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# Visa, Inc. (V)

MoffettNathanson Payments, Processors, and IT Services Summit


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# CORPORATE PARTICIPANTS

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

# OTHER PARTICIPANTS

Lisa Ellis
*Analyst, MoffettNathanson LLC*

# MANAGEMENT DISCUSSION SECTION

## Lisa Ellis
*Analyst, MoffettNathanson LLC*

All right. I think we are going to keep on moving, transitioning now from the small startup fintech disruptors over to the bellwether of the payments space. Very excited to be joined by Al Kelly, the CEO of Visa. Al, of course, thank you for being here.

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

Lisa, I'm delighted to be here.

## Lisa Ellis
*Analyst, MoffettNathanson LLC*

All right.

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

We're a fintech, too.

## Lisa Ellis
*Analyst, MoffettNathanson LLC*

You're a fintech, and we just pointed out that you have invested in Visa and basically all of the other companies that we've had – Marqeta, Stripe.


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# QUESTION AND ANSWER SECTION

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right. Well, I'm going to start you off with an easy one to kick off your morning. Part of your job as the CEO of Visa is to make sure not only are you running the company for performance this year and next year but really to be positioning Visa for the next 5 to 10 years. So can you start us off by talking about what in your view are the must-win areas in payments to ensure Visa's success continues not only for 2019 but out 5, 10 years from now?

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

A

Well, it's a great question. Ours is really very much a macroeconomic business so we're constantly thinking ahead. I just had a phone call with our top 300 people, and we've got four months to go in the fiscal year, and almost anything we're going to do now is going impact 2020 and 2021, not 2019; I mean, it's just the nature of the work. That said, I've been in and around payments for 35 years and the level of transformation driven by a combination of technology and frankly the opportunity, there are not a lot of industries where people come to work every day and figure out how to continue to grow the pie versus having to come to work and figuring out how to beat somebody up for a basis point of share.

So we're thinking ahead all the time. [indiscernible] (00:02:07) Our number one strategic objective over these five years, probably over the next decade is to continue to open, grow, and enhance our network along a number of dimensions. Certainly you have more elements at the nodes so we want more payment credentials, more people who are on the buying side, and then we want more nodes on the seller/supplier side and growing acceptance. We want more partners, we want more capabilities, and we either want to be able to connect to more networks.

And in my mind, the key to getting there is that we have to be a very open company; it's part of what I hope we're building into the culture. We have to have a more modern definition of the four-party model where we recognize that there are new age types of players. We have to continue to open up and decompose and demystify our technology by creating APIs that people can link into. We've got to continue to grow the type of partners we deal with. I mean, we work very closely with all the pays to leverage tokenization to be able to allow for a secure and seamless payment on mobile devices. We have brought on a myriad of new partners related to our capability with Visa Direct which I'm sure we'll talk more about. We're bringing on a whole new bunch of partners now with the acquisition of Earthport. All of these are aimed at this objective of opening, growing, and enhancing our network.

Beyond that, and certainly more specifically, we're investing in the geographies around the world. There's lots of opportunity in almost every geography around the world including the very developed ones like the United States. There are real opportunities in terms of winning new payment flows, and that's an area of emphasis for us. We're certainly very bullish on the long-term opportunities around B2B. And the last thing I would say, Lisa, is that our business is a people business. We don't make anything, we don't manufacture anything, there's no physical element in anything we do; it's all about having bright people, the upfront people we put in front of clients; others are developers and engineers in the background. And in the last two years we've increased the number of people working on innovation for us by 30%; we've increased the number of developers in our tech organization by 25%.

And I think you and I talked about this in the past. One of the things that I discovered almost now coming up on three years when I became the CEO is the company was too centrally run at the San Francisco level in terms of headquarters and then at the regional headquarters, and we need to win – are and have been – and we'll


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continue to push more resources into the local markets because the business is inherently a local business. And so we will continue to invest to move people out of the centers, out of these hubs and into the market. So those are the things that I think are the elements. I think when people think about thinking 10 years ahead, I always say that's hard. I think when I think about the next three to five or six, those are the things I think about in terms of driving the business forward.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right. And then bringing that back, can you highlight a few of the specific investment initiatives then you've got going on now focused on that positioning? You just highlighted one of the big things you've done under your tenure as CEO, is this decentralization. That's certainly been a big one. What are some others?

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

A

Well, I think that we spent a lot of time and effort on this. It's the biggest acquisition we'll probably ever do which was Europe 34 months ago. And so certainly that's been a huge effort, that we closed that deal shortly before I became CEO, but I saw all the chapters leading up to it in the three years that I was an Independent Director of the company before that. But what's very exciting to me about Europe is about six or nine months ago we moved from being very focused on all of the necessary, important integration type of work and moved to our front foot and we're much more focused on being much more offensive. We have three to three and a half days of monthly business reviews where we sit in a room with no windows with great views like this and we go through business-by-business, geography-by-geography for three and a half days and trudge through it. And when I think back over the last five or six months of those business reviews when we talk about Europe, we're talking much more now about actions in the marketplace and investments we're making to move the business forward versus how are we doing in terms of milestones and the plans that we had related to the various numerous aspects of integration.

I think this whole aspect of new payment flows, just in the last 18 months we have now set up a business unit focused on B2B, a business unit focused on Visa Direct, a business unit focused on cross-border – these are all new in the last 18 months; they didn't exist before. And so while I believe the business is a local business, when we think that we need to put real attention and spotlight on something and until this kind of naturally becomes part of the fabric of what happens in the markets every day we think standing up a dedicated business unit. And all of those report directly to Ryan McInerney, our President, so they're getting high exposure when we do these three and a half day business reviews we're reviewing those businesses as well. And so they're areas of huge investment for us and getting huge attention from us as well.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right. Well, one of the arm wrestling matches you won this year was the battle for Earthport, a company that I had the delightful opportunity to host a few times over the last few years. Talk a little bit about that acquisition? Some folks here may not be as familiar with Earthport. What was the strategic philosophy behind making that acquisition?

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

A

We certainly could've birthed the child faster than this half unfortunately and it was a bit of a saga. So Earthport, let me drop back. So we've seen Visa Direct move very, very quickly from being a concept to pilot to being really a growth contributor to the company; it happened faster than we envisioned it happen. And as we sat in a strategic


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session one day and said kind of what stops this from being much bigger than we might imagine it could be, and until we kind of stopped and asked ourselves that question we were saying well, it's got endless possibilities because we have 2 billion debit credentials around the world so we can send money to 2 billion demand deposit accounts around the world. So what more do we need? Well, the reality is that that was impressive but limited, and we said how can we get to the point where we can have reach much beyond those 2 billion debit credentials.

We did scan the marketplace. We identified six or seven different options in terms of companies. Earthport was at the very top of our list. We initiated discussions with them. We got some element of reception. For people who don't know, they're a UK-based company and there's very unique aspects to M&A in the UK that make this a much more difficult dance to get to the end line. But in getting Earthport which has connections into banks in 200 countries, and in 88 of those countries which represent by the way our top 50 markets around the world are in these 88 countries, in 88 countries there's a direct connection to the local ACH or RTP system which allows us to get to the last mile to get to any bank account in the world, so we're now not limited.

And this is what's really exciting about Earthport. There's two aspects of it that I think are really exciting and different for us. One is for the first time we're actually going beyond a card credential or a payment credential so we can actually send money from somebody who's a Visa customer, who has an account, to now to somebody who's not a Visa customer; they have no affiliation with Visa whatsoever so we're moving beyond the card. The other thing that it's doing is it's allowing us to, in essence, become – and this is part of when I answered your question about opening, expanding, and growing our network and even connecting to more networks – it allows us to almost become a network of networks where we now can complete that last mile through the first 10,000 miles or 5,000 miles or 2,000 miles through VisaNet and then it connects to an ACH or RTP system to get into the bank account of somebody in those markets. So we in the top 50 markets with this acquisition move from having a reach of give or take by market 50% to kind of like 99% reach, so we're very, very excited about the capability.

For now, what we've decided to do we actually think it's got great applicability. I probably left out one quick thing. It's a cross-border service; that's really what it's about. It's a cross-border service. And as I said, it has connections with 200 countries which is incredible. It will have the ability to help us on any cross-border services, both consumer and B2B. But because of where we are in maturation curve, what we're going to do is we're taking one of our executives from our London office, put them into Earthport as like the Chief Operating Officer, and that person will report to the General Manager of Visa Direct. Over time, if it becomes a bigger play in B2B cross-border payments maybe we do something different, but for now that's how we're going to treat it. And we're extremely excited of that and we're glad that we were able to prevail and get it because it was our first choice. There were other options but it was our first choice.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

Good, okay. And so it is interesting that Earthport does, as you highlighted, connect a lot of ACH rails which historically Visa has obviously stayed a little bit clear of or they've been sort of in separate swim lanes. So how does now does these connections as you said into the local ACH networks or into this concept of being a network of networks fit into the vision for Visa or for Visa Direct going forward?

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

A

Well, I think it makes Visa Direct that much more robust. I mean, Visa Direct was a capability that had this one negative to it. But now, when I look at the various use cases that we already have for Visa Direct it just will expand the ability of those use cases to be valuable. So for example, the first use case is P2P where we're


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powering all of the big P2P players in the United States, so we power Venmo, we power Square Cash, we power Zelle, we now power Apple Pay Cash. We also power most of the big P2P in Russia.

But beyond the U.S. and Russia where we have huge P2P businesses via Visa Direct, there's tremendous opportunity for us to get into P2P in a lot more markets. We've got cross-border remittances. We've done deals with MoneyGram which is the second largest money transfer company in the world; Remitly who's a big player in South America and Central Europe; in Africa we've done a good, big deal with EMQ which is another money transfer company in Asia. And the ability to kind of use those platforms to do more P2P and now with Earthport be able to do it not just domestically but to do it cross-border and not just do it between two Visa Card members but anybody who has a bank account.

We have the whole notion of B2C disbursements where we've talked in the past about insurance claims being disbursed through B2B; we talked about the fact that big property management companies return deposits from renters via Visa Direct. We're using Visa Direct to power a lot of gig economy payroll and even in traditional payroll where people in this room, probably like all of us, are used to getting a two-week or every two-week or twice a month paycheck. Companies like PayActiv are coming in and using Visa Direct to give people access to their money at a greater frequency than the frequency in which they would normally get paid by their company, in essence drawing down an advance on their paychecks. We've got cases of bill pay in India today. Some of the bills for telecom and utilities will come with a QR code on the bill. You scan the QR code and it immediately pays the bill through Visa Direct.

We're experimenting with other possibilities for Visa Direct. One would be the movement of money in and out of brokerage accounts. When somebody potentially wants to do a trade and wants to move money in, does a trade settle, wants to move money out, there's no reason why that money movement couldn't be a Visa Direct transaction. And all Earthport does is allows this capability that can do all of these various things that I just described and increase the reach of that. So that's why it's very exciting to us because, as I said earlier, Visa Direct became an important part of our business much quicker than we thought. And I think now with the Earthport acquisition we can really push to accelerate the growth of this capability.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

And talk a little bit about the economics of Visa Direct to Visa? How should investors think about – realizing pricing models are going vary quite a bit by use case, etcetera, but how should investors think about that contribution to your financials?

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

A

Well, I think that, as you can imagine, it's not quite as big a yield as a payment transaction, but we definitely get economics out of it and as the volume grows it will become an increasing contributor to our revenue.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

And you disclosed that Visa Direct was over $100 billion in volume already in 2018, growing 100% per year which if you do the math on that means we're already seeing it contributing to your overall growth rate in a way that's visible, couple 10s of basis points there. That was before everything you just described, so how big can Visa Direct be for Visa over time?


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

A

Well, we haven't given a number, but I think every day we've proven in a pretty short period of time a couple of things; one, that we're really committed to it; number two, that we're building the use cases; and number three, we're building the partnerships associated with it. That said, if we just right now stop and froze the use cases that exist and didn't come up with any other use cases, the reality is there's so much more runway for P2P, there's so much more runway for cross-border remittances, there's so much more runway for B2C disbursement, there's so much runway for bill pay which I think kind of tend to be the four big use cases, and that's not talking about getting it to something like I talked about with the brokerage account movement of money. But if you think about it, pretty much anything where money is moving from one place to another place, we have these rails that are built off of – they run on VisaNet; they're not on a separate set of rail so they've got all the capabilities that exist on VisaNet including extraordinarily robust security. So while I'm not here to give some almighty forecast of where it's going, I would just simply say that we think it can be big. It's big already; we think it could be a lot bigger and we're committed to it.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

And help a little bit with a lot of the use cases that you've described. Disbursements, some of the P2P transfers or payroll transfers are currently or historically have been done using a traditional ACH product. Help describe what's the value proposition. Assuming ACH moves toward more of a near-real time or same-day type of model or the time differential narrows over time, what in that context is the differentiation of using Visa Direct relative to maybe a more like real time or near-real time ACH?

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

A

There's a number of things. Number one, we can pre-authorize in advance of money moving so we can basically stand by the fact that the money is there. We run 24 x 7, 365; a lot of ACH options don't. That allows us to help small businesses for instance who have access to loans, and if they want to get access to draw down a loan in a period of time when the bank hours aren't working we can help facilitate making that happen. It's a global capability. Most ACH capabilities are domestic, and if somebody wants to make it more than domestic you've got to individually cobble together country-by-country different relationships with different ACH systems or different RTP systems. ACH systems are restricted to going to from bank-to-bank. We can also move money to credit cards and prepaid cards on Visa Direct. On Visa Direct, you don't have to give somebody's savings account number; you're giving their debit card number, and increasingly we hope that elements of this become tokenized as well so it's more secure; if the information got stolen it's more secure than if you got your actual bank account, demand deposit account number compromised or breached in some way, shape or form. So we think on a number of dimensions it's a superior capability than what you would get in ACH or RTP.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

And the tantalizing use case for me would be the payroll concept. So is somebody like an ADP or Paychex, like the big payroll processors, potentially a partner of Visa and Visa Direct to enable what you were describing, like an on-demand payroll model as opposed to the sort of every two-week gross to net direct deposit model?

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

A


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Again, I would stand by this kind of we're open to anything, thanks. I think all of those are possible. And I'm not going to talk about specific players that we might be talking to right now, but I think anybody who moves money and wants to change their model so that they can move money maybe more frequently or offer more variability or optionality across the board, I think that we bring some unique capabilities that could help facilitate that.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right. Maybe broadening out – and again, remember; to ask questions write them on cards and hand them to [ph] Connor (00:24:06) – he's staying right over there. Visa Direct is obviously a very important component of your growth strategy right now. What are some of the other legs of growth? Maybe let's start with the U.S. actually. U.S at least by various measures is now, at card penetration, somewhere in the mid-60s. What's the pathway to get the U.S. to say 80%-plus penetration over the next few years?

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

A

So there's a number of ways. First of all, your numbers are right as your numbers always are. I would talk about three things that I'm excited about that I think can help get us there. One is contactless. It is astonishing that the United States is in last place on something, and this would qualify. I mean, I looked yesterday. Hungary, it's 90% of their face-to-face transactions are contactless; Georgia is 87% of their face-to-face transactions are contactless; in the United States it's like probably 0.0000001. That said, and by the way there's 45 countries in the world where contactless is more than a third of the face-to-face transactions. And it just is a much, much better experience for the consumer and the business.

I'm quite confident we'll have 100 million cards in place in the United States at the end of 2019. We'll have 300 million, and I'm talking Visa cards now and you can get numbers from Ajay or Greg or something about what Mastercard or Steve about what Amex will have. But we think we'll have 300 million Visa cards in place by the end of 2020. 80 of the top 100 merchants are ready to go; their terminals are enabled. If you actually had a contactless card today, if you had one you could probably use it between 60% and 70% of your buying that you do.

I'm extraordinarily excited not just the United States but around the world about transit. Last Thursday I was down at Grand Central Station at the 4, 5, and 6 Line where starting on June 1 the MTA is going to offer contactless tap-and-pay from Grand Central Station to Atlantic Avenue in Brooklyn, and there will be like a 2 to 10-week test. And then they plan to roll it quite aggressively so that they're fully rolled out on all of the subway systems and all of the buses in the five boroughs of New York City by October of 2020. And we get them out of the whole MetroCard business and having this funding and dealing with a closed-loop system that they've had for years; we totally get rid of all that expense.

And by the way, there's a whole bunch of intelligence software that's been built behind it so that if you use the card multiple times – like this won't happen right out of the chute, but once you start, when it's fully implemented, if you use the card a number of times a day you'll get the right run of the day kind of price. If you use it multiple times during the week you'd get the weekly price – just based on your usage. It'll adjust the price that's charged on your card. If you find that you use it every day you get the unlimited ride or a monthly ride – I don't know the different options they offer, but you'll have all that capability.

Just putting this in on the 4, 5 Line has banks saying oh my gosh, we got to get cards that are enabled in the hands of our customers that are in the zip codes and the surrounding areas that might use this because we don't want them feeling disadvantaged when they see their neighbor who's using a competitive bank card tapping and


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going right through the turnstile and not have to worry about where's the MetroCard, does it still have a balance on it? Mine always expire; I'm a mess. I'm sitting there holding people up behind me. The idea that I can just tap and pay is a lot more attractive. So I think that contactless is going to be a big stimulant to – and by the way, it's going to get the people pulling their card out for low-value transactions. And a lot of that, 30% or 35%, they're PCE in the United States that's still on cash at these low-value items and get people in the habit of just pulling it out on any transaction, and that's having to go through reflex of taking out cash if it's less than $10.

The second thing I think that's going to be a stimulant to growth in the United States is going to be cleaning up the buying experience in e-com. Hopefully by the middle to end of this summer we will be starting to replace Visa Checkout with the new Secure Remote Commerce – single button, tokenized transaction in e-com. And my hope is that that will in fact make for a better experience. I mean, there's three big problems in the e-commerce buying experience. The number of people who shop and then don't buy; that drop off rate is way too high. The second issue is that there's so much confusion at the point of purchase; there's too many options; people don't know what to do, and it's one of the reasons they dropped out. And then thirdly, the authorization rates are still lousy and we've got to continue to work with our issuer partners on that. So I'm bullish that that is going to be a real stimulus to helping grow in the U.S.

The third is continue to grow acceptance believe or not, and I'll use a couple examples. Rent. I mentioned rent earlier. We're making inroads but there's still so much rent that's paid by check, and people don't want to pay by check; it's a hassle. So I think that a tide is turning where rental companies around are increasing pressure from their tenants to want to be able to pay. And by the way, it's actually I think also property management companies are realizing they could get the money faster and more predictively, too, if they allow for electronic and digital acceptance. Unattended retail – there are, by our estimate, 5.5 million food and beverage vending machines; another 1.4 million unattended laundry machines. Only about 2 million of those are today setup for digital/electronic acceptance; about 0.5 million in 2018 so it's growing but a lot of room for growth there.

Parking – there's 105 million parking spaces. That's the estimate; I haven't counted them, I have to admit. 105 million parking spaces in the United States – 70 million of them are off-street; 35 million of them are on-street. About a third of those are pay spots and somewhere in the neighborhood – about two-thirds of those are setup for electronic payment today either via kiosks or an app of some type. But there's still an opportunity to grow both the awareness around the current coverage that we have as well as continuing to close the coverage gap. So when I think about growing the United States I'd highlight those three things – SRC, contactless, and acceptance; and then beyond that, which is a much longer subject, B2B.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

Let's switch to then the other end of the spectrum, developing markets. Over the last few years with the monetization initiative as well as just the explosion of digital wallets around the world, the sort of formula for entering a developing market I think has changed a bit. You used to always go in with the kind of affluent credit card model, work your way down the pyramid so to speak. What's now the winning formula where you're entering or you're not entering but, I mean, you're trying to grow in a market where actually there's maybe a whole bunch of local digital wallet players?

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

A

Yeah. So I would say there's three keys to it. One is we have to put people on the ground who know the market – going back to my point that it's a local business. And so I'm going to describe three things kind of at a more galactic level. Exactly what you do in terms of tactics will differ based on the market because they're different, but


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we've got to put good people into place. In the last number of months we've opened up offices in Panama, Costa Rica, and Ghana – places we never had offices before. But if we really want to start making action in those markets we've got to put people on the ground, understand the market, understand the players, understand the regulations, the traditions, the history, etcetera.

Second, you've got to go in digital first. And you're absolutely right that we're now not looking to go in affluent first; we're looking to go digital first. Why? Because typically some app, whether it's a ride share or some social network app, has been smart and has gotten out and created some kind of a closed-loop network to facilitate their business, and they had a wallet – they've developed a wallet as part of it because frankly there aren't traditional solutions. They're smart; they got to create a wallet to reach the unbanked people. So we need to go in and immediately capture relationship with those folks and explain to them what can happen by taking their brilliance and their entrepreneurial spirit and connecting it with the assets we bring which are obviously our brand, our scale, our security, our reach etcetera, and make sure that they understand that they can become a brand and an offering that has much greater utility and much wider reach if they partner with us. It doesn't mean they'll necessarily get rid of what might be a closed-loop network but it might be a closed-loop network with on-ramps to an open network, right? So they might still have ride share kind of closed network but they might become a Visa issuer and act thereby as an extension to their wallet, thereby creating an on-ramp to an open market where the customer can use their Visa credentials to shop anywhere they want to shop.

The third thing we have to make sure we constantly do is interactions with governments. I travel about 85% of the time. And when I'm outside the United States almost on every trip in every country I either try to see the Finance Minister or the Head of the Central Bank or in some cases the President or Prime Minister of the country to let them know that we're committed to their country, we're committed to helping them become more digital, helping them become more modern, helping them become more transparent which is very important to a lot of leaders in third world and emerging markets where there's a gray or hidden economy because of a lack of transparency and by making the market a bit more open, a bit more digital, a bit more electronic they can have a lot more transparency. So that's something that – when I say that it's not a throw-away third point. I would actually say that governments for the most part, yes, we're always going to deal with some regulation we don't like or we prefer not to [ph] beat it (00:36:56). But in many cases governments around the world are actually being positive activists for taking actions that are good for the payments business overall, so those are the kind of the things I think we have to do to enter the market.

You mentioned India. If not for Prime Minister Modi taking that action on November 8, 2016 there's no way India would be where it is today. I mean, before November 8, 2016 numbers of hundreds of thousands of establishments took and accepted credit cards; that's it. In a country that's almost 1.4 billion people a couple hundred thousand is like, it's nothing. And since that time, now less than three years later, there's 4.5 million acceptance points in India – still, by the way, very small amount. But think about it; I mean, it's increased somewhere in the neighborhood of fivefold. It's incredible; there's no other story like it.

And over a million of those have been enabled by the lowest technology you could think of, like a piece of paper with a QR code on it. And that's the other element of entering emerging markets now, is you don't need – one of the biggest barriers has been – you mentioned affluent as kind of the way you attack the biggest barrier, has been that you had to build this infrastructure that required electricity, that required telecom, and required smart terminals. Now with QR codes and mobile-based solutions and dongles and etcetera, you can get a merchant up and running much more quickly at a fraction of the cost. I mean, you still have cost in terms of having personnel going out and talking to people and cobbling together a group of acquirers and etcetera.


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But I think partnering too is another big aspect of getting into these markets. I mentioned parking with a digital wallet that you mentioned. But if we look in India, Paytm everybody viewed as somebody who's going to be a real competitor of ours. And I'd remind everybody, in India, that we have greater than 50% share of the debit and credit market today. I mean, we've been in the market for almost 40 years so we couldn't be more excited about the fact that the market is growing because we've been there a long time, we've got a big office there, we have a big presence, and if the pie is going to grow just by being there we're going to get hopefully certainly our fair share, if not more so. We'll lose some debit volume because that's where the markets become much more competitive, is in the debit space. But now, Paytm has become a partner of ours; they're issuing Visa cards; they become an acquirer of ours. A couple weeks ago the RBI, the central bank in India, approved Visa's tokenization service. As a result, Google now is going to move from exclusively working with UPI to using Visa as the funding source for their wallets in India.

If I look at Africa where there's obviously a lot of emerging markets, we've built a great partnership with Branch which is a company that provides micro loans to small businesses. And what we're doing with Branch is inserting Visa credentials into the wallets of these small businesses so that the micro funds can be accessed by the Visa credentials to allow these people to go shop and buy for their business at places where Visa is accepted. So I think that this element of kind of – as you described when we sat down to start – a big fintech like us working with a set of smaller fintechs can bring together their – as I said earlier – their entrepreneurial brilliance with a lot of the capabilities we built out over 60 years and you can create real win-win wins, and this is part of in my mind having a modernized view of what the four-party model is all about.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

Speaking of big fintechs, and you mentioned your relationship with Google in India, you've historically had a pretty collaborative relationship with the big tech companies. But we always see these announcements, like Google was exclusively working with UPI as you mentioned; Amazon has now gotten into an initiative in Mexico that's sort of an Alipay-like payment system there; Facebook of course with their Project Libra. They kind of keep drifting a little into the payments space. Can you just give us a temperature check on your relationship with the big tech guys and the risks that they pose potentially to Visa?

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

A

Well, in all cases we do have good relationships with them. I mean, we talk to Apple, to Facebook, to Amazon, to Google all the time and we have a co-branded card with Chase and Amazon. We're powering – as I said earlier, we worked with Apple to enable Apple Pay via tokenization and now we're powering their P2P offering. We have what we just described with Google in India. So I can't tell you inside of these places exactly where they're going to end up. I think that they have built great businesses on the back of being very customer-centric. I mean, you can't build a great business without being customer-centric. And if you're customer-centric you tend to want to not narrow choices for consumers but broaden choices for consumers. So the idea that these guys would kind of create closed-loop systems where they would narrow what their consumers could use, I don't see it; they're too customer-centric to do it. I also think that if we continue to innovate and build solutions and capabilities built into our network, people aren't going to want to close us out; they're going to want to be able to leverage those innovations. I mean, a lot of what's happening with processing and domestic processing around the world is that they haven't been invested in and therefore they don't have the same capabilities as, for instance, we would have because we continually invest in our network.

Look, it's hard to be a big commerce player of some type without thinking about how funds flow. And so the fact that we're going to continue to read from time to time things about these big guys doing things in and around the


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movement of funds and what might sound like payments, etcetera, what I would tell you is I think they're going to be very open to continue to partner and we're going to do everything we can to prove to them every day that we're somebody that is a friend and supporter and enabler, and we want to do everything we can to help them grow their business and us in turn.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right. The news in payments over the last five months has certainly been dominated by the three big mega mergers in the space between the acquiring and the issuer processing side. How do those impact Visa?

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

A

So first, I'd say that we have very good relationships with all six companies that have been involved in these three mergers. I think, if anything, they're going to impact us positively, and let me give you two reasons why I say that. One is these are mergers of different assets that came together. They were not mergers of scale from the perspective of nobody got bigger in a certain aspect of the ecosystem, right? It was issuer processors and merchant acquirers coming together to create a broader set of offerings for customers and to be involved in more aspects of the ecosystem versus getting bigger in one aspect of the ecosystem. So I think that, if anything, A, helps us in the deployment of what we want to put into markets because now we deal with three companies – in this case three versus six – and a lot of times, when we come up with a capability one of the frustrations or negatives is that we got to go sit with everybody, talk them through it, and get it in their tech queues and all that stuff. Now, we have just less people to work with.

The second thing that's very exciting to me about these mergers is that all of them have talked about one of the thesis is being becoming more global. And back to the discussion on emerging markets and developing markets, there are a lot of countries around the world where we need more ecosystem support in terms of issuer processing and in terms of merchant acquiring. And the fact that these three entities want to spread their wings and touch more geographies over time is going to help the payment ecosystem rise and is going to help us rise, so I think that's a real positive thing. So I think that's going to be a good thing for us.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right. One opportunity area for Visa, I'm going to frame it that way, is in Europe. As you highlighted upfront, you've sort of been able to move now from being on the back foot through the Visa Europe integration and now moving to front foot in the market, a market where card penetration remains very low, lots of regulatory changes. You've got the upcoming SCA regulations for two-factor authentication coming up...

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

A

September 14.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

September 14 is D-Day. What's the strategy to accelerate Visa's growth in this region?


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

A

Well, at the most galactic level diversify out of the UK. We've got a very big presence in the UK and we've got a nice business in the continent but it's not nearly as big as it can be and it should be. We have to diversify beyond debit. We've got a lot of opportunity in credit in the region. We've got a win in Germany. Germany is one of the three big economies around the world that are still heavy cash economies with Mexico being one and in Asia Japan being another. We have to do much better with fintechs which we have.

The association model under which Visa Europe operated before we bought them was very reticent to talk to people outside of their family of banks. And we were behind; Mastercard did a far better job of getting involved with fintechs and we have made a very concerted effort to change that, and I believe we have over the last 9 to 12 months. We have dedicated client people working on fintechs. We created a fast track program to get them up and on to our network in a much faster, less bureaucratic way. We've announced that we'll spend at least $100 million investing in these guys. We won five fintech deals last quarter including Coinbase which was looking for a solution to allow people who had their cryptocurrency to be able to actually go spend it, and I think that's going to be a great partnership for them and a great partnership for us. We've got to continue to build our B2B business there. We've only had the new technical infrastructure of VisaNet. I guess it's coming up on a year and we've got already 60 clients that are using some of our fraud and risk capabilities that weren't available to them on the legacy system. We have a lot of upside on Visa Direct which wasn't available on the legacy system.

So a lot of the things we've talked about, Europe has been behind because until we move them to and finish this migration to VisaNet they haven't been able to take advantage of these capabilities. So I am really excited. I was in Europe all of last week. I was in Dublin. We had a meeting of 700 clients from around Europe so I spent two days with them and then I went to France and spent two days with clients in France. And any number of people said to me over the course of last week that I can feel the difference, that Visa is more on their front foot; they're still talking to me in a more proactive way; they have more offerings than they've ever had before; they've got more of a presence in front of us that we're seeing in the local market. So that's why I believe that we're on the offensive there and I think it's a region of the world for us that has an awful lot of upside. And, look, it's the region in the world where Mastercard has done a bit better and they've had the advantage of being a commercial business there for a much longer period of time than we did, and we're being the fast follower and I'm confident that we will continue to build a very, very good business.

And by the way, I should say during all of this the reality is that the transaction was more accretive and faster than we said, so the business continued to perform quite well while we went through a massive integration exercise and have changed out some huge chunk of the people, and 75% of the management team in Europe is different. Yet despite all that changes, the business continued to perform quite well.

Lisa Ellis
*Analyst, MoffettNathanson LLC*

Q

All right, and we will close with just the last one. You, Al, spend a lot of time with investors. Looking at the whole array of opportunities Visa has in front of it, what are the elements of the Visa investment story that you believe investors still don't fully appreciate or are more upside than maybe the investor community is realizing?

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

A

I guess I'll highlight two. This really is a global company, I mean, and we try to operate it in a culture that we're a global company that happens to be headquartered in the United States than we're a U.S. company that has


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overseas operations, and I think that mindset is a very important distinction. If you want to really be a global company you really have to think global in everything you do and not have the bias of the country in which you're headquartered, and I think that's a particularly difficult thing to do in the United States because it's such a guerilla market. The other one I would highlight that we didn't talk about today and we don't talk about a lot is the brand. The Visa brand is enormously powerful. We do a brand health study every year of the top 50 markets around the world, and in all but one we have not just an advantage but a huge advantage overall of our competitors in terms of recognition, trust, and the association of usage because they see the brand.

We spend an awful lot of time, a lot money, and put a lot of effort behind – and brand is like on the wall when we're making decisions, how is what we're going to do going to affect the brand because in our mind it is truly a differentiating asset. And when we sit in front of fintechs or we sit in front of huge banks and we can show them the data done by third parties, I'm not talking about like Forbes lists and stuff like that; I'm talking about lists where you're actually talking to real consumers on the street and market where people can see in some countries like a ridiculously wide gap between us and the next competitor – it gets people's attention and they say wow – and any number of cases where it has truly been the or a differentiator in us winning or renewing business.

### Lisa Ellis
*Analyst, MoffettNathanson LLC*

Excellent, terrific. Thank you, Al.

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

Thanks, Lisa.

### Lisa Ellis
*Analyst, MoffettNathanson LLC*

We'll end it there. Thanks so much.

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

Okay. Thank you.

### Lisa Ellis
*Analyst, MoffettNathanson LLC*

Thanks so much. Terrific. Thanks everyone.


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