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# Visa, Inc. (V)

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## CORPORATE PARTICIPANTS

**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

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## OTHER PARTICIPANTS

**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

All right. Thanks. Thanks, everyone, for filling in here. Always a pleasure to have Visa with us. Jack Forestell had the pleasure to come in. He is the Chief Product and Strategy Officer. We are going to do a fireside chat and go through some of the topics that I've collected from the investment community. My name is Tien-Tsin Huang. I cover the payments sector. And if we have time at the end, we'll ask questions. But we've got a lot to get through. So, Jack, welcome.

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**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

Thanks for having me.

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**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

It means a lot to me to have you here.

## QUESTION AND ANSWER SECTION

**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

There is so much to talk about on the product side. But I thought if you wouldn't mind just kicking it off, you've got a great background. I was just saying I know you from running the merchant business on the merchant acquiring side. And so you're such an important person to listen to, given all the things that have gone on, on the merchant side. But of course, you've moved on to product and you've got a big role now with leading up product and strategy. You coming from Capital One, especially I think the background is fun. But tell us a little bit about your mandate at Visa? Maybe let's start with that.

**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah, sure. Happy to. And good morning, everyone. Great to be here. As Tien-Tsin said, I'm our Chief Product Officer and our Chief Strategy Officer. So with those responsibilities, I lead the teams that develop our corporate strategy, working hand-in-glove with our business units and our regional teams around the world. And then I lead the teams that conceive of, develop and deliver our product roadmap for the company. I've been at Visa for about nine years as Tien-Tsin mentioned doing a lot of different things, including running our merchant business, various aspects of product, and then before Visa was at Capital One for a little more than a decade. So, great to be here.

**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

Good. So, I guess we'll have to start out with some kind of macro question just to get it out the way, if that's question. I know, the US, it's been very stable for a very long time here coming out of the pandemic. Just a little bit of signs of slowing maybe. But international has been very, very stable. How does that impact your thinking around strategy, both in the short and long term here?

**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah. You know, given the seat I sit in, Tien-Tsin, I tend to think about our metrics medium, long term. It's not that I don't look at the quarterly stuff, I do. But when I get our reporting, I'm sort of rifling through, trying to find that essential metric that can get to how are users using our platform on the consumer side, how are sellers using our platform on the seller side and how we're doing it growing and expanding both the scope of the network and the usage. The best number we probably publish along those lines, I think, it's processed transaction growth. And if you look at that number, you can go back and look at it over the time series that we published for a very long time, you'll see we experienced the volatility that you would expect through the pandemic, the boost, and then the lapping effects.

But since then, you go back to the middle of 2022, through the end of 2022 and on into 2023, what you'll see is remarkable stability in that number. And it's sort of settling in right now at somewhere just north of 10%, which really reflects growth in the credentialing side. So more consumers carrying more Visa credentials globally. Growth in the seller sides, more sellers joining the network and more transactions happening per user on the network. So that's the one I look at. But yeah, there's a lot of volatility that happens in any given quarter, in any given month, certainly recently. But, even going way back in time, there's always a fuel prices are rising, fuel

prices are falling. They're falling right now. So we're seeing average ticket comes down that influences our overall purchase volume.

We're lapping some effects of big tax breaks back or big tax refunds back last year at this time, little shorter, little smaller this time. So seeing some of that volatility but underlying, the message is we're seeing real stability with the global consumer in the way they're engaging on our platform.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

Yeah. And the beauty of that metric is it cleans out inflation and all these other factors that you just mentioned. So, we do get a lot of questions, Jack, around all the stresses in the banking system...

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Yes.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

...on this turmoil that's going on right now with all the regional bank activity. What do you see? What does that mean and implications for Visa?

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah. I mean, there's obviously a lot going on and some really serious volatility and some significant failures happening in the banking industry. I guess, what I'd say though is it's been pretty contained. And when I look at us on a global basis, we work with 15,000-plus financial institutions. In the US alone, we work with somewhere between 8,000 and 9,000 financial institutions. And the volatility has been very concentrated in a small number of financial institutions with a fairly specialist set of circumstances. So, what we see, thinking about the US business, when we look at our client portfolio is a really robust set of national, regional, and local banks where, again, just stable performance.

We haven't seen effects on our payment volumes, we haven't seen effects in risk to our system. Obviously, we're staring at it, we're looking at it, we're stewarding it, we're managing it. But right now, no significant change as a result of what we've seen in the headlines.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

All right. Great. Now, that's the power of scale. Let's talk about consumer payments then. I get this question a lot, Jack, and we just published our handbook looking at penetration and this question – do we see some pull forward in penetration during the pandemic. So, how long do you think we have before there is this real conversation of wow, there maybe isn't that much more penetration left? What's the time horizon for you as you think about not only the US but just some of these developed markets?

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

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The cash conversion.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Back to basics. Got to still go with the secular stuff.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Well, Tien-Tsin, I get why that question comes up. Like, you started with hey, we had an acceleration; the pandemic pulled forward conversion behavior, so consumers who were not using electronic and digital payments and using cash pull forward, we definitely saw that. So, mathematically, I understand the question of hey, if there was pull forward and the runway was this long, how much shorter did it get? I don't want to be glib, but I'll just tell you we study this at the country level. We look at what's happened from a cash conversion standpoint driven by us, driven by other networks, driven by other non-card payment types. And I can tell you yes, the runway got slightly shorter but the runway was so long, there's so much cash out there that the amount of pull forward that happened hasn't substantially changed it from our perspective.

A

And if you think about it, like even in mature markets around the world, think about Japan and Germany. Two of the four largest economies in the world still cash-heavy, right? Think about Latin America, one of our fastest-growing markets. Up until very, very recently, more than 50% of the volume that was running through Visa was ATM transactions, cash-out transactions. Now, that's flipped to a little less than 50% but it's only just a little less, right? We still have an enormous amount of runway in emerging markets. We still have plenty of runway in our mature markets. Even here in the US, still lots of runway, so plenty left to do on the cash conversion side of things.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Agree. Yeah, and it's a common question. But, I mean, yeah, that secular trend is your friend as they say. Let's talk about regulation, if that's okay, before we dig into some of the products.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Yeah. It's exciting.

A

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

No conversation here is complete without something on regulation. I always like to talk about whether it was AI in the seat before and Joe, et cetera. But just where do you think the pendulum is with respect to regulation? Does it influence your thinking around product? And I'd love to hear your thoughts on Reg II, but maybe just the bigger picture on regulation first.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Yeah. I mean, certainly we've gotten some more clarity on regulation here in the US that's actually helpful to us. And it's always difficult from a product development standpoint when there's any degree of uncertainty at all, and so the Reg II clarification, at least from my perspective, was helpful. And just to dig into that one for a second.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Please.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

The Reg II clarification basically said all issuers must enable two unaffiliated networks on every debit card for the purposes of e-commerce transactions. That was very consistent with our understanding and our thinking. It was kind of our expectation in the direction of travel. Most issuers in the US already do it and we do well in e-commerce transaction routing. So, it was consistent. We're going to see some more issuers come into compliance in the coming months. But if you think about put yourself in the shoes of the merchant, I used to run the merchant business, so I know what that's like. The decision about routing a transaction is a multivariate decision. It's certainly about the price and any, any small price differentials that might exist. But it's also really about the quality of the transaction. It's about the likelihood of success of the transaction, and it's about the risk that's inherent in the transaction.

And if you think about the capabilities that we deliver through tokenization, our real time fraud scoring capabilities or authentication capabilities we really like our capability set and we think it's part of the reason why we do so well in transaction routing in the e-commerce space. So, where we anticipated it, we were set up for it. We don't see any near-term impacts from it, but obviously we're going to keep an eye on it and stay very, very close to it.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

I mean, we take it for granted, right, we always talk about dial tone quality and sort of the fraud aspect of it and the payment guarantee. I mean, are those some of the examples maybe just to dig in on what you just said that you get with Visa.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Yeah, absolutely. And I mentioned some of those things that are our tokenization capability we know brings increases in authorization rate. It brings significant reductions in fraud. We couple that with our real time fraud scoring capabilities. I mean our ability to take an AI based fraud model scoring literally of hundreds and hundreds of different variables and deliver that in real time in less than 20 milliseconds to a merchant to help them or an issuer and a merchant to make – help them make those decisions is I would say unparalleled. So, yeah, it's absolutely a big part of the equation.

A

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Good. So, let's stay with – with e-com, we had Dan from PayPal here yesterday, we talked a lot about advanced checkout, sure, no doubt. And we just did a survey recently as well, Jack, talking about how much whitespace is left for guest check out. I'm always surprised by how big that number is. So, I did want to ask you about Click to Pay and how that fits and how that compares with, the PayPal's own some past initiatives around Click to Pay and reducing that friction. It feels like there is still a lot of whitespace left. But tell us what you're what your vision is here?

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah. Look, Tien-Tsin, I think you nailed it. We're on a mission to eliminate the friction from digital payments, and it's actually gotten better through the period of the pandemic. The share of e-commerce payments, digital payments that are happening via card on file, you probably all experienced it. You might use the same merchant more often. You place the card on file when you go back and you revisit that. That experience is actually pretty friction free, so we've seen the proportions change a little bit.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

Yeah.

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

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But the whitespace of guest checkout as you put it, is still big and it is still full of friction. And that's what we have pivoted Click to Pay to attack. We want when a consumer shows up and starts entering a card number or those name and address, e-mail credentials, Click to Pay can take over and populate look – you know, hit the Click to Pay directory and populate that information for the user on their behalf. We're working with 50 different enablers, companies like Adyen in 25 different markets around the world. We've got about 19-plus-thousand merchants live with Click to Pay now, and we're working hard to get it out there.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

So is there a timeline that we should think about this – seeing this more in our day-to-day experience?

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah. I mean, we're working on it as we speak. So, there is definitely a network effect to it. And network businesses always take time. We need to get merchants embedding the experience into their checkout processes. We need to work with our bank partners to get their consumers aware and enrolled in it. So, it's going to take a little bit of time. But yeah, you should start to see it more and more in the coming months and weeks.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

Okay. Good. So maybe bridging to omni and physical world a little bit. I know Tap to Pay has been a big topic; it's crazy. I still remember Blink back in the day around Tap to Pay. And I know the history was always, Jack, that right Tap to Pay contact was – it would drive more throughput, back to your process transaction comment to start with, so what have you observed, has there been any different here? I think, there has been a nice step up, especially in the US. Any surprises in terms of behavior and follow through?

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Well, we've been on this journey for a while now. And look we know Tap to Pay is just simply the best way to pay. It is so simple, so easy. It's delightful for consumers and for merchants alike, it's tremendous transaction success. And I say we've been on the journey for a while where we're at a point where about 75% of our transactions are Tap to Pay at this point. So, outside of the US, we've seen it play out. And we know that when users convert to

Tap to Pay, they become more engaged. Most recent numbers I saw were from studying it in the US, where a debit user who moves from mag stripe or chip over to Tap to Pay spends an extra \$65 a month and has two extra transactions a month. So, these are like real effects that we've seen globally as we've seen those numbers ramp up. Now that we're at 75% overall, we're still only, the numbers escaped me, it was down around 30% in the US, so we've got work to do.

We're hammering on transit systems, which is one of the keys to get that unlock that daily use of the Tap to Pay, the high frequency transactions, grocery, convenience stores and other spots where we're spending a lot of time, vending, those places that really get the consumer used to it and comfortable with it and then you tend to start seeing it spread out. We're already, by the way, at a place where 80% of the transactions that are happening in the United States are happening in an environment where it could be a tap transaction, so we've also got some work to do with awareness on the seller side and the consumer side. I mean, I find myself standing behind people at checkout saying you can tap it, just tap it, but that's probably not a scalable way. So, we're investing in other ways on the awareness front, too.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

My kids are doing it. My kids are doing it.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

That's great to hear.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

See people up through the line but, okay. Well, that comes back to the whole penetration even in developed markets like the US, right? There's still potential for improvement...

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Still a long way to go.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

...I think that's the takeaway. Okay, I guess we should talk about new flows that talk a lot about consumer payments. That's what I grew up with.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

So new flows is still growing with the two in front 20%-plus. I know Visa Direct catches a lot of attention. The most common question I get, Jack, from investors is really around FedNow and real-time payments and pay by bank



and what does that mean for Visa, what does that mean for Visa Direct. So is it possible for you to maybe go through those, why they're similar, different, this push payment concept?

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Yeah, of course. Well, let me start with you mentioned real-time payments, FedNow.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Please.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Look, we're at a place where most countries around the world have either already or are in the midst of investing to modernize their national payments infrastructure, their ACH infrastructure. And the US is absolutely no different, so investments in TCH real-time payments, FedNow real-time payments in our view are a good thing. We need modern financial infrastructure in the United States. It will be good for the banking industry, it will be good for consumers, it will be good for everybody involved. It's going to take some time. And in terms of use cases, what we've seen – and again, we've seen this play out in a lot of different markets around the world as the new infrastructure comes online. What I'd say on use cases is it all depends on what problems remain to be solved in the market that you're looking at.

So there are certainly markets around the world where penetration of financial inclusion in some parts of the population is low or penetration of long tail merchants and micro merchants is relatively low for digital payments in some of those markets. When RTP comes online, it can get used to help solve those problems. In other more mature markets where those problems have already largely been solved, markets like the US, a lot of the European markets, we tend to see the center of gravity flow a little bit more into the B2B use cases, commercial use cases, invoicing in places where there's still a lot of friction left in the system. So that's just a little background on how we think about the evolution of RTP, depending on the situation the market's in.

Now you come to the Visa Direct. I mean, Visa Direct it's – we'd like to, I mean, I think of it as a little bit of a Swiss Army knife for high-velocity and lower-value payments. So if you need to get money from A to B, it could be P2P, it could be business-to-consumer, it could be government-to-consumer, it could even be me-to-me so me to my own account...

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Right.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

...in smallish sizes at high velocity. Visa Direct is the way to do it. It is just the gold standard right now certainly in this market. We've got 60 different use cases up and running across 2,000 different programs, so it's a little difficult to sort of reconcile those 60 use cases in 2,000 programs how will that play out as FedNow and RTP start to stand up because those actually haven't happened yet. We have these use cases already up and running. And look, the service is reliable. It is resilient, it is robust. It comes along with the Visa brand, it comes along with the

Visa levels of security that I've been talking about in terms of the investments that we make overall. And it's up and running and it's available; you can use it now at scale.

So, we're pretty confident in our Visa Direct capabilities even in the face of the launch of new RTP capabilities, and that's what we've seen around the rest of the world.

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**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

Good. I mean, look, TCH has been around for, what, five years and FedNow is finally coming. And so we've – Visa Direct has been out in the wild for quite some time.

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**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah.

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**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

But no, I appreciate you'll be asking we'll keep watching them but it feels like we've got some time to go before...

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**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah, it'll be a little while.

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**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

We can call in any changes. I think maybe building on that, Jack, with thinking about new flows and interoperability. Visa+ was sort of an interesting launch.

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**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah.

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**Tien-Tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

And with PayPal, you've been using it to interconnect between Venmo and PayPal, leveraging Visa+ which I thought was interesting because that could be used for intercompany. But talk to us about Visa+ and this idea of true network of networks, interconnections. And it does feel like you're getting a little bit closer to the consumer, so talk to us about where you are and how close you are to get to the consumer to effectuate this.

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**Jack Forestell**

*Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah. Visa+ is a lot of fun. I think, we just launched it, just weeks ago. I think of it as a new type of credential, bear with me. I think, virtually everyone in here probably already had – might actually be in possession right now of a Visa credential. It's represented by a 16 digit number that starts with a 4 and that enables you to pay. And with Visa Direct, it also enables you to get paid.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Right.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Visa+ is the creation of a Visa+ pay name, which is a new type of credential that can be more intuitive for the user than a 16-digit number. It can be personally identifiable and a little bit more memorable for the user. And it is a credential that you could use to pay, but maybe more importantly get paid. So, Tien-Tsin, imagine, I needed to pay you and you wanted me to pay you with Visa Direct. You could give me your 16-digit account number, but you probably wouldn't be that comfortable doing it. But you might be very comfortable giving me your secure pay name. And that's what Visa+ is all about. And the first use case that we're really going after solving is one that you just described, which is there are several closed loop wallet environments out there, and there's a real problem to be solved.

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If I'm a part of one of those closed loop wallets and you're a part of another one, and I need to pay you, it's actually really hard to do. There's no good way to do it that isn't full of friction, but with Visa+ in that pay name construct, it's as simple as, as I just said. You share your pay name with me. I send the money to you. It shows up in real time, in the balance, in your wallet from my wallet. So by the way, it's also pretty early days. We're in pilot mode. We're going to learn a lot. We'll learn a lot from our clients. We'll learn a lot from our users. We'll develop it, we'll enhance it, and we'll really see how it goes. But we're excited about it.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

I need to think of a clever pay name.

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Grab it before it's gone.

A

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Yeah. I could make a joke about it, but I'm not ready to do it in front of this audience. Good. So I think, I would imagine there's some good demand for this. We heard already from PayPal I guess. Should we expect this to be sort of a step function or incremental in terms of additions whether it be wallets or other account based systems?

Q

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Yeah. I mean, look, I don't want to get too far ahead of ourselves. We got to prove it out and make sure that it's got resonance and traction with consumers and our clients. Assuming that it does, I'm hopeful that we get more and more participants on board. You think of it as an open platform play, right. It really creates the ability if you expand it and imagine it in its ubiquitous form for end users to be able to seamlessly move their money, move their value to the place that they want it to be. If they want it to be in their PayPal account, they can get it there. If they want it to be in their bank account, they should be able to get it there too. So, that's the vision, but again super early days.

A

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

No, it's fun. It's fun and needed. So, glad to see that and learn more about it. So, let's shift to value-added services, again growing very fast, 20-plus percent. And thematically we've been seeing this a lot and I sort of blame it on software coming into payments, right. We are really pushing more towards ARPU and value-added services. But with Visa's data and scale it makes a ton of sense to do more on value-added services. So, big picture, how would you rank or tell us more about the pieces that are really driving and where is the growth potential going forward?

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

Yeah, well before I dive into pieces.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

Yeah.

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

I would say you're spot on. I mean, there is – the value-added services business plays a number of different important roles for us. And I will go through, at least four.

**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

Okay.

**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

A

One, it actually helps us work with our clients to grow their business. And let's just forget about the services themselves for a second, we are mostly developing value-added products and services that are generally in the payment space that we can use to work with our clients and actually make their business stronger, better, grow faster, which then accrues value back to us as their network partner because we're starting to see stronger consumer relationship, seller relationships on their side and more transaction volume pulling through. So stronger customer relationships or – sorry growing our clients business is something we probably don't talk enough about when it comes to value-added services business.

Two, it creates connectivity and just a stronger set of relationships, more retentive value with our clients. We're at a place now where about 50% of our clients are using five plus value-added services, about 30% or a third maybe are using 10 value-added services. So you can imagine as those points of connectivity are happening, those services are contributing to growth in our client's portfolios, that's bringing us together more closely and creating more of that retentive value. The third – third one is the obvious. Well, they also create new products and new lines of business for us that drive revenues on a standalone basis and can contribute to the diversification of our revenue portfolio. And lastly, they also provide a platform for us to develop services that, yes, we can deploy for Visa transactions but increasingly we're also deploying for non-Visa and non-card-type transactions.

So there's a whole set of reasons that we believe the value-added services business is incredibly important to us. So, sorry, let me – now I'll get to your actual question which I think was, well, how's the portfolio doing? And we structured the value-added services business by a couple of client segments and then a couple of vertical focuses. So we have a segment that is about our FI and issuing clients, and it's a set of services that we developed there. We have an acceptance business unit that works with the acceptance and enabler side of it along with merchants directly. And then we have a vertical focus on risk, security, and identity and then we have our consulting team that sort of pulls it all together and leverages all those services along with the core and works with our clients to optimize their business. And Tien-Tsin, I would say across the portfolio, it's all doing pretty well so I hesitate to stack rank how things are going.

I might say, look, there are parts of the portfolio that are closer into the core, so within that issuer bucket there are sets of services that are very close in to VisaNet. Think about us offering card controls or stand-in authorization capabilities for our issuers or even enhanced reporting in settlement and reconciliation in the financial operations of our banks. Those are continuously in demand. We still have a lot of upside there in selling those services in markets where the penetration rates are still very low. A little more mature in some of our larger markets, but lots of runway to sell those services in outside of our more mature markets. The risk product set also very much in demand. We've had a little bit of a tailwind in the risk product part of our business, particularly in Europe with some of the regulations around strong customer authentication that required issuers and merchants alike to improve their security and e-comm space, and our products and services have been vital in actually making that happen.

So those are a couple that are kind of near in on the payment side. Then we've got our issuer processing business and our scaled merchant gateway business. Those are big-scale standalone businesses in their own right that transcend Visa transactions. They're part of that play that I was talking about where we can deliver beyond Visa and beyond card-based transactions. And then as I mentioned, we wrap it all together with the consulting side of the business. And increasingly on the consulting business, we're also pushing into what we call managed services where we're working with clients to take work off their hands or place Visa professionals inside those client organizations. It could be in running some of their fraud risk functions and capabilities or it could be in executing on product integrations to help them get to market faster with some of the other pieces of our value-added services core business.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Q

Good. Now that's a good summary. So I'm just curious, so very clear on the issuing side, things like stand-in processing, VPS, so that would be in there. Where would tokenization fall? Would that be included in value-added services?

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

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Yeah. It's a good question because it's a little tricky one. I mean, I think of tokenization as, as I was describing Visa+, as another credential. Tokenization is like the next generation of our credential infrastructure. It is a secure and programmable credential. So again, that 16-digit number that you all have in your pocket is slowly getting replaced by a dynamic token that is secured by cryptography and that can then be programmed and bound to function in certain ways with specific use cases. So at that level, it's really core to who we are and what we do as a payment network. That said, it also represents an opportunity on the value-added services side. There are services like push provisioning those credentials.

There are services like enabling those credentials to be programmed so that can provide the visibility for an issuer client to enable their customers to see where all of those credentials are with card on file merchants and turn them on, turn them off, enable them for certain types of transactions and not. And then of course, we also have the capability that we manage under a brand we call Token ID which are a whole set of tokenization capabilities for non-card applications, so think payment account tokenization in the RTP space. So, yes and no; it's a core part of what we do. We don't tend to monetize the core Visa token directly.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Got it.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Where we see that is the monetization comes from the enhanced authorization rates and the reduced fraud that we get in the network and the take up that we get on those tokens. By the way, I think we're at 6 billion tokens placed right now, which is somewhere close to 90% higher than it was a year ago this time. And that growth is becoming – is coming because of that enhanced performance. And we like the model that we're using to monetize that right now. That said we do think as I was describing, there is a whole host of value-added services that can come along with the tokenization capabilities that we are deploying.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Okay, good. No. Thanks for going through that. When I see 6 billion and these big numbers, it's just hard to fathom some of it. But I also recognize it's a big change from a credentialing and infrastructure standpoint, which is why I wanted to ask it.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Yeah, it's been quite a journey. I mean – in the nine years that I've been at Visa, we started from zero, and zero to 6 billion even in the space of nine years is it's been breathtaking and a lot of fun.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

No, it's a big lift. So, we're – I have a bunch more questions. We have 2 minutes left. I thought maybe just we should probably close it out. So, I know, there is so much more to talk about. We are at a tech conference here. There is so many things I'd love to pick your brain on, but what do you think is not talked about enough? What am I not asking you about as you're sitting here thinking about tech trends in the world in front of us?

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Well, something you're not asking about, but I can't say it's not talked about enough because I'm guessing it's probably talked about in every room at this conference is AI. And I'm incredibly excited about the burst of activity that's really starting to unfold in the generative AI space really just in the last six months. And part of the reason I'm excited about it is, AI is in our DNA. We've actually been harnessing the power of AI in some way shape or form, going all the way back to the 90s, and we were using heuristic models in neural nets before it was cool. And we've built our own AI and deep learning platform on which we train all those sophisticated fraud and risk

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management models that I was talking about. But we've focused a lot of our attention in the AI space on what I would characterize as predictive AI, the use of deep learning to predict the next data point in a series, whether a transaction is fraudulent, whether I am who I say I am.

Generative AI is about actually generating new data sets and predicting a whole new data series. And there we just see enormous amounts of potential on a number of different dimensions. I mean, like many companies, we see the transformative potential of creating stronger efficiency within our company and helping our clients do the same, whether it's customer service, anomaly detection, cybersecurity. We believe there's massive application of generative AI to those spaces. We think generative AI can make payments better. The very models that I talked about, we've got 60 different AI based models already in production today. We think there are overlays of generative AI that can actually make those models perform better in orchestration with one another. And then, who knows what the world holds in terms of new product development, but it seems almost obvious that the process of shopping and discovery and ultimately commerce is going to be transformed by AI and contextual AI and we are going to make sure that we're ready for that with the best possible embedded digital payments capabilities when that happens and I think it's probably going to happen pretty fast.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

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Yeah, no, feels that way, especially on the transactions side. Well, hopefully, we get a chance to talk to you about it very soon in the next session.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

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Great.

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**Tien-Tsin Huang***Analyst, JPMorgan Securities LLC*

Jack, thank you for the time. Appreciate the conversation.

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**Jack Forestell***Chief Product & Strategy Officer, Visa, Inc.*

Thank you. Yeah, thank you all.



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