase from the new revenue accounting standard
- Effective tax rate: 20.0% to 20.5% range
- Annual diluted class A common stock earnings per share growth: High teens on a GAAP nominal dollar basis and mid-teens on an adjusted, non-GAAP nominal dollar basis (see note below). Both include approximately 1 percentage point of negative foreign currency impact

*Note: Annual adjusted operating expense growth is derived from adjusted full-year 2018 operating expenses of \$6.9 billion. Annual adjusted diluted class A common stock earnings per share growth is derived from adjusted full-year 2018 earnings per share results of \$4.61. Refer to the accompanying financial tables for details and a reconciliation of the adjusted fiscal full-year 2018 results.*

## Fiscal Fourth Quarter and Full-Year 2018 Earnings Results Conference Call Details

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**Visa's executive management team will host a live audio webcast beginning at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) today** to discuss the financial results and business highlights. All interested parties are invited to listen to the live webcast at <http://investor.visa.com>. A replay of the webcast will be available on the Visa Investor Relations website for 30 days. Investor information, including supplemental financial information, is available on Visa Inc.'s Investor Relations website at <http://investor.visa.com>.

# Forward-Looking Statements

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This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, our future operations, prospects, developments, strategies, business growth and financial outlook for fiscal full-year 2019. Forward-looking statements generally are identified by words such as “believes,” “estimates,” “expects,” “intends,” “may,” “projects,” “outlook,” “could,” “should,” “will,” “continue” and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict.

Actual results could differ materially from those expressed in, or implied by, our forward-looking statements due to a variety of factors, including, but not limited to:

- increased oversight and regulation of the global payments industry and our business;
- impact of government-imposed restrictions on international payment systems;
- outcome of tax, litigation and governmental investigation matters;
- increasingly intense competition in the payments industry, including competition for our clients and merchants;
- proliferation and continuous evolution of new technologies and business models;
- our ability to maintain relationships with our clients, merchants and other third parties;
- brand or reputational damage;
- management changes;
- impact of global economic, political, market and social events or conditions;
- exposure to loss or illiquidity due to settlement guarantees;
- uncertainty surrounding the impact of the United Kingdom’s withdrawal from the European Union;
- a disruption, failure, breach or cyber-attack of our networks or systems;
- our ability to successfully integrate and manage our acquisitions and other strategic investments; and
- other factors described in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended September 30, 2017, and our subsequent reports on Forms 10-Q and 8-K.

Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

## About Visa Inc.

Visa Inc. (NYSE: V) is the world’s leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network - enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. Our relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device, and a driving force behind the dream of a cashless future for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information, visit [usa.visa.com/about-visa.html](http://usa.visa.com/about-visa.html), [usa.visa.com/visa-everywhere/blog.html](http://usa.visa.com/visa-everywhere/blog.html) and @VisaNews.

### Contacts

#### Investor Relations

Mike Milotich, 650-432-7644,  
[InvestorRelations@visa.com](mailto:InvestorRelations@visa.com)

#### Media Relations

Will Stickney, 650-432-2990,  
[GlobalMedia@visa.com](mailto:GlobalMedia@visa.com)

# Fiscal Fourth Quarter 2018 — Financial Summary

## Q4 FISCAL 2018 INCOME STATEMENT SUMMARY

<i>(in millions, except percentages and per share data)</i>	Three Months Ended September 30, 2018		YoY Change	
	GAAP	Adjusted	GAAP	Adjusted
<b>Operating Revenues</b>				
Service revenues	\$ 2,323	\$ 2,323	10%	10%
Data processing revenues	2,394	2,394	16%	16%
International transaction revenues	1,963	1,963	10%	10%
Other revenues	256	256	13%	13%
Client incentives	(1,502)	(1,502)	12%	12%
<b>Net operating revenues</b>	<b>5,434</b>	<b>5,434</b>	<b>12%</b>	<b>12%</b>
<b>Operating Expenses</b>				
Personnel	815	815	24%	24%
Marketing	264	264	(9)%	(9)%
Network and processing	188	188	12%	12%
Professional fees	134	134	(6)%	(6)%
Depreciation and amortization	163	163	11%	11%
General and administrative	457	262	91%	9%
Litigation provision	7	7	414%	414%
<b>Total operating expenses</b>	<b>2,028</b>	<b>1,833</b>	<b>23%</b>	<b>12%</b>
<b>Operating income</b>	<b>3,406</b>	<b>3,601</b>	<b>6%</b>	<b>12%</b>
Non-operating income (expense)	132	(61)	(218)%	(46)%
Effective tax rate	19.6%	21.0%	(11 ppts)	(10 ppts)
<b>Net income</b>	<b>\$ 2,845</b>	<b>\$ 2,796</b>	<b>33%</b>	<b>31%</b>
<b>Earnings per share</b>	<b>\$ 1.23</b>	<b>\$ 1.21</b>	<b>37%</b>	<b>34%</b>

## Q4 FISCAL 2018 KEY BUSINESS DRIVERS

	YoY Change	
	Constant	Nominal
Payments volume	11%	8%
Cross-border volume	10%	8%
Processed transactions	12%	12%



# Fiscal Full-Year 2018 — Financial Summary

## FULL-YEAR FISCAL 2018 INCOME STATEMENT SUMMARY

<i>(in millions, except percentages and per share data)</i>	Twelve Months Ended September 30, 2018		YoY Change	
	GAAP	Adjusted	GAAP	Adjusted
<b>Operating Revenues</b>				
Service revenues	\$ 8,918	\$ 8,918	12%	12%
Data processing revenues	9,027	9,027	16%	16%
International transaction revenues	7,211	7,211	14%	14%
Other revenues	944	944	12%	12%
Client incentives	(5,491)	(5,491)	20%	20%
<b>Net operating revenues</b>	<b>20,609</b>	<b>20,609</b>	<b>12%</b>	<b>12%</b>
<b>Operating Expenses</b>				
Personnel	3,170	3,170	21%	21%
Marketing	988	988	7%	7%
Network and processing	686	686	11%	11%
Professional fees	446	446	9%	9%
Depreciation and amortization	613	613	10%	10%
General and administrative	1,145	950	8%	10%
Litigation provision	607	7	NM	(65)%
<b>Total operating expenses</b>	<b>7,655</b>	<b>6,860</b>	<b>23%</b>	<b>14%</b>
<b>Operating income</b>	<b>12,954</b>	<b>13,749</b>	<b>7%</b>	<b>11%</b>
Non-operating expense	(148)	(341)	(67)%	(24)%
Effective tax rate	19.6%	20.0%	(23 ppts)	(10 ppts)
<b>Net income</b>	<b>\$ 10,301</b>	<b>\$ 10,729</b>	<b>54%</b>	<b>29%</b>
<b>Earnings per share</b>	<b>\$ 4.42</b>	<b>\$ 4.61</b>	<b>58%</b>	<b>32%</b>

NM - Not Meaningful

## FULL-YEAR FISCAL 2018 KEY BUSINESS DRIVERS

	YoY Change	
	Constant	Nominal
Payments volume	11%	12%
Cross-border volume	10%	14%
Processed transactions	12%	12%

# Visa Inc. Consolidated Balance Sheets (unaudited)

	September 30, 2018	September 30, 2017
	(in millions, except par value data)	
<b>Assets</b>		
Cash and cash equivalents	\$ 8,162	\$ 9,874
Restricted cash—U.S. litigation escrow	1,491	1,031
Investment securities:		
Trading	98	82
Available-for-sale	3,449	3,482
Settlement receivable	1,582	1,422
Accounts receivable	1,208	1,132
Customer collateral	1,324	1,106
Current portion of client incentives	340	344
Prepaid expenses and other current assets	562	550
Total current assets	18,216	19,023
Investment securities, available-for-sale	4,082	1,926
Client incentives	538	591
Property, equipment and technology, net	2,472	2,253
Goodwill	15,194	15,110
Intangible assets, net	27,558	27,848
Other assets	1,165	1,226
Total assets	\$ 69,225	\$ 67,977
<b>Liabilities</b>		
Accounts payable	\$ 183	\$ 179
Settlement payable	2,168	2,003
Customer collateral	1,325	1,106
Accrued compensation and benefits	901	757
Client incentives	2,834	2,089
Accrued liabilities	1,160	1,129
Deferred purchase consideration	1,300	—
Current maturities of long-term debt	—	1,749
Accrued litigation	1,434	982
Total current liabilities	11,305	9,994
Long-term debt	16,630	16,618
Deferred tax liabilities	4,618	5,980
Deferred purchase consideration	—	1,304
Other liabilities	2,666	1,321
Total liabilities	35,219	35,217
<b>Equity</b>		
Preferred stock, \$0.0001 par value, 25 shares authorized and 5 shares issued and outstanding as follows:		
Series A convertible participating preferred stock, none issued (the "class A equivalent preferred stock")	—	—
Series B convertible participating preferred stock, 2 shares issued and outstanding at September 30, 2018 and 2017 (the "UK&I preferred stock")	2,291	2,326
Series C convertible participating preferred stock, 3 shares issued and outstanding at September 30, 2018 and 2017 (the "Europe preferred stock")	3,179	3,200
Class A common stock, \$0.0001 par value, 2,001,622 shares authorized, 1,768 and 1,818 shares issued and outstanding at September 30, 2018 and 2017, respectively	—	—
Class B common stock, \$0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at September 30, 2018 and 2017, respectively	—	—
Class C common stock, \$0.0001 par value, 1,097 shares authorized, 12 and 13 shares issued and outstanding at September 30, 2018 and 2017, respectively	—	—
Right to recover for covered losses	(7)	(52)
Additional paid-in capital	16,678	16,900
Accumulated income	11,318	9,508
Accumulated other comprehensive income (loss), net:		
Investment securities, available-for-sale	(17)	73
Defined benefit pension and other postretirement plans	(61)	(76)
Derivative instruments classified as cash flow hedges	60	(36)
Foreign currency translation adjustments	565	917
Total accumulated other comprehensive income (loss), net	547	878
Total equity	34,006	32,760
Total liabilities and equity	\$ 69,225	\$ 67,977



# Visa Inc. Consolidated Statements of Operations (unaudited)

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
(in millions, except per share data)				
<b>Operating Revenues</b>				
Service revenues	\$ 2,323	\$ 2,116	\$ 8,918	\$ 7,975
Data processing revenues	2,394	2,067	9,027	7,786
International transaction revenues	1,963	1,792	7,211	6,321
Other revenues	256	226	944	841
Client incentives	(1,502)	(1,346)	(5,491)	(4,565)
<b>Net operating revenues</b>	<b>5,434</b>	<b>4,855</b>	<b>20,609</b>	<b>18,358</b>
<b>Operating Expenses</b>				
Personnel	815	655	3,170	2,628
Marketing	264	290	988	922
Network and processing	188	167	686	620
Professional fees	134	144	446	409
Depreciation and amortization	163	147	613	556
General and administrative	457	238	1,145	1,060
Litigation provision	7	2	607	19
<b>Total operating expenses</b>	<b>2,028</b>	<b>1,643</b>	<b>7,655</b>	<b>6,214</b>
<b>Operating income</b>	<b>3,406</b>	<b>3,212</b>	<b>12,954</b>	<b>12,144</b>
<b>Non-operating Income (Expense)</b>				
Interest expense	(150)	(148)	(612)	(563)
Other	282	35	464	113
<b>Total non-operating income (expense)</b>	<b>132</b>	<b>(113)</b>	<b>(148)</b>	<b>(450)</b>
Income before income taxes	3,538	3,099	12,806	11,694
Income tax provision	693	959	2,505	4,995
<b>Net income</b>	<b>\$ 2,845</b>	<b>\$ 2,140</b>	<b>\$ 10,301</b>	<b>\$ 6,699</b>
<b>Basic earnings per share</b>				
Class A common stock	\$ 1.24	\$ 0.91	\$ 4.43	\$ 2.80
Class B common stock	\$ 2.01	\$ 1.49	\$ 7.28	\$ 4.62
Class C common stock	\$ 4.94	\$ 3.62	\$ 17.72	\$ 11.21
<b>Basic weighted-average shares outstanding</b>				
Class A common stock	1,774	1,825	1,792	1,845
Class B common stock	245	245	245	245
Class C common stock	12	13	12	14
<b>Diluted earnings per share</b>				
Class A common stock	\$ 1.23	\$ 0.90	\$ 4.42	\$ 2.80
Class B common stock	\$ 2.01	\$ 1.49	\$ 7.27	\$ 4.61
Class C common stock	\$ 4.93	\$ 3.61	\$ 17.69	\$ 11.19
<b>Diluted weighted-average shares outstanding</b>				
Class A common stock	2,306	2,368	2,329	2,395
Class B common stock	245	245	245	245
Class C common stock	12	13	12	14

# Visa Inc. Consolidated Statements of Cash Flows (unaudited)

	For the Years Ended September 30,	
	2018	2017
	(in millions)	
<b>Operating Activities</b>		
Net income	\$ 10,301	\$ 6,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Client incentives	5,491	4,565
Fair value adjustment for the Visa Europe put option	—	—
Share-based compensation	327	235
Excess tax benefit for share-based compensation	—	—
Depreciation and amortization of property, equipment, technology and intangible assets	613	556
Deferred income taxes	(1,277)	1,700
Right to recover for covered losses recorded in equity	(11)	(209)
Charitable contribution of Visa Inc. shares	—	192
Other	(74)	50
Change in operating assets and liabilities:		
Settlement receivable	(223)	94
Accounts receivable	(70)	(54)
Client incentives	(4,682)	(4,628)
Other assets	(160)	(252)
Accounts payable	3	(30)
Settlement payable	262	(176)
Accrued and other liabilities	1,761	465
Accrued litigation	452	1
Net cash provided by operating activities	12,713	9,208
<b>Investing Activities</b>		
Purchases of property, equipment, technology and intangible assets	(718)	(707)
Proceeds from sales of property, equipment and technology	14	12
Investment securities, available-for-sale:		
Purchases	(5,772)	(3,238)
Proceeds from maturities and sales	3,636	5,012
Acquisitions, net of cash received	(196)	(302)
Purchases of / contributions to other investments	(50)	(46)
Proceeds / distributions from other investments	2	4
Net cash (used in) provided by investing activities	(3,084)	735
<b>Financing Activities</b>		
Repurchase of class A common stock	(7,192)	(6,891)
Repayments of long-term debt	(1,750)	—
Treasury stock—class C common stock	—	—
Dividends paid	(1,918)	(1,579)
Proceeds from issuance of senior notes	—	2,488
Debt issuance costs	—	(15)
Deposit into U.S. litigation escrow account—U.S. retrospective responsibility plan	(600)	—
Payments from U.S. litigation escrow account—U.S. retrospective responsibility plan	150	—
Cash proceeds from issuance of common stock under employee equity plans	164	149
Restricted stock and performance-based shares settled in cash for taxes	(94)	(76)
Excess tax benefit for share-based compensation	—	—
Net cash (used in) provided by financing activities	(11,240)	(5,924)
Effect of exchange rate changes on cash and cash equivalents	(101)	236
(Decrease) increase in cash and cash equivalents	(1,712)	4,255
Cash and cash equivalents at beginning of year	9,874	5,619
Cash and cash equivalents at end of year	\$ 8,162	\$ 9,874
<b>Supplemental Disclosure</b>		
Series B and C convertible participating preferred stock issued in Visa Europe acquisition	\$ —	\$ —
Deferred purchase consideration recorded for Visa Europe acquisition	\$ —	\$ —
Income taxes paid, net of refunds	\$ 2,285	\$ 3,038
Interest payments on debt	\$ 545	\$ 489
Accruals related to purchases of property, equipment, technology and intangible assets	\$ 77	\$ 50

# Visa Inc. Fiscal 2018 and 2017 Quarterly Results of Operations (unaudited)

	Fiscal 2018 Quarter Ended				Fiscal 2017 Quarter Ended
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	(in millions)				
<b>Operating Revenues</b>					
Service revenues	\$ 2,323	\$ 2,196	\$ 2,253	\$ 2,146	\$ 2,116
Data processing revenues	2,394	2,359	2,127	2,147	2,067
International transaction revenues	1,963	1,830	1,752	1,666	1,792
Other revenues	256	229	230	229	226
Client incentives	(1,502)	(1,374)	(1,289)	(1,326)	(1,346)
<b>Net operating revenues</b>	<b>5,434</b>	<b>5,240</b>	<b>5,073</b>	<b>4,862</b>	<b>4,855</b>
<b>Operating Expenses</b>					
Personnel	815	852	824	679	655
Marketing	264	240	261	223	290
Network and processing	188	169	169	160	167
Professional fees	134	112	108	92	144
Depreciation and amortization	163	152	153	145	147
General and administrative	457	230	222	236	238
Litigation provision	7	600	—	—	2
<b>Total operating expenses</b>	<b>2,028</b>	<b>2,355</b>	<b>1,737</b>	<b>1,535</b>	<b>1,643</b>
<b>Operating income</b>	<b>3,406</b>	<b>2,885</b>	<b>3,336</b>	<b>3,327</b>	<b>3,212</b>
<b>Non-operating Income (Expense)</b>					
Interest expense	(150)	(155)	(153)	(154)	(148)
Other	282	82	34	66	35
<b>Total non-operating income (expense)</b>	<b>132</b>	<b>(73)</b>	<b>(119)</b>	<b>(88)</b>	<b>(113)</b>
Income before income taxes	3,538	2,812	3,217	3,239	3,099
Income tax provision	693	483	612	717	959
<b>Net income</b>	<b>\$ 2,845</b>	<b>\$ 2,329</b>	<b>\$ 2,605</b>	<b>\$ 2,522</b>	<b>\$ 2,140</b>

# Visa Inc. Reconciliation of Non-GAAP Financial Results (unaudited)

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Our financial results for the three and twelve months ended September 30, 2018 and the twelve months ended September 30, 2017 reflected the impact of certain significant items that we believe were not indicative of our operating performance in these or future periods, as they were either non-recurring or had no cash impact. As such, we believe the presentation of adjusted financial results excluding the following items provides a clearer understanding of our operating performance for the periods presented. There were no comparable adjustments recorded for the three months ended September 30, 2017.

- *Charitable contribution.*
  - During the three months ended September 30, 2018, we donated available-for-sale investment securities to the Visa Foundation and recognized a non-cash general and administrative expense of \$195 million, before tax, and recorded \$193 million of realized gain on the donation of these investments as non-operating income. Net of the related cash tax benefit of \$51 million, determined by applying applicable tax rates, adjusted net income decreased by \$49 million.
  - During the twelve months ended September 30, 2017, associated with our legal entity reorganization, we recognized a non-cash general and administrative expense of \$192 million, before tax, related to the charitable donation of Visa Inc. shares that were acquired as part of the Visa Europe acquisition and held as treasury stock. Net of the related cash tax benefit of \$71 million, determined by applying applicable tax rates, adjusted net income increased by \$121 million.
- *Litigation provision.* During the twelve months ended September 30, 2018, we recorded a litigation provision of \$600 million and related tax benefits of \$137 million associated with the interchange multidistrict litigation. The tax impact is determined by applying applicable federal and state tax rates to the litigation provision. Under the U.S. retrospective responsibility plan, we recover the monetary liabilities related to the U.S. covered litigation through a reduction to the conversion rate of our class B common stock to shares of class A common stock.
- *Remeasurement of deferred tax balances.* During the twelve months ended September 30, 2018, in connection with the Tax Cuts and Jobs Act's reduction of the corporate income tax rate, we remeasured our net deferred tax liabilities as of the enactment date, resulting in the recognition of a non-recurring, non-cash income tax benefit of \$1.1 billion.
- *Transition tax on foreign earnings.* During the twelve months ended September 30, 2018, in connection with the Tax Cuts and Jobs Act's requirement that we include certain untaxed foreign earnings of non-U.S. subsidiaries in our fiscal 2018 taxable income, we recorded a one-time transition tax estimated to be approximately \$1.1 billion.
- *Elimination of deferred tax balances.* During the twelve months ended September 30, 2017, in connection with our legal entity reorganization, we eliminated deferred tax balances originally recognized upon the acquisition of Visa Europe, resulting in the recognition of a non-recurring, non-cash income tax provision of \$1.5 billion.

# Visa Inc. Reconciliation of Non-GAAP Financial Results – continued (unaudited)

Adjusted financial results are non-GAAP financial measures and should not be relied upon as substitutes for measures calculated in accordance with U.S. GAAP. The following tables reconcile our as-reported financial measures calculated in accordance with U.S. GAAP, to our respective non-GAAP adjusted financial measures for the three and twelve months ended September 30, 2018 and the twelve months ended September 30, 2017. There were no comparable adjustments recorded during the three months ended September 30, 2017.

## Three Months Ended September 30, 2018

(in millions, except percentages and per share data)	Operating Expenses	Operating Margin (1),(2)	Non-operating (Expense) Income	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate <sup>(1)</sup>	Net Income	Diluted Earnings Per Share <sup>(1)</sup>
As reported	\$ 2,028	63 %	\$ 132	\$ 3,538	\$ 693	19.6 %	\$ 2,845	\$ 1.23
Charitable contribution	(195)	4 %	(193)	2	51		(49)	(0.02)
As adjusted	\$ 1,833	66 %	\$ (61)	\$ 3,540	\$ 744	21.0 %	\$ 2,796	\$ 1.21

## Twelve Months Ended September 30, 2018

(in millions, except percentages and per share data)	Operating Expenses	Operating Margin (1),(2)	Non-operating (Expense) Income	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate <sup>(1)</sup>	Net Income	Diluted Earnings Per Share <sup>(1)</sup>
As reported	\$ 7,655	63 %	\$ (148)	\$ 12,806	\$ 2,505	19.6 %	\$ 10,301	\$ 4.42
Charitable contribution	(195)	1 %	(193)	2	51		(49)	(0.02)
Litigation provision	(600)	3 %	—	600	137		463	0.20
Remeasurement of deferred tax liability	—	— %	—	—	1,133		(1,133)	(0.49)
Transition tax on foreign earnings	—	— %	—	—	(1,147)		1,147	0.49
As adjusted	\$ 6,860	67 %	\$ (341)	\$ 13,408	\$ 2,679	20.0 %	\$ 10,729	\$ 4.61

## Twelve Months Ended September 30, 2017

(in millions, except percentages and per share data)	Operating Expenses	Operating Margin (1),(2)	Non-operating (Expense) Income	Income Before Income Taxes	Income Tax Provision	Effective Income Tax Rate <sup>(1)</sup>	Net Income	Diluted Earnings Per Share <sup>(1)</sup>
As reported	\$ 6,214	66 %	\$ (450)	\$ 11,694	\$ 4,995	42.7 %	\$ 6,699	\$ 2.80
Charitable contribution	(192)	1 %	—	192	71		121	0.05
Elimination of deferred tax balances	—	— %	—	—	(1,515)		1,515	0.63
As adjusted	\$ 6,022	67 %	\$ (450)	\$ 11,886	\$ 3,551	29.9 %	\$ 8,335	\$ 3.48

<sup>(1)</sup> Figures in the table may not recalculate exactly due to rounding. Operating margin, effective income tax rate, diluted earnings per share and their respective totals are calculated based on unrounded numbers.

<sup>(2)</sup> Operating margin is calculated as operating income divided by net operating revenues.