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Visa, Inc. (V)

Keefe, Bruyette, & Woods Cards, Payments & Financial Technology Symposium

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Sanjay Sakhrani
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MANAGEMENT DISCUSSION SECTION

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

All right. [indiscernible] 00:00:00 All right. So, let's get started and we're really pleased to have Visa CEO Al Kelly here with us. Obviously, Al is fresh off a six-and-a-half hour presentation with his team at their Investor Day, so he's probably thinking what else he can say. He definitely gave us a lot of detail, but I have some questions for him following up from that meeting. But I wanted to start with the coronavirus because I know it's sort of top of mind for...

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

Is it?

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

...investors and obviously yourself as well.

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QUESTION AND ANSWER SECTION

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

Q

So, I know you guys put out your numbers in terms of the impact thus far, but maybe you could just give us a little context to those numbers.

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

So, obviously, this is a very fluid situation and we put out numbers on, I guess, Monday night saying we expect our revenue to be 2.5 to 3.5 basis points – percentage points below the outlook that we provided for our fiscal second quarter which ends at the end of this month. The reality is that most of that impact is travel in and out of Asia and intra-Asia, which is not altogether surprising given that that was the initial epicenter of the virus.

We are seeing it, the impact, in both card present as well as card not present, although the reality is that much of the card-not-present impact is actually travel, people using online travel agencies and the like. Although, intra-Asia we are seeing some, although smaller, impact on just e-commerce in general beyond travel.

In the places where we process the majority of the transactions and therefore have insight daily into volumes we're largely seeing domestic volumes hold up with the exception of Hong Kong and Singapore where there definitely is an impact on domestic volumes. And just as a reminder, we don't have a domestic business in China, so that's why I'm not commenting on China. There's no transactions domestically for us to see or analyze.

It has only been a couple of weeks that the virus has moved in a fairly pronounced way outside of Asia, and it's plain and simple. There's just too few data points to draw any conclusions about its impact. That said, we factored some deterioration outside of Asia into the estimate that we put together on the 2.5 to 3.5 percentage point decline in revenue.

So, I wish I could be more detailed than that but frankly, there isn't a lot more detail than that. It is just plain and simple too early, and I might argue impossible to make a judgment of what the impact could be beyond the quarter simply because this is way too fluid to determine it.

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

Q

I guess when we think about potential offsets or plans being set in play, into motion, could you just talk about sort of how you're thinking about it? Or is it sort of a wait and see or are you starting to make any contingency plans?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

Well, our number one priority is the safety and wellness of our employees. And so, to that end, we certainly have put certain travel restrictions in place and as have many, many other companies. I think employees are getting, as this thing has expanded outside of Asia, there's continued concern. And it's almost, we have twice-a-day calls. I don't participate in most of them, but there's twice-a-day calls with a set group of people that look at what we're doing.

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We have two concerns when it comes to our employees. One is that we don't obviously want them to catch the coronavirus. But secondly, we don't want them found stuck somewhere where the music stops and travel in and out of a particular country where they are gets largely curtailed or ceases in general, and they're stuck there. And we certainly don't want them in situations where, which has happened to many people, where they end up quarantined for 14 days. Again, it's very fluid.

We have an office for instance in the state of Washington. Those people, I was e-mailing, had numbers of e-mail traffic on this last night. There's some view there that they're in an epicenter of the virus within the United States and have some concerns about that. And obviously our Milan office is shut down. So, it's very fluid, and we're making decisions on a day-in and day-out basis but largely driven by the safety and wellness of our employees.

Beyond that, Sanjay, whether we like it or not, various things are just getting canceled. So, to some degree, that's curtailing people moving around the world. And I think we're trying to not only watch it, but be proactive, trying to manage our expense base a bit without overly pivoting to the short term. I mean, I try to manage the company for the medium to long term.

We have a lot of terrific areas to invest in that we'll talk a little bit about today and that we talked about at Investor Day. And it's important to me that we don't over pivot, overreact, and start to underinvest in things that can provide growth as we move past this episode of the coronavirus. So, I'd like to say that we're being thoughtful and prudent in our approach to it so far.

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

Q

That's fair. It's a very fluid situation. So, it's sort of hard at this point in time, I think I agree. Maybe we could just pivot and sort of move on to some more higher level questions coming from the Investor Day. Obviously you guys talked a lot about the network of networks strategy and it demonstrates the evolution of the Visa business model as a result of changes that are happening around you guys. Is that the way to think about it? You have new entrants coming into this space. The landscape is evolving technologically and you guys are evolving as a result and the network of networks strategy is part of that?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

I think so. We, since our founding days, have been involved in creating a ubiquitous, reliable, secure infrastructure that allows the movement of payments and the enablement of commerce around the world. I think as we look ahead, we believe that there's numbers of ways in which we can grow off of that very strong foundational base. And one of them is to extend our focus to the movement of money anywhere to anyone in the world and not just – and have money be able to flow both ways on our network, pushing money to bank accounts as well as pulling money from bank accounts for the payment of goods and services.

So, that is a very real and important aspect of our strategy going forward. Secondly, to do that we believe that operating one network as great as our network is in VisaNet was insufficient and obviously, we have our Plus network, but now we bought Earthport which gives us another network.

We're creating a network in B2B Connect to deal with and facilitate large ticket cross-border. And obviously, we've announced our intent to buy Plaid which is yet another network. We're also have stated that we're totally open to using other networks that we don't own, RTP-type networks, ACH networks, for the first or last mile of the movement of any kind of money.

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And then we're expanding our business and our focus of our network by looking at who we view as clients and we've moved beyond simply the rock solid terrific financial institutions that we do business with today, and we're increasingly working with digital banks with, fintechs and with wallets, all with the aim of increasing our ability to have more endpoints and be able to facilitate the movement of money from anyone to anywhere in any form factor around the world.

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

That's great. And I guess when we think about the goal post to judge its success, how should we think about those?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.
A

It's a good question. I would say I'd give you three. One is clearly Visa Direct and Earthport. We had 2 billion transactions on Visa Direct last year. There's endless amount of use cases and that's growing. So, you should watch our growth in transactions and volume on Visa Direct.

Secondly, it's going to take us a few years to build out B2B Connect. So the question is, how well are we doing in extending the number of countries and the number of endpoints in B2B Connect so that once it really goes live and we got that chicken and egg thing of building the scale so we have sufficient senders and receivers, are we building that scale at a good pace?

And then I would say thirdly, presuming and when we get regulatory approval to own Plaid, how are we doing in driving against the goals that we stated. And I think we'll talk a little bit more about Plaid as we become the owner of that asset.

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

And when we think about the largest unknowns or risks as we look ahead, what do you think those are?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.
A

Well, I've always said that the biggest risks in our business are cyber regulation, bad economic times and unfortunate geopolitical events. And those remain and it doesn't really matter. All the things I just said about how we pivoted our strategy a bit, those still remain very important risk to the business that we try to monitor.

I think as it relates to the whole network of networks, the movement into money funds movement beyond just payments, the idea that we would grow clients, et cetera, I think I don't know about risk. But look, we have to continue to be innovative and flexible and we've got to make sure that ever increasingly, the user experience in payments is becoming more and more important that we've got to make sure that we're focused on that user experience throughout the full lifecycle of the movement of money that we don't lose sight of that.

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

I guess acquisitions have become a larger part of the picture recently and it sounds like they might be in the future. Could you just talk about how wide you're casting the net here in terms of size and sort of deviation from the core business?

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Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

So nothing has changed in our thinking about acquisitions. I think because we made a number of acquisitions in the fourth quarter and then the recently announced acquisition of Plaid, I certainly understand the point that it looks like we've had some pivot here. But that's not the reality in terms of how we think about it strategically. We don't enter a year with a goal on acquisitions. We don't factor acquisitions into our budgeting. We actually don't even factor acquisitions into our strategy. We're opportunistic about it.

Our bias is still to build it ourselves. If we can't build it ourselves, to partner with others and if we can't partner with others, then we would look at buying something. If it's a real core capability, we really want to own it. When we consider whether we buy or build, we look at three factors: the cost, the speed to market and talent. Because if we can bring in new types of talent, almost get a bit of an acqui-hire in buying a company which has a neat capability, obviously that's important to us. We cast the net pretty widely in our exploration though of companies, and we look at a lot – in some ways we're very like a private equity firm that way. We look at a lot and we do very little.

And we've done some big acquisitions. Probably Visa Europe was the biggest acquisition that – one of the biggest acquisitions done in the last few years and certainly could easily be the biggest acquisition we'll ever do in our history. But if you look at the acquisitions we did recently, four of them go right at our network of networks strategy, Earthport probably the most fundamental. Earthport was a game changer because even though we have the most debit transactions in the world which give us access to 2 billion bank accounts around the world, it still was insufficient, wasn't able to reach other bank accounts. And Earthport allowed us both to reach more bank accounts and move us beyond cards in terms of being a limiting factor in any way, shape or form towards the movement of money. And because of Earthport, now we're able to have access to 99.5% of the bank accounts in the top 80 markets around the world, which is just a fundamental game changer in our ability to move money to as many different endpoints as we possibly can.

The purchase of Bell ID allows us to move tokenization to a new level, allowing us to tokenize other types of transactions beyond the 16-digit PAN that sits on your credit card in your purse or in your wallet today. The purchase of Verifi gave us a capability that deals with one of the most frustrating and expensive experiences that both the consumer, small business or issuer can have in payments which is disputes.

Plaid obviously is a many-to-many network like we are. So all of those acquisitions directly were in support of either building our network of networks or building the capabilities that those networks could offer people who were moving money on them. The one exception would have been Payworks and Payworks is a company that we've been working with for a decade in – side by side with CyberSource. And what Payworks really does is it gives us the capability to deliver an omni-channel gateway experience because CyberSource is really – think of CyberSource as the terminal enabler, an agnostic terminal enabler for e-commerce.

And what Payworks does is Payworks allows a physical point of sale terminal to be programmed and operated from the cloud, so that you don't have to physically go to the terminal to make changes. You can make them in the cloud. And the changes come down to the terminals. So, CyberSource is a very important value added service business for us and so buying Payworks allowed us to increase its functionality and its utility and its attractiveness to acquirers around the world.

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

Q

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Great. You mentioned Visa Europe and I know we got a little flavor of it at the Analyst Day. But about a year ago, you talked about becoming more offensive. I'm just wondering where you think we are relative to what you thought it might be a year later.

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

I'm happy with the progress we're making. It's going to take time for it to show up in our numbers but it's going to show up in our numbers. We, first just to mention Europe for everybody, remind you what it is for us because it's not the clean geographic definition. Europe is 38 markets at Visa. It's the UK, Ireland, it's the 27 markets in the European Union, it's Israel, it's Turkey, and the Baltic States. Europe is home to 4 of the top 10 economies in the world: France, Italy, Germany, and the UK. It's a region that has – is to me, it's unrecognizable in terms of what it is today versus what it was when we bought it about 3.5 years ago right around the time I started as the CEO of the company.

We've changed leadership. Our top three leaders in Europe are new to Europe and new to Visa. We've got a new CFO. We've got a new Head of Risk. We've changed about half of the cluster leaders and country leaders throughout Europe. And Europe's management team looks more like management teams at other regions around the world. It's a mix of veterans from Visa and people from the outside. It's a mix of local people and expats.

I would say that I feel very good about where we are with our traditional large issuers in Europe. We've re-signed four of the largest issuers in the UK including our recent announcement of our long-term relationship with Barclays. We signed DKPPB (sic) [DKB] (00:19:30) which is our largest issuer in Germany. We recently signed BBVA, a very large issuer in Spain. Europe's made great strides in fintech. We've signed 46 fintech deals in Europe in the last year and a half to 2 years. We have 80 fintech deals in the pipeline in Europe. We signed a long-term a deal with Revolut, which is expanding to five regions in 24 markets and we'll be their primary partner; ininal in Turkey; 40% of Turks are unbanked; ininal is a deal we signed in our fiscal third quarter of last year, and we already have 4 million Visa prepaid cards out in the market with ininal in less than a year. We recently signed a deal with a mobile app, a P2P app called Lydia in France where we're their primary provider and Lydia has 3 million clients and is adding 5,000 a day.

So, all of these things take time to build up. They take time to work through the pipeline, but I feel very good about the direction of Europe. We don't have any more meetings or discussions about integration. We're well past that. All their business reviews are like the business reviews of other markets where we're talking about growth and clients and opportunities and not issues or challenges related to bringing them onboard.

I really believe we have now pivoted from a association-based enterprise to a real commercial enterprise with the right leadership team, with the right strategy, with the right amount of energy and passion around strong and good execution. So, I feel good about it.

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

Q

And how long do you think it becomes – how long does it take to become more apparent all these changes that you've made in the numbers?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

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I think it's going to take a couple of years. And I didn't talk about Germany where we're putting a lot of emphasis behind Germany, the Nordics. So, all of these, many of these 46 fintech deals that have been done are deals that are going from a zero start and a build over time. And so, these things just take time to work their way up to some level of scale that moves the needle. But I hope the story of Visa in Europe is like Visa Direct where it started, we planted some seeds and now, we've got a tremendous amount of use cases. And it's real and showing up in our numbers. I think the analogy holds for Europe going forward.

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

Q

Great. And I guess when we think about Visa strategy and I mentioned this after Europe, but if we look in the past and think about what might have been better, do you think that there are certain aspects of the strategy that could have been better and that can be altered in the future in the way they're done maybe?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

Look, we're humans, we make mistakes every day. And hopefully, we have a much better batting average of things that are successes. But for the most part, I feel very good about how we've executed in Europe and frankly, if anything, I was surprised through the integration, how focused our people were on the business and didn't get too, too caught up in all of the issues around becoming integrated into the company. That said, we can't be complacent. Complacency is a word I hate. It's the enemy, especially when you're a marketplace leader, and we've got to remain very diligent, we've got to remain client focused. We've got to remain agile. We've got to remain innovative, and be willing to take some risks. If anything, we were a little slow out of the gate to focus on the digital banks and fintechs that were really emerging in Europe. But I think we played very fast catch up, and we're having – our track record now of winning deals is terrific. So there's areas where we certainly could have moved faster, but I think over time we've made it up.

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

Q

Great. I guess at the Investor Day, you guys did a fabulous job I think of framings the long-term growth trends and how the opportunity in front of you is pretty vast. You mentioned about $185 trillion of new payment flows. How much of it is addressable over the next three to five years?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

So just again to make sure that everybody has a sense of the breakdown of that $120 trillion, so – or $185 trillion. I'm sorry. So the first $120 trillion is B2B. I'll come back and break that down in a second. $65 billion of it is we think addressable by Visa Direct which we've established as, you know, off to a very good start. There's $5 billion in B to small-B things like merchant settlement marketplaces, online, on-demand loans through companies like OnDeck where you have a loan that you can draw down on as a small business. If you're at a bank, you can only draw it down when the bank is open. With OnDeck, you can draw it down 24 by 7 by 365. $20 trillion is B2B, $30 trillion is B2C disbursements, gig economy insurance et cetera. And then the last $10 trillion is G2C, governments to their citizens or consumers. There we're talking about payouts of government subsidy programs and those kinds of things.

I think, Sanjay, the first $55 billion of that $65 billion is totally addressable in the near and medium term. I think the $10 trillion is more of – the government to citizen is more nascent and will take time and really depends on the leader in a government and how motivated they are to get greater transparency to move away from the grey

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economies that exist in some countries around the world and frankly just how progressive the leader is. Countries like President el-Sisi in Egypt's very interested in making it happen. Prime Minister Abe in Japan is very motivated to make it happen. So there's leaders that have really stepped up and said, I want my society to be more digital, more cashless and they make a big difference.

The B2B space is the $120 trillion. We look at that as broken into three categories. $20 trillion of it we think is addressable by traditional card-based solutions where we are the market leader. We did over $1 trillion of volume in that space, that B2B commercial space last year. $10 trillion is large-ticket, cross-border and $90 trillion is AR/AP types of transactions that heavily today are ACH and check. And our priority in B2B is those first two categories, the $30 trillion that make up – the $20 trillion of traditional carded solutions and the $10 trillion on large-ticket cross-border. And there are our main weapon is going to be B2B Connect.

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

Q

Great. Just shifting gears and going back to the network of networks approach, how are you packaging and pricing that solution to clients? Are there any examples of it happening today and how they've unfolded in terms of a structure?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

So in terms of pricing, particularly on new capabilities, our number one motivation is to build scale and adoption, to build out endpoints. And so that naturally leads itself to doing more trials, more introductory types of pricing so that we facilitate that adoption. And then over time, based on proving out the volume and over time as more of that volume becomes cross-border where we generally, throughout our business model, get larger economics, we expect that pricing will settle in at a level that we're comfortable with.

We do have to bear in mind that, especially in Visa Direct, that – one of the competitive points that we have to bear in mind is RPP as an option and we want to make sure that we're cognizant of that competitive dynamic or competitive reality as we think about the pricing.

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

Q

Okay. I guess shifting a little bit to value added service...

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

I guess with the coronavirus I shouldn't drink from the bottle of the last person.

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

Q

[indiscernible] (00:29:19). Please don't. I guess we didn't switch that. Sorry. See, I guess value-added services were another big part of the conversation at the Investor Day and it hasn't been historically. I guess when we think about those product sets, is that a natural progression that you guys have entered into or how should we think about that?

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Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

So, we've been in value-added services a long time. It doesn't show up as a separate line in our revenue section of our P&L. And over the years, we haven't really talked about it as much, but it's $3.5 billion of revenue. And so, we've been focused on it for years. I mean these – Advanced Authorization is a product that we put into the marketplace in 1993. And so, it's been out there for 27 years and still today the vast majority of transactions are interrogated by Visa Advanced Authorization. And over the years, we've invested in it. We've added variables to it. So today, it looks at over 500 variables. We've added technology of machine learning, artificial intelligence after doing neural network technology for some time. Our ability to discriminate is greater and people find a lot of value in it. So they continue to use a product that has been around for a long period of time.

So, our objective with value-added services is to help solve problems and needs for our clients. And we're in an unprecedented period of time, putting aside what we talked about earlier. But you've got changing regulation, you've got open banking, you've got open data, you've got digitization. All of those things are causing clients around the world to ask questions and seek help and seek solutions. And in many ways, this complexity presents a opportunity for us as we get asked increasingly to talk to clients about how we can help them. And that gives us the ability – so our motivation with value-added service is to help clients. And if we help clients, our relationship with them gets deeper. And then from there, we ideally earn more revenue, but it's not, by itself, simply something we're doing because we want to drive more revenue. I certainly hope more revenue is an outcome, but our objective is to help our clients and build our relationships so they're deeper.

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

Q

And when we think about, like, penetration rates and uptake of the product, how early are we? Are we pretty early in its life cycle?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

I think it's different for different products. So, different value-added services products. So, I just talked about one where it's 27 years old in Visa Advanced Authorization. Something like Visa Consulting & Analytics services is a couple of years old. Something like CyberSource has been around a while, but now with Payworks, we view that as providing a new accelerant to its growth. So, I would say that that's kind of somewhere more in the middle. So, I think they're at different stages, but we believe that there's a tremendous amount of growth in this area.

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

Q

And one last one before I open up to the audience. So, please, audience, think up some questions. You guys pointed to a 20% year-over-year growth in value-added services in 2020. Is that the growth that you think is sustainable over the near-term? And then when we think about the forward target of 2024 and then becoming 30% of total revenue, is that an organic number or do you intend to do some deals there too?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

Well, what we have said is that value-added services and new flows are growing at 1.7 times the rate of our core business. And we did say that they grew 20% last year. We haven't forecasted a specific growth rate for Value Added Services and new flows, but we expect them to continue to grow at a pace well above the core business.

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And as you said, we've had a stated goal to move from those items representing today about 23% of our revenue to be 30% of our revenue by 2024. The vast majority, Sanjay, of that growth has come organically. And when I look ahead, I expect the bulk of it to also be organic, again, because I don't have acquisitions built into the medium or long term planning cycle. Those will or won't happen depending upon the merits and the realities of the time. But at the moment, when we make the statement that we expect to get to 30% of our revenue to be value-added services and new flows, we're expecting that to happen organically.

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

Q

Okay, great. So, I'm going to open up the floor to the audience. So, any questions, please raise your hand. There's one right here, one right there afterwards. Okay. You're next.

Q

A couple of quick questions. The first one was on the incentives and rebates that you see developing with your larger clients on the banking side, on the issuer side, are you seeing any changes in behavior? Are you seeing more power by the issuers onto you and your competitor?

And the second question was on the Visa Europe part. You said we'll see within the numbers in two to three years' time. Is that from a pricing perspective or is that from a relationship perspective will you extract additional services from your customers?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

So, on the latter, we've largely done the – we made a lot of pricing moves in the first few years that we own Visa Europe. I expect and believe there's more gas in the tank from a pricing perspective. But when I actually talk about seeing the fruits of our labor show up in our numbers in two or three years, it's more a volume-driven reality than pricing, although pricing will play a part.

You talked about in a competitive environment incentives and rebates. First, I'd say we're not in the – we were in the rebate business in Europe, but largely I think it's – I don't know of a deal. That doesn't mean there isn't one, but I don't know of a deal in the world where it's not incentive driven as opposed to rebate driven at this point.

Look, this space has always been competitive. And I think it remains competitive and it's always more competitive at the high end where the stakes are a little bit larger. But I'd also say though that the pie just continues to grow because of the fact that you've got digital banks and wallets and fintechs around the world. So, there's a much larger volume of deals to be done, which I think makes it very attractive. But it's going to continue to remain competitive.

Q

Thank you.

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

Q

There's one right here.

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Q

Hi. Thanks. We've seen a lot of consolidation on the acquiring side in the industry, and so I'd love to just understand from your perspective how Visa's relative positioning has changed in the light of maybe a more consolidated acquiring base. I think historically Visa was very issuer-centric, just given the history. Has there been any change from that perspective?

And then, as a corollary to that, within e-commerce specifically I think you've seen the rise of 3 or 4 acquirers or PSPs or whatever you want to call it, gain a lot of share; the Stripes, the Adyens, the PayPals, and Worldpay I guess in particular. And so, how do you just think about Visa's positioning in the face of a slightly more consolidated acquiring community?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

I see a few real advantages of what's happened with this consolidation. I'll highlight two that I feel good about. One is we need more acquiring around the world and these consolidated firms are looking for ways to grow to make sure they're getting the types of returns they want to now produce as a bigger entity. And I think we have the ability to work with them, each of them, to identify markets around the world where acquiring is not as strong as it needs to be and help them get into the market and help them grow the acceptance space because that's a homerun for us if that can be the case.

Secondly, acquirers represent a very important partner for us in terms of the distribution of some of our capabilities. And frankly, if there's more concentration, it potentially allows us to go to market a little bit faster than we might otherwise. So, we're obviously – we had long partnerships with everybody. Now, we're talking to them as combined companies and having a lot of really good discussions, and we expect to have very robust partnerships with all of them going forward. Was there another part of your question?

Q

Yeah, it was just on e-commerce. [indiscernible] (00:39:35) it's a bit more organic but just that there are three or four that seem to have gained an increasing amount of e-commerce [indiscernible] (00:39:43).

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

Yeah. Look, well, I think that certainly Stripe and Square are at the top of the list in terms of people who have really catapulted into this space. But I think, again, the lack of sufficient number of acquirers around the world I think makes it very important space. And in this multi-party ecosystem of payments and money movement where there's a lot of dependence upon one another, one of the bigger gaps – you might not feel it as much sitting here in the United States, but there's major gaps in the acceptance footprints in many, many, many countries around the world that are literally holding back growth that could otherwise be happening.

More than half of our volume in Latin America is cash, meaning people are taking their Visa card and going to ATMs to get cash because they can't use that same card at a supermarket or buying gas or something else they're going to go buy on a Saturday. So, to the degree that we can grow acceptance and convert those transactions from ATM cash transactions to a actual transaction as part of the merchant, it's a better experience for the consumer, it's a better experience for the merchant and it's a lot better economic model for us.

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

Q

Thanks. All right, there's one last question here and then we're out of time, sorry. Quick one.

Q

Great presentation. Quick question on the $185 trillion that you identified as an opportunity. How would you rank B2B, B2 small-B, P2P, G2C and B2C in terms of which ones are the low hanging fruit?

Alfred F. Kelly, Jr
Chairman & Chief Executive Officer, Visa, Inc.

A

Well, I think – let me try to get a quick answer to this. I mean, P2P is a huge opportunity and most of our volume's in the the US and Russia, so we have tremendous amount of leeway to move to do more in other countries. In B2C, we now have deals with five of the top seven remittance players, global remittance players, and those are relatively new deals that I think are going to produce lots of volume going forward.

If you think of disbursements in the insurance space where largely in property and casualty there's lots of opportunity, and in a small number of markets there's both geographic expansion as well as insurance category expansion that exists there.

In B2B, traditional card space we did $8.8 trillion of volume last year; about $1.1 trillion of it was B2B prior to all of this activity with coronavirus. It's been faster growing than consumer, so I view that as a real opportunity. I think a couple years out as we build out this new network of B2B Connect, I think that it's going to be a better option than any other way to move large ticket money around the world. And I think that's going to represent a huge opportunity of growth for us.

So, again, I'd go back and say that $55 trillion of the $65 trillion that's addressable by Visa Direct is near- to medium-term opportunity and $30 trillion of the $120 trillion in B2B is near-term to medium term. So basically what am I saying? I'm saying $85 trillion of it is addressable in the short to medium term.

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

And we're going to stop right there. Thank you.

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