03-Mar-2022

Visa, Inc. (V)

Evercore Payments & FinTech Innovators Forum

Copyright © 2001-2022 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

OTHER PARTICIPANTS

David Mark Togut
Analyst, Evercore ISI

MANAGEMENT DISCUSSION SECTION

David Mark Togut
Analyst, Evercore ISI

Welcome back to Evercore ISI's Sixth Annual Payments & FinTech Innovators Forum. I'm David Togut. I lead the Payments, Processors and IT Services research team at Evercore ISI. Delighted to welcome Jack Forestell, Chief Product Officer at Visa.

Jack, thanks so much for being with us here today. We greatly appreciate it.

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

Morning, David, and thanks for having me. Thanks for everyone spending some time with us here today.

Copyright © 2001-2022 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

David Mark Togut
Analyst, Evercore ISI

Q

What are your top three priorities as Chief Product Officer?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. So, David, maybe I'll just give you a little context. And I often get asked about, well, Chief Product Officer at a network, what does that mean? So I'll explain that a little bit and then shoot into the top priorities.

So I lead a team at Visa that really has three accountabilities. First, we manage the design and development of our core products and platforms, think debit, credit, prepaid, VisaNet itself. Second, we manage our growing portfolio of value-added services. We've got four business lines there, services for acceptance, services for issuing, services for risk and identity, and then our advisory services. And then, lastly, we manage the business development and partnerships with our digital platform and fintech clients around the globe.

Top three priorities, it's actually pretty easy. It's pre-aligned with our corporate strategy. Number one, grow our consumer payments business. Now, from our – or my standpoint, that's largely about continuously enhancing our products and services to deliver the very best, very most secure digital user experiences for our clients. Number two is growing our services business, and that's about building and scaling solutions that enable our clients to solve real world user problems. And then the last one is about growing the new flows business by really extending our existing capabilities beyond our consumer payments business and into a whole set of new money movement flows.

David Mark Togut
Analyst, Evercore ISI

Q

Great. Thanks for that. If you could update us on the situation in Russia and Ukraine from Visa's perspective?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. Boy, it's been tough to watch the images coming out of Ukraine for the last week. All I can say is I feel for our Ukrainian colleagues and friends and family. And, look, the invasion is a human tragedy. So, for us, our number one priority has been ensuring the safety and security of our team members and their families, those that are direct in harm's way in Ukraine. And we've had teams working around the clock to get assistance to our people in Ukraine, and we're really trying to take care of them. That's number one.

We've also had teams working 24/7 to make sure that we're compliant with all the applicable global sanctions that have been issued by a whole bunch of different jurisdictions. As part of that compliance, we suspended access to Visa for a number of clients. Some of the sanctions, by the way, are super clear, for example, those regarding what are called SDNs or Specifically Designated Nationals. They're pretty clear. Those sanctions require us to suspend access to the Visa network for companies that are listed.

More specifically in that, that means domestic and cross-border transactions from Visa cards issued by SDNs will no longer be processed over the Visa network or either domestically or internationally, just no access to the Visa

Copyright © 2001-2022 FactSet CallStreet, LLC

network. In addition to that, transactions on non-SDN cards that are linked to an SDN, so say, for example, an SDN is an acquirer, those also cannot be processed over the Visa network. So we've been working through everything, getting all of those sanctions in place – or blocks in place.

Just to point out, Russian domestic transactions continue to be processed over Russian national infrastructure via the NSPK. We do not process those transactions domestically. And we will not generate revenue from any of those transactions that are processed in Russia, even if it is a transaction from a card carrying a Visa mark that's processed over the NSPK infrastructure. So, that's kind of the SDN sanctions.

There are other sanctions and we're still working through them. They are less clear for other banks, for SWIFT and for the Russian Central Bank, for example. So we're still working through all those pieces. And it's just – it's very fluid, very, very evolutionary, and we're spending a lot of time on staying on top of it.

In terms of impact to our business, I mean, at this stage, we're still early in this. It's impossible to really estimate what the impact can be. All I can tell you is that, in 2021, our net revenues from Russia, including domestic as well as cross-border, were about 4% of total Visa level net revenue and our net revenue from Ukraine were just under 1% of VisaNet revenues. So, look, as this situation shapes up and we get more insight into impact and what might happen with further waves of sanctions, I'm sure our team will let you know. And that's what I've got for now.

David Mark Togut
Analyst, Evercore ISI

Q

Understood. Certainly a rapidly evolving situation. So, appreciate your going into detail...

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Sure.

David Mark Togut
Analyst, Evercore ISI

Q

...there. In the past year, Visa Europe has improved its market share in the European continent as part of its growth pivot from being principally UK centric. Notably, Visa has gained market share with Revolut. Which products and services are enabling share gains in continental Europe generally and with key fintechs more specifically?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. Look, we're really excited about our progress in Europe. Last three years in Europe, we've increased the number of Visa credentials by almost 20%. But if you break that down and you just look at continental Europe, which is more what you're asking about, that number is actually over 30%. And as we look at it on a forward-looking basis, we think we've got like a really direct line of sight to adding another $30 million-plus additional credentials across a very specific set of clients, about 54 of them to be exact.

So, well, how we're doing that? We're – like, it's a strong, steady investment in all our client relationships and in new and existing client segments. So, a lot of the growth is being driven with established partners, banks like BBVA, CaixaBank of Spain, DKB in Germany, ING in the Netherlands, BPCE in France. So, that's kind of the backbone, a lot of the growth that you're seeing.

Copyright © 2001-2022 FactSet CallStreet, LLC

But we're also driving growth with fintechs. You mentioned Revolut, who operate in every major European market. But by the way, they also operate in the US and several markets in Asia. Wise is another great partner, they cover 37 different markets, including every single European market. Crypto.com is another less intuitive player than you might think, but they're issuing Visa cards in 31 European countries right now. So, lots of momentum, lots of moving pieces in continental Europe.

To the question you asked about our products and services and how they're enabling growth, it's hard to give you a single answer because the answer is really that we're – our teams are working with our clients more than they ever have to develop solutions specific to the clients to meet their needs, whether it's in the security domain, products like Visa Secure authentication, which we've seen triple in usage in Europe since the start of 2021. For fintechs, we have a program called Fintech Fast Track, which enables fintechs to onboard with Visa, turnkey access to hundreds of ecosystem partners and players for a brand new fintech. Cloud Connect is another one where we made the ability to connect to Visa once and then operate in many markets. So, for players like Wise that I was just talking about, to be able to connect to us once in the cloud and then operate in their 31 markets, is huge.

Or even just like our tokenization service that's enabling more secure, smarter digital transactions and commerce experiences. We saw tokenization grow by 70% year-on-year last year in Europe, and we're at the point now where about one in five transactions in Europe is now processed on a Visa token. So, lots of stuff coming together to drive growth in a whole bunch of different segments for us in Europe.

David Mark Togut
Analyst, Evercore ISI

Q

No question. Appreciate all the insights on the growth pivot and what's driving a lot of the increased traction. Can you tell us more about your approach to open banking? And how Visa is going to market with Earthport and Visa Direct to drive your growth, especially for cross-border use cases? And how do value-added services really tie into open banking as well?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Got it. Thanks, David. There's a few questions packed in there. So, let me start with open banking. Like, we just think open banking represents a ton of opportunity. [ph] Let me tell people, like, (00:09:27) think about the value of a Visa transaction. Like, the real value isn't necessarily about the connectivity through a debit card or a credit card back to a source of funds. It's about the reliability, the ubiquity, the security, the trust, the brand, all those features and services that we bring together to make that a really high value transaction.

Now, think about a world where consumers can access their financial data and initiate money movement transactions through all form and manner of generic platforms. That's open banking. It's just a commodity capability that connects. We think open banking does create a valuable capability for consumers and innovators. But to really gain adoption and trust, it needs someone like Visa to bring standards and new capabilities to bear. That's why we're so excited about it.

Last year, we announced our intent to acquire Tink, which is a European open banking platform. Tink's got phenomenal capability. We think they're a leading platform. Through a single API, Tink can allow its customers to access their financial data, aggregated financial data, use smart financial services like risk insights and account verification, build personal financial management tools. So we think the connectivity and capability services that Tink has already built, along with Visa's capabilities, our services and our reach, is really going to help accelerate

Copyright © 2001-2022 FactSet CallStreet, LLC

adoption of open banking in Europe. And from Europe, where things are the most advanced in a way, we see the potential to expand into Latin America, Asia and eventually into the US. So, that's a little bit of our thinking on open banking.

You also have Visa Direct and Earthport in the context of open banking and cross-border use cases. So, more about Visa Direct, I mean, Visa Direct enables us to push money into users' accounts, right? We start with billions of Visa credentials globally. So, that's a pretty good start in terms of coverage. But when you're talking about pushing funds, think about it. I want to push funds to a friend through a remittance. I don't want to have to count on them being one of those billions who have a Visa card. I want to actually be totally ubiquitous.

So, that's where Earthport comes in. With Earthport, we added to the billions connections to 66 national ACH schemes and seven national RTP schemes, effectively extending our reach to every bank account in the world. So now we've got a cross-border money movement capability that can hit everything, and it's been a great journey in the last couple years. We're now engaged with 500 different partners across 20 different use cases for cross-border remittances, earned-wage access and marketplace payouts, to name just a few of those use cases.

And sorry, David, for such a long answer. I think you also asked about value-added services in the same context. So, look, today, I would say we have a really strong suite of value-added services that have mostly grown up on the Visa network itself. Now, as we grow our network of networks strategy, what we're doing is we're taking these services beyond VisaNet.

I'll give you an example. We have a product that we distribute through CyberSource, been around for a while. It's called Decision Manager. Really what happened was we took the power of our issuing facing network-based authorization risk score, so Visa advanced authorization, and we offer that to issuers on the Visa network, we took the power of that and we enhanced it and we customized it and we turned around and we made it available to merchants to use it to detect fraud in all e-commerce transactions, not just Visa transactions.

So, that's an example of the kind of thing that we're doing to take all of our services, abstract those from Visa, and turn them around and make them available on all form and manner of [ph] really (00:13:24) super relevant to where we're ultimately going to land with open banking.

David Mark Togut
Analyst, Evercore ISI

Q

Appreciate that. Thanks for that, Jack. Can you discuss Visa's recent acquisition of Currencycloud and how you're combining Currencycloud's APIs on the front-end, which provide real-time FX capabilities with your settlement capabilities across your network of networks to enable new cross-border use cases?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. Sure. Look, and Currencycloud was such a natural for us. In our core network, we are one of the largest players in the world in consumer currency conversion, right? Like the foreign exchange capabilities that, hopefully, you all experience when you use your Visa card either online at foreign sellers or when you're traveling, that capability, it's part of the magic that makes us who we are.

Now, that said, as payments and financial services are really experiencing mass digitization, the demand for much more sophisticated, more dynamic, more real-time, more embedded FX solutions is growing pretty dramatically. And that's where our Currencycloud comes in. Their platform offers partners a whole range of new FX services like real-time notifications on foreign exchange transactions, the ability to quickly set up a

Copyright © 2001-2022 FactSet CallStreet, LLC

multicurrency wallet, virtual account management, all through a super easy to integrate set of APIs. In fact, they've already got 500 banking and technology clients in 180 different countries. So, they're doing it pretty well.

I'll give you a couple examples just because sometimes on this one, it's a little abstract what exactly you do. I'll give you two. There's, these are real, a new Swiss digital bank and they're targeting high net worth individuals and offering a travel card. So, put yourself in their shoes. Okay, I'm doing this. Now, how do I offer these clients the ability to hold multiple currencies in their wallet and do things like see real-time what the exchange rate might look like at the time of purchase or transfer, right? Now, imagine yourself as that bank and they got to go build all that capability. They didn't have to build anything. They just consumed Currencycloud's APIs to be able to create that multicurrency wallet in those real-time looks.

Similarly, a US bank serving small businesses, they wanted to offer a really efficient way to facilitate receivables and payables. And in the modern e-comm world, that means cross-currency. So, how do I do that without investing in a whole infrastructure to build multicurrency accounts, enable cross-currency send and receive. Again, they just used Currencycloud's APIs. So, hopefully that gives you a sense for it. And you take that and you connect that back to our global scale treasury management, FX and currency settlement capability, we think it's a really powerful combination.

David Mark Togut
Analyst, Evercore ISI

Q

Thanks for that. Very clear. Incoming investor question, can you discuss pricing issues with Amazon and the general – and do digital wallets present a threat to Visa in your perspective?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. I'm not going to talk about pricing at all, so whether it's Amazon or otherwise. I will say that we're really pleased to have reached an agreement with Amazon. We had a little bit of a rough patch with them and everyone saw that kind of unfold. They have been a fantastic partner for a very, very long time. I know them well. I worked with them personally. And we've gotten to a deal that we think is mutually agreeable and we're really, really excited to get to the next chapter of collaboration and innovation between our two companies.

The second question was do digital wallets pose a threat to Visa. My short answer is, no, quite the opposite. I think digital wallets pose an opportunity for Visa. There might have been a time several years ago when we were looking at the emergence of a lot of different closed loop digital wallets around the world. And there were a lot of questions around are these closed loops going to expand to occupy all the space. I think it's not what we've seen. I think what we've seen is most closed loop wallets around the world really tilt toward consumer choice, tilt toward interoperability across wallets, across geographies. And the biggest single enabler that they can find to do that ends up being Visa acceptance. So we're at the point now where you see enormous volume going through a variety of different digital wallets around the world. So, no is my short answer. I see it quite the opposite as an opportunity.

David Mark Togut
Analyst, Evercore ISI

Q

Thanks for that.

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Copyright © 2001-2022 FactSet CallStreet, LLC

Yeah.

David Mark Togut
Analyst, Evercore ISI

Q

You've recently announced the launch of Visa Acceptance Cloud to enable merchants to move embedded payment processing software from individual devices to the cloud, essentially eliminating the need for payment terminals, while offering value-added services such as fraud management to BNPL.

Related to that, are there other major payment industry initiatives either to reinvent the point of sale payment terminal, such as Apple's recent announcement to make the iPhone Tap to Pay compatible, working with Stripe and Shopify without needing a dongle? And then Adyen is doing something similar with the Android phone. So, big picture, do you see Apple and Android adopting the Visa Acceptance Cloud?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Okay. There's a lot packed in there, too, David. Let me talk about Tap to Phone first and then I'll talk about Acceptance Cloud. And, like, I have a lot of passion for this and forgive me if I get a little bit nerdy on us. But – so Tap to Phone, like, let's start with a point of sale terminal, we all know what one of those is. That point of sale terminal is piece of hardware, but it's operated by software, right? So there's a piece of software, a little operating system in there called a secure kernel. That kernel is embedded in every device. It basically runs the terminal. That kernel's got to be certified by each network for each manufacturer and it's got to get certified again for each acquirer who configures a terminal and then deploys it. That process of building the kernel, embedding in the device, certifying it to the manufacturer, certifying it again for all the acquirers is a time-consuming, laborious process.

So, back in 2019, we saw the opportunity to try to enable any NFC-enabled device to act as a payment terminal. So what we did is we built a Visa pre-certified kernel that could be deployed on any NFC-enabled device, effectively creating the ability to have any mobile device that has an NFC capability to get used as a payment terminal. At that point, that really opened up the world to Android devices for Tap to Phone. You mentioned that Apple recently announced that it's making iPhone devices available for Tap to Phone. That's the same thing that leverages the same specifications I just talked about, but in a custom deployment for Apple devices.

So we're early days still here, but we're really excited about the potential for Tap to Phone to really scale acceptance mid/long tail, even further than we already have. I mean, this has always been a tough one you've got to accept. Visa, years ago, you had to purchase a single-use piece of hardware, go through all those steps, certification, etcetera. It was hard. And now, the phone in your pocket, and with Apple joining the party, that any phone in your pocket can actually get used as a Tap to Phone device. So, that's Tap to Phone.

Now you mentioned Acceptance Cloud, Acceptance Cloud goes a step beyond standardizing the kernel and hosting on a device. With Acceptance Cloud, we're removing the kernel from the device altogether and hosting that in the cloud. What that does is it just radically simplifies testing and certification and all those timelines, because you just don't even have to do it anymore. It's got nothing to do with the device. All of that security is being hosted in the cloud. It also creates the ability for almost any device to accept payments. So, imagine almost any connected device being able to securely accept payments simply by downloading an app. That's the point behind Acceptance Cloud.

So, look, we're super excited about it. Our clients on the acquiring side, payment facilitators, gateways, they're all also pretty excited about it. You had asked the same question about, will Apple, Adyen adopt Acceptance Cloud. I

Copyright © 2001-2022 FactSet CallStreet, LLC

mean, they've already adopted kernel on device as part of this, right? We'll see how things evolves as to if and when they – you'd probably need to ask them whether they're going to adopt Acceptance Cloud. But, yeah, we're super excited about it. It's still early days.

David Mark Togut
Analyst, Evercore ISI

Q

Yeah, thanks for that. It'll be exciting to watch Visa Acceptance Cloud get traction. As of January, more than 65 crypto platforms and exchanges had partnered with Visa to issue Visa credentials and Visa has also added new crypto and API capabilities. How has this helped Visa win business with fintechs and financial institutions?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. Look, I'll be – I'll say definitively we really see crypto as an opportunity. This is one of these things where again, years back, there was a lot more uncertainty. I think we definitively see crypto as an opportunity, and we've been investing in R&D and product development to make sure that we've got capabilities that both crypto fintechs, other fintechs and financial institution partners can find attractive. And it's working, as evidenced by the 65 crypto platforms you just referred to.

[ph] And you probably need to (00:23:34) look at this layout, like, what we're actually doing, and there are five things and I can go through them really quickly. Five things we're doing. First, we're enabling crypto purchases with existing Visa products. I want to buy crypto, I generally start with fiat, so I got to get the fiat to an exchange and then convert it to crypto. That's where we come in. Consumers are funding cryptocurrency transactions, stablecoin purchases with Visa credentials. And we're working closely with the exchanges to make that a great customer experience for their users. That's one.

Two, we're enabling crypto balances to be spent. If I've got a crypto balance today and I'm going to spend it, at least for now I've got to convert it to fiat in order to pay the seller. Again, that's where we come in. As you mentioned, we have 65 partners who are actively issuing Visa cards, so that their users can spend their crypto or stablecoin balances at POS using Visa credential.

Third, we're developing crypto value-added services to help financial institution customers and fintechs to, like, offer crypto capabilities. Whether that's custody, crypto rewards, you name it, it's all pretty early stuff. We also recently launched our Crypto Advisory Practice as part of our Visa Consulting Services business and tremendous demand from our financial institution partners, retail partners and fintech partners just to help them develop their crypto strategies.

Fourth, we're enabling new currencies on our network. So, in the fiat world today, we transact in about 160 currencies, settled in 28. We know we're going to be needing to support digital currencies as well. And so, we've gotten started with initial focus on USDC. Not, to be honest with you, a huge amount of demand so far. We see a few fintechs interested and maybe one day we'll start to see acquirers and traditional issuers interested that we're investing ahead of the curve on that one.

And then the last thing we're doing is working very closely with central banks all over the world. I don't think there's a central bank in the world who is not thinking about and developing a CBDC, central bank digital currency strategy. And we're actively involved with them and we really see us helping play a role in interoperability and connectivity between fintechs, financial institutions and the central banks themselves.

Copyright © 2001-2022 FactSet CallStreet, LLC

So, bottom line, like, there's all this stuff I just talked about in the short-term that we're actually doing that's generating real value and volume. But as crypto evolves, we really think there's a need for interoperability, for acceptance, for trust, for security, and we think that's right up our alley.

David Mark Togut
Analyst, Evercore ISI

Q

Thanks for that. Very comprehensive. A firm recently chose Visa as its network partner for the Affirm+Debit (sic) [Affirm Debit+] (00:26:23) card. How will Visa leverage the Affirm Debit+ card to win business with other BNPL companies both in the US and internationally?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

David, let me – if you don't mind, I just want to talk a little bit about how we work with BNPL companies first and then I promise I'll talk about Affirm Debit+. Look, we've been active in the BNPL space with BNPL platform since the beginning. We work with – I think we work with every single major player on planet earth. And we do it in a few different ways. First, we work with the platforms to enable really seamless customer repayment of BNPL plans on debit cards. For us, that effectively turns what would have been one transaction into four or more.

And we've seen to our data the vast, vast majority of installment payoffs today are on debit card. I'll give you a couple of fun facts. In Q4 last year, the number of Visa cards used to repay installments in Canada grew year-over-year by over 300%. In the US, that number is around 50%. So we are continuing to see a lot of volume growth in our debit portfolios driven by BNPL. So, that's the first thing.

The second thing we already do is we work with BNPL platforms to make the upfront payment to the merchant from the BNPL platform, a B2B payment using a Visa virtual card. It makes it so much easier for the BNPL platforms to pay up that way, and we've been seeing triple-digit year-over-year growth, again, in US BNPL virtual card payment volume. So, that's – we kind of think of what I just described as, for us, BNPL 1.0, like, that's what's happened so far.

What we're seeing come next is a collaboration with BNPL platforms through issuance of their own Visa credentials. If you think about it, the BNPL platforms have done a fantastic job building big, active consumer user bases, tens of millions of customers in some places. The harder part is building acceptance one merchant at a time, right? We have somewhere north of 75 million acceptance points. That's hard to build. And so what we're seeing is BNPL platform is saying, hey, maybe I can bring my active consumer user base to that pre-wired acceptance. And we kind of refer to that internally as BNPL 2.0, where fintech partners use Visa credentials to leverage our broad acceptance platform to overcome that timing, difficulty investment and scaling, etcetera.

So, that's where the Affirm part you mentioned comes in. We see it as sort of part of that movement. Now, on Affirm Debit+, so how will we leverage it? Just to be clear, I don't see us leveraging Affirm's product. I see Affirm leveraging the combination of their capabilities and our capabilities to deliver a brand new user experience that enables users to seamlessly easily transition across debit transactions or BNPL transactions, whatever the user wants. It's a really well designed construct and we're working with them closely on it. Now, I expect other players will want to work with us to develop their own versions of that capability. So, we're excited about that.

And if I could put in a last plug on BNPL, by the way, that's on the sort of BNPL platform side. We've also developed a solution that enables existing Visa merchants and existing Visa issuers to deliver a BNPL experience on those existing credentials. It's called Visa Installment Solutions and it enables issuers to pre-qualify their consumers for installments and merchants to present those at the POS, eliminates the need for consumers to

Copyright © 2001-2022 FactSet CallStreet, LLC

have to sign up for new service and leverages the billions of credentials that are already out there. So, yeah, in early days on that. We're launching in Canada, US, Malaysia, and now looking at the UK and Australia pretty soon.

David Mark Togut
Analyst, Evercore ISI

Q

Great. Thanks for that. What do you see as the biggest new vertical market opportunities for contactless payments in the US and internationally? Contactless has been a big growth driver for Visa.

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Yeah. Contactless has been a big story for us for a long time, and the pandemic has just put a turbo boost into it, to be honest. Just to level-set a little bit, we're at about 70% contactless penetration and face-to-face transactions globally, if you exclude the US, and about 25 countries now where it's over 90% and 75 countries where it's over 50%. But in the US, we're at about 20%. We were in the low-single digits at the start of the pandemic, by the way. So we've really seen a lot of growth over the last couple years.

In terms of opportunities in contactless penetration, I don't think that is so much about being new verticals. We kind of developed the capability that can serve almost any vertical. It's more about scaling availability and consumer adoption. And having done it in a lot of markets now, what we've seen is adoption grows when consumers start to tap for everyday purchases. So, to that end, one of our go-to is transit. It's one of the best ways to habituate people to tapping. When we enable Tap to Pay on transit, we don't just see a quick uptick on transit, we see about a 15% lift in Tap To Pay for transactions in merchants in the surrounding neighborhoods of the transit authority. And transit authorities are really taking it up. Even with the pandemic, over the last three years, we've enabled 250 new transit systems globally, and we're continuing to focus on more and more. So you've got transit, that's a building block.

Some close cousins to transit are everyday spend categories like food, grocery, fuel, QSR. We work on those too. We're at a point in the US now we've got about 280 of our top 300 merchants enabled for Tap to Pay. And then once you've got the core covered, it really starts to be about enabling mid and long tail. We talked earlier about Tap to Phone. We're excited about that for mid to long tail. And then we're working on all the edge-use cases like cashless tipping and cashless donations. Over the holidays, The Salvation Army actually deployed Tap to Pay for their red kettles.

So it's getting pretty ubiquitous. That's the accepted side. But even when you have acceptance, for example, in the US we got 75% of transactions actually happen at a tap-enabled point of sale. We got to get the consumers using it, and that's where we're investing with merchants for education and then direct-to-consumer marketing.

David Mark Togut
Analyst, Evercore ISI

Q

Understood. Thanks for that, Jack. Incoming investor question, how do you see risks from ACH taking share from consumer payments under platforms like Klarna and Affirm? What competitive differentiation do you see Visa now offering Visa versus ACH, especially with the expected late 2023 launch of FedNow? And do you expect to continue to take share in consumer payments in the US and rest of world against ACH?

Jack Forestell
Chief Product Officer & Executive Vice President, Visa, Inc.

A

Copyright © 2001-2022 FactSet CallStreet, LLC

Yeah. There's a lot in that question too. Look, I mean, we've seen other markets around the world get beyond ACH into real-time payments adoption in significant ways. So we've got some experience with this. I think what we tend to see is those capabilities end up getting deployed at use cases that haven't yet been electronified. There are a lot of – you can think about bill pay and tuition and other capabilities that end up being chased by those capabilities.

So, part of my answer is, well, there's plenty of room here. We haven't necessarily seen much activity with ACH or RTP getting into the core of our B2C seller, consumer-to-seller type transactions, and we don't anticipate that because we think we've got a superior product offering. That said, as I talk about things like open banking and abstracting our value-added services into open banking transactions, we're actually excited about the opportunity to take those services, take capabilities like Tink connectivity, and actually start to tap into ACH and RTP networks around the world, eventually in the US ourselves, and start to deploy Visa value-added services to those transactions as well.

So, once again, A, insofar is there's growth in ACH, RTP transactions. We think there's plenty of space for everybody. And B, we think there's actually opportunity as we get further into open banking and driving often value-added services.

David Mark Togut

Analyst, Evercore ISI

Great. Jack, thanks so much. Greatly appreciate your insights, not only into products, but also a lot on the services side as well. So we're up on time and look forward to speaking with you again soon and learning about more developments on the product side.

Jack Forestell

Chief Product Officer & Executive Vice President, Visa, Inc.

Awesome. Thank you, David. Thank you, everybody. Take care.

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

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

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2022 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.