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Visa Raises Outlook as Results Beat Views

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By Maria Armental

Visa Inc. raised its financial targets for the year as quarterly results beat Wall Street expectations, driven by a higher number of transactions.

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Shares rose 1.3% to \$99.37 in extended trading and have been trading at all-time highs.

Visa, like other payment networks, processes credit- and debit-card transactions and makes most of its money from transaction fees. Like MasterCard Inc., which is scheduled to report next week, Visa doesn't extend credit directly to cardholders. Rather, banks and others issue Visa-branded cards.

On Wednesday, American Express Co. also reported quarterly earnings above analysts'

expectations, but higher expenses to keep apace of competition continued to pressure the company's bottom line.

San Francisco-based Visa, which has delivered a string of earnings beats fueled by a growing credit-card market, is the network for many in-demand credit cards, including the J.P. Morgan Chase Sapphire Reserve card, and has also benefited from Costco Wholesale Corp. cards' switch to the Visa network from American Express.

Visa accounted for 59% of purchase volume on U.S. general purpose credit and debit cards last year, compared with Mastercard's 25% market share, according to the Nilson Report, a trade publication.

Now, the company is taking on cash, offering up to 50 restaurants and food vendors \$10,000 apiece to switch to what Visa executive Jack Forestell calls a "journey to cashless."

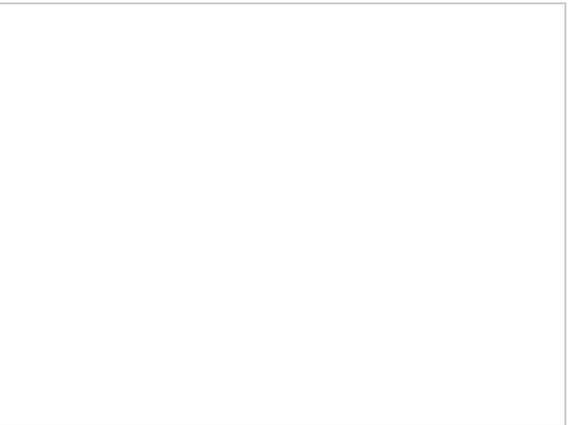
In the latest period, client incentives--long-term contracts with banks, merchants and others to expand business--were \$1.1 billion, 20% of gross revenue.

Over all, profit surged to \$2.06 billion, or 86 cents a Class A share, from \$412 million, or 17 cents a share, a year earlier.

Net operating revenue rose 26% to \$4.6 billion.

Analysts surveyed by Thomson Reuters had expected profit of 81 cents a share on \$4.36 billion in net operating revenue.

The year-ago results had been weighed down by the acquisition of Visa's European acquisitions.



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Payments volume for the quarter rose 38% on a constant-dollar basis to \$1.9 trillion, while total processed transactions rose 44% to 28.5 billion.

But operating expenses also rose by 31% after adjustments, largely tied to the Visa Europe acquisition.

With one quarter to go, Visa again raised financial targets for the current business year, saying it now expects adjusted profit to increase about 20%, compared with its earlier view of an increase at the high end of the midteens. It also expects net revenue to increase about 20%, up from its previous view of an increase at the high end of 16% to 18%.

AnnaMaria Andriotis contributed to this article.

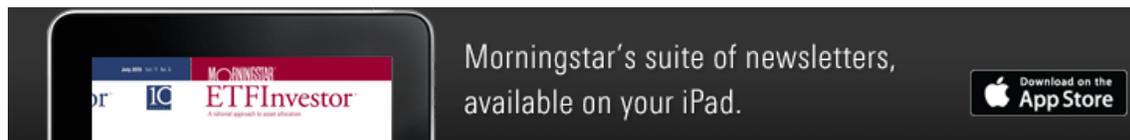
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