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Visa, Inc. (V)

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CORPORATE PARTICIPANTS

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Great. Thank you, everyone. If we could all make our way in, we'll move on to the next session, which is a fireside chat with Vasant Prabhu, the EVP and CFO of Visa. Vasant, thank you so much for being here today.

VasantM. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

We're just missing the fire.

Unverified Participant

I'm sorry?

VasantM. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

We should light the fire.

QUESTION AND ANSWER SECTION

Q

So maybe if we can get started with a topic that I know comes up with a lot of investors, the idea of the CEO cessation, maybe you could talk about Al Kelly, the decision there about his new role, and what about his background sort of led to that decision?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

A

Well, obviously, Charlie has been a great CEO, and significant changes at Visa since Charlie took over. We are much more nimble, much more innovative, fast moving technology company. And I came here because of Charlie. So we are all sorry to see Charlie leave, but Charlie had wonderful reasons for what he was doing, and – so when the Board is in the situation like this where they have to make a decision, it's not often that they have someone like Al available. So Al has a very long career in the business that has a lot of similarities, as you know. He rose through that company almost right to the top over his career, very highly regarded, very respected, well liked. You'll hear that from anyone who's worked with him in the past.

So he comes with knowledge, he comes with deep experience of running large businesses. And then he's been on the Visa Board for a couple of years, so he knows Visa, he knows all of us, I worked with Al, the other senior leadership team of Visa has worked with Al. We all know him well. I think Al is going to be a tremendous CEO for the company. I think he comes with both incredibly good skills in terms of being a leader, as well as his knowledge of Visa and the business, so I expect it to be a very smooth transition.

Q

Is there anything in particular in his background you'd point to with respect to some of the opportunities and issues that the company's trying to work its way through with respect to the Europe or China or thinking about mobile and sort of extending it to new areas?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Well, I think given some of his background, I mean, Al, certainly is very knowledgeable about the merchant side of things. He certainly comes with quite a bit of knowledge and experience in managing big brands in the marketing aspect. Al has worked in a global company before. Al understands the unusual and unique mechanics of a payments business which, as you know, is quite different than a lot of other businesses. And because he was on the Visa Board, Charlie, used Al as a sounding board on a lot of things and he's intimately familiar with everything that we were doing and Charlie's own vision for the future of Visa. So it's very hard to find a situation where you have someone coming in like that that has that much knowledge about why we are doing what we are doing and all the angles that went into making decisions we made and so on.

Q

Fair enough. Maybe turning to Europe, help us understand where the integration is progressing with respect to Visa Europe. How do we look at – how should we be thinking about that as we move out of 2016 into 2017, maybe a check in on that?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

Yeah. Visa Europe, we are really thrilled about it. This thing we think as an acquisition that is going to create enormous value for Visa shareholders. Things are going very well. There are many dimensions to this. I would say there have been no surprises of a negative variety. The dimensions are – we've removed the rebates, we're replacing them with client incentives. That's progressing well. We're doing a few other things on the yield side.

We are adjusting the cost structure in Europe that requires a certain consultation process. That process is essentially done, so we're moving ahead to do that. The technology integration has been initiated and will go on for the next couple of years. So everything's moving as we expected. We expect the financial performance to be equal to or better than what we might have thought going into it. The team is in place, we think we have a strong team in Europe. So everything is proceeding exactly in line with plans, and hopefully we can do better than plan. And it's good to be cautiously optimistic, because we can't forget that we're only three months into this. So while we might feel very good about it, we don't want to get too far ahead of ourselves. I think it's fair to say we feel very good about it. But also important to note that it's only three months, and I don't think you can declare a victory on anything like this three months into it.

Yeah.

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

Hopefully, what you will see is that the results speak for themselves. And as we progress further down this track and have more facts, we can tell you more about all of it. But we couldn't be happier and we think there's a lot of value creation here.

If we take a step back and look at it more broadly, what's the current state of the competitive environment in Europe? And when you look at the way Visa is positioned, how are you thinking about that vis-à-vis that competition where you might have certain advantages over others? Help frame that a little bit.

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

Sure. I think the big change that has happened in Europe and one that's been welcomed by the Visa Europe banks is that Visa Europe was an association. It was, in effect, an independent entity. While we were doing everything we could to help Visa Europe, they were independent and they wanted to do things their way. Their resources were certainly not as significant as the resources that are now available to them, whether it's technological capabilities or financial resources or sales resources or marketing resources. So with the banks at Visa Europe that were the original members, what they're happy about, in addition to the fact that they were able to sell their stake, which was all very good from their standpoint, is that they now have a company with the

resources of a Visa, Inc. backing the European business. So they've been very keen to see all the capabilities brought to Europe as fast as we can.

So we're moving Visa Checkout to Europe, Visa token service, all our innovation centers. We are moving very fast for the banks to see all the things we can do with them, and we're seeing a very positive reaction. In fact, even as the transaction was being closed, there were several big renewals going on and we were not involved in the renewals, but we were watching them because we were clearly not in a position to have any say in the decision. But it's very clear that the people renewing, the banks renewing were quite excited about renewing with the knowledge that they would be renewing with an entity that was going to be part of Visa, Inc. So, our ownership was a big plus. So we think that's a big change. The other big change is now there are two competitors in Europe that are both commercially driven. You don't have one association and one commercial enterprise, so hopefully we can both work to make this a very attractive market for both of us.

Third, clearly, I mean, we had strengths in certain areas and weaknesses in other areas. Visa Europe was strong on the debit side, tended not to do so well on the credit side. Clearly, we have opportunities to grow our credit business. And then in general, it allows us to do more with global clients. There were many banks in Europe that are global clients. We had to deal with them as two separate entities. If you're working with, let's say, the Google pays and the Android Pays and all that, or the Apple Pays, they had to deal with two separate entities. So dealing with global enterprises becomes so much easier. So I think there's a lot of changes. And then finally, what I would say is the processing environment in Europe is in some flux because of changes in regulations, and we would be looking to see what opportunities there are for us to grow our processing business. So there's a lot of things that can happen.

Q

Fair enough. Okay. One of the things that's been in the headlines as of late was the announcement around the head count reduction. Maybe help us understand a little bit about what the decision process was that went into that, and help investors frame what if any severance charges might need to be taken and how that might work through the P&L in the coming periods?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Right. So as we were looking at Visa Europe as an acquisition, as you know, you have to decide sort of how you want to run Visa Europe and what kind of organizational structure you want and what the cost structure should be. And then putting that into place, we sort of started with a clean sheet of paper. And as we were doing that, we looked around the world and we looked at our infrastructure and different regions of the world. And if you know the history of Visa, we came together eight years ago as a public company, that was a collection of five or six associations, there was the Latin American association, the Asian association, the North America association and so on. And they all evolved in different ways. And as we did that, it became clear to us that there were a few things we could do. There were opportunities to say we were doing things better here than there, so why don't we do the things the same way everywhere, so there were opportunities.

And then as you know, in large companies, what happens is over time, when you do thinking ahead to the future or you're setting your goals or budgets for next year, you look at where you are today and how much you're going to add. And what you really should be looking at is, are there places where I should be scaling back while I add another area? So what we've tried to do here was just say Visa Europe gives us an opportunity to sort of look at

our entire base of business and say are there opportunities to get more efficient in certain places? Are there places we should invest more?

So you should look at this as less of a reduction and more of a resource allocation, and a little bit of – if there are better practices here, let's adopt them here, but let's then find out where we're underinvesting and let's go invest there. So whatever we want to do we have decided and most of the actions have been taken and the charge reflects that. And there's a few more of those that we'll do over the next month or two. But it was, I think, something that is generally useful for most companies to do from time to time.

Q

Got it, fair enough. When you think about the world, where the world is going, would love to get a sense of where does Visa Checkout sit today, maybe get an update there with respect to sort of how broad the initiative is now? And then maybe we can transition into a conversation, more about mobile over time as well.

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Sure. So Visa Checkout really is – our view is, Visa rails – our job when we wake up in the morning and go to sleep at night should be, how do we make Visa rails the rails everybody wants to ride, right? We want to make it very easy. Whatever – if you want to close a transaction and get paid, we should make Visa rails, the best rails, the more secure, the most reliable, the most cost effective and the most friction-free. And Visa Checkout was the way to do that. Before we did our new arrangement with PayPal, there was a certain amount of friction in how you used Visa cards online through PayPal. Now of course we've dealt with that and we feel a lot better about that, and that's great, and it's going to be good for PayPal, good for us. But Visa Checkout was a even more frictionless way to transact on the web using Visa cards, plus it allows us to maintain a presence at the point of acceptance, which is good for our brand.

So Visa Checkout is progressing very well. We are now going global, we're in over 20 countries, we're in 15 million – we have 15 million enrollees. We have, I think, \$160 billion or so in payment volume. And what it gives us is a solution in many parts of the world where there aren't better solution. So we're quite happy with it. We think that Visa Checkout is one of many ways in which people can get on our rails, and we are delighted to offer this as a solution where better solutions don't exist. So things are going well and there's a lot more to do. It's early days there, too.

Q

As you think about that world of e-commerce, and increasingly, mobile commerce, maybe help frame some of the volume that comes your way, how the unit economics might change over time, what the company needs to do to get broad adoption of the mobile solutions. How does that sort of all work its ways through over the next couple of years?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Yeah. Look, I think this is a very exciting time in our business globally, right? Because the heart of our business – if you look at Visa's revenue, right, we've been growing our revenue double-digits and our payment volumes have been growing double-digits. And the lifeblood of our business is personal consumption expenditures. It's when

you go out to shop and use your card. And the global economy hasn't been booming for the last five years. In fact, if you look at personal consumption expenditures globally, in real terms – in nominal terms, they've only grown about 2% or 3%. So if we were dependent strictly on personal consumption expenditures, we would be hard-pressed to grow our revenue much more than 2% or 3%. The other seven points of growth has come from the most important thing in our business, which is the conversion of cash to electronic forms of payment, right, the digitization of cash. So it's what we call personal consumption expenditure penetration by cards.

And what is making the biggest difference there is technology, right? So today, if you live in the Bay Area, you don't ever have to use cash, right, because thanks to Square and dongles, and you can pay for parking with cards, you can pay for taxi. You can pay for everything with cards, and that is a revolution. So every smart device is both a potential digitized card or a point of sale. So what's phenomenal for our business is mobile is the future, because if you go around the world, of course, they're bypassing landlines. Remember, the old Visa business was built on hard-wired landlines that went from bank to bank and so on, and from merchant to bank and processor and so on.

Today, every smartphone or every mobile phone is either a point of sale or a potential device to use to pay. That is a revolution and extraordinarily attractive to us, and we've seen the impact all over the world because payment volumes are growing double digits and the large reason for that is technology. So it's evolving in many different ways, and the future is not entirely clear. So our goal is to make our rails the most attractive rails to ride. So if anybody has a way they want to transact using a mobile device, we are there with them day one saying, okay what do we have to do to work with you get you on our rails which is why we're opening up our network, we have the Visa Developer platform, they are providing APIs, we're working with all our partners to figure out as many ways as they can come up with to bring that transaction into the world of digitization – meaning take that cash and make it digital, and then to ride our rails.

So there are so many variations of this, it's hard even to describe them because you go around the world and you see this being applied in a myriad different ways. You're familiar with the ways it's happening in the U.S., so I think this is a very long trend and will go on for a very long-time. And remember, we are not done until \$13 trillion in cash is converted to digital. And by the way, the cash continues to grow. Every time we think we made progress, there's still more cash because wealth is growing around the world. 30 years ago in many countries, there were no cards. Today in most of these places, cards are a central form of payment. So we are very excited about what technology is doing to our business.

Q

So in terms of that push in that, both innovation curve and adoption curve, what are some of the key issues that do have to be sorted out between yourself and merchants who adopt mobile payments? What are the friction points still, as you get that – as you move up that adoption curve?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Well, we're solving many of them as we speak, right? So tokens was – Visa tokens was one way to solve the security question. So for example, when you tap your phone now, the information that's exchanged is a token. It's completely secure, nobody can figure out what it is and it's very hard to – very hard for – it becomes a lot safer, the transaction. We are also – we have to sort out essentially point-of-sale devices because there's a legacy in all these things and enabling point-of-sale devices to be either digitized cards or digital wallets or mobile points-of-sale, that has to – there are various technologies that are trying to do that. But most of all, it's really getting the

habit going, right? It's getting people comfortable with using cards, rather than cash. And that's really at the heart of it. I mean, a lot of the technology enablement will fall into place. There are many parts of the world now where governments have done a lot to get cards in people's hands, but building acceptance takes time, so we need to build acceptance. So there is a chicken and egg problem here. You got to get cards in people's hands, but they won't use them unless there are many points of acceptance. And vice versa, merchants won't want to accept cards unless there are lots of people wanting to use them. So getting that virtual cycle going is critical. So it's more about getting usage going. I think the technology is mostly in place.

Q

Fair enough. And just by way of reminder, if anybody would like to send questions up to me, please use the Crowd Mics app on your devices, send them up and I'll work them into the conversation as I get them up here. Maybe turning to China, since they are of timing on approval, how do you see that progressing going forward? Maybe even a broader conversation, what with the market opportunities in China, how do you sort of feel about that over the next couple of years?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Yeah. From the very beginning, when it was announced a year ago that China was opening up, if you listen to everything we said, we urged everyone to be cautious on the whole range of front. So I think by and large, I think our caution has been proved right. It's taken a lot longer to get to the point where we can even submit an application. And once we submit an application, they have to give us a license. And then once we get a license, we have to get a processing infrastructure up and running in China. And remember that we don't operate in China today. We have a nice business in China that is a cross-border business but we have no real domestic business in China.

Visa cards are really not travelling into most of China because there was a government monopoly there and we were not allowed to participate in the domestic market. So we have to build acceptance and that can take time, it costs money. And then China already has a relative well-developed card-based economy, as well as alternative payments like Alipay, Tenpay, and so on. So it's a very competitive market. It's not clear what the economics are because when it was set up, it was set up more as a public good. And so we have to figure out what the future economics of the business are going to be.

So in the short run, it's waiting until we can get started, then it's a lot of investment and expense. So it's quite a while before China is something that will meaningfully contribute, and we'll have to be careful in how we do this because it's not totally clear what the right business model is for China, because it is a different kind of market and we'll have to evolve it as we go along. Having said that, are we happy that the Chinese market has been opened – is opening up to us? Absolutely. But this is a long-term play. This is going to go on for many years, and as it evolves, we'll be able to tell you more about how it's evolving and what it means for us. So I think our original view on this, which is to be cautious but optimistic, is still the right thing.

Q

Got it. Is there any – are there any key learnings, though, from other countries in the region or being a global player like you are that you think can speed up your moves in China once we do get past the approval process?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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China is very unique. I think the Chinese have done a spectacular job of digitizing cash compared to other emerging economies, between what some of the Internet players have done, like Alipay and others, and what China UnionPay has done. They've actually made a lot of progress in both building card – having cards out there, building the acceptance base and then driving volume. So in many ways, China has moved far ahead of a lot of other emerging economies and has evolved in a very different way from them. So, I think you go into China – normally we go into countries and we're the pioneers, right? We're the ones who are out there doing the machinery work in building acceptance and building digitization of cash and all that. We go into a China where somebody else has already done that, and so we are up against some fairly tough competitors in a fairly well-established market. So, it's a different kind of challenge.

Q

And then I guess last one there in terms of are there avenues for partnership in that market? Is it partnering with some of those Internet players like Ali Baba and Tencent, is it partnering more with Chinese banks? How do you think about the road to adoption, the road to acceptance that includes partnerships?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Absolutely. I think you're highlighting something that we should be very open to, which is partnering where it makes sense. Exactly what those partnerships are, are not totally clear. I think as we get into the market and as we have a better sense of how the market evolves, I think we should be open to partnerships and we will be because, I think there could be a win-win situation there that make partnerships of this sort that may not be obvious in other parts of the world, make them very worthwhile in China.

Q

Area that I was going to get to anyway, but also seems to be coming through on the questions is the regulatory landscape. How do you think the regulatory landscape is going to evolve globally? Some fairly specific questions with respect to Australia, UK, U.S. Maybe give us the broad strokes on sort of where you see the regulatory landscape globally and how you see that evolving over the next couple of years?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Right. Well, as payments have become a significant component of most economies, it used to be that in most economies cash was how payments were done. But as electronic forms of payments have become more and more important, certainly governments and regulators have gotten more interested in it. So I think regulation is a fact of life in our business and it comes in many forms. It's hard to paint it with one brush, so to speak. The regulatory priorities in the U.S. are very different than they are in other parts of the world. So, for example, in Europe and in Australia, the regulators have mostly focused on interchange regulation, so they focused on pricing of interchange and pretty much done that. In the U.S., we had an element of that with Durbin. So there is that version of regulation in certain parts of the world like Russia, the regulators have chosen to create domestic networks. China is a similar situation.

In other parts of the world, regulators are just smoking to work with us and find a solution that is a win-win for both sides. So our view is that regulation is a fact of life. Regulators are people that we should be working with. There's a lot of value we can add in all these economies because we can help them with an objective very often regulators have, because many emerging markets want to move to a cashless economy. Because remember, cash is a big source of corruption, right? Cash is what allows people to launder illegal money. Cash is what allows people to not pay taxes. Cash is what creates corruption when transfer payments have to be made from governments to individuals, it gets stolen along the way.

And there's a big force in a lot of these markets and we're working with many governments like Egypt to digitize their payment systems because they feel that this would be a huge plus for their economy. So in many cases, regulators can be your best friends because they want your help in doing something they absolutely want to do. So there's no one answer on regulation.

Q

I've got a lot of questions that have come in, in terms of really two facets of it, trying to understand better how the partnership with Costco is impacting the financials over that short- to medium-term, understanding the impact from that business, both for the top line and the bottom line. I think that's come through in a couple of different forms.

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Yeah. Look, we are delighted to have Costco. We think it's phenomenal for the Visa brand. We think Costco is very happy with the partnership, as with Citibank, the issuer. Things are going extremely well. The use on this cards is great, especially not just within Costco but outside Costco. The cards and the Visa brand are very valuable to Costco in building their membership, which is what they care about. We always said that the early years of this deal will not necessarily be a big contributor to our revenue and that is still true. There's a frontloading of some what we have to do for it. Volumes build over time.

Having said all that, our goal here was getting access to a very valuable customer base, which are Costco members that we were not able to serve in the past because it was exclusive. Remember, Costco did not accept credit cards other than American Express. Now they accept all Visa cards, all Visa credit cards, including their own co-brand. So even a non-cobranded Visa card is acceptable there, which is wonderful for all Visa cardholders. Plus, it gives us access to high spending days of Costco customers and all the spend that they might do outside of Costco, which in the past – people have a habit of what we call a top of wallet card. So the card you want to put most of your spending on, this allows Visa to be the top of wallet card for Costco members. And then they use it for all their spend outside of Costco. So there's a win-win here and we're very happy with how things are going so far.

Q

So I guess a follow-up that's coming from the audience was sort of the reacceleration in process transaction you saw. What's the impact to that from Costco?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Yes. I mean, Costco and USAA will help process transactions growth, both our new accounts and therefore new volume. And that will drive some of the growth we see over the next year until we start lapping that again.

Q

Got it. And then the last one in this area that sort of come through in a couple of different forms is in terms of picking up the Costco business, what does that tell you about the competitive nature of the card issuer side of the business, how that affects the long-term business outlook across the broader industry?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Look, I mean, the industry has always been very competitive. Large issuers in particular have always had a lot of clout. Large issuers clearly drive card choice. Very often they're willing to be exclusive and do long-term deals. And if you're a large issuer and you're willing to be exclusive and do long-term deals, certainly you can get some competition going and get a good deal from people like us. It's up to us to manage this in the most intelligent and rational way we can and we certainly are focused on that. The business with large co-brands and large issuers has always been very competitive.

Q

Yeah.

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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And I presume it'll stay that way.

Q

Fair enough. A couple of questions, you've also commented about the relationship between Chase and Visa with the launch of Chase Pay, the use of VisaNet, maybe help investors understand how we should be thinking about sort of the licensing of the Visa Network versus fees and what sort of – how the decision was landed upon with that?

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

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Yeah. Look, the Chase partnership is a very important partnership for both sides. Chase is a critical issuer for us. Chase is a very successful issuer of cards in the U.S., has a very high market share. Chase has a 10-year arrangement with us. So it's a long-term partnership. Part of the arrangement was the creation of ChaseNet. And the good news on that is anything they do with Chase Pay rides on Visa rails. Of course it's private labeled or branded ChaseNet, there's certainly some economic benefits to Chase from having it go on one side of it versus the other side of it. But the first objective we have is to have these transactions ride our rails and that's the case.

Chase cards are issued as Visa cards. So we think this is a partnership that helps Chase in achieving some of its objectives at the same time it helps us in achieving our objectives. And how Chase Pay plays out all the time, it's

too early to tell. Certainly, Chase has a game plan that they're executing and we'll have to see how that all evolves over time.

Q

Obviously, another area that's been very topical with respect to the Global Payments industry is Blockchain. You've talked about Blockchain with respect to cross-border, maybe talk about the partnerships there, how that fits into your broader cross-border strategy and would you see the opportunities there.

Vasant M. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

A

Yeah. Look, Blockchain is a technology that we are watching closely. From everything that we hear from our technology people, it's not something that is easily used in our kind of business, which is low ticket transactions with very high volumes. It seems to be more applicable to lower volume sort of larger transactions. And so initially, I think the commercial cases are all in back office-type tiering systems where there's certainly an opportunity because a lot of what happens in the back office is not as efficient as it could be. So certainly, Blockchain, and we are watching it, given investment in one of the companies is being used in these kinds of systems and there's experiments going on in other areas.

Now we'll watch this closely. But remember that – it's very important to remember that yes, we are, at heart, a processing and technology enterprise. But there are three components to what makes Visa, Visa. One is the technology, and yes, it's possible there are other technologies that could do what we do. But the real power of Visa is the other two things, which is our network. And remember that we have – we are essentially a network of 42 million points of acceptance linked and connected to the 3 billion cardholders, right?

So you can have a technology that does what we do, but the real value is in the norms you have in the network. So you have to somehow create the network, too. So you've got to watch both, right? Is there a technology that can do what we do, but how do you build that network and the chicken-and-egg issues that go with it. And then on top of all that is our brand because if you are going to carry something in your wallet that is as good as cash, and as a result of it you are not carrying cash, it better work all the time. It better be reliable, it better be usable almost everywhere, and it better be secure. And that's what the Visa brand gives you. So I wouldn't underestimate the power of our brand because people carry Visa with the confidence, as we say, everywhere you want to be, everywhere you want to pay. And it's always working, always reliable and always secure. So you can keep your cash at home and just carry a Visa card.

So, I wouldn't underestimate the importance of those other building blocks of what makes Visa, Visa in addition to the technology, because after you have the technology you still have to build the network and you still have to build the brand.

Q

Speaking about that, the power of the network, the sheer volume of the transactions you have, you actually also have a lot of data. We were talking earlier today on a panel around digital advertising and how data is the currency that makes that flywheel turn for...

Vasant M. Prabhu
Chief Financial Officer & Executive Vice President, Visa, Inc.
Right.

A

Q

...merchants, for advertisers, for partners in the advertising ecosystem. How do you think about the data you have and how it can make your merchants' businesses smarter, better run? You talked about getting into ad measurement and...

Vasant M. Prabhu
Chief Financial Officer & Executive Vice President, Visa, Inc.
Right.

A

Q

...thinking about using your data around those areas. How are you thinking about the power of that data? What it can do for your merchants? And how it can only, in my view, probably enhance the value of your network over the long-term?

Vasant M. Prabhu
Chief Financial Officer & Executive Vice President, Visa, Inc.

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Absolutely. Yeah, as you said, we have a lot of data. We know where cards are being used. We also have to be very careful in terms of ownership of data and privacy. But there's a lot we can do while clearly adhering to all the rules on who really owns the data and privacy. There's a lot we can do with the data without identifying you particularly, but groups of people and allowing merchants to improve their business as a result of that. We're starting to do those things through our loyalty and offers programs and our Visa Advertising Solutions. There's a lot more to do, it's early days. I would say that data is an asset that we have not used as much as we can, and we have to continue to mine and enhance the value of the data for the benefit of our issuers and our merchants, while also making sure that we stick to whatever the rules are in terms of privacy and ownership. So there's a lot more to come here.

Q

Maybe just to check in on the broader macro environment. You called out cross-border volumes. We've seen a lot of volatility in the markets over the last couple of weeks and months. Let me just check in on the broader macro picture, what are you seeing in your business with that level of volatility that's going on? Any check-ins there for investors?

Vasant M. Prabhu
Chief Financial Officer & Executive Vice President, Visa, Inc.

A

Sure. Yeah. We just had our earnings call, I think it was less than a month ago and we went through in some detail what we saw going on around the world. I would say on the margin, things are still the same. But clearly, in the last two weeks, we've seen a few big shifts. So I wouldn't say big shifts, but we've seen some shifts. And the

bulk of the shifts have been in currencies as it relates to our business, right? So in a week, the world's economy can't change, but currencies did move and that does have an impact on our business.

So, the fourth quarter we saw our cross-border business grow at a double-digit level for the first time in a long time. And that was driven by a few things happening. It was driven by the dollar weakening a bit because, a stronger dollar tends to hurt our business coming into the U.S. which is a big business for us. We saw emerging markets in general begin to stabilize and get a little better. We saw China, which had been growing very fast, which had begun to slow down, stabilize a bit.

So all that was working in our favor and the comparisons were also easier. So as it stands today, the comparisons are still easy. The dollar has gotten stronger, so we'll have to watch that closely and depends on which currencies it gets stronger against. What's unclear is, is there going to be an impact on some of these economies, right? We have certainly, the dollar getting stronger, could have some impact, what's happening with oil prices, commodity prices, will there be some trade-related dislocations? That is all completely unclear.

In Europe, we are seeing the impact of Brexit, the pound being weak shows – helps the commerce coming into the UK, hurts commerce going out of the UK. That hasn't changed a whole lot. So I would say volatility on the one hand is good for us because it's good in our treasury operations business. On the other hand, if this is a change in trend, then we'll have to watch it closely.

Q

Understood. Last one as we maybe have just a few minutes left here. Bigger picture in your role when you think about what's the right amount of leverage that Visa should have on the business, how that factors into some of the big capital allocation decisions around inorganic growth versus organic growth, and then also how it feeds into how shareholders are remunerated in the form of the dividend and the buyback. Help us just understand that whole framework...

Vasant M. Prabhu
Chief Financial Officer & Executive Vice President, Visa, Inc.

A

Sure.

Q

...how you and the team frame that to the Board?

Vasant M. Prabhu
Chief Financial Officer & Executive Vice President, Visa, Inc.

A

Yeah. As you know, forever since we were public, we had no debt. And we had always said that when we did the Visa Europe transaction, we would set up the long-term capital structure. We have now done that. We have about \$16 billion in debt. So the long-term capital structure is in place. We have – we said we would manage our ratios to between 1.1 times and 1.5 times EBITDA, and we will do that. So that's in place. That's not going to constrain in any way our capital allocation policies because we still have plenty of cash to do all the things we wanted to do and have been doing. So job one is to invest in our business. This is a great business. You should never underinvest in the business. So job one is to invest capital and expense wise what we need to make this business what it can be. It's not a capital intensive business so we don't need a lot of capital. We've been spending about

\$500 million a year for the last seven years or eight years, that's not a lot of capital given the cash we generate, which is \$7 billion or \$8 billion a year.

We also have a dividend. Now we are still, in our view, a growth company. We expect to grow for a long time so there will be capital appreciation in the stock. So we think that we should pay a reasonable dividend that keeps everybody honest, give someone – gives investors something to count on. So we pay somewhere between 20% to 25% of our earnings in the form of dividends, so we'll keep it there.

And the rest we've been disciplined about, giving it back to shareholders in the form of buybacks. Typically, they're programmatic. We may scale them up or down depending on market conditions. So we followed that for quite a while, it's our intent to keep going. We said we would up the buyback to buy back some of the preferred stock that was issued for the Visa Europe transaction, we're doing that.

We had indicated that we might issue some debt before the end of the year given what happened to the bond market, it's probably worthwhile to wait and see how markets evolve. There's also talk of repatriation, holidays and so on, and other plans we were working on for repatriation to the extent that we can repatriate cash from outside the U.S., we would have to look at how much debt we might want to issue. So we will evaluate all that in the context of all the new considerations post the election. So that's the plan from a capital allocation standpoint.

Q

Great. Well, Vasant, thank you so much for being here today. I know one thing, when you run these conferences is you never stand in the way of people's afternoon coffee.

VasantM. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

Okay. [indiscernible] (41:08)

Unidentified Participant

So, we're going to land it right on the time. I'll let everyone grab some coffee and please join me in thanking Visa for being part of the UBS Tech Conference this year.

VasantM. Prabhu

Chief Financial Officer & Executive Vice President, Visa, Inc.

Thank you.

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