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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Well, thank you, everyone. And thanks for joining us this afternoon and live on the webcast. My name is Dan Perlin. I'm head of the payments, processing, and IT services practice here at RBC. And I am delighted to have Ryan McNerney, the President of Visa, joining us here today. So, Ryan, thank you for taking time out of what is I'm sure a very, very busy schedule.

Ryan McNerney
President, Visa, Inc.

Thanks for having me, Dan.

QUESTION AND ANSWER SECTION

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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So, at a high level, I thought we could start off, the economic environment remains very fluid. Visa, in many ways, represents kind of the pulse of consumption around the world. And so, I was hoping you could give us kind of an update on what you're seeing and the insight of current trends that you've been releasing maybe even through May, and just kind of frame that for the investment community if you could.

Ryan McNerney

President, Visa, Inc.

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Sure, I'd be happy to. We just actually issued an 8-K last week so it's very timely. I'll go through the data that we're seeing around the world and I'll try to do it in a fair bit of specificities just to try to help your audience. If you start in the US, overall spending was still declining in the month of May. If you look at the month of May, it had declined 5% overall. But May was 13 percentage points better than April. So, spending has steadily improved from not just April to May but actually week-over-week, since really mid-April, we've seen improvement in spending.

Debit continues to pretty significantly outperform credit. Debit actually had positive year-over-year growth since late April and it grew 12% in the month of May. So, debit was positive 12% growth in the month of May. Credit improved in May by 9 percentage points, but it was still a negative 21% year-over-year growth in the month of May. And the fact that debit outperforming credit is not surprising, people tend to want to use the money they have in times like this versus money that they might be borrowing. Plus, we've seen the spend mix shift away from more discretionary items where credit is often used or preferred by consumers. And then, you add to the fact that most of the government stimulus funds were deposited into checking accounts where people use their debit card to spend those money.

So, debit continues to outperform credit by a fair bit and not totally surprising. And then, if you look at card-not-present spending and the way that we look at card-not-present spending in the US is card-not-present spending excluding travel, growth remained at elevated levels in May. We saw, I think, positive 30% year-over-year from late April onwards, while we've seen kind of continued e-commerce adoption.

Card-present spending was down 50% year-over-year in April and it exited May, declining in the mid-20s. So, we're really starting to see as states in the US start to reopen, more people are going out, they're using their Visa cards, and we've seen a reasonably large improvement in card revenue spending as well. And then, if you look at the industry segments, kind of merchant segments still sticking in the US in May, you have a few segments that had outperformed really throughout the whole crisis. Grocery and drugstores continue to perform well. As an example, we've seen big adoption in online grocery and drugstore spending. And then, you've got a few segments that I think most people would expect have been hit really hard and I think continue to hit really hard. Restaurant spending is down significantly and remains down in May. Quick service restaurants are performing better than traditional sit-down restaurants, but overall as a segment, it's been hit really hard.

And then, if you go outside the US, it's interesting. Europe, Canada, Australia, Japan have performed very similar to the US. So very similar to the trends that I just described. There's a number of markets though that still have very heavy restrictions in place that are opening up much more slowly, countries like India and Singapore. So, their spending levels remain much lower. And then, we've really been closely tracking some of the countries

around the world that have really started to open up. You've got markets like New Zealand and Denmark and Chile. New Zealand is an interesting one. I mean, New Zealand is getting close to back to normal as it relates to domestic spending. The borders are pretty much closed. And if you look at the change in spending that happened when they opened up, it was dramatic. We saw growth improved by 60, 6-0, percentage points when New Zealand opened up and the spending levels have remained elevated through kind of the back half of May. So, it gives us some indication of what can happen in at least these countries when things really start to open up.

If you just – if you back up and just kind of hit a couple other things real quickly, so process transactions globally for Visa declined 12% in May, but that's 12 percentage points better than April. And since April, we started to see purchases that the average ticket price for purchases grow as people are – they're going out of their home, they're buying bigger basket sizes than they otherwise might. And it also reflects a change in just kind of the mix of spending with everyone staying home. They're not out buying coffee or lunch or other things that they might be doing during their daily commute, so average ticket size is definitely up.

And then I guess finally, Dan, if you think about cross-border for a minute, constant dollar cross-border excluding transactions within Europe shrink 45% in May, that's a 6-percentage point improvement from April. Travel-related spending remained very, very weak, shrinking 78% in May with – we haven't seen much change in that since April. So, that just gives you a little bit of a tour around the world. I guess last thing I might say on cross-border is, if you exclude travel, so you look at card-not-present cross-border excluding travel, that continues to hold up quite well. It was up 18% in May and a big part of that is retail cross-border spending that's driving that growth. So that gives you a little bit of sense of what we're seeing in the numbers.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Yeah, that's a fantastic update. It's interesting, I was I was hoping you could contextualize travel and entertainment a little bit, because I think the working assumptions from investors and myself included prior to a lot of the data that you've been releasing, I think we would have thought that Visa had more exposure to those categories. And as it turns out, it seems like it's less than what we would have thought, so maybe if you could just spend 2 seconds contextualizing that and then we'll move on.

Ryan McInerney

President, Visa, Inc.

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Yeah, okay. I'll go through kind of what we've talked about publicly on that front. But it's been in a couple different places, so I'll try to do it all in one place and give you a sense. In the US, we've shared that entertainment, restaurants, and fuel together with travel are about 25% of our PV. So travel, entertainment, restaurants and fuel is about 25% of our US PV and we've also said that travel was down more than 70% in May. If you look at the B2B business, including virtual card and everything in it, that's about 12% of our payment volume. And as you alluded to, it's not as T&E focused, I think as a lot of people might have thought. And then, if you look at cross-border, we shared that card-present and card-not-present travel represents a little less than two-thirds of cross-border spending. So, both card-present and e-commerce driven travel purchases are a little less than two-thirds of our overall cross-border business.

Commercial represents a smaller portion of cross-border volume than our overall payments volume. So, the majority of the cross-border volumes are consumer related. And it's not really surprising if you think about it, a lot of large corporate related travel expenses like airfare and hotels and such are not paid on the card, they're paid by the corporation itself. And in April, travel related cross-border was down more than 80%. In May, we saw a slight improvement. So, May was a 78% decline for the travel related cross-border business. So, if you kind of piece all that together, it gives you a sense of the overall travel business.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Okay. No, that's super helpful. And then, just one last one on this and then we'll move on to something that's a little more exciting.

Ryan McInerney

President, Visa, Inc.

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Okay. Yeah, sure.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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When you're thinking about the shape of the recovery and you're having these discussions with executives both internally and then at other companies, what are some of the things that we need to be mindful of as we think about travel in particular both domestic and long haul and are there structural changes as executives maybe review the travel budgets, a lot of people haven't been traveling, and there's a significant cost differential between that, and so I'm just wondering how we should be thinking about the shape of recovery as it pertains to the travel index?

Ryan McInerney

President, Visa, Inc.

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Yeah, I mean, listen, we don't know when travel is going to come back. I mean it's the bottom line. I think it's logical to assume that consumer regional travel would be the first to come back, then we'll see longer haul consumer travel, then business travel. And that's my sense of how things will come back, but we don't know. The bottom line is, we're going to need some advances in terms of testing, therapeutics, and ultimately a vaccine before I think we see things get back to pre-crisis level. So, it's going to take time. I think it's likely some business travel might not come back at all, but we don't know. We'll just have to see how it ultimately plays out. Our goal in all this is just share the facts that we have. So we hope by sharing the facts in as detailed a manner as we can on our travel exposure and the trends that we're seeing give investors a better sense of what's happening and hopefully give them a little bit more confidence and feel better about when travel does start to pick up again, how it'll play out and ultimately in our numbers.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Yeah, no, I think the level of transparency that's being provided is fantastic and it certainly I think allows a lot of people to kind of underwrite so to speak the kind of long-term value of the business and not maybe get so hung up on the short-term outcome. So, let's pivot to some of those bigger themes. There's a lot of things that are emerging in the market today and I'm interested to hear your thoughts on where Visa has positioned relative to some of those themes. If we start at the most obvious and the one we have heard the most about is really this massive shift towards e-commerce and ultimately the need for omni-channel solutions. So, maybe you can talk about what you guys are doing in that regard and what you're seeing in terms of trends.

Ryan McInerney

President, Visa, Inc.

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Yeah, well, the trends on that front are exciting. The shift from physical to digital continues. I think what people lose track of sometimes is just how much runway still remains in e-commerce. I mean e-commerce is only 14% of global retail spending right now. So, even though we think about ourselves globally as a pretty digital society at

this point, there's still a ton of runway, a ton of opportunity. And this really works in our favor. As some of you might have heard me say before, our share of digital commerce is about 3 times greater than it is at the physical point of sale. And so, as you said, all around the world, we're seeing this acceleration of e-commerce adoption and it happens in different ways in different parts of the world. So, you look at, if you look at Latin America for example, we saw more than 13 million e-commerce first time users in the second quarter. That's 2 out of every 10 active cardholders in Latin America. So, in Latin America, you're seeing a lot of kind of people who never made an e-commerce transaction, now starting to make e-commerce transactions at pretty significant levels. And if you look at Singapore, one in five Visa cardholders who have never made an e-commerce purchase made their first purchase this year, I think if you look up through March. So, even in a more digitally advanced economy like Singapore, we're seeing just significant adoption of people that had not previously made e-commerce transactions. And then, here in the US, we're seeing play out is consumers that had not engaged in certain segments of e-commerce, adopting e-commerce in those segments in significant ways. So, if you look at the number of active cards using making an e-commerce transaction versus before like in retail, grocery, drugstores, restaurants, and QSRs, those are all up 30% versus pre-crisis level. So, we're seeing this acceleration of adoption all around the world in different ways by buyers. And as you alluded to also, we're also seeing great strides on the seller side of the ecosystem. And we're seeing all over the world especially small businesses that had not previously, but also large businesses, small businesses that had not previously enabled e-commerce or larger businesses that had not enabled real omni-commerce rushing in to do that and this really puts us in a strong position given our CyberSource platform combined with a company that we bought called Payworks [indiscernible] (0:15:03) is helping businesses all over the world, e-commerce enable or omni-commerce enable their businesses. So, we're quite excited about all that.

Daniel R. Perlin*Analyst, RBC Capital Markets LLC*

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That's fantastic. The other big theme that seems to resonate right now is that this pivot obviously given a lot of consumers' health concerns over cash as an example, but is this pivot towards contactless and tap-to-pay payments, I know you're incredibly well-positioned there, but maybe you could put some framework around that for us.

Ryan McInerney*President, Visa, Inc.*

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Yeah, sure. I mean even just – I think everybody in the call as consumers ourselves having gone into stores, the consumer preference in this environment to be able to tap their Visa card versus [ph] dip it (00:15:49) or certainly use cash is a very natural instinct in this environment and we've seen a pretty significant acceleration in tap-to-pay, both again here in terms of buyers and sellers around the world. And just in terms of some of the facts, tap-to-pay transactions, if you exclude the US, we'll come back and talk about the US in a minute, are up 40% in April and we're seeing tap-to-pay accelerate kind of in more emerging markets, but also in more developed markets around the world. From January to April, tap-to-pay if you look at the share of transactions increased 2.5 percentage points in a country like India, 4 percentage points in South Africa, and we're seeing those types of moves, they're very significant moves in a short period of time. And we're also seeing adoption on the seller side of the ecosystem. Just I think it was earlier this week, I think it was on Monday we announced that the largest convenience store chain in Japan, 7-Eleven, would accept contactless at all of its 20,000, 21,000 merchant outlets across the country. So, we're seeing buyers tap-to-pay, we're seeing sellers enable tap-to-pay around the world. And if you add it all up, globally now, if you exclude the US, 60% of all transactions, face-to-face transactions are tap-to-pay. It's really somewhat a staggering number if you think about where we were just a few years ago. And it's a very good thing for our business, not only are we displacing cash which is a big benefit of tap-to-pay but there's other benefits. It's a habit-forming behavior. You start – you tap, you experience it, you tap

in the transit system, you tap in the 7-Eleven, and it's a habit-forming behavior. And what we've seen is where people do really engage with tap-to-pay, it drives more active transactions on their cards.

And in addition to just the behavior-forming, it's such a frictionless experience. If you think about the seller experience, the buyer experience and ultimately what it does is it sets a very high bar for the Visa experience at the point-of-sale and it makes it harder for alternatives to provide a better experience. So, we really think it's a fantastic buyer and seller experience. It solidifies Visa's position at the point-of-sale as the best way to pay or be paid and we're excited about the accelerated adoption. And then I guess just to close on the US, so I think most of you know, I mean the US is really still just getting started on this journey. But it still represents an enormous opportunity. We've laid the groundwork I think to have some real success over the next several years in the US. We've got 55% of all transactions that are less than \$10 that are in cash in the US and that's just an enormous amount of opportunity for us to displace. And in terms of the cards and the sellers, we've got more than 190 million tap-to-pay Visa cards that are out there now and still plan to have 300 million by the end of the year. And then in terms of sellers, we've got 8 of the top 10 US merchants enable 80 of the top 100. We've got two-thirds of our face-to-face transactions that are now done at terminals that are contactless enabled. Like so, if the consumer taps, it'll work. So, we're making great progress. We've – I think we also announced a large [ph] grocer (00:19:52) in the last couple of weeks that's going to enable a thousand of their stores in the US. So, we're now at – when we get that done, we'll be at 9 out of the top 10 merchants. So, you've got – a lot of the ground work laid in the US and I think this situation we're all in now will only accelerate it.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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I mean just between those two large themes, I mean it would be exciting enough. But you add on that the new payment flows that you guys are capturing. And it is a time in the market where I think a lot of people are trying to identify structural winners, as we come through the other side of this pandemic, right. And a big part of the incremental growth story for Visa longer-term is these new payment flows as identified by you guys. So maybe, Ryan, if you could dimensionalize the opportunity there for us, and even walk us through some of the major areas of focus where you're spending a lot of your time.

Ryan McInerney

President, Visa, Inc.

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Yeah, as you said, it's a significant growth opportunity for us. We've identified new flows that represents \$185 trillion and we think of them in five different categories. And we're building products and client coverage and business opportunities against each of these opportunities. We start with B2B. I mean B2B is a huge opportunity. We estimate it's \$120 trillion in new flows. In the B2B space, you've got a range of different opportunities and we've kind of broken them out into opportunities that can be addressed with Visa card-based solutions. And then there's a whole series of opportunities that can be addressed with kind of accounts receivable and payable flows and then a third set of opportunities that are cross-border related. And then, you've got what we call kind of B2b or B-to-small business which is about \$5 trillion. And here, you've got merchant settlement, you've got increasingly marketplace payouts and alternative lending solutions and such things. B2C disbursement is another \$30 trillion opportunity. And there's a whole range of opportunities here that we've laid out from insurance payouts to on-demand payroll, the gig economy payroll. There's a bunch of use cases that we've identified there. And then, you've got two others. You've got P2P which we've been very active in, which is about \$20 trillion new flow opportunity. And then, the nascent but really growing government-to-consumer so G2C space. This has picked up a lot in the pandemic and we estimate that there's about \$10 trillion inflows there from government benefit payouts and tax refunds and the like.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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It's interesting on the government side I'm actually quite interested in that because there was seemingly and probably still is a pretty big movement towards kind of nationalism, nationalistic behavior around the globe. And I felt like in some instances that might have kept you guys maybe further at bay from some countries. I'm wondering if the current environment has actually acted as a bit of a catalyst to open up those discussions as those governments actually need support and you're able to provide those products now.

Ryan McNerney

President, Visa, Inc.

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Yeah, well, first, I mean, we see governments around the world as a very important client segment. So, our country managers around the world have teams of people that cover government as clients and they have the same sales disciplines with our government clients that they would any partner or client. We've identified opportunities. We're calling on governments as clients. We're doing everything we can to introduce them to our products and capabilities in a way that can help governments be more efficient and more effective. And in this environment that we're in right now, it has accelerated both those conversations and those opportunities. I mean disbursements itself in the United States and around the world has been a very, very important focus of government at the highest levels. As they've all of a sudden had a need to get significant monies out to people in their countries and do it as quickly and safely and as securely as they can possibly do it.

So, I'll just give you a couple examples. In the Dominican Republic, we quickly developed a prepaid card solution that gave kind of the government the ability to make disbursements to people all around their country. In the US here, we support I think it's two dozen state government programs for unemployment churn programs where we've seen massive growth as you might expect. And then I think you probably would have seen that working with the federal government, they've issued Visa prepaid cards to I think it was 4 million Americans to get the federal stimulus money to those they couldn't reach with direct deposit. In a country like Guatemala, it's I think a very interesting example where we built using Visa Direct, a solution to support Guatemala's relief program where they were able to reach 2 million households very, very quickly. And we partnered with them not just using our Visa Direct platform, but we've built a database using their national identification numbers and bank account numbers to create a direct way to quickly enable those payments to get out quickly. And so what happens with those examples whether it's in Guatemala, in the United States, the Dominican Republic, or many other countries around the world, is once we have a success like that in a program, we're able to then expand that platform and show them other use cases, and hopefully, just like we would any other partner or client expand and deepen our partnership and grow the amount of work that we're doing with them. So, yeah, we're very excited about kind of the government-to-consumer segment and especially in this environment that we're in right now.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Yeah, on the B2B side again, I know that's clearly the largest bucket here in terms of opportunity. We often get questions around the monetization strategies and we kind of know Visa's legacy monetization strategies but some of these are going to be huge dollar denominations that are going to be crossing the border. I wouldn't think traditional interchange models are going to work for that, maybe the traditional card for some of the smaller pieces. But is there any insight you can give to us in terms of how you're thinking about that process long-term or that model I should say?

Ryan McNerney

President, Visa, Inc.

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Well, yeah, I mean you mentioned cross-border. And certainly, in the B2B space, it requires different solution, different end-to-end solutions in many ways across the board. It's not just pricing. It's the products, it's the platform, it's the enablement. We've brought to market a platform specifically designed and built from the ground up to address the pain points in large ticket cross-border B2B payments. We call it the B2B Connect product and platform. And again, we started with a clean sheet of paper. If you go talk to any corporate or any bank about high-value cross-border B2B payments, you'll get an earful about all of the problems that exist today, everything from lack of transparency to how inefficient the payments are, lack of speed, and the pricing model that exists. So, we built a platform from the ground up to really address that and we're having good early success building adoption. It's going to take I think time like it is building out any network, but all of the clients that we've engaged with have really embraced it with open arms because they're looking for cheaper, faster, better, more transparent solutions to address cross-border high-value B2B payments. And I think as we attack the B2B segment which is this massive opportunity, you're going to see from us similar approaches, tailored customized solutions, and we've talked about kind of our strategy in this space which is really to leverage a network-of-networks, to fully capture the opportunities here. And B2B Connect is an example of a new Visa network that we felt we needed to build to sufficiently serve in an effective way in this example cross-border B2B payments, but more broadly, we think our network-of-networks strategy will allow us to really be successful in the B2B space.

Daniel R. Perlin*Analyst, RBC Capital Markets LLC*

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I'm glad you brought that up because as I was thinking about the network-of-networks strategy. I mean, you have these new incremental payment flows, but you have this, again, you have this huge distribution asset that would seem to be coming into play with this network-of-networks. So maybe you could talk specifically to that strategy and have it be inclusive of your assets of Earthport, obviously, VisaNet's there, then maybe Visa Direct as well.

Ryan McInerney*President, Visa, Inc.*

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Yeah, sure. [indiscernible] (00:29:33) so, our network-of-networks strategy is about moving money to all end points and all form factors around the world. And as part of that, Visa facilitates liquidity and guaranteed payments through our Visa settlement service but we use all available networks. And by doing that, we're able to optimize speed and value for our partners. We're able to bring them a single connection point, so that they don't have to do what's very complicated work of accessing multiple different types of networks. And in that process, we're able to provide value-added services on all Visa transactions whether they're on VisaNet or some other network. So, if you start with the networks themselves as you mentioned, of course, we use VisaNet. But even with the enormous scale of VisaNet, we're not able to reach every business, consumer, government, account on the planet. And even with the innovations that we've built like Visa Direct, we still don't have the capabilities to enable every type of money movement. I mentioned kind of high-value cross-border B2B a minute ago. So increasingly what we're doing is, we're using other networks to reach accounts we couldn't otherwise reach or enable new types of money movement capabilities. And as part of our network-of-networks, we use other Visa networks. You mentioned Earthport, I mentioned B2B Connect. We've got PLUS is an ATM network that we have and we'll continue to build out our own proprietary networks. But we'll also use non-Visa networks when it's required and this is the full range whether it's with or other card networks or the like. So, if you bring all this together, what it allows us to do is provide kind of end-to-end money movement solutions with best-in-class capabilities using all the available networks that we have and being able to bring to our partners a solution that gives them the ability to optimize speed and price of a transaction as they try to reach consumers and businesses and governments around the world. It's worked very well for us in this space.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Do you think when you put all these together, you've got new flows, you've got the network-of-networks strategy for distribution in many instances to touch all these points that it's enabling you to maybe open up your constituencies? Visa has historically kind of been thought of as being a little more bank centric, but given this portfolio and your strategy that you're laying out, it would seem especially in the current environment that you might be able to expand those constituencies more fully.

Ryan McInerney

President, Visa, Inc.

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The short answer is absolutely. If you just think about our business model, I mean there's no question, partnerships are kind of at the core of what we do. But over the past several years, we've made meaningful progress expanding our focus to a much broader set of partners. It's sellers, it's acquirers, it's processors, it's government, it's technology platforms, it's FinTechs, it is a lot of the large platforms that are enabling kind of money movement and remittances around the world. I mean, the breadth of our partner mix today is enormously broader than it was certainly three, four, five, six years ago and we've changed how we work as a company. We have dedicated teams that are covering all of these segments of partners. They're calling on these partners. They're spending time with them, understanding their needs, their problems, their pain points, and then we're able to kind of really kind of imagine, design, dream and build products that kind of are going to help these partners kind of solve their problems, whatever that problem might be. And we've reoriented our client coverage teams, our product teams, and our client services and operations teams, right, to support a lot of these different types of segments of partners. This is all very different than Visa, the Visa that most people knew five-plus years ago.

And it's true in the B2B space and the network-of-networks space that we've just been talking about it for sure. It's also true as it relates to FinTechs, as it relates to wallets, as it relates to digital platforms. We've kind of redesigned our end-to-end approach to how we serve those segments as well, new products, new capabilities, new people, kind of new go-to-market model. If you just think about FinTech for a sec, we brought to market kind of this new go-to-market model called FinTech Fast Track and it's massively streamlined kind of the onboarding for FinTechs. It gives them turnkey access to all of our ecosystem partners. We redesigned all of our commercial agreements so that they're more ready-now agreements that can be signed quite quickly. And that's had a lot of success – that's had a lot of positive results for us in the FinTech space. And maybe I'll close – I mentioned wallets earlier. I've said this I think in [ph] news forums (00:34:59) a few times that I think one of the single most important things that has happened in payments around the world in the last couple years is the opening up of previously closed digital commerce ecosystems. And if you look back a couple years, Dan, if we were having this conversation a couple years ago, you might have been asking me, what about these closed commerce ecosystems. In China, you've got Ali and WeChat. And you go around the world, there's a number of them that we might have been talking about. And historically, most of these ecosystems were closed to us. They were proprietary, they were closed loop payment wallets. We weren't part of that. And today, we've seen a fundamental shift in that space.

And that that opening up didn't just happen. We have Visa leaders around the world that have been deeply engaged with these players, helping them understand the benefits of partnering with Visa, of collaborating with Visa, and ultimately of opening up their ecosystem. And you look around today, we've got, we have a lot of these players around the world issuing Visa prepaid cards, debit cards, credit credentials to their users. We've got them opening up their merchant networks to accept Visa credentials, and it's not just true in one place around the world. It's Gojek in Southeast Asia. It's WeChat in China, it's Paytm in India, it's Google in India, it's Rappi in Latin America, LINE in Asia. I mean it's a fundamental shift, a significant fundamental shift that's happened in the last

couple years and I think coming back to your original question, it reflects our much broader approach to leaning in and partnering with all players in the ecosystem.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Yeah, that's a meaningful shift. Certainly, we've heard a lot about those guys over the years in terms of potential threats and now they've kind of turned into partners. It is amazing to watch. One of the things, I know you maybe can't talk to specifically but I thought you could give us the framework of how it fits into this entire equation is with Plaid. I know it's a little off limits, but I think you have the ability to talk about the framework at least as to why it was an important asset for you guys to look at?

Ryan McNerney

President, Visa, Inc.

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Yeah, sure. I mean, Plaid's a natural fit for Visa. Plaid itself is a network. They connect many different financial institutions to different app developers. So, if you put it in the context of what we're talking about a few moments ago in terms of our network-of-networks strategy, it's a very natural fit. They connect I think it's 2,600 FinTech developers. So, it's an expansion of our network-of-networks strategy. It also significantly kind of increases our ability to serve the FinTech community. The Plaid team is exceptionally kind of focused on the developer ecosystem. They really live and breathe kind of a developers, for developers, by developers' ethos. And that team and that ethos and that DNA will make us an even better partner to FinTechs all around the world. And it also help us work with Plaid itself, but also the broader ecosystem on payments and money movement and value-added services and all the important pieces of our network-of-networks strategy. So we're excited about the opportunity to both integrate payments into Plaid's current suite of connector services, building on kind of the great work they've done on account authentication, and Plaid will also help accelerate our new flows initiatives especially in the areas of cross-border remittance and P2P more broadly. And we also think by bundling in kind of our security, our identity capabilities, our dispute resolution capabilities, that we can enhance Plaid's service offering kind of in the market. So, it's an exciting opportunity for us, and as you know and alluded to, we're working through the approval processes right now.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

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Yeah, no, it's a great asset. I'm interested to see how the thing plays out over the years. If we can just shift gears a bit and talk about the value-added services section of the business, I think for a number of years, people kind of didn't realize that some of these things were actually under the hood or didn't appreciate maybe is a better way of saying it. And as you kind of packaged them and brought them back to the market, it's clear that they're enhancing the payment ecosystem. They're removing friction. They're driving some engagement. So, if you could spend a little bit of time in the five minutes or so that we have left, talking about the portfolio of solutions and why that's so important to your long-term strategy?

Ryan McNerney

President, Visa, Inc.

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Yeah, sure. I'll try to hit it briefly. I mean, first, we say in this environment, our value-added services are continuing to grow at a very healthy rate. CyberSource, as I mentioned earlier, is benefiting from sellers all around the world going digital and existing digital sellers looking to go omni, looking to combat fraud with our global leading decision management platform. So, CyberSource is doing very well. Verifi is doing very well. Verifi is adding kind of marquee merchants in this environment, now that a lot of them see the value of a more simplified and streamlined disputes and chargeback capability. CardinalCommerce is really benefiting from kind of the

acceleration of e-commerce around the world. Those are few of the companies that over time we've acquired value-added service portfolio. Our consulting teams are literally as busy as they've ever been. I think our consulting engagements were up 50% year-over-year last quarter. So, the portfolio of value-added services are doing very well in this environment. If I step back and maybe talk more broadly to your question, value-added services remain very key to our strategy. We see significant opportunity, broadly because three things, one is they help our clients grow their businesses. So, what I just spoke about with whether it's CyberSource or Verifi or Cardinal or a consulting team, those are all helping our clients grow their commerce businesses, which is ultimately good for [ph] Visa's purposes (00:41:41). And through all of that work, we're also deepening our relationships and deepening relationships of course with our issuer partners but increasingly with the seller side of the ecosystem with merchants, with the acquirers, which remains a big opportunity for us. And they grow revenue and they diversify our revenue. And we're seeing the benefits from that in an environment like we're in right now. So, we remain very committed to continuing to invest in all important parts of our value-added services business. We have our issuer and consumer solutions portfolio which has DPS in it which is Visa DPS is one of the largest debit issuer processing businesses on the planet, Acquirer & Seller Solutions business which CyberSource is part of, which is also one of the largest gateway players on the planet, our security and identity businesses we've talked a lot in the past about token and fraud management and our authorization authentication services. Our data solutions business continues to do very well in this environment. And then finally, as I mentioned, our Visa Consulting & Analytics which is a growing business for us with the better part of 500 dedicated consultants and data scientists around the world. So, we're very committed to value-added services and especially seeing the benefits of this environment.

Daniel R. Perlin*Analyst, RBC Capital Markets LLC*

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That's great. We've got like one more minute left, Ryan, so I just wanted to ask you. As you travel the globe and you look at these various markets, obviously, India and China represent massive opportunities, but I'm wondering are there some maybe underappreciated global opportunities geographically that investors maybe should be paying a little more attention to?

Ryan McInerney*President, Visa, Inc.*

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Yeah, I mean there are so many. As we've laid out, the opportunities for digitization of cash and commerce all around the world are so big and there's so much runway. I guess if I had pick to one, before the music stopped and all the travel I did, I recently was in sub-Saharan Africa and visited a number of our country teams there. And sub-Saharan Africa is just an amazing story. It's got the fastest growing population among big regions around the world, double the global rate. Half of the whole region is under the age of 18. It's got 46 countries, I think. 6 of the 10 fastest growing economies in the world are in Africa. And the place is totally greenfield. I mean cards have only penetrated 3% of PCE, and I think it's two-thirds of the population doesn't have a bank account. So just enormous opportunity. Yet at the same time, Africa has got I think half of all the mobile money users. It's got very mobile first adoption in many countries around the world. So, add all that up and we see enormous opportunity there. And we've been really I think leaning into Africa. We've got a very interesting partnership with Branch. We're working with Clickatell, PalmPay. We just announced the partnership that we announced with M-Pesa. We invested in Interswitch, largest processor in Nigeria, and the list goes on and on. So, we see – I think Africa is such a great example. Tons of opportunity, our teams there are being really aggressive and really smart with their investments, their partnerships, the products that we're bringing to market, and I hope we see the fruits of that soon.

Daniel R. Perlin*Analyst, RBC Capital Markets LLC*

Yeah, that's exciting stuff. Well, look, Ryan, this has been a fantastic discussion. Again, thank you so much for your time, really appreciate it, and I hope you and your family can stay safe and healthy here. So, thank you again, sir.

Ryan McInerney

President, Visa, Inc.

Dan, thanks to you. Thanks, everybody. Talk to you soon.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Bye-bye.

Ryan McInerney

President, Visa, Inc.

Bye.

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