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# Visa, Inc. (V)

William Blair Growth Stock Conference

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**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Okay. Good morning, everybody. Thanks for joining us. Hope you've had a terrific couple days. My name is Andrew Jeffrey. I cover fintech at William Blair. And let me just read the disclosures quickly.

I'm required to inform you that a complete list of research, disclosures or potential conflicts of interest can be found on our website, [williamblair.com](http://williamblair.com). For those of you who have spent any time talking to me, you know my pension for one decision stocks and Visa is the original one decision fintech stock. It's my pleasure to have Chris Newkirk with us, who runs the company's Commercial and Money Movement Services business, President of that business. Chris, I mean, this is Visa is easily the most important fintech in the world. So we're thrilled to have you here.

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**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

Terrific. We really, really appreciate being here. Hi, everyone. I'm Chris Newkirk, and I'm the President, as Andrew said, of Commercial and Money Movement Solutions. Here we go.

I have my own disclosures, I guess. Today I'm going to be making statements about the future. Actual results could differ materially as a result of many factors. So please stay close to our disclosures.

Our global scale and reach, capabilities, services, network reliability, innovation, brand, our people, our focus on serving and delivering for our clients, makes Visa a world leader in payments. We have nearly 14,500 financial institutions, who have issued 4.8 billion Visa credentials that can be used at more than 150 (sic) [150 million] (02:25) merchant locations globally. This is fully supported by VisaNet's six 9s of reliability and the seventh most valuable brand in the world. As well as our more than 31,600 employees who wake up every day like me obsessing about our customers. It is that strength that positions us to deliver superior business and financial outcomes. We are a leader worldwide in payments and have an expansive and compelling set of opportunities across our growth pillars.

Today, this is coming to life through the powerful combination of the Visa as a Service stack. The foundation of our stack is our global connectivity and the infrastructure that Visa has built. And it's built on our network, our network of networks and access to our credentials and acceptance. Then we have services architecture, which contains the specific capabilities that we think of as the building blocks for everything that we do, like risk, settlement and more. Using these services, we create client solutions. We're taking these componentized capabilities and investing in and enhancing them to create new features and capabilities to offer them to a much broader array of customers and partners. And we strive to make it easier than ever for our partners and clients to access these solutions.

At our Product Drop earlier this quarter, we covered six examples of the ways we're evolving the Visa as a Service stack through our innovations. Visa Intelligent Commerce, Digital Identity, Flex Credentials, Stablecoins, Visa Pay and Visa Accept. If you haven't had a chance to watch the Product Drop, live stream or replay, I really encourage you to do so. Today I'll cover two of the announcements, starting with Visa Intelligent Commerce.

Historically, Visa used payment rhythms or intelligence to build products that protect you, harnessing those rhythms and intelligence to create risk signals and scores to combat fraud, such as with Visa Advanced Authorization, which provides a risk score based on hundreds of attributes in milliseconds. We were in fact the first payments network to create an AI based technology for risk and fraud management and payments.

Increasingly, we're introducing new products that harness this data not just to protect, but also to empower you. This is a step change in our AI product development in Visa. We believe that AI has the potential to drive order of magnitude shifts in the way digital commerce will work. But for these AI commerce use cases to take hold, payments are a critical enabler of that success. If there's no payment, there's no commerce. So we're taking the Visa as a Service stack and our decades long expertise to bring new products and solutions that will empower this next chapter of transformation and bring AI commerce to the payments ecosystem.

Okay, so what is it? Visa Intelligent Commerce is a new solution that allows consumers to shop and buy with AI agents, essentially agentic commerce. It combines a suite of integrated APIs and a commercial partner program with AI platforms to enable developers to deploy Visa's AI commerce capabilities securely and at scale.

And so what do you, as consumers, get? You get seamless and secure payments and a personalized experience all from an AI agent. We're offering AI ready cards, using both tokenization and authentication. For tokenization, tokens replace card details with a tokenized digital credential with the goal of enhancing security for consumers and simplifying payment processing for developers. For authentication, it confirms that a consumer's chosen agent is allowed to act on the consumer's behalf and brings identity verification into AI commerce. Only the consumer can instruct the agent on what to do and when to activate the payment credential. It brings AI-powered personalization. Our upgraded data tokens, give the consumers control.

Sharing the consumer's basic Visa spend and purchase insights, with their consent, to improve agent performance and personalization of shopping recommendations. It brings simple and secure AI payments. Payments instructions allow customers to easily set spending limits and conditions to provide clear guidelines for agent transactions. And payments signals, which share commerce signals in real time with Visa, enabling Visa to effect transaction controls and help manage disputes. We have a lot of excitement around this and we have many partners, including OpenAI, Perplexity, Microsoft, Anthropic, Mistral and more. Today, this is available in a sandbox access for registered partners at the Visa Developer Center, and we're on track to launch this summer, a limited pilot to test live transactions.

Another set of really important innovations include what we're doing around stablecoins. At Visa, we have been working in the crypto and stablecoin space for many years, and it represents an important opportunity. We believe they have the potential to modernize the world's money movement infrastructure and to deliver on the promise of programmable money. We have built a team of experts at Visa, who drive thought leadership, product innovation, partnerships with governments, exchanges, platforms, and all players. And within this space, we have three areas of focus, cards, treasury solutions and programmable money.

Let's go through each one of those. First, cards. For years now, we have been working with custodial exchanges like Crypto.com and Coinbase to enable users to buy crypto with their Visa cards and spend it via crypto linked Visa cards. Since 2020, we facilitated almost \$95 billion in purchases of crypto and over \$25 billion in spend on crypto. Most of this volume has been about users buying and holding cryptocurrencies in exchanges. As stablecoins begin to scale, we're seeing new use cases and opportunities that extend well beyond buying and holding as an investment.

This demand is coming from fintechs, from merchants, from wallets, and many others, who are helping businesses solve real world problems like managing multi-currency payroll for freelancers. Once these users have stablecoins, they need to be able to spend them. And that's where we come in. We offer the ability to spend stablecoins at over 150 million merchant locations around the world. And here we recently announced with Bridge, a partnership that's our newest stablecoin linked partner. Through our partnership Bridge, a Stripe company, and Visa will enable developers to offer stablecoin linked Visa cards to customers in multiple countries through one single API integration. We're seeing a lot of demand in the space. In addition to Bridge, new partners like banks and Rain are enabling new use cases like self-custodial wallets and commercial cards.

So let's move to stablecoin treasury solutions. Within this, there's settlement. As we start working with stablecoin native companies, they approached us with a question. They said to us, "Our customers are spending from a balance of stablecoin. We operate our business using stablecoin. If a stablecoin is just another form of currency, why can't we just settle those transactions directly with you, Visa, behind the scenes in stablecoin." It seemed like a reasonable question to ask. So in 2023, we enabled our first pilots enabling issuers and acquirers to settle in USDC. And today, Visa partners like Crypto.com, Nuvei, Xapo and Rain have chosen to settle with Visa in USDC. We've settled over \$225 million to date and expect the volume to cross the \$1 billion threshold in the next 12 to 18 months. And this settlement brings with it great efficiencies like seven-day a week capability.

Stablecoins also have the potential to improve cross-border money movement, in certain situations. In particular, stablecoins have the potential to improve the speed of cross-border money movement as transactions can settle quickly seven days a week, as well as bring potential benefits on cost and transparency. It's very, very early days here and we're experimenting with stablecoins in Visa Direct, for both payouts to stablecoin wallets and the so-called stablecoin sandwich, which leverages stablecoin and blockchain specifically for the cross-border transfer leg between two fiat currencies.

And finally, programmable money. First, what is it? Programmable money essentially turns money into code so it behaves in certain ways under certain conditions. For example, a loan could be programmed to disperse automatically once certain criteria are met. We're experimenting with programmable money through our Visa Tokenized Asset Platform. This platform enables financial institutions to mint and burn their own stablecoins and by extension to offer their customers programmable money. We have our first partner, BBVA, who plans to launch later this year.

As we evolve the Visa as a Service stack and develop and commercialize innovations, such as the ones I just touched on, we continue to see three compelling growth drivers, consumer payments, Commercial and Money

Movement Solutions (or CMS) and Value-Added Services (or VAS). In consumer payments, we're expanding our reach to make Visa the best way to pay and be paid for all consumer transactions. At its core, the strategy is driven by two actions. One, strengthen Visa's impact in card based consumer payments. And two, expand our reach in consumer payments, including both card and non-card payments. Whether card or non-card, face-to-face or e-commerce, domestic or cross-border, human or agent, our goal is: one, to offer the most innovative, frictionless and secure digital payments and commerce. The best experience is to help meet the needs of buyers and sellers all around the world. And two, continue to drive engagement and preference. These two actions, including an explicit focus on expanding our reach in non-card payments will be critical to building on our existing momentum and capturing the \$23 trillion annual opportunity. That \$23 trillion is underserved consumer payments that are made using cash, check, legacy ACH, ACH, A2A and RTP and other less effective forms of digital payment. And we're fueling this growth through an intense focus on innovation.

In Value-Added Services, we provide a wide array of services for Visa payments. Today, this includes services such as loyalty and benefits, fraud prevention and token services, which all help to ensure Visa as the best way to pay and be paid. We also deliver services for all types of payments, not just Visa payments. Today, we're expanding our innovative VAS to strengthen non-Visa and non-card payments, resulting in diversification of our VAS revenue, even deeper relationships with our clients, and an expanded universe of clients. And finally, we provide services that go beyond payments. Here too, we are expanding to a broader set of clients, but we're also doing so by offering our expertise and assets through consulting, marketing services, data services and core banking. Already we've seen strong demand and growth here and we're excited about its potential.

We provide these services which delivered \$8.8 billion in revenue in FY 2024 across four portfolios that are all scaling (sic) [at-scale] and growing. Our largest portfolio is Issuing Solutions, where we serve a vast range of clients from the largest financial institutions to emerging fintechs. We offer our clients a broad solution stack, including front end digital user experiences, cloud based issuer processing and core banking infrastructure. This is the portfolio that holds Pismo, our acquisition that delivers a modern cloud based platform which offers both core banking and all types of card processing.

The second largest portfolio is Acceptance Solutions, which serves sellers, acquirers, payment facilitators and software companies who accept in-store and online digital payments. The third portfolio, Risk and Security Solutions protects clients from fraud and financial crime. Here we strive to ensure payments are safe and secure, while maximizing the success rate of good transactions via a range of leading identity, authentication, authorization and cybersecurity solutions. This portfolio holds Featurespace, our acquisition that develops real time artificial intelligence payment protection technology to prevent and mitigate payments fraud and financial crime risk.

Our final portfolio is Advisory and Other Services. This includes marketing services, consulting, managed services, data solutions and open banking. While the smallest portfolio by revenue, it is the fastest growing in percentage terms, performing strongly across all regions. For the rest of our time today, I'm excited to talk to you about our third key action of Visa strategy, which is the drive, which is to drive and enable further penetration of commercial payments and money movement.

CMS is the part of Visa focused on addressing all payment flows beyond consumers paying merchants. There are two key components to CMS. Visa Commercial Solutions and Visa Direct. Visa Commercial Solutions is a card and virtual payments led business, focused on addressing B2B payment flows from small businesses up to large enterprises and governments. Visa Direct is our platform to address money movement and a subset of B2B flows. Visa Direct empowers end users, businesses, governments and clients to move money globally. Since 2021, we've grown CMS net revenues at an annualized growth rate of 22%. In fiscal year 2024 alone, we delivered \$1.7

trillion of commercial payments volume and nearly 10 billion Visa Direct transactions. And we have penetrated only a sliver of the enormous \$200 trillion CMS opportunity.

We have the leading commercial card network and money movement platform in the world. Visa Commercial Solutions is the global leader in commercial card payments with 40% share, and we have grown faster than the competitive set over the past several years. Visa Direct is the largest money movement platform in the world by transactions, volumes and endpoints. Our strategy and execution are delivering results. We've grown Visa Direct transactions six-fold from just 1.6 billion in 2019 to nearly 10 billion transactions in our most recent fiscal year. We've grown endpoints more than 3 times from 3.5 billion in 2019 to over 11 billion. And we have diversified to cover cards, accounts and digital wallets in over 195 countries and territories.

And what is most exciting is that we are still in the very early days of Visa Direct. If we break down the CMS opportunity, there are \$55 trillion of money movement flows, which includes consumer flows such as peer-to-peer, me-to-me business to consumer payouts and government to consumer flows, and \$145 trillion of B2B flows. We are pursuing the \$55 trillion in money movement flows with our Visa Direct capabilities. The remainder of the \$200 trillion opportunity. Excuse me, within the \$145 trillion of B2B flows, we are actively pursuing \$60 trillion with our existing product suite and targeted strategies. This includes \$25 trillion of mostly cross-border flows with our Visa Direct platform and the \$35 trillion in B2B flows with our Visa Commercial Solutions cards and virtual payments capabilities.

Let's now walk through the specific strategies we're executing and how they come to life, starting with Visa Direct. I think it'll be helpful to start with what Visa Direct is and how it's evolved. Our CMS, our Visa Direct strategy has three components and the opportunity is significant. First, growing our domestic business by continuing to strengthen our core P2P use case and penetrating new use cases such as earned wage access, gig economy payouts, and merchant settlements. Domestic use cases make up the majority of our transactions today, and they've grown at an annualized rate of over 40% over the last five years. We will continue to grow domestically through product innovation and existing use cases and unlocking new use cases.

The second part of our strategy is growing cross-border flows through enhanced network capabilities. We have the assets in our comprehensive Visa Direct platform to be a differentiated player in cross-border flows, providing services across a full spectrum of consumers, small businesses and large corporates.

And third, deepening relationships with existing Visa Direct clients by selling additional use cases, corridors and services. What we found is that after we go live with a client, whatever the original use case or corridors, we can continue to work closely together to expand our mutual business by adding more use cases and corridors and more services to better serve our existing end users, their existing end users, and add new ones.

Now let's move to Visa Commercial Solutions, where our strategy is focused on driving deeper penetration of our card and virtual payments in the \$35 trillion opportunity. We will do this by converting more small and medium business spend to our solutions, riding the wave of B2B payments consumerization and digitization and driving issuance and acceptance with our existing small and medium business issuers and by partnering with new issuers and acquirers in more markets. By scaling our existing large and middle market use cases to more countries, corporates and partners, we're growing our business in T&E, fleet and other verticals and unlocking new commercial card acceptance with suppliers.

The third part of our strategy is to deliver product innovation and network flexibility to reach under-penetrated spend. We've invested considerably in our virtual payment suite and value added services to address pain points in the accounts payable and accounts receivable cycles. We've been developing a set of features to help



consumerize and digitize B2B experiences for any business in any industry, shifting more spend to Visa virtual payments.

And the final pillar of our Visa Commercial Solutions strategy is acceptance. Just as in consumer payments, there's a virtuous cycle for Visa Commercial Solutions for growth by driving issuance, acceptance and engagement. Notably, the perceived cost of acceptance for carded B2B flows has been a barrier for suppliers. But from an ROI perspective, Visa's commercial card and virtual payments can create benefits that significantly outweigh incremental supplier acceptance costs. We continue to innovate such as with Visa accounts receivable manager that enables straight through processing on virtual card acceptance, a dramatically superior supplier experience versus alternatives like ACH and wires.

And all of this adds up to a compelling case for card acceptance for B2B suppliers. CMS is a great growth engine for Visa, with attractive revenue diversification, growth and profitability for Visa, and we are set up to succeed with all that Visa has to offer.

In closing, I'd like to emphasize the following. At Visa, we have a compelling strategy powered by Visa as a Service, our world class brand, leading technology, unparalleled network and global scale that will deliver sustained growth for our business. We will deliver long-term shareholder value through a combination of durable top-line growth, leading operating margins and consistent capital returns. And CMS is a key growth pillar.

A few takeaways specific to CMS. We have delivered strong growth over time. We have differentiated assets that make us a world leader in commercial payments volume and in money movement reach. The opportunity is enormous and our growth strategy is clear, it's focused and it's working. We believe that with further penetration of these flows, CMS can continue to be a significant driver of Visa's revenue growth into the future. Thank you all very much.

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**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Thanks, Chris. We've got a few minutes remaining so why don't we open it up for Q&A and then we'll go upstairs to Maher for a more formal breakout session.

## QUESTION AND ANSWER SECTION

Q

Yes. Stablecoins, maybe give a little more color. Is there a risk to your business at all? And I know you have talked about it being an opportunity involved, but is it also a threat?

**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

A

Yeah. I would view stablecoins as an enormous opportunity. As I said, we're in the very early days, but ultimately, our network model is to be the best way to pay and be paid in consumer payments and in all the payments in Money Movement that I just talked about. And stablecoin, as I mentioned, is a terrific innovation, where I think particularly in cross border, we're really starting to see product market fit and solving making cross-border flows work better. And we are very committed, we're very expert. We've got the right partners for us to be a meaningful player in the stablecoin space and for that to be a path for growth for Visa going forward. Yeah.

**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Q

Chris, do you think that there will be multiple stablecoins used for cross-border commerce over time? Or do you think that the market consolidates around the leaders USDT and USDC today? And is there a reason – when I think about the origins of Visa, MasterCard, they've emerged as the two largest set of global payment rails. Why wouldn't stable commerce look somewhat similar?

**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

A

That's a – what was the disclosure about forward-looking statements. You're asking me to pick the stablecoin winners in the future?

**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Q

This is just your opinion.

**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

A

Yeah. I don't have a prediction on the future of stablecoins, and are there winners and consolidation, et cetera. We don't pick winners and losers in our business. Part of the beauty of our business model is we seek to create partnerships with folks who want access to our scale, our brand, our resilience, our capability, our clients set, our endpoints, et cetera. And as I mentioned, I think, stablecoins are a new form of both currency and in some instances a new form of infrastructure, that at the end of the day, I think can make payments, cross-border money flows, et cetera, work better for end users. We're deeply committed to being part of that journey and I'm very, very excited. As I said, we've done some experimentation and some pilots, we've signed some partnerships and we're really seeking to grow our presence in that space.



**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Q

So agnostic to the type of stable that might be used, as you are in just about every other type of payment.

**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

A

Yeah, absolutely.

**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Q

Whatever runs on your rails.

**Christopher T Newkirk**

*President, Commercial & Money Movement Solutions, Visa, Inc.*

A

As I said that in a real story about feedback we got from our stablecoin and crypto clients, it's just a form of currency. And we operate in hundreds of currencies around the world today and we'll operate in the future of currencies, be it stablecoin or what have you for sure.

**Andrew W. Jeffrey**

*Analyst, William Blair & Co. LLC*

Great. Yeah. Well, thank you very much. And as I said, we're going upstairs to Maher for a breakout.

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