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# Visa, Inc. (V)

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## CORPORATE PARTICIPANTS

**Christopher Suh**  
*Chief Financial Officer, Visa, Inc.*

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**Will Nance**  
*Analyst, Goldman Sachs & Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Will Nance**  
*Analyst, Goldman Sachs & Co. LLC*

Okay. We're going to start off. Thanks everyone for being here. I'm Will Nance. I cover payments and fintech here at Goldman and today we are very fortunate to have Chris Suh, CFO of Visa. Prior to joining Visa, Chris spent over 20 years at Microsoft and held a number of senior roles there. Chris, really appreciate you being here today and looking forward to the discussion.

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**Christopher Suh**  
*Chief Financial Officer, Visa, Inc.*

Hey, Will. Great to be here. Thanks for having me.

## QUESTION AND ANSWER SECTION

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Awesome. So maybe to kick things off, we've got to start a little bit more big picture in terms of what you're kind of seeing out there. The focus on July spending trends at earnings was on some more of the kind of timing related factors. I think as we got through the summer, the focus shifted more towards employment trends and some of the cross-currents in the macro. How are you kind of feeling about the overall environment, have some of those timing related things in July kind of faded?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Yeah, when we talked about our results in July, we did give the three week update for the first three weeks of July and we talked about a number of these one-time factors. Weather was one of them – I talked about Hurricane Beryl. And so, it's sort of interesting. I would have never imagined talking about weather as much as I have over the last few earnings calls. But it's also a good reminder, it is three weeks of data. And so small things can impact three weeks that really aren't necessarily material to the quarter in total.

And so like what happened in January when we also had a little bit of a slow start in some of the numbers, we have seen the quarter-to-date results rebound. And so quarter-to-date, things are looking generally stable with Q3, and that's in the US and a number of major markets around the world, and I'll sort of give you some numbers. US payment volumes quarter-to-date through August, up 5%, which is consistent with Q3.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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Yeah.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Cross-border excluding Intra-Europe in total, up 13% quarter-to-date, which is exactly in line with the expectation that we had for Q4. And within that, also consistent trends where you see card-not-present excluding travel growth, outpacing cross-border travel. Again, consistent with a number of the trends that we've been talking about in Q3 and then finally processed transactions growth through the end of August, also up 10%, consistent with Q3. So we'll see – let's see how September finishes out. We got a few weeks left and then we'll share lots of details with you in our earnings call.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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That's great. Great to hear the consistency. Great to hear about the rebound. I wanted to maybe dig in on some of our recent trends in the US. So the Fed is on the verge of cutting rates. The narrative has been that they need to respond more swiftly now to what appears to be some mild softening in employment trends, potential stresses on the low income consumer. When you look at things like the weakness in ticket sizes, lower consumer confidence, what do those things say about how the consumer is dealing with the economic backdrop?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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There is a lot to process. We're not economists. And so like you, we sort of try to digest all the – interest rates, will they, won't they, inflation data, jobs data, as you pointed out, lots going on and we try to process all that, take that into account as we reason over our data. And that's the important thing. At the end of the day, we have access to an incredible breadth of data and we are data driven. And so, when we look at our data, the thing that we said – thing I just said and the thing that we've really said through the course of the year is that underlying trends have been stable, which is another way of saying consumer has been, held up remarkably well. And in some context, take all the things that we just talked about, employment uncertainty, the things that the average consumers have had to deal with, probably rising loan payments, the price of groceries, all these things.

And so in that context, I would almost say the consumer has been remarkably resilient. And so, we sort of take that all into account and we feel pretty good about where we see consumer health in general. And like I said, we'll see how it plays out for the rest of the year. But we feel pretty good the consumer has been able to withstand a lot.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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Yeah. Makes sense. And then just finally, I wanted to discuss maybe some of the trends we've seen out of APAC. I think it's been fairly well telegraphed some of the softening trends, particularly in Mainland China. You tweaked your volume expectations early in the year as a function of what you're seeing there, any updates on just APAC trends more broadly?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Sure, we're almost – we're at the end of our fiscal year. We're like days or weeks away from the end of our fiscal year. And so, one of the things I've done is kind of take stock of how the business came in relative to the expectations when we first spoke to what we thought was going to happen this year in trends, including Asia, and we've kind of taken a moment to do that.

Many things have played out as we expected. One of the things that I'm pleased to be able to do was to be able to reiterate our view on, consistently throughout the course of the year on revenue and EPS growth, of low double digit revenue growth for the full year. And we reiterated that, that's on adjusted constant currency basis, we reiterated that in our last earnings call as well. And so we feel good about that. The sort of the – what's happened in Asia, that's played out differently than we expected 10, 11 months ago. And it's played out differently in a couple of ways.

One is, as you reference volumes, which really is impacted by domestic volumes, it's impacted by domestic volumes mainly in Mainland China. It's been a factor of macroeconomic conditions that we've seen there and you can kind of see it in the numbers. Payment volumes in AP in the third quarter were almost flat year-over-year, just less than 0.5 point of growth year-over-year. And that was down sequentially from Q2. But also the impact of China, you can kind of gauge because ex-China, it was flat from Q2 to Q3. That's also impacting the payment volume, as you mentioned. But it doesn't impact processed transactions because we don't process domestically in China.

And from a revenue standpoint, that volume didn't have much impact on the revenues for the year. So that's sort of the story of what we're seeing in AP and domestic. And then the other part that's played out differently has

been cross-border travel in and out of Asia. At the start of the year, we talked about the fact that AP had been a laggard – like all the other regions were pretty well ahead of 2019 levels, pre-pandemic levels of travel. And in Asia, it was a laggard. And so our analysis, our trends, our best guess at the time was that it would make up that gap. We'd close the gap a bit and AP travel would recover.

It's continued to recover not at the pace that we anticipated at the start of the year. And there's been a number of factors. We talked about sort of the macroeconomic weakness but also currency, not just it's been in Japan like low exchange rates, Japan, Taiwan, Korea, flight capacity, flight bookings and capacity still well below 2019 levels. And so that's been something that we've continued to monitor very carefully. And so those are sort of the two parts that I think have played out for the year differently.

But really, if I zoom out, I still think, I just want to say this, which is when we look at Asia, we'll get through whatever near-term challenges that presents and Asia for us still represents an incredible growth market, to bring that to life. Just last week, I met with an important client from Indonesia. They brought a number of their senior execs. They came to Visa, excited to work with us, excited to grow together. And a market like Indonesia, its population 280 million people, which is not that far below the size of the US.

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**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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Right.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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It has – their PC is predominantly in cash and they have a growing affluent class that's rapidly growing. And so, when you look at markets like that and there's many such examples around the world, we're incredibly optimistic that Asia will continue to be a great growth story for us.

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**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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Right. So maybe let's zoom out a bit from some of the recent trends. There's been a cyclical versus secular debate going on in the payments industry around US spending growth and specifically US carded growth. Notably, at a time when there's been a lot of normalization in spending patterns in the wake of COVID, in the wake of elevated inflation, what do you think is the growth algorithm for US card spend going forward, and where do you see the greatest opportunity for carded penetration to increase?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Yeah, listen, again, if I zoom back a little bit and just start with what – how I think about the US, where the US has come over the last few decades. It's incredible, the modernization of payments, and I think it's kind of important to start with that perspective. The consumer convenience, the simplification, the ease of use and that's really advanced digital payments throughout. It wasn't that long ago that cash was king. It wasn't that long ago that using a card for everyday transactions was not the preferred way. And I think you all know the feeling today, like if you're standing behind someone in the checkout line and they're like reaching into the wallet to bring cash out, that's not – you're not loving that experience, right.

And so I offer that because I think it's sort of important to say, like structurally, fundamentally, the way transactions and commerce happens, it's just different and it's a permanent difference. And so, digitization and

modern payments is the new normal. But I know that's not the question you're asking. You're sort of saying, hey, but now that we could admire sort of stuff in the rearview mirror, but where are we now and is that music sort of slowing or stopping and from where I sit and where we sit from Visa? The answer is absolutely no. It's not stopping. Let's talk about sort of the opportunity ahead.

Recently we shared an updated view of the consumer payments opportunity globally, the \$20 trillion opportunity still in front of us and that \$20 trillion is comprised of cash and check, which is roughly half of that volume, half of that addressable opportunity ACH and other forms of digital payment as well, make up and other domestic schemes make up sort of the remainder of that. About a quarter of that – \$20 trillion is a ginormous number...

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**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Right.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

...and about a quarter of that opportunity is still in the US by our estimation. So how do we go after that, how do we continue to grow at or above PCE levels, we continue to go after the remaining cash through focused efforts around engagement and acceptance, things like Tap to Pay where the US is now at 50%, which is roughly 30 points below the rest of the world, which is roughly about 80%. And that's taking place in an environment where 80% of face-to-face transactions take place at merchants that are enabled for contactless.

And so, you could easily see sort of the path there, focused acceptance strategies like transit has been a key unlock in that. So hence a city like New York has gotten to 75%. The first major city in the US to go do that. E-commerce is another way that we continue to – e-commerce really took off over the last few years, especially with the pandemic accelerating. Obviously, cash isn't an option in the e-commerce world and we do this by continuing to innovate in solutions and products and services that make that e-commerce experience even better. We talked about a number of things at our Visa Payments Forum back in May, flexible credentials, payment passkeys, data tokens, things like this, all continues to make the e-commerce experience even greater. So that's sort of the cash story. But then, you could zoom out and say, okay, there is a lot of flows that are traditionally not carded.

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**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Right.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

Whether that's rent, whether that's loan repayments and we have great solutions that we're going after to do to penetrate into that addressable opportunity. And then the third thing I'd say is you can think more expansively than – and think about our business is really diversifying at a pretty rapid clip. And so, I know we're focused on consumer payments quite a bit, but you have a large and growing value added services business. You have new flows that are outside of the traditional consumer to payment business, consumer to merchant business. And so that all, sort of affords us the opportunity to continue to see healthy growth in the US. And then maybe the last point I'd make is, there's plenty of examples as well of markets that are even further penetrated than the US and they continue to see very healthy growth for a lot of the reasons that I talked about. And so, when you add that all up, our optimism about the runway ahead for the US remains very high.

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**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

So given what you're expecting in terms of spending growth and cash penetration for the next several years, you just talked about the trends in the US, but if we broaden it out to the entire world, do you still see runway for Visa to be a double digit top line grower for years into the future?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah, I mean, we like – we've talked consistently about kind of the components of our growth story. And we like those components. It's consumer payments, it's value added services and it's new flows. I talked a little bit about consumer payments in the context of the US already, which I said was a \$5 trillion of the \$20 trillion. So, maybe the simple way to think about that globally is you sort of multiply that by four and take all the things that I said about things that we do in the US. But then also add on to the fact that there's many markets in Africa, in Asia, in the Middle East and Latin America, where cash is still predominantly the bigger portion of the total PCE. And so they're much earlier in the cash digitization lifecycle. And so globally we feel really good about the consumer payments opportunity around the world, in the US and outside of the other markets.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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So then there's new – there's our value added services and new flows opportunities. And both those businesses have continued to grow really healthy. We got good momentum. I think we have good strategic focus and good execution along all of it. For value added services, Q3 \$2.3 (sic) [\$2.2] billion growing 20-plus-percent again for the – every quarter of this year, we've grown north of 20%. And so there's durable, consistent growth and a business that's a – \$2.2 billion was 25% of our business in Q3. So we feel really good about that. We grow that business in a way that helps our clients be successful, helps our clients protect their business. And when they do that and when we do that, well, it creates a tailwind for the whole ecosystem, which then in turn is good for Visa as well.

And then new flows, new flows for us is maybe the biggest addressable market opportunity. It's early days, but it's really one of the biggest. We've sized that at \$200 trillion, and a \$200 trillion of addressable opportunity, that's 10x the consumer payment opportunity that I just talked about. My partner and friend Chris Newkirk, who runs – who's the leader of our new flows business at Visa. He likes to point out that that \$200 trillion, that's 44 times the total US federal tax income in a year. So think about all the tax revenues collected in the US in a year and times up by like 44 times. And that's the size of the opportunity that new flows represents. If I just take one sliver of that. So the most mature piece of that opportunity is our carded B2B business in VCS, that's \$20 trillion of, so it's 10% of the total opportunity. And that \$20 trillion opportunity – in 2003 (sic) [2023], our payment volume was \$1.6 trillion of that. So it's less than 10% of a sliver of that is less than 10% of the whole opportunity.

And so when we look forward, obviously, like I said, it's early days and there's lots of work to do. But the greenfield opportunity here in new flows is really exciting. And so, again, looking at consumer payments, this is the business we've been in for many years and we know how to operate there and continue to grow value added services, the execution, the size, the breadth, the momentum and the opportunity of new flows. When you put all that together, you could see sort of the reason why I'm bullish about our growth.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*



Yeah. Makes a lot of sense. I wanted to round out the discussion on some of the recent events. The litigation headlines around the networks have remained in focus since earlier this year and I think one question that we've got a lot recently is around credit interchange reductions as a potential remedy to what's been happening. And so the question goes, if banks have to absorb less revenue from credit cards, does that bleed over to the economics that the networks get and that you're able to charge, can you maybe address that specifically and then anything else that you'd like to touch on the recent topics around litigation?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*



Yeah, sure, so I'll start with – I'll get to your question. I'll start with a little bit of our perspective on litigation. We were obviously disappointed with the judge's ruling to reject the settlement. We thought the settlement was fair and provided for meaningful relief to all merchants. And we think the decision actually failed to take into full consideration the complexity of the multi-sided ecosystem that we operate in. So we're going to continue to pursue settlement. We think that's the best course of action. At the same time, we'll continue to explain and educate our point of view on A, the complexities of the ecosystem that we operate in, B, the key components of the settlement agreement and C, the fact that we think the terms were good for merchants of all sizes and finally that an agreement of this nature is good for the US payments ecosystem broadly and continues to ensure that it remains the most advanced in the world. So we'll continue to do those sort of in parallel.

Couple of other points, we can and will, a settlement can be pursued and negotiated and agreed upon before any potential trial, during a potential trial, even after a potential trial. So settlement is on the table consistently. It's also non-opt out class. So that means we negotiate with the merchant class counsel. And then finally, to your question, while I can't comment on specifics about a settlement in discussion, the thing that I'd offer is that the Durbin amendment on debit has something called an anti-evasion clause, and there was similar language in the agreement that we had put forth for review.

And what that really means is that we can't do anything programmatically to systematically transfer network fees that we collect from acquirers or merchants and pass those economics along to issuers. And so that's prohibited by the anti-evasion clause. And there was, again, similar language like that in the proposed settlement. And like I said, most importantly, we're going to continue to pursue settlement in it. And we're committed to that.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*



Got it. I appreciate that. I know it's nuanced, but it is important. So I appreciate...

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*



Yeah.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*



... you've gone through that. Okay. Let's switch gears to something much more exciting value added services, big picture, can we talk higher level about strategy around the importance of value added services to the long term story? So you've made – for so long, Visa has made so much money with this very simple high margin way, taking a very small percentage of a very large and growing number. How do you think the mix shift of the

business towards value added services and away from the base card network means for the business. How does that change the economics and the way that the participants in the ecosystem derive value from the network?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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You're right, this is a much more interesting question and topic and much more exciting. It has been one of the bright spots in our company's performance and results. I talked about the momentum and the strategy. I mean, why it's so strategically important for us is A, when we do a good job of providing value to our clients through innovative products and services, it really deepens and strengthens those client engagements and it helps them grow and protect their business and B, it's a great pipeline for innovation. So, it's our innovation pipe, new products, new services. It lets us reach a new addressable TAM. It also gives us the opportunity to expand geographically in a much more expansive way. And when we do both of those things right, it ensures that Visa remains the best way to pay and be paid.

And it really has the sort of virtuous cycle effect of when a client is more successful, when they're growing their business, when their business is more secure, it increases volumes. And it in turn becomes the sort of flywheel effect. And so that's why it's so strategically important. The second part of your question, where you talked about sort of the mix of business and then I think you used the word, shifting away from, and our network, sort of the traditional network part of the business. And that's different than the way that I think about it, certainly, because I don't think about it as a shift away. I don't think about it as an or, I think about it as an and. It's much more complementary in that nature because I talked about sort of the flywheel and the symbiotic nature. If you look at sort of the composition of our VAS business and growth, I think that maybe that's a way to maybe highlight this a little bit.

Today the composition of that VAS revenue, the most significant contributor to VAS revenue is our VAS services or value added services that we provisioned on top of Visa transactions. And so think about it again, like if we're successful there, we have the ability to improve the whole ecosystem and ensure that Visa continues to do that. A couple of examples like we do that with something in a traditional sense, like something called the Visa Deep Authorization, which is our AI powered risk scoring tool for service for card-not-present transactions. That looks a lot like a traditional sort of network product. And then you have something that looks very different, like card benefits, which we provide to issuers so that they can differentiate the value proposition of their cards over their competitors. And so we're helping them grow their business through these variety of services.

We also can then continue to grow across all transactions, not just Visa, but non-Visa as well. And so think about Cybersource, think about DPS, which is our issuer processor for debit in the US. These continue to grow on sort of volumes that are outside Visa and non-Visa. And then the third leg of growth for us is really unrelated to a payments network altogether. It's where we bring our deep expertise in payments and we provide consulting and advisory services and marketing services, and that lets us again continue to grow the ecosystem. So all of this sort of is this great virtuous cycle. It adds to the health of the ecosystem. It grows the ecosystem. And as a result, we all sort of – all the players in the ecosystem benefit. And that feels really good.

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**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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Yeah. So, Visa become a much larger piece of the story over time, over \$8 billion of run rate business annually growing over 20% as you mentioned earlier. Since we're asking more kind of CFO type questions, could you kind of help us break down and think about that \$8 billion, what are some of the main components in the business today and how do we kind of see that flowing through the P&L as we see it externally?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Okay, yeah, let's get CFO-like here. So I talked about sort of all the strategic reasons in the flywheel, but let's talk – and the future opportunity, but let's talk about sort of what the business looks like today and the way that we manage the business. We look at the business across five service lines effectively. The first one is issuing solutions, which per its namesake, their services targeting our issuing clients helps them continue to issue cards and do all the things that they do well. Bucket two is acceptance solutions. So these are services for our acquirers and merchants on the other side of the aisle, helps them optimize, receive digital payments, et cetera.

Three is risk and advisory (sic) [identity] services (sic) [solutions]. So this really looks after fraud and helps secure the network, secure and protect the network. And then the fourth one is the advisory and consulting services. That's one that I talked about being sort of non-related to any particular network. It's consulting, it's advisory, it's marketing services. And the fifth one is the newest, it's the most nascent, it's open banking and primarily powered by Tink. And so you have five lines of business. They're distinct, they have sort of different attributes to them. They're all growing well. We're seeing good, healthy growth across all five lines of business.

The second part of it is then, sort of how does that show up in our financials. I talked about \$2.2 billion growing at the – which is 25% of our business, and growing at the rate, that it does. It shows up in a couple of ways. One is about 60%, roughly two-thirds of the business revenue. And this does vary from quarter-to-quarter...

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

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Sure.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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...depending on different growth rates. But let's say up to two-thirds of the business will show up as data processing revenue because it is related to a transaction and then the remainder is split historically, at least typically about 50-50 between service revenue and other, with service revenue capturing, for example, card benefits that are sold as part of a package and other, including marketing and advisory as well as some card benefits like lounge access.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Now again, this can vary from quarter-to-quarter, especially when we see strong growth like we saw in Q3 where other grew 31% with strong advisory, strong marketing, and Olympics driven marketing, and a little bit of pricing as well. And so that can vary from quarter-to-quarter.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Okay. Maybe we can pivot to new flows. Still early innings here. I know building scale networks takes time. What are the largest opportunities that you are focused on and what are some of the biggest challenges that you face in kind of adding nontraditional payment flows to the networks?

**Christopher Suh***Chief Financial Officer, Visa, Inc.*

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Well, it is early days. I like the way that you – early innings, I like the way you said that. But we're very optimistic about the opportunity here. I talked about the very significant addressable opportunity, the \$200 trillion. And by early days, like the example I gave the 10% of the 10%, I mean, the vast majority of that \$200 trillion is still in front of us, which is great. But the second part that gives me confidence is that there are real legitimate – this isn't just sort of a theoretical exercise. They're real pain points and real problems to be solved. And Visa's in a unique position to help solve them, especially as you get into sort of the bigger B2B AP/AR and things like this. If you really sort of click into that, you see that processes are manual, they're inefficient. They haven't benefited. If you look what's happened on the consumer payment side, it took decades, right, to get to where we are today, which is this seamless, modern and simple experience. The commercial side has none of that...

**Will Nance***Analyst, Goldman Sachs & Co. LLC*

Q

Right.

**Christopher Suh***Chief Financial Officer, Visa, Inc.*

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... today. And so, it is a long game to get to that point. But if you look at all the sort of manual nature of – just take an example like a supplier. They have to match an invoice to a payment. They have to reconcile, they have to get it into their ERP system. I mean, these are all manual processes and clunky and hard. And so any solution that Visa brings to the market will have to really modernize that and if we do so, I think there's a lot to be unlocked. The third thing I'd point to, so one, the addressable opportunity, two, real problems, real pain points to be solved, and three, we do have a great product market fit already and we continue to innovate to grow that take – you take our VCS business. I talked about sort of the \$1.6 trillion in commercial carded business and I'll use that example because it tends to be the most developed today.

In one aspect, it looks like – the motions look a lot like consumer payments. We grow credentials, we work on growing acceptance and we work on growing usage and engagement. So that kind of feels like a parallel. But we have to do things for commercial customers in a different way, right. Growing issuance, for example, where there's a different product that serves the need. And in this case, the example I'll use is virtual cards. And so virtual cards is a very useful tool and it's very useful for commercial clients because it does a bunch of things. It's more secure, it's a single use scenario. And so, you could issue that virtual card to an employee, they could use it for a single purpose and then can't be reused again, very secure. It can be tailored, it can be customized. There's a lot of control. So you can set it, set a spending limit, you can set it to a type of transaction.

There's working capital benefits, there's flexibility. And how and when you pay, it works on cross-border. And so there's all these sort of a great virtual card, and we have tools that enable our issuing clients to be able to issue virtual cards. And then on the other side for a supplier, for merchant, there's Visa AR manager that lets you automate the acceptance of virtual cards, so you can really complete the scenario end to end and that's the way that you go about solving these things. Maybe the last thing I'll point to is that the execution, it's – all this will tap into the power of Visa, our scale, our distribution, the power of our network, our trust, our brand. All that, when you put it together is a really exciting opportunity for us.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. So we're about four years post the start of the pandemic. I think investors are still weighing the cadence of sort of post COVID and cross-border normalization in particular, I think normalization of travel has been in focus. With the business running at sort of mid-teens, you just gave us an update of where you're running...

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Yeah.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

...so far in the third quarter. How are you thinking about the trajectory of cross-border volume growth going forward and the mix between e-commerce and travel?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah, really good question. And one that, we've stared at a lot, because you may imagine, because cross-border for is – it is impactful to our P&L and so it's super important for us and we're very focused on that.

You mentioned sort of pre-COVID, post-COVID. So let's kind of do the walk a little bit. So pre-COVID, total cross-border volume growth, ex Intra-Europe, the growth was, let's say, high single digits to low double digits depending on a period. And within that, the e-commerce piece grew a little bit faster and travel – cross-border travel grew a little bit slower.

And the e-commerce piece was about a third of the business in total. Obviously, the pandemic happened, e-commerce kind of took off, travel kind of went away for a bit. And today – what do we have today? So today, when we look at the business that – there's been sort of a permanent structural shift, we have e-commerce that is now about 40% of the business and it's continuing to grow at a very healthy clip. It sort of continues to grow at the pre-COVID levels. It's sort of normalized. It's the most normal year, I think we called it, that we've had in a while. It's normalized and in fact, it's even outperformed that in recent quarters a little bit.

So we've kind of found what we feel like is a new normal for e-commerce and it's a bigger portion of the business total. Travel is the one that has been harder to predict. Like it's continued to be elevated in a bunch of regions. It's lagging in AP, we talked about that. I think anyone who's been in an airport recently, you see, it's busy.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Travel doesn't look like it's abating, but it's kind of difficult to know exactly where that's going to fully settle out. We think AP will continue to improve at a slower pace. And when that all settles out, we'll certainly share with you the results when we see it. But net-net, when you sort of add it together, you have now a bigger portion of the

business that's weighted toward e-commerce cross-border and that's a tailwind to the total cross-border growth. And that's kind of how we see it. And that's how we've been explaining it in each quarterly call.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. We're about to hit time here. I want to just maybe turn over to incentives. These have been hanging in the 27% to 28% range as percentage of gross revenue for a while now, were a little elevated in the first part of the fiscal year. You're calling for that to kind of slow in terms of the year-over-year growth exiting the year. What is your outlook for incentives over the longer term and then shorter term, are there any kind of chunkier renewal dynamics to be mindful of in the coming years?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Good, I can answer this one in 30 seconds.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Right.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

So we'll do it. When we started the year, the directional guidance we gave was that 2024 growth – year-over-year growth would be below 2023. It really had – it was a factor of the renewal, the volumes of renewals that we anticipated, we had a bigger renewal year in 2023, we have less in 2024. But the thing I'll say is, I get why you asked, there's interest in terms of this percent of gross volumes. But and I'll say this again, and I've said it before and I'll say it again, it's just not consistent with how we manage the business. We really think about – how do we align with our clients to grow volumes, to expand into new markets, expand into geos, to grow net revenue. And if we do that, it'll take care of itself at the end of the day. And that's our, what – we'll do, we're focused on those things. We're going to grow volumes. We're going to help our clients be successful and we're going to grow net revenues in the process.

**Will Nance**

*Analyst, Goldman Sachs & Co. LLC*

Great. Well, with that, we're out of time. Thank you so much for joining us today. I really appreciate the discussion.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

Great. I appreciate it. Thank you, everyone.

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