11-Mar-2020

Visa, Inc. (V)

Wolfe Research FinTech Forum

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CORPORATE PARTICIPANTS

Ryan McInerney
President, Visa, Inc.

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Darrin Peller
Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Virtual Wolfe FinTech Forum Fireside Chat with Visa, hosted by Wolfe Senior Analyst covering payments, processors and IT services, Darrin Peller. All lines will remain on listen-only throughout the call. If you'd like to ask a question, please use the questions icon in the menu on your screen.

And now, I hand the call over to Darrin.

Darrin Peller
Analyst, Wolfe Research LLC

All right. Thanks, Danielle. And thank you, everyone, for joining our virtual Wolfe FinTech Forum. So, the 10th year we're doing this conference. Didn't want to do it in a virtual format, but obviously just given all the travel restrictions and really for the safety of everyone that would have been here, we thought it was the right move. So, hope everyone is doing well and is safe and really appreciate everyone joining us. Really good participation yesterday, obviously folks not just wanting to stare at their screens in this environment, but actually get some good content.

With that in mind, I really want to thank Visa and Ryan, the President of the company, for joining us today on a fireside chat, really talk about the strategy of the company.

So, Ryan, thank you for joining us. Appreciate having you guys here in this format especially.

Ryan McInerney
President, Visa, Inc.

Yeah. Thanks for having me and hopefully you can hear me okay. Looking forward to discussions. So, thanks for having me.

Darrin Peller
Analyst, Wolfe Research LLC

Sure. Yeah. We could hear you great.

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QUESTION AND ANSWER SECTION

Darrin Peller
Analyst, Wolfe Research LLC

Q

All right. So, look, just – I think the obvious place to start, just given the elephant in the room, is the coronavirus and what you're seeing. Look, you guys preannounced recently, I think you talked about 2.5% to 3.5% impact on your fiscal second quarter growth rate. Based on what you had seen thus far, can you give us a little context into what went into those assumptions? And maybe a little more of – whatever you can tell us in what you're seeing whether it's travel, cross-border, US?

Ryan McInerney
President, Visa, Inc.

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There's clearly a lot going on in the world right now. And as you noted, we did preannounce. I guess the first thing I'd say is our top priority is our people, Visa employees. The situation is evolving incredibly fast. Our leadership team is meeting several times a day, seven days a week to track the latest developments and take whatever actions that we feel we need to take to ensure that our team members are safe and they're able to do the work that they need to do to support our clients and partners effectively.

I do want to thank our Visa team members all around the world. They're just – they're working incredibly hard and fantastic leaders. And they're navigating a tricky situation every day during the day. We're also in very close and regular contact with our clients, our partners, governments around the world. We're doing everything that we can do to help them navigate what are obviously complicated times for all of us.

As it relates to our business and the spending trends, as you said, we released an 8-K last week on March 2. As you know and everybody has been tracking, since then, the virus has continued to spread to countries outside of Asia. As we expected, spending has continued to deteriorate, especially in travel. We factored this continuing deterioration during the month of March into the updated Q2 revenue projection that you referenced a moment ago and we included in our 8-K. And just given the recency of the spread and the impact that we're seeing on spending, it's just – it's honestly too early to tell what the overall impact is going to be.

As I think you would expect and you would hope, in terms of expenses, we're doing a number of things inside our company. We're taking a series of actions to reduce expenses where we think it's smart and it's not going to impact the health of our business certainly in the medium to the long term. We continue to believe and I look forward to talking about a tremendous set of growth opportunities that we have for the company and we outlined on Investor Day.

So therein, listen, the situation is very fluid. There's no question, we continue to monitor it very closely. Given the uncertainty surrounding the magnitude, duration, the geographic reach of the impact, we're going to give an update of our views for future quarters and the full year for 2020 on our earnings call in April.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Okay. Okay. But it does sound like you're at least willing to pull some levers when necessary on the expense side, like you guys have done in past economic cycles.

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Ryan McInerney
President, Visa, Inc.

A

That's absolutely right. I think we've shown, over time, in many different economic cycles that we do. We have the ability to flex our expenses, take a series of different type of belt tightening actions when our revenue slows. We've shown that in different cycles over time, our ability to do that. So we don't obviously know exactly what's going to happen in this situation, but we are prepared to take the set of actions we think are most prudent to set a time. And like I said, things [indiscernible] (00:05:10) impact the medium or long-term growth opportunities that we're very, very excited about.

Darrin Peller
Analyst, Wolfe Research LLC

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All right. That's really helpful. Look, I think our view and hopefully most people's view is that 2021, God willing, won't be as affected by these kinds of things and that the earnings power of companies like yourselves shouldn't be as affected. So I think, at this point, we should just start talking now about the bigger picture longer term for investors to understand what the implications could be on valuation given some of the drawdowns that we've seen.

Your Investor Day provided a great overview on a number of incremental opportunities and you definitely talked a lot about your addressable market growing versus what we used to think about when we think consumer payments exclusively. If we just revisit this high level, starting the legacy consumer payments opportunities, new flows, value-added services, how do you think about the magnitude of each of these? And then, perhaps it'd be helpful to hear your views on the timing for you to reach some of these three opportunities over time.

Ryan McInerney
President, Visa, Inc.

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There's a lot in there. So, I'd love to talk about it. So I'm excited to turn our attention to the growth opportunities. I'll start talking and you feel free to interrupt me if I'm going too much. I'll try to hit all those points.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Thank you.

Ryan McInerney
President, Visa, Inc.

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As I said in Investor Day, I can't think of a time in Visa's history where there has been more opportunity for growth. We laid out a series of opportunities and the actions that we intend to take to capture those opportunities in three big areas, consumer payments; new flows; and value-added services. I'll just go through each of them, I guess, as you asked about it.

In consumer payments, there is five forces that we see fueling this enormous opportunity. Even with all the success that we have had, electronifying payments, there's still $18 trillion in cash and checks spent every year around the globe and that number continues to go up.

The second thing you see happening is the shift from physical to digital commerce and there's an enormous runway that remains there as well. And this really works in our favor, because our share of digital commerce is about three times higher than it is in the physical world.

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Third thing that we see happening is many, many new issuers are being created all around the world, which is helping to grow credentials and provide new experience in both mature markets and less mature markets, especially for the unbanked and the under-banked.

Fourth thing is it's really never been easier to accept digital payments. If sellers no longer need like dedicated devices and high-cost hardware, it's much cheaper, much faster, much easier to become a seller on the network.

And then, finally, we're seeing a lot of action from governments who see the benefits of digitizing payments and they're taking a number of steps and actions to really accelerate the transition to digital payments. So, all of those work in the favor of driving this consumer payments opportunity.

And then, as we laid out, beyond that, we see an enormous opportunity in new flows. And the addressable market here is 10 times what we see in the consumer space. So, we laid out $185 trillion, as I think you referenced.

So, we spent a lot of time studying the $185 trillion opportunity and we break that down into a series of sub-segments, B2B, which is a huge one at $120 trillion, this kind of addresses space that can be addressed with both card-based solutions as well as a number of other solutions that we laid out; you've got kind of what we've been calling B2b, which is another $5 trillion, so this is kind of big business to small business; you have disbursements from businesses to consumers, which is another $30 trillion, things like on-demand payroll, insurance payouts, gig economy payroll and the like; P2P, which is another $20 trillion; and then, the relatively nascent GSC, which is another $10 trillion. So, I mean, all of these are very ripe opportunities and really significant.

Darrin Peller
Analyst, Wolfe Research LLC

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Yeah.

Ryan McInerney
President, Visa, Inc.

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And then, the third area that you alluded to as well is value-added services. And here, we're very excited about the opportunity to meaningfully expand our revenue while also importantly helping our clients to be more successful. And we can talk more about this, it's helpful, but we lay out our value-added services in five primary areas. We've got a robust set of solutions for issuers and then helping them deliver consumer solutions.

Second is acquire seller solutions, security and identity data solutions and then our Visa Consulting and Analytics business. And these services are going to drive revenue growth more than 20% this year, which should be about $3.5 billion in revenue.

And in terms of timing, which I think was the last part of your question, consumer payments is really – it's our core business and it's going to fuel growth for now and into the future. For both new flows within the B2B, it's the cardable and the cross-border opportunities that are much more near term. The more domestic kind of AP/AR solutions are going to take some time to truly scale.

So if I kind of go back to those numbers I mentioned a minute ago, of the $120 trillion in the B2B space, I'd say about $30 trillion of that is really in the near term. And then, for the remaining $65 trillion in new flows – and so, we think Visa Direct use cases are all very near-term opportunities, probably maybe except some of the government to consumer ones, which are a little further out.

So I'd say there, probably $55 trillion of the $65 trillion is very much in the near-term space.

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Darrin Peller
Analyst, Wolfe Research LLC

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Wow.

Ryan McInerney
President, Visa, Inc.

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So, you add all that up, it's a very, very significant opportunity. You take the $18 trillion in consumer, call it $85 trillion in new flows that are addressable in the near term, it's a lot of opportunity. And just to put in context, I guess, maybe and I'll close on this, Visa Direct brought 2 billion transactions in 2019 to our network and had $68 billion in payments volume just in the fourth quarter of 2019. Our B2B payments business today is over $1 trillion. So, these are big meaningful opportunities that are growing at significant rates. So...

Darrin Peller
Analyst, Wolfe Research LLC

Q

Yeah. Yeah. No, that's all helpful and great to hear. Look, I mean I think when you put all that together at your Investor Day and you talked about the potential for revenue acceleration from 10% to 12% you called out or you showed in that slide, we get this question inbound from investors as is the company telling us that's what they actually believe will happen or that's what could happen if everything just sort of goes at the rate it's going? I guess that's a nuance, but it's a question I'd like to put to you.

Ryan McInerney
President, Visa, Inc.

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You're talking about the addressable market?

Darrin Peller
Analyst, Wolfe Research LLC

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No, your CAGR. You talked about the opportunity to accelerate revenue growth from 10% to 12% because of the newer businesses growing well.

Ryan McInerney
President, Visa, Inc.

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Yes.

Darrin Peller
Analyst, Wolfe Research LLC

Q

And I guess the question we get sometimes is does the company actually just say that's what they expect will be the case? Because, like in other words, if the run rate of what we're seeing today holds, that's what would happen. Or is the company saying they actually believe that will happen, because there's no reason that anything that we're talking about should decelerate?

Ryan McInerney
President, Visa, Inc.

A

Here's how we think about it, right. We come into work every day and we're focused on building products, solutions and services that are going to help our clients and partners all around the world grow their businesses. And we're very focused on these three specific areas of growth. We have built out detailed plans on how we're going to attack each of these areas to create products and solutions to digitize the cash and checks and

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consumer payments and new flows and deliver value-added services. And we're focused on how do we deliver against a roadmap that's going to help us grow 2, 3, 4, 5 and 10 years out in the future.

Darrin Peller
Analyst, Wolfe Research LLC
Q

Right.

Ryan McInerney
President, Visa, Inc.
A

So, that's what we're focused on. That's how we think about the opportunity. We've organized against it. We have plans against it. And we're doing everything we can to deliver great products and services to digitize those [ph] folks (00:13:51).

Darrin Peller
Analyst, Wolfe Research LLC
Q

Right. All right. I mean it does sound like those opportunities in combination should allow for that 10% to 12%, which is something, I think, investors were constructive on. But let's go in for a minute, if we think of the digital piece, I thought that was a really good data point at the Investor Day when you guys said that you touch $0.43 of every dollar that's digital versus $0.15 of every physical POS dollar spent. It's just such an enormously outsized percentage of market that you see on digital. I think if you could expand on that, what does that mean for your model, your investments and the runway there? I mean digital does seem like it should and will be a very big part of your story going forward and what more can you do I guess?

Ryan McInerney
President, Visa, Inc.
A

It's a very important and a very positive part of our story and we're doing a lot. Just to put in context, the digital opportunity remains a huge untapped opportunity all around the world. It's been growing very fast. Since 2016, digital commerce, I think, has grown a little over 20% CAGR all around the world, but it's still only chipping away at kind of traditional retail.

eCommerce is only about 14% of global retail spending. So, even with all of that growth, there's still enormous runway for digital commerce to grow all around the world. And as you alluded to, it's a very important and a very positive trend for us. Quite frankly, in the digital world, cash is often not an option for consumers. And when it is an option, it's usually a relatively, I think, terrible customer experience. And it's more expensive and it's more costly for sellers.

So, that's why our natural share of spend in the digital world is much, much higher than it is in the physical world. And the numbers that you just referenced show that, that it's about three times – our share is about three times higher than we otherwise would get.

So, as we think about eCommerce and kind of it fueling a meaningful amount of both domestic and cross-border business, it's a very significant area that we're investing in, building new products, delivering a roadmap of solutions to the market. And I'd say, first and foremost, we're looking to improve kind of the consumer experience in the digital world. We're trying to help sellers increase their conversion rates, helping decrease abandonment, helping reduce fraud to get both consumers and sellers confidence in the digital commerce space.

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Guest checkout is one example that I would highlight. In eCommerce, right, where you're a known shopper, which a lot of us are, we have maybe card on file, stored our payment credentials, the experience for using your Visa card is pretty darn good. It's easy. The site remembers you, stores your credentials, you usually just click checkout and you're done, but guest checkout is only about half of eCommerce.

For the other half of eCommerce, consumers face a much messier and less efficient kind of guest checkout experience. We've all done it. The site doesn't recognize you. You have to fill out a bunch of different kind of steps of the process. It can take 20, 25 steps. It can take two, three, four minutes. It's messy.

So this is an area where we've invested in click to pay, so that, now, when you go to sites hopefully in the eCommerce space all around the world, you look for a button, you select your card, hopefully it's a Visa card, you click and you're done, so kind of replicating the card-on-file experience in guest checkout. That's kind of one example.

Another example would be tokenization. We are continuing to invest in building out tokenization capabilities to help improve both security, but also customer experience in the digital world. We're building out our risk and fraud services to help, as I said, sellers reduce fraud and issuers to reduce fraud. In the physical world, chip cards have had a huge impact, but what has happened is what we expected. You've seen a shift in fraudsters focusing online. So we're investing a series of our capabilities to help reduce fraud there.

And I guess last thing I'd mention, and I could go in the space, is installments. We think that the buy now, pay later offerings kind of growing around the world are going to continue to grow and we've built on a series of those offerings as a network service, so that sellers can deliver a buy now, pay later offering to all of their consumers that come to buy. So those are some of the investments that we're making. As you'd expect, there's a lot more and as you said, digital is a huge opportunity for us to continue to grow.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Okay. All right. That's helpful. Maybe we could just shift for a minute. Another topic within consumer payments is tap to pay or contactless, which obviously, even in this environment, probably even more relevant. But, look, you guys called out, I think, 20% lift in transaction numbers after tap to pay is rolled out in some developed markets in the past, obviously a lot of smaller transactions. Can you just touch on the opportunity for this in the US now and then maybe globally as well?

Ryan McInerney
President, Visa, Inc.

A

Yeah. Sure. We've been talking about tap to pay for a number of years and it's because of what you said that we've seen the opportunity that it creates. And now, we're very excited that we're able to show all of you the results.

For – like, in the physical world, there's no question about it, tap to pay is the best experience, the best experience for buyers, it's the best experience for sellers and we've proven it now again and again in country after country around the world. Consumers love it. Sellers love it. It's a fantastic buying experience, which is what we're ultimately trying to deliver.

And globally, we've reached a point where one in every three card present transactions that runs over our network is now tap to pay. And that's up from one in four just a year ago. So, the growth is incredible and it reflects, I think, the significantly improved seller and buyer experience.

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This past year, we doubled the number of countries whose face-to-face transactions are now at least two-thirds contactless. And if you take the US out of things for a minute, we can come back and talk about the US, we have – more than half of all the transactions last year were tap to pay, 55% I think of total global transaction, excluding the US, again, up from 40% just a year earlier.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Yeah.

Ryan McInerney
President, Visa, Inc.

A

So, it's significant growth. And, I guess, getting to your – core of your question around 20%, it's really – the experience is effective that we're placing smaller ticket transactions that would otherwise be cash. And it increases the number of Visa transactions that ultimately start to happen through this habituation process that happens. [ph] Trends (00:21:30), it's a great enabler of this. We've talked about that a few times.

And if we go back to the US, the US is clearly earlier in the journey, but it's absolutely picking up steam. And the data really starts to play out. Kind of in the US, I think we've got about 145 million tap to pay cards out there now and we've said there'll be 300 million by the end of the year. 17 of the top 25 issuers are fully issuing tap to pay cards now in the US. So they're getting cards into people's hands.

And then, equally important, the sellers are ready. 8 of the top 10 merchants are accepting tap to pay and I think it's 83 of the top 100 merchants in the US. And actually, we look at – I think it's 60% of all in-store transactions in the US are now taking place at terminals that are enabled for tap to pay.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Yeah.

Ryan McInerney
President, Visa, Inc.

A

So, in the US, it's happening. We've now got adoption curves for dozens and dozens and dozens of countries around the world. We know how it plays out. We have a very good view of how these adoption curves mature. And typically, it takes two to three years for the usage to really accelerate and we're excited about the next year or two in the US of hopefully seeing that.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Yeah. I mean, I just have to think and correct me if I'm wrong, but is there any reason why you would not drive some level of lift in the US in 2021 versus 2020 in terms of the US? I mean you should be at mostly ubiquitous levels by the end of the year. Putting macro conditions aside, I would think that there should be a lift in the number of transactions purely attributed to contactless in 2021 over 2020 and over 2019.

Ryan McInerney
President, Visa, Inc.

A

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I think as it relates to the US, it's going to take a couple years, as I mentioned, for this tap to pay journey to play out just like we've seen in other large markets around the world. In some of the more, I'll call them, mature tap to pay markets around the world, I think we showed some of these curves at Investor Day, you clearly see the transaction growth, which is why we're so excited and why we're making all the investments that we're making in the US.

Darrin Peller
Analyst, Wolfe Research LLC
Q

Okay. Let me shift gears. The Network of Networks concepts, which is something that we've been pretty excited about, I mean you guys are partnering now with networks really around the world, whether it's Paytm or LINE Pay or Gojek or others. And I think you mentioned potentially 1 billion new users that could be on the Visa network that weren't there before, comparing that to maybe the 3 billion or 4 billion that actually have Visa cards now. It's just an incredible lift when you think of all those new users potentially, even maybe for cross-border. Are we're thinking about this the right way? I mean I know the amount of times they would use Visa – beyond the Visa network maybe less than the average Visa user, but still maybe higher yielding at cross-border.

Ryan McInerney
President, Visa, Inc.
A

So I think one of the most important things that's happening in payments around the world right now is the opening up of what were previously closed digital commerce ecosystems. And to put this in perspective, if you look back a couple years, we saw and we all talked about the rapid rise of all these new digital commerce ecosystems around the world, right? It started in China with Ali and WeChat. It spread quickly to the rest of Asia, Latin America, Africa, the rest of the world.

And, Darrin, if we were doing this conference a few years ago, like you would have been asking me a bunch of questions about the competitive threat that these ecosystems pose, because they were largely close to Visa. And that would have been the [ph] thread of (00:25:23) the discussion that we were having a couple years ago.

But today, we're really seeing a fundamental shift from what were otherwise closed ecosystems to now open ecosystems. And we see these digital platforms all around the world, moving from what were competitors to now very important partners.

Darrin Peller
Analyst, Wolfe Research LLC
Q

Yeah.

Ryan McInerney
President, Visa, Inc.
A

Like they're becoming issuers of Visa credentials, enablers of Visa acceptance and the opportunity for Visa and for our partners is enormous. And some of them you mentioned, right, they're partners like LINE and Paytm and Gojek and Toss and I could go on and on. And so, we do believe the opportunity, as you referenced, is more than 1 billion potential credentials and I think about 70 million potential sellers and most of these are not on the Visa network today.

Darrin Peller
Analyst, Wolfe Research LLC
Q

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When does this kick in in terms of actually impacting your numbers? Is it a 2021 event where we start to see some impact?

Ryan McInerney
President, Visa, Inc.

A

The work that our teams have been doing, which I'm really proud of, all around the world has been engaging with these partners and helping them realize the potential of opening up their networks, the potential to grow their business by issuing credentials and opening up acceptance. And that's where we've been spending the bulk of our energy.

Now, we're working with these partners to solution, to create experiences, to create issuance experiences. And if and when and how all of those credentials start to materialize, it's tough to predict, it's going to take time. It will evolve over time. But when you kind of look at the opportunity versus where it was a couple years ago, there's no question that it's just an enormous opportunity for our partners and therefore, for Visa.

Again, if you and I were having this conversation a couple years ago, you would have asked me something about like a company like Paytm, like – everything going on in India, isn't Paytm going to be a big competitor to Visa in India? And now, you can see a company like Paytm as the opposite, they're a great a partner, one of our most important partners in India.

They had grown like a rocket ship a few years ago in a closed ecosystem model. They've built out whatever it is, 0.5 billion users and 15 million, 16 million sellers. Now, we're working with Paytm to issue both digital and physical Visa cards, debit cards, credit cards to their 500 million users. We're working with them to open up acceptance. They're becoming an acquirer and enabler of Visa acceptance at their millions of sellers all across India. So, I mean exactly when and how this materializes into numbers, it's just tough to predict, but I could tell you all around the world, the opportunity is enormous and very, very excited about this.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Okay. The other key – one of the key – other key new drivers we're pretty excited about, I've done a lot of work on, is Visa Direct. And then, you mentioned before the [ph] 68 billion (00:28:28) of volume in fiscal fourth quarter. It was a mind blowing number when you think of it being literally almost $300 billion annualized now, $300 billion out of, call it, $4 trillion or so debit, right?

So, we're talking 8%. I know not all of it, but most of it is in debit, growing, Ryan, I think you guys said it's almost – it's still nearly triple-digit growth. You got to remind us what the growth profile of Visa Direct was, but it was by far faster than the rest of your business. So, is there any reason why that shouldn't keep growing at these strong rates and potentially lift the overall debit volume profile in terms of growth?

Ryan McInerney
President, Visa, Inc.

A

We've been excited about Visa Direct for many years now and we are excited that we've been able to now show you all some of the numbers that underlie our excitement for the platform. And you described the growth profile right. That's how we think about it. It's been a great growth engine so far, but we're really excited about the growth engine that it represents going forward. And we have a broad set of existing use cases that we've laid out and I can talk about. We've got teams working on expanding into new use cases, new geographies. The growth potential is really significant.

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Darrin Peller
Analyst, Wolfe Research LLC

Q

Yeah.

Ryan McInerney
President, Visa, Inc.

A

And I think it's important to think about – for all of you to think about Visa Direct, it's not a product, right? It's an end-to-end money movement platform and we run Visa Direct as a business. I just got a business leader, got a full management team, it's got a sales force, a customer service group, et cetera, et cetera. Inside of Visa, the Visa Direct platform is a full end-to-end business unit and it's powering dozens of kind of fast payments use cases all around the world.

And I guess a lot of people may not understand kind of how we've built the business to get it to where it is today. Our leadership team has done a lot of detailed analysis to identify the use cases that have the biggest potential. And we go through and we assess the market vertical to understand what is the value chain all the way from a sender to receiver, its detailed work and we go through and we understand the receive side of the business.

We hope our partners prepare them to enable the new use cases. We go through different ticket sizes, transaction velocity, risk management solutions. I mean there is a whole bunch of work that goes in use case by use case to deliver it and then we have to develop for any given use case a bunch of segment-specific infrastructure, the different set of APIs, different integration methods, all focused on how do we help our partners enable kind of these fast payment use cases to help drive their business.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Yeah.

Ryan McInerney
President, Visa, Inc.

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So, it is an exciting platform. We're seeing enormous growth in P2P, in B2C, and the gig economy, as I mentioned, B2b. Happy to talk about any of those use cases, but it is a business that we continue to invest in. We see significant growth today and into the future.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Okay. We're almost out of time. I'll give you one last question. I'll take maybe one or two if I we have time from the audience. There's a bunch of questions already coming in, but just in interest of time, I guess, what kind of deals are you thinking about potentially doing if any at all? What are the leverage levels you'd be comfortable within and really where do you see Visa as being both ahead of and behind competitors?

Ryan McInerney
President, Visa, Inc.

A

We're focused on our strategy. We're focused on executing day in and day out against our strategy, delivering for our partners and ultimately delivering growth. And as we spoke about at Investor Day, our first priority is always about how can we build product solutions and services ourselves and deliver those across our global ecosystem both on our network and increasingly on our Network of Networks.

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When we see opportunities when we can use either commercial partnerships, investments or acquisitions to fill gaps, move quickly and enable that growth strategy, we're always looking at those opportunities. We laid out our criteria very clearly at Investor Day, but acquisitions are not something we come into work every day, thinking about how do we get done. It's all about our strategy, what is our strategy, what do we need to get done to deliver our strategy and how do we deliver products and services and solutions globally to make that happen? And we'll look at always the best ways to do that. So, that's what we're really focused on.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Okay. All right. Maybe we'll take a couple. Just we have only two minutes. So, one question is how much of Visa Direct is cannibalizing existing flows versus new flows? I guess that's the question.

Ryan McInerney
President, Visa, Inc.

A

Yeah. Visa Direct is all about new flows.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Right.

Ryan McInerney
President, Visa, Inc.

A

I mean you think through the use cases that we're tackling and they're almost all check and cash use cases. P2P is an obvious example. Visa Direct is kind of the underlying platform fueling a lot of use cases for nearly all of our largest P2P platforms that you know and probably use around the world. I mentioned insurance claims payouts, that's entirely incremental, business loan payouts. So, Visa Direct is a fast payment platform that is entirely focused on digitizing new flows that we otherwise would not be capturing in our core B2C business.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Okay. That's good to hear. All right. Next question is – it's a question around your expense growth rate. In other words, at the Investor Day, you talked about a higher expense growth rate versus your prior Investor Day a couple years ago. I mean, I know it's probably more of [indiscernible] (00:34:49) question, but any thought process around that? Is that just the level of investments you're making now or...?

Ryan McInerney
President, Visa, Inc.

A

It [indiscernible] (00:34:56) how excited we are about the growth opportunities that we have. And so, notwithstanding the current environment that we're in right now and what I said earlier about our focus on being very disciplined in this environment on expenses, if you just back up more broadly, we are being prudent and thoughtful, but we are absolutely investing to go capture what we think is a terrific set of growth opportunities all around the world in our core business, in the B2C business, but also in the two other big growth levers in terms of delivering solutions to capture new flows and also value-added services.

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Darrin Peller
Analyst, Wolfe Research LLC

Q

Right. Okay. Look, we have more, but just in interest of time, we'll have to stop it now.

Darrin Peller
Analyst, Wolfe Research LLC

So, Ryan, just want to thank you very much. The clients that asked those questions, I'll follow up with management and try to get you answers on those as well. If anyone else has any, feel free to e-mail us.

Ryan, really appreciate your time. I hope you guys stay safe and all is well in the next couple of months. And we'll be in touch shortly after you report earnings, I guess.

Ryan McInerney
President, Visa, Inc.

Thanks, Darrin. Same to all of you and thanks for having me this morning. Really appreciate it.

Darrin Peller
Analyst, Wolfe Research LLC

Thanks, guys. Everyone on the audience, the next one is with the CFO of Western Union. Presentation time is at 10:50. All right, Ryan. Thanks again, guys. Have a great day. Take care.

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