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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Good morning, everyone. I'm Harshita Rawat, Senior Analyst, covering payments at Bernstein. I'm delighted to be joined today by Ryan McInerney, Visa's CEO.

Ryan, thank you so much for joining us today.

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

Thanks for having me. Great to be here.

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QUESTION AND ANSWER SECTION

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

So, let's kick off our conversation, Ryan, with the overall consumer spending environment. What are you seeing in terms of current spending trends, both domestically and cross-border?

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

A

In a word, stable. In the second quarter, we talked about payments volume growth at about 8% year-over-year, up 6% in the US, 11% outside of the US. I mean, there's some ups and downs in different places of the world. I talked about a little bit of deceleration in parts of Asia. But overall, very healthy, very stable growth.

If you look at cross-border, cross-border in the second quarter was up 16% year-over-year. If you look at cross-border travel, up 17% year-over-year. And those numbers are all relatively consistent with the last several quarters of performance. If you look at the first three weeks of May through May 21, we've seen continued stability. US payment volume, payment transactions, cross-border have all been similar to what we've seen in the second quarter and before that. So, stable growth around the world.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

And so, Ryan, more than a year ago when you became CEO of Visa, I remember that you announced a new organizational structure focused on your three growth pillars. Can you maybe talk about how that's trickling down into the organization, kind of impacting your go-to-market and also your momentum in new flows and value-added services?

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

A

So, it all started with our strategy of identifying the opportunities and the growth levers for our company and then, as you say, establishing an organizational model, starting with My Direct Reports, and then all the way down to the frontline in our countries that lined up specifically against those growth levers and against our strategy. What we've been focused on over the last year-and-a-half or so is building an operating model around all of that, performance management, compensation, metrics, scorecards, sales motions, clarity of client assignment, client segmentation, all the things that make the organizational structure turn into results. And at this point, we feel really good about where we are.

Maybe if I just bring that to life with an example. Antony Cahill works directly for me, and I announced when I took over as CEO that he would lead our value-added services businesses. Antony has a full stack management team, a CFO, a head of marketing, a head of legal, et cetera, et cetera. He's got a leader of each of his five business areas; acceptance, issuance, risk and identity, advisory, open banking. They all then have team leaders in each of our regions and groups of countries around the world.

And what this has done is it's given us the ability to have clarity of focus, clear transparent metrics up and down the organization. Antony's OKRs are visible to every employee at Visa, as are mine, by the way. If you or anybody that works at the company, you can see exactly what his goals are for the year in terms of revenue, in terms of

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A&R, in terms of product deployment, all those types of things. And the same if you were to visit one of our countries, say in Mexico or Australia or Germany, and sat with our country manager and ask them, show me your scorecard, you would see very clearly for value-added services in this example what their expectations are for the year in terms of revenue growth, A&R and all the things that go along with that.

The other thing we've been able to do is give these teams their own product resources, technology resources. They're able – they're empowered to make decisions about how to move their scrum teams around so that we can deliver a product pipeline that is very focused on meeting client needs, in this example, for our value-added services portfolios all around the world. So, clarity of focus, accountability, speed to market, sales disciplines, performance management up and down is the operating model that we've built around this new organization structure that I announced. And we feel really good about where we are and the progress that we're making.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

So, you mentioned new organization. Let's talk about new products now. So, a few weeks ago, you hosted your Annual Payments Forum where you announced a number of new products. Tell us about how you're changing the Visa card and what implications that may have and how we will pay in the future?

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

A

Yeah. So, first, let me just explain what Visa Payments Forum is. So, annually, in regions around the world, we bring together our clients and our partners to share with them our product road map, the services that we're bringing to market, the trends that we're seeing in the ecosystem. We have mainstage presentations. We have breakouts. We go super detailed on a lot of different things.

And the meeting that you're referencing that we had a few weeks ago in San Francisco was our Americas Visa Payments Forum. So, we had about 1,800, I think, clients and partners from all over the Americas there. And we used it as an opportunity to announce several new products. The first, I'll call it, suite of products that we announced is kind of Tap for Everything, we call it. So, one thing that we found in the last many years is that buyers and sellers around the world love to tap. Here in New York, they love to tap. I think on my last earnings call, I mentioned that 75% of all Visa transactions in New York City now are taps. It's kind of amazing when you think just from a couple of years ago where it was.

So, we expanded the suite of services to really allow users to do what they love, but to tap for everything. So, I can tap my Visa card to your phone to make a payment if you're selling me some services. If I owe you money from maybe a dinner that we went to together, I can make a P2P transaction by tapping my Visa card to your phone. If you want to add your Visa card to your favorite wallet or your favorite merchant, you can just tap your card to your phone as opposed to having to enter the credentials in yourself, and so on and so forth. So, Tap for Everything was a suite of services.

Another suite of services was something we call Visa Payment Passkeys. So, the idea here is to make it as easy to make a transaction on your phone as it is to open your phone with your face or open an app on your phone with your face. So, rather than having to tap really anything into your phone, whether it's your card number or your CVV or anything like that, we have embraced the open FIDO biometric standards. We've put those to work in what we call Visa Payment Passkeys, which will enable our users to basically pay for anything using a Visa card by just either scanning their face on their phone or using their thumbprint.

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We talked about how we rolled that out in Europe with Visa Click to Pay. We've had great success in Europe rolling that out; higher authorization rates, lower fraud rates, but most importantly, buyers and sellers that are just a lot happier that it's easier to make a Visa transaction using their biometrics.

Another product that we rolled out that I'm very excited about is the Visa Flex Credential. So, what we did with the Visa Flex Credential is, we kind of took a step back, we said in 2024, with all of the technology that's available today, if you were going to redesign the Visa credential today, how would you do it? And what we came up with was a single Visa credential that allows a user to pay using debit or credit or installments or rewards or any way that they want to pay, one number.

And what it does for our issuing partners is it allows them to issue one Visa credential to a user that they never have to change over time. Maybe you're a student that graduates from college, you get your first Visa credential that's a debit card. Over time, as you grow in your financial life, you can add credit, you can add installments, as you build rewards, you can add that without having to reissue or give you multiple plastics.

So, we piloted the Flex Credential in Asia. We've had some great success. The bank partner that we partnered there with had huge demand for the product, and now we're rolling that out in the US and across the Americas.

We also announced some exciting things in Pay by Bank. We're going to roll out Pay by Bank with our Tink platform here in the US. We also announced a fraud solution called Account-to-Account Protect. What that does is it takes all of our data using artificial intelligence and machine learning and our fraud protection tools and expands them to A2A transactions.

So one of the problems that our clients are having around the world is A2A transactions are growing, but there's a lot of scams. There's a lot of fraud. And so, we're able to take our data, our analytics, and our tools to help merchants and issuers reduce scams by significant amounts. We've piloted this with a couple RTP systems around the world. We've had great success, and we're rolling that out. So those are a few examples. We announced some others, maybe I'll kind of hit on those as we work our way through some of your questions.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

Very exciting. I guess, I also want to ask a little bit about AI. I know you've used machine learning for a number of years, right, in your offerings around risk and fraud. Tell us about how Visa is using AI to deliver better experiences to consumers and to reduce fraud.

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

A

Yeah. First of all, just broadly, if you think about the impact that generative AI is going to have on our ecosystem, the first thing I would say is it is a great time to be a consumer. Everything about shopping and payments and commerce is going to get easier, more curated, more personalized, and a lot of the friction is going to come out of just how we all live our lives in terms of shopping and paying for things.

As you mentioned, we've been using artificial intelligence at Visa for more than 30 years. We have architected our data in such a way that we can put it to work with all the available generative AI tools that are now on the market, as well as building our own tailored specific large language models.

The first benefit that we've seen is productivity. And you would have heard this and seen this from a lot of companies, but we're seeing real benefits inside of our company in terms of productivity. About two months ago,

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we did a hackathon across the company. And we've been doing this for years. This hackathon that we did was the biggest participation we've ever seen in the company. One in five employees participated, across the whole world by the way, obviously not just in product technology, but in HR, in risk, in finance, and in all of these different areas.

And we built a huge pipeline of ideas and opportunities that we're now working through in the company. And specifically with regards to our engineering resources, we're seeing very high prompt acceptance rates now across the whole team, north of 30%. So that's driving a lot of productivity. We give our engineers access to all the available tools, whether it's GitHub, Copilot, or GPT4, etcetera. So, big momentum on productivity.

We're seeing a lot of great ideas in terms of product design, development, and innovation. One of the things we actually announced at Visa Payments Forum that was on our product road map is something we call data tokens. So, you all use your Visa credentials for shopping. We are gathering your data when you make those purchases. And the idea behind Visa data tokens is to empower users with their own data to make a decision when they want to make that data available to sellers and empower you to make that choice. And when you do, we would power your data with generative AI to give signals to e-commerce merchants for example, so that they can tailor those experiences to you based on your preferences and shopping patterns only for the merchants that you want to enable that.

So, that's an example of a product innovation that we're bringing to market with generative AI. We announced a $100 million venture capital fund that we're using to identify companies and start-ups that we think can have a positive impact on the payments and commerce ecosystem and give them some funding and partner with them to help them kind of get going.

And I think the last thing I'd mention in this front is just putting generative AI to work in the same way that we've put predictive AI to work and machine learning to work for many years to combat fraud. So, I mentioned earlier Account-to-Account Protect. We've also been putting generative AI to work in meaningful ways across our whole suite of risk and identity services to combat fraud, to combat scams, and to ultimately help the shopping experience be better by increasing authorization rates and decreasing fraud.

So, a lot of work going on across our whole company, and we're very optimistic about the impact it's going to have for all of us as users in the payments ecosystem.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

So, Ryan, we talked about Visa's new organization. We talked about a lot of new products you're bringing to the market. It feels like the product velocity is accelerating. You're driving productivity improvements. So, let me then ask you a question around, like, how does it translate into Visa's growth opportunity?

So, I remember, at the 2020 Investor Day, Visa kind of laid out this framework provides revenue growth over the coming years should be better than the historical pre-pandemic run rates. And you have reiterated your confidence in that kind of expanded opportunity. Can you maybe talk about what's driving that greater confidence? Is it because of what you're seeing in terms of product, new flows, your traction, value-added services, your networks growing endpoints?

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

A

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I think it's all of that. Maybe let me step back and put it in context for a bit. So, as I said earlier, it goes back to the strategy and the work we have done to identify these opportunities and to go after these very large TAMs. I mean, start with consumer payments. We've spoken about the fact that that TAM remains more than $20 trillion annually around the world. About half of that or a little more than half that is cash and check. The other half of that is ACH and domestic schemes and the like. A $20 trillion TAM is an enormous opportunity.

You look at the new flows opportunity, about $200 trillion. So, a $200 trillion annual TAM that's B2B, that's P2P, that's G2C, B2C, all these additional opportunities that we're able to go after. I mentioned earlier kind of value-added services as a – how Antony has kind of built the whole operating system through the company. We've done the same thing with our commercial and money movement services business across the company led by Chris Newkirk. So, in the same way that we've built product pipeline and sales disciplines and metrics and KPIs and OKRs and sales incentive plans and the like, we've done that to go after the new flows opportunity as well.

And then, finally, value-added services. The opportunity we have with issuers and the acceptance business and risk-as-a-service, open banking, advisory. I mean, the opportunity is very, very clear. The opportunities are very large. And so, where we feel like we are in our evolution and why we have confidence that we'll be able to capture these opportunities is it's all about execution. It's about serving our clients, identifying opportunities, delivering them products and services that meet those opportunities, being in their offices, showing up, driving sales, driving execution, and delivering that day in and day out in all the markets where we do business around the world. So, we feel really good about our ability to deliver against all that.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

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Great. And Ryan, I want to kind of unpack some of the things you mentioned earlier. So, let's start with the $20 trillion of addressable opportunity in core consumer. You talked about how half of that is cash and check; the other half is kind of domestic schemes. As you reflect on this digitization opportunity and what you're seeing in the market versus where some of the perceptions are around already high card penetration, for example, in places such as the US, where do you think the biggest disconnect is between the perceptions and what you're seeing in the market?

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

A

I don't know for any one person how they view it. I think for a lot of people, they don't understand, first of all, how big the opportunity is, the $20 trillion, the more than $20 trillion itself. I think we just need to continue to educate people about the size of that opportunity and our tools, our brand, our people, our products and our ability to digitize that opportunity.

If you kind of go through the pieces, you talk about cash and check as a little more than half of that $20 trillion, if you go back to some of the things I was talking about earlier, Tap to Pay, Tap to Everything, the Flex Credential, just continuing to innovate and bring new products and services to market that make Visa the best way to pay and be paid for buyers and sellers. And that's a playbook that we've been running for a long time. We know how to run that playbook. We're confident of our ability to execute that playbook.

It's about opening up acceptance as well, acceptance in new categories that haven't traditionally been where you've been able to use your card, whether it's rent or debt repayment or things like that. It's also – it's about Pay by Bank and us bringing new capabilities to market to enter in the A2A and the RTP space. So, those are some of the reasons that we have a lot of confidence about our ability to continue to grow in that space and continue to digitize that enormous $20 trillion opportunity.

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Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

And Ryan, we have a lot of European investors in the audience And I know Europe is one area in that opportunity where there's so much cash in the region. Can you talk about Europe? I know after Visa Europe acquisition, things changed quite a lot for you in Continental Europe. Can you talk about your growth opportunities in the region? And I'm guessing it's not just from cash but also from domestic schemes, something that you alluded to earlier.

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

A

Yeah. Europe's been – it's been great for us since we closed on the Visa Europe acquisition. We closed on Visa Europe, I think, in 2016. To put it in context, since 2016, we've essentially kind of doubled a lot of the key metrics in our Europe business. We've effectively doubled PV. We've doubled the number of people that we have in Europe. We've doubled the number of acceptance points in Europe.

One of the things I'm most proud of is we've doubled our NPS scores with our clients. We have an NPS of 70 with our clients now in Europe. We've doubled that since 2016. So, it shows you that our clients who, by the way, many of which used to own Visa Europe right before 2016 have significantly increased how happy they are with our ability to serve them. So, we've made a lot of progress.

I think if you look at the continent as an example, since 2019, we've had great success across the continent. Going back to the opportunity that we talked about earlier, we've converted – I think we've grown our cards 50% since 2019. We've also said that if we look into our pipeline, we're going to convert another 40 million cards across the continent over the coming quarters and years. So, it's just – it's a lot of opportunity.

If you dive into a country like Germany, for example, Germany has historically been a very cash-centric country in terms of payments. Since 2019, we've effectively grown our Visa Debit business from something that was – we had kind of close to zero cards at that point – to more than 20 million cards that we have now across – or maybe 16 million cards that we have now in Germany. The domestic scheme, which had largely been the dominant way people had used debit, historically, we've invested in our acceptance in Germany to grow out more acceptance than the domestic scheme there. Last year, I think we grew our payments volume about 25% in our payment transactions, 33% or 34%.

So, overall, Visa Europe, a ton of progress since we bought it. If you just look at the continent as an example, we've had great progress there. Germany is kind of a case study country, great success. And by the way, it's been great success with our traditional clients. We've also had great success in Europe with fintechs. And so, most of the leading fintechs have become Visa issuers. Most of the leading players that are innovating with Visa Direct and others in Europe are our partners. So, feel really good about the progress that we've made.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

Yeah. And I guess a lot of these domestic schemes I think what people often don't appreciate is that they're also quite under-invested, and Visa obviously can bring so much more capability to the market. I want to switch gears and talk about new flows, and I'll start with Visa Direct. I know the growth continues to be quite robust here. You've been expanding kind of endpoints and I know you had some very interesting partnerships, I think JPMorgan acquiring this quarter. I know the initial kind of product market fit was with person-to-person payments.

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What new use cases are you excited about with Visa Direct? And I guess, for investors, under what timeframe should we expect to see this also coming through in revenues?

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

A

Okay. So, first of all, just maybe backing up, I think Visa Direct is a great example of how innovation happens at Visa. It started with a pretty simple idea that one of our scrum teams had, which is for many decades at Visa, when you use your Visa card to buy a coffee or something like that, we pulled money from your account and we gave it to the merchant. And that's what Visa did for many decades. And this team came up with the idea of why don't we just reverse the flow of the transaction and create a push transaction, and if we did that, what could happen?

And we didn't imagine all the use cases that we now have, this team didn't when they came up with this idea. It was just – it was a product idea that we then invested in and then we built out, we expanded so that you can push money to any Visa debit card or any Visa credential over time, then we added other payment cards, other accounts, other networks. And now, we have this money movement network with 8.5 billion endpoints around the world. We run transactions over card networks, domestic schemes, RTP networks, ACH networks, payment gateways, where we're able to reach all of these endpoints around the world. And we've invested in that network and grown it over many years.

And what's happened is we've been able to proliferate use cases all around the world. I think we have 65-or-so use cases that are now live on the platform. As you said, the initial use case, I think, where we had the most traction has been person-to-person. Two of the use cases I'm most excited about: one would be, I'd say, remittances. So, cross-border remittances, for a number of different reasons. One is, I think it's a terribly underserved market. It's a very big TAM. It's a great use case for our platform and our network. And we have a lot of partners that are interested in using Visa Direct to enhance their business and enhance their user experience.

I think you had Devin McGranahan on stage yesterday from Western Union. Western Union is a great example. We announced a partnership with Western Union recently. We're bringing Visa Direct into their ecosystem so that they can move money from the US to other countries and from other countries to the US in a safer, more reliable, cheaper way. We're also partnering with them, I think, in 40 countries not only to move money but to issue credentials to their users, so that the end user experience when they receive money on a Western Union transaction, they don't have to go pick up the cash, they could just use a Visa credential to go pay for things at the point of sale and those types of things. So I think that's a good case study example of one of the use cases I'm very excited about.

Another use case I'm excited about is Visa Direct is increasingly becoming kind of the payroll platform for the digital economy. So, what are some examples of that? If you're a gig worker, you're increasingly getting paid kind of at the end of the day by having money pushed to your Visa card. If you're a worker at a company that offers earned wage access, you have the same experience, the ability to get paid daily or every few days as opposed to every couple weeks and have that money pushed to your Visa card.

We've partnered with some fintechs that are actually enabling waitresses and waiters to get their tips sent to their Visa card at the end of the day, so they don't have to deal with cash or waiting to get a paycheck two weeks from now. So, it's exciting to see this use case proliferate, where I think this platform is becoming kind of the next-gen payroll platform for the digital economy.

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All of that is creating incremental transactions, all of that is creating incremental revenue, and all of that is fueling kind of this platform that I talked earlier that – where we've got 8.5 billion endpoints around the world. So, we're very excited about continuing to build out that in many different use cases.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

And so, Ryan, I also wanted to zoom out now and maybe talk about the $200 trillion of opportunity in new flows, of which Visa Direct is a subset. This opportunity, as we were talking about earlier, has always been big, but historically was kind of harder to address, maybe I think, because 10 years ago, maybe there was not as much focus on this versus now. What gives you the confidence that these new flows are indeed addressable by Visa and also at a good profitability level?

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

A

Yeah. We'll start – as we were talking about earlier, it's an enormous TAM, $200 trillion. And we try to be very pragmatic about it and be very focused on where we can actually have impact in the short term, the medium term, and the long term. First, kind of break it into maybe two pieces. About three-quarters of it, $145 trillion by our math, is in the B2B space. The rest of it, the other quarter, is in B2C, G2C, P2P, the stuff we talked about with Visa Direct where we're addressing that.

In the B2B space, we've gone through and we've cataloged the opportunities and we've broken them into short-term, medium-term, and long-term focus. And in the medium term, we're looking at – I'll come back to short term. In the medium term, we're building a network and product to serve large-ticket B2B, especially cross-border. Some of you have heard us talk about our B2B Connect network that we're building there, and we view that as a great medium-term opportunity.

The longer-term opportunity is in AP and AR. We're building out partnerships and services that we believe over time can allow us to have an impact there and create value there. But in the market today, to your point around having real measurable impact quarter-over-quarter and year-over-year, we're very focused on the card opportunity.

We just think there's tremendous opportunity by putting cards to work for corporates and small businesses, whether they be physical or digital or virtual, creating tailored experiences and use cases for specific verticals, whether that's agricultural, construction or – we have mapped out kind of our vertical focus kind of region-by-region around the world and wrapping services around those that meet the needs of our end users, whether that's expense management platforms that we've brought to market.

A lot of our clients have told us that they're looking for digital experiences, but also with control. So, if I'm an employee, I want to be able to give my – I'm sorry – if I'm an employer, I want to be able to give my employee a digital Visa credential, I want to put in place some controls, both geographically and maybe by merchant segment where they can spend that. So, we've rolled out a platform that enables our partners to do that. We've gotten very clear feedback from different user segments that they want more flexibility in interchange to allow suppliers and buyers to meet at their own terms if our rack rate interchange doesn't work for them. And so, we've rolled out a program called Visa Commercial Choice that enables that flexibility for buyers and suppliers to meet.

So, it's just – again, it's about understanding the segments, the needs, building products and services that meet those needs. And I think being pragmatic about where we can have impact in the short term and drive results, but

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then continuing to build out networks and products and innovation with a focus on Horizon 2 and Horizon 3 so that we're hydrating those opportunities as well.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

So, Ryan, I want to go back to another one of your growth pillars now, value-added services, which I think the last you disclosed, 20% of your revenue growing high-teens, almost 2x the rate of your core business. You've talked about the five types of services you offer. And I believe a little while ago you talked about how your top 250 clients use 22 services on an average versus 11 for the rest of your client base. I guess my question to you is, what will it take to get this penetration rates higher? And also, as you think about pricing of these services, to what extent this is like a bundled pricing along with the core versus, like, kind of a separately priced services that you're able to monetize directly?

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

A

Yeah. So, it's about execution. It's about client service. It's about bringing great products and services to market to meet client needs. It's about pricing to value and pricing to market so that we can be competitive. It's about all those things. And so, as I was saying earlier here, we have no lack of clarity on the opportunity. So, we've defined the opportunity, we've defined the strategies and we're very focused on execution. Maybe I'll bring a couple of those to light in the five different areas that we're focused on.

So, in the issuer space, we believe, first of all, we have a great right to win. We have very strong relationships with issuers all around the world. They've trusted us. They know us. By the way, in the B2B sales world, it helps when you've already got master agreements with large companies that buy things. So, we already have a strong foot in the door. And we're bringing great product to market. In the US, we've had DPS for many years, which is the leading debit issuer processing platform. We bought Pismo recently, and we're now bringing Pismo to the rest of the world. Pismo is the leading issuer processing and core banking platform in the world.

We had had conversations with clients for many years where they were saying we need help on our journey to cloud-native platforms, we need help on our journey for issuer processing platforms that can help us expand into emerging markets. And we're now bringing Pismo to the world and having some very good early success doing that. So, that's an example in the issuer space.

In the acceptance space, we've had our Cybersource platform scaled globally, the leading e-commerce gateway around the world in many places for many years, and we've done two things with that. One is we've expanded that to be a true omnichannel platform, serving our partners both in the card-present as well as the card-not-present space.

Also, unbundling the services in Cybersource so that if we can sell you the full stack platform, we want to do that, we've had great success doing that in many places around the world, but if you want to buy à la carte, for example, our decision manager, risk management tools, we've unbundled those from our Cybersource platform and we're delivering those to acquirers and merchants around the world. So, we're having great success in the acceptance space.

I talked earlier about some of the new products and services that we've been rolling out in the risk and identity space, putting our data and generative AI to work to help reduce fraud. Another example in that space might be kind of our premier fraud reduction platform is called VAA, Visa Advanced Authorization. For more than a decade, that has been the best way to identify and reduce fraud for Visa transactions. What we heard from our clients is

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that they would love the same power of VAA in terms of risk mitigation and fraud identification on all of their transactions, even if those are on other networks.

And so, again, in the spirit of serving our clients, growing our value-added services business and deepening the relationships we have with them, we did exactly that. So, we've now been able to take VAA and deliver that to our partners so that they can have one integration and one score to not only identify and reduce fraud on Visa transactions, but on any card transactions that they might have in their business. And as I mentioned earlier, we've also extended it to account-to-account transactions.

Our advisory business has been a tremendous success. You asked about AI earlier. Another example is we've rolled out our AI practice in our advisory business working with acquirers and issuers around the world, helping them navigate both the opportunities and challenges in the world we have with AI. And then, in open banking, I mentioned coming to the US, but maybe just to go to Europe. Since we've bought Tink a couple of years ago, we've had great success in Europe, both in terms of account-to-account transactions, but as well as more robust data services that empower users, whether they be consumers or small businesses, to put their data to work to help improve their financial lives.

So, we're excited about it because the opportunities are clear. They're very, very big. We like our ability to compete and to win. We feel good about the execution that we're delivering in markets around the world. And that's how we believe we'll compete and win.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

And can you expand upon open banking? I know you acquired Tink almost two years ago and you talked about kind of expanding into the US. Why is open banking important for Visa?

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

A

Yeah. So, if I back up and put that in context for a second, we have been and always will be focused on building out products and innovations to ensure that Visa is the best way to pay and be paid anywhere in the world for everyone. As part of that mission, our clients and partners have told us that in the US, for example, they are looking for Visa-grade, Visa-branded open banking and account-to-account solutions.

And so, in service of that mission that I mentioned a moment ago, we brought Tink to the US and we're working with our partners here to deliver what they've asked us for: reliability, scale, performance, a brand that people know and trust when they're making payments. We'll be building that out with our partners here. We announced a few partners recently. But, back to my earlier point, we have strong relationships with all of the players in the US ecosystem and we'll be working to put Tink as a platform to work for them to help them deliver robust account-to-account solutions to their end users.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

So, Ryan, I want to switch gears and maybe talk about some of the perceived risk to Visa from investors. As I'm thinking about kind of growth of account-to-account payments, big tech regulation, and I want to unpack account-to-account in particular, which I know gets a lot of investor attention. Now, one can kind of argue that you have this proliferation of real-time payments globally and now you've had some examples in India and Brazil that it can kind of present a kind of a disintermediation risk to card payments, but at the same time, you talked about things

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like Visa Protect for account-to-account, and you're also partnering with some of these solutions. So, can you maybe talk about how you at Visa see account-to-account payments?

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

A

Yeah. We see it as an opportunity. And if we go back to what I was saying a moment ago, we are maniacally focused on making Visa the best way to pay and be paid for everyone everywhere, and we will never give up on that journey. But that's a journey, not a destination, all around the world. And in many parts of the world, there are other ways to pay and be paid that are proliferating, and buyers and sellers, for whatever set of reasons, have different preferences.

And so, we want to be involved in any transaction. That is our goal. We want to make as many of them Visa transactions as possible. But there's certainly use cases that have been flourishing around the world for account-to-account transactions. And we want to, in service of our clients and in service of end users, put our products and services and data to work to make those transactions safer, more reliable, more secure, and also be great experiences.

If we just back up a little bit to your point around what we've seen in India and other parts of the world, we think and I think that the proliferation of real-time payment systems around the world is a very good thing. We as Americans should have access to real-time payments. Whether you live in Canada or the US or Mexico or Argentina, the modernization of the payments ecosystem, the delivery of real-time payments is a very good thing. I think what's happened in India is nothing short of remarkable with the rollout of UPI. What UPI has done is it has brought hundreds of millions of Indians into the formal financial system, I think 5, maybe 10 years faster than otherwise would have happened.

That creates an opportunity for us. It creates an opportunity for us to work with our bank partners, our fintech partners in India to help migrate up the financial ladder many of those users. Today, in most parts of the world, an account-to-account transaction is a relatively simple transaction. It's instant. It's permanent. It's irrevocable. And it's been adopted in India and other places for many relatively simple use cases.

Now that we've brought many of these users into the formal financial system, we can work with our partners to give them Visa debit cards, over time give them access to credit with Visa credit cards, and help them migrate up the financial ladder. So, those are some of the ways. Also, if you go back to what we were talking about earlier with kind of Visa Direct and our expanding network of networks, we currently do and will continue to plan to put account-to-account networks, RTP networks to work in service of our clients, especially in B2B or B2C or G2C in those use cases. So, there's been a lot happening in this space around the world. We've been leaning into it. We view it as an opportunity, and we'll continue to lean into it.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

Yeah. And it's fascinating, I know last time I checked in India and Brazil, card volumes are growing double-digits because of this kind of rising tide of digitization happening.

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

A

Yeah. You're getting around the world. You're getting more buyers and more sellers exposed to the benefits of digitization. And so, we just have to lean into that and work with our partners to then introduce them to Visa

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products and all the benefits that come with that, a much more sophisticated product suite above and beyond the more simple account-to-account transaction.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

So, Ryan, I also wanted to ask about big tech. I know some of these companies are very large merchants for you, but they're also kind of very interesting in the sense that they have very deeply engaged user bases, they have control of some critical payments elements; I'm thinking NFC chips, big pockets, and also a desire to be more successful in payments just more broadly. I know big tech and fintech has been a close partner for you for a while, but how should we think about the opportunity and risk for Visa in this context?

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

A

Yeah. Here too why I think big tech and fintech remain a very big opportunity. If you go back 10 years ago, I think the narrative that was emerging, as you started to see big tech enter into the financial services and commerce and payments space and you started to see fintech really start to rise up, the narrative was that a lot of these companies were going to disintermediate Visa. We made a very important strategic decision at that point in time.

We said, first of all, we're going to open up our network. We're going to allow users to consume our services via APIs. We're going to open up our network to anyone that wants to build on our platform. We said, we are going to lean in to these emerging fintechs and to these large tech players as clients and partners, and we're going to show up and cover them, just like we have our traditional issuers and traditional acquirers. We're going to get in their offices, we're going to understand their strategies, what they're trying to achieve for their users, and then we're going to come back and do what we do well, which is bring them ideas, products, services, and put our network to work in service of them. So, that was kind of the narrative 10 years ago and the decision that we made 10 years ago.

If you now fast forward to today, that's been a great opportunity for our network. If you talk to most fintechs and most large tech players and ask them who their most important partner is in commerce and in payments and in financial services, I believe that many, if not most, would say Visa. And we've been able to help them achieve their objectives for their user base, whatever their end objectives are, and it's different whether you're a BNPL player or you're serving the merchant side of the ecosystem or you're a large tech platform.

So, we feel good about kind of our ability to serve those partners and help them grow their business. We feel good about the impact that they've had kind of on the entire ecosystem, and we're very bullish about the continued opportunity to work with them to digitize payments for buyers and sellers around the world.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

And so, Ryan, I want to switch gears and talk about regulation a little bit, very topical, a lot going on in the US on the regulatory front. How is Visa positioned with respect to the changes happening in the US?

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

A

I think regulators appropriately in the US and around the world have a very clear focus on payments. Payments is a very important part of all the economies in which we do business. And I think regulators appropriately are very

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focused on safety, soundness, security, reliability, and we of course are important part of that. We also made a decision many years ago to clearly line up to serve our regulators just like we do clients.

So, in every country around the world, we have a team of people that are showing up at all of our key regulators, making sure they understand what's going on with payment trends, our product road map, the investments that we're making, the data that we're seeing, the benefits of our network, where things are going so that we can do our part to educate them when they're making important policy decisions and important regulatory decisions. And I think you've seen that play out in many parts of the world where I think regulators have made decisions that have helped accelerated the digital payments ecosystem, and we're very proud to be a part of that and helping them do that in every way that we can.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

Q

Fantastic. Ryan, we're running out of time. So, my last question for you is, what are the top two risks as it relates to Visa that keep you up at night?

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

A

Listen, I think one of them is what we just talked about is regulation. We need to continue to do everything that I just mentioned, but at the same time, as I said, regulators appropriately have taken a very keen interest in the safety, reliability and security of the payments ecosystem. And we need to continue to invest in that and work with them and manage that, but it presents risk to us.

The second risk, I would say, is ourselves. As I've done my best to outline today, the opportunities are very clear, we have done our work to identify the market needs, the segments that need service, deliver a product and innovation pipeline to serve those needs. We've built an operating system and an organizational construct in our business to help accelerate speed to market and deliver against those opportunities, and we need to execute.

I feel very good about our track record so far. We need to continue day in and day out in 200 countries and territories around the world to deliver for our clients, deliver for our teams, and deliver for our investors those opportunities, those TAMs that we talked about and continue to grow this business. I feel really good about our ability to do that. But, of course, we – that's an every day, every month, every quarter, every year obsession that we have and we have to deliver.

Harshita Rawat
Analyst, Sanford C. Bernstein & Co. LLC

That's a great note to conclude a conversation on. Thank you so much, Ryan.

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

Great. Thanks for all the great questions.

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