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**Visa, Inc.** (V)

Autonomous Future of Commerce Symposium

## CORPORATE PARTICIPANTS

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

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## OTHER PARTICIPANTS

**Craig Maurer**

*Analyst, Autonomous Research LLP*

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## MANAGEMENT DISCUSSION SECTION

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Thanks again for joining us. Just a reminder, if you'd like to submit questions please do so through the Q&A box within Zoom or through Bloomberg or even over e-mail to myself or Ken Suchoski. Thanks.

Next, we're lucky to have Mike Milotich joining us from Visa. Mike is the Director of Investor Relations. Mike, it's good to see you.

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**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

Good to see you as well. Thanks for having me.

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**Craig Maurer**

*Analyst, Autonomous Research LLP*

I think we're seeing your – I have it there. There you are. Good to see you.

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**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

Yeah.

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**Craig Maurer**

*Analyst, Autonomous Research LLP*

So, look, thanks again for joining us. I know it's not ideal to be doing it this way, but hopefully next year we'll be back in Carnegie Hall.

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**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

I look forward to that. I hope so also.

## QUESTION AND ANSWER SECTION

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Yeah. So, look, I'll start with the softball here for you. Talk about the pace and the shape of the recovery. Everybody, I think, has seen the updates Visa provides in terms of different categories. What I really wanted to ask is how that's shaping Visa's resource allocation and investment decisions in a way that might be different from what you would have done six months ago?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. I mean the – I guess the great thing for us has been that it's mostly tweaks, right? We haven't had to make significant changes because if you go back to our Investor Day, which seems like a lifetime ago, but it was really only one month before all the restrictions were put in place. We laid out our growth strategy and it really is just as relevant in a post-COVID world as it was at that time. In terms of focusing on expanding – within consumer payments, expanding credentials, next generation issuers, the unbanked and the wallet players.

On the acceptance side, new acquirers, new form factors like tap to phone, underpenetrated use cases like rent, the engagement of end users getting more activation and usage, removing friction, these were all key tenants of the strategy, all incredibly relevant today.

In terms of the new flows, getting more digital and B2B and P2P, G2C disbursements, B2C disbursements and value-added services, security and identity, data solutions, consulting, like all these things were key tenants of the strategy and are actually being heightened in this environment. So it's mostly been about tweaking our resource allocation, little things such as with e-commerce being such a more meaningful part of the volume, areas around getting approval rates up in e-commerce which has always been a challenge, but I would say is taking on a little bit of more importance in this environment.

Areas like managing fraud online and making sure everyone in the ecosystem understands the capabilities that we can provide and how best to leverage them. Since a lot of people are relying more on e-commerce for the commerce that's being conducted today in areas in contactless. So there's always been caps in countries like you've heard a lot about caps have been increased in about 55 countries like that's an example of something that has sort of taken on more importance in this [ph] environment and we're (00:03:42) now working with those governments and regulators about keeping those caps in place and not necessarily dropping back to where they were prior to COVID.

So there's some tweaking going on. We're really making sure that the key areas of growth for the medium to long-term continue to get the resources that they need and we don't slow down. And we are balancing that with the near-term realities that we have. So you have seen we've been paring back marketing, our use of outside resources. We've been getting better and better at redeploying our people to the more critical and high growth areas. So I would say if there's one thing that we're going to benefit from long-term is we're really building a very strong muscle in the redeployment of resources and being more flexible as a company. That's something that we kind of had to do at a necessity in this environment, but as time goes on, we're finding – we're getting better and better at it and that's something that we'll continue to leverage long after we're past this.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

With regards to what you said, maybe we can touch on something you did earlier this week or Visa did, which was you announced click to pay availability in Canada. So maybe talk about click to pay as a solution set that the EMVCo networks are bringing to bear seemingly to try [ph] to sell (00:05:17) for guest checkout, but obviously if things go well, it could go well beyond guest, just what's limited to guest checkout at this point.

So maybe talk about that launch. We haven't seen any marketing yet in any real way. Should we expect to see the airways blitzed with marketing click-to-pay around the holidays? Because with Apple Pay, it was sort of like product launch, no availability, all the marketing was spent when you couldn't use it and then it kind of disappeared for a while. So...

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

That's right. So you're touching on exactly how we think about it. So, a lot of the launches are focused on the seller side right now. So, that's really the focus, which is making sure there are enough places to use it so that when you do really step up the consumer side awareness that they have places to use it.

So, we do have over – we've converted over 10,000 merchants here in the US. We have started to roll out outside of the US now in about 10 countries. We have over 2,000 merchants who have turned it on. So, we're making good progress. I would say we will start to get, I guess, more aggressive in terms of awareness and working with issuers to make sure there's communications to consumers about using it. Once we feel like we have sort of adequate coverage on that side, on the seller side and so that's really the order that we're going in.

And you're right, the primary focus is guest checkout. So, if there's a really strong card-on-file merchant, it's not our immediate focus to try to convert them or win them over. It really is taking the friction out of that. It's roughly half of transactions online today are done through a guest checkout experience that still has a lot of friction, takes too long. And so that's sort of the priority in terms of how we're thinking about the rollout and the staging of how we do it.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

And have you seen an increase in demand to implement since the beginning of COVID?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. So I would say in the early days, everyone sort of went sort of on lockdown, right, and they weren't changing their systems. So I would say in the early days, there wasn't a lot of progress or action happening. In maybe about the June timeframe, I would say people started to feel more comfortable and were adapting.

And I would say that is when we started expanding outside the US for example. So prior to COVID, we really were only focused on the US. And once we got through those initial months of COVID, we did start expanding outside the US and because we are seeing a lot of demand, many markets are looking for you to take that friction out, particularly places where there's higher levels of authentication required, right.

So there are many places like in India, you may have heard us talk about, we had already rolled out solutions in India to deal with the two-factor authentication mandate and try to take the friction out of payments there. And so

there are a number of markets where that pain, I guess, is more acute because card-on-file players are not as pervasive as they maybe are here in the US. And so that is part of – what's happening in that expansion that you're hearing about.

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

Maybe sticking with the e-comm theme and omni-channel theme right now. Can you talk about Visa's economics in a card-not-present versus card-present transaction? There's been a lot of confusion about this. And there's also obviously geographies to think about where things might be different as well, but in general terms.

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. In general terms, yeah, you're right. There's always nuances, of course, local nuances. But in general terms, our pricing is no different. So for our core payment processing capability, our core data processing service fees, international fees do not vary whether you're there in person or you're online. Interchange often does and that's what sometimes leads to the confusion, but our fees are generally not different.

The only area that then is sort of an indirect benefit, if you will, [ph] of spend (00:10:10) when things go online is it does tend to increase our ability to sell additional services, fraud being the best example, sort of fraught identity risk areas is probably the best example where people – because the risks are higher online, but also the fraud is much more sophisticated, we tend to see a much higher adoption of our capabilities on those transactions than we do in the face-to-face environment.

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

Okay. That's helpful. So let's move to a different component of your business and probably the most important thought process for many investors right now – excuse me, cross-border. Having seen six months of the pandemic effectively, how is your opinion or the internal opinion of Visa changed in terms of how the shape of the recovery might play out?

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. I would say the cross-border business and really the recovery in general has been quite unpredictable. So we're really taking it one quarter at a time. It's very difficult to say what's going to happen six, nine months from now. And if we had made those predictions back in April/May, we would have been pretty far off, I think. The domestic recovery has certainly been a positive surprise. The key thing that we're watching so closely is – and we talked a little bit [ph] of those (00:11:39) about on our earnings call is just the opening of the borders. Because right now, we really can't distinguish whether people don't want to travel or cannot travel. And it's a very important distinction. So, we are seeing cross-border travel significantly impacted, but it's also incredibly difficult to do it even if you want to. And so, the opening of the borders and whether that's tied to sort of medical advances is really some of the key things we're watching because when they are open, we are seeing encouraging signs, right?

On our call in late July, we talked about the US traveling to places like Mexico and the Caribbean or travel within Europe. Areas that had opened up already, we were seeing significant improvement in a short period of time. And in many ways, that has continued. So for example, the US and Mexico corridor had positive year-over-year growth in August. So, that's a pretty good sign of how things are evolving. Turkey, which is another great

example, which opened their borders on August 1, so fairly recently. And by the end of the month, the year-over-year growth was still negative, but it had improved by more than 30 points just in those four weeks since the borders opened. So, those are signs that there are at least a number of people who are willing to travel if they're able. And so, that's really the key thing we're focused on.

The only other thing I would mention is that the e-commerce that's non-travel, which is about a third of our volume. We really are focused on that from a user experience perspective. I touched on it earlier in terms of looking at approval rates and managing the fraud because retail spending, which is the majority of that volume is performing really well. It's been growing around 30%, excluding [ph] intra-Europe (00:13:46) within that space. And so we are – which is significantly higher than pre-COVID levels, so we are seeing as more people go online in a market that suddenly doesn't mean they have to be shopping domestically like they would when they went out to a physical store. They can do it cross-border and we are seeing that shift in that growth. And so that is an area that we're focused on to try to make sure that that's as good of experiences as we can manage.

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**Craig Maurer***Analyst, Autonomous Research LLP***Q**

Yeah. Maybe to help investors conceptualize this, what – to me consumer when I buy something cross-border online using my Visa card, I don't see a difference in what happens. But what's Visa doing in the background that's enabling that transaction that's different from a domestic transaction?

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.***A**

Yeah. I mean, the biggest difference is that typically in your – if you think about a lot of risk tools and fraud services, we're looking at 500-plus data elements about all components of your activity. What's your spend history, even locations. So in your day to day life, you're tending to sort of spend in a relatively small geographic area for example. And so when you go online and you're buying something that's less common and really far away then there's always going to be that question is it really you. And so the really big difference of what we're doing is helping both sides of the ecosystem use as many tools as possible to determine whether it is you. So, things like what's the IP address that you're using, right? What's the device that you're using? Have we seen transactions with those combinations before? And if we have, then, we can probably be more confident that it's you.

So, a lot of it is using different data elements and our tools are there. And a lot of times, it comes to then helping our clients make sure they're effectively utilizing them. So, like for example, one of our fraud tools allows you, it has all the levers, if you will, that you can pull to manage fraud. And what you can do is adjust the levers and then run the last 12 months your data through those new parameters and it will give you an estimate of how much more transactions you may have approved and what your fraud would have been by leveraging the data that we have.

And so, a lot of it is just working with our clients to make sure they understand what's available to them and how to really harness the power of those tools to approve all the good transactions and obviously, stop all the fraudulent transactions that's the ultimate goal.

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**Craig Maurer***Analyst, Autonomous Research LLP***Q**

Yeah. When we think about cross-border, typically, in the past, we've thought about cross-border transactions having a yield for Visa, they could be up to three times that of domestic. Does that dynamic hold in the card-not-present environment?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yes. So, again our pricing is really no different. And so same pricing applies whether your card-present or card-not-present.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

But the same services are brought to bear in both cases in terms of your ability to earn from adding on additional services or that are needed for cross-border?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. I would say that similar to domestic, once you go online, there does tend to be a higher adoption of the capabilities, yeah.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

And in the online environment, do you see more or less dynamic currency conversion that might take the currency or the currency fees and move them to the acquirer?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. I think it does vary and I would say dynamic currency conversion or DCC is more common in the face-to-face environment. And again, from our perspective, our economics are set up that were basically indifferent whether you are DCC as a consumer or not. In the online space, I would say it's not as much about DCC, but about multi-currency pricing where the merchant only offers you. They sort of read your IP address and they only offer you prices in the currency that they know is your home currency so which is a little bit different than DCC, which is sort of done. You see the local price and then they offer you to pay in local currency online. It's more typical that they just offer you the currency that they believe you – is your home currency.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Okay. Internally and the discussions you've been having, how are you guys thinking about the stickiness of the habits that we've seen through COVID? This is the biggest question frankly that we get day to day from investors because it's driven so much performance in the group.

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. It is one of the big questions. I guess, our belief is that many of the changes have staying power. So I would say the two biggest trends, right, are the how much debit has outperformed credit and just the shift to e-commerce, right? Those are two of the real fundamental shifts that have happened. And on the debit front, I'll talk about each.



From a debit perspective, if you just look at the US in the 2008-2009 crisis, right, we did see that it took about three years for credit to sort of get back to the pre-crisis normal. So, there was quite a bit of time before – where debit was continued to be preferred. And what's also happening in this environment that's unique, different than 2008-2009 is that there is this acceleration in cash displacement and that's primarily benefiting debit, right?

I mean, already when you were using credit, you [ph] were (00:20:23) using cash, you were already using electronic form, but what we're really seeing is one of the big things that's driving debit performance is a lot of more people are not going to the ATM, but using the card to pay directly with things either because in the face-to-face environment, merchants even have signs that are saying we really prefer you pay with a card and not cash or there, with that shift online, as we've talked about many times, once the transaction moves online, our share of the checkout goes up significantly. And so, those two things combined have really fueled debit performance. And so, we do think that that is going to continue to make debit probably a bigger part of the business for many years to come.

And then on the e-commerce side, what we're seeing is not only an increase in adoption, but also the average spend per user. Both things are up and the same thing for contactless in the face-to-face world. Once people have tried that and started to get used to it, we believe that many people are just going to like that experience and not want to go back. And to some degree, some of the evidence you already see in our numbers, we're seeing it globally, but we at least have disclosed what you see in the US, which shows that our e-commerce non-travel spending in the US has been growing consistently over 30%.

While card-present has improved 40 points since the April timeframe that never impacted the e-commerce growth rate, right? So, even as people are spending more on a face-to-face environment that growth in e-commerce is sustaining. And so, we do think a lot of the – these shifts are going to stay the exact magnitude. Obviously, only time will tell, but we're confident that a lot of these things are going to be relatively permanent acceleration of these secular trends that were already occurring.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Yeah. I mean the data that we see through our main data partner, [indiscernible] (00:22:30) suggests that e-comm penetration at least debit has been steady effectively since mid-May. It's been pretty incredible how that's held on.

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yes.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

So, before we move away from the card-not-present cross-border question, I wanted to ask you if the use of staged wallets for those transactions might interfere with Visa's ability to provide the same degree of services that Visa does if a staged wallet was not part of that transaction?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. The key with a staged wallet is whether they provide the data transparency, right. So, what we think is not good for the ecosystem is when you don't have end-to-end visibility into who the actual buyer and who the actual



seller are. And so, when there are staged wallets like PayPal for instance, you may consider them a staged wallet in some instances, but they provide that transparency in the data so that ecosystem risks and everyone who's involved in that transaction has full transparency as to what's actually happening. And we think that is critical. And when there are staged wallets that don't provide that or mask sort of the true buyer and the true seller, that's when we think it's not good for the ecosystem in terms of managing risk in KYC, AML, et cetera, so that's how we think about staged wallets.

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

So, when PayPal does a transaction that's cross-border for a Visa customer, does Visa's system actually see that as a domestic transaction, if it's hitting PayPal effectively as the merchant of record domestically and then PayPal's dealing with it cross-border?

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. So, there are very specific rules in terms of – that really come even from the acquiring side in terms of when a merchant is of a certain size that has to be independently underwritten, right. So, it's not like a player like PayPal can just be the merchant of record for everything, right. They're to ensure that there is visibility in terms of what is the system level risk. And so, there are instances where it's a very small merchant and you may not be able to – well, we've worked at one of the things that was core to our agreement when our sort of landmark agreement, if you will, four, five years ago with PayPal where they – not only we addressed consumer choice, but also sort of the transparency of data for the benefit of the ecosystem.

So, I would say, with PayPal, we have a great partnership and it gets managed very well and we sort of hold that up as actually a great example of how it should be done and it's great that obviously one of the largest players is such a good example for the ecosystem.

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

Okay. Before we move off of the changes that COVID's driven, help me think about regulatory risk, now that cards are much greater part of payments in general globally. We've seen Europe discuss taking another look at this. They've also this week addressed Visa's staged wallet fees in Europe. So, talk to me about perhaps regulatory hotspots, how you're managing the risk associated with this?

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. It's an interesting dynamic, because on one hand, there's more volume going through electronic payments, which you would think would get them obviously more interested and say, oh, maybe the costs to merchants is going up. But also this environment is also showcasing just how much value electronic payments add and how innovations like tap-to-pay and omni commerce and tokens and intelligence, fraud scoring, all these things are enabling frictionless secure commerce that is – and for the most part keeping most economies afloat, right.

So, I would say, it's a balance, right. Most of our dialog with the local regulators is the same as it's always been, which is making sure they understand all the dynamics and the complexities. And at least for the most part what we hear is, although they may be looking at it and they really always are, at least in this environment, most regulators are hearing, this is not the time to make a change, right, because of how critical this to economic activity right now.

So, we've said before that the regulator has always been active in Europe and will continue to be. Not all of the regulation has been bad for our business. Things like separation of scheme and processing, PSD2, we actually think those have created opportunities for us. And we've shown our ability to manage it and we'll keep managing as it comes.

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**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Okay. So, I wanted to move on to probably the biggest Visa-specific topic that I address these days, which is the growth of Visa Direct, how Earthport fits into the ambitions within Visa, whether it's Visa – and frankly, it's a lot about B2B, how Visa Direct can fit into that or B2C in revering that transaction. And again, how Earthport extends the reach of Visa, given you have the biggest reach in the industry in terms of global debit card penetration.

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**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

That's right. Yeah. So, Earthport is really – is going to play a huge role, and we, only, I guess it was really right around that time, just before the pandemic hit is when we completed the integration, which allowed our customers through a single connection to Visa to access both card and account rails. And we do see that is incredibly critical because, as you mentioned, we already have such a great reach through our debit business.

And then, even before we acquired Earthport, we were already extending that reach through our ATM network, right. And we talked a lot about like in Canada, for example, where almost every debit card is Interac branded, but a lot of them have PLUS, our international ATM network on the back, and through that, we're able to allow those banks to give those cardholders access to Visa Direct services, even though the card is not branded Visa.

And then on top of that, then you add Earthport, which allows us to access almost every bank account in almost 90 countries, which basically gives us the coverage that allows us to enable consumer choice, right. So, the person that runs that business for us always says, like the really the motto is, how do you want to be paid? And what Earthport allows us to do is offer for a partner through a single connection to Visa is to whoever is going to be on the receiving end of a payment to say, how would you like to receive it? Do you have a debit card, a prepaid card, credit card, bank account number? And whatever they choose, Visa can help them deliver the money.

And so, it really is a critical aspect to our strategy and things like international remittance, where it's going to play an increasingly large role and you've seen we're starting to expand into new corridors. I think just last quarter, Remitly expanded into seven new corridors and MoneyGram 11 new corridors. MoneyGram commented on their earnings call that they are seeing new customers come to them. They're seeing higher ticket sizes when they use Visa Direct.

And so, it really is a key driver of that, allowing that choice, where we can offer all the different ways that a business would want to pay, right. And with our network of network strategy, being able to have the buyer and the seller make a different choice, right. So, I want to pay with a virtual card, and the merchant wants to receive money via RTP. We can provide that kind of capability that really a few others can't.

And certainly, our scale is sort of unrivaled in this area and so, that's how we think about how Earthport fits into the overall strategy for both disbursements as well as international remittance and B2B, mostly in the more small business to medium-sized business area. The very large business, we plan to mostly address with our B2B Connect platform.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Okay. For those that are listening, we've talked about this extensively, but maybe you can run through just quickly the capability that Earthport brings to Visa, because I think it's actually really important to the future of Visa's network?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. What it allows us to do is get access to – they're directly connected to 88 ACH and RTP systems. So, if you think about in a country – every country at least, has an ACH system, maybe they've upgraded to RTP and Earthport is connecting directly into that system, which then allows them to access any bank account that's connected to that ACH/RTP network, which is typically going to be pretty much every bank account in that country.

And the real power of what it provides is, because ACH and RTP are inherently local, they all have different technology, file formats, regulatory requirements, which is what makes this part of the business incredibly complicated for people to manage. And what Earthport allows us to do is take that burden away from our customers.

So, say, you just send us the basic account information, let us worry about regulatory, file formats, all these other things that make it navigating the different countries around the world quite complex. We take all that burden away and at the same time we're also offering fraud compliance capabilities and services that also take some of that burden away, because any person who is in the business of moving money across borders will tell you, compliance is a huge part of the business. And so doing that effectively is also a huge part of the value that we add.

And the last thing I would say that Earthport enables is, think about all the number of sort of multinational marketplace type environments, whether it's a commerce side or it's vacation rental or it's a marketplace where people build apps and they have to pay developers as you download them, the developer needs to get paid. All these systems have to pay their customers are small businesses who are essentially contributing to that marketplace and they need to be paid. And what Earthport just allows is a lot more choice and global ubiquity with one partnership to Visa, they can offer many forms of payment everywhere in the world.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Okay. Maybe we can talk about the B2B aspect here, because as a team we've been spending a lot of time on that and frankly, the TAM that Visa shows on B2B is eye popping. So, perhaps we can first talk about virtual cards, you touched on it a little bit. Talk to us about how virtual cards are contributing to that, because many of the other investment stories out there, a lot of it is predicated on – their growth is predicated on the penetration of virtual cards as an option to pay?

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. So, I guess, the first thing I would say is, first in virtual, it's relatively mature in travel and certainly, I guess and fuel is maybe getting there sort of the fleet use cases. But many other industries and verticals, it's still very early days for virtual cards. And so, there is an incredible amount of growth opportunity, because you do see huge efficiency gains when people use it. So, the big focuses we have in that space is, one is acceptance, right. We

have a lot of people who want to use virtual cards, but we also need businesses who want to accept it, just as we have in our consumer payments we're always looking to expand the reach of who will accept that, that form of payment.

And you also work with players like our partnership with build trust, for example, that removes a lot of the complexity of virtual cards and makes it more seamless and easy to use for those who use it. The other aspect to it though that also gets hung up is the cost of acceptance and interchange. And so, one of the things that we've done is, enable within our network that a large buyer and a large supplier could negotiate a bilateral arrangement, but then still leverage our network to have all the efficiency that comes with virtual cards.

So, they can get all the efficiency gains and if they need to agree on a price, now that's not something that can be done for every combination, right. That's not a realistic scenario, but among large buyers and large suppliers, that's something that we're enabling to give them the flexibility to agree on a price essentially to use that as payment option.

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

Okay. Thank you for that. Wanted to ask about the other revenue bucket in general. What businesses or contributors should we be thinking about as most important in accelerating growth – not accelerating growth, but as you hope to have that increase as a percentage of gross revenue, what are going to be the most important businesses that you have contributing in that line?

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

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In the other revenue line, specifically...

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**Craig Maurer***Analyst, Autonomous Research LLP*

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Yeah.

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

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...or just outside of the core fees, because I would say...

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

Outside the core, because I know that it hits different lines, depending on what type of...

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**Mike Milotich***Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah.

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**Craig Maurer***Analyst, Autonomous Research LLP*

Q

...service you're providing.

**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. So, I would say, probably two of the bigger opportunities are the two that hit on the data processing line, which is our everything related to fraud, authentication, security capabilities, as well as our CyberSource platform. So, when you look at it first in the area of sort of transaction security and fraud, we have both tools on the issuer side as well as the seller side where, again, as I mentioned earlier, we're very sophisticated in analyzing hundreds of attributes of the data and then using deep learning and AI capabilities to help players in the ecosystem recognize fraud before it happens. And, as things shift online more and more in fraud, there is much more sophisticated, that's a huge growth for the business.

And then sort of something related to that is also in areas of authentication. So, there are many markets that are introducing mandates for more sophisticated authentication like PSD2 in Europe that also creates a great opportunity. And we made an acquisition several years ago Cardinal Commerce that really specializes in this space. And again with the acceleration of the shift to digital and the shift online, these are the types of areas of the business that are growing quite rapidly.

And then on CyberSource, the key shift that we've made in CyberSource and you've heard us talk about in the last 18 to 24 months is rather than just being a gateway that services merchants, we really become an omni commerce platform that acquirers can leverage to offer omni commerce capabilities to their merchants. And do it with get all the scale and sophistication benefits that Visa has to offer those capabilities to their merchant customers.

And this not only gets us working closer with partners of ours already in other parts of the business, but it's a huge growth opportunity, because many of these companies either don't have the capabilities or just don't have the scale to make these investments themselves. And so, they can leverage our platform. And so that's an area where we see incredible growth opportunity in the coming years, as we enter into more of these types of arrangements and the volume tends to scale. The partner that we mentioned at Investor Day, for example, is the largest acquirer in Japan, is a company that is using these capabilities from us.

The other area that I would say probably has – that we're most excited about does hit our other revenue line, which is everything around sort of data insights and analytics and the kind of consulting that tends to often go along with that. We're really harnessing our data to benefit our clients and the ecosystem. Traditionally, that was always done through fraud. But now, more and more, giving them insights into how are they performing, benchmarking versus other players in their country, what's happening in other markets that they can learn from, and have all of that sort of easily at their fingertips and being refreshed on a weekly basis, so they can see things in almost near real time and incredible granularity.

These are the things that every business in every industry is getting smarter and smarter about how to use data to make better decision makings. And we're uniquely positioned to add that incremental value for clients. And so, that's also an area that we can help them a lot, like one of the services – like one of the areas we're helping them right now is to make – we've rolled out a service that a few of our clients are using to help them make credit line decisions, right. So, looking at spend behavior and spend patterns, we can use that information to say, okay, is it a risk to increase that person's credit line or not and help an insurer make that kind of decision.

**Craig Maurer**

*Analyst, Autonomous Research LLP*

Q

Okay. We have about a minute left, and I'd be remiss if I didn't ask you about Plaid. So, are you still on track for closing by year-end? We've had a bunch of incomings on that considering the possible class action in California against Plaid. Are you as comfortable with Plaid's data acquisition practices now as you were when you entered into the agreement?

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**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

A

Yeah. So, this is an area that we went in with our eyes wide open in the diligence process. You can just imagine this was probably at the top of the list in terms of things that we had to get comfortable with and really get into the details in terms of what's happening. And yeah, we did get comfortable. I mean, the reality is that Plaid was already making huge strides in this area and making a lot of improvement over the years so – and a lot of their clients had already shifted to using APIs, for example.

So, it is an area that we think we can enhance. This is obviously a core sort of capability and expertise for us. So, we think we will make enhancements. But we also felt very good about where Plaid was, the direction [indiscernible] (00:44:36) several years and the progress they've made. And so, this is something that we really make sure that we had to get comfortable with, before we announce the deal.

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**Craig Maurer**

*Analyst, Autonomous Research LLP*

Okay. With that, Mike, I really appreciate you joining us. Like I said, I personally want to desperately get back out to San Francisco. So, hope to see to you in person soon.

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**Mike Milotich**

*Senior Vice President-Investor Relations, Visa, Inc.*

Sounds great. Thank you for having me. Enjoy the rest of the day.

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**Craig Maurer**

*Analyst, Autonomous Research LLP*

Thank you. And we'll see everybody else in 15 minutes for Gary and Woody from FIS. Thanks.

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