02-Dec-2020

Visa, Inc. (V)

Credit Suisse Technology Conference

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MANAGEMENT DISCUSSION SECTION

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Okay. Welcome, everyone, to the morning session here. This is one of our keynotes here as part of day three of our 24th Annual Credit Suisse Technology Conference. Again, a four-day event running Monday through Thursday. On behalf of my colleague, Moshe Orenbuch, together, we're happy to be hosting this session with Vasant Prabhu, who's the CFO of Visa.

With that, we'd very much like to welcome Vasant to the conference. Thank you so much for being with us today.

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

Thank you, Tim. Good to see you. Great to be here.

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QUESTION AND ANSWER SECTION

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. Great. Well, we've got a good list of topics here. I want to start out with one that comes up often in investor discussions around acceptance points within the global network. So, here we are in 2020 and heading into 2021. And you mentioned recently that acceptance points within your global network were up about 16% year-over-year and now at about 70 million merchants. And that number might have surprised some folks in terms of – it sort of suggests that there was a lot of runway coming into this year. Maybe in a post-COVID world, you could talk a little bit about the cash-to-card penetration or sort of the algorithm for overall payments volumes growth when we think about PCE penetration, new flows, etcetera.

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

A

Sure. Well, as you know, through the COVID period, we've seen a significant acceleration of the shift away from cash to different forms of payment, whether it's in face-to-face transactions and for sure a shift in e-commerce. And that is an acceleration in the trend that was already underway. But despite that, it's still an extraordinarily long runway.

As you saw, as we pointed out, there's been a significant increase in acceptance. If you look at the so-called developed markets, the US, Europe where we've been at it for a very long time, there's still a ton of cash to digitize. Our payment volume across the network is about $8 trillion to-date. There's $18 trillion in cash still left that has even gone up in the last four years even though we've digitized a lot of cash. So, that gives you a sense of how much more is left. And out of that $18 trillion, $8 trillion or almost as much as what we have today globally is in the developed markets.

So, there are three vectors of growth with us still left in that traditional consumer payments business. You've got – going into prioritize smaller and smaller merchants. That's facilitated by substantial improvements in acceptance technology, all the efforts that people like Square and others are doing. There's the opportunity to go deeper and deeper into smaller and smaller transactions, and that's facilitated by things like contactless, which is so easy to use and so frictionless that people use it all the time. And the vast majority of transactions even in developed markets are smaller transactions that people use cash for. And then, of course, the third vector of growth is the shift to e-commerce, which even though there's been an acceleration of the shift, there's a long way to go. I mean, e-commerce penetration was still quite low coming into this, and there's a significant amount of runway there.

So, we're, by no means, anywhere near a point where there isn't a significant opportunity even in the developed markets. And we've seen penetration levels for cash, for digital forms of payment, consumer payments, go as high as the 90s in some countries like the Nordics and so on.

And then you move to the emerging markets and the opportunity is even larger, right? You've got a significant amount of opportunity to build acceptance. Technologies have come in now that are drastically reducing the cost of adding acceptance points. You don't – you no longer need an expensive point-of-sale device; you can use a smartphone. You don't need landlines; you can use mobile lines.

So, you've got people like the wallet people who are rapidly expanding acceptance. We're working with most of them to embed our credentials in them. We think that there's about 2 billion in additional credentials that could go

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into wallets. So, wallets are substantially enhancing the penetration into the unbanked, into people who are not in the financial mainstream. So, there's a huge opportunity to add the number of users, a massive opportunity in the wallets to add acceptance locations and bring them into our network. And, of course, all the new technologies are making it much easier for people, even in emerging markets, to use digital forms of payment.

So – and that's just talking about our consumer payments business before we even get to what we've talked about for the last five years, which is we moved well-past consumer payments into the moving money business, and that's $185 trillion opportunity in cash and check. Massive opportunities to digitize person-to-person payments. You know that. They're doing that through Visa Direct. That is still growing over 70%, even in a time like this.

Massive opportunities in B2B. We're attacking it in multiple ways. We've got our traditional approaches that go after e-cards and T&E cards and corporate cards. We've got B2B Connect that is going after the cross-border opportunity in B2B. And then, of course, there's the large enterprise B2B, AR/AP, which is a future opportunity. There's $185 trillion in cash and check in that area, which is 10x what we have in consumer payments. And we no longer think of ourselves as strictly digitizing consumer payments. As you know, we think of ourselves as moving money, and there's a vast expansion in use cases that come with that. And so our view is, the 10x opportunity we talked about is still available. Things like what we saw in the last few months have accelerated some of the trends that were already underway. But the opportunity is so big that if anything, many new opportunities are moving along faster than the money movement space than they were a year ago. So, there's no end in sight in terms of the runway for growth.

Moshe Orenbuch
Analyst, Credit Suisse Securities (USA) LLC

Q

Thanks, Vasant, and I'd add my welcome also.

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

A

Hi, Moshe.

Moshe Orenbuch
Analyst, Credit Suisse Securities (USA) LLC

Q

You alluded to the contactless phenomenon in your prior answer. I wanted to drill down on that a little bit. That's obviously got rollout. It's still underway or well-underway in the US. That's something that's helped drive smaller dollar transactions although admittedly, it's more of a card present or in-person phenomenon for the most part. But could you talk a little bit about, number one, the idea that those transactions have their own incremental data processing fee and I think would therefore have somewhat higher yields? But also the fact that there's been – I think the studies that we've seen have suggested incremental 20% incremental more transactions per cardholder when a customer is used to doing – gets used to using the contactless card.

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

A

Yes. As you said, contactless, something we've been talking about for a few years and then we started talking about it. I'm sure some people were scratching their heads as to why Visa is so excited about this. Look, our business is to make payments as easy and frictionless as we can make them. On the more easy and more frictionless we make them, and the more, let's say, pleasurable the experience is, if you can call payments that, the more people are going to use digital forms of payment.

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And as we saw contactless evolve outside the US, it became obvious to us that this was something that consumers loved. What we typically saw in most markets is that the adoption rates were extraordinary. And there's a sort of an adoption curve here. The first couple of years, there's the chicken and egg thing. You want people to have cards that are contactless-enabled. If they don't, they can't use it. You want merchants to enable contactless. And then consumers have to feel confident that they can use contactless at almost every merchant. And then they start using it and then they're hooked. And then what happens is that they abandon cash payments almost entirely because tapping a card is so easy than fumbling in your wallet or cash and the change in all that. And in addition, it speeds up lines so merchants love it.

And so it takes a couple of years to get to critical mass, and actually it starts to take off. And when it's in takeoff mode, you can see penetration jump from – let's say it went from 0% to 7% penetration with all transactions, jump into the 90s within two or three years. We've seen that in Australia. We've seen it happen now in Europe.

And what it does is a few things for us. Number one, just the fact that we created a much more frictionless form of payment is an advantage for us over other forms of payment. So, it increases the propensity for people to use our cards and our forms of payment. Number two, because it's so easy, people start using it for smaller and smaller transactions. And that's exactly what we pointed out, which is that we see an increase in the number of transactions because now people are using it for smaller and smaller transactions which in the past, they might have used cash though. And then the third, of course, is that they displaced even tapping their phone. So, we see very often that people have been using other forms of payment that they were tapping phones. And now they realize that tapping your card is so much easier than fumbling with your phones leading up into that, and people start abandoning those forms of payment.

And they're making progress – everywhere in the world. We've seen through the COVID months a substantial increase because cash is dirty. People don't want to handle cash. And even in markets where it doesn't take off more, it's even accelerating. We've seen some substantial increases in penetration that we talked about from our calls. And as it relates to the US, we're making good progress. US is the [ph] level. We're able to (00:11:04) get everybody in the US, the banks, the merchants who – moving in the direction. But now we've got 21 of our top 25 issuers are in the process of issuing contactless cards. We'll probably get to 300 million cards live in the US as contactless by the end of 2020. That's about a third of the cards we have outstanding. So, we still have a ways to go.

We have a vast majority of merchants now about 260 of the 300 top US merchants are contactless-enabled. So, now we're getting to the point where in the US we're very close to critical mass. And in another year or two, as consumers start to adopt using contactless, we should start to see that big increase that we saw in other markets. And what that means is that there's about 55% of all US transactions that are less than $10, and they are in cash. And so there's a big opportunity here to digitize these smaller-ticket transactions as contactless really begins to take off in the US.

So, we're very excited about it. But it's just one vector of growth that is going to help us in the next few years. It's certainly helped us already outside the US. And the fact that cash has become so unattractive to use is only adding some momentum to it.

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Q

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Excellent, Vasant. Thank you so much. I want to shift the conversation just briefly, and then we'll head back to some of the more longer term topics. But let's shift over to the recent update that Visa put out, the 8-K, just touching on some of the trends you observed in November.

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

A

Sure. So, we put out an 8-K yesterday, just to give you a sense of how the business was doing. I won't go through the numbers specifically because I'm sure you've all seen the numbers, but I'll give you some sense of sort of what we're seeing. You might have seen, as you went through the 8-K, that trends look pretty good through most of November.

One important thing I want to point out is the last paragraph we had in the 8-K. It's important, I think, for us to sort of highlight a few things. We're in an unusual time with COVID going on. And the result of that, what we're seeing and as you've seen, where people shop, when people shop, and on what they spend is changing. And so you sort of have to – as we get into holiday season, I think you have to be careful not to draw any conclusions from one day or one week because of these changes going on.

So, just to give you an example on the issue of where people shop, we've seen a substantial increase in online shopping, not surprisingly. Fewer people are going in-store to shop. Although, as you know, as economies have opened up, that has steadily picked up. As you get in the last week of November, and you can see from the numbers, card presence shows [ph] a dip (00:14:03). And that's because they're now lapping Thanksgiving week from last year when there was a lot of in-store shopping. And, of course, there isn't as much in-store shopping this Thanksgiving week.

So, that doesn't necessarily take you how the holiday season is going to play out because we saw an uptick in e-commerce that week, but that could very well spread out over the next few days or weeks because people didn't go into the store but that doesn't mean that shopping won't happen online. It doesn't mean it has to happen on the same day or the same week. So, there's going to be these kinds of changes from year-to-year. So, you have to interpret the numbers with some caution.

But the other thing we saw last week, for example, that relates to COVID is that we did see an uptick in e-commerce and we saw people spending more on retail goods. One of the reasons the last week was a bit down was, at certain categories like foods spending, certain other categories like restaurant spending were lower than they were last year because people didn't have big Thanksgiving dinners in their homes or family didn't come over like they used to or they didn't feel comfortable going out to restaurants.

So, there are holiday-related changes year-to-year that we have to keep in mind. So, that's the whole question of sort of where people shop. And then there's the issue when people shop. So, it's very likely that people will spread out their shopping now that they're doing more of it online. Then secondly [indiscernible] (00:15:39) they may not go out and shop, but that shopping may show up online at [ph] probably a different day or (00:15:44) over a period of time. For example, as you get towards the end of the holiday season, people often went in-store to shop because they didn't have enough time to get the goods shipped online or they forgot something. We have to wait and see what happens this year, what will people do for last-minute shopping. Does the online shopping trend go deeper into the holiday weeks? Does the in-store part of it that happened in the last two weeks drop off?

So, there are still question marks about when we will see the spending come in. And then there's, of course, the [indiscernible] (00:16:20). And the question is, how much of the spending that is going into areas that are benefiting? So, for example, retail goods is very strong; home improvement is very strong. On the other hand,

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people are not traveling as much, people are not going to restaurants as much, not as much entertainment. So, the question is, how much of the spending that is not happening in these areas is going to go into goods shopping? And in total, where will we end up?

So, I think our view is that, we don't have a clear picture of this holiday season until we get later into it. The good news is, forward-looking, October was strong, November was strong, all the way through when we hit the holiday week. We like to watch and see what the trends are for the next few weeks before we get a clearer picture of the holiday season.

As it relates to the rest of the world, it's country by country. It depends on various factors, various holidays, etcetera. Another point I would make is that tracking infections perceived as a correlation between infections and spending, and I'm sure you are too, what we're finding is that there isn't as much a correlation between infections and spending as there is between mobility and spending. So, it appears to us that even as infections climb, if it doesn't affect mobility, either because people are still willing and comfortable moving around or governments are not imposing restrictions, it tends not to impact spending as much. So, the index that we find that's more predictive of what is going to happen with spending is mobility more than infections itself.

Now, certainly these are early indications where we can monitor it as we go through. But all in all, the general takeaway from the trend is that the recovery trend we saw through the last quarter and into October is largely intact. We'll have to watch the next few weeks to see how the holiday season pans out. And on the cross-border front, e-commerce remains very strong. Cross-border travel ,we told you, it depends on open borders. A few borders are open. We're seeing some traffic there. But otherwise, it's all about the e-commerce growth and cross-border that is holding it up. And we did see some improvement there from month to month. So, that's a general sense of sort of the trends we're seeing, and we'll tell you more when we go through January.

Moshe Orenbuch
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. Can we maybe move to one of the other topics that we we'd really like to discuss? And that Visa has made some great progress building relationships with some of the leading fintechs. Sometimes Visa has taken an investment in some of them. And there's certainly been a number recently Revolut, which I think has got 7 million Visa cards. But you've also had success with Chime, Square's Cash Card and many others. Could you talk a little bit about how – what the steps that you needed to take to be successful with this group of companies, and how big do you think that this bucket of card issuers could be over time?

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

A

Well, I mean, clearly, this is an important new vector of growth for us. There's a lot of innovative business models being created. You mentioned a few. We certainly are partners with most of them. They are becoming very important partners of ours for a variety of reasons. For example, in the Visa Direct business, we have the ability to enable a lot of new use cases. In every case, the way to scale these use cases is through partners, and these partners are typically what you might call fintechs.

So, for example, B2B. We are – it's a major opportunity. We've been at it for a while. We have a variety of partners there. On-demand payroll, big opportunity, variety of partners there that are helping us scale the business. Moving to disbursements of various varieties, again, scaling those use cases. A bunch of fintechs are doing that, installments. So, one critical area that fintechs can help us on and that we work with, and we can help them scale – it's a mutually beneficial relationship as we can help fintechs scale very fast – is in enabling new use cases.

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Another great opportunity for us is, in emerging markets, the partnerships with wallets as wallets have brought more financial inclusion as it increased the amount of acceptance of digital forms of payment, and as they realize that working with us can help them get revenue streams, whether it's issuance revenue streams or acceptance revenue streams, embedding our credentials in wallets. Allowing our credentials to be used at the points of acceptance for wallets has been another important avenue for growth and a critical partnership. In addition, that our fintechs doing cross-border like Revolut and all the partnerships we have with Remitly and other remittance providers.

So, clearly, when it comes to all the vectors for growth in our business, building acceptance, adding more people with the ability to use digital forms of payment, i.e., bringing more people into the world of digital payments, scaling new and innovative use cases is where these fintechs have a very large role to play. They're here to stay. They're a critical part of the future growth of the industry. As far as working with them, I think what we've done, and we've made a lot of progress on this in the last few years, is how do we make it easy for them to use our network, right? It's very important to be – make the on-ramp, so to speak, easy. So, we have a fast-track program to bring them on board, do it in a way that is least disruptive from their standpoint. Do it in a way that allows them to use all our capabilities very fast. Certainly, the planned acquisition is aimed at having a company within the Visa system that truly understands fintechs, it's been built by developers for developers, etcetera, that allows us to offer more services to the fintechs. So, we're very focused on both how we can help them scale and how we can make them easy – make it easy for them to do business with us. And so far so good. We're making great progress all over the world.

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Q

Excellent. Thank you, Vasant. I want to shift gears to the potential for European share gains ahead. So, Visa completed the global platform migration over to VisaNet in Europe in late 2018. And we gather that prior to this, Visa wasn't going to market with maybe its full set of global capabilities and might not have had the same level of success that's either occurring now or could be ahead, and we fully realize that some of the contracts are longer term in nature. But maybe you can talk us through the European business, pre-Visa Europe acquisition shortly after, and then how things are evolving now that were a few years post.

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

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Sure. Yeah. I think you can sort of look at it in terms of a couple of phases. So, clearly, when we acquired Visa Europe, it was a membership association. And by definition, it was given more to certain – the members, and the membership was concentrated more in the UK and France and not as strong in certain parts of Europe, Central Europe, in particular, and parts of the Benelux. So, Visa Europe was overdeveloped in many ways, you could say, or had deeper penetration in share in the UK, France and, to some extent, countries like Spain.

So, the first order of business was to stabilize and maintain the clients that came with the acquisition, and we did that very successfully. The second part of business was then to transition them to the VisaNet platform, so that all the capabilities of Visa were available to all our clients in Europe. And that's been done. So, in the past two years, we've been very focused on them taking advantage of everything we now have available to enhance our business in Europe. And the returns on that are now becoming more evident in our numbers.

Clearly, the opportunity is within multiple fronts. One, we've substantially updated the quality of our team there. We have substantially increased the resources dedicated to those parts of Europe that were underserved. They're

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calling on clients that Visa Europe did not call on in the past, and they're delighted to hear from us and eager to do business with us.

So, there's clearly been great progress on the continent of Europe in building our business, in switching business from competitors, in making headway into business that may have been with local schemes and so on. And some of these things take time to show up in our numbers because conversions have to be done, transitions take time, and so on.

We also have significant success with adding our value-added services and growing them. We've enhanced the penetration of many of our value-added services in Europe, whether it's CyberSource or CardinalCommerce that does authentication, our traditional value-added services like fraud and so on. So, clearly, adding services and building the value-added services business has been another avenue for growth.

Beyond that, there is a lot of fintech activity in Europe. When Visa Europe was independent, it was not something, unfortunately, that we focused on much. We made enormous headway in the last several years and more in really focusing on fintechs in Europe. It's [ph] night and day (00:27:18). You saw the progress we made with Revolut. And that's happened with a whole range of other fintechs.

Moving past that, Europe is moving along on open banking, and we see a ton of opportunity in new payment flows. Earthport is, as you know, based in the UK. Earthport gives us extraordinary access to bank accounts. We're making big progress – significant progress in Europe on [ph] growth front (00:27:48) too. So, there's many avenues for growth in Europe, and you saw some of that in our numbers last quarter. We saw a nice increase in the growth rate. Now, some of this was helped by some things going on in the UK. But even if you take that out, you can see the impact of the wins coming in. You can see the impact of just greater penetration of acceptance.

Don't forget in Europe, in certain parts of Europe, there's still tremendous opportunity to digitize payments, whether it's Southern Europe like Italy or Greece or elsewhere, or Eastern Europe, there's still plenty of acceptance to grow. There's plenty of opportunity to digitize cash. And you're seeing all that go through. So, we feel really good about it. Clearly, it's a multiyear effort. But I think from our standpoint, momentum right now is very good.

Moshe Orenbuch
Analyst, Credit Suisse Securities (USA) LLC

Q

Vasant, you alluded to kind of the services revenue, and I think that was originally expected to be a mid-teens percentage of revenue. Could you talk a little bit – maybe just expand a little bit about the success of that? Obviously that net revenue stream probably has had better growth characteristics than the business overall.

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

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Yeah. So, we did talk about this at our Investor Day to give you a much better flavor for all our services, and we gave you some sense of the size because we don't break it all out in one single line. And the good news is, that our services revenue grew 18% in fiscal year 2020 despite COVID. I mean, the fourth quarter growth is about 15%, but for the full year, growth was in the 18% range. And it tells you that it's very resilient even in these times. And we also said that we expect mid-teens growth to continue in 2021.

Just to give you more of a flavor for sort of where the services revenue is in our revenue lines, I think I told you that about two-thirds of it is in our data processing line. And the reason for that is many of these are transaction-driven businesses and the pricing is on a per-transaction basis. And so going back to the IPO, a lot of these

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revenues were in that line. And most of the businesses that show up in the DP line, among the reasons why the DP line grew [ph] by fast (00:30:16) in the last quarter and through COVID despite the decline in transactions was because they maybe had some of the services revenue there. CyberSource is in there. CyberSource is doing extremely well. CyberSource is benefiting from the shift to e-commerce, from the shift to omni-commerce with the acquisition of Payworks and other things they've done. They are very capable of providing on omni-commerce solutions which are very much in demand.

We just – we've become a big enabler for acquirers who offer omni-commerce capabilities to their merchant clients. So, we work through our acquirers to enable them to do on omni-commerce and other services for their clients. We just signed with Barclaycard, one of the largest acquirers in Europe, which is utilizing CyberSource to support their merchant's digital payment journeys in e-commerce and omni-channel requirements. CyberSource also has a risk product, so, we're seeing some nice growth there globally. So, CyberSource is a source of growth.

CardinalCommerce, our acquisition from three years ago, is doing extremely well. CardinalCommerce provides authentication services. It's network-agnostic. It's a great global opportunity. It's growing very fast in Europe. And then we also have our core fraud services and risk management services, and those also have some nice growth. Especially as transactions move to e-commerce, there's greater interest in these fraud services.

And then a third of the remaining revenue is split between our service revenue line and the other revenue line. The service revenues have some of the cloud benefits that we offer as part of a package of our cloud services. And then the other revenue line has our consulting services and our data services. And we're seeing some very nice growth there in consulting services. Visa Analytics platform, which is our beta product, has grown significantly last year. One reason the other revenue line is impacted, it also has some of the marketing and travel-related card benefits. So, when we offer marketing services to clients, our lounge and concierge services for consumers of our clients, cardholders, those – there's not as much tick-up for that in this COVID time. So, even as our consulting and data businesses are growing, the other revenue line includes things like these marketing and travel-related services that are not growing. But they will recover and that line will start to show that.

So, we'll continue to build our value-added services portfolio. You've seen us do acquisitions in this area. In many cases, we're willing to provide these services in a network-agnostic way. Our Bell ID tokenization capabilities allow us to tokenize any transaction, not just those on our rails. Verifi, our acquisition from about a year ago, provides dispute resolution capabilities. So, there's a – and now we just acquired YellowPepper, which is going to be a very easy way for many of our issuing clients to offer network-of-networks type capabilities, which is very easily connected to multiple networks as part of our overall strategy of being a network of networks. So, clearly an area of growth, clearly good progress, clearly growing through the pandemic, and more growth expected as we head into 2021.

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Q

Great, Vasant. I think you sort of alluded to a lot of the topics on the next question, but if there's anything to add, we'd love to hear your thoughts around the capability additions. Many of them have been – you've gone different routes, partnering, building, buying. Maybe you could just think – talk about some of those capabilities you're looking at and how you think about that decision.

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

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Yeah. Look, our approach to capabilities is, this is a business of partnerships, and there are certain things we're very good at, there are certain things our partners are good at; and it's a win-win when you can partner. We can help them scale fast. They can help us build use cases and markets fast. So, partnership is the primary mode of growth in our business. But then there are certain sets of what we call – what we would consider core capabilities where we say owning the capability is important rather than partnering for it. And then we can build it or buy it, and we've done both. And typically, our preference is to build. But where it is faster or cheaper to buy the capability, then we're willing to do that, too.

Earthport was a case in point where it gave us very fast access to over 99% of bank accounts in close to 80 of the largest countries. We could have built it, but it would have taken time. We think we've got Earthport for a great value, and it's going to create extraordinary value for us. Similarly in the case of Verifi. Our feeling was they had already built a network. We could build it. We were already doing something along those lines. But it was just faster and more effective for us to buy it. So, acquisitions will be in situations where a capability is something we feel can be done better and faster if we go out and buy it.

We also do things like investing in companies. We invest in a lot of companies that we partner with. Occasionally, we may invest in a company that we think could be bought. Payworks is an example of that. We made an investment a few years ago. We bought them a year ago. YellowPepper was another example. Typically, that allows us to get to know the company. We get to know how well they can scale. We get to know whether we can effectively partner with them to build our business. And if that's true, then we might buy them. And that's been our approach. We don't have a budget for acquisitions. It's really a function of what makes sense to do.

Moshe Orenbuch
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. One thing I did want to touch on is that buy now, pay later has been a very rapidly growing area within e-commerce. Some of the players are doing this through the existing rails and some are trying to connect to the merchants directly and avoid the card rails. Can you talk about Visa's place in the buy now, pay later space and how you think – how you serve your customers on both sides of that, and how you think that's going to evolve?

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

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Yeah. I mean, look, I think buy now, pay later is a big new way of paying. I mean, it's been around a long time, but the way it's being done now by other [ph] IPO (00:36:58) players I think is a big long-term growth opportunity for them and for us and for our issuers. And we've been at it for a long time. We started with our investment in Klarna years ago. Klarna was one of the pioneers in the business. We're delightful to have partnered with them, start working with them with how we can use our rails to get done what they're trying to get done. We also invested in Paidy. And then we partnered with all the major players: Afterpay, Affirm, Splitit, etcetera. So, we've been going at it in a partnership mode for a very long time.

And then, in most cases, our goal is to help these people get what they want done and use our rails where it makes sense to use our rails or the network-of-networks approach where it's needed. In addition to that, we're also enabling it on our rails. I'm hearing a little echo. And what we're doing there is if our issuers want to offer this, we are making our rails available to offer an installment solution. So, we are – we're already able to go to partners like TSYS. It's the first issuer technology partner to offer our installment solution to point-of-sale in the US to participate in financial institutions.

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Commerce Bank is the first bank in the US to be begin an installments pilot for the planned commercial launch. And even through CyberSource, we are working with acquirers and fintech installment providers such as Sezzle and ChargeAfter to enable this sort of new way to pay for CyberSource's merchant customers.

So, yes, I think it's a what-this-space kind of thing. There's a big opportunity here. And we're going after it on multiple fronts because we don't quite know yet exactly how this all will play out in the long run.

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

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Great. Thank you, Vasant. With the minute or two we have left, I wanted to see if we could briefly touch on a comment you made earlier, actually. You referred to some of your partnerships with the large remittance providers, and I believe in the past you've talked about relationships with many of them. Maybe you could talk a little bit about what this gives these remittance providers in terms of expanding the breadth that they're allowed – they're able to offer in terms of account-to-account payments, how many markets they can add, how quickly they can integrate with you, and the progress you've made on many of these partnerships?

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

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Sure. Yeah. And I'll do it quickly because I know we're running out of time. Look, I think this is a phenomenal opportunity for us [ph] at the rem (00:39:28). Remittances are almost – I think they're bigger than foreign direct investment in terms of money flows that go globally. What we do is we give them extraordinary flexibility and lower costs. So, it used to be you have to go to an agent, give the agent cash, the agent will send the cash to another agent, and the other agent would disperse cash. Very expensive, very inflexible.

What we can do is you can sit in your home. If you're sending cash – let's say, I want to send it to you and you're in Mexico, I can sit at home, I can use my card and use my bank account. I can do any way I want to send the money. I can then get it to you, I can send you a prepaid card that is reloadable. And you can just get it on your card, or you can – I can give it to you in a bank account, or I can give it to you on your debit card. So, I can send money card-to-card, card-to-account, account-to-account, any which way you want, as well as the extraordinary amount of access we provide in terms of the number of countries, and with Earthport, the number of accounts we can reach.

So, it's massive increase in flexibility in terms of what a remittance company can provide their customers than they could before, and we can do it all at a lower cost. So, it's flexibility in costs, and we think it's only the beginning. We're very excited about this. This is a business we were never in because we were never comfortable with the merchant approach and all the risks that came with it with KYC and AML and all that. We now have a solution and it's early days and there's plenty of growth available there in the long run.

Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Vasant, thank you so much. On behalf of Moshe and I, and Credit Suisse as a whole, we want to thank you for making the time to be with us here today and be a keynote as part of the third day of our conference. We look forward to our next chance to speak with you.

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

Thank you. Bye.

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Timothy E. Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Thank you so much.

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