

13-Feb-2019

# Visa, Inc. (V)

Goldman Sachs Technology & Internet Conference

## CORPORATE PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

James Schneider  
*Analyst, Goldman Sachs & Co. LLC*

Okay, excellent. Okay, welcome everybody to our lunchtime keynote presentation at the Goldman Sachs Technology and Internet Conference. My name is Jim Schneider. I cover the payments space here at Goldman on the research side. And it's my pleasure to introduce Visa and the President of Visa, Ryan McInerney. Welcome Ryan. Thanks for being here.

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Ryan McInerney  
*President, Visa, Inc.*

Thanks for having me.

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## QUESTION AND ANSWER SECTION

James Schneider  
*Analyst, Goldman Sachs & Co. LLC*

Q

You've been the President of Visa for about six years now. Maybe just to start off a very, very broad strategic level. When you look back at what the company has achieved over the past six years, what's the top thing that you think has been transformational to the company's success and what's that going to be 10 years from now?

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Ryan McInerney  
*President, Visa, Inc.*

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I think the thing that we've accomplished, that's going to have the biggest impact 10 years from now has been it's the opening up of our network. If you go back in time you know 10 years ago Visa was a closed architecture, technology platform that largely distributed debit card, credit card products to clients. What we've been working on over the past six years has been to fundamentally change that. To open up our network and make it a commerce platform that anyone on the seller side of the ecosystem or the buyer side of the ecosystem can innovate on and build products on.

Part of it's been about opening up our technology platform VisaNet and taking all of the services that we enable inside of VisaNet and turning those into easy to consume APIs, that can be accessed by developers anywhere around the world, but more so it's been about opening up the ecosystem. And enabling a lot of the different players that are innovating and delivering new commerce experiences to use our network as a commerce

platform and it's changed our business in significant ways. And I think it's changed how commerce is working around the world in ways that we're still seeing great examples of. And what happens is, when we open up the network, we find that there's lots and lots of people around the world that are able to innovate with our APIs and our services in ways that we never would have thought of. They're able to take what we delivered as a merchant API to create better information for issuers on transactions and turn it into a data stream that pre-fills applications for small businesses when they apply for loans and take our Alerts API and turn it into a way to provide digital receipts and so on and so forth, creating much richer and better commerce experiences.

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**James Schneider***Analyst, Goldman Sachs & Co. LLC*

Q

That's great. And then maybe if you think more short-term over the next year, what are the top two or three strategic priorities for the company?

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**Ryan McInerney***President, Visa, Inc.*

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So, one is Europe. I mean Europe is an enormous opportunity for us, now having the privilege to own the Visa Europe franchise, we just see significant opportunities in Europe. But putting Europe aside and talking more broadly about the company around the world, three sets of things that we're very, very focused on. One is expanding our client base, expanding the partners that we do business with, working with new fintech players that are innovating on the buyer experiences and the buyers side of the equation, working with new B2B players and in terms of creating different business models and value propositions that can simplify and streamline B2B payments and ultimately drive a significant volume over our network. I was just meeting with Flint Lane, who's probably in the room, so we're just meeting together.

You know Billtrust, a great partner of ours, where we've just launched. What's really going to be a revolutionary way we think for B2B payments to happen, the Business Payments Network and that's an example of expanding our partner and client base. That's one.

The second priority for us is it's about capturing new flows. We have this great network that we've built over many, many years, it's got scale, it's got broad based acceptance and what we're finding is creating new use cases, new products, new relationships, new partners, new partnerships is able to – we're able to create lots of new flows over the network. B2B is an example that I just mentioned, push payments in our Visa Direct products, which if you want to talk about it, we can talk about as another example.

And then the third priority for us at Visa is about continuing to expand the products, the solutions and the services that we deliver to our partners and our clients and help them run their business better. We have a whole series of businesses and teams that come into work every day and they're focused on how can they help our clients and our partners do more effective commerce. We have a rich suite of risk solutions. For example, we have a Visa Advanced Authorization product that helps issuers score transactions in real-time, with over 500 pieces of data every second all around the world.

We also have a Decision Manager product that helps sellers determine whether or not a transaction is risky or not and hopefully, authorize more transactions.

We have a great set of loyalty products. I rode over here in a Uber today because it's pouring out as you know and actually paid for the ride using points that I had accumulated from a reward program that we designed in a loyalty platform that we built for Uber called Visa Local Offers that allows me to earn Uber points every time I spend money at merchants and sellers all around San Francisco. With big businesses focused on acceptance,

CyberSource, which is the largest gateway provider in the world, is helping e-commerce merchants really deliver their entire value proposition all around the world.

We have an issuer-processing business. One of the biggest issuer-processing platforms called Visa DPS that helps our issuing clients do everything from send out electronic statements to answer the phones and everything in between. We also have a great set of data solutions. We're working with issuers and sellers all around the world on all types of different ways to enhance their businesses, and their kind of intelligence of how they run their business.

And then, finally, we have teams of consultants and data analysts as part of our Visa Consulting and Analytics business in countries all around the world, working hand-in-hand with our clients to help them with all of the different various aspects of their business that they run every day. So the third priority of continuing to expand all of the different product solutions and services that we deliver is a very important priority for us, but in large part it's important because it helps our clients do what they do better.

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James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. And there's a lot of exciting initiatives there. I do want to also focus on the consumer for a second, because clearly, as we all know consumer growth on the payment side has been as strong as it's been in years over the past year. And you're in a very well-positioned place to look at all those transactions on a real-time basis. I think your guidance and outlook for payments volume growth this year is in the low double digit range, and that's despite the fact that you're lapping some pretty difficult comps. So can you give us some color about globally what you see in terms of the regions, the corridors and spending trends, and what's happening?

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Ryan McInerney

*President, Visa, Inc.*

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Yeah. I think just kind of from a macro point of view, the spending trends continue to be reasonably robust around the world. In this last quarter, we saw acceleration in spending in the CEMEA region, in the Asia Pacific region, if you exclude China, as well as in Latin America. Looking at the Rest of the World, we saw some slight deceleration in Europe, in Canada and the United States. And if you look, kind of equalize it for Visa specific factors, it was kind of about a point plus or minus in those markets, but still at reasonably strong levels.

I'd also say we had a reasonably good holiday season both in the U.S., and in other markets around the world. In the U.S. again, if you just kind of normalize out all of the Visa factors and focus really on Americans and how did their spending look during November and December in this country, it was about the same as it was last year, about 8% which is really good, really good growth.

We have seen some changes in consumer behavior that we're keeping an eye on. One is which will be no surprise to this group, but e-commerce just continues to – the way we are all spending is massively changing and it is more and more and more online and on mobile devices and the growth in e-commerce during the holiday season continued to be very, very strong. We're also seeing in the U.S. some shift in behavior towards debit or at least we did during the holiday season, and some very robust growth in debit card spending in the U.S.

And then finally we saw some deceleration in the last couple weeks of December in the U.S. We saw a rebound in January and there was a lot going on as everybody in this room knows well, in the last couple weeks of December, it definitely showed up in consumer spending. There's no doubt about it but we've seen nice rebound back in January.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

That's really interesting color. And so, maybe cross-border for a second. That's a very important financial driver for Visa. You've been able to make sustained double-digit growth there over the past year, that decelerated a little bit to 9% last quarter and then that's slipped again to 6% again, in January, I believe. Can you maybe help us understand some of the dynamics here? How much of it is just strong dollar causing that weakness? How much is the other factors and kind of what are you – what factors are you really keeping a close eye on as we look forward prospectively what that's going to do?

Ryan McInerney

*President, Visa, Inc.*

A

Yeah. So, take the last part of your question, in terms of what it's going to do? I think it's too early to tell, but we've definitely seen some deceleration in cross-border spending around the world. The strengthening of the dollar has been a big factor. We've seen a slowing growth of spending from inbound corridors of consumers spending into the United States. We've seen some deceleration from Asia, from Europe, from Canada, from Mexico, all big corridors into the U.S. Our cross-border business over time, which we have a lot of experience with, it'll go up and down as the strength of the dollar changes.

The reverse of that we've actually seen some good spending from all of us. Outbound spending outside of the United States, but the relative size of those businesses are very, very different. Our inbound cross-border business is much bigger. Just given the fact that the U.S. is a big travel destination for many people, but also is where many of the biggest e-commerce companies are based. So we're keeping a very close eye on it. We have seen some deceleration in other corridors around the world, but that inbound into the U.S. has been the biggest one. And as I said at the beginning, we're watching the data carefully, we're looking at all the corridors, all the spending by seller segment, by issuer, all those types of things. But too early to tell what's going to happen.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Now, you've alluded to e-commerce before, obviously everybody here at the conference is focused on it. I believe you mentioned on an earnings call that over the holiday, it was a third of your U.S. consumer spending growing more than 3 times faster than all the other spend. What are the big things that our investors should keep in mind about the importance of e-commerce to Visa and what that means in terms of either spreads, ancillary revenues and just overall, how much of it is the tailwind to you versus a headwind?

Ryan McInerney

*President, Visa, Inc.*

A

Well, I guess the first thing I'd say about e-commerce is, it's a great time to be a consumer. I mean you just think about it, it is – it's a great time to be a consumer, order online, pick up in store, order ahead, mobile commerce, tap to pay. Like all of these different types of experience is making it much, much easier for all of us to buy and hopefully you're buying using your Visa cards. It's just – it's a very, it's a great time to be a consumer and e-commerce is in part what's fueling that. So, e-commerce is great for consumers, it's also it's great for Visa. You know, when you look at kind of just the share, our share of transactions at check out, it's about twice what it is in the physical world. So you know if every \$1 moves from physical face to face spending and moves online, our share of those transactions goes up 2X, which is obviously very good for our business and good for our clients. But even beyond that, e-commerce creates all kinds of opportunity for us to help sellers and to help issuers, help them reduce fraud and increase authorization, help them deliver all the different types of experiences I talked about, order ahead, mobile commerce, all the different pays, those different types of things.

The business units that I mentioned earlier, all spend an enormous amount of resources trying to help issuers and sellers deliver great commerce experiences to all of us. And that creates an opportunity for to help our clients, but also creates a number of different revenue streams for us.

So as the transaction moves from the physical world to the online world, not only do we get more than our fair share of physical payments, we also create lots of new opportunities to help clients and therefore create new streams of revenue.

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**James Schneider**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. And then, relative to e-commerce for Visa, you and other industry partners are looking to establish this idea of a common industry button for merchant websites. Maybe talk about why that's necessary, why or why not it might be more successful from some of the past efforts, and what your idea of success looks like in say a couple of years?

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**Ryan McInerney**

*President, Visa, Inc.*

A

As a short answer of why we're focused on it is, for all the good things I just talked about with e-commerce in many situations it's just still harder than it should be. A large portion of e-commerce for all of us is what we call card-on-file commerce. It's pretty simple. It's pretty frictionless. It's often invisible. It's a great experience. But in the U.S. and in many markets around the world, reasonably large portion of e-commerce transactions are what we often call guest checkouts. The experience varies based on kind of which online retailer you're buying from, but it's nowhere near as simple and easy as it should be. You're often filling out your name, your address, your 16 digit account number so on and so forth.

So if that part of e-commerce buying experience that we're focused on with is secure remote commerce initiative. And part of it is as you described, kind of creating what people often call as the bottom, but it's much more than the button, its creating a simple frictionless user experience, where – if you compare it to that guest checkout experience today, it's much, much, much better and getting close to that invisible experience that I just described.

But even beyond the consumer experience, we're focused in the SRC, the Secure Remote Commerce initiative on making it safer for consumers and making it easier for both sellers and issuers to authenticate and authorize the transactions. For the technology that underlies the Secure Remote Commerce initiative is the token technology, the EMVCo token technology specs and what that technology allows merchants and issuers to do is to have a lot more confidence that when Ryan is buying something at a SRC enabled merchant, they know who Ryan is, they are able to authorize my transactions at a much, much higher rate, their sales go up, the issuer's client is happier and has a much better customer experience and they're getting more transactions.

So you know we – we're very excited about the initiative. We think it'll make commerce easier, simpler, safer, and allow us to all have more of our transactions authorized. You alluded to this; there's been a lot of attempts both by us and others over the course of the last many years to accomplish these types of objectives. We feel good about what we tried. I mean innovation is about continuing to try lots of new things not getting stuck on what you've done, being willing to look to new alternatives, new ideas, test new things and we hope this is going to allow us to make real good progress and making it easier for all of us to buy things online.

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James Schneider

*Analyst, Goldman Sachs & Co. LLC*



Yeah. Going back to Europe, you mentioned that it's a strategic priority a minute ago. You've owned Visa Europe almost three years now, obviously a landmark transaction for the company. Maybe can you lay out for us what you see as market opportunity in Europe over the next five years and what's kind of the definition of success looks there – looks like there as well?

Ryan McInerney

*President, Visa, Inc.*



Oh, we're very excited about the opportunities in Europe. I think the opportunities for Visa are very, very significant in Europe. Just to check in on where we are, we have been going through a technology migration in Europe to bring both Visa Europe and all of our clients and partners onto a global VisaNet technology platform, the one that I was talking about earlier. We completed that migration in September. So starting in September, all of our clients in Europe whether they be acquirers or sellers or issuers they're now on our global platform. What that gives us the ability to do is to deliver a lot of the solutions and products and services that I was mentioning earlier to clients in Europe that previously had no access to them.

And take the risk solutions that I mentioned earlier, we've just started bringing new issuers online using the Visa Advanced Authorization scoring solution that I mentioned earlier. I think we have just 60 issuers up and running now on it, just those 60 issuers. So when they started using that solution, these are big sophisticated banks in Europe, their frauds come down 6%. That's a significant improvement in fraud and our sales teams and clients teams are working with all of our issuers across Europe to bring them all up online on that risk solution. And the same things happening in all six of the different business units that I mentioned earlier.

So one opportunity is helping our clients perform better, generating revenue from that as part of it. But moving beyond that, we feel now that we're really operating as one company. We have all of our clients on one global platform. We have a significant opportunity in credit, which is a product where I think we have, we've underpenetrated the market opportunity relative to our capabilities certainly in other markets. We're very focused on how we expand there. There's several markets where we think we have an opportunity to grow our market share overall. Commercial is a huge opportunity for us in Europe. Previously, if you go back several years, when large issuers and even large corporates were making decisions about who their partners would be in the commercial space, we weren't able to bring them an integrated solution.

We could go in a coordinated way with Visa Europe, but it was two companies, it was two solutions. We had to try coordinate our best. We did the best we could, but nowhere as well as we could compete. And the last thing I mentioned on Europe is, there's a lot of innovation happening with fintechs in Europe. And for reasons that might be obvious, the Visa Europe Association, which was owned by the banks a couple of years ago, they just weren't as focused on how you could enable a lot of the fintech players in Europe to do the things that they're doing. We're very, very focused on it.

So we've been having great success. We've had some big wins over the course of the last six, nine months in the fintech space in Europe, and we're very focused on how do we continue to help those fintechs create great consumer products, great consumer experiences and do it on the Visa platform.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*



Yeah. And then relative to Europe the regulatory environment has been shifting a little bit over the past several years. Maybe you can talk about the impact of those regulatory changes on electronic payments volume growth in Europe. And then specifically address, what's the impact of the more recent cross-border interchange rules on your business heading into Europe?

Ryan McInerney

*President, Visa, Inc.*

A

There's been a lot of regulatory activity in Europe in payments. No question about it. I think it's too early to tell what's going to happen. As it relates to the first part of your question, there's just been a whole series of regulations that have happened to interchange, the PSD2 regulations, so on and so forth. We're very focused on working with our clients in Europe to help them create products and businesses that are going to thrive in a lower interchange environment and what's going to be a much more open banking environment going forward. The PSD2 regulations, for example, have a whole bunch of provisions as it relates to secure customer authentication. We're working with e-commerce players big and small, we're working with issuers big and small on how they can comply with the new regulations, use a series of solutions that Visa has developed to enable their consumers to have the same frictionless experiences that they've come to know and love.

We're also working with a lot of our bank partners on how they can take advantage of the open banking provisions in the PSD2 regulations to create better experiences for their overall financial relationship as it relates to their clients. So, it's creating a lot of different opportunities. I think the competitive playing field is going to continue to be very, very dynamic in Europe. There's going to be a lot of players that I think will be able to thrive and win share and strengthen their customer relationships as part of it, there's others that won't do as well and we want to do everything we can to work with our clients to help them succeed.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. That's good to see. And then maybe I want to move to contactless payments for a second, I think that's – it's fair to say that that's something that's done much better internationally outside the U.S. than here in the U.S. I think you previously said that outside the U.S. face-to-face penetration of contactless is 44%. But it seems like there's finally some needle moving activities here in country, I think over 70 of the top 100 merchants are now accepting it. And now we've seen Chase, Wells Fargo and Bank of America all announcing they're going to be rolling out the contactless physical credit and debit cards over the next year. So, do you think we're finally at an inflection point here in terms of the adoption in the U.S. and what does it all mean for Visa from an economics and growth perspective?

Ryan McInerney

*President, Visa, Inc.*

A

Can I start with a quick survey.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Please.

Ryan McInerney

*President, Visa, Inc.*

A

I'm just curious. I'm just curious, for everybody in the room, raise your hand if you have a credit or debit card that's enabled for tap-to-pay contactless payments? Raise them up high.

James Schneider  
*Analyst, Goldman Sachs & Co. LLC*

Q

That's pretty good.

Ryan McInerney  
*President, Visa, Inc.*

A

I'm just wondering if we would have done this a year ago what we would have seen. That's good, that's better than I expected. Thank you.

Let me start outside the U.S., then come to the U.S. Outside the U.S. tapping to pay is increasingly becoming the default way people pay. As you said, we got more than four out of every 10 transactions happening around the world are people tapping to pay. It's a significant statistic. And if you look in like Australia, the extreme, they're more than 90%, almost every Visa transaction, face-to-face transaction that happens in Australia is tap-to-pay. And Poland is a great example. Poland, pretty soon every merchant acceptance point in Poland will be enabled for contactless, 100%. So outside the U.S. this is becoming the way people pay with Visa and consumers love it. It's faster, it's quicker, it's easier, sellers love it, they're able to move people through their lines more quickly. Their customers are happier. So we feel really, really good about what's happening with tap-to-pay all around the world.

So now, you come to the United States. I think we're doing really, really good work in the United States. The good news of having led the efforts in all these different countries around the world is we know what the adoption curve looks like. We know how consumer behavior changes. We know once that you've laid the groundwork what can happen and we're not at an inflection point yet, but we will be soon. In the United States, 60% of all Visa transactions, all Visa face-to-face transactions are happening at terminals that are enabled for tap-to-pay. That in most markets was the hardest thing to get done. So the groundwork has been laid on the seller side of the ecosystem and as you alluded to, U.S. issuers and you all, and you all said when you raised your hands, U.S. issuers are starting to issue the card.

We expect to have 100 million Visa tap-to-pay cards issued in the United States by the end of the year. So I feel really good and I'm very optimistic that all of us in this room are going to be able to have the great buying experience that other Visa customers all around the world are starting to have. And I really think as we move through that, people are going to be very, very impressed with just how the buying experience works.

James Schneider  
*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. It's good to see. You've talked about a lot of new Visa capabilities. You referred to Visa Direct earlier, but you're essentially running your network in reverse effectively in order to accommodate things like push payments for peer-to-peer applications, as well as things like companies paying in insurance claims, payroll, Uber drivers, et cetera. So I believe, you've disclosed now that Visa Direct is now at a \$100 billion volume run rate growing at 100% which is a big number.

But how do you think how big this opportunity could be over time from both a volume and revenue perspective for company?

Ryan McInerney  
*President, Visa, Inc.*

A

We think its enormous opportunity. Visa Direct is a great example of innovation at Visa. You know, as you alluded to in terms of reversing the transaction, one of our product engineers had an idea a few years ago. And the idea

was, what if we took a transaction on our network and just ran it in reverse and a product – the product scrum team started to work on it and they came up with a way to operationalize and at the time we had no idea how commercially viable it could and it would be.

As you mentioned, you know, the growth of the product in just a couple of years has been very significant. But you know I think what's so exciting to us is, is two things. First, as we are out there on the front lines talking to partners and clients in countries all around the world, what we're finding is Visa Direct compared to Fast ACH or real-time payments or what have you is a very, very different. And the differences and all of the value added capabilities built into Visa Direct enable our partners to do things, they just can't do with RTP or Fast ACH. ACH – Fast ACH in many countries around the world doesn't have the ability to pre-authorize, it doesn't run 24/7, 365 in most countries, our country included. Visa Direct allows you to reach beyond just the bank account, to reach credit cards and prepaid cards, so the reach is stronger. You know it's live and up and running in 150 countries around the world today, 70 of which are Fast Funds enabled for near instant payments. We also hear from consumers that just they love the fact that, I don't have to give out my bank account information, I can just make a transaction the same way that I always have with a Visa product and it's enabled for cross-border.

So compare to some of the alternatives out there we're finding that it's a rich set of capabilities that people really value. And as you alluded to, the use cases are kind of mushroom and exploding. I feel like it's almost every day that our Visa Direct team is coming into my office with a new use case that they're finding for it. Its payroll, its bill pay, its gaining, its disbursements, its marketplace pay outs. You know the list kind of goes on and on and I wish we could have said, we laid out a strategy and all these different verticals and segments and we're going to go attack it. What's really happening is we're learning as we go that there's just all these different use cases and all these different segments around the world. What people really want a richer transaction and a transaction that has the type of capabilities that Visa Direct has. So, we're very excited about it. How big it could be we don't know but we're very optimistic about the growth and what's ahead of us.

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James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Since you've come on board, Ryan. I think Visa as company spent a lot more time working with merchants more than the company had previously. And I guess over the past year I think you cited the number of merchants for Visa's acceptance was up 15% and it's about \$54 million. I think it's a pretty shocking number for most people given the scale of inventory of your business, certainly it was for me. Can you give me a sense of, where all these merchants are coming from and is it emerging market merchants, is it small merchants in the U.S. And where do you think that number can go over time?

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Ryan McInerney

*President, Visa, Inc.*

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Don't tell our sales teams that is shocking, because they think they have a lot more work to do. And seriously, we're very proud of the growth on the seller side of the ecosystem, 15% growth year-over-year is good, but we have a lot more work to do. We just think there's so much opportunity ahead of us all around the world. But to answer your question, it's coming in developed markets and it's coming in developing markets. In the developed markets, its things like tap-to-pay and contactless. We're seeing expansion into vending, in parking, in all the different areas where we all see people or to use cash ourselves.

And we're also seeing great penetration in new segments like B2B, like bill pay, like rent payments, so on and so forth. So it's very much a developed market story. But the numbers are really significant in the developing world. And here what you're seeing is, a couple of things that are happening at the same time. First is expansion of

reliable connectivity. The second is drastic reductions in the price of acceptance terminals themselves and in many parts of the world skipping the need to even have acceptance devices at all.

We've – in the spirit of opening up our network to what we were talking about earlier, we enable people in India for example to pay with QR codes using a Visa credential. I think we're about to pass or we just passed a 1 million acceptance locations just in India using QR. We have great teams all around the world working to turn the antenna on a phone that many people have seen with Apple Pay and Google Pay and others as a way to pay. But now turning that antenna around is a way to accept payments, so that we can have phone to phone payments and so on and so forth.

So the expansion in the seller side of the ecosystem, it's been – it's been very good work over the last couple of years. Well, we see it. We want to see a lot more expansion both in the developed markets and the developing markets.

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### James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. B2B payments, I think that's an area where you've talked a lot more about recently – I think you've been talking about the fact that B2B is 11% of your overall volume. A lot of that's from kind of corporate payments and travel and expenses and entertainment expenses and things like that. So there's been a bit of a stubborn market in terms of going digital. A lot of that's still on paper to check. So if you think about the market opportunity in B2B and what's kind of required to make it digital, what are some of the barriers and obstacles that need to be overcome and kind of maybe think about what the size of that opportunity could be for Visa over time?

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### Ryan McInerney

*President, Visa, Inc.*

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Yeah. It has been stubborn. It's been very stubborn, but we're committed to cracking it and a lot of what that's going to take is partnerships. But let me back up and talk about B2B more broadly. First, while and I acknowledge a big part of our business is commercial cards, P-Cards, T&E and all that today, I think about 10% of our businesses, 11% of our business is now B2B around the world. In many markets around the world although it sounds mundane to us, that is like massive innovation. Big developed markets that you all would think about as highly sophisticated payment markets. The ecosystem hasn't evolved in such a way there where – what are basic products here, they don't exist. So we have great opportunity in many markets around the world to continue to expand our B2B business just on the bread and butter commercial cards, small business cards, P-Cards, T&E cards. Those types of things.

Second area that we're very excited about is virtual cards. Virtual cards enable us to create lots of new use cases for our partners all around the world. We've been really focused with our client teams here in the U.S. and around the world and expanding the footprint of that business for us. We've announced some great new wins and some great new partnerships WEX, [ph] Exaris (00:35:27) and others over the course of the last many months and we expect to continue to grow our share of that business. But then back to the stubborn point and where partnerships come in, if you want to talk about the trillions, the tens of trillions, the many tens of trillions dollars of B2B payments that exist around the world today, we think cracking that's going to require really new business models that are going to allow us to simplify how those payments work and bring together what can be a very fragmented ecosystem today.

I mentioned the work we're doing to build trust on the BPN and that's a – we think that's a great idea, it's actually early days of even just having announced it, we're having some great success with a whole bunch of different players that are excited to become part of that network. It's essentially a new payments network. We're creating a

new payments network that we think it'll enable it much easier for suppliers and it'll make it easier not for them to not only accept payments, but optimize their payments, reconcile all the different data they have in their businesses.

We've also talked about some of the partnerships we have with Bottomline. Bottomline is a partner with ours in the virtual card business that I mentioned, but they're also a partner of ours in launching B2B Connect. B2B Connect is an entirely new business that we've built using distributed ledger technology to try to do something that sounds quite simple, it's a very hard problem to solve. But if we do it, we think it'll be quite revolutionary, which is to electrify and simplify B2B cross-border payments around the world. And Bottomline's been a great partner in bringing that up, but as has many other banks and other partners around the world of helping us grow that new product.

I don't think anyone knows exactly what the silver bullet is going to be if there is one. So our approach to the B2B space is first, we're very committed to it. We see it as a significant, albeit long-term opportunity. We're very focused on partnering, try to bring the ecosystem together and bring new business models to market that can just make it easier for suppliers and all different parts of the ecosystem to streamline the accounts receivable and accounts payable side of this very stubborn business as you said.

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### James Schneider

*Analyst, Goldman Sachs & Co. LLC*



I wanted to talk about emerging markets for a second and specifically, India, which is I think a market that many investors had kind of started to write-off for Visa with a view that maybe there will be some other alternative, whether it's a national network or another alternative wallet that could gain a lot of share there instead of Visa. Do you think there's a real opportunity for you to get a substantial market position in India over time? What are your conversations with people like the regulators and government in India like? And maybe just talk a little bit about whether you view competitors such as Paytm as competitors mainly or potential partners?

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### Ryan McInerney

*President, Visa, Inc.*



India is a very, very dynamic commerce market right now. So let me try to go through the issues that you laid out and if I don't remember them all, you can remind me. First, let's start with our position. We have a very strong position in India. More than 50% share of both credit and debit and I feel very good about our position. Second, after demonetization, which was quite a disruptive force in Indian commerce we should double the size of our business. We've doubled the size of our business post-demonetization versus pre-demonetization. But I think what's also notable is we've continued to grow the business as fast if not faster on this much bigger base.

So, we feel good about our starting position in India. The business continues to grow at a very healthy rate, but as I said, it's a very, very dynamic market. Lots of new competition emerging, especially enabled by UPI and real-time payments. You also have Paytm as you mentioned. We have very strong domestic player in RuPay and so on and so forth.

From the macro opportunities, the opportunity for everybody in India is enormous. There's still the overwhelming majority of everything that's bought and sold in India is with cash. We feel really good to your question about the relationship that we have with the regulators. We feel really good about the relationship that we have with all of our bank partners and seller partners in India and to your direct question about Paytm, we absolutely see them as a partner. We have lots of ideas that we think we could help Paytm grow its business, grow acceptance in the country, grow issuance and usage and as we do many of the other digital players in India. So it's an area where we've had a lot of focus. We've been – we've made some investments in the country and we're very excited about

the opportunities, but there too – the cash in India sometimes can be as stubborn as the B2B payments that you mentioned earlier. So we recognize that it's going to take us a long time to capture all of the opportunity.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

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Very good. Maybe just to, also ask you about Amazon. Clearly, they're a major force in e-commerce and a very big partner also of Visa both on the – as a large merchant as well as initial co-branded card. So we've heard more and more about Amazon's efforts to kind of do more in payments in general. So how do you think about managing the concentration risk of any partner who is as big as that and how do you assess the risk of Amazon launching a wild offering that reaches beyond itself as a merchant?

Ryan McInerney

*President, Visa, Inc.*

A

Amazon is a great partner. We have a deep partnership with them in many, many countries around the world. Our – like our job number one with a partner like Amazon is to help them deliver what their number one priority is and their number one priority is to deliver a great customer experience. And if you go through all the different capabilities, technologies, solutions, and services that we have, we are as active with Amazon as any other partner of trying to put those capabilities to work, to help Amazon deliver a great customer experience. And as big as Amazon is, the selling side of our business still remains very, very distributed not just in this country but all around the world. So I don't think about it exactly in the sense that you described it. We're very, very focused on with Amazon or any other big tech platform partner or commerce enabler. How do we, going back to maybe where we started the discussion, how do we ensure that they view Visa as the best commerce enablement platform in the world, the simplest, the safest, the easiest to do business with. And if we just continue to deliver on that on a day-in and day-out for Amazon and all of these other technology platforms, they're going to use their scarcest resource, which is engineering resources to focus on great commerce experiences, great buying experiences, building great phones, building great advertising models, whatever it is they do to drive their business and in hopes that they'll view us as the best commerce partner that they have to go across their transactions but help deliver great buying experiences. So that's kind of how we think about working with Amazon but also more broadly with large tech and commerce enablers.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Q

Very good.

James Schneider

*Analyst, Goldman Sachs & Co. LLC*

Unfortunately, I think we're pretty much at time. So, Ryan, thanks for being with us today. We appreciate it.

Ryan McInerney

*President, Visa, Inc.*

Yeah. Thanks for having me. Thanks everyone.

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