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# Visa, Inc. (V)

Bernstein Strategic Decisions Conference

## CORPORATE PARTICIPANTS

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

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## MANAGEMENT DISCUSSION SECTION

**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Good morning again, everyone. I am Harshita Rawat, Bernstein's senior analyst covering payments, processors and IT services. And I'm delighted to be joined today by Chris, Visa's CFO at Bernstein 41st annual Strategic Decisions Conference. Chris, thank you for joining us today.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

Sure. Thank you for having me. This is a really great conference.

## QUESTION AND ANSWER SECTION

### Harshita Rawat

*Analyst, Bernstein Institutional Services LLC*

Q

So, let's get the macro question out of the way. Let's talk about the overall spending environment. What are you seeing in terms of current spending trends, both domestically and in cross-border?

### Christopher Suh

*Chief Financial Officer, Visa, Inc.*

A

Yeah. Again, thanks for having me. It's good to see everyone. Yeah, I mean, there is a lot to process, right. And consumers have been processing that. We could see, like all of you can, there's more uncertainty certainly in the sentiment, it reflects in the consumer sentiment. It certainly reflects in headlines.

And so when there is a little bit of noise in the system as we see it today, we always do what we always do which is really rely on facts and data. And so, what are the facts as we see them?

The facts as we see them is that employment numbers look pretty good. Wage growth remains relatively stable. Inflation has moderated relatively, and that's translated to a relatively resilient consumer. Those are the facts. The data, as we see it, has also been relatively stable.

And this is what we talked about in our earnings call. So, our earnings call was at the end of April, April 29th. And as we shared really through the end of April: payments volume, transactions in the US and abroad, even coming off of a relatively strong quarter that we saw in December had remained relatively stable. And so, that was all a good thing. And we shared all that on April 29th.

Now we're, what are we about a month later? So, I can share a little bit of an update with what we've seen effectively through the month of May, which is in the US, payments volume data primarily has remained in line with what we're seeing in April – what we saw in the month of April, which means for the quarter, it's actually tracking a little bit better than Q2, again, reflecting the resilience in consumer.

So, that's the US and we're seeing similar trends in most major markets around the world as well. So again, general stability to what we saw in Q2, the first almost three weeks – that's actually data through the 21st of May.

Now cross-border, I want to spend a minute maybe on cross-border and unpack that a little bit. There's been more moving parts, as you know, cross-border pre-COVID, COVID, post-COVID recovery that deferred in different parts of the world.

We saw, if you go back a couple of quarters, previous to the December quarter, the last two quarters of our fiscal year had reached a sort of a stable sort of level, and then, we saw an acceleration in the December quarter, particularly in travel cross-border.

And then, we saw it moderate back in our fiscal first quarter, the March quarter, back to the kind of the levels that we had seen in the two quarters prior to December. That's kind of the four quarter trend that we saw.

Now, there was some noise in the system too, that we talked about, the timing of Easter, timing of Ramadan that impacted March and the month of April. And so, we tried to distill all that. And there was obviously some currency thing happening as well, putting aside sort of sentiment.

We tried to distill all that and we said, okay, what we expect for the rest of the year is to just sort of cut through the noise and say, if you take the average of March and April, which normalizes for some of these timing things, as well as take into account some of the currency things, that would be what we would expect to see for the rest of the year.

And through the month of March (sic) [May], or at least through the three weeks of March (sic) [May], quarter-to-date, it's playing out generally as we had anticipated, which also means that the three weeks in May is a little bit below the month of April. That was anticipated, and that's playing out the way that we thought for the quarter.

If things stay on track, obviously we're going to finish the quarter a little below Q4 of last year. And so that's – I know there's a lot of math camp in that, but net-net, it's kind of playing out as anticipated. Obviously, a month still to go.

As I said, we're seeing these trends sort of move around a bit. But largely as anticipated, and we'll see how the rest of the quarter plays out here in about a month and a half when we report out.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Q

So Chris, staying in this kind of macro topic for just a bit. So, I... know you noted on the earnings call that you're quite diversified in your cross-border business and no single corridor is more than 25% of your cross-border volumes.

Taking a step back, how should we think about the recession sensitivity on cross-border? I know travel is 60%, e-comm is 40%. Arguably, both have a little bit of sensitivity to macro.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah. It is really one of the great strengths of the Visa business, is the diversification that you talked about. It applies broadly across the business. We have more exposure to different spend categories, geographical exposure, everyday spend, discretionary spend, high, low-ticket, credit-debit, the breadth of the business.

And that applies, as you put it, to our cross-border business. The cross-border business, as most of you know, is an important business for us for a bunch of reasons, including it has premium economics attached to it.

As I just talked about, cross-border also has been one of the most variable numbers. Payment volume and transactions have a consistency that's really a great part of the business because of all the – what's gone on in the world over the last five years, we've seen more variability in cross-border.

One of the differences is e-commerce is a bigger part of the business as you talked about. Pre-pandemic, it was lower than it is today. Now it's about 40% of the business.

And so, when you talk about, sort of, the diversification and the macro sensitivity to cross-border, there's a couple of things that I'd point out. One is, again, that 40% e-commerce is more associated with everyday spend than

travel, hotels, lodging, et cetera, et cetera. Cross-border e-commerce has more everyday spend categories in there.

But not only is it just like e-commerce is only retail-type goods, even within the categories of e-commerce, there's quite a bit of diversification. So, it is your retail goods. You might be buying a pair of shoes from Europe, you might be buying sunscreen from Asia, for example, but you also might be buying retail services, you may be moving money cross-border via remittances. You might be paying off a BNPL loan cross-border. There's also B2B in there like advertising, for example. And then there's even like crypto purchases cross-border.

So, even within the categories of e-commerce, there's a lot of variety and diversification. Putting aside the fact that e-commerce itself is more resilient. Now none of this means we're immune, of course, to macro sensitivity, but as you pointed out, we have great geo-diversification with both issuing – you mentioned the reference to the 25% – none of our – we have five regions that we categorize our business by and none of those regions, no single region is more than 25%. And that's on the issuing side, both for e-commerce and for travel.

And also important to note, even on the acquiring side – so, on the inbound travel side – we have great diversification as well. And I know there's a lot of questions about the US, and the US is actually one of the smaller from an acquired inbound travel volume standpoint as well.

And so there's great diversification of the business, that volume diversification also applies on cross-border revenue. And so we have great distribution and diversification on the revenue side of the business. So again, not immune, but there's attributes to the business, natural diversification and things that we've done to drive things like e-commerce that really helps on the sensitivity side.

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### Harshita Rawat

*Analyst, Bernstein Institutional Services LLC*

Q

Chris, there's a lot of exciting things happening at Visa. It's been a very busy time for you. We heard from you at the Investor Day, which is great. Since then, you've had a lot of partnership announcements, and a few weeks ago, you had your 2025 Product Drop and there are a bunch of announcements that came out of it that I want to ask you about. So starting with agentic commerce, so you introduced Visa Intelligent Commerce for developers building AI agent payments. You have an impressive, very impressive partner list there. Tell us about how Visa sees the future of commerce? And why it will be a preferred way to pay as agents make purchases?

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### Christopher Suh

*Chief Financial Officer, Visa, Inc.*

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Yeah. We held our first ever Visa Product Drop event. It was on April 30th. It was a terrific event. You heard from Ryan McInerney, our CEO; Jack Forestell, Chief Product Officer. Oliver Jenkyn, who runs our global markets. And we had a special guest, Sarah Friar from OpenAI, attend. It's all available online. If you have not had a chance to look at it, it's a compact 90-minute presentation. Please go out and take a look. There's some exciting stuff there.

It was a great event for me for a couple of reasons. One, it really gave us a chance to tell our story around everything that we've been doing in the company, around product innovation and thought leadership. And so, it's a great platform for us to go do that.

And one of the most exciting advancements is, of course, we talked about, as you called it, agentic AI or what we call Intelligent Commerce. So, Visa has been in the AI game for a long, long time. We've talked about it in the context of fraud prevention, detection, scoring. We were one of the first to bring this to market with a number of our services decades ago, using sort of the traditional forms of AI to really provide that broad scoring.

So, the purpose of that generation of AI was really around protecting the consumer. And our vision for the future with generative AI is that we can really bring to bear services and innovation that really empowers the consumer. And so, we announced a number of services that enable us to go do that, and we're really excited about that.

So, how do we empower consumers in a world where commerce continues to evolve. Much like – I think that generative AI has the ability to transform commerce, much in the same way that e-commerce transformed the purchasing experience for face-to-face. I mean, we think it's that significant. So, we announced, as you called it, agentic commerce, as we call it, Intelligent Commerce.

What is Intelligent Commerce? It's a set of services that really empowers consumers to be able to buy – enable an agent to buy on their behalf in a safe and secure way. It's a number of services that allow developers then to provide services that enable that experience as well.

A handful of services that we announced that enable us to go do that. One is, AI cards. And so, the cards obviously need to be advanced and evolved in order to support this new experience. And it really takes advantage of tokenization technology, which is the modern credentials – so it takes your traditional card credentials and it digitizes it in a form that's more safe and secure – and authentication, so your agent has to be able to obviously be granted permission for it to transact on your behalf, authenticated securely in that manner.

Secondly, it's the evolution of our data tokens to have a very personalized experience. And so, the AI agent, with your permission, with consent, is enabled to then personalize that experience for you. So, at our Product Drop event, you saw Jack gave a really great example.

And so his example, of course, was, he's a traveler that's going to Florida and he has certain likes. And now most travelers, if you just go do a standard search, you might find the beach and you might find things like this. But maybe Jack likes to hike or maybe he likes to fish.

The technology really – the personalization aspect of it really understands who he is and says, hey, if I'm planning a trip to Miami, here's the things Jack likes to do. Here's the things that we know he will – the types of hotels he likes to stay at, the types of restaurants, the airlines he likes to fly, and serves it all up for you.

Now, where that breaks down, though, in the commerce world is that, once you get to that point, even using platforms like OpenAI, what happens next? Well, then you say, okay, I want to transact. Well, then it sends you to five different websites. You have to enter, you have to authenticate, you have to log in, you have to enter your credit card information.

There might be like a thing that gets sent to your phone to authenticate that, to make sure it knows who you are. Then you have to enter a shipping address and a billing address and a pin or a code. I mean, it's a very sort of traditional experience.

And so, none of that – there's a lot of friction in that today. And of course, the vision for Intelligent Commerce is, all of that is authenticated in the back end. And so that experience can just continue by saying, the agent could tell you, okay, here's the things that we think you'll like. Would you like to proceed? Hit yes. And then if you hit yes, then it all gets done sort of on your behalf.

And so, imagine how much friction gets removed from that process. And so that's what Intelligent Commerce – it's obviously early days. It'll enable that whole process to work. We had great partners, as you pointed out, OpenAI,

Perplexity, Anthropic, Mistral, Microsoft, Stripe lined up. They all share this vision. It's going to be super exciting to see how it evolves.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Q

Fantastic. And Chris, a couple of weeks ago, you also announced a partnership with Stripe's stablecoin infrastructure firm Bridge. Given that this is a very topical topic, how do you see the path for stablecoin adoption, for example, for cross-border payments? And what role can Visa play here?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah, we view the advancement of crypto, especially in the form of stablecoin as a really interesting and large opportunity for Visa. We've been in the crypto business, if you could call it that, for some time in sort of multiple ways.

I would categorize it in three sort of categories; cards, settlement and programmable money. Those are the three opportunities as we see it. We think stablecoins in particular are interesting. It can revolutionize or can advance the way money moves around the world, the infrastructure for money movement. And then, of course, unlocking the promise of programmable money, I think is super interesting.

So, what have we been doing historically? So, historically we've done a lot in the first two of the three that I mentioned, which is cards. And so, we worked with – going back, sort of, pre-stablecoin even, we worked with Crypto.com and Coinbase to allow Visa-linked cards, crypto-linked cards to be able to spend their crypto.

And since we launched that several years ago, we've done roughly \$95 billion of purchase volume, and we've enabled the cards to be able to spend that – about \$25 billion in spending on those cards.

Now, most of that volume was actually just buying and selling crypto. And so, with stablecoin, obviously it creates a whole new set of use cases. We've also been working with it in settlement in our own operations. Settlement hasn't really been modernized for some time. With stablecoin, we have the opportunity to potentially even do seven-day settlement, which I think is really interesting.

We've done about \$225 million of settlement using stablecoin, and it really was generated by our clients who had asked us, gosh, we operate our business using stablecoin. We have a lot of our clients who like to spend stablecoin, can we just think of stablecoin as another form of currency that we can then settle in because Visa settles in multiple currencies, dozens of currencies today. And so we said, okay, that seems pretty reasonable let's try that out. It continues to grow. It's relatively small today, but we think we'll do (sic) [cross] over \$1 billion in settlement over the next 12 to 18 months.

And then the third, of course, is programmable money. So, with stablecoin, one of the really interesting things is that, it is digital currency, it is digital money. It's going to – we've launched a service called the Visa Token Asset (sic) [Platform], VTAP. I can't remember the exact acronym right now off top of my head, sorry about that.

But we have a service that allows issuers to burn their own stablecoin. And what's programmable money? Well, programmable money is like code. It turns money into code. And so, as code you can – a financial institution can design and create very specific use cases.

So, for example, you can create a loan that automatically disperses itself if certain criteria is met. And you could do that within the code of the money itself. And we think it's exciting. We think there's some early days and a bunch of use cases that are in process.

We're launching this summer with BBVA as the first to try out this sort of programmable money opportunity pilot. And so, I think it's super interesting.

So, I do think that there's a bunch of use cases, like I said. You talked about the Bridge Stripe announcement. I think that's another interesting one. With stablecoin, it's really tapping into the acceptance footprint, right.

So, 150 million merchant locations around the globe, that will be enabled. Bridge will be another one of our partners that enables their customers to be able to tap into that acceptance network. So, I think there's a lot of interesting use cases that are – we're still in early days – but a lot of interesting use cases to come around cards, settlement and programmable money.

**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Q

It's so interesting because crypto and stablecoins are often perceived as risk to Visa and here we are kind of talking about the opportunities that it's creating for you.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

We definitely see it.

**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Q

So, let's talk about how Visa is changing. So, almost a year ago, you announced a number of changes to the Visa card, including Flex Credential and Tap to Everything. We talked about the AI-ready cards already. But tell us about how the Visa card is changing and how that's resonating with your partners?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah. The Flexible Credential, there's been incredible reception to the Flexible Credential. What is the Flexible Credential? It is a single Visa credential that enables the consumer to basically toggle between funding sources, whether that's credit or debit.

Initially launching on credit, debit and Buy Now Pay Later. We've seen a lot of interesting – it's only been basically out in the market for like two years now. But already there's a lot of very interesting ideas and innovation that's coming up.

We launched initially in early 2023 with SMBC in Japan, something we called Olive. They've grown very rapidly. They have millions of consumers now on their Olive card, their Flex Credential card. They saw in 2024, 150% plus growth in in their credential holders for the Flex Credential.

And what's even more interesting is that Flexible Credential holders spend more, they spend 40% more than cardholders that don't have the Flex Credential. And so, I think we sort of hit a nerve in the industry of companies that are interested.

So, once we started with SMBC and Olive, it's expanded. So, we launched with Affirm in the US with their 1.7 million cardholders. About six months ago, we announced a launch with Liv in the UAE and Liv is the first multicurrency. So, I talked about debit and credit. And with Liv, you could actually switch between currencies. And so that gives users ultimate flexibility.

And so, there's been sort of an explosion of ideas not coming from us per se, but coming from the industry, which has also been like the super exciting part of it. There's over 200 use cases now that are in pilot for different ways to use Flexible Credential. We think that we're very, very excited about that.

At our Product Drop event, we announced more expansion, Klarna is going to be a new partner for Flex Credential. They're going to be the first to bring it to Europe. That'll be exciting. There's a number of processors that are on board as well, FIS and Fiserv (sic) [Marqeta] are two that come to mind.

And so again, sort of, early days initially we – like starting two years ago with a single client expanding, getting people excited, getting participants excited really leading with our innovation and one that we're excited to see continue to grow.

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### Harshita Rawat

*Analyst, Bernstein Institutional Services LLC*

Q

I want to go back to your recent Investor Day and revisit the Visa-as-a-Service construct. Remind us about what the unbundled Visa capabilities unlock for you in terms of different payment types? For example, account-to-account similar to crypto, interestingly, account-to-account is often kind of viewed as a risk to Visa and Visa-as-a-Service, kind of, turns that into an opportunity?

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### Christopher Suh

*Chief Financial Officer, Visa, Inc.*

A

This is a good one that we could talk a lot about, Visa-as-a-Service and the evolution of our network strategy in A2A. So let's try to tackle both of those. One of the really interesting parts about our industry, of course, that you all know, everyone in this room knows really, really well is that payments at its core is a digital transaction. Always has been.

Even when digital was much more rudimentary than it is today. Even at our founding, Dee Hock, who's our Founder referred to payments as digital – as data moving across the world at the speed of light.

And so obviously that started very small, sort of rudimentary data moving across a single bank. Today, the number of decades that we've been around, 14.5 thousand financial institutions, 4.8 billion traditional card credentials, 150 million merchants around the world 13 (sic) [14] billion tokenized credentials out there in the world, all moving data around at the speed of – in milliseconds, around the world every day.

And so, the inherent digital nature of the industry makes it ripe for innovation, makes it ripe for all the sort of great ideas from all the participants who can plug in. And I think that's – what makes Visa so special, actually, is that early on we viewed ourselves as a very open platform. We were the first to open up this platform. We were the first to open it up for other participants, to other banks, six decades ago. We were the first to open it up for developers and really become a network of networks.

And so, as a platform, it's always been the source of, whether you're a fintech, whether you're a crypto player or a wallet today, you know that you can rely on Visa to enable the benefits of the network. And so that's what makes

sort of Visa, again, special. It's the network, it's the safety, the security, the reliability, but also the advanced features – tokenization, chargeback, fraud dispute, like all those things that sort of take place.

And so what is Visa-as-a-Service? So, it's really the evolution of that network strategy. It's our open platform, it's our infrastructure layer, it's our developer platform. It's a set of services that are on top of that. That's really been the secret sauce for VisaNet and the success of Visa for so many years.

With the explosion of players in the ecosystem, what we really recognize also is that there's an opportunity now to unbundle the stack and make the componentized parts of the Visa stack or the Visa-as-a-Service stack available to participants of all flavors. Whether you're running in the Visa network or you're running outside the Visa network.

You brought up A2A. I think that's a great example of what's happening with A2A. This question that you posed, is it an opportunity or is it a threat? I think there's elements of so much of our business that where we do compete and we do see opportunities to sort of grow alongside of.

I think it's also may be helpful just to refresh on A2A. We have sort of a three-pronged approach. We compete with our card products. We offer A2A-type services through Tink and Visa Direct for use cases that makes sense.

And then third, we'll continue to grow with value-added services on top of A2A. So what's the – so if I sort of combine the Visa stack strategy with what's happening with A2A, I think there's a really great example.

So, we have a service called Visa Advanced Authorization. It's been in existence since the 1990s. It was sort of the early version of AI, it really took all that payment intelligence that we have across our system and gave our clients the ability to score fraud, assign a score to fraud risk and provide that score to the issuer in sort of milliseconds. And then, they could determine whether they want to take that risk or not.

That was uniquely VisaNet. It's been very successful over its time. It stops – today we have great sort of adoption from our clients. We estimate that it stops about \$30 billion of fraud annually.

Sort of a two-step approach to Visa-as-a-Service. One, we said, okay, can we benefit from – can the industry, the ecosystem, even if it's not on a Visa transaction, can it benefit from VAA?

And we said, yeah, I think that's a logical thing. I think we got a lot of value. And so, in 2024 we launched a network-agnostic VAA service. And in 2024, it scored over 250 million transactions already. And so, again, sort of, progress. We took that one step further with our Visa-as-a-Service strategy and said, okay, in the A2A world, we know that A2A is growing in many parts of the world.

We also know that fraud is a problem in the A2A world where A2A transactions are very simple one way transactions that are permanent. So, we said, of course – we think Visa – we want Visa. We think Visa's the best way to pay and be paid. But we also acknowledged and recognized that there's payments that are happening in A2A networks. And so we think we could add a tremendous amount of value there.

And so, we launched this Visa A2A Protect and we're piloting it in the UK. We're working with eight banks, I believe, that represent about 50% of the RTP networks there with over a 50% fraud detection rate.

In Argentina, now we've scored 8 billion transactions already and with a 70% plus fraud protection rate. And we're piloting with 10 (siic) other banks now, including a handful in Brazil that represent about 20% of the PIX volume as well.

And so, again, we could compete with card. We can certainly sell our own A2A services. But I think the vast opportunity across A2A in different markets around the world is an interesting one. And that's a great example of the Visa stack and how we will continue to drive success alongside of other competing networks as well.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Q

Let's switch gears and talk about the core of Visa, consumer payments. So, we've historically grown several percentage points faster than addressable consumer spend. I know in some markets, such as the US, the delta relative to consumer spend has narrowed.

And I know we've talked about it. Some of that is kind of cyclical, depending on goods versus services spend. Can you expand upon this? How do you see Visa's consumer volume growth prospects relative to addressable spend growth?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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So, we spent a good amount of time at our Investor Day that you referenced earlier in our conversation. Again, that's all available online as well. Jack Forestell does a much thorougher job than I'm going to do here in the next 90 seconds, talking about consumer payments, because it is at the heart of Visa's business. It's the business that we built our business on for many decades.

As excited as we are about VAS and new flows and CMS growth, we still think that there's tremendous runway in front of us in our consumer payments business. We sized it: \$23 trillion of volume around the world that moves in less effective means than we think would be better served running on a Visa network.

Now, comparatively Visa's consumer payments volume last year was about \$11.5 trillion. And so, that's – the addressable opportunity still in front is more than 2x the size of our business today as successful as we've been. There's lots of ways that we're going after that.

That \$23 trillion is comprised of cash and check. It's comprised of ACH and other forms of electronic payment that we think are less effective and less modern, volume that runs on domestic schemes around the globe. And so we have a real opportunity to go after that to continue our growth.

As you pointed out, we've historically grown a lot faster than underlying PCE, about 6 points. If you go back to 2018 to 2023, underlying PCE grew about 4, we grew about 10 in payment volume. So that's a 6-point delta. That was about 7 outside the US, about 5 in the US. And so averaging to about 6. That has shrunk. That gap has shrunk over the last X number of years, as you pointed out.

But I'll also point out that revenue growth has been very, very stable and healthy through that time period as well reflecting, again, the strength of our business. We spend a lot of time on this. And so, let me just sort of dissect that a little bit further.

There's a bunch of markets where digital penetration is very, very high; Norway, Netherlands, Denmark, New Zealand, Canada, Korea. We continue to grow really healthy in those markets, well above underlying PCE. In

places like New Zealand, Netherlands and in Norway (sic), we've grown 9 points above underlying addressable spend.

How have we continued to do that? Well, we've continued to do that through advancements in our technology like Tap to Pay. Tap to Pay is a phenomenal - Tap to Pay as you all know it, it took – you all I'm sure tap every single day, but the underlying infrastructure and underlying effort it actually was a heavy lift to get there because you have to have NFC-enabled cards which means we have 4.8 billion cards in the world today, think about all the issuers having to modernize those cards, replace them with chip-enabled NFC cards or in your phone, we have 150 million merchants around the world, you have to get point of sale terminals that accept NFC cards.

And so that was a heavy lift. But once you got there, what happened is that it's become habit. And the great thing about habit. So, there are certain habits that are daily like transit. So transit was sort of a Trojan horse into Tap to Pay as people tapped for transit for the billions of people around the world that take transit.

They also then would tap at the grocery store, at the restaurant and et cetera, et cetera. And the halo effect of all that is that, once you start tapping, you actually spend more. And so, we find that payment volume is 15% higher for people that tap because of – not just because of the one transaction, but because they tap and there's no friction, and it's a smoother, easier process at all the places they shop and conduct commerce at.

There's more volume, there's 18% more transactions. And so in places like Norway, Netherlands, New Zealand, tapping and innovation has been a great leading indicator of success.

We're also gaining share from domestic schemes. In many markets, the domestic schemes are, they served a purpose. They've been quite successful. We just think that we have a better value proposition, international acceptance, authentication, again, our advancements with our network strategy around fraud detection and AI, we think we have a very good solution there. And we continue to win share against competitors as well. And so, again, we'll continue to win even in markets that have high digital penetration or low cash.

In our Investor Day presentation, Jack then went through a number of reasons why consumer payments will continue to grow, putting aside even the Norway example here for a second. He actually went through in detail six of them.

A lot of them were based on our technology. We talked about Flex Credential. We talked about A2A as an example. He went through three or four of these examples. Tap To Everything, which I just talked about is another unlock for that.

We talked about our focus on cross-border and affluent and A2A. And so, there's six very distinct strategies that we're going after to continue to win in consumer payments. Add that all up, I know it's a very long answer to a very simple – what seems like a very simple question – but when you add that all up, it gives us great confidence to say we're going to continue to grow our consumer payments business faster than the underlying spend.

Then you add in the great momentum that we have with value-added services and with CMS and I think you see why we're so confident.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*



And I know some of the stats you gave around share gains versus domestic schemes, for example, in Continental Europe, Germany, France were really interesting [indiscernible] (00:46:21) Investor Day.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Yeah, I mean, Europe for us, if I could just sidebar for a minute on Europe. I mean, Europe is one of our most interesting and exciting opportunities for us. We classify that as a high potential market in sort of our go-to-market approach.

And by that we mean, it's got mature, sophisticated digital infrastructure and penetration and still high level of cash. There's \$2 trillion of available cash in Europe today, which is about 20% of the available cash in the world. So, you have this sort of juxtaposition, a really, sort of, exciting juxtaposition of sophisticated, mature, advanced, mature markets, mature economies and high cash. And so, we continue to go after that in a significant way. As well as, not just the cash part, then the thing that you just talked about, which is, in France – I was just in France last week and how we're competing against the local domestic scheme – very exciting.

In Germany, in Italy, there's significant share held by domestic schemes. And again, I just think we have a stronger value proposition and we're going to continue to win share from them.

We've invested a ton in Europe. Over the last five years, we've opened six new offices, doubled the amount of employees that we have there. We've added 10 million merchant locations. It's been, sort of, a fantastic – we've won share, as you pointed out, the share references. We've taken share from both the domestic schemes and from our global competitors. Europe is an exciting market for us.

**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

Q

So, Chris, let's switch gears and talk about a growing contributor to Visa's growth algorithm, value-added services. So at the Investor Day, you laid out the addressable market for VAS at \$520 billion. How did you size that? And looking forward, how should we think about the VAS growth algorithm with respect to new services, penetration of existing services and geo expansion?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

We're incredibly excited and happy and just pleased with the progress that we've made with our value-added services. The execution, the market momentum, really the commercialization, the professionalization of the business within Visa, I think we're very proud of all of that.

It's \$8.8 billion in FY 2024, which is about 25% of our business, and it grew at 20%. So, anytime we have a quarter of our business growing 20%, I think as a CFO it brings a smile to my face, I will say.

One of the things that we did at Investor Day – and we've talked about this business for a while, but one of the things – the feedback we got from yourselves and your colleagues is that, gosh, it's exciting to see that revenue growth, but we don't really understand what it is. You talked about many, many services in there, but can you give us a little bit more disclosure and color about, what constitutes value-added services. And so that's one of the important things that we did in our February Analyst Day.

We decomposed the \$8.8 billion into four portfolios. We call them Issuing Solutions, which is services for our issuer clients; Acceptance Solutions, services for our acceptance clients; Risk And Security Services, which is a little bit Visa agnostic, but security services like VAA that I just talked about; and the fourth being Advisory and Other, which is consulting, advisory, marking services and open banking.

Not only did we do that, we gave you the revenue sizing. So, Issuing Solutions is the largest at over \$3 billion, growing in the mid-teens, and the smallest is Advisory and Other at \$1.3 billion growing 30% plus. And so, again, four portfolios all over a \$1 billion each, all growing in the mid-teens or even in some cases up to the 30s. And so, a really sort of diverse business within itself. VAS isn't a single service, clearly.

And then Antony Cahill, who runs that business, or at least ran that business until some announcements this week, shared with you sort of the strategies by which we're going after each of them. And important to that was the addressable opportunity that you started the question with, which is the \$500 billion plus.

In each of those four categories, I think the smallest TAM that we see is \$95 billion. And then each of the other three portfolios goes after somewhere between \$125 billion to \$150 billion of opportunity. And so, enormous numbers relative to the – as big as the \$8.8 billion is, it's an enormous market opportunity. It's the revenue opportunity, right, for all the participants that play across the 200 services that constitutes these four portfolios.

We're going to compete hard to go after all of those. We're very excited about that. We think about – you asked about the growth algorithm. I think the growth algorithm aside, looking at all the, sort of, individual products and the TAMs that they participate in and can we take share, can we win, can we execute – another sort of simplifying construct to think about our growth algorithm is around, sort of three levers, three sort of categories, if you will.

One is around enhancing Visa transactions or Visa payments. And so a significant portion of the business, more than 50%, depending on how you think about it, is closely associated with the Visa transaction. And our ability to excel and consistently excel with that with an ever-expanding geo footprint and ever-expanding, sort of product footprint.

Two, is our ability to sell across all networks, whether it's Visa or other networks, when you think about some of the examples I was giving around fraud detection and network agnostic fraud detection or A2A.

And then the third one, of course, is the value that comes from advisory and marketing services. And we have this great stable of assets around our sponsorships with NFL, with FIFA, with F1, with Olympics that enable us to curate a very specific set of marketing services as well.

We have great intelligence in our advisory business as well that's driven the 30% growth that you've seen in the Advisory and Other category.

And so think about the growth algorithm as tied to those three buckets with the huge TAM in front of us, the innovation cadence, the strong execution – I haven't even really touched on go-to-market and execution, but we've done, I think, a terrific job of really bringing specialized sellers. Antony talked about that at Investor Day as well. We have nearly 500 specialists in our regions now that co-locate, work with clients every day to really bring this to life. The purpose of the VAS at the end of the day is to help our clients succeed. And when they're successful, that's good for Visa in the – it's a very virtuous cycle that way. It deepens our engagements. It helps them succeed. It drives more volume. And so that's why value-added services exist. And I'm really, really proud of the team for what we've been able to do.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*



There is so much to discuss there, Chris.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

There is a lot. Sorry. You got me all excited.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

So, in the interest of time though, I'll switch gears and ask you about commercial cards. This is an area where you've had good growth in revenue, but the growth kind of pales in comparison to the enormous addressable market you have.

Q

There's often a perception that cost of acceptance for cards is often a sticking point, hindering the growth of cards and new payment flows. So tell us about your value proposition, the ROI you bring from a business' perspective and the resources you're putting into this business now?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

Yeah. An exciting opportunity. When we talk about our business, it's our consumer payments, it's our value-added services. And then we talk about CMS. Some of you remember that as called New Flows, we rebranded that, it's called Commercial and Money Movement Solutions or CMS, so when I refer to CMS.

A

And commercial cards is the big, sort of the biggest portfolio within the CMS business. I think of it in two ways. Certainly, the opportunity is enormous. We've talked about a \$200 trillion payment volume addressable market, a good portion of it is addressable today with the services that we have. And a good portion of it will be addressable in the future as we continue to innovate and evolve.

You could think about it as both a market element and then what we're doing to sort of outgrow the market. We are the largest player in the commercial card space. We have 40% market share and we're growing faster than the competitors. And so, on the one hand, the market conditions are what they are. And we're continuing to grow faster than the market. So, we feel okay about that. But still recognizing that, we have aspirations for it to grow a lot more.

The commercial card business in many senses has elements that are similar to the consumer card business, meaning its issuance, its acceptance and its engagement. And so, how can we drive all that in partnership with our partners.

You could drive more cards and win share with issuers, you could drive more acceptance and then customize forms of acceptance that could drive experiences, whether that's virtual cards or vertical solutions.

You touched on a very important question that does come up and it's the cost of acceptance or at least the perceived cost of acceptance, which I think is a mental hurdle out there a little bit. But we've done some of this. And I think we could do a better job of educating the ecosystem around what the true cost of acceptance is. Because, we've done studies on this, while the cost of accepting a card for a merchant might be – a supplier might be, let's say 3%, the benefit from accepting cards unlocks faster collections, lower default rates. And it actually unlocks more revenue as you give clients or your customers, the merchant's customers, the ability to pay in a way that they want to be paid with and the funding sources they want to use.

And so, the ROI on accepting cards is much more positive than the 3%; we think it's probably 2x the cost. And so, I think we could – as an industry, I think we can educate a lot more in addition to continue to advance, the innovation and the use cases and the engagement. It's a long play, it's a huge TAM. We're excited about it.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

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Chris, we are running out of time. So, my last question for you, Visa Direct, something quite differentiated for Visa. You now have reached to 11 billion endpoints. You've augmented the value proposition with a number of investments over the years. Tell us about the evolving use cases beyond person-to-person. And also, is cross-border a meaningful portion of Visa Direct today?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Great question to end on. Visa Direct has been one of our most exciting growth opportunities. I talk about innovation and the cadence of innovation. It's really something that we're leading the industry on.

And as you pointed out, it took a lot of work to get the infrastructure, all the different participants, as you can imagine, to get to over 11 billion endpoints, whether that's cards, wallets, accounts, to be able to move money from any point to any point. I think that's really, really exciting. P2P was, sort of, the use case that was predominant.

And it's still sort of the bulk of the volume, I would say. But we're seeing great growth in other use cases: merchant settlement, social media and sort of gig worker payouts is a really interesting one.

We think that Visa Direct could become effectively the payroll engine for gig economy workers. If you think about a Lyft driver or any sort of other gig economy worker, it allows companies to literally daily move money based on the volume that they drive.

And so there's a tremendous amount of use cases. The important thing is we've done all the work to build the infrastructure layer. There are literally hundreds and hundreds of participants, whether you're a domestic scheme or whether you're a global network, all the 11 billion endpoints, as I talked about all the use cases – 65 of them today and continues to grow.

And so it really is an interesting and fast growth opportunity. We also shared with – the metric that we share every quarter, of course, is the transaction growth. We think that's the best metric. We also importantly pointed out at our Investor Day that those transactions come at a pretty healthy yield of \$0.09 to \$0.10 per transaction.

And so even though we talked about the transactions, you could be assured that there's a good financial sort of economic rationale and reasoning behind the volume growth, continues to see the expansion of use cases very excited about it.

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**Harshita Rawat**

*Analyst, Bernstein Institutional Services LLC*

I really enjoyed the conversation, Chris. This is great. Thank you so much.

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## Christopher Suh

*Chief Financial Officer, Visa, Inc.*

Thank you so much.

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