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Visa, Inc. (V)

William Blair Growth Stock Conference

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MANAGEMENT DISCUSSION SECTION

Robert Paul Napoli
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[Abrupt Start] (00:00:01) and services space. For a complete list of disclosures and potential conflicts of interest, please go to www.williamblair.com. We are very pleased to have with us again this year, Visa. We have Vasant Prabhu, the Chief Financial Officer of Visa. We also have the Head of Investor Relations, the new Head of Investor Relations, Mike Milotich. So, it's good to have Mike here at the William Blair Growth Stock Conference.

We're doing a fireside chat format. And so, I'll kick it off. We'll give the room, so be ready to ask questions. I'll ask a few and then open it up to the room.

QUESTION AND ANSWER SECTION

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Just maybe Vasant comment on what do you think could be the largest misconceptions or misunderstandings about Visa today? Obviously, the stock has done very well. So people understand a lot, but for what don't they understand?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Well, thank you, Bob, for inviting us and it's good to see you all. We've been around long time and we have a lot of very astute investors and many of you are in the room and some of you [indiscernible] (00:01:13) ever since the IPO, so I'm not going to presume that you're missing something really big or really important. But what I will do is, perhaps highlight something that might be misunderstood which is what we would call the adaptability and flexibility of the network.

So, at our Investor Day last year, we laid out the case that we were at an inflection point and we saw a 10x increase possible in the ways to pay and the ways to be paid, both in the B2C space, as well as huge opportunities in the B2B space. Clearly, two most valuable assets to capture that opportunity are our brand and our network.

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I want to spend much time on our brand, although I would say that we don't talk enough about our brand, the overwhelming preference that people have for our brand around the world, both consumers as well as issuers and how important the brand is in times like these when there's quite a lot of confusion out there, a brand like us is very helpful to have as both consumers and our partners grapple with a lot of things. But, what I want to talk about today is what I call the demonstrated flexibility and adaptability of our network.

So, let me just sort of give you a few points on that. Our network has gone from being the preferred rails for face-to-face transactions to now being the preferred rails for e-commerce transactions, m-commerce transactions, the backbone for P2P transactions and increasingly the preferred rails for G2C, government-to-consumer transactions, and a broad set of B2B transactions, shown massive flexibility in moving across all of these.

Our rails have gone from something that you could only access with the physical card to being something that you can access with a digital credential, secured by a token that can be embedded in any device. Essentially what that means is any device can be used as a way to pay or a way to be paid. So, you can see again the flexibility that we've been able to bring to the ecosystem.

Going further, as a way to pay, our rails have been able to continue to take the friction of out of the payment experience. In the face-to-face space, we've gone from swipe and the dip to now something that is much faster and easier and soon to come to the U.S. which is the tap, i.e. contact list. And then, in many parts of the world to the scan, which is the QR code. So, we are making the whole experience easier and frictionless in the face-to-face world and in e-commerce world, something we might talk about the move to a single pay button and better, faster, and more frictionless authentication technologies, like 3D Secure.

Similarly, on the other side, as a way to accept payments, our network has substantially reduced cost and speed at which people can accept payments. Gone are the days when in the face-to-face world, you needed a dedicated device and landlines. Any device can be used to pay today or accept payments. And in e-commerce world, with a single set of standards with tokenization on cards and file and things like that, it is much easier for merchants to become acceptors of payments.

Even further, we've had a revolution. Our network, for its entire history, sent money one way out of your account. Now, you can send money both ways, into and out of your account to do account-to-account transfers, the Visa Direct service. And compared to other rails, it can do account-to-account transfers, whether that's Fast ACH or ACH. We offer greater security, we offer the ability to get your money back if you made a mistake or you didn't like the product or the service, which those rails don't offer, chargebacks, dispute resolution, et cetera. And more importantly, these rails are already global in scope, whereas ACH and Fast ACH are a patchwork of national systems that don't at all talk to each other.

And then, we are adding more information capability and Visa Direct rails are already the backbone for P2P, for a broad range of B2B. They are the basis for most government-to-consumer, G2C payments, and we're adding greater information capability on some of these transactions, so that a much broader scope of B2B transactions can also be served. So, I can go on, but the point I'm trying to make is that the value of our rails and the flexibility and adaptability can often be underestimated.

Yes, we have the most ubiquitous rails, we have the scale and scope advantages, but it's the adaptability and flexibility that is one of the bigger assets that comes with the rails. And then, you add-on the brand and a healthy dose of paranoia, and I believe that we are extremely well positioned to capture this 10x explosion we see coming.

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Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Thank you. You mentioned the single pay button and if there has been a little bit of controversy on that and maybe what is the strategy behind the single pay button? You're working with MasterCard and then I think, there has maybe been some pushback from merchants, and how does that affect, like your partnership with PayPal who has their own button?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Right. Yeah. The single pay – the so-called single pay button, as it's called, is really a common set of standards that have been issued by EMVCo. And fundamentally, it is no different that what has happened – that what happened in the physical world a long time ago. The industry figured out a long time ago in the face-to-face world that making it easy for merchants to connect to all networks with a single set of standards is a way to go. Otherwise, there's a lot of confusion. It's very hard for merchants. In addition, you had a single device at the point of sale that accepted all cards. Fundamentally, it's the same concept.

So, you have a pay button, it replicates the physical payment experience, you click on it, you either have a preferred card or you can pick the card from your wallet. The merchant on the other hand has one connection to make that can accept all cards. So fundamentally, this is not anything new. It is something that was sold in the physical world. Perhaps, you have to ask why it took us so long to get to this point in the e-commerce space.

Our goal in doing this was really, make it easy for merchants, make it more frictionless for consumers to transact in the digital world and the goal there was that we needed to make sure that we took the [indiscernible] (00:08:00) away from merchant websites and we increased completed transactions, we don't want abandonment, et cetera. And not only is this a single pay button, but it also comes with [ph] greater securities with (00:08:11) tokenization and better authentication technology. So, it's a whole package of security, as well as taking friction out of the experience.

That's the objective. It is not directed at anybody in particular. And if there are concerns with merchants, certainly, we'll address them. They will still be able to route the way they always could. So, there's going to be no constraints on what they are allowed to or permitted to do. And as it relates to PayPal, I mean, we remain very committed to our partnership with them, and we're delighted that they don't steal people away from networks like us and that is going well.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Your closest competitor has – I mean, your performance has been very good and your growth has been very good. Your closest competitor has – their growth is somewhat above yours today. Do you think that's – does that concern you at all? Do you think it's – what do you think that is driving? Is it their services businesses in the loyalty or security that's driving that? Or do you think that that's a temporary disparity in growth?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Well, I mean, any differences should concern you and you have to understand why the differences exist. And, there's an ebb and flow to these things. There are times when their numbers look better, there are times when our numbers look better. Couple of years ago, our numbers [Technical Difficulty] (00:09:34) better, because we had some share gains in the U.S. and we had busy orders coming in and all that. This year coming into it, I guess you

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have to strip out of their numbers some of what the accounting rules do, which they had a rather substantial accounting benefit from. They also had an acquisition coming in.

And once you strip it all out, the gap is not as significant as it might seem on the surface. Then, you get to timing differences. We already signaled coming into this year that the first half was going to be depressed for us in terms of reporting reasons, because of what happened last year. Our incentives were unusually low in Europe, because there were some delays in getting deals done. So, the comparisons were going to be not favorable to us. Our pricing last year was – in the first half this year, it's less, but it's in the second half. We had some shifts going on in Europe in the cross-border business, they don't have much revenue impact. So, there're always going to be those...

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Right.

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

...kinds of things. So, there's always going to be periods of time when these things are happening to us [ph] not to them (00:10:32). There are clearly mix differences. Mix differences can cause again things that look different, I mean, we're – we got a much larger U.S. business, we're much bigger in the UK and France. There are mix differences around the world. Look, over time, these things even out and I would expect the gap to narrow. Certainly, we understand the reasons. We understand which reasons will serve correct. We understand other reasons that we need to work on, but I think there's an ebb and flow to this and time will – time will even things out.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Right. Thank you. Any questions from the – from the floor? We have plenty questions up here to keep going. The regulatory environment has been a key element to the payment space globally. Have there been any changes on the regulatory front or anything? Has it gotten more – a little more difficult or somewhat softened in some markets?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

I would – I think the best description of it is that it's generally unchanged...

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

All right.

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

...I think you can think about regulation in three buckets. One bucket is the U.S. because it's a big country and the big chunk of our business. Debit has already had things happen to it here. It doesn't seem like there's a lot of movement on other fronts at this point. So really, I would say this situation looks like it's unchanged, potentially stable.

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Europe is the other theatre, where it's a lot of countries, but it's one regulatory body, so it's worth watching, because it's a big geography that has one regulator. They've done a ton of regulations last few years between exchange rate regulation – not exchange rate, the interchange regulation, scheme and processing separation regulation, [ph] PSV2 (00:12:24) coming in. We've all told you that they're looking at some of the cross-border – inter-Europe cross-border side of things. Could there be more in Europe? Possibly, but a fair amount has already happened. Around the world then, regulation is country specific.

And there doesn't seem to be a common theme. Every country sort of got its own philosophies. They're not all moving in the same direction. So, I think it's a – it's a mixed bag in that sense, nothing significant going on, and we have teams around the world that work very closely with regulators and governments to make sure they understand how we can achieve their objectives and help them achieve their objectives and do the best we can to help them understand our business and make the regulation, whatever there is, as informed as it can be.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Europe – acquisition of Visa Europe, it's been, I guess almost two years, getting close to two years...

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

...The integration of that, I think, you have suggested is going very well and you're going to focus more on growth in that market. Is that – is that right? Is that – is all the heavy lifting on the integration completed at this stage and are – what are you going to do on the growth side to accelerate growth?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah. I think from an integration standpoint, we're pleased with progress, so we did the sort of the people integration early on, the technology integration is underway. The – as we've said before, the technology platform that Visa Europe runs is separate from us today. We have integrated them on the clearing and settlement side. The integration of the authorization side is underway.

This means we have to move every one of our issuers and acquirers onto the new platform and that is one at a time, that is underway. I think we've indicated that we expect to finish it by the end of this calendar year. So, starting Jan 1, 2019, we should be in a position assuming everything is on schedule to declare pretty much the integration done. And we would be operating Visa Europe out of the global platform.

In the meantime, the other big task that was underway that is pretty much done at this point is to ensure that we moved our business from the association model to the commercial model. That was a very big and very complicated exercise involving over 100 contracts that had to be redone. We're very pleased with the outcome. It required us in effect to be – to do all this to be more in defensive mode for the past couple of years by definition. We expected there will be some leakage as part of that, but it was a lot less than we thought could happen. We're happy that's done.

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So, now we can move onto the offensive and there's lots of growth opportunities in Europe. Historically for various reasons, the business in Europe evolved, where we were very strong in debit and not so strong in credit. So, [ph] they are clearly (00:15:18) opportunities in credit. There are parts of Europe – our strength is in the UK and France. There are other parts of Europe, where clearly we have opportunities to have much better positions than we have today and this will all play out over time and we need to do it in a way that is rational and smart.

We are open for business on a whole bunch of fronts to bring our capabilities to Europe, which will become even greater once the technology platforms are integrated. We just announced that we can fast-track fintechs to do business with us. We have an innovation center in Europe that has been up and running in London that gives people a great flavor for all the things we can do. We've announced that we have a $100 million that we would be interested in investing in a variety of innovative things in Europe over the next few years. So, clearly, the track from this point is offense.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Great. The accretion, I mean, can you remind us what you had suggested would be the accretion for Visa Europe? We kind of thought that you had a pretty conservative view when you initially came out with that and how are you tracking relative to this?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah. From a financial standpoint, it's been better than we expected. So, clearly, we had some conservative modeling going into it. We didn't want to make assumptions, unless we felt really good about them. Clearly, financially speaking, the business has performed better than we expected. We've been able to take a couple of rounds of pricing. We'll look at any future opportunities. We've been able to do some tax restructuring. So, when you add it all together, we thought we would have low single-digit accretion in the first year of our ownership, it was mid-single digits. This year, we said, our second year that it'll be in the high single-digits. So, clearly, we're well ahead of what we expected and we'll see where it goes from here. So from a financial standpoint, I would declare it, at least at this early stage, as close to a homerun as you can imagine.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Yeah.

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Now, I want to caveat that by saying, we're only two years in and there's a lot of – there's work left to do.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Contactless payments in the United States, I mean, I think we're behind here in the U.S. versus a lot of the world in contactless payments, especially contactless cards...

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah.

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Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

...And what is – I think, Visa is very much behind that. I think there's – what is assuming – what do you think U.S. is in adopting contactless card payments? What does that do to the electronic payments market as far? Where do you see in other markets...

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

...as far as it is accelerating growth? And what does it take, is it technology in place? What is it going to take and what timeframe?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah. Contactless is not something you've all seen in the U.S., but we have now experiences in the UK and Australia. And what contactless does is that consumers have clearly voted. And as soon as contactless is available, it takes off like a rocket ship, because it is an extremely friction-free experience. Essentially, it even takes the phone out of the picture. For a face-to-face transaction, the tap is far more attractive from a consumer standpoint and we saw it in the UK, we saw it in Australia.

What we see happening here is it's somewhat slow to take off, because there's a chicken and egg problem to solve. Everybody has to be enabled for contactless and cards have to be enabled for contactless. So, the first couple of years – it takes a couple of years to go from like 0% to 7% penetration and then it takes off like a rocket ship. So, the UK took about two years to get a 7%. Now it's, I think, 60%. Australia is already 90%. 90% of the transactions in Australia, face-to-face today are done contactless.

Fundamentally, I mean consumers love this way to pay and it just increases the use of cards, because people now use their cards for everything, right? For smaller and smaller transactions, it essentially takes cash out of the equation, it takes phones out of the equation, and it's an increase in transactions, which is great for issuers. And for merchants, it's speeding-up of lines. In the U.S., we have to solve the chicken and egg problem.

So, what that means is having a critical mass of merchants that are enabled for contactless and then getting issuers to send you cards that have chips that are enabled for contactless. And we've been working with both sides. I believe as of today 50 of the 100 largest merchants in the U.S. are actually able to accept contactless payments and we're working with the issuers to persuade them that there's enough critical mass here that if you send people contactless cards, that they will appreciate it and we're working with them to get that going.

So, I think, we're moving in the right direction in getting the chicken and egg problem solved. It will take a couple of years like everywhere else for it to go from 0% to 7%, it may move slowly, and then it hits that critical mass and really just stay close.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

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What does the contactless card cost a bank or an issuer versus [indiscernible] (00:20:16)?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

It's not meaningfully better. I mean, I have one and you should know, just so you all know sort of; if it has this little symbol on it, this thing here...

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

Yeah. [indiscernible] (00:20:28).

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

...it means it is enabled for contactless, the little sound like thing. And you will increasingly, if you lose your card or have a card expiring to be replaced, you're more likely than not to get a contactless card.

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

[indiscernible] (00:20:42).

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

It costs a little bit more, but it's going to be paid for quite easily and that they will get a lot more transactions...

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

Okay.

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

...That's demonstrably proven in the UK and Australia that this increases penetration of cash, it drives the use of cards to smaller and smaller transactions, and transaction volumes for issuers go up.

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

Yeah. Thank you. Visa Direct has, I think, been one of the more exciting, I think, new products that seems to have a lot of traction for Visa. Maybe talk about the rollout of Visa Direct globally this year? Are we starting to see these transactions have some material effect on the income statement? And then, how does Visa Direct differentiate itself from, like MasterCard Send or VocaLink in kind of fast payments – the fast payments game if you would?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

Yeah. So, we're very excited about Visa Direct for a variety of reasons. I mean, it's a real innovation in the network to be able to send money both ways which then opens up a whole lot of use cases. So fundamentally today, Visa Direct is the backbone for most of P2P payments going on in the U.S. and elsewhere. So, it is what

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you can use for Venmo, it is what you power Square Cash, it is what you can use it on Facebook Messenger. Fundamentally, this service is the backbone for a lot of P2P in the U.S. It's becoming something of a whole set of new use cases and disbursements, right?

Payments coming to you from your insurance company, from your – from – whether it's your auto insurance or your healthcare insurance in the gig economy. Variety of small businesses or individuals can now, like Uber drivers or whatever, elect to get paid through Visa Direct. There is also now a use case with merchants, small merchants can work with their acquirers instead of waiting a couple of days to get their cash through the normal settlement process for, I guess, a fee that they negotiate with their acquirer, you can use Visa Direct to get paid every day.

So, small businesses get – can get their cash every day and manage their cash flows better. There are additional use cases in bill payments. So, it's a broad range of use cases in the P2P and as I said, G2C and in the B2B space, the Visa Direct can power. It is moving the needle, it's still early days. It will move the needle on the debit volume line, because it is using debit credentials. We are rapidly rolling it around the world. We've, I think, enabled about a 1 billion cards. We expect to have enabled about 2 billion cards hopefully by the end of this calendar year.

So, you will have a credible cross-border capability with Visa Direct, which again is a very valuable capability, because a lot of these ACH and Fast ACH networks are not global in scope, they are national. Beyond that, I mean, when you use direct credentials, as I said earlier, something people don't realize as they don't have with Fast ACH or even ACH rails is the security you get with debit credentials, as well as the ability to get your money back. You make a mistake, you can get your money back. You don't like the product, you can get your money back. That doesn't exist with Fast ACH.

And now, to the extent of that Fast ACH, speaking about VocaLink, I think is one of misunderstandings about this. So, the important thing to note is that VocaLink is an operator of a network, it is not the owner of a network. To the extent that our use cases that can use the network, it's open to us too at the same fee that is regulated. It only is an operator of the network in the UK. So, VocaLink does not operate – VocaLink does not own any networks. VocaLink operates one network, the fast payment network in the UK.

The fast payment network in the UK is available to us or anybody else through the banks at the same fee as it's available to MasterCard. So, to the extent that our use cases require the use of fast payment networks, we are able to use it anywhere in the world. And in the UK, VocaLink is the operator. That's part one.

Part two is, I mean, the network, the entity that controls the network is asking for a new operator. I mean, there's an RFP process underway or RFI or whatever and they want the whole fast payments network rebuilt and they're looking for a new operator, maybe VocaLink, may not be VocaLink, we'll have to wait and see. The important thing to note is that VocaLink doesn't give MasterCard anything we don't have.

They get a fee stream from being the operator on a relatively low fee that you pay for use of the network and we have access to the network in the UK or anywhere else in the world. So, if there are use cases that require the use of ACH or Fast ACH, we'll do that too. [indiscernible] (00:25:49) fundamental problem with VocaLink in the UK, which is one of the first Fast ACH networks has not been able to solve, which has come up with use cases, because consumers have to have a proposition that they want to use, [ph] they haven't (00:26:00) used Fast ACH rails. They fight for 10 years and there hasn't been one so far.

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Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Yeah. Thank you. The – yeah, question.

Q

[indiscernible] (00:26:09-00:26:25)

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

The question was on the gap between the Visa, MasterCard growth and any – what Visa is looking at?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Okay. Well, most of these issues will self-correct. So, we know that some of them are timing-related, some of them are mix-related in terms of what happens to exchange rates and sizes of our business relative to theirs in some parts of the world. As I said earlier, as we were going through the exercise of consolidating our business in Europe, essentially moving people from the membership model to the commercial model, we expected there to be some leakage in Europe, some losses, and we got some of that.

It was less than we had thought, because we had to make some judgments going into this and the losses are also not surprises, they were predictable as to where it was going to be. But now, we have the opportunity, having done the defensive act, to go out and be offensive. And there's real opportunities for us there, so that will correct over time. These things move around and there are periods of time when they might gain something and there'll be periods of time we do.

One other area where we've probably not done as well has been one where our banks have not grown as fast as their banks in a couple of countries. Some of that is self-correcting, some of that relates to particular situations that the banks that are exclusive banks have had issues in their markets and again, some of those things will self-correct too. But other that, I mean, these things should narrow over time and difference in performance is not acceptable, we're very focused on it, and where these things require specific actions on our part, we'll be taking them.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Right. Thank you. Capital allocation is generating about $10 billion of free cash flow. Just remind us what Visa's allocation – capital allocation and M&A strategy is?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

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Yeah, I think it's not changed. We had said to people for many years that we would add debt to our structure when the Visa Europe transaction happened and it did and we had a debt to our structure and we also committed to, step-up our buybacks to essentially neutralize the impact of the stock that was issued as part of the transaction.

Our priorities are invest first in our business, it's a great business, there is no reason not to invest at the right levels in the business and we try to be disciplined about it. Next is any appropriate M&A, we typically won't buy anything for the sake of buying it. I mean, you can play a game of buying revenues at five times revenue and the next day, it gets a multiple, [indiscernible] (00:29:04) bigger than that. But, there's no point doing that, that game runs its course, we've never done it.

So, our acquisitions have been largely focused on what can help our core business and we've done CardinalCommerce last year, Freedom this year, variety of minority investments. And we'll keep doing that, with a clear focus on, is it a capability that will enhance our core business? Once you get past that, the free cash flow that's left is really a dividend policy, 20% to 25% payout ratios. So, we grow our dividend as our earnings have grown and we took it up quite a bit this year and then the buyback stock to return cash to shareholders. It's generally programmatic.

We are happy with our capital structure the way it is. This year, we'll finish sort of the additional buyback we are doing to neutralize the impact of the stock and – to the extent that we need to rethink anything in our capital structure, we'll think about it, but at this point, nothing changes.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

Last question, you mentioned the acquisition of Freedom and the business payments market...

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

...What are your thoughts? What is Visa's strategy in business [indiscernible] (00:30:13)?...

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Sure.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Q

...Do you view that as a very large opportunity, if you have the right tools today to compete in that market?

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Yeah. Here again, I think there's been a certain amount of hype, which I think is being dialed back right now. It is obviously an opportunity and there's clearly an addressable part of the market which is in the range of what we

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said last year, around $20 trillion or so. We already are a very large player and a leader in, what I would call, the traditional part of the market that has been around a long time which is the part that we can add the most value to.

We are the largest market share and growing very fast and have always been on the global basis and what I would call the small business part of the market, the commercial cards, the P-Cards and so on. The virtual card business, big opportunity, we are very much in the business. Perhaps we – for various reasons, we've weren't – we've weren't some – we weren't focused on it earlier for specific reasons, we're well past that, huge opportunities to gain share in that segment as well as the growth. You get past that, Visa Direct is opening up a variety of B2B opportunities for us, B2B Connect is in pilot phase, using distributed ledger technology that will – along with Visa Direct, open up some cross-border opportunities in B2B.

Freedom enhances our capabilities with what I would call the mid-size market and we'll continue to build. We've got partnerships with Billtrust and other. So, there will be a lot of building blocks that fall into place. Yes, it's clearly a big opportunity. We're clearly pursuing it. Once you get to the very large businesses that are enterprise-type systems, there are technological issues, there's a value proposition that has to be created, I think that's a little further out. But fundamentally, I mean, we're as focused on B2B as we have a little – we have a very large...

[indiscernible] (00:31:57)

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

...Well, it is the largest B2B business in our industry, right? Far larger than our competitors. I don't think we've talked publicly about what the size of the business is? But, for all of us, it's a good business, but it's not the kind of business that tomorrow is moving the needle...

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

Right.

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

...It's growing very nicely. It's a good business. Our B2B – B2C business is still a very large business...

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

Yeah.

Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.
A

So, there's probably as big an opportunity, $20 trillion, $20 trillion roughly in that range. There's another $100 trillion of B2B payments that over time, you have to come up with value propositions and technological solutions and they're all sort of working on it, but that's not – that's not something that is going to happen tomorrow.

Robert Paul Napoli
Analyst, William Blair & Co. LLC
Q

And we like all those trillions, so we appreciate it.

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Vasant M. Prabhu
Executive Vice President & Chief Financial Officer, Visa, Inc.

A

Exactly.

Robert Paul Napoli
Analyst, William Blair & Co. LLC

Thank you. [indiscernible] (00:32:44) downstairs in the Cell B. Thank you.

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