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Visa, Inc. (V)

KBW Fintech Payments Conference

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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

MANAGEMENT DISCUSSION SECTION

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

So next up, we're excited to have Ryan McInerney, who is the CEO of Visa, joining us today. Ryan, obviously, just assumed the role of CEO last month, but he's been with Visa since 2013. So quite a long time. Prior to being CEO, he was the President and responsible for Visa's global businesses. So, congratulations on your new role, Ryan, and thank you for being with us.

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

Thanks, Sanjay. Great to be here.

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QUESTION AND ANSWER SECTION

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

So, maybe we start at a high level. You've been with Visa for a decade now. You've taken on the role of CEO. What are some of the initiatives that you're most excited about? And at a high level, what are some of the short-term and long-term goals that you have for Visa going forward?

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

A

Thanks for having me. Thanks for being here. I have been at the firm for a decade and I've never been more excited about the opportunities in front of us. We have a strategy and a management team and a set of capabilities that we feel is second to none. And we have enormous opportunities ahead of us all around the world. The goals that we set for ourselves as a leadership team up and down the organization are really rooted in three things. The first is how do we maximize shareholder value? The second is how do we absolutely delight our clients? We are maniacal about our clients. We wake up every morning thinking about what we can do to help our clients be successful. And the third thing is how do we innovate? How do we continue to innovate and deliver the type of capabilities, services and products that make us the best way to pay and be paid in every country that we do business around the world.

As you might imagine, having been our President for a decade, I'm very, very vested in our strategy. My fingerprints are all over our strategy. We feel that our strategy is focused on the right things. You might have heard on our last earnings call, I talked about the fact that we've reorganized the company to directly reflect our strategy. I have three well-seasoned, well-regarded, internally and by our clients, leaders who are responsible for our consumer payments franchise, our new money movement flows business unit and our value-added services business unit reporting directly to me. They have management teams, full-stack product and engineering teams, go-to-market teams all around the world that are doing everything we can to deliver against that strategy.

And the opportunity, as I said, is enormous. The consumer payments business remains a significant opportunity. Enormous amounts of cash and check that continue to be used all around the world. The new flows opportunities 10 times that in terms of TAM, and we believe we have a remarkable set of products and capabilities and solutions to go after that. And our value-added services business is really humming. It's a great way for us to embed ourselves with our clients, to help our clients grow their business, and as a result, view us, even more importantly, hopefully, as their most important partner. So, we're excited about it. We believe deeply in the strategy, and it's all about how do we deliver against it.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

I guess, over the short run, you're having a deal with this choppiness in the economic backdrop. I'm just curious sort of if you are seeing anything inside the cohorts of consumers and businesses you have and how you're managing the business for what could be a choppy backdrop.

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

A

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I don't mean to disappoint you, but when we look at our data around the world, globally, by country, by product, by consumer segment, it is remarkably stable. And I'm sorry to disappoint you on that. It is. I mean, if you look almost for the last year or so, so for almost four quarters, globally, if you index our spending volume to three years ago, it's been running in the mid-140s, up more than 40% from three years ago. And just if you look at those lines, they're pretty flat. So resilient, stable, consistent, that's what we're seeing in our data around the world.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

And then when you think about just sort of – is there any contrast between the geographies, like US versus Europe versus Asia? Obviously, Asia, you might have a travel rebound. Just maybe talk a little bit about that.

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

A

Yeah, sure. I'll just go around the horn and give you the numbers as we move around the world. So, as I told you, overall payment volume for the last almost four quarters, mid-140s, pretty consistently. If you just go back and look at our last fiscal quarter, we reported global volume, if you exclude China and Russia, was 146% of three years ago, up 12% year-over-year. You break that first into the US versus the rest of the world. The US was 144%. The rest of the world, again, excluding China and Russia, was 147% of three years ago. So, pretty balanced when you index it. This is all constant dollar numbers. The US was up 9%, the rest of the world up 15%, but again, indexed to three years ago, almost the same thing.

And then when you get outside the US, if you look at Latin America and CEMEA, those two regions indexed to three years ago for us were at about 200%. So, lots of cash conversion. We're also winning share in a bunch of those markets. Year-over-year, those markets were up 25%. So up 25%, 200% indexed to three years ago. If you look at Asia, you mentioned starting to see the travel emerge in Asia. Asia, excluding China, was up 134% versus three years ago, 16% year-over-year. And then, Europe was up 134% versus three years ago or up 10% year-over-year. But if you look at Europe outside of the UK, we had some share loss in the UK. If you look outside of the UK, the rest of Europe, that's 171% of three years ago, up 28% year-over-year. So, clearly, some differences as you look around the world, but big picture, all those markets...

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Very strong.

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

A

...very healthy spending, very strong spending, and relatively consistent, resilient performance around the world.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

That's great. Obviously, cross-border is a big revenue line for you guys. Maybe you could just talk about how different cross-border is today versus maybe pre-pandemic, if there has been any change given the pandemic. Obviously, there has been a lot of pent-up demand. And how you see that business sort of managing itself through, if there is a cycle? Do you typically see a slowdown in cross-border or do you think demand might help offset that? Maybe just talk about that.

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

A

Sure. Cross-border also doing very healthy, up, I think, 132% indexed to three years ago, up 5 points or so last quarter. So, continuing to see some good, consistent improvement in that business. Listen, every recession is different, every downturn is different, every cycle is different. And it's certainly hard to predict what's going to happen with cross-border. Having said that, one of the things that is different about the cross-border business today versus pre-pandemic is the relative weight of the e-commerce cross-border business.

So as more sellers around the world have connected to the Visa network, as more buyers around the world are buying things internationally outside of their home country, we've seen the percent of cross-border that comes from e-commerce as opposed to travel grow. Before the pandemic, it was about a third of our cross-border business. As we sit here today, it's more than 40% of our cross-border business.

So, I would expect, there is a lot more everyday shopping that happens there, a lot more retail purchases, maybe less correlated with what happens with global travel around the world. That might be one difference going forward.

The other thing I would say is, as we look forward in the very near future, three, six, nine months out, there is a lot of pent-up travel demand. So even in some parts of the world, if there is a downturn, if there is recession in different countries around the world, it's quite possible people are going to still want to travel. It's quite possible both consumers and businesses are going to want to travel, I would say, more than they otherwise might in a normal downturn if we hadn't just come out of a global pandemic.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Yeah. How important is China to the cross-border rebound?

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

A

I think we shared some of the numbers on the last call. It's a relatively small portion of overall cross-border around the world, but we are excited to hopefully see China rebound. As everybody knows, the borders have opened, but there is still a lot of infrastructure that has to happen for travel in and out of China to get back to where it was pre-pandemic. You've got to get planes, gates, seats, visas, all the stuff that the rest of the world has gotten close to back having in terms of a well-oiled travel system. It's going to take three, six, maybe nine months before we really start to see meaningful travel in and out of China.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

And that's how you guys contemplated it in your thoughts for the targets that you've set for the year?

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

A

Yeah, the guidance and the forecast that we've given for the year are consistent with all that.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

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Okay, perfect. You talked about value-added services being quite strong and a remarkable growth story. Maybe you could just talk about which products inside of value-added services have resonated the most and where you see the future growth potential there.

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

A

Yeah. Sure. So our value-added services business has become a very important part of how we serve clients and the value that clients see from Visa. It's also become a big business for us. Last quarter, it was $1.7 billion in revenue for us, grew 20% year-over-year. So, important for our clients, growing and diversifying revenue for Visa. We're very excited about both the strategy and the businesses.

Maybe what I'll do is I'll walk through how we run value-added services as a company. We have five value-added services business units. Each one of those businesses has an executive who is in charge of that business, a management team, a full-stack engineering team, product team, go-to-market team, sales teams, they're goaled on their ability to drive sales and serve our clients all around the world.

The first of those businesses is our issuer solutions value-added services business unit. As the name implies, what we do in that business is provide products and services that help our issuer partners better serve their clients. Example of the service that we provide in that business is DPS, which is the preeminent issuer processing platform here in the US. That's an example. But there is a wide array of products and services that we deliver to our issuers.

We provide card controls, which has been a business – product that's been growing quite swiftly in that business, so that our issuers, through a single API, can enable their Visa cardholders in their banking app to turn on or off the card, or turn it on or off for certain merchant categories, or things like that. We also provide card benefits, lounge benefits, travel benefits that again our issuer partners provide their clients. So that's the first business.

Second businesses are kind of Acceptance Solutions business, where we work with acquirers to help our acquirer partners and ultimately their end merchant partners with their business. A great platform that we talk a lot about in that business is Cybersource. Cybersource, if you go back several years ago, started as an e-commerce gateway. We have invested in that product tech stack to evolve that into a true omni-commerce global acquirer and merchant solution platform that we deliver both directly to merchants around the world, but increasingly through our acquirer partners, helping acquirer partners compete in what's become the arms race of the acquiring business around the world. So, that's an example.

Another example is Verifi. We've had a lot of success recently growing the Verifi business. Verifi is a company we bought a few years ago that essentially creates a direct connection between merchants and issuers to help resolve disputes much, much quickly – much more quickly and much less expensively. So, nobody likes disputes. Disputes, cardholders don't like them. Banks don't like them. Merchants don't like them. They take time. On our system, disputes can take two, three, four weeks to get resolved. Nobody is happy through that process. It's expensive. What Verifi did is they created a data payload where an issuer can connect and communicate with a merchant in real time, provide each other with information and resolve dispute in seconds, literally seconds.

Now, when we bought that company, they were having to go kind of convince issuers and merchants to directly integrate, use their APIs. This is a good example of why M&A and us buying a company can create incremental value. What we did is we took their data payload, their system, their processes, and we embedded it directly into our acquirers so that issuers and merchants don't have to go do all that work with Verifi. So, that's done two things. That's allowed us to scale the business. I think we grew cases 40% last quarter, so it's growing quite

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quickly. We've also been able to scale it globally. I think a third of those cases are now outside of the US and, historically, been a US business. So, that's an example of Acceptance Solutions.

A third business unit for us is our risk and identity solutions. Visa Advanced Authorization is a great example of a product and service in that business where we're able to score in milliseconds hundreds of different data elements that help our issuers have more confidence of whether you are who you are and, therefore, to approve that transaction and reduce fraud that might come with it. Our fourth business unit is our advisory services business, so consulting, analytics, data. We work in our offices with our clients, issuers, merchants, and acquirers around the world on all the things that are important to them: marketing, customer segmentation, product fraud, strategy. We did a whole bunch of work in the last couple of quarters with our clients on how to activate our FIFA assets, given the World Cup was happening, and put those to work.

And then finally, our fifth business unit is our open banking business unit. That's the most nascent of all five. We acquired Tink, and that's kind of the anchor of that business, and we're excited about the potential of that business. So huge, important, growing, strategically important set of businesses for us that we're operating at scale around the world.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Yeah, I'd love to just dig in a little bit to Tink. I mean, where are you with the integration process? And maybe you could just talk about the opportunity for open banking over sort of the intermediate to long term.

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

A

Yeah. Thanks. We're very excited about Tink. Just for those of you that may not be as familiar with Tink, Tink is the preeminent open banking platform in Europe. Europe is ground zero for open banking around the world. Tink has done a great job scaling their business. They are connected to the better part of 3,400 financial institutions in Europe. 10,000 developers are on their platform. They have connected to 250 million customers in Europe. So, it is an at-scale preeminent open banking platform in Europe. We have onboarded marquee clients, both fintechs like Revolut or Adyen, but also traditional financial institutions like BNP and ABN Amro and many, many, many others.

It's early days in open banking, no doubt about it. But we believe in the power of open banking. We believe in the power of empowering consumers and small businesses with their data to improve their lives. And at the core, open banking is a network business. I mean, it's about connecting financial institutions, developers and consumers in a country, regionally and globally, and running an at-scale, real-time, resilient network to enable those participants to use that data to empower their lives. And that's what we do. We do it with financial information. Now, we do it with customers' information.

So, we believe that that is powerful on its own. But we also believe that it's a powerful component of our network of networks strategy. So, our ability to kind of enable our network of networks to use that information in real-time for customer authentication, for direct account-to-account payments, for, for, for. But to the core of your question, Sanjay, it's early days, but we believe in the future and we're continuing to invest in the future as part of our Tink platform.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

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Yeah. We've seen some banks launch certain initiatives around open banking, even in the United States. I mean, are you getting a lot of interest from banks wanting to do something like that?

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

We're getting a lot of interest from banks in Europe and around the world that are – I mean, they also believe and see that it's early days. But the leading edge banks want to be on the front end of this. They want to be using the power of the data to help improve the lives of their customers.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Right. Just one more on value-added services as a whole. As we think about cycles and that kind of thing, how defensive is that model? I mean, do you feel like it's a pretty defensive revenue stream?

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

I don't like to use the word defensive about it.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Recurring business?

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

Listen, the truth is, in our core business, we wake up every day and have to compete for that business. We have to have the best people, the best products, the best platform, the best brand. And increasingly, every day, as you know better than anyone, there's more competitors that are in our client's office trying to win that business. That's true in our core business. That's true in our value-added services businesses.

Having said that, we feel really strong about the future of that business for a few reasons. One is we have great client relationships. So because we've invested for decades in the partnerships that we have with our clients, they trust us. They want to know from us what are the solutions on risk, on identity, on open banking that we have, and we have a data set that we're able to put to work that is second to none. We have more data – we have more comprehensive global data than, I think, really any player on the planet that we're able to put to work together for our clients.

And what we saw through the recent kind of COVID downturns is there's real benefits to having a portfolio of value-added services. So while some of the travel benefits that we deliver in our issuer business suffered during the pandemic, e-commerce was booming. Merchants and acquirers needed help with fraud. They needed help from our Cybersource platform to enable omni-channel. And then, as e-commerce started to moderate, whatever, several quarters ago, travel came back. And so, our issuers needed help again with travel benefits. And so, there is a portfolio benefit as well to the mix of service that we provide to our partners around the world.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.
Q

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Perfect. Maybe we shift gears, talk about Visa Direct. It's obviously grown quite nicely to become roughly mid-single digits percentage of your total transactions. As we think about the evolution of use cases away from sort of P2P to more sophisticated areas like cross-border remittances, where are we in that evolution? And then maybe you could help us think about how meaningfully the economic impact could be as we go up that curve.

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

A

Sure. Before I answer your question directly, let me take a step back and just talk about Visa Direct. Visa Direct is a great example of innovation and how we scale innovation at Visa. You go back several years ago, what happened is you had a group of engineers and product managers in a conference room on a whiteboard and they came up with an idea. And the idea was, what if we reversed a transaction? Like what if we – we normally pull money. What if we just pushed money on the Visa network? And that turned into a MVP and they eventually got with the sales team and they met with a client and said, well, if we could do this for you, could you use it to do A, B, and C? And the client said, yeah, that would be interesting.

And then that started to scale into account-to-account Visa Direct, which we were talking about regularly several years ago, sending money from one Visa card to another Visa card. Then we enabled the ability to gateway to other card networks. Then we added the capability to push money from a card to a bank account, both domestically and around the world. Then we added recently the ability to push money to any one of the digital wallets around the world, especially in Asia.

And now as we sit here, Visa Direct is, in my opinion, the largest at-scale money movement network on the planet with the ability to reach 5 billion endpoints. And not only is it the largest in terms of scale, it's the highest quality transaction. And that gets to the end of your question, Sanjay, around our partners and our clients are willing to pay a premium for a high-quality transaction.

Now in terms of use cases that you asked about, we've now scaled to 60 different use cases around the world. We've got 2,000 programs that we're now operating around the world. We work with enablers to distribute the Visa Direct capability. We've got 500 enablers around the world that are actively selling that high-quality transaction to their clients.

You asked about like the cross-border side of the business and where does it go from here. And first of all, the yields on Visa Direct, it's a good yielding product. As we're able to scale it into cross-border, it becomes an even better yielding product. And we see the cross-border opportunity in really two different ways for Visa Direct. The first is remittances. The remittance is a huge business around the world, $800 billion a year. There's 800 million people around the world that are recipients of remittances every year.

We have created a platform that now all of the best remitters on the planet are using. The Western Unions and the MoneyGrams, the traditional players, the Remitlys and the Wises and the Xooms, the fintechs that are using this, they're very excited about that high-quality transaction and the scale, the 5 billion endpoints that I described. And it's early days, but as we grow that business, we're excited about the growth. We're excited about the yields.

The rest of the cross-border opportunity for us is more about kind of large business to small business push payments. So think about paying creators around the world or use marketplace payouts and those types of things. And we've had great success selling the Visa Direct platform to those companies as well. So early days. We think we couldn't be more excited about the platform and the progress, and very excited obviously about the growth and the opportunity going forward.

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Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

And like what's the timeline for cross-border? Like, is it a 5-year thing or a 10-year thing? Like how long do you think it takes?

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

A

Well, it's happening now. So, certainly, it's not something that hasn't yet happened. It's happening. And we're focused on growing and selling the product and using the product. And if you're a Western Union, I mentioned them, the way you start using a product like that is you put it in a couple corridors. You embed it in the app, you see how the users adopt it. You see how they're able to deliver money more quickly, and then you scale it. You add it to more corridors, consumers adopt it, more corridors adopt it. So, it's – we see growth over the next several quarters, the next several years, and the next many years.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Perfect. Let's talk about one last growth vector, which is B2B. I mean, there's many growth vectors, but last big one. Huge TAM opportunity here. Maybe you could just talk about where the growth is going to come from over the near term, which seems like more of a carded thing, but intermediate, long term, how does that evolve?

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

A

Yeah, sure. Huge TAM, you know that, you mentioned it. We do think about it, if you want to think about it in horizons of growth opportunity, the first horizon really is the carded opportunity. It's become a huge business for us. We're – we have about $1.5 trillion of B2B carded volume on our network now. That's grown quite nicely over the last many years. The carded opportunity remains kind of an enormous opportunity. In a developed market, like the United States, still tons of opportunity to move spend to carded solutions, but especially as you move out of some of the developed markets into Latin America, Southeast Asia, Africa, introducing commercial card products in these markets is a brand-new thing in many cases.

So, a ton of opportunity and we feel great about our ability to win. We think we have the best people, the best brand, the best products. We're continuing to innovate, rolling out new solutions. We have our Spend Clarity platform, which helps with kind of expense management tied into our carded products. We have Visa Commercial Pay, which is a digital app that we have enabled for companies to be able to issue either single-use or multi-use virtual cards.

And again, like spend control, set up parameters that make sure that they have the type of control that they need. We have Visa Payables Automation which helps with flexibility in virtual cards and reconciliation, as well as we've rolled out a Visa Commercial Choice, which allows buyers and sellers and suppliers to set their own interchange rates, because that can often become a barrier. So, that drives more acceptance.

So, we're very excited about the carded opportunity. We're also excited about, in the second horizon, if you will, the non-carded opportunity, especially cross-border B2B high-ticket transactions. We studied the opportunity around the world and we identified this as a huge opportunity, totally underserved by the existing solutions that are out there. And so, we've built a network called B2B Connect. We're now live in 100 countries around the world. We're continuing to scale that with financial services players all around the world.

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And essentially, what B2B Connect does is it allows – think about a company like Caterpillar or Boeing who is buying parts and supplies from companies all around the world. Paying them is terribly complicated and difficult, especially as you move out into some of the more developing countries.

B2B Connect is a faster, better, more transparent and cheaper way to facilitate large-ticket cross-border B2B transactions. So, near term, it's all about these carded opportunities that's driving growth, but we're investing in new networks and new products in the more medium term to be able to fuel that growth.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Right. So, I'm going to shift gears and talk about hot topics. A year ago, we spent a lot of time talking about crypto at this conference. It's a big opportunity. Everyone was trying to figure it out. Obviously, what a difference a year makes. I'm just curious what Visa's updated view is on crypto given the crypto storm here.

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

A

Our view on crypto is not necessarily different than it was before. We always kind of broke crypto down into two different things. There is the asset class, which we always said we have no idea about anything about that, which is largely what's driven the volatility that you mentioned. But then we also broke crypto down into blockchain and stablecoins and money movement.

And the opportunities there are still what they were. We view it as a longer-term opportunity. In the current space, what we're doing in crypto is we're just making sure that our Visa cardholders around the world can use their cards for on-ramps and off-ramps. That's the most kind of foundational way that we serve the crypto community today.

The second way that we serve the crypto community today, has become a nice business for us, is having the exchanges like Coinbase issue Visa credentials to their users so that when a Coinbase customer goes and buys lunch, they don't have to go convert some Bitcoin to pay for that. They can just use their coinbase.com Visa card, pay $20, and it's all done in the cloud in real-time for them. So, that's become a very nice business for us and a great product for the exchanges users. And the third thing we're focused on right now is ensuring that our network can actually settle in stablecoins. We have various different participants in the ecosystem that want the ability to settle daily in stablecoins, and we've built out the ability to do that.

Longer term, we've got a team of people that are coming into work every day, research – R&D teams that are focused on what's really going to happen. How does stablecoins evolve? We're working with central banks on government bank stablecoins around the world. And we'll see how that evolves. If it does evolve to be an important part of money movement domestically or a cross-border, we want to be involved.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Got it. And you talked about blockchain. Like do you see use cases for Visa to use blockchain or incorporated into the network? I'm just curious.

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

A

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Yeah, we actually do use blockchain technology in some of the products that we brought to market, and we've been doing that for several years now. So, we do see a lot of potential in the technology platform for Visa, but also for the ecosystem.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Great. One other question that I get quite a bit about is just government nationalism and the fact that governments around the world are trying to develop their own card schemes, obviously. The events that have occurred over the war, we were talking about this before pandemic, and then, obviously, what's happened post pandemic with the war, obviously, has brought that more into the focus. I'm just curious what your views are on nationalism and how you see Visa – the growth opportunity evolving for Visa given nationalism?

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

A

Yeah. Well, first, as you said, it's not a new thing. It is a force and a movement we've been dealing with for really decades in our business. But it continues to be a very relevant topic around the world. I think what we've proven is in markets around the world that have different regulations that may or may not have domestic, the sponsored card schemes or real-time payment schemes, or any number of things, we have found a way to be successful to serve our clients and to build a great business. And that's true in very heavily nationalistic regulated markets. It's true in markets that are much more a level playing field and more lightly regulated markets. And I feel strongly we'll continue to be able to do that.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Great. Pivoting to regulatory risk, obviously, it's never ending for many players in the space. I'm just curious, as you look around the world and the regulatory challenges that you're dealing with, is there anything that you're concerned about or gives you pause?

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

A

Well, we're dealing with regulations and regulatory issues all around the world every day in almost every country we do business. So, it's a real set of business. We treat the regulators at our company like clients, like a line of business. We have coverage models. We are in their offices every day. We are working to make sure that they're as educated as they possibly can on our business. And we have to comply with different laws and different regulations in 200 countries and territories around the world. So that is what we do.

Am I concerned about it? Of course. That's a real concern. We have to be compliant. We have to comply with the laws of the countries in which we do business. But we feel that we're all over it. We feel that our teams understand it, and it doesn't change our view on the opportunities that we have ahead of us.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

I know you've been President for quite some time, but as CEO, is there something you might want to do differently to handle the regulators, or you feel like the way you guys have approached it is the right way to do it?

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

A

The way that we're approaching it, we feel very good about.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Perfect. So I want to open it up for questions in the audience, but I'm going to ask one more and then maybe we can see if anyone has questions. I guess a lot of regulators would prefer to see interchange rates come down. And I know there is a lot of unintended consequences as a result of that, too. I'm just curious how you think about your model with interchange being construct in different markets.

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

A

Yeah, I think, listen, we have examples of markets we do business with much lower interchange rates. We have examples in markets we do business with higher interchange rates. I mean, the spectrum of countries we do business in around the world varies dramatically in terms of interchange. And again, here too, we have proven our ability to be successful serving our clients and growing a very healthy business in low interchange, medium interchange, high interchange, reducing interchange, increasing interchange markets around the world. So, we feel confident about that.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. All right. Questions from the audience. There's one right there. Right.

Q

Hi. Good morning. Thank you for your time today. You mentioned Tink, and this was a – a similar question was raised yesterday. Recently, there was an article in the FT about Jamie Dimon sitting down with his senior executive team, because there was a conflict between the merchant acquiring wanting to offer open banking to merchants and sort of meet merchants where they want and help them reduce their cost of transactions. And with the consumer side, which had billions of dollars of revenue at stake, how would you advise Jamie about proceeding with a Tink-type pay-by-bank service when you have the potential one business to lose revenue at the expense of another one gaining revenue?

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

A

Yeah. I'm not going to comment on any one client or any one article or conversation. But if you back up and think about that in the macro, and first of all, I'll put it in the context of real-time payments for a minute. The work that's happening in the United States and around the world by central banks and governments, it's smart. It's a good thing for countries to modernize their payment ecosystem. That's a smart thing for Brazil to do, for India to do, for the United States. As a citizen of the United States, that's a smart thing to do.

As it relates to our business, like we need to be able to create, as I said at the beginning of our chat here, the best way to pay and be paid for clients in the US and around the world. We believe strongly that debit cards and credit cards and commercial cards will continue to thrive and have continued to thrive in markets that have at-scale, vibrant, real-time payment and account-to-account services, but we also use that infrastructure. Our network of

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networks that I was describing earlier, our Visa Direct platform, we're using more than a dozen RTP systems around the world every day to move money as part of our Visa Direct platform and serve our clients.

So, the way we think about it at Visa is we want to continue to invest and innovate in our debit cards and credit cards and digital payment systems and make them the best way to pay and be paid. But we also want to lean into account-to-account and real-time payment and open banking and use that network of networks to grow our B2B payments, our B2C payments, our G2C payment solutions and those types of things around the world.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Any other questions in the room? All right, I got one final one since we've got less than a minute left. Just in terms of valuations and strategic options, obviously, you guys use a lot of your free cash to buy back stock. Are there opportunities to do deals now that valuations have come down? Are there any strategic areas that you think you can buy capability?

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

A

We're always looking, 365 days a year. Our teams around the world are always on the watch. One of the – again, the great benefits of being who we are is, if there is a company that's doing great things in the ecosystem of money movement and networks around the world, we're probably working with them. We may have invested in them, but they're probably a partner, they're probably a client. So, we love the perch that we sit at. We're always looking for opportunities, but we also believe strongly in our product and engineering teams. We build great products. I think, over time, you'll see us continue to use a mix of organic and inorganic ways to continue to grow the network and our services and serve our clients.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

All right. We're going to end it right there, right on time. Thank you.

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

You bet. Thanks for having me. Good to see you.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Yeah. Nice to see you, too.

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