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Visa, Inc. (V)

Bank of America Electronic Payments Symposium

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CORPORATE PARTICIPANTS

Lisa Ellis
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MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Jason Kupferberg
Analyst, BofA Securities, Inc.

I'm Jason Kupferberg. I'm the payments processors and IT services analyst here at Bank of America. And we're really excited to have you all here for our 16th Annual Electronic Payments Symposium. This is one of the longest running Wall Street payments conferences. We're thrilled to have it back in person this year. We've got a jam-packed agenda today for you. So you're going to hear from public companies which have aggregate market cap of over $1.5 trillion. A session with a senior executive from Bank of America's internal payments organization. We're going to have a panel discussion with a couple of payments professionals from merchant organizations who will present their own perspective on the market, which is always enlightening.

The morning part of the agenda has five sessions. Then we will have a 40-minute break. That will just be for lunch in the back there. Informal networking in the space. After lunch, we will have four more sessions in the afternoon. Plan to wrap up right around 4:15 today.

So let's just talk about the state of play in payments here for a minute. Just a few months or so ago, it did seem like sentiment around the payment space was finally starting to turn for the better, was broadening out among a wider number of stocks. Fast forward to today, though, and we've just come out of an unexpectedly tumultuous earnings season for the payment space. And that was quickly followed by fresh concerns around consumer spending, as macro volatility around tariffs and inflation flared up.

So there continues to be plenty of industry and company specific controversy in the sector. The symposium today is to drive new insights into key industry dynamics that can help you all with alpha generating investment decisions.

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So with that as a backdrop, we're going to dive right in. And I'm happy to welcome Lisa Ellis from Visa. Thank you for being here, Lisa.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

Sure, no, thanks.

QUESTION AND ANSWER SECTION

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

We appreciate it. So for those of you who might be a little bit less familiar, Lisa has been at Visa for a little over a year now. She's the Global Head of Strategy. And prior to that, she was a sell-side analyst covering the payment space for about 10 years. She was a partner at McKinsey. So not sure how it feels to sit in that seat instead of this seat. But we're happy to have you here. And you've got some really interesting perspective. You've now looked at Visa through multiple lenses over a long period of time. How has your view of Visa evolved?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah. It's a good question and it is not quite sure yet if it's harder to sit in this seat or sit in that seat. But yeah, as you said, I joined Visa now, yeah, a little over a year ago to run global strategy, covered Visa as a Wall Street analyst for a decade prior to that and was a partner of McKinsey prior to that.

So I've looked at Visa through a number of lenses over the years. Couple of things and this also speaks to sort of why I made the decision to join Visa. One, and it's hard to appreciate this, I think until you're inside of Visa is just the extraordinary scale of Visa and the power that that brings in an industry where there's tremendous network effects and tremendous benefits from scale and reach.

You all know the numbers, but I'll repeat them again, right. Over $16 trillion in payment volume (sic) [Nearly $16 trillion in total volume] in 2024, over 300 billion total transactions. Visa operates across (sic) [more than] 200 countries and territories. And with that comes an unbelievable amount of data that we can then use to both drive better fraud protection, et cetera, better authorization rates in the payment space, but also leverage that data in a number of different ways.

And I think and we'll talk about this, I think a bit more, but the power that that scale brings when it comes to enabling our clients across the ecosystem, whether those are banks or fintechs, big tech, et cetera is really unparalleled and a major differentiator of Visa. And then just more on the softer side, I guess I'd say the culture, again, is something it's hard to appreciate from the outside. But I found joining Visa that the culture was even better than I anticipated. It's extraordinary, extraordinarily like high performance, but at the same time, very collaborative, very innovative, very flexible, like really does feel like the tech side of a fintech company.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Excellent. So maybe just talk to us a little bit about your day-to-day, your purview, your responsibilities, because I know Visa's got a pretty robust strategy organization.

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Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah, sure. So I run global strategy for Visa. So that means that I have a number of sub teams that sit underneath me globally, one in each region. So I have teams in each of our major regions around the world and also a corporate team that handles a lot of strategic topics on a longer term time horizon. So think 5 to 10 years plus.

The reason or the impetus for me joining Visa, I was part of Ryan McInerney's transition to CEO as he was sort of restructuring his leadership team, wanted to bring in a new head of strategy with a specific purpose to refresh the long-term strategy of Visa. That's a natural thing for new CEOs to do, but also something we at Visa had not done since prior to the pandemic. And you all had the benefit of seeing the first sort of external glimpses of that at Investor Day just a few weeks ago.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah, well, that's a good segue way because I think the timing of this chat is appropriate considering that you did just have the Investor Day and it was chock-full of presentations. If some of you haven't had a chance to hear it or see it, I would recommend having a listen. What are – I mean, there were a lot of strategic messages shared that day, but what would you say or maybe the two or three that were most critical that you really want to make sure the investment community internalizes.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah. I'll hit three. So one, just a reminder that Visa is truly one of the best businesses in the world. We're the number one payments brand, we're the number seven global brand, period. And in a industry that centers around trust and security, brand really matters. We have extraordinary scale, as I just highlighted earlier. And those things come together to deliver very strong, consistent, sustained financial results as we've demonstrated over a lengthy period of time.

Our strategy at Visa is centered around four major strategic objectives, as we discussed at Investor Day. One is to continue to strengthen and extend our position in card-based consumer payments. This is the core of Visa, and we still see tremendous growth runway around the world in card-based consumer payments.

Two is to expand and extend our reach also into segments of consumer payments currently served by non-card means. There's tremendous opportunity from areas like ACH-based payments, but also some of the more like newer technologies like RTP or A2A payments where we see tremendous opportunity. Third is centered around expanding our business into commercial payments and global money movement. And fourth and finally is to deepen our relationships with our clients by delivering them differentiated value-added services. So really, a four part strategy that we discussed at length at Investor Day.

And then the last thing I'll just highlight, which we also introduced, was really this concept and the way we recommend thinking about Visa as a technology business is really this concept around the Visa payments stack. We have over the last decade or so kind of been restructuring the technology of Visa around the Visa payments stack with our network assets at the base, a platform layer in the middle where we expose our capabilities to the developer ecosystem, and then starting to build sets of as-a-Service style services on top of that.

We referred to the whole thing as the Visa payments stack and the concept behind it as really Visa-as-a-Service. It's something we've been building toward over the last decade or so, but it's really starting to come to life with a

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lot of the – some of the new as-a-Service services that we've been starting to bring out to clients. This is things like Risk-as-a-Service, Disputes-as-a-Service, A2A Protect-as-a-Service, et cetera.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

So I actually wanted to go a little bit deeper into Visa-as-a-Service. That seemed like an interesting concept to me, and it does make sense. Maybe just talk about how you're rolling that out, I guess, both to issuers and to merchants. And how do you ultimately see that augmenting Visa's top line growth?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah. It's a good question. And it's useful to sort of like roll back a little bit in the history of how this has come to be over the last decade. So, back about a little over 10 years ago, so think of this as the sort of era when Charlie Scharf came in as CEO. One of the things, major strategic shifts he made was to say – this was just as the sort of fintech ecosystem was evolving. And we were sort of seeing the explosion of a developer-oriented community of companies, startup companies, big tech, everything. And so he really made a strategic decision to open up Visa's network via an API layer to make it readily accessible on a self-directed basis by the developer community.

This was a big strategic shift. Up until then, because of the security required around Visa's network, right, we had a much more closed environment and did essentially custom integrations with all of our clients, and – but with modern technology, we could open that up and maintain the security of it.

It's hard to overstate how transformational that has been for our business and something I think is underappreciated. I certainly didn't fully appreciate it until joining Visa. We now have hundreds and hundreds and hundreds of companies around the world, whether that ranges from big tech to fintechs, banks now as they've built out their digital capabilities, crypto companies, you name it, that can directly access the capabilities of Visa via hundreds and hundreds of APIs. The implication of that is that why would they ever do anything else, right.

So we start to see the show up in partnerships like our recently announced partnership with X, for example, where it would have been hard to believe 10, 15, 20 years ago, right, where that the company like X would have opted to partner with Visa rather than building payment capabilities internally. But now, it doesn't make sense for them to do otherwise because through readily accessible APIs, they can get turnkey access to our global scale, 11 billion endpoints, 4.5 (sic) [4.7 billion] payment credentials, all of the payment capabilities that they can just pop right in to whatever offering they're building.

So that's – I always want to pause on that, because I think that power, the stickiness, and the reach and the resilience of the Visa business that comes from this ecosystem of hundreds upon hundreds of innovative partners that are building their own capabilities on top of it is often underappreciated. Then roll the clock forward five years later, we launched the network of networks strategy, which again leveraging technology allows us to extend the capabilities of Visa not only to VisaNet, but also integrate with dozens and dozens of other networks. Whether those are other ACH networks, RTP, et cetera, we're now connected through to more than 100 different types of networks or wallets around the world, dramatically expanding the reach of our network. And that allows us then to take our capabilities and extend them beyond just the VisaNet set of endpoints to a much broader set of endpoints. We terminate right into 11 billion endpoints around the world. That's Visa Credentials, 4.5 (sic) [4.7 billion] Visa Credentials, but billions of other endpoints, whether those are accounts of different flavors.

Now that's sort of step two, then you think about, okay, now you've got this extended layer on the base that's got the VisaNet and network of networks, you've got a middle layer of the Visa payments stack that's a developer-

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oriented layer with hundreds of APIs, but once you've got API capability, what does that allow you to do? That allows you to build services, our own services as well, not just our clients innovating on our stack, but our own business can now expose and build out what we refer to as Visa-as-a-Service, which has unbundled or componentized services, on a standalone basis, that we can then sell into our client base as often as value-added services.

So this is – some of the most notable ones we've launched recently are things like our Risk-as-a-Service capabilities or disputes is another great example. We have fantastic internal disputes capabilities and we can now componentize that and sell disputes on a network agnostic basis through to our clients. A2A Protect and some of our A2A services are other good examples of doing this. And you can imagine we're just beginning to scratch the surface.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

No, it's interesting. I mean, I think, people always appreciate, Visa's scale and brand, like you said. But then sometimes people forget about the innovation piece, right. And clearly, you guys have been very busy at that. And it came across very clearly at the Investor Day. And so now I wanted to do is kind of think about, the pieces of Visa's business. You got consumer payments, you've got the new flows, you've got the value-added services. And I actually wanted to start with value-added services. I mean, the new disclosure you guys gave are extremely helpful, I think, for the Street. And so if we think about the VAS business today, it's almost a quarter of your total revenue and we got some interesting breakdowns on that, right, 40% from issuing, 28% from the acceptance side, 17% risk and security, 15% from advisory and other. So you've got some nice diversification within the services business.

So I guess where you think about it just strategically, what is Visa's value proposition kind of in those different subsegments of VAS and at the end of the day, why does Visa win when it comes to VAS?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah. So you're right. We are extremely excited about our value-added services business. As you highlighted, it's nearly a quarter of our revenues as of 2024 and has grown consistently at a clip of over 20% per year. So in 2024, what that translates into is nearly $9 billion of our revenue now in value-added services. So it's something we've been at for a long time. We win. Just to highlight a couple of ways in which we win in this business.

Well, one, of course, through our technology, because as I was just describing, a lot of our value-added services are directly using the technologies that we built, as part of VisaNet and are now componentizing those and selling them as standalone services to our clients, as highly differentiated capabilities in areas in particular, like in our risk and fraud and advanced authorization type of services areas where Visa is an undisputed leader, one.

The second thing I'd highlight is our relationships, right. A lot of the focus of our value-added services business is to deepen and extend the value that we add to our 14,500 clients. They ask us for help on different things all the time, and with our increasing portfolio of value-added services, we can bring a richer and richer set of services to really deepen and reinforce those relationships.

We bring a very steady stream of new products as we've now architected our platform. As I've described, it's increased the agility and the speed at which we can release new products. We brought 30 to market just last year. Of course, our data access and AI is a major differentiator, particularly, as we look around the world where issuers really struggle with security, fraud, protection, et cetera.

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And then lastly, and I think one that kind of started to really come out at Investor Day in an area that I did not have as strong of an appreciation for when I joined Visa – until I joined Visa is around the power of our sponsorship assets. You're all familiar with our sponsorship assets, the Olympics, the FIFA World Cup, more recently Formula One, the NFL, et cetera. Of course, these are important reinforcers and strengtheners of our brand, but they also drive very direct value for our clients, because around the world, many of our clients do not have the scale to bring differentiated rewards to their higher end clients themselves.

And we are able to do that by leveraging our sponsorship assets in very differentiated and unique ways around the world. And so, as I think was a disclosure that I know from some of the commentary and discussions that day was sort of a new thing within the issuer part of that portfolio, which, as Jason highlighted, is the largest piece of our value-added services. One of the big parts of that actually is all of our marketing and benefits related services that we provide to our clients around the world.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

How should we think about the margin profile of the different VAS subsegments?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah, it's a good question. We get that question a lot. Across the VAS portfolio, one, most of the pieces of the value-added services portfolio have economics very similar to the rest of our business, their network-linked services, I think we disclosed at Investor Day that about two thirds of our VAS revenues – of our VAS portfolio is transaction (sic) [Visa] linked, just like the core business and so has the same benefits of scale and the similar comparable unit economics to the base.

Now some – we do acquire companies, so if they're earlier stage in their development right, they may not have those – that margin profile initially, but structurally their margin profile is comparable. The one piece of the value-added services business that is – does have structurally different margins is within the fourth one that you highlighted, the smallest piece, which is our advisory and other business, which is about 15% of VAS.

And that business, a portion of it, not all of it, because it includes many other things like some of our data services and managed services, et cetera. But there is a piece of it that is our advisory business, which is more labor-based advisory, which does structurally have lower margins. But we love that business. That business is it has a very significant flywheel effect on the rest of our business, because these are teams that go in and work with our issuers to drive things like better authorization rates, higher card usage, develop better programs, deploy our advanced technologies. There's a tremendous flywheel effect. And as you've seen from our results, as I highlighted, our VAS business has grown at a 20% clip over the last three years. It's now almost $9 billion of revenue. And you've seen no deterioration in our company wide margins. So we are very comfortable with our ability to continue to build and grow that business without affecting our margins.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right. Right. Advisory can be kind of tip of the spear, I would imagine, in many cases. So what about the one third of VAS that's not linked to transactions? How do you price those services?

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Lisa Ellis
Global Head of Strategy, Visa, Inc.
A

Yeah, it's a good question. There are a variety of different ways. Some of them, it just depends on the service. There's, I wouldn't say, one model. Some of them are more SaaS-oriented businesses, so they're priced on what you think of as a SaaS model. So sort of a per month or per user basis. And then some, as I was highlighting, are models that are – if they're more in our like benefits portfolio, right. They might be more on like a per card fee type of models or we may have some that are more project based in nature.

Jason Kupferberg
Analyst, BofA Securities, Inc.
Q

Right.

Lisa Ellis
Global Head of Strategy, Visa, Inc.
A

So there's no – I wouldn't say there's...

Jason Kupferberg
Analyst, BofA Securities, Inc.
Q

...materials kind of...

Lisa Ellis
Global Head of Strategy, Visa, Inc.
A

...prevailing thing. Yeah.

Jason Kupferberg
Analyst, BofA Securities, Inc.
Q

Yeah. So it's kind of a mix. Okay. Okay. We've been hearing maybe over the last year or so a little bit more about value-added services being offered as part of client incentives, which are important tool for Visa. And I think you refer to that as value in kind. So is that become a materially bigger trend? And if so, what's driven that, do you expect it to continue?

Lisa Ellis
Global Head of Strategy, Visa, Inc.
A

Yeah, it's a good question. Yeah. So definitely that's true. Some of our clients ask in deals or like prefer to have a portion. They're essentially pre-buying value-add services that's the way to think about it as part of their overall deal structure. That's been around for a long time. I think it's kind of come to the – some attention at the investor community recently, but has been around for many years and it remains a small portion of our overall incentives.

It's some clients like to do a portion of their incentives that way, some don't. But we like that, I mean, that's a model we are very comfortable with because in many cases our clients are specifically earmarking those – that portion of their incentives to deploy some new advanced technologies or to run a specific program that they want to run, right. And so meaning to drive that flywheel that I was describing. And so they essentially are like kind of preplanning for that in the context of a deal renewal, which then just sort of sets the stage for our value-added services team to go in and help the client, perhaps with a technology transition or with running a new program. It's like very – has a strong flywheel effect benefit on the business. So we're very comfortable with it. But as I mentioned, it's a small portion of our overall incentives.

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Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. Understood. Understood. Let's move over to commercial and money movement, as you guys now call it CMS, and here too, we had some new disclosure and we appreciated that. So unit economics, commercial business with revenue yields of 17 basis points to 19 basis points, right, per transaction. Are there opportunities to potentially increase that over time? And I think at the overall Visa level, you're more in the high-20s.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

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So certainly, we're always looking for pricing to value, but I would just highlight the reason for that is two major drivers. One is simply that our transaction sizes in CMS are significantly higher, like 3 times higher on average than our consumer business. And so just when you're looking at it on a basis point's basis, it's just sort of math that the resultant yields are going to be lower. And then also just from a comparison perspective, if you're comparing it to all of Visa, that includes our value-added services business, whereas the disclosure on CMS did not include the value-added services associated with CMS, and so it's not exactly apples-to-apples either. And so we're very happy with the yields in the CMS business like given those two factors.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. So I wanted to hit on Visa Direct. Obviously, that's an important part of CMS. I mean, the transactions there have been growing at north of 40% CAGR, I think, and that's not off an insignificant base either. You disclosed that you are $0.09 to $0.10 per transaction from the Investor Day. And if we think about just strategically within Visa Direct, we heard a bit about increasing penetration of cross-border transactions, which I would assume have some nice rich yield. So, can you talk about some of those initiatives that are driving increased cross-border usage of Visa Direct? And I don't know if you're able to give us a sense of what percent of Visa Direct's total transactions are currently cross-border.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

So, yeah, a couple of highlights. One, Visa Direct, while still a smaller portion of our business, is one of the pieces we are unbelievably excited about the potential for this business. We are just barely scratching the surface of the available opportunity in Visa Direct. And as you highlighted, it has grown now at a – we've been growing transactions in that business at a 40% CAGR at very healthy yields, $0.09 to $0.10 per tran.

The Visa Direct, let me – so in cross-border as you highlighted is one of the areas where we see tremendous opportunity. The reason for that is because Visa Direct now – think of Visa Direct, right, as a major infrastructure build, and in payments that takes time, years and years. But we've been at it now for a long time. And we now have, by far on a number of measures, the largest money movement platform globally. That's true on a volume basis, number of endpoints, number of transactions.

There's still tremendous opportunity and work we need to do to keep building out that platform. But we are now at this scale where we've got by far the biggest money movement platform globally, which then opens up the opportunity to really, really start to penetrate cross-border flows. So one immediate area where we've already gotten a fair amount of traction is in P2P, right.

A major use case for Visa Direct is domestic P2P transactions. And we now work with many of the major remitters globally to help them bring global scale to their businesses, and we're starting to see significant growth. Our P2P

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cross-border transactions were up 80% year-on-year in the last fiscal year. So that gives you a sense for once you've got domestic P2P going across multiple geographies and then you can start to connect those corridors together, you can start to see just tremendous growth in cross-border. Overall, cross-border transactions in Visa Direct were up 50% year-on-year above the clip of the overall Visa Direct business, which was up 40% year-to-year. So we are seeing now some of that benefit of scale really come through in our ability to connect corridors around the world and build out those cross-border flows.

The other area I would highlight – another use case, we talk about P2P a lot because it's a major use case and there's still a lot of tremendous opportunity there, but also another big one is disbursements. So think corporations who are disbursing funds either to their employees or if you're an insurance company, out to in – your insured population.

Other forms of sort of disbursements like that, oftentimes that's a cross-border transaction and we see a lot of growth in that use case. And then the last one I'd highlight is actually on the high end, which is our B2B Connect business, which is a very unique asset. This is aimed at large dollar value, cross-border B2B flows between corporations. It's a unique offering at the high end of our – underneath our Visa Direct umbrella focused on the large dollar transactions that go bilaterally from corporation to corporation where we're seeing increased activity as well.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Great. Sounds like a pretty busy, I think, in cross-border Visa Direct. So the last one I wanted to ask you on CMS is just thinking about kind of B2B but specifically the accounts payable and accounts receivable flows. I feel like this has been a really tough nut to crack for the payments industry. A lot of payments companies, including Visa, have talked about it, probably, for the past decade because it's a massive TAM, right? It's trillions of dollars. So what are Visa's plans to try and drive more revenue in this area over the longer term? What are the strategies supporting that?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah, it's a good question. You're right. There's huge opportunity in B2B. You guys all know the numbers, about $145 trillion in total flows in B2B. We are very actively pursuing about $60 trillion of those flows with the existing products and services that we've already talked about.

So Visa Direct goes after about $25 trillion of those flows. So think a lot of the cross-border B2B flows, both large dollar value as well as SMB flows that often look like consumer flows. And then our Visa Commercial Solutions, which is all of our card-based products, are targeting another $35 trillion or so, out of that $145 trillion. And I want to just pause on that one for a minute, because we get a lot of questions about AR and AP, which I'll come back to in one second. But I wouldn't overlook the opportunity in the SMB space and in the card-based space within corporate. So think virtual card, T&E, et cetera, procurement cards, because that $35 trillion, that's not that much smaller than the entire consumer payments opportunity.

And – but the penetration of card in those flows is much smaller still, particularly when you look around the world. There's huge opportunity just to drive adoption of our already well-developed, well-established card-based products for small businesses, for T&E, for procurement cards in the virtual card space. These are often vertical specific solutions.

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So think like fleet and fuel or agriculture, et cetera. Travel all over the world. But looking beyond those, so if you want to go beyond that $60 trillion, $35 trillion of which is the very card addressable piece, another $25 trillion is the Visa Direct addressable piece, in the remaining $85 trillion, which is this sort of like these all this kind of core AR/AP flows of businesses.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

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That's an area where we have a lot of initiatives underway to do, to serve the payments in that piece of the market are quite different. And a lot of the complexity in them sits around the payment.

We're starting to see more fraud in those payments, which is a newer thing, but also there's just a lot of complexity. You have to often do things like, you're right, there's a lot of invoicing, there's a lot of one, too many or many to one type of payments. And we do have a number of offerings in that space, but they're earlier in their development. There are things like Visa Spend Clarity for Enterprises, which is a CFO-oriented offering that helps CFOs do spend controls and spend management.

We've got Visa Commercial Pay, which is an offering geared toward enabling large corporations to do card issuance, issuing cards, so meaning things like digital wallets and doing specific limits and stuff that you want with your issuing cards to employees. And then we've got some earlier stage things like embedded integrations with some ERP vendors who are looking to embed payment capability directly in their offerings. So a lot of like what I call earlier stage initiatives in that space, but certainly one that we're focused on over the much longer term.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. Well, we'll stay tuned there. So consumer payments, we didn't hit that yet. It's the biggest piece of your business that's two-thirds of revenue. And one of the themes that I think came across loud and clear at Investor Day is that Visa has this ability to continue growing faster than, let's call it, PCE , right, the market. And so that's true both domestically and outside the US based on the data that you guys presented. Take us through the strategies that you're employing to achieve that growth. And I believe, one of the things you talked about at the Investor Day is that that growth gap could potentially shrink a little bit in the coming years. So discuss the dynamics there, if you would.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

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Yeah. Sure. So just to give the history. Yeah. So our consumer and we talked about these numbers at length at Investor Day as well. Over the six-year period between 2018 and 2023, we grew our consumer payments volume at an annualized growth rate of 10%.

During that same period, that underlying consumer spending growth was about 4% CAGR. Those are two CAGR numbers. So the implication of that is that we outpaced underlying consumer spending by about 6 points on average over that timeframe. And those numbers are 5 points for the US and 7 points for outside the US. So we had significant growth in excess of underlying consumer spending in both the US as well as around the world.

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Our outpacing of underlying consumer spending is driven by a lot of the Visa story that you all know and love. We continue to displace cash and check as the world digitizes and more and more consumer payments digitize. And then we also gain share and displace other forms of digital payment, many of which lack the capabilities of our network.

So think domestic schemes in some countries around the world, but also think legacy ACH in some use cases around the world. And so we feel very comfortable, confident in our ability to continue to outpace underlying consumer spending over the coming years, both in the US and internationally as we drive preference for Visa and also continuing to digitize cash and check. That said, the math would say, as Jason highlighted, that it's quite likely that that gap will be narrower than it has in the past. But we continue to be – we don't know that, we hope it won't be. But just as we continue to grow, it gets harder and harder to keep outpacing consumer spending at the same rate. We do expect it probably to moderate, but still be significantly above underlying consumer spending.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. It's really a law of large numbers kind of dynamic. Okay. Understood. Are you ready for the AI question? Because everyone gets an AI question.

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Sure.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. Because you guys did talk about at the Investor Day and Agentic Commerce and those were themes. Just maybe take us through some use cases. And at the end of the day, I mean, is AI and GenAI, is that more of a revenue opportunity for Visa? Is it a cost and efficiency opportunity?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah, it's a very good question. So just to ground everyone, we have used and been leaders in applying AI in payments for decades. We launched our first AI-based fraud model back in 1993 and then as neural networks started to really emerge and mature about a decade ago, we embedded that technology, actually did major rewrites of a lot of our fraud and predictive models, leveraging that wave of AI technology about a decade ago.

Now, as we've started to see generative AI really emerge, we're extremely excited about this wave of AI and have been very early in deploying it. We think about it in three ways. One, we certainly are leveraging GenAI internally in our own operations. So this is a productivity driver. As you highlighted, we have thousands upon thousands of developers. A very natural use case for GenAI is to assist our developers in their code development, for example.

Similarly, our customer service and support reps and then all of us just as employees and our productivity tools. Many, many companies, right, are leveraging Gen AI already in those ways. And so we are one of those. Second, we can embed this new AI technology in our risk and fraud and other capabilities. Just as we have other waves of AI in the past, we've already begun to do that.

I can give you a couple of examples of some of our advanced authorization products. For example, one, we've got Visa Deep Authorization, Visa Account Attack Intelligence, our Decision Manager, some of our optimization and

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risk and compliance products are already being developed, leveraging the latest and greatest AI models as underpinnings of those products. So that is a differentiator and a revenue driver for us because many of these are sold as value-added services for our clients and they differentiate us in the market.

The last one, which is a more of an external, is around agent-based commerce. So, this we see as a very early stage, emerging, but potentially very exciting transition in the world of commerce more broadly, as we may see emerge, right, a shift kind of what I think of as the next generation of e-commerce as we went through from e-commerce to mobile commerce and now to potentially some agent-based commerce, where we may start to see agents engage either more actively, where a consumer may purchase from an agent, an agent may purchase on behalf of a consumer or two agents may just purchase from each other without a consumer involved. It's very early stage. We'll have more to say about this in the coming months. But I would just say, is that what immediately pops out when you look at this space is how important security becomes when you're trying to do agent-based commerce. It's extraordinarily important, as you can imagine, to verify that an agent is actually legitimately operating on behalf of the consumer. And there's many – much more surface there.

Just like e-commerce brought a tremendous amount more surface area for fraud, agent-based commerce takes that to a whole another level. So we see tremendous opportunity for us as Visa to play a major role in enabling the security of these transactions and really allowing them to go through. But I'll stop with that, more to come on that in the coming months.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah. Yeah. Personalized shopping experiences, right, so, yeah, will be interesting in the future. I wanted to spend a minute on the Visa Flex Credential. I remember when you guys put that release out and we've seen the Affirm Card, for example, you're partnering with them on that, it was showcased at the Investor Day. Maybe for those less familiar, talk about what the Flex Credential is, what the rollout progress has been like, are we going to see it more broadly here? Does it become material at some point?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah. Flex is one of the innovations where we couldn't be more excited about. It kind of is up there with tokenization and Tap to Pay or Tap to Everything on many of these kind of landmark technologies that we've rolled out over the last number of years.

So if you just roll back in history, right, one of the big foundations of Visa is our innovations around credit products and the ability for a consumer to use a credit-based product at the time of transaction in a secure way. One of the major innovations, if you just roll back the clock a couple of decades, right, was our ability to do dual message, our dual message technology, which separates the authorization from the clearing and settlement so that you can – it enables a merchant and a consumer to confidently go ahead and process a transaction, something like a hotel stay, a car rental, a restaurant bill, et cetera. Even though the clearing and settling happens at a different time.

This was – opened up a huge set of use cases in credit products back in the day, and then with e-commerce, where often you purchase something online, but it doesn't actually ship right until days later, opened up another whole set of use cases around this technology. I'm using that as a reference because Flex is an innovation sort of at that level when it comes to innovating around credit.

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Flex is using our token technology, the ability for consumer to have one master token, master payment credential, off of which hangs on many other forms of underlying funding method. That could be their debit. That could be a traditional revolving credit product. It could be an installment, it could be a secure card or a charge card, right. And you could imagine over time, other types of underlying capabilities that hang off of it, data-related information, identity information.

We see Flex, so I just – one, from a timeline perspective, we rolled out Flex in 2023 with one of our major clients in Japan. We have over 3 million users on Flex already with that client, and we've now begun to roll it out around the world, more prominently more recently with players like Affirm in the US. The client demand for this product is extraordinary, and we are doing everything we can in Visa to accelerate the deployment of Flex around the world.

I will highlight an important differentiator when it comes to rolling out Flex is our Pismo acquisition, right. We have very modern cloud-based issuer processing capabilities that we brought in with Pismo, which allow us often that's the limiting factor. Our clients need to be able to handle a Flex Credential that runs right, can swap back and forth between credit and debit rails. And we – I mean, we just love this product.

We see it as having the potential. It's very early days, but having the potential to just be the de facto credential in the future, right. There's no longer a need to have multiple credentials assigned to you independently that you independently use. You just use – I would just use the Lisa Ellis payment credential. And then I choose in the background how that is ultimately funded.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Lighten the weight in our wallets, hopefully one day. Yeah. So we're going to end on just a double click into some of the consumer payment opportunity within certain countries where we actually have seen domestic rails get some traction with consumer point of sale payments like Pix in Brazil is one that people talk about a lot. You guys went out of your way at the Investor Day to say, hey, there's $2 trillion of opportunity there? How are you going after it?

Lisa Ellis
Global Head of Strategy, Visa, Inc.

A

Yeah. Here's – the simple way to describe it is we compete, we utilize and we sell VAS. So we go after- we see this tremendous opportunity for us. In many cases, we have terrific offerings, in many cases card-based offerings that very directly compete with these rails and bring differentiated value, particularly around global acceptance. So cross-border acceptance and around fraud and risk and security.

Two, we also go leverage these rails, right. We have our Tink open banking products, for example, leverage underlying alternative RTP rails and they're a service layer that sits on top of it. So also, where appropriate, we leverage the rails. And then lastly, we also sell value-added services directly to alternative networks.

So in cases, where particularly it's strongly government backed, a payment rail, right, where the government has a perspective that they're investing heavily behind having like a national network of some form, that's fine. Then we partner, right, with those national schemes to provide some of the value-added services that we can bring, like A2A Protect or the newer product we just recently rolled out, which is an A2A scheme concept and work directly with those local players to sell VAS. So sort of a three-pronged approach.

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Jason Kupferberg

Analyst, BofA Securities, Inc.

Excellent. Well, unfortunately, we have to leave it there. This was great. Really appreciate the time. Thank you.

Lisa Ellis

Global Head of Strategy, Visa, Inc.

Terrific. Thanks, Jason.

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