17-Jun-2021

Visa, Inc. (V)

RBC Capital Markets Financial Technology Investor Day

Copyright © 2001-2021 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

OTHER PARTICIPANTS

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Well, welcome back everybody and thank you so much for joining us again today, and I'm super excited to have as our keynote speaker, the management team of Visa, which we've been long friends with for a very, very long time and we appreciate that. From the company, we have Oliver Jenkyn. Oliver is the Executive Vice President, Group President, and Regional President of North America. So I have to say two things: one, thank you so much for being here; and that title is almost as long as the operating rules of Visa. So, we've got to work on simplifying these things a little bit, Oliver. Don't you think?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

Yeah. We'll start with the title. The operating [ph] rings (00:00:37) are more important than the titles. So we might do [indiscernible] (00:00:39).

Copyright © 2001-2021 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

There you go. So, look, thanks so much for being here. Really appreciate it. Well, what we've been doing today is starting at a very high level with a lot of companies and then kind of funneling down into some more areas of specificity. So, if we could start, I know you've been putting out some incremental updates around what you're seeing in the economy and the backdrop. And so, if you could start there by just providing, obviously in the context of North America and anything else you want to share, but what does the backdrop look like and maybe what do you expect in terms of the cadence of performance as we progress throughout the year given all the insight that Visa has?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah, for sure. And I think, first of all, thanks for having me, Dan. It's always great to see you and have a conversation. As you would know, we recently released an 8-K. So, some of what I'll say, I'm sure you guys have already read, but one should also say, most of what we're looking at internally is indexed to 2019, the last clean year. Just as we're running the company, there's just a lot of noise comparing to any things that have happened subsequent to 2019. So that's a lot of what we're looking at.

And some of the key things we're looking at, the numbers are pretty good. We feel pretty good about the health of things and where they're heading. Some of the key numbers I look at, total PV in May in that 8-K, 132% of 2019, up a bit from April. We're really pleased to see that debit spending levels in the US are holding firm. Even though the government stimulus is further and further in the rearview mirror, that spend on debit is holding up, which is great. Meanwhile, credit is recovering. I think debit was at 151% of 2019 in May. Credit recovered to 114% of 2019, an improvement from April again.

So, it's great to see debit holding while credit is growing. Card present improved. I'm just looking at my numbers here, it's 113%, up 4 percentage points from April. That's great. Card not present excluding travel at really strong level at 159% of 2019. So, everything feels great. Obviously, travel spend in cross-border travel is still struggling. Domestic travel in the US is doing well. It's almost back to 2019 level. So, overall, that's – it's pretty healthy and we feel pretty good about.

It's a nice backdrop to have heading into the next year.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. As the team was thinking about setting up their views of the world, let's say a month or two ago and looking at the statistics that are coming out today, are you sensing that they are better than what you maybe had anticipated or were they generally in line with what you guys had originally thought?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

I think they're pretty close to being in line. We're very focused on the next few months of cross-border and specifically, travel-related cross-border. And so, the – I think the jury is still out. There's some recovery and green

Copyright © 2001-2021 FactSet CallStreet, LLC

shoots in cross-border travel, but we really are keeping our eyes glued to those numbers. So, hopefully, begin to see a recovery. I think on the domestic numbers that I quoted, it's pretty in line with what we were expecting. We were pleasantly surprised, and we're going to stay focused on – hopefully continue to be surprised on debit holding at those strong levels, while credit recovers. That is a really powerful thing if that can continue because that's been showing great cash displacement, greater habituation for digital payment usage, if that can be a structural change that continues. So, we were expecting that, but we're really happy to see that sticking and want to stay focused on that.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Okay. So I did want to mention a little bit around kind of US inbound and US outbound travel. I feel like if I'm any indication of what other people want, there's a huge bolus of demand in my mind of things I want to get out and do again. Not done yet, but maybe at some point we'll be able to do that. But I am interested to know, as the lens that you look through, what are you seeing in terms of pent-up demand around inbound and outbound? I know recently you've talked about some specific corridors, US to Mexico being one of those, so maybe if you could share kind of your perspective of what you're seeing and maybe also what an outsider of Visa should be – maybe paying attention to.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. These are all great questions. Let me make a few points. First of all, I'll just – I'll tell you some numbers that I'm sure you read in the 8-K, but when we look at global cross-border excluding inter-Europe, let me just look at my 8-K again here, that continues to improve 85% in 2019, up 6 points from April. And a lot of that's led by strong e-commerce, but there's improvement in the travel spend as well. I think it went up to about 45% or 5 percentage points. So, overall, healing.

Second thing I'd say is, as travel recovers, it's disproportionately going to be domestic and that's what we're seeing now. Not helping the cross-border numbers, but we are seeing that coming back. Last I looked, the domestic travel numbers, within the US, either were very close to 2019 or I think has subsequently crossed 2019. So, that pent-up feeling, Dan, of wanting to go do something is happening, but right now, it's remaining domestic disproportionately. And I think that will probably stick for a while, until these border restrictions, and the quarantines and everything else start to lighten up.

So, people are getting their fix, if you will, for travel, but they're going to the beach, right? They're doing short-haul flights, maybe coming out to California, or maybe going to New York for a summer trip or something like that. So, we're definitely seeing strength in travel, but a bit more domestic.

In terms of cross-border in the US, let me just look at a few notes here, we have talked in the past about the US-Mexico corridor and that corridor has opened up and we've seen great spending levels as US travelers – I'm talking outbound here, US travelers into Mexico up 70% from 2019 levels. But also in Europe, a couple of examples, US to Spain and US to Greece, airline booking volume for each of those countries in May was 2.5 times what it was in April. Spain actual bookings are still below 2019, but Greece is above; Turkey is also above. So, there's other corridors that we're really starting to see heat up. On inbound to the US, they're still sore, I mean, it's down 70% versus 2019 in March. We recovered a little bit every week in May.

We're very focused on the US-Canada corridor. That's our biggest country-to-country corridor in the world, and it continues to have significant border restrictions. Canada has struggled a little bit with this – more than a little bit with its vaccine distribution, and so, that volume is still down about 80% in 2019 as of Q2, slowly recovering from

Copyright © 2001-2021 FactSet CallStreet, LLC

May, but I am Canadian, my family lives back in Canada, so I watch that corridor quite closely and I'm optimistic that, that will start to open up for Canada inbound.

So, again, I'd say a lot of green shoots, but most importantly, the research that we're seeing and the conversations we're having is very similar as you said, Dan. There's pent-up energy to get out and do things and while we may be starting with domestic travel, there's a desire for international travel for people to get back to normal. And the financial wherewithal is there. It's just a travel friction, health restriction. So we think it will recover well, specifically on the consumer side, but it's going to lag. We need those very high friction restrictions at the border to lighten up.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Right. So, in terms of external metrics that we need to keep a mind of is obviously going to be border restrictions. There's a huge correlation obviously to the PV growth associated with that, it sounds like, and so we'll be mindful of that. And obviously, working for a Canadian bank, we're watching that quarter pretty tightly too. So we're empathetic.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

[indiscernible] (00:08:52)

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Let's jump to some big themes. And this is in the context of kind of a post-pandemic world and thinking about how Visa is positioned relative to some of these themes. So I'll just throw some ideas at you and then you can tell me where you guys fit and what your tactics are here. So, obviously there's a huge shift towards e-commerce and the need to have an omni-channel experience amongst consumers and the merchants, quite frankly. So, where is Visa in that regard and kind of what role are they going to play in terms of being able to sustain that for all of your – all your constituents?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

So, e-comm is a great one. In many ways, this is a very simple point and in many ways, it's a very sophisticated point. The simple point is, listen, the rise of e-commerce, it was taking place well before COVID. It's obviously a huge trend that's going on for a long time and so in many ways it's much ado about nothing, but in other ways, we think it's a huge shift.

We estimate that COVID pulled forward three to five years' worth of consumer behavior changes and to look at the growth rates that you see in e-commerce, it's an impressive set of numbers, of e-commerce usage, e-commerce growth relative to card present. But what's even more impressive is to think that literally, hundreds of millions of people had to change their day-to-day behaviors to support those huge e-commerce numbers that we saw. And it's that sort of habituation and muscle-memory formation that took place, that really has us believe that there is a permanent – we pushed ourselves past the tipping point with permanent change in consumer behavior.

We're doing a lot of work looking at the segmentation of how different consumers changed behavior. So, you've got first-time users – who, my parents, for example, who didn't buy anything online, and there's a huge number of new Visa cards being used online for the first time. Then you've got category expanders, people who

Copyright © 2001-2021 FactSet CallStreet, LLC

[indiscernible] (00:10:58) bought things online, but they only did it in a couple of categories, and only up to a certain size. That group significantly expanded what they were willing to do online, and how often they were willing to do it. And then we've even got the digital natives, who – they thought they were all in, but now they've really gone all in.

So, no matter where you started in that continuum, every segment that we've looked at has gone significantly deeper and they've liked it. And so, again, we think that, that consumer behavior has changed, that habituation has changed, that muscle memory has formed, and we don't think it's going to go back. And so, we think that's hugely valuable for us, because it's not easy to make a purchase online with a $10 bill. You can't jam a $10 bill into your iPhone to make a purchase. So, it's going to be an electronic transaction. And that is a huge benefit for us on the issuing side.

And then the acquiring side, a lot of the capabilities that are required to meet these new retail models, the risk scoring, the transaction management, the omni-commerce capabilities, buy online, pickup-in-store, return in some other store, ship packed, like making sure the payments are supporting all of those new ideas, that's on us. It's on the payment facilitators. It's on the acquirers. It's on the issuers. And I think we've done a good job of living up to the test, but we feel great about it.

So, again, the rise in e-commerce, I almost blushed by mentioning like that it's a thing because it's an eye-roll, but if you actually go deeper, this is an enormous change. And just having hundreds of millions of people change how they behave, that's hard to do, and it was done out of necessity and people liked it. So we feel great about this and we think it's going to stick.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. When you think about all those incremental new on-ramps that are being created, some are through partners and fintechs and others, are there areas of distinction that Visa brings, maybe greater areas of strength to help accelerate those on-ramps and in particular going into e-commerce?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. Let me think of a few. One of the first things – I think one of the areas that we can really help is we have a strong brand, we have a big voice, we sort of sit in the middle of the whole ecosystem. So, one of the most important things that we spent time on when the pandemic hit was trying to help smaller businesses get online, a lot of the main-street merchants. They're just – they're physical store only. They're card present only.

And so we had a significant effort to work with our acquirers and our payment facilitators to try to launch a significant campaign through digital marketing, through media, but also through street teams where we're going out as things start to open back up and say, let us help configure your physical store with Tap2Pay, et cetera, but let's see what we can do with the Digital In A Box ways to help you get online quickly so that you're diversifying your sales pipeline and you're able to actually sell them online. So we spent a lot of time and a lot of money, all of which is a great ROI, because we're bringing people's small businesses online. We spent a ton of time on that, and we're going to continue to do that.

And then I think CyberSource as a platform is an enormous asset for us here. CyberSource both goes directly to merchants, where we can bring some of our capabilities, which we think are best-in-class for all facets of helping a merchant sell online, but we also partnered with a lot of acquirers. We white label CyberSource, quite invisibly at times, to some large, very sophisticated acquirers to make sure that every acquirer doesn't have to duplicate

Copyright © 2001-2021 FactSet CallStreet, LLC

the investment to build some of these capabilities. We can build at once, extend the capabilities to them, and then they can go and help serve their clients in an omni-channel way very effectively.

And so that's the sort of an enabler model that we've got partnerships in Europe, we've got partnerships throughout Asia, partners in North America where we're doing exactly this. And I think that's an area where we stand out, and we're doing it oftentimes with big institutions that are both acquirers and issuers, so it tightens our relationship and helps them grow their business.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. I think oftentimes, CyberSource is kind of a forgotten asset for Visa, but it has clearly emerged as a huge, a huge resource for so many companies. We definitely hear more and more about that. When we think about some other themes that are, again, like you say, you kind of blush because they seem so obvious, but as you double-click, you realize that they're multifaceted and there's just so many things to do in there and one of the things that you guys have been talking about for a long time is really Tap2Pay and contactless payments and all of those kinds of things, which we in the United States have been, I think, slower to adopt in a lot of other places around the world, but we clearly caught up.

So, what's the current environment for that, if you talk with clients and merchants? What kind of adoption rates are you seeing really today and are expecting into the future? And is this going to continue to be something that proliferates, I would think, into the next several years?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. This is a great question. I think as much as I talked about e-commerce being the key driver of growth throughout the pandemic, the fact is, people still go to stores and during the pandemic when they went to stores, they wanted safe and secure, but they wanted clean and contactless. And so, as I was saying earlier, it's very hard to change the behavior of hundreds of millions of consumers. It takes time to push things past their tipping point. It can take years. And with Tap2Pay around the world, we've been at it for a while, but COVID, as terrible as it was, provided that sort of catalyst shock to change behavior and perhaps even more so than e-commerce the area that it really changed was the habituation for Tap2Pay.

And so, I've got the numbers taped on the wall beside my office because I'm a huge advocate of Tap2Pay and I've been pushing it for a while, so let me just read it out. Canada is almost 80% of all Tap2Pay – of all face-to-face transactions, most 80% are Tap2Pay. In Europe, it's over 80%. Australia, it's almost 100%. Across Asia, it's over 50%. And in the United States, it's now over 10% from basically a dead stop a couple of years ago. So, right now, in the US, we're a bit over 1 in 10 transactions are Tap2Pay – 1 in 10 of all face-to-face transactions are Tap2Pay. So 350 million cards, last time I looked, 268 of the top 300 merchants, 23 of the top 25 issuers are issuing contactless.

The infrastructure has been built. The Kool-Aid has been consumed. Now, it's a matter of rolling it out over time and if you look at the sort of S-curve, the adoption curves of getting to 10% and then how quickly it takes to get to 50%, if the US follows a market like Australia or some of the other markets, if you look at how long did it take for them to go to 10% to 50%, it's about two years. A little bit more than two years. So we think in a couple of years we could easily be at 50% of face-to-face transactions in the US, maybe two to three years, I'll say. So, that habituation has really formed and I care less about what that percentages is, I care about the number of people who have done it and had a good experience and worked it through.

Copyright © 2001-2021 FactSet CallStreet, LLC

And so we feel fantastic about it, we think this is the new normal. We have globally 20 countries right now where over 90% of all face-to-face transactions are Tap2Pay. Around the world we have 65 countries where over 50% of all face-to-face transactions are Tap2Pay. And if you exclude the US, we're almost at 70% of all face-to-face transactions are Tap2Pay. This is just the new normal. This is how it's going to be forever and the US is going to catch up and we're really, really making progress. And I feel great about that because it's simply better. The chip technology brought the security, but it's slowed the transaction experience down. Tap2Pay has the same security, and the same architecture as contact chip, but it has the speed and the efficiency even more so than old mag stripe technology. So it's the best of both worlds and we're super excited about it.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

That's awesome. How do we think about – you bring up some interesting points there, and one of them is just reimagining the point of sale in a post-COVID world and Tap2Pay has a role in that, but, I'm wondering, as you think and you put on your kind of innovation hat, what do you think is also coming down the pipe in addition to maybe Tap2Pay or even another evolution of that unto itself?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. This – I've really enjoyed and been impressed by watching the retail community adjust the physical point-of-sale during the pandemic.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

It was done out of necessity, it was done rapidly, and by and large has been done really, really well. It's a little [ph] kludge (00:20:19) at times, but I think [ph] everyone (00:20:21) accepted it, and so, our view is, a lot of these things, buy-online, pickup-in-store, the locker models, the virtual fitting room, stuff like that, a lot of that stuff was being tested prior to COVID. People were dabbling with it. Omni-channel was good PowerPoint slideware that was being discussed at executive committees and boards, but this really pushed it into operational mode. People putting it to work and again, I think a lot of those behaviors will stick.

We see a lot of great things happening in omni, be it the buy-online, pickup-in-store, at scale, curbside pickup models, either picking it up or going to a locker, could even change how malls and strip malls are actually physically designed to enable this. We're seeing a lot of like strange bedfellows in terms of partnerships between tech delivery entities and traditional retailers where they don't have the distribution and are finding ways to work together, again, making strange bedfellows, but it's working. We're seeing changing roles of stores where you've got a lot more sort of showroom model stores like a Warby Parker. You've got [indiscernible] (00:21:33) fulfillment centers where it's part store, but also part distribution, and again, a lot of this was happening before, but now it's taking hold.

A lot of digital-first experiences – it was so long that we couldn't go to stores, but a lot of retailers bit the bullet and made the big investments on augmented reality, virtual fitting rooms, those sorts of models, which again they existed as sort of innovation ideas, but now people actually really made the investments and are trying them out at scale. We think a lot of this will stick. We also think as we come out of the pandemic, that a lot of merchants

Copyright © 2001-2021 FactSet CallStreet, LLC

and retailers will say, we tried a lot of things. Which are the ones that we want to double and triple down on and move to industrial strength and stick with, and which ones were nice experiments.

And we actually think a lot of these will change. Again, I've been very impressed with what's happened, but what we're most focused on is ensuring whatever merchant community decides to do, that the payment infrastructure can support it. And so, again, the omni-channel, buy online, pick-up-in-store, how does fraud work in those situations? How can you tie systems together to make sure returns are still credited back appropriately? How do you manage security if you're actually paying for it with a tap outside on a portable reader and protect Wi-Fi? How do you tokenize those transactions? There's a lot of considerations that we're impressed. There's a lot of considerations on the payments side that we want to make sure that we, the acquirers, the payment facilitators are ready to support the great ideas that the retailers are developing.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Yeah. You said you had done some studies internally about how these compression cycles have moved forward consumer behavior some three to five years. We've touched on a couple of them. I'm wondering were there other findings that you can share with us that we maybe are not quite as aware of, or maybe haven't been quite as on the forefront as we've thought about the payment space?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

So, when you say compression cycles, what [indiscernible] (00:23:42) understand?

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Sorry, you had said that you brought forward consumer behaviors and things that would have otherwise taken three to five years. You brought them – these studies that you had done internally. And so my question was really, I call them compression cycles because they seem as though it would have happened over a course of five or six years, but given COVID, it's compressed them down to one or two years or happening even more suddenly. So, my question is just, as you've gone through that process, what else did you glean that maybe was beyond ecommerce and omni-channel and some of these other things that you maybe haven't shared as freely with the market? Yeah.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

Got it. Got it.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Yeah.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

I think one of the biggest ones, which again goes in the bucket of, I blush to say because everyone knows it anecdotally, but when you look at the numbers, it's actually quite stark, is the decline of cash. And actually doing surveys and talking to [ph] consumers of their (00:24:31) use of cash. Actually just to make sure I get it right, let

Copyright © 2001-2021 FactSet CallStreet, LLC

me just call up the numbers. Some of these are my favorite numbers, so I keep them around. Yeah, here it is. So everyone knows that cash declined significantly in the COVID environment for plenty of reasons [indiscernible] (00:24:47) not a lot of in-store spend, et cetera, but here's a few data points for you. So, 23% of Americans prefer cash as their medium of payment. That's 2019. That's pre-COVID. I don't understand these people at all by the way, but anyway, 23% [indiscernible] (00:25:05) mechanism. And I just want to be clear. It has been stubbornly stuck at 23% for years. During COVID, it fell 5 percentage points to 18%. That might not seem like a lot, but as a payments nerd, it's a lot. And it's not just what they stated as their preference. If you actually look at cash's share of total transactions, pre-COVID, it's about 26%, and stubbornly stuck there. During COVID, it fell 7 percentage points to 19%. Again, these types of shifts for people who live and breathe the industry are enormous shifts. The final one and my favorite one, pre-COVID, 50% of Americans define themselves as light or non-cash users which basically means they don't use cash at all, they use it maybe once or twice a month. They're very, very light cash users [indiscernible] (00:25:56) 50% pre-COVID.

That went up to 66% during COVID, 16-percentage-point increase. And I mention that just because all of those numbers I mentioned were stubbornly stuck at those numbers for like ages. People just – this is what they did. There was inertia. The catalyst impact of COVID forced people to change their behavior and all of a sudden, we get years' worth of change in one year. And I don't – we strongly believe in the surveys – data tells us people aren't going to go back [ph] and saying, oh, (00:26:28) now that I've got this more efficient way to pay that I've got used to go, maybe I'll go back to using cash. So, we genuinely believe that the cash research that we've done is, is quite eye-opening and it's certainly going to help drive structural greater growth for us particularly on the debit side.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. No, I mean, those are huge credit points. I wanted to switch gears and talk a little bit about debit versus credit here. You mentioned it early on in the discussion in that debit had clearly dominated in the current environment. And the question is that, I guess just two things. One is what in your mind or in Visa's mind makes that a sustainable category relative to credit versus past time periods? And then secondly, if we remove the idea that there are just credit categories that are just massively depressed, travel, entertainment, and those kinds of things, we obviously know that they'll come back and that will help with the credit. But there's also some incremental competitive dynamics that I wonder are going to structurally change the way that people view credit. So, there's two questions and they're both kind of big picture ones, but if you could address those that would be great.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

So, on the debit piece, if I understand your point correctly, we do think that this huge lift in debit is structural [Technical Difficulty] (00:27:52) sustainable, perhaps not quite at the levels that we've seen through COVID. But, an elevated debit, we think there's structural reasons for that to remain. Some of them include, most notably, the cash point that I was just making. The last time I looked, 50% of transactions under $10 were made with cash. Eating into that, because people have gotten used to paying with card, tap-to-pay as a simpler way to pay, we think that all helped debit growth. The rise in ecommerce, as I said earlier, you can't jam a $10 bill into your iPhone to make a purchase, so structurally that's going to help electronic payment, which helps us. So, those are two of the long-term structural elements.

Obviously, some of what's driven debit during COVID has been – there's been some recessionary impacts and people tend to spend more on debit than credit during a downturn. They tend to spend what they have versus

Copyright © 2001-2021 FactSet CallStreet, LLC

borrowing. And then, stimulus has helped debit over this period of time. But those are sort of temporal impacts to debit. We think the sort of the first point I mentioned are systemic long-term improvements in debit that will help.

On the credit front, we absolutely believe that credit has got a nice recovery ahead of it and that will return to sort of established behaviors. And certainly, from all the clients that we're talking to on the issuing side, they absolutely believe this. And I think if you – if you go and look in the market in terms of the offers that are coming out, the lines that are being offered, the acquisition, like the insurers are taking action, which certainly reflects their belief that credit's coming back, it's going to come back really nicely and the issuers want to be there and get their fair share as it comes.

So, we certainly don't think there's anything structurally negative that would result in a lower credit growth. If anything, some of the benefits of displacing cash and rising ecommerce should structurally long-term [ph] help credit growth (00:29:49).

Sorry, there was one sort of other sub-question in there that you mentioned around new competitive models, new ways to pay digitally online. I mean, when you're buying things digitally, it's easier to embed different ways to pay in that checkout experience. But we believe competing in that space is something we're happy to do and we think our value proposition and brand recognition is going to serve us very well in that space. So, we're not too concerned about the continued rise of competition. We think as long as more payments are electronified, we'll compete and get our fair share. So, we feel really good about the years ahead on both debit and credit.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. And listening to you answer the question, it jarred my memory to a presentation you had given I think a few years ago. And it was talking about how – it was really more around millennials. Millennials spend a lot more like their parents than they ever want to admit, you're smiling, can you maybe remember giving this presentation? So, I was there. I'm just wondering has Visa updated some of those thinking as we think about the next generation. I mean, are they also likely to be spending in similar ways to maybe the way I spend or my parents spend? Is there that evolution that you think can continue?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. I'll just – I'll remind everyone what I said back then and then I'll answer specifically [ph] there (00:31:14). The title of the presentation is basically millennials are much more like their parents than they'd like to admit, right?

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

[indiscernible] (00:31:21)...

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

And the idea was people often – millennials don't want to use credit, they only use debit. Even on debit, they only want to spend what they've got and et cetera, et cetera. And the conclusion of the research was for millennials and the impact that they took in from the economy, their life cycle curve shifted a little bit, family formation was a little bit delayed, household acquisition or – was a little bit later. Picking up a car or buying a car was – everything

Copyright © 2001-2021 FactSet CallStreet, LLC

was delayed a little bit in that natural life cycle. But when they actually started to act like adults, their behavior very much reflected their parents' and credit – and the use of credit picked up.

They're – what they were attracted to in cards, maybe the value propositions that they were attracted to were a little different, but they were still moving to credit. And that certainly was the conclusion and that's what we've continued to see. Now, as for the generations that are coming up behind millennials, then – I haven't seen the analysis – if we've done it, I haven't seen it yet. So, why don't I dig into it and get back to you, but it is an interesting question.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

Yeah. No, I'll wait for the next presentation. I was just wondering if you had – or you're willing to give any insight because that was a great presentation. Obviously, it stuck in my mind. And speaking of kind of very forward thinking, crypto has become a huge talking point. It's much more pronounced today than it was even a year ago. And the roles at which a company like Visa can play I think are continuing to expand rapidly. So, my question is basically what do you, as a representative of Visa, think about crypto? How do you define it in your own words? And what is Visa prepared to do as playing a role in this new ecosystem?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

Yeah. Crypto – there's clearly a lot of talk about crypto...

Daniel R. Perlin
Analyst, RBC Capital Markets LLC
Q

There's a lot.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.
A

... [indiscernible] (00:33:16) informed and some of it much less so. Where exactly crypto goes from here and [ph] it's (00:33:22) long-term trajectory, I think the jury's out. I don't think we've got a crystal ball in all of that. Having said that, we're very active in this space. And maybe I'll say two things: One, how we look at the space, and then what we're doing in the space. How we look at the space, this should probably resonate with everyone listening, but it's worth taking a second. We very much see crypto in two different buckets. There are cryptocurrencies and then sort of digital currencies or stablecoins. And cryptocurrencies for the most part are assets. You're buying an asset for the hope of appreciation. It's kind of like a digital gold. We'd like to think of it sort of like bitcoin. You can go buy something with gold or a coin, but it's not particularly efficient. It's not a very effective way to go make purchases. [ph] So, it's essentially (00:34:11) much more of an asset. It's still important, but it tends to be much more [ph] an store of (00:34:15) value than a medium of exchange.

And then, of course, there's the digital currency stablecoin which are backed by existing fiat currency. So, USDC obviously backed by US dollar that given the ubiquity and stability of the US dollar, there's real opportunity there for that being a medium of exchange in global commerce. So, we do – both are important, but we do take time to really try to draw the distinction between the two to make sure folks really digest and understand that which I'm sure everyone listening does.

In terms of what we're doing with the space, there's four or five things that we're doing. First of all, we want to make sure that it's easy to use your Visa credential to purchase cryptocurrencies. So, we want to make that an

Copyright © 2001-2021 FactSet CallStreet, LLC

easy way to be an on-ramp into the crypto world. We also want to do the opposite. So, cash-out from a crypto account or crypto wallet back into fiat currency. And that was important because if you've got – sorry about that, if you've got $1 million in bitcoin in your account, for example, and you want to go buy a burger, it's very difficult to actually have that transaction happen. But if you put a Visa credential on the front of that crypto wallet or crypto exchange account, if you put a Visa card in front of that, then you can convert that back to fiat currency, go buy your burger and fries and you have new utility from the assets that are backing that transaction in your account. So, essentially, we want to be an on-ramp and an off-ramp between the regular world and the crypto world by enabling you to buy in and then cash out using your Visa credential. So, those are the first two things.

We're also – we've also built APIs – crypto APIs for issuers. So, if a regional bank wants to be able to offer the ability for their consumers to buy bitcoin, for example, in their mobile bank account, then we have built APIs and we've built partnerships on the back-end to enable an issuer to consume those APIs and enable their consumer to make a purchase of bitcoin, and we'll facilitate that transaction [indiscernible] (00:36:26) relationships we've got.

We've also built the capability to settle on our network in digital currencies. So, we can transact in, I guess, 160 currencies. We settle in I think about 25. We've built the capability to settle in USDC. And that's something we'll continue to test and learn. Those are four. There is a fifth, which is a bit further out there, and that's having conversations with central banks about Central Bank Digital Currency, CBDC. We're having some conversations to help steer that in different directions, so that's kind of a different vein of work. So, very, very active in the space. I think we're very fluent and very focused on and lots of conversations with our clients. Where it goes from here? We're not sure, but we're going to stay close to it on behalf of our clients.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. No, it's – I mean, just the sheer scale and breadth and relationships that Visa has would seem as though there's – this on-ramp, off-ramp opportunity is the right place to be. If we shift gears a little bit and go to B2B, I know we were talking about that a little bit before we got started today. This is a long journey that B2B has been on. And I've often been asked the question why does it take so long to have something that seems so obvious and has so many pain points to ultimately come to fruition. So, I would ask you the same question and then also maybe update us on where Visa is in terms of solving a lot of those problems.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. Well, you probably know this, Dan. But just to put my answer in context [indiscernible] (00:38:04) little less than a year ago, I was asked to run our global commercial B2B business. So, in addition to the [indiscernible] (00:38:11) responsibility to run this globally. And so, my answer comes with a little bit more dirt-under-the-fingernails, sleeves-rolled-up answer. And what I would just say is, the truth is the space is hard. Inertia is a powerful beast. And my take on having spent an – the past year with my sleeves rolled up in the space is the opportunity is as big, if not bigger, than what we represent and what we think internally. It is a huge opportunity. The idea that the current way that it operates is inefficient and someone is going to fix it. I absolutely believe that and I think there's huge value to the person that cracks it, but it is hard.

People have legacy ways of doing this business. It is – the way it works is sometimes feels like it's written in Latin. So, figuring out how it works that way, why it works that way, as I mentioned, the inertia of some of the models that are out there, it just – it's going to take a while to build it out. But the way I – the parallel I draw is – when we launched Visa Debit in the United States, it takes a while. Like, we launched Visa Direct, I mean, Visa Direct [indiscernible] (00:39:30) map, but we spent years doing the plumbing and the infrastructure to make sure the AFT, OCTs could work their way – they could work in getting all of our clients do the tech work to build it out. So I

Copyright © 2001-2021 FactSet CallStreet, LLC

very much look at it from the point of view of anything that's worth doing is worth doing well, and it's going to take a little bit of time, because if it was easy, someone would have done it by now, but really inertia, fragmentation and the fact that it's sort of written in a different language in normal payments. So, those are a lot of the reasons why – those are some of the reasons why it's hard to really get the traction on it. But hand on heart, Visa will absolutely be one of the players that help solve this on behalf of the industry. And I'm super excited over the next 1, 2, 5, 10 years for this to be a really, really rich vein of growth because it's something that needs to be fixed.

I mean – and you know – you know the buckets that we look at, $120 trillion market, $20 trillion [indiscernible] (00:40:24), $10 trillion cross-border B2B, $90 trillion domestic [ph] APAR (00:40:31). I think of those three in that order as short term, medium term, long term in terms of the work we need to do to get them done. But they're all going to get solved and we're going to be involved in the solution for all of them.

But more tactically, we have good work underway in the next generation of small business issuing, increasing penetration in large mid-market and corporate card. The OTA travel business globally, we have some exciting initiatives underway. The virtual card payable space, a lot of great build-out, a lot of great client conversations to accelerate that space. B2B Connect, we've talked about with you guys in the past. Again, it's going to take a bit of time to get the traction, but you're building something for the long term. Fleet and fuel, opening that up. I mean, just a list of ideas and the revenue and opportunity against each, it's an exciting space, but it's going to take a bit of time, but we'll be there at the end.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. So, it sounds like there's still a lot of infrastructure. And the inertia associated with all the parties involved is just going to take some time. But it does feel like finally the technology has caught up with the problems that are – that exist. So, hopefully, we'll hear more about that in the coming years.

If we talk about real-time payments for the moment, this is another topic that's probably near and dear to your heart. There's a lot of new systems that are being created here in the States and around the world in particular. I'm just wondering how you see them evolving over time. Again, what role do you think that you guys are going to play in that, and then how does that shape maybe your strategic thinking around the North American market?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah, I think RTP is interesting. Similar to crypto to some extent, whether RTP gains material traction and usage in consumer merchant payments in [ph] North America, (00:42:28) I think it's still TBD. I'm not [indiscernible] (00:42:32), but I think it's TBD. Keep in mind, there's over 40 RTP networks, last time I counted, around the world and their uptake is – I think is mixed in terms of how much it's really driven change.

Having said all of that – or I should also say and I do think our debit network and our Visa Direct network actually serve a lot of these use cases pretty well. So, whether it takes off I think is an open question in sort of core consumer payment. Nevertheless, we're super happy and are very active in supporting RTPs. If this is something that consumers and merchants want to use if this gains traction, we want to be there to help provide services and security and reliability and loyalty, dispute resolution, et cetera, that actually would make that network functional. And so, we continue to [indiscernible] (00:43:26) serve RTP networks. We've made a bunch of acquisitions in tokenization, disputes, authentication, et cetera, to help make that happen, so we'll continue to build out a suite of services to help RTP players with the value-added services that they need to deliver.

Copyright © 2001-2021 FactSet CallStreet, LLC

We also currently do and plan to continue to partner with RTP networks in our network of network strategy. So, we're trying to push money to different markets around the world. If an RTP network is very prominent in the market, we want to push into that RTP network and have them be the final mile to push the accounts in that local market. So, in some form, RTP networks around the world are going to be important and relevant, and we're going to be playing with them. And we're actively working within RTP networks as they're developed in the United States, and we're going to continue to do so.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Yeah. So, we've got maybe 30 seconds left here. So, I'll leave you with the last word as you – you kind of put your – the [ph] lens with a possible hat on (00:44:23) and understanding all the responsibilities that you have at Visa and the great resources that, that touch. What do you envision really is going to be playing out of significance that maybe most people have misconceptions on or just haven't really thought much about as we think about the next 5 to 10 years?

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

A

Yeah. I'd say, the three big ones that I'm most focused on are: one, we just talked about B2B, that is going to get solved in the next 5 to 10 years, and the people who solved it are going to be huge beneficiaries. That's one. Two, which I'll call Visa Direct, but it's really broadening money movement. There are a whole bunch of use cases on the sort of – on the fringes of core consumer payments, be it P2P, remittance, payout, disbursements, early wage access. Like all of those elements, those need to get solved as well, and simple money movement in that space which Visa Direct is very active in, that's all going to get solved and there's going to be significant value for people who open up all of those segments. So, that's a big one [indiscernible] (00:45:30) Visa Direct.

And then the third one [ph] for us at least (00:45:34) that we're focused on is just value-added services. I mean, the story I'd like to tell – I just bought my teenage daughter a car. And the base car was like, whatever, $19,000. But after you actually buy the value-added components of the safety features [indiscernible] (00:45:50), it's actually a fair bit more expensive. But I don't begrudge the fact that I added those core value-added services to the car. It made her and me happier that we had it. And so when I – similar with the iPhone, you can buy the hardware, it's great, but what really brings it to life is the App Store and all the capabilities and the software that comes with it. Similarly, with Visa, we've got our core offering, which is fantastic. But all of the value-added services that we can offer to merchants and issuers are incredibly valuable and powerful that make our clients happier and stickier with the core service that we're offering and actually can drive revenue for us in powerful ways. And so, turning sort of internally to Visa, we're very, very focused on really building out those value-added services to help drive client satisfaction and revenue for our-self at the same time. So, those are three of the big things that we're really focused on delivering in the years ahead.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

That's great. Well, we're out of time. I could talk to you all day long. So, thank you, Oliver, so much for being with us today. We really appreciate it. I know you're busy and best of luck in all your new endeavors. So, thank you so much for your time. Appreciate it.

Oliver Jenkyn
Executive Vice President and Group President & Regional President, North America, Visa, Inc.

Thanks, Dan. I appreciate talking to you.

Copyright © 2001-2021 FactSet CallStreet, LLC

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Yeah. Take care.

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2021 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.