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Visa, Inc. (V)

Goldman Sachs Communacopia & Technology Conference

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Ryan McInerney
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Will Nance
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MANAGEMENT DISCUSSION SECTION

Will Nance
Analyst, Goldman Sachs & Co. LLC

All right, guys, I guess we'll kick it off now. I'm Will Nance. I cover payments here at Goldman Sachs. And joining us today, we're very delighted to have Ryan McInerney, CEO of Visa. Prior to becoming CEO, Ryan was President and has held roles at JPMorgan and McKinsey. Ryan, thank you for -- thanks for being here.

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

Yep, my pleasure.

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QUESTION AND ANSWER SECTION

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Ryan, you're not new to Visa, but you're new to the CEO role. As you've gotten settled into that new role, how has your day-to-day changed? And what are you kind of most focused on?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Well, as you said, I've been at Visa for more than 10 years. That – most of that time in the capacity as our President, I've been now in the CEO role for, I think, a little more than seven months. I guess I'd start with what hasn't changed. I'm on the road all the time, traveling around the world, getting a chance to meet with our team members, our clients, our partners, regulators, see what's happening on the ground in the markets where we're doing business, continue to spend a lot of time with our product and engineering leads and their teams; working through our innovation pipeline, the products that we're shipping 6, 12, 18, 24, even 36 months down the road; spending time with our client teams, making sure that we're doing everything we can to bring the best of Visa to our clients around the world, and, I spent time doing those things before, I'm spending time doing those things now.

In terms of what's new, I'm getting a chance to spend more time with you all, which is great.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Having a chance to talk about the great work that we're doing. I'm spending even more time internally with our teams, sharing with them our strategy, what we're working on, spending more time with our board. And then, I guess, the last thing I'd say is spending more time on our strategy, which I really enjoy and we feel great about and I'm sure we'll talk a little bit about today.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. So maybe clicking into that. I mean, you mentioned on the earnings call, your top priority is to accelerate Visa's level of growth. Over the next several years, what do you think are the greatest opportunity to move the needle on that front?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

That is where I'm spending, as I mentioned a moment ago, even more time. We continue to be very committed to and excited about our growth strategy. We feel there's enormous opportunity in consumer payments around the world, still tremendous amounts of cash and check that are spent in developing and developed markets around

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the world. And we feel that our innovation roadmap will continue to allow us to work with our partners to digitize that cash. So we're very excited about that opportunity.

As it relates to new flows, the TAM in new flows is 10x the opportunity in consumer payments. And we are continuing to have new go-to-market strategies and product strategies to attack the B2B space, the P2P space, the government and business to consumer space and all the different money flows beyond just consumer payments and then value-added services. We feel not only great about the TAM in that business, but also the importance of it in terms of driving depth of relationship with our clients, helping our clients perform better. Obviously, growing more yield and diversification our revenue is part of that. But just in generally, serving our clients and deepening our relationships.

And we feel really good about all those opportunities, how we're going to market. We continue to invest in our network of network's capability and feel that that is differentiating for us, continuing to invest in our people, our technology, our resilience, our cyber protections, all the different products that we're bringing to market to attack those opportunities. So we're very excited about the growth opportunity. And as you said, I am very committed to doing everything I can to deliver on that growth.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Maybe switching gears to the macro, you recently provided some monthly metrics last week. Trends seemed relatively stable across most metrics. I think what stood out to us was the modest acceleration in US volumes. Maybe can you talk about current macro expectations? What have you been kind of seeing on the ground? And any changes to consumer spending patterns that you guys have observed over the course of the summer?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

I think you nailed it when you said stable. Stability, resiliency in the US and around the world. As you mentioned, we put out an 8-K last week. Overall, processed transactions remained stable at 10%. In the US, I would also say stable, as you mentioned, a slight uptick in US payment volume to 7%, 6% for credit, 7% for debit. Transaction growth in the US was stable. So the driver of the modest uptick was an increase in average ticket size. A big portion of that being fuel increases in average ticket size. So stability, resiliency. We've also seen stability outside the US in our domestic payments markets and a slight uptick in some of the key markets around the world as well.

And then as it relates to cross-border, we've also seen continued measured improvement in that business. We showed in the latest 8-K, I think quarter-to-date, about 20% year-over-year growth, about 150% four years ago with stability in the ecommerce business and continued measured improvement in the travel business around the world. So stability, resilience in the US and around the world.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Great. That kind of jives with our updated macro forecast this morning of greater confidence in the soft landing in the US. On the value-added services front, I wanted to spend some time here. It's been a key part of your growth strategy. You touched on it already. Could you give us an overview of just the size and breadth of the value-added services portfolio today? And then, how does the traction that you're seeing vary across geographies and products? Where are you seeing the most uptick?

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Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Sure. So overall, our value-added services business, we did last year about $6 billion in revenue and net revenue, it was up 20% year-over-year. So it's a meaningful business for us and continues to grow at a very healthy rate. But as I mentioned earlier, it's also a very strategic business for us. And we talk about it sometimes in meetings like this as a business, it's really a series of businesses that we run under the value-added services umbrella. The first is our Issuing Solutions business, where we're delivering solutions to our issuer partners, whether they be traditional banks or fintechs around the world. These are digital issuance solutions, card control solutions, series of network products and solutions that help our issuers, issuer processing is an example, and maybe that's a good example to talk a little bit about your question, which is, historically, we've had a business that was a US based business where we provided issuer processing solutions for debit cards.

We recently announced our intention to acquire a company called Pismo. That's a good example of expanding that issuer processing business to be multiproduct, multi-geography around the world. We can talk more about Pismo, if it's helpful. So that's our issuing business. Our Acquiring Solutions business is another great example. Maybe I'll talk about Cybersource, which is an important platform in that business. That's a good example where we've expanded with both product and geography around the world.

If you go back several years, Cybersource was primarily an ecommerce gateway product, which we've invested and grown into a true omnichannel, digital payments platform, card-not-present, card-present. And it had its roots in the US, but we actually processed more transactions for Cybersource now outside the US. In fact, India has become our second largest market for Cybersource as measured by transactions. So expanding the product, client, geographies in the acquiring space. We have our third business, which is our Risk and Identity Solutions business, where we deliver a series of solutions both to issuers, merchants and acquirers across the ecosystem to help them increase authorization rates and sales and lower fraud.

We have our advisory business, which we continue to expand globally around the world. And then finally, our most recent business, which is open banking, which is based on our acquisition of Tink. Tink continues to expand its use cases and products and portfolios primarily in Europe. I was actually with our Tink team in Stockholm two weeks ago, going through their client plans and their innovation roadmaps, and we're continuing to have a ton of success both in the AIS space and the PIS space in Europe. And we've got plans to take those services to our clients outside of Europe, which we can talk more about hopefully in the future.

So that just gives you a sense of what we call value-added services, which is really a series of sub businesses that, as I've talked about, we run now at Visa as real businesses. We've organized against our value-added services strategy. We have leaders in place against each one of those businesses. They have their own management teams, full stack product and engineering resources, go-to-market plan, sales plans, sales targets, budgets and everything that go with them. And we're excited about all the opportunities we have ahead of us.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

That's great. I mean, you mentioned Pismo. I'll jump around there. So you recently acquired Pismo. I think it's a market that investors are particularly focused on in Brazil. It's cloud-native issuer processing, I guess, what's the strategy behind that deal? And you've already talked about several value-added services business that you've expanded significantly beyond what they originally did. Could you help paint the picture five years down the line for Pismo?

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Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Sure. Pismo, -- our journey with Pismo started just like a lot of our journey start with whether it's organic or inorganic product development at Visa, which is with client needs. As I talk to clients and our teams talk to clients around the world, especially issuing clients, there's two narratives that are increasingly on the mind of CEOs. The first is, for many of our issuing clients, they're either -- they've recently embarked on, they're about to embark on or they're considering embarking on a transformation of their tech stack from legacy tech stacks to more cloud-native API-based tech stacks both in the issuer processing space and increasingly in the core banking space. And so that's a set of needs that our clients have around the world.

The second narrative is increasingly clients, whether they be traditional issuers or fintechs, are looking to expand their issuance rapidly, globally and increasingly to more developing markets around the world. Those markets have not been as historically well-served certainly by cloud-native API-based issuer processing stack. So we heard a lot of those needs from our clients. Our clients were looking to Visa for solutions to help them in those journeys and in those transformations. And so we set out on the journey to find who we thought would be the best platform in the world to help our clients.

We looked at hundreds of companies, we visited dozens of companies, and we landed on a company named Pismo based in Brazil. And we reached out, we introduced ourselves, we got to know them and ultimately announced our intention to acquire them. What we will get with Pismo is the leading issuer processor and core banking provider with cloud-native API-based, we believe, in the world. It is -- while it's based in Brazil, it is a global platform that is doing business in countries all around the world. On the issuer processing side of things, it's multiproduct. So I talked about today our DPS business is debit based in the US. We'll be moving to issuer processing for credit, debit, commercial as well as core banking globally.

So, if you step out five years or so, we hopefully will have become the primary partner to our issuing clients who are going through these types of transformations, whether they be issuer processing or core banking around the world. And we hopefully will have put the Pismo platform to work by enabling and lighting up lots of new Visa credentials in markets all around the world that otherwise may have taken longer to get issued if we hadn't stepped in with those capabilities and with the platform that Pismo has built.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

And core banking, it's a newer product line for you guys. How does that fit into the overall strategy?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Yeah, increasingly, the lines are blurring between historically issuer processing and historically core banking stacks. As more banks are moving to cloud-native or considering moving to cloud-native tech stacks to run their businesses, the lines are blurring between what we might have once called issuer processing, what we might have once called core banking. They're increasingly looking for an integrated stack to run either their consumer banking franchise, their small business franchise or even their commercial banking franchise. And that's kind of where we see [ph] the market going (00:13:03).

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

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Got it. Let's [ph] put the (00:13:04) new flows. One of the most successful components in the new flow strategy has been in Visa Direct. I think 1.8 billion transactions last quarter, growing 20%. What use cases are driving the momentum currently and I guess when you look out, what do you see as the next most addressable growth vector for that capability?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Yeah, sure. Visa Direct is fun to talk about it. It's a great example of innovation at Visa. It's migrated from what started as a product to what has become a true money movement platform, a global money movement platform with 7 billion endpoints lit up around the world, whether those be cards or accounts or wallets, and increasingly is becoming adopted by players around the world that are looking for leading-edge solutions in money movement, both domestically and cross-border.

The primary -- the biggest use case continues to be P2P. We also love that use case because it exposes millions and millions of users to the benefits of Visa Direct. That's how many people get started with the platform. Increasingly, though, we've invested to move from our domestic P2P business to a cross-border P2P business. I think we recently announced at quarter two that our cross-border P2P business is growing transactions at 50% plus year-over-year growth. So seeing real momentum in that space, that's primarily remittances that we're working with either banks who have coverage in multiple countries, traditional remittance players like Western Union or some of the fintech players, the Wise's and Remitly's of the world.

Beyond that, we have dozens and dozens and dozens of use cases that are growing. We're seeing good success in insurance disbursements. We're seeing good success in earned wage access. We're seeing success in a number of different use cases around the world, many of which are coming from our sales teams, but increasingly that are coming from fintechs and other companies that are learning about Visa Direct and bringing ideas to us. I was actually -- I was doing a brainstorming session on Friday with a founder who has a home lending – blockchain-based home lending company and is looking to use Visa Direct as a way to move money, especially to home equity borrowers who were – previously, you would have to send them a check or an ACH, but they want to send it via Visa Direct. And so we're actually getting more and more inbound from founders and companies that are looking to use Visa Direct as well.

So we think there's enormous opportunity. We think use cases will continue to proliferate and we'll continue to invest in the resiliency of the platform globally.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

FedNow launched over the summer and it's kind of renewed the debate around real time payments. Could you compare and contrast FedNow to the schemes in other markets, such as Brazil and India, where real-time payments have seen a lot more traction? What do you think has made those networks so successful versus other markets? And then more value -- more broadly, how do you frame the value-added services opportunity for Visa and RTP?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Sure. I'll start on the topic of FedNow by saying what I've said many times, which is the United States investing to modernize its money movement networks is a smart thing. It's a needed thing. It's good for America. It's necessary. FedNow still in early days, as is the other RTP network in the United States run by the Clearing

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House, it will take time to get more and more banks hooked up on it, get more and more transactions running, it's still early days.

If you want to look at kind of the likely trajectory of what happens with FedNow, I think it's most instructive to look to the UK. The similarities between the United States and the UK as it relates to the card business are very similar in terms of the penetration of acceptance, the penetration of how many people in the UK and the US are just banked and part of the formal financial system as well as how many people have Visa debit and credit cards. They're both mature, developed, very well-established card markets. We've had real time payments in the UK for 15 years. Pay.UK, which is the FedNow equivalent in the UK has been up and running there. And what you've seen is broad-based adoption for real time payments, for B2B payments, for BillPay, to pay my mortgage, pay my credit card bill, those types of things. You haven't seen in 15 years of real-time payments in the UK, any real adoption or cannibalization, if you will, in point-of-sale payments.

And I think, the UK -- the US is more likely to develop like the UK given what I mentioned, as opposed to markets like Brazil and India that you pointed to. In terms of Brazil and India, there's clearly been broad-based adoption of Pix and UPI in those markets. It's primarily been for P2P, for smaller dollar transactions. And what you've seen from Pix and UPI has been they've brought more and more people into the formal banking system. Those markets didn't have anywhere near the level of penetration of the carded business or the banking penetration that I mentioned in the UK and the US.

And I think it should give us an opportunity working with our partners in Brazil and India to help graduate up many people that have come into the banking system through Pix and UPI into the great products that we deliver together with our partners, starting with prepaid products and Visa Debit products and ultimately credit products and working on those graduation strategies with our partners in those markets.

I think the success, to your question, that they've had has been, in some ways, a result of the opportunity that's been left in those markets in terms of bringing those people into the formal banking system, both buyers and sellers. I guess if I just wrap all that up with stepping back, if you look at instant payments, RTP payments, account-to-account payments versus Visa Debit and Visa Credentials in general, RTP is a relatively simple transaction. It's instant, it's irrevocable, it's permanent. Our products have a much more broad-based set of sophisticated features and functionalities. We have single message, we have dual message. We have a broad set of fraud management capabilities. We have tokenization, we have rewards and loyalty and all the things that come with those products. And we feel good about the Visa credentials and their ability to compete for consumer payments around the world.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

And the services opportunity for Visa?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Yeah. We view these RTP networks as an opportunity for Visa in two ways. One is in value-added services, which you mentioned. We've talked about RTP Prevent. That is a service that we're now testing with different RTP networks around the world. The most recently announced Pay.UK, the network I was talking about a moment ago. If you talk to banks in any market around the world where RTP has started to have adoption, their single biggest pain point is fraud and scams. And we have a proven set of tools and capabilities that have been tested over decades on our network that we're putting to work on these RTP networks in service of our clients.

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We're also bringing some of our other capabilities like tokenization. We've announced that we're working with the Clearing House here in the US to put our tokenization capabilities to work for them, which also should help reduce with fraud and reduce some of the pain points that our clients have.

So value-added services working in service of our clients with these networks around the world is a big opportunity. They're also an opportunity for our network of networks that I mentioned earlier. We plan to use and we are using RTP networks around the world to enable and drive Visa Direct transactions. They're part of our Visa Direct platform. We've been processing over ACH networks and RTP networks around the world to deliver those services to our clients.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Could you provide an update on Reg II implementation? There's been a decent amount of noise in the market about the number of issuers who are enabling debit cards for card-not-present use cases. It's unclear how much implementation there's been on the merchant front. What are you seeing in the market? And what retention strategies do you have to showcase the value of routing over VisaNet versus an alternative network?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Yeah. Here too, it's early. So far, we've not seen a measurable impact, but, there's a lot to go forward from here. We believe that all of our issuers are in compliance. When we're having conversations with merchants on this front, which we're doing regularly, our teams are doing regularly, what we're finding is, the conversations tend to gravitate to a couple of things. One is the liability shift in ecommerce is different than the card-present space. So our merchant partners look at this in a very different way than they would in the card-present space. Because they own the liability for most of the transactions in ecommerce, they're looking at not just the cost of these transactions, they're looking at the reliability, the security and the performance of these transactions. So that's kind of an important part of the discussion that we're having with our merchant partners.

The conversations also gravitate to the capabilities that we're able to offer to our merchant partners in this space. And that – there's primarily two different sets of things that really resonate with our merchant partners. The first is we provide dual message capabilities. Many ecommerce transactions require that. You may have things that are shipping at different dates. You may be making an airline or a hotel transaction, which they don't know exactly what the price is going to be until you checkout and those types of things. Our products enable all those different types of use cases for merchants, which, as you'd expect, they increasingly value when they're looking at alternatives.

The second set of things comes back to what I've mentioned earlier, which is just our fraud management capabilities, Visa advanced authorization, tokenization, a lot of the different fraud prevention capability which are helping our partners not just reduce fraud but increase authorization. So if you're an ecommerce merchant, you're looking at your options and you're looking at Visa products and solutions that can help you drive more sales, more transactions, lower fraud, and enable the types of capabilities that your users increasingly need when they're buying things. We feel good about our ability to compete and continue to serve our partners.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

And, I guess, what else is top of mind on the regulatory front? There was a couple of recent headlines around the tokenization services. I guess, what are the key issues at play there?

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Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

You're -- I think you're referencing a news article that was talking about some of the DOJ inquiries, no new news there. And that was referenced in some really dated materials. As it relates to Reg II or anything else, it has not been anything that's had an impact on our tokenization services or capabilities. And we feel great about our tokenization platform, the benefits that our sellers in the US and around the world as well as our acquirers get from that platform.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Sticking with some of the recent events. Wanted to ask a question on pricing. There were some articles out recently talking about pricing actions for the large card networks, a couple of blog posts that hit the tape this morning. Maybe you could just kind of set the stage for a longer term strategy on pricing, but also maybe clarifying some of the headlines that were out there recently?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

You know, as it relates to pricing, we price for value. Like any business out there, we price for value. And it's incumbent upon us to continue to bring products and services to market that deliver value to our issuers, acquirers and merchant partners. And if we are able to continue doing that, we feel good about our ability to price for that value. Since the pandemic, we've not made a lot of changes. Any of the changes we've made have been modest. There was some reporting a week or so ago that inaccurately described some of the things that people believe that we were doing. So we did put out a blog post this morning to make clear what we've actually done. As it relates to interchange, we made clear in our blog post this morning that for the last decade or so in the US, interchange rates -- Visa interchange rates have been flat. We've not made any meaningful increases in interchange.

And more recently, in recent years, we actually decreased interchange for 90% of businesses, small and -- small businesses in the US. About a year ago, we decreased interchange 10% for 90% of businesses in the US. So just trying to be really clear about what we've actually done. And then more recently, we announced some changes to the way some of our fraud management services are structured and how those things are priced.

But more broadly, backing up in terms of the medium to long-term as you asked about, we price the value. It's incumbent upon us to deliver value in the marketplace. Hopefully, we'll continue to do that and our clients will feel good about both the services they're buying from us and the price that they're paying for those services.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Maybe we can talk through cross-border. Obviously, it's been a huge tailwind to the business over the last couple of years. We've seen continued improvements. I think, as you mentioned, even as recently as in August, continued improvement in both ecomm and travel. How are you thinking about the cross-border recovery opportunity from here? Where is there still room for improvement around the globe?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

As you said, we've seen continued measured progress in cross-border travel. It's been something we've been seeing five, maybe six points of improvement per quarter. We showed in our recent 8-K that in August, the travel

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business was 141% four years ago. If you go back and look at March, it was 134%. So I think just we've seen continued improvement there. Ecomm has remained resilient like the rest of the businesses. The summer travel business was good. We saw strong travel into our CEMEA market. We saw strong travel out of Europe. We continue to see very robust travel in and out of Latin America. The opportunities are to hopefully see continued improvement with travel into the US. I think we said in our last quarter that the cross-border business into the US was hovering at around about 2019 levels.

We have seen some improvement in and out of Asia, but that business is still lower than where it otherwise we think it should be. And hopefully, we continue to see that continued measured improvement.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Yeah, makes sense. Can you talk a little bit about the outlook for B2B payments and B2B connect? I think you recently highlighted a new partnership with SAP and APAC. I guess, what inning are we in for the build out of the B2B network?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

B2B in general is an enormous opportunity for us, and we're still very early in the digitization journey on that front. As I was mentioning, I guess, earlier, the TAM for the business is enormous, 10x the consumer payments business for new flows, in general, and B2B is a huge part of that.

We -- just like I was talking about value-added services, we talk about the B2B business kind of as one thing, but it's really a series of client segments and verticals that we're attacking and digitizing with new products and services that we're bringing to market. I've talked a little recently about the fleet and fuel market, which has been terribly underserved, we think, globally and an opportunity that we've had good success in bringing new products to market.

I've talked about the agricultural business, which we launched new products to serve the agricultural market, starting in Latin America and moving around the world. These are very specific client segments that we're attacking with products that we're designing and delivering, shipping into market with very specific use cases.

B2B Connect is another one that you mentioned. We see a $10 trillion annual opportunity in cross-border, large ticket transactions, which we built and designed Visa B2B Connect to serve. Building out a global network takes time. I think we're processing transactions in Visa B2B Connect in 90 markets now. So – but we're continuing to build that out and that's how we'll continue to attack the market. Identifying client needs, identifying segments that are not as well served as they could be; bringing and shipping product to market that we think can serve our clients in an effective way and continuing to attack that TAM and capture the opportunity.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Makes sense. I want to I want to get a check from the audience to see if we have any questions in here. If you guys could just raise your hand, we'll come around, bring a mic or repeat the question if needed. Sleepy crowd. All right.

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Well Ryan, I'll keep going. On capital allocation, maybe, lastly, just wrapping up, I mean, between investing in the business organically, either M&A, returning capital to shareholders, what are you seeing in the opportunity set right now?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

In terms of capital allocation, no change. First and foremost, we're focused on investing in and growing the business, whether that be some of the organic things that I mentioned or inorganic things that we're always looking at. We have and will continue to deliver our dividend to our shareholders and that's been about 20% to 25% of EPS since – I think since we've gone public. And then we'll always look to continue our buyback as part of that hierarchy as well. So no change in how we're thinking about capital allocation going forward.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Q

Got it. I think we're running here towards the end. We've got a couple of questions upfront.

Q

Can you talk about the inflation versus volume dynamic on a go-forward basis? When you look at different episodic issues of inflation versus volume, how should we think about that algorithm going forward? Obviously, you've been through one phase of it last year. How should we think about it on a – how does it work in the Visa model?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

The audio is a little...

Q

Inflation versus volume dynamics.

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Inflation versus volume, right?

Q

Yeah.

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

A

Clearly, we're going through a restabilization around the world, hopefully moving from an inflationary environment to a more stable environment. I think that's going to play out differently in different markets around the world. I think what we've shown through the last several years is that our business can continue to be both resilient and thrive in inflationary markets, in more stable markets, in markets of high inflation, and in markets of moderate

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inflation. So, we'll continue to run our business that way. I think we've proven that the business can and will be continue to be resilient in markets around the world. And hopefully, we do start to enter a period of more stability which will give central banks the opportunity to pause here in the US and around the world and have the economy continue to thrive.

Q

Got it, makes sense.

Q

I guess I should ask – this is [ph] Michael Park (00:32:17), the macro question. I remember when Visa who was asked a question back in the 1990s on the dawn of the Internet, how that was going to change the business opportunities for Visa. And now obviously, AI is the next thing for the next decade or so. We had our – the Goldman Sachs economist talk about a $7-plus trillion, add 1.5% of global GDP. Could you talk a little bit about Visa's opportunities broad term over a multiyear perspective in the context of generative AI?

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

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I'm not going to try to do anything versus the Goldman Economist on the impact of AI on the economy around the world. At Visa, we see it as a tremendous opportunity. First, we have been a pioneer of artificial intelligence for more than 30 years in terms of using predictive AI in the products and services that we build and bring to market. In terms of generative AI, we're very excited about the opportunity in two different ways. First is in terms of increasing the productivity, the efficiency and the effectiveness of how we run our business. And that is everything from our engineers who are currently using generative AI tools in terms of the code that they're producing, and we're seeing very good early results on that front as well as across our entire business in terms of legal, finance, HR, sales, product and everything else that we're doing.

The second front is in terms of how we're serving clients in terms of putting generative AI to work to improve shopping and buying and the commerce experience broadly around the world. We believe that generative AI is going to meaningfully improve the shopping journey that all of us as shoppers go through in terms of offering more precision, more relevance in terms of the options that I have as a buyer, what I'm looking forward, but also in terms of how I pay for those things. So we're very active on both of those fronts, deeply engaged with our clients and partners on the second of those two. And I think all of you as hopefully Visa cardholders when you're out there shopping are going to see some of those tools coming to market. And we appreciate your business and continuing to use your Visa card when you make those purchases.

Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

Thanks for today. It's a fun conversation.

Will Nance
Analyst, Goldman Sachs & Co. LLC

Yeah. Thank you for being here. I appreciate it.

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Ryan McInerney
Chief Executive Officer & Director, Visa, Inc.

Yeah, we appreciate it. Thanks, everyone. Good Luck with the rest of the conference.

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