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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Matthew O'Neill
Analyst, Goldman Sachs

Good morning. This is Matthew O'Neill at Goldman Sachs Payments and IT Service analysts. Very pleased to be joined this morning by Al Kelly, CEO of Visa. Before we kick it off given the first session of the day, just need to point everybody to the box below the video. Remind everybody that full listed disclosures can be found there as well as on www.gs.com/research.

QUESTION AND ANSWER SECTION

Matthew O'Neill
Analyst, Goldman Sachs

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So with that and without further ado, Al, thank you so much for your time and for joining us this morning. Really excited to be following up not too long after earnings here and figured we'd just kind of kick off I know on earnings you guys have been extremely helpful and throughout the entire pandemic providing a lot of data and details around the sort of pace of recovery. Just wondering if there's any kind of updates even since earnings and kind of your most recent thoughts on the pace of the recovery. And then kind of on a longer term, the broad strokes on you know, what's changed, what you think will stay in this kind of new world?

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

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Well Matt it's good to be with you. Thank you for having me. despite this pandemic, it's been interesting. Domestic volumes for the last numbers of months have held up quite well. And that's really been driven by a real growth in e-commerce as well as debit. Obviously face-to-face volume, credit volume, cross border volume continue to be challenged. We did share our results through the first number of weeks of January and we saw that debit was up 10 points from December largely driven by the stimulus at the beginning of September.

Cross border was kind of stable with our Q1, although a little bit down from the month of December, domestic spend in some of the AP markets was down as much as 5%. And obviously in Europe where the virus has really

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stormed back and there's been a lot of lockdowns, we've seen Europe numbers down in a number of countries by 10 points plus.

Looking ahead there's a number of factors. One is, how quickly the vaccine rolls out. When I was on a call with a number of CEOs with Governor Cuomo yesterday or the day before, and frankly I was a bit disappointed because it feels like the pace of vaccine from the federal government to the states is going slower than people thought. I had kind of been in the camp that maybe by the late spring, early summer we would be in place where a lot of people were vaccinated, he thinks it's more like the fall before we reach any kind of critical mass. But obviously vaccine rollout is critical.

A second thing is government restrictions and to what degree they get lifted or not. A third is, all of these capacity constrained businesses and what happens with them, where do we end up in terms of restaurant volumes, et cetera around the world. And then obviously travel restrictions, much of the world still has travel restrictions and that's a real big deal, and obviously all these factors differ by geography. I mean, we do business in every country in the world but the five, the U.S has sanctions against, so there's not one model here. It will differ. We have countries a few in Asia that are largely widely back open. And then you've got countries greatly restricted. Was talking to somebody in Dubai, yesterday in Dubai, a number of weeks ago was 1,000 cases a day and now they're back up to over 3,000 cases a day. So this virus continues to ebb and flow.

The one thing we do know, Matt, is that consumers can move pretty quickly either way. So when the UK went into lockdown we saw spend really drop. And then, back in the fall when we saw countries like Turkey and Mexico open up their borders and make travel less restricted, within weeks we saw 30 percentage points to 40 percentage points increases in the flow of travel into those countries. Now, there's still, it was still negative growth year over year. But it was a massive shift in a short period of time. So I'm a believer, Matt, that the demand is there. People just have to be able to have the comfort to want to be able to be on the move. And that by the way isn't just travel. It's going to a restaurant and eating inside, it's going to a sporting event; those who live in New York might have heard today, and Cuomo told us the other day that he is opening up arenas of more than 10,000 people to crowds of 10%, but you still have to show up with proof that you had a negative COVID test within 72 hours. I don't know how comfortable people are going to feel about that and what happens, you get all the way to the arena and you forgot your proof of a test.

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah.

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

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It just sounds a bit difficult in terms of logistics. But, I do think watching mobility and people's comfort over the next numbers of months as we proceed through this period is going to be an interesting indicator, I think, of the recovery, Matt.

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah, that's interesting, thinking about it from a mobility standpoint beyond just kind of vaccines and borders reopening for the ever important kind of cross-border component to the [ph] networks (5:43) business. Another area that probably we wouldn't have foreseen that came as a result of the pandemic has been stimulus.

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Wondering if you can just talk a little bit about how that's kind of flowed through the business, the puts and takes there and how you're thinking about any final potential stimulus, I guess, that we might see to come?

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

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Well, the stimulus has definitely played a role. I remember back on April 15 of last year was when Treasury in the United States, and by the way stimulus has impacted a few other countries positively as well, but Treasury deposited funds in the demand deposit accounts of about 88 million people and I remember on April 20 or so looking at the five days before April 15 and the five days after and there was a tremendous uptick in spending. And really that, that spending uptick stimulated by the stimulus lasted some six to eight weeks. Now, we've had a recent round at the beginning of January. We saw a similar phenomenon, particularly the first two weeks of January were quite a bit up from the levels that we saw in our first quarter, the fiscal, of the calendar fourth quarter, little bit down from the first two week levels in the third week of January, but still ahead of the prior months.

So we know for sure that stimulus plays a pretty important role here, but I think it's, and I think, if there, a stimulus bill passes which it appears now more likely than not, but we are talking about Washington, so, you never do quite know, that we will see a similar phenomenon. My guess is though that that, in many ways, I hope that's the last stimulus package.

Matthew O'Neill
Analyst, Goldman Sachs

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Right.

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

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Because, I'd rather be in a mode where the economy is recovering and more people are participating in the real economy where they're out earning money and spending some of that money back into the economy.

The other thing I'd say is that we really have been helped by e-commerce because if you look, if you think back in April, again we were in the depths of lockdown in much...

Matthew O'Neill
Analyst, Goldman Sachs

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Yes.

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

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...of the world. And, if we didn't have e-com taking off, a lot of that spending wouldn't have been possible. between the beginning of last year and September we saw a 14 point increase in the number of people who were activating in e-commerce for the first time. If you look at some of the graphs we've been distributing either at earnings or in 8-Ks in interim periods, you've seen that in the U.S. domestic card not present volume or e-commerce volume excluding travel has been running, like positive 30%; I mean it's incredible. And, if you look at cross-border card not present, excluding travel, has been running in the high teens. And so, people have actually clearly been home and shopping in big ways. And that's made it – that made a big difference. So the combination of stimulus checks plus a great emergence of e-commerce was a big deal.

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Matthew O'Neill
Analyst, Goldman Sachs

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That's helpful. another sort of trend that's kind of come out of the pandemic, and I think this is more of a behavioral dynamic that we've seen in troubled episodes prior, like the financial crisis, has been the shift towards debit.

I wonder if you could help us understand how the company kind of thinks about the ebb and flow of sort of the debit, credit mix from the consumer behavior perspective as we presumably come out of this. And, if I'm not mistaken, you were at AmEx last time that we saw one of these large shifts, so you were probably acutely focused on the return to credit the last go around albeit for a whole different set of reasons.

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

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Look, I've never seen anything like this before. Even if we go back to the 2007/2011 kind of period. The separation between debit growth and credit growth has been incredible. If you look at pre-COVID and you look at Visa's global growth in debit and its global growth in credit that'd be within 100, 150 basis points of each other. We've had periods of time during this pandemic where they've been separated by as much as close to 40 percentage points which is just truly incredible.

A few things driving debit. One is just cash displacement and people have really worried a little bit about whether, some people worried about whether cash is a vehicle that carries germs and have just wanted to get away from cash. Secondly, a lot of the new players I was talking about came into the e-commerce space are people who are buying everyday spending types of things. And for them everyday spending has tended to be associated with debit. So, we're just simply seeing more debit usage in e-commerce as a percentage of purchases than we had seen prior to that. Thirdly, during times like this, and we've seen it in history as well, people prefer to spend the money that they have versus the money they would be borrowing and that certainly favors debit cards. Fourthly, we work with the federal government and in several states on unemployment insurance. And so, we have prepaid card arrangements with about half the states in the United States to distribute unemployment benefits. And so, obviously in our debit numbers, Matt, is the prepaid volume. So, that makes it difference as well. If you go back to that period where, that you referred to in the last big recession about $100 billion shifted from credit to debit. And it took a couple years, two years to three years for that kind of equilibrium to return to the prerecession levels.

You know this time I'm not so sure. I think that debit really has some real momentum behind it. And obviously, by the way, it's amazing. We're now about 11 months into this virus for people in the U.S., a year for people in Asia. So, we will start to lap some of these debit numbers. So, clearly that will impact our growth. But I think that the acceleration of e-com and people's comfort with debit is something that's going to continue with us. So, I think that we might not see the full shift back that we saw in the 2007 to 2011 time period. In the credit world one of the things that's been interesting, but if I think, if you think about it, not terribly surprising about this pandemic is it, it's the, top of the middle and the stratas above that in terms of wealth that are spending less. The middle of the, the middle market of the world and below has tended to have the same level of spending that they did pre-COVID levels, but it's the higher earners, the higher spenders whose spending is down; it makes sense. Look, I know my spending is down. If you don't travel, if you're not going to nice restaurants and buying a nice bottle of wine versus takeout, the ticket level is much lower driven by less food, less liquor, and lower tips. So the, and many of those people happen to be credit card users and think about the numbers of people, particularly in Canada, in the United States that are on reward propositions. Many of them travel-based. You know, those propositions are just not getting and those, the products are not necessarily, are not getting the spending they got pre-COVID. It's hard to believe that's not going to come back though.

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Matthew O'Neill
Analyst, Goldman Sachs

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Right.

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

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As things do start to open up to the earlier question, constraints get lifted, government restrictions ease, travel restrictions ease and that mobility that we talked about takes place, I personally believe that, that volume will start to come back. So you're going to have a combination of credit, debit lapping big growth levels and credit starting to come back that I think will have the growth levels associated with these two different types of products start to converge, but I don't think that, because of the things we discussed, that debit will necessarily go down to as low as it, to the level, I shouldn't say low, to the level that it was pre-COVID.

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah. No. That's helpful. A couple of different vectors in there, I don't know that I was fully contemplating and one of them that you alluded to was the wariness around using physical cash as a potential way to transmit germs. And so, it sounds like that debit's really been the one that's been chipping away at cash most effectively, as we've seen through Visa's results and the growth of debit. How do you think about the sort of customer preference long term change for that secular shift having taken a step function in the right direction for electronic payments and maintaining that, right. So, you get the benefits from e-Com, you get presumably the benefits from this cash being dirty concept. Do you view those all as being fairly sticky kind of coming out of this?

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

A

I do. And, I think in the face to face. Let's talk about the face to face world for a second. Tap to pay has really continued to take off. It was moving well but there is now hygiene factor coming into play, I think helped accelerate that a bit. And tap to pay if you look around the world is two thirds of the volume excluding the United States during the pandemic. Two thirds of the face to face volume I should say...

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah.

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

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During the pandemic Visa worked with 60 countries around the world to increase the limits for tap to pay. We now have 20 or so markets around the world where it's over 90% penetration; it's not quite the high. But, a number of countries over 90%, we have 60 countries over 50%. And that's up from 40 or 41 countries a year ago. So tap to pay is going to continue to take off and that's just – it was a better experience to start with. But now add this hygiene factor and it's a better solution. If you look in the United States, tap to pay is still less than 10% of the face to face transactions, though the U.S. is really behind. But it's already the fourth largest country in terms of the number of taps, shows the scale of the U.S. And, we are at a point now 23 of the top 25 issuers are issuing tap, contactless cards, tap to pay enabled cards. I think, Matt, we'll have 450,000 cards, 450 million cards I'm sorry in place that are tap to pay enabled by the end of calendar year 2021. And, frankly that represents most of the most active credit and debit cards. So, I expect that to start really helping accelerate growth of tap to pay. If you look at

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the merchant side of it, 260 of the top 300 merchants are tap to pay enabled. We just added Chipotle, Nordstrom, Costco now has it in their 500 gas stations. And in a short period of time 30% of their volume in those 500 gas stations has become tap to pay which is pretty incredible.

I also think that the opportunity in the United States when you think about the fact that $4.5 trillion is still spent on cash and check and we estimate about 55% of that volume is less than $10. I think it's just a natural for tap to pay to take off. And, I think that will continue to be something, along with credit bouncing back from the affluent that will drive a lot of good growth in the face to face world. And then I think what we're seeing in e-commerce sticks. All these new users who have gotten used to being in their pajamas and sitting home and shopping who didn't previously do it, they were worried about it or didn't know how to sign on or etcetera, I think has been, there's been things that have inhibited growth but the pandemic forced people out to say hey I got to learn this and I got to become active. And so, I think that continues to stick and over time as more and more people around the world, we take for granted probably where everybody in this audience is, that they have access to broadband access to the Internet and good Wi-Fi and that's not the case in many, many cases around the world. So that over the next decade as the infrastructure gets better and broadband access is more, is accessible to more people, I think that's going to help drive growth. So I'm, again when we can get more mobility and less capacity constraints and the consumer around the world can get more comfortable that we are returning to some kind of normal, I don't know if it's going to be the prior normal or some new normal, I'm pretty bullish about these trends being important accelerants to growth.

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah, that makes a lot of sense. One area that I think is kind of new versus coming out of the financial crisis, is around the whole sort of subsector that we've seen really kind of explode through the pandemic and it was on its way there prior, in the buy now, pay later space. And, I think with respect to the networks there's some misconceptions potentially around the networks' ability to play in this space in most cases, if not the overwhelming majority, the fact that most of these transactions are being funded and effectively backstopped by a card-based product, right. So the volumes are not lost because of buy now, pay later, but maybe we can talk about your views on that fast growing subset of the industry?

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

A

Absolutely. So our strategy here is to partner with existing players and to develop our own solution platform for financial institutions. If I start talking about the third parties for a second, we were early investors in Klarna and [ph] Pay Eddy (22:28), so we got familiar with this space. And since then, we've been working with, Splitit, Affirm, Afterpay. We just announced a global deal with Afterpay to work with them to expand to seven additional countries.

I think it's really interesting space, but it is still nascent in many parts of the world. It's obviously booming in Australia and a couple other countries. But what's interesting about it is, there's a lot of variance. There's people who are extending credit and people who are being kind of sourcing credit. There's players who play in very short term windows, like say the installments paid off within eight weeks and there's some that will do a bit longer. There's players who will only do installments and there's others who will do pay now, pay upon delivery, pay over multiple installment options. We at Visa, and this is true in all cases, but it's certainly true in installments, we're not in the business of picking winners and losers. We want to be an enabler. If funds are moving anywhere we want to try to be in the mix and be an enabler. And I think there's a lot of interesting opportunities for us in the space.

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You touched on probably the first one, Matt, which is just repayment that people can use their Visa card to repay or pay the installments and what's great about that for us is it takes one payment transaction, one payment for a good and service and breaks it into four transactions on which we earn some revenue as opposed to just one transaction. Virtual cards, an opportunity for us where the provider can use a virtual card to settle with the merchant. Digital cards where Visa Credential goes into the wallet of one of these providers and therefore allows the consumer to use that at the point of sale. We have the ability to continue to sell our value added services in, into these various providers. For example, we have an app that will look at what card type somebody put, what the consumer put into repay the loan and if it's, and we can tell the provider whether it's a consumer credit or debit card, or a corporate card which would be something that's not allowed in most cases to for repayment, and it gives them a sense of being able to knockout some of those transactions that could be problematic.

And we're using our Visa Direct platform to continue to explore ways to potentially facilitate the payoff of installments or merchant settlement. It's, even in this phase, one of the things that's really been interesting to me, we're even having conversations with some of these providers who are thinking about using our proprietary solution platform as an additional offering to their clients. So I think the big message here is that this is a space that I'm not 100% sure exactly where it's going to go, but I can tell you this, that we're extremely well positioned both with the third-party providers and the relationships we have with them, as well as with our own solution platform, which we make available to financial institutions who want to use it as their chassis for providing installments to their customers. And so if it takes off, we're ready to ride the wave and have multiple options for doing so.

Matthew O'Neill
Analyst, Goldman Sachs

Q

Yeah. That makes sense. Another area where the future probably is not 100% known, but I think there's a lot of building blocks in place for Visa is, around crypto currencies, right, broadly. It's kind of a large open-ended question when there's a lot of dynamics at play between regulatory, volatility, the ability to actually use these assets for commerce and not just stores of value or speculative investments. Could you talk a little bit more, you made some announcements on the most recent earnings call about enabling digital wallets for cryptocurrencies and just, how you see this kind of future developing as these become at least at this point presumably a lot more mainstream than they have been up till now?

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

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Yeah. Well, I think crypto is even more nascent than buy now, pay later and...

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah.

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

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And again, we'll have to see where it goes, but again crypto is a potential player in the money movement business or payments business. So therefore again, we want to be positioned to be involved. We think we can bring differentiated value, we think we can bring a level of safety and security with our brand and our capabilities and our reputation and experience. And we think we can help bring some element of greater utility by being involved in this space.

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Again, there's two parts of this market. The first is kind of that digital gold cryptocurrencies that are kind of an asset category like Bitcoin. In that space, our strategy is to work to be able to help issuers help their customers buy it. And then secondly, to have ways to take the cryptocurrency and convert it into a Visa credential backed by a fiat currency to allow it to, the value to be spent in the purchase of goods and services. The bigger play, the longer term play, the place where we think crypto can really play a role going forward is in digital currencies. And there we see the potential, whether what happens, I don't have a silver ball to tell you for sure. But again, I think we're ready. We're by far the most active in this space. We have relationships with 35 or so leading digital platforms and wallets in which people can store Visa credentials to, that are backed by fiat currency and then they can shop at any one of the 70 million merchants we have around the world. So Coinbase, [ph] Flow (28:59), BitPay, and Blockfi, Crypto.com are all examples. And again, all of these, if you added up the ones we have, Matt, there's the potential for us to have 50 million credentials in crypto platform wallet providers. Do we get to 50 million? I don't know. Is it bigger than that over time. I don't know. I think the key message again to people listening and following us is that we're ready. We're going to be ready. We are ready. We're already in a very, very strong position here if in fact this world kind of takes off.

We're also continue to be in conversations with central banks around the world, about central bank digital currency. And there we're talking to them about things like how important a private public partnership is, how important is that whatever the solution is, is that it's open. And that open solution therefore provides is going to provide the greatest utility for consumers going forward. And we believe that utility is going to be key if digital currencies – central bank digital currencies are going to take off, there has to be great utility otherwise consumers aren't going to use them. So we've had a lot of good discussions with central banks around the world.

So again, new subject, we wouldn't have been talking about this a year ago, we wouldn't have been talking about buy now, pay later two years ago. But the space, one of the things that's exciting about the space is, it continues to evolve. Again our job isn't to necessarily predict what's going to be successful or what's not going to be successful, our job is to embed ourselves to the maximum degree we can in the middle of these things by building relationships and capabilities so that if and when they takeoff we're well poised to be there to support it and obviously in turn participate and grow our revenue.

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah. Yeah. Another area that there's been a lot of discussion around crypto and has been the remittance market, and I was somewhat intrigued and surprised and impressed by the amounts of partnership discussion that was talked about on the most recent earnings call in the remittance market between Western Union, MoneyGram, TransferWise, Remitly all be on-boarded for Visa Direct for real-time, I believe, money transfers. So, can you talk about the remittance opportunity for Visa Direct because I think that, that was kind of a new discussion that was introduced just a couple of weeks ago or a week ago?

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

A

So, we look at the whole remittance piece as being part of the P2P opportunity which we think is about $20 trillion which is a big opportunity. You talked about, in fact, you named the four, five large money transfer services that we're involved with and we've on-boarded all of them within the last, I don't know, 12 to 15 months, and MoneyGram in particular recently said that in December their volume for real-time transfers was up 500% year-over-year. They also announced last week I think that they were opening up Vietnam with us which is just further evidence that they're increasing the number of corridors that they're trying to get involved in using Visa Direct to facilitate digital transfers of funds.

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We're also playing, you name those four big money transfer guys, we're also playing with FinTechs and banks. So Zeepay in Africa is a leading provider that's working with Africans to be able to send remittances to corridors in North America and in Europe. TransferGo is a big money transfer provider that's working with migrants, tends to be their focus around the world, and we're already enabled with them in 55 countries and they want to grow to 175 countries. So again, interesting opportunity with those FinTechs.

If you look at the big banks, VTB which is second largest bank in Russia, I think they have about 15 million customers, has created a card-to-card, cross-border, P2P capability to over 60 countries for their clients. TD Bank in Canada is offering their retail clients a P2P cross-border capability as well. And this is important and terrific space for us because the typical cross-border remittance just takes time as it flows through multiple banks and it can take days to happen.

And, our Visa Direct platform combined with Earthport can reach 200 countries and 130 of those, Matt, are already fast funds enabled. And, I also think it's important to point out that in these Visa Direct use cases like remittances, the end point is the Visa credential or the bank account. And in this particular, almost think about it as the acceptance network and we have a huge advantage in that acceptance network. We have 3.5 billion card credentials which is way bigger than the next biggest competitor. And via Earthport and Visa Direct we can reach 99% of the bank accounts in the world. So I view it as a massive acceptance advantage over other players out there. And to me that's very, very exciting and makes me think that we have a real opportunity.

Visa Direct [ph] routes (34:55) transactions 60% in the past quarter. So it's continuing to be a really, really positive platform for us and something we are continue to invest in both for use, we have the ability to continue to grow existing use cases, we have the ability to bring on new use cases and we have the ability to expand into other geographies. So there's a number of growth vectors related to Visa Direct that I'm excited about. So even though we're getting great growth rates now, I'm very excited about the future including remittances that you just talked about or asked about.

Matthew O'Neill
Analyst, Goldman Sachs

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Yeah. So, remittances are like a subset of all the various kind of TAMs that are out there, $20 billion for them. I think you don't, to sort of dovetail on that and talk about probably what looks like at least on paper the biggest TAM is in the B2B space. And so, I was wondering if you can kind of give us a little bit of an update there as far as that opportunity and how you see that sort of playing out as it becomes itself increasingly a lot more like electronified as well?

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

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Yeah. So again just reminding people, different people are, some people are familiar, some are less. You know, there's three, we divide that space into three. There's a $10 trillion opportunity in cross-border transactions, there's a $20 trillion opportunity in carded transactions and there's a $90 trillion opportunity in the domestic kind of AR, AP type of world.

So, let me just quickly, couple comments on each. You know, in the carded space we're the world leader. We do over $1 trillion of volume. Obviously that space has been impacted by the pandemic much more in large market than in middle and small market, but nevertheless been impacted. Again, I expect as the world starts to return, travel restrictions get lifted that, that will help that space.

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Virtual cards are very important in that space. We've made a lot of inroads. We were probably a little bit late to the game in virtual cards a couple years ago, but we've quickly caught up. One of the things that we've seen in COVID is more suppliers coming to us and saying they actually want to be an acceptor which is a great trend in this business because sometimes some of the bigger suppliers still want to get paid by wire as opposed to things like a virtual card. So, I feel really good about that.

In terms of cross-border, our solution is B2B Connect. It's a new network that we're building out. The offering that's available to people today, which is kind of a messaging platform with lots of corresponding banks, we think is inefficient, costly and not as transparent. B2B Connect is being architected to address all of those challenges. We think it's going to be very efficient. It's going to be fast. It's going to be very transparent. You're going to know exactly where your funds are at any one point in time. And it's going to carry a information payload that's going to be a lot greater than the current options which will facilitate better reconciliation at the back end relative to the funds that are being moved. More and more banks are looking for, to get out of correspond banking and looking for simpler solutions and even ones that need our corresponding banking need help in certain corridors and we think we can address both of those needs. We're obviously very excited. The Goldman Sachs transaction bank, banking joined us as a partner and we now start this last quarter.

On the last part of this, well I should say also, the last couple of words on B2B Connect. So, we're in 80 markets now. Over the next 18 months I think we'll get into another 30. Our focus right now is really building the network much more than it is driving transactions, but obviously ultimately driving transactions is what it's all about. And we're using our own salespeople as well as bank integrators like FSI and Infosys to help facilitate the build out of this network. Very quick points on domestic AR and AP, here again like many things at Visa we lean on partners. Couple quick examples, PayMate in India is connecting 35,000 suppliers and buyers and facilitating both electronic payment as well reconciliation, which is very important in this space. And then we work with Billtrust to build our business payment network which allows people to use virtual cards and has a strong reconciliation element to it as well. And that network's continuing to grow in terms of the number of financial institutions and the number of transactions that are running through it. That's a longer term play, Matt, we're focused on it. But I would say continuing to maintain our leadership position in the carded space, that $20 trillion opportunity and to take advantage of what we think is a great opportunity in the cross-border space through B2B connect. Those would be our top priorities right now.

Matthew O'Neill
Analyst, Goldman Sachs

Q

Got it. So I recognize we're about out of time here. I was going to hopefully squeeze in kind of two final questions for you if you don't mind. So the first was kind of just an update on Europe broadly. There's some interesting dynamics there. Obviously Visa is now closed. The [ph] VZR (40:37) acquisition a number of years ago, kind of brought that fully into the fold. But Europe represents an interesting market where not only has interchange been fully regulated, but we've also had open banking mandated through PSD2. And yet, Western style, kind of card-based payment model has really persisted there. So I was just curious how you see that evolving over time and then I'll get my last one in there before I stop which is just really around the investment priorities. So obviously you guys have announced a very large share repurchase, bringing the total up to I think $11 billion. But really on the investment side, where are you most focused. what kind of start-ups are most interesting. What spaces have you been spending the most time on? So I know those are two totally different questions that we can probably spent another hour talking about, but in our limited time if you wouldn't mind touching on [ph] those before we wrap this up...(41:30)

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

A

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I presume like a 60 second answer to both is what you look for?

Matthew O'Neill
Analyst, Goldman Sachs

Q

Yeah, that would be great.

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

A

Not easy to do but we'll give it a whirl. So look I'm very proud of the progress we've made in Europe now in four years. We've taken something that was not a commercial entity at all and made tremendous strides. We know what's important there. We've got to continue to build relationships. We've got to do a far better job than we did originally on FinTech's and we've had great success with FinTech wins in the last year and a half or so, Revolut, Dozens, TransferWise, and Now.

We know we have to do better in credit cards in Europe. We have to do better on the continent in Europe. And we've added a lot of great partners on the continent; Santander, Isbank in Turkey, BBVA, Nordea, ING. We did, won the co-brand deal with Accor which is probably the biggest undone, yet to be done co-brand opportunity in the T&E space on the planet.

So those are the focuses, credit, the continent, obviously maintaining our strong position in the UK and continue to make sure that we have this great run, win rate with FinTechs in Europe. So, that's kind of a very short answer to the question.

In terms of capital, our number one priority continues to be to invest to grow the business whether that's organic or through M&A. We constantly look at options in the M&A space, vis-à-vis all the things that we think are important that we're investing in. We don't have any goals or budget or plans related to M&A. It is what it is, when we find something we're interested in, we tend to look to buy it. Sometimes we do a lot of investments not because we want to be an investment company but if, when we invest in a FinTech for example, when we do a commercial arrangement with a FinTech, if they would like kind of a visible sign of our support by us making an investment, we'll do that. Sometimes we work with partners before we purchase them; that was the case with Payworks and Yellowpepper. They were both companies we worked a lot with. That was obviously also the case with Freedom. We worked very closely with all those companies and got an inside look as a client if you will and then made the decisions to purchase. As we consider whether to buy or build we think about time to market, we think about cost and we think about talent. If we think that we can, in essence through the acquisition of a company we can also in essence do kind of an acqui-hire that's a positive thing.

Obviously our second use of capital is to return it to shareholders, dividends is the first priority, board announced in October meeting $0.32, increased to $0.32 of the dividend, a quarterly dividend. And then as you alluded to we, increased our buyback capacity by $8 billion giving us $11 billion and we've continued to be very consistently returning the tremendous free cash flow we have to investors through dividends and through share buybacks. So those are my speed date answers to your last two questions.

Matthew O'Neill
Analyst, Goldman Sachs

Yes. And, I really appreciate and really appreciate your time this morning. I recognize Rick [indiscernible] (45:19) is over here. So I will let you go but thank you so much again for your time and look forward to you guys speaking again soon.

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Alfred F. Kelly

Chairman & Chief Executive Officer, Visa, Inc.

Thanks, Matt. Good to be with you.

Matthew O'Neill

Analyst, Goldman Sachs

Thanks. Bye.

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