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Visa, Inc. (V)

Wolfe Research FinTech Forum

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Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Darrin Peller

Analyst, Wolfe Research LLC

All right. Good afternoon, everybody, and good morning on the West Coast. But thanks again for joining. Again I'm Darrin Peller, Payments Analyst at Wolfe Research. Second day of the Wolfe FinTech Forum out of the three day conference and one of our keynotes, we're happy to have Vasant, CFO of Visa on with us to really share on some of the latest developments on the company on story we've obviously been following since the IPO many years ago. So, it's amazing to see the transformation. But Vasant, thanks again for joining us.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

Thanks for having me, Darrin. Good to be here.

QUESTION AND ANSWER SECTION

Darrin Peller

Analyst, Wolfe Research LLC

Q

Look, just if we could just start off with, I think, given all that's going on in the world, just where are you spending your time? I mean the latest developments in the world have caused a lot of prioritization. So, can you give us a sense of what you see as the greatest opportunities to focus your attention towards?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Sure. Well, obviously, it's been an unusual year to say the least. And I'd like to say that, as the saying goes, never let a crisis go to waste. We certainly haven't wasted this crisis. We've been busy on a lot of fronts. Obviously, ensuring that the business operates flawlessly, that's priority one. And that has happened, and touch wood it continues, we've had no issues all the way through. A big focus on ensuring that everybody at the company is safe and healthy and all that.

Obviously next in line, clients, huge focus on clients through the entire timeframe here, there's been a great outreach, a lot of back and forth, working with governments and regulators around the world early in the crisis. And then we come down to sort of the aspects of our business and the things that have changed, the challenges and the opportunities and so on.

And as you know, there's been an extraordinary set of changes in our business, a massive move to e-commerce, a significant growth in our debit business, making it easy for consumers to pay and be paid, tap to pay has become so important even in a face to face environment, helping merchants get much better at e-commerce. Click to Pay and all the other things we do, tap to accept and so on.

And of course the biggest challenge is how do you allocate resources in times like these. And we've seen an extraordinary amount of growth in our new flows business. P2P, variety of earned wage access, use cases, a lot of new cases really taking off, massive growth with wallets, massive growth with a whole range of fintechs. So, there's been a big focus on resource reallocation, how do we fund all the things that will drive future growth while holding our costs in line.

Now, as we look ahead and we see the recovery coming, we're stepping up our investment, we've told you that our spend levels will now go up. So, I think the company has progressed significantly in terms of – the value-added services business has grown at a very healthy clip all the way through the pandemic. The new flows business has grown at extraordinary levels with the pandemic. And we've seen some real effort on our part to help the e-commerce business grow both domestically and cross-border. So, we think we've laid the groundwork for a fast recovery and hopefully that's coming soon.

Darrin Peller

Analyst, Wolfe Research LLC

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That's helpful. Let's just jump into some of the trends. I mean if you go back first [indiscernible] (00:03:37) let's call it the second half of 2020 at this point, you set the stage on what you were seeing. And now, you – last night, you guys released your updates through the month of February. It was actually really helpful to see the four weeks, ex

leap year numbers, [ph] now they (00:03:52) confuse us. But if you want to – if you can give us a sense on some of the trends you're seeing right now just given what you just released that'd be helpful.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Sure. I mean if you cut through the numbers, you'll find that the trends have largely stayed intact in the US domestic business. January, if you go week-by-week one of the things you see is when stimulus checks hit, you immediately get the impact. So, we saw the fairly immediate impact of stimulus checks going out in early January. You saw that big spike in our debit business in the first couple of weeks. And then it gets back to a normal run rate. So, February was a little lower in the debit business. It was down from January. But that is strictly because of the first couple of weeks of January, where we saw the stimulus checks have a big impact.

The credit business has continued to improve. It was down 4%, but up 2 points from January. So, if you look at it all the way through the first week of March, our business is growing equal to or slightly better than it was in the fourth quarter in the US. So, fundamentally, the trends have stayed intact. If you look below the trends in the US at across various categories, it's not that different. We did see a big improvement in restaurant and travel. We said that they were both up almost 5 points or more than 5 points versus the prior quarter.

As always debit has continued to grow at a very healthy clip. It was up 22%. So, debit remains sort of the way in which people are adopting more digital payments. There's a whole range of reasons why debit is doing better. But credit is recovering nicely. And in fact, as you saw in early March, we're starting to see credit hit positive territory for the first time since the pandemic hit.

Internationally, it's generally strong across the board. As restrictions have been lifted, we've seen that February has been better than January in most parts of the world. There are some parts of the world that went into lockdown earlier than others like Hong Kong and Singapore and so on that are actually seeing some big year-over-year improvements. And clearly the area of our business that everybody's watching the most is the cross-border business.

We are now entering the timeframe last year when the cross-border business was very hard hit. As you know, first half of March was when it really started impacting the cross-border business. And by the second half, the impact was quite substantial. And we're beginning to see that impact. So, we're sort of looking at it more in absolute terms, how is this comparing to a baseline year like 2019. March is when we start to see the first part of the sort of the seasonal uptick in cross-border, especially on the travel side. So, we're monitoring it closely to see are we getting the normal seasonal uptick? How is this indexing to 2019? Are the absolute levels of spend starting to climb? Because the comparisons to last year now don't become that useful...

Darrin Peller

Analyst, Wolfe Research LLC

Q

Right.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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...because we are now seeing some extraordinary noise when you compare to last year. And so far, the trends are very promising. One of the things we've seen is that consumers react very quickly to changes, so stimulus payments hit, we see the payment impact right away. Governments lift restrictions and there's more mobility, we see the impact right away. Governments publish these roadmaps for how the future is going to be in terms of

reopening and we see people acting accordingly. In Europe, when the UK government published a roadmap on when travel would be permitted, we saw some extraordinary amounts of bookings show up as a result of that. So, we're of the view that some of these impacts will happen fairly quickly, once consumers know more about what to expect. So all-in-all, I'd say the trends are stable to positive. And we feel pretty good as we look ahead.

Darrin Peller

Analyst, Wolfe Research LLC

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I know this is probably as much a macro question as it is a Visa question, but how do you see the recovery playing out when you think about the next 6 to 12 months?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Yeah. So, as you know, there's three vectors here. Vector one is vaccinations. And the news on that seems to be fairly good. I mean they are picking up steam almost everywhere in the world, you've heard that. Vector 2 then is government responses in terms of how they want to lift restrictions whether they're domestic restrictions or restrictions on crossing borders and so on. And then vector number three is how consumers feel about all this.

And if you look at all that, what we found is that consumers, in general, as you and I were talking before we started, there's a lot of pent-up desire to get back to normalcy of all sorts whether it's normalcy in travel or normalcy in mobility or normalcy in spending and so on. So, we expect that consumer responses will be quite quick.

If you look at what we've seen, mobility is the better predictor of most things than infections. And the response times are quite quick. So, for example, in certain parts of the world like Russia and China, where there has been a certain amount of freedom for a while now, travel is almost – domestic travel is almost back to where it was in 2019. And that all happened fairly quickly.

We were just watching what happened in the UK. Once the government laid out a roadmap, I think one of the big travel operators, TUI, said that bookings to Greece and Turkey and places like that in Southern Europe, soon after that for the summer went up by almost 500%. So, to the extent that the vaccination vector remains on track, governments then respond with roadmaps for lifting restrictions, we should see some consumer reaction pretty quickly.

Darrin Peller

Analyst, Wolfe Research LLC

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Okay. That's helpful. Vasant, when we think about cross-border, I mean we've talked about the breakdown on your cross-border business seeing something around 30% e-com ex-travel-related e-com, and then you have about 60% consumer travel and about 10% business travel, right? A, would you – is that about right when we think about the breakdown in your mind for Visa at least in terms of volume? And then B, just talk a little bit about what you'd expect and [ph] what not (00:10:41) for business versus consumer travel.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Sure. The breakdown is roughly along the lines you've said, it's about two-thirds travel related, one-third e-commerce. The e-commerce part has been doing extremely well. And we saw in the most recent set of numbers e-commerce accelerated – cross-border e-commerce accelerated again. One of the reasons is that when people are buying online, they tend to be less sensitive to where the goods are coming from, and perhaps more willing to

consider alternatives that may not be domestic sources. This is especially true, when we look at e-commerce outside the US, very often they have better options buying cross-border than they buy – then they have in buying from domestic e-commerce sites. So, clearly the cross-border e-commerce business has helped a lot and made up for some of the losses that we saw on the travel side.

On the travel side, as you indicated, the vast majority is commercial – I mean is personal travel. I think it's even in the high-80s with business travel being probably in the low teens. So, it's all linked to the consumer and the consumer's propensity to travel.

And on that front, I think we've told you before, in the fall, we saw – late summer, early fall when some borders opened up like Turkey, like the UAE and the travel from the US to Mexico and the Caribbean, we saw some significant growth rates there and fairly quick recoveries. And so, the key now – and the thing we are monitoring very closely is how borders are opening up and what the restrictions are on crossing borders. To the extent that the friction goes away, we should see this recover.

The important thing to watch right now, as I said earlier, is what happens with the seasonal uptick. As we enter March, we begin to normally see seasonality in the cross-border travel business. We'll have to wait and see how that develops this season. And the next few weeks will give us some more data on it, and when we talk to you in April, I think we might be able to give you a better sense of how the seasonal uptick is faring. Clearly, the peaks are in July and August, but March and April should give us some early indications on sort of how the travel trend as we head into the season begins to look like.

Darrin Peller

Analyst, Wolfe Research LLC

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But it's an interesting dynamic, you mentioned maybe low teens as a percentage of total travel-related cross-border that's business, I mean that would equate to a couple of percent of total revenues if we look at it from that perspective or even volumes. And so, from our perspective, there would seem to be structural opportunities also from the pandemic that could more than offset even if business travels takes a while to come back if at all. Is that something you agree with that you've seen an uplift in other areas that are as big of what maybe a slower to recover business travel side?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Well, for sure, there are two or three structural changes that will help us. One, e-commerce cross-border, so cross-border e-commerce is clearly growing much faster than it was pre-pandemic. And that could make up for any slow recovery on the commercial travel side. On the consumer travel side, all the indications are that there is a strong desire for people to travel. All the indications are that we may see some kind of a, let's call it, catch-up kind of recovery that people are getting in all the travel that they missed. There are certainly indications of that when you see some early bookings that there's a lot of pent-up demand. So, we could see sort of a big bounce back in those corridors that open up could see a hefty amount of travel because those are the only places people can go. And there's just a huge amount of pent-up demand potentially, we'll wait and see.

And then I think it's important to note that there are certain elements to our business in new flows, where the cross-border part is just picking up, right? You've seen us do a variety of remittance partnerships. That's cross-border business, cross-border money movement. Our B2B Connect business is in ramp up mode. That's cross-border B2B.

So, there's the marketplaces business in our new flows business, where seller payments are made cross-border, a certain amount of cross-border potentially in the crypto business. So, there's a variety of new cross-border use cases that have developed in the past year and are growing. That could become far more significant as we look ahead. So, yes, I mean, do I think business travel is coming back? Yes I do. Is it easy to predict right now whether it will come back to where it was before? I think people are all debating that. Could it be slower than consumer travel? Possibly. But in the meantime, I think there's a lot of other things that are growing for us faster than they were before.

Darrin Peller

Analyst, Wolfe Research LLC

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All right. Just shift gears a bit to some of the financials. You guided towards incentives in 2021 at I think 25.5%, 26.5% range – percentage of gross revenues. But it was partly because of pretty good renewal activity and wins. Just touch on your renewal pipeline or just overall our key pipeline for big issuers in the next year or two, and then just maybe just quickly comment on your strategy around incentives when renewing [indiscernible] (00:16:25).

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Sure. Yeah. Pipeline wise, we had a couple of big years in 2019 and 2020. I think we renewed about 30% of our volume in each of those years, which is well above sort of the average. This year is more like a normal year, 15% to 20%. We do have a couple of big renewals that have happened. But overall, it's more like a normal year.

In terms of incentives as a percent of gross revenues, which we normally give you some sense of, there's a few variables to keep in mind. One is the mix of our business is still quite different, right, it's not normal. Our domestic business has recovered a fair amount in fact as you would say in the US, it's almost like the pandemic never happened. They're on the trend line we would have been had the pandemic never happened. The international business domestically is slightly below what it would have been relative to the pre-pandemic trend line.

On the other hand, the cross-border business, as you saw last quarter, was still down about 40%. Since our incentives are more linked to the domestic business, that shift in mix certainly is pushing up incentives as a percent of gross revenues. As the cross-border business recovers, which we hope will happen as we head into the second half and into next year, then that should help.

On the flip side, we had lower incentives last year because volumes were substantially hit by the pandemic on the domestic side. And so, many clients didn't make certain thresholds and didn't get incentives as a result for those thresholds. This year, we are assuming that they will hit the thresholds. And so, [ph] it's not about a (00:18:13) recovery kind of increase in incentives that you're going to see this year, and then once things normalize you won't see it. So, that's some of what's playing through our numbers.

Darrin Peller

Analyst, Wolfe Research LLC

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Okay.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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It creates [indiscernible] (00:18:22). And so, the year-over-year comparisons have a lot of noise in them now. There's a lot of this incentive move around and clients making incentives this year, when they didn't last year. We'll give you the best we can as we go through the year as to how that's all going to play out. We give you a

sense for the range for the full year. We give you a sense for the range this quarter we are in right now. And then they'll stabilize as we get into next year. I think they'll get to something that more reflects what the longer-term level is.

Darrin Peller

Analyst, Wolfe Research LLC

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Yeah. It's helpful. Just shifting to value-added services, another area of focus given the structural positives from the pandemic some of them have benefited from. Can you give us a sense as to whether the strong growth we've seen there, whether it's Cybersource or it's risk and security offerings or even data analytics things like that, are you still seeing that kind of demand? And has the growth held up through, let's call it, the calendar first quarter so far as well?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Yeah. So, we are very pleased with the performance of our value-added services. The growth was, I believe, about 18% last year. It was 19% in the first quarter. And I believe it's sustainable and hopefully we can even accelerate it as time goes by. And there are reasons for that. So, we don't have a separate line called services. So, we do want to make sure people understand where our services revenue show up. Two thirds of them show up in our data processing revenue line. The reason being many of them are very tightly linked into our processing type services and many of them are priced on a per transaction basis. Those would include some of the services you just referred to like Cybersource, like our issuer – debit issuer processing business and like our fraud solutions and so on.

That part of the business has done extremely well through the pandemic. As you know, the move to e-commerce has made fraud and security requirements very important, even more than they would have been before, clearly high demand for our fraud, authentication and identity services. We've seen some great growth in CardinalCommerce that provides authentication services. We've seen a great take-up of our various fraud services. So, clearly that's helped. And we see that continuing. And of course, our services, given the scale and scope of our operations, offer a level of security that is very hard to match.

Cybersource has seen some wonderful growth through the year. Omni-commerce is very important right now. The growth of e-commerce means more merchants are really focused on their online presence. That's really what Cybersource does. The acquisition of Payworks that has helped us enhance our omni-commerce capabilities has meant that Cybersource have had some great success through this year.

We've signed up some very large accounts. One of the things Cybersource does now is to work through acquirers, we're sort of like a white label solution for acquirers. Acquirers resell it to their merchants, we've signed up some significant global acquirers in the UK, Barclays; in Japan, [ph] SMBC (00:21:39); NAB in Australia. So, there's been some really good growth in Cybersource and that will sustain. The growth of the debit business has helped our debit issuer processing. You may know that we're one of the largest issuer processors for debit in the US, we're expanding that globally. DKB in Germany has signed up to be with us to do debit issuer processing in Germany, and we are very excited about that starting up.

As debit has grown extremely fast, that has benefited, and we don't see the growth in debit slowing down. So, that should sustain. Beyond that, in our services line, we have a variety of card related benefits. And then the rest of our value-added services, which is about another less than a third maybe in the high teens is in the other revenue line. There our consulting businesses are doing extremely well. But there's also some concierge services and travel-related benefits that – where the take-up is low as you would expect since people are not travelling.

We continue to expand the scope of our value-added services. As you know, we acquired Verifi, which does dispute resolution. We can be – one of the things we're very excited about is many and most of our value-added services now are network agnostic, which means that we can offer them on other rails, whether that's tokenization or dispute resolution or our fraud solutions. That increases this total available market. So, there's a long way to go. And we absolutely believe the growth rates are sustainable, and we've been working very hard to accelerate them.

Darrin Peller

Analyst, Wolfe Research LLC

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Vasant, you mentioned debit obviously seeming sustainable and it's been really strong through the last 12 months. What does that mean for the business model in terms of let's say you go through the pandemic and implications of debit being a higher percentage of the mix maybe longer term?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Well, it's a good thing. Visa has a strong debit business globally. It is a business – as we've told you, the yields are not that [ph] distinct (00:23:48) between debit and credit. So, in that sense, it doesn't really – the shift in mix doesn't really have a huge impact. What we like about it, though, we believe that debit is at a sustainably higher level of growth. The reason being that, and there's a variety of reasons for that. And the reason we like it is credit will recover, is recovering and hopefully, we'll get back to where it was growing. And if debit can sustain, which we think it can, a high level of growth for reasons that we've talked about before and we can go into, then that's an overall sort of higher level of growth for the business. And that's what makes us optimistic.

Now, we'll have to wait and see, but there are reasons to believe that what we're seeing in debit is going to sustain. It really is the gateway to digitization of cash as you know. It tends to be what people first use as they get used to digital payments. We have made it so easy to pay with tap to pay that it is substantially increasing usage. We're going into smaller and smaller transactions. Tap to pay is now two thirds of transactions outside the US. And in the US, it's a huge opportunity.

You know now that in the US tap to pay is really taking off. The pandemic has helped, there's about 300 million cards that are enabled, most of the big merchants have enabled. We're only in the, like the low – in the high-single digits in penetration in the US, and it's already the fourth largest market for tap to pay. So, that should help debit in the US sustain a higher level of growth among other things. So, there are – there's a whole range of reasons why debit growth should sustain. And so, that should be, net-net, a very positive signal for what the longer-term trajectory is in the business.

Darrin Peller

Analyst, Wolfe Research LLC

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Okay. Just shifting gears to pricing, there's been a couple of headlines recently around recent changes. Can you just touch on some of these and whether these are strategic around business focus or just typical changes that the company tends to do on an annual or semiannual basis?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Yeah, first of all, it has nothing to do with our fees. It has to do mostly with interchange, which, as you know, is what the banks get. And really we haven't changed rates across merchant segments for a very long time. This

was in the works for a while. We had announced it last year, we postponed it because of the pandemic. It went into effect or will go into effect in April. It really has no net impact. There's ups and downs as you may have seen. It reflects more the world of today. It reflects what we've learned over the years on how to better adjust these rates for value for different merchant segments for certain different kinds of payments and so on to incent behaviors that could be beneficial to the ecosystem as a whole in terms of reducing fraud et cetera.

So, net-net, it really isn't an increase, it's some adjustments. And we haven't changed them in a very long time. We were planning to change them. We announced the change, the pandemic hit, so we decided to postpone it, and it'll go into effect now in April.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Okay. There is – when we think about long-term outlook, Vasant, I mean your addressable market has clearly grown not only in consumer but just thinking about the new deal flow, the new flows that you've talked about beyond, there were a bunch of different pillars of growth that you talked about at your Investor Day right before this pandemic started. [indiscernible] (00:27:22) our last trip on a plane before...

[indiscernible] (00:27:25)

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Yeah.

Darrin Peller

Analyst, Wolfe Research LLC

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But when we think about those pillars, when you – could you just really touch on if you still see those driving the same kind of trends? I think we talked about there being a potential of mix shift acceleration in your business given new services. Is that still, in your mind, realistic in the next few years?

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Yeah, look, I think, as you've said, we were, I guess, lucky to have gotten our Investor Day before the pandemic hit. And frankly everything we laid out there, we think is very much on track. And we feel as good if not better about it than we did then. The pandemic has in fact highlighted some of those opportunities and underlined them even more.

If you go through the three components, right, the three pillars to our growth strategy, the first of course is the business we've been in for a very long time, which is consumer payments. There, the game is the game we've been playing for a very long time, which is get more credentials in consumers' hands, get more places that those credentials are accepted and make it so easy for people to pay and be paid that we will see increased usage, right? It's a formula we've been at for a very long time. And there's still plenty of opportunity there as you've seen. There's still \$18 trillion in cash, which continues to grow. What you've seen is that our issuing credentials are growing. We have now partnered with a whole range of new players, who are putting more credentials in consumers' hands, all the wallets. That's \$2 billion in new credentials over time. They've opened up 70 million points of acceptance that used to be part of their networks.

Even in the past year, our points of acceptance have gone up almost 16% I believe to 70 million points of acceptance. And that doesn't even count people who are aggregators of points of acceptance like Square or PayPal and others. So, we've continued to grow credentials. We've continued to grow acceptance. And usage is going up. We've seen many more cards activated for online usage, 14% increase in that. We're seeing significantly more online usage. A new habit is being created. And that's great because, as you know, a transaction online, we have a greater propensity to get that than a transaction in-store.

In-store, there's a greater – a much greater desire for people to eliminate cash. Cash is dirty. We made it so easy with tap to pay. Tap to pay is dramatically increasing in-store penetration. So, by no means has growth in our core business, in any way, slowed down. And there's no sign whatsoever that that trajectory is running out of steam anytime soon. If anything, as we talked earlier, there could be some benefits coming out of this.

Then you have our new flows business and that's a very large opportunity, [ph] 10x (00:30:15) in a way than even our consumer payments opportunity, as we discussed. In that, all the use cases that we enabled through Visa Direct. Visa Direct is not a product, it's a platform and it enables a whole range of use cases. We've seen some extraordinary momentum there. Visa Direct grew, as you know, more than – almost 70%, 3.5 billion transactions, still growing extremely fast; P2P, massive growth, many new partnerships; earned wage access, massive growth, many new partnerships; cross-border remittances, we've done deals with all the big guys. You've seen some of the announcements they've made about how their business with Visa is growing. This has been an extraordinary opportunity for them.

So, the new flows business is growing at many orders of magnitude faster than even our core businesses. And we don't see that changing. We are growing in existing use cases, we're taking them outside the US. We're adding new use cases. We've signed up, I believe, 7 out of the 10 largest insurance companies for disbursements. So, that continues to grow.

B2B, another huge growth opportunity, B2B Connect will drive the cross-border part of it. Our core B2B business continues to be a very strong business relative to the alternatives. And then we continue to do partnerships in the AR/AP space.

And then, finally, value-added services we talked earlier, growing in the high teens and sustainable. And as you said, as these become a larger part of our mix, that should clearly help, because these businesses are growing faster than the core business. And the core business itself is growing well. So, we do feel very good about what we laid out at Investor Day. And if anything, the pandemic has made us even more convinced, and in many ways accelerated a whole range of use cases that we talked about.

Darrin Peller

Analyst, Wolfe Research LLC

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Okay. I want to hit on a few quick just sort of structural thematic things that we get from investors a lot these days in the backdrop of the pandemic and a bunch of new specs and IPOs. And let's just start with buy now pay later, which is a common theme that comes up around given all the new entrants we're seeing more publicly traded, how do you think about that in terms of opportunity, is it a risk, partnerships? And maybe just I'll leave – I'll turn it to you.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

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Yeah, I mean, buy now pay later is an opportunity without a doubt. Look, our mission is relatively straightforward, right? Our mission is to move money. Our mission is, if people want to be pay or be paid, to enable it. And if there

are new ways to pay and be paid, we will enable it. And there are many versions of buy now pay later and we've enabled them all.

Buy now pay later is not new for us. We've been working on it for quite a while. We're one of the early investors in Klarna a long time ago. We were one of the early investors in Paidy. We've been working with all the major providers whether it's Afterpay, Affirm, ChargeAfter, Splitit for a long time. There are various components to it.

In terms of the repayment part of buy now pay later, where people actually make payments, the fact that a single payment could be split into multiple payments is more transactions on our network and that's a good thing. To the extent that certain large purchases may not have been made using our credentials and are now made using our credentials and people pay for them using our credentials is incremental business we might not otherwise have had. So, in that sense, it's a good thing.

We get business we may not have had. An existing transaction gets split into multiple transactions. We then have a virtual card solution, where we're actually helping another part of the buy now pay later business, which is where these intermediaries whether it's Afterpay or others have to settle with their merchants, and that can be done through virtual cards. We're also doing digital cards, where installment payment providers can provision digital credentials, where a consumer can, in their wallet, have a credential that allows them to do buy now pay later. So, there's a variety of ways in which we are helping them.

Our value-added services, critically important even in the buy now pay later space. Clearly most of these providers are looking for the fraud and tokenization and those kinds of services. Visa Direct is getting involved in how payments are made to merchants or even in enabling consumers to make payments in a account to account way if they want to do it.

More broadly, though, in addition to partnering, we're building these capabilities into our network. We have the most connections to merchants, the most connections to lenders in effect, which are the banks, so we're enabling our sort of traditional customers to do buy now pay later using our network by creating the capability within our network rather than having to build it on their own. So, for example, we have for merchants an eligibility database in the acceptance service, for issuers and installment in the scheduling service. All this is being rolled out right now.

TSYS has enabled this for their customers, Commerce Bank is piloting one with about 300,000 of their customers at this point. So, we're playing in it in many different ways. Net-net, we see it as an opportunity. Anything that consumers want, anything that merchants want, anything that our partners or fintechs or financial institutions want, we will enable. It's not our job to pick winners and losers. There are many versions of this out there. Some of them will do well, some may not, but we'll enable them all.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Just given we only have a few minutes left, I'm going to take some of the audience questions if that's okay, Vasant. Here, the first one is, thanks for the update to your metrics yesterday. To the best that you can, even at high level, are the volume trends you're seeing more or less in line with guidance you've given for the quarter that we're in right now? Just to the best you can comment on that.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah, as you know, we don't comment on the quarter itself. But as I said earlier, if you look at the trend relative to where it was last quarter, it's generally in line.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Right.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

A

If you look at what's going on in cross-border, you start – you're generally seeing trends that are improving. So, all in all, I would say things are playing out relatively in the stable kind of way. There's been no major moves in either direction.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Okay. The next question is on crypto, and actually similar to a question we had that we were going to ask anyway, which really is just can you frame the Visa positioning around crypto, whether it's an opportunity or it's a threat, partnerships? Just give us a sense of where you see it heading.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah. I think I'll do this quick. Yeah, look, I think, we think we see crypto as an opportunity. So, there's a whole bunch of things we're doing, and I'll break it down into like five opportunities. First is, we're pretty much working with the fast ecosystem here that is developing and becoming a major provider of crypto-as-a-service as we call it. We partnered with 35 of the players already. So, the first is something we started doing a while ago, which is if you want to buy crypto, bitcoin-based or any of the others then of course we – you can do it on Visa credentials. You can use a Visa debit or credit card and buy crypto on these platforms.

The second then and the more interesting and emerging one is how do we then allow people to use crypto to buy and sell things. And that's what is really beginning to happen now. We have 70 million points of acceptance. How can we allow people to use crypto? We worked with 35 of the leading digital currency platforms and wallets. And we've done deals with them to issue Visa credentials that can accept crypto. So, for example, we're doing this in the B2B space with Circle. If you work with Circle and you want to pay your vendors outside the US, if those vendors are enabled on a Visa wallet that can accept crypto, you can make payments in crypto. So, we're beginning to enable payments using crypto.

The third is we're enabling our fintech and financial institution partners to quickly develop a crypto offering for their customers. We're effectively providing the infrastructure, working with people like Anchorage to do a lot of the, what you might call the back office look, custodial, so this is security services, keeping track of accounts et cetera.

The fourth is settlement, we're developing the capability to be able to settle in crypto currencies. And we can talk more about that. And we don't have time for that. And then, finally, we're partnering with Central Banks as they start thinking about central bank digital currencies. So, in the end, I mean our job right now is to provide an ecosystem for crypto to be available either store a value or a medium of exchange and we'll see how it develops over time. It falls into the category of we'll enable anybody who wants to pay and be paid, and we'll wait and see what wins and what loses, but we'll enable everybody.

Darrin Peller

Analyst, Wolfe Research LLC

Good. All right, that was really helpful, Vasant. Thank you so much. I think we're just about out of time anyway, guys. If anyone has further questions, feel free to pass them along and we'll try to get them to the hands of Mike Milotich and others at Visa and Jen. Vasant, thank you very much. Guys, the next panel, the next presentation is Jeff Sloan, CEO of Global Payments at 01:00 PM. And everyone be safe and have a great day. Take care.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

Bye.

Darrin Peller

Analyst, Wolfe Research LLC

Thanks, Vasant.

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