23-Feb-2021

Visa, Inc. (V)

KBW Payments FinTech Conference

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MANAGEMENT DISCUSSION SECTION

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

[Abrupt Start] our next speaker, I'm pleased to be joined by the President of Visa, Ryan McInerney, who's joining our conference for the first time this year. Welcome, Ryan, and thanks for being with us.

Ryan McInerney
President, Visa, Inc.

Yeah. Thanks for having me. I'm looking forward to.

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QUESTION AND ANSWER SECTION

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

Q

Thanks. 2020 was a challenging year to say the least. There were some positive side effects in terms of the secular shift to the digital payments. What were some of the things that surprised you the most, both positive and negative, in terms of how the industry evolved of?

Ryan McInerney
President, Visa, Inc.

A

Yeah. Well, 2020 was a challenging year, no doubt about it, but it in many ways accelerated the digitization of payments and money movement around the world. I'd say, like for me, the biggest positive surprise was the rebound in domestic spending, driven by the speed and the magnitude of changes in seller and buyer behavior all around the world.

I mean, if you said to me in April, by the time September got around, we were going to be pretty much to – close to pre-COVID levels of spending on the Visa network in many countries around the world, I would've said, no way, not going to happen. But I think what buyers and sellers did to adjust their behaviors is nothing short of remarkable.

And as you said, there's been a number of very positive things that have happened. And we've seen a huge acceleration in e-commerce. And I think it's amazing how quickly it occurred, especially in countries where the infrastructure wasn't as developed as it is here in the US. We've seen real acceleration in tap to pay.

If you go back to pre-COVID outside of the US, a little more than half of all face-to-face Visa transactions were tap to pay and now it's nearly two-thirds. I mean, that's just a dramatic change in buyer behavior in a very short period of time. We've seen a real shift from cash to Visa debit cards at the point of sale.

I've also been surprised by just the resilience of Visa Direct. Visa Direct, as you know, powers many of our new flows and we've seen expansion in new categories like tipping and earned wage access, and disbursements in new industries, the expansion of P2P, government to consumers, and other area has been a positive surprise. COVID really spurred many governments around the world to embrace digital payments, whether it was prepaid cards or using Visa Direct to quickly and safely get money to constituents and the citizens.

And I guess maybe the other things that have surprised me, I think the dynamics in the cross-border business. I mean, cross-border travel has been one of the negatives. I don't know that it's been a surprise to the negative, given the facts, but it's the resilience in e-commerce cross-border. We've seen kind of e-commerce cross-border, excluding travel, remain kind of in the high-teens or even 20% year-over-year growth for the last three quarters.

And then, Sanjay, I guess, the last thing I'd say is just the resilience of our value-added services business. Our value-added services have continued to deliver really, really strong growth throughout the whole COVID period. So, as you said, there's been – what's been a very, very difficult time globally for many different reasons, as it relates to the digitization of commerce and money movement, there's definitely been [ph] some silver linings. (00:03:31)

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

Q

But, Ryan, you're on the front-lines – banks. I'm just curious sort of through all of this, has Visa's positioning in the marketplace changed? Obviously, you've seen a lot of these e-commerce platforms benefit and do so all sorts of things in terms of intermediating banks as well. I mean, how do you think that's affecting Visa?

Ryan McInerney
President, Visa, Inc.

A

[ph] I was – Sanjay, (00:03:57) when you were asking the question, I was thinking to myself, normally, the front lines are airplanes and hotel rooms for me all over the world. And for the last, almost a year or so, the front line has been this basement room in our house.

But to the core of your question, listen, our position in the marketplace is even stronger today than it was before COVID. We just see enormous opportunities in the digitization of consumer payments, in capturing new flows, in delivering our value-added services. And in all three of those areas where we had tailwinds before COVID, the tailwinds are even stronger now.

If you look at consumer payments, an $18 trillion cash and check annual opportunity around the world, cash is almost unanimously viewed as dirty around the world. People don't – sellers don't want to take it, buyers don't want to use it. We're finding great traction with our solutions, whether it's contactless, tap to pay, e-commerce where we get a higher share of transactions when spending shifts to e-commerce. So that – those tailwinds are stronger now today than they were before.

The same is true in new flows, $185 trillion opportunity. We've seen higher demand to digitize across the board, whether it's P2P, cross-border remittance, tipping the pizza delivery guy, earned wage access, insurance disbursement, so huge kind of gust of tailwinds that have come up there.

And then, the same is true in value-added services. As more spending shifts to e-commerce, our partners need fraud solutions, security solutions. As you mentioned issuers, as our issuers look out to the future of a post-COVID world, they're turning to our consulting teams and our analytic and data science teams to help them plot their strategies and ensure that they're ready.

So, we see real tailwinds even stronger than before. And as I said, I think our position in the market is stronger today even than it was before COVID.

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

Q

And like you talked about the strength of Visa Direct and debit in general, how sustainable are these types of growth rates?

Ryan McInerney
President, Visa, Inc.

A

Well, listen, the debit growth that we're seeing now is extraordinary, but it's also got some historic precedence. If you go back to the financial crisis, 2007, 2008, we saw about $100 billion shift from credit to debit. And then, it took about two to three years or so post-crisis or credit spending to rebound to pre-crisis levels.

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I think the credit will absolutely rebound to pre-COVID growth levels in the US and around the world, especially as affluent consumers return to spending on travel and entertainment and dining and a lot of the categories where they're obviously very depressed right now. But I also think debit will emerge structurally stronger than it was pre-COVID. I think there's been some changes in buyer and seller behavior that have happened during COVID that will drive debit growth structurally higher than it was pre-COVID.

I don't think it'll remain at the growth levels that we've seen during COVID, but I do think it'll be higher than pre-COVID historic averages. And there's a couple of big reasons for that. One is cash displacement at the point of sale, typically smaller transactions, and people generally use debit cards to make those. So, I think that's probably the biggest factor that's going to drive a structural increase in debit growth coming out of this, which is just people don't want to use cash for $2, $5, $10, $20 transactions that they used to at the point of sale and face-to-face world.

And then second, some of the buyer behaviors we've seen in terms of shift to e-commerce have been in the everyday spend categories that pre-COVID people didn't use e-commerce for, whether that's grocery delivery, or food delivery and things like that, and there too debit is often a product of choice for our users. So, for those reasons, I think coming out of this, knock on wood, hopefully as soon as possible, we're going to see credit rebound to pre-crisis levels and debit will remain elevated above historical growth levels.

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

Q

And I guess the changes that we have seen in behavior, I mean, has – and obviously the changes that has unfolded in your model, I mean, are any of your priorities or [indiscernible] (00:08:42) priorities, where is the money being invested today? Are any of those allocations different from what they – where they were pre-COVID?

Ryan McInerney
President, Visa, Inc.

A

Well, I think what it's done is it sharpened our focus on the priorities that matter most, in the area of our strategy that matter most. So, one thing that COVID has done is really reaffirmed our strategy and it's given us the confidence to double-down in some of our key investment areas.

You look at digitizing consumer payments. And I talked about that [ph] $18 trillion (00:09:16) opportunity. We're investing more and faster in the capabilities and solutions and platforms that'll enable e-commerce more broadly around the world. So, that means our security solutions, our cyber solutions, our fraud capabilities, risk and authentication capabilities, tokenization, click to pay. I mean all these things that were important pre-COVID are more important now.

And even I think some of the things, in this example in e-commerce, that we focused on pre-COVID, an example would be working with issuers to help make sure that the approval rates are high enough for debits and credit cards. They happen, but they happen more in the background, and they've taken on now an urgency, right.

Our issuers in markets all around the world, they're scrambling for our help to ensure that they approve every transaction for their user that they can so that they deliver on a great customer experience. So e-commerce is a great example.

And tap to pay is another one in the consumer payment space. We've been working kind of with governments around the world to lift contactless limits and ensure that citizens in their countries don't have to touch screens

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and sign for purchases when they don't need to. I think we increased approval limits in 60 countries during COVID.

And what that has done is it's given a 40% reduction in all the face-to-face transactions that require contact of any kind. We've had street teams out working with small businesses kind of getting them up and running with tap to pay or teaching their front line clerks how to use the tap to pay capabilities. So, that's an area where we've doubled-down our investments and we've worked in ways that are different than we might have been working pre-COVID.

The same is true in kind of the new flow space. We've invested significantly in our Visa Direct platform and I think we've – we'll continue to invest more and faster in that space. The Visa Direct platform – Visa Direct transactions have been growing nearly 60%, I think, during the last quarter, really phenomenal growth given what's going on in the world.

And then, in our value-added services space, it's the areas that you'd expect, we've been doubling down our investments in issuer processing, expanding beyond what used to be just the US business for us. Our Seller Solutions businesses, especially CyberSource, our Security Solutions, and as I mentioned earlier, continuing to grow and invest in our consulting teams to help our partners really navigate through the COVID world and emerge successful in the post-COVID world.

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

Q

Maybe if we can dig in a little bit into cross-border. You mentioned, cross-border and sort of non-travel related cross-border. [ph] I mean are you (00:12:07) talking about the travel-related cross-border? I mean what's your sense of how quickly [indiscernible] (00:12:13) I mean, it's the big question everyone's [indiscernible] (00:12:18). I mean what information are you getting from the banks and their customers and your own customers informing you on how quickly that'll come back?

Ryan McInerney
President, Visa, Inc.

A

Well, it's one of the big questions and the honest answer is I don't know when it's going to come back, but we do believe it will come back. And if you look at domestic travel, I mean domestic consumer travel will return when people feel it's safe to travel to take their friends and family on trips.

And to the core of your question, international travel, international consumer travel will come back when people feel safe enough to travel and governments feel it's safe to invite people back into their countries. And all of that really depends on expanded testing and vaccinations. And that'll be the key to both.

So, we believe it will come back. We feel strongly that it will come back. When exactly it comes back is going to depend on the expansion of vaccines and testing. So, when it comes back is tough to predict, but when we see kind of little, I guess, green shoots around the world or flashes, we have seen a quick response.

If you look at kind of last summer when Mexico opened its borders and Turkey opened its borders, man, people moved there fast. I think we saw a 30- to 40-point increase in cross-border spending within weeks when those countries opened their borders. And if you look at domestic travel in some of the large countries that have made more progress on vaccinations, like China and Russia, we've seen from airline data that domestic travel has now approached or met pre-COVID levels, so 2019 travel levels. And that happened over the course of three to four months.

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So, when consumers are given the option to travel, albeit in limited corridors around the world, we've seen kind of pretty rapid [ph] jumpstarts. (00:14:29) So, we're preparing, but ultimately, it's going to depend on the vaccination, it's going to depend on testing, it's going to depend on consumers feeling safe enough, and ultimately governments feeling safe enough to invite people back into their countries.

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

Q

And maybe on that last point, I'm sure you guys are keeping in the discussion on sort of border reopenings and what the thought process is among governments. I mean, do you feel like we're going to see more broader reopening [indiscernible] (00:14:57-00:15:03)?

Ryan McInerney
President, Visa, Inc.

A

Your guess is as good as mine. I certainly hope so, not only for the global digitization of commerce but because my family and I would love to go travel. So – but your guess is as good as mine. And I think we're just hopeful that governments around the world are going to be as effective and efficient as they can on vaccinating their population so the world can get back to where it was.

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

Q

So, I want to just let our viewers know that they can click the right hand – upper right-hand side of their screen to ask a question and type it in. I've got a couple that have been typed in here. So, let me ask one of those questions. I guess, Ryan, what's your take on the rise of SuperApps in payments for consumer? We had some of the fintechs – the key fintech players here talk about their desires to want to create SuperApps. We've obviously seen some large ones in Asia come up. What's your view on it happening in the United States?

Ryan McInerney
President, Visa, Inc.

A

Well, in the United States specifically, listen, I don't know. I mean, what happened in really originally in China, and then spread through Southeast Asia and Latin America, which are the areas where we've seen kind of the most development of these so-called SuperApps, right. Starting with Ali and We and then as you moved around in different countries in Southeast Asia, whether it was Grab or Gojek or Rappi in Latin America.

One thing about all of these parts of the world is the emergence of kind of digital commerce developed later than it did in the US, right. So in the US, if you go back several years, we already had a lot of point solutions that emerge, whether it was Uber for ride hailing or Amazon for e-commerce or the various travel apps or so on and so forth.

So, I just – I don't know whether consumer behavior in the US, given how fast it's already developed, will pivot towards kind of a one app for everything like thing that has happened in those parts of the world. I'm not sure it will.

There's some analogies to payments in that I used to be asked all the time why is the US so slow to adopt app to pay and contactless. And the reason is the US was slow to adopt chip technology. Because the US payments infrastructure grew up faster and more quickly with more developed telecommunications than many other countries around the world, the incentive wasn't there for the ecosystem to invest in chip technology like it was to

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reduce fraud in other place where it developed later with less reliable technology. Eventually we got there in this example, but it took a lot longer than it did in other places. So, we'll see.

But as it relates to SuperApps, just, Sanjay, if I could just riff on that for one more second, we found great success with our strategy, partnering with these apps all over the world. There was a time not too long ago on a meeting like this, and maybe you even asked me about this a couple of years ago, I can't remember, you probably would have asked me about the challenge that a lot of these apps present to Visa in the markets that I mentioned. And what our strategy has been for the last several years has been to lean into these players to partner with them, to ideate with them, to develop joint product roadmaps with them that have led to deep partnerships with all of the leading SuperApps around the world where they partnered with Visa to deliver Visa credentials to their users, whether it's Paytm in India, for example, where they want to give their users the ability to transact with merchants that might not accept Paytm in India and around the world, and they issued them Visa debit and credit credentials to do that and then also enabled Paytm merchants to grow their business by accepting Visa credentials. And that's a playbook that's been working really well for us in Africa, in Southeast Asia, in Latin America and even in China with the two giant SuperApps.

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

Great. We have another good question. One that speaks to some of the dynamics, Ryan, you were talking about in terms of credit versus debit volumes coming back. And I guess, when you look at sort of post financial crisis, it was a consumer demand and sort of issuer constraint issue, where like there wasn't enough supply and then there wasn't enough demand. In this situation where we sit today, it seems like the issuers are willing to extend, provided there's demand. And with all these various stimulus rounds, the demand is just not there. So, I'm just curious if you feel like the whip back in credit volumes will be [indiscernible] (00:19:57).

Ryan McInerney
President, Visa, Inc.
A

The last part of your question, I couldn't hear it. If I feel [indiscernible] (00:20:02)

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

[indiscernible] (00:20:05) But will the rebound in credit volumes come back quicker because there is willingness from the issuers, relative to the last time?

Ryan McInerney
President, Visa, Inc.
A

Yeah. I couldn't hear everything, but I think I got the gist of it. You'll correct me if I'm on the wrong path. I don't know, but I think it's likely. As your audience member was saying, the dynamics of this time period are very different than the financial crisis in that, for the most part, this hasn't been a consumer credit-driven crisis. If you look at the consumer balance sheet in the US and in many other markets around the world, it is quite healthy. Savings rates are up. Credit repayments on credit cards and other loans is up, but consumers are not using credit cards more for consumer behavior and preference-driven reasons.

We always see for certain segments during periods like this, people revert back to spend the money they have versus money they borrow. So, that's similar to what we saw in the financial crisis. But in this situation, I think there just isn't the ability, especially for more affluent consumers, to spend on things that they otherwise would like to spend on, things that we were talking about earlier, like travel, international travel, entertainment and the like.

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And I do think there's going to be a period of time when travel and entertainment is going to become the toilet paper of March and April, right. Where we've saw kind of consumers all around the world scrambling to buy toilet paper and other food goods, I do feel like there's this big pent-up demand. And when people are given the opportunity to get on an airplane, to go to a stadium, you're going to see a massive spike in spending. And those are purchases that people tend to make with credit cards, both because they're higher ticket purchases, but also because they're rewards-driven purchases. So, I think there's a good chance that it will snap back a bit quicker than we saw in the financial crisis.

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

Q

[ph] And if we can (00:22:20) just kind of pivot to Plaid. I know the termination of the deal was a little bit of a setback. I mean, maybe you could just talk about your strategy [indiscernible] (00:22:30-00:22:35) how will that change? Do you feel like you're disadvantaged in any way relative to your peers or [indiscernible] (00:22:42)?

Ryan McInerney
President, Visa, Inc.

A

No, it's a great question. Listen, our strategy to engage with the fintech community doesn't change. And by the way, it's as important as ever. We've made fantastic strides all around the world over the last many years ensuring that Visa is the preferred partner and the preferred network for fintechs to work with all around the world. And we very much see that is the case right now and we'll continue to invest to ensure that that is the case.

When – as it relates to Plaid, as you've heard us say, we disagree with the Department of Justice. We believe we would have won a trial, but it was just simply going to take too long. And when we look out around the world, we don't feel disadvantaged at all. In fact, we feel quite advantaged. We feel like we have a position of strength. We feel like we have a great set of capabilities to continue adding value via our Network of Networks strategy, especially focused on the application and the services layer of money movement around the world, which is where the overwhelming majority of the value is.

So, we've got great capabilities. We have our Token ID platform, which we acquired a few years ago, to enable tokenization of bank accounts and other kind of non-payment credentials. We have Verifi, which provides the very important dispute capabilities that are needed. Cardinal provides authentication capabilities. We have our loyalty, our security, our analytic services. We recently acquired YellowPepper, which also differentiates us in the space.

So, we feel great about our position, great about our strategy. The engagement with fintechs is as important as it ever has been and we'll continue to lean into that space.

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

Q

There's another question from the audience that asks about Brazil and some of the share losses that you guys have seen. Do you have any comments on sort of what might be driving that?

Ryan McInerney
President, Visa, Inc.

A

We actually feel great. If you look at our performance in the last couple of quarters, we've been winning back share in Brazil. We have a great team in Brazil. We've reestablished our leadership team in Brazil. We've invested in proprietary products and capabilities built for the Brazil market specifically. And what you're seeing in the numbers over the last couple of quarters, and I believe we'll continue to see, is us continuing to win more share,

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grow our business in Brazil and continue to see Visa as the preferred brand and preferred partner in the Brazil business.

As your audience member noted, if you go back a few years, we had some losses. And the good thing about a competitive market and a competitive business and having competitors is, when you lose a few things, they can really force you to relocate your business, your team, your products, your capabilities, and we've done that in Brazil, and we're winning and we'll continue to win.

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

Okay. So, I got three big topics that I want to get through in 15 minutes. So, let me [indiscernible] (00:25:48)

Ryan McInerney
President, Visa, Inc.
A

Okay. Great.

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

Okay. A lot of discussion around [indiscernible] (00:25:54) all over the place, obviously, generally, in terms of value. I'm just curious if sort of the Visa view on crypto, sort of how you intend to sort of go at it in terms of packet? Obviously, your peer talked about enabling it. Maybe you could just talk about how you guys are thinking?

Ryan McInerney
President, Visa, Inc.
A

Yeah. Well, crypto seems to be a hot topic in the payment space in the last couple months and quarters. The good news for Visa is we've been investing to be the leader in the crypto space for years now. And you're starting to see, as you often do in this business, the results of investments and a strategic choice that we made several years ago.

Let me step back, and just because the word crypto gets thrown around and like, it can mean different things to different people. So, when we think of the crypto space, there's really two different market segments that we think about. The first is so-called cryptocurrencies. These are currencies that represent new asset classes, like Bitcoin is obviously the most known example, and they're dominantly held as assets. They tend to be very volatile and they're not really used as a form of payment at least in any significant way.

And then, there's digital currency, or stable coins, that are directly backed by existing fiat currencies. And these are emerging payments innovation that could – they have the potential to be used for global commerce just like a fiat currency does.

So, we look at those two market segments very differently. And in this space, we're focused and have been for the last several years on four opportunities. The first is simple bread and butter and working with wallets and exchanges to enable people to purchase these currencies using their Visa credential. I mean, that's our core business and we work hard on that every day.

The second, what we've made quite a bit of traction is enabling the users of wallets and exchanges to be able to cash out using a Visa credential to make fiat purchases anywhere you can use your Visa card at 70 million

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merchant locations around the world. This has been a really fast growing space. Visa's clearly emerged as the leader here. We have 35 of the leading digital crypto platforms and wallets around the world that have chosen to work with Visa. Anywhere you go look, whether it's Coinbase or Crypto.com, BlockFi, Fold, BitPanda, the list goes on. So, this is a big opportunity, and the partners we already have today represent an opportunity for 50 million incremental Visa credentials.

The third area where we've been focused is enabling our FI and fintech partners that currently lack a crypto offering to quickly develop one and enable their users to buy and sell crypto. So, we just announced a set of crypto APIs that we've put out in the market. And what these APIs do is they make the infrastructure available to enable our clients, to provide their users the ability to purchase, custody, to trade Bitcoin, all kind of held by a partner of ours called Anchorage, which is a federally chartered digital asset bank who has an exclusive relationship with Visa.

And actually, the first partner that is rolling out these APIs is a company called First Boulevard, which is a digitally native neobank who is committed to closing the wealth gap among the black community. They're the first to pilot these APIs and we're really excited about that.

And then, Sanjay, I guess to the last part of your question, which gets at the fourth area that we've been focused on, which is settlement. We have enabled our network to be able to accept settlement starting right now. We started the investment, I think it was about over 18 months ago, upgrading our infrastructure so that financial institutions can settle with Visa and digital currencies with stablecoins. So, we're going to start that with USDC just like our issuers can – their customers can transact in 160 currencies today and settle in 25 different currencies on the Visa network. We've started supporting digital currencies as an additional settlement currency on our network.

So just like issuers can settle with the US dollar today, they are now able to settle using USDC. And the mechanics of how we receive those funds is a little different than we do with the US dollar. We've also partnered here with Anchorage to help enable that.

So starting next month, we're going to announce issuers that'll be piloting this settlement capability on the Visa network, and we look forward to expanding it to more issuers and then acquirers over time. So, the crypto space is obviously a lot going on. As I said, we made it a big strategic priority in the company a few years ago and you're now seeing the results of it.

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

Q

Great. Congratulations on that. I guess second question before I get to my last one is the buy-now-pay-later trend, definitely lots of activity there. You guys obviously have a product that you're launching in conjunction with banks. I mean, how do you guys view buy-now-pay-later? Do you view it as an opportunity or a threat because you could kind of look at it either way?

Ryan McInerney
President, Visa, Inc.

A

So far, it's been viewed as an opportunity. We've – the way we thought about the BNPL space is in two different parts. One is we want to partner with all the existing players that are offering proprietary solutions. We – going back several years, we invested in Klarna, we invested in PAYD. We've established deep partnerships with Afterpay, with Affirm, with ChargeAfter, with Splitit. And we found lots of ways to create mutual benefit with these types of players. People who use their Visa card again bread-and-butter to repay these buy-now-pay-later loans that they take.

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And so, in this instance, what would have been maybe one Visa transaction can become three, four, five, or six as the installments get paid with Visa debit cards in smaller pieces. We found that virtual cards are very helpful to installment providers who are looking to use them to settle with their merchants. We found that installment providers want to provision digital Visa credentials to their users so that they can, I guess, to your earlier question, try to take their app and become more of a super app and expand the payments that their users can make to places where Visa is accepted.

And we've also found that both our value-added services are helpful, our risk products, our data products as these players are looking to become more sophisticated in their fraud and risk management capabilities, as well as Visa Direct as a way for them to pay merchant. So, one part of our strategy has been go deep and partner with all the leading players and make our capabilities available for joint partnership opportunities.

And then the second piece is, as you said, our own Visa installment solution, which we think there's quite a bit of market space for a platform that enables ubiquitous solution for merchants, no friction or sign up required, and enables a lot of the open to buy that already exists out there in the world to be put to work in new ways at the point of sale.

So, we're excited to both kind of invest in and expand our network-based installment solution and continue to partner with the other players that are having success as well.

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

Q

Cool. Now a final question maybe. Maybe you can get through it quick and we can get some more. But the big one I wanted to get [ph] was (00:34:05) B2B. Obviously, you've got the Network of Networks strategy. You know there's a lot – there's a crop of companies that are coming up in the B2B space, many going public, trying to sort of [ph] act (00:34:20) different vertical, a lot of fragmentation. Could you just talk about how the pandemic has accelerated/changed the outlook on B2B and sort of how you will might address it, whether it has – whether it's accelerated things? Maybe can you just talk about sort of B2B opportunity today post pandemic?

Ryan McInerney
President, Visa, Inc.

A

Yeah, sure. I mean the short answer is yes, absolutely. The pandemic has accelerated many, many different players in the supply chain of B2B around the world to accelerate their investments in digitizing payments and the entire supply chain. So, we've seen a lot of people, especially early in the pandemic, a lot of businesses scramble to accelerate investments that we've been working on for many, many years.

We've [indiscernible] (00:35:16) the basics of acceptance. One of the things that we do quite regularly is we are out there on the phones, on the front lines, trying to get acceptance in the commercial card space. And one thing that we found early in the pandemic is, one out of five companies that have told us previously that they didn't want to accept, they called us back and said we want to accept now. So, we're seeing a lot of expansion and acceptance for Visa credentials in the space, which is great.

The other place where we're seeing a lot of demand is in the virtual card space. We have a platform called Visa Payables Automation (sic) [Visa Accounts Payable Automation] (00:35:56), which kind of enables issuers to efficiently offer virtual card to their corporate clients and then send data back to the buyer to aid in reconciliation and other important tasks. And here, we've seen an increase of issuers and partners in the platform. I think it's by almost 50% just this year. So, there's a couple examples of what we're seeing, but the overall macro point is we're

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seeing the same level of enthusiasm, investment and excitement of digitizing money movement in the B2B space as we talked about earlier in the consumer space.

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

That's great. And I guess we have some time for some question.

Ryan McInerney
President, Visa, Inc.
A

Okay, great.

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

So, I mean, I guess, is there an internal Visa goal on how big B2B volumes could be over the next three to five years?

Ryan McInerney
President, Visa, Inc.
A

Yeah. But as I think, we don't give long-term guidance externally, but no question about it. We've got a full set of internal goals. We have a great team leading our B2B business around the world. And we hold them accountable for delivering the kind of results that we think we should be able to earn, given the enormous opportunity that we have around the world. But those are internal goals and ways that we use to motivate and push our teams around the world.

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

You could share some secrets with us. That's okay. I'm joking, of course. So, I guess my final question on value-added services. You talked about how significant the growth has been there. I'm curious if you feel like there is more legs to the growth story and if you might want additional capabilities there that you might build or buy. Maybe you can just talk about sort of how you see the value-added services side, because it's done really well through the pandemic because of the issuer needs and the merchant needs? But maybe you could just flesh that out a little bit more for us, sort of give us a sense of where we're going.

Ryan McInerney
President, Visa, Inc.
A

It's done great. I'll note I think it's the third time you said your final question, but I don't mind. I'll keep going as long as you've got.

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

You're doing really good being efficient with your question – with your answers. Thank you.

Ryan McInerney
President, Visa, Inc.
A

So, our value-added services business is extraordinarily important. It's been very, very resilient during the pandemic. The reason we have this business, first off, is so that we can deepen relationships with our partners,

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and so we can help our partners grow, help them kind of improve their business. This also then provides an opportunity for us to grow and diversify our revenue. During COVID, value-added services, I think, grew 19% in our first fiscal quarter. And if you look at all of last year, most of which was during the pandemic, it grew 18% year-over-year. So, it's remained very resilient. Growth has accelerated in many of our value-added services areas.

We've – I guess if you say where the areas where it's grown most, we say a lot of growth driven by our Seller Solutions. CyberSource has been a go-to capability for many sellers around the world, as well as our Risk and Identity offerings, especially as e-commerce has grown and issuers and sellers and acquirers need to make sure they have the most sophisticated risk and security capabilities.

We've made a number of acquisitions in this space, some of which I think I mentioned earlier.

Bell ID, CardinalCommerce, Payworks, YellowPepper, Verifi that have helped kind of strengthen and expand our capabilities. And we continue to invest organically in new products and services. So, we'll continue to double-down and invest here.

So, it's an area that's very important for our partners. They look to Visa for many different things, but especially a partner that's going to be there with them day in and day out helping them grow their business. Which actually the last thing I'll say it reminds me about our great consulting and analytics teams around the world who normally would be kind of in conference rooms with our partners and clients in countries all around the world, but have really just done a fantastic job pivoting, working digitally together like you and I are talking today, and continue to help our partners, help our clients work through this phase and navigate successfully into a post-COVID world.

So, just really proud of all of our team members around the world and how they've been continuing to deliver and really over delivering in this environment.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Now, we're actually out of time. Thank you so much, Ryan. You were really efficient as I mentioned and we appreciate all the context and color. And hopefully, next year, we could do this in person.

Ryan McInerney

President, Visa, Inc.

I look forward to it.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

All right.

Ryan McInerney

President, Visa, Inc.

Thank you very much.

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Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Bye-bye.

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