Mastercard

NYSE: MA · PAYMENT NETWORKS

EXCEPTIONAL 5/5 SERIES CANDIDATE

SECTOR	INDUSTRY	HQ	EMPLOYEES	MARKET CAP
Financial Services	Credit Services	Purchase, NY	39,800	$499.3bn

THE ONE-MINUTE VERSION

Mastercard doesn't lend money or issue cards — it owns the rails that move money between banks, merchants and cardholders, and takes a small fee on nearly every transaction that crosses them. The business needs almost no capital to grow: process one more transaction and the marginal cost is close to zero, so revenue scales with global spending itself. Earnings have compounded at 16.9% for twelve years on a 46% net margin. That is what we mean by a **structural compounder**.

WHAT IS IT?

One half of the global card-payments duopoly — the network that authorises, clears and settles transactions between the bank that issued your card and the bank that serves the merchant.

HOW IT CREATES VALUE

A toll on money in motion: **near-zero marginal cost per transaction** means revenue growth converts almost entirely to profit growth.

THE MOAT

The network effect defends itself. A new entrant needs both sides — merchants and cardholders — simultaneously, which neither side will commit to first.

THE TREND SHAPING ITS MARKET

Cash is still being displaced by electronic payment worldwide, and every converted transaction is incremental volume across Mastercard's existing rails. **The network gets paid whether or not it does anything new.**

THE STRUCTURAL BOTTLENECK

Not technology — **acceptance**. A network is worth more the more merchants take it and the more cardholders carry it, and that two-sided scale took decades to build.

THE COMPETITION — THE HONEST BIT

Visa is larger on every scale metric, and real-time payment rails (bank-to-bank, government-backed, and increasingly stablecoin-based) are a genuine long-run threat to the card-swipe toll itself — not from a rival card network, but from bypassing cards altogether.

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.
PASS	PASS	PASS	PASS	PASS

TRAJECTORY · STABLE → EPS grew 18.9% over the latest reported year, against 17.4% the year before.

THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

EPS CAGR, 11 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	NET DEBT / EQUITY
17.1%	90%	19%	45.6%	2.46×

The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

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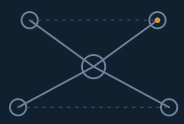
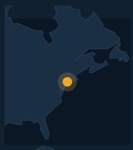
The seven forces & twenty-two themes	Every company profile to date	convictionplay.substack.com

Not a buy signal — exceptional can also be expensive, and capital is at risk. What this is and what it is not, overleaf.



HEAD OFFICE

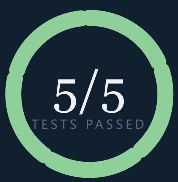


Purchase, New York, United States

Financial Services · Credit Services

ROIC	48.9%
REVENUE GROWTH	+16.4%
EPS GROWTH	+18.9%
INTEREST COVER	27.0×
FINANCIAL STRENGTH	3 / 5
WEBSITE	www.mastercard.com

THE CONVICTION WHEEL



COMPOUNDING
Revenue +16.4%, EPS +18.9%

EARNINGS QLTY
FCF/NI 113%

BALANCE SHEET
Interest covered 27.0x

CAPITAL ALLOC.
48.9% return on capital

PER-SHARE VAL.
FCF/share +21.9%/yr, 3y

PEER GROUP — GLOBAL PAYMENT NETWORKS

MA · profiled | V Visa | AXP American Express | PYPL PayPal

WHY THE ECONOMICS ARE EXCEPTIONAL

A toll on money in motion. Mastercard neither lends nor issues cards. It owns rails that move money between banks, merchants and cardholders, and takes a small fee on nearly every transaction that crosses them.

Marginal cost is close to zero. Processing one more transaction consumes almost nothing, so revenue growth converts to profit growth at a rate very few businesses of any kind can match.

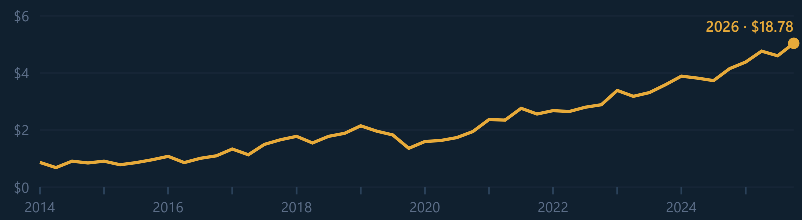
The moat defends itself. A network is worth more the more merchants accept it and the more cardholders carry it. A new entrant needs both sides at once, and neither side will commit first — which is why the duopoly has held for decades despite enormous incentive to break it.

The honest risk. The threat is not a rival card network but the card itself being bypassed — real-time bank-to-bank rails, government-backed schemes, and stablecoin settlement all route around the swipe.

Share price, 5 years of monthly closes — shorter than the earnings chart below (our price history only reaches back 5 years; the EPS record below covers the full twelve).

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data. **9 years in 10, this line went up.**



Weakest point: 2021, 19% off the prior peak.

WHERE THE REVENUE COMES FROM (COMPANY-REPORTED)

United States ≈ 42% | International ≈ 58%

Source: company-reported segment disclosure, FY2025.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a buy signal. Not a valuation, price target, forecast or recommendation, and no view on the share price. Exceptional can also be expensive: this company fell 26% from its February 2022 high and took 17 months to regain that price, while its earnings kept rising. Capital is at risk.

WHERE TO READ MORE — NOT BY US

Mauboussin, *Measuring the Moat* (Morgan Stanley) — how to judge a competitive advantage rather than assert one. Free. · **Thorndike, *The Outsiders*** — capital allocation as the job. · **Berkshire shareholder letters** — free at berkshirehathaway.com.

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