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Visa, Inc. (V)

MoffettNathanson Payments, Processors and IT Services Summit

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CORPORATE PARTICIPANTS

Ryan McInerney
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Lisa Ellis
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MANAGEMENT DISCUSSION SECTION

Lisa Ellis
Analyst, MoffettNathanson LLC

All right. I think we're going to get started here Session 2, our 9:00 AM session. Delighted to be joined by Ryan McInerney, the President of Visa. Some of us are here in person. Most of everyone is online. For folks that maybe weren't on the – if you weren't on the prior session, just so you know, quick logistics. For questions, you're funneling through me. So folks in the room, you've got no cards. In front of you can write them on the note cards and hand them to [ph] Aaron, (00:00:55) right up here. For folks that are online, I actually have the chat dashboard up in front of me and so you will – I'll be checking it periodically. So feel free to just submit them through that big chat box on your screen and we will cover them in.

So, all right, Ryan, welcome. Before we dive in, are there any opening statements or comments or anything like that that you'd like to make?

Ryan McInerney
President, Visa, Inc.

Sure. Sure. Maybe I'll say two things. One is it's great to be here in person with you. Even though the audience is mostly at home, it's good to see you in person and be here with you. The second is there's a lot going on in the world right now. You've got inflation. You've got supply chain disruptions. You've got the terrible invasion of Ukraine. I mean the list goes on. But a couple of weeks ago, we reported our earnings, which were very strong, primarily due to very, very robust spending by consumers, small businesses and corporate all around the world.

All three of our business units, our consumer payments business, our value-added services business, our new flows business, all up 20% plus year-over-year revenue growth. And again, driven by what we see on our network is just very strong, robust spending, both domestically and cross-border.

So there is clearly a lot of talk and fear of recession around the world. But in terms of what we see actually day in and day out on our network, the consumer remains very strong in the US and around the world and spending remains robust.

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QUESTION AND ANSWER SECTION

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Good. Well, good to hear it. All right. I want to take us back a little moment in time for a second. You've been the President of Visa for almost exactly nine years ago, nine years now. I looked back at the date. I think it was in May, the announcement date back.

Ryan McInerney
President, Visa, Inc.

A

Sounds right.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Sounds right. So can you just get – just looking back for a minute, how – what are the top three or four ways in which Visa has transformed over your tenure?

Ryan McInerney
President, Visa, Inc.

A

Well, it's transformed dramatically. I guess the first thing I would say is just the scope of the business, driven by the massive expansion of digital payments around the world has grown so much. When I joined Visa, we had in the neighborhood of 2 billion cards. Today, we have close to 4 billion credentials. We had in the neighborhood of 25 million sellers on our network when I joined. Today, when you include the Squares and Stripes of the world, we have about 100 million sellers on our network.

We did probably in the neighborhood of $4 trillion in payments volume in the year when I joined and I think we did about $11 trillion in the last 12 months or so. We've tripled the number of transactions. Tokens didn't even exist. We now have close to 4 billion tokens around the world. So it's just the massive expansion of the business, driven by the expansion of digital payments would be one. E-commerce and m-commerce have just massively expanded, so that would be another thing I would point to.

The new – the idea of new flows didn't really exist when I joined the company. We were primarily a single-product family, single-use-case business, credit and debit cards at the point of sale. And today, we're powering payroll and salary and insurance disbursements and person-to-person and remittances and all these different new use cases that are expanding dramatically. The diversity of our clients, fintechs, I mean, the word existed, but the phenomenon didn't exist, and now they play a huge role in the ecosystem. So it's just changed in so many ways.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

And so looking forward now, maybe over the next three to five years, how do you envision Visa and maybe the payments landscape more broadly continuing to transform? What will be – if we're sitting here three years from now, five years from now, what will be different, do you think?

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Ryan McInerney
President, Visa, Inc.

A

Well, it'd be a pleasure to be back here. And hopefully, we'll have a big audience of people in the room with us. I guess, starting with Visa, I think the transformation in the next five years is going to be even more dramatic, even more significant than it has been in the last five years. I guess if I had to capture the business five years from now versus today, in one word, it would be diversity. Diversity of revenue, diversity of products and use cases, diversity of clients, diversity of the contribution the different countries around the world make. It's just – that is the main theme of our business going forward.

If I talk about the payments landscape five years from now, I guess I'd probably describe it as incredibly more digital, much more contextual and much more inclusive. I think what happened during the pandemic was a massive acceleration of the readiness of the seller-side ecosystem to take digital payments, both in developing markets and developed markets. And consumer behavior, it really skipped all the normal cycles that it goes through of trial and awareness and building confidence and using e-commerce and jumped all the way to, I'm all in. And sellers found that it was great for their business and buyers loved it. So it's going to be much more digital.

We believe that commerce is going to be much more contextual in the digital world, whether it's online or the metaverse or social, but even in the physical world, as you've got phones lit up as acceptance devices. So the idea of commerce five years ago, where a buyer met a seller at a point of sale to buy something is being turned upside down on its head. People are engaging and buying and selling as they live their lives, both digitally and physically, in a much more contextual way.

And then inclusive, I really believe we've got a shot five years from now, maybe seven years from now for every person on this planet to be engaged in the formal financial system with the expansion of high-speed Internet, mobile phones, especially smartphones, and importantly, the expansion of our network together with fintechs, traditional players, driving out digital and physical credentials. I think we've got a really good shot of having everybody on this planet. Now there are I think what amounts to about 1.5 trillion people being engaged in the financial system, which would be just exceptional for communities all around the world.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. We're going to spend a few minutes today on maybe some of the areas of Visa that you look after, that don't always get a lot of investor airtime. I wanted to talk a lot about the areas of innovation and especially around value-added services that Visa has been investing in.

Let's start with Visa Ventures, which is Visa's venture capital arm, which has invested as many may or may not know, in many of the prominent fintechs, like Square, Klarna, et cetera, over the past decade plus. Can you give a sense for what are some of the focus areas for Visa Ventures right now thinking about, as you were just highlighting, the vision for the future?

Ryan McInerney
President, Visa, Inc.

A

Sure. First, let me put Visa Ventures in context. We have built a business system that allows us to engage with fintechs in all of our countries around the world where we do business. And the ultimate goal of the business system that we've put in place is to be the partner of choice for any fintech on the planet that wants to be in the money movement business. That's what we're focused on.

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And Visa Ventures plays a role in that process as we kind of get to know fintechs of all different sizes and shapes and formats around the world. And often through that process of engaging with hundreds and hundreds of fintechs every year, we'll either identify a fintech that we think is going to have a very profound and positive impact on the payments ecosystem. And by making an investment in them, we can help them accelerate that. Or often, through the course of commercial discussions, a fintech will ask us, would you be willing to invest in us? And we have hundreds and hundreds of those conversations every year.

And as you mentioned, we've been an investor in a lot of the companies that your audience would probably know, Square and Stripe and Klarna and Marqeta and Plaid and those names, but we also invest every year in dozens and dozens of companies your audience might not have heard yet.

To answer your question directly, we're really focused on two broad different areas. One is infrastructure. We invest in infrastructure players all around the world, whether it's an Interswitch in Nigeria or a GPS or a rails bank in Europe and all different types of infrastructure players, banking as a service, issuer processors, acquirer processors, all those different types of players, as well as the front end of fintech, the different players that are driving either seller or buyer engagement and expanding the footprint of our network. We would have invested in Gojek in Southeast Asia and various different players all around the world.

But it all comes back to developing deep commercial relationships with these companies. We don't invest just to make money. We invest, as I said, to either help them scale through a commercial partnership with us or to strengthen, solidify and accelerate a commercial relationship that we want to have with someone in the infrastructure space or someone on the front end of the ecosystem.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Okay. And another investment area in this space is around your accelerator. You mentioned wanting to help along fintechs broadly. You've recently launched a fintech accelerator program that's specifically geared toward helping fintechs, as you mentioned, like a quickly onboard into the Visa ecosystem. Can you just give us a sense for sort of the scale of this program? Maybe how many fintechs are using it? And what are the types of products and services of Visa's that they typically sign up for and use?

Ryan McInerney
President, Visa, Inc.

A

Yeah. Sure. That's an exciting one, again, too. I'll put it into context. It's part of a overall business system that we've developed in all of our regions around the world to serve this community. And fintechs come in all different sizes and shapes of maturity and we want to work with them at every phase in that development. The first kind of area is helping them ideate, find products, get a proof of concept to market. The second stage that we look at is helping them kind of accelerate their growth. And then the third stage is helping them scale.

And the program that you just mentioned is a program we launched in Asia, which is one of many different programs we have around the world to work with entrepreneurs and founders very early. In this – in the case of this program, before they even have a proof of concept, they have an idea. They pitch that idea to our team. And then, we'll bring them in-house, we'll work with them for four to six months. Sometimes we'll invest, sometimes we won't with the whole idea of getting a proof of concept to market and then helping them ensure and test the product market fit.

And we've started to do that, in that particular program, with a few dozen founders. It's been a great way to – for us to learn, but also to help them learn. And we have programs like that in the ideation stage of their development

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in all of the regions around the world. And then as these fintechs start to grow, we really then help them kind of build their product out and help grow it. We have a program called Fintech Fast Track that then they grow into, that kind of helps them get into the Visa network, grow their business. And then ultimately, we work with them to scale. That's where the fintechs generally become multi-region or multi-country. They need to work across our business units and we've made that much more seamless for them to do.

So we've really – we've built out our fintech business system to be as mature as any of our other business systems that we have in the company. We have metrics. We have coverage. We have teams in every country around the world. And we do that because we believe that these companies are as important as any client segment that we work with.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. A couple of other big areas of innovation I wanted to touch on. Let's go to the Visa Developer platform. You launched this, I recall, several years ago. But I did notice you've recently added a couple of new big capabilities to the Developer platform. Currencycloud, which is one of your recent acquisitions and then also Visa Installments, which is your productized, buy now, pay later capability. Can you give us kind of an update on what's going on with the Visa Developer platform? What are the prominent capabilities you've got on that platform and what types of customers are typically using that platform?

Ryan McInerney
President, Visa, Inc.

A

Sure. Visa Developer, I think I look back and I think we will look back as the launch of Visa Developer, which I think was in 2016, as a very, very important inflection point for our company. Before we launched Visa Developer, we were largely a closed ecosystem network with proprietary connections to our largely traditional clients. And the strategy with Visa Developer was to open up the edge of our network to give access to our APIs and therefore, our network to any developer in any part of the world as well as any of our traditional clients.

Just to make it real for your audience, anybody just on their laptop or their phone, go ahead and pull up developer.visa.com, and as I'm talking, you'll get a sense of the APIs that we make available, the use cases and the – all the different materials we give to developers to help them take advantage of our products, our services and our network to make whatever their use case or business is great. It's become a very, very important part of our business. We have the better part of 900 APIs now live on Visa Developer, including the ones that you just mentioned. We've been growing about 20% year-over-year in terms of the APIs. And we do about 3 billion calls every month to Visa Developer and that's been growing at 100% year-over-year.

So this idea that we had back in 2016 of opening up the edge of our network and giving access, if you will, democratizing access to the Visa platform so that anybody could develop on our network has really come to fruition. It's the use cases that you mentioned, but also our token service, Visa Direct. As your audience goes through developer.visa.com, they'll see all different types of segmented use cases and APIs that our partners can have access to. And the types of companies that access it, it started with developers and fintechs, it's still primarily developers and fintechs, but it's also become an important resource and access to the network for our traditional issuing clients, for our large-scale big tech partners, the big names that everybody would know.

So it's been a really important part of the strategy of opening up our network. And like I said, I think we'll look back on it as a really important inflection point for our company.

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Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. You just recently launched the Visa Acceptance Cloud, which is one of my favorite recent product launches or innovations, which enables the tap-to-phone capability, meaning turning any mobile device into an acceptance device for sellers, particularly micro sellers, I would imagine, all over the world. Can you talk a little bit about what early traction you're seeing for Visa Acceptance Cloud? And then also comment on how this offering would compare to some of the other tap-to-phone offerings that maybe some investors have heard about, like the one that was recently announced by Apple with Mobeewave?

Ryan McInerney
President, Visa, Inc.

A

Yeah. The short answer is it's very early, but there's a lot of interest across the ecosystem, because as you said, it's – this is another thing I think we'll look back on as a very profound inflection point in the company. Let me do my best to explain it to your audience and then we can kind of dive into some of the questions you mentioned.

I guess, at its simplest description, what Visa Acceptance Cloud does is it takes the payments intelligence from the device to the cloud. In the industry, we call that the kernel. Taking the kernel from the device, a point-of-sale device at Starbucks, moving it into the cloud, and once you do that, it massively accelerates, makes it easier for people to innovate on the acceptance side of the ecosystem.

And it's cheaper, faster. Our ability to distribute our value-added services is much easier as we work with partners around the world. Once you kind of free up the device from having the kernel, all these opportunities exist to proliferate acceptance in a faster, easier, cheaper way.

As you mentioned, it will be a primary enabler of tap-to-phone. And I think tap-to-phone could be extraordinarily impactful in developing and developed markets for expanding acceptance. I mean we could move from kind of 100 million to hundreds of millions, even billions. Like the sky is the limit once you think about the opportunity to take every smartphone on the planet and light it up as a tap-to-phone acceptance device with no dongles necessary.

The primary kind of segments of users, if you will, clients for a platform like this are our acquirer partners, our PSP partners, our gateway partners, all the people that are working to drive expansion of sellers on the network. And going forward, really any of the tap-to-phone kind of use cases will leverage the Visa Acceptance Cloud, any of the platforms. We're off to a good start with tap-to-phone. I think we're live with programs in 60 countries around the world. For the last couple of years, it's been largely an Android-based use case, as you mentioned. There's now iOS-based use cases that will be coming to market.

And as I said, I think this will be a profound [ph] – it still (00:18:03) drive a profound increase in acceptance, and different use cases, by the way, as well. P2P, long tail, plumbers, landscapers, all different types of people who would like to accept Visa payments, but historically, it's been too hard or too costly to do so.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

So during the pandemic, CyberSource, Visa's very popular payment gateway, got a lot more visibility, I think, and a lot more attention because of the extraordinary growth of e-commerce. Can you just relate the two? So how does – how should investors think about kind of connecting the dots between the CyberSource online payment gateway offering and then now like the Acceptance Cloud?

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Ryan McInerney
President, Visa, Inc.

A

Yeah. Again, the short answer and then I'll expand on it. CyberSource will be an important distribution partner for Visa Acceptance Cloud. CyberSource will use Visa Acceptance Cloud to enable their seller clients to have cheaper, better, more accessible acceptance. It'll also be an easier way for them to distribute our value-added services to their seller clients.

Backing up a bit and putting that in context to your point, CyberSource has been a huge beneficiary from what happened during the pandemic. They were a very important way for us to help the seller side ecosystem kind of ready itself with omni-channel capabilities, with kind of order from home, pick up at store capabilities, those types of things. I mean, our CyberSource team, they worked around the clock for what seems like 18 months really. So proud of what they were able to do. They turned their product pipeline upside down. They kind of work seven days a week to help their clients. And it was great for Visa, but importantly, it was great for our clients.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. We're going to switch gears to talk about some of the opportunities and challenges with other networks. I just wanted to pause then in the middle there and see if anyone has questions coming in from the audience. Reminder, you can write them on cards and send them to me. And I do have one in the dashboard.

Ryan McInerney
President, Visa, Inc.

A

Multimedia.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Multimedia. Well, and related to Visa Acceptance Cloud, so coming in from one of our friends up in Boston. Is the Visa – for the Visa Acceptance Cloud, is Visa partnering with large cloud companies, e.g. AWS or Microsoft Azure, et cetera, or are you building this capability in-house? What is the infrastructure backend for this?

Ryan McInerney
President, Visa, Inc.

A

Yeah, good question. The work that we've done to unbundle the kernel from the device is work that we've done internally. And I should mention that it sounds easy, but it took our teams a lot of work. I mean it was our rules and our technology and the processing platform, we had to unwind all of those different types of things to make it happen. Once we've done that, we enable our partners to then use that capability to develop their products and push it out to their clients. And a lot of our clients leverage the cloud platforms that your audience member asked about. So it's really – it creates optionality for our acquirers, processors, gateways to use whatever cloud providers they may use to run their own business and not have to have the kernel itself and do the work kind of bound to that device, like I was saying.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Okay. All right. Good. Okay. Let's switch gears and talk about some of the hot topics du jour. I'm going to start with account-to-account networks. So many investors get kind of nervous about the emergence of these big national account-to-account networks, such as PIX in Brazil or iDEAL in the Netherlands as a potential substitute

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for Visa Debit. So can you take a few minutes to describe what capabilities Visa Debit offers that these account-to-account networks typically do not offer?

Ryan McInerney
President, Visa, Inc.

A

Yeah, sure. First of all, I think the work that has happened and is happening around the world to modernize ACH systems and move them to RTP systems is really important work. It's smart work. It needs to be done. It's important for more developing economies, like India and Brazil and Thailand and so on and so forth, but it's also important for here in the United States. I mean it's good work, it needs to happen. But comparing Visa Debit to an RTP transaction is a little like comparing a landline rotary phone to an iPhone. I mean we can both pick that up and talk to somebody and it's a real-time conversation, but the comparisons kind of end there. The rich feature kind of functionality that everybody would be familiar with, with an iPhone versus a rotary landline phone is the same way that I think about a Visa Debit transaction versus an RTP transaction.

In RTP transaction, it's instant, it's permanent and it's almost always irrevocable. A Visa Debit transaction, first of all, we have a single message, we have dual message. Dual-message capability is really important for a lot of use cases that we all spend, whether it's travel or entertainment or e-commerce or multiple basket sizes, shipping days different than – all that kind of stuff. You've got very robust and largely understood rules and operating regulations all around the world that govern how a transaction works in 200 countries and territories around the world. So that means we have known, understood chargebacks, disputes, reconciliation processes that exist. We have fraud management and risk capabilities. We score every transaction against 500 data elements in milliseconds to help our issuers and sellers make sure that – maximize authorization rates and reduce fraud as much as possible, tokenization, the list goes on.

So it is – I think if you talk about some of the markets, like you mentioned PIX in Brazil, which is a good example. There's been explosive growth of PIX in Brazil. If you look at the data that gets published every month, the transactions primarily are either P2P transactions, which are usually between known individuals. So an instant, irrevocable transaction is an okay thing. You don't have to worry about that. Or they're large B2B transactions, in which case, there's often a whole bunch of infrastructure wrapped around it with invoices and telephone calls and all these different types of things.

The other thing I'll say about the rise of real-time payments, especially in the developing markets, I'd pick India and Brazil as the two that really stand out is clearly a lot of growth. And in many ways, that's a very good thing for anybody who's in the digital payments business because you're educating millions, and in some cases in India, hundreds of millions of buyers and sellers about kind of how digital payments work, the benefits of digital payments, by the way, the risk of digital payments. And in general, that's been a very good thing for Visa Debit. I mean those two markets are two of our best-performing markets in the world.

So I think there is also a little bit of a rising digital commerce tide lifts all digital payments boats, if you will. And we've seen good success of our debit businesses in those markets and we'll continue to – we continue to believe they'll grow going forward. And these RTP networks are also very important, kind of, partner for Visa as well.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

So in what – so just to drill in a little bit on that. So do you typically see merchants kind of choosing one or the other or they don't – like so a small merchant in Brazil, would they not accept PIX or they might do both? Or how does that typically play out? Or they kind of graduate from one to the other?

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Ryan McInerney
President, Visa, Inc.
A

In Brazil in PIX, the actual – both number of transactions and dollar volume of person-to-merchant transactions is very small.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

It's de minimis, yeah.

Ryan McInerney
President, Visa, Inc.
A

Very small. So what you'd find is very micro merchants who might be kind of a quasi P2P transaction where we're standing on the corner of the street here, buying something from a bodega. But for the most part, kind of the traditional merchant segment, as we look at it, are primarily accepting debit cards and credit cards.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

And I know – so as Visa is expanding the value-added services piece of your business, then are these networks ultimately customers of Visa potentially for some of your value-added services? Just talk a little bit about how you end up interacting with them, particularly in cases where they're nationally funded, so there's sort of not exactly a direct competitor. Yeah, they're another ecosystem player.

Ryan McInerney
President, Visa, Inc.
A

Yeah. They're very much partners of ours, both in our new flows business and also in our value-added services business. So in our new flows business, we use these networks every day. Visa Direct's a good example. I think a lot of people still think about Visa Direct as a card-to-card platform. That was very much Visa Direct 1.0, where the product was launched as a, we can move money and push payments from one Visa Debit card to another Visa Debit card. But especially after we bought Earthport, Visa Direct has become a platform to enable money movement from card to bank account, from bank account to card, but importantly, from bank account to bank account all around the world.

And so we are – for every day, as we sit here today, we're using ACH networks, RTP networks, we're using other card-based payment networks to move money to and from accounts all around the world. So in our new flows business, these RPT networks are a really important partner of ours. I mean we use them. They're open networks.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

Right.

Ryan McInerney
President, Visa, Inc.
A

Anybody can use them. As you mentioned, they're typically run by the government. Sometimes they're built for, but often run by the government association of banks. They're open and we use them and they're a very, very

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effective part of our network and network strategy to provide world-class money movement solutions to our clients and partners.

In our value-added services business, we view them as partners where we can bring capabilities that we've built or we've bought to help them improve the resilience, the reliability of these transactions. And we've bought several different companies that are engaged with networks – RTP networks all over the world. We bought YellowPepper, which is a – among other things, they provide directory services to RTP and ACH networks. We bought Verifi, which provides dispute services. We bought CardinalCommerce, which provides authorization authentication services. We bought Token ID, which is the leading provider of tokenization services to RTP networks and other payment networks around the world.

So it's both. They're a partner of ours. We use them to move money and we view them as a partner where we can help them do their business more effectively.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Can you comment specifically on FedNow in the US? I believe that's, in theory, coming up in 2023 at some point. Just how are you – as you're watching that rollout, how are your clients in the US and the Visa business thinking about what role FedNow will play and the sort of the time horizon for that?

Ryan McInerney
President, Visa, Inc.

A

Yeah. I think the time horizon is – my understanding of the time horizon is what you said. There's always risk to that with anything, but I think that's what they're working toward. And I happen to have just been with a group of our kind of mid-sized issuers yesterday at a Client Council here in New York. And it's an important part of what they see in terms of the roadmap for what they're working on.

Like I said earlier, I think the modernization of our payments ecosystem everywhere, especially here in the United States, is important for the United States. These banks are using today the ACH system for a lot of money movement with their clients to pay for their mortgage, to pay for their credit card bill. And the ability to accelerate that by integrating with the FedNow RTP system, when it's up and running, is a priority for these banks and I think ultimately, it would be good for them and good for their clients.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. Let's go on a somewhat related note, I suppose, to open-banking. You recently closed the acquisition of Tink, an open-banking platform in Europe. Can you talk a bit about the synergies from that deal or sort of how you're integrating Tink into Visa's business? And then also, how you're kind of driving your open-banking strategy around the world.

Ryan McInerney
President, Visa, Inc.

A

Sure. We're super excited about Tink and we're also super excited about open-banking. Open-banking's still in the very early stages of the impact that we think it ultimately will have on the world, which is kind of democratizing access to everyone's financial information and empowering both consumers and small businesses to get more competitive products, better services and ultimately, live their financial lives better. And that ground zero for that

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really is Europe. And we did a lot of work to identify who we thought the best platform, the best team with the best products and services was in Europe, and that was clearly Tink, and we were thrilled to close on that acquisition.

In terms of the synergies, what Tink brings to us is the best open-banking platform in Europe with the broadest, deepest, most effective connections to financial institutions and developers. A world-class team led by Daniel, who is a world-class leader. A scaled set of products and services, both in the PFM space, the account verification space, but also in the money movement space. And what we are able to help Tink with is we're able to help them scale broadly around the world. We have connections, obviously, with financial institutions in every country around the world. We'll be able to help Tink accelerate its expansion, given a lot of the regulatory and licensing and legal complexities in different countries around the world. And we bring them a lot of experience with what it takes to build an at-scale, reliable, always-on network, which effectively is what open-banking is. I mean that's how we think about open-banking is. It is a network business. It's just largely the transfer of information as opposed to money. It's about connectivity, scale, reliability and ultimately, trust. And I think we can bring a lot of that to Tink. So we're really excited about it.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

And how should we think about how it fits into Visa's business? Like, how do you end up monetizing open-banking within Visa?

Ryan McInerney
President, Visa, Inc.

A

Yeah. Again, it's similar to our payments business. The revenue model for a lot of these services is a per-click revenue model. And as we expand, just like I was talking about diversifying our core business with new products, new services, new clients, the same thing in the open-banking space.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. Good. Well, thanks to everyone online and sending in questions. We're very global today. We have one that just came in from Brazil and another one in from London.

Ryan McInerney
President, Visa, Inc.

A

Excellent.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Both related to each other actually. Back on the question about RTP and FedNow, they're sort of a related question, so I'm mushing them together. But FedNow and then also maybe other networks around the world. Everyone likes the analogy of the landline phone versus the iPhone. Do you though anticipate that these networks would, over time, replicate or copy essentially some of the features that are offered on the debit – the Visa Debit network that could then pose more of a competitive threat over the long-term? Why or why not?

Ryan McInerney
President, Visa, Inc.

A

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Yeah. It's a great question. I think in some of these markets around the world, we are working, as I mentioned earlier, with these RTP networks to provide richer data, more value to those transactions. So if and when that happens, that transaction will become a richer transaction, but also a transaction that we can monetize just like we do in our core business today.

Having said that, just building on the landline-iPhone analogy for a bit, there is only so far that those networks will be able to go in terms of the richness of those transactions. And also, I mean, you talked about at the beginning of this, kind of the nine years that I've been at the company, just the level of investment that Visa has made in our network to enable the capabilities that I talked about for Visa Debit, but also for the network more broadly. And you add to that kind of the acceptance, the 100 million sellers, which we believe will grow cross-border acceptance, all those things, really hard to replicate.

So I do think the sophistication will grow on those transactions. And hopefully, we'll be a part of making that happen for the PIXs and the UPIs and the FedNows and the TCHs of the world, which we would love to be a part of, but I think there's a ceiling on that. And you've got, where Visa Debit is today that we'll continue to invest at a level that it's really difficult for any one RTP system in any one country to try to keep up with.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. Well, speaking of alternative networks, let's go to crypto. We could spend the entire day on this one, but I'm going to keep it kind of focused. Kind of a related question, though, when we think about crypto currencies like the stablecoins like a USDC coin that's running on the Ethereum network, these open source underlying networks. Again, how would you compare and contrast and kind of, investor language, the capabilities of using VisaNet relative to executing a transaction over Ethereum using a stablecoin?

Ryan McInerney
President, Visa, Inc.

A

Sure. I guess first thing I'd say is executing a transaction with a stablecoin on a public blockchain is getting more efficient, it's getting more effective. The transactions are speeding up. The costs are going down. I think ultimately, they will get to the point where it's measured in milliseconds and millicents. We believe that will happen. Having said that, it's still a very complex situation and a relatively simplistic transaction, not unlike what we were talking about with RTP.

The complexity comes from the fact that there's multiple different networks with multiple different stablecoins. And so the ability for a seller, for example, to know which stablecoin are they going to accept and what public blockchain does that run on and there's no interoperability between these public blockchains that at least exist today. So it's a very complicated situation. And as I said, not unlike the RTP situation, it's a relatively much more simplistic transaction type versus the richness of a Visa Credit or Visa Debit transaction like I talked about before.

Having said that, just in the crypto space more broadly, if you just back up, clearly, significant adoption of stablecoins. I think in any given month, there's $400 billion, $500 billion, $600 billion of stablecoins that are moving around. A lot of it, at least from our analysis and research, is really Me2Me transactions. I might be moving from one network to another based on what I'm doing for my investing and those types of things.

And if you look at the innovation and the development that's happening on the blockchain, you look at the 18,000, 19,000 developers, which continues to massively accelerate. They're focused on DeFi, they're focused on NFTs. They're focused on some of the infrastructure issues that I mentioned. For the most part, the bulk of the development activity, the innovation, the engineers that are working on the blockchain, they're not focused on

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trying to replicate Visa or build something different and better than Visa at the point of sale. They're working on how do I revolutionize banking or personal financial management by creating kind of segment of one retail banking products using DeFi? Or how do I expand NFTs into the luxury goods world or so on and so forth?

There's a lot of amazing innovation that's happening and that creates opportunity for us. How can we work to make it a lot easier to buy or sell NFT, which is not easy today?. How can we work to potentially create interoperability between these different public blockchains using Visa services to try to make that an easier, more reliable, much simpler transaction? So we have a lot of work going on in the crypto space, a lot of innovation coming. We're really excited about it.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right. Well, keep an close eye, that space is having a rough go of it right now. Okay. I have a few, maybe taking a step back, overarching questions with your overall president hat on. This one came in from the audience here in the room. Can you please rank the following capital allocation priorities? And why in that order? And just be prepared, there are six of them. So if I might have to repeat them...

Ryan McInerney
President, Visa, Inc.

A

My goodness. [ph] Yeah, hold on. (00:40:06)

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

You'll remember. Crypto, cyber, rails infrastructure, including open banking, marketing, partnerships and your analytics and advisory capabilities.

Ryan McInerney
President, Visa, Inc.

A

Yeah. This would be, I think, a little disappointing for someone in the room here. We don't think about it that way. I mean it's not necessarily about kind of rank-ordering capital allocation to any one segment. And the way that we work through our product pipeline, a lot of these are overlapping.

So I mean, of the one thing you mentioned, like the thing – putting aside capital allocation per se, our partners are first and foremost for our business. I mean I talk a lot internally in the company about the fact that we don't exist without clients. We are a client-driven business. We are in service of our clients. We really only exist because we have clients that want to use our network, that want to issue our credentials. So everything starts with our clients.

And then what we do is we work backwards from what do our client needs? Like what are their priorities, what are they wrestling with, what are the ways that we can bring products and capabilities to help them grow their business? And that's then what drives our product pipeline. And so we are focused on crypto because that is an area where our clients want to be able to use blockchains to potentially move money in a more efficient, more effective way and so we want to help them do that.

I guess the second thing I would mention, after the clients, is cyber. Cyber is not – for us, cyber is not really an area where we rank order it in terms of our capital allocations. It's binary. Like, we have to have absolutely the best cyber protections we can have, bar none. And so for example, when we go through our budgeting process, we're not really weighing off kind of the fifth initiative from our cyber team versus a marketing initiative. We're

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having a purposeful discussion with our cyber team about everything we can possibly do to ensure that our network is the safest, most reliable, most secure in the world, especially in an environment where the threat velocity is increasing every day.

So it's not a – we don't have a simplistic kind of rank order to it. It's start with our clients, understand their needs, understand the opportunities we have and then build a product pipeline that's going to help our clients grow their business, and therefore, we'll grow our business.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

I know the last one, I'll just do a quick follow-up question on the analytics and then more recently, the advisory side, the Visa Consulting side, has been something you've invested in more significantly recently. What's the type of traction you're seeing in that piece of the business and kind of what's the background rationale for why invest in essentially like labor-based advisory...

Ryan McInerney
President, Visa, Inc.
A

You mean advisory business.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

...like a consulting business, yes?

Ryan McInerney
President, Visa, Inc.
A

Think about it this way. The reason that it's such an important business for us, and to your point, it's a – it's not all labor-based, but there's a lot of people in the business, obviously.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

Yeah.

Ryan McInerney
President, Visa, Inc.
A

If we can continue to scale our advisory business and continue to keep our advisory team members busy every day with clients, what that means is, ultimately, we have teams of people inside our clients working onsite in a post-COVID world every day, side by side, shoulder by shoulder with our issuers, our fintech partners, our sellers and our acquirers.

So it's a great business in and of itself and it's been a tremendous growth business for us, but it's also, it's a way that we embed ourselves with our clients. We're understanding their strategies, their work. Actually, many of our best advisory teams as any good, I guess, consultant would, they're part of the client team. They're working on the growth strategy. They're in their understanding what the next three, four, five investments need to be.

And then if you tie that all the way back to the question I just answered for the previous question, we understand what our clients are wrestling with. We understand what they're working on. We're viewed as a partner helping

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them achieve those with our advisory teams. Our products become stickier. We become more embedded. It becomes – when they're thinking about making decisions about whose credentials to issue, for example, they're looking out on their floor, the Visa team members are working out with them shoulder by shoulder. It's a different kind of decision.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

All right. Transitioning to our wrap-up questions. One, first one, let's talk about revenue acceleration. So on your recent earnings call and your fiscal 2Q, both Al and Vasant reiterated the expectation, which, if I recall, you first said at your Investor Day, right prior to the pandemic, that coming out of the pandemic, you guys expect Visa's revenue growth will accelerate compared to pre-pandemic levels on a sustained basis, not just because of the recovery year, so meaning talking about that consistent, low double-digit level up from kind of the – back in that kind of pre-pandemic timeframe. What gives you confidence in your ability to drive this acceleration?

Ryan McInerney
President, Visa, Inc.
A

I was just reflecting the fact that was probably the last time a lot of us were together as a group was our Investor Day, right.

Lisa Ellis
Analyst, MoffettNathanson LLC
Q

Yeah.

Ryan McInerney
President, Visa, Inc.
A

And it was – COVID really wasn't a thing, or we wouldn't have all been in the room. And as you mentioned, we were confident then before we knew anything about what could happen to the world, that we would have the ability to accelerate our revenue growth in all three of our primary growth levers. And we had confidence then because we'd done the work, we'd understood the market needs, we'd seen the acceleration opportunity that existed given our platform.

We're even more confident now. What – COVID's been terrible. Terrible, terrible, terrible for lots of reasons, but it had strengthened the tailwinds in all three of our growth levers. In the consumer-to-payments business, I mean, it's – as I said earlier, it's accelerated e-commerce on the seller and buyer side of the ecosystem. It's massively accelerated tap-to-pay. I mean who would have predicted when we sat at that Investor Day that in the United States right now, one out of five transactions would be tap? Really, no one.

And as we sit here in New York City, one out of two transactions. One out of every two Visa physical face-to-face transactions in New York City are a tap. That was years and years of acceleration. And what that means is when people are going into stores and restaurants here in New York City, they're tapping rather than using cash. That's an accelerant. E-commerce is an accelerant.

So consumer-to-payment – consumer-to-merchant business, massively accelerated coming out of it. New flows, massively accelerated. All types of use cases that got put in place during the pandemic have, again, accelerated Visa Direct adoption all around the world. And then value-added services, e-commerce was a huge priority for a lot of players in the ecosystem. You mentioned CyberSource. You mentioned our advisory services. But in addition, our issuer processing platform was incredibly important for a lot of issuers who needed to get new

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products to market DPS. And our risk and fraud mitigation tools were really important when a lot of spend moved to e-commerce and issuers and sellers needed to calibrate.

So we're even more excited about and even more confident about the acceleration of our revenue growth coming out of the pandemic.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

All right well I can say that, yes, I finally got my tap-to-pay debit cards in the mail from Chase. So you can thank Chase.

Ryan McInerney
President, Visa, Inc.

A

Start tapping away.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Thanks to you. You nudging Jamie Dimon along there to finally get those mailed out. So we've talked about a wide variety of the technology investments and innovations that Visa is driving. Taking a step back, what are the top couple of things that you are the most excited about?

Ryan McInerney
President, Visa, Inc.

A

So if I had to say one thing I'm most excited about, maybe to talk about a different topic than we've talked about so far, it's our people. We have an incredible team of people all over the world. When I meet with clients and understand why they chose Visa, they say the same thing. You have a great brand, a great product platform. You have an amazing set of products and services. But what often makes the difference is our people.

We have an incredibly diverse, experienced, world-class team of people in countries all around the world that go to work every day to help us meet our mission, which is to uplift everyone, everywhere by being the best way to pay and be paid. Like that's – like we repeat that to ourselves over and over again. That's one of the main reasons I'm at this place because I believe we can have a huge, positive impact on the world. I know we're doing it. I think we can do an even more impactful way of doing it going forward. And it all comes down to our people. Like we have, bar none, the best people in the business. We continue to invest in that and just really thankful to be on the team and helping them do what they do every day.

Lisa Ellis
Analyst, MoffettNathanson LLC

All right. Well, I'm looking forward to five years from now when we have every person in the population have that digital – the formal digital payments, like you mentioned upfront. Good. All right. Wonderful. Thank you, Ryan, so much for joining us today. Thanks, everyone watching virtually and some folks in person, and terrific. Thanks a lot.

Ryan McInerney
President, Visa, Inc.

Thank you. Thanks, everyone.

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Lisa Ellis
Analyst, MoffettNathanson LLC

Thanks.

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