04-Jun-2019

Visa, Inc. (V)

Bank of America Merrill Lynch Global Technology Conference

Copyright © 2001-2019 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Bill Sheley
Global Head of Visa Direct, Visa Inc

OTHER PARTICIPANTS

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

MANAGEMENT DISCUSSION SECTION

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

It's time to start, so we're going to go ahead and roll off the conference here. So, my name is Jason Kupferberg. I'm the Payments, Processors and IT Services Analyst here at Bank of America Merrill Lynch and want to thank you all very much for joining us this morning. We have Bill Sheley here from Visa and Bill is Head of Visa Direct.

QUESTION AND ANSWER SECTION

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

And I thought since this is the first investor conference that you've done at Visa, Bill, why don't you tell us a little bit about your background and an overview of your role at Visa running Visa Direct and tell us a little bit about where Visa Direct sits within the broader Visa organization?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah, sure. Yeah, it's funny. One day, you look up and you've been hanging around for 30 years in the industry, and so I've been pretty blessed to work for a number of really fantastic firms over the past 30 years. I started out with Accenture. My first gig out of grad school was Andersen Consulting back then, so I'm dating myself on how far that goes back, but doing a lot of work in financial services and payments with Accenture. Did that for nearly 10 years and at the time I was serving Bank One, a predecessor of JPMorgan and I was fortunate enough to be invited to join Bank One. So, I joined Bank One in the mid-1990s, predominantly worked in consumer financial services aspect, the retail banking aspect of Bank One, went through a lot of the merger and acquisitions of the day with John B. McCoy and whatnot. And one of those was J.P. Morgan merger. And continue to work in the retail banking side of things, everything from payment capabilities, ATM and debits, to digital banking, to even our branch network configurations and network models that were associated with the retail bank. And from there, I've worked with Charlie and Ryan when they were at both Bank One and J.P. Morgan and eventually I got invited to come over here to this great firm of Visa, and I've been here for five years.

Copyright © 2001-2019 FactSet CallStreet, LLC

I initially started running North America product, and so it was a broad product job, all of the various products that we offer to our clients in North America. But I think it was like day four or five into my tenure at Visa, they called me into a room and there was a white board and we had this like little capability that had been – we've had it for a number of years this Visa Direct we called the OCT transaction, which is how you actually push money across the network.

And we're just saying, hey, we think this is a big idea. We should like think about how we can actually make it bigger, right. And so, we started it. It really was – it was the best of all worlds. We were a startup inside of a great company with deep pockets and we're willing to invest, but we had a very small agile team that just started rallying around this whole notion of using the network to push money to accounts. And as Vasant, our CFO, always says results feed the beast, so if you can make something out, we'll continue to invest in it. And we got a couple of anchor use cases and clients, and the thing just started. Timing is right with all the kind of reinvention of money movement in the industry today, gaining the vast network effect of Visa and we just started gaining momentum.

So, now, we're a full-fledged business unit inside of Visa. So, I've run the global push payments practice at Visa Direct.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

So, where does that report up in, through Ryan or...

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

You report something to our Chief Product Officer, Jack Forestell. But we have a global team that works on a platform and operations and technology and then we have regional commercialization teams, which are doing go-to-market on country level, regional level opportunities. So, it's a blend of global and regional alignment to get all this done.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Okay. So, you alluded a little bit to what Visa Direct actually is, but maybe just for the folks who are less familiar...

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah, sure.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

...talk about what does a push payment actually mean, how does it relate to the traditional network business of Visa, just to level set and then we'll go a bit deeper.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. Good, good. I'm going to pull up my prop here.

Copyright © 2001-2019 FactSet CallStreet, LLC

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Okay.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

It's part of my presentation, but...

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Is that [ph] Contactless (00:05:00)?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

I'll say yes.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Okay. If not it will be soon.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Eventually.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah, yeah.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

I won't put the – I'll cover up the brand.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah, exactly.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

So, yes, the way to think about this stuff is, it's a fascinating story, right. So, the last 60 years, Visa has built this giant network. So, you think about the network, it's literally you got issuers who put 3.5 billion of these cards out in the universe. You've got 16,000 financial institutions that have enabled these capabilities and issued these saying put them in the hands of small businesses and consumers. Then, you go up, up the line and you've got a merchant acceptance program of 55 million, 54 million merchants – I'm getting corrected, 54 million merchants, that is all connected to this permutation. So, you think about 3.5 billion endpoints, 16,000 financial institutions, 54 million points of acceptance. The multiple on that is huge, right?

Copyright © 2001-2019 FactSet CallStreet, LLC

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

So, we spent the last six years building all of that stuff together. It's roughly $8 trillion worth of commerce on an annual basis, right. So, you think about that, that's a merchant authorizing a transaction and then pulling the money out of their account through this card. Well, the very simple notion of this is, now, what if we said, hey, well, that merchant or an originator, what if they want to move money to a consumer or to a small business?

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Reverse the flow.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Reverse the flow, exactly. So, now, you got to think of these, these are your points of acceptance now, right. So, those 3.5 billion points of acceptance out in the cloud and you go across, whether it's a P2P use case or disbursements and insurance claim type use case, whatnot. Now, you've got a very customer friendly known entity, very digital capability, a credential but that can actually use as an endpoint to push money to. And so, that's essentially what Visa Direct is. It's leveraging that network effect to create – it's a deposits business or it's a pay-outs business. We're facilitating money to move to accounts through the card credentials.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah. Okay. How should we think about the total addressable market here for Visa Direct and how would you maybe deconstruct that opportunity, whether it's by geography or by channel or by use case?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. It's another – depending on, you can find any study to give you kind of any number. But let's just call it, it's multiple tens of trillions of dollars, okay. So, it's large, very large. And it covers all this stuff. Think about traditional, how you give money to people and to small businesses. So, in person to person, I'm going to flip you a $20 for last night's dinner. That's cash. That's a form of that.

You've got ACH, you've got wire, you've still got checks. We're still doing bill payments to small merchants, sending a check out or you got insurance claim adjusters that are writing checks and putting in the mail and sending it. There's still a ton of that stuff, other trillions and trillions and trillions of dollars of that stuff. So, this is all net new incremental flows to the network, whatever we can capture of that, that new incremental flow, which is what really is exciting about this for our network.

It's a whole new another business model that we can get into the game on. And so, we kind of break it down. I'll give you kind of three basic segments and there's tons of sub-segments within there. And if we want to talk offline, I can take you through some of that stuff. But the three basic segments, we think about person-to-person. So, that includes remittance-type businesses, so all of the – you think about the major person-to-person brands, Visa

Copyright © 2001-2019 FactSet CallStreet, LLC

Direct powers a lot of that, right. So, you've got Zelle, you have PayPal, you have Venmo, you have Square, Google, Facebook, a number of those things. The rails that actually move the money, they hold the customer experience in the facing app, but the rails that move the money are through debit cards, prepaid cards in many, many cases here. So, P2P and remittance, all of the big remitters that move money cross-border globally is another component that's in there. So, you get $6 trillion, $7 trillion of that stuff that's available to essentially reinvent over a new rail that takes the friction out of the marketplace.

The second one I'd probably highlight is disbursements. Disbursements is probably the biggest segment, tens of trillions of dollars, multiple tens of trillions of dollars. The types of things you see in there are things like insurance, the claims disbursements. You've got payroll, is another huge opportunity. So, there's tons of on-demand payroll or earned wage access-type models that are in the space today. The merchant settlement, and so I'm a small merchant, right. I've got registered proceeds. The typical model out there through an acquiring space is I get my money every 5, 7, 10 days that they batch it up and they send it to me, but we're enabling on-demand merchant settlement. So, Square instant deposits is an example of that. You can see what they've enabled.

Worldpay has enabled us. A number of merchant acquirers have enabled us and it's basically this on-demand register receipts. And so, it's free for the small business because I'm sitting here and, hey, I got to buy flour to make pizzas or I got to make payroll or I'm a Lyfter, an Uber driver, I need to make a repair. I can just hit a button and boom, I got instant payout.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Helps the cash flow.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

That's right. Helps the cash flow model, right. And then, the last big category I'd talk about is a bill payment, right. And again, it's a very simple approach to how do I eliminate kind of the last mile of inefficiency on how you pay bills. You think about small merchants, supplier payment models type of things, right. Instead of getting a check in the mail or getting something, again, I can enable instant payouts or instant payments to, again, a cash flow type of thing.

And then, the last piece of that is another simple use case. Just think credit card bill pay, right. How much we all use our credit cards, and then that's a very efficient purchase model. But it's a really inefficient in how you actually pay the bill. Usually has to go through multiple system. Now, we're enabling, look, you've got this transaction set that it goes directly to your credit card and through – whether you're in a wallet or whether in an online banking app, I essentially can push a payment to my credit card account. And so, we're doing – in Singapore, all the banks have enabled push to your credit card to pay your bill.

We collaborated with Paytm in India a wallet that you can pay your credit card out of your wallet. So, number of very pragmatic simple use cases, but big scale and we have those.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah. You've disclosed in the past that Visa Direct is growing its, I believe, number of transactions, about 100% year-over-year. You've got a volume run rate annualized around $100 billion. And I wanted to get a sense, is payment volume growing at a similar rate as transactions? In other words, is ticket size, if you will, kind of staying

Copyright © 2001-2019 FactSet CallStreet, LLC

around the same and how long are these types of growth rate sustainable because this is really moving the needle. I mean, the math would be that Visa Direct is driving maybe a percent or so of overall Visa payment volume growth right now.

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

The momentum has been fantastic, right. It's a – and it is a testimony to that network effect of things, right. So, whenever you have billions times millions times blah, right, and you can enable the right point of aggregation, you're going to get those kind of growth rates. And it is that tens of trillions of dollars. It's still really, really early days in how we move all that type of stuff. So, we foresee this happening for some time now, and it is high-double digits, triple digits types of growth rates on some very big numbers now. So, you can kind of project in your mind now how far, how fast that goes. It's the highest growing product in Visa right now. So, it's – we see a real large upside to the Visa Direct model.

And especially, as we start – and we're going to talk about Earthport here in a little bit, but as we start to extend the reach across more endpoints, and that's really what Earthport is, right.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch
Q

Exactly.

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

We're trying to reach all bank individuals across the globe, bank individuals and small businesses. And so, we're going to continue to collect endpoint capabilities to extend the reach of our solutions, which obviously increases the multiple on the math in terms of how many transactions you can put through this.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch
Q

Exactly.

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

And then, to your question on ticket sizes. It really varies by use case, right. If you got a P2P use case, which is – might be $80 to $150. You got an insurance claim use case, which might be $1,200 to $2,500. So, it's – again, it very much depends upon what you're doing with the platform.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch
Q

Yeah. Okay. So, yeah, let's segue into Earthport. You closed that acquisition about a month ago. Just give us an overview of that asset, what it actually brings to Visa Direct including from a cross-border perspective?

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

Yeah, yeah. So, first of all, Earthport, actually, technically, we're the major shareholder right now. We're going through the final stages of closure and delisting in the process over the course of the next couple of weeks.

Copyright © 2001-2019 FactSet CallStreet, LLC

Technically, we'll check the box on that we actually own the company, but we're working very closely with Earthport right now to go through the integration process in terms of where we're going to do this, but – where we're going to take this. But yeah, the way to think about this, again, we are trying to provide ubiquitous solutions to people who want to move money around the world, right. And so, this is all a giant true account system, deposit system or payout system. And so, when you think about cards standing in front of accounts, you get x percent of the globe, right.

Now, with Earthport, you – we have account-based credentials that stand in front of domestic ACH and domestic RTP solutions, right. So, when you combine both of those assets together, you now have a really global ubiquitous reach to the lion's share of bank individuals and small businesses across the globe. So, realize that it really enables that reach equation. And so, when you think about this platform, it's about reach, it's about trust.

You got trust, so it's all of the things you have to do when you take deposits. It's AML and it's sanction screening and KYC and all that type of stuff that's built in there. And then, it's the global operating scale, the ability to do this with big numbers that we're talking about. And I always mention the long forgotten like settlement and treasury functions and FX and exceptions handling. In this space, settlement is very sexy, right.

It's very onerous and it's very hard to manage all of this type of stuff, and that's what we can provide to an originator that wants to run their business, they don't want to run a giant back office that's full of inefficiencies and frictions. And I've got 50 different local schemes I've got to be able to connect to, Earthport and Visa together gives us a single connection that we can deliver that reach, the trust elements and then that operating scale at the back end that makes it heck a lot simpler for the originator on the front end.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

So, if you had 3.5 billion endpoints when you just had connectivity to cards; now with Earthport, how many bank accounts can you touch?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. We're still trying to do that math, but it's more than 3.5 billion.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah. It will more than double your endpoints?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. It's billions and billions of endpoints that we're able to do this. And then, you also got to throw in – there's a lot of like virtual accounts because we can tokenize things as well. So, I think we look at it and it's the lion's share of banked accounts across the planet now we can reach through these capabilities. Literally 200 countries or so we're connected to through the combined set of assets here. And then, we look at it – these are delivering services in real time – in near real-time intraday T+1. There's a variety of ways depending upon the route that were enabled, but with Visa Direct now where Fast Fund, what we call Fast Funds, but it's basically real-time payments enabled in 80 countries. Earthport is enabled in 23 countries in intraday or near real-time through RTP connections that they have. And then, the rest are typically T+1 on average.

Copyright © 2001-2019 FactSet CallStreet, LLC

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Okay. So, how can Visa Direct and Earthport be used to target B2B transaction flows specifically, that's certainly a big topic for the investment community. And always a lot of discussion around who's doing what there and now it seems like you've got a powerful new asset.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. I would start first by just breaking down B2B into like two segments in and of itself.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Please, yeah.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Right. So, the first element you're going to think it's like large corporates paying large corporates. So, my colleague, Kevin Phalen, is doing some work around a platform we call B2B Connect, right. Bunch of things, you'll hear more about that in the very near future. But that's really targeted at moving those large kind of supplier management payments between corporations and banks that serve them, enabled by blockchain and enabled by the ability to actually move the money underneath that, right. That's kind of a to-account process. Then, you go down to Visa Direct. Visa Direct is really focused on to consumer and to small business, right. The small business piece is a part of B2B as well. So, it's much higher frequency payments, lower ticket sizes, lower complexity as well.

And again, we see Earthport helping both sides of those equations, right. They are enabled for domestic ACH, enabled for domestic RTP. That's an extend reach equation to support the B2B Connect business. And then, obviously, in the to consumer, to small business payment space, whether it's remittance or disbursements or any of those types of models, it helps us there as well.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

So, is the way to think about it, I mean, I know historically Visa had talked about some of the advantages that Visa Direct had over ACH networks, whether that was better transaction data, better security, real-time authorization, et cetera. Now you have Earthport, so is this a way for Visa to just essentially expand the pie and sort of hedge your bet and say, okay, we'll participate in all these ACH flows as well that wouldn't be handled by Visa Direct?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. I think I'd probably put a little twist on it. I think of it a little bit differently, right. I mentioned before Visa Direct is all about reach.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yes.

Copyright © 2001-2019 FactSet CallStreet, LLC

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Reach, trust and operating scale. And so, if we are going to reach the lion's share of banked consumers and small businesses across the globe, we've got to have assets that give us the ability to do that with a single connection.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Right.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Right. So, we're literally – we're trying to answer a very simple question for the consumer and small business, how do you want to get paid, right. And so, you think a lot of this stuff as – it's like a receiver directed payment. And in a piece of geography, now we can turn on and basically you have this question of how do you want to get paid. Well, I can get paid through a card credential, I can get paid through an account credential, I can get paid through an RTP credential, I can get paid through an alias, we're enabling that. I can get paid through a wallet ID, right. So, there's all of this stuff that kind of creates the ability to reach those consumers as well, however their store value is managed. So, that's really what Earthport provides for us. It's a more now complete solution for moving money flexibly, safely, much more efficiently across the planet.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Okay. Are there questions? I think we have somebody with a microphone. I think we got somebody with a microphone. Anybody have any questions? Okay. Let me keep going here. I wanted to just talk about partnerships that Visa Direct has engaged in and I know there's numerous ones out there. But maybe if you can spotlight two or three for us, I think it's always helpful if you can just give us some real world examples of where these partnerships are helping to drive some of this big base of volume that Visa Direct is generating.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Right, right. Yeah, and we typically – I'll do a little twist on the answer here, but we typically – everything we're looking at is like how do we service the industry at scale. And so, we go through a pretty – a classic analysis of we can either make it, we can buy it or we can partner with it in order to enable that to happen. So, we got a bunch of interesting collaborations that go all the way across those things. So, you think about build it. One of the things we did was we have a vast ATM network. It's called the Plus network. It's nothing more than a network pipe that's connected to one of these, which is connected to an account. And so, we've built Visa Direct capabilities into that network, so we could push money through domestic, local domestic cards non-Visa branded cards that have the Plus logo on them, so they can push money into account. We've done that in Canada. We've done that in other places, right. So, it's another way to reach people. So, we built that one. Obviously, we just talked about Earthport. We bought – that's a way for us to get scaled access to the account base credentials and RTP credentials in one fell swoop, much more efficient than building it. And so, that was a great partnership on that round. And then, there's a bunch of different collaborations that we think about, so I can kind of run down those use case models that we've put in place.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Copyright © 2001-2019 FactSet CallStreet, LLC

That would be great.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

We talked about the P2P space. The collaborations we've done with the social networks and with the mobile platforms. You think about the subscriptions of consumers and small businesses to things like Apple Pay or things like Google Wallet or things like Facebook, right. It's a huge kind of source of where consumers and small businesses are gathered, right. So, a very, very great partnership with those firms to put payment instructions in there and that they create a better experience for that ecosystem. So, mobile social networks great place is just very active there.

You also go to a number of different types of enablers for particular use cases. We talked about earned wage access. PayActiv is a company we've done work. They've got millions of customers that are subscribed to that who want timely real-time access to their earned wages.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

On demand.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

On demand, basically payroll. You think about the gig economy. We've got a great collaboration with Postmates that we've done here in the U.S. Interesting thing about that, it's one of the largest – if you want to call it delivery models in the U.S., it's 70%, 70% of their delivery teams have subscribed using card credentials in order to get real-time access to their wages, right. So, it is a – and I said this network effect when you put – you have a big population of people that are inside of a use case, you have a scaled network effect model, you can connect to it. Things happen very, very quickly. We – insurance companies is another one. Eight of the top 10 insurance providers in the U.S. are now either have built or are building the ability to pay out and claims in real-time via card, card credentials. This just started just a few quarters ago, right, and we've processed nearly a million claims across this type of a platform. And we're just thinking we're just scratching the surface on this element.

I'd also mention – yeah, again, Live Nation, Ticketmaster, right, so marketplace. There's a great collaboration we're doing with them. So, this is like, again, seller proceeds. So, I'm registering my tickets. I want to sell them in the marketplaces that they serve. Now, I need to pay out the proceeds to the person that listed the tickets, right. What do you do, all right? How you want to get paid, right? I can enroll with my card credentials, we access to the accountants in real-time, they can get their proceeds paid out.

And then one you're going to hear more about tomorrow, you heard it here first kind of the thing, but – so we're going to announce a huge collaboration with Western Union tomorrow. Again, to think about how together we can reinvent digitally how money moves across the globe. A fantastic partner for us. They've got a vast both physical network and digital and mobile network. They're looking for ways to reinvent their offering and we're looking for ways to obviously leverage our reach in a fantastic business model like they have. So, more on that you'll hear in a release tomorrow, but it's a great collaboration.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

And what's the value proposition for the consumer in that case?

Copyright © 2001-2019 FactSet CallStreet, LLC

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

Think about, it just – it's a simple...

Jason Kupferberg
Analyst, Bank of America Merrill Lynch
Q

Another way to...

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

It's another way to receive money, right. So, again, how – back to that question of how do you want to get paid. It's a very simple digital experience that I can enroll, something that I know and that I can pour it out of my wallet and I can key in the stuff and then you also have the trusted network brand, you know what's going to happen with that particular payment. You know it's going to – there's all the screening, and the authorization criteria, and the risk management and things that go with that. So, again, these are two perfect entities that come together to try and reinvent a better payments model.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch
Q

Interesting. Okay. Well, we will definitely look for that tomorrow. If we go back to the $100 billion, call it, of run rate volume that you have now on Visa Direct and then you think about the three segments that you outlined for us, what would be kind of the rough split of the $100 billion now?

Bill Sheley
Global Head of Visa Direct, Visa Inc
A

Yeah. So, I think early days and it kind of varies on region, right. But when we have our commercialization teams start to promote the service, get into play. There's a couple of things that we always try to do. First of all, we take a very much of a supply chain view of the world for each one of the use cases.

And so before you can actually like attack the originator, you got to make sure they have the ability to consume the network and actually move the money from the sender to the receiver. So, we spent a lot of time early part of the thing. Yeah, you think about the issuer side of the world. You want to get that Fast Funds with that real-time enablement. We've done that quite a bit across the globe. Right now, I mentioned 80 countries are live in real time, so you've got things like U.S. and Canada this year, Brazil and Ireland and Spain and Turkey and Czechoslovakia are all coming online.

So, there's 80 of those types of countries that create the acceptance of the distribution. So, we've done a lot of that and more to come. Then, you work your way up to the people that facilitate these use cases. And so, it's everybody from a traditional acquirer like Worldpay and Adyen and whatnot to treasury banks, to service providers and payment facilitators, and whatnot. So, we've got a lot of enablement in that particular space. And then, you can start to look at the use case models. And so, depending upon the region, but I would say by and large the thing that typically starts it off that gets people going is the P2P model.

It's a very familiar friction point with people. Obviously, you've got these huge subscriber bases inside the mobile and social network platforms. Everybody was trying to move money and we can make it happen in real time, lot less friction. It's very easy for consumers and small businesses to adopt that. So, that's been like the biggest

Copyright © 2001-2019 FactSet CallStreet, LLC

mover on this and it's still driving a lot of the early days volume. But we've got huge growth rates, I mean like multiples of 100% growth rates in all of those other offering, the disbursements model. Payroll is a giant mover for us. Insurance claim is a giant mover, merchant settlement is a giant mover. Those are all gaining momentum very, very quickly. And I think you'll see the mix of those use cases kind of balance out as we get deeper into this.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Right. So, let's talk a little bit about transaction economics. We get asked a lot about that on Visa Direct. And I totally understand that it can vary a lot depending on the use case, so maybe if you could give us an example or two of a Visa Direct use case where the yields are already pretty healthy and perhaps even look similar to a traditional Visa debit transaction and then is there an example or two where you're more in the mindset of building share and scaling and the yield may follow kind of down the road. How should we think about that?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. So, first of all, in general, I'd say you're never going to have yields of...

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

The swipes.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah, the purchase – the swipe fee-type model. It's a different business, right. We're talking about deposits.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Sure.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

So, one, you always have to benchmark yourself against the local delivery models that are in place today. So, you got to go back to the ACH and wire models and whatnot. We also think – we can do some of those that, actually when – especially when you go cross-border and you think about a number of correspondent banking models, which is multiple hops and actually in order to get to the beneficiary bank, lots of mouths to feed along the way and then you get currency conversion and all that type of stuff. Some of those are actually quite expensive to do that. And not very much transparency and there's a lot of time involved in putting that in place. And so, we think we can do that more effectively and more efficiently, actually cheaper than some of those things.

There's others though that we have to compete with, the domestic offering. So, I always come back to – first thing you need to understand, this is a net new incremental business. All of these are new incremental transactions to the network. The economics tend to be more flat rate, less ad valorem than you see, so it doesn't vary as much by ticket sizes per se. And you can always – just like we always say as well, a cross-border transaction yields higher than a domestic transaction. But it comes back to a lot of these – the pricing models are based on deposit taking types of structures and so they are – I mean, here, they're going to be leaner than simple swipe fees.

Copyright © 2001-2019 FactSet CallStreet, LLC

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Right, right. Okay. Now, over time, I mean, if you were to look at what the overall blended yield is across the Visa Direct volume base today and then think about where that can go three to five years from now, would you expect it to be higher? Again, it will obviously still be less than traditional Visa, but apples-to-apples, will it increase over time as some of these business partners start to develop some monetization models or...

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. I think, again, if you go back to that mix of you've got domestic P2P, you've got domestic disbursements, and then you've you got cross-border, right, we're – the kind of the – the yields per se, you can follow that. And so, as the mix gets more into the cross-border, mix gets more into the disbursements model, the yields are going to change [indiscernible] (00:36:20).

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Okay. I would imagine today in that $100 billion, cross-border is pretty small?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

It is. It is small, but it's growing very fast and obviously you take Earthport – Earthport and the business of cross-border. And so, we're going to be highly leveraging their capabilities and their connections and it just strengthens our sales message as we go in there. And proof points like the Western Union collaboration we're going to announce tomorrow kind of show the early days indication of the interest level in this. We don't think we've announced previously. We've got a number of the large remitters now – global remitters that are going to be participating with us to reinvent these payment models. So, you'll see much more action on the cross-border side as well here.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Right, right. So that will definitely enhanced field.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

And where are we just in terms of I think you alluded to earlier, but I want to make sure we have the numbers, right. So, the number of countries where Visa Direct is actually live today and then were there kind of aspirations to increase that over the next couple of years, where can that number go. And then maybe just think about, I guess, the Earthport piece on top of that.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Copyright © 2001-2019 FactSet CallStreet, LLC

That's right, that's right.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

Yeah.

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

I mean, we always round out the top-line numbers like 200 or so countries that were between the – collectively between the two assets we're active or capable in. But just as an example, I think we have mentioned, it's roughly right around 150 countries. We've got active Visa Direct programs in, which means we're actually moving money in transactions that are in place there. Then, we talked about 80 countries are real time. Earthport has 23 countries and near real-time intraday via RTP. They are, if you include Swift as a part of their network of last resort, there're 200 countries enabled.

They've got domestic though connections, direct connections in roughly 90 countries across the globe. So, you get a feel. It's a pretty wide breadth of offering in terms of geography that we can facilitate processing.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Q

And then if you just think longer term around, which – whether you want to think about it in terms of regions or specific countries, I mean, where does Visa believe that there is kind of the most runway for adoption of the Visa Direct service over time?

Bill Sheley
Global Head of Visa Direct, Visa Inc

A

Yeah. Again, it's going to follow the bank population. So, you can drove down that, but certainly U.S., Canada, Brazil, Russia, Europe, Australia, Southeast Asia and Japan and Korea and China, right. These are all very, very large bases for us to deploy these capabilities into.

Jason Kupferberg
Analyst, Bank of America Merrill Lynch

Great, great. Well, we look forward to the announcement tomorrow, and thank you very much for being here. So very appreciated.

Bill Sheley
Global Head of Visa Direct, Visa Inc

Yeah, fantastic. Thank you for having me.

Copyright © 2001-2019 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.