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Visa, Inc. (V)

MoffettNathanson's Inaugural Technology, Media, and Telecom Conference

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MANAGEMENT DISCUSSION SECTION

Lisa Ellis
Analyst, MoffettNathanson LLC

All right. Welcome back, everyone. [indiscernible] (00:00:02) trickling in from lunch. Thanks for joining us for our 1 PM session. I am very delighted to get to host for the first time actually, Oliver Jenkyn, Group President at Visa. Oliver

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

Great. Please to meet you.

Lisa Ellis
Analyst, MoffettNathanson LLC

Thanks for being here.

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

My pleasure.

Lisa Ellis
Analyst, MoffettNathanson LLC

So before I jump in, a reminder, everyone, we're very high tech this year. This is a tech conference. If you would like to ask question of Oliver, scan the QR code that's on the screen up there and it will pop up on the screen next to me. It works very well, actually. I had that in a number of sessions so far. And I'll be able to pepper those in. And yes, and we'll jump in.

Okay. So you can ask, you've got Oliver on the hot seat. You can ask him whatever you would like. All right. So you have been with Visa for the last 15 years. Can you just give us a quick overview of your current role and sort of history with Visa as you're maybe a little less familiar to the investor community?

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Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

Sure. So I'm Group President Visa responsible for global markets. So that's the teams that are responsible for the 200-plus countries and territories in which we operate in around the world. So as you probably know, Visa operates around five regions. So North America, Latin America, Asia, Europe and Central Europe, Middle East and Africa is the fifth. There's a regional president that sits on top of each of those five. Those five awesome folks are on my team, along with the Head of Merchant Acquiring, Head of Digital Partnerships, Global Clients, Global Deals, et cetera. So it really pulls together everyone that's running the business around the world.

And prior to that, I was the President of North America. And while I was doing that, I ran our new flows business for a few years, global clients, global deals and some of those things. Prior to that, I was at McKinsey in New York and London and San Francisco and Visa was actually a client. If you remember way back when with the merger of the associations and then the subsequent IPO, McKinsey was helping with that at that period of time. With interestingly, another partner at McKinsey, at that case was Mr. Ryan McInerney. So the two of us who were at McKinsey together, and we're working with Visa. That's – that goes way back though. That's in an archive.

QUESTION AND ANSWER SECTION

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Well, speaking of Ryan, Visa recently entered a new era with the CEO change and Ryan McInerney taking over as CEO. And with that transition, you stepped up and took on these responsibilities of group presidents. So how would you describe your sort of joint vision with Ryan, as you said, he and you go way back and have worked very closely together for many years. Your joint vision for the company and top priorities going forward.

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

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Yes. I mean this is one of the situations where a leadership change is obviously a big deal, but this one is probably about as smooth as they get because the people who are leading the company before the change are the same people who are leading it now just in different seats to some extent. And it was within our company, it was like the worst kept secret of some of the changes that would roll through and Ryan moving into that CEO role.

But certainly, Ryan, myself, key folks like Jack Forestell, our Chief Product Officer; Rajat, our Chief Technology Officer, we have our fingerprints all over the strategy that we're executing on now because we helped create it when we were in our prior roles. So I think that core strategy, consumer payments, new flows, VAS is absolutely still something that we're very, very committed to and focused on because, again, we help develop it.

And then culturally, I think – I do think there'll be some changes culturally whenever there's new leadership. I think will be more curious, more meritocratic, harder driving, more innovative, forward-looking and just a stronger hunger to be sort of bolder, faster and to win. So I think of those things might change a little bit, but I think it will be a very, very seamless transition. And I think, again, a lot of what we were following when Al was the CEO, we're going to continue to follow with Ryan, myself and the rest of the leadership team.

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Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Well, you mentioned that, as you said, you run all global markets. You have the five major regional heads all reporting to you. So you see the sort of opportunities and challenges and the dramatic differences frankly, in the payments landscape in regions all over the world. So can you just highlight for us what are some notable opportunities and challenges when you look around the world?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Well, the million dollar question. There are opportunities around the world. I think – let me say a couple of things – let me take a couple of things generally, and then I'll maybe dive into a few in each region. But generally speaking, I think both of these are important points. One is we've got the opportunities in front of us. It's a matter of executing on the great ideas and initiatives we've got. We don't need to go sit at a whiteboard and brainstorm 100 new things that we can do. We know the opportunities. We know what's in plan. It's about executing against those things, which is a great position to be in. That's one, and that applies around the world.

I think the second thing I'd say is, as I mentioned, the strategy around the world is solid, consumer payments, value-added services and new flows. You could go to any market, any country around the world at Visa and talk to the leadership team there. And they would say the exact same thing in terms of strategy, how it manifests itself in every market is very, very different from Southeast Asia to sub-Saharan Africa to the United States. But the levers that we're pulling and the things we're focused on are the same.

So now around the world in a couple of minutes, let me pick a few. I'll start in Latin America. I think in Latin America, there's just a huge cash displacement opportunity in core consumer payments. If you look at the percent of the volume on the Visa network in 2019 that was purchased, i.e., someone used a card to buy something versus going to get cash and then spending the cash is about 46% in 2019. Now it's 59%. So again, the sort of stop using cash and really use the product to make purchases a key driver in Latin America.

Latin America also has 20 live or soon-to-launch domestic or cross-border P2P money movement programs. We're really excited about B2B, specifically in verticals in Latin America, in particular, agriculture, which is a big deal in Latin America. So great opportunities in Latin America. Gosh, CEMEA, Central Europe, Middle East, Africa region, I could quote almost the exact same numbers on this cash displacement opportunity in Central Europe, Middle East and Africa, moving from cash into purchase transactions. We're really excited about B2B Connect throughout CEMEA. We've added Azerbaijan, Kazakhstan, Kuwait to B2B Connect, which really broadens that network in an exciting way. We added cross-border remittance programs and new flows for P2P in Kuwait, Saudi Arabia, UAE. So again, great examples of the strategy across EMEA.

I'll try to go faster, let's see what's next, AP. Cash displacement in core consumer payments is huge in AP as well, not just in Southeast Asia where you'd expect it to be, but also in markets like Japan that are still mind-bogglingly cash dependent. And so really taking our strategies to capture that opportunity is a big deal. Money in and out from remittance in Asia, a big deal. Commercial is big deal throughout Asia.

In Europe, fintech is really important for us. We have 100 like Tier 1 fintech partners in Europe that are doing great business with us. And those fintech partners use us for a broad range of services. So Revolut, for example, is a Visa issuer. There is a debit enabler. They use currency cloud. They use Tink. So a lot of these fintechs, we have quite a holistic relationship with them. Gosh, what else in Europe? Obviously, open banking is a big deal in Europe with Tink. And also, there's just some great consumer payments in Europe. If you go to Central Europe,

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Germany, Austria, Italy, the Netherlands, there's much upside for us in those markets that we haven't been able to achieve the penetration we want.

And on North America, I'd use the rest of our time on North America. Maybe I'll pause there and you can steer me if you want to be more in North America.

Lisa Ellis
Analyst, MoffettNathanson LLC

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Well, speaking of the US, as you highlighted, prior to your current role, you were President of North America. And so, let's spend a couple of minutes on the US. The US has always been Visa's stronghold and it's an area where card penetration, based on our estimates of the core consumer to merchant payments, is in the 60% to 70% range and still rising, of course, but up in that sort of two-third-ish level. So how do you think about the avenues of growth in the United States, given how important it is to Visa's business?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. Great question. The US and North America more broadly, certainly, are most mature of our regions, but still a ton of upside across consumer payments, new flows and VAS. But let me do consumer payments just for a second. There's a great opportunity in consumer payments around the world in developing – but what you need to focus on is different in different markets. So in developing markets, it's about infrastructure, it's about awareness, and it's about basic habituation. In more developed markets like the US, where the infrastructure is built, the acceptance network is built, people have their cards, it's much more about engagement and usage. So you're still focused on consumer payments, but where you are in the funnel will change based on stage of market development.

So in the United States to drive usage, we believe that a lot of the hard work has been done. So issuers have built the technology. They've designed a product. They designed the value proposition. They've marketed the card to you. You've bit on getting that card. They've underwritten it. They've mailed it to you. You've put it in your wallet or on your phone. You've activated it. You've used it. They've marched the ball 99 yards down the field. You're using this card. If they could just get you to use it three or four more times a month at two or three different merchant categories on like the United States, that's the consumer payment opportunity in the US. And there's so much more to be done. Small changes on the stuff I just mentioned have outsized impact given the base upon which it sits.

And so, at Visa, we've got – one of our most important advisory capabilities is what we call the Portfolio Health Check, where we'll go out to all issuers and we'll do detailed analytics and benchmarking by issuer, by segment, by portfolio to say, even if you're doing great, there's always pockets where you could do better. And we provide that advice and guidance and execution plan to put new campaigns out there to alter the value proposition to change your communication to drive that lift.

And so, again, consumer payments is huge in all markets, but what you focus on depends on that stage of market development. And in the US, we're further into that funnel. But the good news is if you get a few things right, there's huge upside. And even the best issuers of the world have opportunity to improve.

So consumer payments is big. I mean, obviously, B2B is a huge opportunity for us in the US. We're just scratching the surface in Visa Direct and money movement. We've got – and don't quote me on this number because I don't know off top of my head, but approximately 50 live use cases in the United States. They're wonderful use cases of different ways people can use Visa Direct from gig economy payouts, marketplace

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payouts, insurance claim payouts, P2P remittance, et cetera. But we need to get them to scale. So we don't have to prove the idea. We don't have to prove that it can work. We just have to get it to scale and then lots of value-added service opportunities.

So when I look at North America, while we've had great success, I think we're in, like, the fourth inning of the opportunities that are still in front of us. And we've got a clear view of what we need to go and do.

Lisa Ellis
Analyst, MoffettNathanson LLC

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All right. Well, if running all of the regions wasn't enough, you also lead Visa's global relationships with your major partner groups, acquirers, the issuers, merchants, the big technology companies. So can you just comment a bit and talk – how do you think at Visa about your relationships with, let's focus for a minute on the big merchant acquirers for one group and then also some of the – related to that, the largest global merchants with whom you have the direct relationships like an Amazon, for example?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. It's a great question. So we have a global merchant and acquiring group, and we believe that we've got wonderful relationships with the acquirers, and the acquirer processors, and the merchants. I mean there's always going to be a few merchants who want things done differently, different economics, different rules, et cetera. But overall, we've got a phenomenal set of relationships with that whole seller side of the value chain, and we have a global team that wakes up every day and does nothing but think about the best solutions and the needs of that wholesaler side of the ecosystem.

The woman who runs it, it's based out of London, she sits on my leadership team. She's awesome. That's all she thinks about. She has a leader on her team that sits on every single one of the regional presidents' team. So every time any region is getting together, talk about the business, there's a senior leader talking 100% of their time on what the merchants, acquirers the PayFacs, the ISOs of ours, everyone on that side of the value chain needs. And they are very vocal. They're very passionate. They've got a very clear view of the product road map that they need, and they've got their fingers in with Jack and Rajat, and this is what we need to build from a cyber source, from a risk, fraud, dispute, benchmarking, advisory capability. And so it's very, very well represented as two equal sides of our network, which wasn't the case 15 years ago or so. And now it's a really healthy holistic discussion when we look at our markets, and we feel really good about those relationships and the time and attention that we're putting against it.

Lisa Ellis
Analyst, MoffettNathanson LLC

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And so maybe talk a little bit about because I know that the global big merchant relationships have also come into focus, and that's an area where there can be some tension from time to time. So just talk about how that dynamic has evolved with some of your major global merchants with whom you have very direct partnerships, but at the same time, they accept your payments and accept card payments on their side as well.

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

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Yes. I think within our company, we refer to our key partners as our key clients, our partners and how we interact with them nowadays at Visa is no different with how we deal with the largest bank issuers versus how we deal with the largest merchants. And so we have dedicated account teams that spend all their time focusing on the key

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needs of our merchants, be they a co-brand issuer, be they a large acceptor as they're thinking about different issues that they're dealing with as they move to omnichannel, as they want to better serve their customers or they want to try to get some benchmarking analytics to understand how they continue to drive their business.

So there really is this sort of symmetry within our company and this equality in terms of how we put weight on the Marriotts and Costcos, United, Carrefours as we do with the JPMorgans, the HSBCs, CBAs, et cetera, around the world. So there really – there's really that sort of consistency and dedicated account team coverage on how we serve these folks. And we feel really good about them.

Lisa Ellis
Analyst, MoffettNathanson LLC

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All right. Another group that you lead is all of the digital partnerships of Visa. And so as an analyst having covered Visa for the last 10 years, this has been one of the most notable shifts, I would say, in your partner and customer base has been now the inclusion of major digital players. So this does not include, of course, like the Apples and PayPals of the world, but also literally hundreds of digital wallets, telcos, et cetera, all over the world. So can you just talk a bit about the guiding principles for these relationships, who, as you highlighted, are very important in the ecosystem but are neither an acquirer nor an issuer or they're a different yet another kind of group of stakeholders?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. I think the guiding principles way that you asked that's a really – that really resonates with me and maybe I'll answer it that way. So let me lay out two core guiding principles. I would say maybe about I don't know 7, 8 years ago, Visa really put its finger on important guiding principle that we followed ever since in serving digital players and fintechs. And that realization was we're a network. We provide a platform upon which different folks can come and compete and may the best idea win. It's not our job to pick winners and losers of who can come and operate on the network. It's our job to provide that network and let people come and compete and may the best idea win as decided by consumers, merchants, payment facilitators on that network.

And that was an important distinction because when we made that decision, although it's very simple, in retrospect, it looks quite simple, it was actually quite important because in our view is come digital partner, come fintech, come payment facilitator, come traditional bank. Everyone's welcome on this platform and may the best idea win. But the second principle, which is related to it is there need to be standards. Like if we're going to carry 65,000 transactions a second on our network, there need to be specific ways that process – the transactions are processed, information that's included, the timeliness of those transactions. You can introduce junky transactions onto the system. There need to be dispute resolutions. They need to be fraud controls, et cetera.

But those two philosophies have really guided much of the past decade for us. May the best idea win on this platform. We don't pick winners and losers. We provide the platform. But the gating mechanism, there need to be certain standards of how you operate. And so then if you think about the digital partners, be they big digital partners or small fintechs, that's our philosophy. And so everyone is welcome onto this network. We believe in the competition of the best ideas on that platform. And it's not our job to be a toll gate or a guardian to get on to that. And that's really impacted how we're approach things.

So right now, similar to what we discussed on merchants and acquirers and issuers having account teams, our large digital partners are treated with account teams where we spend – teams that spend 100% of their time focusing on, what are the problems that you're solving? Where are you trying to go? How can our road map

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support the needs that you have? So we've got dedicated account teams that manage all of these big digital partners.

And on the fintech side, we've made a concerted effort over much of the past decade to lower the administration, lower the bureaucracy because these are small entities that are trying to move quickly. We can't throw a phone book at them, please fill out these forms and come to us when you're done. So we try to make it very easy for them to come on to the network, really streamline onboarding. We introduced years ago, what we call the Fintech Fast Track, which is if you sort of tick these boxes and you can attest to these things, then you can streamline quickly onto the network.

We also have a Visa Ready program where we pre-certify certain facilitators and providers onto the Visa network like a good housekeeping seal of approval. So if you're a fintech and you know you need that program manager, a processor, those are preapproved so you can pull them in, and you can move quickly. So with the fintechs, it's less dedicated account management, but it's more programs that are seamless and easy. And I think it's working really well for us.

So – and again, the woman who runs the digital partnership group sits on my leadership team. We meet every single week with leadership team. She sits right beside the regional presidents and has an equal voice in terms of how the company operates. By the way, it's worth noting she also reports to Jack Forestell because Jack's coming up with the product road map. So he wants to make sure he's connected to these digital partnerships in terms of what they're building technically, I'm plugging into more for what they're doing commercially.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

So in many cases, your digital partners are customers, meaning you have a direct commercial relationship. They may be a card issuer, if they're a digital wallet, they might be a payment facilitator like PayPal or something like that. But in some cases, they're not. They're more like an open wallet, right? They might be sort of a container or a facilitator of payments, and they're more of a technology partner of Visa. How do you set up those relationships or ensure that they remain mutually beneficial that you have a – that you can work with these major players, sometimes they're the huge tech giants in a way that ensures that it's mutually beneficial and doesn't become kind of back and forth between the two of you.

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. It's a great question. I think I'll stick with your guiding principles approach to answering this. I think guiding principal number three for us is it's better to be inside the tent influencing than outside the tent wondering. And so our view is, as we see any of these players that may not be on our network, but are doing things related to payments, our philosophy is get on a plane and go see them. Go talk to them. Go try to understand what they're trying to achieve and try to think about ways that we can help. But we definitely believe that any player out there that is electronifying inefficient payments, any player out there that's doing that is a like-minded entity, and I think that rising tide will raise all boats.

And so, we'll spend time with PIX and [ph] NYCE (00:22:22) and Yape and any of these players and just sort of try to understand what they're up to and see how we can help and have a healthy partnership coexistence model, et cetera. But very, very inclusive in how we interact and would rather be in active discussions. So that's certainly the approach.

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Lisa Ellis
Analyst, MoffettNathanson LLC

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All right. Well, you're warmed up now so now it's the hot seat because I had some ones coming in here. The first one, what's the long-term vision for Visa Plus, which was recently announced? We commented on this earlier today when we had PayPal here, you announced it sort of in partnership with PayPal creating interoperability for folks unfamiliar. Visa Plus is a product that enables interoperability across – well, a number of different things, but most notably, P2P wallets, which is quite innovative. So give us – paint us a bit the picture. We know it's just early, but what's the long-term view? Where can you imagine that might go in 10 years?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. And again, you explained it well, but maybe 30 seconds on top of that, Visa Plus essentially enables connectivity between otherwise closed money movement infrastructure, like think of Venmo to Square to Apple Cash, et cetera, if you're in one of those ecosystems, they're doing their own thing, but the ability to move between them makes sense. If you go out to dinner with 10 of your friends and you're trying to settle up and you got three of them want it by a Cash App, and three of them want it by Venmo, and three of them want it by something else. It'd be much easier if there is one clearing mechanism. That's essentially the core idea of Visa Plus, and we think it's a great idea.

I'm always careful to not hype something when we're in execution mode. It is a great idea. We love the idea. We think it makes a ton of sense for the ecosystem. What we're focused on right now is being in discussions with all of the players who, we believe, would also benefit from this and making sure that we build the network. Almost everything that Visa does has a network effect, and that means we need to bring other people into it so that the power of an idea can multiply. And right now, with Visa Plus, we're just having those conversations to make sure that everyone is equally excited and that execution is in place.

So where it could go is, I think, incredibly powerful. But what I'm most focused on is taking those first initial steps to building the infrastructure – not building infrastructure – building the network to make it a reality. So super excited about it. Maybe at next year's conference, as we continue to make this unfold, we'll start bragging about a bit more. But I think I'm always an advocate of, like, putting in the hard yards to get that network built before we pound our chest.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. Well, on to another hot topic, RTP, real-time payments or account-to-account payments. So one of the most commonly cited risks cited by investors, right, related to Visa's business is account-to-account payments, particularly the rise of real-time payment networks around the globe, starting with the one in the UK now well over a decade ago, but with several dozen now around the world. And then, right now, with the FedNow system launching here in the US just in the next couple of months, this has sort of elevated this topic again.

So can you just comment a bit to us how you at Visa think about real-time payments? We see them, of course. We get asked a lot about PIX in Brazil and UPI in India as well. So just give us a sense for how you think about those networks.

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

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Sure. And certainly, RTP is a trend around the world. And RTP, as I'm sure you guys know, I'll just define it simply in my mind as a real-time or near real-time connectivity that moves money between accounts. And I think the trend is very real. What I would just say, though, to get started is, RTP – the existence of an RTP in the network in and of itself is actually not that interesting. I think when it becomes interesting is when you think about RTP within the context of the environment of the country in which it's operating. And I'll come back to that point. But let me make three points to sort of build through it.

The first thing I'd say, just as a quick reminder, a payment system is more than just a connection between two accounts, payments' safety, soundness, interoperability, security, tokenization, dispute resolution, customer service, line. I mean all of those aspects and to really be building a payment network, it's all of those capabilities. It's not just that movement of money. That's one point. And therefore, the evolution of RTP in a country, in part, depends on the building of those capabilities in terms of what areas you can serve.

The second just contextual point I'd say is, Visa is very happy to partner with RTP networks. As I mentioned earlier, Visa Direct connects with all sorts of other networks as part of our network of network strategy. I think right now the number is, I think, somewhere between 12 and 15 RTP networks that Visa Direct is connected to and that we move money between, which I think is good for the reach of our network of network strategy. And in the right way and at the right time, providing value-added services to these RTP networks is another partnership opportunity for Visa. That's a sort of second contextual point.

The third contextual point when we think about RTP is the impact that RTP and the evolution that RTP will have in the market depends on the problem that it's solving, or it depends on whether there are segments that are not well served in a market. So if a market's core consumer business is very well served with existing payments infrastructure, then an RTP was probably going to find its way to have impact elsewhere. I would suggest that Faster Payments in the UK, which is much more B2B where it's had impact because that core area of consumer payments is well served.

On the other hand, if there are segments within the country that haven't been well served, take Brazil with P2P and nano merchants, really, really micro merchants that weren't being well served. PIX has been able to fill in those and drive growth in those as well. So to some extent, the evolution of RTP – the existence of RTP in and of itself, less interesting. Understanding RTP within the environment of a country, how well does it develop? Are key segments being well served? Does the RTP have the willingness and ability to build all of the capabilities to provide payments? If you understand all of those, it becomes very idiosyncratic to each of the individual markets.

At Visa, we're very, very focused on making sure that we are serving all of the segments or as many of the segments as we possibly can, as effectively as we possibly can, with the full suite of capabilities that we've got in every market around the world. That's what we're most focused on in that space and partnering in the appropriate way with RTP networks at the right time and in the right way.

As for FedNow and TCH in the US, a great deal of respect for what those platforms are building. As I said, at the right time and in the right way, providing value-added services to those players is certainly something that is possible. But what we're most focused – I should say, we think the US market is very well served in that core consumer space, and we're very focused on making sure that we're using our debit and credit capabilities to serve those segments as effectively as possible. So it is really still early days, and so we'll just watch that unfold.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

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All right. Another hot topic is the regulatory topic. So your business at Visa is often subject to regulatory scrutiny. And that moves around all over the world, I would say, over time. And particularly in the US right now, over these last couple of years, there's been sort of ebb and flow of some regulatory scrutiny. So what's the latest perspective on how you feel like the regulatory scrutiny affects your business at Visa?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. Well, the first thing I'd say is – at Visa, we're incredibly mindful of regulation and regulatory conversations around the world. This is not something that we outsource to our government engagement team. This is my job. It's Ryan's job. It's our regional presidents, our country manager's job, it's a significant – takes a significant amount of mind share of managing that as our country managers holistically manage what's happening in that market. So again, not something that's outsourced, something that we do.

We also are very proactive to make sure that with government officials and regulators, they're very aware of the good that we do. The significant investments that we make, that benefit consumers, small businesses, economies, innovation in countries and making sure that, that positive – those positive elements are very well understood. So it is a meaningful chunk of our business. Certainly, in the United States, in particular. I spend a lot of time in D.C. So does Al, our now Executive Chairman, Ryan, Kim Lawrence, who runs North America. We spend a lot of time there even when things aren't hot, just to make sure that we're laying that foundation for a true understanding of the good that Visa provides to economies, not just in the US but around the world.

Obviously, one of the topics that I get a lot of questions on US regulation is Reg II. So maybe I'll just make a couple of comments on Reg II. But essentially, so Reg II is the Fed's clarification that all issuers in the United States need to have two unaffiliated debit networks available in the e-commerce card-not-present space. I think that clarification was in line with what Visa expected the Fed to clarify. The vast majority of players in the United States, the vast majority of issuers are compliant with that. Those that are not, will be soon.

There will be some impact, we believe, to our business as a result of that. We don't see anything in – very little in the sort of near term in 2023. And in the medium term and longer term, we'll see. We've competed in the Durbin environment for well over 10 years. We are very versed influence in how to manage in that environment, very used to it. I was here for Durbin round one. And so we're very, very clear on how to respond. And we feel incredibly good about our debit network and the capabilities, which serve us very well and serve our merchants really well. And a lot of those capabilities are even more important in the card-not-present space. So we'll watch that space unfold, but it's something that's very much in focus for Visa as we manage things going forward.

Lisa Ellis
Analyst, MoffettNathanson LLC

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All right. Well, just prior to the pandemic, Visa held a major Investor Day during which Visa asserted that investors should actually expect an acceleration in Visa's revenue growth going forward. Now of course, then a month later, we went into the pandemic, and I think that like lost off of the radar screen of a lot of folks, but then within this last year as things have sort of stabilized post pandemic, the leadership team at Visa has come back out again, Ryan, Vasant, you guys, right, all of you reasserting, yes, in fact, we anticipate that as the dust settles from the pandemic, Visa's revenue growth will be stronger than previous on a sustained basis, so up in the double digits comfortably. So what is Visa doing differently or have to do differently to achieve this growth objective given that you are, of course, growing over an ever increasingly large base as well?

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Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. Yes, great question. I think – and by the way, I hope our investor conference wasn't a super spreader event because that was like about two weeks out from the start of it. But anyway, I think – the first thing I'd say is we need to execute on our plan. It seems like a very simple thing to say, but as you would expect of us, we have a multiyear plan at Visa. It gives us a multiyear view. We do it every single year to understand what our long-term growth trajectory is, what the initiatives are that we need to deliver, what the revenue is that will come with those, et cetera. And we go into that in a significant amount of detail. We just did it I guess, maybe 2, 3 weeks ago for this year. And so that's at the end of the table, receiving the presentations are Ryan, Vasant and myself. We've got all the regional presidents. We've got the business units. Everyone's presenting their vision and where they're going to go.

And so – what I would just say, having gone through all of that, I can't share all the stuff that's in it, but we feel very confident with the statements that we've made publicly in terms of acceleration of revenue growth. As I said earlier, what we feel particularly good about is we know the ideas that we need to deliver on. We don't need a whiteboard session to brainstorm a whole bunch of things to hopefully fill some sort of gap. We know that if we deliver on the initiatives that we've laid out in that multiyear plan, we can back up and then some of the comments that we've made publicly. So we feel really good about that. We also recognize that not all of those are going to land perfectly. Some will try and they might not work out. We need to recognize that quickly, redeploy the resources. Some will massively over deliver, and we need to redeploy resources into those quickly. We'll trade some in and some out as we go. But if you look at the portfolio of what we've got around the world, region by region, we feel great.

Certainly, consumer payments is going to be a great engine for growth, but value-added services and new flows will grow faster than core consumer payments. They will pull up the average of that growth rate, and they will increasingly be a higher percent of our total revenue. That's certainly part of our long-term plan. It's a very clear part of that plan. We love the core consumer payments business. Please don't get me wrong. But VAS and new flows have higher growth rate and a higher long-term trajectory. And so that portfolio is going to get us to a very healthy place.

So I often – if I may, I often find that question as – the first thing that pops into my mind is one of my favorite sayings when I get that question, which is, don't tell me you're funny, tell me a joke and let me decide. And I feel like as I'm entering this, I'm just saying I'm funny, trust me. But to prove this out, we just need to watch what we're doing in the years ahead as we sort of prove out the execution of these ideas. So we feel good about it.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

So you highlighted, of course, new flows and value-added services. On new flows, specifically, I think the pushback we always get in here is when we know why Visa wins in core consumer payments, but how does Visa go win in new flows, which are different, the nature of the payments is different, the nature of the competitors is different. So how do you – what do you do differently in those markets? What are you – what transfers? And then what do you have to do differently to win?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes, I think maybe just allow me one minute to sort of just simplify back how we think about new flows for a second. And then Lisa, I will answer that specific question. Our core business is C2B. It's me pulling out my credit

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card and buying a coffee at Starbucks, C to a B, wonderful business. But as we built out that C2B network, we simultaneously we're building out the technology, the rules, the infrastructure, the relationships, the brand, the trust, the capabilities, the security, the cybersecurity to move money between a much broader range of counterparties than just C2B.

A lot of those capabilities are immediately and perfectly extendable to these other businesses. Not everything, and it's not 100% of what we need, but we absolutely have built out those capabilities. And so we define new flows as the movement of money between any counterparty pairing other than C2B. So P2P, B2B, G2C, G2B, all of those pairings. And we feel great about that opportunity and why we think we can do well in this space is a few things.

First of all, the opportunity is massive, massive amount of money movement between those counterparty pairings. And we don't have to like become the leading player to get the growth that we need. If we get our fair share in some of those key money movements, it's plenty. That's one. Two, the bar is low. The way that money is moved between some of these counterparties is not great. And so if we can build a better solution to some of these money movements, the bar is low. Three, we've got the capabilities. I mean take Visa Direct. Visa Direct can move money by pushing to card, pushing to account, pushing to wallets to almost 7 billion endpoints and people around the world. We connect I don't know, 60-something ACH networks. I think it's 15-plus RTP networks, multiple other payment networks, et cetera. So it's a wonderful capability.

So we've got better technology, and it's absolutely on strategy for us. This is not some horizon three adjacency that what we do. This is a very near adjacency. So that's why we think we can do well. There are some things we're going to have to do differently. Oftentimes, we're selling to different people. Oftentimes, it's different departments within the same institution, like a large FI, but building those relationships with different people and some of the different fintechs that serve them, we need to build that out.

Two, one of our strongest assets is our frontline. We have tentacles into every business in the world, making sure that those people that frontline, those account teams are fully versed and knowledgeable in these new solutions, value-add services and new flows, so that they're comfortable and confident in selling them in. That's the second thing that we need to do. And then, we need to really build out our brand and trust, which is really strong in the C2B space and that there's awareness of it in those other spaces. But extending that across, I think, is another key thing that we need to do.

So I really like our opportunity here. But again, I go back to my first two points. The opportunity is huge. And we don't need to be like the leading player in B2B around the world to get the fair share of growth that we need. There are lots of segments within that that we can capture. So having run this for a few years, I'm very, very, very bullish on this.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. And then, on value-added services, the third leg of the growth strategy of Visa, what is the role – how should investors think about the role of value-added services? Is this primarily reinforcing the core business? Is this yield expansion, meaning sort of expanding your role and your wallet share does take you into new markets?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

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Yes, yes, yes. And maybe let me steal a minute again and give you my hokey Oliver view of value-added services. This analogy, kind of like what I did in new flows, but – and this is not a perfect analogy, but, like, just

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bear with me because it helps how we think about it. We see the relationship between our core service, which is the payment credential plus the technology and the brand. That's our core service. The relation between that and value-added services, we see that as similar between the core Apple device and its App Store. Again, a bit hokey, but let me go with it for illustrative sake.

If you look at that core Apple hardware and software of the phone, it's phenomenal. It's wonderful. But what builds that indispensability of that product for me is all of the value-added service, all the applications for health and entertainment and music and mapping and whatever, that's what makes it indispensable for me and tightens that relationship with that core service. And I'm not complaining about what I'm paying for those applications. I'm delighted with them. I'm happily paying for those. And again, it builds the support of that core underlying product.

So when I look at our underlying product, that payment credential, brand and technology, the value-added service that we should offer are the best – should be the best in the world. There's no company in the world that knows more about payments than Visa, none, anywhere. We're the best-in-class in this and, therefore, the value-added services that we build or buy and put into the network should be as enhancing and as delighting as the analogy I just drew and that should, one, be a great revenue stream for us because we're providing true service that people are happy to receive and they're going to have to get from someone in today's rapidly advancing digital world. And it builds a much tighter connection to that core. So strengthens the core, expands yield for the volume on that core. And then, for several of them, they'll just be complete revenue drivers, sometimes even independent of that core for selling it into RTP.

So again, if you just think of our core strategy of core consumer new flows and VAS, and that VAS and new flows will be faster growing, hope you get a sense of my conviction on behalf of Visa. If we execute on those opportunities that are in front of us, there's enormous upside. Now, the ball is in our court to actually do what we know we can do, and that's along a large part of our growth strategy.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Well, speaking of upsides, we're now into the lightning round as we go...

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Lightning round.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

...into the final five minutes. So first, you mentioned earlier that when you're doing your long-term planning, you're prepared for the fact that certain things may work better, or not as well, or whatever, as you're anticipating. So what are one or two aspects of Visa's business that you think had the potential to surprise to the upside?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

You mentioned Visa Plus, which that one certainly has upside if played right. Again, we're in execution mode, but if played right, I think that one's definitely got upside. But I might go deeper into the bag here because you guys know our business pretty well. So I won't cite ones that you know. I'll go deeper into the bag and I'll mention another element of our new flows, which is Visa Government Solutions. Governments move enormous amounts of money from citizens to them, from them to citizens, between governments paying their supply chains,

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enormous amounts of money, and they do it remarkably inefficiently. They almost go out of their way in how efficiently they're able to do it.

And those sales cycles are long. It takes a while to really build and embed their yields with the government can often be lower, but if we can really tap into that and significant opportunity in money movement, that could surprise the upside. But again, it's going to take a bit of time in those patience there as part of that game, but I genuinely believe that all government and nongovernmental and disaster relief, I mean, all of those government and pseudo governmental agencies, huge amounts of money, not done very well today. We can absolutely help. It's marathon pace to get those through.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. On somewhat related note, you mentioned we talked about Visa Plus. That new product announcement got a lot of visibility. But Visa puts out a lot of products, a lot of innovation. So what are one or two maybe that you feel like aren't – that you've announced recently that are still early days, but do you think, say, the investor community might want to spend a little bit more time on?

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

That's a great question. Let me pick one. It's always fun to talk about great innovations that are AI-driven, risk management, whatever, paying with biometrics from your nose ring or CBDC and like some far flung, those are great. But I'm actually going to pick an example that's way closer to home to try to make the case that there's a ton of innovation still possible in the core. And I think one of the ones most exciting, I'm going to go to Japan with Sumitomo. Sumitomo introduced in the core consumer payments a flex credential with us, obviously, that I'll give them credit. It's essentially a single credential. And from that single credential that you manage in a mobile application with a great UI UX. You can pay with a debit card, credit card, loyalty, with your points. You can pay with installments off of that single credential.

And so again, just within your sort of Sumitomo banking or card app, you with one credential can move money and pay in – on any of those different ways, and you can preset by merchant category, by size of transaction, by time of month, you can move money in different ways. And it really builds a much different and tighter relationship between Sumitomo and its customers because you're providing that holistic service of money movement. And you're not saying, I have a debit card, would you like to buy a debit card? Would you like to buy a credit card? How about – you have to sign up for each of things differently. One flexible credential that can provide money movement, however you want to do it. And Sumitomo did that's called Olive, if your Japanese is good, you can watch it on YouTube, but it's a really innovative thing right in the core. Like that's a motherhood of an apple pie as anything that we do, and they're doing really well. I was with the head of the group yesterday and he gave me his numbers. I don't think I can share them or he'll get in trouble, or I'll get in trouble. But they're doing really well, and that's innovation in the core.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. As we started, you've been at Visa for 15 years, significantly longer than your boss will point out. So you've been here throughout, but reflecting on the last 15 years at Visa and now looking forward to your next 15 years at Visa, what makes you the most excited about being at Visa now, like are Visa best years behind you? Or is it still to come?

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Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

A

Yes. I mean when you'd expect me to say this, but these are the benefit of being true. I really – right, and I talked about this all the time. Never been more excited about being at Visa than now. The strategy that we have in place and the things that we're working on and the opportunities that we have and have articulated, they're ours for the taking and we can absolutely deliver on them. So the strategy is solid. I think the culture is – has changed markedly as we've gone from Joe Saunders to Charlie to Al to now Ryan and that leadership team. I think it feels fantastic from an energy level, from a curiosity, from an innovation focus, a desire to win. It just feels fantastic.

And the team is great. Like you like to go to work for a group of people that you really respect and like to work with. And Visa has got a really unique culture. And having also that nice supportive culture but the edge to innovate and win and being very clear that, that's something that matters to us, it's a great place. So I feel great about many years ahead, and I plan to be here for them. So I'm super excited.

Lisa Ellis
Analyst, MoffettNathanson LLC

Terrific. Well, thank you, Oliver. Thank you for joining us today.

Oliver Jenkyn
Group President-Global Markets, Visa, Inc.

Thanks, Lisa. Thanks, everyone.

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